UNITED STATES OF AMERICA

Congressional Record

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS

FIRST SESSION

VOLUME 127—PART 13

JULY 20, 1981 TO JULY 28, 1981

(PAGES 16439 TO 17919)

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PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, FIRST SESSION

HOUSE OF REPRESENTATIVES—*Monday, July 20, 1981*

The House met at 12 o'clock noon.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

To get wisdom is better than gold; to get understanding is to be chosen rather than silver.—Proverbs 16: 16.

O God, grant us the right use of all the knowledge and information available to us that we may gain a heart of wisdom. While we pray for the skills and information so necessary for our tasks, so may we, too, learn to measure our facts and be prudent in our judgment that we act in ways that display true understanding for the needs of all people. In Your holy name, we pray. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 3420. An act to authorize appropriations for fiscal year 1982 for carrying out the Natural Gas Pipeline Safety Act of 1968 and the Hazardous Liquid Pipeline Safety Act of 1979, and for other purposes.

The message also announced that the Senate had passed joint resolutions of the following titles, in which the concurrence of the House is requested:

S.J. Res. 42. Joint resolution to authorize and request the President to designate September 20, 1981, as "National Ministers Day";

S.J. Res. 78. Joint resolution to provide for the designation of October 2, 1981, as "American Enterprise Day"; and

S.J. Res. 92. Joint resolution to authorize and request the President to designate the week of September 6, 1981, through September 12, 1981, as "Older Americans Employment Opportunity Week."

CONSENT CALENDAR

The SPEAKER. This is Consent Calendar day. The Clerk will call the first bill on the Consent Calendar.

PROVIDING CONVEYANCE OF CERTAIN LANDS TO CERTAIN PERSONS WHO PURCHASED LANDS IN EL DORADO NATIONAL FOREST

The Clerk called the bill (H.R. 2820) to provide that certain lands constituting part of the El Dorado National Forest be conveyed to certain persons who purchased and held such lands in good faith reliance on an inaccurate surveyor's map.

There being no objection, the Clerk read the bill as follows:

H.R. 2820

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) Subject to section 2 of this Act, the Secretary of Agriculture shall convey to any person, all right, title, and interest of the United States in and to a portion of real property in the El Dorado National Forest, El Dorado County, California, if—

(1) such portion was depicted in the 1957 recorded surveyor's map of the Kyburz Mountain Resort Unit Numbered 1 Subdivision, El Dorado County, California, as being included in a lot with respect to which title to the remaining portion of such lot is held by such person, and

(2) such portion was determined, following surveys conducted under the auspices of the Forest Service in 1974 and 1976, and contrary to the map referred to in paragraph (1), to be a part of the El Dorado National Forest.

(b) Each person to whom property is conveyed pursuant to this Act shall reimburse the Secretary of Agriculture for all administrative expenses incident to such conveyance, and in addition shall pay to the United States the following:

(1) an amount equal to the acreage or fraction thereof of the property conveyed to such person, multiplied by the per-acre price for the remainder of the lot (exclusive of any improvements) referred to in paragraph (1) of subsection (a) of this section paid by such person or his predecessor in interest at the time of the original purchase of such lot after formation of the subdivision; and

(2) if such person elects to receive title to the mineral interests in the property conveyed, the fair market value thereof; but if such person does not so elect, all such mineral interests shall be reserved to the United States.

SEC. 2. A conveyance may be made under this Act to a person only if such person submits a written application to the Secretary of Agriculture within five years after the date of the enactment of this Act, together with such proof of title as the Secretary may consider appropriate.

SEC. 3. (a) For purposes of this Act, the term "1957 recorded surveyor's map", used with respect to the Kyburz Mountain Resort Unit Numbered 1 Subdivision, refers to the map of such subdivision which was filed in the Office of the County Recorder, El Dorado County, California, on October 3, 1957.

(b) For purposes of this Act, the Kyburz Mountain Resort Unit Numbered 1 Subdivision, El Dorado County, California, consists of a portion of the northwest quarter of section 27, and the northeast quarter of section 28, township 11 north, range 15 east, Mount Diablo Meridian, more particularly described in book 4, page 57, and book 5, page 41, of the El Dorado County Records of Survey.

SEC. 4. Subject to valid existing rights, all mineral interests retained by the United States pursuant to section 1(b)(2) of this Act are hereby withdrawn from all forms of entry or appropriation under the mining laws and from the operation of the mineral leasing laws of the United States.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

DIRECTING THE SECRETARY OF AGRICULTURE TO CONVEY CERTAIN NATIONAL FOREST SYSTEM LANDS IN NEVADA

The Clerk called the bill (H.R. 2218) to direct the Secretary of Agriculture to convey certain National Forest System lands in the State of Nevada, and for other purposes.

There being no objection, the Clerk read the bill as follows:

H.R. 2218

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding any other provision of law, the Secretary of Agriculture is directed to convey to the county of Douglas, Nevada, by quitclaim deed or other appropriate instrument, subject to the provisions of section 2 of this Act, all right, title, and interest of the United States in and to a certain tract of land and improvements thereon described as follows: Township 13 north, range 20 east, Mount Diablo base line and meridian, section 29, lot 3, block 1, north addition, town of Minden, county of Douglas, Nevada, containing 0.34 acre more or less.

SEC. 2. The county of Douglas, Nevada, shall, in consideration for the conveyance of the lands described in the first section—

(1) convey to the Secretary of Agriculture all right, title, and interest in and to a certain tract of land described as follows: That portion of the northwest quarter southeast quarter of section 8, township 13 north, range 20 east, Mount Diablo meridian, Douglas County, Nevada, beginning at the point on the northerly right-of-way line of Airport Road, said point bears south 7 degrees 35 minutes 52 seconds west, 14,708.02 feet from the northeast corner of section 32, township 14 north, range 20 east, Mount Diablo meridian; thence from the initial point south 89 degrees 43 minutes 16 seconds west along the northerly right-of-way line of said Airport Road 215.00 feet; thence north 0 degrees 16 minutes 44 seconds west, 145.88 feet; thence north 89 degrees 43 minutes 16 seconds east, 215.00 feet; thence south 0 degrees 16 minutes 44 seconds east, 145.88 feet to the point of beginning, containing 0.72 acre, more or less; and

(2) construct a warehouse on said tract of land of such design and quality acceptable to the Secretary of Agriculture.

SEC. 3. The lands acquired by the Secretary of Agriculture by this Act shall be added to the Toiyabe National Forest and shall be administered in accordance with the laws, rules, and regulations, applicable to the National Forest System.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GRAIN SALES TO THE SOVIET UNION

(Mr. WEAVER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WEAVER. Mr. Speaker, once again the Reagan administration is interested in selling grain to the Soviet Union at below the cost of production. Our grain prices are plummeting due to a heavy surplus and bountiful crop in the works this year.

I beg and plead with the Reagan administration to set minimum prices on our grain so we no longer continue to subsidize the Soviet Union and all of the other wealthy nations in the world that buy our grain, and give the farmer, and the American taxpayer, a decent price on our grain and on our exports.

RECONCILIATION UPDATE

(Mr. PANETTA asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. PANETTA. Mr. Speaker, I would again like to present an update on reconciliation.

As of today, the following are completed conferences: Foreign Affairs has completed its conference; Post Office and Civil Service has completed its conference; Science and Technology on the Energy R. & D. element; the Veterans' Committee has completed its conference; and Education and Labor is virtually completed in terms of the Child Nutrition Conference.

Today the following committees are meeting: Energy and Commerce met this morning at 10 o'clock to discuss the health issue; Ways and Means is now meeting to discuss their conference agreements. Education and Labor will be meeting at 12 o'clock on the education elements of their conference. The Armed Services Committee will be meeting at 3 o'clock, and the House Committee on Banking and Urban Affairs will be meeting at 4 o'clock.

Tomorrow Interior and Insular Affairs, Energy and Commerce, Education and Labor will continue their conference meetings.

Mr. Speaker, we are entering the second week of the reconciliation conference. I would urge all Members to try to press as hard as possible to try to complete reconciliation by the end of this week.

I am inserting an update on the reconciliation conference prepared last Friday:

DAILY REPORT ON CONFERENCE ACTIVITY, JULY 17, 1981, 6 P.M.

SUBCONFERENCES COMPLETED

Committees House/Senate	Date completed	1982 savings achieved (in millions)	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations	July 16, 1981	−244	−158
Post Office/Government Operations	do	−4,706	−4,650

FRIDAY'S ACTIVITY

Committee and Activity	Issues	1982 savings achieved (in millions)		Comments
		Budget authority	Outlays	
Agriculture (none)				
Armed Services (none)				
Banking (staff discussions)	Housing and community development			
District of Columbia (none)				
Education and Labor (Education and Labor/Agriculture miniconference)	Child nutrition			All issues except the level of reimbursement for commodities under the paid, free and reduced price lunch programs were resolved by conferees.
Energy and Commerce:				
Energy and Commerce/Energy and Natural Resources (staff discussions)	Fuel Use Act SPRO			
Energy and Commerce/Commerce and Energy and Commerce/Finance (staff discussions)	Conrail, medicaid, and maternal and child health			
Government Operations (staff discussions)	Consulting, travel, and block grants			
Interior:				
Staff discussions	Bureau of Indian Affairs programs			
Do	Uranium enrichment user fee			
Judiciary (none)				
Merchant Marine (staff discussions)	Ocean dumping, merchant seamen, entitlement, and maritime authorization.			
Public Works (staff discussions)				
Science and Technology (staff discussions)				
Small Business (none)				
Veterans (CBO estimates received)	Burial benefits	−75.2	−75.2	CBO released estimates for burial benefits not available July 16.
Ways and Means (none)				

TRAGEDY IN KANSAS CITY

(Mr. WINN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WINN. Mr. Speaker, what could be more harmless than a tea dance in a 1-year-old hotel in this country?

This last weekend, while I was in Kansas City, 113 people lost their lives in a horrible tragedy at the Hyatt Regency Hotel in Kansas City, Mo. Many of those who perished were from my congressional district, although others came from miles around to dance to the "big band sound."

I am not leveling any accusations at anyone. There is a thorough investigation being conducted by the mayor, by the developers, by the builder, the engineers that built the hotel. But when

some 113 people die, with probably more to perish, whenever 130 are still lying in hospitals in Greater Kansas City, then possibly we on a national basis would want to look at the codes that have been set up for the construction of all public buildings so that such disasters do not happen again in this country.

SOCIAL SECURITY CUTS

(Mr. OBERSTAR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. OBERSTAR. Mr. Speaker, during the July work period I was in Grand Rapids, Minn., addressing a group of senior citizens and responding to a barrage of questions about the future of the social security system and the reconciliation bill the House had just passed. Of course, the questions dealt with the minimum benefit of social security. I responded very candidly, as the House had acted to repeal that minimum benefit.

People were shocked and astounded. After the question-and-answer session, an elderly woman, well into her eighties, came and tapped me on the shoulder. She asked me, "Is that for real? Do they really mean to take away my social security minimum? That is all I am getting. What is going to happen to me?"

I said, "You may be eligible for supplemental security income."

She said, "But I don't want to be on welfare. I want to have my dignity, and I can have that with this minimum benefit."

After reading in the Washington Post today a statement by the OMB that says, "The minimum benefit is a pure windfall for recipients," I just want to point out that that statement comes from people who are making at least $30,000 a year. They ought to go and stand in the senior citizen housing projects and the nursing homes of this country and find out what the real Americans think about that plan to end the minimum benefit.

DO WATER PROJECTS PAY THEIR WAY?

The SPEAKER. Under a previous order of the House, the gentleman from California (Mr. COELHO) is recognized for 15 minutes.

● Mr. COELHO. Mr. Speaker, many critics have asserted that Federal water projects are both wasteful and economically unsound. I agree that in this age of fiscal conservatism, it is more than advisable that the Federal Government be prudent in deciding which projects merit investment. An important consideration should be the ability of a Federal project to pay for itself and generate much needed Federal, State, and local revenues. Federal reclamation projects are good examples of such wise investments.

Since the 1902 Reclamation Act was approved by Congress, and projects subsequently developed, western water and power users have paid back about 85 percent of all the costs to the Federal Government. In addition, investments in Federal reclamation projects have returned tremendous amounts to the U.S. Treasury in the form of taxes. From 1940 to 1978, for example, western water projects generated about $25.6 billion in Federal tax revenues—in 1978 alone, $8.6 billion was generated in personal income. In fact, the Central Valley project generated $418.5 million in Federal, State, and local taxes in 1978, and was responsible for $2.689 billion in agricultural production. These figures are indicative of the huge benefit reaped by the entire Nation as a result of Federal reclamation projects.

To make a statement, therefore, that Federal water projects are wasteful and economically unsound is not accurate. A recent study done by J. Gorden Milliken, senior research economist for the Denver Research Institute at the University of Denver proves this out. Utilizing an analytical framework incorporating economic outputs from reclamation, including physical products (water and energy), service (recreation), and the economic output of spending, it was determined that Federal reclamation projects do pay their own way. In particular, the CVP was cited as a specific example of this type of sound economic investment.

I would like to submit Dr. Milliken's findings to the RECORD. I believe that his research sheds a great deal of light on this important issue.

DO WATER PROJECTS PAY THEIR WAY?

Fortune [1] magazine on February 23, 1981 published another example of a long series of articles attacking water projects as wasteful and economically unsound. The author, rehashing ancient arguments, attempted to expose federal reclamation projects, notably the Central Valley Project in California, as favored treatment at the expense of taxpayers elsewhere in the U.S. She states that the federal water bonanza is "undoubtedly huge" and that "subsidies, moreover, are a needless drain on the federal government when it is running huge deficits."

I don't intend today to comment further on that article, but instead to try explore the question, "Do water projects pay their way?"

A few years ago, our Institute was asked to develop an economic methodology for estimating the national economic impacts of the Federal Reclamation program. We ultimately devised a method that is, we believe, conservative and credible, and that provides accurate quantitative estimates of the direct and indirect economic impacts attributable to a multiple purpose water development project. A systematic methodology was designed to trace the direct and first-round indirect impacts of six basic outputs from Reclamation projects, and to collect and categorize these impacts into significant measures of economic activity.[2] We chose not to include the income and employment multiplier effects of second round and subsequent rounds of spending that are very important to the regional and local economies but are difficult to justify from a national viewpoint.

The methodology utilizes data from six basic project output measures available annually from normal reporting channels: direct agency spending, net crop output from agricultural irrigation, municipal water, industrial water, hydroelectric power, and recreation. From these data sources, economic impacts are traced through the national economy. Expenditure profiles which convert receipts into wages, profits, and purchased inputs were developed. Suppliers were subdivided into retail, wholesale, and manufacturing sectors, so that financial characteristics typical of each sector could be used in the analysis. The methodology generates several economic measures: increased business activity, employment, wages and personal income, corporate profits, Federal taxes (personal, corporate, and indirect), and state and local taxes.

The standardized, computer-based methodology that we developed can be applied to individual projects, to groups of projects in various geographic areas (states or regions) or to the impacts of the entire Reclamation program in the 17 Western States. Until now, it has been used for assessing impacts of the entire program. The assessment I will make today on the Central Valley Project will illustrate how the method can be applied to an individual project.

TYPES OF ECONOMIC OUTPUT FROM RECLAMATION

The outputs from the Reclamation program are varied in nature; they include physical products (water and energy), service (recreation) and the economic output of spending. All have a common attribute—they cause impacts to the economy. Several major types of output have been identified.

Reclamation spending: Each year, Reclamation receives Congressional appropriations, accruals from special river basin development funds and miscellaneous revenues. These funds are spent on direct wages to employees, payments to contractors for construction, operation, and maintenance, payments to suppliers for services, equipment and supplies, etc. This program output has a direct and immediate impact on the economy, but is often overlooked in economic impact analysis.

Agricultural water: The traditional and still predominant output is water for irrigated agriculture. Some of the crops produced are sold directly, some are sold to food processors, and some are fed to livestock. All of these aspects were considered in developing the model. In this study, it was assumed that the crop production from Reclamation projects, after subtracting the value of crops which would have been produced on these lands in the absence of the projects, was a net increase to the U.S. economy.

Municipal and industrial water: A growing function of Reclamation projects is supplying water for municipal and industrial use. Municipal water is sold to municipalities and special water districts for residential and commercial uses. In calendar year 1979, about 771 billion gallons were supplied for this purpose, and 18.9 million persons were served by Reclamation M&I water.

Hydroelectric power: Reclamation power operations generated 40 billion kilowatt hours in fiscal year 1979. Although much of this electricity is sold ultimately to consuming households, a large portion is sold to electroprocess industries. Conceptually in our model, these two functions have been

[1] Presented at the Spring Conference, Association of California Water Agencies, Anaheim, California, May 15, 1981.

[2] J. Gordon Milliken, Dean C. Coddington, Reuben A. Zubrow, Lucy B. Creighton, and Loretta C. Lohman, Economic Impact of Federal Reclamation Projects, January 1972, prepared by the Denver Research Institute, University of Denver, for the Bureau of Reclamation, U.S. Department of the Interior.

handled separately since industrial use is a factor of economic production rather than consumption.

Recreation, fish, and wildlife: Reservoirs, as well as other project features, provide a substantial quantity of recreational facilities to the public. The existence of these recreational facilities stimulates spending on supplies and equipment, the formation of service businesses, and the stimulation of recreational land development. In 1979, 67 million visitor-days of recreation activity were supplied. Expenditures by recreation-management agencies on fish and wildlife activities are included in the recreation category, as is spending by fishermen and hunters.

CAPITAL INVESTMENTS

The total economic activity stimulated by the Reclamation program results in and is made possible by capital investment. Capital outlays are made for:

Farm equipment and improvements;
Agricultural-related businesses;
Agricultural water district facilities;
Hydroelectric utilities;
M&I water district facilities;
Municipal water (utility) facilities;
Recreational facilities (campgrounds, docks);
Recreation businesses (marina, concessions);
Recreation area cabins and land development;
Land development;
Roads and highways;
Other service facilities;
Housing and so forth.

It is not practical to develop estimates for each type of capital outlay. Therefore, capital investment is estimated indirectly by applying national ratios from the entire U.S. economy to non-Federal economic activity attributable to USBR projects. Nationally, about 16 percent of the receipts from economic activity are invested in capital projects (facilities and equipment), and this percentage is adopted in this methodology.

Flood control: Flood control is another function served by Reclamation projects. However, in development of the methodology, we decided to eliminate the estimates of economic impacts of the flood control impacts of Reclamation structures. We recommend that these data be considered only qualitatively rather than as part of the quantitative estimate of impacts, for the following reasons. Flood control impacts of Reclamation structures are estimated, in the form of annual dollar value of flood losses averted, by the U.S. Army Corps of Engineers. Although the Corps of Engineers uses care and accepted methodology to estimate flood control losses averted, nevertheless this impact cannot be measured directly. Including an estimate of a potential negative impact, along with measures of actual positive impacts, presents two problems. First, there is less credibility to an estimate of an event which did not occur than to one which did. Second, the estimating method used, while conceptually sound, mixes "softer" data with the harder data of other economic impact measures, and risks adulteration of the total.

OVERVIEW OF THE METHODOLOGY

The methodology for estimating economic output of Reclamation projects focuses on all forms of business activity, employment, and tax revenue generation that can be clearly attributed to the Reclamation program. The seven types of economic output discussed above were combined into six categories—USBR activity, agricultural water, municipal water, industrial water, hydroelectric power, and recreation (combined with support of fish and wildlife). For convenience in calculation, a seventh category was added—capital investment. The estimated investment in depreciable assets was deleted from each of the other six categories and consolidated in a single estimate, as described below.

The main features of the estimating techniques used for each of these categories of Reclamation impact are summarized as follows:

For each category of output, the direct economic impacts (and the resulting first-round indirect impacts) are traced.

Tracing impacts involves developing expenditure profiles that show how the money received for each project output is spent.

Expenditures are traced through the economy, by type of industry (Standard Industrial Classifications are used) and by level of business activity (retail, wholesale, or manufacturer).

At each level, the expenditures are subdivided into major components (wages, profits, and purchases from other sectors) and a residual component.

Various taxes (personal income, corporate income, indirect business and excise) are calculated on the aggregated business activity generated by the project.

Employment (equivalent number of jobs supported by the project) is calculated from total wages, using average wages by job category.

The key feature of this methodology is the inclusion of all significant direct and first-round indirect impacts originating from Reclamation projects, for which there are reliable data. The major differences between this method and an all-inclusive approach are the exclusion of certain resulting spending impacts and all employment multiplier effects (both indirect). Also the method excludes measurement of impacts wherever the measurement problem poses serious difficulties or where the resulting figure may be questionable, as is consistent with the conservative approach chosen. The required spending essential for achieving direct project output is included in developing estimates of economic activity generated by the Reclamation program. Throughout, the methodology uses a national viewpoint of benefits.

Some of the basic output measures are available annually through regular USBR reporting procedures and are available on a project by project basis. The remaining basic output measures can be calculated or estimated from other available data.

THE NATIONAL RECLAMATION PROGRAM

Table 1 shows the estimate of economic impact of all Reclamation projects in the United States during 1979, the last year for which calculations have been made. The impacts are impressive: total output of $17.4 billion; corporate profits of $2.2 billion; wages and net farm income of $9.4 billion; and the economic support of 815,000 jobs (full-time equivalent).

This economic activity in 1979 generated an estimated $2.7 billion in federal taxes (both personal income tax and corporate income taxes). State and local income taxes are estimated at another $1.2 billion.

THE CENTRAL VALLEY PROJECT

Table 2 shows an estimate of the economic impact of the Central Valley Project during 1979. The project-irrigated lands produced $3.8 billion more in crop value, livestock, and food processor revenue than would have been produced on those lands without federal irrigation water. The 1979 Central Valley crop production was substantially above earlier years because of a large increase in "temporary service" water which permitted an increase in irrigated acreage. There were large production increases of almonds, walnuts, wine and raisin grapes, and rice. Net farm income was $368 million. Farm proprietor income and wages supported 193,000 full-time equivalent jobs.

The tax revenues stimulated by the nation's investment in the Central Valley Project, and directly attributable to the project, were $756 million in 1979.

TABLE 1.—NET INCREASE IN BUSINESS ACTIVITY, TOTAL WAGES, AND EMPLOYMENT ATTRIBUTABLE TO RECLAMATION PROJECTS BY TYPE OF ACTIVITY, 1979

[Dollars in millions]

Type of output	Net value of output	Total tax base		Nontax base items	Total wages and net farm income	Person-years of employment (thousands)
		Personal income	Corporate profits			
Agriculture	($8,627.3)	($5,702.8)	($893.0)	($2,031.5)	($4,841.6)	(436.8)
Net crop production	4,264.7	3,041.5	297.8	925.4	2,523.9	232.5
Livestock	567.4	394.7	34.3	138.4	317.4	29.4
Food processors	3,795.2	2,266.6	560.9	967.7	2,000.3	174.9
Municipal and industrial water	(3,566.9)	(2,277.7)	(622.8)	(666.4)	(2,030.4)	(176.5)
Retail sales	204.7	104.9	12.4	87.4	34.5	2.0
Output of water-dependent industries	3,362.2	2,172.8	610.4	579.0	1,995.9	174.5
Hydroelectric power	(1,765.8)	(745.1)	(321.3)	(699.4)	(543.5)	(40.4)
Retail sales	1,395.5	524.3	276.4	594.8	189.4	11.2
Output of power-dependent industries	370.3	220.8	44.9	104.6	354.1	29.2
Recreation spending	318.3	208.0	34.4	75.9	178.7	16.1
Capital investment	2,284.2	1,490.3	224.9	569.0	1,286.3	108.0
USBR direct expenditure	860.6	562.8	53.7	244.1	519.0	37.6
Total	17,423.1	10,986.7	2,150.1	4,286.3	9,399.5	815.4

Note.—Figures in parentheses are subtotals.

TABLE 2.—ESTIMATES OF OUTPUT, PERSONAL INCOME AND CORPORATE PROFITS, AND FEDERAL TAX REVENUES GENERATED BY THE CENTRAL VALLEY PROJECT, 1979

[In millions of dollars]

Type of output	Net value of output	Total tax base		Internal revenues generated			
		Personal income	Corporate profits	Personal income	Corporate profits	Indirect business taxes	Total
Agricultural water	(3,810.8)	(2,518.7)	(400.2)	(377.9)	(170.5)	(57.6)	(606.0)
Crops	2,021.0	1,442.4	142.7	216.4	60.8	24.1	301.3
Livestock	72.5	50.5	4.4	7.6	1.9	.9	10.4
Food processors	1,717.3	1,025.8	253.1	153.9	107.8	32.6	294.3
M. & I. water	(22.2)	(11.4)	(1.3)	(1.7)	(.6)	(.2)	(2.5)
Water districts	22.2	11.4	1.3	17.6	.6	.2	2.5
Dependent industries							
Hydroelectric power	(148.4)	(55.8)	(29.4)	(8.4)	(12.5)	(.6)	(21.5)
Utilities	148.4	55.8	29.4	8.4	12.5	.6	21.5
Dependent industries							
Recreation	42.4	27.8	4.5	4.2	1.9	.8	6.9
Capital investment	643.5	419.9	63.4	63.0	27.0	12.2	102.2
User activity	117.0	81.2	7.7	12.2	3.3	1.6	17.1
Total	4,784.3	3,114.8	506.5	467.4	215.8	73.0	756.2

Note.—Figures in parentheses are subtotals.

CONCLUSION

Nationally, the federal reclamation program activities brought about $2.75 billion in federal revenues during 1979, and another $1.24 billion in state and local revenues. Jobs were provided for 815,000 full-time equivalent workers. Valued agricultural crops, hydroelectric power, municipal water supplies, recreation and flood control were provided by project lands and structures. And, as usual, a substantial portion of the nation's investment in the Reclamation program was repaid to the Treasury by water and power users.

From an economic viewpoint, there is good evidence that water projects do pay their way. The nation is richer because of them.●

PERSONAL EXPLANATION

The SPEAKER. Under a previous order of the House, the gentleman from Kentucky (Mr. MAZZOLI) is recognized for 5 minutes.

● Mr. MAZZOLI. Mr. Speaker, due to responsibilities in my district, I was absent on Friday, July 17, 1981. Had I been present, I would have voted:

"Yea" on rollcall No. 142, passage of House Resolution 177, calling for the development and implementation of a U.S. nuclear nonproliferation policy which strengthens barriers to the further spread of nuclear weapons;

"Nay" on rollcall No. 143, an amendment to H.R. 4034, the Department of Housing and Urban Development appropriations bill for fiscal year 1982, that reduces by $10 million the appropriation for the HUD Office of Policy Development and Research; and

"Nay" on rollcall No. 144, two amendments en bloc to H.R. 4034, the Department of Housing and Urban Development appropriations bill, which would have prohibited the use of Environmental Protection Agency pollution abatement and compliance funds requiring States to adopt, implement or enforce an auto emission control inspection and maintenance program.●

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. DYMALLY (at the request of Mr. WRIGHT), for this week, on account of necessary district business.

Mr. ROBERTS of South Dakota (at the request of Mr. MICHEL), for today and the balance of the week, on account of a death in the family.

Mr. JONES of North Carolina (at the request of Mr. WRIGHT), for this week, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Member (at the request of Mr. DECKARD) to revise and extend his remarks and include extraneous material:)

Mr. PORTER for 5 minutes, today.

(The following Members (at the request of Mr. OBERSTAR) to revise and extend their remarks and include extraneous material:)

Mr. COELHO, for 15 minutes, today.

Mr. GONZALEZ, for 15 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. MAZZOLI, for 5 minutes, today.

Mr. BROWN of California, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Mr. DECKARD) and to include extraneous matter:)

Mr. WILLIAMS of Ohio.

Mrs. SCHNEIDER.

Mr. FINDLEY.

Mr. SOLOMON.

Mr. DERWINSKI in two instances.

(The following Members (at the request of Mr. OBERSTAR) and to include extraneous matter:)

Mr. SCHEUER.

Mr. MAZZOLI.

Mr. ANDERSON in 10 instances.

Mr. GONZALEZ in 10 instances.

Mr. BROWN of California in 10 instances.

Mr. ANNUNZIO in six instances.

Mr. JONES of Tennessee in 10 instances.

Mr. BONER of Tennessee in five instances.

Mr. EDWARDS of California.

Mr. OBERSTAR.

SENATE JOINT RESOLUTIONS REFERRED

Joint resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S.J. Res. 42. Joint resolution to authorize and request the President to designate September 20, 1981, as "National Ministers Day"; to the Committee on Post Office and Civil Service.

S.J. Res. 78. Joint resolution to provide for the designation of October 2, 1981, as "American Enterprise Day"; to the Committee on Post Office and Civil Service.

S.J. Res. 92. Joint resolution to authorize and request the President to designate the week of September 6, 1981, through September 12, 1981, as "Older Americans Employment Opportunity Week"; to the Committee on Post Office and Civil Service.

ADJOURNMENT

Mr. OBERSTAR. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 12 o'clock and 11 minutes p.m.), under its previous order, the House adjourned until tomorrow, Tuesday, July 21, 1981, at 11 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1839. A letter from the Director, Export-Import Bank of the United States, transmitting a report on loan, guarantee, and insurance transactions supported by Eximbank

during April and May 1981 to Communist countries; to the Committee on Banking, Finance and Urban Affairs.

1840. A letter from the Director, D.C. Pretrial Services Agency, transmitting the annual report of the agency for calendar year 1980, pursuant to 23 D.C. Code § 1307; to the Committee on the District of Columbia.

1841. A letter from the Acting Comptroller General of the United States, transmitting a report on the need for uniform and comprehensive consumer safeguards in new mortgages for financing homes (CED-81-53, July 2, 1981); jointly, to the Committees on Government Operations and Banking, Finance and Urban Affairs.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BENNETT:

H.R. 4210. A bill to allow the continuation of the minimum social security benefit; to the Committee on Ways and Means.

By Mr. PRICE (by request):

H.R. 4211. A bill to amend title 10, United States Code, to increase the number of Assistant Secretaries in the Department of Defense, and for other purposes; to the Committee on Armed Services.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 3953: Mr. MATTOX.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 4035

By Mr. WEAVER:

—In title III, section 302, page 53, line 5, after "exported", strike "by the purchaser".

H.R. 4144

By Mr. EDGAR:

—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,420,941,000".

—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,409,941,000".

—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,459,941,000".

H.R. 4209

By Mr. WILSON:

—Page 39, line 3:

SEC. 323. No funds appropriated by this Act shall be used to pay any salary or other expense for the purposes of putting into effect or enforcing any rule (1) which requires any reduction in the total daily number of flights by air carriers except air taxis, or by air taxis, at Washington National Airport below the number operated on July 20, 1981, and (2) which was

(A) promulgated without issuance of (and public comment on) an initial regulatory flexibility analysis described in section 603 of title 5, United States Code, and a preliminary regulatory impact analysis described in section 3 of Executive Order 12291; or

(B) put into effect prior to 60 days after the issuance of a final regulatory flexibility analysis under section 604 of such title and a final regulatory impact analysis described in section 3 of such Executive Order.

SENATE—*Friday, July 20, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 12 noon, on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray in the words of the 145th Psalm:

I will extol Thee, my God, O King; and I will bless Thy name for ever and ever. Everyday will I bless Thee; and I will praise Thy name for ever and ever.

Great is the Lord, and greatly to be praised; and His greatness is unsearchable. One generation shall praise Thy works to another, and shall speak of Thy mighty acts. I will speak of the glorious honour of Thy majesty, and of Thy wondrous works.

And men shall speak of the might of Thy terrible acts; and I will declare Thy greatness. They shall abundantly utter the memory of Thy great goodness, and shall sing of Thy righteousness.

The Lord is gracious, and full of compassion; slow to anger and of great mercy. The Lord is good to all; and His tender mercies are over all His works.— Psalm 145: 1–9.

Sovereign God of the nations, be with the President of the United States and the heads of state who meet in the economic summit in Canada. May they seek Thy will to do it, for the sake of all peoples.

In Jesus' name, Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The distinguished majority leader is recognized.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

PRESIDENT REAGAN'S FIRST 6 MONTHS IN OFFICE

Mr. BAKER. Mr. President, 6 months ago today our Nation and the entire world witnessed a momentous transition, the inauguration of Ronald Reagan as the 40th President of the United States. That ceremony, filled with promise, coupled with the departure from Iran of 52 American hostages, made that day one of the most euphoric in our Nation's history.

Since that time, we in Congress have enjoyed a mutually supportive partnership with the White House, a cooperative effort, the likes of which are rarely seen between the executive and legislative branches. The President's numerous trips to Capitol Hill are indicative of his eagerness to keep this relationship harmonious and productive.

And, I might add, Pennsylvania Avenue has been anything but a one-way street during the administration. I, along with many of the colleagues on both sides of the aisle, have enjoyed frequent trips to the White House. They have enhanced our partnership and made the day-to-day business of Government more efficient and cohesive.

Mr. President, I would like also at this time to thank for his support and cooperation my distinguished colleague, the Senator from West Virginia and minority leader, Mr. ROBERT C. BYRD. Many of the challenges that we in the 97th Congress face are neither partisan nor divisive. By operating within an atmosphere of trust and determination we have placed ourselves in a better position to serve the American people. Together, we have undertaken a challenging legislative agenda in order to meet the great expectations of the American public and to heed the mandate of the election in November.

Today, our country finds itself in the throes of serious economic uncertainty and instability. I firmly believe that the ambitious program for economic recovery that we have embarked upon with the White House will be the cornerstone for a new economic strength and a proud revitalized America.

I am optimistic about both the tax bill and the budget reconciliation process which we will soon be preparing to send to the White House. We are as anxious to bring these bold measures to fruition as is the President himself.

Today, as the President meets in Ottawa with other world leaders to discuss global economic conditions, I wish to send to him my sincere appreciation for his resolve, his leadership, and his courage during his first 6 months in office. I look forward to continuing that relationship and I pledge my full support to President Reagan and the American people for responsible and deliberate congressional action on these goals.

Mr. President, let our goal be not to meet expectations, but to surpass them.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I have a request I wish to make and then a statement in relation to the legislative program.

My reason for convening at the hour of noon today is the number of special orders and the requirement that the Senate go into executive session at 1:40 p.m. for the purpose of considering the tuna treaty. It will be well after 2 p.m. today before we can resume consideration of the tax bill. There are a number of amendments known to the leadership yet to be offered on the tax measure and, of course, at this moment, at least, we have no time agreements on amendments or on final passage of this measure.

It is absolutely essential, in my judgment, Mr. President, that we complete action on the tax bill as soon as possible.

I would like now to propose a unanimous-consent request, Mr. President, in order to set the agenda of the Senate and its schedule for the next several days. These requests will extend past this week into Monday of next week. But in doing so, I in no way suggest that we will require that amount of time to complete action on the tax bill.

DAILY TIME OF CONVENING THROUGH MONDAY, JULY 27, 1981

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business on each day this week, it stand in recess until the hour of 10 a.m. on the following morning, inclusive of Saturday, July 25, and that when the Senate complete its business on Saturday it stand in recess until the hour of 12 noon on Monday, July 27, 1981.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE AGENDA

Mr. BAKER. Mr. President, as I pointed out a moment ago, under an order previously entered the Senate will proceed at 1:40 p.m. today to the consideration of the Canadian tuna treaty with the vote to occur thereon at 2 p.m. Thereafter, the Senate will return to legislative session and will resume action on House Joint Resolution 266, the tax bill.

Mr. President, this will mark the fifth day on which the bill has been pending before the Senate.

The leadership expects and hopes that the Senate will agree to remain in session until approximately 7 p.m. this evening for the consideration of this measure.

Mr. President, unanimous-consent orders have been obtained for the Senate to convene each morning this week inclusive of Saturday at the hour of 10 a.m., according to the agreement of the Senate just entered into.

Mr. President, I hope to proceed promptly on each day to the tax bill.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

May I say parenthetically that if it is necessary to advance the time of the convening of the Senate in order to accommodate requests for special orders, I am prepared to do that in order to reach the tax bill as soon as possible in order to consider all proposed amendments and to dispose of them as promptly as possible. I express the hope that we can dispose of those amendments and the tax bill itself by the middle part of this week.

If action can be completed on the tax bill by the middle part of this week, or at least in advance of the time scheduled for a meeting of the Senate on Saturday, it would be my hope that the Senate would agree to vitiate the order for the Saturday session.

Mr. President, in respect to time for recessing the Senate this week, I have already indicated that I would expect us to be in session until approximately 7 p.m. today. I wish to advise my colleagues that the Senate will be in session late on Thursday, as is our policy. I would fully expect that the Senate will be in late on Friday as well, particularly if that is necessary in order to avoid a Saturday session and to gain final passage of this bill.

Members should be on notice as well that it is very likely that the Senate will remain in session past the 6 or 7 o'clock recess time on Tuesday and Wednesday as well as today.

So, in summary, Mr. President, I expect that we shall be in until 7 today or thereabouts; I expect that there is a possibility at least that we shall be in session substantially beyond that time on Tuesday and Wednesday. On Thursday, I expect that the Senate will be in much later than that—perhaps 10 or 11 o'clock—and on Friday as late as necessary in order to complete action on this bill if it appears that we can complete action on Friday and avoid a Saturday session.

Mr. PROXMIRE. Will the majority leader yield, Mr. President?

Mr. BAKER. I shall in one moment, Mr. President.

If we cannot complete action on the bill on Friday night, Members should be firmly on notice that we shall be in session on Saturday; that there will be rollcall votes on Saturday; and that Saturday might even be a long day.

Now, I am happy to yield to my friend.

Mr. PROXMIRE. Mr. President, if we complete action on the tax bill before Thursday, would we still be in very late on Thursday night?

Mr. BAKER. No. Mr. President, I expect that if we complete action on the tax bill before Thursday, there will be no need to be in late on Thursday.

Mr. PROXMIRE. I thank the majority leader.

Mr. BAKER. Mr. President, following the disposition of the tax bill, it is expected that the Senate will return to consideration of S. 951, the Department of Justice authorization bill, unless other arrangements are made. The leadership also anticipates Senate action before the August recess on two or perhaps three appropriations bills, which I understand will be available on the calendar either late this week or the early part of next week. In addition to those measures, Mr. President, we will, of course, proceed to consideration of the conference report on reconciliation when it is available and to the conference report on the tax measure when it is available.

Mr. President, I feel that it is essential that the Senate act on both the reconciliation conference report and the tax measure conference report and the two appropriations bills, at least, that I have identified before we recess for the August recess. I continue to believe, Mr. President, than we can do that admittedly ambitious legislative schedule and complete our work in time to fulfill the adjournment date of July 31.

Mr. President, I am prepared now to yield the remainder of my time, if any time remains, to any Senator requesting time, or the minority leader if he wishes it.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader. I do not think I shall need it. If he does not yield time to his side, I would appreciate it if he would yield it to me.

Mr. BAKER. Mr. President, any time I have remaining, I now yield to the control of the minority leader.

RECOGNITION OF THE MINORITY LEADER

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader.

May I ask the distinguished Senator from Wisconsin if he needs time?

Mr. PROXMIRE. I would appreciate it very much, Mr. President. I have a 5-minute statement I should like to use.

Mr. ROBERT C. BYRD. Mr. President, I shall yield 5 minutes to the distinguished Senator from Wisconsin.

Does the Senator from Vermont wish time over and above his special order?

Mr. LEAHY. Is my time 15 minutes, Mr. President?

The PRESIDING OFFICER (Mr. RUDMAN). It is.

Mr. LEAHY. Then I should like some additional time.

Mr. ROBERT C. BYRD. Mr. President, I yield the remainder of my time to Mr. LEAHY and if he does not need it, he may yield to some other Senator.

The PRESIDING OFFICER. The Senator from Wisconsin.

MAMMOTH RATE OF FEDERAL SPENDING INCREASE SINCE 1950

Mr. PROXMIRE. Mr. President, during the year 1950, this Federal Government paid social security to millions of retired workers; we funded unemployment compensation. All the New Deal reforms had come firmly into place, and in the middle of that year, we went to war in Korea, a war involving a huge military commitment, a rapid advance in military spending. Now, let us keep Federal spending in 1950 as compared to this year, 1981, in fair perspective. Since 1950, we have had a 250-percent rise in prices, so we could expect Federal spending to rise by 2½ times simply to keep pace with the cost of inflation. We also had a 50-percent increase in the population, roughly from 150 million to 225 million, so we could expect another 50-percent increase in Federal spending to accommodate that population increase. In addition to that, the Federal Government took on all kinds of other activities—space, food stamps, CETA, health programs—and we expanded our established New Deal programs.

If we allow fully for the inflation and for the increase in population so we measure Federal Government spending in constant dollars on a per capita basis, how much did the Federal Government expand its spending since 1950, as compared to today? The answer: Not double, not triple, but a massive fourfold. In real terms we, the Federal Government, spend not twice as much as we spent in 1950 for every man, woman, and child, not three times as much, but four times as much. And remember, once again, 1950 was a year in which the Federal Government had already absorbed all the reforms of the New Deal and in 1950, we went to war in Korea and spent billions to prosecute that war. In spite of that, we have increased Federal spending since 1950 on a per capita, constant dollar basis by a mammoth, rampaging, fourfold.

Now consider the performance of our economy in 1950 and today in 1981. In 1950, we had an average of 5.3 percent unemployment. This year, our unemployment has moved to a level almost 50 percent higher than in 1950. So the vast amount of spending that we have shoved into the economy has not given us a lower unemployment rate. Unemployment has moved sharply higher.

Mr. President, has the economy become more productive with this huge increase in Federal spending? For the last 2 years we suffered a stagnant productivity, virtually no increase whatsoever, one of the first times in all American history except for the most serious kinds of recessions or depressions when productivity did not advance; but in 1980, it did not. We may have a slight recovery in productivity this year, but it still stumbles along anemically.

Now consider 1950, when our Federal Government, in real per capita terms, was spending a quarter of what it spends now. Result: In 1950, our nonfarm production advanced a spectacular 6 percent. Farm production is volatile and less predictable, but if we throw that in, the overall increase in real production was a smashing 8.7 percent. So, in 1950, when we were spending a tiny one-fourth in real terms from the Federal Government what we spend today, our unemployment was sharply lower and our rate of increase in production and productivity spectacularly higher.

Now comes the real piece de resistance; consider inflation in both these circumstances. In 1981, with a sagging economy, high unemployment, slow growth, inflation hovers around 10 percent. And what was it in 1950? Well, in 1950 the Consumer Price Index rose by—hold on to your hat—a flat 1 percent. Can anyone honestly argue that that 1-percent rate did not reflect the fact that Federal spending was one-fourth its present level?

And interest rates in 1950; how did they compare with interest rates in 1981? Well, my colleagues, in 1950, when we were spending one-fourth of what we spend today, interest rates were—get ready for this one—the prime was not 20 percent—which it is today, not 10 percent, not 5 percent, but 2.07 percent. The Federal Government was borrowing with Treasury bills at 1.2 percent. And the home mortgage rate? Not the present 18 percent but a cozy 4½ percent.

Mr. President, you can say all you want for progress, but anyone with any sense at all must recognize how much better and sounder and happier our economy was in 1950, when the Federal Government, in constant dollars—that is, allowing fully for inflation—and on a per capita basis—that is, allowing fully for population growth—spent less than a quarter of what we spend today. Far fewer Americans were out of jobs. Our production soared.

Interest rates were a tiny fraction of what they are today. Inflation was literally one-tenth of what we suffer now. And we did all of this while we discharged our responsibilities for social security, unemployment compensation, and the other great reforms of the New Deal, and while we fought a savage and costly war in Korea.

All of this, Mr. President, is why this Senator does not fault the administration for calling for the sharp reduction in spending they have asked for this year. After all, the President's program still leaves us with another increase in 1982 and in every subsequent year in Federal spending in real per capita terms. I do fault the administration for not insisting on a cut in Federal spending that would balance the budget and balance it in the coming year—1982.

THE CONSTITUTION, THE GENOCIDE CONVENTION, AND INTERNATIONAL LAW

Mr. PROXMIRE. Mr. President, this body has recently been embroiled in a lengthy constitutional debate on the separation of powers. In light of this, I wish to call the Senate's attention to another issue before us which has been the subject of a constitutional debate—the Genocide Convention.

There are individuals and organizations who claim that the Genocide Convention would usurp our constitutional protections and undermine the sovereignty of the United States.

Mr. President, nothing could be farther from the truth. No citizen of this country could ever be denied due process because of the Genocide Convention. What these critics are really attacking is the notion of international law itself. They claim the the United States must stand alone in the world in its defense of democracy and human values.

When we stand alone, however, we are far less effective in propagating and defending what we view as the fundamental rights of man. This fact was recognized by those American statesmen who played such a huge role in establishing the United Nations. This fact was recognized by those American statesmen who drafted and signed the Genocide Convention. It is high time that this fact was recognized by the U.S. Senate.

Mr. President, the United States currently stands alone among major nations in its failure to ratify the Genocide Convention. This is a source of constant embarrassment to our diplomats and serves to seriously diminish our authority to speak out against gross violations of human rights. We must end this foolish inconsistency. We must ratify the Genocide Convention.

ORDER OF PROCEDURE

The PRESIDING OFFICER. The Senator from Vermont is recognized for a period of 3 minutes and 26 seconds, under the minority leader's time. The Senator from South Carolina has the next special order, for a period of 15 minutes.

Mr. LEAHY. Mr. President, I ask unanimous consent that I may reserve that time under the minority leader's time, and add it to my time, and that I follow the distinguished President pro tempore.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from South Carolina is recognized.

DAVIS-BACON ACT—PART III IMPACT ON FEDERAL CONSTRUCTION PROGRAMS

Mr. THURMOND. Mr. President, in my two previous Davis-Bacon presentations, I endeavored to provide background on the Davis-Bacon Act. Let me begin today to discuss the impact that Davis-Bacon has on Federal construction programs.

GENERAL

Assessing the impact of the Davis-Bacon Act on Federal construction programs is an elusive task. The act has been in effect for so long that to assess the impact of Federal programs under circumstances where prevailing wage requirements would not apply is highly theoretical. However, both proponents and opponents have endeavored to do just that with results that coincidentally support the position of the faction doing the study.

Management contends that Davis-Bacon is inflationary and that is increases costs on Federal construction programs unnecessarily. Labor does not deny that Davis-Bacon provisions increase costs; however, labor takes strong exception to the premise that Davis-Bacon is inflationary and contends that without Davis-Bacon, the Federal Government would be encouraging contractors to use cheap, itinerant labor, and the quality of the finished product would suffer.

COSTS

First, there are administrative costs to the Department of Labor to maintain the bureaucracy that administers the act. As mentioned previously, this staff is very austere for the magnitude of the job when one considers that 20,000 wage determinations are made annually by a staff of about 50 professionals—which means that each staffer must produce on the average nearly two wage determinations each day. In relation to the total annual Federal construction effort of some $40 billion, the approximately $8 million spent by the Department of Labor to administer Davis-Bacon is insignificant, and probably too low to do the job right.

Second, there are administrative costs incurred by contracting agencies and contractors alike just to keep records required to administer Davis-Bacon provisions. The costs to contracting agencies is extremely difficult to discern and some have estimated it at $1 million, which is probably conservative. The Associated General Contractors (AGC) conducted a survey of its membership to attempt to identify the administrative cost to contractors imposed by Davis-Bacon requirements.

As a result, the AGC estimated that, on the average, one-half of 1 percent of the contract amount was included in the contract bid just to cover the cost of paperwork associated with Davis-Bacon requirements. This estimate may contain some bias and must be considered in view of the fact that contractors have to keep payroll records for any number of reasons other than Davis-Bacon and, even if Davis-Bacon provisions did not apply, in all likelihood one of the State "little Davis-Bacon Acts" might apply.

On the other hand, contractor associations do incur some expense in assembling and providing wage information to the Department of Labor. In addition, appeals of Davis-Bacon wage determinations do occur and there are expenses associated with the appeal effort. It is estimated that contractors do spend approximately $100 million each year in administering Davis-Bacon requirements on Federal construction projects.

Estimates of the impact of Davis-Bacon provisions on contractors' bids have been formulated by several different agencies. The General Accounting Office studied in detail 29 Federal projects with a total contract value of $88 million. They concluded that $9.1 million represented costs incurred as a result of improper wage determinations or other administrative problems attributed to Davis-Bacon enforcement.

In this sampling, construction that should have cost $78.9 million was inflated by $9.1 million, or 11.5 percent, directly attributable to Davis-Bacon.

In another study, the author looked very closely at the contracts awarded during the 35-day suspension of the Davis-Bacon Act by President Nixon in 1971. A detailed analysis was made of

288 contracts on which bids had been received prior to the Nixon suspension of the act, but which had not been awarded and which were subsequently rebid during the suspension period disregarding Davis-Bacon provisions. Interestingly enough, 914 contractors who originally bid on these 288 contracts submitted rebids, of which 594 showed decreases, 218 showed increases, and 102 showed no change from their original bid.

In the aggregate, all bids showed a 3-percent decrease, which, when combined with inflation of 1 or 2 percent that was estimated to have occurred during the rebid period, implies that Davis-Bacon costs about 4 to 5 percent of the contract amount. This same study also analyzes the low bids and the low rebids which show a decrease of only 0.63 percent, which when combined with inflation that occurred during the rebid process would yield a range of 1.5 to 2.5 percent as the cost impact of Davis-Bacon.

Many of the Federal agencies that administer construction contracts have expressed the opinion that Davis-Bacon provisions increase costs significantly. The General Services Administration used 10 percent as the cost of Davis-Bacon in a recent study examining why the cost of Federal office building construction was 38 percent higher than comparable private construction. The Department of Transportation has not elected to put a specific cost on Davis-Bacon, but has stated:

> Although the effect of the Davis-Bacon Act on highway construction costs is estimated to be considerable, it is difficult to specifically isolate this one factor.

The Department of Defense, in testifying before the Senate Armed Services Subcommittee on Military Construction on the fiscal year 1982 military construction bill, stated:

> . . . We have estimated a range of 5 to 15 percent of our costs in given areas (are attributed to Davis-Bacon). . . .

There seems to be ample evidence that Davis-Bacon does cost the Federal Government something in its construction programs. Keeping in mind that Federal construction programs now involve some $40 billion annually, a 1-percent cost represents $400 million and warrants study to see if the benefits derived from such costs are adequate. Labor contends that these costs are justified in terms of improved quality of construction and stability of work force. Management contends that the costs are higher than necessary and the same benefits that labor attributes to Davis-Bacon would be realized without Davis-Bacon in a free market situation, given the power that the trade unions now have to regulate wages.

There are other than cost impacts of Davis-Bacon alleged by management to benefit labor interests. According to one study:

> They (the construction unions) obviously don't need it (Davis-Bacon) to keep wages up. They have a very potent reason to want to keep it on the books—the Davis-Bacon Act, in the hands of a helpful and understanding Labor Department, is a wonderful weapon for winning jurisdictional disputes.

In addition, the Associated General Contractors contends that the 1964 amendment adding fringe benefits to the definition of wages serves as a collection mechanism for the unions to insure the payment and collection of union negotiated fringe benefits. (On private, closed shop construction the contractor may or may not be required to pay all fringe benefits.) Finally, management contends that Davis-Bacon promotes union job classifications, often resulting in open shop classifications that are not prevailing being paid at a higher union prevailing classification.

For example, in some areas unions do not use helper rates and since the helper classification is not recognized as prevailing by the Department of Labor, helpers must then be reclassified and paid at some higher skill level.

At the outset of this discussion, the impact of Davis-Bacon was labeled elusive. It can be safely concluded that Davis-Bacon costs something—perhaps less than the 15 percent alleged by some management-sponsored studies—but more likely in the range of 8–12 percent which still represents several billion dollars annually.

Further, Davis-Bacon by virtue of the procedures used by the Department of Labor to administer the act, favors union wage rates. The 30-percent rule, which I described last Friday, gives preference to whatever union wage rates happen to exist in a locality. Although the majority of workers may be nonunion and receiving a lower wage than the union scale, if the union has a 30-percent minority membership of a particular craft, its wage rate is fixed as the prevailing wage.

In those cases where the wage determination is not based on the 30-percent rule, the Department of Labor uses the averaging method. These wage determinations, even though below the union rate, still favor the union sector. For instance, if union wages are $15 an hour and the nonunion wages are $10 an hour, the average wage will be around $12. The nonunion contractor has to inflate his wages in order to compete for a Federal contract, and as a result most elect simply not to compete for government work against union contractors. The union sector, however, will pay whatever the collective bargaining rate provides or the $15 an hour and this further inflates the contract cost.

Tomorrow I shall continue this discussion of the impact that Davis-Bacon has on Federal construction programs.

Mr. President, I yield the floor.

RECOGNITION OF SENATOR LEAHY

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Thank you, Mr. President.

HARRY CHAPIN

Mr. LEAHY. Mr. President, much has been said in these Halls and in the House of Representatives about Harry Chapin who died tragically last week. Much more will and really should be said.

Giving a eulogy for a close friend is never easy and giving one for a friend like Harry Chapin is even more difficult because it expresses the deep sense of loss my family and I feel. But it is important to speak of Harry because more than my family and I have lost a good friend. The hungry of the world have lost their best and most constant friend.

Harry had unique talents and passionate concerns. A songwriter, a singer, a storyteller, Harry would weave our thoughts together in laughter and in wry humor. He could make us cry and perhaps even more importantly, he could make us remember. But Harry could also carry us along with his concern, his passionate caring for the hungry of this world. Not content with merely talking about victims of starvation and malnutrition, he set about to do something. He determined to change structures to get to the root causes of hunger, the real reasons for lack in a time of plenty.

Harry did not simply want to show sympathy, he wanted to demonstrate that hunger was not inevitable in this world. And in a remarkably brief time Harry Chapin worked to create the President's Commission on World Hunger, he founded the Food Policy Center, created World Hunger Year, and established the Food Monitor magazine.

How did he accomplish this? With incredible determination, with selfless dedication, and he also did it by giving away the bulk of his earnings as an entertainer. He knew that our brothers and sisters around the world would continue to be malnourished and would continue to starve unless hunger became a matter of conscience to the millions of us who are well fed. He knew the enormity of his job, but I am convinced that the enormity never detered him or even allowed his inexhaustible energy to falter.

Mr. President, I remember so well a few years ago when Harry Chapin came to me with an idea that came from his wonderful wife, Sandy, to put together a Presidential Commission on World Hunger. He prowled the Halls of the House of Representatives with his good friends Congressmen BEN GILMAN, Rick Nolan, TOM DOWNEY, and others. I would go with him on the Senate side of Capitol Hill and we would meet with distinguished colleagues Henry Bellmon, Hubert Humphrey, BOB DOLE, GARY HART, DON RIEGLE, ALAN CRANSTON, then Vice President Fritz Mondale, and so many others. Harry would bring his coworkers with him, Marty Rogol, and Bill Ayers, and so many others and we would set up times to go and talk to people about preparing a joint resolution requesting a Presidential commission.

We would call Harry and say that Wednesday midmorning might be a good day to meet with certain Senators, and Harry would say "I will be there." What he never told us was the night before he had a concert in California and maybe another concert that Wednesday night back in California. In between he would fly here, to spend time talking for an hour or so with other Senators and go back for the concert.

He would talk to them. He would grab them. He would corner them in the Halls I would introduce him to a chairman and he would get the Harry Chapin treatment until Harry had him agree to cosponsor the resolution.

We passed that resolution, with bipartisan support here and in the House of Representatives, and then we went down to the White House to talk to the President about it. I recall going down with another Senator and Harry Chapin, the three of us. We drove down in the other Senator's car which had a license plate which said U.S. Senate 1 on it, and we drove up to the White House gate and the gate opened just slightly. The Secret Service man and a couple uniformed guards came out and asked the Senator driving if he had any identification. He said he was Senator So and So. Did he have any identification? No, he did not. He turned to me, asked who I was. I said "I am Senator LEAHY." He said "Do you have identification?" And I did not have anything on me. At that point the guard noticed who was in the back seat. He said "Harry Chapin, how are you? Will you vouch for these two?" Harry said, "I will vouch for them." The gates of the White House opened up, and we were ushered in to see the President.

President Carter told us that we used somewhat unfair methods in trying to lobby him. He did not mind me, or Congressman Nolan or anybody else coming down and talking to him, but Harry would come down and talk to him and after we left he would go and sing to the President's daughter, Amy, and she would go and talk to her father about the need for the Hunger Commission."

So Harry started in, "Mr. President, these are the reasons for it," and he started giving the statistics and his feelings on hunger, and the President said, "You have convinced me. I will create the Commission."

Simply having won did not deter Harry. He kept on going and he started warming to it and the President said, "But I am going to do it," and finally about the third time we said, "Harry, you have to stop. You have convinced him. Don't change his mind."

But this is the way he was. His work was a commitment. It was a beginning. And it is one that cannot stop and it will not because it will continue in his name—as it should.

He was scheduled to testify this week in the House of Representatives and I only hope that those of us "second choices" who will testify in his place can begin to give his message at the hearings.

We should never forget how he could give that message. Harry was a singer and a poet. He loved his work and millions of Americans laughed and admired the simplicity of that work. Harry's songs were about ordinary people, with their attempts to get from one hard day to another and to love.

He wrote about a lot of the inner thoughts that are so hard for people to express for themselves. When he sang you could feel the warmth and recognition in his audience. Like great poets in our time Harry let people see themselves. But Harry Chapin's music was not set apart from his conscience. The two were of one piece. At least half of his concerts were benefits to raise money for people and causes that were important to him, principally the abolition of hunger and want. I think about the comforting words, the poignant notes, and the laughter from all of these thousands of concerts and I can only think how wonderful it was to have had Harry Chapin as a friend and a fellow human being for the years God granted him.

Now, Mr. President, I want the personal privilege about talking about the friendship between the Leahy family and the Chapin family, a friendship I cherish and would never give up.

Harry Chapin, his talented and wonderful wife Sandy, their children Jaimie, John, Jason, Jenny, Josh, his sister Dana, and his brothers Steve, Tom, and James. Why he could pack the House just with family.

They, too, should be noted here in the Senate today because while Harry gave so much of himself to all of us, they gave up so much of Harry to make it possible. But their love, and their own considerable talent, helped Harry make contributions to our society way beyond what should even be expected of a person so young.

Of all the times we were together from the first time I met him, as a new Member of this body to last night in Long Island at his wake to the concerts and the meetings and the work of all this. I remember best one summer evening when Harry came to our home in Vermont. We had walked up to one of the fields around our home and watched the sunset and came back on a pleasant summer evening. The windows were open, the lights were off, the candles lit. The breezes blew through the windows, blowing the curtains, and Harry sat there and sang a long time. He sang my favorite "A Better Place To Be," and his favorite, "My Corey's Coming."

At later times at our home he would sing "Tangled Up Puppet," the beautiful song he and Sandy wrote, and I think back to that time, and I think back to those songs. But what I think about today is the song he wrote and the lyrics of it in which he said:

All my life's a circle, sunrise and sundown;
The moon rolls through the nighttime till the daybreak comes around.
All my life's a circle but I can't tell you why,
The reasons spring round again, the years keep rolling by.
It seems like I've been here before, I can't remember when, but I got the funny feeling that I'll be back again.
There's no straight lines make up my life and all my roads have bends, there's no clear-cut beginning and so far no dead ends.

Harry Chapin started this circle with his amazing talent and his boundless energy, his unending compassion for the hungry of the world. We in this city can help complete that circle.

Mr. President, I reserve the remainder of my time.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

TRIBUTE TO HARRY CHAPIN

Mr. METZENBAUM. Mr. President, I did not have the privilege of knowing Harry Chapin nearly as well as the distinguished Senator from Vermont, but I did have the privilege of knowing him somewhat. I think I have a kind of reserved jealousy that the Senator from Vermont had the privilege of knowing this man as well as he did, because I believe he was probably one of the most selfless people I have ever had the privilege of knowing.

I join the Senator from Vermont in expressing my deep personal grief at the early death of a man of the stature, the compassion, the kindness and, maybe more important of all, his concern, Harry Chapin. He was a very special person. He was an American original, a talented writer, composer, performer, whose work was deeply rooted in the lives and experiences of the working people of this country.

As I mentioned, I did not know him that well, but the little I did know him I came to respect him as being a thoroughly genuine human being whose love for his wife, his family, the kind of world in which we live spilled over into his music.

He was a man who cared about injustice and suffering in the world, and he was determined to do all that one man could do to make a difference.

There are few people who had the privilege that Harry Chapin had of making the choice of becoming a very wealthy person and becoming a person who probably was comfortable but never rich, but devoting so much of his time to the kind of world that all of us participate in making.

The fact that he devoted more than half of his time, half of his work, to benefit concerts for the causes in which he believed I think gives some indication of the stature and the dedication and the feeling of this man.

In 1980 alone he gave 130 benefit concerts. According to my mathematics that comes to one every 3 days. He cared very deeply about the fact that some could eat so well in this Nation and throughout the world and some could not eat at all. He was concerned about the poor and the ability to put food on their tables, whether they were in some far-removed corner of the world or whether they were his next door neighbors.

He was proud of the fact that he was the only member of the President's Commission on World Hunger to attend every single meeting, and the word "selfless" is synonymous with Harry Chapin.

He was that rare kind of individual who would give of himself, give of his own personal energy and talent, for the benefit of others.

There are many in the entertainment world who on occasion see fit to participate in what is happening in that world, one concert, one entertainment, one trip, two, three, four. But Harry Chapin did not know how to say "No" and when decent causes needed help Harry was always there.

In an article that appeared in the July 17 edition of the Washington Post, Tony Kornheiser recalled his last meeting with Harry Chapin.

Mr. Kornheiser wrote:

That night, a sleeting, crummy winter night, I remember him telling me that it was about time I stopped fooling around writing about celebrities and started writing about the people who really controlled the world.

I remember me telling him that it was about time he stopped trying to save the world and started selling out so he could become a rock star.

And I remember exactly what he said about that. He said, "being a rock star is pointless. It's garbage. It's the most self-indulgent thing I can think of. I've got nothing against selling out. But let me sell out for something that counts. Not so Harry Chapin can be No. 1 with a bullet, but so I can leave here thinking I mattered."

I ask unanimous consent that Mr. Kornheiser's article be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. METZENBAUM. Mr. President, Harry Chaplain's life was cut short at the age of only 38.

But he did matter. He mattered greatly. And he succeeded in showing thousands upon thousands of people that a good and determined person can confront a cynical world and make an impact.

I did not know Harry Chapin's family well. I had had the privilege of meeting them on occasion, but I say that in his loss they lost a parent, a father, a husband, a wonderful human being, and they should know that there are just so many others throughout this world who share their grief.

We will miss him, the Nation will miss him, and the hungry peoples of the world will miss him.

They join me in expressing our sympathy to his family.

I yield back the remainder of my time, Mr. President.

EXHIBIT 1

HARRY CHAPIN'S RICHES: THE TROUBADOUR WHO LAUGHED AT FAME AND GAVE AWAY HIS FORTUNE

(By Tony Kornheiser)

They called Harry Chapin a troubadour, but he was more of a novelist. He wrote short, poignant, biographical novels and set them to music. Novels about tax drivers who have chance encounters with their first loves and choose not to go home again. Novels about fathers and children who start out not getting close to each other and end up not even getting next to each other. Novels about lovers who get swept away in the heat of the moment. Novels about snipers and disc jockeys and heroic true believers who never lose touch with who they are.

And yesterday, when Harry Chapin died in a car wreck, he left behind the sort of novel that he wrote about so well. A man whose life ended abruptly in the middle. Between the search and the goal. Between the promise and the gift. Not yet there, but on the way.

He'd be giving a concert, and he'd sit on a stool, his guitar resting on his right knee, and he'd joke with the audience about the kind of songs he'd written. He knew that most of the critics thought he was a lightweight, and while that judgment offended him, it never discouraged him. He thought it hilarious that one rock performer was reviewed this way: "He was a rich man's Harry Chapin." Harry would laugh and say, "Look at where they've got me. They've got me as a standard for comparison. If anyone is lower than me, he has to be at the very bottom of the ocean." He'd even use his standing with the critics in his act. He'd blush and tell the audience that when he was younger he had the nickname "Gapin' Chapin." And he'd call himself "a third-rate rock star." And then he'd turn up his energy higher, much higher than his amps, and sing his songs. "Taxi." "Cat's in the Cradle." "I Wanna Sing You a Love Song." "Sniper." "W.O.L.D." And in his own way, for his special audience, he was every bit as popular and loved, and even worshiped like a Bruce Springsteen.

Harry Chapin could have been a millionaire.

Harry Chapin maybe should have been a millionaire.

But every year at least half of his concerts were free, either for charity or as a benefit.

He put his money where his mouth was.

I met Harry while doing a profile on him in 1976, a profile in which I accused him of not so much being a singer-songwriter as being a moralist. I believe the term was that he sang a course in Morality 101. He liked that. He laughed very loudly at that.

He had a great and rich and good laugh.

The last time I saw Harry, he gave a concert at Constitution Hall. It was a typical Chapin concert in that his energy was high, and the only reason he stopped singing was because he was told that if he stayed on stage even another minute they were going to have to put the help on overtime. Harry already had gone on for almost three hours and it was closing in on midnight.

And after it was over, Harry went out into the lobby for a typical Chapin post-concert session. And there he would sell Harry Chapin albums and Harry Chapin T-shirts and Harry Chapin song books. And on each one he would sign his typical Chapin message: "Keep The Change, Harry Chapin."

What was so impressive about what Chapin did wasn't so much that he signed every last thing that was thrust at him—even for people who hadn't bought a thing—but that every penny he took in from these sales didn't go into Harry Chapin's pocket, but toward charity, specifically toward ending world hunger.

Later that night Harry and I and another reporter took a taxi (what else?) over to the American Cafe on Capitol Hill and sat around for a few hours solving all the world's problems. I knew how hard he worked for the cause of preventing world hunger, so of course I razzed him about ordering a big thick sandwich. And he came back at me the way he always did, by saying, "Look, I'm not asking you to starve; I'm simply asking you to try and spread the word that we grow enough food each year to feed the world easily. You've got access to a great newspaper here. For God's sake use it."

And then we talked about the congressmen he'd seen recently, and how his lobbying effort was going, and how many charities and causes he was pushing. As ever, he was all high energy and optimistm. I thought then and I think now that Harry Chapin was a worthy man. That he was a liberal in the very best, philosophical sense of the word. It wasn't welfare he was talking about, it was decency. He used the phrase "enlightened self-interest." He said it made good sense to redistribute the food. Not because it was the noble thing to do, but because if you removed hunger and desperation you would remove a major cause of crime and violence. If there is such a thing as a practical liberal, Harry Chapin was that.

And when we were all talked out about saving the world, we drank a few more beers and talked about Long Island, where we both were from, and remembered the afternoon we played touch football on his lawn, right next door to Long Island Sound, and I insisted I was a better quarterback than him, and he insisted he was a better end than me. And laughed some more, his rich laugh filling the now empty restaurant, and just like on stage he was the last to leave, because if they didn't throw him out they'd have to pay the help overtime.

That night, a sleeting, crummy winter night, I remember him telling me that it was about time I stopped fooling around writing about celebrities and started writing about the people who really controlled the world.

I remember me telling him that it was about time he stopped trying to save the world and started selling out so he could become a rock star.

And I remember exactly what he said about that. He said, "Being a rock star is pointless. It's garbage. It's the most self-indulgent thing I can think of. I've got nothing against selling out. But let me sell out for something that counts. Not so Harry Chapin can be No. 1 with a bullet, but so I can leave here thinking I mattered."

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, a parliamentary inquiry. Does the Senator from Vermont have some time remaining?

The PRESIDING OFFICER. The Senator from Vermont has 7 minutes and 23 seconds remaining.

Mr. LEAHY. I yield whatever time the Senator from Kansas wishes.

Mr. DOLE. Three minutes.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

HARRY CHAPIN

Mr. DOLE. Mr. President, first I wish to thank the distinguished Senator from Vermont for taking this time to recognize Harry Chapin's accomplishments.

It is somehow fitting that those of us in the Senate who knew Harry Chapin should pause here briefly today to discuss many of the things that he was associated with.

It just so happened that my last conversation with Mr. Chapin was by telephone. He was asking my assistance in acquiring the use of the grounds around the Statue of Liberty for July 4, 1982, at which time he had planned to have a large benefit to benefit world hunger.

I remember he also said at that time, although I was of a different party and maybe of a somewhat different philosophy, "Because of your interest in food programs, I want to do a concert for you." I guess he has done many of those for men and women in politics.

But, again, it demonstrates, just as we have heard from the distinguished Senator from Ohio, what Harry Chapin was all about—unselfish, committed, concerned—concerned not with piling up money, but with doing what he could on behalf of those in need in the world and in this country.

He could have been a multimillionaire, but he chose, instead, to make a lasting mark on the world by upholding his commitment to a higher moral order. He was, as others have indicated, intensely concerned about world hunger. He was, as was indicated, a member of the President's Commission on World Hunger. And, as a member of that Commission, not with the attendance record that he had, I did come to know Harry Chapin; in his work with the distinguished Senator from Vermont, Senator LEAHY and others, I also came to know Harry Chapin.

Despite the fact that he could have lived a life of wealth and leisure, sheltered from the harshness of the world's problems, he chose to become involved—to try in his own way to make the world a better place in which to live.

Harry Chapin was one of those few individuals who participated as a public figure in the depth of drama that is part of everyday reality—away from the glitter of stardom. Maybe he did not follow the path of fame as many know it—he certainly was not concerned with success if this meant making millions of dollars by merely selling records and giving concert tours. At least half of Harry's concerts were free—either for charity or as benefit concerts. Specifically, this man was so concerned about world hunger that he became one of the most active individuals to engage in a public awareness campaign and lead efforts to do something about this problem. That world hunger existed at all was a strange phenomenon to him, because there is enough food produced each year to easily feed the entire world population.

So it would seem to me that he has left his mark. He was a liberal, and a liberal in the best sense of the word. He possessed a spirit of generosity and optimism which carried him through his various commitments with a great sense of seriousness and purpose. He also possessed a high-energy level which he channeled toward all that interested him. He did not talk about welfare per se, although hungry people became a focused cause for him. What he was really committed to was decency and dignity for all human beings. While he was with us, he did what he could to make an impression on all of us—to let us know what was important to him and what was not. In the process of living up to what he believed in, he laughed at his own fame and gave away his fortune for causes he supported.

What mattered to him were people and family—he had his own wonderful family of five children, and it is for his wife and children that we should grieve today, for they are the ones left behind by the tragic events that deprived them of the man they knew as a husband and father. Still, what remains is the spirit of inspiration and bright memories of the times they shared together.

It just seems to me that he also had the family of hundreds and thousands and perhaps millions outside his immediate family of hundreds and thousands and him, those who benefited from his work, and those who will continue to benefit because of things he has done.

Mr. President, I wish to conclude my statement with some words from last Friday's article on Harry Chapin in the Washington Post, written by Tony Kornheiser, a good friend of his. I think this best expresses the sense of what has happened in recent days:

When Harry Chapin died in a car wreck, he left behind the sort of novel that he wrote about so well. A man whose life ended abruptly in the middle. Between the search and the goal. Between the promise and the gift. Not yet there, but on the way.

What remains with all of us today are the songs he wrote and sang, and the strength of his vision—for this we will always remember him.

So I would say that when I last spoke with him it was the same Harry Chapin I had spoken with off the Senate floor on a number of occasions, calling not about something for himlsef but about what he could do for someone else 12 months from the day—almost to the day—he called. That is the Harry Chapin that many in this Chamber, and many in this country, and many around the world, know better than I. Certainly he left us with a legacy to continue his commitment to the larger issues in life.

The PRESIDING OFFICER. The Senator from Vermont.

Mr. LEAHY. Mr. President, I thank the distinguished Senator from Kansas for his remarks. He was one of the original sponsors of the resolution that I referred to earlier in my remarks. I know how appreciative Harry Chapin was of that.

I thank the distinguished Senator from Ohio (Mr. METZENBAUM) for his statement. I know, again, how much Harry Chapin appreciated his support on these issues.

Mr. President, I am not sure what the order is for the remainder of my time. I do not need further time. I think there was time, however, reserved for the distinguished minority leader.

The PRESIDING OFFICER. The Senator is correct.

Mr. LEAHY. Mr. President, I suggest the absence of a quorum.

Mr. METZENBAUM. Will the Senator withhold that request?

Mr. LEAHY. Yes.

SPEECH BY PROFESSOR WILLARD MUELLER ON THE ANTITRUST MOVEMENT

Mr. METZENBAUM. Mr. President, it has become fashionable these days to depreciate the value of our antitrust laws. That fashion has spread even to those who should know better, like economist Lester Thurow. In both his book and in articles, Mr. Thurow has propounded a series of propositions about the uselessness of antitrust law that are full of fallacies, distortions, and naivetes. Nevertheless, many of these arguments are now national policy as Antitrust Chief William F. Baxter sets about the business of undoing 90 years of antitrust jurisprudence.

In a recent speech, Prof. Willard F. Mueller, William F. Vilas research professor at the University of Wisconsin in Madison, responded at length to Professor Thurow. In an address to the Conference on Industrial Organization and Public Policy at Middlebury College in April, Professor Mueller convincingly demonstrates the inadequacies and weaknesses in the Thurow thesis and reaffirms the importance of antitrust law.

I commend the Mueller speech to my colleagues and ask unanimous consent that it be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

THE ANTI-ANTITRUST MOVEMENT

(By Willard F. Mueller)

We are in the midst of a new antitrust movement. But unlike those of earlier times, this one is an "anti" antitrust movement. Tonight I shall place the current attack on antitrust in a historical perspective, examine its origins, and comments on the arguments of the economist who has emerged as the most popular exponent of abolishing the antitrust laws.

The antitrust laws were this nation's response to the *laissez-faire* capitalism that came into full flower after the Civil War. The new economic order, epitomized in the great trusts, created a feeling of unease among the people. Writing in 1911, Supreme Court Justice John M. Harlan characterized the mood that gave birth to the Sherman Act of 1890. "There was everywhere," said Harlan, "a deep feeling of unrest . . . the conviction was universal that the country was in real danger [from] the aggregations of capital in the hands of a few individuals and corporations controlling, for their own profit and advantage exclusively, the entire business of the country . . ."[1]

These feelings and fears gave rise to the Sherman Act of 1890. This act and the Clayton Act of 1914 were rooted primarily in the belief that excess corporate power must be restrained to assure fair competition, prevent exploitation of the consumer, and protect democratic institutions by preventing excessive centralization of economic power.

Until World War I there was continuing agitation for more vigorous enforcement and strengthening of the Sherman Act of 1890. In the 1912 presidential campaign each candidate—Roosevelt, Taft and Wilson—spelled out an agenda for curbing excessive corporate economic power. The result was the enactment in 1914 of the Clayton Act and Federal Trade Commission Act. World War I changed abruptly the nation's agenda, and following that conflict concern with these matters was set aside as the nation was promised a return to normalcy.

During the 1920s there occurred the first concerted attack on the antitrust laws. Enforcement effort dwindled, many courts were openly hostile, and for a time the Federal Trade Commission came under siege and was charged with harboring persons hostile to American capitalism. To many, a return to "normalcy" meant a return to the *laissez-faire* capitalism of the 19th century.

The most progressive Senators such as LaFollette and Norris continued to support the FTC until the middle 1920s, when in 1925 President Coolidge appointed William E. Humphrey, his former campaign manager and a lobbyist for Western lumber interests, to the chairmanship of the FTC. The new Humphrey majority's anti-antitrust sentiments so alienated the progressives that some proposed abolishing the agency. Under Humphrey's aegis, the FTC was converted from an instrument for "the preservation of fair methods of competition—into a device for limiting price competition itself."[2]

By the late 1920s and early 1930s many special interest groups urged drastic changes, if not outright repeal, of the antitrust laws on grounds that these laws shackled business initiative and that their repeal was essential to economic recovery; many of the arguments were very similar to those used today.[3]

The most ambitious proposal for legitimizing a cartelized economy was the Swope Plan of 1931, formulated by General Electric president Gerald Swope. It called for coordinating production and consumption through legal-

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Footnotes at end of article.

ized cooperation among corporations to stabilize "competitive methods and prices."[4] In 1932 both political parties were being urged to repeal or drastically weaken the antitrust laws. Leading members of the American Economic Association rallied to the defense of the antitrust laws. In a sharply worded "reaffirmation of the essential principle of fair competition," the economists urged both political parties to reject these attacks.[5]

The statement may have had some effect. The 1932 Republican platform was silent on the issue, though the chairman of the resolutions committee favored a plank attacking the Sherman Act. The Democratic party platform included a brief statement embodying the main features of the "Economists Statement."

Any satisfaction over this seeming victory was short-lived, however, since a centerpiece of one of the New Deal's first creations, the National Industrial Recovery Act (NRA), repudiated the antitrust laws, replacing them with the "codes of fair competition" that businessmen had sought and FTC Chairman Humphrey had tried to give. Then, quite unexpectedly, at what seemed antitrust's darkest hour, a new era of antitrust began. In 1935 the NRA, already economically ill, was given a death sentence by the Supreme Court. President Roosevelt, disturbed by the failures of his program to prevent a deepening of the depression in 1937–38, turned his back—at least partially—on centralized NRA-type planning in favor of making competitive capitalism work more effectively. To accomplish this he appointed Thurmond Arnold to head a substantially enlarged Antitrust Division and called for a full-scale investigation into the way twentieth-century capitalism worked and how it could be improved.

During 1937–1942, a period many recall as the golden age of antitrust, Thurmond Arnold pursued an aggressive policy. In a single year he filed more Sherman Act cases than had been brought during the first 20 years of the Act. Perhaps the main legacy of these years was the demonstration that antitrust still had a meaningful role a half century after the Sherman Act was enacted. Although Arnold's big cases generally were stalled during the war years, the antitrust agencies rebounded strongly at war's end, and the big cases went forward.

While antitrust as a "movement" was dormant in the post-war decades, the enforcement effort did not wither as it had after World War I. The reason for this difference, as historian Richard Hofstadter persuasively argues, was that Arnold's regime had resulted in the institutionalization of the antitrust process: "Despite the collapse of antitrust feeling both in the public at large and among intellectuals, antitrust as legal-administrative enterprise [was] solidly institutionalized."[6]

The most important area of activity involved merger enforcement, which was given new life by the Celler-Kefauver Act of 1950. The act amended and greatly strengthened Section 7 of the Clayton Act, which had been rendered totally ineffective by a series of Supreme Court decisions in the 1920s.

Following passage of the 1950 Act, the FTC and the Antitrust Division initiated an aggressive program of enforcement. Although it has been almost totally ineffective in dealing with conglomerate mergers, the Celler-Kefauver Act has been used effectively in challenging horizontal mergers, the type that most directly injure competition. A few statistics illustrate the immensity of the merger enforcement effort. During 1951–1980 the antitrust agencies issued 500 merger complaints challenging 1,477 mergers. Nor was this effort merely a "charade" involving small acquiring companies, as Galbraith has asserted. The bulk of these complaints challenged large acquiring companies: 83 percent of all acquired assets were by companies with assets exceeding $1 billion and 95 percent by companies with assets exceeding $250 million.[7]

From my studies, I conclude that many American industries would definitely be much more concentrated were it not for this enforcement effort. Many large corporations seem to have an insatiable appetite for growth by merger, even when it can be accomplished only by conglomerate acquisitions that make little or no economic sense. It takes little knowledge of business behavior to realize that without restraints on horizontal mergers, this merger appetite would be wholly unrestrained, leading to unacceptably high levels of concentration in many industries.

The Celler-Kefauver Act clearly has done very little about conglomerate mergers. But it might have been otherwise had the agencies followed through on the efforts begun in the late 1960s and early 1970s. The Supreme Court, under Chief Justice Earl Warren, had upheld the government in all of the conglomerate merger cases to reach the highest court. The agencies, especially the Antitrust Division under Donald Turner (1936–1938) hesitated in following up on these victories. Then, in 1969, President Nixon appointed Richard W. McLaren to head the Antitrust Division. As a condition of accepting the appointment, McLaren had received Attorney General Mitchell's approval to test whether the Celler-Kefauver Act could be used to challenge successfully large conglomerate mergers, especially those involving acquisitions of dominant firms and those creating the potential for reciprocity. McLaren first laid out his game plan, and then began carrying it out expeditiously.[8] Although few observers believed McLaren would actually carry out his plan to challenge conglomerate mergers, during 1969 he brought suit to block three large acquisitions by ITT (Hartford Fire Insurance, Canteen Corporation and the Grinnell Corporation), and two other large conglomerate mergers. This marked the zenith of the conglomerate merger enforcement effort.

The counterattack came swiftly. While most business leaders merely criticized McLaren, ITT officialdom, spearheaded by Board Chairman Harold Geneen, descended on Washington, perhaps encouraged by ITT's success in helping to topple the Allende government in Chile.[9] I have recounted the ensuing campaign at length elsewhere, though I did so without benefit of the subsequently released White House "Watergate" tapes.[10] These tapes demonstrate that Richard McLaren's policy was overruled by the President himself. A key day in these events was April 19, 1971. Several months earlier Richard McLaren had successfully petitioned the Supreme Court for permission to appeal the *ITT-Grinnell* case, and the Justice Department's appeal brief was ready by March 1971. Under White House pressure, McLaren asked the Court to postpone submission of the brief for one month, to April 20, 1971. On the afternoon of April 19, 1971, the President met with his chief aide, John Ehrlichman, and George Schultz, Director of the Office of Management and Budget. Their conversation was recorded by the President's secretly installed tape recorder.[11]

The conversation begins with Ehrlichman telling the President that the *ITT-Grinnell* appeal was being pursued despite his attempts to give the Justice Department "signals" to the contrary. The President expressed outrage, and decided to call Deputy Attorney General, Richard G. Kleindienst, to give McLaren his marching orders.

PRESIDENT. [picks up the telephone] yeah.

KLEINDIENST. Hi, Mr. President.

PRESIDENT. Hi, Dick, how are you?

KLEINDIENST. Good, how are you, sir?

PRESIDENT. Fine, fine. I'm going to talk to John [Attorney General Mitchell] tomorrow about my general attitude on antitrust.

KLEINDIENST. Yes sir.

PRESIDENT. And in the meantime, I know that he has left with you, uh, the IT & T thing because apparently he says he had something to do with them once.

KLEINDIENST. [laughs] Yeah. Yeah.

PRESIDENT. Well, I have, I have nothing to do with them, and I want something clearly understood, and, if it is not understood McLaren's ass is to be out within one hour. The IT & T thing—stay the hell out of it. Is that clear? That's an order.

KLEINDIENST. Well, you mean the order is to——

PRESIDENT. The order is to leave the God damned thing alone. Now, I've said this, Dick, a number of times, and you fellows apparently don't get the message over there. I do not want McLaren to run around prosecuting people, raising hell about conglomerates, stirring things up at this point. Now you keep him the hell out of that. Is that clear?

KLEINDIENST. Well, Mr. President——

PRESIDENT. Or either he resigns. I'd rather have him out anyway. I don't like the son-of-a-bitch.

KLEINDIENST. The, the question then is——

PRESIDENT. The question is, I know, that the jurisdiction—I know all the legal things, Dick, you don't have to spell out the legal——

KLEINDIENST. [Unintelligible] the appeal filed.

PRESIDENT. That's right.

KLEINDIENST. That brief has to be filed tomorrow.

PRESIDENT. That's right. Don't file the brief.

KLEINDIENST. Your order is not to file a brief?

PRESIDENT. Your—my order is to drop the God damn thing. Is that clear?

KLEINDIENST. [Laughs] Yeah, I understand that.

PRESIDENT. Okay.

KLEINDIENST. [unintelligible]

[President hangs up.]

After this conversation the President said to those gathered, "I hope he resigns. He may." Then follows an attempt by George Schultz to assure the President that he was following sound Chicago School economics in permitting conglomerate mergers. It must have comforted Nixon to learn that Schultz had "checked this over with my friend Stigler" who assured Schultz that mergers presented no problem.

But Nixon was too preoccupied with McLaren's independent behavior in the ITT case to sit silently and endure for long Schultz's lecture on "Chicago School" economics.

PRESIDENT. The problem is McLaren's a nice little fellow who's a good little antitrust lawyer out in Chicago. Now he comes in and all those bright little bastards that worked for the Antitrust Department for years and years and years and who hate business with a passion . . . have taken him over . . . That was all right fifty years ago. Fifty years ago maybe it was a good thing for this country. It's not a good thing for the country today. That's my views about it, and I am not—we've been through this crap. They've done several of them already about—they raised holy hell with the people that we, uh, un—well Geneen [Chairman of ITT], hell, he's no contributor. He's nothing to us. I don't care about him. So you can—I've only met him once, twice—we've, I'm just uh—I can't understand what the trouble is.[12]

Presidential counsel John Ehrlichman then made a feeble effort to come to McLaren's defense.

EHRLICHMAN. McLaren has a very strong sense of mission here.

PRESIDENT. Good—Jesus, he's—get him out In one hour.

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EHRLICHMAN. He's got a——

PRESIDENT. One hour.

EHRLICHMAN. Very strong——

PRESIDENT: And he's not going to be a judge either. He is out of the god damn government. You know, just like that regional office man in, in San Francisco. I put an order into Haldeman today that he be fired today.

EHRLICHMAN. Yeah.

Attorney General Mitchell subsequently discussed these matters with the President and advised him that it would be politically unwise to interfere with the ITT appeal. The President agreed to heed Mitchell's advice to permit the appeal to go forward after Mitchell assured him, "we can get rid of the ITT thing, I think".

Get rid of it they did. The Justice Department entered into a sham agreement with ITT settling all three ITT cases before the Supreme Court was given an opportunity to hear the *ITT-Grinnell* appeal.[13] Thus ended the assault on conglomerate mergers. Since 1971 no significant conglomerate mergers have been challenged.

THE NEW ATTACK ON ANTITRUST

It would be a mistake to single out the ITT affair as the origin of the current anti-antitrust movement. It was merely one scene in a hit play, "The Watergate Scandals," that ran well in Washington for two seasons. McLaren's assault on conglomerate mergers floundered, as Henry C. Simons might have said, on the orderly process of democratic corruption.

The new attack on antitrust began well before Watergate. The very success of antitrust and the consumer movement were partly responsible for galvanizing corporate America into action in the 1960s and 1970s.

From World War II until about 1973–1974, the enforcement effort was modestly aggressive, especially in the area of mergers, and the courts became increasingly sympathetic to strict interpretations of these laws. Private antitrust activity reached historic highs in the 1960s and 1970s. As historian Richard Hofstadter put it, whereas "once the United States had an antitrust movement without prosecution; in our time there have been antitrust prosecutions without a movement."[14]

The Warren Court played a central role in all this, as perhaps the only Supreme Court since 1890 that felt comfortable with vigorous enforcement of the antitrust laws. But the strong pro-antitrust era of the Warren Court ended in 1973–1974, when in the words of associate Justice White, a "new anti-trust majority" emerged. One legal authority asserts that the Burger Court has a deep-rooted "anti-antitrust" bias.[15]

The changed composition of the court reflected a broader conservative movement that had spread across the land, as special interests mobilized to change the antitrust laws as well as other aspects of our economic and political systems. It is a mistake to assume the new attack on antitrust flowered from seeds only recently planted. It germinated two decades ago and has been growing continuously ever since.

The "Chicago School" of economics has long provided the main intellectual resources for attacking the antitrust laws and their enforcement. But the views from Chicago did not have great influence on public policy until they became firmly implanted at a number of other universities (e.g., UCLA, Virginia, Rochester, and Texas A&M) and when they became generously endowed by industrial interests seeking intellectual legitimization of their objectives.

During the 1960s and 1970s business interests stepped up greatly their support of groups and individual holding views compatible with those of business. The most obvious manifestations of corporate efforts aimed at shaping views toward modern capitalism are the American Enterprise Institute, the Hoover Institution, the Heritage Foundation, and other centers of conservative economic thought. The National Chamber of Commerce has supported academic researchers critical of the regulatory agencies.[16] Corporate philanthropists of the New Right have increasingly contributed generously to "scholars".

The John M. Olin (of Olin Corporation) and Sarah Schaife Foundation (large holder of Gulf Oil securities), together reportedly have given $7.5 million to academics at places like the University of Chicago, UCLA, and the American Enterprise Institute.[17] The Heritage Foundation, launched just seven years ago with a $250,000 contribution by ultraconservative brewing tycoon Joseph Coors last year had a budget of $5.3 million.[18]

The world's largest corporation, AT&T, has assumed responsibility for publishing the major professional journal in regulatory economics, the *Bell Journal*.[19] If this is a harbinger of how our professional journals will be sponsored in the future, perhaps IBM or Exxon will take over the financially troubled *Industrial Organization Review*.

The University of Miami's Law and Economics Center provides special two-week, all expense paid, cram courses in *laissez-faire* economics for the federal judiciary. The Center is financed almost exclusively by large corporations, in some cases, corporations (ITT and IBM) that have cases before the very judges attending the Center.[20] To date nearly one-fifth of the Federal judiciary has attended at least one of the Center's institutes. Upon returning home to their chambers, the judges receive monthly mailings from the Center on crucial economic issues like advertising. The anti-antitrust bias of the Center's faculty was probably pretty well summed up by Chicago School economist, Harold Demsetz, when he told the assembled judges, "My own personal view is that the place of the antitrust laws comes with explicit price collusion—and probably nowhere else."[21]

These various forces are subtly, and often not so subtly, influencing many persons' views toward the antitrust laws. For example, OMB Director David Stockman, an historian by training, reportedly gained most of his knowledge of regulatory economics by reading publications of the American Enterprise Institute. (Not too surprisingly, Stockman named Institute scholar, James Miller, to head regulatory matters within OMB.) This also likely explains Stockman's views on antitrust, which he put succinctly: "I disagree with the whole antitrust tradition."[22] It is hardly surprising, therefore, that, "the decision to push for an end to funding the Federal Trade Commission's competition bureau was made on the basis of a two page memorandum after less than a minute's deliberation by OMB Director Stockman."[23]

Ironically, the current critics of antitrust rely on the ideology of free markets. They object not to competition, they assert, but rather to the allegedly anticompetitive effect of the antitrust laws. Competition in their view, already is very intense and would continue to be so in the absence of antitrust; and where competition is not working effectively, the problem more likely than not is to be found in some anticompetitive government-imposed policy. There is also much loose talk about the need for larger American corporations so that they can compete more effectively in foreign markets.

Rather than attempt to review all the critics, I shall this evening examine in some detail the criticisms raised by Lester C. Thurow, Professor of Economics and Management at the Massachusetts Institute of Technology. I do so not out of personal malice. Professor Thurow has excellent academic credentials in his field of specialization, and I understand he is a pleasant and engaging young man.

I have chosen to discuss Thurow's views solely because nearly every recent criticism of antitrust appearing in the popular press and business magazines give prominent play to his ideas.[24] Thurow has never been one to limit his views to the classroom or to the professional literature. Although he has been commenting on antitrust policy for some time, he first moved to center stage by writing a piece for the *New York Times*, entitled, "Let's Abolish the Anti-trust Laws."[25] Since then his voice or written words are everywhere. This past February he was interviewed at length by the Executive Editor of *Dun's Review*. Dun's titled the interview: "Abolish the Antitrust Laws", with the long subtitle, "That's the View of Top Economist Lester Thurow, A Liberal Democrat, Who was an Economic Advisor to George McGovern and Jimmy Carter."[26]

Methinks that much of Thurow's popularity with the business press is explained by the contents of the subtitle. Nothing so warms the heart of the conservative as criticisms of antitrust by "liberal democrats" that were former advisors to presidents or contenders for high office.

To avoid mistaken criticism, I shall comment only on statements made directly by Thurow, thus avoiding error that comes from misquotations or misinterpretations by the occasional unsophisticated or careless journalist.

I begin by examining his views as revealed in his latest book, *The Zero-Sum Society*.[27] In his review of *Zero-Sum*, my colleague, Professor Robert J. Lampman, predicts that the book "will interest undergraduate students in economics as well as the general reader."[28] Were it restricted to the narrower audience of professional economists, Thurow's errors would cause less mischief.

As with other matters, Thurow's views on antitrust are unequivocal: "The antitrust approach has been a failure", says Thurow. "The costs it imposes far exceeds any benefits it brings."[29] He gives five reasons for these conclusions.

FREE TRADE MAKES ANTITRUST UNNECESSARY

In markets where international trade exists or could exist, "If they [the antitrust laws] do anything, they only serve to hinder U.S. competitors who must live by a code that their foreign competitors can ignore."[30] The assertion that U.S. antitrust laws disadvantage American corporations in international competition is an old chestnut used to discredit the laws for decades. Yet there is no persuasive empirical evidence, nor does Thurow cite any, to support the claim.

First, U.S. corporations generally are considerably bigger than their foreign competitors. Second, the main restraints on U.S. behavior in foreign markets are those forbidding participation in cartels. There are few, if any, respectable economic arguments that show how the inability to participate in a cartel reduces a company's ability to compete. On the contrary, the accepted economic wisdom, supported by considerable historical experience, is that firms outside a cartel have greater sales and profits than the cartel.

Thurow's other argument regarding international trade is that, "If competitive markets are desired, the appropriate policy should be to reduce barriers to free trade."[31] He cites as examples the actual trade barriers in steel and the proposed barriers in automobiles. Thurow's problem here is that he lacks historical perspective. We did have free trade in steel until the late 1960s. But, because competition was ineffective among domestic steel companies, they responded to imports by yielding market share rather than by cutting price. As a result, by the late 1960s they had surrendered such a large part of the market to foreign competitors that they placed in jeopardy the jobs of hundreds of

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thousands of workers and the capital of numerous investors. At this point the Johnson administration was persuaded to negotiate the first of a series of restraints on steel imports. The point here is that ineffective competition was the underlying reason for abandoning free trade in the first place.

I readily acknowledge that the antitrust laws have failed to keep the steel industry competitive enough, though they have accomplished much even here. But this is clear. The problem with the steel industry would not be improved by repealing the antitrust laws and permitting greater concentration, and certainly not by permitting complete cartelization as Thurow would permit in industries involved in international trade. The available evidence indicates that the largest steel companies have not been the most innovative and that greater size is not needed to make the leaders more efficient. Moreover, with or without free trade, buyers in Mid-America are totally dependent on domestic steel companies when buying many products and are protected only by competition among domestic sellers. Thus, free trade often promises much more than it delivers, and clearly merely being in favor of it in principle is not reason enough to warrant abandoning concern with competition among domestic competitors. As Frank Knight said many years ago, the free traders win the debates but the protectionists win the elections.

MONOPOLY FOR BREAKFAST?

Thurow next comes to the defense of monopoly by arguing that the general rise in income tends to greatly increase the relevant market in which firms compete. Most goods people buy today are not "physiological necessities but luxuries that could be substituted by other goods . . ." [32] The person considering the purchase of a Rolls Royce may substitute for it "a swimming pool, a summer home, or a wide variety of products.' In Thurow's economic world all of these products are in the same market, so even if Rolls Royce has a monopoly it is not in a position to exploit it. Thurow then proceeds to use this economic argument to attack one of his favorite targets for ridicule, the FTC's case challenging the monopoly power of the leading makers of dry breakfast cereals. Thurow's defense of the industry exceeds in zeal—if not in economic rigor—that of the economists employed to defend the industry in court, e.g., J. Fred Weston, Harold Demsetz, Lester Telser, Jesse Markham and a gaggle of others.

Thurow concedes that a few sellers have power over the price of branded cereals. But this poses no problem in his view, "Since any individual consumer can, if he chooses, buy no-name brand corn flakes at a much lower price, the brand names must be yielding some psychic utility or brand-name corn flakes would not be sold." [33] Acknowledging that this "psychic utility" likely was created by advertising, Thurow asks, "so what?" After all, "most wants have been determined by some . . . form of advertising." And while this may lead some consumers to make "silly decisions," the government has no business stopping "people from making silly decisions that do not affect anyone but themselves." If one were to pursue similar logic on the subject of income distribution, an area in which Thurow professes expertise, one might reason that market failures that distorted income distribution were not the public's business so long as the resulting distortion created by say, advertising, affected only the individuals misled by it. It is generally acknowledged that the food purchase decisions of the poor are more often distorted by advertising than are the decisions of the economically more fortunate. But Thurow's compassion for the poor evidently does not extend to situations where advertising misleads them into paying enormous monopoly overcharges; they are being justly punished for making "silly" purchase decisions.

This naive defense of advertising-created monopoly power is almost enough to make a "Chicago School" economist blush. Indeed, Thurow himself evidently is not entirely satisfied, for he proceeds to build other defenses for the industry. But instead of setting things aright, he merely falls into new errors.

He considers the case where consumers do not have a lower price alternative to a powerful brand of corn flakes. Not to worry here either says Thurow: "if the brand premium gets too large, others can easily enter the no-name brand corn flakes market." After all, he sees no patent or other significant entry barriers. (He conveniently ignores the relevant entry barriers: trademarks of established brands, the huge promotion and advertising costs of launching new brands, and the difficulty of getting shelf space because of brand proliferation). Of course, the very fact that branded corn flakes typically command a 20 percent premium over no-name brands is compelling evidence to most industrial organization economists that there exists enormous barriers protecting the established brands. Thurow also is less than fair with his readers in selecting corn flakes as his example, since they, puffed wheat and puffed rice are about the only cereal brands available under private label. Indeed all private label brands of cereal make up less than 4 percent of total dry breakfast cereals. Markups on other dry cereals are considerably greater than on corn flakes. For example, Kellogg's Sugar Frosted Flakes are essentially corn flakes with sugar added. Scherer [34] reports that after adjusting for the added sugar costs, Sugar Frosted Flakes prices are 16 percent more than Kelloggs Corn Flakes, which in turn sell for 20 percent more than private label corn flakes.

Thurow defends these high premiums on the grounds that consumers are better off because their psychic utility has been enhanced by the amount of the premium. This is the kind of silly reasoning that gives economists a bad name among people of common sense. The prices consumers pay in these circumstances are determined by the market power of sellers rooted in oligopoly and product differentiation created largely by advertising. Merely because some consumers are willing to pay the price asked does not automatically justify that price. Many consumers prefer "2 percent" or "skim" milk to ordinary milk. And doubtless many would be willing to pay a premium for it although its costs are less than for milk with higher butter-fat content. The reason they pay less is that competition forces prices to reflect cost differences. This is the way prices behave in a market where competition is working. All this Thurow ignores.

Thurow closes his defense of breakfast cereal pricing by beseeching his readers to not fear even if cereal companies monopolize cereal sales. Even in this worst possible case the consumer is protected because "there are still a great deal of other breakfast alternatives (bacon and eggs, no breakfast). These other products make the market a competitive market even if there is no competition within the dry cereals business." [35]

Now, this is really too much. True, often substitute products place limits on the holders of market power. And one must be tolerant of laymen who conjure up all sorts of silly examples of substitutes that protect consumers against monopoly prices. But surely the American Economic Association should expect better of its members.

The computed cross elasticity of demand between breakfast cereals and eggs is .01.[36] As all of you bright undergraduates know, this means that a 100 percent increase in the price of breakfast cereals will result in a 1 percent increase in the consumption of eggs. I doubt if the cross elasticity of demand between cereals and bacon is any higher. Thurow's other alternative for curbing the power of a cereal monopolist, namely to not eat breakfast, sounds like Marie Antoinette's advice to the poor of France, "let them eat cake." Many Americans may go without breakfast, but their doing so has not curbed the power of the cereal companies. The simple fact is that 40 percent of consumers spend over 25 percent of their income on food and 20 percent of consumers spend over 33 percent. Despite the affluence Professor Thurow sees all about him, most Americans are not indifferent to the billions of dollars in monopoly overcharges incorporated in their food bills.[37]

CONGLOMERATES MAKE ANTITRUST LAWS UNNECESSARY

Another phenomenon of modern capitalism dear to Thurow's heart is the huge conglomerate enterprise. It is not to be condemned but embraced because it so enhances competition as to make the antitrust laws unnecessary because "monopoly rents are inherently limited in an economy full of large conglomerate firms." [38]

This is so, says Thurow, because conglomerates are ever ready to enter oligopolistic industries where firms earn high profits: "Excessive rates of return attract competitors, and potential competitors have the ability to enter *all* those markets that are not natural monopolies." [39] Surely no serious student of industrial structure, much less the man of industry, can take this assertion seriously. And Thurow offers not one shred of evidence to support his assertion. In fact, he contradicts the views he expressed in an earlier work, *Generating Inequality* (1975). In explaining why firms in low-profit industries do not invest in high-profit industries, Thurow said in 1975, "Barriers to entry are often high, and managers often do not have the specialized knowledge necessary to make profits in another industry. The existence of high profits in the cosmetics industry, for example, does not mean that iron and steel executives could earn profits there." [40]

Economists still differ over the competitive significance of growing industrial conglomeration. But none can ignore the growing evidence that continuing mergers among large firms are eliminating more and more potential competitors. Nor do conglomerates have a good track record of significant *de novo* entry in highly concentrated industries, e.g., cereals, soft drinks, etc.

Finally, growing industrial conglomeration tends to dull the incentive for large conglomerates to enter one another's domains, recognizing that to do so is to invite hostile retaliation elsewhere.[41] I realize mine is still a minority view on this aspect of conglomerates. Many economists are blind to the problem because they ignore the available evidence and do not seek out evidence of their own. For believers and unbelievers alike, I suggest reading the intriguing story of how AT&T and IBM have avoided direct competition for years because each believed it had more to gain from avoiding competition with the other than engaging in it.[42]

ANTITRUST COSTS EXCEED THEIR BENEFITS

Thurow next argues that "it is not obvious that anything of economic value is accomplished even if an antitrust case is won by the government." [43] As usual he chooses his own ground, in this instance, his argument rests almost exclusively on the IBM case—as he interprets it.

Thurow first supposes that if the government were to win the case, IBM might be broken into three or four firms. So what, he exclaims! "By now we should have enough experience to know that a three or four firm oligopoly does not act noticeably different

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from a one-firm monopoly faced with potential competition (the Japanese) . . ."

No so. Most industrial organization economists, even those of a Chicago view, believe there is a significant difference. Also, Thurow's arithmetic is faulty. If IBM were broken up, the total number of U.S. mainframe computer manufacturers would be ten or more. And equally important, were IBM to lose its dominant position, entry would be easier and existing firms could compete more effectively, especially since appropriate relief would also call for restraint on predatory conduct.

The truth, of course, is that neither Thurow, I, nor anyone else knows what relief will occur if the government wins. My candid opinion is that at best the new Assistant Attorney General for Antitrust, William Baxter, will end the case with an innocuous consent agreement, or worse still abandon the case. But should this come to pass, it will not demonstrate any inherent defect in antitrust but a manifestation of the anti-antitrust movement's success in placing in high office persons who do not believe in much current antitrust doctrine.

Thurow also glibly asserts that any tampering with IBM's dominant position will undermine its efficiency, thereby giving aid and comfort only to our enemies, the foreign computer makers. This is another unsupported assertion for which there is much contrary evidence.[44]

Although Thurow concedes IBM's "dominant position" permits it to earn handsome profits, not to worry, because "this is not to say that it has been able to extract *crippling* monopoly rents from computer customers." This comment sheds much light on Thurow's value judgments concerning what constitute excessive profits. He apparently would tolerate all but those that are so excessive as to "cripple" consumers. This is like telling the thief he may commit grand larceny so long as he does not maim his victim.

After his *tour de force* demonstrating that antitrust provides no benefits, Thurow condemns the laws enforcement "diverts scarce resources from the real problem, which is productivity." [45]

Thurow again turns to the IBM case as a "perfect" example of this waste of scarce resources. Economists in the IBM case, as Thurow understands it, wasted numerous resources debating over what constituted the relevant market in which to measure IBM's market power. He says that "if the market is large mainframe computers, then IBM's got 98% of it . . . On the other hand, if IBM is in the office equipment market, then the company has a small share of that market. So all of the testimony revolves around such issues as whether a typewriter is the same thing as a computer. Well, that's just a silly issue . . ." [46]

Silly indeed! So silly that I wonder where in the world Thurow got his unworldly impressions as to what the case is all about. True, relevant market is one important issue. But never did the government assert, nor did any economist testify, that IBM had 98 percent of *any* market. And even though some IBM economists engaged in flights of fancy in defining the breadth of the relevant market, none ever went so far as to include typewriters.

Thurow's unfamiliarity with actual cases has never prevented him from drawing important conclusions about antitrust matters. In response to the question of whether he could think of a single antitrust case that had been good for the economy he first replied, "I can't think of any off hand." But on reflection he cited the "Brown Shoe machinery case." He said the company involved "eventually fell on hard times and was merged out of existence. In a sense the government destroyed the company. But I don't think that's the purpose of the antitrust laws." [47]

Students of antitrust doubtless will be puzzled by this example, since there never was such a case. Apparently Thurow got the famous *Brown Shoe* case, involving Section 7 of the Clayton Act, confused with the famous *United Shoe Machinery* case, involving the Sherman Act. Both are precedent setting cases. But there is no basis for Thurow's statement that the government's action caused the demise of either Brown Shoe or United Shoe Machinery. Both were ordered to divest certain properties. But the divested properties are still alive and well. Admit it, Lester, you never seriously studied carefully a single antitrust case.

NONPRICE COMPETITION TO THE RESCUE

Thurow's final objection to the antitrust laws is their preoccupation with price competition. Reminiscent of the "new Competition" literature of the 1950s, Thurow argues that "price is clearly only one of the many competitive weapons (advertising, product quality, and so forth) and in many areas not the most useful or used weapon." [48] True enough. But Thurow ignores two key points. First, if a firm is shielded from price competition, often the same shields protect it from other forms of competition. Second, some other forms of competitive rivalry, especially advertising, may be destructive of competition because they erect entry barriers and inflate costs. But Thurow dismisses this possibility by appeal to the standard *laissez-faire* rationalization that however a corporation chooses to compete must be in the public interest because private decision-makers can be trusted to choose that which is best. As he sees it, "When industries do not engage in price competition they do so for the perfectly good reason [that] it simply isn't the most efficient way to compete." [49]

Now you have heard it all: Thurow's five reasons why we should abolish the antitrust laws. He asks his readers to accept his teaching on faith; he cites no authority for any of his assertions.

THE THUROW ANTITRUST ACT OF 1980

Do not misunderstand me. Antitrust does have a place in his Zero-Sum Society. His antitrust act would consist of two basic propositions:

The first would be a ban on predatory pricing . . . The second would be a ban on explicit cartels that share either markets or profits. Firms can grow by driving competitors out of business or by absorbing them, but they cannot agree not to compete with each other." [50]

There it is, "The Thurow Antitrust Act of 1980," clear, concise, and inconsistent. It would prohibit price fixing among all the firms in an industry, yet it would permit all firms in an industry to merge and form a monopoly. Apparently recognizing belatedly this inconsistency, Thurow is now willing to drop his rule against price fixing. When Dun's Review asked his views on price fixing, Thurow replied, "I don't think there's really very much of it going on." [51] When he then was asked whether he would "scrub the laws against price fixing too," he replied:

"That's right. But Congress would be standing by ready to write a new statute if a rash of price fixing took place. But my hunch is that it probably wouldn't be necessary." [52]

Evidently Thurow is unfamiliar with the literally hundreds of U.S. corporations that have been indicted for price fixing in recent years, or the rich historical literature documenting the propensity of businesses to engage in elaborate and pervasive price fixing schemes in nations without laws prohibiting such behavior. He even seems to have forgotten the words of his intellectual mentor, Adam Smith, who warned over 200 years ago that "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public in some contrivance to raise prices."

In sum, Thurow's case for repealing the antitrust laws rests on no more than his hunches, guesses, speculations, and erroneous interpretations of these laws.

After examining carefully Thurow's views, I think every fair minded person will agree that there really is much less to Thurow's ideas than first meets the eye. His are not the statements of a scholar or even a well informed layman. Most professors expect better of their studens in Economics 101.

THUROW'S EMPTY BOX

How to explain, then, the uncritical attention given Thurow's views? The answer is to be found in the anti-antitrust movement that is everywhere about us. All movements seek "respectable" spokesmen. When the movement has a conservative base, none is in greater demand than the liberal intellectual who embraces, in part at least, the conservative's creed. In this setting a man willing to lend his intellectual prestige to a movement and be embraced by it in return, need not necessarily know whereof he speaks. And he may gain the limelight and popular applause for a time by wrapping his ideas in an attractive package. All this it seems Lester Thurow has done. But, alas, after we remove the wrappings on Thurow's package, nothing remains but an empty box.

Thus ends my epistle on Lester C. Thurow. Some of you may legitimately ask, but is there anything in the antitrust box? If your patience permitted, I would gladly stay to answer at length, even at this late hour. I would begin with the confession that I have not been an uncritical champion of these laws or of the adequacy of their enforcement. These laws are imperfect instruments of social control. We must therefore continually appraise with open minds alternative means of ensuring that the enormous powers of the large modern corporation are used to serve the public good. But it is inconceivable to me that America would abandon the antitrust laws without putting in their place something far more substantial than the empty promise that their repeal will result in the rebirth of the world of Adam Smith.

These laws contain our only legal rules for bridling the modern corporation's enormous economic power in the marketplace. These laws' main purpose has always been to maintain, so far as possible, a decentralized economic system and to place some restraint on the use of economic power. Justice William O. Douglas put it well:

"Industrial power should be decentralized so that the fortunes of the people will not be dependent on the whim or caprice, the political prejudices, the emotional stability of a few self-appointed men. The fact that they are not vicious men but respectable men is irrelevant." [53]

Nor have the people given those in the vanguard of the anti-antitrust movement a mandate to return to a system of 19th century *laissez-faire* capitalism. Nor will the people tolerate such action, once the motives of the anti-antitrusters are more widely understood. There is today, much as in 1980, a feeling of unease and impotence in dealing with powerful corporations that, in the words of former ITT Chairman Harold Geneen, "have become the primary custodians of making our entire system work." This quite naturally raises questions about the legitimacy of their custodianship. A recent *Fortune* article reported that many Americans are questioning the legitimacy of the large corporation. *Fortune* found that 51 percent of Americans with incomes of $25,000 or more believed that "big business is becoming a threat to the American way of life." [54] The fact that a majority of the most

Footnotes at end of article.

fortunate beneficiaries of American capitalism hold this view should give pause to those who believe there exists no real concern among the people on these matters. Many businessmen, too, fear that unrestrained capitalism may destroy itself. A longtime student of our system, A. C. Hoffman, retired vice president of Kraft, Inc., observed: "At the present rate at which American industry is being merged and consolidated, we will indeed reach that ultimate stage of monopoly *capitalism* which many predicted." [55]

I have expressed these concerns this evening not to attack our system but to urge repudiation of false prophets who would destroy it in the name of saving it. My mentor, the late George W. Stocking, urged in a presidential address that "capitalism must be saved from its friends".[56] Never has that advice been more sound than today.

FOOTNOTES

[1] Standard Oil Company of New Jersey v. United States, 221 U.S. 1, 83 (1911).

[2] M. Fainsod and L. Gordon, *Government and the American Economy*, New York, W. W. Norton & Co., Inc., 1941, p. 520.

[3] The president of the American Bankers Association said, "the way to progressive success in all commercial and industrial efforts is through constant introduction of new economies, but against the institution of these economies there is often the menace of the Sherman Law interpretations . . . Do not changing times call for a careful revision?" *The New York Times*, Section XX, October 12, 1930, p. 2.

In 1931, the National Chamber of Commerce included among its four recommendations for recovery, "Modification of the antitrust laws to make clear agreements intended to relate production to consumption." *The New York Times*, December 18, 1931, p. 15.

[4] Fainsod and Gordon, *op cit.*, p. 569.

[5] "The Economists Committee on Antitrust Policy," *American Economic Review* September 1932, p. 464.

[6] R. Hofstadter, "What Happened to the Antitrust Movement?" in E. F. Cheit (ed.), *The Business Establishment*, New York, John Wiley & Sons, 1966, p. 116.

[7] W. F. Mueller, *The Celler-Kefauver Act: The First 27 Years*, a Study prepared for the use of the Subcommittee on Monopolies and Commercial Law of the Committee on the Judiciary. House of Representatives, Ninety-fifth Congress, Second Session, Government Printing Office, December 1978.

[8] W. F. Mueller, "The ITT Settlement, a Deal with Justice?" *Industrial Organization Review*, Vol. 1, No. 1, 1973, pp. 67–86.

[9] *The International Telephone and Telegraph Company and Chile*, Report to the Committee on Foreign Relations, U.S. Senate, by the Subcommittee on Multinational Corporations, June 21, 1973.

[10] Mueller, "The ITT Settlement," *op. cit.*

[11] The following quotations are from the transcript prepared by the Impeachment Inquiry Staff of the House Judiciary Committee from conversations recorded by President Richard Nixon, commencing 3:30 p.m., April 19, 1971.

[12] February 29, 1972, columnist Jack Anderson broke the famous Dita D. Beard (a former ITT employee) story that alleged the ITT settlement was tied to a $400,000 political contribution by ITT to the Republican party.

[13] Mueller, "The ITT Settlement," *op. cit.*

[14] Hofstadter, *op. cit.*, p. 116.

[15] H. R. Lurie, "Mergers Under the Burger Court: An Anti-antitrust Bias and Its Implications," *Villanova Law Rev.*, January, 1978.

[16] For example, The National Chamber financed a study of conglomerate mergers by Jesse M. Markham that was published as J. W. Markham, *Conglomerate Enterprise and Public Policy*, Boston, Harvard University, 1973.

A fascinating confidential memorandum was written for the Chamber by Supreme Court Justice Lewis F. Powell, Jr., "Attack on American Free Enterprise," August 23, 1971, shortly before his appointment to the Supreme Court. The memorandum was addressed to Eugene B. Syndor, Jr., Chairman, Education Committee, U.S. Chamber of Commerce. The memorandum is a blueprint for attacking, and perhaps silencing, those critical of any aspect of capitalism. It goes so far as to recommend that the Chamber establish a body of scholars who would review all textbooks in economics, sociology and political science so as to encourage authors, publishers, and users to "return to a more rational balance." He likewise perceived as the most "fundamental problem" the ideological imbalance of many faculties. "Correcting this is indeed a long-range and difficult project . . . This is a long road and not one for the faint hearted." *Ibid*, pp. 16, 17 and 19.

[17] G. C. Staple, "Free Market Cram Course for Judges", *"The Nation"*, January 26, 1980, p. 79.

[18] "Reagan's Think Tank" *Dun's Review*, April 1981, pp. 110–114.

[19] This is not to imply that scholars publishing in the *Bell Journal* have compromised their intellectual principles by doing so. To me this is not a question of whether or not the *Journal* is tendentious. As a basic principle, scientific journals should not be sponsored by the very interests that are the subjects of inquiry. To me this seems self-evident, although many economists evidently feel otherwise. And not too surprisingly, a previous editor of the *Journal* has, publicly, taken exception to my views.

[20] Staple, *op. cit.*, p. 78. See also "Big Corporations Bankroll Seminars for U.S. Judges," *Washington Post*, January 20, 1980, p. A 1.

[21] Staple, *op. cit.*, p. 20.

[22] Interview in *The Village Voice*, quoted by Federal Trade Commissioner Patricia P. Baily in a speech "17th Annual Symposium on Trade. Association Law and Practice, February 25, 1981. Republican Commissioner Baily reportedly had the inside track to become Acting Chairman of the FTC until she gave this speech.

[23] *Ibid.*

[24] See for example, "New Thunder from Economists on the Left," *Business Week*, December 3, 1979, pp. 131 133; and "Antitrust Grows Unpopular," *Business Week*, January 12, 1981, pp. 90, 92, 93.

[25] L. C. Thurow, "Let's Abolish the Antitrust Laws," The New York Times, October 19, 1980. In 1979 he had written a piece attacking Senator Kennedy's Conglomerate Merger bill. "Bigness and Badness," *The New Republic*, April 28, 1979, pp. 10–12.

[26] "Abolish the Antitrust Laws," *Dun's Review*, February 1981, pp. 72–74.

[27] L. C. Thurow, *The Zero-Sum Society*, Basic Books, New York, 1980.

[28] R. L. Lampman, "Review of The Zero-Sum Society," *"Journal of Economic Literature*, Volume XIX,, Nov. 1, 1981, pp. 91–92.

[29] Thurow, *The Zero-Sum Society, op. cit.*, p. 146.

[30] *Ibid.* p. 146.

[31] *Ibid.*

[32] *Ibid.* p. 147.

[33] *Ibid.*

[34] F. M. Scherer, "The Welfare Economics of Product Variety: An Application to the Ready-to-Eat Cereals Industry," *Journal of Industrial Economics*, Dec. 1979, p. 127.

[35] Thurow, *op. cit.*, p. 147.

[36] P. S. George and G. A. King, *Consumer Demand for Food Commodities in the United States with Projections for 1980*, Giannini Foundation Monograph No. 26, March 1971, California Experiment Station, University of California-Berkeley, March 1971, p. 51.

[37] R. Parker and J. Connor, "Estimates of Consumer Loss due to Monopoly in the U.S. Food-Manufacturing Industries," *American Journal of Agric. Econ.*, November 1979, pp. 626–639.

[38] Thurow, *The Zero Sum Society, op. cit.* pp. 147

[39] Ibid., p. 148 (emphasis added).

[40] L. C. Thurow, *Generating Inequality*, New York, Basic Books, 1975, p. 147.

[41] W. F. Mueller, "Conglomerates, A Non-industry," in W. A. Adams (ed.), *The Structure of American Industry*, New York, Macmillan, 1977, pp. 461–467.

[42] See for example, Merrill Brown, "Backstage with Big Business," *The Washington Post*, February 1, 1981, pp. F1 and F4, and "Litton Evidence Alleging AT&T coerced IBM will be Permitted at Antitrust Trial," *Wall Street Journal*, Feb. 9, 1981, p. 5.

[43] Thurow, *The Zero Sum Society, op. cit.*, p. 148.

[44] See for example, G. W. Brock, *The U.S. Computer Industry*, Cambridge, Mass.: Ballinger, 1975.

[45] Thurow, "Abolish the Antitrust Laws," *Dun's Review*, February 1981, p. 72.

[46] *Ibid.*, p. 73.

[47] *Ibid.*

[48] Thurow, *The Zero Sum Society, op, cit.*, p. 149.

[49] *Ibid.*, p. 150.

[50] *Ibid.*

[51] *Dun's Review, op. cit.*, p. 72.

[52] *Ibid.*

[53] *U.S.* v. *Columbia Steel Co.*, 344 U.S. 495 (1948).

[54] *Fortune*, March 26, 1979, p. 91.

[55] A. C. Hoffman, "Trends in the Food Industries and their Relationship to Agriculture," Farm Foundation, Chicago, November 11, 1962, p. 2.

[56] G. W. Stocking, "Saving Free Enterprise from Its Friends," *Southern Economic Review*, April 1953, pp. 431–44.

ARCHBISHOP JAMES HICKEY

Mr. METZENBAUM. Mr. President, I ask all to join me today in recognizing a truly inspirational leader in our society, Archbishop James Hickey.

Mr. President, Archbishop Hickey was named bishop of my hometown of Cleveland in 1974, so I was fortunate to have had a chance to get acquainted with him at that time. In Cleveland, Archbishop Hickley was an inspiration to the entire community with his intelligence, his compassion, and his understanding of the needs of his people and of the problems confronting our society.

Archbishop Hickey is quoted as saying that—

I tend to think of myself in terms of fulfilling a gift God gave me.

Indeed, Mr. President, he does that, everyday of his life, and regardless of our individual religion, we are all the better for it.

Mr. President, I ask unanimous consent to have printed in the RECORD the full text of the July 19 Washington Post Sunday magazine article regarding Archbishop Hickey.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

POWER IN THE KINGDOM

(By John M. Barry)

When James Hickey was 13 years old, he left his family. He left to become a priest. "I loved my mother," he says, "but I didn't miss her. She never understood that."

If leaving to become a priest at 13 was not

as unusual in the 1930s as it would be today. Hickey's comment marks an emotional detachment that seems odd. It also marks an absolute joining of the man to the Roman Catholic Church.

"Very rarely did I have doubts about becoming a priest," he says. "I have never had a crisis of faith." Even for an archbishop—last August he was named archbishop of Washington—that is unusual.

He is properly addressed as "Your Excellency," and some still bow to him, to kiss his ring. He is master of hundreds of millions of dollars worth of property, master of a complete school system, master of Catholic University, of priests, of nuns, of parishes, of buildings, of football teams.

But his demesne extends further. In the church sense of time, Hickey has just arrived in Washington, yet he has . . . influence. That influence has been felt—whether they know it or not, and whether they are among the archdiocese's 400,000 Catholics or not—by blacks in Anacostia and whites in Chevy Chase. They will feel it more in the future.

Hickey's influence extended into the last presidential administration—he met with Carter, with Secretary of State Edmund Muskie, with others, and named as one of his two special assistants Msgr. Geno Baroni, a Carter assistant secretary of housing and urban development. He has testified on Capitol Hill and met with congressional leaders.

Now his influence extends to the Reagan administration. Undersecretary of State James Buckley has had "several conversations" with him. Buckley says, "We try to keep him informed. He's met with [Deputy Secretary] Bill Clark a number of times."

All the meetings, with Carter, with congressmen, with Reagan officials, dealt with El Salvador. They were not ceremonial. Hickey's voice is listened to in the American church and in Rome, and the stance of the Catholic Church is critical to stability in Latin America. The State Department knows it.

"Hickey," says the Rev. Robert Drinan, the former congressman, "was effective, very, very effective on the Hill on El Salvador . . . He has aroused the American Catholic Church on this issue. A man, a non-Catholic who is very sophisticated politically, said to me that he feels certain that but for the Catholic Church we'd have Marines in El Salvador right now."

Before the Reagan administration went public with its Salvador policy, Buckley and Secretary of State Alexander Haig, both Catholics, and United Nations Ambassador Jeane Kirkpatrick and their staffs briefed Hickey and other church leaders.

Baron says, "They invited us. We didn't ask them . . . You could tell they were very interested in making some impression on him."

James Hickey is a player on the highest level.

"The spirit of evil is a reality in the world," Hickey says. "'The Devil' is by no means a rhetorical expression. He is a fallen angel with all the power and force of an angel. I think people who allow the force to work through them become evil." And they, and Satan, must be struggled against.

Hickey's struggle is personal but his aroma is institutional. There is a legal concept called "corporation sole." It means the archbishop has absolute control over the assets of his diocese, and point out a dialectic all bishops face—a justaxposition of the corporation and the individual, intellect and emotion, freedom and submission.

Reminding a group of nuns celebrating the 25th and 50th anniversaries of their vows, Hickey says, "You did not choose God. God chose you."

His faith that he has been chosen makes him certain and strong. But it also brings up the question of free will, of surrendering the self. He says surrender is "an apt and often-used concept, but I never thought of it that way. To me, I hate to use the word 'fulfilled,' but that's what I feel. I tend to think of myself in terms of fulfilling a gift God gave me, not as surrendering."

The church is feudal. In creating order out of chaos, feudalism, and the church, made obedience a great good; the church is hierarchic, not bureaucratic. It is organic: the arm is connected to the shoulder, the shoulder to the neck, the neck to the head. Here, it is Hickey who is the head. It is Hickey who is obeyed. He is the church and the church is he. And he can operate where he is not the head.

"He's a very sophisticated man with a lot of experience in Rome," Msgr. George Higgins points out, comparing him to a Washington insider. "It's one thing to read in the paper a cabinet secretary said so and so. It's another for Clark Clifford to go in and see him."

When Archbishop Oscar Arnulfo Romero was murdered, the Vatican responded less than vigorously, reflecting the fact that several Salvadoran bishops had opposed Romero outright and only one attended his funeral. But after a lengthy visit by Hickey, the Vatican reversed itself this March and strongly endorsed Romero's actions. Mario Paredas, director of the Northeast Catholic Hispanic Center in New York, says, "If there is no connection, indeed there is a tremendous coincidence."

Hickey is the archetypal powerful bishop. Spellman of New York, Cushing of Boston and a few others have had a major presence regionally and in some cases nationally. But they represented the old church, protector of the status quo. Hickey is the first of this ilk—a powerful bishop—in Washington and he represents the church of change.

That change came out of the Second Vatican Council in the early 1960s. Hickey attended as a peritus (expert), and as his bishop's proxy. Vatican II focused concerns on human dignity, on the poor, on this world. That focus has led the church to challenge the status quo more than it has in centuries.

Vatican II did not change everything. Thinking of concerns such as priestly celibacy and birth control, the Rev. Francis X. Murphy, a Washington priest who's a longtime observer of the international church, can still say of Hickey, "Make no mistake, he's a conservative." But it changed much.

Sixty years old, white-haired, a hint of fleshiness softening his strong jaw, Hickey is not a man who radiates force and will. A patrician, a gourmet cook, a man who delights in art and classical music—it's easy to understand the assistant who describes him as "very Roman."

He laughs gently and seems at first even passive. But his eyes, from behind glasses, are alert, and one realizes that what seems passivity is instead absorption. It is as though what he absorbs, he understands, and cannot despise.

Throughout his home on Rockwood Parkway are remembrances. His mother's old cookie jar—he jokes about its survival—sits in an étagère. He handles his bishop's ring fondly. Hickey says, "This was Bishop Woznicki's"—Stephen Woznicki, former bishop of Saginaw, Mich., and Hickey's mentor—"I was his secretary, lived with him for nine years. He gave me his ring."

The only time of the day Hickey is alone is during his combination walk-jog at 6:30 each morning. Much of the rest of the time he listens and absorbs. His style is that of the lamb.

That is not weakness. He soaks up attacks. Kind of like Muhammad Ali lying on the ropes while his enemy pounds away at him, Ali enduring while the enemy grows exhausted. Of course this is an oversimplification. Hickey's style resembles Ali's in another way—he knows when to strike.

To Hickey abortion is evil, but so can be economics, so is racism and so is American military involvement in El Salavador. So he fights.

He fights in small ways, attending to detail, such as laying plans to consolidate all diocesan offices outside downtown and lease out the current offices in the high-rent Connecticut Avenue area. He plans to sell his house, a plush establishment bought by the previous archbishop that boasts a maid and a handyman, and provides space for frequent guests and two priests who live with him. He will live behind the new offices.

The Rev. Ed Braxton, Hickey's theological adviser, says, "Not that it's a palace, and no criticism of Cardinal Baum—" Hickey's predecessor—"but in light of the poverty here, why should he live in such a house?"

Hickey fights in larger ways too. He has had real power. In Cleveland, a city of a million Catholics, an observer says, "The Catholic bishop here, and the archbishop in Boston and in a few other places, is one of the four or five most significant people in the city in influencing how people act, even though they may hate his guts."

Court-ordered busing ignited the city. The mayor said nothing. In Congress, Cleveland Democrats Ron Mottl and Mary Rose Oakar backed an anti-busing bill, and Oakar called the diocesan position supporting the busing "hypocritical." As Boston had before, Cleveland seethed and violence threatened.

Hickey fought to stay on top of events. He went into parish after parish and condemned racism, he arranged the appointment of a black auxiliary bishop, he refused to allow white transfers into parochial schools to avoid the court order, he led marches.

Harry Fagan, the diocesan community affairs director, says, "I want to describe him as being very savvy without being a wheeler-dealer. In busing he cut the issue in a way you couldn't really oppose, a way you could back to the wall—that no kid should get hurt."

The explosion never came. No kid got hurt.

"Baum," says a priest who knows both well, "lived in a different kind of world. Whereas Hickey wanted to [be active]. He relished it. With a controversial issue he'll fight, while Baum would hope it wouldn't come up . . . The city will be aware he's here and aware he's more interested in poor people than wealthy people."

In Cleveland Hickey inherited missions that the diocese ran in El Salvador. Often he visited there himself. One visit has burned itself into his mind.

It is March 30, 1980, the funeral of Hickey's friend, Archbishop Romero, victim of a modern murder in a cathedral. Hickey is one of three men formally representing the American church in attendance. The cathedral sits at the head of a huge square.

The Rev. Al Winters, who accompanied Hickey, recalls: "The square was absolutely jammed. I heard figures from 30,000 to 100,000. I saw a tree actually pulled over by the weight of people sitting in it. . . . At the foot of the cathedral was an iron gate that was closed.

"The sun was terribly hot. When the homily started the archbishop moved into the cathedral. . . . Then this explosion! Instant panic! The Salvadoran people were screaming and yelling! I heard gunshots. There was another explosion . . . .

"Thousands rushed the cathedral. There were so, so many people. Many of the deaths were of asphyxiation. A young girl 16 or 17 threw herself across me. I couldn't see the archbishop . . . Then I did. He had been pushed up against the wall. There were more gunshots. They told us to get down. People

were dying around him. He was trying to minister to them as best he could."

Forty people died at the funeral.

"There is such a doctrinaire obsession and distance from reality in that violence," Hickey says. There is sadness in his voice, and anger.

Two of the four American missionaries murdered last December had been under Hickey's jurisdiction; one had extended her time there because he specifically asked her to stay. Hickey had ridden with them in their van, the van in which the four were killed.

Administration statements about them—particularly Kirkpatrick's claim that they were involved in politics—anger him.

"That's simply not true," he says wearily. "I don't think it's useful or helps anyone, our government or anyone else, to say they were political activists when they were not."

Hickey needs no State Department sources on El Salvador.

But all he does about El Salvador is personal. Though the weight of the institution behind him gives him weight, still it is he acting. More complex is what he does within the corporal institution of the church, an institution that he is remaking in his image. Some believe that Hickey has become a corporation in fact as well as in name. It saddens them. Others say that perception is wrong.

But one thing is clear. Always he knew what he wanted: to love God and oppose Satan.

The son of a dentist in Midland, Mich., Hickey grew up comfortably. He was always studious and has always been a leader. When 24-year-old Olin Murdick was considering the priesthood, he went to Hickey, then 17, for guidance.

Even then Hickey was a doer, on a fast track, and an intellectual. Murdick recalls, "He was a book-lover, very much a student, with a great deal of zeal, religious zeal . . . He made me realize that proclaiming the gospel was still an exciting thing to do."

Hickey's first job as a priest grew out not of passion, but intellect. While in the seminary he had written an article, "The Modern Proletariat," in which he talked of migrant Mexican farm workers in Michigan. His bishop read it and told him to set up a ministry to them.

That program went well. The bishop sent the obviously bright and committed Hickey to Rome, where he earned doctorates in theology and canon law. On his return a new bishop made him his secretary and assistant chancellor of the Diocese of Saginaw. Hickey was right on track, and among the fairest of the fair-haired boys.

In 1967, he became auxiliary bishop. Two years later he returned to Rome as rector of the North American College, a seminary for U.S. priests. Soon he became president of an association of Roman seminaries. Then, in 1974, he was named bishop of Cleveland.

Hickey knew what he wanted to do in Cleveland: make his diocese reflect Vatican II, to stand for human dignity, to be a force in the city. But he had never been a parish priest. His experience was as a thinker, an administrator. So his effort to be pastoral was systematic. He is organized: the diocese would be organized. He acts: the diocese would act. The diocese would be his reflection.

He set up secretariats for special concerns, named vicars for geographic areas, laid out flow charts. No autocrat, he made sure information flowed up as well as decisions down, delegated authority and supported people in showdowns against outsiders, including the mayor—but kept all answerable to him. He became the master bureaucrat, the ultimate administrator, and more than that, the feudal liege lord. That was most evident in the busing crisis.

"He had something to say even when nobody called him," snorts anti-busing activist Norbert Denneri.

The Rev. Donald Jacobs, a black minister who heads the Inter-Faith Council of Cleveland, says of the busing crisis, "The archbishop played the major role."

As leadership has moved Hickey away from close pastoral ties, he has tried to listen more attentively. In Washington, every priest will have or has had a lengthy private meeting in which Hickey seeks to learn, to know both the priest and the parish and to evaluate them. One priest commented, "He's very friendly, and when you're with him it's like you're the only person in the world. But when he's through, you're out of the office before you know what's happening."

Harry Fagan worked closely with him for years but says he does not really know him: "When you talk with him you're not dealing with small talk. You're talking about the issue . . . He knows what he's talking about and if you don't, you're crazy to be there."

"He likes to be in situations where he can control what happens," says a man who had regular contact with Hickey in Cleveland. "He appears to be more open than he is. He made statements [that] he was open but when you tried to get to him he wasn't available. The secretariats kind of kept you away from him. He kept himself fairly protected."

And Jacobs, who warmly supports him, says, "He's a formal type of guy, never one to let down too much in public. I think that's helpful. There are people who take advantage of those who relax."

But Hickey doesn't relax. Nothing happens by mistake. His sister Marie declined an interview, saying, "Jim doesn't like me to talk to reporters . . . Once before I said something out of turn in Cleveland and I don't want to again."

The day the pope was shot Hickey gave a press conference. Braxton sat just behind the press, listening carefully.

"That's part of my job," he explained, "to monitor, to make sure he's saying what he wants to say."

When the press asked harmless questions—Was the shooting a conspiracy? Where was he when he heard?—Braxton said, "I thought they would ask about El Salvador, terrorism, the church and politics."

So Braxton quickly relaxed, deciding that, "He's not going to volunteer anything for them."

Here Hickey is just beginning. He works hard, 14- and 16-hour days, for his purpose. Yet work does not drain him. It gives him strength. Rest weakens him; rest keeps him from fulfilling his vision of God's will.

First, he set up his command structure, assembling a top staff, almost a spectacular one. Hickey has two special assistants. Braxton is his theologian; Hickey may be the only bishop in the country with a full-time personal theological adviser.

When in Cleveland Hickey plucked Braxton from the faculty of the Harvard Divinity School. He uses him to stretch his mind, not only with theology. When Hickey came to Washington, he named Baroni, the former HUD assistant secretary, his other special assistant. Beyond Baroni's personal abilities, his uses in this city are obvious.

A month ago Hickey named more staff. The Rev. Raymond Kemp, a '60s activist and former District school board member, will leave his Washington parish to head the parish life and ministry office. John Carr, the executive director of Carter's White House Family Conference and a one-time top Hill aide, will head social concerns. Katherine Cole, a black college professor, will run all diocesan educational programs—a layperson in that job is unusual; she replaces a monsignor.

"He's opening the windows and letting in fresh air," says one priest.

This diocese will soon reflect Hickey totally. If that creates tensions with traditionalists who think the church should tend to Heaven and less to this world, or with progressives who want teachings on birth control or homosexuals changed, so be it. Hickey will not confront, but he will have his way.

Hickey is at the studios of WRC-TV to broadcast a charity appeal. He arrives 15 minutes before the show and jokingly introduces an assistant as "my animated alarm clock." The assistant winces. Even as a joke, to be seen as a thing, a function, is not pleasant.

Hickey's staff has handled all details. They inundate him with papers and tell him about children who will be on the program with him. Quickly he pins down a few details, makes notes, then asks: "If I ask them [the children] questions, are they prepared to answer?"

But things are not smooth and he is not happy. He looks at a script he is supposed to read live, with small children nearby, and says, "This is not the way to do it."

Never does he raise his voice, but a few moments later he is closeted with a technician and a microphone in a soundproof booth.

This is not the way to do it. That is the strongest statement he makes to his staff ever, about anything. But they get the point. He does not show anger. His reactions are professional—asking how does this affect the situation?—not personal. Sometimes he seems a machine.

To know this man, know his work. He is organized, softspoken, but everything—everything—is directed.

On Thursdays staff meetings are held. Sister M. Gerald Hartney, possessor of an M.B.A., comptroller of the archdiocese, says, "We submit our agenda on Monday with the length of time we want to talk. He puts himself last. If the time runs out on the meeting, it runs out on him. I've never seen him stop anyone, but you know very well if you're getting long-winded you're taking time from him."

Things move. For years there had been talk about opening a place for homeless women. Hickey liked the idea and wanted it opened within three months. No site had been picked, no plans made for plumbing, for electricity. In every staff meeting Hickey asked, "What have you done about the home?" Mount Carmel House opened ahead of schedule at 471 G Place NW.

There have been other changes as well, from planning a comprehensive drug program to bringing Nobel Peace laureate Mother Teresa Bojaxhiu to Anacostia. Things move all right.

But there is a price. Father Winters says of Hickey: "You're dealing with a bishop. Like an executive. He's there and you're here. He gives you a job and you do it."

To get jobs done in Washington, Hickey has found a guide—Baroni.

From a steel town in Pennsylvania, Baroni is an earthy man, gravelly of voice and craggy of face, wide-shouldered and heavy. Seated at his desk, behind an award given him by HUD Secretary Moon Landrieu, Baroni relaxes, yet seems to be sizing up his listener. He jokes of having had his own bureaucracy at HUD, with eight deputies and three special assistants. Now he shares a secretary with Braxton.

His office, like all the others in the archdiocesan headquarters on Rhode Island Avenue NW, is spare. The wall is bare except for one crucifix. The desk is cluttered. There is a sense of the Washington hardball-player about him, and a sense of the priest too—of that part of the church that does not always move in a straight line. Like Hickey, he does things.

"Geno," says a former government colleague and fellow-activist. "has learned to play the Washington game and learned it quite well. Though I think he gets the repu-

tation for being more Machiavellian than he is."

Before his appointment Baroni was already well known in the archdiocese. He has been an activist since the early 1960s, and worked with young Stokely Carmichael, among others. His appointment sent a clear message to every priest here.

The phone rings. It is someone asking how to get money out of a rich donor for a community project. Baroni laughs and says, "Just go there with a priest and a picture of the Sacred Heart and you'll get it." The caller is a member of Congress.

Auxiliary Bishop Thomas Gumbleton of Detroit says of Baroni's appointment, "That's very typical of Hickey. He would recognize the need to have someone like that close to him."

Baroni arranged the meeting of Carter, Hickey and Bishop Thomas Kelley, the secretary of the U.S. Catholic Conference, "to establish a precedent," Baroni says, of access to the president. He coordinated Hickey's congressional testimony, and makes the kind of connections here that Hickey makes for himself in Rome.

Not that Hickey needs Baroni or anyone else to get things done. If Baroni were not available, Hickey would find a way.

Yet, all that—the institution, the maneuvering—is dross. Hickey says, "You can have all the great diocesan programs you want but without the parishes you have nothing."

There are two reasons for that. The parishes make up most of the body of the church, and more elemental than that, the message of the church is spread through the parishes. He says, "The most important thing to say is that God loves you. He loves you, individually, as a person. He loves you concretely, through the sacraments, not just through an emotional moment."

God loves you, Hickey says. *Not just emotionally but concretely through the sacraments.* It is not just love but the firmness of ritual. Hickey represents both.

An illustration: Sunday mass. The stained-glass sparkles in the sun. A priest looks out from his pulpit on a sea of faces that look up at him, wait for him, seek guidance from him. What does the priest feel then? Is it responsibility? Ego? Power? The Rev. Joaquin Bazan, the pastor of the Shrine of the Sacred Heart Church in Mount Pleasant, laughs at the suggestion, then says, "I feel love. Not power, love."

Hickey says, "I see people who have come to hear the Lord's word. I see people there to share ideas. It's an important moment of communication, a grace-filled moment important for them and for me."

It is a statement by a man trying to fit the whole church into a sentence, an impossible feat. Hickey wants to be pastoral but he is no simple pastor.

Hickey cannot easily be defined. Views of him differ. Only one thing is beyond disagreement: his faith is everything. He does not doubt.

From the time he left his family at 13, and didn't miss them, he has fulfilled himself in the church. He has no memories of high school cheerleaders and football games, of dating. Since he was 13, everything he has touched has been associated with the church. His isolation is more complete by far than that of the parish priest. Everything Hickey thinks or does is subsumed by his vision of the church and of God.

But God is more than enough for a man; He is too much. What about man?

Hickey is often seen as distant—friendly, yes, but protected by layers of administration and a cool intellect.

Gumbleton says, "Hickey would reason that something was the right thing to do and therefore let's do it, but he wouldn't get personally involved in an emotional sense."

"He is more a thinker—not a scholar but a thinker—than most American bishops," a priest close to him observes. And to think is to be alone. A certain isolation is required, a distance.

"Perhaps it's one of his faults, that he does come across as distant," says Winters, who has traveled often with Hickey.

Hickey was not always that way. The Rev. Paul Baca, an Arizona priest, remembers that first project for migrant workers. As a seminary student he came from Denver to help Hickey, who spoke little Spanish then.

Baca says, "There was a lot of hostility then, to us and to the workers. This was 1946, '47. I was one place and the parish priest barely tolerated me. He (Hickey) just smoothed that over like you wouldn't believe. He made the priest feel that he was doing his part for working with us a week. Then he apologized to me and got me out, to a place where I could actually do something."

That sounds typical of the "savvy" Hickey. But Baca also remembers, "He lent us his car when our jalopy went bust and he went afoot himself looking for rides. He was a bridge too, to us and everyone. It was like a family."

That does not sound like a man who calls an assistant an "animated alarm clock." The years have pulled Hickey away from that family.

It is ironic therefore that his connection with the poor, a connection which began as an intellectual exercise—the article he wrote as a seminarian—pulls him back, grounds him to the earth. As Hickey has risen, it has been his anchor.

Winters goes on to say, "I don't find him [distant]. With the Cleveland priests and nuns in Salvador he would relax. After we traveled I got to know him, I hate to use the phrase 'as a human being,' but I guess that's it."

"The tragedy of El Salvador," says Gumbleton, "brought out in Hickey a depth of feeling that maybe he didn't know he had."

In Hickey's home the walls of his private chapel are bare except for a crucifix, two tapestries and five newspaper clippings. All are from El Salvador. The clippings are in Spanish and include photos of an archbishop, two American missionaries and two altar boys. All five were murdered, Romero and the missionaries by rightists, the altar boys by leftists. Hickey is a man who has been close to violent death.

"It moved him," says Winters. "He sensed everything, he sensed all the more the pain, the poverty. . . . It moved him. Other things move him too. I know."

In Hickey's heart there is an ache. It is painful, but it is an ache he needs.

It is Wednesday, May 13. The pope has just been shot. The archbishop is sitting in the bishop's chair in St. Matthew's Cathedral as a special mass is celebrated. His head is down, he looks severe and worn and his body seems to sag. All that is unlike him. Then his body and face stiffen and he is firm, if grim. Is he thinking about the pope, whom he knows and who he says would prefer death to hiding behind a security wall? his good friend, Archbishop Romero, assassinated in his cathedral? The missionaries murdered in El Salvador?

And what do the others at this mass think, those who kneel below the pulpit? Others who include Haig, Speaker of the House Tip O'Neill, Labor Secretary Ray Donovan, National Security Council director Richard Allen. What is in all their hearts?

Earlier Hickey had been talking about Romero. "We were walking in the funeral procession," Hickey recalls. "I don't know where the music was coming from, but someone was playing the 'Unfinished Symphony.' I remember thinking how everything was unfinished. The unfinished symphony. He was shot before the mass finished. The funeral was unfinished. And of course his work was unfinished."

Earlier too he had talked of the shootings of Reagan and the pope as "just two examples of violence that bedevil our work."

He was angry when he said that. Angry. At the devil. At evil. At the lack of peace. And he was firm.

Mr. LEAHY. Mr. President, do I have any time remaining?

The PRESIDING OFFICER (Mr. HUMPHREY). Time for the Senator from Vermont has expired.

Mr. LEAHY. I yield to the Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, do I have an order?

The PRESIDING OFFICER. Under the previous order, the Senator from West Virginia has 15 minutes.

Mr. ROBERT C. BYRD. I thank the Chair.

May I ask the distinguished Senator from Vermont if he wishes to have some time?

Mr. LEAHY. I appreciate the offer of the distinguished Senator from West Virginia, but I have already made my statement .

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum on my time.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, May I inquire, are there special orders yet to be executed?

The PRESIDING OFFICER. There remains 10 minutes allocated to the Senator from West Virginia.

Mr. BAKER. Mr. President, may I inquire of the minority leader if he has need for his time under the special order?

Mr. ROBERT C. BYRD. Mr. President, I thank the majority leader. I do not.

Mr. BAKER. I thank the Senator.

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, not to extend beyond the hour of 1:40 p.m., during which Senators may speak for not more than 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ANNIVERSARY OF FIRST MOON LANDING

Mr. SCHMITT. Mr. President, another anniversary of the momentous events in the Nation's space program is upon us today, July 20. A dozen years ago, Neal Armstrong, Buzz Aldrin, and Michael Collins accomplished what history will record as one of the most momentous feats in the long history of mankind. With Neal, Buzz, and Mike as their agents, the men and women of Apollo

and the men and women of the United States put men on the Moon, and a few days later returned them safely to Earth, and accomplished therein the purpose set by President John Kennedy and the American people of doing so before the end of the decade of the sixties.

Mr. President, I think it is safe to say that history will record the occassion of the first landing on the Moon, the landing of Apollo 11 and the spaceship Eagle, as not only an accomplishment for the free men and women of the world, and for the United States in particular, but something that truly was done for the benefit of all mankind, something that not only offered but has delivered great benefits up until now.

However, I think also, Mr. President, it is safe to say that history will record that with that landing the momentum went out of the U.S. space program and we began to decelerate. Even in the process of deceleration we landed five more missions on the Moon and continued to gain a great deal of knowledge about that planet as well as about ourselves.

It is this Senator's belief that had we proceeded with a much steadier course, we could be 10 years advanced beyond where we are today in our conquest of space and the utilization of its vast resources for the betterment of free peoples throughout the world.

What might have happened in that 10 years? Well, we certainly could be in a position to better defend ourselves and peace and freedom, utilizing the perspective of space satellites and other capabilities that it provides. We could be exploiting the potential of a permanent base on the moon comparable to that of Little America in Antarctica. We could be in the process of designing that mission about which many young people think so much, the mission to Mars, the one that will lay the basis, I believe, for the transfer of the civilization of free men and women to another planet.

We could have a permanent space station in orbit around the Earth that would be utilizing the resources of weightlessness, of high vacuum, the unique perspective of the Earth, Sun, and stars. Clearly, 10 years in this day and age is a long time. That is the unfortunate legacy of the loss of national perspective that came with the first landing on the Moon. Now, Mr. President, we have a new technology in the process of being proved, the technology of the Space Shuttle, the Columbia. A technology is not a substitute for purpose, although it does give us the basis to accomplish purpose once we decide what it is.

This morning, in his confirmation hearings, the President's science adviser, Dr. George Keyworth, indicated that one of his first priorities as science adviser has already become the examination of the Nation's space program and its directions. It is my belief that in the not-too-distant future, we shall see a new statement of purpose by the Reagan administration for the utilization of our vast capabilities in the new ocean of space.

Mr. President, I hope it does not take another international crisis to spawn that statement of purpose. I hope that we can realize that it is something not only that is appropriate to do, but is something that we cannot avoid doing; that is, perpetuating the movement of our civilization and its facilities and its principles away from the Planet Earth into space and onto the surfaces of other planets.

WHAT DID WE LEARN ABOUT THE MOON?

Mr. President, often we are asked what did we accomplish, what did we learn from the efforts of the men and women of Apollo, in particular, from those efforts initiated 12 years ago this day by Armstrong, Aldrin, and Collins? It is rare that men of one time can anticipate what will be written of them and their deeds in another, future time.

With the exploration of the Moon, however, I believe that we can predict in outlines what the historians of 100, 500, or 1,000 years from now will say. They will say that in the history of technology, man, for the first time, made a major and practical increase in his ability to do things. More importantly, that increase in the ability to do those things came without war and without the threat of war; competition, yes, but not war.

They will say that in the history of civilizations, the first truly space-faring nation was the United States. They will note that that space-faring nation was the only nation of its times with both the power and idealism to protect the seed of human freedom, a seed carried to its shores by many peoples and now being carried by their progeny to the planets and the stars.

They will say that in the history of mankind, Apollo marked the first steps in our evolution into the universe, an evolution no longer limited by the infinitely slow rates of biological change, but now determined largely by the collective use of our technology and our desire.

Finally, the historians of the future will say that in the history of science, there was obtained for the first time, a first-order understanding of a second planet, a place in the solar system called the Moon.

Mr. President, what are the broad outlines of this understanding? How does it relate to our understanding of the Earth and our future on the Earth? In short, what did we learn from the Moon flights?

Mysterious events were taking place around our youthful Sun about 4.6 billion years ago. The debris left over from the birth of that Sun were combining in orderly ways, but by largely unknown processes, to form the planets and their moons.

The specific beginning of our Moon remains unclear, as is the case for all the bodies in the solar system; however, there now appears to be no reason to doubt that the beginning occurred about 4.6 billion years ago. In addition to the ages of rocks from the Moon, radioisotopic ages of many meteorites confirm this conclusion.

The rate at which new planets and information about the solar system is being provided by space investigations is astounding. It is almost certain that an internally consistent and probably correct theory for the origin of the solar system will appear in the not-too-distant future. However, it is the very rate at which we are learning new things and the vast detail available to us which now limit the possible theories, also presently has saturated the ability of scientists to come to agreements on these fundamental questions about the origin of the Sun and planets. A return to fundamental principles has begun, analyzed under the limits new data impose. Unfortunately, the first new, generally accepted theory for the origin and evolution of the solar system has not appeared, but the excitement that we soon will have such a theory is high.

With respect specifically to the Moon, we are reasonably confident from the concentration of elements and ratios of elements that the Moon and Earth formed at the same time in about the same part of the youthful solar system; however, the two planets evolved separately as planetlike bodies rotating around each other beginning as far back as we can study; that is, beginning about the time they formed 4.6 billion years ago.

The great difference in mass between the Moon and the Earth, and therefore much less gravity on the Moon—one-sixth that of Earth—resulted in the Moon starting out with less of the light and gaseous elements—hydrogen, carbon, nitrogen, sodium, and so forth—relative to the heavy elements. However, the ratios between the heavy elements—uranium, thorium, and so on—are the same in the Moon and the Earth, thus supporting the close family relationship between these two neighbors.

The great difference in the surface area of the Moon relative to its volume as compared to the Earth resulted in the young Moon cooling more rapidly and in its later rejection of internally generated radioisotopic heat by conduction rather than by convection as on Earth. Thus, although they are silicate bodies with similar chemical compositions, these marked differences in gravity and cooling rate guaranteed different trends in the evolution of the Earth and the Moon as planets.

As many lunar scientists view the total scientific results of our Apollo explorations and studies, the Moon evolved through six major periods once it was a coherent body in space.

First, there was the time from about 4.6 to 4.4 billion years ago when at least an outer shell of the Moon was melted or partially melted. This melting occurred as energy was released as heat during the last violent throes of the Moon's accumulation of the debris left over after the creation of Sun and Earth. As silicate crystals—minerals composed largely of silicon and oxygen—formed in this melted shell, those crystals rich in calcium and aluminum floated while heavier crystals rich in magnesium and iron sank. Dense iron-sulfur liquid, which will not mix with molten silicate, also sank and later moved to the center of the Moon to form a core. For at least 1.5 billion years, circulation in this iron-sulfur core generated a global lunar magnetic field similar to, but less intense than, that of the Earth. There is no such

global lunar magnetic field today, although remnant magnetism due to the earlier field is common in many lunar rocks.

Second, there was an incredibly violent period from about 4.4 to 4.1 billion years ago when the crust of the Moon was saturated by impacts of large meteors. Every point on the Moon had a crater at least 50 miles in diameter formed on it. The light-colored cratered highlands we see today on the near side of the Moon and which dominate the stark landscape of the far side are the result of this bombardment. In addition, the crust of the Moon was intensely fractured to a depth of about 25 kilometers.

Third, a period about 4.1 to 3.9 billion years ago was the time when the large, circular basins, the facial bone structure of the "Man in the Moon," were formed by a few unbelievably energetic impacts of very large meteors, small planets, or comets.

A short fourth period appears to have occurred at about 3.9 billion years ago, when extensive plains of ash and pulverized rock formed at the beginning of the volcanic fifth period.

Fifth, the dark blue-gray and brown-gray maria or "seas" formed from about 3.8 to about 3 billion years ago, when lava flows of basalt and other volcanic debris erupted in the basins, valleys, and other low areas on the Moon's surface. The dark eyes, nose, and mouth of the "Man in the Moon" are the visible result.

The sixth and final period is that from about 3 billion years ago to the present when little has happened to greatly affect the appearance of the Moon's crust. The Moon's surface has been pulverized by continuous small impacts of meteors and there has been rare volcanic activity and a few rare large impacts of meteors to form the beautiful rayed craters; however, ancient life on Earth saw essentially the same Moon as we see today.

The significance of this last number of 3 billion years cannot be overemphasized. The fact that major changes ceased on the Moon about 3 billion years ago means that most of what we have learned from the Moon flights is about the first 1½ billion years of the early history of a planet similar in major ways to our own. That 1.5 billion years of early history has been largely obscured on Earth by 3 billion years of vulcanism, water and wind erosion and mountain building. Thus, the Moon gives a view into our own past. We could have hardly asked for more.

The study of the Moon shows us what was happening on Earth before and during the separation of the oceans, the atmosphere and the continents. The first five of the six periods of lunar history must have been mirrored on Earth with their effects modified by the presence of the Earth's greater gravitational forces, an early hot atmosphere and the disruption of the Earth's crust due to sustained internal convection.

With this new insight from the Moon, we now have reasonable explanations for many of the puzzling features geologists have long observed in the oldest rocks on Earth. For example, very large, titanium-bearing bodies of calcium and aluminum-rich silicate rock are probably the relics of the Earth's first ancient crust. Very large masses of layered basaltic rock, rich in platinum, chromium and other important metals, are probably the massive relics of the Earth's "maria."

Possibly most important of all insights are our new ideas for explaining the development of life on Earth. The continuous supply of energy and complex hydrocarbon chemical compounds added as debris fell into the Earth's hot atmosphere during its first one-half billion years may have been the basis for the creation of the first very complex chemicals, such as viruses, which could reproduce and later evolve into living organisms themselves. From that point, the evolution of life as we now know it was only a matter of time.

Likewise, it is only a matter of time before that life, through mankind as its agent, extends itself to other places and other stars. No more exciting time could be ordered.

Mr. President, I yield the floor.

IMPACT OF UNCONTROLLED IMMIGRATION ON THE U.S. ECONOMY

Mr. HUDDLESTON. Mr. President, for a long time, I have been making statements about the depressive effect uncontrolled and unlimited immigration has on our economy.

It is indeed encouraging to read that one of the Nation's leading economists and the president of the University of Colorado, Arnold R. Weber, agrees with my assertions. In a recent article in Dun's Review entitled "With U.S. Immigration Policy in Crisis, Businessmen Must Speak Out," he correctly points out that immigration is in many ways an economic phenomenon. President Weber states:

Immigration flows will also have a highly significant—albeit indirect—impact on macroeconomic development and policy . . . if the labor market continues to be supersaturated with immigants, both legal and illegal, unemployment will persist at high levels. . . . The pressure of unemployment will engender political demands for economic stimulation that even the most dedicated conservative will find difficult to resist. At the same time, the highly elastic labor supply created by unregulated immigration flows will impose a natural brake on capital-for-labor substitution, with depressing effects on investment and productivity.

I ask unanimous consent that President Weber's article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WITH U.S. IMMIGRATION POLICY IN CRISIS, BUSINESSMEN MUST SPEAK OUT

(Arnold R. Weber)

For most of us, attitude towards immigration have been conditioned by Emma Lazarus' words on the Statue of Liberty:

"Give me your tired, your poor, your huddled masses yearning to breathe free."

Recent events, however, have severely strained this evocation of past innocence and immobolized our policy mechanisms. The immigration issue, in fact, is approaching crisis proportions.

A few broad trends suggest the magnitude of the problem. During the Fifties, legal immigration into the United States averaged about 300,000 people each year. That rate rose to 375,000 in the Sixties, and in 1976–80 jumped to 540,000 per year. The number of legal immigrants swelled to 808,000 in 1980, comparable to the level experienced during 1901–1910.

Because the rising tide of immigration coincided with declining fertility rates, 20 percent of the annual population growth in the U.S. in the last decade occurred at ports of entry rather than maternity wards. In absolute terms, the U.S. accepted more legal immigrants than all the other nations in the world.

The inflow was supplemented by illegal or "undocumented" aliens. The Census Bureau reports that there now are between 3.5 and 6 million illegal aliens in the U.S. In contrast to the legal immigrants who come here for a combination of political and economic reasons, the illegals are attracted largely by the employment opportunities.

Several reasons help to explain these dramatic changes in immigration patterns. International political developments have caused immigrants to flee to the U.S. and have made this country willing to accept them. Thus, many immigrants have arrived from Cuba and Haiti, and there has been an increase in inflow of Salvadoreans because of the strife in that nation. Earlier, legal immigration was sharply increased by the acceptance of large numbers of Vietnamese refugees. U.S. immigration laws also are especially permissive in letting immigrants in for compassionate reasons, such as reuniting members of a family.

Changing technology, also, has played a role. Immigrants at the turn of the century usually arrived in this country after a long trek on foot or by railroad and then ship from Europe. Contemporary immigrants are likely to be carried by jet planes to Los Angeles, Miami or New York in no more than fourteen hours from the furthest corner of the world. In this context, deficiencies in enforcement programs have seriously undermined the integrity of our immigration laws.

PERSISTING PRESSURES

The ultimate resolution of the immigration issue will be strongly influenced by political and social considerations. Ethnic pressure groups will continue to press for a permissive immigrant policy, including legalizing the status of "undocumented" aliens. Foreign policy considerations and historical traditions will dictate that the U.S. remain a favored political asylum for refugees from totalitarian nations—or our vanquished allies.

Nonetheless, it is important that we understand that immigration in a very real sense is an economic phenomenon. Historically, immigration has always been an instrument of our national economic policy. We used immigration to fill an empty continent and to provide a growing labor force to exploit our bountiful natural resources. We did not impose systematic limits on immigration until after World War I. Since that time, we have used immigration as a device to smooth fluctuations in the labor supply and demand for particular industries and for the economy as a whole. This was the philosophy underlying the bracero program, which provided seasonal workers for American agriculture for many years. And it was an important part of the "preference system" established by the Immigration Act amendments of 1965, which facilitated the entry of immigrants with skills that are in short supply here. Immigration will continue to be used as a fine tuning device in the labor market and will have a salutory effect on economic growth.

Immigration flows will also have a highly significant—albeit indirect—impact on macroeconomic developments and policy. A

complex array of factors has contributed to our virulent inflation in the last ten years. But certainly the desire to maintain high levels of economic growth in order to absorb the record number of new job seekers has been an important consideration. In the Eighties, the demographic pressure on the labor market will subside. However, if the labor market continues to be supersaturated with immigrants, both legal and illegal, unemployment will persist at high levels. The situation in Florida following the influx of Cuban refugees provides a microcosm of this series of events. The pressure of unemployment will engender political demands for economic stimulation that even the most dedicated conservative will find difficult to resist. At the same time, the highly elastic labor supply created by unregulated immigration flows will impose a natural brake on capital-for-labor substitution, with depressing effects on investment and productivity.

At this time, there has been a partial breakdown of both immigration policy and enforcement. The debate is growing in intensity, and unless the issue is resolved soon it will inflame the 1984 election. In this highly sensitive and controversial area, economic considerations must be part of the discourse. Businessmen cannot abdicate the forum to the unions, politicians and ethnic spokesmen as if the stake in the debate is the high school civics prize.

Mr. HUDDLESTON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

EXECUTIVE SESSION

TREATY WITH CANADA ON PACIFIC COAST ALBACORE TUNA VESSELS AND PORT PRIVILEGES

The PRESIDING OFFICER. Under the previous order, the hour of 1:40 p.m. having arrived, the Senate will now go into executive session for the purpose of considering Executive Calendar 4, which the clerk will state by title.

The legislative clerk read as follows:

Treaty with Canada on Pacific Coast Albacore Tuna Vessels and Port Privileges, Treaty Document No. 97-13, reported favorably without amendment.

The Senate proceeded to consider the treaty.

The PRESIDING OFFICER. Time for debate on this treaty is limited to 20 minutes to be equally divided and controlled by the majority and minority leaders or their designees, with a vote to occur on the resolution of ratification of the treaty at 2 p.m.

Mr. BAKER. Mr. President, I designate the distinguished chairman of the Committee on Foreign Relations (Mr. PERCY) as being in charge of the time at this time.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. PERCY. Mr. President, in 1979, Canada seized 19 U.S.-flag vessels fishing for albacore off its coast. Canada claims 200-mile fisheries jurisdiction over all fish, including highly migratory species such as albacore tuna, while the United States neither claims for itself nor recognizes other nations' claims of 200-mile jurisdiction over highly migratory species of tuna. The United States holds that highly migratory tuna must be managed by an international regime rather than by each coastal state. Under U.S. law, Canadian fishermen are free to fish for albacore in the U.S. fishery conservation zone beyond 3 miles.

As a consequence of the Canadian seizures of U.S. flag vessels, the United States imposed an embargo on imports of tuna and tuna products from Canada as required by the Fishery Conservation and Management Act. Canada has challenged this embargo as a violation of our international obligations under the General Agreement on Tariffs and Trade (GATT) and the issue is currently under consideration by a GATT panel in Geneva. Last year, the United States and Canada reached an interim agreement which gave U.S. fishermen temporary access to Canadian waters and thus enabled us to lift the embargo.

The proposed treaty provides U.S. albacore fishermen with unfettered access to the Canadian fishery zone and allows them to purchase fuel on the same basis as Canadian albacore tuna fishermen, which could result in a substantial savings. In return, Canadian albacore fishermen will be allowed to offload and sell their tuna catch in four selected U.S. ports. Those ports are: Astoria, Oreg.; Bellingham, Wash.; Coos Bay, Oreg.; and Crescent City, Calif. Any such landings are currently prohibited by U.S. law.

I appreciate my colleagues consent to an expedited consideration of this treaty. Under normal conditions, albacore tuna begin to run off the coast of Canada mid to late July. The American tuna fleet has expressed its intention to follow the fish north at that time. Therefore, it is important that this treaty be in place by that time. Failure to adopt this treaty would result in provincial seizures of U.S. ships and an automatic embargo on Canadian tuna products during a period coinciding with the Ottawa economic summit. In order to avoid this embarrassing situation, I urge my colleagues to vote in favor of granting advice and consent to the ratification of the treaty.

Mr. President, I am happy to yield such time as he may desire to my distinguished colleague from Washington, but before I do so, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Washington.

Mr. GORTON. Mr. President, the United States-Canadian Albacore Treaty is an important reciprocal effort to resolve one of the outstanding fisheries problems with our Canadian neighbors. This treaty deals specifically with problems which have arisen on the Pacific coast in the migratory albacore fishery.

During the late summer warm water currents move northward along the Pacific coast, and albacore follow these currents. Frequently the albacore will go north of Washington State and the end U.S. jurisdiction into Canadian waters. The United States neither claims for itself nor recognizes other nations' claims of fisheries jurisdiction over highly migratory species of tuna—such as albacore—further than 12 miles from the coast. The U.S. position is based on the determination that national jurisdiction over such highly migratory fisheries is not consistent with effective management and conservation of the resource.

The administration's letter of submittal outlines some of the problems which have occurred in this fishery when U.S. fishermen have engaged in the albacore fishery within Canada's extended jurisdictional boundaries—including Canadian seizures of U.S. vessels, U.S. embargo against Canadian tuna, and U.S. compensation of U.S. fishermen. I will not detail that record here. The treaty before us today puts these problems to rest. It provides for reciprocal access to each others' fishery zones and it provides for reciprocal port access. This treaty is a constructive and important first step toward resolving our differences with Canada over fishery questions. It is also noteworthy, as the Pacific Fishery Management Council points out, that our two nations were able to arrive at a satisfactory agreement despite their original differences over the management of this species.

This treaty has the support of the entire U.S. fishing industry, and I ask unanimous consent that letters of support from the Fishing Vessel Owners Association, the U.S. Tuna Foundation, and the Pacific Fishery Management Council appear in the RECORD at the conclusion of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. GORTON. Mr. President, I would like to add another brief comment about fishery relations with Canada. I hope that our ability and willingness to resolve the albacore problem will set the stage for a permanent and similarly acceptable resolution to our complicated and difficult salmon interception negotiations. Both nations' ability to manage our salmon resources and to plan for, and to benefit from, enhancement programs depends on such a resolution. We have made commendable progress in these negotiations—and have arrived at agreed interim management measures to help pave the way toward a final resolution of this problem. Because fishery issues are among the most controversial between our two nations, it is important that the administration make the successful and prompt conclusion of the Pacific salmon interception negotiations a very high priority.

EXHIBIT 1

FISHING VESSEL OWNERS' ASSOCIATION, INCORPORATED

SEATTLE, WASH., *April 3, 1981.*

Mr. BRIAN S. HALLMAN,
Department of State, Bureau of Oceans and Scientific Affairs, Washington, D.C.

DEAR MR. HALLMAN: I am in receipt of your letter and the copy of the final version of the U.S./Canada Albacore agreement.

We would like to express our thanks to your office for working on the interim arrangement last August and also this agreement well before the next season starts. The Fishing Vessel Owners Association supports the agreement you have sent to us and would hope for an early ratification in the Senate.

Very Truly Yours,

ROBERT D. ALVERSON,
Manager.

WESTERN FISHBOAT OWNERS, ASSOCIATION,
San Diego, Calif., February 24, 1981.

Hon. SLADE GORTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORTON: In August and September of 1979, nineteen U.S. vessels were seized for fishing albacore tuna off the coast of Canada. Since that time I have been seeking for an agreement which would allow U.S. vessels fishing for albacore to have access into Canada's 200 mile zone.

There have been many meetings with many segments of the U.S. West Coast fishing industry to present a united effort to achieve such an agreement.

With able help and consultation from Mr. Morris Busby, U.S. State Department, an agreement has been reached with the Canadians. However, before this agreement can become effective it must be ratified by the U.S. Senate.

I sincerely request your support in having this agreement ratified.

It is not only a good agreement for the U.S. albacore fishermen, but instills confidence that the U.S. can have compatible fishing agreements with our neighbors.

Thank you for your support.

Sincerely,

LEWIS WRIGHT,
General Manager.

UNITED STATES TUNA FOUNDATION,
Washington, D.C., February 24, 1981.

Hon. SLADE GORTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORTON: On February 17, 1981, the United States and Canada concluded negotiations on a treaty concerning the albacore tuna fishery off the Pacific Coast of Canada and the United States. The treaty is the culmination of many months of negotiation and, in the opinion of the U.S. tuna industry, reflects favorably on both countries.

The U.S. tuna industry supports the treaty language and encourages early ratification by the U.S. Senate. The treaty will hopefully set an example for future international fishery negotiations.

Sincerely,

DAVID G. BURNEY.

PACIFIC FISHERY MANAGEMENT COUNCIL,
Portland, Oreg., March 3, 1981.

Hon. SLADE GORTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GORTON: The United States recently concluded a treaty with Canada regarding reciprocal fishing privileges on albacore. This agreement will permit U.S. fishermen access to Canadian waters to fish for albacore and to land their catches in certain Canadian ports. In return, Canadian fishermen are granted similar privileges with respect to fishing in U.S. waters for albacore and landing their catches in U.S. ports.

The treaty is especially noteworthy in that the delegations from the United States and Canada were able to arrive at a satisfactory arrangement despite the juridical differences concerning the management of this species. The Department of State should be commended for its efforts.

The Pacific Fishery Management Council has been actively involved in the negotiations and fully support the treaty. We respectfully request your support in seeking its ratification.

Sincerely,

E. CHARLES FULLERTON,
Chairman.

Mr. HAYAKAWA. Mr. President, the treaty before us reflects the traditional spirit of friendship and cooperation that has long characterized our relations with Canada. It is an agreement based on mutual self-interest. It is designed to benefit the fishing industries of both countries through a series of basic and reciprocal provisions.

A few principal provisions of the treaty will serve to illustrate its practicality and reciprocity:

First, fishing vessels of both countries would be allowed to fish for albacore tuna in waters under the jurisdiction of the other;

Second, vessels of both countries would be allowed to use each other's ports and facilities;

Third, both parties would be allowed to land catches without payment of duties;

Fourth, vessels of both countries are to collect statistics and scientific information on operations in the fishing zone of the other party; this information is to be exchanged twice yearly; and

Fifth, violation of the treaty is to be handled in an equitable and uniform manner.

Finally, this treaty takes into account the deliberations of the Third United Nations Conference on the Law of the Sea in the field of fisheries. I urge my colleagues to adopt this far-sighted treaty enhancing the economic potential of the fishery industry off the Pacific coast of Canada and the United States.

Mr. PELL. Mr. President, today the Senate gives consideration to the Treaty With Canada on Pacific Coast Albacore Tuna Vessels and Port Privileges. The primary purpose of this treaty is to provide reciprocal port access and loading privileges for albacore tuna to United States and Canadian fishermen in specified ports of British Columbia, Oregon, Washington, and California. The treaty also reconciles differences between United States and Canadian laws with respect to management by coastal States of highly migrating species such as tuna, and permits U.S. tuna fishermen to follow, unimpeded, the albacore tuna as they migrate north.

By ratifying this treaty, the United States will avoid the seizure of any American fishing vessels which attempt to catch albacore tuna within 200 miles of Canadian shores. Such an event occurred in 1979 when 19 U.S. ships fishing for albacore were seized by Canadian officials. In response to the seizure, U.S. authorities imposed an embargo on tuna imports from Canada, as mandated by the Fishery Conservation and Management Act. Such events are not in the interest of either party, place unnecessary strains on United States-Canadian relations, and must be avoided if at all possible.

More important than the specifics of the treaty is the fact that through this treaty, the United States and Canada were able to resolve their differences and reach an accord which is mutually beneficial to both sides.

Mr. President, this is a highly beneficial treaty—serving U.S. economic interests as well as U.S. foreign policy interests. I urge my colleagues to give their advice and consent to ratification.

Mr. PERCY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GRASSLEY). Without objection, it is so ordered.

VOTE

The PRESIDING OFFICER. The question is on agreeing to the resolution of ratification on Treaty Document No. 97–13, Treaty With Canada on Pacific Coast Albacore Tuna Vessels and Port Privileges. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS. I announce that the Senator from Oregon (Mr. HATFIELD) is necessarily absent.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD) would vote "yea."

Mr. CRANSTON. I announce that the Senator from Arizona (Mr. DECONCINI) and the Senator from Massachusetts (Mr. TSONGAS) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The yeas and nays resulted—yeas 97, nays 0, as follows:

[Rollcall Vote No. 202 Ex.]

YEAS—97

Abdnor	Garn	Mitchell
Andrews	Glenn	Moynihan
Armstrong	Goldwater	Murkowski
Baker	Gorton	Nickles
Baucus	Grassley	Nunn
Bentsen	Hart	Packwood
Biden	Hatch	Pell
Boren	Hawkins	Percy
Boschwitz	Hayakawa	Pressler
Bradley	Heflin	Proxmire
Bumpers	Heinz	Pryor
Burdick	Helms	Quayle
Byrd, Harry F., Jr.	Hollings	Randolph
	Huddleston	Riegle
Byrd, Robert C.	Humphrey	Roth
Cannon	Inouye	Rudman
Chafee	Jackson	Sarbanes
Chiles	Jepsen	Sasser
Cochran	Johnston	Schmitt
Cohen	Kassebaum	Simpson
Cranston	Kasten	Specter
D'Amato	Kennedy	Stafford
Danforth	Laxalt	Stennis
Denton	Leahy	Stevens
Dixon	Levin	Symms
Dodd	Long	Thurmond
Dole	Lugar	Tower
Domenici	Mathias	Wallop
Durenberger	Matsunaga	Warner
Eagleton	Mattingly	Weicker
East	McClure	Williams
Exon	Melcher	Zorinsky
Ford	Metzenbaum	

NOT VOTING—3

DeConcini Hatfield Tsongas

The PRESIDING OFFICER. Two-thirds of the Senators present and voting having voted in the affirmative, the resolution of ratification is agreed to.

(The following occurred later in the day:)

Mr. BAKER. Mr. President, after the vote on the treaty, there was not a motion to reconsider. I ask unanimous consent, as in executive session, that a motion to reconsider the vote on the resolution of ratification be considered as laid on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, at this point, the Senate will return to the consideration of the tax measure. Is that correct?

The PRESIDING OFFICER. The Senate will resume the consideration of legislative business.

ECONOMIC RECOVERY TAX ACT OF 1981

The PRESIDING OFFICER. The clerk will state the pending business.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

Mr. MOYNIHAN. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. Senators will return to their seats. Senators wishing to converse will please retire to the cloakrooms.

Mr. BAKER. Mr. President, I inquire of the distinguished chairman of the Finance Committee what amendments we are likely to deal with this afternoon and in what order.

Mr. DOLE. First, the Packwood-Moynihan amendment, followed by the amendment by the Senator from Alaska (Mr. STEVENS).

We are negotiating with two or three other Senators who have minor amendments. Then the Senator from Kansas may have an amendment of his own.

Mr. BAKER. I thank the Senator.

Mr. President, I reiterate what I said this morning. It is my expectation that the Senate will be in session—and I trust will be busily engaged in the consideration of amendments—until about 7 p.m. tonight.

The PRESIDING OFFICER. The Chair recognizes the Senator from Kansas.

Mr. DOLE. Mr. President, the distinguished Senator from Texas has an amendment, and we are trying to accommodate him this afternoon. It is with reference to the thousand-barrel exemption.

I promised Senator PACKWOOD and Senator MOYNIHAN that their amendment could be brought up at this time.

The PRESIDING OFFICER. The Senator from Oregon is recognized.

UP AMENDMENT NO. 246

(Purpose: To allow the deduction for charitable contributions to be allowed for individuals who do not itemize deductions)

Mr. PACKWOOD. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Oregon (Mr. PACKWOOD) proposes an unprinted amendment numbered 246, for himself and Senators MOYNIHAN, DOLE, ROTH, HEINZ, DURENBERGER, LONG, BENTSEN, MATSUNAGA, BAUCUS, BRADLEY, MITCHELL, ANDREWS, BOSCHWITZ, BURDICK, CANNON, CHILES, COCHRAN, CRANSTON, D'AMATO, DECONCINI, DIXON, DODD, FORD, GLENN, HAWKINS, HEFLIN, HELMS, HOLLINGS, HUDDLESTON, JACKSON, KASTEN, KENNEDY, LEAHY, LEVIN, LUGAR, MATHIAS, MELCHER, METZENBAUM, MURKOWSKI, NUNN, PRESSLER, PRYOR, QUAYLE, RANDOLPH, RIEGLE, SCHMITT, SIMPSON, SPECTER, TSONGAS, WEICKER, WILLIAMS, ZORINSKY, BOREN, GRASSLEY, BAKER, DENTON, JEPSEN, and NICKLES.

Mr. PACKWOOD. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 44 after line 5:

At the end of title I, insert the following new subtitle:

Subtitle C—Charitable Contribution Deductions

SEC. 121. DEDUCTION FOR CHARITABLE CONTRIBUTIONS TO BE ALLOWED FOR INDIVIDUALS WHO DO NOT ITEMIZE DEDUCTIONS

(a) IN GENERAL.—Section 170 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsections (i) and (j) as subsections (j) and (k), respectively, and by inserting after subsection (h) the following new subsection:

"(i) TRANSITIONAL RULE FOR NONITEMIZATION OF DEDUCTION.—

"(1) IN GENERAL.—In the case of an individual, the applicable percentage of the deduction allowed by subsection (a) for the taxable year shall not be treated as an itemized deduction.

"(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be determined under the following table:

For taxable years beginning in—	The applicable percentage is—
1982 or 1983	25 percent.
1984	25 percent.
1985	50 percent.
1986 or thereafter	100 percent.

"(3) SPECIAL RULE FOR 1982 AND 1983.—In the case of taxable years beginning in 1982 and 1983, that portion of the deduction allowed by subsection (a) to which the applicable percentage shall be applied under paragraph (1) shall not exceed $100.".

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 57(b) (relating to adjusted itemized deductions) is amended by inserting "without regard to paragraph (3) thereof" after "section 63(f)".

(2) Paragraph (1) of section 63(b) (relating to individuals) is amended—

(A) by striking out "and" at the end of subparagraph (A), and

(B) by inserting after subparagraph (B) the following new subparagraph:

"(C) the deduction for charitable, etc., contributions and gifts provided by section 170, to the extent that such deduction is not treated as an itemized deduction under section 170(i), and".

(3) Subsection (f) of section 63 (relating to itemized deductions) is amended—

(A) by striking out "and" at the end of paragraph (1),

(B) by striking out the period at the end of paragraph (2) and inserting in lieu thereof a comma and the word "and", and

(C) by adding at the end thereof the following new paragraph:

"(3) the deduction for charitable, etc., contributions and gifts provided by section 170, to the extent that such deduction is not treated as an itemized deduction under section 170(i).".

(c) WITHHOLDING.—

(1) Paragraph (1) of section 3402(m) (relating to withholding allowances based on itemized deductions), as amended by section 101(e)(5), is amended—

(A) by striking out "and" at the end of subparagraph (B),

(B) by adding after subparagraph (B) the following new subparagraph:

"(C) that portion of the deduction allowable by section 170 for the taxable year which is not treated as an itemized deduction under section 170(i), and", and

(C) by redesignating subparagraph (C) as subparagraph (D).

(2) Paragraph (2) of section 3402(m) is amended by inserting ", the deduction referred to in paragraph (1)(C)," after "section 151".

(3) The caption for section 3402(m) is amended by inserting "or charitable" before "deductions".

(d) EFFECTIVE DATES.—

(1) The amendments made by subsections (a) and (b) shall apply with respect to taxable years beginning after December 31, 1981, and with respect to contributions payment of which is made after such date.

(2) The amendment made by subsection (c) shall apply with respect to remuneration paid after December 31, 1981.

(e) TERMINATION DATE.—The amendment made by this section shall not apply to contributions made after December 31, 1986.

Mr. PACKWOOD. Mr. President, this is a very simple and—for those of us who are cosponsors—meritorious amendment.

Over the years, we have heard about getting a bang for the buck. We heard it during the years of President Eisenhower's administration, in the defense budget, and we have heard it in a variety of social and military programs over the years. However, I believe there are few amendments that provide more bang for the buck than this amendment.

In a nutshell, what it allows people of this country to do is to deduct contributions to charities even though they may take what used to be called the standard deduction, what we now call the zero bracket. This is especially important to all charities but doubly so to those charities that depend upon hundreds or thousands of donors who give $5 a week, $10 a week, $25 a week, to those small contributors who tithe to whatever their particular charity is week after week. Many of those take what used to be called the standard deduction and in the past if they took the standard deduction they were not allowed to deduct their contributions to charity, although interestingly, we do allow a number of other so-called above-the-line deductions for those who take the standard deduction.

In the President's budget, and I have supported his budget, according to the Urban Institute there is a cut of about $27.3 billion—reemphasize, that is billion dollars—to private charities, $27.3 billion that they would otherwise get but for the budget cuts. I am convinced that those charities given adequate tax incentives will be able to raise a fair portion of that money by private contributions. It is unfair, however, that we allow those who itemize—quite frankly those are usually people in upper-income brackets—those who itemize their deductions to take a deduction for contributions to charity but those who do not itemize to be prohibited from deducting a contribution to charities.

There may have been a time in the day of Andrew Carnegie or the early days of the Mellons where charities in this country could depend upon the very generous and munificent giving of relatively few people. Those days are gone. I am not sure if it ever was those days but indeed if it was those days are gone.

Today the YMCA's, the B'nai B'rith's, the Catholic youth organizations, and the Presbyterian Church depend upon literally scores of thousands, millions of people, contributing small amounts in order to sustain themselves.

This amendment would operate as follows: In 1982 you could take a 25-percent deduction of a contribution to charity to a maximum of $100, $100 contribution to $25 deduction. The same would be true in 1983. In 1984 it would be 25 percent but no cap, no limit, on the size of the deduction. In 1985, 50 percent, with no limit on the deduction, and in 1986, 100 percent of your deduction.

Then in order to insure that this amendment is working fairly we have agreed with the administration, and great credit belongs to Senator DOLE for helping Senator MOYNIHAN and me reach an accommodation with the Treasury Department and the administration, we have put a sunset provision in the law. I support sunset provisions. Sunset provision merely says that this law will terminate on a certain date unless it is extended by Congress, and that forces Congress to review the provision, forces us to decide whether or not it is meritorious. So on December 31, 1986, this particular law will expire, unless it has worked as Senator MOYNIHAN and I, the other sponsors hope it will work. If it does work as we hope it will work, I think it will be extended without significant debate.

So on behalf of Senator MOYNIHAN, myself, and the 51 or 52 or so other cosponsors, I encourage the Members of this Senate to adopt this amendment. If we want to indeed give the private sector a chance in business and the private sector a chance in charity, this amendment is a step in that direction.

Mr. MOYNIHAN. Mr. President, I rise to join my friend from Oregon in this matter and first ask unanimous consent that the Senator from Tennessee (Mr. SASSER), be listed as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, this is the third consecutive Congress in which my distinguished colleague from Oregon and I have offered our proposal to permit all taxpayers to deduct their gifts to charities whether or not they itemize their other deductions.

I think it speaks to the merits of the issue that with each successive Congress we have had more cosponsors for our proposal. This measure passed the Finance Committee in the last Congress as part of the omnibus tax cut bill. It would have passed this body had we taken up that legislation.

This is a measure to allow the two-thirds of American households that do not itemize deductions to take a deduction for their charitable contributions.

Mr. President, this tax bill we are passing is not notable for its attention to those persons at the lower end of the income scale in our country, and it is, I think, more than appropriate that we call attention to the fact 80 percent of the direct benefit from this measure will accrue to taxpayers with incomes below $30,000 and 60 percent to families with incomes below $20,000.

And this comes at a time, as my distinguished colleague has said, when the independent sector is going to have to assume a very great many of the provisions which had been thought to be securely in the public sector and which the budget we are adopting now would abolish.

I wish to make the point, Mr. President, because it cannot be too strongly emphasized, that the imbalance that we are correcting here today is an imbalance brought about by the Federal tax system. The President will recall, of course, that we have not changed our tax rates in the United States since 1964 with President Kennedy's tax bill.

There have been very large price changes over that time that seem to have accelerated in recent years. Yet until this present bill came to the floor we had no change in actual tax rates. It therefore, became the biennial practice of Congress to give a small tax cut by increasing what used to be known as the standard deduction but which is now termed—because it is more difficult to understand—the zero bracket amount. As that bracket rose, it went well beyond the point where the average household was able to find that there were still charitable contributions to be deducted.

The original standard deduction was meant to reflect the actual cost in medical care, charity, and such things that could be deducted and, therefore, to save time it was made an option for any taxpayer. It did not, in fact, give an advantage to the taxpayer. He could get the same deductions by itemizing, but it saved him the trouble of doing so.

As the level of the standard deduction went up it no longer became the fact that the taxpayer could reach the same amount of deductions by itemizing, and the amount of charitable giving began to fall behind. I do not want to say that it declined in absolute terms, but as a percentage of personal income it did.

In 1970, Mr. President, Americans gave 1.99 percent of their personal incomes to charity. By 1980, this had dropped to 1.84 percent. That may not seem large in percentile terms, but each one-hundredth of 1 percent of personal income is equal to approximately $200 million in contributions. Such that were charitable contributions today to be given at the same rate as 10 years ago they would be $3 billion higher.

A large generalization is perhaps not in order, but we do know that private organizations, private charities—the Salvation Army, and some of the nongovernmental schools come quickly to mind—do things at a much more cost-effective level than does the public sector. It is done as well or better at much less cost. Other activities come to mind. The Audubon Society does things no one else can do or will. The churches of America, the synagogues, and the temples are singular today in the degree to which they live wholly from the gifts of their congregations and grow and prosper.

But if our Tax Code begins to turn against that independent sector, that sector will shrivel. The Senator from Oregon and I have continually had presented to us in hearings the point that in Europe—and not least perhaps of interest in Britain where charitable contributions created itself as a distinctive institution, in the course of the 19th century—the voluntary sector has all but disappeared. The names of the earlier private ventures and private activities are there, but they are supported by government and they are run by government. If we believe in mediating institutions, if we think there should be something between the individual and the State, then we believe in this legislation.

We have spoken of its merits through so many Congresses that it scarcely seems necessary to continue now.

Mr. President, adoption of this amendment by the Senate will mark a historic moment, and one that brings me particular pride and satisfaction. This is the third consecutive Congress in which my distinguished colleague from Oregon and I have offered our proposal to permit all taxpayers to deduct their gifts to charities—whether or not they itemize their other deductions. We have labored hard to bring this legislation to a point where all of our Senate colleagues know of its significance, to a point where all can vote knowledgeably on it.

If this legislation is enacted, we will have accomplished a great deal.

First, taxes will be reduced significantly for millions of low- and middle-income families. Indeed, 80 percent of the direct benefit of our legislation will accrue to taxpayers with incomes below $30,000 and 60 percent to families with incomes under $20,000.

Second, contributions to charities will increase greatly, more than the attendant loss to the Federal Treasury. Charitable gifts enhance the abilities of religious charities, of the ASPCA, of the Audubon Society, of universities, museums, and thousands of other private nonprofit organizations to enhance the lives of millions of individuals.

Prof. Martin Feldstein, one of this Nation's most distinguished economists, estimates that if this deduction had been available in 1975 charitable contribu-

tions would have been $3.8 billion greater than they in fact were, at a cost to the Treasury of about $3.2 billion. In other words, the deduction has a multiplier effect, increasing philanthropy by more than it decreases tax revenues.

A study published in May by the Urban Institute estimates that the administration's proposed budget cuts in areas affecting the activities of nonprofit organization will be $110.4 billion—in constant dollars—over the next 4 years. By far the most important accomplishment of our legislation will be to provide resources to private charities that they must have if they are reasonably to be expected to pick up the slack that will result as direct Government efforts in such important areas as health, education, arts and humanities, welfare, and social services are scaled back. Scaled back more, I would add, and faster than many of us believe desirable. Some of these vanishing resources can be replaced by individual donors, but only if our public policies foster and stimulate such philanthropy. This legislation is a chance for Government consciously to reduce its share of the gross national product and to cut taxes while encouraging individuals to support the voluntary, nonprofit sector of the economy.

Mr. President, this amendment does not represent a new or revolutionary idea. In fact, it will do no more than reestablish the fundamental principle that underlay the charitable deduction when it was written into the Internal Revenue Code in 1917. This is the principle that the portion of an individual's income that is given to charity ought not be taxed.

The principle is clear enough. What has been less well understood is its gradual erosion as the standard deduction has been increased. The standard deduction, now properly termed the "zero bracket amount," is an alternative to itemized deductions and is an alternative now chosen by more than three taxpayers in five. There is nothing at all wrong with the standard deduction; in fact, increasing it, as Congress has been wont to do in recent years, is a straightforward way of lightening individual tax burdens. But the increasing appeal and widening use of the standard deduction have the unintended consequence of reducing the incentive to make charitable gifts. A 1979 Gallup survey found that at every income level, itemizers gave more than nonitemizers. The effects also have been felt by charitable organizations whose donated income has been declining.

Charitable giving, as a percentage of personal income, declined from 1.99 percent in 1970 to 1.84 percent in 1980. As each one-hundredth of 1 percent of personal income is equal to approximately $200 million, this decline means that annual giving is now almost $3 billion a year less than it would be if the level of giving of just a decade ago had been maintained.

Our legislation would restore the charitable deduction's original character, and again make that deduction available to all taxpayers.

It would also restore a bit more independence and vitality to the voluntary sector. It will add a bit to the ability of the ordinary working men and women to determine how, and on what, some of his or her money is spent. It will in some small measure retard the process that has been described as the slow but steady conquest of the private sector by the public.

Accompanying a mounting wariness toward Government monopoly, there is a widening appreciation by the American people of the unique and vital role played by private, nonprofit organizations in our Nation's economy.

This appreciation predates the present administration. It constitutes the fundamental rationale for this legislation, which we first introduced in the 95th Congress. Moreover, it is familiar to every American as the basic principle of federalism: that the National Government should assume only those responsibilities that cannot satisfactorily be carried out by the States, by the localities, and by the myriad private structures and organizations, both formal and informal, that comprise the American society; structures that include the family itself, the neighborhood, the church, and the many private nonprofit agencies found in every community in this land.

My distinguished colleague from Oregon and I have sought to reestablish this principle in some small way through our charitable contributions legislation. With this amendment we will succeed—in part. I say in part because, for budget reasons, we must phase in the "above-the-line" deduction over 5 years and after 1986 the provision will expire. By 1986, however, we will know whether this action has contributed to the revitalization of the voluntary sector. How will we know? By continuing to watch the trend in charitable giving as a percentage of personal income. I have every expectation that the recent decline will slow and soon be reversed.

While I am in the Senate, this legislation will not be undone. For it will be shown to be among the most significant social policy advances of recent years. It will reinforce the fiscal underpinnings of the tens of thousands of voluntary organizations that embody this society's devotion to community its dedication to common provision, and its predilection for what Tocqueville called association. It will enhance one of mankind's noblest impulses: to give voluntarily of one's own earnings so that the lives of others will be better. It will retard the tendency to rely solely on Government to meet the needs of individuals and communities.

It is the regrettable fact that even with additional voluntary contributions, our eleemosynary organizations will not be able to fill in all the gaps created by the abrupt and in many cases unwarranted cuts in direct Federal expenditures on social welfare programs. There is much that only Government can do as effectively, as efficiently, or as sensitively as private organizations. When I first introduced this legislation, Government was growing, and my thought was to buttress the private sector. Now, as Government shrinks, the need for a vibrant voluntary sector is even greater. This amendment will help, and it is in that spirit that I move its adoption.

It would not do to let this moment pass without acknowledging the extraordinary efforts of the Nation's voluntary organizations themselves to explain the need for this legislation. I would particularly wish to note the tireless, selfless, and invariably gracious work of a remarkable new entity called Independent Sector. Seldom does a Senator have occasion to welcome the appearance of a new Washington organization. The significance of Independent Sector is that this new organization does not represent a new interest group; rather, it has organized and mobilized and used all the informational resources that have long been available to the largest and most important interest group of all: the American people, working through the tens of thousands of voluntary organizations that exist only because of the American people's concern for one another.

Before I step down, I would like to join my colleague from Oregon in expressing our gratitude to the Senator from Kansas, the chairman of the Committee on Finance. This is not an easy thing for him to accept in a measure where he must, of necessity, in his role as chairman of the Committee on Finance, resist most amendments. Such is his adeptness in these matters that he is defeating most amendments, deserving amendments, some of which I had the honor—the dubious pleasure—of offering. But he agreed to this because he shares our view and our object.

This is a large exception for which we are personally grateful and which, I think, a great many people in this Nation, a great many institutions, a great many people who care for those institutions and who are cared for by them, will be grateful as well.

I hope they will have this statement by the Senator from Oregon and me attest to our personal sense of the degree to which the Nation is indebted to him for what he is doing today. I would like to thank him as a colleague, an admiring friend, as well as a fellow member of the Finance Committee.

Mr. DURENBERGER. Mr. President, I urge my colleagues to join me in supporting the charitable contribution amendment offered by my friends from Oregon and New York. It was my great privilege to cosponsor a similar measure last year, a measure designed to preserve the vitality of our Nation's charitable and volunteer community, and to insure that the millions of Americans who receive their services continue to have innovative and sensitive options to a Government-dictated program.

We are finally coming to realize that Government cannot address every social need, and indeed, should not be asked to do so. We are finally facing some self-evident facts: When Government tries

to monopolize the social service field, however good the intentions, the programs fail to achieve their goals. Why? In large measure because national programs, implemented through Federal regulations under the direction of bureaucrats in Washington, do not reflect the diverse needs of individuals.

National programs with uniform requirements cannot be bent and shaped enough to fit the needy of Minneapolis, New York, Portland, or any other place in this country. If we are truly concerned about feeding the poor, caring for the children of working parents, finding jobs for the unemployed, tending to the ill and the elderly—as individuals and not as statistics—we must provide an environment where those in need can select the services they need and want, not only from Government but from charities and volunteer organizations as well. We must allow for diversity and sensitivity when we provide social services, and we must allow for consumer choice.

We need to deinstitutionalize many of our social programs, and in the process, we will transform those who are on the receiving end from "clients" to individuals in need of assistance. We need to change our system from one which treats recipients of social services as objects to be cared for, to individuals who need a little boost on the road to self-sufficiency. We need to help these individuals learn how to rely on themselves to a greater extent. Finally, we need to deinstitutionalize many of our social programs to allow foundations, charities and volunteer organizations the freedom to experiment and innovate—without the threat of a cut-off of Federal funds.

The amendment we are considering today is an essential first step toward diversity, consumer choice, and deinstitutionalization. The charitable contribution amendment will give foundations, nonprofit charities, and a wide variety of volunteer organizations access to the financial resources they need to continue their work.

During the past decade, volunteer and charitable organizations, like many other sectors of our society and many individuals, have become financially embarrassed. The financial strains have resulted from several factors, some related to Government policy and some not. Inflation has been a major contributor to the problem. Many people who would like to contribute to the arts, to their church or favorite charity can no longer justify their contributions—not when the price of essentials for daily living has steadily and rapidly risen. After paying for food, clothing, and shelter, there is little left for charities. And, I might add, no tax incentives for the 68 million taxpayers who do not itemize. Inflation has also eroded the purchasing power of the contributions which foundations and charities receive. Their dollar buys less, just as yours and mine buy less.

At the same time that inflation dampens giving and undermines purchasing power, it increases the numbers and the needs of the poor, the unemployed, the elderly, and others whom foundations and volunteer organizations set out to help. These organizations are asked to do more and more with less and less.

The national economy affects volunteer and charitable organizations in other ways: Inflation has required that more people enter the work force who might otherwise have been available to volunteer. Two-career families and two-working-parent families have little time or energy to devote to volunteering.

And if they have the time, they are less willing to give it, as the cost of transportation and other out-of-pocket expenses of volunteering go up. The adverse effects of inflation on the nonprofit and voluntary sector were a major concern to foundation and volunteer executives who came together last year to discuss the future of volunteerism. I was privileged to be one of the 10 national leaders who took part in the National Forum on Volunteerism sponsored by the Aid Association of Lutherans and Volunteer: The National Center for Citizen Involvement.

In our process of reshaping the role of the Federal Government, of relearning the essential value of nonprofit and volunteer organizations, of reorienting our attitudes to those who need social services from Government "client" to person in need of individual assistance, we must also reshape our thoughts about encouraging charitable giving. If we want diversity, we must give opportunities for the charitable and volunteer sector to obtain necessary resources.

One step is to pass the amendment now before us. It is my strong belief that the charitable contribution amendment will help reverse the dramatic decline in private giving we have experienced over the past few years.

By allowing taxpayers a deduction on charitable contributions, whether or not they itemize, this legislation will correct an inequity in the tax code. It will help insure that the voluntary sector, which lost an estimated $5 billion between 1972 and 1978 because of the change in the standard deduction, will not be a victim of Federal tax practices.

More important is the current discussion against the poor and middle-income taxpayer who struggles to meet the family needs for food, shelter, and clothing. The standard deduction hardly covers the costs they incur for borrowing, medical expenses, taxes, and casualty losses.

Under existing law, individuals who take a standard deduction can be taxed on private dollars contributed to nonprofit organizations. This form of taxation certainly poses a philosophical challenge to the rationale that income which goes to charitable activities should not be taxed because it does not enrich the giver.

Mr. President, I look forward to the day when charitable and volunteer organizations have the freedom to provide social services, when their consumers can shop around for what they need—from private nonprofit vendors as well as from Government agencies. But if that day is to come, we must give nonprofit groups access to financial resources. And we must give individuals incentives to support the work of charities. Let us move ahead in that direction.

I will conclude with one important comment which, I think, fortifies the arguments made by the Senator from Oregon and the Senator from New York.

Whether we look at the issue they have been championing in terms of people whom we all know, and nonprofit institutions we have all participated in, or whether we look at it in terms of the statistics that have been brought forward in many hearings, chaired by the Senator from New York when he was in the majority and chaired by the Senator from Oregon now that he is in the majority, the important point is that the standard deduction once upon a time was designed to cover living costs, borrowing costs, medical costs, casualty costs, and so forth, for those in the middle-income brackets. It no longer accomplishes that function.

The standard deduction today, together with personal exemptions, does not go halfway toward meeting the basic costs of living for poor and middle-income Americans. But there are literally millions, 68 million Americans, today who are forced to use the standard deduction, and a vast majority of those people—and this is where the statistics come into play—a vast majority of those people are taking the time, making the effort and providing charitable contributions to religious activities, to the social work of religious organizations, to nonprofit organizations of the United Way—usually at great personal sacrifice.

The reason they are doing it, Mr. President, is very simply because they live next door to these problems. They participate in these organizations. They are involved in this church-related social service work, and they know the problems, and yet this Government is saying to them, "You get no more benefit out of this tax system of ours than those who choose not to get involved, not to give of themselves, not to contribute their hard-pressed earnings for those really in need."

This is a long-time need, and I am sorry we have to phase it in. But that is one of the realities of life.

I, too, compliment the chairman of the Committee on Finance for his effort and his cooperation in making it possible for the Senator from Oregon and the Senator from New York to finally bring into American tax policy something that makes sense to the American people.

I thank the Chair.

Mr. MATSUNAGA. Mr. President, will the Senator from New York yield?

Mr. MOYNIHAN. Before I yield, Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MATSUNAGA. Mr. President, as a cosponsor of the amendment I rise in strong support of the Moynihan-Packwood amendment. It is truly shocking to learn that voluntary contributions for charitable work constitute less than 2 percent of the national income.

Representatives of charitable institutions who testified before the Committee on Finance, stated that the previous reduction of the individual income tax rate from a maximum of 90 percent to 70 percent, resulted in a one-third reduction, 33⅓-percent reduction, in voluntary contributions to the institutions.

With the further reduction of the maximum individual tax rate from 70 percent to 50 percent, these representatives of the charitable institutions expressed the grave fear that contributions would once more drop perhaps even by as much as two-thirds.

Donors in the top tax bracket are now encouraged to give with the knowledge that each dollar contributed meant a 70 cents tax savings; in other words the Federal Government paid 70 cents for each dollar contributed in foregone taxes. But that tax savings for individual donors will now be reduced to 50 cents on every dollar contributed and there will be less incentive to contribute. The attitude of potential donors will change as a result of reduced individual tax rates.

So we need to do something now in this tax reduction measure to see that charitable organizations are not too severely harmed. For that reason I rise in strong support of this measure. We have more than 50 cosponsors to this amendment, and I do not need to urge the Members to vote favorably on this amendment. Nevertheless, I say let us give this an expeditious passage.

Mr. BOREN addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Oklahoma.

Mr. BOREN. Mr. President, I also want to congratulate those who have worked hard to make the passage of this amendment possible, especially the Senator from Oregon and the Senator from New York, who have worked on this particular piece of legislation for a long, long time, in fact for a number of years.

I think all of us recognize that, as we have to live within our means as a government, it becomes more and more important that we encourage individuals and private responsibility in the area of taking care of the vital needs of citizens who cannot help themselves.

We also recognize that the private sector can be more effective, as the Senator from Minnesota has pointed out, in tailoring programs that meet special local needs.

Just this past week I had the opportunity in my home State to attend the dedication, for example, of a park for the handicapped. Already 400 citizens of ages 3 to 90 are utilizing this particular facility. Several hundred thousand dollars a year are budgeted for the program from a local foundation which not only made this park possible but also finances the activities of a center for the handicapped where skills are learned and various other activities are carried out, all totally through the private sector with private contributions and private donations.

Again, the community itself has risen to the responsibility. And, through the tax code, I think it is imperative that we do all that we can to encourage that sense of private responsibility and that rebuilding of community spirit, which is all important in our country.

During the committee consideration of the tax bill, there were those who were, of course, concerned about the total size of the tax cut. The administration, I know, felt that they had to keep the total dollar figure within certain limits during the period of committee consideration. But at that time, Chairman DOLE spoke to several members of the committee, assuring us that later on full consideration would be given to this amendment.

I want to commend him for his leadership in working with the authors of this proposition and making it possible for this proposal to be considered at this time and for indicating his support for it. I appreciate the fact that he has joined with the authors of this piece of legislation in making the case to the administration and to the others for its inclusion in the tax cut package.

As one who has endorsed the total package being proposed by the President in a bipartisan spirit, I can only say that I think inclusion of this amendment in that package makes it an even stronger one and one which comes even closer to meeting the total needs of the American economy and also making sure that our tax policy reflects sound social policy as well as sound economic policy.

So I want to congratulate again all of those who have played a part in making the presentation of this amendment possible. I am very proud to join with the others who have cosponsored the proposal and urge its adoption.

Mr. PACKWOOD addressed the Chair.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. PACKWOOD. Mr. President, I ask unanimous consent to have printed in the RECORD an article entitled "The Federal Government and the Nonprofit Sector" published by the Urban Institute, together with miscellaneous editorials and articles supporting this amendment.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE FEDERAL GOVERNMENT AND THE NONPROFIT SECTOR: IMPLICATIONS OF THE REAGAN BUDGET PROPOSALS

(By Lester M. Salamon with Alan J. Abramson, the Urban Institute, May 1981)

SUMMARY OF PRINCIPAL FINDINGS

1. The proposed Reagan budget cuts, if enacted, would significantly reduce the revenues available to a wide assortment of private, nonprofit organizations, ranging from symphony societies to social welfare agencies, from private colleges to local community organizations. These impacts result from the fact that nonprofit organizations have become active partners with the federal government in a broad range of public purposes. Because adequate data on the extent of this involvement are virtually nonexistent, however, the true impact of the proposed cuts on the nonprofit sector has been difficult to ascertain.

2. To correct this, the present study developed a basis for calculating the likely effects of the current round of proposed budget cuts on nonprofit organizations. What it found, in the first instance, was that nonprofit organizations stand to lose $4.8 billion in revenues in FY 1982 alone, and $27.3 billion during 1981–84, as a consequence of the reductions proposed in the Reagan budget package. This represents a reduction of 9.7 percent in FY 1982, and 13.1 percent in fiscal years 1981–84, below the outlay levels projected in the official budget submitted in January 1981 by the previous Administration. Expressed in constant dollar terms, these cuts reduce federal assistance to nonprofit organizations 12.2 percent *below* 1980 actual outlays in FY 1982, 22.7 percent in FY 1983, and 26.3 percent in 1984.

3. Nonprofit organizations involved in *social welfare* and *education* activities will be most heavily affected by these cutbacks, with revenue losses during 1981–84 or $18 billion and $5 billion, or 50.3 percent and 18.4 percent, respectively, compared to January estimates. Expressed in constant dollar terms, federal support of nonprofit organizations in the fields of *social welfare, health services,* the *arts,* and *conservation* will decline by at least one-third below actual 1980 levels during the 1981–84 period if these proposals are enacted.

4. For private philantrophy to keep pace with inflation and also offset the loss of revenue to nonprofit organizations resulting from these budget reductions, private giving in 1982 would have to increase by 26 percent over its 1981 level, or about three times faster than its rate of increase over the recent past. In 1983 and 1984, the comparable rate of increase needed in private giving would be 39 percent and 44 percent, respectively.

5. In addition to its direct impacts on the resources of nonprofit organizations, the Reagan budget proposals will also have more general impacts on program areas of interest to nonprofit organizations, impacts that could increase demands for nonprofit services at the same time that the resources available to nonprofit organizations to provide these services are being cut back. In fiscal year 1982, outlay reductions in program areas of interest to nonprofit organizations will total $20.4 billion, a cut of 11.1 percent below the comparable January budget levels.

In FY 1983 and 1984, these reductions will increase to $44.7 billion and $61.4 billion, respectively. For the four years of the budget program, 1981–84, outlays for programs in service areas of interest to nonprofit organizations will be cut a total of $128.2 billion. As a result, these program areas, which accounted for 26 percent of all outlays in 1980, will absorb 50 percent of the projected cuts.

6. Expressed in constant dollar terms, these cuts involve total reductions over the next four years of $110.4 billion below actual 1980 outlays in program areas of interest to nonprofit organizations, a decline of close to 20 percent in real dollar terms.

7. These reductions are especially sizable in the areas of *social welfare* and *education,* which are slated in the Reagan budget proposal for cuts over the next four years of 44 percent and 30 percent, respectively, below actual 1980 outlays in constant dollar terms. While the overall reductions in outlays for the *arts and environment* are smaller in absolute terms, they are much deeper relative to existing funding. Funding for arts programs over the next four years is projected to decline, for example, by 37 percent below actual FY 1980 outlays in real dollar terms, while funding for relevant conservation programs is slated for a 62 percent decline.

8. The data reported here are based on unpublished budget tables available from the Office of Management and Budget, and estimates of nonprofit involvement in federal programs developed from literature reviews, program data, and extensive interviews with program managers and researchers. Throughout, efforts were made to use essentially conservative estimates to avoid overstating the

results. In addition, the results are somewhat incomplete because of data unavailability on the extent of nonprofit involvement in some programs. Finally, no effort is made here to gauge the consequences for nonprofit organizations of potential additional reductions in state and local spending that may result from federal cutbacks.

9. This report makes no effort to assess the merits of the budget proposals advanced by the current Administration, either with respect to particular proposals or with respect to the package as a whole. The focus of attention is on what the proposals are and what they will mean for nonprofit organizations, not on whether they are desirable or undesirable. Nor does this report assess the potential impacts on nonprofit organizations of the other two elements of the President's "economic recovery program"—tax and regulatory changes—which may or may not modify the impacts resulting from the budget reductions.

10. Copies of this report may be obtained from the author in care of The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037; or from the sponsoring organizations. The cost of the report is $10.00 for single copies, and $7.00 per copy for orders of five or more.

[From the Boston Globe, July 18, 1981]

CHARITABLE GIVING

A proposal extending tax breaks for charitable contributions to American taxpayers who use the short form could get lost in the current House-Senate tax cut shuffle. Earlier this week the House Ways and Means Committee rejected a measure that would allow tax deductions for contributions to nonprofit organizations and institutions for those who don't itemize deductions. Sens. Robert Packwood and Patrick Moynihan hope to resuscitate the proposal as an amendment to the Senate Finance Committee's version of the tax cut package within the next few days. The Charitable Contributions Act should be included in the final version of any tax cut package.

The rich now receive tax benefits for their contributions; it pays those in higher tax brackets to make substantial contributions to their favorite charities. Two-thirds of all Americans, mostly those with low and middle incomes, who take the standard deduction don't get anything more than satisfaction for what they give. This hurts these taxpayers as well as the universities, hospitals, churches, nonprofit arts and cultural institutions and community service organizations that depend on the largesse of individual givers.

During the past eight years, there have been six increases in the standard deduction resulting in a decline in the number of taxpayers who itemize deductions and a corresponding drop in contributions received by nonprofit groups. In fact, a recent Gallup poll showed that taxpayers who itemize give at least twice the amount of those who don't itemize: in the $15,000 to $20,000 income bracket, those who itemize give three times as much as those who take the standard deduction.

It is estimated that the Charitable Contributions Act would boost contributions to nonprofit organizations and institutions by at least $5.8 billion a year. Right now those organizations stand to lose about $27 billion in government funds because of cuts in areas of health, education, environment and the arts.

The Charitable Contributions Act would cost the Treasury Department from $2 to $4 billion annually. The Joint Committee on Taxation has determined that 83 percent of this lost revenue would go to taxpayers with incomes under $30,000; 60 percent of it would go to taxpayers with incomes under $20,000.

It is ironic that the Administration, which believes the private sector should pick up the slack in the wake of the budget cutting process, isn't supporting this legislation wholeheartedly in the Congress. It is also ironic that House Democrats, including previous supporters, have turned against the legislation, since they are anxious to cut taxes to help low- and middle-income Americans and to cut them even more dramatically than the Administration.

The Charitable Contributions Act would make it easier for taxpayers in lower brackets to support nonprofit groups. The legislation would spread the wealth to those organizations and individuals who need it most, who will have an even harder time making ends meet in the future. It should be passed.

[From the Washington Star, July 17, 1981]

CHARITABLE CONTRIBUTIONS

There was a tense little drama in the Senate Finance Committee the other day, which did not have a happy denouement.

An amendment to the tax-cut bill, to permit deductions for charitable contributions on non-itemized tax returns, was down 9 to 8, with three members not on the scorecard as the committee was winding up work. Within a few hours, however, supporters of the legislation brought round Sen. Spark Matsunaga, D-Hawaii, making the count 9–9 Later that day, Pennsylvania Republican John Heinz plighted his troth to the proposal and, next morning just before committee voting deadline, Sen. David Durenberger, R-Minn., signed on. It appeared the amendment would be approved, 11 to 9. But before the barn door could be closed, Oklahoma Republican David Boren changed his aye vote to a nay. The final count was 10–10 and, under Senate rules, a tie is a loss.

The defeat, we hope, will not tbe final. The Senate sponsors, New York Democrat Daniel Patrick Moynihan and Republican Robert Packwood, of Oregon, intend to bring the proposal up on the floor.

President Reagan has called the idea a "noble" one, but his folks are edgy about endorsing a measure that would decrease federal revenue at this point. It would be better, they say, not to include the idea in the tax-cut bill pending in the Senate. However, supporters feel that that bill may be the only tax-cut bill this year, and indeed for several years to come.

Is the charitable contributions proposal worth all this fuss? We think so. With the administration drastically and necessarily paring federal spending, private contribution to a range of voluntary programs will be logical pluggers of a good many funding gaps. But efforts over the past dozen years to simplify income-tax filing have discouraged contributions by individuals, who traditionally account for 90 per cent of charitable giving in this country.

Since 1969, the standard income-tax deduction has been raised five times. In 1969, 53 per cent of those filing income tax returns itemized their deductions, for example; by 1978 only 29 per cent were itemizing. This has significantly reduced the incentive to make charitable contributions. The loss to voluntary organizations, which often do a better job than government in social-welfare and cultural matters, has been in the billions of dollars.

The Moynihan-Packwood legislation—and a companion measure in the House, sponsored by Rep. Barber Conable, R-N.Y., and Richard Gephardt, D-Mo.—would permit those taking the standard deduction also to deduct charitable contributions. This could increase private giving by nearly $6 billion a year, according to Independent Sector, an organization representing voluntary organizations.

The shrinkage in federal revenue, perhaps $2.2 billion a year, should not be a dominating consideration in light of the predictably wider need for the services of private organizations, such as United Way. Indeed, the charitable contributions legislation seems tailored to the Reagan philosophy. Failure of the charitable contributions proposal would continue the unfortunate trend that, as we said earlier this year, is "transforming charity into an activity of the rich."

[From the New York Times, July 8, 1981]

CITIZENS' "SAFETY NET"

(By Waldemar A. Nielsen)

The general size and shape of the Administration's cuts in social programs can now be discerned. Congress will still make some modifications and adjustments, but in the end, the reductions surely will add significantly to the strains and distress of many groups and regions of the country.

To protect those who might otherwise be most severely affected, President Reagan and other Administration officials have repeatedly emphasized the importance of the "safety net" of Government programs that will be spared.

But the most important "safety net" of all is never mentioned—namely, the hundreds of thousands of private nonprofit agencies—educational, charitable, cultural, and religious—that exist in every community and that some 60 million Americans support every year with both money and their services as volunteers. This "safety net" will be called upon to play a crucial role in the austerity period that is in the offing but it will have to do so at a time when it is in fragile and frayed financial condition.

For more than a decade, the costs of nonprofit institutions have been driven up by inflation, their endowments have been eroded by the slump in the securities markets, and their income from individual gifts has fallen off as many Americans have been discouraged from giving to charity by rising taxes and their own rising costs of living.

Moreover, many nonprofit agencies will themselves now be hit by the force of Federal program cuts. In recent years, they have become increasingly dependent on Government funding to sustain their activities. At present, about one-third of their total income derives from Federal grants, contracts, and reimbursements. A significant part of this, perhaps $5 billion or $6 billion, is now jeopardized.

In the interest of national stability, it would be an act of wisdom for the Reagan Administration to take steps at this time to strengthen the national apparatus of private nonprofit organizations. The approach would be consistent with the Administration's philosophy of strengthening the capacity of the private sector to provide more of the human services that the Government has taken responsibility for in recent years.

President Reagan should announce his full and strong support for the proposals now under consideration by the Congress to restore tax deductibility for charitable gifts for the two-thirds of all taxpayers from whom such incentive has been eliminated by the spreading use of the standard deduction. At a cost of a relatively modest reduction in Government revenue, charitable giving would thereby increase by more than $5 billion a year.

The upward trend of corporate philanthropy in recent years has been quite remarkable. Still, only a minority of companies have yet begun significant giving programs. Those corporations that have taken leadership in this development deserve commendation and greater public recognition, and those that have not yet responded deserve some Presidential prodding.

The President should order forthwith a re-examination of the regulations and policies of all Government agencies that impinge

on private nonprofit institutions, as a basis for changing those that are damaging or unjustifiably costly.

Mr. Reagan should put his active support behind the lagging effort of the Office of Budget and Management to find ways to increase cooperation and consultation between Government and private nonprofit organizations in the critical period ahead. Wherever feasible, the Government should use and fund existing nonprofit organizations to carry out its human-service programs rather than give preference to its own bureaucracy and facilities.

The President should lend his active support to the national task of encouraging and volunteering. One of the measures by which this could be done would be to establish a form of national recognition for outstanding service to communities and to the Nation by volunteer leaders. A society is what it honors, and the United States has done very little to recognize and applaud the selfless service of its millions of dedicated citizen volunteers.

The tradition of private action for the public good is one of our Nation's most admirable qualities. But for most of our history it has simply been taken for granted, and more recently this situation has become worse.

Government, both deliberately and inadvertently, has become an oppressive, competitive, and in some respects destructive force. If the Administration is to reverse this trend, a program of affirmative action, not merely a few kind words in Mr. Reagan's Inaugural Address, is called for.

[From the New York Times, July 6, 1981]

NONPROFIT GROUPS CALL ON INDUSTRY TO REPLACE U.S. AID

(By Kathleen Teltsch)

Large companies from coast to coast report a surge in appeals for grants from antipoverty groups, universities, cultural agencies and other nonprofit organizations scrambling to replace money they fear they will lose as a result of Reagan Administration budget cuts.

The companies say there is no way they can come anywhere near offsetting the Federal grant money that is to be eliminated.

"We've been deluged with thousands of requests, a 100 percent increase in the first quarter of this year," said Mary Hall, vice president of corporate contributions at the Weyerhaeuser Company headquarters in Tacoma, Wash., which twice a day receives mail sacks crammed with appeals. Most corporate givers reported an increase of 25 to 35 percent in requests from the nation's 300,000 nonprofit organizations, which range from opera companies and private universities to groups that feed the poor.

"There's a certain element of panic about anticipated losses," Richard F. Neblett, contributions coordinator for Exxon, said at its Manhattan headquarters, where the increase in appeals is less dramatic than that at Weyerhaeuser.

VOLUNTEER AID ENCOURAGED

Throughout the budget-cutting process, senior White House officials have said that they expected private volunteer efforts to replace many curtailed Government programs. For example, a Task Force on the Arts and Humanities that President Reagan named in May is to report by the end of the summer on what Mr. Reagan called a plan "to make better use of existing Federal resources and to increase support for the arts and humanities by the private sector."

However, despite efforts in Congress and elsewhere to encourage private giving, corporate officers and other experts on charity say that business, foundations and individual givers combined will be unable to offset the Federal grant money being cut.

While final details of the budget cuts are not yet known, a study by the Urban Institute in Washington recently estimated that there would be reductions of $128.2 billion from 1981 to 1984 for social welfare, health, environment, the arts and Government-financed housing and food programs.

$27 BILLION LOSS IN 5 YEARS

Lester M. Salamon, the political economist who directed the institute's study, said that the anticipated cuts would mean a loss of $27 billion over the next five years for the nonprofit organizations working in these fields, the groups now flooding corporations with their appeals for money.

Contributions to nonprofit groups by companies and some 600 company-operated foundations last year totaled only $2.55 billion, according to the American Association of Fund-Raising Counsel Inc.

The difference between the amount of funds to be lost and the total corporate contribution is of such dimensions that companies cannot possibly pick up the whole tab, said Anne Klepper, a senior research associate for the Conference Board, whose 4,000 members include the country's leading foundations, government agencies and educational institutions.

"There have been unrealistic expectations about who will do what for a long time," she said. "Now the situation is getting crunchier. Inevitably there will be a struggle to survive among the nonprofits. It could be a Darwinian scene."

Private giving from all private sources for nonreligious purposes would have to increase by 144 percent over the next five years to make up for reductions in Government assistance and keep up with inflation, Mr. Salamon estimated, growth four times faster than the average over the last five years.

TOO MUCH, TOO SOON

Corporate officials say the Administration's assumption that the private sector and especially business can fill the void is expecting too much, too soon.

"You cannot send a Mailgram from Washington to all corporations and say a funny thing happened, and expect they will be ready immediately to make up the shortfall—life is not like that," Edward M. Block, a vice president of the American Telephone and Telegraph Company, remarked in objecting to the proposed cutback in financing for the National Endowment for the Arts. Mr. Block is also president of the American Council for the Arts.

Even if business took the lead in support of the arts, a vast fund-raising campaign could not be started in time to avoid serious damage, Mr. Block contended. Business will also be under heavy pressure to help pay for a variety of human services, he observed, suggesting that these might be assisted at the expense of the arts.

A.T. & T. is the leading partner of the Bell System, whose $38.2 million budget for philanthropy made it the largest single donor in the business community in 1980. Exxon ranked second, with contributions of $38.1 million. Only six private foundations in the United States give away more money annually.

Many companies plan to increase giving, among them, Exxon, International Business Machines, Levi Strauss and General Electric, but the widespread opinion is that the total for all would not offset the Government reductions.

"A DROP IN THE BUCKET"

Contributions from corporations increased 15 percent in 1978 and 1979, dropping to 4 percent because of low profits last year, but even if the former high level was reached, it would amount to only $380 million more a year, "a drop in the bucket," in the words of John I. Schwartz, president of the American Association of Fund-Raising Counsel.

"Dollar for dollar, there is no way for the private sector to make up for the cuts," agreed John H. Filer, chairman of the Aetna Life and Casualty Company, although he maintained that companies and nonprofit groups could have significant impact in critical areas, including training the hard to employ.

Less than 30 percent of the country's two million companies report to the Internal Revenue Service that they make philanthropic donations, the Conference Board said. Under Federal law, companies are permitted to deduct for charitable giving up to 5 percent of their taxable income. Only a few, mainly companies in the Minneapolis area that have joined a 5 Percent Club, reach the maximum; the average hovers around 1 percent.

Even before the Reagan Administration, there were efforts by organizations and individuals to persuade companies to step up giving and to reach the thousands that do not make any contributions.

The National Business Roundtable issued a policy statement in March endorsed by the Chamber of Commerce and the National Association of Manufacturers calling on the business community to increase giving. And Laurence A. Wien, a New York lawyer and real estate investor, is credited with having "shamed" dozens of prospering companies into increasing their contributions by presenting or threatening to push stockholder resolutions.

Raising the present level of company giving to 5 percent would increase corporate contributions to $10 billion to $12 billion, according to philanthropic experts. However, even doubling the present level to 2 percent is expected to take several years, these analysts said.

BUSINESS FACES IMPLICATIONS

The Administration and public expectations that business can be "the thousand-fingered Dutch boy plugging the dikes" poses risks for business, which "will have to perform as never before," according to Donald H. Haider, professor of public management at Northwestern University.

Speaking at a Public Affairs Council meeting of corporate leaders in Chicago in March, Mr. Haider produced a stunned silence with his warning that a failure by industry to increase business activity, create jobs and also act as the "great gap-filler" could result in a backlash in which business could lose the freedom from regulations and other benefits it expects from the Reagan Administration.

Brian O'Connell, president of the Independent Sector, said it would be a mistake for the Administration to single out business and give the impression that the burden now rests with it to pick up the slack. The group, set up two years ago to stimulate private charitable giving, has been lobbying for new tax laws to encourage giving by individuals. Its 310 members include leading companies, foundations and nonprofit organizations.

"I believe business will do more and can do more, but it has to be done in a spirit of encouragement and cooperation and not by giving the impression that business must fulfill an obligation," Mr. O'Connell said.

[From the Boston Globe, May 14, 1981]

HELPING CHARITY—AND THE TAXPAYER

(By Jeffrey L. Lant)

America's more than 500,000 nonprofit organizations, particularly those in the human services where Reagan Administration budget cuts will be severely felt, have a fine opportunity to help themselves. But they'll have to act by the first week of June, when the House Ways and Means Committee finishes its tax work for the session.

Ways and Means is considering legislation allowing taxpayers to deduct charitable contributions regardless of whether they take

the standard deduction. At present, taxpayers who use the short form or do not itemize deductions are not credited for their charitable contributions. Thus a gift of $100 to a nonprofit day-care center costs the full $100. The same gift by a taxpayer in the 40 percent tax bracket who itemizes his deductions costs $60.

There has, of course, always been this discrepancy, but the impact was less significant when fewer people used the short form. Since 1969 the Treasury has raised the standard deduction five times to simplify the tax system. As a result, less than 25 percent of all taxpayers itemize deductions.

The effect on charitable giving is hardly surprising. The more people using the short form, the fewer making charitable contributions and the smaller the contributions. A recent Gallup Poll shows that itemizers in the $10,000-$15,000 income bracket in 1978 contributed an average of $324 to charity, compared with only $249 for non-itemizers. When all income brackets are considered, the mean average contribution of itemizers was $652 compared to only $210 for non-itemizers.

In 1978 a movement arose in Congress to reverse that trend. The movement is currently spearheaded by Reps. Richard A. Gephardt (D-Mo.) and Barber Conable (R-N.Y.) and Sens. Robert Packwood (R-Ore.) and Daniel P. Moynihan (D-N.Y.). Each year their bill (HR-501 and S-170) creeps a little closer to passage as the leading arguments against it have been dealt with.

The chief of those arguments has been its potential cost in lost federal revenue. Supporters of the legislation, using figures provided by Harvard economist Martin Feldstein, admit that it will cost the Treasury about $4.8 billion a year. However, they say that the benefit to public charities will be about $5.7 billion yearly, a figure that goes some of the way toward making up the $20 billion in Reagan-promoted federal budget cuts.

Increasing citizen support of civic organizations and broadening public participation is, of course, a hallmark of the Reagan philosophy. Thus it is no surprise to learn that both the President and the Republican platform endorse this legislation. Moreover, in the House and Senate the legislation has attracted broad bipartisan support: 108 House Democrats and 112 House Republicans are sponsors; 12 Senate Democrats and 12 Senate Republicans, too.

There seems to be two obstacles:

(1) Liberal Democrats fear that the anticipated loss in federal revenue under this legislation might imperil favored social programs which the President's measures have already adversely affected. They have thus withheld their support. The Massachusetts congressional delegation, for instance, despite the wealth of nonprofit organizations in this state, has hung back.

Proponents counter the objections of the liberals by citing the incalculable advantages to be gained in encouraging more people to support public charities and nonprofit organizations, a benefit only a bill of this kind can provide.

(2) Despite the high-blown Republican rhetoric in favor of this bill, there has not been a notable push from the White House for its passage.

At this juncture, nonprofit organizations can help themselves first by urging the recalcitrant members of the Massachusetts congressional delegation to support this legislation and, second, by urging House Speaker Thomas P. O'Neill and Rep. Daniel Rostenkowski (D-Ill.), chairman of Ways and Means, to do so. Unless they act, an important measure capable of mitigating the sting of the budget cuts on nonprofit organizations will be shelved until another Congress assembles.

AN EXCELLENT WAY TO HELP CHARITIES

Times could be better for America's charities. Not only has inflation discouraged many people from making donations, but the Reagan's administration's budget cuts threaten to have a devastating effect on federal funding for nonprofit organizations. Charities expect to lose $27.3 billion in revenue from Washington over the next three years. All of this means that fewer services will be available at a time when the need for assistance is especially strong.

Fortunately, Congress has an excellent opportunity to help charities help themselves. Pending in the House Ways and Means Committee and in the Senate Finance Committee is legislation that would allow taxpayers claiming the standard deduction to take a special deduction for contributions to charities.

At present, taxpayers who use the short form or do not itemize deductions are not credited for their donations to non-profit organizations. Thus, a gift of $100 costs the full $100. The same gift by a taxpayer in the 40 percent tax bracket who itemizes his deductions costs $60.

Thought there has always been this discrepancy, its impact has become more significant now that more people use the short form. In an effort to simplify the tax system, the Treasury has raised the standard deduction about a half-dozen times over the past 10 years. As a result, about two-thirds of all taxpayers do not itemize deductions.

The effect on charitable giving is hardly surprising. A recent Gallup Poll shows that itemizers donate two or three times more to non-profit organizations than do non-itemizers. In the $2,000-to-$50,000 income bracket, for example, itemizers gave an average of $658 to charity in 1978, compared with only $281 for non-itemizers. The same discrepancy was found in all other income brackets.

It stands to reason, then, that giving non-itemizers a special deduction would be a good way to stimulate donations and to help the nation's non-profit organizations. True, the legislation would result in lost federal revenue. Harvard economist Martin Feldstein, a proponent of the tax idea, estimates it would cost the Treasury about $4.8 billion annually. But that loss is expected to be more than offset by an additional $5.7 billion in contributions.

The legislation has gained broad, bipartisan support in both houses of Congress. In the House, HR 501 has 232 co-sponsors, including all four of the Northwest suburbs representatives: John E. Porter, 10th District; Philip M. Crane, 12th; Robert McClory, 13th, and John N. Erlenborn, 14th. In the Senate, a companion bill, S. 170, has 30 co-sponsors. (Neither Alan J. Dixon nor Charles H. Percy is on that list.) It is still unclear whether this proposal will be included in the tax cut package now being hammered out between the Reagan administration and Congress. As matters now stand, it is not. And, despite the high-blown Republican rhetoric in favor of this legislation, there has not been a notable push from the White House for its passage.

The special deduction for charitable contributions deserves approval—if not now, then later this year, when other tax bills are likely to come up. Unless Congress acts, an important measure capable of relieving some of the pain from the Reagan budget cuts will be shelved.

CONGRESS NEEDS A PUSH ON CHARITABLE GIVING POLICY

One of the painful aspects of making out a personal income tax return is the knowledge that many others are paying less because they are more skilled in the art of dodging.

Tax policy is like the law that forbids sleeping under bridges. It applies equally to millionaries and vagrants. In spite of the seeming evenhandedness, this law doesn't restrict the activities of millionaires perceptibly but it plays havoc with the lifestyle of vagrants.

Or perhaps taxes are more aptly compared to the rain in the poem which says it falls upon "the just and unjust fella, but more upon the just because the unjust hath the just's umbrella."

Congress now has before it a straightforward tax amendment that would benefit the good causes in American life. It would be equal not only in name but in reality.

The 96th Congress, to its shame, let this amendment die. The 97th can, and should, review it.

The amendment would have allowed taxpayers to deduct the charitable contributions they made during the year whether or not they take the standard deduction.

As things now stand, taxpayers must make a choice between itemizing or taking the standard deduction. They can't do both.

Taking the standard deduction greatly simplifies tax preparation but it also reduces the motivation for charitable giving.

Charitable giving in the United States has suffered from the greatly increased usage of the standard deduction, which has risen sharply over the past nine years.

There are estimates that this increased usage of the standard deduction has resulted in a decrease in charitable giving over this nine-year period by about $5 billion.

Yet, U.S. tax policy should be encouraging the charitible giving that supports thousands of nonprofit organizations whose work relieves government—and thus the taxpayer—of a great burden.

They support youth work, hospitals, schools, work with the handicapped, the fight against disease, day care and help for the elderly. They are the nuclei around which gather millions of volunteers.

The dollars thus spent offer the greatest possible return in the form of actual good works.

The estimated annual cost to the treasury of this measure would be about $2.2 billion, a fraction of the proposed tax cut but a natural part of that tax cut.

The estimated annual return to the organizations of the nature of those that belong to Jacksonville's United Way would be a yearly $5.7 billion.

States and communities across the nation are seeking ways to help compensate for the loss to good causes that will be sustained as a result of the budget cuts in the offing. This is an obvious and productive move along that line.

Two proposals that would effect this change are now in Congress.

One is H.R. 501 sponsored by Rep. Richard Gephardt, D-Mo., and Rep. Barber B. Conable Jr., R-N.Y. The other is S. 170 with Sen. Daniel P. Moynihan, D-N.Y., and Bob Packwood, R-Ore., as sponsors.

The proposal died last year and it may well die this year, despite its obvious merit, unless a showing of public support is made.

It is time the American people involved themselves in tax policy and demanded changes that will help create a more humane America instead of letting it be dictated by a narrow range of informed, but often selfish, interests.

[From the Washington Star, July 19, 1981]

ENLARGING DEDUCTIONS FOR CHARITY

Last June 25, by a vote of 19–1, the Senate Finance Committee reported an omnibus tax reduction bill to the Senate floor. I laud their their efforts and achievement. This is an excellent bill which will provide needed tax

relief to both individual taxpayers and to businesses.

I was disappointed, however, to see that an amendment allowing above-the-line deductions for charitable contributions failed to be included on a 10-10 tie vote. This would leave in place the current inequity in the tax code whereby only the 29 percent of American families who itemize their deductions are allowed to deduct charitable contributions from their taxable income. This effectively discourages the vast majority of taxpayers from making such contributions.

I have long believed that this inequity should be eliminated. Historically, one of the greatest strengths of this nation is the deep responsibility we feel to our community and to those less fortunate than ourselves. Thus I have been proud to cosponsor S. 170, a bill which would allow *all* taxpayers, not just those who itemize, to deduct charitable contributions from their income when paying their federal taxes.

A move will be made on the Senate floor during the consideration of the omnibus tax bill to attach this incentive for charitable contributions as an amendment. I fully support this effort. This legislation is needed now more than ever. Under projected budget cuts, volunteer organizations will lose $27.3 billion in direct government aid by 1984. However, America's volunteer organizations can, and should, assume an expanded role in providing services to our nation's needy.

Adoption of the charitable contributions amendment is vital to this effort.

ALFONSE D'AMATO,
U.S. Senator.

WASHINGTON, D.C.

[From the New York Times, Jan. 23, 1981]

HURTING VOLUNTARY AGENCIES

(By Brian O'Connell)

WASHINGTON.—Ronald Reagan and many of the people here with him and with the new Congress believe that more public services should be delivered by voluntary organizations. Even without this conviction, it is likely that we are headed for a period of large Federal budget cutbacks, when Government will look to voluntary organizations to pick up the slack.

This heightened interest in voluntary initiative is welcome. But it is important not to give a false impression that voluntary organizations can substitute for the necessary role of the Government in a vast array of public services, such as public welfare and the enforcement of civil rights. It would be a disservice to President Reagan and the public to exaggerate what voluntary organizations can do, or what Government should not do.

Still, it is possible to open significantly the serving roles of individual citizens and their nonprofit organizations. The first step is to stop the Treasury Department from using its tax authority to capture money that should go to these voluntary groups. Treasury officials say that the drain from voluntary organizations was never intended but, in the face of tight Federal budgets, it is not the right time to correct the error.

This position absolutely contradicted a principle of the Carter Administration, which advocated citizen involvement and service. It would be utterly untenable in a Reagan Administration. If any President wants to stimulate greater private-sector activity, his Treasury cannot be allowed to engage in unfair competition with voluntary organizations—with, for example, church-related day-care centers, Jewish homes for the aged, or Salvation Army service centers.

Historically, tax policy has encouraged the deduction of contributions. This has provided a significant incentive for giving, but, even more importantly, has served to remind all of us that it is the philosophy and policy of the people and our Government that giving is an act for the public good that is to be fostered. In the last 10 years, however, this principle has been seriously undermined.

To simplify the income-tax system the Government has increased the level of the standard deduction five times since 1969. In 1979, about 75 percent of all taxpayers used the standard deduction. This reduced incentives for giving among enough taxpayers to represent a loss of more than $1.5 billion to voluntary organizations in 1979. That may not seem like much to a Government with a budget of $600 billion, but it still goes a long way in the independent sector—that's all the money raised in 1979 by all United Way campaigns.

A recent Gallup survey revealed that in every tax bracket, taxpayers who itemized gave at least twice the amount of non-itemizers. The ratio is 3 to 1 in the $15,000-to-$20,000 income category.

Charitable-contributions legislation (supported by 44 Senators and 255 Representatives in the last Congress) is designed to offset both the inadvertent change of tax policy and the loss of dollars. The bills would, in essence, remove charitable contributions from the standard deduction and again allow all Americans to deduct their gifts. Contributions are not like other deductions. The others all represent expenditures that serve the taxpayers—interest payments, for example. The charitable contribution serves society.

Even the term and concept of standard deduction are no longer relevant. It is now called the "zero bracket amount" and is largely a vehicle for tax reductions. The Treasury acknowledges that the "zero bracket amount" no longer contains fixed dollars or percentages for the separate deductions.

The charitable-contributions bills are designed only to redress the Government's significant undercutting of contributed income. It is hardly sensible or fair for the Government to capture money that should flow to voluntary groups or for Treasury to espouse big government at the expenses of pluralism when the Government is trying to transfer responsibility back to private agencies. They cannot have it both ways, and neither can the country.

Americans of all philosophical and political persuasions are intellectually committed to our country's unique degree of voluntary action, but we assume this pluralism will continue without planning to ensure that it will.

The charitable contributions legislation would increase contributions by an estimated $4 billion a year. That would expand personal giving by 12 percent. Even if the Government were to lose a like amount—estimates are that the loss would be far less—the total would represent only a fraction of 1 percent of Federal expenditures.

For a society rapidly learning the practical limitations of big government and turning to voluntary organizations for help, a 12 percent expansion of funds voluntarily contributed is a sensible first step in the right direction.

ECONOMIC RECOVERY TAX ACT OF 1981

(Report of the Committee on Finance, U.S. Senate on House Joint Resolution 266; together with additional and minority views)

A. ADDITIONAL VIEWS OF SENATORS PACKWOOD, HEINZ, DURENBERGER, BENTSEN, MOYNIHAN, AND BAUCUS

We voted to report the tax cut bill, H.J. Res. 266. The bill, of course, raises many issues. These views relate to only one—the future for a vigorous, broad based voluntary sector in the United States.

In Finance Committee mark-up of H.J. Res. 266, we proposed to allow all taxpayers to deduct contributions to charitable organizations whether or not they itemize their deductions. Our amendment was structured to meet budget restrictions endorsed by the Finance Committee.

This proposal would help preserve the vitality of our nation's charitable and volunteer community. We are confident that volunteer groups, dollar for dollar, can equal or exceed the job done by government in delivering services. We believe that his proposal can help achieve this. Unfortunately, the proposal was defeated by a 10–10 tie vote.

We believe that the President and a majority in Congress favor extending the deduction for charitable contributions to non-itemizers. However, some believe that the budget cannot accommodate it, and that there is no particular need to approve it now. We respectfully disagree with these objections.

Description of proposal

In Committee, we proposed to allow people who do not itemize their deductions to deduct contributions to charitable, religious, scientific, cultural and educational organizations.

One purpose of proposal is to help reverse the decline in support for charitable groups. In 1970, we gave 1.99% of our personal income to charity. By 1980, this fell to 1.84%—a loss in contribution of more than $3 billion per year by 1980.

One important explanation for the loss of giving is that fewer people itemized deductions. This means fewer people have a tax incentive to give.

In 1970, 57.4% of taxpayers itemized deductions. By 1981, due to successive increases in the zero bracket amount (formerly called the standard deduction), the percent of taxpayers itemizing deductions is estimated to be 38.3%. Thus 61.7% of taxpayers, 43,000,000 households, no longer have a tax incentive to contribute.

There is growing evidence that the tax incentive for charitable contributions works. Survey research contained in a Gallup opinion poll in 1979 shows that itemizers contribute between two and three times as much to charity as non-itemizers.

The distinguished economist Martin Feldstein of Harvard University has also confirmed this conclusion. He testified before the Finance Committee's Subcommittee on Taxation that the revenue loss from this bill would be exceeded by new contributions to charitable groups. He said each $1 of revenue loss from this bill could produce from $1.30 to $2.00 in contributions.

We believe the incentive works. We also believe that this provision would be one of the most cost effective federal initiatives we could undertake. We can think of no way to get more money to solve human needs at less cost of the federal government.

Studies showing the effect of tax incentives on giving do not even attempt to measure the enormous importance of volunteer help. For example, the American Red Cross, in testimony before the Taxation Subcommittee of the Senate Finance Committee in January, 1980, indicated that it has 77 volunteers for each of its paid workers. Charitable organizers have often found that if a person gives financial support to an organization, soon after he or she often wishes to be personally involved by volunteering time. Reduced contributions can weaken this important volunteer resource.

As the incentive to give applies to fewer and fewer people, community organizations also lose their democratic base. They become more dependent on corporations and wealthy contributors.

The average income in 1981 for itemizers is estimated to be $31,533. In contrast, the aver-

age income for persons taking the standard deduction is estimated to be only $12,600. This legislation will encourage these 43,000,000 households to participate in giving.

Vast support for S. 170

Support for S. 170 among policy makers is overwhelming. Thirty-five Senators of both parties have cosponsored S. 170 in the first six months of this new Congress, and 43 did in the last Congress. Two hundred and ninety-one members of the House of Representatives—a clear majority—have cosponsored the current companion bill sponsored by Representatives Gephardt and Conable, H.R. 501.

Last September, the Senate Finance Committee approved a form of this bill as a Committee amendment to its tax cut bill. The vote was 16–4.

The 1980 National Republican Platform endorses this proposal:

"The American ethic of neighbor helping neighbor has been an essential factor in the building of our nation. Republicans are committed to the preservation of this great tradition."

"To help non-government community programs aid in serving the needs of poor, disabled, or other disadvantaged, we support permitting taxpayers to deduct charitable contributions from their federal income tax whether they itemize or not.

* * * * *

"Government must never elbow aside private institutions—schools, churches, volunteer groups, labor and professional associations—in meeting the social needs in neighborhoods and communities.

* * * * *

"Most important, to ensure the continued primacy of private support for the arts, we reiterate our support of broader tax incentives for contributions to charitable and cultural organizations."

On September 18, 1980, then-candidate Reagan sent a telegram to the National Conference of Catholic Charities citing the above language, and stating that he was strongly committed to it. Support for this proposal has been bipartisan from its inception.

Need for approval now

A study prepared by the Urban Institute and released in May, 1981, finds that nonprofit organizations will lose $27.3 billion in direct funding in fiscal years 1981–1984 under the Administration's reductions. Direct funding lost to non-profit organizations in each of these years in $100 million in fiscal year 1981; $4.8 billion in fiscal year 1982; $9.8 billion in fiscal year 1983; and $12.7 billion in fiscal year 1984.

In addition, the tax reductions in the Senate Finance Committee version of H.J. Res. 266 will further hamper our citizen's voluntary effort to meet community needs. The reduction in marginal rates will decrease tax incentives at each income level to contribute to charity. For example, the reduction in maximum rate from 70 percent to 50 percent, although fully meritorious to stimulate investment, will lead to less giving by persons in those higher brackets. Also, the reductions in estate and gift taxes will decrease the role of charitable giving in estate planning.

If the independent sector is to become more active in areas affected by budget cuts, we must give it the tools its needs to assume the broader responsibilities which is can handle so capably.

Accommodating budget limits

This proposal can be enacted now.

In September, 1980, the Senate Finance Committee approved a four year phase-in for this legislation. In the first year, non-itemizers would be permitted to deduct ¼ of their contributions. In the second year they would be permitted to deduct ½; in the third, ¾; and in the fourth year and thereafter, all contributions would be deductible. In light of budget restrictions, we think this concept is acceptable.

Delay in approving the bill will hamper non-profit volunteer efforts. But action now will send the word that America's tradition of reliance on volunteer organizations for alternative delivery systems will continue.

Our goal is to strengthen people's ability to solve problems for themselves in their own communities. Unintentionally, budget and tax cuts present a twin threat to this effort. We think it's vitally important that we signal to our fellow Americans that we wish their efforts to continue and we intend for them to succeed. Approval of this legislation now will send this message.

BOB PACKWOOD.
DAVE DURENBERGER.
JOHN HEINZ.
DANIEL MOYNIHAN.
LLOYD BENTSEN.
MAX BAUCUS.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I thank both Senator PACKWOOD and Senator MOYNIHAN. I appreciate their patience. I apologize if, the other day, we were less than totally in support of this amendment. I have counted noses since then and I think they have in excess of 50 cosponsors, so it seems to me the better part of valor is to embrace them, rather than to concern myself any more about what the cost might be.

In fairness to both Senators, however, they were willing, in working with the Treasury, to, in the early years, put a cap on their provision and then, as the distinguished Senator from Oregon, Senator PACKWOOD, indicated, the Sun will set on this provision. I am not certain of that, but at least that is what it says in the script.

There is no doubt that charitable giving has declined, and that this amendment will help reverse this trend.

Under the Packwood-Moynihan amendment, in 1982 and 1983, a taxpayer who does not itemize would be permitted to deduct 25 percent of charitable contributions, but only up to $100. In 1984, such a taxpayer can deduct 25 percent of charitable contributions without any $100 limitation. In 1985 that percent will rise to 50 percent and in 1986 it will rise to 100 percent. The amendment will "sunset" in 1986.

If, in fact, it is effective—as I think it will be—in increasing the charitable contributions, perhaps it should be extended.

It seems to me that this provision has broad support. It had broad support a year ago in the deliberations in the Senate Finance Committee. I know of few who oppose the concept advanced by both Senators.

I would say, as has been said before, our problem is one of trying to work the proposal into this tax proposal with the fiscal constraints we had.

So I compliment both the Senator from Oregon and the Senator from New York for their willingness to scale down the amendment to some degree and also for their initiative in making certain that it would become part of this bill.

I might add that, as I view this amendment, it is consistent with the Reagan administration's philosophy that the private sector should assume a greater role in providing human services. The Federal Government cannot do the whole job. I hope this amendment will be helpful in providing the charitable agencies the resources needed to fill the void.

Mr. President, I think the cost of this amendment has been included in the RECORD. But just for those who want to know, in fiscal year 1982, the cost is $38 million; in fiscal year 1983, $280 million; in fiscal year 1984, $390 million; in fiscal year 1985, $1.291 billion; and, in fiscal year 1986, $2.827 billion.

It is a substantial amount. But, again, it should increase the charitable giving. That is the purpose of it.

I am certain that we will have further discussions of this, maybe not here today but in the conference. The House did not add this provision to their bill. I think they might have, except they were trying to substitute this provision for another very popular provision in that bill.

Senator PACKWOOD and, perhaps, Senator MOYNIHAN will be conferees. So their voices will be heard in the conference.

● Mr. CHILES. Mr. President, I support the amendment offered by the Senator from Oregon (Mr. PACKWOOD), and the Senator from New York (Mr. MOYNIHAN). This amendment would allow the millions of Americans who do not itemize on their tax return to deduct their charitable contributions. As a cosponsor of S. 170, on which this amendment is based, it is my hope that the Senate will act quickly and affirmatively.

In this day and age of restrained Federal spending and budget cuts, I think now more than ever we need to provide some stimulus for contributions to charitable organizations and institutions. Without providing lower- and middle-income families and individuals some incentive for giving, many charitable groups may well experience difficulty attracting funds to continue their activities. It is estimated that proposed budget cuts will cost nonprofit organizations some $27 billion in Federal support over the next 4 years. If we expect the charitable sector to respond to increased social needs during this period, then it is obvious we need to do something to assure these groups that adequate funds will be available.

In my review, the incentives provided by this amendment will do just that. By permitting those who take the standard deduction to also deduct their charitable contributions, it is estimated that private giving will increase some $6 billion a year. Over the past few years, legislation of this nature has received strong bipartisan support and 35 Senators have already cosponsored S. 170 this year. I hope many more of my colleagues will join in this effort and will help assure charitable organizations that the funds they will need to carry on their work will be available in the coming years.●

HUMPHREY SUPPORTS CHARITABLE DEDUCTIONS FOR ALL AMERICANS

● Mr. HUMPHREY. Mr. President, I am pleased today to support the amendment which will allow all taxpayers to deduct their charitable contributions whether

they itemize their deductions or not. For 2 years, I have advocated this concept, having been added earlier this year as a cosponsor of S. 170.

I commend both Senators BOB PACKWOOD and PATRICK MOYNIHAN for their excellent work in preparing this much needed revision of the Tax Code.

I fully support President Reagan's commitment to permit taxpayers to deduct charitable contributions from their Federal income tax itemizing.

The fundamental principle that money given to charity should not be subject to taxation was recognized in 1917 when the charitable deduction was written into the Internal Revenue Code. Since that time, because of the rise in the standard deduction or the zero bracket amount, more and more taxpayers are finding it advantageous not to itemize, thus losing the opportunity to deduct for their voluntary contributions to nonprofit organizations. Last year alone, over 300,000 individuals and families in New Hampshire were denied the opportunity to deduct their charitable contributions because they did not itemize. While New Hampshire individuals give as much as $65 million annually, nondeductible contributions have been estimated between $12 and $25 million.

This legislation will restore the charitable deduction's original character, and again make that deduction available to all taxpayers. This measure will simply move the charitable deduction above the line on tax forms, permitting deduction even for those who do not itemize.

Not only will this bill reduce the tax burden on thousands of New Hampshire families and millions of Americans, it will also increase the funds available to private institutions. This bill attempts to redress the imbalance between the eroding voluntary sector and the growing Government sector. Private foundations and charitable institutions provide an important alternative to the Government as a source of human services.

The Government's role in providing many services has increasingly been called into question. Current economic and political conditions necessitate a scaling back of expectations concerning Government. By strengthening the voluntary sector, this bill will help to fill the gap created by the decreased intervention of the public sector.

This legislation will increase the abilities of colleges and universities, or religious charities and historic preservation societies, of the Society for the Protection of New Hampshire Forests and hundreds of other local nonprofit organizations to enrich the lives of the people of New Hampshire and all Americans. The American Red Cross, the Audubon Society, and the American Society for the Prevention of Cruelty to Animals will be enhanced by this action.

Further, the legislation will help New Hampshire's over 1,200 educational and charitable organizations to diversify their financial foundations by strengthening their base of small contributors.

Let me conclude, Mr. President, by urging my colleagues to support this straight-forward, but significant, revision of the Internal Revenue Code, so that all Americans can benefit from the charitable deduction.●

● Mr. D'AMATO. Mr. President, as a longtime supporter and cosponsor of S. 170, the bill to allow the above-the-line deductions for charitable contributions, I am pleased to cosponsor this amendment and to add my urgings to those of my distinguished colleagues that this Chamber adopt this most worthwhile of amendments. This amendment is vitally important if we are to preserve America's volunteer community. It belongs as part of this tax reduction package.

This amendment will extend to every American taxpayer the privilege that is currently afforded to only the 29 percent who itemize their deductions, that is, it would allow all taxpayers, regardless of their income class, to deduct their charitable contributions from their taxable income. This amendment will be phased in slowly in order not to disrupt the President's budget objectives.

For private philanthropy to keep pace with inflation plus make up for the loss in Federal financing resulting from budget cuts already approved by Congress, 1982 private giving to nonprofit organizations would have to be 26 percent greater than it was in 1981. This is about three times the annual rate of growth recorded in the recent past. In 1983 the rate of increase in private giving to volunteer organizations over 1982 would have to be 39 percent just to maintain present services. In 1984 a 44-percent increase would be necessary.

We have historically been a Nation of givers, rather than takers. I have every confidence that private philanthropy will meet this challenge and keep our volunteer community alive and active. Our commitment to the Nation's needy and deserving can, and will, be met.

It is perfectly appropriate, however, for the Government to encourage these activities through the tax system. Deductions for charitable contributions have long been a part of the law. Over time, however, fewer and fewer taxpayers have elected to itemize their deductions. Now only 29 percent do so and these individuals are primarily in the upper income brackets. This amendment will extend this deduction to the rest of America's taxpayers. It is consistent with the President's policy of across-the-board tax relief. It is consistent with my policy of protecting the average American taxpayer. It is consistent with the policy of this Chamber to encourage the private sector to step in and provide those services which the Government can no longer afford to offer.

Volunteer organizations involved in social welfare, education, health services, conservation, and the arts will all benefit through this legislation. With this legislation nonprofit community organizations will be able to make up the $27.3 billion shortfall they would otherwise suffer during the next 3 years.

Mr. President, I urge adoption of this amendment.●

● Mr. NICKLES. Mr. President, the charitable contributions amendment offered by my colleague (Mr. PACKWOOD) incorporates a sound approach that will allow charitable organizations to continue as a vital part of our American society.

Congress has increased the standard deduction five times over the last decade. During this same period, the number of individuals itemizing their deductions has decreased by approximately 45 percent. This decline has had a very serious impact on the percentage of personal income that individuals donate to charities and similar organizations. The increased deduction has in fact discouraged contributions by individuals, who traditionally account for nearly 90 percent of charitable giving in this country.

The average contribution to many organizations is often under $50. However, these small yet numerous contributions are vital to sustaining charitable organizations throughout America. This legislation would encourage the small contributor by permitting him the same tax exclusion afforded those who are able to itemize all of their deductions, charitable or otherwise.

Mr. President, the amendment that I am supporting today would permit those taking the standard deduction to also deduct charitable contributions from their gross income to calculate their adjusted gross income.

At a time when we will rely more heavily on private organizations to again take a stronger, leading role in local, State, and nationwide service efforts, this legislation remains a key to their fundraising activities and thus to their survival. The burden on private organizations will continue to grow, and rightly so, as our Government lightens the load currently borne by taxpayers.

Mr. President, passage of this amendment would certainly give Americans an "extra" incentive to make donations to the wide variety of charitable, volunteer, and nonprofit organizations that make such a valuable contribution to our Nation. I therefore am pleased to join in support of this legislation.●

● Mr. BRADLEY. Mr. President, for decades nonprofit organizations have been providing assistance and enrichment to our communities. In the past, these groups have been supported by the Federal Government and by private donations. Individual contributions comprise 90 percent of the private support.

However, the administration's policies have potentially jeopardized the survival of many of the worthy programs of these organizations. The cuts in Federal spending have reduced direct support to charitable organizations that are expected to amount to as much as $27.3 billion over the next few years. The cutbacks in Federal funds and private donations could be catastrophic for the programs run by the nonprofit community.

I feel that the Moynihan-Packwood charitable deductions amendment, of which I am a cosponsor, provides a much needed remedy for this problem. It is also consistent with the administration's policy of giving greater responsibility to the private sector for assisting communities. Most important, this amendment will open up a major new source of fiscal support to nonprofit organizations by

providing a deduction to the great majority of American taxpayers who do not itemize and whose only incentive to contribute to charitable organizations has been sheer altruism.

Finally, it is my belief that the Moynihan-Packwood amendment addresses a longstanding inequity. Donations to organizations that represent an individual's beliefs have traditionally been one means by which that individual can give effective expression to his views. In the past, the individual who itemizes has been able to be partially compensated for his donation, while the person who does not itemize—usually one in the middle- or lower-income bracket—has obtained no tax benefit from his charitable contribution. This amendment is a timely step toward recognizing the worth of all contributions regardless of the income bracket of the donor.●

● Mr. LEVIN. Mr. President, I rise in support of the charitable contributions amendment. This amendment would allow individuals whether or not they itemize to deduct contributions to charitable organizations.

The impact of Federal budget cuts on the work of voluntary organizations concerned with education, health, social welfare, arts, environment, and other activities will be substantial. The cuts in these programs will total more than $128 billion from 1981 to 1984. Private philanthropy and volunteer organizations cannot be expected to cover a significant portion of the cuts. And volunteer organizations will lose approximately $27.3 billion in direct Government aid in the next 4 years under projected budget cuts.

The increased need for more services from independent sector groups, resulting from budget cuts, comes when there has been a substantial decline in charitable contributions. In 1980, contributions to charity dropped by more than $1 billion from the year before. Th's downward trend, evident since 1970, is due to a number of factors. Among them is the growing percentage of taxpayers who do not itemize. With six increases in the standard deduction in the past 9 years, the percentage of taxpayers who do not itemize has increased from 53 to 72 percent. In addition, contributors have cut back their gifts as a means of dealing with inflation.

This amendment will stimulated an estimated $5.7 billion in increased giving to voluntary organizations. In so doing, it will help private philanthropy and charitable organizations meet their unprecedented challenges in the years ahead. It is both needed and long overdue.●

Mr. CHAFEE. Mr. President, the charitable contribution amendment to the Internal Revenue Code is one that is long overdue. Having been a cosponsor of this legislation for more than 2 years, I know how strong the commitment of Senators PACKWOOD and MOYNIHAN has been to our private sector charities, and I share that commitment.

Unfortunately, at a time when private sector agencies are being asked to pick up the slack left by Government budget cuts in many social welfare, education, and arts programs, private giving has been declining in relation to overall economic growth. Part of the reason for this lies with Federal tax policy. A side effect of the move toward tax simplification during the last decade has been that fewer people are itemizing their returns and, therefore, fewer people are entitled to deduct their charitable contributions. In 1970, 48 percent of taxpayers itemized. Today only about 25 percent do.

The biggest decline in giving has been among middle-income groups. In Rhode Island, these are the people that form the bedrock support for such organizations as the United Way, the Red Cross, the Catholic charities, and many others. In our State of less than a million people, the United Way alone funds over 300 separate programs through nearly 150 nonprofit agencies. If we are interfering with the strength and vitality of this private sector effort because of the shape of our tax code then, Mr. President, we should change the code.

That is why I will vote this afternoon for the Packwood-Moynihan charitable deduction amendment. The fact that the Senate Finance Committee last month voted not to include this provision on the President's tax package should not be taken as a rejection of the charitable deduction concept. I was one of 10 members of the committee who voted against it at that time. The reason was simply this: I, and many of my colleagues, had personally promised the President that we would work to report his economic recovery tax package from committee free of unrelated amendments. We fulfilled this obligation. An equally important reason that this amendment should be supported today is that the sponsors have now revised it to fit within the President's budget constraints.

I ask that I be added as a cosponsor of the Packwood-Moynihan amendment to the Economic Recovery Tax Act.

Mr. DOLE. I am prepared to vote. As I understand it, there will be a recorded vote.

Mr. MOYNIHAN. I yield back all time on our side.

The PRESIDING OFFICER. There has been no time limitation.

The question is on agreeing to the amendment of the Senator from Oregon (Mr. PACKWOOD). The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Oregon (Mr. HATFIELD) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Massachusetts (Mr. TSONGAS) is necessarily absent.

The PRESIDING OFFICER (Mr. MATTINGLY). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 97, nays 1, as follows:

[Rollcall Vote No. 203 Leg.]

YEAS—97

Abdnor	Ford	Mitchell
Andrews	Garn	Moynihan
Armstrong	Glenn	Murkowski
Baker	Goldwater	Nickles
Baucus	Gorton	Nunn
Bentsen	Grassley	Packwood
Biden	Hart	Pell
Boren	Hatch	Percy
Boschwitz	Hawkins	Pressler
Bradley	Heflin	Proxmire
Bumpers	Heinz	Pryor
Burdick	Helms	Quayle
Byrd, Harry F., Jr.	Hollings	Randolph
	Huddleston	Riegle
Byrd, Robert C.	Humphrey	Roth
Cannon	Inouye	Rudman
Chafee	Jackson	Sarbanes
Chiles	Jepsen	Sasser
Cochran	Johnston	Schmitt
Cohen	Kassebaum	Simpson
Cranston	Kasten	Specter
D'Amato	Kennedy	Stafford
Danforth	Laxalt	Stennis
DeConcini	Leahy	Stevens
Denton	Levin	Symms
Dixon	Long	Thurmond
Dodd	Lugar	Tower
Dole	Mathias	Wallop
Domenici	Matsunaga	Warner
Durenberger	Mattingly	Weicker
Eagleton	McClure	Williams
East	Melcher	Zorinsky
Exon	Metzenbaum	

NAYS—1

Hayakawa

NOT VOTING—2

Hatfield Tsongas

So Mr. PACKWOOD's amendment (UP No. 246) was agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HAYAKAWA. I find to my dismay that mine was the only vote against the amendment introduced by my colleagues Senator PACKWOOD and Senator MOYNIHAN, gentlemen whom I hold in highest esteem. The vote was 97–1.

The standard deduction was a small but important step in simplifying our income tax returns. No doubt many hundreds of thousands, if not millions, take the standard deduction whether they make charitable contributions or not. Despite such abuse of this provision, I believe that the standard deduction was worth introducing, since it does simplify tax returns, the complexity of which has driven all of us to despair, and most of us to professional assistance in preparing our returns.

The present amendment restores a complexity in our returns which a previous Congress wisely got rid of. I am sorry that a majority of my colleagues have undone a wise action which to a small degree contributed to the simplification of our tax returns—no doubt at considerable cost in tax revenues.

Mr. BAKER. Mr. President, I would like to take this opportunity to thank the distinguished Senators from Oregon (Mr. PACKWOOD) and New York (Mr. MOYNIHAN), for their efforts in procuring an amendment which will enhance and facilitate charitable disbursing in America.

Charitable contributions have been

steadily declining, largely due to existing tax laws. These laws provide favorable tax treatment to only those taxpayers who itemize their deductions; they fail to reward contributions by those who elect the standard deduction, thereby providing no incentives for further donations.

Private and voluntary contributions are essential to the countless organizations and activities that rely on private sector support. I believe that this change in the Tax Code will induce increased support for charitable institutions and personal donations.

Specifically, this amendment provides for the abatement of 25 percent of all deductions in the first 3 years with a $100 limitation for the first 2 years, and increases up to a 100-percent deduction in 1986. At that time, the provision is scheduled to expire.

I am not alone in my praise of this amendment, Mr. President. This body's near unanimous vote today is indicative of the broad support that exists for charitable contributions in America.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. BAKER. Mr. President, I inquire of the distinguished manager of the bill what amendment will be offered next.

Mr. DOLE. The Senator from Alaska (Mr. STEVENS) has an amendment. I am not sure how long it may take. The Senator from Ohio has indicated that it may take some time.

Mr. BAKER. I thank the Senator.

Mr. President, I inquire of the distinguished assistant Republican leader if he has some inclination to accept a time limitation or whether he has an estimate of how long his amendment will take.

Mr. STEVENS. Twenty or thirty minutes to a side will be plenty, so far as I am concerned.

Mr. BAKER. Do I understand correctly that the Senator from Ohio is also interested in this amendment?

Mr. METZENBAUM. I am indeed interested in this amendment, but I am certain that it could not be concluded in any limited amount of time. I would not be agreeable to a time limitation.

I have indicated to the distinguished Senator from Alaska that I am interested in trying to work out some accommodation with him in connection with this matter. I believe it is a very substantive amendment. It has to do with changing the law, not really having to do with the Finance Committee tax bill measure. If we are going to get into it, I believe there will be some extended debate.

Mr. BAKER. I thank the distinguished Senator from Ohio.

Mr. President, it appears that we cannot get a time agreement at this time.

I hope Senators will explore further the possibility of a time limitation or an accommodation.

I yield now, so that the Senator from Alaska may call up his amendment.

UP AMENDMENT NO. 247

(Purpose: To amend the Internal Revenue Code of 1954 by Eliminating The Voting Rights Pass Through Requirement for Closely Held Corporations Participating in Employee Stock Ownership Plans (ESOPs))

Mr. STEVENS. Mr. President, I call up my amendment which is at the desk.

Mr. METZENBAUM. Mr. President, will the Senator from Alaska yield?

Mr. STEVENS. I should like to have the amendment called up, and then I will yield.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Alaska, for himself, Senator DANFORTH, and Senator MURKOWSKI, proposes an unprinted amendment numbered 247.

Mr. STEVENS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

Mr. METZENBAUM. I object.

The PRESIDING OFFICER. Objection is heard.

The legislative clerk read as follows:

On page 225, strike out line 15 and insert in lieu thereof the following:

SEC. 328. PASS THROUGH OF VOTING RIGHTS ON EMPLOYER SECURITIES.

(a) IN GENERAL.—Subsection (a) of section 401 (relating to qualified pension, profit sharing, and stock bonus plans) is amended by striking out paragraph (22) and redesignating paragraph (23) as paragraph (22).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to acquisitions of securities after December 31, 1979.

SEC. 329. EFFECTIVE DATE.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. METZENBAUM. Mr. President, will the Senator yield for a question?

Mr. STEVENS. I yield.

Mr. METZENBAUM. Mr. President, the Senator from Ohio inquires of the Senator from Alaska whether or not he would be disposed to lay aside the amendment until such time that there might be adequate discussion to see whether or not the matter could be worked out.

The Senator from Ohio has strong concerns about the fact that the amendment would take away voting rights of people who already have those voting rights, in connection with the ESOP plans. I would be very happy to try to work out some modified manner in which this problem could be handled to accommodate the Senator from Alaska, rather than take up the time of this body in debating the issue.

Mr. STEVENS. Mr. President, the Senator from Ohio suggested that a private bill might be used instead of an amendment to the tax measure. This is a tax issue. It involves an amendment that was put in the 1978 act which, in the opinion of this Senator, has had a depressive effect upon the use of ESOP's in closely held corporations. I do not seek a private relief bill.

This is not just one corporation. Nor do I have the ability, as the Senator from Ohio is discussing, to define limits on assets or net worth of closely held corporations which might benefit, and I have no way to determine the size of the corporations that are affected or their net worth. I am dealing with a matter of principle. He has a matter of principle, also, and he opposes the amendment.

Mr. President, it is my opinion, as I will explain later, that the impact of the 1978 amendment has been to stifle if not to kill the use of ESOP's. It is killing them in my State. My State has used a great many ESOP's, as the junior Senator from Alaska will explain. In his private capacity, he was involved in ESOP's and knows some of the problems that have occurred.

Our State needs ESOP's and needs this kind of closely held corporate plan in order to prevent our small corporations from literally being swallowed up by the larged corporations that are coming into our State solely because of the estate tax problem on these closely held corporations. I know of at least two that are going to terminate if something is not done to remove this provision from the law.

I believe it is harsh to deny employees the rights they have. The Senator says they are not going to get their vote. There will not even be plans. The plans will be canceled by those who find that although they agreed to the concept of an employee stock ownership plan, they never intended to transfer the control of their closely held corporations during their lifetime or until they retired.

In effect, we have a situation now in which those plans are being canceled. I do not believe that is right. They are a good mechanism in a State such as ours and any place else where there are closely held small corporations that have grown primarily through the work of a key person in the corporation. Those are the people who are objecting to this passthrough provision.

I say to the Senator from Ohio that if he opposes this amendment, he should explain why. If he has a substitute, if he has something he can bring before the Senate for its consideration, I will be happy to see it considered.

I say to the Senator from Ohio that when I asked to schedule this amendment for this measure, I cleared it with him and with his staff, and we received word from him that he had no objection. Then he withdrew that and said he wanted to talk. I have tried to talk, and am perfectly willing to talk with the Senator from Ohio to work out his problem with my amendment. He wants me to work out my amendment with his problem, rather than his problem with my amendment. This is the place to work it out. I will be happy to be reasonable and listen to the Senator from Ohio, and I hope he can explain to the Senate his objections.

If this amendment is not agreed to, I know of at least two groups of employees who will be denied the benefits of their ESOP's. The plans are going to be canceled, and there is no reason for that. It is because of this provision that that was in the act.

Mr. President, this is an amendment to the Internal Revenue Code of 1954 to remedy a problem created by the 1978

revisions. What I propose is to eliminate for closely held corporations only the voting rights passthrough requirement as applied to employee stock ownership plans (ESOP's).

Since passage of the 1978 amendment, which added section 401(a)22 to the code, there has been a precipitous decline in the formation of new ESOP's, for closely held corporations. The massive expansion of ESOP's in the late 1970's has slowed to a small trickle since passage of the 1978 language.

Many employers formed ESOP's prior to the introduction to the voting rights requirement, and they are now considering abandonment of the ESOP's programs. As I said, I know of two in my State in particular. The voting rights requirement creates an enormous administrative burden. Solicitation of employee proxies for ESOP's is an especially onerous paper burden for the small, closely held corporation.

Additional ambiguities have been created by the passage of the 1978 revisions, including possible SEC regulation of ESOP's.

The most onerous effect of the 1978 revision was that it takes away from the small family-owned business the right to control its own enterprise when there is an intent to transfer ownership of that business to the employees. I think this is most unfortunate, because to me there are great virtues in allowing transfer of ownership by small enterprises to the employees who have put their life's work into the enterprise.

Following passage of the Revenue Act of 1978, there was a tremendous outcry by the then-existing ESOP providing corporations. I quote my distinguished colleague, Senator RUSSELL LONG, in his remarks following passage of the 1978 amendment:

> Last year as part of the Revenue Act of 1978 Congress provided for the pass through to plan participants the voting rights in certain situations, closely-held employer's stock held in profit-sharing plans, stock bonus plans, money purchase plans, and employee stock ownership plans (ESOPS).
>
> This is a very ill advised decision. We held no hearings on this question and did not give the business community any opportunity to advise Congress on how they perceived the issue. In fact, only the Treasury Department actually demanded the pass through of these voting rights. This winter I and most other Members of Congress received letters from constituents that all oppose this position to the Revenue Act of 1978. I would estimate that perhaps as many as 300 letters and telegrams have reached me personally.

We have to recognize that however laudable some might feel these requirements to be, they will be meaningless if they cause employers not to adopt, or to terminate, these plans and thereby deprive their employees of the benefits of stock ownership.

Mr. President, the fears that we all felt with the passage of the Revenue Act of 1978 have come to pass. ESOP's for closely held corporations have become a very small part of employee benefit packages. A number of closely held corporations have either stopped or eliminated their ESOP plans, and I feel that this is a great detriment not only to the employees and organizations but also to the public itself. However one may feel about allowing such pass through, the facts must still be recognized: First, that is if the choice is no ESOP or ESOP without voter right pass through—we must elect the latter. It is in that spirit that I offer an amendment today.

And I would be happy to answer any questions any Senator might have concerning the amendment that is offered on behalf of myself, Senator DANFORTH, and Senator MURKOWSKI.

Mr. METZENBAUM. Mr. President, let me first clarify the situation for my friend from Alaska.

I do not know that I ever indicated I had no objection to this amendment. In fact, quite the opposite. I indicated that I do have an objection to the amendment but that I was receptive to attempting to work out a special problem about which the Senator from Alaska spoke to me, and that concerned one particular company in Alaska. Indeed, I still am receptive to attempting to work out that problem.

It is also a fact that I have not suggested, although possibly someone on my staff talked about some special bill, private bill, and I do not intend to suggest that there be a private bill in connection with the subject but that, rather, anything that we might work out would become a part of the tax measure before us today.

The fact is that what we are talking about is an ESOP created by privately held corporations, otherwise known as closely held corporations. What we are talking about has to do with the advantages that the ESOP's have for those who own them, those who create them, and there are, indeed, very substantial tax advantages. In connection with those tax advantages that are being created, this is one of these great big Christmas trees that makes it such a wonderful thing that the employees are getting everything and the employers getting nothing. The fact is it is well thought out, cleverly designed, and I am not challenging the concept, but it is a procedure to enable the corporations to take a very substantial tax deduction and in the process to create an employee stock-ownership plan.

What happened was in 1978 in these closely held corporations a provision was made that the employees would have voting rights.

To oppose an amendment which repeals the so-called voting rights pass-through guarantee that applies to many defined contribution employee benefit plan is to me to do nothing less than what all of us in the Senate should be doing at this moment.

The argument is made that someone might not be willing to go along with creating an ESOP if the employees have some voting rights. The very fact is that when the GAO made a report, a report that had been requested by the distinguished Senator from Louisiana, the former chairman of the Finance Committee, the GAO specifically said in its recommendations to Congress and I believe as a matter of fact it is the first recommendation:

> In line with the recent policy of protecting employees interests and to facilitate the passing of full capital ownership to workers participating in ESOP's, we recommend that the Congress enact legislation to provide that full and unrestricted voting rights be passed to ESOP participants for all employers' stock allocated to their accounts which is not publicly traded.

What we are doing now is doing exactly the opposite. The GAO does a report for the chairman of the Committee on Finance and what we have before us is a proposal to do exactly the opposite of that which the GAO proposed.

Mr. President, in this case what we are talking about is an ESOP plan that was created under an arrangement by which the employer puts aside a predetermined level of benefits into an employee's account. In the case of that benefit being in the form of stock, voting rights pass-through signifies that the employee is able to vote his or her stock on corporate issues on which stock is voted.

What kind of reason can there possibly be for denying the employee who is supposed to be getting that stock or the group of employees, the right to vote the stock?

If the employer does not want to create the ESOP so be it. But the employer cannot have his cake and eat it too.

The legislation that is before us today represents a giant step backward in the areas of employee participation in stockownership programs, shareholder rights, and corporate democracy. The amendment turns back the clock. It erases a progressive, meaningful, and successful feature of ESOP-employee stockownership plans. It would deprive many ESOP's of one of their most attractive characteristics, that the employees would have a right to vote. It would disenfranchise hundreds of thousands of employee stockholders, who would be left holding stock over which they would no longer be able to exercise voting rights.

They have that right now. This amendment would deprive them of that right. Why? Because the Senator from Alaska says that there is a specific problem in connection with one corporation in Alaska, and the Senator from Ohio has responded and said if that be the case that is not a major challenge facing Congress, and I am not prepared to debate this issue at length on that particular detail.

Therefore, I am willing to figure out some legislative language that would attend to that one situation in Alaska, but that is not what this amendment would do.

This amendment would totally undo the voting rights provisions that were given to the employees 3 years ago.

This provision would very likely decrease the value of the employees ESOP shares and would dilute the effectiveness of the entire ESOP program.

Under current law, a tax qualified defined contribution plan is, under certain conditions, required to pass through voting rights on employer securities to plan participants when major corporate decisions are being voted upon.

The vote pass-through requirement is triggered if, first, the employer who established the plan does not have a class of publicly traded stock, second, if the plan acquires employer securities after December 31, 1979, and third, if more than 10 percent of the plans total assets are invested in employer securities.

In other words, under current law, if you are an employee who is a participant in a defined contribution plan, and your plan has more than 10 percent of its assets invested in your companies closely-held nonpublicly traded stock, then the law of the land says you are entitled to a share of the decisionmaking authority when your shares are voted on a major corporate decision, a decision which of course, affects the value of your stock.

The present statute is a valuable and progressive piece of law. It encourages participation in ESOP's, and promotes employee stock ownership as a means of capital formation and improving corporate performance.

But the amendment before us today cuts from the law one of its central and most vital components: voting rights for employees who own the stock. The amendment deprives hundreds of thousand of employee-stockowners of any direct voice whatsoever in the management of their own stock.

If the amendment were to suggest that we remove the voting rights of all stockholders in America, there would undoubtedly be a hue and cry from coast to coast, and the Senate would never seriously consider such a proposal.

I hope that the Senate, today, uses the same good judgment with respect to this proposal to wipe out voting rights for hundreds of thousands of workers who own stock in their company.

I am happy to see that the distinguished former chairman of the Finance Committee is in the Chamber. I just pointed out that in response to his inquiry of the GAO, that the GAO had said in unequivocally clear language in their first recommendation that Congress enact legislation to provide full and unrestricted voting rights be passed to ESOP participants for all employer stock allocated to their account which is not publicly traded.

Although I recognize that the former chairman of the Finance Committee is not actively engaged in the debate in connection with this matter, I wonder, since he has been the leader in connection with the development of ESOP's, since he has been the father of the concept, since it is he who has indeed caused that program to become a reality, and since it is he without whom there would not have been a 1978 law, I wonder whether or not the distinguished former chairman of the Finance Committee and now the ranking minority member of the Finance Committee has a position with respect to the pending amendment which would wipe out the voting rights of all of those employees who are involved in ESOP's of closely-held corporations?

Mr. LONG. Did the Senator ask me a question?

Mr. METZENBAUM. Yes.

Mr. LONG. Let me say that I just came into the Chamber. The Democratic Caucus was discussing another matter, and I would like to consider the Senator's position as well as the amendment before I respond to the question. I am studying a memorandum at the moment.

Mr. METZENBAUM. I thank the Senator from Louisiana.

Mr. STEVENS. Mr. President, let me point out that 81 percent of the ESOP plans that have responded to an inquiry concerning this provision oppose the passthrough requirements. One of the main reasons is that the vote that is required to be passed through may be cast by employees who are no longer even members of the enterprise involved, the closely held corporation, because some employees obviously do not stay long enough for their rights in the plan to mature.

But this amendment requires the voting rights go through to the employees who are involved in the purchase. That places an onerous burden on small corporations. These are closely held corporations. We are talking about family, basically small family, corporations in the small towns of America.

If a corporation is publicly held the law and regulations applicable to those publicly held corporations already require a passthrough because of the different circumstances involved in publicly held stock. But this is closely held stock, and they are designed basically for the situation where, as I remarked, there is a small but very enterprising corporation formed by a family that expands and expands and expands, and they have a massive estate problem coming.

Rather than face a merger with national organizations they have devised an employee stockownership plan. I devised some of them as a practicing attorney some years ago before there was such a thing as ESOP's. We arranged for the employees to purchase the shares of stock and put them in a trust, and the trust provided that upon the death of the principal the employees took over the operation of the closely held corporation or a substantial portion of it, depending upon the amount of stock they purchased.

The opposition of the Senator from Ohio, in my opinion, is based upon the assumption that somehow or other there are hundreds of thousands of employees involved. That is not the case as far as the type of corporation I know of. They may add up all over the country to 100,000 or more, I do not know, but the employees of the small corporations that we deal with are up to 100, maybe 150, 200, at the most. I do not think there could be that many in most of the Alaska operations.

But the gentleman, Mr. Kelso, who devised the whole approach to the employee stock ownership plan, spent a lot of time in Alaska. He consulted with a lot of small businesses there, and they, believing this was a good way to arrange their affairs so that the corporation could survive their death or their retirement, put together these plans. Then after that was done, all those plans were in effect, Congress came along and passed a 1978 amendment which said, "Oh, by the way, the employees must have a pass-through of voting rights."

As a matter of fact, in most instances the vote probably is not by the employees anyway under those plans. The vote is by the trustee until the transfer takes place of control, which is triggered by the retirement or the death of the principal.

I think there is no reason for Congress to inject itself into this type of management. The plans were working, ESOP's were expanding in number all over the country, employees were gaining benefits they never dreamed they would have, and it was all set up as a way to assure local control of local businesses.

Then along came this 1978 amendment and, as I say, the number of new ESOP's has dwindled to a trickle, and I am informed by those operating in my State that they just will not transfer the control of their corporations during their lifetime or during their period of service in the corporation. That is the principle of this.

The question is if you really want to benefit the employees, then take away this provision, which is of detriment to their formation, and will lead to their termination if it is not taken away.

Mr. LONG. Mr. President, will the Senator yield?

Mr. STEVENS. I am happy to yield to my good friend.

Mr. LONG. Mr. President, we are not talking here about the publicly traded corporations. We are not talking about the corporations listed on the New York Stock Exchange. We are talking about closely held corporations. We are talking about situations where an employer, the people who own the stock in a closely held corporation, would like to make their employees stockholders in the corporation. They would like to give a substantial portion of their stock to the employees, and they would like to do it by way of setting up a trust so that by setting up the trust and making the donation for the benefit of all the employees, the employees get the benefit of the earnings and appreciation on that stock.

This Senator did not want to put in the law that that stock would be voted by the employees because to do so would scare a great number, in fact, it may very well scare the overwhelming majority of those who own closely held corporations out of setting up the employee stock ownership trust, and putting the stock in trust for the employees.

I do not know where this particular individual who has been discussed on one occasion came from, but to take an extreme example, take Hallmark Cards. The gentleman who started that corporation came to me and told me he would like to leave all—not 10 percent but all—of his stock to the employees. He said if he could leave it to the employees in a tax-free trust or in an ESOP trust, he would be delighted to do so, and that is what he was going to do if we did not insist that those employees should vote the stock.

That particular man, who had his employees' interest at heart, said he did

not think those people had the business experience to keep that company out in front and bring it the success it ought to have—to provide the management, if you will, that that corporation ought to have to be preeminent in its field the way it is today and, therefore, he was not going to give the stock to his employees if he was required to pass-through voting rights. If he could give it to them so they get all the benefits, so that all the stock goes to the employees, but not the voting rights, he would be glad to give it to them.

Now I happen to believe that over a period of time where employers and employees work together and the employer sets up something for the benefit of his employees it helps them to learn the responsibilities of shareholders and that over a period of time the employees can become some of the best informed stockholders in this country. But most employers are not going to set up employee stockownership plans if that is going to risk the voting control of their company. They are not going to have themselves voted out of control of their own company by setting up an employee stock ownership plan. Nothing has set back the employee stockownership plan movement as much as this requirement that they pass through the voting rights.

Mr. Mondale suggested we have that with regard to the tax-credit-type ESOP, which I fought for, for all companies that set up an employee stock-ownership plan and claim an extra 1-percent tax credit for the benefit of their employees. That had something of a chilling effect. But we are not arguing about that. This amendment does not address that situation.

Mr. President, I have had people come to me time and again saying "If we are going to risk losing control of our company by setting up this employee stock ownership plan, as much as we would like to do it for many other reasons, we are not going to do it for that purpose."

Furthermore, Mr. President, I have had people, even including a Member of the U.S. Senate, say, "I would like to set up an employee stock ownership plan, but I dare not do it because among people in a closely held corporation where the voting stock is fairly well divided, that would set the stage for someone to come in here and organize the employees, vote the stock, decide with one family member against another family member and, in doing so, it could lead to a big knockdown, drag-out fight among the people who are part of a closely held corporation which might not otherwise have occurred."

Rather than have the employee bring about a quarrel between the family members of a corporation, we would just as soon not have any employee stock ownership plan.

So the fact is that, in closely held corporations. the requirement of passing through the voting rights from the trustee to the employee has kept people from setting up the plan.

Therefore, Mr. President, I would submit that the Senator is right in saying that for closely held corporations, if they want to set up employee stock ownership plans for the benefit of employees, they should not be required to pass through voting rights.

Mr. President, I hope the amendment will be agreed to. I think it is a meritorious amendment. I believe that it would move forward the employee stock ownership movement if we did not have the requirement.

There is nothing to prevent employees from negotiating or agreeing or reaching a conclusion, but to require that the voting rights pass through with the stock means that, in most instances, in closely held corporations, they just will not set the plan up.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, it has been suggested that these closely held corporations are just mom and pop corporations and that they do not have that many employees involved. The fact is they have a tremendous number of employees involved.

In 1978, the Federal Government authorized tax qualification status for 850 stock bonus plans covering 1.2 million employees. And that is after the legislation was enacted giving the employees voting rights. In 1979, the Government authorized 574 stock bonus plans, covering an additional 362,200 employees, or a million and a half employees.

Mr. STEVENS. Will the Senator yield?

Mr. METZENBAUM. Not at this point. I would like to finish my thought.

Let us be realistic, Mr. President. We are not talking about mom and pop corporations, nor are we talking about the great generosity of the major corporations that are privately held. What we are talking about are tax exemptions, tax deductions that you cannot get any other way.

If you create an ESOP, you can get a tax deduction by giving up a percentage of your ownership. As a matter of fact, that cost in the year 1979 was somewhere between $1.5 billion and $2.3 billion, according to the GAO report.

The ESOP's are being portrayed as if those who create them do it because they sit around someday and they say: "Wouldn't it be wonderful if our employees could have a little bit of the ownership of our company?" No; they come in because the accountants and lawyers come in and say: "Wouldn't it be wonderful if I showed you a way that you could get a tax deduction on your own personal taxes for hundreds of thousands and maybe millions of dollars by giving up a piece of the ownership."

Let me say, Mr. President, that there is a gimmick that they use a little bit also, because it relates directly to how you value that particular amount of stock.

The stock is valued on the basis of an appraisal. But the GAO report that was done for the Senator from Louisiana talks about the very method of appraisal. The GAO comes out with a very critical assessment. They do not say that this is done on the basis of actual value. Oh, no. What the GAO report says is the following when they are talking about problems identified in closely held companies:

> The company sold or contributed company stock to its plan at questionable prices. These were based on appraisal valuations which lacked independence or did not properly consider relevant factors, such as earnings capacity, book value, comparability with similar companies, and marketability. If the transactions in company stock were for more than fair market value—

Mr. President, may I have order in the Senate?

The PRESIDING OFFICER. May we please have order?

Mr. METZENBAUM. To continue.

> If the transactions in the company stock were for more than fair market value they, one, were prohibited transactions under the Act of 1974 and subject to an excise tax; two, could mislead participants about the value of the plan account; and, three, could increase the amount in which participants would ultimately pay income tax.

Mr. President, what we are really talking about is a special arrangement brilliantly concocted in the mind of the former chairman of the Finance Committee to provide a method by which employers and closely held and publicly held corporations could get tax deductions and, at the same time, make it possible for employees to have a share of the company. I have no quarrel with that. I am not challenging the concept of ESOP.

What I am saying is that with ownership also goes the right to vote. Now, there are some other companies in this country that do not think the people who own the company have a right to vote. They call those mutual insurance companies. Some of them do permit voting, some of them encourage voting, and some of them make it well nigh impossible for the policyholders, who are actually the owners of the company, to have any say in the way the company is operated.

What earthly reason can there be for making it impossible for employees to have a share of an ESOP of a closely held corporation not to have the same voting rights that the employees in a publicly held corporation have?

Sometimes, in publicly held corporations, you have real battles as to who is going to provide the real leadership in the company. Sometimes you have an issue as to whether or not you vote yes or no with respect to a particular offer. You have lots of challenging questions and we give those employees voting rights.

What we are trying to say here this afternoon is that we are not going to give those rights to the people who have stock in a closely held corporation. That is just not right. It is just not logical. It is just not reasonable and it should not be the way that this Senate resolves to act in this matter.

Now, having said that, Mr. President, let me point out one other matter. This amendment, in my opinion, does not belong on this bill. It is true it deals with issues within the purview of the Finance Committee, but this is a substantive question having to do with whether you do or do not have voting rights in an

ESOP of a closely held corporation. That is a matter that ought to come before the Senate in a separate bill.

The Senator from Alaska has said to me, "I have a special problem in Alaska." I have said, "Fine, let us draft an amendment to take care of your special problem in Alaska. Let's see to it that we provide a limit as to what the value may be of those closely held corporations and let's place a limit upon the time when the denial of voting rights would continue to exist."

If there is an aged person who is 75 or 80—or 65 or 50, whatever the age may be—and he wants to protect his leadership rights in this closely held corporation and it is, indeed, a small corporation, I am perfectly willing to look at an amendment that might provide some protection or at least some tranquility for that individual. But that is not what we are talking about.

We are talking about all of these corporations, a million-and-a-half employees, and we are talking about denying those employees the rights which they presently have.

Mr. President, my feeling is that this tax bill does enough to the workers of this country, is inequitable enough to them without adding another feature to it to deny them the right to vote in the ESOP in which they already have voting rights.

I would say to my friend from Alaska, as I understand it, the ESOP about which he is speaking is not as yet formed and, as I understand it, his amendment would be retroactive and take away the voting rights of those who already have them. That, in and of itself, in my opinion, is entirely questionable. But my feeling is the entire thrust is wrong and should not become the law.

As a matter of fact, today's New York Times has an article about this matter, not this amendment but this matter. The article says, in part:

> The Reagan Administration, in general, backs the idea. "Voting rights are a predictable and salutary trend that is likely to accelerate" where new ESOP's are installed, said John McClaughry, a White House tax and labor adviser. He termed greater employee involvement in company management "an exciting new vista for American industry."

Now, the assistant majority leader is in the Chamber, one of the most able spokespersons for the Reagan administration. As I see it, the position that he has taken with respect to this amendment is entirely contrary to the approach of the Reagan administration itself.

Mr. STEVENS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alaska.

Mr. STEVENS. Mr. President, I wish the Senator from Ohio would look at the facts. The facts are that he has quoted some statistics dealing with all employee stock ownership plans and their employees. We are dealing with closely held corporations only.

Now, the loss from closely held corporations, the tax cost is not what he outlined, nor is the problem what he outlined.

The problem is this: If there is a passthrough provision and the corporation is closely held, the time is going to come when, because of passing through those voting rights, it will no longer be closely held.

Once you get—I forget what the minimum is; in Alaska, in terms of an Alaska corporation itself, it is very small. I do not know how he understands the law in his State, but I know the law in my State. I do not know what the total impact of this is in terms of the Federal law on what is closely held, but in Alaska, it is not many people.

This is a problem in terms of closely held corporations, Mr. President. That is why they are closely held. They are family enterprises. The people who organize these employee stock ownership plans view their employees as part of the family. Their rights are protected by the trustee under the plan. There is not a pass-through to individuals.

As I have said, every time you have a corporate meeting in my State, you have to have a sign-off from the stockholders having voting rights. Yet many of them, these transient employees who might have pass-through rights under this amendment, are gone.

Mr. President, this is the kind of burden that is not just voting once a year, it is the whole administration of a small corporation. Anyone here who has had anything to do with small corporations knows you have to have meetings, you have to sign waivers of the meetings, those people who have voting rights have to execute those, you have to approve the minutes—there are all sorts of ministerial details to keeping a small corporation going. The problem in this is the minutia of the paperwork burden that are added to these small corporations in addition to the primary thing, which is losing control over the corporation of the key person running it.

I wish the Senator from Ohio would concentrate on the problem—that is, closely-held small corporations and their plans. We are not dealing with the details that he read from the front of the Comptroller General's statistics dealing with all of the tax impact on all the plans associated with employee stock ownership plans. We are just dealing with the closely-held corporations.

Mr. METZENBAUM. Will the Senator yield for a question?

Mr. STEVENS. In just a minute. I shall treat the Senator the same way he treated me: When I finish, I shall yield.

Mr. President, we have to deal with the problem on the basis of what we know in our areas. Senator DANFORTH is prepared to talk about it in his area, Senator MURKOWSKI and I on our area. I know employee stock ownership plans have been beneficial to the State of Alaska in terms of preserving local ownership of growing enterprises as the primary motivator of that corporation was either ready to retire or thinking about preparing for the contingency of his own passing away.

This, to me, Mr. President, is a vital thing to us in trying to preserve local ownership of these dynamic, growing, small entities. The Senator from Ohio is thinking about the people who did it for the purpose of tax benefit. I do not quarrel with a tax benefit, but I know of no one I have talked to in Alaska who formed an employee stock ownership plan because of the tax benefit. They did it because of the management problems and the estate problems associated with the operation of the company.

Mr. President, I hope we can talk only about closely held small corporations and their ESOP's, because that is all this is. It is nowhere like the tax impact that was mentioned by the Senator from Ohio.

I yield to the Senator from Missouri.

Mr. DANFORTH. Mr. President, I commend the Senator from Alaska. As a matter of fact, this amendment is something that we have been trying to get done since 1979, since the Revenue Act of 1978, when we—I think mistakenly and without any hearings—put this passthrough requirement in the law. It almost immediately turned out to be a matter that backfired.

It seems to me that it is especially appropriate in connection with this particular tax bill to take the matter up, because the point of this tax bill is to try to increase the productive capacity of this country. If there is anything that is related to increasing our productivity, Mr. President, it is the effort to make it possible for people who work for corporations to have a stake in the profitability of those corporations, to view themselves as something more than just employees, but owners as well. That is the theory that Senator LONG has been following in his championing of ESOP's: Let us give the employees a piece of the action.

Now, Mr. President, it does happen, and I think that it is beyond refutation, that the pass-through requirement has been a deterrent to the creation and the maintenance of ESOP's. I should like to read some excerpts from a couple of letters, Mr. President. The first is a letter that I received in November of 1979 from Sheldon I. London, legislative counsel of the ESOP Association of America. Mr. London says, in part:

> This letter is written on behalf of the ESOP Association of America, a nonprofit trade association comprised of 350 ESOP companies employing 230,000. Our Association is committed to the promotion and expansion of employee stock ownership, and it is because of these objectives that we are keenly interested in your Amendment which would delete Section 401(a)(22) of the Internal Revenue Code. That provision established voting rights pass-through on major corporate issues (e.g., mergers, acquisitions, consolidations) for shareholders in ESOP's operated by closely-held companies after 1979.
>
> Section 401(a)(22) is considered by our membership as the single greatest threat to the continued viability and growth of the employee stock ownership concept.
>
> To illustrate, one of our ESOP members who lives in a rural area of the United States is threatened by a merger of his small, privately-owned newspaper with a large newspaper chain. The owner is an independent businessman who enjoys his editorial freedom. Should the question of selling the newspaper to a giant corporate chain be in

the hands of his reporters and pressmen? He insists, furthermore, that if the pass-through provision had been required when his ESOP was created, there would not have been an ESOP. That is precisely the point we are trying to make: By requiring the pass-through in closely-held companies, the Congress will be inhibiting the creation of more ESOPs and some of those now in effect might be terminated.

Then, Mr. President, a letter that I received, again in 1979, from Joseph A. Dee, the chairman of the board and president of Brooks Cameras, Inc., San Francisco, Calif. Mr. Dee writes:

As Chairman of the Board and President of Brooks Cameras, Inc., a closely-held ESOP company, I am deeply concerned about pass-through of voting rights, which was a provision of the Revenue Act of 1978. If the law is not changed we must reconsider our company's plans for continued operation of the ESOP. If the voting requirement had been in the law when we established our ESOP we very well may have decided against ESOP as an employee benefit program.

Mr. President, I do not see anything to be gained by placing into the law and keeping in the law something which is a deterrent to employees having a piece of the action in closely held corporations. As a matter of fact, I think that giving employees a piece of the action is very worthwhile to increasing our productivity as a country and increasing the sense of participation of the people in their work. That seems to me to be the American dream. So often, we get away from it, these days. But to give people a sense that they have a stake in their employment, a stake beyond just picking up a paycheck, is a matter of recognizing the dignity of the individuals involved.

Mr. President, what is to be obtained by the passthrough? Well, under the situation without a passthrough, the provisions of ERISA would govern and the trustee of the profit-sharing plan would be obligated, and I quote from the law, "to discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants."

That is the legal responsibility of the trustee, Mr. President. The legal responsibility of the trustee of the plan is so to vote the stock of whatever stock he holds as to serve the exclusive benefit of the participants of the plan.

The reason that the employers of the closely held corporations do not want the passthrough requirement has nothing to do with any nefarious scheme on their part. They are closely held corporations and they simply do not want to be troubled with the extensive amount of paperwork, accountants' fees, lawyer fees, and so on necessary to comply with the conditions of the Securities and Exchange Commission. It seems to me, Mr. President, that in a closely held corporation, where the employer is considering a profit-sharing plan or an ESOP plan, the last thing we want to do to him is say, "And, by the way, if you decide to set up such a plan, let me tell you of the number of forms you have to fill out and the amount of paper you have to fill out and the number of accountants you have to hire and the number of lawyers you have to hire. And, by the way, if you do not comply with the technicalities of the law in every respect, then the penalties of the law will be imposed upon you. Then you can expect the lawyers of the Federal Government to come after you for sure."

Mr. President, I do not believe that the interests of the employees of America or the small businesses of America, the closely held businesses of America, are served by delivering unto them large quantities of paper. I do not believe that the cause of productivity in a growing economy is served by placing into the law disincentives to profit-sharing plans and to ESOP plans.

For that reason, I believe that the Senator from Alaska has provided a real service by offering this amendment, and I am pleased to be a cosponsor of it.

(Mrs. HAWKINS assumed the chair.)

Mr. METZENBAUM. Madam President, will the Senator from Missouri yield for a question?

Mr. DANFORTH. I yield the floor.

Mr. METZENBAUM. Will the Senator yield for a question?

Mr. DANFORTH. Of course.

Mr. METZENBAUM. Is the Senator on the Finance Committee?

Mr. DANFORTH. Yes, I am.

Mr. METZENBAUM. Was this matter heard before the Finance Committee?

Mr. DANFORTH. It has been, yes. This went through the Finance Committee in 1979, by a unanimous vote.

Mr. METZENBAUM. Why is it not in this tax measure now, and why did it have to come up to the floor as a floor amendment?

Mr. DANFORTH. Frankly, I wish I had thought of it. I think that is a fair question to the Senator from Alaska. It was simply inadvertence on my part for not thinking of it.

Senator LONG and I have been working on this matter virtually since it was first put into the law. As I recall, it was agreed to. It was dealt with by the Finance Committee in 1979 and, as I recall, this provision was agreed to unanimously by the members of the Finance Committee.

So it is a matter that has been considered by us and has been a matter of some discussion in the Finance Committee.

Mr. METZENBAUM. Is it a fact that it was opposed during the Carter administration, by the Carter administration?

Mr. DANFORTH. I do not know that.

Mr. METZENBAUM. Is it a fact that the Reagan administration, according to the New York Times today, would also be opposed to it, apparently, since they indicate that they believe in more voting rights, not less?

Mr. DANFORTH. I do not know. I have never talked to anybody from the Treasury Department in this administration on the question of passthrough or profit-sharing plans.

However, I find it inconceivable that the position of the administration would be in favor of a continuation of section 401(a)22. It may be that for strategic reasons or otherwise—and I do not know this for a fact—it may be that the administration, for reasons of strategy in this measure, wants things kept off it. It is common knowledge that the administration does.

However, on the merits of section 401(a)22, it seems to me that it would be totally contrary to the thought of this administration that they would want something such as this in the law.

Mr. METZENBAUM. Does the Senator from Missouri think that the quotation of Mr. John McClaughry, a White House tax and labor adviser, as set forth——

Mr. DANFORTH. I have never heard of this man.

Mr. METZENBAUM. May I finish?

Mr. DANFORTH. I say to the Senator from Ohio that in every markup in the Finance Committee measure and in all the meetings we have had on tax legislation, the Treasury Department has been represented, and we know very well the cast of characters from the administration. They are always there.

Mr. Chapoton, the Assistant Secretary of the Treasury, and his associates have been there. I have never heard of this gentleman. What is his name?

Mr. METZENBAUM. Is it not a fact that if it were not in the joint resolution, there would be nothing for the administration to address itself to? The quotation in the New York Times is as follows:

The Reagan administration, in general, likes the idea. "Voting rights are a predictable and salutary trend that is likely to accelerate" where new ESOP's are installed, said John McClaughry, a White House tax and labor adviser.

I say to the Senator from Missouri that he asked me who the man is. I am not an intimate at the White House. I leave that for the Senator from Missouri to find out.

Mr. DANFORTH. I do not know who Mr. McClaughry is. There are five members of the Finance Committee in the Chamber. We deal with tax matters all the time. Perhaps somebody else can enlighten me as to who this administration spokesman is. I find it impossible to believe that the administration supports this paperwork burden on small business.

Mr. DOLE. I have heard the name. I have never met him. I guess he is down there someplace.

Mr. METZENBAUM. I did not hear the Senator.

Mr. DOLE. I have heard the name, but I have never met him. He is quoted occasionally, so I suppose he is down there.

Mr. LONG. Madam President——

Mr. METZENBAUM. Madam President, I thought I had the floor. I yield to the Senator from Louisiana.

Mr. LONG. Madam President, I know the gentleman about whom the Senator is talking. I have met him, and I believe he is a very fine fellow. I have never discussed this matter with him, but I know that he is in favor of employee stock ownership, and that gives us something in common. Because I am very much in favor of employee stock ownership, I am for the amendment.

I know there are some people in the White House who are in favor of employee stock ownership, and that is why they are said to be in favor of the amendment.

As to the Treasury opposition, the last I heard from the previous administration came from Mr. Donald Lubick, Assistant Secretary for Tax Policy, whom I liked very much. On that particular point, I think he is in error.

Madam President, if I have a small business corporation and I am thinking about setting up a plan for my employees and I look at all the complexities and all the troubles that may be involved in it, it may be that the straw that breaks the camel's back in making me decide not to have an employee stock ownership plan would be that I would have to pass through the voting rights from the trustee to the employees and become involved in a great deal of complexity and controversy which otherwise would be none of my problem.

Sitting beside me is Mr. Jeff Gates, a member of our minority staff, who has worked as a lawyer before he came here and did a great deal of work on employee stock ownership plans. It was his experience that people would come to him as a lawyer, because of his experience in this area, and consider setting up an employee stock ownership plan for the benefit of their employees, either in their wills or by donation while they are living.

In discussing it, his impression was that whenever the question came up, the question was asked: "Do we have to pass through the voting rights if we put in this stock for the employees?" If the answer was, "Yes, you do," the result in about 80 percent of the cases was that they were no longer interested in setting up an employee stock ownership plan.

The Senator mentioned in his speech that since this provision became law—requiring this passthrough of voting rights of the trustee to the employees—about a million employees had benefited by employee stock ownership. That should have been 5 million. Five times more should have benefited by that.

I say more praise to those highly motivated people who want their employees to own stock and are willing to take a chance. But of those who are highly motivated with respect to employee participation, there are some—I assume about 20 percent—who will set up the plan despite the fact that they would be required to passthrough the vote. Look at what this means in some respects.

Here is a letter from Mr. Richard E. Swan of Oklahoma. He says:

> The voting pass-through requirement of this Act will assure that the ESOP will never get over 49% of the stock in similar closely-held corporations. Before this Act, we set out on a program which would allow our employees to own up to 80% of the stock in the corporation.

Here is an employer who would have been happy to have his employees own 80 percent of it, but he is not going to do it because he fears that by losing voting control of his corporation, the corporation might fail.

Here is a letter from Mr. Joseph A. Dee, president of the ESOP Association of America. Here is a man interested in organizing employee stock ownership plans. He is all for it, heart and soul, and is dedicated to it. He also makes it his life work. He says:

> It is the position of The ESOP Association of America that voting pass-through in closely-held ESOP companies be optional on the part of the principal owners rather than mandated by Government.

Let us understand: We do not seek to say that the employers cannot provide voting rights in the employee stock ownership plan if they wish to. We do not seek to say that they should not negotiate about it with labor. We say only that it should be optional. That is a position taken by those involved in this business, seeking to organize employee stock ownership plans for employees.

I hope the Senator from Ohio is for employee stock ownership plans. I assume he is, and I hope he is.

The Senator from Ohio quoted a GAO study which he said had some serious criticism of employee stock ownership plans. In the IRS and in the Department of Labor, in my judgment, the people handling the employee stock ownership plans are unfair and unduly critical of this program. They seem to think for some reason that if they can keep employees from owning stock in the company, they have somehow served their purpose.

In other words, if a person makes a donation for the benefit of employees, that company is more likely to be audited by the IRS than if it makes a donation to charity, and that is not right.

The problem the Senator from Ohio has raised about a challenge to the value of the donation is exactly the same problem that exists when one makes a donation to charity. If he is making a valuation too high, then he is claiming too much as a donation, and the same problem exists when he makes contributions of nonpublicly valued stock for the benefit of employees.

My information is that in the Department of Labor and in the IRS, special scrutiny is given to any donation for the benefit of those employees.

Mr. METZENBAUM. If the Senator will yield, without losing his right to the floor, I did not question the matter of appraisal. The Senator from Louisiana requested, on August 16, 1978, and on July 3, 1979, the GAO to make a study. All I did was quote from the study that was made for the Senator from Louisiana by the GAO, and it was dated June 20, 1980. It was not I who questioned it. It was a study made at the instance of the Senator from Louisiana.

Mr. LONG. There are many things in that study that were favorable to employee stock ownership plans. What the Senator from Ohio picked out was what they said was the most critical problem involved in employee stock ownership plans.

All I am saying is that there is a well-known problem about the valuation of gifts which are deductible. The same problem exists with regard to charitable donations; it also exists with regard to any gift made for the benefit of the Government, or made for the benefit of the arts, or made for the benefit of charity, or made for the benefit of employees, or made for the benefit of anybody—if it is deductible, the same problem exists on anything.

To single out a gift made for the benefits of the employees for special scrutiny in my judgment is unfair. If the valuation is excessive it should be challenged in any case, but it should not be held out to special scrutiny just because it happened to be held for the benefit of employees.

As I say, Madam President, I wish to see employee stock ownership spread as widely as it can be spread. I wish to see every company include the employees among their shareholders. I wish to see every employee a capitalist. I wish to see him own something.

This is one of the first impediments of him owning something. I did not raise it in the committee, but I have raised it on other occasions.

Madam President, I am convinced the amendment is a meritorious one and I wish the opportunity to vote for it. I would appreciate it very much if the Senator will permit us to have a vote on this amendment because I think it is right and I think it is in the public interest.

Mr. MURKOWSKI. Madam President, will the Senator yield?

Mr. LONG. I yield.

Mr. METZENBAUM. Madam President, I do not object to the Senator from Alaska being recognized, but I do wish to point out that the Senator from Ohio was on the floor and that the Senator from Louisiana is in no position to yield the floor to another Member. I do not object to the Senator from Alaska being recognized.

Mr. MURKOWSKI. Madam President, the Senator from Alaska thanks the Senator from Ohio.

I wish to point out that, in my opinion, certainly there is nothing more difficult in the United States today than managing a small business. I think the failures in small business point that out.

The employee stock ownership plan, or ESOP, was specifically designed to aid and assist small businesses in this country, but when the law was changed to provide the pass through of voting rights the lifestyle, so to speak, of the ESOP was dramatically changed. The change meant that the control of the closely-held corporation was placed in jeopardy, making it difficult to obtain financing. Those financing small business look to the continuity of management and ownership of the small business as a criterion for financing. This continuity has been placed in jeopardy as a consequence of the transfer of the voting rights.

We are looking at a current situation where the ESOP, because of the change in the law, has become ineffective as a tool to assist and aid small business.

I personally had the privilege of working with ESOP's in my State, and the principal objection of the ESOP has been to keep and maintain key personnel and reward them with an equity interest in the business. In many cases, these key personnel would probably leave for higher paying jobs in other areas, or for other reasons were it not for the incentive provided by the ESOP.

I should also wish to point out that an ESOP is not a tax dodge. It is a meth-

od by which to take advantage of a law of Congress for the benefit of the employees who wish to take an equity interest in the business.

I think if we reflect for a moment on how the Internal Revenue Service occasionally establishes value for small businesses, we would find that it is anything but fair. In many cases, value is based on one single offer or on what one share might bring in the market. But the value of a small business as determined by the IRS does not necessarily reflect what a large segment of shares would sell for at any one time.

I think, also, we must consider the significant difference between the passthrough concept in a major corporation and that of a small business depending on the ESOP for its very future. This future is placed in jeopardy as a consequence of the passthrough privilege.

I can assure the Senator having had considerable experience in the financial community, that when control of a small corporation is in jeopardy, its ability to raise capital is impaired.

So in conclusion, Madam President, I urge adoption of the amendment on behalf, if you will, of the small business men and women of our country.

Mr. METZENBAUM. Madam President, I have heard a lot of arguments made. I guess the best ones I have heard today are those that somehow this is going to increase productivity. Reduce taxes, balance the budget, cut the budget, take food out of kids' mouths. Everything increases productivity around the Senate these days.

There is not anything in the amendment that increases productivity. If we want to increase productivity, let the employees know what they are voting on, let them know what they own in the company, do not hide the fact from them.

What we are really saying is we are afraid the employee might want to look at the books. Is that a terrible thing, when the employee takes a look at the books?

Then I heard the other new argument. The other thing that we use around here these days is called the paperwork smear—too much paperwork. What kind of paperwork is there to let some employees have voting rights? What kind of paperwork is that? I do not find any paperwork involved in the employees having the right to vote and letting them know what the facts are so that they may actually vote.

But, no, we are told there is too much Government regulation, too much paperwork, and too many forms. That is just a figment of the imagination. That is just a kind of a concept that we use around here these days because no one likes paperwork, no one likes Government regulation, and no one likes filling out forms.

But this whole idea that if we somehow deny the workers the right to vote, we are going to be doing something great for the country is beyond my comprehension.

If that is the case, why do we not deny them the right to vote in connection with the publicly held corporations? But no one is proposing that.

And then the argument is being made that these closely held corporations are like neighborhood grocery stores or neighborhood gasoline stations or they are just little mom and pop operations. But the fact is what we are talking about, as I understand the definition, are not the 25 people that the Senator from Alaska talks about, but it is a question of not being a publicly held corporation and, according to the way I am informed, under those circumstances, it becomes a closely-held corporation.

The Senator from Missouri says it is time that we give the employees an opportunity to have a piece of the action, that they should have a stake in the company. The Senator from Ohio is not opposed to that. That is what this debate is all about, that I think they should have a piece of the action and it should be a full-fledged piece. It should not be a half of a piece. If they have 5 percent of the company they should have 5 percent of the voting rights, and if they have 2 percent, so be it.

Then a new argument is made, "Oh, Senator, you are doing something to keep the employees from having a right to own the company." Why am I doing that? Because certain employers wrote certain other Senators a letter, said they do not want employees to have any voting rights.

But again I refer to the GAO report, which was requested by the Senator who conceived this entire program, and what does that report say? It says there should be more voting rights, not less voting rights.

Instead of that we are trying to go backward and we are trying to say no voting rights, no voting rights, take them away from those who have the voting rights.

Did they do some harm by exercising those voting rights? Is there a scintilla of evidence that any harm was done by employees having voting rights? No. But some special employers are saying, "If you do that I am not going to let my employees have an ESOP."

We are not going to let them have a tax deduction if they do not let their employees have an ESOP, although by the time we get done with the tax bill the ESOP issue may be behind us because it may no longer be important to have a tax deduction since there will not be too many people left required to pay taxes if they are in high enough brackets under this administration's program.

Madam President, there have been no hearings on this bill. The hearings that were held were held back in the previous administration. It is a different committee now. It is a far more enlightened committee. It is a committee far more concerned about employees. They might very well have come up with a totally different concept.

I look over the members of the Finance Committee and they might have come up with a totally different result.

But there have been no meetings. There have been no hearings.

How many companies would be affected by this amendment? There is some one company that says they are concerned about it in Alaska, some one company in Missouri, and a couple of companies that have written in letters.

What about all the employees? Who asked them? Should they not have had an opportunity to come before the committee and say, "We are opposed to this. You gave us voting rights. Now you are taking away from us those voting rights"? Why do we need this amendment on this floor at this time?

The majority party has control of the Finance Committee. They have control of the agenda of the Senate and they have the right to bring a bill to the floor after persons have had an opportunity to be heard both pro and con.

The last time there were hearings held this is what the administration said:

> We oppose the proposal in H.R. 2492 to repeal section 401(a)(22). We believe the disclosure of relevant financial information, together with the pass-through of voting rights in the limited situations described, is an essential element in making the plan's investment in closely-held employer securities meaningful.

As I already have pointed out, the administration has been quoted to the same effect in the New York Times today.

Will this provision affect all closely-held corporations regardless of their size, if they are multibillion dollar companies? Of course, it will.

I believe if we are going to be fair, if we are going to be reasonable, if we are going to be objective on this subject, then we ought not to accept the Stevens amendment.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. METZENBAUM. I object.

The PRESIDING OFFICER. Objection is heard. The clerk will continue with the call of the roll.

The assistant legislative clerk continued with the call of the roll.

Mr. BAKER. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. METZENBAUM. I object.

The PRESIDING OFFICER. The objection is heard.

The legislative clerk continued the calling of the roll, and the following Senators entered the Chamber and answered to their names.

[Quorum Call No. 9 Leg.]

Baker	Dole	Murkowski
Boren	Hawkins	Pell
Byrd, Harry F., Jr.	Levin	Stennis
	Long	Stevens
Byrd, Robert C.	Matsunaga	Warner
Danforth	Metzenbaum	

The PRESIDING OFFICER. A quorum is not present.

Mr. BAKER. Madam President, I move that the Sergeant at Arms be instructed to request the attendance of the absent Senators and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Tennessee. The yeas and nays have been ordered, and the clerk will call the roll.

Mr. STEVENS. I announce that the Senator from Oregon (Mr. HATFIELD) and the Senator from Pennsylvania (Mr. SPECTER) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Massachusetts (Mr. TSONGAS) is necessarily absent.

The PRESIDING OFFICER (Mr. MURKOWSKI). Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 92, nays 5, as follows:

[Rollcall Vote No. 204 Leg.]

YEAS—92

Abdnor	East	McClure
Andrews	Evon	Melcher
Armstrong	Ford	Metzenbaum
Baker	Glenn	Mitchell
Baucus	Gorton	Moynihan
Bentsen	Grassley	Murkowski
Biden	Hart	Nickles
Boren	Hatch	Nunn
Boschwitz	Hawkins	Packwood
Bradley	Hayakawa	Pell
Bumpers	Heflin	Percy
Burdick	Heinz	Pressler
Byrd, Harry F., Jr.	Helms	Pryor
	Hollings	Randolph
Byrd, Robert C.	Huddleston	Riegle
Cannon	Humphrey	Roth
Chafee	Inouye	Rudman
Chiles	Jackson	Sarbanes
Cochran	Jepsen	Sasser
Cohen	Johnston	Schmitt
Cranston	Kassebaum	Simpson
D'Amato	Kasten	Stafford
Danforth	Kennedy	Stennis
DeConcini	Laxalt	Stevens
Denton	Leahy	Symms
Dixon	Levin	Thurmond
Dodd	Long	Tower
Dole	Lugar	Wallop
Domenici	Mathias	Warner
Durenberger	Matsunaga	Williams
Eagleton	Mattingly	Zorinsky

NAYS—5

Garn	Proxmire	Weicker
Goldwater	Quayle	

NOT VOTING—3

Hatfield	Specter	Tsongas

So the motion was agreed to.

The PRESIDING OFFICER. With the addition of Senators voting who did not answer the quorum call, a quorum is now present.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, if I may have the attention of the Senate for a moment——

The PRESIDING OFFICER. The Senate will come to order. Senators will please leave the well and return to their seats.

The majority leader is recognized.

Mr. BAKER. Mr. President, earlier today, I announced that the Senate would be in session until about 7 o'clock this evening. It appears that there is some possibility, at least, that I shall have to change my mind and ask the Senate to agree to stay later.

There is an amendment pending now by the Senator from Alaska on which apparently there is considerable controversy and on which there already has been a great deal of debate.

Mr. President, at this point, it is absolutely essential that we move these amendments on this measure on a reasonable and prompt basis.

I do not intend to ask the Senate to lay aside this amendment in order to proceed to another but, rather, to continue with it as long as it is necessary to resolve this issue.

I have not spoken for or against the amendment, and I will not do so now. But I do urge that if we have any expectation of finishing this measure, we simply cannot get bogged down on amendments such as this.

So I inquire now of the author of the amendment and the principal opponent of the amendment whether or not it is possible to dispose of this amendment in a reasonably short time. Otherwise, it will be necessary for me to change my prediction as to the time the Senate will conclude its business this evening.

Mr. METZENBAUM. Mr. President, I have just advised the majority leader that I am prepared to let this matter go to a vote very shortly, because I just want the Members of the Senate to know what is involved, and then go ahead and vote on it.

If the majority leader has no objection to my doing so, I should like to proceed at this moment to discuss this amendment, and at the conclusion of my remarks, if the Senator from Alaska wishes to refute or rebut my arguments, assuming that I have no counter rebuttal to him—although I might have, and it would not be at length—I would be willing to let the matter go to a vote.

Mr. BAKER. I thank the Senator from Ohio. I believe that would improve our chances of going out of session at a reasonable time.

I inquire of the Senator from Ohio and the Senator from Alaska if they are willing at this point to agree to a 30-minute time limitation, equally divided.

Mr. METZENBAUM. I have no objection.

Mr. BAKER. I make that request, Mr. President, and that the control of the time be in the usual form, which would mean that the author of the amendment has control of half of it and the Senator from Ohio would have control of the other half, under the circumstances.

Mr. METZENBAUM. That is agreeable, if it is agreeable to the minority leader.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BAKER. Mr. President, I thank all Senators, and I especially thank the Senator from Ohio.

Having reached this agreement, I believe it is likely, barring other unforeseen complications, that we will still be able to attain our recess time of approximately 7 p.m.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. ROBERT C. BYRD. I also express my appreciation to the distinguished Senator from Ohio (Mr. METZENBAUM), for the reasonableness with which he has agreed to this request.

Mr. METZENBAUM. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. METZENBAUM. Mr. President, I yield myself such time as is necessary.

Mr. BOSCHWITZ. Mr. President, I ask the Senator from Ohio how long he intends to speak. If it will be a half hour——

Mr. METZENBAUM. I have only 15 minutes under my control, and I do not intend to speak for more than 5 or 6 minutes.

Mr. BOSCHWITZ. Then, I will wait. [Laughter.]

Mr. METZENBAUM. Mr. President, if I may have the attention of the Senate, I tell Senators that this is a very elementary amendment.

This amendment has to do with ESOP's, employee stock ownership plans. It has to do only with a limited number of ESOP's, those which are in closely held corporations; and, for all practical purposes, that can be defined as those that are not publicly held companies.

This amendment provides that those employees who participate in ESOP's at the present time will be denied any voting rights. They have those voting rights now, and this amendment would reverse the clock and take away from them the voting rights they presently have.

The argument is made that if you do not do that, employers will not want to go into the plans.

It should be pointed out that the position of the Senator from Ohio is in accord with the position of the administration, according to the New York Times story of today, which indicated:

> The Reagan Administration, in general, backs the idea. "Voting rights are a predictable and salutary trend that is likely to accelerate" where new ESOPs are installed, said John McClaughry, a White House tax and labor adviser. He termed greater employee involvement in company management "an exciting new vista for American industry."

This would do violence to that very concept. This would also violate the very concept, the very construction, the very suggestion, the very direction that the GAO has given.

Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. The Senator from Ohio is correct. The Senate is not in order. The Senate will please be in order.

Mr. METZENBAUM. The very concept of ESOP's came about by reason of the direction of the distinguished ranking minority member of the Senate Finance Committee, RUSSELL LONG. Back on August 16, 1978, and again on July 3, 1979, he requested the GAO to discuss certain aspects of ESOP's, and the first recommendation the GAO made was to this very point. They said:

> In line with ERISA policy of protecting employees' interests and to facilitate the passing of full capital ownership to workers participating in ESOPs, we recommend that the Congress enact legislation to provide that full and unrestricted voting rights be passed to ESOP participants for all employee stock allocated to their accounts which is not publicly traded.

What we are doing is exactly turning around. We are doing it upside down. Instead of doing that which the GAO recommended to the ranking minority member of the Finance Committee and to the entire Finance Committee, we are denying the employees the right to vote. There is no logic to it. There is no reason to it. It is unfair. It is unreasonable. It is a denial of rights employees presently have. Therefore, I believe this amendment does not make good sense.

Mr. President, I reserve the remainder of my time, and at this time I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. STEVENS. Mr. President, if anyone else wishes to comment on this matter, I will yield.

Let me state, as succinctly as I can, that I have offered this amendment to remedy a problem created by the 1978 revisions of the Internal Revenue Code. The amendment eliminates for closely-held corporations only the voting rights passthrough requirement as applied to employee stock ownership plans.

In our State, there are several such plans—many of them. The problem with the passthrough is that it requires the key person of a closely held family corporation to transfer control to an employee stock ownership plan prematurely. This came about as a result of the 1978 act. The plans were agreed to by the employees and the employer. They were set up by them, and they have a vital function. But the amendment of 1978 required the passthrough of the stock rights prematurely, contrary to many of the plans.

We seek to eliminate the amendment that required that passthrough prematurely, in order to preserve the plans, because the employers have indicated that they will cancel the plans if that requirement remains in the law.

Most of these plans are formed by the employees and the employer. The employees pay into a trust fund. The trust fund acquires the stock, or you can have a situation where the employees enter into an agreement with the employer to buy the stock, and the agreement is taken to a bank, and the plan is financed, and the stock is transferred to the employee as the employer pays off the loan over a period of time.

Under the agreement, the time for the transfer is normally the retirement of the key person or his death. But these people who have formed these small corporations want to assist their employees to take the corporations over when the key person is no longer part of the business. They have found that the Government has required them to transfer the voting rights prior to their leaving the corporation, and they have refused to operate under those circumstances.

By eliminating this provision we will restore the viability to the ESOP for closely held corporations. The record shows that since the 1978 amendment they have gone downhill. There are fewer and fewer of them. They are not viable, and the only way to make them viable is to let them operate in accordance with the agreement that was entered into in each instance and not mandate a passthrough requirement by the corporation.

I yield to the Senator from Louisiana whatever time he wishes.

Mr. LONG. Mr. President, I appreciate the sincerity of the Senator from Ohio in this matter, but I hope he equally appreciates ours.

Mr. President, here is a letter from an employer in Oklahoma, Swan Air Conditioning Co. This is typical of the problem. This man states that if this passthrough requirement must be forced upon him his employees would never have more than 49 percent of the stock in his company. The significant thing is that this employer was planning to put 80 percent of his stock in the hands of his employees by way of that ESOP trust, but he simply does not feel that those employees have better managerial judgment than he has. So he says he is unwilling for them to have 80 percent of the stock, and that is rather typical of the problem.

Sitting beside me here is Mr. Jeff Gates, who advised many people on setting up employee stock ownership plans and encouraged them to do it as a private lawyer. In many cases, he tells me, whenever they ask the question, "Do we have to pass through voting rights to the employees if we set up the plan either as part of our estate planning or as a gift when we are alive?"—when he has to tell them that the voting rights must be vested in those employees, at that point, for fear that the employees might not know how to manage the corporation, 80 percent of them will say, "No, if that is how it is, forget about it, we are not going to set up the employee stock ownership plan."

Here is the letter from Joseph A. Dee, the president of the Employee Stock Ownership Association of America, advocating that we not require this passthrough of voting rights. He says in their newsletter that they have taken a survey of their members and of their member companies that have employee stock ownership plans, 83 percent of them object to passing through the voting rights, only 16 percent favor it.

Up to 18 months ago this problem did not exist, so the problem has only existed for 18 months, and it is the biggest single impediment to getting the employer to set up these employee stock ownership plans.

This man Hall who owns the Hallmark cards came and advised me, and he said he wants to leave all of his stock to his employees in his will and he will do it. One condition is if we are going to require the voting rights passthrough, he is not going to do it because he does not think they have the management skill to keep that company out front and competitive, and his son indicates a similar intention to do the same thing for the employees in his turn.

Until such time as employers feel that they can confidently rely upon employees to have as much business and managerial judgment as the employer, all we are doing when we require the pass through of voting rights is just to give employers a strong incentive not to set up employee stock ownership plans.

I am for employee stock ownership plans. I wish to persuade every employer that he need not worry about it. But, Mr. President, that is not how they feel about it.

I think that we should keep in mind that it is important that the employees own stock, it is important that they own a piece of the action and they are going to own five times as much of it if we do not require the passthrough of voting rights.

I hope that the Senate will realize if they want the employees to own stock in these companies we should make it easy for the employers to set up employee stock ownership plans, not difficult. We should go along with them and rely upon their judgment.

Keep in mind that with this amendment passthrough voting is entirely discretionary. Employers may put the voting rights either with the employees or with the plan trustees, depending upon the best judgment of the employer. I am satisfied that the Stevens amendment means a vast expansion of employee stock ownership, and I hope it will be agreed to.

Mr. DANFORTH. Mr. President, will the Senator yield a minute?

Mr. STEVENS. I yield a minute to the Senator from Missouri.

Mr. DANFORTH. Mr. President, first of all, if the passthrough is not in effect the stock would be voted by the trustee of the profit-sharing plan and that trustee would be subject to the rules of ERISA; he would have a fiduciary duty to vote the best interests of the employees.

Second, this provision with the passthrough provision was mistakenly put in the Revenue Act of 1978. The following year, 1979, the Finance Committee unanimously voted to take out the passthrough provision.

So this amendment would have the strong support on both sides of the membership of the Finance Committee, all but four members of which today were on the Finance Committee back in 1979.

There is no doubt at all that this provision has been a disincentive to the creation of profit-sharing plans and employee stock ownership plans.

So I hope the amendment is agreed to.

Mr. METZENBAUM. Mr. President, how much time remains on this side?

The PRESIDING OFFICER. Ten minutes and fifty-six seconds.

Mr. METZENBAUM. And on the other side?

The PRESIDING OFFICER. Six minutes and fifty seconds.

Mr. METZENBAUM. Mr. President, it has been suggested that because the employees have voting rights somehow or other there has been a diminution of those companies that have developed ESOP's.

The fact is the year that this was put into effect, during that year, the Federal Government authorized 850 stock bonus plans covering 1.2 million employees and in 1979 the Government authorized 574 stock bonus plans covering an additional

362,000 employees. I do not have the figures for 1980.

I should point out that not all of those employees work in closed corporations, but the fact is as to the publicly held corporations in every single one of them those ESOP's must have voting rights.

So all the Senator is trying to do is to carve out a group and say they will not have voting rights.

Tell me this: What makes it better to permit the employees and assume they use better judgment when they have voting rights in a publicly held corporation where their vote may be determinative as to who is in a takeover position or who takes over the company, or what makes them better able to vote in connection with a battle for the board of directors, a slate on one side or the other, or what makes them better able in a publicly held corporation to be able to see the figures and to have the responsibility than it does with respect to a privately held corporation?

I heard the distinguished Senator from Louisiana read the letter that one man would not go into it. We do not make laws around here for one man or one company or two companies. It is interesting that every time we have some issue of this kind there is always one person who has a little mom and pop operation and we have to legislate for them.

In this instance, let us legislate for those employees who presently have votin rights. They presently have voting rights and if we adopt the Stevens amendment we will be taking those voting rights away from them, and that is what the issue is all about.

The PRESIDING OFFICER. Who yields time?

Mr. LEVIN. Mr. President. I wonder if the Senator from Alaska will yield me 1 minute to ask a question?

Mr. STEVENS. I yield.

Mr. LEVIN. Mr. President, as I understand the position of the Senator from Alaska it is that this amendment will allow existing agreements which do not provide for passthrough to take effect.

The Senator from Ohio informed us that this will remove existing voting rights that employees have.

Is it the intention of the amendment of the Senator from Alaska to take away voting rights which exist under agreements which are now in force? Will this be retroactive to agreements now in force and purport to remove from employees voting rights which they now have under existing agreements?

Mr. STEVENS. The answer is that the voting rights will be determined by the agreement that the stock was acquired under and not by the 1978 law at all. I cannot answer specifically the Senator from Michigan because it depends on each agreement. I can tell him this: In connection with the one I talked with the employer in my State just stopped participating in the plan in 1978. He has not transferred any stock since that time because he would not consent to the passthrough provision.

I am informed that the ESOP Association advised him to await the outcome. This was for the tax law in 1979. It was dropped out somewhere. It was naturally voted out by the Finance Committee. They thought it was going to come through in 1979. It did not.

This is the next time we address the tax law and have an opportunity to deal with it.

Mr. LEVIN. If the Senator will yield for 1 additional minute for a question, I am one sympathetic to his position. I think it is a mistake to require passthrough in the closely-held corporations. I am troubled by the possible implication that existing agreements which do provide for the passthrough as a result of that law or otherwise would now be vitiated by the act of this Senate. I do not think we could remove existing voting rights, but I wish to know whether or not it is the intention of this amendment to eliminate existing rights in existing agreements?

Mr. STEVENS. It is the intention of this amendment to have voting rights be determined by the individual agreements, and I agree I do not think we can legislate away their voting rights.

I say this: The ones I am familiar with would have had to modify their agreements to meet the requirements in the 1978 law. They have not done so. I do not think there have been stock transfers. Maybe the Senator from Louisiana knows a better answer to this than I, but the stock has not been transferred by these ESOP's awaiting some action to eliminate this requirement.

I might point out to my friend from Michigan, he is familiar with SEC provisions dealing with proxies, for instance. You have to register those proxies. They do not have to register them for a small corporation, but they would with this passthrough provision.

The paperwork is such on small corporations that they just have not complied with it and the record shows ESOP's have dropped all over the country. They are going downhill. The employees are being denied the benefits of ESOP because of this provision.

You have to notify those having rights to vote of a meeting; you have to give them proxy opportunities, you have to register the proxy opportunity. You have to comply with so many things that they just said, "We won't do it."

The primary reason they will not do it is because they felt during their lifetime they had set up an agreement whereby they had maintained control. If they transferred that stock in most instances they would have lost control, and they will not do that. So I do not think the ones that—maybe my distinguished colleague who is in the Chair—he cannot respond—but the ones I am familiar with have not transferred the stock.

I do not think we can legislate away voting rights that have been transferred pursuant to the 1978 law. This just goes back and says that those that have been acquired since that 1978 law are not required to have those voting rights any more.

Mr. LEVIN. I thank the Senator.

Mr. METZENBAUM. Mr. President, I would like to respond further to the Senator from Michigan, if I may have the attention of the Senator from Michigan, because I want you to understand that indeed it will occur just as I said it would. It will deny the rights to employees who presently have the rights, and that comes about by reason of the fact that the language of the amendment is that the amendment made by this section shall apply to acquisitions of securities after December 31, 1979.

So it does have a retroactive effect, and what we are talking about is an amendment in 1978 that specifically provided that the employees had the rights. What this does is to now reverse the trend and say they will not have the rights, retroactively.

Mr. LEVIN. Mr. President, will my friend from Ohio yield for a question? If there were no retroactivity implied in this amendment, would the Senator still be opposed to this amendment?

Mr. METZENBAUM. I would be opposed to the amendment prospectively but not nearly as strongly as I am at the moment.

The PRESIDING OFFICER (Mr. MURKOWSKI). Who yields time?

Mr. STEVENS. I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, there is no intention to upset any vested rights, and so far as I am concerned, if that is a problem, in conference I would be happy to see to it that any agreements made because of existing law would remain in effect. I think the sponsor of the amendment would intend for it to be that way. So that is no problem.

Mr. DOLE. May I also say that is the understanding of the Senator from Kansas which he has as a conferee.

Mr. LONG. I thank the Senator.

Let me say further, as far as these large companies are concerned, it may have prevented some of them from setting up plans because their employees, under the employee stock ownership tax credit, would have voting rights, but that is a small percentage of the stock.

In many instances what we are talking about in these closely-held corporations involves situations where the employer would put in 20 percent, 40 percent, maybe even 50 percent of the stock for the employees into the trust fund. Those are the kinds of situations where the employer simply is not going to do it if he is afraid that he is going to prevent the company from having wise management decisions.

If we do not respect the views of the employers in that respect, we are simply denying employees all across the Nation stock and the opportunity to participate in all the profits which otherwise the employers would be happy to provide them with.

Mr. STEVENS. Mr. President, do I have any time remaining?

The PRESIDING OFFICER. One minute and four seconds.

SEVERAL SENATORS. Vote. Vote.

Mr. METZENBAUM. Mr. President, I found rather interesting the colloquy which just occurred between the Senator from Kansas and the Senator from Louisiana and the Senator from Alaska

about being certain that this amendment would not be retroactive in its impact.

I am wondering, if that is the case, whether or not the proponents of the amendment would be prepared to accept by unanimous consent an amendment that would specifically spell that out rather than worry about taking it to the conference committee? Does the Senator——

Mr. STEVENS. Mr. President, I will use my time when the Senator has finished.

Mr. METZENBAUM. I beg pardon?

Mr. STEVENS. I will use my time when the Senator has finished.

Mr. METZENBAUM. I am asking the question on my time.

Mr. STEVENS. On the Senator's time, it is this Senator's intention that the voting rights would be determined by the agreement. But if there are voting rights that are vested because of the 1978 amendments that have been transferred and vested, then it was my understanding that the Senator from Kansas and the Senator from Louisiana would work that out in conference to see that that is protected.

I know of no such stock which has been so transferred, so I would prefer not to put it at this time in this amendment.

Mr. METZENBAUM. I did not think so. I thank the Senator from Alaska.

Mr. STEVENS. Mr. President, the way to protect the employee stock rights, the voting rights, is to assure that they will get that stock. Without this amendment these plans will be canceled. With this amendment the plans will continue. They were a growing, viable way to increase employee stock ownership in the enterprises in which they had been working.

I yield back the remainder of my time.

Mr. METZENBAUM. Mr. President, let us not kid ourselves about these plans being canceled so capriciously because when they cancel the plans, as I understand it, they have already taken a very substantial tax deduction.

I would guess under the law they would then have to pay a new tax for canceling the plan because I cannot believe you can take a tax deduction and create a plan and then in the same way go forward and cancel the plan. That is just illogical. Although I have not checked the specifics of the law, I have no doubt I am right in my representation to the Senate.

Mr. President, I yield back the remainder of my time, and I am prepared to vote.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Alaska. The yeas and nays have been ordered, and the clerk will please call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announced that the Senator from Oregon (Mr. HATFIELD), and the Senator from Pennsylvania (Mr. SPECTER), are necessarily absent.

I further announced that, if present and voting, the Senator from Oregon (Mr. HATFIELD), would vote "aye."

Mr. CRANSTON. I announce that the Senator from Massachusetts (Mr. TSONGAS), is necessarily absent.

The PRESIDING OFFICER (Mr. PACKWOOD). Are there other Senators in the Chamber wishing to vote?

The result was announced—yeas 94, nays 3, as follows:

[Rollcall Vote No. 205 Leg.]

YEAS—94

Abdnor	Exon	Melcher
Andrews	Ford	Mitchell
Armstrong	Garn	Moynihan
Baker	Glenn	Murkowski
Baucus	Goldwater	Nickles
Bentsen	Gorton	Nunn
Biden	Grassley	Packwood
Boren	Hatch	Pell
Boschwitz	Hawkins	Percy
Bradley	Hayakawa	Pressler
Bumpers	Heflin	Pryor
Burdick	Heinz	Quayle
Byrd, Harry F., Jr.	Helms	Randolph
	Hollings	Riegle
Byrd, Robert C.	Huddleston	Roth
Cannon	Humphrey	Rudman
Chafee	Inouye	Sarbanes
Chiles	Jackson	Sasser
Cochran	Jepsen	Schmitt
Cohen	Johnston	Simpson
Cranston	Kassebaum	Stafford
D'Amato	Kasten	Stennis
Danforth	Kennedy	Stevens
DeConcini	Laxalt	Symms
Denton	Leahy	Thurmond
Dixon	Levin	Tower
Dodd	Long	Wallop
Dole	Lugar	Warner
Domenici	Mathias	Weicker
Durenberger	Matsunaga	Williams
Eagleton	Mattingly	Zorinsky
East	McClure	

NAYS—3

Hart	Metzenbaum	Proxmire

NOT VOTING—3

Hatfield	Specter	Tsongas

So Mr. STEVENS' amendment (UP No. 247) was agreed to.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. DOLE. Mr. President, may we have order in the Chamber?

The PRESIDING OFFICER. Will the Senator withhold until we have order in the Chamber? May we have the well cleared?

The Senator from New Jersey.

SECTION 221—RESEARCH AND DEVELOPMENT

Mr. BRADLEY. Mr. President, I would like to engage in a colloquy with the chairman of the Finance Committee concerning the interpretation of section 221 of the bill, which deals with research and development.

The chairman is no doubt aware that New Jersey is proud to count among its businesses many pharmaceutical and chemical companies. To obtain the best and safest products for U.S. markets, these companies undertake many activities ranging from clinical studies for pharmaceutical companies to largescale field studies for agricultural companies. The costs of these studies are deductible under section 174 of the Internal Revenue Code.

May we all assume that these expenditures for these activities would constitute research and experimentation costs within the meaning of section 221 of the bill as well?

Mr. DOLE. The Senator from New Jersey is correct. It is the intent of the committee to include within the provision of section 221 research and experimental expenditures incurred in clinical testing and studies of pharmaceuticals and experimental field studies for agricultural chemicals that are currently deductible under section 174 of the Internal Revenue Code subject, of course, to the specific exclusions in the bill, such as research conducted outside the United States, and additional requirements of the bill, such as the stricter trade or business requirement.

I might add that the provision is set forth on page 127 of the bill.

Mr. BRADLEY. Mr. President, I thank the chairman very much for his explanation.

The PRESIDING OFFICER. The Senator from Kansas.

UP AMENDMENT NO. 248

(Purpose: Reducing the rate of cost recovery on 15-year real property other than low-income rental housing)

Mr. DOLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) proposes an unprinted amendment numbered 248.

Mr. DOLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 47, line 9, strike out "167(b)(2)" and insert in lieu thereof "167(j)(1)(A)".

On page 47, between lines 22 and 23, insert the following:

"(C) SPECIAL RULE FOR LOW-INCOME HOUSING.—In the case of 16-year real property which is low-income rental housing (within the meaning of section 167(k)(3)(B)), subparagraph (A)(ii) shall be applied by substituting 'section 167(b)(2)' for 'section 167(j)(1)(B)'."

On page 113, line 25, strike out the end quotation marks and the end period.

On page 113, after line 25, insert the following:

"(5) ADJUSTMENT TO BASIS.—For purposes of this subtitle, if a credit is allowed under this section for any qualified rehabilitation expenditure in connection with a qualified rehabilitated building other than a certified historic structure, the increase in basis of such property which would (but for this paragraph) result from such expenditure shall be reduced by twice the amount of the credit so allowed.".

On page 116, between lines 2 and 3, insert the following:

"(e) CONFORMING AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended—

(1) by striking out "and" at the end of paragraph (22),

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof ", and", and

(3) by adding at the end thereof the following new paragraph:

"(24) to the extent provided in section 48 (g) (5), in the case of expenditures with respect to which a 15 per centum tax credit has been allowed under section 38.".

Mr. DOLE. Mr. President, after adopting the Packwood-Moynihan amendment on charitable deductions the Weicker-Durenberger-Nunn amendment on small business, as well as several other amendments, which all but one in this body we are now over the administration's revenue loss estimates for the tax cut by about $1.6 billion in fiscal 1983 and by about $1.1 billion in fiscal 1984.

In order to bring the bill somewhat back to balance, I am offering at this time an amendment which will reduce the revenue loss already included in the Finance Committee bill.

Under present law, Mr. President, new commercial real estate may be depreciated at declining balance rates up to 150 percent of straight line. New residential real property may be depreciated at rates up to 200 percent. Used commercial real estate may be depreciated at straight line rates and used residential real estate may be depreciated at rates up to 125 percent of straightline. Under the committee's bill, all real property except theme parks may be written off over a 15-year period at rates based on a 200-percent declining balance method with a switch to the sum-of-the-year's digits method. The only difference between commercial and residential real property is in the recapture rates. Generally, residential real property will face less recaptured gain as ordinary income on disposition. The only special benefit for low-income housing is the phaseout of recapture of gain after 100 months.

This amendment would base the real property recovery rate on a 150-percent declining balance method over a 15-year period except for low-income housing which will retain a 200-percent rate.

The revenue pickup of my amendment, including allowing only a 150-percent declining balance for all real property other than low-income housing, which would remain at 200 percent, would be in fiscal year 1981, about $100 million; fiscal year 1982 about $800 million; in 1983, $1.2 billion; fiscal year 1984; $1.7 billion; 1985, $2 billion; and in 1986, $2.4 billion.

In support of this first portion of the amendment, Mr. President, I think there is a need to restrict the rate of real property cost recovery. The bill's real estate capital recovery provisions are very rich and I think that is a view shared by many Members of both the Senate and the House. In fact, this same action was taken by the House Ways and Means Committee last week. As it stands, the bill's real estate provisions would encourage the real estate tax shelter industry. Because of the combination of rapid writeoffs and the limited recapture for residential real estate, there will be much churning of real estate and little long-term ownership—with corresponding adverse effects on the quality of our housing stock.

Reducing real property depreciation rates to approximate a 150-percent declining balance rate will bring the reduction in depreciation rates for real property more in line with that for personal property.

The amendment will restore the special treatment of low-income housing and restore the incentive for its construction.

Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

UP AMENDMENT NO. 249

(Purpose: To reduce the rate of cost recovery on 15-year real property other than low-income rental housing and to require a reduction in basis for certain property eligible for the rehabilitation investment credit)

Mr. DOLE. Mr. President, I now offer an amendment which I ask to have immediately considered as a substitute.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) proposes an unprinted amendment numbered 249.

Mr. DOLE. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 47, line 9, strike out "167(b) (2)" and insert in lieu thereof "167(j) (1) (B)".

On page 47, between lines 22 and 23, insert the following:

"(C) SPECIAL RULE FOR LOW-INCOME HOUSING.—In the case of 15-year real property which is low-income rental housing (within the meaning of section 167(k) (3) (B)), subparagraph (A) (ii) shall be applied by substituting 'section 167(b) (2)' for 'section 167 (j) (1) (B)'.

On page 113, line 25, strike out the end quotation marks and the end period.

On page 113, after line 25, insert the following:

"(5) ADJUSTMENT TO BASIS.—For purposes of this subtitle, if a credit is allowed under this section for any qualified rehabilitation expenditure in connection with a qualified rehabilitated building other than a certified historic structure, the increase in basis of such property which would (but for this paragraph) result from such expenditure shall be reduced by the amount of the credit so allowed.".

On page 116, between lines 2 and 3, insert the following:

(e) CONFORMING AMENDMENT.—Subsection (a) of section 1016 (relating to adjustments to basis) is amended—

(1) by striking out "and" at the end of paragraph (22),

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof ", and ", and

(3) by adding at the end thereof the following new paragraph:

"(24) to the extent provided in section 48 (g) (5), in the case of expenditures with respect to which a credit has been allowed under section 38.".

Mr. DOLE. Mr. President, in addition to the change in the recovery rate for structures, we provide in the Finance Committee bill a substantial new tax incentive for the rehabilitation of older buildings.

Under the bill, a 15-percent investment credit is provided for the rehabilitation of buildings which are at least 30 years old. A 20-percent credit is allowed for a building at least 40 years old and a 25-percent credit is allowed for the rehabilitation of a certified historic structure.

These incentives are undoubtedly justified in today's economy, although there was some dispute above that in the committee deliberations. It is not good policy to provide tax incentives which may encourage businesses to abandon older buildings and relocate to different parts of the country. There must be a balancing incentive to rehabilitate existing, older structures.

Similarly, we must protect our architectural heritage. Too many cities and towns have witnessed the demolition of significant buildings because it was cheaper, after tax, to build a new structure on the same spot.

PROBLEM WITH COMMITTEE PROVISION

However, it troubles this Senator that the three-tier system provided in the bill does not provide a sufficient distinction between historical structures and other older buildings. We must recognize the simple fact that it costs more to renovate a historical structure than to renovate other buildings. First, there is the cost of certification itself and, second, there are the often very large additional expenses connected with a quality rehabilitation. We must provide a mechanism to recognize these simple realities.

In addition, this incentive may very well be more than what is necessary for rehabilitation of older buildings. We must not overlook the fact that the ACRS provisions in the bill provide a major tax incentive for rehabilitation of structures. All structures will be written off over 15 years. This is less than half the period applicable in many cases under present law. Combined with accelerated methods of cost recovery over this shortened period, we have a large incentive indeed.

Mr. President, put simply this amendment will reduce the cost eligible for recovery deductions under ACRS by the amount allowed as a credit for rehabilitation expenditures other than those relating to rehabilitation of a certified historic structure.

Let me give an example why I think this should be done. It is not a big saving item, but it is something that I think should be done.

Let us assume, for example, that rehabilitation expenditures amounted to $10,000 and the credit allowed was $2,000, that is, 20 percent of $10,000. Recovery deductions would be allowed only with respect to $8,000 of rehabilitation costs.

EFFECT OF AMENDMENT

The effect of this amendment is to deny recovery deductions to the extent the taxpayer is reimbursed for his cost

in the form of a tax credit. I believe this provision makes sense, Mr. President. It was recommended by the Finance Committee staff, the staff of the Joint Tax Committee, and by others who are trying to find some way to make certain that what we do is not bad tax policy.

Mr. President, I suggest that this amendment would deny a taxpayer's deducting an amount that is not in fact a cost to him.

This amendment will make sure that rehabilitation of buildings will take place where it is truly economically justified. But renovation will not take place solely to obtain tax benefits.

Even more importantly, this amendment will provide sufficient distinction between historic structures and other older buildings to encourage people to preserve historically significant structures without adding to the revenue loss of this bill.

Mr. President, the revenue pickup of requiring a basis adjustment on the last amendment I just offered for properties other than historic structures that receive the rehabilitation credit would be, in fiscal year 1982, $34 million; fiscal year 1983, $80 million; fiscal year 1984, $86 million; fiscal year 1985, $87 million; fiscal year 1986, $90 million. Therefore, the total revenue pickup of the combined amendments is about $100 million in fiscal year 1981; $800 million in fiscal year 1982; $1.3 billion in fiscal year 1984; $1.8 billion in fiscal year 1984; $2.1 billion in fiscal year 1985.

Mr. President, I think that will help offset some of the revenue loss from other amendments we have adopted. I say for the record that with these provisions cutting back on all but low-income housing to 150 percent, plus the basis adjustment on the rehabilitation credit, we are under in 1981 by $100 million; in 1982, about $1.7 billion; in 1983, still over by about $0.3 billion; and in 1984, under by $0.7 billion. We are still a little short in 1983.

Mr. MATSUNAGA. Will the distinguished chairman of the committee yield?

Mr. DOLE. I yield to the Senator from Hawaii.

Mr. MATSUNAGA. It is my understanding that what the chairman is proposing is already included as a provision in the Ways and Means Committee bill. Am I correct in my assumption?

Mr. DOLE. That is correct. Mr. President, the committee took that action, I think, sometime last week. They have not yet made the basis adjustment, but on the most significant proposal of my amendment, cutting back on all but low income to 150 percent, that has been done by the Ways and Means Committee.

Mr. MATSUNAGA. I thank the Chair.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

Mr. DOMENICI. Mr. President, I should like to ask a question of the distinguished Senator from Kansas.

Do I correctly understand that if his amendment is agreed to, he will have picked up sufficient revenues for 1981 and 1982 to come in under the estimated cost of the original Finance Committee measure?

Mr. DOLE. That is correct. We will have the figures in just a second on 1983 and 1984. We may have to find a couple of other areas.

There are a number of outstanding amendments floating around the Chamber. We would like to accommodate some of those. If all the Senators who voted for the charitable deduction will now vote to get us back in the black, we will be in business again.

This is a responsible way to proceed. I say to the distinguished chairman of the Budget Committee that before we finish work on this measure, we will have what we call a fiscal responsibility amendment which will indicate to the Senate, whether we do it on the floor or in conference, that we will come back within the administration's number before we finish.

Mr. DOMENICI. I thank the Senator.

The PRESIDING OFFICER. The Senator from Kansas still has the floor.

Mr. DOLE. I yield to the Senator from Connecticut.

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. The yeas and nays have not been ordered on the pending amendment.

The PRESIDING OFFICER. Not on the second amendment.

Mr. DOLE. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas (Mr. DOLE), UP No. 249. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Oregon (Mr. HATFIELD) and the Senator from Pennsylvania (Mr. SPECTER) are necessarily absent.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD) would vote "yea."

Mr. CRANSTON. I announce that the Senator from Massachusetts (Mr. TSONGAS) and the Senator from New Jersey (Mr. WILLIAMS) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 56, nays 40, as follows:

[Rollcall Vote No. 206 Leg.]

YEAS—56

Abdnor	Glenn	Melcher
Andrews	Goldwater	Murkowski
Armstrong	Gorton	Nickles
Baker	Hawkins	Nunn
Boren	Hayakawa	Packwood
Bradley	Heflin	Percy
Cannon	Helms	Pryor
Chafee	Huddleston	Quayle
Chiles	Humphrey	Rudman
Cochran	Inouye	Schmitt
Cohen	Jepsen	Simpson
Cranston	Johnston	Stafford
Danforth	Kasten	Stennis
Denton	Kennedy	Stevens
Dodd	Laxalt	Thurmond
Dole	Long	Tower
Domenici	Mathias	Wallop
East	Matsunaga	Warner
Exon	Mattingly	

NAYS—40

Baucus	Ford	Mitchell
Bentsen	Garn	Moynihan
Biden	Grassley	Pell
Boschwitz	Hart	Pressler
Bumpers	Hatch	Proxmire
Burdick	Heinz	Randolph
Byrd, Harry F., Jr.	Hollings	Riegle
	Jackson	Roth
Byrd, Robert C.	Kassebaum	Sarbanes
D'Amato	Leahy	Sasser
DeConcini	Levin	Symms
Dixon	Lugar	Weicker
Durenberger	McClure	Zorinsky
Eagleton	Metzenbaum	

NOT VOTING—4

Hatfield	Tsongas	Williams
Specter		

So Mr. DOLE's amendment (UP No. 249) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. STEVENS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, I ask unanimous consent that the yeas and nays on the pending amendment be vitiated.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The question is on agreeing to the amendment, as amended. (Putting the question.)

The amendment (UP No. 248), as amended, was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment, as amended, was agreed to.

Mr. STEVENS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, there will be no further votes tonight.

UP AMENDMENT NO. 250

(Subsequently numbered amendment No. 503.)

(Purpose: To restore the minimum benefit for persons already on the benefit rolls prior to December 1981)

Mr. RIEGLE. Mr. President, I have an amendment that I send to the desk. I want to say this will be an amendment to reestablish the minimum benefit on social security. I would like to ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Has the Senator sent his amendment to the desk?

Mr. RIEGLE. It is on its way.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment numbered 250.

Mr. RIEGLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place, add the following new section:

SEC. —. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"SEC. 234. (a) Subsection (b) shall apply to any individual who was entitled to benefits under this title for any month after December 1930 and prior to December 1981 and whose benefits under this title are reduced by reason of amendments made by a public law enacted at any time in 1981 to section 215(a)(1)(C) and to other sections of this Act related to the minimum social security benefit.

"(b) In any month in which an individual receives a reduced benefit as described in subsection (a), such individual shall be entitled to receive an additional payment under this section equal in amount to the difference between the benefit to which he would have been entitled under this title if the amendments described in such subsection had not been enacted and the benefit to which he is entitled without regard to this subsection.

"(c) The benefits payable to any individual under the preceding subsection shall be payable from the same trust fund from which his reduced benefit described in subsection (a) is payable."

Mr. RIEGLE. This is an amendment that would restore the minimum benefit on social security for those people who are entitled to receive it through the end of this year, and I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan has the floor.

Mr. STEVENS. Mr. President, will the Senator yield?

Mr. RIEGLE. Not at this point. I will in just a minute.

UP AMENDMENT NO. 251

Mr. RIEGLE. Mr. President, I send a perfecting amendment to the desk and ask that it be reported.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment numbered 251.

Mr. RIEGLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In lieu of the language proposed to be inserted insert the following:

SEC. —. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"SEC. 234. (a) Subsection (b) shall apply to any individual who was entitled to benefits under this title for any month after December 1980 and prior to January 1982 and whose benefits under this title are reduced by reason of amendments made by a public law enacted at any time in 1981 to section 215(a)(1)(C) and to other sections of this Act related to the minimum social security benefit.

"(b) In any month in which an individual receives a reduced benefit as described in subsection (a), such individual shall be entitled to receive an additional payment under this section equal in amount to the difference between the benefit to which he would have been entitled under this title if the amendments described in such subsection had not been enacted and the benefit to which he is entitled without regard to this subsection.

"(c) The benefits payable to any individual under the preceding subsection shall be payable from the same trust fund from which his reduced benefit described in subsection (a) is payable."

Mr. RIEGLE. Mr. President, in light of the comments earlier of the distinguished majority whip, I will just speak very briefly about the amendment that I have offered tonight.

It concerns the issue of restoring and maintaining the minimum benefit on social security for those persons who currently receive it under the law, and who would continue to receive it or would be entitled to receive it through the end of this calendar year. It would not provide the minimum benefit in the future to new persons who otherwise, under existing law, would be entitled to receive it.

So, in effect, it would maintain the minimum benefits for those persons who now receive it and those persons who become entitled to receive it between now and the end of the year. It would not extend that benefit to new persons becoming entitled after the first of the year.

I hope that tomorrow we could have a discussion on this. We have previously discussed this issue on the floor. I know there is a lot of sentiment to maintain the minimum benefit on social security because, as the story has gotten out and we have seen who is to be damaged—3 million elderly persons across the country, half of them below the poverty line, 75 percent of those, elderly women, and a number of them in their late eighties and nineties. In fact, over 80,000 of them are above the age of 90—many of them will have to be forced onto welfare unless an effort is made to maintain the minimum benefit.

I know there has been a concern mounting on both sides of the aisle. Most of the Members on this side have previously voted on other occasions to maintain the minimum benefits. I think this is a good time and a good opportunity, on a tax bill of this sort, for Members of both sides to have an opportunity to consider supporting this and maintaining it, so that we can deal with the tremendous degree of apprehension, fear, and pending hardship that faces the millions of elderly people across the country who are presently eligible for the minimum benefit.

I might say that this is the minimum benefit on social security. This is the lowest rung on the social security ladder. It is the person who, in a sense, is most vulnerable in most instances to economic circumstances that they face in their own lives.

I would hope that when we vote on this that a majority in the Senate would decide that the time has come to put the Senate on record as maintaining this particular minimum benefit.

As I say, I would probably not be inclined to say more tonight, but hope that tomorrow morning we can take up the issue.

Mr. KENNEDY. Mr. President, I strongly support the Riegle amendment because we ought to reverse the decision made in the reconciliation bill to eliminate the minimum benefit.

Ever since debate began on this issue, OMB and the Senate majority have argued that the elimination of the minimum benefit for 3 million people really is not going to hurt anybody.

First, we were told over a million people would really receive more because of their spouses earning record. Then we were told that most of the remaining 2 million would be eligible for SSI. Then the Finance Committee added a provision to allow those between ages 60 to 64 to qualify for SSI.

But every day we learn that these assurances are not worth the paper they are written on.

We already know from recent news articles that 15,000 elderly nuns and other members of religious orders will be thrown off the rolls.

Nobody knows how many will have their checks delayed or lost after their benefits are recalculated. No one knows how many others will apply for SSI. No one knows how many between ages 60–64 will even qualify for SSI.

In short, what this body is doing is playing Russian roulette with millions of very aged Americans, many of them in the eighties and nineties who are among the weakest, most defenseless people in our society.

All this can do is further undermine confidence in the social security system—confidence that has already been shattered by the administration's proposal to reduce benefits.

We have said from the beginning that eliminating the minimum benefit for present recipients makes absolutely no sense in terms of equity and social justice. It is now clear that we were right. And now is the time to correct the mistake we made in the budget reconciliation bill.

Mr. President, I ask unanimous consent that the article to which I referred may be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post]

NUNS FELL PREY TO SOCIAL SECURITY CUTBACK

(By Spencer Rich)

The dedicated budget-cutters at the White House and in Congress are having second thoughts about one of their good works. It seems that as they sliced their way through the budget they acted to reduce the already small Social Security benefits of several thousand elderly nuns and other members of religious orders.

The affected orders have complained, and repentance is nigh.

The offending vote was to eliminate the $122-a-month minimum benefit under Social Security. This now serves to sweeten the monthly checks of some 3 million beneficiaries, whose low earnings records are such that they would otherwise be entitled to less. President Reagan said when he recommended wiping out the minimum—which both houses of Congress have agreed to do—that those whose incomes fell too far could turn to welfare.

But for various reasons that apparently wouldn't do for the nuns and others involved, and now a group representing Roman Catholic nuns is asking Congress for an exemption from the proposed new rule.

The nuns' proposal was outlined last week to the Senate Finance Committee by Sister Frances Mlocek of the Leadership Conference of Women Religious of the U.S.A.

It would allow thousands of nuns and male members of religious orders who have taken the vow of poverty to remain eligible for the minimum benefit for at least 10 years; they would be differently treated from the others now on the minimum, even though many of them are also poor and elderly.

Mlocek said the nuns or male clerics benefiting from the existing minimum benefit provision constitute a special case. Until 1972, persons in religious orders who had taken vows of poverty were not eligible for Social Security. Only in 1972 did Congress permit them to enter.

The sister said 240 religious orders of men or women, with about seventy-five thousand members in all, had enrolled. About fourteen thousand five hundred of the members are now on the rolls, and many more will eventually become eligible as they reach retirement age.

Since they do not receive any cash pay, for tax and benefit purposes these individuals are deemed to have an income equal to the value of food, clothing and shelter given them by their orders. This is usually calculated at $100 a month or a bit more, meaning that the tax is very low and so the benefit would be too except for the minimum.

Mlocek said that since they were only made eligible for Social Security in 1972, the nuns and others involved have not had time to build up any earnings record sufficient to obtain a reasonable benefit. This argues for a special exemption, she said in an interview.

Rep. Bill Archer (Tex.), senior Republican on the House Ways and Means Social Security subcommittee, said he thinks the nuns have a "justifiable cause." He said that it is his understanding that because of their vows of poverty, they can't apply for welfare.

An effort to grant an exemption possibly in conference on the budget bill, but more likely in separate legislation, is picking up steam. Ways and Means Committee member James Shannon (D-Mass.) has drafted a bill.

Senate Finance Committee Chairman Robert J. Dole (R-Kan.) and Senate Social Security subcommittee Chairman William Armstrong (R-Colo.) have also expressed concern, and Sen. Daniel Patrick Moynihan (D-N.Y.) is expected to take up the cause.

"It's for the nuns? I'm for it," said Ways and Means member Thomas J. Downey (D-N.Y.). And in the administration there is reportedly similar sentiment.

UP AMENDMENT NO. 251, AS MODIFIED

(Subsequently numbered amendment No. 504.)

Mr. RIEGLE. Mr. President, I believe I still have the right to modify my perfecting amendment. I send a modification to the desk.

The PRESIDING OFFICER. The amendment is so modified.

Mr. DOLE. Mr. President, parliamentary inquiry. Does the Senator have a right to further modify the amendment?

The PRESIDING OFFICER. A second-degree amendment, yes.

The clerk will report the modification.

The legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment No. 251 to modify his unprinted amendment numbered 250.

Mr. RIEGLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In lieu of the language proposed to be inserted, insert the following:

Sec. . (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"Sec. 234. (a) Subsection (b) shall apply to any individual who was entitled to benefits under this title for any month after December 1980 and prior to January 1982, and whose benefits under this title are reduced by reason of amendments made by a public law enacted at any time in 1981 to section 215(a)(1)(C) and to other sections of this Act related to the minimum social security benefit.

"(b) In any month in which an individual receives a reduced benefit as described in subsection (a), such individual shall be entitled to receive an additional payment under this section equal in amount to the difference between the benefit to which he would have been entitled under this title if the amendments described in such subsection had not been enacted and the benefit to which he is entitled without regard to this subsection.

"(c) The benefits payable to any individual under the preceding subsection shall be payable from the same trust fund from which his reduced benefit described in subsection (a) is payable."

Mr. RIEGLE. Mr. President, will the Chair advise me how many Members I would need to have for a second for the yeas and nays?

The PRESIDING OFFICER. One-fifth of those present.

Mr. RIEGLE. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

Mr. RIEGLE. Mr. President, could I inquire of the Senator from West Virginia if he might support my request for the yeas and nays.

The PRESIDING OFFICER. There is not a sufficient second.

Mr. RIEGLE. Mr. President, I see four of seven Members on the floor with their hands raised.

The PRESIDING OFFICER. There is now a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I move to lay on the table the underlying amendment and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. STEVENS. Mr. President, may I ask our friend from Michigan how much time he would like to debate the amendment in the morning?

Mr. RIEGLE. Mr. President, I would think that probably an hour, evenly divided, would be sufficient. Then, if there is not a need to use that much time, we can yield the remainder back. I know there are some colleagues on this side that would like to speak on this matter.

Mr. ROBERT C. BYRD. How about 40 minutes equally divided?

Mr. RIEGLE. That would be sufficient.

Mr. DOLE. On the basis of what I understand to be an agreement, I ask unanimous consent to withdraw my motion to table.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. STEVENS. Mr. President, I ask unanimous consent that there be a 40-minute time limit on the amendment of the Senator from Michigan, and that following that time the Senator from Kansas be recognized to renew his motion to table.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIEGLE. I thank the Senator.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I think we have worked out a pretty good arrangement. We have debated and voted on this I do not know how many times this year. It would seem to me, as far as this Senator knows, there has been no change in positions. We can dispose of this after 20 minutes by the Senator from Michigan and whatever time we may use on this side.

I would hope that we are looking at passing this bill sometime this week. There are a number of us who also have conference duties on the reconciliation. The Finance Committee's responsibility is somewhere in the neighborhood of $11 billion to $12 billion. I would hope tomorrow after we dispose of this amendment on social security we can get back to the tax reduction bill.

Mr. President, I would announce to those listening in their offices that there are really not that many amendments remaining that we will need much debate upon. Some require studies; some are technical in nature. Others I think probably will require some debate.

Hopefully we are looking toward completion of this bill by midweek or shortly thereafter.

Mr. STEVENS. Mr. President, I thank the Senator from Kansas.

BIRTHDAY GREETINGS TO SENATOR HAYAKAWA

(The following proceedings occurred earlier.)

Mr. STEVENS. I see our good friend from California (Mr. HAYAKAWA) is in the Chamber. His birthday was yesterday. He has a birthday celebration to go to. Would the Senator mind yielding to our friend from California so he might make his statement?

Mr. RIEGLE. This Senator would be quite willing to do that. He would extend a birthday greeting to his friend from California in addition.

Mr. HAYAKAWA. I thank the distinguished Senator from Michigan and I am grateful to him for his good wishes.

(The remarks of Mr. HAYAKAWA in connection with the introduction of

legislation are printed under Routine Morning Business.)

ROUTINE MORNING BUSINESS

Mr. STEVENS. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, with Senators being permitted to speak therein for not to exceed 2 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

DEATH OF HARRY CHAPIN

Mr. KENNEDY. Mr. President, I join my colleagues today in expressing my deep sense of loss over the death of Harry Chapin—a young folk singer who gave his voice not only to grace the words of song, but to express a deep feeling for the hungry millions of men, women, and children around the world.

Harry Chapin was a citizen of the world. His voice reached out to millions of young people. His labors were for others.

At least half of his public concerts were free, either for charity or as benefits. He was particularly active in the cause of world hunger. His songs and his concern were an important catalyst for the Presidential Commission on World Hunger—where he himself served with great commitment and distinction.

As Tony Kornheiser wrote in the Washington Post last Friday, Harry Chapin was "a liberal in the very best philosophical sense of the word. It wasn't welfare he was talking about, it was decency. He used the phrase 'enlightened self-interest.' He said it made good sense to redistribute the food, not because it was the noble thing to do, but because if you removed hunger and desperation you would remove a major cause of crime and violence."

Mr. President, all those who knew Harry Chapin and his work will mourn not only the loss of his singing but of his urgent concern for those hungry millions who struggle at the edges of life in the poorest lands on Earth.

Harry Chapin once said of his life that he hoped to "leave here thinking I mattered." He has left us. And he did matter—to his friends and to people in the Third World who will be fed because he cared, who are alive today because he saw hunger and tried to end it.

I ask unanimous consent that Mr. Kornheiser's article on Harry Chapin be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HARRY CHAPIN'S RICHES

THE TROUBADOUR WHO LAUGHED AT FAME AND GAVE AWAY HIS FORTUNE

(By Tony Kornheiser)

They called Harry Chapin a troubadour, but he was more of a novelist. He wrote short, poignant, biographical novels and set them to music. Novels about tax divers who have chance encounters with their first loves and choose not to go home again. Novels about fathers and children who start out not getting close to each other and end up not even getting next to each other. Novels about lovers who get swept away in the heat of the moment. Novels about snipers and disc jockeys and heroic true believers who never lose touch with who they are.

And yesterday, when Harry Chapin died in a car wreck, he left behind the sort of novel that he wrote about so well. A man whose life ended abruptly in the middle. Between the search and the goal. Between the promise and the gift. Not yet there, but on the way.

He'd be giving a concert, and he'd sit on a stool, his guitar resting on his right knee, and he'd joke with the audience about the kind of songs he'd written. He knew that most of the critics thought he was a lightweight, and while that judgment offended him, it never discouraged him. He thought it hilarious that one rock performer was reviewed this way: "He was a rich man's Harry Chapin." Harry would laugh and say, "Look at where they've got me. They've got me as a standard for comparison. If anyone is lower than me, he has to be at the very bottom of the ocean." He'd even use his standing with the critics in his act. He'd blush and tell the audience that when he was younger he had the nickname "Gapin' Chapin." And he'd call himself "a third-rate rock star." And then he'd turn up his energy higher, much higher than his amps, and sing his songs. "Taxi," "Cat's in the Cradle." "I Wanna Sing You a Love Song." "Sniper." "W.O.L.D." And in his own way, for his special audience, he was every bit as popular and loved, and even worshipped like a Bruce Springsteen.

Harry Chapin could have been a millionaire.

Harry Chapin maybe should have been a millionaire.

But every year at least half of his concerts were free, either for charity or as a benefit—

He put his money where his mouth was.

I met Harry while doing a profile on him in 1976, a profile in which I accused him of not so much being a singer-songwriter as being a moralist. I believe the term I used was that he sang a course in Morality 101. He liked that. He laughed very loudly at that.

He had a great and rich and good laugh.

The last time I saw Harry, he gave a concert at Constitution Hall. It was a typical Chapin concert in that his energy was high, and the only reason he stopped singing was because he was told that if he stayed on stage even another minute they were going to have to put the help on overtime. Harry already had gone on for almost three hours and it was closing in on midnight.

And after it was over, Harry went out into the lobby for a typical Chapin post-concert session. And there he would sell Harry Chapin albums and Harry Chapin T-shirts and Harry Chapin song books. And on each one he would sign his typical Chapin message: "Keep The Change, Harry Chapin."

What was so impressive about what Chapin did wasn't so much that he signed every last thing that was thrust at him—even for people who hadn't bought a thing—but that every penny he took in from these sales didn't go into Harry Chapin's pocket, but toward charity, specifically toward ending world hunger.

Later that night Harry and I and another reporter took a taxi (what else?) over to the American Cafe on Capitol Hill and sat around for a few hours solving all the world's problems. I knew how hard he worked for the cause of preventing world hunger, so of course I razzed him about ordering a big, thick sandwich. And he came back at me the way he always did, by saying, "Look, I'm not asking you to starve; I'm simply asking you to try and spread the word that we grow enough food each year to feed the world easily. You've got access to a great newspaper here. For God's sake, use it."

And then we talked about the congressmen he'd seen recently, and how his lobbying effort was going, and how many charities and causes he was pushing. As ever, he was all high energy and optimism. I thought then and I think now that Harry Chapin was a worthy man. That he was a liberal in the very best, philosophical sense of the word. It wasn't welfare he was talking about, it was decency. He used the phrase "enlightened self-interest." He said it made good sense to redistribute the food. Not because it was the noble thing to do, but because if you removed hunger and desperation you would remove a major cause of crime and violence. If there is such a thing as a practical liberal, Harry Chapin was that.

And when we were all talked out about saving the world, we drank a few more beers and talked about Long Island, where we both were from, and remembered the afternoon we played touch football on his lawn, right next to Long Island Sound, and I insisted I was a better quarterback than him, and he insisted he was a better end than me. And laughed some more, his rich laugh filling the now empty restaurant, and just like on stage he was the last to leave, because if they didn't throw him out they'd have to pay the help overtime.

That night, a sleeting, crummy winter night, I remember him telling me that it was about time I stopped fooling around writing about celebrities and started writing about the people who really controlled the world.

I remember me telling him that it was about time he stopped trying to save the world and started selling out so he could become a rock star.

And I remember exactly what he said about that. He said, "Being a rock star is pointless. It's garbage. It's the most self-indulgent thing I can think of. I've got nothing against selling out. But let me sell out for something that counts. Not so Harry Chapin can be No. 1 with a bullet, but so I can leave here thinking I mattered."

FOR DEMOCRACY IN THE PHILIPPINES

Mr. KENNEDY. Mr. President, earlier this month Vice President BUSH declared in Malacanang Palace before President Ferdinand Marcos of the Philippines that "We love your adherence to democratic principle—and to the democratic processes."

Even for an administration which favors a diplomacy of silence toward violators of human rights and freedoms in pro-American dictatorships, this statement represents a new record in callousness and disregard for repression.

Even President Marcos must have been surprised by such hypocrisy from a representative of the United States—after imposing over 8 years of martial law in the Philippines, replacing it with a dictatorial national security code, and then conducting Presidential elections so controlled that no serious political leader agreed to run against the incumbent.

Mr. President, two Filipino leaders now in exile in this country, Senator Benigno Aquino and Senator Raul S. Manglapus, leader of the Philippine Christian Democrats, sent this cabled message to Vice President BUSH upon his arrival in Manila:

Kindly keep in mind that your every word of praise for the Marcos dictatorship and your every appearance and published picture with the dictator will deepen the cynicism of the Filipino people and drive

more of their countrymen to the arms of the radical left.

The Filipino people should know that the American people stand where they have always stood: for the respect of human rights, for the defense of democracy, and for the furtherance of liberty and freedom not only in America but throughout the world. President Kennedy once said:

Our historic task in this embattled age is not merely to defend freedom. It is to extend its writ and strengthen its covenant.

Mr. President, I urge my colleagues to study the thoughtful and telling commentaries, by Senator Manglapus on Vice President BUSH's recent visit to the Philippines and by Senator Aquino on the end of martial rule in that country. I ask unanimous consent that these commentaries, appearing on July 10 in the New York Times and on January 29 in the Wall Street Journal respectively, be printed at this point in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Times, July 10, 1981]

BUTTERY TOAST IN MANILA

(By Raúl S. Manglapus)

MCLEAN, VA.—Before Vice President Bush's celebrated Presidential-inauguration toast to Ferdinand E. Marcos—"We love your adherence to democratic principle and to the democratic processes"—passes forever into the satirists' domain, let us not forget that this starting obeisance is a natural expression of President Reagan's foreign policy.

The United States, in supporting any dictator who proclaims himself anti-Communist, apparently has forgotten an important lesson: Right-wing dictatorships, by driving the moderate opposition underground, are the fastest breeders of radical movements.

Before Mr. Marcos seized power in a coup in 1972—three years after he was elected for a second, and constitutionally last, four-year term—there were 1,000 to 2,000 Communist guerrillas in the New People's Army; before the coup, the Rand Corporation says, the guerrillas were not a threat to the Government. By last October, the insurgents' army numbered 5,500, according to Mr. Marcos' Defense Minister, Juan Ponce Enrile. Further, it is supported by a mass base—tens of thousands of people who, led by priests, nuns, and ministers, have been gone into the ranks of the Communist Party or its National Democratic Front.

Mr. Bush, by his presence and by adding his benediction to Mr. Marcos' mockery of the democratic electoral process—a process long and passionately, albeit imperfectly, practiced by the Filipinos—may have considerably accelerated the final exhaustion of popular patience and pushed the population closer to the brink of violence.

Mr. Marcos' mockery of democracy has been so extensively reported in the news media that Mr. Bush's toast and his presence cannot be excused on the grounds of ignorance. Pope John Paul II had seen through Mr. Marcos' so-called lifting of martial law last January and announcement of a Presidential election when, speaking directly to Mr. Marcos in February during his visit to Manila, he said that "even in exceptional circumstances, one can never justify any violation of the fundamental dignity of the human person and of the basic rights that safeguard this dignity."

The Pope knew, as Mr. Bush should have, that in "lifting" martial law after eight years, Mr. Marcos also kept in force all the decrees that he had promulgated and that are assembled in the National Security Code, with patchwork provisions that include six months' imprisonment for "rumor-mongering," summary dismissal of judges, and immunity for all public officers, civil and military, in carrying out the code. The code also outlines a national-security network capable of reaching down to household and classroom.

All this meant that the repression was to continue unabated. Thus, it was not surprising that the opposition boycotted the election June 16 and that Mr. Marcos, faced with two handpicked straw-man candidates, could claim an overwhelming victory, which America was all too eager to accept.

Mr. Marcos, wielding the Subic Naval Base and Clark Air Base for extortion, had gotten President Carter to promise him half a billion dollars in military aid over a five-year period. Yet Mr. Carter managed to keep him at arm's length, refused to invite him on a state visit, and thus consoled the Philippine democratic movement that, in giving Mr. Marcos more money, Washington was acting only out of fear of losing its bases rather than out of conviction.

But Mr. Bush's visit and his words bear the stamp of conviction, not fear. Now a rapidly radicalizing population, despairing over American support for Mr. Marcos—70 percent of the Filipinos are malnourished while Mr. Marcos's family and cronies amass obscene wealth—will become a more serious threat to the bases than the anti-American street demonstrations before the coup.

Filipinos are entitled to wonder why they must be forced to swap democracy for bases—which are not even vital for Philippine defense—especially after their country was the most devastated in Asia during World War II because of their stubborn allegiance to democracy and to America, and after they allowed the bases on their soil, thereby disqualifying themselves from membership in the non-aligned movement.

It appears that the quickest way for an Asian country to lose its democracy is to be the friend of America. More Filipinos are beginning to perceive that the most durable postwar democracies in developing Asia are neutralist India and Sri Lanka, and that India is closer economically and militarily to the Soviet Union than to the United States. In the coming decade, will a democratic Philippines rely on the Soviet Union to protect its independence?

Democracy has launched a formidable counterattack in Western Europe and in important parts of Latin America and Africa. The United States should recognize that its real friends are peoples with democratic aspirations and not the flamboyant dictators who will bring American interests crashing down with them when their violent hour comes.

[From the Wall Street Journal, January 29, 1981]

MR. MARCOS AND THE FUTURE OF THE PHILIPPINES

(By Benigno Aquino)

On Jan. 17 Philippine President Marcos ended the eight-year martial rule. But what should have been a day for national rejoicing passed barely noticed in spite of broad play in the Marcos-controlled media.

To the average Filipino, this latest Marcos maneuver means very little. President Marcos remains ensconced in his palace with all his authoritarian powers intact and even strengthened by "safeguards" decreed a few days before the lifting. Life in the country continues to be a drudgery to a few and a struggle to many. Tweedledum has been replaced by Tweedledee.

Hailed by his controlled press as "the first man in history to deliberately and voluntarily lift martial law," Mr. Marcos fooled no one because he moved more with caution than with conviction. For example, a few days before the lifting, Mr. Marcos decreed a new security code and a public order code. These laws permit the police to make preventive arrests, meaning that a citizen may be arrested for crimes which the state believes he might commit in the future. These decrees are even worse than the martial law orders that sanctioned mass detentions.

The infamous Amendment 6 to the Marcos-dictated constitution remains undisturbed. This amendment, "approved" by the people in a mock referendum in 1976, institutionalized Marcos's one-man rule for life; it permits him to legislate even after a regular national assembly is constituted in 1984.

To add to all these powers, Mr. Marcos decreed that the print media council, the instrument for suppressing press freedom, be retained. And the ban on the right to strike in vital industries remains.

To a man, the united opposition in the Philippines denounced the lifting as "mere paper lifting" because only two visible symbols of martial rule were phased out: the military tribunals and the army detention centers. Everything else remains: no free press, no free speech, no peaceful assembly, no strike for labor, no independent legislative body.

The Filipino opposition groups in the United States said that the mere lifting of martial rule without dismantling the institution of dictatorship is a "cruel deception."

Since Jan. 17 many Filipinos have been trying to divine the motives behind Mr. Marcos's maneuver. Some believe he is out to impress the Reagan administration, to mollify American opinion and pave the way for the smoother flow of U.S. economic and military aid. Others say he wanted to remove possible irritants in the face of a forthcoming visit of Pope John Paul II. More cynical observers say he was forced to buy time to ride out the present economic crisis.

By this maneuver, Mr. Marcos hopes to mollify the urban guerrillas who have been threatening to bring his government to its knees by discouraging foreign tourists and investors with a well-planned destabilization program.

The World Bank has just released a 392-page report raising serious questions as to whether its funds are "making a dent on poverty in the Philippines." The report documents a sharp decline in real Filipino wages since the 1960s. Purchasing power, the report says, has dropped in both urban and rural areas, in all regions and in practically all occupations. Thus, the World Bank acknowledges that, after eight years of martial rule, the Philippines is a great "political risk" to potential international creditors and investors.

With external debt passing $12 billion and projected to hit $20 billion by the end of 1983, Mr. Marcos faces an imminent economic collapse which calls for either a political accommodation with his opposition to harness the national potential or for more repressive measures to contain growing unrest.

Faced by a grim economic reality, the opposition has two options: to accelerate the downfall of the Marcos regime by violent guerrilla action, or to negotiate for the dismantling of the martial law regime now that Mr. Marcos has signaled willingness to take the first short steps on the long road back to freedom and political normality.

Violent confrontation carries with it the seeds of a national catastrophe such as recently witnessed in Nicaragua and El Salvador. Mr. Marcos has full control of all forces of repression and should he decide to dig, he could condemn the Philippines to a similar catastrophe. No sane Filipino favors this option; it could only represent a final act of desperation.

The second option calls for a negotiated gradual reduction of Mr. Marcos's absolute powers and a programmed return to democracy. This requires an understanding and an acceptance by opposing camps that the

consequences of violent confrontation could only condemn both the victors and the vanquished to defeat.

Mr. Marcos must believe that there are now Filipinos who are ready and willing to lay down their lives in the struggle for freedom. The urban guerrilla actions in Manila late last year are just samples of worse things to come. With an unabated and worsening economic crisis, stepped up rural and urban insurgencies would insure an early collapse of the repressive regime.

President Kennedy once advised that "we should never negotiate out of fear." On the contrary, the Filipinos, both the pro- and anti-Marcos elements should negotiate out of fear—fear of each other's potential, and fear of a violent and a bloody upheaval that threatens to engulf the entire nation if sanity and good will do not prevail.

The choices are: freedom for the Filipino or a protracted bloody struggle; national survival in the face of a rapidly escalating economic crisis or national disaster.

HUMAN RIGHTS IN GUATEMALA

Mr. KENNEDY. Mr. President, in May of this year, the Reagan administration sent an envoy, retired Gen. Vernon D. Walters, to Guatemala to discuss U.S. conditions for the restoration of military aid to that country. Since 1977, Guatemala has received no U.S. military aid because it has refused to accede to U.S. law by stopping its gross and consistent violations of the human rights of its people.

One result of that discussion appeared when the administration recently secretly approved $3.2 million in sales of military trucks and jeeps to Guatemala. The administration side-stepped the ban on these sales by removing the vehicles from restricted lists and placing them on unrestricted ones. Sales from the unrestricted lists, which also include spare parts for Huey helicopters, do not require the recipient country's human rights record to be taken into account.

But this sleight of hand by the administration does not change the fact that the United States has again begun to bolster the military regime in Guatemala, despite the appalling human rights record there. Since the suspension of military aid to Guatemala in 1977, the human rights situation has in fact worsened. A campaign of terror and violence has taken the lives of thousands of innocent people there.

In light of this situation, a number of questions need to be answered before relations with Guatemala are altered, and in particular before military aid could be provided. Can the administration now certify that the pattern of violence has changed, especially in light of recent, well documented reports by Amnesty International that point to the responsibility for abuses of military and security forces under the direction of high Guatemalan officials in the National Palace? Is there any evidence that the resumption of military aid and the bolstering of the Guatemalan armed forces would convince the government to adopt a more humanitarian course toward its population?

In fact, the government of Gen. Lucas Garcia has demonstrated time and again that it is unable—or unwilling—to reduce the daily toll of death and violence in its country. For the United States to supply military aid to this regime would be wrong for the human rights of the people of Guatemala, and a mistaken precedent with regard to the whole of Latin America.

Moreover, our experience in Guatemala prior to 1977, when U.S. military aid was supplied, provides no basis for expecting that such assistance now would lead to better access or greater influence, or, most importantly, to an improvement in human rights there.

In El Salvador, we have seen violence flare from both the right and the left. In Guatemala, there is a systematic campaign of kidnapings, torture, and murder whose aim, it appears, is the complete elimination of anyone opposed to, or imagined to be opposed to, the military government—especially centrist leaders. The February 17, 1981 Amnesty International report on Guatemala states:

> By far the majority of the victims were chosen after they had become associated—or were thought to be associated—with social, religious, community or labor organizations, or after they had been in contact with organizers of national political parties.

The targets for the extreme government violence, Amnesty continues:

> . . . tend to be selected from grassroots organizations outside official control.

The church in Guatemala has been a particular target for repression. The Catholic Church, including foreign missionaries, has come increasingly and literally under fire for its public stands against government violence and against government policies which maintain enormous economic inequality.

The province of El Quiche is a cruel example of this campaign against the church. After the murder of Father Jose Maria Gran on May 31, 1980—one of three Guatemalan priests killed that month—repeated bombings, and an attempt on the life of the Bishop of El Quiche on July 19, the entire diocese of El Quiche was closed in self-defense and in protest over the violence.

Two additional examples are the June 10, 1981, kidnaping of Father Luis Pellecer of the Society of Jesus, seized in plain view from an automobile by six armed men, beaten around the head and spirited away; and the murder last week of Father Marco Tulio Maruffo near Quirigua. Thus far in 1981 nine Catholic clergyman have been killed.

The tragic conditions in Guatemala have not gone unnoticed. In a letter to the bishops of Guatemala last November, his holiness John Paul II expressed his utmost concern over conditions in Guatemala, which the bishops there have called a "road to self-destruction." His holiness referred to Guatemala as experiencing a "profound crisis of humanism," and wrote to his bishops:

> Together with you and through you I wish to exhort and entreat those who have the authority in the country not to omit any effort to remedy this surge of discord and hate; to do everything possible to ensure peace and security for the citizens.

In addition, our former congressional colleague and now president of Americans for Democratic Action, Father Robert Drinan, has published a perceptive and penetrating critique of the situation in Guatemala in the June 13, 1981 issue of the respected Jesuit weekly, America. Father Drinan has been in the vanguard of the fight for human rights, both inside and outside the Congress. In his article, "American Guns, Guatemalan Justice," Father Drinan records the persecution of the Guatemalan church and the Guatemala people and explains cogently why resumption of American military aid would be politically and morally wrong.

I hope that my colleagues will heed the compelling words of the holy father for peace, not military escalation, in Guatemala, and will study carefully Father Drinan's analysis. I ask unanimous consent that the letter from Pope John Paul II to the bishops of Guatemala, Father Drinan's article, and a news release on Guatemala by Amnesty International be inserted at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

LETTER OF POPE JOHN PAUL II TO THE BISHOPS OF GUATEMALA

The news about conditions in your country and, in particular, in your church communities, finds in me a profound echo, that prays and wishes to be close to you, especially in your pastoral mission, expressing comfort and inspiration.

I well know the anxieties you have communicated to me on more than one occasion, even publicly, in the last few months, for the many, for too many acts of violence that have wracked your country, and your repeated calls for an end to what you have rightly called "the road to self-destruction" that violates all human rights—first among them the sacred right to life—and that does not help to solve the social problems of the nation.

I share your grief for the tragic burden of suffering and death that weighs, with no signs of diminishing, on so many families and on your church communities deprived not only of not a few catequists, but also of priests, killed in suspicious circumstances, at times vilely and treacherously.

I am particularly saddened by the grave situation that has been produced in the diocese of El Quiche, where, because of the multiplying criminal actions and death threats against Church people, religious service to the Church communities continues to be completely lacking.

You have seen the root of the sickness that disturbs Guatemalan society, Venerable Brothers, in a "profound crisis of humanism," which has gone to the point where the values of the spirit were displaced, leaving the way open to egoism, violence and terrorism.

Together with you and through you I wish to exhort and entreat those who have authority in the country not to omit any effort to remedy this surge of discord and hate; to do everything possible to ensure peace and security for the citizens; to guarantee to the Church the possibility of developing its evangelizing mission, which has as its purpose to educate everyone for a profound interior conversion and for the reconciliation of souls.

There has been a general wish, for some time now, that the social reforms necessary for a more just and dignified life for everyone be realized in Guatemala. In harmony with these aspirations I reconfirm that which I have repeated several times, in my apostolic travels: that the Church must stimulate those responsible for the common good

to opportunely undertake such reforms, with decisiveness and valour, with clearsightedness and effectiveness, attending to criteria of justice and principles of an authentic social ethic. Once again it must be remembered that the Church wishes to offer its specific collaboration, in view of social progress which respects in man spiritual as well as material needs. The road we indicate to achieve said objectives is that of solid commitment of all, to substitute the ideologies of egoism, preponderance, and the interest of groups or parts, with the genuine values of fraternity, justice and love.

To the priests, to the men and women religious, to the lay people committed in the different sectors of the apostolate, I send my words of encouragement to act in close union with you, Venerable Brothers, to offer the profession of faith and unity, of valour and self-denial, which must characterize any disciple of Christ.

To the dear children of the Church in Guatemala, I make a call to hope, that it sustain you in the current difficult circumstances and help you to remain loyal to your own Christian vocation.

I invoke for all of you the assistance and help of God, by the intercession of Mary, Mother of Christ and of the Church. To you, Venerable Brothers, to those who work with you in pastoral activity and to all the Church community, I grant from my heart my paternal Apostolic Blessing.

JOHN PAUL II,
The Vatican.

AMERICAN GUNS, GUATEMALAN JUSTICE

The resumption of the sale of arms to Guatemala, terminated by the United States four years ago, is imminent. President Lucas Garcia has not requested arms nor is there any clear evidence that the alleged presence of 2,000 guerrillas cannot be controlled by the 18,000 members of the army of Guatemala.

The renewal of arms sales occurs despite a continued and brutal repression of human rights in Guatemala. The situation that I saw there on a human rights mission in 1980 continues and is probably worse. Amnesty International, in a recent 32-page report, declared that in Guatemala "people who oppose or who are imagined to oppose the government are systematically seized without warrant, tortured and murdered." The report, furthermore, has information published for the first time which shows that those who carry out the terrorism "can be pinpointed to secret offices in an annex of Guatemala's national palace under the direct control of the President of the republic."

The Reagan Administration promises feebly that it will grant the military aid only after warnings to the leaders of Guatemala that they should be more sensitive to human rights. But such a warning would be futile to a government that has engaged in ruthlessness for many years. The U.S. State Department Human Rights Report in 1980 conceded that kidnappings and assassinations reached higher levels in 1980 than in 1979. Politically motivated deaths now average between 75 and 100 per month. In 1980 the human rights officer at the U.S. Embassy in Guatemala City confessed to me that "the body count" estimated from newspaper accounts and from unofficial reports revealed an incredible number of murders. The victims included educators, students, priests, lawyers, trade unionists and journalists.

The 6.5 million people in Guatemala have been in agony for a long time. Seventy-two percent of the land is owned by 2 percent of the population. The illiteracy level reaches 80 percent. There is widespread unemployment, and 70 percent of those who work earn $74 annually. In a land of spectacular natural beauty, endowed with plentiful resources, the 60 percent of the people who are Indians, mostly of Mayan origin, lead lives marked by cruel economic oppression and severe political repression. It is the activity of some few of the Indians that has aroused the Reagan Administration to conclude that the Cubans or the Communists are organizing these incredibly deprived people.

Violence has been endemic to Guatemala at least since 1954, when the democratically elected Arbenz Government was overthrown with the help of the C.I.A. The violence became intense during the Montenegro Government (1966–1970). In 1966 the first organized death squads appeared. Since that time, according to the estimate of Amnesty International, almost 50,000 persons have been killed. Things were no better in the Arana Government (1970–1974). Amnesty International claims that over 7,000 people disappeared or were found dead in 1971 and that a total of 15,000 more were reported missing from 1971 through 1973.

On July 1, 1974, General Kjell Langerud became President through a fraudulent election. The violence escalated. Its tragedies were multiplied by the severe earthquake on Feb. 4, 1976, which left 22,000 dead and 80,000 injured. The country was torn apart when General Romero Lucas Garcia assumed the presidency on July 1, 1978. The decimation of the country was commented on by the 15 Catholic bishops of Guatemala in these words on May 15, 1980: "We believe that rarely in the history of our nation have there been days as bitter as these. All hearts are gripped by anger, fear and desperation. Each day, violence takes an alarming toll of victims; disappearances, tortures, murders. Bands of hired killers move and work throughout the country. No group or class escapes this uncontrolled wave of violence—neither the centers of wealth and power nor the peasants and Indians of the remotest regions of the country. Armed factions of the extreme right and the extreme left wage an undeclared war on each other, dragging along in their criminal madness our defenseless people, peaceful by nature. These people, deserving of a better fate, are the innocent victims of unrevealed interests and uncontrolled passions."

In this pastoral the bishops, saying that they could not remain indifferent to the desolation all about them, insisted that neither the fear of Communism nor the determination to rectify economic injustices could justify the killings.

Four weeks later on June 13, 1980, the bishops noted again that the violence in Guatemala had attained unimaginable proportions and was in effect a religious persecution. They lamented the vilification, calumny and defamation against the ministers of the church. The episcopal statement pointed out that many of the priests and nuns who were being treated unjustly by authorities were missionaries who with great personal self-sacrifice had come from other nations to help the people of Guatemala.

Despite the dramatic pleas of the bishops the persecution of the church goes on. The Lucas Government is continuing its systematic attempt to eliminate all democratic elements in Guatemala, and the church is probably the strongest inspiration for democratic initiatives. From May to August 1980, three priests were killed. In June and July two more were killed in the Quiché diocese. On July 19, 1980, an assassination attempt was made on El Quiche's bishop, Juan Gerardi Conedera, the president of the Guatemala Episcopal Conference. On July 30, 1980 Bishop Gerardi, after "intense suffering and . . . much . . . prayer," withdrew 18 priests and 25 nuns from the Quiché diocese lest all of them be murdered.

In other areas of Guatemala the church is also being persecuted. The Government realizes that since at least August 1976 the church in Guatemala has been wielding the sword of the spirit. In that month the bishops issued a pastoral "United in Hope" signed by all of the bishops except Mario Cardinal Casariego, the archbishop of Guatemala City. This was followed 18 months later by a statement, "Faith and Politics in the Christian Experience." These messages, along with the cry for justice of May 18, 1980, have helped to bring about the worst persecution of the church in modern times in Guatemala. Six priests and scores of religious teachers have been murdered in Guatemala in the last year. None of the slayings has been investigated. The feeling seems universal among church leaders that the killers were members of the government's security forces.

When Bishop Gerardi returned recently from a visit to the Pope in Rome, he was barred by the Lucas Government from returning to Guatemala even though he is a citizen of that country. President Lucas has also refused to accept the new Papal Nuncio nominated by the Vatican.

Feelings against the church are intense. The front-running candidate for the March 1982 election, Mario Sandonal Alareon, says that "the church favors and stimulates Communism." An association of farmers has stated that "the church in Guatemala is helping Marxists to destroy Christian civilization at its base and to enact in its place a dictatorship of the proletariat." When church personnel try to answer these charges they are told that they are stepping outside of their proper role and are interfering in the political life of the nation.

The fear of Marxism is pervasive in the Lucas Government and in the business community in Guatemala. When I met last year for two hours with the leaders of the Chamber of Commerce of Guatemala City, each of the businessmen present expressed the conviction that most of the killings were done by the left and that the Communists were militantly organizing to take over Guatemala and all of Central America. They even echoed the Lucas regime, which charged American officials in the Carter Administration with promoting "moderate Marxism," because in 1977 it withdrew military aid from Guatemala because of its miserable human rights record. The middle class in Guatemala, one of the largest in Central America, generally joins in the army's efforts to "stamp out Communism." It seems difficult, if not impossible, to convince any of these people that repression and economic injustice are the real causes of the insurgencies in Central America rather than Cuban involvement or left-wing terrorism. And it is not possible to dissuade them from their obsessional thoughts about Communist "dominoes" in Central America, especially when the Secretary of State, Alexander M. Haig, Jr., states that some of the nations on the Kremlin's "hit list" exist in Central America.

The fear of Communism may have diminished hopes that the election in March 1932 (in which President Lucas cannot run) will be impartial, since the leaders of the two left-of-center parties have been assassinated. Only six right-wing parties will be in contention in the election. Even if, unlike the last three presidential elections, the contest is not corrupt, the peasants and the trade unionists can legitimately complain that they had no real choice.

Indeed the slaughter goes beyond the leftists. Sixty-six leaders of the Guatemalan Christian Democratic Party, which is affiliated with the party of the same name in El Salvador headed by President José Napoleón Duarte, have been murdered in the last 10 months. Hence, it may be that the turnout in the March 1982 election will be less than the 35 percent in 1978 when President Lucas was elected.

The struggle in Guatemala is increasing in the predominantly Indian provinces. For dec-

ades insurgents in Guatemala have been predicting that their hopes for revolution will be attained on the day that the three million Indians rise up in some organized way. The Government of Guatemala fears that this is now happening, and hence the repression in Indian sections of the country is intense. Emotions with the Government have reached unprecedented levels. It reacted with vituperation to the report of Amnesty International terming it "ridiculous" and the work of an organization "which is headed by Communists." But the Government has to know that Guatemala is a pariah in the international community and that this reputation will not change until the number of deaths and disappearances diminishes.

There was jubiliation among the political and business leaders in Guatemala the night that Ronald Reagan was elected. They resent the estrangement imposed by Congress and the Carter Administration since 1977. They are now informing the new Administration of the discovery of deposits of oil that could be comparable to those in Alaska and that eventually might account for 10 percent of America's petroleum needs. Guatemala is also anxious to restore the lucrative tourist trade that until recently came each winter from the United States.

It is difficult to see how the new Administration can think that additional supplies of weapons and helicopter parts will really help Guatemala solve its problem. Guatemala can certainly buy this military hardware elsewhere, although it may be more difficult to get knowledgeable military advisers from nations other than the United States. But the policymakers at the Pentagon and Foggy Bottom now share the fears of Communism of the ruling elite in Guatemala—and Argentina, El Salvador and elsewhere—and hence will be anxious to help authoritarian regimes to repress "Communist agitation" and to wipe out "subversion."

Ultimately the struggle about America's role in Guatemala goes back to what one thinks of the intentions and capabilities of the Cubans and the Communists in Latin America. Anyone interested in a redistribution of land and wealth in Latin America will dismiss as almost irrelevant the traditional argument of national security to justify repression of labor unions and dissident groups. But the conviction among government officials in Latin America that the Communists are infiltrating overtly and covertly is everywhere. It entered the psyche of Latin America with Fidel Castro's coming to power in 1959. It received confirmation with the triumph of Dr. Salvador Allende in Chile in 1970 and was rekindled by the Cuban presence in the Sandinista victory in Nicaragua in 1979. It is this sometimes pathological fear of Communism that appears to be the principal premise of present U.S. policy towards Latin America. It is easy to see why religious and social leaders in South America look upon it as a naive, simplistic and indeed dangerous approach to the agonies of the 350 million people who reside in Latin America.

To the peasants of Guatemala and to people in the third world the arming of the Lucas Government by the United States is a throwback to the days of gunboat diplomacy and the maintaining of client states. It harkens back to the centuries-old alliance of sword and cross in Latin America, an alliance that the church began to terminate at Medellin and Puebla, where the 300 bishops of Latin America made it clear that the economic structures of the continent and the repressive military regimes were not consistent with justice or with Christianity.

A new factor now exists, however, which may alter U.S. policy towards Latin America. That factor is the seemingly abrupt emergence of an amazingly unanimous view within the Catholic Church in the United States against military aid to El Salvador and presumably to similarly situated nations in Latin America. A non-Catholic, seasoned observer of American politics recently gave me his opinion that if it were not for the militancy of the American Catholic bishops the United States might well now have Marines in El Salvador. The intensity of the feeling in the Catholic community against arms for El Salvador is not likely to diminish. It has supported and in turn been strengthened by the identical view firmly held by many non-Catholic peace and justice activist groups. It may be the one political factor which has the capacity to prevent a potential Vietnam in Central or South America.

The complexity of the political and social situations in the tiny republics of the Central American isthmus yield to no easy analysis or "quick fix." This is especially true of Guatemala, where in the Indian villages some priests have served as a bridge between the peasants and the guerrillas in a desperate search for some way to bring about relief from the institutionalized violence that is a daily way of life. For Washington to say that all of this can be changed by the United States selling arms to Guatemala is to reduce a complex, centuries-old class struggle to an East-West "cops and Communists" scenario. To suggest, furthermore, that U.S. policy is concentrating on deterring "terrorism" in Central America is to overlook the obvious fact that the terrorism of right-wing oligarchies and military governments has been just as devastating and cruel all over Latin America as the terrorism that would, it is assumed, prevail if authoritarian regimes become totalitarian. Hans Morgenthau spoke perceptively when he said that the issue is not "how to preserve stability in the face of revolution but how to create stability out of revolution."

A policy that seeks to transfer guns and military equipment to Guatemala after a pause of four years is based on the supposition that Cuba is capable of orchestrating and controlling the revolution which is seeking to be born in Guatemala and all over Latin America. The military government of Guatemala wants to put back in place the traditional triumvirate of oligarchy-army-church. It desires military assistance from the United States to help it accomplish this objective. Morally and politically it would be wrong for the United States to say yes.

AMNESTY INTERNATIONAL DESCRIBES GOVERNMENT PROGRAM OF MURDER AND TORTURE IN GUATEMALA

Amnesty International said today (Wednesday 18 February 1981) that a long-established government program of murder and torture in Guatemala was run from an annex of the National Palace, under the direct control of President Romeo Lucas Garciá.

In a new report, "Guatemala: A Government Program of Political Murder," published today, the international human rights organization said some 3,000 people were found murdered after being seized in the first ten months of 1980, and hundreds of others were missing.

The Guatemalan Government attributes such killings to independent groups outside its control, but the report summarizes detailed evidence that they are carried out by the army and police, and it adds two new pieces of evidence—interviews with a survivor and a former soldier.

Many thousands of people have been murdered by the security forces in Guatemala over the past two decades after being picked out as real or suspected critics of government policy. In 1976, Amnesty International estimated that about 20,000 people had been murdered or "disappeared" after being detained in the previous ten years, and it estimates that nearly 5,000 Guatemalans have been seized and killed since General Lucas Garcia became President in 1978. Bodies are found piled in ravines, at roadsides or in mass graves, often with the scars of torture. Most were killed by strangling, by being suffocated in rubber hoods or by being shot in the head.

The murder program is run, the report said, from offices in the palace complex by a presidential agency founded in 1964, known until recently as the Regional Telecommunications Center and before that by a series of other names.

Guatemalan authorities attribute the killings to the Escuadrón de la Meurte (Death Squad) and the Ejército Serreto Anticomunista (Secret Anti-Communist Army), described as independent groups, but Amnesty International said that no convincing evidence has been produced that such independent groups exist. It noted that there was violent guerrilla activity in Guatemala, but said this could not justify murder by a government.

The interview transcripts included in the new report contain recent eyewitness testimony corroborating other evidence of the security forces' responsibility. One of the interviews is with a man described as the only known survivor of political imprisonment in Guatemala in 1980. It tells of his detention at Huehuetenango army base where he says he witnessed the killing of three prisoners and saw the bodies of six others in the eleven days he was held. The other interview, with a conscript who was trained and sent out to take part in the detentions and killings describes the military units' license to kill "anyone who was a suspicious character", as well as people on target lists.

The report includes representative case histories of some of those seized by troops or police; some were later found dead and others are still missing.

Victims include people from all parts of Guatemalan society: peasants, urban workers, clergy, educators, students, lawyers, doctors, journalists, community workers. "By far the majority of victims were chosen," the report says, "after they had become associated—or were thought to be associated—with social, religious, community or labor organizations, or after they had been in contact with organizers of national political parties." In other words, it says, they "tend to be selected from grassroots organizations outside official control."

The escaped prisoner and former soldier whose interviews are included are not identified by name because of the danger of reprisals.

They said to me, if you discover your father is in subversive movements—I didn't understand the word—'subversive', they said is whatever is against the Government and is what causes disorder in Guatemala—if your father is involved in groups like that, kill him, because if you don't he'll try and kill us . . ."

From the testimony of a former conscript, included in the report.

AMENDMENT TO THE MINERAL LEASING ACT OF 1920

Mr. SYMMS. Mr. President, the House of Representatives, as part of its reconciliation package, adopted an amendment to the Mineral Leasing Act of 1920 which is potentially devastating in its impact. In addition to being extraneous to the general matter of budgets, the amendment displays substantial unfamiliarity with the way the oil and gas exploration industry works.

Essentially, the amendment would increase the filing fee for open field and simultaneous oil and gas lottery leases from the present $10 to $25, and increase

the annual rental on such leases from the present $1 per acre per year to $3 per acre per year for the first 3 years and to $5 per acre per year thereafter, with a provision that diligent development will maintain the rental fee at $3 per acre per year.

Mr. President, there is no reason for this rental fee increase to be a part of this legislation at all. There is no reason to think that it will increase revenue, as its sponsor claims. In fact, by driving out of the lease market many, many small drillers, the net effect will probably be to reduce revenue. At the same time, since these small drillers now lease 98 percent of open, unleased Federal lands, this increase in the rental would decrease our knowledge of oil and gas fields, decrease our domestic output, and maintain our present dangerous dependence on foreign sources of energy.

In addition, increasing the rental fee would give the major oil companies a greater advantage over the small, independent producer because they would be the only firms able to afford the lease costs.

There is a further reason why this amendment has no place in this legislation. The Secretary of Interior has full authority to increase rentals where rentals increases are justified. The present rental is above the statutory minimum now, and the Secretary is presently studying the rental structure to determine if increases are necessary. The Secretary is far more knowledgeable about these matters than the Members of Congress, and should be left with the discretion to adjust rentals for the maximum benefit of the people of the United States.

The proposed increase in the filing fee is not so damaging to independents. Certainly it will increase their costs, and every dollar paid out is a dollar less available for drilling. But the independents can probably live with it.

The rental increase is something else again. An increase of three to five times the present rental will disastrously affect exploration in the frontier areas, away from present oil and gas production. I refer in particular to the unexplored areas of Colorado, Montana, North and South Dakota, New Mexico, Utah, and to the entire States of Arizona, Nevada, Oregon, Washington, and my own State of Idaho. In these latter States, oil and gas production has been uncommon, but higher energy prices, coupled with new technology, is making them very attractive.

Independents lease over 98 percent of such frontier lands, and commit a considerable amount of exploration funds for seismic, gravity, and geologic studies during the first few years of a lease, to determine whether or not the lands leased are worthy of exploratory drilling. The proposed increase in delay rentals will force practically 100 percent of the independents to eliminate exploration in the frontier area and to concentrate their efforts in known producing areas.

The areas we must explore if we are to find giant new fields will remain unexplored. I do not know of a single independent operator who will pay such steep rental fees to own leases in the "wild" frontier areas. The major oil companies may pay such rentals on totally unknown lands, but even they will have to think very highly of a particular prospect to retain leases when the rental burdens are so high.

A rental of $1 per acre per year may not sound like much, but I remind my colleagues that we are talking about substantial tracts of land, many thousands of acres in size, in some cases. The overhead mounts rapidly, especially for small companies with cash flow problems, who typically hold these leases.

The timing of the proposed rental increase is particularly bad. All exploration companies and independents are being squeezed between falling oil prices, a steep "windfall" profit tax, a glut of natural gas, and drilling costs which have been escalating at a rate double the inflation rate. Every dollar spent on nonexploratory costs is a dollar not spent in drilling and developing wells.

It has been stated that this rental increase will produce $100 milion in additional revenue to the Treasury. This figure depends on the same old stale assumptions that have characterized the failed economics of the past few years. The assumption is that an increase in rentals will have no effect on the willingness of lessors. That is a silly assumption, and one greatly at variance with the facts.

Independent oil companies, who now hold most of these leases, will certainly react to a quintupling of their rentals. They will abandon leases, or fail to take them in the first place. The result will not be a revenue increase, but a revenue loss, coupled with a decline in oil and gas production, which will further stifle business activity, leading to additional revenue losses.

In short, Mr. President, the House-passed amendment is a blueprint for disaster, and I urge my colleagues in the House-Senate conference to hold fast to the Senate position and reject this ill-advised and dangerous proposal. For the information of my colleagues, the administration is also opposed to this proposal, ample evidence that its revenue-producing potential is less than promised.

CALIFORNIA VIETNAM VETERAN ELECTED AS NATIONAL COMMANDER OF THE DISABLED AMERICAN VETERANS

Mr. CRANSTON. Mr. President, I am delighted to inform my colleagues that last Thursday, July 16, Sherman E. Roodzant, a Vietnam veteran from Santa Ana, Calif., was elected national commander of the Disabled American Veterans for 1981–82.

Mr. President, the DAV, with 700,000 members, is the third largest veterans' service organization in the country. Its members generally are veterans who were disabled during service in our Armed Forces. The DAV provides valuable assistance to all veterans—service-connected disabled or not—and to their dependents and survivors. The DAV also contributes a variety of volunteer services in communities throughout the country. The DAV is a continuing source of counsel about veterans' matters for the Congress and the Veterans' Administration.

To be elected national commander of the DAV not only is an honor but also a great responsibility. In the case of Sherman Roodzant, I would add that his election is also a recognition of many years of expert, dedicated service in the DAV on behalf of his fellow veterans.

Mr. President, I would like to take this opportunity to express my personal congratulations to Sherman Roodzant—a friend of mine for many years—and to congratulate the DAV for its very wise choice. I am certain that Commander Roodzant will meet the challenges entailed in his new office with great success.

My association with Sherman Roodzant began when he was elected Commander of the California DAV in 1974. In 1977, he was elected a DAV National Junior Vice Commander, and he has been reelected each subsequent year to higher office by the DAV's national convention delegates.

Sherman Roodzant entered the U.S. Army in 1967 and saw combat in Vietnam. He was wounded severely in 1968 while on patrol near Saigon, resulting in the loss of one leg.

Following a medical discharge from the Army, he attended Cerritos College in Norwalk, Calif., and later joined H. & W. Computer Services, Inc., of Los Angeles. Commander Roodzant was vice president of that company when, in 1976, he left to serve as a professional staff member on the House Committee on Science and Technology, which was chaired then by my very good friend from Texas and certainly a friend to all veterans, the late Olin E. "Tiger" Teague. As a member of Chairman Teague's staff for 4 years, Sherman Roodzant was heavily involved in efforts to apply scientific advancements in space technology to the needs of disabled individuals.

Mr. President, Sherman Roodzant belongs to a number of professional and service organizations, including the American Management Association, the Data Processing Management Association, the Personnel and Industrial Relations Executive Association, the American Association for the Advancement of Science, the American Legion, the Veterans of Foreign Wars, the Military Order of the Purple Heart, the Elks, and the Boy Scouts of America in which he serves on both the National Committee on Scouting for the Handicapped and the National Camping Committee.

Mr. President, in sum, I believe Sherman Roodzant is very well qualified to take on his new responsibilities. During this very difficult time when we are working hard to reduce Federal spending, I strongly believe that we must set priorities ever mindful of the sacrifices our Nation's veterans. Veterans' organizations need thoughtful and articulate leadership to represent the needs of veterans to the Congress and to the rest of the Government. Sherman Roodzant is that kind of leader.

I look forward to our continued friend-

ship and to working closely with Sherman as national commander of the DAV—just as I did with his able predecessor, Stan Pealer—and with the DAV national headquarters staff in Washington on the very difficult issues that lie ahead in the coming year.

THE FUTURE OF SALT

Mr. PRESSLER. Mr. President, earlier this month, I traveled to Western Europe to learn first-hand more about the progress being made in implementing NATO's December 1979 "dual track" theater nuclear force (TNF) modernization and arms control decision. In the course of my discussions there with government officials and private individuals, I was struck by the extent to which Europeans view with extreme skepticism and distrust this administration's interest in moving forward with the process of limiting strategic nuclear weaponry. I was equally disturbed to discover that the Soviet Union has orchestrated a strident propaganda campaign which exploits current European concerns about the future of détente and depicts the United States as solely responsible for the supposed demise of SALT.

Contrary to the popular view in Europe, I believe that there is a solid basis for optimism with respect to SALT. Indeed, as I stated during the Foreign Relations Committee hearings on Lt. Gen. Rowny's nomination to be chief SALT negotiator, I think that history may well record that a triumph in SALT was President Reagan's equivalent of President Nixon's going to China. For just as it required a leader fully trusted by American conservatives to establish normal ties with the Communist leadership in the People's Republic of China, so does President Reagan have a unique opportunity to bring home a SALT treaty that will be accepted with confidence by the Senate and the American public.

Mr. President, I emphasize that my expectations in this regard are not based simply on hope or speculation. Rather, I believe that the record of this administration during its first half year in office confirms that the United States is moving prudently and patiently toward a resumption of SALT on terms that will promote achievement of a genuine arms reduction accord. Instead of dwelling on what has not yet happened, I encourage our European allies to take careful note of the policies and initiatives already embraced by this administration in the field of arms control.

First, I do not believe that one can overstate the significance of this administration's decision to reopen negotiations with the Soviet Union on limiting land-based nuclear missiles in Europe. This decision clearly shows that while determined to counter increased Soviet assertiveness with appropriate political and military initiatives, the administration at the same time recognizes that the specter of a nuclear holocaust demands that we continue to pursue efforts to establish cooperative strands in the fabric of United States/Soviet relations.

Furthermore, the fact that the May 1981 NATO communique states that TNF negotiations will proceed "in the SALT framework" demonstrates that TNF is not just a token gesture to arms control sentiment in Europe. Rather, TNF is integral to what will emerge as a much broader arms control endeavor.

Second, I believe Europeans should take heed of the fact that this administration has decided to continue to respect the SALT I and SALT II restrictions on strategic offensive armaments, even though some voices counseled a much more extreme and destabilizing course. As Assistant Secretary of Defense-designee Richard Perle stated in an Armed Services Committee confirmation hearing Thursday, there is no point in the United States going out to look for programs that would violate SALT I or SALT II when mutual adherence to these accords continues to serve U.S. national security interests. Assuming the Soviet Union continues to recognize the wisdom of this approach and exercises matching restraint, I anticipate that this interim SALT compliance/adherence understanding could effectively keep both sides' strategic programs within reasonable limits until a new SALT accord imposes more formal restraints.

Third, I hope that our friends in Europe recognize that the United States and Soviet Union have just completed what I believe to have been a constructive and modestly successful session of the Standing Consultative Commission. Contrary to the prevailing impression that the United States and the Soviet Union are not discussing SALT, the SCC again proved to be a useful forum for addressing, and in some cases resolving, concerns and ambiguities related to the implementation of the ABM Treaty and the SALT I Interim agreement on offensive arms. Although some officials in the administration had urged that the United States use the occasion of this SCC session to confront the Soviet Union with a wide range of alleged SALT violations, wiser heads prevailed and only those few issues of genuine concern were raised. As a result, some progress was registered and the SCC will continue to meet in future sessions.

These preliminary forays by the administration into the realm of SALT have, in my opinion, kept the SALT process intact and established a firm foundation for further progress. The next stage will involve the administration's preparations for resumed SALT negotiations, a process that I hope could be brought to completion in a timely manner. As officials participating in the administration's interagency review of our long-term SALT objectives conduct their deliberations, they will be guided by the basic policy approach outlined by Secretary Haig in his speech before the Foreign Policy Association in New York on Tuesday.

I believe the speech provides a commendable blueprint for integrating our national security, foreign policy, and arms control objectives. I was especially encouraged last evening to hear Lord Carrington, the British Foreign Minister, praise the speech during a television interview.

The third, and last, stage in this phase of the SALT process will be the negotiations themselves. It is obviously too soon to predict the specific outline of an eventual treaty. Nonetheless, I was greatly impressed during our hearings on the nominations of Eugene Rostow and Edward Rowny for the top posts at ACDA to hear the nominees' commitment to securing a new SALT accord that provides for meaningful reductions in current levels of strategic weaponry. If President Reagan can succeed in submitting for Senate ratification a balanced and verifiable SALT treaty that indeed reverses the upward spiral in strategic weaponry, he will have accomplished a diplomatic feat of historic proportions.

Mr. President, I ask unanimous consent that Secretary Haig's speech on arms control be printed in the RECORD.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

ADDRESS BY THE HONORABLE ALEXANDER M. HAIG, JR., SECRETARY OF STATE

ARMS CONTROL FOR THE EIGHTIES: AN AMERICAN POLICY

We are living in an age when man has conceived the means of his own destruction. The supreme interest of the United States has been to avoid the extremes of either nuclear catastrophe or nuclear blackmail. Beginning with the Baruch plan, every President has sought international argeement to control nuclear weapons and to prevent their proliferation. But each chief executive has also recognized that our national security and the security of our allies depended on American nuclear forces as well.

President Reagan stands on this tradition. He understands the dangers of unchecked nuclear arms. He shares the universal aspiration for a more secure and peaceful world. But he also shares the universal disappointment that the arms control process has delivered less than it has promised.

One of the President's first acts was to order an intense review of arms control policy, the better to learn the lessons of the past in the hope of achieving more lasting progress for the future. Two fundamental conclusions have emerged from this review.

First, the search for sound arms control agreements should be an essential element of our program for achieving and maintaining peace.

Second, such agreements can be reached if negotiations among adversaries about their national security interests are not dominated by pious hopes and simplistic solutions.

The task of arms control is enormously complex. It must be related to the Nation's security needs and perspectives. Above all, arms control policy must be seen in the light of international realities. As Churchill put it, "You must look at the facts because they look at you." An American arms control policy for this decade must take into account the facts about our security and the lessons that we have learned about what works—and what does not work—in arms control.

Despite the extraordinary efforts at arms control during the seventies the world is a less secure place than it was ten years ago. We began the process with the expectation that it would help to secure the deterrent forces of both the United States and the Soviet Union. But Moscow's strategic buildup has put at risk both our crucial land-based missiles and our bombers. Simultaneously, the Soviets have continued a massive buildup of conventional forces and have used them with increasing boldness. Their armies and those of their surrogates have seized

positions that threaten resources and routes critical to western security.

We cannot blame our approach to arms control alone for our failure to restrain the growth and use of Soviet power. The Soviet Union did not feel compelled to agree to major limitations and adequate verification in part because the United States did not take the steps needed to maintain its own strategic and conventional forces. Nor did we respond vigorously to Soviet use of force. The turmoil of the 1960's, Vietnam, and Watergate contributed to this passivity. As a result, the basis for arms control was undermined. We overestimated the extent to which the Strategic Arms Limitation Talks would help to ease other tensions. We also underestimated the impact of such tensions on the arms control process itself.

This experience teaches us that arms control can be only one element in a comprehensive structure of defense and foreign policy designed to reduce the risk of war. It cannot be the political centerpiece or the crucial barometer of U.S.-Soviet relations, burdening arms control with a crushing political weight. It can hardly address such issues as the Soviet invasion of Afghanistan, the Iran-Iraq war, the Vietnamese invasion of Cambodia, the Libyan invasion of Chad, or Cuban intervention in Africa and Latin America. Instead, arms control should be one element in a full range of political, economic and military efforts to promote peace and security.

The Principles of Arms Control. The lessons of history and the facts of international life provide the basis for a realistic set of principles to guide a more effective approach to arms control.

All of our principles are derived from a recognition that the paramount aim of arms control must be to reduce the risk of war. We owe it to ourselves and to our posterity to follow principles wedded to that aim.

Our first principle is that our arms control efforts will be an instrument of, not a replacement for, a coherent allied security policy. Arms control proposals should be designed in the context of the security situation we face, our military needs and our defense strategy. Arms control should complement military programs in meeting these needs. Close consultation with our allies is an essential part of this process, both to protect their interests and to strengthen the western position in negotiations with the Soviet Union. If conversely, we make our defense programs dependent on progress in arms control, then we will give the Soviets a veto over our defenses and remove their incentive to negotiate fair arrangements. Should we expect Moscow to respect parity if we demonstrate that we are not prepared to sacrifice to sustain it? Can we expect the Soviets to agree to limitations if they realize that, in the absence of agreement, we shall not match their efforts? In the crucial relationship between arms and arms control—we should not put the cart before the horse. There is little prospect of agreements with the Soviet Union that will help solve such basic security problems as the vulnerability of land-based missiles until we demonstrate that we have the will and capacity to solve them without arms control, should that be necessary.

Our second principle is that we will seek arms control agreements that truly enhance security. We will work for agreements that make world peace more secure by reinforcing deterrence. On occasion it has been urged that we accept defective agreements in order "to keep the arms control process alive." But we are seeking much more than agreements for their own sake. We will design our proposals not simply in the interest of a speedy negotiation but so they will result in agreements which genuinely enhance the security of both sides.

That is the greatest measure of the worth of arms control, not the money saved nor the arms eliminated. Indeed valuable agreements can be envisioned that do not save money and do not eliminate arms. The vital task is to limit and to reduce arms in a way that renders use of the remaining arms less likely.

Just as arms control should not aim simply at reducing numbers, so it should not try simply to restrict the advance of technology. Some technological advances make everyone safer. Reconnaissance satellites for instance discourage surprise attacks by increasing warning and make verification of agreements possible. Submarines and other means of giving mobility to strategic systems enhance their survivability, reduce the advantage of preemptive strikes, and thus help to preserve peace. Our proposals will take account of both the positive and the negative effects of advancing technology.

Whether a particular weapons system, and therefore a particular agreement, undermines or supports deterrence, may change with the development of other weapon systems.

At one time fixed ICBM's were a highly stable form of strategic weapons deployment but technical change has altered that. We need to design arms control treaties so that they can adapt flexibly to long-term changes. A treaty that, for example, has the effect of locking us into fixed ICBM deployments, would actually detract from the objectives of arms control.

Our third principle is that we will seek arms control bearing in mind the whole context of Soviet conduct worldwide. Escalation of a crisis produced by Soviet aggression could lead to a nuclear war, particularly if we allowed an imbalance of forces to provide an incentive for a Soviet first strike. American foreign and defense policy, of which arms control is one element, must deter aggression, contain crisis, reduce sources of conflict, and achieve a more stable military balance—all for the purpose of securing peace. These tasks cannot be undertaken successfully in isolation from each other.

Soviet international conduct directly affects the prospects for success in arms control. Recognition of this reality is essential for a healthy arms control process in the long run. Such "linkage" is not a creation of U.S. policy: It is a fact of life. A policy of pretending that there is no linkage promotes reverse linkage. It ends up by saying that in order to preserve arms control, we have to tolerate Soviet aggression. This administration will never accept such an appalling conclusion.

Our fourth principle is that we will seek balanced arms control agreements. Balanced agreements are necessary for a relationship based on reciprocity and essential to maintaining the security of both sides. The Soviet Union must be more willing in the future to accept genuine parity for arms control to move ahead. Each agreement must be balanced in itself and contribute to an overall balance.

Quantitative parity is important, but balance is more than a matter of numbers. One cannot always count different weapons systems as if they were equivalent. What matters is the capacity of either side to make decisive gains through military operations or the threat of military operations. Agreements that do not effectively reduce the incentives to use force, especially in crisis situations, do nothing to enhance security.

Our fifth principle is that we will seek arms control agreements that include effective means of verification and mechanisms for securing compliance. Unverifiable agreements only increase uncertainty, tensions, and risks. The critical obstacle in virtually every area of arms control in the 1970's was Soviet unwillingness to accept the verification measures needed for more ambitious limitations. As much as any other single factor, whether the Soviets are forthcoming on this question will determine the degree of progress in arms control in the 1980's.

Failure of the entire arms control process in the long run can be avoided only if compliance issues are clearly resolved. For example, there have been extremely disturbing reports of the use of chemical weapons by the Soviets or their proxies in Afghanistan and Southeast Asia. With full western support the UN is now investigating the issue of chemical weapons. Similarly in the spring of 1979, there was an extraordinary outbreak of anthrax in the Soviet city of Sverdlovsk. Despite continued probing, we still await a serious Soviet explanation as to whether it was linked to activities prohibited under the biological weapons convention.

Our sixth principle is that our strategy must consider the totality of the various arms control processes and various weapons systems, not only those being negotiated. Each U.S. weapons system must be understood not merely in connection with a corresponding Soviet system, but in relation to our whole strategy for deterring the Soviets from exploiting military force. In developing our theater nuclear arms control proposals, for example, we should consider the relationship of theater nuclear forces to NATO's overall strategy for deterring war in Europe. We cannot overlook the fact that our European strategy has always compensated for shortfalls in conventional capability through a greater reliance on theater and strategic nuclear forces. If we are to rely less on the nuclear elements in the future then the conventional elements will have to be strengthened.

The prospects for arms control. What then are the prospects for arms control in the eighties? We could achieve quick agreements and an appearance of progress if we pursued negotiations for its own sake, or for the political symbolism of continuing the process. But we are committed to serious arms control that truly strengthens international security. That is why our approach must be prudent, paced, and measured.

With a clear sense of direction and a dedication to the serious objectives of arms control, this administration will strive to make arms control succeed. We will put our principles into action.

We will conduct negotiations based upon close consultation with our allies, guided by the understanding that our objective is enhanced security for all of our allies, not just the United States.

We will work with the Congress to ensure that our arms control proposals reflect the desires of our people, and that once agreements are negotiated, they will be ratified and their implementation fully supported.

We will comply with agreements we make, and we will demand that others comply, too.

By the end of the year the United States will be embarked upon a new arms control endeavor of fundamental importance, one designed to reduce the Soviet nuclear threat to our European allies.

The impetus for these negotiations dates back to the mid-1970's, when the Soviets began producing and deploying a whole new generation of nuclear systems designed to threaten not the United States—for their range was too short—but our European allies. These new weapons, and in particular the nearly 3,000-mile range SS-20 missile, were not just modernized replacements for older systems. Because of their much greater range, their mobility, and above all the multiplication of warheads on each missile, these new systems presented the alliance with a threat of a new order of magnitude.

The pace of the Soviet build-up is increasing. Since the beginning of last year, the Soviets have more than doubled their SS-20 force. Already 750 warheads have been deployed on SS-20 launchers. The Soviet Union

has continued to deploy the long-range backfire bomber and a whole array of new medium- and short-range nuclear missiles and nuclear capable aircraft. This comprehensive Soviet build-up was in no sense a reaction to NATO's defense program. Indeed, NATO did little as this alarming build-up progressed.

In December 1979 the alliance finally responded in two ways. First it agreed to deploy 464 new U.S. ground-launched cruise missiles in Europe, and to replace 108 medium-range Pershing ballistic missiles already located there with modernized versions of greater range. Second, the alliance agreed that the U.S. should pursue negotiated limits on U.S. and Soviet systems in this category.

This two-track decision represents explicit recognition that arms control cannot succeed unless it is matched by clear determination to take the defense measures necessary to restore a secure balance. On taking office, and as one of its first foreign policy initiatives, this administration announced its commitment to both tracks of the alliance decision—deployments and arms control. Last May, in Rome, we secured unanimous alliance endorsement of our decision to move ahead on both tracks, and of our plan for doing so.

Since then I have begun discussions in Washington with the Soviet Ambassador on this issue. When I meet with Soviet Foreign Minister Gromyko at the U.N. this September, I will seek agreement to start U.S.-Soviet negotiations on these weapons systems by the end of the year. We would like to see U.S. and Soviet negotiators meet to begin formal talks between mid-November and mid-December. We intend to appoint a senior U.S. official with the rank of ambassador as our representative.

Extensive preliminary preparations for this entirely new area of arms control are already underway, in Washington, and in consultation with our NATO allies in Brussels. Senior U.S. and European officials will continue to consult after the beginning of U.S.-Soviet exchanges. We and our allies recognize that progress can only come through complex, extensive and intensive negotiations.

We approach these negotiations with a clear sense of purpose. We want equal, verifiable limits at the lowest possible level on U.S. and Soviet theater nuclear forces. Such limits would reduce the threat to allies and bring to Europe the security undermined by the Soviet build-up. We regard the threat to our allies as a threat to ourselves, and we will therefore spare no effort to succeed.

We are proceeding with these negotiations to limit the theater threat within the framework of SALT—the Strategic Arms Limitation talks designed to limit the nuclear threat to the United States and the Soviet Union. In this area, too, we have initiated intense preparations. These preparations must take into account the decisions we will make shortly on modernizing our intercontinental ballistic missiles and strategic bombers.

In the course of ten years of SALT negotiations, conceptual questions have arisen which must be addressed. For instance, how have improvements in monitoring capabilities, on the one hand, and new possibilities for deception and concealment, on the other, affected our ability to verify agreements and to improve verification? Which systems are to be included in a SALT negotiation, and which should be discussed in other forums? How can we compare and limit the diverse U.S. and Soviet military arsenals in the light of new systems and new technologies emerging on both sides?

In each of these areas there are serious and pressing questions which must be answered to insure the progress of SALT in the 1980s and beyond. Only in this way can SALT become again a dynamic process that will promote greater security in the US-Soviet relationship. We are determined to solve these problems and to do everything necessary to arrive at balanced reductions in the strategic arsenals of both sides.

We should be prepared to pursue innovative arms control ideas. For example, negotiated confidence-building measures in Europe could provide a valuable means to reduce uncertainty about the character and purpose of the other side's military activities. While measures of this sort will not lessen the imperative of maintaining a military balance in Europe, they can reduce the dangers of miscalculation and surprise.

We are eager to pursue such steps in the framework of a European disarmament conference based on an important French proposal now being considered at the Madrid meeting of the Conference on Security and Cooperation in Europe. We call upon the Soviets to accept this proposal, which would cover Soviet territory to the Urals. As we proceed in Madrid, we will do so on the basis of firm alliance solidarity, which is the key to bringing the Soviets to accept serious and effective arms control measures.

Our efforts to control existing nuclear arsenals will be accompanied by new attempts to prevent the spread of nuclear weapons. The Reagan administration is developing more vigorous policies for inhibiting nuclear proliferation. We expect the help of others in this undertaking and we intend to be a more forthcoming partner to those who share responsible non-proliferation practices. Proliferation complicates the task of arms control: It increases the risk of preemptive and accidential war, it detracts from the maintenance of a stable balance of conventional forces, and it brings weapons of unparalleled destructiveness to volatile and developing regions. No short-term gain in export revenue or regional prestige can be worth such risks.

It may be argued that the "Genie is out of the bottle," that technology is already out of control. But technology can also be tapped for answers. Our policies can diminish the insecurities that motivate proliferation. Responsible export practices can reduce dangers. And international norms can increase the cost of nuclear violations. With effort we can help to assure that nuclear plowshares are not transformed into nuclear swords.

In sum, the U.S. has a broad agenda of specific arms control efforts and negotiations already underway or about to be launched. The charge that we are not interested in arms control or that we have cut off communications with the Soviets on these issues is simply not true.

The approach I have discussed today stands in a long and distinguished American tradition. We are confident that it is a serious and realistic approach to the enduring problems of arms control. The United States wants a more secure and peaceful world. And we know that balanced, verifiable arms control can contribute to this objective.

We are also confident that the Soviet leaders will realize the seriousness of our intent. They should soon tire of the proposals that seek to freeze NATO's modernization of theater nuclear weapons before it has even begun, while reserving for themselves the advantages of hundreds of SS-20s already deployed. They should see that the propaganda campaign intended to intimidate our allies and frustrate NATO's modernization program cannot succeed. Arms control requires confidence but it also demands patience.

Americans dream of a peaceful world and we are willing to work long and hard to create it. This administration is confident that its stance of patient optimism on arms control expresses the deepest hopes and the clearest thoughts of the American people.

It is one of the paradoxes of our time that the prospects for arms control depend upon the achievement of a balance of arms. We seek to negotiate a balance of less dangerous levels but meanwhile we must maintain our strength. Let us take to heart John F. Kennedy's reminder that negotiations "are not a substitute for strength—they are an instrument for the translation of strength into survival and peace."

STUDENT FINANCIAL AID PROGRAMS PROVIDE ASSISTANCE FOR MANY STUDENTS

Mr. PRESSLER. Mr. President, 80 percent of the students in my home State of South Dakota pursuing post-secondary education in the 1980–81 school year received some form of student financial assistance. As these students and college financial aid directors prepare for the fast approaching school year, they find themselves waiting anxiously for decisions affecting the future of student aid programs. Having attended the University of South Dakota with the help of student loans, I realize that many low- and middle-income students would simply be unable to attend school without some form of aid.

Last week, I visited with the Secretary of Education, Dr. Terrel Bell, regarding the future of the student loan program. Secretary Bell and I discussed the proposed changes and how they will affect the middle income and truly needy students. While it is true that every effort should be made to control the growth of these programs, we must not overreact in ways which would severely cripple this important source of assistance to students.

In South Dakota, both loans and grants have been widely accepted. At least 50 percent of South Dakota students receive a guaranteed student loan. At vocational education schools, 64 percent of the student body received a guaranteed student loan for the 1979–81 school year. The average size of such loans was $1,900.

The national direct student loan was also well utilized with over 5,000 South Dakota students receiving this form of assistance. In addition, my home State has a 5-percent default rate for student loan programs—one of the best such rates in the Nation.

The grant programs have also assisted many students in meeting education costs. In the 1979–80 school year, approximately 13,000 South Dakota students received a basic grant while another 4,000 students received the supplemental educational opportunity grant. In addition, the college work study program provided nearly 6,000 South Dakota students with aid in the form of college-based jobs.

Students from farm, ranch, and small business families often have family assets that make them ineligible for the traditional need-based programs. These families may appear on paper to be financially able to send their children to post-secondary schools. However, most of these families have their finances tied up in income-producing assets, such as land, machinery, and livestock, rather than liquid assets. Therefore, I was pleased that the report language for the 1980 Education Amendments encourages

the Secretary of Education to develop a contribution schedule that takes into account the particular circumstances of farm, ranch, and small business families. We must make sure that these students are not excluded from participation in student aid programs.

I also commend the student financial aid directors at colleges and universities who administer these programs. By informing students of the various options available to them, financial aid directors help students realize that the lack of adequate financing does not have to exclusively prohibit a student from pursuing his educational goals.

Since coming to Congress, I have supported student aid programs. Education of our Nation's young people will always be a wise investment. Our Nation's plan for economic recovery cannot succeed without well-educated and skilled graduates eager and willing to enter the job markets.

HIGH INTEREST RATES

Mr BOREN. Mr. President, Hobart Rowen, in his Economic Impact Column in the July 19, 1981, edition of The Washington Post states:

> Interest rates are much too high. They threaten a national economic crisis, especially in the auto, housing and thrift industries.

In his article, Mr. Rowen goes on to explain that the high interest rates which currently plague our Nation are being "* * * pursued by the Federal Reserve Board," and that it is responsible for "pushing interest rates higher than they ought to be."

If we examine past and present CPI and interest rate figures as Mr. Rowen does, we arrive at a startling result. Only 2 years ago, the CPI figures reflected an annual inflation rate of about 13.3 percent. During this time, interest rates were also high, but the "real" rate of interest, the rate of interest charged minus the CPI figure, was actually a negative figure. Currently the CPI is running at an annual rate of 8.2 percent, yet when this is measured against a 14½ percent current Treasury bill rate, we see that the "real" interest rate is between 5 and 6 percent. This is well above the conventional level of a 2 to 3 percent markup.

The consequence of a policy which keeps interest rates at such a high level are dramatic. Domestic auto sales have collapsed to a 20-year low. Families can no longer afford mortgage payments on new homes. Small businessmen are being massacred because of their need to finance their inventories. Further, we learn in today's issue of the Post that President Reagan was "bluntly challenged" by Helmut Schmidt on the continuing high level of interest rates, during their meeting at the Ottawa Summit. Chancellor Schmidt blamed the current high interest rate policy of causing "suffering" in other countries of the world.

We must do something now to lower interest rates in the United States. We must take heed from Hobart Rowen's closing remarks, where he states:

> It may take a corporate bankruptcy or an international financial crisis to force a change in policy, and in the underlying monetarist dogma.

The reports in the morning newspapers indicate a broad expression of concern about high interest rates at the Ottawa summit. I regret that the Senate chose to reject the amendment which I offered last Friday urging President Reagan to take firm action to bring down interest rates and pledging support to him in that undertaking.

I again express the hope that on his return from Ottawa the President will hold another "economic summit"—this one with Mr. Volcker to urge him to halt his deliberate high interest rate policy. If Chairman Volcker refuses to act, the President should repudiate the Volcker policy and seek congressional action if necessary to reverse it.

THE EXPORT-IMPORT BANK

Mr. JACKSON. Mr. President, I continue to be concerned with proposed and pending reductions in funding for the operation of the Export-Import Bank.

In the July issue of Dun's magazine, there appeared an excellent article by Ann M. Reilly and a commentary in the same issue by Marjorie Siegel Lyons. I commend both articles to my colleagues and to the responsible budget officials in the administration.

Much of the problem facing Ex-Im is a lack of understanding of its role. One popular misconception is that it helps only big corporations. That is true in that the end products exported often are produced by huge companies and carry huge price tags. But the fact is many thousands of Americans are employed by subcontractors and suppliers who play a vital role in the production of those "big ticket" items. Every state, and every community, is benefited by Ex-Im.

Recently, I had occasion to write a commentary for publications interested in increasing public awareness of Ex-Im.

I ask unanimous consent that my commentary, as well as the two articles from Dun's magazine, appear at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

EXIMBANK FUNDING CUTS THREATEN U.S. JOBS

(Commentary by Henry M. Jackson, U.S. Senator)

These are crucial weeks for the one in eight workers in America's manufacturing industries who are employed in export related jobs.

The Administration has recommended sharp reductions in the lending authority of the Export-Import (Exim) Bank. These proposals could result in the loss of more than one-half million jobs for American workers.

The Eximbank helps finance American exports through direct loans to foreign buyers of American-made goods, loan guarantees to institutions engaged in export financing, and insurance services to exporters.

The Eximbank is unusual in that it is not financed through tax revenues and Congressional appropriations, but through loans extended with money borrowed from the Treasury and later returned to the Treasury. The bank's operations are, in fact, paid for by its clients through loan repayments plus interest, fees on loan guarantees, and premiums for bank-extended insurance.

Far from being a drain on taxpayers, the Eximbank has actually operated at a profit since its incorporation by Congress in 1945. During its 47-year history the bank has returned a total of $1 billion in dividends to the Treasury and has amassed a surplus of $2 billion.

The bill signed by the President for fiscal year 1981 reduces the Exim's direct lending ability to $5.14 billion, an immediate eight percent reduction. The Administration recommends $4.4 billion for fiscal year 1982 and $4.6 billion for 1983.

The Senate has passed a bill approving funding levels for direct loans of $5.06 billion for fiscal year 1982, $5.41 billion in 1983 and $5.73 billion in 1984.

In other words, the Administration would slash the bank's lending authority by about $1 billion each year.

I am concerned about these reductions in the Eximbank's lending authority. It does not make sense to me to reduce a program that provides increased exports, domestic jobs, and equitable competition with subsidized foreign companies, especially when the Treasury makes money with the repayment of interest on Exim loans.

Today, the role played by the bank in promoting American exports is more vital than ever. To a growing degree, American companies and workers producing goods for sale abroad are not just competing with foreign manufacturers, but also with foreign governments and with the vast financial resources of these governments.

Japan and Western European nations are engaged in predatory export financing. They offer overseas buyers of goods made in their countries extremely attractive long-term loans with heavily subsidized low interest rates. Private American companies, acting on their own, cannot possibly match these credit terms.

In the case of such costly export products as heavy construction equipment or major telecommunications systems, differences in financing charges can make or break the outcome of sales competitions.

The Eximbank helps American firms offset the great competitive advantages available to European and Japanese companies by making loans to overseas buyers of American-manufactured products on terms close to those offered by foreign governments. To date, the bank has played a part in about $100 billion of export sales, in the process, creating over four million jobs for American workers.

Limitations on the bank's lending authority have prevented it from becoming fully competitive with official export credit agencies of other countries. With these foreign governments now further increasing assistance to their manufacturers, a powerful case can be made for increasing the bank's authority.

But the Administration advocates exactly the opposite, favoring large cuts in Exim direct lending assistance. Perhaps the President's advisors are among those who misunderstand the bank's true function and the extent of its importance to our economy.

One such misunderstanding is that the Export-Import Bank only helps big business. It is correct that prime contractors for typical products sold abroad with Exim assistance are large companies. This is logical because only sizeable companies have the plant capacity and expertise necessary for design and manufacture of such products.

However, only a fraction of the numerous parts of these items are manufactured by these large companies. The majority come from thousands of subcontractors and suppliers. For example, Boeing Corporation's first-level supplier and subcontractor network alone is comprised of over 1300 major

and 2200 small and minority enterprises in 44 states. Westinghouse Electric utilizes more than 1150 subcontractors and suppliers in 38 states in selling just one Exim-assisted electrical power plant.

The true victims of major cuts in the bank's operations are not a few wealthy shareholders in American's largest corporations, but hundreds of thousands of American workers.

Another misconception is that scaling down Eximbank operations would help taxpayers. This, too, is a fallacy. Because of the Eximbank's lending structure, the fiscal consequences of cutting its authority differ substantially from cuts in agencies receiving funds appropriated from Congress.

Of course with today's high interest rates a subsidy element exists in the difference between the rate at which banks borrow money and the maximum competitive rate charged borrowers. However, the additional jobs and taxes more than offset this cost.

It would be ideal for all governments to stop predatory export financing. Then American companies could compete with foreign companies (not foreign governments) purely on the basis of price and product excellence.

For the past three years, our government has worked on an international agreement to end this subsidized export financing war. Negotiations resumed recently in Paris.

The best way to strengthen our position in these talks is to increase the Exim Bank's lending authority. Astonishingly, the Administration is doing precisely the opposite.

If adopted, the proposed cuts would diminish our chances of reaching an agreement to limit credit subsidies. Congress must act quickly and definitively to ensure the continued strength of the Export-Import Bank to protect jobs here and American companies abroad.

OUTGUNNED IN THE EXPORT CREDIT WAR

(By Ann M. Reilly)

Last year, Westinghouse Electric Corp. lost to France's Framatome a $1 billion contract to construct two nuclear reactors in Korea. It wasn't that the French equipment was superior. Nor was Framatome's price significantly lower than Westinghouse was prepared to bid. But Westinghouse never even got to make a formal proposal because the French, using a winning combination of high-level political pressure and low-cost financing, made an offer that even America's Korean allies couldn't refuse. Compared to the best financing package typically offered by America's Export-Import Bank, France's bid, covering 85% of the project at a fixed interest rate of 7.6% over 22 years, will save the Koreans about $235 million, according to Westinghouse.

Unfortunately for American industry, the French offer was no isolated incident. Rather, it was just another salvo in the mounting export credit war being waged among the major industrial nations, a war in which the United States is badly outgunned. The Reagan Administration is planning some new maneuvers to strengthen the American trade position, but critics charge that the new tactics won't work and that in the process the government will be abandoning a tried-and-true weapon.

At stake is the burgeoning market for big ticket capital goods in the Third World, Eastern Europe and China. These countries need power-generating equipment, aircraft, machine tools and the like to build up their economies, yet they are cash-poor and increasingly debt-laden. So they desperately need easy credit, not available commercially, to finance their purchases. Meanwhile, European and Japanese governments, anxious to pay rising bills for imported oil and to rev up their sagging economies, are more than willing to spend billions of dollars to win that business and the jobs and foreign exchange it will generate.

FINANCING FEUDS

Last year, France backed 34% of its exports with official credits; Britain, 35%; Japan, 39%; but the U.S. only 18%. What's more, the financing packages the others made available were decidedly more generous than those offered by the United States. Typically, America's trading partners offer the best rates and terms allowable under the Arrangement on Guidelines for Officially Supported Export Credits, signed in 1978; specifically, 85% financing at rates ranging from 7.75% for developing countries to 8.5% for developed ones. The United States, on the other hand, has for the past two years financed only 47% of aircraft and 65% of non-aircraft deals at rates of 9.25% and 8.75%, respectively. Obviously, with commercial interest rates in the 18%-to-20% range, the difference can add up to quite a bit of money. The Ex-Im Bank estimates, for instance, that on a $100 million non-aircraft loan, a foreign buyer could save as much as $5 million by going with the French over the Americans.

In addition, America's competitors are increasingly sweetening their financings with innovative devices not covered under the Arrangement, such as extended repayment terms, inflation and exchange rate risk insurance, government guarantees of commercial loans and mixed credits (low-cost foreign aid loans or grants tied to specific export deals). Until recently, France was the only country that extensively used mixed credits, but now Britain, Canada, West Germany and Japan are beginning to wield this powerful trade weapon as well.

Under President Reagan, however, the United States is actually slowing the growth of its export subsidies. From 1977 to 1980, the Carter Administration increased the Export Import Bank's direct loan authorization 400%, to $4 billion last year. But the Reagan Administration, driven by its free-market, free-trade philosophy, plans to halt that upward trend. The President has proposed $4.7 billion in direct lending authority for 1981 and $4 billion for 1982, compared to $5.5 billion and $5 billion, respectively, under the Carter plan.

Reagan strategists believe that entering the credit war would simply be too costly; Ex-Im Director Donald Stingel has pegged the price of competing head-to-head with European and Japanese subsidies as high as $18 billion a year. Moreover, even at that price the Reagan team doubts that increased credit subsidies would significantly improve the nation's export performance. What they feel sure of, however, is that failing to cut Ex-Im's budget would splinter support for the President's economic package, which, they insist, will do more for U.S. exporters in the long run than any level of subsidy.

"Politically, the Ex-Im cuts were necessary because voters and the Congress had to realize that everybody's ox had to be gored," says Commerce Secretary Malcolm Baldridge, a former businessman-exporter who is known to have questioned the wisdom of the Administration position. "The government has mighty few aid programs for business, and Ex-Im is one of the biggest. So I'm supporting the cuts because I believe it's necessary for people to believe that we really are cutting the budget across-the-board."

Peace talks

At the same time, Administration sources say they are developing a series of tough new weapons to pressure the Europeans and Japanese into negotiating away many of their existing subsidies, an effort that has so far been fruitless. For three years, in talks sponsored by the Organization for Economic Cooperation and Development (OECD) in Paris, the U.S. has been pushing its trading partners to accept a higher interest rate floor on official export credits than is currently permitted under the Arrangement.

But the French and others, who believe that subsidized export credits give them an important edge over the U.S. in world markets, have consistently balked. And the Japanese, who because of their relatively low commercial interest rates do not need to subsidize official credits that much anyway, have actually been pushing for a lower floor. So the talks have broken down again and again, the last time in May, and the credit war goes on.

The Reagan Administration hopes to force its OECD competitors to the peace table by moving aggressively to extend the terms of Ex-Im Bank loans beyond the ten-year limit generally allowed under the Arrangement. The U.S., France and others have already done this in a few cases, but not in any comprehensive way. Should the U.S. move forcefully in that direction, experts agree, it would really sting competitors because they lack long-term bond markets deep enough to sustain a comparable attack.

In addition, the Administration plans to target its Ex-Im Bank financing against those countries that most flagrantly violate the spirit of the Arrangement, to look into the use of mixed credits in countries to which America already gives foreign aid and to raise the subsidies issue in other international forums such as the General Agreement on Tariffs and Trade (GATT). Says Acting Deputy Assistant Treasury Secretary John Lange: "Our gloves are beginning to come off."

But business leaders and their Congressional allies consider the Administration approach naive. "A strong Ex-Im Bank is the only U.S. lever to pressure foreign governments to moderate their aggressive concessionary financing practices," says William Durka, General Electric Co.'s manager of international trade policy. "The only way to put the financing of exports on a sound economic basis is to permit the Ex-Im Bank to compete so effectively that it convinces our foreign competitors that they have nothing to gain by unsound financing practices. Then perhaps they'd return to the bargaining table in a mood more receptive to our proposals."

Failing to beef up Ex-Im would not only weaken America's negotiating position, but deal a severe blow to the Nation's capital goods manufacturers, according to industry leaders. Most vulnerable are the nuclear and aircraft industries, which are the biggest users of Ex-Im financing and rely heavily on exports to maintain the economies of scale needed to stay ahead technologically and above water financially. These are also the industries that currently face the toughest foreign credit competition.

Over the next two years, fourteen nuclear-power plant projects, valued at about $6 billion, will come up for bids in the developing world, estimates Westinghouse Vice President Claude Hobbs. Since the U.S. market is virtually dead in the wake of Three Mile Island, and since industrialized nations refuse to buy American technology they can produce themselves, Hobbs argues that the Third World is the only market left that can keep the U.S. industry alive. Yet given the level of preliminary commitments made by Ex-Im, there will be little room for new busines financings through 1982. Thus, Hobbs concludes, "for all practical purposes, we are going to be out of that market for the foreseeable future."

Aircraft executives also fear the cutback in Ex-Im lending. Airbus Industrie, a consortium supported by the governments of France, Britain, Germany and Spain, has already succeeded in breaking America's near monopoly on the civil aircraft market, garnering 50% of all sales of wide-bodied, short-

haul jets and 15% of the total market. One way it has done this is through generous government-backed financing, and U.S. industry leaders fear that as the competition for a whole new generation of planes heats up, American companies will lose a good deal of business if Ex-Im can't match competing foreign credit offers.

"The first sale is the key to additional sales over a period of fifteen-to-twenty years," says T. A. Wilson, chairman of The Boeing Co. "Our market projections indicate that we will be competing for $2.5 billion-to-$3.5 billion worth of orders in the balance of 1981 and 1982, which we believe will require Ex-Im participation. The loss of these orders could result in the loss of follow-on orders that over the next decade could approximate $10 billion."

Others expected to suffer from the Ex-Im cuts include the manufacturers of machine tools, traditional power generating equipment and locomotives, as well as construction and engineering service companies. For example, China and Mexico are expected to buy billions of dollars' worth of plant and equipment over the next several years. Yet experts believe American companies will be virtually locked out of those markets because the U.S. government refuses to match the mixed credit and financing packages offered by Japan, France and others.

Big guys and small

The loss of this business will hurt not only big prime contractors such as Boeing, GE and Westingthouse, but their thousands of smaller subcontractors, industry leaders argue. In addition, they say, it will cost the nation tens of thousands of jobs. The Labor Department estimates that every $1 billion in lost exports means 40,000 fewer American jobs, and most business leaders consider such estimates conservative.

Reagan strategists, however, believe that industry's dire predictions are exaggerated. They argue that in many instances American goods are still technologically superior, so customers will buy them despite higher credit costs. And where export financing is critical, they note, American exporters often can find alternate sources of soft credit.

Nothing, of course, is as attractive as Ex-Im financing, but there are some second-bests. One is the Private Export Funding Corp. (PEFCO), a private financing company owned by major commercial banks and corporations whose loans are guaranteed by Ex-Im at fixed rates about one percentage point over Treasury bills. Another, used increasingly by U.S. multinationals, is export credit made available to U.S. companies by foreign governments when the companies produce part of their product in the foreign country. Still another, now under consideration by the nuclear industry, is the formation of a financing consortium, similar to the rural electric cooperatives, that would allow member companies to raise long-term debt off their books.

Even when the hurt is real, as it probably will be in the aircraft and nuclear industries, the political and economic gains of reduced Ex-Im activity far outweigh the risks to the overall economy, according to Reagan budget-cutters. Top OMB officials argue that it's not their purpose to focus on individual firms or industries. They say they're concerned about the overall economy, and the Ex-Im Bank is a very minor factor in determining the level of U.S. exports.

The Treasury Department estimates the bank's 1980 direct loan disbursements of $3.2 billion amounted to only 1.4 percent of total merchandise exports and 3.75 percent of capital goods exports. Forces like exchange-rate fluctuations are overwhelmingly more significant in terms of U.S. export performance, the budget-cutters argue. Indeed, from 1978 to 1980, when the U.S. dollar was relatively weak, and hence its exports relatively cheap, America's current account balance improved by $19.8 billion, from a deficit of $14.3 billion to a surplus of $5.5 billion. In contrast, France and Japan, whose export subsidy programs were hefty but whose currencies were strong, experienced a drop in their current accounts of $11.5 billion and $29.8 billion respectively.

Moreover, the Ex-Im cuts will have a negligible impact on national employment levels, OMB economists contend. Maintaining Ex-Im at higher levels would mean cutting some other programs, they explain, effectively trading off jobs in one sector for jobs in another.

More fundamentally, the Reaganites feel that a beefed-up Ex-Im would just cost too much for its limited benefits. Because the bank lends at rates considerably lower than its cost of borrowing, OMB projects that the Treasury will lose $100 million on its operations by 1982.

That wasn't always the case, of course. In the bank's early days, when interest rates were low, it was actually able to lend at higher rates than it borrowed and so return money to the Treasury. But in recent years, soaring commercial and government rates have pushed the bank's cost of money far above its lending rates, shifting its financial position into the red.

In the Administration's eyes, the long-term solution to the bank's financial problems is clear: reduce the Federal budget deficit, thereby easing pressures on interest rates, reducing the demand for Ex-Im credit and narrowing the troublesome spread between the bank's lending and borrowing rates. For the short term, the Reagan solution is a combination of reduced lending and stepped-up OECD negotiations. "We tried beefing up the Ex-Im under Carter and it didn't work," says Treasury's Lange. "Now we're trying the negotiation route. If that fails, we'll have to try something else. But we'd like to give the talks a good shot, at least for a year."

Powder-packed alternatives

Just in case they do fail—and most trade experts predict they will—business groups and their Congressional allies are developing a few powder-packed alternatives. The Labor-Industry Coalition for International Trade (LICIT) is drafting a petition under Section 301 of the 1974 Trade Act directing the President to take action against the French for subsidizing exports and stalling the Paris talks. The group, which includes such heavyweights as Boeing, Westinghouse, W. R. Grace and the Industrial Union Department of the AFL–CIO, is also developing a list of retaliatory weapons that the President could use against the French and other recalcitrant traders. These include quotas or other limits on foreign exports to the U.S.; Administration support for legislation already introduced in Congress creating a $1 billion "war chest" to match subsidized credits; and linking the export credit issue to other political and economic discussions underway with intransigent trading partners.

The Reagan Administration is certainly not ready to back these alternatives. But many observers feel that by next winter, after another round of Paris talks has come and gone with little if any progress; when the budget battle has subsided somewhat; and when America's export posture, thanks to a stronger dollar, is looking considerably dimmer than today, the White House may begin to look for some stronger weapons to end this costly credit war. "At that point," says LICIT attorney Michael Gadbaw, "we'll be there to enhance their ability to deal with the problem."

EX-IM BANK: WHERE U.S. EXPORTS GET A BIG BOOST

(By Marjorie Siegel Lyons)

The Export-Import Bank of the United States (Ex-Im Bank) is now in the eye of a Congressional storm as the Reagan Administration attempts to slash its budget. But such controversy is a rarity. In fact, one Ex-Im Bank old-timer reports that for most of its 47-year history, the bank was one of the best kept secrets in Washington.

Originally called the Export-Import Bank of Washington, D.C., it was created as a District of Columbia banking corporation in February 1934 by executive order of President Franklin Roosevelt through authority vested in him by the National Industrial Recovery Act. The bank was created to finance U.S. trade with the Soviet Union, which the Roosevelt Administration had officially recognized a year earlier.

The initial capitalization of the bank was $11 million. The first board of trustees consisted of officials of the Departments of State, Commerce and Agriculture and the Reconstruction Finance Corp. George N. Peek, special adviser to the President on foreign trade, became the bank's first president, and R. Walton Moore, an Assistant Secretary of State, became the first chairman of the board.

Ex-Im Bank got off to an ironic start. Despite its stated purpose of fostering U.S.-Soviet trade, the board of trustees decided that no credits would be extended to Russia until its old debts to the U.S. were settled. But the payment was never made, so a credit agreement was not struck.

That same year, the White House established the Second Export-Import Bank of Washington, D.C. to handle a request from Cuba for financial assistance to purchase U.S. silver. The mandate of the second bank was to facilitate U.S.-Cuba trade, and the U.S. lent $4 million to finance the purchase of silver bullion, which was coined at the U.S. mint in Philadelphia into 10 million Cuban silver pesos.

Following this transaction, there were numerous inquiries from other countries about financial assistance to help them buy U.S. goods. After some initial discussion about forming a third bank, it was decided that the second bank would handle all transactions except those involving the Soviet Union. But in 1936, when it became apparent that the old Russian debt would not be repaid and the first bank would be out of business before it even began, Roosevelt issued an executive order consolidating the banks. The second bank was liquidated, and all of its loans and commitments were transferred to the first.

Between its inception in 1934 and World War II, Ex-Im Bank led a fairly quiet existence, marked mainly by sporadic extensions of its lending authority, until in 1940, it reached $700 million.

The bank was very busy during the war years, making a number of key loans. Among the most noteworthy were $45 million for the steel industry in Brazil and $25 million to Universal Trading Corp., acting as agent for the Chinese government in the construction of the Burma Road.

After the war, it became apparent that the bank would have to make huge commitments to war-ravaged countries to help them get back on their feet economically. With this in mind, Congress passed the Export-Import Bank Act of 1945, which called for, among other things, raising the bank's loan authority to $3.5 billion, and designating Ex-Im Bank as an independent agency of the government. It stated, too, that loans should be for specific uses, as opposed to general economic development, and that the bank should supplement but not compete with private capital.

Ex-Im Bank immediately used its new lending powers, and virtually every Allied

country in Europe, as well as Japan, was a recipient of Ex-Im Bank reconstruction loans. With the establishment of the Marshall Plan in 1948, the bank returned to its earlier role of financing projects in developing countries.

Since then, Ex-Im Bank has proceeded on a fairly even keel, sticking to its mandate to foster the export of U.S. goods and services through its four basic programs of direct loans, export credit insurance, export credit guarantees and discount loans. Its influence in U.S. trade has varied over the years, mainly in line with the emphasis placed on it by the Administration in office and the strength and commitment of its chairmen, of which there have been fifteen.

In 1971, Congress passed the Export Expansion Finance Act, which removed the bank from the U.S. budget, increased its overall lending authority to $20 billion, and relaxed certain restrictions on financing East-West trade. In 1975, the bank was put back on budget, and in 1978 its lending authority was raised to today's limit of $40 billion.

Ex-Im Bank has turned a profit every year, and over its life has paid more than $1 billion in dividends to the U.S. Treasury. It has financed exports in excess of $100 billion, written off direct loans of only $8.3 million, and paid out $77 million in claims out of $70 billion in insurance and guarantee credits.

The bank prides itself on the fact that very few countries or companies have defaulted on their loans. This is true, among other reasons, because countries cannot obtain new loans until the old ones are repaid. However, the record is not 100 percent clean.

In 1951, a loan was made to Cuba to finance an electric power plant. When Fidel Castro took over Cuba in 1959, the plant was expropriated, and a senior executive of the bank, a tough little guy who is described as being afraid of nothing, went down to Cuba seeking repayment. He demanded a meeting with Cuban Finance Minister Ernesto "Che" Guevara—and got it, at 1:30 a.m. Guevara showed up wearing Army fatigues, combat boots, and had a big, shiny Colt-45 sitting on top of his business papers. The loan is still outstanding.

THE RIGHT DIRECTION

Mr. BIDEN. Mr. President, over the past weekend, the distinguished ranking Democrat on the Senate Budget Committee, Senator HOLLINGS, authored an article in the Washington Post on the potentially dangerous economic impacts of the tax reduction program currently under consideration by the Senate. The article, entitled "Tax Cuts: Are We headed in the Right Direction?", goes directly to the heart of the matter, as my friend from South Carolina always does.

He points out that, despite spending reductions of about $45 billion in 2 years, we are caught up in a vicious circle of "* * * inflation, causing deficits, causing inflation, causing deficits. * * *" And he notes that most tax cut proposals before Congress do not address "* * * the problem of big deficits, high inflation and high interest rates."

He goes on to say:

> The first order of business is to stop deficit spending. We can do this and at the same time stimulate investment, savings and productivity.

This week Senator HOLLINGS will demonstrate just how that can be done. He will be proposing that as "the first order of business" we reduce both business and individual taxes in the ways best calculated to increase savings and investment. This would be followed in 1983 by a general personal income tax reduction. I am proud to be a cosponsor of this sensible proposal, which will result in a balanced budget in fiscal year 1984—not a deficit of as much as $60 billion as the Finance Committee's proposal is most likely to do.

There is no question but what the Senator from South Carolina is headed in the right direction in the tax reduction package he will present to the Senate later this week. Therefore, Mr. President, I ask unanimous consent that his article which appeared in the Washington Post on Sunday, July 19, 1981, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

TAX CUTS: ARE WE HEADED IN THE RIGHT DIRECTION?

(By ERNEST F. HOLLINGS)

William Niskanen of the White House Council of Economic Advisors said last week that President Reagan's economic aides are "puzzled and confused" about the persistence of high interest rates. It was thought that the president's budget and tax programs would trigger a burst of confidence in the financial markets leading to lower inflationary expectations and lower interest rates. There is no question that President Reagan has obtained a dramatic breakthrough on the economic front. In six months, he has cut some $37 billion in spending—a feat thought impossible in January. But the Reagan strategy doesn't seem to be working. Why? Because of three significant misconceptions.

The first misconception is that we have had decades of irresponsible government and that one responsible administration could quickly balance the budget and boost public confidence. That fact is that, until the last decade, the federal government has been responsible. The cumulative deficit for the period 1951–1960 amounted to only $17.7 billion. For the next 10-year period, 1961–1970, it went to $57 billion. So for those 20 years, we had a cumulative deficit of $74.7 billion. But for the last 10 years, the cumulative deficit exceeds $400 billion. With this kind of surge in red ink, the cost of interest on the national debt is running at an annual rate of $90 billion. No president coming to office at the height of this surge could turn it around in a year. Economically, it shouldn't be done in a year's time because this would result in a deep recession, high unemployment and further revenue losses. But it can be done in three years, and, properly phased-in, the Reagan program can work. For now, the good news of a $37 billion cut in spending is offset by the $37 billion increase for defense and other programs. Economists looking at the bottom line don't consider this part of the Reagan program much of a change.

The second misconception is that Washington makes money from inflation. The administration's perception of Congress' meeting gleefully each year to distribute a huge pile of additional tax revenues collected by inflation is erroneous. True, taxpayers are ratcheted into higher brackets by inflation. True, the government will receive a windfall of $70 billion in tax revenues this year. But federal programs are indexed for inflation. So Social Security. Civil Service retirement, veterans, defense costs, interest costs, etc., will soar by $83.1 billion. To keep programs levelly funded, we have been cutting back either the program or the benefits. Last year's reconciliation bill amounted to an $8 billion reduction in the deficit. Even with $8 billion and $37 billion in savings, inflation will call next year for another cut—or a large deficit. Congress is caught up—inflation, causing deficits, causing inflation, causing deficits. . . .

The third misconception is that a tax cut always amounts to a tax cut. Not necessarily. We had a balanced budget and surplus for fiscal 1969. But since that time there have been seven tax cuts amounting to tax reductions, or a loss in revenue of $731 billion. These continuous deficits require the government to be constantly in the financial market borrowing money to pay for the deficit—thereby increasing inflation and increasing the rate of interest. Accordingly, a fiscal policy of deficit spending causes sustained inflation throughout the economy: wage and price increases; persons being ratcheted up into higher tax brackets; and millions coming into the income-tax system for the first time. In reality, this kind of tax cut results in a tax increase for millions.

When the president recommends a tax cut, Wall Street and the business community see it as more of the same. A cross-section of the best financial and economic minds recently met in Washington. Looking at the $150 billion tax cut for the next three years, observing that only $30 billion was for investment and savings but $120 billion was on the demand-inflationary side and studying the increases and decreases in spending, they projected roughly a $60 billion deficit for 1982, a $60 billion deficit for 1983 and a $60 billion deficit for 1984. As economists see it, Republicans and Democrats are submitting the same old program of large deficits for the next three years. Both parties favor the spending cuts (Democrats, on two occasions, voted in the Senate for the cuts by almost 2-to-1). Both parties call for an approximate $40 billion tax cut for two or three years. Some differ with respect to how the cut is kiltered, but it amounts to the same loss in revenue. Neither approach addresses the problem of big deficits, high inflation and high interest rates. So the judgment flowing back to the business and investment houses of the nation is that we will continue to have high interest rates. White House aides shouldn't be "confused."

The first order of business is to stop deficit spending. We can do this and at the same time stimulate investment, savings and productivity—do it exactly the way President Kennedy did it in 1962, when he first gave a tax cut solely to business. Then in 1964, it was followed with across-the-board individual income tax cuts. If we can restrict the tax cut for '82 solely to business and savings, we can stimulate plant modernization and make our industry competitive with the West Germans and the Japanese. The Finance Committee's provisions on depreciation allowance, capital gains, overseas earnings, the marriage tax penalty, and a savings certificate should be passed immediately at a cost of $12 billion—rather than the $40 billion cut. Across-the-board individual income tax cuts should be withheld until January 1983. Then we can give a 10 percent cut in 1983 and subsequent years. We would have a $35 billion deficit, rather than $60 billion in 1982. And other than a $60 billion deficit, we would have a balanced budget by 1984. In this way, we can bring interest rates down to size.

Adlai Stevenson, asked whether he was conservative or liberal, said that was not the important question. The important question is: Am I headed in the right direction? This is the need of the hour: to head America in the right direction. Most of the President's program can be accepted with a proper phase-in. But under the present proposal, huge deficits and high interest rates are guaranteed for the next three years.

DEATH OF DENVER DICKERSON

Mr. PELL. Mr. President, I was deeply saddened to learn of the death yesterday of Denver Dickerson, a man known and

admired throughout the Congress for his excellent work as staff director of the Joint Committee on Printing from 1973 until his retirement in March 1980.

Denver Dickerson was a thoroughly decent man who always conducted himself in an exemplary fashion and was always guided by commonsense and by a spirit of respect and compassion for his coworkers.

As a former member and chairman of the Joint Committee on Printing, I worked closely with him for several years and had the benefit of his wise counsel and his sound judgment.

His service with the Joint Committee capped a distinguished and diversified career of service to the public, both in Government and as a newspaper editor and columnist. A native son of Nevada, where his father was Governor, Denver was the youngest speaker of that State's assembly, at the age of 28. He served with honor in the Army in World War II, as an officer of the U.S. Information Agency in Burma, as a staff member for our former colleague Alan Bible of Nevada, and as Lieutenant Governor of Guam, a post to which he was appointed by President Kennedy in 1963.

Mr. President, Denver Dickerson was a fine man who served his State and his country most ably. He brought credit upon himself and his fine family throughout his life and his death is a loss for us all. My wife joins me in grieving for and with his wife, Maxine, and their daughter and son.

THE DANGER IN HIGH INTEREST RATE POLICIES

Mr. BIDEN. Mr. President, many of us here in the Senate have become increasingly alarmed by the persistence of high interest rates. These rates threaten to stifle economic activity, push up unemployment, create havoc in the housing and automobile industries, and threaten the viability of our thrift institutions.

Many of us have expressed our deep concern about the possibility of an approaching economic crisis as the Federal Reserve Board continues to pursue a monetary policy that holds interest rates at unnaturally high levels above inflation.

Perhaps of even greater concern is the fact that it is the administration's fiscal policies that are forcing this high interest rate policy. Despite protestations of fiscal responsibility, the administration supports policies of continued high Federal deficits that threaten to set off new waves of inflation should the Federal Reserve Board ease its unrealistic monetary policy.

Even though our national debt will soar above the $1 trillion level in 1981, the administration pursues policies that will continue budget deficits. The most recent example is the tax reduction proposal now being considered by the Senate. If adopted in its present form—which seems very likely—that proposal will very likely result in a deficit of $80 billion in fiscal year 1984—not the balanced budget that the administration insists is its goal.

Hobart Rowen had an interesting article on this very problem that appeared in the Washington Post on Sunday, July 19, 1981. Entitled "High Loan Rates May Be Too Costly for Economy," the article presents graphically the serious costs to the economy that can result from continued high interest rates.

It is a most valuable article, Mr. President, and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HIGH LOAN RATES MAY BE TOO COSTLY FOR ECONOMY

(By Hobart Rowen)

Interest rates are much too high. They threaten a national economic crisis, especially in the auto, housing and thrift industries.

Quite apart from the recent well-publicized complaints of European leaders that high U.S. interest rates are creating problems for them, the objective evidence is that a monetarist policy being pursued by the Federal Reserve Board has pushed interest rates higher than they ought to be—and higher than the Fed itself expected them to be.

Even President Reagan's economic advisers, according to one of them, are "puzzled" and "confused" about the persistence of high interest rates although they propose to stick with present policy, a decision based "more on confusion than conviction." This is the view of William Niskanen, one of the three members of the Council of Economic Advisers.

One gets the feeling that Federal Reserve policymakers are compulsively flirting with economic disaster because they are afraid to shift gears, believing that as bad as things are now, they would be even worse if policy were prematurely eased.

In part, the puzzlement cited by Niskanen arises because interest rates have continued to soar even though inflation has come down dramatically. The Consumer Price Index is running at an annual rate of 8.2 percent, compared with 13.3 percent two years ago. When measured against a 14½ percent Treasury bill rate, the "real" interest rate is more than 6 percent, well above the conventional level of 2 to 3 percent.

Even if one decides to measure inflation not by the CPI but by a higher, assumed underlying inflation rate of 9 percent or so, the "real" interest rate is at an historic peak. It's a complete reversal of the pattern two years ago when "real" interest rates were negative because a 10 percent yield was running behind the 13.3 percent inflation rate.

The consequences of a policy that keeps interest rates this high are dramatic. Domestic auto sales have collapsed to an annual rate of about 5 million, a 20-year low. Meanwhile, the savings and loan industry has been pushed to the edge of a disaster that could force the government into a bailout costing as much as $50 billion, according to economist Alan Greenspan.

Niskanen says that at a recent informal session among six government economists, including some from the Fed, "there were eight different explanations (for the peak level of real interest rates)—and we didn't have a good one."

It doesn't seem all that mysterious: In a telephone interview, Salomon Bros. money expert Henry Kaufman said the record real interest-rate level "reflects the heavy burden being placed on monetary policy. In the next 12 months, we'll have a major tax cut, increased defense spending and bigger federal deficits. In that environment, what can you expect from interest rates?" Kaufman predicts that within a year, unless the government curbs the big military build-up, the prime rate will top the 21½ percent level set last year.

Kaufman's basic theme isn't challenged at the Fed when officials speak off the record. A well-posted source uses these plain words: "We face a real dilemma: The financial markets don't believe Reagan will be able to cut the federal deficit. If they [the Reagan administration] were to cut their proposed defense spending increase in half, you'd see an immediate reduction in interest rates.

"But if we were to change monetary policy now by pumping more reserves into the market, we would lose all our credibility and long-term rates would rise at least 2 or 3 points. It's one hell of a problem because autos, housing, and the S&Ls are in trouble. But so long as Reagan puts all of the burden on us, we've got no choice."

In effect, the Federal Reserve has consciously made a decision that the economy overall is resilient enough to take its austere policy even though the interest-sensitive sectors such as housing and the thrifts are in serious trouble. "In a way," says a Fed source, "as we continue this policy—although I hasten to say that's not why we are doing it—we're putting pressure on the Reagan administration. We're forcing them to face up to the significance of the big budget deficit."

But how long can this lethal game go on? The economy appears to be entering a general downturn or recession. Richard Pratt, head of the Federal Home Loan Bank Board, says that fully one-third of the nation's 4,700 S&Ls "are not viable" under today's conditions of high interest rates.

Greenspan reports that because there is a limit to the number of strong institutions that can absorb weak ones, many S&Ls will have to be liquidated rather than merged out of existence. Insurance will protect depositors (up to $100,000), but the government may have to put up so much cash or credit that it could "seriously threaten the success of the president's anti-inflation program," Greenspan concludes.

Thus, the wisdom of blindly following a high-interest-rate policy needs to be reexamined. The Reagan administration is beginning to worry enough about the problem to be predicting that interest rates will be coming down. But you don't get that kind of soothing assurance from the Fed. In the end, it may take a corporate bankruptcy or an international financial crisis to force a change in policy, and in the underlying monetarist dogma.

THE NEED FOR A LONG-TERM PLAN FOR THE CIVILIAN SPACE PROGRAM

Mr. CANNON. Mr. President, I would like to call to the attention of my colleagues the Aviation Week and Space Technology editorial of July 6, "Dozing on the Goal Line." In it, William H. Gregory, the editor of Aviation Week, rightly points out the need for the United States to pull together the various threads of its space program, and—

To make broad policy decisions on where the U.S. should go in space and how it should get there.

The successful first flight of the Space Shuttle in April makes these decisions all the more appropriate and necessary. For we will soon have the capability to travel routinely from Earth to low Earth orbit in space and to stay there for about a week at a time. And, additional capabilities that the United States could de-

velop during the 1980's would permit us to work in and utilize space for a wide range of activities. Mr. President, we ought to develop this capability for our national security, to expand our commercial use of space, to advance our knowledge of the universe, and promote international cooperation.

With regard to commercial uses of the space environment, it is anticipated that the telecommunications industry will exhibit tremendous growth. A recent Business Week article indicated that the communications industry might grow from a $30 billion a year industry today to a $150 billion industry by 1990, and that a significant portion of this growth will occur in such new services as high-speed data communications and video teleconferencing. This growth will substantially expand the need for communications satellites over the next 10 to 20 years. Additional commercial revenue might be provided during this time period for an operational remote sensing system which could be used to gather information on our renewable and nonrenewable resources, and we are just beginning to examine the possible manufacture in space of such economically important products as pharmaceuticals and semiconductor crystals.

Mr. President, the Aviation Week editorial also discusses the decline in the U.S. space exploration effort. In March, Bruce Murray, director of the Jet Propulsion Laboratory stated:

The U.S. deep space program is in jeopardy and even may face extinction. Despite the widespread popularity and national significance of our remarkable deep space effort, this nation's unique capability to explore the solar system is fast eroding and approaching collapse.

I believe that we should not be so shortsighted that we allow this decline to occur.

Mr. Gregory's editorial should encourage us as a nation to open our eyes to the potential of space. Clearly, the accomplishments and plans of the Soviet Union, the European Community, the Japanese, and others indicate the significance they attach to space. As he aptly concludes:

Most of the framework for a long-term U.S. space plan already exists in NASA and the Pentagon. What is needed is the will to pull it together and to make the broad policy decisions on where the United States should go in space and how it should get there. If the planning decisions are not made now, the emerging space powers overseas, by acting, will shape the future of space for the United States.

I ask unanimous consent that the editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

DOZING ON THE GOAL LINE

(By William H. Gregory)

U.S. space policy makers are still calling for public and political support for a post-shuttle national goal in the form of a large space station as the Soviet Union is taking the first steps toward building one. A successful automated docking of a Soviet prototype module for such a space station last month got surprisingly little attention in the U.S., although the Soviets, including President Leonid Brezhnev, subsequently made no bones about where they are heading: permanent orbital structures with rotating work forces.

It deserved wider attention. One more docking in space may not have the simple crackling public appeal of putting the first man-made object into space that Sputnik 1 had when it electrified the West in 1957. As the first step for the assembly of a large space station, though, it is equally significant. Sputnik 1 proved that space was open to unmanned, and potentially manned, exploration. Cosmos 1,267's docking with the Salyut spacecraft is the beginning of man's living and working in space on a sustained basis.

The galling aspect of the Soviet achievement for American space technologists is that the Soviets are moving into orbit with a large space station prototype with a lower order technology than this country has at its fingertips. America is honing this technology further with the orbital flight testing of the space shuttle, but without any rudder in the sense of explicit consensus of the national leadership on how this new technology will be applied.

Soviet aerospace technology in general on display at the Paris air show in powerplants and components was behind Western state of the art, although there were interesting space developments in pressure suits and tools. From the Apollo-Soyuz Test Program joint mission, U.S. astronauts saw firsthand that Soviet space technology was nowhere near the U.S. in instrumentation, avionics, propulsion and materials. None of this has deterred the Soviets in the least in running a busier launch schedule than the U.S. has.

A second achievement overseas was the successful launch of the European Space Agency Ariane booster from French Guiana. Both the Soviet docking and the Ariane launch coincidentally came on the same day, June 19. Both had a similar message for the U.S. Neither represents space technology as advanced as the U.S. space shuttle, but both are part of long-term national space plans.

European space planning—which includes the European-built Spacelab to fly on the U.S. space shuttle—runs out into the next century. A marketing group called Arianespace is in being to take over the manufacture and marketing of this European launch vehicle when the European Space Agency development program is over, in a calculated effort to find a space market niche. That is to capture customers for an expendable booster if unexpected development problems delay shuttle's flight schedule any further—or eventually head-to-head with an operational shuttle.

In the process, Europe is developing its independent space technology bank to cover the full spectrum: launch vehicle operations, launch site facilities, manned and unmanned spacecraft development and production. American illusions that space technology is a two-nation game, with the only U.S. rival a lagging Soviet technology, are due for shattering. Europe is developing a capable competitive team—not to mention Japan, India and China, which also will have hands to play eventually.

Most common prescription or what the U.S. needs is a new national goal, one like a large space station around which to focus a massive effort like Apollo. The trouble with that idea is that it smacks of trying to reenact the glories of the Apollo program 10 years after the fact.

Apollo was a fitting, single focus to spark the U.S. space program off the starting mark after the Soviets put the first man into orbit. It had the sweep and imagination to command public support to turn space from an embryonic concept to operational tehchnology. Now the technology is ready for service—military or commercial. It's time to put space to work and that means a long-term national plan, not a space spectacular. A few of many issues that should be considered:

Establishment of the respective military, civil and commercial roles in the U.S. space effort. Shuttle operations are doing this on an ad hoc basis, but there is no updated mandate like the clear-cut policy under which Apollo matured for establishment of a civil space agency, rather than military, to develop space technology.

Direction and scope of U.S. planetary exploration. It is a travesty that the U.S. planet program is atrophying, the program that brought the magnificent achievements of Mariner missions to Mercury, Venus and Mars, the Viking Mars landers and the Pioneer and Voyager missions to Jupiter and Saturn. Building on these technical triumphs of the century is now a function of bean counting, not national interests. Without a plan, opportunity is being frittered away.

International cooperation. Joint programs with other nations cannot be left to annual budgetary whims, as in the case of the International Solar-Polar Mission this year, without disillusioning future partners as to the reliability of the U.S.

Most of the framework for a long-term U.S. space plan already exists in NASA and the Pentagon. What is needed is the will to put it together and to make the broad policy decisions on where the U.S. should go in space and how it should get there. If the planning decisions are not made now, the emerging space powers overseas, by acting, will shape the future of space for the U.S.

WOMEN IN THE FOREIGN SERVICE

Mr. PERCY. Mr. President, I would like to call the attention of my colleagues to an article which appeared in the January issue of the Foreign Service Journal. "Women in the Foreign Service: A Quiet Revolution" traces the obstacles faced by women in the U.S. diplomatic corps since the foreign service was founded. The article is an inspiration in two ways.

It shows us how far we have come since the days when women were considered generally unsuitable for diplomatic service. And, on the other hand, it shows us how far we still must go to make women equal partners in formulating and carrying out foreign policy.

The article relates the history of the Women's Action Organization which has proven to be a compelling force seeking to remove the obstacles to women's advancement in the foreign service. The women who are now coming into the service owe a great debt to those women who have spent endless hours organizing, strategizing, and pressing for reform.

The path for women's advancement in the diplomatic corps has become wider, brighter, and increasingly better traveled as a result of WAO's activities.

I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WOMEN IN THE FOREIGN SERVICE: A QUIET REVOLUTION

(By Barbara J. Good)

Any role for women in United States foreign policy and diplomacy is recent. Until just a decade ago, the Foreign Service to a large degree, and the domestic service to a lesser, reflected and applied all of the tradi-

tional prejudices against employed women known in American society as a whole.

Discrimination began when the Department of State itself began, under our first secretary of state, Thomas Jefferson, in 1789. His staff of seven clerks did not include any women. Jefferson as president (1800–1808) declared in a letter to Secretary of the Treasury Albert Gallatin, that women in public office were an innovation for which neither the citizenry nor he was prepared.

The first female employee of the Department of State was one Mrs. March, according to the historian Homer L. Calkin in *Women in the Department of State: Their Role in American Foreign Affairs*. On September 28, 1804 she received six cents a copy for "folding, stitching and covering with cartridge and blue paper" each of 3,467 copies of the laws passed by the first session of the eighth Congress. The modest beginning was auspicious only in one respect: there was no discrimination in pay; Mrs. March received the same amount given one William Duane for similar work. Still, for many years, no woman could be employed in the department except on a parttime basis, and usually the work was done at home because women were not allowed on government premises. The common task was that of copyist, the forerunner of today's typist.

Slowly, however, major barriers fell until one remained—the permission to join the diplomatic service. During the 19th century a number of women unsuccessfully sought appointments in U.S. diplomatic and consular missions abroad. In 1909 Frederick Van Dyne explained the problem as diplomats then saw it. He wrote: "Perhaps the greatest obstacle to the employment of women as diplomatic officers is their well-known inability to keep a secret."

The women's suffrage movement and World War I in all likelihood gave women inspiration and opportunity to enter more fields of employment. A woman took the examination for the diplomatic service in 1921, but alas, failed both the written and the oral examinations, which were then given together. In 1921–23 there were ten instances when women took the Foreign Service examinations—six for the diplomatic exams and four the consular exams. But it was Lucile Atcherson of Ohio who became the first woman to pass the examinations and become an officer in the US diplomatic service in 1922. Ms. Atcherson ranked third in the examination with a score of 86.60, only .57 percent behind the highest scoring candidate. A second woman entered the service in 1925. One senior officer (male) subsequently proposed a ban on admitting more women. He thought it a good idea to wait and observe the usefulness of those already in before opening the "floodgates," even though Secretary of State Charles Evans Hughes, in 1924, had supported fair treatment of all persons.

The "flood" of women recruits was at best only a trickle. Between 1921 and the onset of World War II, only six women were appointed as officers via the examination process. The all-male establishment had many simplistic and paternalistic notions about women, it was convinced, for example, that women serving abroad would be "compromised" by male officials in the country of assignment, that in Moslem countries they would be faced with purdah, and that women could not function in the traditional "macho" societies of Latin America. Women in the Foreign Service would, it was thought, also come in contact with the "wrong elements"; consular work overseas could mean dealing with rough and tough sailors, police officials, and prisoners. Furthermore, the department believed that foreign affairs ministries abroad might not take a woman seriously as a political officer. Finally, when women were admitted as Foreign Service officers, it was understood that they would remain single; a marriage certificate required a letter of resignation—policy which, though unwritten, remained for almost 50 years; that is, until mid-1971.

The policy of "femina non grata" was not equally true for secretaries. Few men were willing to do secretarial work, except in the earliest days of diplomacy when private male secretaries entered the service. Those men accepted secretarial duties as a means for entrance into an elite, if ill-paid, diplomatic service. Warren Frederick Ilichman in *Professional Diplomacy* wrote: "The preeminently masculine calling of diplomacy was exposed after the war to the 'onslaught' of the liberated and newly enfranchised American women."

A shortage of manpower during World War II and rapidly expanding global diplomatic relations after the war gradually increased the number of women serving in foreign affairs. A few women even managed to rise to senior positions, among them, Ruth Bryan Owen, who was named minister plenipotentiary to Denmark by President Franklin D. Roosevelt in 1933. Frances E. Willis served as ambassador to Switzerland, Norway and Ceylon (now Sri Lanka); Margaret Joy Tibbets, ambassador to Norway; Carol C. Laise, ambassador to Nepal and later the first woman director general of the Foreign Service. Many of these women have since retired. With peace and return to "normalcy" the male-dominated establishment reasserted its traditional attitudes. Recruitment of women into the Forign Service remained at the suspiciously constant low level of about seven percent for more than a decade prior to 1971. Among the few recruited, the rate of promotion was only a third that of men as late as 1969, and only a scant few managed to move to the top. The number in the Foreign Service reached its lowest point at 4.8 percent. These facts, plus the dynamic resurgence of the nationwide women's movement in the late '60s and early '70s spurred women in the State Department to organize in order to redress the long-standing discrimination and to demand equitable treatment. The reform group, the Women's Action Organization (WAO) represented not only the Department of State, but the Agency for International Development (AID), and the then-United States Information Agency (USIA)*, both agencies sending employees abroad and modeling their personnel policies almost entirely on those of the State Department.

When the reemergence of the women's movement provided a favorable climate for activism, I was fortunate to be in a position to help found the WAO. In 1951, as a struggling artist just out of Berkeley with no funds to continue my studies abroad as planned, I had jumped at the chance to join the State Department for a foreign assignment. My first job was as a cryptographer which sounded intriguing and important, though I was quickly to discover its limitations. All Foreign Service employees must agree to serve worldwide; I requested Rome so I could continue my studies. Luckily, I was assigned there. In those days the *dolce far niente* philosophy still permeated Italy, but it stopped short at the gate of the US embassy. There the Protestant work ethic prevailed. I soon found that constantly-changing work shifts precluded any courses at the School of Fine Arts. This displeased me, but by then I realized that life as a serious woman artist would mean far greater sacrifice than the possibility of the prospect of spinsterhood in a career that would take me around the world. Even though the work itself was routine and boring, by that time the glamour, excitement, and wanderlust of the foreign service life had captured me. Assignments took me to South America and the Orient. Despite my growing sense that management and my colleagues in the Foreign Service did not particularly favor women, I decided to make the most of it.

In 1965, the Department of State assigned me back to the office of personnel in Washington as a Foreign Service recruiter, traveling around the country promoting the Foreign Service and interviewing young men and women candidates. This job was a turning point for me. It was then I really learned for the first time how disproportionately difficult it was for women to overcome the hurdles as candidates for the Foreign Service and subsequently as officers. Fortunately, being on home territory gave me the opportunity to become an activist. I realize how difficult achieving change from within was going to be. Working alone I found that my repeated efforts and suggestions were eventually ground down in the bureaucratic mill. My experience was not unique. Some of the finest women officers had expressed great frustration. One woman assigned to the department's equal employment office, and who consequently knew the rather grim statistics on the status of women in the State Department and the obstacles to promotion and change, expressed her hopelessness by resigning from the Foreign Service.

In 1968 the department's professional association, the American Foreign Service Association (AFSA), began a thorough reevaluation of the conduct of our nation's foreign affairs in response to the challenges posed by the dramatic technological innovations of the electronic age. None of the AFSA recommendations dealt even peripherally with women's role and concerns. Some women expressed indignation at this lack of attention to their aspirations and potentials. One of them was Jean Joyce, then senior reports advisor in the bureau of educational and cultural affairs (CU), who told the president of AFSA that even in CU (where women were usually numerous) there were no women attending top policy-making meetings. No woman in CU was ever promoted to the position of office "director"—the level at which such meetings were held.

At that time (1970), I was the lone woman on the AFSA board of directors and Jean's observations were passed to me. As the staff corps' representative on the AFSA slate, I was the only member representing the interests of the non-officer group which consisted largely of women—secretaries, communicators (cryptographers), and other clerical and administrative elements.

A majority of the members of the AFSA board that year were already known as the "young Turks" because, contrary to past behavior, they raised voices of protest in an institution that prided itself on discipline and obedience. They were interested in changing old patterns of diplomacy; they were tired of the "striped pants" image in an age of shirtsleeve diplomacy. Some were liberals who had been active in the civil rights movement of the '60s and were becoming sensitive to human rights as well as women's rights. While the AFSA platform was not specific on women's issues, I nevertheless thought this would be an appropriate time to challenge attitudes toward the staff corps and women in general. The "young Turk" reformers promised me that they would work for more equitable treatment of men and women in the staff corps. I thus began to work with Jean and others to help organize a quiet revolution on broader women's issues. We found nine like-minded women from State, USIA and AID who were prepared, in spite of risks to their careers, to organize to do battle for the elimination of sex discrimination. Outstanding among them was Mary Olmstead, a high-ranking officer of the elite career service who agreed to serve first as our spokesperson and later, after we organized more formally, as our first president. Acting first in the summer of 1970 as the ad hoc committee to improve the status of women,

*Now the International Communications Agency (ICA).

we steadily added new members until by mid-August, we numbered about 50 from all ranks. Mildred Marcy, then in charge of women's affairs at USIA, was brought into our deliberations by Bernice Baer, one of the ad hoc committee members who early on had attempted to involve others from USIA in our quiet revolution. On the 50th anniversary of Women's Suffrage Day in August 1970, Mrs. Marcy arranged for the ad hoc committee to meet with the State Department's deputy undersecretary for management, William B. Macomber, to state our case. We were fortunate to have such a man in such a crucial post at that time. Secretary Macomber was willing and able to listen sympathetically and to lend effective support to our proposals for policy changes.

We asked for an opportunity for a broad meeting of women employed by all three foreign agencies. At Secretary Macomber's request, the ad hoc committee worked very hard to gather the necessary information on women's status and needs for inclusion in each of the 13 departmental task force reports. When the results of our combined efforts were presented at the meeting, many management officers appeared taken aback by the repeated inequities which we cited and which they were forced to face for the first time. Of course no ready answers were available, but at last the unspoken issues had been definitively raised.

Our early successes and the now-obvious willingness of management to work with us led us to consider what kind of a more permanent organization would best serve our needs. Should we be a committee with AFSA, a group linked to the American Federation of Government Employees, or one that would be totally autonomous and represent women in all categories? The AFSA president, William Harrop, wisely agreed with many of our members that we should become totally autonomous. It was felt that our voice would be strongest as an independent organization. First, it was formally agreed that we should serve all categories of women in the three foreign affairs agencies. Other extremely important decisions were that we would be a voluntary organization within State/AID/USIA which could act independently and quickly; but also that we would work, not by sharp confrontations or militancy, but by dealing directly with management, putting on and keeping on pressure to bring about reform. Our target continued to be chiefly persons in the top management of the State Department—such as, for example, Undersecretary Macomber since, as noted earlier, State personnel policies set the pattern for the other two foreign affairs agencies.

By November 1970 the Ad Hoc Committee formally became the Women's Action Organization (WAO) of State, AID and USIA. During this early period of WAO one of the reforms we called for—and got—was an end to the ban on marriage for women in the foreign affairs agencies. This new policy subsequently permitted the foreign affairs agencies to employ working couples. Other reforms included a reduction of the inequity between allowances granted men and women in living arrangements and other perquisites, and a reduction of discrimination in hiring and assignment practices. For these initiatives, our ad hoc committee was given a management award in 1972 by the president of the United States. Mary Olmsted, our first president, received the coveted Christian Herter Award in the same year for "intellectual courage."

More and more of our proposals were adopted and old inequities righted, and our worldwide membership rose to over 1,000. We realized that we were being helped not only by a cooperative undersecretary for management, but also by the growing strength of the women's movement nationwide. Women's reform movements were being pushed everywhere, especially in the organized professions and unions, and were making front-page news almost daily. The State Department's politically astute Undersecretary Macomber realized he was facing a national, not a purely internal, social revolution.

Our work as an organization independent of AFSA was also facilitated by the establishment in 1968 of the Federal Women's Program by the federal government. Agencies were directed to appoint a women's program coordinator to monitor and implement the program.

Finally, in August, 1970, and specifically in response to demands made on it by WAO members, the State Department appointed a part-time women's program coordinator, Elizabeth Harper, as well as an official committee. Jean Joyce, Alison Palmer and I were among those asked to serve on this first committee. By 1972, the coordinator position was made full-time with the title of special assistant to the deputy undersecretary of management. The first woman to hold that high-level position was an outstanding manager and feminist, Gladys P. Rogers. She recognized the tremendous value of a pressure group like WAO and, although a management representative, she worked closely with us in toppling the many blatant and archaic policies which discriminated against women. The timing of the mandated program greatly facilitated WAO's effort to press for change.

WAO's years since 1973 have been less dramatic since the most glaring inequities and practices, such as the ban on marriage, were eliminated early. Nevertheless, under a succession of committed presidents and with a growing worldwide membership, WAO has had plenty to do. Discrimination against women continued and persists today. Correcting such problems requires changes both in basic attitudes and in the power structure itself.

One particular field of concentration among the younger officers and their spouses, grouped in a department-sponsored organization called the Open Forum, was the demand for greater recognition of the professional (as contrasted with the "teapourer") status of spouses. WAO moved quickly to support their position. We also focused on the need to use the professional skills of Foreign Service spouses and initiated the first spouses' "skills bank" which Cynthia Chard, a Foreign Service spouse and WAO board member, both pioneered and carried out. This "skills bank" became the forerunner for the department's creation of a long-needed office, the Family Liaison Office (FLO), to deal with the many special problems and stresses of Foreign Service families.

WAO has also worked persistently to secure less sexist treatment of women employees. Here, equality in women's working conditions at posts around the world is an important goal. For example, WAO has urged an end to exclusion of women officers from overseas all-male clubs where important information is often exchanged, and valuable local contacts made. Ambassador Robert Strausz-Hupé served as a pioneer in this area by influencing the all-male American Club of Stockholm to accept women members. Other such clubs have now opened their doors to women, including the American Club in Madrid, Spain where Ambassador Terence Todman declined the traditional honorary membership afforded to chiefs of mission until the club charter was revised to drop discrimination.

WAO has recently been stressing the importance of implicit and explicit bias in the Foreign Service's performance evaluation and promotion system. These performance ratings often institutionalized discrimination against women, and remain crucial obstacles to the achievement of equal opportunity and promotion. Lois Roth (ICA) wrote a paper for WAO entitled "Nice Girl or Pushy Bitch: Two Roads to Nonpromotion," which said, in part: For instance, "kind and supportive" remarks about women officers often perpetuate myths and values that get read in the promotion process as weakness, and that, in calling women pushy or abrasive when they are properly ambitious, men are using a double standard that does women in the Service great disservice and ultimately men in the Service dishonor.

In reflecting upon WAO's first decade and its achievements, we are aware that our very existence is unique. To my knowledge, and from my conversations with UN colleagues, in no other career foreign service in the world have women organized with men voluntarily to accomplish similarly—and equally needed—reforms. WAO in this sense might be said to serve as a model for the rest of the world. WAO is also unique in that, unlike some feminists in other fields, we have encouraged men to join us and to serve on our board of directors.

Reflection as we go into our second decade (and the State Department's third century) must include the fact that WAO has had some failures, as well as successes, and has sometimes been criticized for its moderate position. For example, when the ad hoc committee was first moving in 1970, our early meetings included Alison Palmer, mentioned earlier. She chose, however, to pursue a militant course independently of WAO, and brought the first formal discrimination complaint against the Department of State. She charged discrimination against women in assignment to posts abroad which, as in her own situation, hampered career advancement. Her victory in 1971 was a landmark event for all Foreign Service women, resulting in a management directive categorically outlawing all discrimination in assignments. While this directive benefited all women employees, not all viewed Alison sympathically when she subsequently became the moving force behind a class action suit on behalf of women Foreign Service officers. WAO, after long discussion, joined her in that 1975 effort, which caused a temporary split in our ranks. Some WAO members believed that we had taken a "confrontation-with-management" posture in violation of our "work-with-management" philosophy. Although the WAO wounds have healed, we remain a somewhat silent partner in the suit, which has now dragged on without a decision into its fourth year. Meanwhile, in all activities and contact with management, we continue to work "within the system" in a policy of moderation, using sustained pressure to achieve our aims.

As to WAO's shortcomings, we clearly do not have enough low-ranking women and minority women among our members nor enough high-level women. In some instances, facing women who have "made it" in the system can present special problems. Some who have been successful in invading the virtually all-male "room at the top" often help perpetuate male-dictated attitudes.

There are many people, men and women, in power points at the top echelons who similarly are not ready for equal rights. While it may not be within WAO's power to change attitudes and behavior at all levels, we are certainly greatly indebted to those few outstanding men and women who, despite their high rank, have given us crucial help and encouragement. For example, in my opinion, Secretary of State Cyrus Vance was possibly, until his resignation in April 1980, the most enlightened and aggressive leader the State Department has ever had on the subject of equal employment opportunity. He came to the position understanding the problems, and one of his first tasks was to establish a special executive-level task force on affirmative action. WAO spent hundreds of hours helping this task force with studies and recommending remedies. Secretary Vance frequently took time, in spite of his tremendous other burdens, to review progress and problems with us.

One of the major accomplishments of the past two years has been the development of a new foreign policy directive on the worldwide status and rights of women, the first of its kind in the history of the Department of State. Ambassador Marshall Green played a major role in developing this directive, whose first dramatic sentence by Secretary Vance reads: "A key objective of U.S. foreign policy is to advance worldwide the status and condition of women." With the formulation of this foreign policy directive, one recently reaffirmed by Secretary of State Edmund Muskie, women's rights have now become internationally an integral part of the U.S. human rights policy.

Improving the conditioning and rights of women, both in the United States and worldwide, is a formidable task; we are aware that we have embarked on a long journey where progress is hard to measure. But, looking back over the last decade, progress is visible while far from enough. When the Foreign Service women began to organize to safeguard and enhance their status in 1970, less than 5 percent of the Foreign Service officer corps was female; at the end of 1979, women constituted 11.5 percent of that elite group—proportionately over twice as many. While increases at the top levels were minuscule (due to slow career promotion rates), female representation at the incoming junior level went from 9 percent to 20 percent in eight years—reflecting, I believe, reforms like elimination of the "no-marriage" rule and a more active recruitment of women. As to women in the department's civil service, while there has been no progress at the top, there has been a more than 6 percent gain among women in middle-level posts earning from about $25,000 to $50,000.

In the 36 years from 1933 (when the first woman, Ruth Bryan Owen, was named chief of a United States mission abroad) to 1969, 11 women have served in that top role (seven were political appointments, just as men have long been similarly chosen, and four were career officers). In the decade before October 1980, 26 women, one of them our first WAO president, Mary Olmsted, were named to ambassadorial posts (14 political and 12 career), a dramatic change reflecting, again, in my opinion, the positive impact that WAO and the women's movement have had on the United States foreign affairs agencies.

FDA APPROVES ASPARTAME

Mr. PERCY. Mr. President, I want to commend the Food and Drug Administration for its decision to approve at long last the low-calorie sweetener aspartame, which was developed by G. D. Searle & Co. of Skokie, Ill.

The FDA announced on July 15 that aspartame will be approved for sale as a tablet and as a free-flowing sugar substitute for dining table use and for use by manufacturers of cold cereals, drink mixes, instant coffee and tea, gelatins, pudding and fillings, and dairy products and toppings.

The road to approval has been a long one for G. D. Searle, which originally sought approval of aspartame in 1973. FDA OK'd the sweetener in 1974, but objections that aspartame might cause brain damage led to a stay of that approval.

Before that issue could be addressed, FDA called into question the quality of certain studies conducted for Searle drug approvals. An FDA audit of some 15 studies supporting aspartame's safety followed. The audit, which took more than 2 years, concluded that the sweetener studies were authentic. In December 1978, FDA accepted the findings which cleared G. D. Searle and recommended aspartame for marketing.

The agency then organized a scientific public board of inquiry of outside experts to study the issue of the link to brain damage. After hearings in January and February 1980 the board found that evidence did not support the charge that aspartame might kill clusters of brain cells or cause other brain damage.

Despite that finding, the board recommended that aspartame not be approved until further long-term animal testing could be conducted to rule out a possibility that aspartame might cause brain tumors. FDA's Bureau of Foods studied data already available and found the board's recommendation unwarranted. Commissioner Arthur Hull Hayes, Jr., agreed with the Bureau and announced approval of aspartame this week—8 years after Searle's original application.

I am pleased, Mr. President, that as a result of a recent Senate action, G. D. Searle will not be penalized under our patent laws. An amendment to the Patent Term Restoration Act offered by Senator HEFLIN, cosponsored by me, and accepted by the Senate will restore to aspartame patent life equal to the period of the FDA stay, which lasted 5½ years.

Mr. President, I ask unanimous consent that the text of the Commissioner's decision on aspartame be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

INTRODUCTION

The purpose of this proceeding has been to determine whether aspartame has been shown to be safe under Section 409 of the Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 348. The legal standard for approving Searle's food additive petition is whether there is a reasonable certainty in the minds of competent scientists that aspartame will not be harmful to the public under its proposed conditions of use. What is required of the agency, therefore, is the conscientious exercise of principled, scientific judgment. As Commissioner of Food and Drugs, my responsibility is to review the evidence and evaluate it fairly, state my reasons for crediting or not crediting certain evidence, weigh all the evidence, apply the correct legal standard, and decide.

This I have done, and I have concluded that aspartame has been shown to be safe for its proposed uses.[1] My reasons for this conclusion, with full citations to the administrative record, will be set forth in detail in the Final Decision to be published shortly in the Federal Register. In accordance with 21 U.S.C. 348(f)(3), the Final Decision will take effect ninety days after such publication.

A. The Brain Damage Issues: The first set of objections to the aspartame regulation concerned two distinct types of brain damage, one associated with each of aspartame's two amino acid components, phenylalanine and aspartic acid. The Board disagreed with these objections and found aspartame to be safe in terms of potential brain damage.

Two points stand out which require affirming the Board's decision on these brain damage issues. One is the enormously large amounts of aspartame that a normal person would need to consume before reaching even a cautiously estimated toxic threshold.[2] The second is the remarkably low amount of amino acid intake which would result, from even the 99th percentile of estimated aspartame consumption, in relation to the prevalence of these same amino acids in common protein foods.

1. Phenylalanine: The concern that has been raised over aspartame's phenylalanine (PHE) moiety is that sustained plasma-PHE levels above a certain toxic threshold may cause mental retardation, especially in the unborn fetus, similar to that resulting from phenylketonuria (PKU).

The toxic threshold for plasma-PHE levels is 100 μmol dl for normal persons, including infants, and 50 μmol/dl for pregnant women in order to protect their fetuses.[3] Normal plasma PHE levels range from 6–12 μmol/dl. Ingestion in a single sitting by an adult of a loading dose of aspartame, comparable to the 99th percentile of projected aspartame consumption for an entire day, caused plasma PHE levels to rise from a fasting level of 6 μmol/dl to a peak of only 11 μmol/dl, still within the normal range after eating and nowhere close to the toxic threshold. In clinical testing it took approximately six times that amount to induce plasma-PHE rise to the 50 μmol/dl level. For a 60 kg adult (132 pounds), this corresponds to 600 aspartame tablets or 24 liters (approximately 6½ gallons) of aspartame-sweetened beverage consumed in a single sitting. Such an enormous intake at one time, let alone continuously over a sustained period, is inconceivable. Thus, it appears that consumption of aspartame in reasonable amounts, or even in unreasonable but physically possible amounts, will not cause the type of brain damage of concern here (see generally, Board's Decision at 13–15).

I also agree with the Board's conclusion that the marketing of aspartame will not create any additional risk to PKU children not on a restricted diet, individuals heterozygous for PKU, undetected cases of PKU, or pregnant women with the special condition of hyperphenylalanemia (see Board's Decision at 15–20).

Another way to consider the phenylalanine issue is to compare the projected aspartame consumption to the amount of phenylalanine present in common protein products. For example, consumption of aspartame at the projected 99th percentile level (34 mg/kg/day) would increase the normal overall PHE daily intake by only about 6 percent. Even consumption of aspartame at the unlikely level of three times that projected 99th percentile level would increase the normal overall PHE daily intake by only 15–20 percent, still within expected, normal variations in protein consumption (Board's Decision at 20–21). Thus, from the standpoint of phenylalanine intake, aspartame appears to present no greater hazard than common protein rich foods considered essential for proper nutrition.

2. Aspartic Acid: The concern raised over increased aspartic acid (ASP) consumption stems from animal studies showing that extremely high doses of ASP, glutamic acid (GLU), and other "excitatory" amino acids can cause focal brain lesions, primarily in areas of the brain that regulate the endocrine system. With two important differences described below, the analysis parallels that in the phenylalanine section in terms of first setting a toxic threshold and then determining whether the projected consumption of aspartame will keep plasma levels sufficiently below that threshold. The first difference is that it is the combined plasma ASP+GLU levels which must be scrutinized, both because administration of either GLU or ASP increases plasma levels of both amino acids,

Footnotes at end of article.

and because the two amino acids are equipotent and mutually additive in producing the lesion (see Board's Decision at 22–23). Glutamic acid is prevalent in the food supply, often as the food additive monosodium glutamate (MSG). The second difference is the scientific belief that a single surge of plasma GLU+ASP levels above the toxic threshold can cause brain damage, unlike the case with phenylalanine toxicity where a sustained high plasma level is needed.

The Board established the plasma GLU + ASP level of 100 umol/dl as the toxic threshold for risk assessment purposes. This was an estimate, and an extremely conservative one, based on experimental findings in the most sensitive species at the most sensitive age (the infant mouse). Even with this cautious approach, the data clearly establish safety for anticipated aspartame consumption.[4]

Clinical testing in adults using high aspartame doses (equivalent to 1½ times those at the 99th percentile of projected daily consumption), administered at a single sitting, showed no significant rise in either the plasma ASP or GLU concentrations. Even with an enormous aspartame dose (equivalent to six times that at the 99th percentile of projected daily consumption, or 600–800 aspartame tablets) administered at a single sitting, the plasma GLU + ASP level rose from 2.7 umol/dl to only 7 umol/dl, still within the normal range found after eating. A further study using one year old infants showed similar minor rises in plasma ASP + GLU levels. Finally, other studies in adults showed that ingestion of aspartame (equivalent to the 99th percentile of projected daily consumption) did not further increase elevations of plasma GLU + ASP levels caused by the administration of very high doses of MSG alone (see generally, Board's Decision at 32–33).[5]

The Board also addressed the risk to the PKU heterozygote, the nursing infant, and the unborn fetus, and concluded that these groups were at least as safely protected as normal adults or children (id. at 33–34). I agree with these conclusions also.

An additional point worth noting is that the plasma ASP + GLU levels that were observed were short-lived, receding to their baseline value after three hours. Thus, as the Board explained, "repeat-doses of the same enormous magnitude, when spaced 3 hours apart, are unlikely to escalate the GLU + ASP concentration much beyond the level induced by the first dose" (id. at 37).

Finally, as was the case with the phenylalanine component, the ratio of projected aspartic acid consumption resulting from aspartame to that derived from a normal diet is quite small. For example, in the age group of most concern, young children, consumption of aspartame at the 99th percentile level of projected consumption (34 mg/kg/day) will only increase total aspartic acid consumption by approximately 4%, clearly an insignificant amount.

The conclusion compelled by these findings is that the addition of aspartame to the diet, in any conceivable amount (far beyond the upper projected consumption levels), will not cause focal brain lesions of the type alleged by the objectors to the aspartame regulation.

B. The Brain Tumor Issue: This was the issue on which the Board disagreed with the Bureau of Foods and concluded that further testing was necessary before aspartame could be marketed. With due respect to the Board, I agree with the Bureau of Foods that the data presented at the hearing establish that there is a reasonable certainty that aspartame does not cause brain tumors in laboratory rats. This conclusion is confirmed by additional evidence submitted after the Board issued its decision.

1. Spontaneous Incidence Rate of Brain Tumors: The most controversial issue at the hearing was whether a significant disparity existed between the brain tumor incidence rates as reported in the Searle studies in a certain strain of rat and the spontaneous incidence rate (or background rate) for brain tumors in this strain as reported in the scientific literature. The Board found that such a disparity existed, and that the disparity was so great as to preclude the key Searle rat studies (E–33/34 and E–70) from providing adequate evidence of aspartame's safety (Board's Decision at 43–45). The Bureau of Foods disagreed with the Board, believing that reliable data in the record established a spectrum of reported spontaneous brain tumor incidences that encompassed the rates reported in the Searle studies.

I agree with the Bureau's assessment of the background rate for brain tumors in the pertinent strain of rats. Although the Board placed considerable weight on published studies reporting spontaneous brain tumor incidence rates of less than 1 percent (.09 percent, .6 percent, and .7 percent), these studies all had some flaws and, in addition, must be supplemented by other data presented at the hearing reporting higher spontaneous incidences (e.g., 2.2 percent and 3.2 percent) which are consistent with those in the Searle studies. One reason for giving weight to these studies reporting higher incidences is that the chances are considerably greater that additional tumors may have been missed in the low-incidence studies than that tumors were included by mistake or misdiagnosed in the high-incidence ones.[6]

Of special significance is the reference reporting an incidence of 2.2 percent. These data were collected by the National Cancer Institute (NCI) from its carcinogenesis bioassay program. The participating organizations were NCI and Hazelton Laboratories, the same laboratory used by Searle for its key aspartame rat studies. Moreover, the rats used for the NCI data were all control animals of the same strain and commercial source used by Searle, and the size of NCI's sample population was nearly identical to the control groups (combined) in Searle's rat studies. The reported spontaneous incidence rates were also nearly identical: 2.2 percent (8/368) for the NCI data and approximately 2 percent (77/356) for the combined control groups in the Searle studies.

2. Comparison with Concurrent Controls: Given the consistency between the control incidence rates in the Searle studies and the background rate, I find that Searle's studies should be evaluated primarily by comparing the aspartame-treated animals to their concurrent controls. Using these comparisons, as analyzed by the Bureau of Foods, find that Searle studies E–70 and E–33/34 both are negative studies.

It is undisputed by the hearing patricipants that the E–70 study is a negative study when the treatment groups are compared to the concurrent controls. The only controversy lies in the E–33/34 study, where the Board found a possible dose response and accelerated tumor onset, both potential indicators of carcinogenicity. The finding of the dose response, however, is largely dependent on a single, very early-occurring, unusual tumor (a medulloblastoma), which was probably not aspartame related, and the finding of accelerated tumor onset was based in part on factual errors. For these reasons, as detailed in the Final Decision, I agree with the Bureau of Foods that E–33/34 is also a negative study.

Finally, a third long-term study assessing aspartame's carcinogenic potential using a different strain of rat, concluded recently in Japan and submitted into the record after the Board issued its decision, also appears to be negative in terms of brain tumors. Although this study has not been critiqued by the hearing participants, the data on their face provide additional support for my conclusion on this issue.

3. Conclusion on Brain Tumors: The available data, viewed as a whole, established that aspartame is safe in terms of brain tumors for its proposed uses.

C. Conditions of Use: The labeling conditions set forth in the aspartame regulation (21 CFR 172.804) before it was stayed shall still be required. These include a prominently displayed alert to persons with PKU that the product contains phenylalanine; directions not to use aspartame in cooking or baking because the compound loses its sweetness when exposed to prolonged heat; and labeling in compliance with FDA's special dietary foods regulations (21 CFR Part 105) where appropriate. In addition, because the safety assessment on the brain damage issues is tied closely to projected aspartame consumption levels, as a condition for approval Searle is to monitor the actual use levels of aspartame and to provide such information on aspartame's use to the Bureau of Foods as the Bureau may deem necessary.

D. Concluding Remarks: The safety evaluation of aspartame has been a long and arduous process, spanning the tenure of several FDA Commissioners. Although my conclusion is the same reached by the agency nearly seven years ago, the intervening years have not been without their benefits in terms of the evidence showing the safety of aspartame. Much of the data, especially clinical data, relied upon by Searle at the public hearing came from studies conducted at the firm's behest during that interim. Also taking place during this period was the detailed independent audit of Searle's preclinical data conducted by the Universities Associated for Research and Education in Pathology, Inc. (UAREP) and the agency. Few compounds have withstood such detailed testing and repeated, close scrutiny, and the process through which aspartame has gone should provide the public with additional confidence of its safety.

The pinnacle of this process was the hearing before the Public Board of Inquiry, the first of its kind to be convened. The scientific issues presented to it were intellectually complex and carried wide ranging public health ramifications. These scientific issues were debated vigorously at the hearing, and the Board performed admirably in maintaining a judicial decorum and crystalizing its views of the issues in its Initial Decision. I would be remiss if I did not express to each of the Board members the appreciation of both the agency and the public for the invaluable service which they performed.

As noted above, my Final Decision will be published shortly in the Federal Register.

FOOTNOTES

[1] These proposed uses include table top sweeteners (both tablets and powder-containing packages); cold breakfast cereals; chewing gum; and dry bases for (i) beverages; (ii) instant coffee and tea; (iii) gelatins, puddings and fillings, and (i) dairy products and toppings.

[2] Food additives presenting health risks may be divided into two categories for safety evaluation purposes: (1) those which are safe at or below certain levels but unsafe at other, higher levels; and (2) those which may be unsafe at any level. The analysis for these two categories is necessarily different. For example, the first issue in this proceeding, relating to possible "brain damage" (toxicity), concerns the former category whereby aspartame may be marketed so long as the projected consumption levels fall sufficiently below the estimated toxic threshold. In contrast, with respect to the second issue in this proceeding, relating to possible "brain tumors" (carcinogenicity), aspartame must be shown to a reasonable certainty not to cause brain tu-

mors at all, for food additives which may produce carcinogenic effects are deemed to be unsafe per se.

[3] The difference for fetuses is that the placenta maintains a 1:2 ratio gradient between the maternal and fetal circulation in the plasma PHE concentrations (Board's Decision at 13). Thus, a plasma PHE level of 100 umol/dl in an expectant mother creates a plasma PHE level of 50 umol/dl for her fetus.

[4] In contrast to the analysis in the phenylalanine section, the above analysis does not set the toxic threshold for pregnant women (for protection of the fetus) as half that for normal individuals because the placenta forms an effective barrier against the transfer of both ASP and GLU to the fetus (Board's Decision at 34).

[5] Dr. John W. Olney, one of the objectors to the aspartame regulation, has asserted that an additional study in children is necessary to measure the effects of aspartame administered in conjunction with MSG. For the reasons discussed in the Final Decision, I do not believe such an additional study is necessary.

[6] This wider spectrum of reported spontaneous incidence rates is further supported by data submitted into the record by Searle and the Bureau of Foods after the Board issued its decision.

CRIME IN AMERICA

Mr. THURMOND. Mr. President, crime continues in America on an upward spiral. Because of this serious situation, this Nation needs to return to swift apprehension of criminals, speedy trials, and sure punishment including, in some cases, capital punishment.

A recent editorial aired by WSPA–TV of Spartanburg, S.C., expresses my sentiments about crime and how Federal courts have tampered with the ability of police and prosecutors to arrest and prosecute criminals.

Mr. President, in order to share this excellent editorial with my colleagues, I ask unanimous consent that this viewpoint appear in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MURDER IN THE CAROLINAS AND GEORGIA

On the United Press news ticker for one day, June 1, 1981, were these items concerning murder in the Carolinas and Georgia:

"Aiken, South Carolina—Convicted sex offender, Paul Koon, of Warrenville, South Carolina, goes on trial today for the September kidnapping and murder of a Georgia woman. Forty-year-old Koon is accused of killing 30-year-old Valerie Newsome of Martinez. Her body was found in Aiken County more than a month after she was abducted from an Augusta, Georgia, shopping center. Koon has pleaded innocent to the charges."

"Charlotte—A man charged with a shooting spree in Charlotte that left two people dead and two others severely injured waived his right to a preliminary hearing today and asked that his case be sent to a grand jury.

"Twenty-one-year-old Clinton Rondale Kirkley faces two first-degree murder charges and two charges of assault in the May 18th shooting."

"Dalton, Georgia—The murder trial of Bobby Lee Salmon begins in Dalton today with jury selection. Charges against Salmon stem from the shooting death last November of 21-year-old James Ridley, Junior, of Chatsworth. Authorities say the shooting occurred during an argument between the two men."

"Gaffney, South Carolina—Two Gaffney men testified Monday during General Sessions Court that they shot antique dealer E. E. Morgan to death during a robbery attempt at his shop on December 30. . . . The two testified that Solicitor Claude Taylor had agreed not to seek the death penalty against them in exchange for their testimony."

And finally, "The Supreme Court refused today to hear the appeal of a Georgia death row inmate. The decision came in the case of Son Fleming, who was sentenced to death for the slaying of Ray City Police Chief Ray Giddens in 1976."

It will be noted that the slaying of the police officer in Georgia took place in 1976.

In other words, because of the Supreme Court's various decisions those convicted for cold-blooded murder can delay their execution until the horror of the crime is forgotten by the people and there grows up a sympathy not to make the murderer pay for his crime with his life. The unfortunate victims who were raped and murdered, and their families are forgotten.

Crime is the greatest threat to our democratic way of life in this nation. Unless something is done to prevent the courts from delaying justice almost ad infinitum after the jury conviction and sentencing, the right of a free people to walk the streets without fear will become an idle gesture.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1612. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Navy's proposed letter of offer to Japan for defense articles estimated to cost in excess of $25 million; to the Committee on Armed Services.

EC–1613. A communication from the Chairman of the Board of Governors of the Federal Reserve System, transmitting, pursuant to law, the midyear monetary policy report of the Board; to the Committee on Banking, Housing, and Urban Affairs.

EC–1614. A communication from the Secretary of Commerce, transmitting, pursuant to law, the annual report of the Foreign-Trade Zones Board for fiscal year 1979; to the Committee on Banking, Housing, and Urban Affairs.

EC–1615. A communication from the Director of the Export-Import Bank of the United States, transmitting, pursuant to law, a report on loan, guarantee, and insurance transactions supported by Eximbank during April and May 1981 to Communist countries; to the Committee on Banking, Housing, and Urban Affairs.

EC–1616. A communication from the Director of the Office of Management and Budget, Executive Office of the President, transmiting, pursuant to law, a supplemental summary of the budget for fiscal year 1982; pursuant to the order of January 30, 1975 referred jointly to the Committee on the Budget and the Committee on Appropriations.

EC–1617. A communication from the Secretary of the Interior, transmitting, pursuant to law, financial exhibits of the Colorado River storage project and participating projects for fiscal year 1980; to the Committee on Energy and Natural Resources.

ED–1618. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, a summary report on the assessment of current State practices in title XX funded day care programs; to the Committee on Finance.

EC–1619. A communication from the Secretary of State, transmitting a draft of proposed legislation to authorize the participation of the United States in a multinational force and observers to implement the Treaty of Peace between Egypt and Israel; to the Committee on Foreign Relations.

EC–1620. A communication from the Assistant Secretary of State for Congressional Relations, transmitting a draft of proposed legislation to give effect to the Protocol Amending the Convention for the Preservation of the Halibut Fishery of the northern Pacific Ocean and Bering Sea, signed at Washington on March 29, 1979; to the Committee on Foreign Relations.

EC–1621. A communication from the Assistant Legal Advisor for Treaty Affairs, Department of State, transmitting, pursuant to law, a report on international agreements, other than treaties, entered into by the United States in the prior 60-day period; to the Committee on Foreign Relations.

EC–1622. A communication from the Assistant Secretary of the Treasury (Legislative Affairs), transmitting, pursuant to law, a report analyzing the impact on the provision of basic human needs of economic adjustment programs supported in 1980 by financing from the International Monetary Fund; to the Committee on Foreign Relations.

MESSAGES FROM THE HOUSE

At 12:19 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House has passed the following joint resolution, with amendments, in which it requests the concurrence of the Senate:

S.J. Res. 28. Joint resolution designating the week beginning March 8, 1981, as "Women's History Week".

The message also announced that the Speaker appoints Mr. JONES of North Carolina, Mr. BIAGGI, Mr. BREAUX, Mr. D'AMOURS, Mr. HUBBARD, Mr. STUDDS, Mr. SNYDER, Mr. MCCLOSKEY, Mr. FORSYTHE, and Mr. PRITCHARD as additional managers on the part of the House in the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 3982) to provide for reconciliation pursuant to section 301 of the first concurrent resolution on the budget for the fiscal year 1982, from the Committee on Merchant Marine and Fisheries, solely for the consideration of title XI, subtitle B, chapter 4, title IX, and the portions of section 6531 on page 349, lines 25–37, and on page 350, lines 26–31 of the House bill, and section 426 and 1101–4 of the Senate amendment.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. DOMENICI, from the Committee on the Budget:

Report to accompany the resolution (S. Res. 160) waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 43 (Rept. No. 97–156).

By Mr. DOMENICI, from the Committee on the Budget, without amendment:

S. Res. 166. A resolution waiving section 402(a) of the Congressional Budget Act of

1974 with respect to the consideration of S. 755.

S. Res. 168. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1181.

S. Res. 170. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1085.

S. Res. 171. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1086.

S. Res. 172. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1087.

S. Res. 173. A resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 1090.

By Mr. MATHIAS, from the Committee on Rules and Administration, without amendment:

S. Res. 182. An original resolution to pay a gratuity to Beatrice Moody:

S. Res. 183. An original resolution to pay a gratuity to Arthur J. Buto, David W. Buto, Kathleen A. Buto, and Robert C. Buto;

S. Res. 184. An original resolution to pay a gratuity to Shirley A. Nelson;

S. Res. 185. An original resolution to pay a gratuity to Margaret O. Riker;

S. Res. 186. An original resolution to pay a gratuity to Michael R. Seith;

S. Res. 187. An original resolution authorizing the revision and printing of the Senate Manual for use during the 97th Congress; and

S. Res. 188. An original resolution relating to the purchase of calendars (Rept. No. 97–157).

By Mr. PERCY, from the Committee on Foreign Relations, without amendment:

S. Res. 148. Resolution calling for a moratorium of indefinite duration on the commercial killing of whales.

By Mr. DENTON, from the Committee on Labor and Human Resources, with an amendment in the nature of a substitute:

S. 1085. A bill to provide a reauthorization for the Headstart program, and for other purposes (Rept. No. 97–158).

S. 1086. A bill to extend and revise the Older Americans Act of 1965, and for other purposes (Rept. No. 97–159).

By Mr. DENTON, from the Committee on Labor and Human Resources, without amendment:

S. 1087. A bill to reauthorize programs under the Domestic Volunteer Service Act of 1973, and for other purposes (Rept. No. 97–160).

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation, without amendment:

S. Res. 189. An original resolution authorizing expenditures by the Committee on Commerce, Science, and Transportation for the training of professional staff; referred to the Committee on Rules and Administration.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation:

Michael J. Fenello, of Florida, to be Deputy Administrator of the Federal Aviation Administration.

(The above nomination was reported from the Committee on Commerce, Science, and Transportation with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. McCLURE:

S. 1503. A bill to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage; to the Committee on Energy and Natural Resources.

By Mr. HAYAKAWA:

S. 1504. A bill to provide greater protection against the introduction and dissemination of plant pests; to the Committee on Agriculture, Nutrition, and Forestry.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. McCLURE:

S. 1503. A bill to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage; to the Committee on Energy and Natural Resources:

STANDBY PETROLEUM ALLOCATION ACT OF 1981

Mr. McCLURE. Mr. President, today I am introducing proposed legislation that would grant to the President broad authority to deal with a severe oil supply disruption. The legislation would authorize the President to allocate crude oil, residual fuel oil, and refined petroleum products. The bill incorporates certain safeguards to insure that the scope of the allocation controls will be appropriately limited.

The bill provides that intervention by the Federal Government would occur only if the President finds that a severe petroleum supply shortage exists. Such a shortage would not be defined in terms of a particular volumetric or percentage shortfall. Rather, it would be defined on the basis of its scope and duration, and the extent of its impact on the national security, the national economy, or the economy of any region of the United States.

The legislation would authorize the President to implement a program to allocate crude oil, residual fuel oil, and refined petroleum products on a nationwide or regional basis if he determines that a severe petroleum supply shortage exists. In order to prevent suppliers from circumventing the intent of the allocation program, the President is also authorized to impose price controls which are necessarily related to and required for effective administration of the allocation program. Such controls, however, are limited to margin controls and the prevention of discriminatory pricing. The allocation program must be implemented in a manner which will insure protection of public health, safety and welfare, and the national defense and provide for maintenance of public services and essential needs, including agricultural operations.

Within 90 days from the date of enactment of the legislation, the President would be required to promulgate standby regulations that would set forth the general framework for the allocation program. The regulations could be implemented only after the President transmits an energy action message to the Congress, and neither House has disapproved the message within 15 calendar days of continuous session.

During hearings held by the committee during May and June, a general consensus emerged from the testimony of witnesses representing a broad spectrum of interests. The consensus was that the President should have the authority to intervene in the market during a severe petroleum supply shortage, even if only on a last-resort basis. Moreover, the overwhelming majority view was that legislation may be necessary to insure that the President has clear and adequate authority to deal with a severe petroleum supply interruption after expiration of the Emergency Petroleum Allocation Act on September 30, 1981.

Several general principles are reflected in the proposed legislation. First, we should place maximum reliance on marketplace mechanisms to handle emergencies. Second, we must insure that the administration on or about September 30 is prepared fully to handle a severe oil supply emergency, should Federal action become necessary to supplement the market mechanisms. Simply stated, we cannot responsibly be dependent on anything less than full preparation after expiration of the Emergency Petroleum Allocation Act.

That preparation must include three key elements: First, clear, predictable and unambiguous legal authority, in terms of allocation and necessarily related margin or nondiscriminatory pricing authority must be available; second, full administrative capability, in terms of standby executive branch arrangements and industry liaison, must be organized and in place as a functional mechanism; and third, a clear public administration commitment must be made, supported by available legal authority and full administrative capability, to take decisive Federal action if a severe oil supply interruption requires action beyond responsible reliance on the marketplace.

Finally, we should insure that the International Energy Agency is continued as a viable institutional instrument to provide an international mechanism to deal with oil supply emergencies, as well as other critical energy issues. As part of our efforts to attain that objective, we need to have in place a sound and effective domestic program for allocating petroleum supplies during a serious shortage.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1503

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Standby Petroleum Allocation Act of 1981."

STATEMENT OF FINDINGS AND PURPOSES

SEC. 2(a)(1) Shortages of crude oil, residual fuel oil, and refined petroleum products caused by reduction in imports may occur at any time;

(2) Such shortages could be sufficiently large to cause severe economic dislocations and hardships within various segments of the economy, both regional and national, and constitute a threat to the public health, safety and welfare; and

(3) The national security and economic well-being of the United States require that the President have authority, during a severe petroleum supply shortage, to allocate crude oil, residual fuel oil and refined petroleum products so as to minimize adverse effects on the public health, safety, and welfare.

(b) The purpose of this Act is to grant to the President limited and temporary authority to allocate crude oil, residual fuel oil, and refined petroleum products in the event of a severe petroleum supply shortage. The authority granted under this Act shall be exercised for the purpose of minimizing the adverse impacts of such a shortage on the American people and the domestic economy.

DEFINITIONS

SEC. 3. As used in this Act, the term—

(1) "Severe petroleum supply shortage" means a national or regional petroleum supply shortage which the President determines.

(A) is, or is likely to be, of significant scope and duration;

(B) may cause major adverse impact on national security, the national economy, or the economy of any of the several regions of the United States,

(C) results, or is likely to result, from an interruption in the imported petroleum supplies of the United States, including supplies of imported crude oil, residual fuel oil and petroleum products, or from sabotage or an act of God, and

(D) may not be reasonably manageable

(1) by reliance on free market pricing and allocation, or

(2) under other authorities available to the President.

(2) "United States" means the several States, the Commonwealth of Puerto Rico, and the District of Columbia.

PRESIDENTIAL AUTHORITY

SEC. 4. (a) If the President finds that a severe petroleum supply shortage exists, he may, subject to subsection (d), implement a standby regulation providing for the mandatory allocation of crude oil, residual fuel oil, and any refined petroleum product throughout the United States or in any seriously affected region of the United States. Such allocation shall be administered in a manner which shall

(1) insure protection of public health, safety and welfare and the national defense and

(2) provide for maintenance of public services and essential needs, including, but not limited to, agricultural operations, and processing and transportation of agricultural products.

(b) The allocation authority pursuant to subsection (a) may include limitations on the price of crude oil, residual fuel oil, and any refined petroleum product, but only to the extent that

(1) such price controls are necessarily related to and required for effective administration of the mandatory allocation authority, and

(2) such controls are limited to margin and nondiscriminatory pricing.

(c) The President, not later than ninety days after the date of enactment of this Act, shall promulgate a general standby regulation for administration of the allocation authority pursuant to this section, to be implemented, with such additional provisions as may be determined to be necessary at the time, in the event the President institutes mandatory allocation pursuant to this section.

(d) The President shall not implement any mandatory allocation pursuant to this section unless he has transmitted notice to the Congress in an energy action message pursuant to section 551 of the Energy Policy and Conservation Act, as amended, and neither House of Congress has disapproved the message within 15 calendar days of continuous session of Congress in accordance with the procedures specified in section 551.

(e) The standby regulation under section 3 may continue in effect for no more than ninety days after implementation except that the period of effectiveness of such regulation may be extended for an additional sixty days upon a finding by the President that the severe petroleum supply shortage continues in effect and mandatory allocation must be continued to meet the objectives of subsection (a). Thereafter, the authority of the President pursuant to this section shall terminate, unless he has submitted a new message pursuant to subsection (d) and the message has not been disapproved.

(f) The authority of this Act shall not be used to impose or implement any tax, tariff, user fee or a program for the assignment of rights for end-user purchases of gasoline or diesel fuel, as described in section 203(a)(1)(A) and (B) of the Energy Policy and Conservation Act (42 U.S.C. 6263).

ENFORCEMENT AND ADMINISTRATION

SEC. 5 (a) Whoever violates the requirements of the standby regulation or any order issued pursuant to this Act shall be subject to a civil penalty not to exceed $40,000 for each violation.

(b) Any penalty under paragraph (a) may be assessed by the court in any action brought in any appropriate United States district court or any other court of competent jurisdiction.

Any such penalty collected shall be deposited into the general fund of the United States Treasury as miscellaneous receipts.

(c) There shall be available as a defense to any action brought for breach of contract in any Federal or State court arising out of delay or failure to provide, sell, or offer for sale or exchange crude oil, residual fuel oil, or any refined petroleum product, that such delay or failure was caused solely by compliance with the provisions of this Act or with the regulation or any order under this Act.

SEC. 6. The provisions of this Act shall cease to have effect on January 1, 1985, but such expiration shall not affect any action or pending proceeding, administrative or civil, not finally determined on such date, nor any administrative or civil action or proceeding, whether or not pending, based on any act committed or liability incurred prior to such expiration date.

By Mr. HAYAKAWA:

S. 1504. A bill to provide greater protection against the introduction and dissemination of plant pests; to the Committee on Agriculture, Nutrition, and Forestry.

THE MEDITERRANEAN FRUIT FLY CRISIS IN CALIFORNIA

Mr. HAYAKAWA: Mr. President, the Mediterranean fruit fly crisis in California has the potential to become a disaster of national proportion. One positive aspect of the infestation is that it provides us with an opportunity to review Government's ability to deal with a major plant pest.

A policy deficiency which surfaced early in the crisis has to do with the authority of the Secretary of Agriculture to take quick action in an infestation such as we are currently experiencing in California. Rather than having the authority to take action which would have eradicated the pest at an early stage—Secretary Block was limited to threatening a quarantine of host produce if the State did not take action.

The Secretary of Agriculture currently has the authority to move decisively on livestock disease outbreaks. The legislation I am introducing will provide the Secretary with similar authorities in dealing with plant pests. Specifically, the Secretary would be given the power to employ such effective measures as pesticide spraying and product seizure or quarantining. Mindful that the responsibility to deal with plant pests falls first with State officials, this legislation would authorize the Secretary to take action only if adequate measures are not being taken by the State.

All precautions must be taken to guarantee that plant pest crises, like the one we are dealing with in California today, do not occur in the future. This legislation which I am introducing today is a necessary step toward insuring that both the Nation's agriculture will be adequately protected and that the Nation's consumers will be able to continue to enjoy a plentiful supply of farm produce.

Mr. President, I introduce the legislation for consideration at the appropriate date, and I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1504

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Plant Pest Act (71 Stat. 31; 7 U.S.C. 150aa) is amended—

(a) in section 105 by renumbering subsections (b), (c), and (d) as (c), (d), and (e) and adding a new subsection (b) as follows:

"(b) Whereas the existence of a plant pest new to or not therefore known to be widely prevalent or distributed within and throughout the United States on any premises in the United States would constitute a threat to crops, other plant life and plant products of the Nation and thereby seriously burden interstate or foreign commerce, whenever the Secretary determines that an extraordinary emergency exists because of the presence of such plant pests on any premises in the United States, and that the presence of such plant pest anywhere in the United States threatens the crops, other plant life or plant products of the United States, he may (1) seize, quarantine, treat, apply other remedial measures to, destroy, or otherwise dispose of, in such manner as he deems appropriate, any product or article of any character whatsoever, or means of conveyance which he has reason to believe is infested or infected by or contains such plant pest; (2) quarantine, treat or apply other remedial measures to, in such manner as he deems appropriate, any premises, including articles on such premises which he has reason to believe is infested or infected by any such plant pest: *Provided,* That such action shall be taken under this section only if the Secretary finds that adequate measures are not being taken by the

State or other jurisdiction before any action is taken in any such State or other jurisdiction pursuant to this section."; and

(b) in section 107 by adding after the second semicolon the following: "to stop and inspect without a warrant any person or means of conveyance moving intrastate upon probable cause to believe that the person or conveyance is carrying any product or article subject to treatment or disposal under the provisions of this Act or the regulations issued thereunder;".

ADDITIONAL COSPONSORS

S. 131

At the request of Mr. INOUYE, the Senator from South Carolina (Mr. HOLLINGS), the Senator from Texas (Mr. TOWER), and the Senator from Ohio (Mr. GLENN) were added as cosponsors of S. 131, a bill to incorporate the Pearl Harbor Survivors Association.

S. 881

At the request of Mr. RUDMAN, the Senator from Idaho (Mr. SYMMS) was added as a cosponsor of S. 881, a bill to amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy.

S. 970

At the request of Mr. ROTH, the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 970, a bill to establish as an executive department of the Government of the United States a Department of International Trade and Investment, and for other purposes.

S. 1035

At the request of Mr. MATHIAS, the Senator from Arkansas (Mr. PRYOR) was added as a cosponsor of S. 1035, a bill to provide an opportunity to individuals to make financial contributions, in connection with the payment of their Federal income tax, for the advancement of the arts and the humanities.

S. 1235

At the request of Mr. D'AMATO, the Senator from South Carolina (Mr. HOLLINGS) was added as a cosponsor of S. 1235, a bill to exempt certain matters relating to the Central Intelligence Agency from the disclosure requirements of title 5, United States Code.

S. 1373

At the request of Mr. DECONCINI, the Senator from Maryland (Mr. SARBANES) and the Senator from New York (Mr. MOYNIHAN) were added as cosponsors of S. 1373, a bill to authorize the President to call a White House Conference on Veterans.

S. 1409

At the request of Mr. WALLOP, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 1409, a bill to authorize the Secretary of the Interior to construct, operate, and maintain modifications of the existing Buffalo Bill Dam and Reservoir, Shoshone project, Pick-Sloan Missouri Basin program, Wyoming, and for other purposes.

S. 1429

At the request of Mrs. KASSEBAUM, the Senator from Pennsylvania (Mr. HEINZ) was added as a cosponsor of S. 1429, a bill to amend the Securities and Exchange Act of 1934 to make the margin requirements for domestic purchasers of securities applicable to foreign purchasers of securities in certain significant transactions involving the U.S. securities markets, and for other purposes.

S. 1448

At the request of Mr. MATHIAS, the Senator from Louisiana (Mr. JOHNSTON) was added as a cosponsor of S. 1448, a bill to provide for the issuance of a postage stamp to commemorate the 70th anniversary of the founding of the Girl Scouts of the United States of America.

SENATE JOINT RESOLUTION 98

At the request of Mr. LEAHY, the Senator from Minnesota (Mr. BOSCHWITZ), the Senator from Rhode Island (Mr. CHAFEE), and the Senator from Maryland (Mr. SARBANES) were added as cosponsors of Senate Joint Resolution 98, a joint resolution to authorize and request the President to issue a proclamation designating October 16, 1981, as "World Food Day."

SENATE RESOLUTION 148

At the request of Mr. PACKWOOD, the Senator from Pennsylvania (Mr. HEINZ) was added as a cosponsor of Senate Resolution 148, a resolution calling for a moratorium of indefinite duration on the commercial killing of whales.

SENATE RESOLUTION 182—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY TO BEATRICE MOODY

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 182

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Beatrice Moody, widow of Johnnie Moody, an employee of the Senate at the time of his death, a sum equal to six and one-half months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 183—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY TO ARTHUR J. BUTO, DAVID W. BUTO, KATHLEEN A. BUTO, AND ROBERT C. BUTO

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 183

Resolved, that the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Arthur J. Buto, David W. Buto, and Robert C. Buto, sons of Ann K. Buto, and Kathleen A. Buto, daughter of Ann K. Buto, an employee of the Senate at the time of her death, a sum to each equal to one-fourth of eight and one-half months' compensation at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 184—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY TO SHIRLEY A. NELSON

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 184

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Shirley A. Nelson, widow of Raymond N. Nelson, an employee of the Senate at the time of his death, a sum equal to one year's compensation at the position gross rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 185—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY TO MARGARET O. RIKER

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 185

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Margaret O. Riker, widow of Reamer J. Riker, an employee of the Senate at the time of his death, a sum equal to seven months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 186—ORIGINAL RESOLUTION REPORTED TO PAY A GRATUITY TO MICHAEL R. SEITH

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 186

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Michael R. Seith, widower of Denise G. Seith, an employee of the Senate at the time of her death, a sum equal to nine months' compensation at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

SENATE RESOLUTION 187—ORIGINAL RESOLUTION REPORTED RELATING TO THE PRINTING OF THE SENATE MANUAL

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 187

Resolved, That the Committee on Rules and Administration hereby is directed to prepare a revised edition of the Senate Rules

and Manual for the use of the Ninety-seventh Congress, that said rules and manual shall be printed as a Senate document, and that two thousand additional copies shall be printed and bound, of which one thousand copies shall be for the use of the Senate, five hundred and fifty copies shall be for the use of the Committee on Rules and Administration, and the remaining four hundred and fifty copies shall be bound in full morocco and tagged as to contents and delivered as may be directed by the committee.

SENATE RESOLUTION 188—ORIGINAL RESOLUTION REPORTED RELATING TO THE PURCHASE OF CALENDARS

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was placed on the calendar:

S. RES. 188

Resolved, That the Committee on Rules and Administration is authorized to expend from the contingent fund of the Senate, upon vouchers approved by the chairman of that committee, not to exceed $58,240 for the purchase of one hundred and four thousand calendars. The calendars shall be distributed as prescribed by the committee.

SENATE RESOLUTION 189—ORIGINAL RESOLUTION REPORTED AUTHORIZING EXPENDITURES FOR THE TRAINING OF PROFESSIONAL STAFF

Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation, reported the following original resolution: which was referred to the Committee on Rules and Administration:

S. RES. 189

Resolved, That section 2 of Senate Resolution 52, 97th Congress, agreed to March 3, 1981, is amended (1) by inserting "(1)" after "amount"; and (2) by inserting before the period at the end thereof the following: ", and (2) not to exceed $7,000 may be expended for the training of the professional staff of such committee (under procedures specified by section 202(j) of such Act)".

AMENDMENTS SUBMITTED FOR PRINTING

ECONOMIC RECOVERY TAX ACT OF 1981

AMENDMENT NO. 501

(Ordered to be printed and to lie on the table.)

Mr. MELCHER (for himself and Mr. EXON) submitted an amendment intended to be proposed by them to the joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

IMPUTED INTEREST RATE

Mr. MELCHER. Mr. President, I ask unanimous consent that the text of the amendment relating to imputed interest rates be printed in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

At the end of subtitle F of title II, insert the following new section:

MAXIMUM RATE OF IMPUTED INTEREST

SEC. . (a) IN GENERAL.—Subsection (b) of section 483 (defining total unstated interest) is amended by adding at the end thereof the following: "The maximum interest rate used in determining the total unstated interest under such regulations shall not exceed 7 percent, compounded semi-annually.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after June 30, 1981, pursuant to sales or exchanges occurring after such date.

AMENDMENT NO. 502

(Ordered to be printed and to lie on the table.)

Mr. MATTINGLY submitted an amendment intended to be proposed by him to House Joint Resolution 266, supra.

TAXATION OF FRINGE BENEFITS

● Mr. MATTINGLY. Mr. President, on May 31, 1981, the temporary moratorium prohibiting the Internal Revenue Service from issuing regulations regarding the taxation of fringe benefits expired. With the expiration of this moratorium, the opening of a so-called can of worms is conceivable. If an individual parked on a lot owned by an employer, the value of free parking could amount to taxable income. If an individual worked in a store and received an employee discount, that individual could conceivably pay income tax on the amount of the discount. An individual could be required to pay income tax on the amount of employer-paid civic organization dues, and the cost of the company picnic or Christmas party could be considered taxable income to participating employees.

In an effort to prevent the Internal Revenue Service from issuing regulations regarding the taxation of fringe benefits, I introduced legislation to extend permanently the expiring moratorium. In addition, Senator JEPSEN and I, along with 62 other Senators from both political parties, wrote Secretary of the Treasury Regan requesting that he halt the publications, since the possibility is remote that the Congress would allow such regulations to take effect.

In response to these efforts, Secretary Regan recently announced that—

> No regulations or rulings altering the tax treatment of fringe benefits will be issued by the Treasury prior to July 1, 1982.

I was pleased by this announcement.

Although we have temporarily won the battle, the war is not over. Next year, we will again be confronted with the threat of regulations by the Internal Revenue Service in the area of fringe benefits. I think we all agree that if fringe benefits are to be taxed, they should be taxed by the Congress, which must answer to a constituency at election time. Unfortunately, the bureaucrats at the Internal Revenue Service have no constituency to answer to and, therefore, their actions are obviously less sensitive to the wishes and desires of the electorate.

To put the issue to rest, at least temporarily, I am submitting an amendment to the comprehensive tax bill which will extend the existing moratorium which prohibits the Internal Revenue Service from issuing regulations regarding the taxation of fringe benefits until December 31, 1984. While having no negative revenue effect, enactment of my amendment would eliminate a potential administrative burden for employers and prevent a gross injustice to employees.●

AMENDMENT NO. 503

(Ordered to be printed.)

Mr. RIEGLE proposed an amendment to House Joint Resolution 266, supra.

AMENDMENT NO. 504

(Ordered to be printed.)

Mr. RIEGLE proposed an amendment to amendment No. 503 to House Joint Resolution 266, supra.

NOTICES OF HEARINGS

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. MCCLURE. Mr. President, I would like to announce for the information of the Senate and the public the scheduling of public hearings before the Committee on Energy and Natural Resources to consider S. 1503, to authorize the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage; S. 1476, S. 1354, and S. 409, to provide standby authority to deal with petroleum supply disruptions; and S. 445, to establish a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.

The hearings have been scheduled for Tuesday, July 28, beginning at 10:30 a.m., to receive testimony from administration witnesses and Thursday, July 30, beginning at 9:30 a.m., to receive testimony from public witnesses, in room 3110 of the Dirksen Senate Office Building.

Those wishing to testify or who wish to submit written testimony for the hearing record should write to the Committee on Energy and Natural Resources, room 3104, Dirksen Senate Office Building, Washington, D.C. 20510.

For further information regarding these hearings, you may wish to contact Mr. David Doane of the committee staff at 224–7144.

AUTHORITY FOR COMMITTEES TO MEET

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. STEVENS. Mr. President, I ask unanimous consent that the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Thursday, July 23, to hold oversight hearings on fraud and abuse involving the Federal workers' compensation program.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. STEVENS. Mr. President, I ask unanimous consent that the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Wednesday, July 22, to hold oversight hearings on fraud and abuse involving the Federal workers' compensation program.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON CRIMINAL LAW

Mr. STEVENS. Mr. President, I ask unanimous consent that the Subcommittee on Criminal Law of the Committee on the Judiciary be authorized to meet

during the session of the Senate on Tuesday, July 21, at 2 p.m. to hold hearings on S. 1434, Act of State Doctrines.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION, AND GOVERNMENT PROCESSES

Mr. STEVENS. Mr. President, I ask unanimous consent that the Subcommittee on Energy, Nuclear Proliferation, and Government Processes of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Tuesday, July 21, to hold hearings on conservation strategy for the 1980s.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT

Mr. STEVENS. Mr. President, I ask unanimous consent that the Subcommittee on Regional and Community Development of the Committee on Environment and Public Works be authorized to meet during the session of the Senate on Tuesday, July 21, to hold oversight hearings on the Disaster Relief Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ENVIRONMENTAL POLLUTION

Mr. STEVENS. Mr. President, I ask unanimous consent that the Environmental Pollution Subcommittee of the Committee on Environment and Public works be authorized to meet during the session of the Senate today at 2 p.m. to hold hearings on Superfund legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON TOXIC SUBSTANCES AND ENVIRONMENTAL OVERSIGHT

Mr. STEVENS. Mr. President, I ask unanimous consent that the Subcommittee on Toxic Substances and Environmental Oversight of the Committee on Environment and Public Works be authorized to meet during the session of the Senate on Thursday, July 23, to hold hearings on the environmental impact of chloroflouric carbons.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

WHERE THE GOVERNMENT WILL GET $700 BILLION

● Mr. GARN. Mr. President, as we continue our deliberations over the important issue of tax reductions, it is timely to ask where the Federal Government will really get the $700 billion it intends to spend. Dr. Joseph S. Peery, economist at the University of Utah Graduate School of Business, answers this question in his most recent Tracy Trend-Letter.

In so doing, Dr. Peery analyzes three problems:

First, the various ways the Government can get its $700 billion;

Second, in reality, where the Government does get it; and

Third, whether the Government should even be engaged in much of this spending business at all.

Mr. President, I highly recommend this thoughtful analysis to all of my colleagues, and ask that it be printed in the RECORD.

The article follows:

TRACY TREND-LETTER

(Dr. Joseph S. Peery, Economist)

WHERE WILL THE FEDERAL GOVERNMENT REALLY GET THE $700 BILLION IT INTENDS TO SPEND?

The intense debate going on in Washington about slowing the growth of federal spending, and whether the government should continue to fund this or that program, is one-sided.

The general assumption seems to be that the government will automatically have about $700 billion to spend, instead of $750 billion, and so the only questions are how this huge pool of money should be divided, and who will be disappointed because they don't get as much as they think they are "entitled" to receive.

The question of who is supplying the $700 billion that the government is spending or giving away is not part of the debate.

The basic question of whether or not the government should be giving or spending money for particular programs is avoided entirely, as is the entire question of "What is the proper role of government in our society?"

This letter will analyze three problems:

1. the various ways the government can get its $700 billion;

2. in reality, where the government does get it;

3. whether the government should even be engaged in much of this spending business at all.

THE FEDERAL GOVERNMENT CAN FUND ITS SPENDING THREE WAYS

The federal government has three options for funding its spending:

1. it can print the money it spends;

2. it can borrow;

3. it can take money from the people in the form of taxes.

The option of printing money to fund government spending is in actuality severely limited. For several hundred years it has been known that when governments do resort to the printing press that hyper-inflation quickly follows, and that if the practice continues, the government's money will become worthless.

This happens for two reasons. The first effect of printing extra money is to increase total spending. As sales increase, so do output, employment and income. The economy appears to prosper. Soon, however, the increases in spending cause the economy to reach its productive limits. No longer can the increased spending caused by printing money be matched by increasing output. The point is soon reached when "too much money is chasing too few goods." The inevitable result will be to bid up the prices of the goods and services that are available.

Inflation begins, and if fed by the money printing press, will get worse. As inflation accelerates the people will recognize that the real value of their money income is falling, and they will try to protect themselves by spending any money they receive as quickly as possible to buy physical things. This increase in the velocity of spending is the second reason why inflation accelerates.

As the rate of inflation increases, savings collapse. Who will lend money when they believe that by the time it is repaid it may be worthless?

As savings dries up, so does investment, and output contracts. Increasing shortages drive up prices even faster. Finally, money itself becomes worthless. This happened in Germany in 1923.

GOVERNMENT'S ABILITY TO BORROW IS ALSO LIMITED

The U.S. Treasury and the Federal Reserve know they cannot fund Federal spending by printing money without disastrous results. In reality, printing money is not an option.

They also know the government's ability to borrow is limited.

When the government borrows, it sells its new debt to the public in the form of Treasury Bills, or Treasury Notes or U.S. Bonds. The difference in these government debt instruments is their maturity. Treasury Bills come due in a year or less, notes mature in from two to ten years and bonds have a longer life of ten to thirty years or more.

When federal debt instruments are sold to the public, the federal government competes directly with the private economy for the available supply of loanable funds.

The supply of loanable funds is limited. With the growth of the money supply held constant, the supply of loanable funds comes primarily from personal saving and business "saving" or business funds temporarily available for others to borrow.

Thus we see that the supply of loanable funds comes from that part of the total income of the American people that is not spent on current personal consumption, or from business income not currently being spent by the firm on its own investment.

The private supply of loanable funds is strictly limited. If the supply of personal and business saving is more than sufficient to satisfy all private borrowing needs, then the government could borrow the surplus saving without great harm to the economy. But that is not now the case.

Business saving is now depressed because of weak corporate profits. Personal saving has fallen to dangerous levels. Productivity has not increased since 1976. Taxes have grown, so the standard of living of the average American family has fallen. In our attempt to maintain our standard of living, we are saving less. Saving is also discouraged by the heavy tax penalty assessed by the government on the interest income we earn on our saving. Up to 70 percent of this interest income is now being taken from savers by federal taxes.

Our personal saving, as a percentage of our total income, has fallen forty percent during the past five years. Our family saving would be $60 billion a year larger than it now is if we were saving the same percentage of our income as we were five years ago.

As our saving decreased, federal deficits increased. Today there is not enough private saving to fund both the current large federal deficit and also to provide the loanable funds required for a healthy private economy.

The government always gets our saving first to fund its growing debt. The government is, in fact, bidding up interest rates as it sells its new debt each week. The shortage of loanable funds facing business, home buyers and consumers, and the high interest rates on the limited credit available are now being caused by heavy government borrowing.

No longer is there enough saving to supply both the needs of the government and the private economy, so the private economy is being hurt.

Instead of increasing its borrowing, the government should reduce it. The government can no longer increase its borrowing to fund the $700 billion it spends without disastrous impact on the private economy.

THE GOVERNMENT MUST ASSESS HEAVY TAXES ON THE AVERAGE FAMILY

We have seen that theoretically the federal government can get the $700 billion it spends by printing or borrowing, but in practice it cannot. Printing money will cause money to become worthless, and increased borrowing would drive the private economy into a depression. This means that the government must and will get most of the $700 billion it intends to spend from taxes on the private economy.

The government can't get much tax revenue from the poor or from the rich. Their total income is simply not large enough.

All governments—federal, state and local—must get the bulk of the money they spend by heavily taxing the working families of this country.

This statement should be factually supported, and is, by the following data.

GOVERNMENT SPENDING TO THE TOTAL INCOME OF THE POOR

Total federal spending is now running at an annual rate of about $650 billion, and state and local spending is at a yearly rate of about $375 billion, for a total of $1,025 billion. The federal government, however, is transferring about $85 billion to the state and local government, so this amount should be deducted from the $1,025 billion total to avoid double counting. Doing this leaves total government spending at about $940 billion.

The following information was obtained from the Bureau of Internal Revenue and was adjusted to present income levels.

Today about 31 million Americans would report they are making under $10,000 a year. Their total earned income would be about $155 billion. The total earned income of those making less than $10,000 a year would only pay for 16½ percent of government spending.

The earned income of $155 billion of this 31 million people was not their entire income. This year government transfer payments to individuals will be over $320 billion, most of which will go to this group. Transfer payments, including all social security payments, are not subject to income taxes. About 11 million of this group will pay some federal income tax on their earned income. The total tax will be about $4 billion, or less than one percent of federal spending. It is worth noting that the 31 million who report making less than $10,000 represent 35 percent of all income earners, and they pay 2 percent of the federal income tax.

GOVERNMENT SPENDING COMPARED TO THE INCOME OF THE RICH

About 87 million households in this country earn some income. 23 million of these households are single individuals, and 65 million have two or more persons.

About 300,000, or one-third of one percent of these households have incomes of $150,000 a year or more.

These are the high-incomed people we envy. Some people feel that no person is worth $150,000 a year except perhaps jockeys, rock stars, TV entertainers, baseball, football, basketball and hockey players, and professional tennis and golf stars.

There seems to be general agreement that people making this much or more should be heavily taxed, and they are. They receive 5 percent of total household income and pay 12 percent of the total federal income tax. The average income tax of the 300,000 households making over $150,000 a year is $100,000.

Taxing these rich people doesn't help much. Their total income equals 7 percent of all government spending.

UPPER MIDDLE INCOME FAMILIES CAN'T SUPPORT GOVERNMENT SPENDING

Six million households have incomes of $43,000 a year or more.

The total income of this group is about $430 billion. This is a very large amount, but not large enough to pay for government spending.

For example, assume that a law had been passed stating that $43,000 for the maximum income any household could keep and that all income above $43,000 would be taxed away. The total taxes taken from the six million households making more than $43,000 would than be $163 billion. This is a huge amount, but would only pay for 17 percent of all government spending. Even in this extreme example, those making less than $43,000 would still have to pay for 83 percent of all government spending.

High income people cannot pay for government spending. Their total income is simply not large enough.

MIDDLE INCOME FAMILIES MUST PAY THE TAXES

Fifty-eight million households, or 63 percent of all households, earn between $10,000 and $72,000 a year. They earn 81 percent of all family income.

This, of course, means that this group having 81 percent of all personal income must of necessity pay most of all taxes.

There are 23 million households that make between $10,000 and $20,000 a year. This group earns 20 percent of total family income and pays roughly 12 percent of the federal income tax.

There are 33 million households that make between $20,000 and $72,000 a year. This group earns 62 percent of all family income and pays 62 percent of the federal income tax. They also pay over 60 percent of all taxes—sales, property, excise and social security.

This is something that everyone should know and understand. Middle income working families pay for government spending. Most of the $700 billion now being included in the new federal budget will be taken in taxes from the income earned by America's working families.

When pressure groups lobby Washington for money, they should be reminded that the money they want for themselves was taken by coercive federal taxation from the income of working families.

BUSINESS CANNOT PAY FOR GOVERNMENT SPENDING

Not knowing the facts, many people believe that state, local and federal governments should get the money they spend by taxing business.

A basic fallacy in this line of reasoning is that "business" pays taxes. Business does not pay taxes—only people pay taxes. Taxes assessed on business will be paid either by the owners, or employees (by lower wages), or consumers through higher prices.

The household income data presented earlier in this letter includes all proprietorship and partner income, all dividends paid to the owners of proprietorships and all capital gains income.

Current business taxes are mostly paid by the working families of this country because these receive the bulk of the nation's income, including the bulk of business income.

There are about 14 million businesses in this country which operate as proprietorships or partnerships. About 3 million of them are family farms. The total income of all these 14 million businesses, as currently reported by the U.S. Department of Commerce, is $134 billion.

It is obvious that if all of the income of these businesses were taxed away, it would only cover 14 percent of the $940 billion government spending.

These small businesses really don't make much anyway. When 14 million is divided into the total small business income of $134 billion, we find the average income per business to be $9,570 a year. The way we currently define poverty income, most small business could qualify.

Total after tax corporate profit is currently running at an annual rate of $165 billion. It is clear that corporate profit cannot pay for the $940 billion of government spending. Corporate profit is only equal to 17 percent of government spending. Corporate profit is too little to support a healthy private economy as it is. Attempts to increase corporate taxes would hurt all of us. Either we would pay these taxes in higher prices, or investment would decline even more, causing unemployment to rise and our standard of living to fall.

CAN HUGE GOVERNMENT SPENDING BE JUSTIFIED?

Now we come to the question that is not usually addressed at all in the current debate on how to spend the government's $700 billion.

The question is, "How can such a huge budget be justified?"

The people who supply the $700 billion through taxes have never had the opportunity in a national referendum to approve or disapprove of the vast array of spending programs that Congress has enacted and funded in recent years.

Isn't it reasonable to conclude that if those who were going to have to pay for the numerous spending programs passed by Congress had to directly approve each, that very few would now be law?

Spending programs were enacted because of the lobbying pressure of special interest groups, academics, so-called "intellectual" reformers and public policy professionals. The problem of how government spending programs were to be funded was largely ignored.

If Congress had required the sponsor of each new spending bill to clearly state in the bill's preface, "We expect the working families of America to pay for this through increased taxes," how many would have passed?

The difficult moral problem of why should Congress use its taxing power to take income from working families and give it to others was not asked or answered. Why should some people be "entitled" to take income from others for food stamps, or send their children to college or get rent subsidies?

Why should less productive people be "entitled" by Congress to take income from the more productive?

Why do we define "poverty" in relative instead of absolute terms?

Questions such as these have not been adequately answered.

The national debate on reducing the growth of government spending should constantly include this question: "Why should the working families of this nation be forced to pay for this program?"●

SEVENTH ANNIVERSARY OF TURKISH OCCUPATION OF CYPRUS

● Mr. KENNEDY. Mr. President, 7 years ago Turkey invaded the Republic of Cyprus. Today, 30,000 Turkish troops continue to illegally occupy Cyprus, and 200,000 people remain separated from their homes and lands. Today we must renew our pledge to do all we can to restore, at long last, that nation to its own people.

On July 8, the latest round of the U.N.-sponsored intercommunal talks began. I call on Turkey and the Turkish Cypriots to take this opportunity to end their unacceptable record of intransigence and to come forward with serious proposals to achieve a just and lasting political settlement in Cyprus, which recognizes the legitimate rights of all Cypriots.

I call on the administration to press for such a settlement and to pursue the full implementation of United Nations Resolution 3212, including the withdrawal of all Turkish military forces from Cyprus, the return of all refugees to their homes, the cooperation of all parties in achieving a negotiated solution, with full peace and respect for human rights in Cyprus.

The people of Cyprus deserve far better than another year of occupation and

division. They deserve far more than anniversary after anniversary of the failure to achieve Turkish military withdrawal from their proud nation.

America and Turkey's other NATO allies must not allow stubbornness and shortsightedness to perpetuate the injustice against Cyprus, to weaken the southern flank of the alliance, and to further strain relations between Greece and Turkey—two key allies of the United States.

Mr. President, the tragic situation in Cyprus has festered too long. Let us today resolve that by next year we will work to see a new dawn of freedom, justice, and peace in Cyprus.●

FOREIGN CORRUPT PRACTICES ACT

● Mr. CHAFEE. Mr. President, in addition to the articles I submitted for the RECORD on Friday, July 10, I ask that an article which appeared in the Washington Post on May 21, and an article appearing in the June 22 U.S. News & World Report, both of which deal with the Foreign Corrupt Practices Act, be printed in the RECORD.

The material follows:

[From the Washington Post, May 21, 1981]

REAGAN REQUESTS CHANGES IN CORRUPT PRACTICES ACT

(By Martha M. Hamilton)

Reagan administration officials yesterday called for major changes in the Forign Corrupt Practices Act, including limiting the enforcement role of the Securities and Exchange Commission, the agency that brought the issue of overseas bribery by American firms to public attention.

U.S. Trade Representative William E. Brock said the administration supports substantial changes in the law proposed by Sen. John H. Chafee (R-R.I.). Democratic Sen. William Proxmire of Wisconsin characterized the proposed Chafee bill as a slug through the heart of the Foreign Corrupt Practices Act.

Brock and other administration officials testifying before the Senate Committee on Banking, Housing and Urban Affairs echoed the business view that the act has damaged American sales abroad—a negative they conceded is difficult to prove. Faced with uncertainties about what is proper and what is not, some companies have simply ceased trying to do business abroad, he said.

Chafee's proposed changes would clarify a murky law while maintaining strong sanctions against bribery, Brock said.

Among other things, the Chafee bill would eliminate a provision in the law that prohibits payments to an agent while "having reason to know" that the payment might be used to bribe a foreign official. It would also require that corporate records reflect only information that is "material" rather than keeping records in "reasonable detail." Critics of that approach say it would allow large companies to ignore all but the biggest payments.

Brock said that the administration also wants to remove accounting and bookkeeping provisions that require all publicly owned businesses, whether engaged in overseas trade or not, to maintain accurate books and records and a system of internal controls to guarantee that management knows how a company's assets are being used. Instead, Brock said, the administration prefers to set criminal sanctions for concealing information about illicit foreign payments.

The accounting and bookkeeping provisions represent "a significant extension of the jurisdiction of the SEC over business practices unrelated to the protection of investors and unnecessary for the effective operation of the prohibitions against illicit payments overseas," Brock said. SEC officials and former officials do not share that view.

"The accounting and record-keeping provisions are not an extension of our powers," said SEC Commissioner John R. Evans. Evans said that before the Foreign Corrupt Practices Act was adopted in 1977, the SEC believed it had the power to enforce the requirements later spelled out in the law. The agency recommended inclusion of the provisions, believing it "would be helpful for Congress to give it their endorsement," he said. "To take that endorsement away might be considered kind of a negative."

The SEC has not yet developed a position on the Chafee bill or the administration proposal.

"There's something to be said for 'Actions speak louder than words,' " said John Burton, former chief accountant for the SEC who now teaches at Columbia Business School. "I would view this as symbolic rather than an act that really deals with substance very much. Most companies are not going to dismantle their control systems because of this. But I think it is a bad message to send." Burton also said that most companies have already incurred any costs connected with setting up those systems.

Brock said the accounting and record-keeping requirements "are highly inflationary, having caused U.S. companies to develop expensive new accounting systems and to utilize costly accountants and auditors with no assurance from the SEC that such systems meet SEC requirements."

[From the U.S. News & World Report, June 22, 1981]

DOING BUSINESS ABROAD

(By Marvin Stone)

Here's a thorny question: In the interest of selling more goods overseas, is the U.S. going to have to relax its law that forbids American companies to pay off foreign officials and influence peddlers?

Three and a half years ago the Foreign Corrupt Practices Act passed through Congress without a dissenting vote. That law, strictly barring bribery, accurately expressed the American consensus at that time—and it still does. Of course, we still oppose bribery.

But now, after watching the effects of that 1977 law, many Americans are having second thoughts about the way it was written and the ways it is being applied. They see U.S. firms losing billions of dollars' worth of sales abroad because they can't make payments that foreigners demand. The business they lose is going to foreign firms that are willing—and able—to make such payments. The American share of world markets is decreasing, and the U.S. trade balance is suffering as a result.

So it is not surprising that moves are afoot in Congress—with the backing of the Reagan administration—to modify the 1977 law.

It is our opinion that some of the proposed modifications have merit. We refer specifically to such changes as those proposed in S. 708, a bill sponsored by Senator John H. Chafee (R-R.I.) and 13 other members of the Senate.

At the outset of any discussion of this bill, this should be made clear: It would not legalize bribery or other corrupt activities.

What the bill would do, primarily, is clarify the 1977 law and make it easier for businessmen to know what they may or may not do in making sales abroad. It would also reduce the complexity and cost of the bookkeeping a company must do to prove it is obeying the law.

Endorsing the bill in tesimony before a Senate subcommittee, U.S. Trade Representative William E. Brock said that, under present law, "many problems arise from confusion over what makes a payment a bribe."

To reduce this confusion, the bill adopts what seems to us a reasonable test: A payment is a bribe only if it is intended to induce a person to do something that violates the law or his legal responsibility.

True, the bill would permit some kinds of payments that are now proscribed and that to most Americans would appear to be bribery.

One such change is this: It would not forbid Americans to make payments that are considered legal in the country where they are made, even though they might be illegal in the U.S.

Sponsors of the measure point out that many countries, especially in the so-called Third World, do not have the same code of business ethics as the United States, and payments called criminal here are accepted in those countries as normal business expenses. American firms, barred from making such payments, are at a disadvantage because their foreign competitors are under no such restrictions.

Several businessmen told the subcommittee that they lost rich sales abroad because they could not match payments that foreign bidders make as standard practice. They added that foreigners tend to resent this country's attempt to impose its own code of conduct on their traditional ways of doing business, and often are reluctant to deal with American firms.

The Chafee bill also aims at other problems, such as: So-called grease payments commonly demanded by minor officials abroad before they will perform such simple legal duties as processing forms or unloading perishable goods, what is permitted as entertainment expenses or gifts, and the responsibility a U.S. firm must assume for acts of its foreign agents.

When the Foreign Corrupt Practices Act was passed, it was hoped that other countries would follow suit in regulating business. But that hasn't happened, and until it does, officials say, foreign companies will continue to profit at American expense under the present law.

The Chafee bill seems a reasonable attempt to give U.S. businessmen a better chance—without giving them a license to bribe.●

NRTA–AARP INCOME POLICY RECOMMENDATIONS

● Mr. SASSER Mr. President, in late November, our Nation will hold its third White House Conference on Aging.

We have made considerable progress in improving the economic well-being of the elderly since the first White House Conference on Aging was held in 1961.

But in many respects today, we seem to be going backward. Nearly 400,000 persons 65 or older were added to the poverty rolls in 1979, from 3.2 million in 1978 to 3.6 million in 1979.

Figures are not yet available for 1980. Most experts, though, expect another increase in poverty for the elderly.

The harsh reality is that a retirement income crisis affects millions of older Americans and threatens to engulf many more.

The administration's proposed cutbacks in social security will only intensify the economic plight that grips so many older persons now.

I oppose these cuts because I believe that they are unfair to older Americans.

A recent Louis Harris poll points out that the overwhelming proportion of Americans believes that the administration's economic policies will be inequitable for the elderly.

The Nation's largest senior citizen organizations—the National Retired Teachers Association and the American Association of Retired Persons—have developed comprehensive recommendations to strengthen social security's short-term financing as well as assure a sound, secure, and equitable system over the long term.

The associations' legislative council also called for changes to promote employment opportunities for older Americans, rather than discourage work.

In addition, the legislative council developed other important recommendations to strengthen the economic well-being of the elderly.

The entire NRTA–AARP income policy package deserves the close and careful consideration of all Members of Congress. It is a clear, frank, and thoughtful expression by people who fully understand the problems and challenges confronting older Americans.

Mr. President, I ask that the NRTA–AARP income policy recommendations be printed in the RECORD.

The material follows:

INCOME POLICY

THE ELDERLY'S INCOME SECURITY: SERIOUSLY THREATENED IF PRESENT ECONOMIC TRENDS CONTINUE

Throughout the 1970's, the nation has experienced historically high inflation rates, periodic recessions with their accompanying high rates of unemployment, and low (and recently negative) rates of growth in productivity, real wages and real Gross National Product (GNP). These economic trends are jeopardizing the degree of income security—inadequate though that may be—achieved by the elderly over the last fifteen years.

Inflation has been rapidly dissipating the purchasing power of all significant components of the elderly's income, especially those, like private pensions, for which little or no automatic compensation for inflation losses is available. Moreover, inflation in conjunction with the other economic trends is undermining the financial soundness of the public income support programs that serve the elderly. These economic adversities are rapidly driving up the costs of these programs while restricting the growth of resources necessary to fund them. Not only has it become virtually impossible to legislate expansions of government programs to provide needed benefits and services, but the nation's ability to deliver what has already been promised is being impaired.

The growth of government programs during the late 1960's and early 1970's increased the elderly's real income and dramatically reduced the incidence of poverty among them. But now continued inflation has begun to wipe away that progress.

By 1978, the elderly poverty rate, which had been 25% as late as 1969, had declined to 13.9%. But by the end of 1979, that poverty rate, under the influence of continuing high inflation, jumped to 15.1%, the largest increase since the Census Bureau began collecting such statistics.

The 1979 poverty data also revealed that the elderly, relative to younger population groups, are more vulnerable to the effects of inflation. While the aged's poverty rate escalated in 1979, the rate for persons under age 65 remained static at 11.1%. Additionally, rates of near-poverty (defined as income within 125% of the poverty threshold) for the elderly rose; in 1979, 24.7% of the aged were concentrated in this income category, compared with 15.2% of the under 65 population.

Other statistics demonstrate how economically disadvantaged the elderly continue to be relative to the rest of the population. In 1979, while only 9% of the non-elderly-headed households had annual incomes below $5,000 and only 21% of them had incomes under $10,000, 31% of the elderly-headed households found themselves in the former category while 62% were included in the latter. Even adding the cash-value of the in-kind benefits the elderly receive to their income levels cannot change the fact that the elderly, as a group, generally subsist on low and, in many cases, extremely inadequate incomes.

As for the future, the situation for the elderly appears bleak. Data Resources Inc. (DRI) forecasts that even if current government programs remain in place with no legislated cutbacks, the elderly's share of income relative to that of the non-elderly will decline sharply beginning in 1981. While the reasons for this decline are complex, the major factor remains the continuing high rate inflation.

Although in the past much progress was made in terms of improving the income status of the aged, this data indicates that the elderly are most vulnerable to inflation and that they are sustaining disproportionately large losses as a result of it. In short, continued high rate inflation could reduce the elderly to an economic situation worse than that which prevailed a decade ago when nearly one-third of them were poor.

INFLATION AND THE ELDERLY'S INCOME COMPONENTS

Inflation is dramatically altering the balance and relative importance of the various components of the elderly's income. It is constricting the "real" income received from private sources (such as private pension payments, income from savings, etc.). Little or no compensation for inflation is available for those forms of income and inflation rapidly erodes the value of the underlying assets. Consequently, the elderly's real total incomes are falling and an increasing share of the income support responsibility is being shifted to public programs like social security and Supplemental Security Income (SSI) which provide some degree of protection against inflation.

But even the public programs do not fully compensate for inflation losses. Although social security benefits and those of other public programs are indexed to the Consumer Price Index (CPI), they are not fully protected against inflation for two reasons: first, benefit adjustments occur long after inflation impacts on the purchasing power of the benefits; and second, the standard used in making the adjustments, the CPI itself, understates the true impact that inflation is having on elderly budgets.

The validity of this last point appears clear. Compared to the non-elderly, the elderly devote a much greater share of their income to basic necessities, particularly food, medical care, and fuel and utilities—items that have been increasing the most rapidly in price in recent years. As a result, the cost of living for the elderly has been rising faster than the cost of living for younger consumers. Between 1970 and 1979, the all-urban CPI rose an average 7.2 percent per year compared to 8.3 percent for food at home, 9.4 percent for fuel and utilities and 7.9 percent for medical care. Since 1970, these costs have risen at an average rate of 8.4 percent per year versus a CPI increase of 7.2 percent.

Since these high inflation rates among core necessities are expected to continue to outpace increases in the overall CPI in the 1980's, the CPI's understatement of inflation's impact on elderly budgets will continue as well. To compensate the elderly more fully for inflation under the public programs, automatic benefit adjustments should be made more frequently during periods of rapid inflation. Moreover, the index used in making the adjustments should be constructed so that it accurately reflects the elderly's expenditure patterns.

Given the precariousness of the elderly's income status in the current economic environment, the Associations will oppose legislative proposals to reduce or curtail cost-of-living protection presently available to the elderly, or specific groups among them, under the various government income support programs. Any such reductions would only accelerate the already rapid deterioration that is occurring in the elderly's real income position.

INFLATION AND THE RETIREMENT PLANNING OF CURRENT WORKERS

A continuation of high rate inflation holds serious consequences for current workers. Inflation makes their retirement planning difficult—if not impossible—because it creates large areas of uncertainty about the expected real income contribution of many traditional retirement income sources. Most private pension plans do not offer cost-of-living adjustments and many privately accumulated assets cannot be relied upon to produce income that will keep pace with inflation. In addition, inflation encourages consumption and discourages saving for retirement, a phenomenon which could foster greater dependence on government programs among the future elderly population. (See TAX POLICY for a discussion of savings incentives.)

Until the inflation rate is brought down to tolerable levels, it will severely constrict the amount of resources available for income support at a time when the elderly population will be expanding greatly. To avoid the potentially catastrophic consequences for the future elderly that the current combination of economic and demographic trends might otherwise entail, fundamental changes must be made in the income support structure to accommodate and help reverse these trends and, at the same time, assure the most effective and least wasteful allocation of resources possible. Such changes would give the future elderly reasonable prospects for achieving an adequate income, avoiding poverty and maintaining their living standards throughout their later years.

SHORT-TERM SOCIAL SECURITY FINANCING DIFFICULTIES

Social Security is faced with a serious short-term deficit. Congress has little choice but to develop a remedy for this deficit in 1981, since exhaustion of the Old Age and Survivors' Insurance (OASI) fund's contingency reserve is otherwise expected to occur in 1982. In the aggregate, the social security cash benefit programs could be facing as high as a $70 to $100 billion shortfall over the next five-year period.

This short-term deficit situation has been caused by adverse economic conditions. Higher than expected inflation rates have increased social security expenditures (by driving up benefit costs) while, at the same time, the combination of higher than expected unemployment rates and lower than expected real wage and real GNP growth rates have curbed revenue to the system.

Since these adverse economic conditions are not likely to subside significantly over the next few years and similar future events cannot be accurately forecast, the Associations recommend that general revenues be channeled into the system in a manner that specifically isolates and addresses the economic causes of the problem. Specifically, to augment the payroll tax mechanism, two

general devices should be established—one to compensate the system for a portion of the increased costs it must bear to finance automatic cost-of-living adjustments, and the other to replace some of the revenue lost by the system as a result of high unemployment rates and lower than expected productivity growth.

Proposals to reduce or tax social security benefits to deal with the short-term financing problem should be rejected. Given the elderly's increasing poverty rates, their disadvantaged income situation and the magnitude of the inflation losses they are already sustaining they represent one segment of society that should not be subject to legislated benefit curtailments. (See TAX POLICY section for further discussion.)

Mandating social security coverage for public employee groups has been proposed as a source of short-term social security revenue. The Associations oppose such measures on the grounds that employee groups which are presently not covered by social security should not be forced into the system, especially in the obviously unfair manner contemplated by these proposals. Instead, all such groups should have the option and be encouraged to elect social security coverage.

Also surfacing in the context of the short-term financing problem are proposals to finance all or part of the Hospital Insurance (HI). Medicare Part A program out of general revenue and, at the same time, shift part of all of the HI portion of the payroll tax to the cash benefit programs. The Associations view this proposal as an inappropriate and inadequate response to the financing dilemma. First, the amount of payroll taxes freed up by this proposal is likely to be insufficient to cure the short-term deficit. Second, it would not infuse general revenue into the cash benefit programs in a manner that would provide the kind of automatic protection from economic adversity that these programs need. Furthermore, over the longer term, funding Medicare out of general revenue will not only make expansions of program benefits difficult, but it could also weaken the entitlement concept of the program and lead to a means-testing.

SOCIAL SECURITY LONG-TERM FINANCING DILEMMA: COMPREHENSIVE CHANGES ARE NEEDED

Over the long term, social security's financial situation will reflect the effects of several major trends. First, there are the previously discussed economic trends which will continue to restrict the amount of resources, available for social programs. Second, there is the demographic trend which portends a relatively smaller working population being called upon to support a larger, older population. Third, there is the declining elderly labor force participation rate which could exacerbate the consequences of the demographic trend and cause a dangerously high degree of dependence among the elderly on government programs for income. Finally, there are the changing family and social patterns which are causing the systems benefit and financing structures to be increasingly perceived as unfair, particularly by working wives and single workers.

The combined impact of all these factors will make it clearly undesirable and probably impossible to continue social security as presently structured into the next century. If that were attempted, either a massive payroll tax increase or benefit cuts of equal magnitude (through such steps as raising the age for full benefits and/or price indexing the earnings record or benefit formula used in calculating benefits) would be prompted.

To avoid having to choose between large payroll tax increases and a piecemeal dismantling of the system's benefit protections, the Associations recommend comprehensive changes in the system's benefit and financing structures. The primary goals of changes in social security, as well as changes in the other components of the income support structure serving the elderly, must be the elimination of poverty and reasonable guarantees that older persons will be able to achieve and maintain an "adequate" income. To be adequate, an older person's income should be sufficient to maintain in the later years of life the highest standard of living achieved in earlier years. Social security must continue to be relied upon to provide the major component of the elderly's income. But to achieve the adequacy goal, social security must be reinforced by income from private sources, particularly employment, private pensions, savings and other assets. To the extent that income from all sources is insufficient, then the underlying welfare programs should be relied upon to guarantee at least a minimum income above the poverty threshold.

Any plan for changing social security to accommodate the trends and achieve these goals must be gradually phased in. Lengthy transition periods must be provided to protect the reasonable benefit expectations of people.

To be comprehensive, the changes must attempt to accommodate and, in some cases, help reverse the trends which are adversely affecting the system. These changes should encourage employment (especially among the elderly), assure that scarce resources are utilized in an effective and efficient manner, improve public support for the programs, and alter the financing structure so that it contributes to, rather than detracts from, the nation's economic health.

To achieve these objectives, social security, after having undergone comprehensive change, should include the following:

A benefit structure that strongly encourages older persons to maximize their work effort and delay their retirement dates;

A more diverse and less inflationary financing structure that would use separate tax mechanisms to finance social security's divergent functions of earnings replacement and social adequacy; and

A benefit structure which clearly separates the system's earnings replacement and social adequacy objectives and, in the process, treats individual workers (particularly working wives and single individuals) in a more equitable manner and targets benefits in a more cost-effective way.

CHANGING SOCIAL SECURITY SO THAT IT PROMOTES RATHER THAN DISCOURAGES ELDERLY WORK EFFORT

A number of changes need to be made in social security in order to promote elderly labor force participation. These include the phasing out of work disincentives, including the earnings limitation and the phasing in of work incentives such as larger benefit credits for those who elect to delay their retirement past age 65.

Because the earnings limitation is a major and visible work disincentive, it should be phased out over a fixed number of years for persons 65 and over. Having a factor in social security that causes people to limit their work effort imposes a significant net "cost" on society. It is estimated that the economic "cost" in terms of the value of the lost output of goods and services and the total of lost tax receipts that results from having the earnings limitation is far greater than the "cost" of the additional social security benefit outlays that repeal would entail. A Social Security Administration (SSA) study released in late 1979 concluded that the abolition of the social security earnings test for persons age 65 and over would generate enough revenue ($1.65 billion) from payroll and federal income taxes alone to offset nearly 80% of the $2.1 billion which SSA has estimated it would cost to repeal the test.

In order for social security to provide strong work incentives, the Associations recommend, as a first step, that the delayed retirement credit be substantially increased. Under present law, individuals who elect to delay applying for social security benefits are entitled to a 3% bonus (beginning in 1982) for each full year they continue to work after age 65. By increasing the delayed retirement credit to a level of 8 to 10%, the credit would provide a strong incentive to delay retirement.

When considering changes in social security that would encourage elderly employment, it is important to rule out proposals that appear as though they should be—but actually ought not to be—considered in this context. Under one such group of proposals, the age at which full social security benefits are available would be raised from age 65 to 68. Some of these proposals envision that, at the same time, the early retirement age would be raised from 62 to 65. Presumably the age for entitlement to Medicare would also be raised to age 68.

This proposal appears to provide a simple, straightforward response to the adverse demographic and employment trends. However, in our opinion, the age 68 proposal—simplistically appealing though it may be—will not yield the additional work effort its proponents expect and at this time would be the wrong policy option to exercise. Not only would these "age 68" proposals substantially decrease and, in some cases, eliminate benefits for future older persons between the ages of 62 and 65 who are involuntarily unemployed or physically unable to continue working, but they would also represent a highly visible benefit cut (and reduction in the expected return on contributions) that could undermine younger workers' support for the programs.

Although life expectancy rates have been increasing, nevertheless, the majority of the elderly, particularly minority groups, are continuing to elect early retirement benefits despite the 20 percent actuarial reduction in benefits they incur when they elect benefits at age 62. One recent survey indicated that about half of the persons surveyed who had recently retired cited impaired health as the reason for their retirement decision.

These trends indicate that, instead of getting additional work effort and therefore additional tax revenue from the future elderly population, the age 68 proposal would merely cut social security expenditures, leaving a large segment of the future elderly population to subsist on substantially reduced benefits with an enhanced likelihood of poverty.

To be successful in getting the elderly to maximize their work effort, the social security benefit structure must be changed so that first, it ceases to penalize older persons for continuing to work, and second, it clearly compensates them for working longer. Changes in the benefit structure that have, in the aggregate, good prospects for increasing elderly work effort will, in turn, help raise the tax revenues needed to finance social security (as well as other income support programs) at benefit levels that will be adequate for the future, larger, elderly population.

SEPARATING SOCIAL SECURITY'S EARNINGS REPLACEMENT AND WELFARE/SOCIAL ADEQUACY FUNCTIONS TO ACHIEVE A MORE EFFICIENT, LESS WASTEFUL UTILIZATION OF SCARCE RESOURCES

The current social security structure contains a mix of earnings replecement and welfare/social adequacy functions. To carry out the earnings replacement function, benefits are loosely tied to prior earnings histories. To carry out the welfare/social adequacy functions, benefits are computed utilizing a heavily weighted formula which provides relatively higher benefits (in relation to prior earnings) to lower wage-earners and relative-

ly lower benefits to higher wage-earners. Minimum benefits are also provided with the intention of assisting long-term, low wage-earners. In addition, benefits are also provided to workers' dependents whether or not they have ever contributed to the system.

Certainly, the carrying out of both earnings replacement and welfare/social adequacy functions is appropriate within the context of programs that constitute social security. However, social security, as currently structured, attempts to perform these often divergent and conflicting functions utilizing one benefit structure and one tax mechanism—the payroll tax. This intermingling of functions has led to many benefit and payroll tax inequities and generated much waste and duplication. Indeed, it has financially impaired the system's ability to achieve fully either of the goals of sufficient earnings replacement and the elimination of poverty.

As a result of the intermingling of functions in the current structure, many higher-income persons, for example, receive unintended benefit subsidies from the system's welfare/social adequacy elements and, ironically, these benefits are largely financed by the tax payments of lower and middle-income workers and their working spouses. At the same time, many lower-income persons who are truly needy and who have borne a disproportionate share of the payroll tax burden throughout their working lives are unable to attain even a bare subsistence level of living on their social security benefits. These situations have led to the perception by an increasing number of workers, especially wives who work outside of the home and single workers, that the system's benefit and financing structures are unfair, wasteful, and do not yield a fair rate of return on their contributions.

In the past, social security mixed the earnings replacement and welfare/social adequacy functions without suffering any significant decline in public support. A favorable ratio of beneficiaries to workers and healthy economic growth rates made it financially possible for the system to provide large benefits in relation to what beneficiaries had contributed to the system throughout their working lives. In the future, however, beneficiaries may receive diminishing, and perhaps in some cases, negative rates of return on their social security contributions. This is likely to occur due to several factors: the dramatic age shift in the population, the large payroll tax increases that are already scheduled (and the additional ones that are expected), the possibility of large benefit cuts (such as raising the age for full benefits), unfavorable economic conditions, and the relative scarcity of financial resources.

Under these conditions, the system is bound to be scrutinized as to how it functions, who pays the taxes and who receives the benefits. Therefore, to reduce the increasing benefit and tax inequities inherent in the present structure and assure that the system as a whole operates in a cost-effective manner, the Associations recommend that social security's earnings replacement function be clearly separated from its welfare/social adequacy functions. These functions should be retained within the social security system's total structure but sorted out between at least two separate benefit and financing mechanisms.

The earnings replacement functions should be carried out through a benefit structure which utilizes a proportional (or uniform) benefit formula and stresses individual equity in awarding benefits. This benefit structure should be financed from payroll taxes. The welfare/social adequacy functions should be carried out through a benefit structure specifically designed to meet those objectives. This latter structure should be financed out of general revenues generated from diverse and progressive tax mechanisms. Since the escalating payroll tax burden, which is inherently inflationary and leads to higher unemployment, only aggravates current economic problems and makes them more intractable, it makes sense to shift the financing of social security's welfare/social adequacy functions to alternative and less economically damaging revenue sources.

Should healthy economic growth rates such as those the nation enjoyed in the 1960's fail to resume in the future or should the cost pressures that will accompany the aging of the post-war baby boom population prove more difficult to deal with than is anticipated, then at least a restructured system would allow future policymakers to make coherent and rational choices regarding the allocation of scarce resources. Government would be better able to target benefits on the more economically disadvantaged segment of the elderly population. This is something that is nearly impossible to do under social security's current structure.

OTHER POSSIBLE CHOICES FOR DEALING WITH SOCIAL SECURITY'S LONG-TERM DEFICIT

Given the magnitude of the projected long-term social security deficit, proposals have been advanced that would alter the way in which future benefit awards would be computed. Generally, these proposals would substitute price indexing for the wage indexing in the current method used to calculate initial benefit awards. Since increases in wages generally outpace increases in prices, these proposals would greatly reduce future social security benefits and do damage to the economic well-being of the future elderly.

According to the recent Social Security Administration estimates, using price-indexing in computing initial benefits would cause replacement rates (the rate of initial benefit awards to final years' earnings) for average earners (retiring at age 65) to fall from 51.1% in 1980 to 33.2% in 2010 and to 22.3% by 2055. Under price-indexing, social security income for most earners would be reduced by over one-third by 2010 and cut in half by 2055 when compared to the income that the present system yields to current retirees.

Clearly, these price-indexing proposals would substantially shrink the role of social security, causing it to contribute far less than the current system would to the future income of the elderly. Proponents of these proposals argue that the purchasing power of future benefit awards would be maintained at current levels under a price-index system. This argument, however, attempts to mask the fact that price-indexing would cause the living standards of the future elderly to decline greatly, because a far smaller share of pre-retirement earnings would be replaced by the system. Since social security is, and is likely to continue to be, the primary source of income for the elderly, it is inevitable that price-indexing of the benefit formula will not only cause a significant deterioration in living standards, but also a resurgence of extremely high poverty among the future elderly.

In attempting to deal with social security's long-term difficulties, Congress can choose between two reform strategies. Either it can risk an erosion of public support by attempting to perpetuate the system's present benefit and financing structures and thereby be forced either to raise payroll taxes or reduce benefits. Or it can attempt to restructure the system so that the system, first, encourages (rather than tries to force) older persons to work longer and elect to delay their retirement, and, second, allocates scarce resources as cost efficiently and effectively as possible by using separate benefit and financing structures to carry out the divergent earnings replacement and welfare/social adequacy functions. The Associations support this latter reform strategy. Not only would it relieve cost pressures on the system, make it a more equitable and therefore popular program, and improve its financial viability, but it would also increase the future elderly's prospects for achieving income adequacy and avoiding poverty.

SUPPLEMENTAL SECURITY INCOME PROGRAM RECOMMENDATIONS

The Supplemental Security Income (SSI) Program was created in 1972 to provide policymakers with a more effective instrument for reducing the extremely high incidence of poverty prevailing among the elderly. Even though socal security benefits have been increased substantially, especially during the late 1960's and early 1970's, SSI benefits have been needed by many elderly persons who either lack social security coverage or receive very low social security benefits.

However, even receipt of both social security and SSI benefits still fails to guarantee a minimum income above the poverty threshold. For aged families with SSI and social security income alone, 50 percent were living below the official poverty line in 1977; for single persons in these circumstances, 60 percent were in poverty. To address this situation, the Associations recommend several improvements in the SSI program.

With respect to payment levels, the federal portion of the SSI payment should be increased to at least 125 percent of the poverty level as defined by the Census Bureau. State supplements to the federal payment must also be encouraged so that recipients can be compensated for regional cost-of-living variations.

Because the participation of the elderly poor in the food stamp program has been extremely low, food stamps should be cashed-out for SSI recipients. Until this is done, however, the Congress should refrain from further reducing food stamp benefits for older recipients and should restore the semi-annual adjustment in benefits that was eliminated by the 1980 Food Stamp Amendments.

SSI's partial disregard of unearned income (usually social security benefits) should be made on a progressive rate basis (at least 20 percent disregard) rather than on a flat dollar ($20 per month) basis. Due to automatic cost-of-living increases in social security benefits, many SSI recipients have either lost their SSI eligibility or experienced a net reduction in total income from SSI and social security combined.

In order to encourage employment, SSI's $65 per month earned income disregard should be raised substantially and thereafter, automatically indexed to wages. Also, public service job opportunities and job training and referral mechanisms should be created specifically for SSI recipients.

The Associations also recommended elimination of the one-third SSI payment reduction imposed upon individuals who live in the household of another. This arbitrary reduction discourages the elderly poor from living with relatives and often results in their premature institutionalization.

Finally, SSI's current assets limitations of $1,500 for individuals and $2,250 for couples should be substantially increased and eventually eliminated. An estimated 12 percent of elderly families with incomes below SSI payment standards were denied benefits because of the assets test.

ENERGY ASSISTANCE

Between 1972 and 1979, fuel costs increased almost 200 percent—three times more than the increase for any other item in the CPI. This escalation in the cost of fuel has caused many low and moderate income elderly persons to face severe financial (and physical) hardship. The elderly, who are living on relatively fixed income and already using less energy on a per capita basis than other age

groups, have little financial ability to absorb higher fuel costs and little flexibility to cut consumption significantly.

Since escalating fuel prices can no longer be considered a temporary phenomenon, much needs to be done to expand, integrate and better coordinate recently created federal, state and local energy relief assistance programs.

With respect to the Low Income Energy Assistance Program, income eligibility standards should be expanded to include at least those with incomes up to 150 percent of poverty level; sufficient funds should be made available to pay benefits to all who are potentially eligible; older persons should be allowed a special exemption for medical expenses in determining eligibility to take account of their higher out-of-pocket costs; and, finally, the program should continue to be administered through block grants to states.

As part of the program's federal guidelines, states should be required to implement comprehensive energy assistance programs that include provisions for local coordination of all relevant social services, and to develop local outreach plans to assure broad dissemination of information, to the elderly who tend not to participate in these types of programs. Finally, the states should be encouraged to provide the bulk of energy assistance in the form of direct cash payments.

National energy relief assistance efforts should also emphasize weatherization and conservation. The materials and incentives to weatherize and the information on weatherization and conservation must be made available to the elderly. In the long run, this would provide one of the most cost effective methods of energy assistance.

EMPHASIZING EMPLOYMENT AS A SOURCE OF INCOME

Given current economic, demographic, and elderly labor force participation trends, government policy ought to permit and encourage greater elderly labor force participation. Increased elderly employment activity would generate additional tax revenue for use at all levels of government. The economy in general would benefit from the added value of goods and services produced. The elderly would benefit by being able to supplement their incomes from other sources with income from employment, thus increasing their ability to maintain their standard of living and do it with a form of income (wages) that has better prospects for keeping up with inflation than most other forms of income. Given the national commitment to the maintenance of reasonable levels of income among the elderly, any share of that income that can be generated through the work effort of willing and able elderly individuals represents a share that need not be borne by other workers through taxes.

To reverse the elderly's labor force participation trend, a national, coordinated older worker employment strategy is needed. One component of such a strategy entails the elimination of existing elderly employment barriers, the greatest of which is mandatory forced retirement.

In 1978, Congress enacted amendments to the Age Discrimination in Employment Act (ADEA) that prohibit mandatory retirement before age 70, with a few exceptions, and protect most federal employees completely against age-based retirement. These amendments, however, do not go far enough. First, we recommend that forced retirement based solely on age should be completely prohibited under ADEA. Statutory sanctions which exist in current law, such as the bona fide occupational qualification provision, should be eliminated. Finally, the Equal Employment Opportunity Commission should enforce the ADEA as vigorously as possible to assure that the Act's full potential is realized in the case of middle-aged and older workers who continue to be victims of various discriminatory practices.

The second major component of an older worker employment strategy involves the elimination of existing work disincentives. Although the social security earnings limitation and other factors wtihin the structure of the social security programs have already been discussed, other factors exist which serve to discourage work effort by older groups. One such disincentive that must be addressed is a law which mandates that states reduce a person's unemployment compensation by the amount of any pension income received. Although the law was amended in 1980 to limit the applicability of the offset, a person's unemployment compensation will still almost always be reduced by one-half of the amount of any social security benefits received. The Associations recommend that the unemployment compensation offset be repealed in its entirety.

The third component of an older worker employment strategy involves the creation of strong work incentives—some focused on the older workers themselves, others on potential employers. One such incentive focused on the individual worker, an increased delayed retirement credit, was discussed in the context of social security. However, other incentives could be created that would fall outside of social security. For example, credits against federal income tax liability could be established for older workers who avail themselves of job training or retraining programs that are designed to prevent skill obsolescence.

To provide employers with incentives to employ and/or retain older workers, the federal tax structure appears to be the most appropriate vehicle. For example, the employer portion of the social security payroll tax that would otherwise have to be paid with respect to older workers could be reduced or eliminated. A tax credit for a certain portion of the older worker's wages could also be used to encourage employers to hire them. Such changes would effectively reduce the cost of hiring older workers, compensating to some extent for any real or imagined productivity decline associated with age that an employer might otherwise entertain. These changes would also tend to counter any disincentive effect that the minimum wage might have on an employer's willingness to hire or retain an older worker. In addition, the tax laws could be used to encourage employers to introduce a host of job training, retraining, part-time and flex-time programs aimed at older workers.

To complement the other components of an older worker employment strategy, job opportunities must be made available to older workers through federal government employment programs. At present, there are only two such programs—the Senior Community Services Employment Program (SCSEP), funded under Title V of the Older Americans Act, and the Comprehensive Employment and Training Act (CETA) Program.

The SCSEP is the only categorical program focused exclusively on older workers. It provides a small number (50,250) of part-time jobs for workers age 55 and over who have been chronically unemployed and are below the poverty level at program entry. This program emphasizes on-the-job training and placement of trained workers in permanent unsubsidized jobs.

The Associations support increased funding for SCSEP so that the number of jobs provided by the program can be expanded. SCSEP has been an effective program, free from fraud and abuse. But it has only begun to fill the large need which the low-income elderly population has for jobs.

Over the longer-term, a nationwide, categorical, centrally directed older worker program like the SCSEP should be created that would include full as well as part-time jobs.

The other primary vehicle for dealing with the employment difficulties of older persons is CETA. Older worker participation in CETA, however, has been well below what might be expected on the basis of the number of unemployed older workers.

In an attempt to correct this situation, Congress added to the 1978 CETA Amendments an older worker section and an emphasis on displaced homemakers. These Amendments require prime sponsors to submit comprehensive plans which must describe specific services for those workers facing severe handicaps in obtaining employment, including those 55 years of age or vision be more effectively implemented and older. The Associations urge that this probacked up by adequate funding to enable CETA manpower programs to respond to the special needs of older workers. Should Congress decide to phase out or eliminate the CETA program, the needs of the elderly workers should be addressed in any program that replaces it.

THE PRIVATE PENSION SYSTEM: CURRENT INADEQUACIES AND FUTURE POTENTIAL

The Associations have always supported reform and expansion of the private pension system so that it would become, over time, a more universally available and more significant source of income for the elderly. However, there are clearly many inadequacies in the private pension system as it exists today. Only about 25 percent of persons age 65 and over presently receive private pension benefits. Moreover, since less than half of all workers in the private sector are covered by a pension plan and only 25 percent of the total working population age 18 and over has acquired a right to receive benefits (i.e. have become "vested") from a pension plan provided by their current employer, the private pension system is likely to continue to fall far short of being the universally available source of supplemental retirement income that it ought to be.

In addition to lack of coverage, there are other serious inadequacies. Only about 5 percent of all private pension plans, for example, provide automatic inflation adjustments and, even then the adjustments are usually limited to a maximum of around 3 percent a year. Although many more plans provide ad hoc adjustments, the private pension system as a whole provides very little in terms of compensation for the inflation losses recipients sustain with respect to their private pension benefits.

Clearly, many individuals are not being well served by the private pension system. Although the Employee Retirement Income Security Act (ERISA) sets minimum vesting standards for pension plans, these standards do not guarantee that plan participants will actually acquire a right to a pension. Not only do those who fail to satisfy vesting requirements fail to receive any benefits, but they also suffer serious impairment of their retirement planning efforts because, while they were participating in the pension, they were barred by law from establishing and contributing to an Individual Retirement Account (IRA) on their own. (See TAX POLICY for further discussion.)

Even for those who acquire a vested right to a benefit plan, job change (i.e., "mobility") is still a problem. Pension rights and credits earned by a worker are very rarely transferable (i.e., are not "portable") from the pension plan of one employer to that of another.

The private pension system's failure to provide universal coverage, adequate inflation protection, early vesting and portability of pension rights and credits has seriously constricted its importance as a reliable source for a significant amount of supplemental retirement income. Clearly, social security has been far more successful in overcoming the

inadequacies associated with private pensions. However, there is one major factor that makes it unlikely that social security alone could ever provide an adequate retirement income and displace the private pension system—social security's funding.

Social security is funded on a pay-as-you-go basis. That means that current payroll tax receipts are used to pay current benefits. However, in the case of private pension plans, assets are set aside in trusts to cover benefit obligations as they accrue. Thus they are said to be advance funded.

Advance funding of a portion of the cost of providing an adequtae income for the future elderly population appears increasingly desirable as a matter of public policy. The most important reason is that it assures that the post World War II baby boom population will, in effect, have savings of their own, and will not be totally dependent on a pay-as-you-go system for retirement income. A pay-as-you-go system, such as social security, would have to increase tax rates sharply to provide an adequate level of income for future retirees at a time when the proportion of active workers to retirees is diminishing. Additionally, since advance funding provides savings to finance investment, the private pension system is being looked upon increasingly as a tool for fostering economic growth.

While a portion of social security could be advance funded, there would be serious problems with this approach. Control of a tremendous pool of capital would be centralized in a single source, and investment decisions might end up being removed from marketplace considerations.

Given these factors, the Associations recommend that the private pension system be called upon to assume responsibility for providing a more significant and more universally available share of the income of the future elderly and that necessary changes be made to assure the full and efficient discharge of that responsibility. To start, present law (ERISA) should be amended to shorten vesting periods and a mechanism for pension portability should be designed and implemented. For example, a central clearinghouse could be created to act as a "bridge" between pension plans so that credits can be readily transferred. Additionally, the Associations are favorably disposed to a proposal outlined by the President's Commission on Pension Policy that would require all employers to provide a minimum amount of pension coverage for their workers.

When put in final form, we would expect the Commission's proposal to express a strong preference for defined benefit as opposed to defined contribution plans. A defined benefit plan provides a pension according to an average of the highest years' earnings. This type of plan thus contains an implicit inflation adjustment mechanism, which virtually assures that upon retirement the worker will receive a benefit that will have kept pace with the inflation which occurred while that benefit was being earned. In the case of defined contribution plans, however, the employer simply puts funds aside for the worker and the worker assumes the risk that the inflation which occurs before retirement may have eroded the value of these funds.

If the future elderly are to be better able to maintain their living standards throughout their later years of life, ways must be devised to mitigate the effect of inflation on private pension benefits from the time they are awarded. Under the present legal framework, the Associations know of no mechanism for mandating cost-of-living adjustments without risking massive pension plan terminations by employers because of the large cost increases the making of such adjustments would entail. However, those employers should be induced to provide at least some innation compensation to their retirees through, for example, tax breaks, the extension of federal labor law to specify that retirees' benefits are a mandatory subject of collective bargaining, and the issuance by the federal government of indexed bonds that would be available to private pension plans and would guarantee a real rate of return.

In another respect, private pension plans are going to have to change to treat older workers more fairly than they presently do. Under a current Labor Department interpretation of ERISA and the ADEA, employers do not have to provide additional pension credits to workers who stay on the job beyond age 65. This interpretation discourages older workers by denying them any additional deferred compensation despite extra years of work. Moreover, these older workers may actually lose some of their benefits if the plan's payments do not commence until the workers actually retire. The Equal Employment Opportunity Commission, which enforces the ADEA, could change the interpretation in this area, but legislation appears needed to remedy the problem.

One final element in the existing pension structure that must be strengthened and extended is the guarantee of pension benefits which ERISA provides through the Pension Benefit Guaranty Corporation. In the 96th Congress, an effort was made to cut back on guarantee levels in the case of multi-employer pension plans. This effort was defeated with respect to current retirees and those within three years of a plan's normal retirement date. However, future retirees receiving benefits from multi-employer pension plans that get into financial difficulties could see their promised benefits reduced. This is a dangerous precedent which should be reversed.

OTHER PRIMARY RETIREMENT SYSTEMS

Although social security is generally thought of as the basic component of the elderly's income, other existing primary retirement systems such as the federal civil service retirement system, the railroad retirement system, and the approximately 6,000 state and local systems cannot be ignored, because these supply the basic income component for the retirees they serve. Since many of the states and local systems are already integrated with social security, they would change as social security changes over time. With respect to non-integrated state and local retirement systems, the trend has been toward consolidation into larger county, regional or statewide systems. That trend should continue.

Given the millions of retirees, their dependents and survivors who are served by the civil service, railroad and other non-social security federal retirement systems, their financial well-being is a matter of concern to the Associations. To the extent that these systems may face financial difficulties in the future, detailed knowledge of these difficulties and plans to avoid them should be made public well in advance to allow ample time to avoid any potential crisis.

While recent attempts were defeated that would have reduced the number of cost-of-living adjustments (and thus the degree of inflation protection) for federal retirees from twice to once a year, these efforts are likely to be renewed. The Associations will continue to oppose such efforts because even semi-annual adjustments do not fully compensate retirees for the inflation losses they are incurring with respect to their benefits. Additionally, the Associations have consistently opposed legislation that would deliberalize retirement systems in a manner that defeats the reasonable benefit expectations of persons who are retired or are about to retire.

Finally, with respect to the primary state and local retirement systems, there is an increasing need for national fiduciary standards to protect pension funds and assure sound investment practices. The security of these benefits can be too easily jeopardized if assets are mishandled or not invested solely in the interest of employees and beneficiaries.

OTHER SOURCES OF INCOME

In addition to social security, employment and private pension plans, other savings and retirement income instruments, like Keogh plans and IRA's, must continue to be relied upon as potentially significant sources for supplementing income during the later years of life. (See TAX POLICY for further discussion.) In addition, privately accumulated savings will have to be relied upon to contribute significantly to the income of the elderly.

However, private savings, as an important source of income is gravely threatened. High inflation is rapidly diminishing the value of small savings accounts which are widely held by the elderly, but which continue to pay interest rates that are artificially constrained at levels well below the inflation rate by the Federal Government's Regulation Q. Even though the Regulation Q ceilings are to be phased out, little progress has been made in that direction. The Associations therefore continue to advocate that this regulation be eliminated immediately so that interest rates may rise to free market levels. Not only would interest income to present elderly small savers increase, but younger workers would be encouraged to save more for their retirement. In addition, highest interest rates would help make saving an attractive alternative to consumption and help dampen inflation at the same time.

While much can be done to encourage the growth and expansion of private savings and other sources of income on which the elderly have traditionally relied, new sources should be explored. One potentially important new income source is the reverse annuity mortgage (RAM). Under this type of financial arrangement, it would be possible for an older person to turn the appreciating value of his home into a steady source of income while still retaining both possession of the home and the title to it during his lifetime.●

THE NOMINATION OF DR. C. EVERETT KOOP

● Mr. JEPSEN. Mr. President, I call attention to an article which appeared in the July 19, 1981, issue of the Washington Post entitled, "Dr. Koop is the Man For the Job."

I wholeheartedly commend the author of this article, Mary Meehan, for her astute analysis of the pending nomination of Dr. C. Everett Koop as U.S. Surgeon General.

The article follows:

DR. KOOP IS THE MAN FOR THE JOB

(By Mary Meehan)

If Congresses lets President Reagan appoint the person he wants for surgeon general of the United States, he will name Charles Everett Koop, a brilliant pediatric surgeon who currently holds the post of deputy assistant secretary for health. But Dr. Koop has the misfortune of being 64 years old—just over the age ceiling for the job of surgeon general. He has the added misfortune of having political opponents in Congress who, although on record against age discrimination, are using the age limit to delay his nomination. The usual faint

whiff of fakery floats over Capitol Hill as liberal Democrats try to explain the difference between their principles and their actions, and as the 68-year-old speaker of the House helps block the appointment of a 64-year-old.

Age, of course, has nothing to do with the real issues at stake. No one suggests that Koop is over the hill or in the least bit decrepit; in fact, he appears to be healthier and more vigorous than many younger men. The main issue is abortion of Koop's articulate opposition to it. He is a special target of the proabortion lobby because, prior to joining the government this year, he served on the boards of three of the most effective right-to-life groups, spoke and wrote strongly against abortion, and helped put together the antiabortion movie, "Whatever Happened to the Human Race?" The movie, and a book with the same title that Koop coauthored, suggest that abortion, infanticide and euthanasia are connected, that one leads to the other. This is, to say the least, an unpopular view among supporters of abortion.

It was said of the great Confederate cavalry leader, Nathan Bedford Forrest, that he won his battles by always reaching the scene "fustest with the mostest."

Dr. Koop's opponents managed to do the same thing in reaching the media. His friends and family probably do not recognize him as he appears in the press. One observer suggests that Koop has been made to appear as a "bare-foot fundamentalist down from the hills," and others that he has been painted as a "neanderthal" and a "jerk."

To some extent these impressions result from deeply rooted stereotypes about antiabortionists; and to some extent they result from quotes taken out of context from the doctor's speeches and given the worst possible interpretation. Newsweek, for example, lifted one vague sentence from a Koop speech to support its contention that "he has no brief for equal opportunity for women." In fact, he was training women surgeons long before this was popular. Dr. Louise Schnaufer, one of the surgeons he trained and worked with for many years, says that "he's trained a lot of women, and I think he's all for women in medicine. . . . He's very favorable."

Similarly with Koop's religion, which has been pictured as a negative force in his life, yet is clearly a constructive one.

A Presbyterian and an evangelical, he takes his religion seriously as a guide to action. He has long worked with a nondenominational agency called MAP International to provide substantial medical aid to Third World countries. He and his wife took an orphan into their home and raised her with their own children, and he helped set up an adoption agency in Philadelphia to find homes for other children who needed them.

His approach to religion includes humility: He has told parents who have tried to thank him for aiding their children, "My surgical skills are a gift from God. Thank Him for them." And he is not superficial about religion: Acknowledging to one interviewer that he had prayed before a critical operation, he added, I don't pray in the sense of trying to cast a magic spell. Praying doesn't necessarily mean asking for something, you know. There's a lot of value in just sitting still and listening.

While allegations of religious fanatacism and antiwoman attitudes have been used against him, the up-front opposition to Koop is based on charges that he is unqualified for the job of surgeon general. This opposition is led by the American Public Health Association, whose executive director says that Koop's position on abortion has nothing to do with their opposition to him. Right-to-life lobbyists find this hard to believe, since APHA has long been active on the proabortion side. But its charges about lack of qualification have been widely adopted by editorial writers and others, so they are worth a careful look.

The public health professionals do not dispute Dr. Koop's international reputation as a pioneer in pediatric surgery. He helped make anesthesia safe for children, did intensive work on the treatment of children with cancer, and performed difficult surgery in the separation of Siamese twins and in other cases previously thought to be hopeless. His awards include the highest that the French government bestows, the Legion of Honor.

In addition, Koop has accumulated much administrative experience in building and leading the outstanding pediatric surgery department at the Children's Hospital of Philadelphia. (This is something the public health people do not talk about; listening to them, one might have the impression that Koop is a Lone Ranger type.) And his whole record is one of much personal interest in his patients and their families. In 1978 he made a remark that sounds rare indeed for a great surgeon: "If you told me that I could never operate again, that would not bother me. But if you told me I couldn't have a relationship with patients' families I would be upset."

Given all of this, the average layperson is likely to think that we would be lucky to have Koop as chief health officer of the country. But the public folks say that private medicine is focused on the cure of ailments in individuals, while public health is concerned more with prevention of disease in entire populations.

Dr. William H. McBeath, executive director of the American Public Health Association, recently told a congressional committee that the "almost exclusive orientation for one-to-one, provider-patient relationships, so advantageous for the clinician, can actually be a disadvantageous distortion for the community practitioner committed to the broader target of equitable programming for a total population."

"If Dr. Koop's reputation were that of a narrow-gauged, "cut and run" surgeon, McBeath might have a point. But Koop's whole career indicates the very opposite of that. And he has extensive volunteer experience with public health problems in Third World nations: working against a dysentery epidemic in the Dominican Republic; teaching young women of an isolated Indian tribe in Mexico to dispense antidysentery and antiworm medicines, vitamins and protein supplements; helping set up a medical school in Ghana. He also established a fellowship program to send medical students to rural hospitals in Third World nations, so they could obtain a realistic experience of international medicine and possibly decide on careers in it.

The public health professionals appear to be unimpressed with all of this, which leads one to believe that they are rather hard to please. There is also a hint of self interest in their position; while they do not say it this way, one message that comes through loud and clear is: "This is our turf and we're going to keep it." The APHA leaders make a point of saying that never before in its 109-year history has their group opposed the nomination of anyone to be surgeon general. But this becomes somewhat less impressive when one discovers that the decision to oppose Koop was made by a 16-member executive board. And APHA president Larry J. Gordon, who started the public controversy last March when he wrote President Reagan in opposition to Koop, is not even a doctor. He is an environmenal health specialist.

All of which brings us back to the troublesome issues that underlie so much of the hostility to Koop: His opposition to abortion in general and to "selective abortion" in particular. Koop notes that his position "is not so outlandish," that it is shared by the president, the secretary of health and human services and the assistant secretary for health. "I'm always amazed to see how their statements arouse no ire," he remarks, "but things I said two years ago, I have to die for." The list of abortion opponents outside the political right includes Lindy Boggs, Thomas Eagleton, Mark Hatfield, Jesse Jackson, Mary Rose Oakar, Graciela Olivarez and William Proxmire. Koop has some good company.

But he reached his position on his own, and largely as a result of his 35 years of medical practice. When koop entered his specialty in the 1940s, he was one of only six surgeons in the country to devote his practice to children alone. And, he says, he found himself "very rapidly becoming an advocate for children, particularly for children who are handicapped or abused." He has probably seen nearly every birth defect that can occur, including ones that laypeople find hard to imagine.

He has successfully treated infants with intestinal obstructions, ones born with no connection between throat and stomach, ones with severe problems of the urinary tract, ones with dangerous and disfiguring tumors, and even a boy born with his heart outside of his chest. He has corrected problems of Down's Syndrome children and babies with spina bifida (cleft spine). In short, he has successfully treated many children who today might be aborted after amniocentesis detected their problems.

Amniocentesis is the procedure of withdrawing amniotic fluid from the womb when a fetus is 14 weeks or older. Analysis of the fluid for diagnostic purposes was first done in order to help both mother and child affected by the Rh problem, and Koop favors it when done for this purpose. But increasingly over the last 10 years, amniocentesis has been used to detect genetic problems so that the parents can have affected children aborted—even though the extent of their handicaps may not be known. Koop and others of the right-to-life persuasion call the amniocentesis/abortion combination a "search-and-destroy mission." Koop is a markedly effective critic of it because he knows how much handicapped children can be helped, he admires the way "they have such a good spirit and don't feel sorry for themselves" and he has seen many of them contribute substantially to their families and communities.

This is not to say that Koop or any other doctor can correct all birth defects. No cure has been found for the devastating Tay-Sachs disease, which kills all affected infants in their early years. There is no cure for sickle cell anemia, although some researchers now believe they can find a remedy for it. Some are also hopeful about finding a way to prevent or cure the mental retardation that usually accompanies Down's Syndrome. Today, most Down's Syndrome children, with proper training, can learn to walk and run, engage in sports and do household chores. Those who work with them often describe them as happy and very affectionate children. Many eventually learn and hold jobs in sheltered workshops. Yet the medical literature indicates that more children are aborted for Down's Syndrome than for any other genetic problem.

Koop says that it was his concern about infanticide that led him into the pro-life movement, "so you could say I came in by the side door or the back door." He remarks that "I don't think we ever would have come to our current practice of infanticide in this country if it hadn't been for the fact that we were performing well over a million abortions a year. I think that does something to the medical profession's understanding of its healing ministry. And when you make exceptions for the unborn, there's very little difference between making them for that group and for the newly born."

Koop's opponents suggest that he is alarmist about infanticide, but he points to an impressive amount of evidence: a 1973 arti-

cle in the New England Journal of Medicine in which two pediatricians reported that, over a 2½-year period at the Yale-New Haven Hospital, 43 handicapped babies died after treatment was withheld or withdrawn from them; a 1973 proposal by Nobel laureate James D. Watson that a child not be declared alive until three days after birth, so that a doctor "could allow the child to die if the parents so chose and save a lot of misery and suffering"; and cases of Down's Syndrome children who starved to death after denial of simple operations to remove intestinal obstructions.

He also notes the recent case of Jeff and Scott Mueller, Siamese twins who were born in an Illinois hospital where one or more persons apparently felt it was all right to starve them to death rather than allow them to face life with serious handicaps. This, says Koop, shows that he "wasn't far off" in his early concern about infanticide.

There is also the case of Phillip Becker, which Dr. Koop calls a "tragic miscarriage of justice." In the Becker case, denial of treatment has been moved up into the teens and sanctioned by the courts. Phillip Becker is a 14-year-old Californian with Down's Syndrome who parents have refused consent for heart surgery their son needs. Without the surgery, doctors say, he will suffer unnecessarily and probably die at an early age. Yet California courts upheld the parents in their refusal to give consent, and last year the U.S. Supreme Court refused to hear an appeal on the boy's behalf.

How about the Koop suggestion that euthanasia of the elderly will be the next slide down the slippery slope? The same arguments made for abortion and infanticide can easily be made—and are made—for doing in older people who have serious disabilities. Such people, Koop believes, are in danger—"particularly if they're elderly, disabled and expensive."

But the one thing old folks have that babies lack is the vote. It is conceivable that sheer voting power will protect older people from euthanasia enthusiasts. One could say that political protection is better than no protection at all. On the other hand, it is not a firm barrier against the psychological pressures that Dr. Koop and theologian Francis A. Schaeffer spoke of in their book. "Whatever Happened to the Human Race?" They suggested that consideration of euthanasia "leads to a degradation of the elderly and, ultimately, to inferior health care for the elderly—as well as encouraging the thought that those who do not want to 'shuffle off' quickly are somehow failing in their contribution to society."

Dr. Koop indicates that, if he becomes surgeon general, one of his chief goals will be to aid the handicapped and the elderly and to encourage more positive attitudes toward them. Liberal Democrats have long championed these groups; so if the Democrats can put down their brickbats long enough to listen to Koop, he may have a chance. The young, the old and the disabled will never have a finer or more compassionate advocate.

IN OBSERVANCE OF CAPTIVE NATIONS WEEK

● Mr. BRADLEY. Mr. President, I am proud to participate in the 23d observance of Captive Nations Week and to commemorate the brave struggle of Eastern European peoples to maintain their national identities and secure basic human rights for their brethren subjected to Soviet domination.

The Captive Nations list contains over 2 dozen countries. Afghanistan is the most recent addition. One is tempted to ask, "Who's next?" But because fundamentally all people cherish freedoms, the Captive Nations list does not symbolize defeat, nor concede that the rest of the world condones such activity. Rather it expresses our commitment never to accept it.

The Afghan episode is the latest in a long series of imperialist episodes. There is still hope for the brave Afghanis, who are still fighting heroically to resist Soviet domination. Since the administration has decided to lift the embargo on grain sales to the Soviet Union, our major expression of condemnation against Soviet occupation of Afghanistan, it would be appropriate for us to explore new avenues to express our concern and support.

Poland is another Captive Nation of long standing whose current struggle against Soviet repression of basic freedoms is in today's headlines. For close to a quarter of a century the Soviet Union has sought to suppress the forces for reform in Poland. Even so, Poland is alive again. There is no more vivid evidence of the power of freedom than the renewed struggle of a nation subjugated for so long a period. It is a striking symbol for the Captive Nations movement.

Our 23d observance of Captive Nations Week coincides with the commencement of the Polish Communist Party. Let us hope that the forces for freedom given life by the solidarity of workers shall be successful in peacefully bringing about a responsive order in a land too long subjected to Soviet control.

There is some solace in observing that the Captive Nations list has not grown over the past year. Unfortunately, neither has it been shortened. During Captive Nations Week we give voice to our belief that all men everywhere have the same inherent right to freedom that Americans enjoy. And this belief is a powerful weapon. No single idea breeds deeper concern in Moscow than the strength of the commitment of a freedom-loving people to be free again. Let us remind the world, and particularly those within the Soviet sphere who listen for our words, that we have not forgotten.●

IN APPRECIATION OF JEREMIAH DENTON

● Mr. EAST. Mr. President, Friday marked the 15th anniversary of the shooting down by the North Vietnamese of the plane of JEREMIAH DENTON, our distinguished colleague from Alabama. I wish to take this opportunity to express my own admiration for Senator DENTON and the profound sense of honor that I feel for being able to serve in the U.S. Senate with him.

Mr. President, the world knows today the story of Senator DENTON's bitter experiences in a Communist prison camp for 7 years and 7 months from his own moving account in his book, "When Hell Was In Session." The world also knows the story of how it was JERRY DENTON who first revealed to the world that American prisoners of war were being tortured by courageously blinking his eyes in Morse code when he was forced to appear in a North Vietnamese propaganda film.

There were, of course, some who insisted that our prisoners were being well treated by their captors and who claimed, even that they had come to see the error of their participation in the Vietnam war, JEREMIAH DENTON, however, by his words and by his example, gives the lie to these distorters of truth. The tale of JEREMIAH DENTON's secret communication with the outside world is, I am convinced, one of the great patriotic and heroic tales of American history as well as testimony to the immense personal courage and presence of mind of one of our country's authentic heroes.

Mr. President, JEREMIAH DENTON was born on July 15, 1924, in Mobile, Ala. He graduated from the U.S. Naval Academy at Annapolis in 1946 and served in the U.S. Navy in 1946 to 1977. He flew combat missions in Vietnam as the commanding officer of Attack Squadron 75 and was captured by the North Vietnamese after being shot down. Upon release from prison in 1973, Captain DENTON continued to serve in the Navy until 1977, when he retired as a rear admiral. He is the recipient of many awards, including the Navy Cross and the John Paul Jones Award, and twice the recipient of the Valley Forge Freedom Foundation Award. Most recently he has been created a Knight of Malta.

Yet the bare facts of his biography do not do justice to the integrity and courage and leadership of this man. Mr. President, I can personally attribute to his abilities in every respect, because I serve with Senator DENTON on several committees and have had opportunity to observe and appreciate the talents of a military leader in the role of a statesman. On the Subcommittee on Security and Terrorism, of which he is chairman, Senator DENTON has brought his own experience of Communist totalitarianism to bear on the dreadful subjects of that body's work.

He knows, better than almost any other man in the Senate and more than most men in the country, the lies, the brutality, the concerted attempts to destroy the human spirit and personality that are the essence of communism. I have listened to him bring this experience and knowledge to bear on the subjects of terrorism and propaganda in the subcommittee, and I cannot think of any of my colleagues who are better fitted to lead this vitally important body. I also have had the benefit of his counsel and assistance in the Subcommittee on Separation of Powers, and I want to thank him for the great contributions he has made to our work in that subcommittee.

Mr. President, I believe that JEREMIAH DENTON should be a model for myself and our colleagues in the Senate and indeed for all citizens of our great country. It is precisely his personal qualities—his courage, his integrity and character, and his ability as a leader of men—that America needs in its counsels today more than ever. I cannot think of a more fitting means of closing this statement than to quote once more those stirring words

that JEREMIAH DENTON uttered when he stepped off the airplane that carried him and his fellow prisoners to freedom after so many years. These were not the words of a public relations artist or professional speechwriter; these were sentiments—I use the word in its deepest meaning—that came from the heart and the soul that our enemies so despise and deny and which prove that their empires and slaveries are founded on falsehood.

Captain Denton said:

We are honored to have had the opportunity to serve our country under difficult circumstances. We are profoundly grateful to our Commander in Chief and to our nation for this day. God bless America.

Mr. President, there is no trace of self-pity or of self-promotion in this simple statement. There is only great pride—in America—and great candor and humility, and it should be our motto as it is that of JEREMIAH DENTON.●

HARRY CHAPIN

● Mr. BRADLEY. Mr. President, I should like to take this opportunity to join some of my colleagues in paying tribute to Harry Chapin. He was a musician and entertainer of considerable talent, but we remember Harry Chapin as a man who proved, with unrelenting spirit, that one person can make a difference.

His tireless crusade to eradicate the pain of hunger in the world helped raise millions of dollars for the cause. But just as importantly, his efforts focused attention on the problem.

Walt Whitman wrote, "All music is what awakes from you when you are reminded by instruments." Harry Chapin reminded us of our best instincts. But he did not rely on his poetry and guitar. He awakened what was good in so many people by the way he committed his life.

A large part of that life was Harry Chapin's family. Just as he was known for his inexhaustible performances and energetic social activism, so, too, was he known as a devoted husband, father, son and brother.

We will all miss Harry. But he has left behind his music and a legacy that reaffirms for each of us that one man can make a difference.●

WORLDWIDE NUCLEAR PROLIFERATION

● Mr. FORD. Mr. President, in November 1976, I was a member of a Senate delegation that visited six countries in the Middle East and Europe to study U.S. security and foreign policy interests with particular emphasis on worldwide nuclear proliferation. At that time there were five members of the so-called "nuclear club": the United States, the Soviet Union, France, the United Kingdom, and the People's Republic of China. India's 1974 detonation of a nuclear device signaled its potential to become a sixth member.

Our mission report stated "IAEA officials said that although there have been some discrepancies in material balances there has never been a violation of the IAEA safeguards system."

How times have changed. A recent Washington Post articles says that now, 5 years later, 15 countries are ready to become members of the nuclear club. Look at what has happened just since the Israeli raid on the Iraqi reactor at Osirak.

Within days of each other, Iraq's President Saddam Hussein called on all countries to help the Arab nations develop a Moslem bomb as a counter to Israel (Saudi Arabia just agreed to finance one); former Israeli Foreign Minister Moshe Dayan replied that Israel has the capacity to make nuclear weapons within a few days and would do so if provoked; South Korean President Chun Doo Hwan threatened to reduce North Korea to ashes, extreme language hinting of the ability to build nuclear weapons; and Pakistan, an implacable foe of India and to whom the administration wants to supply billions of dollars of military assistance in defiance of the Symington amendment, has reportedly been using Turkish companies as covert purchasing agents to buy sensitive equipment that could be used to build a bomb. Nuclear weapons, the most deadly force known to man, are being cavalierly used in saber-rattling.

Until last month, international nonproliferation efforts rested somewhat optimistically on the pillars of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the International Atomic Energy Agency (IAEA). Israel's raid on Iraq shows that the foundations of this international system are shakey indeed. There is strong indication that, although a signatory of the NPT and therefore having renounced nuclear weapons for the sake of peaceful nuclear energy development, Iraq was diverting weapons-grade material for military purposes.

The debate rages on as to what Iraq, who has never been accused of violating IAEA safeguards, was actually doing. The fact remains that Israel's legitimate lack of confidence in NPT promises of intent and IAEA assurances resulted in preemptive action—a grave precedent.

The loopholes in our nonproliferation mechanism are staggering. One is considered to have violated the NPT only if a nuclear device is actually built. It is thus technically possible to obtain the technology and materials necessary for weapons construction and to receive and use special technical assistance without violating the treaty.

Similarly, the IAEA has no teeth. Its safeguard system has two principal objectives: To assure timely detection of any diversion of significant quantities of sensitive nuclear material which could be used to manufacture a nuclear explosive device, and to deter such diversion by establishing the risk of detection and the consequent threat of international exposure. Unfortunately, these safeguards are narrowly applied only to the question of fuel diversion and not to the monitoring of equipment or to technology transfer.

If fuel is unaccounted for, a report is made by IAEA inspectors to headquarters. Sanctions—the marshaling of world opinion, a request that fuel supplies be cut off—are meaningless. If a country decides to cross the Rubicon, divert fuel and build a bomb, it can do so in a matter of days. At this point, negative public reaction would scarcely measure up against the prestige of owning an atomic bomb and the power of being able to use it as a deterrent and a threat

Mr. President, I think the United States must address absolute nuclear nonproliferation. It is imperative that nuclear suppliers impose the most rigid restrictions on technology transfers and the sale of fuel. We are talking about world survival here, not free enterprise, not discrimination against individual states. No nation who is not a NPT signatory should be allowed nuclear technology; no NPT signatory needs anything more than a civilian nuclear power program; no nation needs its own reprocessing or enrichment facilities.

Nuclear suppliers must cease exporting such sophisticated technologies as spent fuel reprocessing plants and such nuclear fuel as weapons-usable enriched uranium. Only uranium-efficient, proliferation-resistant light water breeder reactors and low enriched uranium or caramel fuel should be permitted to be sold.

Finally, international safeguards must apply to all nuclear facilities in a recipient country, to equipment as well as to material.

I call upon President Reagan to act to reconvene the nuclear suppliers conference in order to discuss the imposition of stricter nonproliferation controls and to work through the IAEA to improve that agency's safeguards.

A good place to begin would be the upcoming conference at Ottawa where leaders of the seven most powerful industrial nations in the West will meet. I am pleased to note that France's new President Mitterand has already said that contracts for any new sales to Iraq will not be signed without the assurance that they cannot be diverted to military purposes and that this principle will be the same for every potential client.

President Reagan should also notice the concern here in the Congress. My colleagues, Senators GLENN and HART, have been particularly active in voicing the urgency of a new international proliferation system and have introduced legislation focusing on this problem. I hope the administration will pay close attention to their suggestions. The consequences of maintaining or, worse, weakening the status quo are too horrible to dwell on—terrorism, blackmail, holocaust. For its own security interests and those of the rest of the world, the United States needs to act now before it is too late.

THE SITUATION IN CYPRUS

(By request of Mr. ROBERT C. BYRD, the following statement was ordered to be printed in the RECORD).

● Mr. TSONGAS. Mr. President, Cypriots will mark the seventh anniversary of the Turkish invasion on July 20. They

will remember the thousands that died during Turkey's "peacekeeping" operation and the thousands that are still missing. They will remember their towns and villages and their ancestral homes that lie behind the lives of the Turkish occupation army.

This tragedy must not be allowed to continue indefinitely. Cyprus' artificial division is pregnant with dangers and like all forced divisons, it is inherently unstable. It jeopardizes our security interests in the eastern Mediterranean and is the major impediment in the restoration of friendly relations between our NATO allies Greece and Turkey.

In his first report to Congress on Cyprus, President Reagan has stated that "it is time to see a fair settlement that will benefit and serve all of the Cypriot people" and that funding "a just fair and lasting resolution" for Cyprus will remain a priority for his administration. I cannot agree with him more. The United States can do much to see that tension is reduced and stability returned. We must use our influence to persuade Turkey, in particular, to cooperate in the peacemaking process. The return of Cypriot refugees to the Famagusta region and the submission of specific territorial proposals by the Turkish side can open the way for a visible solution, one that restores Cyprus's independence and territorial integrity. Allowing the situation to fester bodes well for nobody.●

ABOUT CRIME CONTROL

● Mr. HELMS. Mr. President, everybody is concerned about crime these days, but not much is being done about it.

I received the other day an article written by a distinguished friend of mine in North Carolina, Albert W. Cowper, who served with distinction as senior resident superior court judge in my State. Judge Cowper lives in Kinston.

Mr. President, every Senator should read Judge Cowper's observations about crime control. For that reason, I ask unanimous consent that the full text of his article be printed in the RECORD.

The article is as follows:

ABOUT CRIME CONTROL

There is near universal agreement today on the fact that crime is out of control. Obviously, the situation becomes worse by the day. But when it comes time to define the causes and cures, the voices are multiple and conflicting. Franklin D. Roosevelt, back in the 30's, launched his program for public housing with the statement that if every man had a decent place to say, there would be no cause for crime. Time proved him wrong; the grand new buildings were looted, burned, and eventually dismantled.

In the closing days of World War II, J. Edgar Hoover gave ample warning of the approaching flood-tide of juvenile crime. Our courts failed to deal with the situation efficiently, as we shall see. In due course, President Johnson launched his "Great Society" program. He took his text from the political scientists whose books proclaimed, "The basic cause of crime, as we know, is poverty". And this: "In the long run . . . broad programs of social reform, leading to the reduction of poverty, discrimination, poor housing, broken homes, and many other factors . . . is the answer". It certainly wasn't made clear just how reforms would rid us of broken homes. At any rate, millions, even billions came pouring out of the public treasury in this effort to cure the nation's ills. It is interesting to note that in this period of great prosperity, the crime rate actually increased. We cannot overlook the fact that in 1920, at a time when half of the nation's population was below the poverty line, and at a time when discrimination was greater than at any time since, the crime rate was at an all time low. But still our Raleigh paper proclaims to the world that crime will surely increase in the event human services programs are cut back by the new administration.

Ernest Van Den Haig, in his new work Punishing Criminals, stated after making a study of high school textbooks, that the following notions are either plainly wrong or unsupported by evidence: 1. Crime is caused by society; 2. imprisonment would be useful if it lead to rehabilitation; 3. deterrence is useless; 4. mostly lower-class people are imprisoned because of a discriminatory justice system; 5. the death penalty is useless and immoral; 6. prison embitters and criminalizes the prisoner.

There are three great deterrants to youth crime. They are:

1. The fear of God (which is the beginning of wisdom).

2. Reverence and respect for one's parents, even a healthy fear of them.

3. Respect for and faith in our government.

In my humble opinion, here are the root causes of crime. There is a failure of religion, a failure of the home, and a failure of the public schools. The teaching of the Bible is not permitted in public schools nor is it taught much in the average home, and to some extent our schools substitute themselves for parents. Today patriotism is laughed at, and students are impressed by imperfections of our American form of government. Viet Nam is too disgraceful to recall.

Without question, the reluctance and failure of the courts to punish persons under the age of twenty-one, is a tremendous factor on our failure to curb youth crime. In New York and many other states, authorities say that young murders are not looked upon as criminals, but as just "sick". Already we have heard this kind of talk being circulated about the young man who tried very hard to kill our President and two law enforcement officers.

With respect to college students, Dr. George C. Taylor, late Professor of English literature at UNC Chapel Hill, made this observation after his retirement:

"Any education which fails to put more emphasis on character, ethics, even morals, if you please, than on intellectual development, is a farce and a devastating farce at that. Without such emphasis on character, education degenerates as it has frequently done, into merely training us to become more technically skillful, shrewder and shrewder, in cheating the eyeteeth out of each other. I have been driven to the conclusion that the educated are running the uneducated a close race in the perpetration of crimes of the most brutal and bestial types, and in crimes of the most bizarre types, they are, in fact excelling the uneducated.

Of course we know that laws and punishment can never eliminate crime. They merely manage to reduce it—they can do no more in the most ideal of societies. Crime is as unavoidable as the conflict between social rules and individual ambitions. Regardless of the society, people are still tempted to assault and to murder. They still get drunk and some cheat. And any fool knows that criminal behavior is encouraged when there is no risk of punishment.

Today there is an ample supply of well trained law enforcement officers; there are ample District Attorneys to prosecute the dockets; there are enough Courts and Judges, yet cases take too long to try and there is a growing congestion. So you say, "What is wrong with the system?" A few weeks ago the Chief of Police of Culver City, California had this to say: "The thing which impacts crime is the swiftness of apprehension and the certainty of punishment. Most criminals are caught over and over again. The court system is unable or unwilling to convict guilty persons. As a result, certainty of punishment is almost laughable." As one who has spent his life in the courts, the Chief's appraisal is accurate. He has stated the sad truth.

In order to understand the revolution through which the criminal justice system has passed in the past fifty years, one would have to start with the "New Deal" of Franklin D. Roosevelt. The country was in a great depression at the time and our President was willing to experiment with new social theories to get the economy going again. But the new legislation failed to receive the stamp of approval of an ultra conservative Supreme Court. We all know that it would take years to get public approval for constitutional amendments. Roosevelt proposed to force the retirement of members of the court. Some of you will recall a book on the subject by Drew Pearson appeared at the time entitled, "The Nine Old Men."

Both Congress and the people rose up and gave President Roosevelt a resounding defeat in the opening battle, but that which could not be achieved by legislation, was accomplished by time. The entire membership of the court came to be made up of carefully selected Judges who agreed with their President. As time passed, the constitution took on new meaning; old decisions were replaced with the new, and a new document was forged. A Chief Justice once said, "The constitution is what the Judges say it is."

This brings us up to the great Era of Civil Rights which was brought on by the school decisions. With Earl Warren serving as Chief Justice, the court dropped all pretense and set out about the business of rewriting the Constitution. In 1966 the Miranda decision was handed down by the court which said that unless law enforcement officers safeguarded the defendant's rights by first warning him that he had a right to remain silent; that any statement made could be used against him in court; that he had a right to have a lawyer present and that one would be provided for him if he could not afford to pay for one, and others. Unless the defendant was so warned in advance, his confession would not be admissable in a court of law. Chief Justice Burger had this to say recently: "No one questions that a criminal conviction should always be open to correct a miscarriage of justice. But no other system in the world invites our kind of never-ending warfare with society, long after criminal guilt has been established beyond a reasonable doubt with all of the safeguards of due process."

In other words, guilt or innocence may become irrelevant in the never ending search to make sure one's civil rights are not violated. It is not unusual for a criminal trial to take several weeks from the tedious selection of a jury until judgment. The court has to walk a tight rope to insure fair trial under the present concept. With the entering of judgment, then an endless number of appeals may take place in both state and federal appellate courts. The Wilmington Ten had their convictions set aside after almost ten years of litigation. Chief Justice Burger has recommended that a limit be placed on the number of criminal appeals a defendant

can be entitled to. Surely it would not be unreasonable to say that all issues must be raised in one appeal which should go to the State Supreme Court and then to the U.S. Supreme Court.

Vermont Royster in the Wall Street Journal paid his respects to the criminal justice system with these remarks: "But somewhere in the evolution of modern trial procedure the substance of what constitutes a fair trial got lost in the observation of form. Impartial (jury) came to mean ignorant. A fair trial came to be seen only as one fair to one party, the defendant. The rules of evidence, the procedure in the courtroom, the multiplication of technicalities to protect a defendant have become so complex that the rights of society have been nearly forgotten. You never hear an outcry about injustice after an acquittal".

"This change more than anything else accounts for the rumblings of discontent among the people about the handling of criminal cases in our courts. There's a widespread feeling that is becoming increasingly difficult to bring common criminals to account. As any poll of public sentiment will show, people are asking, What of the victims of assault, rape or murder? What of the rights of peaceful citizens to protect themselves against malefactors?"

To sum up what has been said before:

It appears that there is no serious evidence to show that feasible social reform, whatever its merits otherwise, reduces crime. The crime rate depends on two factors: 1. Very general social conditions which cause it to be low in Japan and high in the United States. 2. The criminal justice system.

There is abundant evidence that deterrent punishment is the major element in reducing crime rates. It is not the only element, it is hard, if not impossible, for any government to control the frequency and severity of punishment.

The criminal justice system has utterly failed in its mission of swift apprehension and certainty of punishment as a result of a tangling network and constitutional safeguards to insure that the defendant shall receive due process of law without any thought for the victims and the public. The appointment of more conservative minded justices to the highest court would help the situation, but in the long run it may take some constitutional amendments to get the system back on course.●

COMMISSION ON WARTIME RELOCATION AND INTERNMENT OF CITIZENS

● Mr. INOUYE. Mr. President, a distinguished panel of citizens has embarked on a study which will, I hope, illuminate a dark page of American history which vitally concerns us all.

The Commission on Wartime Relocation and Internment of Citizens has concluded 2 days of hearings in Washington, D.C. on the incarceration of Japanese-Americans, Alaskan Aleuts and Pribiloff Islanders during World War II. This is an instance of an entire group of American citizens forcibly interned by their Government, strictly on the basis of their racial origin, without regard to their constitutional rights. Every loyal American should pray that this abridgement of human rights will never be repeated.

In the next several months, the commission will hold hearings throughout our Nation to investigate this issue. Its findings will be presented to Congress for consideration by January 15, 1982.

Mr. President, so that all Americans may be aware of the deliberations of this important commission, I ask that the following be reprinted in the RECORD: A fact sheet published by the commission which provides background historical information, with an explanation of the duties of the commission; and an editorial and feature article from the Washington Post which provide further views on this issue.

The material follows:

PUBLIC LAW 96-317: DATED JULY 31, 1980

WHY A COMMISSION?

Almost forty years have passed since the U.S. government ordered 120,000 civilians evacuated and detained in relocation camps, pursuant to Executive Order 9066 and Civilian Orders of the U.S. military forces.

President Franklin Delano Roosevelt signed Executive Order 9066 on February 19, 1942, despite arguments by the Attorney General and FBI Director against the military necessity for mass evacuation. The Executive Order authorized military commanders designated by the Secretary of War to exclude persons from prescribed military zones or areas. Congress backed the Executive Order by passing Public Law 77-503, which authorized imprisonment and fines for civilians convicted of violating these orders. The Western Defense Command and Fourth Army subsequently issued over 100 orders which were applied exclusively to persons of Japanese ancestry living in the Western states.

All persons of Japanese ancestry in California and portions of Washington, Oregon, and Arizona were ordered to leave their homes, taking with them only what little they could pack and carry. Businesses, property, homes, farmlands, and personal goods were left behind. Assets were frozen by the U.S. government. In 1942, the United States government built 10 relocation centers in Arizona, Arkansas, California, Colorado, Idaho, Utah and Wyoming. Japanese American citizens and permanent resident aliens were moved to these camps. In March, 1946, the last detention camp closed.

The released Japanese had great difficulty in reconstructing their lives. Many faced poverty; others found themselves homeless. All faced uncertainty regarding their future.

The policy process which resulted in the evacuation and incarceration of 120,000 civilians has never been fully documented, nor has the economic, social and psychological impact of the years in relocation centers been comprehensively recorded or told.

The Aleut residents of both the Aleutian and Pribilof Islands were removed by the U.S. military authorities from their homes during June and July of 1942. The initial decision to evacuate was based on the Japanese bombing of Dutch Harbor in the Aleutian chain, and the Japanese invasions of Attu and Kiska islands. More than 850 Aleut citizens were taken to temporary camps in southeastern Alaska, some times without adequate food, clothing, shelter, or medical supplies. Non-native residents of the Aleutian chain were allowed to remain in their communities.

In May 1944, the Aleuts were returned to their homes. Some had perished due to disease. They found their homes had often been vandalized and property stolen. The returning Aleuts faced the same uncertainty about their future as did the Japanese. "It seems funny if our government can drop so many people in a place like this and forget about them altogether," said Lee McMillin, agent and caretaker of the Punter Bay camp for the Aleuts.

CHRONOLOGY

Japanese

1941 December 7—Japan's attack on Pearl Harbor. Presidential Proclamation No. 2525 gives blanket authority to Attorney General for a sweep of suspects.

December—U.S. declares war against Japan.

1942—January 29—U.S. Attorney General issues first of a series of orders establishing limited strategic areas along the Pacific Coast and requiring the removal of all enemy aliens from these areas.

February 19—Roosevelt signs Executive Order 9066 authorizing Secretary of War, or any military commander designated by Secretary to establish "military areas" and exclude therefrom "any or all persons."

March 2—General DeWitt issues Public Proclamation No. 1, designating military areas in the states of Washington, Oregon, California and Arizona. Restrictions are placed on Japanese, German and Italian aliens and Japanese Americans. Period of voluntary evacuation begins.

March 18—President Roosevelt signs Executive Order No. 9102 creating the War Relocation Authority (WRA), a non-military agency with the authority to formulate and carry out a program for a planned and orderly relocation of persons evacuated under E.O. 9066.

March 21—President Roosevelt signs Public Law 77-503 making it a federal offense to violate any order issued by a designated military commander under authority of E.O. 9066.

March 22—First large contingent of Japanese and Japanese Americans moves from Los Angeles to the Manzanar Assembly Center operated by the Army.

May 19—Western Defense Command issues Civilian Restriction Order No. 1 establishing all assembly centers and relocation centers in the eight far western states as military areas and forbidding evacuee residents to leave these areas without expressed approval of the Western Defense Command.

July 13—Mitsuye Endo petitions for a writ of habeas corpus, alleging that she was a loyal and law-abiding U.S. citizen, that no charge had been made against her, that she was being unlawfully detained, and that she was confined in a relocation center under armed guard and held there against her will.

August 7—Western Defense Command announces the completion of evacuation of 110,000 from their homes in the military areas either to assembly centers or to WRA centers. The last of the residents of Japanese descent in eastern California are moved to relocation centers.

1943 January 23—Secretary of War Stimson announces plans for formation of a special combat team of Japanese American volunteers from both the Mainland and Hawaii.

February 8—Registration ("loyalty" questionnaire) of all persons over 17 years of age for Army recruitment, segregation and relocation begins at most of the relocation centers.

June 21—*Hirabayasbi* v. *U.S. and Yasui* v. *U.S.* Supreme Court rules that a curfew may be imposed against one group of American citizens based solely on ancestry, and that Congress in enacting Public Law 77-503 authorized the implementation of E.O. 9066 and provided criminal penalties for violation of orders of the Military Commander.

August, September and early October—More than 15,000 people are moved in and out of the Tule Lake Center as a result of the segregation program. Those ordered out are redistributed to other centers.

1944 June 6—D-Day.

July 1—President Roosevelt signed Public Law 78-405 permitting U.S. citizens to renounce their citizenship on American soil in time of war under procedures approved by the Attorney General.

December 17—Western Defense Command rescinds exclusion and detention orders, freeing Japanese Americans to return to their homes on the west coast, effective January 2, 1945.

December 18—Korematsu v. U.S. Supreme Court rules that one group of citizens may be singled out and expelled from their homes and imprisoned for several years without trial, based solely on their ancestry.

December 18—In ex parte Endo, Supreme Court rules that WRA has no authority to detain a "concededly loyal" American citizen.

1945 August 15—VJ Day.

September—Western Defense Command issues Public Proclamation No. 24 revoking all individual exclusion orders and all further military restrictions against persons of Japanese descent.

1946 June 30—War Relocation Authority program officially terminates.

1948 July 2—Evacuation Claims Act passed, giving evacuees until January 3, 1950 to file claims against the government "for damages to or loss of real or personal property . . . that is a reasonable and natural consequence of the evacuation . . ." Total of $38 million paid by the government, or less than 10¢ per dollar lost.

1976—President Gerald Ford formally rescinds Executive Order 9066.

Aleut and Pribilof Islanders

1942 June 3—Japanese bomb Navy facilities in Dutch Harbor (Unalaska) Aleutian Islands.

June 6—Japanese secure a beachhead on Kiska Island, Aleutian Islands, Japanese take all 10 Navy personnel prisoners.

June 8—Japanese army lands unopposed at Holtz Bay, Attu Island, Aleutian Islands, and takes 42 Aleuts and 2 U.S. government civilian employees prisoner, occupies Kiska Island.

June 14—Atka villagers are found by the U.S.S. Hulbert and evacuated.

June 15—Interior Department officials learn of the Aleutian evacuation. Initially, the Fish and Wildlife Service was given the responsibility for Pribilof Aleuts, with the office of Indian Affairs responsible for all other Aleuts.

June 16—U.S. military evacuates St. George, Pribilof Islands. Less than 24 hours are given for departure. Natives' cattle are killed and their houses booby-trapped but not destroyed. St. Paul Island, Pribilof Islands is evacuated.

June 25—Atka Aleuts are discharged at Killisnoo where the office of Indian Affairs has decided to locate them in a fish cannery.

St. Paul and St. George villagers are discharged at Funter Bay.

June 26—All Aleuts have been evacuated.

1943—Midsummer—Japanese withdraw entirely from the Aleutian Island chain.

December 13—Secretary of War Henry Stimson gives final approval for all Aleuts to return home.

1944 May 4—U.S. Air Transport returns the Aleuts to the Pribilofs.

August 7—President Roosevelt authorizes the allocation of $10,000 from his emergency fund for claims for damages.

COMMISSION MANDATE

Public law 96-317, passed July 31, 1980, established a Commission to gather facts to determine whether any wrong was committed against those American citizens and permanent resident aliens affected by Executive Order 9066, and for other purposes.

Duties of the Commission

To review the facts and circumstances surrounding Executive Order 9066, issued February 19, 1942, and the impact of such Executive Order on American citizens and permanent resident aliens.

To review directives of United States military forces requiring the relocation, and in some cases, detention in internment camps of American citizens, including Aleut civilians, and permanent resident aliens of the Aleutian and Pribilof islands.

To recommend appropriate remedies.

The Commission shall hold public hearings in such cities of the United States that it finds appropriate.

The Commission shall submit a written report of its findings and recommendations not later than one year after the date of its first meeting.

COMMISSION MEMBERS

Joan Zeldes Bernstein, Chair

Ms. Bernstein is a partner with Wald, Harkrader & Ross. She has served as General Counsel for the U.S. Department of Health and Human Services and the Environmental Protection Agency, and was named Vice Chair of the council of the Administrative Conference of the United States. Ms. Bernstein received her B.A. from the University of Wisconsin, and her LL.B. from Yale Law School.

Daniel E. Lungren, Vice Chair

Congressman Lungren is a second term member from Long Beach, California, and serves on the House Judiciary Committee, the Select Committee on Aging, and the Republican Task Force on Congressional and Regulatory Reform. Mr. Lungren received his B.A. from Notre Dame University and J.D. from Georgetown University.

Senator Edward W. Brooke

Mr. Brooke is partner with O'Connor & Hannan. He has served as attorney general for Massachusetts and United States Senator.

Father Robert F. Drinan

Father Drinan is president of Americans for Democratic Action. He has been active in civic affairs and was a member of Congress from 1970-1980. He is an ordained Jesuit priest.

Dr. Arthur S. Flemming

Dr. Flemming is Chairman of the United States Civil Rights Commission. Dr. Flemming has been Secretary of HEW, Chairman of the White House Conference on Aging, Special Counsel to the President on Aging, and many other important positions in public service.

Justice Arthur J. Goldberg

Justice Goldberg has been Secretary of Labor, Associate Justice in the United States Supreme Court, U.S. Representative to the United Nations, and Ambassador at-large for the United States. He is president of the American Jewish Committee.

Father I. V. Gromoff

Father Gromoff is an ordained Russian Orthodox priest from Unalaska in the Aleutian Islands. He has been active in the Aleutian/Pribilof Island Association and was relocated to Funter Bay camp during World War II.

Judge William M. Marutani

Judge Marutani presently serves on the bench for the Court of Common Pleas of Philadelphia County, Pennsylvania.

Senator Hugh B. Mitchell

Senator Mitchell was appointed to the U.S. Senate from Washington state, and served as a member of Congress from the 1st District of Washington for two terms.

COMMISSION HEARINGS

Washington, D.C., July 14 and 16, 1981.

Los Angeles, Calif., August 4, 5, and 6, 1981.

San Francisco, Calif., August 11, 12, and 13, 1981.

Seattle, Wash., September 9, 10, and 11, 1981.

Anchorage, Alaska, September 15, 1981.

Aleutian Islands (Unalaska), September 17, 1981.

Pribilof Islands (St. Paul), September 19, 1981.

Chicago, Ill., September 22 and 23, 1981.

HOW TO PARTICIPATE

The Commission is interested in hearing from you. The members of the Commission would like to be informed of the views of concerned individuals and would like to encourage statements which will provide a framework for discovering the facts of the relocation and internment of civilians. The Commission welcomes your views and suggestions.

The Commission on Wartime Relocation and Internment of Civilians, New Executive Office Building, 726 Jackson Place, NW, Suite 2020, Washington, D.C. 20506, Telephone: (202) 395-7390.

[From the Washington Post, July 15, 1981]

THE JAPANESE-AMERICANS

A Japanese-American named Fred Korematsu, after being rejected by the Army because of an ulcer, volunteered after Pearl Harbor to serve his country as a welder in a war plant. Instead, he and 120,000 other Japanese-Americans and Japanese resident aliens on the West Coast were driven from their homes and forced under military supervision into distant "relocation" camps, where the majority lived out the war. The would-be welder sued, but the Supreme Court upheld the military in 1944 in *Korematsu v. U.S.*, although dissenting justice Robert H. Jackson described Korematsu's "crime" as solely the act of "being present in the state whereof he is a citizen, near the place where he was born, and where he lived all his life." Today, we recalled the locations of the major internment camps used—Manzanar, Tule Lake, Minidoka, Topaz, Gila River, Poston, Heart Mountain, Granada, Jerome and Rohwer—only as desolate monuments to this nation's lingering sense of shame.

Yesterday, a federal commission began its hearings into the Japanese-American internment experience, the worst instance in modern American history of an entire group being stripped overnight of its civil liberties as a result of calculated government policies. The Commission on Wartime Relocation and Internment of Civilians, created by Congress last year, must determine (first) how and why the actions of military and political leaders, both in Washington and on the West Coast, caused the uprooting of the entire Japanese-American community when even the attorney general and the FBI director did not consider most internees a national security threat. Next, the commission has the difficult task of determining what financial compensation, if any, should be recommended for those who suffered internment. But its members recognize also that they must consider what steps might be taken to ensure that—in some future national emergency—another whole group of Americans do not find themselves in collective jeopardy because of their race, ethnic background or national origins.

At the time, the much larger "enemy" communities of German-Americans and Italian-Americans largely escaped harassment, while the Japanese-Americans—clustered on the West Coast—bore the brunt of their fearful neighbors' post-Pearl Harbor mixture of racial antagonism, economic envy and genuine hysteria over a possible Japanese invasion. As for distinguishing between the overwhelming number of loyal citizens and resident aliens and the small handful who might be working for or willing to work for imperial Japan, officials such as Lt. Gen. John L. DeWitt, West Coast military commander (who urged rounding up and interning the whole community) saw no problem: "A Jap is a Jap. It makes no difference

whether the Jap is a citizen or not." In February 1942, President Roosevelt signed the infamous executive order 9066 authorizing internment, and the roundup began.

Of the 120,000 who then lost their homes, farms, businesses and most other worldly possessions, two-thirds led a spartan existence during the war in closely guarded confinement at concentration camps in the western interior. But over 33,000 Japanese-Americans served in the armed forces, including the famous 442nd Regimental Combat Team, reportedly the most highly decorated U.S. fighting unit of the entire war.

The military irrelevance of the detention process soon became obvious. Unlike the wholesale internment that occurred on the mainland, in Hawaii (far closer to the actual theater of war) only about one percent of the Japanese population was detained. In the Aleutian islands, by contrast, about 1,000 Aleut-Americans—whose treatment the commission also intends to study—were placed in squalid camps for the entire war.

Few attempts have been made since World War II to compensate Japanese-Americans financially, and even the most extensive of these—the Japanese Evacuation Claims Act of 1948—led to payments of only 10 cents on the dollar based on 1941 assessments of lost property. Whether Congress should spend billions now in a belated full-scale effort at genuine restitution is considered the most troublesome issue confronting the commission. Some congressmen and Japanese-American spokesmen have argued in favor of "reparations" for all the former internees, with each person receiving a stipend that—in some of the plans—would reach $25,000. This is extravagant and wrong. Even if across-the-board "reparation" funds were available, it is to cheapen the moral issue and to degrade the victims to suppose there is some kind of monetary buyoff for the affront. A proper approach would involve compensating only for the actual property losses suffered. But whatever the settlement, there is merit alone in the 16 days of public hearings planned by the commission to study that dreadful time when most of us incarcerated some of us solely for reasons of race and national ancestry.

[From the Washington Post, July 14, 1981]

SHADOWS OF WAR: JAPANESE-AMERICANS & THE 1948 "RELOCATION"

(By Liz Nakahara)

The FBI imprisoned my grandfather on Dec. 8, 1941, the day after Pearl Harbor was bombed. Agents suspected him of disloyalty because he owned a shortwave radio and operated a fish market that sold foodstuffs to Japanese fishermen docking in San Pedro harbor, south of Los Angeles.

They took him from his sickbed, as he recuperated from an asthmatic seizure for which he had been hospitalized. They took him before he could gather up his medication.

The agents interrogated Grandfather at the Immigration Detention Center on Terminal Island. They refused him visits by family members.

Finally, agents allowed Grandfather to see his son, who had enlisted in the American Army and later went overseas as a military intelligence interpreter.

The son, in uniform, explained he felt an obligation to defend his country, the country that had imprisoned his father, that later relocated his mother, sister and brother. But Grandfather's eyes were glazed, his words barely coherent.

"This is not my son," he said in a bizarre way. Grandfather could not be dissuaded that the uniformed figure was an interrogator impersonating his son.

Stunned by his father's confusion, the son left the small cell-like room. It was the last time the two men saw each other. Grandfather died shortly thereafter. They never got to say goodbye.

May Asaki Ishimoto was in her late teens, living with her parents and nine brothers and sisters in Hanford, Calif., on Dec. 7, 1941, when the Japanese bombed Pearl Harbor. "I was naive," she says now, "but my parents felt the hostility" toward Japanese-Americans.

She remembers that her older brother enlisted in the American Army as soon as he could after the attack. And she remembers her mother going into the back yard of their farmhouse to burn the children's Japanese-language textbooks, some bamboo swords and Japanese magazines. "Dad and I might have to go away because we're Japanese citizens," her mother told her. Japanese immigrants were forbidden by federal law from becoming American citizens, but in many cases their children were citizens by birth.

"Mother was certain we kids would be left behind, so she gave us instructions on how to conduct ourselves." But within the year, Ishimoto and her family—except her older brother in the Army—were taken from their home and evacuated to a "relocation center" in Jerome, Ark.

THE FIRST REACTIONS

On the night of Dec. 7, 1941, Chicago attorney Arthur J. Goldberg sat at home contemplating "the terrible news" of the Pearl Harbor attack.

"I got a call from the FBI that they had picked up my assistant, a Japanese-American woman named Elizabeth Ohi," Goldberg recalls. "I immediately went down and asked the FBI clerk, 'What are the charges against her?' "

"None," the clerk replied, "but you know about Pearl Harbor."

"Then release her to me immediately or I'll get a writ of habeas corpus," said Goldberg, who became a Supreme Court justice 21 years later.

Ohi was released that night. She soon enlisted in the Navy, where she served as an ensign.

THE HEARINGS

Suspicions of disloyalty on the part of Japanese-Americans, who populated a large portion of the California coast, intensified after Pearl Harbor. "People thought, if the Japanese can hit Pearl Harbor this week, why can't they come and bomb the West Coast next week," says James H. Rowe, Jr., who was assistant to the attorney general from 1941 to 1943.

Forty years after the fact, a commission has been established to study the justification of Executive Order 9066 of Feb. 19, 1942, which forced the evacuation of about 120,000 citizens and resident aliens of Japanese ancestry, mostly from the West Coast, and put them into 10 guarded camps across the United States.

The Commission on Wartime Relocation and Internment of Civilians today begins hearing testimony on whether the United States government committed a wrong against those affected by Executive Order 9066 and other related orders of the U.S. military forces.

Over the next year, the nine-member commission will conduct hearings across the country, then submit a report to Congress. According to Rep. Norman Mineta (D-Calif.), the hearings are necessary if only to prevent a recurrence. "When the hostages were taken at the embassy in Tehran," says Mineta, "people were saying arrest all Iranians, deport all Iranians—even though they had committed no crimes here."

Says commission chairman Joan Z. Bernstein, "In the course of our work, the commission will take care to listen to those who have not been listened to before."

THE DECISION

James Rowe, a government witness scheduled for today's hearings, says people in government weren't "doing much thinking" about civil liberties in 1942 because they were too busy worrying about the war.

"There were no great liberals charging down to help the Justice Department, which was against concentration camps from the beginning," says Rowe. Attorney General Francis Biddle, "a great civil liberties man," Rowe says, didn't want to inherit the reputation of A. Mitchell Palmer, the post-World War I attorney general who conducted "a lot of Red raids."

FBI chief J. Edgar Hoover gave Biddle a memo advising against mass evacuation, says Rowe. "Hoover said, 'The Japanese-Americans are not dangerous. There are some bad ones and if I want them, I'll grab them.' "

But as Rowe remembers it, the War Department wanted to purge the West Coast of Japanese-Americans. And the Army said mass evacuation was a "military necessity."

"That's a great phrase," says Rowe. "Edward J. Ennis, also with the Justice Department, and I would go talk to the whole damn mass of congressmen and senators sitting in an informal group. They'd say, 'The Army says evacuation is a military necessity. So whom should we believe—generals or a couple of lawyers like you?' "

"The great journalist Walter Lippmann favored" evacuation, Rowe says. "California Attorney General Earl Warren, who became a great civil liberties chief justice, was the leader of putting Japanese-Americans in camps."

When evacuation seemed inevitable, Ennis, Biddle and Rowe held a last meeting with Secretary of War Henry Lewis Stimson, "one of the country's great lawyers."

"Everybody sort of bowed down to this man who was quite old at the time," recalls Rowe. "Somebody once said two hours with Stimson was worth 20 hours with anybody else.

"Biddle, a younger man, was impressed with Stimson. But Ennis told him, 'You just can't do this.' Stimson looked at him and said, 'Mr. Ennis, you just have to assume that we are all of us men of good will.' "

At first the military evacuated "restricted areas"—power plants, shipyards and other possible targets. Then counties were evacuated. And finally, the entire West Coast.

THE EVACUATION

The first evacuations were chaotic, recalls Paul Bannai, who was interned and is now serving as the commission's executive director. "I went down to help move the people by Terminal Island, which is near the Long Beach naval yards. Many of the men were fishermen and had already been picked up. The women and children were given 24 hours to get out.

"We went down there with any kind of truck we could find," says Bannai, who was 22 at the time. "There were hordes of scavengers who knew the circumstances and were taking advantage of it. They'd say, 'I'll give you $5 for that stove or $50 for that car.' They knew the evacuees could only take what they could carry."

Few, if any, resisted the evacuation order, because Japanese-Americans "are law-abiding people," says Bannai.

But William M. Hohri, who spent a couple of years in the Manzanar, Calif., camp, offers another explanation: "Those of Japanese ancestry suffered discrimination in jobs, housing and ownership of property. So our removal was consistent with the general pattern of discrimination already established."

THE ASSEMBLY POINT

May Asaki Ishimoto vaguely remembers her parents selling their car, storing furniture in a shed and asking neighbors to watch their property.

She can't remember how she got to the assembly center in Fresno, but she recalls having to wear a tag with a number on it and having to stand in line to be inoculated.

"People were told to be orderly, not to question any of this," she says. "The idea spread that if we were loyal to our country, then we would not object to any of this."

Families were assigned to single rooms in barracks that had been hastily constructed from cheap knotty pine and tar paper. "In a corner was a pile of hay," says Ishimoto. "They told us to fill flour sacks with the hay. We put these filled sacks on army cots and used them as mattresses."

In the assembly center, Ishimoto's mother had to be hospitalized for high blood pressure, a condition she had never had before. A doctor advised the family to go to the Gila (Ariz.) Relocation Center because it was closest to Fresno. But the ailing woman insisted on going to the Jerome, Ark., camp, because it was closest to the Illinois Army camp where her oldest son was training for combat.

GUARDS AND GARDENS

George Wakiji was 12 years old when he and his family were evacuated from Pasadena to the Santa Anita Assembly Center. The center was actually a race track and some of the families had to live in the horse stables. The Wakijis were lucky; they got to live in makeshift, tarpaper barracks.

"We were in the assembly center about six months before going by train to the Gila Relocation Center in Arizona," recalls Wakiji. "All the windows on the train were covered because the Army didn't want people to see us or know what was going on."

Paul Bannai went by bus to Manzanar Relocation Center. After a seven-hour bus ride through dry, dustry desert, he found himself standing in a haze of windblown sand.

"It was a typical day," says Bannai. "It was late afternoon, but you couldn't see the sun because there was so much sand in the air."

The camp was enclosed by barbed wire and tall watchtowers manned by armed soldiers. Barracks, arranged in blocks, shared mess halls and communal bathrooms.

"There was no privacy, even in the toilets," says Bannai. "Eventually, people used scrap lumber and built partitions between the toilets. They also built tables for their barracks. Although deprived of ordinary necessities, everyone used his own resources to make the best of the situation."

Many people planted gardens or built fish ponds, recalls Wakiji. "People went into the desert and brought back plants that could live in the dry conditions. There were little canals nearby and people would catch live fish and bring them back to put in the ponds."

Wakiji and his friends devoted most of their time to sports. "People in the Gila camp built two tennis courts and a golf course on sand."

Ishimoto recalls that elderly people in the Jerome camp did woodcarving and other handicrafts. "There were a lot of talent shows, some dances and movies."

But gardens and talent shows didn't make up for all the other deprivations. The camp schools were substandard, says Wakiji. "We had to use wooden benches and tables. Some teachers were evacuees with no teaching experience. Some of the teachers from the outside probably were unable to get jobs at any of the other school systems."

Adult evacuees worked and were paid $12, $16 or $19 a month, depending on skill level, says Bannai. Doctors who worked in the camp hospital earned the top wage of $19 a month.

VISIT TO THE CAMP

Sen. Daniel Inouye (D-Hawaii) never was forcibly interned, but he knows something about the camps' pall of frustration.

He was in the Hawaiian contingent of the 442nd Japanese-American Infantry Regimental Combat Team. "There was conflict between Hawaiian and mainland [Japanese-American] contingents," says Inouye. "We used language differently and came from different environments. Then somebody had the bright idea of sending a selected group of Hawaiians to one of the camps."

Inouye and about 200 other Hawaiian GIs went by truck from Camp Shelby, Miss., to the Rohwer (Ark.) Relocation Center. "The barbed-wire enclosure and high towers with machine guns looked like Stalag 17. We were wearing American uniforms, but bayonet-toting soldiers searched us. Normally that would be a signal to fight, but I didn't want to fight someone carrying a bayonet."

"We were told several of the stark rooms in the barracks were set aside for us, and the families who lived there would spend two nights in the mess hall. When we saw what they had to live with—paper-thin walls—we all slept in the trucks."

"We came to appreciate the mainland soldier—to think that he volunteered to serve a country that imprisoned him. I have searched my soul and to this day I cannot say whether I would volunteer if I had been in a camp like that."

THE BITTER LEGACY

Ishimoto's mother, Mine Asaki, succumbed to her blood pressure ailment shortly after being relocated in Arkansas. Mother and daughter had been very close. "Mother would talk about how disappointed she was that the whole family was evacuated," says Ishimoto, whose father was a World War I Navy veteran.

"Her death was traumatic for me. I knew it would not have happened if we were not going through the relocation."

Like many evacuees, Ishimoto deeply resented her situation and periodically felt angry and bitter. "Being in camp made me hate everything Japanese," she says. "I thought if Japan hadn't bombed Pearl Harbor, then we wouldn't have to go through all this. When I came out of camp, I couldn't even remember how to speak the Japanese language."

THE ISSUE OF REDRESS

There is no way to quantify this type of anguish, so "you can't put a price tag on it," says Inouye. "Putting a price tag on it would cheapen the whole thing."

Inouye, therefore, does not favor the direct-payment redress bill sponsored by Rep. Mike E. Lowry (D-Wash.).

Rowe also opposes redress. "I think things happen in times of war that are regrettable," he says. "I don't think anything should be done. Who would you pay and how would you put a value on their property?"

"I don't want the money," says Ishimoto, who now lives in Silver Spring. "And I don't think punishment would make me feel better. There's nobody around any more to take the punishment." She mentions the late Gen. John L. DeWitt, the military commander who carried out the evacuation order and described evacuees as an "enemy race"—"There was such a hatred for that man, people called him nitwit."

Lowry's bill would provide each interness $15,000 plus $15 for every day of detention. "The bill had 17 sponsors of a pretty broad range. Everybody I've heard has said the relocation was a terrible thing."

"Besides the fundamental question of justice, redress has a deterrent factor," says Masaru Ed Nakawatase, national representative of native American affairs for the American Friends Service Committee. In this most capitalist of nations, it would be known that if this should happen again, there would be a price to pay."

The commission hearings and redress issues have influenced some people who sometimes don't differentiate between Japanese nationals and American citizens of Japanese ancestry.

"Soon after N introduced the redress bill, the phone calls and hate mail were terrible, just unreal," says Lowry. People said why give money to those who bombed Pearl Harbor."

William Hohri, who will be testifying as chairman of the National Council for Japanese-American Redress, says Japanese-American acceptance of whatever resolution the government offers would be like their acceptance of the evacuation in 1942. "A lot of us are saying we don't want to back off again—not twice."

Says Wakiji: "Like most Japanese-Americans, I can forgive my country for what it did to me. But I can never forget."

THE HIDDEN HISTORY

In 1974, I was on the last leg of a three-month-long nebulous search for identity. I had roamed through South Korea and parts of Japan.

And now I was standing in Tokyo's Haneda Airport, waiting for my plane to California, smiling and saying goodbye to a relative I had only recently become aware of—my grandmother's sister.

But Great-Aunt wasn't smiling back. She was sitting straightbacked on a chair in the waiting area. Her voice crescendoed, and she started getting tears in her eyes as she spoke her parting words.

I don't understand the Japanese language. I asked her bilingual daughter, Kimiko, "What is she telling me?"

Kimiko replied, "She says the American Army killed your grandfather."

I was 24 years old at the time and I didn't know anything about how my grandfather had really died or what had really happened to my relatives during World War II. I had barely known about the camps.

I had stumbled onto direction.●

CAP. JAMES LAWRENCE'S BIRTHDAY

● Mr. BRADLEY. Mr. President, it is my pleasure as a Senator from New Jersey to recognize and celebrate the 200th anniversary of the birth of Capt. James Lawrence this October 1, 1981. Captain Lawrence is one of New Jersey's many illustrious and heroic sons. His historical importance has long been acknowledged in our State—both towns and townships bear his name in memorial.

Born in the city of Burlington, N.J., he served valiantly in the U.S. Navy during the war of 1812. He was cited for heroism in the engagement between the U.S. Frigate *Chesapeake* and the British Frigate *Shanon*, a battle in which he suffered mortal wounds. On June 5, 1813, he died a hero's death. Best remembered for his famous phrase "Don't give up the ship," he unselfishly served New Jersey and the United States. It is with great pride that I commemorate Captain Lawrence's 200th birthday.●

MORATORIUM ON THE KILLING OF WHALES

Mr. PACKWOOD. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Senate Resolution 148.

The PRESIDING OFFICER (Mr. STEVENS). The resolution will be stated.

The legislative clerk read as follows:

A resolution (S. Res. 148) calling for a moratorium of indefinite duration on the commercial killing of whales.

Mr. ROBERT C. BYRD. Mr. President, this matter has been cleared on this side of the aisle and the minority interposes no objection to its immediate consideration.

There being no objection, the Senate proceeded to consider the resolution.

Mr. PACKWOOD. Mr. President, I ask unanimous consent to add Senator HEINZ as a cosponsor to this resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

The resolution (S. Res. 148) was agreed to.

The preamble was agreed to.

The resolution, with its preamble, is as follows:

S. RES. 148

Whereas whales are a unique marine resource of great esthetic and scientific interest to mankind and are a vital part of the marine ecosystem; and

Whereas the protection and conservation of whales are a particular interest to citizens of the United States; and

Whereas the United States, which effectively banned all commercial whaling by United States nationals in December 1971, has sought an international moratorium through the International Whaling Commission on the commercial killing of whales since 1972; and

Whereas in 1971 the Congress enacted the Pelly amendment to the Fishermen's Protective Act of 1967 (22 U.S.C. 1978(a)), giving the President of the United States the right to embargo the fishery products of foreign nations whose nationals have conducted whaling operations that interfere with international conservation programs; and

Whereas in 1979 the Congress enacted the Packwood-Magnuson amendment to the Magnuson Fishery Conservation and Management Act of 1976 (16 U.S.C. 1824(b)(6)(A)), which limits access to the United States fishery conservation zone to any nation found by the Secretary of Commerce to be in violation of whale conservation programs; and

Whereas in 1979 the Congress enacted a provision urging the International Whaling Commission to agree to a moratorium on the commercial killing of whales (Public Law 96-60, title IV, section 405, August 15, 1979); and

Whereas the management regime established by the International Convention for the Regulation of Whaling, signed in 1946 and implemented by the International Whaling Commission, is not providing adequate protection to the world's whale populations: Now, therefore, be it

Resolved, That it is the sense of the Senate that the United States delegation to the International Whaling Commission is urged to work toward the adoption of a moratorium of indefinite duration on the commercial killing of whales.

Mr. PACKWOOD. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

EXECUTIVE SESSION

Mr. STEVENS. Mr. President, I move that the Senate go into executive session to consider the nomination on the Executive Calendar under New Reports.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, Mr. President, I have no objection.

There being no objection, the Senate proceeded to the consideration of executive business.

THE JUDICIARY

The PRESIDING OFFICER. The clerk will state the nomination.

The legislative clerk read the nomination of William W. Wilkins, Jr., of South Carolina, to be U.S. district judge for the district of South Carolina.

Mr. THURMOND. Mr. President, I rise today to state my support for an impressive and capable attorney from South Carolina, Mr. William W. Wilkins, Jr., to be U.S. district judge for the district of South Carolina. I have known Mr. Wilkins for many years and I have no hesitation in attesting to his credentials.

Mr. Wilkins is a native of Greenville, S.C., a graduate of Davidson College, and an honor graduate of the University of South Carolina School of Law. While in law school, he served as the editor in chief of the South Carolina Law Quarterly, captain of the South Carolina moot court team, member of the Order of Wig and Robe Academic Honor Society and he was named the outstanding graduate for the year 1967 by the law school faculty.

After graduating from law school, Mr. Wilkins served 2 years in the U.S. Army. He has since attained the rank of lieutenant colonel in the Army Reserves. He was selected as law clerk to the former chief judge of the fourth circuit court of appeals, Clement F. Haynsworth, Jr.

In 1970, I appointed Mr. Wilkins as my legislative aide and he did an excellent job serving in that capacity. He thereafter returned to Greenville and entered the practice of law.

In 1975, Mr. Wilkins was sworn in as solicitor for the 13th judicial circuit. At that time he was one of the youngest chief prosecutors ever elected in the State of South Carolina. He was reelected in 1978 and presently serves in that capacity. During his work as solicitor, he created the first victim/witness assistance unit in the State of South Carolina. This unit deals with the special problems of victims and witnesses of crime. Mr. Wilkins also created the first pretrial diversion program in our State which has proven to be a meaningful alternative to the traditional justice system.

Mr. Wilkins has been admitted to practice before the U.S. Supreme Court, South Carolina Supreme Court, the U.S. Court of Appeals for the Fourth Circuit, and the Federal district courts in the State of South Carolina. He is a member of the American Bar Association, the South Carolina Bar Association, South Carolina Trial Lawyers Association, and the National District Attorneys Association.

Mr. Wilkins has broad experience and is widely respected in his profession and in the community at large. He is a man of unquestionable integrity and ability and I am confident he will make an outstanding Federal judge. It was my privilege to recommend Mr. Wilkins and I urge my colleagues to vote for his confirmation.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the nomination was confirmed.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, I ask that the President be immediately notified.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

USE OF THE FRANK

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 203, S. 1224.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (S. 1224) to amend the provisions of title 39, United States Code, relating to the use of the frank, and for other purposes.

There being no objection, the Senate proceeded to consider the bill which had been reported from the Committee on Governmental Affairs with amendments.

Mr. STEVENS. Mr. President, I ask unanimous consent that the committee amendments be considered and agreed to en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendments agreed to en bloc are as follows:

On page 1, strike line 3, through and including line 4 on page 2, and insert the following:

That section 3210(a)(3)(F) of title 39, United States Code, is amended to read as follows:

"(F) mail matter expressing congratulations to a person who had achieved some public distinction;".

On page 2, after line 10, insert the following:

(1) by inserting the words "unless it is a brief reference in otherwise frankable mail" before the semicolon at the end of subparagraph (B)(i);

On page 2, line 14, strike "(1)", and insert "(2)";

On page 2, line 16, strike "(2)", and insert "(3)";

On page 2, line 19, strike "(3)", and insert "(4)";

On page 3, after line 23, insert the following:

"(C) No Member of the Senate may mail any mass mailing as franked mail if such mass mailing is mailed fewer than 60 days

immediately before the date of any primary election of general election (whether regular, special, or runoff) for any national, State or local office in which such Member is a candidate for election.

On page 4, line 5, strike "'(C)", and insert "'(D)";

On page 4, line 17, strike "'(D)", and insert "'(E)";

On page 6, strike line 1, through and including line 12, and insert the following:

"(5) The Senate Committee on Rules and Administration and the House Committee on Congressional Mailing Standards shall prescribe for their respective Houses rules and regulations governing any franked mail which is mailed under this subsection and shall by regulation limit the number of such mailings allowed under this subsection.".

On page 7, line 1, strike "subsection.'.", and insert "subsection.";

On page 7, after line 1, insert the following:

"(B) The Senate Select Committee on Ethics may require any Member of, or Member-elect to, the Senate entitled to make any mailings as franked mail under this subsection to submit a sample or description of the mail matter to the Committee for an advisory opinion as to whether the proposed mailing is in compliance with the provisions of this subsection.".

On page 8, after line 9, insert the following:

SEC. 6. (a) Section 3216(a)(1)(B) of title 39, United States Code, is amended by striking out "surviving spouse" and substituting "survivors".

On page 8, line 13, strike "Sec. 6. (a)", and insert "(b)"; and

On page 8, line 20, strike "(b)(1)", and insert "(c)(1)";

So as to make the bill read:

S. 1224

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3210(a)(3)(F) of title 39, United States Code, is amended to read as follows:

"(F) mail matter expressing congratulations to a person who has achieved some public distinction;".

SEC. 2. (a) Section 3210(a)(5) of title 39, United States Code, is amended—

(1) by inserting the words "unless it is a brief reference in otherwise frankable mail" before the semicolon at the end of subparagraph (B)(i);

(2) by inserting the word "or" after the semicolon at the end of subparagraph (B)(ii);

(3) by striking out the semicolon and the word "or" at the end of subparagraph (C) and substituting a period; and

(4) by striking out subparagraph (D).

(b) Section 3210(a) of title 39, United States Code, is amended by adding the following new paragraph:

"(6)(A) It is the intent of Congress that a Member of, or Member-elect to, Congress may not mail any mass mailing as franked mail—

"(i) if the mass mailing is mailed fewer than 60 days immediately before the date of any primary election or general election (whether regular, special, or runoff) in which the Member is a candidate for reelection; or

"(ii) in the case of a Member of, or Member-elect to, the House who is a candidate for any other public office, if the mass mailing—

"(I) is prepared for delivery within any portion of the jurisdiction of or the area covered by the public office which is outside the area constituting the congressional district from which the Member or Member-elect was elected; or

"(II) is mailed fewer than 60 days immediately before the date of any primary election or general election (whether regular, special, or runoff) in which the Member or Member-elect is a candidate for any other public office.

"(B) Any mass mailing which is mailed by the chairman of any organization referred to in the last sentence of section 3215 of this title which relates to the normal and regular business of the organization may be mailed without regard to the provisions of this paragraph.

"(C) No Member of the Senate may mail any mass mailing as franked mail if such mass mailing is mailed fewer than 60 days immediately before the date of any primary election or general election (whether regular, special, or runoff) for any national, State or local office in which such Member is a candidate for election.

"(D) The Select Committee on Ethics of the Senate and the House Commission on Congressional Mailing Standards shall prescribe for their respective Houses rules and regulations, and shall take other action as the Committee or the Commission considers necessary and proper for Members and Members-elect to comply with the provisions of this paragraph and applicable rules and regulations. The rules and regulations shall include provisions prescribing the time within which mailings shall be mailed at or delivered to any postal facility and the time when the mailings shall be deemed to have been mailed or delivered to comply with the provisions of this paragraph.

"(E) For purposes of this section, the term 'mass mailing' means newsletters and similar mailings of more than five hundred pieces in which the content of the matter mailed is substantially identical but shall not apply to mailings—

"(i) which are in direct response to communications from persons to whom the matter is mailed;

"(ii) to colleagues in the Congress or to government officials (whether Federal, State, or local); or

"(iii) of news releases to the communications media.".

SEC. 3. (a) Section 3210(d) of title 39, United States Code, is amended by—

(1) striking "the House" and substituting "Congress" in paragraph (1);

(2) inserting "or State" after district" in subparagraph (A) of paragraph (1);

(3) inserting "with respect to a Member of the House of Representatives" after "(B)" in subparagraph (B) of paragraph (1);

(4) striking "House of Representatives" and substituting "Congress" in paragraph (2);

(5) inserting "or the State" after "district" in paragraph (2);

(6) redesignating paragraph (4) and paragraph (5) as paragraph (7) and paragraph (8), respectively; and

(7) inserting after paragraph (3) the following new paragraphs:

"(4) Any franked mail which is mailed under this subsection shall be mailed at the equivalent rate of postage which assures that the mail will be sent by the most economical means practicable.

"(5) The Senate Committee on Rules and Administration and the House Committee on Congressional Mailing Standards shall prescribe for their respective House rules and regulations governing any franked mail which is mailed under this subsection and shall by regulation limit the number of such mailings allowed under this subsection.".

"(6)(A) Any Member of, or Member-elect to, the House of Representatives entitled to make any mailing as franked mail under this subsection shall, before making any mailing, submit a sample or description of the mail matter involved to the House Commission on Congressional Mailing Standards for an advisory opinion as to whether the proposed mailing is in compliance with the provisions of this subsection.

"(B) The Senate Select Committee on Ethics may require any Member of, or Member-elect to, the Senate entitled to make any mailings as franked mail under this subsection to submit a sample or description of the mail matter to the Committee for an advisory opinion as to whether the proposed mailing is in compliance with the provisions of this subsection.".

(b) This section shall become effective 120 days after the date of enactment of this Act.

SEC. 4. (a) Section 3210(e) of title 39, United States Code, is amended by striking out the last sentence.

(b) Section 3210 of title 39, United States Code, is amended by redesignating subsection (f) as subsection (g), and by inserting after subsection (e) the following new subsection:

"(f) Any mass mailing which otherwise would be permitted to be mailed as franked mail under this section shall not be so mailed unless the cost of preparing and printing the mail matter is paid exclusively from funds appropriated by Congress, except that an otherwise frankable mass mailing may contain, as an enclosure or supplement, any public service material which is purely instructional or informational in nature, and which in content is frankable under this section.".

SEC. 5. (a) Section 3211 of title 39, United States Code, is amended by striking out "until the first day of April" and substituting "during the 90-day period immediately".

(b) Section 3213(2) of title 39, United States Code, is amended by striking out "until the thirtieth day of June" and substituting "during the 90-day period immediately".

SEC. 6. (a) Section 3216(a)(1)(B) of title 39, United States Code, is amended by striking out "surviving spouse" and substituting "survivors".

(b) Section 3218 of title 39, United States Code, is amended by inserting after "such Member" the following: "(or, if there is no surviving spouse, a member of the immediate family of the Member designated by the Secretary of the Senate or the Clerk of the House of Representatives, as appropriate, in accordance with rules and procedures established by the Secretary or the Clerk)".

(c)(1) The heading for section 3218 of title 39, United States Code, is amended by striking out "surviving spouses" and substituting "survivors".

(2) The table of sections for chapter 32 of title 39, United States Code, is amended by striking out the item relating to section 3218 and substituting the following new item:

"3218. Franked mail for survivors of Members of Congress.

SEC. 7. (a)(1) Section 5(d) of the Act entitled "An Act to amend title 39, United States Code, to clarify the proper use of the franking privilege by Members of Congress, and for other purposes", approved December 18, 1973 (Public Law 93-191; 87 Stat. 742), is amended by striking out "and" the second place it appears therein, and by inserting after "United States Code," the following: "and in connection with any other Federal law (other than any law which imposes any criminal penalty) or any rule of the House of Representatives relating to franked mail,".

(2) The first sentence of section 5(e) of such Act is amended by inserting after "of this section" the following: "(or any other Federal law which does not include any criminal penalty or any rule of the House of Representatives relating to franked mail)".

(b) Section 5(d) of such Act is amended—

(1) by inserting "any former Member of the House or former Member-elect, Resident

Commissioner or Resident Commissioner-elect, Delegate or Delegate-elect, any" after "Delegate-elect,";

(2) by inserting "(or any individual designated by the Clerk of the House under section 3218 of title 39, United States Code)" after "any of the foregoing";

(3) by inserting "any" before "other House official"; and

(4) by inserting "or former House official" after "House official".

(c) Section 5(e) of such Act is amended by inserting after the eighth sentence thereof the following new sentence: "In the case of a former Member of the House or a former Member-elect, a former Resident Commissioner or Delegate or Resident Commissioner-elect or Delegate-elect, any surviving spouse of any of the foregoing (or any individual designated by the Clerk of the House under section 3218 of title 39, United States Code), or any other former House official, if the Commission finds in its written decision that any serious and willful violation has occurred or is about to occur, then the Commission may refer the matter to any appropriate law enforcement agency or official for appropriate remedial action.".

The bill was ordered to be engrossed for a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is: Shall it pass?

So the bill (S. 1224) was passed.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

CONCLUSION OF MORNING BUSINESS

Mr. STEVENS. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

ORDER FOR THE RECOGNITION OF CERTAIN SENATORS ON TOMORROW

Mr. STEVENS. Mr. President, I ask that on tomorrow, Tuesday, July 21, Senators THURMOND, NICKLES, and KENNEDY each be recognized for a special order of 15 minutes each.

The PRESIDING OFFICER (Mr. PACKWOOD). Without objection, it is so ordered.

REDUCTION OF LEADERSHIP TIME ON TOMORROW

Mr. STEVENS. Mr. President, I ask unanimous consent that the time of the leaders on each side be reduced to 2 minutes each for tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECESS UNTIL 9:15 A.M. TOMORROW

Mr. STEVENS. Mr. President, I ask unanimous consent that the time for convening the Senate be changed to 9:15 a.m. tomorrow in lieu of 10 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECESS UNTIL TOMORROW AT 9:15 A.M.

Mr. STEVENS. Mr. President, if there is no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in recess until 9:15 a.m. tomorrow morning.

The motion was agreed to and, at 7:10 p.m., the Senate recessed until tomorrow, July 21, at 9:15 a.m.

CONFIRMATION

Executive nomination confirmed by the Senate July 20, 1981:

THE JUDICIARY

William W. Wilkins, Jr., of South Carolina, to be U.S. district judge for the district of South Carolina, vice Robert W. Hemphill, retired.

EXTENSIONS OF REMARKS

U.S. PLANES ARE KILLING CHILDREN

HON. PAUL FINDLEY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. FINDLEY. Mr. Speaker, the United States can check the rising cycle of violence in the Middle East and restore its own prestige and promise as a force for peace by suspending further military shipments to Israel. To do so we must not ship the 10 F-16 fighter aircraft and we must suspend all other military shipments to Israel until Prime Minister Begin has pledged his Government will henceforth honor the restrictions we place on these weapons.

Israel's use of U.S. aircraft to bomb Beirut is the latest defiance of U.S. interest and laws by Mr. Begin. Unless the Reagan administration quickly forces a change in policy, the cycle of violence will explode, many more innocent Israelis and Arabs will die, and the ability of the United States to bring peace will be severely impaired.

Arab countries, long suffering under a U.S. policy heavily tilted toward Israel, may conclude there is little reason for restraint—and less reason for them to consider American foreign policy and security interests in the Middle East.

When Israel bombed the Iraqi nuclear facility, most Americans—indeed most of the world—reacted with shock and dismay. President Reagan was so embarrassed, American planes were used in clear violation of U.S. law, he postponed the shipment of four sophisticated fighter-bombers scheduled to be delivered to Israel. And the United States joined other nations in a U.N. condemnation of the attack.

Now, 40 days later, the shipment of warplanes to Israel is still undecided, and Secretary Haig's special emissary, Robert McFarlane, was unable to secure any agreement that Israel would in the future act with restraint in using U.S. weapons. All indications are that the United States will permit Israel to continue to ignore U.S. law which restricts the use of such military equipment to legitimate self-defense.

In fact, in a direct and personal affront to the United States, and a calculated embarrassment to Egypt's President Sadat, Prime Minister Begin broke a moratorium on bombing in Lebanon two weekends ago while McFarlane was en route to Israel to try to win concessions on how U.S. weapons would be used in the future. Compounding the affront, U.S. Ambassador Habib was also in the Middle East trying to avert yet another illegal Israel attack, this one on Syrian missile implacements. In further violation of U.S. law, Begin ordered bombing raids on several towns and Palestinian camps in Lebanon—most recently the city of Beirut. Press accounts report that hundreds of people were killed and wounded, most of them civilians. Predictably, the Palestinians retaliated with rockets, killing three Israelis and wounding many others.

Responsibility for this new cycle of violence, death, and destruction must rest squarely with those who have the ability to stop it. In this case, it was Prime Minister Begin who broke the moratorium, as he had broken an 8-year de facto ceasefire with Iraq in ordering the June 6 bombing mission.

But beyond Begin's personal responsibility is that of the United States. We too have had the opportunity to stop the rising tide of violence in the Middle East and we have chosen not to do so.

The United States could demand an amendment of our agreement with Israel which would clarify the circumstances under which U.S. arms can be used by Israel beyond its borders. We have not done so.

The United States could unilaterally decide when Israel is permitted to use our military equipment against civilian and military targets and present the Israeli Government with a simple edict. We have not done so.

The United States could even require Israel to seek prior approval from U.S. military officials already in Israel before bombing raids in Lebanon and elsewhere are undertaken. But again we have not done so.

And if all else fails, the United States could repeat the demand made forcibly and effectively by President Carter in 1979, threatening a reduction in aid to Israel if the attacks against Lebanon continue. His resolute action brought the attacks to an end for a full year. Unfortunately—except for the Iraqi incident—President Reagan has not yet seen fit to challenge the legality of any Israeli military operations.

And because the United States has failed to act, the attacks and the bloodshed go on. Using American warplanes, Prime Minister Begin commits the same senseless terrorist attacks for which he rightfully condemns Yasser Arafat. But now President Reagan and Congress must share the responsibility—and the blame.

Yet as grim as the situation appears, the United States still has a chance to be a force for peace instead of war. All President Reagan has to do is to enforce U.S. laws which limit the ways in which our weapons can be used by another country. Mr. Reagan is capable of great surprises and great statesmanship, qualities desperately needed at this critical time.

The following article by Richard Cohen of the Washington Post tells graphically how U.S. warplanes are being used to kill children in Lebanon.

CHILDREN OF BEIRUT ARE UNFAIR TARGETS

This is about the children I have seen—the children of the Sabra camp for Palestinian refugees in Beirut and the children of Damour and, of course, the Jewish children of Metulla and Kiryat Shemona, which is across the border in Israel. Children are dying in all these places.

The other day, the Israelis bombed the Sabra camp and other Palestinian installations in and around Beirut, killing about 300 persons, according to the Lebanese government. They hit places that are called camps, but they are not camps. They are neighborhoods. The Sabra camp has been in Beirut since 1948. It is old. It has taken root. What were tents are now cottages and what were huts are now homes.

In the Sabra camp, there are courtyards with wild flowers and orange trees. In the Sabra camp, there are stores and streets and schools, and when you walk into the place, you do not realize that you have entered a camp. It does not look like a camp. It looks like a neighborhood.

To bomb the Sabra camp is like bombing a neighborhood in Washington. It is like bombing Adams-Morgan. It is like bombing Harlem or Coral Gables or Westwood or any neighborhood you can think of in any city you can think of. It is not like bombing a camp with tents and where everything is military. It is like bombing the street where you live.

It means killing children. It means killing old people and women and men and widows and shopkeepers and killing them all because they happen to live in a Palestinian neighborhood. Some may not even be Palestinians. Lebanese live in the camps. No matter. When the bombs fall, they too must die.

When I was in the camp, there were kids everywhere. They followed me wherever I went. They do not see many light-skinned, fair-haired people. There are lots of kids—lots of kids and lots of women but not too many men. Some of the men work elsewhere in Beirut, and some work elsewhere in the Middle East and some, of course, are in the South, either attempting to kill Israelis or learning how to kill Israelis.

Only a fool could fail to understand why the Israelis took action. Only a fool does not know that the PLO also kills children—sometimes only children. Only a fool could fail to remember the attacks on the nurseries, the children's houses at the kibbutzes where the kids all sleep together. In the

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

Middle East, grown men kill babies and call themselves Freedom Fighters.

Only a fool could fail to understand what it is like to live up on the northern border of Israel. The artillery can come down any minute. The rockets can be deadly. The other day, three persons were killed. At night, you can hear the Palestinians and the Lebanese militia exchange artillery fire. It is like thunder in the distance. In the children's houses, baby sitters sit with weapons cradled in their arms.

Still, there is a scale to these things—a proportion. To fire a Katyusha rocket at a border settlement is an act of war. To kill an innocent child is an outrage. But to use the most complex airplanes known to man to bomb a city neighborhood is not even in the same ballpark. What is supposed to be the proper ratio here, 300 to 3? This is what happens when a sovereign state adopts the terrorist morality of its enemies and when its leaders become captive of their own, awful personal experiences.

But the Reagan administration is not the captive of these experiences. It has to take the larger view. So far, though, its response to the bombings and the earlier raids has been timid. It admonishes Israel in a very mild way, postpones delivery of the planes that make such raids possible and then postpones delivery again. What is missing is a sense of outrage and shock that American planes are being used to kill innocent civilians in the neighborhoods of Beirut.

No one would suggest that America reconsider its friendship with Israel. This is basic and rooted in moral and democratic values that the two countries share—not to mention strategic concerns. For these reasons, the administration seems reluctant to deal with Israel as forcefully as it should. It thinks that the issue is friendship or alliances or the Russians, but that is no longer the case. In the latest bombing of Beirut, it is the killing of innocent civilians that is the issue. If you don't condone it for your enemies, you can't for your friends, either.●

A TRIBUTE TO RAY MANCINI

HON. LYLE WILLIAMS

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. WILLIAMS of Ohio. Mr. Speaker, I would like to call attention to the accomplishments of Raymond Mancini, a young man from Youngstown, Ohio. Mr. Mancini, who is known to fight fans as Boom Boom Mancini, is the North American Boxing Federation lightweight champion. This 20-year-old man is expected to fight for the world title in early October.

An honor student and class president at Cardinal Mooney High School in Youngstown, Ray passed up opportunities to go to college to enter the field of professional fighting. Through perseverence, dedication, and much hard work, Ray has now brought himself to the pinnacle of his profession and, in so doing, brought great credit and fame to himself and to the 19th Congressional District of Ohio, which I have the honor to represent.

Ray's motivation for seeking the world championship is a rather elementary one, but one which is heartwarming. Ray fights for his father, Lenny. The elder Mancini was a professional fighter also known as Boom Boom. Lenny's career was disrupted by World War II and he never got the title shot so many sports writers believed he richly deserved. Ray plans to win that title for his father.

Just yesterday, Ray successfully defended his North American title on national television. As soon as the bout ended, Ray ran to the edge of the ring. I could not hear his words, but I could read his lips as he asked where his father was and asked that his father be brought into the ring with him to share his triumph. The scene brought to mind the scene at Lake Placid after the 1980 U.S. Olympic Hockey team defeated the Russian team. Who can ever forget the sight of our goalie Jim Craig draped in the American flag, looking into the stands and asking where his father was.

Ray Mancini's actions yesterday mirror Mr. Craig's and showed the world the good traits, the traits of courage, love, and consideration, that he possesses and which are among the best traits of America, Americans, and the entire human race. Ray Mancini is to be highly commended for being a topflight fighter and a topflight human being.●

ON THE BASEBALL STRIKE

HON. JOHN L. BURTON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. JOHN L. BURTON. Mr. Speaker, George Andros, a well known and beloved sportsman and night club entrepreneur in San Francisco, has come up with a series of proposals that would provide that the public receive a fair return for their contributions to the financial success of present day owners and players in professional sports. I would hope that the Members would read this very provocative proposal by George Andros.

ON THE BASEBALL STRIKE

DEAR JOHN: For years I have been upset in the manner the people have been taken advantage of in respect to sports. In the past two weeks or so since the baseball strike it is even more obvious that again the people are the ones who will again suffer financially and for the lack of entertainment in person. I think it is about time that the people who elected those to represent them are heard in this matter and certainly Congress should take steps to avoid further costs to its citizens.

I would like to make a suggestion which to me would seem fair to everyone, yet it could bring things back to reality and possibly save the future of sports.

1. I believe everyone using stadiums or property for any sporting event that receives income from television should pay 25 percent of the income received from television to the city or state as rent.

(a) The people pay tens of millions of dollars for the facilities in which to play in, yet they do not even get in rent what it costs in interest to build these stadiums, so the people who have paid in taxes for these facilities now have to pay even more for the privilege of going to see games in person. This is very unfair, and the athletes of today do not take into consideration that it is the fans who are the ones that really suffer, especially large families who do not have an enormous income.

(b) I believe in order to help solve the economy of our country that any owner who now pays any athlete in excess of $500,000.00 annually shall also pay 25 percent in additional rent to the community that made the facilities available and this would stop the very rich who try to buy a pennant in securing the best players, and it would also keep the costs down so in reality it would benefit everyone including the players who do not make the high income by preventing additional strikes and will enable families which paid for these stadiums to be able to afford to attend games once in a while.

(c) Owners should be required to pay higher rents according to the income and profits which should be worked out for the use of stadiums which were paid for by the taxpayers. Also private owned stadiums should be required to pay equal rents as they have the use of many tax paid facilities enabling the citizens to get to these stadiums.

John what I am talking about is around 100 or less owners of most of the major sports in America and less than one player out of every 5000 citizens who have paid all these years for the priviledge of making sports figures wealthy.

I am sure most Americans do not mind seeing sports figures get good salaries, but it is now getting out of hand and if these players and owners do not make adjustments regarding the people who give them their salaries and profits, then it is about time Congress steps in and enacts laws to protect the people.

Sincerely,

GEORGE D. ANDROS.●

A TRIBUTE TO THE VOLUNTEER WORK DONE BY ROSE HINES

HON. CLAUDINE SCHNEIDER

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mrs. SCHNEIDER. Mr. Speaker, at a time when so many are speaking out in request of a greater commitment to America's war veterans, I would like to call the attention of this body to Miss Rose Hines, an individual who not only speaks out in behalf of our veterans, but has spent her life in dedication and service to these individuals.

Earlier this year I had the honor to present Miss Hines with a certificate commemorating her 35,000 hours of volunteer service to the Davis Park Veterans' Administration Hospital in Providence, R.I. Working as a volunteer for the past 25 years, she has also been presented the Administrator's Volunteer Service Award, the highest

honor awarded by the Veterans' Administration.

During her many years of service, Miss Hines has cheered hundreds and eased the loneliness of patients too numerous to count. A recently retired clerk-typist for the State, Miss Hines spends 5 hours, 3 nights a week, and 20 hours each weekend in service at the hospital, the equivalent of working a full-time job without vacation for well over 12 years.

Mr. Speaker, on behalf of all who have benefited from the good works of Rose Hines, and of my colleagues in the House and Senate, I express my deepest appreciation to an outstanding and deserving servant of the veteran community.●

THE MESSAGE FROM MISSISSIPPI

HON. DON EDWARDS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. EDWARDS of California. Mr. Speaker, I would like to call to the attention of my colleagues an editorial which appeared in the Washington Post on July 18, 1981.

Thus far, the Reagan administration has failed to announce its support for extension of the Voting Rights Act. The editorial examines the widespread support which full extension of this most successful of our civil rights laws has garnered, and encourages President Reagan to put the weight of his office behind the extension effort.

I think my colleagues will find the editorial of interest.

THE MESSAGE FROM MISSISSIPPI

The truly beady-eyed Reaganologist could discern a political signal of some importance from the Justice Department announcement that it had filed its first lawsuit seeking to enforce the Voting Rights Act earlier this week. Although the president has yet to declare whether he favors extending the statute and, if so, whether in its present form or with potentially hobbling amendments, so far the issue of opposition to voting rights extension appears to be a nonstarter.

The supporters of simple extension, a politically mixed bag of liberals and conservatives, dominated the recent House hearings on the subject. Some legislators who had declared their skepticism about maintaining strict Justice Department oversight of electoral procedures in states covered by the act—now disproportionately in the South because of historic interference there with blacks attempting to exercise their franchise—have wavered after listening to the arguments of those persuaded of the measure's continued necessity, especially in the South.

If Mr. Reagan required further evidence of this support, he received it last week from an unlikely quarter. In Mississippi's Fourth Congressional District, Democrat Wayne Dowdy edged out his Republican opponent in a closely contested special election for a seat previously held by Republican Jon C. Hinson, who had resigned after being charged with attempted sodomy. Understandably, the Republican chose to deny that Mr. Dowdy's 1,000 vote margin in a district solidly Republican for almost a decade marked a turning point for Democratic fortunes elsewhere. Instead, they stressed the local factors—for example, voter response to Mr. Hinson's difficulties. Also, Republicans noted that—at least on economic questions—while Mr. Dowdy attacked the administration's proposed cuts in Social Security, at the same time he avoided attacking the entire Reagan economic program and even reminded voters regularly that he intended to keep independent of the Democrats' national leadership.

But what has last week's contest to do with the political price of voting rights? This: the voters of Mississippi's Fourth District made it plain that they favored an unrestricted extension of the Voting Rights Act. First during the Democratic primary and then in the special election campaign, Mr. Dowdy alone took the incautious position that the act should be extended in its present form without further delay. A substantial majority of the district's black voters endorsed him (45 percent of the Fourth District's population is black). They were joined by many white voters in the district, which includes much of the state's urban, business-oriented and professional classes on whose support the resurgence of Republicanism in the region has been based.

Southern Republican state chairmen, who called weeks ago for renewing the Voting Rights Act, appear to have heard the message long before Mississippi voters drove it home with Mr. Dowdy's election. The future of their party in the South may depend upon Mr. Reagan's ability to recognize its newly evolved biracial electorate as it strives to eliminate the residue of racism from political life. In filing its initial Voting Rights lawsuit, the administration in turn may be testing for the presence of substantial southern or congressional opposition. If, however, there emerges no groundswell of complaint, perhaps the possibility exists for the measure's surprisingly early and unabrasive extension. This would please most of the parties directly concerned—including the southern Republicans.●

WHAT THE MONETARIST TEXTBOOKS DON'T TEACH

HON. JAMES L. OBERSTAR

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. OBERSTAR. Mr. Speaker, a recent Washington Post article quoted Reagan administration economic officials as saying that they were puzzled and confused by continued high interest rates.

It is, however, the administration and the Federal Reserve Board which have decided to hold fast to a tight money policy. Administration officials have admitted that this policy only increases the possibility of a recession. I would like to share with my colleagues John Kenneth Galbraith's comments on monetary policy and high interest rates which appeared in the Washington Post today, July 20, 1981.

[From the Washington Post July 20, 1981]

WHAT THE MONETARIST TEXTBOOKS DON'T TEACH

(By John Kenneth Galbraith)

The lessons from the civil disorder in the British cities will not be lost in this country. It is something on which, more than Englishmen, we have had experience. Where people have jobs, reasonably good housing, other urban amenities, and find life, if not perfect, at least benign, these outbreaks do not occur. Where there is despair and especially among the young, there is risk. This we know, but there is one aspect of the British experience that, to our sorrow, we are less likely to notice. That is the relationship between economic policy and urban distress and disturbance. It is a relationship that all, liberal or conservative, should recognize, and the British experience is a powerful signal as to its importance.

In most discussion and in much university and textbook teaching, monetary policy is pictured as socially neutral. It is a technical arbitration between the central bank, the bankers and the business community; it may work or not work, but there is no remarked difference in its impact on different income groups or otherwise on the social structure. Decisions in the calm boardrooms of the Federal Reserve System or the Bank of England are safely distant from such concerns. This is sadly, seriously and dangerously wrong, and the British reliance on monetary policy in these last years, the most committed in the industrial world, makes it a matter not of theory but of harshly realized experience.

Monetary policy works, and on this there is general agreement, by restricting bank and other lending and by rationing the credit so allowed by high interest rates. It will occur to most that those who receive the high interest rates—banks and individuals with loanable cash—do not suffer from such rates. On the contrary. And neither do affluent citizens who do not need to borrow money. Or cash-rich corporations that are similarly situated. Or those that, though they borrow, have the market power and position that allow them to pass the higher costs of money along to the public.

But, as one passes down the income scale, there comes the deprivation and restraint that it is the purpose of monetary policy to induce. Those who must borrow money for their business, to find housing, to replace an automobile are subject to its effects. Again, this is a matter of experience. In this country the effect of high interest rates on the housing industry, other small business and automobile purchases has been evident to all. In Britain, it has produced the largest failure rate among small businesses in half a century. But the really disastrous effect is yet farther down the income scale.

For monetary policy works against endemic inflation not through some technically neutral nexus that relates the money supply to prices. It works against inflation in a highly organized society such as our or that of Britain only as it creates enough unemployment so that this restrains trade union claims and enough idle plant capacity so that price increases are forgone, discounts initiated and the unions resisted. Or, a notable recent feature, it forces the removal of production to less unionized, lower-wage areas. Again there is the experience. This is how the claims of the United Auto Workers on Chrysler were contained, how discounts were forced upon the automobile companies and how this became a

pattern of restraint in rubber, machinery and other industries. And this is how the policy has worked against the rather more stubbornly resistant unions of Britain.

But long before the UAW and its counterparts succumb to monetary policy, there is the terrible social tragedy for those who have never had a job, are in the wrong place, are of the wrong sex or have the special disadvantage of being of the wrong color or race. A policy sufficiently strong to act against the organized sector of the economy—the world of the unions and the big corporations—comes down with exponential force on the young, unorganized, black and central-city workers or would-be workers. Their unemployment rate, as we and the British have learned, can run to 30, 40 or 50 percent of such workers in the cities. Many do not have unemployment compensation entitlement; and none has supplementary unemployment benefits. This has been the effect of monetary policy in the British cities. It is the way it works or will work everywhere.

I do not believe the monetarists see their policy as a deliberate design for rewarding the rich at the cost of the very poor, although the sources of some of their applause should make them very uneasy. There is, rather, the tendency already mentioned to see the policy as a technical exercise, to ignore its social consequences as somehow unworthy of practical thought. Or the proponents move directly from the money supply to the effect on inflation without consideration of the intervening process and the pain associated therewith. One can even be slightly mystical about the relationship. Responding to British critics last year, Professor Milton Friedman, the supreme protagonist in both countries, said: "We can know that a bird flies and have some insights into how it is able to do so without having a complete understanding of the aerodynamic theory involved." Most important of all, we are made uneasy about anything that suggests an opposition of interest between rich and poor. That is not the way a society is supposed to work. So we suppress mention of it.

Well, we now know what makes monetary policy fly, and we know that—unlike strong fiscal and incomes policies, these being the required alternatives and supplements—its flight does reward the fortunate, penalize the poor. Better the truth. The British are now paying the price for their heavy reliance on monetarism. It is a price no American, whatever his or her income bracket or political faith, can ignore. Social tranquillity is just as important for the affluent as for others and for conservatives as for liberals.

NOTE: The writer is professor emeritus of economics at Harvard University.●

U.S. CHAMBER GOES ALL OUT FOR REAGAN ECONOMIC PROGRAM

HON. GERALD B. H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, July 20, 1981

● Mr. SOLOMON. Mr. Speaker, I can think of few Americans who have worked harder in recent months to convince Congress to enact President Reagan's economic program than Dr. Richard Lesher, president of the U.S. Chamber of Commerce. Under his leadership, the U.S. chamber, the Nation's largest federation of business representatives, has played an indispensible role in demonstrating to Congress in no uncertain terms that an overwhelming majority of Americans want us to support the Reagan program in full. Now that the debate over that program has shifted to taxes, I would like to share with my colleagues an article by Dr. Lesher which appeared in today's Washington Star—an article which should end all doubts about where the Nation's business—large and small—stand when it comes to tax relief.

The article follows:

[From the Washington Star, July 20, 1981]

DEMOCRATS OFFERING TOO LITTLE

(By Richard L. Lesher)

If someone had told you several months ago that the House leadership and Democrats on the Ways and Means Committee would be fighting tooth-and-nail for such proposals as a reduction in corporate tax rates from 46 to 34 per cent and a one-year write-off of business investments, you probably would have thought that person crazy.

But those Democrats have done that and more, proposing in addition a two-year, 15 per cent cut in individual tax rates, a reduction of the maximum rate on so-called unearned income from 70 to 50 per cent, and a cut in the top capital gains tax rate from 28 to 20 per cent. If nothing else, the Ways and Means package provides dramatic illustration of an emerging national consensus that future economic prosperity requires relief from a crippling tax burden which for the average worker, has increased by 49 per cent in just the last two-and-a-half years. The Laffer Curve is laughed at no more.

Nevertheless, despite a perceived attractiveness of certain individual proposals in the Ways and Means plan, most members of the business community are saying "thanks, but no thanks" to the committee, and are sticking with President Reagan's bipartisan tax package.

The political loyalty that many in the business community feel for the president may explain part of it; so too does the suspicion with which many view the sudden conversion of the House leadership to the tax cut cause. After all, many of the same liberal Democrats who now advocate these tax proposals supported, not too many months ago, a candidate for president who called for wage-and-price controls, immediate rationing of energy, more regulation and higher taxes.

But political loyalties and suspicions aside, the main reason why business is standing firm behind the president is the economic soundness of his proposals. It is the best program for business. It is the best program for America.

BUSINESS CLIMATE

The president's plan to cut individual tax rates across-the-aboard by 25 per cent over 33 months is desperately needed by business—not only because 90 per cent of businesses (mainly small ones) pay taxes under these personal rates, but because the increased savings and worker productivity encouraged by this incentive-oriented tax cut would improve the overall business climate. The other main feature of the Reagan tax plan—faster and simpler depreciation of plant and equipment—would spur investment and increase productivity. It would be of great benefit to small businesses which, according to the latest figures, claim about 40 per cent of total depreciation. In addition, thousands of other small businesses which do not have the resources to meet the complex reporting requirements necessary for depreciation, would be able to write off investments under the vastly simplified schedule the president has proposed.

On the other hand, the Ways and Means approach of a 15 per cent tax rate reduction would not even make up for the "bracket creep" most taxpayers will suffer over the next two years. The promised corporate tax relief would not even begin until 1984, and the phase-in of the "expensing" provision for investment write-offs would not be completed until 1990.

A LIKELY VICTIM

All these between-the-lines stipulations have earned the Ways and Means plan the label of "too little, too late," to which I might add: too close to the 1984 elections, at which time a yet-to-be-effective corporate tax cut would be the easiest victim to sacrifice for an election-eve congressional spending binge.

In recent weeks, I have talked to hundreds of business people from large and small companies. They are mindful that their allegiance to one of the two tax plans under scrutiny in Washington today could be the most important investment the business community will ever make—for themselves and their country. Almost all of them support the president's bipartisan tax proposals. The president's tax plan, formulated in the context of his comprehensive economic program, is sound, dependable and worthy of the support of all workers and businesses in America.●

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Any changes in committee scheduling will be indicated by placement of an asterisk to the left of the name of the unit conducting such meetings.

Meetings scheduled for Tuesday, July 21, 1981, may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

JULY 22

9:00 a.m.
Commerce, Science, and Transportation
To hold hearings on the nominations of James H. Quello, of Virginia, and Henry M. Rivera, of New Mexico, each to be a member of the Federal Communications Commission.
1318 Dirksen Building

Foreign Relations
East Asian and Pacific Affairs Subcommittee
To hold hearings on U.S. trade and economic policies and development problems in Southeast Asia.
4221 Dirksen Building

*Veterans' Affairs
To hold hearings on S. 5, S. 7, S. 25, S. 26, S. 48, S. 105, S. 248, S. 417, and S. 742, bills providing educational assistance to members of the Armed Forces.
318 Russell Building

9:30 a.m.
Banking, Housing, and Urban Affairs
To hold oversight hearings on the conduct of monetary policy.
5302 Dirksen Building

* Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To hold joint hearings with the House Subcommittee on Space Science and Applications of the Committee on Science and Technology on the proposed operational remote satellite sensing system.
235 Russell Building

Governmental Affairs
Permanent Subcommittee on Investigations
To hold oversight hearings on alleged fraud and abuse involving certain claims within the Federal workers compensation program.
3302 Dirksen Building

Judiciary
* Constitution Subcommittee
To resume oversight hearings on the implementation of the Freedom of Information Act, and to resume hearings on S. 1247, S. 1235, and S. 587, bills providing for the protection of certain confidential information from the disclosure requirements of the Freedom of Information Act.
424 Russell Building

10:00 a.m.
Conferees
Senate Committee on Agriculture, Nutrition, and Forestry conferees and House Committee on Agriculture conferees on agriculture and food stamp provisions of H.R. 3982, providing for reconciliation pursuant to section 301 of House Concurrent Resolution 115, the first concurrent resolution of the congressional budget.
1302 Dirksen Building

Energy and Natural Resources
Energy Conservation and Supply Subcommittee
To hold hearings on S. 506, reinstating and validating certain numbered U.S. oil and gas leases.
3110 Dirksen Building

* Environment and Public Works
Business meeting on pending calendar business.
4200 Dirksen Building

Governmental Affairs
Subcommittee on Governmental Efficiency and the District of Columbia
To resume hearings on S. 744, authorizing the District of Columbia to issue general obligation bonds to pay specified eligible liabilities.
6226 Dirksen Building

Joint Economic
International Trade, Finance, and Security Subcommittee
To continue hearings on the economics of defense procurement, focusing on the Army's M-1 Tank and NATO readiness.
5110 Dirksen Building

1:30 p.m.
Joint Economic
Economic Goals and Intergovernmental Policy Subcommittee
To resume hearings on block grants and intergovernmental systems.
H-236, Capitol

2:00 p.m.
Governmental Affairs
*Intergovernmental Relations Subcommittee
To hold hearings on State governments' implementation of certain Federal regulations, focusing on standards relating to the Clean Air Act.
3302 Dirksen Building

2:30 p.m.
Foreign Relations
To hold hearings on the nomination of Arthur W. Hummel, Jr., of Maryland, to be Ambassador to the People's Republic of China.
4221 Dirksen Building

JULY 23

9:00 a.m.
Office of Technology Assessment
The Board, to hold a general business meeting.
S-126, Capitol

*Veterans' Affairs
To continue hearings on S. 5, S. 7, S. 25, S. 26, S. 48, S. 105, S. 248, S. 417, and S. 742, bills providing educational assistance to members of the Armed Forces.
1202 Dirksen Building

9:30 a.m.
*Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To continue joint hearings with the House Subcommittee on Space Science and Applications of the Committee on Science and Technology on the proposed operational remote satellite sensing system.
2218 Rayburn Building

*Energy and Natural Resources
Energy and Mineral Resources Subcommittee
To hold hearings on S. 1032, S. 1383, and S. 1484, bills promoting the development of oil shale resources.
3110 Dirksen Building

Governmental Affairs
Governmental Efficiency and the District of Columbia Subcommittee
To continue hearings on S. 744, authorizing the District of Columbia to issue general obligation bonds to pay specified eligible liabilities.
6226 Dirksen Building

Judiciary
Agency Administration Subcommittee
To hold hearings to review section 912 of S. 815 (Department of Defense Authorizations for fiscal year 1982), relating to liability of the United States for certain tort actions of members of the National Guard.
2228 Dirksen Building

Judiciary
Constitution Subcommittee
To resume hearings on S. 584, S. 585, and S. 990, bills creating a Federal cause of action for the violations of a person's civil rights under color of State law relating to constitutional rights or laws providing for equal rights of citizens or all persons within U.S. jurisdiction.
5110 Dirksen Building

*Labor and Human Resources
Aging, Family and Human Services Subcommittee
To hold hearings on adoption services in the United States.
4232 Dirksen Building

10:00 a.m.
Banking, Housing, and Urban Affairs
To continue oversight hearings on the conduct of monetary policy.
5302 Dirksen Building

Foreign Relations
To hold hearings on the nominations of Kenneth L. Adelman, of Virginia, to be the Deputy Representative to the United Nations, with the rank and status of Ambassador, and Robert J. Hughes, of Massachusetts, to be an Associate Director of the International Communication Agency.
4221 Dirksen Building

Governmental Affairs
Permanent Subcommittee on Investigations
To continue oversight hearings on alleged fraud and abuse involving certain claims within the Federal workers compensation program.
3302 Dirksen Building

Joint Economic
To hold hearings on the reindustrialization of specific sectors of the economy, focusing on the substance of H.R. 4028, and related proposals, providing for the development of high-speed rail passenger service in the United States.
1318 Dirksen Building

1:00 p.m.
Judiciary
To resume hearings on monopolization and competition in the telecommunications industry.
2228 Dirksen Building

2:00 p.m.
*Banking, Housing, and Urban Affairs
International Finance and Monetary Policy Subcommittee, and the Securities Subcommittee
To resume joint hearings on S. 708, clarifying the intent and modifying certain provisions of the Foreign Corrupt Practices Act of 1977.
5302 Dirksen Building

Environment and Public Works
Toxic Substances and Environmental Oversight Subcommittee
To hold hearings on the environmental impact of chlorofluorocarbons.
4200 Dirksen Building

JULY 24

9:30 a.m.
Commerce, Science, and Transportation
To hold hearings on the nomination of James C. Miller III, of the District of Columbia, to be a Federal Trade Commissioner.
235 Russell Building

Finance
Taxation and Debt Management Subcommittee
To hold hearings on miscellaneous tax proposals, including S. 805, S. 1214, S. 1304, S. 1320, and S. 1369.
2221 Dirksen Building

10:00 a.m.
Energy and Natural Resources
To hold hearings on the nominations of Anthony G. Sousa, of Hawaii, to be a member of the Federal Energy Regulatory Commission, J. Robinson West, of Pennsylvania, to be an Assistant Secretary of Interior for Policy, Budget and Administration, Jan W. Mares, of Connecticut, to be an Assistant Secretary of Energy for Fossil Energy, and Alvin W. Trivelpiece, of California, to be director of the Office of Energy Research, Department of Energy.
3110 Dirksen Building

Environment and Public Works
*Water Resources Subcommittee
To hold hearings on S. 1493, deauthorizing certain water resources projects within the jurisdiction of the U.S. Army Corps of Engineers, and on other related issues.
4200 Dirksen Building

Foreign Relations
To hold hearings on S. 854, establishing an Office of Foreign Missions responsible for providing benefits for foreign missions on terms approved by the Secretary of State.
4221 Dirksen Building

Judiciary
To continue hearings on monopolization and competition in the telecommunications industry.
2228 Dirksen Building

1:30 p.m.
Judiciary
Immigration and Refugee Policy Subcommittee
To hold hearings to examine the enforcement of U.S. immigration laws.
412 Russell Building

JULY 27

9:30 a.m.
Finance
International Trade Subcommittee
To hold hearings on proposed legislation extending the President's authority to waive the freedom of immigration provision of the Trade Act.
2221 Dirksen Building

Labor and Human Resources
Alcoholism and Drug Abuse Subcommittee
To hold oversight hearings on research activities of the National Institute on Alcohol Abuse and Alcoholism and the National Institute on Drug Abuse.
4232 Dirksen Building

10:00 a.m.
Agriculture, Nutrition, and Forestry
Agricultural Research and General Research Subcommittee
To hold hearings on proposed revisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), Public Law 96-539.
324 Russell Building

*Environment and Public Works
Business meeting, to consider pending calendar business.
4200 Dirksen Building

2:00 p.m.
Agriculture, Nutrition, and Forestry
Agricultural Research and General Research Subcommittee
To continue hearings on proposed revisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), Public Law 96-539.
324 Russell Building

JULY 28

9:00 a.m.
*Select on Ethics
To resume hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To hold hearings on proposed legislation to provide title to contractors receiving Federal research and development funds.
235 Russell Building

10:30 a.m.
Energy and Natural Resources
To hold hearings on S. 1503, authorizing the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, S. 1476, S. 1354, and S. 409, bills providing standby authority to deal with petroleum supply disruptions, and S. 445, establishing a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.
3110 Dirksen Building

2:00 p.m.
*Governmental Affairs
Intergovernmental Relations Subcommittee
To hold hearings to review alternatives for delivering public services, focusing on certain private sector involvement in social services.
3110 Dirksen Building

Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 29

9:00 a.m.
Commerce, Science, and Transportation
Business meeting, to consider pending calendar business.
235 Russell Building

Governmental Affairs
Intergovernmental Relations Subcommittee
To continue hearings to review alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building

*Labor and Human Resources
To resume oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building

*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

10:00 a.m.
Energy and Natural Resources
Business meeting, to consider pending calendar business.
3110 Dirksen Building

*Environment and Public Works
Business meeting, to consider pending calendar business.
4200 Dirksen Building

Select on Indian Affairs
To hold hearings on S. 792, establishing a National Institute of Native American Culture and Arts Development.
5110 Dirksen Building

2:00 p.m.
Governmental Affairs
Intergovernmental Relations Subcommittee
To continue hearings to review alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building

Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

Special on Aging
To hold hearings on proposals relating to medicare reimbursement to competitive medical plans.
5110 Dirksen Building

JULY 30

9:00 a.m.
*Governmental Affairs
Intergovernmental Relations Subcommittee
To continue hearings to review alternatives for delivering public services, focusing on certain private sector involvement in social services.
318 Russell Building

*Labor and Human Resources
To continue oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building

*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Energy and Natural Resources
To resume hearings on S. 1503, authorizing the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, S. 1476, S. 1354, and S. 409, bills providing standby authority to deal with petroleum supply disruptions, and S. 445, establishing a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.
3110 Dirksen Building

Select on Indian Affairs
To hold hearings on S. 159, authorizing the exchange of certain land held by the Navajo Tribe and the Bureau of Land Management, Department of the Interior, and S. 1340, providing for the use and distribution of judgment funds awarded to the Clallam Tribe of Indians, State of Washington.
3110 Dirksen Building

10:00 a.m.
Judiciary
To hold hearings on S. 326, prohibiting a refiner, other than an independent or small refiner, from operating a gas station in the United States, and making it unlawful for a supplier to

practice price discrimination in the sale of motor fuel.
2228 Dirksen Building

Judiciary
Immigration and Refugee Policy Subcommittee
To hold joint hearings with the House Subcommittee on Immigration, Refugees, and International Law of the Judiciary to examine the administration's policy relative to immigration and refugees.
412 Russell Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:30 p.m.
Armed Services
To meet in closed session to discuss the role of military power in foreign policy objectives and specific foreign policy initiatives of the administration.
212 Russell Building

JULY 31

9:00 am.
*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

10:00 a.m.
Judiciary
Immigration and Refugee Policy Subcommittee
To hold hearings on employer sanctions.
2228 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

AUGUST 24

9:30 a.m.
Select on Ethics
Closed meeting, to discuss committee procedures in its investigation of Senator Williams.
6228 Dirksen Building

SEPTEMBER 10

9:30 a.m.
Judiciary
Constitution Subcommittee
To resume hearings on Senate Joint Resolution 41, proposed constitutional amendment prohibiting the United States or any State from making or enforcing any law which makes distinctions on account of race, color, or national origin.
2228 Dirksen Building

SEPTEMBER 15

9:30 a.m.
Labor and Human Resources
Aging, Family and Human Services Subcommittee
To hold hearings on primary intervention in addressing societal problems.
4232 Dirksen Building

SEPTEMBER 16

9:30 a.m.
*Veterans' Affairs
Business meeting, to mark up S. 5, S. 7, S. 25, S. 26, S. 48, S. 105, S. 248, S. 417, and S. 742, bills providing educational assistance to members of the Armed Forces, and S. 266 and amendment No. 62 of S. 636 (Veterans' Administration Health Care Amendments), measures implementing procedures and guidelines for the interagency sharing of health resources between the Department of Defense and the Veterans' Administration.
412 Russell Building

SEPTEMBER 22

10:00 a.m.
Veterans' Affairs
To hold hearings on fiscal year 1982 legislative recommendations of the American Legion.
318 Russell Building

SEPTEMBER 23

10:00 a.m.
Labor and Human Resources
Investigations and General Oversight Subcommittee
To hold oversight hearings on the activities of the Occupational Safety and Health Administration.
4232 Dirksen Building

SEPTEMBER 24

10:00 a.m.
Labor and Human Resources
Investigations and General Oversight Subcommittee
To continue oversight hearings on the activities of the Occupational Safety and Health Administration.
4232 Dirksen Building

SEPTEMBER 30

9:30 a.m.
*Veterans' Affairs
Business meeting, to mark up S. 349, providing for limited judicial review of the administrative action of the Veterans' Administration, and for reasonable fees to attorneys representing legal counsel for veterans.
412 Russell Building

CANCELLATIONS

JULY 21

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 22

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00 p.m.
Environment and Public Works
Environmental Pollution Subcommittee
To hold hearings on S. 1018, providing for the protection and conservation of fish and wildlife resources.
4200 Dirksen Building

Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 23

9:30 a.m.
Select on Ethics
To continue hearings on matters invovling Senator Williams.
6226 Dirksen Building

10:00 a.m.
Energy and Natural Resources
Energy and Mineral Resources Subcommittee
To hold oversight hearings on the implementation of the Federal coal leasing program.
3110 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 24

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 27

9:30 a.m.
Select on Ethics
To resume hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

SENATE—*Tuesday, July 21, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 9:15 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

The PRESIDENT pro tempore. The morning prayer will be delivered by the Reverend Robert K. Degges, Baptist clergyman of Reisterstown, Md., son of Mr. Randall Degges, floor assistant, Senate Sergeant at Arms.

PRAYER

The Reverend Robert K. Degges, Baptist clergyman, Reisterstown, Md., offered the following prayer:

Let us pray.

Almighty God, both Creator and Redeemer of all, look upon this august body of men and women and grant that they may well execute the stewardship with which Thou and the people of this land have endowed them. As we turn again to waiting tasks, give to all who labor in this Chamber the wisdom, humility, and charity sufficient for the day. Through the confrontation with seemingly overwhelming obstacles, give us the courage to see and do what is right. Keep our hearts and minds attuned to Thy spirit. Let our trust in Thy goodness allay all fear. May our faith withstand the many pressures which surround us. May we indeed, through Thy grace alone, overcome at last.

We pray in His name who said:

Come to me, all who labor and are heavy laden, and I will give you rest. Take my yoke upon you and learn from me; for I am gentle and lowly in heart, and you will find rest for your souls. For my yoke is easy and my burden is light.—Matthew 11: 28–29.

Amen.

RECOGNITION OF THE MAJORITY LEADER

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that following the recognition of the two leaders under the standing order and the three Senators under special orders provided for on yesterday, there be a period for the transaction of routine morning business, to extend not longer than 20 minutes, in which Senators may speak for not more than 5 minutes each.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I inquire of the Chair: After the end of the period for the transaction of routine morning business, what will be the business before the Senate?

The PRESIDENT pro tempore. The Riegle amendment, for 40 minutes.

Mr. BAKER. The Riegle amendment is a first or second degree amendment?

The PRESIDENT pro tempore. There are two Riegle amendments—first and second degree.

Mr. BAKER. Yes; the time agreement is on the second degree amendment, as I understand.

The PRESIDENT pro tempore. The Senator is correct.

Mr. BAKER. Is there a time agreement on the first degree amendment?

The PRESIDENT pro tempore. No; there is no time agreement.

Mr. BAKER. I thank the Chair.

Mr. President, I say to all our colleagues—and I invite the comment, if he wishes to do so, of the minority leader—that during the day, I will complete a listing of known amendments on this side of the aisle. We began that on yesterday. Members are on notice that I will close that list at 10:30 this morning on our side.

I urge Senators who have amendments—that is to say, amendments they intend to offer; I do not mean possible amendments, but amendments they intend to offer—that they make that known to the Republican cloakroom before 10:30 a.m.

I have discussed this matter with the minority leader, and I hope we may be able, at some time today, to meet and to discuss the number of amendments yet to be dealt with before we reach final consideration of the tax measure.

In the meantime, as Senators contact our cloakroom, I hope they will indicate their willingness to accept time limitations on their amendments. I express the further hope that those time agreements they suggest may be as brief as possible.

This is the sixth day of consideration of this measure, and it is clear that there is much work yet to be done. It is equally clear that we must deal with this measure. Every day that goes by imperils the chance that we can complete the work of the Senate on July 31 and adjourn according to the order previously entered.

So, I urge Senators to be sparse and sparing in their requirement for amendments to this measure and to agree to time limitations in every event and as brief as possible.

With that statement, which of course has application primarily to Members on this side, I am prepared to yield to the minority leader for any comments he wishes to make.

Mr. ROBERT C. BYRD. Mr. President, on yesterday I initiated action by the policy committee staff in an endeavor to ascertain what amendments would be called up on this side of the aisle and whether or not the sponsors thereof would be willing to enter into time agreements on such amendments.

That process is proceeding, and I hope that before the day is over we will be able to suggest some amendments and some time limits with respect to those amendments on this side of the aisle.

Mr. BAKER. Mr. President, I thank the minority leader, and it appears, then, that later in the day we will have a much better idea of the work yet before us and how this might be scheduled to the maximum convenience of all Senators in an effort to work the will of the Senate on this measure within a reasonable time.

Mr. President, I have no further requirement of this time, if any time remains under the abbreviated order for the two leaders this morning, and I yield the floor.

RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The minority leader is recognized.

Mr. ROBERT C. BYRD. Mr. President, I yield such time as I may have to Mr. PROXMIRE.

Mr. PROXMIRE. Mr. President, I thank my good friend, the minority leader.

THE SOCIAL SECURITY FUND SHORTFALL

Mr. PROXMIRE. Mr. President, I wish to call attention of the Senate and both leaders to the fact that the social security fund is in difficulty very largely because the money that has been paid into the social security fund by workers and by employers has been so poorly invested. Not many people realize this. But last year the social security fund earned 8.3 percent. The law requires that that fund be invested exclusively in Federal securities.

Private funds invested exclusively in Federal securities earned typically 13.6 percent. That is a difference of $2 billion.

That $2 billion if it had been earned directly, the social security fund would have taken care of 60 percent of the shortfall.

I am not blaming this certainly on this administration. Last year this administration was not in office. This is something that has been going on for years and years. It has been going on because we have a direct explicit conflict of interest. We have the Secretary of the Treasury who has, of course, a vested interest in keeping the cost of servicing the

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● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

national debt low. He is judged in part on how good a debt manager he is, and he sells and the social security fund will buy special issues of the Treasury Department, issues that yield far below the market rate. This is wrong. This is just wrong as it could be.

If any of us had an investment manager who was making 8.3 percent in these days we would fire him. We might even go to court. And if we were a bank that said, "Now look, we have to look out for the interests of the bank, we are paying you a lower return because the bank has an interest in keeping this down," how long would you stand for that? You would not stand for it for a minute.

Social security recipients are being deprived of $2 billion a year. I do not say this on the basis of just the investigations that my staff and I have made. Paul Douglas, the one truly eminent economist who has ever served in this body, president of the American Economic Association, called attention to this years ago. Wilbur Cohen, the former Secretary of Health, Education and Welfare, and a great expert on social security, called attention to this.

Paul Douglas, incidentally, was one of the people who drafted the social security law when it went into effect in the 1930's. He was then a professor at the University of Chicago.

At that time people felt what difference does it make, the social security fund is awash with money, we do not need it.

But these days it makes a difference on a policy issue. The issue is do we or do we not have to reduce the benefits people on social security are going to receive?

Mr. President, I think we have an absolute obligation and duty to see that the social security funds that are lost are restored. If we are going to have integrity in our social security process, we should honor the social security funds and treat them as any other investment funds with the same kind of respect and not with this gross disregard that in effect has deprived the fund of, as I say, $2 billion a year and has done so for a number of years.

Mr. President, I intend to introduce legislation to overcome this problem, and I do hope that Senators on both sides of the aisle will give it very careful consideration because I think it merits consideration.

I expect to bring that forward in the next few months.

KEEPING THE MEMORY

Mr. PROXMIRE. Mr. President, I call attention to a recent article that appeared in the Washington Post titled, "B'nai B'rith Museum: Keeping the Faith." The article notes the opening of an expanded museum in Washington, D.C. to house articles of Jewish culture.

Some of the articles on display are miniature Torahs and menorahs which could be transported easily in times of trouble. Many of these objects survived the holocaust although their owners did not. The musuem, too, has struggled for its existence—surviving a robbery, a siege, and the ransacking of its galleries.

No matter how impressive the facility and no matter how many visitors pass through its doors, no museum can do what we as leaders have the power to do. Museums house relics of the past. We have the power to affect the present and future. We have the power to prevent the events that are destined to be commemorated as parts of museum exhibits. We have the power to save people's lives, and not just to insure the safety of people's objects.

Even this museum with its 5,000 objects serves only as a silent reminder of a culture which was threatened with elimination.

We can do more. We can ratify the Genocide Convention, a treaty which has been before the Senate for over 30 years. Since 1949 we have had the opportunity to act, to join 84 other countries in ratification of the treaty.

Must we wait for something to happen, to be reduced to looking at surviving relics enclosed in a glass case? We have a responsibility to prevent and punish genocide as an international crime. Let us act on our responsibility. Let us ratify the Genocide Treaty.

I thank the minority leader and yield the floor.

Mr. ROBERT C. BYRD. Mr. President, the distinguished Senator is welcome.

The PRESIDING OFFICER (Mr. WARNER). Who seeks recognition?

Mr. PROXMIRE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, at the request of the distinguished Senator from South Carolina (Mr. THURMOND) I ask unanimous consent to vitiate the special order in his favor this morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECOGNITION OF SENATOR NICKLES

The PRESIDING OFFICER. Under the previous order the Senator from Oklahoma (Mr. NICKLES) is recognized for a period not to exceed 15 minutes.

Mr. NICKLES. Thank you, Mr. President.

S. 1505—A BILL TO REPEAL THE DAVIS-BACON ACT

Mr. NICKLES. Mr. President, I wish to offer legislation to relieve the strain on the Federal deficit, cut Federal spending, and reduce the rate of inflation.

Today I am introducing a bill to repeal the Davis-Bacon Act. I am proud and pleased to be joined by other Senators: Mr. THURMOND, Mr. EAST, Mr. GOLDWATER, Mr. GRASSLEY, Mrs. HAWKINS, Mr. HELMS, Mr. HUMPHREY, Mr. MATTINGLY, and Mr. SIMPSON as cosponsors of this legislation.

One of the most devastating indictments of the Davis-Bacon Act to date is a report from the U.S. General Accounting Office to the Congress entitled "The Davis-Bacon Act Should Be Repealed" which was issued in April 1979. The report is a result of almost two decades of oversight by GAO. I heartily encourage my colleagues to review it because it details example after example of wasteful Government spending. GAO concludes that the Davis-Bacon Act is outdated, poorly administered, inflationary, and should be repealed.

The Davis-Bacon Act allows the Secretary of Labor to determine the minimum wage to be paid to various classes of laborers and mechanics working on Federal Government contracts, in excess of $2,000. Minimum wages are defined by the act as those prevailing in the locality of the project for similar occupations on similar construction work.

I find it ludicrous that the Department of Labor in Washington, D.C., is in the business of setting local wage rates for projects all across the United States—wages which in virtually all cases are higher than those dictated by the market. Because of Davis-Bacon and 77 other statutes that mandate prevailing wages it is the taxpayer who ultimately suffers. At a time when we must cut Federal spending, I suggest we repeal the inflationary and wasteful Davis-Bacon Act. Not one job will be lost, not one project will be canceled, in fact, the unemployed would benefit because more jobs and more projects would be created with the same amount of tax dollars.

When the act was passed in 1931, the U.S. economy was sliding into the Great Depression. Employment in the construction industry had declined. Competition for contracts and for jobs was great, especially for Government construction. There were no minimum wage laws and no unemployment compensation programs or other laws to protect the wages of workers, such as we have today.

The act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure and displacing many local people.

Mr. President, this law has far outlived its original purpose. Changes in the economic conditions and in the economic character of the construction industry make the law obsolete and unnecessary. Since its enactment Congress has passed a number of other laws to protect the wages of construction workers, including laws requiring that minimum and overtime rates be paid and laws prohibiting contractors from requesting kickbacks of wages.

The act has been and continues to be impractical to administer. After nearly 50 years of administering the act, GAO's survey indicates the Department of Labor has not adequately and accurately determined wage rates based on local prevailing rates. They have yet to develop an effective system of planning, controlling, or managing the data collection.

There have been many abuses regarding the determination of wages. First of all, the 30-percent rule, which was not in the original act, but, rather, was instituted administratively in 1935 by a former Secretary of Labor, has come under much scrutiny. The rule states that the prevailing wage can be determined by taking an estimate of wages paid to as few as 30 percent of construction workers in an area. Second, many of these prevailing wages are based on union-negotiated rates and are often determined from a city 100 miles or more away. There are adverse economic consequences created by setting artificial wage rates for an area that does not reflect wages actually paid.

Another administrative problem for the Department of Labor is the requirement for the submission of weekly payrolls by construction contractors. This requirement falls under the jurisdiction of the Copeland Anti-Kickback Act, enacted in 1934, which was passed to help enforce the Davis-Bacon Act. Its original purpose was a depression measure to protect the wage of workers. It is not needed today because of the fact that few violations of the act have ever been disclosed as a result of departmental reviews and verification of salary matters. In fact, hearings held in October 1979 on "Reducing Paperwork in the Administration of Construction Contract Provisions of Law Relating to Wage Rates" revealed that most of these reports are simply filed and never even looked at. Millions of dollars a year are spent for filling out a form that nobody uses. The cost is exorbitant to contractors and, worse still, this cost is necessarily passed on to the Government in the form of higher bids and further passed on to the taxpayer in this country.

These weekly payroll reports inundate the Federal agencies with paperwork. Reducing paperwork in the administration of certain construction contract provisions of law relating to wage rates would eliminate 2½ million submissions containing perhaps 10 sub-submissions, each submitted in duplicate and triplicate. A total of 50 to 100 million pages of forms could be eliminated each year.

The Davis-Bacon Act is inflationary on the local and national economy. It has resulted in Federal and federally assisted construction costing more than other contracts. This is due to those prevailing wages paid to construction employees that are often incorrect. GAO's 1979 report states that the unnecessary cost to the American taxpayer is approximately $715 million a year, an increase of 5 to 15 percent over similar private sector. In addition to the direct cost of Davis-Bacon, the GAO report estimated total public and private added administrative costs at $215 million a year.

The act not only affects Federal projects but also has a "spillover" inflationary impact on local construction wages paid on private work. In the tough competition for skilled craftsmen, contractors on private work must pay wages that are competitive with inflated Davis-Bacon wages. It is very difficult for contractors to return to the truly local prevailing wages on private projects in his area once he pays the same men higher Davis-Bacon prevailing wages for identical work on a public project. The result is less competition in terms of both the quality and costs of federally sponsored projects. Many contractors simply just refuse to bid.

The private sector cost on local construction wages paid on private work is estimated by the Economic Policy Center of the U.S. Chamber of Commerce at $1.8 billion a year; on new home building alone, at $470 million annually. The total Davis-Bacon inflationary annual price tax is approaching $2.7 billion.

A report issued in February of this year by the Congressional Budget Office stated that the repeal of Davis-Bacon might result in cumulative outlay savings of $776 million by 1986 in just the three largest Federal construction grants, and ground transportation construction.

Hearings held in July 1979 revealed that military construction projects had a backlog of $35 billion because of high construction costs and lack of funds. Repeal of the Davis-Bacon Act could result in a savings of $2 billion and encourage more contractors to compete for military contracts.

Our Nation's housing and community development programs have been drastically curtailed because of these inflated costs.

The Labor Department has already admitted that the Davis-Bacon adds $50 million a year to the cost of public housing. Because the effect of Davis-Bacon is to reduce the amount of construction available for each Federal dollar spent, the act has slowed the building of such needed items as pollution control projects, the strategic petroleum reserve, and housing on Indian reservations.

It is ironic that inflated wage costs have had the most adverse effect on the local contractors and their workers—the groups the act was intended to protect. Higher rates have discouraged contractors from bidding. A good example of this is Indian housing. The direct result of Davis-Bacon has been discrimination against the local hiring of Indians because few have had the opportunity to gain a marketable skill on their reservation, to the degree that it is feasible for a contractor to hire these workers at Davis-Bacon rates.

The act bars local unemployed Indians from working on their own housing projects until the Department of Labor makes a concerted effort to develop an Indian apprenticeship and training program that works on Indian reservations. Currently, reservation Davis-Bacon rates are prohibitively high. The rate is established for the nearest metropolitan area and increased by an amount sufficient to transport a worker from the metropolitan area to the reservation and back each work day. Under the HUD Indian public housing program most of the house construction is on detached, if not scattered, single family units in isolated rural areas. No other federally assisted housing program of a similar nature is subject to Davis-Bacon.

The Davis-Bacon Act has had an extremely negative impact on minority contractors, minority home buyers, and minority communities. The prevailing wage rates freeze small and minority firms out of bidding on Federal construction. In the area of housing, If Davis-Bacon were not in effect, it would be possible to build or renovate, in minority communities, more housing units with the same amount of money presently spent. In the area of unemployment, which plagues minority communities at a menacing rate, the job picture would brighten for young minority persons as contractors would be encouraged to hire them as laborers and helpers, affording them the opportunity to break into the construction labor force.

Here in our Nation's Capital, the inflationary Davis-Bacon wages have contributed to the high costs of the construction of the Washington Regional Rapid Transit System (Metro). GAO determined, in their October 1980 report that setting prevailing wages for Metro construction, as required by the Davis-Bacon Act, may increase the construction costs by about 6.8 percent. The Transit Authority's initial cost estimate for building the 100-mile rail system was $2.5 billion in 1969. The authority's latest estimate may be projected as high as a $10 to $12 billion range over the next 20 years. It is estimated that, as a result of labor establishing wages at higher rates than those actually prevailing in the area of Metro projects, Metro construction costs could be increased by a range of $272 to $408 million. The magnitude of these increased construction costs resulting from the Davis-Bacon wage determinations is astonishing and further enhances the need for a repeal of the act.

Individual States—currently there are 38—have experienced the inflationary impact of having "little Davis-Bacon Acts" on their books. However, five States have recently repealed the act, four more are in the process of repeal, and legislatures in six States have introduced measures to modify prevailing wage payment statutes covering public works projects. Hopefully, this trend for repeal will continue throughout the States.

Since the issuance of the GAO study in 1979, other associations and the Department of Labor, itself, have conducted studies and offered suggestions regarding Davis-Bacon. The American Bar As-

sociation has recommended that the 30-percent rule be eliminated, and that State and local governments receiving Federal assistance should determine their own wages.

In support of a Davis-Bacon reform package, is a 19-page study by the Carter administration interagency task force. The report advocated administrative reform to "minimize unwarranted inflationary pressures." The study cited several changes to improve the act, one being the elimination of the 30-percent rule. Improvement in job classifications and a reduction of weekly payroll reporting were also suggested. The study concluded that administrative changes in the way the Department of Labor manages its laws could reduce Federal expenditures by $1.9 billion and drop inflation 0.3 percent.

Mr. President, the Davis-Bacon Act is a Federal giveaway that forces State and local governments to spend more for affected contribution projects, thereby placing an additional tax burden on local citizens. Its present long-term impact on stabilizing local wage structure is minimal, or even negative. Its inflationary impact is significant. The Labor Department record has proven the act is difficult, if not impossible, to administer and almost equally difficult to comply with. Only the repeal of the Davis-Bacon Act will return the determination of labor costs on federally funded construction projects to the efficiencies of the freely competitive marketplace.

I invite your support of this bill to repeal an archaic Federal law that makes Government an accomplice in cost and price excesses in the construction industry.

Mr. President, there are many reasons why this bill should be repealed. As stated before, it is wasteful and there have been countless Government studies to support that fact. A GAO study in 1979 stated that by repeal we could save $715 million a year, which were savings of 5 to 50 percent over contracts that did not have Davis-Bacon provisions.

In 1979 when the number of contracts, the dollar volume of contracts, was considerably less and also administrative costs were less, they estimated that by the repeal of the act we could save $215 million a year, that just by repeal of the administrative costs and the requirements for contractors to fill out weekly payroll forms.

OMB has stated we should make significant changes. The Comptroller General stated, and I will just quote a paragraph from the report of the Comptroller General of the United States dated April 1979:

This is our report to the Congress, "The Davis-Bacon Act Should Be Repealed."

We are recommending that the Congress repeal the Davis-Bacon Act because (1) there have been significant changes in the economy since 1931 which we believe make continuation of the act unnecessary, (2) after nearly 50 years, the Department of Labor has yet to develop an effective program to issue and maintain accurate wage determinations, and it may be impractical to ever do so, and (3) the act is inflationary, and results in unnecessary construction and administrative costs of several hundred million dollars annually.

Mr. President, another aspect and another good reason this outdated law should be repealed is because of the social implications. In the Labor Subcommittee, which I headed, we had testimony from individuals, one individual being the Commissioner of the Chicago Housing Authority, who stated that because of Davis-Bacon he was not able to maintain the units under the jurisdiction of the Chicago Housing Authority, to keep them up to date.

There are presently 140,000 people living in the Chicago housing units, but a lot of the living conditions were such, Mr. President, that they would appall you and me both. Yet they were not able to maintain the units, paint the walls; they were not able to clean the restrooms, they were not able to provide the ordinary, routine type maintenance facilities in Chicago because of Davis-Bacon. Why? Because Davis-Bacon provided the lowest level of wages allowed would have been under their wage classification, $11.50 an hour. They did not have enough money at $11.50 an hour to maintain those units.

I asked them what they could get. I asked, "You have a high level of unemployment?" They said, "Yes, we have 90-percent unemployment in Chicago housing." I said, "Can't you employ these people, have them paint the walls, have them wash the windows?" He said, "No, we cannot because of Davis-Bacon." He could employ any number of people for $5 or $6 or $7 or $8 or $9, $10 an hour and save millions of dollars if we repealed Davis-Bacon.

Mr. President, there are a lot of things that need to be done, and I compliment the Reagan administration for their proposed changes and for their reforms. I think what they have done are definitely steps in the right direction. We need to reform this act.

But, Mr. President, reform is not enough. We need to repeal this act. There is no way in the world that the U.S. Government, the Department of Labor in Washington, D.C., can possibly come up with enough wage determinations as to what the wages should be in Federal projects, construction projects, maintenance projects, all across the country for any project in excess of $2,000.

The marketplace is the only efficient, the only proven mechanism to be able to determine the supply and demand of labor. Every time we have the Federal Government trying to regulate, control, and manipulate our precious resources—and, Mr. President, we do not have a resource that is any more precious than the labor of our fellow men and women in our country—then we are in for serious trouble.

The marketplace has worked efficiently and effectively.

That law is outdated. It does protect a very small group of employees. At the Chicago Housing Authority, to which I referred earlier, there are 3,000 employees who benefit from Davis-Bacon at the expense of over 140,000 tenants, not to mention the people of this country, when they look at our public housing and see what kind of shape it is in, and have the embarrassment coming from it.

We can make a substantial change not only in savings in the public housing administration all across the country of millions of dollars but in helping those people, allowing the black unemployed youths to be able to go work and not have a law that would prevent them from entering the marketplace.

Mr. President, we have Indian housing where the Federal Government goes in and finances and builds houses for unemployed Indians all across the country. Yet those Indians in many cases are not allowed to work on the construction project. Why? Because of Davis-Bacon requirements.

We have military projects, Mr. President—I know you are aware of them—and in today's climate to stretch our dollars and get the most and the maximum availability that we possibly can out of our military budget as well as the rest of our budget, we find ourselves with the Federal Government coming in and saying, "Yes, we will pay," and possibly drive the costs of those projects 5 to 10 percent higher than what they would have to be. Why? Because of Davis-Bacon.

I think it is crucial, I think it is vital, at a time when we are making economic moves, when we are trying to limit the growth of spending, when, of necessity, we have to cut Federal spending in order to balance the budget, when we need to look at every area we possibly can to eliminate waste, fraud, and abuse, there is not a better way to start than by repealing Davis-Bacon.

Mr. President, I ask unanimous consent to have printed in the RECORD the bill which I am introducing, together with the report dated April 1979 of the Comptroller General of the United States.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 1505

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of March 3, 1931, entitled "An Act relating to the rate of wages for laborers and mechanics employed on public buildings of the United States and the District of Columbia by contractors and subcontractors, and for other purposes" (40 U.S.C. 276a–276a–5), is repealed.

SEC. 2. Any provision of law requiring the payment of wages at prevailing rates determined by reference to determinations of the Secretary of Labor under the Act of March 3, 1931, shall cease to be effective on the effective date of this Act.

SEC. 3. This Act shall take effect upon enactment except that nothing in this Act shall be construed to impair or otherwise

affect rights and duties under contracts entered into prior to such date.

COMPTROLLER GENERAL
OF THE UNITED STATES,
Washington, D.C., April 1979.

To the President of the Senate and the Speaker of the House of Representatives:

This is our report to the Congress, "The Davis-Bacon Act Should Be Repealed."

We are recommending that the Congress repeal the Davis-Bacon Act because (1) there have been significant changes in the economy since 1931 which we believe make continuation of the act unnecessary, (2) after nearly 50 years, the Department of Labor has yet to develop an effective program to issue and maintain accurate wage determinations, and it may be impractical to ever do so, and (3) the act is inflationary, and results in unnecessary construction and administrative costs of several hundred million dollars annually.

We are sending copies of this report to the Secretaries of Labor; Commerce; Defense; Health, Education, and Welfare; Housing and Urban Development; Transportation; and the Treasury; the Administrator, Environmental Protection Agency; the Postmaster General; and the Director, Office of Management and Budget.

ELMER B. STAATS,
Comptroller General
of the United States.

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS: DIGEST

The Davis-Bacon Act is no longer needed. Other wage legislation and changes in economic conditions and in the construction industry since the law was passed make the law obsolete; and, the law is inflationary. GAO believes it should be repealed.

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings or works in excess of $2,000 to which the United States is a party—or, under 77 related laws, in which the United States shares the financing—state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages (including fringe benefits) are those determined by the Secretary of Labor to be prevailing for the laborers and mechanics employed on projects of a similar character in the area in which the work is to be performed.

The act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure.

GAO believes that the Davis-Bacon Act should be repealed for the following reasons.

SIGNIFICANT CHANGES IN ECONOMIC CONDITIONS AND WORKER PROTECTION LAWS SINCE THE 1930S

When the act was passed in 1931, the United States was rapidly sliding into the great depression. Construction, which was about $10.8 billion in 1929, fell to $2.9 billion by 1933, and most of that was Government financed.

During the same period, employment in the construction industry declined from 1.5 million in 1929 to about 800,000 in 1933. Competition for contracts and for jobs was great—especially for Government construction. There were no minimum wage laws and no unemployment compensation programs or other laws to protect the wages of workers.

Since the act was passed, the Congress has enacted a number of other laws to protect the wages of construction workers, including laws requiring that minimum and overtime rates be paid and laws prohibiting contractors from requesting kickbacks of wages. (See ch. 3.)

In 1977 about $172.5 billion was spent on new public and private construction projects. About 78.1 percent ($134.7 billion) was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act. The remaining $37.8 billion was for direct Federal or federally assisted construction spent by State and local agencies and involved an estimated 600,000 prime and subcontracts and an estimated 22 percent of the Nation's 3.8 million construction workers. (See ch. 1.)

THE ACT HAS BEEN AND CONTINUES TO BE IMPRACTICAL TO ADMINISTER

After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. GAO's review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in Labor's attempt to develop and issue wage rates based on prevailing rates.

Evaluation of the wage determination files and inquiries regarding 73 wage determinations at five regions and headquarters showed that, in many instances, wage rates were not adequately or accurately determined.

About one-half of the area and project determinations reviewed were not based on surveys of wages paid to workers in the locality, but on union-negotiated rates.

When surveys were made, the data collection and compilation practices were varied and inconsistent within and among regions, and at the headquarters level. There were also problems in identifying similar projects and collecting data from contractors on a voluntary basis.

Further, Labor deleted, added, and changed the wage data received without adequate reason or rationale. As a result, many of the worker classifications and rates issued did not represent the prevailing wages paid in the locality.

In GAO's opinion, Labor's procedures for developing and issuing wage rate determinations provide no assurance that the rates stipulated actually prevail for corresponding classes of workers on similar private construction projects in the locality. (See ch. 4.)

INCORRECT RATES ARE INFLATIONARY ON THE LOCAL AND NATIONAL ECONOMY

GAO's review of 30 Federal or federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 12 determinations where Labor's rates were higher, wage costs paid on the projects averaged 37 percent more than the comparable wage costs at rates prevailing in the localities. The higher wage costs ranged from a low of 5 percent to a high of 123 percent. As a result, Federal construction costs may have been inflated by an average of 3.4 percent. The increases ranged from 1 to nearly 9 percent. (See ch. 5.)

While GAO's selection of the 30 projects was made on a random sample basis, the sample size was insufficient for projecting the results to all Federal or federally assisted construction costs during the year with statistical validity. However, even in the absence of statistical certainty, the random nature of GAO's sample leads it to believe that, if these projects are representative (and GAO has no reason to believe they are not), the act results in unnecessary construction costs of several hundred million dollars annually. (See pp. 77 and 78.)

The inflated wage costs may have had the most adverse effect on the local contractors and their workers—those the act was intended to protect—by promoting the use of nonlocal contractors on Federal projects. Nonlocal contractors worked on the majority of these projects, indicating that the higher rates may have discouraged local contractors from bidding.

In the 18 projects where Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts. They generally paid workers the prevailing rates in the community—higher rates than those stipulated by Labor. Thus, the act's intent—to maintain the local prevailing wage structure—is carried out only when the administration of the act has no effect.

In addition, the act and a related weekly payroll reporting requirement of the Copeland Anti-Kickback Act result in unnecessary contractor costs—which are passed on to the Government—estimated at almost $191.6 million for 1976 and $189.1 million for 1977. In addition, estimated unnecessary costs of $10.9 million in 1976 and $12.4 million in 1977 were incurred by Federal agencies to attempt to administer and enforce the act. (See ch. 6.)

The excessive wage determinations have an inflationary effect on areas covered and, because of the large volume of covered construction (about $37.8 billion in 1977), on the construction industry and the national economy as a whole.

CONCLUSION

GAO believes that Davis-Bacon Act wage determinations could be eliminated with the same success achieved by eliminating wage determinations for workers on Federal contracts for supplies and materials under the Walsh-Healey Public Contracts Act. For the past 14 years Labor has issued no determinations under that act for the largest segment of Federal contractor employees, and apparently no adverse effect on wage rates of the workers involved has been evident. (See pp. 25 to 27.)

GAO believes that the significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. Moreover, the legislative intent—not to disturb local wage standards—is often not met; it is met only when Labor's wage determinations are lower than the wages prevailing in the project area.

RECOMMENDATIONS TO THE CONGRESS

The Congress should repeal the Davis-Bacon Act. GAO also recommends that the Congress rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act.

In addition, the Congress should repeal the provisions in 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees be not lower than those determined by the Secretary of Labor to prevail in the locality, in accordance with the Davis-Bacon Act.

AGENCY COMMENTS

Officials of the Office of Management and Budget disagreed with GAO's recommendations and said that problems in implementing the Davis-Bacon Act could be resolved through administrative action including, where appropriate, modification of Labor's implementing regulations.

GAO disagrees. It believes the problems and inadequacies it has identified—over almost

20 years of reviews—cannot be corrected or improved significantly by any administrative action, regulation modification, or application of additional resources to program administration. (See p. 13.)

Labor officials also disagreed with GAO's recommendations, and in many cases they questioned GAO's findings and conclusions. The Secretary of Labor stated that he was satisfied that, on balance, the Davis-Bacon Act was being competently and effectively administered.

GAO believes that Labor was less than objective in its comments. GAO's analysis showed that Labor's comments for the most part were misleading, inaccurate, taken out of context, unsupported, and often did not reflect the information in its files.

As a result of Labor's voluminous comments, GAO had to make an extraordinary effort to review and evaluate Labor's comments and claims. GAO believes that its findings are accurate and representative of Labor's administration of the Davis-Bacon Act. GAO believes also that, in administering the act, Labor has been consistently inconsistent.

Indeed, in GAO's opinion, its analysis of Labor's largely unsupported comments further supports GAO's view that the act is not susceptible to practical and effective administration. Therefore, the results of GAO's analysis are included in the report in some detail. (See the end of chs. 3, 4, 5, and 6 and apps. IV through XII.)

Mr. NICKLES. Mr. President, I look forward to working with my colleagues in order to substantially change the law and allowing the marketplace to work and helping the working men and women and taxpayers of this country.

I thank the Chair.

The PRESIDING OFFICER. Who seeks recognition?

RECOGNITION OF SENATOR KENNEDY

The PRESIDING OFFICER. Under the previous order, the Senator from Massachusetts (Mr. KENNEDY) is recognized for a period of time not to exceed 15 minutes.

MILITARY ESCALATION IN EL SALVADOR

Mr. KENNEDY. Mr. President, earlier this month the world was once more shocked by the brutality that daily characterizes the conflict in El Salvador. In Chalatenango Province near the Honduran border, awash with refugees and the scene of many of the most violent outbreaks in the current civil war, 28 peasants were murdered, their bodies marred and many mutilated, and all dumped beneath a local bridge some time after midnight on July 7.

While the Salvadoran Armed Forces officially "lament such a horrendous crime," the archbishop of San Salvador, other prominent Salvadorans, and the peasants themselves in Chalatenango have pointed to these same forces as being responsible for this latest atrocity. Despite the army's denial of complicity, the mass burial of these bodies by the armed forces occurred in secret, without notifying the authorities responsible for issuing burial permits.

Repeating instances of brutality and terrorism, and the helplessness of those who are caught between the warring factions and appealing for peace, are saddening enough. But what is even more disturbing is that in the wake of this repression and violence, the Reagan administration appears to be preparing to further increase U.S. military assistance to the ruling junta, and to send even more U.S. military advisers to replace those whose tours of duty are ending in El Salvador.

Nothing is more inappropriate, Mr. President, than for the Reagan administration to consider further military assistance at the same time as those who receive this military assistance, the security forces, are escalating their attacks on the civilian population.

Instead of increasing our military aid, we should heed the pleas of the archbishop of San Salvador and both the Catholic and Protestant leadership of our Nation against any further military assistance to El Salvador. On April 10, the archbishop wrote to me to ask:

> That military aid to my country will cease and that support is given to a process of dialogue that will bring about a just and peaceful solution to the present conflict and violence.

It is not too late to listen and act on the archbishop's words, and I call upon the Senate and Congress to do so.

We must end our military aid and we must pursue a political solution to a tragic conflict in this land which has seen too many deaths and too much violence.

We must seek a settlement, not a prolonged or wider war. The Reagan administration should end its obstinate refusal to seek a political solution through international mediation—for example, through Mexico and Venezuela which have important ties with the opposing sides of the conflict.

Through mediation, we can hope to reach an agreement acceptable to political moderates of the left and the right in El Salvador. We can hope to create the necessary basis for the people of El Salvador to decide their future freely and without outside interference.

Mr. President, I call upon the administration to end its policy of military escalation and to begin a policy of political mediation. I call upon the administration to press for a negotiated political solution to the conflict in El Salvador. And I believe that if the administration is not prepared to alter its policy, then the Congress should mandate policies which will achieve a political solution so vital to our national interest and to the interests of El Salvador and all nations in this hemisphere.

Last July 12, Archbishop Arturo Rivera y Damas delivered a homily which deplored the government's violence, and renewed his call for both sides of the conflict to achieve "the peace for which this country is so anxious." The Archbishop pointed out that several weeks before, the Salvadoran Army had raided and forcibly removed the priest and nuns of the church and convent in Chalatenango—the same province in which Ita Ford and Maura Clarke, two of the four American missionaries brutally murdered last December, served the people of El Salvador.

Six months after the tragic murders of these four American missionaries and then two American labor representatives, six members of Salvadoran security forces were arrested under suspicion of involvement. But new and incriminating facts in the nuns' case—including intercepted radio transmissions between security force units the night of their slayings—suggest far wider and officially sanctioned complicity in the deaths of these religious workers.

The Government of El Salvador has yet to bring to trial, let alone to justice, a single one of the killers of these six Americans. It has yet to apprehend, let alone to prosecute, a single one of the killers of the 28 Salvadorans executed on July 7. Yet the Reagan administration chooses not only to continue U.S. military aid to this government, but to actively consider increasing this aid despite the gross injustices which persist in El Salvador.

The administration announced last week—in a speech by Assistant Secretary of State Enders before the Washington World Affairs Council—the beginning of a new sales promotion of its Salvador policy. Secretary Enders sought to convince his listeners that the policy stands on two feet, political as well as military. But the administration's approach fails, as it did before, to offer means to achieve the mutual confidence among Salvadoran factions necessary for representative political negotiations which can end the violence. The Reagan administration still rejects a cease-fire and international mediation to assure that neither side will gain an unfair advantage during the negotation process.

It is essential that the United States require discipline on the part of the government forces it supports, and not rush ahead with a military response to a political crisis. Further aid requested by the government forces in El Salvador is reported to include troop-carrying helicopters, fighter bombers, observation aircraft, and transport planes. If approved, such a sale would undermine further what military discipline remains, by providing an air arsenal on a scale unprecedented in Central America.

This military escalation would occur in the face of a resolution adopted by the United Nations Commission on Human Rights on March 11, 1981. The resolution calls "upon governments to refrain from the supply of arms and other military assistance in the current circumstances," and deplores "the murders, abductions, disappearances, terrorist acts and all grave violations of human rights and fundamental freedoms in El Salvador."

Further U.S. military aid would defy the May 6 appeal from Amnesty International to Secretary of State Haig, asking the United States not to "provide the current Salvadoran junta with military assistance which would be used to perpetrate such gross human rights violations" in El Salvador. It would disregard the opposition of Archbishop

Rivera y Damas to military assistance. It would ignore the warning of the former U.S. Ambassador, Robert E. White, that this would threaten the virtual elimination of the already weakened civilian component of the ruling junta from any role in decisionmaking.

The United States must encourage civilian rule and the process of peaceful change. We must encourage land reform efforts and the work of free trade unions to achieve social and economic justice and to secure a democratic government and human rights for the people of El Salvador.

Mr. President, I think all of us support the efforts to intercept and interdict military supplies that are coming from actual or potential adversaries of the United States. Those steps have been effective. The Secretary of State has made a number of announcements that these interdictions have been effective through Nicaragua and other countries in Central America.

All of us support the deescalation of violence, and I support the halting of military supplies from Eastern European countries and from Cuba. What we are talking about is the deescalation of military activity and outside military supplies on the one hand, while we continue to support military solutions on the other.

I think what is called for at this time is a halting of the military assistance so that we can see the political process move forward. As I mentioned earlier, the countries in the area have offered their good offices for meditation, to try and see a peaceful resolution to this tragedy, and yet those efforts I do not believe have received the full support of this administration.

We are missing an important opportunity. By missing this opportunity and by stressing the military solution, we are going to see the continued escalation of violence which has brought death and destruction to thousands of innocent people in that country.

Administration plans for renewed military assistance are diametrically opposed to the efforts and wishes of our democratic allies who continue to call for mediation and a political solution as the only answer to the conflict. President Reagan's initial military assistance package was based on the conclusions of a "white paper" viewed skeptically by many close to the volatile situation in El Salvador and sharply criticized by several leading national journals. The administration's justifications for further military aid only serve to compound their disregard for political alternatives to military escalation. While no one doubts that arms flow to the guerrillas, no one close to the current conflict in El Salvador believes that halting those arms flows or matching them many times over will end the conflict.

We all oppose the foreign shipment of arms into El Salvador from countries that are the actual or potential adversaries of our own. But we must not let their transgressions tempt us into an escalating military commitment without conditions.

Mr. President, I welcome the efforts of church and political leaders both here and abroad to bring about a political alternative to senseless military escalation in El Salvador—an effort that I and other Senators present with me today have joined, with legislation providing for an end to military escalation and the pursuit of a mediated solution to the conflict. I now ask unanimous consent that the United Nations call for an end to military escalation mentioned earlier, and the Amnesty International release of its letter to Secretary of State Haig, be inserted at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMNESTY NTERNATIONAL APPEALS TO SECRETARY OF STATE HAIG, CITES MURDER AND TORTURE BY EL SALVADOR TROOPS

Amnesty .nternational today (Wednesday, June 10, 1981) disclosed it had urged Secretary of State Alexander Haig to take steps to ensure that the U.S. did not give El Salvador's government military aid that would be used for murder, torture and other abuses.

In a letter sent to Mr. Haig on May 6, 1981, the international human rights movement said there was conclusive evidence of "a consistent pattern of killing by the security forces of peasants, young people and other victims who had no part in guerrilla activity."

It called on the U.S. government to review the effects of its aid on human rights in El Salvador and to make public its findings.

Amnesty International said today it had received a reply from the State Department disagreeing with its conclusions but expressing willingness to discuss the situation in El Salvador.

The organization's letter to Mr. Haig cited case after case of abduction, murder and torture by troops and police of non-violent opponents, human rights workers, priests, teachers, students, journalists, medical workers and others. It pointed to mass killings, including the shooting down of hundreds of refugees, most of them women and children, as they tried to cross into Honduras in May 1980.

The letter noted that there was fighting between guerrillas and government forces, and that there had also been reports of human rights violations by anti-government groups. "However," it added, "analysis of all available data suggests that the majority of the reported violations, including torture, 'disappearance' and deliberate cold-blooded killings, have been carried out by the security forces, and have been directed against people not involved in guerrilla activities."

Amnesty International pointed out that the murders of three American nuns and a lay worker in December 1980—still under investigation in El Salvador—"were grimly typical of many thousands attributed to 'right-wing death squads'." It pointed to plentiful evidence, including official U.S. reports, implicating troops and police in this and other crimes attributed to such groups. Salvadoran President Jose Napoleon Duarte had said in a radio interview in February 1981 that his security forces were not prepared to control such groups as they supported government goals and policies, the letter said.

The organization said it shared international concern over the effects of military aid to El Salvador, and noted that the United Nations General Assembly had called on all governments last December to refrain from giving such aid.

Amnesty International recalled that it had urged the Carter Administration last year to re-examine its policy on aid to El Salvador, and that Deputy Secretary of State Warren Christopher had replied that the U.S. would not continue any assistance which it believes was being used for repressive purposes. The letter noted that both President Reagan and Mr. Haig had said it was still U.S. policy to try to protect human rights in the area. The organization welcomed that commitment, but said it was still receiving reports of abduction, torture and murder.

It appealed to the U.S. Government "not to provide the current Salvadorian junta with military assistance which would be used to perpetrate such gross human rights violations," and to make public any evidence that U.S. aid was not being used in that way, as well as the nature of the measures it was taking to prevent such use.

Replying for the State Department, Deputy Secretary William P. Clark, Jr., said he disagreed with Amnesty International's views on El Salvador, but he expressed willingness to discuss the situation in more detail.

The organization said today it welcomed the invitation for discussions.

32 (XXXVII). *Question of the violation of human rights and fundamental freedoms in any part of the world, with particular reference to colonial and other dependent countries and territories.* [72]

THE COMMISSION ON HUMAN RIGHTS

Guided by the principles embodied in the Charter of the United Nations and the Universal Declaration of Human Rights,

Conscious of its responsibility to promote and encourage respect for human rights and fundamental freedoms for all,

Noting that all Member States have an obligation to promote and protect human rights and to carry out responsibilities they have undertaken under various international human rights instruments,

Recalling that in its resolution 35/192 of 15 December 1980, the General Assembly stated its deep concern about the serious violations of human rights and fundamental freedoms in El Salvador and requested the Commission on Human Rights to examine, at its thirty-seventh session, the situation of human rights in that country,

Deeply disturbed by the continuing reports about murders, abductions, disappearances, terrorist acts and all grave violations of human rights and fundamental freedoms in El Salvador,

Deeply alarmed by the armed clashes in El Salvador and by the climate of violence and insecurity prevailing in the country,

Mindful of the rules of international law, as contained in article 3 to the Geneva Convention of 12 August 1949, which are applicable to armed conflicts not of an international character and which requires the parties to the conflict to apply a minimum standard of protection of human rights and of humane treatment,

1. Expresses its deep concern at the grave violations of human rights and fundamental freedoms in El Salvador;

2. Deplores the murders, abductions, disappearances, terrorist acts and all grave violations of human rights and fundamental freedoms reported in El Salvador;

3. Calls upon all parties to bring about a peaceful settlement and to seek an end to acts of violence in order to end the loss of lives and the suffering of the people of El Salvador;

4. Recalls that in its resolution 35/192 of 15 December 1980 the General Assembly calls upon Governments to refrain from the supply of arms and other military assistance in the current circumstances;

5. Urges the Government of El Salvador to take the necessary steps to ensure full respect for human rights and fundamental freedoms in the country;

[72] Adopted at the 1638th meeting, on 11 March 1981, by 29 votes to 1, with 11 absentions. See chap. XI.

6. Emphasizes that the people of El Salvador have the right, as soon as appropriate conditions have been established, to establish a democratically elected Government, in an atmosphere free from intimidation and terror, and to determine their own political, economic and social future, free from outside interference;

7. Requests its Chairman to appoint, after consultations within the Bureau, a Special Representative of the Commission whose mandate will be:

(a) To investigate the reports about murders, abductions, disappearances, terrorist acts and all grave violations of human rights and fundamental freedoms which have taken place in El Salvador, based on information from all relevant sources;

(b) To make recommendations as to what steps the Commission could take to help to secure the enjoyment of human rights and fundamental freedoms, including economic, social and cultural rights;

(c) To report on his findings to the Commission on Human Rights at its thirty-eighth session;

8. Requests the Secretary-General to give all necessary assistance to the Special Representative of the Commission;

9. Invites the Government of El Salvador as well as all other parties concerned to extend their co-operation to the Special Representative of the Commission;

10. Requests the Special Representative of the Commission to submit an interim report to the General Assembly at its thirty-sixth session;

11. Decides to continue the examination of the situation of human rights in El Salvador with high priority at its thirty-eighth session.

Mr. KENNEDY. Mr. President, I now yield to the Senator from Rhode Island.

Mr. PELL. Mr. President, I wish to join my colleagues in expressing deep concern over the brutal murder of at least 27 peasants at the Metayate Bridge in El Salvador's Chalatenango Province. According to El Salvador's Acting Archbishop, Msgr. Rivera y Damas, these peasants were killed by government security forces. Msgr. Rivera y Damas also charged that recently 70 other civilians had been taken from their homes and tortured and killed. In addition, another priest condemned the Salvadoran Army for the rough manner in which an inspection was made of church facilities in Chalatenango. This along with other recent harassment by the military have led the Acting Archbishop to openly complain about the increasing difficulty in conducting church work.

These are but the latest indications that the level of violence perpetrated by El Salvadoran Government's security forces against the civilian population has not been contained much less reduced. In that regard, the Metayate massacre and other recent incidents belie the view that the Government of El Salvador is making much progress in bringing its security forces under control.

Bringing those forces under control is absolutely essential if the Duarte government is to succeed in putting down the Communist-supported insurgency. For every time that government forces are involved in acts of violence against Salvadoran civilians, it is the Communists who benefit. As we learned too painfully in Vietnam, no amount of American arms or military advisors will have any lasting effect if the government we are supporting is losing the battle for the hearts and minds of its own people.

Assistant Secretary Enders last Thursday emphasized the need for a political solution in El Salvador but it was couched in terms of the necessity for maintaining a level of military assistance. Although Secretary Enders made reference to the problem of controlling security force violence, I would underline that the Salvadoran Government must do more than it is now doing to rein in its security forces. In this connection, the United States should exercise the leverage it has, through the sizable military and economic aid programs that we have been asked to fund, in order to insist that the atrocities committed by the security forces be brought to an end.

The Salvadorans must be made to understand that these atrocities against innocent peasants only serve to alienate the population and increase the ranks of the opposition forces. As the people learn that their enemy is the army, the ranks of the guerrilla forces will swell in greater numbers than if they were recruited by opposition leaders. The government has to be made aware that these incidents prove counterproductive to their efforts to gain the support of the populace.

This administration has gone pretty far down the line with the Salvadoran Government. New requests for assistance should only be considered in the context of the performance of the Government of El Salvador in doing what it should have been doing to help restore peace. Strong gestures from the United States would go far in giving the Salvadoran Government the necessary resolve to assert itself over perhaps its worst enemy—the rightist security forces.

Mr. President, I commend and congratulate the senior Senator from Massachusetts for bringing this colloquy to the floor of the Senate in order to alert all of our colleagues and, hopefully, more of the American public, to the really very bad job that is being done in bringing security forces to heel in El Salvador.

Mr. KENNEDY. Mr. President, I thank the Senator from Rhode Island, the ranking minority member of the Foreign Relations Committee, for his continued interest and concern in this problem.

Mr. CRANSTON. Mr. President, the recent massacre of 27 El Salvadoran civilians at the Metayate Bridge north of San Salvador is a graphic reminder that violence and civil strife remain the order of the day in El Salvador.

I continue to believe that it is essential for the United States to condition any and all aid to the El Salvadoran authorities upon their support for reform, for democratic institutions, and for efforts to bring an end to violence by all parties including not just leftist guerrillas but also the uniformed military and right-wing hit squads.

I welcome the notable change in Reagan administration rhetoric on this issue. No longer is it administration policy to naively cast the El Salvadoran civil war as fundamentally an East-West issue. The policy statement delivered last week by Assistant Secretary of State Thomas Enders acknowledges that "just as the conflict was Salvadoran in its origins, so its ultimate resolution must be Salvadoran."

Secretary Enders stated that "All parties that renounce violence should be encouraged to participate in the design of new political institutions and the process of choosing representatives for them."

Mr. President, an important part of the American effort to bring about an end to the violence in El Salvador is our conditional aid to the El Salvadoran regime. A bipartisan majority of the Senate Foreign Relations Committee has voted 11 to 1 to attach important conditions on our aid to El Salvador, conditions which are designed to insure that American aid will advance American interests by speeding an end to the fighting in El Salvador and the reestablishment of democratic institutions in that country. It is noteworthy that opinion surveys have consistently shown that the American people will not support policies which do not advance these goals.

Thus, when the full Senate considers the foreign aid bill which contains this conditional aid, I urge support for the important restraints the Foreign Relations Committee has established on funds for El Salvador.

U.S. POLICY TOWARD EL SALVADOR

Mr. HATFIELD. Mr. President, it is most appropriate that a number of colleagues in the Senate have chosen to address the issue of U.S. policy toward El Salvador at this time. In recent months a number of developments have taken place which serve to broaden our understanding of the nature of that tragic conflict and the policies which the administration can be expected to pursue.

Most recently Mr. Thomas Enders, the Assistant Secretary for Latin American Affairs, delivered a speech intended to clarify U.S. policy. Prior to his address, speculation abounded that the administration would seek to vitalize the as yet cool reception in Congress and the public to the attempt to make El Salvador the first test of American resolve to resist Soviet and Cuban-inspired Communist insurgency. While I am not certain that this was precisely Mr. Enders' objective, I do not think that strong public support will ever be forthcoming because the Nation's heart is not in this war. If it is not in it now—after the intensive efforts of the proponents to sell the policy—it is unlikely that it will ever find cause for change.

Some hoped that the challenge would free us from the grip of the so-called Vietnam syndrome. The term is used to describe a nation weary of conflict, unwilling to use force, to pay the price which freedom sometimes requires of us. I do not believe in the existence of such a syndrome. The American people have never shunned their responsibilities when there was no other choice. But we do not quickly embrace the prospect of another round of suffering, needless bloodshed, division, and loss of purpose. I submit that our societal claim to sound ideals

and judgment should be questioned if we were not weary, suspicious, of the need for more war.

Mr. President, I suspect that the absence of national enthusiasm for the El Salvador policy may have saved us from speaking in this Chamber under very different circumstances today. Fortunately, there are no young American soldiers dying in El Salvador. This does not, however, diminish the justification for fear that the potential exists, and that rational, peace-loving men can find themselves swept up in a current of virtually uncontrollable events.

But Salvadorans are dying today. Innocent Salvadorans. Innocent children and women and young men driven by the torrent of romanticism and patriotism, duty and revenge, and all the other factors that feed the illusory necessity of war. The origins of this conflict can no more be traced to Moscow than they can to Washington.

The origins are social, economic, and political, as will be the solution. But we must be at least as willing to risk peace as we are to risk war to achieve this objective. I have been impressed by the consistency of the belief held by those close to the conflict that, given the will, the United States holds the key to peace in that nation.

I am encouraged by the subtle change in tone of the administration's El Salvador policy. There is, at long last, reason for hope. The President should be commended for taking the first small step toward support for a political solution to the tragic conflict which engulfs that country.

Several points of departure from established policy are worth noting. First, there is a hint of acknowledgment that no one is exempt from responsibility for the senseless violence which endures in El Salvador. Formerly, blame was focused exclusively on the insurgents and groups that act independently of the military. Second, the administration now appears to recognize that certain factions within the opposition are worthy of participation in a democratic process. Third, and perhaps most importantly, the administration has admitted that the United States is capable of facilitating a peace process. In the past, we have operated on the hollow pretense that has no political role to play while simultaneously engaging in unilateral military operations.

We now have the first glimpse of a posture which might create incentives for political communication. El Salvador's economic foundation is deteriorating at an incredible rate. There is precious little time to end the war. But there should be no illusion that a peace process can move forward in El Salvador without a climate free of terror.

While we cling to the assumption that a U.S. military presence will moderate the methods of the security forces, indiscriminate killing continues at a horrifying rate. The Salvadoran military has blocked initiatives for negotiation. The Department of Defense must express, in unequivocal terms, its intolerance for such behavior.

A relationship between our military and the Salvadoran military exists independent of the diplomatic realm. Steps must be taken to bring the Pentagon in line with the spirit of this newly established willingness to seek peace. Violence will terminate, not as a precondition to negotiation but only as the result of negotiation. I will be watching with great interest to see if our actions contribute to the kind of political climate necessary to achieve the desired result.

Mr. President, I ask unanimous consent to submit for the RECORD some items which I hope will contribute to greater public knowledge of the El Salvador situation. First, a letter which I wrote to Secretary Haig recently and his response concerning the U.S. position with respect to a "death list" issued by the Salvadoran military. This list of names included individuals who are likely to represent the opposition in any negotiation. I would also like to submit an article from Foreign Policy magazine entitled "El Salvador: The Current Danger." This article exposes myths generated across the political spectrum. Though I am not in total agreement with all of its arguments, it is a cogent and helpful overview of the political realities.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

COMMITTEE ON APPROPRIATIONS,
Washington, D.C., May 1, 1981.

Hon. ALEXANDER HAIG,
Secretary, Department of State,
Washington, D.C.

DEAR AL: The strong desire for a negotiated peace in El Salvador is shared by our allies, our neighbors in the Western Hemisphere and, if I may venture an estimate, a majority in the United States Senate. Observers of the conflict generally agree that powerful elements within the Salvadoran Armed Forces constitute a significant obstacle to this objective. A recent development leads me to seriously question the willingness of the Salvadoran Armed Forces to accept a negotiation posture and the Administration's intention to vigorously encourage them to do so.

Recently, the respected human rights organization, Amnesty International, brought to my attention an apparent "death list" issued by the Salvadoran Armed Forces. I instructed a member of my staff to make an enquiry regarding actions which the Administration had taken to protest or halt the existence of such a "hit list". The lack of concern conveyed by the Department of State in two telephone conversations is, at the very least, disconcerting.

My office was informed that, first, the Department of State was certain that "at least a majority" of those on the list were confirmed terrorists. I have no qualm with this statement as I assume that many are, in fact, members of the military arm of the opposition. This does not in any way legitimize the formulation of such a list. Furthermore, the inference that half of the individuals on the list are violent enemies of the state and that, therefore, the other half, though perhaps innocent, might be expendable in carrying forth this directive violates minimum standards of justice and decency.

The State Department then went on to explain that the Salvadoran Armed Forces had issued a directive some days later to the effect that "we are always willing to consider evidence that there are inaccuracies on the list." Such a policy is a prima facie case of presuming mass guilt before innocence is proven.

The list includes scholars, priests, and former officials who have demonstrated respect for democratic institutions and who have condemned continued violence as the solution to the conflict in El Salvador.

Below is a partial list.

Mayorga Roman Mayorga—Former Rector of the Catholic University of El Salvador and former member of the Junta. Mayorga is presently teaching at Colegio De Mexico—a prestigious university and research center in Mexico.

Fabian Amaya—Former Director of the Social Communications Office of the Archdiocese of San Salvador. He is a close friend of Bishop Rivere y Damas. He is a moderate figure in the Salvadoran Catholic Church.

Roberto Lara Velado—One of the founders of the Christian Democratic Party and a highly respected lawyer.

Leonel Gomez—Former Advisor to the President of the Institute of Agrarian Reform (ISTA). He has sharply denounced violence by both the Junta and the guerrillas.

Hector Dada—A former foreign minister and member of the Junta. He resigned from the Christian Democratic Party in March, 1980.

As for Dr. Ungo and other members of the Political-Diplomatic Commission of the Democratic Revolutionary Front who also appear on the "hit list," I would mention the following points. I harbor no illusions with respect to the Commission's complicity toward acts of violence by the left, or that these leftist democrats command real authority over the Front, much less the Salvadoran people. However, these individuals do represent-a-party to the conflict. Any legitimate political solution would, by necessity, include them.

Congress has been repeatedly assured by the Department of State that officially sanctioned acts of brutality and indiscriminate violence have undergone marked reductions in El Salvador. It is further claimed that American advisors serve to facilitate this process. I am certain that you can understand how the Administration's silence on this matter reduces the credibility of these assurances in the eyes of Congress.

The Department of State's casual attitude with respect to the inclusion of these individuals raises several critical questions concerning U.S. intentions in El Salvador. What does it say of the U.S.'s interest in a negotiable peace in El Salvador if the U.S. fails to protest a list which contains the names of probable negotiators? How does it reflect on the President's admirable anti-terrorist policy when the individuals slated for death reside both in Mexico, a friend and ally of the United States, and the U.S. itself?

I fear that this development can only lead one to conclude that the U.S. is not genuinely committed to pursuing a peaceful settlement to the crisis in El Salvador. Certainly, our allies and our neighbors in the Hemisphere would draw such a conclusion. If this is not the image or the intent which the Administration wishes to portray, it is vital that the U.S. strongly and publicly deplore this initiative and the attitude it represents.

I think I can safely speak for a significant number of Senators from both parties in stating that failure to take such actions will make it increasingly difficult for Congress to justify the approval of pending or future requests for military aid to El Salvador.

Thank you for your attention to this matter.

Warmest regards.

Sincerely,

MARK O. HATFIELD,
U.S. Senator.

DEPARTMENT OF STATE,
Washington, D.C., May 26, 1981.

Hon. MARK O. HATFIELD,
U.S. Senate

DEAR SENATOR HATFIELD: Thank you for your letter of May 1 to Secretary Haig con-

cerning the "list of traitors" published March 30 by the Salvadoran Armed Forces.

We regard the list as regrettable, especially as it includes the names of individuals who have not endorsed the armed terrorist insurgency. The Armed Forces have asked those named to publicly state that they do not support the FMLN–FDR. Some individuals have already done so, including members of the current government whose names appeared on the list. During his visit to Washington on May 8, the Salvadoran Foreign Minister told us that fortunately no one on the list has been threatened or killed.

Subsequently, the FMLN–FDR April 21 on the clandestine Radio Venceremos issued a list of "murderous military officers," including all members of the High Command and officers down to the lieutenant level. As far as we are aware, no one in FMLN–FDR leadership has deplored the publication of this list.

The leadership of the FMLN–FDR has consistently declined to disassociate itself from the worst of the terrorist violence in El Salvador, in sharp contrast to the efforts of the civilian and military leadership in the Duarte government which, with our support, is engaged in a difficult process to end indiscriminate violence and to achieve a political solution through free and open elections. The United States deplores actions by any group which would make a political solution more difficult to achieve. The alternatives would serve neither the best interests of the Salvadoran people nor the interests of peace and stability in the region.

This Administration has indicated many times that it supports the Salvadoran Government's efforts to reach a political solution through the holding of elections. The issuance of lists of the type mentioned above reflects the atmosphere of deep tension and acute polarization which must be overcome if the Salvadoran people are to be able to achieve a political solution.

We constantly communicate our concerns and points of view in private to the Salvadoran Government. We believe that quiet diplomacy will be ultimately more productive than public statements.

Sincerely,

RICHARD FAIRBANKS,
Assistant Secretary for Congressional Relations.

EL SALVADOR: THE CURRENT DANGER—AMERICAN MYTHS

(By Leonel Gomez and Bruce Cameron)

Myths pervade American understanding of the war in El Salvador. Liberal and conservative observers alike in the United States employ widely believed fictions and half-truths to explain Salvadoran events. But if the United States is ever going to handle effectively the crisis in El Salvador, it must first see through five popular misconceptions: Land reform has failed; the traditional oligarchs remain a major factor in Salvadoran society; civilians in the current government wield real power; the leftwing insurgents resemble the Sandinistas in Nicaragua; and the Salvadoran armed forces are open to genuine reform.

Instead of blindly believing these myths, the United States should accept the facts, which make a satisfactory military victory by either side impossible. In particular, the United States should recognize that for the first time the Salvadoran left may now be genuinely willing to enter a negotiating process in which it will make significant concessions. In expecting a triumph against international communism, the Reagan administration will miss an opportunity for a political solution that could save tens of thousands of Salvadoran lives, establish a democratic political process, and guarantee U.S. interests.

One common myth heard on the left claims that the Salvadoran land reform program has been a sham. This is untrue. Phase I of the program, which breaks up the country's largest estates, has worked. The oligarchs are off those properties. The traditionally impoverished *campesinos* (peasants) on those farms cultivated the fields last year and reaped good crop returns. Phase II of the program, designed to break up middle-sized farm holdings, is stalled. The third component of the reforms, the Land-to-Tiller plan, has only just begun. Supported by the peasants, it has the potential to improve dramatically the lives of those receiving the land where they had previously worked as sharecroppers. The nationalization of the banks and export-import activity have also reduced the power of the oligarchs and channeled more credit to those who need it.

A serious caution should be noted. Local military officials have been forcing newly formed cooperatives to pay protection money. The cooperative leaders have few channels to make effective complaints. True agrarian reform must involve more than just the transfer of land. It must reflect the spirit of change and a willingess to give power to the poor. That spirit existed at one point in El Salvador's land reform, but it is fading as the armed forces take increasing control. A new oligarchy—a military oligarchy—could replace the old.

All sides in the United States contend that the oligarchy still plays a major role in El Salvador. Opponents of U.S. policy claim that the army, after some initial interest in reform, has returned to supporting the economic interests of the wealthy. The State Department says that the majority of military officers support reform, but that their efforts are blocked by the alliance of the oligarchy and more right-wing officers.

Both views are wrong. Until the late 1970s, the military did share power with the oligarchy. The army protected the economic interests of the oligarchs; the oligarchs helped the military officers use government to line their own pockets. But the increased revolutionary ferment in Central America that led to the 1979 Sandinista victory in Nicaragua frightened the army. And the modernization of the Salvadoran economy, requiring technicians and the involvement of foreign private banks and international aid institutions, convinced the army officers that they could run the country without the old economic elite. As a result, the army decided it could discard the oligarchy and accept some reforms.

The myth of the civilian-military junta conceals the true nature of the Salvadoran government. The Christian Democrats in the government, including President José Napoleón Duarte, have not achieved anything substantial for the people of El Salvador. They have implemented reforms, but with some exceptions the army officers were also willing to implement the reforms. Meanwhile, the army has not hesitated to take harsh steps to protect its interests. The censorship regulations now in force were issued by the armed forces in March 1980. The armed forces recently released a list of 138 "traitors" who they claimed were responsible for "terrorist activities" and "ruining the country." Duarte later admitted he had neither seen no approved the list before it was reelased. And when he personally objected to the inclusion of several members of his own Christian Democratic party on the list, the military refused to withdraw the names.

John A. Bushnell, deputy assistant secretary of state for inter-American affairs, was claiming about this time that the Christian Democrats had begun to bring right-wing violence under control. He noted correctly that Christian Democratic mayors of Salvadoran towns were no longer being assassinated, but he did not state the reason this is true. It is not that the army has been curbed, but that the mayors have been intimidated. Whereas the mayors would once report complaints of military violence to local commanders, they now know better.

Many of the Christian Democrats deserve credit for their motives. Their participation will be necessary for a political solution to the civil war. But their continued presence in the current regime gives only a respectable facade to a military dictatorship.

The State Department has actively promoted as fact the myth that the Salvadoran guerrillas receive most of their weapons from Cuba and other communist countries. Although the tons of outside arms alleged in the administration's white paper on El Salvador sound massive, they actually constitute only a few days supplies. The guerrillas purchase most of their weapons on the black market with millions of dollars obtained in ransom.

The American left also has a number of illusions about the opposition in El Salvador. First, some liberals believe that the Democratic Revolutionary Front (FDR) has significant power in its alliance with the guerrillas forces of the Farabundo Marti National Liberation organization (FMLN). A year ago, the civilian leadership of the popular peasant, labor, student, and professional organizations did have a power base independent of the guerrilla groups. A year of government repression and the shift to military tactics in response to that repression have eroded the power of these civilians. The truth is that the FDR leaders, although their power may rebound, still have only somewhat more power in their alliance with the guerrillas than the Christian Democrats have in their alliance with the army.

Most important, contrary to claims of the American left, the combined FDR-FMLN does not have the majority support of the 4.7 million Salvadoran people. FDR popularity is hard to judge because it does not enjoy the freedom to organize. The guerrillas have about 5,000 troops and the active support of perhaps 100,000 people. Up to 500,000 people will occasionally give active support.

Although support for the FDR-FMLN is not great, the government enjoys even less popularity. However, it has more guns, more trained soldiers, and is willing to use both. The brutal killings by the army—victims sawed in half or placed alive in battery acid—have succeeded in traumatizing the Salvadoran people into fearful passivity.

Another myth holds that the Salvadoran guerrillas politically resemble Nicaragua's Sandinistas. The Sandinista movement, however, contains no extreme left as does the Salvadoran opposition. Many Salvadoran rebels disdain the Sandinistas for wanting to concentrate on rebuilding Nicaragua rather than aiding other revolutionaries. The Salvadoran guerrillas have also engaged in kidnapings and selective terrorism, tactics largely eschewed by the Sandinistas.

It would be equally wrong to assume that the Salvadoran left is a fixed, unchanging group. The armed leftists are now the stronger; but a year and a half ago, in a different political climate, the civilian component was stronger. It could be again. Similarly, a minority of extremists exercise significant power within the ranks of the armed leftists, but only because competition for power has become militarized.

A VAST NETWORK OF CORRUPTION

Understanding the nature of the Salvadoran military is the fundamental task facing U.S. policy makers. Opponents of U.S. policy denounce the armed forces as an instrument of the wealthy oligarchs. The State Department says that the military wants to do what it is best for the country and is open to change. Conservatives believe the military is a bastion of anti-communism and pro-Americanism. Although individual officers fit one or another of these descriptions, the Salvadoran army, in essence, is none of these things.

Young men enter the Salvadoran officer corps to acquire the power and money that military service provides. Five hundred officers in the military lead the Salvadoran army, national guard, national police, and treasury police; more than 90 per cent of them attended the El Salvador military school. Each officer belongs to a tanda (graduating class), and each tanda has a president. During their 30-year careers, the officers seek contacts and form alliances with other tandas, as they prepare for political power. In past elections in El Salvador, no matter which party had the most votes, the army candidate won. The outgoing president would choose his successor, and together they would assemble a coalition of officers from one major tanda and several allied tandas to enjoy the spoils for their five-year term. The tanda system remains in power today.

Rodolfo Viera, the first campesino president of the Salvadoran Institute of Agrarian Transformation (ISTA), attempted to expose one example of massive governmental corruption in mid-1980. He had discovered that the properties ISTA had purchased before October 1979 for establishing cooperative farms had been overpriced by at least $40 million; some properties had been sold to the government twice. A cut of the profits went to the original landowners; more came back as kickbacks to members of the leading tandas. Viera went on national television to expose the overpayments. He also initiated fraud charges against the colonel who had been in charge of ISTA before October 1979. In both cases, the government did nothing. In January 1981 Viera was assassinated along with two American technicians associated with the U.S. labor movement.

Viera's story destroys the myths of the right-wing and the State Department. The Salvadoran army is not held together by an ideology of anticommunism. It is held together by a vast network of corruption. That network now controls El Salvador's nationalized banks, 15 per cent of its best farmland, all export-import activities, and is looking forward to the arrival of new U.S. economic aid. Although the army supports reforms because it needs to enlarge its base of support, it refuses to share real power with any other group, especially the poor.

In the past year and a half, the armed forces have launched a war to exterminate all possible challenges to their power. Although people in the cities have been killed by death squads loyal to oligarchs living in Guatemala or Miami, these kinds of killings are relatively rare. The vast majority of killings occur in sweeps of the countryside by the armed forces or by death squads operating under the formal direction or informal sanction of regional military commanders. Through the chain of command and informal ties, each commander knows which forces are doing what and which soldiers belong to formal or informal death squads.

It should be noted that a majority, but not all, of the army officers now in charge are involved in the violence. There are some officers, especially younger ones, who are shocked and revolted by the indiscriminate violence; many more just perform their duties without judging the activities of their fellow officers.

Following the failure of the guerrillas' January 1981 offensive, the Reagan administration has begun to talk confidently of continued reforms, steady pacification of the opposition, and finally elections in 1982 and 1983 to give an international seal of approval to the present government. This plan will fail. As long as the military remains in power, the guerrillas are assured a steady flow of new recruits.

The administration should acknowledge that the present situation is a stalemate and try to facilitate a process of dialogue and negotiation. Independent Salvadorans with ties to the guerrillas indicate that the rebels recognize military victory is impossible in the short run. The insurgents see that the Reagan administration seems willing to go to war to defend the present government; moreover, the rebels expect that Cuban aid will not increase.

In this context the guerrillas are willing to give more power to the more moderate FDR. The guerrillas' military weakness has increased the power of the civilians. By how much, however, is uncertain. But FDR representatives have been empowered to talk and, at some point in the future, to negotiate.

The time is right for the Reagan administration to meet with the FDR. These talks should be informal, but substantive. The two sides must find an appropriate international forum in which formal talks between the FDR-FMLN and the government can be held. They must also discuss how to create and finance an international peacekeeping force. In addition, the structure and make-up of the armed forces and a constitutional framework must be discussed. These issues will prove troublesome in later negotiations; the United States and the FDR-FMLN should have some idea beforehand how far the other is willing to go.

Negotiations, if they occur, should have three major goals. First, an electoral commission should be established to register voters and supervise elections. Second, a 2,000-man international peace-keeping force should insure that the Salvadoran armed forces remain in their barracks and that the guerrillas stay in the areas assigned to them. Third, significant numbers of high-level military officers and guerrilla leaders must agree to exile and banishment from politics for at least five years. Without the removal of the highest ranking officers, neither the opposition nor the Salvadoran people will have any confidence that the army is prepared to end its brutality and corruption. Nor will the remaining officers, the Christian Democrats, or the United States have any confidence that the left will obey peace terms or election results unless its top guerrilla leaders are also removed from the political scene.

This third point is harsh and unprecedented in internationally negotiated solutions. However, if negotiations are to succeed, there is no alternative. Such a move would also have the benefit of strengthening the civilian sectors in the government and the opposition, making it more likely that the ballot can replace the gun as the way to achieve power in El Salvador.

Mr. BURDICK. Mr. President, I rise today to join my colleagues in expressing my opposition to further U.S. military assistance to the Government of El Salvador.

The roots of the conflict in El Salvador are centuries old and its people have long been in conflict with their governments. The problems of that nation are rooted in the troubled history of Latin America and not in the East-West conflict. El Salvador is not an arena for a showdown between East and West, and its problems are not those that will be resolved with increased military assistance from the United States or any other foreign power.

In opposing U.S. military assistance to the El Salvadoran regime, I am not condoning the violence by the left or the left's acceptance of arms supplied by foreign countries. I oppose further military assistance from the United States because I believe it will not halt the violence—it will only escalate the intensity of the conflict.

As the violence escalates, even more innocent, impoverished El Salvadorans will lose their lives. When Bishop Damas, the head of the Catholic Church in San Salvador was in the United States in March, he told us that, in the last year, the war has claimed the lives of over 10,000 people. To use the bishop's words:

> The poor have borne the burden of injustice for decades in El Salvador; they now are most exposed to the violence of the war.

As a cosponsor of legislation to halt military assistance to El Salvador, I believe that the United States should work for a political—not a military—solution to El Salvador's civil war. Our role should not be as an arms supplier to a particular faction, but as a mediator between factions in this conflict.

We should work with other countries in the region to help the leaders of El Salvador find a political solution to their crisis. It is only a political solution that will bring long-term stability to the country. Stability in El Salvador is in the best interests of the United States, and it will allow the El Salvadoran people to prosper in a land free of the fear of war.

● Mr. LEAHY. Mr. President, almost 2 years have passed since a coup d'etat in El Salvador brought to a close three centuries during which a privileged elite monopolized the nation's land, financial institutions, and foreign trade. In the United States and other Western nations, the change of government was hailed as evidence of a new era of justice, economic growth, and freedom for the 5 million citizens of this densely populated Central American country.

Unfortunately, the struggle to vindicate the promises of the October 1979 revolt has been marked by widespread indiscriminate killings, by polarization of opinion rather than reconciliation, by economic stagnation, and by a sharply escalating ideological confrontation which threatens to involve other nations. Guerrilla activists, leftists and rightists both, have attempted to subvert President Napoleon Duarte's regime. Government troops themselves have committed atrocities against innocent people. In the search for reform, equality, and prosperity, 12,000 civilians were killed in 1980 and another 8,000 during the first 5 months of 1981.

Of late, the United States has involved itself in this fratricidal conflict, and the best of intentions have led to the worst of results. Under the rubric that communism must be confronted so that the rest of Latin America can be saved for democracy, we have supplied $35 million in military aid already this year and have supplied 56 American advisers. U.S. helicopters, according to religious and secular relief workers who continue their heroic labors among El Salvador's impoverished peasantry, have contributed to the carnage, including the deaths of scores of innocent women, children, and elderly people trying to flee the war. The escalation of warfare has interrupted the laudable goal of making land available to the

farmers whose familes have tilled it for generations on behalf of wealthy landlords. The violence has reinforced the El Salvadoran Government's reluctance to proceed at an early date with national elections. By supplying enormous military and economic assistance without pressing vigorously for the immediate implementation of the reform program, the United States has unwittingly but inexorably been drawn deeper and deeper into the conflict.

Equally tragic for our own Nation, the war in El Salvador has resurrected shades of American involvement in Vietnam, prompted the administration to defend U.S. involvement with arguments far removed from the reality of El Salvador's distress, and raised danger signals of a protracted ideological struggle among the nations of Latin America.

Before us now is a security assistance authorization for fiscal year 1982 which contains $26 million in military assistance, coupled with a requirement that El Salvador is making meaningful progress in protecting human rights, disciplining its armed forces, implementing essential economic and political reforms, holding free elections, and negotiations with other elements pledged to a peaceful resolution of El Salvador's civil war.

I share with several of my distinguished colleagues a pervasive fear that the constraints imposed on the Government of El Salvador are not enough to reverse the tide of conflict in El Salvador and American involvement in it. Surely a case can be made that before proceeding further with its military assistance program, the United States should undertake a fundamental reassessment of its role in this potentially dangerous policy. Should we continue as of late in advertising El Salvador as a theater of conflict between communism and the west, especially in light of the heritage of deprivation and class-conflict which has so long dominated El Salvador's history? Should we supply generous amounts of military aid to a government implicated in gratuitous violence against El Salvadorans and even some innocent Americans? Should we impugn our credibility by misconstruing the nature of the involvement of other states?

Before we supply further resources for the intensification of the conflict in El Salvador, I ask that we address these questions carefully. In defending freedom, promoting democracy, and encouraging economic development we should be certain that those we assist are committed fully to the same objectives. If not, we face the danger of involvement in a conflict which may damage our own institutions, impede our ability to protect our vital interests, and in the long term undermine our role as guarantor of democracy, freedom, and justice.●

● Mr. CHAFEE. Mr. President, my principal concern has been to bring an end to the senseless violence in El Salvador while broadening the base of a moderate government in order to achieve political stability based upon representative government. I once had high hopes that the existing coalition government in El Salvador—given sufficient U.S. support—could achieve both these ends. It has been my view that the institution of needed agrarian, financial, and democratic reforms would help to undermine extremist factions and the resort to violence and provide the Duarte government with sufficient political strength to exert firm civilian control over El Salvadoran military and security forces.

But, those hopes are fading rapidly. I now have serious doubts as to whether the current coalition government in El Salvador is capable of stemming the violence either from the left or the right.

The mass slaying of 28 peasant civilians 2 weeks ago strongly suggests that the El Salvadoran military/security forces remain out of control. According to Archbishop Rivera y Damas, 100 other murders of El Salvadoran civilians also took place that week. Moreover, 8 months after the savage murders of four American missionary workers, those crimes remain unresolved. Now, new information hints at the complicity of the top of the El Salvadoran military in the killings of the American nuns.

During the last several days, there have been indications that El Salvadoran business opposition to the Duarte reforms is gaining strength with tacit encouragement from the administration. But, if these reforms are thrown off track, a severe blow would be dealt to the prospects for widening the political base of the Duarte government and even to its survivability.

Recent events convince me more than ever that a military solution is not the answer to the problems of El Salvador. I am concerned that more military assistance will only escalate the already intolerable level of violence and undermine an eventual political settlement. Thus, barring massive outside intervention, I will not support any further military assistance to the Government of El Salvador. In fact, current levels of U.S. military assistance seem unnecessarily high.

If, however, we terminated all U.S. assistance and abandoned the fragile Duarte government at this juncture, it seems clear that the extreme right, which has been responsible for much of the recent violence, would quickly return to power. What would follow would be a clash of extremist rightwing and leftwing forces resulting in violence far bloodier than anything which has occurred to date. Hence, I favor continued economic support provided the El Salvadoran coalition remains centrist in nature.

The threat of ever-growing violence is why a comprehensive political settlement is so important. It is time for the United States to take an active lead in searching for such an accommodation, involving all parties to the conflict. Remarks by Assistant Secretary of State Tom Enders, last week, favoring a "political solution" are to be welcomed as a step in the right direction.

However, urgency is upon us. Concrete steps must be taken now to effect an overall settlement which will embrace all major factions and end the violence in that strife-torn country.●

Mr. WEICKER. Mr. President, in El Salvador, we watch a tragedy in its final scenes. Nearly 9,000 civilians have died there in the first half of this year alone. Enter the Americans, well into the last act, with men and materiel and talk of making the country safe for democratic elections. But, if anything, the killing of innocent people has escalated, and much of it is reportedly the work of security forces and the very military we are backing.

In a recent address to the World Affairs Council, Thomas Enders, Assistant Secretary of State for Inter-American Affairs, paraphrased the good neighbor policy to mean that "we cannot be indifferent to outside threats to the security of any friendly country so close to our shores." But the greatest threats to El Salvador's security are coming from within. As a Roman Catholic bishop in San Salvador recently declared, "The pity is that the United States supports this government because it is friendly to the United States. It is not friendly with its own people."

Assistant Secretary of State Enders went on to say that:

> When trained guerrillas with outside backing take up machineguns, mortars and recoilless rifles, no amount of fertilizers, schools or clinics can prevent them from sowing terror or attempting to seize power by force.

This is most certainly true. But neither can we expect to rush in just before the final curtain with guns and helicopters and anti-Communist rhetoric, prop up a government at war with its people and wrest a democratic solution.

The mort important question for us to ponder may well be this: Where were we, the United States, in act I, when the forces that fuel this conflict began to brew? In 1973, according to the United Nations, the top 10 percent of the Salvadoran population owned more than three-fourths of the land, while the poorest 10th of the people held less than half of 1 percent. As a result, while the overall per capita GNP in 1977 was $550, an estimated 2.6 million of the country's 4.5 million people had annual per capita incomes below $250.

Recent attempts at land reform are beginning, ever so slowly, to right this imbalance. But with one of the highest birth rates in the world, El Salvador's scarcity of land is sure to be aggregated, and the already widespread hunger and illiteracy can only become worse. Housing and health services are also shamefully inadequate.

What was needed in El Salvador before death squads became a fact of life—and what is needed throughout Central America—is not American arms and not just American money either for the latter is likely to line the pockets of the oppressors. What was and is needed are American doctors, American teachers, American engineers, and above all American concern for the abject poverty that, long ignored, breeds Communist opportunism.

El Salvador and her neighbors in Central America today manifest the failure of U.S. policy over the last two decades. The paternalism, neglect, and anachronism of that policy have succeeded only in alienating our natural allies in this hemisphere and opened the door to

the Soviets. We cannot simply then adopt a bunker mentality toward the forces which have been unleashed in that region of the world. If we do, we add fuel to the fires which are burning now in El Salvador, Guatemala, and Honduras, the heat of which will be painfully felt by the United States in the near future.

Out of the ruins of this policy we must build a new relationship to the existing emerging states of Latin America. Such a policy will require the fullest measure of American idealism, leadership and strength. It will require the education and support of the American people. It will require boldness and courage.

That policy must be built, first and foremost, on respect for the sovereignty and self-determination of Latin American peoples. Our relations to those states must communicate our regard for their right to exist and act, not only as a piece on a global game board, but in their own right.

That policy should address itself to meeting the basic human needs of the millions who have suffered from abject poverty and economic oppression. We must be actively involved through economic assistance in developing the human and physical resources, which can produce indigenous economic development and elevate the dignity and quality of life of the least fortunate of the region.

That policy should proceed conceptually on the basis of present day realities rather than the dictates of ideology or diplomatic momentum. Teddy Roosevelt, Harry Truman, and John Kennedy do not provide answers for today's problems, only echoes of bygone eras we had best put behind us.

Finally that policy must be founded on the cherished values of democratic rule and human rights. Ultimately, security and stability in human society is achieved only through respect for fundamental rights and freedoms. For the United States to proceed on any other basis would compromise our integrity and deny our greatest strength.

I would encourage my colleagues to reflect on where we have been, where we are and the choices we must make if we are to preserve and enhance our influence in this vital region. For the sake of the victims of poverty and conflict, our present day national interests and the next generation of Americans, North, Central, and South, who must inherit this world, let us hope that the choices we make are the right ones.

Mr. KENNEDY. Mr. President, I yield the floor.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. There will now be a period for the transaction of routine morning business.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EFFECTS OF HIGH INTEREST RATES

Mr. BOREN. Mr. President, in my continuing series of speeches on the effects of high interest rates I had said before that one only has to pick up the daily newspapers to find ample evidence of the seriousness of the problem.

Today's papers continue to be filled with complaints from the allies at the Economic Summit Conference in Ottawa about the detrimental effects on their own economies, of the high interest rates policies of the Reagan administration.

In addition, today's business and finance page of the Washington Post is topped by a headline saying "Stock Prices Plunge on Interest Waves."

The story details the fall of stock prices yesterday. The Dow Jones industrial average fell over 18 points—the biggest 1-day decline since January 20 of this year.

Why? According to the Post story, Mr. President, the stock price fall was triggered by a Federal Reserve Board announcement that the Nation's money supply jumped $6.9 billion last week. It was the opinion of Wall Street that the Federal Reserve Board would respond by further tightening its monetary policy, resisting by more upward pressure on interest rates. Thus, instead of a reduction in the current 20½-percent prime rate, it is anticipated that the prime will remain where it is, or even worse, increase again from it near record level.

Mr. President, when is this economic madness going to stop? How many small businessmen are going to be driven into bankruptcy? How many farms must fail? How many individuals must suffer before those behind this game of economic brinksmanship recognize the imminent threat of collapse which these policies are fostering?

The chorus of concern is rising, Mr. President, and it must be heeded soon.

I ask unanimous consent that the article referred to be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

STOCK PRICES PLUNGE ON INTEREST WAVE

(By James L. Rowe, Jr.)

NEW YORK, July 20.—Stock prices plummeted today as a new wave of interest rate worries swept Wall Street.

The Dow Jones Industrial Average of 30 stocks fell 18.36 points to 940.54. That was the biggest one-day decline for the most closely watched barometer of stock prices since Jan. 20, when it declined 20.31 points. Today's closing Dow Jones level was the lowest since Feb. 20, when it hit 936.09.

The new wave of concern about interest rates was touched off by last Friday's report from the Federal Reserve Board, the nation's central bank, that the money supply—essentially cash in circulation and checking accounts—jumped $6.9 billion in the week.

The increase was sharply higher than most analysts expected and convinced investors and Wall Street traders that the Federal Reserve is likely to tighten its monetary policy in an attempt to restrain money supply growth. A money supply that grows too quickly is thought by most economists to contribute to inflation. A tight money policy generally leads to higher interest rates.

Since most investors had hoped for a decline in rates soon, merely continued high rates are enough to send prices plunging. The prime rate at most major banks is 20½ percent, which is nearly a record.

The federal funds rate, the interest banks charge each other for overnight loans of excess reserves, rose from just below 18 percent on Friday to about 19 percent today. Although Wall Street traders focus on the federal funds rate, Federal Reserve officials have cautioned for the last two years that the central bank concentrates on the growth of the money supply and that day-to-day fluctuations in interest rates are not a good guide to Fed policy.

Stock prices usually move in the opposite direction from interest rates, in part because high interest rates lure investors away from stocks into securities such as certificates of deposit or into money market mutual funds, and in part because high rates make it difficult for investors who have bought stocks on credit (or margin, as it is called).

Bond prices also more in the opposite direction from interest rates, and the money supply report triggered a steep decline in the bond market, too.

Marvin Katz, the assistant head of trading at the brokerage firm of Sanford Bernstein & Co., said the Friday Federal Reserve report, which came out after the New York Stock Exchange had closed, "broke the back of the market. People bailed out [of stocks] in an orderly fashion. We'll see more of the same on Tuesday."

Investors' worries about higher interest rates may be misplaced. The money supply had been growing far more slowly than the Federal Reserve target, and the sharp jump reported last Friday may be as much due to technical factors, such as the early payment of Social Security checks, as anything else.

Misplaced or not, the decline in the stock market was broad-based.

The most active stock on the New York exchange again was Conoco Inc., which is being pursued in merger bids by three big companies: E. I. duPont de Nemours & Co., Mobil Oil Co., and Seagram Co. Conoco fell $2.50 a share to $85.25.

On the American Stock Exchange, where declining stocks outnumbered advancing ones 473 to 130, the index fell 6.37 points to 363.65.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

ECONOMIC RECOVERY ACT OF 1981

The PRESIDING OFFICER. The clerk will state the pending business.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

The Senate resumed consideration of the joint resolution.

AMENDMENT NO. 504

The PRESIDING OFFICER. The pending question is amendment No. 504 by the Senator from Michigan (Mr. RIEGLE), on which there shall be 40 minutes debate, equally divided and controlled.

The Senator from Michigan is recognized under the order.

Mr. RIEGLE. Mr. President, the amendment before the Senate would maintain the minimum social security benefit for those people who presently receive it and for those who would be entitled to receive it through the end of this calendar year. It does not provide that new persons who would become eligible in 1982 and beyond will receive the minimum benefit on social security. It is very important that that be understood, Mr. President, because what we are trying to do is maintain the income of those people who presently receive the minimum benefit, who depend upon it, who need it, and also for those persons who are about to receive that benefit and who have been counting on receiving it. The amendment will guarantee that this will not be taken from them just at the time when they are about to receive it.

Further, we should review the situation as to where we stand. Both the Senate and the House have taken earlier actions to eliminate the minimum benefits under social security. I offered the amendment on several occasions in the Senate to maintain that benefit, and by narrow margins we were defeated.

In the Senate version, we would discontinue the minimum benefit on social security roughly 10 days from today, on August 1 of this year.

It turns out that this is an absolutely impossible and irresponsible cutoff date for the Senate to have adopted. The Social Security Administration is not in a position to change their system that quickly and, as a matter of fact, they estimate that it is going to take 10,000 hours of work to go through the social security rolls to discontinue the minimum benefit for those people who receive it and the administrative cost of this change would be $250,000.

As it happens, Mr. President, the checks would go out on August 1 to these recipients across the country who need them and depend upon them. They will get the money, spend the money, and sometime later, the Government will come back and say, "Oh, by the way, we made a mistake; the money we sent you in the late summer of 1981, we want it back." If you do not have it or cannot get it—well, I am not sure what the old folks will do in that situation.

There are roughly 3 million people who receive the minimum benefit on social security. To many of these people, the minimum benefit is so crucial to just maintain life and limb. It is an absolutely critical amount of money to those people living in poverty and trying to scrape by, most of whom are very elderly.

If you look at the age distribution of people who receive the minimum benefit on social security, it turns out that there are over 80,000 of them who are above the age of 90. Of the entire 3 million people who receive the minimum benefit, 75 percent are women—elderly women, in most instances, living alone very late in life. The idea of withdrawing this minimum benefit of social security from some poor old soul who is 98 years old and who is just barely scraping by and put in place of that—as my colleagues on the other side of the aisle have suggested—the idea of letting that person go on welfare, allowing her to go on public assistance. This is really a heartless answer. It is an irresponsible answer.

As a matter of fact, Mr. President, this became such a sensitive issue in 1980 that candidate Ronald Reagan went across this country and made a solemn promise that he would not cut the social security system, that he would not start dumping the old people overboard and take away their benefits if he became President. He was compelled to do that—for two reasons: First, this country strongly supports the social security system, as my colleagues on the other side of the aisle are beginning to find out. Second, there was great skepticism about Ronald Reagan because, over the years, he had made so many comments about the fact that he did not like social security. He left the clear impression that perhaps he would take steps to undo or dismantle the system. There was so much concern across the country that he had to make some solemn promises. Let me quote two of them.

This is one he made in the television debate with President Carter on October 21, 1980. On that day, Ronald Reagan said:

> No one presently dependent on social security is going to have the rug pulled out from them and not get their check.

That is what he said. As a matter of fact, in his February message to Congress after becoming President, he said this:

> I know that exaggerated and inaccurate stories about these cuts—

Referring to social security—

> have disturbed many people, particularly those dependent upon grant and benefit programs for their basic needs. Some of you have heard from constituents, I know, afraid that their social security checks were going to be taken from them. I regret the fear that these unfounded stories have caused and I welcome this opportunity to set them straight. The full retirement benefits of the 31 million social security recipients will be continued along with an annual cost of living increase.

That was a promise made after the election, but that promise has not been kept. I think it ought to be kept. And I think the Senate ought to see that he does.

The way to do that is by adopting the amendment I am offering today. That will continue the minimum benefit under social security to those old people who rely on it at the present time. That is what the President said he would do, and I think he is obligated to follow through with that commitment.

Mr. President, I reserve the remainder of my time at this point.

The PRESIDING OFFICER (Mr. ANDREWS). The Senator from Kansas.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. RIEGLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I say to the Senator from Michigan that it is charged against my time.

Mr. RIEGLE. Thank you. I just want to put something in the RECORD.

Mr. President, I ask unanimous consent that Senator RANDOLPH and Senator KENNEDY be added as cosponsors of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIEGLE. Mr. President, I wish to read at this time a letter from a constituent of mine, who wrote me on July 7. This is the text of his letter:

> DEAR SENATOR RIEGLE: This is the first time in my life that I have asked for assistance in a matter from the Government. What I am writing about is of vital interest to millions of citizens in our country.
>
> My mother is 80 years old and has been on Social Security since 1955 when my father passed away. Now the Government wants to eliminate the minimum benefits for three million citizens. Other than dying, what would the Government suggest the senior citizens do—apply for a job?
>
> My mother-in-law is on SSI, and that has been cut—forcing further hardships on her.
>
> What is this country coming to? I appreciate the efforts to get the bums and loafers off of assistance; however, it is certainly not fair to take our problems out on a section of citizens that have no chance of taking care of themselves.
>
> My wife and myself voted for President Reagan because President Carter was doing such a poor job. However, Mr. Reagan is proving to be a worse choice.
>
> If the Democrats hope to succeed in the future, I think this should be the point they focus on since it concerns so many people—directly and indirectly.
>
> Your assistance in this matter will be appreciated.

I have had hundreds of letters such as this from senior citizens who cannot understand what is happening today. The fear and the concern have not been created by this side of the aisle, because it is this side of the aisle that is trying to protect and maintain the system and protect and maintain the benefits under that system. No, the atacks have come from that side of the aisle. That is why the amendment is before the Senate today, so that we can keep the promise and keep faith with the people who receive this minimum benefit.

Mr. President, I reserve the remainder of my time.

Mr. DOLE. Mr. President, I certainly have no quarrel with the distinguished Senator from Michigan raising this matter again. We voted on it on June 23. We may be on this tax measure long enough to vote on it at least one more time before we have final passage.

I understand what moves or propels Members to offer amendments, particularly if it could be perceived to be embarrassing to the President of the United States or to the opposition party, whatever party that may be. But I suggest that what we have before us—and at the appropriate time, the Senator from Kansas will move to table the first-degree amendment—is another rerun.

There have been a lot of rumors in the papers, and perhaps that is how things happen: Somebody plants a ru-

mor, somebody else repeats it, and pretty soon it is floating around the Capitol as a fact.

There have been all kinds of rumors—the President has been backing away from his original position on the minimum benefit, or the Secretary of the Treasury has been backing away, or the Secretary of HHS has been backing away. That is not an accurate reflection of their attitude, and I hope this amendment will be defeated and that we can move again to the tax measure.

I also indicate in that regard that tomorrow we will have been on this tax measure for a week. I know that tax bills normally take a great deal of time. This is a very large, substantial tax reduction proposed by President Reagan. It is a 3-year tax proposal: A 5-percent cut effective October 1, a 10-percent cut effective next July, and a 10-percent cut the year after. It has some substantial business cuts and incentives for capital formation and all these things we have been talking about for a long time.

Perhaps some diversion on social security will be beneficial. On the first day we considered the tax measure, we had a social security amendment. I believe that the second or third day we had a resolution on interest rates. Now we are back on social security.

I say to my friend from Michigan that if there is a problem on the effective date, we can take care of that in conference. We have not even gotten to conference on this measure, and the Senator from Michigan is trying to undo what we have not done yet. I hope we will have an opportunity to go to conference and work out some of the differences on the minimum benefit.

Let me indicate some facts about this particular amendment. We have letters with which we could respond. We have a lot of letters from Americans who are concerned about Federal spending, concerned about interest rates, concerned about overregulation; and perhaps those letters should be placed in the RECORD for balance.

It is not that we are trying to take away anything from anyone. It is the larger question of whether or not we are going to be able to turn this economy around and whether Congress is going to lose its nerve and start backing away from some of the spending cuts for which a large majority in both parties have voted.

One way to unravel the process is to piecemeal it and use the amendment of the Senator from Michigan to begin picking the program apart. We have been through this before. We have had debate and a vote during the reconciliation measure, and once again after the proposal to eliminate the minimum benefit had been changed by the Finance Committee to provide additional protection for the elderly poor. The last time the issue was raised, the vote was 45 to 53, on an up-and-down vote, against the proposal.

There is widespread agreement that the minimum benefit should be eliminated. Some would do it prospectively and some immediately, and that is where the big disagreement is.

We can have our differing views. We can vote for increased Federal spending, or we can try to take the responsible course charted by the President.

I must say that there has been a lot of politics and not much factual discussion when it comes to social security benefits. There has been an effort by some to indicate that President Reagan wants to take away something, that he wants to destroy the social security system. There has been no recognition by some of the fact that come next September, unless we make changes in social security, the system is going to be in big difficulty.

Instead, those who have been in control of this body for 26 years stand up, 6 months after we have a Republican majority in the Senate, and point the finger at this side. It is my hope that we can have a bipartisan approach to social security reform that would make certain we preserve the program's integrity from now on.

In 1977—I am not certain how the Senator from Michigan voted—we passed a bill in our committee which tried to address some of the problems of the social security system. One way we did that was to add six additional tax increases. Two of those tax increases have taken place, and there will be four more by 1990. That may have been the responsible way to approach it at the time, but it did not work.

At that time all of us were told by the administration that we were taking care of all the problems until the year 2030. Yet less than 4 years later, we are back indicating, very properly and without much argument, that we must do something if we are going to preserve the integrity of the social security system. That is the larger question.

We can debate this specific issue or debate whether we should borrow from one fund or another to patch up the system for 2 or 3 years, and get some of us through another election. However, that does not respond to the real question.

I say to the President's credit that he has responded to the real question, although I may not think appropriately in every respect, but that is a right we have—to disagree from time to time.

But we do believe that in our subcommittee, chaired by the distinguished Senator from Colorado (Mr. ARMSTRONG) and the ranking Democrat, Senator MOYNIHAN, we can hopefully devise a bipartisan program that will address the short- and the long-term problems with social security.

If, at that time, there are some problems with this specific aspect of the program or some other specific aspect, those can be addressed, in the committee and on the floor.

Mr. RIEGLE. Mr. President, will the Senator yield at this point?

Mr. DOLE. I am happy to yield.

Mr. RIEGLE. I thank him for yielding.

The President himself said, and the Senator heard, I think, my quote earlier, in his debate with President Carter. He said:

> No one presently dependent on social security is going to have the rug pulled out from under them and not get their checks.

He said that, and the Senator knows and I know that if the minimum benefit is taken away that promise is going to be broken.

How does the Senator reconcile those two things?

Mr. DOLE. The President is talking about earned versus unearned benefits.

Mr. RIEGLE. Where does it say earned versus unearned in that sentence? I do not see that. It says:

> No one presently dependent on social security is going to have the rug pulled out from under them and not get their checks.

He did not say anything about earned or unearned. That was a blanket statement he made, to convince people that they did not have to worry, that those old folks getting the minimum benefit would continue to get it.

I do not have any quarrel with the Senator from Kansas personally, as the Senator knows, but I do not understand how he or anyone can reconcile that promise with the fact that it is now being broken.

Mr. DOLE. I appreciate that, and I have answered the best I can. I guess the best answer would have to come from the President. He is out of town today.

LET'S NOT OBSCURE THE FACTS ABOUT THE MINIMUM BENEFIT

It is unearned. It consists of a welfare support add-on to the monthly social security payment a recipient is entitled to from his or her payroll tax contributions.

At the time the minimum was initiated there was not an adequate social safety net to protect low-income elderly with small earned benefits. Today, the Federal safety net of supplemental security income, food stamps and medicaid can provide a combined benefit of $10,600 per couple for low-income elderly—an amount three times greater than the average social security minimum benefit. Since this safety net would replace minimum benefits dollar for dollar, the latter has now become a pure "windfall" for recipients whose pensions and other income exceeds the safety net floor.

The average individual receiving a minimum benefit would receive $2,122 in 1982 from the social security trust funds. He or she would have contributed, based on typical total lifetime earnings for such beneficiaries, less than $355 in social security payroll taxes.

In certain cases, minimum beneficiaries could get $3,183—per couple—each year by paying as little as $3 in their entire working lifetime.

Many beneficiaries who will be eligible for minimum benefits in 1982 at age 65 could have paid less than $68 in lifetime social security taxes—an amount they will recoup in only 12 days.

On average, a husband and wife getting an initial minimum benefit in 1982 would be paid more than $100,000 during their retirement lifetimes from the social security trust funds. For the average couple, this would be about 300 times what they had paid in, and it would not have been earned.

An estimated 35,000 social security

minimum beneficiaries live outside the United States.

Not eliminating this unearned windfall would add $7 billion to the social security trust fund deficit over the next 5 years, making the social security financing crisis that much more acute and jeopardizing benefits of those who earned them.

There is a lot of evidence that also should not be ignored on the other sources of income available to minimum beneficiaries.

Based on General Accounting Office (GAO) data, it is estimated that 450,000 minimum recipients receive Federal pensions. These retired Federal double-dippers now are estimated to average $16,000 annually from the Federal civil service retirement system on top of the minimum social security benefit for a total Federal retirement income of $18,120.

A total of 50,000 minimum social security recipients have retired spouses who are estimated to receive $18,500 in Federal pension payments. The average family Federal retirement income of these minimum benefit couples is $21,680 annually.

Another 300,000 minimum recipients have working spouses, according to GAO data. These working spouses have earnings estimated to average $21,100 annually, for an average family income of at least $23,220 annually, including the social security minimum benefit.

Overall, these social security and GAO data suggest that up to 800,000 minimum beneficiaries have comfortable total incomes which exceed an average of $20,000. This raises considerable doubt about how this is going to harm 3 million people.

It is important to note that 1.2 million are only technical minimum beneficiaries, according to the Office of Management and Budget.

Fully 1 million of the 3 million minimum benefit recipients are dual beneficiaries. They are classed as minimum only because of an accounting technicality. They receive more than the minimum today and their benefit would be unaffected by elimination of the minimum. This occurs because the total benefit payment to these persons is based not on their own low earnings but on earnings and social security taxes of their husbands or wives.

The typical example would be a wife whose own sporadic and low earnings entitled her only to the minimum but she in fact is also entitled to and receives one half her husband's benefit. Part of her check counts as minimum and part as supplement. The end of the minimum would alter these proportions but leave the size of the check unchanged. Thus one-third of those now classed as minimum are not actually receiving the minimum benefit but substantially more, and their social security incomes will not be reduced by eliminating the minimum benefit.

About 200,000 recipients of the minimum have earned benefits that just equal the minimum benefit. Since earned benefits are unchanged, eliminating the minimum would not affect these people. So that is another 200,000.

Additionally, about 500,000 recipients of the social security minimum benefit who have low total incomes are currently receiving supplemental security income (SSI). Since the SSI benefit is adjusted for other income, a drop in the social security monthly check from elimination of the minimum would be automatically offset, dollar for dollar, by an increase in the monthly SSI benefit.

So there is no change as far as that is concerned.

So you have all these beneficiaries. If you add it up there are not really many remaining who are going to be affected.

As indicated above, up to 800,000 minimum beneficiaries clearly have ample incomes and do not need nor deserve this unearned benefit. Another 1.7 million are dual or equal beneficiaries or are currently in SSI payment status and would experience no reduction in total payments. Yet another 200,000 minimum recipients are college students, or minor children of those who are already receiving the benefit.

While the precise income and need status of the remaining 300,000 beneficiaries—3 million total—is not known, there is one certainty: None could fall below an ample social safety net consisting of supplemental security income, food stamps and medicaid—for which most SSI recipients are categorically eligible.

The core of the system is the Federal supplemental security income system. For minimum recipients in 1982 it will provide $5,192 per couple plus State supplementation. On a weighed average basis, Federal plus State supplement cash benefits will average $6,100 per couple in fiscal year 1982 as of July 1, 1982, after minimum benefit elimination in the House bill. While SSI contains an asset test, the recipients home, car, personal possessions of reasonable value and certain amounts of stocks, bonds, life insurance savings and other liquid assets are excluded.

With the exception of three States which cashout and thereby include food stamp cash value in the State SSI supplement, most SSI recipients are also eligible for food stamps. In a typical case the food stamp value would be an additional $675 per couple per year.

Finally, most SSI recipients are categorically eligible for medicaid, which covers most expenses for drugs, deductibles, and post-hospital care not covered by medicare. On a national average basis, the medicaid cash value is estimated to average $3,660 per elderly couple.

The table which follows shows this combined social safety net for selected States. Any needy beneficiary losing minimum benefits would not drop below these floors.

On a national average basis, a single social security minimum beneficiary will lose $772 per year in trust fund financed benefits, but those who have need are protected by a $6,980 floor. Similarly, couples receiving the social security minimum will lose on average $1,159 in trust fund financed benefits, but those in need are protected by a $10,600 floor. The existence of this safety net makes the risk of eliminating the minimum benefit negligible and will stop the flow of undeserved windfall benefits out of the trust funds.

So I just suggest that there is a lot of rhetoric. When we get down to the facts, the facts stand behind the action recommended by the President.

I ask unanimous consent to have printed in the RECORD social safety net figures, by State. These consist of potential payments and benefits under SSI, State supplements, food stamps, and medicare for couples receiving minimum benefits. For Michigan, the figure is $10,016.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

[In dollars]

State	Social safety net [1]
Alaska	12,429
California	13,860
Colorado	11,712
Hawaii	10,523
Idaho	10,219
Maine	9,814
Massachusetts	10,980
Michigan	10,016
Minnesota	10,085
Nebraska	10,589
Nevada	10,472
New Hampshire	9,900
New Jersey	9,816
New York	10,377
Oklahoma	11,042
Oregon	9,799
Pennsylvania	10,128
Rhode Island	10,454
Utah	9,883
Vermont	10,406
Washington	10,017
Wisconsin	10,296
Wyoming	10,041
Washington, D.C.	9,967
All other States	9,667
National average	10,600

[1] Consists of potential payments and benefits under Federal SSI, state SSI supplements, Food Stamps and Medicaid for couples receiving minimum benefits.

Mr. DOLE. Mr. President, I reserve the remainder of my time.

Mr. RIEGLE. Mr. President, I ask unanimous consent to add Senators SASSER, LEVIN, SARBANES, METZENBAUM and BUMPERS as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, will the Senator yield for a question?

Mr. RIEGLE. I yield to the Senator from Louisiana for a question.

Mr. LONG. Mr. President, I would just like to ask the Senator if there are not a lot of dear old people drawing their social security benefits who are really too proud to go out and apply for public welfare? Is it not true that generally speaking among the aged population, they feel that their social security benefit is something to which they made a contribution and something that they have earned as a right as distinguished from being an object for charity by applying for public assistance?

Does the Senator have a number of aging people in the State of Michigan, as we do in Louisiana, who are just too proud to come in and ask for food stamps and ask for welfare?

Mr. RIEGLE. The Senator is exactly right. The answer the other side is offering here, they are saying you can take away the minimum benefit and dump these folks on welfare. To somebody who is maybe 96 years old and has lived his entire life, and never had to be on public welfare; to say to that person: "We are taking away your minimum benefit and we want you to go on welfare," I think is about as heartless a thing as you can do. Plus how is it going to save any money? I do not see how that is going to save any money. It is going to take and basically intrude into the lives of those persons and cause great heartache and great upset.

Mr. LONG. Is the Senator familiar with the problem that exists with regard to those nuns who have taken a vow of poverty? They are being told that when their social security check is cut, they can go down and apply for welfare. Well, every one of those dedicated women would have to say, "I am sorry, we made a contract with God Almighty. We took a vow of poverty and we are not going to ask the Government to support us. We took a vow of poverty in the first instance and we would rather starve."

Mr. RIEGLE. It is interesting because what we are talking about is the minimum benefit. We are talking about $122 a month. We are talking about the person on the lowest run of the ladder, whether he be citizen or nun or whatever, and here we are today with the tax bill where we are carving up enormous benefits. We are giving help to people in every conceivable situation. Yet we want to take these folks on the very bottom run of the social security ladder and we want to just cut them right off. It really is a contradiction, it seems to me, of all the other things we are doing here.

Mr. LONG. Mr. President, if the Senator will yield, may I say I was one who led the charge—so far as I know I was the first one—to go out here and say we ought to cut the top tax rate from 70 percent down to 50 percent, and that will be great, good news to the wealthy people of this country.

Incidentally, the Senator from Kansas made reference to an unearned benefit. That cut of 70 percent down to 50 percent is on what is called unearned income. That means income that comes by virtue of dividends and interest and things like that.

If we can cut the top unearned income tax rate from 70 percent down to 50—and I am for doing it—does it not tend to point up an inconsistency in treatment, when that cut in the top tax rate was something that was not promised, and the minimum social security benefit is something that was promised?

These dear older people, including the nuns, are getting their little bit of social security and are told that it is unearned income. They are going to be cut from $122 down to $70 or some such amount, while at the same time the Government can afford to cut the tax on unearned income from 70 percent down to 50 percent so far as the wealthier people of America are concerned.

Mr. RIEGLE. The Senator makes a good point. The Senator knows as well as I do that if the old folks showed up today they would not even be able to get in the door because the place is packed to the rafters with all the representatives of the wealthy who are here because of the tax bill.

Listen to the ages here. There are 13,600 who are 95 years old or over; there are 66,000 in the age group from 90 to 94, and it goes right on down. In the group from 80 to 84 there are 284,000 people there. We are not seeing them. They are not coming down here. They do not have the money to come. Most of them are not physically able to come, so they cannot lobby for themselves. That is why they were put on the hit list first. They were the first ones targeted by this administration, despite the promises made in the campaign to protect these very people. That is what is so outrageous about it.

Mr. LONG. Might I ask the Senator what kind of sense it makes for anybody, including spokesmen for the administration, to pretend that we cannot keep it up? They say "we just cannot keep it up, we have gone as far as we can go. We just cannot keep this thing up," by sending these little checks to these dear old people. "We have got to stop them, we have got to find a whole new way of doing business," while, at the very same time, we are voting the biggest tax cut in history where the very wealthy do very, very well indeed, a tax cut that in the year 1986 will exceed $200 billion?

What kind of sense does it make to say that we cannot afford to take care of our aged, those who took care of us when they could, and that we cannot afford to take care of them because there is just not enough to go around? Yet we can afford this big tax cut for all those who are doing very well indeed in the country?

Mind you, I am not against the tax cut. I am just asking what kind of sense does it make to come in with all of these rosy economic assumptions that we can afford all the tax cuts and then look at someone like that little nun who would rather starve than go on charity and ask for public welfare, and say, "I'm sorry, we cannot afford to take care of you. We have to just economize. We cannot afford your benefit any more."

Mr. RIEGLE. I think the Senator points up the contradiction, and I thank him for that.

Mr. LONG. I had only one doubt about the Senator's amendment. To me it is incredible that our friends on the other side of the aisle are really going to permit this thing to happen. I can understand them talking about it, I can understand them voting for something to indicate it will happen, but for the life of me, I cannot believe they are really going to permit it to happen. That is why I approve of the Senator's amendment. It seems to me in due course they will come around.

Mr. RIEGLE. Of course, today would be a good time because it will give them a chance to come around.

I yield 2 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee is recognized.

Mr. SASSER. Mr. President, I rise today to support the amendment by my distinguished colleague from Michigan, Senator RIEGLE. He is to be commended for his steadfast insistence that we not indiscriminately cut social security benefits for the sake of having an artificially balanced budget in 1984.

I support and cosponsor this amendment because I believe that it is wrong to make these very poorest of social security recipients a sacrifice to the administration's attempts to cut the budget.

We are told that all those receiving this benefit will not really be hurt. But we keep hearing accounts of elderly individuals—farmers, clerics, as the distinguished Senator from Louisiana points out, nuns, widows whose husbands have very low wage histories, and others in very modest circumstances—who will lose their minimum benefit if this reduction goes through.

We are told that elderly individuals can simply receive alternative benefits from the supplemental security income—SSI—program once the minimum benefit is adopted. Actually this is an assumption and depends on individual circumstances and individual cases. Many of these individuals are very old, many above the age of 80, living alone, and would be intimidated, stigmatized, and traumatized by losing their social security payments.

We are told that these cuts are necessary to get the social security system back on the road to solvency. But this is small justification for the human tragedy and loss that will occur if these social security recipients are all chopped off the rolls. As I said earlier, most of them are elderly women with little other means of support and they will be shocked and shaken when they are told that they are no longer entitled to their minimum benefit of $122 per month or some $1,400 per year.

We are told that we can just put this minimum benefit reduction into effect and immediately save about $1 billion per year. But we are not apprised of the fact that it will take the Social Security Administration nearly 10,000 man-hours and some $250 million to make all the adjustments to recompute the minimum benefit.

If the administration wanted to solve the problem, it can agree to interfund borrowing to solve the immediate cash flow problems of the social security system. It could have supported the Moynihan amendment to the tax bill. And then we could resolve the long-term problems of the social security system which are some years away.

We can send a message to the American people that we are not going to play politics with the social security system if we approve the Riegle amendment. We can adopt a sensible program of meeting the cash flow problems of social security. And then, and only then, we can structure a long-term program to keep the social security system solvent for the 21st century.

I support adoption of the Riegle amendment.

Mr. RIEGLE. I thank the Senator for his statement.

I address the Senator from Kansas. I wonder if he would agree to extend the time 5 minutes on each side?

Mr. DOLE. Five minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIEGLE. I yield to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I again rise to support the amendment of the Senator from Michigan which I am pleased to cosponsor.

We should take the opportunity right here, right now to correct the error we made when we eliminated the minimum benefit in the reconciliation bill.

I want to set the record straight about why we have to do it.

Not once but twice in the last year the President of the United States told social security recipients that they would not have their benefits reduced.

Elimination of the minimum benefit breaks that promise not just for the 3 million minimum benefit recipients but with every one of the 36 million social security beneficiaries who retired under a given set of rules.

It tells all recipients they have no assurances about future benefits.

That is the basic issue.

From the beginning of the debate on this issue we have been told that nobody would really be hurt. The fact is that many will be hurt and no one in this Chamber or anywhere else knows how many.

No amount of discussion over unearned benefits or replacement income or how many of the 3 million minimum benefit recipients will become eligible for SSI can overcome that simple fact; 500,000 minimum benefit recipients are over 80; 80,000 are over 90.

No one knows how many people in their eighties and nineties are going to go down to apply for welfare when the check stops.

No one knows how many between ages 60 to 64 will qualify for SSI under the amendment we adopted earlier.

No one knows how many recipients will have their checks delayed or lost after their benefits are recalculated.

The Riegle amendment takes care of all these unknowns. It assures that everyone whose benefits would actually be reduced under the amendment we passed previously will not suffer a loss of income.

The letter sent to us yesterday by the President of the United States refers to our efforts to restore the minimum benefit and he implies that "such a result would jeopardize our economic recovery program so vital to the well-being of the Nation." I, for one, do not believe that economic recovery depends on denying a $122 benefit to three million elderly Americans.

Mr. President, as has been pointed out earlier during this debate, the bill before us calls for the largest tax reduction in the history of this country—the history of this country. Individuals who are making $500,000 a year, get an $80,000 a year tax reduction. Yet we are eliminating a benefit of $122 for 3 million Americans.

Mr. President, equity demands this amendment be accepted. The commitment of the United States to its citizens demands that this amendment be accepted. I hope that the Senate will join in agreeing to this amendment, which will mean the difference between living in dignity and some degree of security or living in dispair and loss of hope for many of our elderly citizens in their remaining years.

I thank the Senator from Michigan.

Mr. RIEGLE. I thank the Senator for his contribution and I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, how much time remains?

The PRESIDING OFFICER. Seven minutes for the Senator from Kansas and 2 minutes and 6 seconds for the Senator from Michigan.

Mr. DOLE. Mr. President, I want to say, first, as to the letter put in the RECORD from a constituent, I do not think that lady is going to have any problem if she is receiving SSI. It is my understanding the difference would be made up dollar for dollar if her social security benefit was reduced. So that is part of the misunderstanding, I think.

Mr. RIEGLE. Let me clarify it. The writer refers to his mother who is the one who is going to lose the minimum benefits. His mother-in-law gets the SSI. So there are two different individuals.

Mr. DOLE. Mr. President, I thank the Senator for the clarification.

I might point out that in the social security amendments of 1977, even a Democratic Congress and a Democratic President recognized the need to phase out the minimum benefits and froze the benefits at $122. That fact has apparently been forgotten by everybody on the other side.

This is not something that has just sprung up since January 20. There has been a lot of consideration of how to phase out and reduce the cost of this benefit.

All this talk about the stigma of welfare does not make sense. There are about a half a million people who receive the minimum benefit who are already on welfare. Another half million or more are eligible and I think they should be encouraged to participate.

I suggest that one reason for all of this misunderstanding is the political terrorism we see coming from the other side of the aisle. One day I hope we can finally discuss the social security system and the way to preserve its integrity. There is no doubt about it, there are a lot of senior citizens, a lot of young Americans, who are frightened about the prospects for the future as they hear all the rhetoric emanating from this Chamber and other places around Washington. Our obligation is to preserve the system.

Somebody mentioned the nuns. I might just suggest for the record that it was the Senator from Kansas who had them appear before our committee. I have assured them that we are aware of the problem and will do something about it. Perhaps we will take care of that in conference. So that is not an issue here, as I see it.

I might say, to the credit of Senator HEINZ, who is not in the Chamber, we made an alteration in the Senate Finance Committee that would qualify another 80,000 minimum beneficiaries between the ages of 60 and 64 for SSI special payments. That is contained in the Finance Committee proposal.

I think there are some facts worth emphasizing. Where is my fact sheet?

Mr. RIEGLE. The Senator is welcome to mine if he cannot find his.

Mr. DOLE. I just wanted to add some more facts to the record because now and then a fact is not improper to add to the debate.

Let us just take the average individual on the minimum benefit who would receive $2,122 in 1982 from the social security trust fund. He or she would have contributed, based on a typical total lifetime earnings for such beneficiaries less than $355 in social security payroll taxes. In certain cases, minimum beneficiaries could get $3,183 per couple each year by paying as little as $3 in their entire working lifetime.

Many beneficiaries who will be eligible for the minimum benefit in 1982 at age 65 could have paid less than $68 in lifetime social security taxes—an amount they will recoup in only 12 days.

On average, a husband and wife receiving an initial minimum benefit in 1982 would be paid more than $100,000 during their retirement from the social security trust funds. For the average couple, this would be about 300 times what they have paid in, and thus could not be considered earned.

So the point the Senator from Kansas wishes to make is that if you want to discuss the minimum benefit, let us discuss the minimum benefit. If you want to discuss the politics of social security, we could have another debate on the politics of social security.

I agree, and I think the Senator from Kansas has a fair record as far as low-income Americans and those in need of assistance. But let us not stand up and say, "Oh, we are going to put people on welfare." This is not an earned benefit in most cases. If it is earned, they do not lose anything.

As I recited, when you end up with all the facts, add up all the people who are receiving double pensions, all those who have retirement incomes of $20,000 or more, the case is not nearly as bad as some in the press and some on this floor would make it out. If we present the facts to the American people, they will understand.

The President is going on nationwide television, I understand, sometime soon to tell the American people the facts about the social security system, to stop some of the political terrorism being spread around this country by some who are looking at the politics of this system rather than the soundness of this system.

Now, we have a choice. We can follow the advice of the President of the United States—and I believe the President of

the United States when he indicates there is a social safety net and he is going to protect those in that category. I am going to stick with the President. I hope that we will have a lot of Democrats do the same today.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. RIEGLE. Mr. President, how much time remains on this side?

The PRESIDING OFFICER. The Senator from Michigan has 2 minutes and 6 seconds remaining. The Senator from Kansas has 46 seconds remaining.

Mr. RIEGLE. Mr. President, I ask unanimous consent to add the following cosponsors to my amendment: Senators ROBERT C. BYRD, DODD, PRYOR, EAGLETON, DIXON, WILLIAMS, JOHNSTON, TSONGAS, ZORINSKY, PELL, DECONCINI, MELCHER, MOYNIHAN, MITCHELL, BURDICK, and CRANSTON.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIEGLE. Mr. President, first of all, let me say, as I have said in previous debates on this, I do not accept the data that I just heard presented, ginned up, by OMB to try to put the happiest possible face on what is really a miserable set of facts.

We have 3 million people who are going to be hurt and affected by this loss of the minimum benefit on social security. Now, this tax bill through the year 1986 provides $687 billion worth of tax benefits—$687 billion worth. And yet we cannot continue the minimum benefit of $122 a month for these 3 million old people, half of them with incomes under $3,000 a year and 75 percent of them women.

We are talking about, in terms of total dollars, a billion dollars a year in the outyears, and they say we cannot afford that. And yet we can afford $687 billion in this tax cut. That is just outrageous, and the people on that side of the aisle know it. As I stated there is a reason that Reagan made this promise during the campaign—because people knew and they were concerned that if he were elected he might come in and start dismantling social security.

On the two occasions that I cited, one before the election and one since, he promised solemnly that he would not take these benefits away.

That promise has been broken and it is this side of the aisle that is trying to see that that promise is kept.

We have an opportunity to do it right now.

It is not sufficient for a Senator to say, "Look, maybe I can doctor this up in conference. Maybe we can find some way."

The Senate is on record for eliminating this benefit on the 1st of August, which is roughly 10 days away. Social security is not even in a position to do it administratively. It is going to take 10,000 hours of work and $250 million just to do the change in the accounting system in order to be able to carry this out. But that is the position of the Senate, that is how the Senate voted, and that is where we stand today.

We have a chance to undo that. That is what the amendment at the desk would do. It would continue this minimum benefit for those people who now receive it.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DOLE. Mr. President, that can be worked out in conference. The House agreed to different dates. That is not a problem.

With reference to the tax bill, yesterday the Senator from Kansas tried to cut the revenue loss by a couple of billion dollars and the Senator from Michigan voted no. If he wants to cut the size of the tax cuts, he had a chance to vote that way last night. Let us not stand up and talk about the big tax cut. This Senator tried to reduce it by a couple of billion dollars but received no help from the Senator from Michigan.

When all the rhetoric is over, hopefully soon, we will work this out, and I hope we can do so with the assistance of the Senator from Michigan. I do not have any quarrel with the Senator from Michigan. On many issues we agree. I do not think we disagree really on this issue. But let us in the Finance Committee, where we have the primary responsibility, try to work out some of the problems where there are problems that need to be addressed.

The PRESIDING OFFICER. The time of the Senator from Kansas has expired.

SOCIAL SECURITY MINIMUM BENEFIT

Mr. ROBERT C. BYRD. Mr. President, the issue before the Senate is not a new one. We have considered it before. We all know the question: Are we going to take social security retirement income away from retired Americans, through the budget process?

I remember, 5 months ago, when the President came before Congress to argue the merits of his budget plan. He said that budget savings would not be made by cutting the social security retirement program. He said that:

> (T)he full retirement benefits of the more than 31 million social security recipients will be continued along with an annual cost-of-living increase.

He said that retirement benefits would be preserved in the Federal budget as part of the Nation's safety net.

The amendment before the Senate offered by the distinguished Senator from Michigan, Mr. RIEGLE, is another opportunity to vote for the President's budget pledge to hold true. The amendment would not extend the minimum benefit to future social security recipients, but it would preserve the retirement income for current retirees.

Three million Americans are currently eligible for minimum benefit payments. More than 500,000 Americans, age 80 or older, have been receiving the minimum payment for 15 years or longer. The minimum benefit was designed to be a safety net under social security—to prevent the neediest retirees from living their retirement years in poverty. It is clearly irresponsible to suddenly rip that safety net away from 3 million retirees and assume that they will survive financially.

The question before the Senate today is whether we are going to act to close one of the holes in the President's safety net. This may be our last opportunity to do so.

Failure to adopt the amendment being offered by the Senator from Michigan will send a chilling message to Americans. We will be telling people that they are no longer entitled to the benefits promised to them by the social security system when they made their retirement plans. We will be telling them that if they need assistance, they should apply for welfare.

We are talking about the integrity and purpose of the social security system—a system which is vital to the well-being of the Nation's elderly. I reject the notion that has been proferred by the administration that the neediest social security retirees should be asked to abandon the system and turn to the welfare system. I support a balanced Federal budget. But, that budget cannot be balanced on the backs of the Nation's elderly.

● Mr. MOYNIHAN. Mr. President, I rise in support of the amendment offered by the Senator from Michigan, which I have cosponsored.

Few of the cuts made through the reconciliation process are as unnecessary and unfair as elimination of the minimum benefit. This payment of $122 per month is made to 3.1 million workers who have very low incomes or who have worked in jobs covered by the social security system only for a short time.

The administration paints the typical minimum benefit recipient as a Federal employee who, after 20 or 30 years in a Federal job, retires from Federal employment and works in a job covered by social security just long enough to qualify for the minimum social security benefit. But data released on July 20 by the Office of Management and Budget show that minimum benefit recipients are typically not retired Federal employees. Only 800,000 of the 3.1 million recipients receive any pension or have a spouse who works or receives a pension.

Indeed, these data show all too clearly that minimum benefit recipients are the least fortunate among us. Fifty percent have total yearly incomes—from pensions, food stamps, supplemental social security—under $10,000 per year. 1.5 million—47 percent—are over age 70, and nearly 100,000 are more than 90 years old. According to an editorial that appeared in today's Washington Post, "two million stand to lose an average of 40 percent of their current benefits." According to the Congressional Research Service, 800,000 are potentially without other sources of income. I ask that the Post editorial and these articles from the New York Times of July 20, 1981 and the Washington Post of July 20 and 21 be inserted in the RECORD.

According to the Congressional Budget Office's most recent economic estimates, restoring the minimum benefit to those now receiving it will cost $7.2 billion between fiscal year 1981 and 1986. No one is more sensitive than I to the financial problems faced by the social security system and the need to insure the system's financial stability. But CBO data show that we can afford to pay the minimum to those who receive it today.

The social security cuts in the Senate reconciliation bill total approximately

$26 billion through fiscal year 1986, and according to Robert Ball, former commission of social security, the additional interest income to be paid on that savings totals nearly $11 billion. CBO estimates that, without taking the reconciliation cuts into account, the combined social security trust funds need $12.9 billion to cover the projected shortfall between 1982 and 1986 (thereafter the funds will not face a deficit until the next century). The $37 billion saved through reconciliation more than covers that deficit, and still provides more than necessary savings if the $7 billion savings from the minimum benefit is eliminated.

We are in the process of providing relief to taxpayers. Necessary relief. But in the process we must not forget that those who depend on their Government for subsistence need reassurance and relief from their fear that their small incomes are to be made even smaller. I urge my colleagues to vote for Senator RIEGLE'S amendment to restore the minimum benefit.

The articles follow:

[From the New York Times, July 21, 1981]

REAGAN ATTACKS EFFORT TO KEEP MINIMUM PENSION

(By Warren Weaver, Jr.)

WASHINGTON, JULY 20.—President Reagan today accused House Democrats who are trying to preserve the minimum benefit guaranteed by the Social Security system of "opportunistic political maneuvering, cynically designed to play on the fears of many Americans."

At midday tomorrow, the House is to vote on a nonbinding resolution, sponsored by Representative Jim Wright of Texas, the Democratic floor leader, that urges keeping intact the Social Security benefit floor that both houses of Congress had eliminated in their budgets at the behest of the President.

Ordinarily, conference committees do not have authority to reverse provisions in legislation when both the Senate and House have taken substantially the same action in their respective versions of the bill. As a result, if the Wright resolution is approved and similar sentiment develops in the Senate, it might later be necessary to approve separate legislation reinstating the minimum benefit to reverse the budget action.

"THE MOST POLITICALLY DEFENSELESS"

Representative Wright said yesterday that those affected by the elimination of the minimum pension benefit would be "among the poorest and the oldest and the most politically defenseless in our society," adding, "Most of them are in their 70's and most of them are women."

But Mr. Reagan said in a letter to Congressional leaders released today that approval of the resolution would "have the unfortunate effect of disrupting the budget conference and reversing the actions of a majority of both houses of the Congress" and "would jeopardize our economic recovery program," which he says must be adopted intact.

In the letter, President Reagan said that efforts to approve the Wright resolution "appear designed to exploit an issue rather than find a solution to the urgent Social Security problem." He said that he would go on national television "as soon as possible" to present the Administration's case to the public.

Responding to the Reagan letter a few hours later, Thomas P. O'Neill, Jr., the Speaker of the House, charged that the President "distorts the issue" and that the Administration's actions "cast doubt on your support for a healthy Social Security system." He said that it was unconscionable to "exploit fears" about the condition of the system "so as to make deep cuts in benefit levels."

HOW MINIMUM BENEFIT WORKS

What is at issue is a provision that Congress wrote into the original Social Security Act in 1935, largely in the interests of administrative efficiency. It was decided then that no one eligible to draw retirement benefits would receive less than $10 a month.

Over the years since then, the generosity of Congress and the pressures of inflation have increased that minimum figure to $122. Under current law, anyone who works 40 quarters in employment covered by Social Security can draw that benefit on retirement, no matter how low his wages or his past contributions to the fund.

The White House calls this minimum figure "an unearned benefit" and "a welfare support add-on" because it is not strictly based on the wages and the working history of the beneficiary, as all other benefits are.

In his budget, President Reagan proposed giving all these smaller contributors to the Social Security fund whatever amount less than $122 a month that the formula produced in each case. The White House figures that cutting these benefit checks will save about $7 billion over the next five years.

Social Security experts agree that the system will run short of money in the 1982–86 period by anywhere from $10 billion to $110 billion, depending on economic predictions. Eliminating the minimum benefit was one of President Reagan's recommendations for meeting that shortage.

In their budget legislation, both the Senate and House agreed that the minimum benefit should be abolished for those retiring in the future. For those currently receiving the minimum benefit, the Senate voted to remove the floor immediately, the House in April of 1982.

PRESSURE ON CONGRESS

Those proposals are now before a conference of 72 Senators and 183 Representatives assigned to produce a single compromise budget bill. The Wright resolution represents a major effort by House Democrats to put the minimum benefit back into that compromise bill.

However, ever since May, when President Reagan proposed a group of benefit reductions for Social Security going far beyond his budget cuts, Congress has become increasingly sensitive on the issue, conscious of widespread protests from contributors to the system who are already receiving benefits or who are about to retire.

The Senate unanimously approved a resolution condemning the President's plan to reduce benefits for those who choose early retirement and refusing to endorse economies that would save more money than is needed to meet the immediate financial shortage expected in 1982–86 and the long-range problem expected around 2010.

While the House is voting tomorrow, the Nation Council of Senior Citizens will hold a rally outside the West Front of the Capitol to protest the Social Security benefit reduction proposed by President Reagan.

OTHER SOCIAL SECURITY BILLS

At the same time, Representative Charles E. Bennett of Florida said he would introduce legislation to maintain the minimum benefit, using general fund revenues to supplement the Social Security fund. The third-ranking Democrat in the House, Mr. Bennett has twice voted with Republicans in support of the Reagan budget. Action is also scheduled for the Senate tomorrow.

Senator Donald W. Riegle Jr., Democrat of Michigan, has sponsored an amendment to the pending tax cut bill that would preserve the minimum benefit, and it is scheduled for a floor vote tomorrow morning.

In an analysis made public this weekend, the Office of Management and Budget maintained that only about 300,000 of the 3 million now officially receiving the minimum benefit would be seriously affected by its elimination and that these people were already guaranteed the equivalent of about $10,000 a year per couple from other Federal programs: Supplemental Security Income, food stamps and Medicaid.

The White House budget agency report said that 1.2 million minimum beneficiaries would continue to get the same size checks, in cases involving couples with two eligible members; that 500,000 could make up the loss through Supplemental Security Income; that 200,000 were students or child dependents, and that 800,000 enjoyed "comfortable" outside incomes from other pensions or working spouses.

One protest against dropping the minimum benefit that received considerable attention came from nuns and other members of religious orders that call for vows of poverty. Some 75,000 of them are now members of the Social Security system, made eligible by special legislation in 1972, but their "income" in food, clothing and shelter is so low that those who retire would not receive any Social Security benefit if it were not for the minimum payment.

[From the Washington Post, July 21, 1981]

REAGAN ATTACKS DEMOCRATS ON SOCIAL SECURITY

(By Helen Dewar)

President Reagan yesterday reclaimed the offensive on Social Security, accusing the Democrats of "opportunistic political maneuvering" on the issue and saying he will ask for time on nationwide television to rally support for a "bipartisan" solution to the system's financial problems.

Reagan made only oblique reference to the Democrats' latest jab at his proposed Social Security cutbacks: a resolution calling for retention of the $122-a-month minimum Social Security benefit for current recipients. Both houses, at Reagan's request, earlier voted to eliminate the benefit as part of the omnibus package of spending cuts.

The resolution is scheduled for a House vote today, just as the National Council of Senior Citizens stages a mass rally on the steps of the Capitol to protest Reagan's Social Security proposals.

Republicans in both houses have acknowledged that the political fallout from proposed Social Security cuts is mounting, and House Republicans late yesterday were working on a strategy to head off or neutralize the Democrats' resolution, including the possibility of a counter-proposal to protect the neediest of the 3 million recipients of minimum benefits.

In his letters to Republican and Democratic leaders of both houses, Reagan also sought to neutralize the issue by serving notice that he will go before the country "as soon as posible" to call on the Congress to lay aside partisan politics and join me in a constructive effort to put Social Security on a permanently sound financial basis."

But Reagan got in some partisan licks, too, saying he deplored "the opportunistic political maneuvering, cynically designed to play on the fears of many Americans, that some in the Congress are initiating at this time."

"These efforts appear designed to exploit an issue rather than find a solution to the urgent Social Security problem," Reagan said. "They would also have the unfortunate effects of disrupting the budget conference and reversing the actions of a majority of both houses of the Congress. Such a result would jeopardize our economic recovery program so vital to the well-being of the nation."

Reagan's reference to the budget conference stemmed from a proposal by House Majority Leader James C. Wright (D-Tex.),

author of the Democratic resolution, that House conferees on the spending cuts legislation be instructed to keep the minimum benefit, even though both houses have voted to eliminate it. However, the resolution makes no reference to the conference, and Democratic budget leaders have said they favor separate legislation to reinstate the benefit.

Far from silencing his Democratic critics, Reagan prompted an in-kind response from House Speaker Thomas P. (Tip) O'Neill, Jr. (D-Mass.), who attacked both elimination of the minimum benefit and Reagan's more far-reaching proposals to cut future benefits.

"The old age and disability benefit cuts proposed by your administration are twice as deep as necessary to keep the system solvent," O'Neill said. "They are ill-advised and unacceptable. It is unconscionable to create and exploit fears about the fate of the Social Security system so as to make deep cuts in benefit levels."

The Democratic National Committee also made clear it didn't think the president was rising above politics. The committee called major television networks to say the Democrats want time to respond if Reagan gets time for an address on Social Security. White House officials said a specific time will not be requested until after Reagan returns from talks in Ottawa.

Meanwhile, Sen. Donald W. Riegle, Jr. (D-Mich.) yesterday introduced an amendment to the tax cut bill to retain the minimum benefit for those who receive or qualify for it this year. It will be voted on today. A previous Riegle effort to retain the benefit failed earlier this month, 53 to 45.

In conferences to resolve differences in the nearly $40 billion worth of spending cuts approved earlier by both houses, banking committee conferees agreed to retain Urban Development Action Grants as a separate program, against Reagan's wishes. They also approved tighter restrictions than House Republicans wanted on small cities' block grants. Reagan's proposed block grants for health services emerged as a stumbling block in another conference.

Education committee conferees agreed to $475 million for impact aid for school districts with large numbers of federal employees; the Senate had proposed $500 million, the House about $400 million. The program now costs about $800 million. The conferees also agreed to split the difference on scaled-back funds to educate poor children.

[From the Washington Post, July 21, 1981]

THE NUNS' STORY

Most of the people now receiving the Social Security minimum benefit are not the sort who can launch massive letter-writing campaigns or work the halls of Congress. Perhaps as a result, an administration proposal eliminating the minimum benefit for people with low earnings records moved with little notice into both the budget bills being reconciled in a Senate-House conference.

Now one group among the 3 million people potentially affected has been heard from—about 14,500 nuns and male clerics belonging to religious orders. Last week, spokesmen for the nuns caused a good deal of squirming among members of Congress on both sides of the aisle, lending strength to efforts by House Majority Leader James Wright and others who are sponsoring a resolution—scheduled for a House vote today—calling for retention of the minimum.

The appearance of the nuns and male clerics came as a surprise to almost everyone. Under the normal conventions of Social Security and other social insurance programs, members of cloistered religious orders wouldn't be eligible. Since they have taken a vow of poverty, they receive no wages and pay no payroll taxes, relying instead on the orders they have joined to provide them with room, board and other necessities. Amendments to the Social Security law in 1972, however, allowed the orders to make contributions on behalf of their members on the assumption that the benefits they receive have an income value of about $100 a month. The Social Security benefit formula is weighted to give a very high rate of return on low earnings, but in this case the taxes paid are so low that the nuns' benefits would be very small without the minimum floor. They would, however, retain full eligibility for Medicare.

Spokesmen for the religious orders pressed for a special exemption from the minimum-benefit termination. They argue that their members do not have available the welfare alternative suggested by David Stockman as the proper recourse for the needy, since they have taken a vow of poverty. Since welfare and Social Security are, as far as we know, paid in the same currency—and since welfare benefits are typically set so as to make sure that recipients stay in poverty whether they want to or not—this seems a curious argument. Moreover, since other minimum beneficiaries actually *sacrificed income* to gain coverage while the nuns and clerics did not, special treatment is hard to justify.

Putting a spotlight on the religious orders has, however, drawn useful attention to the plight of all the elderly for whom adjustment to a sudden reduction in circumstances will be even more difficult. While ending the Social Security minimum for future beneficiaries can be justified—under current law, the benefit is already scheduled for a gradual phase-out—abruptly changing the rules for people already relying on the benefit does not. Of the group at risk, 1.5 million are over the age of 70, close to 100,000 are over 90. Two million stand to lose an average of 40 percent of their current benefits and, according to the Congressional Research Service, 800,000 are potentially without alternative sources of income. Gradual disclosure of one sad case after another caused by an almost unexamined budget decision is not a happy prospect for Congress or this country.

[From the Washington Post, July 20, 1981]

OMB MOVES AGAINST EFFORTS BY DEMOCRATS TO RESTORE MINIMUM SOCIAL SECURITY BENEFIT

(By Nicholas D. Kristof)

The Office of Management and Budget yesterday moved to derail efforts planned by congressional Democrats this week to restore the $122-a-month Social Security minimum now received by 3 million beneficiaries.

A statement issued by OMB said the minimum, which is slated to be dropped under the House and Senate spending cut bills, is a "pure 'windfall' for recipients" that would cost $7 billion over the next five years. The additional cost would make "the Social Security financing crisis that much more acute and jeopardize benefits of those who earned them."

At issue is only whether the minimum should be preserved for those who now receive it. Even House Democrats have proposed eliminating it for future recipients.

Because the minimum is received by those who would earn less by the conventional formula, OMB termed it "an unearned benefit." Among those who receive the minimum OMB said, 300,000 would feel the effect of the cutback. Even those could not fall below a "safety net" of supplementary security income, food stamps and medicaid that stands at about $10,600 per couple per year, OMB said.

Of the other 2.7 million recipients of the Social Security minimum, OMB said:

1.7 million would be unaffected because they receive more than the minimum through an accounting technicality, because they earn an amount nearly equal to the minimum by the standard formula, or because they receive supplementary security income benefits that will make up the money lost from Social Security.

800,000 receive pensions or have spouses who work or receive pensions. The OMB said the average of these people's total incomes is above $20,000.

200,000 are college students or children below the age of 18 whose families have outside incomes.

House Majority Leader James C. Wright (D-Tex.), who led the move Thursday to reinstate the Social Security minimum in pending legislation, responded, "The mathematical gyrations of the OMB never cease to amaze me. The fact remains that most of the people adversely affected are among the poorest and the oldest and the most politically defenseless in our society."

Wright said that if so many people would be unaffected, the resulting savings would not be large. "You can't have it both ways," he said. "If the government saves money at the expense of these elderly Americans, then the elderly Americans obviously must lose the money that is saved."●

● Mr. MITCHELL. Mr. President, last month the Senate rejected, on a 53-to-45 vote, an effort to make savings in the minimum benefit of the social security system by eliminating it prospectively, beginning on August 1, 1981. Instead, the majority of 53 voted to eliminate the minimum benefit retroactively, to take it away from people now receiving it, to take it away from a group which has been receiving it in many cases for over 10 years, 15 years, and 20 years.

This cut in an existing benefit has been defended on the grounds that we must save money, that the minimum benefit is not sufficiently closely tied to earnings and contributions to the system, that those who suffer an income loss will be able to make it good through welfare, that a GAO study of 1977 entrants into the system showed that most were sufficiently well off not to rely on the minimum benefit as their prime source of income. The cut has been defended on the grounds that this is one of those welfare-like provisions which has crept into the system over the decades, and which must be rooted out if we are to retain its fiscal stability and to reorient it toward its appropriate goals.

The minimum benefit has been an integral part of the system since its creation. It was particularly necessary in the earlier years, when short periods of coverage and very low incomes would have left some beneficiaries with truly insignificant benefit checks. And as we added new categories of workers to the system—farmers, domestic workers, members of religious orders, as late as 1972—the minimum benefit gave these people a small income to make up for the fact that the system had excluded them from full coverage. So those who claim to want to rid the system of recently acquired welfare characteristics should look elsewhere than at the minimum benefit.

The 1977 GAO study that is touted so often was precisely that: a study of people entering the system in 1977. It made no claim to being a study of those already in it. Congress responded to that report by freezing the 1977 minimum benefit and preventing it rising above $122 a month. GAO estimated that 15

percent of current minimum benefit recipients correspond to the popular notion of the well-off retired bureaucrat with a Government pension and a social security benefit gained through minimal work in the private sector. So we are seeking to rectify a loophole used by 15 percent by penalizing the other 85 percent.

Those arguments to eliminate the minimum benefit were not compelling last month and have gained no credence since. The administration has been unable to produce any more information than that which was available last month about the beneficiaries under the system or their prospects in life if this benefit is ended than was available then. The only added information consists of Mr. Stockman's contention that the minimum benefit represents a $7 billion "windfall" to undeserving people who do not really need the money.

The facts of the situation ought to dispell that vicious canard: Three million Americans today receive the minimum benefit. Three-quarters of them are elderly women—elderly women who spent their earlier lives in a society where women worked less often and had fewer professional opportunities to earn an adequate wage.

Half these people, men and women, are over 70 years of age. They are people who retired years ago and who based their retirement decisions, at least in part, on the calculation that the minimum benefit of $122 per month—just $30 per week—would be a source of income to them.

Nine hundred and fifty thousand of these people are over 75 years old. They retired at least 10 years ago. Half a million of them are over 80—they retired more than 15 years ago. In 1966.

Eighty thousand of these people are over 90 years of age: People who left the work force before 1961—not healthy, relatively young people with recent work experience who can find some other source of income.

Of the 3 million who receive the benefit, 1.2 million fall below the poverty line. These are not middle-class Government workers who have worked a few short years just to top off a nice pension with the minimum social security benefit. Almost half these people now live on incomes that the Federal Government itself concedes place them in dire poverty. Yet, the argument has been made that this is a windfall benefit, unearned, undeserved, and unfair to working people.

It is claimed that these beneficiaries will make up the income loss. Well, the Social Security Administration has some information on that; 1.2 million may be able to make up the income loss and will not suffer, because their spouses' benefits will rise, or because their earned benefits are equivalent to the minimum. One million people may be able to turn to the supplemental security income program: Some 80,000 will become newly eligible when we eliminate their current income. Some half-million not now in the program will be able to enter.

But the best calculations of both OMB and the Social Security Administration still leave unanswered the fate of 800,000 of these people. We will impoverish 80,000 people sufficiently to make them eligible for welfare. We will force another half million who have been too proud to take welfare or too old to understand their eligibility, to go down to their local welfare offices and put themselves on public assistance for the remainder of their lives.

But for 800,000 human beings. We are legislating in a vacuum. We simply do not know if these are wealthy people taking advantage of the system, or the very, very elderly who began receiving benefits many years ago and have not been in touch with the system since then. We simply do not know.

The ease with which people are going to make up the lost income is something on which we have little information. Current law requires that no SSI benefit go to any person with liquid assets of $1,500 or more. Simply stated, that means the elderly person who has managed to set aside $2,000 or $1,700 for a decent funeral will be forced to spend some of that money before the SSI program will recognize a need. Simply put, we are willing to ask a million old people who have worked, paid into the system, most at very low wages, and many in jobs for which social security coverage came late, to live out their lives on welfare, to spend their small nest egg if they have one, to give up their right to self-respect, to stop being able to proudly write—as so many Maine people have written me—"I never took a nickel from the Government"—we are asking them to do this because we are simply unable budget or in the social security system itself.

That is not believeable. As a Member of the Senate who has voted for spending cuts that this administration did not want—for cuts in such questionable priorities as the Clinch River Breeder Reactor, the tobacco subsidy program, the incredibly bloated self-promotion budgets of every Cabinet department and agency—I reject the contention that our economic plight is so desperate—that our budget has been so closely pared—that no other course remains open but to sacrifice the dignity and the self-respect of 3 million retired Americans.●

Mr. SARBANES. Mr. President, I rise in strong support of the pending amendment that would restore and maintain the minimum social security benefit for those persons who currently receive it and those who will be eligible to receive it through the end of this year. The administration's proposal actually takes away social security benefits from people who are already receiving them, thereby abruptly terminating this benefit for people who were relying on it as part of their retirement income. It will establish a dangerous and unfortunate precedent, namely that social security benefits can be cut back and taken away.

The termination of the minimum benefit and the other recently proposed wide-ranging cuts that the administration has put forward regarding our social security system have caused deep concern, anxiety, and fear among the American people. Such action by the administration repudiates the commitments made by the Government to our citizens and places those citizens who have relied upon promises with respect to their retirement years in a very difficult and unfair situation.

This particular proposal of the administration to terminate the minimum benefit strikes many of those least able to afford any reduction in their already low income. The minimum benefit, currently $122 a month, was specifically established to assist citizens with very low earnings to obtain a basic minimum retirement income from social security in order to improve the possibility of their economic independence. Should the administration's recommendation be enacted into law, 3 million elderly persons, half of them already below the poverty line, will find their monthly benefits drastically reduced or completely eliminated. Fifty percent of these recipients are over 70 years of age and 80,000 are above the age of 90. Many are receiving the minimum benefit as their sole source of income and would be forced to turn to welfare if this benefit is terminated.

It is of great importance to our society that every individual have dignity, self-sufficiency, and self-respect. A major ingredient for self-sufficiency and therefore dignity, is economic independence. Social security benefits are provided to more than 90 percent of our older citizens and are usually their most important single source of income. It has been estimated that the social security program has cut the incidence of poverty among the aged by two-thirds. Yet, even with these benefits, the incidence of poverty among the elderly is increasing. A recent report shows that the percentage of the elderly below the poverty line climbed from 14 percent in 1978 to 15 percent in 1979, after having decreased for a number of years.

We must recognize the importance of the stability and reliability of the social security system and oppose the proposed reductions in benefits. Social security rests on a pledge between our citizens and our Government, a pledge which has been honored since the inception of the system. Retired people and those about to retire in the near future should not be treated in an arbitrary and cavalier manner. They deserve better for a lifetime spent working to build our country.

MOTION TO TABLE AMENDMENT NO. 503

Mr. DOLE. Mr. President, I move to table the amendment in the first degree. I refer to the amendment in the first degree.

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. BAKER. Mr. President, this is a tabling motion. Have the yeas and nays been ordered on the tabling motion?

The PRESIDING OFFICER. The vote occurs on the tabling motion. The yeas and nays were ordered on the tabling motion last night.

Mr. DOLE. That is the tabling motion on the amendment in the first degree.

The PRESIDING OFFICER. That is the tabling motion on the amendment in the first degree.

The clerk will call the roll.

(The VICE PRESIDENT assumed the chair.)

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER) is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Hawaii (Mr. MATSUNAGA) is necessarily absent.

The PRESIDING OFFICER (Mr. DENTON). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 52, nays 46, as follows:

[Rollcall Vote No. 207 Leg.]

YEAS—52

Abdnor	Gorton	Nunn
Andrews	Grassley	Packwood
Armstrong	Hatch	Percy
Baker	Hatfield	Proxmire
Boschwitz	Hayakawa	Quayle
Byrd, Harry F., Jr.	Heinz	Roth
Chafee	Helms	Rudman
Cochran	Humphrey	Schmitt
Cohen	Jepsen	Simpson
D'Amato	Kassebaum	Stafford
Danforth	Kasten	Stennis
Denton	Laxalt	Stevens
Dole	Lugar	Symms
Domenici	Mathias	Thurmond
Durenberger	Mattingly	Tower
East	McClure	Wallop
Garn	Murkowski	Warner
	Nickles	

NAYS—46

Baucus	Ford	Mitchell
Bentsen	Glenn	Moynihan
Biden	Hart	Pell
Boren	Hawkins	Pressler
Bradley	Heflin	Pryor
Bumpers	Hollings	Randolph
Burdick	Huddleston	Riegle
Byrd, Robert C.	Inouye	Sarbanes
Cannon	Jackson	Sasser
Chiles	Johnston	Specter
Cranston	Kennedy	Tsongas
DeConcini	Leahy	Weicker
Dixon	Levin	Williams
Dodd	Long	Zorinsky
Eagleton	Melcher	
Exon	Metzenbaum	

NOT VOTING—2

Goldwater	Matsunaga

So the motion to lay on the table Mr. RIEGLE'S amendment (No. 503) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mrs. HAWKINS). The Senator from Kansas.

Mr. DOLE. Madam President, I hope now that we can go to work on the tax joint resolution again. I know that there are a number of Senators who have amendments.

Madam President, I yield to the distinguished Senator from Georgia without losing my right to the floor.

Mr. MATTINGLY. I thank the Senator from Kansas.

FELDSTEINS CONFIRM ECONOMIC RECOVERY PROGRAM

Madam President, at a time when we are debating and voting for fundamental reform of our tax system in an effort to make the new beginning possible for all Americans, the article which appeared in the Washington Post, July 21, 1981, further reinstates and supports such efforts.

I ask unanimous consent to have printed in the RECORD an article by Martin and Kathleen Feldstein, entitled "Tight Money and Tax Cuts: A Mix That Works," which confirms the economic recovery program.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 21, 1981]

TIGHT MONEY AND TAX CUTS: A MIX THAT WORKS

(By Martin and Kathleen Feldstein)

Two primary goals for economic policy in the 1980s are to reduce inflation and to increase investment in business plant and equipment. The monetary authorities have been focusing on fighting inflation by slowing the growth of the money supply. This tight money policy has, in turn, pushed interest rates to extraordinary highs. The prime rate charged by banks to their best customers is now over 20 percent, and new long-term corporate bonds are yielding more than 15 percent. These rates are not only high by comparison with interest levels in recent years but also imply an especially high "real" rate of interest—the difference between the interest rate and the rate of inflation.

Some critics of tight money argue that these high real interest rates will make it impossible to achieve the widely held companion goal of increasing investment and, ultimately, productivity. We disagree. While high real interest rates undoubtedly do in themselves tend to discourage investments by making it more costly and therefore less profitable to invest, the combination of fiscal and monetary policies that is currently being put into place will, on balance, have the effect of encouraging investment in plant and equipment.

The opponents of the tight money policy ignore the fact that this administration is pursuing a new economic strategy in its fight against the twin-headed monster of inflation and slow growth. It is combining monetary and fiscal policy in a way that is quite different from the combination used over the past dozen years. In particular, the critics of the monetary strategy overlook the fact that powerful tax changes that will encourage investment are now strongly supported by both the administration and Congress.

For the past two decades, monetary policy aimed at keeping interest rates low in order to stimulate investment. The old strategy called for combining this policy of easy money with a tight fiscal policy of government surpluses that would thereby reduce inflationary pressure.

That easy money strategy didn't work as its advocates had hoped. The effort to keep interest rates low led to a rapid growth of the money supply and that in turn led to rising inflation.

As inflation rose, interest rates rose about point for point with inflation, leaving the "real" interest rate unchanged. Thus although the higher interest rates meant that more had to be repaid for every dollar that a business borrowed, that repayment could be made with cheaper inflated dollars.

More important, because interest payments are deducted in calculating taxable income, the relevant cost of borrowing is the real after-tax rate of interest—that is, the cost of funds after both the tax deduction and inflation. When correctly measured in this way, the rise in interest rates caused by inflation actually reduced the true cost of borrowing.

To see how this can happen, consider an individual in the 40 percent bracket. If there were no inflation, he might be able to get a mortgage with a four percent interest rate. Since every dollar of interest expense reduces his tax by 40 cents, the after-tax interest rate is 60 percent of 4 percent, or 2.4 percent.

Now add an inflation rate of 8 percent into the calculation to get a nominal interest rate of about 12 percent. After deducting the full 12 percent interest payment, his net interest cost is 60 percent of 12 percent, or 7.2 percent. But since he repays the debt with dollars that are cheaper by 8 percent a year than when he borrowed the money, his true interest "cost" is actually a negative 0.8 percent. It is not surprising that individual mortgage borrowing skyrocketed in the past decade.

For business investors, the effect of inflation is more complex. In addition to lowering the cost of borrowing, the interaction of inflation and tax laws has a separate depressing effect on business investment. When there is inflation, the existing accounting method used for tax purposes understates the true cost of replacing equipment because depreciation allowances are based on the original purchase price of the equipment and are spread over a substantial number of years while prices are rising. This understatement of replacement costs has created artificial accounting profits and thus higher tax liabilities. This has the effect of lowering the profitability of prospective investments in plant and equipment.

Over the past decade and especially in the last six to seven years, this reduction in after-tax profitability has exceeded the decline in the cost of funds. The resulting fall in the incentive to invest has, in turn, caused a sharp fall in plant and equipment investment.

In contrast, the housing industry has been affected very differently by the interaction of inflation and tax laws. Investment in owner-occupied housing has benefited fully from the lower cost of funds without the problem of inadequate tax depreciation. And as a result, investment in housing has risen sharply relative to investment in plant and equipment.

The new strategy of tight money and high real interest rates will, as such, discourage investment both in housing and in plant and equipment. But the business tax cuts that are about to be enacted will provide more than enough additional stimulus to business to raise the level of investment in plant and equipment. This is true both of the administration's plan to shorten depreciation lives (to five years for most equipment and 15 years for most business structures) and of the congressional Democrats' plan to phase in immediate 100 percent write-offs for equipment and to lower the corporate tax rate gradually while eliminating the investment tax credit. In either case, the profitability of investment will rise enough to outweigh the higher cost of funds.

The proposed tax changes will do nothing to encourage more spending on owner-occupied housing. Indeed, the reduction in the high-bracket marginal individual tax rates will raise the net-of-tax cost of borrowing and therefore will reduce further spending on owner-occupied housing.

The new economic strategy thus represents a twist in the mix of economic policy: a high cost of funds to discourage housing and consumer durable spending combined with fiscal incentives for investment in plant and equipment that will outweigh the high cost of funds. We think the new strategy has a good chance of achieving the double goal of lowering inflation and increasing investment.

Mr. BENTSEN addressed the Chair.

Mr. DOLE. Madam President, I wonder if I might inquire of the Senator from Texas. I am not trying to pre-empt the Senator from Texas. But is it with reference to an amendment?

Mr. BENTSEN. Yes; it is with reference to an amendment.

Mr. DOLE. One that comes in barrels?

Mr. BENTSEN. The amendment I am to offer now does not.

Mr. DOLE. Pardon?

Mr. BENTSEN. It does not. The amendment I am about to offer does not.

Mr. DOLE. Madam President, maybe I ought to talk about this joint resolution for a while. I do not want to be surprised if I can help it.

Maybe the Senator from Texas will be kind enough to indicate what he has in mind. He does not have to, but it would be very helpful if he would. Could I inquire of the distinguished Senator from Texas?

Mr. BENTSEN. Will the Senator from Kansas give some indication to the Senator from Texas if he is going to be allowed to bring up the 1,000-barrel-a-day amendment?

Mr. DOLE. I can assure the Senator from Texas he is going to have an opportunity to do that. I understand from some we may be here all this week, all next week, and into August.

Mr. BENTSEN. The Senator from Texas is prepared to do just that because the Senator from Texas thinks he has a right to let the Senate vote on this important issue as the Senate has in years past.

Mr. DOLE. If it will reassure the Senator from Texas, the Senator from Kansas can state to the Senator from Texas that he is going to have the right to vote on his amendment.

Mr. BENTSEN. Today?

Mr. DOLE. I am not certain about today. But is there some reason he wants to do it today?

Mr. BENTSEN. The same reason I wanted to do it yesterday.

Mr. DOLE. Well, there may be even a better reason to want to do it tomorrow, but it was my hope we might work out some accommodation with the distinguished Senator from Texas.

As I understand it the Senator from Texas wishes to have a clear vote, either a tabling motion or an up-and-down vote on his amendment; is that right?

Mr. BENTSEN. The Senator from Texas certainly prefers and up-and-down vote on the amendment if that could be accomplished.

The Senator from Texas is willing to discuss, as he did yesterday, with the Senator from Kansas, the procedure by which that is done.

Mr. DOLE. I do not really think there is any difference of opinion as to what we may finally do, but I think there may be a difference on how we proceed on the matter. I wonder if the Senator from Texas might not call up the amendment at this time and perhaps we can discuss it with the assurance that the rights of the Senator from Texas will be preserved. The Senator from Kansas is not going to permit anything to happen to prevent either an up-or-down vote or a motion to table on the 1,000-barrel amendment. It will be a clear-cut vote on that issue. There is some talk about a substitute. The Senator from Kansas is willing to indicate that we can work out some agreement on the Senator's amendment and some agreement on the time, and I will not offer a substitute.

Mr. BENTSEN. I would be happy to further explore it with the Senator from Kansas, as I did yesterday. Obviously, both of us are preserving our rights. But for the moment, I am willing to stand aside to discuss it with the Senator from Kansas, but I am certainly urging very strongly that we try to bring this to a vote today.

Mr. DOLE. I hope he might also urge the distinguished minority leader to bring the whole joint resolution to a vote today. Maybe we could work out a package arrangement. The Senator from Kansas, as well as other Senators, is also involved in the $11 billion conference on reconciliation.

Mr. BENTSEN. The Senator from Texas is not one who overuses this Chamber and has not been dilatory in his actions in the past. As long as I have an up-and-down vote on this I will proceed reasonably expeditiously as I have been for some time. I will be glad to try to work it out with the Senator from Kansas for whom I have the highest regard.

Mr. DOLE. Do I understand that is an up-and-down or a tabling motion?

Mr. BENTSEN. That depends on the other provisions at that time.

Mr. DOLE. I thank the distinguished Senator from Texas and again I assure the Senator from Texas, and I think my word is good, that we will not preclude the Senator from offering his amendment, and we will not preclude either an up-or-down vote or a tabling motion vote. In other words, there is no intent to offer a substitute.

Mr. BENTSEN. Let me say to the Senator from Kansas that once I get the Senator from Kansas to say what he will do, then I have no question about his word.

Mr. DOLE. I thank the Senator from Texas.

Mr. BENTSEN. Sometimes it takes a while to get him to tell me.

Mr. DOLE. The Senator from Texas understands why I am doing this, and I have to go back and read all the other records and see how Senator LONG used to do it. I am back in the late 1940's now and working up to the 1950's, 1960's, and 1970's. So I will understand all those things maybe in another week.

I am happy to yield to the Senator from West Virginia.

Mr. ROBERT C. BYRD. I thank the Senator.

The Senator mentioned the minority leader. I hope the Senator does not mean to imply that the minority leader is holding up action on this measure.

Mr. DOLE. No; I just hope that he might help me speed up. The Senator from West Virginia recalls in the past I have been able to speed up the process. Hopefully the distinguished minority leader can maybe help to accommodate that effort.

Mr. ROBERT C. BYRD. The Senator from Kansas has been very helpful in the past. The Senator from Kansas I am sure recognizes the fact that the minority leader helped to expedite the taking up of this measure. There could have been some argument about whether or not this measure from a constitutional standpoint should be brought up. There could have been other arguments, but there were none. The minority leader assisted in that regard. The minority leader has assisted in every way possible to expedite action on the reconciliation measure and the first concurrent budget resolution before that.

I hope that the record is clear that the minority leader is not holding up action on this joint resolution. As a matter of fact, I assured the majority leader even before he asked me today. I stated to him yesterday that I had my staff working on amendments, contacting sponsors of amendments, to see if they would be willing to enter into time agreements and I assured him today we were going to continue that effort.

I brought it up in my conference yesterday with other Democrats. So every effort is being made on this side of the aisle to reasonably expedite action on this joint resolution. It is a big joint resolution, and it is an important joint resolution. It is a complex joint resolution. And there are several amendments still outstanding.

But the minority leader is doing everything that is reasonable in an effort to expedite action. But at the same time I hope that the distinguished Senator from Texas (Mr. BENTSEN) will have an opportunity to call up his amendment, will have an up-or-down vote on the amendment, and if not, of course, it is within the rights of any Senator to move to table. But he is always as he is today reasonable in his approach. He has demonstrated a willingness to discuss the matter with the Senator from Kansas. I hope that out of those discussions the Senator from Texas will have an opportunity to call up his amendment, and I hope that the discussions will pave the way for his calling up the amendment and getting an up-or-down vote on his amendment.

Mr. BAKER. Madam President, will the Senator yield to me for a brief observation?

Mr. ROBERT C. BYRD. I do not have the floor.

Mr. DOLE. I yield to the distinguished majority leader.

Mr. BAKER. I thank the Senator from Kansas.

Madam President, I can assure the minority leader and the Senator from Texas that I intend to see, as I am sure the Senator from Kansas is prepared to see, that this issue is addressed.

I hope the Senator from Kansas and the Senator from Texas can sit down and consider agreeing to a schedule as to when this amendment will come up and a time limitation on it.

As the Senator from Texas is well aware—he and I discussed this yesterday—it did not quite work out. Maybe we can do that today. Shortly Senators, a significant number of Senators, are going to have to attend conferences. Prior to that time I hope the Senator from Kansas and the Senator from Texas can sit down and see if we can agree on a time to present this amendment and for its consideration on a limited basis.

Mr. BENTSEN. Madam President, will the Senator yield for a comment without losing his right to the floor?

Mr. BAKER. Yes.

Mr. BENTSEN. I appreciate the comments of the distinguished minority leader. I thought we had the thing settled, but there are other forces at work. I am trying to accommodate the will of the Senate in an expeditious manner, as long as they have a full, clear shot at voting on my amendment.

Mr. BAKER. Madam President, if the Senator will yield further to me on the same basis for one more remark, I must say that both the Senator from Kansas and the distinguished ranking minority member, the former chairman of the committee, have done such an extremely good job that I yielded to them as to what sequence and what time we consider these amendments. So yesterday I spoke in advance of what I should have because I had not at that point consulted with the distinguished chairman of the committee. But I remain convinced we can find a time to take this up and to do so promptly and to do so on a basis that is favorable to the wishes of both Senators, and I urge that we explore that possibility at the earliest possible moment.

Mr. DOLE. Madam President, the last vote we took last night does not indicate a problem but merely a simple fact that should be mentioned. By reducing the real estate recovery method from 200 percent to 150 percent on a declining balance basis, and the basis adjustment on the rehabilitation credit, we are able to save a substantial amount of money.

For the record and for those Senators who may be present, I will give you a brief rundown: In fiscal year 1981 the administration's tax cut bill would cost $1.5 billion; we are right now at $1.365 billion. In fiscal year 1982 the administration's number is $38.3 billion, we are at $36.6 billion. In fiscal year 1983 the administration number is $91.8 billion, we are now at $92.1 billion, so we have a deficit or a difference of about $300 million. In fiscal 1984, the year the President hopes to balance the budget, the revenue loss in the administration's figures is $150 billion. Right now our bill will cost $149.3 billion, so there is about a $700 million plus factor in fiscal year 1984.

Madam President, as I indicated, I will speak with the distinguished Senator from Texas in just a few moments, and perhaps we can work out some schedule.

I would indicate also, and I would like to include in the RECORD at this point, a letter from Alan Greenspan who is, I think, recognized as one of the tax experts in this country, and who has a long and distinguished record, in which he indicates his support of the proposal to index the individual tax system following the 3-year scheduled cut in tax rates. I think it is an excellent letter and I ask unanimous consent that it be made a part of the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ALAN GREENSPAN,
New York, N.Y., July 13, 1981.

Hon. ROBERT J. DOLE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I want to add my support to the proposal to index the individual tax system following the three year scheduled cut in tax rates. We have argued in favor of a three year phased 30 percent cut in rates to offset bracket creep. However, unless offset, bracket creep will again take hold in 1984 and beyond, and will again inordinately raise the burden on the average American taxpayer. Indexing, of course, will prevent that.

I am aware that there are many who, while strongly in favor of further tax cuts, remain concerned over the size of the budget deficit in the out years. I share such concern and in fact that is one of the reasons why I favor indexing. It's becoming increasingly clear that the level of expenditures is currently being suppressed mainly by fears of budget deficits. If we allow tax receipts to rise as a consequence of bracket creep in the out years, the continued pressure on federal outlay growth will be undercut. What we are likely to get as a consequence is both increased taxes and increased expenditures with the budget deficit, perhaps, only modestly reduced from what it otherwise would be.

The deficit must be eliminated, but it has to be done by undercutting the long-term growth momentum of federal spending. Allowing the tax burden to rise will not close the deficit; it will merely suppress the economy.

Best regards,
Cordially,

ALAN GREENSPAN.

Mr. MELCHER. Madam President, will the Senator yield?

Mr. DOLE. I would be happy to yield.

MELCHER AMENDMENT RELATING TO INTEREST RATES

Mr. MELCHER. I thank the Senator for yielding.

The reason I asked the distinguished Senator from Kansas to yield is to acquaint the chairman and you, Madam President, and my colleagues who are present on the floor that at an appropriate time I hope to call up an amendment that deals with imputed interest rates, that deals with the question of whether or not the Internal Revenue Service, through their own regulations, is going to be able to tell individuals and members of their family whether or not they can sell a piece of real estate, whether it is a house or a family farm or the family ranch, at less than 10-percent interest.

It seems kind of odd that we have to have legislation on this tax bill to prevent the Internal Revenue Service from exercising their snoopiness, exercising their prerogatives or their adeptness for getting into everybody's business, but we do because as of July 1 the Internal Revenue Service has adopted regulations requiring that all interest rates on a contract for deed for real property will be 10 percent, and if it is not, they are going to impute it.

We are talking about a deal between two individuals, a deal between a father and a son or a grandma and a granddaughter, an uncle and an aunt, and we are not talking about corporations or conglomerates. We are only talking about individuals, including family members.

Whether or not the right interest rate should be 10 percent on a contract for deed I do not believe is the Internal Revenue Service's business. I think it is a matter for private consideration, and particularly in a family since it is a matter for the family to decide. If for some reason they select a lower interest than 10 percent, I would hope the Internal Revenue Service would stay out of it.

My amendment will simply say that the IRS regulations put into effect on July 1 will be repealed, and that the existing rate prior to that time would be imputed, which is 6 and 7 percent.

Those are not realistic interest rates in today's market, I understand that. But what business is it of the Internal Revenue Service to say what it should be? They do not have any business setting by their regulations what the interest rate should be between father and son and father and daughter. Why should they set it? This simply will roll it back to where it was and say to the IRS, "Don't exercise any more authority than you had before July 1. That is good enough."

There are a lot of people interested in this amendment, Madam President: The National Association of Realtors, the National Homebuilders, the National Farmers Union, the National Cattlemen's Association, The Grange, the National Farmers Organization, the American Farm Bureau Federation, the National Milk Producers, all these are among those who have endorsed the amendment, and who say, "Let us keep the IRS out of this thicket. Let us have them keep their nose out of this particular matter. They are into it far enough with their regulations prior to July 1. Let us not have them intruding any further than they are."

I thank the distinguished chairman for yielding to me. I only take this time to acquaint the Senate with the amendment that is coming up. I hope to offer it at an appropriate time.

By the way, there is no cost involved according to the Treasury. The Treasury Department correctly assesses it saying the regulation will not raise any revenue.

CBO says that possibly it could raise some revenue, but they do not know exactly what. They think it is something that has to be something less than $10 million in revenue.

I told the CBO, "Well, maybe it could raise somewhere between zero and $10 million," but I will guarantee you if we allow IRS to have the new regulations go into effect, they are going to spend several million dollars putting out the paper acquainting the accountants and tax attorneys, acquainting all the people in all their offices, about what to do about imputed interest rates and how to stick their noses into a private deal between family members and not businesses dealing on a contract.

I thank the distinguished chairman.

Mr. DOLE. I will just say to the distinguished Senator from Montana that we have a copy of his amendment and I have asked the Treasury to look at it, as well as our staff and the Joint Committee staff. I am not certain what I can tell the Senator other than that, but it is being reviewed.

UP AMENDMENT NO. 252

(Purpose: Requiring a study of various savings incentives for retirement)

Mr. HEINZ. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Pennsylvania (Mr. HEINZ) proposes an unprinted amendment numbered 252.

Mr. HEINZ. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 177, after line 8, (at the end of subtitle A of title 3) insert the following:

SEC. —. STUDY OF SAVINGS INCENTIVES.

(a) IN GENERAL.—The Secretary of the Treasury or his delegate shall conduct a comparative study of methods for stimulating and encouraging individual savings for retirement, including, but not limited to—

(1) increasing the exclusion from gross income of interest on savings held in depository accounts or from instruments issued by depository institutions;

(2) increasing the exclusion from gross income of dividends;

(3) increasing the deduction limits for contributions to individual retirement plans and qualified retirement plans covering individuals described in section 401(c) of the Internal Revenue Code of 1954; and

(4) permitting a deduction for voluntary contributions to a special tax-exempt retirement savings account where such contributions are used to reduce future old-age survivor's insurance benefits under the Social Security Act.

(b) EVALUATION AND COMPARISON.—In conducting the study under subsection (a), the Secretary of the Treasury or his delegate shall evaluate and compare each of the methods described in subparagraph (A) by estimating and projecting their effect over the next forty years on—

(1) aggregate capital formation and new net capital formation;

(2) the private retirement systems;

(3) the social security trust funds;

(4) government tax revenues;

(5) the various financial markets; and

(6) the overall costs and benefits to the Federal Government and the Treasury of the United States.

(c) REPORT.—The Secretary shall report the results of the study conducted under this section to the Congress no later than June 30, 1982.

Mr. HEINZ. Madam President, the amendment I propose today would direct the Secretary of the Treasury to conduct a comparative study of methods which are being considered to stimulate savings and capital formation and to encourage individual savings for retirement. We face now and in the future a problem in providing adequate income in retirement. Today's workers look forward to their retirement with great uncertainty. Social security, the foundation of retirement income, faces a long-term deficit due to population changes and a continuing trend in early retirement. The rate of personal savings has always been low in this country, and in recent years has been declining. Persistent inflation has made it increasingly difficult for Americans to save adequately for retirement, and has reduced the real value of pension benefits. There is ever-increasing pressure on the social security system to serve as the primary source of retirement income. It is important that methods be found which can encourage personal savings for retirement and increase the amount of capital available for investment.

During this session of the Congress, we have considered several proposals to stimulate savings and capital formation and have heard some innovative new ideas. We have not seen, however, a thorough comparative analysis of these different methods and approaches.

The purpose of the study proposed in this amendment would be to identify and evaluate methods which would provide incentives for retirement savings. Traditional approaches should be considered. Such approaches as increasing the deduction limits for contributions to existing vehicles for retirement savings (IRAs and Keoughs) and increasing the income exclusions for interest and dividends certainly do bear further study and consideration. However, a particular effort should be made to identify and evaluate new and innovative approaches. One such approach would be the so-called social security option accounts, which would permit individuals to make voluntary tax-deductible contributions to special retirement savings accounts in exchange for a reduction in their social security retirement benefits. This concept and others must be carefully and fully evaluated.

The solutions to the problems of retirement income are, of course, long-term solutions. This study of the effects of savings incentives proposals would provide a solid base for the search for solutions. Without this information we cannot anticipate the effects of the ideas which have been offered on tax revenues, social security trust funds, and retirement security. I believe the information proposed to be sought in the study will help us begin in earnest the search for ways to improve the retirement incomes of future generations of retirees.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Madam President, there is no provision in the Senate Finance Committee bill that would do what the distinguished Senator from Pennsylvania suggests. It would seem to me that, as much difficulty as we had to try and figure out the best savings proposal—and this Senator is not certain we have yet done that—that this amendment requiring the Treasury to submit to the Congress a report before June 30, 1982, concerning ways to stimulate savings for retirement makes a great deal of sense.

As far as this Senator is concerned, I have no objection to the amendment asking for a study. I just hope the Treasury will consider it as seriously as this committee considered it and Senator HEINZ considered it. I am prepared to accept the amendment.

Mr. HEINZ. I thank my colleague from Kansas.

Mr. LONG. Madam President, if the distinguished chairman of the committee proposes to accept the amendment, I do not object.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Pennsylvania (Mr. HEINZ).

The amendment (UP No. 252) was agreed to.

Mr. DOLE. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BENTSEN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 253

(Purpose: To postpone the special rules for leases under the accelerated cost recovery system until 1992 and to limit the royalty owner credit against the windfall profit tax to one year)

Mr. BENTSEN. Madam President, I have an amendment at the desk, and I ask for its immediate consideration. It is listed as my amendment No. 1.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Texas (Mr. BENTSEN) proposes an unprinted amendment numbered 253.

Mr. BENTSEN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 155, beginning on line 3, strike out all that follows through page 161, line 3, and insert in lieu thereof the following:

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar year 1981.

SEC. 242. EFFECTIVE DATE FOR LEASING PROVISIONS OF THE ACCELERATED COST RECOVERY SYSTEM.

Notwithstanding section 209, section 168 (f) (8) of the Internal Revenue Code of 1954, as added by the amendments made by section 201, shall not apply to any lease (or agreement characterized as a lease by the parties to such agreement) which is entered into prior to January 1, 1992.

Mr. BENTSEN. Madam President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

UP AMENDMENT NO. 254

(Purpose: To exempt independent producers and certain royalty owners from the windfall profit tax on the first 1,000 barrels of daily production, and for other purposes)

Mr. BENTSEN. Madam President, I have a second amendment at the desk, an amendment to my amendment labeled number 2, and I ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Texas (Mr. BENTSEN), for himself, Mr. BOREN, Mr. JOHNSTON, Mr. TOWER, Mr. BURDICK, Mr. MELCHER, Mr. CRANSTON, Mr. ANDREWS, Mr. NICKLES, Mr. STENNIS, Mr. SIMPSON, Mr. DIXON, Mr. HUDDLESTON, Mr. INOUYE, Mr. DECONCINI, and Mr. CANNON proposes an unprinted amend-

ment numbered 254 to unprinted amendment numbered 253.

Mr. BENTSEN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the amendment, insert the following:

SEC. 243. REDUCTION IN TAX IMPOSED ON NEWLY DISCOVERED OIL.

(a) IN GENERAL.—Paragraph (3) of section 4987 (b) (relating to applicable percentage) is amended to read as follows:

"(3) TIER 3 OIL—

"(A) IN GENERAL.—The applicable percentage for tier 3 oil which is not newly discovered oil is 30 percent.

"(B) NEWLY DISCOVERED OIL.—The applicable percentage for newly discovered oil shall be determined in accordance with the following table:

"For taxable periods beginning in:	The applicable percentage is:
1982	30
1983	25
1984	25
1985	20
1986 and thereafter	15.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable periods beginning after December 31, 1981.

SEC. 244. INDEPENDENT PRODUCER AND ROYALTY OWNERS' EXEMPTION.

(a) IN GENERAL.—Section 4991(b) (defining exempt oil) is amended—

(1) by striking out "and" in paragraph (3),

(2) by striking out the period in paragraph (4) and inserting in lieu thereof a comma, and

(3) by adding at the end thereof the following new paragraphs:

"(5) any independent producer oil, and

"(6) any exempt royalty owner oil.".

(b) EXEMPT ROYALTY OWNER OIL DEFINED.—Section 4994 (relating to definitions and special rules relating to exemptions) is amended by adding at the end thereof the following new subsections:

"(f) EXEMPT ROYALTY OWNER OIL.—For purposes of section 4991(b), the term 'exempt royalty owner oil' has the same meaning given the term 'independent producer oil' in section 4992 except that section 4992 shall be applied—

"(1) by substituting '10' for '1,000' each place it appears therein, and

"(2) by substituting for the language of subsection (d)(1)(D) the following:

"'(D) which is attributable to an economic interest other than an operating mineral interest (within the meaning of section 614(d)) of the independent producer in a property.'.

"(g) INDEPENDENT PRODUCER OIL.—

"For definition of independent producer oil, see section 4992.".

(c) QUALIFIED PRODUCTION OF OIL.—Section 4992(d) (defining qualified production of oil) is amended—

(1) by striking out "working interest" in subparagraph (D) of paragraph (1) and inserting in lieu thereof "operating mineral interest (within the meaning of section 614(d))",

(2) by striking out paragraph (2), and

(3) by redesignating paragraph (3) as paragraph (2).

(d) Conforming Amendment.—Subsection (b) of section 4987 (relating to the amount of the windfall profit tax), as amended by section 243, is amended—

(1) by striking out "which is not independent producer oil" in paragraph (1),

(2) by striking out paragraph (2), and

(3) by redesignating paragraph (3) as paragraph (23.

(e) EFFECTIVE DATE AND SPECIAL RULE.—

(1) Except as provided in paragraph (2), the amendments made by this section shall apply with respect to taxable periods beginning after January 1, 1982.

(2) The amendments made by this section shall not apply to crude oil with respect to which a member of the 97th Congress is the producer (within the meaning of section 4996(a)(1) of the Internal Revenue Code of 1954).

Mr. BENTSEN, Madam President, this is my amendment for a thousand barrels. I have agreed with the manager of the bill to lay this aside and the vote to come shortly after 2 o'clock, depending on other rollcall votes.

Mr. DOLE. That is correct. In the event there are any rollcalls demanded between the 12 o'clock and 2 o'clock period, we will have those votes first. If not, we will proceed at 2 o'clock right on the amendment.

Mr. BENTSEN. With that understanding, I ask unanimous consent that that be the agreement.

Mr. DOLE. That would preserve my rights if I wanted to move to table the amendment.

Mr. BENTSEN. I understand.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 255

(Purpose: Stock options—repeal retroactivity)

Mr. DOLE. Madam President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) proposes an unprinted amendment numbered 255:

On page 168, beginning with line 11, strike all through line 8 on page 169.

Mr. DOLE. Madam President, it has come to my attention through Treasury, the Joint Committee, and other sources, that there is one inequity which should be corrected in the stock option area.

Under the committee bill, any option granted prior to 1981 which was outstanding on December 31, 1980, would generally become an incentive stock option if it was conformed to meet the requirements to qualify as such an option. Thus, under the committee bill, unqualified options could be modified to qualify and get capital gain treatment. That is what we reported.

The committee bill would result in converting any gain which had accrued on the stock into long-term capital gain. In addition, the employer would be denied a corresponding deduction. Thus, the effect of the retroactive provision would be to provide additional compensation to the employee through reduction in the employee's tax and a corresponding increase in the employer's tax. This, in the opinion of this Senator, would be an unfortunate use of the tax laws to provide additional compensation to the employee from the employer without the compensation appearing on the financial books of the corporation as additional compensation and without clear disclosure to the shareholders of the loss of the tax deduction to the corporation.

My amendment would remove this retroactivity for nonqualified options. The amendment would limit the applicability of the new incentive stock option provision to options granted after December 31, 1980, and to qualified options exercised after December 31, 1980 (but granted prior to January 1, 1981).

We should not legislate with our eyes closed. Stock options are a major portion of compensation for the most highly paid executives in our country.

The June 8th edition of Forbes magazine is very instructive in this regard. That issue contains an article which discusses the amount of compensation paid to the highest paid executives in the United States.

The article notes that 8 of 1979's 10 highest paid executives were not in the top 10 for 1980. However, rather than attributing this to corporate "stinginess," Forbes maintained that the eight executives merely were given additional compensation in the form of stock options which were exercised in 1979. The article goes on to say that 9 of the top 10 executives for 1980 reached that high level of compensation because of the exercise of stock options or stock appreciation rights.

Of those top 10 executives, all but one received more in stock gains than they did in salary and bonuses. In fact, the article points out that one top executive received $416,000 in salary and realized $7.2 million from the exercise of stock options. Another, for example, was reported to receive $569,000 in salary and also realize about $4.5 million in stock options.

The incentive stock option provision contained in the committee bill allows employees who receive stock options to defer the tax on this compensation and ultimately to pay tax at capital gains rates.

Madam President, there is no justification for providing this favorable treatment retroactively. The purpose for changing the tax law in this area is to encourage employees to acquire a proprietary interest in their companies and work harder and more productively in the future. Presumably, this impact has already occurred with respect to existing options. There is no need to change the tax treatment for these options.

Madam President, I have a copy of the Forbes' "How Much Does The Boss Make?" article which appeared in the June 8, 1981, edition of Forbes magazine.

Without naming the people involved, I would just emphasize again that in one instance the total compensation to the executive was $7,865,831. The stock gain was $7.2 million of that total.

In another example, the stock gain, out of a total compensation, which is salary, bonus, benefits, contingent stock gains, is a total of $5.1 million in round numbers. The stock gains were $4.4 million.

Another executive had total salary, bonus, benefits, and contingent stock gains of $4.7 million and his stock gains were $1.3 million of that amount.

Let us take a fourth example. It shows $538,000 in salary, which is not bad by Senate standards. Other benefits are about $30,000. Contingency payments are about $8,000. Then the stock gain on top of that was $3.7 million. It is a total of $4.3 million in round numbers.

A fifth example pointed out in the Forbes article was a salary and bonus of $1 million plus, which is not too bad an annual salary. Benefits were $60,000, and contingency benefits were $227,000. Add to that a stock gain of $2 million. That is about $2.3 million.

Those are just some of the examples that I would suggest. I do not think we need more incentives for stock options, particularly not retroactive incentives.

Madam President, we recognize the need for prospective incentives, as I have indicated. We changed the tax law in this area to encourage employees to acquire proprietary interest in their companies and work harder, with increased productivity. But I would suggest that there may not be any need for retroactive incentives.

Madam President, I ask unanimous consent that a portion of this article be printed in the RECORD. It lists a number of highly paid executives, their salary and bonus, their benefits, their contingency payments, and stock gains. In a number of instances, the examples I read were probably demonstrating most clearly the need for the change. I would hope we might approve this amendment.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOW MUCH DOES THE BOSS MAKE?

The most striking thing about this year's list of the highest-paid executives running the nation's largest corporations is the number of familiar names that aren't there. Missing from this year's top ten, for example, is Steven J. Ross of Warner Communications, who ranked number two a year ago. Ross did all right in 1980, mind you, earning a total of $2,273,688. But handsome as it was, that sum was only enough to rank him 18th.

Missing too, among others, from last year's top ten are John Swearingen of Standard Oil (Indiana) and Rawleigh Warner Jr. of Mobil, who had ranked 4th and 5th, respectively, and who this year ranked 11th and 34th.

All told, eight of last year's top ten are off the list this year. One of them, Howard Keck of Superior Oil, retired. The other, Frank Rosenfelt of Metro-Goldwyn-Mayer, had his company spun off under him, resulting in pieces too small to make our lists.

The absence of the others bespeaks no sudden stinginess of the part of compensation committees. Rather, it results largely from the absence of big stock gains reported last year (see definitions). Nine of this year's top ten CEOs reached that level because of the exercise of stock options or stock appreciation rights. Warner of Mobil, having exercised no options in 1980, did not make it into the top ten this year. Last year's top ten averaged $2.8 million in total remuneration vs. $4.1 million this year.

When it comes to money, no reporting philosophy can be problem-free. Compensation earned by past performance but paid in 1980 is included. And, as in past years, our tables also continue to show accruals made on company books for long-term performance plans and under employment agreements that call for payments if and when certain conditions are met. Even though they have been reported, chief executives may not get these contingent amounts if, say, company earnings do not meet standards or the boss quits to join a competitor.

A rough kind of justice continues to be evident in these tables. Ranked are the chief executives of 818 companies—those companies that made one or more of the Forbes lists of the 500 largest companies ranked by sales, profits, assets and stock market value. The median salary and bonus paid to the boss of a company with sales between $500 million and $1 billion was $300,000, 10 percent higher than last year's median; between $1 billion and $5 billion it was $402,000, 6 percent higher than last year; over $5 billion it was $589,000, 9 percent higher. The median salary and bonus for all companies is $351,945.

As for the preferred route to the top dollar, there was a clear advantage among these 818 chief executive officers to those who came up through finance (134) and banking (101). Far behind were those who came up through marketing (57) and, even further behind, sales (28).

DEFINITIONS

The Securities & Exchange Commission's latest requirements for proxy statements are the basis for the numbers in the tables that follow.

Salary and bonus

Includes—in addition to salary and cash bonuses—directors' fees, commissions and payments made on long-term incentive plans.

Benefits

Includes cash-equivalent forms of compensation such as company-paid life insurance premiums or club dues, use of company car or plane and other fringe benefits; also stock bonus awards, thrift plan contributions and restricted stock awards vested or released from restrictions in 1980.

Contingent remuneration

Includes the amounts expensed for deferred compensation agreements and accruals (or credits) under performance-related long-term incentive plans.

Stock gains

Includes net value realized in shares or cash from the exercise of stock options and/or stock appreciation rights (SARs) granted in prior years. (In contrast to previous years, this survey does not reflect the accruals for stock appreciation rights unexercised.)

Mr. DOLE. Madam President, as I understand, in the House the last vote on this in the Ways and Means Committee did not address this particular issue.

Mr. LONG. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GORTON). Without objection, it is so ordered.

Mr. DOLE. Mr. President, I know there may be some who want to speak with reference to this amendment, but I hope we can dispose of this amendment fairly quickly. I believe that once it is fully understood, there should not be any problem with the amendment, unless there are those who believe that $7 million is not adequate compensation.

Once again, this is just an effort to make certain that some of the most highly paid executives do not get retroactive treatment. If they qualify for stock options in the future, they are going to get the same tax advantage as provided to other employees if the incentive stock option rules are met. It is our view that we should not make it retroactive as in the committee bill.

The Treasury very strongly favors this amendment.

Under the incentive stock option rules, an employee is not taxed at the time an incentive option is exercised (that is, when the employee buys the stock). Upon subsequent sale (before death), the entire gain over the employee's option price would be taxed as a long-term capital gain (that is, maximum rate of 28 percent, declining to 20 percent by 1984).

In order to obtain these benefits the incentive option must meet a number of requirements, including:

First, the option must be exercised within 20 years of the date it is granted, and

Second, options must be exercised in sequence (that is, if option A is granted before option B, option B cannot be exercised while option A is outstanding).

Special transitional rules allow previously nonqualified options (and qualified options that were not exercised before May 21, 1981) to be conformed to the new rules.

The effect of that rule is to provide retroactive special tax treatment for certain options.

As I understand, the purpose of options is to create incentives for employees to get in there and work and take an active part in the company, and the incentives flowing from previously issued options have already been realized. In effect, what we have done is to provide a windfall for some highly paid executives in the event we do not make this, what I consider a minor change in the overall thrust of this bill.

But if nonqualified options are outstanding at the date of enactment of the tax bill, the nonqualified options can become qualified if action is taken to conform the options to the requirement contained in the bill.

If that happens, instead of ordinary income upon the date of exercise of a nonqualified option, the tax can be converted to a capital gain or no tax at all if held until death.

I would again just refer briefly to Forbes, the article in the June issue, where I did point out that the top 10 earners in 1980, without repeating every one and without naming the names—I am certain it is public information so there is no reason not to name the names—but in one instance, if you count this chief executive officer's salary, bonus, and other benefits and contingency and remuneration and stock gains he has an income of $7,865,000 in 1980. Of that amount the stock gains amount to $7,235,000.

What we are doing, if we do not take out this retroactive provision, is making it possible for a lot of these chief executives to go back retroactively and exercise these existing options and obtain a new tax benefit which I do not think was ever the intent.

Another highly paid executive had a total salary in 1980, counting bonuses, benefits, contingencies, stock gains of $5.1 million. The stock gain was $4.4 million.

We are not saying if you acquire stock options in the future you are not going to get that special tax treatment. Let us not make that retroactive. That, in essence, is the argument made by the Treasury, our staff, and the Joint Committee. I happen to share that view, and I hope we can dispose of the amendment. This will be known as the antifat cat amendment, I guess.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. BRADLEY. Mr. President, I know that the distinguished ranking minority member of the committee, Senator LONG, wanted to make a check so, at this time, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. DENTON). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, is there an amendment pending before the Senate?

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment, which is my amendment, be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 256

(Purpose: To increase amounts allowable as credits for investments in qualified industrial and residential facilities)

Mr. KENNEDY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an unprinted amendment numbered 256.

Mr. KENNEDY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

After title V, add the following new title:

TITLE VI—ENERGY EFFICIENCY PROVISIONS

SEC. 601. INCREASE IN ENERGY PERCENTAGE FOR CERTAIN ENERGY PROPERTY AND SPECIFICATION OF ENERGY PERCENTAGE FOR QUALIFIED INDUSTRIAL ENERGY EFFICIENCY PROPERTY.

(a) IN GENERAL.—The table contained in clause (i) of section 46(a)(2)(C) is amended by adding at the end thereof the following new subclauses:

"VII. Certain alternative energy property, specially defined energy property, recycling equipment, and cogeneration equipment.—Property described in section 48(l)(3) (other than clause (viii) or (ix) of subparagraph (A) thereof), section 48(l)(5), section 48(l)(6), or section 48(l)(14)	15 percent	Jan. 1, 1981	Dec. 31, 1986".
"VIII. Qualified industrial energy efficiency property.—Property described in section 48(g)	15 percent	Jan. 1, 1981	Dec. 31, 1986."

(b) AFFIRMATIVE COMMITMENTS.—Section 46(a)(2)(C) is amended by adding at the end thereof the following new clause:

"(v) LONGER PERIOD FOR CERTAIN ENERGY PROPERTY.—Clause (iii) shall apply to energy property described in subclauses VII or VIII of clause (i). However, in applying clause (iii) to such property, 'December 31, 1986' shall be substituted for 'December 31, 1982', 'December 31, 1994' shall be substituted for 'December 31, 1990', 'January 1, 1987' shall be substituted for 'January 1, 1983', and 'January 1, 1990' shall be substituted for 'January 1, 1986'.".

SEC. 602. QUALIFIED INDUSTRIAL ENERGY EFFICIENCY PROPERTY TREATED AS ENERGY PROPERTY

(a) QUALIFIED INDUSTRIAL ENERGY EFFICIENCY PROPERTY DEFINED.—Section 48 (relating to definitions; special rules) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

"(q) QUALIFIED INDUSTRIAL ENERGY EFFICIENCY PROPERTY.—

"(1) IN GENERAL.—For purposes of this subpart, the term 'qualified industrial energy efficiency property' means property used as a part of a modification to an existing industrial or commercial facility (including the modification or replacement of one or more processes carried on at such facility on January 1, 1981), but only if such modification—

"(A) results in the utilization by such facility, process or processes of less energy per unit of output,

"(B) results in an aggregate annual decrease in energy consumed by such facility, process or processes, based upon levels of output in effect before such modification, of not less than 1,000 barrels of oil equivalent, and

"(C) does not increase the total amount of oil and natural gas (or products thereof other than petroleum coke, petroleum pitch and waste gases) consumed by such facility, process or processes per unit of output.

"(2) LIMITATION.—Property shall be considered as qualified industrial energy efficiency property only if it is—

"(A) property—

"(i) the construction, reconstruction or erection of which is completed by the taxpayer after January 1, 1981, or

"(ii) which is acquired after January 1, 1981 if the original use of such property commences with the taxpayer and commences after such date,

"(B) property with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and which has a useful life (determined as of the time such property is placed in service) of 3 years, or more, and

"(C) property—

"(i) Which results in the utilization described in paragraph (1)(A), or

"(ii) the installation and operation of which is reasonably necessary to the achievement of such utilization.

"(3) Application to property which is energy property without regard to being qualified industrial energy efficiency property.—No property shall be treated as qualified industrial energy efficiency property if the taxpayer claims the energy percentage provided by section 46(a)(2)(C)(i) (other than by subclause VIII thereof) with respect to that property.

"(4) COMPUTATIONS PER UNIT OF OUTPUT.—The determinations required by paragraph (1) shall be made by comparing the BTU content of the energy (or of the oil and natural gas in the case of the determination required by subparagraph (1)(C)) used by the facility, process or processes per unit of output prior to the modification with the BTU content of the energy (or of the oil and natural gas in the case of the determination required by subparagraph (1)(C)) used by such facility, process or processes per unit of output upon completion of the modification. Computations under this subparagraph shall be made in accordance with subparagraph (6).

"(5) REDUCTION OF CREDIT WHERE COST OF ENERGY SAVINGS IS EXCESSIVE OR WHERE ENERGY SAVINGS WARRANT INVESTMENT WITHOUT REGARD TO CREDIT.—Notwithstanding subclause (VIII) of section 46(a)(2)(C)(i), the energy investment credit allowable by section 38 for qualified industrial energy property shall be determined in accordance with the following table:

'If the adjusted BOE cost of the property is—	The energy investment credit is—
Less than $10	The reduced credit amount.
At least $10 but not more than $60.	The section 46(a)(2)(C) amount.
Over $60	The alternative credit amount.

"(6) DEFINITIONS.—For purposes of paragraph (5)—

"(A) ADJUSTED BOE COST.—The term 'Adjusted BOE cost' means, with respect to any qualified industrial energy efficiency property—

"(i) the section 46(a)(2)(C) amount with respect to such property, divided by

"(ii) the annual number of BOE's saved by the modification of which such property is a part.

"(B) ANNUAL BOE'S SAVED BY PROPERTY.—The term 'annual number of BOE's saved' means, with respect to any property, an amount equal to—

"(i) the excess of the average number of BOE's utilized by the facility, process or processes per unit of output during a representative 1-year period before the use of the property commences over the number of BOE's utilized by the facility, process or processes per unit of output during any representative 12-month period occurring within the recomputation period, multiplied by

"(ii) the units of output during such 1-year period prior to the modification.

"(C) REDUCED CREDIT AMOUNT.—The term 'reduced credit amount' means the energy investment credit determined as if the energy percentage equaled the percentage which bears the same ratio to 20 percent as the BOE cost of the property bears to $10.

"(D) SECTION 46(a)(2)(C) AMOUNT.—The term 'section 46(a)(2)(C) amount' means the energy investment credit determined without regard to paragraph (5).

"(E) ALTERNATIVE CREDIT AMOUNT.—The term 'alternative credit amount' means, with

respect to any qualified industrial energy efficiency property, an amount equal to—

"(i) $60, multiplied by

"(ii) the annual number of BOE's saved by the modification of which such property is a part.

"(F) BOE.—

"(i) IN GENERAL.—One BOE shall be equal to 5.8 million Btu's.

"(ii) BOE FOR ELECTRICAL ENERGY.—In the case of electrical energy, BOE's shall be calculated by using a heat rate of 10,000 Btu's per kilowatt hour.

"(7) Special rules.—

"(A) SPECIAL RULE FOR PROPERTY PLACED IN SERVICE WITHIN 2 YEARS AFTER DATE OF ENACTMENT.—In the case of qualified industrial energy efficiency property which is placed in service during the 2-year period beginning on the date of the enactment of this subsection, the table contained in paragraph (5) shall be applied by substituting '$5' for '$10' each place it appears.

"(B) CERTAIN ENERGY SAVINGS DISREGARDED.—For purposes of this subsection, energy savings shall be disregarded which result from—

"(i) the installation of property other than qualified industrial energy efficiency property, or

"(ii) substantial changes in the character of either the output or input of the facility.

"(8) REDUCTION OF CREDIT WHERE CAPACITY INCREASES.—

"(A) IN GENERAL.—In the case of qualified industrial energy efficiency property which directly results in more than a 10-percent increase in the capacity of the facility, process or processes, the energy investment credit attributable to such property shall be an amount which bears the same ratio to such credit (determined without regard to this paragraph) as the capacity of the facility, process or processes prior to the modification bears to the capacity of the facility, process or processes upon completion of the modification.

"(B) CERTAIN CAPACITY INCREASES DISREGARDED.—For purposes of subparagraph (A), reductions in intermediate or finished product waste or reprocessing shall not be considered an increase in capacity.

"(9) TIME OF APPLICATION OF LIMITATIONS ON AMOUNT OF CREDIT.—

"(A) IN GENERAL.—The provisions of paragraphs (5) and (8) shall be applied as of the close of the recomputation period.

"(B) RECOMPUTATION PERIOD DEFINED.—For purposes of this paragraph, the term 'recomputation period' means, with respect to any modification, the period beginning on the date on which the qualified industrial energy efficiency property which is a part or such modification is placed in service and ending on the last day of the first taxable year beginning more than 180 days after such date.

"(C) RECAPTURE OF EXCESS CREDIT.—If the amount of the credit allowed under this subsection (determined without regard to paragraphs (5) and (8)) with respect to qualified industrial energy efficiency property exceeds the credit allowable under paragraphs (5) and (8), the tax imposed by this chapter for the recomputation year shall be increased under section 47 by the amount of such excess.

"(10) EXISTING DEFINED.—For purposes of this subsection, a facility shall be considered an 'existing facility' if industrial or commercial operations were conducted at that geographic location as of January 1, 1981.

"(11) PROCESS CARRIED ON IN A FACILITY ON JANUARY 1, 1981.—A process which was carried on in an existing facility on January 1, 1981, shall not thereafter cease to be treated as such solely because capitalizable expenditures are paid or incurred with respect to such process after January 1, 1981, or the chemical, physical or mechanical action by which the desired result is accomplished is modified.

"(12) REPLACEMENT OF PROCESS.—In the case of a replacement of a process or processes carried on in an existing facility on January 1, 1981, no property shall be treated as qualified industrial energy efficiency property if—

"(A) the replaced property is not retired from service, except for property maintained as standby or temporary replacement property for the qualified industrial energy efficiency property during periods for which such qualified property is inoperable due to an emergency or on account of repairs or maintenance, or

"(B) the replacement property is placed in service on a site other than the site of the replaced property or reasonably adjacent to that site.

"(13) QUALIFIED INVESTMENT.—In determining the amount of the taxpayer's qualified investment in qualified industrial energy efficiency property, for purposes of section 46(c)(1), the applicable percentage shall be 100 percent for items of such property without regard to the useful life of any particular item of such property.".

(b) CONFORMING AMENDMENTS.—

(1) TREATMENT AS ENERGY PROPERTY.—Subparagraph (A) of section 48(1)(2) (defining energy property) is amended—

(A) by striking out "or" at the end of clause (viii),

(B) by inserting "or" at the end of clause (ix), and

(C) by inserting after clause (ix) the following new clause:

"(x) qualified industrial energy efficiency property.".

(2) QUALIFIED INDUSTRIAL ENERGY EFFICIENCY PROPERTY DOES NOT INCLUDE PUBLIC UTILITY PROPERTY.—Paragraph (17) of section 48(1) is amended by striking out "and 'cogeneration property' " and inserting in lieu thereof " 'cogeneration property', and 'qualified industrial energy efficiency property' ".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to periods beginning after December 31, 1980.

SEC. 603. AMENDMENTS RELATING TO ENERGY PROPERTY.

(a) AMENDMENTS RELATING TO ALTERNATIVE ENERGY PROPERTY.—

(1) EQUIPMENT FOR CONVERTING ALTERNATE SUBSTANCES INTO ELECTRICITY ELIGIBLE FOR CREDIT.—Clause (iii) of section 48(1)(3)(A) (defining alternative energy property) is amended by striking out "solid fuel" and inserting in lieu thereof "solid fuel, or into electricity (but only, in the case of electricity, up to (but not including) the electrical transmission stage)".

(2) DEFINITION OF BOILER.—Paragraph (3) of section 48(1) (defining alternative energy property) is amended by adding at the end thereof the following new subparagraph:

"(D) BOILER.—For purposes of subparagraph (A), the term 'boiler' means a system for producing a vapor of high pressure liquid stream from water or some other working fluid. Heat is produced by combustion or otherwise, and is transferred through metal or ceramic tube walls to generate a vapor or high pressure liquid stream at a positive pressure within the boiler vessel.".

(3) HEAT TREATING FURNACES, MELT FURNACES AND MODIFICATIONS.—

(A) IN GENERAL.—Subparagraphs (A) of section 48(1)(3) (defining alternative energy property) is amended—

(i) by striking out "and" at the end of clause (viii),

(ii) by striking out the period at the end of clause (ix) and inserting in lieu thereof a comma, and

(iii) by inserting after clause (ix) the following new clauses:

"(x) heat treating furnaces, the primary fuel for which will be an alternate substance,

"(xi) melt furnaces, if such furnaces use no fuel, or if the primary fuel for which will be an alternate substance, and

"(xii) equipment designed to modify existing equipment in a facility which was using an alternate substance as a primary fuel on October 1, 1978, provided such modification reduces the use of fuels other than alternate substances at the existing facility.".

(B) CONFORMING AMENDMENTS.—

(i) Paragraph (3) of section 48(1), as amended by paragraph (2), is amended by adding at the end thereof the following new subparagraphs:

"(E) MELT FURNACE.—The term 'melt furnace' includes any device, apparatus, or configuration which directly or indirectly converts solids into liquids or gases through the use of heat.

"(F) HEAT TREATING FURNACE.—For purposes of subparagraph (A), the term 'heat treating furnace' means any device, apparatus, or configuration which heats materials (such as metals) for the purpose of obtaining improved properties (such as through normalizing or annealing).".

(ii) Subparagraph (A) of section 48(1)(3) is amended—

(I) by striking out "or (v)" in clause (vi) and inserting in lieu thereof "(v), (x), or (xi)", and

(II) by striking out "or (vi)" in clause (vii) and inserting lieu thereof "(vi), (x), or (xi).".

(4) CERTAIN SUBSTANCES TREATED AS ALTERNATE SUBSTANCES.—Subparagraph (B) of section 48(1)(3) (defining alternative energy property) is amended by adding at the end thereof the following new sentence: "The term 'alternate substance' includes petroleum coke; petroleum pitch; synthetic fuels; and any other product produced from any alternate substance, whether or not such product has undergone a chemical change in the process of its production.".

(5) PRIMARY FUEL DEFINED.—Paragraph (3) of section 48(1), as amended by paragraphs (2) and (3)(B)(i), is amended by adding at the end thereof the following new subparagraph:

"(G) PRIMARY FUEL.—For purposes of this paragraph—

"(i) IN GENERAL.—An alternate substance shall be considered the 'primary fuel' if any alternate substance or combination of alternate substances accounts for more than 50 percent of the Btu's used by any item of alternative energy property.

"(ii) 50-PERCENT RULE NOT REQUIRED IN CERTAIN CASES.—Notwithstanding clauses (i), (ii), (x), (xi), and (xii) of subparagraph (A), the taxpayer shall not be required to comply with a primary fuel requirement for any taxable year—

"(I) if the taxpayer is unable to obtain the alternate substance for reasons (other than cost thereof) beyond his control, or

"(II) in the case of the 12-month period beginning on the date the boiler, burner, or furnace is placed in service, to the extent a fuel other than an alternate substance is used by reason of startup conditions, requirements or timing.

"(iii) ELECTRICITY TO SATISFY PRIMARY FUEL REQUIREMENT IN CERTAIN CASES.—Electricity shall be treated as an alternate substance for purposes of the primary fuel requirement in clauses (i), (ii), (x), (xi), and (xii) of subparagraph (A) if—

"(I) the electricity is generated by the taxpayer primarily from an alternate substance, or

"(II) the electricity is purchased by the taxpayer and the taxpayer establishes to the satisfaction of the Secretary that the electricity reduces the need for onsite use of oil or gas and that more than 50 percent of the electricity purchased by the taxpayer

for that use is generated from an alternate substance.".

(b) AMENDMENTS RELATING TO SPECIALLY DEFINED ENERGY PROPERTY.—Paragraph (5) of of section 48(1) (defining specially defined energy property) is amended to read as follows:

"(5) SPECIALLY DEFINED ENERGY PROPERTY.—

"(A) IN GENERAL.—The term 'specially defined energy property' means—

"(i) a heat wheel,

"(ii) a heat exchanger,

"(iii) a waste heat boiler,

"(iv) a heat pipe,

"(v) an automatic energy control system,

"(vi) a turbulator,

"(vii) a combustible gas recovery system,

"(viii) an economizer,

"(ix) modifications to alumina electrolytic cells,

"(x) industrial insulation,

"(xi) an industrial heat pump,

"(xii) modifications to burners, combustion systems, or process furnaces,

"(xiii) batch operations conversion equipment,

"(xiv) product separation and dewatering equipment,

"(xv) fluid bed dryers and calciners,

"(xvi) insulating material or coating installed in connection with a building, pipe, duct, container, or window,

"(xvii) a storm or thermal window or door for the exterior of a building, a second entry door, or a revolving door,

"(xviii) caulking or weatherstripping of an exterior door or window,

"(xix) a furnace replacement burner designed to achieve a reduction in the amount of fuel consumed as a result of increased combustion efficiency,

"(xx) a device for modifying flue openings designed to increase the efficiency of operation of the heating system,

"(xxi) an electrical or mechanical furnace ignition system which replaces a gas pilot light,

"(xxii) an electrostatic precipitator, a charcoal filter, or any other air cleaner,

"(xxiii) an automatic energy saving setback thermostat,

"(xxiv) replacement or modification of heating distribution, cooling, ventilating, or lighting systems which increase their energy efficiency,

"(xxv) a recuperator,

"(xxvi) a regenerator,

"(xxvii) a preheater, or

"(xxviii) any other property of a kind specified by the Secretary by regulations, the installation of which is for the principal purpose of reducing the amount of energy consumed in any existing industrial or commercial process, processes or activities and which is installed in connection with an existing industrial or commercial facility. The Secretary shall not specify any property under clause (xxviii) unless he determines that such specifications meet the requirements of subparagraph (C) of this paragraph. Any property specified by the Secretary under clause (xxviii) shall be deemed qualified specially defined energy property as of October 1, 1978. In the case of any property installed in connection with any commercial facility (including a hotel, office building, educational facility, health care facility, or retail or wholesale trade facility), any reduction of the amount of energy consumed in connection with such facility shall be treated as a reduction of energy consumed in a commercial process.

"(B) DEFINITIONS RELATED TO SUBPARAGRAPH (A).—

"(i) HEAT EXCHANGER.—The term 'heat exchanger'—

"(I) means a configuration of equipment used to transfer energy to incoming combustion air, or lower temperature fluids, gases, or solids with or without the interposition of heat transfer surfaces, and

"(II) includes but is not limited to devices commonly referred to as recuperators, regenerators, and preheaters.

"(ii) WASTE HEAT BOILERS.—The term 'waste heat boiler' means any boiler (within the meaning of paragraph (3)(D)) which uses waste heat from whatever source derived.

"(iii) AUTOMATIC ENERGY CONTROL SYSTEM.—The term 'automatic energy control system'—

"(I) means equipment comprising a system which by automatic controls reduces the energy consumed in environmental space conditioning or in other industrial or commercial processes or activities, and

"(II) includes, but is not limited to, systems which automatically control fuel or electric power inputs to a combustion system or process or the utilization or transfer of energy within a process, or which automatically control process veriables (other than energy) in order to minimize energy consumption.

"(iv) COMBUSTIBLE GAS RECOVERY SYSTEM.—The term 'combustible gas recovery system' means equipment comprising a system to recover, and condition for use, unburned fuel or other combustible material from combustion exhaust gases or process streams.

"(v) INDUSTRIAL INSULATION.—The term 'industrial insulation' means any material which—

"(I) is designed to possess a material resistance to the flow of heat, and

"(II) is to be used primarily to retard loss or gain of such heat with respect to pipes, tanks, vessels, equipment, or processes, but not with respect to buildings or structural components thereof.

"(vi) INDUSTRIAL HEAT PUMP.—The term 'industrial heat pump' means equipment which—

"(I) uses the compression and expansion of a contained fluid to extract heat from a gas or liquid and transfer it to another gas or liquid at another temperature, or

"(II) uses nonmechanical means to achieve an equivalent result.

"(vii) BATCH OPERATIONS CONVERSION EQUIPMENT.—

"(I) IN GENERAL.—The term 'batch operations conversion equipment' means equipment to permit conversions from batch operations to one or more continuous processes.

"(II) BATCH OPERATIONS.—The term 'batch operations' means operations where temporary storage of materials in process results in heat transfer to the surrounding environment, or where such handling or temporary storage is accompanied by the waste or reprocessing of more than 5 percent of the material in process.

"(III) CONTINUOUS PROCESS.—The term 'continuous process' means a process which minimizes the handling or temporary storage of the material in process so as to reduce either the amount of heat transfer to the surrounding environment or the amount of waste or reprocessed material.

"(viii) PRODUCT SEPARATION AND DEWATERING EQUIPMENT.—The term 'product separation and dewatering equipment' means equipment designed to separate water or other liquids or volatiles from process materials.

"(ix) FLUID BED DRYERS AND CALCINERS.—The term 'fluid bed dryers and calciners' means equipment in which solid particles are chemically processed by direct heat exchange with a gas or liquid. The gas or liquid passes through a bed of solid particles at sufficient velocity to physically suspend the particles in the gas or liquid stream.

"(C) SPECIFICATION OF ADDITIONAL ITEMS BY SECRETARY.—The Secretary shall specify property under subparagraph (A)(xxviii) at his discretion, or if—

"(i) such property is recommended for specification to the Secretary by the Secretary of Energy, and

"(ii) there are no generally available and substantial Fedreal subsidies for such property. The Secretary shall act on a recommendation of the Secretary of Energy within 6 months of its receipt.".

(C) AMENDMENTS RELATED TO RECYCLING EQUIPMENT.

(1) IN GENERAL.—Subparagraph (A) of section 48(1)(6), (defining recycling equipment) is amended to read as follows:

(A) IN GENERAL.—The term "recycling equipment" means any property which is used exclusively—

(i) for the unloading, transfer, storage, reclaiming from such storage, sorting, and preparation (including, but not limited to, washing, crushing, drying and weighing) of solid waste, or

(ii) in the recycling of solid waste.

(2) INCLUSION OF CERTAIN EQUIPMENT.—

(A) IN GENERAL.—Subparagraph (D) of section 48(1)(6) relating to inclusion of certain equipment is amended to read as follows:

"(D) CERTAIN EQUIPMENT INCLUDED.—The term 'recycling equipment' includes any new or replacement property which is used in the conversion or processing of solid waste into a fuel or into useful energy such as steam, electricity, or hot water and any property which is used in the processing of solid waste to recover and store other reusable resources and materials, including but not limited to paper, ferrous metals, nonferrous metals, and glass.".

(B) APPLICATION WITH SUBPARAGRAPH (B)(I).—Subparagraph (B)(i) of section 48(1)(6) (relating to equipment not included) is amended by striking out "any" and inserting in lieu thereof "except as provided in subparagraph (D), any".

(3) SOLID WASTE DEFINED.—Section 48(1)(6) is amended by adding at the end thereof the following new subparagraph:

"(E) 'SOLID WASTE' DEFINED.—For purposes of this section, the term 'solid waste' means garbage, refuse, and other discarded solid, semi-solid and liquid materials, including materials resulting from industrial, commercial, agricultural and community activities.".

(d) AMENDMENTS RELATED TO COGENERATION EQUIPMENT.—Paragraph (14) of section 48(1) (defining cogeneration equipment) is amended to read as follows:

"(14) COGENERATION EQUIPMENT.—

"(A) IN GENERAL.—The term 'cogeneration equipment' means property comprising a system for using the same fuel for the sequential generation of electric power and/or mechanical shaft power in combination with qualified energy at a facility at which, as of January 1, 1980, electricity, mechanical shaft power, or qualified energy was produced.

"(B) QUALIFIED ENERGY.—The term 'qualified energy' means steam, heat, or other forms of useful energy (other than electric power and/or mechanical shaft power) to be used for industrial, commercial, or space-heating purposes (other than in the production of electric power and/or mechanical shaft power).".

(e) BIOMASS PROPERTY.—Subparagraph (B) of section 48(1)(15) (relating to biomass property) is amended—

(1) by striking out "and" in clause (i) after the word "substance" and inserting in lieu thereof a comma, and

(2) by inserting after the phrase "such coal" the following: "and does not include source separated, separately collected, recyclable waste paper".

(f) AMENDMENTS TO DEFINITION OF EXISTING.—Paragraph (10) of section 48(1) (defining existing) is amended to read as follows:

"(10) EXISTING DEFINED.—For purposes of this subsection,

"(A) EXISTING FACILITY.—When used in

connection with a facility, a facility shall be considered an 'existing facility' if industrial or commercial operations were conducted at that geographic location as of October 1, 1978.

"(B) EXISTING PROCESS.—When used in connection with a process, a process shall be considered an 'existing process' if such process was carried on at that facility on October 1, 1978.

"(C) EXISTING EQUIPMENT.—When used in connection with an item of equipment, an item of equipment shall be considered 'existing equipment' if it was placed in service prior to October 1, 1978.

"(D) PROCESS CARRIED ON IN A FACILITY ON OCTOBER 1, 1978.—A process which was carried on in an existing facility on October 1, 1978 shall not cease to be treated as such solely because capitalizable expenditures are paid or incurred with respect to such process after October 1, 1978, or the chemical, physical or mechanical action by which the desired result is accomplished is modified.".

(g) REPLACEMENT OF EQUIPMENT OR PROCESS.—Section 48(1) (relating to energy property) is amended by adding the following new section at the end thereof:

"(18) REPLACEMENT OF EQUIPMENT OR PROCESS.—In the case of a replacement of an item of equipment or one or more processes in service or carried on in an existing facility on October 1, 1978, no property shall be treated as energy property if—

"(A) the replaced property is not retired from service, except for property maintained as standby or temporary replacement property for the energy property during periods for which such property is inoperable due to an emergency or on account of repairs or maintenance, or

"(B) the deplacement property is placed in service on a site other than the site of the replaced property or reasonably adjacent to that site.".

(h) INCREMENTAL COST RULE.—Section 48(1) (relating to energy property) is amended by adding the following new section at the end thereof:

"(19) INCREMENTAL COST RULE.—Property, other than alternative energy property, recycling equipment, qualified hydroelectric generating property, or cogeneration equipment, which otherwise qualifies as energy property under this section but which also substantially increases the operating capacity of the existing process, processes or facility, shall only qualify to the extent of the 'energy component' of the property.

"(A) For purposes of this subparagraph, a substantial increase in capacity is defined as an increase as a result of the installation of the otherwise qualified energy property of more than 10 percent over the capacity of the process, processes or facility prior to the installation of the otherwise qualified property.

"(B) CERTAIN CAPACITY INCREASES DISREGARDED.—For purposes of subparagraph (A) reductions in intermediate or finished product waste or reprocessing shall not be considered an increase in capacity.

"(C) The term 'energy component' means a pro rata allocation of the total cost of the installation of the otherwise qualified industrial energy property, determined by multiplying the total cost by a fraction, the numerator of which is the energy related cost of the equipment and the denominator of which is the total cost.

"(D) In the case of property which qualifies under section 48(1)(3) (alternative energy property) 48(1)(6) (recycling equipment), 48(1)(13) (qualified hydroelectric generating property) and 48(1)(14) (cogeneration equipment), no reductions in the credit otherwise allowable under this section shall be required.".

(i) EFFECTIVE DATE.—The amendments made by this section shall apply to periods beginning after December 31, 1980, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1954.

SEC. 604. ASSOCIATED PROPERTY.

(a) IN GENERAL.—Subsection (1) of section 48 (defining energy property) is amended by adding at the end thereof the following new subparagraph:

"(20) ASSOCIATED PROPERTY.—

"(A) GENERAL RULE.—Any property associated with alternative energy property, specially defined energy property, recycling equipment, or cogeneration equipment shall be treated as qualified industrial energy efficiency property.

"(B) WHEN PROPERTY ASSOCIATED.—For the purposes of subparagraph (A), property shall be considered associated if:

"(i) in the case of property associated with alternative energy property, the installation and operation of such property is reasonably necessary to enable the utilization of an alternate substance, or

"(ii) in the case of property associated with specially defined energy property, the installation and operation of such property is reasonably necessary for realization of the reduction of the amount of energy consumed or heat wasted by the process, processes or activity, or

"(iii) in the case of property associated with recycling equipment, the installation and operation of such property is reasonably necessary to achieve the sorting, preparation or recycling, or

"(iv) in the case of property associated with cogeneration equipment, the installation and operation of such property is reasonably necessary to achieve the energy savings intended by the installation of the cogeneration equipment, or

"(v) in the case of property associated with qualified industrial energy efficiency property, the installation and operation of such property is reasonably necessary for the utilization of less energy per unit of output.".

(b) CONFORMING AMENDMENTS.—

(1) ENERGY PERCENTAGE.—Subparagraph (C) of section 46(a)(2) (defining energy percentage) is amended by adding at the end thereof the following new clause:

"(vi) ASSOCIATED PROPERTY.—In the case of property described in section 48(1)(20), the energy percentage shall be the same as the energy percentage determined under clause (i) for the energy property it was installed in connection with.".

(2) ENERGY PROPERTY.—Subparagraph (A) of section 48(1)(2) (defining energy property), as amended by this Act, is amended—

(A) by striking out "or" at the end of clause (ix),

(B) by inserting "or" at the end of clause (x), and

(C) by inserting after clause (x) the following new clause:

"(xi) associated property,".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to periods beginning after December 31, 1980.

SEC. 6605. PERIOD TO WHICH ENERGY INVESTMENT CREDIT APPLIES.

(a) IN GENERAL.—Subclause (I) of section 46(a)(2)(C)(i) relating to energy percentage) is amended by striking out "1982" and inserting in lieu thereof "1985".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of enactment of this Act.

SEC. 606. EXTENSION OF RESIDENTIAL ENERGY CREDIT TO LESSORS.

(a) IN GENERAL.—Section 44C(d) (relating to special rules) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraphs:

"(5) EXPENDITURES BY LESSORS.—

"(A) LESSORS.—Nothwithstanding any provision of this section requiring the taxpayer to use a dwelling unit as a residence, if any taxpayer who is the lessor of a dwelling unit makes expenditures which, but for such provision, constitute energy conservation or renewable energy source expenditures, then, for purposes of this section, the lessor shall be treated as having made energy conservation or renewable energy source expenditures in connection with such dwelling unit.

"(B) AMOUNT OF CREDIT.—The amount of the credit allowed under subsection (a) in the case of a lessor shall be the amount otherwise determined under this section, except that in any case in which a deduction under section 167, 168, or 179 (or amortization in lieu of depreciation) is allowed with respect to the dwelling unit, subsection (b) shall be applied—

"(i) by substituting '10 percent' for '15 percent' in paragraph (1), and

"(ii) by substituting '30 percent' for '40 percent' in paragraph (2).

"(C) WHEN EXPENDITURE MADE.—An expenditure with respect to an item shall be treated as made when the original installation of such item is completed.

"(D) COORDINATION WITH OTHER PROVISIONS.—No credit or deduction shall be allowed under any other provision of this chapter with respect to any amount for which a credit has been allowed under subsection (a).".

(b) CONFORMING AMENDMENT.—Subsection (a) of section 44C (relating to general rule) is amended by striking out "In the case of an individual, there" and inserting in lieu thereof "There".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures made after December 31, 1981, in taxable years ending after such date.

SEC. 860. AMOUNT OF RESIDENTIAL ENERGY CREDIT.

(a) IN GENERAL.—Subsection (b) of section 44C (defining qualifying expenditures) is amended—

(1) by striking out "$2,000" in paragraph (1) and inserting in lieu thereof "$3,000", and

(2) by striking out "$10,000" in paragraph (2) and inserting in lieu thereof "$15,000".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1981.

Mr. KENNEDY. Mr. President, I am rising to offer an amendment to increase the incentives for energy conservation by business and individuals. The amendment that I am offering will increase by 5 percent the existing energy conservation tax credit for commercial and industrial energy users.

For many years, I have been seriously concerned about the imbalance of energy incentives provided by the Federal Government. According to the Treasury Department, the incentives for energy production in 1980 were nine times greater than those for energy conservation. In 1980 the Federal Government gave subsidies of $12.3 billion to energy producers in this country—but only $1.3 billion to energy conservation.

This very serious imbalance in our energy incentives will further skew energy investments away from the most cost effective to the least cost-effective investment. In the 1960's, energy supply absorbed only 24 percent of new plant and equipment expenditures. By 1977, it had jumped to 43 percent. This dramatic shift in capital resources in our society is having a major impact on our economy.

The Harvard Business School Energy Project studied industrial energy conservation. It concluded that incentives as large as a 40-percent tax credit were justified. I quote:

American industry, as well as other sectors, is subject to a continuing "consumption bias."

This bias has very serious implications for both the individual company and the Nation. It means that conservation is not being achieved at anything like an economic rate. In effect, the industrial sector is seriously underinvesting in energy efficiency.

The 1978 National Energy Act provided a limited 10-percent credit for conservation investments. But, given the financial hurdle, this credit seems much too low. Significantly greater tax credits, up to 40 percent, plus accelerated depreciation or direct financial payments, are required. In addition, energy conservation loans and grants for small businesses, which are often cash-strapped, are needed. . .

Since this legislation is proposing major changes in incentives for oil production. I believe it is essential that new incentives for energy conservation should also be adopted in order to prevent Federal energy policy from being further prejudiced against energy conservation. The amendment that I am offering will make several changes. I would like to summarize them:

First, it will expand the list of equipment eligible for the industrial energy conservation tax credit. The IRS has interpreted the existing legislation in an overly narrow fashion.

Second, the legislation will make eligible for the increased energy conservation tax credit commercial energy savings equipment which the IRS excluded through its narrow interpretation of the existing law.

Third, the legislation will establish an innovative energy conservation capital investment tax credit which will reward energy saving capital projects that are developed by business even though the equipment is not included on the legislated list of equipment.

Finally, the legislation will increase the limits on the homeowner energy conservation tax credit to account for inflation. The amendment will also make the rental buildings eligible for the tax credit.

In my discussion of this amendment with other Members, several issues have been raised:

The first is whether this is the right time to offer such an amendment;

Second. is whether this amendment is too expensive; and

Third. is whether conservation incentives are needed at all.

First, some of my colleagues have argued that this is not the time to offer this amendment because hearings have not been held in the Finance Committee on this matter. I would like to point out that in the last several years scores of hearings on energy conservation have been held. Hearings have been held in the Senate Finance Committee during the last session on a bill very similar to the amendments that I am proposing at the present time. There have been so many hearings on energy conservation in recent years in Congress that a computer printout of them runs nine pages long. I think we have had more than enough hearings on this subject. I think it is time to move forward and approve new incentives for energy conservation.

Second, some have argued that this amendment is too expensive. They refer to estimates of revenue loss in the range of $2 to $3 billion. I do not believe this is a sound estimate of the costs of this amendment. The Joint Committee on Taxation originally estimated the cost of the business energy conservation tax credit. Their estimate was 58 percent higher than the actual tax expenditures. Thus, the cost of this amendment will be between $1 and $1.5 billion rather than the $2 to $3 billion that has been referred to by some of my colleagues.

When the windfall profit tax was enacted, 15 percent of those revenues—or $34 billion—was set aside for energy programs. Thus, the revenues for this amendment are clearly available from the windfall tax.

Mr. President, I think that is important to note that at the time of the acceptance of the windfall profit tax, there were very clear findings by the Senate and by the House of Representatives. One of the important findings was the continuing need for a program to help and assist the neediest people in our society, with a home heating oil program.

The Finance Committee, in its conference with the House of Representatives, earmarked one-quarter of the windfall profit tax to be used for the elderly people and the needy people in our society because, as a result of the decontrol and the explosion of home-heating oil prices, it was going to adversely affect, in a very dramatic way, the energy situation for millions of elderly people.

The Congress has really failed to meet that particular requirement. The conference on the windfall tax also allocates 15 percent of the total windfall revenues, or $34 billion, for energy conservation.

What I am doing here today is taking the $1.5 billion of that $34 billion, which has been earmarked for energy conservation, and proposing that it be used to save oil in American industry and in the commercial sector of our economy.

That, I believe, is in our national security interest in backing off the importation of oil and is necessary to redress what I consider to be the unjust and unfair balance in the incentives between the production of new energy and conservation of energy.

I point out to my colleagues that there is a basic difference between incentive and capability. We all have the incentive to do many things that we simply do not have the capability to do. That is especially the case with regard to energy conservation with investment expenditures.

The fact of the matter is, Mr. President, as I have seen in my conversation with many members of the business community, they want to move ahead in the areas of energy conservation and energy efficiency. But with the high cost of capital and other requirements within the industrial sector of our economy, energy is one of the important considerations, but usually only a second-, or third-level consideration, not the No. 1 priority. We believe that with a 5-percent increase in the investment credit, it will move to the No. 1 and what we will see is significant and dramatic increases in the conservation of energy and the backing off of imported oil.

It is not only my belief, Mr. President, but the conclusion of various studies that I have referred to in the other parts of my statement.

As I said earlier, many of the companies that need to do the most to increase their energy efficiency have the least capital available because their energy prices have risen dramatically. This is true with regard to many of the older companies in my part of the country. The margin of profit in many of the textile plants, the ones that still remain in Massachusetts or New England, may be, 1, 2, maybe 3 percent. That is true, as need, with many of the still remaining shoe plants. Yet they use, particularly in textiles, enormous amounts of energy and they just do not have the resources to be able to make this kind of investment. This credit will have, I think, an important additive effect in encouraging their determination to take the kind of conservation steps which are in the national interest.

So, Mr. President, just at the time when they need to increase their investment to cut energy use, the costs have risen so that they have less money to make those investments.

Mr. President, I believe that it is critical that we reduce our oil imports. Every major independent study has concluded that investments in energy conservation are the most effective method of reducing oil imports. This legislation will reduce oil imports by the mid-1980's by as much as 1 million barrels a day. It is true that these investments would occur at some time in the far distant future. But, economists such as Paul McAvoy of Yale, who was on President Ford's Council of Economic Advisers, and Morris Adelman of MIT have both estimated that it will take up to 10 years for the market to respond to price increases. Thus, I believe that it is critical that we move forward now. We must increase our incentives for energy conservation. By this action we can increase our energy security, cut the flow of dollars leaving our Nation, and begin to rebuild the economic base of our economy. I hope my colleagues will join me in supporting this amendment.

Before yielding the floor, Mr. President, I note on the floor at this time the distinguished Senator from Wyoming (Mr. WALLOP) who has been a real pioneer in this area. He has introduced separate legislation on this subject matter and has been one who has brought this issue on a number of instances to the Senate's attention. We have worked closely on this measure in the past and I want to acknowledge his leadership in this important area of public policy at the present time. We do have some differences as to the timeliness of addressing this issue. but the Senator from Wyoming has been a real leader in this area and I acknowledge his leadership and

commend it. I am very hopeful that, at some time, we can achieve both his objectives and mine.

Mr. President, I yield the floor.

The PRESIDING OFFICER (Mr. WEICKER). Who yields time? The Senator from Wyoming.

Mr. WALLOP. Mr. President, I thank the Senator from Massachusetts for his kind remarks. I also would like to congratulate him for bringing the issue once again to the Senate's attention. As he knows and has stated, I, too, have long been interested in the subject of tax incentives to encourage energy conservation.

In fact, on September 25, 1979, during the last Congress, I introduced my first bill in this area. That legislation was followed toward the end of that Congress by a revised bill, S. 3006. That is a number that is, perhaps, not attractive to the gun control advocates, but as a westerner, S. 3006 was a very appropriate designation for a bill that was designed to shoot directly to and at the energy problems of this country when it comes to industrial energy.

As a matter of fact, Mr. President, industrial energy results in America are stunning. Our industrial conservation achievements are far greater than the results that have been in conventional domestic energy conservation.

I think it is important to note that what we are talking about now are investment decisions. Industrial efficiency investments are in direct competition for the capital expenditures of any industrial entity for the profits and returns to their company.

My old bill, S. 3006, was the subject of hearings before the Senate Committee on Finance last year, and was the predecessor to my current legislation, S. 750. It is my understanding that the amendment before us as proposed by the Senator from Massachusetts is substantially similar to the legislation that he and I together, with many other Senators, have introduced, and which is currently pending before the Senate Finance Committee. I ask the Senator if that is not correct.

Mr. KENNEDY. The Senator from Wyoming is correct. The amendment proposed is an accommodation of the Wallop-Kennedy bill and the commercial sections of the Tsongas-Kennedy legislation. I commend the Senator from Wyoming for his long-term interest in conservation. I remember he was chief Republican sponsor of the Energy Productivity Act in 1979, which I offered. That amendment related to the importance of industrial-commercial energy conservation. I know we will achieve the passage—perhaps today—of some important tax incentives in this area. But I do acknowledge, as I mentioned before, the very excellent work done by the Senator from Wyoming in this particular area. He has been the pioneer here.

Mr. WALLOP. Again, Mr. President, I thank the Senator from Massachusetts for his kind remarks. As he has indicated, this amendment is similar to the legislation that I have proposed, which Mr. KENNEDY and Mr. BOREN have cosponsored, as well as Mr. PERCY, Mr. LONG, Mr. CHAFEE, Mr. TOWER, and numerous other Members from both sides of the aisle. It is my understanding that this legislation now has in excess of 15 cosponsors, which indicates the general level of interest that the Senate expresses in it.

It also tends to indicate something which I think the Senate ought to be aware of, Mr. President. That is, it is cosponsored by people from energy-producing States as well as from energy-consuming States. It is that kind of philosophical concept which is obviously of benefit to the country when you have the producers and consumers, generally speaking, on the same side of an issue. Industrial energy conservation is of interest and concern of the entire Nation.

The legislation, S. 750, is currently pending before the Committee on Finance. While I find myself in general agreement with what the Senator from Massachusetts is attempting to accomplish today, reluctantly I must oppose his amendment at this time. I take this position not because we disagree on the merits of this proposal, but rather because I think the Senate Finance Committee deserves a further opportunity to review this issue prior to the full Senate acting on it.

One of the reasons is that it is a complicated tax matter. It is a matter which requires a very specific forecasting capability. But at a time when we are narrowly trying to balance budgets, narrowly trying to define areas of revenue which are predictable and areas of expenditures which are predictable, it is the wrong moment in time to move this in.

I am convinced we can achieve that and I am convinced we can get the support of the administration on it. But it is the wrong moment to put it on this bill.

Mr. President, I am chairman of the Subcommittee on Energy and Agricultural Taxation of the Committee on Finance and it is my firm intention to proceed expeditiously with hearings on this and other energy tax issues early this fall.

In fact, we have already had hearings on several pending bills in the energy tax area. We had planned to schedule a hearing on S. 750 earlier this year, but we decided to postpone consideration to allow both the administration and the Senate Finance Committee to concentrate on the more general tax issues contained in the bill here before us. I believe the Department of the Treasury is examining S. 750 and hopefully this measure can be considered in the second tax bill.

I point out to my colleagues that the Senator from Kansas (Mr. DOLE) has discussed this issue with me in the past and I think I can fairly state, even in his absence, that he generally is in agreement with me that the Senate Finance Committee must consider a variety of energy tax issues, including those contained in S. 750 during this Congress. This is particularly true as the majority of the energy tax credits contained in current law will be expiring as of December 31, 1982.

One of the reasons why I believe it is important at this time to view the variety of energy tax incentives is that I believe the tax incentive concept will be basically the only energy game in town. The Senate and Congress have put into place a number of measures which are designed to enhance the public's acceptance of and participation in conservation measures. Now we are trying to do something which is substantially different for the industrial energy users.

Industrial energy users, as I stated earlier, really have done the significant energy conservation job in America to date. They really have made all the investments that are easy, and the record of industry in energy conservation is very significant. That is not to say that there are not some simple things that can be done in a variety of industrial areas of consumption. However, as an entity, as part of the American economy, those industrial users of energy have achieved significant savings. But now the investments they make in energy conservation are substantially more expensive. Without a tax credit incentive, many of those investments will be delayed.

In many respects, I believe it is a demonstrable fact that industrial energy consumption, based on its rising curve or rising predicted curve, has achieved about a 40-percent reduction in energy consumption since the beginning of the energy crises that caught the attention of the country.

So, what we are trying to do now—and the Senator from Massachusetts is quite right in his remarks and in pointing out to the Senate what we are trying to do—is to make, in the scheme of corporate decisionmaking, the most attractive decisions, those in the area of energy conservation.

Where we are now is: Improve the net return on industrial conservation investments to large industrial energy users. We must keep in mind that energy efficiency investments are in real competition with other kinds of production measures.

One other thing: We have perhaps only just begun to recognize that conservation need not be equated with deprivation, with discomfort, with a lower level of productivity. Indeed, the answer to all of it is exactly the opposite—that real industrial energy conservation is part and parcel of the whole scheme of the effort of this administration, of the Senator from Massachusetts, and of myself, which is productivity. The link between energy efficiency and increased productivity must not be overlooked.

Obviously, if you make seven things whereas you made two before, with the same amount of energy, you have achieved two things in the national interest. You have upped productivity and you have essentially decreased energy use, both of which are in the interests of economy and both of which are in the interests of stability in America. We have and continue to have a reliance on sources of energy that are not within our control. Increased industrial energy efficiency can help this Nation reduce its vulnerability to foreign energy supply disruptions.

So, as we proceed down this road, I know that the Senator from Massachusetts will be a strong advocate for this proposal.

It is interesting—and I mentioned it earlier, when I came to the Chamber—that you would have a Senator whose State, if it were a nation, would be about the eighth largest energy-producing country in the world. Wyoming has oil, gas, uranium, and coal in extraordinary abundance, as well as the export of generated electricity. And Senator KENNEDY represents a State whose economy is a large energy consumer.

The fact is that my State has suffered greatly from the increased energy production. We have moved in a decade from essentially a State with an agrarian and tourist-oriented economy, a rural State, with no industrial base, to a State which has been vilified on national television, unfairly, because of urban and social problems that have sprung up in less than a decade.

Now, with the overthrust belt, where the Nation's most prolific, new oil and gas discoveries are taking place, we have communities that have gone in a year from a population of 2,500 to 8,000 or 9,000.

They are trying to provide law enforcement services, firefighting services, hospital and medical services, and roads to transport them, housing for them, as well as sewers and water and some kind of maintenance of lifestyle for the people who are there.

We do not want any more acceleration than we are suffering. We would prefer to have not quite the acceleration that is going on.

That is the kind of thing that brings the Senator from Massachusetts and me into the arena at this time. His dependent industries are critically in need of a reliable and predictable source of energy in this country and a means by which to use that energy efficiently.

We join together at this moment—not at this particular moment, but at this moment in this Congress—in viewing energy conservation through tax incentives as one of the really creative ways to get to a point of common benefit for producers and consumers.

Mr. KENNEDY. Mr. President, the Senator has very eloquently described the common interests of people in his State and my State on this particular issue. Even though we come from dramatically different sections of the Nation and our problems are really quite different, we find a common purpose in this particular approach to the problem.

I see in my own State of Massachusetts and in many other parts of New England, as well as in many other industrial areas of the country, older industries trying to cope with the explosions of costs in terms of energy, with all the implications that has in terms of jobs as well as in terms of the ability of people to heat their homes. With respect to the dislocations of industries, the changing of the various communities in terms of form and structure and the base which had been a part of that community over a period of years, there have been very dramatic and significant changes. The Senator from Wyoming has outlined graphically some of the changes in his own State.

What I believe both of us agree on is that what is clearly in the interests of producers and consumers in this country is energy efficiency, energy productivity, and energy conservation. We know that industries in this country have turned down their thermostats about as far as they can. Some of the most modern industries in this country have done so. At IBM, they have been able to reduce their energy consumption 28 or 30 percent, with the utilization of computers and sophisticated thermostats.

Basically, what we are talking about is the industrial and commercial base of this Nation, and in that area there has been not ready enough movement. We have seen efforts of Congress to try to encourage the producers of automobiles to move toward increased miles per gallon, with some success. I believe that if we had not been as successful as we have there might not be any automobile industry in this Nation, because of the demand of consumers for transportation that will get greater efficiency. We know that of the total oil consumption in this country, about half is used in transportation. We have tried to address that issue in other ways. But a very large percentage of our oil use is used in this industrial and commercial sectors.

Very little attention has been given to that industrial and commercial base by Congress to help the private sector, to assist our national objectives in terms of energy policy.

Mr. WALLOP. Mr. President, as the Senator well knows, we did do some things with the intent in mind of attracting investments in industrial energy conservation. But one of the things we did was so narrowly defined as to what would qualify for those credits that we had expected to spend some $600 million by now in inducing and providing incentives for people to make these investments, and they have not done it. They have not done it for the simple reason that Congress thought it knew better than industry what it would save.

We so narrowly defined the provisions in the law that industry took a look and said, "We cannot qualify no matter what we do."

Part and parcel of that portion of the Senator's amendment which comes from our bill is to broaden the definitions and make qualification dependent not on the technique that they choose but the savings that they achieve. This is the area where we are hung up on right now on this bill. At this moment it is difficult to project the energy savings that will result and we cannot project a predicable amount of money to the satisfaction of the administration or the Joint Committee on Taxation, but certainly it is within the intellectual capacity of this body to arrive at at some time.

Mr. KENNEDY. I again commend the Senator for his leadership in this area and understand his concern about the appropriateness of the timing of this amendment.

The matter that concerns me is that within the framework of this legislation there already are important incentives for the production of new energy. I am aware of what the outcome will be on that issue, and I think there will be an amendment to increase those incentives even further this afternoon. Therefore, it seems to me to be appropriate to remind ourselves of the importance of energy efficiency and productivity. I know the Senator from Wyoming is completely committed to this concept.

I understand his concern about the appropriateness of the time. I want to give assurance to the Senator from Wyoming I will continue to work with him. I have no illusions that we will be successful in the final outcome on the vote, but I give him the assurance that I want to work closely with him in the future on this important area of energy policy. I think it is enormously important for the country. I think it is important in terms of our modernizing American industry, and it is an important aspect of reindustrializing America. I think it means jobs for men and women in this country. I think it helps to make America less dependent upon Middle East oil, and it is in our national security interest.

So I want to give assurance to the Senator from Wyoming of my regard for the work he has done on it and on this issue of my desire to continue to work closely with him.

Mr. WALLOP. I want to express one particular piece of delight at something the Senator from Massachusetts said. It is time America began to realize what it is, that energy conservation and industrial efficiency do not mean a loss of jobs but an increase of jobs.

There was a period of time—we will not go into names or dates, but there was a period of time—when conservation was construed as sort of static status, that we would not or should not grow and everybody had to give up a little bit and suffer a little bit in order to achieve it.

I think where we are now today is saying that it is not necessarily so; that real energy conservation, especially industrial energy conservation, means more jobs, cheaper products, and a better and more healthy economy, a growing economy, and once again a horizon to look up to with hope and confidence.

I think if we have achieved nothing else by our joint efforts in this area it is to take conservation out of the realm of sacrifice and suffering, and put it into the realm of legislative creativity and economic and engineering creativity. Cooperation between business and government can put us to the point where we can look to the future with some kind of optimism that will bring us again to a level of rising horizons and rising expectations while, at the same time, fulfilling the national need to be accountable for what we use at any given moment in that time.

I will ask the Senator if it is his intention to have a vote on this.

Mr. KENNEDY. I would like to get a vote on this question because the leadership of both sides might wish to do so shortly after 2.

Mr. TSONGAS. Mr. President, I rise in support of the Kennedy-Tsongas amend-

ment to the Economic Recovery Tax Act of 1981. It is a consolidated version of Senator WALLOP's Industrial Energy Security Tax Credit Act (S. 750), Senator KENNEDY's Energy Productivity Act (S. 787), and my Commercial and Multifamily Energy Tax Credit Act (S. 1323).

Energy conservation is the lowest cost energy resource available to us today.

Energy conservation has tremendous potential to bolster the economy.

Energy conservation is the best weapon we have against OPEC and it provides insurance against future price rises.

Yet, today there are serious financial and market barriers which inhibit the spread of energy construction measures. This amendment will lower these barriers in the industrial, commercial and residential sectors by expanding the existing tax credits. Such tax credits need no bureaucracy to administer them. Instead, they rely on the decisions of consumers in the marketplace. The administration's stated energy policy recognizes that energy tax credits are an effective mechanism to encourage investments in energy efficiency and recognizes their use.

Studies by the National Academy of Sciences, the Mellon Institute, the Harvard Business School and many others all show that energy conservation is the most readily implemented and most cost-effective energy resource available today. The Mellon Institute study indicated that in 1978, if we had followed the most economic path, we would have used 25 percent less energy—and consumers would have paid 17 percent less for the same energy services. The recent study by the Solar Energy Research Institute concludes that by the year 2000 we could cost-effectively reduce our end use of energy by almost 20 percent and still increase our GNP by 80 percent from today's levels.

Last year we spent nearly $80 billion for foreign oil. This dollar drain greatly increased the trade deficit, fed inflation, and weakened the dollar. Energy conservation can greatly reduce the need for this oil. Recent economic improvement has been due, in part, to conservation efforts and the related world oil surplus and oil price reductions. Long-term economic recovery requires major investments in energy efficient equipment.

Energy conservation is the best weapon we have against OPEC. It is already having a significant impact on the world oil market. U.S. oil consumption in 1980 was 7.7 percent less than in 1979. A further decrease of 4 percent is expected in 1981. As a result America has been able to cut daily oil imports from 8.8 million barrels in 1977 to a daily rate of less than 6 million barrels this year. Automobile fuel economy standards and mileage performance labeling are a major factor in these savings. Worldwide oil demand has also dropped. Even though OPEC production has decreased almost 20 percent since 1979, there is still an oil surplus on the market, which is forcing prices down.

Although conservation efforts have helped already, we cannot afford to be complacent. The current so-called oil glut will not last. Without much more conservation, we will again be subjected to drastic price rises, increasing inflation overall, and a declining economy. Supplies could tighten at any moment due to supply disruptions, an expanding world economy, declining reserves, or a host of other factors. We now have a little breathing space; we must take advantage of it.

To seize this opportunity, we continue to need strong Federal initiatives in support of conservation activities. The private sector alone cannot do the job because market imperfections and financial barriers inhibit private investment in energy conservation. Price controls, expensing of intangible exploration and development costs, depletion allowances, average rather than marginal pricing, and a host of other direct and indirect energy use subsidies reduce the private sector's incentive to make investments. At the same time, high interest and inflation rates make it that much more difficult to invest. Because of this, many cost-effective energy efficiency improvements are simply not being made.

Furthermore, fossil fuels are a finite and diminishing resource; a supplies tighten in the future, prices will rise. The market by itself does not anticipate these price hikes adequately. Capital investments in energy inefficient equipment made today will cost us dearly for years to come. Investment must be steered into energy efficient equipment. This amendment will stimulate these investments by providing appropriate tax credits to the commercial and industrial sectors.

In the residential sector there are market barriers as well preventing conservation improvements in rental housing. At present, neither the renter nor the rental property owner has an effective incentive to invest in energy efficiency. The average renter does not stay long enough to consider the investment warranted. The landlord often finds he can pass along most or all of the energy costs to renters. Because of their ownership interest, landlords are the more likely party to invest in energy conservation. Therefore, this amendment extends the residential energy tax credits to them.

The changes this amendment makes are vital to the energy security of our Nation and the welfare of our citizens. In 1977, the industrial sector used 30 quads of energy; the commercial sector used 10 quads, and rental housing 5 quads. This adds up to almost 60 percent of our Nation's total energy demand—roughly 22.5 million barrsl of oil equivalent per day. With cost-effective investments in energy conservation improvements, one-third of this energy could be saved. This represents more oil than we now currently import. Yet, because of financial and market barriers, this potential is virtually untapped today.

Mr. President, I believe there is a clear need for this amendment. I urge its adoption by the Senate, and I commend Senator KENNEDY for his initiative.

Mr. LEVIN. Mr. President, I would like to direct a question to the distinguished Senator from Massachusetts, the sponsor of this amendment. A number of people have reported to me their dismay over IRS rulings with respect to automatic energy control systems for environmental or space conditioning.

The IRS has interpreted existing energy tax credit law very narrowly. IRS has determined that automatic energy control systems associated with commercial or industrial processes are eligible for the energy investment tax credit. But automatic energy control systems, installed in schools, buildings, retail stores, or hospitals, designed to control room or space temperatures are excluded from the energy investment tax credit. In the interest of clarifying the intent of this legislation, will the Senator from Massachusetts tell me whether automatic energy control systems designed to control room temperatures qualify for the energy investment tax credit under this amendment and, if so, what restrictions would apply to the control systems?

Mr. KENNEDY. I would like to assure the Senator from Michigan that one of the main purposes that I am offering this legislation is to overturn the IRS's interpretation that automatic energy control systems used to control heating and cooling in commercial buildings are not eligible for the tax credit. Section 503(b)(5)(a)V specifically lists automatic energy control systems as eligible for the credit. And, subsection 28 further states that:

> Any reduction of the amount of energy consumed in connection with such a facility will be treated as a reduction of energy consumed in a commercial process.

I hope this information clarifies the situation for the Senator from Michigan.

● Mr. LEAHY. Mr. President, I support the amendment offered by the distinguished Senator from Massachusetts.

Mr. President, energy conservation efforts have played a significant role in reducing U.S. crude oil imports to just 4.7 million barrels a day, down some 30 percent from 1 year ago. Conservation measures have saved Americans and American industry millions of barrels of oil and gasoline and hundreds of millions of dollars.

Although the Energy Tax Act of 1978 provided some incentive for energy conservation investments, the language in and regulations resulting from this act left many effective energy conservation technologies ineligible for the energy tax credit, and prohibited the rental housing and commercial sectors of our economy from applying for energy tax credits. This amendment wisely seeks to expand the definition of eligible property and equipment and increase the credit to 20 percent. In addition, this amendment would expand the credit to cover the commercial and rental housing sectors of our economy—which together account for approximately 20 percent of the energy used in the United States today. Finally, it extends the energy tax credits until 1985.

Mr. President, this amendment would provide needed incentives for industry to make the energy efficiency investments necessary to produce more goods and services with less energy. It will also allow the commercial establishments in this country to reduce their energy use and costs. Finally, landlords will now have the needed impetus to make energy

conservation improvements on the Nation's rental housing stock.

Mr. President, energy conservation is an integral part of U.S. energy policy and must be pursued vigorously. It is unfortunate that this administration has chosen to downplay the demonstrated and impressive results of energy conservation efforts. Nonetheless, passage of this amendment will spur this country on to greater energy efficiency—a most necessary and worthwhile goal. I urge my colleagues to support this amendment and I ask to be added as a cosponsor.●

Mr. WALLOP. The distinguished majority leader is currently on the floor. He too, has had a keen interest in the subject of energy conservation and fuels conversion incentives. It is my understanding that he would like to address the pending amendment at this time, and therefore I would like to yield to him.

Mr. BAKER. I thank the distinguished Senator from Wyoming (Mr. WALLOP) and also the distinguished Senator from Massachusetts (Mr. KENNEDY) for their efforts in this area. The Senator from Wyoming (Mr. WALLOP) is correct in recognizing my support for energy conservation and fuels conversion incentives. My long service on the Senate Environment and Public Works Committee has made me a true believer in the merits of energy conservation. Anything we can do, within appropriate budget constraints, to provide the necessary incentives to replace our outmoded, inefficient, industrial plants and equipment has my support.

Furthermore I am also supportive of efforts to accelerate the pace at which we convert from our more precious liquid and gaseous fuels to coal. This country has tremendous coal resources that even today are not being effectively utilized. We must get on with the job of converting to the direct burning of coal where appropriate and additionally with our programs to indirectly use that coal through conversion to synthetic fuels.

Unfortunately, I too, must oppose the amendment of the Senator from Massachusetts (Mr. KENNEDY) at this time. There are a number of energy issues that the Senate will have to consider in the near future. This is particularly true in the energy tax credit area where many of the current credits are scheduled to expire. Because neither the Senate Finance Committee nor the administration has had the opportunity to address these issues in the manner which they deserve, I cannot support inclusion of this amendment in the legislation before us. I would like to ask the Senator from Kansas (Mr. DOLE) however, what his intentions are in regard to energy tax issues, particularly those credits which are due to expire at the end of 1982.

Mr. DOLE. The Senator from Wyoming (Mr. WALLOP) has requested that we schedule hearings early this fall on energy tax issues. I am fully supportive of that request.

As the distinguished majority leader knows, there are a variety of tax issues, including those in the energy area which are not addressed by the legislation before us. I have committed, as has the administration, to begin consideration of a second tax bill later this year. Under the excellent leadership of the Senator from Wyoming (Mr. WALLOP) I am sure that the pending energy issues will receive extensive and enlightened consideration.

Mr. BAKER. I thank the distinguished chairman of the Finance Committee. As he knows, one issue of particular concern to me that is not addressed by the pending amendment is the issue of progress expenditures for synthetic fuel facilities. While the administration's first bill did include such a provision, the legislation here before us is silent on that subject. Because a synthetic fuel facility typically takes from 5 to 6 years to build, being able to claim depreciation during the construction phase is extremely important. I know this is particularly true for several of the projects currently pending before the Synthetic Fuels Corporation, including at least one in my own State. Would the chairman of the Finance Committee care to comment on whether this too would be an appropriate item for further consideration. As the Senator knows, the economics of Eastern coal are such that a viable synthetic fuels industry based on that energy source will, in my judgment, require appropriate Federal incentives.

Mr. DOLE. As usual, the distinguished majority leader has demonstrated his ability to consider a complex piece of legislation and focus on an issue that deserves further consideration. The issue of progress expenditures, particularly for synfuels facilities, is another issue that the Finance Committee will be addressing in the near future. I know the Senator from Wyoming (Mr. WALLOP) is also interested in that issue.

Mr. WALLOP. My distinguished chairman is correct. I very much appreciate the distinguished majority leader's expression of interest in the issue of progress expenditures for depreciation. I would be most happy to work with him in formulating a proposal for consideration by the Finance Committee in the near future.

Mr. BAKER. I appreciate the comments by the Senator from Wyoming (Mr. WALLOP) and again express my sincere appreciation to both him and Senator DOLE for their leadership in these matters.

Mr. WALLOP. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. PRESSLER). Without objection, it is so ordered.

Mr. DOLE. Mr. President, as I understand it now, there are two matters pending. One is the Kennedy amendment. That is the pending matter, the Kennedy amendment.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. And another amendment offered by the Senator from Kansas has been temporarily laid aside.

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOLE. At 2 o'clock we will dispose of the Kennedy amendment. That will be followed by the Bentsen amendment. Is that the agreement?

The PRESIDING OFFICER. At 2 o'clock the Senate will resume consideration of the Bentsen amendments.

Mr. DOLE. The amendments in the first and second degree?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. If the Senator from Kansas should propose an amendment at this time, if I have consent to propose an amendment, that could be disposed of following the Bentsen amendment?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. In other words, the Senator from Texas has been assured that we will first dispose of his amendment and then there would be an amendment by the Senator from Kansas.

With that understanding, that we will not interfere with the rights of the Senator from Texas, and that I do preserve his right to have either an up or down vote or a tabling motion on his amendments, I ask unanimous consent that I might offer an amendment at this time which would not be taken up until after the disposition of the Bentsen amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

UP AMENDMENT NO. 257

(Purpose: Relating to the rate of tax on newly discovered oil)

Mr. DOLE. Mr. President, I send an amendment to the desk on behalf of myself, Mr. BOREN, Mr. NICKLES, and Mr. WALLOP, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE), for himself, Mr. BOREN, Mr. NICKLES, and Mr. WALLOP, proposes an unprinted amendment numbered 257.

Mr. DOLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out all after "Viz:" and insert in lieu thereof the following:

On page 160, strike out the matter following line 22 and insert in lieu thereof the following:

"For taxable periods beginning in:	The applicable percentage is:
1982	22.5
1983	15
1984	7.5
1985 (and thereafter)	0

Mr. DOLE. Mr. President, I will not discuss the amendment until the amend-

ment of the Senator from Texas is disposed of.

This amendment would phase out the windfall profit tax on new oil after December 31, 1984.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, it is the understanding of this Senator, and I think the Senator from Virginia, that at 2 o'clock we will vote on the Kennedy amendment. Senator KENNEDY is not on the floor at this time. I understand he was not able to get the yeas and nays because there were not enough Senators on the floor. If that is not clear, I ask unanimous consent that at 2 o'clock there be a motion to table the Kennedy amendment or a vote up or down, depending on the Senator's wishes.

Mr. HARRY F. BYRD, JR. Does the Senator ask for the yeas and nays?

Mr. DOLE. At the appropriate time I will move to table the amendment. If that time has arrived, I will move to table the Kennedy amendment, and I ask for the yeas and nays.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. HARRY F. BYRD, JR. Will the Senator wait until Senator KENNEDY arrives before making his motion?

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SCHMITT). Without objection, it is so ordered.

The question is on agreeing to the motion to lay on the table.

MOTION TO TABLE UP AMENDMENT NO. 256

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the amendment of the Senator from Massachusetts.

Mr. BAKER. Mr. President, was the inquiry whether the yeas and nays have been ordered to the tabling motion or on the amendment?

The PRESIDING OFFICER. The yeas and nays have been ordered on the tabling motion. The clerk will call the roll.

The assistant legislative clerk called the roll.

The PRESIDING OFFICER (Mr. DOMENICI). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 54, nays 46, as follows:

[Rollcall Vote No. 208 Leg.]

YEAS—54

Abdnor	Grassley	Packwood
Andrews	Hatch	Percy
Armstrong	Hatfield	Pressler
Baker	Hawkins	Quayle
Boren	Hayakawa	Roth
Boschwitz	Heinz	Schmitt
Byrd, Harry F., Jr.	Helms	Simpson
	Hollings	Specter
Cochran	Humphrey	Stafford
D'Amato	Jepsen	Stennis
Danforth	Kassebaum	Stevens
Denton	Kasten	Symms
Dole	Laxalt	Thurmond
Domenici	Long	Tower
Durenberger	Lugar	Wallop
East	Mattingly	Warner
Garn	McClure	Zorinsky
Goldwater	Murkowski	
Gorton	Nickles	

NAYS—46

Baucus	Exon	Mitchell
Bentsen	Ford	Moynihan
Biden	Glenn	Nunn
Bradley	Hart	Pell
Bumpers	Heflin	Proxmire
Burdick	Huddleston	Pryor
Byrd, Robert C.	Inouye	Randolph
Cannon	Jackson	Riegle
Chafee	Johnston	Rudman
Chiles	Kennedy	Sarbanes
Cohen	Leahy	Sasser
Cranston	Levin	Tsongas
DeConcini	Mathias	Weicker
Dixon	Matsunaga	Williams
Dodd	Melcher	
Eagleton	Metzenbaum	

So the motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENTS NOS. 253 AND 254

Mr. DOLE. It is my understanding that we will now move to the Bentsen amendment, which is in the first and second degree. Do we have a time agreement of 2 hours?

Mr. BENTSEN. We have not reached a time agreement.

First, let me say to the chairman of the committee I want to thank him and I want to express my appreciation for working out the procedure with the distinguished majority and minority leaders, and to thank him for the able manner in which he is running his committee on the tax bill.

Mr. DOLE. Could we agree on, say, an hour to a side?

Mr. BAKER. Mr. President, if the parties will agree to that, I think that will materially assist the Senate. I ask unanimous consent that there be a 2-hour limitation on the Bentsen amendment to be equally divided and controlled in the usual form.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, I will have to object, not on my part, but for my side of the aisle until I clear it with my side of the aisle.

Mr. BAKER. I will withhold the request with the hope that it will be cleared a little later. I recommend we go ahead with the debate on the amendment and see if we can obtain an agreement.

The PRESIDING OFFICER (Mr. SCHMITT). The Senator from Texas.

Mr. BENTSEN. I might further say to the chairman of the committee that I will be happy to work with the minority and majority leaders and the chairman of the committee to arrive at an agreement on time.

Mr. President, the Senate will soon pass the largest tax cut in the history of this country, and there has been a remarkable amount of bipartisan support for a tax cut. Obviously there is some disagreement as to the manner in which it should be done.

I take some satisfaction in noting that we finally have begun to put the American economy in the position of responding to incentives. We are seeking to encourage the sort of savings and incentives that can lead to greater productivity and more stability and greater real growth in our economy. I have been an active advocate for years of putting incentives into the tax system.

The PRESIDING OFFICER. Will the Senator suspend for a moment? Gentlemen and ladies we must have order in the Senate. Could the Senators carry their discussions to the cloakrooms so that the Senator from Texas can be heard on this extremely important issue?

The Senator from Texas.

Mr. BENTSEN. I thank the Chair.

I think the work we did in the Joint Economic Committee over the last 2 years helped blaze the trail in trying to develop incentives for savings and capital formation, and for increased production in this country.

I would suggest, however, that there is one important area in which the committee bill can be improved. We have embraced the idea that incentives for investment are a key element in restoring a healthy and dynamic American economy. I am proposing an amendment to the vitally important area of domestic energy production. Specifically, Mr. President, my amendment would exclude the first 1,000 barrels of production by independent producers, and 10 barrels by royalty owners, from what I believe was a misguided and ill-advised windfall profit tax.

Let me take just a moment to explain why I think this amendment is necessary, why it makes sense for all Americans, and bolsters the prospects for energy independence as the years pass.

There are about 12,000 independent producers in this country. We are not talking about small mom-and-pop operators, let us get that understood right now. We are talking about substantial business.

If you want to drill for oil at 10,000 feet in Texas today that is going to cost you $1 million. If you want to drill for oil in Oklahoma at 20,000 feet it is going to cost you $10 million. Those are the kinds of funds we are talking about gambling and speculating today in trying to find oil and gas. It has become extremely expensive to search for domestic energy resources, and the costs are rising every day.

What is remarkable about the independent producers is their total commitment to the search for oil and gas in the United States of America. They are not buying real estate with their revenues,

they are not investing in chemical plants, they are not buying shopping centers, and they are not buying department stores. They are putting it back into the ground, drilling for new oil.

All the testimony we had before the Committee on Finance was that the independent producer puts 105 percent of his well-head revenues back into the hole looking for new oil and gas.

He is the fellow who always believes he is going to hit the big one and, thank God, a few of them finally do. The belief that he is going to hit the golden flow is what keeps him in business.

I have often used the example that it is something like having someone hit the daily double at the racetrack. What you really ought to do is to go out to that racetrack, look down at the pavement and see all those torn up ticket stubs of the fellows who did not hit the daily double.

So it is in the oil and gas business today. I think the fact that they put 105 percent of their money that comes out of that hole into new holes in order to find oil and gas is a compelling statistic. He is investing $105 in American energy for every dollar that comes out of that hole.

Our energy producers are totally committed to exploration. How well do they do their jobs? Well, again the matter may be surprising to those who do not follow energy matters closely, or believe that our domestic production is a function of how the majors choose to use their resources.

It is America's 12,000 independent producers who drill 90 percent of the exploratory wells in this country. It is America's 12,000 independent producers who find 75 percent of the new oil and gas fields in this country.

It is America's 12,000 independent producers that account for 54 percent of the new oil and gas reserves that are found in this country. They are the ones who go out and drill those little knotholes when the reserve is really not that great. But with their lower costs of administration, they can develop oil where a major company cannot.

They are the ones who go out in areas that have been drilled over before, where all the experts tell them they are not going to find it, and darned if they do not go in and find it from time to time. So they are the ones who are taking the long risks, the long shots, the big chances, and I believe they ought to be rewarded for it. They are willing to gamble over and over again on America's energy independence, taking that huge element of risk.

They are the ones who help us try to break the back of the OPEC cartel.

What do the majors do in that regard? They find in many cases it is cheaper to buy those reserves than it is for them to explore for them, so they go to that independent and buy it from him. Again, the independent takes that money and puts it back in the ground, often losing it, but once in a while he hits, and every time he hits, America prospers because of it.

The vital importance of the independent producer to our domestic production cannot be seriously questioned. It is clearly in our national interest to encourage these 12,000 risk takers to do what they do best, go out and find the energy assets for America.

Last year my amendment to the windfall profit tax provided the independents with such an incentive by reducing their tax liability on the first 1,000 barrels of daily production. We took it off entirely in the Senate but it was defeated in the House. We were able to take back part of it in conference.

The independents went to work and spent that money drilling for oil and gas. It is a classic textbook example of how our free market system reacts to incentives, and it can be seen in the response of our independent producers.

I remember when we were considering this amendment in the last Congress, Government energy experts came to us and testified that you could not induce any more drilling, it really did not make sense, because there were only so many rigs. At that time, as I recall, there were a little over 2,000 rigs in operation. Today there are over 4,000 rigs operating in the United States, a very substantial increase. With the incentive of reduced tax rates we drilled 62,500 wells last year, and we reversed a generation-long trend of lagging or declining production.

It is estimated that we will drill 72,500 wells this year. That is welcome news, but it still is not enough. If we are serious about achieving energy independence at the earliest possible date, we should double or even triple our current exploration efforts. With the right signals and the appropriate incentives for the independent producer, we can encourage significant new exploration and production.

To those who would suggest that the incentives already provided are adequate and working as intended, I would reply that we can and must do better. The cost of drilling an oil well has increased over 350 percent since 1970. At the same time costs are going up, the amount of easily recoverable oil is going down. The independent producer will, in the future, be forced to drill deeper and in less hospitable terrain to find energy. And that means that his costs are going to go right through the roof. He will need additional incentives to make the additional costs and risks worthwhile.

It has been said by some, "Well, let's wait. Let's not do that now. Let's do that on the next tax bill. Let's not act at this time."

The Secretary of the Treasury, as I understand it, was appearing on a news program for a cable TV on Sunday and he said that because of the indexing provision that was added to the Senate bill, if that remains in the tax bill, that there will be no significant cut in taxes before 1985.

If the Secretary is correct, then it will be 4 years before we can make the necessary corrections to the windfall profit tax that will increase the drilling for oil and gas in this country.

Mr. President, this amendment would free up nearly $2 billion for new exploration and production of American energy in 1983. It means that this amendment would yield an extra 106,000 barrels per day by 1984, with the figure increasing to 234,000 barrels per day by 1987. For the rest of the decade that would mean 140 million barrels of new production—production that will not be realized without the Bentsen amendment.

If we do not produce that energy in America, you know where we are going to buy it. We are going to buy it from a very unstable source of supply—we will buy it from OPEC.

Do not think that this temporary slowing down in the price of oil will always prevail. Once they get that coalition back together, as the Saudis are trying to do, then you can watch them reduce production to try to achieve a stable supply of oil. The sale price for that oil will accelerate as they deem necessary.

So for the remainder of the decade, we will send millions of dollars to the coffers of the Persian Gulf when we could be spending that money right here in America, creating reserves here, creating jobs here, and keeping our dollars at home.

My amendment has a second, equally important purpose, Mr. President. It is designed to correct the bizarre situation in which America's 2 million royalty owners are treated for the purposes of the windfall profits tax—exactly like a major oil company.

The vast majority of America's royalty owners are people of modest means; many of them are elderly or retired citizens for whom the monthly royalty check is the difference between poverty and a dignified existence. They have become casual, accidental victims of punishing taxation aimed at major producers.

Mr. President, I held a hearing down in Austin, Tex. Senator BOREN of Oklahoma was there at that time. We had over 3,600 royalty owners turn out for that hearing—over 3,600 of them were there protesting what had been done to them. In case after case, we had people testify before us telling us that this really was the difference between having a reasonable existence and having to depend on welfare.

As part of the effort to correct this injustice, I worked last year, along with my friends, the two distinugished Senators from Louisiana and Senator BOREN of Oklahoma and others, to get a one-time $1,000 tax credit for royalty owners. It is important to understand, however, that most of the royalty owners have yet to see a penny of that money. The IRS gave royalty owners until June 15 of this year to assemble their documents and file for the credit. In the meantime, 16 months of sharply lower royalty checks have gone by. Sixteen months of bills have been paid. And the money for the tax credit has not yet been received.

Less of a time-lag problem will apply to the $2,500 tax credit proposed in the committee bill. However, the simplest, fairest, and most effective may to correct the injustice of taxing a retired individual at the same rate as a major oil producer with billions of dollars in revenue is to accept my amendment and exempt from the windfall profits tax royalty income from the first 10 barrels per day.

My amendment to provide new incen-

tives for America's independent producers, to increase domestic energy production by 140 million barrels over the next decade, and to correct the blatant injustice of punishing taxation on 2 million royalty owners will decrease windfall profits tax revenues by approximately $2.9 billion in 1982.

The advantages of the 1,000/10 barrel per day exemption are obvious and important. It would be irresponsible, however, to seek those advantages without demonstrating how this revenue loss can be offset. Once such an offset is identified and proposed we can determine the extent to which it serves our national interest.

To compensate for the revenue loss that would result from the 1,000/10 barrel per day exemption, I am proposing to temporarily delay the ACRS leasing provisions contained in the Finance Committee bill until January 1, 1992.

Let me make it quite clear, however, that the first vote would be cast on the 1,000-barrel exemption for independents and the 10-barrel exemption for royalty owners, and, if that is approved, then there would be a vote on the basic amendment as amended.

I have been a strong and consistent advocate of more rapid schedules of depreciation as an incentive for investment in more modern plants and equipment. I believe the Finance Committee bill provides those incentives. We have done a great deal in the area of depreciation.

The leasing provisions I am proposing to delay in the Finance Committee bill are designed specifically to help industries that are not paying taxes. It is important to understand that the leasing provisions are not necessarily the most effective way to achieve the goals of such industries. By the estimate of the Finance Committee staff, only 25 percent of the current usable investment tax credits are held by the truly needy industries. Despite these reservations and shortcomings, I would urge that we focus now on the 1,000 barrel exemption for independents and the 10 barrel exemption for royalty owners.

The main point I want to make is that we are not going to bust the budget. We are talking about actually providing a surplus to the Treasury as a result of my total amendment if it is passed.

I would suggest, Mr. President, that the 1,000 barrels for the independent producers and the 10-barrel exemption for the royalty owners would do more to help us achieve energy self-sufficiency, improve our balance of trade, and rebuild the American economy. If the Senate will accept this offset, there is no negative budget impact, but a contribution to the Treasury.

Incentives for savings, investment, production, and achievement are part and parcel of the American experience. They are vital to our free market system. With this tax cut we are once again moving our economy and Government policy in the direction of freedom and incentives. With this amendment for a 1,000/10 barrel exemption, I am proposing that we apply the same logic—the logic of success—to the production of our domestic energy resources.

Mr. President, my amendment is sound energy policy. With the offset I have proposed, it is sound budget policy. And with the increased production it will yield, it is an investment in America's future that will pay handsome dividends for years to come. I urge its adoption by the Senate.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. BENTSEN. Mr. President, I yield to my friend, the Senator from California.

Mr. CRANSTON. Mr. President, I want to applaud the effort of the Senator from Texas. He has worked very hard, very creatively, and very diligently on this matter.

I am in strong support of the amendment of the Senator from Texas providing for an exemption—limited to small, independent producers—from the windfall profit tax for the first 1,000 barrels per day of oil production, and providing for a lesser but needed and equitable extension for royalty owners.

The Senate considered and adopted a similar amendment, 53 to 41, when it was offered by the Senator from Texas during the Senate's original consideration of the windfall tax legislation in 1979, with substantial bipartisan support. Twenty-four of our friends on the other side of the aisle joined 29 Democrats to pass the amendment at that time.

Since I believe those votes were cast wisely and sincerely, I would hope that we could expect substantial Republican support again today.

This issue is one which poses a test of conflicting loyalties for those who have previously supported this amendment.

Will they be consistent with their previous judgment of sound public policy? Will they provide necessary tax relief to the independent sector of the oil industry, whose record of reinvestment of profits from oil production in new exploration and drilling is excellent? Or will they, on the other hand, join President Reagan in repudiating his promise to the independent producers by voting against this amendment? We will have to wait and see.

There is no revenue loss involved. Potential revenue losses have been offset by delaying the effective date of the leasing provisions of the bill until 1992.

The amendment has been carefully drafted to limit the exemption to the small, independent producers and to royalty owners.

I believe it is an excellent provision which will help to maintain a level of competition in the oil industry despite administration efforts to tilt domestic energy policies to the benefit of the big, major oil companies.

The independent sector of the oil industry is the most inclined to use its capital for new production. This amendment will lead to increased new production of domestic oil—something we obviously need and need badly.

I urge my colleagues on both sides of the aisle to join me in support of this very important amendment.

Mr. JOHNSTON. Will the Senator yield me 3 minutes?

Mr. BENTSEN. I yield.

The PRESIDING OFFICER. There is no time agreement. The Senator from Louisiana is recognized for as long as he desires.

Mr. JOHNSTON. Mr. President, I am delighted to again join with my distinguished friend from Texas in pushing for this amendment not just for independent producers, not just for royalty owners, but for those who depend on energy in this country.

The distinguished Senator from Texas made, I believe, a very complete statement on this issue of why we ought to have a 1,000 barrel-a-day exemption and why we ought to have a 10 barrel-a-day exemption for royalty owners.

I would simply like to add two points, Mr. President.

First, the trend toward increased drilling in this country, unless this amendment passes, in my judgment will precipitately come down with the enactment of this tax bill.

Why is that? That is because both this bill and the House Ways and Means Committee are lowering the tax rate on unearned income from 70 to 50 percent, a move which I think is widely supported on both sides of the aisle and in both Houses. I think it is virtually a reality.

But we have to recognize, Mr. President, that when that does become the law, the source of funds for independents will be immediately and precipitately dried up. It so happens that much, I might say most, of the drilling funds for independents comes from that 70 percent money. Ordinary people, doctors and others, who have money taxed at 70 percent, when it gets along about November and December and they figure they have nothing else to invest that money in, cannot stand the idea of paying Uncle Sam 70 percent. So they rush out and buy a race horse or buy some other kind of investment, or, in my part of the country, at least, they will get them a drilling deal and put their 70 percent dollars into the drilling deal.

What is going to change under this bill, Mr. President, is that the 70-percent tax rate is coming down to 50 percent and it is no longer going to be nearly as attractive to put the money into a drilling endeavor. For that reason, we are going to dry up the money for independents to a very large extent.

That particular phenomenon does not apply to corporations, Mr. President, because, of course, corporations, the majors, are taxed at not beyond 46 percent on their income. This is a phenomenon limited to independents. If we do not act through this amendment, we are going to see a great constriction in capital for the independents.

The second point I would make, Mr. President, is that we should not be fooled by the temporary glut, so-called glut, on the oil market today. The oil glut is really, I think, misnamed because the amount of excess, the amount of the surplus, is really quite small compared to the total demand.

Indeed, there are many of the commentators, what you might call the oil

commentators, who now say that in terms of production and consumption, worldwide, at least in the free world, we have already outrun the glut and we are already consuming slightly more than we are producing, worldwide.

The reason for the glut is because of the very large stocks of oil held by majors and independents, stocks in primary, secondary, and tertiary storage. That is soon to be used up even at present rates of production.

It is very widely understood that the Saudis will come down from their rate of production, which is approximately 10.2 million barrels per day, back to where they were, as soon as they have achieved some, what they call, discipline in the OPEC pricing of oil. In any event, it is a virtual certainty that the Saudis are coming back down in their production; that the supply of oil worldwide will again become tight because it is controlled by the Saudis. It is in their interest to make that supply tight again, and again we will see those prices go up.

It is rather difficult to predict the precise time that this will occur. Most analysts say that the present price stability—not a decrease in price but price stability—will last perhaps 6 months.

So the temporary glut and the temporary price stability will not last, Mr. President, and we must get about the business of producing domestic oil.

I am quite certain, Mr. President, or should I say I have great confidence, that our colleagues on the other side of the aisle will again join with us in this endeavor. They did last time when they were in the minority when we had the Bentsen amendment up as part of the windfall profit tax. The only thing that has changed since that time is that we are no longer in the majority but they are. We now have a President who, during the campaign, talked against the windfall profit tax. So we have every opportunity this time, Mr. President, to pass this amendment at a time when it is greatly needed, not just by independents and royalty owners but by all of those in this Nation and in the free world who depend upon the supply of domestic oil.

I congratulate the distinguished Senator from Texas.

Mr. MELCHER. Mr. President, I, too, congratulate the distinguished Senator from Texas (Mr. BENTSEN) for his amendment. As a cosponsor of the amendment, I want to add my 2 cents' worth to this.

One of the things that has changed since we passed the windfall profit tax is that the small royalty owners have figured out that they got soaked. When the bill left the Senate, we had an exemption, a similar provision to that offered today by Senator BENTSEN. But once Treasury started to collect the windfall profit tax, these small royalty owners found out that they were caught with an excessive tax.

The bill before us without the Bentsen amendment will give some relief but not adequate relief. It takes the Bentsen amendment to make sure that the small royalty owners really get adequate relief from the windfall profit tax.

I remind my friend from Kansas of his profound interest in taking care of the small royalty owners. I feel it is his obligation as chairman to protect the committee's bill, which sometimes gets in the way of his better judgment on taking care of the small royalty owners. However, I think in fairness to the small royalty owners, the Bentsen approach or the Bentsen addition, this amendment, would very much help the small royalty owners throughout the States, including my State of Montana and the State of Kansas.

Mr. DOLE. Will the Senator yield for a comment?

Mr. MELCHER. Yes.

Mr. DOLE. Had the Senator from Montana stuck with me on cloture, we would not be arguing about the windfall profit tax today. The Senator from Montana voted for cloture, shut off debate and then the Democrats won over.

Mr. MELCHER. I thank the Senator from Kansas for that comment because I can tell him that this Senator is a much wiser Senator having learned his lesson on this question that the small royalty owners got hooked by the windfall profit tax when they really should not have. Had I followed the lead of the Senator from Kansas at that time I would have been a smarter Senator. I wish I had. I wish the Senator from Kansas would now follow the lead of the Senator from Texas, Senator BENTSEN, and myself for that matter as a cosponsor of this amendment, to really take care of those small royalty owners.

Mr. BENTSEN. Will the Senator yield?

Mr. MELCHER. I yield.

Mr. BENTSEN. I would like to add Senator PRYOR as a cosponsor of this measure, Mr. President.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MELCHER. Well, we can call it the Bentsen-Boren-Melcher amendment, and a lot of others.

Mr. RANDOLPH. Mr. President, who has the floor?

The PRESIDING OFFICER. I believe the Senator from Texas has the floor or is yielding the floor.

Mr. BENTSEN. I yield the floor.

Mr. DOLE. I am happy to yield to the Senator from West Virginia.

Mr. RANDOLPH. I appreciate the courtesy of the able Senator from Kansas.

Mr. President, I heard earlier this afternoon, Senator BENTSEN speaking about the fact that the so-called oil glut will not always be with us. That is so correct. All we have to do is to look at the history of these situations. Let us move back to the forties, the early forties. We then did not do what we should have done. We went back to doing business as usual when the U-boats went home and World War II was over. We did not protect ourselves but instead left ourselves open to the supplies of petroleum from abroad.

Those supplies were to come from what we now term OPEC countries. I said then, and I have said many, many times—I am not a prophet but I understood the subject matter—that the petroleum coming into the United States would come from unstable and perhaps unfriendly countries. Was I correct on that?

Mr. BENTSEN. The Senator from West Virginia certainly was correct, was a prophet.

Mr. RANDOLPH. Today we have seen that take place. Now, because there is an oil glut, that will not continue we take what the Senator is saying about independent oil production and make it a valid amendment included in this legislation. The Senator's amendment would encourage production. It would take care of conservation to a degree, and he would assure equity for those who are the royalty owners. Am I correct on that?

Mr. BENTSEN. The Senator is correct and I thank him for his comments.

Mr. RANDOLPH. I appreciate very much the opportunity. I thank the Senator from Kansas for allowing me to say that here we have to be very, very realistic in reference to the subject matter before us.

When the windfall profit tax—Domestic Crude Oil Excise Tax—was under consideration on the Senate floor, an amendment to exempt the independent producer and royalty owner was offered. That amendment, which I supported, passed by a vote of 53 to 41.

To tax away exploration funds used by independents in West Virginia, to find new supplies of domestic crude oil is contrary to our Nation's interest. It is the independents which have continued to search for the costly, hard-to-find oil in the United States. They drill 89 percent of our domestic wells. Independent producers have been investing more than 100 percent of wellhead revenues in exploring and developing new domestic oil supplies for this country.

On January 5, 1980, I cosponsored a bill (S. 2521) which would entirely exempt small royalty owners from the windfall profit tax up to a total of 10 barrels per day of royalty interest. This 10-barrel-per-day exemption should cover the vast majority of the small royalty owners who are most severely impacted by the imposition of the windfall profit tax.

Most royalty owners in our State are landowners or working farmers who are struggling to survive in the face of plummeting farm commodity prices and soaring interest rates. There also is a sizable group of royalty owners who are retired persons dependent on small royalty checks to supplement their social security payments. I counsel with these individuals. They are not oil profiteers nor were they ever the intended target of the windfall profit tax.

Earlier this year, I cosponsored legislation (S. 19) to completely exempt royalty owners from the windfall profit tax for the first 10 barrels of daily production. That legislation would have served to broaden the investor base in independent operations. During Senate consideration of the Revenue Reconciliation Act last year I voted for an amendment which totally exempted the first 2 barrels of daily production of all stripper wells from the windfall profit tax. Each stripper well, in 1978, averaged 2.9 barrels per day.

Drilling for oil and gas in West Virginia has been going on for 121 years. In 1922 Ernest Randolph, my father, organized an oil and gas company. I was its secretary and treasurer. As a young man I often stood on a hillside in our State and saw a "dry hole" being drilled.

With due respect to my colleagues who speak of "big oil," I speak for the independent producer.

To date, approximately 103,000 wells have been developed in West Virginia. While it is true that the forces of nature, combined with market forces, have caused many of our societies energy predicaments, it is conversely one of nature's blessings that in our Appalachian region we have the advantage of large amounts of liquid and gaseous fossil fuels. Thus I fully support the Bentsen amendment to aid independent producers and small royalty owners.

Mr. DOLE. Mr. President, when I became chairman of the Finance Committee, it never occurred to me I would have to get into a situation like this. Having been one of the 31 who stood on this floor and voted against the windfall profit tax, now to suggest that there may be a better idea than the one presented by the distinguished Senator from Texas is not easy to do. I hope I can present a better argument for a better amendment that will encourage some of my colleagues on both sides of the aisle to help us defeat the Bentsen amendment. We can then go on with another amendment that I will propose on behalf of myself, Senator NICKLES, Senator WALLOP, and Senator BOREN.

Senator BOREN cannot lose. He is on both amendments. I think many others will be on both amendments.

I do not quarrel with that; I am very pleased to have Senator BOREN on my amendment. But, Mr. President, without being repetitious, I remind Members that there was a time when we were debating the windfall profit tax on this floor. It just happened that I ran across the vote on that particular measure. I noticed the distinguished Senator from California saying that we know that the 24 Republicans who voted for the Bentsen amendment before will vote for it again. I hope they do not. If they do, the Senator from Texas is going to win and the President is going to have a big problem trying to put everything back together again.

I went back and reviewed that critical vote on December 14, 1979, at 1:39 p.m. on the cloture motion on the windfall profit tax. It seemed to me that some of these oil men have short memories. Some of them seem to think that the windfall profit tax happened since January and that President Reagan indicates he does not like it—and he does not like it—it ought to be disposed of in the first 6 months of his term. I think we ought to go back and, in case anybody should read this record by accident, set out what happened in the windfall profit tax debate—who was present at that time, what happened on the Senate floor, what happened in the conference, and, really, why we have the windfall profit tax at all.

Had those who now want to amend the windfall profit tax followed the leadership of some of us, we would not be here today. There would not be any windfall profit tax.

Mr. President, I do not quarrel with those who voted that way, but on that key vote, on the cloture motion introduced December 12, 1979, signed by Senators ROBERT BYRD, Muskie, Nelson, CRANSTON, SARBANES, METZENBAUM, Stewart, HUDDLESTON, DURKIN, JACKSON, Culver, WILLIAMS, McGovern, Church, MOYNIHAN, ZORINSKY, LEVIN, BUMPERS, PRYOR, and BIDEN, on that crucial vote, and it was a crucial vote—there were 56 voting for cloture, 39 voting against cloture. Ninety-three percent of the Democrats voted for cloture. Seven percent of the Democrats voted against cloture and 90 percent of the Republicans voted against cloture. There were five not voting.

Mr. President, I ask unanimous consent that the record be made a part of this RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

YEAS (56)

Democrats (52 or 93%)		Republicans (4 or 10%)
Baucus	Leahy	Hatfield
Bayh	Levin	Javits
Bentsen	Magnuson	Schweiker
Biden	Matsunaga	Stafford
Bradley	McGovern	
Bumpers	Melcher	
Burdick	Metzenbaum	
Byrd, Harry F., Jr.	Morgan	
	Moynihan	
Byrd, Robert C.	Muskie	
	Nelson	
Cannon	Nunn	
Chiles	Pell	
Cranston	Proxmire	
Culver	Pryor	
DeConcini	Randolph	
Durkin	Ribicoff	
Eagleton	Riegle	
Exon	Sarbanes	
Ford	Sasser	
Glenn	Stennis	
Hart	Stevenson	
Heflin	Stewart	
Hollings	Stone	
Huddleston	Tsongas	
Inouye	Williams	
Jackson	Zorinsky	

NAYS (39)

Democrats (4 or 7%)		Republicans (35 or 90%)
Boren	Armstrong	Kassebaum
Gravel	Bellmon	Laxalt
Johnston	Boschwitz	Lugar
Long	Chafee	McClure
	Cochran	Packwood
	Cohen	Percy
	Danforth	Pressler
	Dole	Roth
	Domenici	Schmitt
	Durenberger	Simpson
	Garn	Stevens
	Goldwater	Thurmond
	Hatch	Tower
	Havakawa	Wallop
	Heinz	Warner
	Helms	Weicker
	Humphrey	Young
	Jepsen	

NOT VOTING (5)

Democrats (3)	Republicans (2)
Church—2	Baker—2
Kennedy—2	Mathias—2
Talmadge—2	

Explanation of Absence:
1—Official Business
2—Necessarily Absent
3—Illness
4—Other

Symbols:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

ANALYSIS OF ISSUE VOTED ON:

Party Cohesion
Democrats—93%
Republicans—90%

Measure of Party Support on Issues as Voted on
For (56)
Democrats—52 or 93%
Republicans—4 or 7%
Against (39)
Democrats—4 or 10%
Republicans—35 or 90%

Prepared and Compiled by Senate Democratic Policy Committee, Robert C. Byrd, Chairman

Mr. DOLE. It seems to me, Mr. President, that what we are faced with today is another judgment on how we can best encourage more oil production in the United States and whether or not it is the Bentsen approach. Certainly, I do not have any quarrel with the distinguished Senator from Texas. I know of no one who has done more in a constructive way in this matter than the Senator from Texas. So we are not here in an adversary relationship. Perhaps if we had the money, I would vote for both amendments. I hope we are going to get the money. Maybe we can find some way to accomplish that objective.

We had a group of independent producers in town about 10 days ago. They are very concerned, and I understand that, even on the House side, there may be some bidding going on as to who can get the best deal for the oilmen and maybe get the best vote for their package. I can assure those who are listening that that has not been going on on this side. There has been no bidding war on the Senate side. There has been an effort to develop the best approach to reducing this tax.

It seems to me the best way to have a production response on the so-called supply side is to phase the tax out on new oil. That is the amendment the Senator from Kansas has proposed, a phaseout not at 2 percent a year, but at 7.5 percent a year over 4 years, starting in 1982, as in the amendment offered by the distinguished Senator from Oklahoma in the committee. We can add to that phaseout tertiary and heavy oil. It does not cost much more and we think it should be added. So we are really providing an incentive for more production.

That does not mean that I do not believe that the Bentsen amendment has some merit. I just believe our amendment has more merit. Under our amendment, once that tax starts to fall, 7.5 percent next year, 7.5 percent in 1983, 7.5 percent in 1984, 7.5 percent in 1985, that is the end of it—there would be no tax on new oil.

That, to me, is a giant step in the right direction, in fact, I think a larger step

than I have had authority to do before. I do not have any authority to do this. But it seems to me that in the face of the Bentsen amendment, we have been obliged to develop what I consider to be a better approach. That is the phaseout of tax on newly-discovered oil.

As the minority floor manager of the windfall profit tax bill, this Senator stood on the floor for a number of weeks. We had all kinds of debate on the windfall profit tax. I think there were 31 of us, including about every one I see in this room, who voted against the windfall profit tax on the final vote. I shall put that vote in the RECORD, too, so there will be no misunderstanding. The Senator from Texas did not vote for it, the Senator from Oklahoma did not vote for it. But a number of Republicans strongly opposed the windfall profit tax.

It is hard to see, Mr. President, even at this point why we taxed new oil. But how can you have a windfall profit tax on newly discovered oil? How can you have a windfall profit tax on something you have not found?

We thought we were making some headway but after a number of votes to shut off debate on this new oil tax, cloture was obtained and the Finance Committee exemption for newly discovered oil was stripped from the bill. I think that is an important fact.

Another critical point in the development of the windfall profit tax occurred on the second day of the House-Senate conference on the bill. On that date, the Democratic majority among House and Senate conferees quickly agreed that the conference would evenly split the revenue difference between the House and Senate bills. This required adding $50 billion to the Senate bill and sacrificing most of the production incentives in our version of the legislation. Again some of the proponents of this amendment were among those who sacrificed the Senate position in conference.

I just say again to keep the record straight, because I know that some people forget and some people will not be happy with what happens on the floor, we should consider what this $50 billion compromise meant. It was done before Christmas so we could all go home and there would be some sort of indication that we were serious. It required the so-called 10-percent minimum tax on newly discovered oil to be increased not to a minimum but to 30 percent. It also required a 30-percent tax on hand-to-produce tertiary and heavy oil. The $50 billion compromise also killed any hope of an exemption for independent producers and royalty owners.

So, Mr. President, I suggest that if we look at the record, the record is rather clear. Even though I strongly believe that the windfall profit tax needed to be substantially altered and more quickly phased out—as I shall do, I hope, in an amendment I shall offer for a number of us later—I do not support this amendment. I think, however, that we have made some progress in the Senate Finance Committee bill.

We do understand the plight of the royalty owner. We did increase the credit from $1,000 to $2,500. That, according to estimates from the Joint Tax Committee, will exempt at least 80 percent of America's royalty owners.

I might say, just for the record, Mr. President, because many of us here understand the issue, that in hearings held in Texas by the Senator from Texas, in Oklahoma and Kansas by the Senators from Oklahoma and Kansas, Mr. BOREN and myself, hundreds and hundreds of royalty owners showed up. They are not rich people. They are retired landowners, they are other people who have a small investment. What we say in the $2,500 credit is that anybody with a royalty income of up to $2,500 a year will not have to pay a tax. To me, that is a step in the right direction. That is not as much as Senator BENTSEN would do, but to me, it is a step in the right direction.

Consider the testimony received by the Finance Committee at field hearings on this subject—let us just take my State. Ours is not a big production State. However, 60 percent of the 142,000 Kansas royalty owners received less than $600 of royalty income per year. I recall so well, when the Senate Finance Committee took that action, the reports by some in the press that we were giving a big break to big oil companies. Mr. President, this is not a break for big oil companies. It is an equitable adjustment. In fact, we are correcting a mistake, and in so doing we will benefit a lot of small royalty owners. So I think the Finance Committee proposal goes a long way in that regard.

Also, the Senate Finance Committee bill would phase down the tax from 30 percent to 15 percent by 1986. This change is the single most cost effective means to encourage the continuation of the drilling boom we have been seeing.

I might add that, since that time, we have been encouraged by a lot of things even to make it effective in 1982 and phase it out altogether—phase it out in 4 years. I am not certain that we may come out of conference with, but at least from the Senate, we shall leave here with a 4-year phaseout.

The President supports both of the windfall profit tax changes in the Finance Committee bill. He does not want to go further at this time. As a consequence, the administration opposes this amendment. The tax reduction bill before us today is an economic recovery package.

If one takes a fair and evenhanded look at the American economy, the oil industry is one segment of the economy that is booming and is in little need of economic revival. I agree that more money could be spent. If we had more rigs, we could do more drilling. That does not mean we do not need to undertake a major reform of the windfall profit tax in the near future. If we fail to substantially restructure the windfall profit tax, we may find that drilling boom will trail off and domestic oil production to turn down again.

As I sat with the President discussing this matter with independent oil men from various States, such as Kansas, Texas, and California, I found agreement by these gentlemen that if the President is serious in wanting to phase out the windfall profit tax, plus what he has already done with deregulation, plus what this bill does to the industry, without any talk of the windfall profit tax, all the customary depreciation, all the individual tax cuts, the reduction of the 70-percent rate on unearned income to 50 percent—I believe that most of the men there and the others they represent had to leave their feeling that they had a pretty good thing going, without anything so far as new oil was concerned.

Mr. JOHNSTON. Mr. President, will the Senator yield?

Mr. DOLE. Let me finish my statement, before I forget what I was going to say.

I believe the President's promise. I think he meant what he said. I am going to have included in the RECORD, if we can find it, the letter the President then addressed to C. John Miller, president of IPAA.

Let me remind those who may have forgotten that there was a lot of talk on the floor, when the President ordered decontrol, about how everything was going to go sky high, gasoline prices were going up, and they went down instead.

I believe the President's promise and accordingly I must oppose the 1,000-barrel-per-day exemption. The President has already kept his promise to decontrol oil which added $7.6 billion of unexpected revenue to the oil industry this year.

This Senator is not convinced that a 1,000-barrel-per-day exemption is the best means of providing relief from the windfall profit tax. There are other amendments, like a new oil exemption, that would be far more cost effective in encouraging a continuation of the aggressive oil exploration that we have witnessed over the last year. In light of all of the claims about this amendment that have been made, there are several key facts that should be considered.

First, despite the production response claims for the 1,000-barrel-per-day exemption, most of the relief provided by the exemption does not actually go to independent producers who are likely to put the money back into new drilling. Indeed, in 1982 only about 38 percent of the relief from the amendment will go to independent producers. Let me repeat that important point—only 38 percent of the relief from this amendment will have any likelihood of being put back into exploration.

Second, this is not necessarily a mom-and-pop producer amendment. One thousand barrels per day of crude oil is worth about $35,000 per day and more than $12 million per year. That means that an individual could have more than $12 million in crude oil income and be totally exempted from the windfall profit tax. This exemption would apply whether or not a dime of this revenue was put back into oil production.

I will read what the President said in his letter of July 10:

> I enjoyed meeting with you and your colleagues today to discuss possible changes in the windfall profits tax.
>
> As you know, I opposed this tax when it was proposed, and I spoke out against it several times during the 1980 campaign. At the time I pledged to do something about the tax as soon as it were fiscally possible. I re-

affirm that pledge to you. The so-called windfall profits tax was bad legislation, and should never have been enacted in the first place.

He was not on the Senate floor. He could not vote against cloture, but he can comment on it now:

And I intend to work with the Congress to move as rapidly as feasible, following the enactment of our pending tax legislation.

In other words, he is giving a commitment to the oil industry that as soon as we pass this tax legislation, he is going to move as rapidly as possible to do away with all of it:

In the meantime, our Administration has acted in other areas to encourage the production of energy in this country. We have decontrolled the wellhead price of oil and are opening up new offshore leases. We have proposed an accelerated cost recovery system that would permit the energy industry to retain significant amounts of capital essential for investments in American energy production. And we have endorsed a tax bill which would raise to $2,500 the exemption from the windfall profits tax for royalty owners, and would reduce by half over the next few years the windfall tax rate on newly discovered oil. We believe these steps will greatly encourage the domestic production of energy.

I look forward to working with you on these and related issues in the future.

That was addressed to Mr. C. John Miller, president of IPAA, 1101 16th Street NW., Washington, D.C.

So I suggest that that is a commitment from the President.

Let me discuss one other aspect of the amendment of the Senator from Texas, and I will be happy to yield to my colleagues.

The distinguished Senator from Texas has proposed an amendment which would defer for 10 years the liberalized leasing rules of the Finance Committee bill. This amendment provides a difficult decision for the Senate. The leasing provisions are complex and highly technical. The present law that it changes is even more technical and complex. But the purpose of the provisions is clear: to make the economic recovery provisions of the tax bill work.

WHAT THE LEASING RULES ARE

The leasing rules provide a safe harbor for taxpayers. Those taxpayers who seek to enter into leases of new property will be permitted to characterize their agreements as leases and thus to designate another party as the owner for Federal tax purposes. The amendment maximizes the freedom of taxpayers and expands the free market for equipment leasing.

The effect of designating a corporation—other than the user—as the owner for Federal tax purposes will be to permit the designated owner to take the investment tax credit and the depreciation deduction. The effect will be to permit taxpayers to bargain among themselves to identify the taxpayer who will obtain the greatest benefit from the tax attributes. The result will be to maximize the investment incentives from ACRS because ITC and depreciation deductions will not go to waste.

WHO NEEDS LEASING?

Leasing is particularly important for a wide range of enterprises which will be crucial to the economic recovery of our Nation. One constituency for leasing will be our heavy, distressed industries. Because of the long-term effects of our prior tax policies which were biased against investment, productivity and profits in our most capital intensive industries have fallen. As a result, many companies in such industries are not in a position to best take advantage of tax incentives. The leasing provisions will enable such companies to do indirectly what they cannot do directly.

But the need for leasing is much broader. Our best estimate of the share of the revenue loss attributable to our six basic distressed industries—iron and steel, and automobile manufacturing foremost among them—is only about 25 percent. Where does the other 75 percent go?

We believe, based upon economic analysis by the Joint Committee on Taxation, that the remainder of the benefits will also go to important players in the effort to bring America out of its economic decline. Small, rapidly growing businesses will benefit greatly from this provision. Such taxpayers in the lower brackets of our corporate income tax will be able to transfer tax deductions to corporations which will be able to offset such deductions against income in a 46-percent bracket. These small companies will thus also be part of the dynamic engine that will restore American economic growth. Such businesses have historically been responsible for many of the innovative ideas and new jobs created in America.

HOW THE LEASING RULES WORK

The leasing rules operate by permitting private contractual arrangements to determine which of two parties—the user and the financing party—will be treated as the owner for Federal tax purposes. The leasing markets are a well-established and dynamic financial market for this country. There are established methods and procedures through which investment credits and depreciation can be transferred. Those private legal precedents will easily adapt to the new lease transactions. Above all use of the lease rules will insure that economic investments will be made.

ALTERNATIVES TO LEASING

The failure to provide liberalized leasing rules will effectively guarantee that we will adopt a refundable investment tax credit in the near future. Currently there are unused investment tax credits of approximately $14 billion. That amount will grow at a substantial rate. Either we will forego much of the intended effect of the economic stimulus package or we will be forced to adopt a refundable ITC. Of course, an after-the-fact ITC will be less cost effective, with a larger revenue loss, than liberalized leasing rules.

Liberalized leasing rules are the best way to maximize the benefits of ACRS without the enormous revenue loss of refundable ITC's and its unestimable administrative costs. I urge my colleagues to defeat the amendment.

Who is going to be affected by this? The principal industries that will benefit from the leasing provisions include automobile manufacturers, iron and steel producers, railroads, airlines, copper mines, and paper.

The geographical distribution of benefits will be wide. I ask unanimous consent to have printed in the RECORD a table showing States to which major benefits will accrue.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Alabama—Steel; Paper.
Arizona—Mining.
California—Autos.
Colorado—Mining; Airlines.
Georgia—Paper.
Idaho—Mining.
Illinois—Steel.
Indiana—Steel.
Kentucky—Autos.
Michigan—Autos.
Minnesota—Iron.
Missouri—Autos.
Montana—Mining.
New Mexico—Mining.
Nevada—Mining.
North Carolina—Paper.
Ohio—Steel; Autos.
Oregon—Paper.
Pennsylvania—Autos; Steel.
Tennessee—Paper.
Texas—Airlines.
Utah—Mining.
Washington—Paper.
Wisconsin—Paper.
Wyoming—Mining.

Mr. ABDNOR assumed the Chair.

Mr. DOLE. Finally, Mr. President, I wish to conclude on a positive note and again to commend the Senator from Texas for offering the amendment. I cannot say that I want the Senator from Texas to prevail, but he has brought this matter to the attention not only of the Senate, but also the administration and the country, and for that reason he has provided a service.

I believe we do have a better idea, and we believe our idea will add more of a production response and is parallel with the President's so-called supply-side economic theories and supply-side tax cuts.

What better incentive could you give anyone than to phase out the tax they now pay, whether it is levied on oil or on anything else? It seems to me that the production response will be immediate. It is going to affect those out there looking for oil right now, not someone who has it and is waiting for an exemption to come along.

I suggest that the best way to proceed—and I hope this will be followed on a bipartisan basis—would be to dispose of this amendment. Then, the Senator from Kansas has an amendment pending which will follow all the discussion and the vote on this amendment and which, as I said, will eliminate the tax on new oil over 4 years, by 7.5 percent a year.

An amendment in the second degree will be offered to that amendment, to take care of tertiary and heavy oil—the oil produced in the State of the distinguished Senators from California (Mr. CRANSTON and Mr. HAYAKAWA). Tertiary oil is important to the State of Texas and the State of Oklahoma and also, to some degree, to the State of Louisiana. So we are not leaving without a solution. We are being positive in our attacks on this

amendment, and I suggest that that is the course we should pursue.

I yield briefly to the Senator from Idaho.

Mr. SYMMS. I thank the Senator.

Mr. President, I would like to make an inquiry of the chairman of the committee, the Senator from Kansas: What is the difference in the revenue projections of the two amendments about which we are talking? We have before us the Bentsen amendment. What is the total projected revenue loss? How much are we talking about?

The Senator from Texas or the Senator from Kansas.

Mr. DOLE. Let me just say we have the figures, we have the net revenue effect. If you remove the leasing provision put in by the Finance Committee, the net revenue effect would be positive for fiscal 1981. It would be $400 million in 1981, $100 million in 1982, $300 million in 1983, $1.5 billion in 1984, and $3.1 billion in 1985 and $4.9 billion in 1986. But I am not so certain——

Mr. BENTSEN. That is a correct statement.

Mr. DOLE. That is correct.

Mr. SYMMS. How much is the Senator from Kansas in his amendment or the Senator from Texas proposing?

Mr. BENTSEN. This is the Senator from Texas' amendment with the offset, which would mean there would be a contribution to the Treasury to help cut the deficit in the year 1984 by $1.5 billion. In addition you would have a net contribution to the Treasury of $2.3 billion during the time period 1981–84.

Mr. DOLE. The added figures requested by the Senator from Idaho on the additional cost of the so-called 4-year phaseout of 7½, 7½, 7½, and 7½ in the proposal I have offered on behalf of the distinguished Senator from Idaho and other Senators will be an additional $226 million in 1982, $547 million in 1983, $1.576 billion in 1984, and $1.8 billion in 1985. That is the additional cost. On the second-degree amendment extending the phaseout to heavy and tertiary we will have the revenue estimates in just a few moments.

Mr. SYMMS. Then the revenue loss from either amendment is not going to have any effect on the Treasury, is that correct?

Mr. BENTSEN. Not as I understand it. I do not know if the Senator from Kansas is coming with an offset. Unless they come with an offset, it would have a substantial impact on the deficit and add to the deficit.

Mr. SYMMS. But the amendment the Senator from Texas offers does have an offset?

Mr. BENTSEN. That is correct. I understand that the Senator from Kansas mentioned that there would be additional money generated by my amendment for the independents. I hope that the Senate will remember that we are talking about gross income, not profits. When the Senator from Kansas discussed the amount of money that would be placed back into production, I have a hunch the Senator from Kansas was tracking numbers prior to my changing of the amendment. The numbers we have say that that producer will put back 105 percent of his gross revenues into additional exploration. When we mention the royalty owners we were trying to correct an inequity, which taxes the royalty owners as a major oil company, which I know the Senator from Idaho opposes.

Mr. SYMMS. I thank the Senator.

Mr. DOLE. So that we have the record complete—and I do not quarrel with anything the Senator from Texas states—and so we have it perfectly clear, as was once said around here, under the Finance Committee bill's provisions relating to new oil, the costs in 1982 would have been zero because the rate reduction is not effective until 1983. The cost in 1983 would be $217 million, 1984 would be $384 million, 1985 $809 million, in 1986 $1.5 billion.

I have given you the additional costs of the 4-year phase in. Let me say, without setting aside the leasing provision, as I understand this provision of the Senator from Texas' amendment, we do not take into account the leasing provision, and the 1982 costs are $2.9 billion, 1983 costs are $4 billion, 1984 costs $4.2 billion, 1985 costs and 1986 costs are each $4.3 billion.

So the Senator from Idaho may recall that last night the Senator from Kansas offered an amendment to bring everything back into balance, and we have been able to do that. In fact, we have a little surplus in 1984. I do not suggest it will last long, but we have about a $700 million surplus in 1982 and about $1 billion in 1982. We are about $3 billion short in 1983, but there is still another effort the Senator from Kansas will make to save enough money for the phaseout on the tax on new oil.

Mr. SYMMS. I thank the Senator very much.

I was trying to recall those figures. I have discussed this issue with our distinguished chairman and others, and I believe we have voiced our disapproval of the tax. I made a statement in committee that in the 8 years I spent in the other body, if I wanted to list all the bad bills passed, and there were some bad bills, I would have to give this tax the golden trophy as the worst bill that passed the Congress since I served in the Congress.

I said that because it is anticompetitive, pro-OPEC, antiproductivity, and antiproduction of oil. If the Government was serious about becoming energy independent, the windfall profit tax would have never been considered. When the bill passed the House, I never thought that the Senate would pass this crazy windfall profit tax, as well. The 96th Congress bailed out the automobile companies from making automobiles that people did not want to buy, and taxed the oil producers who were producing a product that people did want to buy.

If we are serious about terminating the windfall profit tax, we ought to be terminating the tax sooner, in a later year.

This tax is really a severance tax on production at the wellhead—and it is detrimental to our overall energy situation.

The reason the windfall profit bill was passed was to raise revenues to finance social programs. It did not have anything to do with excess profits. I thought it was very interesting that the major newspapers in the country wrote many editorials about the excess, obscene profits, when the newspapers had a higher return on investment than any oil company ever in existence. The tax had nothing to do with oil, it was simply to raise money for social programs.

We are in a dilemma on this issue. I am very sympathetic to the Senator from Texas' amendment, and to the amendment of the Senator from Kansas. Both of them are very meritorious, both of them are very attractive pieces of legislation.

I yield back.

Mr. DOLE. In closing I want to call our attention to a letter from the Domestic Petroleum Council dated July 14.

The Domestic Petroleum Council is a group of 21 domestic producers of oil and gas. They say:

> The Domestic Petroleum Council, a group of 21 domestic producers of oil and gas supports the Economic Recovery Tax Act of 1981 as reported out of the Senate Finance Committee. The Council encourages adoption of the Finance Committee bill in both the Senate and the House.
>
> The DPC believes that the attempt to add an amendment to the tax proposal to exempt producers from payment of the windfall profit tax on the revenue received from the first 1,000 barrels a day of crude oil production is bad energy policy and will provide no additional barrels of oil, even though its members would benefit financially from such an exemption.
>
> The Senate Finance Committee bill provides for a phased down reduction in the WPT on newly discovered oil from 30 percent to 15 percent. DPC believes this provision will encourage domestic petroleum exploration and development activities for all of industry. Further, the DPC believes production will not be maximized until the entire WPT has been phased out.
>
> Members of the Domestic Petroleum Council produce more than 550,000 net equivalent barrels of oil and gas a day.

I would like to list the members of that group. They should not be unfamiliar to us. They are:

American Quasar Petroleum Co.
Champlin Petroleum Co.
Coquina Oil Co.
Delhi International Oil Co.
Energetics, Inc.
Equity Oil Co.
Houston Oil & Minerals Corp.
Hunt Oil Co.
Louisiana Land & Exploration Co.
Mesa Petroleum Co.
Mountain Fuel Supply Co.
Pennzoil Co.
Pogo Producing Co.
Quaker State Oil Refining Corp.
Sabine Corp.
Santa Fe Natural Resources, Inc.
Sinclair Oil Corp.
Southland Royalty Co.
Superior Oil Co.
Tenneco Oil Co.
Terra Resources, Inc.

They are medium- to moderate-sized companies. I think their comments are

an indication that we are moving in the right direction when we start phasing out the tax.

Mr. SYMMS. I thank the chairman very much.

I would just make the point that I am supportive of phasing out the windfall profit tax in later years if it is not possible to do so at the present time. In 1988 the so-called windfall profit tax, the severance tax on crude oil production, the antiproductivity tax, will raise $25 billion, in 1989 it will raise $26 billion, in 1990, $26 billion. We are talking about roughly $75 billion—collected in 1988–90.

It would appear to me that if the Senate means business about alleviating the windfall profit tax that we might consider terminating the tax on December 31, 1987.

I wonder if that would not make more sense than trying to tamper with it now because if we make some adjustments in the 1,000 barrel exemption or any other exemption, we will have to raise $227 billion through the so-called windfall profit tax, is that correct? Is there anybody in the Chamber who would dispute that statement? Maybe the former chairman of the committee, the Senator from Louisiana, might help me on that. But I believe that is the way the law works.

Mr. DOLE. Come 1991—and that seems to be some distance away, it is another 10 years—that is the end of the so-called windfall profit tax, whether we raise $60 billion or $140 billion. But there have been some suggestions——

Mr. SYMMS. Or $227 billion, whichever comes first, is that correct?

Mr. DOLE. Right. I believe 1991 may come before the $227 billion, based on the accumulation so far.

Mr. President, I say to the Senator from Idaho that it would seem to me that his suggestion has some merit. But if we open up that can of worms, we would have a full-blown windfall profit tax debate again on the Senate floor. I believe at this time we do not need such an open-ended debate.

Mr. SYMMS. In deference to my chairman, that is why I am not going to offer that amendment. But I think that point should be made; that the damage was done by the passage of the windfall profit tax last year. And, although I have personally favored in the committee and I still do favor any changes we could make to alleviate the damage, I think that the point should be made that we need to start to phase out this tax, along with all other taxes.

I would hope we could get the economic recovery package passed. Maybe if the results are as good as some of us hope they will be, there may be some room for more effort in this direction in the future.

Mr. President, I yield the floor.

Mr. BOREN addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. BOREN. Mr. President, I have been listening with interest to the various comments that have already been made on the floor in regard to the pending amendment and the amendment which will soon be offered by the Senator from Kansas, the distinguished chairman of the committee.

I also listened with great interest to my colleague from Idaho. I think there is much merit in what he has said about the need to revise the windfall profit tax so that it can be phased out at an earlier date and so that it will not end up collecting far more in revenue than even those who gave us the windfall tax—over the determined opposition of a number of us—would have thought it would ever raise.

I want to say, first of all, Mr. President, as I begin this discussion, that both of the amendments which already have had some discussion today have great merit. Both of them are amendments that I would like to see passed.

I am very pleased that the Senator from Kansas intends to offer the total exemption for newly discovered oil. This is an amendment, as the chairman knows, that I attempted in the committee. We did get half of it. The committee already put it in the bill and I am very pleased about that.

I would also say that I think it is important that we not let this discussion bog down into any kind of a partisanship. I recently had a clipping from a Wichita, Kans., newspaper put on my desk. In that particular article, the chairman of the Finance Committee, the Senator from Kansas, was being attacked by some spokesman—I was not familiar with him—in the energy field for not helping the energy producers enough.

I want to say right off the bat that since I have come to the Senate I have seen two chairmen of the Finance Committee—the distinguished former chairman, the ranking minority member, the Senator from Louisiana—attacked at one point or another for not helping the energy producers enough. I have now seen the distinguished chairman, the Senator from Kansas, attacked on the same basis.

I want to say that, from my vantage point, having heard them on the Senate floor, having watched both of them for as long as I can remember—one of my first experiences in politics was coming into this Chamber and sitting in the gallery and hearing the senior Senator from Louisiana talk about an energy matter when I was still far below the voting age.

To hear either one, either the ranking member, the former chairman, or the present chairman of the committee attacked as being not favorable enough to the interests of more energy production of this country, to me is ludicrous, indeed; it is absurd. It flies in the face of the record of years of service on the part of both of them to the cause of assuring greater independence and energy production in this country.

I think whoever attacked the Senator from Kansas in the Wichita paper—and I do not recall the name—ought to be ashamed of himself.

I do not intend today to take any kind of partisan advantage of the situation. All of us who understand the legislative process know that when a person serves as chairman of a committee, as the Senator from Louisiana did and as the Senator from Kansas now serves, they have certain responsibilities toward a piece of legislation, toward the administration and the White House, and toward the total Federal budget. I think it is most unfair that the Senator from Kansas has been attacked as he was, and the Senator from Louisiana was attacked in the past. Neither one deserves those kinds of attacks.

Having said that, I want to talk for a moment about the legislation introduced by my good friend from Texas, who also for a long, long time has been a leader in the field of trying to secure more energy production for the American people, not in the sense of any narrow geographical interests. It is true that my colleague from Texas, as I do, comes from an area of the country that produces energy. It should be a fact that we are proud of, not ashamed of, because we are trying to establish policies which are in the interest of this entire country, whether people happen to live in Texas, Oklahoma, Hawaii, Massachusetts, or wherever they might happen to live.

I commend the Senator from Texas for offering this amendment. I am proud to join him in sponsoring this amendment.

Let us look at the facts about it for a minute. Statistics compiled by the American Association of Petroleum Geologists over a number of years indicate that independent producers account for much of the new energy discovery in this country and in the production of new oil and gas for the American people.

One 5-year study covering the years from 1969 to 1973 revealed that during that period the independent producers accounted for 89.2 percent of wildcat wells; 75 percent of new fields found; and 54 percent of the oil and gas discovered.

Of the 49,900 wells drilled in 1978—I am talking about exploratory and developmental wells—independents were credited for 42,000 of those wells and major companies with 7,800 of those wells.

This amendment would exempt from the windfall profit tax a very large segment of the industry which has been most active in the exploration for domestic oil and gas reserves—the independent producers who operate here inside the geographical boundaries of the United States.

I might also mention that during the 5-year period from 1973 to 1977, another study indicated that total gross wellhead revenues for independent producers totaled $33.3 billion, and yet those producers spent $34.9 billion on drilling, exploration, and production activities. These expenditures account for 105 percent of their wellhead revenues from both crude oil and natural gas production.

Some people have said to me who do not have much experience in the oil and gas fields, "How could someone be reinvesting 105 percent of their revenues?"

Well, as soon as new reserves are discovered, as soon as that new well is hit, the kind of people we are talking about are on the forefront of exploration and are down at the bank borrowing money against the value of the new reserve they found to go out and punch more holes into the ground to get us more oil and gas. That is the nature of the industry we are dealing with. This is the inde-

pendent entrepreneurial spirit demonstrated by the independent oil and gas producers. That is why there would be a significant production response from the amendment which is now before us to exempt the first 1,000 barrels of production by independent producers.

But there is another factor that is also very important—I have this hammered home to me again and again when I go back into areas where we have large numbers of independent producers—and that is the regulatory burden being imposed by the windfall profit tax.

I have literally had people tell me, people who are making relatively large financial returns, that they just intended to get out of the business because they could not cope with the paperwork burden anymore.

There is a small company without fleets of lawyers and accountants and access to all sorts of computer capabilities. They simply were worried night and day that they were not always going to be accurate in all their reporting, trying as hard as they might. It is a tremendous burden on them. It is something that really weighs on their mind.

Now, some people have said that, because the tax is collected by the first purchaser, the tax really does not impose additional administrative burdens on the independent producers. That, of course, is very inaccurate. Because, although the first purchaser collects the tax, it is the operator that has to certify for each barrel of crude and the applicable tax classifications. This becomes very, very difficult because of the complex categories for tax purposes that have been created by the law.

So I would say that there will be an additional production response, not only from economic factors at work, not only because we are increasing the cash flow of those who traditionally have reinvested more than 100 percent of their cash flow into exploration, but the incentive of reducing the tremendous regulatory paperwork burden also cannot be overestimated.

In addition, a provision of this amendment which applies to the royalty owners is certainly a significant one. It would virtually exempt all the royalty owners in this country because there are very, very few—you can literally count them almost individually—that would have more than 10 barrels per day of oil owner share production.

So that provides almost total exemption for the royalty owners of this country. They were unfairly hit by the windfall profit tax, there is no doubt about it.

They were taxed at a rate equal to that of major oil companies, as has already been said.

I saw a cartoon in one newspaper not too long ago showing an elderly couple, and this, I think, would be a very typical recipient, a royalty interest that we have in Oklahoma. More than any other group, royalty owners are primarily composed of retired farmers and ranchers, with approximately half of them on social security. They are not high income people.

This cartoon showed this elderly couple standing in front of a rural mailbox and the name on the side said "Mr. and Mrs. Exxon," obviously the name of this elderly couple. They were getting their check out of the mailbox. They were looking at their check and they said, "Yes, when they said in the papers that the windfall profit tax was going to hit the Exxons of the world, they were certainly right."

In other words, they fired at the target of the major oil company and hit the little couple who were living on their social security checks, supplemented by a royalty income, at the highest possible rate on all of their holdings.

The major international oil companies not only have holdings in the United States but they have them overseas as well. So while they were hit at a certain tax rate, we have to consider that at least some of their holdings are probably not within the bounds of the United States and were not taxed. But that little royalty owner has all of his or her interest taxed under the windfall profit tax at the same rate as the major oil corporations.

I know that every time we talk about a retired couple, we talk about people not at the highest levels of income; when we talk about the so-called mom and pop amendments, people have developed a certain cynicism about it. They say that cannot be true.

I read an editorial in the New York Times saying, "Why should we feel sorry for J. R. Ewing?" That was the essence of it, that it was the J. R. Ewings of the world who were affected by any provision to help royalty owners.

That is pure nonsense. I am ashamed that a paper with that reputation would not have taken the time to check the statistics to determine the actual breakdown in the income levels of those who were helped by earlier efforts for the small royalty owners.

I would say that this amendment goes a long way in achieving equity for the independent royalty owners. It is an amendment that should be agreed to. It will result in additional production. It will actually provide recognition in the tax laws for those who have been the backbone of the domestic petroleum industry. I am talking about the independent producers who have kept their jobs, their payrolls, in this country searching for energy here inside the United States.

I hope that we will be able to pass this amendment. I again commend the Senator from Texas for taking the lead in offering it. I want to emphasize, in conclusion, that in supporting it, I certainly do so without any kind of disrespect for the Senator from Kansas, the distinguished chairman of the Finance Committee, who has worked along with many others now on the floor to cause more incentives to encourage domestic production of energy in this country.

Mr. NICKLES. Mr. President, I rise in support of the amendments introduced today. I commend their authors, the Senator from Kansas and the Senator from Texas. I think it is important that we enact these amendments, Mr. President.

My reasons for running for U.S. Senator were basically twofold. This goes back to 1951. My father passed away and the Federal Government, through their unfair inheritance tax, took one-third of the small machine shop my family had owned since 1918. And the second which incurred my anger just as easily if not more so was the passage by Congress of the unfair, unjust, discriminatory windfall profit tax last year.

This law as passed makes no sense.

Mr. President, if we had some commonsense, almost every Member of this body would agree that we need more domestic production and less reliance on OPEC. Yet when Congress passed the windfall profit tax we did just the opposite. We put a heavy, burdensome tax on domestic production. At the same time, there was no windfall profit tax on imported oil. So basically what we have done is we have increased our dependence on OPEC. We have actually increased and encouraged OPEC imports while discouraging domestic production. It made very little sense when it was passed and it makes no sense today.

Another argument philosophically is one that comes out so strongly against the windfall profit tax, that it is totally and completely 100 percent anti free enterprise. It is telling one industry, "You are making too much money so we will take anywhere from 30 to 70 percent of whatever increase the price will be." For most people they cannot figure it up, but the windfall profit tax boils down to about one-third of the price of oil they were receiving. So we are telling this industry they will have to pay that tax plus whatever the income tax will be. It used to be 70 percent. Hopefully, with the present program, we will reduce it to 50 percent. At the same time, we come to other industries and tell them they are in trouble so we will subsidize them.

We do not have the free enterprise system. We do not allow people the freedom to suceed or the freedom to fail. I believe free enterprise is just that, that individuals should have the freedom to succeed or the freedom to fail.

I compliment the committee because I think they did take a step in the right direction. The bill that is on our desks that passed the Finance Committee was a step in the right direction. The $2,500 tax credit for royalty owners was certainly a step in the right direction. Not only was this an increase of $1,000, but it also provides, and I am not too sure that many Members realize this, that in the event that $2,500 exceeds their total tax liability before the windfall profit tax, they will not have to make those deductions and then also receive a credit later in that year.

Mr. President, this affects thousands of people. I talked to many people last year. One individual had a royalty income check of a sum total of $1.51. The windfall profit tax on that $1.51 was 50 cents. His net income was 91 cents. That 50 cents was withheld. That person, to receive their credit as it was passed last year and will be passed this year would have to file for a refund to receive his $5 or $6 refund. That is ridiculous.

In the committee's bill, under Senator DOLE's leadership, we were able to put an amendment in that would basically provide for those individuals, if their tax

liability does not exceed $2,500, no deductions would be made.

The committee bill also provided for a one-half phaseout of the windfall profit tax on new oil beginning in 1983. It certainly was a step in the right direction. I compliment Senator BOREN for his initiating that.

The two amendments before us today, both of these, in my opinion, would improve the legislation, if we have been.

Concerning Senator BENTSEN's bill, I guess I do have two reservations about that. One, as we just learned on the Senate floor, is the fact that we are talking about a tax increase.

Most of us really were not knowledgeable or aware of where the new income was coming from, the leasing provisions. My concern is, yes, I think we need the tax cut, but I question where the tax increase is coming to pay for it.

Also, I think Senator SYMMS had a good point when he said yes, as the law is now written, if the Bentsen amendment is passed, the income will have to be made up. It will be basically an overall tax reduction on windfall profit tax through the year 1990 but the net effect will be that the tax burden of this exemption will be pushed onto other segments of the industry, primarily the majors, and that concerns me.

I think Senator BENTSEN's arguments were well stated in the fact that we need to repeal this tax for persons on the first 1,000 barrels of production to insure the incentive, to insure that people have a right to keep part of their own profit.

The amendment that I am very, very excited about is the amendment of Senator DOLE and myself, and Senator BOREN and others who have worked so hard to put it together. That is the total, complete phasing out of the windfall profit tax on new oil. That would begin in the year 1983 with a 7.5-percent reduction so the tax on new oil would be replaced or would be phased out in this 4-year period of time.

This amendment has several pluses that probably have not been discussed or realized by many Members of the Senate.

One is that it does not put the independents, the royalty owners, versus the majors, the big boys versus the little boys.

As Senator DOLE has now graciously acceded to amend our amendment, it would exempt all tier 3 oil. So we would be exempting not only this new oil, but we would also be exempting tertiary oil and also heavy crude.

This has some real positive pluses for increases and for new production. It certainly is a step in the right direction. I applaud Senator DOLE and also look forward to working with him. I very much appreciate the commitment Senator DOLE has offered and also, Mr. President, the commitment President Reagan has made, to work toward alleviating this unfair tax.

Both have made statements that, yes, the time is short, that we have only been in session this year for 6 months. We do have a commitment from both to try to see if we cannot totally eliminate this tax. Mr. President, I think that is the only solution to the windfall profit tax, to totally repeal it.

I believe it can be phased out. The Senator from Idaho has stated, and I talked to Senator DOLE about it also, to move up the phaseout date of 1990. We can move that up to 1984. We can phaseout the windfall profit tax by 1987. Phaseout would begin in 1984 and there would be a 3-percent phaseout where it would be repealed totally and completely by 1987.

Mr. President, another alternative would be to replace the windfall profit tax with the across-the-board excise tax which would boil down to about $3.80 per barrel. Mr. President, I believe this would certainly be a step in the right direction as it would get us away from the obvious inequities of taxing domestic oil and not taxing foreign oil.

I think it is important that if we do have taxes, we shall have them in the constitutional manner; that is the fair and equitable way. Certainly, as the tax is written today, it is not fair, it is not equitable, and in my opinion, it is not constitutional.

Mr. President, I endorse wholeheartedly both amendments. I think both are a step in the right direction to eliminate a very unfair, discriminatory, very antiproduction, very antifree-enterprise piece of legislation. They are certainly a step in the right direction. I hope my colleagues will support them.

Mr. SCHMITT. Mr. President, as one of the Senators who voted for a 1,000-barrel exemption when the windfall profit tax was before the Senate, I say that, at that time, under different political circumstances, that seemed to be all we could hope for. Unfortunately, we could not even get that. Now, under different circumstances, the Senator from Kansas and his cosponsors, including myself, feel that we can begin to undo what we did with the windfall profit tax; that is, begin the phaseout of certain portions of that tax, particularly to phaseout the tax on new oil.

I want to add my endorsement of that approach as being by far the more desirable philosophical approach, as well as the more desirable approach from the standpoint of creating new incentives for domestic exploration and discovery.

That, Mr. President, is the essential element of our short term, must be the essential element of our short-term national energy policy. We must do everything we can to encourage exploration and production of domestically available energy resources and, in the very near term, that means oil and gas.

The Secretary of Interior, operating, of course, under the leadership of the President, is moving to make more areas of Federal land available for exploration. There are many other new incentives appearing, both capital and otherwise, which will encourage new exploration. With the phaseout of the tax on new oil and the phaseout on secondary and tertiary oil, which has also been agreed to by the Senator from Kansas, we shall be able to see, I believe, a very rapid increase in domestic production so that, within a 5- to 10-year period, we can have some hope of at least meeting our essential needs.

When we can do that, we can provide the free world with considerable more security with respect to energy requirements and we can provide the free world with an obviously more stable foreign policy directed toward those nations upon whom we are now dependent for energy production.

So, Mr. President, I commend the approach recommended by the Senator from Kansas to the Senate. Once again, he has shown his leadership in working out a solution that provides, I think, not only an opportunity for all of us to undo what we now realize we should never have done, but also an approach that, on balance, provides a great deal more for the energy industry and for the American people than just a simple 1,000-barrel exemption.

Mr. DURENBERGER and Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. DURENBERGER. Mr. President, the real issue here is not what the Bentsen amendment puts into the bill. It is the impact of what the amendment takes out.

Proponents of this amendment would finance their thousand barrel exemption by deferring the leasing provisions designed to benefit the economically troubled basic industries—industries like rail, steel, air, automobiles, mining and paper. In my judgment, that is an extremely shortsighted proposal.

The problems affecting these industries—as well as their impact on the Nation's economy—should be well known to every Member of this body. These are the industries for which the term "reindustrialization" was coined. No segment of the economy has a greater need for the kind of capital incentives this bill provides.

It is simply unrealistic to suggest that key companies in the auto industry, the steel industry, or the struggling air and rail industries can wait until 1992 for access to the tax relief that we are about to grant their more profitable competitors. And whatever the merits of their case, it is impossible to argue that the independent oil producers have a more desperate or immediate need for this assistance.

The basic industries impacted by this amendment have four things in common:

They employ large numbers of people; directly or indirectly, one out of every seven American wage-earners depends to some extent on the viability of these six basic industries.

They produce products essential to the Nation's economy, as well as its military preparedness.

They face immense capital needs as they seek to comply with federally imposed standards, and modernize aging plants and equipment.

And without exception, they face inadequate earnings on an industrywide basis.

No one would deny that modernization of these basic industries is essential to any national reindustrialization plan.

But because they lack profitability, ACRS, ITC and the various other tax reforms we are about to adopt will have little or no impact on their future. These industries already have more than $4 billion in earned but unused investment tax credits. Rather than providing investment incentives, adoption of ACRS without some form of leasing or refundable credit will only increase that backlog.

The Finance Committee recognized this fact and adopted language that liberalizes current leasing regulations so that through the mechanism of leveraged leasing, basic industries like rail and steel can share in the tax incentives we have granted their more profitable competitors. By cutting out these provisions, the pending amendment prevents this tax relief from reaching the industries that need it most. By preventing the Fords, Chryslers, and AMC's of this world from sharing in benefits that would naturally flow to their more profitable competitors, the amendment would actually worsen disparities within these industries, and make it harder for companies like Ford to survive.

Mr. President, I am not an advocate for bailing out one weak member in an otherwise profitable industry. But if we are serious about rebuilding America's industrial base, we have to recognize that the country cannot prosper without a steel industry, without an automobile industry, and without transportation industries like railroads and airlines. If it cannot impact on the investment decisions of these basic industries, the "Economic Recovery Tax Act" will fail on its essential purpose.

Throughout my brief tenure in the U.S. Senate, I have repeatedly argued the need to address the special problems affecting these basic industries. I believe the President and Finance Committee Chairman DOLE deserve special commendation for their foresight in addressing this issue. By deferring the leasing provisions, this amendment cuts the heart out of the effort to reindustrialize the basic industries. This is too high a price to pay. I cannot support any amendment that would mute the impact of these leasing provisions.

In this case, Mr. President, I would also have to oppose this amendment even if it did not undo important work done by the Finance Committee. The 1,000 barrel per day exemption has been around ever since the windfall profit tax was proposed. It has been rejected by the Finance Committee and it has been rejected on the floor of the Senate.

The past two Presidents have taken actions to decontrol the price of domestic oil. I have supported these actions. We learned from a decade of energy uncertainties that price controls only serve to subsidize the consumption of petroleum and thus increase our dependence on imports. We decided to decontrol prices so as to discourage petroleum consumption and imports. This was the primary objective and it has worked. Americans are using less oil and using oil more efficiently.

A secondary objective was to encourage domestic production. We need independent oil producers to find new wells. We need current producers to apply costly enhanced recovery technology to existing fields. And we need to produce our heavy oil resources. The Finance Committee tried to achieve these production objectives by exempting new, heavy and tertiary oil from the windfall profit tax.

In the bill reported to the floor in 1979 and again in this bill we see special recognition for the role that new, heavy and tertiary oil can play in domestic energy supply. If the authors of this amendment were seriously concerned about domestic energy production, they would design their proposals so that they were incentives to increased production and not simply windfalls to oil producers.

Mr. President, decontrol allows domestic producers for sometime to charge a monopoly price. Saudi Arabia has determined that the monopoly price is about $32 per barrel. It is obvious they have a monopoly. They are controlling the price of oil to promote their own long-term interest. They have oil to last into the next century at current production rates. They see our current efforts, successful efforts, toward conservation as a threat to their long-term interest. They know that conservation will cut deeply into their future, if oil is sold for too high a price. So they are producing at an extraordinary level—to create a glut and force the price down—down to a long-term price that is in the best interest of a monopoly producer. And decontrol allows U.S. producers to get that same price in our domestic markets.

Recognizing that decontrol would create huge economic rents and transfers of wealth in our society, the Congress created the windfall profit tax. I studied the oil industry and the proposed tax carefully before supporting it. My study convinced me that it was possible to create incentives for increased domesitc production—like the phaseout on the new oil tax which is contained in this bill—within the structure of a windfall profit tax. I support the tax. It is a necessary companion to decontrol.

Now, the proponents of the amendment argue that the 1,000 barrel-per-day exemption is necessary to raise the capital for additional exploration. Mr. President, I know that oil exploration is a capital-intensive venture. But the facts suggest that there is and has been plenty of capital to put rigs in the field

In 1979 the domestic petroleum industry reached the alltime record in well completions and exceeded that record last year. By all indications, every spare geologist is gainfully employed in the search for oil. And for that, Mr. President, we should be thankful.

The burst of activity is not the result of extra income from old wells, Mr. President. It results from the promise of the world price for new oil. A price that we should allow without tax and the provisions of this bill move us in that direction—in the right direction to exempt new oil entirely from the tax.

There are provisions in the code—provisions like the phasedown on the depletion allowance—that seek to punish the industry for its success. We ought to treat oil, particularly the independent producers who account for the bulk of our new production—like we treat all other investments in mineral extraction. A continuation of the depletion allowance at 22 percent would be appropriate. That is not a windfall. It is a policy decision to encourage investment in mineral production.

But it would be a windfall to allow all producers the 1,000 barrel per day exemption. It is the kind of windfall that the tax was designed to capture. It is the kind of windfall that will not measurably increase the amount of domestic production.

Mr. President, there are basic industries in the United States that need tax relief to raise the capital to become competitive on the world market again. The Finance Committee bill seeks to provide such relief through the leasing provisions that I have described. The authors of the amendment would cancel that provision in the name of an industry that has sufficient capital, today. Mr. President, I must ask that we once again defeat the 1,000 barrel per day exemption.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I oppose the amendment of the distinguished Senator from Texas (Mr. BENTSEN). He has made a very strong case before the Senate this afternoon. As he is the former chairman of the Joint Economic Committee, I have enormous respect for his analysis of the economic implications of this amendment and the importance of it from an energy point of view. So I take seriously his arguments which he has made here, on the floor of the Senate. As usual, he has been eloquent and persuasive. I have also heard him speak on this issue before our Democratic Caucus and respond to questions on this particular issue.

I think, though, Mr. President, that it is appropriate to ask ourselves at this time of discussion and debate on reconciliation—as the various committees of the Congress are meeting with their House counterparts—and as we debate this matter on the floor of the Senate, what is the real cost of this amendment? Over the last, I suppose, 30 hours, I have spent probably 12 to 15 of those hours in conference with the House of Representatives on issues involving student loan programs. We have spent a number of hours discussing that measure as we see that particular program reduced, cut back.

We see further reductions on the floor of the Senate in the minimum social security payment, although, obviously, the Senator from Texas voted for the senior citizens on that issue. Nonetheless, we have read the letters of the President of the United States that indicated that if we were going to take any measures in restoring some of the cuts on the social security measure, we were facing serious economic crisis. That letter has been examined by all the Members of the Senate and the House of Representatives.

Now, we are asked, with this amend-

ment, to deny the Congress of the United States some $17 billion over the period of the next 5 years—$17 billion over the next 5 years. That is the effective cost of this amendment.

Mr. President, I know that there has been a measure that has been developed to offset those particular billions of dollars by drawing down on what I consider to be quite a creative and imaginative measure to help two of the ailing industries of this country, the steel industry and the automotive industry, to get back on their feet. These are industries which are vital in terms of our long-range and short-range security interests and economic interests in this country.

So, although this measure is portrayed as being a tradeoff on the question of denying the Treasury any reductions in funds, I think that it is important to realize that this will be denying the Treasury funds. This amendment means therefore, that there will have to be additional taxes paid the American taxpayer or there will be a reduction of service programs—such as the student loan programs, such as the school lunch program, such as legal service programs and other programs which, today, are in effect.

Mr. President, I think that perhaps, even having said that, a case could be made with regard to this particular segment of the energy industry if there were an important national need and if that industry required the kind of incentives that are being included in the Bentsen amendment. But let us take a look at what some of the independent companies are saying about their own financial situation. I shall mention just a few, read briefly from some of the independents about their current economic standing and their financial condition.

Here is Amarex Coil Co.:

To our shareholders.

In many respects, fiscal year 1980 was an extraordinary year for your company. Expenditures for drilling, on behalf of Amarex and its partnerships, were at an all-time high of $59 million, and that figure should approach $97 million in fiscal year 1981. Consolidated revenues rose to over $17 million, also a record high, a result of increased natural gas production and rising prices of gas and oil.

Then it continues, "On the question of drilling"—that is what we are talking about, are these incentives necessary to encourage more drilling on the part of the independents? Here is their letter to the shareholders on drilling:

Rig utilization at year end was at its highest nationwide level since December of 1956. At year end, almost 2,800 rigs were running in the U.S.—approximately 45 percent more than a year ago. This spurt of activity has made rigs scarce, resulting in higher price demands from drilling contractors. Daywork charges in the Company's operating areas increased 26 percent during the year.

Here is Callon Petroleum Co. letter to shareholders:

Fiscal 1980 marks the beginning of a new era for Callon Petroleum Company during which emphasis will be placed on oil and gas reserves and cash flow. This has been the best year in the history of your Company as reflected by record highs in revenues, net income, funds provided from operations, oil and gas production and estimated future net revenues from proved oil and gas reserves. Your Management is confident further improvements will be shown in the current fiscal year.

Revenues for the 1980 fiscal year advanced 80 percent over last year reaching $6,628,792 as compared to $3,675,057 in 1979. Our net income was $1,228,429, which was an 88 percent increase over the $654,028 earned the previous year. Our future looks extremely bright. Your Company's balance sheet has never been stronger. Earnings, cash flow and the value of oil and gas reserves are at all time highs.

This is with the windfall profit tax, Mr. President.

Here is American Quasar Corp.:

The year just passed has been quite noteworthy in the history of our Company. We enjoyed a record high year in revenues, income, exploration and development—and the future continues to look brighter.

Here is Apache Oil Co.:

Record earnings, cash flow, and increases in the value of proven developed reserves were achieved. . . . Record investor program sales which enabled Apache to continue diversified exploration.

Premier Resources:

Premier Resources is actively preparing itself for a substantial increase in oil and gas drilling activity in the years ahead. Fiscal 1981 should be a dramatic year in the growth of Premier Resources.

Mr. President, these are typical of the independents that will be affected by this amendment.

Let us take a look at Merrill Lynch as it examines at the industry as a whole. I read from Merrill Lynch, May 1981 Monthly Petroleum Summary:

EXPLORATION AND PRODUCING COMPANIES

The fundamental outlook for domestic exploration remains extremely bright. New oil prices exceeding $32.00 per barrel after windfall profits taxes and new deep gas prices of $7.00 per MCF continue to expand domestic exploration. Given these high oil and natural gas prices, new oil discoveries can recover all costs in six to nine months, while deep natural gas discoveries can pay out in less than twelve months. This compares with three to five year payouts prior to the OPEC price increases in 1974. Such payouts probably make the oil exploration business more profitable than any other segment of American industry.

We are being asked here, on the floor of the U.S. Senate, to add $17 billion for that industry over the next 5 years, at a time when this body and its representatives are in conference with the House of Representatives in cutting back on major programs that have an impact on the quality of life for the people of this Nation.

Mr. President, I do not believe that case has been made for the independent oil industry, and I hope the amendment of the Senator from Texas will not be accepted.

Mr. BENTSEN. Mr. President, I thank the distinguished Senator for his comments.

A comment was made earlier with respect to a vote on a cloture motion in 1979. I say to my good friend from Kansas, who has fought shoulder to shoulder with me on most of these issues that concern production, that that particular vote on cloture was a judgment call on tactics. As I recall, whereas the votes had been going rather well on amendments to try to encourage production, the sentiment then shifted, and there was a vote on an amendment to set a minimum tax on newly discovered, tertiary and heavy oil. We lost that vote. At that point, a number of Members decided that we should have cloture because there were many more antiproduction amendments in the wings that would have been considered.

What I am talking about here is trying to help the independent. I am talking about providing an incentive to the guy who takes the big risk, the fellow who drills 90 percent of the exploratory wells. One who takes the gamble, who spends 105 percent of what he finds and goes out to find additional oil and gas. I am talking about the guy who finds 75 percent of the new fields, 54 percent of all oil and gas discovered. That is who this is aimed for, and that is who I am trying to assist by the thousand-barrel exemption.

In addition, I am trying to say to the royalty owner, "You don't have to be taxed like a major oil company. If you are a rancher or a farmer and the oil company comes to you and says they want to lease your land, if you give that lease and they strike oil, you are going to be able to keep some of it."

Otherwise, what is the rancher and the farmer going to say? He will say, "I don't want those oil trucks driving through my place and rutting my fields, leaving the gates open, and letting my cattle out."

Then they are told, "If they discover oil, they are going to tax you like you're a major oil company."

I opposed the tax on royalty owners then and I oppose it now. I urge the Senate to act favorably on my amendment.

● Mr. LEVIN. Mr. President, I oppose the amendment offered by Senator BENTSEN. It would exempt the first 1,000 barrels of oil a day produced by independent producers.

These proposed reductions come on top of reductions made by the Finance Committee in the windfall profit tax. The bill includes a permanent credit for the first $2,500 of windfall profit tax paid by qualified royalty owners each year. In addition, the Finance Committee bill reduces the tax rate on newly discovered oil from the present 30 percent to 15 percent.

I understand that independents reinvest in the oil industry at a higher rate than the majors do. Congress recognized that fact when it passed the windfall profit tax. In that bill, certain rates for independent producers were reduced in light of their investment record.

This amendment goes far beyond the investment record of independent oil producers and the respective tax burden of oil producers and royalty owners. It goes to the heart of the debate over regional implications in this tax relief measure. The Bentsen amendment would increase the tax relief that will flow toward the Oil Producing States while the recapture portion of his amendment seriously cuts

back the tax relief for industrial regions of the Northeast and Midwest.

Mr. President, the recapture portion of this amendment delays an important element of the Finance Committee bill. The Bentsen proposal delays the liberalized leasing provisions recommended by the administration and adopted by the Finance Committee.

The problem of unused investment tax credits is well-known among industries that have been unable to generate sufficient tax liability. The administration and the Finance Committee recognize that some businesses may not be able to use completely the increased cost recovery allowances and the increased investment credits available for recovery property under the accelerated cost recovery system. It is unfortunate that we have been unable to devise ways to recapture the tremendous backlog of unused investment credits. In the very least, the Finance Committee has devised a way for companies to take advantage of tax benefits indirectly through leasing transactions.

Under present law, three-party financing leases are now used to transfer tax benefits to users of property who do not have sufficient tax liability to absorb those benefits. Present law, however, subjects the leasing transactions to strict requirements that effectively limits the number and scope of lease characterizations.

The committee bill wisely establishes an exception to current judicial and administrative guidelines dealing with leasing transactions. In brief, the committee bill creates a safe harbor that guarantees that a transaction will be characterized as a lease for the purposes of allowing investment credits and capital cost recovery allowances to the nominal lessor. This safe harbor responds to an important challenge in the years ahead. To delay the implementation of the safe harbor will seriously impair the ability of companies with little tax liability to invest, modernize, and otherwise take advantage of the business tax relief we provide in this bill.●

Mr. MITCHELL. Mr. President, the Senate has had a number of opportunities to change energy policy to the effect that it is implemented through the tax code.

I have supported those efforts which seem to me to represent a responsible means of achieving valid energy policy goals. But I will not support a massive tax reduction in the form of changes to the windfall profit tax which clearly arise from the desire to undo the work that Congress did barely 2 years ago when it enacted the law.

In early action on this bill, I supported the proposal to improve and expand the tax credits available for conservation expenses borne by businesses and individuals. The goal of increased energy conservation deserves a prominent place in any national energy policy. It merits the support of all who are concerned about an over-reliance on imported oil.

That amendment would rectify the current imbalance in the tax code between subsidies for energy production and subsidies for conservation. The tax code already gives energy production nine times the subsidy it gives to conservation. The tax bill before us worsens the imbalance by extending even more subsidies for production.

Yet, reliance on conservation is a proven and responsible energy policy goal. It has worked over the past several years to reduce our imports and to help bring about the current so-called "glut" on the international oil market. But if we abandon all efforts to encourage conservation, that "glut" may prove as illusory and short-lived as the orginal contention that OPEC simply could not hold together long enough to do any damage. The energy policy the administration unveiled last week leans dangerously in the direction of ignoring conservation altogether.

It contains no clear program to reduce our dependence on foreign oil imports. It assumes continued high levels of imports over the next decade, with all the attendant political and economic vulnerability that such dependence entails. Although the multitude of studies of energy policy and production and conservation which have been issued since 1974 almost all conclude that conservation is the most speedy and cost-effective way to reduce our oil consumption—and thus our dangerous dependence on foreign oil imports—the administration's energy program takes no cognizance of that well-known and documented fact.

This amendment would have helped reinstate a degree of Federal policy that encourages conservation. Such a Federal policy goal is particularly important to Maine and the other New England States. The New England region relies more heavily than any other on imported oil for its basic energy needs. Greater conservation not only reduces the danger and economic costs of a supply interruption, which is a danger that no wise public policy can ignore, it also contributes to the economic health of the region by helping curtail the outflow of dollars to other parts of the country and, most importantly, to foreign countries for their oil production.

New England stands to lose the most from a short-sighted policy that relies on continued import levels as high as they are today. New England, like every other region of the country, needs energy for economic growth, to create jobs, and to maintain current jobs. An energy policy that is even-handed and serves all the regions of the country must take into account the special needs of regions which are not blessed with their own indigenous supplies. New England ought not have to rely on the goodwill of OPEC nations or a fortuitous offshore discovery for its energy supplies in the foreseeable future.

And, of course, the environmental costs of production represent as real a potential cost to that region as they do to any other. Deep-sea drilling in the North Atlantic is not an easy or environmentally harmless undertaking. The potential for massive damage to our fisheries resources is enormous.

On all these grounds, conservation represents a realistic and attractive part of a national energy policy. I deeply regret that it plays no larger role in the administration's energy policy. And I strongly support efforts to modify the tax incentives for conservation where they are clearly inadequate.

But while there are rational and economically defensible grounds on which tax incentives for conservation are warranted, there is simply no adequate ground whatever for the proposals to weaken the windfall profits tax, whether by exempting the first 1,000 barrels of daily production from the tax altogether, or by simply reducing the tax on new oil.

The windfall profits tax was enacted by Congress in response to valid public policy needs. It was our national response to the gradual decontrol of prices which permitted domestic oil prices to rise to the artifically administered worldwide OPEC prices. Its revenues were to be dedicated to the two goals of encouraging conservation through such incentives as the amendment I supported, and to help offset the impact of harshly higher prices for low-income people through such programs as fuel assistance and weatherization.

This year, Congress has already failed to fund either program at the levels anticipated in the windfall profits tax. Further revenue losses of the scope being proposed would only undermine the modest level of funding that now exists for these offsetting energy programs.

The immediate crude oil price decontrol that the President undertook in January underscores the need for a strong and effective windfall profits tax. The decontrol had no effect on conservation or on production, as we were promised. It did have a severe effect on the cost of home heating oil for the second half of this winter in Maine. And it had a favorable impact on the profits of oil companies throughout the first half of this year, as well.

Who doubts that there are sufficient incentives today to explore for new oil? Domestic drilling remains at an all-time high. Oil prices, even with the glut-induced moderation of recent months, still make oil production an extremely attractive investment. The windfall profits tax itself provides generous treatment to newly discovered oil and oil produced through tertiary recovery methods.

What further incentives are we talking about?

A loosening of the windfall profits tax is simply unfair. We have made many difficult choices and cut programs that serve low-income people, that serve elderly people, that serve the vulnerable in our society. To contemplate giving oil companies a massive tax reduction now merely confirms the notion that the prevailing attitude of this Government is to widen the gap between the rich and the poor. It is not a perception or a fact to which I can give my support.

Mr. DOLE. Mr. President, I believe we have had a good debate, and in a moment I will move to table the second-degree amendment, which is the thousand barrel amendment.

Is that satisfactory?

Mr. BENTSEN. It is not satisfactory, but I accept the reality of it.

Mr. DOLE. It may be satisfactory in the outcome.

Mr. President, I do not think the President really believed, when this tax measure was sent to Congress, that there would be anything about oil in the final package. I do believe, however, that the President understands that so far as the royalty owners' relief is concerned, so far as the Senate Finance Committee action is concerned, he supports the committee's bill.

If we are talking about production response, we will be far better off under the proposal offered by this Senator and other Senators, from my State and other States, than we will be under the so-called Bentsen approach. I take nothing away from the distinguished Senator from Texas. I certainly understand the role he has played in the past several years in this area.

However, I come from an oil-producing State and know that nobody likes the windfall profit tax. For that matter, nobody likes the income tax. We are not here to repeal the income tax. But the President has promised that he is going to dismantle the windfall profit tax at the earliest opportunity. He has been in office 6 months. He did not support the windfall profit tax.

Some go to the White House and indicate that they support the President, and some do; but others try to find somebody else to offer amendments to get something more than the President offered. That may or may not be the case in this instance, but it has happened in the past—this year and in former years.

This Senator is prepared to say that we are taking a giant step in the right direction by phasing out the tax on newly discovered oil.

If we can table the Bentsen amendment, it is my understanding that the amendment in the first degree may be withdrawn, and the pending business then will be the amendment offered by this Senator, for himself and a number of other Senators.

MOTION TO TABLE UP NO. 254

So, Mr. President, at this time I move to table the Bentsen second-degree amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the amendment by the Senator from Texas (Mr. BENTSEN), UP No. 254. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Maryland (Mr. MATHIAS) is necessarily absent.

The PRESIDING OFFICER. Are there any Senators in the Chamber who have not voted, who wish to vote?

The result was announced—yeas 61, nays 38, as follows:

[Rollcall Vote No. 209 Leg.]

YEAS—61

Abdnor	Gorton	Murkowski
Armstrong	Grassley	Packwood
Baker	Hatfield	Pell
Biden	Hawkins	Percy
Boschwitz	Hayakawa	Pressler
Bradley	Heinz	Proxmire
Bumpers	Helms	Quayle
Byrd, Harry F., Jr.	Hollings	Riegle
Chafee	Humphrey	Roth
Cohen	Jackson	Rudman
D'Amato	Kassebaum	Sarbanes
Danforth	Kasten	Schmitt
Denton	Kennedy	Specter
Dole	Laxalt	Stafford
Domenici	Levin	Stevens
Durenberger	Lugar	Thurmond
Eagleton	Mattingly	Tsongas
East	McClure	Warner
Garn	Metzenbaum	Weicker
Goldwater	Mitchell	Williams
	Moynihan	

NAYS—38

Andrews	Exon	Melcher
Baucus	Ford	Nickles
Bentsen	Glenn	Nunn
Boren	Hart	Pryor
Burdick	Hatch	Randolph
Byrd, Robert C.	Heflin	Sasser
Cannon	Huddleston	Simpson
Chiles	Inouye	Stennis
Cochran	Jepsen	Symms
Cranston	Johnston	Tower
DeConcini	Leahy	Wallop
Dixon	Long	Zorinsky
Dodd	Matsunaga	

NOT VOTING—1

Mathias

So, Mr. DOLE's motion to lay on the table UP amendment No. 254 was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question recurs on the first-degree amendment.

Mr. BENTSEN. Mr. President, in accordance with my discussion with Senator DOLE, I now ask unanimous consent to withdraw the underlying amendment (UP No. 253).

The PRESIDING OFFICER. Without objection, it is so ordered.

The question recurs on unprinted amendment numbered 257.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order. Will Senators please take their seats so that we can determine the present parliamentary status.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The unprinted amendment No. 257 of the Senator from Kansas.

Mr. DOLE. Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

UP AMENDMENT NO. 258

Mr. DOMENICI. Mr. President, I send an amendment to the Dole amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New Mexico (Mr. DOMENICI), for himself and Mr. SCHMITT, proposes an unprinted amendment numbered 258 to the Dole unprinted amendment numbered 257.

Mr. DOMENICI. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the amendment add the following:

"Notwithstanding subparagraph (b)(3)(A), the applicable percentage for heavy oil and incremental tertiary oil shall be the same as the applicable percentage for newly discovered oil."

Mr. FORD. Mr. President, a point of order. The Senate is not in order.

The PRESIDING OFFICER. The point of order is well taken. Will Senators standing in the aisle and talking please take their seats or remove themselves from the Senate Chamber?

The Senator from New Mexico.

Mr. DOMENICI. Mr. President, my amendment amends the amendment that the distinguished chairman of the Finance Committee had pending. It is a very simple amendment. It adds heavy oil and incremental tertiary oil to the percentage diminution that is provided in the distinguished Senator's bill; in other words, his defined new oil 7.5 percent reduction each year in the windfall.

It is my honest belief that heavy oil and incremental tertiary oil should receive the the same treatment. As a matter of fact, it would appear to me that to do otherwise would be to significantly prejudice the development of these two significant oil resources. They are indeed new. They just carry a different name. One is called heavy oil and has been so carried in the tax laws in nomenclature and the same with incremental tertiary oil.

It is my belief that the windfall on those should be coming down at the same time it comes down on the definition of new oil. That is the extent of my amendment.

Mr. SCHMITT. Will the Senator yield?

Mr. DOMENICI. I am pleased to yield to the Senator.

Mr. SCHMITT. Mr. President, my distinguished senior colleague has put his finger on exactly one of the most important parts of this amendment now as it is revised, and that is it includes those major areas where an incremental diminution of the tax will provide a real current incentive to new domestic production.

With the original proposal of the distinguished Senator from Kansas of re-

ducing the tax gradually on new oil and now the addition to that by the Senator from New Mexico—which I am happy to cosponsor—we would encourage heavy oil and tertiary production. We are coming to grips with the essential element of the first phase of a national energy policy which the President has already initiated through his decontrol and deregulation efforts, and that is incentives to produce new domestic oil.

When we have control over our own domestic production, I think the Senator would agree, then we are not only more flexible from our national interests and the protection of those interests, but we are more flexible in our foreign policy in protecting the interests of the free world as a whole.

So this is probably one of the most significant amendments—the total package now that combines the work of the Senator from Kansas and the Senator from New Mexico—one of the most important amendments that we could undertake at this stage, not only of a tax bill, but of the development of a realistic, commonsense energy policy for this country.

I compliment both Senators on their initiative and hope the Senate will concur.

Mr. DOMENICI. I thank the Senator.

Mr. KENNEDY. Will the Senator from Kansas yield for a question?

Mr. DOLE. I am happy to yield to the Senator from Massachusetts.

Mr. KENNEDY. This proposal, as I understand it, is the Dole amendment as modified by the Domenici amendment. Is that what we are considering?

Mr. DOLE. That is correct.

Mr. KENNEDY. Could the Senator tell us what the revenue losses would be over a period of the next 5 years, the total revenue losses to the Treasury between now and 1990?

Mr. DOLE. Well, in 1982, the revenue loss would be $226 million, as opposed, I might say, to the $2.6 billion which would have been in the Bentsen proposal without the offset of deferring the liberalized leasing rules.

The 1983 cost would be $912 million, as opposed to the gross revenue loss of the Bentsen amendment (without regard to the offset of leasing) of $3.3 billion. The 1984 costs are $1.8 billion, as opposed to the $3.6 billion under the earlier proposal. That is through 1984.

Mr. KENNEDY. As I understand it, it is $3.2 billion for 1985 and $4.8 billion for 1986. Am I correct?

Mr. DOLE. It is $3.2 billion in 1985 and $4.2 billion in 1986.

Mr. KENNEDY. What about 1987, 1989, and 1990?

Mr. DOLE. It grows gradually. Of course, the entire tax phases out in 1991.

Mr. KENNEDY. What would be the cost to the Treasury up to 1990?

Mr. DOLE. In 1986, 1987, 1988, and 1989? We can provide those figures at a later time.

Mr. KENNEDY. Is it approximately $10 billion between now and 1986? Is that correct?

Mr. DOLE. Between now and 1986 would be around $11 billion.

Mr. KENNEDY. Has Mr. Reagan expressed any opinion about this proposal?

Mr. DOLE. Mr. Reagan the President or Mr. Regan the Secretary of the Treasury?

Mr. KENNEDY. Either one. Can we get both?

Mr. DOLE. They are both out of town today and I cannot reach them.

Let me say to the Senator from Massachusetts I read an earlier letter from the President of the United States addressed to C. John Miller, the president of IPAA. In that letter, which I have already placed in the RECORD, it says:

> We have endorsed the tax bill which would raise the $2,500 exemption from windfall profits tax for royalty owners, reduce by half over the next 2 years the windfall tax rate on newly-discovered oil.

So they did endorse the concept contained in the Senate Finance Committee bill, the amendment offered by the distinguished Senator from Oklahoma (Mr. BOREN), which would start the phaseout in 1983 and phase the tax down from 30 percent to 15 percent. That costs less money, I might say to the Senator from Massachusetts.

But let us be realistic. We were faced with the choice between a much more expensive amendment or my amendment which provides a sounder energy policy at less cost. The Senator from Kansas decided to pursue the better course. We came up with what we feel is a better amendment which costs less and produces more energy for the Northeast and other parts of the country. I thought certain that would appeal to the Senator from Massachusetts.

Mr. KENNEDY. That is interesting, and also the cost is interesting to the people in Massachusetts. The general taxes are a matter of interest to the people of Massachusetts, and also the profits of the major oil corporations, the record profits, are of interest to the people of this country.

If the Senator can respond, is it, therefore, the administration's position that they are supporting either the Dole amendment, the Domenici amendment or the Dole amendment as amended by Domenici?

Mr. DOLE. I think it would be fair to say that would be an accurate statement.

Mr. KENNEDY. That what would be an accurate statement?

[Laughter.]

I can understand the Senator's reluctance in repeating those words, that the administration supports an additional $11 billion for the oil industry in this country, and, as I understand, approximately $20 billion by 1990, prior to the time of the expiration of the windfall profit tax. That is $20 billion.

I just think, as we meet in reconciliation, and we are talking about social security, about student loans, about the feeding programs for expectant mothers, the school lunch programs, programs for the handicapped—we are cutting back on those programs—that the administration is requesting $20 billion more tax advantage to the major oil companies of this country.

I think it is important, as we are talking about a tax program in the Senate, listening to the chairman of the Finance Committee, who refuses to make the average taxpayer whole 3 years from now from inflation and social security, asking for $20 billion additional for the major oil companies. I think we ought to understand exactly what is being requested and what is included in evidently the administration's amendment, as proposed by the chairman of the Finance Committee.

I would certainly hope that if this amendment is not tabled we will have plenty of time to talk about it to make sure that the American people do understand exactly what the full implications are going to be, that the senior citizens are going to have a chance to understand the belt tightening they will have to accept, that students will understand the belt tightening they will have to accept if this amendment is adopted.

I appreciate the explanation of the Senator from Kansas.

Mr. JOHNSTON. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is the amendment of the Senator from New Mexico to the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, let me say very briefly, in essence we debated this amendment during the debate on the previous amendment by the Senator from Texas (Mr. BENTSEN).

Let me also say in response to the Senator from Massachusetts and others who may have an interest and who may have missed the earlier discussion, the President of the United States did not favor the windfall profit tax when it was before this Senate. He has indicated that he would hope that at the earliest possible date we could eliminate that windfall profit tax. He indicated, largely because of the pressures being brought by the House Ways and Means Committee in the other body, that he would accept some relief for royalty owners and some relief for so-called new oil.

That is the amendment, in essence, offered by the Senator from Kansas. That has been amended, or at least a second degree amendment is pending by the two Senators from New Mexico and perhaps others.

Just so the record is clear not only for the Senator from Massachusetts but for all others, I understand the House Ways and Means Committee took some action this afternoon on oil. That has been the big holdup on the House side. How much would it take to win on the House side? I want to assure the Senator from Massachusetts we did not have a bidding war on the Senate side.

Mr. KENNEDY. I think it is very interesting that the chairman of the Budget Committee and the chairman of the Finance Committee are offering a budget-busting amendment of the administration.

Mr. DOLE. Let me say there will be another amendment to pay for this. I like to pay as we go.

Mr. KENNEDY. Will that be coming out of social security or the student loan program?

Mr. DOLE. It will be along the lines of the one the Senator and I voted for last evening, to cut back some of the cushion in the bill.

Mr. KENNEDY. How does the Senator decide about the profitability of various industries and decide which industries are going to get the goodies? I do not know whether the Senator was in here earlier when I read from the Merrill Lynch report that it was their assessment that the fundamental outlook for domestic exploration made extremely bright. The report continues that this compares with 3- to 5-years payouts prior to OPEC increases. Such payouts probably make the oil exploration business more profitable than any other segment of American industry.

They are talking about paybacks in 6 to 9 months. Merrill Lynch is talking about the most profitable industry in this country. The chairman of the Finance Committee and the chairman of the Budget Committee are offering $20 billion more.

We have been around for 6 months, cutting back on the immunization program, the student loan program, and the social security programs. Here is $20 billion more for what Merrill Lynch says is the most profitable industry in this country.

I believe this is something that we ought to have a chance to go into in some detail, into the industry structure, and a number of other aspects of it if we are turning this tax program into a $20 billion giveaway to the oil industry. That is an issue which I am sure the American people want to have a full examination of. I look forward to talking about it with my colleagues.

Mr. HATFIELD assumed the chair.

Mr. DOLE. The Senator picks out a figure of $20 billion. That may be impressive unless one understands how the windfall profit tax works and the total revenues. We are taking the windfall profit tax, which this Senator did not vote for. In 1980 the total revenue was $5.7 billion; in 1981, $8 billion. These are, as yet, estimated revenues. In 1982, $19.6 billion; in 1983, $20.7 billion; in 1984, $21.8 billion; in 1985, $22.9 billion; in 1986, $23.8 billion; in 1987, $24.7 billion; in 1988, $25.5 billion; in 1989, $22.2 billion, and in 1990, $26.9 billion. Estimated revenues up through 1990 are $235.9 billion.

We are suggesting this amendment because I think there is a general agreement.

I remember a lot of people standing around there when there was the decontrol on the price of oil, indicating there would be disaster in this country. The results are rather different and I have not heard much about it since. I say if we are talking about production response and supply side economics, giving those in the business an incentive to go out and produce, whether it is oil or anything else they produce, we have to provide some relief.

The Senator from Massachusetts did not vote for the last amendment, but according to our calculations there were enough Senators to pass the 1,000-barrel exemption which cost about $4.5 billion a year, unless we do something else.

It seemed to this Senator that the better part of wisdom was to find some response that might increase production. The more you produce, the more tax you pay. So I just suggest that when we discovered that—when this windfall profit tax left the Senate 2 years ago, the tax on new oil was 10 percent. I venture to say that if the majority of the Senate could have voted a secret ballot, there would never have been a tax on new oil. How can you have a windfall profit tax on oil that has not been discovered? Where is the windfall? That is the only part of the windfall profit tax base that we touch.

There is new oil and tertiary oil, which is hard to find and very expensive to recover, and heavy oil, which is hard to lift and very expensive to recover. We are not going after old production and other areas in the windfall profit tax. We are saying to those who are willing to go out and produce oil, we are willing to lower the tax.

There are new States—Michigan, for example—which are finding more and more production. We are trying to find some incentive for those in new producing areas.

Should there be some penalty imposed for somebody who wants to go out and discover more oil to get away from dependence on foreign sources? This Senator does not think so.

We can make all the arguments we want about social security, food stamps, or farm programs. We are talking about a tax on the oil industry of an estimated $240 billion between now and the year 1990. We are talking about a reduction right now of maybe $18 to $20 billion before we even go to conference. The Senator from Massachusetts knows that once we go to conference, we may be lucky to come back with half that amount.

Mr. President, I hope the Senator from Massachusetts understands that this is a responsible amendment. It may not be one that the Senator from Massachusetts could support, but I say in all candor, it is one that I believe will help create more jobs, help create more capacity as far as the industry is concerned, pick up the slack insofar as the economy is concerned, and maybe help make this country a little more energy independent.

Mr. MATSUNAGA. Will the distinguished chairman of the committee yield for a question?

Mr. DOLE. I yield to the Senator from Hawaii.

Mr. MATSUNAGA. As I understand it, the proposed reduction of the windfall profit tax would apply only to new oil—that is, oil which is not produced from existing oil wells. Am I correct?

Mr. DOLE. That new oil would be only oil from properties where there was no production in 1978. Heavy oil is oil which is 16 degrees gravity or less. Incremental tertiary oil is oil from properties on which tertiary recovery projects are being undertaken with injection of steam heat, chemicals, detergents, and oil production from such properties qualifies to the extent that it exceeds the 2½-percent decline curve.

There was some discussion in the Senate Finance Committee—in fact, it was raised by the Senator from Hawaii—that we ought to make the new oil phased out or apply it from 1979 up to today. We were advised by experts—not by the industry—that we are going to create another tier of oil out there. They suggested that if we are going to do this—and I think the Senator from Oklahoma would bear me out on this—we ought to go back to the category of new oil created in 1978.

Mr. MATSUNAGA. What is the estimate of new oil which will be produced, assuming that the amendment of the Senator from Kansas is adopted?

Mr. DOLE. I think there are some estimates about a million barrels per day by 1990, Mr. President.

Mr. BOREN. Mr. President, if the Senator from Kansas will yield, the chairman is correct. The CBO, in an earlier study indicated that if we would totally exempt newly discovered oil, we would have production of 1.1 million barrels by 1990.

I say to my friend from Hawaii that experts have testified that this is the area of change in the windfall profit tax that would bring about the greatest production response, because we are encouraging people to go out and find the new production.

We have already seen a great deal of response from the decontrol and I think without a doubt, we shall have an increased additional response from this amendment.

Mr. MATSUNAGA. So that the 1.1 million barrels per day additional production at the present rate of——

Mr. KENNEDY. It is a $20 billion tax reduction. For a $20 billion tax reduction, we get 1 million barrels per day.

Mr. BOREN. It is per day. Of course, the $20 billion is not per year in this particular exemption. The cost of the exemption, as we would phase it in, is $228 million the first year, in 1982. It goes to $764 million in 1983, $1.6 billion in 1984. Then, of course, as they are going out and discovering more oil all the time, when you get the cost up to $3.3 billion a year, that assumes you are going to find a lot more oil that has not yet been discovered. It assumes what the tax would be if we did continue to tax the oil discovered.

I think that is really a high figure of the annual cost, Mr. President, because we have to consider that some of that oil would not have been discovered and produced were not the incentives provided in the amendment.

Mr. President, I think in terms of real cost, if we consider the drain on this country by continuing to send the dollars that we are sending to OPEC, it makes a lot of sense economically.

Mr. MATSUNAGA. As I stated in the Committee on Finance, Mr. President, when this matter was being considered, if it means a million barrels per day, that would mean a saving of about $38 million per day, which would mean, of course,

that we would not need to import that additional 1 million barrels, which means a saving to the United States in terms of balance of trade by as much as $38 billion or more per year.

It was on that basis that I voted to support the amendment offered by the Senator from Oklahoma. If, on that basis, it means that by providing incentives for additional production, we shall cut down our deficit in our balance of trade by as much as $38 billion a year, I would say, let us go with it. I would support the Senator's amendment.

Mr. DOLE. Mr. President, let me say, while I am checking my pamphlet, what we are addressing is new oil production. I shall be glad to surrender the floor in a minute, because I think the Senator from Ohio might want to say a word or more. I want him to get rested up.

What are we doing in Ohio these days? Two percent of the newly discovered oil comes from the State of Ohio. I wanted to get that in the RECORD. It is one of the very promising States as we look around for more oil production.

I think they would understand, of course that the Senator from Ohio opposed this amendment but they would probably understand it better if he supported it. Sixty-eight out of eighty-eight Ohio counties are now producing oil. That is almost a bigger percentage than my State.

Mr. President, I want to say that some people may think we are biased because we have oil production. That could cross their minds. Let me make the record clear about the State of Kansas. We produce the grand total of 56 million barrels a year, maybe a little higher now because we are producing more new oil. That is not very much. That is about 1 week of imports. We wish we could do better. But the average well in my State produces about 2.5 barrels a day. So it is not a big windfall for the people of Kansas.

What the producers in Kansas wanted was a 1,000-barrel-a-day exemption. That would have taken care of everybody in the State of Kansas, with maybe one or two exceptions. This Senator opposed that amendment. An amendment—$4 billion per year, going up and up over the years—to support something that might bring about some new production. It seems to me that we are now on the right track. I hope that after a good discussion of this amendment, we may have an expression from the Senate as to whether or not it is supported.

I am not certain where the bidding stopped on the House side, but I assure the Senators from Ohio and Massachusetts that this was not a bidding proposition. That was an amendment in the Senate Finance Committee, offered by the Senator from Oklahoma. I voted against his amendment, and overnight I was able to reduce the cost of that amendment by changing a couple of votes later that evening.

We came back the next morning, suggesting to the Senator from Oklahoma, "Let's not make it effective in 1982. Let's make it effective in 1983 and hold down the cost."

Then we started a whip check on the 1,000-barrel amendment, and we knew that a lot of my good friends on the other side figured if they can vote for the Bentsen amendment, somebody over here had to vote against the Bentsen amendment. So they kept a few Republicans on the hook that way to vote against the independent oil producers. We were able to succeed. I think only 10 Republicans voted not to table the Bentsen amendment. They did it at some sacrifice, because they come from oil-producing States.

However, I believe that the Senators on both sides understand that the best way to go is to phase down the tax on newly discovered oil. The Senator from Hawaii did raise the question in the Finance Committee. We discussed it with Treasury and the Joint Tax Committee and our staff, and we decided not to create another tier of oil. and that is why the Senator from Oklahoma modified his amendment on the following day.

Mr. President, I hope Senators who may have some doubt about this amendment will look at the total industry, not pick out some oil profits of major oil companies. If we are concerned about producing energy in this country and putting people back to work in the private sector, in my view, this is an amendment business can support and an amendment the administration can support.

I suggest that when we leave this floor with this amendment and go to conference with the House, the House Ways and Means Committee—sometime next week, it is hoped—we can work out any problems that have been raised.

Mr. BRADLEY. Mr. President, let me say at the outset that at a different time, I very possibly would support the Senator's amendment, as I believe that increasing domestic production clearly serves our national security interests and reduces our dependence on insecure sources of foreign oil.

However, one of the jobs of a Senator is to make choices, and we are at a time when there are very difficult choices. We cannot do everything for everybody. That is the essence of the budget process.

As one Senator, I believe that one of our major priorities is to reduce the tax on capital and on labor. As one Senator in the Finance Committee over the last several months and on the floor of the Senate, I proposed amendments to reduce the capital gains tax and to provide a greater tax cut for individuals earning less than $50,000. I believe we must now weigh this amendment against the need to reduce taxes on capital and labor. We have to decide whether it is more important, in the long run, to provide larger economic rents to the oil industry or to reduce the tax burden on capital and labor.

The issue is which course most promotes sustained economic growth. I argue that reducing taxes on capital and labor gives us a greater economic push than simply providing higher returns for oil producers.

Similarly, I believe this body has spoken on the record—some more than others—on the need to reduce the deficit. Let it be very clear that if we adopt this amendment, we will be increasing the deficit.

This amendment, according to the Senator from Kansas, will have a budgetary effect of about $4 billion to $5 billion by 1984–85. That again presents the Senate with some very tough choices.

If we lose $5 billion that we planned on and budgeted for, what do we do? One option is to cut programs more deeply. Frankly, I do not believe that is going to happen after the reconciliation bill.

Then, if you look at the budget in the next few years, you see one category that is much larger than others, and that is defense. We did not get at that in the reconciliation bill. You see a defense budget that allows for a 7-percent real increase over the next several years.

Senators might have read in the New York Times a day ago that Mr. Stockman, at OMB, is now questioning whether we can afford to sustain a 7-percent real increase in defense spending. He says that maybe we can have only a 5-percent real increase in defense.

On the other hand, we see Mr. Weinberger at the Defense Department saying that we should not have a 7-percent increase; instead we need to budget for a 9-percent real increase.

It is important for the Senate to recognize that the difference between Mr. Stockman and the budget, 5 percent and 7 percent, or between the budget and Mr. Weinberger, 7 percent and 9 percent, is about $4 to $5 billion: the 1986 revenue loss from this amendment.

So I argue that if this amendment is agreed to, the further reductions will not come out of social programs that already will have been cut in the reconciliation bill, but the budget cuts will fall in the defense area. I do not believe that most of my colleagues would like to see the defense budget cut further.

If you do not have the $5 billion that you would have, absent this amendment, and if you want to have a balanced budget, and if you want to reduce the deficit, then you are going to have to make cuts somewhere.

These are the choices, Mr. President. If you endorse this amendment, which perhaps on the merits makes a lot of sense, and from a national security persective also makes some sense, it means the following: a smaller tax cut for capital and labor on the one hand, and cuts in the defense budget on the other hand.

The Senator from Kansas, in the discussions we have had over the last 2 years concerning the strategic petroleum reserve, has said at times, "Look, it is so important to fill the strategic petroleum reserve that we should put a tariff on foreign oil that would generate revenues that we could use to fill the strategic pertoleum reserve."

I suggest to the chairman maybe this is a way out of our present dilemma, that instead of taxing new American oil maybe instead we should be taxing foreign oil.

Clearly this would serve a number of purposes. It would reduce our vulnerability to oil supply interruptions. It would limit the transfer of wealth that flows from the pockets of American con-

sumers to the treasuries of OPEC. It would clearly promote energy conservation.

The tariff I think would also help us realize important economic objectives. It would enable us to reduce taxes on capital and on labor and to eliminate the windfall profit tax on new oil and heavy oil, to get more domestic production, without adding to the deficit. It would also avoid presenting Senators with the very real possibility that this amendment will necessitate cuts in the defense budget.

Mr. President, I wish to submit for the RECORD an article by William Safire of the New York Times that I think very clearly states the opportunity we have to break OPEC by moving now to impose a $5 a barrel tariff on foreign oil.

Yes, it would result in an increase of about 10 cents at the gasoline pump. But it would also reduce our vulnerability to oil supply interruptions; allow us to lower even further taxes on capital and labor; and perhaps even realize the goal that the Senator from Kansas had in mind when he proposed this amendment.

So let me suggest that as this debate progresses, and I am sure that it will extend for a while, all of us should consider the choices posed: ending the windfall profit tax on new oil, one choice; further reducing taxes on capital and labor, a second choice; keeping defense spending at the level required to serve our national security objectives, a third choice. If, as I have argued, we cannot achieve all three goals at once, I suggest that maybe we consider the idea that has been suggested by Mr. Safire and others as a way to break OPEC once and for all.

So, Mr. President, I offer those thoughts only as this amendment has been proposed. I hope that in the course of this debate we might come back and go into some greater detail on the specifics of this amendment and the critical choices it poses.

Mr. President, I ask unanimous consent to have printed in the RECORD an article by William Safire entitled "Essay—Gluts To The Gluttons," from the New York Times, June 4, 1981.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ESSAY—GLUTS TO THE GLUTTONS

(By William Safire)

WASHINGTON.—The time is ripe to crack the OPEC cartel.

For nearly a decade, oil producers have combined to force the rest of the world to pay all that the traffic would bear. An international monopoly has helped inflict a raging inflation on the world, stunted the growth of the poorest nations and brushed off all criticism of its price fixing with a cool "business is business."

Now all that is changing. High prices reduced demand for oil more sharply than anyone predicted, and enabled competing sources of energy to grow. Three years ago a "glut" appeared but was quickly absorbed by the economic collapse of Iran; last year another oil glut threatened but was postponed again by the Iran-Iraq war, which took another giant out of production.

Today the world is awash in oil. "Awash in oil" is a mandatory phrase in all writing on this subject.) Refineries are refusing shipments; twice as much oil as normal is floating in tankers and storage; this week Mexico, not an OPEC member but tied to its pricing, lowered the price of crude oil by $4 a barrel; Britain and Norway are likely to follow. Nigeria, an oil-rich but cash-poor member of OPEC, is under pressure to lower its price.

Why the turnabout from shortage to oversupply? Not, as State Department Arabists fondly believe, because Saudi Arabia is producing 10 million barrels a day instead of its usual 8 million; that "favor" picks up less than one quarter of the production lost by the disappearance from the market of Iran and Iraq. Within a year, some Iraqi production may be back and the Saudis would cut production without sopping up the glut.

The reason for glutsmanship is plain: The high price is being artificially maintained by the monopolists; in a normal market, the unfixed price would drop. Thus the moment is propitious to smash the cartel. Not to weaken it, or induce it to be more reasonable, but to break it once and for all. Nothing personal, not for revenge; simply in our own economic self-interest.

The United States is the world's largest oil importer. Here is how we, acting alone, could bring the cartel to its knees:

1. Impose a $5-per-barrel import fee. What? Raise prices about a dime a gallon of gas? Are you crazy? Like a fox; the present high price of oil has reduced demand, encouraged conservation and brought in new sources of energy. A higher price would make oil even less attractive, ultimately forcing the producer's price downward. Meanwhile, the top $5 will stop flowing out to the sheiks and start flowing into the U.S. Treasury to the tune of $10 billion a year.

This idea was hooted at when proposed, in an extreme form, by John Anderson last year. But if repackaged as part of the plan to flex American economic muscle—with the proceeds to be refunded via tax credits used to lower income taxes—it ceases to be laughable.

2. Set import quotas for oil. This is a device to get monopolists fighting among themselves. Require oil companies to buy tickets, at auction, from the U.S. Government for the right to import oil. (Such allocations were given away in the 1950's; in the future, they should be sold.)

The companies would then go to foreign suppliers and pass on the cost of the tickets. Because oil is in oversupply and we are the biggest buyer, some oil producers would secretly go along—effectively discounting their prices without losing face. Whatever the posted monopoly price, the fluctuating deduction of the ticket price would enforce a true market price.

3. Play favorites among producers. Exempt Mexico from all oil import fees in return for a long-term, below-market contract for oil to fill our strategic reserve. Exempt Venezuela if it will resign from OPEC and join an all-American production alliance. Switch half our Libyan purchases to Nigeria, and the remainder if this does not affect Colonel Qaddafi's support of terrorism.

4. Put on the commercial squeeze. Tell the companies to slow down acceptance of foreign oil; run 15-knot tankers at 8 knots; stall on payments and go to court on contracts. Let the vulnerable suppliers feel a cash pinch, miss a few payrolls, endure a few strikes. Replace the arrogance of the seller with the arrogance of the buyer.

This is not ordinary business practice. But in kowtowing to a monopoly, or in seeking to break it, long-term business relationships mean nothing. To a cartel, only economic power counts.

Only if we force the monopolists to undercut each other will we discover if the Saudis are really the moderates they claim to be. Only when we take the lead will the other major importers, Japan and West Germany, see their self-interest in following.

The glut is a black-golden opportunity; with daring and imagination, we can seize this moment to turn back the assault on the American economy.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Louisiana.

Mr. JOHNSTON. Mr. President, I have what is an amendment to this amendment which I think is not in order, and I wish to ask the distinguished Senator from Kansas if he might be ready to accept it at the proper time. The Domenici amendment, which adds heavy oil and incremental tertiary oil, I think is an excellent amendment because these are very price incentive sensitive kinds of production, but there is one very conspicuous omission from that amendment, and that has to do with stripper oil which, as the Senator from Kansas well knows, of all categories of oil it is most sensitive to incentive because most of those stripper wells, 10 barrels a day or less, are held together with baling wire and to the extent that we give them a higher price we get more of that oil, to the extent that we give them a lower price we get much less oil. Of all kinds of production that deserves more tax incentive than any other kind because that truly is incremental production. When we are talking about new oil, that may or may not be produced at some time in the future, but if they do not produce the stripper oil right when that well is ready to play out, if they let the well go down they can never bring it up again because of the dynamics of the geology with a well that is playing out.

So I wonder if the distinguished Senator from Kansas will be ready at the proper time or may I ask, perhaps, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JOHNSTON. Is a substitute amendment to the Domenici amendment in order at this point?

The PRESIDING OFFICER. The Chair rules that it is a third-degree amendment and therefore not in order.

Mr. JOHNSTON. Very well.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. JOHNSTON. I yield.

Mr. DOLE. The Senator knows if that were offered it would take care of 80 percent of production in my State, but it would also cost about between $3 billion and $4 billion a year. I certainly have an interest in what is produced in my State, but, on the other hand, I am also constrained by the comments of the Senator from Massachusetts and the Senator from Ohio, and others, that we have to have some restraint on what we are going to do.

So, as much as I wish in other circumstances to somehow work out such an amendment, I have to oppose any effort to amend this present amendment even if it were possible.

Mr. JOHNSTON. I ask the Senator: The Senator is aware of how sensitive to price is this production and how they do lose this production if the wells go down and they can no longer produce them because of the economics of the dollar?

Mr. DOLE. The Senator from Kansas

is sensitive to that. In fact, as I have indicated earlier, I said 2.5 barrels in my State and I understand new figures indicate about 3.3 barrels is the average well production from each well in my State.

But again, it seems to me, and I have talked to some of the producers in Kansas, they wish to have everything exempt. Obviously they would rather not pay any windfall profit tax. They were opposed to it at the outset.

In Louisiana the average well produces about 54.5 barrels but the stripper production is only about 1.5 percent. The stripper production in the State of Kansas is about 80 percent and as I said the average well produces about three barrels a day.

Mr. JOHNSTON. I certainly think that the Senator is in position to know that what I am saying is entirely correct.

Mr. DOLE. It is correct.

Mr. JOHNSTON. Is the Senator willing to take that amendment to conference? I understand they have to move things around in conference and make everything fit. But of all the categories of production is it not stripper category that deserves the most break? I mean after all that oil was decontrolled before the windfall profit tax; whereas new oil was under controls, and the windfall profit tax on new oil came out of the incremental increase. But with stripper oil it all came off the top and it seems to me that is not only unjust if we want to talk about the justice of it, but what it does in terms of production of incremental amounts of oil stripper deserves more sympathy than any other kind of oil. Is that not correct?

Mr. DOLE. I say to the Senator from Louisiana that is correct.

In fact, I believe the RECORD indicates the Senator from Kansas was partially instrumental in keeping the rate down for stripper production in the conference along with the help of the distinguished senior Senator from Louisiana to 30 percent.

Mr. JOHNSTON. Does the Senator wish to be a coauthor of this amendment?

Mr. DOLE. The Senator will probably wish to be a coauthor at a later time. It seems to me this is an ideal provision. We should be talking about some relief for stripper production in the second tax bill which will be on the floor later this year.

Mr. JOHNSTON. Right after indexing?

Mr. DOLE. Later this year.

But I hope the Senator from Louisiana might go back and visit with the Senator from Massachusetts and the Senator from Ohio and see if we just cannot move ahead with this excellent amendment we have now. That would be most helpful.

Mr. JOHNSTON. I wonder. I ask my friends from Ohio and Massachusetts if the stand is going to be made on the pending Domenici amendment or whether it is going to be on the main amendment because I wish to offer, after the Domenici amendment, this amendment on strippers. I know my friends from Ohio and Massachusetts even though they oppose the main amendment cannot and would not oppose the stripper amendment and cannot resist it.

Several Senators addressed the Chair.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SPECTER. Mr. President, as I heard this debate unfolding, it is my thought that this entire issue would be better left to the second tax bill.

As I listen to the proposals of the distinguished Senator from Kansas has made it seems to me that it is obviously in response to the amendment which was made by Senator BENTSEN, of Texas, as having the lesser of a tax impact as an alternative to what Senator BENTSEN has proposed. I think it may be there might be merit in making some modifications on the windfall profit tax if it were tied into a plowback provision in the interest of exploration.

There are arguments to be made that we do need to develop as much energy as possible, and if profits were conditioned on being plowed back into exploration there might be some justification for modifying the windfall profit tax, at least in my judgment, and it might be that, as the distinguished Senator from Louisiana has suggested, stripper production might be more meritorious as a point of definition than the definition of new oil.

But as I listen to this debate on oil it is my view that these issues ought best to be considered in the context of hearings and a greater deliberative procedure than is afforded here this afternoon as we are rushing to complete a tax bill.

Mr. JOHNSTON. Mr. President, will the Senator yield at that point?

Mr. SPECTER. I do yield.

Mr. JOHNSTON. Is the Senator aware when we had the regime of oil control existing in the country that we put in an amendment in the Energy Committee, as well as another one in the Finance Committee, on the question of decontrol of strippers, that we not only had hearings, long, extensive hearings, but we had extensive debate here on the floor, and we actually went through the entire legislative process of decontrolling stripper oil. That was the regime that was in existence for many, many months, in fact a couple of years, as I recall.

So that we dealt with that very issue and, in fact, what was not dealt with was putting a windfall profit tax on stripper.

If you will talk to those on the Finance Committee, I think you will find that was almost an inadvertence because I think nobody had stopped to realize that stripper was decontrolled, so that when you put the tax on top of stripper, that was actually reducing the take of those stripper people. Is the Senator aware of those facts?

Mr. SPECTER. Only to a limited extent. That is part of the concern that I express. Since those matters were heard in committee and debated on this floor, there are a fair number of Senators who are new to this Chamber who have not had the advantage of knowing the details of those events, and I, for one, think it would be very useful if before a number of us were called upon to vote on these complex and important matters that an issue of this importance came through the procedure of having hearings in the Finance Committee with a full range of exploration of the complicated issues which are herein involved.

Mr. JOHNSTON. Does the Senator feel the same way, if he will further yield, on the Domenici amendment which deals with heavy oil and tertiary?

Mr. SPECTER. I might feel the same way or not feel the same way because I am not prepared at this time to express an opinion on that subclassification.

Mr. JOHNSTON. That is the pending amendment and that is the reason I ask the question. I just wanted to join in on the pending amendment because this is an even stronger case than heavy and incremental tertiary, even though those are very strong cases.

Mr. SPECTER. I sense, Senator, that the case for stripper may well be stronger from what I know about stripper oil. But as I listen to this debate on the amendment by Senator BENTSEN, on the amendment by Senator DOLE, on the amendment by Senator DOMENICI, I believe there needs to be more exploration of this matter and, as I say, it may well be, in the event of exploration, if there were obligations to plow back the profits that there should be some relief from the windfall profit tax—I am not sure—but that would be my candid inclination, and it may well be that stripper, as you have suggested, may be a more meritorious recipient of some special consideration than the category of new oil, which would go to the very large producers who may not be in quite the need of extra incentives, considering the profits picture which they have reported in the past several years.

Mr. JOHNSTON. The Senator makes a very strong case.

Mr. SPECTER. All of which lead me to the conclusion that for quite a number of us who have recently joined this body that a more deliberate procedure would be more helpful to the Nation than that which is presented in the course we are now embarked upon.

Mr. DOLE. Mr. President, will the Senator yield? Will the Senator permit me to ask a question of the Senator from Pennsylvania?

The PRESIDING OFFICER. Does the Senator yield for a question?

Mr. SPECTER. I do.

Mr. DOLE. I just want to point out, I do not quarrel with the observations of the Senator from Louisiana and the Senator from Pennsylvania. I think 78 percent of the production in Pennsylvania is classified as stripper production, with the average of one-third of a barrel per day being stripper, and they have less than one-tenth of 1 percent of new oil.

But I do want to indicate that there are a number of States that have newly discovered oil. New Mexico 2.7 percent, California 2.3 percent, Colorado 1.6 percent, Louisiana 11.4 percent, Oklahoma 13 percent, Kansas 4.8 percent. While I am sympathetic also with the plowback the Senator mentions, I might add that was an area this Senator pursued, but I

could not find much support in the industry or even among my colleagues.

I do not recall the exact vote on the Senate floor on the so-called plowback provision but, as I recall, we had less than 35, 36 votes to support that proposal. That made more sense to this Senator on the theory that if you really wanted to increase production, we ought to have some incentive within the structure to put it back into exploration. But for some reason no one has ever been very excited about that, at least not excited enough about that.

Mr. WALLOP. Mr. President, will the Senator yield for a question?

Mr. SPECTER. I do.

Mr. WALLOP. I would phrase it this way: When you are talking about plowback, the record of the industry is one of plowback. Indeed, the investment is greater than the return.

The other thing is I do not know whether the Senator has seen recent profit pictures out of the industry, but they are significantly less attractive than they were during the times of the highlighted press coverage of them during the Carter administration when the stresses of the new Middle East reductions in production and the price increases took place.

Those were profits primarily generated from the brokering of overseas oil and which the windfall profit tax, to my dismay, ever since it has been around, leaves untouched.

In effect, what we have done by the institution of this tax is to put a tax on American production and American exploration, and leave still untouched the brokerage concept, the brokerage activity, of the major oil companies as they bring them in, where those profits were being generated from.

So when you are talking about trying to structure an incentive for American production, new oil is the one place where you cannot claim a windfall profit because in my State, which has now the highest and the hottest area of exploration in the lower 48, in the Overthrust Belt, wells that were once on an average 2,000 to 4,000 feet, and costing in the neighborhood of a half million dollars, now go to 12,000 to 17,000 feet and costing in the neighborhood of $4 million.

So given the history of the industry's plowback, we do not need an incentive to do that. What we do need is some incentive for some exploration and that is the incentive and thrust of what we are trying to achieve here.

Mr. SPECTER. Senator. I do understand the facts of reinvestment. But the bill would be greatly more palatable, at least in my judgment, if the obligation existed to use those profits to plowback.

Under existing law, a company may or may not plowback, as the company sees fit. There has been widespread criticism about the use of energy profits, oil profits, in collateral investments. So when we touched on this issue of changing the windfall profit tax, which is a very fundamental and important change, it is my view it ought to be tied back to the specific obligation for plowback.

Mr. WALLOP. First of all, in some respects I do not quarrel with the concept of it, if we could ever structure it. But you know that has been the problem, to structure it in such a way that it was meaningful, and it is not so easy as it sounds, as we make such a decision on the floor now because, as Senator DOLE pointed out, we have been trying to discover ways to do that and have it, you know, answer the problems that are inherent in trying to do and achieve just what the Senator is suggesting.

But I will again point out for those on the other side that the profit picture is just plainly not so rosy as it was only last year. It is dramatically lower. But the press never looks at that profit picture. They only want to show the inflammatory ones. When the process reverses a little bit and the profits go down, nobody pays any attention to that until they start up again and they always go from the down side and they never go from where it once was when that takes place. I just think it is not such an attractive thing as it once was.

I do not mean to say that the industry is in poor condition. But the exploration is already beginning to bump up against the economic attractiveness of these heavy investments that are going on. I am not saying we have reached that yet, but it is really very close and some decisions to explore are certainly being postponed right now.

Mr. SPECTER. The additional argument advanced by the distinguished Senator from Wyoming about modifications or changes in the profit picture, I think, is further support for a more orderly inquiry into the subject without making a decision under these circumstances.

Mr. WALLOP. If the Senator from Pennsylvania could tell me one moment in time when the discussion of the oil industry was orderly and intelligent, I would be happy to join with him in that. But it does not seem to be the process. Nobody ever seems to be reasonable when he discusses this. I know the Senator is and I compliment him for it.

Mr. SPECTER. If we have not yet found that moment, I think we should continue to search for it before we make such fundamental changes.

Mr. KENNEDY. Will the Senator from Pennsylvania yield for a question?

Mr. SPECTER. Yes.

Mr. KENNEDY. I thought the Senator from Pennsylvania made a good point that this was not a timely measure. It is my understanding from the Joint Committee on Taxation that the budget loss for the period of 10 years on the Dole-Domenici amendment is $40.8 billion. The best estimate on the stripper well amendment between 1980 and 1990 is another $30 billion.

So what we are talking about, if we are taking the amendment of the Senator from Louisiana and the Dole-Domenici amendment, is a loss of some $70.8 billion.

I thought the point that the Senator from Pennsylvania made that before taking any action on measures of those kinds of economic implications, let alone what are the issues of equity to fairness, which I think are of equal importance, it seems to me that the comments that the Senator from Pennsylvania made that we ought to give due consideration and examination to this issue are extremely well-founded.

I just wanted to commend the Senator from Pennsylvania for raising at least some questions so that the Members of the Senate would understand that these kinds of questions about the budget implications and issues of equity are on the minds of a number of Senators.

Mr. SPECTER. I am pleased to have yielded for the question from the distinguished Senator from Massachusetts.

As I listen to this debate and hear these figures expounded, I have some questions as to whether there has been sufficient time to authenticate the reliability of all of these figures. We have a tax bill which has been prepared with the deliberation of the Finance Committee, written up and presented to the body. But, as the amendment process comes, it is substantially more hurry and there are hasty references to books and notes and representations made which I have some question about.

I certainly would prefer to see it presented in a more systematic way and have some opportunity to deliberate and to make some kind of comparisons as we rush to some conclusions on such an important matter.

Mr. KENNEDY. A final question, if the Senator would yield for it: The Senator from Kansas indicates that he is going to offset these budget considerations with other changes in the tax program. I understood from what he might be suggesting that these would be measures similar to the measures the Senator from Texas proposed, which would have an importance and significance to a major industry in our country, for example, the steel industry or the automotive industry.

I was just wondering whether the Senator was aware of where, or whether the Senator from Kansas would tell us where, he is going to get those other offsetting revenues. I was wondering whether that was a concern to the Senator from Pennsylvania because of the measures that have been included in the Senate Finance Committee bill that will permit the steel industry and other industries to be treated fairly and equitable with other industries that have a subsidy in terms of capital formation through the investment credit.

Mr. SPECTER. I thank the Senator from Massachusetts for the question. That is a concern to me, whatever the cost may ultimately be in terms of what it might do if similar assistance were given to other industries or balancing the other cuts and costs which have been made during the course of the past several weeks. All of those raise a lot of questions which require a lot of deliberation, in my opinion.

Mr. RIEGLE. Will the Senator yield to me for a moment for an observation or two? Would he be kind enough to do that?

Mr. SPECTER. I yield to the Senator.

Mr. RIEGLE. I thank the Senator from Pennsylvania for yielding.

Earlier today, I am struck by the juxtaposition of events here where we

had a vote on the restoration of the minimum benefits under social security, a $122 a month minimum payment to the people on the lowest rung of the social security ladder. If I am not mistaken, I believe the Senator from Pennsylvania voted with others of us to consider restoring and maintaining that payment to those people who now receive it.

In the outyears, the total revenue impact was something over a billion dollars, but in that range. It seems to me, as I hear these cost estimates for these oil changes as they would extend out over the next decade totalling something on the order of $70 billion, it seems to me that, on the same day that we are withdrawing the minimum benefits under social security that goes to 3 million people in the country—half of them with incomes below $3,000 and we have 80,000 of them who are very elderly people 90 years old or older—in the name of restraint and cutting down on Government spending and so forth, we are snuffing out that benefit but, at the same time, apparently finding that it is within our means to suddenly come up with a new item that is considered and presented right here on the floor. It has not come through any orderly process. We find ourselves looking at an expenditure with a pricetag of $70 billion and, apparently, some folks just cannot wait to spend that money.

So I have a hard time reconciling how, in the one instance earlier today, the Senate found that there was not any money to maintain the minimum benefit under social security but, lo and behold, 4 hours later, we have come up with, apparently, $70 billion worth of room where we can take and make new entitlements, if you will, new help, and new financial resources available to the people who are fortunate enough to have these oil holdings. So I am disturbed about that.

But my second observation would be this: The Senator from Wyoming, who was on the floor a moment ago, said that he was concerned, and I am paraphrasing, words to the effect that he might not have an opportunity in the normal and more orderly course of events to have this item considered within the committee of jurisdiction and hearings and the opportunity for people to be heard and have it come forward later in a more normal legislative sequence.

My response to the Senator from Wyoming would be that his party controls the Senate, controls all the committee chairmanships and controls all the subcommittee chairmanships. I would think that if he has a case to make, or others on that side, that it ought to be quite within the realm of what is feasible to be done to sit down and work out a schedule within the normal committee system and to allow hearings to take place—public hearings—to get these facts out on the record and let all sides be heard. Let us look at the revenue implications. Let us see what this will do to the inflation rate, what it will do in terms of impacting capital investment decisions in the country, and other things.

Let us get that information on the public record and be in a position to then make an evaluation and to decide this in the normal process. But to actually bring it up here in the late stages of a tax bill that is aimed at quite a different set of issues, to bring it up without that kind of orderly process, it seems to me is not a responsible way to approach this kind of issue.

I do not think the assertion of the Senator from Wyoming that he is not going to be able to get a proper way in which to consider this in a reasonable period of time is an accurate observation. I think he can. He certainly ought to be able to speak to his leadership and see what can be worked out here. Then there would be an opportunity for factfinding.

I would certainly hope and expect that there would be people across the country who would have feelings about not taking this step, who would want to come in and be heard. They ought to have a right to be heard. They obviously are not going to be able to jump on a plane 10 minutes to 6 on a given evening and get down here and have any orderly way to have a hearing on these kinds of deliberations; $70 billion is not pocket change. Therefore, I think we ought to proceed far more carefully and in the regular fashion in considering something of this size.

Mr. MATSUNAGA. Will the Senator yield?

Mr. RIEGLE. I yield.

Mr. MATSUNAGA. Earlier I quoted the figure of $38 billion in savings in imported oil. Upon recheck, I have learned that the figure should have been $15 billion.

In addition, I would like to state that that is based on an estimated domestic production of new oil of 1.1 million barrels per day.

Mr. President, I cannot be, and have never been, labeled as a friend of big oil, yet I have stood on this floor in support of the amendment offered by the Senator from Kansas for the reason that I am fearful that we are losing sight of the major purpose of all the debate on the budget and on the tax cut measure which has been going on for weeks.

What are we striving to do? We are combating inflation. We are saying we have to stem the tide of inflation in order to bring our economy back on its feet.

What is the biggest cause of inflation? The escalating price of energy. And what has been behind this? Imported oil. A barrel of oil which cost $2.40 in 1972, today, under contract, costs $38. On the spot market, it goes even as high as $48 per barrel.

On the Island of Molokai, the Molokai Electric Co. pays $44.50 a barrel. Consumers, who used to pay $50 a month, pay as much as $240 a month for their electric bill.

This is the most serious cause of inflation, inflation to the consumer. The other, of course, is the high interest rate.

What disturbs me, however, is that the administration, and from representations made on the floor here today, I understand this is an administration proposal, the administration on the one hand proposes an amendment such as that which is pending, and on the other proposes to reduce drastically funds for the development of alternative sources of energy. It is only by increased production of oil and increased production of alternative sources of energy that we are going to make ourselves self-sufficient and independent of the whims of our foreign suppliers of oil, the OPEC cartel and others.

In this respect, I wish the Senator from Kansas would support the amendment I will be offering to retain the present law, which the Treasury Department is trying to amend, to remove the incentives for the commercial development of alternative sources of energy. His support would indicate that the administration and the distinguished chairman of the Finance Committee are indeed bent on fighting inflation by making this Nation of ours energy self-sufficient.

I repeat, Mr. President, it is by the development of energy sources within our own country that we will be able to achieve energy self-sufficiency, independence, and, as a consequence, reduce the ever-rising tide of inflation.

Mr. ANDREWS. Will my colleague yield?

Mr. MATSUNAGA. I yield.

Mr. ANDREWS. My colleague is raising a good point. No one can disagree with the fact that the inflation which is now rampant in this country came about largely because of the increased cost of energy over which we have no control because so much has to be imported from OPEC countries. I share with my colleague from Hawaii the concern about the administration moving more actively toward the development of synthetic fuel, and in the case of Hawaii the fantastic exploration being done to extract power from the depths of the ocean. These projects have to move ahead.

At this time, if I could, I would like to point out that we need some incentives in the tax law. I have a letter I received not too long ago from one of my constituents in North Dakota. Mr. Neiman Behm, who is on the board of the Sun-Behm Gas, a small company in Minot, N. Dak.

Mr. President, I ask unanimous consent that this letter in its entirety be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SUNBEHM GAS, INC.,
July 17, 1981.

Senator MARK ANDREWS,
5205 Dirksen Senate Office Building, Washington, D.C.

DEAR MARK: SunBehm Gas, a family owned independent oil producer in the State of North Dakota, is in firm support with the omnibus tax reduction bill.

We, as a producer, have been exploring for crude oil reserves since 1961. During this period we have drilled in excess of 69 wells, successfully completing 54 wells as producers. Our approach has always been to plow back all revenue into increased production.

The investment capital to SunBehm available for future drilling has been substantially reduced over the past 18 months. Drilling and exploration costs have increased 200

percent over the past 10 years for shallow wells and, for wells drilled to deeper depths, costs have escalated 40 percent over the past two (2) years, while today's interest rate on borrowed capital ranges from 20 percent to 23 percent versus 7 percent to nine percent just five (5) years ago. The windfall tax, and state production and extraction tax, on newly discovered properties, are in excess of $9.00 a barrel or 26 percent of gross revenue, before operating costs are deducted. On the income side the value of a barrel of crude oil has dropped 20 percent in the past seven (7) months.

With the present legislation, SunBehm gas will be forced to curtail future exploration plans. The tax reduction bill aimed at giving relief from the windfall profits tax to independents will improve our development plans and permit us to continue exploration.

Sincerely,

NEIMAN BEHM,
Chairman of the Board.

Mr. ANDREWS. This letter points out the problems they have in drilling the small type oil and gas wells, and how they need this type of tax incentive to move ahead.

I might point out to my colleague from Hawaii we need a balance in this whole outlook on energy production and energy development, synthetic fuel development, new developments in energy, as my colleague has pointed out so uniquely done in the great State of Hawaii. And not only that but synthetic development of coal in my home State of North Dakota, and also the basic continuation of drilling by these small producers from whence most of our energy comes from now and must come for the years in the future.

With that kind of balance I think we in the Senate can meet the needs that my colleague and good friend from Hawaii has so well pointed out. If we do that, we will have met the challenge that faces this country and our Nation's economy will be far better off.

Mr. MATSUNAGA. I thank the Senator from North Dakota, especially since he comes from the opposite side of the aisle. I am glad the thinking is not altogether unanimous in canceling out alternative energy. OTEC, for example, is one of the most promising, if not the most promising, new indigenous sources for baseload electricity, but it was zeroed out by the present administration. Fortunately, it appears that all Republican Senators and Members of the House do not completely agree with the administration, and we may yet witness a bipartisan effort to save OTEC, ocean thermal energy conversion, solar energy, wind energy, lowhead hydro, geothermal, and other alternative energy projects, started during the last few crucial years.

Mr. ANDREWS. Not only that, but at the present moment, the White House is making a decision on whether or not to go ahead with the coal gasification plant which will be unique in the world that can give us the knowledge we have to have to move forward in producing these Btu's in this country. I sincerely hope that the administration will look with favor on this coal gasification plan, just as I would hope that they would look with favor on the development of the alternative energy source that my colleague points out is so uniquely available in his State of Hawaii.

Mr. MATSUNAGA. As the Senator from North Dakota so well knows, the Senator from Hawaii happens to be the author of the In-situ Coal Gasification Act, even though there is not a single pile of indigenous coal in Hawaii.

Mr. President, the Senator from North Dakota has touched upon the whole thrust of what we should be striving for; that is, the development of every source of energy within our own borders. We have to look more and more toward regional development of alternative sources of energy such as, in the case of Hawaii, taking advantage of the ocean around the islands; geothermal energy; and, in certain areas, lowhead hydro and solar energy, et cetera.

We must get away from the notion of centralized energy, such as building 300- or 400-foot dams to supply hydroelectricity to half the continent. We can accomplish the same thing through decentralized low-head hydro systems, geothermal wells, OTEC, solar and wind energy projects.

Whatever it is, if we can develop sectional energy self-sufficiency throughout our country, we shall accomplish national energy self-sufficiency, reduce the amount of imported oil, and help to reduce inflation.

Mr. President, I yield the floor.

Mr. DURENBERGER assumed the chair.

Mr. METZENBAUM. Mr. President, I want to take off my hat to and indicate the great respect that I have for the Members on the other side. Both the Finance Committee and the Budget Committee chairmen have really tremendous guts, they have a lot of nerve to bring to the floor of the Senate an amendment to give the oil companies $20 billion more on the very day that we turn down a minimum social security benefit. I tell you, Mr. President, I respect people who can do that; I think anybody who can be that brazen about not caring about senior citizens who have a chance to get social security, but who can say, we have to get into this bidding war for the oil company support; if we do not bid up the price in more tax incentives, those guys over in the House may do it. And the worry around here is who is going to get those oil companies——

Mr. DOLE. Will the Senator yield? They may have been here in the Senate. I just checked. There are 29 members of the Senator's party who supported the $4 billion amendment and only 17 said "No."

Mr. METZENBAUM. As the Senator from Kansas will remember, I voted with him in opposition to the last amendment and because the last amendment was worse than the present one, does not make this amendment better. He, I am sure, knows that full well. I am not sure which was better or worse. I am not sure that you can take something that is not very good to begin with and change it around a bit and make it look better.

As a matter of fact, Mr. President, think what we are talking about. I am hearing people talking about more production. The oil industry says we are going to get a million barrels of oil a day more. Well, as long as I have been in the Senate, I do not remember a day where, in any debate on any issue concerning the oil industry or the natural gas industry, I have not heard that increasing the price will result in the production of a million barrels of oil a day more, and something similar in the field of natural gas.

The fact is, Mr. President, that you do not get more oil by merely taking off this windfall profit tax. The windfall profit tax is not that big. The windfall profit tax is only 30 percent. There are very few people in this country who have the privilege of paying a tax as low as 30 percent. But I am aware of the fact that it is 30 percent on top of the regular taxes and I do not wish to overlook that point. But by the time we get done with all the amendments that the Finance Committee has made and by the time the oil companies use all of the special privileges such as the right to write off about $3 billion a year in intangible drilling costs each year—that no other industry in America has—the oil industry will continue to pay and does continue to pay a very low rate of tax.

What we did, Mr. President, was this: A couple of years ago—I think it was 2 years ago—we enacted the windfall profit tax. But those of us who sought to make the tax fair and equitable did not really win. In fact, those who today are on the majority side actually prevailed in that instance because they and some Members of our side joined together to enact a windfall profit tax that was quite modest. It was not what the previous administration was seeking. It was a whole lot less.

What we now have is the Finance Committee coming to the floor of the Senate with an even greater wind-down of the windfall profit tax which would reduce the tax rate on newly discovered oil from the present 30 to 25 percent in 1983 and 1984, 20 percent in 1985, and 15 percent in 1986 and subsequent years.

But that crowd out there with the highest paid lobbyists serving them of any group in America is never satisfied unless they get it all. What do they care if there are not school lunch programs available? What do they care if kids cannot go to college? That does not matter to them. "Cut our taxes"—that is all they want. More and more and more.

Sure, it is important that they have more and more so they can go out and buy up some more companies such as Kennecott Copper acquired by Sohio or Exxon moving out to buy other companies. Everybody is out there in the field now borrowing money; $5 billion for Gulf Oil, and let us not forget Mobil. Everybody want to use all these billions that they have been telling us they needed for more production so that they can go out and gobble up all of American industry.

But Mr. President, after they do acquire companies, things do not always work out very well. Exxon bought Reliance Electric. They said, "If we get this company, we have a new mechanical device, a new machine and with it we are going to save more energy"—You

know how much? The equivalent of 1 million barrels of oil a day. Always the same—always a million barrels of oil a day.

"And when we buy up Reliance Electric," said Exxon, "we are going to have this great piece of equipment and we are going to save so much energy that it is the equivalent of a million barrels of oil a day. So, Mr. Antitrust, do not interfere with us."

Do you know what happened, Mr. President? They bought the company and Mr. Antitrust did not interfere. Then, a year later, Exxon said, very meekly—no headlines, no big press releases—"The machine does not work; it is not effective. We are sorry, everybody; but we still have Reliance Electric."

Now, you people have the courage of your convictions and your convictions just happen to be that the oil companies ought not to pay any taxes. Then you even have enough temerity to say that we have to do this for new oil so that we may get new oil. My good friend from Hawaii is talking about a million barrels of oil a day that is new.

If it is all for new oil, why are you making it retroactive to 1978? That is not new oil. That is old oil at this point. But that is going to be a real bonanza for the oil companies.

As a matter of fact, with all the existing advantages, with all the higher prices, and with everything else that the oil companies have had, oil production has been dropping and will continue to drop. The EIA has said that oil production has decreased 100,000 barrels a day every year since 1974, and they forecast that by 1990, there will be even less.

As a matter of fact, some small company by the name of Exxon wrote a book entitled "Energy Outlook: 1980 to 2000." In the first line, where they talk about domestic oil production, they say, "Domestic oil production peaked in the early 1970's and is declining."

That is the way it is. There is not an unlimited supply of oil out there. When the price of oil was $3 or $4 a barrel, they said, "If we could get it up to $5 or $6, there will be a million more barrels." When it was $6, they said that if it went to $8, then $12, then $14, then $16, "we could get more oil." There was always a million barrels more if we could get the price a little bit higher. It is not a little bit higher. It is a whole lot higher, and a million barrels a day is not coming through.

Now we are told that the windfall profit tax is the reason we are not getting more oil. So the Finance Committee has proposed a change in the tax.

The Senator from Ohio took a look at what the Finance Committee did and had some inclination to challenge it, but it did not seem to me that it was of sufficient dimensions to make it worth going to a floor fight on it.

But you cannot sit back idly. You cannot relax around here, because every time you relax for 1 hour or 2 hours or 1 day, you may be certain that there will be a special amendment to benefit the oil companies.

I cannot think of anybody, in recent years, who has exhibited more power, more strength, more effectiveness than the oil companies of this country, regardless of whether the administration was Democratic or Republican.

Now I see that we are trying to push this amendment through, and we are told that it is possible that we will have to make some compromises in the conference committee. I do not know about those conferences, but if my experience in the past is any indicator of the future, the public will not be represented in those conference committees, but the oil lobbyists certainly will.

Mr. President, I believe this is an amendment the American people should know about. I do not think they know about it. It is a quarter after 6 on a Tuesday evening, and I believe that when they find out about it, they will be opposed to it and indicate to some of their Senators that this is an amendment that does not serve the Nation well.

Mr. MATSUNAGA. Mr. President, will the Senator yield?

Mr. METZENBAUM. I yield.

Mr. MATSUNAGA. I do hope the Senator is not implying that anyone who speaks for the pending Dole amendment has been approached by oil lobbyists and that we are serving the oil companies in this Chamber. Frankly, I have not been lobbied by any one on this amendment, I will have the Senator from Ohio know.

Cynicism can go just so far. To impute ill intentions on the part of any Senator, that a Senator who votes for such an amendment as now pending is against the people and for the big oil companies is doing grave injustice to Members of this body, individually and collectively.

A statement such as that made by the Senator from Ohio would make the front pages. So how can we blame the average American for saying, "Damn Members of Congress. Damn Senators. They are always thinking about big oil people. They don't give a damn what happens to the average citizen, the average consumer."

I hope the Senator is not implying by his cynical remarks that everyone who supports an amendment to encourage the production of new oil is in the pocket of the big oil companies.

Mr. METZENBAUM. I would never think of impugning the integrity of the Senator from Hawaii or any other Member, and I am not suggesting that any particular Member is in the pocket of the oil companies. But I have no reservation in saying that the oil companies are an extremely powerful lobby.

I have no doubt in my mind that the oil industry supports this amendment. I am aware of the fact that it is the oil industry that represents to the Finance Committee that if the windfall profit tax were sufficiently cut, it would mean 1 million barrels a day extra. I do not in any way wish to impugn the integrity of any Member. But I do say that this amendment better serves the interests of the oil companies then the interests of the American people, and I do not have any reservations in making that statement. I believe that it is contrary to the interests of the people of this country, and I believe it is very, very inflationary.

Mr. KENNEDY. Mr. President, will the Senator yield?

Mr. METZENBAUM. I yield to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I should like to ask a question of the Senator from Ohio. I know that my colleague from Massachusetts, Senator TSONGAS, is prepared to speak and that the Senator from Arkansas is prepared to speak, so I will not get into this issue very much at this time. However, I do believe it is important that the following point be made.

What have the major oil companies done with their profits from last year? We have heard on the floor of the U.S. Senate that the principal reason for this amendment is to increase incentives so that we will get new production and therefore we will increase the economic vitality of our Nation, by becoming more energy independent. At a later time, I will get into the question about balancing the funding for productivity sources—energy conservation and efficiency—with the subsidies for energy production which we talked about earlier in the day.

We could show that even with their best estimates, made by those who support this amendment, we could produce far more energy at less cost to the taxpayers through energy efficiency and productivity. I will make that case at a later time.

Do these figures seem to be reasonable to the Senator from Ohio? I am quoting now from the Department of Energy figures. Of the additional $29 billion available to the 16 companies in 1980, less than half, or 44 percent, was reinvested in ongoing petroleum operations; 38 percent was invested in nonpetroleum lines of business and acquisition; 6 percent was used to increase holdings on their direct assets, primarily cash and marketable securities. The remaining 10 percent was used to pay dividends to stockholders.

The figures that have been made available by the Department of Energy indicate that of the distribution of the uses of the cash flow, the top four companies use only 34 percent of their resources for petroleum; other investments are 16 percent; dividends are 10 percent; and current assets are 36 percent.

Is it the understanding of the Senator from Ohio that the evidence is quite clear and convincing that the major oil companies in this country are taking the rather extraordinary profits that have been realized in the past year and, rather than investing them in new production, new sources, new discoveries, are investing them in nonpetroleum lines of business and acquisitions?

Therefore, taking these facts into account, plus the Merrill Lynch reports of late spring, which indicate that the oil industry is the most profitable industry in this country, will the Senator not agree with me that the American people are being basically hoodwinked by this particular series of amendments when they are told that the amendments are really going to increase additional production or that the amendments meet the standards of fairness and equity, which the President has talked so much about recently?

Mr. METZENBAUM. The Senator from Massachusetts as usual is right on target.

The Energy Information Administration of the Department of Energy has made studies to this effect, and the fact is that the oil companies of this country come before us constantly and beg for financial assistance and tell us that they need more money so they can get more production. And then when we make it possible for them to amass these billions of dollars in their treasuries, what do they do? They go out into nonoil areas, and, if my recollection serves me right, invest a figure of approximately a little bit more than half of those dollars in nonproductive areas.

I think that is truly the crux of the problem. I do not think there is any Member of the Senate or House who would deny the oil companies more and more and more if it would indeed solve the energy problem of the Nation or if we were convinced that it would mean meaningful and substantial increases in production. But the fact is that they have had more and more and more, billions more. So that they do not even know what to do with the cash. What is happening? They go out and pay prices for other companies that no one could have conceived that they would pay. In some instances they are offering twice as much as the market value of certain stock that is held by the shareholders. That is good for the shareholders, but it certainly does not add anything to the productivity of the country. It does not add anything to the economy but in some instances it adds considerably to the whole inflationary impact that we have in this country.

I say to the Senator from Massachusetts that unfortunately the facts do not support the plea of the oil companies about their intentions and need for the additional billions of dollars that would be provided under the amendment offered by the Senator from New Mexico as well as the Senator from Kansas.

Mr. TSONGAS. Mr. President, will the Senator yield?

Mr. METZENBAUM. I yield to the Senator from Massachusetts.

Mr. TSONGAS. Mr. President, I wish to make a few preliminary comments and then later tonight talk specificly about oil production versus other sources of energy.

One of the points I have stressed in my 2½ years here, which has been used by Exxon in the company's newsletter, is my criticism of those liberals who criticize the oil companies. The energy situation is very complex and it is going to take an equally complex solution to deal with it. Of course, the "production, production, production" scenario advocated by the proponents of this amendment is erroneous, and I will get into that later, but equally erroneous are those who say that the energy crisis is a function of the oil companies. The fact is that if Sister Teresa were put at the head of Exxon the energy crisis would not go away. So criticizing the oil companies is very satisfying but does not solve the problem.

However, there are times when even these institutions surprise us, and suggest that to them there are no limits. It has been said and quoted often that power tends to corrupt, absolute power corrupts absolutely. And any reader of history will understand that there are pendulum swings and what causes a pendulum to swing toward center is the function of how far it swung to the extreme. And there are some of us on the minority side who feel that the quickest way for Democrats to regain power is to allow the pendulum to swing. This is a current example which I consider classic because here we have the chairman of the Budget Committee, whom I consider a friend who otherwise has rather rational judgments, and the chairman of the Finance Committee, together suggesting that well, here is some—we can argue the figures—$22 billion, $20 billion, whatever, that somehow we do not need. This is an interesting approach considering the fact that we just told the senior citizens and those who hope to go to college with loans and people on food stamps, and so forth, that we do not have the money, we cannot find it. These are times of austerity and the good old days are over and everyone has to tighten his belt, as it were.

So from a long-range political strategic view it would be in the interest of the Democrats to have this amendment passed. Then those who advocate it will simply have to go out and explain to the elderly and to students and to the children who will not have school lunch programs, and to others, that, "No, we did not have money for you, but we clearly had money for major oil companies." I would hate to be in a position of having to defend that were I up for reelection in 1982, which I am not.

So a cynic in the discussion of cynicism would argue that it is in the long-range strategic interest of the Democratic Party to let this amendment pass and by its sheer outrageousness create a constituency to bring the pendulum back.

It is a function of two attitudes. One that I spoke of involves power and those who exercise power not knowing where those limits are, and inviting the backlash. This happens cyclically throughout history, and here is just another example. The second attitude belongs to those who live on the hill whose basic instinct is "Let the devil take the hindmost."

It is the same attitude that bred Marx, bred Lenin, and bred all those who would argue that there is nothing in the capitalist system that understands the plight of the disadvantaged. The United States has I think demonstrated that democracy and democratic institutions are by definition the most likely to take care of those who need help the most. Those societies that have not been sensitive to the disadvantaged have become a breeding ground for violence and counteraction, including the Marxist-Leninist ideology that we have had to contend with throughout this century.

I think there are two other issues that should be raised beyond the question of those who exercise power because they happen to have it.

One is the question of the budget. We have talked about a balanced budget and we have talked about fiscal austerity and responsibility. Here we are talking about some $20 billion that we find available to give back to the oil interests. But that $20 billion comes from someplace, and the question is to understand the someplace.

If I were to ask you to give me $2,000, your response might be, "Well, I can do that but if I do that I will not be able to send my child to college next year." That is a very clear understanding of the trade off.

Well, here is the same thing except the numbers are bigger. If you want to spend $20 billion to provide to the oil interests, be prepared to walk into a senior citizens' club and explain to them why it is not available to them; and be prepared to go to high schools and explain to those students who, like myself, went to college only because there was a loan program why the money is not available.

There is not one Member of the Senate who will vote for this who will do that.

Look at the child nutrition program. These are just children. We do not have enough money for them, which means there are innately brilliant children in this country who will never be nourished and whose minds, therefore, will never reach their potential because we do not have the money; $20 billion for oil interests, no problem. Just take a number and send us your address and we will send a check to you.

What kind of a society is this? The larger question is how does a society with that sense of priorities survive or do you not in time end up in a situation where those who have been the targets of these priorities, those children whose minds have not been nourished, those students who have not gone to college, those deprived of all the various social programs that have been cut away, smolder in anger when they realize that those who run this country have shunted them aside in favor of those who live on the Hill, those who have already made it and will make more?

The least we can expect from that situation obviously is that they would vote the other way. But I think one has to be realistic to understand that urban violence and terrorism are functions of those who have brilliant minds, who feel suppressed, who are frustrated. Obviously, you have some who are simply demented, but a reasonable proportion of the European violence that we see, which has not been visited upon these shores, is a function of a government that appears to be insensitive.

I can tell you a lot of people are out there, people like myself, who did not grow up with means, who went to school because there was a government that cared about us, and we are not about to sit back and allow those who live on the hill to continue to get more than their fair share.

The other concern I would raise with you in terms of budget priorities is the long term. My State of Massachusetts, throughout the time I was growing up, relied upon very traditional industries such as shoes and textiles. From the time

I was born, and even prior to that, until recently, the State was in decline, and the reason was because there was not the kind of reinvestment in those basic industries that was required.

Today the State is undergoing a resurgence that extends even to the older communities. The reason is high technology, and the reason for the high technology boom is because somebody did the basic research years and years ago.

The Japanese, who as you know, laugh at the notion of "get Government off people's backs," are the most enthusiastic advocates of governmental activity. They have decided on a program that will take them eventually out of their energy-intensive industries and put them into the high-technology area because high technology is not a function of energy; it is a function of knowledge. If we continue the same reinvestment policies and they continue their reinvestment policies, in time the high-technology industry in my State will suffer the same fate as the shoes and textiles.

How does it make sense to provide a $20 billion larding of the oil interests if you weigh that against providing $20 billion of investment potential for the high-technology industries? There is not a Japanese citizen who does not support this amendment because $20 billion for the oil industry is $20 billion not put into high technology or other basic research.

You know the old attitude of what is good for General Motors is good for America? Well, in the case what is good for Exxon is good for Japan.

One of the great misunderstood issues in this country is called resource allocation. If you think of energy, economic growth, and defense as the three great issues of investment in this country, it has to be understood that the capital and the technically trained personnel available to address those three issues are limited. To use an analogy, when we went to school the teacher there tried to explain to us finite resources and would give out 10 straws and say, "Construct for me three rectangles."

In our naivete we would take four straws, make the first rectangle, take four more straws, make another rectangle, and then when we went to make the third rectangle we only had two left. Eventually, by using common walls, we understood how one allocates resources.

One of the major arguments that is not now understood at 1600 Pennsylvania Avenue is that to the extent you absorb capital and technically trained personnel for defense, for example, you drain away the resources necessary to deal with the energy and economic spheres.

Similarly, I do not know anyone who would argue that it makes more sense to provide $20 billion in additional capital to the oil interests when that money should be going, for example, to develop the technology that will keep our industry intact in the future.

The third issue I would raise is one of the energy issue generally. There is nothing more powerful than that kind of psychological placebo when someone gets up and says, "Yes, we have an energy crisis and what we will do is produce our way out of it."

Oil, which is the subject of the amendment, is a finite diminishing resource, and there is not going to be any more. All the amendments and rhetoric in the world will not change that one basic fact. Oil is a finite diminishing resource.

So how do you deal with the fact that it is becoming a finite, diminished resource? Well, this amendment and the policy of this administration will diminish it even faster. With oil finite and diminishing, they will resolve the problem by diminishing it faster.

So, in essence, a maximum production scenario is the same thing as a "Drain America First" approach. The faster we produce it, the less there is; the less there is, the more dependent we are on OPEC. Who is perpetrating this outrageous scheme that weakens American security? Not OPEC but ourselves.

There have been a number of studies on energy policy starting with the report of the energy project at the Harvard Business School called "Energy Future." The Ford Foundation did one called "Energy—The Next 20 Years." The Mellon Institute did a study entitled "The Least Cost Energy Strategy." The National Academy did one called "Energy in Transition, 1985 to 2010." Resources for the Future did a report called "Energy in America's Future."

Ross and Williams did a report entitled "Our Energy: Regaining Control," and finally there is a report that I will get into subsequently by the Solar Energy Research Institute (SERI) called "Building a Sustainable Future."

These various, basically unrelated, sources of study arrived at the same conclusion: conservation and renewable resources of energy are priorities. We cannot produce our way out of the energy dilemma.

What is interesting about these studies is there are no counterparts on the other side of this argument. So someone coming to this Chamber through a time warp—and I suppose there are some people who believe that is how a lot of us got here—would ask the obvious question: "Well, I don't understand. If all these studies argue for one thing, why is that not the policy?"

Well, science is not political power. The people who do these studies do not work in campaigns and do not contribute to campaigns and simply do not have any muscle. They happen to have the argument, but not the power.

What we are dealing with here is not science and is not technology. It is political power in its raw form.

Where is the study to contradict "Energy Future?" There is not one. Where is the study to contradict the Mellon Institute? There is not one, either. Where is the study to contradict the National Academy of Sciences? There is not one there, either. Where is the study to contradict Resources for the Future or the Ford Foundation or Ross and Williams or SERI? The fact is, there are not any.

We are not dealing here with data. We are dealing here with political power. Let us understand that.

When you deal with political power in a way that disregards——

Mr. DOLE. Mr. President, will the Senator from Massachusetts yield for a question?

Mr. TSONGAS. I will yield on the assumption that I get the floor back.

Mr. DOLE. I am just wondering how long the Senator from Massachusetts wishes to proceed. We have speakers on this side who would like to comment on what some on that side have said.

Mr. TSONGAS. Well, my voice is going pretty well, so I would say for another 10 minutes.

Mr. DOLE. I thank the Senator from Massachusetts.

Mr. President, may I just make one comment just to correct the record? It is only a one sentence correction.

I do not think the Senator from Ohio (Mr. METZENBAUM) totally understood the amendment, because he talked about the amendment being retroactive. It is not. The amendment I have offered is not retroactive.

It applies to oil produced after January 1, 1982, from properties on which no oil was produced during 1978. So it is not a retroactive amendment. I think the Senator from Ohio may have misunderstood the thrust of that amendment.

I thank the Senator from Massachusetts.

Mr. TSONGAS. I thank the Senator from Kansas.

Mr. President, we are talking here about billions of dollars. Let me give you an example of the perspective of many experts in the energy field. Back in, I believe it was, the end of April, I was invited to go to Geneva to give a speech on photovoltaic energy, since I had sponsored an amendment on that issue several years ago.

A photovoltaic cell, as you know, converts sunlight into electricity. And since sunlight is infinite and nondiminishing and nonregulated, photovoltaic energy, in the minds of many scientists, is the wave of the future. In fact, there are some who would argue that photovoltaics, if they could drop the peak watt cost down at the same rate they have over the last 3 or 4 years, will be seen in homes throughout America by the turn of the century.

This was the first international conference on photovoltaics. Basically, it represented European, American, and Japanese interests, with a smattering of OPEC representatives.

When I arrived at the conference, the Europeans and the Japanese came up to me and said: "We don't understand what is going on. The United States is on the cutting edge of technology in photovoltaics. It has a headstart on all other nations in the technology of solar cells. Why are you cutting back? What do you know that we don't know?"

The budget for photovoltaics in 1981 was $160 million. The proposed budget under the Carter administration in 1982 was $161 million, which is basically level funding. The budget that came out of this administration was $62.9 million. So you have a cut of something like 60 percent.

So the Japanese and the Europeans came up and said: "If you think photovoltaics are such a great technology, why are you cutting the budget 60 percent?"

I tried to argue—although I do not feel this way—that we are under budget constraints and everything has to take its share of the cuts; that although we think the technology of photovoltaics has enormous potential, it must take its share of the burden, as well.

Now, if I should go back to that same conference next year, anybody who has followed the actions of the Senate could come up to me and say: "Well, that was a very interesting explanation that you could not find $100 million for a technology of enormous potential—in terms of both energy and economics—but you could find $20 billion or more for the oil interests. How is that?" Well, obviously, that would be hard to explain.

Active solar heating and cooling, funded to a paltry $43.7 million in 1981, is now down to $11.5 million. We could not find $32 million for active solar heating and cooling, but can find 1,000 times that for oil interests.

Passive solar heating and cooling is a technique that was known to the ancients. If you look at any ancient civilization, you will find they understood the Sun and basically oriented their buildings and their lifestyles around that. Of course, they were remarkably unsophisticated and, because they were so unsophisticated, did not have an energy crisis.

You really have to be a modern man to get into the dilemma we find ourselves in.

Passive solar was funded at a meager $33.4 million and is now down to $10.3 million.

Solar thermal was cut from $141 million down to $44 million. Biomass, from $46 million down to $20 million. Wind, and there is certainly no lack of that on Capitol Hill, from $85 million down to $19 million. Ocean thermal, a great interest of the Senator from Hawaii was cut from $39 million to zero.

So it is somewhat confusing to those of us who care about these technologies and who have been told we just do not have the money, we do not have $10 million, to find all of a sudden that we are contemplating giving the oil interests $20 billion. I am sure that even the most ardent supporter of the oil interests on the other side would have to acknowledge that. If one is to pursue the $20 billion, the availability approach, to say you do not have the $20 billion rings somewhat hollow. It rings hollow now but even more so after that approach.

I will go into the specifics of the energy alternatives later. I will yield to the Senator from Arkansas in a moment.

Let me mention a personal note about the "Drain America First" approach. To believe in a maximum production scenario is easier the older you are.

If you see your lifetime on this Earth as limited, then by definition your time horizon is equally limited. The younger you are, the more concerned you are going to be about the future. It is not always true, but, in general, if you do not think you will be around in the year 2000, you tend to be less concerned about the year 2010. The "Drain America First approach," the maximum production approach, argues for maximum production today, and by obvious implication the more you produce today the less there is tomorrow. This means, in a generational sense, that our generation is saying to our children, "We want the oil now and to hell with you later on."

So it is possible, actually, that Members of this body who care deeply for their children can support an amendment that maximizes production, allegedly, knowing that that production comes out of the oil available for other generations. They will vote that way and go home and have dinner with their kids and not feel guilty. Yet what you are doing by serving the oil interests and that lobby is taking that oil out of the availability of the generations that follow. By doing that, you are increasing the likelihood of not only economic and social chaos but violence.

Fifty-three hours ago I was in a hospital room in Boston and watched my third child be born. That child is totally dependent for her survivability on the adult generation.

As hard as it is to remember, we were all 48 hours old or 53 hours old at one point, and those who brought us into the world gave us the gift of survival.

What we are doing here today, with the maximum production scenario is maximizing the comforts, the benefits, the advantages to us, the adults, the older generation, the establishment, we who live on the Hill, and, in essence, saying to those we brought into the world, "Good luck. We hope you make it."

That child deserves more, not only my child but yours as well. If we do not provide an approach of transition from a fossil fuel based economy to one based on inexhaustibles, the fact is we are dooming those generations that follow, and all the nice cars and all the candy and all the whatever bestowed on those children will make no difference. You will bequeath to them a world of violence.

"Drain America First" is an outrageous intellectual, political, and moral approach to energy. Not outrageous to us, because we benefit from it, but outrageous to those who follow.

I would challenge you to go home and look your children in the eye and explain to them why it is such a great idea to produce more oil today when we do not have in place the transition to inexhaustibles—the renewables and fusion. Explain to them what their life is going to be like 40 years from now or 20 years from now, and why you participate in this.

Are all these oil lobbyists worth that?

When all is said and done, when we leave this place at some point we think about what we have done to those we have brought into this world, and there is no issue that threatens them, in my opinion, more than the 20- to 40-year time frame that is arriving, where fossil fuel production declines and there are not the inexhaustibles to bring on line. That is going to be a period of enormous social and political tension in this country. If we do not handle it correctly today, it is going to be very difficult to get through that time frame.

The approach that is being suggested in this amendment is the opposite of what we ought to be doing. I would hope at some point, when we sit in our armchairs away from the public debate, we give some very serious consideration to the long-term implications of what we do as Members of this body.

I yield to the Senator from Arkansas.

Mr. DOLE. Mr. President, I will be happy to yield to the Senator from Arkansas in a moment. I wonder if I might ask those in opposition to the amendment, can they give us any light or guess on what we might be facing?

Mr. KENNEDY. I believe we have not finished talking about it.

Mr. DOLE. Does that mean you are not ready to accept it on a voice vote?

Mr. KENNEDY. We have thought about it a good deal.

Mr. BUMPERS. Perhaps a voice vote right now.

Mr. DOLE. Well, not right now.

Mr. BUMPERS. Is that the privilege of the Senator from Kansas?

Mr. DOLE. If we could just indicate, would there be some opportunity, or does the Senator have any idea what time tomorrow we might be able to vote on the amendment? If we can work out some agreement we can all go home or set it aside and take up the amendment of the distinguished Senator from South Carolina (Mr. HOLLINGS), which is a substitute, I guess.

Mr. BUMPERS. I certainly have no objection to setting this amendment aside.

Mr. DOLE. I wondered if we could set it aside with a time when we might vote to table or up-or-down.

Mr. KENNEDY. I do not think it would be possible to determine that now.

Mr. BUMPERS. I think the Senator could lay it aside without prejudice and bring it back up at a future time.

Just for whatever it is worth, I do not think that with just these present, we could give the Senator from Kansas a definite time at which we might be willing to vote.

Mr. KENNEDY. There would be no problem if the Senator wants to withdraw the amendment and we could move on to some other matters. That would be a way of proceedings.

Mr. DOLE. That is one option.

Mr. KENNEDY. I thought there was as good a chance of that as there would be of getting a vote on it.

Mr. DOLE. Mr. President, I do not want to interfere with what is happening on the other side, except to indicate, as I indicated earlier, that this amendment is not retroactive. I think that is something that may not be clearly understood. It applies to oil produced after January 1, 1982, or properties on which no oil was produced before 1978.

I also indicate that on the Bentsen amendment, which was probably 2.5 times the cost of this amendment, the vote on that side was 29 Democrats for the amendment and 17 opposed. So I suggest that maybe this amendment is not expensive enough for some on the other side, though I must say that the four

Senators who have been discussing it did indicate their opposition to the Bentsen amendment.

I only suggest that there were 61 votes to table the Bentsen amendment; only 17 came from the other side of the aisle. So I guess there must be strong support, nearly 2-to-1 support on the Democratic side for that amendment that started off costing between $4 and $5 billion the first year. I would not want anyone who might be listening to this debate to have any misconception about the attitude of the 2-to-1 majority on the Democratic side when it comes to amendments affecting the oil industry.

As the Senator from Kansas pointed out earlier, maybe the 17 who have a different view will prevail, but in an effort to reduce the cost and to establish incentive for new production, it was the view of this Senator and a number of others that we should start to phase out the windfall profit tax as it pertained to new oil, heavy oil, and incremental tertiary. That seemed to us to provide the supply response.

I know we can all make speeches, but I think that, sooner or later, it will be understood that, when the windfall profit bill passed the Senate in 1979, the tax on newly discovered oil was only 10 percent. The Democrats controlled the Senate. In fact, there was a debate at that time whether there should be a windfall profit tax on new oil since if you have not found it, how can you tax it? The theory was that we would provide some incentive for new production.

There have been figures given by the Congressional Budget Office, certainly not an arm of the administration or the Republican Party, that we would create a production response of over 1 million barrels by the year 1990. So, while we talk about social security and all the social programs and all the other things, I just suggest that they may not be relevant to this debate. We are talking about, in the next 6 years, a tax reduction program of over $750 billion. I have heard estimates on this floor tonight that this amendment costs $20 billion, $40 billion, and $70 billion. I am not certain which is accurate, but I know the $70 billion is not accurate. It is probably somewhere between the other two.

Mr. President, I say to the 29 Senators who supported the big oil amendment on the Democratic side—the Bentsen amendment, the thousand barrel exemption, which said you do not have to produce any more, we are just going to exempt you from the tax—that we have now adopted an approach that requires somebody to go out and find more production before they get any relief from the tax. Those who do not have any oil production in their States, I assume, can stand up here all night, all day tomorrow and all the next day and tell us how bad it is. But some of us have production in our States—not much in this Senator's State. We also understand that we have some responsibility as far as independence is concerned and those who want to play into the hands of the OPEC countries, as we have been doing around this Chamber for the last several years, have adopted the right course.

But some of us believe in and have confidence in the private sector. We have confidence in industry in this country. We should not be dependent on foreign sources of oil because, with all the problems in the Mideast today, who knows what may happen tomorrow or next week? I hope that there would be some enlightenment of the 17 or so on the other side that, sooner or later, we are going to have to come to grips with energy production in this country.

It is not enough to equate this amendment with all the ills that some may visualize as far as social programs are concerned. It is not as though those in the industry were not paying taxes. As the Senator from Ohio pointed out correctly, this is a tax in addition to the other taxes added onto the oil industry.

Some may think that is fine. The oil industry is an easy target, particularly where you do not produce it in your States. You use a lot of it in your States. It seems to me that it might be at least worth discussing this amendment on its merits.

Mr. President, it is my hope that, sooner or later, we can have a vote on the amendment.

Mr. BUMPERS. Would the Senator be willing to engage in a dialog with the Senator from Arkansas for 2 or 3 minutes?

Mr. DOLE. I would be happy to, if I have anything to add.

Mr. SYMMS assumed the chair.

Mr. BUMPERS. Let me start off with the rationale which I have heard most of the afternoon from those in support of the Bentsen amendment and also in support of the Dole-Domenici amendment, that is, the incentive that reduced taxes give the oil companies to find more oil. I wonder if the Senator from Kansas can tell me how much more incentive, how many more wells we will get over any period of time and also, how much production we shall get?

Mr. DOLE. I can only go by the Congressional Budget Office, which is not known as a Republican stronghold. They estimate, by the year 1990, about 1.1 million barrels.

Mr. BUMPERS. Here are figures from the Oil and Gas Journal, and that is not known as a Democratic publication. They say that on July 6, 1981, we had 3,984 drilling rigs in operation. That is up from 3,386 in January. They say that the industry is operating at 90 percent capacity and that is the highest capacity at which they are capable of operating.

That also represents, according to Hughes Tool Co., another organization not known for its Democratic leanings—a 33-percent increase from 1 year ago.

Therefore, if we are operating at the highest possible capacity, what further impetus does a $40 billion windfall provide for more production? What further incentives are needed?

Mr. DOLE. Let me respond to that question.

Mr. BUMPERS. Did the Senator understand the question?

Mr. DOLE. The first part.

Mr. BUMPERS. The last part was the better part.

[Laughter.]

Mr. DOLE. I am not sure I understood the first part, but go ahead.

Mr. BUMPERS. Drilling is up 35 percent, according to Hughes Tool. The industry is now operating at 90 percent of capacity, as it was 1 year ago, and that is the maximum capacity at which the drilling industry can actually operate.

My question is this: How can you drill beyond capacity, whether you give them another $40 billion or not? If they are doing all they can to find all the oil and gas they can possibly find, what is another $40 billion going to do?

It is my understanding that drilling rigs are being manufactured at the maximum rate, being put into operation at the maximum rate, and have been for some time. So my question is, Where is the need for a further $40 billion incentive?

Mr. DOLE. First of all, as to giving them $40 billion, I suppose the Senator's attitude is that the Government is entitled to all the money it is taking in and that we give it out to people. That is the wrong premise, as this Senator understands it. I do not know of anybody who likes to be taxed in this country. We hope they will get relief, once the Reagan economic package is passed.

In 1972 there were 1,000 rigs out there. Now it is up to 3,000. In 1972 they were up to capacity with a 1,000-some rigs drilling and now are up to 3,000, and may be in the middle of that. I do not have the figures.

Mr. BUMPERS. In 1973 there were 1,194 rigs, on an average, in operation; and in April of this year there were 3,728 rigs. As a matter of fact, I have one even more current than that.

Mr. DOLE. The Senator from Arkansas is not opposed to more production?

Mr. BUMPERS. Absolutely not. I do agree with the Senator from Massachusetts that I do not believe we should find all we can possibly find just to see how fast we can use it.

Mr. DOLE. The Senator from Arkansas would rather import it from the OPEC countries?

Mr. BUMPERS. No. I should like to see the Energy Department, for example, release a report they are sitting on that shows that with a massive conservation effort in this country, we could save 5.9 million barrels a day by the year 2000.

My point is, further, that we do the people of this country a grave disservice when we mislead them into believing that, somehow or other, we are going to produce our way out of this. It is very difficult to talk sense about this without being accused on one side or the other of total insanity and irrationality.

I have confidence in the accuracy of the figures showing that the oil industry is hunting for oil. My point simply is that we do not have to give oil companies another $40 billion to encourage them. They are making enough money to cause them to operate at 90 percent, or maximum, capacity now, as they have been for some time. Also, if they were really serious about trying to help this country become energy independent, they should consider the alternatives.

Around January 1 of this year, I watched Charles DeBono on television, and I heard him say that the oil industry in this country was going to spend $75 billion this year on exploration.

I want to make another point in a moment, so I want to separate exploration from research and development.

As a rule of thumb, the Energy Committee has assumed that with $2 billion—make it $3 billion, because it comes out a little easier—with $3 billion of today's dollars and with known technology, you can produce 50,000 barrels a day from coal.

That means, for example, that if the oil companies were really serious about making us energy independent, they could dig fewer holes in the ground and go into the synthetic fuel business. We have close to a trillion tons of coal in this country, and that is supposed to be our ace in the hole, the thing that is going to keep this country afloat when we run out of oil.

If you divide $3 billion into $75 billion, that is 25 plants the oil industry could build, at the conclusion of which it would produce 1,250,000 barrels of oil a day.

I do not believe that Charles DeBono, even in his most fervent public relations statement, would be willing to say that the industry is going to find enough oil to increase production in this country by 1,250,000 barrels a day.

On the contrary, both the Energy Department and Exxon have reported that under the very best efforts production will decline. Exxon says that domestic production in the year 2000 will be 8 million barrels a day, or a half million barrels a day less than we are producing right now. A DOE study says domestic production will decline 14.4 percent by 1985.

Mr. DOLE. What about this dialog we were going to have? I am dying, but you are doing all the logging. [Laughter.]

Mr. BUMPERS. I am enjoying the dialog, and you hurt my feelings, so I will stop talking.

Mr. DOLE. The Senator from West Virginia said he is going to leave and I said, "Where are you going?" He said, "To West Virginia." I said, "You'll be safe." I wanted to check with the Senator from Massachusetts.

Mr. BUMPERS. To continue with the dialog, I ask the Senator this: Does he think it is better for the oil industry to spend $75 billion drilling holes in the ground and get a fewer barrels of oil for every foot drilled every year, or does he think it would be better for them to put $75 billion into a known technology and use a raw material we know we have in great abundance and produce a lot more coal for the country?

Mr. DOLE. I would rather there be a mix of that. In other words, I do not believe we can continue to put holes in the ground, because many of those are dry holes, as the Senator from Arkansas knows. I believe we have to look for alternate sources of energy. I believe that for some time we are going to rely basically on oil and gas.

What we are addressing, I say to the Senator from Arkansas, is phasing out the tax on newly discovered oil. That is all it is. If there is a windfall on something that has not been discovered, notwithstanding the activity, the increased drilling since 1972–73—that has gone up because of price, and that is the way the market responds. The higher the price, the more people are willing to invest their money. Some people have done very well, and they should pay taxes.

I do believe that if we go back and—I will not say review the bidding—but I suggest that the amendment that was before the Senate today was a 1,000-barrel exemption with less production response, because only half the benefits of that amendment would have gone to the producers.

The Senator from Kansas, after a careful nose count, decided that unless there was some alternative to that amendment, that amendment would be agreed to—not with the vote of the Senator from Arkansas or the vote of the Senator from Kansas; but, having been here a while, I have learned to count to 51. It seems to me that that was the choice we had.

Mr. MELCHER. Mr. President, will the Senator yield?

Mr. DOLE. I will yield in a moment.

I believe we have a better idea, and I suggest that we would like to vote on it. If there are those who want to go into a slowdown, that is certainly their right. The Senator from Kansas is willing to work out some time agreement, is willing to stay here all night, because I want to pass the tax measure.

The House Ways and Means Committee is meeting at this moment, and it is my understanding that they will finish the tax bill tonight, try to get a rule, and go to the floor with a bill this week and pass it some time late this week or early next week.

This Senator would like to be in a position to go to conference with the House immediately after this happens.

I am not certain what the House of Representatives may do as far as the oil amendments are concerned, but I suggest that this is in the joint resolution because there was a strong feeling, in fact almost a certainty, that a majority of my colleagues were going to insist on some such amendment.

Mr. MELCHER. Who has the floor? The Senator from Arkansas?

Mr. DOLE. The Senator from Kansas has the floor.

Mr. MELCHER. Mr. President, will the Senator yield?

Mr. DOLE. I am happy to yield.

Mr. MELCHER. I thank the distinguished chairman for yielding.

I wish to just say something in response to the Senator from Arkansas that I have heard in his recent remarks. I simply do not want to get too excited about the energy companies going into $25 billion worth of synfuel plants to convert coal into oil. As far as I know there is no proven technology that is cost effective as of this time, and coming from the State of Montana, where the energy companies look at the coal resources there as being a target for synfuel plants, I urge a word of caution about what we know about that technology and what we know about cost effectiveness of that technology. Unfortunately what we know about the technology is that cost effectiveness is not within our grasp yet.

What we would wish to be assured also in terms of massive development of synfuel plants using coal from Montana or some other Western State to produce oil or other types of synthetic energy, we wish to know that we are not going to be using too much of the water that we have in scant supply anyway, that the impact of the plant itself or where it is going to be built would be under State control and a few answers as that before we get very excited about a whole host of synfuel plants being produced.

Second. I encourage the Senate to consider that what we are about in this country doing in a massive way in conservation is to look at the old oil fields and to convert through secondary and tertiary means the oil that remains in the ground. Since we only remove anywhere from about 25 to 35 percent of the oil in primary production, that remains in the ground is still there in much larger quantities and if we can get it out through secondary and tertiary means it does require much more investment, but I think it is an investment of a conservation nature and is a wise investment. To the extent that energy companies make that investment I think they are doing the country a great service and I think they are helping to alleviate the shortage of petroleum products.

I wanted to make those remarks in context with the very profound remarks of my friend from Arkansas, not that I entirely disagreed with my friend from Arkansas but simply I think there is another side to what we are looking at when we are talking about synfuels and there is another side to what we are looking at when we are talking about the oil companies drilling more oil wells. We want to encourage oil companies to go after those existing wells, those wells that are in the fields that already exist and through secondary and tertiary recovery get as much out of those fields as is possible.

Mr. BUMPERS. Let me ask the Senator this question, if the Senator from Kansas will yield. I do not think he minds me asking the Senator a question.

Mr. MELCHER. Will the Senator from Kansas continue to yield?

Mr. DOLE. Yes.

Mr. MELCHER. He will.

Mr. BUMPERS. What does the Senator think we will get, for example, in exchange for the $7 billion that Mobil and DuPont have offered to Conoco? Do we get any oil out of the ground or do we get any oil through synthetic fuel processes? What do we get out that?

Mr. MELCHER. The Senator is asking what about the proposed Conoco merger? Is this one of the mergers that would be friendly or is this an unfriendly merger?

Mr. BUMPERS. If I owned Conoco stock it would be very friendly, but I do not happen to own any. I am sure everyone in the country wishes they did because that is the only way they would ever get any of these massive profits that oil companies are going to get. The only

way they ever get it is if they happen to own Conoco stock.

Mr. MELCHER. In answer to the Senator's question let me state this: There is a Conoco refinery in Billings, Mont., that I am familiar with the operation of Conoco's refinery. I am familiar with their dependence on oil out of Canada during previous years which has been shut off. I am familiar with the fact that Conoco has sold their assets in Canada.

I am also familiar with the fact that Conoco has some coal holdings, and I think it is quite apparent that DuPont and others, including Seagram, who are interested in a merger with Conoco, either friendly or unfriendly, are interested in what happens not only to the Conoco refinery, the Conoco distribution system, whatever holdings Conoco has in oil, but also the holdings that Conoco has in coal.

So I think we are looking at an energy conglomerate when we look at Conoco, not just an oil company.

Mr. BUMPERS. Does the Senator know of anything that will preclude Conoco from developing all those resources? Do they have to have DuPont or Mobil or Seagram or someone like that to do it for them?

Mr. MELCHER. I do not think so. The word I get from Conoco officials is that first, they prefer perhaps to be left alone, second, they would think they would consider Seagram's acquisition of enough stock to take control of Conoco as entirely unfriendly, and they are hoping that in avoiding that it will be some American company and will not be Seagrams. Might I just add that for anyone who might not know Seagram is a Canadian firm.

Mr. BUMPERS. Mr. President, it is my opinion that the battle for Conoco is just an omen of things to come.

I saw an article in the Wall Street Journal the other day which asked why DuPont or Mobil or some other companies are trying to buy Conoco? And for that matter why are they trying to buy Amax, St. Joe Minerals, and others? The Wall Street analyst concluded that they have so much money that it is just falling all over the floor, so they have to do something with it.

Are these the people we have to encourage with a $40 billion incentive to go out and find oil? Answer that objectively.

The President and some people on that side of the aisle ran on the proposition that they were opposed to the windfall profit tax. Why do not they give us a bill to abolish it? Then they can say, "I campaigned against the windfall profit tax; now I want to keep another campaign promise and abolish it." We could just have an up or down vote.

If the President is really opposed to the windfall profit tax, and if he really believes this country can produce its way out of the dilemma by giving more incentives to the oil company, why did he send word down here to oppose the Bentsen amendment? The same arguments were made in support of the Bentsen amendment that are now being made in favor of the Dole-Domenici amendment.

We all know that the vote on the Bentsen amendment was rather embarrassing to a lot of people. Sometimes those votes are not only embarrassing but they are very difficult to explain.

This amendment is designed to alleviate a little of the pressure and a little of that embarrassment, and to give people something they can answer their mail with.

Consider this matter analytically. Forget party affiliation, forget economic philosophy and just look at this whole issue, embodied in the Bentsen amendment and the Dole-Domenici amendment, clinically and analyze it.

Mr. STEVENS assumed the chair.

Mr. BUMPERS. No. 1, the argument that it will encourage people to drill is nonsense. I have already made the point that the drilling companies of this country are operating at 90 percent capacity. That is the maximum at which they can operate. They cannot drill another hole more than they are drilling because the incentives are absolutely overwhelming. The idea that this amendment is an incentive to produce more oil and will produce more oil is palpable nonsense.

No. 2, if we just turn our energy destiny over to the paternalistic care of the oil companies, we will somehow or other produce us out of this either by drilling holes in the ground or by developing coal gasification plants.

The U.S. Geological Survey and the Department of Energy and every thoughful person know that that is nonsense. In the short term you are not going to produce your way out of this energy shortfall. We do the American people a grave disservice by deceiving them and misleading them into believing that American technology can somehow create more of what God did not produce in the first place.

In 1979, the American oil industry put 11 percent of its revenue into R. & D. They put 11 percent into research for coal and oil shale gasification.

Well, Senators, for all the money that has been spent—and it has been a pitiful amount—on R. & D. for the development of other alternative sources of energy, particularly gasification, the oil industry has only put up 40 percent. They are even waiting for the Government to pick up the tab for that.

I was rather pleased when the President said he was not for synthetic development on a crash basis and, above all, he did not think the Government ought to finance this crash program.

If you think the oil industry is going to invest money in an alternative source of energy that just might sell for less than $38 a barrel when they have a bird's nest on the ground with their reserves for which OPEC is setting the price and if you think the corporate board rooms of the oil industry of this country are going to suggest developing alternative sources of energy to compete with the oil reserves they already own, let me tell you about the tooth fairy.

Of course, they are not going to do it. It would be an economic disaster for them to make that kind of decision, and that is the reason they have only invested 40 percent of the money that has been put into research and development for coal gasification and development of oil shale.

I can promise you it is good business sense for the American oil industry not to produce alternative sources of energy too quickly, and particularly alternative sources that just might be competitive with the 27 billion barrels of reserves they have in the ground.

You all know what the decontrol of oil prices meant to the value of those reserves. You talk about finding a bird's nest on the ground. When you have a cartel raising the price in a period of 7 years from $3.40 to $40 a barrel, all you have to do is just sit down and watch those reserves in the ground go up about twelvefold in a period of 7 years. That is faster than the U.S. Mint can print it.

It is very difficult to debate this issue. I know I sound like a populist who enjoys kicking big oil. I can tell you something else. The American people love it. I saw a poll the other day, incidentally, that showed that the oil companies are just below the U.S. Senate in credibility with the American people. Is it any wonder?

But are they really serious? Do they really respond to the kind of amendments that are pending on the floor right now? Listen to this little chronological sequence of events from yesterday's Wall Street Journal: June 25, Seagram mails a $73 a share hostile offer for 41 percent of Conoco stock, the offer expires this coming Friday.

July 6, Conoco and DuPont announced an agreement under which Du Pont will offer $87.50 a share in cash for 40 percent of Conoco and 1.6 shares of Du Pont common stock for 60 percent of Conoco.

July 13, Seagram sweetens the pot. Seagram sweetens the offer to $85 a share and increases the number of Conoco shares sought to 51 percent.

July 15, just 2 days later, DuPont sweetens the pot. DuPont sweetens its terms to $95 a share in cash and 1.7 Du Pont shares for each Conoco share, and mails its offer, and the offer expires August 17.

July 17, just another 2 days elapsed, and Mobil, which runs all of the highly intellectual, sophisticated ads in the Wall Street Journal, mails a $90 a share offer for 50 percent of Conoco stock and proposes to follow it with a merger also at $90 a share payable in either new or Mobil preferred stock or debentures at the option of Conoco holders, and that option expires on August 13.

Seagram is in this because they sold Texas Pacific Oil Co. and they received $2 billion in cash. They have been trying to find a place to invest this cash ever since they sold Texas Pacific. They tried to buy St. Joe Minerals. Now they are trying to buy Conoco. I can tell you if I were any oil company in the United States besides Exxon, Mobil, Texaco, and Gulf, I would be shuddering because I can tell you that every one of them is an endangered species.

Mr. President, the cheapest oil of all is the oil you do not burn. We have not ever really made a concentrated effort to conserve in this country except through

the pricing mechanism. You know you can carry that just so far, but the Achilles' heel of this administration is its energy policy or I should say lack of an energy policy. Let me read you something. I want to read to you twice because I did not believe it the first time I read it. The Senator from Ohio said earlier today that he could not believe that we could vote to take away the minimum social security benefits of $122 a month from about 3.5 million people, a good number of whom totally rely on that supplement for their very existence, and on the same day vote for a $40 billion additional windfall for the oil companies.

But if you think that is a "let 'em eat cake" policy, here is a brandnew energy policy right off the press, "Securing America's Energy Future, the National Energy Policy," mandated July 1981, and here is a quote from it:

As a practical matter holding energy prices down is ineffective as a means of helping people on low or fixed incomes. Such a policy impedes improvement across the board in both the energy and the social welfare fields.

I can tell you that is going to come as a great shock to about 90 percent of the people in my State, who just got utility bills this last month which range anywhere from $50 for a very modest home to $300 for something a little more than modest. A lot of people in my State who rely totally on social security received their electric bills this past month. They ranged anywhere from $100 to $200. They are going to be shocked to learn that "as a practical matter holding energy prices down is no way to help those people."

I will read some more from the energy policy. It is all just great. The whole idea is that if prices are high enough—two things will happen: First, the oil companies will just dig it out everywhere and, second, people may freeze to death or they may die of heat stroke. That is not an exaggeration. In Arkansas last year, 113 people died because they were afraid to turn on their air-conditioners for fear they could not pay the electric bill at the end of the month. Those are the options this administration is offering. Do away with the windfall profit tax for more incentive when they do not need an incentive and, for all those folks out there making less than $20,000 to $25,000 a year, let them eat cake.

It says:

The new efforts by this administration are productive even though much of our easy oil may be gone.

Now, there is an understatement for you.

In 1979, the last year for which nationwide industry data are available, additions to reserves were 2.2 billion barrels and the discovery of new fields accounted for 239 million barrels within that figure. No larger volume of new field discoveries has been added at any time in the last quarter century except for 1970 when the giant Prudhoe Bay was found.

Now, that is what the Department of Energy says. But let me tell you what the Department of Energy says as they boast about the fact that they say some additional oil has been found: At the same time, the barrels of oil found per foot drilled in 1978 was 14. That is the last year for which figures were available.

Let me tell you what we are getting for all these wells we are drilling. In 1973 we got 49 barrels of oil for every foot we drilled. In 1974, it went down to 40; in 1975 to 20; in 1976 to 16; in 1977 to 18; and in 1978 to 14.

Now, I do not have the statistics to back it up, but I am told that that figure is continuing to decline.

Mr. President, I want to repeat what the Senator from Massachusetts has already said. I do not understand the rush to use up whatever we have and deprive our children of a secure future. For that matter, from a purely national security standpoint, it makes no sense to see how fast we can find it and use it. What good is it going to do to build B-1 bombers when, by the year 2000, we will not have enough fuel supplies to get those bombers off the end of the runway?

If I were to ask every Member of this Senate who has children what is the most important thing in his life, he would say his children. But our children will be the beneficiaries of the bankrupt energy policy of this administration.

I do not understand why the United States is still the most profligate waster of energy in the world. We still do not carpool and we are in the process of even cutting back this year on mass transit.

This administration did some of the strangest things I have ever seen in my life in developing its energy policy. Let me give you the statistics. Not only has this administration said that we just have two things in mind, higher prices and more nuclear, but they went further.

They said we are going to cut conservation programs in this fiscal year 1981 by 35 percent and we are going to cut conservation programs in 1982 by 78 percent. Did you know that those conservation programs cost us a small fraction of the barrel of oil that we save with them?

Let us put it this way: If you weather strip your front door for $3 and you save $3 worth of oil or oil equivalent the first year, you spent $3 but that weather stripping may stay there for 20 years and so you really have saved 60 barrels of oil. It is the most cost-efficient thing we can do. And yet this administration says that in 1982 we want to cut 78 percent of this nonsense called conservation.

That is despite the fact that the Department of Energy has a report right now which says that if this country really committed itself to conservation, we could save 5.9 million barrels a day, or 400,000 barrels more than we are importing today, by conservation.

Well, that report obviously did not impress the President or anybody associated with his administration. Fossil research and development is being cut 73 percent in 1982, and the solar energy conservation bank is totally eliminated. Only one program was spared in the Energy Department budget and that was nuclear. And nuclear contributes less to this country's energy independence than any other form of energy on a dollar basis.

Mr. SARBANES. Will the Senator yield for a question?

Mr. BUMPERS. I am happy to yield.

The PRESIDING OFFICER. The Chair would indicate that the Senator from Arkansas does not have the floor.

Mr. BUMPERS. The Senator from Arkansas does have the floor.

The PRESIDING OFFICER. The Chair is informed that the Senator from Montana had the floor and no Senator has been recognized. If the Senator from Arkansas seeks recognition, the Chair would be most happy to recognize him. No Senator has been recognized at the present time.

Mr. BUMPERS. Mr. President, before the Senator from Kansas left the floor, he yielded to the Senator from Montana to make a point. The Senator from Kansas left the floor. He nodded to me; I assume to make sure I was not going to move to table the amendment, or something like that, on a voice vote while he was gone. Certainly that is the way I interpreted it, and I would never do a thing like that. The Senator from Montana finished, and he left the floor. I stood up and I said, "Mr. President," and the President said, "the Senator from Arkansas." So I ask the Chair who has the floor?

The PRESIDING OFFICER. When the present occupant of the chair assumed the chair, he was informed that no Senator was recognized.

Mr. BUMPERS. Mr. President, I seek recognition on my own right.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. BUMPERS. I yield to the Senator from Maryland.

Mr. SARBANES. Earlier today the Senator from Kansas moved to table the amendment of the Senator from Massachusetts that dealt with energy conservation, which sought to provide an additional credit in order to encourage energy conservation in commercial and industrial enterprises. In part, that was addressed to the cost that would run with that.

Yet we now have before us an amendment of the Senator from Kansas which would cost the Treasury very large sums of money. Would not a far better use of that money be to use it as the Senator from Massachusetts was proposing, to encourage the conservation, rather than to use it in the way that the Senator from Kansas is now proposing, to lift the windfall profit tax on the oil companies?

Mr. BUMPERS. The Senator's point is so obvious it should not even require a response. But the short answer to it is that the $40 billion that this amendment would cost, if that $40 billion could be spent on conservation programs, it would produce roughly 10 times as much oil in oil savings for this country as it will produce in production under the terms of the rationale for the amendment.

Mr. SARBANES. Even if you accept their rationale on production for the amendment, because, as I understood the Senator from Arkansas—and it is a point I agree with—all the incentive that you need for production is there now.

Mr. BUMPERS. Mr. President, let me see if I can just take these figures off the top of my head. The Senator from

Kansas, when queried about how much additional production we were going to get with this, as I understood him, said that by 1990 it would be 1.1 million barrels a day.

I do not know where the estimate comes from, but I am confident that the cost would probably be less than half of the $40 billion this is going to cost.

The point I was making a while ago is the Department of Energy already has a plan under which we could save about 6 million barrels a day through conservation. This amendment is going to cost $40 billion over 10 years, and, if it costs no more in the following 10 years, that would be $80 billion. Compare spending $80 billion over a 20-year period to get 1.1 million barrels per day of extra production with an expenditure of one-fourth of that amount necessary to meet Energy Department's conservation program, which would save 6 million barrels a day.

Mr. SARBANES. I thank the Senator.

Mr. BUMPERS. Mr. President, I was about to mention a while ago the fact that this administration is championing nuclear in an effort to make us independent.

I am not going to make my Clinch River breeder speech, but everyone who has read the front pages of the newspapers around here for the last 2 or 3 days knows that project is now being classified as an unmitigated disaster, which some of us have been saying for several years. Three years ago, the last computation that was made, it showed that nuclear energy had, by far, the lowest Btu return per dollar of any known technology. Even today, the percentage of electricity generated by nuclear is down 2 percent. Only six reactors have been ordered since 1975 and 21 have been canceled.

All of this occurred before the disaster at Three Mile Island.

A nuclear powerplant is being built on Long Island which will cost $3 billion and generate 800 megawatts of power. That converts to $3.75 a watt.

Let me repeat that. This nuclear powerplant is to be completed on Long Island, N.Y., in 1982 or 1983, and each watt of power will cost, a capital cost, $3.75 per watt.

Do you know what DOE says a watt of solar power costs? It is $2.80, or 95 cents less than nuclear. Yet solar was nearly eliminated in the President's budget.

You talk about energy independence and renewable resources and trying to protect our children.

Mr. President, you are not going to solve this country's energy problems by just throwing more money at the oil companies. We ought to be funding solar energy and conservation programs right now. Solar energy and conservation now displaces 102 billion barrels of oil a year, or a 20-day supply of imports.

Let me repeat that. We just put a pittance in conservation and solar in this country and yet right now we are saving, with those two, 20 days of imported oil.

Do you know what 75 nuclear plants displace? They displace 4 days of imported oil.

So does it make any sense, really, to say we can solve this problem if we just raise prices enough? It is such a harsh solution.

Are there people, particularly on the other side of the aisle, who do not get mail from people complaining about energy prices, gasoline, electrical bills, or gas heating bills in the wintertime? What is the inflationary impact of high prices? It is just devastating.

Last year, CBO said that 60 percent of the inflation of this country was due to energy prices. Even that is not as harsh as trying to struggle along with $300 or $400 or $500 a month from social security and having to pay those exorbitant electric bills.

Consider the consequences of these high prices. Figure it out for yourself. Today, the national average price of natural gas is $1.90.

The first year I was Governor of my State I had to referee a fight between a gas utility and the Public Utility Commission, because the Public Utility Commission was trying to hold gas at 18 cents per Mcf, and the utility company who sold the gas to the consumer was trying to get 23 cents. They said:

> If we can just get 23 cents per Mcf, or 1,000 cubic feet, if we can just get 23 cents for a 1,000 cubic feet of gas, we would never ask for anything again.

Today, the price is $1.90 per Mcf because of President Carter's decision to decontrol gas prices. In my State, most of the electricity is being generated by natural gas. It is a terrible waste of the best available source of energy to burn it under boilers to generate electricity, but that is what is being done with it.

An even more important indicator is the gas which is already decontroiled.

In the home State of the Senator from Louisiana, they are drilling gas holes below 15,000 feet. When we decontrolled natural gas in this body we said, "If you can find gas below 15,000 feet, sell it for whatever you want to." They did. They found it, and they are selling it for $7. Decontrolled gas is selling for $7 per Mcf in this country right now. That is today's dollar.

So instead of the national average price of gas being $1.90 as it is today, in 1985 when the phaseout of controls is completed, you can bet—you can bet your mother-in-law on this—it will be a minimum of $10 per Mcf. People have had $200 electric bills this month, and, 5 years from now, they will be the happy recipients of a bill that will run somewhere between $400 and $1,000. Tell me how they are going to absorb that.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. STEVENS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. RUDMAN). Without objection, it is so ordered.

POSTAL STRIKE AVERTED

Mr. STEVENS. Mr. President, I have just been notified that the Postal Service and the postal unions have tentatively agreed upon a contract. The economic package consists of a $300-a-year pay raise for each of the 3 years of the contract for a total of $900. In addition, a $150-a-year minimum bonus for each of 3 years will be given, based upon productivity, which means the bonus could be even greater than the prescribed base. The COLA concept remains the same as in the base formula which presently exists. Finally, there will be a management contribution to the health plan.

We do not know the total impact on the Postal Service yet, but as chairman of the Subcommittee on Post Office and Civil Service, with jurisdiction over the Postal Service, I wanted all Senators to know that there will be no postal strike. There has been a contract agreement.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr STEVENS). Without objection, it is so ordered.

ECONOMIC RECOVERY TAX ACT OF 1981

The Senate continued with consideration of the joint resolution.

Mr. DOLE. Mr. President, it is the understanding of the Senator from Kansas that there are a number of Senators on the other side who are prepared to speak at length on this amendment this evening—the bottom line being that there will be no votes this evening as I understand it. The distinguished majority leader is on his way to the floor and should be here in about 10 or 15 minutes. Therefore, unless somebody feels the need to address the matter further, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOMENICI. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 258

(Subsequently numbered Amendment No. 510.)

Mr. DOMENICI. Mr. President, I modify my amendment and the form that I send to the desk.

The PRESIDING OFFICER. The modification will be stated.

The assistant legislative clerk read as follows:

The Senator from New Mexico (Mr. DOMENICI) for himself, Mr. SCHMITT, and Mr. MELCHER, proposes an unprinted amendment numbered 258.

In lieu of the matter proposed to be inserted, insert the following:

"For taxable periods beginning in:	The applicable percentage is:
1982	22.5
1983	15
1984	7.5
1985 and thereafter	0

"Notwithstanding subparagraph (b)(3)(A), the applicable percentage for heavy oil and incremental tertiary oil shall be the same discovered oil."

Mr. DOMENICI. Mr. President, my modified amendment includes the changes contemplated by the amendment previously submitted by the distinguished Senator from Kansas (Mr. DOLE) and my amendment thereto which added two other kinds of oil that would be covered by the same phaseout of the windfall profit, so that what we have now in the Domenici modified amendment is the inclusion of the subject matter that was in both amendments, the Dole amendment and the Domenici amendment.

Mr. President, I think it is obvious to those who followed the debate today that there were a number of us on both sides of the aisle, but I know on our side, that did not support the 1,000-barrel exemption proposed by the distinguished Senator from Texas and that in lieu thereof we were prepared to support what many of us think is far better energy policy than that behind the 1,000-barrel exemption or inclusion.

From my standpoint, there is little doubt if we are talking about energy policy that the Senate was right when we first started debate on the windfall profit tax. I can vividly recall the debate here. I can recall the distinguished Senator, Senator Ribicoff, who is no longer with us, who was a distinguished member of the Finance Committee, taking to the floor and arguing while he did not agree with many of us who opposed the entire windfall profit tax, he made the point and made it very strong that if we were going to have some relief from that tax the way to do it was to exempt new oil; I can remember that he took the floor and talked to the Senate, while he favored windfall profits, warned us that if we wanted production it was not going to come from various exemptions and exclusions that we were talking about by not taxing new oil.

My recollection is that when the Senate passed the windfall profit tax we had a very small tax on new oil. I think it was 10 percent. On the other hand, when the two bodies finally conferred and passed the ultimate windfall profit tax we put new oil in with all the other.

So today in lieu of the 1,000-barrel exclusion I am pleased to join with the distinguished Senator from Kansas in excluding the tax on new oil, on incremental, tertiary, and on heavy oil by reducing the 30-percent tax by an increment of 7½ percent per year.

From my standpoint this is not only far superior to the 1,000-barrel exclusion, but as to my particular part of this amendment heavy oil and tertiary oil there is no doubt in my mind that it is good energy policy to include those in new oil. Both of those are marginal, very expensive to produce incremental tertiary, yet our country abounds in that in terms of the quantity that is around. From New Mexico's standpoint there was no reason to include heavy oil. We do not have any heavy oil, but it is obvious to this Senator that the State of California has literally millions of barrels of heavy oil, which is difficult to recover. We recover most of it by injecting steam, and there are new technologies to accomplish that, but it is going to be expensive. In addition it contains qualities that require more cost to refine it. They have to take some of the metals out of it. Yet it is there.

So I submit that in lieu of the 1,000-barrel exclusion that was discussed today if we are going to modify the windfall profit tax this is precisely the way to do it. This has a chance of producing as has been estimated here today in a few years an extra million barrels of oil a day. That is the kind of good tax law that we should write. If we are going to change the windfall profit it should be changed in such a way to produce additional oil.

No one needs to do the arithmetic to know that a million barrels of oil a day produced in the United States 5 or 6 years down the lane amounts to literally billions of dollars that America will not spend buying its oil from either the OPEC cartel or others that supply us with our oil.

If we are going to change the windfall profit tax, this is probably the best energy policy way to do it. I hope that since there is much to do here, that this is clearly understood. Those who oppose it, who want to talk, could have talked 2 or 3 days about the 1,000-barrel exclusion. Talking about not wanting to change the windfall profit tax, not wanting to cost the Treasury an exceptional amount of money, without any real evidence from the energy policy standpoint that it would produce new oil not otherwise to be produced, that was the one to filibuster or to talk about tonight and tomorrow and for as long as some want. But that did not occur.

It seems some want to do that now on this. I submit that since the House is moving with some tax policy changes with reference to windfall profits, that the U.S. Senate ought to pass this amendment, the Dole-Domenici amendment, because it will be evident that we really understand if we are going to start phasing the tax out in any way this is the way to phase it out. Ours is 4 years. It could be 5 years, it could be 6.

But the point is if you want to get oil through reduction in taxes, this is the way to do it.

I know the Senate has heard from the distinguished chairman of the committee as to how many billions of dollars will be recovered in windfall profits from now until its expiration date, and how much this will cost the Treasury. It is obvious to this Senator if we are going to do anything we ought to do this one, and I wholeheartedly support it, and I hope we can vote on it soon and get on with completing this very important bill.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, what is the pending question?

The PRESIDING OFFICER. The amendment offered by the Senator from New Mexico to the amendment offered by the Senator from Kansas.

Mr. BAKER. I thank the Chair.

Mr. President, I very much hope we can dispose of at least this amendment tonight. We have been on it now for a long time. It is clear that there is no possibility, it seems to me clear there is no possibility, that we can agree on a time certain to vote tomorrow. I would be willing to do that. But if we cannot agree to a time certain to vote on this second-degree amendment, then I know of no alternative except to continue with the debate tonight and try to reach a time when we can vote.

Mr. President, may I inquire of Senators if they are in a position to agree to a time certain tomorrow to vote on this amendment?

Mr. METZENBAUM. I am not, Mr. President.

Mr. BAKER. If that is the case, then I am not prepared to ask the Senate to recess over at this point and I would propose then that they continue.

Mr. METZENBAUM. I think that is an excellent idea.

Mr. BAKER. I yield the floor for that purpose.

Mr. METZENBAUM. Mr. President, I ask for the yeas and nays on the pending amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Mexico.

Mr. METZENBAUM. Mr. President, the Senator from Ohio was not on the floor at the time the Senator from New Mexico offered his amendment. Is it my understanding, is my understanding correct, that the Senator from New Mexico's amendment would pretty much incorporate the original amendment, that is, the original amendment in chief, the first-degree amendment, in the second-degree amendment?

Mr. DOMENICI. I think it would be better to answer it by saying it is a substitute for the Dole amendment, the language of which is now that which was in the Dole amendment and that which was in the Domenici amendment.

Mr. METZENBAUM. And is it fair to say that this amendment now pending, plus the original language of the Finance Committee in connection with the windfall profit tax, would cost the Federal Treasury $40 billion in the next several years?

Mr. DOMENICI. Mr. President, I do not believe that is fair to say. I do not have the exact estimates of what it would cost. We will get them here and add up the tertiary and heavy to the previous amendment and get it for the Senator. But I do not have it with me right now.

Mr. METZENBAUM. According to the Joint Economic Committee, that is the figure.

Would the chairman of the Budget Committee be good enough to indicate how this is going to help balance the budget or whether it is going to unbalance the budget, and, if that be the case, how the chairman of the Budget Committee, who has worked so arduously and so zealously to attempt to bring about a balanced budget, intends to make up for this lost revenue?

Mr. DOMENICI. Mr. President, I explained in the Senator's absence that from my standpoint the Bentsen amendment, which you heard the numbers on in terms of the cost, were far in excess of the cost of the Dole amendment as modified by my amendment; that from my standpoint, I think this is a much better amendment than it was. It is for that reason that I did not support the Bentsen amendment, and there are a number of Senators that did not support it for that reason, because the cost was excessive and there is little real tangible evidence that it is an energy policy that will produce new oil.

So, from my standpoint, the Dole amendment was pending prior thereto and had been set aside for purposes of letting Senator BENTSEN proceed with his two-part amendment. I did not vote for the Bentsen amendment because I favored the Dole amendment, if we were going to change it.

Then I looked at the Dole amendment carefully and thought there was a bit of a policy imbalance. If you are going to begin a gradual diminution of windfall on new, you should not exclude heavy and tertiary, which are marginal; in fact, perhaps even more marginal than new.

It is my understanding that the distinguished chairman of the Finance Committee—and, of course, it is his call—will be looking back through this bill before we finish—and I am not talking about the budget, I am talking about a tax bill—and make an effort to recapture somewhere the moneys that this amendment cost for years 1982, 1983, and 1984. I hope he can do that. I will join him in that.

It is also my understanding that he intends to offer an amendment indicating that it is the intent of the Senate that when we come out of conference with the House that this bill will cost no more for years 1981, 1982, 1983, and 1984 in terms of tax loss than the bill originally reported by the Finance Committee. He and I have talked, and I am going to support him in that. It is the administration's numbers for the Finance Committee's bill.

We are going to conference. It does not mean that everything in this bill is going to come out of conference. So it is very difficult for me to answer the Senator's question as to what effect does it have on the budget.

The Senator knows that, to the extent that the economics that we have assumed for years 1983 and 1984 are a reality, we are going to have to find additional budget cuts to come in and balance in 1984. I can repeat those numbers if the Senator wants them.

We have still to find somewhere between $35 billion and $40 billion. The Senator is aware of that, in terms of the 1984 budget to be in balance, assuming good economics, the economics that we have assumed in the first resolution. That is still the case.

To the extent that this tax bill in the year 1984 exceeds the numbers that we contemplated, we will have to either fund that much more to be in balance or we will have to assume that the economy will do even better.

I can work that up for the Senator, but I will give the Senator a rough number now. We would be talking about somewhere between $3 billion and $4 billion more in 1984 than what we started with when we first came to the floor. That is not all a result of this, as my good friend, the chairman of the Finance Committee, knows. We still have not found all of the money that we spent on the charitable deductions in the years 1983 and 1984, have we?

Mr. DOLE. If the Senator will yield, I will respond to that.

Mr. METZENBAUM. I yield.

Mr. DOLE. We have a deficit in 1983 by about $300 million and we have, I think, another opportunity or two to find additional savings.

But the Senator is correct, the last amendment to be offered on this floor by the Senator from Kansas and I hope by others, will instruct the conferees to come back to the Senate with a bill that is within the administration's numbers. I would guess everyone should have an opportunity to give a little in the conference.

Mr. METZENBAUM. Well, is it not a fact that, in order to do that which you are talking about, you are going to have to say, "Well, we have reduced taxes for the oil companies by $40 billion and, in order to find a way to balance the budget, if we are going to have to go back and get some money out of the social services programs?"

Mr. DOLE. If the Senator will yield, I think I have been fairly candid in saying that the reason we have oil in this amendment is because there were not many other choices. The Senator from Kansas is new as chairman of this committee, but I learned how to count before I became the chairman. It took some doing to keep the cost down in the committee.

We were convinced, based on a whip check and other information, that unless we had some substitute for the so-called Bentsen amendment, that amendment would prevail—I did not see anybody filibustering that amendment on that side. That was really a big amendment, $4 billion or $5 billion a year.

So, it occurred to this Senator and others that the best way to defeat that amendment, which did not do much for increased production, was to have some amendment that would phase out the tax on new oil. I am sorry that there was not all this interest in the Democratic amendment earlier.

As far as this Senator knows, that amendment probably would have passed. Twenty-eight Democrats voted with Senator BENTSEN and 17 opposed it. So I am not so certain whether it is the amendment or the cost or which side it comes from.

Mr. METZENBAUM. I think the Senator from Kansas is aware of the fact that he offered a motion to table and it, therefore, became totally unnecessary to explain to the Nation the problems about the Bentsen amendment. I am not going to stand here and tell you that I think the Bentsen amendment was great or yours is not great. As far as I am concerned, neither of them were very good and neither of them should have passed the Senate.

It is just a question of whose ox is going to be gored. But the bottom line with the Bentsen amendment was that the American consumer was going to wind up paying the bill. So I supported the Senator from Kansas on his motion to table.

I think we ought to recognize that both of my good friends today voted against the minimum social security benefit of $122 a month, yet in the same 24-hour period, or much less than that, both are talking about reducing oil company windfall profit taxes by $40 billion.

One of the things that has been suggested here this evening is that what we are really talking about is that we are going to get new oil.

Let us make it clear that the Domenici amendment is not only for new oil. It has to do with secondary and tertiary oil as well. That is not new oil. That is oil where the wells have been in operation. This is a question of going back in on a secondary or a third basis.

Then you have the other question of this being retroactive. I do not know how much that is actually going to cost, but it will be retroactive. That certainly is not going to produce any oil.

Frankly, I do not believe this amendment is going to produce any new oil at all.

I think the Senator from Arkansas very ably pointed out that the rigs are operating at maximum capacity, that there is not that much more potential that they are going to find more oil. Somebody comes up with the figure of 1 million barrels a day extra but nobody offers any supportive evidence. It is just a figment of the imagination, a figure dropped out of the sky. That is the way we have dealt with a lot of energy issues around here for a number of years.

The only argument being made for this amendment is that we had to come up with this amendment or else we might have had the Bentsen amendment passed.

I do not think that is a very logical or sound basis by which to pass any amendment. Neither amendment, in my opinion, provided much support for the American people.

All I see it doing is reducing more and more of the taxes of the oil companies of the country. It is just a question of which companies will get the main benefit. Certainly, even the Bentsen amendment was not special relief for small producers.

Somebody said to me that people could have an income as high as $15 million a year and still get the benefit of the Bentsen amendment.

Mr. DOLE. If the Senator will yield, that is about accurate. That was one

reason it was opposed. An additional reason is that for about 50 percent of the producers you do not get much of a production response.

I want to clarify about the retroactive part. The amendment pending is now the Domenici substitute. It is not retroactive. It applies to oil produced after January 1, 1982, on properties on which no oil was produced during 1978. So it is not retroactive in the true sense of the word. We are not going back and picking up all the oil from 1978. It is new oil produced after January 1, 1982.

Mr. METZENBAUM. And what was the balance?

Mr. DOLE. It applies to oil produced after January 1, 1982, from properties on which no oil was produced during 1978.

Mr. METZENBAUM. And if oil was produced in 1979 and 1980, then it would be applicable?

Mr. DOLE. Not that oil. But any well drilled on that property after January 1, 1982, would receive this tax reduction.

Mr. METZENBAUM. What logical reason would the Senator from Kansas suggest that oil drilled on those same properties would be entitled to this tax relief?

Mr. DOLE. I say to the Senator from Ohio it is the same question the Senator from Kansas raised in the Finance Committee. We were told by the Joint Committee, and I think by Treasury, though they did not support the amendment, that all we are going to do is create another tier of oil. We have three tiers now. In fact, that was the amendment first offered by the distinguished Senator from Oklahoma, Senator BOREN. This Senator voted against that amendment. We defeated that amendment.

That was the recommendation we had, to modify it for any oil produced after January 1, 1982, even though it was on a lease that had been producing in 1979, 1980, and 1981.

Mr. METZENBAUM. I think the term "tiers" of oil is an appropriate one because it is the tears of the consumers of America which will be shed. The American taxpaying consumer will be required to pay more taxes by reason of the benefits that will accrue to the oil companies.

Mr. DOLE. I can only say to the Senator from Ohio that the tears will be real tears if we have another uprising in the OPEC countries and do not have enough production to go around. I often wondered what would happen to all those Senators who do not want to do anything but simply keep importing from the OPEC countries and hold down domestic production. What will happen one of these days when we have a shortage in this country? I suggest that there will be some real tears shed then and they will be shed by consumers.

Mr. METZENBAUM. Does the Senator from Kansas and the Senator from New Mexico think it really helps us produce more oil when Exxon buys Kennecott Copper? During the past 8 years, domestic production has declined at an annual rate of more than 800,000 barrels per day and prices have gone up during that period 12 times.

What is there about this particular amendment that suddenly is going to reverse the decline?

The Energy Information Administration forecasts that the decline went further, dropping from 20.4 quads to 20.2 quads in 1980. Exxon says there will continue to be declines in production.

All of these figures assume that oil prices will run ahead of inflation and they also include new Alaskan production as well as enhanced oil recovery, oil shale, tar sands and synthetic fuels. Even under the high-price scenario, whereby crude oil is $49 to $79 a barrel, total production from all of these sources would be 250,000 barrels a day less than in 1976. For the lower 48 State production, both onshore and offshore, which is where most of the independent drillings are, production is forecast to decline from 7.8 million barrels a day to 5.8 million barrels per day.

I want to say what I said before: I do not understand how you can justify turning down the senior citizens who are entitled to social security benefits on the very day that you come with this amendment to provide more than social security for the oil companies of this country. It is unbelievable.

Mr. DOLE. If the Senator will yield, anybody who is in the private sector, I guess, would consider it unbelievable.

Mr. METZENBAUM. I am in the private sector and I am not unbelievable. I am very believable.

Mr. DOLE. I understand the Senator has done very well in the private sector.

The Senator from Kansas would indicate there are thousands of people out there looking for oil, so it is not really fair to single out one company that produces maybe 100,000 barrels a day out of 8.5 million barrels and say we cannot do this because of Conoco or somebody trying to take over Conoco. That is not relevant to this debate. Neither are many of the other arguments made by the Senator from Ohio. A lot of my arguments have not been relevant in the past, either. I do not suggest that the Senator operates differently than other Senators.

The point is we would like to have a vote on this. It seems to me there are probably a handful over there, the same handful who gave us the windfall profit tax, who gave us 20-percent interest, who gave us the highest unemployment in history, the highest inflation rate in history, and who are now telling us "Let us keep doing it our way."

We have done it your way for too long. For 26 years this Senate was burdended with Democratic rule. Now we have a little fresh air in the Chamber. We are looking in a different direction. We want production response. I would hope the Senator from Ohio would let us try it out. We are going to come back from conference, I would suggest, with a much smaller amendment than that being offered at this time. For all those who gave us what we have today—high interest, high inflation, high unemployment, and a lot of regulations—I am not so certain what service that has provided the American people.

That may be why we cannot fund the social security program. That is part of the reason we cannot fund all the social programs. That is part of why we are so reliant on foreign oil.

But we are willing to help the Senator from Ohio work this out. There are a lot of things he could learn from listening to President Reagan.

Mr. METZENBAUM. Mr. President, I have heard a lot about what the past administrations have done. I have also heard what this new administration is going to do. They have been in office now about 6½ months. I do not see anything happening. I see high interest rates getting higher. I see the market falling out of bed. The stock market today, if my recollection is correct, is far lower than it was when this administration took office. I see inflation running at the same rampant rate. I see unemployment as high or higher.

Mr. DOLE. I want to correct that, Mr. President. Inflation is coming down. Give us more than 6 months. After 26 years of domination by the Senator's party, give us at least a year to straighten it out.

Mr. METZENBAUM. I like to pay attention to what the stock market is doing, Mr. President, because it is some indication of how the business community feels about how the administration is doing. If that is any criterion, then you certainly have to agree that they do not think you are doing very well.

There is not any indication that I know of, Mr. President, that says if you take the windfall profit tax off—which is what they are proposing to do, and that is the audacity of this proposal. The audacity first was to come with a proposal that would reduce it under the Finance Committee bill—I guess it was to be 30 percent. Let me see if I have that here.

Mr. DOLE. Will the Senator from Ohio yield for a question?

Mr. METZENBAUM. I was just about to make a good speech, Mr. President, but if the Senator wants to ask a question, that is all right with me.

Mr. DOLE. Let us suppose this is the so-called Bentsen amendment on the floor. Let us assume this amendment was not around. Would we have this same conviction about how bad the amendment is? Would it be the Senator's intention to filibuster the Bentsen amendment if it is brought up at a later date?

Mr. METZENBAUM. I should like to suggest to the Senator from Kansas that he call Senator BENTSEN over if he wants someone to defend the Bentsen amendment. I am not of a mind to do that. I voted against the Bentsen amendment. I voted with the Senator from Kansas.

I am not sure I would be on the floor as I am at this very moment in opposition to the Bentsen amendment. But I was sure the Senator from Kansas was not going to let it pass. I was not worried about it.

Mr. DOLE. Would the Senator worry about it if it had not been for the Senator from Kansas?

Mr. METZENBAUM. The answer is yes.

Mr. DOLE. To this extent?

Mr. METZENBAUM. I am not prepared to say to what extent, Mr. President, or what my convictions would be or the eloquence of my remarks. But I am prepared to say I would be equally opposed to that as I am to this.

Mr. DOMENICI. Will the Senator yield?

Mr. METZENBAUM. Yes.

Mr. DOMENICI. I just wanted to ask if the Senator would give me 2 minutes, because I have to leave the floor and he is apparently prepared to stay here. I just wanted to make an observation to the Senator.

I have served with him now on the Budget Committee for how many years? Six?

Mr. METZENBAUM. I think 5.

Mr. DOMENICI. And I really say this in all honesty to the Senator. It is really amazing to me that, all of a sudden, the Senator is so concerned about balancing the budget. He asked the Senator from New Mexico—and I greatly respect him and love him as a person. He knows that. We argue a lot and fight a lot. But it is almost kind of hilarious to me that, for some reason, the Senator now happens to worry.

Is it because the people of America are demanding a balanced budget that he is the strong proponent of it? He was not very concerned about it before, as a matter of fact, Mr. President, I do not believe, to accuse any of us to be for unbalancing the budget as if he had some lock on having a better record for that or being more disposed.

I just close with this: I have watched how the Senator has proposed to balance the budget, and I assume, since he is an articulate person, he wants the people in his State to really know what he is doing. He surely wants to be in tune with them. He has been talking about how he would balance the budget.

Mr. METZENBAUM. I gave a way to do it.

Mr. DOMENICI. I just want to say unequivocally, absolutely, I am familiar with the Senator's way of balancing the budget. It is very simply: Raise taxes. That is the Senator's approach to balancing the budget. It is very simple: Raise taxes. That is the Senator's approach to balancing the budget. He can argue it any way he wants. No matter what way you look at it, Mr. President, he can say he is going to close tax loopholes and the like, but, Mr. President, the Senator from Ohio has been telling his people for the last 5 months, since the President of the United States has proposed budget restraint, tax cuts, changes in programs—he has been saying that he had a way to balance the budget.

I submit that I listened to it in my committee; I have permitted him to make his proposals. I conclude, and if he feels that I am misstating his position, certainly he is plenty articulate to tell the Chair and the U.S. Senate where I am off. But what I heard over and over is he will balance it by raising taxes.

Mr. METZENBAUM. Mr. President.

Mr. DOMENICI. I do not see anything different about it here tonight. He is concerned about a reduction in taxes when we are talking about reducing them less than someone else would have reduced them in order to produce, rather than to merely cut more taxes with no production of oil. Now we are back on the point of how we are going to balance the budget if we do this. I just want to make that point.

He would like to talk all evening. I do not care to. But if the distinguished Senator from Ohio clearly intends to balance the budget by cutting programs in a significant way, I have not seen it. I have seen it by raising taxes or supposedly taking out loopholes. One man's loopholes is another man's very exciting permanent exemption or deduction, but that is basically the approach.

Mr. METZENBAUM. Mr. President, I point out to my good friend, the chairman of the Committee on the Budget, I tried to convince him that there was a way he would not have to slash some of the human service programs, to which I find some of my friends on the opposite side of the aisle are so indifferent—sometimes I think callous. I said to him then on that committee that he could find $1.3 billion by eliminating the commodity straddles and that that was a tax loophole.

As a matter of fact, I came here to the floor of the Senate and I offered such an amendment that we might anticipate that revenue, and he indicated his opposition to it and he was very successful in leading the majority to turn the amendment down. But I am happy to say that the yea vote of the distinguished Senator who chairs the Finance Committee recognized that there is merit in that area and his committee did make that change and $1.3 billion will be picked up in that area. That is one of the loopholes I thought would be eliminated.

I came to our committee with a whole white book of ways we could pick up billions of dollars—whether it had to do with the $2.9 billion that the oil companies get by writing off their intangibles in the first year and no other industry gets; whether it had to do with the fact that you could take your manufacturing operations out of this country and take it into one of our island possessions and save anywhere from $1.2 billion this year to $5 billion next year. There were a host of other areas in which we could have saved money; whether it had to do with the question of treating timber as a capital gain—there is no logical reason for that. It is discriminatory against all the farmers in this country. But, no, there was not a willingness to make that change whether it had to do with the subsidy that we provide for the tobacco growers of this country. But, no, there was not a willingness to do anything about it.

There are areas upon areas that have to do with the way in which we could pick up the dollars we are talking about. But instead of doing that, the majority party wanted to be certain to eliminate the social security minimum. Hooray, we won that battle. We would not let those members of the minority put back the minimum for those who are on social security. What difference does it make if we are breaking a commitment that has been made over a period of years to people on social security?

This administration came forth with another great idea to save the social security fund and to say that people at 62 would get their benefits slashed if they retired at that age; and to eliminate the cost of living adjustment, another one of those great ideas is that we pick out the people on social security. Students who would be otherwise entitled to benefits under social security—we slashed that back. All these things we can do. We also can take care of the oil companies.

That is just a question of perspective. It is a question of what this country is all about. To me, the country is all about caring for those who cannot care for themselves. Certainly, the oil companies of this country can take very good care of themselves, as they do day in and day out throughout the city of Washington.

What we are really talking about here is a broken commitment to the people of the country.

You enacted the windfall profit tax, and it was not the windfall profit tax that the previous administration advocated. It was the windfall profit tax that was negotiated and compromised and worked upon and figured out in seven different ways. The purpose was to take care of the oil companies; and those of us who felt that the windfall profit tax should be stronger failed. We were unsuccessful.

Now you come back here in the very first year of this administration, and the Finance Committee, after its hearings, decided it is going to cut the windfall profit tax and is going to cut it by $200 million in fiscal year 1983, $400 million in 1984, $1.5 billion in 1986; and the report does not indicate what happens in 1985, so I do not have the answer.

However, the fact is that now you come in and you really want to go whole hog. First, we get the chairman of the Finance Committee, who says that with respect to newly discovered oil, we are going to cut 30 percent, to 22.5 percent, to 17.5 percent, and takes it out entirely. It is not enough, no. Let us go all the way. Let us rip into this whole windfall profit tax deal. Why should we do it? Because the Bentsen amendment would cost more. But the Bentsen amendment has been defeated, and the Bentsen amendment is no longer on the floor. So now we are going to add secondary and tertiary oil as well and eliminate the windfall profit tax on that.

Why not go whole hog? Why not take the whole thing off and eliminate the windfall profit tax right from the beginning?

Based upon your arguments, that would seem to be the logical conclusion. The only thing is that it is the wrong thing to do, and it might be a little too much to digest. This, too, is a little too much to digest. It is going beyond the pale of reason.

I believe that you cannot make good sense or good logic by trying to repeal the windfall profit tax that was enacted, if my recollection serves me correctly, less than 2 years ago.

Mr. President, this amendment is the kind of amendment that the people of the country are not demanding. The oil companies are demanding it. As a matter of fact, if the people of the country knew exactly what was happening on the floor of the Senate tonight, at 9:15, they would be aghast—that tonight we want to cut taxes more for the oil companies. This amendment does not make good sense and should not be adopted.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr BAKER. Mr. President, I ask unanimous consent that order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I inquire now if there is willingness to submit this amendment to the Senate for its determination.

Mr. METZENBAUM. I must advise the majority leader that a number of Senators have indicated that they thought the Senate was going to adjourn somewhere around 8:30 or 9 o'clock. They want to address themselves to the issue further—Senator KENNEDY, Senator BUMPERS, Senator BRADLEY, Senator TSONGAS, Senator SARBANES, Senator RIEGLE, and a number of other Senators. I do not believe there is much chance that we can conclude the subject this evening.

I had understood that the other side had indicated at an earlier point that they did not expect to go much beyond 8 or 9 o'clock, and I said I would be on the floor until that time. So that at this point, I am in no position to agree to bring this issue to a conclusion.

Mr. BAKER. Mr. President, I hear and I understand the Senator from Ohio, but I think he will agree with me that there was no representation by me that we would quit at 8 or 9 o'clock. I was not consulted on any such arrangement with respect to a recess of the Senate.

Mr. METZENBAUM. I am not making that suggestion. I just say that I think word was going around the Senate that we expect to stay in session until 8 or 9 o'clock, and a number of Members asked whether I expected to be on the floor that late, and I said I did.

Mr. BAKER. Mr. President, I really do not want to appear to be unreasonable, but we have been at this amendment or some variation of this amendment for a number of hours, and it is one that has to be disposed of at some point.

I wonder if the Senator will agree or will consider some sort of agreement on a length of time for the consideration of this amendment, either for the remainder of this evening or for a time in the morning.

Mr. METZENBAUM. I always try to be accommodating to my friend from Tennessee, but in this instance I cannot be.

Mr. BAKER. Mr. President, that leaves me in a very difficult position. I respectfully submit to my friend from Ohio that we simply have to continue with the debate on the issue, unless we can try to find some way to do that. I am not trying to force the issue by sheer brute strength. I am simply saying it is a matter that has to be dealt with. I did not initiate the idea that it would be a day's long debate, which seemed to be the idea running around the Senate. I do not wish to invoke cloture against the amendment. I would wish for a time to vote tonight or tomorrow. If we cannot do that, we have no reasonable alternative except to continue the debate or to suggest the absence of a quorum.

I do not intend to suggest the absence of a quorum. If we do that, we run the real risk that we may, in fact, have a live quorum; and I do not know what quorum we have here at this hour.

I must tell my friend from Ohio that I am not prepared at this time to ask the Senate to recess.

Mr. METZENBAUM. I say to my friend from Tennessee that I have never been one who thought that in order to discuss a subject, we had to keep talking; but I thought the opportunity for meditation and for thought processes to work sometimes has a lot of value for the Senate.

I never liked the idea of wearing out my throat trying to persuade those who I do not think are very persuadable.

So that when the Senator from Tennessee indicated that we might have to be here for a while, I, in the past, have found it a privilege to be on the floor of the Senate during the wee hours of the night and would not be unwilling to have that occur. But I think, under those circumstances, it is entirely likely we might have a number of rollcalls. If the majority leader feels that that is his wish, I certainly have no objection, and since I am here, I do not mind having rollcalls. But I am willing to accommodate the Senator from Tennessee in any way he wishes.

Mr. BAKER. The way I wish is to get a vote.

Mr. METZENBAUM. With that one exception.

Mr. BAKER. With that exception?

Mr. METZENBAUM. With that one exception.

Mr. BAKER. Mr. President, could I inquire of the distinguished Senator from Ohio, is it his intention to prevent or attempt to prevent the Senate from ever voting on this issue?

Mr. METZENBAUM. If I could achieve that objective I would consider it a great success.

Mr. BAKER. I have no alternative except to assume, then, that the Senator from Ohio intends to filibuster this amendment.

Mr. METZENBAUM. I do not believe it necessarily need be described in that manner, but I think that the country is entitled to understand what is happening in the Chamber, and I think one of the best ways of doing that is by extensive debate.

Mr. BAKER. Then I recommend that the Senator continue with that debate.

Mr. METZENBAUM. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. METZENBAUM. Objection.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METZENBAUM. Mr. President, I suggest the absence of a quorum.

Mr. JEPSEN. Mr. President, reserving the right to object—is Senator DOLE here?

The PRESIDING OFFICER. There is no unanimous-consent request. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Is the Senator prepared to vote?

Mr. METZENBAUM. Not at this time.

Mr. DOLE. Maybe later this evening?

Mr. METZENBAUM. I do not think today. Not today. There are some others who I know want to be heard and I would not want to deprive them of that opportunity. I am certain that I am not prepared to vote tonight because I want to protect their positions.

Mr. DOLE. I think you could probably find out their positions.

Mr. METZENBAUM. I do not think we should count on voting quite this early. I sent word to some of them to come back to the floor if they want to be heard later tonight. But I am not too optimistic about the probability of bringing this issue to a vote this evening.

Mr. DOLE. Would the Senator from Ohio think that we have covered the amendment after being with it for a couple of hours?

Mr. METZENBAUM. I would feel particularly hopeful if the Senator would agree to take it down.

Mr. DOLE. Then they would reoffer the Bentsen amendment.

Mr. METZENBAUM. Maybe we can prevail on Senator BENTSEN not to do that. Would the Senator from Kansas be willing to take this amendment down if the Senator from Texas were not to reoffer this amendment? I am in no position, I might say, to give any assurance of that.

Mr. DOLE. That thought had not occurred to the Senator from Kansas.

Mr. METZENBAUM. It is a good thought.

Mr. DOLE. I did not want to bring it down this early, and, in fact, not at all. I have no intention of doing that at all. It is based, as the Senator from Kansas indicated, on a production response. We believe it would be particularly helpful to the State of Ohio which has about 2 percent of all new production. They would really benefit from having this.

Mr. METZENBAUM. Are those not stripper wells in my State? I think 70 percent of those wells are strippers, and they would not be affected unless we had the $30 billion adjustment which had earlier been proposed. That is what I am advised.

Mr. DOLE. This would apply to stripper oil.

Mr. METZENBAUM. This would apply to stripper, too? According to Senator JOHNSTON, it does not. I thought this only applied to secondary and tertiary oil.

Mr. DOLE. It applies to all newly discovered oil whether it is stripper or whatever.

Mr. METZENBAUM. Yes, but it does not apply to stripper wells, as such.

Mr. DOLE. I think what Senator JOHNSTON would like to do is to phase out the tax on the present stripper wells which would cost about $3.3 billion a year, which would take care of about 85 to 90-percent of the production in the State of Kansas. As attractive as that amendment is, it is just too costly. As the Senator from Ohio knows, we have been trying to keep this within the administration numbers. In fact, at the very moment I think it is fair to say to the Senator from Ohio that in fiscal 1982 we are in good condition. In fiscal 1983 we are about $300 million short. In fiscal 1984 we are about a $700 million or $800 million plus. So there has been no effort to exceed the administration's figures.

The Finance Committee, under the urging of the Budget Committee, the Senator from New Mexico and the Senator from South Carolina, has tried to hold down the cost of this overall tax bill. I think between now and 1986 we are talking about a bill with a total tax reduction of over $700 billion. It is going to do a lot of good for this country and we would like to move ahead with it, if not tonight—well, we would maybe like to hear the Senator speak an hour or 2 on it.

Mr. METZENBAUM. I do not think I want to speak for an hour or 2. I would be very happy to think about the subject. I am very comfortable with that. I have never thought these matters get resolved by lengthy speeches. But if someone else wishes to speak, I will be pleased to listen to them. If not, we can continue with a quorum call. I will be glad to speak if the Senator from Kansas is particularly interested to hear me. I might be able to persuade him to take the amendment down. I have no intention of making a long speech.

Mr. DOLE. The Senator from Ohio has never bored this Senator. He never has.

If the Senator would rather not say anything at this time.

Mr. METZENBAUM. Yes; I am perfectly happy to say something. That is, I would like to see the Senator from Kansas take his amendment down. That is right to the point. Then we can proceed to other matters.

Mr. DOLE. I appreciate the Senator's recommendations. I shall take it under advisement.

Mr. METZENBAUM. I certainly would appreciate the Senator's doing that.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I should like to get some movement on this proposal. We have been on it since, I think, about 2:30. It seems to me the best way to do that is to move to lay my own amendment on the table and, obviously, vote against it and urge everyone else to do the same. I think we can indicate to the distinguished Senator from Ohio just how much support there is for this outstanding amendment.

I now have the floor and I shall make that motion to table, Mr. President. I am prepared to either vote now or tomorrow morning.

Mr. President, I move to lay this amendment—I guess it is now the Domenici substitute. Would that encompass both the new oil and the tertiary and heavy oil? That is a parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. It has been so modified. That would not carry with it the basic amendment of the Senator from Kansas, however.

Mr. DOLE. Mr. President, I move to lay the first-degree amendment on the table.

Mr. ROBERT C. BYRD. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that I may proceed for 2 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, in negotiations with the distinguished minority leader and the Senator from Ohio as well as the distinguished Senator from Kansas and others, it appears that the best way to proceed is to vote on the tabling motion which has now been ordered and the yeas and nays obtained.

ORDERS FOR WEDNESDAY

ORDER FOR RECOGNITION OF SENATOR THURMOND

Mr. BAKER. Mr. President, I ask unanimous consent that, after the recognition of the two leaders under the standing order on tomorrow, the distinguished Senator from South Carolina (Mr. THURMOND) be recognized on a special order not to exceed 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR ROBERT C. BYRD

Mr. BAKER. Following discharge of the special order in favor of the distinguished Senator from South Carolina, I ask unanimous consent that the distinguished Senator from West Virginia be recognized for not to exceed 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ROUTINE MORNING BUSINESS AND VOTE AT 11 A.M.

Mr. BAKER. After the discharge of the special order in favor of the Senator from West Virginia just entered, I ask unanimous consent that there be a brief period for the transaction of routine morning business solely for the purpose of statements to be offered by Senators and that the time for that period extend to the hour of 11 a.m. tomorrow; and that, at the hours of 11 a.m., the vote occur, without any further intervening debate or other action on the tabling motion which has now been made.

Mr. METZENBAUM. Reserving the right to object, and I do not intend to object, Mr. President, will the distinguished Senator from Tennessee yield for a question?

Mr. BAKER. Yes.

Mr. METZENBAUM. Am I correct in assuming that those of us concerned with this matter need not be on the floor until the time for the vote on the tabling motion and that our interests will be protected in matters pertaining to this amendment?

Mr. BAKER. Mr. President, yes, I am tempted to frame the request so that no business can be transacted beyond the standing order, which only provides for the recognition of the two leaders for the purpose of statements; the special orders, in which no executive or legislative business can be transacted; a period for the transaction of morning business, but limited to statements only. I do not believe it would be possible, under the frame of the order just entered, for any business to be transacted prior to the vote on tabling.

To make abundantly sure that that does not occur, I add to the request that no business be transacted by the Senate, either legislative or executive in character, past the recognition for statements by the two leaders, a special order, routine morning business for the purpose of statements only, until after the vote on the tabling motion which is contemplated.

The PRESIDING OFFICER. Is there objection?

Mr. METZENBAUM. I object.

Mr. DOLE. Mr. President, reserving the right to object—and I shall not object—I address a question to the majority leader. Will there be an opportunity tomorrow for the Senator from Kansas to tell everybody to vote "no" on my tabling motion?

Mr. BAKER. Mr. President, knowing the Senator from Kansas and his resourcefulness as I do, I expect that he will find an opportunity.

Mr. DOLE. Just in case those present now are here, it would be much appreciated if you vote "no." [Laughter.]

Mr. BAKER. Mr. President, I add to the request that in the period for the transaction of routine morning business, Senators be permitted to speak for not more than 2 minutes each.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. BAKER. Mr. President, I thank all Senators. I know this has been a long

evening. I see an opportunity to resolve this matter on some basis tomorrow.

Let me reiterate that I believe there is a chance we can finish this measure this week. I hope that on tomorrow, the distinguished minority leader and others will be agreeable to sitting down—I believe he has; they have had some preliminary and informal discussions on this subject—to compare our lists on the amendments we know of yet to be disposed of, and try to arrange those amendments in some sequence, perhaps with some time limitations, and gain some insight as to when we might have final passage of this measure.

MORTGAGE REVENUE BONDS

Mr. SASSER. Mr. President, during the last session of Congress we adopted an amendment to the Omnibus Reconciliation Act which imposed a series of prudent limitations on mortgage revenue bonds. Those limitations were generally very well advised, for the mortgage bond program was mushrooming almost out of control prior to passage of the Mortgage Subsidy Bond Tax Act of 1980, and there were some instances of the misuse of the mortgage bonds.

However, it was not the intent of the 1980 act to stop the entire program in its tracks. That was never the intent of Congress. Several of my colleagues from both sides of the aisle have cosponsored technical amendments to the Mortgage Subsidy Bond Tax Act of 1980. Such legislation will help to make available, through the private sector and through State and local issuers, a limited amount of housing for moderate- to low-income families.

Supporters of remedial legislation have discussed these amendments with Senators DOLE and LONG. They now agree that this matter might be more appropriately considered in a context other than this tax bill. I can live with that. I would, of course, have preferred to see this kind of technical matter resolved at the earliest possible opportunity. I am advised that the Senate Finance Committee will agree to hold early hearings to deal with this matter in the very near future. That is sound judgment on the part of the Finance Committee, because the tax-exempt mortgage revenue bond program is one of the most cost-effective means available to allow first-time homebuyer families to enter the market, to own their own home.

There are misconceptions in some quarters that allowing the mortgage bond program to function would distort the municipal bond market. It should be pointed out that the limitations on mortgage bond volume imposed in last year's bill are not in any way affected by the new language. The aggregate amount of housing bonds that may be issued in a State during any calendar year is limited to the greater of $200 million or 9 percent of the average of all 3 years. These limits are not changed by the technical corrections.

It should be further pointed out that for every $1 billion in tax-exempt mortgage bonds issued, there is a cost to the Treasury of $22.5 million. However, the resulting increase in revenues, through increased production and other related gains, is estimated at $24 million at the Federal level, and $7 million at the State and local levels. The Joint Tax Committee, Mr. President, has underscored this point by providing me with a letter which states that the overall revenue effect of S. 1348, a bill to make the required changes, is negligible. I ask unanimous consent that the Joint Taxation Committee letter on S. 1348 be included in the RECORD at this point.

The advantages of such a approach are self-evident. I look forward to working with members of the Finance Committee on this matter. I am very much encouraged by the assurances I have received that these issues will be promptly and fairly dealt with, and I thank all those who have participated in this colloquy for the demonstration of bipartisan support that this matter deserves.

I ask unanimous consent that letters of endorsement for S. 1348 from the National Association of Homebuilders, the National Lumber and Building Material Dealers Association, the National Conference of State Legislatures, the National League of Cities, and the Council of State Housing Agencies be included in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

JOINT COMMITTEE ON TAXATION,
Washington, D.C., July 15, 1981.

Hon. JIM SASSER,
U.S. Senate, Washington, D.C.

DEAR SENATOR SASSER: This is in response to your request of July 9, 1981, for a revenue estimate of S. 1348, which amends the Mortgage Subsidy Bond Tax Act of 1980. In general, the provisions of the bill that loosen restraints imposed on the issuance of bonds would allow middlemen, such as underwriters, servicers, or trustees, to realize higher levels of profits, which would increase their taxable income and tax payments. However, because purchasers of homes would pay higher mortgage payments as a result, their home mortgage interest deductions would be higher, and consequently their taxable income and tax payments lower. Therefore, for the most part, these two effects are offsetting. The other provisions of the bill will encourage the issuances of additional mortgage bonds compared to present law, but because the 9 percent or $200 million per state cap under present law is restrictive in most cases, the provisions are unlikely to have a significant revenue effect. Therefore, the overall revenue effect of S. 1348 is estimated to be negligible.

Sincerely,

MARK MCCONAGHY.

NATIONAL ASSOCIATION OF
HOME BUILDERS,
Washington, D.C., July 15, 1981.

Hon. JAMES SASSER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SASSER: On behalf of the more than 124,000 members of the National Association of Home Builders, I am writing to express our strong support for your amendment to H.J. Res. 266, the Economic Recovery Tax Act of 1981, which would make necessary corrections to the Mortgage Subsidy Bond Act of 1980 in order to allow state and local agencies to issue mortgage revenue bonds for housing.

We believe that Congress clearly intended to create a workable mortgage revenue bond program by its passage of the 1980 Act. However, virtually no revenue bonds have been issued by state or local agencies since passage of the Act. There are a number of corrections which are essential to be made such as in the areas of arbitrage, the "good faith" rule, and reserve requirements, in order to allow these programs to continue to operate. These changes are vitally important now that the Treasury Department has issued its regulations implementing the program.

With the housing industry in the midst of its worst downturn since World War II (housing starts dropped to 1.15 million in May) and over 90% of first-time homebuyers priced out of the housing market, the revenue bond program represents one of the few options available to assist the average young family in finding decent shelter.

It is our understanding that your amendment will have no new revenue impact on the bill. For all of the reasons outlined above, we believe that passage of your amendment is critical to the housing industry and to the millions of American families who have been priced out of the housing market due to inflation and high interest rates.

We appreciate your interest in this important area, and we urge your colleagues to support the Sasser amendment when it is offered on the Senate floor.

Sincerely yours,

HERMAN J. SMITH,
President.

NATIONAL CONFERENCE OF
STATE LEGISLATURES,
Washington, D.C., July 16, 1981.

Hon. JAMES SASSER,
U.S. Senator,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: On behalf of the National Conference of State Legislatures, I want to commend and support your efforts to clarify the Mortgage Bond Subsidy Tax Act of 1980. As you know, NCSL supported yours and other efforts last session to control, yet allow these bonds to be used by states and local governments. Unfortunately, since the effective date of the Act only two isues have been sold, one through private placement rather than on the public market and the other for home improvement loans which did not have to meet all of the conditions applicable to single and multi-family programs.

We urge you to seek prompt action on your bill or to take other actions which would bring about clarifications to this law at the earliest possible time. We feel that the regulations recently issued by the Treasury Department have not sufficiently corrected the problems with this law and that expeditious legislation is needed to carry out the true intent of the Congress.

Thank you again for your support on this and other issues. If we can be of assistance to you in our efforts, please do not hesitate to contact our Washington office at 624–5400.

Sincerely,

WILLIE BROWN,
Assistant Majority Leader.

NATIONAL LEAGUE OF CITIES,
Washington, D.C., July 16, 1981.

Hon. JIM SASSER,
U.S. Senate,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: It is our understanding that you intend to offer an amendment to the omnibus tax bill now being considered on the floor of the Senate that would encompass the proposed changes in the mortgage revenue bond law included in S. 1348. We want you to know of our support for your efforts.

Since passage of the Mortgage Subsidy Bond Tax Act of 1980 (part of the Omnibus Reconciliation Act of 1980), only two single-family mortgage revenue bonds have been issued. One was a small $8 million issue in

Larimar County, Colorado and the other by the Minnesota Housing Finance Agency for home improvement loans only. This extremely low level of activity is evidence that Congress effectively eliminated mortgage revenue bonds with passage of a severely restrictive and complex law last year. We do not believe that that was the true intent of a majority of the members of the Senate and House, however.

Your amendment would alleviate some of the fundamental problems in the new law that prevent issuance of bonds such as the unreasonable "good faith" requirement and the unrealistic arbitrage restriction. Your proposal should by no means be viewed as a sweeping change in the limitations placed on mortgage revenue bond issuance that Congress intended. It leaves intact the state-by-state volume cap and the home purchase price limitations that were meant to control overall bond volume and to assure that the mortgages were targeted to the more needy families.

At a time when federal housing assistance is being severely cut back, we need to make the tool of providing housing assistance through mortgage bonds workable once again Thank you for your continued interest and assistance on this issue.

Sincerely,

JOHN F. SHIREY,
Legislative Counsel.

NATIONAL LUMBER AND BUILDING MATERIAL DEALERS ASSOCIATION,
Washington, D.C., July 16, 1981.

Hon. JAMES SASSER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SASSER: The National Lumber and Building Material Dealers Association is an organization which represents 25 state, local and regional federations and approximately 15,000 retail lumber dealers throughout the United States. We are extremely supportive of the technical correction legislation (S. 1348) you have sponsored which would alleviate the problems that state and local finance agencies are having with the issuance of tax-exempt mortgage revenue bonds for single family housing.

NLBMDA is greatly troubled by the virtual cessation of single family mortgage bond issuances. We recognize that a properly structured tax-exempt mortgage bond program as envisioned in your legislation would provide desperately needed help for the currently depressed housing construction industry.

Furthermore, quick Congressional approval of S. 1348 would be the most immediate legislative remedy to assist housing construction for 1981. NLBMDA believes that we cannot afford to let the mortgage bond program, once a productive and substantial financing avenue for the home building industry, remain idle any longer.

Therefore, we endorse your plan to introduce the technical mortgage subsidy bond amendment package to the Economic Recovery Tax Act of 1981 during full Senate consideration. NLBMDA, through its federated associations, has been actively garnering support for your legislation and is backing your floor amendment effort. We are confident that your success in the Senate will make this very necessary housing finance program once again viable.

With best regards,

JOHN M. MARTIN,
Executive Vice President.

COUNCIL OF STATE HOUSING AGENCIES,
Washington, D.C., July 17, 1981.

Hon. JIM SASSER,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: The Council of State Housing Agencies supports your effort to modify the undue restrictions placed on state and local issuers of Mortgage Revenue Bonds. The present statutory and regulatory restrictions make it virtually impossible to issue bonds due to the radical changes last year in qualifying such bonds. Additionally, limitations on arbitrage and yield and the impact on the security of the bond issue raise interest costs and disqualify many issuers.

We were told last year that Congress was not attempting to prevent issues, but wanted to limit the total dollar volume and to eliminate alleged abuses. Unfortunately, the legislation went too far and is actually precluding issues.

The immediate passage of your bill would allow bonds to be sold again without changing the basic restrictions of last session. The Council of State Housing Agencies supports immediate efforts to correct problems with arbitrage and yield, noncompliance, and unfair registration requirements which apply only to housing bond issues. This registration requirement adds to the cost of housing low and moderate income families.

Your bill would solve these problems and we support your efforts to make these and other changes. In addition to immediate relief, we need hearings wherein other important issues and concerns could be raised. Multifamily and rehabilitation problems are also being encountered under the present law. It is important to note that the Mortgage Bond issue has never had the benefit of Senate hearings.

In summary, we need immediate relief to allow for workable mortgage bond programs. Your legislation would allow issuers to move forward. You have our support for immediate passage.

Sincerely,

THOMAS W. WHITE.

MORTGAGE REVENUE BONDS

● Mr. DURENBURGER. Mr. President, this Nation faces a critical shortage of low- and moderate-income housing. The debate surrounding both the All-Savers Act and the HUD budget outlines the enormous magnitude of this problem all too well. We must act promptly and responsibly to address this problem.

There are several changes needed to allow the issuance of mortgage revenue bonds in full compliance with the intent of the legislation passed last year. Last year's bill never intended to kill this program. It was meant to better target mortgage revenue bond proceeds and to tighten up the administration of these programs.

This is not a budgetary question. We have always presumed that mortgage revenue bonds would be issued this year in substantial numbers. It is a matter of being able to carry out the intent of last year's legislation to make a good program even better.

The first half of this year saw virtually no bonds issued as new regulations were awaited from Treasury. This delay in and of itself was far longer than anticipated. Now, the new regulations are out, and they cause virtually insurmountable problems according to housing agencies all across the country.

My State of Minnesota has always been one of the most sophisticated users of mortgage revenue bonds. Our bonds have always been targeted toward low- and moderate-income housing as last year's legislation directed. My State has tried to issue bonds under the new regulations with poor results. The underwriters have had $13 million of bonds returned due to the manner in which the good faith provision in the new regulations was written. This will mean the loss of 4,000 home improvement loans for low- and moderate-income people trying to maintain the quality of their housing stock.

Without changes in the arbitage regulations the State of Minnesota will have to forego issuance of single family mortgage revenue bonds this year. This means 2,500 to 3,000 fewer mortgages in 1981 for those people most seriously affected by rising inflation and soaring interest rates.

Mortgage revenue bonds are a workable way of providing housing. Some adjustments were needed to improve the program. The outline of these changes was proposed in last year's legislation, and Treasury was expected to draw up workable regulations. The result has been contrary to the intent of Congress. We have a virtually nonworking mortgage revenue bond program exactly when a good strong program would be filling a large hole in our Nation's housing needs.

In light of all the discussion surrounding housing in recent days and months, I think we must find a way to set free this proven program for helping people obtain shelter.●

Mr. BUMPERS. Mr. President, I am pleased to join with the Senator from Tennessee (Mr. SASSER) in support of legislation (S. 1348) to amend the Mortgage Subsidy Bond Tax Act of 1980.

When Congress placed these limitations on State and local mortgage subsidy bond programs last year, it virtually shut down the mortgage subsidy bond market.

Mr. President, I have no quarrel with many of the changes that were imposed. Abuses existed in the program and changes need to be made.

But, I do not believe Congress intended to prevent States and local governments from being able to issue bonds for single-family housing. Our Nation's housing industry is in a crisis caused by unprecedented high interest rates that show no signs of abatement.

Given the critical contribution the homebuilding industry makes to the economy, it is imperative to alleviate this present situation. The consequences for the American home buyer are simply that almost no person will be able to purchase their own home.

Since 1979, when the Federal Reserve Board further tightened controls on credit, housing prices and interest rates have hit record levels. Those too young to join the housing boom of the early seventies—or who chose to wait—have suddenly found they can no longer afford the price of admission.

Without a successful mortgage subsidy bond program, there are virtually no alternatives in place to provide relief for the key housing problem of the 1980's—affordability for the first-time buyer.

The use of these bonds enable thousands of people to purchase their own homes, create jobs in the construction industry, and expand the local economy. The mortgage subsidy bond program is less costly to the Federal Government

than any other similar type of direct Federal housing relief.

Without the mortgage bond program in Arkansas, the housing industry would have been at a standstill. The Arkansas Housing Development Agency has issued $300 million in tax-exempt bonds since April 1978. These bonds have provided mortgage loans for 7,311 residences throughout the State.

In Arkansas 25 local governments have issued $619,100,000 in bonds which have provided mortgage loans for 14,710 residences.

Without the mortgage bond program, there would not have been any housing construction in Arkansas. The high-interest-rate policy of the Federal Reserve combined with our constitutional usury limit virtually made housing money unavailable. The provision of the omnibus banking bill that exempts residential mortgage loans from the State usury limit has not had a positive effect on the availability of housing because of the sustained high interest rates on mortgages.

A sound mortgage subsidy program is essential for a strong housing industry. Since the enactment of the Mortgage Subsidy Bond Act, no bonds have been issued under the new act despite the efforts of several States to comply with the new requirements. It appears the procedures for qualification of the bonds are not workable.

Mr. President, delaying the adoption of these amendments will prolong a critical situation for the housing industry in this country. I urge the Senate Finance Committee to hold hearings as soon as possible on this legislation and report it favorably to the Senate.

Mr. PRYOR. Mr. President, with the development of housing bonds as a tool for financing single-family homes came widespread abuses, which the 96th Congress quite properly corrected with the restrictions included in last year's budget reconciliation bill.

Unfortunately, those restrictions went a bit too far. Meant to tighten up eligibility requirements and limit the overall level of such issues, the restrictions have instead put a complete stop to the housing bond program across the country.

With interest rates at record levels, the homebuilding industry is languishing, and we need to act immediately to get this program producing again before the building season is behind us.

Even in this notoriously cyclical industry, current indicators are eye-popping. Housing starts dropped by 14 percent from April to May of this year nationally. May's housing starts drooped to the lowest level in a year; 1981 starts are expected to be 41 percent below the 1978 level. Many counties in my State have issued only one or two housing permits since last fall. We have seen a decline in housing starts for the past 30 months—the longest housing recession since WWII—and unless the prime rate quickly drops 5 or 6 points, there is little likelihood that we will see any improvement this year. Unfortunately, policies designed by the administration and enacted by the Congress to bring rates down will not take effect for months to come.

In the meantime, however, workers are being laid off, and construction firms are closing their doors, no longer able to get credit. We must also consider housing-related industries—furniture, appliance and building supply dealers, landscapers, and others—who are suffering equally.

Housing bonds are no substitute for low interest rates, but they can keep homebuilding and related firms alive until we see better days, while providing a limited number of homes for the lucky families who are able to buy.

The legislation which Senator SASSER and others of us have offered is the bare minimum necessary to get this program off dead center. It does not relax eligibility requirements or increase the revenue loss to the Treasury. It merely removes several technical requirements which have proved to be unrealistic and obstructive.

I am delighted that several of my colleagues have decided to raise this important issue today. I hope that the Senate is fully aware of the seriousness of the problem and that we can take action on this matter as soon as possible. We cannot afford to prolong the current crisis in the homebuilding industry, which is so important to the overall health of our economy. Early action would be a helpful step toward the recovery of that industry.

Mr. BAKER. Mr. President, I want to thank my distinguished colleagues, the Senator from Tennessee (Mr. SASSER), the Senator from Minnesota (Mr. DURENBERGER), and the Senator from Arkansas (Mr. BUMPERS) who have spoken so eloquently on this important topic.

I join with them in their conviction that it was not the intention of Congress to eliminate mortgage revenue bond financing for housing. Yet, this is exactly what has happened. As the distinguished speakers before me have pointed out, mortgage revenue bonds have not been issued this year—compared with over $10 billion in bonds last year. Housing agencies, State and local, have not been able to meet the constraints placed on them in December of last year. These were restrictions designed to limit the volume of bond activity and target the proceeds to the people who need it the most. However, no one is being served at the present time.

Mortgage revenue bonds provide financing for housing for those otherwise unable to purchase a home. Many of these people are first-time home buyers or residents of substandard housing who, without this program, would be forced to live in inadequate housing.

Various housing agencies around the country have done a commendable job in the past of administering this program and providing valuable services to our citizens. In my own State, the Tennessee Housing Development Agency has in its 7 years of existence, helped to secure housing for literally thousands of the citizens of Tennessee. They have operated in a fair and equitable manner while providing a model of administration for many other housing agencies. Their service and record is indeed exemplary, but they have not been able to provide that service this year.

The ramifications of their incapacity, as my colleagues before me have correctly pointed out, are indeed far reaching. The entire housing industry has been affected. Homebuilders, already besieged by high interest rates are closing their doors. Suppliers and other housing related businesses have also been crippled, paving a deleterious path through our communities. It is obvious that mortgage revenue bonds have a valuable role in our economy.

I believe that the Finance Committee, under the capable leadership of the Senator from Kansas (Mr. DOLE) is in a better position to fully consider the legislative remedies which will be needed. Subsequently, Mr. President, I do not favor an amendment to the tax bill concerning this problem. I pledge my full support to the committee in order to provide an expeditious solution to the crisis, and restore independence and strength to our housing agencies nationwide.

Mr. DOLE. Mr. President, I thank those Senators who have spoken on the issue of mortgage revenue bonds. I can assure each of them that I am aware of their concerns.

I am willing to hold Finance Committee hearings as soon as practical which I hope will be early this fall. I cannot commit to a date certain without consulting with the Senator from Oregon (Mr. PACKWOOD) the appropriate subcommittee chairman. These hearings will provide an excellent opportunity to examine the points that you have raised.

● Mr. PELL. Mr. President, I would like to associate myself with the remarks of Senator SASSER and the other cosponsors of S. 1348 in calling attention to the need for congressional revision of the mortgage revenue bond program.

In the past 10 years, mortgage revenue bonds have worked well in assisting lower- and moderate-income citizens to purchase their own homes. Last year, in the Mortgage Subsidy Bond Tax Act, the Congress attempted to place reasonable restrictions on the use of these bonds, to target the limited number of low-interest mortgages to those who are most in need of assistance in order to purchase their first homes.

Some of these restrictions have proved unworkable from the standpoint of the State agencies which administer the mortgage revenue bond program, and, consequently, the number of bond issues has fallen off substantially. In my own State of Rhode Island, where mortgage revenue bonds have in the past supplied as much as 65 percent of new residential mortgages, there is an urgent need to get this program back on its feet.

It is very important that the Congress act this year to remove the various legal and financial uncertainties created by last year's mortgage revenue bond legislation. I hope that the Finance Committee, once consideration of the pending tax bill is completed, will give priority attention to this problem, so that we can revive a housing program which can as-

sist first-time home buyers priced out of the mortgage market by high interest rates.●

RESEARCH AND EXPERIMENTAL WAGE EXPENDITURES

● Mr. DANFORTH. Mr. President, I should like to bring to the attention of the Senate a matter relating to the tax credit for research and experimental wage expenditures, contained in section 221 of the bill, which is of concern to high technology and other companies.

As reported by the Senate Finance Committee, the bill provides an incremental credit for wages paid for services performed in conducting research. Subject to certain exclusions, the bill adopts the definition of research as used in existing Internal Revenue Code section 174. That section permits the deduction of certain research or experimental expenditures, including research wage expenditures. The committee report on the bill indicates the expectation of the committee that the Treasury and the IRS will provide additional guidance through regulations and rulings, not inconsistent with existing regulations, regarding the types of wage expenditures eligible for the credit.

The reference to code section 174 in defining qualifying research for purposes of the new credit does not make completely clear the treatment of wages which are part of the cost of developing computer "software", that is, costs incurred in developing new or significantly improved programs or routines that cause computers to perform desired tasks. (These types of development costs are to be distinguished from other software costs where the operational feasibility of the program or routine is not seriously in doubt. For purposes of code section 174 deductions, the Internal Revenue Service has taken the position since 1969 (as announced in Revenue Procedure 69–21) that taxpayers may treat cost incurred in developing new or improved computer software in a manner similar to costs incurred in product development which are deductible under section 174. However, the Service has not expressly stated that such software development costs are within the scope of section 174 expenditures.

As one of the principal sponsors of the research credit in the Senate, it is my understanding and intent that wages which are part of the costs of the development of new or significantly improved computer software should be eligible to qualify for the new credit to the extent that such wages are treated as similar to wages, incurred in product research or experimentation, which are deductible as research or experimental expenditures under present code section 174, provide that such wages meet those new requirements of new section 44F that are not part of section 174. That is, wage costs which otherwise would qualify for the new credit are not to be disqualified solely because such costs are incurred in developing computer "software" rather than in developing "hardware."

Of course, only amounts paid by the taxpayer directly for such computer software wages would be eligible for the credit. Other software costs paid by the taxpayer—such as expenditures for supplies used in developing computer software, or for overhead—would not be eligible, and amounts paid by the taxpayer to purchase or lease software programs would not be eligible. The credit exclusions and limitations which apply in the case of product research and experimentation costs also apply in the case of the costs of developing new or significantly improved computer software.

To eliminate any possible ambiguity on this point, I would like to ask the distinguished chairman of the Finance Committee whether it is also his understanding that wage expenditures which are incurred in developing new or significantly improved computer software, and which may presently be treated in a manner similar to research or experimental expenditures under code section 174, are not to be disqualified from the new credit for research and experimental wage expenditures under section 221 of the bill solely on the ground that such costs are incurred in developing "software" rather than "hardware"?

Mr. DOLE. Yes, that is my understanding. As the Senator from Missouri has stated, wages incurred in developing new or significantly improved computer software and which presently may be treated in a manner similar to section 174 research or experimental expenditures are intended to qualify for the new research credit, provided that they also meet the requirements of new section 44F which are added to the requirements of section 174 and provided they are not subject to the specific exclusions of new section 44F.●

ESTATE TAXES

Mr. DOMENICI. Mr. President, I rise to support Senator DOLE and the Finance Committee's proposal to reduce the estate tax burden. Originally this tax was passed to help finance World War I and to limit the power of certain very wealthy families in this country. Over 50 years later, the estate tax raises only 1 percent of Federal revenue, and precious little of it comes from the Nation's wealthiest families. They avoid the tax through complicated arrangements which are not available to the people who really pay this tax—our farmers and small businessmen. Unfortunately, they have little cash flow, but inflation increases the value of their land and assets to the point where their family must sell the farm or the business to pay the estate taxes. This is a major cause of the decline of the family farm and the family business.

The Finance Committee proposal would raise the estate tax credit so that by 1986, a $600,000 estate would pay no taxes. The tax free levels for 1982 through 1985 would be $225,000, $275,000, $350,000, and $450,000, respectively.

Under present law, a widow is often forced to sell the farm or business she and her husband owned throughout their marriage because the estate tax grants only a 50-percent marital deduction. The Finance Committee bill grants an unlimited marital deduction so that all surviving spouses will be free from the fear of having to sell their home or business during their lifetime to pay estate taxes.

The bill also makes important changes to expand the special valuation provisions of the estate tax. Under present law, the real estate portion of a farm or closely held business may be valued at current use rather than fair market value so long as the estate value is not reduced by more than $500,000. This provision is especially important when adjacent land is subdivided for residential or industrial development.

In addition, this bill simplifies and liberalizes the deferred payment of estate tax provisions for closely held businesses.

It has been nearly 40 years since we last changed the gift tax exclusion. The $3,000 exclusion will be raised to $10,000 per recipient. A husband and wife would be able to donate twice that amount.

These changes to the estate tax law will reduce the onerous burden on the Nation's farmers and small businessmen, and I urge that the Senate complete action on this matter as soon as possible.

THE MGM GRAND HOTEL

Mr. CANNON. Mr. President, on Thursday, July 30, Las Vegas will pass a significant milestone. This will not be just another hotel opening, but a reopening that may mean more to the future of this great city than any of the spectacular debuts which have preceded it.

The MGM Grand Hotel will be back, welcoming guests for the first time since a tragic fire closed it last November. "Bigger and better than ever" is, perhaps, a cliche when used to describe many events in Las Vegas, but in this case it is the literal truth.

It will be bigger because in addition to the 2,076 rooms in the original structure, a new wing of nearly 800 rooms has been added. And it will be better because no expense has been spared to make the MGM Grand as safe as human ingenuity can guarantee.

The new safety system built into the MGM Grand includes an elaborate network of sprinklers, smoke detectors, and alarms, as well as special smoke exhaust and communication features.

A central computer will monitor 1,300 locations throughout the facility and will automatically activate up to 1,000 different life-safety functions to halt the spread of fire or smoke and help guide occupants to safety. All MGM employees have received fire and safety training, as well as special instruction on the resort's new system.

In all, there will be 30,500 sprinkler heads positioned throughout the hotel, including every guestroom, corridor, restaurant, showroom, convention and casino facility, and storage area. Even the "porte-cochere," the famous roof over the MGM's driveway, will be sprinklered to guard against an automobile fire at the hotel entrance.

A typical guestroom will have four sprinklers, located in the bathroom, closet, entry hall, and central room. Their combined output is 65 to 70 gallons of water per minute.

I could go on and on about the three kinds of smoke detectors, the manual alarm systems, life safety communications or the smoke control capability. But the point should be clear: The owners and management of the MGM Grand have spent millions of dollars to assure their guests that they are staying at one of the safest hotels in the world.

The comeback of the MGM is both remarkable and crucial for Las Vegas. It is remarkable because the fire which destroyed the hotel occurred only 8 months ago. It took a prodigious effort by workers to get the facility ready in such a short time. I have inspected the worksite and can personally attest to the pride and sense of mission that the workers have exhibited.

And it is crucial because of the effect the MGM's closure had on Nevada's economy. The tourism industry is Nevada's main economic force and all economic indexes—gross gaming receipts, tax collections, employment—have been depressed in recent months. That is in part attributable to a slowdown in the overall economy, but it also reflects the enormous economic impact the MGM has on our State.

With nearly 5,000 employees and the capacity to house 5 to 8 thousand guests, it represents millions of dollars in payroll and tourism revenue each month. Nevada has missed that economic stimulus, and we will be pleased to have the MGM back in operation.

But even more important than its immediate economic boost, the MGM's rapid comeback represents an affirmation of Nevada's future. The people at MGM are committed to erasing the memory of that tragic November morning and replacing it with a vision of a new and ultra-safe hotel and casino which will regain its position as one of the world's most glamorous. And with the MGM's comeback, I am confident the entire State of Nevada will rally. One of the brightest lights of the famed Las Vegas Strip will soon be shining again and that is good news for all Nevadans.

DENVER DICKERSON

Mr. CANNON. Mr. President, a member of one of Nevada's great political families and a man known and loved by many Members of this body died this past weekend. Denver Dickerson, who retired last year after 7 years as staff director of the Joint Committee on Printing, was one of the finest gentlemen it has been my privilege to know.

Denver came to Washington in the 1950's as an aide to my former colleague, Senator Alan Bible. He had been a State legislator and a newsman of note in Nevada, having served as a State assemblyman and, at age 28, speaker of the assembly.

In 1963, President John Kennedy appointed Denver Lieutenant Governor of Guam, in which post he served until 1969. He had previous foreign experience as press officer to the U.S. Embassy in Burma from 1952–55.

The Dickerson family has been prominent in Nevada politics throughout this century. Denver was born in Carson City, the State capital, although not quite in the Governor's mansion. At the time of his birth, his father was warden of the Nevada State Prison and so Denver began his life within the prison walls.

It is indicative of Nevada's colorful political history that Denver's father, who also bore the name Denver, had just 4 years earlier completed a term as Governor of the State, serving from 1908–1910.

Following Denver's career in the State legislature, his brother Harvey continued the family tradition of political service by serving three terms as State attorney general. His brother George served as district attorney. Harvey, as well as two other brothers, George and Belford, and one sister Norinne Buck still live in Nevada.

Denver was a cheerful and gentle man, who gave no one a hint of his physical problems. All who worked with him in the Senate grieve for his widow, Maxine, his two children and three grandchildren. They have our prayers.

MESSAGES FROM THE HOUSE

At 9:58 a.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House insists upon its amendments to the bill (S. 815) to authorize appropriations for fiscal year 1982 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons for research, development, test, and evaluation for the Armed Forces, to authorize appropriations for fiscal year 1982 for operations and maintenance expenses of the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for fiscal year 1982 for civil defense, and for other purposes; asks a conference with the Senate on the disagreeing votes of the two Houses thereon, and has appointed Mr. PRICE, Mr. BENNETT, Mr. STRATTON, Mr. WHITE, Mr. NICHOLS, Mr. BRINKLEY, Mr. MOLLOHAN, Mr. DAN DANIEL, Mr. DICKINSON, Mr. WHITEHURST, Mr. SPENCE, Mr. BEARD, Mr. MITCHELL of New York, and Mrs. HOLT; and Mr. BOLAND, Mr. MINETA, Mr. GORE, and Mr. ROBINSON, from the Permanent Select Committee on Intelligence, only when differences regarding intelligence-related activities are under consideration; and in addition, solely for the consideration of section 908 of the House amendment. and section 915 of the Senate bill, Mr. HUGHES, Mr. MAZZOLI, Mr. SAM B. HALL, JR., Mr. SAWYER, and Mr. MCCLORY as managers of the conference on the part of the House.

The message also announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4083. An act to designate certain public lands in the State of California as wilderness, and for other purposes.

The message further announced that the House has agreed to the following concurrent resolution, in which it requests the concurrence of the Senate:

H. Con. Res. 96. Concurrent resolution calling for an indefinite moratorium on the commercial killing of whales and otherwise expressing the sense of the Congress with respect to conserving and protecting the world's whale populations.

HOUSE BILL REFERRED

The following bill was read twice by unanimous consent, and referred as indicated:

H.R. 4083. An act to designate certain public lands in the State of California as wilderness, and for other purposes; to the Committee on Energy and Natural Resources.

HOUSE CONCURRENT RESOLUTION REFERRED

The following concurrent resolution was read, and referred as indicated:

H. Con. Res. 96. Concurrent resolution calling for an indefinite moratorium on the commercial killing of whales and otherwise expressing the sense of the Congress with respect to conserving and protecting the world's whale populations; to the Committee on Foreign Relations.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1623. A communication from the Acting Assistant Secretary of Defense (Comptroller), transmitting, pursuant to law, notification of the intent to obligate $5.2 million in the Air Force Stock Fund for war reserve stocks; to the Committee on Appropriations.

EC–1624. A communication from the Secretary of the Army, transmitting, pursuant to law, notification that the Department of Defense will move all chemical munitions currently stored at Rocky Mountain Arsenal, Colorado, to Tooele Army Depot, Utah, for safe and secure long-term storage; to the Committee on Armed Services.

EC–1625. A communication from the Administrator of the Energy Information Administration, Department of Energy, transmitting, pursuant to law, a report on sales of refined petroleum products and sales of retail gasoline for April 1981; to the Committee on Energy and Natural Resources.

EC–1626. A communication from the New York Life Insurance Co., transmitting, pursuant to law, the 1980 annual report on the Sacramento Farm Credit Employees' Retirement Plan; to the Committee on Governmental Affairs.

EC–1627. A communication from the Acting Commissioner of the Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered in the cases of certain aliens whose visa petitions have been accorded third and sixth preference classification under section 204(d) of the Immigration and Nationality Act; to the Committee on the Judiciary.

EC–1628. A communication from the Acting Director of the Office of Congressional Affairs, Equal Employment Opportunity Commission, transmitting, pursuant to law, a report on activities under the Age Discrimination in Employment Act for the period July 1, 1979 through September 30, 1980; to the Committee on Labor and Human Resources.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–330. A resolution adopted by the City Council of San Marcos, California, expressing its support of efforts by the Federal Administration to return powers to local entities and urging a careful implementation of those efforts in ways that will, enhance, not impede, home rule; to the Committee on Governmental Affairs.

POM–331. A joint resolution adopted by the Legislature of the State of Alaska; to the Committee on the Judiciary:

"LEGISLATIVE RESOLVE No. 29

"Be it resolved by the Legislature of the State of Alaska:

"Whereas the key provisions of the 1965 Voting Rights Act will expire August 6, 1982, unless renewed by Congress; and

"Whereas the Voting Rights Act is rightly considered the most effective civil rights legislation ever enacted in the United States; and

"Whereas the Voting Rights Act has substantially increased the number of individuals voting in state, municipal and national elections; and

"Whereas the extension of the Voting Rights Act as the law of the land constitutes the single best assurance to all citizens of the United States that their right to participate in the American political process will be guaranteed; and

"Whereas the extension of the Voting Rights Act will allay the fears of many groups that a regression of voting rights may occur if the Act is not extended;

"Be it resolved by the Alaska State Legislature that Congress is urged to extend the Voting Rights Act in its present form.

"Copies of this resolution shall be sent to the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; the Honorable Thomas P. O'Neill, Speaker of the U.S. House of Representatives; the Honorable Strom Thurmond, Chairman of the Senate Judiciary Committee; the Honorable Peter W. Rodino, Jr., Chairman of the House Judiciary Committee; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress."

POM–332. A joint resolution adopted by the Legislature of the State of Alaska; to the Committee on Rules and Administration:

"LEGISLATIVE RESOLVE No. 32

"Be it resolved by the Legislature of the State of Alaska:

"Whereas great sacrifices were made by military personnel serving our country in the Vietnam war and many were killed and could not be identified; and

"Whereas to this day no adequate information exists as to the identification of those military personnel of the United States of America who were killed in the Vietnam war; and

"Whereas unknown dead from the Vietnam war are not represented at the Tomb of the Unknown Soldier in the national cemetery at Arlington, Virginia; and

"Whereas unidentified military personnel who were killed in the Vietnam war deserve a place in the nation's memory equal to that accorded those in other military conflicts involving the United States of America;

"Be it resolved that the Alaska State Legislature requests that the United States government establish a suitable memorial to the unidentified dead from the Vietnam war in conjunction with the memorial at the Tomb of the Unknown Soldier in the national cemetery at Arlington, Virginia, where unidentified military personnel from World War I, World War II, and the Korean War have a representative memorial.

"Copies of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; the Honorable George Bush, President of the United States Senate; the Honorable Thomas P. O'Neill, Jr., Speaker of the United States House of Representatives; the Honorable Alan K. Simpson, Chairman of the Senate Veterans Affairs Committee; the Honorable G. V. Montgomery, Chairman of the House Veterans Affairs Committee; Mr. Jan Scruggs, Director of the Vietnam Veterans Memoral Fund; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress."

POM–333. A resolution adopted by the Republican Party of Hawaii, commending George Bush on his discharge of the duties of the Office of Vice President of the United States; ordered to lie on the table.

POM–334. A resolution adopted by the City Council of Roseville, Calif., expressing its support of efforts by the Federal Administration to return powers to local entities and urging a careful implementation of those efforts in ways that will enhance, not further impede, home rule; to the Committee on Governmental Affairs.

POM–335. A resolution adopted by the Junior Order United American Mechanics, relating to a more restrictive immigration policy; to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. THURMOND, from the Committee on the Judiciary, without amendment, and with a preamble:

S.J. Res. 74. Joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week";

S.J. Res. 84. Joint resolution to proclaim March 19, 1982, "National Energy Education Day"; and

S.J. Res. 94. Joint resolution to designate October 10, 1981, as "National Jogging Day".

By Mr. DENTON, from the Committee on Labor and Human Resources, with an amendment in the nature of a substitute:

S. 1090. A bill to amend the Public Health Service Act to support services and research relating to adolescent pregnancy and parenthood (Rept. No. 97–161).

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. THURMOND, from the Committee on the Judiciary:

William C. Lee, of Indiana, to be U.S. district judge for the northern district of Indiana; and

William Bradford Reynolds, of Maryland, to be an Assistant Attorney General.

By Mr. MCCLURE, from the Committee on Energy and Natural Resources:

James R. Harris, of Indiana, to be Director of the Office of Surface Mining Reclamation and Enforcement;

James G. Stearns, of Nevada, to be Director of the Office of Alcohol Fuels; and

James R. Richard, of Virginia, to be Inspector General of the Department of Energy.

(The above nominations were reported from the Committee on Energy and Natural Resources with the recommendation that they be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. HELMS, from the Committee on Agriculture, Nutrition, and Forestry:

John V. Graziano, of Virginia, to be Inspector General, Department of Agriculture.

(The above nomination was reported from the Committee on Agriculture, Nutrition, and Forestry with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. NICKLES (for himself, Mr. THURMOND, Mr. EAST, Mr. GOLDWATER, Mr. GRASSLEY, Mrs. HAWKINS, Mr. HELMS, Mr. HUMPHREY, Mr. MATTINGLY, and Mr. SIMPSON):

S. 1505. A bill to repeal the Davis-Bacon Act, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. HAYAKAWA:

S. 1506. A bill to provide greater protection against the introduction and dissemination of plant pests; to the Committee on Agriculture, Nutrition, and Forestry.

By Mrs. KASSEBAUM:

S. 1507. A bill to amend the Social Security Act to provide that the repeal of the minimum benefit shall not apply in the case of individuals who receive $300 or less per month in other benefits; to the Committee on Finance.

By Mr. HEINZ (for himself and Mr. SPECTER):

S.J. Res. 99. Joint resolution to provide for the awarding of a special gold medal to Fred Waring; to the Committee on Banking, Housing, and Urban Affairs.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. NICKLES (for himself, Mr. THURMOND, Mr. EAST, Mr. GOLDWATER, Mr. GRASSLEY, Mrs. HAWKINS, Mr. HELMS, Mr. HUMPHREY, Mr. MATTINGLY, and Mr. SIMPSON):

S. 1505. A bill to repeal the Davis-Bacon Act, and for other purposes; to the Committee on Labor and Human Resources.

REPEAL OF DAVIS-BACON ACT

(The remarks of Mr. NICKLES on this legislation, and the text of the bill, appear earlier in today's RECORD.)

By Mrs. KASSEBAUM:

S. 1507. A bill to amend the Social Security Act to provide that the repeal of the minimum benefit shall not apply in the case of individuals who receive $300 or less per month in other benefits; to the Committee on Finance.

RESTRICTION ON REPEAL OF MINIMUM SOCIAL SECURITY BENEFIT

● Mrs. KASSEBAUM. Mr. President, the social security minimum benefit has become a source of mounting controversy. Earlier today, the Senate took the most

recent of several actions to reject restoration of the minimum benefit to individuals now receiving it. To date, the choices before us have been either to eliminate the minimum benefit entirely or to restore it to all current recipients.

Feeling that there are serious problems with both of these options, I am today introducing legislation designed to target the minimum benefit to those who are in need of it. Under this measure, the minimum benefit would continue to be available to individuals who receive $300 per month or less in other pension income. Current minimum benefit recipients with pension income in excess of this amount would receive a social security benefit based upon their actual contributions to the system.

During the numerous Senate debates on the minimum benefit, we have heard many times that the benefit constitutes a windfall to its recipients. I recognize that current minimum benefit provisions provide unintended benefits to a number of individuals. I see no need to continue to provide overly generous benefit amounts to those who are able to rely on other sources of pension income, particularly at a time when the system as a whole faces serious financial problems. It is for this reason that I have not supported efforts to restore the minimum benefit to all recipients.

At the same time, there are many other minimum benefit recipients who are greatly dependent upon this benefit and who have depended upon it for many years. Women, who constitute an estimated 85 to 90 percent of all minimum benefit recipients, would be particularly hurt by the elimination of this benefit. The outside resources available to these individuals are limited indeed.

The social security system attempts to balance adequacy and equity concerns. Maintaining the minimum benefit for the elderly individuals who rely on it as a mainstay of their support is clearly a legitimate means to advance the adequacy goals of the system. Although supplemental security income may fill the gap for some, the stringent assets test applied to the SSI program may preclude this option to many others.

This legislation may seem premature given the fact that the minimum benefit has not yet been formally repealed. However, because it does not appear that there will be an opportunity to address this issue during the conference on reconciliation legislation in spite of some second thoughts about previous House and Senate action, I felt it important to begin discussion now about ways in which the minimum benefit might be targeted.

Mr. President, I ask unanimous consent that the text of my bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1057

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 215 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"MINIMUM PRIMARY INSURANCE AMOUNT FOR INDIVIDUALS WITHOUT PENSION INCOME

"(j)(1) In the case of any individual who is entitled to a monthly benefit under this title which is determined on the basis of a primary insurance amount which is less than $122, such individual's monthly benefit amount shall be determined as if such primary insurance were equal to $122, but only with respect to such a benefit payable for a month described in paragraph (2), and subject to the provisions of this title as in effect prior to those amendments made by the Omnibus Reconciliation Act of 1981 relating to the repeal of the minimum benefit provision.

"(2)(A) The provisions of paragraph (1) shall apply only with respect to a month for which there is not payable to such individual periodic monthly benefits (other than benefits payable under this title) which are greater than $300 and which constitute a pension, retirement or retired pay, annuity, or any other similar payment, which is based on the previous work of such individual or any other individual.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(b) The amendment made by subsection (a) shall be effective with respect to monthly benefits under title II of the Social Security Act for months beginning after the date of the enactment of this Act.●

By Mr. HEINZ (for himself and Mr. SPECTER):

GOLD MEDAL TO FRED WARING

S.J. Res. 99. Joint resolution to provide for the awarding of a special gold medal to Fred Waring; to the Committee on Banking, Housing, and Urban Affairs.

● Mr. HEINZ. Mr. President, today it gives me great pleasure to join with Senator SPECTER in introducing legislation to award a special gold medal to one of our country's greatest and most beloved musicians, Fred Waring.

Born and raised in Tyrone, Pa., Mr. Waring has devoted his long and fruitful life to popularizing music and in doing so, has brought countless hours of enjoyment to the American public. Whether he was leading the Boy Scout drum corps as a young child, or performing songs heard by millions of Americans, Mr. Waring has pursued his musical aspirations with vehemence.

Pennsylvania is especially fortunate to have witnessed the development of Fred Waring's music. As a teenager, he and several other local boys formed a quartet known as "Waring's Banjo Orchestra." This group began to develop an innovative style, using faster rhythms and exciting new harmonies. Leaving behind his studies in engineering at Pennsylvania State University, Mr. Waring threw his full energies into the band. It is a decision that I am sure he has never regretted.

Mr. Waring is perhaps best known as the "Man Who Taught America How To Sing." His prodigious contributions to the music industry include vaudeville, movies, radio, recordings, Broadway, television, and live concerts. In all these mediums, Mr. Waring has repeatedly distinguished himself with a distinctive blend of timeless music styles, earning an endearing place in the hearts of contented listeners of all ages.

Nowhere was Fred Waring's love for music better evidenced than during his many concert performances. Despite the rigors of travelling nearly 40,000 miles each year on tour, Mr. Waring treated each concert with enthusiasm and verve. Fred Waring clearly knew the musical tastes of his audiences and he satisfied their craving for live performances with hundreds of concerts.

Not only was Fred Waring a tireless performer on stage, but he was also a pioneer and innovator in the recording industry. His electronic recordings were among the first successfully produced in the inchoate recording industry. In addition, he was the first to use a female singer, to feature vocalists with an orchestra, and to combine orchestra and glee club.

It would be difficult to enumerate all of the successful songs that Fred Waring has written and performed over the years, but he and his group, the Pennsylvanians, have recorded over 1,500 songs and 100 albums. His songs have ranged from college alma mater fight songs to patriotic tunes to jazz pieces.

During World War II, Fred Waring made a significant contribution to the war effort by performing at war bond rallies, Army camps, naval training centers, and the New York Canteen owned by the Pennsylvanians. He also composed many patriotic songs for all branches of the armed services. His unselfish dedication to the allied cause is yet another example of the tradition of service that Fred Waring has so perfectly embodied.

Mr. Waring is also recognized as one of the finest music educators in the country. He has received awards from the Association of Professional Vocal Ensembles, the National Music Educators, and the American Choral Directors Associations. His efforts to foster better singing techniques led to the establishment of the Fred Waring Choral Music Workshop in 1947. He still teaches and supervises the workshop now held on the campus of Pennsylvania State University.

Throughout the past 65 years of Fred Waring's musical life, he has rewarded his dedicated listeners with many enjoyable moments and memorable tunes. This joint resolution which I am introducing today would honor his accomplishments with a gold medal, a small token of our esteem for his contributions to the music world. I am sure you will agree with me that Fred Waring deserves to be remembered in such a fashion for his unique and enduring gifts to music lovers everywhere.●

ADDITIONAL COSPONSORS

S. 169

At the request of Mr. HEINZ, the Senator from North Dakota (Mr. ANDREWS)

was added as a cosponsor of S. 169, a bill to amend sections 169 and 103 of the Internal Revenue Code with respect to tax treatment of pollution control facilities.

S. 178

At the request of Mr. DURENBERGER, the Senator from Nebraska (Mr. ZORINSKY), the Senator from Vermont (Mr. STAFFORD), and the Senator from Tennessee (Mr. SASSER) were added as cosponsors of S. 178, a bill to amend the Powerplant and Industrial Fuel Use Act of 1978 to further the objectives of national energy policy of conserving oil and natural gas through removing excessive burdens on the production of coal.

S. 464

At the request of Mr. DURENBERGER, the Senator from New Jersey (Mr. BRADLEY) was added as a cosponsor of S. 464, a bill to amend the Internal Revenue Code of 1954 to adjust provisions governing private foundations.

S. 539

At the request of Mr. DURENBERGER, the the Senator from South Carolina (Mr. THURMOND) was withdrawn as a cosponsor of S. 539, a bill to prohibit the use of funds to establish a nine-digit ZIP code.

S. 1018

At the request of Mr. CHAFEE, the Senator from Michigan (Mr. LEVIN), the Senator from California (Mr. CRANSTON), and the Senator from Pennsylvania (Mr. HEINZ) were added as cosponsors of S. 1018, a bill to protect and conserve fish and wildlife resources, and for other purposes.

S. 1037

At the request of Mr. MELCHER, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 1037, a bill entitled the "National Rangeland Research Act of 1981".

S. 1131

At the request of Mr. DANFORTH, the Senator from Wisconsin (Mr. KASTEN) was added as a cosponsor of S. 1131, a bill to require the Federal Government to pay interest on overdue payments and to take early payment discounts only when payment is timely made, and for other purposes.

S. 1288

At the request of Mr. DURENBERGER, the Senator from Alabama (Mr. HEFLIN), the Senator from Mississippi (Mr. COCHRAN), and the Senator from Minnesota (Mr. BOSCHWITZ) were added as cosponsors of S. 1288, a bill to amend the Internal Revenus Code of 1954 to encourage greater energy conservation by commercial businesses, and for other purposes.

S. 1348

At the request of Mr. SASSER, the Senator from Vermont (Mr. STAFFORD), the Senator from Vermont (Mr. LEAHY), and the Senator from Florida (Mrs. HAWKINS) were added as cosponsors of S. 1348, a bill to amend the Internal Revenue Code of 1954 to clarify certain requirements which apply to mortgage subsidy bonds.

S. 1467

At the request of Mr. LEAHY, the Senator from Arizona (Mr. DECONCINI) was added as a cosponsor of S. 1467, a bill to eliminate the exemption for Congress the application of certain provisions of Federal law relating to employment, privacy, and social security, and for other purposes.

S. 1487

At the request of Mr. BOREN, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 1487, a bill to amend the tax laws of the United States to encourage the preservation of independent local newspapers.

SENATE JOINT RESOLUTION 74

At the request of Mr. THURMOND, his name was added as a cosponsor of Senate Joint Resolution 74, a joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week."

SENATE JOINT RESOLUTION 76

At the request of Mr. RANDOLPH, the Senator from Delaware (Mr. BIDEN), the Senator from Alabama (Mr. HEFLIN), the Senator from Nebraska (Mr. EXON), the Senator from Nevada (Mr. CANNON), the Senator from New Jersey (Mr. BRADLEY), the Senator from Oklahoma (Mr. BOREN), the Senator from Florida (Mr. CHILES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Georgia (Mr. NUNN), and the Senator from Kentucky (Mr. HUDDLESTON) were added as cosponsors of Senate Joint Resolution 76, a joint resolution providing for the commemoration of the 100th anniversary of the birth of Franklin Delano Roosevelt.

SENATE JOINT RESOLUTION 83

At the request of Mr. CHAFEE, the Senator from Connecticut (Mr. WEICKER), the Senator from New York (Mr. MOYNIHAN), the Senator from Vermont (Mr. LEAHY), and the Senator from Massachusetts (Mr. KENNEDY) were added as cosponsors of Senate Joint Resolution 83, a joint resolution to authorize and request the President to call a White House Conference on Education not later than January 15, 1982, and for other purposes.

SENATE JOINT RESOLUTION 94

At the request of Mr. THURMOND, the Senator from New Mexico (Mr. SCHMITT), the Senator from South Dakota (Mr. ABDNOR), the Senator from Rhode Island (Mr. CHAFEE), the Senator from Nevada (Mr. LAXALT), the Senator from Mississippi (Mr. COCHRAN), the Senator from Alaska (Mr. STEVENS), the Senator from Washington (Mr. GORTON), the Senator from Kansas (Mr. DOLE), the Senator from North Carolina (Mr. EAST), the Senator from Arizona (Mr. GOLDWATER), the Senator from Missouri (Mr. DANFORTH), the Senator from North Carolina (Mr. HELMS), the Senator from Indiana (Mr. LUGAR), the Senator from New York (Mr. D'AMATO), the Senator from Pennsylvania (Mr. SPECTER), the Senator from Alabama (Mr. DENTON), the Senator from California (Mr. CRANSTON), the Senator from Arizona (Mr. DECONCINI), the Senator from North Dakota (Mr. BURDICK), the Senator from Montana (Mr. BAUCUS), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Massachusetts (Mr. TSONGAS), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. PRYOR), the Senator from New York (Mr. MOYNIHAN), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Wisconsin (Mr. PROXMIRE), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Michigan (Mr. RIEGLE), and the Senator from Minnesota (Mr. DURENBERGER) were added as cosponsors of Senate Joint Resolution 94, a joint resolution to designate October 10, 1981, as "National Jogging Day."

SENATE RESOLUTION 153

At the request of Mr. HEINZ, the Senator from Delaware (Mr. ROTH) was added as a cosponsor of Senate Resolution 153, a resolution to require full adherence to U.S. Trade Agreements.

AMENDMENT NO. 504

At the request of Mr. BUMPERS, his name was added as a cosponsor of amendment No. 504 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

At the request of Mr. RIEGLE, the Senator from Massachusetts (Mr. KENNEDY), the Senator from Tennessee (Mr. SASSER), the Senator from Michigan (Mr. LEVIN), the Senator from Maryland (Mr. SARBANES), the Senator from Ohio (Mr. METZENBAUM), the Senator from West Virginia (Mr. ROBERT C. BYRD), the Senator from Connecticut (Mr. DODD), the Senator from Arkansas (Mr. PRYOR), the Senator from Missouri (Mr. EAGLETON), the Senator from Illinois (Mr. DIXON), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Massachusetts (Mr. TSONGAS), the Senator from Nebraska (Mr. ZORINSKY), the Senator from Rhode Island (Mr. PELL), the Senator from Arizona (Mr. DECONCINI), the Senator from Montana (Mr. MELCHER), the Senator from New York (Mr. MOYNIHAN), the Senator from Maine (Mr. MITCHELL), the Senator from North Dakota (Mr. BURDICK), the Senator from California (Mr. CRANSTON), and the Senator from West Virginia (Mr. RANDOLPH) were added as cosponsors of amendment No. 504 proposed to House Joint Resolution 266, supra.

AMENDMENTS SUBMITTED FOR PRINTING

ECONOMIC RECOVERY TAX ACT OF 1981

AMENDMENT NO. 505

(Ordered to be printed and to lie on the table.)

Mr. HEINZ (for himself and Mr. DODD) submitted an amendment intended to be proposed by them to the joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

REPEAL OF SECTION 189 OF THE INTERNAL REVENUE CODE

● Mr. HEINZ. Mr. President, I am pleased to join the distinguished Senator from Connecticut, Senator DODD, in submitting this amendment to repeal section 189 of the Internal Revenue Code.

In view of the accelerated depreciation changes for real property voted by the Senate last night, passage of this amendment is made all the more important as a needed stimulus to housing and other construction.

For the benefit of my distinguished colleagues who do not serve on the Finance Committee, let me briefly explain section 189. Added as part of the Tax Reform Act of 1976, section 189 prevents the expensing of construction period interest and real property taxes incurred during the construction period of low-income housing, residential, and other real property. Instead, section 189 requires amortization of these expenses over a 10-year period. This amortization requirement has been phased in—beginning in 1976 for commercial real estate, 1978 for rental housing in general, and 1982 for low-income housing. Because construction period interest and taxes can be expensed for nonreal estate investments, section 189 has placed real estate in general and rental housing in particular at a competitive disadvantage.

To revive rental housing production—which declined from 185,000 starts in 1977 to fewer than 50,000 in 1980—our amendment would repeal section 189 immediately for all residential rental property. This would provide an immediate stimulus to rental housing production. In fact, the Forecasting and Policy Analysis Division of the National Association of Realtors estimates that repeal of section 189 would increase housing starts by 16,000 units in fiscal year 1982; 19,000 units in fiscal year 1983; 21,000 units in fiscal year 1984; and 23,000 units in fiscal year 1985.

Besides repealing section 189 immediately for residential rental real property, this amendment would phase out for all other forms of real property. Beginning January 1, 1982, it would require amortization over 8 years in 1982, amortization over 6 years in 1983, amortization over 4 years in 1984, amortization over 2 years in 1985, and expensing beginning in 1986. Nonresidential construction is also expected to increase dramatically as a result of this amendment; by $75 million worth of new construction in fiscal year 1982, by $400 million in fiscal year 1983, by $725 million in fiscal year 1984, by $1.1 billion in fiscal year 1985, and by $1.7 billion in fiscal year 1986. I ask unanimous consent that a factsheet explaining in greater detail the case for repeal of section 189 be printed in the RECORD at this point.

There being no objection, the fact sheet was ordered to be printed in the RECORD, as follows:

WHY REPEAL OF SECTION 189 IS NECESSARY

I. Present Law:

Section 189 of the Internal Revenue Code prevents the deduction of real cash outlays for interest and real property taxes incurred during the construction period of low income housing, residential, and other real property. Instead, this section requires that these costs be amortized over a 10-year period.

II. Reasons for Repeal:

Repeal of Section 189 is urgently needed for the following reasons:

1. Capital Formation. By forcing those who develop low income housing, residential and other real estate to capitalize these true "out-of-pocket" costs rather than allowing current deductions as permitted to others who have "business interest" expenses, section 189 artificially increases the required capital needed to develop these facilities.

2. Inflation. Section 189 is highly inflationary because by increasing the capital required it increases the cost of development, and those who construct a property must recover this increased cost of development through higher rents to lessees and higher prices to purchasers. In addition, businesses who lease, or who construct their own facilities, may pass these costs on to consumers through higher prices.

3. Real Expenses. Repeal of section 189 would merely allow individual's a dollar-for-dollar deduction of amounts actually paid during the construction period, which is the time when capital is most needed.

4. Competition. Section 189 is especially harmful to new and/or not-so-wealthy entrepreneurs, who do not have large amounts of capital and who must raise additional capital as a result of this provision. Consequently, these entrepreneurs are discouraged or prevented from entering into otherwise viable housing and other real estate developments or constructing new or expanded facilities for their businesses. Thus, Section 189 discourages competition and increases prices.

5. Equity. Repeal of section 189 will equalize the treatment of interest and taxes, which are out-of-pocket expenses, between residential and other real property construction and all other industries, none of which is subject to this onerous provision.

Mr. HEINZ. Mr. President, the revenue loss from this amendment is more than offset by the accelerated depreciation changes made on the Senate floor last night. Ironically, this amendment will do more to stimulate construction than the Senate Finance Committee package would have—and at less cost to the Treasury. The revenue loss resulting from this amendment has been estimated as follows:

[In millions]

	Fiscal year—					
	1981	1982	1983	1984	1985	1986
Sec. 189 repeal: Residential rental		−150	−300	−275	−250	−225
Phased repeal: Sec. 189 non-residential		−.02	−60	−150	−450	−720
Total		−150	−360	−425	−700	−945

Mr. President, this revenue loss is more than offset by the savings resulting from the 200/150 accelerated depreciation amendment accepted last night, which are as follows:

[In millions of dollars]

	Fiscal year—					
	1981	1982	1983	1984	1985	1986
Savings	+100	+800	+1,300	+1,800	+2,100	+2,500

In closing, Mr. President, I urge my distinguished colleagues to join Senator DODD and I in support of this amendment to help revive the housing and construction industries.

● Mr. DODD. Mr. President, I am pleased to join my colleague from Pennsylvania (Mr. HEINZ) in offering this amendment to phase out and repeal the amortization requirements for real property construction period interest and taxes. Unlike other legitimate business expenses, section 189 of the Internal Revenue Code prevents the deduction of these costs when incurred in connection with investments in real property. Instead, this section requires that these items be amortized over a 10-year period. We are proposing to repeal this provision beginning in 1982 for investments in connection with residential rental housing and to phase out the applicability of this section with respect to other forms of real property over the next 5 years.

The eventual repeal of section 189 will contribute significantly to increased investments in real property and overcome the inequities which currently exist between the real estate and other industries which are not subject to this requirement. This section has the effect of increasing capital needs and decreasing competition for these resources. In addition, I believe the adoption of this amendment is essential in light of the action taken last evening reducing the rate of cost recovery on 15-year real property, other than low-income rental housing.

Mr. President, the Senator from Pennsylvania and I had originally intended to offer our amendment in connection with changes in the rates of depreciation for real property contained in the Finance Committee bill. Such action would have provided, in my opinion, both improved incentives for real property investment and significant revenue gains over the next several years over the committee bill. The amendment already adopted goes beyond depreciation changes we were prepared to offer. I believe we must move forward with this proposal to eliminate the negative effects of section 189 from an industry which can now expect significantly less by the way of incentives compared with those in the bill proposed by the administration and approved by the Finance Committee.

I want to emphasize that our original intention is still valid. We can improve the climate for real property investment and still gain substantial revenues over the original bill. The amendment by the Senator from Kansas (Mr. DOLE) will produce a revenue gain of $8.6 billion through fiscal year 1986. When offset by the cost of our amendment, there is still a net gain of approximately $6.1 billion. I hope my colleagues will join us in supporting this amendment which restores approximately 30 percent of the reduction to this essential industry which results from the adoption of the amendment last evening.●

AMENDMENT NO. 506

(Ordered to be printed and to lie on the table.)

Mr. KENNEDY (for himself, Mr. RUDMAN, and Mr. PELL) submitted an amendment intended to be proposed by them to the joint resolution, House Joint Resolution 266, supra.

TAX CREDIT FOR CERTAIN HOME HEATING

● Mr. KENNEDY. During this week's consideration of the tax legislation we plan to offer an amendment which will establish a home heating tax credit. A similar amendment passed the Senate in 1977 with only 27 dissenting votes.

The credit of up to $300 will be available to offset major increases in heating bills that occur in the future. The credit will only be granted to the extent inflation increases heating costs.

We are offering this amendment because the increase in home heating costs are a serious burden on many families. In just the last 2 years, the costs of heating bills have increased from $600 to $1,200. While families are attempting to cut their costs by increasing the efficiency of their energy use, they need this tax credit to avoid significant declines in their standard of living.

This credit is also necessary to avoid a significant tax increase. Changes in U.S. pricing policies will increase a family's energy costs by $638 this year. Half of the increase in total energy bills, or about $319, is increased taxes paid to the Federal Government as the windfall profit tax.

Although this tax is normally thought of as a tax on the oil companies, it is in fact only collected by the oil companies. It is actually paid by energy consumers. Thus, this tax credit is necessary to offset a significant increase in the tax burden of citizens that was caused by the decision to decontrol with a windfall profit tax.

Mr. President, I ask unanimous consent that a factsheet on the amendment be printed in the RECORD.

There being no objection, the factsheet was ordered to be printed in the RECORD, as follows:

FACTSHEET ON KENNEDY-RUDMAN-PELL AMENDMENT

PURPOSE

Tax credit: Provide tax credit for residential heating costs.

Effective date of tax: Taxable years 1981–1984.

Maximum credit: $300.00.

Eligibility: All households (both renters and owners) with incomes up to $30,000; above that level the credit is reduced until it is phased out at $35,000.

Credit is also reduced dollar for dollar for any amount received in the form of grant assistance from any government source by the taxpayer for residential heating costs.

Formula

The sum of:

(1) Annual amount paid by household, individual, or family for residential heating from any source—oil, wood, gas, coal.

Multiplied by:

(2) CPI increase from previous year (12.4 in 1980, current projected CPI: 8.4 in 1981).

Example of formula

Example of the formula is based on average price and consumption of No. 2 home heating oil in Rhode Island as of January, 1981.

Average price is $1.26/gallon.

Average consumption is 1,200/year.

Amount paid times CPI: $1,512. times 0.124 equals $187.48 (maximum credit: $300.00).

Revenue loss to U.S. Treasury: $1 billion to $1.3 billion estimate from Joint Committee on Taxation.●

AMENDMENT NO. 507

(Ordered to be printed and to lie on the table.)

Mr. TOWER submitted an amendment intended to be proposed by him to joint resolution House Joint Resolution 266, supra.

AMENDMENT NO. 508

(Ordered to be printed.)

Mr. DOLE proposed an amendment to the joint resolution House Joint Resolution 266, supra.

AMENDMENT NO. 509

(Ordered to be printed.)

Mr. DOLE (for himself, Mr. NICKLES, Mr. BOREN, and Mr. WALLOP) proposed an amendment to the joint resolution House Joint Resolution 266, supra.

AMENDMENT NO. 510

(Ordered to be printed.)

Mr. DOMENICI (for himself, Mr. SCHMITT, Mr. TOWER, and Mr. NICKLES) proposed an amendment to amendment No. 508 to the joint resolution, House Joint Resolution 266, supra.

ADDITIONAL STATEMENTS

THE RIGHT TO EMIGRATE

● Mr. KASTEN. Mr. President, as many of my colleagues know, Congressman MICHAEL BARNES of Maryland is the chairman of the Congressional Call to Conscience Vigil, 1981. I commend his efforts, and those of more than 100 Members of the House of Representatives, to speak out for Soviet Jews, Christians, and others who have been denied the right to emigrate; who have been harassed and imprisoned for their beliefs; who have been denied the right to join their families in other countries.

I call the attention of this body to the plight of Mr. Vladimer Tsukerman who has requested permission to join his wife and son in Israel. Soviet authorities have ignored this request and imprisoned Mr. Tsukerman on charges of organizing public disorder.

Mr. President, the Helsinki accords of 1975 guarantee the citizens of signatory nations the right to emigrate. The Soviet Union is a signatory of these accords, yet its record on allowing free emigration is dismal. I hope the efforts of this body will have some positive effect on protection of basic human rights in the Soviet Union and on Soviet compliance with both the spirit and letter of the Helsinki accords.●

SURVEY SHOWS BROAD PUBLIC SUPPORT FOR TRADING COMPANY LEGISLATION

● Mr. HEINZ. Mr. President, in January 1981 Union Carbide commissioned a study of public opinions concerning trade issues and the Government's role in trade policies. The survey was recently made public and I would like to share some of the results with my colleagues.

The majority of those polled supported new and existing Government incentives that would directly stimulate increased exports. Fifty-nine percent endorsed an increase in the low-interest loans provided through the Export-Import Bank to firms selling abroad and 54 percent supported tax incentives for exporting firms to allow them to compete with other nations. Seven out of ten Americans favored the creation of trading companies for smaller firms in order to boost foreign sales. They also favored permitting U.S. corporations to work together on foreign sales, even if they would not be permitted to do so in the United States.

On the issue of our Nation's present trade deficit, 75 percent of the Americans polled felt that this was a serious problem. Most Americans also expressed the view that our domestic and trade problems are very closely linked together and, therefore, the gap in our trade balance will not be closed merely by restricting imports. Eighty percent of those polled also favored reciprocity, agreeing that if we wish to sell our products abroad, we must allow other countries to sell their products here.

In the area of foreign oil, U.S. dependence on imported oil was cited as a major reason for our trade and domestic economic problems. More than 90 percent of those polled considered U.S. reliance on unstable areas of imported oil to be a serious problem. However, there was substantially less agreement on the necessity for U.S. oil import dependence or on effective ways to reduce it.

In regard to U.S. competitiveness, over 50 percent felt that American products were not competitive with foreign products in terms of price and quality. A smaller percentage also felt that American companies were not managed better than foreign companies. Almost 60 percent of those polled agreed that foreign firms receive more governmental support in attempting to market their products overseas than their U.S. counterparts and that there should be stricter enforcement of U.S. laws against dumping and subsidized imports.

These survey results are clear indicators of the need to take immediate action to promote U.S. exports in order to increase U.S. competitiveness. The emerging consensus is that our domestic economic problems are closely linked with our trade difficulties and that these problems can be resolved in part by aggressive U.S. Government policies to encourage U.S. companies to export competitively in the world market. We must continue our efforts to improve domestic export performance and to continue the reduction of our trade deficit.●

OVERWHELMING SUPPORT BY ARIZONA PRO-LIFE LEGISLATORS FOR SANDRA O'CONNOR

● Mr. GOLDWATER. Mr. President, single-issue religious groups have leaped before they looked in opposing the nomination of Sandra O'Connor to the Supreme Court. I have previously warned

that the fundamental error of her critics is in attempting to use a specific issue, on which some people feel passionately, to dominate every sphere of public activity. As James Madison, the Father of the Constitution, explained at length in his famous Federalist Paper No. 10, the concentration of power in factions is alien to the intent of the framers and destructive of a free government.

Beyond violating this basic concept, the self-proclaimed morality groups attacking Mrs. O'Connor's confirmation are just plain wrong about her positions. They have mistakenly distorted or lied about her past actions.

There is proof of what I say. Just today I have received the mail from Arizona and in it was a copy of an endorsement of Sandra O'Connor signed by 26 members of the Arizona House of Representatives, all of whom have consistently voted for memorials urging ratification of the right-to-life amendment.

This bipartisan group hailed the integrity and morality of Sandra O'Connor and deplored the opposition to her nomination as being founded on a "lot of unfounded rumors and innuendo."

At the press conference held on July 13, State Representative Pete Corpstein, who sent me a copy of the letter of endorsement, said of Sandra O'Connor: "I don't know anyone who has more Christian integrity."

Representative Corpstein added in his note to me that this endorsement proves "there is overwhelming support by the Arizona right-to-lifers for Sandra's nomination."

One of the signers of the endorsement, Representative Donna Carlson West, is a leader both of Arizona's pro-life and anti-ERA forces. She, too, publicly criticized opposition to Mrs. O'Connor as being unfounded and untrue. Representative West announced she has carefully examined the votes cast by Judge O'Connor, "when she served in the State Senate, and has not seen anything that tells me Sandra shouldn't be the Justice."

Mr. President, I believe these statements by Arizonans, who have worked with and know Sandra O'Connor, will satisfy my colleagues that the foes of her nomination are misrepresenting her views. So that Senators may judge for themselves, I ask that the pertinent news reports shall appear in the RECORD.

The material follows:

ARIZONA HOUSE OF REPRESENTATIVES,
July 13, 1981.

NOMINATION OF SANDRA O'CONNOR FOR THE UNITED STATES SUPREME COURT

Today 26 Republican and Democrat members of the House of Representatives have signed letters to Senators Strom Thurmond, Howard Baker, Orrin G. Hatch and Jesse Helms which give the following statement:

"The undersigned members of the Arizona House of Representatives have consistently supported the Right to Life Constitutional Convention Amendment to the United States Constitution.

"We wholeheartedly endorse the honorable Sandra D. O'Connor for nomination to the United States Supreme Court. Because of her integrity, morality and knowledge, we believe Sandra D. O'Connor will be an asset to the United States Supreme Court."

We are bringing this to the attention of the media and to the nation as we feel there have been a lot of unfounded rumors and innuendo in regard to this nomination.

We enthusiastically support her nomination.

PETE CORPSTEIN,
State Representative.

ARIZONA HOUSE OF REPRESENTATIVES,
Phoenix, Ariz., July 10, 1981.

Hon. STROM THURMOND,
Chairman, U.S. Senate Judiciary Committee, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR THURMOND: The undersigned members of the Arizona House of Representatives have consistently supported the Rights to Life Constitutional Convention Amendment to the United States Constitution.

We wholeheartedly endorse the Honorable Sandra D. O'Connor for nomination to the United States Supreme Court. Because of her integrity, morality and knowledge, we believe Sandra D. O'Connor will be an asset to the United States Supreme Court.

Sincerely,

Pete Corpstein, Donna Carlson West, Frank Kelley, Speaker; Burton S. Barr, Majority Leader; Art Hamilton, Minority Leader; Jim Cooper, Bart Baker, Jane Dee Hull, Jim Meredith, Joseph J. Lane, Paul Messinger, Pete Dunn, Tony West, E. C. "Polly" Rosenbaum, Lillian Jordan, Carl J. Kunasek, Donald Kenney, James B. Ratliff, Doug Todd, Rhonda Thomas, Pat Wright, Debbie McCune, Edward G. Guerrero, D. Lee Jones, Daniel Peaches, Morris Courtright.

[From the Phoenix Gazette, July 14, 1981]

TWENTY-SIX SUPPORT O'CONNOR NOMINATION

Twenty-six Arizona House members who are strong foes of abortion have endorsed Appeals Court Judge Sandra O'Connor in her nomination to the U.S. Supreme Court.

In a letter to four members of the U.S. Senate, where the nomination will be considered later this summer, the bipartisan group disputed the "unfounded rumors and innuendo" circulating about Mrs. O'Connor, and said they "enthusiastically support" her appointment.

"Because of her integrity, morality and knowledge, we believe Sandra D. O'Connor will be an asset to the Supreme Court," the group wrote.

All 26 were among the 31 who voted last January for the House resolution calling for a constitutional convention to draft a right-to-life amendment to the U.S. Constitution. It passed the House without a vote to spare, and later died 9–0 in a Senate committee.

The Arizona judge and former legislative leader has come under attack from right-to-life groups which insisted she had a "consistent" pro-abortion voting record in 1970–74, when she was in the Senate.

"I just wish half the people in the Moral Majority had the moral integrity of Sandra O'Connor," said Rep. Peter Corpstein, R-Paradise Valley, who circulated the letter. "I don't know anyone who has more Christian integrity."

Corpstein said only two of those voting for the convention resolution last winter—Flagstaff Republicans Sam McConnell and John Wettaw—refused to sign the letters. Two others were out of town and unable to sign, while Corpstein conceded he hadn't asked Scottsdale Republican Jim Skelly, the House's most ardent abortion opponent.

[From the Phoenix Gazette, July 13, 1981]

REPRESENTATIVE WEST CLAIMS JUDGE O'CONNOR'S LEGISLATIVE VOTES ARE MISINTERPRETED

(By John Kolbe)

Rep. Donna Carlson West, R-Mesa, a leader of Arizona's pro-life and anti-ERA forces, has mounted a strong defense of Judge Sandra O'Connor against the attacks of right-wing groups.

In a letter Friday to Senate Majority Leader Howard Baker, R-Tenn., the five-term lawmaker said she was "deeply distressed" at the anti-abortion and anti-ERA opposition to Mrs. O'Connor's Supreme Court nomination, and insisted there was nothing on her record "that warrants the many unfounded, untrue charges that are being raised."

Mrs. West explained several of the votes cast by Mrs. O'Connor as a state senator from 1970–74 were being misinterpreted by her rightist foes.

She told the Phoenix Gazette her conclusions were based on a recent conversation with Judge O'Connor, in which she sought to clear up the jurist's positions on several issues.

While the judge backed a resolution aimed at ratifying the Equal Rights Amendment, she conceded, so did two other conservative Republicans—Trudy Camping and Bess Stinson, both of Phoenix—who later became ardent foes.

"Since 1975, Sandra has been on the bench and has not spoken out for or against the ERA," Mrs. West wrote Baker.

Judge O'Connor's legislative opposition to various anti-abortion proposals was often for other reasons, Mrs. West added. She voted against one measure to ban abortions at Tucson's University Hospital because it was not germane to the original bill, and opposed a pro-life memorial to Congress because of her "general opposition to constitutional conventions."

Mrs. West, past chairman of the American Legislative Exchange Council (ALEC), a national organization of conservative state lawmakers, said rumors that Mrs. O'Connor favored gun control or opposed religion and capital punishment are "views which she has never held."

Although Kathleen Teague, ALEC's executive director, appeared at a press conference of right-wing groups Thursday to join in the attack, Mrs. West said she did so without authority from the group's executive board.

"This is really starting to disturb me," said Mrs. West. "What they're doing now is questioning President Reagan's judgment. I just haven't seen anything that tells me Sandra shouldn't be the justice." ●

VOTING RIGHTS ACT

● Mr. HART. Mr. President, this morning's New York Times carried an excellent column by Tom Wicker which effectively makes the case for full extension of the Voting Rights Act. Quite simply—and quite sufficiently—the act works. It is needed and it is working in 1981 as the only real guarantee to minority groups that their voting power will not be diluted by subtle but powerful means.

As Mr. Wicker points out, it is becoming clear even to the doubters, that only the full extension of the Voting Rights Act will safeguard what the President recently described in Denver as: "the most sacred right of free men and women." The options which have been suggested, particularly nationwide preclearance, would seriously weaken the act and impair its crucial safeguards. Mr. Wicker's editorial provides an especially good four-point analysis of why nationwide preclearance has no intrinsic validity and should not seriously be considered. I commend the article to my colleagues and urge them to support efforts to extend the full force of the act for 10 more years.

I ask that the editorial be printed in the RECORD.

The editorial follows:

NO AMBIGUITY JUSTIFIED

(By Tom Wicker)

If anyone—say President Reagan—has harbored honest doubt about the need for renewal of the historic Voting Rights Act of 1965, that doubt should have been dispelled by the Reagan Justice Department's rejection last week of a Virginia reapportionment plan.

That state's legislature, ostensibly acting on the 1980 census, outlined state senate boundaries that would have split Norfolk's black population—37 percent of the total—and resulted in two majority-white districts. A Justice Department official said the legislature had rejected the alternative of one black-majority district, and claimed that the choice was "made with full awareness." That's a roundabout way of describing an effort to deprive blacks of justified representation in the state senate.

A "strikingly similar" plan, the official said, was rejected on the same grounds in 1971, after the last census—which says something about the extent to which underlying Southern attitudes have resisted change even in recent years. Then and now, the Justice Department acted under the pre-clearance provisions (Section 5) of the Voting Rights Act.

Section 5 applies to nine states (including Virginia) and portions of 13 others (including New York) with a history of such discrimination. It requires these jurisdictions to clear any change in their voting procedures with the Justice Department, or to obtain the approval of a Federal district court in Washington.

But Section 5 will expire in 1982, and considerable opposition to its renewal has surfaced with the election of the conservative Reagan Administration and Republican control of the Senate. Such a sharp change in the political climate no doubt influenced the Virginia legislature to try again what it could not get away with in 1971.

Mr. Reagan's own position is ambiguous, though it was not during his 1980 campaign. At that time he said he favored extension of Section 5 to all 50 states, rather than limiting it to the 22 now affected. That seemed still his position on June 15, 1981, when he wrote Attorney General Smith to ask for a full review of the Act.

But on June 29 the President told the N.A.A.C.P. in Denver that he intended to safeguard voting as "the most sacred right of free men and women." Howell Raines of The New York Times has reported that Mr. Reagan later gave black leaders private assurances that he would not "do anything to dilute the enforcement provisions of the law." But a "senior White House official" told Mr. Raines that the 50-state plan was an option "still very much on the table."

If so, that option can only reflect the political pressures from Southern whites and others of the right wing; it has no intrinsic validity, for at least four good reasons:

Practically, to bring all 50 states under the requirements of Section 5 would swamp the Justice Department with clearance requests, particularly as the states reapportion themselves following the census. The effective result would be to lessen the department's ability to enforce the Act anywhere, and increase the likelihood that discriminatory changes might slip through.

Intellectually, it is outright sophistry to claim that extending Section 5 to all 50 states would provide equity for all. What is fair about the saddling states that have no history of voting discrimination with the same tough requirements imposed on those with blatant histories of such discrimination? This penalty was earned by the offending states—Mississippi, for example, where in 1965 only 6.7 percent of eligible blacks were registered.

Constitutionally, the United States already has a voting rights requirement that applies equally to all 50 states—the 15th Amendment, which prohibits voting restrictions based on race. The Voting Rights Act merely enforces this amendment against offending jurisdictions.

Politically, moreover, all 50 states are already liable, even if not now subject, to preclearance procedures. Under Section 3(c) of the Act, if a court finds that any one of them has violated the 14th or 15th Amendments to an extent justifying relief, it can require pre-clearance of the state's election laws either by the Attorney General or—in this case—a Federal district court in that state.

Representative Henry Hyde of Illinois, a conservative Republican, at first opposed but now favors renewal of the Act, including Section 5. He has offered a "bail-out" provision by which a formerly discriminating jurisdiction could escape the pre-clearance requirements by demonstrating a record of 10 years of nondiscriminatory voting practices. That appears reasonable, as long as a "trigger" is maintained to include any jurisdiction right back in Section 5 if it should lapse into its old discriminatory ways.

Mr. Reagan could reasonably and responsibly take that position, too, but it won't appease the Act's opponents. Nothing will, except the effective nullification of highly successful legislation that has increased the number of black elected officials in the South from 100 to 2,400. That's enough, or too many, for them.●

ALLOCATION UNDER THE BUDGET RESOLUTION

● Mr. HATFIELD. Mr. President, on July 10, the Committee on Appropriations filed its report required under section 302 of the Budget Act. This report subdivides by subcommittee the total allocation provided in the first budget resolution. The Senate will refer to these subdivisions to compare the fiscal year 1982 appropriations bills to the first budget resolution.

My purpose today is to share with other Members of the Senate the concern felt by the committee as it prepared this report. The committee discovered that the only way to fit within its total allocation was to assume funding only for the regular appropriations bills and for current estimates of the so-called mandatory items to be funded in a supplemental. These include Defense Department cost-of-living increases, the guaranteed student loan program and two veterans' programs: readjustment benefits and compensation and pensions.

The total allocation does not, however, provide sufficient room for other programs which the committee expects may require additional funds in fiscal year 1982, such as the food stamp and child nutrition programs, and disaster requirements. These additional requirements result from either circumstances beyond the control of Congress such as overall performance of the economy, or natural disasters.

In addition, the allocation does not provide room for anticipated budget amendments for programs such as EPA construction grants. As for the Defense Department, the fiscal year 1982 inflation rate assumed is 8.7 percent as proposed by the administration and assumed in the budget resolution. If Congress decides that the inflation assumption requires an upward adjustment, program cuts will have to be made or the allocation increased.

Because of these specific concerns, the committee's report noted that:

Between the time this report is filed and conference reports on appropriation bills are finalized, changes could occur within the economy which could affect Federal programs. This could create a shifting of priorities which would in turn have a significant impact on the budget as well as individual appropriation bills. The committee is concerned that such shifting of priorities, together with any added budget requirements, would impact on the subcommittee subdivisions contained in this report. Therefore, the committee reserves the right to make necessary revisions to the section 302(b) report at a later date as may be necessary and appropriate.

I rise today to voice these concerns and serve notice that the Senate faces a hard choice—either raise the total allocation for the Appropriations Committee in the second budget resolution, or not fund what we previously have considered very important programs. I feel that the committee has been honest and forthright in making its subcommittee allocations, and it is in that same spirit that I make these comments about the possibility of a new allocation being required. The committee will continue to work with the Budget Committee on these matters.●

NATIONAL POW/MIA DAY OF RECOGNITION—JULY 17, 1981

● Mr. DURENBERGER. Mr. President, on July 17 we honored those POW's who served their country heroically during times of war. Our joy that many returned to their homes and picked up the threads of their lives again is tempered, however, by the knowledge that some 2,500 U.S. military personnel remain missing in action as a result of the Vietnam conflict and 389 are unaccounted for as a result of the Korean war.

Many of the 140,000 Americans who were captured and imprisoned in the four wars of this century endured a harsh existence. They underwent not only the constant physical threats and mental stress that other military personnel experienced, but many were also subjected to the added pressures of confinement in POW camps. Those nearly 100,000 former POW's who are still alive today will never forget the treatment they received at the hands of the enemy.

The international conditions for the treatment of prisoners of war set down in Geneva in 1929, and reaffirmed in 1949, did little to insure humane care for many U.S. military personnel who were captured in wartime. Starvation diets, rudimentary health care, death marches, executions, and in some cases unbelievable torture were endured by thousands of POW's.

Today, despite their return to the United States, psychologists and medical personnel continue to detect a disturbingly high incidence of ill health effects among POW's. These health problems vary depending on the campaign in

which servicemen participated. But one thing is certain: the physical deprivation and mental stress of captivity have taken a severe toll on our servicemen.

Unfortunately, our servicemen are not the only ones who have suffered by their imprisonment. The families of POW's and MIA's suffer greatly from anxiety, lack of information, and the fear that one whom they love is being maltreated. The National League of Families of American Prisoners of War and Missing in Southeast Asia has been instrumental in assisting families whose relatives remain missing in action in Vietnam.

Through their efforts to disseminate information to the general public, these league members have rallied support for investigations into the status of the POW's and MIA's, and have coalesced national support for an accounting of our servicemen by the Vietnamese Government. They have shared their sorrow and given each other the needed encouragement to raise their families without those missing fathers and brothers. But their determination for a final accounting is their strongest concern, and rightly so.

Therefore, once again I urge the Government of Vietnam to give our Nation a full accounting of our military personnel who are missing in action and whose whereabouts are still unknown. On this day of national recognition for our MIA's and POW's, it is appropriate that once again we call upon all concerned governments to provide the information that our President, the Congress, and the people of this Nation have requested regarding our missing personnel.

Let there be no doubt in Vietnam, Laos, and Cambodia: We are determined that no Americans shall be held against their will by any country at any time. The continued support of all Americans will strengthen our resolve to accept nothing less than a full accounting.●

TITLE I PROGRAMS FOR EDUCATIONALLY DISADVANTAGED SCHOOLCHILDREN A SUCCESS

● Mr. LEVIN. Mr. President, I recently came across an editorial in the Detroit Free Press that addresses the merits of the title I program for disadvantaged children. As the article points out, title I has been an extremely successful program. A recent Stanford Research Institute report on title I demonstrated that, "In terms of the unofficial standard of success, which is a month's gain for a month in the program, title I must be judged a significant success."

In addition, the National Assessment of Educational Progress reports in 1981 that title I is one of the primary factors contributing to a dramatic increase in reading scores of disadvantaged students over the last 10 years. Because of this program's achievements, one should be wary of any efforts to change its structure which could hinder its effectiveness.

The administration's proposal to include title I in an education block grant and reduce the appropriation for that block grant would have had such an effect. According to several coordinators of State compensatory programs, "Without title I, few States would have initiated, or would continue, funding for this special purpose—assistance to disadvantaged children."

In examining the success rate of title I, the Senate has wisely chosen to retain this program's independent integrity and increase its authorization for the next 2 fiscal years. The basic formula and structure of the program will remain the same.

I have had a long-time interest in the education problems that confront disadvantaged children. I will continue to support such successful programs as title I and in fact have been studying other possible solutions to the unique problems at issue. Because the Free Press editorial so clearly delineates the issues we have had to consider recently in dealing with all social service programing and discusses this fine program, I ask that it be printed in the RECORD.

The article follows:

TITLE I: CONSERVATIVE PRINCIPLE SHOULDN'T RULE OUT THIS VALUABLE SCHOOL PROGRAM

Terrel Bell must be either incredibly naive or completely insulated from the realities of big city schools. The secretary of education justifies cutbacks in compensatory education funds under Title I on the grounds that local officials will do their best to serve their students even without federal help. That's probably true. But in the days before Title I's special earmarked aid, urban schools made little headway in coping with problems crippling them.

Title I was born of the frustration and ferment of the '60s. The program threw a lifeline to urban educators who were sinking in a sea of problems but still clinging to the belief that something could be done. At the time, poor urban schools faced soaring dropout rates, swelling numbers of youngsters barely able to read, students coming to school hungry, tired, trailing a whole set of troubles. Title I, through pre-school and intensive reading and math programs, along with efforts to involve entire families in the life of schools, tried to change all that.

In a very real sense, it was a gamble. Early participants took a chance that early childhood education, reading co-ordinators, school community agents and cultural enrichment would pay off. It worked against the odds in places such as Detroit where top school administrators were committed to change. National studies have documented reading improvements among minorities, and an 18-year study sponsored by the Carnegie Corp. indicates the value of pre-school education for the urban poor. Eighth graders who had pre-school education under the study tested 1½ grade levels above those who did not, and they were less likely to get involved in muggings and vandalism.

However, Title I's success, ironically enough, may have jeopardized its future. The conservatives running Congress these days seem to feel that once a program becomes a success nobody needs it any more. Some members of the New Right believe the War on Poverty worked so well it wiped out poverty in the U.S., so they have begun cutting back on food stamps and public service jobs. But, just as such cutbacks only swell the ranks of the poor, the 12 percent slash authorized for Title I programs in 1981–82 will serve to make the need for the programs more apparent.

Secretary Bell says special categorical grants infringe on the rights of local and state officials by forcing them to spend federal money only on poor children. The administration would like to abolish categorical aid in favor of bloc grants that could be spent for a wide variety of purposes. The fact is, of course, that programs such as Title I would never have been possible with bloc grants.

In the best of all possible worlds, states and cities would still make sure that those most in need got special help. Given such vagaries as city and state budget problems, rising labor costs, institutional racism, human indifference and greed, though, many local systems would likely react to any freeing of their hands by dropping all or part of the Title I effort or diluting it to the point of ineffectiveness. A working program is being gutted on the altar of abstract conservative principle. The tragedy is that the next generation may not read well enough to understand what happened.●

THE DEATH OF WILSON E. SCHMIDT

● Mr. HELMS. Mr. President, it was with deep sadness that I learned of the death earlier today, of Dr. Wilson E. Schmidt, who was the victim of a fire at the Cosmos Club, Sunday night. I understand he never regained consciousness.

Dr. Schmidt's loss is an immeasurable one to his family and a great one to the Nation. He was to have served as the U.S. Director at the World Bank. Dr. Schmidt was already on the job, learning about the operations of the Bank and its affiliates. He had already earned the respect and friendship of those in the Treasury Department and those in the Bank with whom he worked.

Dr. Schmidt will be remembered, too, for his scholarly work in economics. As professor of economics at the Virginia Polytechnic Institute at Blacksburg, Va., he earned distinction as a nationally recognized expert on monetary affairs. A member of the shadow open market committee, an organization of free-market monetarist economists, he helped critique Federal monetary policy when it became too lax. As a long-time member of the Philadelphia Society and the Mont Pererin Society, he contributed his intellect and good humor to the serious discussion of the problems of our society.

His Federal service began in 1956 when he served on the staff of the late Senator William Knowland. In 1968, he served on a task force on balance of payments problems for the President-elect.

He was Deputy Assistant Secretary of the Treasury for Research in 1970–72, and assisted with the Presidential transition team for international financial organizations last fall.

I did not have the pleasure of personally meeting Wilson Schmidt until early this year. In a very personal way I deeply regret that I will not have an opportunity to learn from a great intellect, a great teacher, and a true gentleman.●

AGGRESSION ON CYPRUS—7 YEARS LATER

● Mr. SARBANES. Mr. President, I deeply regret that it should be necessary to recall that 7 years ago Turkish troops invaded the sovereign Republic of Cyprus, an action that was followed less than 1 month later by the brutal occupation of 40 percent of that island republic.

This occupation resulted in thousands of deaths, the displacement of 200,000 people from their homes, the disappearance of many who still remain unaccounted for, the destruction of hundreds of churches, schools, and hospitals and the seizure of 70 percent of the island's productive capacity.

Mr. President, the aggression of 1974 has not been redressed. Forty percent of Cyprus remains under occupation, Turkish troops continue to occupy the island, and Turkish settlers have been brought into the island. The 200,000 refugees are unable to return to their homes and this is a special tragedy in a land where roots go very deep. The missing persons have not been accounted for and the failure to resolve this pressing humanitarian issue imposes a sharp pain upon the families and friends of the missing.

Mr. President, in his first report to the Congress on the Cyprus negotiations President Reagan stated:

> A just, fair and lasting resolution to the problems of Cyprus will remain a priority for my administration.

I urge the administration to follow up on this undertaking and to focus its efforts and attention upon achieving a just settlement on Cyprus. The gross injustice committed on Cyprus must not be allowed to continue and the United States is in a position to use its influence, particularly with Turkey whose troops currently occupy a large portion of the island, to bring about a just solution on Cyprus.

Mr. President, the people of Cyprus have suffered, and continue to suffer—a suffering which must be ended. It is imperative for the United States and other freedom-loving nations to join in a concerted effort to bring peace and justice to that tragic land. We must renew our commitment to that objective so that the people of Cyprus may begin to mark a new and different anniversary—the anniversary of the return of peace and justice to their country.

Mr. President, the Baltimore News American published a very perceptive and thoughtful editorial entitled "A Depressing Anniversary" regarding the Turkish invasion of Cyprus. It should be carefully reviewed by all those concerned about this issue and I therefore ask that the full text of the editorial be printed in the RECORD.

The editorial follows:

A DEPRESSING ANNIVERSARY

Today is the seventh anniversary of the Turkish invasion of Cyprus, and the world really is nowhere closer to achieving justice for the Mediterranean island republic than it was the day the Turkish army stormed ashore. Forty percent of Cyprus, which is about the size of Rhode Island, is occupied by 30,000 Turkish troops; in addition, 40,000 mainland Turks have been shipped into the occupied area as colonists. Some 200,000 of the indigenous Greeks uprooted by the invasion still are refugees in the southern part of the island. Two thousand Cypriot Greeks—as well as eight Americans—have been missing since the invasion; the democratic government of Cyprus suspects they were murdered by the Turks.

Turkey staged its 1974 invasion because it claimed that Cypriots of Turkish descent were in danger as a result of a coup taking place on the island. It claimed, too, that the coup would result in Cyprus becoming part of Greece, and that as one of the guarantor nations of Cyprus's independence, it had a duty to invade. But all that was pretext, and the Turks are still there and, indeed, sinking their talons deeper as the years fly by.

Despite international pressure, including a since-lifted arms embargo by the United States and repeated calls for withdrawal by the U.N., the Turks have refused to leave, or to seek any other kind of solution. In March, President Reagan told Congress that "a just, fair and lasting resolution to the problems of Cyprus will remain a priority for my administration." But under a law passed by Congress about the time of the arms embargo, presidents are required to speak out on Cyprus; every 60 days, they must report to Congress the status of progress toward a solution.

In his March message, President Reagan said he was encouraged that U.N.-sponsored talks between "the Greek Cypriot and Turkish Cypriot communities are continuing." The fact is that the Cypriots of Turkish descent have no say at all; the Turkish government calls the tune. But it is not doing much calling; indeed, it refuses to discuss any of the concessions put forward by the Cypriot government, including a separate area for Cypriot Turks and a federal system of government to give these people better representation.

But why should the Turks agree to any concessions, let alone to getting out of Cyprus, which is the only real answer, when they don't have to? The fact is that United States pressure against the Turkish presence has been slight. President Ford applied no real pressure, nor did President Carter. Nor has President Reagan. The reason is a fear that Turkey, which well understands it can get away with talking tough to Washington, might decide to lessen its role in the NATO military alliance. But in view of Turkey's current chaotic social and fiscal plight, pressure easily could be brought to bear.

Then there is the fact that Cyprus is very small—its population, discounting the colonist who have entered since the invasion, is about the size of New Hampshire's. And Cyprus has little lobbying clout in Washington. The net result: Nearly half of a peaceful, democratic nation has been occupied by foreign troops for seven years. And one of the saddest aspects is that American taxpayers, whose money goes in vast quantities to buy arms for Turkey, are paying to support that occupation.●

RECESS UNTIL 10 A.M. TOMORROW

Mr. BAKER. Mr. President, if there is no further business to come before the Senate this evening, I ask unanimous consent, in accordance with the previous order, that the Senate stand in recess until 10 a.m. tomorrow.

There being no objection, the Senate, at 10:13 p.m., recessed until tomorrow, Wednesday, July 22, 1981, at 10 a.m.

HOUSE OF REPRESENTATIVES—*Tuesday, July 21, 1981*

The House met at 11 a.m.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

O God, You know how Your people suffer from the conflicts that are manifest in our world, and how the innocent so often know the pain of deadly strife, we pray that You will lift our vision that we may become messengers of good will and guardians of peace. Give us the courage to speak the truth that will free us from prejudice and selfish motive, and fill our hearts with the desire for understanding and trust among peoples and nations. Transform our spirits to see more clearly Your purposes for us that all people may be blessed and know the comfort of Your love. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 863. An act to establish a uniform law on the subject of bankruptcies; and

S. 1224. An act to amend the provisions of title 39, United States Code, relating to the use of the frank, and for other purposes.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

WASHINGTON, D.C.,
July 20, 1981.

Hon. THOMAS P. O'NEILL, Jr.,
The Speaker, House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: I have the honor to transmit herewith a copy of the Certificate of Election for the Honorable Michael G. Oxley, who was duly elected Representative in Congress from the 4th Congressional District of the State of Ohio in a Special Election held on June 25, 1981.

With kind regards, I am,

Sincerely,

EDMUND L. HENSHAW, Jr.,
Clerk, House of Representatives.

SWEARING IN OF THE HONORABLE MICHAEL G. OXLEY OF OHIO AS A MEMBER OF THE HOUSE

Mr. LATTA. Mr. Speaker, a couple of weeks ago the Speaker had the pleasure on his side of swearing in a new Member from Mississippi. On our side we are pleased to have that privilege this morning in swearing in a new Member, MICHAEL OXLEY, who will make a good Member of this House.

The SPEAKER. Welcome. Will the Member-elect kindly present himself in the well, and will the senior Member and others of the Ohio delegation come forth with him?

Mr. OXLEY appeared at the bar of the House and took the oath of office.

The SPEAKER. Congratulations. The gentleman is a Member of the Congress of the United States.

PRIVATE CALENDAR

The SPEAKER. This is Private Calendar day. The Clerk will call the first individual bill on the Private Calendar.

FOR THE RELIEF OF REMEDIOS R. ALCUDIA, CHRISTOPHER, EZRA, VERMILLION, AND PERISTELLO ALCUDIA

The Clerk called the bill (H.R. 1547) for the relief of Remedios R. Alcudia, Christopher, Ezra, Vermillion, and Peristello Alcudia.

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

FOR THE RELIEF OF ANDRE BARTHOLO EUBANKS

The Clerk called the bill (H.R. 1681) for the relief of Andre Bartholo Eubanks.

There being no objection, the Clerk read the bill as follows:

H.R. 1681

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, Andre Bartholo Eubanks may be classified as a child within the meaning of section 101(b)(1)(F) of the Act, upon approval of a petition filed in his behalf by George E. and Aparecida A. Eubanks, citizens of the United States, pursuant to section 204 of the Act: *Provided,* That the natural parents or brothers or sisters of the beneficiary shall not, by virtue of such relationship, be accorded any right, privilege, or status under the Immigration and Nationality Act.

With the following committee amendment: On page 2, line 3, delete the words "citizens of the United States," and insert in lieu thereof the following: "a citizen of the United States, and a lawful resident alien, respectively,".

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FOR THE RELIEF OF GLADYS BELLEVILLE SCHULTZ

The Clerk called the bill (H.R. 1785) for the relief of Gladys Belleville Schultz.

There being no objection, the Clerk read the bill as follows:

H.R. 1785

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, Gladys Belleville Schultz may be classified as a child within the meaning of section 101(b)(1)(F) of the Act, upon approval of a petition filed in her behalf by Gordon R. and Dolores A. Schultz, citizens of the United States, pursuant to section 204 of the Act: *Provided,* That the natural parents or brothers or sisters of the beneficiary shall not, by virtue of such relationship, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

RELIEF OF KAI-MEE CHEN

The Clerk called the bill (H.R. 2010) for the relief of Kai-Mee Chen.

There being no objection, the Clerk read the bill as follows:

H.R. 2010

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, in the administration of the Immigration and Nationality Act, Kai-Mee Chen may be classified as a child within the meaning of section 101(b)(1)(F) of the Act, upon approval of a petition filed in her behalf by Wei-Jen and Mei-Suey Chen, citizens of the United States, pursuant to section 204 of the Act: *Provided,* That the natural parents of brothers and sisters of the beneficiary shall not, by virtue of such relationship, be ac-

corded any right, privilege, or status under the Immigration and Nationality Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FOR THE RELIEF OF MOSES BANK

The Clerk called the bill (H.R. 2573) for the relief of Moses Bank.

There being no objection, the Clerk read the bill as follows:

H.R. 2573

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Moses Bank shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper officer to deduct one number from the total number of immigrant visas which are made available to natives of the country of the alien's birth under section 203(a) of the Immigration and Nationality Act or, if applicable, from the total number of such visas which are made available to such natives under section 202(e) of such Act.

With the following committee amendment: Strike out all after the enacting clause and insert in lieu thereof the following:

That, in the administration of the Immigration and Nationality Act, Moses Bank, the uncle of a citizen of the United States, shall be deemed to be an immediate relative within the meaning of section 201(b) of such Act, and the provisions of section 204 of that Act shall not be applicable in this case.

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

YUK LEE LI

The Clerk called the bill (H.R. 2975) for the relief of Yuk Lee Li.

There being no objection, the Clerk read the bill as follows:

H.R. 2975

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Yuk Lee Li shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper officer to deduct one number from the total number of immigrant visas and conditional entries which are made available to natives of the country of the alien's birth under section 203(a) of the Immigration and Nationality Act or, if applicable, from the total number of such visas and entries which are made available to such natives under section 202(e) of such Act.

With the following committee amendments:

Page 2, delete the word "and", and all that follows through "entries".

Page 2, line 9 delete the words "and entries".

The committee amendments were agreed to.

AMENDMENT OFFERED BY MR. ERTEL

Mr. ERTEL. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ERTEL: Page 1, line 4, strike out "Lee" and insert in lieu thereof "Yee".

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill for the relief of Yuk Yee Li.".

A motion to reconsider was laid on the table.

REINSTATING AND VALIDATING U.S. OIL AND GAS LEASES

The Clerk called the bill (H.R. 1946) to reinstate and validate U.S. oil and gas leases numbered OCS-P-0218 and OCS-P-0226.

Mr. SENSENBRENNER. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

TRAGEDY IN KANSAS CITY

(Mr. SKELTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SKELTON. Mr. Speaker, on Friday, July 17, a tragic event occurred in Kansas City. Once again, the people of Kansas City were called on to demonstrate their courage and skill under the most adverse circumstances.

When the walkways collapsed in the lobby of the Hyatt-Regency Hotel, a horror story began. But, there also began, at the same instant, a story of the love, caring, and compassion which deserves recognition.

The first assistance available to the injured and the dying was from the others who nearly missed being hurt. Eye witness descriptions and early news accounts tell of people helping one another, administering to the wounded, and calming the shocked and frightened survivors.

Professionals, in the form of police, firefighters, and ambulance paramedic personnel responded quickly and efficiently. The job of providing emergency care and transportation to area hospitals received praise from area officials.

As the news accounts began to show the severity of the situation, lines began to form at the local blood bank. It was soon operating at capacity.

During the evening, construction workers joined rescue units at the scene to remove the beams that trapped several people. They did so believing that they were in danger of further collapse of the structure.

The final results have been well documented in the national media. It deserves our repeated attention that while this is a sad story, there is reason here to commend the people of Kansas City. Once again this community has been called upon to demonstrate an extra measure of the strength and love of its people. That measure was there. I pray it always will be.

HIGH INTEREST RATES

(Mrs. SCHROEDER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SCHROEDER. Mr. Speaker, I hope all of us here are listening very closely to what our closest allies and our most historic allies have been trying to tell us at the recent summit.

First, they have been saying that these high interest rates are going to kill the international economy. I think they are absolutely correct, and they should see what high interest rates are doing to our own domestic economy.

One of our main concerns in this body should be dealing with high interest rates. What are we going to do? We see more small businesses collapse every week and fewer people able to buy a home every week.

Second, was their warning about what will happen to the world if we do not take much more seriously arms control. I think this is something this administration has neglected. Arms control is certainly not on the front burner.

□ 1110

Arms control should be on the front burner. Very soon we are going to see people singing instead of "We Shall Overcome," the terrible parable of, "We Shall Overkill."

We must work on arms control together with our allies. Our allies are correct. I hope we are listening. I hope we will act.

UPDATE ON RECONCILIATION

(Mr. PANETTA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PANETTA. Mr. Speaker, this is an additional update on reconciliation.

Two additional committees have now completed their work on their reconciliation conferences. Education and

Labor yesterday completed almost all of its conference on education issues, and the Interior Committee this morning completed their conference on natural resources issues.

Yesterday there were conferences on Energy and Commerce, on health, in which the staff was directed to prepare documents for a committee conference this morning at 11 o'clock.

Ways and Means met and completed 35 percent of their agenda on agreeing on issues.

Education and Labor, as I stated, completed their conference on education issues.

Armed Services met yesterday and will meet again today to deal with their reconciliation area.

Banking met also yesterday in conference on subsidized housing issues.

Today Interior, as I said, met at 9 o'clock, and completed their work.

Energy and Commerce met on Conrail at 10 o'clock. Energy and Commerce is also meeting on health care at 11 o'clock.

Education and Labor is meeting on higher education at 1 o'clock.

The Agriculture Committee is meeting at 1:30.

The Government Operations Committee is meeting at 2:30.

I would urge all Members and staff to push as hard as possible to meet our deadline to complete reconciliation by the end of this week.

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 20, 1981, 6 P.M.

COMPLETION OF CONFERENCE

[Dollars in millions]

Committees House/Senate	Date completed	1982 savings achieved	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations	July 16, 1981	−$244	−$158
Post Office/Government Operations	July 16, 1981	−4,706	−4,650

MONDAY'S ACTIVITIES

[Dollars in millions]

Committee	Activity (miniconference No.)	Issues	1982 Savings achieved		Comments
			Budget authority	Outlays	
Agriculture	None				
Armed Services	Armed Services/Armed Services miniconference (10).	Strategic stockpile sales			Reconciliation delayed until July 21, 1981.
Banking	Banking/Banking miniconference (11)				Conference met and will continue today.
District of Columbia	None				
Education and Labor	Education and Labor/Labor and Human Resources miniconference (15).				Conference resolved on most education issues.
Energy and Commerce	Energy and Commerce/Labor and Human Resources miniconference (27).	Block grants and other discretionary health programs.			Staff directed to clarify issues for today's conference.
	Energy and Commerce/Commerce staff discussions (23).	Conrail			
Government Operations	Staff discussions	Travel			
		Consulting			
		Block grants			
Interior	None				
Judiciary	do				
Merchant Marine	Staff discussions	Maritime authorization			
		Seamen health entitlement			
		Ocean dumping user fees			
Public Works	do				
Science and Technology	do	DOE authorization			
Small Business	None				
Veterans	do				
Ways and Means	Ways and Means/Finance miniconference (58)	Trade adjustment	0	−$1,335	
		AFDC	0	−1,026	
		SSI	0	−80	
		Child support enforcement	0	−132	

SOCIAL SECURITY PROGRAM IS NOT A WELFARE PROGRAM

(Mr. ALEXANDER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ALEXANDER. Mr. Speaker, like many of my colleagues, I have received a mounting volume of mail on the Reagan administration's social security proposals.

What follows is representative of the sort of message I am getting from my constituents.

DEAR CONGRESSMAN: I'm writing to you about the social security. In January 1982 my husband will be 62. He could start drawing then and that's all we have to look to. He got disabled to work in the factory about 10 years ago. He had to quit.

What does Ronald Reagan expect poor people like us to do? We haven't seen nothing yet if the bad bills keeps on getting past.

My husband worked and paid in social security for 40 years and I believe something should be done when he is forced to retire and nothing to look to.

Thank you for your time.

DOROTHY BAKER, *Enola, Ark.*

NEEDS OF SENIOR CITIZENS SHOULD BE CONSIDERED IN DEBATE ON SOCIAL SECURITY PROGRAM

(Mr. BONER of Tennessee asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BONER of Tennessee. Mr. Speaker, I wish to share with my colleagues a letter from Mrs. Mary M. Butt of Hermitage, Tenn., one of the many letters I have received concerning the proposed reduction of social security benefits to those between 62 and 65 years old and the proposal to restrict benefits to the disabled. I believe Mrs. Butt's letter speaks for itself in expressing the concern of many older Americans in this country:

400 MONA DRIVE,
Hermitage, Tenn.

DEAR MR. BONER: What is this administration trying to do to us future retirees? I have been putting in social security since I was 14 years old, now I am 59, and I had hoped to collect at 62. Now they are considering having us work longer. I can't work now at all because of ill health.

They can't balance the budget, that is not my fault. If they can't or won't give us our social security they are going to have us all on welfare. Somehow there is always money for that.

Are you and all the other representatives of the people going to let them do this to us? We are not asking or expecting something that we haven't worked hard for or earned.

Thanking you in advance for your consideration on this subject, I am

Sincerely yours,

MARY M. BUTT.

I hope that all of us will consider the needs of our senior citizens as we discuss and debate the social security program.

REPRESENTATIVE CHARLES E. BENNETT INTRODUCES LEGISLATION TO INSURE MINIMUM SOCIAL SECURITY BENEFIT IS MAINTAINED

(Mr. BENNETT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BENNETT. Mr. Speaker, I have today introduced legislation to insure that the minimum social security benefit is maintained and at the same time protect the financial integrity of the system. In doing so, we will bind our country to the promise made years ago of a decent future for 3 million elderly Americans.

Human dignity cannot be reduced to dollars and cents nor can it be defined in terms of politics. Yet in our zeal a few weeks ago to restore fiscal sanity in this country, we lost sight of our responsibility to those who have been described as the poorest of the poor—a group who by our own actions may soon be helpless and utterly alone.

I have twice made the difficult decision to cross party lines and support the President's economic program. It is here that we must part company. The proposed elimination of the minimum benefit is a cruel and unconscionable assault on those least able to defend themselves. This benefit provides the very margin of survival for tens of thousands of retired Americans, many of them very old women over the age of 80 who have worked hard and worked proudly for all of their long lives and who would rather subsist on a grossly inadequate income than submit to what they would view as the humiliation of welfare.

My legislation will allow these 3 million Americans to continue to receive the minimum benefit and will also protect those who apply within the next 3 years. By allowing general revenue funds to be used to reimburse the social security trust fund for the difference between the current benefit and that allowed under the standard formula, this bill coincides with the commitment we all share to restore social security to a solid financial base.

There are those who claim that no one will be hurt by cutting the minimum benefit. But no one can account for the 800,000 who are potentially without other sources of income. No one can account for those who will not be eligible for SSI because they have assets of more than $1,500 or who are too proud to apply.

Mr. Speaker, I urge quick passage of this vital legislation for it is time once again for the Congress to speak out for those who have no voice. Also, in the reconciliation measure, now in conference, as I sit there as a conferee I will do my best to eliminate the minimum provisions from that measure.

PUBLIC BACKLASH ON BUDGET CUTS

(Mr. PEASE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PEASE. Mr. Speaker, last month the Washington Post carried an interesting headline which said, "White House Chief of Staff Predicts Public Backlash on Budget Cuts."

It read:

White House Chief of Staff James Baker predicted yesterday that the administration will face a backlash on its budget cuts when they begin being felt by the public later this year. "I think you will see some fairly strong reactions to the budget cuts when they hit the street in October or November," Baker said.

What he is referring to is the $37 billion in spending cuts which have been made by the reconciliation bill. I ask the Members to consider that built into the budget for the next 2 years under Gramm-Latta is between $48 and $58 billion in additional cuts beyond the $37 billion. Those are unspecified cuts. Last week David Stockman told us we had to add another $10 billion in cuts because of changed economic assumptions; that is nearly $70 billion we have to worry about.

If you think there is a backlash this year, watch out for next year and the year after. And think about whether you really want to force Draconian spending by voting now for a 3-year tax cut bill.

SOCIAL SECURITY MINIMUM BENEFITS

(Mr. WYDEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WYDEN. Mr. Speaker, I, too, would like to join in the opposition to the cuts in the proposed minimum benefit in social security. I think again we are seeing another case of playing footloose and fancy free with statistics. The administration would like us to believe that the vast majority of social security minimum recipients are double- and triple-dippers who are in effect trying to pad their pockets with the minimum benefit. They would suggest that only 300,000 people would be hurt by the cut in the minimum benefit. My figures indicate that a minimum of 800,000 people have no other additional pension besides the minimum benefit, and the immediate loss of the minimum benefit would work an extreme hardship on them.

Mr. Speaker, the administration has played footloose and fancy free with statistics on social security again and again. Just several weeks ago the administration predicted very high interest rates and little real economic growth when they argued for proposed social security cutbacks. However, when they advocate the Kemp-Roth tax plan, they predict a significant reduction in interest rates and significant economic growth.

I support the resolution to restore the minimum benefit because the facts are that most recipients of this assistance need this assistance very, very much. Those are the facts, and when we vote today those facts are all we should consider.

□ 1120

REGULATORY REFORM JUDICIAL REVIEW

(Mr. DANIELSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANIELSON. Mr. Speaker, I want to announce to my colleagues that last night I received from the judicial conference a very exhaustive analysis of the proposed regulatory reform bills now pending in the House and the Senate, addressed specifically to the features of judicial review.

I will, at the time of special orders this evening, go into that matter in a little greater detail in case any of my colleagues are interested. I will be here at that time.

THE SUCCESSES THAT CAUSED SOCIAL SECURITY'S ILLS

(Mr. WILLIAMS of Montana asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WILLIAMS of Montana. Mr. Speaker, what has happened to the social security system and how did it reach the difficulty we find it in today? We hear many reasons, usually having to do with cost accounting, but we do not hear much about the good news which has contributed to the current social security difficulties.

In 1900 there were 3 million senior citizens in this country. A half century or so later, during the administration of Jack Kennedy, there were 16 million. Today there are 25 million.

A child born in 1900 could expect not to see his 50th birthday. A child born today will live to see his 80th birthday and beyond.

Those are successes in this country that have, unfortunately, helped to jeopardize the social security system; but occasionally when we talk about that system, we ought to know the good news that has placed it in some trouble, as well as the bad news.

HOW MANY DISTRESSED INDUSTRIES WILL BE MISSED

(Mr. MOORE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOORE. Mr. Speaker, the Ways and Means Committee has included in its tax cut bill a special tax break to help certain distressed industries. One problem with this proposal is that it will exclude major sectors of American industry and individual companies which are truly distressed.

The distressed industries tax break will only help six select distressed industries. Any company which is distressed but not in one of these six will not qualify.

One example of a distressed industry which will be excluded is the consumer electronics industry. In the last 15 years many domestic electronic companies have gone out of business. Admiral, Philco, and Emerson are three such companies just to name a few. Another distressed industry which will be excluded is the shoe industry. How many more are there?

While these industries will be excluded there are many profitable companies who will be able to cash in on this special tax break simply because they are associated with one of these select industries.

Any tax break to help distressed industries should be based on need, and should be applicable to all companies who meet the requirement. A slush fund for a few select industries is not fair and will not help American productivity. This Ways and Means provision should be removed from the tax bill.

GIVE THE TAX PLAN AN HONEST TRIAL

(Mr. JEFFRIES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JEFFRIES. Mr. Speaker, for the first time in almost 50 years, the Government of this country is undergoing a drastic change in its taxing and spending policies.

I do understand that change is not always easy, but, the point is we have tried the tax and spend policies of the more liberal elements of our society since 1933—and, as a result, we find ourselves in a very serious economic crisis.

We tried to make the old system work for five decades—now I think it is only reasonable to seek some new solutions. We are asking Congress to try our plan for 3 years—on the basis that we need a 3-year tax reduction for all Americans to renew the confidence of the people in the free-enterprise system.

If the citizens are convinced that we are serious—that we plan to continue to reduce Government expense—and lower individual and business taxes—only then will the full force of the Reagan economic recovery plan come into play.

We simply cannot do the job with halfway measures any longer—we must give the entire package an honest trial period. You have had 48 years—all we ask in return is 3—without strings attached.

FAIR TAX RULE?

(Mr. LOTT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LOTT. Mr. Speaker, it was only a few short weeks ago that this body considered and passed the reconciliation bill. As I am sure many Members will recall, one of the major battles was over the rule providing for the consideration of that legislation.

A majority of the House thought the rule as reported by the Rules Committee was grossly unfair and therefore voted for a substitute to the rule. One of the major arguments propounded by those supporting the rule as reported by the Rules Committee was that Gramm-Latta II was a moving target and therefore such a rule was necessary.

Today, Mr. Speaker, the shoe is on the other foot. The concepts in the President's tax proposal have been available for quite some time and it is the Rostenkowski-O'Neill tax bill that has become the moving target. Daily it is reported by the various news media the numerous changes and alterations being made to your tax package.

Faced with this situation the following questions must be asked: What will the rule composed by the Democratic leadership be this time? Will it be fair and equitable to all parties or will it be another "reconciliation type" rule?

Mr. Speaker, I ask you to give us a chance to offer our concepts as we draft them and give the Members a clear choice rather than requiring that votes be put on the auction block to go to the highest bidder. I urge all Members to begin thinking about the rule on the tax bill and to examine any proposed rule with fairness and equity foremost on their minds.

RESPOND TO THE VOICE OF THE PEOPLE

(Mr. DAUB asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DAUB. Mr. Speaker, this House is a distinctive institution in that each Member must be elected on a biennial basis. It is for this reason that this body ought to be most responsive to the will of the people.

No one can honestly say that in each section of this country there has not been an earnest and persistent call for real relief from the increasingly oppressive taxes inflicted on working America. Unfortunately, it appears that some Members of this House are unwilling to respond to the clear voice of the American people and support the President's 3-year program.

What is most discouraging is that this opposition insists that in opposing the 3-year plan, that it provides a more equitable 2-year plan targeted at middle-income groups. As anyone who would spend 30 seconds comparing the bracket schedules for 1984 can see, those persons earning between $18,200 and $55,300 today would pay marginal tax rates from 13 percent to 26 percent higher under the Ways and Means alternative than under the President's program.

It appears that we sometimes forget for whose benefit and interest we serve. President Reagan won an overwhelming mandate in 1980 for a very clearly delineated policy of reduced Government spending and taxes. If we ignore this mandate or attempt to circumvent it by providing less while claiming more, we demonstrate to the American people that this House is an unrepresentative body that acts in contemptuous defiance of the people's will.

Let each one of us honestly examine the real wants and needs of our citizens and dedicate ourselves to the pursuit of those goals. President Reagan has proposed tax reductions that are reasonable, responsible, and reflect the will of the American people. I am firmly in the President's camp and on the side of a real tax reduction that will benefit every American.

I urge each of you to stand with the President and the people.

THE PEOPLE ARE WAITING

(Mr. LUNGREN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LUNGREN. Mr. Speaker, this morning an article in the New York Times caught my attention. It reported that although President Reagan has pressed repeatedly for final passage of a tax bill by August 1, aides to

the chairman of the Ways and Means Committee indicated that—

It was increasingly doubtful that this target could be achieved. The aides again disputed the repeated White House assertions that enactment by August 1 was a prerequisite for a tax cut to take effect on October 1.

Then they went on to say:

Even if enactment comes later, perhaps even too late to reduce withholding taxes in 1981, a tax cut could still be delivered by giving taxpayers refund checks next spring after they file their tax returns.

Mr. Speaker, this suggests to me that some aides to some very important people around here think that the only way the people can attain justice is if we give it to them. We cannot give them a tax cut, so that they do not transfer the money here first. We have to pay it and then, in our infinite wisdom, we will decide how much we should give back to the people in an election year.

Mr. Speaker, this should not be an election year bit of rhetoric. There ought to be action to try to get the economy moving, and I would hope that we would be able to move before August 1.

The people are waiting, Mr. Speaker.

A WELCOME TO MICHAEL G. OXLEY

(Mr. McEWEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McEWEN. Mr. Speaker, today it is indeed a pleasure for me and a very special day for the House of Representatives, to welcome our newest Congressman from Ohio, MICHAEL OXLEY, of the Fourth District of Ohio.

Michael is a former FBI agent who is a practicing attorney in Findley, Ohio, and has served with distinction for some 9 years in the Ohio General Assembly. As a member of the Ohio House of Representatives, he served on the State government committee and on the committee on the judiciary. I can assure the Members that this House will benefit from his service and that Ohio has chosen a distinguished Member to represent the Fourth District of Ohio.

I extend to MICHAEL, to his charming wife Pat, and to their handsome son Chadd my best wishes for a long and distinguished career in the U.S. House of Representatives.

□ 1130

THE NEED FOR A TAX CUT AND SPENDING REDUCTIONS

(Mr. CARMAN asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. CARMAN. Mr. Speaker, I am proud to be an American. I am proud to be a Member of this legislative body, as are all of us. We are the House of the people, and we must listen carefully to the people.

There is not one working person whom I have met who does not think that we need to have a tax cut. There is not one sincere person I have met who does not want to have a program—that is to say, the program of the President, for economic recovery to succeed.

Social security is in financial and economic problems today because of inflation brought about by 25 years of overspending and overtaxation, which caused it to be in that state.

What we need to do now is to stop haggling and implement the President's program for tax relief. In that manner we will indeed be able to expand social security benefits for all the people.

Mr. Speaker, let us not delay any longer the President's tax program. Let us implement the President's tax program now for all the people.

INTRODUCTION OF MEASURE TO RESTORE AND EXTEND MINIMUM SOCIAL SECURITY BENEFITS

(Mr. McCOLLUM asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. McCOLLUM. Mr. Speaker, today I have joined with the gentleman from Florida (Mr. BENNETT) in introducing a measure which would restore the social security minimum benefit for those presently receiving it and to extend that benefit for those who will be eligible up to the date of January 1, 1984, at which time the minimum benefit would end. So as not to further endanger the social security trust fund, the additional money needed to maintain the program would come from general revenues.

I deplore the fact that social security has become a partisan football, and I call on my colleagues to join with me in the spirit of equity and fairness in making an orderly phaseout of this program, which presently is obsolete and unworkable. Many of those receiving it today do not need it and are a drain on the social security trust fund. However, we should not precipitately cut them off.

My point is that we should not grab away money that people have been counting on for years; we should allow our older Americans time to make plans for the future.

Mr. Speaker, I think the measure offered by the gentleman from Florida (Mr. BENNETT) and me for an orderly phaseout and an end to the program is an appropriate response to the problems of the social security program.

THREE SETS OF REMAINS OF MISSING IN ACTION IDENTIFIED

(Mr. DORNAN of California asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. DORNAN of California. Mr. Speaker, America's sorrow for her missing and imprisoned men in Indochina continues. The Navy and Air Force have just identified the three sets of remains the People's Republic of Vietnam returned to the United States a few weeks ago. Capt. Richard H. Van Dyke, Lt. Stephen O. Musselman, and Comdr. Ronald W. Dodge must now be numbered among the other brave young men who gave their lives for their country in Indochina.

A photograph of one of these men, Commander Dodge, was reproduced on the cover of Life magazine in 1972. This photo showed Commander Dodge after his capture by Vietnamese forces. His shirt was torn. His face was badly swollen.

We have proof, therefore, that the Vietnamese knew about Ron Dodge in 1967. They knew about Richard Van Dyke in 1968. They knew about Steve Musselman in 1972.

Mr. Speaker, I want to know why it took 14 years for the Vietnamese to account for Ron Dodge. Fourteen years is an unbearably long time to live with uncertainty about the fate of a son, a husband, or a father. Vietnam's conduct in the cases of these three men, and in the cases of the 2,000 men still unaccounted for, has been intolerable.

PRESIDENT REAGAN'S ECONOMIC PROGRAM: RIGHT CURE FOR OUR ECONOMIC ILLS

(Mr. FIELDS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FIELDS. Mr. Speaker, I came across some interesting figures the other day that show just how necessary it is to pass the Reagan economic program of budget and tax reductions so that we can reduce inflation and restore economic prosperity to our people.

According to the Departments of Labor, Commerce, and Energy, if the Reagan economic recovery program is not enacted and inflation continues to increase at the rate it rose from 1971 to 1981: our 18-cent postage stamp will cost 40 cents by 1991; our $1.15 "Big Mac" will cost $2.40 by 1991; a week's worth of groceries, which now cost $112, will cost $260 by 1991; the cost of a new home, now $69,000, will rise to $191,000 by 1991; a carton of cigarettes, which now cost $6.17, will cost $10.40 by 1991; 2 pounds of coffee, which costs $5.12 now, will set one back by $14 in 1991; and a six-pack of

beer, now costing $2.45, will cost $4.30 by 1991.

I believe these figures graphically represent the reason why fiscal sanity and the President's economic recovery program of spending cuts and tax reductions should be enacted immediately. The President's program will insure a better, not a worse future for all Americans.

TAX CUT LEGISLATION SHOULD NOT BE DELAYED

(Mr. GINGRICH asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. GINGRICH. Mr. Speaker, there is an alarming report in this morning's newspaper that the chairman of the Ways and Means Committee and the staff are now thinking about delaying the final passage of the tax bill until after the August recess. That would virtually guarantee no effective tax cut this year. That would guarantee a slower growth of the economy, higher interest rates, a longer term of inflation, and a weaker job market. That would guarantee continued economic decay.

I for one would vote against our going out in August on any kind of a recess until we have finally passed the tax bill, one that guarantees a real tax cut for Americans this year rather than a phony tax cut or a very, very delayed tax cut.

MEMBERS SHOULD SUPPORT HOUSE RESOLUTION 181

(Mr. MOAKLEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOAKLEY. Mr. Speaker, I rise today to express my strong support for House Resolution 181, introduced by the distinguished gentleman from Texas (Mr. WRIGHT), which would urge the House of Representatives to insure that minimum social security benefits not be reduced.

I believe the cuts in social security proposed by the Gramm-Latta substitute reconciliation bill are unreasonable and irrational and will cause many retired persons in our Nation to suffer extreme financial hardships. To place such major retroactive changes on current beneficiaries, particularly in light of the promise by President Reagan not to do so, is an abandonment of our commitment to the elderly of our Nation. The elimination of the $122 minimum payment has wrongly been presented as a painless move that would affect relatively few persons. The truth of the matter is that over 60 percent of the current recipients of this minimum payment are elderly women over 70 years of age, 75 percent of whom would qualify for welfare assistance should this payment be eliminated. I fail to see how this would save the Government money. All this would accomplish would be to add these presently self-sufficient Americans who have earned their retirement benefits to the welfare roll, that the Reagan administration claims is already too large.

We must all take a careful look at the serious and irreparable effects that will result should the $122 minimum be repealed. We have a responsibility to our retired persons, a responsibility to maintain the social security benefits as they have been promised to these individuals. Again, I strongly urge my colleagues to support this resolution that will preserve the social security system.

PRIME MINISTER BEGIN WILL NOT LEAVE HIS PEOPLE'S SECURITY IN THE HANDS OF OTHERS

(Mr. SCHUMER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHUMER. Mr. Speaker, in the last few days, the State of Israel has taken a series of actions in Lebanon to protect itself and predictably the nations of the world once again have lifted their voices in condemnation of Israel's action.

But let me ask the Members of this House, if another nation had been in a similar situation, what would have happened?

Well, history tells us that when one nation harbors and abets terrorists and allows them to invade a bordering nation, the former nation must respond. And response has been the answer over and over again—in Africa and Asia, in Europe and in Latin America, and in our own continent—in every continent on this Earth.

Mr. Speaker, the Prime Minister of Israel, Menachem Begin, is empowered by what is a moral imperative.

In the 1930's, in the early 1940's, the diplomats of this world and even of this Nation, told the Jews of the world, "Leave it to us, diplomatically we will solve your problems."

They did not. Menachem Begin feels that he can no longer leave this vital item of his people's security in the hands of the diplomats of the world.

THE MINIMUM BENEFIT

(Mr. MARTIN of North Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MARTIN of North Carolina. Mr. Speaker, there has been a lot of pious posturing around here today about budget cuts and social security and the minumum benefit. Much of the talk has framed easy, but sharp attacks on the President. Those congressional liberals who created an extravagant array of expensive programs have no sense of responsibility for the consequences of high inflation, high unemployment and high-interest rates that have resulted from their excessive government, excessive income redistribution, and excessive regulation.

Like the alimentary canal of a 6-month old, they have no sense of restraint on one end and no sense of responsibility on the other.

Now they sing their sad and angry songs attacking any proposal for saving the social security system. Listening to their speeches today, I have learned two things:

One, it is very easy to criticize someone else's proposal for balancing the social security fund.

Two, it is not easy for these same critics to propose any constructive solution to the excessive costs of social security.

I congratulate them on their strategy coordinating today's rally to oppose any social security reform. I look forward with minimal optimism to that distant day when the taxpayers will catch on to their pious posturing.

RESTORATION OF SOCIAL SECURITY MINIMUM BENEFITS

Mr. WRIGHT. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 181) providing for the restoration of social security minimum benefits.

The Clerk read the resolution as follows:

H. RES. 181

Whereas the House Ways and Means Committee reported a reconcilation bill which did not cut benefits for current recipients of social security; and

Whereas the House, by adoption of the Latta substitute, nevertheless adopted changes in the social security minimum benefit which will result in reduced benefits for an estimated two million current recipients of social security; and

Whereas the Senate adopted a similar reduction affecting current recipients of social security: Now, therefore, be it

Resolved, That the House of Representatives strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them.

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from Texas (Mr. WRIGHT) will be recognized for 20 minutes, and the gentleman from Illinois (Mr. MICHEL) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Texas (Mr. WRIGHT).

Mr. WRIGHT. Mr. Speaker, I yield myself 1½ minutes.

Let us be clear just exactly what this resolution does. I refer expressly to its resolving clause. By its enactment we

in the House will urge "that necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them." That is what it does.

I would hope that its passage might serve as a signal of encouragement to the conferees on the reconciliation bill to drop the offending provision which soon will reduce the benefits of 1½ million people. If it does not serve that purpose, at the very least this resolution should commit us to the adoption of separate legislation to correct that unintended inequity that afflicts some 3 million elderly Americans, about half of whom will suffer almost immediate reductions in their monthly benefits unless we act.

Among these are some of the oldest and the poorest in our society. They have nobody to protect them except the Members of this Congress.

I trust that we will not betray their faith nor disappoint them, in that they are counting on us to defend them today. I trust that we will take meaningful action to make abundantly clear that it is our absolute intention to do so.

I reserve the balance of my time.

□ 1150

Mr. MICHEL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, let us set the record straight at the very outset of this very limited 40-minute debate.

The resolution before us will resolve nothing. It has no force of law. It is not binding. I do not believe that it will be honored as an instruction to our conferees on reconciliation.

This resolution as a legislative instrument is meaningless. I fear that we are here today for no other purpose than to play poker for the political support of those outside this Chamber who are here in Washington today petitioning their Government on behalf of social security.

At stake here is not the salvation of the social security system or the security of its recipients. This resolution delivers neither. The only thing to be decided on the floor today is who will keep the advantage in the bidding war over the social security issue.

We could up the ante on our side with a resolution that reads something like this:

Whereas, the House Ways and Means Committee has not as yet taken any action to report out legislation restoring the financial soundness of the system: Therefore, be it

Resolved, that the House of Representatives strongly urges that the necessary steps be taken to insure that the social security system is on a sound financial footing and designed to insure that those relying on social security as a "floor of protection" will not be adversely affected.

That would be our resolution.

Then I would like to add something else to the pot. I am going to gamble that the working people of this country whose backs are being broken by increased taxes, including social security taxes, and even those receiving social security now will not agree with the complete restoration of the minimum benefit when they learn the truth.

I am reminded of the chaplain's admonishment in the opening prayer that, "Today we do speak the truth."

The truth is that in current form the minimum benefit program does not belong in the Social Security Act. The truth is that the minimum benefit is being abused like food stamps, low-income energy assistance or trade adjustment assistance and a long list of other well-intentioned Federal programs.

There are people on the rolls who do not belong there. The truth is that the Congress has never had the courage to face up to these facts. The truth is that too many Members of this body still believe that the Treasury is a bottomless reservoir of tax dollars. If a few billion slip through the cracks while some good is being accomplished, well, the American taxpayer can afford it. That is the unfortunate truth and that's the case with the minimum benefit.

Currently, there are 3 million people receiving the minimum benefit. That is the truth.

The majority leader and a good many other members of the Democratic leadership argue that these 3 million people are destitute and would, as they say, "not survive" if the minimum benefit were discontinued.

The gentleman from Texas (Mr. WRIGHT), my friend, says, and the Speaker said just yesterday, that most of these people are elderly poor. Much of the benefit, they said, goes to women over 70 who have no other means of support.

Well, let us take a look at who these 3 million people are. One million of them are only technical beneficiaries of the minimum benefit, who are actually receiving much more than the minimum. Their benefits would not change one dime if we abolished this program.

Four hundred and fifty thousand others are currently receiving the benefits from the Federal retirement system, one of the most lucrative in the country, as well as the minimum benefit.

Fifty thousand more have retired spouses receiving benefits from the Federal retirement system as well as the minimum benefit.

Thirty thousand other recipients have working spouses earning an averge of $21,000 annually.

Still another 200,000 are receiving an amount equal to the minimum benefit as a result of what they have paid into the social security system, so their monthly check would not change one dime.

Yet another 500,000 recipients receive supplemental security income benefits, as well as the minimum. The way the SSI benefits are figured, their SSI checks would increase to make up for what they lose from the minimum benefit. In other words, their monthly checks would not change one dime.

The key difference here is that the flat minimum benefit under the Social Security Act is a real drag on the trust fund, while benefits from the SSI program are drawn from general revenues.

I find from talking to my constituents who have paid into the trust fund for years that they are incensed that in certain cases minimum beneficiaries could get $3,183 per couple each year by paying in as little as $3 into the trust fund for their entire working lifetime. Many beneficiaries who if we do not change the rules will be eligible for benefits in 1982 at age 65 have paid in less than $68 in lifetime social security taxes, an amount they will recoup in only 12 days.

On the average, a husband and wife getting an initial benefit in 1982 would be paid more than $100,000 during their retirement lifetime from the social security trust fund, which is about 300 times what they paid in. Obviously, that kind of benefit would not have been earned.

Incidentally, did you know that 35,000 social security minimum-benefit beneficiaries live outside the continental limits of the United States? Well, you tell that to your union workers at home and see how that rubs them the wrong way, along with a few of these other points I have pointed out.

Finally, there are 200,000 others who are adult students or the minor children of those receiving Federal pensions whose need for the minimum benefit has to come under question.

These people account for 2.7 million of the 3 million.

Now, if my arithmetic is good, that leaves 300,000 recipients with a real problem. It is in this category where the question of need may be most legitimate. It is at this juncture where we must decide whether it is prudent to restore the entire minimum benefit provisions or find some other means of meeting the needs of those in this category.

We are talking about people who may not qualify for supplemental security income benefits because they have cash or liquid resources in excess of $1,500 or $2,250 for a couple. Now, it could be argued that even though these individuals may have assets of this size and do not qualify for SSI, that they still have a legitimate need for Federal assistance. I am not going to argue that point. I am inclined to think that the means test for SSI eli-

gibility is too stringent. After all, it was established way back in 1972 and the economy has changed considerably since then. Congress has done nothing to upgrade the means test, despite massive increases in the cost of living. Adjusting the cash assets level would be one way of making sure minimum benefit recipients do not slip through the cracks.

It would be far wiser and far more prudent to provide an additional $100 million or so in this regard than it would be to dump $7 billion back into the minimum benefit provisions of the Social Security Act.

It should be noted here that the value of one's house does not count in determining SSI eligibility. A person could own a $200,000 home, fully paid for, and still be eligible for SSI. So let nobody claim that the elderly will be forced to sell their homes. That just is not true.

A person can own an automobile up to a value of $4,500 and household furnishings up to $2,000 and still be eligible for SSI, and maybe those are too tight restrictions, but you could move those up, because we have not done anything since 1972. There is the truth as I see it.

There is the truth as the American people ought to see it, straight out, and not through a distorting prism of political opportunism. I think it is time that we in this body face up to the fact that the social security system is in deep, deep trouble. I do not think this is the proper time to make light of those problems as this resolution does. I think it is time to end the politicking long enough to find some solutions.

We may have a solution to the minimum benefit issue in making adjustments in SSI. We can find other solutions, equally credible, for the other crises besetting social security, as long as we deliberate in reason and act responsibly.

If anyone thinks that they are going to ride the social security issue to political paradise at our expense, they have another "think" coming. I am betting that the American people will not buy it. Now you can play out your hand with this resolution.

As far as I am concerned, every Member on our side ought to either vote "present" or in favor of the resolution, not to join in the hypocrisy of it all, but to demonstrate once and for all that you are going to have to get up an awful lot earlier in the morning to make us your political pawns.

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Mr. WRIGHT. Mr. Speaker, I yield 2 minutes to the gentlewoman from Ohio (Ms. OAKAR).

Ms. OAKAR. Mr. Speaker, I have a great deal of respect for my friend on the other side of the aisle, but I do have another scenario to play concerning who these beneficiaries really are. I do not agree with the gentleman at all on who they are.

The Washington Post has called this cut the cruelest cut of all, and they are right. Almost two-thirds of the 3 million minimum beneficiaries are over age 70; 500,000 are over age 80. Most are elderly women who did not have the opportunity to make a reasonable salary when they were in an earning position.

Approximately 2 million of these people will actually suffer an average social security benefit reduction of more than one-third next April. Only about 600,000 of them are likely to recoup their loss in the form of increased SSI benefits, if they apply. Make no mistake about it, older Americans do not believe in welfare, and they very often do not apply for the benefits, even if they are eligible.

What about the remaining 1.4 million persons, almost half of whom are aged people with incomes of less than $3,000? We could talk about how difficult it is for people to apply for SSI, even if they want to give up their dignity and they want to go through all of the questions and so forth about how old their car is, whether they use it for work, whether they use it to go to the doctor, and so forth.

Also I do not agree with the cost factor and the fact that it is saving all these billions of dollars. Statistics show from the Congressional Budget Office that the elimination of the minimum benefit in 1982 would save about $496 million and so forth. So we feel that the gentleman from Illinois (Mr. MICHEL) scenario is wrong.

In addition I want to point out that 88 percent of these people have no other pension. So I would refute that. Only 6 percent of those who receive a pension happen to be Federal employees.

Let me submit my testimony before the Senate.

I speak as Chair of the Task Force on Social Security for the Aging Committee and as a member of the Congresswoman's Caucus. One of the chief priorities of the Congresswoman's Caucus, which Congresswoman Schroeder co-chairs, is the concern over the existing and compounding inequities against women in the social security system. Furthermore, the caucus recognizes the devastating impact the new proposals have on older women, in particular. Hearings held last month on this subject by our Aging Committee's Task Force on Social Security focused on these inequities.

The benefits paid to the American people are not only their earned right, but their legal right. No wonder there is so much outrage by our elderly and disabled people.

My remarks will address the recently released 1981 Trustees Report, refinancing proposals, and the current status of women under the program. In brief, it is my belief that the dire and pessimistic projections appearing in the Trustee's Report are flawed. They additionally have the potential of forcing the Congress to act prematurely in considering issues of refinancing. I would also like to request that the Committee carefully and fully scrutinize all refinancing proposals for their impact on older women—the fastest growing poverty group in the Nation.

THE TRUSTEE'S REPORT

The Trustee's Report, released July 6th, projected the short-term and long-term balance in the individual and aggregate trust funds using the Administration's optimistic and worst case forecast in addition to the traditional economic assumptions. Traditionally, this has been a document that used three economic projections. This report uses five. In addition, although the Trustees are members of the President's Administration, the document has never been used politically to endorse a President's legislative proposals, Also curious is the timing of this report which was due in April, but came out after Gramm-Latta (which had dramatic cutbacks in social security) passed the House in the month of July and before we vote on the Budget Conference Report.

CRITIQUE OF THE TRUSTEE'S REPORT

The most startling feature of the Trustee's Report is its overemphasis of the worst case scenarios and preoccupation with the status of the Old Age and Survivors Trust Fund, rather than the combined totals.

The Congressional Budget Office issued its projections as recently as June 16. The CBO concluded that (1) sufficient reserves will remain in the OASI program up to the beginning of 1984, (2) the DI Trust Fund will improve its position substantially through 1986, with reserves increasing to 132 percent of outlays, and (3) the HI Trust Fund balance will grow to over 80 percent of annual outlays over the next five years. Of these three trust funds, only the OASI Fund is expected to experience a cash flow problem in the next several years. The CBO also projected the aggregate Trust Fund balance as a percent of outlays under alternative economic assumptions (both assumptions forecast real economic growth in each year over the coming five-year period; no further downturns in the business cycle are forecast). Under these assumptions, a surplus is projected in the combined Trust Funds up through 1984.

The extremely pessimistic projections of the Trustee's Report must be considered in conjunction with the more positive projections of the CBO. But even if we accept the Trustee's projections, there is a real question about the accuracy of their projections based on their own internal data.

Based on my own interpretation of the data appearing in the Trustee's Report, there is no immediate crisis. I would like to submit for the record two tables prepared by the staff of the Aging Committee's Subcommittee on Retirement, Income and Employment containing these projections (appendix A). The Chairman will note the surpluses using different economic assumptions including "Reaganomics."

I did not support the Gramm-Latta provisions in the House, but based on these proposals, together with the Senate budget provisions, we can reasonably forecast that there is no short-term financial problem in the combined social security Trust Funds. By the end of 1985, under the economic assumptions use by the administration, the Trust Funds would increase positively by $26.3 billion to about $69 billion. Even under the pessimistic assumptions, the Trust Funds would increase by $2.7 billion—not go down as some would have you believe. Furthermore, the situation over a 25-

year period is very optimistic. The Trustee's Report verifies this. During this period the so-called baby boom population after World War II will be paying in, and offset the number of people receiving benefits over 65. The social security system remains very stable for this 25-year period.

REFINANCING PROPOSALS

I would urge this Committee to avoid any proposals which would result in a flat benefit cutback for social security recipients. The social security program, contrary to administration proposals, is not "bankrupt", nor is it ill-conceived. It has evolved in precisely the manner the founders intended: to serve as an income security system for our Nation's retired workers and their families, and the families of deceased and disabled workers. In reality, the problem is not that the program has become too expansive, but that the program is barely able to keep retired workers and their families with a history of long-term and low-paid work in the labor force above the poverty line. We must not sacrifice their very real and dire needs to visionary economics. Our goal should be to strengthen the program, and steamline it as necessary, without sacrificing the security of those who depend on social security for their very subsistence.

Let me comment on two specific areas—the need for Inter-fund Borrowing and the need to separate social security from the unified budget.

INTER-FUND BORROWING

I believe the first issue to be addressed is the projected short-term deficit in OASI. We should not at this time act on any long-term proposals that involve drastic program changes. Even under pessimistic projections, Inter-fund Borrowing between the old-age, disability and hospital insurance funds would solve most of the short-term problems and additionally has the potential of solving long-term problems as well.

Current congressional proposals would give authority to the Funds to make loans to one another whenever one of the Funds falls below 25 percent of the amount of its disbursements for the 12 months preceding the borrowing.

Inter-fund Borrowing has been supported by a variety of social security experts. The 1980 Social Security Administration Report recommended Inter-fund Borrowing "on the condition that such loans will not jeopardize the cash position of any one fund". The Report added that this action would be sufficient to support social security through the 1980's. Stanford Ross, William Driver and Robert Ball, three former Social Security Commissioners who testified before the Task Force, have endorsed the Inter-fund Borrowing proposal.

Inter-fund Borrowing is a simple, costless solution to the current deficit in the OASI fund. It will see the fund through the lean years ahead without subjecting our elderly to further severe benefit reductions.

UNIFIED BUDGET

We should also act to remove the Trust Funds from the Unified Budget. Keeping the trust funds under the unified budget perpetuates the dangerous illusion among the people that social security expenditures are part and parcel of other Federal expenditures based on general revenue taxes. The dangers presented by including the Trust Funds in the unified budget should be obvious. It exposes the social security program to blatant manipulation by persons who would use the funds for a "Quick Fix" to balance the Federal budget. It does nothing less than balance the budget on the backs of the elderly. Social security was not originally intended to be part of the unified budget. It was included for the first time in 1969 to provide an overall fiscal picture of Government revenues and demands for credit. Robert Ball, Director of the Social Security Administration under Presidents Kennedy, Johnson, and Nixon, said this decision was "probably the greatest mistake made in the development of social security."

The financing of social security must be considered separately from the entire budget. Social Security policies are spread over long periods of time, and its financing depends on direct-line contributions and payments. This tinkering could not take place if social security was returned to its original place apart from the Federal budget. Removing the Trust Funds from the unified budget should, once and for all, distinguish social security financing from budget balancing issues.

IMPACT OF PROPOSALS ON WOMEN

As Chair of the House Aging Committee's Task Force on Social Security and Women, I can report to you that virtually most of the proposed benefit cutbacks put forth by the Administration will fall most heavily on women. I strongly urge that you pay especially close attention to the impact of any refinancing proposals on women; 72 percent of all elderly poor are women. This phenomenon has resulted in the feminization of poverty.

Women outnumber men among the elderly. Women are also the fastest growing poverty group in the Nation.

Women comprise almost 60 percent of all persons over the age of 65, and women outnumber men by 2 to 1 in the over 74 age group.

The average annual social security income for women aged 65 and older is less than $3,800, or approximately $250 a month.

About 60 percent of all women beneficiaries depend on social security as their sole source of income.

70 percent of all elderly poor are women; women comprise 72 percent of all SSI recipients, the income maintenance program for the needy aged, blind, and disabled.

Because women on average live longer than men, they are much more likely to live out their closing years alone.

One-half of all women, compared to one-fifth of all men in the over 74 age group lived alone in 1978.

In short, older women tend to be poorer than men, have fewer financial resources with which to support themselves in later life, are likely to live out their last years alone, and depend on their social security as their main source of income.

The extraordinarily high incidence of poverty among aged women stems at least in part from their variable social and work roles which are not easily accommodated under the present social security system. In other words, women are penalized—and victimized—under social security because of the conflicting roles our society ascribes to them. Contrary to the arguments of some, these problems will not disappear in coming years as more women join the work force. Rather, they must be addressed legislatively. I am enclosing with this testimony, for the record, summaries of six bills I have introduced in the House designed to resolve issues of equity and adequacy (Appendix B).

Let me briefly review the problems women face under the program: If married women work in the home they will have limited and in some cases totally inadequate protection under social security. Homemakers have no disability protection at all, even though their work has tremendous economic and social value. As paid workers, women are likely to be employed in low-paying jobs with little hope of advancement. Their social security benefits, based on past earnings, will likewise be intolerably low. Women who combine homemaking and paid work roles experience gaps in social security coverage—they may lack disability coverage in spite of their years of work in the labor force; their spousal benefits will not reflect their years of work and contribution to social security; and, their earnings records will be negatively affected by the years of zero earnings. Social security offers little protection, and in some cases absolutely no protection, to divorced spouses with a limited history of work in the labor force. Finally, the program favors one-earner couples of lifetime marriages in a period of our history when the divorce rate is climbing and the two-earner couple is the predominant family form.

I would like to list, by way of illustration, the ways in which women will be affected by current reform proposals:

1. The Gramm-Latta elimination of the minimum benefit will fall most heavily on women. Benefits will be cut by approximately 40 percent, and 85 percent of those affected will be women. Two-thirds of these recipients are between the ages of 70 and 90 years. Only 12 percent have another pension. These are the individuals that can least afford benefit reductions and will be most heavily burdened.

The Gramm-Latta elimination of post-secondary student benefits: Last year 32 percent of all benefits went to families with incomes under $5,000, and most of these families were headed by recently widowed mothers. Under this proposal the widowed mother will lose a main source of income.

3. The Administration proposal to reduce benefits for future and early retirees and their spouses will lower the already inadequate benefit for widows. Widows are among the poorest of the elderly, and most rely on social security benefits as a major source of income. The burden of this proposal will fall most heavily on single older women, the group least able to bear it.

4. The Administration proposal to reduce benefits through the addition of three more years of the retirement computation period will adversely affect women who combine homemaking and paid work roles.

5. The Administration proposal to increase the number of years needed to qualify for disability benefits and the use of medical standards only for determining eligibility will potentially disqualify more than 15 million women now eligible for disability benefits. Women, it must also be noted, are already penalized under current law if they spend more than five years out of the paid labor force rearing children.

In sum, any proposal to refinance social security which entails benefit cutbacks almost certainly will disproportionately affect women. It is they who can least afford any reduction at all in their retirement income, and it is our collective responsibility to insure that this vulnerable group is protected. In addition, there is no need for social security cutbacks if we solve our short-term problem by inter-fund borrowing. Proper assumptions must be used, not worse case scenarios used to induce blind panic about our social security insurance program which has been viable since 1935. I urge the committee to use objective statis-

tics and to seek varieties of points of views when evaluating the Social Security System.

APPENDIX A

CHART 1.—SOCIAL SECURITY TRUST FUND OPERATION FOR 1982–85 UNDER CURRENT LAW [1]

[All figures are net surplus (shortfall) in billions]

	OASDI	HI	OASDHI	Cash flow problems [2]	Funds exhausted
Economic alternatives from optimistic to worst case:					
I	(3.9)	28.8	24.9	[3]	[3]
IIA	(19.8)	21.1	1.3	[3]	[3]
IIB	(41.3)	19.0	(22.3)	1985	1986
III	(71.0)	11.4	(59.6)	1984	1985
Worst case	(93.9)	[4]	[4]	1983	1984

[1] The combined OASDHI trust fund balance is projected to be about $42 billion at the end of calendar year 1981. To find the total trust fund balance/deficit, $42 billion should be added to the above surpluses and (shortfalls); $42 billion in combined assets will continue to be a more than adequate cushion for the 1982–85 period since it represents about 21 percent of the projected $200 billion in combined benefit payments enacted in calendar year 1982 and almost 14 percent of the projected $310 billion in combined benefit payments in calendar year 1985 under the pessimistic (alternative III) assumptions.

[2] Less than 10 percent reserves.

[3] Funds sufficient.

[4] The trustees provided no "worst case" figures given for HI. Subcommittee staff estimates there would be a HI net gain of about $8.9 billion under the worst case scenario leaving a combined OASDHI shortfall of about $85 billion.

Source: Staff calculations based on 1981 annual OASDI trustees report, table 14, page 40 and 1981 annual HI trustees report, table 10, page 38. Prepared by the Subcommittee on Retirement Income and Employment of the House Select Committee on Aging.

CHART 2.—COMBINED OASDHI TRUST FUND OPERATIONS FOR 1982–85 UNDER VARIOUS CURRENT LEGISLATIVE PROPOSALS [1]

[All figures are net surplus (shortfall) in billions]

	Current law	Gramm-Latta II/Senate budget [2]	Administration [3]
Economic alternatives from optimistic to worst case:			
I	24.9	49.9	81.9
IIA	1.3	26.3	58.3
IIB	(22.3)	2.7	44.7
III	(59.6)	(34.6)	17.4
Worst case	[4] (85.0)	(60.0)	(8.0)

[1] The combined OASDHI trust funds balance is projected to approximately $42 billion at the end of calendar year 1981. This figure should be added to the above surplus or (shortfalls) to find total trust fund balance.

[2] Reliable but unofficial estimates put the savings of both the Senate and House budget bills at about $25 billion over the next 4 years. The enactment of these proposals would solve the short-run financing problems entirely under alternatives I, IIA, and IIB. Under the two pessimistic alternatives, cash flow problems would develop in 1985. Funds would become completely depleted in 1986 under worse case and later under III.

[3] According to page 7 of the May 12 HHS fact sheet, the administration's proposals result in 1982–85 savings of $57.1 under Reaganomics and $77.3 under worst case. The above figures assume savings of $57 billion under alternatives I and IIA; $67 billion under IIB; and $77 billion under III and worst case. The administration's proposals more than solve the cash flow problems under the economic scenarios.

[4] Subcommittee staff estimate. See footnote 2 of chart 1.

Source: Subcommittee on Retirement Income and Employment of the House Select Committee on Aging.

CHART 3.—SOCIAL SECURITY LONG-RANGE TAX RATE SURPLUS/SHORTFALL UNDER CURRENT LAW [1]

	OASDI 1981–2005	HI 1981–2005	OASDHI 1981–2005	OASDI 1981–2030
Economic assumptions:				
I	1.95	(0.42)	[2]	1.64
IIA	1.27	(1.18)	0.17	.30
IIB	0.43	(1.44)	(.92)	(.52)
III	(0.61)	(2.80)	[2]	(2.85)

[1] The current OASDHI tax rate is 6.65 percent each on employers and employees. Under current law it will rise in increments until it reaches 7.65 percent in 1990. A tax rate surplus is the amount by which the currently scheduled tax rate exceeds the amount needed to exactly cover expected benefits. A tax rate shortfall is the amount by which the currently scheduled tax rate falls below the amount needed to exactly cover expected benefits.

[2] Due to the volatility of long-range estimates, the HI trustees limited their estimates to 25 years. The OASDI trustees continued to make estimates for 75 years. The trustees made combined OASDHI estimates only for 25 years and only under the intermediate assumptions. Staff calculates that there would be a 1.56 surplus under alternative I and a 3.23 shortfall under alternative III.

Source: Subcommittee staff calculations based on the summary of the 1981 annual trustees reports, table 4, page 17, and table 5, page 18; the OASDI trustees report tables 26 on page 59 and G–2 on page 116; and, the HI trustees report, table 11, page 39. Prepared by the Subcommittee on Retirement Income and Employment of the House Select Committee on Aging.

APPENDIX B—SUMMARY OF SOCIAL SECURITY BILLS INTRODUCED BY MARY ROSE OAKAR (DEMOCRAT OF OHIO)

H.R. 1513—SOCIAL SECURITY MODERNIZATION ACT

(Mandatory Earnings Sharing) The combined earnings of a husband and wife during their marriage shall be divided equally between them for purposes of determining eligibility for, and the amount of, old age and disability benefits. The bill maintains the current treatment of, among others, children's benefits, requiring that all earnings be credited to the wage earner for the purpose of calculating those benefits. The bill contains a present-law guarantee that, if the combined benefits of an individual and his or her spouse would be greater without application of earnings sharing, it shall not apply. The bill also mandates periodic Congressional studies of the operation of Earnings Sharing. Full-scale Earnings Sharing (excluding present-law guarantees) will be implemented by 2010, contingent upon the assessments, evaluations, and recommendations of the Congressional studies.

H.R. 1514—INHERITANCE OF EARNINGS CREDITS BY SURVIVING SPOUSE OR SURVIVING DIVORCED SPOUSE

When a spouse dies, the surviving spouse or surviving divorced spouse automatically "inherits" the deceased spouse's earnings credits to the extent that the credits were earned during their marriage. The couple must have been married to each other for a continuous period of a least three years immediatley prior to the spouse's death or the date the divorce became final. Disabled worker benefits could be paid at any age to disabled individuals based on their records as altered by inheritance. Disabled widow(er)s who gain disability insured status only through the use of inherited credits must meet the test of disability that is presently applied for disabled widow(er)s who claim survivor's benefits. The bill contains a present-law guarantee that, if the benefits of a widow(er) would be greater without application of credit inheritance, it shall not apply. Present-law guarantees will be terminated by 2010, contingent upon the findings and recommendations of mandated Congressional studies to determine impact. Where the deceased spouse has other survivors entitled to benefits on his or her account, for benefit purposes, the Social Security Administration will treat his or her earnings as if the inheritance had not occurred.

H.R. 1515—CREDIT SPLITTING AT DIVORCE

Credit splitting at divorce will make Earnings Sharing mandatory upon application by either party following a divorce. At the time of the divorce, if the marriage lasted at least three years, either party could apply for earnings credits. The Social Security earnings credits received in the years of marriage by both spouses would be added together and each spouse would be credited with half of the combined total. Earnings credits from years before or after the marriage would be unaffected. Thus, divorced homemakers or secondary earners could gain entitlement of benefits as retired workers. Credits gained as a result of credit-splitting could be used to gain entitlement to disability benefits. In those cases where combined benefits of both spouses would be higher under present law, credit splitting would not apply.

H.R. 1516—TRANSITION BENEFIT

This bill provides for payment of a "transition benefit" to the widow(er) of an insured individual upon the wage earner's death, if the surviving spouse is at least 50 years old at the time of the wage earner's death and not otherwise immediately eligible for benefits. The benefits would be available only for the month in which the death occurred and for the next three months. The benefit would be 71.5 percent of the wage earner's primary insurance amount (PIA), or if the spouse's own primary insurance amount is higher, 71.5 percent of that amount.

H.R. 1517—DISABLED WIDOWS/WIDOWERS UNDER SIXTY

Under present law disabled surviving spouses are eligible for benefits at an actuarially reduced rate beginning at age 50, based on the deceased worker's primary insurance amount (PIA). This bill would make disabled surviving spouses eligible for benefits at any age and with no reduction.

Mr. WRIGHT. Mr. Speaker, I yield 2 minutes to the distinguished chairman of the Social Security Subcommittee, the gentleman from Texas (Mr. PICKLE).

Mr. PICKLE. Mr. Speaker, the Congress ought to reject the proposal to take away retroactively the benefits of people receiving the minimum. To do otherwise would be cruel to our 70- and 80-year-old workers. I support this resolution in principle because it is a reassertion that this House and this Congress do not wish to take away social security benefits from current recipients.

There is reason to consider the elimination of the minimum benefit for future retirees, and that is what our subcommittee has already voted in the bill we are considering. Our subcommittee ought to meet again and reaffirm our bipartisan agreement to phase out the minimum for future retirees. I expect our subcommittee to meet in the next few days and to take further action in this and other areas.

The national consternation and fear caused by this amendment should never have taken place. The retroactive proposal should never have been in the House budget. It was put there by drumbeaters who wanted to bypass the authorization and appropriation process to make deeper cuts than ordered by the original Gramm-Latta. Inevitably this proposal has to be stopped. Regrettably it now involves harsh statements by OMB Director Stockman, by the President, and by our own leadership—forcing us to take sides on an issue that need not have been raised.

Mr. Stockman and others have said that we need this cruel action for the budget. This is not so. The Ways and

Means Committee cut out $1 billion more than Gramm-Latta in social security in 1982 and cut $18 billion over the next 5 years without resorting to taking the minimum benefit away from those now receiving it.

Mr. Stockman says that no one will be hurt by the action to take away the minimum retroactively. That is not so. Everyone needy may or may not be eligible for welfare, but that is irrelevant to the effect of this amendment. My friends, half a million of those on the minimum are eligible for welfare right now—but they have never applied for it. As many as 90 percent of the current minimum beneficiaries are women. Half of them are over 70. They have made it thus far without welfare, and they are not going to go on welfare now. If they did, then Mr. Stockman would lose fully one-half of the budget savings he is looking for. Mr. Speaker, this amendment does not address any windfall, it makes savings in the most despicable manner because it counts on the pride of elderly ladies and gentlemen—it counts on the fact that even if they are made destitute at their most defenseless moments—they will still have enough pride to avoid welfare.

I salute these ladies and gentlemen; I feel for them in their fear and apprehension of what lies ahead; and I deplore a Government action that on purpose would ask someone at this stage of life to choose between dignity and welfare. It breaks a faith and a promise made for over 40 years and made repeatedly in the last campaign.

The President himself implies in his letter that these cruel savings are necessary to save social security. My friends, the simple truth is that we cannot claim to protect and defend social security by taking away the benefits retroactively of our most elderly and most defenseless wage earners. There is an incongruity in that very assertion that is astounding. It is like holding someone under water while claiming to teach them how to swim.

The administration ought to admit that they made an error in this matter; and the Congress ought not to seize on this error for political purposes.

The bipartisan solution reached in our committee remains the best approach, and what we had better do is get this behind us and get about passing a bill that will handle many of our problems in social security. Only that course will stop this headline lambasting which scares the very people we are seeking to help.

Mr. WRIGHT. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Maryland (Ms. MIKULSKI).

Ms. MIKULSKI. Mr. Speaker, minimum social security benefits are exactly that—minimum. Let us not forget, we are talking about $122 a month. Think about that—$122 a month. What kind of housing could you find in the District of Columbia, or in your home district for $122 a month? Most of us could not even pay our utilities on that.

I would like to share with you a case of a woman who will be affected by a cut in the minimum benefits she is receiving. About 50 years ago, her brother's wife died in childbirth with their second child. So, Anne, as we will call her, moved in with her brother, raised his children as if they were her own, and maintained his household. She finally entered the paid work force in her late fifties, early sixties, at a job paying what you would expect it to pay to a woman in her late middle years, with no prior experience. She is now in her eighties, collecting her minimum benefit, and living with a woman friend in the house that that friend and her late husband owned. Anne contributes what she can, and gets by thanks to this friend. Unfortunately, the friend is in poor health, and will probably not live long. What is Anne to do? Her benefit will be cut. She is allowed few if any assets to be eligible for SSI, which means going downtown to apply for welfare anyway, a stigma few people want to endure.

I have a suggestion: that all those who vote against this resolution—that vote against an attempt to give our seniors a chance at a life at a level somewhere above starvation—open their homes to all those people that will have nowhere to go, prepare your extra rooms, and set another plate, because they are going to be knocking on your door.

Mr. WRIGHT. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Tennessee (Mrs. BOUQUARD).

Mrs. BOUQUARD, Mr. Speaker, I would like to make a brief comment in support of House Resolution 181.

The elimination of the social security minimum benefit is one of the most unfortunate consequences of the budget reconciliation. Three million people, half of them below the poverty level, stand to lose $122 per month which they are currently receiving under the law. We have been told that these people will be provided for through SSI and other programs. But we do not know how many of them, over 80,000 of whom are in their nineties, will not make the necessary application or qualify for SSI.

Like my colleagues, I have heard from those who, currently eligible for the minimum benefit, are frightened over the hardship this cut would bring to their lives. These are the people most vulnerable to economic conditions and least able to bear this burden. What the elimination of the minimum benefit means is that we can no longer trust the Government to honor commitments that it has made to those who up to now had no reason to question the reliability of the social security system.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. PEYSER).

Mr. PEYSER. I thank the gentleman and want to join in supporting his resolution. I suggest to the minority leader that he go outside and talk to the thousands of senior citizens that are affected by this. I do not think his argument will hold much water. This is one vote that the Reagan administration will lose.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. WALGREN).

Mr. WALGREN. Mr. Speaker, I rise in support of the resolution.

Mr. Speaker, I did not support the elimination of the minimum social security benefit. I opposed the Gramm-Latta amendment which eliminated the benefit. And I support this resolution today, urging that all possible steps be taken to insure that social security benefits not be reduced for those people currently receiving benefits under the system.

The Gramm-Latta proposal, swept through the House by the Reagan administration, ends the $122 per month minimum benefit in January 1982. For present recipients, the minimum benefit would end in April 1982, less than 1 year away.

Mr. Speaker, we are hardly talking about exorbitant pensions when we talk about the minimum benefit. Among the 3 million recipients, hundreds of thousands of these recipients are over 80 years old. Seventy-four percent of the over-80 group are elderly widows who have not built up enough quarters in the social security system to qualify for any more than the minimum.

The administration says that most will qualify for other kinds of Government benefits. They fail to understand that those people over 80 are often unable, because of circumstances or personal pride, to negotiate the pitfalls of qualifying for support under the program. They will simply do without, and many of our elderly will then have a standard of living that will be a disgrace to the United States.

In 1972, many members of religious orders chose to come into the social security system. These were people who had taken a vow of poverty and received no income for their work. They borrowed money and in some cases sold church assets to obtain the required number of quarters for each member of the order.

It seems blatantly wrong, in fact cruel, to now yank this minimum pension from these people. I cannot sup-

port such a harsh step, one that invites people in the system in one year and kicks them out the next.

We must address the solvency of the social security system, short term and long term. We must examine interfund borrowing, use of general funds, and universal coverage as ways to shore up the system.

Taking away this meager subsistence from the elderly is not the way.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois (Mr. SAVAGE).

Mr. SAVAGE. Mr. Speaker, I rise in support of House Resolution 181. I lend my voice in the strongest possible manner to those who are determined to right the wrong committed a few weeks ago when Congress eliminated the $122 minimum benefit for a certain class of social security beneficiaries. Those of you here will remember that this provision was part of the infamous budget reconciliation package that passed both the House and the Senate.

Mr. Speaker, yesterday I received a letter from President Reagan accusing those among us who truly care about the millions of social security recipients of politicizing the issue of social security. Well, the simple fact of the matter is that it is the President who has made this issue one purely of politics.

Consider the fact that last fall, in an effort to attract votes, he promised that he would never cut back benefits of current recipients. Consider the fact that he has echoed this promise in recent weeks. Now square that with the fact that he, along with Stockman of "Mis-Management and Cut-it," conspired, designed, and successfully orchestrated passage of a budget-cutting package that eliminates the $122 minimum for current recipients.

If anyone is playing games, as the President suggests in his letter, I submit that it is he and not those among us who have some compassion for our elderly. I am not playing games, for I have seen and been touched by the concern etched on the faces of the hundreds, if not thousands, of senior citizens who have come to the Capitol to plead their case with their Representatives. I am not playing games because I have always championed the less well placed and poor, and I know that the insecurity that comes from not knowing where your next meal is coming from is no game.

Senator MOYNIHAN put his hand on the strategy of this administration when he said that Reagan was trying to balance the budget on the backs of the poor and elderly.

During these past few months, on and off the floor of this House, on TV, radio and in my newspaper column, I have warned that the administration budget and tax cuts were not only crippling to black Americans but to all Americans who have the misfortune not to be numbered among the wealthy. Of all the evil acts perpetrated by the administration in the past 6 months through legislation, probably the most unconscionable is the removal of the $122 minimum monthly floor from social security. These minimum benefits presently go to some 3-million elderly Americans, men and women, blacks and whites alike, and represents for some the only meaningful income they have. How mean and heartless we must seem to these elderly individuals.

We should pass this resolution, thus sending an appropriate response to the President.

And, we must go from here to support Solidarity Day and every other program and project designed to return dignity and compassion to this Government.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. SEIBERLING).

Mr. SEIBERLING. Mr. Speaker, I rise in support of the resolution.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Texas (Mr. WHITE).

Mr. WHITE. Mr. Speaker, I thank the gentleman for yielding. When we first passed the package on budget reconciliation from this House, we should have had a grandfather clause for minimum social security recipients. I urge adoption of the resolution.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from North Carolina (Mr. HEFNER).

Mr. HEFNER. Mr. Speaker, I rise in support of the resolution.

Mr. Speaker, there is no more poignant mail coming into my office than that from senior citizens who are afraid that social security benefits are going to be cut or eliminated.

These people who have worked hard all their lives at back-breaking labor, and they have at least counted on the meager social security benefit to maintain their integrity, their independence, and their worth as human beings.

I do not favor pulling the rug from beneath the older citizens of our country who depend on their social security checks to help make ends meet. In a country as rich as ours, I believe our Government can and should afford to help those older Americans who are least able to help themselves.

Now this Government is sending all kinds of signals and omens that there is not going to be any more social security program if we do not take drastic steps. And this administration has taken the ultimate drastic step in suggesting that Congress eliminate the minimum benefit, that small $122 a month which some 2 million current social security recipients receive because of the low wages they earned throughout their working lives or because they had not been covered by the required numbers of quarters to earn a more respectable benefit.

This administration is not proposing to eliminate the benefit for those who will come on the rolls in the future and determine other ways to take care of these people. This administration is demanding that we cut off this meager resource for those who are right now receiving this small monthly benefit.

Mr. Speaker, I voted against the Gramm-Latta II budget which contained the provision to eliminate this minimum benefit, but I am proud that this body has had the foresight to reconsider this proposal and has given the Members a chance to reconsider the issue.

We cannot forsake our mothers and fathers, our elders, in this battle of the budget. We cannot allow the self-esteem of these people who have gone before us to be damaged in such a blatant way. I wholeheartedly support the resolution.

Mr. MICHEL. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. GRADISON).

Mr. GRADISON. I thank the gentleman for yielding.

Mr. Speaker, the proper focus of attention in our debate on the minimum benefit should not be the reconciliation conference but the social security law itself. The Ways and Means Social Security Subcommittee, of which I am a member, has had underway a complete review of social security, triggered by the approaching financial crisis of the system.

One of the elements in our review, of course, has been the minimum benefit. The Social Security Subcommittee, on a bipartisan basis, has tentatively decided to eliminate the minimum benefit, but on a prospective basis only. Those now receiving the minimum benefit would not be affected.

I am personally convinced that the financial needs of the social security system can be met without increasing social security taxes beyond those provided in present law, and without abruptly cutting minimum benefits, student benefits, or early retirement.

This will, of course, require other changes in benefits, not changes to cut present benefits, but to adjust the rate of increase in future benefits.

Voting for the resolution before us eases this. The more difficult task will come later, not only for the Ways and Means Committee, but for the House as well when we must balance the benefits we protect with changes in other portions of the social security system.

□ 1210

My own recommendation to our Social Security Subcommittee will be

to repeal the minimum benefit provision of the reconciliation package if it stays in the final version. This, in my judgment, is the proper way to go about dealing with this issue. And I note, in passing, that the approach I recommend will help secure House passage of a balanced package of social security changes to put the system on a sound financial basis and reassure beneficiaries that their benefits will not be cut either by the action of Congress or by the vagaries of the economy.

Mr. WRIGHT. Mr. Speaker, I yield 2 minutes to the very distinguished gentleman from Florida (Mr. PEPPER), the chairman of the Select Committee on Aging.

Mr. PEPPER. Mr. Speaker, and Members of the House, there is an old saying that the time to do a good deed or to kill a snake is when the opportunity affords.

Today we have an opportunity to redress a wrong to which we have previously been a part. And if we make the decision now, the only just complaint is that it comes tardily, not that we make it.

The people who are affected by this minimum security benefit of $122 a month—a figure fixed in 1977 by the Congress because they thought it was a fair figure—over two-thirds of these people are beyond the age of 70; 500,000 of them are over 80; and 100,000 of them are over 90. So you will not have to worry about many of them very much longer.

If America is so poor that we are threatened with bankruptcy because we cannot take care of America's elderly and her needy, many of them will relieve you of that obligation relatively soon.

No, Mr. Speaker, these people are entitled to what the law says they are to receive.

The budget cutters say, "We are not going to take benefits away from anybody now getting them."

The reconciliation resolution denies the recipients of this $122 a month now getting it April 1, 1982.

I thought we had a commitment from our President in his campaign that that would never happen.

Mr. Speaker, we have already too much endangered this great humanitarian economic, stalwart program of social security. Let us no longer jeopardize the confidence of the people of America in this meaningful institution of social security.

Mr. WRIGHT. Mr. Speaker, I yield 1½ minutes to the gentleman from Massachusetts (Mr. MAVROULES).

Mr. MAVROULES. Mr. Speaker, I rise in support of the resolution offered by the gentleman from Texas, asking that social security benefits not be reduced.

At issue here today is Government's responsibility to the American people—a social compact, especially as it pertains to the aged—whose contributions to their homeland are as longstanding as they have been significant.

Mr. Speaker, I believe that a good number of our colleagues, on both sides of the aisle, welcome the opportunity presented them by this resolution—to right a wrong recently perpetrated in the reconciliation package.

I believe that my colleagues had no intention of pulling the plug on minimum social security benefits (an action that would adversely affect 3 million Americans), many of whom are living close to the poverty level.

I believe, Mr. Speaker, that such an action—tearing at the social safety net protecting all Americans—does not truly express the sense of this Congress.

An affirmative vote on this resolution will give us that opportunity to set the record straight, and to tell the American people that Government will face up to its responsibilities to the governed.

On the other hand, if we do not move to restore minimum benefits, we will be responsible for a breach of faith, weakening one of the most basic bonds between the American people and their Government—and denying the basic right of every American to a decent retirement.

As late as this past May, we have been assured by the Reagan administration through a party newsletter that "President Reagan would keep his promise, that retirement benefits would go untouched."

Let us match these words with deeds and pass the resolution offered by the majority leader.

Let us keep Government's promise and meet our commitment to those, to paraphrase the President last February, "Who through no fault of their own must depend on the rest of us for programs they can depend on."

Mr. Speaker, I support House Resolution 181 and I urge my colleagues to do so as well.

We have promises to keep.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. SHAMANSKY).

Mr. SHAMANSKY. Mr. Speaker, just 24 hours before the mass rally of the National Council of Senior Citizens here at the Capitol, two interesting events coincided, events related to the administration's misdirected plans for social security.

The President attacked some of us in Congress as "opportunistic" for objecting to his ill-conceived elimination of minimum social security benefits. By this proposal, the administration is saying to 3 million Americans with low earning records that their coverage now is wiped out. They must look instead to welfare. Gratuitously penalized by this shortsighted plan are thousands of priests and nuns who took vows of poverty to serve in religious orders. Their vows of service apparently prohibit them from seeking welfare.

At the same time yesterday, a House committee heard that the Clinch River breeder reactor—a technological white elephant which I and many of my colleagues voted to close out—suffers from a $2.5 billion cost over-run, and is 11 years behind schedule. The money saved by canceling this political gift to certain politicians, could greatly help make up the amount the administration claims it will save by eliminating the minimum social security benefits.

I call on the administration to work with Congress, instead of indulging in name calling, to strengthen social security, not chip away at it. Thank you.

Mr. WRIGHT. Mr. Speaker, I yield 1 minute to the gentlewoman from Colorado (Mrs. SCHROEDER).

Mrs. SCHROEDER. Mr. Speaker, as cochair of the Congresswoman's Caucus, I rise in support of House Resolution 181 which urges that steps be taken to insure that social security minimum benefits not be reduced for those currently receiving them.

The elimination of the social security minimum is aimed at double-dippers and persons with substantial income from other sources. However, Social Security Administration data indicate that only 21 percent of those eligible for the social security minimum—are entitled to public pensions. That means that four-fifths of those losing their social security minimum are not entitled to a public pension or dual benefits.

Elimination of the social security minimum will have a devastating effect on older women. It means that we are abandoning over 1 million old women in our society who depend upon this $122 monthly minimum for their very existence. When the administration proposed this cutback in social security, they attacked a vulnerable group since 85 to 90 percent of the minimum beneficiaries are women—retired and disabled workers, dependent spouses, and widows. These women are not living it up as merry widows; 60 percent of unmarried women over age 65 depend on social security as their sole source of income. What do these women do when the social security minimum is cut off?

Some of them may be eligible for SSI—if they have less that $3,100 in income and no more than $1,500 in personal assets. No one knows how many of the 1.2-million affected women will be entitled to SSI.

Eliminating the minimum will have an especially negative effect on those women who are not poor enough to qualify for SSI. The "near poor" who will suffer from the loss of this benefit

include retired workers with very low public pensions, those who worked as domestics or part-time workers, and dependents.

The omnibus reconciliation bill created a new benefit for retired workers, aged 62–64 who are not yet eligible for SSI, to permit them to continue to receive an amount equivalent to the minimum. This new benefit will apply only to some 150,000 of the 1.2 million women who will lose their minimum social security benefit.

This Congress has approved a cruel surprise for 1 million older women who happen to be our constituents. I urge my colleagues to approve this resolution which would ask that the social security minimum be continued for those already receiving it.

Mr. MICHEL. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. MARKS).

Mr. MARKS. Mr. Speaker, there are indeed several categories receiving the minimum benefit who have not earned it or deserve it. That does not give us the license to remove it from those who are truly needy. I rise, Mr. Speaker, to state that I shall vote for this resolution to protect those truly needy people.

Mr. Speaker, the issue before the House today is one of significance not only to the 3 million Americans directly affected if the House and Senate proceed to eliminate the minimum social security benefit, but to everyone who will participate in social security in the future.

Both House and Senate versions of the budget reconciliation bill contain provisions to remove the benefit—the Senate in September and the House in April 1982. Both bodies voted on the removal of the minimum benefit as part of a larger measure. There was no opportunity to give this matter the individual attention I feel it deserves.

To put it bluntly: Our method has been neither good legislative practice nor a very humane way to proceed. There are, indeed, several categories receiving the minimum benefit who either have not earned it or do not deserve it, but that does not give the Congress license to remove it from the nearly 1 million truly needy now receiving it.

I believe House Resolution 181 provides us with a vehicle to express the opposition of the House to the indiscriminate removal of this benefit.

Of the 3 million now receiving the minimum benefit, it is estimated that over 800,000 are probably without alternative sources of income. A million and a half are over 70 and about 100,000 are over 90. Should the minimum benefit continue to be paid to current beneficiaries, it will gradually decrease as a drain on both the trust fund and general revenues, which add SSI supplements to the minimum. Current trust fund payments of the minimum will gradually sink to zero over the next two decades. The decrease will be even more pronounced if only the truly needy continue to receive the minimum benefit.

The House has before it an opportunity to declare that the reconciliation process is not the best mechanism to make far-reaching changes in complex social security law. Careful and deliberate consideration by both the House Ways and Means Committees is vastly preferable to precipitate action on a catchall measure not designed to take into account distinctions between the comparative needs of various minimum-benefit categories.

Mr. Speaker, I do believe that certain categories of beneficiaries do not need, nor have they truly earned, the minimum benefit. There are 450,000 minimum recipients who receive Federal pensions averaging $900 per month; 350,000 minimum recipients have working spouses with earnings averaging $14,000 annually. But to deny minimum benefits to people in their eighties and nineties and to elderly men and women of religious orders who have devoted their lives to their fellow Americans, is not responsible legislation. To do so now, when the minimum benefit currently makes up a major portion of their total income, is also unwise.

What I am saying is that distinctions must be made between the various currently eligible categories. This must be done through the regular legislative process. I realize that in order to protect the short- and long-term integrity of the social security trust funds, we must make some retrenchments. We must place the social security system on a basis which guarantees benefits to every American who has contributed and earned them—whether he or she retires tomorrow or in the next century.

Administration officials state that the OASDI trust fund will be bankrupt come November 1982. Perhaps it would be better to say there will be a percentage decrease of benefits paid out unless steps are taken to strengthen the system financially. I am confident that the Congress and the administration will work together to provide just that type of corrective action. There is no need, Mr. Speaker, to eliminate the minimum benefit for the truly needy—for those under whom there is no safety net.

I intend to vote for House Resolution 181—not because I wish to preserve the minimum benefit for everyone now receiving it, but because I wish to see those most in need protected from destitution.

Mr. MICHEL. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. GRAMM).

Mr. GRAMM. Mr. Speaker, I thank the gentleman for yielding.

I did not come to the well this morning to talk about the facts. I think the people who have studied the facts have seen that the House took a courageous action in moving to terminate the minimum benefit and doing it in such a way as to hold harmless those who are currently 60 years old and older and to focus in on denying benefits to the 800,000 people who have an average income of over $20,000 a year, who have paid on average less than $470 worth of social security, and who are nonneedy but who are imposing a burden on the social security system which will over the next 5 years deplete the reserve by over $7 billion.

One of our colleagues suggested we go outside and talk to the people who are here. I would like to say to our colleague I have done that all morning. And I want to tell you, the people who are here are the people who have worked for 40 years paying social security taxes. And when these people understand the political exercise that we are involved in here today, they are going to be mighty unhappy when they see that we are playing political football with their financial security.

Mr. Speaker, there are few issues that are better suited to playing politics with than the minimum benefit on social security. The fact that we are eliminating unearned benefits to nonneedy citizens is lost in all of this political rhetoric. And the final irony is that those who seek to reinstitute an unearned benefit to non-needy citizens cloak themselves in the righteousness which should surround those who are trying to protect those who have earned benefits and those who are in need.

I am not urging anybody to vote against this resolution. I am going to vote against it. The politics of it is clear. There are 1 million people, roughly, who will be denied this benefit who are non-needy by definition of social security, who are looking over your right shoulder. There are 30 million people who depend for their financial security on the basic strength of social security, and they are confused about the issue. They do not know whether they are affected or not, and they are not looking over your left shoulder. But in the words of Abraham Lincoln, "You can't fool all the people all the time."

□ 1220

Some day the facts are going to get through to people about the political game that we are playing here. When those facts get through, those people are going to ask the Members and they are going to ask me: "Where were you when an effort was made to deny benefits to those who had not paid taxes and who were nonneedy to strengthen my retirement? It was your vote that jeopardized my security, and

I am not a person with an outside pension. I am not a person with financial assets. I am a person that worked 40 years to pay benefits."

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Puerto Rico (Mr. CORRADA).

Mr. CORRADA. Mr. Speaker, I rise in strong support of House Resolution 181, resolution opposing minimum social security benefit cut.

Although the Ways and Means Committee section of the Omnibus Reconciliation Act did not recommend any cut in benefits for present social security recipients, both the House version, as amended by Gramm-Latta, and the Senate version of the bill, would reduce the minimum social security benefit. These changes would affect approximately 2 million current social security recipients across the Nation.

In Puerto Rico it would affect over 100,000 pensioners. These would suffer even greater hardship than the rest of the American citizens would, for they will not be able to avail themselves of the SSI benefits, since the SSI program has not been yet extended to Puerto Rico and the territories.

This substantial segment of our population generally sustains itself on a very limited income, which usually meets only the most basic necessities. To so many of them every dollar counts and as my dear colleagues are well aware of, most do not have where to reach for more, when it does not make ends meet.

They are widows, elderly, disabled citizens. They have to some extent or other contributed to the economic development and well-being of the Nation. We should not now, nor ever forget that.

Most of all, we should not now nor ever forget that the Nation as a whole has a duty to its citizens that have given it their very best, when those same citizens are no longer able to sustain themselves, when age or other circumstances reduces or ends their productivity and hence their contribution to the Nation.

To forget that duty, to ignore it or to subordinate it to other so-called priorities is unconscionable, my dear colleagues. I cannot support the proposed cut and I invite you to, deep in your consicence, consider your less fortunate constituents, living on meager present minimum benefits, recall their faces, their situation as you have seen it, and doing so I trust you will vote in favor of this resolution.

Mr. WRIGHT. Mr. Speaker, I yield 30 seconds to the distinguished gentleman from New York (Mr. BIAGGI).

Mr. BIAGGI. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, on June 26, when the House passed its Budget Reconciliation Act, the Nation witnessed an extraordinary tragic event. For the first time in our Nation's history—Congress voted to reduce social security benefits for current recipients. I state clearly for the RECORD that I voted against this proposal and proudly join in lending my full support to House Resolution 181 which seeks to restore the minimum benefit under social security—so callously eliminated under the reconciliation bill.

These are vexing times in Congress. True, when the House and Senate passed their respective reconciliation bills—we were responding to the will of the people who wanted reduced Federal spending. However—it was the means to this end—which is so objectionable. Is it not interesting that once the American people got a chance to look more closely at Gramm-Latta I and II how their opinions shifted. Recently I placed into the RECORD the results of a survey conducted by Louis Harris. This followed a similar one in February when people were asked if they felt the Reagan budget was harmful to the elderly and poor. At that time they said no. Just last week in a new survey the results had turned around completely. By a margin of 61 to 33 percent those surveyed believe that Reagan's economic plans will be unfair and cause hardship on the elderly.

The provision eliminating the minimum benefit for those presently on social security has evoked a national hue and cry. All one has to do is walk to the other side of the Capitol a little later and see feelings of seniors firsthand as the National Council of Senior Citizens holds its annual convention and rally.

Let us examine what the issue is here. Are we talking about some windfall for the elderly of this Nation. How many in this Chamber could even fathom living with an annual income of $1,464 a year—for a person relying solely on the minimum benefit for income that is all they would get. And despite the claims of this compassionless administration—there could be as many as 750,000 older Americans for whom the minimum benefit is the sole or majority element of their income.

Consider if you will the extraordinary letter which was sent by the President of the United States to us yesterday. Imagine the extent to which our Chief Executive is going to urge that the Congress of the United States violate a sacred trust between the Government and its older citizens. Imagine all of this to achieve projected savings of $1.3 billion a year. Is there no limit to this administration's obsession with viewing life in terms of dollar signs only?

No one quarrels with the desire to develop some comprehensive legislation to reform the social security system. However—I contend that we can do this without having to resort to cutting people's benefits who are currently on the social security rolls—we can recommend interfund borrowing—we can seek the limited use of general revenues.

Let us not underestimate the significance of this vote we will be taking here today. House Resolution 181—is a repudiation of a decision made by a majority of this House on June 26—that decision being to eliminate the minimum benefit payment for social security recipients. If this passes under suspension of the rule—it sends a very persuasive message to our House conferees to the budget reconciliation bill that we want all possible steps taken to avert the reduction in benefits as called for in Gramm-Latta II.

Mr. WRIGHT. Mr. Speaker, I yield such time as she may consume to the gentlewoman from New York (Ms. FERRARO).

Ms. FERRARO. Mr. Speaker, I thank the distinguished majority leader for yielding to me.

Mr. Speaker, I rise in strong support of the resolution offered by my distinguished colleague (Mr. WRIGHT). Although it is no secret that the fastest growing poverty segment of the population consists of persons aged 65 or older and although it is no secret that the poorest of the elderly and the oldest of the elderly depend on the minimum benefit for survival, this administration has decided to breach its promise to the people of this country and cut the minimum benefit for current retirees.

Yesterday, I received a copy of a letter from President Reagan deploring the opportunistic political maneuvering of some of those in Congress and indicating that the President will ask for time on television to inform the American people of the facts about his proposals regarding social security. Since my people will not get free TV time, I just thought I would share with you, Mr. President, what the American people in my district think about the cuts in the social security system.

One constituent writes: "I am heartbroken to learn that the Government is considering cutting off minimum social security benefits from those already receiving these benefits. I am in my sixties, half blind, and am receiving $111.50 per month minimum social security benefits." Another constituent writes: "I am asking you not to give in to what this 'jelly bean eater' wants. I can not eat jelly beans like he does. I have got to have good food." And, if the administration thinks that all the people who need the minimum benefit and will lose it can go to the SSI program—they are wrong. One man in my district writes: "They tell us we can apply for some kind of Gov-

ernment relief or welfare. What gall. What an insult."

I urge my colleagues to support this important resolution and to take a stand on behalf of the millions of Americans who depend on this minimum benefit for their bare survival. Our commitment to dignity in retirement must remain strong. Thank you.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Florida (Mr. BENNETT).

Mr. BENNETT. Mr. Speaker, I support this resolution and point out that the matter can be resolved in the conference on reconcilation. If the conference cannot agree on either of the variants in the conference, it could then agree to strike these provisions, which is what I as a member of the conference intend to do. If this fails, then we can vote against the conference report, which I would also expect to do. Finally, if all these procedures fail, the gentleman from Florida (Mr. MCCOLLUM), and I have introduced today a measure which would solve the problem by continuing the benefits under new legislation, financed by general revenue, thus preserving the financial strength of the social security trust funds.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Speaker, in the past 6 months I have received thousands of letters from constituents outraged and scared about the pending budget cuts. The most heart-rending letters are from elderly women and men who are struggling to make ends meet during the autumn of their lives.

These are the individuals who cannot pay for food to live on; who cannot work part time to pay the bills because of health problems and old age. These are the citizens of our Nation who cannot move to lower rent districts nor easily afford increased housing and energy costs. These are the forgotten Americans who fight to live out their days in a dignified fashion. And many of these are the workers of America who paid into the social security system with the promise and expectation of deserved benefits during their older years.

And yet—these are the very same people who will truly suffer if we allow the administration to reduce social security benefits, specifically by eliminating minimum benefits for current and future beneficiaries. In the face of this, Mr. Speaker, I am angered. I am angered and outraged and sad. No friend of the elderly could support such a callous proposal.

The minimum benefit currently provides about 3 million individuals with benefits—76 percent of these are elderly women. Two-thirds of these are 70 years or older; 500,000 are over 80 years old. Termination of these benefits will bear heavily on at least 1.3 million elderly poor beneficiaries who will be forced to find some other source of income, likely SSI or State general assistance. Termination implies an average reduction of $800 per year for each of the affected individuals. This is the first time in the history of the 46-year-old social security system that benefits have been cut for people already on the rolls, for 10, 15, even 20 years.

The retroactive elimination of the minimum benefits could literally shut down the SSA. In order to recompute the benefits, the SSA has estimated they will be disrupted for at least 1 full year. And this, while we are attempting to save money and man-hours this year.

I hope and trust that my colleagues will consider the harsh consequences of this action and will join me in opposing the elimination of these benefits. This proposal is a blatant breach of faith. To penalize individuals on social security is morally and legislatively wrong. I only hope that when I reach the grand age of 85—my country will not abandon me.

Mr. WRIGHT. Mr. Speaker, I yield 30 seconds to the gentleman from Montana (Mr. WILLIAMS).

Mr. WILLIAMS of Montana. Mr. Speaker, I thank the gentleman.

Mr. Speaker, 46 years ago the Democratic Party and America's senior citizens had hoped that social security would not be a partisan issue. However, when Franklin D. Roosevelt and the Democratic Party offered the social security program to America, 99 percent of the Republicans in the U.S. Congress voted against it.

Consistently, and without departure, the Republican Party has continued through this past almost half century to oppose social security.

In 1949, the vast majority of the Republican Party in this House, 111 Members, voted to cut social security benefits to the disabled.

In 1956, a Republican administration, opposed lowering the retirement age for women. That same year, 85 percent of the Republicans in the U.S. Senate opposed benefits for the permanently disabled.

The Vice President in that Republican Administration, Richard Nixon, refused to cast the tie-breaking vote on a measure to increase payments to our senior citizens and the blind.

Later, 85 percent of the Republicans in the U.S. Senate opposed benefits for the permanently disabled.

Twelve years later, almost 90 percent of the Republicans voted against a meager cost-of-living increase.

The Republican Party and their Representatives here in the Congress have consistently opposed every effort to improve the social security system. Yes, it is a partisan issue and Republicans, by their party line opposition to social security have made it a partisan issue.

Despite, 46 years of Republican opposition, the Democratic Party has designed and improved the social security system throughout the years. Today, there are 24 million Americans over 65 years of age. That is 11 percent of the population of this country.

Just previous to the Presidency of John Kennedy, approximately 35 percent of our retirement age citizens were below the poverty level. Today, that terrible statistic has been reduced by more than half—and that is not good enough.

We Democrats intend to continue to improve the social security system. As always, we hope to do it in a bipartisan way. However, the Reagan administration has shown, with its recommendation for drastic social security reductions, that it intends to stick to the partisan Republican line of opposing social security.

I know that our Democrats in Congress will continue to support, to improve and to protect the social security system with or without Republican help.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume, to the distinguished gentleman from the Virgin Islands (Mr. DE LUGO).

Mr. DE LUGO. Mr. Speaker, I rise today in support of House Resolution 181 which expresses the sense of the House of Representatives that necessary steps should be taken to insure that social security benefits are not reduced for those presently receiving them.

These are hard times for our senior citizens. Just a few weeks ago this body passed a reconciliation bill which will impose severe hardships on millions of elderly persons. For example, approximately 80,000 elderly persons will lose homemaker and meal-on-wheels services under Gramm-Latta II. Approximately 322,000 fewer disabled persons, the vast majority of whom are senior citizens, will receive rehabilitation services. The list of impending hardships goes on ad infinitum.

Under that same reconciliation bill the minimum benefit under social security will be eliminated—and not just for future retirees, but for people who are currently depending on those checks every month. This is an extreme injustice that must be corrected by this House and I am pleased to see that this issue is being addressed so quickly.

Mr. Speaker, I cannot imagine how we could, in all good conscience, tell the millions of senior citizens receiving the minimum benefit that we have changed our mind, that in order to save some money in the Federal budget we would like them to make some more sacrifices. You have to

wonder sometimes what are our priorities.

I, for one, am not going to ask the thousands of elderly persons in the U.S. Virgin Islands to give up what is rightfully theirs. The high cost of living in my district already imposes very severe hardships on these people, and now they have the effects of Gramm-Latta II to look forward to.

It is time we drew the line. Taking away money from our senior citizen's pockets is unconscionable. Therefore, I urge the House to pass House Resolution 181.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to my colleague, the gentleman from Texas (Mr. HIGHTOWER).

Mr. HIGHTOWER. Mr. Speaker, I rise in support of the resolution.

I have been convinced during this past 6 months that Congress has been taking the right approach in the budget resolutions that we have passed. We simply must turn the economy around, for the good of everyone, and there is not a person in this body or in this country that does not acknowledge this fact. But, I am equally convinced that future budget savings should not be taken out of the purses of today's social security recipients. It is one thing to tell a person who is working at a low wage that 10 or 20 years from now he or she will only be able to get only so much in social security benefits. It is another thing entirely to take money out of the pockets of elderly people who have no other income alternatives, who cannot take the next 10 or 20 years to increase their savings and make other retirement plans to supplement their social security benefits. These people must be protected, and only by passage of this resolution can we hope to do this.

There are people here today who have called this resolution a political football, and who have said that people in this country paying into the social security system will be enraged at having their social security benefits jeopardized by continuing minimum benefits for today's recipients. That's nonsense. If our social security system is in such delicate shape that taking benefits out of the pockets of the elderly and the truly needy now is the only way we can save it, then we are in much greater trouble than we think. The people of this country are good people, charitable people, and they are not going to demand that their social security benefits tomorrow be made up of money actually taken away from the elderly receiving benefits today. I urge that the Congress adopt this resolution.

Mr. WRIGHT. Mr. Speaker, I yield 30 seconds to the gentleman from Oregon (Mr. WYDEN).

Mr. WYDEN. Mr. Speaker, I worked with senior citizens for 7 years before I came to Congress. Based on my experiences, I am convinced that the proposed cut in minimum benefits will tear one very large hole in the safety net that the low-income elderly depend on. Cutting the minimum benefit for current beneficiaries cannot be administratively carried out in a responsible fashion. The Social Security Administration has stated that publicly. Moreover, even if the cut could be implemented responsibly, research in the aging field shows that many of the older widows who now live on an economic tightrope will not be able to meet their subsistence needs without such a benefit and will eventually need to go into a nursing home. Nursing home stays in this country average $1,100 a month. The taxpayers are paying for over 60 percent of this bill. Obviously, cutting the minimum benefit in such a way is not a cost-effective budget cut. I urge my colleagues most vigorously to support the majority leader's resolution.

Mr. WRIGHT. Mr. Speaker, I yield 1½ minutes to the gentleman from Massachusetts (Mr. SHANNON).

Mr. SHANNON. Mr. Speaker, I would like to thank the distinguished majority leader for yielding to me and for introducing this resolution.

As I understand it, the main attack on this resolution, coming from both the administration and the Republicans in the House of Representatives, is that this is cynical, political maneuvering—cynical, political maneuvering to protect the neediest social security beneficiaries. I would like to ask my colleagues: What could be more cynical than to vote for a piece of legislation that cuts social security benefits for those receiving them and then to go home and say to constituents, "We did not know it was there and we are going to try to fix that in conference or in a special piece of legislation"?

What could be more cynical than to run for office in the United States of America and say, "We are not going to cut social security benefits. We are going to create a safety net for the needy"?

Then as soon as the Member is elected, to take that safety net and tear it apart?

We have heard time and time again today the so-called statistics about who receives the minimum benefit. The fact remains the Social Security Administration cannot tell you very much about them. What we do know about them is that they receive a little more than $1,400 a year in social security benefits. What we do know is that 300,000 of them are women under the age of 65 who would be otherwise unprotected by social security or SSI. What we do know is that there are half a million of them over the age of 80, 74 percent of them women. What we do know is that there are almost 15,000 retired clergy in the United States who receive these social security benefits.

We are being accused of obstructing the budget process by the Republicans in the House of Representatives. What we are really doing is defending the social security system in that process.

The SPEAKER pro tempore (Mr. BOLLING). The gentleman from Texas (Mr. WRIGHT) has 6 minutes remaining. The gentleman from Illinois (Mr. MICHEL) has 5 minutes remaining.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. ADDABBO).

Mr. ADDABBO. Mr. Speaker, I rise in strong support of House Resolution 181, which opposes minimum social security benefit cuts. I urge all Members of the House to join with us today in passing this resolution overwhelmingly.

It is unfortunate that the administration seeks to balance the Federal budget by playing Russian roulette with the retirement years of millions of Americans. We have promised the American people that if they contribute to the social security system throughout their working years they can retire with the knowledge that this minimal benfit is there to supplant their own retirement program. Now the administration is saying that this is true only part of the time, that some people do not qualify for benefits that they have been receiving and that they will be dropped from the system or have their benefits greatly reduced.

In the 21 years I have served in this House I have been an unfailing supporter of the rights of senior citizens to spend their golden years in dignity. We do not offer them the plush life. We do not offer them relief from money worries. All we have offered senior citizens up to this time is the benefits they have worked to achieve and a promise that we will not let inflation destroy this little pension of theirs. Unless we pass this resolution today, we are telling them that what we have done up to now has all gone for naught and that in the name of budget cutting we have decided they are expendable. I do not believe this House is willing to do that and I believe that the American people do not want us to do it. I believe that we must stand firm against withdrawing the minimum payment and I would hope that the Congress would stand firm against all of the proposed changes in senior citizen legislation, including an increase in the retirement age, changes in the Older Americans Act and all the rest of the ridiculous proposals made by the administration so far this year.

I urge a strong vote of support for House Resolution 181.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Connecticut (Mr. GEJDENSON).

Mr. GEJDENSON. Mr. Speaker, I rise in support of the resolution.

The President's social security proposals and the social security cuts included in the reconciliation package are a breach of contract and a breach of faith with the American people. They represent a breach of contract to those who have faithfully paid into the social security system. They also represent a breach of faith to those who trusted that, when they retire, they would receive their fair share of the benefits they believed they had earned. Now, over 2 million Americans receiving minimum social security benefits may see those benefits reduced.

I have received a flood of mail from my constitutents, angry and bitter over the proposed changes in social security. They have expressed their dismay over the Government's attempt to change the rules in the middle of the game and take away what they feel is rightfully theirs.

Consider the plight of a 70-year-old man from Middletown, Conn., who is terrified that his minimum benefits will be reduced:

> When I voted for President Reagan, he promised me that the budget cutting would affect all people equally. I feel like I'm not being treated equally. Right now, with my social security and my pension, I'm just barely getting by. Now I hear they might take away what little social security I get. My apartment is Government subsidized. What if they take that away too?

Or consider, too, the plight of a couple from Woodstock, Conn., who fear the penalty proposed for early retirement:

> My husband and I are 54 years old, and we have worked since we were 17 years old. We were looking forward to our retirement. Now all the money we put in to social security in these years, plus 8 more to reach 62 years, will go down the drain. We had expected to retire at 62, because working 45 years is a long time. How can we live on just 55 percent of our benefits?

Congress today resolved that benefits would not be reduced for those currently receiving them. I hope my colleagues in the House take this commitment seriously, because those Americans receiving social security benefits surely do. We must preserve the integrity of the system and make good our contract to the recipients of social security.

Mr. WRIGHT. Mr. Speaker, we have only one remaining speaker.

Mr. MICHEL. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Speaker, the sporadic debate on the minimum social security benefit has been shrouded in hyperbole. Facts are not perceived easily through such an emotional fog, but let's try to find a few, anyway.

First, eliminating the minimum benefit does not mean eliminating benefits. It does mean that beneficiaries will receive exactly what will be produced by an application of the benefit formula to their average earnings under social security.

Second, the minimum already is being phased out by an action of the Congress in 1977. The minimum was frozen then at its $122-per-month level and eventually will disappear.

Third, the Congress recognized in 1972 that the minimum was being paid to many retired civil servants who had worked just long enough under social security to get a basic benefit that constituted, in effect, a windfall. Therefore, a special minimum benefit was established for those who had worked under the system for many years at low wages. That special minimum will be continued.

Fourth, those recipients of the regular minimum benefit who can meet the needs test under our supplemental security income program will not lose income because the minimum is being eliminated. Provision is made for them to be paid the difference between the supplemental security income benefit amount and the amount they would receive through the regular benefit formula.

Fifth, about one-third of those who are now entitled to the minimum benefit—and who are cited as receiving it—actually are being paid social security benefits well above the minumum and would not be affected at all by its elimination. There are, for example, many working wives of insured workers, who have had sporadic attachment to the work force, at relatively low wages. They may be entitled to the minimum, but they also are entitled to higher benefit amounts based on their spouses' earnings. They always are paid the amount based on their own earnings, plus the difference between that and the higher amount to which they also are entitled. Thus, elimination of the minimum will make no difference in their monthly social security checks.

Sixth, it has been estimated that an additional 37 percent of those now getting the minimum benefit either already are receiving supplemental security income payments or could become eligible for supplemental security income if they applied. Thus, the numbers receiving higher amounts already and the potential supplemental security income additions constitute about 70 percent of the estimated 3 million now receiving the minimum who would lose no income by its elimination.

Seventh, another 12 percent of minimum recipients are estimated to be retired Government employees, who obviously are receiving governmental annuities or other forms of pensions.

Eighth, an undetermined number of elderly persons might be eligible for benefits in other social security categories were they not receiving the regular minimum benefit. There are, for example, the beneficiaries under special transitionally insured categories, designed primarily to provide benefits for persons who had not had sufficient opportunity to earn benefits under the system.

In short, the misinformation about the minimum social security benefit is much too ample. The facts are much too obscure.

From just a quick look at the facts, it is clear that elimination of the minimum will not drive millions of Americans to poverty. The desirability of eliminating that benefit was determined by the Congress 4 years ago, and the provisions of both Houses of the Congress in conference now both confirm that earlier decision and accelerate its implementation.

Finally, Mr. Speaker, I suggest to my colleagues in the majority party that if they are truly interested in doing something for social security beneficiaries, if they really want to safeguard the system, then they should start working harder toward development of legislation to put the Nation's basic social insurance network on a sound financial footing over both the short range and the long. On this side of the aisle, we have been pushing for such action for years. We have offered one program after another to save social security. We have been rebuffed by the majority again and again.

Once more, we stand ready to work toward a comprehensive answer to the many troubles afflicting social security. We are once more ready to discuss all social security benefits as well as other aspects of the system.

The entire system needs to be strengthened, to protect the rights of all 36 million Americans who receive its benefits, and the 116 million Americans who pay for those benefits through their tax contributions.

Mr. MICHEL. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. LUNGREN).

Mr. LUNGREN. Mr. Speaker, as I was sitting listening to the debate, I thought to myself, representing a constituency that has a large percentage of senior citizens and many social security recipients, that the best thing for me to do politically would be just to sit down and not say anything. The best thing to do would be to support this resolution. Why? Because the politics of it is that this is probably going to be played in the press as an effort to protect those who are most needy and must be protected.

Frankly, Mr. Speaker, having worked very hard to get to this House

and respecting very much what this House stands for, I do not think I have been more embarrassed by this institution than by this resolution. This resolution is not what it claims to be. This resolution does not help those who are most needy. It makes no distinction whatsoever between those who are getting a free ride on the minimum benefit and those that truly deserve and need it. When we deal within the next few years, as we must, with the integrity of the social security system and ask ourselves how we have gotten to a position in which we do not know whether we can pay out under the current system, the Members will have to think back and remember moments like this. This is one of those moments when we like to utilize our rhetoric and we like to say that we are saving the people on social security when, in fact, we are shying away from the tough decisions that have to be made.

How long are we going to stand in this Hall and say, "Yes, we will protect all the social security recipients; we will boost your benefits. We will not make any adjustments in the system. We will put it off until next year or the year after that or the year after that"?

□ 1230

When we have a bill that comes out of the Democratically controlled subcommittee that says we have got to do something about the minimum benefit sometime in the future, "but don't do it right now," I really must ask my colleagues, how long can we do this? How long can we tell the senior citizens that we are deadly serious about restoring the integrity of the system and then blink whenever we have to do something about it?

Maybe today is not the day to do it, but the die is cast.

Mr. Speaker, we know what the other side is going to say: "If you vote against this bill, you are going to be against senior citizens." But we really ought to look into our heart of hearts and decide that sometime we have to do something serious about the social security system.

Mr. MICHEL. Mr Speaker, I yield such time as he may consume to the gentleman from California (Mr. LEWIS).

● Mr. LEWIS. Mr. Speaker, one of the commitments I made when first considering service in the U.S. Congress was to work to reduce the excesses of the Federal Government. Included within those excesses is the tendency of the bureaucracy and the Congress to make promises to people and then proceed to break them.

I am absolutely, personally committed to making sure the Government maintains its commitment to the millions of Americans dependent on social security. The President has showed great courage in bringing a complacent nation to realize the severe financial crisis the system is in.

During the debate on this issue here today I think it is timely that we consider three principles to which the President is committed—principles which we as elected officials in this powerful body should all share or we have not earned the right to be here.

First, this Nation must preserve the integrity of the social security trust fund and the basic benefit structure that protects older Americans.

Second, we must hold down the tax burden on the workers who support social security.

Third, we must eliminate all abuses in the system that can rob the elderly of their rightful legacy.

It is also crucial for all of us to realize that there can be no greater destructive element in the national debate on the future of social security than partisan electioneering. To subject social security to this kind of assault for the sake of political gain may ultimately lead to the demise of the entire system. We must not let social security become a political football at a period in time when its very survival is threatened.

I absolutely agree with the President that none of us can afford to underestimate the seriousness of the problems facing social security. For generations of Americans the future literally rests upon our actions.●

Mr. MICHEL. Mr. Speaker, I yield 1 minute to the gentleman from Maine (Mr. EMERY).

Mr. EMERY. Mr. Speaker, although the focus of today's debate may be the proposed elimination of the minimum social security benefit for current recipients, I believe that the importance of the social security program dictates that we use this forum to reassure the 35 million social security beneficiaries and the 115 million workers now paying social security taxes, that Congress will not let the future of the most important social program ever created in this country remain in jeopardy. Today—right now—we must reinforce our commitment to insure that American retirees and workers can collect their checks next year and every year thereafter.

The social security system is in financial trouble. According to the 1981 annual report of the social security board of trustees, without any changes in current law, under all but the most optimistic predictions, the Old Age Survivors Insurance Fund will be unable to pay benefits by 1982—unable to pay benefits by 1982; 35 million people depend on those benefits, 115 million depend on having them there if they are disabled or when they retire, so the ramifications from a social security default would be—in a word—devastating.

While we are confident that an improved economy will reduce the inflation and unemployment responsible for the recent and dramatic erosion of the Old Age Survivors Insurance trust funds, America is aging. Short-term, stop-gap financing mechanisms can work in the short run, but the profound importance of the social security system to our current and future retirees forces Congress to look to the future health of the system and to take those steps necessary to insure that basic retirement and disability benefits will be there when they are claimed.

The power to save the social security system clearly lies with Congress. Undoubtedly, in the short run the easy thing to do would be to do nothing at all. Undoubtedly, it would be politically expedient to increase benefits, expand coverage and continue the piecemeal, incremental approach Congress has always taken to tuning the system. This policy has put us where we are today—facing potential default by 1982.

The time has come for us to put ourselves above day-to-day politics. We must forge a coalition of lawmakers capable of looking beyond the next election and ahead to stark realities which will face us if we once again place our stamp of approval on business as usual.

If we are successful in our efforts to return the system to the basic income security program it was originally designed to be and in that manner guarantee the availability of social security payments for future generations, history will look favorably on us. The 97th Congress will be remembered for having the foresight to finally accept the responsibility which comes with the job. But if we fail to recognize the problem—if we continue to let political differences color our decisions—we will be forever remembered as incapable of serving the needs of our constituency.

President Reagan has called restoring the integrity of the social security system the highest priority of his administration. It is now time for Congress to lay aside partisan politics and make those hard decisions necessary to give social security a future. We must realine the system's funding priorities and concentrate on returning the system to a basic retirement and disability insurance program. Finally, if we want to avoid further tax increases or the general revenue financing that could sever the line that separates social security from Federal assistance programs, we must get the machinery in place now for restructuring the benefit and revenue network.

If we begin now and avoid the delays—the postponements which are so easy to justify back home—we will have the luxury of time to gradually phase-in changes. Because we will not be pressured into taking a meat-ax approach to cutting costs in the face of a

default, we can provide potential retirees with the years of leadtime they need to devise adequate financial plans. We must not wait—nothing is more important to the American public than preserving this program.

Today we are voicing our collective opposition to a provision which will arbitrarily reduce social security benefits for current beneficiaries on less than a year's notice. Although the idea was born of good intentions, the delays inherent in the legislative process and the continued volatility of our economic times dictates that Congress not move so quickly. While I supported the budget Reconciliation Act on the House floor, I admit that this provision may be worthy of further consideration before implementation.

I prefer, however, not to think of the vote on House Resolution 181 as an attempt to right a wrong. I view today's debate and this vote as an acknowledgement of the need to move with deliberate speed to implement an equitable social security reform program which will preserve and protect the most important social program ever created in this country. The key is gradual change—the future can be found in guaranteeing benefits to the 35 million current retirees and the 115 million workes now paying taxes.

Mr. MICHEL. Mr. Speaker, might I inquire of the majority leader whether he intends to make a blanket request under general leave for Members to revise and extend their remarks?

Mr. WRIGHT. Yes, Mr. Speaker. As a matter of fact, if the gentleman will yield, I will make that request at this time.

GENERAL LEAVE

Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the resolution under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Teaxs?

There was no objection.

Mr. MICHEL. Mr. Speaker, I yield the final 2 minutes on our side to the gentleman from California (Mr. ROUSSELOT).

Mr. ROUSSELOT. Mr. Speaker, as a member of the Ways and Means Social Security Subcommittee, I want to compliment my colleagues on the Democratic side for making real political hay out of this single-minimum-benefit issue and for making it very difficult for most of us on the Social Security Subcommittee to make a concerted effort to save this system.

Unfortunately what we have witnessed today are examples of partisan soapboxing. It is mandatory, for the sake of the present 35.6 million beneficiaries as well as future beneficiaries, that the social security's financial problem be addressed in a most careful and decisive manner, as we are presently doing in the Social Security Subcommittee. This resolution, however, fails to offer any real solutions to the system's insolvency problems. Furthermore, this type of electioneering is destructive to the work and progress being made by our subcommittee.

There can be no doubt that the social security system is in deep trouble. The simple fact Mr. Speaker, is that the social security program is losing $12,300 every single minute. The cumulative trust fund deficit of income required to meet benefits could be as high as $111 billion in the next 5 years. Without eliminating this minimum benefit as proposed by the House- and Senate-passed reconciliation bills, an additional $7 billion will be added to the projected deficit over the next 5 years. This would further threaten the possibility that 32 million people would not receive their monthly benefits in the fall of 1982, as is already projected to occur without congressional action to save the system.

Some of the Members come up here and demagog as though our President is responsible for creating this problem. He is not at fault; this Congress is! Unfortunately, Democratic leaders have voted benefits far in excess of our ability—of the system—to pay for them, and now we are paying the price for those past frivolous votes.

I want to comment quickly on this minimum benefit. It is just one benefit. The overwhelming majority of people receiving this benefit have not earned the full amount of the benefit they receive.

My colleague, the gentleman from Illinois, listed several areas where this benefit is not fully earned. For instance, 35,000 people overseas with good incomes are receiving this benefit.

In 1982, there will be beneficiaries retiring at age 65, eligible for the $122 monthly minimum benefit, who have paid less than $68 in social security taxes during their entire working history. Furthermore, the General Accounting Office has shown that there are 800,000 minimum benefit recipients who have adequate, other sources of income to rely upon. This is most unfair to the people who have paid into the system for their benefits.

But let me stress to my colleagues that even the elimination of the minimum benefit will not be pulling the rug out from under those beneficiaries who rely upon this benefit for financial support. There is a Federal safety net which provides for those low-income elderly in need. This safety net would replace the minimum benefit dollar for dollar. This social safety net for a couple receiving minimum benefits, in my State of California is $13,860 of potential payments and benefits under Federal SSI, State SSI supplements, food stamps, and medicine. It is therefore ludicrous to claim that by eliminating the minimum benefit real harm will fall on those who currently receive this benefit.

I say to my colleagues that we have a lot of support on the Social Security Subcommittee, and our chairman, the Democratic chairman of the subcommittee, the gentleman from Texas (Mr. PICKLE), very properly said that our subcommittee has already voted to eliminate this benefit and stop it prospectively in 1982. To preserve the system, it is these types of reductions which will need to be made to insure that social security payments continue to go to currently eligible beneficiaries and to make the system financially sound for future retirees.

I believe priority will have to be given to those actions which preserve the basic benefit structure of the program.

I say to the Members, "You had all kinds of things in your Democratic bill offered by Mr. JONES to cut all kinds of benefits in social security." No one talks about those cuts today; just this one minimum benefit issue alone.

Mr. Speaker, we are going to have to eventually phase it out. I think it has been pure demagoguery on the part of my colleagues to focus only on this one benefit and demagogic to the true congressional efforts to find real solutions to save the social security system.

The SPEAKER pro tempore. The time on the minority side has expired.

The Chair recognizes the gentleman from Texas (Mr. WRIGHT).

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. DONNELLY).

Mr. DONNELLY. Mr. Speaker, I rise in support of this resolution.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. ZEFERETTI).

Mr. ZEFERETTI. Mr. Speaker, I rise in support of the resolution.

Mr. Speaker, I want to add my wholehearted support for the resolution sponsored by our distinguished majority leader, JIM WRIGHT, that would restore to those elderly who are eligible for social security to receive the minimum benefit of $122 a month.

In my opinion, one of the most negative features of the Gramm-Latta substitute this body regrettably passed on June 26 was the provision that beginning in 1982, in April, the minimum benefit would be eliminated not only for new beneficiaries but also for all beneficiaries who have been receiving benefits for as long as 20 years.

It is the first time in the history of the social security system that those already on the rolls would have their benefits reduced.

When Mr. Reagan accepted the Republican nomination for the Presiden-

cy he told the American people: "It is essential that the integrity of all aspects of social security be preserved." Yet despite this affirmation that the truly needy would be protected, the Gramm-Latta substitute abruptly slashed the earned benefits of these truly needy who have been receiving them in good faith. It is cruel and it is inhumane and I fiercely opposed this provision.

The impact of this cut on those considered the most vulnerable in our society is truly devastating—85 percent are women, two-thirds are between the ages of 70 and 90 and most do not qualify for SSI.

The social security system is based on trust, confidence, and dependability. Without these essential qualities, the system loses its integrity. I hope the conference committee will reconsider this callous cut which is a mistake and compassionately restore the benefits to 3 million of America's oldest and poorest.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Arkansas (Mr. ALEXANDER).

Mr. ALEXANDER. Mr. Speaker, what we have here is primarily a difference in attitudes.

Mr. Speaker, I support the resolution.

Mr. Speaker, the difference between the administration's view of social security and that of the Democrats is a difference in attitude.

The Reagan administration believes social security is just another welfare program which is fair game for David Stockman's hatchet squad.

The Democrats believe that social security represents a solemn compact between the American people and their Government.

Nowhere in the public record is that difference in attitude more apparent than in the discrepancy between the assumptions used by the administration in developing their fiscal policies and their approach to social security. They use the rosiest of economic assumptions in developing their budget proposals and they used worst case assumptions in proposing changes in the social security program.

FISCAL YEAR 1982 REAGAN ADMINISTRATION ECONOMIC ASSUMPTIONS

[In percent]

	Budget policy	Social security policy
GNP increase	5.2	0.7
Projected annual interest rate	8.9	11.1
Projected inflation rate	7.2	13.6

Why would the administration use such radically different assumptions? Would not the assumptions for one program hold for all programs? We can only speculate as to the reasons, but it seems a good bet that in using worst-case assumptions for justifying its social security proposals the administration was scratching for a way to justify program changes which were unwarranted and unnecessary. Or perhaps they were merely trying to create an atmosphere of alarm and fear among the Nation's senior citizens so that their proposals would be more palatable to those who were about to be deprived of their earned benefits. More likely, the administration was merely seeking a rationale for its proposals to cut the social security program by 23 percent while, incidentally, reducing the 1982 domestic budget even further to help reduce the massive deficit which would result from its multi-year, across-the-board tax cuts.

The attitude of the administration is reflected in the remarks of OMB Director David Stockman in his testimony before the Ways and Means Subcommittee on Social Security. When asked by Chairman JAKE PICKLE, Democrat of Texas whether he believed that the administration's tax reduction program could be achieved without the proposed reductions in social security benefits, Mr. Stockman replied:

> Yes, but it would [also] require a substantial squeeze both on the non-social security domestic part of the budget—that's two hundred and forty six billion that would have to be cut substantially more—or a further squeeze on defense. It would be very difficult to do.

Chairman PICKLE replied:

> You would be achieving a balanced budget by making these eighty-two billion dollar cuts in social security. Social security would be called on to help balance the budget in 1984, at least by the tune of eighty-six billion.

Mr. Speaker, I think the administration's intent was clear then and I think it remains unchanged. On October 24, 1980, then-candidate Reagan said:

> No one presently dependent upon social security is going to have the rug pulled out from under them and not get their checks.

Yet the OMB-dictated Gramm-Latta reconciliation package pulled the rug out from under 3 million social security recipients. Among whom, incidentally, are more than 1 million persons who are over 70 years of age.

I suggest that the problems of the social security system are soluble. I suggest also that Chairman PICKLE and his subcommittee have a reasoned and viable solution to the question of reforming the minimum benefit proposals. In fact, the subcommitee has already proposed that the minimum benefit be eliminated—but in a way which does not take income away from those who are now receiving it. I suggest finally that it is the attitude of this administration that the social security system is just another welfare program.

Mr. Speaker, older Americans are not welfare chiselers and they are entitled to continue to receive their hard earned, bought-and-paid-for social security benefits in consonance with the solemn compact entered into by this Nation in 1935 when the social security system was adopted.

Mr. WRIGHT. Mr. Speaker, I have only one speaker left, a gentleman who earnestly desires to be heard, and I yield 30 seconds to the gentleman from Michigan (Mr. HERTEL), prior to my final comment.

Mr. HERTEL. Mr. Speaker, I think what we see really here today is the difference between the two parties demonstrated more clearly than at any time in the 6 months I have been here.

We are talking about compassion. We have a two-party system, and the minority party admits that today many people deserve these minimum social security benefits and other people should not get them. They would take them away from all people, those deserving or not. The minority party would take a meat ax and chop off the minimum benefits for all people.

The difference is that the majority party talks about those people who need assistance in this country, people who have only $122 per month to live on, and that they should be taken care of. The majority leader has adhered to providing these benefits, he has fought on the side of compassion.

Mr. Speaker, that is the difference between the two parties. I have never seen it more clearly demonstrated than in this debate today.

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan (Mr. BONIOR).

● Mr. BONIOR of Michigan. Mr. Speaker, I would like to join many of my colleagues at this time in condemning the social security benefit cuts proposed by this administration. These cuts represent a cruel and unthinking approach to the needs and hopes of millions of our Nation's senior citizens.

Particularly unjust is the Reagan administration's attempt to eliminate the minimum social security benefit. There are some 3 million elderly who are currently receiving the minimum social security benefit of $122 a month. Of these 3 million individuals, almost two-thirds are over age 70. Many are elderly women who did not have an opportunity to earn the amount of money that would have entitled them to a larger social security pension.

The effect of this reduction, if enacted, would be a tragic reduction in the standard of living for people who are already just barely getting by.

The other focal point of the administration's social security proposal is this attempt to force people to work longer by reducing the amount of

social security benefits that beneficiaries are able to obtain under early retirement. Present law entitles workers to 80 percent of their social security benefits at age 62. The Reagan proposal would reduce that level of benefits to 55 percent. This administration, in an attempt to reduce Federal spending and balance the Federal budget by 1984, has attempted to reach its objectives by taking benefits away from people who worked for and earned those benefits through years of faithful participation in social security.

The administration has sought to stampede the Congress and the public into hastily adopting the proposed cuts by threatening a choice between massive benefit cuts and increased social security taxes. In doing so, the administration fails to note the mounting evidence that social security will be solvent and able to meet benefit needs well into 1985 without benefit reductions by simply transferring social security revenues between the trust funds.

I have received hundreds of letters from senior citizens in my Michigan district pleading for reassurance that their social security benefits will not be cut. Many mentioned the promise the President made before the election to leave the social security system and its benefits alone. They are confused and worried.

I believe it is the responsibility of the Congress to deal with the concerns of our senior citizens and serve notice to this administration that it will not abandon the social security program or the 36 million Americans who depend on its benefits. In addition, the Congress has a responsibility to the 114 million Americans who are currently paying social security taxes with the understanding that when they retire they will receive a certain level of benefits.

Social security is more than a Government program, it is a commitment to our Nation's citizens that must be kept.●

Mr. WRIGHT. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. NELSON).

Mr. NELSON. Mr. Speaker, I rise in support of the resolution.

I support the resolution expressing the will of the House of Representatives to preserve the $122 minimum monthly social security benefit. This proposal is not binding but it is our only vehicle to express the overwhelming support in the House to the House and Senate conferees on the budget reconciliation bill. The conferees should listen to this mandate and act accordingly.

This resolution is made necessary because the budget reconciliation bill backed by President Reagan, included the President's request for elimination of this minimum monthly benefit. At the time of consideration of the budget, the gentleman from Oklahoma (Mr. JONES), the chairman of the Budget Committee, had requested the opportunity to offer an amendment that would have restored the $122 minimum monthly benefit. I supported Mr. JONES' request, but it failed by a razor-thin margin of 212 to 215.

The overall budget reconciliation bill which cut $40 billion of Federal spending and which I supported, contained some spending cuts with which I did not agree—the $122 minimum monthly benefit being one of the items. Therefore, I am grateful to the gentleman from Texas (Mr. WRIGHT) for offering this resolution in order to let the House express its opposition to this social security cut.

This cut recommended by the administration would affect 3 million elderly Americans—1.8 million who are poor senior citizens, and rely on this monthly $122 check for bare subsistence. It is unfair to cut those less fortunate in our society.

I strongly urge adoption of this resolution.

● Mr. BOLAND. Mr. Speaker, the impending loss of the social security minimum benefit is a matter of grave concern for many elderly Americans.

As my colleagues know, this House on June 26 took an action without prcedent in American history—it voted to reduce social security benefits for a group of people who were already receiving them. This action will adversely affect many of our oldest and poorest citizens; individuals whose daily budgets are already stretched to the limit and to whom the minimum benefit represents an essential means of support. Approximately 3 million people currently receive the minimum benefit, but the loss will not be felt equally by all recipients. While every recipient will obviously experience a decline in monthly income, for several hundred thousand of the most needy that decline will drastically reduce their ability to provide for themselves. A disproportionate number of those most severely affected will be women and a significant number will be over the age of 80. The loss of the minimum benefit will be especially severe for individuals in these groups because they possess no ability to make up the lost income through other means.

The House Ways and Means Committee recommended that the minimum benefit be eliminated, but it realized that steps had to be taken to minimize the impact of the lost income on those least able to bear it. By eliminating the benefit only for prospective recipients, the committee acknowledged that the loss of something being received was much more harsh than the loss of an expectation to something which might be realized in the future. The committee's approach was a sound one that was unfortunately not followed in the substitute reconciliation amendments offered by the Republicans.

Mr. Speaker, we still have a chance to resolve the minimum benefit question in a more equitable manner. I would hope that the overwhelming approval of House Resolution 181 today would demonstrate a commitment on the part of the House to take the steps necessary to insure that the minimum benefit continues for those already on the social security rolls. To do otherwise would be a grave mistake and would work an unwarranted hardship on many people who cannot, and should not, bear it.●

● Mr. HOPKINS. Mr. Speaker, I rise in support of the gentleman's resolution which expresses the sense of Congress that those presently receiving the minimum social security benefits should not have those benefits reduced.

As a former member of the House Select Committee on Aging, I am very familiar with the many financial hardships forced on our elderly population.

Because of this, I cannot—in good conscience—ignore these financial difficulties and vote for what I believe to be a breach of faith between the U.S. Government and its elderly citizens. I cannot vote to cut minimum benefits for people already receiving social security benefits, for people who were lead to believe they could count on those benefits.

I believe a person should do what he says he will do, and I believe the U.S. Government should do what it has pledged. We have a contract with American workers who participate in the social security program and with retirees who rely upon social security for a portion of their income. We must not make drastic or abrupt changes which do not give workers enough time to adjust their retirement plans, and we should not change the terms of their contract after they retire.

Changes within the social security system will be necessary, and I am prepared to make the tough decisions required to save social security from pending bankruptcy. But, I do not feel it is fair to force people who are now receiving minimum benefits to step lower on an already sinking financial ladder. For these reasons, I support House Resolution 181.●

● Mr. ALBOSTA. Mr. Speaker, I rise in support of the resolution expressing the opposition of Congress to cuts in social security benefits to current recipients. I commend the distinguished majority leader for his efforts to remind this Congress and the administration that the proposed changes in social security, currently pending before a House-Senate conference committee, represent a total disregard of the commitments our Government made to people who have paid into the

social security system and are now receiving benefits.

Mr. Speaker, the House Ways and Means Committee earlier this year reported out legislation that would have eliminated the social security minimum benefit and phased out the college benefits. These changes, while severe, were designed not to affect current beneficiaries. This would have retained the trust that people have in the commitments made by the Government of the strongest Nation on this Earth.

Unfortunately, under the guise of budgetary restraint, the Ways and Means Committee approach was amended to make the changes in benefits applicable to current recipients. This represents the first time in the history of the social security program that benefits of current beneficiaries are being reduced. I think it is absolutely preposterous.

I have been very vocal in the past criticizing any backdoor ways of reducing social security benefits. For example, when numerous advisory groups were recommending that social security benefits be taxed, I introduced legislation that would amend the Social Security Act to prohibit such taxation. After accumulating over 200 cosponsors, the Ways and Means Committee reported out a resolution expressing the opposition of the Congress to the taxation of social security benefits. The House ultimately passed that resolution. While this was an important step, I feel very strongly that the law should provide for the tax-free nature of social security benefits, and insure that only Congress, not the IRS, could alter that status.

Mr. Speaker, while the taxing of benefits is a backdoor method of reducing benefits for current beneficiaries, the proposals before the House-Senate conference committee are a blatant attempt to break the promise to the millions of social security recipients who, when they retired, did so with the understanding of receiving a certain benefit. We must not violate that trust.

In addition, when eliminating the minimum benefit for current beneficiaries, we are not reducing the benefits of the most wealthy recipients, rather we are hurting most the people who receive the least; 3 million people receive the minimum benefit. While some of these individuals receive other forms of retirement income, many of them depend on that $122 check for survival. If we cut off that check, they will surely have to depend on Government social services to fill that void. After they have worked and paid into social security during their younger years, we, the Congress or the administration, should not force them to take such action. They deserve better, and they have earned better.

I urge my colleagues to support the majority leader's resolution.●

● Mr. HUGHES. Mr. Speaker, the Members of the House of Representatives have today made an important statement, a declaration that we will not abandon our elderly citizens who are presently receiving social security benefits. We will not be a party to violating our Government's contract with them.

We recognized today, in the resolution we have passed by such an overwhelming vote that those who collect the minimum benefit are not a bunch of double-dippers. We have stated that we consider it unconscionable to ask an 80-year-old widow to accept the loss of a benefit she has been receiving and which can make the difference to her between eating and not eating.

As I traveled around the Second District of New Jersey these last weeks, I have seen fear in the faces of my elderly constitutents. They fear the loss of not just this benefit but many other social security benefits. They question whether any of the money they receive as part of this program is safe and they question what their futures will be.

It is easy for us to say that we can eliminate the benefit and that those who are truly needy can go on welfare. Would anyone of us in this room, having worked all of our lives and having, for whatever reason, not been able to totally provide for our old age or for that of our spouse after our death, want to have to go, at the age of 80, to a welfare office and apply for those benefits when we believed that would not be necessary because of the social security system. I certainly would not want to make that choice or want to force my wife to do so.

Incredibly, the greatest fear that the minimum benefit was just the beginning was realized almost immediately. Fresh from the victory of the Reconciliation Act and the minimum social security benefit elimination, the administration proceeded to tell us, using the worst case economic assumptions, that the social security system was going broke and that benefits in many areas would have to be cut.

It is clear that the social security system has some problems. It is also clear to all of us here than no administration, no Congress, is going to let that system go bankrupt. However, there is a difference of opinion about how bad off we are right now with regard to social security.

The best evidence I have seen indicates that the system will remain solvent until 1985 simply by borrowing between the funds. Between now and 1985 many changes in the system can be instituted which will keep the system sound for the next several decades. They include funding some programs from general revenues.

Many solutions also are possible for the long-term problem which are not being offered by the administration. It appears that if we slow the growth rate of initial benefits by changing the index to the Consumer Price Index instead of the national average wages, the entire long-term problem could be solved. If the wage history alone were indexed to the CPI, about 80 percent of the long-term problem could be eliminated. If the bracket amounts of the benefit formula were indexed to CPI, not only would the entire deficit be eliminated, but there would actually be a surplus. In addition, the committee is exploring a 20-year phase-in of a 68-year-old-retirement age and universal coverage, among several other solutions.

Clearly panic is not the answer. In fact, the suggestion has been raised that panic was created by certain members of this administration simply to make it more palatable to cut social security benefits, a solution that a majority of Americans have indicated time and again they do not favor.

Questions have also been raised about the economic assumptions used to determine the social security shortfall. Those assumptions were the worst case assumptions. The assumptions used by this administration to determine what the effect of the tax cut would be were the best case assumptions. Therefore, it has been suggested that social security cuts may be used to try to balance the budget by 1984 since deficits are almost inevitable if the full 3-year tax cut goes through.

No one in this Congress would object to a phaseout of the social security minimum benefit. Such a phaseout was part of the original committee package. What we do object to is cutting benefits for those who are already receiving that money. They have planned their retirement based on that money and many of these older citizens cannot do without it. We must not panic our elderly and we must not use the social security benefits they received as part of an understood and accepted contract with the Federal Governemnt to balance the budget.

In the Book of Psalms, chapter 71, verse 9, it says:

> Cast me not off in time of old age, forsake me not when my strength faileth.

That is what our elderly are saying to us today. I am pleased that the Members of the House of Representatives have chosen to heed that request and I am proud to join in that effort.●

● Mr. BINGHAM. Mr. Speaker, I rise in strong support of House Resolution 181, a resolution which expresses the sense of the House that the minimum social security benefit not be eliminated. It is clear that this resolution will pass and pass overwhelmingly. I must say that I am somewhat surprised to

see the large number of Republicans who seem to be in opposition to cutting the minimum benefit. After all, many of these same Republicans supported the Gramm-Latta reconciliation package which eliminated the minimum benefit. Many of these same Republicans opposed a rule which would have allowed us the opportunity to vote to preserve the minimum benefit. Now they will join the Democratic majority in a last-ditch effort to save the benefit.

Unfortunately it may be too late to save the benefit. This resolution is not a binding one on the House conferees. The Senate conferees have not been instructed in this area. Supporting this resolution may take some of our Republican friends off the political hook but it probably will not save the minimum benefit. I would urge our Republican friends to tell the President and OMB Director Stockman to back off on this issue. Public sentiment is clear. Most Americans do not want to penalize our neediest senior citizens. Elimination of the minimum benefit will reduce the incomes of 1.5 million elderly people. Tens of thousands of Americans above 90 will be forced to the edge of poverty if we strip them of this benefit. As I have said again and again, we must not—we cannot—balance the Federal budget on the backs of our senior citizens. Eliminating the minimum benefit will not do much to balance the budget but it will greatly increase the sum total of human misery in this country. The minimum benefit must be preserved.●

● Mr. HAMMERSCHMIDT. Mr. Speaker, I cannot think of anything that would be more helpful to older Americans today than to demystify the issue of social security minimum benefits. The administration and Members of the House of Representatives and the Senate decided to eliminate the minimum benefit in the budget reconciliation process. This change was not undertaken without considerable research about its potential effect on older citizens. Removal of the minimum benefit was recommended precisely because it is an unearned benefit—a welfare type of income supplement that a recipient is not entitled to from his or her payroll tax contributions. Maintaining these unearned minimum benefits will cost $7 billion—putting unnecessary pressure on the already stressed trust funds.

It is important here to recognize that there are two different kinds of minimum social security beneficiaries. One group of beneficiaries has worked for years under social security but at low wages. The formula that is used to determine their benefits is purposefully weighted so that they can receive more than they actually should based on their payroll tax contributions. These long-term, low-wage earners receive benefits that are higher so that they can have a better standard of living after retirement. These people who have worked at least 19 years under the system are completely protected, as they should be, from any benefit changes.

There is a second group of persons who receive a minimum benefit and who are the subject of current discussion. This group has, as a rule, worked for a short time under social security at high wages. Based on total lifetime earnings, the average individual receiving this minimum benefit could have paid less than $355 in social security payroll taxes over their lifetime and receive a benefit of $2,122 in 1982. This amount would also be increased annually to reflect changes in the CPI. In certain instances, a couple could receive at least $3,183 in 1982 by paying as little as $3 in payroll taxes over their entire working lifetime. It has been found that on the average, a husband and wife getting an initial minimum benefit in 1982 would be paid more than $100,000 during their retirement lifetime from the social security trust funds. For this average couple, that would be about 300 times what they paid into the system. These cannot be considered earned benefits.

Now it is important that we are all clear about those that will be affected by the change. There are presently 3 million persons receiving the minimum benefit. Research undertaken by the General Accounting Office shows that only 17 percent of the minimum benefit recipients are truly needy and that 74 percent do not depend primarily on social security for retirement income. The General Accounting Office also estimates that 450,000 minimum beneficiaries are already receiving Federal pensions averaging $16,000 annually. In addition, 50,000 have retired spouses who are estimated to receive an average of $18,500 in Federal pensions and 300,000 have spouses who are earning an average $21,100. This accounts for 800,000 of the 3 million current minimum benefit recipients. Another 1.2 million are only technical minimum beneficiaries. Actually, these individuals received more than the minimum benefit because they are entitled to dual benefits—their total benefit payment is based not only on their own low earnings but on the earnings and social security taxes of their spouse. Their total benefit would be unaffected by elimination of the minimum benefit. Also in this group are 200,000 persons who have earned benefits that are equal to the minimum benefit. Because earned benefits would not be affected, these people would not lose any benefits. Of those receiving the minimum benefit, 500,000 are also receiving supplemental security income, which is adjusted for receipt of other income. Therefore, those people who would lose the social security minimum benefit would have that same amount replaced under the SSI program.

An important step was taken to eliminate possible hardships for many of the needy persons receiving social security minimum benefits. Under the present law, one is not eligible for SSI unless he or she is 65, blind, or disabled. Under our new proposal, when the minimum benefit is eliminated, people who are between the ages of 60 and 64 will be considered eligible for benefits under SSI if they meet other eligibility requirements.

I think it is particularly important to understand all these facts in light of the charade undertaken by the Democrats in the House of Representatives. Today, the Democrats introduced a resolution that strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them. They did this knowing that this resolution is not binding and has no force to bring about any change. It was used in a partisan effort to improve the popularity of the Democratic Party. Statements were continually made that 3 million needy older persons would be hurt by the elimination of the minimum benefit even though this is clearly not the case. Besides the availability of SSI, needy individuals will also be eligible for other Federal programs such as food stamps and medicaid benefits.

The administration and the Republican leadership of the House did not want to make this important effort to improve the system an emotional and partisan issue. They did not want to be placed in a negative role for their attempts to strengthen the system for the wage earners. To diffuse this growing bitterness, most Republicans including myself, will vote with the Democrats in support of the resolution.

In closing because of what I have just said I will fully understand the proposal to eliminate the minimum benefit because it is not accomplishing the purpose for which it was originally intended. Most of the people who receive it were not the low wage earners for whom it was developed. Moreover, many beneficiaries receive adequate income from other sources. I believe that it is in the broader national interest to stabilize the system and keep it viable for current and future beneficiaries. In doing so we must continue to honor our 46-year-old contract with the American worker without jeopardizing senior citizens who depend on social security as their primary means of support. If high unemployment and high inflation continue to have a negative impact on the social security system, we must attempt to correct the deficits by phasing in changes over a long enough transitional period to

allow future retirees time to make appropriate plans. This resolution today is a charade.●

● Mr. MOFFETT. Mr. Speaker, I rise in strong support of House Resolution 181, offered by the majority leader, which will put the House of Representatives on record in favor of restoring to social security recipients the minimum benefit. The minimum benefit, which is paid to 3 million of our aged and least financially solvent citizens, is repealed by the administration-backed Senate and House bills. I opposed the House reconciliation legislation—also referred to as Gramm-Latt 2—because it attempts to reduce Federal spending on the backs of deserving senior citizens.

Let us go back for a moment and reflect on how Congress got into this situation.

The budget passed by the House and Senate in May required the committees of Congress to pare $37 billion in Federal spending from programs for the 1982 fiscal year. Our committees achieved that goal without cutting the social security minimum benefit. Then the administration came along and said, "even though you achieve the savings we asked for, you must cut deeper." At that point, on June 26, the House Republicans, marching in lockstep with some of our colleagues from this side of the aisle complied. They passed a budget cutting amendment as a substitute for our committees' work—the so-called Gramm-Latta 2.

Gramm-Latta 2 eliminated the social security minimum benefit. In a bill over 1,000 pages in length, that major policy shift—that major breach of faith with 3 million Americans—was terribly apparent. The membership of the House knew what it was voting for. Nevertheless, this block of Members took off after the powerless, the segment of society that functions without heavy-hitting congressional lobbyists, and voted to eliminate the minimum benefit.

The minimum benefit started as an administration convenience. The Congress, acting some 40 years ago, voted to give not less than $10 per month to each recipient who had paid into social security without achieving the requisite number of quarters to attain a full package of benefits. But as time went on, Congress realized to whom these benefits were being paid. The population receiving benefits typically are widows, dependents who lost their sole source of income when a spouse died and who, late in life, entered the work force for a period of time which prevented them from earning full benefits.

Statistics indicate that women in the 65 and older age group are the fastest growing segments of the U.S. population. Prior to 1950, the ratio of men to women was about equal. Between 1960 and 1970, the population of women, aged 65 and older, increased at twice the rate of the population of that age. By 1977, there were 146 women to every 100 men over age 65—about 13.9 million women to 9.5 million men. These statistics indicate the problem with eliminating the minimum benefit—of course you will save money by dropping this subsistence payment, but you will be penalizing a growing number of recipients who have no other form of support.

The majority leader is offering a resolution to express the sense of the House that the minimum benefit should not be cut. He hopes, and I share this hope, that the House-Senate conferees on the budget bill will use this expression to drop the cut which endangers the minimum benefit.

I support the resolution and its intent. But it does have one unintended effect: The majority leader's resolution allows some Members of the House to have it both ways; that is, they voted on June 26 to cut the minimum benefit and now they can vote July 21 to restore it. My vote has consistently been cast to save the minimum benefit and I thank the majority leader for permitting me to vote in its support again today.●

● Mr. ANNUNZIO. Mr. Speaker, I rise to join my good friend and colleague, Hon. JIM WRIGHT, in support of House Resolution 181, and I was proud to cosponsor this bill to put the House of Representatives on record in opposition to reducing social security benefits for those who now receive them.

On June 26, by a vote of 217 ayes to 211 noes, the House voted to abolish the $122 social security monthly minimum benefit as part of the Omnibus Budget Reconciliation Act of 1981. I voted against this legislation for many reasons, but I felt that one of the saddest and most inexcusable parts of the bill was the section removing social security benefits, without warning, for many helpless, elderly people who are now on the rolls and have no other way of planning for their retirement.

The minimum benefits goes to about 3 million elderly citizens, most of whom have no other source of income. Many of them are women over the age of 70, and are dependent on that $122 payment each month to buy groceries and pay rent.

The House-Senate conference committee on the budget bill will soon meet, and I strongly urge my colleagues to give their overwhelming support to House Resolution 181, and put the House of Representatives on record in opposition to this cruel cut in social security benefits for our senior citizens who already receive them.

The conference committee must receive this crucial message from the House so that the vital mimimum social security benefit can be restored and funded in the final version of the bill.●

Mr. FRANK. Mr. Speaker, the debate on minimum benefits to social security is not a technical financing question.

We have a fundamental question that has to be asked before we go to the details of social security.

Are the elderly in this country, by and large, being given too large a share of the national income? I think the answer is manifestly no. And that is the answer that leads us to the minimum benefit question.

A few people may be getting the minimum benefit who are not very much in need, but for a large number of people, that minimum benefit is the difference between absolute, grinding poverty and some margin of existence that is tolerable.

To take away that minimum benefit from existing recipients totally without regard to need is wholly unjustified.

Let me read just one letter symptomatic of many I have received from recipients of the minimum benefit, who will now lose it and will lose their homes in consequence.

> Teachers are notably poorly paid. Consequently, how do you save for old age? We have never gone to the government for any help in our long lives. This current legislation to take away our minimum Social Security seems an unforgivable way to reward a truly admirable life.

That was written by a woman about her husband. He is going to lose the minimum social security benefits. They are going to lose their home. They will not starve to death, but they will live a minimal existence, hardly what at the age of 73 they are entitled to from this country.

● Mr. MICA. Mr. Speaker, there is a time for cooperation with every administration. There is also a time where we must draw the line. I believe that we must draw the line with regard to social security retirement benefits which are the foundation for the basic necessities of life for millions of our senior citizens.

I believe that we all agree that the social security system must be stabilized. It has been my position that any legislation involving the social security system must meet three basic criteria:

First, it must stabilize the system.

Second, it must not reduce benefits to current recipients.

Third, changes for future recipients should be several years away to allow for appropriate planning for retirement.

The senior citizens presently receiving social security benefits have paid their dues, have made their contribution and were given a contract by the Federal Government. That contract should not be violated. We have a responsibility to our senior citizens to keep our commitments.

I am presently supporting and seeking a separate vote on the social security issues included in previous budget packages. I believe such a vote is possible and necessary. I also plan to push in the future for the same type of separate vote on the twice-a-year cost-of-living increase (COLA).

Additionally, it is important to bring Members of this House and groups of organizations together who are concerned about these issues to develop a more reasonable alternative to the administration's proposal on social security.●

● Mrs. SNOWE. Mr. Speaker, I am pleased to have the opportunity to support House Resolution 181 and go on record as opposing the elimination of the minimum benefit for current social security recipients. While we must study the alternatives for reforming the social security program and must move swiftly in this direction, this can and should be done without hurting those who are already receiving the benefits for which they have planned.

Eliminating the minimum benefit for current recipients would result in an undue hardship for the majority of these older Americans. We must look closely at exactly who is receiving the minimum benefit. Most minimum beneficiaries have a history of low wages throughout their working years. In my home State of Maine, many people spend their lives working hard in low-paying jobs with little potential for increased earnings. Maine has the lowest per capita income in the Nation, and my constituents could not afford even the smallest reduction in social security benefits.

Most minimum beneficiaries are women; 76 percent of the workers receiving this benefit are women who characteristically earn lower wages or who have taken time out of the workforce to raise families. If we include dependents and survivors, we find that an estimated 85–90 percent of minimum beneficiaries are women.

Most minimum beneficiaries are retired workers, and approximately 78 percent of them are at least 65 years of age. Among workers alone, there are about 1.5 million who are over age 70, about 532,000 who are over age 80, and about 80,000 who are 90 or older.

A mere 12 percent of minimum beneficiaries have a public pension and are receiving this benefit because of short-term employment in a social security-covered job.

These retirees planned on the minimum benefit as a source of income because Congress promised it to them. They have every reason to believe that they will continue to receive this benefit. Most are already living on tight budgets and it is too late for them to plan on alternative sources of retirement income. The people of this Nation are rapidly losing faith in the social security system, and a cut in benefits to current recipients will only increase this lack of confidence.

I have heard the argument that if the minimum benefit is changed, needy recipients will be eligible for supplemental security income (SSI). While it is estimated that perhaps 80,000 would become eligible if the minimum was eliminated, it is questionable how many would choose to apply. The older people in Maine see a great difference between the social security benefits which they have earned and the SSI benefits which they view as welfare. Moreover, many needy elderly are not eligible for SSI because they have a small savings or own their home. It is very difficult to tell proud older Americans that Congress has voted to reduce their social security benefits, but that the Government will supplement their losses with SSI if they are willing to sell their home and dispose of their assets.

There is also some skepticism about whether the Social Security Administration could even administer the change in benefits for these 3 million minimum beneficiaries. The benefit formula has changed many times since the program's inception, and recomputing each person's benefit would take in excess of 6,000 staff-years to carry out.

Our support for House Resolution 181 demonstrates to the senior citizens of this country that they need not fear the reduction of their benefits and that they can continue to have faith in the social security program.●

● Mr. LUKEN. Mr. Speaker, I am voting for this resolution because I am opposed to any cut in current social security benefits. I cannot understand the administration's attempt to balance the budget by breaking faith with millions of Americans who are receiving social security retirement benefits.

Cutting the minimum social security benefits is the cruelest cut of all. Almost two-thirds of 3 million minimum beneficiaries are over age 70; 500,000 are over age 80. Most elderly women did not have the opportunity to make a higher salary when they were in an earning position.

Approximately 2 million of these people will actually suffer an average social security benefit reduction of more than one-third next April.

The benefits paid to American seniors are not only their earned right, but their legal right. No wonder there is so much outrage by our elderly and disabled people.

Already, medicare is being cut by $1.6 billion and Meals on Wheels has also been cut back. If we do not take a stand against these social security cuts now, we will be faced with many more administration proposals for reducing benefits of retired people.●

● Mr. JEFFORDS. Mr. Speaker, I have chosen to vote in favor of House Resolution 181 because it is my personal view that the House has acted too precipitously by eliminating the minimum social security benefit for all those who are currently receiving it. I am hopeful that the Congress will find some way to modify this action so that those who depend on these benefits can retain them. I feel this way for several reasons. First, minimum social security benefits have been a longtime part of the social security system and are certainly not recent add ons. Second, a change in these benefits is likely to frighten many current retirees who fear other cuts in their benefits. Finally, I am extremely concerned about the welfare of many of our older citizens who currently receive the minimum benefit and who will be offered a choice between their financial welfare and what many of them consider to be their personal respectability.

First, as I stated, the minimum social security benefit is not a recent add on to the social security system. The minimum benefit was added to social security by the 1939 amendments to the Social Security Act of 1935 and minimum benefit checks were among those first issued by the Social Security Administration. Because the minimum benefit pays benefits in excess of those for which an individual technically qualifies, it has been hotly contested almost since the day of its enactment. Many have proposed that it be removed from the social security system fund and be paid out of general revenues. This is one alternative the Congress should consider—it is a long way from the type of action that the Congress has taken.

A second problem that I have with the immediate elimination of the minimum benefit is that I am concerned that drastic and immediate cuts like this tend to undermine confidence in the social security system by both retirees and the taxpayers. Many of those who have retired have depended on the benefits that they feel they have earned. They feel that benefits have been promised and are now being withdrawn when they have no way to adequately prepare or compensate for these changes. Also, changes like this further fuel the fears of younger Americans. Many of them feel that they will never receive any return on their social security contributions.

Finally, I am concerned about the social and financial hardships that will face many senior citizens now receiving the minimum benefit. Beyond any principles or theories, I think that we need to understand the real, practical effect of eliminating the minimum benefit. Social security carries with it an appropriate aura of respectability. This is true whether one receives the

minimum or the maximum benefit. By suddenly labeling the minimum benefit as a welfare benefit, we are telling millions of Americans that they are no longer deserving of a benefit, and that they have been receiving unearned and undeserved charity. To meet the income and asset tests that apply to SSI, many of those receiving the minimum benefit must be willing to sell their property and thereby reduce their assets. Many will be faced with the most difficult decisions of their lives: Reduce their assets and apply for welfare—often, for the first time in their lives—or forgo the minimum benefit and live at a reduced standard of living. I, for one, do not want to force this choice on the 500,000 minimum benefit recipients who are over 80 years old or the 1.5 million who are over 70 years of age. I think that there are better ways to meet our social security and budget crises. Whatever the outcome of the current reconciliation conference, I am hopeful that we will find a way to give more warning about any possible benefit cuts and that we will be able to make what changes are necessary in an evenhanded and forward-looking way. Certainly, we need to consider principles, but we must not lose sight of the individuals affected by our actions.●

● Mr. HEFNER. Mr. Speaker, there is no more poignant mail coming into my office than that from senior citizens who are afraid that social security benefits are going to be cut or eliminated.

These people who have worked hard all their lives at backbreaking labor, and they have at least counted on the meager social security benefit to maintain their integrity, their independence, and their worth as human beings.

I do not favor pulling the rug from beneath the older citizens of our country who depend on their social security checks to help make ends meet. In a country as rich as ours, I believe our Government can and should afford to help those older Americans who are least able to help themselves.

Now this Government is sending all kinds of signals and omens that there is not going to be any more social security program if we do not take drastic steps. And this administration has taken the ultimate drastic step in suggesting that Congress eliminate the minimum benefit, that small $122 a month which some 2 million current social security recipients receive because of the low wages they earned throughout their working lives or because they had not been covered by the required number of quarters to earn a more respectable benefit.

This administration is not merely proposing to eliminate the benefit for those who will come on the rolls in the future and determine other ways to take care of these people. This administration is demanding that we cut off this meager resource for those who are right now receiving this small monthly benefit.

Mr. Speaker, I voted against the Gramm-Latta II budget which contained the provision to eliminate this minimum benefit, but I am proud that this body has had the foresight to reconsider this proposal and has given the Members a chance to reconsider the issue.

We cannot forsake our mothers and fathers, our elders, in this battle of the budget. We cannot allow the self-esteem of these people who have gone before us to be damaged in such a blatant way. I wholeheartedly support the resolution.●

Mr. WRIGHT. Mr. Speaker, I yield myself the remainder of my time.

The SPEAKER pro tempore. The gentleman from Texas (Mr. WRIGHT) is recognized for 5½ minutes.

Mr. WRIGHT. Mr. Speaker, we have heard some rather strange appeals here today. The distinguished minority leader, my very good friend, the gentleman from Illinois (Mr. MICHEL), made a speech in which he said expressly that the minimum benefit program does not belong in social security, and then he said at the very conclusion of his remarks that every Member on his side of the aisle ought to vote in favor of the resolution.

Now, I hope that those Members who vote for this resolution will mean it. If they do not mean it, I am not going to encourage them to vote for it, because I think the resolution should mean something. We should not try to deceive anyone. Just as I believe that our commitments in political campaigns ought to mean something, I think what we say and do on the House floor ought to mean something. Unless you intend to fulfill the commitment this resolution makes, you should not vote for it. This is not an idle gesture.

In Tampa, Fla., on October 10, President-to-be Ronald Reagan said that older Americans who are collecting their social security benefits have earned those benefits, and those benefits should be theirs.

In writing in the American Association of Retired Persons bulletin in that same month of 1980, the President-to-be said that the one overriding goal should be that the benefits of those now receiving or looking forward to receiving social security must be protected.

In a publication labeled "Senior Republicans" for April and May of 1981, the headline is: "President Reagan Keeps Promise, Retirement Benefits Go Untouched."

And now we are giving the Members an opportunity on both sides of the aisle to make good those pledges and promises of the very distinguished American who is the President of the United States.

Now, we have heard talk to the effect that some of these people who depend upon the minimum $122 benefit are not really needy. Let us just look at who they are. Most of them are women; most of them are over 70 years of age.

As to the definition of "non-needy," referred to by my friend, the gentleman from Texas (Mr. GRAMM), let us examine exactly what it is he means when he says that many of these people are "non-needy by legal definition." That legal definition is that if, including your benefits, you have as much as $284 monthly available to you, you are not "needy"; or if you possess assets of as much as $1,500, you are not "needy."

□ 1240

Surely nobody can seriously take the position that people who have no more than $284 a month available to them are not needy, or people who have as much as $1,500 in assets are not needy.

So it is a misnomer to refer to these people as nonneedy in any real sense of that term.

As a matter of fact, 500,000 of these people, I am told, already qualify for welfare in addition to the pittance that they receive from social security, but have not applied for welfare because they have too much pride to do so.

Now are we to ask these people to swallow their pride and submerge their human dignity and to go hat in hand and ask for welfare? That is what the opposition seems to suggest.

Is there not something valuable about Americans feeling that they have something as an entitlement, something as a right, because of what they have done in our society. Many of these people have worked for modest wages for many years but been covered for less than the requisite 40 quarters, because changes in the law which covers them now, came about when they were nearly ready for retirement. Domestics, for example, people working in the homes of others, for many years were not covered. Only in the declining years of their lives, just before they reached the age where they no longer could work, were many of these able to be covered at all. These are some of the people we are talking about.

A government as rich as ours does not owe everyone a living. It owes everyone an opportunity to earn a living. But it owes a chance at dignity to its elder population. It owes some freedom from want. I think surely for those in the declining years of their lives, for whom we cannot ever give back the years that they have spent and faithfully paid taxes, contributing in other meaningful ways to the build-

ing of our society, a dignified retirement free from demeaning want and humiliating dependency—that is the least we owe to them, in a Nation as rich as ours.

I know people who have gone through their entire working careers faithfully and happily paying their taxes on the anticipation that this was the promise, the good faith agreement between them and their Government.

Today by our vote for this resolution, we redeem that promise and make clear that it is our intention to keep that agreement.

Mr. WRIGHT. Mr. Speaker, I include the following:

SPEECH BY THE SPEAKER THOMAS P. O'NEILL, JR., AT THE RALLY AT THE CAPITOL SPONSORED BY THE NATIONAL COUNCIL OF SENIOR CITIZENS, JULY 21, 1981

Good afternoon and welcome to the Capitol. This is a free country—and you have a right to speak your mind.

Today will remind some people of the 1960's—the time of the anti-war rallies.

I remember another time—the 1930's.

I remember the hard times of those years.

I remember the fear people felt.

I remember a great American President—Franklin Roosevelt.

I remember what he said—that "We have nothing to fear but fear itself."

Those words were true in the 1930's.

They are true today.

Fifty years ago, our country faced a crisis. It was more than an economic crisis. It was also a spiritual crisis.

Fifty years ago, a President and a Congress met that crisis head-on. We created the greatest program in history—social security.

Social security was born because we had a President who saw a need—and they saw a way to meet that need.

Social security was born because a Congress had the compassion, the wisdom, and the vision to do the job.

It was born—most important of all—because the American people believed in social security.

A lot has changed these past 50 years. But some things have stayed the same.

Today, social security still faces challenges. But we have a Congress ready to meet those challenges.

Today the House of Representatives takes up a resolution. It is an important resolution. It says that the House of Representatives "strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them".

This resolution will have two important effects.

First, it protects those receiving the minimum social security benefit.

Second, it establishes a principle.

That principle is this: No one, and I mean no one, receiving social security will have their benefits cut.

Let me repeat the words of this resolution to you: The House of Representatives "strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them." If those words sound familiar, there is a reason. They are almost the same words President Reagan himself used.

Let me read to you from his own campaign statement: "Any reform of the social security system must have one overriding goal—that the benefits of those now receiving—or looking forward to receiving—social security must be protected."

Those words were good enough for the campaign. They are good enough now.

The President's budget office calls the minimum social security benefit a "windfall." That was their word, a "windfall".

You have to wonder about this. If a person living at the barest minimum level gets $122 dollars a month, that's a "windfall". If the administration gives a huge tax break to the wealthy it represents a "sound investment."

I don't trust this kind of thinking. I don't trust people who think like this.

Trusting them to protect social security is like trusting the fox to guard the chickens. The administration has sent a clear message: If it can cut off one group from social security, it can cut off another group.

One day, it attacks the minimum benefit.

The next day, it attacks those retiring at 62. The principle is the same. If it can cut the checks of one group, it can cut the checks for another.

I disagree with this administration. The House of Representatives disagrees with the administration.

We don't agree that the best way to save social security is to hurt those who depend on it.

We don't agree that the best way to build support for the system is to tear it down.

Fifty years ago, some people attacked social security as "socialism". A great American President defended it. He called it "American".

When others said it couldn't be done, he proved it could.

Fifty years later, we are going to prove it again. Social security is the best program ever created in this country—and it's going to stay that way.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas (Mr. WRIGHT) that the House suspend the rules and agree to the resolution (H. Res. 181).

The question was taken.

Mr. WRIGHT. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 405, nays 13, not voting 15, as follows:

[Roll No. 145]

YEAS—405

Addabbo	Bennett	Burton, John	Coyne, William	Hatcher	Myers
Akaka	Bereuter	Burton, Phillip	Craig	Heckler	Napier
Albosta	Bethune	Butler	Crockett	Hefner	Natcher
Alexander	Bevill	Byron	D'Amours	Heftel	Neal
Anderson	Biaggi	Campbell	Daniel, Dan	Hendon	Nelligan
Andrews	Bingham	Carman	Daniel, R. W.	Hertel	Nelson
Annunzio	Blanchard	Carney	Danielson	Hightower	Nichols
Anthony	Bliley	Chappell	Dannemeyer	Hiler	Nowak
Applegate	Boggs	Chappie	Daschle	Hillis	O'Brien
Archer	Boland	Cheney	Daub	Holland	Oakar
Ashbrook	Bolling	Chisholm	Davis	Hollenbeck	Oberstar
Aspin	Boner	Clausen	de la Garza	Holt	Obey
Atkinson	Bonior	Clay	Deckard	Hopkins	Ottinger
AuCoin	Bouquard	Clinger	Dellums	Horton	Oxley
Badham	Bowen	Coats	DeNardis	Howard	Panetta
Bafalis	Breaux	Coelho	Derrick	Hoyer	Parris
Bailey (MO)	Brinkley	Coleman	Derwinski	Hubbard	Pashayan
Bailey (PA)	Brodhead	Collins (IL)	Dickinson	Huckaby	Patman
Barnard	Brooks	Collins (TX)	Dingell	Hughes	Patterson
Barnes	Broomfield	Conte	Dixon	Hunter	Paul
Beard	Brown (CA)	Conyers	Donnelly	Hutto	Pease
Bedell	Brown (CO)	Corcoran	Dorgan	Hyde	Pepper
Beilenson	Brown (OH)	Coughlin	Dornan	Ireland	Perkins
Benedict	Broyhill	Courter	Dougherty	Jacobs	Petri
Benjamin	Burgener	Coyne, James	Dowdy	Jeffords	Peyser
			Downey	Jenkins	Pickle
			Dreier	Johnston	Porter
			Duncan	Jones (NC)	Price
			Dunn	Jones (OK)	Pritchard
			Dwyer	Kastenmeier	Pursell
			Dyson	Kazen	Quillen
			Early	Kemp	Rahall
			Eckart	Kildee	Railsback
			Edgar	Kindness	Rangel
			Edwards (AL)	Kogovsek	Ratchford
			Edwards (CA)	Kramer	Regula
			Edwards (OK)	LaFalce	Reuss
			Emerson	Lagomarsino	Rhodes
			Emery	Lantos	Richmond
			English	Latta	Rinaldo
			Erdahl	Leach	Ritter
			Ertel	Leath	Roberts (KS)
			Evans (DE)	LeBoutillier	Robinson
			Evans (GA)	Lee	Rodino
			Evans (IA)	Lehman	Roe
			Evans (IN)	Leland	Roemer
			Fary	Lent	Rogers
			Fascell	Levitas	Rose
			Fazio	Lewis	Rostenkowski
			Fenwick	Livingston	Roth
			Ferraro	Loeffler	Roukema
			Fiedler	Long (LA)	Roybal
			Fields	Long (MD)	Rudd
			Fish	Lott	Russo
			Fithian	Lowery (CA)	Sabo
			Flippo	Lowry (WA)	Santini
			Florio	Lujan	Savage
			Foley	Luken	Sawyer
			Ford (TN)	Lundine	Scheuer
			Forsythe	Madigan	Schneider
			Fountain	Markey	Schroeder
			Fowler	Marks	Schulze
			Frank	Marlenee	Schumer
			Frenzel	Marriott	Seiberling
			Frost	Martin (IL)	Sensenbrenner
			Fuqua	Martin (NY)	Shamansky
			Garcia	Matsui	Shannon
			Gaydos	Mavroules	Sharp
			Gejdenson	Mazzoli	Shaw
			Gephardt	McClory	Shelby
			Gibbons	McCollum	Shumway
			Gilman	McCurdy	Shuster
			Gingrich	McDade	Simon
			Ginn	McEwen	Skeen
			Glickman	McGrath	Skelton
			Goldwater	McHugh	Smith (AL)
			Gonzalez	McKinney	Smith (IA)
			Goodling	Mica	Smith (NE)
			Gore	Mikulski	Smith (NJ)
			Gradison	Miller (CA)	Smith (OR)
			Gray	Miller (OH)	Snowe
			Green	Mineta	Snyder
			Gregg	Minish	Solarz
			Grisham	Mitchell (MD)	Solomon
			Guarini	Mitchell (NY)	Spence
			Gunderson	Moakley	St Germain
			Hagedorn	Moffett	Stangeland
			Hall (OH)	Molinari	Stanton
			Hall, Ralph	Mollohan	Stark
			Hall, Sam	Montgomery	Staton
			Hamilton	Moore	Stenholm
			Hammerschmidt	Moorhead	Stokes
			Hance	Morrison	Stratton
			Hansen (ID)	Mottl	Studds
			Harkin	Murphy	Swift
			Hartnett	Murtha	Synar

Tauke	Watkins	Winn
Tauzin	Waxman	Wirth
Taylor	Weaver	Wolf
Thomas	Weber (MN)	Wolpe
Traxler	Weber (OH)	Wortley
Trible	Weiss	Wright
Udall	White	Wyden
Vander Jagt	Whitehurst	Wylie
Vento	Whitley	Yates
Volkmer	Whittaker	Yatron
Walgren	Whitten	Young (FL)
Walker	Williams (MT)	Young (MO)
Wampler	Williams (OH)	Zablocki
Washington	Wilson	Zeferetti

NAYS—13

Conable	Gramm	Michel
Crane, Daniel	Jeffries	Rousselot
Crane, Philip	Lungren	Stump
Erlenborn	Martin (NC)	
Findley	McDonald	

NOT VOTING—15

Bonker	Ford (MI)	McCloskey
Cotter	Hansen (UT)	Roberts (SD)
Dicks	Hawkins	Rosenthal
Dymally	Jones (TN)	Siljander
Foglietta	Mattox	Young (AK)

□ 1250

The Clerk announced the following pairs:

Mr. Mattox with Mr. Rosenthal.
Mr. Jones of Tennessee with Mr. Hawkins.
Mr. Foglietta with Mr. Dymally.
Mr. Ford of Michigan with Mr. Dicks.

Messrs. DANNEMEYER, GREGG, PRITCHARD, and JOHNSTON changed their votes from "nay" to "yea."

So (two-thirds having voted in favor thereof) the rules were suspended and the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

(Mr. JONES of Tennessee asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JONES of Tennessee, Mr. Speaker, I rise today to explain my absence earlier when House Resolution 181 was the subject of debate and a vote in this Chamber. I was unavoidably detained in my district due to mechanical problems on the aircraft in which I was riding. Consequently, I was not present to vote on this important resolution.

I would therefore like to express my support for House Resolution 181 which expressed the sense of the Congress opposing reductions in social security benefits for those currently receiving them. Had I been present, I would have voted "aye" on this matter.

□ 1300

PARLIAMENTARY INQUIRY

Mr. WRIGHT. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state his parliamentary inquiry.

Mr. WRIGHT. Mr. Speaker, it is true, is it not, that unanimous consent has been granted for all Members to have 5 legislative days in which to extend their remarks?

The SPEAKER pro tempore. That is correct.

Mr. WRIGHT. Further parliamentary inquiry, Mr. Speaker.

Our distinguished Speaker of the House, the gentleman from Massachusetts (Mr. O'NEILL) only today addressed the National Council of Senior Citizens at the Capitol. My request is, my parliamentary inquiry is, is it inappropriate to suggest that these remarks may appear just prior to the vote?

The SPEAKER pro tempore. Without objection, the speech can be included in the gentleman's own closing remarks as extraneous matter.

Mr. WRIGHT. I thank the gentleman.

SALE OF WAR PLANES TO ISRAEL

(Mr. SCHEUER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHEUER. Mr. Speaker, the administration's decision to shut off the supply of American warplanes to Israel is a shocking breach of faith with one of our strongest and most dependable allies. More than that, this decision cannot help but weaken the position of the Israeli Government as it works under the terrible strain of warlike conditions to protect its northern settlements from an ever-increasing barrage of sophisticated and devastating weaponry.

Within the last few weeks, PLO terrorists operating from bases in southern Lebanon have received new supplies of weapons from the Soviets and the Libyans.

Among those new weapons are 130 millimeter cannon, 57 millimeter radar-directed cannon, and the DM 21 multiple-rocket launching system which fires salvos of up to 40 Katyusha rockets simultaneously. All of these weapons have lately been directed with deadly effect against peaceful Israeli settlements.

In response to that buildup and in response to those attacks, Israeli forces have struck at roads, bridges, and arms depots in a defensive effort forced upon them by the latest PLO tactics.

Additionally, Israel has necessarily hit PLO command centers that direct the terrorist attacks. In warlike conditions, it is often a painful reality that civilian casualties cannot be avoided. In this case, however, civilian casualties could be avoided were it not for the PLO's craven and cowardly tactic of deliberately hiding its command centers behind the skirts of women and the playgrounds of children in civilian communities.

For years, the PLO has been bombing Israeli restaurants, movies, buses, and shopping districts, killing innocent Israeli women and children by the hundreds. The PLO's tactic of nestling its command centers among Lebanese civilian centers to make them necessary targets is characteristically despicable.

Mr. Speaker, we will make a tragic mistake if we leap to shut off the arms of our one dependable ally in the Middle East at the very moment that she faces new dangers from a ruthless enemy newly supplied with the tools of modern warfare. That policy can only embolden the PLO to increase their attacks on Israeli civilians in the border settlements, and make them even more intransigent—if that is possible—in their refusal to recognize even the existence of Israel—much less her rights to survive in peace.

We all look forward to the day when true peace will be won in the Middle East. For too long, innocent people on both sides of Israel's borders have paid the penalty of deadly combat; but we defer that day of peace when we arrive at a onesided policy that hobbles Israel's defensive capacity.

GENERAL LEAVE

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill (H.R. 4034).

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATION ACT, 1982

Mr. BOLAND. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 4034) making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1982, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Massachusetts (Mr. BOLAND).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of

the bill, H.R. 4034, with Mr. LEVITAS in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Friday, July 17, 1981, the Clerk had read through line 2 on page 25.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words.

Ms. OAKAR. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield to the very distinguished gentlewoman from Ohio (Ms. OAKAR).

Ms. OAKAR. Mr. Chairman, I rise to question section 414 of H.R. 4034, the HUD appropriations bill for fiscal year 1982.

Section 414 would prohibit payment of overtime to white collar Federal workers paid at rates in excess of GS-9s in agencies providing essential services; such as, the Veterans' Administration and its hospitals, HUD, and NASA. This section would, in effect, require employees to work overtime without overtime compensation.

While I have great respect and admiration for my colleague, Mr. BOLAND, whose subcommittee drafted this section, I have serious misgivings about the provision.

I had intended to offer an amendment to strike this section because, as chair of the Subcommittee on Compensation and Employee Benefits, my subcommittee has jurisdiction over any proposal to change overtime pay for Federal employees and my subcommittee took no part in the consideration of this section.

Before I move to offer any amendment, I would prefer first to ask my distinguished colleague, Mr. BOLAND, for his rationale for this provision because it plainly discriminates against certain Federal employees in grades above general schedule 9. What this section would do is to create a double standard of payment of overtime; that is, employees in grades GS-9 and down could collect overtime compensation, while those above GS-9 would be denied overtime compensation. Under title 5 of the United States Code, all general schedule employees are entitled to overtime pay.

This section would allow agencies to order their employees to work overtime, but would prevent these agencies from paying their employees for overtime work. I am very concerned about the impact on necessary and essential Government services if we expect Federal employees to work overtime without any overtime pay. Certainly, as just one example, vital services at VA hospitals will suffer if VA employees are forced to work overtime knowing that they will not be paid overtime.

I would like to ask my colleague, the chairman, if there is any way to resolve the difficulties I have with this section? Will Mr. BOLAND agree to modify this inflexible section? For example, would you allow the head of an agency to approve overtime under certain conditions? How will you handle the problems with this section prohibiting overtime with the Fair Labor Standards Act that allows overtime? What would happen if there is an emergency at a VA hospital and no overtime pay can be paid to nurses and pharmacists? What happens if there is an emergency requiring employees to work long and unusual hours—should they be compensated? Is this provision simply too inflexible? Are there abuses in the overtime system that could be resolved without denying justified or necessary overtime? I certainly hope so.

Mr. BOLAND. I will be delighted to enter into a colloquy with the gentlewoman. I know she has expressed, as some of the members on the Post Office and Civil Service Committee have expressed some concern with this section.

The gentlewoman raises some very valid questions and concerns dealing with section 414.

The committee's intention by including this provision in the bill was twofold. The first objective was to place some uniformity upon overtime payments for agencies funded in this bill. Currently, different agencies funded in the bill have varying cutoff points above which overtime is not paid. The committee felt these levels should be more uniform and believed that the provision would accomplish that. In addition, the limitation would result in not insignificant savings. Although it is hard to determine precisely the amount of overtime which might be paid to GS-10's and above in 1982, a rough estimate would be approximately $5 million.

However, let me assure the gentlewoman from Ohio and this committee that the Appropriations Committee did not intend to cause serious problems with this general provision. It has come to our attention that the interpretation of certain sections of the Fair Labor Standards Act would require revision if the provision is adopted in this form. Section 213 of that act states that within the Government service, administrative, executive, and professional employees are exempt from the overtime provision of the Fair Labor Standards Act. An Office of Personnel Management regulation details which specific classifications and grades are considered nonexempt under the act—and thus due overtime pay for additional work. The committee's provision as reported in the bill would require certain revisions to that regulation.

In addition, certain people have questioned the effect of the overtime provision on health care within the Veterans' Administration health system and upon responses to disasters under the Federal Emergency Management Agency. The committee certainly does not intend for the overtime provision to impair in any way VA health care or FEMA disaster relief responses.

The Appropriations Committee will review these issues very carefully and make appropriate adjustments in conference with the Senate.

I thank the gentlewoman for her concern in this area.

Ms. OAKAR. I want to thank the chairman. I know he encourages me to believe this will be worked out in the conference committee, and I certainly look forward to that.

I know, Mr. Chairman, if I may say so, I know other members of the committee, along with the distinguished gentleman from Indiana, had expressed some concerns also with this particular section. Therefore, I am very happy that we can resolve this without adding an amendment.

I thank the gentleman.

Mr. BOLAND. I thank the gentleman from Ohio.

Mr. HOYER. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield to the gentleman from Maryland (Mr. HOYER).

□ 1310

Mr. HOYER. Mr. Chairman, I want to join my Chair of the subcommittee on which I serve on the Post Office and Civil Service Committee in the concerns that she has expressed, and to say that I am very pleased that the chairman is going to address these concerns that she and I, and I know many other Members of the House, have with respect to overtime being paid to the grade level specified in section 414 of the bill.

Mr. BOLAND. I thank the gentleman for his remarks and for his concern.

Mr. Chairman, I yield to my friend, the gentleman from Indiana (Mr. JACOBS).

Mr. JACOBS. I thank the gentleman for yielding and his clear concern of purpose on behalf of the committee, and I commend our colleague, the gentlewoman from Ohio, for raising the question. I am sure that in the conference committee the conferees will consider the possibilities of penny wise and pound foolish in terms of contracting out, and all of the other phenomena that may occur in connection with this matter.

Mr. BOLAND. I thank my friend, the gentleman from Indiana.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

NATIONAL SCIENCE FOUNDATION

RESEARCH AND RELATED ACTIVITIES

For necessary expenses in carrying out the purposes of the National Science Foundation Act of 1950, as amended (42 U.S.C.

1861-1875), title IX of the National Defense Education Act of 1958 (42 U.S.C. 1876-1879), and the Act to establish a National Medal of Science (42 U.S.C. 1880-1881); services as authorized by 5 U.S.C. 3109; lease of one aircraft with option to purchase; maintenance and operation of aircraft and purchase of flight services for research support; hire of passenger motor vehicles; not to exceed $2,500 for official reception and representation expenses; not to exceed $63,200,000 for program development and management; uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901-5902); rental of conference rooms in the District of Columbia; and reimbursement of the General Services Administration for security guard services; $1,065,000,000, to remain available until September 30, 1983; *Provided,* That receipts for scientific support services and materials furnished by the National Research Centers and other National Science Foundation supported research facilities may be credited to this appropriation: *Provided further,* That to the extent that the amount appropriated is less than the total amount authorized to be appropriated for included program activities, all amounts, including floors and ceilings, specified in the authorizing Act for those program activities or their subactivities shall be reduced proportionally.

AMENDMENT OFFERED BY MR. WINN

Mr. WINN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WINN: On page 25, line 20, strike the figure "$1,065,000,000" and insert in lieu thereof "$995,000,000".

Mr. WINN. Mr. Chairman, this amendment that I am offering would, quite simply, reduce the appropriations for the National Science Foundation by $70 million. This reduction would bring the Foundation's funding down to $1,033,500,000, the level recommended by the President for the fiscal year 1982. The funding level, which is proposed in H.R. 4034 is $1,103,500,000, which represents an 8-percent increase above the fiscal year 1981 appropriations. In my opinion, this is far too large an increase for this point in time.

The Science and Technology Committee, on which I serve, provides authorization for NSF. Our committee held many long hours of hearings on the NSF request. There is absolutely nothing in this extensive record that indicates the Foundation cannot live with the administration's request. In fact, the recommended level represents a $11 million increase over the appropriation for last year. Compared to what has happened in other Federal agencies, this seems like a healthy increase. Of course, any agency wants to receive the maximum amount of funding possible and to create programs to spend that money. However, I think this House has gone on record many times in the last several months for a fiscally sound, restrained budget.

H.R. 4034 is $190 million over the President's budget. This hardly qualifies as fiscal restraint. By making the $70 million reduction contained in this amendment, we will be taking a step toward upholding the spirit of a responsible Federal budget.

I want to emphasize that this amendment is not antiscience or antitechnology. In the past I have been a consistent supporter of the National Science Foundation. They have done and continue to do very important work for this Nation. We cannot overemphasize the importance of basic research and science to the future health of our economy. But it is also important to remember, Mr. Chairman, that this amendment will not gut a single crucial program of the Foundation. It will restrain the growth in many areas. But that is a fact of life Governmentwide for 1982.

Mr. GOLDWATER. Mr. Chairman, will the gentleman yield?

Mr. WINN. I yield to the gentleman from California.

Mr. GOLDWATER. On that point, I think it is important to clarify exactly where the cuts are and to indicate there are three categories of spending. One, at about $3.5 million in the international programs. That is not going to be cut. The second one, Science Education, for about $35 million. You indicated that would not be reduced. But the only area you are talking about is in research and related activities, which you are bringing down from $1,065 million to $995 million. Is that correct?

Mr. WINN. The gentleman is correct as far as the area of reduction. However, I want to emphasize that it will be left to the discretion of the Foundation to distribute those funds.

Mr. GOLDWATER. You feel the best areas are research and related activities?

Mr. WINN. No; I am not trying to tell them where to cut it at all.

Mr. GOLDWATER. I see.

Mr. WINN. I am just trying to reduce the budget by $70 million to bring it back down to the Reagan budget. This will still be $11 million above last year's appropriation.

Mr. JACOBS. I commend the gentleman for his efforts here. I think it is important that we make some very hard, tough choices, and especially in the National Science Foundation when, in fact, even with reductions, it is an increase over 1981. I compliment the gentleman.

Mr. WINN. I thank the gentleman.

The CHAIRMAN. The time of the gentleman from Kansas (Mr. WINN) has expired.

(On request of Mr. GREEN and by unanimous consent, Mr. WINN was allowed to proceed for 5 additional minutes.)

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. WINN. I yield to the gentleman from New York.

Mr. GREEN. Mr. Chairman, the only reason I asked the gentleman to yield at this time was so that the House will clearly understand what it is that the gentleman is proposing, and it is somewhat different from what the administration has proposed. The gentleman is proposing to take all of the cut out of research and related activities. We did not add all of the $70 million in research and activities. We added $44.9 million in research and related activities and $25.1 million in science education. So the effect of the gentleman's amendment will be to cut research and related activities below the administration's request and to focus all of the gentleman's cuts on that area.

Mr. WINN. I appreciate the gentleman clarifying that.

I would like to finish my remarks and make some points, and then I will be glad to yield to the gentleman from New Jersey (Mr. FORSYTHE).

Mr. Chairman, I do want to point out, though, that, as I said, this amendment does not gut a single crucial program, in my opinion, in the Foundation. I think that contrary to alarmist reports that we have had over the last 10 days, NSF will be funded and funded at a very responsible and adequate level. As to the reductions, in my view those are left at the discretion of the Foundation at this time. And when the authorization comes before the House, there will be alternative recommendations as to how to approach any reductions. However, it allows them to put their funding forward toward what they consider the highest priority activities, absent other guidelines.

Mr. Chairman, I have heard all of the emotional pleas that my amendment will do irreparable harm to the NSF, that the amount of the money for the agency is just a very small fraction of the Federal budget. But I have also heard the emotional pleas of the American public who are crying for control of Federal spending. There is no way that we can get the total Federal budget anywhere near under control unless we control the individual pieces of that budget. This piece is not consistent with the spirit of Congress as expressed in the first concurrent budget resolution, and for that reason alone, I urge the adoption of the amendment.

Mr. FORSYTHE. Mr. Chairman, will the gentleman yield?

Mr. WINN. I yield to the gentleman from New Jersey.

Mr. FORSYTHE. I thank the gentleman for yielding.

Mr. Chairman, I rise in support of the amendment. We have before us an appropriations bill that is $190 million over the budget request. The National Science Foundation portion is $70 million over. It is precisely this type of

excessive Federal spending that has led the country to the economic mess we now find ourselves in. Providing appropriations packages far over the budget violates the spirit of restraint on spending that has prevailed in the Congress this year. The amendment by the gentleman from Kansas will reduce the appropriation to a reasonable level.

As a member of the Science, Research and Technology Subcommittee which has jurisdiction over NSF, I want to assure the Members that this amendment would do no irreparable harm to any programs of the Foundation. I am sure some Members are receiving letters and phone calls claiming that the Winn amendment will do great harm. This is just not the case. Even with the $70 million reduction there will be an increase over last year's appropriation. The total NSF appropriation will still exceed $1 billion. At worst, this reduction would mean a slight belt tightening at the Foundation—or that some programs may not grow as rapidly as they would like. I feel confident they can easily accommodate this.

On the other hand, this reduction would have a positive effect on the drive to hold down Federal spending. Too often we hear the cry that a certain program or agency is only a small portion of the overall budget. However, it is the sum of these so-called small programs that runs up the deficit. We can strike a blow for restraint in Federal spending by accepting this amendment. I urge the House to adopt it.

Mr. SKEEN. Mr. Chairman, will the gentleman yield?

Mr. WINN. I yield to the gentleman from New Mexico.

Mr. SKEEN. Mr. Chairman, I rise in support of the Winn amendment. This House cannot afford to go back on the commitments it made when we approved the first concurrent resolution on the budget and the omnibus reconciliation bill. Federal spending has been out of control for too long. We have taken the first step to bringing it under control in the past few months. We cannot allow spending to shoot up again by ignoring appropriations levels far above the President's request. That is what we are confronting here on this appropriation for the National Science Foundation.

I want to emphasize that no great harm will come to the foundation by adoption of this amendment. Certainly, they will be pinched a little, but they will still receive more money than they were appropriated last year. None of their programs will be severely damaged or stopped. They will simply be doing their part to contribute to an overall responsible and sound Federal budget. I ask for adoption of the amendment.

□ 1320

Mr. ERTEL. Mr. Chairman, will the gentleman yield?

Mr. WINN. I yield to the gentleman from Pennsylvania.

Mr. ERTEL. Mr. Chairman, I would ask the gentleman from Kansas, that since I originally proposed to strike the ocean marginal drilling program, would the sections the gentleman is attempting to amend—would it amend those sections which include the ocean marginal drilling program, and eliminate the moneys in this program?

Mr. WINN. I think the gentleman was here when I said that I was going to leave the breakdown of the individual projects to the National Science Foundation.

Mr. ERTEL. In other words, they will decide the priorities?

Mr. WINN. They would determine the priorities, based upon the authorization hearings that the committee has held.

Mr. ERTEL. Mr. Chairman, I thank the gentleman for responding.

Mr. WINN. Mr. Chairman, I yield back the balance of my time.

Mr. GREEN. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the amendment.

I think we should understand that the amendment is not the administration position. We should also understand that this subcommittee did not violate any commitments in the first budget resolution. I hope the House will appreciate that under the Budget Act procedures, there are essentially two tracks that are followed in arriving at a final budget: One is the track we have been going down on the reconciliation bill where the Budget Committee instructs the authorizing committees as to where to achieve the necessary savings to meet the target in each budgetary function. That, as I say, we have done in the reconciliation process.

There is a second track to the Budget Act, however, and that involves the Appropriations Committee. It works somewhat differently, because under the Budget Act the total amount that the first budget resolution determines is to be appropriated is assigned as a block to the Appropriations Committee. The full Appropriations Committee then divides that amount and assigns those funds to its individual subcommittees, thus giving them their budget mark.

This subcommittee came in within the limit assigned us by the full Appropriations Committee as part of the Budget Act process. So we are not busting the budget in any sense with this Appropriations Subcommittee bill. We are living up to our side of the budget process.

Obviously, the two approaches, the reconciliation track and the Appropriations Committee track, at some point must indeed be reconciled. The Budget Act contains ample procedures for doing that; but I think it should be emphasized as we consider the amendment offered by the gentleman from Kansas (Mr. WINN) that we are in no sense violating the budget process or busting the budget.

Mr. LEACH of Iowa. Mr. Chairman, will the gentleman yield?

Mr. GREEN. I am delighted to yield to the gentleman from Iowa.

Mr. LEACH of Iowa. Mr. Chairman, I would like to strongly concur with the views of the gentleman from New York (Mr. GREEN) and strongly stress that what we are really attacking here is the basic research dollar of the Federal budget, and this is the exact time where basic research is under such attack in all sorts of sectors. It is the one place that the Federal Government has a very, very large responsibility.

I would hope this amendment of the gentleman from Kansas (Mr. WINN), will intended as it is, would be rejected.

Mr. Chairman, at a time when increasing importance and priority should be assigned to basic research and science education, I am compelled to express deep reservations about the amendment offered by the gentleman from Kansas.

The National Science Foundation bears a unique responsibility among Federal agencies for the health and well-being of basic scientific research in America. To eliminate virtually all remaining NSF support for the behavioral and social sciences carries grave consequences for our society. The health of our citizens, our commercial vitality, and our national security are directly dependent upon our command of fundamental scientific knowledge. The challenge posed by the amendment of the gentleman from Kansas to the worth of behavioral, social, and economic research raises unsettling questions as to what our national science policy is, and how it is decided. Budgetary dispositions, after all, should be consistent with a policy for science, and not presume to redirect it.

If the gentleman from Kansas amendment prevails, a profound imbalance in scientific inquiry in this country would occur. Most of us recognize the importance of mission-related research projects funded by various Federal agencies to improve our national defense, to improve our economic productivity and to enhance our health and quality of life. We have more difficulty measuring the impact of basic research on our lives. Studies of mathematical models and laboratory animals often seem arcane and removed from the demands of real life. Often their lengthy titles are the subject of jokes and amusement on this floor. And yet, without these basic in-

quiries, many sponsored by the NSF, the major gains we have made in biomedical research, in defense-related areas and in our space program would not have been possible.

Let me relate a brief story. In the early sixties, a remarkable scientist by the name of Charles Ferster began to work with autistic children. In those days autism was an undefined illness. Those children who suffered from its terrible effects were huddled into custodial wards of large hospitals. They did not speak; they did not relate; they did not care for themselves and no effective therapy was known for their treatment.

Working in LaRue-Carter Hospital in Indianapolis, Ind., Ferster literally broke the code of autism. He learned how to reach these distant children. He taught them how to speak, how to touch, how to play. His work on positive reinforcement literally revolutionized the treatment of those who suffer from this disorder. Clinics sprang up around the country treating for the first time the terrible consequences of autism. Today, thanks to Dr. Ferster, there is a therapy and there is hope for the autistic.

Who was Dr. Ferster? A psychiatrist? A physician? No, Dr. Ferster was a behavioral psychologist. In his day-to-day efforts, he studied the learning behavior of pigeons rather than people. His field of study was reinforcement phenomenon and the titles of his projects would probably prompt laughter here as elsewhere. Nonetheless, it was his work on reinforcement in pigeons that began this incredible breakthrough in autism.

This remarkable story about Charles Ferster was told to me by Prof. Dore Gormezano of the University of Iowa, an internationally known expert in memory and learning mechanisms. If he were not so modest, Professor Gormezano could have told a similar story about himself. Since 1960, Professor Gormezano has engaged in the most basic research on memory and learning, using animal models. His work is at the forefront of expanding the threshold of human understanding about human understanding. Using models pioneered by Professor Gormezano, researchers across the country are studying the impact of psychoactive drugs and measuring the effects of learning disabilities to forge new ways to treat disorders such as dementia in the aged and countless other problems. Like Dr. Ferster, Professor Gormezano has had the support of the National Science Foundation. His research will serve to improve the lives of our children.

These stories are important ones because they tell us an important truth about basic science. We seldom know what its outcomes will be or from where discoveries will be made, but we do know that basic science is fundamental to the economic and social progress of our country. This is why we must maintain a balance in our investment in science. This is also why scientists rather than Congressmen should determine research priorities and why professional peer groups rather than political seer groups should take final responsibility for allocating the limited scientific resources provided by Congress.

Here, it is important to distinguish between basic research and the applied research which grows from its seeds. As Dr. William G. Bowen, president of Princeton University, has noted, private sector companies and industries, however generously motivated, cannot be expected to pay fully for basic research which by its nature can lead in unpredictable directions and which, if successful, may bestow benefits so widely that no firm or group of firms can capture them entirely for private uses. Thus, profit-making enterprises which play such a prominent role in applied research simply cannot be expected to replace Government as a source of support for most research at the "basic" end of the spectrum.

While an overwhelming consensus has emerged in this Congress on the need to restrain the growth of Federal spending, selective judgment must be applied to budgetary decisionmaking to insure that the development of human resources are not eclipsed by the placement of disproportionate emphasis on the production of military hardware and the rebuilding of corporate plants and equipment.

The importance of the kind of scientific inquiry supported by the National Science Foundation is perhaps best described by Dr. Lewis Thomas, chancellor of the Memorial Sloan-Kettering Cancer Center in New York. Dr. Thomas observed:

> As long as we are bewildered by the mystery of ourselves, and confused by the strangeness of our uncomfortable connection to all the rest of life, and dumb-founded by the inscrutability of our own minds, we cannot be said to be healthy animals in today's world.
>
> We need to know more . . . not for (the sake of) technology, not for leisure, not even for health or longevity, but for the hope of wisdom which our kind of culture must acquire for its survival.

Almost 50 years ago, the Soviet Union endorsed the scientific dogma now known as Lysenkoism. The central government concluded that genetic research challenged the tenets of Marxism and therefore lacked validity. Free scientific inquiry ended for all practical purposes. Today, Soviet agricultural practices are obsolete, their health technologies limited, and their behavioral and biological sciences profoundly skewed by the prejudices of a narrow political philosophy. Politicization of scientific inquiry has stunted economic and social progress in the Soviet Union and, perhaps more importantly, led to the stultification of free thought and free inquiry.

While Lysenkoism offers an admittedly extreme example of ill-advised governmental intrusion into science, it is incumbent on all of us to take care to insure than scientific merit alone rather than religious and social philosophy remains the basis for research funding decisions in this country.

In sum, I feel that this amendment is fiscally shortsighted and scientifically unwise. The elimination of Federal support for an entire field of academic inquiry bodes poorly for our future as a country committed to pioneering academic discovery. I urge rejection of the amendment of the gentleman from Kansas.

Mr. GREEN. I thank the gentleman from Iowa.

Mr. ERTEL. Mr. Chairman, will the gentleman yield?

Mr. GREEN. I am delighted to yield to the gentleman from Pennsylvania.

Mr. ERTEL. Mr. Chairman, I was not quite sure when the gentleman spoke, is the gentleman saying the appropriations here are within the Budget Act and, in addition, within the reconciliation? Of course, we did not pass a reconciliation on NSF, but the Senate did. Are we within the numbers of the Senate and also the Budget Act?

Mr. GREEN. I think the problem is this: We do not yet have a reconciliation act, and the Appropriations Committee, if we are ever to complete our work by the start of the fiscal year, October 1, simply had to proceed. We proceeded on the basis of the testimony before us and in accordance with the Budget Act procedures that apply to the Appropriations Subcommittees.

There is a problem, however, of which the gentleman should be aware. When we in the Appropriations Subcommittees sit down to do the tradeoffs among the various programs in order to stay within the Budget Act, we are often facing subcommittee jurisdictions that are very different from the authorizing committee jurisdictions.

In the case of our committee, for example, one significant portion of the funds we appropriate relates to the Department of Housing and Urban Development. Those funds are authorized in the Banking Committee, and in the Banking Committee the major tradeoff between the HUD funds and other funds is with the Export-Import Bank. Our subcommittee has no jurisdiction over the Export-Import Bank. So we are making a series of tradeoffs that are different because we had jurisdiction over somewhat different agencies.

That is why the budget process has these two tracks. In the end, it will all have to be brought together, and we

are going to have to have an appropriation that, in the final budget process, fits the second budget resolution.

Mr. ERTEL. If the gentleman will continue to yield, I appreciate the difficulties that the gentleman has, and I know the difficulties we had with the reconciliation bill here. As the gentleman is well aware, when we passed Gramm-Latta II—which was the amendment—it had struck out in its entirety a reconciliation on the National Science Foundation and a lot of others which has caused some problems. It is going to continue to cause problems; but the Senate, as I understand it, in their reconciliation, put in a number, and that is all? Am I correct on that?

Mr. GREEN. I am aware of that. I understand it is below ours. Obviously, that would have to be resolved in conference.

Mr. ERTEL. The Senate number, then, is below the appropriation here. Is that what the gentleman is telling me?

Mr. GREEN. That is what I am telling the gentleman.

Mr. ERTEL. So, in other words, when we go to conference on that, we cannot come above the Senate number because we have no number.

The CHAIRMAN. The time of the gentleman from New York (Mr. GREEN) has expired.

(At the request of Mr. ERTEL and by unanimous consent, Mr. GREEN was allowed to proceed for 2 additional minutes.)

Mr. ERTEL. Mr. Chairman, will the gentleman yield?

Mr. GREEN. I yield to the gentleman from Pennsylvania.

Mr. ERTEL. That is one of the problems we have with this reconciliation.

In our committee, which was the authorizing committee, we made exactly the same tradeoffs the gentleman did. We thought that the National Science Foundation was very important; and, in fact, we came under the numbers in other areas of our jurisdiction so we could protect the research efforts of the National Science Foundation.

So what we are facing is, because of the botched-up job we did in the reconciliation, we have got ourselves into a real problem here.

I am prepared to support the Appropriations Committee, but I want it understood, so that if somebody goes back and says, "Hey, he voted for something above the reconciliation," we, in fact, had a tradeoff. We traded off other things in our committee jurisdiction on the authorization that would have allowed this higher number, and, in fact, above the Senate number, because we, in fact, made some of the same tradeoffs the gentleman is talking about.

So I just want to register this thought: This is one more problem that Gramm-Latta II made for us, and everybody here ought to realize it. It was the worst piece of legislation this House has ever passed. It was the worst-prepared and the most ill-conceived I have ever seen.

Mr. GREEN. I can only say to the Chair and to the gentleman that that problem has been resolved, at least as far as this appropriations bill is concerned, because of the rule that the Rules Committee provided us.

If I can now return to the merits of the amendment offered by the gentleman from Kansas (Mr. WINN), I think the other point that ought to be understood is that the Winn amendment is not the administration position. The Winn amendment, in fact, cuts the spending for research and related activities below the level requested by the administration. I happen to think that the research and related activities are some of the most important parts of the National Science Foundation. They are the real seed corn, I think, of future efforts to improve our productivity and our economic growth.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, Mr. GREEN was allowed to proceed for 3 additional minutes.)

Mr. GREEN. Mr. Chairman, I would simply urge the Members who are concerned about the long-term productivity of this country and its ability to move forward in technological fields not to take this item in this bill below the level that the administration wants, which is what this amendment would do.

□ 1330

Mr. TRAXLER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, if the Members will look at the report accompanying this bill, in the National Science Foundation section it has this to say about the National Science Foundation functions:

> The National Science Foundation bears a unique responsibility among Federal agencies for the health and well-being of the Nation's basic scientific research activities. There can be no question that its programs serve a vital function. It is clear that the commercial vitality and military security of the United States are directly dependent upon the Nation's command of fundamental scientific knowledge.

Mr. Chairman, I oppose these further cuts in the National Science Foundation budget. Why do I say, "further cuts"? Well, this administration proposed a $320 million reduction in the recommendations that we had had in the prior administration's submissions to us. That was $320 million below the Carter recommendations. If we want economy, that was it.

This committee by and large subscribed to the Reagan recommendation. However, we did restore $70 million, which is not being attempted to be taken away, and I oppose that, because in my opinion these further cuts of $70 million would begin to erode this basic scientific base which we are going to have to maintain if this Nation is going to be one of the foremost technological nations in this world. We cannot compete with our competitors in Japan or West Germany or, for that matter, with the Russians if we do not have these kinds of basic scientific research commitments.

This subcommittee, chaired by the gentleman from Massachusetts (Mr. BOLAND), and with the gentleman from New York (Mr. GREEN) as the ranking minority member—and it is my pleasure to serve with these very distinguished gentlemen, as well as the other members of the subcommittee—held very extensive hearings. We have made cuts. We increased some areas. The bottom line on all of this is that we are within one-third of 1 percent of the President's budget recommendations for this area, that is, one-third of 1 percent overall, and we are within the congressional budget resolution for the science function.

We have made some modest shifts in the priorities based upon our best judgment at these hearings. Now, for heavens sake, if the Congress does not have that right, that fundamental right to make these kinds of determinations, based upon the public input, the agency input, and our best judgments, why are we here? No one, not even my best friends and the greatest supporters of the President on that side of the aisle, would argue that we have to take the executive branch's budget and adopt it in toto. To do that obviates the need for a Congress.

Is anybody over there suggesting that we ought to do that? Is anybody on this side asking for that? Certainly the Constitution does not propose that. We are coequal branches of government.

So we have a responsibility, and the members with whom I am delighted to serve on this subcommittee have exercised their responsibility in the finest traditions—and I am going to use this term—and the finest bipartisan traditions of this body.

Mr. Chairman, in these days of international challenges to the United States, it should be obvious how important it is to maintain our strength in all areas of basic research and development. National productivity growth and all our edge in international competition depend directly on our scientific and techological lead, a lead that has suffered gradual erosion. We cannot afford further slippage; it is that simple.

Cutting $70 million from research not only wipes out the $45 million this committee restored in critical areas,

but would further cut $25 million more in the hard sciences—an area that both administrations have worked hard to protect. Basic scientific research needs to be increased, not cut if our Nation is to maintain its lead in the next decades.

Our committee's modest increase protects the hard sciences and, additionally, helps to maintain efforts in the biological, behavioral, and social sciences, an area where OMB made drastic, ideological, and completely disproportionate cuts.

The restorations we are providing in this bill will allow us to maintain data bases and studies of our society that are critical to sound, intelligent public policymaking.

Look at the issues that this Congress will be grappling with in the coming years: rapid inflation; slow productivity growth; the changing age structure of the population; the shift in population and industry from the Snow Belt to the Sun Belt; sluggish rates of savings and capital formation; the presence of barriers to innovation, and so on.

The list is endless, and it should be clear that simplistic, idealogical solutions cannot work. The formation of public policy to deal with these problems depends upon the vitality of the social, behavioral, and economic science research programs within the NSF. Cutting these programs in the name of reducing the size of the public sector is a little like slimming down an overweight giant by removing his eyes, ears, and brain.

Mr. Chairman, our committee held extensive hearings on the budgets of the various agencies in this bill. We made some cuts, we made some increases, but the bottom line is that we are within one-third of 1 percent of the President's budget overall, and we are within the Congressional Budget Resolution for the science function. We made small, modest shifts in the priorities based upon the long run best interests of this Nation.

This committee has acted responsibly, our bill had bipartisan support in subcommitteee. it had bipartisan support in full committee, and I am glad to see that we had bipartisan support here on the floor. I oppose the amendment and urge my colleagues to vote "No."

Mr. PURSELL. Mr. Chairman, will the gentleman yield?

Mr. TRAXLER. I yield to the distinguished gentleman from Michigan.

Mr. PURSELL. Mr. Chairman, I congratulate the gentleman from Michigan (Mr. TRAXLER) for his remarks and for pointing out this was done in a spirit of bipartisanship.

I think it is important that the National Science Foundation maintain its basic research for the future of this country. It is a pretty well known fact, I think, that the universities primarily do about 80 percent of all the research in this Nation. Sometimes Congress acts on social security in a crisis vacuum without looking at that kind of needed research in labor markets and under changing conditions. I think, speaking on behalf of the Northeast area with its high unemployment, that this kind of research is critical to this Nation, and it should not be shortchanged in any respect by any administration regardless of party.

So, Mr. Chairman, I congratulate the gentleman from Michigan (Mr. TRAXLER) for his remarks, and I, too, ask that the Members oppose this amendment.

Mr. Chairman, I rise in support of the position outlined by the Chairman and Ranking Republican member of the subcommittee with respect to funding for the National Science Foundation in general and it Directorate for Biological, Behavioral, and Social Sciences in particular.

Needless to say, these are times of rapid social and economic change. The administration and Congress have embarked on a major redirection of domestic policy. In that connection, the President recently instituted a bimonthly review of relevant "social, economic, and demographic trends." Accordingly, it seems especially important that our Nation maintain a significant capacity to monitor and understand the effects of these and other changes on Americans—on their work, their income, and purchase decisions; on their attitudes, values, and expectations; on their goals and aspirations; and on their understanding of and reactions to policy changes.

There has been much criticism of the behavioral, social, and economic sciences in recent years, and no doubt some of it is justified. With the advantage of hindsight, any set of research activities can be criticized, including those in the biological and physical sciences. However, is this justification for singling out the social science activities of the Foundation for being of lower quality than other scientific research, or for having lower national priority?

A close review of the record suggests not. The quality of social science research supported by the Foundation was intensively examined some years ago by a committee of the National Academy of Science, headed by the Nobel laureate, Dr. Herbert Simon. The committee concluded that the quality of the social science research program fully met prevailing NSF standards. It also recommended that the Foundation give increased emphasis to large-scale, data-oriented research projects designed to follow the same individuals through time (longitudinal studies).

More recently, scientists in the Academy (most of who are not social or behavioral scientists) passed a resolution with virtual unanimity affirming the critical importance of social and behavioral science research.

The problems that the Congress will be discussing over the next decade are predominately those that can be illuminated by maintenance of a strong research base in the behavioral, social, and economic sciences. Among them are how to deal with the changing age structure of the population; how to assess the effects of changes in the tax structure on saving and investment flows; how to strengthen our competitiveness abroad; how to bolster our lagging productivity growth rate; et ceteria. All these are problems that require relevant data and fresh insights from the social sciences. Maintaining the research program in the behavioral, social, and economic sciences at the National Science Foundation will help greatly in achieving those objectives.

In my view, the NSF recommendations made by the committee accurately reflect the need for such research, within the bounds of fiscal responsibility. I urge my colleagues to support this bipartisan position.

Mr. TRAXLER. Mr. Chairman, I want to commend the gentleman from Michigan (Mr. PURSELL) for his fine statement. The gentleman is well known for his strong support of the programs of the National Science Foundation.

Mr. COUGHLIN. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I will not take my full 5 minutes, but I do want to associate myself with the remarks of the distinguished ranking minority member and our distinguished colleague, the gentleman from Michigan (Mr. TRAXLER), in opposition to the amendment.

The additional money that was put in here was for scientific research primarily and instrumentation. These are areas which are of very vital importance to our full science program. The bill, as has been pointed out, is within our budgetary constraints. We have just simply shifted things from one priority to another to provide a slight increase for the National Science Foundation.

Mr. FUQUA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the Winn amendment and in support of the Appropriation Committee's recommendations.

Mr. Chairman, I would like to say at the outset that Mr. WINN, the ranking minority member on our committee has for long years been a staunch supporter of science and technology, and, I am sure, he remains a strong supporter. As often happens in Congress we find ourselves in disagreement over

the details of this budget, but I believe Mr. WINN and I are both committed to an overall strengthening of science and technology. I look forward to further interactions with my valued colleague. That said let me indicate the problems I see in adopting the Winn amendment.

The Committee on Science and Technology, as well as the Appropriations Committee, saw major deficiencies and inadequacies in the Foundation budget request. In the budget request the Science and Engineering Education directorate was eliminated. The important cross directorate programs, including research instrumentation and women and minorities in science activities were eliminated. The programs in social sciences, economic research, and behavioral sciences were severely reduced. The same is true of important intergovernmental and international programs.

One area which has been of particular concern to me and to the Congress in the past are the Foundation's programs in innovation. Chairman MITCHELL of the Committee on Small Business joined with me in a recent "Dear Colleague" letter on those programs. As we noted, over $17 million in private follow-on funding has resulted from an investment of $5.3 million in the small business innovation program. This is only a beginning. The Foundation is further stimulating university and industry collaboration to stretch already limited research funds to address problems of immediate concern to our economic and industrial needs. These and other programs have been severely cut by the administration's request.

The appropriations bill would redress some of the imbalances we found, including those in innovation I mentioned. They have added a small amount of money to specific activities in order to maintain continuity in these important areas while maintaining a strong support for the physical sciences and engineering.

The Winn amendment is not balanced. While it does refocus administration priorities by allowing appropriations to remain for the Foundation's education programs, it does so by removing more moneys from the research directorates. The choice is clear. Either Mr. WINN will have to take an additional $25 to $45 million from programs already severely cut or they must be taken from the physical science research areas. Both this administration and the previous are in agreement that the physical science and engineering need accelerated strengthening if we are to meet the Nation's economic and strategic needs. It does not make sense to reduce those programs now when we need them most.

Mr. Chairman, though respecting my colleague's motivations in offering this amendment and while in basic agreement with his concern for science education and an austere budget, I do not think further reductions in the Foundation's research budget is the route to take. I must strongly oppose the Winn amendment.

□ 1340

Mr. HOLLENBECK. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from New Jersey.

Mr. HOLLENBECK. I thank the gentleman for yielding.

I want to associate myself in opposition to the Winn amendment.

Mr. Chairman, I rise to express my reservations over several provisions of the Winn amendment. As I noted in the additional views I placed with the report accompanying the National Science Foundation (NSF) authorization bill, H.R. 1520, I am greatly concerned abut adequate funding for number of important NSF programs. These include science and engineering education, economics and behavioral sciences, and the international programs. These areas are extremely important to provide the necessary trained manpower for our engineering and scientific needs. In addition, they give us a better understanding of the means to utilize and bring technology into the mainstream of commerce both nationally and internationally.

While I am generally supportive of the President's overall budget levels in other areas of science, there is not sufficient flexibility in the requested NSF budget to allow enough resources to be devoted to these important areas. Maintaining the overall level will seriously undermine the Foundation's natural science programs.

The Winn amendment would reduce the overall figure back to the original requested level with one major difference. His amendment would carve an additional $25.1 million for science and engineering education activities at the expense of research and related activities. Under the administration's request even the physical science activities are held to strict limits. Over the past few years there has been only a 2-percent increase of the overall budget and I would suggest that this is not the time to cut further into the physical sciences.

Mr. BOLAND, the chairman of the HUD and Independent Agencies Appropriations Subcommittee and its ranking minority member, Mr. GREEN, are to be commended for obtaining unanimous bipartisan support for an appropriation bill with acceptable compromises. It restores some funds to those critical areas I noted while being restrained in its total figure. With a budget only 1 percent greater than that originally appropriated for fiscal year 1981 they have been able to address some severe limitations to the proposed NSF program. I wish to express my strong support for the appropriations bill as reported by the committee.

Mr. BROWN of California. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from California.

Mr. BROWN of California. I thank the distinguished chairman for yielding.

I want to praise the gentleman for his eloquent remarks in opposition to the amendment.

The CHAIRMAN. The time of the gentleman from Florida (Mr. FUQUA) has expired.

(At the request of Mr. BROWN of California and by unanimous consent, Mr. FUQUA was allowed to proceed for 2 additional minutes.)

Mr. BROWN of California. If the gentleman will continue to yield, I also want to second the remarks that the gentleman made about our distinguished colleague, the gentleman from Kansas (Mr. WINN), who offered this amendment.

I know that the gentleman from Kansas (Mr. WINN) has, over the years, as the gentleman indicated, been a strong supporter of science and technology and the National Science Foundation.

I do not think that in past administrations he has ever been as assiduous in his pursuit of the specific recommendations made by the Office of Management and Budget as he is this year, but I do not think that that detracts from his overall services to the committee.

I think I ought to make the point that the figure that the Appropriations Committee is submitting is still substantially lower than what most observers think the National Science Foundation could productively use in maintaining the high quality of basic research in this country.

It is much lower than the figure that I personally supported in the Subcommittee on Science Research and Technology, and I think to reduce it any further, particularly in the amount of $70 million, as suggested in this amendment, would do irreparable damage to a number of very significant programs which the gentleman has commented on.

Mr. FUQUA. I want to point out to the gentleman, and I am sure he was aware, that the former administrator of NASA, Dr. James Fletcher, who was head of the Reagan transition team for the National Science Foundation, testified before the subcommittee, and was very critical of some of the reductions that had been made by OMB in this very important area.

Here is a man whose credentials are very clear, who strongly urged that we restore some of these funds that had

been erroneously or misguidedly reduced.

So I think there is strong ground by responsible scientists in this country to opposing further reductions in the NSF budget.

The CHAIRMAN. The time of the gentleman from Florida (Mr. FUQUA) has again expired.

(At the request of Mr. BROWN of California and by unanimous consent, Mr. FUQUA was allowed to proceed for 2 additional minutes.)

Mr. BROWN of California. If the gentleman will yield further, this of course reminds me that we did elicit testimony from the Director of the Foundation as to the amount of input which NSF had in making these recommendations. I recall we were told that they were given hours to respond and that that was the way in which these budget recommendations finally emerged with regard to the National Science Foundation.

I think that we have a rigorously tight figure in this bill. I hope very much that the House will uphold the Appropriations Committee and I want to compliment the distinguished chairman of the subcommittee for his continued close cooperation in these matters.

Mr. FUQUA. Mr. Chairman, I would point out in closing that since 1965, if one measures in constant dollars, the National Science Foundation budget is 25 percent below what it would have been had it been maintained at level funding during those years. Even in fiscal year 1982, in constant dollars we are not keeping up with the inflation such that we can continue to have the research program necessary and I urge the defeat of the amendment of my good friend from Kansas (Mr. WINN).

Mr. DENARDIS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I oppose the amendment to cut $70 million from the NSF appropriations as proposed by the distinguished gentleman from Kansas (Mr. WINN).

I would like to try to pin down as best I can what the implications of this cut would be.

Reference has already been made to the negative impact on research and related activities. It goes further than that, as I see it, extending to the biological behavioral and social sciences and in particular social and economic science.

The amendment is offered for the alleged sole purpose of keeping the appropriations for NSF at the level requested by the administration. However, the entire amount of $70 million is proposed to be made in the portion of the appropriation for research and related activities.

It would reduce the amount for research and related activities to $995 million or $25,100,000 less than the administration requested, and leave intact an increase of $25,105,000 recommended in the bill above the administration budget request for science education activities.

So, as I understand it, a significant effect of the proposed amendment would be to provide funds for science education at the expense of research.

A further consequence which concerns me greatly would be the cut in research funds which is felt particularly by the biological behavioral and social sciences and most sharply by the social and economic science.

I say this based on examining the NSF's revised fiscal year 1982 budget justification as submitted in March 1981 which shows that the B.B. & S. has been severly cut. They have suffered fiscal year 1981 rescissions of $15 million, $10 million in the social and economic science alone and a cut of $47 million, $30 million in social and economic science in the fiscal year 1982 budget revision.

I believe that we must keep the amount of these rescissions and revisions in mind when reviewing this amendment.

The fiscal year 1981 appropriations for B.B. & S. was $198 million, $34 million for social and economic science.

The Carter administration's fiscal year 1982 budget for B.B. & S. was $219 million, with $40 million for social and economic science.

This would have been an increase over the fiscal year 1981 level for B.B. & S. of 10 percent, 19.3 percent for the social and economic science.

The Reagan administration budget provision for fiscal year 1982 proposed $172 million for B.B. & S., including only $10 million for social and economic science.

Thus, as we consider the 1982 NSF appropriations, I think we should recognize that funding for research in biological behavioral and social science has been reduced for fiscal year 1981 by 13 percent and funding for social and economic science has been reduced by 30 percent.

The March 1981 budget provisions reduced the fiscal year 1982 request for B.B. & S. by 13 percent overall. Within that the cut for social and economic science was 25 percent.

I have neither read nor heard any justification for the cuts of these magnitudes in the NSF support for research in B. B. & S. generally or in the social and economic science in particular.

None is provided in the basic documents prepared by the Office of Management and Budget describing the administration's program for economic recovery which I have supported.

In the first of those documents submitted to the Congress on February 19, 1981, it was indicated that the plan would, "selectively reduce or eliminate some NSF programs while maintaining ongoing support for its critical responsibilities in the advancement of science."

I regard support for the biological behavioral and social sciences, including social and economic science, a critical responsibility of the National Science Foundation.

The CHAIRMAN. The time of the gentleman from Connecticut (Mr. DENARDIS) has expired.

(By uanimous consent, Mr. DENARDIS was allowed to proceed for 2 additional minutes.)

Mr. DENARDIS. OMB's April 1981 document entitled "Additional Details on Budget Savings" indicated proposed significant reduction of support for behavioral economic and social sciences with the unexplained and unsupported assertions that support of these sciences is considered of relatively lesser importance to the economy than support for the natural sciences.

□ 1350

I disagree with that. I emphatically reject that assertion. I want to make clear that the effect of this amendment would be to strike not only at research, but at the social sciences most drastically.

I urge the Members of this body to join me in opposing the Winn amendment and to support the committee bill

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. DENARDIS. I yield to the gentleman from Massachusetts.

Mr. BOLAND. Mr. Chairman, I want to compliment the gentleman from Connecticut (Mr. DENARDIS) on his statement. I think he targets precisely what that amendment would do in the biological, behavioral and social sciences. He expresses great concern for that and he is absolutely correct.

I am sure many have read the committee report with reference to this area. I think the report demonstrates the concerns this committee has in the very area in which the gentleman from Connecticut is interested and to which he has spoken so well.

On page 31, I read from the report:

> The Committee directs that the $44,900,000 shall be applied to the highest priority activities at the discretion of the Foundation within the Biological, Behavioral and Social Sciences; Scientific, Technological and International Affairs; and Cross-Directorate Programs.

I am sure with that kind of urging and that kind of direction, I am sure that the NSF would probably concern itself with the deep cuts that have been made in the very areas the gentleman has addressed. I would hope that some adjustments might be made in those particular activities and functions.

I thank the gentleman for yielding.

Mr. DENARDIS. I thank the distinguished gentleman from Massachu-

setts for underscoring that important point.

Mr. WALGREN. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I want to associate myself with the remarks previously made by the chairman of the full committee, the gentleman from Florida (Mr. FUQUA), and the former chairman of the Science and Research Subcommittee, the gentleman from California (Mr. BROWN).

It seems to me that the point is worth making that the fundamental problem with this amendment is the overall level of NSF funding.

The level of $1,033 million was selected by the Office of Management and Budget with, as far as we can determine, no consultation, no interaction, no formal notice, at least with any reasonable chance to respond, of anyone directly connected with the National Science Foundation.

Although it was said earlier that there is no indication that the National Science Foundation could not live within this amount, I think it is fair to say that the National Science Foundation was dumbfounded about where this number came from.

Testimony before our subcommittee revealed that even the person leading the Reagan transition team for NSF, James Fletcher, the former head of NASA, was not consulted before this level was presented by OMB as the administration's budget for NSF. With the opportunity to evaluate the impact of such a proposal on NSF, Dr. Fletcher clearly opposed the overall and the individual reductions necessitated by it.

The amendment would accept the overall limit allowing these funds to be divided among the various programs funded by NSF in the discretion of the Foundation. The problem with this is that, although it does not look like you are cutting any specific program, the fact is that, if you maintain the effort in science education and if you maintain the effort in engineering as the sponsor of the amendment asserts we should do, the only other place left to cut to stay within the $1,033 limit is in the basic research functions. That puts the amendment in the position of arguing on the one hand that $1,033 million is an absolute number that must be accepted by the Congress as engraved in stone, but that the other numbers submitted by the administration for our Nation's most essential research functions should not be accepted by the Congress and should not be accepted as the proper number for our effort in this area.

This amendment is not in the best national interest. The Congress has a responsibility to use its independent judgment through the budget process to make sure that our effort in science is balanced and constructive for the Nation as a whole. This bill as submitted by the Appropriations Committee is within the limits set out in the most stringent budget process adopted by the Congress and deserves the support of the House.

Mrs. HECKLER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the Winn amendment. At the outset I wish to express my deep respect and admiration for the gentleman from Kansas (Mr. WINN), for his leadership, for his concern and for his strong sense of patriotism and conscience for the country as reflected in his leadership in the jurisdiction of the committee. It so happens that on this issue we have a philosophical difference of opinion, but this in no way diminishes my respect for his role in the committee itself. I would also like to thank the gentleman from Massachusetts (Mr. BOLAND) and the gentleman from New York (Mr. GREEN), for the long hours and hard work they have put into this bill. They have provided the Members with a worthy compromise figure deserving bipartisan support.

In addressing the National Science Foundation budget it has always been clear to the minority that the authorization budget levels presented by the majority did not reflect the President's economic recovery program. As we are all well aware, all Federal programs have had to share the fiscal hardships of budgetary reform.

This is why, in spite of the obvious importance of NSF's role in promoting science and technology, it too should share the burden of reduced Government spending. This is why the minority moved to keep NSF at the President's recommended level at both the subcommittee and full committee. As the ranking minority member on the Science, Research and Technology Subcommittee, both of these attempts at budget reform received my support. However, in both instances I succeeded in making changes that would allow for the continuation of programs targeted for women and minorities.

The President's budget level of $1.033 billion was very lean. This figure is $62 million below the current fiscal year 1981 authorization level, and $127 million below the fiscal year 1982 authorization level passed by the Science and Technology Committee. It was especially difficult for me to support the minority budget level since it reduced the funding levels for many programs vital to the continued integrity of America's science and technology base. Not only were the budget reductions deep—they were also allocated in such a fashion that particular programs were either completely eliminated, or reduced beyond functional usefulness.

These were not easy actions to take, but the NSF authorization budget, as passed by the majority at $127 million over the President's recommendation, was simply too high to accept.

The budget level for NSF offered today by the Appropriations Committee is, to me, an acceptable compromise figure. The bill was passed with unanimous bipartisan support reflecting the need to restore some flexibility to NSF allowing for the continuation of some vital programs.

Equally important is the fact the appropriations bill is under the Budget Act's section 302 allocation established by Gramm-Latta I. The fact that the Appropriations Committee was able to make savings available in other areas within its jurisdiction in order to increase funding for the National Science Foundation is gratifying. I regret that we didn't have this same flexibility on the SRT subcommittee.

In short, the appropriations bill represents a compromise unavailable to the minority on the Science and Technology Committee. It allows us to increase our support for the Foundation while still remaining within the spending boundaries established when we supported the President by voting for the Gramm-Latta resolution.

I am in opposition to the Winn amendment, Mr. Chairman, for two reasons:

First, the amendment takes the $70 million entirely from research and related activities. This leaves the appropriations level of $35 million for science education activities intact. While I am supportive of the science education programs, discussions with scientists in the administration, Federal agencies, and from our top universities, along with industry representatives, have convinced me that taking $70 million out of research and related activities would be a terrible mistake. This amendment would go well below—$25.1 million—the administration's recommendation, causing some concern that the amendment would jeopardize the basic research functions of the Foundation.

Specifically, I am concerned about the cuts in the economic biological, behavioral, and social sciences. Cuts in the biological sciences are very difficult to justify; at stake is our leadership in this field, which includes continuing advances in the medical sciences. Research in the behavioral and social sciences cannot be fully supported by the private sector and the market economy. The direct monetary returns from such research are not always immediate or predictable, and the benefits can rarely qualify as proprietary returns on corporate investment. Nevertheless, this research is of the utmost importance.

The behavioral sciences are of equal importance. It is interesting to note

that America is in the initial stages of incredible technological breakthroughs, yet little research is underway to determine how people will respond to the exponential growth of technology. Dr. Gerald Holton, of Harvard, gave the Jefferson Lecture in the Humanities earlier this year. He dedicated his lecture, the highest honor this country bestows on a professor of the humanities, to the problem of the increasing gap between technology and the average citizen. The problem at issue here is that our technological growth has occurred much more quickly than our human ability to adapt it. America has gained the innovative and productive strength to enable unlimited technological progress. However, our accomplishments in developing the means to bring the people of this country into this technological mainstream are sorely lacking. This was the issue he, as a professor of the history of science, thought most pressing in America today. I must agree. This is only one reason why the funding for behavioral sciences must be maintained.

Critical national problems of the 1980's such as productivity and energy have major social and economic elements, making economic research a vital necessity. The Japanese application of social science principles, mainly of American origin, to problems of industrial management illustrates how innovation in social organization for manufacturing and marketing can lead to increased productivity and economic gain. Important enterprises are now built around economic forecasting, cost/benefit analysis, demographic projections, survey research, management science, public relations, and consumer research.

Second, I am also against the amendment because it will leave no room for continued funding of the women and minorities initiatives carried out under the cross-directorate programs. Other programs that would likely be wiped out include: economic and social sciences, industry/university cooperative research projects, small business innovation, intergovernmental and public service programs, international programs, and research facilities and instrumentation.

All of these areas are of critical interest to me and members of the scientific community at large. I would like to point out, though, the special needs of women and minorities in science.

The United States is in a race to stay ahead of the world competition for science and technological leadership. To be the leader in science and technology is to be at the cutting edge of the world's future. The United States must win the competition, and the Congress must take whatever actions necessary to support our side.

One action that Congress took last year, and that must be continued into fiscal year 1982 and beyond, are the efforts to increase the number of women and minorities that participate in science and technology-related fields. The intellectual and productive resources that these groups embody must be expressed in a more representative number. For example, according to the Congressional Research Service, women comprise 51.3 percent of the U.S. population but only 9.7 percent of the total scientists and engineers in the Nation. If the United States is going to excel in the race for scientific and technological supremacy, then the talents of all of its citizens must be employed.

In short, Mr. Chairman, I am not supporting Mr. WINN's amendment because the Appropriations Committee has provided the NSF with enough funds to continue vital programs and has done so at almost $60 million less than the majority's authorization bill passed out of the Science and Technology Committee and has still remained within the Gramm-Latta reconciliation guidelines.

□ 1400

The CHAIRMAN. The time of the gentlewoman from Massachusetts has again expired.

(At the request of Mr. TRAXLER and by unanimous consent Mrs. HECKLER was allowed to proceed for 1 additional minute.)

Mr. TRAXLER. Mr. Chairman, will the gentlewoman yield?

Mrs. HECKLER. I yield to the gentleman from Michigan (Mr. TRAXLER).

Mr. TRAXLER. I would like to commend the gentlewoman on her statement, and most especially the fine tribute she has paid to the gentleman from Kansas (Mr. WINN). I want to join in those remarks.

Mrs. HECKLER. I appreciate that, and I think it would be the unanimous decision of the committee to express strongly our respect for our colleague from Kansas (Mr. WINN), who has given such valuable and very sensitive service to the committee.

Mr. AUCOIN. Mr. Chairman, will the gentlewoman yield?

Mrs. HECKLER. I yield to the gentleman from Oregon (Mr. AUCOIN).

Mr. AUCOIN. I want to associate myself with the gentlewoman's excellent remarks and say to her and my colleagues on that side of the aisle in particular, at this time when we are talking about reindustrialization, supply-side economics and all of the rest, we could have neither of those without advances in science and without advances in research, which is the prerequisite for all that follows. So I think the gentlewoman's comments are right to point and I would hope we would defeat the amendment.

Mr. Chairman, the cuts proposed by this amendment ignore the challenges this country faces in declining productivity, a falloff in research and development, and threats to our competitive edge in the international marketplace.

As chairman of the House Task Force on Industrial Innovation and Productivity, I am acutely aware of these problems. During the 1970's, research and development expenditure fell from nearly 3 percent of GNP to about 2.25 percent. In the same period there was a 13-percent drop in the number of engineers and scientists in the American work force, while Japan, our chief competitor for high technology markets, increased its engineers and scientists by 62 percent. In the last 12 years, productivity growth rate has been cut in half. From 1947 to 1966, the rate was about 3.2 percent a year. But from 1966 to 1977, it grew only 1.6 percent a year, with negligible increases today.

Our support for the National Science Foundation will not by itself reverse these trends. But it will help. The NSF initiates and supports fundamental and applied research in all the scientific disciplines. This research includes investigations into areas that can lead to improvements in economic growth, energy supply and use, productivity, and environmental quality. By supporting the NSF, we declare our intent to remain on the cutting edge of scientific and technological advancements in the world, and provide a focus for our national R. & D. program. I urge my colleagues to defeat this amendment.

Mr. WALGREN. Mr. Chairman, will the gentlewoman yield?

Mrs. HECKLER. I yield to the gentleman from Pennsylvania (Mr. WALGREN).

Mr. WALGREN. I simply would like to commend the gentlewoman, especially on her remarks and position on this bill. This is not a partisan area. The gentlewoman is the ranking minority member of the Subcommittee on Science, Research and Technology, and with her help, science will be strong.

Mr. McCURDY. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

I support the Appropriation Committee's 1982 appropriation for the National Science Foundation. It is within the Reagan budget and is not a "budget buster." The committee has done a great service to our Nation as well as to our scientific community by restoring these funds to research and science education activities. For without these funds certain NSF programs that may well provide the answers to some of our country's most pressing problems could be lost. For example, without the committee's restoration of funds, the social, economic, and behavioral sciences would be cut by up to 75

percent at NSF for 1982. Yet many of our future needs depend on an understanding of human behavior of the sort that comes from NSF-sponsored research.

The problem of productivity must be addressed before full economic recovery can be reached. However, for productivity to be adequately addressed we need to look not only at major capital investments, but also the human side of the problem. It is the behavioral, social, and economic sciences that will provide these solutions: Individual human motivation, personal productivity, worker satisfaction, and adjustments to economic, environmental, and social changes. These are some of the human issues behind the productivity problem. These also are the issues for which the NSF's social and economic research programs provide the basic knowledge. We must continue to build on that knowledge by investing in quality research.

Let us consider for a moment the issue of our defense capability. We have the most sophisticated military hardware in the world, but without overcoming the manpower and training issues that plague our Military Establishment, that hardware will not be used effectively. The sooner we learn about such complex human processes as how normal thought occurs, or how problems are solved, the sooner we will be able to train enough personnel to operate our new sophisticated equipment. Research on complex human processes is exactly the kind of research NSF's social and behavioral science programs sponsor.

NSF is the major source of financial support of disinterested research in economics and the collection of sound economic data bases. The current administration has been using this data, and given us economic lessons in 60-second commercials, but it has not insured the protection of this resource. If the current restructuring of our national priorities being undertaken by Congress and the new administration are to be successful, basic economic research must be continued. President Reagan tells us he wants to promote American leadership. The United States is an acknowledged world leader in this area of research. The Appropriations Committee recommendation allows us to stay a world leader.

Mr. WALKER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in strong support of the amendment offered by my colleague from Kansas (Mr. WINN). H.R. 4034 provides appropriations that are $190 million over the President's request. By offering this amendment, the gentleman from Kansas is attempting to bring Federal spending down to a realistic level and a level that is in line with the sentiments expressed by this House when we acted on budget cuts.

But let us take a look here, Mr. Chairman, and figure out that we are not really even talking about cuts in this particular case. We are really talking about an $11 million increase over fiscal year 1981 appropriations. So when we hear talk about cuts, we are hearing talk about cuts from a proposed level of spending, not cuts in real terms. We actually are talking about an $11 million increase in spending, even if the Winn amendment is adopted.

If we support the level of spending recommended for the National Science Foundation in this bill, we will be endorsing an increase of almost 8 percent over last year's appropriation.

On the other hand, if we support this amendment, we will be taking a large step toward fiscal responsibility in the Federal budget. Those of us who support this amendment are not in favor of wreaking havoc with the National Science Foundation or any of its programs. To the contrary, this amendment does not cut any science education programs, and it does not terminate any NSF programs.

Our desire is simply to begin to get the Federal fiscal house in order, and have this part of the appropriations process play a part in achieving fiscal responsibility. None of us deny the importance of the National Science Foundation to our Nation. As a matter of fact, I think it has been symbolic of the fact that the opposition does have a great deal of respect for this institution by the fact that we have not hauled out a lot of questionable products, as has been done some years past, where we bring up things like the mating habits of the Malaysian bog frog or some such thing when we are debating this topic. We have not done that sort of thing. We have a great deal of respect for the work of the National Science Foundation.

There is no doubt that the Foundation can come up with a series of programs that would cost two, three, or four times what is contained in this bill, and they would be worthwhile programs. But the simple fact of the matter is that this Congress, over the last several decades, has allowed Federal spending to get completely out of hand. This amendment is not a case of us not supporting the National Science Foundation. Rather it is an attempt to bring Federal spending in line with the hard economic facts of the times.

I certainly urge the House to support the gentleman in his amendment.

Let me make one additional point, and then I will yield. There has been a lot of talk about what the administration supports and does not support. I have in front of me here a letter directed to Congressman WINN from the Executive Office of the President, the Office of Management and Budget in which they state emphatically that they support the Winn amendment.

□ 1410

It says, and I quote in part:

> In view of the fact that the bill reported by the Appropriations Committee exceeds the administration request, we fully support your effort to bring the NSF appropriation more in line with the President's budget request.

So let there be no doubt, the administration supports the efforts that the gentleman from Kansas (Mr. WINN) is making to reduce the spending in the appropriation bill.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from New Mexico.

Mr. LUJAN. I thank the gentleman for yielding.

Mr. Chairman, I just want to commend the gentleman for pointing out that this is not a cut, as most other programs in the budget have suffered. This is really an increase over the last year's funding. That is how we should look at it. I think everyone should be delighted with an $11 million increase. Any program that gets any kind of an increase in this budget-tight year should rejoice.

The point is made here that we are cutting. We are not cutting. We are cutting from a proposal, as the gentleman says, and I thank him for pointing that out. Some of us do support research but we also support the concept of a balanced budget. If every program is increased, we are never going to arrive at that point.

Mr. WALKER. I thank the gentleman for helping me emphasize that point. I think it is important to realize that when we hear talk about budget cuts here on the floor, that cannot be the case with regard to the Winn amendment and the National Science Foundation. We are talking about a budget increase of $11 million if the Winn amendment is adopted.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

First of all, let me put the record straight on whether or not this particular bill is over the budget request.

As a result of action taken last Friday—that long session on last Friday—as a result of the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN), which I accepted and which the committee accepted, this bill now is more than $500 million under the budget request.

The report which was filed with H.R. 4034 does indicate an increase of $190 million over the President's request. But the fact of the matter is that as a result of action taken last Friday, we are now under by $523 million. And we are also, incidentally,

under our section 302 allocation by more than $700 million.

The gentleman from Pennsylvania (Mr. WALKER) and the gentleman from New Mexico (Mr. LUJAN) have said that if this amendment is adopted, the total funds for the National Science Foundation will reflect an $11 million increase above the comparable amount for fiscal year 1981. The committee's recommendation would provide a total increase for the NSF of $81 million in 1982 above the 1981 amounts. That is approximately 8 percent. But I do not think anybody can call that an increase when you look at the impact of inflation.

So in a sense, the NSF has been cut, really, despite the fact that the figures show there has been an $81 million increase. When inflation is considered, the Foundation will be at or below the 1981 level.

Mr. Chairman, I want to underscore what the chairman of the Science and Technology Committee had to say and what Mr. BROWN and others had to say, who have served with Mr. WINN, with reference to his concern with basic research and science education and his support of the activities of the National Science Foundation and the National Aeronautics and Space Administration over the years. He has been a good friend and I am sure that he would be the last member of this committee to want to harm the National Science Foundation or any particular department or agency of the Government, specifically in the areas of basic research.

Let me just set the record straight so we will all understand what we are doing here. The Carter request in January for the NSF in 1982 was $1,353,500,000. The administration request is $1,033,500,000. So the reduction in the revised budget request of the Reagan administration in March of this year was $320 million below the January budget. That is about a 25-percent reduction. That is a hefty reduction.

Of that $320 million reduction, about $220 million was targeted to a reduction in basic research and related activities. And that is the rub. That is the nub of the question. The committee added back a modest sum to that amount, only $44.9 million, and directed the National Science Foundation to apply that addition in the areas to which it attaches its highest priority.

The amendment offered by the gentleman from Kansas (Mr. WINN) would reduce that item by $70 million, and he would increase the reduction in basic research and related activities to nearly $245 million below the amount requested in January.

I do not have to tell the members of this committee how important basic research is to our Government, to the Nation, to the world. Consider the efforts that our Government has made in basic research—the spinoffs, of course, have been tremendous. It is tremendous now in the areas of high technology, in the areas of computer science. I do not think that anyone can dispute that.

What this subcommittee tried to do, Mr. Chairman, was to bring some balance into the activities and functions of the NSF. I think we have done that.

We could have increased that budget by $100 million or $150 million. As a matter of fact, the authorizations committee's increase, I think, was about $127 million. So ours is a very modest increase. The amendment offered by the gentleman from Kansas specifically targets basic research and related activities. We think it is a mistake, and I hope that the members of this committee will join us in supporting this subcommittee in doing what we believe to be right for the NSF.

Mr. JOHNSTON. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, somehow or another this body just has not gotten the message from the people of this country that they want the spending of their money cut. They are sick and tired of letting some intellectual dilettante dispense money to some intellectual ineffectual who wants to maintain his sojourn in academia for another year at their expense. The grants made by the National Science Foundation for research in the social sciences do just that.

This book, "Fat City," by Donald Lambro details in specific detail or the wasteful spending of the National Science Foundation. And I would like to quote from this book a few of the projects that my tax money and the tax money of the people of this country have gone to finance. These grants should be made by the Playboy Foundation, not the National Science Foundation.

> In another sex-related study, Dr. Ellen Berscheid of the University of Minnesota believed it was important to test her theory that "psychological dependence is a key ingredient in interpersonal relations ranging from 'liking' to 'romantic love'."
>
> The National Science Foundation evidently thought so, too, because they shelled out more than $212,000 to find out if her theory held water. To this day, no one really knows for sure. For her theory, like love itself, defies any degree of certainty.

□ 1420

Another example of taxpayers' dollars that need never be spent is set out in "Fat City."

> But lest we become too caught up with NSF's preoccupation with love and passion, let us not ignore some equally remarkable examples of the agency's other research priorities, chili, for instance.
>
> This research effort was attempting to create a strong preference for chili pepper or coffee among laboratory rats, food tastes which the rodents quite understandably abhor. Cost: $50,000.
>
> NSF explained the project this way:
>
> "Humans in most cultures add a characteristic flavoring to their basic foods, and develop strong preferences for substances which they find initially unpalatable, such as coffee or chili pepper. Both the flavoring and the preference for initially unpalatable foods seem to be virtually unique to humans in the animal kingdom. This study is directed toward an understanding of these aspects of human behavior, through a search for their biological roots in another omniverous animal, the laboratory rat."

Can the Members really go back to their districts and tell their constituents that we think their money was wisely spent for this study? If we cut their funds, maybe they will only make grants to worthwhile projects.

One of my colleagues asked the National Science Foundation about the $83,839 the National Science Foundation gave to the American Bar Association—an impoverished group—to study the social structure of the legal profession and was advised:

> The study, according to NSF, sought to examine "the extent and nature of social differentiation within the profession" as well as "the social, economic, political, and legal values of the various segments of the profession."
>
> In May, 1978 NSF spent over $61,000 to "examine the practices and attitudes of librarians and individuals placing, renewing and cancelling periodical subscriptions." For this project, which involved sending out 6,400 questionnaires to subscribers, the researcher wanted $57,328. NSF increased the request by another $4,000.

Mr. Chairman, this is not the message the American people are sending up here. This is not what my constituency told me to go vote for. This is total irresponsibility.

We have asked the people of this country to sacrifice. Is it not time we asked the bureaucrats at the National Science Foundation to cut out the frivolous and costly grants that take taxpayers' dollars.

Why should almost 50 percent of the grant requests to NSF be made when in the private sector that number is one-half that percentage. Incestuous relationships between grantor and grantee abound.

Let us look out for the American taxpayer.

I yield back the balance of my time.

Mr. DELLUMS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to share with the Members what I perceive to be the potential danger of this amendment. While I would concur with my distinguished colleague on this side of the aisle who indicated that the National Science Foundation has the necessary flexibility to determine where they want to make this $70 million cut, I think that it is terribly important to relate that statement to the reality that there is a memorandum circulating in the Government at this very moment, as I understand it, origi-

nating from the Office of Management and Budget, that says it shall be the policy of this administration that we totally phase out all basic social science research within the next several months.

I held hearings on the campus of the University of California where I invited a number of nationally and in some instances internationally renowned academicians who addressed themselves to the potential problems of a nation removing the capacity to continue to engage in basic social science research. Several of them pointed out that only totalitarian governments in history have ever stopped a society from engaging in basic social science research, and they saw that as one potential danger, that is a danger to our way of life and our form of government.

Second, they pointed out that it raises a significant question of where independent critics and criticisms shall come when we deny the capacity of people in an independent fashion to engage in evaluating the policies government leaders enunciate.

For example, this administration is suggesting that they can enhance the quality of life in this country by improving employment, by cutting Federal programs. Someone has to determine whether this administration's approach to the economy will, indeed, enhance the quality of life by producing employment. If we deny the capacity of our citizens to intellectually evaluate that question, what have we done for our basic democratic form of government?

It is one thing to burlesque the various projects funded by the National Science Foundation, and I am sure we can all parade a number of horrors across the floor of this Congress; but the practical reality is that to cut $70 million is a clear statement, when we couple it with the policy that says let us phase out all basic social science research, that we are communicating to the National Science Foundation that we no longer want them to engage in basic behavioral science research that is terribly important, the relationship to women and the economy, race is still a factor in America, age is still a factor in America, cultural background, language origin, are still factors.

If one cannot do this kind of correlation research, then how can we evaluate the policies within the framework of our form of government? One cannot do it. We have struck a significant blow at our representative, democratic form of government if we impeded the capacity of a society to think. We have an obligation here on the floor of this Congress to think and to plan and to project and to analyze and to evaluate and to come up with new and exciting ideas. But we debate this amendment as if it is cutting $70 million in a vacuum. We are not cutting $70 million in a vacuum. It is terribly important that we understand the practical effects of what we are doing here. We cannot discuss all of these matters as if they are purely numbers games. I am saying to the Members that if we are going to cut $70 million from anywhere, do not cut our capacity to continue to engage in basic social science/behavioral research.

A society that is anti-science and anti-intellectual is a society destined to die.

It is terribly frustrating for this Member to hear a number of anti-intellectual comments emanating from the floor of this Congress as we parade humorous comments; but we are talking about human life. There are two children sitting here on the floor of Congress. Do we not have the responsibility to plan for their future? How can we do it without basic and fundamental research? How can we do it engaging in anti-intellectual actions?

I ask, Mr. Chairman, that the Members join me and strike down this amendment.

Mr. MILLER of Ohio. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment which would reduce the appropriation for the National Science Foundation by $70 million. This reduction would bring the Foundation down to the level requested by the President for 1982.

H.R. 4034 was reported out $190 million over the administration request. By adopting this amendment we will go a long way toward bringing this bill back down to an acceptable level. The gentleman from Kansas who has offered this amendment is the ranking minority member of the Science Committee, which authorizes NSF. I know they have spent many hours on hearings and reviewing the NSF request. Even after reducing the NSF appropriation by $70 million, the Foundation would have over $1 billion for its work in the coming fiscal year. This is still an increase over last year's level.

I think this House conveyed a message to the American people when it passed the Reconciliation Act last month that we were ready to maintain fiscal integrity in Government. This amendment is another step in that direction. I support its adoption.

□ 1430

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from Massachusetts.

Mr. BOLAND. Mr. Chairman, I appreciate my friend yielding to me.

I just want to call the gentleman's attention to the fact that this bill was reported out $190 million over the budget request of the President, but as a result of action taken last Friday this bill now is $523 million under the administration's request. I do not think the gentleman was in the Chamber when I called the committee's attention to this.

Mr. MILLER of Ohio. Mr. Chairman, I thank the gentleman from Masssachusetts (Mr. BOLAND).

Mr. JOHNSTON. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from North Carolina.

Mr. JOHNSTON. Mr. Chairman, it is a rare occasion that I will agree with the distinguished gentleman from California (Mr. DELLUMS), but I will agree that the policies and procedures of this organization ought to be evaluated.

However, I do not think we ought to pay the referees. I think the referees ought to be free and independent, not nurtured at a Government trough, and I think there is adequate funding out there in the Foundation free from the pressure of Federal funding to evaluate the social and other policies of this country.

Mr. HOYER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Kansas (Mr. WINN) and join with my distinguished colleague, the gentleman from California (Mr. DELLUMS), who, I thought, spoke very well with reference to not only the specific effects of the amendment that has been offered but also with respect to the message that we send as to what this society is committed to.

Mr. Chairman, I oppose this amendment and support the Appropriations Committee recommendation for $1.1 billion for the National Science Foundation in fiscal 1982. I am particularly pleased that a significant portion of the funds would be used to offset the severe cuts that have been made in social and behavioral science research.

While NSF as a whole is being required to bear far more than its share of budget cuts, the social and behavioral sciences would be decimated by the administration's proposed cuts of as much as 75 percent from some programs. The biological and physical sciences are obviously important areas of our country's scientific research effort, however, I do not think that our basic research direction should include abandoning our efforts in the social and behavioral areas. One can cite numerous examples where this basic research provided by NSF funding has been economically beneficial and has enhanced the quality of life in our country.

The demise of research programs at NSF would have an adverse impact on nearly every major university in this country. For example, in my district,

the University of Maryland in fiscal year 1980 alone received approximately 126 grants from the National Science Foundation totaling $7.05 million.

Among the research projects currently being conducted at the University of Maryland are the United States-Russia joint working group on mathematical, economic, and operations research. This project is a high-level cooperative effort between the United States and its most important political opponent, which can contribute toward the goals of cooperation and mutual understanding. In addition, there are projects concerning the assessment of risk in dangerous technologies, the explanation of the relationship between employment and prices, and the description and analysis of comparative growth rates in various national economies, a project which has received critical acclaim. Without NSF funding, these worthy projects and others will not continue.

I urge my colleagues to oppose the amendment being offered by the gentleman from Kansas. The continuation of NSF research grants is of vital importance to the research efforts of our country and the postsecondary education experience of many of our students.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Kansas (Mr. WINN).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. WALKER. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 152, noes 264, not voting 17, as follows:

[Roll No. 146]

AYES—152

Applegate	Daniel, Dan	Hartnett
Archer	Daniel, R. W.	Hefner
Ashbrook	Dannemeyer	Hendon
Atkinson	Daschle	Hiler
Badham	Daub	Hillis
Bafalis	Derwinski	Holt
Beard	Dickinson	Hopkins
Bennett	Dornan	Hubbard
Bereuter	Dowdy	Huckaby
Bethune	Dreier	Hughes
Bliley	Edwards (AL)	Hunter
Brinkley	Edwards (OK)	Jeffries
Brooks	Emerson	Jenkins
Broomfield	Fazio	Johnston
Brown (CO)	Fields	Jones (NC)
Broyhill	Findley	Kemp
Burgener	Forsythe	Kramer
Butler	Fountain	Lagomarsino
Chappell	Frenzel	Latta
Chappie	Gephardt	Leath
Cheney	Glickman	Livingston
Coats	Goodling	Loeffler
Coelho	Gramm	Lott
Coleman	Gregg	Lujan
Collins (TX)	Grisham	Lungren
Conable	Gunderson	Marlenee
Corcoran	Hagedorn	Marriott
Courter	Hall (OH)	McCollum
Coyne, James	Hall, Sam	McDonald
Craig	Hammerschmidt	McEwen
Crane, Daniel	Hance	Michel
Crane, Philip	Hansen (ID)	Miller (OH)
Molinari	Rose	Stangeland
Montgomery	Roth	Stanton
Moore	Roukema	Staton
Moorhead	Rousselot	Stenholm
Mottl	Rudd	Stump
Napier	Santini	Taylor
Oxley	Schulze	Thomas
Parris	Sensenbrenner	Trible
Pashayan	Shaw	Vander Jagt
Patman	Shumway	Walker
Paul	Shuster	Wampler
Petri	Siljander	Weber (MN)
Quillen	Skeen	Whitehurst
Rhodes	Smith (AL)	Whitley
Ritter	Smith (NE)	Whittaker
Roberts (KS)	Smith (OR)	Williams (OH)
Robinson	Snyder	Winn
Roemer	Solomon	Yatron
Rogers	Spence	

NOES—264

Addabbo	Ertel	Madigan
Akaka	Evans (DE)	Markey
Albosta	Evans (IA)	Marks
Alexander	Evans (IN)	Martin (IL)
Anderson	Fary	Martin (NC)
Andrews	Fascell	Martin (NY)
Annunzio	Fenwick	Matsui
Anthony	Ferraro	Mazzoli
Aspin	Fiedler	McClory
AuCoin	Fish	McCurdy
Bailey (MO)	Fithian	McDade
Bailey (PA)	Flippo	McGrath
Barnard	Florio	McHugh
Barnes	Foley	McKinney
Bedell	Ford (MI)	Mica
Beilenson	Ford (TN)	Mikulski
Benedict	Fowler	Miller (CA)
Benjamin	Frank	Mineta
Bevill	Frost	Minish
Biaggi	Fuqua	Mitchell (MD)
Bingham	Garcia	Mitchell (NY)
Blanchard	Gaydos	Moakley
Boggs	Gejdenson	Moffett
Boland	Gibbons	Mollohan
Bolling	Gilman	Morrison
Boner	Gingrich	Murphy
Bonior	Ginn	Murtha
Bouquard	Gonzalez	Myers
Bowen	Gore	Natcher
Breaux	Gradison	Neal
Brodhead	Gray	Nelligan
Brown (CA)	Green	Nelson
Burton, John	Guarini	Nichols
Burton, Phillip	Hall, Ralph	Nowak
Byron	Hamilton	O'Brien
Campbell	Harkin	Oakar
Carman	Hatcher	Oberstar
Carney	Heckler	Obey
Chisholm	Heftel	Ottinger
Clausen	Hertel	Panetta
Clay	Hightower	Patterson
Clinger	Holland	Pease
Collins (IL)	Hollenbeck	Pepper
Conte	Horton	Perkins
Conyers	Howard	Peyser
Coughlin	Hoyer	Pickle
Coyne, William	Hutto	Porter
Crockett	Hyde	Price
D'Amours	Ireland	Pritchard
Danielson	Jacobs	Pursell
Davis	Jeffords	Rahall
de la Garza	Jones (OK)	Railsback
Deckard	Jones (TN)	Rangel
Dellums	Kastenmeier	Ratchford
DeNardis	Kazen	Regula
Derrick	Kildee	Reuss
Dicks	Kindness	Richmond
Dingell	Kogovsek	Rinaldo
Dixon	LaFalce	Rodino
Donnelly	Lantos	Roe
Dorgan	Leach	Rostenkowski
Dougherty	LeBoutillier	Roybal
Downey	Lee	Russo
Duncan	Lehman	Sabo
Dunn	Leland	Savage
Dwyer	Lent	Sawyer
Dyson	Levitas	Scheuer
Early	Lewis	Schneider
Eckart	Long (LA)	Schroeder
Edwards (CA)	Long (MD)	Schumer
Emery	Lowery (CA)	Seiberling
English	Lowry (WA)	Shamansky
Erdahl	Luken	Shannon
Erlenborn	Lundine	Sharp
Shelby	Tauzin	Williams (MT)
Simon	Traxler	Wilson
Smith (IA)	Udall	Wirth
Smith (NJ)	Vento	Wolf
Snowe	Volkmer	Wolpe
Solarz	Walgren	Wortley
St Germain	Washington	Wright
Stark	Watkins	Wyden
Stokes	Waxman	Wylie
Stratton	Weaver	Yates
Studds	Weber (OH)	Young (FL)
Swift	Weiss	Young (MO)
Synar	White	Zablocki
Tauke	Whitten	Zeferetti

NOT VOTING—17

Bonker	Foglietta	McCloskey
Brown (OH)	Goldwater	Roberts (SD)
Cotter	Hansen (UT)	Rosenthal
Dymally	Hawkins	Skelton
Edgar	Mattox	Young (AK)
Evans (GA)	Mavroules	

□ 1440

The Clerk announced the following pairs:

On this vote:

Mr. Skelton for, with Mr. Mattox against.

Mr. Goldwater for, with Mr. Hawkins against.

Mr. Young of Alaska for, with Mr. McCloskey against.

Mr. Hansen of Utah for, with Mr. Mavroules against.

Ms. FERRARO and Mr. FISH changed their votes from "aye" to "no."

Mr. CHAPPELL and Mr. FAZIO changed their votes from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

□ 1450

PERSONAL EXPLANATION

Mr. BROWN of Ohio. Mr. Chairman, I was in the Chamber and attempted to vote at the machine and was here at the well attempting to get my vote to the Clerk when the gavel fell.

I would like the record to show that I would have voted "no" if the gavel had not fallen as I was waiting to vote.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

NEIGHBORHOOD REINVESTMENT CORPORATION

PAYMENT TO THE NEIGHBORHOOD REINVESTMENT CORPORATION

For payment to the Neighborhood Reinvestment Corporation for use in neighborhood reinvestment activities, as authorized by the Neighborhood Reinvestment Corporation Act (42 U.S.C. 8101-8107), $13,950,000.

Mr. BOLAND (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title II be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The CHAIRMAN. Are there any points of order against that portion of the bill?

The Clerk will read.

The Clerk read as follows:

TITLE III

CORPORATIONS

Coporations and agencies of the Department of Housing and Urban Development and the Federal Home Loan Bank Board which are subject to the Government Corporation Control Act, as amended, are hereby authorized to make such expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make such contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Act as may be necessary in carrying out the programs set forth in the budget for 1982 for such corporation or agency except as hereinafter provided: *Provided,* That collections of these corporations and agencies may be used for new loan or mortgage purchase commitments only to the extent expressly provided for in this Act (unless such loans are in support of other forms of assistance provided for in this or prior appropriation Acts), except that this proviso shall not apply to the mortgage insurance of guaranty operations of these corporations, or where loans or mortgage purchases are necessary to protect the financial interest of the United States Government.

Mr. BOLAND (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title III be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The CHAIRMAN. Are there any points of order against title III?

The Clerk will read.

The Clerk read as follows:

TITLE IV

GENERAL PROVISIONS

SEC. 401. Where appropriations in titles I and II of this Act are expendable for travel expenses and no specific limitation has been placed thereon, the expenditures for such travel expenses may not exceed the amounts set forth therefor in the budget estimates submitted for the appropriations: *Provided,* That this section shall not apply to travel performed by uncompensated officials of local boards and appeal boards of the Selective Service System; to travel performed directly in connection with care and treatment of medical beneficiaries of the Veterans' Administration; to travel performed in connection with major disasters or emergencies declared or determined by the President under the provisions of the Disaster Relief Act of 1974; or to payments to interagency motor pools where separately set forth in the budget schedules.

Mr. BOLAND (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title IV be considered as read, and open to amendment at any point.

The CHAIRMAN pro tempore. (Mr. WAXMAN). Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

The CHAIRMAN pro tempore. Are there any points of order against this title?

AMENDMENT OFFERED BY MR. LEVITAS

Mr. LEVITAS. Mr. Chairman, I offer an amendment

The Clerk read as follows:

Amendment offered by Mr. LEVITAS: Page 46, after line 15, insert the following:

SEC. 415. No part of any appropriation contained in this Act shall be available to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.

Mr. LEVITAS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. LEVITAS. Mr. Chairman, the amendment I am offering would prevent the use of any funds by the departments and agencies funded by this bill for the implementation of any regulations or actions which have been vetoed by Congress using the specific veto procedures provided by applicable law.

There are several programs and agencies funded under this bill which are subject to some sort of legislative veto. For example, regulations for implementation of such programs as neighborhood reinvestment, rental assistance and flood, crime and riot reinsurance are promulgated under the authority of the Housing and Community Development Act and are subject to a congressional veto. Congress also has the right to veto rules and regulations adopted by the Solar Energy and Energy Conservation Bank which is funded under this bill. Regulations promulgated under the Federal Insecticide, Fungicide and Rodenticide Act, which is implemented by the Environmental Protection Agency, are funded under this bill.

The basic issue, here, however transcends the question of legislative veto. Even the few members who still do not support legislative vetoes, surely must support the doctrine of following the law which legislative vetoes are enacted and then duly exercised.

I have offered this amendment because past administrations have stated their intentions not to obey the law with regard to legislative vetoes. This unfortunate circumstance became concrete under the Carter administration last year after Congress vetoed four sets of regulations proposed by the Department of Education. In response, the Carter administration, through Attorney General Benjamin Civiletti and Secretary Shirley Hufstedler, announced a decision to ignore these vetoes. In short, the Carter administration said it would not obey the law, providing for legislative veto of these regulations, as it was duly enacted by Congress and signed by the President.

The law is this case is very simple. It is very explicit. It says that where both Houses of the Congress have adopted a congressional veto, the regulations become null and void.

However, the problem was not just with the Department of Education. It was the general policy of the Carter administration. While I would hope that the Reagan administration will not be willing to disregard the law, we must be sure that the law is followed. This amendment will act as a safeguard to prevent this disregard for the law from occurring again.

The action of past administrations makes the issue one of whether we in Congress are going to allow the law to be ignored. I do not believe any Member of Congress can stand by and allow our mandates to be treated in such cavalier fashion. The Constitution of the United States requires the President of the United States to faithfully execute the laws. He is not given the authority to pick and choose those laws he wants to implement and those that he does not want to implement.

It is not for the executive branch to decide what laws will be enforced. There is a very important case that illustrated that point, Kendall against United States, decided by the Supreme Court in 1838. In that instance, the President of the United States directed the Postmaster General not to pay a certain sum required to be paid by Congress to a contractor with the Post Office, and in issuing the writ of mandamus, the Court said:

> To contend that the obligation imposed on the President to see the laws faithfully executed implies a power to forbid their execution is a novel construction of the Constitution and entirely inadmissible.

No; the President of the United States does not have the power or the right or the prerogative not to enforce the laws. Where such disputes exist the proper forum for resolving them lies within the court system and ultimately within the jurisdiction of the Supreme Court. The administration's questions about this provision of the law should be resolved in that arena, not by noncompliance.

Mr. Chairman, this is a simple proposition. Once a legislative veto has been exercised, it is a disobedience of the law by those charged with the responsibility of executing the law to disregard it, and I do not think we ought to give them money to disobey the law. The only way we can effectively enforce these provisions of the law is to provide a limitation for funding so that no funds can be used for purposes of implementing disapproved or vetoed actions.

That is the reason I have offered this amendment, Mr. Chairman. We are facing a significant challenge to our constitutional powers, and we

must rise to meet it. My amendment will do so in a simple direct fashion. I urge every member of this body to support its passage.

Mr. BOLAND. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I would be happy to yield to my colleague.

Mr. BOLAND. Mr. Chairman, as the gentleman indicated, this is an amendment which has been offered on a number of occasions. We have reviewed the amendment and the subcommittee on this side has no objection to the amendment.

Mr. GREEN. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I would be happy to yield.

Mr. GREEN. Mr. Chairman, we, too, have no objection to the gentleman's amendment.

Mr. GLICKMAN. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I would be happy to yield.

Mr. GLICKMAN. Mr. Chairman, there was some earlier printing of the amendment, it may have been a mistake, that the veto was a veto just by a congressional committee. That is not the intention of the amendment?

Mr. LEVITAS. No.

Mr. GLICKMAN. It would be a full House veto or two-House veto, depending upon the nature of the circumstance?

Mr. LEVITAS. The description to which the gentleman referred appeared in one of the research group analyses or commentaries. It is not an accurate description.

The description of the amendment as I have previously given it is correct. It simply says that where under existing law any procedure is established, whether it is one-House, two-House, one-and-half-House committee, or whatever it is in the law is exercised, then that procedure, if followed, would be effective and any funding would be denied to implement the regulation or other action which had been vetoed.

Mr. GLICKMAN. I thank the gentleman. I support the amendment.

The CHAIRMAN pro tempore. The question is on the amendment offered by the gentleman from Georgia (Mr. LEVITAS).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. ERTEL

Mr. ERTEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ERTEL: Page 46, immediately after line 15 insert the following new sections:

SEC. 415. Except as otherwise provided in Section 406, none of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such Department or Agency.

SEC. 416. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated miles per gallon average of less than 22 miles per gallon.

Mr. DINGELL. Mr. Chairman, I reserve a point of order on the amendment.

The CHAIRMAN. The gentleman from Michigan reserves a point of order.

Mr. ERTEL. Mr. Chairman, I yield to the gentleman from Michigan.

Mr. DINGELL. Mr. Chairman, I withdraw my point of order.

The CHAIRMAN. The gentleman from Michigan withdraws his point of order.

Mr. ERTEL. Mr. Chairman, this amendment is called the no frills amendment and the reason for this amendment is to stop the use of public money to provide extravagant personal services for Government officials.

The amendment is in two parts. I would like to explain both parts. The first part of the amendment would stop the practice of providing personal cooks, chauffeurs, and servants for public officials. This does not interfere with the execution of their duties. It just stops them from doing it in the lap of luxury.

Let me give some examples of what I am referring to. In the Department of Commerce, out of the funds appropriated generally, we provide a dining room for a Secretary at $24,000. We pay for a car for the Secretary at $6,384 a year. I would suggest that should be a gold-plated car for $6,384 a year.

We also provide a driver for that car at $8 an hour. He, in fact, the driver for that particular Secretary, can make up to $50,000 in 1 year, counting his overtime. Now, just think, a chauffeur is going to be paid almost as much as a Deputy Secretary of Commerce if he, in fact, puts in the overtime as we have provided it generally.

In the Justice Department, the Attorney General's dining room, costs $80,000, including pay for two cooks and one assistant cook.

In the Department of Transportation, we provide servants for the Secretary's private dining room and they happen to be five Coast Guardsmen. Now, we have better things to do for the Coast Guardsmen than to use them for servants for the Secretary of Transportation, but the cost, just for their services, in that private dining room is $104,000 a year.

I would suggest that these outlandish expenses ought to be stopped at a time when we are trying to have austerity in the Government. When you think that the Department of Commerce pays over $6,000 a year to lease a car, while the Department of Justice pays half of that, somebody has to ask the question, "What is going on? Why are we paying such exorbitant fees for automobiles?"

It just seems to me that I could give a whole list of additional agencies which have provided outlandish sums for chauffeurs, for cars, and for personal dining room service. It just seems to me this is a clear area of abuse.

I suggest the solution is to pool personnel and assign them to service functions. If the Secretary wants to use a car, he can call the pool, get a car and use it. That car would not be set aside for his own personal use, but obviously he is going to get priority.

What we would do by having those cars pooled, getting rid of the personal service, the personal chefs and chauffeurs, would stop the waste of Government resources.

□ 1500

I would point out that some contend I am just doing this in this administration. I did the same thing when we had a Secretary of then HEW, Joe Califano. I cut off his personal chef and personal chauffeur as well.

Mr. HYDE. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I am glad to yield to my colleague from Illinois (Mr. HYDE.).

Mr. HYDE. I thank the gentleman for yielding. I have just learned that the whip of the majority party and the whip of the minority party have been assigned official cars. I wonder if the gentleman thinks that is far enough down the hierarchy of leadership for the taxpayers to provide cars? Does the gentleman support the whips of both parties having cars?

Mr. ERTEL. I intend to offer an amendment to all appropriation bills to eliminate those cars except for constitutional officers. I think, for instance, the Chief Justice of the Supreme Court is entitled to have a car. I think he should have one.

Mr. HYDE. What about the whip of the Democratic Party and the whip of the Republican Party, does the gentleman think they should each have a car?

Mr. ERTEL. I do not.

Mr. HYDE. And the gentleman will offer an amendment at the appropriate time?

Mr. ERTEL. I intend to offer an amendment to all appropriation bills to eliminate the abuses of people who are not constitutional officers.

Mr. HYDE. What about the majority leader of the Democratic Party and of this body; does the gentleman believe that he should have a car?

Mr. ERTEL. I think those people at the very top of separate independent branch of Government, like the Chief Justice, like the President of the United States, certainly should have transportation.

Mr. HYDE. And the Speaker. I would agree with the gentleman, the Speaker.

Mr. ERTEL. I would like to reclaim my time, if I may. I am not going to eliminate a car for the President or for the Vice President. I would not eliminate the car for the Secretary of State. But I think we ought to cut back some of these abuses such as private dining rooms.

The second part of this amendment is very simple. What I would do is require all passenger cars bought under these appropriations to be required to get at least 22 miles per gallon under the EPA standards. That would stop people from buying and leasing limousines and very expensive cars. It seems to me we are asking the American public to be frugal and we are asking for a frugal Government, and we ought to have at least the same frugality from our departments and agencies.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

(By unanimous consent, Mr. ERTEL was allowed to proceed for 2 additional minutes.)

Mr. ERTEL. I might point out that there are plenty of American-built cars that can meet the 22-mile-per-gallon standard set in this amendment.

Mr. THOMAS. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I am happy to yield.

Mr. THOMAS. I understand the miles per gallon but the gentleman said it would prohibit them from buying expensive cars. If the car meets the miles per gallon, then they could buy an expensive car?

Mr. ERTEL. I do not think I said expensive alone. I said expensive limousines that would not meet the standards. I would not think a limousine would get 22 miles per gallon.

Mr. THOMAS. But there are plenty of expensive cars that get 22 miles per gallon, so it is the miles per gallon that we are concerned with and not the expense of the vehicle?

Mr. ERTEL. I would think that we are concerned with economy and the utilization of fuels, but in addition it will cut off some of the very, very expensive automobiles such as limousines.

Last November the American people voted for a frugal Government and all I am asking is that Government officials at the very highest echelons of Government share some to the sacrifices we have been asking the American people to absorb. These mild hardships are much less severe than those being suffered by most of our citizens.

I would move adoption of the amendment.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words.

I have looked at both of these amendments. I am somewhat concerned about them, but I am a realist. These amendments have been offered before, not precisely in this same way with the same restrictions as the gentleman from Pennsylvania has offered, but I think they are worth trying. So far as the subcommittee on this side is concerned, we would be willing to accept the amendments.

Mr. ERTEL. Mr. Chairman, will the gentleman yield a moment?

Mr. BOLAND. I will be glad to yield.

Mr. ERTEL. I would like to point out that we did check and the Secretary of HUD, it seems to me, conforms with all of the amendments that we have proposed here generally except for the miles per gallon—his automobile. That is one of the better agencies in Government.

Mr. BOLAND. The fact of the matter is the HUD bill has carried a restriction with respect to limousines. I think perhaps it is the only Department that has carried that restriction for some number of years. So we will be glad to accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. ERTEL).

The amendment was agreed to.

Mr. GREEN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, as the House nears the end of its deliberations on the 1982 HUD appropriations bill, I think it is useful to set forth where we stand under the Budget Act.

At the outset, it should be noted that section 302 of the Budget Act creates two not necessarily consistent controls on spending.

First. The Budget Committee allocates to each authorizing committee a spending limitation, with instructions to each committee, where necessary, as to the dollar amounts of savings it must achieve by legislative changes.

Second. The Budget Committee allocates to the Appropriations Committee a lump sum representing the maximum amount that may be appropriated under the first budget resolution. Under section 302, it is left to the Appropriations Committee to allocate that lump sum among its subcommittees.

These two controls may lead to inconsistent results, because the jurisdictions of the authorizing committees and the Appropriations Subcommittees often do not correspond. For example, in the case of the Banking Committee's jurisdiction, the major tradeoff under section 302 was between HUD programs and the Export-Import Bank; in the case of the HUD and Independent Agencies Appropriations Subcommittee, we do not have jurisdiction over the Export-Import Bank and our tradeoff is among HUD and a host of other agencies, most of which lie outside the jurisdiction of the Banking Committee. Thus, it is possible for Appropriations Subcommittees to live up to our section 302 responsibilities and still reach different results from the authorizing committees. Obviously, our ability to bring these differing results to the floor of the House depends on the Rules Committee; but, in view of the fact that we are all feeling our way through the changes in House procedures that the Budget and Impoundment Control Act of 1974 is causing, I hope the Rules Committee will continue to be liberal in that respect. In the end, of course, the inconsistencies will have to be dealt with in the second budget resolution and any reconciliation bill which might follow it. However, allowing the differences in tradeoffs in authorizing committees and appropriating subcommittees to continue until that time will give the House the maximum flexibility in reaching its ultimate funding decisions.

Under the section 302 process governing the Appropriations Committee, our subcommittee was assigned a budget authority ceiling of $64,405,000,000. The bill we brought to the floor of the House was $1 million under that ceiling, when reservations are made for civil defense activities and veteran compensation increases. Thanks principally to the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN) we are now over $700 million under that ceiling.

There have been some suggestions that we have done that with mirrors. Those suggestions relate to the fact that we have declined the administration's request to appropriate $1.1 billion for conversion of public housing bonds. This appropriation was to continue the conversion of short-term public housing borrowing. This would occur with taxable bonds issued by the Federal Financing Bank rather than the traditional tax-exempt public housing borrowing.

I want to make it clear that in my case the decision to reject the administration's request was no budget gimmick, but a determination that the Treasury and OMB have simply failed to sustain their case—which I might add they made in Democratic and Republican administrations alike—that the use of tax-exempt bonds is costing the Federal Government money.

In the last Congress, the Banking Committee's Housing Subcommittee, of which I was then a member, held a hearing on whether the Government National Mortgage Association should make its facilities available to States which issued revenue bonds to finance or refinance construction of voluntary hospital buildings. The Carter administration opposed that use of GNMA, and asserted that if such bonds had to go the taxable bond route, the average tax rate on the interest would be 40 percent. However, an investment banking firm that had handled such a refi-

nancing studied what taxes were paid on the interest on the taxable bonds it had refinanced. That study showed that most of the taxable bonds were held by pension funds—which pay no income taxes—and that as a result the average income tax paid on the taxable bonds was 14 percent.

Plainly, if taxable Federal Financing Bank bond interest will be taxed at an average rate of 14 percent, moving public housing financing into the Bank will be counterproductive. In any event, I think it is legitimate, given that history, for our subcommittee to consider a shift of public housing financing to the Federal Financing Bank a lower priority than those governmental activities for which we have appropriated budget authority.

Before I conclude, let me acknowledge that our former colleague, David Stockman, Director of the Office of Management and Budget, has expressed to some Members of the Republican leadership and the Republican members of the Appropriations Committee concern that our subcommittee, though we stayed within our budget authority limit, has generated excessive outlays for the forthcoming fiscal year.

In that respect our subcommittee faces a dilemma in one of its largest programs, the section 8 housing program, which has four subdivisions; new construction, substantial rehabilitation, moderate rehabilitation and existing housing. Each unit of existing housing that we bring into the section 8 program costs half as much each year as the units we finance under the new construction and substantial rehabilitation programs. While the moderate rehabilitation program is new and thus does not have much of a track record, by statute it may not cost more than 130 percent of the existing housing program and therefore would cost annually no more than 65 percent of the cost of new construction or substantial rehabilitation. Moreover, the Federal commitment for the section 8 existing housing program and the moderate rehabilitation program is limited to 15 years, as opposed to the longer commitments under the new construction and substantial rehabilitation programs.

So, in terms of budget authority, there are major savings by shifting toward the existing housing and moderate rehabilitation routes, and this our subcommittee has done, although we fully recognize that by their very natures the existing housing and moderate rehabilitation programs will put families in subsidized housing sooner and thus accelerate Federal outlays.

Nonetheless, it is plain that this shift in the section 8 mix need not cause any fiscal year 1982 outlay problems for OMB. Without any request to the Congress for rescission or deferral of the section 8 moderate rehabilitation or existing housing budget authority, OMB can cause that budget authority to be obligated sufficiently late in the fiscal year so that there will not be a penny of fiscal year 1982 outlay resulting from the section 8 budget authority we are appropriating. Since in fact we are allowing for about $65 million in outlays from the section 8 budget authority we are appropriating, through this item and elsewhere OMB plainly has enough flexibility in releasing the funds we are appropriating to hold outlays in fiscal year 1982 resulting from the appropriations in this bill to the levels contemplated by the first budget resolution.

In short, I believe this appropriation bill fully meets our responsibilities under section 302 of the Budget Act, and should create no problems for OMB in terms of management of fiscal year 1982 outlays.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, before the committee rises, I would like to point out what this bill does specifically in reference to spending. The HUD-independent agencies appropriation bill, as has been described by my distinguished friend from New York, Mr. GREEN, the ranking Republican member, is under the section 302 allocation and the President's budget request. This bill is under the section 302 allocation by more than $700 million. This bill is under the President's budget request by $523 million.

In short, Mr. Chairman, this bill is under the congressional budget target and under the President's budget request. This is a bill I think all Members can vote for.

AMENDMENT OFFERED BY MR. NELLIGAN

Mr. NELLIGAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. NELLIGAN: Page 46, after line 15, insert the following new section:

SEC. 415. None of the funds appropriated by this Act may be used to increase any premium rates prescribed by the Director of the Federal Emergency Management Agency, or by the Secretary of Housing and Urban Development, under the National Flood Insurance Act of 1968 (42 U.S.C. 4001 et seq.).

Mr. NELLIGAN. Mr. Chairman, I offer this amendment to the HUD appropriations bill today to prohibit increases in Federal flood insurance rates for 1 year. My amendment results from a June 1 proposal by the Federal Emergency Management Administration, FEMA, to increase subsidized flood insurance rates effective October 1, 1981.

According to FEMA's own estimates, the proposed rate increase will raise flood insurance premiums from 60 to 70 percent in just 1 year. Such a huge rate increase could never be justified in the private sector.

I oppose the proposed rate increase for two reasons. In my own congressional district there are over 16,000 participants in the flood insurance program and over $700 million worth of property covered. Many participants are senior citizens and married couples with children who have enough problems trying to maintain homes without astronomical flood insurance rate increases. I fear that when the choice becomes one of flood insurance coverage or heating oil, or food on the table, many of these individuals who are now a part of the Federal flood insurance program will be forced to discontinue coverage.

Second, I fear that the huge rate of increase will discourage participation by property owners who have not elected to purchase flood insurance coverage. According to FEMA, there are still about 4 million properties in flood-prone areas which are not covered by Federal insurance compared to only 2 million insured properties.

As recently as 1972, there were only about 300,000 properties insured under the program. An administrative decision made in 1972 to reduce rates resulted in nearly a sevenfold increase in the number of flood insurance policies written.

□ 1510

I fear that rate increases will actually drive up costs of the program by discouraging wider participation among the owners of flood-prone properties who are not now covered.

Whenever major flood disasters have struck, the Federal Government has ended up expending billions of dollars aiding the victims. When Congress enacted the national flood insurance program in 1968, it recognized the need to encourage the widest possible public participation in the program to offset the cost of aiding the victims of flood disasters. That is why Congress charged the ratesetters with the responsibility of setting rates which would encourage the widest possible participation, not discourage that participation.

I believe FEMA's proposal abrogates that responsibility.

I would just like to say—and I mentioned it before—that there are 16,000 properties in my district that are insured. This may seem parochial, or perhaps you think I am the only one who is interested in this. But let me just point out a couple of States, the number of policyholders, and the value of that property.

For example, Massachusetts, over 25,000 policies issued, and $1 billion in property. That is the value.

Pennsylvania, which is my State, over 80,000 policies issued. Property value, $2.7 billion.

Should we have another Hurricane Agnes, which I went through, you can bet your boots that the taxpayer will be called upon to bail out to the tune of several hundred millions of dollars.

I would like to see more participants in the program, and you are not going to get participants in the program by raising the rates not once, but twice, and maybe three times over the next couple of years.

And just let me continue for a minute. Mississippi, 36,000 policyholders. Property value, $1.5 billion.

And I go on with North Carolina, South Carolina. Over 24,000 property owners.

And here we have Louisiana, with 220,000 property owners, and property valued at over $11 billion.

And Texas, with 315,000 property owners, and property valued at over $20 billion.

And so on and so forth.

Virtually every State in the Union has policyholders. They have flood insurance. And their premiums are going to be raised.

Today I was outside talking to some senior citizens. They own their homes in my district. They are being hit right and left. And now they are being called upon to have excruciatingly high premiums, and they do not even know they are coming. And they will not know until October 1, of this year, when they get their notices and, suddenly, an increase of 60 to 75 percent they will have to pay for those premiums.

I feel it is penny wise and pound foolish that we can expect to attract new policyholders at the same time we are raising the rates. I tell you, we are not going to attract new ones. What we are going to do is lose the ones we have and discourage the 4 million from getting these premiums and buying this insurance.

What is it, in the long run? Penny wise and pound foolish? Sure. Sure it is. Because rather than encourage people to buy more flood insurance, we are going to discourage them from doing do. We are going to continue to have floods in this country, there is no doubt about that, and the taxpayer is going to be called upon to bail them out.

Mr. SEIBERLING. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I would like just to raise some questions with the gentleman.

Does the gentleman's amendment cover insurance for people who have homes on barrier islands and beaches and cover damage against hurricanes and storms, and that sort of thing?

Mr. NELLIGAN. Yes; it does. The Federal flood insurance program does cover that kind of disaster.

Mr. SEIBERLING. Now, is not this, in effect, a Government subsidy for people who are well to do enough to afford vacation homes?

Mr. NELLIGAN. It may very well be. Also, what it really does, it hits many people who live in cities, who live next to rivers, who do not have beach homes. And I would venture to say, with the some 500,000 policyholders in Florida, that those 500,000 people do not just have beach homes, do not have recreational homes. They are people who are living in those homes, who need those homes. They are single-home owners.

Mr. SEIBERLING. Well, last spring I went down the Atlantic Coast in South Carolina and visited several different types of barrier island developments, all the way from small, older vintage homes on islands that are in the process of being wiped out by the encroaching sea, to the very exclusive, elegant, and well-done development in Kiawah Island in South Carolina, and then some in between.

We had a marine geologist with us who has spent years studying the whole barrier island problem on both coasts, and he said, "You know, the oceans are rising at the rate of a foot a century," which means that within a matter of a few decades, every single barrier island is going to be shifted or completely wiped out. Under these circumstances, it is just insane for the Federal Government to go on subsidizing people who want to build homes on barrier islands, knowing that this is going to happen. Every time there is a huge storm or a hurricane, the Federal Government is exposed to the risk of hundreds of millions of dollars of claims, either through the insurance program or through just a claim for disaster relief.

It is time, it seems to me, to face up to the fact that this is an open-ended exposure which ought to be curtailed at the earliest possible time, and certainly it should not be made available for new construction. You can go to a barrier island that is already being eroded, with houses sliding into the ocean, and yet the price of real estate continues to hold up. Why should it not? They can tell any prospective buyer that the Federal Government is going to make them whole in the event that their house is destroyed.

So it does seem to me that that is the real question here. I would hope that we would have the courage to face up to this and put an end, at least to further construction in flood plains and on barrier islands.

Mr. VENTO. Mr. Chairman, will the gentleman yield?

Mr. SEIBERLING. I yield to the gentleman from Minnesota.

Mr. VENTO. The gentleman from Ohio has made a very good statement concerning the investigation into the barrier islands issue, and I can understand the gentleman from Pennsylvania offering the amendment, vis-a-vis the problems with rivers and hurricane-type of damage, and I think we would all like to see an insurance program that covers that. But the fact of the matter is that the Federal flood insurance program has one of the second highest potential liabilities of all of the programs we have. It is only exceeded by social security, as a matter of fact, in terms of what we are underwriting.

In legislation that has been addressing this particular problem this year, we made an effort with the gentleman from Delaware, to try and deal with prospective or future types of insurance coverage and try to limit that with regard to velocity or V zones, where such heavy damage is potentially possible.

So I think that what we are really shooting for is that we would like some actuarial soundness in terms of this particular insurance program. At a time when we are talking about limited Federal dollars in expenditures, surely we ought to very carefully scrutinize the types of programs that we offer subsidies for. And that is really what this is. It is direct underwriting on the part of the Federal Government is areas for development, where development possibly never should take place.

So I think that gentleman's amendment is not a sensitive amendment, in the sense that it just freezes in the inequities, freezes in the type of development problems and freezes in the commitment of the Federal Government where we ought not to be making commitments.

I hope that this amendment is defeated. I appreciate the gentleman, the new Member from Pennsylvania, has a problem here; but I think this is not the proper place or the way to work this out.

Mr. SEIBERLING. It is even worse. We are not only encouraging development and increasing this exposure, but then the Federal Government, through HUD programs, through subsidizing roads, through subsidizing sewers, and through the Corps of Engineers with beach erosion projects building riprapping and jetties. These programs not only add to Federal expenditures but make the Federal disaster risk exposure an ever growing one.

The CHAIRMAN. The time of the gentleman from Ohio (Mr. SEIBERLING) has expired.

(By unanimous consent, Mr. SEIBERLING was allowed to proceed for 2 additional minutes.)

Mr. SEIBERLING. This geologist told us that what happens when we build jetties and riprapping on ocean beaches is to cause the beach to get narrower and steeper, and then, when finally a big storm hits, instead of a few houses going, the whole shore gets wiped out.

We asked one of the homeowners whom we talked to, whose house was

not even on the beach, it was back from the beach, back of the dunes, how much it would cost him to get private insurance against storm and flood damage. He said, he had contacted an insurance company which quoted a premium of over $800 a year, and it was a modest-size house. When asked how much he was paying the Federal Government for his Government disaster insurance, he said, "$60 a year."

That gives you some idea of the degree with which we are subsidizing development on areas that should never be developed.

Mr. NELLIGAN. Mr. Chairman, will the gentleman yield?

Mr. SEIBERLING. I yield to the gentleman from Pennsylvania.

Mr. NELLIGAN. I thank the gentleman for yielding.

I am not talking about the beach. I am talking about Wilkes-Barre, Pa., which is not beach haven, I am talking about 300,000 homes in Texas, which I am sure are not strung along the beach.

Mr. SEIBERLING. A lot of them are. They are on barrier islands.

Mr. NELLIGAN. And I do not think they should be limited to just people who live it up on beaches. I think it is essential. We are talking about people and the only home they own.

Mr. SEIBERLING. I would simply say that if the amendment or if the bill were limited to existing homes built before a certain date, when the people did not realize that they were not getting insurance coverage, that is one thing; but if you continue to apply this to new development, then it is just a tremendous open ended commitment.

I might say that I talked with Dave Stockman about this earlier this year, and he agreed with me. And now he is under all kinds of pressure from certain parts of the country where these developments go on, and I understand that as a result he has backed off.

□ 1520

Mr. NELLIGAN. Mr. Chairman, will the gentleman yield?

Mr. SEIBERLING. I yield to the gentleman from Pennsylvania.

Mr. NELLIGAN. Mr. Chairman, there are two kinds of rates we are talking about.

The CHAIRMAN. The time of the gentleman from Ohio (Mr. SEIBERLING) has expired.

(By unanimous consent, Mr. SEIBERLING was allowed to proceed for 1 additional minute.)

Mr. NELLIGAN. Mr. Chairman, will the gentleman yield?

Mr. SEIBERLING. I yield to the gentleman from Pennsylvania.

Mr. NELLIGAN. I thank the gentleman.

Mr. Chairman, we are talking about actuarial rates which took place after 1974, which are a higher rate. The rates they are talking about raising now in addition are pre-1974. These are the old homes. These are the people who have stayed there because they have nowhere to go. These are the people we are talking about: Senior citizens, people with large families. That is what I am talking about, not beach havens.

Mr. SEIBERLING. I would ask the gentleman: Does the legislation make that distinction?

Mr. NELLIGAN. There is no legislation. What we are talking about, as a matter of fact it says in the committee report, and I quote: "This would reduce the Federal subsidy required and, in the committee's view, could be accomplished without adversely affecting the program."

It does not talk about how it is going to adversely affect the people.

Mr. SEIBERLING. I think we need to address that problem.

Mr. NELLIGAN. I think we do, too. I thank the gentleman for admitting that.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment offered by the gentleman from Pennsylvania (Mr. NELLIGAN).

I can understand the concern of the gentleman. Any of us who have had the problems of flooding, whether in riverine or coastal areas can understand the concern of the gentleman. This is not the way to do it. As a matter of fact, the provision as it is written is not going to be effective.

The new administration has already decided to increase certain rates under the flood insurance program on October 1, 1981. This action was taken in connection with the March budget amendments. The administration reduced the estimated borrowing authority for the flood insurance program in 1982 by nearly $100 million. It is the administration's intent to offset the reduced need for borrowing authority by increased premiums. That is exactly what is going to be done.

The national flood insurance fund has only two sources of income. The principal source is premium income. The other source is Treasury borrowings. The enabling legislation provides a $1 billion borrowing level for this program. The initial $500 million was borrowed many years ago. Due to the increased program activity, the remaining $500 million debt was incurred in September 1979. The borrowing authority is revolving in that appropriations to repay the debt allow the Agency to incur additional debt. An appropriation of $561 million was made in fiscal year 1981 to reduce the outstanding Treasury borrowings. Included in the 1982 appropriation bill is $373 million for that same purpose.

Although the gentleman's amendment is not effective as drafted, the intent of the amendment would be to reduce premium income and thereby increase demand for Treasury borrowings. This, in turn, would lead to increased appropriations in future years to repay that debt.

The Agency has already proposed and published rate increases in the Federal Register. The comment period ends July 30, 1981. The regulations will become effective October 1, 1981. The moneys in this appropriation bill do not become available until October 1. Thus, the regulations will already be effective before any moneys in this bill are available to the Agency.

So I urge the defeat of the gentleman's amendment because it will not stop the anticipated rate increase on October 1, 1981. There is no way that this amendment will stop it. But the real reason to vote against this amendment is because it could limit the Federal Emergency Management Agency from placing the flood insurance fund on a sound financial basis in the future.

In 1982, the total amount of policies in force under the program—that is the Government's contingent liability—and hold on to your hats—is estimated at $107.5 billion. From January 1978 to December 1980, the average annual loss per policy was $184. The potential future losses to the fund—and to the Government if the fund does not have adequate resources—are enormous. It must be placed on a viable footing. The Agency will not be able to place it on a viable or actuarial basis until the premiums are increased and, as I have indicated, the gentleman's amendment, in effect, does not stop the increase from going into effect.

The gentleman has stated that increases proposed for the flood insurance program could never occur in the private sector. I do not believe a private insurance operation would ever be in the position where it would have to propose increases of this nature. A private insurance company would have gone broke long ago if it subsidized rates as much as the Federal Government subsidizes rates under the flood insurance program.

Mr. NELLIGAN. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield to the gentleman from Pennsylvania.

Mr. NELLIGAN. The only thing I would say on the last point to my colleague is that a private insurance company would never have to resort to the taxpayer to bail out people who are victims of floods. The history of this country is when we have a national disaster such as the type we had in my hometown—which also occurs in Florida, in Mississippi, in Louisiana frequently—the taxpayer is called to bail them out and the taxpayer does indeed bail them out.

On the point that we are trying to increase the premiums so we could make the fund solvent, for the very same reason in 1972 that FEMA reduced the premiums to attract more policyholders, I think that logic is sustained today. It went from $300,000 in 1972 to $2 million when they reduced the premium. I maintain we increased this premium not once but I am informed it will be increased twice this year, and perhaps the next year.

Mr. GREEN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I would like to join the distinguished chairman of the committee in opposing this amendment and I will set forth why in my remarks shortly.

Mr. EVANS of Delaware, Mr. Chairman, will the gentleman yield?

Mr. GREEN. I yield to the gentleman from Delaware.

Mr. EVANS of Delaware. I thank the distinguished gentleman from New York for yielding.

I rise in opposition to this amendment. I am sympathetic to the fact that the state of our economy is not good and that prices are increasing just about on everything. I believe that the high cost of government is brought about because we are spending the taxpayers' dollars ineffectively and inefficiently and unwisely.

This would be a step in that unwise direction, a fairly major step. The amendment in question is no solution to our dilemma. It will never get us out of the woods from an economic standpoint by preventing a Federal agency from taking steps such as this to put its program on a sound and a fiscally responsible basis. Currently the U.S. taxpayer is paying about $3 in claims and expenses for every $1 collected in premiums in the national flood insurance program. To quote from the President's 1982 budget document:

> (The proposed rate change) supports the administration's policy of recovering clearly allocable costs from users . . . people who receive the benefits of flood insurance should pay its costs. This change will eliminate a substantial portion of the subsidy that the taxpayer now provides and further discourage uneconomic development in flood prone areas.

To give you an idea of what sad shape the national flood insurance program is in, earlier this year the Administrator of the Federal Insurance Administration testified before the Banking Committee, the authorizing committee for the flood insurance program. He stated that we may not be able to expect that the program would achieve self-sufficiency before the year 2000. In the meantime, recent data from the Administration indicates that we are losing, on average, about $140 per year per policy and that the proposed rate changes will result in savings of more than $600 million over the next 4 fiscal years.

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Mr. Chairman, under the subsidized insurance program all taxpayers bear the risk of flood plain development. If the Government is allowed to move toward a more actuarially sound program, then those individuals living in flood plains bear the risk, and that is as it should be.

It is true that people living in flood plains will pay higher costs for their insurance under the administration's proposal. However, I agree with our President that it is clearly inequitable for the general taxpayer to bear the burden of services that provide special benefits for very specific users. The administration's proposal in this area is one component of President Reagan's comprehensive budget reform program which provides for shifting the cost of this type of Government activity to those who directly benefit.

In sum, based on the budget proposed by the administration and their communications with the Banking Committee concerning the reauthorization of the national flood insurance program, this amendment would appear to be totally inconsistent with the President's program.

Mr. Chairman, I urge defeat of the amendment, and I might add that I think it is totally inconsistent with the feelings of the vast majority of the American people who believe that we have to find creative ways to cut back on unnecessary Government expenditures.

Mr. GREEN. Mr. Chairman, I thank the gentleman from Delaware (Mr. EVANS) for his statement.

I would simply like to point out that though the amendment purports to be a limitation on spending, in fact the effect of the amendment in economic terms is just the same as if the gentleman has stood in the well and offered to increase an appropriation by $100 million. Essentially in order to cover the additional losses which would occur in the insurance fund because of the gentleman's amendment, the Treasury would have to go out and borrow close to $100 million, with all the impact that that has, added to all the other Treasury borrowings. And then ultimately, of course, those loans which flow from the Treasury to the insurance fund have to be repaid, and we would appropriate the money for it. That is the $373 million that the Members will find on page 20 of the appropriation bill.

So, Mr. Chairman, I hope that everyone will understand exactly what the budget impact of this is and what the economic impact of this is, and that if we vote for this, we are voting for a $100 million increase for the Treasury for this purpose.

Mr. ROGERS. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I rise today in support of the amendment offered by the gentleman from Pennsylvania, and commend him for his foresight in offering this amendment and in responding effectively to the needs of many of our constituents in flood areas.

I would also like to commend the chairmen and ranking minority members of the committee and subcommittee for their leadership in formulating this legislation.

Mr. Chairman, the amendment before us would prohibit the proposed 75-percent increase in flood insurance premium rates. I oppose the proposed increase in these rates, and I would like to present some important arguments for why the Congress should prohibit them.

My district relies heavily on flood insurance. In Harlan, for example, nearly one-fifth of the households hold these policies.

The proposed increase in rates is simply not a good idea. In most communities, you cannot get a mortgage without flood insurance—that means that when the premium rates go up, there is a captive market.

And since the premium rates are based on the amount of risk, the greater the risk, the higher the rate. And since in my district, the people living in the highest risk areas are living there because they cannot afford to move to the rare higher level land, the people who are least able to afford it will pay the greatest increase.

There is a reason why the people of my district live in areas where there is flooding. The eastern portion of my district is mountainous. When rains fall, the mountain streams rise, and gathering force they come rushing into the hollows, swelling the rivers, which flood without notice.

The people of my district have a dilemma—the mountains are too steep for building homes, schools, or hospitals. The only level land is along the river banks. The people of my district have to build up their communities in the flood plains, knowing that there will be flooding and then each spring, they watch the waters rise, wondering if this will be another flood like the flood of 1977.

Four years ago, for example, the town of Barbourville was nearly obliterated by the flood waters of the upper Cumberland River. Only through the heroic efforts of some 500 volunteers who ignored warnings to evacuate the city, who stayed to pile the thousands of sandbags on top of the levees surrounding the town, was disaster averted.

Pineville, Ky., was not so lucky. The levees and floodwall were too low. The flood of 1977 was too much. The result was $25 million in damages.

But all of the towns along the upper Cumberland, from Harlan through Williamsburg, including Cumberland, Benham, Lynch, Evarts, and Cawood, as well as Pineville and Barbourville, and spanning four counties, know the constant threat of flooding. Each time a dark cloud comes into view, the citizens of the communities have good reason to worry about their very existence.

And the floods come fast—the steep slopes of the mountains cause very rapid runoffs, which only shorten the warning time of an approaching flood.

The people who live in these flood plains are not there out of choice. There is no other land available, particularly land that most of my constituents can afford. And these are the people who are least able to afford the increases in flood insurance rates.

For the people of eastern Kentucky, living in flood plain areas in not a luxury, as it may be for people who have summer homes along the ocean beaches. Those people can afford higher premiums, and my constituents should certainly not subidize their rates.

But the flood insurance program was specifically intended to protect people like my constituents, people who have to live in the flood plains and who are faced with constant flooding threats. Let us not allow the rates to go so high that they will not be able to afford the coverage which was intended for them.

And I urge you to bear in mind that if the rates go up policyholders will carry less coverage. And this will mean more Federal expense for disaster assistance in these areas when floods hit in the future.

I agree that reform of the program will be necessary to insure its financial soundness in the future. But this reform should be through such measures as the examination and possible development of a sliding scale for premium rates, so that people who are using flood insurance for a second home might pay higher rates than those who rely on it for their family's principal residence.

My constituents regularly and heroicly battle the floods of our Kentucky rivers. They have lost homes, belongings, crops, and sometimes even their lives to these floods.

Mr. Chairman, I urge the Congress not to make it harder for my constituents to pay for the flood insurance which has given one of their few protections against these ravaging floods.

I urge my colleagues to vote in favor of this amendment.

● Mr. GOLDWATER. Mr. Chairman, I rise in opposition to the amendment offered by my colleague from Pennsylvania which would prohibit increases in Federal flood insurance rates. Because of budgetary limitations and instructions limiting the Federal Emergency Management Agency's borrowing authority, FEMA proposed on June 1 to increase subsidized flood insurance rates effective October 1.

Homeowners who live in flood prone areas and who are covered under the national flood insurance program should, of course, assume an appropriate share of the cost for the flood insurance program. Of the 17,000 communities participating in the program, 11,000 are still in the emergency phase—the first step of the program which is already heavily subsidized by the Federal Government. If this $100 billion program is ever to become actuarially sound, recipients must bear an appropriate share of the economic burden.

I would, however, like to mention a deficiency of the flood insurance program I believe needs to be addressed and corrected. At a time when premiums are being increased, certain flood-related disasters are not included. Many homeowners suffer from water-induced landslide damage. What pains me is that this disaster is caused by flooding in many cases, but is not covered under the flood insurance program. Furthermore, homeowners are often unaware that this flood-related disaster is not under NFIP coverage, and yet they are required to pay NFIP premiums. I have tried to include such disaster coverage, but am advised that such coverage is too costly or that there is not enough assembled information about water-induced landslides to include such coverage under NFIP. The reason the Federal Government is involved in the first place is because the flood insurance program is expensive, but that does not mean we should not provide coverage. No other coverage is available either through public or private programs.

Mr. Chairman, I feel that water-induced landslide insurance coverage is needed, and I will continue to work toward providing that insurance.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. NELLIGAN).

The amendment was rejected.

● Mr. HAMMERSCHMIDT. Mr. Chairman, I rise in support of H.R. 4034, the appropriations bill for fiscal year 1982 funding HUD and independent agencies of the executive branch. I join the very able chairman of the Veterans' Affairs Committee, the gentleman from Mississippi, in praise of the Appropriations Committee and its Subcommittee on HUD-Independent Agencies for its fine work on this bill.

The veterans of America should note that their Veterans' Administration programs have been preserved and, in some cases, strengthened by the actions of the committee. Earlier recommendations for budget cuts would have, in my opinion, seriously crippled the administration of veterans' medical care and created havoc within the VA's Department of Veterans' Benefits.

The funding levels in H.R. 4034, however, will more than offset reductions proposed in medical care staffing and continue the prosthetic research program at its present level. I am particularly gratified to find in this bill funds for activating the Ray Roberts medical scholarship program authorized by the Congress last year. This program will have a long-range influence in providing skilled nurses and physicians to treat sick veterans.

A recommendation by the administration to consolidate the 58 VA regional offices into three regional locations as a cost-saving measure was ill-advised in my opinion and adequate funds are in this bill to permit the agency to maintain the current number of offices. Apart from the hazards such a consolidation would present to administrative procedure, thousands of VA employees would have been faced with relocating or the loss of their jobs. I am grateful to the Appropriations Committee for restoring adequate funds to prevent such dislocations.

I will not retrace all the provisions of H.R. 4034, Mr. Chairman. I have minor disagreements with a few of its provisions but, by and large, it is an excellent measure, written with careful attention to the requirements of the Veterans' Administration in administering health and other benefits to the Nation's veterans, their dependents and survivors.

I support it and recommend our colleagues do likewise.●

Mr. MILLER of Ohio. Mr. Chairman, over the years, I have cited the high rent subsidy payments under section 8 of the Housing and Community Development Act of 1974. During previous consideration of this legislation I pointed out that for 1980, the Government could be required to pay as much as $1,379 a month to subsidize an apartment in New York City. For 1981, that figure has risen to $1,597 a month.

An amendment I offered to the HUD authorization bill last year, and which was accepted by the House but was negated by the Senate, would have reduced by 10 percent the Secretary of HUD's statutory authority to increase rent subsidies. Another amendment I offered to the fiscal year 1981 HUD appropriation bill cut the bill by $1 billion.

Recently OMB under its regulatory authority curtailed by 15 percent the 35 percent overall discretionary amounts which could be added to the fair market rent. Permit me to com-

mend the Office of Management and Budget for this action. This seems to curtail some of the excesses of the program, but even with this reduction, we still can experience the $1,597 a month payment in New York City.

A recent GAO report says that Government subsidized rents have "risen at rates and to levels which could in the future provoke serious challenges to the very existence of the program." The report cites recent subsidized rent increases of 121 percent in San Francisco, 95 percent in Cincinnati, and 72 percent in Atlanta. Subsidized rent increases in 17 cities sampled averaged 53 percent for the 4 years evaluated.

Under the law, a subsidy can be provided for renters whose incomes are under 80 percent of the median of the area. The taxpayer pays the landlord the difference between the tenant contribution—usually 15 to 25 percent of the renters income—and the contract rent. The only Federal criterion for participation is income. Forty percent of all U.S. households could qualify. If a family has no income, they make no tenant contribution and the taxpayer will pay the entire rent, plus a utility allowance.

The report also states that—

Although gross rents are not supposed to exceed fair market rents except in special circumstances, they were found to be higher in 68 percent of the projects GAO sampled.

Some of the apartments provide more than just adequate housing for the poor. For example, in some of the buildings cited in the reports, tenants could enjoy indoor swimming and parking, and tennis courts. GAO's observations indicated that—

HUD has a generous attitude regarding features and amenities not normally expected in subsidized housing. The housing is often so costly that moderate and even middle income unassisted households cannot afford to live it it.

The reconciliation bill made changes in the subsidized housing program. The 1982 increase in subsidized housing is limited to 162,500 units instead of 175,000 as proposed or the 260,000 requested by the past administration. Tenant contributions to the rent are to go up from 25 percent of income to 35 percent.

Admittedly, these changes are for the better, but I still find it impossible to support this legislation. In this period of fiscal restraint I think greater reductions should have been made to this measure. The bill asks the American taxpayer to pick up a bill that he can ill afford.

Mr. BOLAND. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, we have now reached the caboose of the train, and I just want to make a comment with reference to the Budget Committee's Early Warning Report.

The staff of the Budget Committee produces weekly so-called Early Warning Reports which attempt to inform Members of Congress, especially those of the Budget Committee, how a particular reported bill relates to the Budget Resolution Subcommittee targets. Thus far, the Budget Committee staff has issued two reports on appropriation bills—one for the Interior bill and one for the HUD-independent agencies bill. I will only comment on the Early Warning Report pertaining to the HUD bill. We have reviewed this report and find it to be misleading and inaccurate. I will explain some of the reasons why.

The Budget Committee has chosen this year to scorekeep appropriation bills according to the mandatory and discretionary amounts that are established in the Appropriations Committee section 302(b) report. The focus will be on the discretionary amount to determine if a bill exceeds its subcommittee target. If the conference report exceeds the discretionary target for budget authority, the bill will be subject to the delayed enrollment provision of section 305 of the first budget resolution.

While the Appropriations Committee has reservations about this process, we have very carefully examined every account within our jurisdiction in determining whether it fits within the discretionary or mandatory category. These have been translated into our subcommittee targets and the Budget Committee staff advised on how the mandatory and discretionary splits were made. Now the Budget Committee staff chooses, in their Early Warning Report, to differ with the classification of mandatory items. The case in point is general revenue sharing, which we feel strongly is a discretionary item while the Budget Committee staff considers it to be mandatory. The result is that the Budget Committee staff has chosen to display in their report an imbalanced comparison that is not only misleading but extremely confusing.

On page 3 of the report is the following sentence:

HBC Counsel has reviewed the law and concluded that GRS—general revenue sharing—is an appropriated entitlement, as it has always been classified.

HBC counsel may have his opinion, but in our opinion, general revenue-sharing is not an entitlement program. The 1972 act did not require Congress to annually appropriate for general revenue-sharing payments. The necessary funds were taken directly from the Treasury. I will admit that the program authorized by the 1972 act was an entitlement program.

The 1976 amendments changed that procedure and authorized the Congress to appropriate for general revenue-sharing payments. As such, since 1976 general revenue sharing has not been an entitlement program.

Further, I would state that the Budget Committee does not have authority to determine which programs are controllable and which are not. The Budget Act clearly gives that authority to the Appropriations Committee—section 302(b)(1)(B).

As I read the Budget Act, the Appropriations Committee is required to further subdivide its total allocation between controllable amounts and all other amounts. The act does not mention that the Budget Committee shall subdivide the allocation between controllable amounts and all other amounts. As I understand it, the Budget Committee's newly adopted practice is to divide the allocation between controllable and uncontrollable. But that subdivision is not required by law. It is within the committee's jurisdiction to subdivide the allocation.

On page 2 of the report is the following sentence:

Since the Appropriations Committee has no real power to amend existing entitlement law, it cannot effectively change the amount for mandatory programs.

That statement is not correct. Clause 2 of rule XXI provides for retrenchment of expenditures, Section 844 describes the conditions under which an entitlement program can be reduced in an appropriations bill. Entitlement programs can be reduced under the Holman rule.

In fact, we have an example of reducing an entitlement account in this bill. In the VA readjustment benefits paragraph we have denied funds for flight and correspondence training and reduced the appropriation by $32 million.

The Early Warning Report also incorrectly concludes that the bill would be under target by $20 million in budget authority for the discretionary portion instead of $146 million if a permanent appropriation for FEMA were counted. The item referred to is the national flood insurance fund borrowing authority which is permanent authority and therefore not in the HUD bill nor under the jurisdiction of the Appropriations Committee. Consequently, this error has been carried forward in the Early Warning Report.

The budget resolution and the accompanying allocations make no explicit mention as to what allowance is made for civilian pay increases. In fact, the allocation in the joint explanatory statement accompanying the budget resolution implies that no allowance is made for civilian pay while, very explicitly, $5.5 billion was allowed for military pay increases. Now, in the Early Warning Report, a judgment is made that $200 million in budget authority is assumed in the budget resolution for pay increases and therefore should be scored against the subcommittee target. Here is an example of surfacing hidden assumptions.

Furthermore, Mr. Chairman, the Budget Committee staff has chosen to publish its own assumptions as to what is allowed for future supplementals—in particular, cost-of-living adjustments for veterans' programs. Such assumptions are then used to judge whether a bill fits within the subcommittee targets. This type of analysis is arbitrary and misleading, especially when it involves guesswork as to what the magnitude of a supplemental may be. It also has the effect of prejudging congressional action.

The Early Warning Report is a perfect example of the Budget Committee's continuing to involve itself in the line item detail. This committee has constantly cautioned both the Budget Committee and the Congress for proliferating line item debate during consideration of budget resolutions. Each time, Budget Committee representatives have indicated that it was not their intent to address issues at a detail level. However, the Early Warning Report is a deliberate attempt to analyze and derive conclusions from line item level which is clearly beyond the scope of the Budget Committee's responsibility.

The report mentions that CBO outlay reestimates for mandatory programs are, in many cases, higher than the estimates used by the administration or the committee.

Mr. Chairman, the Congress and the administration have little control over outlays. That is especially true of outlays from prior year appropriations. As such, I am not sure what the Budget Committee would have us do. I do not believe there is much we can do—especially when outlays are reestimated from time to time. Furthermore, the allocation of outlays to the committee as a whole appears to be deficient when compared to the budget authority allocation. This is confirmed by the Budget Committee on page 10 of the report which mentions that outlay estimates in the first budget resolution for 1982 are inconsistent with the revised second budget resolution for 1981.

It is not known how many Members of Congress or their staff review or understand the Early Warning Reports. Certainly, this report could be improved. I hope that the Budget Committee will review its procedures in preparing the Early Warning Reports and take whatever action is appropriate. I am encouraged that this may be the case.

Mr. Chairman, I thought that the Members of the House would like to have the information concerning the Early Warning Reports, and I just thought that I would state our position in the RECORD.

● Mr. FRENZEL. Mr. Chairman, H.R. 4034, the HUD-independent agencies appropriation bill is described in a House Budget Committee early warning report for the week of July 13, as over the total budget target when mandatory items are fully funded.

H.R. 4034, is said to be under the section 302(b) target in both outlays and budget authority, now, but when amounts assumed in the budget resolution, but not yet considered, are added, and mandatory items are fully funded, the bill will be over its targets by $356 million in budget authority, and $740 million in outlays. As one who believes that the spending restraints of the budget resolution must be upheld, I do not see how I can support this bill.

I understand part of the overage relates to a classification problem on general revenue sharing. The committee believes GRS is a discretionary program while the House Budget Committee and the Congressional Budget Office believes otherwise. Further, it appears the committee has failed to leave any room for this fall's pay increases.

In addition, the bill is over the President's budget by $297 million in outlays, and it has grossly exceeded the credit budget assumptions of the budget resolution. The modest reduction by amendment on the House floor does not repair the major flaws.

While this bill seems to present the 1981 version of the old House two-step, it gives a surface appearance of conforming to the budget, but it will be followed by supplemental appropriations for mandatory budget entitlements.

I do not necessarily assume that the overspending here is intentional but, nevertheless, it is here and it should not be passed. The committee is going to have to learn that outlay targets must be met. The old ways of the House can no longer be tolerated. Either we make the budget process work or, the taxpayers will find people who can. This bill should be defeated, or vetoed.●

Mr. BOLAND. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. BARNARD) having assumed the chair, Mr. LEVITAS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4034) making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1982, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The SPEAKER pro tempore. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

Mr. SMITH of Oregon. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 362, nays 54, not voting 17, as follows:

[Roll No. 147]

YEAS—362

Addabbo	Carney	Emerson
Akaka	Chappell	Emery
Albosta	Chappie	English
Alexander	Chisholm	Erdahl
Anderson	Clausen	Erlenborn
Andrews	Clay	Ertel
Annunzio	Clinger	Evans (DE)
Anthony	Coats	Evans (IA)
Aspin	Coelho	Evans (IN)
Atkinson	Coleman	Fary
AuCoin	Collins (IL)	Fascell
Bafalis	Conte	Fazio
Bailey (PA)	Conyers	Fenwick
Barnard	Corcoran	Ferraro
Barnes	Coughlin	Fiedler
Beard	Courter	Findley
Bedell	Coyne, James	Fish
Beilenson	Coyne, William	Fithian
Benedict	Craig	Flippo
Benjamin	Crockett	Florio
Bennett	D'Amours	Foley
Bereuter	Daniel, Dan	Ford (MI)
Bethune	Daniel, R. W.	Ford (TN)
Bevill	Danielson	Fountain
Biaggi	Daschle	Fowler
Bingham	Daub	Frank
Blanchard	Davis	Frost
Bliley	de la Garza	Fuqua
Boggs	Deckard	Garcia
Boland	Dellums	Gaydos
Bolling	DeNardis	Gejdenson
Boner	Derrick	Gephardt
Bonior	Dickinson	Gibbons
Bouquard	Dingell	Gilman
Bowen	Dixon	Gingrich
Breaux	Donnelly	Ginn
Brinkley	Dorgan	Glickman
Brodhead	Dougherty	Goldwater
Brooks	Dowdy	Gonzalez
Broomfield	Downey	Gore
Brown (CA)	Duncan	Gradison
Brown (CO)	Dunn	Gray
Brown (OH)	Dwyer	Green
Broyhill	Dyson	Grisham
Burgener	Early	Guarini
Burton, Phillip	Eckart	Gunderson
Butler	Edgar	Hall (OH)
Byron	Edwards (AL)	Hall, Ralph
Campbell	Edwards (CA)	Hamilton
Carman	Edwards (OK)	Hammerschmidt

Harkin
Hatcher
Heckler
Hefner
Hendon
Hertel
Hightower
Hillis
Holland
Hollenbeck
Holt
Hopkins
Horton
Howard
Hoyer
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffords
Jenkins
Jones (NC)
Jones (OK)
Jones (TN)
Kastenmeier
Kazen
Kemp
Kildee
Kindness
Kogovsek
Kramer
LaFalce
Lagomarsino
Lantos
Leach
LeBoutillier
Lee
Lehman
Leland
Lent
Levitas
Livingston
Loeffler
Long (LA)
Long (MD)
Lott
Lowery (CA)
Lowry (WA)
Lujan
Lundine
Madigan
Markey
Marks
Marriott
Martin (IL)
Martin (NC)
Martin (NY)
Matsui
Mazzoli
McClory
McCollum
McCurdy
McDade
McEwen
McGrath
McHugh
McKinney
Mica
Mikulski
Miller (CA)
Mineta
Minish
Mitchell (MD)
Mitchell (NY)
Moakley
Moffett
Molinari
Mollohan
Montgomery
Moore
Morrison
Murphy
Murtha
Myers
Napier
Natcher
Neal
Nelligan
Nelson
Nichols
Nowak
O'Brien
Oakar
Oberstar
Ottinger
Oxley
Panetta
Parris
Pashayan
Patman
Patterson
Pease
Pepper
Perkins
Petri
Peyser
Pickle
Porter
Price
Pritchard
Pursell
Quillen
Rahall
Railsback
Rangel
Ratchford
Regula
Reuss
Rhodes
Richmond
Rinaldo
Ritter
Roberts (KS)
Robinson
Rodino
Roe
Roemer
Rogers
Rose
Rostenkowski
Roth
Roukema
Roybal
Rudd
Sabo
Santini
Sawyer
Scheuer
Schneider
Schulze
Schumer
Seiberling
Shamansky
Shannon
Sharp
Shaw
Shelby
Siljander
Simon
Skeen
Skelton
Smith (AL)
Smith (IA)
Smith (NE)
Smith (NJ)
Snowe
Snyder
Solarz
Spence
St Germain
Stangeland
Stanton
Stark
Staton
Stenholm
Stokes
Stratton
Studds
Swift
Synar
Tauke
Tauzin
Taylor
Thomas
Traxler
Trible
Udall
Vander Jagt
Vento
Volkmer
Walgren
Wampler
Washington
Watkins
Waxman
Weber (MN)
Weber (OH)
White
Whitehurst
Whitley
Whittaker
Whitten
Williams (MT)
Williams (OH)
Wilson
Winn
Wirth
Wolf
Wolpe
Wortley
Wright
Wyden
Wylie
Yates
Yatron
Young (FL)
Young (MO)
Zablocki
Zeferetti

NAYS—54

Applegate
Archer
Ashbrook
Badham
Bailey (MO)
Burton, John
Cheney
Collins (TX)
Conable
Crane, Daniel
Crane, Philip
Dannemeyer
Derwinski
Dicks
Dreier
Fields
Forsythe
Frenzel
Gramm
Gregg
Hagedorn
Hance
Hansen (ID)
Hartnett
Heftel
Hiler
Hubbard
Jeffries
Johnston
Latta
Leath
Lewis
Luken
Lungren
Marlenee
McDonald
Michel
Miller (OH)
Moorhead
Mottl
Obey
Paul
Rousselot
Russo
Schroeder
Sensenbrenner
Shumway
Shuster
Smith (OR)
Solomon
Stump
Walker
Weaver
Weiss

NOT VOTING—17

Bonker
Cotter
Dornan
Dymally
Evans (GA)
Foglietta
Goodling
Hall, Sam
Hansen (UT)
Hawkins
Mattox
Mavroules
McCloskey
Roberts (SD)
Rosenthal
Savage
Young (AK)

□ 1550

The Clerk announced the following pairs:

Mr. Mattox with Mr. Young of Alaska.

Mr. Foglietta with Mr. McCloskey.

Mr. Evans of Georgia with Mr. Roberts of South Dakota.

Mr. Rosenthal with Mr. Dornan of California.

Mr. Mavroules with Mr. Hansen of Utah.

Mr. Hawkins with Mr. Goodling.

Mr. Dymally with Mr. Bonker.

Messrs. GREGG, MOORHEAD, HAGEDORN, WEISS and FIELDS changed their votes from "yea" to "nay."

Mr. TAYLOR changed his vote from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATION, 1982

Mr. YATES. Mr. Speaker, I move that the Committee resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 4035) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois (Mr. YATES.)

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. BROWN of Ohio. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 378, nays 3, answered "present" 1, not voting 51, as follows:

[Roll No. 148]

YEAS—378

Addabbo
Akaka
Albosta
Alexander
Anderson
Andrews
Archer
Ashbrook
Aspin
Atkinson
AuCoin
Badham
Bafalis
Bailey (MO)
Bailey (PA)
Barnard
Barnes
Beard
Bedell
Beilenson
Benedict
Benjamin
Bennett
Bereuter
Bethune
Bevill
Biaggi
Bingham
Blanchard
Bliley
Boggs
Boland
Boner
Bonior
Bouquard
Bowen
Breaux
Brinkley
Brodhead
Brooks
Broomfield
Brown (CA)
Brown (CO)
Brown (OH)
Broyhill
Burgener
Burton, John
Burton, Phillip
Butler
Byron
Campbell
Carman
Carney
Chappell
Chappie
Cheney
Clinger
Coats
Coelho
Collins (IL)
Collins (TX)
Conable
Conte
Conyers
Corcoran
Coughlin
Courter
Coyne, James
Coyne, William
Craig
Crane, Daniel
Crane, Philip
D'Amours
Daniel, Dan
Daniel, R. W.
Danielson
Dannemeyer
Daub
Davis
Deckard
Dellums
DeNardis
Derrick
Derwinski
Dickinson
Dicks
Dixon
Donnelly
Dorgan
Dougherty
Dowdy
Downey
Dreier
Duncan
Dunn
Dwyer
Dyson
Early
Eckart
Edgar
Edwards (AL)
Edwards (CA)
Emerson
Emery
English
Erdahl
Erlenborn
Ertel
Evans (DE)
Fary
Fascell
Fazio
Fenwick
Ferraro
Fiedler
Fields
Findley
Fithian
Flippo
Florio
Foley
Ford (MI)
Ford (TN)
Forsythe
Fountain
Fowler
Frank
Frenzel
Frost
Fuqua
Garcia
Gaydos
Gejdenson
Gephardt
Gibbons
Gilman
Gingrich
Ginn
Glickman
Goldwater
Gonzalez
Gore
Gradison
Gramm
Gray
Green
Gregg
Grisham
Guarini
Gunderson
Hagedorn
Hall (OH)
Hall, Ralph
Hamilton
Hammerschmidt
Hance
Hansen (ID)
Harkin
Hartnett
Hatcher
Heckler
Hefner
Heftel
Hendon
Hertel
Hightower
Hiler
Hillis
Holland
Hollenbeck
Holt
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffries
Jenkins
Johnston
Jones (NC)
Jones (OK)
Jones (TN)
Kastenmeier
Kazen
Kemp
Kildee
Kogovsek
Kramer
Lagomarsino
Lantos
Latta
Leach
Leath
LeBoutillier
Lee
Lehman
Leland
Lent
Levitas
Lewis
Loeffler
Long (LA)
Long (MD)
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Lungren
Madigan
Markey
Marks
Marlenee
Marriott
Martin (IL)
Martin (NC)
Martin (NY)
Matsui
Mazzoli
McClory
McCollum
McCurdy
McDade
McEwen
McGrath
McHugh
Mica
Michel
Mikulski
Miller (CA)
Miller (OH)
Mineta
Minish
Mitchell (NY)
Moakley
Moffett
Molinari
Mollohan
Montgomery
Moore
Moorhead
Morrison
Mottl
Murphy
Murtha
Myers
Napier
Natcher
Neal
Nelligan
Nelson
Nichols
Nowak
O'Brien
Oakar
Oberstar
Obey
Oxley
Panetta
Parris
Pashayan
Patman
Patterson
Paul
Pease
Perkins
Petri
Peyser
Pickle
Porter
Price
Quillen
Rahall
Railsback
Rangel
Regula
Rhodes
Rinaldo
Ritter
Roberts (KS)
Robinson
Rodino
Roe
Roemer
Rogers
Rostenkowski
Roth
Roukema
Rousselot
Roybal
Rudd
Russo
Sabo
Santini
Sawyer
Scheuer
Schneider
Schroeder
Schulze
Schumer
Seiberling
Sensenbrenner
Shamansky
Shannon
Sharp
Shaw
Shelby
Shumway
Shuster
Siljander
Simon
Skeen
Skelton
Smith (AL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (OR)
Snowe
Snyder
Solarz
Solomon
Spence
Stangeland
Stanton
Stark
Staton
Stenholm
Stratton
Studds
Stump
Swift
Synar
Tauke
Taylor
Thomas
Traxler
Trible
Udall
Vander Jagt
Vento
Volkmer
Walgren
Walker
Watkins
Waxman
Weaver

Weber (MN)	Williams (OH)	Wyden
Weber (OH)	Wilson	Wylie
Weiss	Winn	Yates
White	Wirth	Yatron
Whitehurst	Wolf	Young (FL)
Whitley	Wolpe	Young (MO)
Whittaker	Wortley	Zablocki
Whitten	Wright	Zeferetti

NAYS—3

Evans (IA)	McDonald	Ratchford

ANSWERED "PRESENT"—1

Ottinger

NOT VOTING—51

Annunzio	Evans (GA)	Mitchell (MD)
Anthony	Evans (IN)	Pepper
Applegate	Fish	Pritchard
Bolling	Foglietta	Pursell
Bonker	Goodling	Reuss
Chisholm	Hall, Sam	Richmond
Clausen	Hansen (UT)	Roberts (SD)
Clay	Hawkins	Rose
Coleman	Jeffords	Rosenthal
Cotter	Kindness	Savage
Crockett	LaFalce	St Germain
Daschle	Livingston	Stokes
de la Garza	Lundine	Tauzin
Dingell	Mattox	Wampler
Dornan	Mavroules	Washington
Dymally	McCloskey	Williams (MT)
Edwards (OK)	McKinney	Young (AK)

□ 1610

So the motion was agreed to.

The result of the vote was announced as above recorded.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 4035, with Mr. DANIELSON in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Monday, July 13, 1981, title I had been considered as having been read and open for amendment at any point. Pending was an amendment offered by the gentleman from California (Mr. DANNEMEYER), on which a recorded vote had been demanded.

Does the gentleman from California (Mr. DANNEMEYER) insist upon his demand for a recorded vote?

Mr. DANNEMEYER. Mr. Chairman, I withdraw my demand for a recorded vote.

Mr. Chairman, I ask unanimous consent to withdraw my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DANNEMEYER. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I would like to take this opportunity to amplify for the record why I took the action I did in offering an amendment and insisting on a recorded vote thereon during the session of the House on Monday, July 13, 1981. In so offering an amendment and demanding a recorded vote on it, the Committee of the Whole House was forced to rise, pursuant to the announcement that there would be no recorded votes on Monday, July 13, 1981.

I offered the amendment for two reasons—as stated at the time on the floor. First, I wanted to protect the right of Members to offer amendments to the bill. Second, I wanted to allow time to check on sketchy information provided me on the floor to the effect that the Interior appropriations bill is $600 million over the President's budget. Throughout all of this, I was acting as the designated minority party floor representative for the day.

On the first point, it was apparently the intention of the distinguished chairman of the subcommittee (Mr. YATES) to complete the bill on Monday, July 13. Clearly this would have precluded the offering of amendments by Members either not present on Monday or not prepared to offer such amendments at that time. It is clear to me that an honest misunderstanding as to the legislative program for the week was the source of difficulty. On Monday the subcommittee chairman quoted an exchange between the majority whip and the minority leader from the CONGRESSIONAL RECORD of Friday, July 10, 1981, wherein the majority whip indicated that it was the intention of the subcommittee chairman (Mr. YATES) to proceed with the bill should time permit. Whatever the intention of the subcommittee chairman or the majority whip might have been by that statement, it is evident this message was not similarly interpreted by more than just this Member from California. In fact, the RECORD of Friday, July 10, on page D835, carried the legislative program for the week of July 13, and notes under the heading for Monday that the House would consider general debate only on H.R. 4035, this Interior appropriations bill. Furthermore, I am aware of Members on both sides of the aisle who were expecting to see the bill further considered on Wednesday, July 15, or thereafter. I make these remarks on this first point for no other reason than to outline what I believe to be a defensible justification for putting the matter over beyond the session of Monday, July 13.

The second reason for offering the amendment and postponing consideration of the bill was the information brought to my attention that the bill is $600 million over the President's budget. I clearly indicated during the debate that I was not in a position to shed light on the accuracy or details of that contention at that point on Monday. Nonetheless, I had every confidence in the source of that information and acted accordingly. Since Monday's session, I have taken it upon myself to check into this matter further and make my findings available to the House for its consideration in reaching a judgment on the pending legislation. I am in receipt of a complete documentation from the Office of Management and Budget for the claim made on Monday, July 13, about the relation between the pending bill and the President's budget. While any comparison between the bill and the budget is subject to interpretation and assumptions about budget allocations, the financing of the strategic petroleum reserve and necessary future supplemental appropriations, the document is a solid work product that merits the attention of the House.

I ask unanimous consent to insert this document in the RECORD at the conclusion of my remarks. Should Members wish to review it before final consideration of the legislation, I have made copies available here on the floor at the minority desk.

Allow me to parenthetically note by way of concluding that I hope the House will carefully scrutinize each and every appropriations bill so that we do not do anything that would detract from the implementation of President Reagan's economic recovery program as adopted by the House with Gramm-Latta I and Gramm-Latta II.

Finally, I want to publicly thank my good friends, the gentleman from Illinois (Mr. YATES) and the gentleman from Pennsylvania (Mr. MCDADE) for their patience and understanding with regard to my actions in postponing the bill's further consideration on Monday, July 13. Under the circumstances, it was necessary and proper for the House to have the opportunity both to offer amendments at a later date and check into the reasons for the administration's position on this legislation. Explanatory material is included at this point.

ADMINISTRATION POSITION ON INTERIOR AND RELATED AGENCIES APPROPRIATIONS BILL FOR FISCAL YEAR 1982

First, the Interior appropriations bill as reported by the committee increases specific program requests of the President by approximately $600 million. Following is a program breakdown of increases made by the committee:

FISCAL YEAR 1982 BUDGET AUTHORITY

[In millions of dollars]

Program	Administration request	Congressional action	Change
Energy Conservation	195	273	+78
National Park Service	708	814	+106
Bureau of Indian Affairs	1,007	1,050	+42
National Endowment for Arts	88	158	+70
National Endowment for Humanities	85	144	+59
Youth Conservation Corps (USDA)	.....	20	+20
All others	5,251	5,368	+117
Total	7,334	7,827	+493

In addition, the Congress, in passing the 1981 supplemental appropriations bill, rejected Interior-related rescissions totaling $107 million, and passed in lieu thereof deferrals of these funds to fiscal year 1982. To attain the budget levels implied by the Presi-

dent's March budget, the committee would need to have made a further $107 million reduction in fiscal year 1982 budget authority.

Second, the outlay impact of the specific program additions made by the committee beyond those recommended by the President is to add $295 million to outlays in fiscal year 1982. An additional $152 million would be added to outlays in fiscal year 1983; $34 million more would be added in fiscal years 1984-86. Following is a breakdown of the outlay effects of these program increases:

[In millions of dollars]

Program	Fiscal year outlays—		
	1982	1983	1984
Energy Conservation	+59	+19	.....
National Park Service	+53	+35	+18
Bureau of Indian Affairs	+34	+9	.....
Endowment for Arts	+34	+31	+5
National Endowment for Humanities	+31	+24	+4
Youth Conservation Corps (USDA)	+18	+2	.....
All others	+66	+32	+7
Total	+295	+152	+34

Third, the committee proposes to offset these budget authority and outlay increases by reducing the administration request for the strategic petroleum reserve by $500 million. The committee report indicates that this reflects a decision of the committee to reduce fiscal year 1982 oil purchases to 70 million barrels from the administration level of 137 million barrels. This fill rate is unacceptably low to the administration and we remain committed to the higher fill rate implied in the original budget request.

If, on the other hand, the committee reduction was intended to reflect new oil price estimates for requested purchases of 137 million barrels in fiscal year 1982, the administration still objects to the committee treatment of this $500 million windfall savings. The committee has treated these moneys as revenue to increase funds for other programs instead of holding this economic windfall in reserve in case of future price changes or other offsetting estimating errors that work against the budget.

Even if the strategic petroleum reserve (SPR) savings—outlays of $200 million in fiscal year 1982 and $300 million in fiscal year 1983—are inappropriately applied to other programs the SPR outlay savings do not offset the outlay effects of the program additions made by the committee. Fiscal year 1982 outlays would be increased by a net $95 million in fiscal year 1982 over the level implied by the administration request.

Fourth, further, the President's budget includes a general allowance for likely pay increases and the committee has apparently not established an Interior and related agencies contingency fund for this purpose. Current estimates are that the October 1 pay increase will require approximately $70 million in fiscal year 1982 budget authority. The administration recommends that the committee set aside this amount instead of committing these funds as new moneys to ongoing program activities.

□ 1620

AMENDMENT OFFERED BY MR. LUJAN

Mr. LUJAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUJAN: On page 2 after line 15, insert the following new paragraph:

"PAYMENTS IN LIEU OF TAXES

"For expenses necessary to carry out the provisions of Public Law 94-565, including administrative expenses, $100,000,000, to remain available until expended.".

POINT OF ORDER

Mr. YATES. Mr. Chairman, I make a point of order before the Chair recognizes the gentleman.

The CHAIRMAN. The gentleman from Illinois will state his point of order.

Mr. YATES. The point of order I make against the amendment is that it constitutes legislation on an appropriations bill, which is prohibited by clause 2 of rule XI. The language proposed by the gentleman is "to remain available until expended." That phrase is not authorized by the basic legislation.

Section 7 of Public Law 94-565 states:

There are authorized to be appropriated for carrying out the provisions of this Act such sums as may be necessary, provided that notwithstanding any other provision of this Act, no funds may be made available except to the extent provided in advance in appropriation acts.

Therefore, the funds are not to be made available until expended. There are ample precedents in the House that support the point that inclusion of the phrase "to remain available until expended" is legislation unless the authorizing legislation permits that availability.

For that reason, I ask that the point of order be sustained.

The CHAIRMAN. Does the gentleman from New Mexico (Mr. LUJAN) wish to be recognized in opposition to the point of order?

Mr. LUJAN. Yes, I do, Mr. Chairman.

The CHAIRMAN. The gentleman is recognized.

Mr. LUJAN. Mr. Chairman, as the chairman of the subcommittee knows, the payment in lieu of taxes program is an ongoing program. There is no intent to legislate in this particular manner.

What we are trying to do is to put in the funds to carry out the payment in lieu of taxes program which is already an authorized program. There is no intent to add any kind of legislative language; simply an attempt to fund the program as it is now authorized.

The CHAIRMAN. Does the gentleman from Illinois (Mr. YATES) have anything further to argue?

Mr. YATES. Mr. Chairman, I just want to reiterate what I said, and point out the gentleman from New Mexico (Mr. LUJAN) did not address himself to the question of funds to remain available.

The CHAIRMAN (Mr. DANIELSON). The Chair has heard the arguments and is prepared to rule, and does now rule.

The point of order will be sustained.

Section 7 of the authorization law provides only that, "There are authorized to be appropriated for carrying out the provisions of this Act such sums as may be necessary." That is the end of the authorization. There is nothing relative to remaining available until expended.

The point of order is sustained.

PARLIAMENTARY INQUIRY

Mr. LUJAN. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state his parliamentary inquiry.

Mr. LUJAN. Mr. Chairman, it seems that the problem is with the words "until expended." Is it in order for me at this time to offer an amendment without that particular wording?

The CHAIRMAN. If and when offered, the Chair will examine that amendment.

AMENDMENT OFFERED BY MR. LUJAN

Mr. LUJAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LUJAN: On page 2 after line 15, insert the following new paragraph:

"PAYMENTS IN LIEU OF TAXES

"For expenses necessary to carry out the provisions of Public Law 95-565, including administrative expenses, $100,000,000."

Mr. LUJAN. Mr. Chairman, I rise today to offer this amendment on behalf of myself and the gentleman from Utah (Mr. MARRIOTT). I want to be sure that everybody understands, because Mr. MARRIOTT and I circulated "Dear Colleague" letters and it is the same amendment that we were both talking about.

Mr. Chairman, I offer this amendment on behalf of myself and Mr. MARRIOTT of Utah.

This amendment concerns the payment in lieu of taxes program commonly known as PILT. There are several points which should be made about the PILT program.

First, PILT was enacted into law in 1976 after extensive negotiations between Democrats and Republicans on the Committee on Interior and Insular Affairs. I think we came up with an exceptional program. PILT provides a means of returning tax dollars directly

to county governments without going through the usual bureaucratic maze that surrounds most of the Federal programs. The cost of administering PILT is less than 1 percent of the program's total costs. PILT is a way of compensating county governments for the loss of tax revenue they have incurred due to the ownership of Federal land within their jurisdiction. A formula is used to determine how much money is to be returned to each county government, depending on the amount of Federal land in the county, the population of the county, and so on.

In 1980, $103 million was returned to county governments all over the Nation. A breakdown of these payments by State is:

BREAKDOWN OF PAYMENTS BY STATE

[Amounts in dollars]

State	1980 payments	Lujan proposal
Alabama	116,189	112,238
Alaska	4,141,650	4,000,834
Arizona	7,729,636	7,466,828
Arkansas	1,646,593	1,590,609
California	11,651,308	11,255,163
Colorado	7,621,687	7,362,550
Connecticut	4,936	4,768
Delaware	4,919	4,752
District of Columbia	5,112	4,938
Florida	2,069,538	1,999,174
Georgia	792,044	765,114
Hawaii	38,783	37,464
Idaho	6,810,016	6,578,475
Illinois	327,008	315,890
Indiana	319,367	308,508
Iowa	128,712	124,336
Kansas	352,781	340,786
Kentucky	747,211	721,806
Louisiana	136,347	131,711
Maine	51,568	49,815
Maryland	147,020	142,021
Massachusetts	158,885	153,483
Michigan	1,633,784	1,578,235
Minnesota	1,496,104	1,445,236
Mississippi	433,291	418,559
Missouri	1,045,704	1,010,150
Montana	8,201,080	7,922,243
Nebraska	333,882	322,530
Nevada	5,279,663	5,100,154
New Hampshire	301,672	291,415
New Jersey	160,430	145,975
New Mexico	9,735,786	9,404,769
New York	127,128	122,806
North Carolina	908,117	877,241
North Dakota	580,256	560,527
Ohio	426,567	412,064
Oklahoma	796,486	769,405
Oregon	2,820,079	2,724,196
Pennsylvania	501,414	484,366
Rhode Island	1,497	1,446
South Carolina	100,339	96,927
South Dakota	1,880,429	1,816,494
Tennessee	661,116	638,638
Texas	1,321,505	1,276,574
Utah	8,270,714	7,989,510
Vermont	137,135	132,472
Virginia	1,487,820	1,437,234
Washington	1,476,732	1,426,523
West Virginia	809,549	782,024
Wisconsin	746,179	721,099
Wyoming	6,803,410	6,572,094
Puerto Rico	16,983	16,405
Virgin Islands	20,787	20,080
Guam	230	222
Total	103,517,178	100,000,000

Mr. Chairman, county governments in all 50 States receive payment-in-lieu-of-taxes payments. County governments in California receive over $12.7 million; in Florida, $2 million; in New Mexico, $9½ million; Colorado, $7½ million; Michigan, over $1.6 million; Missouri, over $1 million. Unfortunately Mr. Chairman, I do not have the time to mention every State.

President Reagan did not request that this program be terminated. County governments all over the Nation plan on these funds.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from Illinois.

Mr. YATES. How much money did President Reagan request in his budget for this?

Mr. LUJAN. In the original budget it was $45 million.

Mr. YATES. That is correct, and the gentleman's amendment goes twice as far as President Reagan's request, does it not?

Mr. LUJAN. That is correct. The reason for that is that we reduced funds in other programs in order to increase this particular one.

Some counties, Mr. Chairman, rely on PILT for a majority of their operating expenses, and that is why they are so important. We have one county in New Mexico, for instance, Otero County, and I am sure many all over the Nation, in which PILT represents 77 percent of the general fund operating expenses.

So a loss of PILT payments would probably mean higher local taxes.

Mr. Chairman, the argument has been made that PILT should be ended because of the increase in royalty payments to States under the Mineral Leasing Act. Mineral leasing royalty payments have not gone up as far as expected. In New Mexico—and I use my own State as an example—these payments have only gone up 8.3 percent. The increase in these payments over the last year would not equal the PILT payments New Mexico would receive. Adjustment to the PILT formula can be made to take an increase in mineral leasing royalty payments into consideration, but PILT payments should not be totally eliminated.

Mr. Chairman, I urge the adoption of this amendment. Local county governments are counting on it and we specifically included funding for it in the recently passed budget resolution.

Mr. CLINGER. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from Pennsylvania.

Mr. CLINGER. Mr. Chairman, there are many counties, I would point out to the gentleman, where the oil, gas, and mineral rights are not owned by the Federal Government, so if the PILT is taken away, those counties would receive no makeup in terms of mineral reimbursement because the OGM rights are not owned by the Federal Government.

Mr. LUJAN. That is correct. I would say to the gentleman that part of the rationale for reducing PILT payments has been because of the additional increase that would come because of the windfall profit tax. That is correct.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I thank my friend, the gentleman from New Mexico (Mr. LUJAN), for yielding.

I will be glad to support the gentleman's amendment, but I would like to point out to the gentleman that in my own constituency we have communities where, because of our proximity to New York, we have large numbers of embassies and other tax-exempt properties owned by foreign governments that take a large proportion of the taxable property off the tax roles for various purposes. It is a situation that is very similar to this situation. In the city of New Rochelle, N.Y., the total assessed valuation of properties exempt from taxes because of foreign diplomatic ownership is $943,050 which represents a rather significant portion of New Rochelle's total assessed valuation of $390,404,771. If taxes were being levied on these properties, New Rochelle would receive an additional $41,216 to finance its essential services. The school district would receive an additional $66,334 and Westchester County would collect an added $18,700. Similar losses in potential tax revenue exist throughout my district—Mount Vernon—$30,900; Mamaroneck, $19,230; Pelham, $73,550.

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. LUJAN) has expired.

(On request of Mr. OTTINGER, and by unanimous consent, Mr. LUJAN was allowed to proceed for 2 additional minutes.)

Mr. OTTINGER. Mr. Chairman, I would hope that in continuing this attempt to resolve the problems that the gentleman has with Federal lands the gentleman would support me, and I hope we might eventually have the support of the Committee on Appropriations in obtaining compensation for this type of Federal activity as well.

Mr. LUJAN. Mr. Chairman, I will tell the gentleman from New York (Mr. OTTINGER) that I do sympathize with him because he has the same problem. They have to offer the services, and yet there is no compensating income for it. It is on the same basis that we propose to add this money in that would be in lieu of payment from taxes.

Mr. LAGOMARSINO. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from California.

Mr. LAGOMARSINO. Mr. Chairman. I thank the gentleman for yielding, and I want to commend him for offering this amendment.

It seems to me the rationale behind the reason this law was enacted in the first place is still here; it has not gone

away. All the reasons for it are still existing.

For example, counties still have the cost of service, the cost of the police, fire departments, and so on, relating to the lands owned by the Federal Government. I think that it makes sense that the formula be revised. However, we cannot do that in an appropriation bill; we can do that later. This can be rewritten.

But, Mr. Chairman, I think in the meantime the gentleman's amendment is one that should be adopted and one that the counties and States have been relying on. I think they are entitled to continue to rely on it, and I hope the amendment is adopted.

Mr. LUJAN. Mr. Chairman, the gentleman is correct. I would like to respond to the changing of the formula. I think that is something that will come along later on, but at the moment we do not have the opportunity to revise the formula. The only opportunity we have now is to put the money in.

Mr. VOLKMER. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to my friend, the gentleman from Missouri.

Mr. VOLKMER. Mr. Chairman, I remember that we discussed this matter previously in the committee, but my concern right now is that, with the amount that is in the gentleman's amendment as against what is already in the bill and all the other programs, the bill now gets up over $90 million over the budget. Now, where do we get this $93 million or whatever it is?

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. LUJAN) has expired.

(On request of Mr. VOLKMER, and by unanimous consent, Mr. LUJAN was allowed to proceed for 2 additional minutes.)

Mr. LUJAN. Mr. Chairman, it is my understanding—and we might check with the chairman of the subcommittee, and as a matter of fact, I think there was some correspondence from the chairman of the subcommittee—for example, as I researched putting in the additional $100 million, that there is a leeway of some $200 million in the overall appropriation figure.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the chairman of the subcommittee.

Mr. YATES. Mr. Chairman, I will tell the gentleman that as I explained to the House when the bill was up originally, this bill is $7 million under the President's budget at the present time. It is approximately $3 billion over the section 302 allocations of the budget bill, but the reason that it is $3 billion over the allocation of the budget bill is because we provided approximately $3.4 billion for funding the strategic petroleum reserve.

If both the House and the Senate budget bills provided for funding of the strategic petroleum reserve but did so off budget, there is no vehicle for accepting it off budget at the present time, and because of the importance of funding the reserve, we placed it in our bill. If that strategic petroleum reserve were not funded here, the bill would be approximately $191 million below the section 302 allocations.

I think that is what the gentleman was referring to when he said that there would be ample funds. But I point out to the gentleman that even though we would be within the section 302 allocations without the strategic petroleum reserve, at the $191 million minus figure, the gentleman's amendment would raise this bill above the President's budget by approximately $93 million, and that is one of the reasons I think the House should consider whether it ought to approve the gentleman's amendment.

Mr. LUJAN. Mr. Chairman, did the gentleman not say that taking into consideration the section 302 allocation, we would then be $191 million under the budget?

Mr. YATES. Under the section 302 allocations of the Budget Act. But that is a separate instrument from the budget that was filed out of the Office of Management and Budget as the President's budget.

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. LUJAN) has again expired.

(On request of Mr. YATES, and by unanimous consent, Mr. LUJAN was allowed to proceed for 1 additional minute.)

Mr. YATES. Mr. Chairman, if the gentleman will yield further, ordinarily what the Appropriations Subcommittees do with their bill is to make two references. One is to the section 302 allocations, which is the sum given to us under the congressional budget process; and also we must look to the budget that Mr. Stockman and OMB have given to the Congress. We are now $7 million below that budget in this bill.

If the gentleman's amendment is accepted, we will then be $93 million over the President's budget.

Mr. LUJAN. Mr. Chairman, perhaps the gentleman could further explain that on his own time.

The $100 million was included in reconciliation and has been the subject of consideration, except now for the Appropriations Committee, and for every other committee that has dealt with the question of payment in lieu of taxes it has always been taken into consideration that we have $100 million in there. In the committee reauthorization, in the reconciliation, in all of them, we have always had the $100 million in there for payment in lieu of taxes, and maybe the gentleman could then tell us where he put that money.

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. LUJAN) has again expired.

(On request of Mr. OTTINGER, and by unanimous consent, Mr. LUJAN was allowed to proceed for 2 additional minutes.)

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, because this is important on the amendment that I will offer afterward, I would like to point out that both the House and the Senate, in the Budget Committees and in the respective Energy Committees, have taken SPRO off the budget, so that $193 million ought to be available without any serious argument.

I grant to the chairman of the Interior Subcommittee that we would be above President Reagan's submitted budget, but what we are governed by here in the House is what we passed in the House, not what was originally submitted in our budget. We ought to be all right as long as we stay within the budget reconciliation figures that have been adopted by both Houses.

Mr. LUJAN. Mr. Chairman, I thank the gentleman from New York (Mr. OTTINGER) for that explanation.

Mr. MARRIOTT. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from Utah.

Mr. MARRIOTT. Mr. Chairman, I think that is a very valuable point.

We met today in the conference committee in the Senate on reconciliation of the budget, and all the conferees agreed that we ought to add $100 million in. So the subcommittee chairman is correct regarding the President's budget, but the House and Senate reconciliation budgets have the $100 million in them. So this is not a violation of any budget that the House has proposed.

Mr. LUJAN. There is no question about that.

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. LUJAN) has again expired.

(On request of Mr. RUDD, and by unanimous consent, Mr. LUJAN was allowed to proceed for 2 additional minutes.)

Mr. RUDD. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I am glad to yield to my friend, the gentleman from Arizona.

Mr. RUDD. Mr. Chairman, I rise in support of the amendment offered by my colleague from New Mexico (Mr. LUJAN) to restore the $100 million for payment-in-lieu of taxes which was included in the budget for the coming fiscal year. This program is exemplary in that it recognizes the responsibility of the Federal Government to compensate local governments deprived of

a tax base by tax-exempt Federal lands, and returns the funds to these governments without bureaucractic redtape. Because of the direct nature of these payments, the program operates with under 1-percent overhead.

In Arizona, where more than 70 percent of the land is federally owned, county governments are very dependent on this source of revenue. The argument that counties are otherwise compensated by the development of resources on these lands does not hold water. The fact is that the development of these resources greatly increases the demand on, and the cost of county services. I urge my colleagues to support this amendment as the most equitable means of fulfilling the Federal Government's responsibility for the support of Federal lands.

Mr. SIMON. Mr. Chairman, will the gentleman yield?

Mr. LUJAN. I yield to the gentleman from Illinois.

Mr. SIMON. Mr. Chairman, I rise in support of the gentleman's amendment.

I would just point out to the committee that in my district we have the Shawnee National Forest, and Pope County has 40 percent of its landmass covered by the Shawnee National Forest. Until the gentleman and Mr. Frank Evans from Colorado and I and a great many others were able to pass the payment in lieu of taxes, this county was literally about to go bankrupt. They could not borrow money. The State authorized them to issue bonds, but nobody would buy the bonds.

Finally the county, with only 3,800 people, is now in the black.

I think that we as the Federal Government, have some responsibility there, and it seems to me that with this small amount of money, this is just the kind of thing that we ought to be doing.

So, Mr. Chairman, I am pleased to join the gentleman from New Mexico (Mr. LUJAN) in support of his amendment.

□ 1640

Mr. LUJAN. I thank the gentleman for those words, he is exactly correct. Any property that any Member of this House or in this country owns they have to pay taxes on it. It is the beginning of an equalization of the Federal Government, which does not pay taxes, to pay a little toward the furnishing of the services that must be furnished by county government because of the ownership of that land.

Mr. WEAVER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I, as the author and manager in the House of the payments in lieu of taxes legislation in my first term in the Congress, the 94th Congress, was very proud to have pushed this legislation through and seen it enacted, and it was designed primarily to compensate counties within which Federal rangelands existed, albeit we broadened the bill to include various eastern parks and other eastern lands.

The idea that we do already have payments in lieu of taxes on our forests and on our mineral resources justly compensated lands in the west primarily with those revenues.

But the rangelands virtually paid nothing to the county in which they existed and yet the county was obligated for certain police protection, for rescue services, for many other services, that involved these lands.

So we set a maximum of 75 cents an acre on any such land and we also very carefully deducted any revenues from timber sales, or minerals, mineral royalties, from the moneys paid in lieu of taxes under this bill so the county did not get a double revenue from the Federal Government.

I will say this: I support very much the amendment that will restore the funds to the bill. The counties have made a commitment now for 6 years that this money is coming in, the counties are counting on it, they have it allocated, they need it, but there are several discrepancies that should be reformed in this bill, and I note that the gentleman from New Mexico mentioned that he, too, was interested in some reform, in particular, the Utah situation where the moneys are paid through the State for the schools.

This should be remedied and there are several other areas where the bill should be reworded and I say to the gentleman from Illinois, the distinguished chairman of the committee, that I would hope to offer these amendments.

A GAO study is being completed now on what the effect of the amendments that I will propose would be and that we will probably be able to reduce the amounts of money by some $10, $20, or $30 million, and making it much more palatable I would hope to the Appropriations Committee.

But believe me, this is a commitment to the counties. It has been made now for 6 years. I was proud to be the author of this legislation, and manage it in the House and I would hope that the House would continue that commitment by putting it in the bill today.

Mr. KOGOVSEK. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Colorado.

Mr. KOGOVSEK. I thank the gentleman for yielding and I commend him for his remarks.

I commend the gentleman from New Mexico (Mr. LUJAN) for the motion that he is making.

As the gentleman from Oregon (Mr. WEAVER) has said, all too often we forget we have a commitment to the counties that are generally in the Western States. All too often I think we forget that it is actually the county residents through the county commissioners who are taking care of the police protection on Federal lands, and fire protection on Federal lands.

There are a lot of Federal problems at local expense and I think the payment in lieu of tax legislation made sense several years ago, it makes more sense now, especially since Congress is in the budget cutting mood that it is in we are going to find ourselves in all too many cases actually balancing the Federal budget and unbalancing every local budget.

I think that the local county commissioners at this time need the money more than ever and deserve it.

Mr. WEAVER. I thank the gentleman and conclude by saying that the person who introduced the bill into the Congress, the Member who did, was the gentleman's predecessor in his district from Colorado, Congressman Frank Evans, who was a member of the Interior Appropriations Committee at that time.

Of course, I am sure he still strongly supports the bill.

Mr. MARRIOTT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of this legislation that I have cosponsored with my good friend from New Mexico (Mr. LUJAN). That PILT, payment in lieu of tax, in fact, is payments to counties for losses of revenue from Federal lands. This money makes up 50 to 75 percent of the general operating budget of most of these counties. It goes for roads, fire protection, ambulance services, law enforcement, jails, sheriffs, sewer improvements, hospitals, et cetera.

The average county in America gets about 22 cents an acre, and I think that the 94th Congress was right when they said the Government has an obligation to provide these funds. To terminate PILT now would cripple many of the smaller units of government. I think PILT is basically block grants in its truest form. Very little, if any, waste, and of course, all of it goes where it can do the most good.

In many cases PILT is the only money that many of these counties get.

Regarding the cost of PILT, the figure that we are restoring in the bill is $100 million. It is well within the budget, because we actually have $191 million to play with. This $100 million is the same level it was in 1979, 1980, and 1981. This $100 million for PILT has been approved by the House Senate budget reconciliation conference. It has been approved by the House Interior Committee, which really ought to have jurisdiction and

does have jurisdiction over PILT. It is favored by the chairman of the Committee on Appropriations, the gentleman from Mississippi (Mr. WHITTEN), who personally endorses the program and, of course, the entire Senate and the Senate committees will not pass any bill out that does not have PILT in it, and I believe the administration favors it even though it is a lower level.

If I could just make a comment to the chairman of the committee, because I think there is a point that needs to be at least addressed in a colloquy.

The administration is working on a new formula, but I think it is important that we see what that formula is before we start knocking PILT out of the appropriations bill.

This formula does have some serious gaps in it, serious flaws, and that is the reason that we do not have it before us now.

There are some administrative problems with PILT. There are some improprieties, I am sure, with some of this.

But I think there is a question that we might want to ask the States, and that is, Why are the States not sharing more of their mineral leasing revenues with the counties? So there is a need for review and a need for consolidation.

But we ought to be punishing the States if we are going to punish somebody, not the counties.

This PILT is the only money that many of the counties get. I think a correlation might be made between this and the welfare system. If we see a problem in food stamps, for example, we do not cut out aid to families with dependent children, we address the problem, and I think there is room to consolidate and look at all this, but I think it is totally unfair to penalize the counties, to take away their money because we think maybe the States are getting too much and are not willing to share with the counties.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. MARRIOTT. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, why does not the gentleman turn to his State legislature and his State government in order to get payment? The Mineral Leasing Act alone has doubled the receipts paid to the State of Utah, and does the gentleman know what the State of Utah conveys to the counties under this Mineral Leasing Act? The State passes through 2 percent of the amount it receives under the Mineral Leasing Act goes to the counties.

Why does not more go to the counties?

Mr. MARRIOTT. If the gentleman will let me explain, the payments from mineral leasing to the States were in existence long before PILT came along.

Mr. YATES. If the gentleman will yield further, the intent of the Mineral Leasing Act was for the money to be paid to the counties. If the gentleman reads the basic legislation, it says that the money was to go to the counties.

Mr. MARRIOTT. It is interesting to note that only 3 States of our 50 States pay moneys back to the county. It has never been understood by the States that they had to pay this money to the county.

The CHAIRMAN. The time of the gentleman from Utah (Mr. MARRIOTT) has expired.

(By unanimous consent, Mr. MARRIOTT was allowed to proceed for 2 additional minutes.)

Mr. MARRIOTT. The facts are payment in lieu of taxes was put on top of the other payments so that money would go directly to the counties.

The point I would like to make is if we have problems with the States, and we have problems with these other mineral revenue dollars, why do we not do something about that? Why do we penalize the counties for problems that we have with the States. I think that is the point.

Mr. YATES. If the gentleman will continue to yield, why is the gentleman saying we penalize the counties? The States are the ones that are penalizing the counties. The Federal Government is making the payment to the States.

□ 1650

It is the States that should be conveying the payments to the counties, not the Federal Government. Would the gentleman rather the money went directly to the counties? Then amend the Mineral Leasing Act to do that.

Mr. MARRIOTT. But I contend that we ought to deal with the Mineral Leasing Act and not PILT. PILT is going to the counties. We know the counties are getting it. Let us go back and amend the Mineral Leasing Act and see to it that they get that.

Mr. YATES. Would the gentleman yield further? Would the gentleman favor not paying the receipts under the Mineral Leasing Act to the States then?

Mr. MARRIOTT. I would be in favor of reviewing and analyzing the entire payment situation, but not penalizing the counties because we have a problem with the States.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. MARRIOTT. I would be happy to yield.

Mr. LUJAN. The gentleman has made an interesting point in that there perhaps needs to be some revision of the formula for payment in lieu of taxes. We are going to be looking into that and I think that that formula would be revised, but I think it is premature to cut out all the money, because as a matter of fact what is coming to the States under the windfall profit tax, I know in the case of the State of New Mexico, is about a 10-percent increase. That is about the increase that is coming in. We are cutting out 100 percent of the payment in lieu of taxes.

Now, while saying that we should review the formula, and I think that we probably should, but I think we ought to put in this amount there so that it can go to conference and then it becomes a conferenceable item and then the conference can set it at a little different level than the $100 million. I am not wedded to the $100 million figure.

The CHAIRMAN. The time of the gentleman from Utah has expired.

(At the request of Mr. LUJAN, and by unanimous consent, Mr. MARRIOTT was allowed to proceed for 2 additional minutes.)

Mr. LUJAN. Mr. Chairman, if the gentleman will yield further, I do believe that it is foolish to go ahead and cut out the entire program without a good review of what the effects are going to be.

Some counties, as the gentleman from Illinois, the chairman of the subcommittee, knows, do not have any minerals under the surface and this payment in lieu of taxes pays taxes on the surface acreage. The gentleman is talking about what comes into the State under the Mineral Leasing Act, so some counties do not have the Mineral Leasing Act.

Mr. MARRIOTT. I might just make a point that if we eliminate PILT, the only people who will suffer will be the small cities, the small counties, the small people. The States are not going to turn money back to the counties. They have got that all allocated.

Why are we hurting the counties because we have a gripe with the State?

I think the chairman, the ranking Republican on our committee, makes a very good point.

Mr. CRAIG. Mr. Chairman, will the gentleman yield?

Mr. MARRIOTT. I would be happy to yield to the gentleman from Idaho.

The CHAIRMAN. The time of the gentleman from Utah (Mr. MARRIOTT) has again expired.

(At the request of Mr. CRAIG, and by unanimous consent, Mr. MARRIOTT was allowed to proceed for 2 additional minutes.)

Mr. CRAIG. Mr. Chairman, I rise in support of the amendment offered by my colleagues, the gentleman from Utah and the gentleman from New Mexico.

Mr. Chairman, certainly the point made by my colleague, the gentleman from Utah, about the ability of a county at this stage to be able to provide the ongoing services that provide

base support to the public lands within them, I think is key and critical.

I suspect that a lot of people really do not recognize the role that counties play, large public lands counties, in providing roads and some fire protection, and in almost all cases, police protection and general caretakership of large tracts of public land. This is a way of extending to these counties some limited, and as it is very limited amounts of money, to continue to offer these services.

I would have to concur. I have no problem in reexamining the formula to allow some of the revenues from the resources on those lands to be able to flow directly back to the counties; but at this time those resources are authorized. We have a commitment that I think this Congress well ought to support.

I commend the gentleman from Utah and my colleague, the gentleman from New Mexico, for offering this amendment.

Mr. Chairman, Public Law 94-565, the Payment in Lieu of Taxes Act (PILT) passed the Congress in 1976. It authorizes minimum payments to counties to partially compensate them for the tax immune burden of natural resource lands in their jurisdictions. These lands include: national forests, national parks, wilderness areas, wildlife refugees, Bureau of Land Management (BLM) lands, and Corps of Engineers and Bureau of Reclamation lands. Over 1,500 counties receive payments.

Large holdings of tax-exempt Federal lands, particularly in the West, deprive counties of a viable tax base. PILT funds partially offset this tax loss. Counties budget for and place PILT payments in their general funds. They would have to raise property taxes or reduce services to offset PILT reductions. In reality, counties cannot increase property taxes to absorb PILT losses. For example, proposition 13 severely limits increases in California, and Arizona recently imposed a 2-percent ceiling on property tax increase. In my own State of Idaho, we have a 1-percent initiative which limits property taxes to 1 percent of market value. So many counties would be forced to reduce services drastically, especially in rural areas.

PILT reductions will impede counties in the inflation battle. By State law they must have balanced budgets. They have no lower level government with whom to share the fiscal burden. If PILT payments fluctuate, especially in counties where they exceed 10 or 20 percent of the budget, there is no way to make up revenue shortfalls.

In the 11 Western States the PILT payments amounted to $77 million for fiscal year 1980. As you can see, we are not talking about a small sum. The States with a smaller population but having large Federal landholdings within their borders will be impacted greater over States who have a larger population base and larger tax base.

PILT is an extremely successful Federal program. Its overhead rate is under 1 percent, and allows for local control of funds with no bureaucratic redtape. It is not a categorical grant program, but a commitment by the Federal Government to be a good neighbor and pay its taxes like any other property owner.

Mounting frustration, like arbitrary Federal management of the public lands without consideration for those who live on and use those lands, has given rise to the "sagebrush rebellion." Cutting a program of such critical importance would be perceived as another Federal betrayal of any real partnership with or commitment to the West. Such action would generate intense political ill will not justified by the dollars saved.

Mr. Chairman, I appreciate the opportunity to come before this body and speak about the problems the West encounters from its vast Federal landholdings. Again, I would like to request that in this spirit the Congress include adequate funding for PILT in the 1982 budget.

Mr. MARRIOTT. Mr. Chairman, I thank the gentleman.

I urge all my colleagues to support this amendment. It is equitable. It is fair for the counties, and we will get around to changing the formula and solving the problems another day, but let us not do it now at the expense of the small units of government.

Mr. YATES. Mr. Chairman, I move to strike the requisite number of words. I rise in opposition to the amendment.

I must say that I find somewhat amusing the gentleman's statement that we will get around to revising that formula another day. I look forward to that day, Mr. Chairman. I do not think it will come within the near future. I think the States are too happy with the payments that are being made under PILT.

My friend, the gentleman from New Mexico (Mr. LUJAN), talked about the counties not getting any money. Apparently there are some counties that do not get any money.

I refer the gentleman from New Mexico (Mr. LUJAN) to San Juan County in his own State. San Juan County in his own State receives almost $29 million—or they would receive $29 million if the mineral receipts were passed through by the State. That one county would receive $29 million if it were passed through by the State of New Mexico.

And what does the State of New Mexico pass through to the counties? Two percent of what it receives.

The same thing is true with respect to the State of Utah. The State of Utah receives an enormous amount in mineral receipts. And what does it pass through to the counties? Three percent of what it receives it passes through to the counties.

So I say to both gentlemen, the answer is not with the Federal Government. The Federal Government is meeting its commitments. The Federal Government is making its payments under the Timber Receipts Act, under the Mineral Leasing Act, under nine other acts that were passed originally as payment in lieu of taxes legislation.

It was thought desirable that the Federal Government make these payments to the States and to the counties which are the ones that are affected by the minerals that are being taken out of the States. It was thought that they ought to receive payment, but the States, even under the payments in lieu of taxes legislation, can by appropriate changes in the law make sure the counties do not get the receipts.

So the gentleman's redress is to the State capitals, not to the Federal Government.

I must say in passing that I am surprised at the gentlemen. The Reagan administration has talked about taking the emphasis away from Federal payments and giving the responsibilities to the States. The gentlemen voted for both Gramm-Latta I and Gramm-Latta II. The purpose of those was to send the responsibility back to the States. Why do not the gentlemen look for redress in the State capitals, rather than here?

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman.

Mr. LUJAN. Mr. Chairman, I would tell the gentleman first of all in regard to Gramm-Latta I and Gramm-Latta II that the $100 million payment in lieu of taxes figure was in there. Now, the gentleman keeps referring back to the Mineral Leasing Act. Of course, the States get money from the Mineral Leasing Act, but that was there way before the payment in lieu of taxes program came in.

Mr. YATES. Of course it was, but the purpose was the same.

Mr. LUJAN. Well, it may have been at that time. I was not here in the Congress at the time.

Mr. YATES. Well, let me reclaim my time while I read the gentleman the law. Let me read to the gentleman what the Mineral Leasing Act says: I read from "Title 30—Mineral Lands and Mining," section 191:

§ 191. Disposition of moneys received

All money received from sales, bonuses, royalties, and rentals of the public lands under the provisions of this chapter and the Geothermal Steam Act of 1970 [30 U.S.C. 1001 et seq.], notwithstanding the provisions of section 20 thereof [30 U.S.C. 1019], shall be paid into the Treasury of the

United States; 50 per centum thereof shall be paid by the Secretary of the Treasury as soon as practicable after March 31 and September 30 of each year to the State other than Alaska within the boundaries of which the leased lands or deposits are or were located—

Listen to this, I say to the gentleman:

said moneys paid to any of such States on or after January 1, 1976, to be used by such State and its subdivisions, as the legislature of the State may direct giving priority to those subdivisions of the State socially or economically impacted by development of minerals leased under this chapter, for (i) planning, (ii) construction and maintenance of public facilities, and (iii) provision of public service * * *

Now, if that is not a direction to the State legislatures, which they are not complying with, I do not know what is. I do not know why the gentleman insists on turning to the Federal Government for payment.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I am delighted to yield to my friend, the gentleman from New Mexico.

Mr. LUJAN. I am not turning to the Federal Government for help. That is a program that exists right now.

I wish the gentleman would tell me, what will the gentleman do in the case of national parks, where there is no mineral production or no timber production?

The CHAIRMAN. The time of the gentleman from Illinois (Mr. YATES) has expired.

(By unanimous consent, Mr. YATES was allowed to proceed for 5 additional minutes.)

□ 1700

Mr. LUJAN. Will the gentleman continue to yield?

Mr. YATES. Of course.

Mr. LUJAN. What does the gentleman do in the case where there is a national park, where there is no mineral or timber production, in the case of a wilderness where there can be no production?

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from Pennsylvania (Mr. McDADE).

Mr. McDADE. I thank the gentleman for yielding. My distinguished colleague from New Mexico, who argues this matter so ably, asks an important question. We ought to tell him how much is in the budget for the National Park Service for operation and maintenance, for roads, for policemen, for health and safety. There are hundreds of millions of dollars.

Mr. YATES. Hundreds of millions.

Mr. McDADE. And if we were to include the U.S. Forest Service, there is over $2 billion in those two agencies, much of which is maintenance, which we appropriate to make sure that those publicly owned properties are properly cared for.

The chairman is absolutely correct on this item, and I want to commend my colleagues from Arizona, New Mexico, indeed Utah. They have argued this very ably, as, indeed, they are quite capable of doing. But the House ought to be aware of the fact that what we are doing here, if we adopt this amendment, as the chairman has pointed out, is exceeding the budget by $55 million over what the President has sent to us. This is most important for the Members to be aware of.

Some time ago, the administration sent to the Interior Committee legislation to try to correct many of the inequities which my colleague from Illinois (Mr. YATES) has pointed out exist in this program. He talked about the 2 percent and 3 percent passback from the States. That is what the administration wants corrected. We have seen no such legislation. It has not come to this floor.

Let us not now throw good money after bad. Let us not bust this budget with the first amendment that we are going to vote on today. Let us reject this amendment and let us take this bill to conference. My chairman is absolutely correct.

Mr. YATES. Let me tell the gentlemen what Secretary of the Interior Watt has said. Secretary Watt has been criticized for many things, but in his attitude toward protecting the best interests of the people of the West and of the Western States, I am sure the gentlemen can find no fault with Secretary Watt.

I read from our hearings:

Let's talk about PILT, payments in lieu of taxes for a few minutes. As I remember, the purpose is, after considering sums paid under 11 shared revenue acts, paying at least 75 cents per acre to counties with land administered by seven specific national agencies—

And so forth—

You are recommending—

Not the gentleman's $100 million, but Secretary Watt—

You are recommending $45 million?

Secretary WATT. That is correct.

Mr. YATES. Suppose the payments that have been received by the counties and the States under the other shared programs equal or exceed the amount that they would have received, had the lands been available for taxation, would you then favor the payments?

Secretary WATT. No, if I am following your question correctly. We would be asking Congress to amend the present act to basically achieve a minimum payment which was 10 cents an acre plus the shared revenues—

Not what you are getting under the $100 million, not what the gentleman wants, but a minimum payment.

Mr. YATES. What if the shared revenues of the other acts exceed the amount that would have been available under taxation and those funds went to the States, and the States decided they would not pass them on to the county?

Secretary WATT. That is the problem with the act.

That is what the Secretary says—

Mr. YATES. My question would be, would you then favor PILT payments? Suppose the State that should have passed them on to the counties didn't do so? Why should they receive additional funds from the Federal Government?

Secretary WATT. The responsibility of ownership should go to the local government. We ought to see that that payment goes to the local government.

The gentleman is nodding his head "yes," but the answer lies in the State legislatures, not here.

We ought to write the Federal statute to see that it does, so the States can't siphon that off.

Mr. YATES. Is that a recommendation you will make to the Congress?

Secretary WATT. Yes. I did not make that clear. The appropriations request—

Listen to this, I say to the gentleman—

The appropriations request is contingent upon that amendment.

Before he pays anything under PILT.

Now I want to point out what the PILT Act itself said. This is not an entitlement program. You are not entitled to this money automatically. This is what the PILT language says:

There are authorized to be appropriated for carrying out the provisions of this chapter such sums as may be necessary, provided that notwithstanding any other provisions of this chapter no funds may be available except to the extent provided in advance by appropriations acts.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

(By unanimous consent Mr. YATES was allowed to proceed for 5 additional minutes.)

Mr. YATES. The one important thing and the one reasonable thing in the PILT legislation, in my opinion, was that last proviso, leaving the Congress the decision at the time that the appropriations bill came to the floor as to whether any money ought to be put into the act for the PILT program.

What was the financial condition of the country? What was the the financial condition of the State? What was the financial condition of the counties? Were the States acting fairly with the counties? Was the Federal Government acting fairly with the States?

I ask the gentleman, is the Federal Government acting fairly with the States? Let me point out what the States were receiving in 1976 when PILT was passed. PILT was passed because it was said the States were not receiving enough money from the Federal lands within their jurisdiction.

In 1976 when PILT was passed, the States were receiving $233 million. Do my colleagues know what they received in 1980? They received $553 mil-

lion, approximately twice what they received in 1976 when PILT was passed, and the gentleman still wants to pay PILT the amount of $100 million.

Let me continue with my dialog with Secretary Watt. He said:

Yes, I did not make that clear. The appropriations request is contingent upon that amendment. If you folks want to take the initiative on it as you have on other things, it might facilitate it.

Mr. YATES. We took the initiative of not putting funds in when we got the GAO study.

I have not referred to that yet. The GAO study said there were 6 States that were receiving—I do not have that figure at my fingertips.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from Pennsylvania (Mr. McDADE).

Mr. McDADE. According to the GAO, as the chairman has said, six of the eight Western States received $187 million more under the PILT program than they would have received if they went out and assessed that property on a tax-equivalency basis.

Mr. YATES. That is correct.

Mr. McDADE. So the GAO reported to the Congress that there was almost a $200 million windfall to six of these eight States because of the design of this PILT program.

Mr. YATES. Utah and New Mexico are included within the six States.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from New Mexico.

Mr. LUJAN. I have not seen a taxpayer that does not complain that the tax is too high, and that is exactly what the gentleman from Pennsylvania (Mr. McDADE) is saying now, that the tax, that the payment in lieu of taxes that the Federal Government is paying is too high. I would challenge the gentleman from Illinois (Mr. YATES) to walk down the main street of his home district and ask any taxpayer whether or not the taxes are too high.

Mr. YATES. That has nothing to do with it. The gentleman is dragging a red herring across the argument. That has nothing to do whatsoever with this discussion.

I now continue with Secretary Watt, who is the champion of the Western States, as the gentleman acknowledged.

Mr. YATES. But we took the initiative of not putting funds in when we got the GAO study, which said the States were receiving much more than they would have received if they put the land on the tax rolls.

Obviously, you know what the PILT payments have been to the States. Do you also have records which indicate what the rate of passthrough has been from each of the States receiving PILT payments?

Mr. BETTENBERG. The Bureau of Land Management has that information.

Mr. YATES. When they come before us, will we be able to get all of that information?

We have made reference to it.

Now finally I said to Secretary Watt, let us talk about the PILT payments for a few minutes. I said, "Should these States receive it?" Secretary Watt said, "Philosophically that should be the objective. We shouldn't be initiating a Federal program to bring riches to the counties greater than what they would have gotten had the lands been on the tax roll."

The gentleman who are offering these amendments do not worry about what the payments in lieu of taxes would have been. They are not interested in what the taxes would have been had they taken the tax rates that are applied to private lands. They are just interested in getting a vast amount out of the Federal Government which has no relationship to the amount that is paid by the other counties.

Mr. MARRIOTT. Mr. Chairman, will the gentleman yield?

Mr. YATES. Surely I yield to the gentleman.

Mr. MARRIOTT. I do not think anybody is making a contention against what the Chairman says. There is no question in my mind that the States are doing rather well and probably doing better than they should be doing.

Mr. YATES. But this is supposed to be a payment in lieu of taxes.

Mr. MARRIOTT. But for many years now precedent has been established. The States have been taking the money from the mineral leasing revenues and they have not been giving it to the counties. Only three States give any of it or very little to the counties.

Mr. YATES. Then why does the gentleman blame the Federal Government for that?

Mr. MARRIOTT. The administration has never policed that.

Mr. YATES. Why does the gentleman blame the Federal Government for that?

Mr. MARRIOTT. Because they are the ones who ought to be determining where the money goes.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

(At the request of Mr. MARRIOTT and by unanimous consent Mr. YATES was allowed to proceed for 2 additional minutes.)

Mr. MARRIOTT. If the gentleman will continue to yield, the point I want to make is certainly the counties are going to suffer because of this if we knock PILT out, not the States.

Mr. YATES. Then why are the counties suffering? Why do not the States pass it through as they should?

Mr. MARRIOTT. Because we have never upheld that provision in 40 years, that is why. The States have gotten into the habit of spending that money for other programs. That is my point.

Mr. YATES. That is not the fault of the Federal Government.

Mr. MARRIOTT. My point is let us penalize the States and not the counties. that is the point we are trying to make.

Mr. YATES. But the counties are a part of the States. Why does the gentleman come to the Federal Government for help for the counties when he should go to the State capital? That is the point.

Mr. MARRIOTT. I often wonder why it was the PILT was established for the counties after mineral leasing revenues were already in effect for 20 years.

Mr. YATES. At any rate, we find that Secretary Watt has said that there are so many inequities in this law. The gentleman concedes that.

Mr. MARRIOTT. I do concede that.

Mr. YATES. Of course you do.

Mr. MARRIOTT. But the point is then why do we not correct the inequities? Why do we not write new legislation? Why do we not get on with it? Why are we punishing the counties because of a problem between the Interior Department, the Federal Government and the States?

Mr. YATES. If the gentleman will permit me to read from a letter from Charles H. Stoddard, who was the former head of the BLM, I would ask the gentleman to listen to what Charles Stoddard wrote to me. He said:

Dear Mr. Yates and Mr. McDade: Your earlier effort to recind the 1981 PILT funds for BLM was sound.

This is the former Director of the Bureau of Land Management.

It is too bad the Senate did not agree. . . . I shall urge my Senator, Mr. Proxmire, to support you.

Listen to this now, the gentleman talks about the counties being wronged. They are being wronged because of the attitude of the States, and this is what he says: "As a former BLM Director, I can attest that PILT is a give-away."

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

(By unanimous consent Mr. YATES was allowed to proceed for 5 additional minutes.)

Mr. YATES. I hate to do this, but it is important. It is important we clarify this issue as to where the wrong belongs. The gentleman is trying to make the case that the Federal Government is at fault. The Federal Government has been making all of these payments. The States have been keeping the payments from the counties, and the gentleman says, yes, that is wrong, but we will change the law at

some time in the future. We cannot change it now.

□ 1710

So let us keep on giving the money to the States. Listen to what Mr. Stoddard says:

As a former BLM Director, I can attest that PILT is a giveaway. Imagine, listen to this, I say to my friend from Utah, imagine, sweetening the 50 percent of the mineral revenues given to the States. This is on top of the 50 percent of BLM grazing receipts that the States gets and 25 percent of the national forest money they also get.

Fifty percent of the grazing money goes back on the range, 40 percent of the mineral leasing money goes to reclamation, 10 percent of the forest money goes to roads, all of which benefit the receiving local areas.

Private forest and grazing lands pay a fraction of the taxes that are granted under the liberal shared revenue formula applicable to Federal lands. I know the county complains—

Which is what the gentleman is doing, he is presenting the argument of the county—

I know the county complains, but it is a lot easier to wheedle money out of Uncle Sam than to face the local rancher and the timberland owner.

The proposal by the Administration to change PILT so that all counties, whether it needs it or not, get ten percent an acre is fiscally unsound.

So I say to the gentleman, I think this is not only a giveaway, I think it is a stagecoach robbery. I think it is a stagecoach robbery comparable to those found in old west because of the fact that the States are getting the money, and they refuse to turn it over to the local jurisdiction.

Let me just read what San Juan County in the State of New Mexico would receive under the Mineral Leasing Act.

Its share is $28,971,000 under the Mineral Receipts Act. How much of that money does it pass through? How much of that money does it pass through to the counties? Two percent. Two percent of all that money from the Mineral Leasing Act the State passes through to the counties and now the gentleman comes back to the Federal Government and says we cannot allow any of this money to be passed through, this is money that the State of New Mexico wants.

In addition to that, the State of New Mexico and all the States who benefit under PILT want to receive $100 million.

I must say I am shocked by the gentleman.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from New Mexico.

Mr. LUJAN. The gentleman is turning it into an east-west.

Mr. YATES. I am not turning it into that.

Mr. LUJAN. Every single State in the Union gets some money out of the PILT program. Let me also correct the gentleman on one other thing. I commend him for his dedication to the President's budget. I think that is just great. I agree with him wholeheartedly. But he leaves the impression that the Secretary of Interior and the President of the United States and all of these people are against this particular amendment.

What they have said, as a matter of fact, and the gentleman very well knows, is that the payment in lieu of taxes amount should be reduced to $45 million if we were to remake the formula.

Mr. YATES. Why did not the gentleman introduce an amendment for $45 million then?

Mr. LUJAN. To give the gentleman an opportunity to go to conference on that point; the gentleman could set the figure at $45 or $89 million.

Mr. YATES. Why did not the gentleman make it $200 million then? I would have had a greater argument, would I not?

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from Pennsylvania.

Mr. McDADE. I thank the gentleman for yielding.

I think we ought to be very clear about what the administration has said to us here. We have all heard from the discussion that there are enormous inequities in this law. In fact, we are virtually bailing out certain States because they are not passing the money back to the counties.

The administration came up and said we want a reduced figure, but if and only if the law that distributes PILT funds is changed. That law has not been changed.

Now as I said before, this is the first amendment we are going to vote on on this bill and if we adopt this amendment offered by my distinguished friend from New Mexico, we are going to bust the President's budget by over $55 million.

I hope the gentleman will not do that.

Mr. YATES. That is correct.

Mr. McDADE. Especially on a program where the administration has unequivocally said there is something wrong here, we do not want any money appropriated unless and until we change the basic law.

Mr. McDADE. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment.

I think we have debated this sufficiently long to come to a vote on it. One salient fact that we must remember is the timing mechanism that is engaged in by the Federal Government as they compensate local governments under this act.

Checks are distributed to local governments. On the last day of the fiscal year, that is September 30 of this year. The checks have not even been distributed yet, and we are talking about next year.

Now there are all kinds of time for the Interior Committee or any committee of this Congress with appropriate jurisdiction, and my friend from New Mexico, has reminded us, as ranking Republican, he does have jurisdiction over this act, to clean it up and bring it to the House so that it is acceptable to the administration and acceptable to the Appropriations Committee.

Under no circumstances should we find ourselves in a position where we break the budget in order to reward States that are not complying with the intent of Congress.

Under no circumstances should we appropriate money where the GAO has reported to the Congress that in six of the eight States they surveyed there was an enormous overpayment on PILT as opposed to the normal mechanism of taxation and revenue enhancement based on the assessed value of the taxable land.

PILT was overcompensating them and I have the GAO report here. I would like to show the Members two instances. This was a county in Nevada, where there was a 7-cents-an-acre grazing fee imposed by the Federal Government. They were getting 44 cents an acre. Seven hundred percent more in PILT payments.

The same is true of a county in Wyoming where they received 9 cents an acre for grazing land, but 20 cents an acre, more than double under PILT. It is a program that needs repair desperately. For heaven's sakes, do not break the budget when they have not even disbursed funds for the current fiscal year.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. McDADE. I yield to the gentleman from Illinois.

Mr. YATES. The gentleman's amendment is $55 million over the President's budget, $55 million over the President's budget.

Mr. McDADE. I hope the amendment will be defeated and we can move on.

□ 1720

Mr. DAVIS. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, we have heard a lot of talk on the floor about some of the States out West that receive substantial amounts of money, but I am just going to talk about my congressional district in Michigan. I represent 42 percent of the State of Michigan. We do not receive a great deal of money in

the State of Michigan from this particular fund, but let me tell the Members, in my congressional district, of the $1.6 million that comes to the State, $1.2 million of it goes to my congressional district. Frankly, I have some counties where this Federal payment in lieu of taxes represents 25 percent of the total county budget.

I spent 12 years in the State legislature. We are a State that does participate in this program which sends money from the Feds back to the local units of government. When I went to the State legislature, we paid 20 cents per acre in lieu of taxes. When I left, we finally got it up to $1.50. If the Members want to solve the problem of States versus the Federal Government, I suggest that we consider supporting a bill that I have introduced which says that the Federal Government must pay the same amount of money in lieu of taxes that the State does. I think that is only fair, but the 75 cents of Federal payments in lieu, as an example, in my congressional district, equates out after the deductions, to about 30 cents an acre.

I just think that we have to recognize that when one has an area that depends upon its natural resources such as I have, and when the Government makes a lot of this land unavailable for development because it is either wilderness area or it is Federal parkland, we cannot use these natural resources for development. We have a responsibility to pay something in the way of the taxes that normally would be paid.

I would be pleased in my particular district if we would pay the ad valorem. Let me tell the Members the ad valorem is not only more than 75 cents an acre; it is more than $1.50 an acre; that the State in my particular area pays.

I think it only makes good sense and we would be pleased if the Federal Government would offer all this land for sale and put it back on the tax rolls so that we could use it, because the fresh products industry is probably our No. 1 industry. We find constantly that the Federal Government takes this land away from us and makes it unavailable.

Mr. VOLKMER. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Chairman, I would like to discuss with the gentleman the need for revising the law in relation to the payment in lieu of taxes program. What bothers me is if the amendment of the gentleman from New Mexico (Mr. LUJAN) is agreed to by the House and we go on that way, we are not going to revise the program. One will continue to receive the amount that one approximately has been receiving in the State of Michigan and in the gentleman's district. But other places will be receiving money that they really should not, they really do not need.

If we revise it, the gentleman would probably still continue to receive the same amount of money and we could do it with a lot less Federal tax dollars.

Mr. DAVIS. Frankly, my people are not asking for more. We are just asking for what we are getting now, which is only about 30 cents an acre. If we take that money away, some of my constituents will have a tough time.

Mr. VOLKMER. If the gentleman will yield further, I am not saying we take it away. I am saying the gentleman still has his. We revise the program. The national program could be done for about half of what it is being done for now. The gentleman will still receive the same amount of money, and the same situation where the gentleman does not have the minerals and does not have the payments from the minerals. The gentleman has some from timber, but that does not amount to that great a deal. I, for one, am in the same shape as the gentleman is. I personally feel we need desperately to revise this program, in all fairness.

Mr. DAVIS. Let us not take the money out now. Let us leave the money in.

Mr. MARRIOTT. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Utah.

Mr. MARRIOTT. Mr. Chairman, I would like to make a comment. I think the gentleman's comments are very timely.

The gentleman from Pennsylvania (Mr. MCDADE), and the gentleman from Illinois (Mr. YATES), live in States where maybe the Federal Government owns—what?—5 percent, 10 percent of the land? In Utah, the Federal Government owns 72 percent. In Nevada I think it is 80 percent. Some places in Alaska it is even more.

The CHAIRMAN. The time of the gentleman has expired.

(At the request of Mr. MARRIOTT and by unanimous consent, Mr. DAVIS was allowed to proceed for 3 additional minutes.)

Mr. MARRIOTT. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Utah.

Mr. MARRIOTT. Mr. Chairman, there are a lot of uses for that land. That is not even taken into account here. I would like to make one point, in agreeing with the gentleman.

No amount of money at all can compensate for 75 percent Federal ownership. Therefore, regardless of what revenue payments are or payments in lieu of taxes, it is far short of what it ought to be for that Federal presence. That is what the Sagebrush Rebellion out West is all about. Give us back our land and we will give back the payment in lieu of taxes any day of the week.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, it is not the gentleman's land. It is the land which belonged to the Federal Government, and some was given to the States and some was retained. The gentleman knows that as well as I do. It is not the land belonging to the States, even though it is within the boundaries of the States, and the gentleman knows that is true.

Mr. CLINGER. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Pennsylvania.

Mr. CLINGER. Mr. Chairman, I take this time in order to state my support for the Lujan amendment to restore funding for the payments-in-lieu-of-taxes (PILT) program to the $100 million level provided for in the budget reconciliation bill. Importantly, funding for the PILT program will not break the Interior Department's budget ceiling and the administration supports the continuation of the PILT program.

The continuation of the PILT program is vitally important to county governments which are compensated for their loss of tax revenues due to Federal ownership of land. For example, the argument has been made that the need for PILT has been minimized because States and local units of government are receiving higher payments from shared receipts for oil, gas and mineral leasing, timber sales, and grazing fees. However, for four counties in my congressional district which are within the boundaries of the Allegheny National Forest—the Federal Government owns 506,000 acres of the 750,000 acres in the Allegheny National Forest—the PILT program provides necessary compensation to these counties for their loss of tax revenue. In addition, an unique situation exists in the Allegheny National Forest where much of the subsurface oil, gas, and mineral rights are privately owned and the royalties are not shared.

For example, approximately 50 percent of Forest County is federally owned. In 1980, the county government received from Pennsylvania, in accordance with the PILT program, $62,000. Opponents of the PILT program may argue that this is a small amount of money and that revenues can be generated elsewhere, but this $62,000 amounted to approximately 10 percent of the county's budget. Without compensation from the PILT program, Forest County will not be able to meet the significant costs associated with this Federal land. Elk, McKean, and Warren Counties will also be hard

pressed to meet the services these Federal lands require if the PILT program is not funded.

For these reasons, I urge my colleagues to support this amendment to fund this needed and efficient program.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, I simply want to point out to my colleagues, the Mineral Leasing Act is only one of the acts that comes into play here that puts money back into States. Let me list them for you: National Forest Receipts, that is one act; second act, New Mexico and Arizona Enabling Act; three, Mineral Lands Leasing Act; four, section 17 of the Federal Power Act; five, the Taylor Grazing Act; six, the Bankhead-Jones Farm Tenant Act.

Mr. DAVIS. Mr. Chairman, none of those apply to my State and none covers the counties in the gentleman's State of Pennsylvania.

Mr. McDADE. I realize that. What we are talking about is a national program drastically in need of repair.

Mr. DAVIS. Let us not devastate some areas of the country because the gentleman is not happy with the program.

Mr. McDADE. I am sure in the gentleman's State—and the gentleman has argued it ably—it works well. I hope the gentleman was on the floor when I said to Members of the House that checks have not even been disbursed for fiscal year 1981. We have not even come to that. We are 2 months away from that, and this amendment provides funds that would not be spent until late September 1982.

The CHAIRMAN. The time of the gentleman from Michigan (Mr. DAVIS) has expired.

(At the request of Mr. YATES and by unanimous consent, Mr. DAVIS was allowed to proceed for 1 additional minute.)

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, how much does the gentleman say his State receives under this act?

Mr. DAVIS. I believe it is $1.6 million or so.

Mr. YATES. Does the gentleman know how much is paid to the States under the various acts on the books to which the gentleman from Pennsylvania (Mr. McDADE) referred?

Mr. DAVIS. No, I do not.

Mr. YATES. $553 million.

Mr. DAVIS. That does not help my State.

Mr. YATES. Of course, but all I am pointing out to the gentleman is that for the $1 million his State receives, the rest of the States under this program get $553 million and the gentleman apparently does not object to the fact that the amendment offered by the gentleman from New Mexico (Mr. LUJAN) is $55 million over the President's budget.

□ 1730

Mr. DAVIS. Except that, Mr. Chairman, right now we are only talking about approximately $100 million.

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from New Mexico.

Mr. LUJAN. Mr. Chairman, again I make the point that it may be in the area of $55 million more than the President's budget, but it is the exact figure of the budget that this House passed, and that with the majority of the moneys this House voted for, the $100 million is within the figure of the reconciliation.

The CHAIRMAN. The time of the gentleman from Michigan (Mr. DAVIS) has expired.

(On request of Mr. LUJAN, and by unanimous consent, Mr. DAVIS was allowed to proceed for 1 additional minute.)

Mr. LUJAN. Mr. Chairman, if the gentleman will yield further, I would like to make one additional point.

The impression is left that this is a boondoggle to the States. Let me tell the Members what happens in my own State with the Mineral Leasing Act money. Because we do not have the tax base to support our educational system, the money from the Mineral Leasing Act goes into the permanent fund to be used strictly for the educational system in the State of New Mexico.

Now, if the Federal Government did not own this land, if it were private land, the tax base would be sufficient to support that educational system, and as it is, we have to use the moneys from the Minerals Leasing Act.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. DAVIS. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, I simply want to point out—since my distinguished colleague has introduced the subject of the Minerals Leasing Act, which does not affect the gentleman's State at all and does not affect my State—that we get a pittance. We get a pittance under this act.

Under the mineral receipts in the State of New Mexico in 1979—and these are just mineral receipts—the return to the State which was not passed through to the counties was $80 million, and this is a 1979 figure.

The CHAIRMAN. The time of the gentleman from Michigan (Mr. DAVIS) has again expired.

(On request of Mr. McDADE, and by unanimous consent, Mr. DAVIS was allowed to proceed for 2 additional minutes.)

Mr. McDADE. Mr. Chairman, if the gentleman will yield further, I would just point out to my friend that this is a 1979 figure.

Since that time, under the leadership of the administration, that figure has about doubled. That is one reason why our administration has come up and said, "Don't appropriate money for PILT until we get changes in the equitable distribution of the dollar."

That will affect the gentleman's State more appropriately, and that will affect my State more appropriately.

I want the House to know that my district is a beneficiary of these funds, but I believe we ought to clean up the act and then proceed to appropriate money in an administrative way that is equitable and does not represent incidents where States get amounts like $80 million and do not even pass it back to the local governments.

That is what is happening under one section of the Mineral Leasing Act in one State.

Mr. Chairman, I think we need to pay attention to this and clean it up and not break the budget over an amendment like this.

Mr. DAVIS. Mr. Chairman, I am not addressing the Mineral Leasing Act, but the Reconciliation Act contains funding authority for the PILT program.

Mr. AuCOIN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, no one is a stronger advocate of PILT than I. I have defended this program in the past and I will fight for it in the future. But this amendment before us forces us to break the President's spending recommendations by $50 million. I simply cannot do this for I have pledged to the people of Oregon that I will meet or surpass the aggregate budget cut totals sought by the President. If anything demonstrates my commitment, this vote does. However, I shall work to restore PILT in the Senate with offsetting cuts elsewhere.

Mr. SKEEN. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I have been sitting over in my office watching the colloquy that has been going on. It is a very interesting argument, and I think it might be worthwhile to answer some of the questions that I do not think have been answered adequately. I will have to base most of my observation on what goes on in the State of New Mexico, but it is not too dissimilar to that that occurs in 11 other of the original Western States.

I know it is extremely difficult for many of the Members who are from

States east of the Mississippi or so-called Eastern States to understand how we got into this situation.

Most of the 11 original Western States, as most of the Members know, came into the Union under enabling acts with lands so vast, without any ownership attachment whatsoever, that they were unclaimed lands.

So when the Federal Government took us into the United States, they ceded two sections per township to the States for the operation of institutions and schools. That was in 1873. Later on, two more sections were ceded to these States for the operations of the same institutions and schools, the idea being that eventually, as these States became more populated, they would ceded more of the land surface of these States back to the State itself.

When we came into the Union under the enabling act, the Federal mineral leasing compromises or agreements were made, and they were made differently for each of the 11 Western States. For instance, the figure, 52 percent, on Federal leasing money is quoted for New Mexico, and that is true today, but it was not always true because it came into the Union with 38 percent of the Federal leasing money.

At the same time, Alaska came into the Union recently with 95 percent of the Federal Mineral Leasing Act money accruing to the State.

So I think that what is important to realize is that there was no tax base in that State to operate its schools, other than the four original sections that were ceded by the Federal Government.

The States have had a long history of distributing this money to the school systems of the States because they had no other source of revenue, other than sales tax, because 38 percent, for instance, of the land surface of New Mexico belong to the Federal Government.

With the initiation of the payment in lieu of tax money, these moneys were distributed directly from the Federal Government to counties. It had nothing to do with their mineral leasing base county by county.

Mr. UDALL. Mr. Chairman, will the gentleman yield?

Mr. SKEEN. I certainly will yield to the gentleman from Arizona.

Mr. UDALL. Mr. Chairman, I simply want to say that I agree with and support the amendment that has been offered and is now pending before us.

Historically, this function came out of the old Public Land Law Review Commission of 1960. I think I am one of the few survivors of that Commission, as being a congressional appointee of the Commission. This is one of the most solid and important recommendations that was made, and in 1976 we transmitted this into law. I think it is good law.

There are some problems, as have been suggested by the gentleman from Pennsylvania and by my old friend, the gentleman from Illinois, but I think we ought to agree to the amendment, and I believe the Interior Subcommittee is willing to look at all the suggestions, if anyone has any.

Mr. SKEEN. Mr. Chairman, I thank the gentleman from Arizona (Mr. UDALL) for his comments. I know that he is a distinguished authority on western land law.

I am not trying to hold school here today, but I would like to answer some of the questions the chairman asked. I think they were good questions, except that it is just two bad that possibly we do not have an arts and humanities distribution under PILT, because then we might have a great deal more sympathy from that quarter. But I appreciate his interest in that area as well.

I just want to say this. This is why the money is distributed the way it is and why the States have already committed these funds and never committed them back to a county-by-county distribution, which would have been totally inequitable, although I think the Federal Government might have felt that way or they never would have taken that action.

The CHAIRMAN. The time of the gentleman from New Mexico (Mr. SKEEN) has expired.

(By unanimous consent, Mr. SKEEN was allowed to proceed for 1 additional minute.)

Mr. SKEEN. Mr. Chairman, what I am trying to say is that we are in a predicament. Just to give the Members one example, I heard that San Juan County was used by the chairman as the prime example of a county that has great mineral wealth, but Otero County, which has 70 percent Federal land in it, has none whatever. It gets $850,000 under this distribution, under the current distribution, and if we cut it to nothing, then they have no access to funds other than to go back to the legislature, which does not meet until next year. That creates a chaotic situation.

Mr. Chairman, I thank the Members for this time, and I urge adoption of the amendment.

Mr. GOLDWATER. Mr. Chairman, I rise in support of the amendment offered by my colleague from New Mexico which would restore funding for the payments-in-lieu-of-taxes program.

The PILT program partially reimburses local government for revenues not received from lands owned by the Federal Government within these local jurisdictions. Local governments rely greatly on property tax revenues but, since Federal lands do not generate those tax revenues, localities must assume the additional cost burden.

This program also returns funds to local governments while minimizing Federal bureaucracy. In fact, PILT operates with under 1-percent overhead.

California, for example, receives over $12 million in PILT funds. I am afraid that local governments would be hard pressed indeed to replace those funds.

Mr. Chairman, I have received solid arguments from my own county of Ventura in favor of the PILT program. The current $412,000 Ventura County receives in PILT funding only partially reimburses my county for services provided to those Federal lands and taxes lost.

The Federal Government has an obligation to local governments to compensate them. I urge adoption of the amendment.

● Mr. HANSEN of Utah. Mr. Chairman, I take this opportunity to express my support for continued funding of the payments-in-lieu-of-taxes (PILT) program. Specifically, I request the support of the House for the PILT amendment to H.R. 4035 offered by Mr. MARRIOTT and Mr. LUJAN.

The PILT program is designed to compensate county governments for the loss of tax revenue resulting from Federal land ownership within their jurisdiction. In this way, local governments containing Federal tax-exempt lands are assured of receiving compensation to mitigate the fiscal impact of having these lands within their boundaries.

The PILT program is one of the few Federal programs which, at the present time, returns funds to local governments and local control to provide basic community services, while avoiding a costly Federal bureaucracy. The Reagan administration did not request a rescission of PILT fund for fiscal year 1981 and it included funding for the program in its fiscal year 1982 budget request. The House Committee on Interior and Insular Affairs supported continued funding of the payment in lieu of taxes program at a fiscal year 1982 level of $100 million, the amount appropriated under the pending amendment.

In my State of Utah, which is owned two-thirds by the Federal Government, these PILT funds are used by our rural counties to build and maintain roads, for law enforcement, and for education. The House Interior Appropriations Subcommittee wants to do away with these funds. It seems clear to me that we have in some way confused or distorted our spending priorities. For example, the committee proposes funding increases of approximately $143 million in excess of President Reagan's budget requests for the National Endowments. That money assures that the wealthy people of New York and other cosmopolitan areas may continue to attend their opera

and to have that attendance subsidized by the Federal Government at the expense of these poor counties. That money assures that such people can have their own arts and humanities playground at the expense of basic education, law enforcement, and transportation needs in Utah and other Western States. I find such funding priorities abhorrent.

It is interesting to me that many of my colleagues on the other side of the aisle who have pled the cause of the poor so loudly these last few weeks have now taken actions to hurt the truly needy western counties by transferring PILT funding to subsidies for the arts and humanities.

Again, I must emphasize that we are talking about basic and essential community needs and services. Since most counties place these payments in their general fund, any reduction in PILT funding will require either a corresponding raise in local property taxes, where possible, or a significant reduction in basic services. Many of these counties do not have other ready sources of revenue. I use as an example Grand County in my district which has only 3 percent of its land owned by private individuals and thus taxable, and the remainder owned by Federal and State governments and thus not subject to taxation. How does such a county raise the revenue it will require to fill the gap lost by this action? They do not have another lower level of government to pass on the fiscal burden of balancing the budget; and counties, by State law, must have a balanced budget.

County governments in all 50 States receive PILT funds. I urge this body to continue this efficient and equitable program of compensating local governments for the burden and impact of Federal lands within their boundaries.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Mexico (Mr. LUJAN).

The question was taken; and on a division (demanded by Mr. LUJAN) there were—ayes 22, noes 21.

RECORDED VOTE

Mr. YATES. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 96, noes 320, not voting 17, as follows:

[Roll No. 149]

AYES—96

Albosta	Burton, Phillip	Davis
Badham	Chappie	Deckard
Bafalis	Clausen	Dellums
Bailey (MO)	Clinger	Derrick
Bailey (PA)	Coelho	Duncan
Barnard	Conyers	Erdahl
Bliley	Courter	Fascell
Bonior	Craig	Fazio
Bouquard	Crane, Daniel	Fiedler
Brown (CO)	Crane, Philip	Foley
Burgener	Dannemeyer	Frenzel
Burton, John	Daub	Goldwater
Goodling	Moorhead	Smith (AL)
Gradison	Morrison	Smith (NE)
Grisham	Oberstar	Spence
Hamilton	Obey	Stangeland
Hammerschmidt	Pashayan	Studds
Hansen (ID)	Perkins	Stump
Heftel	Quillen	Swift
Hendon	Rahall	Thomas
Jenkins	Roberts (KS)	Traxler
Kogovsek	Rogers	Udall
Kramer	Roybal	Vander Jagt
Lagomarsino	Rudd	Wampler
Leland	Santini	Weaver
Lewis	Schroeder	White
Lowery (CA)	Seiberling	Whitehurst
Lujan	Shumway	Whitten
Lundine	Siljander	Williams (MT)
Marlenee	Simon	Wirth
Marriott	Skeen	Wolf
Miller (OH)	Skelton	Wolpe

NOES—320

Addabbo	Dreier	Hoyer
Akaka	Dunn	Hubbard
Alexander	Dwyer	Huckaby
Anderson	Dyson	Hughes
Andrews	Early	Hunter
Annunzio	Eckart	Hutto
Applegate	Edgar	Hyde
Archer	Edwards (AL)	Ireland
Ashbrook	Edwards (CA)	Jacobs
Aspin	Edwards (OK)	Jeffords
Atkinson	Emerson	Jeffries
AuCoin	Emery	Johnston
Barnes	English	Jones (NC)
Beard	Erlenborn	Jones (OK)
Bedell	Ertel	Jones (TN)
Beilenson	Evans (DE)	Kastenmeier
Benedict	Evans (GA)	Kazen
Benjamin	Evans (IA)	Kemp
Bennett	Evans (IN)	Kildee
Bereuter	Fary	Kindness
Bethune	Fenwick	LaFalce
Bevill	Ferraro	Lantos
Biaggi	Fields	Latta
Bingham	Findley	Leach
Blanchard	Fish	Leath
Boggs	Fithian	LeBoutillier
Boland	Flippo	Lee
Bolling	Florio	Lehman
Boner	Ford (MI)	Lent
Bowen	Ford (TN)	Levitas
Breaux	Forsythe	Livingston
Brinkley	Fountain	Loeffler
Brodhead	Fowler	Long (LA)
Brooks	Frank	Long (MD)
Broomfield	Frost	Lott
Brown (CA)	Fuqua	Lowry (WA)
Brown (OH)	Garcia	Luken
Broyhill	Gaydos	Lungren
Butler	Gejdenson	Madigan
Byron	Gephardt	Markey
Campbell	Gibbons	Marks
Carman	Gilman	Martin (IL)
Carney	Gingrich	Martin (NC)
Chappell	Ginn	Martin (NY)
Cheney	Glickman	Matsui
Chisholm	Gonzalez	Mavroules
Clay	Gore	Mazzoli
Coats	Gramm	McClory
Coleman	Gray	McCollum
Collins (IL)	Green	McCurdy
Collins (TX)	Gregg	McDade
Conable	Guarini	McDonald
Conte	Gunderson	McEwen
Corcoran	Hagedorn	McGrath
Coughlin	Hall (OH)	McHugh
Coyne, James	Hall, Ralph	McKinney
Coyne, William	Hall, Sam	Mica
D'Amours	Hance	Michel
Daniel, Dan	Harkin	Mikulski
Daniel, R. W.	Hartnett	Miller (CA)
Danielson	Hatcher	Mineta
Daschle	Heckler	Minish
DeNardis	Hefner	Mitchell (MD)
Derwinski	Hertel	Mitchell (NY)
Dickinson	Hightower	Moakley
Dicks	Hiler	Moffett
Dingell	Hillis	Molinari
Dixon	Holland	Mollohan
Donnelly	Hollenbeck	Montgomery
Dorgan	Holt	Moore
Dougherty	Hopkins	Mottl
Dowdy	Horton	Murphy
Downey	Howard	Murtha
Myers	Robinson	Stenholm
Napier	Rodino	Stokes
Natcher	Roe	Stratton
Neal	Roemer	Synar
Nelligan	Rose	Tauke
Nelson	Rostenkowski	Tauzin
Nichols	Roth	Taylor
Nowak	Roukema	Trible
O'Brien	Rousselot	Vento
Oakar	Russo	Volkmer
Ottinger	Sabo	Walgren
Oxley	Sawyer	Walker
Panetta	Scheuer	Washington
Parris	Schneider	Watkins
Patman	Schulze	Waxman
Patterson	Schumer	Weber (MN)
Paul	Sensenbrenner	Weber (OH)
Pease	Shamansky	Weiss
Pepper	Shannon	Whitley
Petri	Sharp	Whittaker
Peyser	Shaw	Williams (OH)
Pickle	Shelby	Wilson
Porter	Shuster	Winn
Price	Smith (IA)	Wortley
Pritchard	Smith (NJ)	Wright
Pursell	Smith (OR)	Wyden
Railsback	Snowe	Wylie
Rangel	Snyder	Yates
Ratchford	Solarz	Yatron
Regula	Solomon	Young (FL)
Reuss	St Germain	Young (MO)
Richmond	Stanton	Zablocki
Rinaldo	Stark	Zeferetti
Ritter	Staton	

NOT VOTING—17

Anthony	Dymally	Rhodes
Bonker	Foglietta	Roberts (SD)
Cotter	Hansen (UT)	Rosenthal
Crockett	Hawkins	Savage
de la Garza	Mattox	Young (AK)
Dornan	McCloskey	

□ 1750

Messrs. WEBER of Ohio, CARNEY, COLLINS of Texas, and ROUSSELOT changed their votes from "aye" to "no."

Messrs. JOHN L. BURTON, CONYERS, and SWIFT changed their votes from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

● Mr. MOFFETT. The Chairman, in the dark days of the depression, when unemployment rates hit an alltime high in this country, President Franklin D. Roosevelt created one of the most successful Government employment programs of all time: The Civilian Conservation Corps.

In the mid-1970's, when youth unemployment reached the debilitating level of 15 percent, the Congress created two youth conservation programs modeled after the Civilian Conservation Corps: The Young Adult Conservation Corps (YACC) and the Youth Conservation Corps (YCC).

Like those in the Civilian Conservation Corps, YACC and YCC participants have worked hard, mostly in highly labor intensive jobs, in an effort to protect and enhance America's national parks, forests, wildlife refuges, and rangelands. YCC and YACC enrollees have also provided valuable assistance to State park and land management agencies. In fiscal year 1980, over 34,000 young people were enrolled in YCC programs alone.

What is most impressive about these modern versions of the Civilian Con-

servation Corps is that, in most cases, for each dollar invested in these programs, the taxpayer received in return over a dollar in services. In my own State of Connecticut, for example, in fiscal year 1980, YACC enrollees accomplished over $1.40 worth of services for each dollar expended.

Participants in these youth programs have contributed a great deal toward improving America's parks and natural resources. Last year those youths carried out conservation work including tree planting, trail maintenance, construction, rangeland improvement, and wildlife habitat improvement, valued at over $341 million. The cost to the Federal Treasury for these programs was substantially less, and the price for this valuable work was far lower than what outside contractors would have charged the Federal Government to do the job.

At a time of budgetcutting we must make our cuts wisely. Programs that have demonstrated their cost effectiveness, should be maintained. Unless the administration can demonstrate a more cost effective way of doing this essential job, I think it should continue these programs.

Ironically, Interior Secretary Watt recently declared that a major, $557 million program, should be undertaken to improve conditions in the national parks. Interior has asked for an additional $105 million in fiscal year 1982 for this purpose. No one is better qualified to carry out a nationwide effort to restore our parks than America's youth. Indeed, this is precisely the type of work now being done by young people under these programs. In testimony before the House Appropriations Committee, Interior Department witnesses stated that the Department would make very heavy use of outside contractors to restore the parks. This is very wasteful. Our young people can accomplish this work at a lower cost and in a shorter period of time. I think we should be expanding this program to assist the National Park Service in this task, not eliminating it.

Moreover, these programs should be retained unless the administration can offer a superior means of making rewarding work experience available to young people. Last year 90,000 young people were enrolled in these programs. A large percentage of these youngsters come from minority groups. More than half come from families with incomes of $15,000 per year or less.

Unfortunately, by calling for the total elimination of youth conservation programs the administration has made it clear that meaningful youth employment in the field of conservation is not, in its opinion, worthy of Federal support even if it returns more on the dollar than it costs.

I deeply regret that view. Few programs are as worthy of support as those which preserve the beauty of our national environment and develop the skills of our young people at the same time.

There are many people, most people in the Nation probably, who believe we are not providing enough opportunities for young people. There is considerable support for a national service plan that would provide every young American with an option of either civilian or military service. There is a crying need to introduce the young to the world of work, to impart skills to them and the confidence and self-reliance that accompanies them. Cutting this important and productive program is hardly a step in that direction.

While today we are only considering the funding of the Youth Conservation Corps, I want to compliment the Appropriations Committee on its step to continue funding of this highly successful program. Mr. YATES and Mr. DICKS deserve special thanks for their aggressive and insightful action. I think this appropriation, though much smaller than I would have liked to have seen, will allow the program to continue until the Congress has a chance to decide what should be done with our youth conservation programs as a whole.

My subcommittee has already begun to consider that question and I am hopeful that our hearings will assist the Congress in making such a determination. I personally believe that both YCC and YACC should be restructured, recreated, and directly administered by the Department of the Interior. I am hopeful that we can find a mechanism for funding a new conservation corps which will not result in an additional burden on the budget. I ask my colleagues to join me and Congressman SEIBERLING in structuring such a program and, as a first step, to support the continuing appropriation of the YCC:

SUBCOMMITTEE ON ENVIRONMENT,
ENERGY, AND NATURAL RESOURCES,
Washington, D.C., July 14, 1981.

Hon. JAMES G. WATT,
Secretary, Department of Interior, Washington, D.C.

DEAR MR. SECRETARY: As you know the Subcommittee on Environment, Energy and Natural Resources has been conducting a review of your February proposal to offer tracts in Lease Sale 53 for lease this summer. In that regard the subcommittee held two days of hearings and heard from over thirty-five witnesses. I have carefully reviewed those transcripts and the thousands of pages of documents provided the subcommittee by the Department of Interior on this matter. I am writing to provide you with my view of the record compiled to date by the subcommittee. Based on that record, I urge you not to open these areas to lease at this time.

First, with regard to the potential reserve available in the four northern basins, the subcommittee record clearly shows that the amount of recoverable oil available in these areas is minimal at best. At the subcommittee's California hearing one oil company official testified that one of the four basins was not likely to contain any oil at all and that the small amount of oil likely to be found in a second basin would not justify the cost of production. A representative of the Western Oil and Gas Association further informed the subcommittee that while nineteen exploratory wells had already been drilled in the four northern basins none of them yielded commercially producible oil. Your own Department published a study in February of this year which indicated that for the most part potential oil reserves in these basins were negligible.

Moreover, when compared to other potential lease areas in Alaska, the Gulf of Mexico, and even the Atlantic—which has shown little promise to date—the four northern basins rank dead last. A recent study conducted by the Rand Corporation concerning the discovery of significant new oil and gas fields in the United States concluded that, "Other than a few small prospects in the offshore of the Santa Maria and Salinas basins," the potential for finding significant new oil and gas in the offshore of Central and Northern California is "very limited."

Second, by consistently stating that there is little or no threat posed by exploratory, production drilling operations you have ignored the findings of a new National Academy of Sciences report which suggests that OCS activities are potentially far more dangerous than you have stated. At our April 28th hearing I noted that the NAS Committee on the Assessment of Safety of OCS Activities had found and concluded that:

From 1975 to 1978, before the drilling boom began, an estimated 57,000 barrels of oil was routinely discharged into the marine environment during OCS oil and gas operations. The long-term effects of intentional discharges which make up the bulk of this figure have not been adequately researched.

Oil spills are but a part of the story. Between 1975 and 1978 over 300,000 tons of drilling fluid constituents and almost 10 million tons of drilling cuttings have been dumped overboard.

In drilling a deep well on the OCS, 10,000 to 30,000 barrels of spent fluid of varying chemical composition may be discharged at various times. The drilling fluid is most likely to be discharged during exploratory drilling.

It is not possible to establish on the basis of current research whether today's technology is sufficient to protect the environment.

Blowouts are a major problem. There is an average of 5.5 blowouts in the OCS per year and those blowouts seriously endanger the local environment. Two-thirds of the reported blowouts occur during drilling, not production stages.

There is a significant, growing shortage of trained offshore drilling personnel which creates yet an additional environmental hazard.

At that hearing I also called to your attention considerable information raising serious questions about your basic contentions regarding the long-term safety of offshore drilling:

"Your press releases and public statements present the often-repeated statement that offshore drilling results in fewer spills than the movement of oil by tanker. They continue to downplay the environmental impacts of drilling and exploratory drilling.

You also fail to recognize that in at least three recent studies, scientists have found that long-term exposure to petroleum alone does indeed alter the population and the species density in the area as well as being a possible cause for other changes.

In the studies conducted by Donald Mallins, Director of the Environmental Conservation Division of the National Oceanic and Atmospheric Administration, it was found that the Alaskan Prudhoe Bay crude in concentration under 1 part per million caused—and I quote—'deleterious effects in the feeding habits of shrimp,' and the study also found that egg larvae were seriously damaged.

Another study of oil fields in the North Sea by J.A. Addy indicates a clear reduction in population density of marine life close to the central platform in the one area studied. A third study conducted by the world-renowned Wood Hole Oceanographic Institute showed that five years after an oil spill, significant negative impacts on marine life could still be found.

On the other hand, the findings of one of the most widely-quoted studies sponsored by Gulf University's research consortium and financed by petroleum and petroleum-related industries has recently come under very serious and increasing criticism. While the final consensus report, the only part of the study which was available until recently, concluded in a largely qualified statement that no impact could be measured, reviews of that study and statements made by some of its principle researchers in fact tell another story.

After reviewing the report's back-up data, Dr. Howard Sanders of Woods Hole Oceanographic Institute concluded that the study had serious flaws which weakened its conclusions considerably. Sanders found that data have also been changed in the 1979 sub-reports, but that those changes are not included in the summary report.

At least five of the principal investigators who worked on that report expressed serious doubts about the validity of the controls. It seems that the control group areas were probably exposed to the same pollution as the experimental areas, thereby rendering the "no effect" conclusion almost worthless.

Furthermore, the often-quoted study of the Santa Barbara spill financed by the American Petroleum Institute has not received adequate peer review. The National Academy of Sciences study of 1975 is now being completely revised because the NAS felt this revision necessary because of the large volume of additional research which has been conducted since that report was put together.

I think your public statements also show a general insensitivity to the potential danger to marine life and the environment posed by offshore drilling. I am also disturbed that you have shown particular insensitivity to the undisputed record regarding the potential dangers posed by drilling activities in the four northern California basins.

As I am sure you are aware, those basins are located in one of the most seismically active areas in North America. Major earthquakes capable of damaging oil rigs occur frequently. Wind and wave conditions in the area would render oil cleanup efforts futile from 50 to 80 percent of the time. Many of the prospective tracts within the four northern basins are in the middle of major fishing, spawning, and nursery areas for commercial and sports fish and shellfish. Local economies are highly dependent on the tourist and fishing industries, both of which could be seriously hurt by oil spills or discharges from drilling operations. There are no onshore facilities to handle any oil that might be pumped from this area and nearby harbors are already crowded. Finally, since the amount of oil expected to be found will be rather small, the oil must be tankered to shore, thereby increasing the possibility of oil spills.

Third, at the subcommittee's April 28th hearing you noted that the only new information that you have obtained on the four northern basins is Governor Brown's official response. I think it important for you to consider that two other Federal agencies which have carefully studied the situation have recommended that the four northern basins not be leased. The Environmental Protection Agency (EPA) in discharging its official responsibilities under the National Environmental Policy Act (NEPA) found not only that the final Environmental Impact Statement did not adequately respond to a number of essential water and air quality issues but that important environmental impact studies would not be completed before your scheduled decision. EPA concluded that "these studies must be completed before a full assessment of the environmental impacts can be made." EPA's position has not changed.

The National Oceanic and Atmospheric Administration (NOAA), as late as April 10th of this year, agreed with EPA's assessment that critical environmental studies could not be completed before the lease sale date. NOAA noted, "Without the results of these studies and additional information being developed from research currently under way, important management decisions will be made without the benefit of scientifically sound information."

Finally, the OCSLA clearly contemplated a major role for the affected states in the decision-making about the use of the OCS for energy exploration and development. As I pointed out to you at our April 28th hearing, the Congress specifically required that the Secretary accept the recommendations of the governor in the affected state unless those recommendations do not reflect a proper balance between the state and national interest. The state of California has struck such a balance in my opinion by moving to assist in the leasing of almost all of the Santa Maria Basin where experts agree 80 percent of the recoverable oil will probably be found. Protecting the marine resources and coastal environment of northern California is not only in the interest of the state of California but also in the national interest. That shoreline is unique. We cannot afford to risk its despoliation for what may amount to a few days of oil.

What's more, considering the united opposition of the coastal counties and cities which have the most to gain by the development of these resources, it seems reasonable that pursuing leases in the four northern basins will only lead to further wasteful and time-consuming litigation while not a drop of oil is produced. Common sense dictates that the case made by the oil companies that drilling in these offshore areas is essential does not reflect a proper balance of the public versus the private interest.

I urge you to sustain the action of your predecessor and find that these areas should not be leased at this time.

Sincerely,

TOBY MOFFETT, *Chairman.*●

● Mrs. SCHROEDER. Mr. Chairman, I rise to congratulate the chairman of the committee for a fine report accompanying the Interior appropriations bill. I have read the committee report and I think it does an excellent job in documenting the seemingly arrogant actions of the current Secretary of the Interior.

In the section of the report on Secretarial Offices, the committee shows how Secretary Watt thumbed his nose at the Appropriations Committee and at the Congress by abolishing the Heritage Conservation and Recreation Service, by reorganizing, with the intention of destroying, the Office of Surface Mining, by attacking the Office of Aircraft Services and by attacking the Office of Water Research and Technology. The Secretary thinks he can ignore Congress.

My Subcommittee on Civil Service conducted hearings in Denver on the reorganization of the Office of Surface Mining. We found that the stated justifications of heightened efficiency and effectiveness had no validity. The reorganization is going to waste huge sums of taxpayer money in fiscal years 1981, 1982, and probably in fiscal year 1983. There were no savings to be found. What we saw was an attempt to demolish the best and most respected regional office because it had done its job. Despite similar questions being raised by the Subcommittee on Interior Appropriations and the Committee on Interior and Insular Affairs, Secretary Watt lunged ahead with no regard for cost, no regard for the views of others, no regard for the views of the States the office served, defiantly claiming they were all wrong.

There is another example of Secretary Watt's contempt for the law which the subcommittee did not include in its report. This involves the well-publicized reduction in force in the Solicitor's office in April. At that time, the Secretary issued a press release saying that he had to separate some 15 employees because of gross waste and fraud in the previous administration. He claimed that the budget could not pay for the 51 employees, among whom were the law students recruited for the annual honors program of the Solicitors office. When asked about the Department's failure to include attrition projections in the budgetary analysis, the Secretary's people claimed that they had considered attrition. We asked GAO to look into it. GAO found attrition was ignored. Further, we have found out that the Solicitor's office is now hiring for six of the slots made vacant by the RIF. This is an outrageous violation of the personnel laws.

Mr. Chairman, I encourage the gentleman from Illinois, the chairman of the subcommittee, to continue his vigilent oversight of the actions of the Secretary of the Interior. We should start using the power of the purse to a

greater extent to hold errant officials accountable to the law. There should be a partnership, between the Secretary and the Congress, not a dictatorship by the Secretary to the Congress.●

Mr. YATES. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DANIELSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4035) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes, had come to no resolution thereon.

□ 1800

REPORT ON RESOLUTION PROVIDING FOR WAIVING CERTAIN POINTS OF ORDER AGAINST H.R. 4209, DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATION, 1982

Mr. BOLLING, from the Committee on Rules, submitted a privileged report (Rept. No. 97-187) on the resolution (H. Res. 187) waiving certain points of order against the bill (H.R. 4209) making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 1982, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION WAIVING CERTAIN POINTS OF ORDER AGAINST H.R. 4169, DEPARTMENT OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES, APPROPRIATIONS, 1982

Mr. BOLLING, from the Committee on Rules, submitted a privileged report (Rept. No. 97-188) on the resolution (H. Res. 188) waiving certain points of order against the bill (H.R. 4169) making appropriations for the Department of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1982, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 3275, CIVIL RIGHTS COMMISSION AUTHORIZATION, 1982

Mr. BOLLING, from the Committee on Rules, submitted a privileged report (Rept. No. 97-189) on the resolution (H. Res. 189) providing for the consideration of the bill (H.R. 3275) to amend the Civil Rights Act of 1957 to authorize appropriations for the Civil Rights Commission, which was referred to the House Calendar and ordered to be printed.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER pro tempore (Mr. DYSON) laid before the House the following communication from the Clerk of the House:

WASHINGTON, D.C.,
July 20, 1981.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker, House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: This is to formally notify you, pursuant to Rule 50 of the Rules of the United States House of Representatives, that on July 16, 1981 a subpoena, issued by the United States District Court for the District of Columbia, was served on an employee of the Clerk's Office, Mr. John Lawler, Chief of the Office of Finance. The subpoena is available in my office for inspection by Members.

Sincerely,

EDMUND L. HENSHAW, Jr.,
Clerk, House of Representatives.

GENERAL LEAVE

Mr. HATCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and to include therein extraneous material on the subject of the special order today by the gentleman from Wisconsin (Mr. ZABLOCKI).

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Georgia?

There was no objection.

A CALL FOR ACTION ON CONFIRMATION OF DR. KOOP AS SURGEON GENERAL

(Mr. SMITH of New Jersey asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. SMITH of New Jersey. Mr. Speaker, President Reagan has indicated that he would like to nominate Dr. C. Everett Koop, the former chief of pediatric surgery at Children's Hospital in Philadelphia, for the position of Surgeon General. But because of an archaic age restriction and a legal requirement of membership in the Public Health Service, Dr. Koop's nomination has been obstructed.

Mr. Speaker, on February 24, this body first waived the age requirement. However, the waiver of membership in the Public Health Service is still bottled up in the Subcommittee on Health and the Environment.

On April 8, Mr. HYDE of Illinois introduced a measure to waive these impediments. It was referred to the subcommittee on April 9, where it has languished.

By its inaction, Mr. Speaker, I believe the subcommittee has done a great disservice to the American people, the Congress, President Reagan, and Dr. Koop himself.

On a matter as important as the nomination and confirmation of our Surgeon General, the subcommittee should have moved quickly to resolve the matter so that the other body could get on to the confirmation proceedings. Unfortunately, it has not and the American people have been denied a Surgeon General for 7 months.

Mr. Speaker, back in 1931, this body codified a method of discharging legislation that demands action when it is bottled up in committee. I agree that its use should be prudent and selective. I believe discharge No. 5 meets this criteria, and I urge my colleagues to sign it—today if possible—to expedite this matter.

Additionally, on Sunday, July 19, the Washington Post printed an excellent article entitled "Dr. Koop Is the Man for the Job." The article goes into a great deal of detail, and in the process makes the point that the title is quite appropriate. I recommend this article that follows my comments to all of my colleagues.

[From the Washington Post, July 19, 1981]

DR. KOOP IS THE MAN FOR THE JOB

(By Mary Meehan)

If Congress lets President Reagan appoint the person he wants for surgeon general of the United States, he will name Charles Everett Koop, a brilliant pediatric surgeon who currently holds the post of deputy assistant secretary for health. But Dr. Koop has the misfortune of being 64 years old—just over the age ceiling for the job of surgeon general. He has the added misfortune of having political opponents in Congress who, although on record against age discrimination, are using the age limit to delay his nomination. The usual faint whiff of fakery floats over Capitol Hill as liberal Democrats try to explain the difference between their principles and their actions, and as the 68-year-old speaker of the House helps block the appointment of a 64-year-old.

Age, of course, has nothing to do with the real issues at stake. No one suggests that Koop is over the hill or in the least bit decrepit; in fact, he appears to be healthier and more vigorous than many younger men. The main issue is abortion and Koop's articulate opposition to it. He is a special target of the proabortion lobby because, prior to joining the government this year, he served on the boards of three of the most effective right-to-life groups, spoke and wrote strongly against abortion, and helped put together the antiabortion movie, "Whatever Happened to the Human Race?" The movie, and a book with the same title that Koop coauthored, suggest that abortion, infanticide and euthanasia are connected, that one leads to the other. This is, to say the least, an unpopular view among supporters of abortion.

It was said of the great Confederate cavalry leader, Nathan Bedford Forrest, that he won his battles by always reaching the scene "fustest with the mostest."

Dr. Koop's opponents managed to do the same thing in reaching the media. His friends and family probably do not recognize him as he appears in the press. One observer suggests that Koop has been made to appear as a "barefoot fundamentalist down from the hills," and others that he has been painted as a "neanderthal" and a "jerk."

To some extent these impressions result from deeply rooted stereotypes about antiabortionists; and to some extent they result from quotes taken out of context from the doctor's speeches and given the worst possible interpretation. Newsweek, for example, lifted on vague sentence from a Koop speech to support its contention that "he has no brief for equal opportunity for women." In fact, he was training women surgeons long before this was popular. Dr. Louise Schnaufer, one of the surgeons he trained and worked with for many years, says that "he's trained a lot of women, and I think he's all for women in medicine. . . . He's very favorable."

Similarly with Koop's religion, which has been pictured as a negative force in his life, yet is clearly a constructive one.

A Presbyterian and an evangelical, he takes his religion seriously as a guide to action. He has worked with a nondenominational agency called MAP International to provide substantial medical aid to Third World countries. He and his wife took an orphan into their home and raised her with their own children, and he helped set up an adoption agency in Philadelphia to find homes for other children who needed them.

His approach to religion includes humility: He has told parents who have tried to thank him for aiding their children, "My surgical skills are a gift from God. Thank Him for them." And he is not superficial about religion: Acknowledging to one interviewer that he had prayed before a critical operation, he added, "I don't pray in the sense of trying to cast a magic spell. Praying doesn't necessarily mean asking for something, you know. There's a lot of value in just sitting still and listening."

THE CASE FOR CONFIRMING DR. KOOP

While allegations of religious fanaticism and antiwoman attitudes have been used against him, the up-front opposition to Koop is based on charges that he is unqualified for the job of surgeon general. This opposition is led by the American Public Health Association, whose executive director says that Koop's position on abortion has nothing to do with their opposition to him. Right-to-life lobbyists find this hard to believe, since APHA has long been active on the proabortion side. But its charges about lack of qualification have been widely adopted by editorial writers and others, so they are worth a careful look.

The public health professionals do not dispute Dr. Koop's international reputation as a pioneer in pediatric surgery. He helped make anesthesia safe for children, did intensive work on the treatment of children with cancer, and performed difficult surgery in the separation of Siamese twins and in other cases previously thought to be hopeless. His awards include the highest that the French government bestows, the Legion of Honor.

In addition, Koop has accumulated much administrative experience in building and leading the outstanding pediatric surgery department at the Children's Hospital of Philadelphia. (This is something the public health people do not talk about; listening to them, one might have the impression that Koop is a Lone Ranger type.) And his whole record is one of much personal interest in his patients and their families. In 1978 he made a remark that sounds rare indeed for a great surgeon: "If you told me that I could never operate again, that would not bother me. But if you told me I couldn't have a relationship with patients' families I would be upset."

Given all of this, the average layperson is likely to think that we would be lucky to have Koop as chief health officer of the country. But the public health folks say that private medicine is focused on the cure of ailments in individuals, while public health is concerned more with prevention of disease in entire populations.

Dr. William H. McBeath, executive director of the American Public Health Association, recently told a congressional committee that the "almost exclusive orientation for one-to-one, provider-patient relationships, so advantageous for the clinician, can actually be a disadvantageous distortion for the community practitioner committed to the broader target of equitable programming for a total population."

If Dr. Koop's reputation were that of a narrow-gauged, "cut and run" surgeon, McBeath might have a point. But Koop's whole career indicates the very opposite of that. And he has extensive volunteer experience with public health problems in Third World nations: working against a dysentery epidemic in the Dominican Republic; teaching young women of an isolated Indian tribe in Mexico to dispense antidysentery and antiworm medicines, vitamins and protein supplements; helping set up a medical school in Ghana. He also established a fellowship program to send medical students to rural hospitals in Third World nations, so they could obtain a realistic experience of international medicine and possibly decide on careers in it.

The public health professionals appear to be unimpressed with all of this, which leads one to believe that they are rather hard to please. There is also a hint of self-interest in their position; while they do not say it this way, one message that comes through loud and clear is: "This is our turf and we're going to keep it." The APHA leaders make a point of saying that never before in its 109-year history has their group opposed the nomination of anyone to be surgeon general. But this becomes somewhat less impressive when one discovers that the decision to oppose Koop was made by a 16-member executive board. And APHA president Larry J. Gordon, who started the public controversy last March when he wrote President Reagan in opposition to Koop, is not even a doctor. He is an evironmental health specialist.

All of which brings us back to the troublesome issues that underlie so much of the hostility to Koop: His opposition to abortion in general and to "selective abortion" in particular. Koop notes that his position "is not so outlandish," that it is shared by the president, the secretary for health and human services and the assistant secretary for health. "I'm always amazed to see how their statements arouse no ire," he remarks, "but things I said two years ago, I have to die for." The list of abortion opponents outside the political right includes Lindy Boggs, Thomas Eagleton, Mark Hatfield, Jesse Jackson, Mary Rose Oakar, Graciela Olivarez and William Proxmire. Koop has some good company.

But he reached his position on his own, and largely as a result of his 35 years of medical practice. When Koop entered his specialty in the 1940s, he was one of only six surgeons in the country to devote his practice to children alone. And, he says, he found himself "very rapidly becoming an advocate for children, particularly for children who are handicapped or abused." He has probably seen nearly every birth defect that can occur, including ones that laypeople find hard to imagine.

He has successfully treated infants with intestinal obstructions, ones born with no connection between throat and stomach, ones with severe problems of the urinary tract, ones with dangerous and disfiguring tumors, and even a boy born with his heart outside of his chest. He has corrected problems of Down's Syndrome children and babies with spina bifida (cleft spine). In short, he has successfully treated many children who today might be aborted after amniocentesis detected their problems.

Amniocentesis is the procedure of withdrawing amniotic fluid from the womb when a fetus is 14 weeks or older. Analysis of the fluid for diagnostic purposes was first done in order to help both mother and child affected by the Rh problem, and Koop favors it when done for this purpose. But increasingly over the last 10 years, aminocentesis has been used to detect genetic problems so that the parents can have affected children aborted—even though the extent of their handicaps may not be known. Koop and others of the right-to-life persuasion call the amniocentesis/abortion combination a "search-and-destroy mission." Koop is a markedly effective critic of it because he knows how much handicapped children can be helped, he admires the way "they have such a good spirit and don't feel sorry for themselves" and he has seen many of them contribute substantially to their families and communities.

This is not to say that Koop or any other doctor can correct all birth defects. No cure has been found for the devastating Tay-Sachs disease, which kills all affected infants in their early years. There is no cure for sickle cell anemia, although some researchers now believe they can find a remedy for it. Some are also hopeful about finding a way to prevent or cure the mental retardation that usually accompanies Down's Syndrome. Today, most Down's Syndrome children, with proper training, can learn to walk and run, engage in sports and do household chores. Those who work with them often describe them as happy and very affectionate children. Many eventually learn and hold jobs in sheltered workshops. Yet the medical literature indicates that more children are aborted for Down's Syndrome than for any other genetic problem.

Koop says that it was his concern about infanticide that led him into the pro-life movement, "so you could say I came in by the side door or the back door." He remarks that "I don't think we ever would have come to our current practice of infanticide in this country if it hadn't been for the fact that we were performing well over a million abortions a year. I think that does something to the medical profession's understanding of its healing ministry. And when you make exceptions for the unborn, there's very little difference between making them for that group and for the newly born."

Koop's opponents suggest that he is alarmist about infanticide, but he points to an impressive amount of evidence: a 1973 ar-

ticle in the New England Journal of Medicine in which two pediatricians reported that, over a 2½-year period at the Yale-New Haven Hospital, 43 handicapped babies died after treatment was withheld or withdrawn from them; a 1973 proposal by Nobel laureate James D. Watson that a child not be declared alive until three days after birth, so that a doctor "could allow the child to die if the parents so chose and save a lot of misery and suffering"; and cases of Down's Syndrome childern who starved to death after denial of simple operations to remove intestinal obstructions.

He also notes the recent case of Jeff and Scott Mueller, Siamese twins who were born in an Illinois hospital where one or more persons apparently felt it was all right to starve then to death rather than allow them to face life with serious handicaps. This, says Koop, shows that he "wasn't far off" in his early concern about infanticide.

There is also the case of Phillip Becker, which Dr. Koop calls a "tragic miscarriage of justice." In the Becker case, denial of treatment has been moved up into the teens and sanctioned by the courts. Phillip Becker is a 14-year-old Californian with Down's Syndrome whose parents have refused consent for heart surgery their son needs. Without the surgery, doctors say, he will suffer unnecessarily and probably die at an early age. Yet California courts upheld the parents in their refusal to give consent, and last year the U.S. Supreme Court refused to hear an appeal on the boy's behalf.

How about the Koop suggestion that euthanasia of the elderly will be the next slide down the slippery slope? The same arguments made for abortion and infanticide can easily be made—and are made—for doing in older people who have serious disabilities. Such people, Koop believes, are in danger—"particularly if they're elderly, disabled and expensive."

But the one thing old folks have that babies lack is the vote. It is conceivable that sheer voting power will protect older people from euthanasia enthusiasts. One could say that political protection is better than no protection at all. On the other hand, it is not a firm barrier against the psychological pressures that Dr. Koop and theologian Francis A. Schaeffer spoke of in their book, "Whatever Happened to the Human Race?" They suggested that consideration of euthanasia leads "to a degradation of the elderly and, ultimately, to inferior health care for the elderly—as well as encouraging the thought that those who do not want to 'shuffle off' quickly are somehow failing in their contribution to society."

Dr. Koop indicates that, if he becomes surgeon general, one of his chief goals will be to aid the handicapped and the elderly and to encourage more positive attitudes toward them. Liberal Democrats have long championed these groups; so if the Democrats can put down their brickbats long enough to listen to Koop, he may have a chance. The young, the old and the disabled will never have a finer or more compassionate advocate.

MERGERS AND THEIR EFFECT ON THE ECONOMY

(Mr. GUNDERSON asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. GUNDERSON. Mr. Speaker, the focus of this administration, and this Congress, has been the economy. It has been a proper focus, as we all go through the painful, but necessary steps to restore vigor and prosperity to the American way of life.

Whether it be the budget cuts of the past weeks, or the tax cuts of future weeks, one of our primary aims has been to create more capital for the private sector.

Accordingly, I have watched with some concern, the bidding war that has occurred over the past 2 weeks for the purchase of Conoco Oil. This concern is from both the perspective of large oil monopolies, to the impact of such action on our available capital.

Columnist George Will wrote a most thought-provoking article on this subject. In his column, he talks about the fact that six corporations—four interested in buying Conoco, and two preparing to defend themselves from similar ventures—have borrowed or acquired options to borrow upward of $25 billion.

Our entire budget-cutting effort will include cuts of less than twice that sum. I agree with Mr. Will, when he suggests that Congress should consider the effect of mergers on our economic policy, as well as competitiveness. And I insert his article in the RECORD for all to review.

MERGERS, GREAT AND SMALL

(By George F. Will)

Small may be beautiful (as is argued in books issuing from big publishing corporations), but economics is not a branch of aesthetics. And if Du Pont or Mobil or some other corporation can buy Conoco (the ninth largest oil company), that does not mean that antitrust law has disappeared.

It does, however, mean that the Reagan administration must say how it construes that law.

The meaning of certain law can vary with enforcement; that can vary with the ideology of the enforcement agency; and that can vary with elections. This is especially true of antitrust law. A year ago the financial community probably would have assumed that the Justice Department would disapprove a merger of Du Pont or Mobil with Conoco. Today in the financial community there is a heady belief in a vastly expanded horizon of merger possibilities under antitrust law as currently construed.

The rule of law requires a substantial minimum of predictability: persons must be reasonably able to anticipate whether a contemplated action would conform to the law. If the government approves any Conoco merger, it must say what that approval means in terms of its general antitrust principles.

In defense of a merger with Conoco, Mobil might argue that the geographical distribution of Mobil and Conoco markets produces reasonable market shares by competitive regions of the country. And if IBM, inspired by the example of somebody's successful merger with Conoco, decides to try to acquire, say, Sperry Rand, IBM might argue that it competes not only with U.S. companies but with the Japanese and French governments, so its "appropriate" size must be judged accordingly. These are not dismissible arguments.

Hypotheticals aside, what makes Conoco an attractive purchase are its proven reserves of oil, gas and coal in the ground. It is cheaper to buy Conoco than to discover new reserves.

A few months ago Conoco stock was selling for about $50. As this is written, the acquisition competition has driven the price to about $90. But some estimates of the value of Conoco's resource holding would justify a price of $150 a share, more than the depressed stock market can generate from general investors in a period of high interest rates.

But the bidding for Conoco demonstrates that expensive money need not mean tight money. Six corporations (four interested in buying Conoco and two smaller oil companies preparing to defend themselves against similar takeover attempts) have borrowed or acquired options to borrow upward of $25 billion. (The so-called "Reagan Revolution" involves budget cuts of less than twice that sum.) The size of that sum must interest the Reagan administration, which is preoccupied with increasing and directing the flow of capital.

Some of the money borrowed in connection with the Conoco maneuverings was borrowed overseas (some of it is probably OPEC money), and it adds to the nation's stock of working capital. On the other hand, some financiers say the current merger scramble (the one focusing on Conoco is merely the most spectacular) is directing too much capital into windfalls for the stockholders of the companies being pursued. Perhaps too small a portion of the borrowed money (which is, in effect, distributed to stockholders of the purchased company) will find its way into productive investment.

I haven't the foggiest idea whether the involvement of so much borrowed money is good or bad. But it can hardly be a matter of indifference to the administration. Congress may wish to consider how an administration can evaluate mergers not merely in terms of competitiveness within industries, but also in terms of how the dynamics of the merger process (such as large-scale borrowing) affect economic policy. However, the presumption must be that it is expedient to allow market forces to determine the means by which mergers are financed.

The issue of "monopolies" is as old as the Republic, and the promise of "trustbusting" has had political appeal in this century. Exploiting fear of "bigness" is a temptation for demagogues because the functioning of large economic entities is beyond the comprehension of most citizens. So someone in the administration had better begin educating the public about two points:

The large size of corporations involved in a merger presents no *prima facie* case against the merger. And there is a *prima facie* case for tolerating, and in some cases even encouraging, mergers (even if the resulting entities are large indeed) that enhance the efficiency and international competitiveness of corporations. Small may be beautiful, but bigness can be useful.

PUBLIC LAND USE

(Mr. CRAIG asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. CRAIG. Mr. Speaker, on Friday this body, through unanimous consent

and a voice vote, passed legislation that quietly moves to the other body without, I believe, due consideration. I am referring to H.R. 4083.

We are now working to determine the use of our public lands and to sustain a national timber base for the homebuilding industry and for the welfare of jobs not only in the State of California but across the Northwest, therefore I have to speak up in opposition to H.R. 4083. This legislation fails to recognize our timber needs now and for the future. H.R. 4083 will lose this Nation thousands of jobs.

Mr. Speaker, I have serious misgivings about H.R. 4083. This legislation has major national implications. Although the bill was reported by voice vote from the Interior Committee, I would not want Members of this body or of the Senate to mistakenly believe there is no controversy attached to H.R. 4083.

I am most concerned about the impact this legislation would have on home buyers during the 1980's and into the 1990's. Every reputable forecast that I have seen, including the administration's Resource Planning Act assessment, foresees burgeoning demand for new homes during the next 10 to 15 years. A significant portion of this population is in California and other Western areas where homebuilding depends upon lumber from California national forests.

The economic impacts of H.R. 4083 compared to the RARE II FEIS wilderness recommendation are substantial. Annual returns to the U.S. Treasury from the sale of timber would be $17 million less for H.R. 4083 during 1981–85 and $55.2 million during 1986–95. Jobs lost indirectly in service industries would be about double this number. H.R. 4083 would add 6.7 billion board feet of sawtimber growing stock to wilderness to almost double the volume contained in the RARE II FEIS wilderness recommendation.*

The impact of H.R. 4083 must not be looked at in isolation. It is one more in a series of cumulative impacts that together are decreasing substantially the operable land base and the programed harvest of timber from National Forest System as well as private lands. On the Klamath National Forest, for example, the cumulative effect is to reduce the annual programed timber harvest by 17 percent from 259 MMBF to 215 MMBF.

When the Department of Agriculture stated that the economic impacts of the House bill are "substantial" they were not just referring to timber losses. The impacts which would result from enactment of H.R. 4083 would add to those already felt from restrictions due to consideration of threatened and endangered species, archeological and cultural resources, fish and wildlife habitat, visual resource, unstable lands, prior wilderness recommendations, and the creation and expansion of Redwood National Park. Further, it is estimated that 2,600 jobs would be lost in Del Norte, Humboldt, Trinity, Shasta, and Siskiyou Counties over the next 5 years if H.R. 4083 became law. Returns to these counties from timber sale receipts over the next 5 years would be reduced by $35 million, and receipts to the Federal Treasury would be reduced by $140 million.

Also, the ability of the Forest Service to allow the mining or extraction of gold, silver, uranium, chromite, manganese, copper, and tungsten for which high potential exists on more than 200,000 acres would virtually be lost.

I am deeply concerned about the approach that Congress has taken in resolving the RARE II issue. National issues are at stake here which cannot be made to go away by slicing the decision package into district by district increments and State by State increments. The total impact must also be examined.

I am also concerned that the concerns and views of the Members in whose districts the particular areas lie were not fully respected and taken into consideration. Many of the additonal wilderness areas recommended in this bill have been made without the consent of the Member affected.

I am further concerned about the impact of the unique planning devices outlined in this bill. Certain lands are designated for further wilderness consideration, and the Secretary is directed to manage these lands so as to preserve their wilderness attributes until Congress decides otherwise. As far as I am concerned, that is exactly the same thing as placing them into wilderness.

In summation, Mr. Speaker, let me make these points:

This bill has a national impact and an impact on States other than California.

The result of this bill flies in the face of the already modest timber goals of the administration's RPA program.

This bill flies in the face of what Congress itself has been trying to do through the appropriations process to increase resource utilization in the national forests.

The wilderness study process set up in this bill masks how land is really being put into wilderness.

*Based on data developed on H.R. 7702 (96th Cong.) by the U.S. Forest Service.

REAGAN ADMINISTRATION IN DANGER OF OVERREACHING

(Mr. SEIBERLING asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. SEIBERLING. Mr. Speaker, Sunday's Washington Post contained an excellent editorial commenting on the first 6 months of the Reagan administration. The editorial notes that the administration has shown: First, that the President's relaxed approach to his job has strengthened his capacity to govern forcefully; and second, that the administration's vast energy, commitment, and self-confidence in its own sense of mission accounts for both its achievements and shortcomings.

The editorial quite correctly notes that some things in existing programs deserved to be overridden, but others did not—

• • • including certain values and commitments a Federal Government and a decent society should preserve. And so, as it awaits the general benefits promised by a dubious economic theory, it has put at risk—by some of its welfare, social security and other Federal domestic program cuts—the minimal well-being of persons who are already at the bottom of the economic heap.

Mr. Speaker, the Post editorial highlights the sense that many of us have of being in the presence of an overreaction, a self-certainty, and, above all, a "slavishness to doctrine" that could propel the Government from sensible actions to "reckless exercises in theoretical point-proving."

Mr. Speaker, I offer the full text of the Post editorial following these remarks:

[From the Washington Post, July 19, 1981]

THE ADMINISTRATION 6 MONTHS LATER

Today is the day they are commemorating the president's first 6 months in office, so we will join the fun. The administration thus far has shown these defining characteristics. 1) It is very much, perhaps distinctively, the creature of its leader, a president who is relaxed, a delegator: he is clearly comfortable in the job and not afraid of limiting his hourly, minutiae-bound involvement in it, and with this approach, paradoxically, he has strengthened his capacity to govern forcefully, to make things happen. 2) The administration is reacting with vast energy and commitment and self-confidence to its own sense of mission and that of its basic constituents, and this accounts for both its achievements and its shortcomings.

At the time of the president's election, there was in this country a general consensus, much larger than that reflected in the actual Reagan vote, for correcting and reversing a lot of trends associated with Democratic liberalism and establishment dogma in both domestic and foreign affairs. The question is whether the administration, in responding to this mandate, is not in certain areas being as extravagant and doctrinaire and undiscriminating itself as were the perpetrators of all those various excesses it is trying to cure.

Mr. Reagan has shown himself as skilled at the politics of making a government perform as he was at the politics of getting elected. Witness the unexpected accomplishments of his ambitious plans for federal budget cuts. The president and David Stockman and company knew they had to move very fast, concentrate all attention on this issue, grease and/or contend with Congress where and as necessary and let noth-

ing take precedence over their early assault. It worked, at least insofar as budget cuts beyond anything previously thought possible were made. One part of the downside of this strategy has been that preoccupation with the budget battle has either caused or been used as a justification for neglect of other business.

We will be frank with you: we couldn't be more pleased that some of this business has been neglected. On a variety of civil liberties, civil rights and so-called "social" issues (all political issues are social, even the ones that seem to be about geology), the administration has yet to get its act together or issue promised policy statements. We can wait. Congress and the Court are already doing plenty in this realm that strikes us as ranging from mischievous to miserable, and we do not have enormous faith in this administration as a prospective rescuer of the situation.

The general vacuum that has resulted from all the highly trained attention on the economic program has been filled or not filled as you would expect according to the caliber of the people doing other jobs. For example, although the administration's overall deregulation campaign has yet to be brought to fruition at Transportation, some practical, if difficult, decisions have been made, while at the Energy Department—and in fact in the whole field of energy policy or lack thereof—the indifference and inaction have been marked. Likewise, the president's concentration and that of his top aides on getting that economic package through must be accounted one reason that within his national security group there has been such institutional dishevelment and noisy political discord.

But the concentration on that package is not just a cause (of certain other behavior). It is also in effect, a result, the end-product of a kind of zeal that has led the administration to override everything in its way. Some things deserved to be overridden. But others didn't, including certain values and commitments a federal government and a decent society should preserve. And so, as it awaits the general benefits promised by a dubious economic theory, it has put at risk—by some of its welfare, Social Security and other federal domestic program cuts—the minimal well-being of persons who are already at the bottom of the economic heap. And when you combine this with the bias of the Reagan tax program toward the rich and the evangelical and somewhat careless way in which the overhaul of certain policies affecting blacks is being approached, it takes on an aspect of coldness and indifference probably utterly at odds with what the president intends.

This all-or-nothing attitude is evident as well, of course, in Mr. Watt's Interior Department and to some extent in the administration's attempt to reconstruct foreign and defense policy on some basis less wishy-washy and inconclusive than that it inherited. But the commitment, again, often seems without its inner discriminations—on arms transfers, and nuclear non-proliferation, to take two examples. We are among those who believe much of the administration's reaction and that of the public against prevailing national security nostrums was justified. But we often get the sense of being in the presence of an overreaction, a self-certainty and slavishness to doctrine that, whether in the human rights field or that of Third World dealings of arms control, could propel the government from sensible actions to reckless exercises in theoretical point-proving.

It will take much time to test out the validity of Mr. Reagan's foreign policy assumptions (especially concerning U.S.-Soviet relations) and also that of his economic bet. And it takes more than six months to tell how much of an administration's early conduct is here to stay for the whole four years. So everything is in doubt. And this is above all true of the big question: namely, whether this administration will be a four-year reaction—a fluke—impelling a wayward political establishment to correct its course, or whether it marks the beginning of something solid and big. But we will say two things with certainty. One is that if the administration overreaches—as it now seems inclined to—in its attempt to counter the defects of the Democratic past, it will hand Jimmy Carter his best revenge. The other is that this administration would be enormously improved by the existence of a strong and intelligent and coherent Democratic opposition. But that is nowhere to be seen, and it is one thing, even in a political culture that holds presidents accountable for everything from heavy rainfall to baseball losses, that can't be blamed on Ronald Reagan.

HARRY CHAPIN

The SPEAKER pro tempore. Under a previous order of the House the gentleman from New York (Mr. GILMAN) is recognized for 60 minutes.

Mr. GILMAN. Mr. Speaker, on July 16, 1981, Harry Chapin, singer, songwriter, humanitarian, founder of World Hunger Year, died in a tragic automobile accident. Known by so many of us in Congress for his whirlwind dynamism and tireless, unswerving commitment to ending world hunger, Harry Chapin inspired an invigorating confidence that it was possible for policies and programs to be changed; that the energies, resources, and great talents of our Nation could be mobilized to breathe a fresh new life into the great, humanitarian principles for which we want our Nation to stand.

In one of his many finely crafted, probing ballads, Harry queried:

Now if a man tried
To take his time on earth
And prove before he died
What one man's life could be worth
Well I wonder what would happen to this world.

During his short lifetime, Harry proved to so many people what his life was worth. He was vision, confidence, inspiration, unbridled energy, and selfless dedication to others. And his life mattered—he made a difference. He constantly reminded us that hundreds of millions of people suffer from hunger and malnutrition; that hunger makes every day for them a struggle whether or not their plight makes the nightly news or the morning paper.

As Harry reviewed the cold statistics of hunger, they became even more dramatic. He reminded us that hunger is most vicious when it stalks the young; that 100,000 children go blind each year because of vitamin deficiencies; that in some poorer countries almost half the children die before reaching the age of 5, mostly from nutrition-related diseases and that among the survivors, handicaps of learning, behavior, and work capacity are widespread due to inadequate diets and recurring illness.

Harry would repeat to himself and to millions of others that these conditions did not have to exist and people listened and they read, and they learned that we do have the basic technological know-how and resources to alleviate the hunger problem. It became plain to those who began to familiarize themselves with the many dimensions and facets of the hunger problem that our task is formidable indeed. But that is where Harry came in. Many of my colleagues will attest to the fact that is was difficult, if not impossible, to avoid becoming totally enveloped in Harry's electric enthusiasm. He sparked a realization that the job was not going to get any easier; that the time had come to roll up our sleeves to construct a comprehensive strategy against hunger, more finely tuning those programs with a demonstrated record of success, and terminating those programs which actually exacerbated the hunger problem.

I first met Harry during the summer of 1977. He had come to Washington seeking support for an idea he and his wife Sandy had conceived: Creating a Presidential Commission on World Hunger to find ways that our Nation could develop more effective policies to combat hunger and malnutrition. More comfortable in the jeans and casual shirts and shoes his fans recognized him in, Harry had come to town in a conservative three-piece suit. That lobbying suit, as Harry liked to call it, was to get quite a workout during the next year. In between the hundreds of concerts, he performed—more than half to benefit the hunger-fighting activities of his World Hunger Year and Food Policy Center organizations—he would return to Washington to lobby for his Hunger Commission. Singlehandedly, Harry stormed the Capitol. Along with me, Harry persuaded our former colleague, Rick Nolan, and Senators PAT LEAHY and BOB DOLE to introduce a resolution urging the President to establish the Commission. He soon generated enough interest in the Commission to attract 265 cosponsors in the House and 51 in the Senate.

The Presidential Commission on World Hunger was finally established in 1978. During the course of the next 2 years, Harry never missed a Commission meeting. Often exhausted after a night of performing at a concert and the logistical nightmare of grabbing any available means of transportation to get back to Washington for the Commission meeting the next day, Harry nevertheless injected a spirit of

infectious enthusiasm into those meetings. He was the conscience of the Commission, ever-urging us to explore the deeply rooted causes of hunger and prodding us to produce a final report which did not equivocate; did not pull any punches in detailing those actions our Nation would have to take if the hunger problem was to be resolved. Harry Chapin led our Commission's efforts to involve the public in our deliberations and to explore ways to mobilize public opinion in support of comprehensive policy initiatives against hunger. The Commission's report did not reflect unanimous support for each of its findings or conclusions with differences of opinion noted in our report. But we did provide the Chief Executive and the American public with some good, thoughtful recommendations, producing a document which has served as a vehicle to stimulate much-needed public discussion about the dimensions of and threats posed by world hunger.

The end of the Commission did not end Harry Chapin's commitment to ending hunger, it was but a new beginning. Meeting with him on a number of occasions during this past year, Harry expressed his ever-present concern that Congress and the administration commit itself to developing new hunger policies. He continued to pound upon the doors of staid indifference to the global suffering and instability that hunger breeds.

I always had to listen very carefully when Harry spoke because he could pack into 5 minutes more thoughtful, innovative ideas than anyone I have known. In a conversion, he was a master at conceptually changing gears, launching a fusillade of incisive questions, comments, and proposals on a variety of topics. It was as if he were afraid he would not have the time to discuss and to do all those things that truly mattered to him.

There is an empty space now where once there was boundless energy and unfettered, contagious enthusiasm calling for an end to world hunger. Harry once asked:

And if our future
Lies on the final line
Are we brave enough
To see the signals and the signs?

Resolving the complicated, global problem of hunger will not be an easy task. It will be that much more difficult with the absence of a prodding, insistent force such as Harry Chapin. But world hunger does place our future on the final line. Harry took the time to see the signals and the signs of an awesome menacing problem, which if left to fester, would visit an unprecedented catastrophe on us all. He bravely confronted powerful institutional impediments to change and individuals revering the status quo. He underscored the urgent need for courageous decisions if our Nation were to act against hunger while the best opportunities for success still existed.

We greatly miss Harry Chapin. Our heartfelt thoughts and prayers go out to his wife Sandy, and their five children, Jamie, Jason, Jond, Jenny, and Josh, during this grievous period. But those of us who Harry touched so deeply, who remember the hope-filled strains of his songs, who recall his unfailing commitment to others, will not let Harry's vision and dream, be forgotten.

I urge my colleagues to find in the spirit of Harry Chapin their own determination to channel the necessary resources and energies of our Nation into a long term comprehensive strategy to end world hunger.

GENERAL LEAVE

Mr. GILMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the subject of my special order.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

□ 1810

Mr. DOWNEY. Mr. Speaker, will the gentleman yield?

Mr. GILMAN. I yield to the gentleman from New York.

Mr. DOWNEY. Mr. Speaker, first of all, I want to thank the gentleman for taking this special order. I know that Harry was especially fond of the gentleman from New York because of the time and effort that he gave to the Hunger Commission and also to Harry's events.

It is normal for us to make people to be greater in death than they were in life. With Harry, this is really an impossibility. He was a prolific and talented musician. He recorded some 12 record albums, he produced 160 songs for this brother's television show "Make a Wish." He wrote for film and stage. He was nominated for an academy award for a film documentary called "Legendary Champions" on professional boxers.

Harry was a man who believed in causes, and he acted on those beliefs. He, as a Long Islander, was involved in the community playhouse in Huntington. He was a trustee of the board at Hofstra University. He was on the Long Island Action Committee. There was no worthy cause in our community that Harry did not find the time to help to play a benefit concert for. He played over 200 concerts a year, and over half of them were benefits. He raised $3 billion for various causes. But the one that he felt the most deeply about, I am convinced, was the one that the gentleman from New York has highlighted, and that was the issue of world hunger. He believed that within every one of us there was the ability to shape and mold events; that changing the world was within the grasp of the single individual. Getting the Hunger Commission enacted and raising our collective conscience to the problems of hunger, not only in Bangladesh and in the Sahel, but on Long Island and in New York State, was his great ability and his great gift.

We will miss him, that is for sure. But if his death is to have any meaning, it would seem to me that those of us who were close to him and those of us who were moved by him can dedicate ourselves to the things that he felt strongly about so that his death may have some meaning.

Mr. Speaker, he was a man who believed in Bob Dylan's admonition, a man who is not busy being born, he is busy dying. And if we live our lives learning, reaching, working, as Harry did, for thousands of causes, we will make great contributions to this planet, as that great man did.

I thank the gentleman for yielding to me and I congratulate him on this timely special order.

Mr. GILMAN. Mr. Speaker, I thank the gentleman from New York for participating in this special order. I know how closely he had worked with Harry Chapin on many of the problems and projects in his own area, and I appreciate the gentleman's kind remarks.

Mr. JEFFORDS. Mr. Speaker, will the gentleman yield?

Mr. GILMAN. I yield to the gentleman from Vermont.

Mr. JEFFORDS. I thank the gentleman for yielding, and I certainly want to say how much I appreciate the gentleman's obtaining this special order. His remarks and those of the gentleman from New York (Mr. DOWNEY) have moved me.

I would like to just add, as I hope I can, some small part to this picture of a man. Harry also had a summer home or a winter home, or both, near my community in Rutland, Vt. It is located at Lake Beebe, in Hubbardton. But he did not use it as a vacation from the things that we have discussed, and that is his involvement in helping people. Even when he was there he held concerts to benefit the various things in my community which were close to him, the Sugar Maple Day Care Center, the Rutland Hospital. Also, he was an avid skier, and he helped the young people by raising money for their Pico Ski Club.

He continued those things which were important to him and really used his life wherever he went to try and benefit people.

□ 1820

I had, as the gentleman did, the experience of meeting Harry back in the summer of 1977 when he came here to get something from Congress to help with the world hunger situation. I remember very well the first day he

came into my office, because my staff just went amok. They were racing around. The girls were going especially crazy. Harry walked in and I said to Harry, "I do not know who the heck you are, Harry, but you sure have my staff racing around." He laughed as only Harry could laugh. I immediately felt a kinship to him, because he could laugh at himself. Even though he took his causes so very seriously, never did he fail to laugh when it was appropriate. He realized how to live a full life.

From that moment on, when we worked together, the gentleman from New York (Mr. GILMAN) and I, Rick Nolan and others, to get Congress to react to his wishes, we succeeded for Harry, or Harry succeeded for us. I think it was probably the latter.

I remember a lecture which I think the chairman of the House Agriculture Committee gave to Harry and those assembled when we passed the resolution to create the World Hunger Commission. He said, "It is one thing to be here, as is so often the case with stars of Hollywood or wherever, to come in with these great ideas and to support them and then to forget them, chasing other causes, getting good publicity, and the most important thing is not what we did here today, to pass this resolution, but what you and those that support it will do tomorrow to make sure that it goes into law and not only that it gets into law, but that it will result in something which is meaningful."

That was a lecture which Harry Chapin did not need; for if there was anyone who did not need any prodding to follow through, it was Harry; to see what he did, to get the White House which—as you remember—was not exactly enthusiastic about following through on that commission, to follow through with it and then to continue to raise the sums of money that he did in the cause of world hunger.

I am sure the gentleman from New York was there this past spring when Harry was out at the Capital Center with Kenny Rogers. They raised some $175,000 for Harry's causes. Harry was really gaining momentum. He was amazing, even though he had some tough times, sometimes when his songs were not at the top of the pop charts or whatever, he never was down, at least not outwardly. He never lost that enthusiasm that continued to carry him forward to really enhance those things which he was trying to do.

I just cannot leave without saying there is certainly one thing he did for me. It was a song, "Cat's in the Cradle." I cannot hear that without identifying with Harry, and taking a lesson from that song in my own life, in my own family. When I find myself getting carried away with my public life, at the expense of my kids, I think of that song. It makes me feel sad for, really, he cannot complete what he would have wanted to do to undo the things that were in that song which concerned him with his own family now, for his life has been taken away from the opportunity to fulfill those goals and desires that he had with his own children. I feel very sad about that.

The car accident which killed Harry Chapin deprived us of the man who wrote and sang such popular songs as "Taxi" and "Cat's in the Cradle," songs which told of incomplete lives but buoyed the spirit. It deprived us of a selfless man who placed the welfare of others above his own. Although his life was incomplete in a temporal sense, it was not unfulfilled.

I feel very good, though, about Harry Chapin's life, what he did for me and what he did for the causes which he supported.

I thank the gentleman again for what he has done here today to help memorialize an American we all feel very, very warm toward.

Mr. GILMAN. I thank the gentleman from Vermont (Mr. JEFFORDS) for adding these beautiful thoughts about someone we all worked so much with and thought so much about. I know how close the gentleman had been during Harry's brief career here in the Congress. I cannot help but wonder how much more would have been accomplished if Harry could have spent a few more years with all of us.

I thank the gentleman for his addition to this evening's special order.

Mr. BONIOR of Michigan. Mr. Speaker, will the gentleman yield?

Mr. GILMAN I yield to the gentleman from Michigan.

Mr. BONIOR of Michigan. I thank the gentleman from New York (Mr. GILMAN) for yielding, and also for sponsoring this special order to honor Harry Chapin.

I do not think that I could improve upon the remarks and feelings in the remarks of the gentlemen from New York (Mr. GILMAN and Mr. DOWNEY) and the gentleman from Vermont (Mr. JEFFORDS); they were certainly from the heart. As far as I can tell, they were very accurate.

I knew Mr. Chapin as an artist and as one who believed in the issues that have been discussed, the hunger issue in particular, but also the issue of the environment, and basically the values which I, his peer, grew up to appreciate and hopefully to manifest in my life.

He was, as has been indicated, a person with boundless energy. In fact, he was an exhausting person. It was difficult to be with him for more than an hour without getting physically exhausted by the energy he had, both intellectually and physically.

The gentleman from Vermont mentioned his followthrough. I guess that probably distinguished Harry more than anything from people in the entertainment industry who take upon themselves the obligation or feeling or effort to promote social causes. Oftentimes those causes are not followed through and there is a lot of—I do not know how to put it—I suspect a lot of anticipation that is never fulfilled and a lot of expectation that goes unfulfilled.

That, of course, causes problems down the road. But Harry Chapin was one who followed through on what he believed in by the mere fact that he sponsored hundreds of concerts every year for free to raise money for world hunger. I think that is an indication of his efforts in that area.

It has been mentioned he did not have a great voice. I used to follow Harry Chapin before I even knew him personally, because I kind of liked his message: "Cat's in the Cradle," "Last Dance," "The Titanic." That was one of his last albums. I grew to like them very much. When I met him and found he was using his profession as a vehicle to make the general public—and particularly people of my age—aware of the problems of the environment and particularly world hunger, I grew to like him and eventually to love him very much as a person.

He was an individual who came to my district and campaigned for me, as he did for a number of people in this body. I will remember him always as a good and a decent man who tried his best and who accomplished much more in his short 39 years than most of us accomplish in a lifetime. He was a kind, decent person that will be remembered by both Republicans and Democrats, but more importantly, by the people who really do not have a strong voice in the world community, the hungry people in the world. For that, the world has been a better place to have known Harry Chapin.

With that, I thank the gentleman for yielding to me and allowing me to express my feelings and sentiments on this great American.

Mr. GILMAN. Mr. Speaker, I thank the gentleman from Michigan for his kind contribution to this special order.

● Mr. FINDLEY. Mr. Speaker—

I wonder what would happen to this world if a man tried to take his time on Earth and prove before he died what one man's life could be worth.

Harry Chapin wrote these words as part of a ballad. And he lived by them.

I first met Harry when he came to my office several years ago to talk about the work of the Presidential Commission on World Hunger. I was deeply impressed by his humanity. At that time, I was working on the famine prevention program which seeks to utilize U.S. land grant colleges to teach farmers in developing countries how to grow more so that they can feed their own population. Harry

immediately grasped the significance of this project and volunteered to help. In the years that followed we kept in touch as we both worked to advance the day when people need no longer go to bed hungry.

On one occasion, Harry sent me tickets to a benefit performance he was giving on behalf of world hunger at Merriweather Post Pavilion. It was the first chance I had to observe this extraordinary entertainer. As a humanitarian, and entertainer, and a human being, he was hard to surpass.

Harry Chapin will be sorely missed by his family, other members of the entertainment business, as well as his countless thousands of fans. But to the hungry millions around the world who never knew him but for whom he worked unceasingly to help feed, he is irreplaceable. They will miss Harry most of all and they did not even know he could sing. It is for the rest of us inspired by his dedication to finish his work and bring an end to hunger for all mankind. Of all the tributes we could bestow on him I know that Harry would appreciate that resolve on our part most of all.●

● Mr. RICHMOND. Mr. Speaker, on June 4, 1981, Harry Chapin flew from New York to Washington, D.C., to meet with the executive board of the Congressional Arts Caucus. Following a 1-hour luncheon, Mr. Chapin met Hill staffers, then immediately flew back to New York for further meetings and concerts.

He was here because the administration asked the Congress to cut the appropriations to the National Endowment for the Arts by 50 percent and he knew that if this happened, it would sound the death knell for thousands of cultural organizations nationwide. He came to Washington, at his own expense, to state the case for continued Government support of the arts.

Harry Chapin brought one very clear and concise message to Capitol Hill that day, the same message he gave thousands of times before to his audiences and friends: We must learn to help one another and live peacefully , because there is no alternative. Mr. Chapin's passion for the arts ran as deep as his personal goal of eradicating world hunger. Here was a man who could not rest knowing that someone, somewhere was starving. Harry Chapin believed that receiving adequate nutrition should require no more effort than breathing. His timeless, endless fight to end world hunger was surely not in vain. As he helped decisionmakers understand the reality of hunger, tens of thousands of people throughout the world began receiving food.

Harry Chapin was a man who cared about people and lived with a passion. He accomplished great things in his 38 years.

He believed that everyone had the right to think for himself and create. The arts were the most expressive forum for his creating and he wanted to give that opportunity to others: To broaden their minds and expand their horizons. He knew that our schools could provide the fundamental breeding ground for creativity, but certain educators were locked into seeing things only one way—the way things ought to be seen.

But Harry Chapin knew that this was a view which could not prevail and sought to change myopic educators with one song. He sang, "There are so many colors in the rainbow and I see every one." Between the lines of that song was a challenge to us all to look for more than the obvious—a challenge to expand our horizons and create a better world.

Those few hours Harry Chapin spent with the Congressional Arts Caucus made us laugh and think. His time here, as everywhere he traveled, was well spent. The entire world has lost a great friend.●

● Mr. DORNAN of California. Mr. speaker, I wish to join my distinguished colleague from New York (Mr. GILMAN) in mourning the tragic death of a great humanitarian—Harry Chapin.

Harry Chapin achieved milestones in many areas, of which music was only one. Many people are not aware of his untiring devotion to those who were less fortunate than he, particularly the world's hungry. As the originator of the President's Commission on Hunger, Harry prevailed upon Congress and the world to recognize the importance of educating people on this vital issue. Harry knew that the solution to the world food problem was not simply in sending food to impoverished nations, but rather in its proper distribution. Harry believed that by removing hunger and despair, crime and violence would be reduced dramatically.

Harry Chapin was a man who shunned the limelight in favor of efforts to preserve the family, the environment, and world peace. It should be noted that in the last year alone, Harry gave more than half of his concerts on behalf of charitable causes. He was also responsible for contributing over $5 million to humanitarian concerns.

Harry remains a shining example to us all. He was a giver, not a taker. It is imperative that we continue with his enthusiasm in seeking to eradicate world hunger. He is an inspiration to all of us who are seeking to assist the underdeveloped nations in producing their own food supplies so that, one day, no one will suffer the depredations of hunger.●

● Mr. WALGREN. Mr. Speaker, I rise to express my sadness at the tragic and untimely death of Harry Chapin. It was a terrible loss not only for his family and his country who loved him, but also for the millions throughout the world who never heard his name or music, but who were kept alive by his unceasing efforts to fight world hunger.

As I am sure most of you know, Harry was this country's most influential and hardworking advocate of a national program to combat world hunger. He founded World Hunger Year and gave over 100 benefit concerts to help fund the organization's activities. It was also Harry, and virtually Harry alone, who got Congress and the President so concerned about the matter of hunger and malnutrition that the Commission on Hunger was created.

With Harry's death, the problem of world hunger will not go away. It can only be solved through the commitment of conscience of the "have" nations to help those who "have not."

Admittedly, we in America cannot solve the problem singlehandedly. Nonetheless, we can follow in Harry's footsteps and serve as an exmple to the rest of the world, drawing attention to the gravity of the situation. I realize that, at the moment, aid for the underdeveloped and hungry Third World countries is not politically popular ; but we are talking about humanity, not politics. We must take Harry's message of caring to heart: I fear that otherwise, our Government's conception of foreign aid could become primarily weapons sales. I have to wonder what is the sense of defending the freedom of a nation's people if they are hungry and dying.

I hope, then, that we as a body and as a nation will reaffirm our commitment to those principles in which Harry Chapin believed so firmly. If the tragedy of world hunger is finally to be eliminated, it is America who must lead the fight. Harry Chapin's work would not have been in vain.●

● Mr. AuCOIN. Mr. Speaker. I owe a large debt of gratitude to Harry Chapin. He was a wonderful friend of mine whom I will never forget. I met Harry 4 years ago when each of us was honored by the U.S. Jaycees as 1 of 10 outstanding young men of America; it was there that we first talked about his work in the field of world hunger. He intrigued me because he was a talented, successful songwriter who used his position to further humanitarian causes.

Why was he honored by the Jaycees? He made two substantial achievements in his life. While he rose to the top of his profession as a singer, he was committed to solving the problems of world hunger, working unceasingly toward that end.

Armed with the conviction that freedom from hunger is a basic human right, Harry organized World Hunger

Year. He felt that our nations contain sufficient food available to feed everyone and that world hunger can and must be eliminated. Harry wanted to secure and organize public consensus on these beliefs and to promote public and private policies to reflect it. This was not enough; he went on to start the Food Policy Center, which is the legislative arm of World Hunger Year.

Harry was also very active on the Presidential Commission on World Hunger. He helped get the Commission created and then helped develop the Commission's report as one of its best members. That report recommended that the United States make the elimination of hunger the primary focus of its relationships with developing countries, beginning in this decade.

Mr. Speaker, not only did Harry commit much of his time to solving the problems of world hunger, he was unselfish in other ways, donating much of his own income to a wide variety of charitable causes. Half of the concerts Harry gave over the last several years were benefits for these causes.

His songs illustrate his strong commitment to the importance of the individual and to the precious, yet fragile, nature of human relationships. Harry Chapin cared about relationships and devoted his efforts to making others care.

Harry's concerns for children and the quality of life led him to encourage support for education and the arts. In his recent appearance before the arts caucus he sang a powerful tale about the importance of a culturally enriched education, encouraging the creative and generous potential in children to grow. His ballad warned of restraining artistic endeavor and then he said:

> We must not let this happen. Americans are—and should always remain—people who see all the colors of the rainbow.

Harry Chapin was electric energy, and he always gave his energy to a basic idea—that the only way to lead a fulfilling personal life is to do something to help fulfill other lives, by easing pain, relieving suffering, and fighting injustice. There is no doubt he succeeded.●

● Mr. REUSS. Mr. Speaker, Harry Chapin, whose life ended tragically on July 16, was a singer and songwriter of tremendous talent and virtuosity. His most successful and memorable songs concerned the victims of broken dreams—people whose lives were suddenly stripped of self-delusion. Who can ever forget Chapin's haunting depiction of a world-weary taxi driver whose drug-induced "trips" replace the realized fantasies of his youth, of an aging disc jockey seeking refuge from pain and disappointment by mindlessly spinning records on his morning radio show, or of a lonely older man abandoned by his son, much as the growing boy had been neglected by his self-absorbed father.

In contrast with the unhappy, unfulfilled lives of those described in his songs, Harry Chapin's life was one of remarkable achievement. In addition to his musical talent, which entertained millions, Chapin directed his tireless efforts toward eradicating world hunger and malnutrition. Through thousands of benefit concerts, and through his seminal role in establishing the Presidential Commission on World Hunger, Harry Chapin made a difference. Without Harry, the fight against world hunger will be even more difficult. We are fortunate, however, to have his example to inspire us as we continue that struggle.●

● Mr. ADDABBO. Mr. Speaker, it is indeed with great saddness that I take this opportunity to join my distinguished colleagues in the House of Representatives today in paying tribute to songwriter and performer Harry Chapin, an energetic New Yorker, spirited American, and compassionate human being who died tragically last week in an automobile accident at the far too early age of 38. I am sure I speak for many present today and his countless friends and admirers across this country when I say this multitalented, selfless man will be missed and his music and ideas will never be forgotten.

Harry Chapin died on the way to giving a free concert on Long Island, very appropriate for a man who thought so much of others and of their interest and appreciation in music. He wrote for and sang to, the common man and woman of this Nation. His relaxing, amusing, and thought provoking songs were very often about people we have known in our own lives, though not necessarily by name. His descriptive lyrics enabled us to clearly picture in our minds the factory worker, child, or former lover which had once been a part, though, sometimes painful part of our lives.

Harry loved this great expanse of land of ours, particularly the small towns and cities which extend from coast to coast and border to border and he drew much of his inspiration for his songs from them. But there was much more to Harry Chapin than his music. There was a Harry Chapin who believed that the problem of hunger and starvation was everyone's problem and that we all could play a part in eradicating it. With this in mind, and through the help of such fine colleagues as BEN GILMAN and TOM DOWNEY, he helped establish the Presidential Commission on World Hunger, a body in which he played an integral role in helping spread the word about the urgency of the problem.

When Harry was not fighting to end world hunger, and when he was not busy giving free concerts, or supporting candidates, much of his time was spent on behalf of the arts of this country and he worked long hours to help such groups as the Long Island Performing Arts Foundation, the Eglevsky Ballet, the Long Island Philharmonic, and among others, the Congressional Arts Caucus.

Harry Chapin leaves behind a legacy of gold records, Tony and Academy Award nominations, and friends who loved him and his music. To his wife and family who mourn his passing, they surely must be comforted in the knowledge that he touched so many people for so many good causes.●

● Mr. DELLUMS. Mr. Speaker, I join my colleagues in taking this time to pay tribute to a special human being that has been suddenly taken from us.

We have lost three great humanitarians this year, all of whom were poets and singers. After the deaths of John Lennon and Bob Marley, the loss of Harry Chapin is especially saddening.

Harry Chapin was one of a very few. He was a particularly honest and committed activist, who lived a life that directly reflected his beliefs. While others around him were able to climb to success and fame, so did Harry Chapin. But Mr. Chapin was moved by more than the need to attain those goals. He wanted to make a greater difference in this world, and by his totally unselfish dedication to the cause of alleviating the suffering caused by hunger, both here and around the world, Harry Chapin attained this higher goal.

That such a person was in our midst, is an inspiration. That such a person delivered so much happiness and shared with us his keen insight and sense of humor, is to the benefit of all of us. That we might all learn from this selfless zeal for a cause that touches the very center of human existence, should be his legacy.

Mr. Speaker, I call on my colleagues, in the name of Harry Chapin, and especially on behalf of the millions of human beings who face and suffer starvation yearly, to renew their efforts on the urgent task of doing what this Nation can, should, and must do to alleviate this terrible global condition.●

● Mr. BARNES. Mr. Speaker, Harry Chapin was a very special person. In his music and in the way that he lived he taught us much about caring about the lives of others. As beautiful and thoughtful as his music was, however, Harry would certainly rather be remembered for what he tried to do for the hungry people of the world.

Over the years, at least half of Harry's concerts were for charity or as a benefit. I will never forget the cold, windy day at Montgomery College in Rockville last fall that Harry gave a benefit concert that I attended. The outside amphitheater was full of col-

lege students, who came to hear Harry sing, but who heard not just music but the kind of civics lecture that they would never listen to from a professor. Harry believed in all the cliches—the American way, democracy, the power vested in the vote by our political process—and he communicated it with a power and eloquence that would put any ordinary politician to shame.

But what Harry Chapin really believed in, and devoted his time, his energy and his money to, was the fight against world hunger. At every concert, in every conversation, at literally every opportunity, Harry told anyone who would listen, and, unfortunately, some that would not, that every year there was enough food produced to feed every person in the world with some left over * * * that it was a tragedy that people still starved to death * * * that it was imcomprehensible that children all over the world were going to bed hungry * * *

As Washington Post reporter Tony Kornheiser said in an eloquent tribute to Harry Chapin—

* * * he was a liberal in the very best, philosophical sense of the word. It wasn't welfare he was talking about, it was decency. He used the phrase "elightened self-interest." He said it made good sense to redistribute the food. Not because it was the noble thing to do, but because if you removed hunger and desperation you would remove a major cause of crime and violence. If there is such a thing as practical liberal, Harry Chapin was that.

In the words of one of his most beautiful and touching songs, I hope that Harry Chapin has found "A Better Place To Be." For those who remain behind, the best monument we can erect to his memory is a world free from hunger.

I would also like to insert into the CONGRESSIONAL RECORD the following statement which was issued by Mr. Jim Grant, executive director, UNICEF.

Harry Chapin was made of qualities rare in public life in any country. Few who succeed in their own right, or who enjoy the comfort and opportunties which he enjoyed, choose to give more from themselves than they keep for themselves. Harry Chapin did.

Those who had the privilege of working with him in the struggle to feed the world's hungry—and to help the hungry to feed and advance themselves—will not soon forget the energies and the talents which he devoted to bringing public attention to the causes which he embraced, nor the resources which he brought to bear—his own and those he raised—to benefit those causes.

It is terribly sad that so chance an accident would deny the world's most voiceless and powerless people the voice which Harry Chapin raised, and the power which Harry Chapin marshaled, in their behalf.

Those who worked with him will continue to work without him, but the effort will be far more difficult, and far less cheerful, without Harry Chapin singing a tale and leading the way.●

● Mr. BIAGGI. Mr. Speaker, it is with a deep sense of honor and sadness that I join my colleagues today in paying a richly deserved tribute to the late singer, songwriter, and crusader against world hunger—Harry Chapin.

Seldom is a man blessed with a talent as special as Harry Chapin—seldom are those select few as generous with that talent as Harry Chapin. As an accomplished musician, singer, and songwriter, Harry could have made millions at a very young age, content to perform at an occasional concert whenever it was convenient. Not Harry!

Instead, he performed more than 200 concerts per year, of which half were benefits—not for himself, but for those suffering from world hunger. Harry's tireless work did not stop when he put down his guitar. After a concert, Harry could often be found out in the crowd enlightening fans to his cause and helping to raise additional funds for the alleviation of world hunger. He often spend time between concerts here in Washington lobbying for such pet projects as World Hunger Year and a Presidential Commission on World Hunger, which now serve as a living testiment to Harry's dedication.

Harry died tragically in an automobile accident last Thursday in the prime of his life. Certainly, Harry would have given so much more if he had been given the time. But, as we reflect on Harry's life, we can only be thankful for the time he did have. His fans will always have his music, and those of us who will continue to help alleviate world hunger will always have Harry as our inspiration.●

Mr. HARKIN. Mr. Speaker, I wanted to take this time today to pay homage to a dear friend of ours who was untimely killed in a car wreck in New York on July 16.

Harry Chapin was, indeed, a friend to many of us who have worked in the House and in the Senate on the issue of world hunger.

Harry Chapin was a lovable guy with a very large concern for the poor and the hungry. It is a very sad day for us who knew Harry well, and we will miss the feelings that he generated in so many people. I send my sincere condolences to his family, who of course will feel his loss most vividly.

There likely would never have been a Presidential Commission on World Hunger if it had not been for Harry Chapin. He conceived the idea. He brought it to the House and to the Senate. He worked long and hard, did the legwork and the buttonholing to get Members to cosponsor it. He was here during all the time that the hearings were held in our subcommittees and committees, through the floor of the House and the Senate, and he was present at the signing of the bill by President Carter.

In establishing a Presidential Commission on World Hunger, Harry told me many times that he wanted to provide an opportunity for Americans to reflect on the issue of world hunger. He did not just want to set up a group of experts to set the guidelines. He envisioned representation from labor unions, from farmers, from food processors, and literally hundreds of people throughout the country representing all aspects of our society to be on the Commission.

Harry was never politically motivated in this vision. His concern was for the American people to reflect on and to act upon world hunger. He wanted it to be an ongoing enterprise. He had undying faith in Americans and he felt that they as a community would come up with humane conclusions about these issues.

As a member of the Presidential Commission on World Hunger, he was dedicated to the Commission's work. He attended every meeting and was always aggressively pursuing his line of analysis, which was intensely sympathetic to the plight of the poor in the developing countries.

The most striking thing about Harry Chapin, I think, was that he sacrificed himself, really heroically. Very few individuals actually follow through with such a personal commitment as Harry did with his concern for world hunger. Very few people understand the sacrifices that he gave. I understand that of the 325 most recent concerts that were given by Harry Chapin, over one-half of those concerts, the proceeds of those concerts went for charity, either directly for world hunger projects or for candidates supportive of world hunger concerns.

I might point out that Harry Chapin did concerts and raised money for political candidates, both Democrats and Republicans. Before ever doing a concert to raise money for a political candidate, he always wanted to know what that candidate's dedication and commitment was to eradicating world hunger. He was not here lobbying to get better tax relief for himself. He was not here lobbying in any way to make himself richer or to make members of his profession even richer. He only wanted to know what our commitment was to world hunger. He did not care if you were a Republican or a Democrat, what part of the country you came from, just as long as you would work on behalf of providing a forum for talking about the issues of hunger and food distribution.

In this morning's Washington Post there was an article written by Mr. Tony Kornheiser entitled "The Troubadour Who Laughed At Fame and Gave Away His Fortune."

In the body of the story there are these few sentences:

Harry Chapin could have been a millionaire.

Harry Chapin maybe should have been a millionaire.

But every year at least half of his concerts were free, either for charity or as a benefit.

He put his money where his mouth was.

All in all, Harry Chapin was a good and decent human being, a person who dedicated his life so that others may have a better life.

To close my remarks I would also read from the Washington Post this morning which ended by saying:

I remember me telling him that it was about time he stopped trying to save the world and started selling out so he could become a rock star.

And I remember exactly what he said about that. He said, "Being a rock star is pointless. It's garbage. It's the most self-indulgent thing I can think of. I've got nothing against selling out. But let me sell out for something that counts. Not so Harry Chapin can be No. 1 with a bullet, but so I can leave here thinking I mattered."

Harry Chapin left this world on July 16, and he did matter. He mattered to all of us who knew him. He mattered to countless millions of people around the world who never knew him and who will never know of him, but for whom he toiled. We must continue to strive for this goal that Harry Chapin and so many of us care deeply about.

Mr. Speaker, I include the following article:

[From the Rolling Stone, Apr. 6, 1978]

SINGING FOR THE WORLD'S SUPPER

(By Dave Marsh)

The morning of February 3rd, singer/songwriter Harry Chapin flew to Washington, D.C. from Ontario. He'd just done a concert and, having slept on the plane, arrived with barely enough time to change into what he calls his "lobbying suit," a three-piece number that's a lot calmer than he usually acts while wearing it. He left his street clothes, and his wallet, in Senator Pat Leahy's office and got into Senator Dick Clark's car to drive to their meeting with Jimmy Carter. When they got to the White House gates, Clark and Leahy were asked for their identification. Harry realized that he had none and the congressmen started to make excuses, but the guards just waved the car on. "Oh, that's Chapin," they said, "We know him."

A few minutes later, Harry Chapin found himself in the vice-president's seat in the Cabinet Room of the White House, directly across from Jimmy Carter. An ideological mélange of heavyweight congressmen flanked them, from liberal Democrats like Senator George McGovern and Leahy, to conservative Republicans like Senator Robert Dole and Representative Ben Gilman. All of them were present to hear Carter's verdict on a point congressional resolution calling for the establishment of a Presidential Commission on Domestic and International Hunger and Malnutrition.

Harry Chapin has known more glamorous and highly publicized moments since his first hit, "Taxi," in 1972. But this was probably the apex of his offstage career. The hunger commission was his project, Chapin had spent four months badgering it through Congress, where it passed both houses by overwhelming margins: unanimous in the Senate, 368–34 in the House, Chapin's lobbying campaign had been a populist dream; everyone from Carter's adviser on the hunger issue, Dr. Peter Bourne, to consumer activist Ralph Nader called it the most impressive lobbying effort by an outsider they had ever seen.

As the meeting began, Representative Rick Nolan spoke briefly of the genesis of the measure, then turned the floor over to Chapin. Always voluble, the singer was hardly intimidated by the company. A natural performer, he is at his best when speechifying: his hoarse voice rises to unseemly levels, the words come fast and abruptly, in a flow so thick there's little chance of an interruption. His catch phrase this morning was Carter's campaign slogan, "A government as good as its people," of which Chapin thought the hunger program a natural extension. He spoke for about five minutes.

"If this is the kind of energy that was brought to this resolution," Carter said when Chapin was finished, "I can understand why it's reached by desk." Remembering the gatehouse scene, Leahy added, "Yes, he's even infiltrated the White House."

"It's gotten so bad," Carter concluded, "that even Amy is asking me what I'm going to do about world hunger." And then, in a voice so low his audience couldn't be sure they'd heard him right, "I think it's a good idea."

Chapin had pulled it off.

Hunger has been Harry Chapin's prime extramusical concern since 1973. Chapin and a friend, Father Bill Ayres, a Catholic priest from Long Island who does a national rock and religion show for the ABC network, saw the hunger issue as a natural political and charitable outlet for Chapin. At the time, a major drought in the southern Saharan (Sahelian) region of North Africa was causing mass starvation, "You should do another Bangladesh to benefit Sahelian relief," Ayres had told Chapin. "I'm not exactly George Harrison," Chapin replied.

Eventually Chapin was convinced and he and Ayres approached the United Nations with the benefit idea. John Scali, the U.S. Ambassador to the U.N., agreed to cooperate if Ayres and Chapin would accept Michael Viner, who'd organized the entertainment for Nixon's second inaugural, as overseer. Even with a promise of support from Bill Graham the benefit never attracted sufficient talent to come off.

After the benefit fell through, Ayres and Chapin reassessed their view of the hunger issue as a matter for charity. Their new analysis was that the root of the world hunger problem had been misidentified. Overpopulation and scarcity of food and land weren't the causes of hunger; the solution wasn't to be found in increased charity from rich nations or more exports from poor ones. Nor was the answer greater technology on ever larger farms. The only long-range answer was self-reliance and redistribution of resources: in short, land reform, wealth reform or economic revolution, which threaten dictatorships, obligarchies and multinational corporations—all concentrations of wealth—equally.

Chapin can now explain why this analysis is correct at great length—for hours if necessary. Statistics pour out of him like some windup computer:

There are 500 million malnourished people in the world, 20 million in the U.S. alone.

Malnutrition is a significant factor in up to fifty percent of the world's mentally retarded.

A large amount of American pet food is sold to senior citizens.

Of the money allocated through the U.S. Food for Peace program in the last year of the Nixon administration, ten percent subsidized tobacco. Fifty percent went to Cambodia and South Vietnam, where no one is certain what become of it, in the Sahelian situation, as relief food was entering from African docks, most of the region's agricultural crops were being exported.

The problem is so vast, Chapin finishes with a flourish, that if he were able to raise $750 million for benefits, that would be enough to give every starving person $1.50 per year.

Chapin now says that the Sahelian benefit idea was an example of "event psychosis," the idea that a major event will mystically solve problems through good will. He is, he insists, "committed to the process. I'm in for the long run." There can be little doubt of that. Chapin has consistently been a socially conscious songwriter; his hits, "Cat's in the Cradle," "Taxi" and the rest are fables, miniature sermons ("And I'll tell you why Baby's crying,/'Cause she's dying, aren't we all?" he says in "Taxi"). Always didactic, always rigorously and righteously moral.

Through the winter of 1973–74 Ayres and Chapin studied the hunger problem and how to combat it effectively. Their conclusion was that they needed an organization; a series of meetings begun in March 1974 resulted in the formation, one year later, of World Hunger Year (WHY). (The answer to the obvious question is: every year.) WHY is a nonprofit educational group. It is funded mostly by the sixty-odd benefits Chapin does every year, which raise about $500,000. WHY uses those funds for smaller, less dramatic events than Bangladesh, but they're more effective: teach-ins at high schools and universities, small benefits (500 seats) where Chapin can rap with the audience before, during and after the show.

On Thanksgiving Day 1975, Chapin and Ayres took over New York's WNEW-FM for a twenty-four-hour, commercial-free special devoted to the hunger issue. The Hungerthon offered celebrities, politicians and experts ranging from Ralph Nader and Ramsey Clark to Joan Baez, Patti Smith and Roger McGuinn. It was sufficiently successful to earn another on Thanksgiving 1976, and other Hungerthons at rock stations in Detroit, Washington, Los Angeles, Dallas and San Francisco.

But the giant step for Chapin's hunger campaign came after a meeting last spring when his wife Sandy looked at him and said "What you guys need is a presidential commission." At first, Chapin was skeptical. Most presidential commissions have been study groups which file a report and are then forgotten. "But it finally looked like our best alternative," he said, and so he convinced Representative Tom Downey, a Long Island Democrat for whom Chapin had campaigned, to introduce him to members of the House and Senate agriculture committees.

Initially that meant Rick Nolan and Pat Leahy, both young, liberal Democrats with a history if skepticism about the way U.S. food aid programs have been run. Both men call Chapin the prime mover in organizing the congressional drive for a resolution calling for the establishment of such a commission by the president. Leahy's involvement

was especially surprising, since he is the author of a well-known study attacking the efficiency of such commissions.

Everyone agreed that a simple, study group would be effective, so the hunger commission's first year would be spent assessing all available information on what is being done, what could be done and the nature and extent of the problem. The second year, however, would be devoted to public education and assistance in implementing measures the commission recommends. It was an excellent strategy, if it could get through Congress.

Nolan and Leahy gave Chapin lists of key congressmen. He began spending several days a week in Washington, often flying in from other parts of the country after doing concerts, sleeping on the plane and rushing off to the Capitol, where he dragged congressmen out of men's rooms and committee meetings, chewing their ears off with his passion. "I wouldn't say he took Congress by storm," Nolan laughs, "but he did move Congress at a pace similar to the pace and fury of a storm."

By rule, only twenty-five congressmen may cosponsor a bill in the House. "So we introduced bill after bill," Chapin says. 'No one had ever seen so many bills." In the end, there were fifty-six sponsors of the resolution in the Senate, 268 in the House; that is to say, a majority of both. It was an impressive display of politicking, particularly for an amateur.

"I've never seen an example of an entertainer who dedicated so many hours or so much imagination to a civic cause," says Ralph Nader, summing up the feeling of many Washington insiders. "A lot of them go to soirees, a lot of them give lip service, but the duration of Harry's commitment is unprecedented. Congress has seen a lot of guys come here for certain causes, but after a few days or a few hours, they're gone. Harry's committed to this issue on a permanent basis."

Nader also point out that Chapin's effectiveness, at a time when his career is also growing (in concert revenues, if not record sales), contradicts "the usual belief that if a singer gets too involved in causes, his career will suffer." Nevertheless, Chapin is convinced that the music industry—not to mention the music press, with whom his relationship has always been less than pleasant—dislikes him. Because he tends to sermonize, this is at least partly true. But Chapin does only about fifty or sixty benefits a year, less than a third of his concert scheduled. And he lives well, though not as ostentatiously as most rock stars.

Last year Harry Chapin finally got his version of Bangladesh, with a benefit concert in Detroit that featured James Taylor, John Denver and Gordon Lightfoot. Taylor and Lightfoot had needed much persuasion. Denver had two links: he and Chapin are both managed by Jerry Weintraub's Management Three organization, and Denver is a follower of est's Werner Erhard, who proposes to solve the hunger problem with his quasi-religious cult. (Mostly, it seems, through a mixture of good vibes and charity, precisely, the solutions that have been tried and failed for centuries.)

The money from that concert, however, went not to WHY but to the Center for Action on Hunger and Food Policy, a lobbying group with a small but full-time Washington staff. Previously, Chapin's role in Washington had been hit or miss; working with the center, he feels he might be even more effective.

One of the first issues that confronts the center is the composition of the commission, which will be appointed by Carter. According to a variety of sources, three names on the administration's first list of potential nominees were John D., David and Nelson Rockefeller. Their presence—one possibly as chairman—would make a travesty of Chapin's effort, since the Rockefellers already have a considerable stake in the nation's Food for Peace, AID and Green Revolution policies, all of which have been ineffective in terms of WHY's analysis.

"If that happened," Nolan told me later, "I would probably introduce a bill calling for the commission to be disbanded. Those names have simply come to symbolize excessive multinational power to too many people. It would tarnish the commission's credibility." Carter's chief hunger adviser, Dr. Peter Bourne, later told me that all lists so far had been assembled "off the tops of people's heads," although he didn't deny that the Rockefellers were prominent among them.

No matter who becomes chairman of the commission, however, one of its members is almost certain to be Harry Chapin. In which case, it is going to be awfully difficult to sweep things under the rug.

Mr. GILMAN. Mr. Speaker, I yield back the balance of my time.

□ 1830

THE TAX BILL AND THE BUDGET PROCESS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. GINGRICH) is recognized for 60 minutes.

Mr. GINGRICH. Mr. Speaker, I wish to speak this evening and in coming evenings on the tax bill and the process by which this Congress is attempting to develop a unique game plan. I want to talk about this because I think that the many people who now watch the House of Representatives in session and the many people who read about our sessions deserve a chance to look in context at what is happening.

Things change rapidly here. With each passing headline, we have different offers, different bills, and different amendments. There are a variety of bids made for support as the liberal Democratic leadership attempts to retain control, and it is often a little difficult to determine who is doing what.

Basically, what has happened is that there has been a change of philosophy in who dominates the country and who is attempting to govern. In the most fundamental way since the New Deal, we are now in an era when the Government is in transition from a way of doing business, a way of taxing, and a way of administering—the one that was once dominant—to a new method, a new approach, and a new technique.

What happened in the 1970's was that not only did the liberal ideology run out of steam but the people running the Government collectively became so unable to make decisions and so unable to balance their behavior as it related to the country at large that the sheer cost of maintaining their system overwhelmed the public. Taxes, for example, went up 249 percent in the 1970's. At every turn, whether it was social security or income tax, the cost of being governed increased. The amount of money left in your pocket and in my pocket declined. Inflation and taxes raced each other to see which would cause the most harm to the American people. With each passing cycle of bureaucracy and redtape and waste, the need for money increased, and a system had been introduced which guaranteed that as inflation increased, your cost-of-living raise would be pushed into a higher and higher bracket so that in the end just trying to keep up with inflation became expensive. In the end, getting a cost-of-living raise meant you actually fell behind the cost of living because you ended up in a higher tax bracket, and for many Americans getting a pay raise meant getting a pay cut because the Government took out more as you entered a new bracket when you had received a raise from your employer.

What was at stake was your job, your pocketbook, and your family's hope. By 1980 working Americans found their factories less and less competitive, their jobs in danger, their incomes decaying, and their future more difficult. Working Americans looking ahead feared for their country, and for the first time in many years vast numbers of Americans told public opinion pollsters that they felt gloomy about America's future.

The results in 1980 were that your will and your vote changed the way we have been doing business. In 44 States, Ronald Reagan received the electoral votes. The Senate for the first time in a quarter century went Republican. The House had a gain in Republican seats and an increase in conservative Democratic seats, with the result that a potential conservative Democratic-Republican coalition became possible for the first time in 20 years.

The liberal Democratic leadership was in disarray after the election. It had lost the White House, it had lost the Senate, and it had only shaky control of the House. In a series of maneuvers, the leadership granted seats to the conservatives on the Budget Committee, the Ways and Means Committee, and on the Democratic Steering Committee. It zigged and zagged, it appeased, it mediated, and it calmed down the surge so that in January it retained the control of the House.

This liberal Democratic leadership realized early that it could not win strategically. It could not explain clearly what was going on, because in fact the country had repudiated it. The country did not want more red-

tape, big bureaucracy, and big taxation. Nor could it even be appealing to the grass roots because it had lost the grass roots. The working Americans wanted change; they did not want the same old thing.

The only hope left for the liberal Democratic leadership was to attempt to win tactically by rigging the game, and by fighting the fight inside the House itself by maneuvering, by stacking the calendar, and by doing everything possible so that there never would be a fair vote and never a clear choice and so that in the murk and the confusion it could wriggle its way to victory.

It began this process in the opening days by stacking the Rules Committee and the Ways and Means Committee, two of the most important committees in the House. The Rules Committee is a sort of traffic cop in this body. It decides what will come to the floor and under what conditions. That committee was stacked two to one to assure that the liberal Democrats would retain control.

The Ways and Means Committee was clearly going to be the most important policymaking committee in terms of President Reagan's economic program. The Ways and Means Committee was going to play a vital role in setting the stage for a healthy America. The Republicans had gotten 49 percent of the vote in the country in competitive races. Forty-four percent of the new House was Republican, but 33 percent of the Ways and Means Committee would be Republican. It was clearly stacked, clearly designed to break the people's will and clearly designed to hold hostage the President's economic game plan.

Yet even those efforts to rig the game failed when the first budget maneuvering in the House lost, with President Reagan's emotional appeal to the country. And we all remember well that when he came to this House, he stood in front of the Speaker and he gave an eloquent and brilliant address explaining why he needed our help to fight inflation, to create jobs, and to create a prosperous America once again.

Having lost the first budget fight, in a second desperate bid for power the liberal Democratic leadership rigged the game even tighter during the reconciliation fight. Unable to win in any kind of straightforward, clear, open fight, the Rules Committee recessed on the Wednesday of the reconciliation fight until 7 p.m., to meet after dinner to decide at the last possible minute what rules the House should use in dealing with the President's reconciliation package, and they decided to come back the next morning to vote.

Imagine the audacity, to say with a straight face, "Yes, we are going to have a reasonable process. However, we are only going to rig the rules after we have gone to dinner and most of the Members have gone home. We are not going to tell you what the rules will be until the next morning, and when you come back, we are going to draft it so you can't possibly win, and we are going to do it at the last possible minute, just before we leave for the 4th of July recess, because we want to build a liberal railroad and put a liberal train on it."

Unfortunately for the Democratic liberal leadership, that train was derailed. By the slimmest of margins, the conservative Democrats and the Republicans, in a bipartisan effort to build a prosperous America, defeated the leadership on the rule and created a rule that was more open and fair to the will of the American people. They changed that rule when we came back so there could be a clear vote between the people's will and the leadership that was fighting to preserve the liberal American way.

The result was that the very liberal leaders who had set up the rules of the game, who had done all they could to stack the committees, who had set it up for the last possible minute, and who had recessed until 7 p.m. the night before, had now lost, because the wrong train was on the tracks; there was a conservative tax-cutting and budget-cutting train coming down the track. They now claimed that it was not fair.

Not satisfied with doing that on Wednesday and Thursday morning, the liberal Democrats then intercepted the Republican reconciliation bill on Thursday evening before it got to the printer, looked it over, and further delayed the events of that Friday morning so their leaders could then complain about the bill which had been held up by the liberal Democratic Members.

Yet with all the different shenanigans, all the different efforts to rig the game, and all the different efforts to fight inside this House on the most possible confusing ground, the liberal Democratic leadership still lost eight conservative votes on procedure and substance.

For those of you who wonder how important your Congressman's vote is or how important your letter or mailgram or your telephone call is, the biggest margin was 217 to 211. Three Members changing their votes would have changed everything.

Thus with the American people, President Reagan, and the bipartisan conservative Democratic-Republican group winning temporary control over the House for a brief period, we had passed a reconciliation bill that genuinely moved toward cutting Federal spending and toward a more decentralized way of government.

□ 1840

But over the Fourth of July recess the liberal Democratic leadership had to reassess its position. They decided to go all out on the tax bill in a desperate effort to dominate the House and rebuild their majority. They decided that no cost was too great.

Originally, the tax debate had been a debate between two philosophies, two intellectual approaches to solving the problems of the American economy. One approach, the one we followed for the seventies, basically, accepted the notion that the cost-of-living increases would put you in a higher bracket, would take money out of your pocket, and that in Washington that money would be spent for you. That is traditional liberalism.

The other approach which was more popular in the late seventies and advocated by President Reagan said we ought to give you tax cuts that balanced off the tax increases. We ought to somehow leave the money in your pocket so that you spend it instead of Washington spending it.

That is a clear-cut coherent sense of two ways of solving problems.

That debate has collapsed into a tawdry game of maneuver and bargain. Just do not listen to me and believe me. Let me read you two quotes from the majority leader, the gentleman from Texas, one of the leaders of the liberal Democrats in this body.

> It is call them and raise them. It is like a poker game. It is what they did to us first and now we are trying to frankly do it to them.

Let me repeat the first two sentences:

> It is call them and raise them. It is like a poker game.

On one particular amendment to the tax bill, again I quote the majority leader, "I have never seen a deal so slippery." But he is not alone. He is not out there trying by himself.

The gentleman from Oklahoma, the leader of the Budget Committee, "There is a bidding war underway," or "This is a rather unusual way of marking up tax bills. Nothing is precluded. These are unusual times."

When citizens hear about bidding wars, poker games, slippery deals, from their national leaders, is it any wonder the Tax Code is in more and more disrespect, the people are more and more willing to cheat, that there is general belief that somehow the big boys always get theirs.

What we have seen is a debate over the economic future of America, over fighting inflation and creating jobs, degenerate into a slippery, messy, confusing, complicated, and I think in a number of ways demeaning process that resembles mud wrestling far more than legislating.

It is an effort to see how you can end up on top in the narrowest and

meanest sense. The truth is that any liberal philosophy is now dead in this tax debate, that step by step, week by week, the chairman of the Ways and Means Committee, a leading liberal Democrat from Illinois, has moved closer and closer to President Reagan's position.

At first we did not want a 2-year bill, if you were a liberal. Then you did not want a 2-year bill with anything added on. Now we will take a 3-year bill if there is a trigger. No understanding of the economic philosophy underlying President Reagan's program, no understanding of the concept of hope built into a permanent 3-year bill; no appreciation of the need for a coherent planned team work effort to solve our economic problems.

Just nibble, nibble, nibble, slowly working toward the closest possible mirror image.

The truth is, the liberal Democratic bill that will be reported out this week is a hodgepodge, a political device, a document that is filled with a goodie here, a goodie there, a commitment here, a commitment there, but it has no relationship to the long planned carefully thought out efforts that President Reagan offered this country to genuinely change the economy.

If all that was at stake was who would get to get a chauffeured limousine and who got to be called majority leader or minority leader, it would not matter, it would be a game played by politicians in a strange city that was of little import for most Americans.

However, in a free society, that is never at stake. What matters, what is at stake, is the future of this country, the way we govern ourselves, what happens to our economy, to our jobs, to our take-home pay, to our children's future.

What is at stake on the liberal Democratic side is raw power. One last desperate surge to try to find a way to knit together a coalition that can somehow keep them in charge.

What is at stake on the Republican and conservative Democratic side is a serious rough intellectually coherent effort to rebuild the American economy, to create jobs, to cut taxes, to increase take-home pay and fight inflation.

On our side, you have a bipartisan effort, Republicans and Democrats joining together to change the way we have been doing things to get us healthy then. On the other side you have desperate maneuvering to ward off the flood of popular feeling.

Your interest in the next 10 days will be vital. Your concern for what happens in this building, in this room, is critical. Your Congressman or Congresswoman may be the one vote margin of difference. Your telegram, your letter, your phone call, may make all the difference.

If you want your children to have a chance at a job, if you want better take-home pay, if you want to rebuild the American economy so we can afford to support social security, if you want to bring down high interest rates with a new game plan that will work, you need to pay attention and to stay in touch during the coming 10 days.

SEVENTH YEAR OF TURKISH OCCUPATION OF CYPRUS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. YATRON) is recognized for 30 minutes.

GENERAL LEAVE

Mr. YATRON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the subject of my special order.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. YATRON. Mr. Speaker, yesterday, July 20, marked the seventh year of the Turkish occupation of Cyprus. Turkish forces invaded the island Republic in 1974 and continue to control 40 percent of the land.

The people of Cyprus, 80 percent of whom are of Greek heritage and 18 percent Turkish, are forced to endure the hardships caused by this aggression. Although the Cypriots gained independence from Great Britain in 1960, they have had little chance as an occupied nation to exercise their basic right to self-determination.

The situation posed by the Turkish occupation is both tragic and intolerable. An eighth year of foreign intervention must not be allowed to pass.

Tragedy in Cyprus lies in the denial of fundamental human rights to the native peoples. In the wake of the invasion, 200,000 Greek Cypriots were forced from their homes, their property and belongings were confiscated. they remain refugees 7 years later. Also, 2,000 Greek Cypriots have been missing since the invasion.

Both domestic and international consequences of the occupation make it intolerable. For Cyprus, economic pressures weigh heavily. Turkey now controls 70 percent of the island's former productive capacity, forcing the legitimate government of the Republic to struggle under curtailed conditions. In addition, the government must integrate the refugees displaced by Turkey into its fragile system. Extra housing, schools, and hospitals must be provided.

As deplorable as conditions are, within the sovereign Cypriot State, the significance of the problem transcends national borders. By the nature of its strategic location, Cyprus commands international attention. The tumultuous Middle Eastern countries of Iran and Iraq lie a few hundred miles to the east. Europe and Africa are close to the north and south. Nearby Turkey shares borders with the Soviet Union.

The effects of the Cyprus problem reach as far as the United States. Greece and Turkey, our NATO allies, clash over the issue of Cyprus, yet their close cooperation is absolutely essential in safeguarding the NATO alliance.

The United Nations has been unyielding in their attempts to resolve the situation and is sponsoring intercommunal talks between the Greek and Turkish Cypriots. The recent formation of a committee to trace the missing Cypriots gives hope that negotiations, though often stalemated in the past, will begin to show some progress.

Unfortunately, negotiations have progressed slowly. The problem of Cyprus is too important and far-reaching to warrant low-key approaches. Pressure should be brought on Turkey to reassess the wisdom of its costly occupation of Cyprus.

Mr. Speaker, Cyprus is one of the few places in the world where most of its inhabitants are refugees in their own homeland. The reconstruction efforts of the Cypriot Government have produced positive results but without the assistance of the United States or the United Nations High Commissioner for refugees, progress would cease.

The time to act is now. New initiatives must be sought and implemented. The United States and its allies need a truly united front on the southeastern flank of NATO and the seemingly endless suffering of the Cypriot people must come to an end.

Mr. Speaker, at this point I would like to yield to my colleague from Michigan (Mr. BROOMFIELD).

Mr. BROOMFIELD. I thank the gentleman for yielding.

Mr. Speaker, July 20, 1981, marks the 7th year of Turkish occupation of Cyprus. Despite repeated attempts to resolve the situation in a manner acceptable to all parties concerned, Turkish troops still control approximately 40 percent of Cyprus. I am sincerely disappointed that a solution to this problem has not been found. As long as this dilemma persists, the people of Cyprus are denied full self-determination. Equally important is the effect such occupation has on NATO solidarity and the protection of NATO's southern flank.

In early 1975, the United States imposed an embargo on arms sales to Turkey as a result of their military intervention in Cyprus and Turkey's continued intransigence regarding withdrawal of their troops from Cyprus. This embargo was a painful act for the United States. Not only

had Turkey been a loyal NATO member since 1952, but it had received bilateral military and economic aid from the United States since 1947. Nevertheless, it was felt that the Turkish violation of the U.S. arms sales agreement, coupled with the severity of an intra-NATO conflict, left the United States with no option but to take stern action against Turkey. In the fall of 1978 the embargo was lifted, based on expectations that such action would enhance the prospects for a settlement on Cyprus. Regrettably, progress since then has been negligible.

I believe that the United States must continue to press Turkey for removal of their troops from Cyprus as a basic first step toward settling the issues of Cypriot unification and self-determination.

Equally important is the need to reestablish NATO's superiority on its southern flank. The decade of the seventies has witnessed a dramatic growth in Soviet naval forces in the Mediterranean. This growth, if left unchecked, will pose not only a direct threat to NATO proper, but will threaten the Middle East and endanger the West's vital oil lifeline. It is, therefore, essential that NATO have the full cooperation of Greece and Turkey if we are to deter Soviet exploitation of this area.

I join my colleagues in calling for a lasting peace in Cyprus and encourage the President to place this matter high on his agenda.

Mr. YATRON. I thank the gentleman from Michigan for his insight into a very critical issue.

Mr. Speaker, I would like to yield to my colleague from Maine (Mrs. SNOWE).

Mrs. SNOWE. I thank the gentleman for yielding.

Mr. Speaker, I want to thank my distinguished colleague Mr. YATRON for taking this special order to bring this important issue to the attention of this Congress and the American people.

Today marks the 7th anniversary of the Turkish invasion of Cyprus. For the past 7 years Turkey has remained in control of 40 percent of Cyprus' territory, and has stubbornly refused to withdraw its troops despite the directives of numerous U.N. resolutions. This is an intolerable situation and cannot continue. President Reagan recently indicated that a just, fair, and lasting resolution to the problems of Cyprus will remain a priority for his administration. But he also warned that the opportunity for a just and lasting settlement will not remain indefinitely. The stalling must end and real negotiations begin.

United Nations sponsored talks, supported by all parties concerned, have been going on for some time. The U.N. resolutions and the May 19th agreement between President Kyprianou and Turkish Cypriot leader Denktash provide the framework for an agreement, yet no agreement has been reached. The Turkish side has not permitted Greek Cypriot refugees to return to the Famagusta region as they promised in 1978, and it has yet to present concrete territorial proposals. It is no wonder that progress has been so slow in the face of such Turkish intransigence. I hope that this administration will convince the Turkish side of the error of their ways so that there can finally be a just, fair, and long lasting solution to this problem.

We have to remember that the Turkish invasion of Cyprus in the summer of 1974 created humanitarian and economic chaos on a grand scale. More than one-third of the Cypriot population (200,000 people) was driven from their homes, deprived of all their possessions, and reduced to the status of refugees. More than 2,000 people, including 8 American citizens, have been missing since 1974. The invading Turks seized 40 percent of the landmass of Cyprus, representing 70 percent of the economic wealth of the country.

The major humanitarian problems continue to be housing and health needs. The 200,000 refugees represent a backlog of 50,000 households, and as of 1981 only half this need has been met. The Government is continuing its three part program of low-cost housing, self-help housing, and restoration to eliminate this shortfall. Adequate medical treatment is still a problem because two of the six public general hospitals lie in the Turkish sector. Consequently, construction began in 1980 on a 225-bed general hospital in Larnaca.

The economic dislocation of the 1974 invasion was also devastating; let me mention a few examples. The only airport on the island, Nicosia International, became inaccessible as a result of the invasion. The largest port on the island, Famagusta, was seized by the Turks. Telecommunications facilities and important road arteries were cut off. Most of the existing tourist establishments, a full 72 percent, lie in the Turkish-occupied area as well as much of the mining, quarrying, manufacturing, and agricultural capacity. A new airport was quickly built at Larnaca, and many smaller seaports have been enlarged and improved to make up for the loss of Famagusta. Overall, the Cypriots have made major strides in reactivating and revitalizing their economy, but there is still much to be done.

The United States has given generously in the form of humanitarian assistance to Cyprus, and I hope we will continue to do so. However, we need to be more generous with our powers of persuasion, to convince Turkey that the current stalemate is unacceptable and hurts all parties involved.

Mr. YATRON. I thank the gentlewoman for her comments.

Mr. Speaker, at this time, I would like to yield to the gentleman from New York (Mr. GILMAN).

Mr. GILMAN. I thank the gentleman for yielding.

Mr. Speaker, this week marks the 7th anniversary of the Turkish invasion into Cyprus and I want to thank my distinguished colleague from Pennsylvania (Mr. YATRON) for arranging this time for us to renew our commitment to seeking a peaceful solution to this conflict between our two allies, Greece and Turkey.

Despite many attempts made by the United States as well as the United Nations to resolve this dangerous situation over the past 7 years, very few substantive changes have taken place. As my colleagues are well aware, the situation in Cyprus is an extremely volitile one; one which threatens the stability of a vital portion of the NATO alliance. It remains clear that a quick and peaceful settlement of this struggle should be a major priority in American foreign policy objectives.

Events during the past year offer a glimmer of hope that a settlement to the conflict may eventually be reached. Internal changes in the Governments of both Greece and Turkey have produced an atmosphere in which both parties seem to be more inclined toward earnest negotiations than in previous years. For the first time in 7 years, talks between the two nations concerning Cyprus in recent months have taken place regularly, and a committee has been established to initiate investigations into the many cases of Greek Cypriots who have been missing since 1974.

While these signs are certainly encouraging, we must remind ourselves of the intolerable state of affairs which continues to exist today in Cyprus. Turkish forces still occupy approximately 40 percent of the island, on which they maintain between 20,000 to 30,000 troops. Also, the Government of Turkey has made a blatant attempt to alter the social and cultural fabric of the Cypriots by exporting an estimated 60,000 of its own citizens to the small island. Finally, we must not forget the more than 200,000 Greek Cypriots who were forced to leave their homes and farms, nor may we ignore the many widespread reports of torture and other atrocities suffered at the hands of Turkish soldiers.

I was a supporter of the arms embargo imposed on Turkey following the invasion by its forces into Cyprus in 1974. Over my objections, the Congress, in 1978, supported the lifting of that embargo in an attempt to produce the desired effect of inducing

Turkey into abandoning its occupation of the island. I remind my colleagues that one of the provisions included in the lifting of that embargo was the condition that the Turkish Government work toward a speedy solution to the conflict in Cyprus, a condition which our Turkish allies have not fulfilled.

In light of the recent progress made toward an eventual solution to the conflict, I feel that the time is ripe on this seventh anniversary of the invasion for our Nation to magnify our efforts to hasten the settlement. Our Nation should exert all of its influence in calling for a complete and speedy withdrawal of Turkish forces from Cyprus. By promoting a solution to the problem which is fair to Greek and Turkish Cypriots alike, we can further the cause of human rights, while at the same time we can strengthen our own position in this area of vital strategic importance.

Our Nation's deep-rooted belief in the intrinsic right of every nation to govern itself requires us to do as much as we can to encourage our allies to intensify their efforts to quickly resolve their differences in this matter.

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Mr. YATRON. I thank my good friend, the gentleman from New York, for his contribution.

Mr. Speaker, at this time I yield to my colleague, the gentleman from California (Mr. LEWIS).

Mr. LEWIS. Mr. Speaker, on the seventh anniversary of the Turkish invasion of Cyprus, it is ironic that at this very moment the leaders of the major NATO powers are meeting in Ottowa to discuss their mutual interests and responsibilities. One of the latter, Cyprus, has however quietly become the forgotten problem.

In the 21 years since its independence from Great Britain, Cyprus has been able to chart its own destiny. A democratic form of government has developed with a freely elected president and house of representatives. As in the United States, these officials are held fully responsible to those who elected them.

Unlike most other nations in the volatile eastern Mediterranean area, Cypriots, both those of Greek and Turkish ancestry, worked hard to create a strong democratic Cyprus, a model nation which would set an example for its neighbors. The country grew, and as its infrastructure, industry and markets developed, the Cypriot people began reaping the benefits desired by all people in developing nations.

Then disaster struck amid these rising expectations. During the summer of 1974, Turkey used the short-lived coup against the legitimate Cyprus Government by the military junta then ruling Greece as a pretext to invade Cyprus.

Turkey did not stop the fighting until it had occupied 40 percent of the island, an area still under Turkish control 7 years later. Since 1974, 200,000 Cypriots have been refugees in their own land and Turkey has since exported 60,000 of its own citizens to the occupied area in an effort to change the cultural and political character of Cyprus.

This situation has become a threat, not only to the stability of the eastern Mediterranean area, but also to a strong NATO and the security of the United States. Recognizing the seriousness of the situation, the United Nations has led the move to settle the problem. There continues to be a 2,500-man peacekeeping force on Cyprus. Secretary-General Kurt Waldheim has made repeated efforts to reach a settlement.

Fortunately, the Greek and Turkish Cypriots resumed the U.N.-sponsored intercommunal talks in Nicosia last fall. In September the two sides began the substantive negotiations, with priority given to the return of Greek-Cypriot refugees to the Turkish-occupied Famagusta region. Other issues on the agenda include practical measures to improve the atmosphere between the two communities, territorial matters and the constitutional aspects of the situation.

I believe, as one who has visited and studied Cyprus, that the United States needs to actively support the efforts for a resolution of the problem, since it involves U.S. allies. President Ronald Reagan, in a letter to Speaker THOMAS P. O'NEILL, indicated:

> I am convinced that through these negotiations a foundation for a stable, enduring settlement on Cyprus is being laid. Both sides are seriously discussing steps to mitigate longstanding conflicts and, as was anticipated, progress is slow. However, the opportunity for a just and lasting settlement will not remain indefinitely. Therefore, the need for patience and persistent negotiating must be complemented by innovative and flexible approaches to the outstanding problems. After six years of effort, it is time to see a fair settlement that will benefit and serve all of the Cypriot people.
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> In this, my first report to Congress on Cyprus, I unhesitantly reaffirm the support of the United States for the efforts of the Secretary General and his Special Representative on Cyprus. They have been vigorously and persistently seeking a just and lasting solution of the Cyprus problem. The Secretary-General and other United Nations' officials have been creative in their proposals and unflagging in their patience from the inception of the negotiations. I commend their professional conduct and offer the commitment of my Administration to assist in their endeavors to resolve the Cyprus issue.

Pressure should be exerted on Turkey to pull its troops out and to help find a peaceful solution acceptable to all Cypriots, a solution that would insure the territorial integrity of Cyprus.

● Mr. DERWINSKI. Mr. Speaker, ending the tragic situation in Cyprus and thus maintaining good relations between Greece and Turkey is a vital objective which must be achieved soon before possible political changes in both countries make this more difficult. July 20 marked the seventh anniversary of the military invasion and occupation of Cyprus by Turkish forces. After 7 years, that Mediterranean island remains partitioned, and continues to face serious political and humanitarian problems.

Turkey occupies and has partially colonized close to 40 percent of the most productive section of Cyprus. This is in direct violation of the United Nations Charter, international law existing treaties, U.N. resolutions, and the explicit provisions of the NATO Charter. Since the invasion of Cyprus in 1974, Turkey has ignored United Nations resolutions adopted in connection with Cyprus. The basic U.N. document calls for the withdrawal of foreign troops from Cyprus and for the return of the over 200,000 Greek Cypriot refugees to their homes, properties, and businesses.

In a recent letter to President Reagan, I stressed my interest in seeing that a concerted effort be made to motivate Turkey to be more forthcoming in resolving its problems with Greece. For years, Turkey's diplomatic posture vis-a-vis Greece has been dictated by domestic political considerations of minority governments struggling to survive. The current military government is not confronted with that situation; we must, therefore encourage it to act now in a manner that is in its own best interests as well as NATO's. The United States must play a positive role in maintaining the diplomatic momentum needed for the success of reconvened intercommunal talks.

Cyprus is at the heart of the tensions between Greece and Turkey. It would be a mistake for Turkey, Greece, and the West, if the political and economic crisis in Turkey became the excuse for avoiding, rather than solving, the Cyprus issue. No amount of military aid would match the strategic and political value to all NATO members of the reaffirmation of good relations between Athens and Ankara which would follow a Cyprus settlement.

Given what is at stake here, and against the backdrop of the upcoming Greek elections and the Greek suspension of the critically important base negotiations with the United States, we cannot afford to let this matter drift. In this connection, Turkey must be reminded that the very generous foreign assistance it has been receiving from the United States had been pro-

vided with the clear and legislatively stipulated understanding that Turkey would cooperate fully in efforts to bring about a lasting resolution to the Cyprus dispute.

We must continue to support the Government of Cyprus during this period of reconstruction of its society and economy. The Greek Cypriots wish to live in peace and in mutual prosperity with their Turkish Cypriot brothers. However, the practicality of such a development must include the removal of Turkish colonizers who have come to the island since the partition, and the removal of Turkish troops from Cyprus.

Ever since the Turkish invasion of Cyprus in mid-1974, Congress has repeatedly demonstrated its concern to assist the Cypriot refugees driven from the Turkish occupied areas; calling for the reinstatement of their property rights; as well as to encourage a Turkish withdrawal and a just and lasting settlement on Cyprus.

To add to the complications, the Turkish occupation of Cyprus is draining the treasury of the Turkish Government. The Government of Cyprus has made many offers to end the political impasse and reintegrate the area occupied by the Turkish military into the Cypriot economy. This would bring economic benefits to the Turkish Cypriots.

A divided Cyprus remains a problem for all governments who believe in human dignity, freedom, and justice.●

● Mr. DORNAN of California. Mr. Speaker, 7 years have now passed since the Turkish invasion of Cyprus. In these 7 long years, no agreement has been reached, no treaty signed, that might resolve the tragic upheaval on this small island. Two hundred thousand Cypriots are still refugees, encamped miles from homes to which they have centuries of ties. Two thousand Cypriots have simply disappeared, and no one knows what has happended to them. An artificial "Green Line," a United Nations patrolled cease-fire line, divides Cyprus in half.

Mr. Speaker, none of my colleagues should forget the events which gave rise to the present tragedy on Cyprus. On July 20, 1974, a Turkish invasion force landed at Kyrenia, Cyprus. The Turkish troops met with stiff, valiant resistance, and endured and inflicted many casualties, but succeeded in opening a land "corridor" from Kyrenia to the capital city of Nicosia.

Within 3 days after the invasion, a cease-fire was agreed to, and within 5 days, the foreign ministers of Greece, Turkey, and Britain were conferring at Geneva. The Turkish occupation force, however, ignored both the cease-fire and the ongoing negotiations, and expanded its land corridor to include nearly 40 percent of the territory of Cyprus.

There have been many reliable reports of human rights violations since the Turkish invasion. Cypriots have had every aspects of their lives disrupted by the occupying Turks, who have refused the most harmless of requests. They have refused to allow Greek Cypriots holding foreign passports to visit relatives in the north. They have refused to allow school holiday visits by Greek Cypriot children attending secondary school in the south to their families in the north. They have refused to grant temporary transfers of Greek Cypriots to the north.

Most alarming are the cases of 2,000 Cypriots who disappeared during the 1974 invasion, and who were known to have been in Turkish custody then, and afterwards.

Today, as we observe the beginning of the eighth year of Turkish occupation of Cyprus, I urge the Government of Turkey to account for these missing Cypriots, and to insure that no human rights violations occur. I also urge the Turkish Government to allow the people of Cyprus the freedom to determine their own system of government. There can be no settlement of the troubles on this little island until the threat of coercion from across the sea is removed.

Mr. Speaker, I would like to thank my distinguished colleague from Pennsylvania (Mr. YATRON) for holding this important special order.●

● Mr. COURTER. Mr. Speaker, yesterday marked the seventh anniversary of the Turkish occupation of Cyprus, a supposedly independent nation. The Turkish occupation, which covers approximately 40 percent of the island, has forced over 200,000 Greek Cypriots to flee their homes, relinquish most of their worldly possessions, and place many in crowded displacement camps. This situation is unjustified, inhuman, and untenable.

Mr. Speaker, both Greece and Turkey are vital NATO allies, and I strongly support needed economic and security assistance to both nations. However, the Turkish occupation is draining precious funds and forces away from Turkey and her NATO commitments. Turkey's occupation of Cyprus is not vital to its national security, and its occupation leaves Turkey open to charges of gross human rights violations.

The people of Cyprus—Greek and Turk—must make their own peace, but the Government of Turkey can make two goodwill gestures to aid the healing process. They could relinquish control of the town of Varosha, and return it to its former Greek Cypriot residents and they should begin a gradual withdrawal of their forces from Cyprus. If these two steps were taken, it would certainly create a better climate for peace talks and reconciliation to begin.

In the interim, I will continue to support the Cypriot people in their quest for a just and lasting peace, and their basic right to self-determination, as well as administration requests in assistance for that nation.

Thank you, Mr. Speaker.●

● Mr. HUGHES. Mr. Speaker, on this, the seventh anniversary of the Turkish invasion of Cyprus, I would like to again voice my profound concern over the island nation's continued occupation. The conflict which began 7 years ago, driving up to a third of the nation's population from their homes, has yet to come to a satisfactory and stable resolution. The continued military occupation of 40 percent of Cyprus remains unacceptable to Cypriots and to other members of the civilized world who believe in the principle of national sovereignty.

Negotiations between representatives of the Greek Cypriot and Turkish Cypriot communities, which at one time were sufficiently exasperating to discourage the patient Secretary-General of the United Nations, now appear to hold greater promise. The President has informed us that there now exists "a congenial negotiating atmosphere, seriously addressing points for negotiation." The time is ripe for a just settlement, including an appropriate division of rights and responsibilities, a disengagement of the troops occupying the island, and the establishment of a durable framework for peace.

This favorable climate for discussion may well be transient, however, so immediate progress is required. The shifting political winds of the parties involved in the negotiations may well endanger fragile negotiations. It is therefore imperative that the leadership of our country do all that it can to facilitate a swift resolution of the problems faced by Cyprus. As the Government of people who are champions of liberty, we can do no less.●

● Mr. ANNUNZIO. Mr. Speaker, I rise to join my colleague, Hon. GUS YATRON, in urging that our country stand firm in opposition to Turkish aggression in Cyprus. Americans, as a free people, cannot stand by silently in the face of human rights abuses, no matter where they occur, and our Government must do everything possible to promote peace and self-determination in Cyprus and condemn the Turkish Government for its shameful actions.

Seven years ago, in 1974, the armed forces of Turkey invaded the nation of Cyprus and drove over 200,000 Greek Cypriots from their homes. Some 2,100 Greek Cypriots have been missing since the invasion and the Turkish Government has not cooperated with efforts by the United Nations to locate these victims of military aggression.

The Turkish military occupation of about 40 percent of the land area of Cyprus continues, enforced by 27,000 Turkish troops, and after the brutal invasion, the Turkish Government imported over 40,000 colonists from Turkey to live on the island. The homeless Greek refugees were not allowed to return to their homes or regain their possessions, Greek Orthodox Churches have been desecrated, and freedom of worship and other human rights are being suppressed.

The Turkish aggression has been condemned by the United Nations as well as the United States and freedom-loving nations all over the world, and Turkey's continued stranglehold on Cyprus continues to be a flagrant violation of international law, the United Nations Charter, and the Charter of the North Atlantic Treaty Organization (NATO).

Mr. Speaker, the lives, freedom, and dignity of the Cypriot people must be a high priority in the actions of our own Government toward Turkey, and oppression in all its forms must be condemned. Peace and justice must be a goal to which our great Nation remains forever committed, in both words and action, and the human rights and peace of Cyprus must become a vital part of U.S. foreign policy as it affects Turkey.●

● Mr. DYMALLY. Mr. Speaker, this week marks the seventh anniversary of the invasion of Cyprus by the Turkish Army.

Tragically, the invasion has not yet ended. Thousands of Greek Cypriots have been forced to flee their land, leaving behind homes and loved ones. Those who remain still contend with an illegal occupation by Turkish troops.

While the United Nations is presently involved in talks between Greek and Turkish Cypriots, no lasting solution can be realistically anticipated so long as a Turkish military presence persists.

I urge my colleagues to join me in pressing for a foreign policy toward Greece that will expedite resolution of this conflict.

Uppermost in our considerations must be the human rights of this nation that has long been our freedom-loving ally. We can do no less for such loyal friends—and for the Greek Americans who contribute so much to our own Nation—than to champion the right of self-determination that we ourselves hold dear.●

● Mr. RUSSO. Mr. Speaker, as we mark the seventh anniversary of the Turkish invasion of Cyprus, I am disheartened that this divided country is no closer to a solution to the problems confronting it than it was last year at this time. Turkey is still forcibly holding 40 percent of Cyprus at bay. Two hundred thousand Greek Cypriots remain homeless refugees, compelled by Turkish forces to relinquish most or all of their worldly possessions.

On March 20, 1981, President Reagan stated that resolving the dispute in Cyprus would remain a priority of his administration. However, little progress has been made toward finding a fair settlement which could benefit all the people of Cyprus.

I am particularly dismayed that Turkey has not yet withdrawn their troops from Cyprus. In 1978, the United States lifted its arms embargo against Turkey with the provision that Turkey would do everything possible to adopt an acceptable solution. Instead, Turkey has continued its occupation of the island and has failed to reach a settlement with the Greek Cypriots.

The world cannot remain inactive while this international situation manifests itself to a greater degree. Turkey is a key participant in the NATO alliance and their actions are incongruent with the organization's goal to maintain peace and preserve the human rights of all people. Their actions try the unity and strength of the Atlantic Alliance.

It is my belief that the United States should remain committed in its efforts to insure that Ankara remove its troops, replacing them with peaceful cooperation. It is inconsistent with our country's philosophy to have allies who do not respect liberty and justice in their actions.

There exists a solution for Cyprus that is acceptable to both the Greek and Turkish people. It can be found through meaningful negotiations among those countries concerned, dedication from the Secretary General of the United Nations, and rational thinking on the part of the Turkish invaders.

In June 1980, I cosponsored a resolution urging the President to do all that he could to solve the Cyprus question. Today, I once again implore President Reagan, as well as the nation of Turkey, to come to a peaceful solution to the sad situation that exists in Cyprus today. Next July 20, I hope to be able to celebrate the resolution of this problem.●

● Mr. WIRTH. Mr. Speaker, today marks the 7th year of the Turkish invasion of Cyprus. This invasion displaced over one-third of the country's inhabitants, has given control of 40 percent of the island to the Turkish Government and has resulted in almost complete segregation between the two peoples of Cyprus. This invasion has wreaked economic havoc throughout much of the country's once prosperous economy, and has also weakened the NATO alliance in the Mediterranean area—an area vital to both NATO's and the U.S. interests. Most importantly, however, is the fact that 7 years after the invasion, 200,000 people still have not returned to their homes and many of these refugees continue to live in squalid conditions. This is unacceptable in a civilized society.

I believe, however, Mr. Speaker, that today also marks a period of time in which substantial progress can be made toward the settlement of the Cyprus issue. Several events have occurred in the past year which lead me to say this. The first and most important event is that the intercommunal talks between the Turkish and Greek Cypriots have been progressing well. Both sides have displayed a willingness to continue meeting and should be commended for their recent actions and efforts.

The second event that has led me to be optimistic is the establishment of an investigatory committee to address the very serious questions of human rights violations that occurred during the invasion and the years following it. This committee will be headed by an official of the Red Cross and will include both a Greek and Turkish Cypriot. This committee has the support of both communities on the island and also the backing of the United Nations. This is the correct and just way to address this very important and serious problem.

The new administration has also pledged its support to an early settlement of this issue. In the March 24, 1981 progress report to the Congress, the President stated that not only is a fair and just solution to the Cyprus problem a priority of his administration, but also that the U.N. Special Ambassador to Cyprus, Dr. Hugo Gobbi, has the full backing and support of the United States. The administration also recognized the timeliness of the potential for solving this issue and urges quick action.

The final reason that I am hopeful of a settlement to this issue is that both the Turkish and Greek Cypriots have very recently finished their elections and both elections indicate support for a negotiated settlement.

Mr. Speaker, several events have now conspired to allow the opportunity for a settlement to the Cyprus issue to present itself. To my recollection, there has not been such an opportunity since the 1974 invasion, and I urge both parties to take advantage of such a rare moment. As I see it, Turkey must now make a serious and meaningful offer to return the occupied land and to remove its troops from Cyprus. The solution to this problem does not lie in two separate states but rather in one constitutionally founded government which guarantees the rights of all its citizens. Mr. Speaker, I urge strong congressional support for a negotiated settlement to this issue and for the removal of Turkish soldiers from the island. I yield back the rest of my time.●

● Mr. HOLLENBECK. Mr. Speaker, I welcome this opportunity to rise and join my colleagues in recognizing the seventh year of Turkish occupation in Cyprus. Today, as the divided republic begins its third decade, the Cyprus problem is as far as ever from a solution that would provide political unity, peace and security for both communities. I strongly believe that U.S. foreign policy for Cyprus should reflect America's desire for a just and lasting peace—a settlement to terminate the human rights violations that are taking place on a daily basis.

For the past 7 years, the Cypriot people have been denied their right to self-determination. What is more, they were forcefully driven from their homes and were given no choice but to leave their worldly possessions behind. Given this situation, I want to praise the President of the Republic, Spyros Kyprianou, for his recent pledge that the Greek Cypriot side would continue to show all goodwill and make every possible effort to achieve an honorable solution.

I think it only appropriate that we pause at this juncture and, taking into consideration that a full year has passed with little progress toward achieving a settlement, renew our commitment to secure a resolution and thus end the ugly spectre of continuing human rights violations. I urge all negotiating parties to heed the advice of Mr. Kyprianou and show all goodwill to achieve an honorable solution. Should this negotiating attitude be adopted by all parties, I have every hope that the United Nations talks can be more fruitful than they have been in the recent past.●

● Mr. PORTER. Mr. Speaker, for 7 long years, the people of Cyprus, Greek Cypriots and Turkish Cypriots alike, have lived under the burden of a divided nation and Turkish military occupation.

The internationally recognized Cyprus Government headed by President Spyros Kyprianou, controls 57 percent of the island. The remainder is occupied by Turkish troops and in 1976 set up its own government called the Turkish Federated State of Cyprus. Greeks have been driven totally out and today, 7 years after the Turkish invasion of July 20, 1974, 200,000 Greek Cypriots remain refugees in their own land, their homes occupied by soldiers of a foreign nation, their worldly possessions expropriated, their future still in doubt.

Mr. Speaker, if ever Cyprus is to be reunited, the Turkish invaders must depart. Their presence has caused not only human suffering for Greek Cypriots, but it is the major cause of the economic stagnation suffered on their side of the "Attila Line" that divides the country. Though there is prosperity and strong economic growth on the Cyprus side, on the Turkish federation side the hotels and beaches are deserted, the air terminals and ports largely empty and hope for the future, without direct Turkish support of their economy, bleak.

But even with such support now being provided, Mr. Speaker, their outlook cannot be good. The Turk's own economy is, after all, one of the world's weakest and certainly unreliable as a foundation for a Turkish Cypriot future. Perhaps it is here that hope for reunification and a lasting peace lies, as Turkish Cypriots increasingly see that their future lies with a united Cyprus with a vibrant economy and with the rights of all individuals guaranteed by law.

I urge that our country move forward as quickly as possible to find the "just, fair and lasting solution to the problems of Cyprus" that President Reagan has proclaimed as a high priority of his administration.●

● Mr. RITTER. Mr. Speaker, I am pleased to join my colleagues and rise in recognition of the 7th anniversary of the Turkish occupation of Cyprus and express my profound concern that a satisfactory and permanent solution to this problem has not yet been found.

I echo the words of President Reagan as he has called for a just, fair and lasting resolution to the problems of Cyprus and one that will benefit and serve all of the Cypriot people. The occupation of Cyprus has caused enormous hardship and difficulty for the Cypriot people and as long as Turkish forces are present there basic human rights and freedom of self-determination will continue to be denied. The Turkish invasion of Cyprus has resulted in the eviction of over 200,000 Cypriots from their homes and the disappearance of 2,000 Greek Cypriots, still unaccounted for. After the 1974 invasion, Cyprus lost 40 percent of its land which contained 70 percent of its resources. It is almost impossible for a country to recover from such a blow. The occupation must cease.

Since last August the Greek and Turkish Cypriots have been meeting in intercommunal negotiations held under the auspices of United Nations Secretary-General Kurt Waldheim. So far, no final settlement has been reached and while some progress has been made, Turkey continues to ignore the mandates of numerous United Nations resolutions to withdraw all troops.

At the convergence of three continents—Europe, Asia, and Africa—Cyprus hold a strategic position in the political geography of the Mediterranean. Yet she remains divided and vulnerable. She is a source of contention between Greece and Turkey and therefore a threat to NATO. And NATO must remain strong.

Beyond the impact on NATO is the serious consequences for literally thousands of homeless Cypriots who have taken refuge in camps or live in temporary shacks with relatives. Latest reports indicate that about 8,000 people are still living in tents.

Cyprus has survived, since time immemorial, the domination of one conqueror after another and this reflects the tenacity and resilience of its people, as well as their indomitable determination to survive whatever the odds. The present crisis through which Cyprus is passing is perhaps the worst one in its long history. The Turkish aggression and continuing occupation has caused so much of human pain and suffering. All this has been a terrible experience, and yet any negotiating process needs good faith on both sides. I am convinced that as far as the Government of Cyprus is concerned, such good faith does exist because they realize that only through a concerted effort to discuss the Cyprus issue in a positive and good faith way, is it indeed possible to achieve satisfactory results.

The issues involved in Cyprus are far bigger than the fate and future of a small nation and its people. They are universal issues underlying world understanding and peace. Therefore, the settlement of the Cyprus problem should, not only be the concern of the Cypriots and those countries which are closely connected with Cyprus, such as Greece and Turkey, but also other countries and their governments, who believe in human dignity, freedom, justice and human rights. It is my hope that a final and satisfactory solution will be achieved soon and that the suffering of these people will be alleviated.●

●Mr. KILDEE. Mr. Speaker, each year since I was first elected to Congress, I have spoken to remind my colleagues of the continuing tragedy on the island of Cyprus. Today marks the seventh year since Turkish troops, using American weapons, invaded and occupied the northern portion of Cyprus. Over those 7 years, the familiar statistics have not changed. Turkish troops still occupy almost 40 percent of the island nation. Over 200,000 Greek and Turkish Cypriots are still displaced. Two thousand disappeared people, including eight Americans, are still not accounted for.

We would be deceiving ourselves if we were to say that any progress has been made toward a solution. The Government of Turkey has changed several times during that period. Neither the governments of Demirel or Ecevit made any movement toward a solution. Perhaps their slim pluralities made it more difficult for either to take action. With a military government in Turkey, that can no longer be used as an excuse. Despite a government which is not limited by a slim parliamentary margin, the situation

has not changed. Turkish troops still occupy a major portion of Cyprus.

In 1978, the Congress lifted the arms embargo on Turkey. At the time, the Carter administration gave assurances that such an action would lead to progress. Among the things which was mentioned at the time was the possibility that Famagusta would be returned. That action was taken 3 years ago. Only the most naive would assert that any real progress has been made. Famagusta remains under occupation.

The Government of Cyprus has presented a series of proposals, but every time a proposal has been laid on the table, Mr. Denktash has only rejected the proposal and not presented an alternative. Our own Government has also gone through the rather embarrassing charade of certifying progress in the negotiations every couple of months. It is difficult to report on progress when none is being made. At least the Reagan administration has been realistic. They did not report any progress but asked for patience.

I would point out that patience cannot be without limits. After a while, patience becomes an acceptance of the status quo. In the past, I have warned that with the passage of time, an aura of legitimacy and permanence is given to the existing situation. Such a solution is not acceptable. It is neither ethical nor just.

The time has come when we must recognize that Turkish intransigence is responsible for the continuing tragedy of Cyprus. Turkish troops are still occupying another sovereign nation 7 years after the cessation of hostilities. The Turkish Cypriots have refused to bargain in good faith hoping that others will come to accept a de facto partition of the island. I renew my annual call for an end to the occupation and for serious negotiations. Because our own Government is indirectly subsidizing an illegal action, I call on the Reagan administration to exert a maximum amount of pressure on the Turkish Government.●

● Mr. ZEFERETTI. Mr. Speaker, I join my colleagues today in marking the 7th year of the unwarranted Turkish occupation of Cyprus. This invasion resulted in the displacement of over 200,000 Greek and Turkish Cypriots from their homes and jobs. In addition, the Cypriot people have been continually subjected to acts of aggression by the Turkish military.

The Reagan administration has been in office for approximately 6 months. Yet, among all of their confusing foreign policy statements, I have not heard a word spoken about the situation on Cyprus. In my opinion, the situation on Cyprus is in danger of becoming a forgotten problem and has fallen off our foreign policy priority list.

Also, the passage of each year after the invasion has seemingly brought the occupation closer to legitimacy and permanence. The United States can neither condone nor accept the occupation of a sovereign nation by the army of another nation. We must be as concerned about the invasion of Cyprus by Turkey as we were the invasion of Afghanistan by the Soviet Union. The occupation is contrary to the moral and ethical principles upon which our Nation was founded.

It is my belief that the Reagan administration should do everything it can to bring about a just settlement of the issues on Cyprus. We must use every means at our disposal to pressure Turkey to withdraw the forces of occupation. The occupation of Cyprus contributes to the instability of the Eastern Mediterranean and is not in the interests of either the United States or Turkey. Our foreign policy in this region must be directed toward a just and lasting peace which will terminate further human rights violations and insure the Cypriot people of the basic right to self-determination.●

● Mr. TAUKE. Mr. Speaker, this week marks the seventh year of the Turkish occupation of Cyprus. Unfortunately, little progress has been made in the achievement of a permanent solution to the Cyprus question and a lasting agreement between Greece and Turkey.

Nevertheless, the Cyprus question continues to have serious humanitarian and global implications, not only for the United States, but also for the rest of the world. Thousands of people remain homeless, and human suffering still abounds on the island. The Greek-Turkish conflict over Cyprus also threatens U.S. political and strategic interests by bringing instability to the region, disrupting U.S. relationships with key allies, and providing the Soviet Union with new strategic opportunities.

What is desperately needed is movement on a problem that appears to be intractable. American foreign policy should encourage the resumption of serious talks, aimed at resolving major differences and ending the Turkish occupation. A solution will never be realized as long as there are over 20,000 Turkish forces occupying portions of Cyprus in violation of international law. The Cypriot people must be guaranteed the right to self-determination.

The reunification of Cyprus is a difficult task, particularly given the breakdown in confidence between both Greek and Turkish Cypriots. Yet, it is the only way to bring lasting peace to the island. A permanently divided country will not serve the interests of the Cypriot people.

The impetus for a lasting peace must come from the United States. The special representative of the United Nations can certainly be of assistance, but ultimately it is the United States—with a great deal to gain—that must take the lead in achieving a solution to the problem.●

● Mr. FLORIO. Mr. Speaker, I join my colleagues today in marking the seventh year of the Turkish occupation of Cyprus. I regret that on this occasion we must again report little progress in achieving a just and permanent settlement.

Seven years ago Turkish forces brutally occupied and partitioned the Cypriot Island. Today little has changed as Turkey continues to occupy 40 percent of the land mass of Cyprus, forcing 200,000 Greek Cypriots to flee their homes and businesses. With my support the Congress in 1975 halted U.S. military assistance to Turkey. This arms embargo was to encourage the Turkish Government to remove their troops from Cyprus. I regret that just 3 years later and over my opposition the congress voted to resume military assistance to Turkey. At the time that the arms embargo was repealed, Turkey promised that it would cooperate in achieving a Cypriot settlement.

Has Turkey cooperated? The record clearly shows that it has not. Turkey continues its illegal occupation of Cyprus with an estimated 27,000 troops and 40,000 mainland Turkish colonists. The Government of Turkey has created a Turkish Federated State of Cyprus, recognized only by Ankara. The policies and actions of the Turkish Government continually seek the establishment of borders between the Greek and Turkish communities in Cyprus. This is rejected by the Greek Cypriot community who rightfully insist that any political solution must be committed to a united Cypriot nation.

Since the lifting of the Turkey arms embargo, the Congress has repeatedly stressed that future aid to Turkey be based on progress in the removal of Turkish troops and the return of the Greek Cypriot refugees to their homes.

Turkey has simply refused to respond to these congressional directives. The United States has demonstrated its willingness to support all efforts to achieve a just, equitable and peaceful settlement to the Cypriot problem. However, in order to obtain these aims, Turkey must first remove its occupation forces from Cyprus. I urge my colleagues to join me in demonstrating to the Government of Turkey that the Congress is committed to a single Cypriot nation, with the freedom to determine its own national course. I urge the administration to join the Congress in sending a strong message to the Government of Turkey. This message should inform Turkey, in clear terms, that any further delay in the removal of her troops from Cyprus will result in strained relations between our two

governments and would be contrary to her own national interest.●

● Mr. MAVROULES. Mr. Speaker, I come before you today, as an American of Greek descent, outraged at our Nation's continued indifference to the plight of the Greek Cypriots. Today marks the seventh anniversary of the Turkish occupation of Cyprus. How long, I ask will we allow this transgression of human rights to continue?

In 1974, Turkish troops invaded Cyprus, displacing over half of the island's population. The conditions essentially remain the same today. There are still over 200,000 Cypriots living in tents under refugee conditions, left uprooted by the invading army of Turkish soldiers. These Cypriots have been forced to flee their homes, to live a life of misery and imprisonment, and to be denied access to the farms and businesses they labored so hard to establish. How long must these people suffer?

It is wrong for the United States to continue to supply military and economic aid to the Turkish junta. Sadly, it was American military equipment that allowed the Turks to invade 7 long years ago. Continued American assistance today only compounds the situation. By our actions we condone the Turkish invasion and continued presence.

Mr. Speaker, how can we, in good conscience, increase aid to Turkey by more than 55 percent of last year's figure of $452 million? How can we support such an increase in light of the drastic budget cuts the American people have been asked to bear? Over $1 billion have found their way into Turkish hands. When will this stop?

The concern of the American people over human rights is both genuine and enduring. I am afraid that the present administration does not fully grasp the true conditions under which the Cypriots must live. Our actions have vacillated and have been prompted by a foreign policy that often admits expedience and appeasement before it does justice.

We must, above all else, remember the homeless refugees on Cyprus, who are horded almost cattlelike by armed invaders, oppressed and denied their basic human rights, by a force of over 27,000 Turkish troops.

And the future appears just as bleak. No settlement is in the offing. Turkish military forces are still in Cyprus, as they were 7 years ago, and they have been joined by over 40,000 colonists supported by U.S. dollars.

At the root of the problem is the suffering being endured by over one-quarter of a million people. Our policy in the Aegean must begin with our commitment to these people. American foreign assistance must be more firmly linked to a closer observance and adherence to the basic right of the Cypriot people to rule by self-determination.

The United States must now take a stand. It is 7 years long overdue. The important issue at stake is that these people have suffered enough. We must decide on which side of the fence we really stand.●

● Ms. FIEDLER. Mr. Speaker, in the summer of 1974, the television sets of the world brought yet another war into our living rooms—the Turkish invasion of Cyprus. We saw Turkish C-47 transports against the brilliant blue of the Mediterranean sky, flying in tight V formations for dropping paratroopers. We saw the whole familiar horror of invasion and aggression—the clanking tanks, the frightened bewildered refugees, cities turned into battlefields, villages that had sustained families for centuries suddenly desolate except for the soldiers of the occupier. Seven years after these images first assaulted us, Cyprus is no longer newsworthy to the media. Newsworthy or not, Cyprus remains divided, much of it garrisoned by two full divisions of Turkish infantry. It thus falls to us to remember the sorrow of Cyprus, the division of Cyprus, and, hopefully, the eventual resurrection of Cyprus.

Cyprus is no stranger to warfare. The Christian and Islamic forces clashed there long before Columbus sailed out of the opposite end of the Mediterranean. Today, however, we live in a world that tries—however unsuccessfully at times—to live by the rule of law rather than that of the scimitar. I believe that the fact that the nations of the world, of whatever religion or type of government, have unanimously refused to recognize the Turkish-imposed Government in occupied Cyprus shows that there is hope that respect for law and justice will finally prevail.

I support the activities of the U.S. Government in assisting negotiations between the communities of Cyprus. The United States has also been the major financial supporter of the U.N. peacekeeping force on Cyprus, which has helped deter further attacks against the people of Cyprus. The United States has provided almost half of all the relief assistance received in Cyprus since the 1974 invasion. Our commitment to the people of Cyprus and our American heritage of peace and freedom requires that we do all in our power to help reconstruction and to help restore legitimate government to all of the island. I am pleased to see that, despite all the handicaps and hardships, the Government of Cyprus has been hard at work improving the economy of the country, and, despite the world recession, there are real and significant advances for us to here applaud. I wish only that all of Cyprus could enjoy this growth in a climate of peace, unity, and freedom.

In 1968, another small country—Czechoslovakia—was invaded by its larger neighbor. I remember from then the words of a Czech student to a Western correspondent: "Be with us in Czechoslovakia when we are no longer news". The same must be true said of Cyprus. That is why, today, we show that the American people are still with Cyprus and its battered but unbowed people, rebuilding their own future with hard work and hope.●

● Mr. BIAGGI. Mr. Speaker, today marks a very sad day in the history of the free world—the seventh anniversary of the unwarranted and illegal invasion of the island of Cyprus by Turkey. In 1974, Turkey invaded this tiny island under the pretext of quelling a Greek military coup. The Greek offense was suppressed, but the Turkish troops still remain and their continued presence divides the Cypriot nation.

Mr. Speaker, mine was one of the first voices raised in this Congress in opposition to this invasion, which was conducted with U.S. arms. As a result, I joined with many of my colleagues in imposing an arms embargo on Turkey, an embargo, which sadly, has been lifted citing "strategic considerations." I continue to oppose the lifting of this embargo as there remain 2,000 Greek Cypriots who are missing as a result of the 1974 invasion. Turkey has yet to account for them yet we continue to supply them with arms.

The Cypriot people, about 80 percent of Greek and only 18 percent of Turkish descent, led a relatively peaceful coexistence until 1974. Now the two communities struggle to bridge the gap which was created by the invasion. In the occupied area, 200,000 Greek Cypriots were forced from their homes to the Government-controlled part of Cyprus. Their belongings and property were confiscated. Since then, 60,000 Turkish immigrants have taken their places and continue to occupy this area today. The intransigence of the Turkish Government in seeking to negotiate a settlement of this ongoing occupation. should be condemned by all freedom-loving people everywhere. Human rights have been consistently violated and we should not forget that until the entire Cyprus question has been resolved.

Compounding the pain of occupation are the harsh realities of economic adjustment faced by the Greek Cypriot population. Turkey controls 40 percent of the land, but 70 percent of the preinvasion production capacity. Consequently, the legitimate Government of Cyprus must operate with severely curtailed resources, as well as intergrate the displaced persons into the system.

Many attempts have been made to persuade Turkey to withdraw from the area both nationally as well as

internationally. In addition to the arms embargo, the United Nations has passed many resolutions demanding the withdrawal of the troops. The United States continues to work for a solution to the Cypriot problem by sponsoring intercommunal talks. The most recent refusal, just last week, of the Turkish Government to negotiate the occupied territory, is but another example of Turkey's continued blatant disregard for human rights.

Talk must soon turn to action if this problem is to be resolved. Perpetuation of the staus quo encourages the eventual permanent partition of the nation. This would be tragic for all Cypriots—both Greeks and Turks—who once lived side by side as friends and coworkers and are now sadly divided.

From another perspective, a division of land along the present holdings would further exacerbate the current situation and prolong a final settlement. Turkey now controls 40 percent of the land mass, but the Turkish Cypriots only comprise 18 percent of the population. The Government of Turkey continues to encourage its people to immigrate to the occupied area in a deliberate effort to change the demographic nature of Cyprus. By continuing this pattern of human and civil rights violations, there is a clear and present danger that Greek Cypriots could be completely annexed by Turkey and lose their rights as Greek citizens.

The sympathy of the international community clearly lies with the Republic of Cyprus. The numerous U.S. resolutions calling for Turkish withdrawal from the area were all passed overwhelmingly. The Commonwealth countries and the group of nonalined nations have both made formal appeals for the withdrawal of Turkish troops and for just settlement. Turkey has been cited by the Council of Europe for numerous human rights violations.

All these instances point dramatically to the need to end this current Cyprus question which has gone virtually unchanged for the past 7 years. I call upon the new administration to demonstrate its concern for the people of Cyprus who have been made pawns in this game of international chess for too long. Our silence in this area since January is a cause of great concern to those of us who seek a bold, new initiative in this area. A peaceful, unified Cyprus as a stable democracy in the Mediterranean is vital to the stability of that area. Self-determination is a right for all Cypriots and as the leader of the free world, our Nation has the moral obligation to work for a just political settlement for the Greek Cypriots who have remained second-class citizens in their own land for too long.●

● Mr. BARNES. Mr. Speaker, I am pleased to join my distinguished colleague from Pennsylvania (Mr. YATRON) in expressing concern over the still unsettled situation on the island of Cyprus.

The Turkish invasion of Cyprus in the summer of 1974, left more than one-third of the entire population of the island refugees in their own country. The 200,000 Greek Cypriot refugees, on the seventh anniversary of the occupation, still remain deprived of housing, personal properties, and possessions.

Although the Government of Cyprus has made significant progress in meeting the immediate needs of the displaced persons, housing and health care needs remain at emergency levels. Conditions are aggravated by the inaccessibility of the airport, the largest port on the island, and two of the six public hospitals, which lie in the area under the occupation of the Turkish army.

Nearly 40 percent of the island is under occupation, which in itself has been an obstacle to any resolution of the situation. The ongoing intercommunal talks are at a stalemate, causing additional friction between Greece and Turkey.

These two nations, both allies of the United States, are extremely important figures in U.S. strategic interests. It is imperative that we play a more active role in assisting the parties to resolve this 7-year conflict.

As a world leader in the struggle for human dignity for all people, the United States must exert its influence in the international arena to bring these two nations together in negotiations which will result in the return of these refugees to their homes and villages.

United States security interests demand increased cooperation with both Greece and Turkey. As a result, it is vital that we stand as a stable and moderating influence, moving our friends together to end this longstanding and painful dispute in a positive fashion. If Israel and Egypt can make peace, surely common ground can be found between Greece and Turkey.

In the interest of human rights and freedom, I join my colleagues in marking the unfortunate seventh anniversary of this ongoing crisis, and hope that an equitable resolution will be found before the 200,000 Greek Cypriots begin yet another year as refugees.●

THE ARID LANDS RENEWABLE AGRICULTURAL RESOURCES CORPORATION ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. BROWN) is recognized for 10 minutes.

● Mr. BROWN of California. Mr. Speaker, today I am introducing legislation, along with my distinguished colleague from Texas (Mr. DE LA GARZA) to spur the agricultural production of a number of essential strategic and industrial materials. The legislation seeks to create the "Arid Lands Renewable Agricultural Resources Corporation," an entity identical to the Synthetic Fuels Corporation but directed to replacing nonfuel end uses of petroleum and in a manner better suited to the arid parts of the Western United States. This legislation is nearly identical to S. 1462, introduced by Senator DECONCINI on July 10, 1981. A full text of that bill can be found in the CONGRESSIONAL RECORD of that date beginning on page 15414.

The Corporation would use price guarantees, loan guarantees, direct loans, and joint ventures in that order of declining priority to encourage the production of critical materials from plants native to the Southwestern United States. Most of the bill details the function and organization of the Corporation, which is identical to the one that Congress approved for the Synthetic Fuels Corporation. The remaining parts of the bill detail the purpose and needs of this Corporation.

There are sections of this bill pertaining to production goals, expenses, and so forth, which have been purposely left open, to be made final after congressional deliberations. The cost of this legislation dependent upon the production goals, is likewise to be determined later.

Some of my colleagues will undoubtedly ask why we need such a Corporation. Let me provide some background.

The plants mentioned in this legislation are all native to the Southwestern United States and are drought resistant, more tolerant to salinity than other commercial crops, and all produce products in demand by industry and the armed services. They have been the subject of much research by universities and industry, and are at the threshold of commercial production.

One of the plants, guayule, is a semiarid perennial shrub which produces natural rubber and a number of commercially attractive resins. It has been used by industry in the past and, during World War II, was the subject of massive development as a part of our war effort. This country currently imports 100 percent of its natural rubber—800,000 metric tons—at a cost of nearly a billion dollars per year. The Department of Defense is currently examining its natural rubber needs with an eye toward encouraging guayule production. Our strategic stockpile goal for natural rubber of 850,000 long tons is not close to being

met, with only 120,000 long tons in storage.

In a classic example of the difficulties associated with the commercialization of a new idea or product, guayule has not been developed to meet the existing demand for natural rubber. Industry will not incorporate guayule rubber in its products until there is an assured volume of plant material. Farmers will not enter into commercial production until a market can be guaranteed. The Federal Government has been unwilling to finance the development of this crop without significant industry funding. Industry has been reluctant to make large development investments on this long-term payback undertaking without some financial assurances from the Federal Government. In the meantime, natural rubber shortages predicted to start in the mid-1980's creep closer.

Another of the plants mentioned in this bill is jojoba, again a native southwestern plant which produces a nut that yields a high quality lubricant. This lubricant has many times the life of petroleum products and is beginning to be marketed for use in the transportation industry. The oil, technically a liquid wax, is also of use as a feedstock for making plastic and fertilizers and has use in dermatological applications. Those of you who have seen advertisements for jojoba shampoo know of other commercial uses. Jojoba oil can replace petroleum and petrochemicals in many of these applications.

Euphorbia lathyris, also known as gopherweed, produces a hydrocarbon latex with a number of critical uses. This hydrocarbon can be used as a chemical feedstock as well, and has in addition produced a high-octane gasoline in laboratory tests. Much research is underway but, again, commercial development of this petroleum-replacing plant is not proceeding at a pace commensurate with the national need.

Circubita, commonly called buffalo gourd, is another arid land plant with considerable economic and industrial importance. Circubita seeds are a source of oil with many of the same applications as peanut and sunflower oil. The yields per acre are in the range of commercial production of soybeans and peanuts, but require much less water.

But given the potential for these crops to reduce our dependence upon imported oil for a number of nonenergy uses and the production of materials essential for our defense, why the need for this Corporation?

First, I consider these plant resources to be just as critical as the oil shale and sand or the plant sources of alcohol fuels which are the focus of the Synthetic Fuels Corporation. Yet the Synfuels Corporation is not set up to deal with the nonfuel petroleum demand addressed primarily in this bill.

Second, private industry cannot be expected to make the necessary development investments on its own. As with the Synthetic Fuels Corporation projects, the payback for investments made in these agricultural sources of materials is not within a length of time likely to be considered by a corporation as justification for the investment. The efforts authorized in this bill are of critical importance to the strategy and defense of the United States, and are a legitimate Federal concern.

This legislation has many advantages over the projects planned for the Western United States under the authority of the Synfuels Corporation. Those projects seek to save one limited resource—oil—but at the expense of another limited resource—water. The synfuels efforts planned for the West are entirely antithetical to our region's resource conservation needs. Water is already scarce in the arid West and many of the synfuels projects will only make that situation worse.

Also, the synfuels projects are extremely disruptive, causing rural areas to swell in numbers, with armies of outsiders coming to construct and run these facilities. This bill will use the existing farming structure and will increase the cropping options for southwestern farmers.

In summary, this legislation is designed to speed the production of essential strategic materials from domestic agricultural sources. It will leverage private investment and create an ongoing industry capable of providing these materials on a continuing basis. And the legislation accomplishes this in a manner that uses arid lands resources in an appropriate manner, with minimal disruption to the environmental and social aspects of the West that we all cherish.

I want to encourage my colleagues to join with me in this effort. And not just my southwestern colleagues, for this effort benefits all of the United States. A dependable domestic source of natural rubber benefits the rubber industry of the industrial Midwest. Dependable domestic sources of lubricants, oils, and chemical feedstocks benefit other industries, workers, and consumers across the country. If this Nation is to free itself from dependence on foreign sources of essential materials, we have to use every available resource in every part of the country. We in the Southwest are prepared to contribute as well.●

REAGAN SHOULD WITHDRAW WEAPONS SALE TO SAUDI ARABIA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. PHILLIP BURTON) is recognized for 5 minutes.

● Mr. PHILLIP BURTON. Mr. Speaker, the Reagan administration's proposed weapons sale to Saudi Arabia is in total disregard of the realities of the Middle East and severely jeopardizes the already fragile security of Israel. The sale of AWACS and F-15 equipment and weaponry has roused overwhelming opposition in Congress. Recently, the California State Legislature passed a resolution calling on President Reagan to withdraw the sale. AJR 45 was introduced by Assemblymen Levine and McCarthy and coauthored by Assemblymen Berman, Bane, Willie Brown, Robinson, Rosenthal, Alatorre, Chacon, Greene, Kapiloff, Katz, Roos, Torres, Vasconellos, and Wray; and Senators Campbell, Roberti, and Sieroty:

Whereas, it is in the best interests of the United States of America to encourage peaceful relations in the Middle East and to assist in maintaining the strength and security of the State of Israel; and

Whereas, the President has announced that he will notify Congress of his decision to sell to Saudi Arabia Airborne Warning and Command System aircraft (AWACS), aerial tankers, and additional equipment for F-15 jet fighters currently part of the Saudi arsenal, consisting of long range fuel and equipment pods and sophisticated air-to-air missiles; and

Whereas, when flown within Saudi airspace, AWACS, as highly sophisticated surveillance aircraft, could monitor and expose virtually all major military movement in Israel; and

Whereas, the fuel and equipment pods would enable the F-15 fighters to carry a heavier bomb load to distant targets and, by increasing the combat radius of the F-15 jet fighters, would enable them to hit any target in Israel; and

Whereas, the missiles feature "all aspect attack," enabling the missiles to be fired from any direction at a target aircraft with improved guidance, increased maneuverability, resistance to jamming, and a highly lethal warhead; and

Whereas, the sale of AWACS and accompanying weaponry is likely to destabilize the balance of power in the Middle East, jeopardize United States interests in the region, and impair the security of the State of Israel; and

Whereas, the Members of the Legislature of the State of California recognize the necessity for development of strategy to counter the threat of Soviet expansion in the Middle East and to defend the Persian Gulf; and

Whereas, American interests in the Persian Gulf area could best be protected by retaining sophisticated and sensitive weaponry in the control of the United States; and

Whereas, American-manned AWACS currently operating in Saudi Arabia are able to provide advance warning of any attack that may be launched against Saudi Arabia; and

Whereas, Retaining AWACS under American control would help to ensure that use of AWACS would be for defensive purposes only: Now, therefore be it

Resolved by the Assembly and Senate of the State of California, jointly, That the Legislature of the State of California respectfully memorializes the President of the

United States to reconsider and withdraw the decision to sell to Saudia Arabia AWACS, aerial tankers, long range fuel and equipment pods, and sophisticated air-to-air missiles and the Congress of the United States to disapprove any decision to complete this sale; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, and to each Senator and Representative from California in the Congress of the United States.●

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. DICKS) is recognized for 5 minutes.

● Mr. DICKS. Mr. Speaker, unfortunately, during today's vote on House Resolution 181, a measure urging that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them, I was unavoidably detained and unable to vote for this important measure.

At this time, I would like to express my strong support for House Resolution 181 and my sincere and deep satisfaction in seeing that a very strong majority of my colleagues on both sides of the aisle share my support for this measure.

As my colleagues so accurately indicated today, the social security system can and should be strengthened without reducing benefits for present recipients, and without reducing the promised protection for those currently contributing to the program.

I am only sorry that it was necessary to introduce this resolution—this House should have never voted to reduce these benefits in the first place. However, now that the position of the House on social security benefits has been clarified, I look forward to working with my colleagues in taking the action necessary to protect the security of millions of older Americans.●

MEDICARE BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. WYDEN) is recognized for 5 minutes.

● Mr. WYDEN. Mr. Speaker, I am pleased to introduce a bill which would amend the Social Security Act to eliminate the current requirement that a medicare beneficiary spend 3 days in a hospital before he or she can be eligible for skilled nursing facility benefits.

Not only will this legislation provide more humane treatment for patients—it will also save money. The 3-day requirement serves only to encourage hospitalization and discourage appropriate, but less costly health care alternatives.

Let me illustrate. Last year, a constituent of mine who was suffering from terminal pancreatic cancer, entered Portland Adventist Medical Center complaining of uncontrollable pain.

She entered the hospital rather than a nursing home for one reason—the 3-day prior hospitalization rule. Although she needed medical supervision and observation unavailable in her own home, her physician said she could have received the necessary care at a skilled nursing facility.

The end of this story is not a pleasant one. She was hospitalized from Friday until Wednesday. On Wednesday a bed was located in a skilled nursing facility where she was transferred. Weakened by the move, she died 2 hours after admission.

Because medicare regulations require prior hospitalization, this woman suffered needless transfer trauma—the Federal Government suffered needless financial loss—the hospital and nursing home both were left with needless paperwork and accounting.

Mr. Speaker, it is time we brought an end to regulations which only serve to aggravate matters—for patients and taxpayers alike.

Let us take the cost factor. The average medicare cost of a covered day in a skilled nursing facility (SNF) is a fraction of the routine cost per day in a hospital. In Portland, Oreg., for example, it costs $200 to $400 per day to hospitalize an individual. Skilled nursing care costs between $60 to $100 per day. The amount saved from 5 unnecessary hospital days would pay for the total stay in a skilled nursing facility for most medicare patients since the average medicare stay is only 24 days.

In 1978, Blue Cross of Oregon contracted with Health Care Financing Administration in an experiment to waive the prior hospitalization requirements for medicare. Although the results of this 2-year study will not be released until this fall, preliminary reports indicate that this experiment has saved money—as well as being more humane.

Mr. Speaker, it is high time we reform those Government health services which encourage needless hospitalization and discourage less costly health care.

The bill I am introducing is a step in that direction. It will eliminate the expense and trauma of a situation such as the woman I described experienced. It would allow a patient's physician, not the Federal Government to determine the appropriate setting for patient care.

Mr. Speaker, I include the entire text of the bill to be printed in the RECORD:

H.R. 4227

A bill to amend title XVIII of the Social Security Act to remove the three-day prior hospitalization requirement for coverage of extended care services

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1811 of the Social Security Act is amended by striking out "related post-hospital" and inserting in lieu thereof "extended care".

(b) Subsections (a)(2), (b)(2), and (e) of section 1812 of such Act are each amended by striking out "post-hospital".

(c) Section 1813(a)(3) of such Act is amended by striking out "post-hospital".

(d) Section 1814(a) of such Act is amended.

(1) by striking out "post-hospital" each place it appears in paragraphs (2)(C), (6), and (7), and (2) by striking out ", for any of the conditions" and all that follows "such inpatient hospital services" in paragraph (2)(C).

(e)(1) Subsection (e) of section 1861 of such Act is amended by striking out ", and subsection (i) of this section" in the matter before paragraph (1).

(2) Subsection (i) of such section is repealed.

(3) Paragraphs (1)(G), (2)(A), and (3) of subsection (v) of such section are each amended by striking out "post-hospital" each place it appears.

(4) Subsection (y) of such section is amended by striking out "Post-Hospital" in the heading and by striking out paragraph (4).

(f) Section 1866(d) of such Act is amended by striking out "post-hospital".

(g) Subsections (d) and (f) of section 1883 of such Act are each amended by striking out "post-hospital" each place it appears.

(h) Section 226(c) of such Act is amended by striking out "post-hospital extended care services" and inserting in lieu thereof "extended care services" and by striking out "except that" in paragraph (1) and all that follows through the second semicolon in such paragraph.

(i) Section 7(d)(1) of the Railroad Retirement Act of 1974 is amended by striking out "posthospital extended care services" and inserting in lieu thereof "extended care services".

SEC. 2. The amendments made by this Act shall be effective with respect to services provided on or after the date of the enactment of this Act.●

A MEDICINE DRIVE FOR POLAND

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. ZABLOCKI) is recognized for 30 minutes.

● Mr. ZABLOCKI. Mr. Speaker, on the very grounds of the U.S. Capitol Building today, the first of many shipments of medical supplies to Poland was initiated. Mr. Speaker, as a result of a major medical drive sponsored jointly by Project HOPE and the Polish American Congress, thousands of Poles, both old and young, will begin receiving the necessary medical care that they have lacked due to the economic crisis in Poland.

Mr. Speaker, I am pleased that my colleagues, Representatives EDWARD DERWINSKI, DAN ROSTENKOWSKI, JOHN FARY, and I were able to participate in the ceremony today with Dr. William B. Walsh, founder and president of Project HOPE; Mr. Al Mazewski, president of the Polish American Congress; His Excellancy Alfred L. Abramowicz, Auxilary Bishop of Chicago Archdiocese; Dr. Eugenia Zdebska, professor and director of cardiovascular surgery, American Children's Hospital in Krakow; Dr. Z. Zdebski, professor of obstetrics and gynecology, University of Krakow; and Dr. Jan Grochowski, vice rector of the University of Krakow and director of the Children's Institute of Krakow.

Mr. Speaker, since its inception in 1958, Project HOPE, founded by Dr. William B. Walsh, has aided thousands of people in many developing nations. One such nation is Poland where, in 1975, at the American Children's Hospital in Krakow, Project HOPE began a tradition of medical excellence that continues to grow today.

The latest HOPE activity in Poland involves a joint effort with the Polish American Congress, the Polish Ministry of Health, and the Solidarity Labor Union to relieve the country's drug and medical supplies shortage.

Working in conjunction with the Polish American Congress, Project HOPE is gathering much needed medicine and medical supplies which have become scarce in Poland due to the economic crisis. These supplies, which will be solicited from American pharmaceutical houses, will be distributed to the hospital patients by the Ministry of Health and the Solidarity Labor Union. While this is one of many drives that Project HOPE has been involved in, it is unique in that it has forged an alliance between Project HOPE, the Polish American Congress, the Solidarity Labor Union, and the Polish Government.

This medical relief drive is part of a continuing effort through which Project HOPE is working with the Polish people to improve the health care they are receiving. Through an exchange between American medical personnel and members of Krakow's Institute of Pediatrics, HOPE has been involved in numerous programs, including helping to establish the institute's 320-bed hospital as one of the major centers for pediatric congenital heart surgery in Eastern Europe. Project HOPE has also developed and implemented several exchange and training programs which maintain the institute at a level on par with other major European pediatric facilities.

Training programs developed by Project HOPE for Poland include:

Cardiac surgery, cardiology, intensive care medicine and nursing, endocrinology, gastroenterology, gastrointestinal surgery, general surgery, oncology, immunology, biochemistry, sanitation and housekeeping, Ob-Gyn, general pediatrics, neonatology, plastic surgery, pharmacy, hospital administration, dentistry, community health, radiology, anesthesiology, perfusion, medical maintenance, neurology, and neurosurgery.

Before Project HOPE arrived in Poland in 1975, 13 percent of all the children who underwent surgery in Krakow died shortly thereafter (twice the rate in the United States). However, due to efforts of the dedicated HOPE team of doctors, nurses, and medical technicians, the statistic has greatly improved.

Since 1975, Project HOPE has sent over a dozen teams of experts in such fields as kidney disease, leukemia, radiology, neonatology, nursing administration, and even housekeeping. These teams, along with eager Polish medical personnel, generated the strength that put Krakow's institute in the secure position it enjoys today.

One such team of 10 leading American pediatric specialists arrived in Krakow in April 1980. There they helped the institute's staff advance their skills in complex heart repair, cardiology, intensive care, and operating room nursing, anesthesiology, and circulation technology. The program also included the training of Poland's first intensive care physician.

Many personnel from American health institutions have worked hard through Project HOPE to improve health care conditions in Poland. Listed below are some of the institutions represented:

Children's Hospital of Philadelphia, Children's Hospital Medical Center of Harvard University, Primary Children's Medical Center of Salt Lake City, Utah, Duke University, Vanderbilt University, Oschner Clinic (New Orleans), University of North Dakota, University of Minnesota, Children's Hospital of Washington, D.C., University of Virginia, Henry Ford Hospital (Detroit), St. Jude's Children's Hospital, Columbus Children's Hospital, University of West Virginia, Women and Infants Hospital of Rhode Island, Children's Hospital of San Francisco, Children's Hospital of Los Angeles, City of Houston Health Department, and Children's Hospital Medical Center of Oakland.

The American Schools and Hospitals Abroad (ASHA), which is part of the United States Agency for International Development, continues to provide medical equipment and technical expertise to the Institute of Pediatrics in Krakow through Project HOPE.

While the child patient in Poland certainly has a brighter future, Project HOPE's job is far from completed. Future teaching programs in dentistry, plastic surgery, community medicine, and rehabilitation are all planned, as well as additional training in the United States for Polish physicians.

The Project HOPE legacy in Poland will now be extended even further thanks to this new effort with the Polish American Congress.

Mr. Speaker, as an American citizen of Polish ancestry, I am proud of the support the American people have shown the people of Poland during this most difficult and trying time in the history of that gallant country.

But never have I stood more proud of America's commitment to Poland than I do today. For today, from the very grounds of the U.S. Capitol Building, the first of many shipments of medical supplies will be on its way to Poland.

These medical supplies, a voluntary contribution, have been donated by American pharmaceutical manufacturers and medical suppliers to help the Polish people overcome what can only be described as a crisis in health care following the near collapse of that nation's economy.

Thousands of Poles, both old and young, will begin receiving the necessary medical care that they have lacked due to the economic crisis.

Perhaps the greatest aspect of this medical airlift to Poland is that it is entirely supported by the contributions of private citizens and corporations.

Medicines—ranging from common aspirin to complex antitoxins—and medical supplies—from syringes to tongue depressors—are being made available from the Nation's drug manufacturers and medical suppliers.

These critical supplies will be distributed to the medically needy in Poland by the Solidarity Union and Poland's Ministry of Health.

The entire program is being sponsored jointly by Project HOPE and the Polish American Congress.

Americans of Polish ancestry are playing a major role in this medical relief program. As an expression of support from the people of America to the people of Poland, an American flag, a gift from Polish Americans in the United States, will accompany the first shipment of medical supplies to Poland.

This flag is more than a gesture of international goodwill between our two countries. It represents a reaffirmation of America's commitment to help the people of Poland.●

● Mr. ROSTENKOWSKI. Mr. Speaker, I would like to take this opportunity to commend the humanitarian program of emergency medical relief Project HOPE and the Polish American Congress are undertaking for Poland.

Because of the political and economic turmoil in that country, industry is unable to produce the quantity of medicines and essential medical sup-

plies necessary to the health and well-being of its people. This program will provide thousands of the pharmaceutical and medical supplies which are currently in such critical shortage in Poland. Donated by American medical supply manufacturers and pharmaceutical houses at the request of Project HOPE and the Polish American Congress, the supplies will be shipped to that country, where they will be distributed at no cost to hospital patients by the Solidarity Labor Union and the Polish Ministry of Health.

The Polish people are facing a severe health care emergency, and I heartily applaud the concerned Americans who are responding to this call with compassionate and effective action. Their efforts of international good will and humanitarianism have helped to create an alliance between Project HOPE, the Polish American Congress, the Solidarity Labor Union, and the Polish Government.

I join my colleagues, Representatives EDWARD J. DERWINSKI and CLEMENT J. ZABLOCKI, in offering my full support to this outstanding program.●

● Mr. DERWINSKI. Mr. Speaker, I wish to join my colleagues, Representatives DANIEL ROSTENKOWSKI and CLEMENT ZABLOCKI in lending my full support and backing to the new Project HOPE and Polish American Congress emergency medical program in Poland.

This program, sponsored jointly by Project HOPE, the Polish American Congress, the Polish Ministry of Health, and the Solidarity Labor Union, will provide thousands of privately contributed medical supplies to aid the brave people of Poland in combating the grave health care and economic crises they now face on a daily basis. The supplies and medicines donated by concerned American pharmaceutical manufacturers will be distributed to Polish hospital patients by the Ministry of Health and the Solidarity Labor Union.

I commend this humanitarian program as a unique example of the power of the generosity and concern of American citizens. It has forced an alliance between Project HOPE, the Polish American Congress, the Solidarity Labor Union, and the Polish Government.

American citizens of Polish ancestry are strongly supportive of the Polish people during this critical period in their country's history. I, along with all Americans, applaud these shipments of medical supplies to Poland.●

● Mr. FARY. Mr. Speaker, with each passing day, we are reminded that Poland is no longer a sovereign nation, but is under Russian domination. Evidence of these oppressive conditions are highlighted by the contrasting victories which have been reported recently within the Polish Government through the efforts of the Solidarity movement. In Poland, no restrictions can prevent the people from remembering that they are a sovereign nation being held captive.

We must constantly remind the free nations in the west of their plight and hope that the situation will change some day. Yet, the Polish nation has not been vanquished. They remain a separate nation, not swallowed up by the Russians, though deprived of the right to rule themselves, and they look to the West where freedom is proclaimed as a right that belongs of every man.

This unyielding stamina has been manifested through the generosity of thousands of our American citizens. Today a shipment of medicine and medical supplies was sent to Poland to alleviate any rampant disease or sickness resulting from the difficult times she is experiencing. This shipment was valued in the millions of dollars, and through the assistance of Project HOPE will reach areas in Poland where shortages have approached critical levels. This outpouring of generosity and concern from our fellow countrymen for their fatherland impresses upon me the need for a continuous consciousness on all parts, and I commend their efforts.●

SOCIAL SECURITY

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Illinois (Mrs. COLLINS) is recognized for 5 minutes.

● Mrs. COLLINS of Illinois Mr. Speaker, it galls me that the President would have Americans taken in by his rhetoric regarding the social security system. Calling upon Congress to lay aside partisan politics and then planning to "tell it all" on nationwide television would seem to further implicate those who would reduce social security disability benefits and eliminate the monthly minimum benefit—to name a few.

The President played partisan politics when he got on the phone and lobbied to defeat the previous rule, thereby allowing for only one vote on the Republican Gramma-Latta II reconciliation package as opposed to six votes on six amendments.

The President is playing partisan politics now by attempting to castigate those who he feels are exploiting the social security issue. Time and time again the administration has, in the words of Senator MOYNIHAN, "been conducting a campaign of political terrorism." Mr. Reagan has described a basically sound social security system as "on the verge of going broke" and it is not. It is totally unnecessary to hurt millions of people in terms of cutting off or reducing benefits when there is no immediate need to act now. Yes, our energies should be spent working together to come up with new or just better ways to finance social security. We must not, however, continue to distort the nature of the problem just so that the President can scare the public into meekly accepting serious cutbacks now. I contend that Mr. Reagan is only attempting to balance the budget on the backs of millions upon millions of social security recipients.

Accordingly, as a cosponsor of House Resolution 181, I call upon the President to make serious note that we in the House will do what is necessary to insure that social security benefits not be reduced for current recipients of social security.

I wonder if the president really knows how to "tell it all" and tell the truth about the real status of the social security system?

DEFENSE BUDGET INCREASE BLOCKING LOWER INTEREST RATES

(Mr. SEIBERLING asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SEIBERLING. Mr. Speaker, Sunday's Washington Post carried a cogent article by its distinguished chief economics writer, Hobart Rowan, concerning the severe damage that high interest rates continue to inflict on our economy and pointing out that they are the direct consequence of the budgetary and tax policies being pushed by the Reagan administration.

As we all know, high interest rates threaten a national economic crisis, especially in the automobile, housing, and savings industries. It is virtually impossible for middle- or lower-income families to buy a decent home, and it is becoming prohibitive for them to buy an automobile. This in turn has a devastating impact on the industries supplying the housing and automobile industries, such as the rubber, steel, and machine tool industries.

According to Mr. Rowan, the distinguished Wall Street economist, Henry Kaufman, predicts that within a year, unless the Government curbs the big military buildup, the prime rate will top the 21.5-percent level set last year. Mr. Rowan also reports that this thesis is not challenged by Federal Reserve officials, when speaking off the record. One source is quoted as saying, "The financial markets don't believe Reagan will be able to cut the Federal deficit. If they were able to cut their proposed defense spending increase in half, you'd see an immediate reduction in interest rates."

Mr. Speaker, as the late President Eisenhower pointed out in his farewell address to the American people over 20 years ago, every plane, every tank, every gun, is paid for by lowering the living standards of the people. It has become abundantly clear that the

high interest rate policy, coupled with cuts in social and human life programs, is the device by which the Reagan administration proposed to pay for its military spending increases. They will be paid for by sacrificing the ability of millions of Americans to obtain decent housing, adequate transportation, and full employment.

Unfortunately, if the defense spending increase is to be cut in half, it is not likely to be done by the House of Representatives, which only last week voted the huge sum of $136 billion as the first installment on next year's defense budget. All efforts to make significant reductions in this astronomical spending bill were turned aside.

There is still a glimmer of hope, however. The administration itself is rumored to be having second thoughts. OMB Director Stockman has reportedly already negotiated with the Defense Department a 5-percent cut in next year's budget levels, in case the rosey predictions of the administration's economic program turn out to have been overly optimistic. A 5-percent reduction in the $226 billion defense budget for 1982 would amount to nearly $13 billion, which is almost half of President Reagan's proposed increase over the current level of defense spending programs.

If it is a fact that the Defense Department has agreed to a 5-percent reduction, that is clear proof that the administration's current defense budget is higher than necessary. That being the case, and considering the desperate urgency of bringing down interest rates, one may be entitled to ask why the administration is waiting until next year before making the proposed cuts in defense spending.

The full text of Mr. Rowan's article follows these remarks:

HIGH LOAN RATES MAY BE TOO COSTLY FOR ECONOMY

Interest rates are much too high. They threaten a national economic crisis, especially in the auto, housing and thrift industries.

Quite apart from the recent well-publicized complaints of European leaders that high U.S. interest rates are creating problems for them, the objective evidence is that a monetarist policy being pursued by the Federal Reserve Board has pushed interest rates higher than they ought to be—and higher than the Fed itself expected them to be.

Even President Reagan's economic advisers, according to one of them, are "puzzled" and "confused" about the persistence of high interest rates although they propose to stick with present policy, a decision based "more on confusion than conviction." This is the view of William Niskanen, one of the three members of the Council of Economic Advisers.

One gets the feeling that Federal Reserve policymakers are compulsively flirting with economic disaster because they are afraid to shift gears, believing that as bad as things are now, they would be even worse if policy were prematurely eased.

In part, the puzzlement cited by Niskanen arises because interest rates have continued to soar even though inflation has come down dramatically. The Consumer Price Index is running at an annual rate of 8.2 percent, compared with 13.3 percent two years ago. When measured against a 14½ percent Treasury bill rate, the "real" interest rate is more than 6 percent, well above the conventional level of 2 to 3 percent.

Even if one decides to measure inflation not by the CPI but by a higher, assumed underlying inflation rate of 9 percent or so, the "real" interest rate is at an historic peak. It's a complete reversal of the pattern two years ago when "real" interest rates were negative because a 10 percent yield was running behind the 13.3 percent inflation rate.

The consequences of a policy that keeps interest rates this high are dramatic. Domestic auto sales have collapsed to an annual rate of about 5 million, a 20-year low. Meanwhile, the savings and loan industry has been pushed to the edge of a disaster that could force the government into a bailout costing as much as $50 billion, according to economist Alan Greenspan.

Niskanen says that at a recent informal session among six government economists, including some from the Fed, "there were eight different explanations (for the peak level of real interest rates)—and we didn't have a good one."

It doesn't seem all that mysterious: In a telephone interview, Salomon Bros. money expert Henry Kaufman said the record real interest-rate level "reflects the heavy burden being placed on monetary policy. In the next 12 months, we'll have a major tax cut, increased defense spending and bigger federal deficits. In that environment, what can you expect from interest rates?" Kaufman predicts that within a year, unless the government curbs the big military build-up, the prime rate will top the 21½ percent level set last year.

Kaufman's basic theme isn't challenged at the Fed when officials speak off the record. A well-posted source uses these plain words: "We face a real dilemma: The financial markets don't believe Reagan will be able to cut the federal deficit. If they [the Reagan administration] were to cut their proposed defense spending increase in half, you'd see an immediate reduction in interest rates.

"But if we were to change monetary policy now by pumping more reserves into the market, we would lose all our credibility, and long-term rates would rise at least 2 or 3 points. It's one hell of a problem because autos, housing, and the S&Ls are in trouble. But so long as Reagan puts all of the burden on us, we've got no choice."

In effect, the Federal Reserve has consciously made a decision that the economy overall is resilient enough to take its austere policy even though the interest-sensitive sectors such as housing and the thrifts are in serious trouble. "In a way," says a Fed source, "as we continue this policy—although I hasten to say that's not why we are doing it—we're putting pressure on the Reagan administration. We're forcing them to face up to the significance of the big budget deficit."

But how long can this lethal game go on? The economy appears to be entering a general downturn or recession. Richard Pratt, head of the Federal Home Loan Bank Board, says that fully one-third of the nation's 4,700 S&Ls "are not viable" under today's conditions of high interest rates.

Greenspan reports that because there is a limit to the number of strong institutions that can absorb weak ones, many S&Ls will have to be liquidated rather than merged out of existence. Insurance will protect depositors (up to $100,000), but the government may have to put up so much cash or credit that it could "seriously threaten the success of the president's anti-inflation program," Greenspan concludes.

Thus, the wisdom of blindly following a high-interest-rate policy needs to be reexamined. The Reagan administration is beginning to worry enough about the problem to be predicting that interest rates will be coming down. But you don't get that kind of soothing assurance from the Fed. In the end, it may take a corporate bankruptcy or an international financial crisis to force a change in policy, and in the underlying monetarist dogma.

LEAVE OF ABSENCE

(By unanimous consent, leave of absence was granted to):

Mr. YOUNG of Alaska (at the request of Mr. MICHEL), for July 21 and 22, on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. HATCHER) to revise and extend their remarks and include extraneous material:)

Mr. BINGHAM, for 5 minutes, today.
Mr. YATRON, for 30 minutes, today.
Mr. FORD of Michigan, for 5 minutes, today.
Mr. GONZALES, for 15 minutes, today.
Mr. ANNUNZIO, for 5 minutes, today.
Mr. SHAMANSKY, for 5 minutes, today.
Mr. DANIELSON, for 30 minutes, today.
Mr. BROWN of California, for 10 minutes, today.
Mr. PHILLIP BURTON, for 5 minutes, today.
Mr. DICKS, for 5 minutes, today.
Mr. WYDEN, for 5 minutes, today.
Mr. ZABLOCKI, for 30 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. MILLER of Ohio, to revise and extend his remarks prior to the vote on H.R. 4034 today.

Mr. HANSEN of Utah, to revise and extend his remarks following Mr. CRAIG.

(The following Members (at the request of Mr. SMITH of Oregon) and to include extraneous matter:)

Mr. GOODLING.
Mr. ROUSSELOT.
Mr. MARRIOTT.
Mr. NELLIGAN.
Mr. CORCORAN.
Mr. DOUGHERTY.

Mr. MICHEL.
Mrs. FENWICK.
Mr. LUJAN.
Mr. CAMPBELL.
Mr. GRISHAM.
Mr. COURTER.
Mr. GOLDWATER.
Mr. LENT.
Mr. LAGOMARSINO.
Mr. SNYDER.
Mr. PRITCHARD.
Mr. NAPIER in two instances.
Mr. MCCLORY.
Mr. LEBOUTILLIER.

The following Members (at the request of Mr. HATCHER) and to include extraneous matter:)

Mr. MAZZOLI.
Mr. FORD of Tennessee.
Mr. ECKART.
Mr. RODINO.
Mr. LEHMAN in two instances.
Mr. SKELTON in three instances.
Mr. SCHEUER.
Mr. AUCOIN.
Mr. MILLER of California in two instances.
Mr. WALGREN in two instances.
Mr. HIGHTOWER.
Mr. ROSENTHAL.
Mr. DYSON in three instances.
Mr. ROSE.
Mr. MCDONALD in three instances.
Mr. DONNELLY.
Mr. HALL of Ohio.
Mr. IRELAND in two instances.
Mr. MATSUI.
Mr. ROE.
Mr. CONYERS.
Mr. MATTOX.
Mr. DYMALLY.
Mr. FORD of Michigan.
Mr. EDGAR.
Mr. WEAVER.
Mr. WRIGHT.
Mr. BENNETT.
Mr. HUBBARD.
Mr. ENGLISH.
Mr. BONKER.

SENATE BILLS REFERRED

Bills of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 863. An act to establish a uniform law on the subject of bankruptcies; to the Committee on the Judiciary; and

S. 1224. An act to amend the provisions of title 39, United States Code, relating to the use of the frank, and for other purposes; to the Committee on Post Office and Civil Service.

ADJOURNMENT

Mr. YATRON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 59 minutes p.m.), the House adjourned until tomorrow, Wednesday, July 22, 1981, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1842. A letter from the Secretary of the Army, transmitting a report on the proposed removal of all chemical munitions from Rocky Mountain Arsenal, Colo., to Tooele Army Depot, Utah, pursuant to section 809 of Public Law 96-418; to the Committee on Armed Services.

1843. A letter from the Director, Defense Security Assistance Agency, transmitting a report on the impact on U.S. readiness of the Navy's proposed sale of certain defense equipment and services to Japan (Transmittal No. 81-76), pursuant to section 813 of Public Law 94-106; to the Committee on Armed Services.

1844. A letter from the Chairman, Board of Governors of the Federal Reserve System, transmitting the Board's midyear monetary policy report, pursuant to section 2A of the Federal Reserve Act, as amended (92 Stat. 1897); to the Committee on Banking, Finance and Urban Affairs.

1845. A letter from the Secretary of State, transmitting a draft of proposed legislation to authorize the participation of the United States in a multinational force and observers to implement the treaty of peace between Egypt and Israel; to the Committee on Foreign Affairs.

1846. A letter from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting copies of international agreements, other than treaties, entered into by the United States, pursuant to 1 U.S.C. 112b(a); to the Committee on Foreign Affairs.

1847. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Air Force's intention to offer to sell certain defense services to Saudi Arabia (Transmittal No. 81-74), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1848. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Navy's intention to offer to sell certain defense equipment and services to Japan (Transmittal No. 81-76), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1849. A letter from the Acting Comptroller General of the United States, transmitting a list of reports issued or released by the General Accounting Office during June 1981, pursuant to section 234 of the Legislative Reorganization Act of 1970; to the Committee on Government Operations.

1850. A letter from the Secretary of the Interior, transmitting financial exhibits of the Colorado River storage project and participating projects for fiscal year 1980, pursuant to section 6 of the act of April 11, 1956; to the Committee on Interior and Insular Affairs.

1851. A letter from the Acting Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting reports concerning visa petitions approved according certain beneficiaries third- and sixth-preference classification, pursuant to section 204(d) of the Immigration and Nationality Act, as amended; to the Committee on the Judiciary.

1852. A letter from the Assistant Secretary of State for Congressional Relations, transmitting a draft of proposed legislation to give effect to the Protocol Amending the Convention for the Preservation of the Halibut Fishery of the Northern Pacific Ocean and Bering Sea, signed at Washington on March 29, 1979; to the Committee on Merchant Marine and Fisheries.

1853. A letter from the Assistant Secretary of State for Congressional Relations, transmitting a determination by the Acting Secretary of State waiving the requirement that certain foreign assistance funds for Brazil, Mexico, Costa Rica, El Salvador, Ecuador, and Peru be withheld to cover the compensation from the Treasury paid to owners of fishing vessels seized by those countries during the period February 1, 1975, through July 2, 1980, pursuant to section 5(b) of the Fishermen's Protective Act of 1967, as amended, and Executive Order 11772; jointly, to the Committees on Foreign Affairs and Merchant Marine and Fisheries.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. BEILENSON: Committee on Rules. House Resolution 187. Resolution waiving certain points of order against H.R. 4209, a bill making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 1982, and for other purpose (Rept. No. 97-187). Referred to the House Calendar.

Mr. ZEFERETTI: Committee on Rules. H. Res. 188. Resolution waiving certain points of order against H.R. 4169, a bill making appropriations for the Department of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1982, and for other purposes (Rept. No. 97-188). Referred to the House calendar.

Mr. BONIOR of Michigan: Committee on Rules. H. Res. 189. Resolution providing for the consideration of H.R. 3275, a bill to amend the Civil Rights Act of 1957 to authorize appropriations for the Civil Rights Commission (Rept. No. 97-189). Referred to the House calendar.

Mr. DINGELL: Committee on Energy and Commerce. H.R. 2120. A bill to facilitate the ability of product sellers to establish product liability risk retention groups, to facilitate the ability of such sellers to purchase product liability insurance on a group basis, and for other purposes with an amendment (Rept. No. 97-190). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BENNETT (for himself and Mr. MCCOLLUM):

H.R. 4212. A bill to provide that the repeal of the minimum social security benefit shall not apply to individuals who are currently receiving monthly insurance benefits under title II of the Social Security Act or who initially become entitled to such benefits prior

to 1984; to the Committee on Ways and Means.

By Mr. BROWN of California (for himself and Mr. DE LA GARZA):

H.R. 4213. A bill to establish the Arid Lands Renewable Agricultural Resources Corporation; jointly, to the Committees on Agriculture and Rules.

By Mr. BROWN of Ohio (for himself and Mr. CONABLE):

H.R. 4214. A bill to amend the Federal charter of the Boy Scouts of America with respect to its annual report to Congress; to the Committee on the Judiciary.

By Mr. COLLINS of Texas:

H.R. 4215. A bill to establish a private corporation for the purpose of owning and administering certain railroads and railroad properties currently owned or financially supported by the United States; to the Committee on Energy and Commerce.

By Mr. DONNELLY:

H.R. 4216. A bill to amend the Internal Revenue Code of 1954 to expand the dwelling units with respect to which the credit for energy conservation expenditures may be allowed to dwelling units the construction of which was substantially completed before January 1, 1980; to the Committee on Ways and Means.

By Mr. EVANS of Georgia:

H.R. 4217. A bill to designate the building known as the Veterans' Administration Medical Center in Dublin, Ga., as the "Carl Vinson Veterans' Administration Medical Center"; to the Committee on Veterans' Affairs.

By Mr. EVANS of Indiana:

H.R. 4218. A bill to amend the National Manufactured Housing Construction and Safety Standards Act of 1974; to the Committee on Banking, Finance and Urban Affairs.

By Mr. FRENZEL:

H.R. 4219. A bill regarding the tariff treatment of caffeine; to the Committee on Ways and Means.

By Mr. GUARINI:

H.R. 4220. A bill to provide for a 10-year extension of provisions providing for minimum insurance benefits under title II of the Social Security Act for individuals currently entitled to such benefits and for other individuals who are vow-of-poverty members of religious orders and a 5-year extension of such provisions for other individuals; to the Committee on Ways and Means.

By Mr. JENKINS:

H.R. 4221. A bill to amend the Tariff Schedules of the United States with respect to corduroy and velveteen; to the Committee on Ways and Means.

By Mr. LUJAN:

H.R. 4222. A bill to amend title 38, United States Code, to reestablish educational assistance benefits for veterans under chapter 34 of that title; to the Committee on Veterans' Affairs.

H.R. 4223. A bill to establish a Nuclear Fuel Management Corporation; jointly, to the Committees on Energy and Commerce, Interior and Insular Affairs, and Science and Technology.

By Mr. MARRIOTT:

H.R. 4224. A bill to amend the Internal Revenue Code of 1954 to repeal the estate and gift taxes and the tax on generation-skipping transfers; to the Committee on Ways and Means.

By Mr. WALGREN:

H.R. 4225. A bill to amend the Communications Act of 1934 to establish certain limitations relating to the ownership of cable television franchises by certain foreign entities; to the Committee on Energy and Commerce.

H.R. 4226. A bill to authorize the project for flood control on Saw Mill Run, Pa.; to the Committee on Public Works and Transportation.

By Mr. WYDEN:

H.R. 4227. A bill to amend title XVIII of the Social Security Act to remove the 3-day prior hospitalization requirement for coverage of extended care services; jointly, to the Committees on Energy and Commerce and Ways and Means.

By Mr. NATCHER:

H. J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981; to the Committee on Appropriations.

By Mrs. HECKLER:

H.J. Res. 309. Joint resolution designating November 27, 1981, as "National Lifeliner Day"; to the Committee on Post Office and Civil Service.

By Mr. LEBOUTILLIER (for himself and Mr. NELLIGAN):

H. Con. Res. 159. Concurrent resolution expressing the sense of the Congress that the United States should not participate in the Yamal natural gas pipeline project, and urging the President to secure the cooperation of the nations of Western Europe and Japan in developing alternative free world energy sources; to the Committee on Foreign Affairs.

By Mr. REUSS (for himself, Mr. ST GERMAIN and Mr. FAUNTROY):

H. Con. Res. 160. Concurrent resolution expressing the sense of the Congress with respect to monetary policy, inflation, and high interest rates; to the Committee on Banking, Finance and Urban Affairs.

By Mr. MICHEL (for himself and Mr. LOTT):

H. Res. 190. Resolution expressing the sense of the House of Representatives to save the social security system; to the Committee on Ways and Means.

By Mr. ROSE:

H. Res. 191. Resolution expressing the sense of the House of Representatives with respect to the availability of the transmissions of the House broadcasting system; to the Committee on Rules.

MEMORIALS

Under clause 4 of rule XXII,

162. The SPEAKER presented a memorial of the Senate Commonwealth of Pennsylvania, relative to commuter rail service in southeastern Pennsylvania; to the Committee on Energy and Commerce.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FITHIAN:

H.R. 4228. A bill for the relief of Dewey J. Hassler; to the Committee on the Judiciary.

By Mr. SNYDER:

H.R. 4229. A bill for the relief of Yong K. Judd, Joanne K. Judd, Patrick K. Judd, Anne H. Judd, and Julie K. Judd; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 52: Mr. LEBOUTILLIER, Mr. HORTON, and Mr. PATTERSON.

H.R. 215: Mr. MILLER of Ohio.

H.R. 247: Mr. BARNES, Mr. BREAUX, and Mr. STENHOLM.

H.R. 741: Mr. MCCOLLUM and Mr. COATS.

H.R. 1300: Mr. DORGAN of North Dakota.

H.R. 1353: Ms. FIEDLER.

H.R. 1465: Mr. BARNARD, Mr. BEREUTER, Mr. CONYERS, Mr. COTTER, Mr. DWYER, Mr. DYSON, Mr. EDWARDS, of Oklahoma, Mr. FORSYTHE, Mr. HATCHER, Mr. HORTON, Mr. IRELAND, Mr. LANTOS, Mr. MARRIOTT, Mr. MCDONALD, Mr. MITCHELL of Maryland, Mr. MOORHEAD, Mr. NEAL, Mr. NOWAK, Mr. PEPPER, Mr. RATCHFORD, Mr. ROE, Mr. SIMON, Mr. SUNIA, Mr. WEAVER, Mr. WILSON, Mr. WORTLEY, and Mr. YATRON.

H.R. 1596: Mr. GUARINI.

H.R. 1603: Mr. LEACH of Iowa.

H.R. 1605: Mr. WEAVER.

H.R. 1648: Mr. BENEDICT, Mr. FOGLIETTA, Mr. NELSON, Mr. ROE, Mr. SHAW, and Mr. SIMON.

H.R. 1800: Mr. TRAXLER and Mr. SMITH of Iowa.

H.R. 1949: Mr. FORD of Tennessee, Mr. RINALDO, Mr. MURPHY, Mr. RATCHFORD, and Mr. SCHUMER.

H.R. 2052: Mr. MCEWEN.

H.R. 2251: Mr. TRAXLER and Mr. SMITH of Iowa.

H.R. 2640: Mr. LOEFFLER.

H.R. 3091: Mr. STOKES, Mr. ROE, Mr. ROEMER, and Mr. SOLOMON.

H.R. 3231: Mr. WOLPE and Mr. OTTINGER.

H.R. 3236: Mr. SNYDER, Mr. HUGHES, and Mr. MARRIOTT.

H.R. 3267: Mr. SHAMANSKY.

H.R. 3298: Mr. FAZIO, Mr. FORD of Tennessee, Mr. WEAVER, Mr. BONIOR of Michigan, Mr. SCHUMER, and Mr. HYDE.

H.R. 3355: Mr. LANTOS, Mr. AKAKA, Mr. LAFALCE, Mr. HERTEL, Mr. VENTO, Mr. PETRI, Mr. GINGRICH, Mr. RODINO, Mr. DOWNEY, Mr. WYDEN, Mr. LEHMAN, Mrs. ROUKEMA, Mr. WHITEHURST, Mr. STOKES, Mr. PORTER, Mr. MITCHELL of New York, Mrs. COLLINS of Illinois, Mr. MITCHELL of Maryland, Mrs. CHISHOLM, Mr. WILLIAMS of Montana, Mr. CORCORAN, Mr. FAZIO, Mr. EDGAR, Mrs. BOUQUARD, Mr. BARNARD, Mr. DIXON, Mr. MINETA, Mr. DELLUMS, Mr. FOGLIETTA, Mr. SOLARZ, Mr. DUNN, Mr. PATTERSON, Mr. ROSENTHAL, Mrs. SCHNEIDER, Mr. CORRADA, Mr. REUSS, Mr. HOWARD, Mr. NEAL, Mr. DENARDIS, Mr. MOTTL, Mr. BEDELL, Mr. PRICE, Mr. MAVROULES, Mr. ZEFERETTI, Mr. MOLLOHAN, Mr. YOUNG of Alaska, Mr. FRENZEL, Mr. JAMES K. COYNE, Ms. FERRARO, Mr. FORSYTHE, Mr. MCKINNEY, Mr. RICHMOND, Mr. WEISS, Mr. CONTE, Mr. BONIOR of Michigan, Mr. CONYER, Mr. OBERSTAR, Mr. PRITCHARD, Mr. ADDABBO, Mr. COELHO, Mr. KILDEE, Mr. HUCKABY, Mr. TAUKE, Mr. KOGOVSEK, Mr. WON PAT, Mr. MCCLOSKEY, Mr. GEJDENSON, Mr. GOODLING, Mr. DWYER, Mr. MATSUI, Ms. OAKAR, Mr. HOYER, Mr. SMITH of New Jersey, Mr. JEFFORDS, Mr. ROBERTS of North Dakota, Mr. GUARINI, Mr. HUGHES, Mr. EVANS of Iowa, Mr. FORD of Tennessee, Mr. LELAND, and Mr. STENHOLM.

H.R. 3363: Mr. WATKINS, Mr. LENT, Mrs. BOUQUARD, Mr. COELHO, Mr. ANDREWS, Mr. KRAMER, Mr. BROOMFIELD, Mr. NAPIER, Mr. WOLPE, Mr. LEBOUTILLIER, Mr. DERWINSKI, Mr. EDWARDS of Oklahoma, Mr. CAMPBELL,

Mr. HEFNER, Mr. KOGOVSEK, and Mr. EVANS of Georgia.

H.R. 3540: Mr. PASHAYAN.

H.R. 3575: Mr. BEARD, Mr. BENEDICT, Mr. BROOMFIELD, Mr. BROWN of Colorado, Mr. CAMPBELL, Mr. COATS, Mr. FAUNTROY, Mr. GINGRICH, Mr. GREGG, Mr. GRISHAM, Mr. HATCHER, Mr. HEFTEL, Mr. HERTEL, Mr. HORTON, Mr. HOYER, Mr. HUGHES, Mr. LEBOUTILLIER, Mr. MONTGOMERY, Mr. PATTERSON, Mr. PERKINS, Mr. RAHALL, Mr. ROBINSON, Mr. SHAMANSKY, Mr. STOKES, Mr. WEAVER, Mr. WOLF, Mr. WYDEN, Mr. YATRON, and Mr. BOWEN.

H.R. 3613: Mr. WAXMAN, Mr. AKAKA, Mr. QUILLEN, Mr. LANTOS, Mr. MATSUI, and Mr. WAMPLER.

H.R. 3704: Mr. BEDELL.

H.R. 3773: Mr. SILJANDER, Mr. BONIOR of Michigan, Mr. EVANS of Georgia, Mr. MADIGAN, Mr. DUNN, Mr. WOLPE, Mr. MONTGOMERY, and Mr. GINGRICH.

H.R. 3820: Mr. NAPIER, Mr. BAFALIS, Mr. WILSON, Mr. SILJANDER, Mr. YOUNG of Alaska, Mr. GOLDWATER, Mr. SMITH of New Jersey, Mr. ERTEL, Mr. PARRIS, and Mr. KRAMER.

H.R. 3856: Mr. ATKINSON.

H.R. 3866: Mr. BAILEY of Missouri, Mr. EVANS of Delaware, Mr. SAM B. HALL, JR., Mr. ERTEL, Mr. STATON of West Virginia, Mr. HUGHES, Mr. DOUGHERTY, Mr. HANSEN of Idaho, Mr. GRAMM, AND Mr. JEFFRIES.

H.R. 3884: Mr. CROCKETT and Ms. MIKULSKI.

H.R. 3901: Mr. LOTT.

H.R. 3921: Mr. HORTON, Mr. MITCHELL of Maryland, Mr. VENTO, Mr. MOAKLEY, Mr. RICHMOND, Mr. RAHALL, Mrs. FENWICK, Mr. PORTER, Mr. WILLIAMS of Ohio, Mr. NEAL, Mr. FORD of Michigan, Mr. MURPHY, Mr. ROSENTHAL, Mr. FAUNTROY, Mr. LEHMAN, Mr. SCHEUER, Mr. YATRON, Mr. CONYERS, Mr. FRANK, Mr. CORCORAN, Mr. SIMON, Mr. FORSYTHE, Mr. WOLPE, Mr. RINALDO, Mr. WIRTH, Mr. SOLARZ, Mr. ROE, Mr. PASHAYAN, and Mr. DWYER.

H.R. 3928: Mr. MOLLOHAN.

H.R. 3976: Mr. EDGAR, Mr. HATCHER, Mr. BUTLER, Mr. ENGLISH, Mr. MCEWEN, Mr. DASCHLE, Mr. SUNIA, Mr. CORRADA, Mr. ROTH, and Mr. RAHALL.

H.R. 3984: Mr. SENSENBRENNER, Mr. EVANS of Georgia, Mr. HILER, Mrs. SMITH of Nebraska, Mr. MORRISON, and Mr. WOLPE.

H.R. 4014: Mr. BARNARD.

H.R. 4033: Mr. DUNCAN, Mr. VANDER JAGT, Mr. JONES of Oklahoma, Mr. BOWEN, Mr. RAHALL, Mr. ROEMER, Mr. PATMAN, Mr. SHELBY, Mr. TAUZIN, Mr. BEVILL, and Mr. MOLLOHAN.

H.R. 4057: Mrs. FENWICK, Mr. FORSYTHE, Mr. LANTOS, Mr. THOMAS, and Mr. WINN.

H.R. 4140: Mr. YATRON, Mr. YOUNG of Missouri, Mr. FRANK, Mr. BAILEY of Pennsylvania, Mr. MOAKLEY, Mr. BOLAND, Mr. D'AMOURS, Mr. SYNAR, Mr. FAZIO, Mr. PATMAN, Mr. DIXON, Ms. MIKULSKI, Mr. ZABLOCKI, Mr. BEVILL, Mrs. BOGGS, Mr. MARKEY, Mr. KOGOVSEK, Mr. HUTTO, Mr. MARKS, Mr. DWYER, Mr. COTTER, Mr. PEPPER, Mr. MCHUGH, Mr. ECKART, Mrs. HECKLER, Mrs. CHISHOLM, Mr. EDWARDS of California, and Mr. LOWRY of Washington.

H.J. Res. 128: Mr. ALBOSTA, Mr. LUJAN, and Mr. WHITTAKER.

H.J. Res. 225: Mr. DREIER, Mr. SIMON, Mr. LOWERY of California, Mr. SHAMANSKY, Mr. SCHEUER, Mr. BAFALIS, and Mr. LAFALCE.

H.J. Res. 264: Mr. NELSON, Mr. GUNDERSON, Mr. SHUMWAY, Mr. MICA, Mr. HILER, Mr. GOODLING, and Mr. MURPHY.

H.J. Res. 267: Mr. GOODLING and Mr. MURPHY.

H.J. Res. 272: Mr. MURPHY, Mr. REUSS, Mr. GORE, Mr. LAGOMARSINO, Mr. FOGLIETTA, Mr. RICHMOND, Mr. HORTON, Mr. STOKES, Mr. BARNES, Mr. FORSYTHE, Mr. BEILENSON, Mr. KILDEE, Mr. BEVILL, Mr. HATCHER, Mr. BAILEY of Pennsylvania, Mr. JACOBS, Mr. MCEWEN, Mr. FRENZEL, Mr. WOLPE, Mrs. HOLT, Mr. NEAL, Mrs. COLLINS of Illinois, Mr. DWYER, Mr. FROST, Mr. WOLF, Mr. SHUMWAY, Mr. CROCKETT, Mr. ERDAHL, Mr. CORRADA, Mr. DIXON, Mr. GUARINI, Ms. MIKULSKI, Mr. FAZIO, Mr. SIMON, Mr. FAUNTROY, and Mr. HUTTO.

H.J. Res. 295: Mr. ADDABBO, Mr. BEVILL, Mr. CARMAN, Mr. CHAPPELL, Mr. COATS, Mr. DWYER, Mr. DYMALLY, Mr. DYSON, Mr. ENGLISH, Mr. EVANS of Georgia, Mr. FARY, Mr. FASCELL, Mr. FAUNTROY, Mr. FAZIO, Ms. FERRARO, Ms. FIEDLER, Mr. FORD of Tennessee, Mr. FRANK, Mr. GINGRICH, Mr. GRISHAM, Mr. GUARINI, Mr. HATCHER, Mr. HYDE, Mr. JEFFORDS, Mr. KILDEE, Mr. LAFALCE, Mr. LEHMAN, Mr. LOWERY of California, Mr. LUNGREN, Mr. MCDADE, Mr. MCGRATH, Ms. OAKAR, Mr. RANGEL, Mr. REGULA, Mr. ROTH, Mrs. SCHNEIDER, Mr. SHAMANSKY, Mr. SHAW, Mr. SIMON, Mr. SMITH of New Jersey, Mr. SOLARZ, Mr. STOKES, Mr. SUNIA, Mr. WALGREN, Mr. WEBER of Minnesota, Mr. WILSON, and Mr. YATRON.

H. Con. Res. 82: Mr. OBERSTAR, Mr. HAGEDORN, Mr. LEATH of Texas, Mr. FAZIO, Mr. GRAY, Mr. BROWN of Ohio, Mr. GOODLING, and Mr. DUNN.

H. Res. 158: Mr. HUGHES, Mr. CORRADA, and Mr. BARNES.

H. Res. 173: Mr. LUNDINE, Mr. COELHO, Mr. RAHALL, and Mr. HUTTO.

H. Res. 181: Mr. DE LUGO and Mr. ANNUNZIO.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

139. By the SPEAKER: Petition of the Southern New England Conference of the United Methodist Church, Pittsfield, Mass., relative to Afghanistan and El Salvador; to the Committee on Foreign Affairs.

140. Also, petition of the Southern New England Conference of the United Methodist Church, Pittsfield, Mass., relative to racism and the Ku Klux Klan; to the Committee on the Judiciary.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 4035

By Mr. LUJAN:

—On Page 2 after line 15, insert the following new paragraph:

"PAYMENTS IN LIEU OF TAXES

"For expenses necessary to carry out the provisions of Public Law 94-565, including administrative expenses, $45,000,000.".

By Mr. SIMON:

—Page 36, line 22, insert ", of which not less than $5,000,000 is to be used for the Carbondale Mining Technology Center located at Carbondale, Illinois" after "until expended".

By Mr. WEAVER:

—In section 302, page 53, line 5, after "by", strike "the purchaser" and insert in lieu thereof "any purchaser of unprocessed timber from Federal lands west of the 100th meridian in the contiguous 48 States".

H.R. 4119

By Mr. BROWN of Colorado:

—Page 7, line 5, immediately before the period, insert ": *Provided further*, That the foregoing limitation shall not apply to purchase from Colorado State University Research Foundation of approximately 160 acres within the boundaries of the Central Plains Experimental Range, Nunn, Colorado, for not to exceed $115,000".

H.R. 4121

By Mr. ADDABBO:

—On page 10, after line 2, insert the following general provisions:

SEC. 105. None of the funds made available to the Treasury Department by this Act shall be available to formulate, implement, carry out or caused to be carried by directive, order, regulation or otherwise the Customs Service project known as Pipeline No. 524 in New York City or any similar project of like purpose or nature in whole or in part.

By Mr. GLICKMAN:

—On page 10, line 14 after the period add the following: "*Provided*, That no funds appropriated herein shall be available for implementing special bulk third-class rates for 'qualified political committees' authorized by Public Law 95-593.".

By Mr. OTTINGER:

—Page 11, line 6, strike out "$13,200,000" and insert in lieu thereof "$12,200,000".

—Page 11, line 21, strike out "$22,278,000" and insert in lieu thereof "$21,278,000".

—Page 12, line 3, strike out "$3,674,000" and insert in lieu thereof "$3,374,000".

—Page 12, line 12, strike out "$185,000" and insert in lieu thereof "$168,000".

—Page 12, line 22, strike out "$1,640,000" and insert in lieu thereof "$1,591,000".

—Page 13, line 5, strike out "$2,263,000" and insert in lieu thereof "$2,205,000".

—Page 13, line 10, strike out "$3,939,000" and insert in lieu thereof "$3,839,000".

—Page 25, line 20, strike out "$1,106,000" and insert in lieu thereof "$845,000".

H.R. 4144

By Mr. DECKARD:

—Page 30, line 20, strike the figure "$137,743,000" and insert in lieu thereof "$121,943,000".

By Mr. FRANK:

—Page 2, beginning on line 15, strike out "$154,414,000, to remain available until expended" and insert in lieu thereof "$154,114,000, to remain available until expended: *Provided*, That none of the funds appropriated by this paragraph may be used for the collection and study of information (including any surveys and detailed studies and the preparation of any plans and specifications) pertaining to the North Nashua Flood Control Project, located in the State of Massachusetts".

—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,371,726,000".

—Page 3, beginning on line 1, strike out "$1,509,941,000, to remain available until expended" and insert in lieu thereof "$1,492,121,000, to remain available until expended: *Provided*, That none of the funds appropriated by this paragraph may be used for the Stonewall Jackson Lake Project, located in the State of West Virginia (including to acquire any land for such project or to commence construction on such project)".

By Mr. PRITCHARD:
—Page 3, line 6, strike out "$1,509,941,000" and insert in lieu thereof "$1,320,941,000".

By Mr. ROEMER:
—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,259,941,000".

H.R. 4209

By Mr. PEYSER:
—Include the following: "None of the funds in this Act shall be used to mandate any reduction under the Washington National Airport Policy of the number of air carrier slots, except air taxis, at Washington National Airport below the number authorized on July 20, 1981.".

EXTENSIONS OF REMARKS

CAPTIVE NATIONS WEEK

HON. MARIO BIAGGI

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 15, 1981

● Mr. BIAGGI. Mr. Speaker, since the 86th Congress, under President Eisenhower, authorized the proclamation to pay tribute to the captive nations of the world, we have been recognizing the third week of July as the Annual Observance of Captive Nations. This 23d year of observation is of particular significance. A new sense of optimism pervades the Soviet bloc countries as unprecedented steps are being taken to resist Soviet-imposed rule.

Beginning with the Soviet invasion of Armenia in 1920, the list of Soviet occupied nations has steadily grown, leaving no continent unscathed by their tyrannical rule. Invasion and occupation of Afghanistan marked the Soviet's most recent act of aggressive expansionism. However, the Afghan's valiant resistance and open challenge to the Soviets serve as an example of the increased nationalism and determination to be free, which characterizes the strength of the freedom fighters throughout the world.

The result of the revolutionary events that are taking place in captive nations today will be as significant as was the outcome of the Russian Revolution. In Poland, unprecedented steps are being taken to defy Soviet pressures. The unification and strength of the Solidarity movement in Poland has led to the first social upheaval on an all-national scale in a Soviet-enforced Communist state. The institution of the secret ballot is a major step in their efforts to establish a democratic process and oust the unwanted Soviet power.

The right to self-determination is a fundamental and moral objective of the United States. The United States continues to open its doors to the oppressed peoples in the world, who seek freedom and refuge in this country. Americans will continue such support of these people, but why should individuals such as the so-called boat people from Indochina be forced to risk their lives and flee from the lands and people they love, in order to experience the freedom that is rightfully theirs according to international laws? We must reaffirm our dedication to the spread and preservation of human rights to all peoples who have been forced to fight for what is inherently theirs.

The present administration has been very effective so far in its endeavors to deter further Soviet adventurism and expressionism. President Reagan's firm stance against the Soviet Union has proven to be successful, beginning with his choice of Alexander Haig as Secretary of State, and with the support he has received from Congress for his call for increased defense spending. However, the fight to end the spread of Communist totalitarianism is hardly over. As long as the Soviets continue to station troops on the borders of the Eastern bloc countries, ready to invade; as long as they continue to rule by force and terror; and as long as they continue to deny people such natural rights as the freedoms of expression, religion, and the right to emigrate, the United States must continue to encourage and pledge our full support for all captive nations in their efforts to be free.●

NUCLEAR FUEL MANAGEMENT CORPORATION

HON. MANUEL LUJAN, JR.

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LUJAN. Mr. Speaker, I am proposing today the creation of a Nuclear Fuel Management Corporation to provide reprocessing and spent fuel storage services to the nuclear industry.

For more than 4 years, since President Carter deferred reprocessing indefinitely, we have failed to address the problems of the back end of the nuclear fuel cycle in this country. Despite its commitment to do so, the last administration never made good on its promise to provide away-from-reactor storage for spent nuclear fuel. It made little or no progress in resolving our nuclear waste problems. And, of course, it destroyed the prospects for commercial reprocessing by reversing longstanding Federal policy to encourage such efforts.

The need for a rational national reprocessing policy is more urgent now than ever if the United States is to deal with the relentless buildup of spent nuclear fuel and have a viable breeder reactor program. Our breeder reactor program will require large quantities of plutonium by 1990. Because this plutonium is not available from the weapons program, it must be produced from reprocessing operations if we are to avoid the absurd situation of importing plutonium.

Besides removing valuable uranium and plutonium from spent nuclear fuel, reprocessing will greatly enhance the management of radioactive wastes by placing these wastes in a chemically stable form with a severalfold reduction in volume compared to storing spent fuel.

Reprocessing also provides a solution to the problem of dealing with spent fuel. After President Carter deferred reprocessing, the Government announced it would accept, take title to, and ultimately dispose of spent fuel delivered to an AFR facility.

The Department of Energy now estimates that additional interim storage capacity for spent nuclear fuel will be required by 1986. More than 6,000 tons of capacity will be needed by 1995. The temporary storage of spent fuel at a reprocessing facility, and the reprocessing itself, will help deal with this problem.

The Reagan administration has recognized and endorsed the benefits of reprocessing. It is not, however, willing to commit the resources necessary to a Federal reprocessing program. The private sector, for its part, is unwilling to launch a private reprocessing effort in light of past policy changes and future regulatory uncertainties. This stalemate is not in the national interest.

The Nuclear Fuel Management Corporation I am proposing would combine the public and private interest in closing the back end of the fuel cycle. The Corporation would be the vehicle for a partnership between Government and industry to provide reprocessing and spent fuel storage services.

The Corporation would be organized for profit, with a majority of the first directors appointed by the President. In its early stages, the Corporation would be controlled by the Government. Ultimately it would be privately owned and controlled.

The Corporation would acquire the Barnwell nuclear fuel plant on terms and conditions agreeable to its owners and the Corporation. The Barnwell plant is the newest and largest facility in the world for reprocessing light water reactor fuel elements and the only facility in the United States currently capable of reprocessing spent fuel from commercial power reactors.

The acquisition of Barnwell would provide the Corporation with a functioning reprocessing facility in the shortest possible time at the lowest possible cost.

The costs of acquiring Barnwell could be met through the issuance of stocks and bonds by the Corporation, as well as by advance payments made

by utilities for reprocessing and spent fuel storage services.

It should be emphasized that any reprocessing plant, including Barnwell, is capable of producing large revenue streams. For example, a current estimate for Barnwell prepared by International Energy Associates suggests revenues as high as $221 million for spent fuel storage and cumulative revenues from reprocessing as high as $2.5 billion by the year 2000.

The proposed Corporation could also play an important international role by contracting with foreign governments and corporations for reprocessing services. Foreign governments continue to express a strong interest in participating in a U.S. reprocessing operation and could, of course, contribute substantially to its costs. To the extent that the Corporation can offer reprocessing services to countries which might otherwise build reprocessing plants, it also serves a vital nonproliferation function.

The Corporation would also be authorized to conduct research and development programs in such areas as nuclear waste solidification, safeguards development and training and plutonium management.

Although the Corporation would not be an agency or establishment of the Federal Government, it would not be totally independent either of Congress or the executive branch. Any Federal funds to support research and development programs of the Corporation or to purchase plutonium from the Corporation would, of course, have to be appropriated by Congress. The Corporation's officers and employees would be required to testify before and cooperate with those committees of Congress with jurisdiction over the Corporation's activities. And finally, the licensing and regulatory functions of the Nuclear Regulatory Commission and other Federal agencies would extend to the Corporation's facilities and operations.

The proposed Nuclear Fuel Management Corporation moves away from the concept of Government reprocessing but recognizes the unavoidable role which Government must play in any reprocessing operation. Clearly, Government must be the licensor and regulator of any reprocessing facility. With Government as the only customer for plutonium recovered through reprocessing, it must be responsible for safeguarding and using the plutonium for national needs. And it will continue to play the dominant role in the national security and nonproliferation aspects of reprocessing.

Although the proposed Corporation is designed to limit the Federal role as much as possible, it should be recognized that Government decisions affecting the future of reprocessing could well affect the success of the Corporation. This is particularly true with respect to the licensing process. Investors may be reluctant to support the Corporation in the absence of some assurance that the licensing will not be prolonged and costly. The hearings on this concept must focus carefully on the issue of what is required to assure investor confidence in the economic viability of the Corporation and we must be willing to examine alternatives that will achieve this objective.

I hope this proposal will receive prompt and thoughtful study in both the public and private sectors. We must begin the dialog that is an essential prelude to legislative action. The problems of the back end of the fuel cycle are both real and urgent. We must deal with them effectively in the months ahead.●

"TOURIST APPRECIATION DAYS" IN PALM BEACH COUNTY

HON. DAN MICA

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MICA. Mr. Speaker, as many of my colleagues know, Florida is known for the many recreational, cultural, and historical facilities it has to offer the millions of tourists each year that visit our State. It can truly be said that Florida is a "tourist paradise."

Each year Palm Beach County celebrates the Royal Palm Festival with such activities as sailing regattas, a gala summertime ball, fishing tournaments, golf tournaments, and numerous civic events.

This year, the Outreach Prayer Breakfast Committee in cooperation with the 1981 Royal Palm Festival Committee wish to send a friendly welcome to all visitors both national and international, during the festival days. To that end, the Board of County Commissioners of Palm Beach County, Fla., has declared August 14 through August 23, 1981 as "Tourist Appreciation Days" in Palm Beach County.

I invite all of my colleagues to visit Palm Beach County anytime but extend a special invitation to them during these festive days.

I would also like to submit a copy of the county commissioners proclamation for the RECORD at this time:

PROCLAMATION

Whereas the residents of Palm Beach County have at their disposal, on a year around basis, the opportunity to enjoy outstanding recreational, cultural and historical facilities such as the miles of public beaches, municipal, County and State parks with facilities for swimming, fishing, boating and family picnics; museums, historical buildings, art galleries and theaters for the performing arts, and

Whereas many more activities will be available during the Royal Palm Festival, such as, sailing regatta, gala summertime ball, fishing tournaments, golf tournaments and numerous civic events, and

Whereas the Outreach Prayer Breakfast Committee, in cooperation with the 1981 Royal Palm Festival Committee, will be extending a friendly welcome to all visitors both national and international, during the Festival days; Now, therefore, be it

Proclaimed by the Board of County Commissioners of Palm Beach County, Florida, That August 14 through August 23, 1981, be declared Tourist Appreciation Days in Palm Beach County and does urge all citizens to join with the Outreach Breakfast Prayer Committee and the Royal Palm Festival Committee in welcoming visitors to the County during these 10 days of Festival events.●

PERSONAL EXPLANATION

HON. TOM CORCORAN

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. CORCORAN. Mr. Speaker, due to a previous commitment in my district last Friday, I was unable to be present and voting on a number of issues during the course of the day. If I had been present, I would have voted in the following way:

On passage of House Resolution 177, a sense of the House resolution calling for the development and implementation of a U.S. nuclear nonproliferation policy which strengthens the barriers to the further spread of nuclear weapons, "yea."

On an amendment offered by Mr. BEARD which reduces by $10 million, to $20 million, the appropriation for the HUD Office of Policy Development and Research, "yea," (paired for). (Amendment to H.R. 4034, HUD appropriations.)

On an amendment offered by Mr. DANNEMEYER which seeks to prohibit the use of EPA pollution abatement and compliance funds requiring States to adopt, implement or enforce a vehicle emission control inspection and maintenance program, "yea," (paired for). (Amendment to H.R. 4034, HUD appropriations.)●

PUERTO RICAN DAY PARADE

HON. PETER W. RODINO, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. RODINO. Mr. Speaker, this week, July 20 through 26, is Puerto Rican heritage week in New Jersey—a celebration of the traditions of Puerto Rico and its close ties to mainland United States.

New Jersey Gov. Brendan Byrne and Newark Mayor Kenneth Gibson have both signed proclamations declaring Puerto Rican week in tribute to our

brothers and sisters of Puerto Rico and their role in the cultural diversity that has made America strong.

I am honored that my home city of Newark will once again host the 19th annual Puerto Rican Statewide Parade—one of the largest and most festive events of the year in our State—on Sunday. In a State with roughly 900,000 Puerto Rican citizens, Newark boasts the largest Puerto Rican population—some 71,000 people. These numbers represent the tremendous growth and development of the Puerto Rican community within our society.

On Sunday I will join in the celebration with the parade's two grand marshals, the Honorable Julio Fuentes, who is a municipal court judge in Newark, and Mr. Luis Muñoz Arjona, who will be coming from Puerto Rico as a representative of the Puerto Rican Chamber of Commerce. Mr. Arjona's grandfather, Luis Muñoz Marin, was the first Governor of Puerto Rico who helped to establish the Commonwealth's first constitution. These men, like my good friend Dr. José Rosario, founder of FOCUS, and Newark Deputy Mayor Tony Rivera, have become examples for Puerto Rican youths who are striving to make a better life for themselves and their families.

The person most responsible for the success of this year's parade is Mike Garcia, president of the Puerto Rican Statewide Parade. Mr. Garcia has received help from Paul Echevarrias, parade vice president; Ralph Soria, executive secretary; Norma Ronda, secretary; Johnny Cossio, who served as last year's parade president, is treasurer and adviser; Jose Santiago, sergeant at arms; Marcellino Jimenez, general coordinator; and James Partin, John Carceres and Miguel Rodriguez are counselors.

This year's honorary parade committee includes Puerto Rican Gov. Carlos Romero Barcelo, New Jersey Gov. Brendan Byrne and Newark Mayor Kenneth Gibson.

The parade will be a culmination of a week of special events centered around Puerto Rican culture and the integral role it plays in Newark, in the State of New Jersey and throughout America as a part of Hispanic language and tradition.

Monday was Puerto Rican Women Day in Newark, where we paid tribute to the strength, beauty, and determination of Puerto Rican women. Today is Puerto Rican Student Day, devoted to the thousands of high school and university students from Puerto Rican families who are dedicating themselves to academic excellence. A substantial portion of the proceeds from the parade will go toward a college scholarship fund for needy Puerto Rican students. A very special day is set aside for Friday when we will recognize Puerto Rican leaders in New Jersey. Those men and women who have made outstanding contributions in the fields of art, science, sports, music, and education will be honored at an awards ceremony at Newark Museum. The Peoples Festival on Saturday at the Ironbound Stadium will highlight "Florclor" music to celebrate the heart of Puerto Rican culture.

The queen of Sunday's parade will be chosen Saturday evening at the annual Puerto Rican Day banquet at the Robert Treat Hotel in Newark. The many lovely young women vying for the crown of Miss Puerto Rico will make Saturday night's decision the most difficult of the week. But I have confidence that everything will go smoothly because my good friend Tony Perez is chairman of the banquet.

When the parade begins on Sunday, the efforts of so many people will come together to signify the ambition and creativity of the Puerto Rican people. I believe that this week and this parade will heighten our appreciation of Puerto Rican culture, and I am proud of the role that my community plays in bringing this Puerto Rican culture to mainland U.S.A.

I am especially pleased that I have lived all my life in a city where I have made so many close friends from Puerto Rico.●

TAX REFORM FOR SMALL BUSINESS

HON. DAN MARRIOTT

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MARRIOTT. Mr. Speaker, I have spent a good deal of my time in Congress arguing for an approach to tax reform that recognizes the problems peculiar to small business. According to the Small Business Administration, 97 percent of all businesses are "small." Yet, most of our tax laws reflect the fact that the problems of big business are more visible and, hence, better understood.

The fact is, current tax laws are biased against small business. This bias is reflected in laws dealing with depreciation, inventory and accounting methods, investment tax credits for purchases of machinery, and estate and gift taxes. It is also a basic part of the present corporate tax rate structure.

Earlier this year, Mr. McDADE and I were joined by 15 other Members of Congress in introducing a bill containing tax reforms specifically aimed at small business. Our bill, H.R. 3202, now has 39 cosponsors, both Republican and Democrat. Many of us support the President's tax package; some may not. But, for all of us, H.R. 3202 is a testimony to our determination that, this time around, small business will not be lost in the shuffle.

So, I am particularly pleased to note a recently released SBA study which supports our contention that tax reform, directed at the needs of small business, is necessary if we are to preserve the tradition of the family owned and operated enterprise.

The following article, which appeared in the July 20, 1981, issue of Washington Report, a publication of the U.S. Chamber of Commerce, summarizes the findings of the SBA task force:

SBA ISSUES OWNERSHIP STUDY AT LAST

The Small Business Administration has released its study on small-business ownership continuity—six months after the task force formed to write the report disbanded.

Repeated requests from members of Congress finally pried the report from the SBA, said Rep. Berkley Bedell (D-Iowa), a member of the House Small Business Committee.

The task force, directed to consider the impact of federal tax policies on small firms, finished its work in early January.

The group's purpose, SBA noted in setting it up, was to develop specific legislative recommendations that would make it easier to continue family ownership of small firms.

The recommendations include:

Repealing federal estate taxes or, as an alternative, raising the net-worth exemption to $2 million. Currently, the exemption is $175,000, and the Reagan administration has agreed to a provision in the tax package that would raise the limit to $600,000.

Raising annual gift-tax exemptions from $3,000 to $20,000. Tax bills under consideration in Congress would raise the limit to $10,000.

Permitting capital-gains "rollover" for small-business owners when money from selling a firm is reinvested in another small business. In other words no capital-gains tax would be assessed in such cases.

Changing corporate income-tax rates so that the highest percentage rate would apply only to firms earning more than $500,000 a year. The maximum tax rate of 46 percent now applies to $100,000 of income. White House tax proposals do not include any form of corporate-rate changes, but Democrats on the tax-writing House Ways and Means Committee recently adopted a proposal that would raise the income level to $200,000.

The agency's officials cited "bureaucratic delays" in issuing the study, but several Capitol Hill analysts said the SBA was slow to release the report because its ideas on taxes and capital formation differ from Reagan administration plans.

The 36-member task force consisting of small-business owners, lawyers and accountants, was appointed during the Carter administration.

As we approach the climax of an effort to offer the American people the kind of tax reform that will provide a stimulus to all sectors of our ailing economy, those of us who have cosponsored H.R. 3202 recognize that change will not be total or sudden. But, we reaffirm our pledge to fight for meaningful tax reform for small

business. I invite our colleagues to join us in that effort.●

AUTHORITARIANISM VERSUS TOTALITARIANISM

HON. WILLIAM F. GOODLING

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. GOODLING. Mr. Speaker, the July 20 issue of Newsweek provides its readers with an informative article by Michael Levin on the distinctions between authoritarianism and totalitarianism. Mr. Levin, a professor of philosophy at the City College of New York, accurately describes the distinguishing features of both these repugnant forms of government. But to judge them both unsavory is not to find them equally so. Mr. Levin correctly points out that "totalitarian cruelty is worse than its authoritarian counterpart because its rationale will always expand its scope." That rationale is not simply to maintain power, as is characteristic of the tyrannical authoritarian rules. Rather, the totalitarian regime is driven by an internalized doctrine or dogma which causes it to try to control every aspect of an individual's life. I urge my colleagues to take a few moments to read and reflect on Mr. Levin's article which follows below.

HOW TO TELL BAD FROM WORSE

(By Michael Levin)

The distinction between authoritarianism and totalitarianism is much in the news. Despite its clumsy defense by the Reagan Administration and the obfuscation of such critics as Amnesty International, the distinction is a clear and vital one. Nero was not Stalin, and it is important to understand why.

An authoritarian regime is the rule of a strongman or clique which forbids all activities that threaten its position, such as a critical press or an opposition party. It punishes resistance ruthlessly. Authoritarian rulers are typically venal and capricious; their rule encourages corruption and disaffection. There is, however, an important limit to the excesses of authoritarian regimes: They are indifferent to behavior that does not threaten their security.

By contrast, a totalitarian regime wants to control everything—not just political power, but all aspects of its subjects' lives. As its name suggests, a totalitarian state dictates values, art and personal and economic association. In addition to an official press, the totalitarian wants an official hour for calisthenics. The authoritarian does not care who becomes a doctor, so long as doctors remain apolitical; the totalitarian determines who becomes a doctor, where doctors practice, their remuneration and, so far as he can, their attitude toward doctoring. (Totalitarians want doctors to regard their skill as for the people.)

Where the authoritarian wants obedience, the totalitarian wants worship—not for himself, but for his regime. He wants the hearts and minds of his subjects. The totalitarian attacks religious and moral traditions precisely because they are independent objects of devotion.

MENACE

This difference in the degree of control should be obvious. It is, however, relatively superficial. At a more fundamental level, what distinguishes totalitarians from authoritarians is the kind of justification they claim. Only when this is appreciated does the greater menace of totalitarianism become apparent. Only then does it become clear why totalitarian states have given mankind a quite new idea of its own capacity for wickedness.

An authoritarian claims no legitimacy, properly speaking. He is where he is by being strong enough to get and stay there. He offers, at most, stability. But the totalitarian is a utopian who, intoxicated by some scheme for perfecting the world, regards his control as justified by the need to force his ideal on a shortsighted populace. Marxists, those paradigm utopians, see a workers' paradise emerging once the sin of ownership is extinguished, and they see this as entitling them to use whatever means are necessary to speed the process. A little duress is OK when there is a world to win.

Utopians always have a theory of Human Nature which implies that humanity as we know it is a stunted version of what it can be under their ministrations. Marxists, again, hold that people are all naturally creative, but have been "alienated" from their true selves by wage labor. As all past societies have thus deformed Human Nature, the utopian remedy is correspondingly sweeping; everything old—that is, everything—must go. The totalitarian sees his subjects as cripples, his measures as those of a dedicated surgeon. (Since what is being rectified is an abstraction—Human Nature—individuals get rather short shrift.)

A regime is totalitarian, then, if it justifies its full control as serving a higher good. In the China of the 1960s engineers were instructed to contemplate Mao's thoughts and courting couples to raise each other's revolutionary consciousness. Such policies were not instituted to prevent insurrection, but to speed the coming of the New Man. Even Nazi ideology was thought by its devotees to be a blueprint for a better world.

Totalitarian states are inevitably worse than authoritarian ones, first because the totalitarian sees nothing less than the human future at stake in his efforts. A Franco will execute (or imprison) all his rivals, but avoid further brutality as pointless. A Pol Pot will liquidate anyone with a European (hence "corrupt") education. If the disappearance of 8,000 Argentines is an outrage, what shall we make of the 20 million Russians that Beria eliminated?

ZEAL

Second, since utopia will never arrive, the totalitarian's "temporary" measures will become permanent. Worse, since the totalitarian must attribute failure to the insufficiency of his methods—the soundness of his overarching theory is a matter of faith—ever more surveillance and propaganda are inevitable. Disobedience is treated with special harshness. The authoritarian sees disobedience as a crime to be deterred; the totalitarian sees any deviation from the new order as persistent corruption in the human material he is out to mold. Indeed, since he has shown the way to utopia, backsliding must be subversive. Deviation implies reaction; against which the totalitarian is always on guard. Lenin said it best: "A good communist is always at the same time a good Chekist." (The Cheka, or Committee against Counterrevolution, had unlimited powers of life and death.)

Worst of all, the totalitarian is driven by a reformer's zeal. Threaten a tyrant and you may dissuade him; threaten a zealot and you only stiffen his resolve. As George V. Higgins put it, "There is no one as dangerous as an idealist with a machine gun."

Walter Mondale wants to know the difference between authoritarian and totalitarian torture. There is plenty. Totalitarian cruelty is worse than its authoritarian counterpart because of its scope, and because its rationale will always expand its scope. Murder is murder, but the scale of the murder counts. By this measure, totalitarianism easily outstrips all rival systems in evil.

Totalitarianism is a new phenomenon. The idea of remaking man by remaking society is—Plato's anticipations aside—scarcely two centuries old, and only the technology of this century has permitted armed prophets to attempt it. The old vocabulary for assessing governments is too narrow, and current jargon too trivial, to encompass totalitarianism. If insisting that IRA gunmen wear prison uniforms is a serious issue of "human rights," we need some other words for the Gulag.●

CAPTIVE NATIONS WEEK

HON. BARBER B. CONABLE, JR.

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 15, 1981

● Mr. CONABLE. Mr. Speaker, this week we observe the 23d anniversary of Captive Nations Week, as we have done every third week in July since President Eisenhower signed the resolution into law in 1959. We take this occasion to reassert our belief that people worldwide should be free to shape their own society and institutions without interference from outside countries. American citizens have enjoyed the blessing of personal freedoms for over 200 years, and yet the freedom we often take for granted remains unrealized for many of the world's people. Captive Nations Week commemorates these tragic circumstances.

For many years, the issue of human rights has been at the heart of the captive cause. In Central and Eastern Europe, as well as in Asia, the Soviet Union has extended its empire, entrapping millions of people under communism. This year, in view of the events in Poland and Afghanistan, the recent arrests of members of the Helsinki monitoring group in the Soviet Union, the exile of Andrei Sahkarov, it is our moral obligation to continue to press for the independence of these oppressed nations.

As our Nation seeks better understanding through trade, scientific, and cultural exchange programs with the Soviet Union and other Communist countries, we cannot forget the populace of subjugated nations who still desire and seek basic human liberties.

Populations have been removed from their homelands through deportation and resettlement programs, civil rights are broadly denied and economic and social freedoms are practically nonexistent in many nations. Our desire to coexist peacefully with the Soviet Union must not be taken as an endorsement of their sometimes barbaric human rights policy.

I join my colleagues today in expressing concern for those around the world who do not control their own destiny. As Americans, we remain dedicated toward ending personal oppression and extending human rights, and we are linked with these people, not only by bonds of family and culture, but also by the love of liberty and justice.●

SISTER CAROL COSTON'S SILVER JUBILEE

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LEHMAN. Mr. Speaker, on Saturday evening, July 18, I was privileged to be one of a group of good friends who gathered in a small home in Northeast Washington for a ritual of commitment and celebration in honor of Sister Carol Coston's silver jubilee, the 25th anniversary of her profession as a Dominican Sister. With singing and dancing and sharing of food and prayers, these "gentle, angry, people" honored Carol for her years of dedication and service.

Having known Carol Coston personally for the past 9 years, as the director of Network, a Catholic social justice lobby, active here on issues that affect the poor and the powerless, and promote peace, I would like to insert in the RECORD the reflections of Sister Maureen Kelleher, R.S.C.J., one of her coworkers, which seemed to me to speak most authentically about Carol, as I know her.

CAROL COSTON, O.P.

I'd like to say how I have experienced Carol as my friend these nine years, and as a person on her way to being a disciple of Christ. Carol travels with a certain at homeness in her own skin, alive to her gifts for bringing life, joy, action. She travels too with an uncanny detector for forms of oppression, for the subtle ways the established arrangements confine folks. No one, though, could accuse Carol of being a do-gooder. Perhaps because she stays so in touch with her own experience, her own brokenness, she comes across as in solidarity with the folks she is lobbying and speaking out for.

As the next 25 years unfold we sincerely hope not to see the predictable persecution of the structures come to pass. If it comes, though, Carol's ready for it!

When I look back at Carol's 25 years as an Adrian Dominican Sister, from second grade teacher in Grosse Pointe, Michigan, to elementary teacher in Guayama, Puerto Rico, in Miami, in Melbourne, then as high school teacher in Tampa, then as a director of the Neighborhood Youth Corp in Fort Lauderdale, and then nine years as director of Network, I am aware of her amazing versatility, vitality, and staying power. I feel I can count on her to keep creating life and speaking out, so all may have life, and have it more abundantly.

Carol's vision of the future seems to me to be epitomized in these words of Judy Chicago:

And then all that has divided us will merge.
And then compassion will be wedded to power;
And then softness will come to a world that is harsh and unkind.
And then both men and women will be gentle;
And then both women and men will be strong.
And then no person will be subject to another's will;
And then all will be rich and free and varied.
And then the greed of some will give way to the needs of many;
And then all will share equally in the earth's abundance.
And then all will care for the sick and the weak and the old;
And then all will nourish the young.
And then all will cherish life's creatures;
And then all will live in harmony with each other and the earth.
And then everywhere will be called Eden again.●

H.R. 3355 TO AID ELDERLY AND DISABLED

HON. MILLICENT FENWICK

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mrs. FENWICK. Mr. Speaker, I am sure that many of you here today have experienced, or have heard from constituents who have experienced, the sadness and trauma of admitting a elderly parent or relative into a nursing home. Loneliness, fright, and deterioration of their health follows in too many cases. Twenty to forty percent of the time this admission is unnecessary, and unfortunately, it is Government regulations which are far too often responsible.

Last winter, I received a letter from a woman who's mother was in a nursing home. The daughter was desperately trying to bring her home.

I don't know how much time my mother has left, but I would like to make that time a "family time" filled with caring and love * * * bathing her, feeding her, and most important of all, giving her the love, personal attention and home environment that should be her right to have * * * In a last effort, after trying to get some answers from some 28 different State and local offices * * * I am turning to you for some direction. From all the calls I made, being transferred and told to call other offices, I have come to the conclusion * * * and it is very sad * * * that the State would rather pay a tremendous amount of money to a Nursing Home rather than provide medical assistance to a child who is willing to care for her Mother at home but needs the medical help of a visiting nurse and a doctor in order to accomplish giving the proper medical assistance that is needed.

The only long-term help that the Government would provide was in a nursing home. The mother's income was approximately $550 a month, which was too high to qualify for medicaid home health care in New Jersey, but was under the income eligibility level for institutional care. So, at great unhappiness to this family, and at tremendous expense to the taxpayer, the mother remains, to this date, in a nursing home slowly deteriorating.

There are a number of home health programs which are available—medicaid, medicare, title XX, to name a few—but all of them have different eligibility criteria. There is no coordination or overall comprehensive structure to Government home health services to insure that those who are in need of services will receive them. I have introduced a proposal, which is now cosponsored by over 70 Members of the House, to provide some sense of order to this system. H.R. 3355 would establish a 10-State, 6-year demonstration project which would reorganize existing home health programs for the elderly and disabled under a separate title—title XXI—of the Social Security Act. Those people at risk of entering a nursing home would be screened by a health team to determine if home health care was a viable option and, if so, what services would be needed, including home health, homemaker, adult day care, respite services, and others. All people who are disabled or over 65 would be eligible, and services would be paid for through copayments according to the patient's ability to pay.

It is possible that significant savings will result from the maximum use of home health care. Medicaid costs—Federal and State—were $20.7 billion in fiscal year 1979 and approximately $8.7 billion of this was for nursing home care. Only $264 million—or 1.3 percent—was for home health care. The important aspect, however, is that the patients are at home, where they want to be, cared for as they need it.

Senator PACKWOOD has introduced the identical bill in the Senate, also with bipartisan support, and it is my hope that both the House and the Senate will work quickly to adopt this proposal.●

RETIREMENT OF PETER BENSINGER

HON. ROMANO L. MAZZOLI

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MAZZOLI. Mr. Speaker, I would like to call our colleagues' attention to the article which appeared in the Washington Star marking the retirement of Peter B. Bensinger as Chief of the Drug Enforcement Administration.

In his 5½-year tenure in that post, Mr. Bensinger made significant contributions to the effort to alleviate the devastating the persistent problem of drug use in the United States.

Mr. Bensinger worked diligently under three administrations to reduce the availability of marihuana and heroin by eliminating these drugs at their sources.

Marihuana use is a particularly serious hazard to both individual and society, and I join him in calling for a concerted effort on the part of this administration to work both at home and abroad in continuing the battle against the use of illegal drugs.

Mr. Bensinger deserves high commendation for his work, and best wishes for the days ahead. The article follows:

[From the Washington Star, July 10, 1981]

MARIJUANA CALLED NO. 1 DRUG PROBLEM

(By Allan Dodds Frank)

The major drug problem in the United States is marijuana and the last three administrations have failed to face it squarely, according to retiring Drug Enforcement Administrator Peter B. Bensinger.

Bensinger, who retires today after 5½ years as head of DEA, said marijuana is "the largest single drug problem we face in the United States."

In a recent interview with The Washington Star, Bensinger said the "biggest problem" he faced was with "the willingness of any of the three administrations with which I have worked to face up to the issue involving marijuana."

He said recent evidence indicates that marijuana does create significant health problems, including possible chromosome damage, lung injuries, loss of perception and memory, and is responsible for other social costs associated with crime.

He said a strong commitment by the administration to spend $100 million over the next five years in a cooperative program with Colombia to eradicate 156 square miles of marijuana is vital.

The millions of people who use marijuana in United States do so "because they haven't been discouraged from using it," Bensinger said.

"Its effect on teen-agers is alarming," he said. "I think it creates disrespect for law, greater dropouts from school, lower test scores, more accidents on the highways and in other locations."

"The health issues and the criminal-associated costs just have not captured the attention of the principal policy-makers," Bensinger said.

"It is not the president per se," he said. "It may be the secretary of health, education and welfare; it may be the State Department; it may be the attorney general."

Bensinger said this lack of attention is aggravated by the lack of "a long-range coordinated international State Department policy to deal at the source" of the marijuana, 90 percent of which is imported.

"The way to reduce the availability of drugs is not simply to add more agents who don't today have enough prosecutors to handle their cases," he said. "The answer is to turn off the supply at the source as was done in the case of Mexican heroin and to have a long range commitment cooperatively with several countries to destroy these illegal crops where they are grown."

Despite the vast number of marijuana users in the United States, estimated by the National Institute of Drug Abuse to be 11 million people, Bensinger said, he believes most marijuana consumption could be stopped easily.

He said the Ford and Carter administrations, in cooperation with the Mexican government, have destroyed most of the Mexican poppies grown to produce heroin during the last five years.

One of his greatest accomplishments, Bensinger said, was reducing the number of heroin addicts and heroin-related deaths in the United States in the last few years.

Attempting to stop the flow of marijuana from Colombia "is not a program that is impractical to launch," he said. "The area producing 70 percent of the marijuana consumed in the United States is . . . half the size of the area involved in the Mexican eradication program. It's only about 100,000 acres. . . . The Mexican government just deployed helicopters throughout their country to destroy the (poppy) fields and the same can be done throughout Colombia and more effectively for less cost."

Bensinger also disputed claims by the National Organization for the Reform of Marijuana Laws, which favors legalizing use of the drug, that the chemicals used for spraying the plants, notably paraquat, do serious damage to the lungs and other organs of marijuana smokers. Congress voted in 1978 to stop U.S. funding for spraying with paraquat because it was believed to cause serious health problems.

"There hasn't been an injury reported at the Atlanta Center for Disease Control as a result of anybody getting hurt with a paraquat-sprayed joint," Bensinger said. "In Mexico, they have been spraying with paraquat for four or five years now and there has not been a serious illness reported by the Mexican health authorities. The United Nations authorities last summer in Geneva recommended paraquat as the most effective herbicide."

"Congress will repeal the ban on paraquat this year," Bensinger predicted. "It is today in the State Department's authorization bill and it should be repealed. I don't see why we're trying to protect an illegal substance (marijuana), particularly when other countries that have used it (paraquat) have found no adverse effects."

"What concerns me is that there has been more attention to the health hazards of smoking cigarettes than there has been to the health hazards of marijuana," Bensinger said. "One, it is illegal; that's a threshold issue, and two, it is far worse from a health standpoint than a cigarette or alcohol."

"We need to discourage the use of marijuana," he continued.

"That means there needs to be enforcement of the laws that we have, an international effort to reduce availability and an educational program to provide users, parents, teachers and communities with accurate facts, a realistic description of what risks you run."●

AUGUST 21, 1968: A DAY OF SOVIET SHAME

HON. ROBERT H. MICHEL

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MICHEL. Mr. Speaker, 1 month from today the world will commemorate the invasion of Czechoslovakia by Soviet-led armies.

Because of various scheduling problems, there may not be ample opportunity to speak about this subject on the day itself. I therefore would like to take the time today to say a few words about the invasion and what it means to us today.

The first thing we must consider is the very fact of the invasion. It happened at a time when we were being told the Soviet Union was "mellowing." But the Soviet Union, in violation of the United Nations charter and a number of resolutions of the United Nations, brutally crushed the Czechoslovakian attempt at securing even a minimum of freedom.

We should emphasize that point. What had been going on in Czechoslovakia at that time was no armed insurrection against the state or some attempt to get rid of the Communist Party that dominated that country. No, it was much simpler than that: Certain economic reforms and a few attempts at stretching the limits of censorship imposed by the Czech dictatorship was what had happened. But the Soviet Union would not allow it.

The Soviet Union has demonstrated its inherent ruthlessness in such a way that only a fool would think that present rulers of that country—the same rulers, by the way, who invaded Czechoslovakia—would hesitate to use the same brutal force against Poland today.

I recognize that the situation in Poland is different. But let us not deceive ourselves into thinking that the Soviet rulers think the way we do. They are not paralyzed by thoughts of what the world would say if they decided to invade Poland.

We cannot undo the invasion of Czechoslovakia. But we can learn from it and we can act in such a way toward the Soviet Union so that its rulers know we have not forgotten what happened in Prague 13 years ago.

It is my hope that over the period of the next month Radio Free Europe, Radio Liberty, and the Voice of America will broadcast to the captive nations of Europe and remind them of what happened 13 years ago. Let the

truth be told by our international broadcasters. Let the people in the captive nations hear interviews with leading experts on the history of that invasion; let Czechoslovakian refugees who escaped Soviet domination tell about life in the United States; let President Reagan himself speak to the people of the world over the Voice of America and remind them that the Soviet Union must realize that if there is a 1981 version of the Czech invasion they have in mind, with Poland as a target, the relationship between our two countries would be strained to such a point that for all intents and purposes it would be irreparable.

This Soviet day of shame should not be forgotten. And, more to the point, it should not be ignored by our international radio stations.●

OSHA DELAY IN THE EFFECTIVE DATE OF THE LEAD STANDARD

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MILLER of California. Mr. Speaker, the Reagan administration has apparently found a new device for denying basic protections to American workers. What the Reagan administration is doing is simply delaying the effective date of worker protection regulations in callous disregard for the safety and health of our workers.

In a recent example of this, published in the Federal Register on June 30, 1981, the Occupational Safety and Health Administration yet again delayed the effective date of certain medical removal provisions of the OSHA lead standard.

The lead standard was initially proposed by OSHA in October 1975, but was not finally promulgated until November of 1978. That standard established lower threshold limits for lead exposure, and contained a number of additional provisions to protect workers exposed to lead, one of which requires that workers be monitored for blood lead levels, and that when blood lead reaches certain levels, that the workers be removed from areas of exposure, until their blood lead levels are suitably reduced.

The lead standard was challenged, and the U.S. district court issued its decision in March 1979. That decision stayed certain provisions of the lead standard, but not those provisions dealing with medical surveillance and medical removal protection, which were to go into effect on March 1, 1979.

There was an appeal, and the U.S. court of appeals issued its decision on August 15, 1979. The appeals court also upheld the lead standard, and concluded that the medical removal protection provisions were authorized by the statute, and that they were reasonably necessary and affordable by industry.

After additional administrative consideration, OSHA published a supplemental statement on January 21, 1981, to be effective on February 20, 1981.

It was then that the Reagan administation took over, and we have seen delay after delay in the effective date of the new medical removal protection even though both the district court and the appeals court have found those provisions to be valid and consistent with the law.

On February 6, 1981, the effective date of this and other regulations was deferred until March 30, 1981, pursuant to President Reagan's memo to department heads. The President wanted to review the so-called midnight regulations of the Carter administration, although this regulation, promulgated some 27 months earlier, and reviewed and affirmed by two Federal courts, could hardly be considered to be a "midnight regulation."

On March 27, 1981, OSHA again deferred the effective date for another 30 days.

On April 21, the agency published an advance notice of proposed rulemaking, indicating its intention to again review the technological and economic feasibility of the standard—even though those questions had already been answered by the courts.

On April 28, the effective date was again deferred until June 30, 1981.

And finally, on June 30, it was deferred again, until August 31, 1981.

Mr. Speaker, I would point out that well before this most recent delay, the Supreme Court, in the Cotton Dust case, clearly and decisively ruled that economic feasibility is not in issue with respect to OSHA standards. The technological feasibility of the lead standard, and especially of the medical removal protection provision, is also no longer in issue.

But, apparently, OSHA has not read the Cotton Dust decision, or is hoping that the Supreme Court will change its mind. Meanwhile, OSHA appears to have determined that the workers will suffer while it waits and tries to figure out some way to make this regulation which the Reagan administration does not want, go away.

Mr. Speaker, excess levels of blood lead pose a grave threat to the health of workers in these industries. And the simple expedient of removing workers with excess blood lead from the workplace exposure will enable time to pass without exposure, and will enable blood lead levels to subside.

It is time for OSHA to act responsibly, and to fulfill its statutory mandate to protect workers. It is time for the Reagan administration to let this basic worker protection, which had been more than 5 years in development, go into effect. It is time to protect workers.●

NEED FOR FEDERAL OPERATING ASSISTANCE FOR PUBLIC MASS TRANSIT

HON. HAROLD E. FORD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. FORD of Tennessee. Mr. Speaker, last week I had the opportunity to appear before the Surface Transportation Subcommittee of the Public Works Committee as a part of their inquiry into the future of mass transit in our country. Because of the pervasive problems faced by metropolitan areas throughout the United States and because of our national commitment to reduce our dependence on foreign suppliers of energy, I thought I would share with my colleagues some of the reasons why we must maintain Federal operating assistance for public mass transit:

TESTIMONY—JULY 15, 1981

MR. CHAIRMAN: Thank you for this opportunity to share my views on the future of America's transportation systems. I am aware that the scope of these hearings cover a wide range of topics, but I would like to focus my remarks this morning on the specific topic of the future of Federal involvement in urban mass transit programs.

I think that it is only fair to let you know the context in which I come before this committee. Just last week, the city which I represent fell victim to a trend which is sweeping the Nation: Cutbacks in transit service and fare increases for riders. Memphis is not unlike other major metropolitan areas in our Nation, so I would like to spend my few minutes with you discussing the importance of the Federal role in mass transit funding from both a national and local perspective.

In the face of our national need to make our public transportation sector more viable, the Reagan Administration has recommended transferring the burden for operating mass transit systems onto the shoulders of States and localities. They have, in fact, recommended a complete phaseout of all Federal operating assistance dollars by fiscal year 1985.

Following such a course of action would be disastrous for the cities of our Nation, for working Americans who are dependent on mass transit to get them to work, and for millions of elderly and handicapped citizens for whom transportation costs make up a major portion of their personal budgets.

Cities throughout the United States will be the victims of the Reagan proposals. Public transportation plays an important role in the health of our local economies. Recent work stoppages in cities, such as New York (for 11 days) and Philadelphia (for 9 days), cost businesses there over $2 billion in lost business. Rapid increases in the costs of fuel—quadrupling in the last decade—and increased labor costs have forced cities to look for additional sources of revenues to operate their systems. Because of our national policies to reduce dependence on imported oil, to decrease pollution

caused by auto emissions, and to lessen the wear and tear on our roadways, the Federal Government has been matching local dollars spent on mass transit. Now faced with increased costs and uncertainty in Federal support, local transit systems have been searching for new sources of revenues and examining ways to curtail operations.

Last week in Memphis, the Memphis Area Transit Authority was forced to eliminate operations on Sunday, to increase fares to 75 cents, and to do away with special fares for the elderly and handicapped. The City of Memphis is without the authority to impose any new form of taxation without the permission of the State legislature. In spite of the need to raise new revenues for transit and other municipal operations, the Tennessee General Assembly, a body dominated by rural legislators, has refused to give Tennessee cities such as Memphis the right to generate new dollars other than increasing an already onerous property tax or tacking on even more of regressive sales tax.

This is the same situation that confronted the city of Birmingham, Ala., and which has now forced them to completely eliminate most of their mass transit operations. What would eliminating public transportation in Memphis mean? Over 60 percent of the riders of Memphis buses use them to get to work; 25 percent of those who participated in a recent poll said they depend on public transportation for medical care. Yet the Federal Government, in the face of fiscal crisis for systems across this country, asks working, poor, elderly, and handicapped Americans to bear more of the costs of operating mass transit systems. Let the riders bear the cost may sound good on paper, but in reality, we are asking those who can least afford it to assume even greater financial burdens.

I have carefully reviewed the testimony of Secretary Lewis and the Urban Mass Transit Administration Officials. They say that we must direct Federal assistance to capital improvements and to solving short-range problems. But cities and localities need more than short-term solutions. In Memphis, city officials have had to deal with crisis after crisis in funding transit programs. What they need more than anything is money to attack the long-range undertakings. What they need is money to plan for the development of new subdivisions, for servicing a population which will be increasingly dependent on cheap and efficient transportation for their basic needs, and for undertaking marketing campaigns to convince people to conserve through public transportation. These problems are too complex and too intertwined with the health of our Nation's economy to leave to the States and localities. Surely adequate planning requires participation of all levels of government, but we cannot leave localities faced with strained budgets and overextended tax bases to devise methods of coping with a problem that ties directly to our national security and economic well-being.

Federal dollars for public transportation is seed money used by cities and localities to develop methods of assuring citizens of their fundamental right to the necessities and amenities which make the American economy so strong.

The basic health of our national economy is linked to the health of our public transit systems. While the popular perceptions may hold that the recent slowdown of the inflation rate is because of new found Government austerity, in reality is more directly tied to our national efforts to reduce imports of foreign oil. Stabilization of America's imports has led to an oil glut and a recent decline in prices on the world market.

In the 1970's, the United States was forced to confront the fact that our dependence on imported supplies of oil was a major strategic weakness which places our country dangerously at the mercy of foreign suppliers. Being forced to rely on imported crude oil for our domestic petroleum needs means both that precious American dollars are being expropriated and that our national security is wrapped up with a very volatile region of the world.

Statistics tell us that one-ninth of the world's total energy consumption takes place when Americans use their automobiles. It should be clear that one way of reducing our energy imports and our strategic vulnerability is to strengthen our system of mass transportation and to reduce our dependence on the individualized automobile.

Are the 1980's going to mark the end of our efforts to strengthen public transportation and to end a decade of progress in freeing our Nation from its oil dependency?●

TRIBUTE TO CHARLIE ZARZOUR

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LEHMAN. Mr. Speaker, Charlie Zarzour is a fellow native Alabamian who has served the North Miami community for the past 23 years. I would like to pay tribute to this man who has never let adversity get him down, and has never let his handicap keep him from getting involved in work for others. Any district would be lucky to have a citizen like Charlie Zarzour. I am inserting in the record the following article, in praise of Charlie's spirit, which appeared in the Miami Herald recently.

[From the Miami Herald, July 14, 1981]

THE CODE FOR HIM IS TO GET OTHERS TO SMILE

(By Marc Fisher)

When things don't go well inside the North Miami City Council chamber, political losers storm out to the lobby and grumble at Charlie Zarzour.

Their grumbling usually lasts just long enough for Zarzour to thrust a cup of steaming coffee in their hands, offer them a selection of cookies and serve up a gravelly "How ya doing" that's guaranteed to break through any political huff.

No matter what the event in North Miami, Zarzour is there with his coffee urn and table full of Fig Newtons, marshmallow wafers and vanilla cookies.

Zarzour, 63, is a veteran of 23 years of work for the city; he is now a code enforcement officer, patrolling the city's streets, watching for overgrown lawns and abandoned cars.

But Zarzour is in his prime at council meetings, city lunches and his favorite, the Miss North Miami beauty pageant, "I love dealing with the girls at the pageant," Zarzour said, "I make faces and gestures, do anything until they have no choice but to smile. I help them out with their poise."

One of this year's contestants, Peaches Jarvis, was so taken with Zarzour's antics that she wrote him a thank-you note. "It was the sweetest letter," Zarzour said. "It just about made me cry."

Though he lost his left leg when he was hit be a train in Washington, D.C., in 1942, Zarzour doesn't consider himself handicapped.

"I don't give the impression that 'I have one leg, so give me the world,'" he said. "I do everything I possibly can by myself." He added a Florida room to his house, laying all the blocks himself.

To meet Zarzour is to like him. "I love to talk to people," he said. "At council meetings, the menfolk come in and say, 'Charlie, baby!' and I kiss their wives."

Zarzour said he's always had a way with people. "When I lost my leg, I was in a wheelchair, I'd roll myself around the hospital, trying to get people to smile."

Zarzour figures he knows more North Miamians than anyone else in town, having lived in the same house for 34 years, working with football boosters and a host of community groups.

As one of the city's four code enforcement officers, Zarzour is in a far less endearing position than when he is dispensing coffee. He spends about four hours a day driving around the city, following up complaints of violations.

"If someone's lawn is more than 10 inches high, or the shrubs aren't cut or there's an abandoned car on the swale, I make a report and we send them a registered letter," he said, lighting a Kool.

The resident or business then has 10 days to adhere to the city's code. If the violator doesn't comply, the city will do the necessary work. The city then bills the person for the work.

"Especially in the rainy season, when the grass grows so much faster, people just don't bother to cut it," Zarzour said. "But we try to have them keep their property looking good."

Abandoned cars, overgrown lawns and trash cans put out more than 24 hours before the scheduled pick-up are the most frequent problems enforcement officers face, Zarzour said.

"Some people get angry, but I jive with them. You got to give them a little romancing to get them to go along," he said in a drawl left over from a childhood in Birmingham, Ala.

Zarzour began work for North Miami in 1958, earning $55 a week as a laborer. He moved up to clerk and served in the public works department before joining community planning four years ago.

He still lives in his northeast North Miami home, with his wife, Patsy, their daughter and son-in-law and six granchildren. Zarzour plans to retire at age 65, though his need for cancer treatments every three months worries him.

Until then, he'll be at City Hall on Tuesday nights, dishing out Lorna Doones and good cheer. "I get along with everybody."●

WORLD WAR I VETERANS

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. SKELTON. Mr. Speaker, historically, the United States has been

very dutiful in fulfilling its foreign obligations. This is important and worthy of a nation like ours. But, for too many years now, we Americans have ignored a far more important obligation. This obligation is to the veterans of World War I.

Throughout western Missouri, I am known as "IKE SKELTON, JR.," the son of the late, well-known lawyer, Ike Skelton, Sr. My father was more than a lawyer, he was a veteran of the U.S. Navy in WWI. I grew up in a patriotic home. When I was 9 years old, my father got me out of school so that I could hear a speech he was to give in Odessa on Armistice Day on November 11, 1941. I will never forget my father reciting "Flanders Fields" that day. He also told the Odessa High School assembly that many have been, and many will be called upon to defend this country. Less than a month later, we entered another great conflict.

Anyone who goes to war for their country makes the greatest sacrifice there is. These people have put their lives on the line for us and for our children, and we owe them. Obviously it is a debt which can never be fully paid to any veteran. No country has enough money to repay them. But it is vital that a valiant effort be made. I believe that Mr. Anderson's bill, H.R. 1918, is that kind of effort.

These are tough times with respect to money. Everyone is aware of the struggles that are going on to improve our economy. I continue to stand behind these efforts as I have in the past. But we must not allow past debts to slip by while we engage in new areas of spending. Recognizing these veterans is as important to our national defense as buying any military machinery. For, without the dedication and the conviction of soldiers such as those from previous wars, our machinery will prove worthless. Without these kinds of people, we will not stand up long against any foreign aggressor.

One of the greatest spiritual contributions that the WWI veterans have made is that of instilling and carrying on, the practice of patriotism. I think history will reflect this through the examples that these veterans have set. Those who fought in later conflicts, World War II, Korea, and Vietnam, were the beneficiaries of this way of thinking. Most of those who went to war, went without question, as a result of the influence of those of the older generation and what they had taught. It is important for us to remember not only their contributions on the battlefields and in ships, but also their far-reaching contribution to our country and our young people.

Those who fought for us in World War I gave what we needed at the time—their youth, their abilities, and courage. Let us now help them in the best way we can. As it says in "Flanders Fields," Let us not "break faith" with these Americans.●

COMMISSION ON FEDERAL DRUG APPROVAL PROCESS

HON. JAMES H. SCHEUER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. SCHEUER. Mr. Speaker, tomorrow marks the first meeting of the Commission on the Federal Drug Approval Process. The Commission, which is being sponsored jointly by Congressman ALBERT GORE, JR. and I in our capacities as subcommittee chairmen on the Committee on Science and Technology, has been charged with making recommendations to both Congress and the administration on ways to improve the drug approval process.

Specifically, the Commission is mandated to recommend a system for the expedited treatment of new drugs in the NDA and IND phases of regulatory action by the Food and Drug Administration. In addition, it will devise a scheme of postmarket surveillance which will insure that drugs causing significant adverse effects are withdrawn quickly from the marketplace.

The Commission is composed of 25 distinguished members representing the public, industry, academia, and the administration. It will be chaired by Dr. F. Gilbert McMahon of the Tulane University Medical School. The Commission has the full support of the administration's Regulatory Relief Task Force and the Food and Drug Administration.

Mr. Speaker, I believe that the work of this Commission represents our best hope for making certain that Americans receive the very finest treatments medical science has to offer. For too long we have been deprived of lifesaving new medications which are available in Europe and Japan, although developed by American companies.

Following is a complete list of the Commissioners and a letter of support from Vice President George Bush:

COMMISSION ON THE FEDERAL DRUG APPROVAL PROCESS

REPRESENTATIVES FROM INDUSTRY

1. Barry Bloom, M.D., President, Pfizer Central Research, Pfizer, Inc., Eastern Point Road, Groton, Conn. 06340 (203) 445-5611, Ext. 641.

2. Norman Lavy, M.D., Director, Drug Regulatory Affairs, E. R. Squibb & Sons, Inc., Georges Road, New Brunswick, N.J. 08903 (201) 545-1300, Ext.2941.

3. Charles Leighton, Ph.D., M.D., Merck, Sharp & Dohme, Research Laboratories, West Point, Pa. 19486. (215) 661-6445.

4. Lewis Engman, President, Pharmaceutical Manufacturers Association, 1155 Fifteenth Street NW., Washington, D.C. 20005 (202) 463-2000.

5. Milan Puskar, President, Mylan Pharmaceuticals, P.O. Box 4293, Morgantown, W. Va. 26505 (304) 599-2595.

6. Daniel Shaw, M.D., Vice President, Wyeth Pharmaceuticals, 702 Knox Road, Villanova, Pa. 19085 (215) 688-4776.

PUBLIC MEMBERS

1. William Vodra, Attorney at Law, 1200 New Hampshire Avenue NW., Washington, D.C. 20036 (202) 872-8801.

2. Alice Fordyce, Assistant to the President, Albert & Mary Lasker Foundation, 870 United Nations Plaza, New York City, N.Y. 10017 (212) 753-8222; (212) 421-9010.

3. Joel A. Bennett, President, Joel Bennett Associates, 9 East 93rd Street, New York City, N.Y. 10028.

4. Michael R. Sonnenreich, Attorney at Law, Sonnenreich & Morrell, 600 New Hampshire Avenue NW., Washington, D.C. 20037 (202) 965-4150.

5. William Schultz, Public Citizen Litigation Group, Suite 700, 2000 P Street NW., Washington, D.C. 20036 (202) 785-3704.

ACADEMIC MEMBERS

1. Robert Levine, M.D., Professor of Medicine, Yale University, Room C-407 SHM, New Haven, Conn. 06510 (203) 432-4131.

2. Ray Gifford, M.D., Head of Hypertension and Nephrology, Cleveland Clinic, 9500 Euclid Avenue, Cleveland, Ohio 44106 (216) 444-6464.

3. Frank G. Standaert, M.D., Chairman, Department of Pharmacology, Georgetown University, 3900 Reservoir Road, NW., Washington, D.C. 20007 (212) 652-7635.

4. Jay N. Cohn, M.D., Professor of Medicine, Head, Cardiovascular section, University of Minnesota, Box 27—Mayor, Minneapolis, Minn. 55455 (612) 373-4600.

5. Charles Edward, M.D., Director, Scripps Clinic & Hospital, La Jolla, Calif. (714) 457-4123.

6. F. Gilbert McMahon, M.S., M.D. (Chairman), Clinic Professor of Medicine and Adjunct Professor of Pharmacology, Tulane Medical School, 1430 Tulane Avenue, New Orleans, LA 70112 (504) 581-1575.

7. Louis Lasagna, M.D., Professor of Pharmacology, University of Rochester Medical School, 601 Elmwood Avenue, Rochester, NY 14642 (716) 275-2121.

8. William Beaver, M.D., Professor Pharmacology, Georgetown University Medical School, 3900 Reservoir Road, NW., Washington, D.C. 20007. (202) 625-7315.

FDA LIAISON

1. Robert Temple, M.D., Director of Division of Cardio-Renal, Bureau of Drugs, Food and Drug Administration, 5600 Fisher's Lane, Rockville, Md. 20857 (301)443-4730.

2. Michael Peskoe, Associate Chief Counsel, Bureau of Drugs, Food and Drug Administration, 5600 Fishers Lane, Rockville, Md. 20857 (717) 534-8690.

3. Stuart Nightingale, M.D., Associate Director, Bureau of Drugs, Food and Drug Administration, 5600 Fishers Lane, Rockville, Md. 20857.

WHITE HOUSE LIAISON

1. Michael Hulmann, Special Assistant to the President, the White House, Washington, D.C. (202) 456-1414.

CONGRESSIONAL MEMBERS

1. Jonah Shacknai, Counsel to the Chairman, Subcommittee on Natural Resources, Agriculture Research and Environment, House Committee on Science and Technology, Washington, D.C. 20515 (202) 225-9495.

2. Thomas Grumbly, Staff Director, Subcommittee on Investigation and Oversight, House Committee on Science and Technology, Washington, D.C. 20515 (202) 225-8106.

THE VICE PRESIDENT,
Washington, D.C., July 17, 1981.

Hon. JAMES SCHEUER,
Chairman, Subcommittee on Natural Resources, Agriculture Research and Environment, U.S. House of Representatives, Washington, D.C.

DEAR JIM: I was gratified to hear of the efforts you have made to set up a Commission on the Federal Drug Approval Process.

As you know from our discussions, the Task Force on Regulatory Relief is committed to addressing the problems of drug lag, and will welcome suggestions for either administrative or legislative change, or both.

You have my support, as well as my best wishes for success.

Sincerely,

GEORGE BUSH.●

NEW VA HEAD COMPARES AGENT ORANGE WITH TEENAGE ACNE

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MILLER of California. Mr. Speaker, the Washington Post of July 16 reported that Robert Nimmo, newly sworn in as head of the Veterans' Administration, commented that there is no evidence that agent orange causes anything other than a rash similiar to, and I quote him, "teen-age acne."

This gross insensitivity to the possible dangers from exposure to the defoliant agent orange follows unanimous passage by both the House and Senate of legislation that requires VA doctors to treat patients if their illness may have been caused by exposure to agent orange. Mr. Nimmo is obviously unaware of the multitude of medical ailments now suffered by veterans who were exposed to agent orange in Vietnam.

The legislation Congress unanimously passed recognized the need of the Veterans' Administration to address the physical and emotional disorders caused by agent orange as an important part of our obligation to the men and women who served this Nation. The callous remark by the new head of the Veterans' Administration illustrates a disturbing indifference to the needs of those who have served their country and the recent mandate of the Congress:

VA CHIEFS DEBUT—Robert Nimmo was sworn in yesterday as head of the Veterans Administration and launched his official career with a televised interview in which he said that Vietnam veterans have not been shortchanged by the government, that 95 percent of them are doing just fine.

Vietnam veterans organizations have complained that the administration has ignored their problems and failed to appoint Vietnam veterans to positions in the VA and elsewhere. One of the issues the veterans want addressed is Agent Orange, a herbicide widely used in Vietnam that many veterans blame for health problems.

Nimmo said yesterday that there is "no body of medical evidence" to suggest that the herbicide Agent Orange causes anything other than a skin ailment similar to "teenage acne."●

ECONOMIC OPTIONS

HON. CHARLES ROSE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ROSE. Mr. Speaker, I recently came across this article by Dr. Max Moszer and was impressed by the clarity of his analysis of the President's economic program. He discusses in particular the enormous intuitive appeal of supply side economics, and challenges us to think deeply about the assumptions which underlie this newcomer to the economic scene.

I would like to submit to you this short article on this important subject.

ECONOMIC OPTIONS

(By Dr. Max Moszer)

Walkers making faster progress than drivers become the ultimate frustration of traffic jams. Watching the economy and economic policy unfold often creates similar feelings. Economists, with all their high powered theories and computer models, get nowhere fast.

Society's disappointment reflects more than the dashed hopes for successful solutions. The general impression remains that the economic fraternity produces much noise but yields few results; that miscalculation, misjudgment and confusion within the profession cause the lame conclusions.

Consider this sample of advices on inflation, for more than a decade the nation's number one economic problem:

"The best way to beat inflation is to buy only essentials. If we can discipline ourselves to postpone all other purchases, inflation soon would stop."

"Since rising prices just destroy the value of money, converting cash into things—anything real, like gold, silver, land—becomes the only way to beat inflation."

"The only way to beat inflation is for government to stop spending more than it takes in. Once Washington tightens its belt and learns to live within its means, prices will stabilize."

"To win the war on inflation, the Federal Reserve must halt the growth of the money stock. Once the supply of money falls, prices must fall as well."

More solutions can be added to these four recommendations. They come easily to mind. Tax cuts to increase productivity and to encourage rapid investment, sweep away the growth in regulation, especially of pollution and occupational hazards, impose wage and price controls. Other remedies could be added to this list with only the slightest effort. Most disconcerting, all of the above proposals fit snugly into the mainstream of current economic wisdom and practice.

While this potpourri could be defended, even quite respectfully, it is more important to recognize that economists have been unable to find a single cohesive theory universally acceptable to the profession. When it comes to inflation, economists are just like physicians and the common cold. So far, it has been impossible to isolate the cause. There exists no cure, we only have many therapies! Nevertheless, both cases require, and stimulate, treatment. Accordingly, each practitioner prescribes those palliatives considered to be the most promising.

Now, after many years of waiting, hope and despair, patience has worn thin. The nation's demand to attack its economic problems has caught economists in its fallout. The fundamental consensus developing may not stop short of declaring economists hindering, rather than expediting, the return to stability. While the economy nudges closer to bankruptcy, it is argued, economists fiddle with their jargon, hopelessly trapped in webs of intramural trivia.

While harsh, these collective judgments can hardly claim novelty.

Economists have always led precarious professional lifes, consigned to occupy a twilight zone between disdain and admiration. Yet recently, hesitant at first but with lightning acceleration, the economics profession has become the focus of mounting criticism. Columnists and officals describe the inefficiencies. "Economists have no trouble getting out of street cave-ins, they'll just assume a ladder." Or, "economists won't starve on a deserted island, they'll assume food." Economists have been wrong before, goes the response of an offical in defense of a questioned policy.

But these jokes look like the usual good natured, fun loving comments addressed to, and enjoyed by, economists at parties and business meetings. Don't all other professions and businesses bear their own share of gallows humor? Anyway, remember President Truman's edict to stay out of the kitchen if you can't stand the heat. Who would deny that those living by the crystal ball need to learn to eat glass? Surely even total perfection soon would become the object of its own derision.

Perhaps my reaction is too severe; it could be colored by my special interests in the economics profession. Nevertheless, current events do provide another insight to explain the escalated round of criticism. The massive economic reform and rejuvenation undertaken by the Reagan administration center on "supply side" economics. That is, reliance on tax cuts and price changes to provide the large incentives, to individuals and business, required to increase productivity and enlarge output. But supply side economics, a newcomer to the scene, remains largely untried; moreover, it lies outside the traditional, orthodox policy alternatives. Not surprisingly, disagreement about the president's economic package crystallized around their technical aspects. (Who would not want a stronger economy and an end to inflation?) With those in opposition claiming supply side economics does not work it was only natural for supporters, at the other extreme, to retort that economists don't know what works.

The convenient pigeonholes of liberal and conservative do not apply in this debate. The dispute, in large part, revolves around the impact of personal income tax cuts on inflation. Here the two dominant doctrines express very definite advises.

For the monetarists, the tax cuts result in a large, immediate drain on the federal treasury, requiring substantial increases in the supply of money. The inflationary consequence of this spiral would be so great as to outweigh, by a wide margin, the hoped-

for productivity gains behind the supply side tax cut. Monetarists want, instead, a reduction in the deficit and the money stock now. This is necessary not just to halt the escalating price level; it will eliminate the widespread feeling that inflation is here to stay. Until these expectations are reversed, people will continue spending, short changing thrift, in an attempt to retain the purchasing power of their past savings.

The Keynesians, or demand side advocates, the other branch of conventional wisdom, consider the tax cut too stimulative. The resulting spending would overwhelm the current capacity of American business. Despite the many idle factories and workers, the economy would overheat. A spiral of increases in wages and prices—or prices and wages—would follow. The inflationary consequence would be so great as to outweigh, by a large margin, the hoped for productivity gains behind the supply side tax cut. Demand siders would like to see an easier monetary policy, allowing lower interest rates to encourage investment. This, together with a restructuring of the tax system, especially on business costs such as payroll taxes, would lead to direct cost reductions and halt inflation.

With remarkable unanimity both lines of reasoning, although differing in the process, come to an identical conclusion. Inflationary, is the ultimate evaluation of the supply side proposal.

They show even less disagreement when it comes to the budget impact of the 10% across the board tax cut. Both forecast a massive deficit on the heels of a single tax cut, let alone 10% tax cuts in each of the next three years. They seriously doubt that lower tax rates will stimulate production and income sufficiently to enlarge total tax receipts. Yet this expectation lies at the heart of the "Laffer Curve," the basis of the Kemp-Roth tax bill. This strategy relies on the incentive aspect of the tax cut. With government getting a smaller share of earnings, individuals and business will want to work harder, save more and invest more. Proponents claim this incentive to be so strong that tax receipts will rise even as the tax rates go down. This means that income must go up sufficiently to offset the decline in the tax rate.

While countless computer simulations have been run to test this assertion, a straight forward look at some numbers yields a helpful insight. A 10% cut in tax rates will cost the federal government $45 billion in receipts. According to the Laffer Curve, income will increase enough to make up this loss. This requires a complementary, non-inflationary jump of $370 billion in the nation's income. (The 10% tax cut reduces the proportion that federal income taxes take of earned personal income from the current 13.5% to 12%. Thus $370 billion of additional income, at the new 12% effective tax rate, is needed to replace the $45 billion lost in the tax cut.)

Can the economy bring this about? To succeed, it requires a multiplier or ripple effect of more than eight to make the $45 billion cut generate $370 billion more income. If you look at it only from the supply side incentive effect, the needed gain comes to 20% of the $1,866 billion of personal income earned last year. That means, on the average, everyone's production and earnings must increase by a fifth in a single year. Little wonder, then, that few enthusiasts, either monetarists or Keynesians, have stepped forward to join the supply siders.

Yet the basic program has enormous intuitive appeal. It relieves the burdens of increasing taxes and inflation. It promises greater rewards for individual effort. It presumes the speedy recovery of the nation's economic strength. It reduces government interference. It restores reliance on our traditional economic methods. The very act of substituting fresh views for the old policies that have failed to reverse the ebb of the American economy creates optimism and hope.

Under these circumstances, criticism by economists, or anyone else for that matter, who question the program on narrow, technical grounds, will not find receptive listeners. Instead, it compels an intense defense just because a solution is so sorely needed. Fortunately, the success of President Reagan's Economic Recovery Program does not depend on the outcome of these skirmishes.

While the tax cuts have been patterned after the Kemp-Roth tax bill, the integrity of the budget balance does not depend on supply side economics. The president has not relied on increased economic activity to close the $45 billion tax loss. Instead he has proposed substantial spending reductions—amounting to $49 billion in the coming fiscal year—to offset the tax cut. Passage of the package by Congress would assure equivalent subtractions from the spending and receipts parts of the government's cash flow statement.

The net impact on inflation cannot be forecast as easily. Incentives and productivity will be greater. This reduces costs and prices. Will increased demand and stronger market positions erode, or even exceed, these gains? What about inflationary expectations, will these actions dampen or enhance them? Firm answers to these quantitative questions depend more on the specific assumptions than on the ability to grind out computer printouts.

Yet this is as it should be. For otherwise economists would make all the decisions. And economic policy is too important to be left only to economists. Their job is to provide the necessary framework for policy choice. Citizens, and the officials they elect, ought to decide between the policy alternatives. In the end, these will depend on the assumptions. Let the economists spell these out, and their meanings, and let each individual take on the hardest task: to judge which assumption best reflects reality.●

PROTECTING PITTSBURGH AREA RESIDENTS FROM FLOODS

HON. DOUG WALGREN

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. WALGREN. Mr. Speaker, today I am introducing a bill to authorize construction of the Saw Mill Run flood project in the West End area of the city of Pittsburgh. Although this is a small project, it continues a decades-old effort started by my distinguished predecessor in Congress, Hon. Jim Fulton.

The Saw Mill Run Creek is located entirely in Allegheny County with approximately 50 percent of the drainage basin within the Pittsburgh City limits. The drainage area is 19.4 miles square, the topography is hilly, and the flood plain is narrow except where it widens to about 600 feet in the West End area.

This flood control project is needed because the existing channel of the Saw Mill Run Creek in the West End will not contain high flows within its banks. As a result of overflow, storm drains and sanitary sewers back up and flood. According to the Corps of Engineers, the implementation of the Saw Mill Run Creek project will reduce the amount of flood damage by at least 92 percent. This investment is crucial if we are to finally eliminate a condition that causes this neighborhood to become an open sewer at high water.

The West End community has unfairly borne the brunt of wealthier suburban growth of the hills of Saw Mill Run watershed which reaches far into the south hills. In recent years, however, efforts of West End residents, through a local development corporation, have succeeded in reversing a long-term trend of business and population losses. The city of Pittsburgh has made a solid commitment to the redevelopment of this community by constructing a new sanitary sewer system and a new maintenance building in the West End. A new central police precinct headquarters, covering several surrounding communities, has also been located in the West End.

The low-income, poorly-maintained residential units, once a significant proportion of the flood plain developments, are gradually being refurbished and made over for use as small supply and service-type businesses. Ten new firms have already relocated there and a low interest loan program administered by the city will aid continued commercial development. This is strong evidence of the commitment of the residents and business people to the West End. Recent progress, coupled with the area's proximity to downtown Pittsburgh, make the West End an attractive location for the future.

The Saw Mill Run project is essential to sustaining this progress. I am not asking for Government funds for redevelopment. I am simply attempting to remove a public nuisance and to make the community a pleasant and healthy place to live and work.

I hope that the Public Works Committee will be able to act on this bill in the near future. We must once and for all complete a 20-year effort to solve this problem.●

RESIDENTIAL, ENERGY TAX CREDIT AMENDMENTS OF 1981

HON. BRIAN J. DONNELLY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. DONNELLY. Mr. Speaker, today I introduced the Residential Energy Tax Credit Amendments of 1981. This bill would amend the Internal Revenue Code of 1954 so that credit for energy conservation expenditures may be allowed to dwelling units on which the construction was substantially completed before January 1, 1980. The original completion date is August 20, 1977; however, due to the current energy prices and our dependence of OPEC oil, it becomes necessary to reassess our own energy efforts.

Conservation particularly in New England, has increased in the last 8 years. In 1973 foreign petroleum provided a record high of 83 percent of New England's energy. In 1980 imported petroleum provided a modern record low of less than 73 percent. This decrease in dependence on foreign oil, coupled with the rising effort to conserve, has introduced the need for such financial incentives.

We must recognize the effect which our Nation can have on our energy resources. As President Reagan continues to cut back energy programs for the poor, it becomes necessary to reinforce our past efforts at conservation. Reexamining financial incentives such as the residential energy tax credit amendments is just one means to a secure energy future.

I urge my colleagues to support the Residential Energy Tax Credit Amendments of 1981. We must give our Nation the incentives to continue on a path toward conservation and in turn on a path toward a stable, independent energy future.●

HUMAN RIGHTS VIOLATIONS CONTINUE IN ARGENTINA, CHILE, URUGUAY, AND PARAGUAY

HON. TONY P. HALL

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. HALL of Ohio. Mr. Speaker, in defiance of congressionally mandated human rights restrictions, the Reagan administration has decided to approve loans by the international development banks to Chile, Argentina, Paraguay, and Uruguay. This is in violation of section 701 of the International Financial Institutions Act, which states that the United States may not vote for loans to countries engaging in "a consistent pattern of gross violations of internationally recognized human rights."

Secretary of State Alexander M. Haig, Jr., has justified the administration's decision by pointing to dramatic improvements in human rights conditions.

This morning, an excellent article appeared in the Washington Post describing the human rights violations that continue today in these four countries. I commend it to my colleagues, and ask that they judge for themselves whether dramatic improvements have taken place.

The text of the article follows:

U.S. CLAIM OF BETTER LATIN RIGHTS RECORD SPURS DOUBTS

(By Cynthia Gorney)

BUENOS AIRES.—Thirteen days ago, acting on highly publicized and controversial orders from the State Department, U.S. representatives to the World Bank voted in favor of two energy development loans, totaling $300 million, for Argentina.

The votes broke a four-year tradition of voting no or abstaining on loans to countries considered human rights violators, one of the hallmarks of former president Jimmy Carter's foreign policy. They also added considerable fuel to the Washington debate over how the Reagan administration has mapped out a new world alignment of America's friends and enemies.

Both critics and supporters have acknowledged that the Argentina votes were devoid of almost any but symbolic meaning. The loans, like every other World Bank or Inter-American Development Bank loan granted to Argentina in recent years, would have been approved regardless of the U.S. vote.

But on an issue as weighty and emotional, for both the Carter and Reagan administrations, as the U.S. commitment to human rights, it has been the symbolism that matered.

In 1977, an act of Congress prohibited the United States from approving almost any World Bank or Inter-American Development Bank loan to countries exhibiting a "consistent pattern of gross violation of human rights." The act excepted only those loans aimed at "basic human needs". From then until the Argentina loan approval on July 7, American representatives abstained or voted no on all loans not involving "basic human needs" to the four nations of what is known as South America's southern cone—Argentina, Chile, Paraguay and Uruguay.

With their governments either dominated or openly run by the military, a history of political repression throughout much of the 1970s, and a record of complaints of human rights violations that is unequalled in the West, the nations of the southern cone became the most visible targets of Carter's human rights campaign. Although there was never a blanket directive labeling the four countries "consistent and gross violaters," each loan application was studied by an interagency working group of U.S. officials who assessed the human rights situation in the country in question. In every instance, during the Carter years, the situation was found to be so bad—disappearances, political prisoners, torture, arbitrary detentions—that U.S. approval was withheld.

When Secretary of State Alexander M. Haig Jr. two weeks ago defended the U.S. decision to approve all multinational development bank loans to the southern cone, he said one of the major reasons for the switch was the impressive changes he believed had taken place in the region.

"Without exception in each case the improvement has been dramatic," Haig said. "Now, that improvement does not represent . . . a corresponding level of complacency here in Washington that all that must be done has been done. But we do not believe that it serves any useful purpose to indulge in isolation and public admonishment in the face of internal improvements that have already taken place."

Although there is no question that the governments of Argentina, Chile and Uruguay have almost completely stopped "disappearances," the most widely attacked repressive tactic of the 1970s, Haig's claim of "dramatic improvement" has met with skepticism here by the people who monitor human rights most closely. Country by country, here is a comparison between 1977 and 1981:

Argentina.—By the end of 1977, the Buenos Aires-based Permanent Assembly for Human Rights had received testimony on the disappearance of 1,200 people.

The cumulative total—people kidnaped or arrested who vanished without a trace—today stands at about 5,800 in the assembly's records, although assembly members believe as many as twice that number may have disappeared without leaving relatives willing to report it.

In 1980, outside organizations such as Amnesty International reported to the assembly a total of 40 cases of disappearances but the assembly itself received only 18 reports. This year, according to assembly members, a western Argentina man who apparently had belonged to the Socialist Party was kidnaped and later found dead. Three other people were detained temporarily without any notice to their families, and two of them reportedly were tortured during their confinement. The assembly also received outside reports of the disappearance of two Chileans in southern Argentina last February, but was unable to confirm the reports.

In 1977, the assembly's records indicate that about 3,600 people were in jail under executive power, a special government dispensation that allows authorities to arrest and hold suspected political subversives or terrorists with or without formal charges. Last January, according to public statements by Interior Ministry spokesmen, 900 people remained under executive power, 300 of them without ever having been charged. Assembly members, who have similar figures on the number of people under executive power, say many of those who were charged have either completed their sentences or spent more than four years in prison with cases pending.

Political and labor activity is still illegal. Arrests and temporary detention of union and political leaders are routine, if somewhat haphazard. Rejecting internal pleas and strong international pressure—much of it coming from the Carter administration—the government has refused to release the names of the disappeared or make any accounting for the activity of security forces during the years when people were being taken from their homes and apparently killed in secret.

Chile.—Of the approximately 700 disappearances reported to the Vicariate of Solidarity, the church-connected human rights organization generally viewed as the most reliable source of such information, only 14 took place in 1977. The last disappearance

report the church received was in January 1978.

In 1977, following a massive release of political prisoners the year before, about 20 persons were in jail on what church records show as political charges. They now list 134 political prisoners—not including those who have been charged with allegedly politically inspired violent crimes like bombings. In addition, during the first five months of 1981, 49 persons were sentenced—under an administrative procedure for political charges that grants no due process—to three months of internal banishment, meaning they were sent without money or provisions into small, isolated towns and told to fend for themselves and check in with the police on a regular basis.

During the first five months of 1977, 104 persons were detained on mostly nonviolent political charges, according to church records. During the same period in 1981, 578 persons were detained. The church has received 29 reports in 1981 from people who said they had been tortured by the Chilean secret police. As in Argentina, labor organizing and political activity are illegal, and show no signs of opening up in the near future.

Uruguay.—In 1977, Amnesty International estimated that there were 5,000 political prisoners in Uruguay, and that 50,000 people had been detained at one time or another since the 1973 military coup, giving Uruguay the dubious distinction of having the most political prisoners per capita in the world.

The current number of what human rights groups refer to as "political prisoners" is estimated at between 1,100 and 1,500. The male prisoners are mostly housed at La Libertad, a prison that a late 1980 International Red Cross report strongly condemned for torturing and "bringing about the physical and moral breakdown" of its prisoners. Exiled Uruguayan human rights groups have recently reported six mysterious prisoner deaths at La Libertad since last September. Each one was officially attributed to natural causes, but reports have persisted that the prisoners—one of whom had been printing a newsletter inside the prison—were harassed or beaten to death.

Political activity has been illegal since 1973, and former political leaders are either exiled or officially banned from working in politics. But the atmosphere has loosened somewhat since voters in a national plebiscite soundly rejected a new constitution late last year.

Paraguay.—In 1976, according to Washington-based experts on Paraguay, the country had 6,000 political prisoners, some of whom had been held as long as 19 years without trial. The number is now about 30, and late last year Paraguay was taken off the United Nations' active list of countries most imperiling human rights. A general loosening of the political climate—fewer press restrictions, more church activity in caring for prisoners and monitoring human rights—drew praise for the Paraguayan government even from groups such as Amnestly International.

Paraguay has refused to allow the Organization of American States' Inter-American Commission on Human Rights to investigate conditions in the country, however. And within the past year human rights groups have grown alarmed about what the newsletter Paraguay Watch called "two major waves of repression" consisting of prologed detentions, 15 deaths attributed to alleged abuses of human rights, and the recent arrest and expulsion of the chairman of the Christian Democratic Party. In addition, the government's sale of Indian-occupied lands has come under intense international criticism recently and been described in several studies as "genocide."

Whether any of this can be called a "dramatic improvement" has become a matter of heated debate—particularly in the case of Chile, which still inspires bitterness in Washington because of the country's refusal to cooperate or extradite suspects in the 1976 Washington assassination of former Chilean diplomat Orlando Letelier and researcher Ronni Moffitt.

"Today, politically, it's not good to make somebody disappear," a Santiago human rights lawyer said last week. "But as far as the new methods of repression—torture, internal banishment—I would say it's much worse than 1977."

To use the simple statistics "out of context, without telling the full story behind them, is a distortion of the facts," countered a State Department official familiar with Chile. Like many of those who believe the atmosphere has improved substantially in the southern cone, he said a certain tolerance—undeclared breathing room for the opposition—has replaced the full-scale terror of the mid-1970s: "It is the threat of killing and disappearances that really stamps that out."

In Buenos Aires, a middle-aged woman who still does not know whether her son is alive or dead set down her pages of human rights data and slowly shook her head. "What I'd say to Senor Haig, if he wanted to hear me, is that the whole structure permitting the kidnapings, permitting the tortures, the arrests—the whole structure has been left intact," she said. "If they want to start again with the whole business, they can. And this remains like a terror over all of us. Be careful with this policy, Senor Haig. That is what I would say to him."●

THE WORLD BOXING HALL OF FAME

HON. WAYNE GRISHAM

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. GRISHAM. Mr. Speaker, in this era of the fast buck in professional sports, it is my privilege to bring to the attention of this House the activities of the World Boxing Hall of Fame, a group dedicated to genuineness and honesty in sport.

The World Boxing Hall of Fame is a dream fulfilled for its founder and president emeritus, my friend Everett L. Sanders. As the World Boxing Hall of Fame approaches its second anniversary, it is only fitting that we pay tribute to this fine American.

According to Robert Myers, retired sports editor of the Associated Press, "there is no person in the world—yes, the world—more knowledgeable in all the multiple facets of the boxing game than Mr. Sanders."

It is little wonder that his knowledge of boxing is legend, since Everett has dedicated his life to the sport. From the years 1939 to 1955, he held a post on the California State Athletic Commission. During that time he wrote and updated the State's laws regulating both boxing and wrestling. His research and hard work made his laws a paradigm for boxing laws throughout the Nation and throughout the world.

In 1963, Everett was named general chairman of the Southern California Committee on Boxing. During his tenure he instituted safeguards that brought him a reputation for bringing honesty and safety to the forefront of the boxing profession.

Everett is 86 years old going on 25. His energy and creativity are as strong as ever. In the past few years he has written several books as well as founding the World Boxing Hall of Fame. The hallmark of honesty that marks that organization comes right from its founder and president emeritus, Everett L. Sanders. He is an American we can be proud to honor.●

CLARIFICATION ON CONSULTING REFORM AND DISCLOSURE ACT OF 1981 MAJOR PROVISIONS

HON. GERALDINE A. FERRARO

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Ms. FERRARO. Mr. Speaker, on July 9, I introduced the Consulting Reform Act of 1981 and the summary of major provisions was inaccurately attributed in the CONGRESSIONAL RECORD. I would like to reinsert my statement and the list of major provisions of H.R. 4089:

STATEMENT OF HON. GERALDINE A. FERRARO (D-QUEENS) ON CONSULTING REFORM AND DISCLOSURE ACT OF 1981

Mr. Speaker, today I am introducing the Consulting Reform and Disclosure Act of 1981. Similar legislation has been introduced in the other body by Senator David Pryor (D-Ark).

I am compelled to introduce this legislation because the serious and pervasive problems which have characterized consulting activities for 20 years are continuing unabated. During a recent hearing by my Subcommittee on Human Resources, I was informed by the Office of Management and Budget (OMB) that all of the necessary safeguards against abuse are in place. OMB argues that it is now up to the agencies to properly use and monitor consulting services.

OMB says legislation is not necessary. What this Administration wants is to continue business as usual in the abuse and misuse of consulting and management support contracts.

I believe that the 20 year history of agency mismanagement of consulting services contained in 30 critical GAO reports demonstrates why this legislation is necessary. A GAO report received by the Human Resources Subcommittee last year cited "serious and pervasive" problems in consulting contracts in 6 civilian agencies. The most recent GAO report which I received concerned consulting type contracts in DOD. In

that Report GAO found that several of the management support services contracts reviewed "have preempted DOD's prerogative in directing national defense and in management and direction of the Armed Services."

Mr. Speaker, these facts give a haunting currency to the warning which President Eisenhower gave to us in his farewell address—a speech made when he had no future political ambitions:

"In the Councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist . . . we must also be alert to the equal . . . danger that public policy could itself become captive of a scientific-technological elite."

I am afraid we have not heeded this warning.

Although the critical danger from the abuse in consulting is the rise of misplaced power, the economic arguments are compelling as well. Estimates of the amount of Federal funds spent annually on consulting services range from a conservative $2 billion to over $9 billion. Many of the contracts funded by these tax dollars were a complete waste because agencies never used the end products; many are fraught with conflicts of interest which negate the objectivity of the consulting studies; many of the contracts call for the performance of inherently governmental activities; and in the most blatant abuse of all, most are awarded without any competition.

This Administration has announced a major attack on waste, fraud and abuse throughout the federal government.

There is no better way to attack waste than to require by law each agency to identify the amounts requested for consulting and other contracting in their budgets so that every Member of Congress and every taxpayer can see it.

There is no more important fraud to attack than the fraud being perpetrated on the American people when direct federal employees are replaced by contract employees and billions of dollars of unsubstantiated savings are claimed.

Eighty-two percent of the contracts reviewed in a GAO study being awarded without competition is the worst kind of abuse.

The legislation that I am introducing today will respond to the problems that currently exist in the Federal Government's use of consulting and related services. It will attack waste, fraud and abuse in these contracts. The legislation has been carefully drafted so that it will have the maximum beneficial effect on certain wasteful spending practices, while having no adverse effect on an already overburdened procurement process. Furthermore, the legislation has been designed not to add unduly to the Government's paperwork requirements.

My bill employs the sunshine approach. It does not try to tell agencies that they must—or must not—use consultants. It says to agencies, "If you use consultants, we in Congress and the public want to know about it. We want to know whom you use, what you have them do, and how you use the work they do for you."

CONSULTANT REFORM DISCLOSURE ACT OF 1981 MAJOR PROVISIONS

Clarifies the authority of agencies to appoint experts and consultants pursuant to title 5, section 3109 U.S.C. Requires that OPM assume a more active oversight and reporting role in relation to the use of appointments by agencies.

Defines consulting services, management and professional services, and special studies and analyses as the universe to which most provisions apply.

Requires the publication of all consulting services, management and professional service, and special study and analysis contracts in excess of $10,000 in the Commerce Business Daily prior to award. Also requires notification and justification of all subsequent modifications which increase the contract value by $25,000 to be sent to the respective Inspector General or comparable official.

Requires basic attribution information to be included in reports prepared pursuant to a consulting service, management and professional service, or special study contracts and in agency-prepared reports which include substantial portions of such contractor-prepared reports.

Requires the evaluation of consulting management and professional service, and special study and analysis contracts which exceed a value of $50,000. Special attention is focused on performance according to the terms of the contract and deviations from cost and time as specified in the original contract.

Organizational conflict of interest determinations are required which are to be applied on a test basis—for three years—at the Departments of Energy and Transportation, and the Environmental Protection Agency. Actual conflicts and appearances of conflict are addressed in regard to consulting, management and professional service, and special study and analysis contracts only. Where an adverse determination is made the contractor will have an appeal procedure.

Line item identification in the budget submitted by the President to Congress is required for consulting service, management and professional service, and special study and analysis procurement requests. Agencies will also be required to explain requests for procurement budget in the budget justification process.

The Federal Procurement Data System is codified.

Agency contract listings for all contracts entered into within the preceding 12 months, and contracts which are active, are required to be maintained and be made available to the public for inspection. Such listing will be updated quarterly.

Written justification for consulting service, management and professional service, and special study and analysis contracts are required to be maintained by the agencies and are to be made available to the public.

All contracts, unless classified for national security purposes, are to be considered public documents and thus available for inspection by the public unless disclosure is prohibited by law.

Agency officials are held accountable for contracting decisions during performance appraisal and bonus consideration.●

SAUDIS UNDERCUT HABIB MISSION: DECLARE HIM PERSONA NON GRATA

HON. BENJAMIN S. ROSENTHAL
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ROSENTHAL. Mr. Speaker, it will become clearer as the months pass that the Reagan administration cannot offer sound arguments to support their decision to sell the AWACS aircraft and the F-15 enhancement equipment to Saudi Arabia.

One of the fictions which the administration persists in telling us is that Saudi Arabia is a moderate country that sees and conducts itself as an American friend and supporter in the Middle East. A careful review of Saudi-American relations over the past 40 years will reveal that the Saudi kingdom and the United States have few interests in common, different perceptions of the Middle East, contrasting views of the role of the Soviet Union in the region, and, of course, opposing policies for resolving the Arab-Israeli conflict. Of equal importance is the Saudi disdain for democracy and democratic institutions.

The diplomatic mission of Philip Habib, a sincere attempt to reconcile the interests of Syria and Israel in the continuing political turmoil in Lebanon, was viciously attacked last week in an editorial in the Saudi Government-controlled newspaper, AR-RIYAD. I share it with my colleagues as a useful description of the nature of relationship between the United States and Saudi Arabia.

THE AMERICAN RANCH AND THE ISRAELI COWBOYS

Israel found nothing better to welcome Philip Habib's arrival than to launch a 1-hour raid on Lebanon, killing and wounding scores of people, and threatening to do even more every time the U.S. envoy comes to the area. This has been the case to the extent that the inhabitants of the south know the time of the raids and go into hiding, praying that the visit of Kissinger's successor will not last long, or else what is left of their houses will be demolished. Meanwhile Washington did not condemn what Israel has done as it usually does, probably because there was a fault in the computer so that it stopped talking. The envoy also preferred to remain silent as usual after he found that Tel Aviv is paving the way by all the means available to it for assuming the "lofty position" the White House has promised it, that is, to chair the "autonomy" talks in the fall. Meanwhile Habib is working toward entrenching the Israeli intransigence; it is as if Washington had sent him only in order to meet Israel's endless demands and had nothing to do with the Middle East crisis as a whole. Thus all that he claimed when he first arrived in the Middle East was simply aimed at deceiving the Arabs. Fortunately the trick has been discovered before it is too late. It has become necessary to watch the man's movements very carefully. It would be better if he left the area the same way he came, or otherwise clarified his stand finally—although it has become quite clear—and spared himself the trouble of shuttling between Arab capitals, which have begun to look on him as persona non grata.

Philip Habib is not as shrewd as Kissinger, but he is equally loyal and devoted to serving Israel. Both men have harmed the Arabs greatly and both have proved the increasing deviousness of Washington's policy.

The question that is being urgently asked now is: What is Habib doing in the area and

why is he remaining silent over his activities, which have become suspicious and of which, as we said, we should beware. He has offered nothing on the Lebanese crisis or the fabricated missiles crisis, nor has come to gather information, as is usually the case. So far he has conveyed no solutions from Washington to those concerned. All that can be said about him is that he sees with Israeli eyes, thinks only Israeli thoughts, and carries out only Israeli plans. We have never heard him blaming Israel for its behavior, or trying to dot the i's and cross the t's, or adopt a neutral stand. In fact, he has out-done "dear Henry's" traveling to and from across the Middle East as if the area were an American ranch under the command of a Zionist cowboy.●

ESTABLISHING RECIPROCITY IN THE CABLE INDUSTRY

HON. DOUG WALGREN

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. WALGREN. Mr. Speaker, today I am introducing legislation which would establish reciprocity in the cable television industry between the United States and other countries. The principle of this bill is that foreigners will be permitted to invest in U.S. cable operations to the extent that U.S. citizens have the same rights and privileges in foreign countries.

The cable television industry is a rapidly growing industry, now serving 10,400 U.S. communities and 18.6 million subscribers, 24 percent of the Nation's households. In recent years, several Canadian companies have made in-roads into U.S. audiences. Canadian cable systems now reach into approximately half a million U.S. homes. In 1976, Canadian-owned companies served 1 percent of U.S. subscribers; today that figure is 3 percent. In December, Barron's magazine predicted that Canadian cable would be serving 5 to 7 percent of U.S. viewers by the end of the 1980's. While this bill does not single out Canada—it applies to all countries—Canada is the only other country owning and operating cable systems in this country at this time.

CANADA RESTRICTS THE UNITED STATES

This bill would not place any restrictions on Canada that Canada has not placed on U.S. companies. In 1968, Canada enacted a broadcasting act that states as follows:

The Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political and economic fabric of Canada.

This was further expanded by extensive regulations which effectively limit foreign ownership in television, radio, or cable to 20 percent.

Following enactment of this law, American companies had to divest some $150 million of Canadian broadcast and cable investment. Thus, American companies have faced this restriction in Canada for some time. Additionally, Canadian businesses are discouraged from advertising on U.S. television stations whose signals reach Canadian audiences by a Canadian tax law that denies the same tax deduction available for advertising on Canadian stations.

OTHER RECIPROCITY LAWS

There are already several U.S. laws similar to this bill. The Communications Act limits alien ownership of U.S. broadcast licenses to 20 percent—and 25 percent under certain conditions. Additionally, foreign nationals are not allowed to hold any interest in oil, gas, or mineral leases in U.S. public lands if their country denies similar privileges to U.S. citizens. We have negotiated similar provisions with other countries in areas such as fishing rights.

CABLE HAS CHANGED OVER THE YEARS

Establishing reciprocity for the cable industry is particularly timely now since the industry is changing and growing significantly and the considerations that underlie alien ownership of broadcast licenses pertain also to cable. When cable began, it consisted primarily of the rebroadcasting of programs produced by others. Cable was simply a mechanism for providing a limited number of otherwise unavailable or poor quality broadcast signals to remote areas. Today, however, with dramatic developments in cable, satellite, and other related technologies, more than 80 percent of cable systems provide origination programing. There is more and more origination on cable. And today, cable operators exercise the same kind of editorial discretion over what U.S. audiences see and hear as their broadcast counterparts.

Furthermore, in one way, cable operators are in a unique broadcasting position. There are a number of broadcast channels in a given area or market. With cable, however, it is far more likely that there will be a single cable franchisee in a particular community, providing the exclusive vehicle for home video services. In other words, once a city is wired by a cable company, it is wired; a natural monopoly is established.

IMPROVING RELATIONS WITH OTHER COUNTRIES

Finally, this bill is in our national interest in the areas of trade and foreign relations. Under the bill, the restrictions would be dropped for any country that allows U.S. companies to operate cable in their country without restrictions. The bill includes a "like manner" rule—any ownership restriction which a foreign government imposes on U.S. citizens would be imposed in like manner to foreign citizens.

If commercial relations with our trading partners are to endure and flourish, they must be founded in the fundamental principle that trade and investment are a two-way street. I believe it is fair to place on other countries the same restrictions placed on our companies operating in those countries.

Mr. Speaker, the cable industry is a growing and complex industry. I hope that the Congress will carefully accept the principle of reciprocity with other countries as we consider revisions to our communications laws.

The text of the bill follows:

H.R. 4225

A bill to amend the Communications Act of 1934 to establish certain limitations relating to the ownership of cable television franchises by certain foreign entities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That part I of title III of the Communications Act of 1934 is amended by adding at the end thereof the following new section:

"LIMITATION ON OWNERSHIP OF CABLE TELEVISION FRANCHISES

"SEC. 331. (a) No cable television system (including all parties under common control) shall carry the signal of any television broadcasting station or any programing delivered by a radio facility licensed by the Commission, or by any communications satellite the operation of which is subject to regulation by the Commission, if such system is owned, operated, or leased by—

"(1) any alien or a representative of an alien;

"(2) any foreign government or a representative of a foreign government;

"(3) any corporation organized under the laws of any foreign government;

"(4) any corporation of which any officer or director is an alien or of which more than one-fifth of the capital stock is beneficially owned or voted by (A) aliens or their representatives or by a foreign government or any representative of a foreign government; or (B) any corporation organized under the laws of a foreign country; or

"(5) any corporation directly or indirectly controlled by any other corporation of which more than one-fifth of the directors are aliens, or of which more than one-fifth of the capital stock is beneficially owned or voted by aliens or their representatives, or by any corporation organized under the laws of a foreign country.

"(b)(1) The provisions of subsection (a) shall not apply to any entity described in paragraph (1) through paragraph (5) of subsection (a) with respect to a foreign government which allows the United States or a citizen of the United States to construct, own, and operate cable television systems within territories subject to its jurisdiction, except that any ownership restriction which such foreign government imposes upon the United States and its citizens shall be applied in a like manner to those entities described in paragraph (1) through paragraph (5) of subsection (a) which seek to own cable television systems in the United States.

"(2) Not later than 90 days after the effective date of this section the Commission shall promulgate rules and regulations necessary to carry out the provisions of paragraph (1).

"(c) The provisions of subsection (a) shall not apply with respect to ownership interests inconsistent with this section until 2 years after the effective date of this section.

"(d) For purposes of this section, the term 'cable television system' means a facility which retransmits any broadcasting signal or which engages in programing origination for distribution by cable or any other closed transmission medium to multiple subscribers who pay to receive such service.".●

NUCLEAR PROLIFERATION AND THE CLINCH RIVER BREEDER REACTOR

HON. GEORGE E. BROWN, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. BROWN of California. Mr. Speaker, in recent weeks, the very real and extremely serious issue of nuclear weapons proliferation has again been in the headlines. The Reagan administration, to its credit, has gone from a position of no concern to a position of visible concern. Unfortunately, this recent recognition that nuclear proliferation is something the U.S. Government should work to prevent has not resulted in policies that will accomplish this goal. This means that this Congress, like previous Congresses, will have to act on its own, in the absence of effective Executive leadership.

The chief weakness in the administration's policy is its continued advocacy of the plutonium economy, through the commercial development of breeder reactors and reprocessing facilities. If anyone believes the present generation of light water reactors, with their relatively low-grade nuclear fuels, are nuclear weapons proliferation threats, they can only be terrified of the prospect of a plutonium economy. Frankly, it is the reprocessing technology—and the weapons grade fuel which emanates from it—that is the greatest proliferation threat. With this type of technology in place, nuclear fuel diversion will be quick and simple—unlike diversions from enriched uranium stocks or light water reactor cores.

Mr. Speaker, we cannot pretend that our own country's entry into the commercial breeder era is not a nuclear proliferation threat. Nor can we deny that the proposed Clinch River breeder reactor is merely the first step to the plutonium economy. Is this what we want? Is this what we need? Have we considered the alternatives? I suggest the answer to all three questions is a resounding "No."

Mr. Speaker, I urge the House to reject the funding for the proposed Clinch River breeder reactor.

At this time, I wish to insert in the RECORD an editorial from the Los Angeles Times which makes the same points I have made. I commend it to my colleagues.

The article follows:

[From the Los Angeles Times, June 16, 1981]

THE CLOCK TICKS

Among the major headaches inherited by the Reagan Administration was the question of what to do about the obviously defective American effort to head off the further spread of nuclear weapons in the world. Although the Israeli raid on the Iraqi nuclear complex introduces new complications, the White House is expected to produce at least the general outline of a new policy within a few weeks.

President Jimmy Carter, building on a foundation laid by President Gerald R. Ford, took the nuclear nonproliferation issue seriously. He spent much diplomatic capital in efforts to persuade other nuclear-supplier nations to join the United States in stringent controls on nuclear exports. The idea was to make it difficult for Third World nations to launch a nuclear weapons program under cover of a peaceful nuclear power program.

Carter got considerable cooperation, especially from Canadians and Australians, but not enough. By the time he left office, his nuclear nonproliferation program was in tatters.

Pakistan is pursuing what most outside experts see as a vigorous effort to produce nuclear weapons, perhaps as early as next year. India, which provided the rationale for the Pakistani program by exploding a nuclear device in 1974, is darkly suggesting that it may feel compelled to resume nuclear testing.

Iraq has been impressively successful in obtaining sensitive nuclear materials and technology from France, Italy and other nations that want favorable access to Iraqi oil.

There is little question that, before the Israeli air strike, Iraq was on the verge of a nuclear bomb-making program that threatened the physical survival of Israel and the political survival of Arab regimes most friendly to the United States.

And there is little question that a number of other countries have the capacity to make nuclear bombs within a relatively short time if they decide to do so.

It is fair to say that Carter undercut his own program by his failure to enforce it. The underlying reality is, though, that the Carter policy did not attract the necessary support from West Europeans, whose anxiety to nail down oil supplies and to build their nuclear exporting industries outweighed their concern over contributing to the spread of nuclear weapons. And the United States, by itself, simply lacks sufficient leverage to be effective.

So what happens now? The Reagan Administration is expected to give some preliminary answers in hearings tentatively scheduled for late June by the Senate Foreign Relations Committee.

President Reagan hasn't said enough on the subject to give a reliable guide as to what the ultimate policy will be. But comments by his transition team and some subordinates offer some clues.

The Administration appears to feel—correctly, we think—that a major imperative is to build a framework of world peace and stability in which small countries can feel secure without nuclear weapons.

There is also a presumption that nuclear have-not nations will be more willing to accept controls aimed at preventing nuclear weapons proliferation if they can have reliable access to peaceful nuclear reactor fuels and technologies.

The hectoring of the French, the West Germans and other nuclear-supplier nations is felt to have been counterproductive. There is an assumption that the pitch for international cooperation will be more effective if it allows for less onerous restraints on supposedly trustworthy nations.

These are interesting ideas. But translating such generalities into specific policies is more easily said than done. And, while the new Administration insists that it will pursue a strong nonproliferation program, its credibility has been undercut by its support for the Clinch River breeder reactor program and its failure to appoint any strong nonproliferation figure to a key job.

Such skepticism may or may not be justified. But it won't go away until the Administration comes up with a reasonably detailed and coherent policy. Meanwhile, as the Israeli air strike demonstrated, the clock is ticking.●

WHO NEEDS THE ARTS? EVERYONE

HON. DENNIS E. ECKART

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ECKART. Mr. Speaker, the administration has proposed severe cuts in the National Endowments for the Arts and the Humanities. President Reagan calls for a plan in which private sector funds will replace Government funds. But can private giving offset the Federal grant money being cut? Many of our leading businessmen say no, and I have to agree.

Mr. Speaker, Cleveland, Ohio is nationally and internationally renowned as a community with an outstanding arts organization. Clevelanders are proud of our art museum and orchestra. They, as well as many other local art endeavors, are important to the culture and economy of our community. Not only do they attract scores of visitors from around the world, but they also employ hundreds of local people. This city, and this Nation, need the arts. Government must continue to play an important role in the arts if they are to survive in Cleveland and elsewhere.

Today, the House-Senate Conference Committee will be sitting down to discuss the level of funding for the arts and humanities. The House approved a single sum of $223 million for the arts and humanities, as compared to the Senate's authorization of $119.3 million for NEA and $113.7 for NEH. I will be supporting the Senate's higher level of funding.

A recent article in the New York Times by Harold Prince succinctly describes the dilemma facing the arts and humanities today. His message cannot be ignored. As John F. Kennedy said, "The life of the arts * * * is a test of the quality of a nation's civilization."

THE ARTS ARE IN ECONOMIC TROUBLE—SO, WHO NEEDS THEM? THE NATION

(By Harold Prince)

When I recently spoke to corporate executives about the importance of increasing private-sector support of the arts, because of the Administration's proposed 50 percent reduction in the National Endowment for the Arts' 1982 budget, someone said: "It isn't just the arts; we've been getting the same plea from education, health, welfare—from all areas of social concern. What would you do if you had to make a choice between educating a poor black child, feeding an elderly couple, or supporting an artist?"

While I did not want to present the continued support of artists as a greater priority than that of welfare mothers, I resist equating priorities in terms of immediate results. Of course I would not deny education to a child, nor food stamps and Social Security to an aged couple, nor health care. But the presence of art is never immediately measurable; it's a spiritual contribution to the quality of life, and state of mind, the dignity of man in his community. Harmony.

The cost of this harmony is relatively cheap. Prior to the suggested budget cut, the total arts budget came to $159 million—less than a dollar per person per year. A 1980 Harris poll of taxpayers found that 70 percent were willing to add $5 to their annual tax for the arts.

I have empathy for my corporate friend's dilemma. The Government should not force such a choice. I will not be thrown into life-and-death combat with the poor and aged.

Just after the election, Ronald Reagan reemphasized his support for the arts. Then the Office of Management and Budget "black book" hit the streets. David A. Stockman had declared flat out that the arts were not a priority. At a meeting of the National Council on the Arts, Robert Carter, from the Reagan transition team, told us that 50 percent cut represented a 100 percent improvement in the Administration's original budget plans.

What reasons has the Administration offered for the cut? Government funds, they tell us, have replaced private-sector funds and have become the first resort for arts organizations. They are incorrect and uninformed. No! That would be bad enough—what is worse, they *are* informed. They know the facts to be the opposite. They have chosen to misrepresent them. One of the Endowment's unchallenged successes is that it has nourished the growth in private giving for the arts, primarily in matching grants, from $205 million to $2.7 billion in the 15 years of its existence.

This speaks to a uniqueness of the Endowment and a rightness in the Government's role. When it's working right, Government is the people. It makes proprietors of the audience, for the use of their tax dollars gives them certain title to the work they enjoy. Moreover, the Endowment's peer-panel system takes decision-making away from bureaucrats. I cannot say I agree with every decision, every policy, every program. But ours is a Government agency open and democratic, where virtually any arts organization or individual artist can receive a fair review by his peers, accepting that the odds are heavily against him in all the disciplines.

This addresses another criticism of the endowment—that its standards have been lowered in order to make grants on regional or political bases. Actually, Endowment funds, in concert with those of state and local arts agencies, allow thousands of artists to stay and work with dignity and respect in their own communities.

Historically, too many artists have been discovered posthumously. It's a credit to our times that that has changed. Not always, of course. A minimal grant of $3,500 enabled the Lousiana State University Press to publish a manuscript by an unknown author who killed himself soon after completing it. This was "A Confederacy of Dunces," by John Kennedy Toole, this year's Pulitzer Prize winner for fiction. The Pulitzer Prize-winning play "Crimes of the Heart," by Beth Henley, was produced originally by The Actors Theater in Louisville, an Endowment-funded theater, and then in New York by the Manhattan Theater Club, another recipient.

What would happen if the Endowment were shackled, its powers diluted? Can we expect big business to assume its responsibilities, to structure an effective arts council checked and balanced by peer assessment?

The Endowment is uniquely capable of identifying problems and solving them. For example, it recognized the diffciulty of training qualified producers, directors, and writers in the musical theater, and created a master-apprentice program using both private-sector and Endowment funds.

Consider the dramatic accomplishments. The number of symphony orchestras in our country has grown from 25 in 1965 to 150 in 1980, dance companies from 30 to 400, professional theaters from 15 to 147, opera companies from 27 to 109. Not all of this is directly attributable to the Endowment, of course. State arts agencies and private giving have a lot to do with it. But an Endowment grant is a catalyst; the imprimatur of a panel review encourages private giving.

So, it's a bit ironic that we are subject to an enormous budgetary cut and the establishment of a task force, which implies a crisis of confidence. From where I sit, the Endowment is an amazingly effective instrument of public policy.●

THE LATE CONGRESSMAN DONALD L. JACKSON

HON. JOHN H. ROUSSELOT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 16, 1981

● Mr. ROUSSELOT. Mr. Speaker, he was good humored and courageous, witty and adventurous; his spirit and vitality made him a true American, a statesman, a patriot. I make these remarks about Donald L. Jackson at the risk of repeating what my colleagues have said; yet I feel I must tell you how much I respect this man and how I hope he has found peace.

I unfortunately just missed serving in the House with this distinguished California Republican. As another Representative of southern California, I always admired his exceptional ability to understand the special problems of our neighbors to the south and to communicate with them. He was a most integral member of the Foreign Affairs Committee.

Throughout his 14 years as a Congressman, he showed foresight, effectiveness, determination, and a never-ending positive outlook. Perhaps it was his time spent with the U.S. Marine Corps, from 1927 to 1931 and again 1940 to 1945, that gave him his instinct for the dynamics and intricacies regarding issues of war and peace. His foresight in foreign affairs led him to anticipate the Korean war, and he firmly supported giving aid to Formosa (Taiwan) and other free Asian nations.

After finishing his term with the 86th Congress, just as I was beginning my first term, he became a television commentator. But public service life called him back when in 1969 he was appointed to the Interstate Commerce Commission by President Nixon.

His courage and perseverance showed in his politics and in his personal life. He fought for his ideals as a Member of Congress; he fought for his life against cancer. The day he passed away, May 27, 1981, will remain a sad day for me.

As my friend and colleague Mr. BURGENER said, "He was the life of every party." Let us not take this statement lightly. He was life itself to those around him with his determination, and consistent conviviality during times of crisis and peace alike. We need more men like Donald Jackson. Let us keep part of this wonderful, vibrant, fearless man within our hearts and minds.●

THE LIES OF HISTORY—LEE GRANT AND THE ATLANTA CONSTITUTION

HON. LARRY McDONALD

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. McDONALD. Mr. Speaker, they tell me that if a lie is told often enough and long enough, most gullible citizens come to accept that lie as a fact. Such is the case with Joseph Litsch interviewing actress Lee Grant in the Atlanta Constitution on July 10, 1981. There is a parallel between this and another interview from TV Guide entered into the CONGRESSIONAL RECORD for my colleagues last week (July 14, 1981, pages 15704-06.) That interview was of another actor, Lionel Stander of "Hart to Hart."

According to Lee Grant's interview with Joseph Litsch:

Miss Grant was a victim of Senator Joseph McCarthy's witch hunts to rid the U.S. movie industry of Communists.

That is a lie. Senator McCarthy never conducted, nor had anything to do with Reds in Hollywood.

Some other interesting items about that interview took place, such as Lee Grant's standing up in public in defense of those identified in sworn testimony as Communists. This, she said, is

what caused her to get blacklisted from further employment. Then in another part of the interview she states that had she been willing to "label her husband a Communist," she could have returned to work. Rather than do so, the interview states:

> Instead, she issued a statement saying her relationship with her husband was one of love, not politics. After his death in 1962, clearing her name was easier.

The fact is, clearing her name had nothing to do with her husband's death, but rather the fact that he was a Communist—did. Let us look at the record.

In contrast to Lee Grant who thinks that communism is "politics," there was Leo Townsend, who on September 18, 1951 identified Lee Grant's then husband, Arnold Marnoff, as a hard core Communist. The hearings were conducted by the Committee on Un-American Activities of the House, and not McCarthy's committee in the Senate.

Before Townsend began to name such as Lee Grant's then husband, he stated:

> Also I feel that since the American Communist Party in the last 4 years hasn't openly and honestly stated its aims and its goals and has evaded the issue of its allegiance to the Soviet Union. I think that the American people have a right to know which people have not yet made up their minds.

Well, Lee Grant's husband was one of the "hard core" who chose loyalty to the U.S.S.R. rather than the U.S.A.

If that was not enough, there was also the testimony of Edward Dmytryk before the same House Committee on April 25, 1951 with regard to Lee Grant's then husband Arnold Marnoff. It was Dmytryk who became disillusioned with the Communist Party, because they would not take a stand against the Soviet Union even after the evidence following World War II, that it was their intent to bring communism to the whole world. After pointing to the Korean war, both Soviet and Chinese Communist vicious onslaughts against humanity world-wide, Dmytryk turned to the domestic Communist Party support of subversion and espionage on behalf of the Soviet Union and against the United States:

> The third thing was the spy trials, the development of the Hiss, Coplon, and Greenglass cases, and the Fuchs case in England. To me there is a significant thing about the spy trials. The thing that impressed me was that these people did not get any money, or not much. There are spies that work for their country and we have respect for them. There are other spies who receive money for their work, and there may be a certain admiration for them, because they risk their necks. *These people are doing it for love of the party. This is treason. I think the party that has used them is treasonable also.* (Emphasis added)

It was not a lie of history, that Lee Grant's husband threw his lot in with the Communist world, including the shock which, incidentally, was investigated by the late Joseph McCarthy, that over 5,000 Americans, as prisoners-of-war had been brutally murdered by the Communists in Korea. If that's love or politics, then Lee Grant can have both her love and her politics. I think the American people would rather have the truth about Lee Grant, her former husband, and the Atlanta Constitution for contributing to her lies of history.

Also in that Atlanta Constitution article, Lee Grant stated that Joe McCarthy called the Army a "subversive outfit." That is another lie, aided and abetted by the Atlanta Constitution. Then of course came the old cliche, that Edward R. Murrow took McCarthy to task, which led to McCarthy's downfall. Some of us still remember the "real world" of Murrow when he brought Annie Lee Moss before the camera, and berated McCarthy for picking on this poor defenseless woman who McCarthy had accused of being a security risk. It is true that McCarthy did suffer damage, for it was weeks later that in fact Annie Lee Moss was permanently suspended as a security risk. But the press, as it is with the Atlanta Constitution today, was strangely silent. Only two newspapers in America carried the final chapter, the Chicago Tribune and the Brooklyn Tablet.

The final blow in the interview highlights the Army-McCarthy hearings with of course no identification as to what started the Army-McCarthy hearings, which was in fact, the covering up of those in the executive branch who were covering up espionage activity on behalf of the Soviet Union, by personnel at Fort Monmouth, N.J. But of course, this is a subject for at least two CONGRESSIONAL RECORD entries, and the main thrust here is the correction of the saga of Lee Grant and the Atlanta Constitution. Suffice it to mention in passing, that some gullible Americans did watch the "boob-tube," and the Army-McCarthy Hearings, and to this day 90 percent of the American people know not the truth of the cause of those hearings. But back to Lee Grant.

It was on April 1, 1957 (31 days before Senator Joseph McCarthy died), that Lee Grant (Marnoff) appeared before the House Committee on Un-American Activities, and again to repeat, not the McCarthy committee. Lee Grant was accompanied by none other than Leonard B. Boudin. And something should be said about Leonard Boudin, for among other things, he was also the counsel who has represented no less than 53 individuals who stood on the fifth amendment with regard to Communist activity. Leonard Boudin also represented such personages as Paul Robeson, Soviet spy Judith Coplon, Victor Rabinowitz, and of course our old friend from my prior entry on TV Guide interviewee, Lionel Stander.

But Leonard Boudin did, and is doing more. In 1951, the National Emergency Civil Liberties Committee (NECLC) was formed as a Communist Party, U.S.A., front, to provide funds for legal cases, such as Lee Grant's, and for the dissemination of Soviet propaganda. Since the early 1960's, Boudin, with his law firm of Rabinowitz, Boudin, & Standard, have represented none other than Fidel Castro's Cuba, while it did and does, spread terrorism, death, destruction, and ultimate Communist conquest over the continents of Africa and Latin America. It was also Boudin who went after FBI Agents John Kearney, Edward S. Miller, and W. Mark Felt. We do not think it an accident that Leonard Boudin's daughter, Kathy Boudin, was one of the fugitive terrorist leaders the FBI was after, and her last public appearance was when she fled from the collapsing Greenwich Village townhouse in March 1970 when an antipersonnel bomb exploded prematurely.

In 1977, Leonard Boudin addressed what could be referred to as a "radical chic" fund raising affair in New York City at the home of Diana Lewis. The purpose was to raise money this time on behalf of the Socialist Workers Party (SWP). Among the guests were Walter Bernstein, yet another "blacklist" victim of "witchhunting" as the defenders of all phases of communism put it; Ramsey Clark of Hanoi and Ayatollah fame, among other things, and none other than Edward Asner known now by TV viewers as "Lou" Grant, and we presume no relation to Lee Grant, fictionalized as it may be. Anyone who has watched the Lou Grant series might just remember the fictionalized account dramatizing in favor of the Iranian Students Association (ISA), probably one of the most dangerous terrorist organizations in the United States, if not the world. In any event the "radical chic" affair raised some $10,000 to further the aims of defending Communist activity within our borders. And Boudin continues today with CPUSA, SWP, Cuba, and much more.

On that day of April 1, 1957, ably represented by Leonard Boudin, Lee Grant when queried on past associations, activities, and yes, even membership in the Communist Party, U.S.A., invoked the fifth amendment some 17 times. Four years before, as I pointed out in a recent speech on the anniversary of the death of Joseph McCarthy, on December 14, 1953 to be exact, Lyon Boston, prominent New York attorney and founder of the Bill of Rights Society, aptly and correctly pointed out:

No person should be permitted to invoke the fifth amendment to hide a conspiracy against the *whole Bill of Rights and the whole Constitution.* (my emphasis).

And what of the late Bishop Fulton J. Sheen who stated:

There is no danger to academic freedom when a government asks its citizens whether or not they are loyal. But there is danger to academic freedom when a person invokes a constitutional privilege in order to destroy the very constitution they are invoking.

It is interesting that the Atlanta Constitution in that interview with Lee Grant, titled the headlines:

Blacklist bolstered Grant's true grit.

To that, this Member of the House would comment: Let the Soviet Union, their agent Leonard Boudin, keep the likes of Lee Grant, Lionel Stander, and all else. We do not need those kind of "grits" in the Southland of the United States—or anywhere else.●

TRIBUTE TO JESSE STARKEY

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. DYSON. Mr. Speaker, on July 1, 1981, a transition occurred in Charles County which marked the end of Jesse Starkey's illustrious tenure as superintendent of the Charles County public schools.

In June, Mr. Starkey was honored at a dinner at the officers club at Andrews Air Force Base. That salute to Mr. Starkey was an indication of the affection that the people of Charles County have for Mr. Starkey.

Mr. Speaker, I would like to share with the House a little of Jesse Starkey's history and acknowledge the participants who made that salute such a success.

JESSE LEE STARKEY

Jesse Lee Starkey, oldest of six children, was born in Hampton, West Virginia, on January 25, 1922. He attended the public schools in Upshur County through the ninth grade. At that time, his family moved to Richwood, West Virginia, where he was graduated from the high school in 1940.

Choosing work instead of a scholarship which had been offered to him, Mr. Starkey started in the business office of the Cherry River Boom and Lumber Company. Here he worked for about a year in the payroll department. Taking the payroll, while riding in an automobile that was modified to run on railroad tracks, to workers in the lumber camps and selling war bonds to them occupied most of his hours there.

He left employment with the lumber company to take a job with an uncle who ran a firm known as the West Virginia Wood Products—a furniture factory. In the short time he was in the furniture factory, he mastered the most challenging tasks to be performed.

Mr. Starkey entered the 81st Infantry Division of the U.S. Army in 1942, and he was sent soon to Western Maryland College, as part of an Army Specialized Training Program in basic engineering. From this highly concentrated course, he received a year and one-half of college credit. With the Germans threatening again to overrun Western Europe in what became known as "The Battle of the Bulge," the army interrupted Mr. Starkey's studies.

He was assigned to the 84th (The Rail Splitters) Division, and he took part in three major battles before the fighting in Europe was over. He was delayed in his return home by six months, because his talents were considered "essential." He was charged with the responsibility for heading a team of men, whose task was to oversee the flow of currency in and out of a specified sector. On January 25, 1946, he returned to the United States and immediately re-entered Western Maryland College, where he was graduated in January of 1948, after majoring in mathematics and taking minors in science, chemistry and physics.

Upon graduation, Mr. Starkey took a job for a year and a half as a teacher of math and science at the Manchester High School in Carroll County, Maryland. Then, he was made principal of the Elmer Wolfe School (grades 1-12) in the same county. At the end of the three years, he went on to become for a seven year period, the principal of Mt. Airy High School.

The Board of Education of Calvert County offered him in 1958 the job of High School Supervisor and Director of Instruction. That assignment was changed at his request in 1960, when he assumed the principalship of the then-new Calvert County Senior High School, in addition to carrying on the duties of personnel administration.

In 1965, Mr. Starkey came to Charles County as Assistant Superintendent for Instruction. He became Deputy Superintendent for Instruction and Pupil Services in 1967 and Superintendent of Schools in 1969.

A lifetime of work, that started back in his high school days as a manager of a large paper route, has not prevented Mr. Starkey from taking an active part in the life of whatever community his career has taken him. He has been a member of the Lion's Club in Carroll and Calvert Counties and has held offices in those clubs. He has been a scout leader and worked with Little League in Calvert County. He has the distinction of being the charter president of the Charles County Rotary Club. In his church, he has been a leader including duties as associate District Lay Leader. Currently, he is on the Administrative Board and serves as Chairman of the Council on Ministries.

He is a member of the Society for the Restoration of Port Tobacco; also he has been a member of the County Human Relations Commission. His interest in the social affairs of the community is matched by his participation in his profession's activities.

A member of Phi Delta Kappa, National Association of Secondary School Principals, Member of ASSA and ASCD, he has been president this past year of the Public School Superintendent's Association of the State. Most recently, he has held an appointment from the Maryland State Board of Education as Chairman of the State School Bus Formula Committee.

Now that he is counting the hours until his official duties will have been completed, Mr. Starkey looks forward to spending more time with his family, taking some trips, maybe fish. In his words, "Retirement is not an ending, but the beginning of something new."

PARTICIPANTS AT DINNER CEREMONY

John Thomas Parran, Jr., Rev. Davis W. Peck, Vincent C. Hungerford, Stephen C. Starkey, Randy Runyon, Janet Sexton, John R. Ward, James A. Forrest, Sr., Sandy A. Wilson, William A. Diggs, Dr. Larry A. Lorton, Mrs. Nancy J. Sefton, W. Cecil Short, Eugene M. Karol, Joseph L. Shilling, Dr. George Marx, James C. Simpson, Royden P. Dyson Paul S. Sarbanes (represented by Jim Gentile), Ralph C. Wachter, Walter W. Bowling, Jr., Robert E. King, James E. Wilson, Jesse L. Starkey, Father Oliver McGready, M. William Runyon, Paula N. Smith, W. Cecil Short, Philip A. Thorn, Roy E. Yanosh, Joseph J. Lavorgna, Rachel L. Dalrymple, Gordon J. Hasenei, Elwood M. Leviner, Anne S. Jameson, Joseph A. Shifflette, Dale Arbogast, Ruby J. Bales, J. Ronald Black, Keith G. Grier, Adrienne A. Jennings, Wiley E. Poindexter, Nancy T. Renfro, Charles L. Wineland, Elizabeth Shifflette, C. Ashley Smith, John H. Bloom, Linda S. Mowbray, Mary J. Wright, and Louis H. Cummings.●

CARL ALBERT CONGRESSIONAL CENTER

HON. GLENN ENGLISH

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ENGLISH. Mr. Speaker, I am pleased today to express my support for H.R. 3598, a bill authorizing matching Federal funds for the Carl Albert Congressional Center at the University of Oklahoma in Norman.

Carl Albert served as Speaker of the House from 1970 until January of 1977, a tumultuous time of change for the country. During this period, Speaker Albert capably guided Congress through the changes and into a new era.

The Carl Albert Congressional Center not only honors the former Speaker, but also provides the country with the exceptional opportunity of establishing an academic discipline in the field of congressional studies. Presently the center contains one of the largest collections of congressional papers in the country. Current plans call for significantly increasing the collection, creating a forum for the study of Congress unique to the Nation's scholastic world. The University of Oklahoma offers the facilities for the proper maintenance and care of these papers, thus preserving the historical record of Congress as well as supplying a concentrated area of study for undergraduate and graduate students.

If passed, this bill will provide matching Federal funds for public and private donations up to $3 million. I urge my colleagues to join me in supporting this important legislation.●

PETER BENSINGER: A JOB WELL DONE

HON. ANDY IRELAND

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. IRELAND. Mr. Speaker, I would like to take a few moments today to call the attention of the House to the retirement from public service of the head of the Drug Enforcement Administration, the Honorable Peter Bensinger.

Faced with a seemingly impossible task, Peter Bensinger has labored through the last three administrations to increase public and Government awareness of the threat to our society represented by narcotics use and the crime it generates.

Equally importantly, since our country does not produce any heroin or cocaine, Peter Bensinger has stressed the need to pursue strong diplomatic initiatives overseas, particularly in the nations of South America, South Asia, and Southeast Asia which are the primary producers.

Finally, he has worked hard to coordinate and firm up the often diffuse Federal and State enforcement efforts against narcotics within the United States.

Because of the magnitude of the task remaining, it would be inappropriate to list "successes" in any of the above endeavors.

Peter would be the first to say that his task is not complete, and that his successor will have to continue the fight. I want to make clear my support for the initiatives begun under Mr. Bensinger's guidance, particularly with regard to the overseas diplomatic efforts.

It is clear that the Department of State must redouble its efforts, and must recognize that in many instances the claim that overall diplomatic concerns must place the narcotics menace in perspective is dangerous nonsense. In most of these instances, the only diplomatic relations we have with these countries revolve around the narcotics problem, and our dealing with them should reflect this, rather than some nebulous concern for diplomatic niceties.

Recently, I have been privileged to work closely with Mr. Bensinger and his people at DEA as we have fought to have the ban against overseas spraying of paraquat lifted, particularly in Colombia. In this cooperative effort we have been successful, both in the House and Senate. I am confident that the conference committee will hammer out an agreement on the overall foreign assistance legislation which highlights the need to act promptly and forcefully in the international narcotics control program.

When this happens, it will be in large part due to the leadership over the years of Peter Bensinger.

Also this year, I joined with other Members, again with the full support of DEA, in the successful effort to get the military more involved in pursuing smugglers as they seek to penetrate our shores with cocaine, heroin, and the incredibly profitable marihuana trade.

Other areas we are now examining for possible legislative initiatives include the need to help the banking industry with some protective cover against continued pollution from the millions—perhaps billions—of "narcodollars" now corrupting the financial system of our Nation.

Again, here, we have cooperated with Peter Bensinger, and profited from his counsel.

For the future, our task is obvious—we must do everything in our power to combat the importation and use of narcotics in our country. We should always be grateful that we have had Peter Bensinger helping to lead this fight for the past 5½ years.

Peter Bensinger has set a standard of thoughtfulness and leadership which will stand us, and his successor, in good stead. Thank you, Peter.●

THREE THAT DESERVE TO LOSE

HON. BOB EDGAR

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. EDGAR. Mr. Speaker, the Washington Post editorial today, "Three That Deserve to Lose," is important. As the cosponsor of the Edgar-Pritchard amendment to delete the Tennessee-Tombigbee Waterway, I urge my colleagues to read this statement and help us end this misuse of public funds. The editorial follows:

THREE THAT DESERVE TO LOSE

Three very large government projects—the Tennessee-Tombigbee Waterway, the Clinch River breeder reactor and SRC I (the solvent refined coal project)—come before Congress this week. All richly deserve to be defeated.

What else do these projects—a canal connecting the Tennessee to the Gulf of Mexico, a breeder reactor demonstration plant, and a plant to make solid and liquid fuels from coal—have in common? All three are to be paid for entirely or largely from Federal Government funds. All have incurred immense cost overruns beyond expenses due to delay and inflation. All are way behind schedule. All are extremely expensive—between $3 billion and $4.5 billion. And none of the three makes economic sense.

It took 25 years from the time the Tenn-Tom was first authorized for Congress to become sufficiently persuaded of its merit to appropriate money for it. Congress was right the first 25 times. The canal's cost has ballooned from about $300 million a decade ago to $3 billion, but less than 20 percent of its projected benefits for the last five years actually materialized. Nearly everything else about the project is uncertain, including where the canal could sensibly end, which direction barge traffic on it will travel, who would use it and for what, and whether the benefits would ever exceed the costs of contruction.

Since Clinch River was first proposed, the rationale for plutonium breeders has evaporated. Only a large and growing number of traditional nuclear electric plants, using up the available uranium fuel, would offset the breeder's greater cost and make it economically competitive. But in the last few years projected nuclear demand has plummeted, estimates of uranium availability have risen sharply, and the price of uranium has dropped. Meanwhile, the cost of the Clinch River plant alone has risen fivefold—to $3 billion—and construction has not even begun. Utilities lobby strongly on Clinch River's behalf, but do not put their money behind it: the private share of the cost is now down to 9 percent. European breeder programs, including the most ambitious in France, are on hold or being reevaluated.

The SRC I project is the youngest of the three, but it may already have set the record for cost overruns: up 99.8 percent in 18 months. As in the case of Clinch River, the government would bear most of the costs—up to 97 percent, depending on how successful the project is. The revenues now being projected by the principal contractor assume that the solid and low-grade liquid products will sell at the equivalent of oil priced at $76 a barrel, which is very unlikely. The project suffers from a number of basic design flaws.

None of these projects will yield benefits commensurate to the government's investment. Some may yield none at all. Termination would be the best choice even if there were plenty of money available. But at a time when badly needed government programs are being cut to the bone, their presence in the budget is an affront.●

SOCIAL SECURITY CUT WILL HURT

HON. WILLIAM D. FORD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. FORD of Michigan. Mr. Speaker, we are heedlessly wading into deep and dangerous waters on social security legislation. We had best pause and reflect on where we are going before it is too late.

When we voted late last month for that hastily thrown together Republican reconciliation substitute known as Gramm-Latta II, we agreed to eliminate the $122 minimum social security benefit for 3 million Americans in April. Under the Senate-passed bill the benefits will terminate in August.

Even though the hour is now late, we should make every effort to correct this grievous error in conference. This is but another example of the heartlessness of the Reagan administration.

The administration argues that this payment should be abolished because the recipients never earned the bene-

fit. Have we reached a point in our society where we are prepared to turn our backs on those who depend on this meager payment because they have not earned the right to $122 a month? I hope not.

The administration sees this as a way to reduce 1982 outlays by $1.3 billion. It estimates that the cut would affect about 1.5 million of the 2.9 million present beneficiaries. It argues that only 17 percent of these are truly needy and that 74 percent receive additional retirement income.

The cruel fact is, however, that about 750,000 of these people rely solely upon the minimum benefit for their retirement income.

It is estimated that 1.2 million of all of the recipients would be eligible for other Federal benefits. The remaining 1.8 million would just have to suffer some income loss.

In itself this is disturbing enough. Equally worrisome, however, is the clear intention of the administration to make even more painful and more fundamental changes in social security. The minimum benefit proposal, as harsh as it is for those who so desperately count on it, is but the tip of the iceberg.

With great haste, as is the wont of the Republican budget cutters, the administration wants to make lasting changes in social security that will hurt million of Americans permanently.

They want to go far beyond the adjustments that are necessary to guarantee the solvency of the trust funds in order to achieve the balanced budget they have promised.

In short, they are seeking to play fast and loose with the futures of older Americans for their own political ends.●

A VIGOROUS DEFENSE OF THE FIRST AMENDMENT

HON. GEORGE E. BROWN, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. BROWN of California. Mr. Speaker, although legislators are apt to become entangled in eternal debate over the particulars of governing, we must never become oblivious or neglectful toward the framework which affords us the luxury of disagreement. More than on any other thing, this framework—democracy—depends upon the first amendment for its existence.

Freedom of speech and assembly, in all its forms, represents the fundamental, shared value that binds individuals together as Americans, and Americans together as a nation. It is the one factor which, most wholly on its own account, is responsible for democracy. And, as the determining factor, it serves as the yardstick by which free societies are distinguished from those which are not.

There have been recent occurrences which indicate a lessening of public support for first amendment privileges. Veiled in cloaks of mainstream support, unrepresentative, extremist groups have attempted to impose censorship on both a local and national scale. Incidents of local book burnings and national invocations of a purportedly universal moral code should have each one of us up in arms over the audacity of their implications. Yet, all too often, these incidents go unexamined, and the defense of first amendment freedoms is treated with lethargy.

Within this context, I would like to call my colleagues' attention to an exceptional examination of first amendment freedoms by Kathy Olmsted of San Bernardino, Calif., in an essay that won first prize in KNXT television station's first amendment essay contest. Both Kathy, for her excellent essay, and station KNXT, for its celebration of our most fundamental freedoms, should be heartily commended.

At this time, I wish to insert in the RECORD the essay by Kathy Olmsted of Pacific High School, San Bernardino, Calif.

FIRST AMENDMENT ESSAY

(By Kathy Olmsted)

In recent years, there has been a notable resurgence of conservatism among American citizens. The present mood has increased the strength and visibility of groups like the Moral Majority and led to a weakening of public support for the unrestricted exercise of first amendment freedoms. This populist sentiment in favor of curbing individual liberties is in direct contrast to the mood of 50 years ago. The increasingly liberal rulings of the Supreme Court during the 1930's paved the way for the virtual elimination of restraints on the freedoms of speech, religion, assembly, petition and the press over the next 40 years. However, the present political climate could indicate the imposition of more limitations on civil liberties if public support of first amendment freedoms continues to wane.

The first amendment provides that Congress shall make no law "abridging . . . the right of the people peaceably to assemble, and to petition the Government for a redress of grievances." In 1876, the Supreme Court narrowly interpreted this passage to mean citizens could only assemble if their purpose was to petition the government. In 1937, however, the Court liberated freedom of assembly from its dependence on freedom of petition and held it to be a fundamental right in a democratic society.

But there are still problems in allowing all groups to publicly assemble. Public opinion seems to be strengthening against indiscriminately permitting groups like the Ku Klux Klan and National Socialist Party of America to stage demonstrations and parades. In June of 1978 the American Civil Liberties Union lost many of its supporters when it defended the Nazi Party's right to hold a march. The attention called to this activity brought a national outcry against extending the right of assembly to extremist groups.

Public support of freedom of the press has also gone full cycle over the last 50 years. In 1931, the Supreme Court declared censorship to be unconstitutional by invalidating a Minnesota newspaper "rag" law. But in the last decade, censorship has again been on the rise. Efforts to ban books from school systems and public libraries doubled in number over the first 5 years of the 1970's. Most banning attempts sprang from a populist, vigilante spirit to insure morality in literature, but often resulted in the banishment of classic works. Novels and plans judged too obscene, seditious, or blasphemous to allow in classrooms included such literate fare as "The Grapes of Wrath", "Catcher in the Rye", and "The Merchant of Venice". The extent of the popular support for these censorial efforts is evidenced by the more than 200 State and local groups organized to clean up the libraries.

The concept of the freedom of religion aroused very little controversy in 1930, but the issues of school prayer, private school tax credits and financial malfeasance are now bringing the idea into the political arena. An increasing number of Americans seem to be in favor of tightening the State controls on churches in order to deal with fiscal mismanagement and lessen the influence of religious cults.

The decade of the 1930's witnessed a number of advancements in the area of legal guarantees for free speech. The Nation has recovered from the Communist scare of the early 1920's and was not yet encumbered with concerns about wartime security. The Supreme Court under Chief Justice Charles Evans Hughes made a number of strides toward extending the rights of unrestricted speech to all citizens.

But recently public sentiment has swung in favor of eliminating the abuses of free speech inevitable in a democratic society. Carol Burnett's suit against the National Enquirer established that the press cannot always hide behind first amendment protections, organizations like the Moral Majority are challenging the Nation's pornography laws, and the "Pentagon Papers" raised questions about how far free speech can go before it conflicts with national security interests.

The Nation has changed much over the last 50 years. The 1930's were a time for putting democratic ideals into practice, while the 1980's seem to be a time for reacting to too much freedom too fast. Distrust of the media, the courts and Congress has contributed to a general consensus among the populace that the first amendment goes too far in guaranteeing freedom of the press, speech, religion, petition and assembly to everyone. But the freedoms enumerated in the first amendment have endured the fluctuation of public support for over 200 years and their flexibility seems to promise them at least 200 more.●

JOSEPH W. HOLLIDAY

HON. JOHN L. NAPIER

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. NAPIER. Mr. Speaker, It is with sadness that I note the passing of a good friend, Joseph W. Holliday of

Galivants Ferry, S.C. Mr. Holliday was the president of Pee Dee Farms, one of the largest agricultural concerns in the State. He was postmaster of Galivants Ferry and was recently appointed as a member of my Tobacco Advisory Committee. He also served on the John F. Kennedy Agricultural Committee.

Mr. Holliday's lifelong contributions to agriculture will long be remembered. During his lifetime, he and his family created one of the largest and most modern farm operations in existence in the South. Many say the Holliday farm is the largest tobacco-growing concern in the world.

Joseph W. Holliday was born at Galivants Ferry, a small, riverside community famous statewide for perserving the heritage of American politics through its biannual, old fashioned stump meetings which signal the beginning of political campaigns. From this rural setting, Mr. Holliday reached out to serve his community, State and Nation through numerous organizations, associations and agencies.

He was director emeritus of South Carolina National Bank, served on the board of trustees of Coastal Carolina College and was past trustee of the Baptist College of Charleston and Furman University in Greenville. He was a member of Galivants Ferry Baptist Church.

An editorial in the Tuesday, July 14 Myrtle Beach, S.C. Sun News described Joseph W. Holliday in these well-chosen words which share the loss and sadness all those who knew him bear:

The death of Joseph W. Holliday of Galivants Ferry on Saturday deprives not only Horry County, but the entire state, of a farsighted businessman and an enduring civic leader.

Mr. Holliday is best known, we suppose, for his business activities in banking, farming and warehousing, but several of us appreciate Mr. Holliday's intense interest in keeping alive the spirit of politicking that came with the Democratic stump rally every other year. With his brother, John Monroe J. Holliday who survives him, Mr. Joseph Holliday made Galivants Ferry the center of South Carolina politics at least once every two years. No doubt, the stump speaking will succeed Mr. Holliday next year, and it will be a tribute to him.

We knew Mr. Holliday for many years, and we admired him as a family man as well as an entrepreneur who knew his way around the business world. That his death and that of Hoyt L. Jordon of Conway, another leader in business and civic affairs, came on the same day heightens our feeling of loss.

If the Pee Dee Farms Corp., perhaps the largest tobacco farm in the United States and certainly the forerunner of large tobacco businesses anywhere in the Carolinas, is a tribute to the Holliday brothers and to their father, then Mr. Joseph Holliday's unselfish devotion to family and friends and his untiring involvement in civic and business affairs writes his obituary more clearly and cogently than anything in print.

Horry County and South Carolina suffer the loss of Mr. Holliday from our midst. May he rest in peace, and may the sadness of his passing dissolve with time and memory.●

FOURTH CONGRESSIONAL DISTRICT RESIDENTS STRONGLY SUPPORT PRESIDENT REAGAN'S ECONOMIC RECOVERY PROGRAM

HON. NORMAN F. LENT

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LENT. Mr. Speaker, each year since being elected to the Congress, I have conducted a poll of my constituents in the Fourth Congressional District of New York which I have the honor to represent. Each year, when the tabulation of answers to my questionnaire has been completed, I have made the results available to my colleagues and to the President.

At this time, I would like to share with my colleagues the results of my 11th annual questionnaire. I am pleased to report that more than 21,000 constituents reponded to this survey. This impressive response is indicative of the intense interest my constituents have in the Federal Government, its policies and its programs.

A good share of the questions in this year's questionnaire dealt with the policies and programs of President Reagan and his administration. I am pleased to report to my colleagues that the questionnaire results revealed very strong support for President Reagan's economic recovery program within the Fourth Congressional District—84 percent of the questionnaire respondents approved of President Reagan's proposals to limit Federal spending, even though such proposals might curtail programs in which the respondents were interested. More than 82 percent endorsed President Reagan's across-the-board reduction in Federal income tax rates. And more than 71 percent supported the President's call for increased defense expenditures.

Concern over the state of the economy was evident in the survey results. Only 33 percent of the respondents were prepared to say that 1981 will be a better year, economically, for Long Island. Frankly, Mr. Speaker, I was startled by this rather pessimistic outlook. I feel it may have been due to an expectation that Congress would not approve the President's economic recovery program. Since the poll was completed, Congress has voted firm limits on Federal spending, as President Reagan proposed to curb inflation. And we can complete the President's program for revitalizing our Nation's economy by voting for the across-the-board reduction in tax rates, as President Reagan is requesting. If we do so, Mr. Speaker, we will see a much stronger and more prosperous economy emerging.

I trust the results of this questionnaire will persuade my colleagues on the other side of the aisle of the necessity to adopt the Reagan tax cut program.

So that my colleagues may be fully informed, I insert the complete tabulation of results of my 11th annual questionnaire into the RECORD at this point:

TABULATION OF 11TH ANNUAL QUESTIONNAIRE

[In percent]

Question	Yes	No	Undecided
1. Do you favor President Reagan's proposal for an across-the-board reduction in income tax rates of 10 percent per year for 3 years?	82.3	15.0	2.7
2. Do you favor President Reagan's proposals to limit Federal spending even though they may curtail some programs of interest to you?	84.1	14.5	1.4
3. Do you favor President Reagan's proposal to increase defense expenditures?	71.1	23.6	5.3
4. Do you favor increased Federal spending to provide larger subsidies to improve service on the Long Island Railroad?	40.0	56.5	3.5
5. Should the United States provide additional aid to El Salvador, if the guerrillas there continue to get arms from Communist countries?	47.9	48.1	4.0
6. Should the United States cut off aid to Nicaragua, if the Nicaraguan regime continues to allow arms shipments to guerrillas in El Salvador?	86.4	10.8	2.8
7. Should the United States lift its embargo on grain shipments to the Soviet Union at this time?	21.2	77.1	1.7
8. The Congress this year will consider revisions to the Clean Air Act. Do you favor some relaxation of air quality controls on coal-fired utility plants to allow greater use of lower-cost coal?	73.4	22.3	4.3
9. Do you favor separate and lower minimum wage requirements for teenagers to create more entry-level opportunities for young people?	59.5	37.4	3.1
10. To restore fiscal stability to the social security program, without sizable increases in social security taxes, do you favor funding nonretirement benefits—such as medicare and disability payments—from general tax revenues?	79.4	17.1	3.5
11. Do you favor replacing federally funded public employee job programs with greater tax incentives to create jobs in private industry and business?	77.2	18.3	4.5
12. Do you feel 1981 will be a better year, economically, for Long Island?	33.0	52.8	14.2

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SOLVING THE MINIMUM BENEFIT CRISIS

HON. CHARLES E. BENNETT

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. BENNETT. Mr. Speaker, Congressman MCCULLOM and I introduced a bill today which answers the problems of minimum social security, in a valid way, protecting those now covered or about to be covered; and furnishing the needed additional funds from general revenues. The bill reads as follows:

H.R. 4212

A bill to provide that the repeal of the minimum social security benefit shall not apply to individuals who are currently receiving monthly insurance benefits under title II of the Social Security Act or who initially become entitled to such benefits prior to 1984.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 215(a)(1)(C)(i)(I) of the Social Security Act and the related provisions in title II of such Act (establishing a statutory minimum benefit under the old-age, survivors, and disability insurance program) shall continue to apply, notwithstanding the repeal of such section and such provisions in 1981, to any individual who is entitled to a monthly insurance benefit under title II of such Act on the date of the enactment of this Act or who initially becomes entitled to such a benefit after such date but before January 1, 1984.

SEC. 2. There are authorized to be appropriated from time to time, to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, such sums as the Secretary of Health and Human Resources deems necessary for any fiscal year, on account of—

(1) amounts paid or to be paid during such fiscal year from such Trust Funds under title II of the Social Security Act solely by reason for the first section of this Act,

(2) the additional administrative expenses resulting or expected to result therefrom, and

(3) any loss in interest to such Trust Funds resulting from the payment of such amounts, in order to place each of such Trust Funds in the same position at the end of such fiscal year as the position in which it would have been if the first section of this Act had not been enacted.●

RALPH DULANY

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. DYSON. Mr. Speaker, it was with great sadness that I learned last May of the death of a very close friend of my families who lived in Wicomico County on the lower Eastern Shore of Maryland.

Ralph Dulany was an inspiration to those who knew him and loved him. Wicomico County, Md., was a better place because of his untiring dedication and sense of civic responsibility.

Mr. Dulany was a member of the Maryland Department of Economic and Community Development Advisory Commission from 1964 to 1974, serving as chairman from 1967 until 1974. He was made chairman emeritus upon his retirement from the commission.

The former president of Dulany Foods, a prominent Salisbury, Md., food processing firm which was later purchased by the Green Giant Co., Mr. Dulany was extremely active in both the business world and his community throughout his lifetime.

He was a former president of the National Canners Association. He also served for 21 years on the Wicomico County Board of Commissioners, 10 years as chairman of the county housing authority and held numerous positions of leadership in civic and service organizations.

In the words of Hans F. Mayer of the Maryland Department of Economic and Community Development, "Mr. Dulany was a dedicated and tireless businessman, community leader and public servant."

Mr. Speaker, I would like to insert an editorial from the May 27, edition of the Daily Times which I feel expresses the thoughts of the people who knew Ralph Dulany and who will miss him.

RALPH O. DULANY

Friends and relatives paid their last respects today to Fruitland's most prominent citizen.

Ralph Olin Dulany died Sunday in Peninsula General Hospital Medical of heart failure. He was 87.

Dulany was active in community affairs for many years with much of his work unknown to the public. His impact upon the community will be difficult to assess but his peers recognized his worth when in 1951 he received the Salisbury Award. His memberships and honorary degrees are numerous.

Dulany probably became best known to the community in 1941 when he was appointed, with three others, by then Gov. Herbert O'Conor as a member of the 'Blue Ribbon' Wicomico County Commissioners, later changed to the Wicomico County Council. He served on that board until 1962 when he decided not to seek reelection. He was a quiet member of the board who attended each meeting with his trademark, a bulging briefcase stuffed with work papers prepared before the session. He was always prepared and was able to contribute something of value to each meeting.

There was no fanfare about his retirement from the old commissioners. He simply didn't say anything and when the candidate filing deadline passed it became apparent that he was not going to seek another term. Two wars had been fought during his tenure, the county had grown richer and county commissioners had served and been replaced within those two decades. He guided and helped the county reach statewide recognition.

A champion of the downtrodden, Dulany would hire ex-convicts at his Fruitland cannery in the days when work for an ex-convict was impossible to find. He advocated causes ahead of his time, serving as chairman of the controversial Wicomico Housing Authority between 1965 and 1975.

He was interested in the people of Fruitland and helped many of its citizens in time of need.

W. Lee Allen, a boyhood chum, commented when he presented Dulany with the 1951 Salisbury Award: "Never once have I seen him make a decision in which he did not regard the public welfare."

The statement does justice to the man.●

CONGRESSMAN McCLORY REPORTS QUESTIONNAIRE RESULTS

HON. ROBERT McCLORY

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. McCLORY. Mr. Speaker, never during my years in the U.S. House of Representatives have I sensed a greater interest in public issues on the part of my constituents than at the present time. Recently, I circulated my biennial questionnaire among my constituents in the 13th Illinois Congressional District, comprising large portions of Lake, McHenry and Kane Counties. This area represents a broad cross section of the political, economic, and social interests of our Nation. The questions propounded to my constituents were primarily those associated with the major concerns of the Reagan administration focusing on the problems of the economy and our national security.

A strong demand from my constituents for responsible management of the Government's fiscal business was the principal characteristic of this survey. Other responses expressed support for increased Federal handgun controls, opposition to a constitutional amendment to prohibit abortions, and dissatisfaction with former President Carter's handling of the Iranian hostage crisis.

It should be revealing to the Members of this body that less than one-fifth—19 percent—of my constituents would support legislation to provide for the Federal financing of congressional political campaigns. Hopefully, this result will influence my colleagues to oppose any expansion of the existing authority of the Federal Elections Commission which already dominates presidential election campaigns.

Stricter Federal handgun controls were favored by more than 60 percent of those whom I undertake to represent in the 13th District of Illinois. I should add that throughout the district women were precisely 2 to 1—or 67 percent—in favor of "stricter Federal handgun control laws," in contrast to 57 percent of the men who voiced similar support.

Mr. Speaker, except for the disparity which exists on the handgun issue, men and women appeared generally to express similar opinions. A slightly larger percentage of women—31 percent—in contrast to 28 percent of their male counterparts, favored a constitutional amendment to outlaw abortions.

Finally, Mr. Speaker, let me repeat that the responses to this year's questionnaire were greater than in any earlier years. In returning the answered questionnaire cards, literally thousands also penned individual letters commenting on the issues surveyed as well as on other subjects of current interest.

Mr. Speaker, I am pleased to attach hereto the questionnaire results giving the numerical details as well as the percentages. I am sure that many of my colleagues will be interested in comparing these results with those which they have secured from similar questions which they have propounded to their constituents. The results follow:

	Voting		Percent yes
	Yes	No	
1. Do you favor a 3-year, 10-percent-a-year cut in individual income tax rates	27,916	3,404	89
2. Would you favor such a tax cut even if it means an unbalanced Federal budget	15,945	14,944	52
3. Do you favor immediate, drastic cuts in Federal spending of the sort proposed by President Reagan	26,770	4,617	85
4. Should our Nation spend more on defense, even if this means running a deficit	18,260	12,589	59
5. Do you approve of the way former President Carter handled the Iranian hostage crisis	8,095	23,016	26
6. If such a crisis occurs again, should the President use force to gain the hostages' freedom	22,175	7,849	74
7. Do you favor stricter Federal handgun control laws	19,467	11,922	62
8. Do you favor legislation providing for Federal financing of congressional election campaigns	5,953	25,063	19
9. Do you favor a constitutional amendment requiring a balanced Federal budget except during national emergency	23,665	7,284	76
10. Should the Federal income tax provide a credit for tuition at private elementary and secondary schools	13,953	17,555	44
11. Do you favor a constitutional amendment to outlaw abortions	9,239	21,835	30●

ARE PESTICIDES REALLY NECESSARY?

HON. ANDY IRELAND

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. IRELAND. Mr. Speaker, there has been a great deal of controversy surrounding some of the methods used to determine which chemicals are carcinogenic. The debate over saccharine a few year ago comes to mind. Some have argued that the use of animals is not an effective approach. Some have argued that using unrealistically high doses of chemicals biases the results. And some believe that the techniques we are using today are the best available.

I would like to take a moment to add the concerns of one of my constituents to this debate. Mr. Keith C. Barrons is an agricultural consultant from Holmes Beach, Fla. I would like to include below an excerpt from his book, "Are Pesticides Really Necessary?" to the ongoing debate of this issue.

EXCERPT FROM "ARE PESTICIDES REALLY NECESSARY?"

(By Keith C. Barrons)

The saccharin episode in the United States, following so quickly upon the banning of cyclamates, served to emphasize that many organic substances, both natural and synthetic, can be shown to be carcinogenic in one or another laboratory animal if administered at doses greatly in excess of likely human intake. The fact that there is no evidence of an increase in human cancer resulting from either of these sweetening agents after years of use should cause even the most wary to reflect on the wisdom of the Delaney Clause. As presently interpreted, this provision in U.S. regulatory law prohibits the addition to food of any substance that induces tumors in laboratory animals at any dosage, no matter how high. Valuable uses of at least ten pest control chemicals have been banned since passage of the Delaney Clause, and numerous promising materials have never been heard of beyond research facilities, where they fell by the wayside when toxicological investigations—as required by regulatory agencies—showed them to be probable carcinogens at doses greatly in excess of likely human exposure.

There is certainly reason to question the practical meaning of carcinogenicity tests with a single species, particularly tumor-prone strains of mice. Likewise there is reason to question that net benefit to man of preventing the use of chemicals that help assure an adequate food supply only because grossly exaggerated doses have a tumorigenic effect on an inbred strain of laboratory animal. In my view, the current inflexible interpretation of the Delaney Clause, with no allowance for degrees of possible risk or the benefits on the other side of the ledger, must be modified or reinterpreted.

Although Congressional action to clarify the law's intent and to provide guidelines for its future administration might be the preferred way to balance risks and benefits, many think such action is unlikely. Another approach would be a reinterpretation by regulatory officials of the word appropriate found in the Delaney Clause, which reads:

"No additive shall be deemed to be safe if it is found to induce cancer when ingested by man or animal, or if it is found, after tests which are *appropriate* for the evaluation of the safety of food additives, to induce cancer in man or animal. . ." (italics mine).

Researchers conducting tests for possible carcinogenicity customarily run the dosage range as high as the animal will tolerate without death resulting. Hence, the dosages employed are often far in excess of likely human exposure. With compounds having a relatively low acute effect, the highest nonlethal doses may place a severe burden on the animal's elimination system, including the liver. It is believed by some that the resulting pathological manifestations are often in reality a response to this overloading of the system, rather than true carcinogenicity. What is so sacred about these traditional ways of conducting such experiments? Why not a protocol for carcinogenicity tests, with the highest level at an agreed-upon multiple of anticipated average human intake, for example 100 to 1? Would not such a margin for safety be quite *appropriate?*

To me, it is highly *inappropriate* to provide for an infinite margin of safety against the possibility of a miniscule increase in the incidence on cancer, via the Delaney Clause, but at the same time ignore the need for a reasonable margin of safety for our food supply. When DDT was banned in some countries a decade ago, we had just such a margin of safety for crop protection in the form of alternate chemicals. Now, with outlawing of one pesticide use after another, that margin has evaporated, as has much of the incentive for industry to continue research aimed at safer and more effective crop and livestock protection materials.

As promising as some nonchemical methods of pest control may be, those who promote the idea that they alone can defend us against insects, fungi, nematodes, etc. without the aid and the backup of pesticides are proposing that we all play Russian roulette with life's number one essential: our food supply. A more flexible interpretation of the Delaney Clause, based on tests at an agreed-upon multiple of likely human intake, would go a long way toward assuring food for the future.●

SOVIET YAMAL NATURAL GAS PIPELINE—A CONCURRENT RESOLUTION OF DISAPPROVAL

HON. JOHN LeBOUTILLIER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LEBOUTILLIER. Mr. Speaker, today I am introducing a House concurrent resolution which expresses the disapproval of the Congress with respect to U.S. participation in the Yamal natural gas pipeline project. This resolution urges the President to establish allied cooperation in developing alternative free world energy sources.

Mr. Speaker, this concurrent resolution is part of a continuing effort which I and my distinguished colleagues, Representative NELLIGAN and Senator GARN, are pursuing to halt Western financial, material, and technological participation in the construction of the Soviet Yamal natural gas pipeline.

On June 24 we sent a letter—cosigned by nearly 50 Members of Congress—to President Reagan expressing our concern that the pipeline poses a clear and present danger to Western security. It was our judgment that, by significantly increasing Europe's dependence on the Soviet bloc for natural gas and other sources of energy, the Yamal natural gas pipeline would clearly provide the U.S.S.R. with tremendous economic and political leverage over NATO, leading to the potential "Finlandization" of Western Europe.

The administration's first public response to this letter was in the form of testimony last week before the Joint Economic Committee. Testifying before that committee, Under Secretary of State for Economic Affairs Myer Rashish warned that Europe's growing dependence on natural gas from Siberia could give the Soviet Union excessive influence over their economies. While the United States seeks a prudent level of economic relations with the Soviet Union and Eastern Europe, Under Secretary Rashish said that care must be taken to make sure that the Soviet Union is not afforded the opportunity to potentially disrupt the Western economies, as has OPEC.

This same point was underscored by President Reagan in a conversation with Chancellor Schmidt at the Ottawa Summit Conference on Sunday, June 19. According to published reports, President Reagan expressed concern over construction of the pipeline, adding that European dependence on Soviet natural gas might be reduced if alternative sources could be developed.

Mr. Speaker, I applaud these efforts by the administration, and urge the President to continue to take the leadership in this important matter. Moreover, I urge my colleagues in the House to support my resolution as an expression of support for the President. A strong American leadership in the development of alternative sources of free world energy is a course of action we should all welcome.

The resolution as introduced is printed below.

H. CON. RES. 159

Concurrent resolution expressing the sense of the Congress that the United States should not participate in the Yamal natural gas pipeline project, and urging the President to secure the cooperation of the nations of Western Europe and Japan in developing alternative Free World energy sources

Whereas the Union of Soviet Socialist Republics proposes to construct a 3,600-mile natural gas pipeline at a cost of $15,000,000,000, running from the Yamal Peninsula in northwest Siberia to the Federal Republic of Germany;

Whereas the Union of Soviet Socialist Republics proposes that the Yamal natural gas pipeline be built with Western financial, material, and technological resources;

Whereas the construction of the Yamal natural gas pipeline would substantially increase the economic and energy dependence of Western Europe on the Soviet Bloc, increase the possibility for economic and political blackmail by the Union of Soviet Socialist Republics, and undermine the historic cultural, economic, and security ties between the United States and Western Europe;

Whereas the construction of the Yamal natural gas pipeline would provide the Union of Soviet Socialist Republics with a substantial source of revenue to further finance its continuing military build-up and worldwide geopolitical offensive;

Whereas the security and economic stability of Western Europe require energy diversification; and

Whereas the United States and its allies possess manifold energy sources in need of development: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that the President, exercising such authority as is available to him, should—

(1) prohibit any participation by the United States in the Yamal natural gas pipeline project;

(2) urge the nations of Western Europe not to participate in the construction of such project;

(3) propose and enlist the cooperation of the nations of Western Europe and Japan in an alternate energy diversification project in order to develop and maximize the vast energy potentials existing within the Free World; and

(4) promote this alternative energy diversification project as part of an effort—

(A) to strengthen the security of all Free World nations;

(B) to assure reliable and diverse energy supplies within the Free World;

(C) to strengthen the Western economy and increase levels of employment;

(D) to strengthen the bond between the United States and its allies; and

(E) to enhance the role of the United States as the leader of the Free World.●

STATEMENT BY REPRESENTATIVE NELLIGAN ON THE INTRODUCTION OF A RESOLUTION EXPRESSING THE DISAPPROVAL OF CONGRESS WITH RESPECT TO U.S. PARTICIPATION IN THE YAMAL NATURAL GAS PIPELINE PROJECT

HON. JAMES L. NELLIGAN

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. NELLIGAN. Mr. Speaker, I am pleased to join with Congressman LEBOUTILLIER in introducing this resolution urging President Reagan to discourage our Western European Allies from participating in construction of the Yamal natural gas pipeline.

In addition, a second and very important part of this resolution urges the President to take the lead, in cooperation with our European Allies, in developing free world energy resources so that the Europeans have sufficient and secure energy supplies for their industry.

Mr. Speaker, as you know, there are vast amounts of recoverable coal in this country. We need to develop our energy-related infrastructure—our railroads, our ports, our roads—so that we can get our coal to Western Europe. I believe this should be a high priority of this administration.

For too long, the United States has not played its proper role as free world leader in energy development. We must take the lead so that once again this country and its allies can reduce our dependence on OPEC. We must also insure that our European Allies do not feel forced to rely on other suppliers such as the Soviet Union.

I therefore urge my colleagues to join me in cosponsoring this resolution.●

SNYDER QUESTIONNAIRE

HON. GENE SNYDER

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. SNYDER. Mr. Speaker, every year, since first coming to Congress, it has been my practice to send out a questionnaire and every year the good people of the Fourth Congressional District of Kentucky have responded by sharing their views with me on the issues covered by my survey.

This year was no exception. My questionnaire was sent out in May and the voters of the Fourth District—nearly 20,000 of them—took the time to let me know what they are thinking.

Over the years, the folks in the Fourth District who respond regularly to my questionnaires have, unfortunately, always been very far ahead of their time. They have long realized that there are no "free meals." They have long known the Government cannot make a habit of spending more than it takes in without creating serious economic problems. They have long realized that too much Government is the source of too many of our problems. I shared their point of view all along, but not enough of my colleagues here in Congress did.

Fortunately, it appears things have changed. The rest of the country is apparently beginning to catch up with the residents of the Fourth District and is beginning to realize that Government, in many cases, is the problem, not the cure.

Especially encouraging to me is the fact that there is a good chance that when this year is over, I will be able to tell my constitutents that, for once, their Government listened to them.

By overwhelming margins, my consitituents support increased defense spending and increased pay and benefits for military personnel. The House-passed defense authorization bill increases defense spending to record levels and a bill to increase pay and benefits is on the schedule.

By overwhelming margins, my constituents support the elimination of mandatory auto emissions inspection, support a reductions in the size of the Federal work force and support the dismantling of the Department of Education. In all likelihood, the administration's plans include all three.

Even more noticeable, the results of this survey indicate nearly unanimous approval of President Reagan's economic proposals. Whether you call this a "mandate" or not, the residents of the Fourth Congressional District of Kentucky think the President is on the right path.

The people I have the honor of representing here in the House have been ahead of their time for a good while, but this year it appears that Congress could catch up with them. And the Government and our country will be better off because of it.

It is my pleasure to share the results of my 1981 questionnaire with you.

QUESTIONNAIRE

[In percent]

1. In general, do you support the President's proposals for reducing the 1982 Federal budget? Yes, 96.9, no, 2.8; undecided, 0.3.

2. Do you favor a substantial increase in defense spending? Yes, 85.6; no, 13.1; undecided, 1.3.

3. Would you support import restrictions on foreign cars to give the U.S. auto indus-

try a chance of recovery? Yes, 58.5; no, 39.5; undecided, 2.0.

4. Do you think able-bodied welfare recipients should be required to perform some kind of work on public projects to maintain eligibility for welfare? Yes, 98.3; no, 1.3; undecided, 0.4.

5. Do you support President Reagan's plan to reduce the number of Federal employees by 33,900 in 1981 and 63,100 in 1982? Yes, 93.5; no, 4.4; undecided, 2.1.

6. Would you support efforts to dismantle the Department of Education? Yes, 70.1; no, 19.1; undecided, 10.8.

7. Do you favor an increase in pay and benefits for military personnel? Yes, 78.4; no, 17.9; undecided, 3.7.

8. The President has proposed an approximately $1 billion reduction in foreign aid spending. Should foreign aid be reduced? Yes, 95.7; no, 2.9; undecided, 1.4.

9. Do you support the Administration's "get tough" policy with the Soviet Union? Yes, 92.0; no, 5.2; undecided, 2.8.

10. Do you support mandatory automobile emissions inspection and maintenance programs? (Under existing law Jefferson, Kenton, Campbell, and Boone Counties would have to implement auto emissions inspection and maintenance programs by January of 1983.) Yes, 22.2; no, 74.5; undecided, 3.3.

11. Do you agree that reducing Federal spending is a necessary step to fight inflation? Yes, 97.0; no, 1.2; undecided, 1.8.●

A TRIBUTE TO MRS. CAROLYN GIBBONS COKER

HON. JOHN L. NAPIER

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. NAPIER. Mr. Speaker, motherhood is one of the institutions which has served to provide this great Nation of ours with the men and women who created this free land. There is no greater service to any nation than that rendered by those who bear and rear the children who will be our future leaders.

It is with pride that South Carolina's Sixth District holds the honor of providing the representative for the Nation this year through Mrs. Carolyn Gibbons Coker, recently named National Young Mother of the Year.

Mrs. Coker, a 34-year-old mother of three boys, is married to a Florence, S.C. physician, Dr. Steven Coker. She won the national title after having served a year as South Carolina Young Mother of the Year.

A dedicated family person, Mrs. Coker instantly remarks her priorities are "God first, family next." She maintains a strong commitment to strengthening the spiritual and moral foundation of the home.

Mrs. Coker is a native of Turbeville, S.C. and graduated from one of South Carolina's finest institutions of higher learning, Lander College. She continued her studies while teaching, earning a master's degree. And, during this same period, she was elected president of the Charleston, S.C. Auxiliary to the Student American Medical Association and president of the Phi Chi Medical Auxiliary, activities in which she became involved while her husband attended medical school.

She has also served as the national secretary to the Student American Medical Association and in 1974 was named among the "Outstanding Young Women of America."

Presently Mrs. Coker lives in Florence with her family, where she serves as an active member of First Presbyterian Church, board member of the Association of Parents and Teachers at Briggs Elementary School, and president of the Parent's Guild at All Saints Episcopal Day School.

She has held garden club posts and is president-elect of the Florence Garden Council. Her organizational skills additionally led her to create three student groups in Florence for the Young Mother Council Service study group.

Lander College, her alma mater, recently recognized her contributions by naming her the 1981 Lander College Distinguished Alumni Award recipient.

Mrs. Carolyn Gibbons Coker will serve the Nation well during her yearlong reign as National Young Mother of the Year. It is with pride that South Carolina's Sixth Congressional District "lend" Mrs. Coker to the Nation because her ideals and values represent all the good and honorable things motherhood can mean.●

TRIBUTE TO HELEN SULLIVAN

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. DYSON. Mr. Speaker, on Friday, August 7, the Executive Director of the Agricultural Stabilization and Conservation Service—ASCS—in Charles County, Md., Mrs. Helen B. Sullivan, will be honored at a retirement luncheon in La Plata, Md.

Mrs. Sullivan has been an official of ASCS for 30 years and has dedicated her life to assisting Charles County farmers by providing excellent service as a liaison between the USDA and the farming community. In this capacity she has proved how invaluable the ASCS office can be.

Mrs. Sullivan and her husband John, are no strangers to the Charles County farming community. They have a 122-acre farm in Trinity Church near Newport, Md., which because of their busy schedules, they have had to rent to another local farmer.

In all her years with the Department of Agriculture, Mrs. Sullivan has always held the needs of the farmers in the highest regard.

Mr. Speaker, I join with the entire agriculture community in Charles County in wishing Mrs. Sullivan and John a happy and prosperous future.●

YES—A REPUBLIC; NO—A DEMOCRACY; LET'S KEEP IT THAT WAY

HON. LARRY McDONALD

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. McDONALD. Mr. Speaker, almost every day as of late, some effort is being made to bring this Nation of ours back to sanity. Last week I rendered for my colleagues a lesson of history to be learned from Alfred E. Smith, late Governor of New York, but most important, an American above all else. On July 9, 1981, I came across another item to share with my colleagues from the Atlanta constitution. This is another lesson of history from a more contemporary source.

It seems that there is a great debate going on in America as to whether, in view of men like Jerry Falwell, that there is a danger of what some refer to as a Christian theocratic government, being resurrected here in the United States. Collie H. Owens takes the humanist, the liberal, the radical, to task for all the cliches they present in opposition to returning not to a theocratic government, but to the beliefs that most Americans have had over the years, that this is a republic, not a democracy, and that form of government has enhanced the basic beliefs in God—family—country.

Concerning our Republic, to add to the comments of Collie H. Owens, my colleagues should glance back when Democrats like Al Smith were still calling our form of government—a republic. It was in 1928, November 30 to be exact, that the then War Department issued training manual 2000-25. The subject was "Citizenship." Concerning, for the benefit of present-day liberals, the manual stated of a democracy:

> A government of the masses. Authority derived through mass meeting or any other form of direct expression. Results in mobocracy. Attitude toward property is Communistic—negating property rights. Attitude toward law is that the will of the majority shall regulate, whether it be based upon deliberation or governed by passion, prejudice, and impulse, without restraint or regard to consequences. Results in demagogism, license, agitation, discontent, anarchy.

My colleagues would do well to reflect on this as they vote each day in the House. Do we continue to vote away the property rights of the great American middle class and negate the greatest freedom known to any country in the world? Do we continue to

buy votes by destroying the rich and not helping the poor? Do we, as Mr. Owens suggests, follow mobocracy and crucify Christ more again today—because it is the democratic thing to do? Once again, let us look to the lessons of history. To that end, as I did earlier with regard to Alfred E. Smith, I share with my colleagues the entire remarks of Collie H. Owens:

[From the Atlanta Constitution, July 9, 1981]

PULSE OF THE PUBLIC—A REPUBLIC, NOT DEMOCRACY

(By Collie H. Owens)

ATLANTA.—Allow me to respond to the critics (Pulse Of The Public, June 10 and 12) of my letter (June 4) advocating a return to a Christian theocratic government. Their responses were predictable and are, unfortunately, quite typical of the liberal nonsense that has brought this country to the brink of disaster. What really "scares" me and sends "cold chills up my spine" is the radical subjectivism of the humanistic mentality reflected in these letters. But rather than speculate about the level of epistemological self-consciousness of the respondents, let me answer some questions they raised. I'll lump their objections into categories (let's call them "The Cliches of Liberalism"), and I'll follow each cliche with my response.

First cliche: You can't legislate morality. It is true that we can't make men good by passing laws, but it is also true that laws are expressions of a moral system, i.e., a definite understanding of good and evil. From which moral system are going to derive our laws? God's biblical system (objective and absolute) or man's imaginery one (subjective and changing)?

Second cliche: You can't impose your morality on others. It is true that we should not create an arbitrary, existentialist-type morality and then force it on others, although that is what the humanists are doing every day, but, it is also true that Christians are to call our nation back to God's morality as expressed in biblical law. God's commandments did not originate with me, so they are not merely opinions; they are the absolute expression of God's unchanging character. The God of the Bible is an objective reality, and if people choose not to acknowledge him and his demands, they do so at their own peril. Imagine someone deciding to disregard the law of gravity and jumping off the Peachtree Plaza Hotel, yelling all the way down, "You can't impose the law of gravity on me!" Any individual or society which ignores the natural or moral absolutes of God's universe is headed for destruction. In this regard, George Washington stated in his first inaugural address, with great insight, that "the propitious smiles of Heaven can never be expected on a nation that disregards the eternal rules of order and right which Heaven itself has ordained."

Third cliche: You can't identify your interpretation of the Bible with God's will. True, we must be careful here, but it is also true that God has clearly and infallibly revealed his will in the Bible. Really now, folks, what's to interpret about "don't steal" and "don't kill?" For those who might have difficulty understanding these words, the definitive application of these commandments can be found in the case laws of the Old Testament. Insofar as our views are in accord with scripture, we can speak with authority and certainty.

Fourth cliche: You must separate church and state. True, if you mean we must keep separate the institutions of church and state and their functions. The church is to administer God's grace in the gospel and the sacraments, while the state is to administer biblical justice. But the cliche is false if you mean that the state is not to be submissive to the God who ordained its existence in the first place (Romans 13: 1-7). We do not believe in the separation of God and state, Bible and state, Christianity and state, or Christ and state. This point needs to be emphatically made: a theocracy does not mean the merger of church and state (as in Iran); however, both church and state (separate institutions, separate officers) must be under the authority of scripture because they are both God-ordained institutions. A theocracy (a government based on the Bible) is perfectly compatible with the First Amendment, not as interpreted by a liberal Supreme Court but as originally intended by the Christians who wrote it. For documentation of this point, see "The Separation Illusion" by John Whitehead, Mott Media, 1977.

Fifth cliche: A Bible-based government will result in the suppression of non-Christian religions. True, this has happened in the past, particularly in Europe. However, religious persecution is not a necessary ingredient of a theocracy. It would be more correct to say that a biblical government will result in the suppression of immoral actions (as defined objectively in scripture) rather than non-Christian ideas.

Sixth cliche: A Bible-based government would conflict with American democracy as established in the Constitution. First of all, the Constitution calls for a republic, not a democracy. Mr. Bruce Spengler (Pulse Of The Public, June 12) implied that I did not understand the meaning of the Constitution and that I was a dangerous, un-American person because I don't believe in democracy. As a matter of fact, I spend a whole quarter every year in my civil government course teaching nothing but the Declaration of Independence and the U.S. Constitution, so I am quite familiar with their contents. Since Mr. Spengler is such an expert on these documents, perhaps he can point out where, in either one, the word "democracy" is used.

The Founding Fathers knew that republican government (rule by law, rule by representative) is compatible with scripture but that democracy (rule by people) was a curse. I would refer Mr. Spangler to "Federalist No. 10" by James Madison (the main architect of the Constitution) in "The Federalist Papers" where democracy is denounced as one of the worst forms of government ever devised and is specifically contrasted with a republic. That many people ignorantly believe this country was founded as a democracy shows the extent to which Americans have been brainwashed by the leftist curriculum of state schools. The Constitution specifically guarantees for every state a "republican form of government."

Morever, the Bible condemns democracy. Read, for example, the tragic story in 1 Samuel 8 concerning Israel's substitution of democracy (mob rule) for theocracy (rule of God). Also, remember that it was mobocracy that sent the Lord Jesus Christ to the cross (Matthew 27:21-23). Democracy can lead to disastrous consequences through what the Christian philospher Francis Schaeffer has called "the tyranny of the 51 percent majority." Again, the question is, by what standard do you determine what is good, true, or beautiful? The choice is clear: The unchanging word of God or the rubber yardstick of man's sin-bent mind. It is Christ or Chaos.●

A VERY UGLY VISION

HON. JIM MATTOX

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MATTOX. Mr. Speaker, a very ugly vision has emerged from the Gramm-Latta amendment to the reconciliation bill that the House approved so narrowly. It is the certainty that millions of elderly, poor Americans will be completely done out of the minimum social security benefits they now rely on.

Never before has this House stricken from the social security rolls any groups of people currently receiving benefits. Recently, the House was stampeded into cutting off from the rolls, without any warning, the most vulnerable segment of our population—the elderly poor.

The argument that these people can be transferred to the supplemental security rolls is not only callous, it is unreal. It defies the facts. Only half of those people now eligible for SSI apply for it. We all know that the elderly are a proud group of people. What makes the administration think that the elderly now collecting the minimum benefits they have earned would willingly apply for welfare instead? This defies everything we know about the pride of older Americans.

It is not too late to undo this damage, I urge that we take whatever steps are necessary to insure that minimum social security benefits are not reduced for those currently receiving them.●

A FRAMEWORK FOR IMPROVING THE SUPREME COURT

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. HUBBARD. Mr. Speaker, Rev. Denny Burchett, pastor of Trinity Baptist Church in Hopkinsville, Ky., a city that I represent in Congress, has some ideas for improving the U.S. Supreme Court. At a time when the Senate is about to embark on historic confirmation hearings for Supreme Court nominee Sandra Day O'Connor, I share Reverend Burchett's letter with my colleagues. The letter follows:

DEAR REPRESENTATIVE HUBBARD: I am proposing a plan to change the term and appointments of the Supreme Court Justices of the United States. In engaging upon such a venture there are apparent problems: Amending the Constitution; keeping the Court as free from all prejudices, political

and otherwise, as possible; keeping a Supreme Court Justice appointment attractive to qualified, worthy individuals; having active, competent Supreme Court Justices unhindered by the quest for power, the self-delusion of egotism, the ravages of poor health, and the senility of old age.

I realize there are other problems, many of which I have never heard, but I believe the following plan can provide a framework for improving the Supreme Court.

Term of office: For each appointment—9 years.

How to attain office: Must be appointed by the President in power at time vacancy occurs on the Court; must be approved by a majority vote of the Senate in session.

How to maintain office: Must request reappointment each time a 9-year term ends; must repeat same procedure as outlined in attaining office.

Requirements for office: Must be at least 35 years old; must not be 72 or older at time of appointment; must have been a citizen of the United States for at least 20 years prior to appointment and for at least 15 of those years, the appointee's official residence must have been within the United States; must have at least two earned degrees from accredited colleges or universities located within the United States.

How to leave office: By reaching the age of 72 and the present appointment time running out; by voluntary resignation; by impeachment as prescribed by the Constitution; by not being reappointed by the President in power at the time the present appointment runs out; by not being reapproved by a majority of the Senate in session when the present appointment runs out; death; by being so physically or mentally impaired that one cannot perform the duties of the office and this matter of physical or mental impairment being brought to the Senate by the President in power at the time and the Senate, by a two-thirds majority vote, stating positively that the physical or mental impairment is so great that one cannot perform the duties of the office.

I pray you will give this subject some serious consideration, add your thoughts to it, and let there begin a winnowing that will make the Supreme Court of the United States a stronger, more efficient servant of the people of the United States.

With respect,

DENNY BURCHETT.●

MORATORIUM ON THE COMMERCIAL HUNTING AND KILLING OF WHALES

HON. JAMES WEAVER

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. WEAVER. Mr. Speaker, I was pleased that the House concurrent resolution passed overwhelmingly on July 15, calling for an indefinite moratorium on the commercial hunting and killing of whales.

This week the 33d Annual International Whaling Commission begins a series of meetings in Brighton, England. For the past 8 years, the U.S. delegation has been pressing the IWC membership for approval of an international moratorium on the commercial hunting of whales. These efforts have so far been unsuccessful. The chances for such a moratorium being accepted look better than ever this year, as the idea has gained considerable support and economic conditions further diminish the viability of the remaining whaling industry.

Whales have existed for millions of years, and as such constitute a valuable historical, cultural, scientific, and esthetic natural resource. It is common knowledge that commercial whaling has been—and is still—responsible for bringing whale populations to the brink of extinction. Although they flourished for millions of years, man's lust for economic gain resulted in their demise in little over a century.

The normal course of whaling was to hunt a particular species until no more were found, then move on to another area and ravage another species. This methodical obliteration persisted until many whale stocks are now drastically reduced—some are believed, in fact, to be perilously close to extinction.

Today, the continued whaling activity carried on by a handful of nations compounds these problems, because very little scientific information is available on the response of whales to commerical exploitation. Thus, even though commercial harvest is less today than 20 years ago, these nations may still be endangering whale populations by either killing too many or not allowing adequate time for the population to recover. No one really knows. This reduces the margin for error, and makes it even more crucial that this senseless killing is stopped. The remaining whaling nations could easily find substitutes for whale products.

IWC has so far been unable, for a variety of reasons, to achieve its goal of preventing further decline of whale populations. Approval of the moratorium this year would provide a significant opportunity for the whales to regain their losses, if possible. The moratorium will also provide time to obtain scientific information about whales so crucially needed if wise decisions are to be made about management.

Hopefully, such a moratorium would effectively end, once and for all, the ludicrous and wasteful killing of these magnificent living fossils.●

WHY BIG OIL LOVES PUBLIC TV

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MARKEY. Mr. Speaker, I would like to call to the attention of my colleagues an article which recently appeared in TV Guide. The article, entitled, "Why Big Oil Loves Public TV," looks at the increasing instances of underwriting of public broadcasting programing by a number of large oil companies.

I have long been an active supporter of public broadcasting which is one of America's unduplicated cultural resources. During the initial debates on public broadcasting earlier this year, the issue of insulation was oft heard. By our system of forward-funding public broadcasting, we have effectively insulated this medium from political pressure and the whims of Congress and/or the administration.

My concern, Mr. Speaker, is to what extent is the insulation which we have so carefully guarded and fought for endangered by this new influx of corporate underwriting? The idea of increased advertising on public television and radio deeply concerns me as we have always pointed to the distinctions between commercial broadcasting which seeks to appeal to the lowest common denominator audience and the award winning, standard setting programing we have experienced on public broadcasting.

I hope my colleagues enjoy the following article by John Weisman which quite aptly sheds some light on this matter:

[From TV Guide, June 20, 1981]

WHY BIG OIL LOVES PUBLIC TV

A SURVEY SUGGESTS THAT THE HUGE GRANTS FROM ENERGY COMPANIES GO FAR IN CREATING PUBLIC—AND GOVERNMENT—FAVOR

(By John Weisman)

"Every time I hear a giant oil company has made a big donation to the arts, I get nervous," says a noted Washington lawyer with petroleum-industry experience. "I get nervous because it usually means they're after something."

These days, the attorney in question is nervous when he watches public television—nervous because public television is filled with programming largely paid for by oil-company donations.

How much of what you see on public television is funded by oil-company money? TV GUIDE asked for a typical month's programming from the Public Broadcasting Service. PBS delivered its February 1981 schedule as representative. That month, 72 percent of all the shows PBS telecast during its 32-hour core schedule—noncommercial TV's equivalent of prime time, running two hours a night. Sundays through Wednesdays—were funded wholly or in major part by four giant oil corporations. They were Exxon (12 hours), Mobil (eight hours), Arco (two hours) and Gulf (one hour).

These four multinational corporations were among the largest benefactors of public television in 1980. And 1979. And 1978. And 1977. And 1976. Exxon, Mobil, Arco and Gulf have funded some of the most-watched and best-loved programs on PTV.

Why do these corporate Medicis continue to spend their time, money and resources on noncommercial broadcasting? More important, precisely what influence do these corporations, whose underwriting made up more than half of all corporate donations to PTV in 1980, exert over what viewers of noncommercial television see—or don't see?

The answer to the first question is simple. Lawrence K. Grossman, president of Public Broadcasting Service, puts it succinctly: "What is clear—and no disguising—is that the oil companies are looking for a good image."

The second question—that of influence over programming—is much more complex. The relationship between big oil and public television is an intricate web spun over more than a decade.

Of course, at least one oil-company spokesman insists that the only reason for the support of public television is generosity. Mobil Oil vice president Herbert Schmertz, who estimates that he has spent roughly $20 million of his corporation's money on public broadcasting in the last decade and who plans to sponsor 80 to 100 hours of noncommercial fare in 1981, insists that Mobil does it for "the satisfaction of helping an emerging institution to prosper and succeed."

Most oil executives, however, probably concur with Lawrence Grossman's assessment. Joseph Downer, a vice chairman of Atlantic Richfield, says matter-of-factly that his corporation's investment of more than $15 million over the past five years has definitely helped Arco. "We gain an image of quality," he says "Our sponsorship of the Wolf Trap concerts resulted in a tremendous response from people in Government. And, my God, you walk into the departments, or the Congress, and you're identified as Arco, and there's a feeling of warmth. There's no question but that it's helpful to our lobbying effort."

Downer cites Arco's sponsorship of the Kennedy Center gala for visiting Chinese Vice Premier Deng Xiaoping in 1979 as another example of successful corporate lobbying through public television. Atlantic Richfield, he says, wants to do business in the People's Republic of China. And since the company came up with a $2-million donation that, at the very last minute, enabled PBS to carry the gala nationwide, it was logical that Arco chief executive officer Robert O. Anderson would sit near President Carter and Vice Premier Deng during the gala.

Obviously, no one gets something for nothing. Most public-television executives realize that the oil-company money they receive is simply selfish benevolence, by which petroleum-industry cash brings viewers opulent, well-produced shows in return for a better image for the corporations. James L. Loper, president of KCET, Los Angeles, which received a $3.5-million grant last year from Arco to produce Carl Sagan's popular Cosmos series, says, "I don't think anything is ever given on a purely philantropic basis." But Loper also insists, "I find nothing conspiratorial, malevolent or anything else in the fact that so much money is given by relatively few people. That simply is the way this country works."

Oil-company underwriting began in earnest in 1971, when Mobil gave $1.1 million to Boston station WGBH to complete funding the first two seasons of Masterpiece Theatre. But in 1971 such acts were rare. In those days the lion's share of PTV cash came from the Ford Foundation, which in all gave more than $200 million.

But Ford Foundation funds dried up in the late '70s, and stations had to look elsewhere for money. Surprisingly, they were helped by the fallout from the Arab oil embargo of 1973, and the subsequent OPEC oil price explosion of 1974, which sent the cost of a barrel of crude—and the profits of U.S. oil companies—soaring.

In 1974, the Nation's oil companies made more money than ever before. But they also sustained damage to their corporate images. Exxon, Mobil, Gulf and Arco were seen as profiteering, insensitive, hardhearted corporate monoliths.

But nothing is unsolvable. The gasoline ads that once filled the airwaves were replaced by calm pleas for conservation. And just like the tobacco companies, which had begun to sponsor televised athletic events once their products were banned from the airwaves, the oil companies started to look for other kinds of public exposure.

In the mid-'70s, the oil companies began to view public broadcasting as one way to show Americans that they were civic-minded and responsible, and that they supported the arts. What viewers got was series after series of beautifully produced shows. What the oil companies got was terrific value. This was true even though public broadcasting is not rated very highly as an advertising medium. Says Lawrence Bershon, Arco's manager of advertising services, "The cost per thousand is very expensive." But as part of a promotional package, PTV programming becomes an excellent investment. A 30-second commercial on CBS's top-rated 60 Minutes costs about $150,000. For little more than twice that—$375,000—Mobil's Herbert Schmertz was able to buy the whole series The Ascent of Man, with Jacob Bronowski, 13 hour-long episodes. Ninety seconds of commercial time on M*A*S*H would currently run an advertiser about $405,000. For a 90-minute PTV film, "Making M*A*S*H," which received rave notices from most TV critics, Arco paid $50,000.

More important, shows funded by oil companies are promotable. It is the well-planned promotion of PTV programs, according to corporate advertising people, that is the real basis for big oil's involvement with public television.

Until recently the only credit allowed to PTV underwriters was a single line of type at the beginning and the end of shows they helped to fund. Now, corporate logos will be permitted. But a PBS rule prohibiting corporate conflict of interest in underwriting (an oil company sponsoring a program on energy), will not be changed, despite pressure from some of the bigger producing stations.

But there is no restriction to the amount of outside advertising a company can do to promote one of its PBS shows. Thus, when Gulf sponsored a 1975 National Geographic special, "The Incredible Machine," it paid $350,000 for the one-hour show—and $900,000 to promote it.

In such advertisements Gulf's logo appears near the National Geographic's. "What you're getting," says one producer of high quality, heavily promoted PBS shows who asks for anonymity, "is nobility by association. Here's Gulf, a company some accuse of polluting the environment, and its logo is alongside the Geographic's."

Nobility by association is why Mobil vice president Herbert Schmertz spends $2 on promotion for every $3 he spends on programming. And why Atlantic Richfield allocates $1 for promotion to every $2 for programming.

Oil companies also hire outside public-relations firms to promote the shows they sponsor. Ben Kubasik, the head of Arco's PR firm, even has a say in what Arco will underwrite. Kubasik is part of an ad hoc evaluating committee, according to Arco corporate ad director Lew Angelos.

One public-relations executive explains what the oil company is after: "Our instructions are very clear. The company wants us to build an audience. Not just any audience: in public television you go after upscale decision-makers."

Indeed, one of PTV's main selling points is the quality of its audience. Here is what Larry Botto, KCET's director of development, wrote to one potential sponsor: "You can expect to win widespread and highly favorable recognition among an audience that will be made up largely of well-educated, affluent adults who are often in positions to influence your business as business and government leaders, clients, and customers, journalists, educators, investors, activists, securities analysts, professionals, as well as your key employees. . . . Likely, the television set in the White House will also be tuned to PBS when [the series] is telecast late in 1981."

Public television's demographics are good enough that CBS Cable used PBS's audience statistics to bolster its sales pitches when it began soliciting potential clients for its highbrow cultural service. They are also the reason why Mobil's Herbert Schmertz buys ads for Mobil's programs in most of the newspapers in which he places editorial ads aimed at Congress and the White House.

Says Robert Guthrie, former counsel of the House Commerce Committee, who now works for the AFL-CIO, "What the oil companies are doing is saying, 'Hey, movers and shakers, we're giving you this high-level intellectual programming.' I believe that they're looking way down the road, hedging against possible antitrust action in the future."

Rep. Henry Waxman (D-Cal.), who was deeply involved in writing this year's funding package for public broadcasting is less concerned than Guthrie. "If people tend to think well of major corporations for their underwriting, that doesn't offend me. What *is* disturbing—and I have never had an adequate answer to this—is whether a corporation, simply by making a contribution, has a subliminal impact on the kinds of programs public broadcasting will undertake."

Waxman's concern is similar to that of some of big oil's critics, who contend that while what the companies fund may be beautiful, it is also bland. "What you are getting is bread and circuses," says Ellen Stern Harris, head of the California Friends of Public Broadcasting. "Further," says Harris, "there is a certain self-censorship when you must maintain good relations with major corporate entities."

But Harris cannot offer any examples of corporate censorship to back up her charges. And her claim that there are virtually no controversial shows on PTV is contradicted by PBS broadcasts of such fare as "Death of a Princess," "On Company Business," "Paul Jacobs and the Nuclear Gang" and others.

There is another strand, as well, to the intricate relationship between big oil and PTV that could add to critics' claims of censorship by economic influence: The number of oil-company executives who sit on the boards of public-TV stations. Gulf vice president William Moffett is on the board of WQED, Pittsburgh. WQED produces the National Geographic specials for Gulf in Los Angeles. Joseph Downer of Atlantic Richfield is on KCET board in New York, a retired Exxon senior vice-president, George T. Piercy, is chairman of the WNET board.

Executives at public-television stations deny that the presence of big-oil executives on station boards leads to any indirect influence on programming. But one WNET staffer with access to the executive suite disagrees: "Sometimes the involvement is so bad it's an open flouting of public opinion."

Fred Friendly, who as head of the Ford Foundation gave more than $200 million to public broadcasting, puts it another way: "By deciding which shows they will underwrite, they have also decided what will not be on the air. By funding those programs—the Met, drama—that are harmless, so far as controversy goes, they are structuring the program schedule of public television. It means that people sitting in advertising agencies or corporate headquarters—people whose companies have bad public-relations problems—determine what will be on the air."

Corporate spokesmen disagree. Mobil's Schmertz says that programs go unsponsored because they fail the marketplace litmus test: they're no good.

One PTV producer currently looking for funding for a public-affairs series says that controversial shows fall into a kind of Catch-22: "To be successful you want to be part of the core schedule. That's where the viewers are. But if you're controversial, it's almost impossible to find a big corporation to underwrite you—and to commit money for outside promotion."

And making choices about what to underwrite is governed by different policies at each company. At Exxon, a source says, "You have to go through six layers of public-affairs executives before you get any final decisions." Mobil's Schmertz, on the other hand, is a virtual one-man shop, who even sits on the board of directors. But whether the choice is made by committee or decree, it must be a choice that does not offend the man at the top. Says Larry Botto, KCET's corporate bushbeater. "When the program gets on the air, the chairman has got to say, 'I'm glad we did that'."

That, say industry sources, is why there's so much blandness on public television. Corporation chairmen like the opera, and the ballet—and *Upstairs, Downstairs.* And keeping the oil companies happy is important to public broadcasting. In fiscal year 1980, 115 corporate underwriters gave just under $30 million for PTV programming. Of that number, four—Exxon, Mobil, Gulf and Arco—gave more than half. The other 111 gave the rest.

So when Arco's Lawrence Bershon says his corporation has commissioned studies about putting Arco's millions into areas other than public broadcasting, shock waves, emanate from KCET, a major recipient of Arco's beneficence, all through the PTV system.

Public broadcasting used to be the sole provider of high-quality cultural programming on television. But now the commercial networks, sensing that there is money to be made from cultural programming, want a piece of the action for themselves. So do cable and pay-cable companies.

Whether Exxon, Mobil, Gulf and Arco decide to stay with public broadcasting or take their money elsewhere, their decisions will have a significant effect on the shape and style of public broadcasting over the next decade. The big question now is: will they—or won't they?●

UKRAINIAN INDEPENDENCE

HON. DENNIS M. HERTEL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. HERTEL. Mr. Speaker, in 1917, when the czarist authority was finally overthrown, the first opportunity came to the Ukrainian people to establish their own state and finally attain the freedom they had been dreaming of for so long. On January 22, 1918, the Ukrainian state was founded and survived for 5 years because of the ingenuity, courage, and determination of the Ukrainian people.

In 1921, the Bolshevik government under Lenin finally succeeded in overrunning the Ukraine and in imposing on the proud and brave people of the Ukraine the harsh totalitarian police-state rule that we have come to know since that first Bolshevik takeover.

Nevertheless, in spite of the hardships of this long and ruthless oppression, the spirit of freedom continued to flourish in the hearts of the people of the Ukraine.

In June 1941, soon after Nazi Germany invaded Russia, the Organization of Ukrainian Nationalists (O.U.N.) took advantage of the destabilization and turmoil caused by the impending war, to mount an attempt at reestablishing the long desired Ukrainian independence. On June 30, 1941, the O.U.N. headed by Stepan Bandea, organized a gathering of the citizens at which they proclaimed a reestablishment of the Ukrainian state. A democratic provisional Ukrainian Government was formed in Lviv with Yaroslav Stetzko elected as its Prime Minister.

Unfortunately, the return of freedom was shortlived. The Gestapo quickly arrested, tortured and deported prominent O.U.N. members. Ukrainians were imprisoned and murdered by the Gestapo as a part of their brutal response to the Ukrainian liberation attempt.

The 1941 restoration of Ukrainian independence, although constituting only a brief period in Ukrainian history, symbolizes the struggle and committment of the Ukrainian people toward regaining their far too long deserved right to freedom.●

BALANCING THE BUDGET ON THE BACKS OF THE ELDERLY: ELIMINATION OF THE MINIMUM BENEFIT

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. CONYERS. Mr. Speaker, the decision to eliminate the $122 monthly minimum social security benefit was made by the administration and rubberstamped by this body in the legislative fiasco which resulted in passage of the Gramm-Latta substitute of H.R. 3982, the Omnibus Reconciliation Act of 1981. As this measure is now being considered in conference committee, it is imperative that the House go on record today in support of the monthly minimum, which provides an economic margin of security for more than 3 million elderly Americans.

Elderly Americans constitute the fastest growing segment of the poverty population. During 1979, the latest year for which figures are available, the poverty rate for the aged rose from 14 percent to 15.1 percent. More senior citizens joined the ranks of the impoverished during 1979, than any single year since 1959 when the Census Bureau first compiled such statistics. Today, more than 75 percent of all senior citizens living along, live on incomes of less than $7,000.

It is to these people candidate Reagan vowed, "to defend the integrity of the social security system * * * and to make sure that benefits are adjusted to reflect the cost of living." The social safety net was to protect, "the full retirement benefits of more than 31 million social security recipients." The sweeping changes in social security proposed by President Reagan, however, would slash retirement benefits by nearly $9 billion in 1982 and $24 billion by 1987. Those retiring at age 62, two-thirds of whom cite poor health as their reason for early retirement, would be hardest hit, suffering a reduction from 80 percent to 55 percent of full benefits.

Other changes include the following:

Reduction of $4 billion in cost-of-living payments to 36 million current retirees by postponing their regular benefit increase.

The placing of new restrictions on applicants for disability benefits by requiring workers to show they are prevented from working for a period of 2 years as opposed to 1 year under current law, lengthening the waiting period for benefits from 5 to 6 months, and limiting eligibility to those in the work force for 30, as opposed to 20, of the previous 40 quarters.

The levying of social security taxes on an employee's first 6 months of sick pay.

The phasing out of the ceiling on how much can be earned by those 65 and over, permitting a retiree to make $10,000 in outside earnings in 1983; $15,000 in 1984; $20,000 in 1985, and unlimited earnings in 1986 and beyond. Implementation of this proposal would funnel two-thirds of added benefits to those with incomes over $17,000, and only 6 percent to those with incomes under $10,500.

These cuts cannot be justified as necessary to insuring the solvency of the three social security trust funds. As of June 30, 1980, there was $46.8 billion in the three funds combined: $23.565 billion for old age and survivors insurance, $7.68 billion for disability insurance, and $14.6 billion for hospital insurance. The implementation of certain bookkeeping changes to provide for interfund borrowing between the trusts alone would insure the system's solvency up to 1985.

In addition, 60 percent of the 1980 deficit in social security can be attributed to mismanagement of the trust funds. While the social security trusts earned an average of 8.3 percent interest in 1980 through investment in Government backed securities, private financial institutions investing exclusively in Government backed securities earned as much as 13.5 percent. Treasury Department managers of the funds are fully aware of the higher rate of return that could be gained by investment in issues of other agencies such as, GNMA, FNMA, and the Federal Home Loan Bank, but have invested the trust funds in low yield Treasury bonds because as employees of the Treasury Department, they are charged with holding down the interest on the public debt.

The irony is clear. The administration opposes the use of general revenues for social security financing because it would violate the integrity of the fund, sever the tie between benefits received and payments made, and destroy the contributory nature of the fund, making social security an annuity. The truth behind this politically motivated and misleading rhetoric is that social security funds are not managed in order to insure the long-term solvency of the system, but rather to subsidize general revenues by deliberately keeping low the interest the Government has to pay on them. What the 36 million current beneficiaries and 115 million workers who will contribute to the system this year need to be made aware of is the violation of their trust which is standard operating procedure at the Treasury Department.

The real issue in deciding whether to cut social security benefits is not the self-sufficiency, or integrity of the system. The question is whether it is sound policy to balance the budget on the backs of the elderly. The future does not appear promising for our aged. Health care costs are expected to skyrocket from $206 billion in fiscal year 1979 to $368 billion in fiscal year 1984. The average cost of health care for an elderly person is expected to rise from $2,259 to $3,868 during the same 5-year period. Lack of adequate housing remains a crucial problem. Those over 65 occupy 30 percent of the substandard housing in the Nation. While some 500,000 participate in the hot-lunch program on a daily basis, there are at least a million people on the waiting list. Included in the Gramm-Latta reconciliation bill are numerous cuts in medicare, medicaid, food stamps, low-income energy assistance and other social service programs serving older Americans. To enact into law the elimination of the minimum social security benefit and the reductions in funding for social service programs so essential to the elderly would be to send them the signal that they are indeed forgotten. While full funding for all these programs should be restored, social security, especially, should be inviolable.●

SOUTH CAROLINA COMPANY PLEDGES PRODUCTIVITY GAINS

HON. CARROLL A. CAMPBELL JR.

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. CAMPBELL. Mr. Speaker, Members on both sides of the aisle can agree that stimulating our productivity rates is a key element in restoring America to her premier position in the world's economy. We are still the most productive nation on Earth, but our productivity growth rates have consistently lagged behind our major competitors and we seem to be falling farther behind each year.

That is why I was so impressed with the letter I received from my friend, Jim Strausbaugh, president of Tanco Adhesives, in Greenville, S.C. Jim, his employees, and his shareholders have determined to do something personally about turning our economy around by making improved productivity their major goal.

Tanco is interested in exchanging ideas with like-minded companies. I urge my colleagues to read the letter I received from Jim Strausbaugh, and to share it with companies in your districts.

TANCO ADHESIVES,
Greenville, S.C., February 18, 1981.

Congressman CARROLL A. CAMPBELL,
Cannon House Office Building,
Washington, D.C.

DEAR CARROLL: We, who collectively make up Tanner Chemical Company, i.e. employees, officers and shareholders, would like you to be aware that we are behind you and our new President in our national struggle to gain control of economic forces that have been, for all too long now, totally out of control. We particularly endorse and support President Reagan's economic policies.

Each of the fifty (50) of our employees recognize that we either have to give something up (salary, benefits, etc.) or become more productive, i.e. manufacture more with less people. I am proud to report that we have chosen the latter course and that our people are willing to be compared, in terms of job productivity, to any other company engaged in similar enterprise in these United States.

I would suggest to you, Carroll, that if you hear of any other companies that would like to see a company that has chosen productivity as a goal, have them contact us and we will arrange for a meeting. I would also invite you, your colleagues, and staff to visit us when in Greenville.

Please keep up the good work in Congress and continue to represent the interests of productive people.

Very truly yours,

J. N. STRAUSBAUGH,
President.●

JUSTIFICATION OF ASSISTANCE

HON. ROBERT J. LAGOMARSINO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LAGOMARSINO. Mr. Speaker, I bring to my colleagues' attention an article by Mr. Walt Rosebrock of the Santa Maria, Calif., Times, regarding U.S. policy in El Salvador.

JUSTIFICATION OF ASSISTANCE

(By Walt Rosebrock)

The United States long standing commitment to preservation of human rights both at home and abroad has not been without perplexing problems. Probably the most Gordian in human rights problems recently is that of the U.S. providing military assistance to President Jose Duarte's Centrist Coalition, the current ruling political party of El Salvador.

Recently an amendment to the 1981 foreign aid bill concerning restrictions on military assistance and sales to El Salvador was the target of dissident Democrats who sought to cut off all military aid to that country and further order military advisors to immediately return home.

While the amendment failed and aid will be maintained, it must be noted that there are serious reservations by many concerning military aid both inside and outside the halls of Congress. These legitimate issues in our opinion center around the following:

There was the murder, and alleged rape, of Maryknoll nuns and missionaries by suspected members of the Salvadoran military, and, too, the murder of the chairman of the Institute of Agrarian Reform along with two U.S. advisors. These acts demonstrate an odious violation of human rights by the very government we support and ostensibly is supposed to protect and expand human rights policy in El Salvador.

Next, there is a genuine concern that in providing military assistance in Vietnam, now translated to state that as El Salvador goes so goes the uncommitted Central American neighbors, simply is not being bought by many in this matter.

However, in every issue there is its obverse which must most importantly be considered. In examining these, compelling reasons emerge that justify the foreign aid bill approved April 29 by the House Foreign Affairs Committee which continues U.S. military commitment but under restrictive considerations.

There is solid evidence that the Centrist Coalition—composed of reformist Christian Democractic Party, trade unions, including the 160,000 Salvadoran Peasant Union, the Catholic church and a preponderance of its number of bishops, and moderate business

and military groups—has made significant reforms in the advancement of human rights in El Salvador.

These advancements by the Centrist Coalition and reported by Dr. Constantine C. Menges, the Hudson Institute, in March 1981, include banking reforms which makes more credit available to small and medium farmers as well as positive agrarian land reforms. The reform Menges indicates is the breaking up of 320 large estates formerly owned by 200 families into producer cooperatives—ownership among 360,000 peasant farmers. A further 150,000 rental or sharecropped farms will go the same ownership route, and a 30-year repayment program to owners is under way.

As to the alternative parties in El Salvador, the extreme right has avowed that should it be successful in overthrowing the Centrist Coalition (three attempted coups have been tried since 1980) both banking and land reforms will be nullified.

Regarding the Marxist-Leninist extreme left, further terrorism will be inflicted on El Salvador and with the aid of other Communist nations. Representative Robert Lagomarsino has entered this evidence into the Congressional Record of June 4, 1981 when he said "There is no question but there has been and still continues to be Communist intervention in the form of military arms and equipment from the Soviet bloc, Cuba, Vietnam and Nicaragua. Radical Arab States and the Palestine Liberation Organization have also furnished funds, arms and training."

Finally in approving military aid for El Salvador, two important considerations should be kept in mind.

First, the Vietnam comparison because of the War Powers Act is not valid since presidents can no longer act unilaterally in these matters.

Second there are two important certifications that must be made by the president, one before military assistance can be started and the other in order for it to continue.

The president must first certify to the Speaker of the House of Representatives and to the Foreign Relations Committee of the Senate that the government of El Salvador has made verifiable good-faith efforts to both investigate and bring to justice those responsible for the murder of the six United States citizens.

Second, the same kind of certification must be made concerning key provisions thirty days after the enactment of the bill and every six months thereafter, and failing positive proof of these provisions, aid must be immediately suspended. These key provisions are to show a continuous pattern of advancement of human rights, El Salvador achieving substantial control over its own armed forces (some are splintered to the right and some to the left), continued progress in essential economic and political reforms, setting up free elections at an early date and to demostrate a willingness to deal equitably with opposition groups in settling internal conflicts.

In summary, there are 4.5 million people living in El Salvador, the largest portion of which historically have had minimal substance levels inflicted upon them—both from necessities of life such as food to those of the soul, meaning human dignity. There are those inside and outside the country whose aim is to keep the vast peasant population in perpetual bondage and enslavement by terror.

This is contrary to the U.S. recognition of the dignity of the individual and thus it would appear that our support of Duarte's Centrist Coalition—as does its neighbors Costa Rica and Venezuela and other European governments—under the current Foreign Aid Bill is warranted.●

REAFFIRMATION OF THE DECLARATION OF INDEPENDENCE

HON. BARRY M. GOLDWATER, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. GOLDWATER. Mr. Speaker, on this July 4th past, the Daily News of the San Fernando Valley in southern California sponsored a unique promotion: It gave its readers the opportunity to "re-sign" the Declaration of Independence. Each of these modern-day signers reaffirmed the principles and convictions of freedom with their signatures, and I am happy to share the immortal words of the Declaration of Independence, and the names of the "new signers" with my colleagues:

IN CONGRESS, JULY 4, 1776, A DECLARATION BY THE REPRESENTATIVES OF THE UNITED STATES OF AMERICA, IN GENERAL CONGRESS ASSEMBLED

When in the Course of Human Events, it becomes necessary for one People to dissolve the Political Bands which have connected them with another, and to assume among the Powers of the Earth, the separate and equal Station to which the Laws of Nature and of Nature's God entitle them, a decent Respect to the Opinions of Mankind requires that they should declare the causes which impel them to the Separation.

We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty, and the Pursuit of Happiness—That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the Governed, that whenever any Form of Government becomes destructive of these Ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its Foundation on such Principles, and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient Causes; and accordingly all Experience hath shewn, that Mankind are more disposed to suffer, while Evils are sufferable, than to right themselves by abolishing the Forms to which they are accustomed. But when a long Train of Abuses and Usurpations, pursing invariably the same Object, evinces a Design to reduce them under absolute Despotism, it is their Right, it is their Duty, to throw off such Government, and to provide new Guards for their future Security. Such has been the patient Sufferance of these Colonies; and such is now the Necessity which constrains them to alter their former Systems of Government. The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute tyranny over these States. To prove this, let facts be submitted to a candid World.

He has refused his assent to laws, the most wholesome and necessary for the public good.

He has forbidden his Governors to pass laws of immediate and pressing importance, unless suspended in their operation till his assent should be obtained; and when so suspended, he has utterly neglected to attend to them.

He has refused to pass other laws for the accommodation of large districts of people, unless those people would relinquish the right of representation in the legislature, a right inestimable to them, and formidable to tyrants only.

He has called together legislative bodies at places unusual, uncomfortable, and distant from the depository of their public records, for the sole purpose of fatiguing them into compliance with his measures.

He has dissolved representative houses repeatedly, for opposing with manly firmness his invasions on the rights of the people.

He has refused for a long time, after such dissolutions, to cause others to be elected; whereby the legislative powers, incapable of annihilation, have returned to the people at large for their exercise; the state remaining in the mean time exposed to all the dangers of invasion from without, and convulsions within.

He has endeavoured to prevent the population of these States; for that purpose obstructing the laws for naturalization of foreigners; refusing to pass others to encourage their migrations hither, and raising the conditions of new appropriations of lands.

He has obstructed the administration of justice, by refusing his assent to laws for establishing judiciary powers.

He has made judges dependent on his will alone, for the tenure of their offices, and the amount and payment of their salaries.

He has erected a multitude of new offices, and sent hither swarms of officers to harrass our people, and eat out their substance.

He has kept among us, in times of peace, standing armies, without the consent of our legislatures.

He has affected to render the military independent of and superior to the civil power.

He has combined with others to subject us to a Jurisdiction foreign to our Constitution, and unacknowledged by our Laws; giving his Assent to their Acts of pretended Legislation:

For quartering large Bodies of Armed Troops among us:

For protecting them, by a mock Trial, from Punishment for any Murders which they should commit on the Inhabitants of these States:

For cutting off our Trade with all Parts of the World:

For imposing Taxes on us without our Consent:

For depriving us, in many Cases, of the Benefits of Trial by Jury:

For transporting us beyond Seas to be tried for pretended Offences:

For abolishing the free System of English Laws in a neighboring Province, establishing therein an arbitrary Government, and enlarging its Boundaries, so as to render it at once an Example and fit Instrument for introducing the same absolute Rule into these Colonies:

For taking away our Charters, abolishing our most valuable Laws, and altering fundamentally the Forms of our Governments:

For suspending our own Legislatures, and declaring themselves invested with Power to legislate for us in all Cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our Seas, ravaged our Coasts, burnt our Towns, and destroyed the Lives of our People.

He is, at this Time, transporting large Armies of foreign Mercenaries to compleat the Works of Death, Desolation, and Tyranny, already begun with circumstances of Cruelty and Perfidy, scarcely paralled in the most barbarous Ages, and totally unworthy the Head of a civilized Nation.

He had constrained our fellow Citizens taken Captive of the high Seas to bear Arms against their Country, to become the Executioners of their Friends and Brethren, or to fall themselves by their Hands.

He has excited domestic Insurrections amongst us, and has endeavoured to bring on the Inhabitants of our Frontiers, the merciless Indian Savages, whose known Rule of Warfare, is an undistinguished Destruction, of all Ages, Sexes and Conditions.

In every state of these Oppressions we have Petitioned for Redress in the most humble Terms: Our repeated Petitions have been answered only by repeated Injury. A Prince, whose Character is thus marked by every act which may define a Tyrant, is unfit to be the Ruler of a free people.

Nor have we been wanting in attentions to our British brethren. We have warned them from time to time of attempts by their legislature to extend an unwarrantable jurisdiction over us. We have reminded them of the circumstances of our emigration and settlement here. We have appealed to their native justice and magnanimity, and we have conjured them by the ties of our common kindred to disavow these usurpations, which, would inevitably interrupt our connections and correspondence. They too have been deaf to the voice of justice and of consanguinity. We must, therefore, acquiesce in the necessity, which denounces our separations, and hold them, as we hold the rest of mankind, enemies in war, in peace, friends.

We, therefore, the Representatives of the United States of America, in General Congress, assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the name, and by authority of the good people of these colonies, solemnly publish and declare, that these United Colonies are, and of right ought to be, Free and Independent States; that they are absolved from all allegiance to the British Crown, and that all political connection between them and the State of Great-Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full power to levy war, conclude peace, contract alliances, establish commerce, and to do all other acts and things which Independent States may of right do. And for the support of this Declaration, with a firm reliance on the protection of divine providence, we mutually pledge to each other our lives, our fortunes, and our sacred honor.

Signed by Order and in behalf of the Congress,

JOHN HANCOCK,
President.

Attest: Charles Thomson, Secretary.

SIGNERS OF THE DECLARATION OF INDEPENDENCE

According to the Authenticated List Printed by Order of Congress of January 18, 1777, John Hancock.

New-Hampshire: Josiah Bartlett, Wm Whipple, Matthew Thornton.

Massachusetts-Bay: Saml Adams, John Adams, Robt Treat Paine, Elbridge Gerry.

Rhode-Island and Providence, &c.: Step. Hopkins, William Ellery.

Connecticut: Roger Sherman, Saml Huntington, Wm Williams, Oliver Wolcott.

New-York: Wm Floyd, Phil. Livingston, Fran^s^ Lewis, Lewis Morris.

New-Jersey: Richd Stockton, Jno. Witherspoon, Fra^s^ Hopkinson, John Hart, Abra. Clark.

Pennsylvania: Robt Morris, Benjamin Rush, Benja. Franklin, John Morton, Geo. Clymer, Ja^s^ Smith, Geo. Taylor, James Wilson, Geo. Ross.

Delaware: Caesar Rodney, Geo. Read, Tho M:Kean.[1]

Maryland: Samuel Chase, Wm Paca, Thos Stone, Charles Carroll, of Carrollton.

Virginia: George Whythe, Richard Henry Lee, Th^s^ Jefferson, Benj^a^ Harrison, Thos Nelson, jr., Francis Lightfoot Lee, Carter Braxton.

North-Carolina: Wm Hooper, Joseph Hewes, John Penn.

South-Carolina: Edward Rutledge, Thos. Heyward, jun^r^, Thomas Lynch, jun^r^, Arthur Middleton.

Georgia: Button Gwinnett, Lyman Hall, Geo. Walton.

THOSE WHO REAFFIRM THE WORDS OF THEIR FOREFATHERS

H. Dean Hansen, Hansen & Sons, Northridge.

Donald G. Hanover, Hanovers' Tree Expert Co., Reseda.

Franklin M. Witherspoon, Van Nuys.

David & Carolyn Zipp, A-1 Scrap Co., Northridge.

Henry P. Rydell, Sylmar.

Lisa Keren-Ami Lazarus, North Hollywood.

Alice J. Harkin, Van Nuys.

Virginia Luxon, Sunland.

Harold Eckstein, Arleta.

Richard O. Edwards, Edwards Floor Co., Glendale.

George W. Gottmer, Simi Valley.

Daryl J. DeMos, North Hollywood.

Earl Babcock, Sr. & Family, Arleta.

Nancy Ohlson, Laurel Plaza, North Hollywood.

The John Kingsford Family, Newbury Park.

Mr. and Mrs. W. K. Majors, Canoga Park.

The Don Youngman Family, Sylmar.

Daniel Frank Andresen, Van Nuys.

Elwood Q. Smith, M.D., Reseda.

Broadcast Equipment Rental Co., North Hollywood.

Sherrie Stevenson-Garcia, Arleta.

Charles Horowitz, Canoga Park.

Sally Horowitz, Canoga Park.

Robert Horowitz, Canoga Park.

Anthony Horowitz, Van Nuys.

Burbank B.P.O. Elks #1497.

Canoga Park Elks Lodge #2190.

Glendale Elks B.P.O.E. #1289.

Los Angeles B.P.O. Elks #99.

Newhall-Saugus Elks B.P.O.E. #2379.

Reseda B.P.O. Elks #2443.

San Fernando B.P.O. #1539.

Miss Patricia Boone Erickson, Van Nuys.

The Dean Family, LaCanada Flintridge.

John L. Barritt, Northridge.

Darrel H. Estes, D.C., North Hollywood.

Kenneth William Ditto, Jr., Simi Valley.

William H. James, Westlake Village.

Rosa & Jerry Catania, Sherman Oaks.

Vice Admiral Edward J. Gaba, Canoga Park.

Dr. Rafael R. Roman, Los Angeles.

Ted Cales, North Hollywood.

Danforth L. Stevens, Granada Hills.

Betty B. Brooks, Betty Brooks Employment Agency, Tarzana.

Ray Corvo, North Hollywood.

Mark Roy Smith, Canoga Park.

Mrs. Lois C. Smith, Canoga Park.

George Gregory Smith, Chatsworth.

Perry O. Ward, Jr., North Hollywood.

Adam Paul Steinman, Woodland Hills.

Ruth Litwack Resler, Northridge.

Joseph S. Zacsek, Z & R Painting, Panorama City.

Stanley Sheinbaum, Hughes Aircraft Co., Studio City.

Ruth & Stanley Jacoby, Fed Pants Co., Inglewood.

Cornel Vanderlinden, Woodland Hills.

Robert & Pat George, Sunland.

Anthony McGee Carrillo, Granada Hills.

George Ferganchick, Encino.

Michael Everling, Los Angeles.

Tera Nelson, Hastings Nut Farm, Glendale.

Nikolai Piatak & Family, Burbank.

Robert Whelan, Carson.

Carol Eckstein, Arleta.

Jeff Eckstein, Arleta.

Hugo Allois, Central Maintenance System, Northridge.

The Byron Hayes Family, Toluca Lake.

Joy Lees, Joy's Pet Market, Canoga Park.

Mr. and Mrs. Paul McCarthy, Glendale.

Larry Willsey, North Hollywood.

Keith Rosen, Sherman Oaks.

Ward A. Willett, Sun Valley.

Shirley F. Eckstein, Arleta.

Mark John Erkelens, Sunland.

Sally & Chet Collom, Century-21/All-Star Properties, Inc., Canoga Park.

Raymond Stanley Cowan, Cardiff General Insurance Agency, Van Nuys.

Zal Fink, Zal Fink & Assoc., Newhall.

Boghos Angel Boghossian, North Hollywood.

Alan B. Litt, Sherman Oaks.

Bradley S. Orland, Tarzana.

Jerald R. Bishop, Arleta.

Mr. and Mrs. W. W. Nix, American Security Insurance Agency, Encino.

Richard S. Whiley, North Hollywood.

Betty M. Frentz, Sherman Oaks.

Wm. M. "Bill" Barrett, Attys. Rose, Klein & Marias, North Hollywood.

R. David Cawthra, RDC Enterprises, Canoga Park.

Winston L. Garth, Van Nuys.

Walter Ostromecki, Jr., Encino.

Sunland Tujunga B.P.O. Elks #2098.

Van Nuys Elks #2028.

John J. Scott, San Simeon.

Diane Sappington, Hawthorne.

Sharon J. Dickinson Harris, Ancestors Unlimited, Granada Hills.

Horacio S. Garcia, Lakeview Terrace.

Laura D. Margerum Werckenthien, North Hollywood.

Jeanne Baird, Ideas Inc., Los Angeles.

Onelia Rivero de Corvo, North Hollywood.

James Francis Durando, Sepulveda.

Florence Charlotte Hafer, Woodland Hills.

Marquerite C. Kolander, Sherman Oaks.

J. Scott Schmidt, President & Chief Executive Tribune Co., California Newspaper Group.

Thomas J. Culligan, Vice President/General Manager, Daily News.

State Senator Ed Davis.

Assemblyman Richard Katz.

Leland C. Ayers.

Steven Jay Moshlak, Tarzana.

Robert S. Russell, Granada Hills American Legion.

[1] Thomas McKean's name was not included in the list of signers printed by order of Congress on January 18, 1777, as he did not sign the engrossed copy until some time thereafter, probably in 1781.

Oliver D. Lashar, Canoga Park.●

CONGRESSIONAL STUDY CALLS TENN-TOM CANAL A WASTE

HON. JOEL PRITCHARD

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. PRITCHARD. Mr. Speaker, the House will soon be asked to appropriate another $189 million to the Tennessee-Tombigbee Waterway Project. The project has already consumed $1 billion taxpayer dollars and, if allowed to continue, will require an additional $2 billion.

Several recently completed studies have questioned the wisdom of continued Federal funding for the Tenn-Tom. A GAO report released May 15, 1981, confirmed the ultimate $3 billion price tag and was unable to substantiate millions of dollars in benefits projected by the Army Corps of Engineers.

Last week, the Congressional Research Service completed a review of the prospects for achieving the coal transportation benefits projected for the waterway. Again, like GAO, they were unable to substantiate the coal movements predicted by the corps. The following article by Lance Gay of the Washington Star provides an excellent summary of the CRS review. I commend it to my colleagues.

CONGRESSIONAL STUDY CALLS TENN-TOM CANAL A WASTE

(By Lance Gay)

It is unlikely that there are enough markets for Appalachian coal to justify building the Tennessee-Tombigbee Waterway, and recent improvements in Eastern railroads will give them a competitive advantage over barge traffic, the Library of Congress' Congressional Research Service says in a new report.

In an eight-page report on the controversial waterway, the CRS says that demand for the sort of high-sulphur coal in Appalachia is declining as most European countries are purchasing low-surphur coal that does not require the use of scrubbers to clean the coal of sulphur before it is burned.

"Consequently, with the exception of a few specialized and limited markets for high-sulphur coal, Illinois Basin coal must reach the coast at a price low enough to at least compensate for flue-gas desulfurization," the CRS report says. "Any additional cost in mining or shipping, including barging in small tows, detracts from the marketability of basin coal."

Furthermore, the CRS study said coal industry reports show that no major expansion of coal mining is planned in the parts of Appalachia that the $2 billion canal project is supposed to serve.

Construction of the canal was justified on the grounds that it would expand coal trade between Illinois, southwestern Indiana, Kentucky and overseas markets.

The CRS said no planned expansion of coal mining is projected in Tennessee for several years and the largest expansion of mining is planned for Alabama, where it is planned to mine 23 million tons.

The report was compiled for Rep. Joel Pritchard, R-Wash., who is attempting to scuttle further funding for the canal project when the House water development appropriations bill comes to the floor this week. The appropriations bill envisions spending some $189 million on the project in the next fiscal year.

The canal project, which aimed at linking the Tennessee and Tombigbee River in a canal that would stretch to the Gulf of Mexico near Mobile, Ala., is about 55 percent complete. The General Accounting Office earlier this year estimated it would cost another $1 billion to complete and that the original plan for the project will have to be changed by Congress to remove a bottleneck in the proposed waterway between Demopolis and Mobile, Ala.

The project currently under construction is a barge canal between Pickwick, Tenn., and Demopolis. The barge runs parallel to the Mississippi River.

The CRS report says that the Mississippi River can handle more barges per tow than the Tennessee-Tombigbee Waterway would be able to handle because of the more gentle bends in the Mississippi than in the waterway. The requirements for less river navigation, the CRS said, would give the Mississippi River route a competitive advantage over the Tennessee-Tombigbee Waterway.

Furthermore, unlike the Tenn-Tom project, which would have 11 locks, the Mississippi requires none and would move traffic faster and more efficiently.

The waterway also would face competition from railroads, which have recently connected rail lines in Deane, Ky., and removed a major bottleneck. This connection, CRS said, saved an unnecessary 265 miles of rail "and opened new utility markets in Florida, Georgia, South Carolina and Alabama" for Appalachian coal that was supposed to be shipped down the waterway.●

RED CHINA'S EXPANDING DRUG INDUSTRY AND THE U.S. TOURIST EXPERIENCE THERE

HON. LARRY McDONALD

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. McDONALD. Mr. Speaker, in spite of the silence in high places, reports continue to arise concerning the growing and selling of opium by Red China. Drug Enforcement Administration officials are always reluctant to discuss the role of Red China, but the reports persist and as the old saying goes, "where there is smoke, there must be fire." This item appeared in American Cause of June 1981.

It is also encouraging to read an occasional press item giving a realistic view of the People's Republic of China and in this connection I would like to call my colleagues' attention to the item that appeared in the Washington Star on Sunday, July 19, 1981. Both items follow:

[From American Cause, June 1981]

RED CHINA'S EXPANDING DRUG INDUSTRY

Remember the story in the London Times about Chou En-lai telling Nasser about the use of narcotics? Chou claimed that his countrymen were given narcotics in an attempt to weaken the country and he planned, in retaliation, to promote drug use throughout the Free World in an attempt to subvert democracies.

Current reports from Taiwan indicate that the Chinese Communists are continuing with their plan. They have organized opium-poppy planting and have been so successful that they've achieved three crops of opium in two years. There are opium-poppy plantations of several thousand acres in Hsishan and Tienchih near Kunming, Yunnan province, which borders on Burma.

The production, refining, and distribution of the narcotics are handled directly by Red Chinese foreign trade agencies there. Generally, opium is first sent to Kunming and Nanning, where their trade agencies secretly ship it through the Golden Triangle on to Cuba, Albania, Beirut, and Amsterdam for sale in Europe and the United States.

After the Communists captured Indochina, they chose Cambodia to replace Vietnam as a new transfer center of opium from the mainland for sale abroad. They have also cooperated with the Burmese Communists in growing opium poppies and used Communist-controlled areas in Burma as a second opium center. A press report says that Burmese government troops captured 33 kilograms of heroin, 102 kilograms of opium, 18 pieces of arms, four steamboats and large quantities of heroin-related chemical materials in the Golden Triangle bordering Burma, Thailand and Laos in a mopping-up operation carried out this spring.

Our sources indicate that the Peking regime now operates more than 80 "state"-owned narcotics farms in 196 counties throughout the mainland, while 90 opium-processing plants were set up in several areas and are turning out 57 types of drugs.

To make all this run smoothly, the Peking regime has set up a "Narcotics Trade Promotion Department" in Kwangtung to spread sales overseas. The Paochiang Pharmaceutical Plant alone exported more than 300 kilograms of the drugs last year, sources said. It seems Red China markets opium the way Florida sells orange juice.

[From the Washington Star, July 19, 1981]

THE LURE OF A CHINA EXPERIENCE

(By Edwin M. Reingold)

PEKING.—An elderly, overweight American tourist waddled out of the elevator at the Qianmen Hotel the other morning and sighed irritably to a fellow passenger, "This is strenuous. We don't leave a hill unclimbed, do we?"

The lure of a China experience brought an army of 50,000 American tourists to this once off-limits land last year, and this year the number is expected to swell to 70,000.

Because China is remote and because it wants foreign exchange badly, it is expensive to tour China. Naturally, those who can afford the trip are often people in their 60s and 70s.

But it is, as the lady tourist said, strenuous. For many it is hazardous to health, and for at least 20 visitors in the past two years, it has meant death. In fact, three American tourists, all in their 70s, have died in China in the past four weeks.

One American who must deal with the deaths and often with illness, injury and just plain dissatisfaction, is the American Consul in Peking, Bruce Gray.

"Not all the hills need to be climbed by these older people," insists Gray. "Some

could be viewed from an air-conditioned bus. But people seem to want to do everything on this romantic China tour. They've paid for it. But many pay for it in ways they didn't intend."

Gray is the man who must seal the coffins, contact the relatives, recommend courses of action and sometimes explain to distraught tourists that medical facilities in China are by any standards primitive. The food can be greasy and loaded with monosodium glutimate and salt, the hotel facilities are at present second or third or 10th-rate at best, transportation is erratic. Sometimes the facilities tourists complain about are the finest available at this primitive stage in China's attempt to modernize.

And the costs are high, even exorbitant. But then, what else could you expect in a country where the family of an executed criminal must pay for the bullet used to kill him?

In their grief, families have learned that the average cost of returning a body to the U.S. is between $5,000 and $7,000. Embalming is rarely available, so families are cautioned to consult their local morticians before viewing the remains.

Says Gray, flashing a wan, grim smile: "I sometimes feel like a mortician myself."

Many people come to China even though they have medical conditions that would give them pause were it not for the magnetism of China, says Gray.

"The tour guides tell me the average age of their clients is well over 65. Not one of the people who have died here in the last two years was under 60, most were over 65 and a third were over 70," says Gray.

Gray and others concerned with the problem feel that travel agents ought to be more explicit in explaining conditions in China to prospective tourists.

"They should know that emergency medical care of the type accessible to most rural Americans is literally not available here," says Gray, recalling the story of a 72-year-old woman who slipped and broke her hip at the Great Wall of China at Badaling, a two-and-one-half-hour drive north of Peking.

"They brought her to Peking on the back of a flatbed truck. When she got to Capital Hospital (where foreigners are treated) the doctors refused to operate on her, afraid she would die. So we decided to med-evac her."

This required purchasing an army field stretcher, sawing off the handles, buying quilts at the friendship store to pad the canvas, and putting it aboard a Chinese airliner bound for Tokyo. Payment of four-class fares was required. Because of Chinese airline regulations, she had to be moved painfully on each takeoff and landing at two intermediate stops before arriving in Tokyo.

"Miraculously," says Gray, "she survived and wrote me about her experiences."

Another tourist who survived a heart attack last year was charged $4,800 for three days in what was called a "life support unit" which amounted to a cylinder of oxygen and a mask for breathing it.

The husband of a woman who died in far-off Chengdu in Sichuan province was told he'd have to charter an Antonov-24 airplane for $18,000 to get the body to Canton. Gray found there were four scheduled flights that could have done the job.

An American visiting the ancient Buddhist caves in remote Dunhuang had trouble with the kidney drain he wore and called Gray asking for the embassy helicopter. There is, of course, no such thing, and the only way to get to the nearest airstrip was the normal 22-hour train ride from Dunhuang to Lanchou.

"Why he went out there in his physical condition is a mystery to me," says Gray.

Mountain climbers who lost a teammate on Mount Gonga had to walk nine days to reach a road where they could flag down a truck. The body was abandoned long before they reached the road.

"But," says Gray, with the macabre humor embassy hands have developed to handle their depressing chores, "maybe it was worth it. After all, nobody's climbed the Chinese Himalayas for 40 years."

The ailments that should preclude a trip to China are precisely those that many of the aged tourists suffer. Says Gray: "emphysema, asthma, hypertension or any heart condition, all of these are conditions that we find in those who died."

One tour guide says that although the travel company requires a statement of health from each prospective traveler, the applications are so eager to come that they lie.

In some cases where a tourist finds himself in the hospital—or writhing on the couch in Gray's office as one woman did recently, with blood pressure of 240/150—Gray calls the family physician. "I wish I had a nickel for every time I've had a doctor tell me 'I begged him not to go.'"

"You have to 'black humor' this thing," says Grays. "Otherwise you couldn't handle it. These people come out here and do all these unhealthy things they wouldn't dream of doing at home. They breathe polluted air in the winter when the coal dust is thick, or in the spring when the dust storms are raging or in the summer when it is unbearably hot and they eat unwisely, drink too much, smoke too much.

"All of these people who die seem to die at night, on the next to last night of the tour, usually after the Peking duck farewell dinner. Peking duck, heavy on the grease, too much of everything, including the monosodium glutimate. I knew that's pseudoscience, but some say MSG is a heavy contributor to exacerbating hypertension.

"In any case, they eat the duck, get sick and die. That's why we've coined the phrase 'death by duck.'

"They always seem to want to seal the coffin at 3 a.m., and I have to go down this dank stairway lit with a bare bulb into what is called a morgue but is just a damp, fetid basement. It's like a bad horror movie."

And if the food won't get them, the pollution might. A delegation from the Environmental Protection Agency visited China last year, says Gray and took tests on a street corner in Peking. It showed the air contamination was six times the alert level of Washington, D.C. The measuring device literally broke down when they tried to use it in the industrial city of Wuhan. Warnings from family doctors, from scrupulous tour companies or from people like Bruce Gray do not seem to deter the folks in their hunger to get that long yearned-for look at China. Some are so enthralled by China that even death doesn't stop the tour.

The husband of one 71-year-old woman who died this year impatiently had her body cremated for $150 and carried the urn of ashes with him in his suitcase so he wouldn't miss the rest of the tour.

"The minimal comforts and facilities Americans can expect are simply not available in China," says Gray, who has served in Denmark, Taiwan and Hong Kong. "Things like hand railings, heating, air conditioning, drinking fountains, sanitary rest rooms, things we are accustomed to in most tourist spots in the world. One woman told me she was so cold last winter she opened her suitcase and put on all her clothing.

"One man called me to complain that he was being cheated and had been taken to a bad, overpriced restaurant. I had to tell him he was taken to one of the best Peking had to offer."

Airline schedules are erratic, flights are sometimes cancelled, trains are overbooked, hotels are switched. Gray admits that statistically almost all American tourists survive the experience and arrive home with interesting stories to tell, but many have hurt themselves physically in doing it. Tour companies set a blistering pace for the tour groups with almost no concession to the age of the clients.

An elderly chain-smoking woman from Boston complained of the pace: "We got there last night and barely had time to change clothes before they took us to see the Peking opera. Most of us fell asleep in the first 10 minutes."

Gray recommends that elderly people who have pre-existing medical conditions go to Taiwan or Hong Kong, where tourist facilities are better, less expensive, safer and medical help is accessible.

"If they really must see the Peoples Republic of China," he says, "they can take a day trip from Hong Kong to Canton."

In view of the existing problems, one can only shudder at the suggestion made last week by Vice Premier Chen Muhua that China should develop ethnic tourist facilities so that travelers can live in Thai-type bamboo houses in steamy, humid Hunnan province and in yurts (felt tents) when they visit the primitive Inner Mongolian Desert.

Tourism is on the rise, according to Chen, and by 1983 Peking is expected to be able to handle 430,000 visitors a year in 3,600 hotel rooms—5,600 rooms by 1985. New hotels will also go up in Xian, Hangzhou, Suzhou, Wuxi and other scenic areas which are sorely lacking in tourist facilities, but which take many thousands of tourists nevertheless.

The Chinese view of the importance of tourism was frankly revealed in a memorandum lately circulated within the China travel service which pointed out that tourism is the fastest way for China to get foreign exchange, and urged agents to keep this in mind when dealing with tourists. In the last three years China has earned $1.3 billion from tourists, including some 12 million overseas Chinese who have come "home" for a visit.

As American tourists contribute to that increase, Gray and his colleagues are knocking on wood because while this is the height of the "mortuary rush season"—more black humor—there hasn't been a death for several weeks.

As for China's development of tourist infrastructure and the hope that tourist facilities will reach world class standards soon, one Peking wag puts it succinctly: "China is the country of the future," he says. "It always has been, and it always will be."●

WORLD WAR I PENSION ACT

HON. JAMES WEAVER

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. WEAVER. Mr. Speaker, I speak in support of H.R. 1918, the World War I Pension Act. I would like to congratulate my friend from California, Mr. Anderson, for his tireless efforts on behalf of the veterans of World War I in having sponsored this much needed bill for the past several years. I hope that his dedication and tenacity are finally rewarded this session by the passage of this bill.

Mr. Speaker, I feel a personal responsibility in supporting this legislation. As a veteran of World War II, I came home to new kinds of veterans benefits. My education was completed as a result of the GI bill. I was able to receive a veterans home loan. Countless others who came home from Europe and the Pacific at that same time also were able to receive the start in life they might not otherwise have had were it not for the GI bill.

The responsibility for the GI bill can be accredited to our predecessors in battle, the veterans of World War I. They were the ones who foresaw the need for improved benefits for veterans. They knew from experience the problems young veterans have after returning to civilian life. Without them, there would have been no GI bill.

The creation of the GI bill, however, caused a gap in benefits that has left the veteran of World War I "frozen out," so to speak, from the benefits which had been traditionally given the veterans of earlier wars and those they worked to create for the veterans of wars since. Admittedly, World War I veterans were technically eligible for the GI bill benefits when those were first created. With careers established, however, and families begun, it was impossible for nearly all of the World War I vets to take advantage of college educations or first home loans.

It is for this reason I feel a debt to the veterans of World War I. I see, however, another reason for a World War I veterans pension beyond that—one of importance to us all.

I firmly believe that the way a nation treats its veterans will be reflected in the quality of its servicemen and the ability of the Nation to recruit new soldiers. I think the example of the past decade supports this. Many of my colleagues have argued that our military has not been up to par, that it is impossible to adequately maintain our manpower without military conscription. I have argued that a draft has nothing to do with a strong military. The way we treat our soldiers and our veterans, on the other hand, has everything to do with it. When our soldiers returned from Vietnam they were shuffled aside and forgotten. They have been underemployed. Small wonder, then, that it is only now, once again, that the occupation of soldier is becoming one to be proud of.

The President has asked that we increase the size of our military by an additional 54,000 troops. I respectfully wish to ask how, when our oldest veterans are forced to live on the meagerest of incomes in their final years, we can ask today's youth to serve a country so unwilling to acknowledge the service of the past?

I am sure, however, that I hardly need to justify the entitlement of the veterans of World War I to a pension to the Members of the House. We all share the same respect and sense of obligation to these veterans. My major concern is the additional expenditure in a time when a reduction of the Federal budget is so urgently needed.

Since my election to the House in 1974, I have always worked to reduce Federal spending. There is obviously little room for any increase in our spending at this time.

I believe, however, that there are some things too important to be put off until we have a budget surplus. A World War I pension is one. Each year more World War I veterans die without having received the benefits they deserve. In my district in southwestern Oregon, there are less than 2,000 World War I vets still living. The amount of money which H.R. 1918 authorizes would not mean a dramatic change in their lifestyles. None of these veterans would suddenly be living in luxury, buying new cars, or spending winters in Florida. It would mean, however, a better diet or perhaps a warmer winter. In Oregon, that monthly pension would pay for two cords of firewood. Each year, we would be spending less on the entire program than the year before—one of the few Federal programs I can think of to which that statement applies.

Let me conclude by saying that I recognize that those who answered their country's call in 1917 did not go to war with the assurance that they were doing so for a pension. They went because they believed in their country and they believed in their duty. But when they went, they did so for a country that had always honored and cared for its veterans. From the Revolutionary to the Spanish-American War, pensions had been established. The veterans of World War I deserve no less. And for a yearly amount roughly equivalent to the cost overruns of one single Trident submarine, I think I am safe in believing that it is justified.●

BRING BACK PARKS AND YCC

HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. BONKER. Mr. Speaker, I would like to call to your attention a recent article from the Seattle Post-Intelligencer. This article offers an alternative solution to a problem currently facing the Department of the Interior—the dilapidation of our national parks.

As you know, Congress, at the request of President Reagan, voted to eliminate both the Youth Conservation Corp and the Young Adult Conservation Corp. The primary function of these two programs was to preserve our national parks and recreational facilities. Not only did these programs meet that goal, they also provided full time and summer employment for this country's youth; the segment of the population with the highest rate of unemployment—19 percent as of June 1981, Bureau of Labor Statistics.

I am pleased the Secretary of the Interior has acknowledged the poor condition our national parks are in. But his solution to the problem is to use funds already set aside for new parkland acquisition. I disagree with his solution. I believe the expansion of our national parks and the repair and improvement of our current park properties go hand in hand. Congress realized this when they mandated the Interior Department to carry out both of these responsibilities.

At present, we do not have enough national park land to accommodate all the citizens that want to use the park facilities. Last year alone, over 1 million people were turned away from national parks in California due to overcrowding. The Federal Government has a responsibility to our future generations to put a priority on the expansion, as well as upkeep of our national parks.

I believe the better solution to the problem is to reinstate the YCC and the YACC programs. These programs could continue to be responsible for improving the parks already in existence, leaving the money allocated for land acquisition for what it was originally intended for.

Because of the interest we all have in the future of our national parks, I wish to include the following article at this time.

[From the Seattle Post-Intelligencer, June 15, 1981]

BRING BACK PARKS AND YCC

Secretary of Interior James Watt, the man environmentalists love to hate, has been serving up a steady diet of doom over the deteriorating conditions in our national parks. He says their condition is "appalling," that there has been a failure of stew-

ardship and that the parks' inheritance is one of "shame."

Support for Watt's gloomy overview comes from a General Accounting Office study. That office estimates that safety deficiencies in the 334 units of the park system could be as high as $1.6 billion. Last week the Post-Intelligencer ran a five-part series detailing some of the problems: pollution, overcrowding and the meager budgets of past years. Congress, it seems, has been overeager to set aside lands, not as willing to appropriate money to take care of them.

The remedy, according to Watt, is to take money earmarked for land acquisition and use it to fix up the existing parks. Watt recommends abandoning some parks. He wants to hand over to private concessionaires some jobs done by the Park Service rangers.

It seems to us that there is one solution to park deterioration that Watt and the Reagan administration have not considered. That's the reinstitution of the Young Adult Conservation Corps (YACC) and the Youth Conservation Corps (YCC). These programs were the brainstorms of Washington's Sen. Henry Jackson and former Rep. Lloyd Meeds.

During last year's attack of austerity, Congress killed the YCC and all but leveled the YACC, leaving only $26 million to finish up some ongoing programs. A pity. The two conservation programs were little miracles: cost effective bureaucracies. In Washington and Oregon in 1979, $1.35 in manual labor was returned for each dollar invested in the program, aimed at getting teenaged youth off the streets.

Young people were put to work building trails, fixing guard rails and clearing away debris. They spent two hours a day on environmental education, six hours with shovels and wheelbarrows. They labored in parks, fish hatcheries and wildlife preserves, with the feds paying 80 percent, the states 20 percent. Those who took part came away with a dedication to nature and to the work ethic.

Secretary Watt would defuse some criticism of his office by using his influence to bring back the two programs. The young people could do the rebuilding and clean-up that he has in mind. Then the parks budget would stretch further, enabling Watt to use the acquisition money (mostly from the leasing of offshore oil lands) as it was intended: to buy more recreational land. Heck, Watt might end up winning so many points from environmentalists that they'd offer to name a park (or a parking lot) after him.●

SALUTE TO AMOS AND PAT KAUNE OF GULLIVER'S, N.J., DISTINGUISHED CITIZENS IN THE ARTISTRY OF JAZZ

HON. ROBERT A. ROE

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ROE. Mr. Speaker, On Tuesday, July 22, a special anniversary of musical and cultural significance will take place in Gulliver's, West Paterson, N.J., when fans and artists will join together to honor two distinguished citizens, outstanding community leaders and good friends, Hon. Amos and Hon. Pat Kaune and commemorate the 11th anniversary of Gulliver's, Mr. and Mrs. Kaune's unique jazz club established over a decade ago to help, promote and enhance the American musical art form known as jazz.

Gulliver's has been the subject of news correspondents of New Jersey and New York over the years and with your permission I would like to insert at this point in our historic journal of Congress the following excerpts of some of these writings in tribute to the outstanding contributions that Mr. and Mrs. Laune have made to our cultural heritage through the artistry of American jazz:

Amos Kaune's devotion to jazz is paying off not for Mr. Kaune, who owns Gulliver's, a local jazz club, but also for the town of West Patterson.

All through the coming week, Gulliver's will be celebrating its 5th anniversary, and one of its means of celebration will be to turn over the proceeds of concert session on Thursday night to the Bicentennial program of West Paterson . . .

Another recipient of Gulliver's anniversary largesse will be the House That Jazz Built, a community center at 1312 Stebbins Avenue, the Bronx, which was opened last Saturday by its founder and director, Maxine Sullivan, the singer. The house, once owned by Miss Sullivan and her late husband, Cliff Jackson, the stride pianist, will be a center for jazz instruction, research and performance. . . .

JOHN S. WILSON

(*Special to The New York Times*).

Gulliver's is that rarity of rarities, a jazz club that is consistently popular. In a business (jazz clubs) where the chances of surviving more than a year or two in New Jersey are slim, Gulliver's is marking a milestone this week. Its tenth anniversary. That makes it the oldest continuously running jazz club in the state today. . . .

GEORGE KANZLER, JR.

I have always been an ardent admirer of jazz drummer Joe Morello.

So naturally when I picked up the paper and saw that the former Dave Brubeck percussionist was appearing at a spot called Gulliver's, I had to see him.

That was my introduction to Gulliver's . . . a small jazz haven located on McBride Avenue here. The club, owned and operated by Amos and Pat Kaune, features some of the top jazz artists in the country . . .

While the music is the main drawing card, Gulliver's itself is a fascinating place.

The building is over 100 years old, said Kaune, who bought the edifice in February 1970. . . .

WADE WALKER.

Mr. Speaker. In helping to preserve the endowments and traditions of the American way of life, the strength of our Nation's foundation and the sphere of America's heritage, the commemoration of the artistry of jazz has vast significance to all of our people. Mr. and Mrs. Kaune through Gulliver's has held many jazz festivals and presented some of the most skilled artists of jazz throughout our Nation. By their example, goodwill and many accomplishments in civic, community and charitable endeavors, they have personified a quality of leadership, dedication and sincerity of purpose which have made a major contribution to the cultural endeavors of our community, State and Nation.

In their continuing efforts to bring refreshment and re-creation to our people through preserving and enhancing the artistry of jazz music, we do indeed salute Hon. Amos and Hon. Pat Kaune upon the celebration of the 11th anniversary of Gulliver's.●

A TRIBUTE TO TOMÁS GLYNN

HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. MATSUI. Mr. Speaker, I rise today to pay tribute to an American civilian who did much to aid our Nation's efforts during the Second World War.

This man, Tomás Glynn, aided the U.S. Navy in defending allied ocean shipping in the Caribbean against Nazi submarines, which were sinking about two ships a day early in the war.

Due in part to Mr. Glynn's knowledge of the people and the coastal waters of Honduras, a system was devised to log vessels in out of Caribbean ports, thus making identification of friend or foe more certain for scarce allied patrol craft.

Tomás Glynn, still living in Trujillo, Honduras, deserves the recognition of the U.S. Congress for his service to our Nation during the war. I hope all of my colleagues will join me in extending to Mr. Glynn our heartfelt appreciation.●

IT'S TIME FOR A BAN ON COMMERCIAL WHALING

HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. BONKER. Mr. Speaker, yesterday marked the opening day of the 33d annual session of the International Whaling Commission. In Brighton, England, representatives of the IWC's 27 member nations are debating the future of these extraordinary—and endangered—mammals.

As you know, Mr. Speaker, the House last Wednesday gave its unanimous approval to a resolution calling for an indefinite moratorium upon the senseless and brutal slaughter of whales for commercial purposes. In approving House Resolution 142, the House reaffirmed our Nation's position as a leading proponent of a commercial ban, as well as other protective measures, and placed the will of the American people squarely behind the efforts of the U.S. delegation to the IWC in working for a moratorium.

President Reagan has also appealed for an end to the slaughter, in a letter

to the IWC, expressing his support for a commercial moratorium.

Recently, one of the outstanding newspapers of the west coast, the Seattle Times, added its editorial support to the efforts toward a commercial moratorium to protect the whales. The Times editorial provides a succinct and comprehensive analysis of the major issues which underlie the IWC meetings and the entire whaling controversy.

In particular, the editorial points out the moral and economic indefensibility of whaling when alternatives are readily available for all whaling products, and the rising impatience of antiwhaling activists, ecological groups, and the international public as a whole, at the unwillingness of the few remaining whaling nations to abandon their savage and senseless practices.

I commend this incisive overview of the international whaling conflict to the attention of my colleagues.

IT'S TIME FOR A BAN ON COMMERCIAL WHALING

Every summer in recent years, the call for a world-wide ban on commercial whaling has reached a crescendo just before the annual meeting of the International Whaling Commission. This summer is no different, as the commission will meet again in Brighton, England, next week.

What has changed, however, is the degree of broad, vocal and bipartisan support for an end to commercial whaling—a brutal, anachronistic industry whose time has passed.

In Congress, the House this week passed a strongly worded resolution calling for an indefinite commercial whaling moratorium. Authored by Washington's Representative Don Bonker, it had 67 co-sponsors and was endorsed by the White House, the State and Commerce Departments, and many environmental groups. It is expected to clear the Senate easily.

But the resolution is only advisory, aimed at strengthening the hand of the U.S. delegation and its allies at the meeting in England. Trying to persuade the I.W.C.—a group originally formed to promote commercial whaling—to reverse itself and ban the practice is a difficult task.

I.W.C. rules require a three-fourths majority vote for such an action. Of the group's 29 member nations, 10 still engage in some whaling. If that coalition holds, the ban will be blocked again, even though it no doubt will win a simple majority for the fifth consecutive year.

The number of whaling nations has dwindled in the past decade as most abandoned this unpopular, unecologic, and increasingly uneconomic enterprise. The only countries that still conduct commercial operations are Japan, the Soviet Union, South Korea and Iceland.

If the moratorium is defeated, the U.S. delegation will try to improve enforcement of quotas that have decreased the number of whales killed from more than 45,000 in 1973 to 14,000 last year.

If these efforts fail, there inevitably will be more attempts by groups like the crew of the trawler Sea Shepherd II, which set out from Los Angeles this week to confront a Russian whaling ship in the Bering Sea. This crew in the past has rammed or planted mines on whaling ships their tactics are so violent and radical that they are not condoned by other environmental groups such as Greenpeace, whose members have physically placed themselves between whales and whalers.

But if the I.W.C. will not place itself between whales and whalers by approving a moratorium, whaling nations must expect continued harassment, economic sanctions, and negative world opinion.●

COMPASSION

HON. JIM WRIGHT

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. WRIGHT. Mr. Speaker, recently Vernon Jordan, president of the National Urban League, identified the one word which he says makes government relevant to the governed. Mr. Jordan, in his keynote address to the NUL's annual conference, identified that word as "compassion."

Mr. Jordan offered a comprehensive analysis of why he feels that current administration policies toward the "truly needy" are inadequate. I believe my colleagues may find Mr. Jordan's remarks of special interest in light of current budget and tax considerations.

The remarks follow:

KEYNOTE ADDRESS BY VERNON E. JORDAN, JR.

Last year's NUL Conference was the first in my decade in the Urban League that I did not attend personally. I saw the proceedings on video tape. I spoke to the Conference on audio tape. But all the while, I felt deeply deprived, for there can be no more vital experience than being among the people I love in this meeting of the Movement I love.

But last year's experience also renewed my appreciation of the strength of the Urban League. Few organizations could sail through a crisis such as we faced last spring and summer. Few could demonstrate the depth of skills and experience that we did.

Our Chairman, Coy Eklund, merits our deep appreciation for the way he helped our agency pull through, Coy, our dedicated trustees, and our 25,000 volunteers all provided encouragement and support far beyond the call of duty.

With their help, national and affiliate staff performed with the devotion to excellence and to results that typifies the Urban League. And John Jacob displayed a unique blend of grace under pressure, hard work, wisdom and leadership that won the admiration of everyone—in and out of our Movement. He deserves a special thanks from all of us for his superb job.

Thanks to your great efforts, the Urban League emerged from its crisis stronger than ever, So it is good to be here tonight, to salute you—not on tape, but in full, living color.

My first Urban League Conference address was in 1971. Then too, it dealt with a conservative Administration in Washington. But that Administration, while hostile to black people, was pragmatic. It had to be. There was still a strong national consensus that operated to preserve black gain. The Congress was a bulwark against attempts to dismantle important social programs. We had a two-party system then.

Today, there is another conservative Administration in Washingon. But this time, much has changed.

This Administration is wedded to an ideology of radical conservatism. This Administration has introduced a new political vocabulary—"Budget reconciliation," "truly needy," "supply side economics," and other phrases. But it has dropped from the political vocabulary the one word that makes government relevant to the governed, the one word that grants legitimacy to its laws—"compassion."

This is not mere semantics. The Administration's refusal to temper ideology with compassion makes it a clear and present danger to black people and to poor people.

Those are harsh words, but true ones. And they apply despite the obvious charm of the President. We must make a clear distinction between our political and ideological differences with President Reagan and our high personal regard for him. The President is a good man, a courageous man, and on a personal level, a compassionate man.

Not since Franklin Delano Roosevelt has America been led by so gifted a communicator. Not since Lyndon Johnson has it been led by so skillful a politican. And not since Herbert Hoover has it been led by a President willing to sacrifice millions of people on the altar of an outmoded ideology.

Yes, outmoded. The President claims to be bringing us new ideas and new policies. But they are actually a recycled version of ideas and policies that were buried in the Great Depression. And with good reason.

What are the new ideas the Administration is ramming down the throats of the nation? Get government off our backs. Give power and programs to the states. Federal programs have failed. Rely on the free enterprise system. Build more missiles.

Those are not ideas, they are slogans. Like most slogans, they contain a grain of truth. And like most slogans, they oversimplify and distort. They reinforce the meanest instincts of selfishness. They cut society loose from its moral bearings.

Black people don't need to be told that government is on our backs because we know it has been by our side, helping to counterbalance the vicious racism that deprived us of our lives, our liberty, and our rights.

Black people don't need to be told that power and programs should go to the states, because we know the few, feeble programs that have helped us were those mandated by Washington. It was the state and local governments that excluded us from everything from voting to paved streets. And it is they who will trample on our interests again if this Administration dumps the programs we need into block grants.

Black people don't need to be told federal programs have failed because we know many have succeeded. The Pentagon may not be able to land helicopters in Iran, but the Food Stamp program has fed the hungry; social security has wiped out poverty for most older citizens; CETA has put the jobless to work, compensatory education programs have improved reading scores of disadvantaged youth, and Legal Services has given poor people access to the justice system.

Black people don't need to be told to rely on the free enterprise system. We believe in the free enterprise system. We want to be part of it. We want our fair share of it.

And we know that will not happen without a federal government that pushes the private sector into affirmative action programs. It will not happen without a federal government that has setasides for minority

enterprises and job and training programs for the disadvantaged.

Black people don't need to be lectured about the need for economic growth. When others were talking of "an era of limits," "less is more," and "small is beautiful," we were saying "bake a bigger pie." We want economic growth. We know that in this America we will not get our fair share unless there is more for everyone. But we also know that we will not get our fair share just because there is more. America has managed to push us from the table of prosperity in good times as in bad.

So it is not enough just to have growth. What we want to know is "economic growth for whom?" "A rising tide lifts all boats" is no answer. A rising tide lifts only those boats in the water; our boats are in the drydock of America's economy. And we know we will be stranded on dry land, far from that rising tide, unless government steps in with the programs and protection that help launch into the mainstream.

That will not happen with an economic program that gives to the wealthy in the vague hopes that some of it will trickle down to the poor. What little trickles down is soaked up long before it reaches us.

Let us cut through the rhetoric of a supply-side economics that suppies misery to the poor: this Administration's economic program amounts to a massive transfer of resources from the poor to the rich.

It takes money, programs and opportunities from poor people and promises them in return an end to inflation and prosperity for all. It says to poor people: give up the little you have today and we promise you a lot more in the bye and bye. Well, black people aren't buying pie-in-the-sky economics.

Last year Candidate Reagan came to the Urban League's annual conference. He catalogued the many economic problems our nation faces. And he said: "let us make a compact among ourselves—a compact not to fight these problems on the backs of the poor."

But that is exactly what this jelly bean budget does!

Candidate Reagan said: "Think of how discouraging it must be for those who have always had less, to now be told that they must further reduce their standard of living."

But that is exactly what this jelly bean budget does!

Last month President Reagan said: "I do not intend to let America drift further toward economic segregation."

But that is exactly what this jelly bean budget does!

When we look at the budget, we say to the President, in the words of the Psalmist: "Thou hast showed thy people hard things: thou hast made us to drink the wine of astonishment."

A brief look at what happened to some of the major domestic programs will demonstrate that black people are the major victims of a budget that tears huge, gaping holes in our safety net:

Social security.—The minimum benefit—a measly $122 a month is eliminated. Who gets hurt? Poor black people who spent their working lives on their knees cleaning floors. Disability benefits are tightened. Who gets hurt? Workers who are injured or fall sick and can't work anymore—a disproportionate number of them black.

Food stamps.—A million people will lose their food stamps, millions more will have their benefits reduced. Who gets hurt? The working poor. Over a third of all food stamp recipients are black.

Public service jobs ended.—CETA training cut back. Who gets hurt? Over a third of all CETA workers are black.

Medicaid is capped.—Poor people will suffer reductions in access to health care. Who gets hurt? Over a third of Medicaid recipients are black.

Legal services.—The Administration wanted to kill it. But our compassionate Congress just cut its budget by two-thirds. Who gets hurt? People who can't afford a lawyer. Poor people. A third are black.

Welfare is cut and a forced work program authorized in the hope that unpleasant make-work jobs will drive people off the rolls.—Who gets hurt? Almost half the recipients are black children and black mothers. Who gets hurt most? Working mothers who get small welfare checks to supplement their low earnings.

Education aid cut heavily.—Who gets hurt? Disadvantaged children, over a third of them black.

Defenders of that budget will tell us black people are not being singled out. That's true. It's only poor people who are being victimized. And we are twelve percent of the population but a third of the poor—so we are the main victims.

We are told the nation can no longer afford to help the poor. But it can afford to throw one-and-a-half trillion dollars at the Pentagon over the next five years.

We are told social programs don't help poor people: they help the people in social service professions. Tell that to the families deprived of their food stamps, their welfare checks, their public service jobs.

We are told social programs breed dependency. Tell that to the working mothers who will have to quit their jobs or lose benefits. Tell it to young people in training programs who will lose their chance to learn and to earn their way out of poverty. Tell it to sick people whose public health clinics are shut down.

We are told that it's bad to look to government for special help—everyone should be treated the same. Tell that to the affluent who will get the huge tax cuts on top of their loopholes. Tell it to the corporations on welfare. Tell it to the special interests who still get their subsidies while poor people lose their life-lines.

Last month the Congress rushed this jelly bean budget through. With no real debate, the programs that help the poor were cut to ribbons. With no real debate, years of slow, patient progress were swept out to sea by the rising tide of radical conservatism.

Never have so few taken so much from so many in so little time!

Where was the outcry against that outrage? Where were the Democrats? Where were the liberals? Where were the Congressmen who once fought for the programs that give poor people opportunities?

With some honorable exceptions, they were engaged in a last-ditch fight to cut the President's three-year tax cut back to two years. They were in a last-ditch fight to save benefits for the middle class and farm interests. Roosevelt led a Party concerned with the "ill-housed, ill-clad, ill-nourished." Today his successors are concerned with the upper-middle class.

Democrats and Republicans alike need some arithmetic lessons. They need to learn that poll results still show significant public support for social programs that work.

They need to learn that when they cut social programs whose beneficiaries are one-third to one-half black, the remainder are white. Whites make up half to two-thirds of the victims of the cuts.

And if they don't care about blacks and poor whites, they must remember that this is just the beginning. Tax cuts combined with massive increases in defense spending mean more budget cuts down the road. And when the poor have no more programs left to cut, the cuts will start reaching into the middle class constituency the Democrats are now courting.

One last word for the Democrats who take the black vote for granted—an opposition that does not oppose is not worthy of governing.

But the silence extends well beyond a passive Congress. When aid to the arts is cut, there are full-page newspaper ads of protest. There are petitions, and loud protest. When an aggressive foreign policy is implemented, there is the same. But where are the voices raised in behalf of poor people? Where are the churches, the universities, the other sectors of our society that once marched with us and supported us?

And where is the enlightened business community? Will they keep their silence as the price for their tax cuts? Will they choose short-term profits over the long-term social stability that ultimately is the surest guarantee of the free enterprise system? Will they silently pocket billions in tax cuts without speaking out on behalf of poor working people who lose their food stamps?

The silence is frightening because the real issue extends beyond the specific budget cuts. The real issue is the grand design of substituting charity for entitlements, local tyranny for federal protection, and unbridled, law-of-the-jungle capitalism for a balanced cooperation between the public and private sectors.

Thus, the real issue is the nature of our society.

We of the National Urban League Movement believe there is no contradiction between equality and liberty; between economic growth and social justice, between a strong defense and healthy cities; between government assistance and individual opportunities. We believe that a moral society requires compassion for the poor, economic justice and racial equality.

We will play our part in the national dialogue about the future of the nation we love so much and for which we have sacrified so much. We will do our part by following the Biblical mandate to "open thy mouth, judge righteously, and plead the cause of the poor and needy."

But a dialogue means listening to opposing views as well. We will listen. Tomorrow the Vice President will speak to us. Other high Administration officials will also present their case. We welcome them.

We want to hear them address issues of concern to black people and to all Americans. We want to hear them explain their program. We want to hear them give us their vision of America and of black people's role in its future.

I hope they go beyond the usual justifications for their program. We agree with them that inflation must be curbed. We agree with them that blacks do better when the economy is better. We agree with them that America must produce more and create more jobs in the private sector.

But what I hope they will tell us is: what are black and poor people supposed to do in the meantime?

Even the wildest optimist knows it will take years for the President's program to produce the prosperity he promises. What do we do until then? How do poor people survive without the basic programs they need until then? How do they take advantage of future opportunities when present training and education programs are cut, when despair replaces hope?

A true dialogue goes beyond simple slogans and partial truths. It cuts to the core of the issues. So if this Administration is serious about engaging in a frank, open dialogue with us, will it tell this Urban League Annual Conference how the black poor are to survive in the interim?

Will it tell us how its program will bring equality to black people, when we have had far higher unemployment and far lower income than whites, even when times were good?

Will it tell us what we are to say to our poor black constituents when we go home to our 116 cities where misery lies thick on the ground and the weeds of despair flourish?

The black community today feels itself under siege. It is victimized by the budget cuts. It is harassed by attacks on affirmative action. It is alarmed that state legislatures will redistrict our representatives out of the Congress and out of local offices. It is outraged by the Administration's tilt toward racist South Africa. It is threatened by block grants.

And it is burdened by events beyond the political arena: By growing racial insensitivity and rising anti-black attitudes; by the murders of black children in Atlanta and violence against blacks elsewhere; by the continued deterioration of black neighborhoods; by the flow of drugs and the increase of crime; and by the rise of the fanatics of the far right like the Klan and the Nazis.

High on our long list of concerns is the future of the Voting Rights Act. It expires next year. Voting is, in President Reagan's words, "the most sacred right of free men and women." That sacred right will be lost to millions of black and Hispanic people unless the President comes out forcefully in favor of extending the Voting Rights Act.

The fight for voting rights symbolizes the erosion of black gains. We are now fighting the fight we fought sixteen years ago. And in some ways, we are dealing with basic issues like better race relations that were issues of the 1950s. We moved far beyond that stage, and now we are thrust back to square one.

But the path of progress has always been crooked and twisted. It has always been marked by two steps forward and one step backward. We cannot give way to despair; rather we must mobilize the black community to protect its rights and to prepare for the next push forward on the hard, rocky road to equality.

In many ways, today's challenges are more difficult. The national consensus for racial justice has withered.

The complexities of today's racial, economic and political issues are such that there is no one grand strategy or leader to deliver us. We will have to draw on our immense resources of survival skills to get us through these hard times. And we will have to cultivate our bonds of unity to once again overcome.

In many ways, it is back to basics for black people. That means a recommitment to the slow, agonizing work of building community strengths and community institutions.

The progress we have achieved has been due to the institutions rooted in our communities and responsive to our needs. Throughout history, it has been our churches, our press, our colleges, our community organizations that have fought on our behalf.

So now is the time for us to shore up those institutions, to strengthen them and support them. We of the Urban League Movement know we cannot be fully effective unless other community institutions are strong. In effect, the civil rights movement is as strong as its weakest link, and each of us must cooperate and work together, while performing the roles and functions best suited to us.

Back to basics also means a recommitment to group progress. We reject completely the notion that individual progress is meaningful while half of our black brothers and sisters are mired in ghetto poverty. We reject completely the notion that a black person who has worked and clawed his way into the middle class has no responsibility to the black poor. And we reject just as completely the vile notion that a black person who has gained a toehold in America's middle class has anything to apologize for.

We are sick and tired of hard working black people having to apologize for sharing the American Dream of a decent standard of living; of having to apologize for not being poor; of having to apologize for aspiring and achieving, of being put on a guilt trip for trying to make it.

We will not allow ourselves to be held hostage to other people's ideas about what our proper place is. We know that if you are black in America, you are in trouble; you are not safe, you are always in danger of losing the little you have. We know what it is to be poor; most of us are the first generation to be educated and to wear a white collar to work. All of us are bound by ties of family and racial unity to all black people.

Back to basics also means a recommitment to excellence. There is no margin granted to black Americans—we've got to be better than others in order to get what other Americans take for granted. That spirit of excellence and accomplishment must be characteristic of all our institutions. That spirit of excellence can be the spark that revitalizes our communities.

Back to basics also means political action. It's hard to break through the cynicism that grips people who have been subjected to brutalizing poverty and hopelessness. But the 1980s must be the decade of maximizing black political strength. We have the numbers to influence events, but in election after election we throw away half our power by not voting. So citizenship, education and political involvement in all parties must be a major priority in the 1980s.

Back to basics also means building coalitions. We've got to reach across class and ethnic lines to win victories for all people. America's tragedy is the racism that drives a wedge between whites and blacks who have so much to gain by working together.

Back to basics also means devising new strategies, alternatives for a nation that thinks old ideas that led to the Great Depression are new ideas for an uncertain future; alternatives like the Urban League's income maintenance plan.

Back to basics also means challenging America's institutions. It means challenging the Administration and the Congress to discover compassion, to make their conservatism humane. It means challenging the private sector to live up to its job creation and affirmative action obligations. It means challenging the churches to practice the morality they preach. It means challenging weak-kneed liberals and hard-hearted conservatives wherever they may be found. It means reminding America's institutions that black people are American too, that our blood, sweat and tears helped make this country what it is, and all we want is our fair share.

And back to basics means back to protesting our condition. Protest has been the basic response of black Americans, from the protest of the slave revolts to the protest of the March on Washington.

Now, when all about us is dark with despair, now is the time to raise high a fresh banner of protest. Now is the time to speak out loud and clear. Now is the time to tell the Administration that poor people can't live on a diet of jellybeans, to tell local officials they can't close our hospitals, to tell corporations they can't hire us last and fire us first, to tell the school boards they are failing their duty to our children, to tell all of America's institutions that they must root out the racism at the core of our national life.

It was a black preacher right here in Washington, D.C., Francis Grimke, who said many years ago:

"It is our duty to keep up the agitation of our rights, not only for our sakes, but for the sake of the nation at large. It would not only be against our own interest not to do so, but it would be unpatriotic for us quietly to acquiesce in the present condition of things, for it is a wrong condition of things. If justice sleeps in this land, let it not be because we have helped to lull it to sleep by our silence, our indifference; let it not be from lack of effort on our part to arouse it from its slumbers."

That is our duty, to our nation, to ourselves, to our children, and to our children's children. Let us then get back to the basic job of building new foundations for a new thrust for equality. Let us get back to the basic job of making America America again—this time for everyone.●

HOUSE OF REPRESENTATIVES—*Wednesday, July 22, 1981*

The House met at 10 a.m.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Gracious Lord, from whom we receive every good gift, bless, we pray, all those who work in this assembly and who attempt through their labors to be of service to this Nation. Make everyone aware of their special responsibility and may all see in what they do the opportunity to fulfill Your commandment that by helping others we truly serve You. Make us sensitive to the needs of those about us and may we, in our daily tasks, become ministers of healing and understanding, of caring and good will. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

APPOINTMENT OF CONFEREES ON H.R. 3454, INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1982

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 3454) to authorize appropriations for fiscal year 1982 for the intelligence and intelligence-related activities of the U.S. Government, for the intelligence community staff, and for the Central Intelligence Agency retirement and disability system, to authorize supplemental appropriations for fiscal year 1981 for the intelligence and intelligence-related activities of the U.S. Government, and for other purposes, with the Senate amendments thereto, disagree to the amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts? The Chair hears none, and appoints the following conferees: Messrs. BOLAND, ZABLOCKI, MINETA, STUMP, ROBINSON, WHITEHURST, and YOUNG of Florida; for such matters within the jurisdiction of the Committee on Armed Services pursuant to clause 1(c) of rule X of the Rules of the House of Representatives: Messrs. PRICE, STRATTON, and DICKINSON; and for such matters within the jurisdiction of the Committee on the Judiciary pursuant to clause 1(m) of rule X of the Rules of the House of Representatives: Messrs. RODINO, EDWARDS of California, and MCCLORY.

PERMISSION FOR PERMANENT SELECT COMMITTEE ON INTELLIGENCE TO SIT TODAY DURING 5-MINUTE RULE

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that the Permanent Select Committee on Intelligence be permitted to sit during the 5-minute rule today.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PEACE IN THE MIDDLE EAST

(Mr. LANTOS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LANTOS. Mr. Speaker, at this moment in history, as violence flares again in the Middle East, I come to this rostrum to commend President Reagan and Secretary of State Alexander Haig and the Governments of Egypt and Israel for successfully concluding the final and history-making step in the peace process between Egypt and Israel by agreeing to a multinational force of observers who will permanently insure the tranquillity and stability of the negotiated peace between Egypt and Israel.

The Middle East Subcommittee of our Foreign Affairs Committee, in a 3-hour session yesterday afternoon, carefully scrutinized the President's request that Congress approve U.S. participation in this critical peacekeeping operation.

The President's emissary, in response to my questions, characterized the attitudes of both the Egyptians and the Israelis during these serious negotiations as harmonious, cooperative, and committed to the pursuit of peace.

I commend our own Government and the Governments of Egypt and Israel for their statesmanlike and responsible behavior and call on my colleagues on both sides of the aisle to grant President Reagan's request and to approve overwhelmingly and without delay the multinational peacekeeping force in the Sinai.

ENERGY INDEPENDENCE A NO. 1 NATIONAL PRIORITY

(Mr. ROSE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROSE. Mr. Speaker, on June 26, 1980, by a vote of 317 yeas, 93 nays, this body overwhelmingly approved the Energy Security Act, otherwise known as the synthetic fuels bill. This Congress, in bipartisan fashion, expressed the very clear intent to the administration to move forward with the synthetic fuels program.

The President's Energy Secretary has attempted to do that. But at this very hour, Mr. Speaker, the President himself is presiding over a Cabinet-level meeting to determine whether or not roadblocks put in the way of this legislation will be removed or allowed to stay, roadblocks placed there by OMB Director David Stockman.

Mr. Speaker, the eyes of the country are on this project and energy independence is a No. 1 priority for this Nation today, just as it was when we overwhelmingly passed this bill.

STOCK PRICES PLUNGE ON INTEREST WAVE

(Mr. ALEXANDER asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous material.)

Mr. ALEXANDER. Mr. Speaker, the business section of the Washington Post reported yesterday:

STOCK PRICES PLUNGE ON INTEREST WAVE

(By James L. Rowe Jr.)

NEW YORK, July 20.—Stock prices plummeted today as a new wave of interest rate worries swept Wall Street.

The Dow Jones Industrial Average of 30 stocks fell 18.36 points to 940.54. That was the biggest one-day decline for the most closely watched barometer of stock prices since Jan. 20, when it declined 20.31 points. Today's closing Dow Jones level was the lowest since Feb. 20, when it hit 936.09.

And the front page of the Washington Post yesterday reported:

REAGAN DEFENDS MONETARY POLICIES

(By Hobart Rowen)

OTTAWA, July 20.—European leaders who had bitterly protested high American interest rates backed away today from any pressure for a change following President Reagan's strong defense of the U.S. position at the opening of the two-day summit conference of seven leading industrialized nations here.

The Reagan administration can no longer blame high interest rates on inflation. Donald Regan, U.S. Secretary of the Treasury, has said that maintaining high interest rates is essential to fighting inflation.

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

Obviously, the maintenance of high interest rates is a deliberate Reagan administration policy.

The high interest rates of the Reagan administration have now become a part of the inflation problem. Maintaining high interest rates is wrong because it is breaking the back of the farmer, merchant, and manufacturer. No longer can President Reagan claim that he inherited the problem when the stock market is plunging in response to the administration's high-interest-rate policy.

□ 1010

UPDATE ON RECONCILIATION CONFERENCES

(Mr. PANETTA asked and was given permission to address the house for 1 minute and to revise and extend his remarks.)

Mr. PANETTA. Mr. Speaker, this is a continuing update on reconciliation on the conferences. Of the 58 subconferences that were established, 14 have been completed, 14 are substantially completed, so that 28 of the subconferences, or almost one-half of all the subconferences, are virtually completed as of this morning.

Seventeen of the subconferences have had their separate conferences or staff meetings with no agreement at this point and 13 have no action. Many of those are minor issues that will be resolved once the committees and the conferences are able to turn their attention to those smaller issues.

At this point, I think there has been very good progress as far as the overall reconciliation of subconferences are concerned. What we are looking for is to try to urge those that have not met to complete their conferences by this Friday.

Today, House Agriculture is meeting at 10 o'clock; the Education and Labor Committee is meeting on the employment issues at 1 o'clock; Energy and Commerce is meeting on health issues at 10 o'clock; Senate Banking is meeting at 2 o'clock; Energy and Commerce is meeting on energy matters at 4 o'clock; and Small Business is scheduled to meet later this week on their issues.

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 21, 1981, 6 P.M.

SUBCONFERENCE COMPLETED

[Dollars in millions]

Committees: House/Senate	Date completed	1982 savings achieved	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations (37)	July 16, 1981	−$244	−$158
Post Office/Government Operations (50)	do	−4,706	−5,163
Education and Labor/Agriculture (16) [1]	July 17, 1981		
Science and Technology/Energy and Natural Resources (54) [2]	July 16, 1981	−1,363	−615

[1] No CBO estimates.
[2] Preliminary CBO estimates.

TUESDAY'S ACTIVITIES

[Dollars in millions]

Committee	Activity (miniconference No.)	Issues	1982 savings achieved		Comments
			Budget authority	Outlays	
Agriculture	Agriculture/Agriculture miniconference (1)	Food stamps			
Armed Services	Armed Services/Armed Services miniconference (10).	COLA	−$394	−$394	Survivor benefit plan issue still pending. Savings are estimates subject to CBO verification.
		Stockpile sales	−535	−535	
Banking	Banking/Banking miniconference (11)	CDBG and UDAG	−469	−47	Savings are HBC estimates subject to CBO verification.
		Section 312 rehab. loans	−137	−160	
District of Columbia	Staff discussions	D.C. loans			
Education and Labor	Education and Labor/Labor and Human Resources miniconference (15).	Higher education			Conference still in session at 6:00 p.m. Elementary and secondary education issues resolved at Education and Labor/Labor and Human Resources (miniconference 15) on July 20, 1981. No CBO estimates available.
Energy and Commece	Energy and Commerce/Commerce miniconference (23).	Organization			
		Amtrak			
		Conrail			
	Energy and Commerce/Labor and Human Resources miniconference (27).	Health			
	Staff discussions	Energy issues			
Government Operations	Government Operations/Government Affairs miniconference (38).	Travel			Issues resolved subject to approval of draft.
		Consultants			
		Block grants			
Interior	Interior/Energy and Natural Resources miniconference (39).	DOI authorizations	−596	−372	Savings estimates subject to CBO verification.
		Oil and gas filing fees	−50	−50	
		Pennsylvania Avenue Development Corp.	+14	+13	
Judiciary	Staff discussions	Equal access to justice			
		Department of justice authorization			
		Legal Services Corporation			
Merchant Marine	do	Maritime authorization			
		Merchant seamen			
		Ocean dumping			
Public Works	do	All issues			
Science and Technology	Staff discussions (54, 55)	DOE authorization			
		NSF authorization			
Small Business	Staff discussions	Disaster and business loans			
		Equal access to justice			
Veterans	None				
Ways and Means	do				

TAX RELIEF FOR WORKING AMERICA

(Mr. JEFFRIES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. JEFFRIES. Mr. Speaker, I am growing weary of the old argument that the Reagan tax cut—a 25-percent reduction for 3 years—is designed to help the rich at the expense of the poor. The figures just do not back it up. Those now earning between $10,000 to $50,000 pay 72 percent of

the Nation's tax—and they will get 73 percent of the total tax reduction. That hardly sounds like some devious scheme to enrich the wealthy.

In reality, it is a sensible proposal to give tax relief to that vast majority of our people who get up in the morning—go to work—and then see a large part of their paycheck disappear for taxes.

To me, the most insensitive part of this issue is to force the poor, the needy, and the unemployed into accepting small handouts—with no hope of ever bettering their situation. Would it not be better to stimulate the economy so we might provide them a decent job—and a better way of life for their families?

I urge my colleagues to pass the Reagan tax reduction plan—25 percent for 3 years—for all taxpayers—and the sooner the better.

COMDR. RONALD W. DODGE COMES HOME

(Mr. MILLER of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. MILLER of Ohio. Mr. Speaker, Navy Comdr. Ronald W. Dodge has returned from Vietnam.

Shot down in May 1967, Ron Dodge hit the ground alive. He was captured alive. He was paraded before newsmen alive and his photo in the grasp of North Vietnamese personnel has been reproduced millions of times. In each case, Ron Dodge was clearly alive.

Yesterday, we learned from the Pentagon that he came home to America in a small wooden box.

Ron Dodge was alive when he fell into North Vietamese hands. He did not come home with his colleagues in 1973. He, instead, is shipped home 14 years after his capture with no explanation. I can think of nothing more inhumane. The North Vietnamese owe us some answers. And we owe it to the family of Ron Dodge to keep asking questions about his fate until they are honestly answered.

BAILOUT PROVISION IN TAX BILL FOR NATION'S LARGEST INDUSTRIES

(Mr. MOORE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOORE. Mr. Speaker, I have taken the floor many times in the last several weeks to acquaint the Members on the ill-advised provision in the Ways and Means Committee's tax bill essentially providing a bailout for some of the largest industries in the United States, many of whom do not need it.

Last night, the Ways and Means Committee finished its work on the tax bill. I offered an amendment to take out this ill-advised provision. It lost on a very close recorded vote. It is now necessary that I go to the Rules Committee and seek permission under the rule that will bring the tax bill to the floor next week to have made in order an amendment to allow me to offer my colleagues the chance to strike that provision from the bill.

The Members should be most interested in my request for this rule and the Members should hope that such a rule be granted.

The Members deserve the right to pass upon this particular provision. It is very unusual, it is probably the most controversial part of the bill, had no hearings, and amounts to a $3.3 billion bailout of some of the largest industries in this country, many of whom do not need it. It is done with no objective test whatsoever. We are accepting the subjective test of the author of this provision. This is most ill advised, very poor tax policy; it creates superindustries and is in fact special legislation and special benefits for special interests of the worst order.

I urge my colleagues to support me in seeking this rule.

SOCIAL SECURITY

(Mr. WALKER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WALKER. Mr. Speaker, I listened to the entire debate on social security on this floor yesterday. At one point it was inferred that the Democrats have a corner on compassion. Other than being the height of arrogance, such a statement is highly questionable if we examine the Democrats record with regard to social security.

Let us remember, first of all, the Gramm-Latta package about which they talk was an alternative to the Democratic leadership bill, and what did that leadership bill do? Why beginning next July, it cut benefits to all 36 million social security recipients. That is compassion? I think not.

And who can forget that it was their administration last year that proposed to tax social security benefits—a real act of compassion? I think not.

One of the proposals for social security reform that they are presently floating proposes to make the social security program—and get this—into one giant welfare program by injecting it with general revenues. That is not likely to be viewed as an act of compassion by those who have earned benefits under the system.

But certainly, their most uncompassionate act has been to drive the system to the brink of bankruptcy with the addition of countless unearned beneficiaries to draw down the fund. The fear of the present is a legacy of that irresponsibility of the past. The Democrats' efforts to exploit that fear, as they did yesterday, is hardly compassion as most of us understand the word.

THE PHONY WAYS AND MEANS COMMITTEE THIRD-YEAR TAX CUT

(Mr. GINGRICH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GINGRICH. Mr. Speaker, the bill which was reported out of the Ways and Means Committee last night has in it a phony trigger for a phony third-year tax cut. The Members should understand that the way the trigger is written, there is an absolute guarantee in the bill that the American people will never see a third-year tax cut.

In fact, the bill is designed in such a way that the politicians who are willing to promise a tax cut can make their speeches through the next election, knowing in their hearts that it will never happen.

The bill is in fact a tax increase bill with phony propagandistic language built into it that sounds good but will not yield any increased take-home pay. It is a shame for this body to be presented with such a bill.

THE HANDICAPPED AND THE BUDGET

(Mr. SMITH of New Jersey asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SMITH of New Jersey. Mr. Speaker, helping others is a hallowed American tradition, enshrined in our national heritage from colonial times onward.

At a time when we are trying to practice fiscal austerity, it is important that we do not lose sight of that tradition. As representatives of a generous people, we should fulfill our moral obligation to help those in need—such as the handicapped.

In adopting the Gramm-Latta bipartisan budget, the House of Representatives authorized $15 million for the handicapped loan program, which is administered by the Small Business Administration. However, the Senate has only authorized $7 million for this very worthwhile program.

I believe that this has to be changed and the Senate budget adjusted upward to the House $15 million figure.

It is important to note that the rate of default on SBA loans to the handicapped is the lowest in the administration. While the default rate on other SBA loans runs anywhere between 5 and 12 percent, the handicapped in-

vestment loan program has stayed at a low 4-percent default rate.

This program also has a built-in benefit. Employment opportunities for the handicapped have a direct relationship to reductions in welfare and food stamps. The handicapped who benefit from the SBA loans are in turn contributing to the productivity of our country. It is more than a worthwhile program. It is a sound investment in our Nation's economy.

As a member of the House Committee on Small Business, I fought to keep the interest rate on handicapped loans from tripling by offering an amendment in committee. Fortunately, that amendment was adopted.

Mr. Speaker, I am urging in the strongest terms possible that the House and Senate conferees adopt the higher loan figure that has been adopted by the House. As a matter of conscience, we should do no less.

SYNTHETIC FUEL PRODUCTION

(Mr. VOLKMER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VOLKMER. Mr. Speaker and Members of the House, today is a very momentous day in the history of this country, and we will find whether or not history shall repeat itself.

Twenty-eight years ago, at approximately this time of the year, another Republican administration, another Congress, made a decision that we should no longer participate and have demonstration projects for the synthetic fuel industry. Plants for coal gasification and coal liquefaction plants were closed down by that administration and by that Congress.

Today in the White House a decision is being made by the President whether we shall have a large coal gasification plant in North Dakota and oil from shale in Colorado and Utah. If that decision is against those loan guarantees, those programs will not go on.

Today this Congress, this House, will make a decision whether we continue on with SRC-I. If we do not, we will undoubtedly be putting the nail in the coffin on synthetic fuel production in this country once again and denying energy independence for this country for the future 10 to 20 years.

THIRD-YEAR TAX CUTS MUST BE LINKED TO ECONOMIC TRIGGERS

(Mr. LEVITAS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LEVITAS. Mr. Speaker, yesterday the Ways and Means Committee took the very correct step by writing in a third year on the individual tax reduction and linking that third year to economic triggers based upon the performance of the economy.

It makes absolutely perfect sense to provide additional tax relief for the American taxpayer, and to stimulate the economy as well. But to do that without linking it to the performance of the economy would result only in higher deficits, higher inflation, and higher interest rates. By using the economic triggers of the administration's own assumptions, we have provided the fiscally prudent safety net to avoid that consequence.

Now, I have heard that some people in the administration say that that really is not fair to link a third-year tax cut to the performance of the economy as gaged by their own economic assumptions. And I suggest to the Members that if the administration does not believe in its own economic assumptions, we had better know that right now, or else we are going to face extremely high inflation, ever higher interest rates, and huge deficits if the anticipated economic recovery has not occurred.

I believe we are going to achieve those economic goals with economic recovery, and I think the administration ought to put its money where its mouth is.

The third-year tax reduction with a trigger is as certain and predictable as the administration's economic assumptions are reliable. We have based the entire budget on those economic assumptions. Why not the tax cut, too? If the administration does not have confidence in their own economic assumptions, they are in trouble and we are in trouble.

PERMISSION FOR COMMITTEE ON ARMED SERVICES TO SIT TODAY DURING 5-MINUTE RULE

Mr. EMERY. Mr. Speaker, I ask unanimous consent that the Committee on Armed Services be permitted to sit today during the 5-minute rule.

The SPEAKER pro tempore (Mr. FRANK). Is there objection to the request of the gentleman from Maine?

There was no objection.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS, 1982

Mr. YATES. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 4035, making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois (Mr. YATES).

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 383, nays 3, answered "present" 1, not voting 46, as follows:

[Roll No. 150]

YEAS—383

Addabbo	Danielson	Green
Alexander	Dannemeyer	Gregg
Andrews	Daschle	Grisham
Annunzio	Daub	Guarini
Anthony	Davis	Gunderson
Archer	de la Garza	Hagedorn
Ashbrook	Deckard	Hall (OH)
Aspin	Dellums	Hall, Ralph
Atkinson	Derrick	Hall, Sam
AuCoin	Derwinski	Hamilton
Badham	Dickinson	Hammerschmidt
Bafalis	Dicks	Harkin
Bailey (MO)	Dingell	Hartnett
Bailey (PA)	Dixon	Hatcher
Barnard	Dorgan	Hawkins
Barnes	Dornan	Heckler
Beard	Dougherty	Hefner
Bedell	Dowdy	Hendon
Benedict	Downey	Hertel
Benjamin	Dreier	Hightower
Bennett	Duncan	Hiler
Bereuter	Dunn	Hillis
Bethune	Dwyer	Holland
Bevill	Dyson	Hollenbeck
Biaggi	Early	Holt
Bingham	Eckart	Hopkins
Blanchard	Edgar	Horton
Bliley	Edwards (AL)	Howard
Boland	Edwards (CA)	Hoyer
Bolling	Edwards (OK)	Hubbard
Boner	Emerson	Huckaby
Bonior	Emery	Hughes
Bouquard	English	Hunter
Bowen	Erdahl	Hutto
Breaux	Erlenborn	Hyde
Brinkley	Evans (DE)	Ireland
Brodhead	Evans (GA)	Jacobs
Brooks	Evans (IN)	Jeffords
Broomfield	Fary	Jeffries
Brown (CA)	Fascell	Jenkins
Brown (CO)	Fazio	Johnston
Brown (OH)	Fenwick	Jones (OK)
Broyhill	Ferraro	Jones (TN)
Burgener	Fiedler	Kastenmeier
Burton, Phillip	Fields	Kazen
Butler	Findley	Kemp
Byron	Fish	Kildee
Campbell	Fithian	Kindness
Carman	Flippo	Kogovsek
Carney	Florio	Kramer
Chappell	Foley	LaFalce
Chappie	Forsythe	Lagomarsino
Clausen	Fountain	Lantos
Clay	Fowler	Latta
Clinger	Frank	Leach
Coats	Frenzel	Leath
Coelho	Frost	LeBoutillier
Coleman	Fuqua	Lee
Collins (TX)	Garcia	Lehman
Conable	Gejdenson	Leland
Conte	Gephardt	Lent
Conyers	Gibbons	Levitas
Corcoran	Gilman	Livingston
Coughlin	Gingrich	Loeffler
Courter	Ginn	Long (LA)
Coyne, James	Glickman	Long (MD)
Coyne, William	Goldwater	Lott
Craig	Gonzalez	Lowery (CA)
Crane, Daniel	Goodling	Lowry (WA)
Crane, Philip	Gore	Lujan
Daniel, Dan	Gradison	Luken
Daniel, R. W.	Gray	Lundine

Lungren	Petri	Snyder
Madigan	Peyser	Solarz
Markey	Pickle	Solomon
Marks	Porter	Spence
Marlenee	Price	Stangeland
Marriott	Pritchard	Stanton
Martin (IL)	Pursell	Stark
Martin (NC)	Quillen	Staton
Martin (NY)	Rahall	Stenholm
Mavroules	Railsback	Stokes
Mazzoli	Rangel	Stratton
McCollum	Ratchford	Studds
McCurdy	Regula	Stump
McDade	Reuss	Swift
McEwen	Rhodes	Synar
McGrath	Rinaldo	Tauke
McHugh	Ritter	Tauzin
McKinney	Roberts (KS)	Taylor
Mica	Robinson	Thomas
Michel	Roe	Traxler
Mikulski	Roemer	Trible
Miller (CA)	Rogers	Udall
Miller (OH)	Rose	Vander Jagt
Mineta	Rostenkowski	Vento
Minish	Roth	Volkmer
Mitchell (NY)	Roukema	Walgren
Moakley	Roybal	Walker
Molinari	Rudd	Wampler
Mollohan	Russo	Watkins
Montgomery	Sabo	Waxman
Moore	Santini	Weaver
Moorhead	Sawyer	Weber (MN)
Morrison	Scheuer	Weber (OH)
Mottl	Schneider	Weiss
Murphy	Schroeder	White
Murtha	Schulze	Whitehurst
Myers	Schumer	Whitley
Natcher	Seiberling	Whittaker
Neal	Sensenbrenner	Whitten
Nelligan	Shamansky	Williams (OH)
Nelson	Shannon	Wilson
Nichols	Sharp	Winn
Nowak	Shaw	Wirth
O'Brien	Shelby	Wolf
Oakar	Shumway	Wolpe
Oberstar	Shuster	Wortley
Obey	Siljander	Wright
Oxley	Simon	Wyden
Panetta	Skeen	Wylie
Parris	Skelton	Yates
Pashayan	Smith (AL)	Yatron
Patman	Smith (IA)	Young (FL)
Patterson	Smith (NE)	Young (MO)
Paul	Smith (NJ)	Zablocki
Pease	Smith (OR)	Zeferetti
Perkins	Snowe	

NAYS—3

Evans (IA)	McDonald	Mitchell (MD)

ANSWERED "PRESENT"—1

Ottinger

NOT VOTING—46

Akaka	Dymally	McCloskey
Albosta	Ertel	Moffett
Anderson	Foglietta	Napier
Applegate	Ford (MI)	Pepper
Beilenson	Ford (TN)	Richmond
Boggs	Gaydos	Roberts (SD)
Bonker	Gramm	Rodino
Burton, John	Hance	Rosenthal
Cheney	Hansen (ID)	Rousselot
Chisholm	Hansen (UT)	Savage
Collins (IL)	Heftel	St Germain
Cotter	Jones (NC)	Washington
Crockett	Lewis	Williams (MT)
D'Amours	Matsui	Young (AK)
DeNardis	Mattox	
Donnelly	McClory	

□ 1040

So the motion was agreed to.

The result of the vote was announced as above recorded.

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 4035, with Mr. DANIELSON in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Tuesday, July 21, 1981, title I had been considered as having been read and open to amendment at any point.

For what purpose does the gentleman from Pennsylvania (Mr. McDADE) rise?

Mr. McDADE. Mr. Chairman, I move to strike the last word, and I will make a unanimous-consent request.

I ask unanimous consent, Mr. Chairman, that an amendment which I will offer to the bill at page 37, line 8, if successful in changing the numbers thereto, will not preclude a further amendment to further change those numbers.

I would like to explain, if I may, Mr. Chairman, exactly what we are doing. My amendment that I will offer is a rescission of $69 million in budget authority affecting both those numbers. It is, I believe, a noncontroversial amendment, and I think we can save $69 million in budget authority by so doing.

Now, there are a great many Members in the Chamber who wish to have a full debate on the issue of funding SRC-I. If I offer my amendment, as I intend to do, and since it is noncontroversial and I hope we can succeed with it, it would preclude the vote up or down on the SRC-I amendment which I believe ought to be able to take place.

Therefore, Mr. Chairman, I ask unanimous consent that if my amendment succeeds and those numbers are changed, the numbers may be further changed notwithstanding any other rule that might permit a point of order at that point.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

Mr. YATES. Mr. Chairman, reserving the right to object, and I shall not object, I believe that the gentleman's proposal will expedite the debate, and I think it is a constructive suggestion. Therefore, I will offer no objection.

Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

Mr. OTTINGER. Mr. Chairman, reserving the right to object, I would just like assurance from the Chair that the gentleman's unanimous-consent request will in fact achieve the result that he seeks, and that is to say that further amendments and amendments to those amendments would then be in order.

□ 1050

The CHAIRMAN. If the McDade amendment is adopted, another amendment would be in order, but only relating to those particular figures.

Mr. OTTINGER. And amendments to that amendment or substitutes for that amendment?

The CHAIRMAN. To that amendment, yes.

Mr. OTTINGER. I thank the Chair. I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania (Mr. McDADE)?

There was no objection.

Mr. YATES. Mr. Chairman, I move to strike the last word.

I yield to the gentleman from California (Mr. PHILLIP BURTON).

Mr. PHILLIP BURTON. Mr. Chairman, I wish to call my colleagues' attention to the important contribution to the Interior appropriations bill made by Representative LES AUCOIN's provision barring use of 1982 money to lease oil and gas tracts in four controversial basins off the California coast. His leadership on this issue, as well as all other environmental issues, is especially appreciated because protection of these coastal areas is of such critical significance to the environment and the economy in our region that the leasing has met with bipartisan opposition. I believe the following editorial from the June 28, 1981, Los Angeles Times will be of particular interest to my colleagues because it demonstrates the importance of working together on such issues of mutual concern.

[From the Los Angeles Times, June 28, 1981]

AMBUSHING THE ROUGH RIDERS

The White House refused to get involved last week when a bipartisan group of congressmen ambushed the new rough riders of the Interior Department.

It was a wise move on the part of the White House, and a welcome development. The incident will be even more welcome if it turns out to be a signal to Interior Secretary James G. Watt to show a little restraint and discretion in what he calls his "crusade" to throw open the natural resources of the West.

The ambush was set because Watt had made it clear that he intended to lease four geologic basins for oil exploration—basins that lie seaward from some of the most elegant coastline in the world.

The basins stretch north for about 600 miles from Santa Barbara, past Big Sur, past Point Reyes and the Golden Gate, past the fog-shrouded trees that crowd against the sea in Mendocino County.

Nobody knows how much wealth lies under the ocean floor in that area. Geologists generally think there is very little oil there, and geologists more often err on the high side than on the low side these days.

But there is no question about the wealth of marine life in the areas that would be put at risk by blowouts or other accidental spills of oil—sea otters, seals, whales and fishing grounds.

For that reason, virtually every community and community leader along the coast objected to Watt's plan to offer the offshore tracts for lease. The protest was not, as

Watt insisted on characterizing it, a protest by environmental extremists.

Nor was the opposition to the leases a partisan effort. Republicans complained as loudly as Democrats.

But Watt persisted, arguing with some who complained and at one point taunting California congressmen when they tried to get him to explain why it was so important to lease those particular offshore tracts.

The White House did not intervene publicly, and there is no sign that it enjoyed sitting back while its interior secretary walked into the ambush last week. But it did not move to help him, either.

The ambush occurred in the House Appropriations Committee, where Rep. Les AuCoin (D-Ore.) offered an amendment to the Interior Department's budget bill that would explicitly forbid leasing the disputed tracts.

The White House did not object to the amendment, and it was approved after Rep. Clair W. Burgener (R-La Jolla) told the committee that all Republicans in the California delegation opposed the leases.

The amendment still must be approved by the full House and Senate. Even if that happens, it will not mean a permanent end to the threat of offshore oil exploration off the northern coast. But it will at least provide some time to take another look at the wisdom of risking damage to marine life and coastal grandeur when the risk would be taken with so little hope of gain. As Burgener said in committee last week, at best there might be a two-week supply of oil in the four basins.

There is another hopeful sign in the incident. Watt has often told the story of a meeting with President Reagan in which he described the aggressive way in which he planned to approach the development of natural resources. The President's response, he said, was "Sic 'em." It is just possible that the behavior of the White House in the appropriations vote contains a new order for Watt: "Down, boy."

Mr. YATES. Mr. Chairman, I yield to the gentleman from California (Mr. MILLER).

Mr. MILLER of California. Mr. Chairman, I rise in strong support of section 109 of H.R. 4035, which would prohibit any leasing, development, or related activities on four tracts of the Outer Continental Shelf off northern California.

There is strong bipartisan support from the California legislative and congressional delegation for withholding these areas from offshore oil and gas development. Only 3 years ago, the Congress noted the special characteristics on the northern California shore by creating the Nation's only exception from OCS leasing, the Point Reyes Sanctuary, as the result of an amendment to the 1978 OCS Act offered by my colleague, Mr. JOHN L. BURTON of California.

I share the view of my colleagues from California that the small reserves in these four basins, as estimated by the U.S. Geological Survey, do not merit endangering the environmentally irreplaceable northern coastal region.

The potential for environmental damage is just one of the grounds for concern. Equal, and perhaps greater, financial grounds exist for objecting to this and the other overly ambitious lease sales now scheduled by Secretary Watt. Mr. Watt apparently believes that faster OCS leasing means more revenue for the Treasury and more domestic oil and gas for Americans.

But he is wrong. If Secretary Watt goes ahead with his proposed 200 million acres per year, he will be responsible for the loss of billions of dollars to the taxpayer.

Secretary Watt is using the rhetoric of energy self-sufficiency to pursue the most costly, most irresponsible transfer of public energy resources to private oil companies since Teapot Dome. The American taxpayer, and this Congress, should be shocked that the supposed guardian of our Nation's resources is auctioning off our most valuable national assets.

In 1978, Congress enacted a new OCS law designed to remove the administrative and legal roadblocks which had delayed responsible offshore development. The Interior Secretary is responsible for enforcing that law, but it appears Secretary Watt prefers to dispose of the public's energy resources in his own way.

The law requires the Secretary to consult with coastal State and local officials about OCS leasing decisions, and to follow their advice on leasing decisions in most cases. But Secretary Watt has ignored the bipartisan appeals of State and Federal legislators in California.

The law requires the use of royalty and net profit share bidding systems instead of relying solely on the high-risk, capital-intensive bonus bid favored by the major oil companies. But Secretary Watt prefers the bonus system, and is being sued to use the alternatives mandated by Congress which could bring a much better return to the public.

The law requires diligent exploration by OCS lessees who, in the past, have sat on their tracts, waiting for their value to inflate. Secretary Watt apparently dislikes these due diligence safeguards, because there is no way to "diligently" explore 1 billion acres of the OCS in the next 10 years.

The reason for low production from OCS lands is not because insufficient lands have been leased. Less than 6 percent of the roughly 50 million acres of the OCS which have been leased are producing oil or gas.

Why should we believe that leasing another billion acres of deepwater, "frontier" lands, which are more dangerous and costly to develop than lands already under lease, will improve on that percentage?

In fact, many oil companies have publicly told Secretary Watt that his plan for expanding lease offerings is unsound.

"Drastic changes [in leasing schedules] can upset the capital, equipment, and manpower planning efforts of many firms," according to a spokesman for several major oil companies who supports the previous lease schedule, under which 2.6 million acres were offered in 1980. Mr. Watt wants to increase that nearly 100 times, to 200 million acres per year.

The president of Sohio Petroleum has warned that Watt's equation between increased leasing and increased production is doubtful. "Our resources would be used more efficiently if the previous schedule were left intact," said Michael J. Savage. The commitment of billions of dollars to lease acquisition deprives companies of the capital resources they need to develop some of the 96 percent of existing leases which are not producing, let alone an additional billion acres.

The Congress was warned in 1974 of the detrimental effects of financial depletion on companies' production efforts. Concern about excessive use of the front-end bonus moved the Congress to insist on the use of royalty and net profit share bidding in order to allow companies to use their financial resources for expeditious development, and to assure the public a better return on its resources.

From the standpoint of the American taxpayer, the Reagan administration has chosen the worst of both worlds: More leasing and more use of bonus bidding.

The combination of these unwise policies will result in a loss of many billions of dollars to the taxpayer, because the return to the public drops in relation to the number of tracts offered for lease.

We have had years of warnings that excessive leasing will undermine the return to the Treasury and reduce competition for offshore tracts.

A 1974 report of the House Banking Committee noted:

> The Department of the Interior has been unable to properly manage the current OCS leasing program, and will undoubtedly commit even greater disservices to the public interest under the accelerated leasing schedule. * * * A glut on the market of lease offerings will reduce competition because of a limited amount of capital available for bidding purposes. * * * Offering more tracts will decrease the average number of bids per tract. A positive correlation exists between the number of bids per tract and the level of the winning bid.

A 1975 report of the National Ocean Policy Study staff concluded that:

> Evidence from 1973 and 1974 lease sales shows that competition has declined as acreage offered has increased and suggests that the proposed accelerated leasing program may lead to a significant reduction the public receives for its resources.

The General Accounting Office made similar observations in 1975 and 1977:

Increases in shelf sales size and frequency in 1974 have caused workload problems resulting in an abbreviated valuation program and which have also lessened the Government's ability to insure a fair market return on lease offers.

GAO reported in 1975:

Because of large lease offers, competition is weakened.

In commenting on proposed lease sale 40 in 1977, GAO noted:

Much of area that is considered for lease is not even examined and tracts are included in sales *despite their apparent low promise of resources. We believe this policy encourages speculation in bidding, can result in tying up limited industry capital in lands with little or no mineral resources, and bring into question the public's right to receive a fair market value.* [Italics added.]

Mr. Chairman, the record clearly establishes that Secretary Watt's proposed leasing schedule, including the four northern California tracts, is economically unsound. Mr. Watt's proposal misleads people into believing that a rapid expansion of OCS leasing would result in a massive increase in the availability of domestic oil and gas. It will not.

The taxpayers of this country would be grievously injured by the Watt speedup leasing plan. The Treasury would lose billions of dollars from reduced bonus bids, and billions more because of low, 16⅔-percent royalties collected on bonus-bid leases.

Passage of section 109 will reiterate the intention of Congress that the OCS leasing program continue along the orderly, economically sound path mandated by the 1978 law. Passage of section 109 will be a clear rejection by the Congress of the irresponsible management of our offshore resources currently being pursued by Secretary Watt.

Mr. YATES. Mr. Chairman, I yield to the gentlewoman from California (Ms. FIEDLER).

Ms. FIEDLER. Mr. Chairman, I rise in support of H.R. 4035.

Mr. Chairman, I rise today to point out to the Members a most important portion of the Interior Department appropriations bill (H.R. 4035). Under the appropriations for land acquisition for the National Park Service is $10,395,000 for purchasing land for the Santa Monica Mountains National Recreation Area.

The committee is to be commended for setting aside funds for this area and still staying within the President's budget.

I have lived all my life in southern California. I grew up with a view of the Santa Monica Mountains. And, today, I live in their shadow. In the midst of the sprawling area that is Los Angeles, they are a breath of wilderness. The appropriation we make here today will be a beginning step toward preserving that wilderness.

The mountains are part of the rim of hills that forms the San Fernando Valley, which is my district.

I am happy, Mr. Chairman, to be able to play a part in this effort. I urge my fellow Members to join with me in voting to save the Santa Monica Mountains.

● Mr. GOLDWATER. Mr. Chairman, I rise in support of H.R. 4035, the fiscal year 1982 Department of the Interior and related agencies appropriation bill.

Almost 10 years ago, President Nixon said:

Among the most important legacies that we can pass on to future generations is an endowment of parklands and recreational areas that will enrich leisure opportunities and make the beauties of the Earth and sea accessible to all Americans.

Since that time, attendance at our Nation's parks has increased by over 100 million visitors.

Recently, a prominent news magazine called New Mexico's 3-percent population growth rate horrendous. Well, I have got news for you—the National Park Service projects a 5-percent annual increase in the number of park visitors over the next 10 years.

Last July Fourth, for example, 25 percent more Americans enjoyed the Nation's parks than at any other similar time in history.

Mr. Chairman, this seems to indicate to me that Americans want to protect our natural resources and urban open spaces. I have asked in testimony before the House and Senate authorizing and appropriations committees for Federal protection of the Santa Monica Mountains National Recreational Area. Besides the fact that the Santa Monica Mountains National Recreational Area is a breathtakingly beautiful area of unique cultural, biological, and archeological significance; besides the fact that studies have shown that urban open space contributes to the mental health and well-being of its users; besides the fact escalating land values may soon inhibit further land acquisitions; the Santa Monica Mountains NRA gives a person the personal enrichment that can only come from outdoor recreation.

The administration has a different view, believing that maintenance—not acquisition—should be our priority. I ask: Why can we not protect and maintain our land as we continue our acquisition program? Instead of denying needed Federal participation, the administration needs to come forth with a proposal on land acquisition.

There are no simple answers. We cannot refuse to acquire more parkland—neither can we conduct business as usual. Our economic climate is changing, and that demands striking a balance between diverse views. Quite frankly, that is what I have done. I have proposed a 12-point program of innovative, alternative land acquisition methods. I was pleased to learn of a recent Senate seminar on land acquisition which explored some of my alternatives. I am committed to saving the Santa Monica Mountains, and I will try to protect those mountains for the enjoyment of ourselves and future generations.

California offshore oil drilling is another concern of mine, and I believe it has been adequately addressed by this bill. I oppose drilling in the four northern basins of Outer Continental Shelf lease sale No. 53. It is my understanding that only a 12-day oil and gas reserve exists within the Point Arena, Bodega, Santa Cruz, and Eel River basins. In other words, in the short time that has passed since we approved the budget, we would have already exhausted those basins' oil and gas reserves. The fifth basin, known as the Santa Maria basin, has 80 percent of the potential oil and gas reserves. The lease for that basin is currently under litigation, and a judicial decision is expected by August.

Mr. Chairman, I urge passage of the Department of the Interior and related agencies appropriation bill, 1982.●

Mr. MARRIOTT. Mr. Chairman, I would like to express my concern for the termination of funding for the mining and mineral resource institutes program.

The mineral institutes program was established under title III of the Surface Mining Control and Reclamation Act of 1977 (Public Law 95-87) to provide seed money for matching general administrative program grants, research project grants and scholarships/fellowship grants to 31 designated institutes of higher education around the country. While originally authorized at levels ranging from $200,000 to $400,000 per institute through 1984, an average of only $110,000 per institute has been made since 1978. The primary objectives of the program are to increase the national manpower pool of trained specialists in mining and minerals technologies and mined land reclamation. The program also contributes to finding solutions to technological and environmental problems encountered in mining operations through research studies.

I feel strongly, however, that the mineral institutes are an important part of our country's future industrial and defense manpower preparedness system and need our continuing support. As reported by the Director, National Science Foundation, we are facing a serious shortage of over 2,000 faculty members in our engineering universities as the experienced professors and potential professors are being drained off into industry by the high salaries being offered for their special expertise.

The mineral institutes program needs to be beefed up to provide the research environment and the economic incentives to maintain a continuing flow of trained geological, chemical, mining, and metallurgical engineers.

The program should also be reexamined to insure that we are obtaining a maximum benefit for our Federal dollar. We should consider reducing the number of institutes and concentrate funding on building up a selective number of strong, well-funded programs under a regional concept. The Secretary of Interior should be asked to prepare a proposal for streamlining and strengthening the program and report back to Congress.

I would also like to recommend that the Secretary of Interior shift the mineral institutes program from the Office of Surface Mining to the Bureau of Mines which has a broader range of mineral, engineering, and metallurgical experience to administer the program.

● Mr. PANETTA. Mr. Chairman, I would like to take this opportunity to commend my colleagues on the Appropriations Committee for their excellent, bipartisan resolution of an issue which is of the greatest importance to California, Oregon, and the other coastal States. I am speaking, of course, about the provision in the Interior appropriations bill dealing with the Outer Continental Shelf (OCS) program which prohibits the Secretary of the Interior from expending any funds for the procurement, leasing, bidding, exploration, or development of the four northern basins of lease sale 53.

As my colleagues are aware, these basins stretching from Big Sur to the Oregon border, form one of the most magnificent coastlines in the entire world, and serve the United States as an esthetic and recreational resource. Secretary Watt has proposed that these basins be reconsidered for leasing; however there are very compelling reasons why this is not an appropriate course of action.

The resource estimates for the northern four basins would provide a mere 11 days of oil and gas at current rates of consumption. The Santa Maria basin, which is the fifth basin in lease sale 53, harbors 80 percent of the resources of the lease sale. The State of California and the California delegation did not object to leasing in the lower 81 tracts of the Santa Maria basin where the resource estimates were high and the environmental and economic risks were lower. Clearly, the objection is not to increased offshore production of energy, but to the criteria used to judge which areas are suitable for exploration. It makes good economic and energy sense to target resources where the resource estimates and the yield potentials are the highest. It is also important to remember that offshore drilling is one of the most energy intensive forms of energy production. This further underscores the need to target areas where a high degree of success is likely.

The northern four basins of lease sale 53 do not fit any of these criteria and for these reasons have been opposed by the majority of the California delegation, the State of California, every unit of State and local government in the affected areas as well as the chambers of commerce, and fishing and tourism industries.

The committee, in its report language, echoes the sentiments of the State of California, the local governments and the majority of the California delegation in its concern that proceeding with leasing of the northern four basins is inconsistent with the Secretary's self-proclaimed good neighbor policy. Just 2 days ago Secretary Watt again reiterated that.

> The President believes the State, local and county officials are many times in a better position to know and understand the needs of the people than are officials at the national level.
>
> The President believes that Washington has to work not as the final arbiter, but as a partner with State, local and county governments in helping solve the problems facing the people.

The slippage between the announced policy and the reality of the Secretary's actions was addressed by my distinguished friend from Oregon, LES AUCOIN, who offered this provision as an amendment in the Interior Appropriations Subcommittee and worked so diligently to see it retained in full committee.

I look forward to final passage of this bill because of the substantative arguments in favor of not leasing the northern four basins, but also because it is an important step toward asserting congressional prerogatives vis-a-vis the executive branch. The intent of Congress is very clear in the OCS Lands Act Amendments which require a balance between risks to the environment and projected gains from energy production. Congressional intent is equally explicit with respect to the provision requiring that the Department of the Interior's actions be consistent with California's federally approved coastal plan. Thus, the Appropriations Committee has acted wisely and prudently in insuring that this treasured coastline will not fall victim to an encroachment on congressional intent which can devastate the economy and environment of hundreds of coastal communities.●

Mr. YATES. Mr. Chairman, I take this time to advise the House that in the near future the subcommittee, of which I am chairman, will undertake hearings on the ways used by the various Interior agencies in fighting fires on the public lands within their jurisdiction. We shall do this because of the shocking deaths of two employees of the Fish and Wildlife Service recently in a fire that occurred at the Merritt Island Refuge in Florida.

Scott Maness was one of those who died. While I did not know him personally, I felt I knew him because his family are my constituents and close friends in Chicago. I know of Scott Maness through his educational background. He was a herpitologist. He loved the outdoors. He loved nature. He wanted to work with the Fish and Wildlife Service and I made an appointment for him with the Service. He wanted any position, he said. He was devoted to its work. The Service gave him a temporary position. His ability, his personality, his comprehensiveness won him a better position and an assignment to Merritt Island; 3 weeks ago, Scott Maness died. He died fighting a fire on Merritt Island. He was not trained to fight fires like the one in Merritt Island, but he joined his fellow employees to fight that fire. The wind changed. He and another employee could not escape the fire which had escalated to a real conflagration.

Why did the Service send an untrained employee into such jeopardy? How often does it happen? Is it a common practice?

We intend to find out. It is a tragedy—a tragedy that should not have happened—that Scott Maness lost his life. In tribute to Scott Maness and to the ideals to which he was devoted, we will try to make sure others who serve this country in protecting and fostering its natural resources and the live creatures who inhabit them will not be required to make the sacrifice Scott Maness made.

Mr. Chairman, I have taken this time to advise the House as to what the course of the debate seems to be at this time. As the committee sees it, there may be approximately 17 amendments offered, which will provoke various degrees of contest.

I think for the most part these may be acted upon by the House without undue debate. I think SRC-I seems to be the only amendment which will provide extended debate. The rest of them, I think, may be disposed of in relatively short order. I think as the debate progresses we may be able to finish this bill within the next 2 hours.

The CHAIRMAN. Are there further amendments to title I?

There are none. The Clerk will report title II.

Mr. YATES. Mr. Chairman, I ask unanimous consent that title II be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. Are there any points of order to title II? There are none.

Are there amendments to title II?

AMENDMENT OFFERED BY MR. YATES

Mr. YATES. Mr. Chairman, I offer an amendment. I have three amendments to offer which are in the nature of technical amendments. I ask the Clerk to read the one that is on page 31, line 19.

The portion of the bill to which the amendment relates is as follows:

TITLE II—RELATED AGENCIES

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

FOREST RESEARCH

For necessary expenses of forest research as authorized by law, $109,722,000.

STATE AND PRIVATE FORESTRY

For necessary expenses of cooperating with, and providing technical and financial assistance to States, Territories, possessions, and others; and for forest insect and disease activities, $68,715,000, of which $63,260,000 shall remain available for obligation until September 30, 1983, to carry out activities authorized in Public Law 95-313: *Provided*, That a grant of $3,000,000 shall be made to the State of Minnesota for reforestation activities in the Boundary Waters Canoe Area.

The Clerk read as follows:

Amendment offered by Mr. YATES: On page 31, line 19 after Minnesota strike "for reforestation activities in the Boundary Waters Canoe Area" and insert "for the purposes authorized by section 6 of Public Law 95-495".

Mr. YATES. Mr. Chairman, this is a technical amendment to conform the purpose for which a $3 million grant has been made to the State of Minnesota. The bill, as reported, provided a grant for reforestation in the Boundary Waters Canoe Area. No timber cutting is permitted within that area, so there is no need for State reforestation activities.

The purpose of the grant provided in the bill is to permit the State to continue an aggressive reforestation program in 19 northern counties outside the Boundary Waters Canoe Area, with the expectation that in 50 to 60 years there be a viable timber industry to replace the industry that was lost by the establishment of the area.

This amendment insures the grant will be used for the purpose for which the appropriation was recommended by the committee.

Mr. OBERSTAR. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the distinguished gentleman from Minnesota.

Mr. OBERSTAR. Thank you. I want to thank both the chairman and the ranking member for their attention to the programs authorized by the Boundary Waters Canoe Area Wilderness Act. The law prohibited logging within the BWCAW, and greatly restricted motorized recreational use of the area. The 1978 law authorized programs to mitigate the impact of those restrictions, including funds for intensified forest management activities outside the Boundary Waters Canoe Area on Federal and State lands. The $3 million matching grant to the State of Minnesota which the chairman and the subcommittee agreed to restore in this appropriation is vitally important to the future of forestry in northern Minnesota and to the jobs and the whole economy in this area which has so large a Federal lands ownership.

I also want to thank the chairman for the technical amendment he has just offered to the bill.

Mr. YATES. Mr. Chairman, I thank the gentleman for his contribution. I should like to commend him for the leadership that he has exhibited in this whole boundary waters discussion.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, I support the position of the chairman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. YATES).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. YATES

Mr. YATES. Mr. Chairman, I offer an amendment on page 47, line 10.

The portion of the bill to which the amendment relates is as follows:

SALARIES AND EXPENSES, NATIONAL GALLERY OF ART

For the upkeep and operations of the National Gallery of Art, the protection and care of the works of art therein, and administrative expenses incident thereto, as authorized by the Act of March 24, 1937 (50 Stat. 51), as amended by the public resolution of April 13, 1939 (Public Resolution 9, Seventy-sixth Congress), including services as authorized by 5 U.S.C. 3109; payment in advance when authorized by the treasurer of the Gallery for membership in library, museum, and art associations or societies whose publications or services are available to members only, or to members at a price lower than to the general public; purchase, repair, and cleaning of uniforms for guards and elevator operators, and uniforms, or allowances therefor, for other employees as authorized by law (5 U.S.C. 5901-5902); purchase, or rental of devices and services for protecting buildings and contents thereof, and maintenance, alteration, improvement, and repair of buildings, approaches, and grounds; and not to exceed $70,000 for restoration and repair of works of art for the National Gallery of Art by contracts made, without advertising, with individuals, firms, or organizations at such rates or prices and under such terms and conditions as the Gallery may deem proper, $32,777,000, of which not to exceed $4,100,000 for the repair, renovation, and restoration program of the original West Building shall remain available until expended.

The Clerk read as follows:

Amendment offered by Mr. YATES: On page 47, line 10 strike "$32,777,000" and insert in lieu thereof "$31,777,000".

Mr. YATES. Mr. Chairman, this amendment would reduce the appropriation for the National Gallery of Art by $1 million. The committee has been informed by the Gallery that the cost of utilities has been lower than expected in fiscal year 1981 and that the corresponding costs for fiscal year 1981 and that the corresponding costs for fiscal year 1982 are now estimated to be $1 million less than previous estimates.

I want to commend the Director of the National Gallery for playing fair with the committee and keeping us advised of what his expenses are and telling us where his costs have been lowered and permitting the committee to make appropriate reductions where they are in order.

This amendment would make that adjustment and I urge its adoption.

Mr. McDADE. Mr. Chairman, I echo the comments of my distinguished chairman and urge adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. YATES).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. YATES

Mr. YATES. Mr. Chairman, I offer an amendment on page 32, line 2.

The portion of the bill to which the amendment relates is as follows:

NATIONAL FOREST SYSTEM

For necessary expenses of the Forest Service, not otherwise provided for, for management, protection, improvement, and utilization of the National Forest System, and for liquidation of obligations incurred in the preceding fiscal year for forest fire protection and emergency rehabilitation, $769,093,000, of which $221,198,000 for reforestation, timber stand improvement, cooperative law enforcement, and maintenance of forest development roads and trails shall remain available for obligation until September 30, 1983.

The Clerk read as follows:

Amendment offered by Mr. YATES: On page 32, line 2 after which strike "$221,198,000" and insert "$226,267,000".

Mr. YATES. Mr. Chairman, this is a technical amendment to include the correct amount of funds as approved by the committee for certain activities of the Forest Service, including reforestation and timber stand improvement, cooperative law enforcement, and maintenance of forest roads and trails.

After action by the committee, the amount which should be provided for these activities to remain available until September 30, 1983, is $226,278,000.

This amendment merely insures the figure in the bill accurately reflects the level of funding recommended by the committee for these activities.

I urge adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. YATES).

The amendment was agreed to.

The CHAIRMAN. Are there further amendments to title II?

Mr. RUDD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise not to propose an amendment, but to ask the distinguished chairman of the subcommittee, the gentleman from Illinois (Mr. YATES) a question regarding construction of the Hopi Medical Center, which was part of the settlement reached in connection with the Navajo-Hopi Indian Relocation Act Amendments, Public Law 96-305.

I think the distinguished chairman is aware that the legislation required the Department of Health and Human Services to assign the highest priority to construction of the Hopi Medical Center.

I understand from the Department that the estimated $800,000 necessary to conduct the construction planning and design of this facility through an oversight was not included in the pending 1982 budget request for Indian health facilities, and thus is not included in the $46.739 million appropriation recommended for Indian health facilities on page 42 of the bill.

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In lieu of offering an amendment to increase this amount by $800,000, I understand that it might be possible for the Department of Health and Human Services to reprogram $800,000 for preconstruction activities for the Hopi Medical Center. I would ask the distinguished gentleman from Illinois (Mr. YATES), chairman of the subcommittee, and the ranking minority member, the gentleman from Pennsylvania (Mr. MCDADE) whether they would look favorably on this reprograming alternative to allocate the necessary $800,000 for the Hopi Medical Center in fiscal year 1982, and whether they would be likely to look kindly on or approve such a request if it is submitted to the subcommittee at a future time by the Secretary of Health and Human Services?

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. RUDD. I yield to the distinguished chairman (Mr. YATES).

Mr. YATES. The committee is very much aware of the gentleman's interest in this matter. Upon investigation, the committee found the gentleman's representations were correct. The medical center the gentleman refers to is a matter of urgent priority, and the fact that the committee did not take action on it in the bill is attributable to a failure to present it to the committee at an appropriate time.

In answer directly to the gentleman's question, I would say the committee would look favorably upon such a reprograming.

Mr. RUDD. I thank the distinguished chairman.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. RUDD. I yield to the ranking minority member, the gentleman from Pennsylvania (Mr. MCDADE).

Mr. McDADE. Mr. Chairman, I want to commend my very distinguished colleague from Arizona (Mr. RUDD) for pursuing this very important issue. He has been a strong advocate of curing this problem, and I know only last evening in a conversation I had with the Secretary of Health and Human Services he was aware of the gentleman's concern.

The committee is aware of the gentleman's concern. He is to be commended for it and, of course, we hope the reprograming comes up and we can act upon it. I commend the gentleman for his interest.

Mr. RUDD. I thank the gentleman and yield back the balance of my time.

AMENDMENTS OFFERED BY MR. KILDEE

Mr. KILDEE. Mr. Chairman, I offer two amendments, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

The portion of the bill to which the amendments relate is as follows:

ADMINISTRATIVE PROVISIONS, HEALTH SERVICES ADMINISTRATION

Appropriations in this Act to the Health Services Administration, available for salaries and expenses, shall be available for services as authorized by 5 U.S.C. 3109 but at rates not to exceed the per diem equivalent to the rate for GS-18, for uniforms or allowances therefor as authorized by law (5 U.S.C. 5901-5902), and for expenses of attendance at meetings which are concerned with the functions or activities for which the appropriation is made or which will contribute to improved conduct, supervision, or management of those functions or activities: *Provided,* That none of the funds appropriated under this Act to the Indian Health Service shall be available for the initial lease of permanent structures without advance provision therefor in appropriations acts: *Provided further,* That non-Indian patients may be extended health care at the Talihina Hospital in Talihina, Oklahoma, and the Zuni-Ramah Indian Health Service Unit in Zuni, New Mexico, subject to such reasonable charges as the Secretary of Health and Human Services shall prescribe: *Provided further,* That funds appropriated to the Indian Health Service in this Act, except those used for administrative and program direction purposes, shall not be subject to limitations directed at curtailing Federal travel and transportation.

The Clerk read as follows:

Amendments offered by Mr. KILDEE: On page 43, line 11, after the comma, insert the following: "if such care can be extended without impairing the ability of the Indian Health Service to fulfill its responsibility to provide health care to Indians served by such facilities"; and

On page 43, line 12, strike out "prescribe:" and insert in lieu thereof the following: "prescribe, the proceeds of which shall be deposited in the fund established by sections 401 and 402 of the Indian Health Care Improvement Act:".

Mr. KILDEE (during the reading). Mr. Chairman, I ask unanimous consent that the amendments be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. KILDEE. Mr. Chairman, my amendments serve two basic purposes. First, they would clarify existing language in the bill by specifying that providing services to non-Indians cannot impair the ability of the Indian Health Service to serve Indians. Second, they would insure that funds derived from fees charged to non-Indians benefit the Indian Health Service by requiring that they be deposited in the fund established by the Indian Health Care Improvement Act for medicare/medicaid reimbursement to IHS hospitals. Under existing law, such fees become part of the general fund.

In most cases, IHS health care is the only health care available to Indians. Because there is a limit to the amount of funds which are available to IHS, expanding their responsibility to serve non-Indians could dilute its ability to meet Indian needs.

Mr. Chairman, I have talked this over with the gentleman from Illinois (Mr. YATES) and the gentleman from Pennsylvania (Mr. MCDADE) and I believe they are prepared to accept the amendments.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the chairman.

Mr. YATES. I have reviewed the gentleman's amendments. We have checked the matter very carefully and the gentleman's information is correct. We on this side are willing to accept the amendments.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. KILDEE. I yield to the gentleman from Pennsylvania (Mr. MCDADE).

Mr. McDADE. Mr. Chairman, we have no objection on this side to the amendments as drafted by the gentleman. We are ready to accept them.

The CHAIRMAN. The question is on the amendments offered by the gentleman from Michigan (Mr. KILDEE).

The amendments were agreed to.

AMENDMENT OFFERED BY MR. M'DADE

Mr. McDADE. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

ENERGY CONSERVATION

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses in carrying out energy conservation activities, $272,890,000 and $99,608,000 to be derived from "Fossil Energy Construction", Department of Energy, to remain available until expended: *Provided,* That the indebtedness guaranteed

or committed to be guaranteed under section 10 of the Electric and Hybrid Vehicle Research, Development and Demonstration Act of 1976, as amended (15 U.S.C. 2509) shall not exceed the aggregate of $21,500,000.

The Clerk read as follows:

Amendment offered by Mr. McDADE: On page 37, line 8, strike "$272,890,000 and $99,608,000" and insert in lieu thereof "$203,890,000 and $168,608,000".

Mr. McDADE. Mr. Chairman, may I say to my colleagues that I believe this is a noncontroversial amendment that will enable us to cut budget authority by about $70 million. We have had a proposal for a project called SRC-II that was to be done in cooperation with the German and Japanese Governments come unglued.

As a result of that, the administration has requested a rescission of the money, and what I am proposing to do here is to transfer the money to other accounts. The savings will be $69 million in new budget authority and help us bring this budget closer in line with the President's budget request.

I urge its adoption.

Mr. YATES. Mr. Chairman, I move to strike the last word.

I agree with the suggested amendment offered by the gentleman from Pennsylvania (Mr. McDADE) and I urge its adoption as well.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. McDADE).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. WEBER OF MINNESOTA

Mr. WEBER of Minnesota. Mr. Chairman, I offer an amendment.

The clerk read as follows:

Amendment offered by Mr. WEBER of Minnesota: Page 37, line 8, strike out "$203,890,000 and $168,608,000" and insert in lieu thereof "$68,890,000 and $303,608,000".

Mr. WEBER of Minnesota. Mr. Chairman, the purpose of the Weber-Wolpe amendment is to delete funding for the solvent refined coal project in Newman, Ky., SRC-I. The committee has recommended no new funding for the fossil energy construction program in fiscal year 1982. Instead, SRC-I is funded through a deferral of $135 million in the fiscal year 1981 supplemental appropriation bill.

My amendment achieves the termination of the SRC-I program by transferring $135 million from the fossil energy construction program and reducing new appropriations by a similar amount.

This somewhat complicated procedure, Mr. Chairman, is necessary because, as I mentioned, the project is funded entirely through deferrals and transfers, but the intent of the amendment should be clear to my colleagues and everyone listening. It will eliminate the funding for the SRC-I project and save the taxpayers $135 million in fiscal year 1982.

Let me make equally clear at the outset, Mr. Chairman, that this amendment has the strong support of the administration, the Office of Management and Budget, and the Department of Energy. The administration is, of course, interested in saving $135 million in this fiscal year, but even more important are the outyear costs over the remaining years for the completion of the project.

Let us look at the cost history of SRC-I to understand why the administration places such a high priority on the termination of this project. The original estimate of the cost of SRC-I was $685 million. In December 1979 that figure had risen to $2.289 billion.

By March of this year a GAO report indicated that the cost had risen to $3.1 billion. The latest contractor estimates in this year show the cost would be $4.574 billion.

In addition, another point to be made, since we have seen over a 100-percent increase in the cost of this project over the last 2 years, is that construction has not even begun on the project. Recent GAO reports have indicated clearly the cost overruns in energy projects really begin to multiply when construction begins, and we have not yet seen construction begin on this project.

With costs increasing at a rate of 100 percent every 2 years, construction not yet begun, who can say what the final cost of this project will be, $6 billion, $8 billion, $10 billion? That is a guess, but it is as good a guess as anyone else can make. That is one of the reasons why the administration is so concerned about eliminating this project now, because clearly the costs of this project alone justify its termination, and the failure to do so will seriously jeopardize the administration's long-term goal of achieving a balanced budget by the year 1984.

The administration is rightly concerned about these enormous costs. We have a letter from Budget Director David Stockman expressing their concern and outlining the opposition of the administration to the SRC-I project, and I would like to quote from Mr. Stockman's letter:

□ 1110

We believe that termination of the SRC-I project will yield major budget savings in future years without jeopardizing in any way the nation's energy security. Even at its current early stage of planning, the SRC-I project has been experiencing massive cost-overruns. When initially authorized by Congress in 1977, the SRC-I project had a total estimated cost of less than $500 million. The most recent official DOE estimates—now eighteen months old—show a total cost of $1.4 billion. Contractor estimates developed this spring show estimated construction costs of $2 billion and operating costs of another $2 billion. New DOE estimates under development indicate that even this large increase may significantly understate the actual cost of the project.

Therein lies the core of the administration's opposition to this very expensive and rapidly escalating in cost project.

But, Mr. Chairman, cost is only one reason to support this amendment. I also ask Members for their support in order to give the administration's synfuels policy a chance to work.

The Weber-Wolpe amendment should not be construed and should not be considered as an attack on synfuels development in this country.

In fact, an argument can be made and has been made by the Department of Energy and the administration that continuation of this project will be counterproductive to this administration's policy for the development of synfuels.

The administration has made it very clear that what they seek is greater competition and a freer energy market in the development of synfuels. It is the administration's belief that through that course of action we can see a more soundly developed synfuels industry.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

(By unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 3 additional minutes.)

Mr. WEBER of Minnesota. So let us look at the two cornerstones of a policy based on more competition and a freer market in energy.

First of all, the Federal Government's efforts in the energy field should be limited to research and development, not commercial-size projects. This clearly is not the case with SRC-I. In the case of two presently operating synfuels projects, the Exxon donor solvent project and the H coal project, the plants utilized 250 tons of coal and 600 tons of coal per day respectively. SRC-I takes a quantum leap from this scale project to utilize 6,000 tons of coal per day.

Mr. Chairman, no one suggests that a plant of this size is necessary merely to demonstrate the process. It is clearly a commercial-size project and not an R. & D. effort. The National Academy of Sciences had made a comment on this point, and I quote from them:

Demonstration of a process to obtain data for the design of a commercial plant can be carried out in a properly designed and operated unit utilizing 250 to 600 tons per day.

Furthermore, one of the subsidiaries of the contractor involved has in the past stated that this size is not necessary for the demonstration of this particular technology. According to a statement by ICRC's own subsidiary, Wheelabrator Cleanfuel, and I quote:

A 2,000-ton-per-day plant has been selected as the largest size for which commercially available equipment can be practically employed, yet is sufficiently large to permit extrapolation to full commercial size with reasonable confidence.

Mr. Chairman, that demonstrates clearly, in my judgment, that the size of this plant, utilizing 6,000 tons of coal per day, is far larger than is necessary to achieve the administration's goal in terms of energy policy of supporting R. & D. efforts rather than commercialization efforts.

Clearly this is a commercial project, not an R. & D. project, and thus directly undermines the administration's policy toward synfuels development.

Again I would like to quote from Mr. Stockman's letter, in emphasizing that this is contradictory to the administration's policy toward the development of synfuels:

The administration believes that synthetic fuels development must proceed on a basis that will lead to commercial deployment of private production facilities. The only way to insure attainment of this goal is to limit the government's role to protecting against the unique political risks associated with construction of synfuels plants by demonstrating an unwavering commitment to market pricing of energy, by directing Federal regulatory agencies to develop comprehensive reforms that will lead to simplified and less costly permitting, and by making available carefully directed financial incentives through the Synthetic Fuels Corporation, the administration believes that we have provided a climate in which an economically sound synthetic fuels industry will grow and flourish. The SRC-I project, which has virtually no private capital involvement and which is managed by the Federal bureaucracy is inconsistent with the administration's synthetic fuels policy. Continuation of this project will saddle the taxpayer with an enormous financial burden, yet will yield little returns to anyone other than the project's sponsors.

Mr. Chairman, I believe that this amendment is consistent with the mood of this Congress in terms of fiscal restraint and consistent with the administration's economic and energy policies and I ask support for our amendment.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to my colleague, the gentleman from Pennsylvania.

Mr. McDADE. I thank my colleague for yielding and commend him on his statement even though I have obvious differences of opinion with the gentleman.

The gentleman stated that this is not an R. & D. project. Is that correct?

Mr. WEBER of Minnesota. That is the statement of the Office of Management and Budget and the Department of Energy, and I share that statement that it is too large to be an R. & D. project.

Mr. McDADE. How much money is in the bill for SRC-I, in this bill that we are going to vote on?

Mr. WEBER of Minnesota. The sum of $135 million is available for funding of the project.

Mr. McDADE. That is $135 million, which is hardly the construction of any plant; is that not correct?

Mr. WEBER of Minnesota. But as the gentleman is aware, I am sure, construction has not begun on the plant yet, and the total cost is estimated today, preconstruction, at about $4.5 billion, which is more than adequate for——

Mr. McDADE. If the gentleman will yield, that is the problem. The gentleman is confusing apples and oranges. What this committee is attempting to do is to lead the country to the edge of research technology so that we can make a decision, an informed decision, about whether or not this plant ought to go forward with construction. That is the reason that the money that is in this bill is design money, money to look at environmental problems, money to look at economic problems, money that will enable us as a Congress in a future year to make an informed judgment about whether or not we ought to take this technology to commercialization in an outyear. That decision has not been made. I am sure the gentleman will agree with that, will he not?

Mr. WEBER of Minnesota. I appreciate the gentleman's point of view, but as I would point out, it may well be a question of timing. But this administration has decided that the jury is in on that question and it is time now to terminate this project.

The gentleman just offered a successful amendment to rescind $69 million for the SRC-II project, which was terminated for precisely the same reason, and the same arguments which led me to support that amendment argue in favor of termination of the SRC-I project at this time, before we incur the multibillion-dollar cost to continue the project.

Mr. McDADE. If the gentleman will continue to yield, I want to reiterate to my colleagues that there is $135 million in design money, environmental study money, baseline study money. There is no construction start yet.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has again expired.

(On request of Mr. McDADE and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 1 additional minute.)

Mr. McDADE. There may be in an outyear construction money for a commercial demonstration of this project.

Now, the gentleman could not be more incorrect when he talks about SRC-II. What happened there was, what was to be a cooperative agreement between the Governments of Japan, Germany, and the United States fell apart because there was no support in the administration to go forward with SRC-II.

This is the last chance the Congress of the United States will have—and I may say to the gentleman that we are here as a subcommittee of the Appropriations Committee without dissent, recommending to the House that we take another step, that we look at this project from its environmental, engineering, and economic aspects, and be ready to make an informed judgment on the last chance we will have to decide whether or not we construct a direct liquefaction process for this country. This is it. If we adopt the gentleman's amendment, we will not see a direct liquefaction plant built in the United States.

I think that is against the national interest. That is why I oppose the gentlemen's amendment.

□ 1120

Mr. WEBER of Minnesota. I appreciate the gentleman's concern, but I would also point out his initial argument is that we need to proceed with the design costs and R. & D. costs so that we can at some later date make an informed decision on whether or not to proceed with this project. As the gentleman has pointed out, in the case of SRC-II the Governments of France, Germany, and the United States have already made that decision.

Mr. McDADE. If the gentleman will yield, France was not involved. The Germans and Japanese were. The technology may now shift to Germany and Japan and in a few years we may see the United States going over to Germany or Japan and once again trying to license a new technology. We have seen it happen time and time again over the last decade, and may I say to my friend that is what we are risking here.

If we abandon this technology, if we abandon this effort you can bet the Germans and Japanese are going to pick it up.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

(At the request of Mr. CORCORAN and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 2 additional minutes.)

Mr. WEBER of Minnesota. I must reply to that again that the administration's policy is not to abandon the development of coal liquefaction. There are presently 66 projects which are in some state of application or design which have the potential to carry forward this technology through the Synfuels Corporation.

Mr. McDADE. I must correct the gentleman. There is no, and I repeat—and the gentleman can go back and check the record and call anybody downtown he likes—there is not one single direct liquefaction project pending before anyone at the Synfuels Corporation, before anyone at the Department of Energy, except for the one that we are going to vote on today. That is the only direct liquefaction

process that is in any form in any existence before anybody in this Government.

Mr. WEBER of Minnesota. The gentleman would concede, I am sure, that there are 66 other synthetic fuels processes—maybe not precisely the same process—but other processes are in varying states of application for approval.

Mr. McDADE. I say to my friend that there are applications pending before a corporation which as yet does not exist, called the Synthetic Fuels Corporation. There is one chairman appointed. There are four vacancies. If the gentleman read this morning's paper he will see that there is a discussion going on today, "Settlement of synfuels fund indicated." It talks about the question of whether or not the Office of Management and Budget is going to prevail thereto and stop all funding of shale oil, of indirect liquefaction process, which is what the gentleman was referring to, of alcohol projects and some other types of projects, that may at some date get to the Synfuels Corporation if it ever gets operating. It is not operating today. It cannot operate. It does not even have a quorum.

At no point, may I say to the gentleman, this is very important for him to realize.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has again expired.

(By unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 3 additional minutes.)

Mr. McDADE. Mr. Chairman, if my colleague will yield further, it is important for the gentleman to realize and all of the House that there is no direct liquefaction process pending anywhere. This is the only one. It is important to know that for a variety of reasons. It is not just a minor modification of technology.

Indirect liquefaction was discovered in 1913, after 100 years of European scientific effort. The man who discovered the process won the Nobel Peace Prize that year. Ironically that process was used by Hitler to run his engine of war, taking coal and converting it through indirect liquefaction processes to run his war machine.

There are now some indirect liquefaction processes in being around the world. For example, in South Africa. Indirect liquefaction, is totally, totally different than what we are trying to do here. This is a totally different technology, may I say to my colleague, that would attempt to upgrade what was done in 1913 by a European scientist, that what was done during World War II, by the Germans, what is being done today in South Africa, under the Sasol process. All those are indirect liquefaction techniques. None of them, none of them, is duplicative in any way of this one. This is the only direct liquefaction process that is before anybody in the Federal Government for action. This is it.

When we vote on this today, we are deciding whether this country goes forward with this technology or whether we abandon it.

Mr. WEBER of Minnesota. The gentleman's comment notwithstanding, I am sure that he is aware that what we have come down to is a fundamental difference of philosophy on how the country's synthetic fuels program should proceed.

This administration is committed to a greater interplay of market forces and competition to make the types of decisions that the gentleman is referring to here, rather than having those decisions made at total cost to the taxpayer by politicians. So I concede the gentleman's point about this particular process. But I would say it only reinforces the belief of this administration that completion of this project at taxpayer expense undermines this administration's whole approach to synthetic fuels development before they even have a chance, as the gentleman pointed out, to get the board together.

Mr. McDADE. May I say in reply to the gentleman that he concedes and the House can now accept as a fact that what we are talking about in this amendment is a direct liquefaction technology. It is the only one that exists in the Government. We can agree on that?

Mr. WEBER of Minnesota. It is the only synfuels project that exists within the Government directly funded by the Government at all.

Mr. McDADE. The gentleman is totally wrong about that. The gentleman just conceded this was the only direct liquefaction project in existence.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has again expired.

(At the request of Mr. CORCORAN and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 3 additional minutes.)

Mr. CORCORAN. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Illinois.

Mr. CORCORAN. I thank the gentleman for yielding.

I want to commend the gentleman from Minnesota for the amendment that he has offered, and I would like to ask him a question. I know that he has gone to great lengths to underscore the fact that the Office of Management and Budget has come down four square in support of his amendment, and I would just like to know the position of the Department of Energy, which has some responsibility in this particular matter, inasmuch as the committee is trying to foist, in my judgment, over their objections, this additional subsidy to a major corporation in this country. I just wonder whether or not the Department of Energy has taken a position on this amendment?

Mr. WEBER of Minnesota. I thank the gentleman for his support, and the answer is yes, we have contacted the Department of Energy and they do not want the money. I have a letter from the acting Under Secretary, Mr. Romatowski, which underscores the Department of Energy's opposition to SRC-I, and their support for our amendment, furthermore clarifying how the termination costs and other matters can be handled successfully by DOE, and again underscoring that this is consistent with this administration's approach to the development of synfuels.

Mr. CORCORAN. As the sponsor of this amendment, what the gentleman is telling the House is that the administration supports his amendment. The administration does not want to continue down that road subsidizing corporations to develop synthetic fuel projects, that we have a different approach, that we have the Synthetic Fuel Corporation, which has the responsibility for managing the growth and the Government support therein of developing this industry?

Mr. WEBER of Minnesota. The gentleman is correct in outlining my position, the administration's position, and the general philosophy of this administration toward the development of synfuels.

Mr. CORCORAN. If the gentleman will yield further, will the gentleman explain to me the position of the senior Republican on this committee?

Mr. WEBER of Minnesota. Without trying to put words in my colleague's mouth, the question comes down, as I tried to indicate, to a philosophical one of whether or not we want to accept this administration's philosophical approach to synthetic fuels which is greater competition, greater interplay of market forces forcing projects to compete for funding from the Synfuels Corporation, or whether this body is going to make the decision to fund the only remaining synfuels project in the DOE fossil fuels construction budget directly and almost entirely at taxpayer expense.

Mr. CORCORAN. As a Member of the House who supported the Gramm-Latta substitute, I would like to know whether or not this particular inclusion of $135 million is within the budget or outside the budget?

Mr. WEBER of Minnesota. The $135 million that funds this project in this year is funded through deferrals and transfers, and so it is not directly in contradiction. In the outyears the administration has great concern about the effect that it would have on the budget.

Mr. CORCORAN. I thank the gentleman.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Pennsylvania.

Mr. McDADE. I appreciate the accuracy of the gentleman's last statement in clearing up the fact that there is no conflict with the Gramm-Latta——

Mr. WEBER of Minnesota. In this year.

Mr. McDADE. That is what we are talking about, and that is what we are acting on.

I do want to say that there is no philosophical disagreement between myself and the administration on the viability and the value of the Synthetic Fuels Corporation. As a matter of fact, it was this subcommittee——

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has again expired.

(At the request of Mr. McDADE and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 4 additional minutes.)

Mr. McDADE. If the gentleman will yield further, I want to imform my colleague that it was this subcommittee that broke the logjam in the last Congress and set up the reserve that permits money to be drawn down for synthetic fuels under the Defense Production Act and under the Non-Nuclear Regulatory Act.

It was this committee that acted for the House of Representatives to set up the Synthetic Fuels Corporation. The Synthetic Fuels Corporation is designed for one purpose, and as the gentleman knows, it is to bring to commercialization projects which have been through R. & D., projects which are ready, such as oil shale, which we hope will be a viable process if OMB, according to the morning paper, agrees to let some of the money go. That is the purpose of this Synthetic Fuels Corporation.

I am sure that gentleman knows that there is a restriction on funding within this Synthetic Fuels Corporation, through its basic legislation, that the legislation provides that there cannot be more than 60/40 cost sharing.

Does the gentleman agree to that?

Mr. WEBER of Minnesota. I accept the gentleman's statement.

Mr. McDADE. All right. The basic organic law provides that there cannot be more than a 60/40 mix. What that means is that if you go back to something that is basic R. & D., which is what this plant is, nobody has ever built one, nobody has ever demonstrated one, nobody has ever attempted yet to——

Mr. CORCORAN. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Illinois.

□ 1130

Mr. CORCORAN. I appreciate the gentleman yielding.

Mr. Chairman, there has been a testing of this technology. I am sure the gentleman from Pennsylvania (Mr. McDADE) is familiar with the Alabama project. What has been the record of that particular project? It has tested satisfactorily this technology.

The question the gentleman from Minnesota (Mr. WEBER) has raised is whether or not we ought to go to a commercial scale. The answer to that is not as a subsidy from the general revenues when we already have an expanding deficit in this country but, rather, we ought to use the $88 billion that is already in the Synthetic Fuels Corporation for commercial projects.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, I would like to respond to the colloquy by my friend, the gentleman from Illinois (Mr. CORCORAN).

I am sure both gentlemen are aware there is a buy-back provision in this contract, that as this plant operates, it is going to hopefully sell its product, which is going to be petroleum products, which will bring revenues to the Treasury; and assuming American technology can once again succeed, as it has so many times in the past—whether the question was synthetic rubber or now synthetic fuels, or whatever it was to get us through a national crisis—when we applied our technology we made it work. We just saw Columbia, at a cost of some $15 billion, bring us into a brandnew age of transportation through American technology. If this process should work—and we all should hope that it does—it will take the coal that exists in the United States, 25 percent of the world's supply, and give us a reserve of oil by conversion from coal of 1 trillion barrels, and the process that the contract is written under provides that the Government has the option to buy it back.

This process that we are talking about can produce revenues to the Treasury because we have a buy-back provision in here. We have a provision for royalties selling; and if the project succeeds, the Government gets a share of the licensing. So if the plant becomes replicated—and let us hope it does because we need those trillion barrels of oil that this can potentially deliver to us—we will not only get our money back, we will make a 250-percent profit on the investment in American technology we are making here today.

I thank the gentleman for yielding.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

(By unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 3 additional minutes.)

Mr. WOLPE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Michigan.

Mr. WOLPE. Mr. Chairman, I thank the gentleman for yielding.

I want to respond directly to the point made by the gentleman from Pennsylvania (Mr. McDADE). The gentleman speaks of the revenue that is to be coming in from this plant operation. One of the most curious aspects of the entire history of this demonstration proposal is that precisely as the cost estimates of the plant have escalated, doubled within an 18-month period, so have the revenue projections. Indeed, the revenue projections from the plant have gone up by an incredible 249.8 percent over that same period of time.

I think it is also noteworthy that those revenue projections to which the gentleman refers are based upon an assumption of the sale of a barrel of oil equivalent to $76 per barrel, an assumption that is questionable at best.

Finally, I think it ought to be noted that the revenue projections upon which the gentleman is basing his argument would occur only if the ICRC decides to buy the plant from the Government. This decision is totally up to the ICRC, and if the process does not work, the Government is left with a $4.5 billion plant that simply does not work.

In short, the real issue is who should bear the financial risk and the costs of this operation? That is really the only issue that is before the House in this amendment.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, may I say to my colleague, the gentleman from Michigan (Mr. WOLPE), that that $76 a barrel figure the gentleman uses is another one of those questionable estimates we read about everyday. There is nobody in this Chamber that can predict what the cost of a barrel of oil is going to be in the period 1985, 1990, 2000.

What we can tell everybody is that U.S. production of petroleum is decreasing, and so is natural gas. The only thing that we have in large supply in hydrocarbons is one-quarter of the world's coal, 25 percent of the entire supply.

With respect to the cost, may I say the Joint Economic Committee looked at this question. They believe that the cost of a barrel of oil that we import today—and we see it today. Saudi Arabia is charging us $32 a barrel; Libya and Algeria are trying to charge

us $42 a barrel. The Joint Economic Committee, if the Members want to read their study, says the cost of every barrel of oil that we import is $100. All one has to do is factor in inflation, factor in the $90 billion we now pay for our imported oil bill, factor in unemployment, and we have a cost today for a barrel of imported oil of $100 a barrel. What we are talking about is using that 1 trillion potential barrels we have in this country to free ourselves from the $100 a barrel cost today, in 1981, for imported oil.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has again expired.

(At the request of Mr. BROWN of Ohio and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 6 additional minutes.)

Mr. WOLPE. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Michigan.

Mr. WOLPE. Mr. Chairman, the issue that is before us today is not whether or not we ought to be in the business of attempting to displace the petroleum that we are now importing. Indeed, the real question is how can we create a financial funding mechanism that will best insure that we will put our dollars behind those investments and those technologies that will most quickly displace petroleum, and at the lowest possible cost.

What is being proposed in this particular project is a direct Government subsidy behind a technology that the investor himself is so uncertain about that that investor is unwilling to advance more than something like less than 3 percent of the total project cost, representing the risk that that investor is willing to take.

Mr. CORCORAN. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Illinois.

Mr. CORCORAN. Mr. Chairman, let me make a comment about the commitment of the private investors. They are talking about an ultimate commitment of $90 million, but in the contract to which my friend, the gentleman from Pennsylvania (Mr. MCDADE), referred—and I would hope with this new administration we would get some new people writing those contracts in the Government—there is a provision that the bulk of that $90 millllion—$60 million—will not be forthcoming from the private investors until 30 days prior—and I quote—"to the end of Phase II."

Phase II is the end of construction, which means up to this point the private investors have put no cash into this project that my friends here are asking that the U.S. taxpayer finance to the extent that is provided in this bill.

Let me make one other point. That is with respect to the market in terms of whether or not we will ever get a payback to the U.S. Treasury. What we are talking about is developing another kind of coal product. This SRC-I product is mostly in solid form which would be used by the large powerplants and which would be used by the large industrial boilers. The fact is that we are not going to have that available until sometime in the next decade. We do not know what the market is going to be. We do know that today the large industrial users and the electric companies are using scrubbers. They are developing a different technology in order to use coal.

I do not question the need to use coal. The question is: What technology are we going to have available? We are just out of sync by about 10 years; and the taxpayers are being asked to cough up the $2 billion involved while the private investors have got to contribute only real cash to the project. It is wrong for the taxpayers of this country to finance this risky venture.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. Mr. Chairman, I want to ask a procedural question for my benefit as the ranking minority member on the Fossil and Synthetic Fuels Subcommittee of the Committee on Energy and Commerce, and also as a member of the Joint Economic Committee.

The question is: How did the gentleman in the well find out who speaks for the administration on energy policy?

I must say that over the last few months, I have had some difficulty in making that determination, and I must say also that I had some difficulty in making the determination of just precisely what the logic is.

If the gentleman will bear with me just for a moment, we are spending—and I hate to differ with my friend on the other side of the aisle, the gentleman from Michigan (Mr. WOLPE), when the gentleman says that the substitution for imported oil is not the issue. The substitution for imported oil is the issue.

□ 1140

It is perhaps the overriding issue which we face in this country today with reference to energy. We get our oil in large measure, 25 percent of it, from the most volatile part of the world, and we have had a President of the United States of one party and a Secretary of State of another party—our party—suggest the possibility of war in the Middle East over this source of energy.

Now, let me just ask, if it makes sense for us to invest $3 billion in the strategic petroleum reserve, if it makes sense for other committees than the Appropriations Committees of this Congress currently negotiating between the House and Senate and the administration on the idea of building a $40 billion plus natural gas pipeline from Alaska, how we can say that the issue is not displacing foreign oil and how we can say that a cost overrun in this project is sufficient reason to in a way eliminate coal.

Now, where were all these decisions made in the administration to decide to—I think the term is "off-budget"—off budget the $3 billion for the financing of SPRO, "off-budget" meaning it is not part of the budget this year but it is money that we are going to finance with Treasury notes? Can the gentleman explain that?

Mrs. SCHNEIDER. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I will yield to the gentlewoman in just a moment.

First, the gentleman from Ohio (Mr. BROWN) has brought up a number of points, many of which relate to the decisionmaking process in this administration on energy policy. It is not my intention to try to define for the Members how this administration makes policy.

Mr. BROWN of Ohio. Well, can the gentleman tell us what the policy is?

Mr. WEBER of Minnesota. The amendment we are addressing here has the support of the Office of Management and Budget and the Department of Energy, and thus it is consistent with the administration policy. If the gentleman has information to contradict that statement, he is welcome to offer it to us here on the House floor. My only purpose in bringing that up is to point out that our amendment is supported by the administration and rather strongly.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

(On request of Mr. OTTINGER, and by unanimous consent, Mr. WEBER of Minnesota was allowed to proceed for 5 additional minutes.)

Mrs. SCHNEIDER. Mr. Chairman, will the gentleman yield?

Mr. WEBER of Minnesota. I yield to the gentlewoman from Rhode Island.

Mrs. SCHNEIDER. Mr. Chairman, I thank my colleague, the gentleman from Minnesota, for yielding.

I would like to clarify another point that was brought up. Insofar as the SRC-I plant providing any back out opportunity for foreign oil, of course, that is an issue in our overall energy policy, but we are talking about one site-specific project, the SRC-I project. The corporation that is involved, International Coal Refining Co., has submitted testimony indicating that nearly 50 percent of its final product will be a solid; it will not be a liquid fuel, I think for the record it is important to bring that forward.

The other point is that this single plant will produce only 18,000 to 20,000 barrels of oil equivalents per day. By itself, that will not answer the question that we need to solve, which is, how do we solve our back out oil problem at the cost of $4.5 billion?

If the issue is one of technology demonstration, clearly this plant is larger than necessary, as has already been pointed out by my colleague, the gentleman from Minnesota.

The final point I would like to make is that the DOE is much less optimistic about this project because the draft environmental impact statement on this project, issued in January of this year, states there will be three products: Solid SRC-I boiler fuel, anode-grade coke, and a hydrogenated boiler fuel, and each will account for one-third of the total.

If the intent is to back out oil with solids, one should carefully compare the enormous cost of this process with other processes and other methods of coal cleaning.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. WEBER OF Minnesota. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I thank the gentleman for yielding. I have asked the gentleman to yield for two purposes.

One is to point out the question of why we should use our coal supplies for liquid fuels. We can make methanol at the present time for 40 cents a gallon commercially. It comes to about $15 or $16 per barrel in manufacturing costs, and we can use it to propel our vehicles or for stationary purposes.

The question is whether we ought to sink money down this SRC rathole. I think the gentleman is correct, that we ought not to go for this kind of project, which will produce oil at $80 a barrel, when we can produce methanol out of the same coal and have it available for the same purposes to relieve our dependence on imports at a fraction of the cost.

Mr. Chairman, I would like to point out to the gentleman that I have an amendment which, under present parliamentary procedure, would have to be offered as an amendment to his amendment. It deals with State energy conservation offices' funding.

Mr. OTTINGER. Mr. Chairman, therefore, Mr. Chairman, I would at this point ask unanimous consent that should the amendment offered by the gentleman from Minnesota (Mr. WEBER) succeed, I would still be allowed to offer my amendment as a separate amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

Mr. McDADE. Mr. Chairman, reserving the right to object, and I will not object. First I want to ask my friend a question. The gentleman said there are methanol plants that can produce gasoline at $16 a barrel? Is that what I understood the gentleman to say?

Mr. OTTINGER. Mr. Chairman, if the gentleman will yield, we had testimony before our committee that they can produce methanol at 40 cents a gallon and deliver it to stations at 80 cents a gallon. Why it is not being done is a great, great mystery. Methanol producers will not produce it in quantity because they say there is no emergency.

The CHAIRMAN. The time is that of the gentleman from Pennsylvania, who has yielded to the gentleman from New York.

Mr. OTTINGER. The automobile companies say that they will not produce this modified oil product.

Mr. McDADE. Mr. Chairman, reserving the right to object——

The CHAIRMAN. The gentleman will suspend.

The gentleman from New York (Mr. OTTINGER) has asked unanimous consent to offer another amendment in the event the pending amendment should prevail.

Is there objection to the request of the gentleman from New York?

Mr. McDADE. Mr. Chairman, I have reserved the right to object.

The CHAIRMAN. The reservation has been noted.

Mr. McDADE. Mr. Chairman, further reserving the right to object, I would like to have the gentleman from New York tell me where one of these methanol plants exists today, where we can find one.

Mr. YATES. Mr. Chairman, I think we ought to dispense with the unanimous-consent request.

Mr. McDADE. Mr. Chairman, I would like to find out where one of these plants is so I could go and visit it.

Mr. OTTINGER. Mr. Chairman, the testimony was before our committee by the Badger Co., which is an engineering company.

Mr. McDADE. Is there such a plant in existence at the present time?

Mr. OTTINGER. There is not a plant at the present time.

Mr. McDADE. Are they building one?

Mr. OTTINGER. No, but they should.

Mr. McDADE. Mr. Chairman, I withdraw my reservation of objection.

Mr. YATES. Mr. Chairman, reserving the right to object, I would ask the Chair to propound the unanimous-consent request rather than having Members engage in further debate.

The CHAIRMAN. The Chair is about to propound that request.

Is there objection to the request of the gentleman from New York (Mr. OTTINGER)?

Mr. VOLKMER. Mr. Chairman, reserving the right to object, I would like to know again what the unanimous-consent request is and what it contains.

The CHAIRMAN. The unanimous-consent request by the gentleman from New York (Mr. OTTINGER) was that in the event the amendment offered by the gentleman from Minnesota (Mr. WEBER) is agreed to, may he be permitted to offer another amendment to the same portion of the bill?

Mr. VOLKMER. Mr. Chairman, I object at this time.

Mr. OTTINGER. Mr. Chairman, I would ask the gentleman if he would change his mind. I do not want to confuse this issue of SRC-I with an entirely different amendment, because otherwise I would have to offer my amendment as an amendment to the pending amendment.

Mr. YATES. Mr. Chairman, reserving the right to object, I advise the gentleman that under the parliamentary situation as it exists, the gentleman would have to offer his amendment as an amendment to the pending amendment on an entirely different issue. What the gentleman is asking for is permission to separate the two issues, and that if the gentleman wins on his amendment, he be allowed to offer his amendment.

Mr. OTTINGER. Then I would have the right to offer my amendment separately.

Mr. VOLKMER. Mr. Chairman, I withdraw my objection.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

Mr. BROWN of Ohio. Mr. Chairman, reserving the right to object, I ask the chairman of this distinguished subcommittee if under this procedure by not objecting we are abrogating parliamentary procedure here and if the amendment of the gentleman from New York (Mr. OTTINGER) would be germane in the form in which he wants to offer it, in the process in which he wishes to offer it, or should it be offered to the amendment offered by the gentleman in the well.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Ohio. Of course, I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, as the gentleman from Illinois understands it, the same parliamentary rights will remain with respect to points of order or other points that might be made as of the time the gentleman offers his amendment. His amendment is to obtain $9 million for the State Energy offices, which is not related to the SCR discussion.

Under the parliamentary as it now exists, he would have to offer his amendment while the gentleman's amendment was pending. It is an entirely different issue. The purpose of the gentleman's unanimous-consent request is to separate the issue and to

offer the amendment at a later time, and the rights of the gentleman and of the House would still be preserved as of the time he offers that amendment.

Mr. BROWN of Ohio. Then, Mr. Chairman, I certaintly withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

□ 1150

Mr. NATCHER. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Minnesota.

Our country, as we all know, has about 6 percent of the population of the world, but at the same time we consume well over one-third of all the entire energy output.

Today our oil reserves are decreasing and our natural gas reserves are decreasing. We all agree that our Nation's most important energy resource at this time is coal.

Adoption of this amendment, Mr. Chairman, would destroy nearly a decade of work placed in operation by engineers and scientists who have assembled for this particular project and who have worked together down through the years. If this amendment is adopted, it would require years to again place in operation an expert synfuel project team.

If SRC-I is approved for funding, this demonstration project will be carried out by International Coal Refining Co., a partnership formed by subsidiaries of Air Products & Chemicals, Inc., and Wheelabrator-Frye, Inc.

The Commonwealth of Kentucky, Mr. Chairman, is a major partner in the SRC-I program. Beginning in the year 1977, the State of Kentucky commissioned the Rust Engineering Co. to perform engineering design for a 2,000-ton-per-day SRC-I plant. The entire $5 million cost was borne by the Commonwealth of Kentucky. In addition, Kentucky has more than half of a 1,500-acre proposed plantsite now under option. The most convincing evidence of the support by the State of Kentucky, Mr. Chairman, in assisting with this project is the commitment to share in the funding of the demonstration plant through the sale of bonds which debt service will be funded by the severance tax collected on coal mined in Kentucky. This support is estimated to total about $30 million.

On August 7, Mr. Chairman, of 1980, last year, the International Coal Refining Co. and the Federal Government signed a cost-sharing agreement. This agreement calls for International Coal Refining Co. to buy out the Federal Government's investment following completion of the demonstration phase of the project. This company will purchase the plant for its full economic value. During the demonstration period, the Federal Government and the company will share in revenues generated by the sale of the refinery's products.

This company and the State of Kentucky accepted the Federal Government's invitation to develop and demonstrate this technology.

I have served, Mr. Chairman, as the chairman well knows, on the Appropriations Committee for a number of years. I do not serve on the Subcommittee on Interior Appropriations chaired by my distinguished friend, the gentleman from Illinois (Mr. YATES). After I was informed, Mr. Chairman, that this amendment would be offered, I secured copies of the hearings from the subcommittee and read the hearings carefully concerning this project that is now here before the committee under this amendment.

I know that the gentleman from Illinois (Mr. YATES) carefully developed this subject during the hearings. I read them all. I know he carefully developed it and I say the same thing for my friend, the gentleman from Pennsylvania, JOE MCDADE, the ranking minority member. The ranking minority member, one of the able Members of this House, carefully developed this subject throughout the hearings.

Mr. Chairman, I say that there is no question what when this was brought before the subcommittee it was carefully investigated during the hearings, during the fiscal year consideration of the budget for 1982 and at all times prior to this time.

Today our Government finds itself, Mr. Chairman, in the position of having to decide once and for all whether or not energy will remain one of our national priorities. Complacency has been with us too long and no longer should we be satisfied with the situation as it exists today.

The work performed by the International Coal Refining Co. under the Department of Energy contract must be carried out in full.

Mr. Chairman, very few of those who have spoken in favor of this amendment have advised the members of this committee that a contract was signed, a contract signed last year. The Government of the United States of America recognizes its contracts and, Mr. Chairman, this amendment should be defeated.

Mr. MCKINNEY. Mr. Chairman, I move to strike the last word. I rise to speak against the amendment.

Mr. Chairman, I just like my counterpart, the gentleman from Ohio (Mr. BROWN) find it very difficult to see who is speaking with the energy voice of this administration. The Secretary of Energy is entirely and completely for going ahead with this project, albeit Mr. Stockman may not, but I remember Mr. Stockman fighting the majority leader, this member, the ranking member of Economic Stabilization, the chairman of Economic Stabilization, when we brought the DPA synthetic fuels bill in this House and passed it overwhelmingly.

Mr. DECKARD. Mr. Chairman, will the gentleman yield?

Mr. MCKINNEY. Yes, I yield.

Mr. DECKARD. Mr. Chairman, I thank the gentleman for yielding.

Is the gentleman aware that the gentleman from Minnesota earlier today in discussion on this issue read a letter from the Department of Energy, of which Mr. Edwards is Secretary, obviously, in which the Department of Energy said it does not support this proposal and would, one may infer, support the amendment of the gentleman from Minnesota.

Mr. MCKINNEY. I would suggest to the gentleman from Minnesota, taking back my time, right now today in the paper, Secretary Edwards is fighting for the synthetic fuels program to the very point where I would question whether he will retain his office should he be beaten off by the Office of Management and Budget.

Let me finish, because I will be very brief. This Member fought off six Cabinet officers of the last administration who spent 3 days on the Hill over the Alaskan oil amendment.

This Member also brought the defense production synthetic fuels bill in front of this House and fought off objections.

I am not about to change.

The comment that was made by Mr. Stockman in OMB and the comment that is made, "Let the free market take its course in oil," is nonsense. You cannot have a free market in a product you do not control. The Defense Department itself in testimony in front of our committee many times has said that the problem with the synthetic fuels industry that we must build up is that if this country gets really serious about it, if this country decides it is going to do something, there is no guarantee of the end product price.

The free market does not work. The minute we start pumping out synthetic fuels, the Arabian states can very simply just drop the price of crude and knock private industry right out of the park as far as synthetic fuels are concerned.

If one goes back to the Defense Production Act years during the Korean war when this country galvanized one of its greatest surges into defense, we will find out that of all the guarantees that were made, only about one one-tenth of them were ever paid out.

I would suggest to this House as we discussed it in Alaskan oil, as we dis-

cussed it in the Alaskan pipeline, as we discussed it in the synthetic fuels bill, this is not going to cost a dime, because by the time it is done oil is going to be right up there with the product of this plant.

The issue is very simple: Energy independence for this country, so that at least no matter how expensive it is, we control the price rather than having the entire economy of the free world, if you pardon the expression, jerked around by the most volatile part of the world fed by some of the most volatile crazies in the entire world.

Mr. FUQUA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment.

The SRC-I project should not be killed. It is an important part of our overall strategy, carefully crafted during the past Congresses and, as has been mentioned here today, to develop a synthetic fuels policy for the country.

The DOE demonstration program is a necessary complement to the activities of the Synthetic Fuels Corporation. The development of more efficient advanced direct coal liquefaction technologies, like SRC, will bring knowledge about the economics and the environmental effects of these processes unavailable at smaller scale.

□ 1200

The choice we face today is not one of economic and market forces. It is intrinsically bound in our national security. There are no gaslines today. Our imports are down.

But in absolute dollar terms we are in deeper economic bondage to OPEC than we have ever been at any other time in the history of this country. The administration talks about sending signals. The commitment to the SRC-I project and to the completion of its design is a powerful signal to our determination to utilize our domestic resources to replace our vulnerable liquid fuel supplies. We cannot back away from this inevitable requirement.

The Science and Technology Committee has been deeply involved in synthetic fuels since the 94th Congress. In 1975 my predecessor, Chairman Teague, had a synthetic fuels bill on this floor only to lose by one vote. Then in 1979 we finally passed a bill, and it took us almost a year in conference in order to conclude that bill and bring it back to where it was overwhelming approved for the development of new technologies and their demonstration to scale sufficient so that we can determine the real financial risks as well as the technical viability, which are not separable, and from a national production goal of our synthetic fuels.

I would like to make one point and then yield to my friend. It was pointed out in a colloquy a few minutes ago that this can be funded by the Synthetic Fuels Corporation. When we crafted the Synthetic Fuels Corporation, and my colleague from Ohio (Mr. BROWN) and my colleague from Connecticut (Mr. MCKINNEY) and many others in this Congress served on that conference, it was made very clear at that time that the Department of Energy would do the research, development, and demonstration. It would be the research arm and move the technologies, and the Synthetic Fuels Corporation would be the production-oriented organization. We would not have both involved in duplicating the work of the other.

That was very, very clear, it was very thought out. In the conference with the other body it was bipartisan and I think unanimous that this was the division of responsibility that should exist.

SRC-I is a demonstration project, not a production project. I hope, as my collegue from Pennsylvania (Mr. MCDADE) said, that it will become one very soon. But we need to demonstrate this technology so that we can rid ourselves of the bondage that we are in with OPEC today.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I am happy to yield to my friend from New York (Mr. OTTINGER).

Mr. OTTINGER. I thank the gentleman for yielding. I have the greatest respect for the gentleman and serve under him on the Science and Technology Committee. But I do think it ought to be made clear to this House that the Science and Technology Committee this year did vote to eliminate the authorization for this project.

Mr. FUQUA. The gentleman is correct. By approximately one vote it was eliminated in the committee. At that time we realized what the Appropriations Committee was planning to do, and it was not as important it be reauthorized this year. There were funds that would be available.

I might say the gentleman in the well communicates very well with the distinguished chairman of that committee and the distinguished gentleman from Pennsylvania. We found that there were other funds that could be used, and they should have been used, and this is not the problem, but the manner in which they are used.

Mr. MCDADE. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I am happy to yield to the gentleman from Pennsylvania (Mr. MCDADE).

Mr. MCDADE. I thank my colleague for yielding. Is it not true that after the vote the gentleman's committee carried language in the bill indicating that you would let the Appropriations Committee take a look at this, and that we have worked together on it through the years both in the Science and Technology Committee and the Appropriations Committee, and the gentleman entrusted us to make the decision, knowing there was flexibility, as the gentleman has stated, and so stated in the report from the Science and Technology Committee?

Mr. FUQUA. The gentleman is absolutely correct.

Mr. WEBER of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from Minnesota (Mr. WEBER).

Mr. WEBER of Minnesota. The language, of course, that the gentleman refers to is correct. But let us now not obscure the fact that the committee of which I am a member and glad to serve with the gentleman from Florida (Mr. FUQUA) did oppose this. That is the bottom line.

The CHAIRMAN. The time of the gentleman from Florida has expired.

(By unanimous consent, Mr. FUQUA was allowed to proceed for 2 additional minutes.)

Mr. FUQUA. I might point out it was by one vote. Let me say we realized at that time, and had been communicating with the Appropriations Committee. It was not a total deauthorization of the project. We removed the funds from the bill, and they provided us a mechanism where we could provide some funds for solar and conservation that were not in there, and we could still utilize some surplus funds that the Appropriations Committee had identified.

Mrs. SCHNEIDER. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I am happy to yield to the gentlewoman from Rhode Island.

Mrs. SCHNEIDER. I thank the gentleman for yielding. Having been the author of the original amendment to eliminate the funding in the Science and Technology Committee, and having worked very closely with my colleague from Minnesota, (Mr. WEBER) we made a concerted effort to make sure that the arguments which were to be put forward were based purely on economics. The testimony we presented incorporated information from the corporations that were deeply involved in this project.

Since that time there have been indications by the corporations that are involved in this project which indicate that if the funding were eliminated from SRC-I it would be no big deal. I think we should keep this in mind at a time of fiscal restraint, and that we ought to, when we are cutting various budgets, we ought to look very closely at a project where the constructors of the project themselves feel that they will be able to survive despite Federal funding.

Mr. FUQUA. I must respond that the gentlewoman must have information that others do not have, because I am not aware that these companies would be able to go ahead and risk capital in this technology, because this is a risk. We are not talking about economics. If we looked at the economics of every research, development, and demonstration program, we would never build anything, because one does not know how much they will cost. This is the first time that one builds these.

But we hope we demonstrate the technology, that it will be economically feasible, it will be environmentally sound and we can move forward to try to rid ourselves of this economic bondage that we are still involved in.

Mrs. SCHNEIDER. If the gentleman will continue to yield, I would like to document my statement.

The CHAIRMAN. The time of the gentleman from Florida has again expired.

(At the request of Mr. WEBER of Minnesota and by unanimous consent Mr. FUQUA was allowed to proceed for 3 additional minutes.)

Mr. FUQUA. I yield to the gentlewoman.

Mrs. SCHNEIDER. To document my statement, in the New York Times March 10 of this year, 1981, there was a statement which said:

> Should the worst happen—Government aid is dropped and the demonstration plant is not built—analysts and Wheelabrator executives seem confident that Wheelabrator would weather the storm.

Then again in the same article it says:

> Should the worst happen, however, and the various synthetic fuels projects be abandoned, Mr. Dingman said it would not put his own company in a bind.

Mr. FUQUA. I think they are talking about the money that they have already spent, not that they would go ahead with the project. I would hope that the company has strength enough and management enough that they would not subject their entire company to bankruptcy if the Government pulled the plugs on this project.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I am happy to yield to my friend from Pennsylvania (Mr. McDADE).

Mr. McDADE. I want to reinforce most emphatically the conclusion the chairman of the Science and Technology Committee has given the House. Of course the company will survive. The project will die.

Mr. FUQUA. That is correct.

Mr. McDADE. What we will see here is the last effort ever by this Congress to produce a technology in direct liquefaction. That is what this is about. The gentleman from Florida (Mr. FUQUA) is absolutely correct. Of course we would hope the companies will survive. It is the technology that will stop immediately.

Mr. WEBER of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from Minnesota.

Mr. WEBER of Minnesota. I thank the gentleman for yielding. I think we have to get back to the basic discussion of the problem involved here, which is the design of the project is of commercial size to begin with.

Mr. FUQUA. We have to build up to those size scales so that we can demonstrate that technology.

Mr. WEBER of Minnesota. If the gentleman will yield further, as I tried to point out in my statement, Wheelabrator-Frye itself indicated that a 2,000-ton-per-day plant would be more than adequate to demonstrate the scale the gentleman is referring to, and yet we have designed a plant which will utilize 6,000 tons per day, which clearly indicates to me that we have gone far beyond what was necessary to demonstrate this technology, and that the Government should not be involved in funding a project that is far beyond what is necessary to demonstrate a given technology and actually is in the commercial field.

Mr. FUQUA. I must beg to differ with my friend, who is my friend, that in this project you have to scale up. You cannot go from the test tube type operation to the full scale. This is the full-scale size. But the technology must be demonstrated, and then there can be modular units built on as it becomes commercial and the Government is not intending to be involved in that. But to demonstrate the scale model as it has increased in size, we do need help because it is a very, very risky business.

□ 1210

Mr. WEBER of Minnesota. If the gentleman will yield further, I certainly accept the gentleman's point. But I do think that that underscores the wisdom of constructing a smaller plant.

The CHAIRMAN. The time of the gentleman from Florida (Mr. FUQUA) has again expired.

(On request of Mr. McDADE and by unanimous consent, Mr. FUQUA was allowed to proceed for 3 additional minutes.)

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from Pennsylvania.

Mr. McDADE. Mr. Chairman, this is a very important point on the question as to whether or not this is an oversized plant.

Let me read, if I may, what the Department of Energy has said about this specific plant. It is a little bit complicated, but I do want to read it to the House, and I quote them:

> It must be noted that plant size and product volume do not decrease by the same percentage as capital cost. As an example, when plant size is reduced from 6000 to 2000 TPD, or by 67%, capital cost decreases by only 36%. Consequently, capital cost required to produce a barrel of product increases which in turn reduces net revenue.

So what we do when we do this is shoot ourselves in the foot. And the DOE is the one who says, as does the distinguished chairman of the Sci-Tech Committee, that if you take this back to a 2,000-per-day plant, you have not only decreased revenue, but you have not demonstrated a plant that you want to be able to replicate itself.

Mr. FUQUA. The gentleman is correct. And it gives them an opportunity to make a variety of marketable products, which means revenues. And revenues mean that the Government has a better chance of getting its money back from the facility.

Mrs. SCHNEIDER. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentlewoman from Rhode Island.

Mrs. SCHNEIDER. I thank the gentleman for yielding.

In addition to the Department of Energy, there are two other sources that have closely scrutinized the scale of this particular project, one being the National Academy of Sciences, and they concluded that the plant size of 250 TPD to 600 TPD is of sufficient size to obtain data for scale up to a commercial-size plant.

Mr. FUQUA. I would agree with that. But the fact of the matter is, though, you have decreased the potential of the plant to be a viable plant so that it can ultimately pay off the loan that it has to the Government and make it viable.

Mrs. SCHNEIDER. But as long as the cost to the Government continues to increase, we will still not be able to realize the revenues that we should.

The CHAIRMAN. The time of the gentleman from Florida (Mr. FUQUA) has again expired.

(On request of Mrs. SCHNEIDER and by unanimous consent, Mr. FUQUA was allowed to proceed for 2 additional minutes.)

Mrs. SCHNEIDER. If the gentleman will yield further, as a new Member and very honored to serve on the chairman's committee, it seems to me that we have reviewed various projects line by line, and we have done our cost/benefit analyses and compared various technologies. But when the Federal Government is picking up the tab and subsidizing one particular plant to the tune of 97 percent, and the industry is only paying for 3 percent of the project, then I wonder, how are we going to continue to do a cost/benefit analysis when the contract itself allows for continuous overruns and puts the responsibility on the Federal Government or on the taxpayer to pick up those overruns.

Mr. FUQUA. Well, I might say that there are no overruns. We have never built a plant of this type before. There is no way that you can determine how much one will precisely cost. There are cost adjustments as it goes into development, and there is no way that you can precisely say how much any plant will cost if it is new and has never been done before. We even have enough problems of building Federal buildings, and so forth, that we have built many, many times. There should be no reason for that.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield?

Mr. FUQUA. I yield to the gentleman from Ohio.

Mr. BROWN of Ohio. Mr. Chairman, I was not going to get into the debate at this point because I would like to get my own time eventually, but I feel I may be running out of opportunity. But it is precisely that point that you build a plant for this process, to find out what the cost of this particular operation will be.

Mr. FUQUA. The gentleman is absolutely correct.

Mr. BROWN of Ohio. And how you can save money when you move it into a commercially viable operation for production purposes.

As to the point raised by the gentlewoman a moment ago about this not producing all liquid fuel and therefore not backing out oil, I would have to say to the gentlewoman and to other Members of the congregation who are here that we all know that energy is to some degree fungible, that if you can produce natural gas, you move out coal, you move out oil. If you can produce gas from coal so it is usable under environmental laws, you save a lot of other processes.

Mr. FUQUA. The gentleman is correct.

Mr. REGULA. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman and members of the committee, I had not intended to speak on this issue, but I think a few things ought to be pointed out.

The irony of all of this debate is that if it were taking place in 1979, there would not be any debate. If we had gasoline lines, blocks long, as we did in 1979, people would be demanding that we move ahead with this technology. But because we tend to respond only to crises, today we are saying, "Well, we can put it off."

I do not think the issue is what happens to Wheelabrator-Frye or the New York Times or OMB; it is what happens to the security of the United States of America.

We tasted OPEC blackmail in 1978; we tasted it in 1973. And if we do not want to taste it again, we better be prepared.

One of our famous generals, and I think it was General MacArthur, said the reason battles are lost is four words, "Too little too late." We do not want to be faced with the energy problem in the future and have to once again say to the American people, "Too little too late," for if we do, we will once again have to surrender to OPEC blackmail.

The problem in all of these things has been vacillation. Recently we approved, rather substantially, the idea of multiyear contracting in defense. This is the right way to go. We need the same type of approach to developing synthetic fuel technology. That is the important feature. We are talking about developing the technology. We are not necessarily talking about producing fuel. Once the technology is available, the private sector will move ahead.

In World War II our Nation recognized that it was absolutely essential to our national security that we develop synthetic rubber. In 3 years, with Government expenditures, we did this; and the trucks that rolled across Europe and brought victory were rolling on synthetic rubber because the Government had the vision to develop the technology; the private sector made the tires.

But the point is, we need the same approach today. I dare say that there is not a Member in this Chamber who was serving in 1979 who did not have somebody catch him on the street downtown or at the coffee shop and say, "Why does not the Congress do the same thing for oil that you did for rubber in World War II?" That is what we are talking about today, to have the same security in energy, which is just as vital as we developed in the case of rubber during World War II. I think that to give up on this project, to not continue and develop the technology would be a serious mistake. We would be confronted with the criticism in the future of not responding when once again an oil crisis arises. Once again we would attempt in a crash way to go at it. Certainly this committee has examined it carefully. We have developed this policy before OMB, under the present management, was even around. What I am saying is that this is the responsibility of judgment that has been made by this committee based on the facts presented to us, and we certainly do not want to be in a position of too little too late in the years ahead. I think it is important to the future security of the United States that we develop this technology. We have already expended $200 million in developing SRC-II and SRC-I. It is very important that we move ahead.

I think it would be a great mistake to adopt this amendment to the bill today.

Mr. WEBER of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. REGULA. I yield to the gentleman from Minnesota.

Mr. WEBER of Minnesota. I thank the gentleman for yielding.

Mr. Chairman, the comments of the gentleman from Ohio, along with those of other Members who have opposed this amendment, are premised on the idea that to proceed with this plant yields us a measure of strategic security.

In order to do that you have to presume that this plant is going to produce large quantities of transportation fuel. The gentleman from Ohio has made that point in his remarks about gasoline lines.

But look at the facts as to what ICRC itself projects is going to be the product of this plant: 6-percent sulfur, 18-percent anode coke, 29-percent refined coal, 25-percent heavy oil, 22-percent medium oil, and 22-percent naphtha.

Most of the liquid fuel, which is less than half of the product of this plant, is going to be boiler fuel, not the transportation fuel that is alleged to be available in great quantities.

Mr. REGULA. I would respond to the gentleman that energy is energy is energy; and a rose by any other name is still a rose. Energy is energy—if you can produce boiler fuel, you replace other types of petroleum products that can be used to produce gasoline; it is a total package.

I yield to my colleague, the gentleman from Pennsylvania.

□ 1220

Mr. McDADE. I thank my colleague from Ohio for yielding to me and I want to point out to the House that my colleague from Minnesota has raised an issue incorrectly about this process that ought to be clear to the House.

The CHAIRMAN pro tempore (Mr. FOWLER). The time of the gentleman from Ohio (Mr. REGULA) has expired.

(By unanimous consent, Mr. REGULA was allowed to proceed for 2 additional minutes.)

Mr. McDADE. If the gentleman will yield further, the process that we are bringing before the House today, direct liquefaction, has the capacity to produce either a barrel of petroleum or to produce, if the market demands it, a hard coal substance that could be used to put under boilers and back out oil or back out natural gas, if that is what the market demanded.

What this plant offers that is unique is the capacity to produce either a liquid or a solvent, and that is one of the reasons that everybody in the House ought to be supporting it, not a reason to oppose it.

I say to my friend from Ohio that he has articulated his position in terms of our national security well. We ought to recognize that this plant does have

dual capacity and can meet market demand for either liquid and/or solid and that is one of the great reasons we should support it here today and reject the Weber amendment.

Mr. WRIGHT. Mr. Chairman, I rise in opposition to the amendment.

This vote is a test of two things. It is a test of the continuing will of the United States of America, and our continued commitment to energy independence. And it is a test of whether or not we have the vision that always must characterize a great Nation.

Solomon said it well. He wrote, "Where there is no vision, the people perish."

May that never be the epitaph of our civilization.

In 1941, when the Japanese cut off the rubber supplies to this country and left us bereft of that very essential commodity so necessary to conduct a successful effort at war, Franklin D. Roosevelt called in Bill Jeffers and Bernard Baruch and said to them, "We must have a synthetic substitute for rubber if we are to win." They did not know how to do it, but they and our other leaders gave it their total committed devotion, and within 3½ years, when the allies rolled into Berlin, we rolled on rubber tires made by a synthetic American rubber industry. We can be that Nation once again.

Twenty years later, in 1961, I sat in this Chamber and heard John F. Kennedy stand behind that rostrum and pledge to the American Nation, in 1961, that we would have a man on the Moon by 1970.

The sheer audacity of the dream shocked us. Hardly anybody understood how it could be done, but we gave it the priority that it needed and the goal was achieved. We can be that Nation once again.

In the 1970's, it became apparent to us that our greatest menace, the greatest danger that beset our people, was our profound and growing dependence upon other countries for the oil which is the lifeblood of our economy.

These are some of the countries upon whom we have come to depend for our supplies of oil: Saudi Arabia, Nigeria, Venezuela, the Arab Emirates, Libya, Algeria. From those countries we at least receive a third of the entire supply on which our people depend.

How secure are they? How certain are we of their future?

We set in motion 2 years ago and last year a commitment by which we said this country of ours is going to produce not less than 2 million barrels a day of synthetic oil by the year 1990, by the end of this decade.

Shall we now, so soon, turn tail and run? Are we ready to give up? Like St. George, who drew his sword to slay the dragon of war, slink home and pick our teeth with it? Is petroleum no longer a problem? Are we weary so soon of the struggle?

Let me ask my colleagues, do you believe that this present so-called oil glut is a permanent situation? There is nothing permanent about it, I assure you. Let us look into the future. The question between whether one is a mere politician or a statesman is supposed to be judged by his or her ability to look at the next generation, not just the next election.

Experts disagree on how much oil and gas reserves we have left. They do not disagree that ultimately, someday, maybe 20 years, maybe 30 years, maybe 40 years from now, our voracious thirst for power will inexorably eat its way through those finite oil reserves. When that time comes, then will come the crucial test or our vision of today. If we have not acted to bring on in sufficient quantities actual production of alternate energy sources before we run out of oil and gas, then we shall have condemned a future generation to a steadily declining standard of living and the American Nation to a steady decline among the nations of the world.

How much coal do we have? We could be the Middle East of the world in coal. The United States has one-third of the entire world's known coal reserves. We have enough coal in this country to last us at its present rate of production and consumption for 620 years, without finding any more. Or, we could double the present consumption of conventional coal and convert enough additional coal to make 4 million barrels of synthetic oil—and still have enough to last us for 218 years.

My last point is that the public expects us to demonstrate that vision without which a people will perish.

Two years ago, the Harris Poll undertook to ask the people this simple question—bear in mind this was in 1979, the very year when the so-called tax revolt was occurring in California——

The CHAIRMAN pro tempore. The time of the gentleman from Texas (Mr. WRIGHT) has expired.

(By unanimous consent, Mr. WRIGHT was allowed to proceed for 1 additional minute.)

Mr. WRIGHT. In that same year, when the American people were demonstrating their prudent desire for economies, they were asked by the Harris organization, "Would you be willing to spend $10 billion for synthetic fuel development in this country?"

Seventy-six percent of the American people said, "Yes." Only 18 percent said "No."

So in that, as in so many other things, we often find that the people are ahead of the politicians.

Let us simply have the same vision that the American people have and that this Nation always has had in times of crisis in the past. Let us reject this ill-considered amendment of retreat.

Mr. LOEFFLER. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, this country has not yet faced a devastating oil crisis. When we do, it will be too late for us to look around and see if there is an alternative technology on the shelf to provide us needed assistance.

Should this devastating crisis occur, we will be paying a devastating price indeed for our shortsighted energy policies of the last decade.

The SRC-I or solvent refined coal technology is one that we cannot now afford to lose. After reviewing all of the current DOE demonstration projects, both the House and the Senate Appropriations Committees agreed to allow the project, SRC-I, to proceed through its critical final stage, the final design stage, rather than throwing away the Government investment in the most promising coal conversion technology available.

□ 1230

The funds provided in the fiscal year 1981 supplemental appropriations legislation will only be used to complete final design and prepare essential cost studies, and no more. The committee approved no funds for construction.

I want to emphasize this point. The committee has approved no funds for construction, contrary to part of the preceding debate. No funds have been approved for plant operations, nor are there any funds for advance procurement. Following the completion of the critical design studies, the project will stand on its own, to then seek assistance through the private sector through private financial institutions—perhaps the Synthetic Fuels Corporation—or, if Congress approves, through continued Government involvement. Without these funds—the $135 million that we are seeking to appropriate today—the project is dead and the Government is faced with a loss on SRC-I of the $90 million that has been invested, coupled with $33 million for close-out costs.

In addition, with the demise of the SRC-II project, which has already cost the Government approximately $125 million, we would be throwing away a quarter of a billion dollars.

I say to the Members on both sides of the aisle, as one individual who was not enthusiastic about the mammoth, far-reaching ability of the Synthetic Fuels Corporation, that I, for one, am sick and tired of throwing away money. For those who want to support this amendment, they are in the position of being wastrels, wastrels of the American taxpayers' money to the tune of a quarter of a billion dollars.

It is interesting to note that some of the critics of this project are from the very area of our country which is so severely dependent upon imported crude oil from the Middle East. It is also the area of the country which has consistently rejected attempts to allow offshore drilling and the construction of new refineries, consistently rejected the utilization of abundant local resources of coal, and has consistently opposed nuclear powerplant development in the Northeast.

Furthermore, the SRC technology was developed in response to the demands of the Northeast to replace their existing oil reliance with a clean-burning domestic fuel. Because the SRC process results in the production of solids and liquids, both of which can be used in existing utility oil-fired burners without the need of scrubbers or other environmental trade-offs usually associated with coal, it is exactly the kind of project that meets the needs of this area of our country.

I must also point out that the feedstock for this technology—high-sulfur eastern coal—is found in abundance in Illinois, Indiana, Ohio, Kentucky, Pennsylvania, West Virginia, Virginia, and Tennessee, but it is currently unmarketable due to existing restrictions placed on its use.

Through this SRC-I process, our Nation's abundant supply of high-sulfur coal can be converted into a clean-burning fuel in liquid or solid form.

I might also point out that the funds recommended to complete SRC-I design work amount to less than one-third of the total energy conservation budget for fiscal year 1982.

The CHAIRMAN pro tempore. The time of the gentleman from Texas (Mr. LOEFFLER) has expired.

(By unanimous consent, Mr. LOEFFLER was allowed to proceed for 3 additional minutes.)

Mr. LOEFFLER. Mr. Chairman, one of the major faults that I found in the past administration was the overreliance on conservation and the lack of attention toward the supply side in terms of producing our own domestic resources. I believe that we should take this money, complete the design phase, then allow the private sector, the Synthetic Fuels Corporation, and—yes—the Congress, if Congress wants to proceed into the future stages, to make the ultimate decision.

I am not talking about $4 billion, and I am not talking about $2 billion. I am talking about spending $135 million rather than throwing down a rat hole a quarter of a billion dollars in a failed attempt to prove SRC technology.

Mr. EMERY. Mr. Chairman, will the gentleman yield?

Mr. LOEFFLER. I yield to the gentleman from Maine.

Mr. EMERY. I thank the gentleman for yielding.

Mr. Chairman, I wonder whether the gentleman can tell us if this project is essentially designed to aid in the removal of sulfur from high-sulfur coal?

Mr. LOEFFLER. It is, for we are able to take high-sulfur coal and, through this technology, convert it into solid or liquid products—ranging from tar all the way to aviation fuel—so that when this fuel is burned, for instance, at the burner tip in New England, there would be no need for the use of a scrubber, whether the fuel is in the liquid state or the solid state.

That, in its own right, is a tremendous saving to the utility consumer.

Mr. EMERY. Mr. Chairman, will the gentleman yield further?

Mr. LOEFFLER. I would be happy to yield further.

Mr. EMERY. I think that is a very, very important point. I have been very concerned for a number of years now that the push toward high-sulfur coal technology has ignored that essential component, the fact that combustion of high-sulfur fuel is one of the major causes of acid rain and one of the great problems that is associated with conversion of any high-sulfur fuel.

I think it is absolutely essential that we develop a technology in this country, and hopefully with the use of both the public and private sector, to allow us to get away from the necessity of imposing on home consumers, on business and on industry, the installation and operation of inefficient, uneconomical stack scrubbing mechanisms. The fuel originally and initially will resolve much of the acid rain problem at ultimately less expense.

So I feel that the gentleman has made a valuable contribution and that this synthetic fuel technology is altogether appropriate and one that may well result in an ability to utilize high-sulfur fuels to a much greater extent.

I thank the gentleman for yielding.

Mr. DECKARD. Mr. Chairman, will the gentleman yield?

Mr. LOEFFLER. I yield to the gentleman from Indiana.

Mr. DECKARD. I thank the gentleman for yielding.

Mr. Chairman, I merely hope to clarify the statement of the gentleman in the well with respect to the amount of money that will be lost should the Weber amendment be adopted.

The CHAIRMAN pro tempore. The time of the gentleman has expired.

(At the request of Mr. DECKARD and by unanimous consent, Mr. LOEFFLER was allowed to proceed for 3 additional minutes.)

Mr. DECKARD. Mr. Chairman, the gentleman mentioned $100 million-plus of Government expenditures up to this point. The gentleman has stated a separate amount of $90 million. Would the gentleman explain what that $90 million is?

Mr. LOEFFLER. I am referring to the $90 million expended on SRC-I to this point, in addition to the $33 million that would be expended for shutdown of this project. If we stop it today, we are terminating the project. To close it down per the agreement, we, the American taxpayer and the Federal Government, will then spend $33 million more. That amounts to a $123 million loss just for SRC-I. That, coupled with the loss of $125 million as a result of the demise of the SRC-II project, adds up to a quarter of a billion.

I am sick and tired of paying money out of the Federal Government for nothing, for studies that go on and on and on, and now we are at a point in a project that I am convinced—once we complete the final design stages—is going to be a viable alternative for the American energy user at a price that can be funded through the private sector.

Mr. DECKARD. Mr. Chairman, will the gentleman yield further?

Mr. LOEFFLER. I yield to the gentleman from Indiana.

Mr. DECKARD. Mr. Chairman, I think it is appropriate the gentleman has mentioned the SRC-II project since just recently, as the Members know, the Governments of the United States, West Germany, and Japan voted to terminate that project for precisely the same reasons that the proponents of the Weber amendment are giving here today.

I thank the gentleman for yielding.

Mr. CORCORAN. Mr. Chairman, will the gentleman yield?

Mr. LOEFFLER. I yield to the gentleman from Illinois.

Mr. CORCORAN. I appreciate the gentleman yielding.

I would like to clarify the issue of what the termination costs would be. We have here a letter dated July 20 of this year from the Acting Under Secretary of the Department of Energy, the agency of Government which has now the supervisory responsibility for this project. He said the cost would be $19 million. I wonder where the gentleman gets the larger figure.

Mr. LOEFFLER. The actual costs for terminating the SRC-I project in the event that occurs have been provided to me by those involved in this particular project.

Mr. CORCORAN. Are they speaking for the Department of Energy?

Mr. LOEFFLER. I have not been in a position to acquire anything from the Department of Energy. I find it very interesting that the Department of Energy failed to deliver this document to me. I have not seen it. All I have seen from the Department of energy is someone moving around throughout the Halls of this Congress saying it is not a good project. When I asked them about the particular fact

that a quarter of a billion dollars was being thrown down the drain when, in fact, the Director of OMB has said that it would be savings, they turned their heads and they walked away. So I am not able to respond to something I have not seen.

□ 1240

Mr. Chairman, I do believe the information I have gotten to be accurate.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. LOEFFLER. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I just wondered whether the gentleman would answer this.

The CHAIRMAN. The time of the gentleman from Texas (Mr. LOEFFLER) has expired.

Mr. OTTINGER. Mr. Chairman, I ask unanimous consent that the gentleman from Texas (Mr. LOEFFLER) be allowed to proceed for an additional 2 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

Mr. YATES. Mr. Chairman, reserving the right to object, the reason I am objecting to this request is that there are a number of Members who want to speak on this amendment, and we have gone along on this for just about an hour and a half already.

The gentleman has made his statement. I think, therefore, we ought to be thinking in terms of limiting the debate, but I am not going to ask to limit it at this time.

However, Mr. Chairman, I do object to further time for the gentleman at this time.

The CHAIRMAN. The gentleman from Illinois (Mr. YATES) objects, and objection is heard.

Mr. DECKARD. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the Weber amendment.

Mr. Chairman, I have reasons for reluctance in voting today for deletion of funding for the SRC-I demonstration project. Newman, Ky., is only a few miles from my district. Construction of the plant would provide a tremendous, but temporary, boomtown stimulus to the economy of the tri-state area, and it is strongly supported by more than a few potential suppliers, contractors, and construction workers in my district, who have not been bashful about expressing their interest to me.

Moreover, part of the plant's product may supply the anode coke requirements of one of the largest industrial operations in my district and, on purely environmental grounds, SRC-I is perhaps the most promising of the various synfuels technologies now under development.

Nonetheless, it is time for us to pull the plug.

This is a subsidy whose time has passed. The SRC-I project is the last survivor of the Department of Energy's synthetic fuels demonstration program. These projects—as recently as a year ago, there were five of them—were almost wholly federally funded, with private sponsors acting merely as Government contractors. At Newman, for example, the private commitment is limited to $90 million, although total project costs have risen from a 1977 estimate of only $500 million to a 1981 estimate of $4.574 billion.

Let me underline that contrast. The private contribution of SRC-I is limited to $90 million—3 percent of the presently estimated project costs—a figure which can only decrease as costs escalate.

This leaves an excess project cost of nearly $4¼ billion over the private share, and no one here will have to think too long to figure out who is going to ante up the $4¼ billion.

Now, I am not going to stand here and castigate ICRC or DOE for negotiating that kind of agreement. Two or three years ago, it may have been defensible. Before we had a Synthetic Fuels Corporation, it may have been defensible. Before synfuels projects were moving ahead with private financing—and no more than a Federal safety net in the form of loan or price guarantees—it may have been defensible. But, the cost sharing arrangements of this project are, in fact, defensible no longer.

DOE funding for four of the original five demonstration plants has already been terminated. And in a very strong letter, the administration has recommended termination of the SRC-I project as well. Synfuels projects sponsors desiring Federal support will, in the future, be expected to contribute at least 40 percent of the total project cost, the minimum private share that will be considered by the Synfuels Corporation.

In point of fact, the Union Oil Co., the Tosco Corp., and American Natural Resources Co., at this moment have negotiated contracts awaiting signature which call for 100 percent private financing, backstopped only by Federal guarantees of loans and price supports. In these cases, there is no immediate budgeting impact and there probably never will be. Yet somehow, SRC-I, with its 97 percent Federal funding, has survived to this point and it is time to bring this monument to bureaucratic inertia and turf fighting to an end.

This is not a prosynfuels or antisynfuels issue. Synthetic fuels production has an integral role to play in this country's energy strategy. We have a Synfuels Corporation, with nearly a $20 billion pot of money, to promote the commercial development of synthetics. We have private firms ready to move ahead and prepared to do so with their own money, not the taxpayers. The question today, simply put, is whether we actually mean what we have been telling each other, and our constituents, since the Congress first went into the synfuels business: That subsidies should be limited to the minimum necessary to generate private investments; that the Federal role should recede as private entities become willing to accept more of the risk; that we are serious about a rational and cost-conscious energy policy, and not in using synfuels as an alternative to dams as a means of dumping Federal dollars into the backyards of Congressmen. If we believe these things, we will adopt this amendment.

The CHAIRMAN. The time of the gentleman from Indiana (Mr. DECKARD) has expired.

Mr. McDADE. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I have been privileged to serve as a Member of this body for almost 20 years, and I have seen important moments come in the history of virtually every Congress in which I have served. When we make decisions critical to the future of this Nation and critical to its survival, these are those moments, and that is where we are in my judgment today.

We are going to make a decision in a short time. We will vote on whether or not to continue direct coal liquefaction technology.

Look at the morning paper. The morning paper says: "Israel Rejects U.S. Appeal for Cease Fire With Lebanon."

Look at a map of the Middle East. How many wars are going on in the Middle East right now? The Israelis and the Palestinians are fighting; it is not called a war by us yet, but that is what the head of the PLO calls it. Iran and Iraq are engaged in hostile conflicts. Right at the head of the Persian Gulf bordering Saudi Arabia, the mighty fist of Russia has extended itself into Afghanistan, and to the south of Saudi Arabia, a nation of about 3 to 4 million people, the Russians have intruded into both South Yemen and Ethiopia.

So all we have to do as Members of this body is to look at the geography that surrounds virtually all of the offshore oil productions that the free world relies upon, and we can begin to place into perspective why it is terribly important that we as a nation, the "Saudi Arabia of the world in coal," begin to move ahead and develop our own resources.

We are, if we look at energy across the board, the third richest energy nation in the world; yet we export our wealth to these countries. We export

to Libya and Colonel Qaddafi, a great friend of the United States, and we export to Algeria, another great friend of the United States. We export to those countries in today's dollars $90 billion of our wealth.

I was here in 1973, and I saw the price of a barrel of petroleum in the first Arab oil shock go from $3 to $12, and I saw this Nation go into a recession. I was here in 1979 when the Iraq-Iran war occurred, and I saw the price of a barrel of oil go from $12 to $32 a barrel. In some countries, in Algeria and in Libya, they still want to charge us $42 a barrel.

We are in the midst of an issue that is second to none as it affects our Nation. It involves us in war and peace. We are talking now about the development of a rapid deployment force. Where do we suppose we might use it? We might use it if we need it in an area that relates to our national interest, our national interest being, in geographical respects, in that highly volatile area that we call the Middle East.

Now, we have, as has been stated, within our own borders roughly 25 to 33 percent of the coal of the world. What we want to do today and what our committee recommends is that we appropriate from fiscal year 1981 dollars, not 1982 dollars, left-over money—money to do baseline studies in order to make a judgment in the next Congress about whether to go to construction on this process which can take those stores of coal and turn them into 1 trillion barrels of petroleum.

□ 1250

That is the technology gap that we are now trying to bridge. That is why I say to my colleagues that we are facing an issue, yes, second only to war and peace in this vote that we will take in just a few moments. It is an issue that affects us economically more dreadfully than any I know.

The CHAIRMAN pro tempore (Mr. FOWLER). The time of the gentleman from Pennsylvania has expired.

(By unanimous consent, Mr. MCDADE was allowed to proceed for 3 additional minutes.)

Mr. MCDADE. Just picture a scenario, if you will, of war in the Middle East. The only reason the United States is able to maintain its current import rate, which, thank Heaven, is down, is because Saudi Arabia is maintaining its production at 10 million barrels a day. All you need is one terrorist attack and you can wipe out all the capacity to produce that petroleum.

We are a signatory since 1975 to an international agreement that says if there is a shortfall of oil in the world, we will take a proportionate cut. If that scenario should happen, my friends, you will see gas lines like you have never seen. You will see unemployment like you have never seen. You will see the spot market for oil in this country and in the world go to $100 a barrel and you will see military action being contemplated by the free world.

What I say to my colleagues is that now is the time for us to attempt to prepare, not when the event happens. We can do that today by rejecting this amendment, which I believe to be against the national interest, and deciding to go forward with the technology that can bridge that gap and help us to get off this ever-increasing role that we have been on of being captive to a group of nations which are inimical to our interest, inimical to the free world, and constantly being threatened and surrounded by hostile actions.

Mr. Chairman, I hope that the committee will resoundingly disapprove the Weber amendment and vote in the national interest, in the national security of the greatest Nation in the world and let our technology, let our will bridge the gap from where we are to where we ought to be for future generations of this country.

Mr. MARKEY. Mr. Chairman, will the gentleman yield briefly, please?

Mr. MCDADE. Yes; I am happy to yield.

Mr. MARKEY. Mr. Chairman, I thank the gentleman.

I agree with the gentleman that the national security of our country is inextricably entwined with the energy policy that we form on this floor and down in the White House.

I disagree with the gentleman, however, as to the immediacy that SRC-I offers as a solution to that threat. The gentleman seems to imply that by investing in synthetic fuels today that in some way or another we are going to place a hold upon the threat of the shortfall of energy——

Mr. MCDADE. That is exactly right; that is exactly what we are doing.

Mr. MARKEY [continuing]. That will come from Saudi Arabia or the Persian Gulf. As we know, the first synthetic fuel plant that will be giving us any substantial production will not occur until the year 1990.

Mr. MCDADE. Mr. Chairman, the gentleman can get 5 minutes of his own time, I am sure; but let me just respond. In World War II when we did not have any supply of natural rubber and were cut off, we developed that process in 3 years with Government funding.

I say that if we do not go forward with this amendment, we will not see this technology until the year 2000, if then.

Mr. HUBBARD. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I yield to the gentleman from Pennsylvania (Mr. RITTER).

Mr. RITTER. Mr. Chairman, I rise in opposition to the Weber-Wolpe amendment. Since 1973 we have talked a lot about the energy crisis. Legislation has been passed, several precedents have been involved, policy has been set, yet realistically we have accomplished very little of what we set out to do. We are still talking.

The situation as it stands today is not very different from what it was right after the Arab oil embargo of 1973. Although we have reduced oil imports in the last few years, we still imported more oil in 1980 than we did in 1973. A recent CBO report noted that a 1-million barrel shortfall of oil per day could have a devastating effect on our economy and result in a sudden immediate price increase of $20 per barrel. So, after 8 years since the embargo we are still dangerously exposed to the severe danger of a Middle East oil cutoff.

Our long-range liquid fuel use stability is at stake. One of the clear alternatives is to begin the production of liquid fuels from coal. The only major project available to this country today in using coal for liquid fuel is SRC-I. There are other projects very much in the research stages, but the only real active major project is SRC-I.

A colleague mentioned the demise of SRC-II as reason to curtail SRC-I. The opposite is true and also instructive. The moving force behind SRC-II was a major oil company, and let us be frank, given the way the system operates, the major oil companies cannot be bothered with these more long-range technologies. They have too much going on today, tomorrow, and next year, meeting our short-range energy needs in the way they know how to.

It was also mentioned that there was limited private investment in SRC-I, but if we look at these companies that are contributing to SRC-I, one is taking 50 percent of its 1980 profits and the other is taking 80 percent. That may not stick up high in absolute dollars against oil company profits but it represents massive investment from the companies concerned.

The fact is, these companies are young, high-technology companies. They do not have the megabillions that big oil might have to put into this—if they were interested.

The SRC-I team has worked for nearly a decade to provide our Nation with its first operating synthetic fuels from coal plant. All other synfuels projects are at least a couple of years behind SRC-I. Trying to develop another expert team like this one will take years.

This amendment cuts deeply into America's progress in turning coal into liquid fuel. It was mentioned by proponents of the amendment that this was a solid product effort. Not so. The

SRC-I project can provide 85 percent liquids and 15 percent solids. It could go the other route and work for 90 percent solids and 10 percent liquid; the fact is, it can provide according to the demand. It can produce gasoline. It can produce naphtha. It can produce boiler fuel. It can do it onsite. It would not have to be shipped to refineries.

The cost of this project to the Government was brought up. It was said by proponents of the amendment that it is $4.5 billion; but it is really $1.65 billion for the life of the project. It is during the 2-year initial demonstration period that the molders of the amendment have taken the operating costs and added them to the development costs of the project.

It should be known, however, that the developers of SRC-I are calculating that the product that comes out of initial operation will provide that difference between $4.5 billion and $1.65 billion plus $300 million beyond. Initial operation of the plant should provide financial return.

In addition, the Federal Government will receive payment for all licensing royalties from project inventions, discoveries, and patents from SRC-I.

In addition, ICRC, the combined company that is working on this project, will buy out the Government's investment in SRC-I before final commercialization.

I think if we are serious about reducing energy dependence, we cannot afford to forgo the synthetic fuel from coal option. This project is the only major synfuels-from-coal project remaining from years of talk. It is time to stop talking and start producing. We have vast quantities of coal, more than 25 percent of the world's reserves.

The CHAIRMAN pro tempore. The time of the gentleman from Kentucky (Mr. HUBBARD) has expired.

Mr. HUBBARD. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Kentucky?

Mr. YATES. Mr. Chairman, I reserve the right to object.

Mr. Chairman, I ask unanimous consent that the time on this amendment be limited to another 30 minutes, 15 minutes of that time to be controlled by the gentleman from Minnesota (Mr. WEBER) and the other 15 minutes to be controlled by the gentleman from Pennsylvania (Mr. MCDADE).

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Illinois (Mr. YATES)?

Mr. CORCORAN. Mr. Chairman, I object.

The CHAIRMAN pro tempore. Objection is heard.

Mr. YATES. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Kentucky (Mr. HUBBARD) to proceed for 3 additional minutes?

There was no objection.

Mr. HUBBARD. Mr. Chairman, I yield to the gentleman from Pennsylvania (Mr. RITTER).

Mr. RITTER. Mr. Chairman, I would like to point out to my colleagues that both the Germans and South Africans have commercial synfuel technologies, and recently the Soviet Union and Japan announced stepped-up synthetic fuels programs.

□ 1300

We have a commercial lead, a technological lead. Our project is more advanced than either the German or the South African technology. It is far more efficient.

If we end this project we are again surrendering another important technological arena to foreign competition. Let us not lose this technological lead in liquid fuel production from coal. Let us show to the world we are serious about reducing oil imports and that we can also look toward our long-range needs. Let us get on with the production of liquid fuel from coal.

If these are our goals, then it is truly important that we defeat the Wolpe-Weber amendment.

I yield back the time to the gentleman from Kentucky (Mr. HUBBARD).

Mr. HUBBARD. Mr. Chairman, I rise in opposition to the Weber-Wolpe amendment to delete $315 million in prior appropriated funds for the synthetic fuels demonstration project at Newman, Ky., from the Interior appropriation bill. I congratulate the gentleman from Pennsylvania (Mr. RITTER) who spoke before me. He has an emergency in his office and needs to return. He and I have cosponsored a "Dear Colleague" letter in opposition to this amendment. I appreciate his remarks.

First, let me dispel one of the myths about this project which has circulated of late among the project's opponents and in the news media. SRC-I costs have not become bloated over the past 18 months, as some will tell you. In reality, those costs are realistic and have actually decreased when based on constant dollar comparisons.

Naturally this project, which is scheduled for western Kentucky, is very important to my district and will mean more coal production, more jobs for our people, and a better economy. But more important, it will be great for the entire United States of America.

I would ask my colleagues not to forget that on August 7, 1980, International Coal Refining Co. and the U.S. Department of Energy signed a contract, a cost-sharing agreement for this synthetic fuels project. I have visited with the Secretary of the Department of Energy, James Edwards. He, indeed, does support the synthetic fuels industry.

This very morning at 8 a.m. the gentleman from New York (Mr. STRATTON), the gentleman from Texas (Mr. WHITE), and I were hosted for breakfast at the Department of Interior by Interior Secretary James Watt. Secretary Watt emphasized, as has President Ronald Reagan during his campaign for the Presidency and afterwards, that the Nation's coalfields are, indeed, a great asset for America, and we must use our natural resource of coal to meet our energy needs and become energy independent. Secretary Watt of the Reagan administration was saying that this very morning.

The CHAIRMAN pro tempore (Mr. FOWLER). The time of the gentleman from Kentucky has expired.

Mr. HUBBARD. Mr. Chairman, I ask unanimous consent to proceed for 1 additional minute.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Kentucky?

Mr. YATES. Mr. Chairman, reserving the right to object, I renew my unanimous-consent request that after the gentleman's minute expires that the time for the debate be limited to 30 minutes, 15 minutes of which shall be controlled by the gentleman from Minnesota (Mr. WEBER) and 15 minutes by the gentleman from Pennsylvania (Mr. MCDADE).

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Illinois?

Mr. VOLKMER. Mr. Chairman, I object.

The CHAIRMAN pro tempore. Objection is heard.

(By unanimous consent Mr. HUBBARD was allowed to proceed for 1 additional minute.)

Mr. HUBBARD. Mr. Chairman, a lot has been said and more will be said by many speakers. I repeat that it means a lot to the entire Commonwealth of Kentucky, it means a lot to my congressional district. I would urge those who are thinking in the interests of the Reagan administration to remember that the synthetic fuels industry is and can be extremely important during the 4 years of the Reagan administration to bring about energy independence for our country.

Let us not forget that if we adopt the Weber amendment today to terminate SRC-I, we will be signaling to other nations around the world that the United States is not serious about development of its richest natural resource, coal, to a point where liquid fuel from coal can serve to substitute for imported oil.

Adoption of the Weber amendment today by the House of Representatives will be saying to the OPEC countries we intend to remain dependent upon your needed oil.

Mr. YATES. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I ask unanimous consent that time on this amendment and all amendments thereto be limited to 30 minutes, 15 minutes of which should be controlled by the gentleman from Pennsylvania (Mr. McDADE) and the other 15 minutes to be controlled by the gentleman from Minnesota (Mr. WEBER).

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN pro tempore. Does the gentleman from Minnesota (Mr. WEBER) desire to yield time?

Mr. WEBER of Minnesota. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan (Mr. WOLPE).

Mr. WOLPE. Mr. Chairman, this afternoon we have heard some very eloquent statements regarding the critical energy situation facing our country. Our energy vulnerability is exposing us to the possibility of international blackmail. That vulnerability directly contributes to the tremendous cost of energy and rate of inflation we are experiencing. It needs to be clear from the outset that the views of the supporters and the opponents of this amendment do not differ with respect to the dimensions of the energy crisis this country is facing.

It, indeed, is precisely because of our energy vulnerability that we in this body must understand that the indiscriminate throwing of subsidies at one energy technology after another, with no evaluation of whether those investments have the potential to effectively displace petroleum, will only prolong our energy dependency and increase the insecurity of our country.

What is at issue here is whether or not we are going to allow one energy interest after another to hide behind the national security argument and persuade this body to subsidize technologies indiscriminately, not on the basis of whether they can withstand close economic scrutiny.

As we near the termination of this debate, it is useful to evaluate some of the basics of what is involved in the SRC-I project. First, it needs to be emphasized that the Science and Technology Committee, which has responsibility of the Nation's research and development budget in the field of energy, voted against providing funds for this project. We did not do so because we were opposed to synthetic fuels development. Indeed, the Science and Technology Committee budget provides millions upon millions of dollars of funding for synthetic fuels research.

This Congress has already made clear its commitment to the development of a synthetic fuels industry by the establishment of a Synthetic Fuels Corporation. But it was the best judgment of the Science and Technology Committee that, from a taxpayers' standpoint, and from the standpoint of energy development, this was simply a bad taxpayer investment.

Second, this amendment is supported by the Office of Management and Budget and the Department of Energy for precisely the same reason—out of a recognition that it will weaken, rather than strengthen, this country's move toward energy independence.

Third, it also needs to be emphasized that in the last 18 months the total cost of this project has jumped from $2.3 billion to $4.57 billion—almost a doubling of costs in only 18 months.

□ 1310

It has been suggested that this is not a cost overrun; it is simply a cost adjustment. Whatever you want to call it, this is a project that is out of control. Construction has not even begun, and the cost estimates have already doubled.

At the same time that those total cost estimates have increased, has the industry commitment increased correspondingly? Unfortunately, the answer is no. The industry began with a commitment of $90 million to this project at a time when the original estimated cost was $685 million. Now that the cost is $4.57 billion, the industry commitment remains at $90 million. The industry is investing less than 3 percent of the total gross cost of this project, less than 5 percent of the estimated net cost of this project. And I submit that if the industry is so uncertain about this technology that it is unwilling to offer a more substantial commitment of its own, does that not tell us something about the degree of the risk we are asking the American taxpayer to assume?

Over the next 4 years we will have to allocate approximately $500 million a year just for the construction of this project. That is money that is not built into outyear budget authority or outlays. That is money that will have to either be taken away from other energy programs, or will add to the already very serious Federal deficit.

The issue we are facing is one of priorities. We established a Synthetic Fuels Corporation with the express purpose of providing money to stimulate the commercial development of a synthetic fuels industry. There is only one reason that the sponsors of this project have persevered in their efforts to get this direct DOE subsidy, rather than go before the Snythetic Fuels Corporation. And that is that if they go to the Synthetic Fuels Corporation, they will have to come up with a 40-percent industry investment, a demonstration of their willingness to assume some reasonable amount of risk in this project. Under the present DOE arrangement, they have to come up with no more than a 5-percent total commitment to this project.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN pro tempore. The time of the gentleman from Michigan (Mr. WOLPE) has expired.

Mr. WEBER of Minnesota. Mr. Chairman, I yield 1 additional minute to the gentleman from Michigan (Mr. WOLPE) for the purpose of yielding to the gentleman from New York (Mr. OTTINGER).

The CHAIRMAN pro tempore. Without objection, the gentleman from Michigan (Mr. WOLPE) is recognized for 1 minute.

There was no objection.

Mr. WOLPE. I yield to the gentleman from New York (Mr. OTTINGER).

Mr. OTTINGER. I thank the gentleman for yielding.

Mr. Chairman, this is not a question of survival. As the gentleman from Texas (Mr. WRIGHT) and the gentleman from Pennsylvania (Mr. McDADE) so correctly point out, the question of our oil dependence is a question of survival. But it is not this project. This project is projected to produce from coal liquid fuels at $80 a barrel. We can use that coal, in response to the concerns of the gentleman from Maine (Mr. EMERY), taking all of the sulfur out, with no acid rain problem at all, by making methanol at 40 cents a gallon, about $20 a barrel.

So it is not a question of whether or not we should use our vast coal resources or not. It is a question of whether we should proceed with a very bad project which is uneconomical and behind which industry is unwilling to put its money, just for the sake of saying that we are supporting synthetic fuels.

Mr. WOLPE. Let me just add, if I may, in response to the gentleman, that when an officer of this SRC corporation raised to his own board of directors the wisdom of adding to the industry investment, the corporate board of directors laughed at him. And that is an indication of the confidence of the industry in their own project. If they get a handout, they are going to take it. But that does not make sense from the taxpayers' point of view.

Mr. McDADE. Mr. Chairman, I yield 3 minutes to the gentlewoman from Tennessee (Mrs. BOUQUARD).

Mrs. BOUQUARD. Mr. Chairman, I rise in opposition to the amendment. Today we must face the question of whether the Congress is serious about synthetic fuels development. Our Science and Technology Committee and the Appropriations Committee have

encouraged the executive branch over the past 5 years to put in place a coherent strategy for implementing synthetic fuels development. Unfortunately, some voices within the administration and the Congress have convinced the President to pursue the so-called free market approach to this energy supply issue. Today this amendment is being offered by the antienergy supply faction to kill the last key demo project in synfuels just as they will seek to kill our nuclear development program.

It has been painful to watch the near demise of the technology demonstration program which our committee put in place for coal conversion with great care and after considerable struggle. Our own Energy Development and Applications Subcommittee's tragic vote on the SRC-I project was only exceeded by the full Science and Technology Committee vote on the Clinch River reactor in terms of dealing a crippling blow to energy supply. By the SRC vote our committee temporarily abandoned its commitment to the development of advanced technologies for synthetic fuels production and deferred to the Appropriations Committee to keep the project alive. The SRC-I deferral in this bill is a symbol that the Congress has not completely abrogated its responsibility in this critical area of national security.

The administation's suggested alternative is that we turn to the Corporation, a creature which our committee had considerable involvement in structuring through the Energy Security Act. Unfortunately, the Board of this Corporation, thus far, seems to have been chosen with the explicit intent of avoiding the selection of anyone who knows very much about synthetic fuels and/or whomever showed any interest in fostering such technology development with Federal dollars. Despite the avowed best intentions of its chairman and directors, this is not a reassuring trend. In fact, I have long been convinced that if Mr. Stockman had his way the President would have already proposed legislation to dissolve the Synfuels Corporation. The Corporation's recent decision to put off a decision simply tells me the administration may not be serious and Mr. Stockman is now openly opposing these awards. I hope someone can offer us some hope for a turnaround since I thought the SFC must provide building blocks for industrial deployment.

I think that it is inexcusable that the OMB has chosen to terminate the Federal role where it is most appropriate, that is, in sponsoring the risky DOE technology demonstration projects. As a result of this anti-free-market approach, we have lost the opportunity for a balanced energy program and nothing but a memory remains of the House concept for providing a true national security reserve from synthetic fuels.

I pointed this out in a speech this spring and have since seen no action on the part of the administration that does anything but confirm my suspicions about synfuels. It is unfortunate that those who feel the simple answer to our energy problem is to simply drill faster and deeper have had the final word on this subject within the administration. To those who have suggested that oil decontrol is the only incentive required to stimulate energy R. & D. I think it is worth quoting testimony we received in our committee just last week with respect to Federal funding of energy demonstration projects.

> The long-range research and development costs of large energy systems probably will not be picked up by private industry if the Government pulls out of these programs. This is because of several factors:
>
> There are inadequate financial returns in light of long-range payback, huge investments, potential inflation, and large risks. Such an investment cannot be prudently justified by private industry.
>
> The market acceptance of many technologies is vitally dependent on Government policies which can change many times before commercial acceptance of the product.
>
> Therefore, the Government should support the research and development for these large systems through the commercial demonstration phase of the programs which are in the national interest. R. & D. should be supported by the Government until commercial feasibility has been reasonably established.

Let us not go on record as voting against energy supply based on distorted perceptions of energy needs and economic reality. This project is aimed at a technology demonstration plant and its operation is critical to verifying second-generation liquefaction technology. There are reasons which relate both to national security and economic prosperity for this Nation to develop a reliable domestic source of energy. In fact, there are only two technologies available today to meet these needs: synthetic fuels and nuclear power. It is significant that the supporters of this amendment oppose both of these sources.

I urge my colleagues to vote down this amendment and to recognize the absolute necessity of moving ahead with all of the technologies to enhance our domestic energy supply, protect our national security, and improve the quality of life for all our citizens.

Mr. WEBER of Minnesota. Mr. Chairman, I yield 4 minutes to the distinguished gentlewoman from Rhode Island (Mrs. SCHNEIDER).

Mrs. SCHNEIDER. Mr. Chairman, our debate today has focused, unfortunately, more on our national energy policy than on anything else, and I think that we would be doing an injustice if we were not to indicate that all of us in this room, every Member of Congress, agrees that we must pursue energy independence. We all agree that our energy situation is in a dismal state of affairs. We all agree on apple pie and the American flag. But we do not agree on the fact that we are willing to accept energy at any cost.

This project is not in the national interest, and I feel quite confident that the taxpayers are not willing to support energy at any cost.

Some of my colleagues say yes. But I say that we must be selective, we must do our cost-benefit analysis. The SRC-I project is merely one of many synthetic fuels projects. It is not the whole synthetic fuels industry. And we are wrong to generalize during these debates that it is any kind of indication as to the future of the synthetic fuels industry. I repeat, this is merely one project for which we are asking to eliminate the funding. Are we willing at this time to throw good money after bad? I personally am not, and I would like to address myself very quickly to the specifics of the costs of this project.

The costs of the SRC-I are out of control, as a chronology of the project's estimates clearly demonstrates. In 1978, SRC-I was expected to cost $685 million; in December of 1979, $2.3 billion; in March of this year, $3.2 billion; in April of this year, $4.5 billion. Cost overruns on this one project have gone up 99.8 percent in merely 18 months. What will another $135 million bring us and bring to this project? Yet another escalating estimate?

This may be the appropriate time to point out what the private sponsors are investing in SRC-I. The International Coal Refining Co., a partnership formed to take advantage of this Federal subsidy, has a total investment of $90 million. This would amount to less than 3 percent of the project's total costs.

Now, I ask my colleagues, how is it possible for us to return to our constituents and say that we are willing to cut the subsidies for school lunches, we are willing to cut the subsidies to mass transit, we are willing to cut the subsidies for student loans, and yet we are not willing to cut the subsidies to private industry when we are allowing the taxpayer to cover 97 percent of the cost?

What will the ICRC get in return for their meager 3-percent investment? They will get plenty.

First of all, if the ICRC decides that the SRC-I project is a commercial success, it has the option of buying out the Government, with its previous contributions to the project deducted from the purchase price.

Second, the ICRC will share royalty rights with the DOE until the Government has received 2½ times its invest-

ment in the project. After that point, ICRC will collect 100 percent of the royalties from any companies that make use of the technology developed through SRC-I.

And, third, ICRC will itself have royalty-free rights to use any patent developed through the SRC-I up to a production capacity of 300,000 barrels per day. This represents approximately 10 commercial-size plants.

The harder you look at this particular contract, the less the SRC-I looks like a research and development project and looks more like a commercial transaction, with the taxpayer assuming all of the risks and the private investors reaping all of the profit.

SRC-I has been designed as the first unit of a commercial modular design. After ICRC had been walked through installation and operation of the first commercial module by DOE, the plant could be expanded to a capacity of 30,000 tons per day. This kind of arrangement looks suspiciously like an easy way for ICRC to use public money to set itself up in the synthetic fuels business under the guise of a research project.

The Synthetic Fuels Corporation was expressly created to help private investors get established in the synfuels market. The catch is that a company asking for help from the SFC must put up at least 40 percent of the capital required, as compared to the 3 percent that ICRC is willing to invest.

Members may not be aware that two competing investor groups have proposed building huge 30,000-ton-per-day synthetic fuels plants within a few miles of the planned SRC-I site in Newman, Ky. Both plants would use the high-sulfur eastern coals that would provide the raw material for SRC-I. These investors will not have the advantage of having the public pay for 97 percent of the cost of building and operating the first commercial unit.

I would urge my colleagues to support the Weber-Wolpe amendment, which has been endorsed by the President, by major environmental groups, by the National Taxpayers Union, by the League of Women Voters, and by the Oil, Chemical & Atomic Workers Union. The SRC-I project is exactly the kind of ill-conceived open-checkbook contracting this Government can no longer afford. Let's pass this amendment today, and put an end to a bad bargain. Remember, of the key projects that are blatant wastes of taxpayers' dollars, this one, which has increased in costs 99.8 percent in only 18 months is a project that has no justification—and the taxpayers will remember. If you do not vote in support of this amendment you are not voting for the taxpayer—you are saying that this Congress will continue its big spending ways when it comes to private industry.

□ 1320

Mr. McDADE. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri (Mr. VOLKMER).

Mr. VOLKMER. Mr. Chairman, I have listened to the full debate on the SRC-I project. As one who has been interested in synthetic fuels for a good many years, and before I ever came to this Congress, because of the past location within my present congressional district at Louisiana, Mo., only 35 miles from my hometown, there existed in 1949 through 1953 a synthetic fuels plant for production of liquid fuel from coal, both coal gasifications and coal synthesis, processes and, using the old Fisher Trobat process.

I have here with me reports from the Bureau of Mines, as to those plants, producing oil from coal, and also for the information of my colleagues, oil from shale.

Listening to these arguments today reminded me of the debate that occurred in this very room in 1953. Because I have read that debate, and some of the present Members who have not participated in this debate but who are still Members of this Congress participated in that debate, including the gentleman from Kentucky (Mr. PERKINS) and the gentleman from Illinois (Mr. PRICE) and others—we hear the same things, we hear cost overruns, it was costing too much money to the taxpayers to develop synthetic fuels for this country, that even then was recognized as necessary to become energy independent.

At that time we were already importing oil, and many people at that time saw the problems with continuing to import oil. So we had a developed synthetic fuel program in this country, but they said $2 million was too much. We had to help the economy. We had to cut back. Two million dollars was too much money. We hear that today.

We heard then also from the oil companies that it could never be done—it could never be done. The Members can read the newspaper accounts. The oil companies said we could never produce oil from coal at the same price that we can produce oil from the ground.

Even then that was disproven. Even then it was proven that it was comparable and that it could be done. But the technology had to be proven out. Even the SRC-I technology was talked about.

I can read to the Members from a report, if I had more time—I wish I did, of this technology, discussed in 1953 but never proven out. It was to be proven at that plant in Louisiana, Mo. It was to be done. It was in the stage of development. But it was never done.

That plant was closed down by the Congress and by that administration in 1953. In 1954 it was given back to the Army, which was before part of the Army chemical and Army ordnance, and it was thereafter sold to private industry, Hercules. The plant was dismantled, never again heard of.

Synthetic fuel production in this country, research and development, came to an end, a complete end. Even though back then, it is interesting to note, to read such things as this chart—which in 1953—how much oil we would need in this country for domestic use in the year 1970, and they hit it almost exactly on the button.

It also shows, which did not happen, the number of barrels per day of oil from shale, and oil from coal that would be produced. It did not happen. We got zero. We are still getting zero. They say SRC-I will only produce so much. Sure it is not supposed to be a commercial huge production facility to produce a million barrels. We are not going to get it from it. But it is to demonstrate a technology that is needed. No private industry will ever demonstrate this technology, not in the next 10 years. It has not been done in the last 27, 28 years. Even then it was said, "Let private industry do it." They will do it. It has not been done and private industry did not do it.

So, we are at a crossroads. I support the position of the floor leader as I did just 2 years ago when we pushed for a Synthetic Fuels Corporation. What I see today is the same thing happening, even though I welcome the support from this side of the aisle to continuation of the SRC-I and consideration of synthetic fuels. I ask that the amendment be defeated.

The CHAIRMAN pro tempore. The gentleman from Minnesota (Mr. WEBER) has 5 minutes remaining, and the gentleman from Pennsylvania (Mr. McDADE) has 8 minutes remaining.

Mr. WEBER of Minnesota. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. I think that the important thing here is apart from all of the numbers that are going to be discussed, and have been discussed in the course of the afternoon, there is one underlying principle that we are really debating here, and that is the free market.

You can love synthetic fuels, you can love nuclear fuel and the breeder reactor, all you have to do is love the free market more, in order to understand what we are talking about in this amendment.

Neither one of them can stand on their own two feet. Neither one of them has met the test of the marketplace. Neither one of them would give Adam Smith anything but apoplexy if he knew what his Republican and Democratic colleagues were trying to do here today.

What we have are the energy Edsel twins of 1981. If we want to continue

to support them, let us not make it under the guise of supporting any principles of David Stockman or Ronald Reagan or the message of 1980 in November. Let us just continue to support them on the principles that were allegedly repudiated, that are supported time after time by Members that stand up on the floor of this House. Political porkbarreling pure and simple.

Mr. McDADE. Mr. Chairman, I yield 3 minutes to the gentleman from Kentucky (Mr. ROGERS).

Mr. ROGERS. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Minnesota and I would like to commend the gentleman from Illinois and the gentleman from Pennsylvania for their leadership in formulating this legislation, including the funding for SRC-I in committee.

As we travel through our districts, we hear people ask: What is America's energy policy? Do we have an energy policy in this land? And I say to my colleagues that we do not.

We have heard this morning and this afternoon people say that the real policy of this administration on energy is to let the marketplace solve the problem.

I suggest to my colleagues that the marketplace has not solved this problem. The problem we encounter today is that we are shipping $90 to $100 billion per year out of this Nation to the OPEC nations for oil that we use to run this country. That cannot long last if this Nation is to succeed as a viable society.

I say to my colleagues that this committee's work, including funding for this synthetic fuels plant, a full-scale prototype, of a system that we hope will be the wave of the future, is an attempt at a national energy policy which this Nation desperately needs.

If we reject SRC-I today, what do we put in its place? What is the view of this body of a national energy policy without synthetic fuels and with a continuing dependence upon the OPEC nations for the huge quantities of oil that we now import? What do we do? Who has the interest in developing an alternative to oil? Who? It is not the oil companies. They have no motivation in developing an alternative to the oil that they are selling to this Nation. It is not the large coal companies who already have long-term contracts with utility companies. They have no interest in converting to oil.

Who is interested in getting off the OPEC habit?

I say to this body, the only group who has a real interest is the American public. As the distinguished majority leader showed us a moment ago, 76 percent, three-fourths of the American people, say to you and to me, establish an energy policy for this land, develop synthetic fuels, convert the huge quantities of coal that we have to the oil that we import from the OPEC lands.

They are saying to us, establish a national energy policy, and I suggest to the Members the amendment we are voting on today, just this hour, if we pass that amendment, will do away with the only energy policy we can adopt.

The CHAIRMAN. The gentleman from Pennsylvania (Mr. McDADE) has 5 minutes remaining, and the gentleman from Minnesota (Mr. WEBER) has 4 minutes remaining.

□ 1330

Mr. WEBER of Minnesota. Mr. Chairman, I yield 1 minute to the gentleman from Arkansas (Mr. BETHUNE).

Mr. BETHUNE. Mr. Chairman, it has been a good debate. I have been persuaded—not being a member of the committee—to support the Weber amendment for this reason: If the project is economically feasible, then the private sector ought to be doing it.

If the project needs help, then its investors and supporters can apply to the Synfuels Corporation for funding or credit assistance.

If that is not enough, then we ought not to be doing it or the Government ought to be doing all these sorts of things.

Thus, it occurs to me that the right vote here is to vote for the Weber amendment.

Let me make a point from a different perspective: If we permit SRC-I to have "privileged" status, so that outside the Synfuels Corporation we have a special entity running around that gets special treatment, we undermine the competitiveness of those who are applying through the Synfuels Corporation to seek and develop funding assistance and credit assistance.

In fact, a CBO analysis in February 1981 noted that there appears to be enough private capital to fund this type of capital and that outright subsidization may work against the mission of the Synthetic Fuels Corporation. I quote:

> There is reason to believe that sufficient private capital is available in the energy industry to develop new energy technology. Moreover, the funding of any technology through DOE undermines the competition for fixed funds within the SFC and reduces the long-term effectiveness of federal expenditures to develop synfuels.

Additionally, it must be pointed out that—

First, other synfuel projects are being negotiated which call for 100 percent private financing; SRC-I, however, will be financed at least 97 percent by taxpayers.

Second, the original cost estimate for the project was $685 million. An April 1981 estimate puts the total cost at $4.574 billion. Every penny of the increased costs will be paid for by taxpayers. The companies involved have a fixed obligation of only $90 million, regardless of how high the costs go.

Third, new DOE estimates indicate that even the large increase may significantly understate the actual costs.

Fourth, OMB has said about SCR-I: "Continuation of the project will saddle the taxpayer with an enormous financial burden, yet will yield little returns to anyone other than the project sponsors."

These are all valid reasons to support the Weber amendment.

Mr. McDADE. Mr. Chairman, I yield 1 minute to the gentleman from Kentucky (Mr. HUBBARD).

Mr. HUBBARD. Mr. Chairman, I rise once again in opposition to the amendment. I would point out to my colleagues and friends in the Congress that indeed this amendment will greatly diminish western Kentucky coal production and the economy of western Kentucky. But more important, it will be a minus for our entire Nation.

The 96th Congress expressed overwhelming approval to finally start the development of synthetic fuels to reduce our energy dependence and to make greater use of domestic resources such as coal in its vote to establish the Synthetic Fuels Corporation in the Energy Security Act. While we have vast quantities of coal, we have yet to make use of them for liquid fuel production. We just keep on talking.

This amendment to terminate SRC-I will signal to other nations that the United States is not serious about the development of its own coal resources to a point where liquid fuel from coal can serve to substitute for imported oil. If we fail to support our most advanced synthetic fuel project, we will surrender yet another important technological area to foreign competition.

Mr. WEBER of Minnesota. Mr. Chairman, I yield the balance of my time to the gentleman from Illinois (Mr. CORCORAN).

The CHAIRMAN. The gentleman from Illinois (Mr. CORCORAN) is recognized for 3 minutes.

Mr. DERRICK. Mr. Chairman, will the gentleman yield?

Mr. CORCORAN. I yield to the gentleman from South Carolina.

Mr. DERRICK. Mr. Chairman, I wish to associate myself with the amendment offered by the gentleman from Minnesota (Mr. WEBER).

I have continued to support synthetic fuels development. However, the project cost of SRC-I is over $4 billion. This amendment, which I support, will, in effect, stop further funding until further evaluation of the need of the project can be determined once and for all. I believe we owe the American taxpayers another look at this

project before we commit to spending their $4 billion.

I thank the gentleman for yielding.

Mr. CORCORAN. Mr. Chairman, I rise in support of the Weber-Wolpe amendment to the fiscal year 1982 Interior appropriations bill, an amendment to delete $135 million for the SRC-I synthetic fuels project. I urge my colleagues to join in my support.

As my colleagues well know, the Reagan administration has requested the termination of Federal funding for SRC-I. The issue at hand today is not whether the Government should continue to support and encourage the development of our Nation's synthetic fuels industry in order that we lessen our dependence on foreign oil, but rather, whether the taxpayers of this country should be expected to support a project with a history of dramatically increasing construction costs, rising operating expenses and delays, a project in which private industry's capital contribution and risk has been virtually zero.

While I am sure that private industry has many valid reasons for its unwillingness to assume the capital risk of this venture, it is time that we face the fact that the expenditure of Government dollars to finance this project does not eliminate the risk involved. The risk is merely shifted from private investors to our Nation's taxpayers. I am concerned that the taxpayers, in assuming this enormous financial risk of funding SRC-I, will not be getting that for which they bargained.

Two-thirds of the product of this design process will be a solid fuel. Solid fuel will not provide us with a replacement for our transportation needs nor loosen OPEC's grip on the consumers of this Nation. Our energy security will not be increased. In fact, potential buyers of this product are currently in the process of converting to coal by using a combination of pollution control technologies. At this very moment, the potential market for these products is eroding.

While I believe that the synthetic fuels potential of our coal should be developed in order that environmentally acceptable ways be found to use this vastly untapped energy resource, I am concerned that by the continued funding of the SRC-I through the commitment of several billion Federal dollars, we will jeopardize the possibility of developing other coal-based technologies which can increase our energy security.

To push this subsidy through at the same time that we are cutting back on payments and subsidies and support programs to millions of people in this country, without taking another look at the appropriate Government role in this endeavor, is pure recklessness.

In fact, one would be hard pressed to label the SRC-I as a demonstration program. The design of this plant would process 6,000 tons of coal per day. According to an independent study of DOE's coal liquefaction program by the National Academy of Sciences, the demonstration of this process for the design of a commercial plant could be done with an operational capacity using 250 to 600 tons of coal per day—not 6,000. While I believe that the Government role is to provide assistance in the research and development of synthetic fuels technology by helping to fund demonstration scale level projects which can be turned over to private industry for commercial scale development, I do not believe that a plant of the magnitude of SRC-I constitutes a demonstration project of a technology to relieve our dependence on foreign oil.

I am fearful that if we start committing a tremendous amount of money, as we did during the last administration and during the last Congress, before we have the opportunity to reexamine the direction of our synthetic fuels policy, we run the risk of demonstrating that, even with tremendous Government subsidies, the synthetic fuels industry will not be able to lessen our dependence on foreign oil. Such an error in judgment could place us in a very difficult position at some future point in time. When we really need synfuels to meet our energy requirements people would be unwilling to develop and support the synfuels industry because our record of creating a viable synthetic fuels industry may well be one of failure and shortsightedness.

Let us not blunder into this costly commitment which straps taxpayers with a costly financial burden over the next several years, but let us take this opportunity to demonstrate to the American people that the Congress is capable of pulling back on the reins of a project which appears to be totally out of control.

I urge my colleagues to support this amendment which is consistent with the Gramm-Latta reconciliation amendment, as recently approved by the House.

Mr. CORCORAN. Mr. Chairman, I think this has been an excellent debate. I think we have tended to focus on the major question before us. I was amused to hear my friend and colleague and predecessor in South Bend, the gentleman from Pennsylvania (Mr. McDADE), talk about the need to, in a comprehensive way, deal with the energy problem that confronts the United States. I would submit that the message of the election of 1980 suggested that in our first response to the oil crisis back in 1973 and 1974, we panicked and we made a mistake in the Government program enacted at that time.

I would also suggest that in the second oil shock that we got back in 1979 that we panicked by keeping the same legislative framework available for distributing and managing the scarcity and we made a mistake in doing that.

What we are trying to do, what the new administration stands for in energy, with respect to synthetic fuels is that the sponsorship of this new industry from a Government standpoint and the management of the limited Government role in this regard is with the Synthetic Fuels Corporation.

What we do not want, what we do not need, is to have over here outside this framework the Department of Energy subsidizing a corporation, not just a "Ma and Pa" kind of corporation, but two entities that rank in the top 300 of the Fortune 500 with subsidies from the general taxpayer to minimize the risk to that corporation.

I would submit that the main question before the House is simply this: Is the project, the SRC-I project, a commercial project or a research and development project?

I think the evidence is clear that it is a research and development project. We have had the first stage. We had this project down in Wilsonville, Ala.; and that project has shown that the technology is desirable. But do we step up right away from 6 tons a day to 6,000 tons a day? We only do that after we take the intermediate step of about 600 tons a day. We are not doing that. The reason we are not doing that is because of the previous administration, and the Congress at that time wanted to rush pellmell into commercialization, and I think we would fall into the same trap if we were not to support the amendment of the gentleman from Minnesota (Mr. WEBER).

If we do not support the reduction of this $135 million for this project, we are just saying we have to do something in order to give the appearance of doing something. That simply is throwing good money after bad money. Now is the time to pull the plug on this project and leave the synthetic coal projects exclusively under the SFC.

So I would suggest, Mr. Chairman, that the administration has examined this question. The administration examined the project. The administration looked at this amendment. And the administration is in enthusiastic support of the amendment offered by the gentleman from Minnesota.

I urge the House to do likewise.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. WEBER) has expired.

Mr. McDADE. Mr. Chairman, I yield 2 minutes to the gentleman from Texas (Mr. WILSON).

Mr. WILSON. Mr. Chairman, I have been very impressed with the arguments of the people from New England on behalf of austerity. I wish they had thought of those arguments

last week when we were voting for the FA-18, which is only going to cost $46 billion and is the greatest overrun of any weapons system in history.

The next war will be a come-as-you-are war. You cannot make a baby in less than 9 months no matter how much you want to. You cannot build a synfuels plant in less than 3 years no matter how much you want to. It would be absolute lunacy for the United States to go into the 1980's and 1990's with no possible way to develop liquid fuels out of coal.

The idea that this an be done with private capital is pure nonsense. The only people with enough private capital in the United States to do this are the major oil companies. What do the major oil companies do with their private capital? They buy other major oil companies. All of us have seen the ludicrous things taking place over the past 2 weeks with the bids from Mobil and Gulf for Conoco. It is nonsense. They are not going to do it. They are going where the profits are sure and where the profits are certain. They will buy Conoco and Montgomery Ward. Sheik Yamani is smart enough not to let oil prices rise high enough to make it economical for the United States to develop alternative fuel sources.

The gentleman from Massachusetts earlier said that the gentleman agreed our energy supplies were intrinsically entwined with our national defense and national security. Yet the gentleman opposes drilling oil off the Georges Banks. The gentleman opposes nuclear power. The gentleman opposes coal mining in the Western United States. The gentleman opposes exploring for our oil resources in Alaska. The gentleman opposes shale development. The gentleman is planning on flying our planes by the Sun and driving our tanks by windmills.

Mr. McDADE. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Minnesota (Mr. WEBER).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. WEBER of Minnesota. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 177, noes 236, answered "present" 1, not voting 19, as follows:

[Roll No. 151]

AYES—177

Archer	Boland	Burgener
Bailey (MO)	Bonior	Burton, John
Barnes	Brinkley	Carman
Bedell	Brodhead	Chappie
Beilenson	Broomfield	Cheney
Bereuter	Brown (CA)	Clausen
Bethune	Brown (CO)	Clay
Bingham	Broyhill	Coats
Collins (IL)	Hartnett	Rhodes
Collins (TX)	Hawkins	Richmond
Conable	Heftel	Roberts (KS)
Conyers	Hertel	Rodino
Corcoran	Hiler	Roemer
Courter	Howard	Roth
Craig	Hughes	Roukema
Crane, Daniel	Hyde	Rousselot
Crane, Philip	Jacobs	Sabo
Crockett	Jeffords	Santini
Daniel, R. W.	Jeffries	Scheuer
Dannemeyer	Johnston	Schneider
Daschle	Kastenmeier	Schroeder
Daub	Kemp	Seiberling
Deckard	Kildee	Sensenbrenner
Dellums	Lagomarsino	Shamansky
DeNardis	Lantos	Shannon
Derrick	Leach	Sharp
Derwinski	Lott	Shaw
Dorgan	Lowery (CA)	Siljander
Dornan	Lowry (WA)	Smith (NE)
Downey	Lungren	Smith (NJ)
Dreier	Markey	Smith (OR)
Dunn	McClory	Solarz
Edgar	McCollum	Solomon
Edwards (OK)	McDonald	St Germain
Erdahl	McGrath	Stangeland
Erlenborn	McHugh	Stark
Fenwick	Mikulski	Stokes
Ferraro	Miller (CA)	Studds
Fields	Minish	Synar
Fish	Mitchell (MD)	Tauke
Florio	Moakley	Thomas
Fowler	Moffett	Traxler
Frank	Moore	Udall
Frenzel	Moorhead	Vander Jagt
Gejdenson	Morrison	Vento
Gilman	Nowak	Washington
Gingrich	O'Brien	Waxman
Goldwater	Oberstar	Weaver
Gradison	Obey	Weber (MN)
Gray	Ottinger	Weber (OH)
Green	Parris	Weiss
Gregg	Pashayan	Whitehurst
Grisham	Paul	Williams (MT)
Guarini	Petri	Winn
Gunderson	Porter	Wirth
Hagedorn	Pritchard	Wolf
Hall (OH)	Rangel	Wolpe
Hansen (ID)	Ratchford	Wyden
Harkin	Reuss	Yates

NOES—236

Addabbo	Coughlin	Fuqua
Akaka	Coyne, James	Garcia
Albosta	Coyne, William	Gephardt
Alexander	D'Amours	Gibbons
Anderson	Daniel, Dan	Ginn
Andrews	Danielson	Glickman
Annunzio	Davis	Gonzalez
Anthony	de la Garza	Goodling
Applegate	Dickinson	Gore
Ashbrook	Dicks	Gramm
Aspin	Dingell	Hall, Ralph
Atkinson	Dixon	Hall, Sam
AuCoin	Donnelly	Hamilton
Badham	Dowdy	Hammerschmidt
Bailey (PA)	Duncan	Hance
Barnard	Dwyer	Hatcher
Beard	Dyson	Heckler
Benedict	Early	Hefner
Benjamin	Eckart	Hendon
Bennett	Edwards (AL)	Hightower
Bevill	Edwards (CA)	Hillis
Biaggi	Emerson	Holland
Billey	Emery	Hollenbeck
Boggs	English	Holt
Bolling	Ertel	Hopkins
Boner	Evans (DE)	Horton
Bouquard	Evans (GA)	Hoyer
Bowen	Evans (IA)	Hubbard
Breaux	Evans (IN)	Huckaby
Brooks	Fary	Hunter
Brown (OH)	Fazio	Hutto
Burton, Phillip	Fiedler	Ireland
Butler	Findley	Jenkins
Byron	Fithian	Jones (NC)
Campbell	Flippo	Jones (OK)
Carney	Foglietta	Jones (TN)
Chappell	Foley	Kazen
Chisholm	Ford (MI)	Kindness
Clinger	Ford (TN)	Kogovsek
Coelho	Forsythe	Kramer
Coleman	Fountain	LaFalce
Conte	Frost	Latta
Leath	Myers	Shuster
LeBoutillier	Napier	Simon
Lee	Natcher	Skeen
Lehman	Neal	Skelton
Leland	Nelligan	Smith (AL)
Lent	Nelson	Snowe
Levitas	Nichols	Snyder
Livingston	Oakar	Spence
Loeffler	Oxley	Stanton
Long (LA)	Panetta	Staton
Long (MD)	Patman	Stenholm
Lujan	Pease	Stratton
Luken	Pepper	Stump
Lundine	Perkins	Swift
Madigan	Peyser	Tauzin
Marks	Pickle	Taylor
Marlenee	Price	Trible
Marriott	Pursell	Volkmer
Martin (IL)	Quillen	Walgren
Martin (NY)	Rahall	Walker
Matsui	Railsback	Wampler
Mavroules	Regula	Watkins
Mazzoli	Rinaldo	White
McCurdy	Ritter	Whitley
McDade	Robinson	Whittaker
McEwen	Roe	Whitten
McKinney	Rogers	Williams (OH)
Mica	Rose	Wilson
Miller (OH)	Rostenkowski	Wortley
Mineta	Roybal	Wright
Mitchell (NY)	Rudd	Wylie
Molinari	Russo	Yatron
Mollohan	Sawyer	Young (FL)
Montgomery	Schulze	Young (MO)
Mottl	Schumer	Zablocki
Murphy	Shelby	Zeferetti
Murtha	Shumway	

ANSWERED "PRESENT"—1

Bafalis

NOT VOTING—19

Blanchard	Hansen (UT)	Roberts (SD)
Bonker	Lewis	Rosenthal
Cotter	Martin (NC)	Savage
Dougherty	Mattox	Smith (IA)
Dymally	McCloskey	Young (AK)
Fascell	Michel	
Gaydos	Patterson	

□ 1350

The Clerk announced the following pairs:

On this vote:

Mr. McCloskey for, with Mr. Dougherty against.

Mr. Roberts of South Dakota for, with Mr. Young of Alaska against.

Mr. Mattox for, with Mr. Fascell against.

Messrs. ANNUNZIO, SPENCE, and DONNELLY changed their votes from "aye" to "no."

Mr. GILMAN and Mr. GOLDWATER changed their votes from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. OTTINGER

Mr. OTTINGER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. OTTINGER: Page 37, line 8, strike out "$203,890,000" and insert in lieu thereof "$223,890,000."

Mr. OTTINGER. Mr. Chairman, we have just heard the majority leader and the gentleman from Pennsylvania (Mr. McDADE) and others argue so very eloquently about the very critical nature of our dependence upon imported oil and how it is vital to our survival to get off that dependence.

Well, study after study has shown that the quickest and cheapest and

cleanest way to get off imported oil is through energy conservation.

□ 1400

This fact has been confirmed starting with the Ford Foundation study, the Harvard Business School study, a recent Mellon Institute study, and just recently a study for the Department of Energy that was performed by the Solar Energy Research Institute. Increasingly the administration's push, as adopted by Congress, has been to put the responsibility for energy conservation on the States.

What this amendment does is add a mere $20 million to the appropriations for energy conservation to continue the energy conservation programs in the Department of Energy that are known as the State energy conservation program.

This very addition was originally recommended by none other than the chairman of the Interior Subcommittee of the Committee on Appropriations, the gentleman from Illinois (Mr. YATES). But unfortunately it was deleted during the subcommittee markup.

The amendment is modest in nature and will keep the appropriations well within the ceilings established in the budget resolution, as well as the authorization ceilings contained in both the House- and Senate-passed reconciliation bills.

Mr. Chairman, I am privileged to be a conferee on the portion of the budget dealing with this matter, and tentative agreement has already been reached between the House and the other body to authorize much higher figures for this program than are represented by this amendment. Continuation of this program is crucial if States are to have the capability to encourage more efficient use of energy, especially in view of the curtailed Federal role and the vastly expanded State role proposed by the Reagan administration

The funds provided under the State energy conservation program provide States with seed money to plan for energy emergencies, to carry out Federal energy conservation programs such as conservation grants to schools and hospitals and to initiate innovative voluntary conservation programs.

The loss of these funds could spell the end of State energy offices and of vigorous State participation in promoting energy efficiency.

According to the National Governors Conference, a majority of the 50 State energy offices are more than 80 percent dependent upon these Federal funds for their existence. It appears that most States, according to the Governors Conference, could not find replacement support for the Federal-State energy conservation dollars before their fiscal year 1981 grants expire. All States are constitutionally required to maintain balanced budgets. Some have limits on annual increases in spending.

In addition, most State legislatures have already completed consideration of their fiscal year 1982 budgets, or, if they are still in session, are too far through the process to make major changes.

It is for this reason that in their winter meeting in February the Governors Council identified funding for this program as their priority among all of the administration's proposed budget cuts in energy and environmental programs. The $20 million which I propose to restore for the State energy offices would be a 50-percent reduction from the fiscal year 1981 appropriation.

Nevertheless, it will provide the very minimum assistance needed to maintain these vital programs.

These programs, like many other conservation efforts, have proven that energy efficiency is our most cost-effective energy resource. An analysis of four measures undertaken by the State energy conservation program shows that for every dollar of Federal funds spent, $5.50 worth of energy was saved.

By voting for this amendment, my colleagues will keep the Interior appropriation bill well within the ceiling that was established by Congress in the first concurrent budget resolution. As the distinguished subcommittee chairman pointed out last Monday on the House floor, the new budget authority in the bill is $191,273,000 below the amount allocated to it under section 302 of the Congressional Budget Act.

Any question about SPRO being off budget has been completely resolved because both the other body and the House committees, with respect to reconciliation on the subject, have voted to take the SPRO off budget. So the $191 million is surely available.

The CHAIRMAN pro tempore. The time of the gentleman from New York has expired.

(By unanimous consent Mr. OTTINGER was allowed to proceed for 4 additional minutes.)

Mr. OTTINGER. My colleagues will be told that this amount will make the appropriations exceed the Reagan budget as originally submitted. There is no reason why we should stay within those limits. The only limits we are obliged to stay within are the actions of the House itself in the budget reconciliation process. As I indicated before, this is well within that amount.

If the amendment is adopted, the energy conservation appropriation will still be $85 million below the authorization established in the Senate-passed reconciliation bill, and will remain consistent with the House-passed ceiling.

I would also note that the Interior Subcommittee of the Senate Appropriations Committee last week added $26 million, or $6 million more than is provided in this amendment for this program.

Finally, I would like to emphasize that this amendment has wide support from State and local government groups. The amendment has been strongly endorsed by the National Governors' Association, the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, the League of Women Voters, the Consumer Energy Council, the Conservation Coalition, and the Solar Lobby. At this time when we are turning more and more responsibility over to the States, it would be most unfortunate to deprive them of the ability to deal with important energy issues by cutting off their Federal funds.

I would like to point out that many people here are interested in creating block grants to the State and local governments to perform energy conservation functions and, indeed, I have sponsored one version of that with the gentleman from Massachusetts (Mr. MARKEY) and the gentleman from Connecticut (Mr. MOFFETT). The gentleman from Iowa (Mr. TAUKE) has another version, and we will not be able to get those block grants, which is the approach that is sought by the administration, unless there are sufficient funds provided through the appropriation process to be able to make that possible.

I have committed myself and our committee to process that block-grant legislation just as quickly as I can. If we are going to give the States the responsibility, we have to give them the means, and as the Governors Association has pointed out, the large majority of the States get at least 80 percent of their funds for their State energy offices from this program.

I strongly urge the House to adopt this amendment and to provide the States the funds that are needed to pursue this very successful and important program, which really can do something rapidly for us in getting off of imported oil.

Mr. GEJDENSON. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I want to take this opportunity to express my strong support for the amendment offered by my distinguished colleague from New York (Mr. OTTINGER). I speak today not only as a concerned Member of the House, but as someone who worked for the department in Connecticut that included this State energy division. As the gentleman from New York has pointed out, we received tremendous support from Fed-

eral dollars—in Connecticut, almost 90 percent of employee salaries were so funded.

The effort of State energy departments adds a phenomenal amount to the Federal contribution. Working with municipalities, private industry, and individuals, the Connecticut office was able to substantially impact on energy conservation measures in the State. Connecticut and other States in the Northeast were able to effect a near 7-percent reduction in energy consumption in the last 2 years assisted by State energy offices, and, nationally, we have been able to reduce our importation of the foreign product by some 27 percent.

Some would argue that we can now afford to weaken our commitment to energy conservation. Supplies are plentiful. OPEC is weak. Prices are flat. I urge my colleagues to reject this advice.

We have been given a respite from the continuing steep rise in energy prices which has plagued us throughout the last decade. But none of us can predict how long this period of price stability in petroleum might last.

Those who might be inclined to turn their attention from energy issues should read the July 16 Wall Street Journal. The headline in the Journal's lead article states: "Experts Say Oil Glut May Be Ending, Prices May Climb Again Soon." The article points out, and I quote, that—

> Twice in the past decade, periods of shortage and high prices were followed by abundance and easier prices—only to be reversed with a sudden jump in quotes. During the ups and downs, oil soared from $2 a barrel in 1973 to an average of $36 a barrel today.

The lesson we can and must draw from this article is a simple one. We must continue to encourage reasonable efforts to promote energy conservation efforts which will further protect us from the actions of the cartel. By restoring $20 million for the State energy conservation program and $3 million for the residential conservation service, the Ottinger amendment lends support to efforts that are consistent with that approach.

Mr. Chairman, massive savings in energy use have been made in my region of the country, New England, and we can attribute a portion of these gains to efforts by government at all levels. In its recent publication, "Energy in New England: Transition to the 80's" the New England Congressional Institute points out that—

> Per capita consumption of energy fell * * * from 271 million Btu's in 1978 to 252 million Btu's in 1980.

This means that New England consumed 6.5 percent less energy in 1980 than it did in 1978. In discussing these gains, the institute concludes that—

> A contributing factor to greater conservation activity has been a number of federal, state and local energy conservation programs which provide information, technical assistance, and financial incentives. Operated primarily through the State Energy Offices, the Schools and Hospitals Program, the Energy Extension Service, vanpool programs, and residential/commercial audit programs, among others, have aided New Englanders in saving energy.

We have an opportunity today, Mr. Chairman, to demonstrate our continuing commitment to energy conservation by voting in favor of the Ottinger amendment. I urge my colleagues to support this effort.

Mr. YATES. Mr. Chairman, I rise in opposition to the amendment, somewhat reluctantly, but nevertheless in opposition.

The gentleman from New York is, of course, a very distinguished and hardworking member of the Energy and Commerce Committee and has specialized in energy matters. He knows a great deal about them. We on the committee take a great deal of stock in his recommendations.

The question here is a very close one. It boils down to this: How much money shall the Federal Government give to the States to carry on their energy offices?

In the past, the Federal Government has provided almost 100 percent of the money for the State energy offices. Now these offices are funded by 80 percent Federal funds.

The gentleman wants a Federal contribution at a time when funds that are now available for fiscal year 1981 will be adequate to keep the programs of most of these offices going for fiscal year 1982.

This was a close question for our subcommittee. We do favor conservation programs. We are very much aware of the fact that a barrel of oil conserved is one that this Nation does not have to buy. And we consider energy conservation programs to be of very great importance. But that is not involved in this amendment.

The question, fundamentally, is: Who shall pay for the operation of the State energy offices?

The gentleman from New York says the Federal Government should pay another $20 million for that purpose. Our Appropriations Committee said we believe that the money can be more fruitfully used for other conservation programs and that the States themselves should make up the $20 million difference.

That is the issue before the committee.

I think we ought to leave it to the States to pay for their own energy offices, and I call for a vote, Mr. Chairman.

Mr. MARKEY. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, there is an interesting hypocritical dichotomy in the arguments that are used to support the SRC-I, or to support the breeder reactor, and at the same time to say that conservation, to say that solar energy ought to be placed onto the marketplace to fend for itself.

We heard, before, long polemics as to the need for us to teach a lesson to the Persian Gulf nations, to not allow ourselves to be held captive by these sheiks meeting in Abu Dhadi deciding the fate of our country.

And we hear that these new technologies of the breeder reactor, which might give us some added energy by the year 2000, or synthetic fuels by the year 1990, are the panaceas. But yet every single major energy study done over the past 3 or 4 years, from the Harvard Business School to Stanford to Michigan to independent studies done by solar energy research institutes, all indicate that conservation is the best short-term remedy to our energy addiction, to the dramatic reduction of the consumption of energy which we make in this country.

So what do we say? We say to the most fragile, to the newest, to the most vulnerable source of energy, that is, conservation, "We are just going to snip off the umbilical cord, zero you out and send you out into the marketplace and we hope you do well despite the fact that every energy analysis indicates that you get the best return per barrel per Btu for the investment."

And we say to synthetic fuels and to nuclear power and to the oil and gas industry: "Just keep coming in and asking not for $20 million, but $20 billion, $200 billion, whatever you need in order to keep you people as the major dominant energy source in this country."

What we are asking for here is $20 million to give to States so that they are not just abruptly cut off in their capacity to be able to provide energy information, energy technology advice, energy expertise to local communities, to individuals, so that they can begin to reduce dramatically their energy consumption.

We are not asking for the world here. We are asking for basically a small pittance. In comparison to what these other major energy sources are asking it is not much.

If there is any intellectual consistency at all in this debate, then you must believe in one thing: Either we are going in one direction, or we are going in the other. Either we are going to the free market route, and everybody is out there all by themselves, and if that is the case, strip away all grants for conservation. I will stand here with you in support of that. But if we are saying that handouts are acceptable we must put all of these technologies that we like out there for a Federal handout, with Adam Smith spinning in his grave. If we are going to say to

coal and to nuclear and oil and gas, "Come in and take whatever you want," then let us just give $20 million to conservation so that they can demonstrate in the future, as it has in the past 5 or 6 years, that it is the most economical, the cheapest, and the cleanest means of producing new energy resources for this country.

I hope that in its wisdom this Congress would not in a hypocritical attempt to satisfy some needs for budget pruning cut off the one program which has a demonstrated record of cost effectiveness and results for the American people.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. MARKEY. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, the gentleman has made a most eloquent speech in the abstract. It just is not pertinent to the points under consideration here.

The gentleman talks about the actions of this committee without knowing what the committee did. Is the gentleman aware that the committee has made available $440 million for the conservation programs, approximately $245 million above the administration's recommendation?

It is not a question of the committee not having made sufficient money available. The only question that is involved here—and it is only $20 million—what we are asking the States to do is to provide another one-half million dollars themselves in each of their energy offices. Now, what is wrong with that?

Mr. OTTINGER. Mr. Chairman, will the gentleman yield so that I might reply to the chairman?

Mr. MARKEY. I yield to the gentleman from New York.

Mr. OTTINGER. Mr. Chairman, I would like to acknowledge the chairman's strong support of energy conservation, and the actions that he indicated were in fact taken by his subcommittee.

Mr. YATES. That is right.

Mr. OTTINGER. The gentleman has always been a champion of those programs, to the extent that when our subcommittee acted, we just provided a general cap and counted on him to fund the various essential conservation and renewable energy resource programs.

Mr. YATES. And we did.

Mr. OTTINGER. And the gentleman did.

The difficulty that I have and the difference that my good friend and I have is that, increasingly, we are putting burdens upon the States to carry out these responsibilities. The subcommittee, despite the chairman's recommendation to provide this $20 million, rejected it on the grounds of what I think are false economies. In fact, we are moving forward with legislation that will provide a match between the States and the Federal Government so that the States will indeed have to show their interest by putting up their share of the funds.

The CHAIRMAN. The time of the gentleman from Massachusetts (Mr. MARKEY) has expired.

(On request of Mr. OTTINGER and by unanimous consent, Mr. MARKEY was allowed to proceed for 2 additional minutes.)

Mr. OTTINGER. However, as the Governors Association has pointed out, many of the States simply cannot provide this funding in the coming fiscal year because their legislatures will no longer be meeting.

We are in the process of passing this new cost-sharing legislation. So for this fiscal year I would plead with the chairman, and with the ranking minority member, the gentleman from Pennsylvania (Mr. MCDADE), to provide this $20 million so that the States can carry on the essential functions as we are putting an ever-increasing burden upon them.

Mr. MARKEY. Mr. Chairman, if I may reclaim my time, I do not want to be placed in a position in which I misrepresent the attitude that I have toward the gentleman from Illinois. The gentleman has long been the backstop to provide for conservation programs in this country. He has been the one last real hope in this Congress and in past Congresses to include these conservation programs. But I am speaking more to my friends on the other side of the aisle who do not want any cuts in the nuclear budget, who do not want any cuts in other of their favorite energy programs. That is what I am saying here; that if we are going to phase out our commitment in this particular area to conservation programs, then let us at least give them a 1-year grace period, not at the end of this fiscal year in which they are cut out completely and sent out into the street, but rather at least a 2-year period in which a matching grant system can be established so that the States can be brought into the process to provide for matching funds so that they will also be able to continue these programs rather than seeing them cut off abruptly and then attempting a year from now to establish them again from scratch.

□ 1420

Mr. TAUKE. Mr. Chairman, will the gentleman yield?

Mr. MARKEY. I yield to the gentleman from Iowa.

Mr. TAUKE. Mr. Chairman, I thank the gentleman for yielding.

In a few minutes I plan to speak in support of the gentleman's position on this amendment, but I do want to point out that he might check the last vote to determine which side of the aisle supports which projects.

Mr. MARKEY. Nuclear power, I am afraid, is the one Achilles' heel that the Republican party will still have to walk with. The gentleman from Iowa, of course, is a shining light in all conservation issues for both sides of the aisle; all I ask for is a bit of equity and also a bit of foresight.

Mr. MCDADE. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I have great respect as well for the gentleman from New York, but this amendment really ought to be voted down summarily. We have put into this bill unanimously by the subcommittee I want to underline, since the gentleman from Massachusetts apparently wanted to raise some kind of extraneous issue, $440 million for conservation programs.

What we have cut is $20 million that goes to the States in order to say to the States we are only going to fund about 80 percent of your State energy offices.

Now if we pass this amendment the gentleman has offered, we are going to bust the budget. We are, as the House knows, $7 million under the budget. So I do not think we ought to bust the budget for the benefit of bureaucrats in States where we are currently funding those State offices at 80 percent of the total cost.

Let me tell my colleagues where the committee decided to put some of the conservation money and see if the Members do not believe it is a higher priority than bureaucrats in Governors' offices.

We have got $150 million in here for weatherization programs for low-income groups to try to help them make their homes energy secure.

We have got $100 million in here to retrofit schools and hospitals to try to make them energy secure, to try to make them more conservation oriented.

We have got $15 million in here for an energy extension service that tries to get softwear out to consumers so that they can make appropriate conservation choices as they try to decide what they are going to do with marketing purchases or developing their homes or insulating or whatever they are going to do.

So, we are putting a lot of money into hardware, $250 million.

We are putting $250 million into hardware where there is a tangible payout in conservation efforts to all of us in displacing Arab oil.

We are putting $15 million into an outreach program to try to reach consumers to educate them.

Do not break the budget by putting $20 million more into funding State offices that the Governors can pick up a greater share.

Mr. Chairman, I yield back the balance of my time and urge a "no" vote.

Mr. TAUKE. Mr. Chairman, I move to strike the requisite number of words and I rise in support of the amendment.

Mr. Chairman, I hope that the Members of the House are very aware today of exactly what we are attempting to do. Unlike some of those who are suggesting that this is an issue of whether or not we will support conservation programs, I think this is really an issue of how we are going to treat State energy programs.

We should recognize that what we are doing with our energy programs generally is transferring many of them from administration at the Federal level or through federally supported programs to administration at the State level.

Thus, this is a question of whether or not the States are going to have the resources to carry out meaningful energy programs.

Many State legislatures, of course, have already gone out of session, so those States will be unable to cope with this unexpected reduction in Federal funds.

But even those States that would have the possibility of having their legislatures meet to make up this shortfall face a very serious problem. A State like my own, for example, has watched its energy bill grow very substantially over the past number of years. Now that energy bill is really crippling our economy.

Our State energy bill, the amount of money that is flowing out of our State in order to pay for energy costs, increased to about $5 billion this year. That has had a very detrimental impact on our economy.

As a result, a State like ours, which needs this kind of program a great deal, is one of the States that is most hard pressed when it comes to finding that money in the State budget.

I would suggest, therefore, that it is very critical for those States that are more dependent upon conservation programs and other energy programs—such as in my own State, the production of alcohol fuels—to have this kind of money in order to maintain ongoing energy programs and keep good people in those programs.

Right now the people who have been trained and have been working in Iowa's energy office are leaving because of the uncertainty of their jobs. They know that as of October 1 they may be without jobs because of lack of funds. That means even if the legislature comes back in January and puts these moneys back into the State budget our programs will suffer. We will have lost trained people; we will have experienced an interruption of the programs and we will not have the same kind of service that we would have had if we expended this rather small amount of money in order to keep the ongoing programs working.

I would submit that in my State and other States the work of the State energy offices has been much more effective than almost any other dollar expended on energy programs at the Federal level. So I am hopeful that this committee will today decide not to kick those States that are down because of the high cost of energy and will decide not to interrupt very important and very worthwhile State energy programs by making a very abrupt and a very unnecessary cut in these funds. I hope we will support State-based energy programs by backing this amendment.

Mr. AuCOIN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from New York.

Before I do that, I want to respond to remarks made by my good friend from Massachusetts, who indicated that in some way the Interior Appropriations Subcommittee was engaged in intellectual hypocrisy when it came to the question of the development of energy technologies like the SRC-I project, and energy conservation.

Such a comment ought to be answered. I wish that my colleague had not made it. If anyone gives a fair reading to the work of this subcommittee, one will see that there is energy conservation funding over the amounts recommended by the administration under the leadership of the chairman of this subcommittee, and I think the subcommittee ought to be congratulated for that fact.

One hundred and fifty million dollars in funds for conservation and weatherization for low-income families are provided by this subcommittee in this bill.

□ 1430

One hundred million dollars for conservation in schools and hospitals has been funded.

The question we then have before us is the question stated by the chairman of the subcommittee: Who should pay—in whole or in part—for the operation of the State energy offices? As good as this bill is, and as much as I respect the chairman of the subcommittee, it is my feeling that this bill would be better if, in addition to the work we did for low-income families in the weatherization of their homes, and if, in addition to the work we have done in the subcommittee for funding for weatherization projects for schools and hospitals, we would take the additional step of providing assistance to the State energy offices. They are doing a good job in this country, not a bad job. And I am surprised that my good friend, the gentleman from Pennsylvania (Mr. McDADE), the ranking minority member of the subcommittee, would disparage energy gains through conservation after the statement that he made on the SRC-I project a few moments ago when he indicated that this country needs to grab every ounce, every barrel of energy possible in order to make ourselves independent from the political dangers and the energy dangers from the Middle East. Here is another opportunity.

I do not think we should let this opportunity pass.

Mr. OTTINGER. Mr. Chairman, will the gentleman yield?

Mr. AuCOIN. I yield to the gentleman from New York, who has offered the amendment which I think is excellent.

Mr. OTTINGER. Mr. Chairman, I thank the gentleman very much for his support.

I would like to point out that all these programs that the Interior Subcommittee has funded and that the gentleman from Pennsylvania (Mr. McDADE), so eloquently recited, have to be administered by the States. Many of those States simply will not be able to have the funds to administer those programs if there is not some money provided. This is just the absolute minimal amount. It is half of what those State energy offices got last year.

Mrs. FENWICK. Mr. Chairman, will the gentleman yield for a question?

Mr. AuCOIN. I yield to the gentlewoman from New Jersey.

Mrs. FENWICK. I thank my colleague for yielding.

Mr. Chairman, do I understand it correctly that the States will get no Federal money in order to administer these programs which we are funding in this appropration?

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. AuCOIN. I yield to the gentleman from Illinois, the chairman of the subcommittee.

Mr. YATES. Mr. Chairman, the answer to that question is that the States do receive money for administering specific programs. For example, the weatherization programs, the schools and hospitals programs, all the programs of the Federal Government that go into the States also carry money for administering them.

Mrs. FENWICK. There was mention made of 80 percent. Is that wrong?

Mr. YATES. That is 80 percent of the operation of the energy offices themselves, out of this fund. But the other funds do supply money for the operations of those programs.

Mrs. FENWICK. What does the gentleman mean by 80 percent of this fund? What I am asking is: Are the States going to receive 80 percent of the costs of administration or not?

Mr. YATES. Not in the energy offices themselves, they are not, if this amendment does not go through.

The CHAIRMAN. The time of the gentleman from Oregon (Mr. AuCoin) has expired.

(By unanimous consent, Mr. AuCoin was allowed to proceed for 4 additional minutes.)

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. AuCOIN. I yield to the gentleman from Illinois.

Mr. YATES. Mr. Chairman, I would like the gentleman from Pennsylvania (Mr. McDade) to tell the Committee what he just told the gentlewoman from New Jersey (Mrs. Fenwick).

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. AuCOIN. I yield to the gentleman from Pennsylvania.

Mr. McDADE. I thank my colleague for yielding.

Mr. Chairman, I want to reiterate that we have added $440 million for conservation in this bill. If we put this $20 million in to fund the last portion of these State offices, we are going to bust our budget. I do not think there is any reason for us busting our budget to prop up that 80 percentage that is available out there in the States now on an average, because every time we fund one of these programs, there is a component that goes for administration. So we are effectively funding on an average, across the Nation, 80 percent of all the Governors' statewide offices.

Mr. AuCOIN. Mr. Chairman, I am going to reclaim my time.

I appreciate the gentleman's comments, although I do not agree with them.

Mr. YATES. Mr. Chairman, will the gentleman yield further?

Mr. AuCOIN. I yield to the gentleman from Illinois, the chairman of the subcommittee.

Mr. YATES. I want to say that the committee was very close to funding this.

Mr. AuCOIN. Yes. It was a close call.

Mr. YATES. The Senate has put in more money for this program. I told the gentleman, speaking as one member of that subcommittee, that when we do go to conference, in the event the gentleman's amendment does not prevail—and I hope it does not prevail—we will nevertheless be most receptive to the question as to whether or not the State energy offices do need these funds. We will negotiate with the Senate on that basis.

We are very much aware of the importance of this. It was just a question, after we had put $250 million in for programs for the States, that this was one case where we hoped the States could take up the slack.

Mr. AuCOIN. Mr. Chairman, one of the reasons this program is important is that it provides a structure that would enable other Federal programs to be folded in on a block grant basis. That is why so many of us think we can improve upon the bill if we add funds to keep the State energy offices alive.

In Oregon, this program is used to initiate free energy audits and low-interest or no-interest loans to weatherize homes. This complements a State income tax credit for weatherization. Oregon and other States, as part of this program, have adopted energy-efficient procurement practices; thermal and lighting efficiency codes; carpool and vanpool programs; and education outreach programs.

Moreover, Mr. Chairman, for every dollar invested in this program, there is a return of $5.40. This program is cost effective and addresses our energy problems. Let us approve this amendment.

Mr. MOFFETT. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to speak in favor of the amendment.

First of all, I want to add one Member's thanks to the distinguished subcommittee chairman and the entire subcommittee for their attention to conservation matters in the face of a very, very difficult fiscal situation and fiscal environment.

It is sometimes said that we do not have an energy policy and we have all been knocked around on the editorial pages as part of an institution that supposedly never came up with an energy policy. The fact of the matter is, if the Members will look at where this program that we are discussing came from, it came out of the discussion in 1975. It was a bipartisan discussion and a bipartisan bill. President Ford signed that bill. The following year the program was reaffirmed—in 1976. We are now in a bit of a different atmosphere, obviously. We have oil decontrol going forward with all of its results, good and bad. Many of us thought that we had a kind of agreement with some of our friends that pushed so hard for decontrol that they would now be more supportive of conservation efforts because they realized that decontrol by itself was no policy. As a matter of fact, in the debate on the amendment just prior to this one, on a synthetic fuels matter, it was said again and again that decontrol is no energy policy by itself, and the proponents of synthetic fuels seemed to say over and over again that the administration's policy, if it is only decontrol, is not a satisfactory policy.

I thought, as one Member serving on energy committees and chairing an oversight subcommittee on energy, that we had a kind of agreement with some of our friends from Texas and Louisiana and Oklahoma and other friends from other parts of the country who had supported decontrol that they would, in fact, try and be supportive of conservation measures as well, beyond the conservation that comes from the price mechanism. I am not sure that that kind of understanding now exists. I think it is unfortunate.

Third, we are now in an environment where everything seems to be shifting back to the States. This amendment fits precisely into that pattern. I wonder if those people who raised the argument during the last amendment of whether we are only capable of legislating on top priority issues relating to energy when there are gasoline lines or a problem in the Persian Gulf—I wonder if they are listening now to the argument on this amendment? Do they really believe that we need to be the kind of mature, scholarly body that looks at the facts and, despite where the popularity of an issue may be or where the sense of urgency might be, if we are the kind of body that can move forward and say this is important even though there are not any gas lines?

□ 1440

I wonder if the same argument does not hold for the State energy offices and for conservation in general as it did just moments ago for a synthetic fuels subsidy of great expense and dubious value.

I think we are in a very dangerous period because we are living with a false sense of security. Look at the record of these State energy offices. They have been doing some extraordinary things. And does anyone doubt that when the next gasoline lines come—and we know they will someday, hopefully not soon but someday—or when there is the next threat of a cutoff in the Persian Gulf, most of us will be scurrying about to examine the issue to determine whether the States are prepared to deal with an emergency?

We passed the S. 1030 bill through here last year by four or five votes. That is the one that included rationing, as the Members may recall, and it had a component that said the States should be ready for an emergency and the Federal Government ought to set guidelines for the States. What we are doing here is turning back on the whole thrust of that argument, which was a sensible one, in the bill we adopted, albeit by a close vote. It was an argument that said when the crisis comes the States should be ready, and if we do not adequately fund them we will be sorry.

After all, the gentleman from New York (Mr. Ottinger) only puts us at a level which is half of that or less than half, if I am not mistaken, of where we were last year, and last year we were not even adequately funding our State energy offices.

So, Mr. Chairman, let us put aside our partisan or philosophical differences, look at commonsense, and adopt the amendment offered by the gentleman from New York (Mr. OTTINGER).

● Mr. HOLLENBECK. Mr. Chairman, I rise in support of the amendment offered by my colleague from New York (Mr. OTTINGER). The amendment restores $20 million to the energy conservation budget for the State energy conservation program (SECP). The amendment does not violate the appropriation ceilings established in the first concurrent budget resolution (H. Con. Res. 115) and is well within the ceilings authorized in both the House and Senate reconciliation bills. The $20 million in the amendment constitutes less than 50 percent of the fiscal 1981 funding level.

My native State of New Jersey received approximately $1.4 million for these energy programs in fiscal 1981 and will receive roughly $600,000 in fiscal 1982 under the provisions of the amendment. Without this funding, New Jersey cannot continue its energy conservation programs which include such important areas as home energy savings and home heat retrofit programs. Last year, 500,000 people who heat their homes with oil had combustion audits done under the home heat retrofit program. The resulting repairs to combustion systems resulted in significant savings for the individual homeowners and in total energy consumption in the State.

Furthermore, in an independent study conducted by the office of fiscal affairs of the New Jersey State Legislature, it was found that for every dollar spent on State energy conservation programs, $130 in savings was achieved. Based on this ratio, the State conservation programs saved about $620 million last year in energy costs. The State saved 74 trillion Btu's under their 1980 conservation plan which is equivalent to 12 million barrels of No. 2 home heating oil. In an energy-consuming State such as New Jersey, whose residents will spend $16 billion for energy costs next year, conservation is a vital part of the State's total energy plan.

An energy policy that ignores conservation will have an adverse impact on our Nation's economy and rate of inflation. Conservation is a necessary part of our national energy goals and the continued support of the Federal and State governments is needed. I strongly urge my colleagues' support for this important program.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York (Mr. OTTINGER).

The question was taken; and on a division (demanded by Mr. OTTINGER) there were—ayes 18, noes 36.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. WILLIAMS OF MONTANA

Mr. WILLIAMS of Montana. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

INDIAN HEALTH FACILITIES

For construction, major repair, improvement, and equipment of health and related auxiliary facilities, including quarters for personnel; preparation of plans, specifications, and drawings; acquisition of sites; purchase and erection of portable buildings, purchases of trailers, and for provision of domestic and community sanitation facilities for Indians, as authorized by section 7 of the Act of August 5, 1954 (42 U.S.C. 2004a), the Indian Self-Determination Act and the Indian Health Care Improvement Act, $46,739,000, to remain available until expended.

The Clerk read as follows:

Amendment offered by Mr. WILLIAMS of Montana: On page 42, line 16, strike "$46,739,000", and insert in lieu thereof "$62,239,000".

Mr. WILLIAMS of Montana. Mr. Chairman, I appreciate having the attention of the House because this is a complex matter. The debate will not take long, but it is of enormous importance to the American Indian people.

In the planning, development, and construction of Indian housing, there is an awkward and somewhat uncoordinated situation. The Bureau of Indian Affairs, Housing and Urban Development, and Indian Health Service all share responsibility for Indian housing. The involvement of IHS, Indian Health Service, is to provide water and sewer system planning, construction, and hookups. The moneys for IHS sewer and water for newly constructed Indian homes are not authorized or appropriated during the early phases of housing planning and development.

It is almost impossible to project when the money will be needed or what the costs will finally be, and as a result the funding for the sewer and water hookups for these homes that is in the budget is very precise and has to come at the right moment.

Now, the committee has appropriately provided $28 million for sewer and water hookups: $20 million of that money is for homes ready for occupancy before October of this year, and $8 million of the $28 million is for planning and design for 9,000 homes now in the planning and construction pipeline.

The committee does not take into account, however, that 500 homes now ready for occupancy and 4,000 homes which will be ready for occupancy between October of this year and the end of September of next year do not have funding. The committee does not appropriate money for hooking up those homes, and, thus, approximately 4,000 Indian homes will be completed in the next fiscal year but will not be hooked up for water or sewer. Five hundred Indian homes are now constructed and ready for hookup; 1,000 Indian homes will be ready by this Christmas for hookup, and 4,000 homes will be constructed and waiting for hookup between now and September 1982.

But there is no money in this bill to provide that hookup, and, therefore, we are going to have at least 4,000 homes, between now and the end of September, with no money for hookup, sitting there vacant.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Montana. I yield to the distinguished chairman of the subcommittee.

Mr. YATES. Mr. Chairman, the gentleman's concern for this program is well shared by the committee. It is a most anomalous situation.

The Department of Housing and Urban Development is responsible for approving the construction of homes in the first instance, and the Indian Health Service is responsible for providing the funds for the sanitation facilities. Sometimes there is a gap, but on every occasion where this situation has been called to the attention of the committee, the committee has provided funds, on almost every occasion, over the budget recommended by the administration, whether it be the Carter administration or whether it be the Reagan administration.

The reason the committee tends to oppose the gentleman's amendment, even though it is well aware of the fact that homes are being constructed, is because there is no definite number of units and, therefore, no specific amount that the committee could furnish for the sanitation facilities.

Speaking as one member of the committee, however—and I am sure the committee will follow suit—I would want the gentleman to know that as soon as the amount that will be needed to provide the sanitation facilities becomes known, the committee will be pleased to provide it—in a supplemental appropriations bill, for example.

Mr. Chairman, I know that does not offer complete assurance to the gentleman. I can only tell the gentleman that the committee shares his despair and his reluctance to see a program go forward which would provide empty shells as houses without sanitation facilities.

□ 1450

The CHAIRMAN. The time of the gentleman from Montana (Mr. WILLIAMS) has expired.

(At the request of Mr. YATES, and by unanimous consent, Mr. WILLIAMS of Montana was allowed to proceed for 3 additional minutes.)

Mr. YATES. Mr. Chairman, will the gentleman yield further?

Mr. WILLIAMS of Montana. I yield.

Mr. YATES. The only reason for the committee's hesitation in going along with the gentleman is the fact that there is not something tangible to which the committee could address itself and the gentleman may have the committee's assurance that at such time as the figures do become precise and definite, that the committee will respond, I am quite sure, constructively and sympathetically to the gentleman's request.

Mr. WILLIAMS of Montana. I recognize that the gentleman from Illinois has been very sympathetic to this problem and has worked on it at more length than anyone in this House, including the gentleman from Montana, who spent a great deal of time on it and chaired a full committee hearing and on behalf of the gentleman from Arizona, to whom I now yield.

Mr. UDALL. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Montana. I yield to the gentleman from Arizona.

Mr. UDALL. Mr. Chairman, I rise in strong support of the gentleman from Montana's amendment to increase the appropriation for Indian housing sanitation item by $15,500,000.

First, let me say that this addition is not violative of any budget reconcilation levels. H.R. 4035 appropriates a total of $676,739,000 for the Indian Health Service. The House budget reconciliation bill caps the Indian Health Service at $725,900,000. The addition of this $15,500,000 will still keep the IHS budget well within the limit. Tentative agreement reached by the budget reconciliation conferees would drop the cap altogether.

The principal reason I rise in support of this amendment is because of the actions of the Office of Management and Budget in this matter. Initially, OMB requested no funds for fiscal year 1982 for sanitation facilities for federally assisted Indian housing. Finally, they realized that Indian housing scheduled for construction, or under construction, would not be constructed or would not be occupied for lack of sanitation facilities. But, rather than admit their error and request adequate funds, they began to propose ridiculous proposals such as using nonexistent community development block grant funds for such purpose.

Fortunately, our Appropriation Committee did include some money in the budget for Indian sanitation facilities. But it is not adequate. The report on H.R. 4035 itself states that only planning and design money will be made available for Indian housing scheduled for completion of construction in fiscal year 1982 and awaiting water and sewer hookup.

Mr. Chairman, as noted in Mr. Williams' statement, the staff of my committee, based upon information provided by the Indian Health Service, has determined that another $15,500,000 will be needed for fiscal year 1982 if Indian housing are to be built on schedule and are to be fit for habitation.

Again, in staff discussions, this was brought home to OMB staff and they again admit the discrepancy. It is their new proposal to make up this difference of $15,500,000 which has angered me and generated my support for this amendment.

In order to meet this need, which they admitted to only under pressure, they plan to reprogram certain fiscal year 1981 funds appropriated to the Department of Housing and Urban Development. Which funds, Mr. Chairman? Which "Peter" are they proposing to rob to pay "Paul." Of course, they propose to reprogram fiscal year 1981 funds for the construction of desperately needed Indian housing to pay for desperately needed sanitation facilities for the rest of the desperately needed Indian housing units.

For 20 years, I have observed and resisted the failures and quirks of the Office of Management and Budget through six administrations, including the present one. I urge the Members, Democrat and Republican alike, to oppose this unfair and misguided position and support the Williams amendment.

We do not violate any budget reconciliation restriction of any kind with the Williams amendment.

Mr. WILLIAMS of Montana. I thank the gentleman for his remarks.

Mr. YATES. Mr. Chairman, will the gentleman yield further?

Mr. WILLIAMS of Montana. I yield, yes.

Mr. YATES. We do violate a budget restriction, because this is over the budget. As the gentleman pointed out, we put $28 million over the budget into this bill to take care of the situation that should not have taken place in the first instance.

It is a ridiculous situation. There ought to be one agency handling both the construction of the housing and the sanitation facilities. I think perhaps the gentleman's committee ought to take care of that situation.

Mr. UDALL. Mr. Chairman, if the gentleman will yield further, we are going to work on it. We are willing to take care of the gentleman.

Mr. WILLIAMS of Montana. I hear that every year. We are going to work on one matter or another.

I yield to the gentleman from Arizona.

Mr. UDALL. I am not sure of my ground here, but my staff tells me that H.R. 4035 appropriates a total of $676 million, while the budget reconciliation caps the Indian Health Service at $725 million; so you could add this $15 million and still be well within the budget.

Mr. WILLIAMS of Montana. Reclaiming my time, Mr. Chairman, I was about to make the same point.

The IHS budget as it first came from the President was $634 million. The reconciliation bill was $726 million and the committee's bill is $676 million, considerably under the cap which I now understand has been removed.

The CHAIRMAN. The time of the gentleman from Montana (Mr. WILLIAMS) has again expired.

(By unanimous consent, Mr. WILLIAMS of Montana was allowed to proceed for 3 additional minutes.)

Mr. WILLIAMS of Montana. Mr. Chairman, let me make this point concerning the supposed uncertainty about how many homes are going to be standing vacant. We already know there are 500 homes right now and there are 500 because this problem continues year after year.

We already know from the Indian Health Service that there are going to be 1,000 homes complete and sitting vacant and not hooked up to sewer and water and not available to Indians who desperately need these homes by Christmas of this year.

They estimate—a rough estimate—that there will be 4,000 completed homes by the end of the coming fiscal year. That is the best estimate we can get.

I tell the chairman of the subcommittee that it is a relatively specific estimate as to the number of homes.

Now, are we going to wait for the supplemental? Well, No. 1, we do not know that the administration is going to ask for a supplemental of any kind. They did not request a supplemental for 1981.

Mr. YATES. Yes, they did.

Mr. WILLIAMS of Montana. They requested no moneys in this matter for 1982; so there is no certainty that they are going to ask for any money for this, particularly this administration.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. WILLIAMS of Montana. Yes, I yield.

Mr. YATES. I agree with the gentleman, the Reagan administration did not ask for money for these purposes; but the committee was aware of the problem and the committee did put money into the budget.

Let me point something out to the gentleman here. There are $676,223,000 in this bill for the Indian Health Service, of which $41 million is over the budget.

Now, the gentleman from Arizona combined apples and oranges. He talked about the Reagan budget and he also talked about the reconciliation. Those cannot be compared. We have to stick with the President's

budget until we know what the reconciliation is. We do know what those figures are. We will be below our 302 allocation in the budget bill.

I do not know what the reconciliation will be ultimately. The conference committees are working on that; But I do want the gentleman to know that if there is no supplemental appropriation bill, it will be the first time in I think 20 or 25 years that there has not been one. The chances are overwhelming that there will be such a bill. That is why I tell the gentleman that I reluctantly have to oppose his amendment at this time, knowing what the situation may be, but still knowing further that we do not know how much money to put into the bill for the purpose.

I think the gentleman's $15 million request is something he wants to put in the bank for the purpose and we say to the gentleman that the bank is the supplemental appropriations bill, when we know what the debt is.

The CHAIRMAN. The time of the gentleman from Montana (Mr. WILLIAMS) has again expired.

(By unanimous consent, Mr. WILLIAMS of Montana was allowed to proceed for 3 additional minutes.)

Mr. WILLIAMS of Montana. I thank the Chairman.

Of course, there will be a supplemental, almost certainly; but we are uncertain that the administration will offer to solve this particular appropriation problem in the supplemental and we are uncertain that the administration may not fight the addition of this money in a supplemental.

Knowing that, I think now is the time to strike. We know there are 500 homes sitting there. We know there are going to be a thousand more completed by Christmas.

I think now is the time to move; 30 percent of the money that I am asking for goes to Alaska. They need it by December 1, so that supplies can be delivered to Alaska by March 1, when the barge leaves. Unless this money is put in this bill now, there are going to be 688 units in Alaska that are fully constructed but without sanitation or water facilities.

Now, there are other States that are in somewhat similar situations. Obviously, we do not all miss the barge the way Alaska does; but there are other angles that other States have that affect the situation similarly to Alaska; so I think that we ought not to wait until the supplemental.

Let me conclude by saying this. To have at least 4,000 and perhaps 6,400 homes completed and sitting on Indian reservations and not being lived in because sanitation and water facilities cannot be hooked up is to give people 6,400 other reasons to say, "Look at what this Federal Government has done. They construct these homes and then they let them sit idle for 3 months or 6 months or 1 year with nobody allowed to live in them, despite the desperate conditions of Indians who want to move into them." They are going to point and have 6,400 reasons to say, "Look how uncoordinated this Government is."

Now, we can take care of this situation here and now for $15 million. We are talking about 1,600 homes in Arizona, 700 in Alaska, 300 in Nevada, 633 in Minnesota, and the list goes on.

By the way, in my State of Montana we have fewer of these homes than many other States, so this is not a particularly parochial amendment on my part.

Mr. BEREUTER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment offered by the gentleman from Montana (Mr. WILLIAMS) to H.R. 4035. While my State is not among the 26 States that will benefit from this amendment, this amendment certainly is a worthy one deserving of support.

The purpose of the amendment is to add $15.5 million for construction of the sanitation facilities necessary to complete some 6,300 homes which will be built on Indian reservations around the country during fiscal year 1982.

The need for this amendment has its origins in several actions affecting the funding of Indian housing construction, which is the product of the coordinated efforts of three agencies—HUD, the Bureau of Indian Affairs, and the Indian Health Service.

By way of background it should perhaps be explained that essential water and sewer facilities for Federal, State, and tribal housing projects for American Indians and Alaska Natives are provided by the Indian Health Service (IHS) in accordance with the Interdepartmental Agreement on Indian Housing among the Department of Housing and Urban Development (HUD), the Department of Interior (DOI), and the Department of Health and Human Services (HHS). This agreement was established by the Office of Management and Budget (OMB) because the Indian housing programs had been severely inhibited by a lack of water and sewer facilities. The HHS had the engineering, procurement, construction, and logistical support staff available at the local level to efficiently perform water and sewer construction, with the legislative authority of Public Law 96–121, the Indian Sanitation Facilities Act.

In H.R. 4035, the Appropriations Committee has recommended that $28,625,000 be provided for Indian sanitation facilities in fiscal year 1982; $20.5 million of this amount represents the balance of the 1981 supplemental request. The remainder is to provide only for planning and design of sanitation facilities for houses in the Indian housing production "pipeline." The problem is that more than 6,300 houses in that pipeline will be under construction in fiscal year 1982.

Unless additional funds are provided, most of these homes will be completed in 1982. Their onsite plumbing in most cases will also be completed, but they will not have water and sewer hookups. The water and sewer hookups will only have been planned.

The Indian Health Service has estimated that to provide water and sewer service to these 6,300 homes will cost $59 million. However, using a phase funding approach, IHS calculates that 40 percent of the $59 million, or $23.6 million, is actually needed in fiscal year 1982; $8.1 million of this amount is provided for in H.R. 4035; $15.5 million is the balance needed to fund the ongoing construction phase for water and sewer for the 6,300 Indian homes in fiscal year 1982. This is the amount the Williams amendment would provide.

While I do sympathize with the uncertainties that the committee faced on this program it is not right for the Indians and Alaska Natives to be penalized for lack of coordination at the Federal level. It is clear that unless additional funds are provided to construct water and sewer facilities for Indian homes being built under the HUD and BIA programs next year, thousands of these homes will be without water and sewer and thus be subject to the vandalism, rent loss, premature deterioration, and other problems that befall unoccupied housing. We have had too many of these problems in the past. For the Congress to knowingly permit such a situation to develop in these Federal programs whose beneficiaries are among the poorest housed in our Nation is unconscionable and irresponsible.

I would like to point out that approval of this amendment would not put the House over the amount authorized for the Indian Health Service by the Gramm-Latta budget. Gramm-Latta provided for $725.9 million for the Indian Health Service in fiscal year 1982. In H.R. 4035, the Appropriations Committee has provided just over $673 million. Thus, if the Williams amendment were adopted, the House would still be more than $35 million under the Gramm-Latta amount set for the Indian Health Service.

In conclusion, this amendment would make the funding of Indian housing sanitation facilities construction a little less haphazard and inefficient. It is a fiscally responsible amendment, and as the chairman of the Republican Interior Committee Task Force on Indian Affairs and in behalf of the Republican members of the House Interior Committee, I urge

my colleagues to support the Williams amendment.

Mr. Chairman, I yield back the balance of my time.

Mr. McDADE. Mr. Chairman, I move to strike the requisite number of words and rise in opposition to the amendment.

I shall not take my full 5 minutes. I think the issue has been explored quite thoroughly. The House ought to know that we are directly appropriating in this bill $1.8 billion in appropriations for our trust responsibilities for American Indians.

This is not a pernicious amendment or bad amendment. There is one thing wrong with it. It is going to bust the budget if we adopt it, and we have already, as the chairman had indicated, appropriated almost $30 million over the budget to try to cope with this problem which is, indeed, a difficult problem.

But the record ought to be clear that if we adopt this amendment we have busted the budget, the Reagan budget is busted, and we have eliminated any leverage we have in going over to the other body.

I hope the amendment will be defeated and I urge its defeat.

Mr. BEREUTER. Mr. Chairman, will the gentleman yield?

Mr. McDADE. I yield to the gentleman from Nebraska.

Mr. BEREUTER. I made the statement just a few moments ago that even with the additional $15.5 million to be added by the Williams amendment, if adopted, that the Gramm-Latta budget for the Indian Health Service would still be $35 million under that amount. Is that correct or incorrect?

Mr. McDADE. It is totally irrelevant. What did the President request for this program?

Mr. BEREUTER. I do not have the figure.

Mr. McDADE. I can tell the gentleman. It is zero. We are over the President's request by $28 million. May I say to my friend that we are still under the budget, but we have tried to help with this problem by adding $28 million that was not requested in the Indian Health Service. We are trying to get at the same problem the gentleman is, but we are trying to do it in a way that keeps us under the President's budget. We are $7 million under that budget. Reconciliation has not even occurred yet.

Mr. YATES. Mr. Chairman, will the gentleman yield to me?

Mr. McDADE. I yield to the gentleman from Illinois (Mr. YATES).

Mr. YATES. More than that, the chairman of the subcommittee has given his assurance that when the occasion arises we will take care of the problem. This is not the time. Neither the gentleman from Nebraska (Mr. BEREUTER) nor the gentleman from Montana (Mr. WILLIAMS) have given us a precise figure for appropriation. As I indicated in response to the gentleman from Montana before, he wants to put the money in the bank to comply with this. I do not think we should. We will handle it in a supplemental bill.

● Mr. MARKEY. Mr. Chairman, I rise to speak in support of the amendment offered by the gentleman from Montana, PAT WILLIAMS, that would provide $15.5 million to connect water and sewer pipelines to 6,400 Indian houses. Although none of these housing units are in Massachusetts I speak on behalf of this amendment because I believe American Indians suffer living conditions worse than those of any minority group in our Nation. It is estimated that 50 percent of Native Americans live in substandard housing.

But there is another reason to support this amendment as well. Congress appropriated funds for these dwellings 3 years ago, and all construction will be completed by the end of 1982. The majority of the houses are already finished. If funds are not appropriated for the sewer connections, these houses will remain empty and these funds will be wasted.

For reasons both of equity and economy, therefore, I urge you to support the gentleman's amendment.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from Montana (Mr. WILLIAMS).

The question was taken; and on a division (demanded by Mr. WILLIAMS of Montana) there were—ayes 15, noes 19.

So the amendment was rejected.

Mr. WEAVER. Mr. Chairman, I offer several amendments, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from Oregon?

Mr. DICKS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

□ 1500

AMENDMENT OFFERED BY MR. STANGELAND

Mr. STANGELAND. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

CONSTRUCTION AND LAND ACQUISITION

For necessary expenses of the Forest Service, not otherwise provided for, for construction and land acquisition, $509,743,000, to remain available until expended, of which $22,793,000 is for construction and acquisition of buildings and other facilities; and $486,950,000 is for construction of forest roads and trails by the Forest Service and construction and maintenance of forest roads by timber purchasers: *Provided*, That $78,700,000 available under the Act of March 4, 1913 (16 U.S.C. 501) shall be transferred to the General Fund of the Treasury of the United States.

The Clerk read as follows:

Amendment offered by Mr. STANGELAND: On page 32, line 11, strike out "$486,950,000" and insert in lieu thereof "$481,950,000".

On page 32, after line 16, insert the following:

WOOD RESIDUE UTILIZATION

For expenses necessary to carry out section 3 of the Wood Residue Utilization Act of 1980 (16 U.S.C. 1682), $5,000,000.

Mr. STANGELAND. Mr. Chairman and members of the committee, this is a very simple amendment that I think has some very real merit and one that this body ought to adopt to this bill at this time.

The amendment provides that $5 million would be made available for the establishment of wood residue utilization pilot projects. These have been authorized under the Wood Residue Utilization Act of 1980. The amendment requires no additional appropriations but instead removes the necessary funds from the Forest Service construction and land acquisition program's currently proposed budget of $486,950,000. This represents a shifting away of only one one-hundredth of the funds now earmarked for construction and land acquisition and, therefore, does not threaten the accomplishment of the important objectives of that portion of the Forest Service budget, that of building and maintaining roads and trails within our national forests.

This amendment recognizes that in order to meet our future energy needs, we cannot rely on any one energy source but instead must rely on a mix of several. Oil, coal, natural gas, and nuclear power all figure to play major roles in satisfying at least our short-term future energy demands. Wood residue also holds the capacity to play a significant part. Wood residue is logging slash, down timber material, woody plants and other tree matter in itself not normally considered useful.

The Forest Service estimates that there are 600 million dry tons of wood residue available for use annually. If given the chance, residue in this amount could supply 14 percent of our Nation's current energy demand and cut our oil import needs by one-half.

What is more, wood residues are available widely, unlike the other fuels that we currently depend on.

The appropriation proposed in this amendment would help to provide the necessary seed money to begin taking advantage of the vast energy potential wood residue offers. The Wood Residue Utilization Act of 1980 provides for several different wood residue applications.

Under section 3, one of the demonstration projects that could be funded through this amendment would help fit a gas-fired district heating plant with a wood gasifier, using wood and forest residue. Other applications could include the conversion of

schools and public facilities to wood-fired heating systems. All of this is documented in testimony by the Forest Service on section 3 of the act before the Agricultural Committee on March 11, 1980, and the days following.

Mr. Chairman, it is true that the budget submitted by the Forest Service does not now include appropriations for section 3 of the Wood Utilization Act or for any other part of the act. But that was only because the act did not become law until after the Forest Service budget was submitted for fiscal year 1982. And because the administration budget basically encompasses the Forest Service proposal, the Forest Service necessarily will be opposed to amendments offered at this time.

It is also true that the Biomass Division of the Department of Energy is authorized to fund wood residue utilization projects. But the type of project that the Biomass Division will consider does not include the projects of the type that I have just described. They will only fund projects embodying untested technologies. The projects contemplated by this amendment are no less valuable because the technology is in place and there is no other way that communities in their schools can start them up, in most cases, except through seed money of the type that my amendment contemplates.

The modest shift of funds that this amendment proposes represents a bargain too good to pass up. It will enable us to make important progress toward energy independence, and I would ask acceptance of this amendment.

I would like to quote from a March 3, 1981, GAO report dealing with the subject of wood residues.

Basically, the study by the GAO points out that at the present time forest management costs to take care of the residue problem run as high as $100 million annually. The GAO report says that utilization of these waste wood products in some form of energy conversion system would eliminate a portion of that $100 million cost. And it goes on to state:

> Overall, we believe that the Forest Service and DOE must begin to give greater attention and priority to wood residues in recognition of their vast potential for producing energy and products.

This is their suggestion.

Mr. WEAVER. Mr. Chairman, will the gentleman yield?

Mr. STANGELAND. I yield to the gentleman from Oregon.

Mr. WEAVER. I want to thank the gentleman from Minnesota and associate myself with his remarks. We are offering this amendment jointly, and I strongly support it. I was deeply grieved that the money was not put in here, and I appreciate the efforts of the gentleman from Minnesota. I will ask for my own time to speak on it.

Mr. AUCOIN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. STANGELAND) has expired.

(On request of Mr. AUCOIN and by unanimous consent, Mr. STANGELAND was allowed to proceed for 2 additional minutes.)

Mr. STANGELAND. I yield to the gentleman from Oregon.

Mr. AUCOIN. I appreciate the gentleman yielding to me, and I also sympathize with his amendment because I offered his amendment in the subcommittee. I was sorry it failed on a tie vote. This fact should show the gentleman that I have some sympathy for programs that can realistically and responsibly capture wood waste and convert it into an energy use.

But could the gentleman tell the House why he chose to take the funds for his amendment out of the Forest Service's roads program? Is there a reason why the gentleman would single out this program, for which I have worked very, very hard to try to achieve a responsible level of funding? I have great difficulty with the gentleman's amendment today because he takes funds out of a good program that is vital in the Northwest. So I ask the gentleman, why would he single out the Forest Service roads program, which is so important to my region and the rest of the country?

Mr. STANGELAND. Mr. Chairman, I would be more than happy to respond to the gentleman.

As I state, we are requesting $5 million out of a $486 million appropriation. It is apparent, to me at least, that the Forest Service would have, with that $481 million left, adequate funds for roads.

I would also like to point out that in this same bill, in the same appropriation bill, the Forest Service is returning to the U.S. Treasury through excess forest sales, timber sales, over and above the amount appropriated, $78 million. So the Forest Service has adequate funds.

Mr. AUCOIN. I disagree with the gentleman. The Forest Service does not have adequate funds. The level of funding in the forest roads program—the timber sales program—is a level providing a harvest of approximately 11.9 billion board feet of timber. That is the same level that we had last year. If the gentleman's amendment is accepted, the level would drop by 100 million board feet, and that is damaging.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. STANGELAND) has again expired.

(On request of Mr. DICKS and by unanimous consent, Mr. STANGELAND was allowed to proceed for 2 additional minutes.)

Mr. DICKS. Mr. Chairman, will the gentleman yield?

Mr. STANGELAND. I yield to the gentleman from Washington.

Mr. DICKS. I, too, sympathize with the gentleman's amendment and probably would support it if it were not going to result in a cutback, a substantial cutback, in the forest roads program.

In my view, we do not want to reduce the revenues coming into the Forest Service. And the quickest way to make sure that the Forest Service cannot carry out its program of sales is to cut off the absolutely essential road construction program.

I would urge the gentleman to reconsider. If he would change the amendment, I think I could support it. I supported that kind of an effort in the subcommittee. But when you take the money out of the road construction program you cut into 100 to 200 million feet of sales, which is desperately needed by smaller mills throughout this country for basic survival. I would urge the gentleman to reconsider. If he cannot, then I would have to oppose the gentleman's amendment.

□ 1510

Mr. STANGELAND. I appreciate the comments of the gentleman from Washington. It would seem to me that one one-hundredth of the appropriations is a very modest amount.

Mr. DICKS. That would be true except that the road construction program has been underfunded over the years and we are behind on the roads that are needed to be built to execute the sales plan.

I know it looks like a large amount of money but it does produce revenues. If you cut into it you are going to cut into the revenues and you are going to make it impossible for the Forest Service to execute its sales program.

Mr. WEAVER. Mr. Chairman, will the gentleman yield?

Mr. STANGELAND. I yield to the gentleman from Oregon (Mr. WEAVER).

Mr. WEAVER. I thank the gentleman for yielding.

I am astonished by the statement that the road program has been underfunded. It has been burgeoned by hundreds of millions of dollars over the last decade and it is now up to all-time highs, $84 million for maintenance alone, that is not even in this budget, in this figure.

Some places they are building 6 miles of road for every square mile of national forest.

The CHAIRMAN. The time of the gentleman from Minnesota (Mr. STANGELAND) has expired.

(At the request of Mr. WEAVER and by unanimous consent, Mr. STANGELAND was allowed to proceed for 2 additional minutes.)

Mr. WEAVER. If the gentleman will continue to yield, we are building a superhighway system in our national forests. What is even worse, what is worse, Mr. Chairman, is that when the gentleman says building roads is important to get money back into the Treasury, this is absolutely the opposite, because many of these sales are deficit sales.

The roads are so costly, so overengineered, go up into inaccessible areas, high mountain areas, ravines, that the road costs more than the timber. There are many deficit sales.

Actually by cutting back on the road budget we may be saving the Treasury money.

Mr. DICKS. Mr. Chairman, will the gentleman yield?

Mr. STANGELAND. I would much prefer that the debate on roads not enter into this. I think we are missing the point.

I yield to the gentleman from Washington.

Mr. DICKS. I thank the gentleman for yielding.

I would point out to Mr. WEAVER that his subcommittee has legislative jurisdiction over the Forest Service and over their road program and if he does not like the way they build roads, why does he not do something about it?

Mr. STANGELAND. I think we are missing a point here where we are appropriating $5 million, the potential for savings to the Forest Service of the need to clean up the residue and the waste timber could be substantial if we start a program of utilization of that slash and that down timber and private enterprise doing the cleaning up for the Forest Service.

I think in the long run, the Forest Service is going to be gainer on this type of program.

Mr. DICKS. If the gentleman is not successful, I want him to know we will try to support him next year in the committee.

Mr. MORRISON. Mr. Chairman, will the gentleman yield?

Mr. STANGELAND. I yield to the gentleman from Washington.

Mr. MORRISON. I thank the gentleman for yielding.

I would like to support the amendment proposed by the gentleman from Minnesota, however, I can cite examples of a shortage of road funds for the Forest Service in the area of Mount St. Helens, in which we have only 3 years to remove 3½ billion board feet of timber blown down by the volcano over 1 year ago. We have lost 2 or 3 precious months this year because we do not have adequate funds through existing Forest Service road appropriations, and I must oppose the reduction embodied in this amendment.

Mr. AuCOIN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to oppose the amendment. I hope that my colleagues would not rush to a judgment on this question and somehow ignore where the gentleman from Minnesota gets the funds to fund what I consider in the abstract to be a worthy program.

We have to link these two issues together because the gentleman is cutting a very vital program, the timber sales program, the forest roads program, which we need in order to assure a steady, supply of timber into the marketplace for the consumer in the construction of housing.

I hope my colleagues will recognize we cannot simply deal with one side of this question. The other side is equally important and it will be devastating not only to the Pacific Northwest and other timber-producing regions of the country but to housing consumers who will find the cost of housing going up if we reduce substantially further the timber sales level proposed in this bill.

Now I must say that my friend from Oregon surprises me. Of course, he has surprised me in the past, and I am sure he will surprise me in the future, but he surprises me today when he stands before the Members and states that we are building superfreeways in the national forests.

The gentleman ought to know that if this amendment passes we will have brought the level of funding for timber sales and forest roads down to the lowest level since fiscal year 1977. The consumer is going to catch it in the neck in economic costs that will be caused as a consequence of such an amendment.

I do not understand how my friend from Oregon can rationalize that fact.

I cannot understand why my friend from Oregon, who is the chairman of the authorization subcommittee, fails to see what is happening in the bidding practices on the national forests.

I would like to share this information with my colleagues. Mills and timber buyers bidding on national forest timber are bidding on a panic basis because of fear that they are not going to be able to acquire adequate amounts to stay alive.

Do my colleagues know what that means? It means panic bidding which is driving up the price of stumpage to record levels. Who do the Members think ultimately pays for that? The American consumer pays for that, not just people in the Pacific Northwest, but people from Minnesota who are going to be buying housing because the studs and other wood products that go into the construction of that house are going to cost infinitely more if we allow this panic bidding to continue.

Panic bidding for Federal timber will continue if we do not allow a basic funding level for timber sales and forest roads.

Let me share with my colleagues what has happened since the year 1970 on bidding on national forest timber.

In 1970, prices were $37 a thousand. But because of uncertainties about future timber supply, because of underfunding of the forest roads, bid prices have risen by almost 200 percent in the last 9 years. Some sales are going for $700 a thousand compared to $37 a thousand 9 years ago.

Now, of course, it is necessary to capture wood waste lying on the forest floor and convert it to energy use, and I will support that as I supported it in the subcommittee. I offered a similar amendment in the subcommittee and I only wish the gentleman from Minnesota would separate the question today, because Members do not have to be forced into this kind of choice. We do not have to say we have to decimate the timber sales program in order to have this program.

I just think we have got the wrong linkage of issues here and I would urge my colleagues who care as I do about wood utilization to defeat this amendment, as much as it pains me to say so to my friend from Minnesota. We should defeat it because of damage it would cause to consumers across the United States who want housing.

Mr. REGULA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, this amendment has been thoroughly discussed. I simply would point out that the budget presently does have funds for this purpose although not specifically earmarked as such. We have confidence in the Forest Service management, that they will dispose of the slash in the most effective possible way, and I do not think it is necessary to earmark funds for this particular purpose.

As a matter of fact, in many of the national forests they have made them available to the public, and we find citizens going in on the weekends with trailers and taking the waste material out. I think this is a good way for the people to become acquainted with the national forests. It is good recreation and provides them with wood, and I do not believe it is necessary to earmark money to drag this out to the road so that it can be conveniently secured by those who want to use this energy material.

The Forest Service is doing an excellent job of handling it and this amendment just simply is not necessary.

But further, I would agree with the remarks of the previous speakers that we do not want to tamper with the road fund. It is probably too low as it is and in order to have timber sales we need access to the mature trees we are losing.

Mount St. Helens is probably the worst case. We are losing mature trees in other parts of the national forests. As with every crop there is a time to

harvest. The gentleman from Minnesota would appreciate that fact. There is a time to harvest, therefore, you need roads that we can get to trees otherwise they blow down and rot and are lost to the consumers of America.

Mr. STANGELAND. Mr. Chairman will the gentleman yield?

Mr. REGULA. I yield to the gentleman from Minnesota.

Mr. STANGELAND. I thank the gentleman for yielding.

I would like to point out that while the Forest Service has said they are going to utilize approximately these amounts of dollars for clearing and cleaning up, we are not going to get pilot projects underway to utilize the amount of downfall and slash that we have by people going in and harvesting their firewood. It is just not going to be done. That is using a thimble to drain the ocean.

It just does not work that way. This is seed money to encourage the utilization of timber and waste wood products in a fashion that is going to provide a prime source of energy. There is a tremendous amount of benefit and good to this program, and I think this program is meritorious enough that the road program and the program for acquisition can sacrifice one one-hundredth of their appropriation.

□ 1530

Mr. DICKS. Mr. Chairman, will the gentleman yield?

Mr. REGULA. I yield to the gentleman from Washington.

Mr. DICKS. I want to commend the gentleman from Ohio for reminding us of one very important factor. At any one time on our national forest system there is 1 billion board feet of salvage timber, either blown down or diseased, that could be taken off that system and used effectively if we had an appropriate road structure. By standing in the way of getting the kind of road structure we need, we stand in the way of salvaging that timber and being able to utilize it, keeping prices down and helping the consumer. So the gentleman's point is very well taken.

Mr. REGULA. I thank the gentleman.

One last comment. I have visited a number of our national forests and have a great interest in them. I think it is one of the very well managed functions of the Federal Government. I have confidence that the programs, with the funding that we have already provided, will be adequate to meet this need and that we should not adopt an amendment that earmarks funds for this purpose particularly if it means taking it out of the road funds.

I yield back the balance of my time.

Mr. WEAVER. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I want to say I appreciate the remarks of my friends and colleagues who have said that I was the chairman of the authorizing subcommittee and why do I not act? Indeed, I did. For 3 years I fought a lonely fight pushing this bill through. I authored, sponsored, managed, and carried the Wood Residue Utilization Act through the Congress. With the help of my dear friends and colleagues, we enacted this bill. So I did my job exactly as I should as chairman of the authorizing subcommittee.

But when it came to the Appropriations Committee, they refused to fund it. What good is the Wood Utilization Act if it is not funded? This is a very important piece of legislation—why do we not fund it?

I tell my dear friend, the gentleman from Ohio (Mr. REGULA), who says that the Forest Service is doing an excellent job of disposing of this wood waste, does the gentleman know what they do? I have the most national forests in my district of any district in the country; 20 percent of the standing national forest timber in the country, in my district; five of the great national forests. Does the gentleman know what they do with the wood slash from timber harvests? They burn it. They pay people to rake it up. It is as much as 6 inches in diameter. They put it in piles called pum piles and then they pay people to burn it.

What happens in the burning time? The skies of Oregon, the air, sometimes you cannot even see across the street in the cities because of all this wood waste that the Forest Service is burning.

If the gentleman calls that an excellent way to manage, I have to ask the gentleman this: I have lumber mills now producing electricity with this wood waste at one-third the cost of the nuclear plants they are building. One-third cheaper. Yet we are burning in our national forests of Oregon enough energy every year to heat three-fourths of the homes and buildings in Oregon. That is just Oregon. That is an excellent job?

I have hundreds of gypo loggers who go to the local ranger or their local BLM Director and beg them to allow them to go up and get the slash piles that they are burning to rescue the wood and bring it out. They refuse. They refuse to do it. I can cite the gentleman literally dozens and dozens of instances because they call me up. They call me at 4 in the morning. That, or earlier, is when loggers get up. They say, "The local ranger is going to burn those huge piles out there today. I can make money on them. I can get energy out of them." They will not do it. That is an excellent way? Oh, no, I say to my friend, the gentleman from Ohio, whom I hear constantly saying things that are wise and good and I agree with the gentleman most of the time. No; this is not an excellent way.

Mr. REGULA. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Ohio.

Mr. REGULA. I think the gentleman fully understands the reason that in some instances they have to clear-cut, because if one is going to have to have sustained yield and if the new reforestation planning is to flourish, it has to be done in an environment that is clear of other brush and other waste.

As the gentleman well appreciates—perhaps more than I—these projects are let on a bid basis. Therefore, if this slash had the value that the gentleman alludes to, the company that bid on the timber originally would have a subcontract with all these 4 a.m. loggers to come in and get that slash, because it would reduce their costs.

Mr. WEAVER. I say to my dear friend, the gentleman from Ohio (Mr. REGULA), that the companies have insurance policies, and when these gypo loggers go to them they say our insurance men would not allow them on that site. We cannot do it. I have gone to the Forest Service and asked them to please write into the contract so the gypo logger could go in and do it, but no. All they want is the green timber, get it out, and the slash goes to waste.

Mr. REGULA. Mr. Chairman, will the gentleman yield further?

Mr. WEAVER. I yield to the gentleman from Ohio.

Mr. REGULA. Mr. Chairman, economics would cover this situation.

The CHAIRMAN. The time of the gentleman from Oregon (Mr. WEAVER) has expired.

(By unanimous consent, Mr. WEAVER was allowed to proceed for 5 additional minutes.)

Mr. REGULA. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Ohio.

Mr. REGULA. Mr. Chairman, once the logger has taken out the saw timber, there would be no problem, no liability if—as the gentleman from Oregon is using the term—the "gypo logger" would go in and follow up and gather the slash. As the gentleman knows, the Forest Service does in many instances allow the public to go in and gather up this slash.

Mr. WEAVER. I say to the gentleman this is the very point of this bill. The big lumber companies do not think it is commercially feasible. I have held hearing after hearing after hearing in which they appeared and said, "We cannot take that out; it is not commercially feasible."

That is why I introduced this Wood Utilization Act, so the Forest Service can go out with demonstration projects to determine whether or not it is commercially feasible.

Then I say to my dear friend, my beloved colleague, the gentleman from Oregon (Mr. AuCoin), who got up on the floor and talked about panic bidding because somehow or other there were no roads to build into the forests, the roads have nothing to do with it. Region 6, our region in the Northwest, is cut to the maximum of the allowable cut in every year in the last 20 years; and I have testimony from probably a dozen different hearings from the Chief of the Forest Service and the Assistant Secretary and the region 6 administrator to this effect; but what causes the panic bidding is the fact that there are foreign buyers in our market, in our private timber market, that bid the price up. We all know that. We all know that the 2 billion to 3 billion board feet that go out of the Northwest a year and the bidding on that is what causes the prices of the timber to go up, not the fact that we have roads or not.

We have plenty of roads. The roads have never stopped a board foot from being cut in the Northwest. The panic bidding has been from log exports and the diminishing supply of private timber in the Northwest. This is the reason for panic bidding. I just wanted to set the record straight on this.

So, therefore, the log exports—and I will be offering an amendment on log exports, and I assume my friends will support me on my log export amendment because that does cause the cost of housing to go up; that does cause the price of the stumpage to go up, and that does put our people out of work.

Mr. Chairman, let me speak briefly on why it is necessary to get this wood out. We do have one development down in Honey Lake, Calif., where they are going to start producing electricity from wood waste.

□ 1540

It is this very kind of project that we must demonstrate and put into practice, because we could create energy immediately. We could put 1,000 people to work in the Northwest within the next 6 months if we used our wood waste. We do not have to wait 10 years for a synfuels plant or wait 10 years for a nuclear plant. We have heavy unemployment in the Northwest—it is now 30 percent in many areas of my district—and we could put these people to work making energy at one-half the cost of foreign oil and one-third the cost of nuclear power from plants being built today. It would cost much less than the money we funded early on here for synfuels.

Mr. Chairman, here is a chance to get cheap energy and put people to work, and we would not have to wait 10 years, not even a year. We can put people to work immediately, but we need this project funded to prove to the industry that it is commercially feasible.

Mr. REGULA. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Ohio.

Mr. REGULA. Mr. Chairman, I thank the gentleman for yielding.

I would like to read from the hearing record. This is Mr. Regula, questioning Mr. Peterson, who is the Director of the Forest Service:

Has this phenomenon of people wanting firewood had much impact on going in and cleaning out the areas?

Mr. Peterson. Yes. In fact, we have a couple of regions, that apparently moved more material last year in firewood than they did in regular sales. We had over 972,000 free firewood permits last year that removed about 2 billion board feet.

This is the slash the gentleman from Oregon is talking about.

And the witness goes on to say this:

Mr. Peterson. That is big business. In some places the demand is such that we probably are going to move into some kind of a charge system for the firewood, a nominal charge.

So here we have the Director of the Forest Service in our hearings saying that we have 972,000 permits, and people want the slash. They are gathering it, and there is no need for the approach provided in the amendment of the gentleman from Minnesota.

Mr. WEAVER. Mr. Chairman, let me say to my friend that I never said that. I agree with the gentleman that the firewood program is a great program. I never at any time made an allusion, even the slightest allusion, to the firewood program. That is sacred to me.

The CHAIRMAN. The time of the gentleman from Oregon (Mr. Weaver) has expired.

(By unanimous consent, Mr. Weaver was allowed to proceed for 30 additional seconds.)

Mr. WEAVER. Mr. Chairman, let me repeat the firewood program is great. Even with it, we still burn and waste in our forests 6 million tons of wood a year in Oregon alone.

Mr. DICKS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I just want to point out several things here on behalf of myself and my colleague, the gentleman from Oregon (Mr. AuCoin).

Of course, we are not in region 6 cutting anywhere near the sustained yield. That is one point we want to make.

Second, I want to point out that there is an implication in terms of the small timber companies in our area. If this amendment were approved, the one that has been endorsed by my colleague, the gentleman from Oregon (Mr. Weaver), between 100 million and 200 million board feet of timber would not be available to those people who are dependent on the Federal forest lands for their livelihood. That troubles me, because when we talk about other issues, they do not even reach the dimension of this cut and what it would do in making timber available to the small timber owners in the Pacific Northwest.

So there is no free lunch here. When we cut off roads, we cut off sales. My friend, the gentleman from Oregon, knows that, but he did not seem to be willing to express that point in his discussion of concerns about the level of sales and the availability of timber in the Pacific Northwest. We just want that to be clear in the record.

Beyond that, I would say to my friend, the gentleman from Minnesota, that I do share his concern. I supported the amendment in committee. I only wish that he would revise his amendment to take care of the wood utilization but not penalize the road program, the sales program, and the small firms all over this country that are dependent on forest services.

Mr. WEAVER. Mr. Chairman, will the gentleman yield?

Mr. DICKS. Mr. Chairman, I yield back the balance of my time.

Mr. YATES. Mr. Chairman, I move to strike the last word, and I rise in opposition to the amendment.

Mr. Chairman, I ask unanimous consent that all time on this amendment and all amendments thereto expire in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. YATES. Mr. Chairman, this amendment has been thoroughly discussed already. The gentlemen from the Northwest who have gathered about this amendment have brought us all the facts in connection with it.

The information we have is that the road program is necessary in order to carry out the projected timber cuts not only for this year but for the next year, and that the gentleman's amendment would result in a large economic loss.

For that reason, Mr. Chairman, I urge defeat of the amendment, and I yield back the balance of my time.

The CHAIRMAN. All time for debate on this amendment having expired, the question is on the amendment offered by the gentleman from Minnesota (Mr. Stangeland).

The amendment was rejected.

AMENDMENT OFFERED BY MR. GLICKMAN

Mr. GLICKMAN. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

FRANKLIN DELANO ROOSEVELT MEMORIAL COMMISSION

SALARIES AND EXPENSES

For necessary expenses of the Franklin Delano Roosevelt Memorial Commission, established by the Act of August 11, 1955 (69 Stat. 694), as amended by Public Law 92-332

(86 Stat. 401), $30,000, to remain available for obligation until September 30, 1983.

The Clerk read as follows:

Amendment offered by Mr. GLICKMAN: On page 51, strike lines 8 through 14.

Mr. GLICKMAN. Mr. Chairman, in the total scope of things in America, this is probably not going to make us or break us. What the amendment does is strike the $30,000 for the Franklin Delano Roosevelt Memorial Commission that is appropriated in this bill.

I hope I have some integrity in this process, because I raised the same amendment last year. I have talked to the subcommittee chairman about it, and I have talked to the ranking minority member, the gentleman from Pennsylvania (Mr. MCDADE), about it.

I would make the following points that I think are relevant: This Commission was authorized in 1955, 26 years ago, to come up with an idea to have a memorial for our beloved former President, Franklin Roosevelt. Through fiscal year 1981, or over a quarter of a century, $510,000 has been appropriated for this Commission. The funds included in this bill are $30,000.

There have been four design proposals from this Commission which has been in existence 26 years that have been submitted to the Congress. The first one, in 1962, was rejected; the second one, in 1966, was rejected; the third one, in 1970, was never fully pursued; and the fourth proposal, in 1978, is currently pending. There are resolutions introduced in both Houses of Congress authorizing this. The latest memorial is estimated to cost in excess of $20 million.

The Commission has been in existence over 25 years. It has come up with four proposals. The Commission has cost the taxpayers a half million dollars trying to come up with a memorial. Actually Mr. Roosevelt did not want a memorial, although I happen to think that if it could be built, it could be a nice tribute to him.

I would state to my colleagues that one of my staff went out and took this picture which has been in front of the Archives Building, and I want to read what it says. It says:

In September of 1941, President Franklin Delano Roosevelt called his friend on the Supreme Court, Justice Frankfurter, to the White House and asked the Justice to remember his wish.

He then expressed this:

If any memorial is erected to me, I know exactly what I want it to be. I should like it to consist of a block about the size of this (putting his hand on his desk) and placed in the center of that green plot in front of the Archives Building. I don't care what it is made of, whether limestone or granite or whatnot, but I want it plain without any ornamentation but the simple carving, "In memory of——."

And he left a blank for his name.

This block of granite now exists in front of the Archives. Underneath it says: "The living associates of the President on April 12, 1965, the 20th anniversary of his death, fulfilled his wish by providing and dedicating this modest memorial."

Now, I suppose that one can argue pro or con against the memorial. A very lovely memorial has been proposed by the Commission. It is contained in a beautifully decorated book called "The Franklin Delano Roosevelt Memorial," and it has been submitted to Congress.

This Commission has been in existence 26 years at a cost of $40,000 or $50,000 a year. I believe it has been the longest Commission with that single purpose orientation that has ever been in existence in the Government of the United States.

As for myself, I think that the real, significant memorial to Franklin Delano Roosevelt ought to be the social security system, or the minimum wage, or the public works programs, or the shelter belts that have prevented soil erosion, or the highway system, or the thousand other things he did to make America great. Perhaps some of the funds for the Commission's operations, and the memorial itself, could be used to fund some of the programs he initiated, and which the current administration is trying to eliminate. But even if we build a permanent memorial, which may be a wonderful thing to do, the Commission can still complete its work by September 30, 1981.

Let us end this little bit of nonsense which is costing the taxpayers $30,000 to $50,000 per year. We have had four proposals, and the proposals can go to the Interior Department now.

We can make a decision in this Congress whether to authorize a memorial to President Roosevelt or not. It is not necessary that we fund this additional $30,000, which expenditures for a Commission has been written up in every conceivable example of public waste that we can imagine.

Mr. Chairman, I would urge my colleagues to vote for this amendment. I think that we can justify a memorial to a great President, but this Commission was proposed in Public Law 84-372 in 1955, and it has been funded every single year for 26 years. We have had for 26 years an office and a staff person there and a Commission to decide on the kind of a memorial we should build for this President.

□ 1550

I just think it is $30,000 that is being frittered away. We can go ahead with the memorial if we want to. The Commission will have until September 30, 1981. They have another 60 days to come up with the proposal. After that the Interior Department and this Congress can decide upon it.

So I would urge adoption of the small but simple memorial.

I might add that somebody called my office and said, "Are you proposing this because you are from Kansas and Alf Landon ran against Mr. Roosevelt?"

I said, "Of course not; that is all the more reason for me to support it, because I am the only federally elected Democrat representing the State of Kansas in Washington."

The other thing is that I have communicated with some members of the Roosevelt family, and they themselves have indicated that they think that the current memorials, the block stone, the F. D. R. Library at Hyde Park, and the plans underway for the 100-year celebration of Mr. Roosevelts' birthday are sufficient.

The CHAIRMAN. The time of the gentleman from Kansas (Mr. GLICKMAN) has expired.

(By unanimous consent, Mr. GLICKMAN was allowed to proceed for 1 additional minute.)

Mr. GLICKMAN. In addition, the plans underway for celebration of the centennial of his birth, and funds were included in the fiscal year 1981 supplemental appropriations bill, are sufficient for honoring the greatest American President certainly in this century; so I would urge if you want to go ahead and build a memorial, fine; but let us not appropriate this $30,000 for a Commission which is clearly not needed.

Mr. YATES. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I ask unanimous consent that all time on this amendment and all amendments thereto expire in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. YATES. Mr. Chairman, much of what the gentleman has said is true. There is no question about the fact that the Commission has been in existence for a long time. It has proposed numerous memorials in honor of the late President and in each instance their suggestions have been rebuffed.

The fact that no memorial has yet been agreed upon does not mean that no memorial should be agreed upon. I think the killing of this Commission will result in the destruction of every attempt to try to provide a worthy memorial for the late great President.

So I am moved to tell the gentleman that I oppose his amendment, I think the Commission ought to be given 1 more year, with the direction to come up with some tangible, acceptable proposal within the next fiscal year. If they are not going to do that within the next year, I think we ought to

listen to an amendment like the gentleman's at that time.

I continue to oppose the amendment.

The CHAIRMAN. The chair recognizes the gentleman from California (Mr. DANNEMEYER).

Mr. DANNEMEYER. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Kansas (Mr. GLICKMAN) which would, if adopted, delete the $30,000 appropriation for the Franklin Delano Roosevelt Memorial Commission contained in the pending bill, H.R. 4035.

The F. D. R. Memorial Commission was established by Congress pursuant to Public Law 372 on August 11, 1955, "for the purpose of considering and formulating plans for the design, construction, and location of a permanent memorial to Franklin Delano Roosevelt in the city of Washington, or in its immediate environs." Furthermore, the resolution creating the Commission charged it to complete its work "at the earliest practicable date." Twenty-six years and over $500,000 later, a memorial has yet to be built. On its fourth try, the Commission was able to produce a design acceptable to the Fine Arts Commission in March of 1978. Accordingly, the original purpose of the F. D. R. Memorial Commission—that of "formulating plans" had been achieved as of March of 1978. As the gentleman from Kansas (Mr. GLICKMAN) has pointed out, since 1978 the ball has been in our court here on Capitol Hill. It is now up to Congress to authorize the construction of the memorial. In fact, resolutions are pending before the House and Senate to do just that—House Joint Resolution 196 and Senate Joint Resolution 95. Therefore, deleting the funding for the F. D. R. Memorial Commission does not prejudice a future decision on the construction of the memorial itself.

U.S. News & World Report carried an item in its issue of March 30, 1981, appropriately headlined "The F. D. R. Memorial Commission—$500,000 of Wheel Spinning." The magazine referred to the Commission as an agency that "sputters along—a one-person agency tucked away on Capitol Hill and largely forgotten."

In his widely read book, "Fat City (How Washington Wastes Your Taxes)" author Donald Lambro writes that F. D. R.'s son, James, once told the Commission that the family did not like the then-pending plans for a memorial in the early 1960's. Further, Lambro writes, "Roosevelt (referring to F. D. R. son James) also told the Commission that if it could not reach agreement by 1965, it should be disbanded."

I should also point out for the benefit of the House that the adoption of the gentleman's amendment would only remove the Federal appropriation. The authority for the Commission itself would remain in law, pursuant to Public Law 372. In addition, I note that the enabling resolution specifically authorizes the Commission, in section (2), subsection (b)—

> To accept gifts to be used in carrying out the provisions of this joint resolution or to be used in connection with the construction or other expenses of such Memorial.

Despite this authority for partial or total private funding via gifts, the lone employee of the F. D. R. Memorial Commission informed my office that the Commission has never accepted any gifts. I would suggest that $30,000 is not an unreasonable sum to raise should there be a reason to continue the Commission, even though its original purpose has been achieved. Furthermore, private gifts can and should be encouraged to finance all or part of the monument itself, should Congress ever make the decision to authorize construction.

The adoption of the pending amendment, and the deletion of the appropriation the amendment would achieve, would not remove all Federal support for F. D. R.-related activities. One can actually make the argument that other memorials to F. D. R. already exist. The Federal Government supports the F. D. R. Library in Hyde Park, N.Y. I believe the gentleman from Kansas (Mr. GLICKMAN) has a picture of the small stone structure near the National Archives here in Washington where the story is retold of F. D. R.'s instruction to Justice Frankfurter on F. D. R.'s preference for a small stone marker. I am informed that the fiscal year 1981 Supplemental Appropriations Act included funds for an appropriate celebration of the centennial of F. D. R.'s birth. Finally, the "Little White House" in Warm Springs, Ga., where F. D. R. was treated for polio, was designated as a national historic landmark by the Department of the Interior. The site is now a rehabilitation institute.

While the $30,000 appropriated in H.R. 4035 is very small, adoption of the amendment embodies an important principle. In a period of budget austerity, it is incongruous for us to allow this Commission to continue. We must eliminate unnecessary Government-financed agencies, boards, and commissions if we are to get a handle on Federal spending. This is a clear case of an agency trying to stay alive after its mission is over.

For all of the foregoing reasons, I urge the House to adopt the amendment offered by the gentleman from Kansas (Mr. GLICKMAN).

The CHAIRMAN. The Chair recognizes the gentleman from New York (Mr. FISH).

Mr. FISH. Mr. Chairman, I rise in opposition to the amendment to strike the appropriation for the Franklin Delano Roosevelt Memorial Commission.

As a commissioner, I have been involved for many years in the plans for a memorial for Franklin Delano Roosevelt. I do not think that any Member of this body can argue that the only man to be elected President four times does not deserve a lasting, permanent memorial here in Washington.

Plans for the memorial have been submitted since 1955, and the current plan holds the most promise for approval by the Congress. This plan has the support of the Commission on Fine Arts, in a letter dated October 10, 1979, as well as the National Capital Planning Commission and the National Park Service. Since the approval of the design, the Commission has been working within its limited means to convince the Congress to fulfill its statutory duty to authorize the construction to proceed. To cut off the Commission at this time would mean that new authorizing legislation for another group or agency to proceed with construction would have to be passed. We do not need more legislation on this matter: Only the approval of the Congress of the design being offered by the Commission.

I believe the House would be acting irresponsibly if it eliminated the Commission at this time. The climate appears more favorable now than at any time in the past to approve construction of the memorial. Next year marks the 100th anniversary of the birth of President Roosevelt. It took just as long to build a memorial to President Washington.

The current design would cost $23 million, half of the original 1978 proposal, to construct a memorial of bronze statues and gardens near the Tidal Basin. It would be in a park setting, encouraging visitors to participate in and experience many of the achievements of President Roosevelt.

There are two misleading reports regarding the Commission's plans for the memorial. First, U.S. News & World report claimed in a recent article that an acceptable memorial has yet to be designed. This is absolutely false, as indicated by the approval of the Fine Arts Commission and other responsible planning organizations in the District of Columbia. On May 30, 1978, the Commission reported its memorial design to Congress. The Commission's design, approved only 3 years ago and subsequently scaled down, needs only congressional approval. Without an opportunity to review the blueprints and the historically acceptable setting for the memorial, there can be no determinations as to the final disposition of the plans.

There have also been indications that James Roosevelt, the late President's son, did not approve the design

and wanted the Commission eliminated. This may be valid if we are discussing the 1962 design and Mr. Roosevelt's comment that a new design should be approved by 1965 or the Commission should end its work. But 15 years later, which is obviously more relevant, Mr. Roosevelt has approved the 1978 design and has not indicated his desire to eliminate the Commission. Further, only the Commission is authorized by law to plan for a memorial. We can respect the wishes of the Roosevelt family, but this does not determine the disposition of the Commission's work.

I have introduced legislation, House Joint Resolution 196, along with two other Commission members, Mr. Green and Mr. Howard, to authorize the construction of the F. D. R. memorial. The Committee on House Administration is planning to hold hearings on the resolution in September, and the Senate Rules Committee has scheduled a hearing on Senate Joint Resolution 95, a companion to our resolution, on October 15.

The memorial to President Roosevelt cannot be completed without the Commission's involvement and the cooperation of the Secretary of the Interior, as expressed in Public Law 94-332. We should not be misled that the Interior Department can alone construct a memorial. The authorizing legislation passed by Congress in 1955 and amended in 1972 would again have to be revised, or new legislation would have to be passed in order to change the current method of constructing the memorial.

The Memorial Commission members agree that a memorial should be constructed. I also agree that the Commission's work should come to an end. But we can only do this properly by approving the design and construction of the memorial and fulfilling the Commission's statutory mandate.

I urge a vote against the amendment.

The CHAIRMAN. The Chair recognizes the gentleman from New York (Mr. GREEN).

Mr. GREEN. Mr. Chairman, like my colleague, the gentleman from New York (Mr. FISH), I, too, am a member of the F. D. R. Memorial Commission.

I think the gentleman has explained well what the status of the Commission's work is, why it does have work left to do, and that the real stumbling block at this moment is the Congress of the United States, rather than the Commission.

I would simply like to make one point which has already been alluded to by the gentleman from Kansas. Next year will be the centennial of Franklin Roosevelt's birth. It is my hope and I think it is a sentiment shared by other members of the Commission that that event, by focusing attention on the life of President Franklin Roosevelt, will finally cause all the things that are needed to gel, so that a suitable monument may be erected.

The CHAIRMAN. The Chair recognizes the gentleman from Georgia (Mr. GINN).

Mr. GINN. Mr. Chairman, I am sorely tempted to vote for the amendment, but my better judgment tells me that we should give the F. D. R. Commission another year to come forward with a recommendation.

Now, the Commission has made several recommendations. Unfortunately, they have been very expensive.

I would urge the Commission if it is to be continued to consider a living memorial for Franklin Delano Roosevelt at Warm Springs, Ga., an institution which he founded and which has helped thousands of Americans who suffered from polio. I am one of those. I think a memorial to F. D. R. should be people oriented. It should be a living memorial.

I would hope if the Commission continues to exist that they would seriously consider a living memorial at Warm Springs, Ga.

Mr. ZEFERETTI. Mr. Chairman, I rise in opposition to the amendment.

Over the years, proposals to honor President Franklin Roosevelt have been discussed, blueprints have been studied, and memorials have been proposed—all of which have, to date, proven fruitless. The Federal Government's failure to construct a proper shrine to this great leader is marked by bureaucratic inefficiency on the part of the Federal Government, not the F. D. R. Memorial Commission.

We now have the vehicle with which to put those frustrations behind us. Each of the various agencies of Government have finally approved the design of the Commission's proposed memorial and only congressional approval is lacking. Some Members argue that the appropriation of funds for continuing the work of the Commission is inappropriate at a time when we are making every effort to curtail Federal spending.

But this relatively small sum of $30,000, a 25-percent decrease from the original request, is a small price to pay for the preservation and memorialization of American history. Five hundred thousand dollars has already been spent in studying, planning, and designing the proposed memorial, money that will be wasted unless we appropriate this additional small expenditure to bring an end to the Commission's work, to bring an end to the final chapter in this long and arduous process.

Franklin Delano Roosevelt is one of the most significant world figures of the century. He was our leader during the greatest military conflict in history, the architect of numerous social programs so vital to the health and well-being of the American people, and a man of uncommon courage in overcoming his own physical handicaps to lead us through those troubled times.

Paying for the cost of a proper and dignified tribute to this great American President is the responsibility of the Federal Government. Congress should be willing to accept the fact that the F. D. R. Memorial Commission is a vital cog in our effort to erect a suitable shrine to Franklin Delano Roosevelt. The major portion of its work has been completed. We should now appropriate the funds necessary to keep the Commission in operation and at least give it the opportunity to finish its work.

The CHAIRMAN, The question is on the amendment offered by the gentleman from Kansas (Mr. GLICKMAN).

The question was taken; and the Chairman being in doubt, the committee divided, and there were—ayes 19, noes 19.

The CHAIRMAN. The amendment is rejected.

RECORDED VOTE

Mr. DANNEMEYER. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

□ 1600

ANNOUNCEMENT BY THE CHAIRMAN

The CHAIRMAN. The Chair notes that the voting machine is not functioning properly. Therefore the Chair will terminate this electronic vote and will commence a rollcall de novo.

I do wish to announce for the information of the Members, to the extent Members have already been recorded, those votes will be counted. However, to insure everyone has a chance to vote, the Clerk will be instructed to call the roll in the normal manner, de novo.

The Clerk will call the roll.

The CHAIRMAN. The Clerk will call the names of those Members who failed to answer on the first call.

Before he commences, the Chair will announce that the Clerk is trying to retrieve the list of those Members who voted by electronic device before the time that the machine failed to function, and in the event it is possible to retrieve that, those Members who are so recorded will later be added to the rollcall. However, the Chair admonishes all Members to be sure that they are on the rollcall and, for that purpose, the Clerk will now call the names of those who did not respond on the first time through the rollcall.

The question was taken; and there were—ayes 201, noes 216, not voting 16, as follows:

[Roll No. 152]

AYES—201

Archer	Beard	Bliley
Ashbrook	Bedell	Breaux
Badham	Benedict	Broomfield
Bafalis	Bennett	Brown (CO)
Bailey (MO)	Bereuter	Brown (OH)

Broyhill	Grisham	Petri
Burgener	Gunderson	Porter
Burton, Phillip	Hagedorn	Pritchard
Butler	Hance	Pursell
Byron	Hansen (ID)	Quillen
Campbell	Hartnett	Rahall
Carman	Heckler	Regula
Carney	Hendon	Rhodes
Chappie	Hiler	Rinaldo
Cheney	Hillis	Roberts (KS)
Clausen	Hollenbeck	Robinson
Clinger	Holt	Roemer
Coats	Hopkins	Rogers
Coleman	Huckaby	Roth
Collins (TX)	Hunter	Roukema
Conable	Hyde	Rousselot
Corcoran	Jacobs	Rudd
Coughlin	Jeffries	Russo
Courter	Johnston	Santini
Coyne, James	Kildee	Sawyer
Craig	Kindness	Schroeder
Crane, Daniel	Kramer	Schulze
Crane, Philip	Lagomarsino	Sensenbrenner
Daniel, R. W.	Leach	Shamansky
Dannemeyer	LeBoutillier	Shaw
Daschle	Lee	Shelby
Daub	Livingston	Shumway
Davis	Loeffler	Shuster
Derwinski	Long (MD)	Siljander
Dickinson	Lott	Skeen
Dornan	Lowery (CA)	Smith (AL)
Dreier	Lujan	Smith (NE)
Duncan	Lungren	Smith (NJ)
Dunn	Marlenee	Smith (OR)
Early	Marriott	Snowe
Edwards (AL)	Martin (IL)	Snyder
Edwards (OK)	Martin (NY)	Solomon
Emerson	McCollum	Spence
Emery	McCurdy	Stangeland
English	McDade	Stanton
Erdahl	McDonald	Staton
Erlenborn	McEwen	Stenholm
Ertel	McGrath	Studds
Evans (DE)	Miller (OH)	Tauke
Evans (IA)	Molinari	Tauzin
Evans (IN)	Montgomery	Taylor
Fenwick	Moore	Thomas
Fiedler	Moorhead	Trible
Fields	Morrison	Volkmer
Findley	Mottl	Walker
Foglietta	Murtha	Wampler
Forsythe	Myers	Weber (MN)
Frank	Napier	Weber (OH)
Frenzel	Nelligan	White
Gejdenson	Nelson	Whitehurst
Gephardt	O'Brien	Whittaker
Gingrich	Ottinger	Winn
Glickman	Oxley	Wirth
Goldwater	Parris	Wolf
Goodling	Pashayan	Wortley
Gradison	Patterson	Wylie
Gregg	Paul	Young (FL)

NOES—216

Addabbo	Brooks	Edgar
Akaka	Brown (CA)	Edwards (CA)
Albosta	Burton, John	Evans (GA)
Alexander	Chappell	Fary
Anderson	Chisholm	Fascell
Andrews	Clay	Fazio
Annunzio	Coelho	Ferraro
Anthony	Collins (IL)	Fish
Applegate	Conte	Fithian
Aspin	Conyers	Flippo
Atkinson	Coyne, William	Florio
AuCoin	Crockett	Foley
Bailey (PA)	D'Amours	Ford (MI)
Barnard	Daniel, Dan	Ford (TN)
Barnes	Danielson	Fountain
Beilenson	de la Garza	Fowler
Benjamin	Deckard	Frost
Bethune	Dellums	Fuqua
Bevill	DeNardis	Garcia
Biaggi	Derrick	Gibbons
Bingham	Dicks	Gilman
Blanchard	Dingell	Ginn
Boggs	Dixon	Gonzalez
Boland	Donnelly	Gore
Bolling	Dorgan	Gray
Boner	Dougherty	Green
Bonior	Dowdy	Guarini
Bouquard	Downey	Hall (OH)
Bowen	Dwyer	Hall, Ralph
Brinkley	Dyson	Hall, Sam
Brodhead	Eckart	Hamilton
Hammerschmidt	Mazzoli	Savage
Harkin	McClory	Scheuer
Hatcher	McHugh	Schneider
Hawkins	McKinney	Schumer
Hefner	Mikulski	Seiberling
Heftel	Miller (CA)	Shannon
Hertel	Mineta	Sharp
Hightower	Minish	Simon
Holland	Mitchell (MD)	Skelton
Horton	Mitchell (NY)	Smith (IA)
Howard	Moakley	Solarz
Hoyer	Moffett	St Germain
Hubbard	Mollohan	Stark
Hughes	Murphy	Stokes
Hutto	Natcher	Stratton
Ireland	Neal	Stump
Jeffords	Nichols	Swift
Jenkins	Nowak	Synar
Jones (NC)	Oakar	Traxler
Jones (OK)	Oberstar	Udall
Jones (TN)	Obey	Vander Jagt
Kastenmeier	Panetta	Vento
Kazen	Patman	Walgren
Kemp	Pease	Washington
Kogovsek	Pepper	Watkins
LaFalce	Perkins	Waxman
Lantos	Peyser	Weaver
Latta	Pickle	Weiss
Leath	Price	Whitley
Lehman	Railsback	Whitten
Leland	Rangel	Williams (MT)
Lent	Ratchford	Williams (OH)
Levitas	Reuss	Wilson
Long (LA)	Richmond	Wolpe
Lowry (WA)	Ritter	Wright
Luken	Rodino	Wyden
Lundine	Roe	Yates
Markey	Rose	Yatron
Marks	Rostenkowski	Young (MO)
Matsui	Roybal	Zablocki
Mavroules	Sabo	Zeferetti

NOT VOTING—16

Bonker	Lewis	Michel
Cotter	Madigan	Roberts (SD)
Dymally	Martin (NC)	Rosenthal
Gaydos	Mattox	Young (AK)
Gramm	McCloskey	
Hansen (UT)	Mica	

□ 1640

Messrs. DICKS, LOWRY of Washington, and D'AMOURS, Mrs. BOUQUARD, and Mr. ECKART changed their votes from "aye" to "no."

Mr. RHODES changed his vote from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

□ 1650

ANNOUNCEMENT BY THE CHAIRMAN

The CHAIRMAN. The Chair will announce for the benefit of the Members that the Clerk successfully retrieved the list of those Members who had voted prior to the time that the electronic device malfunctioned and their names have been included in the list of those voting, if they have not subsequently responded.

Are there other amendments to title II?

Mr. RICHMOND. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise in support of the Appropriations Committee's bill to provide $157 million to the National Endowment for the Arts (NEA), $144 million to the National Endowment for the Humanities (NEH) and $14 million to the Institute of Museum Services (IMS).

As we all know, under the courageous leadership of our colleague, SIDNEY YATES, the Committee on Appropriations Subcommittee on Interior has weighed all the evidence during exhausting hearings and determined that the administration's proposals to cut the National Endowments for the Arts and Humanities by 50 percent and to eliminate the Institute of Museum Services are improper and unwise.

We must remember that the administration's position on reducing Federal spending for the arts has nothing to do with economics, it is a philisophical issue to which Mr. Reagan has always subscribed: "If people want the arts they will pay for them." But ironically this is not always possible. For example, the King Tut exhibit, which was visited by over 1 million people, would not have existed at all without the support of the National Endowment for the Humanities.

According to Mr. Reagan's premise, theaters, symphonies, museums, zoos, botanical gardens, and all other arts organizations would have to charge astronomical entrance fees to retain minimal operational levels.

Tax support of the arts provides every American citizen the opportunity to support the arts at the local, State, and Federal levels. The National Endowments' granting system provides for the equitable selection of the highest quality programs and projects on a nationwide basis, while allowing for experimentation and development.

Will Americans pay $15 to visit a zoo, botanical garden, theater, or museum? Is $20 a reasonable amount for a ticket to a nonprofit, experimental theater when tickets to profitmaking Broadway shows have similar prices? What the President actually postulates is a return to antiquated 19th century ideals—the arts should belong to and be enjoyed by only a select few.

Thanks to 16 years of Federal arts funding, today the arts are found in our schools, shopping centers, parks, recently built or renovated theaters, museums, and art centers and even on street corners.

The National Endowments are funded at roughly 70 cents per capita and the IMS at only 4½ cents per capita. But their return to the country is enormous. Last year in New York City alone, the gross economic impact of the arts was $5.2 billion. The arts are the second largest industry in the States of New York and Massachusetts, the only States where such studies have already been completed.

Mr. Chairman, the money that this country provides right now in support of the arts is embarrassingly low compared to Great Britain's per capita expenditure of $3.60, Denmark's $28.44, and Austria's $100.

The administration believes that Federal funding of the arts is a very low priority and that private corporations will make up the difference between present Federal funding and the new proposed levels. But corporate executives have told us time and time again that they cannot make up the difference, nor will they make up the difference. In fact corporations are already cutting back their commitments to arts organizations and a number of State legislatures have taken their cue from the Federal Government and have started cutting back their commitment to the arts as well. The States, corporations, foundations, and individuals have always followed the Federal Government's lead in supporting the arts. If we say "the arts are a low priority" then all the others may well follow suit and the cuts could quickly reach $2.8 billion, not the proposed $88 million that Mr. Reagan requested.

The cuts that this administration proposes in the arts are doing what Mr. Reagan complained about bitterly during his last campaign: politicization of the arts. Mr. Reagan accused President Carter of making the arts political, but nothing in the history of this country has made those involved in the arts more politically aware and active than these proposed cuts. For the first time musicians and sculptors and actors and designers and singers and dancers and all other artists are working together to fight a potential injustice which could be perpetrated on their industry.

I urge my colleagues to join with me in supporting the Appropriations Committee's bill and hope that everyone understands what the administration's proposed cuts would really mean. Hopefully, the Senate will appropriate similar figures and we can stop the day-to-day battle for the survival of the arts community and allow artists to go back to developing their art forms instead of developing their knowledge about the legislative process.

Thank you.

Mr. DE LUGO. Mr. Chairman, I move to strike the next to the last word, and I rise in support of the committee bill.

Mr. Chairman, as the House considers H.R. 4035, the fiscal year 1982 Interior appropriations bill, I would like to take this time to personally thank the distinguished chairman of the Appropriations Subcommittee on Interior, Hon. SIDNEY YATES, for demonstrating extreme sensitivities to the unique problems faced by the territories of the United States, including my native Virgin Islands. He has extended a much-needed helping hand to us at a time when we need it the most—and for his thoughtfulness I will be forever grateful.

As we all know, times are tough everywhere—including in the U.S. territories. In the U.S. Virgin Islands the effects of historic budget cuts are already being felt. The impending tax cut threatens a further loss of revenue because of our unique "mirror tax" system. On top of this, the general state of the economy is wreaking havoc on our local industries, including our most important source of revenue—tourism.

In the midst of this bleak economic picture, Chairman YATES has proven to be a beacon of hope for the U.S. territories. His compassion for our ominous situation was particularly evident during hearings before his subcommittee where the Governor of the Virgin Islands, Juan Luis, the members of his cabinet, and myself were afforded a forum to inform this Congress of the drastic effects of the budget and tax cuts. In all the years I have represented the Virgin Islands in Washington, it is hard to recall a more open, comprehensive, and, I believe, educational exposé of the unique economic problems faced by the territories. Then again, it is hard to remember a time when the situation was this serious.

The extent of the chairman's concerns are evident in the bill before the House today. For example, under his leadership the committee directs the Department of the Interior to submit a report, concurrent with the submission of the fiscal year 1983 budget request, that specifies the fiscal impact of program and tax cuts enacted in this session of Congress on each of the territories. The committee also encourages the submission of a supplemental request for fiscal year 1982 which provides an equitable adjustment for these impacts. The chairman also led the fight to increase, by $6.4 million, the appropriation for hospital construction which will guarantee that the new facilities on the three islands in the Virgin Islands will be completed—and ahead of schedule at that.

Again, I would just like to thank Chairman YATES for his help and for his understanding of the unique problems facing the U.S. territories today.

AMENDMENT OFFERED BY MR. SIMON

Mr. SIMON. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses in carrying out fossil energy research and development activities, under the authority of the Department of Energy Organization Act (Public Law 95-91), $463,750,000 and $400,000 to be derived from "Energy production, demonstration, and distribution", Department of Energy, to remain available until expended: *Provided*, That no part of the sum herein appropriated shall be used for the field testing of nuclear explosives in the recovery of oil and gas.

The Clerk read as follows:

Amendment offered by Mr. SIMON: On page 36, line 22, insert ", of which not less than $5,000,000 is to be used for the Carbondale Mining Technology Center located at Carbondale, Illinois" after "until expended".

Mr. SIMON. Mr. Chairman, I hope we can get by without taking more than 5 minutes.

This amendment has an impact on the Carbondale Mining Technology Center which exists in no small part because my distinguished colleague, the gentleman from Illinois, the chairman of the Appropriations Subcommittee (Mr. YATES) was good enough and wise enough and farsighted enough to see that we needed to do more in the area of coal research in this Nation.

My concern in the appropriation and with the situation is this: Two years ago this particular research center received from the Department of Energy approximately $22 million. Last year, or the current fiscal year, they are receiving about $7 million. Their money is going down, as I would point out to my colleagues in the House, as is research in the conventional use of coal generally. Unfortunately, we are spending much more money in nuclear research, but not in the conventional use of coal.

My second concern is a general concern that applies not simply to the Carbondale Center, and that is, we are not doing anywhere near enough on high sulfur coal research. And Carbondale is in the center of the Nation's high sulfur coal.

My third concern is what is happening over in the Senate. In the Senate Appropriations Subcommittee they have put on an amendment that says this particular research center can be given to Southern Illinois University. Some of my friends at Southern Illinois University have talked to the people in the Department of Energy about this and I do not oppose it if there is some assurance of continued funding.

I would like the attention of my colleague (Mr. YATES) on this. The Department of Energy people have talked to the people at Southern Illinois University and the Southern Illinois personnel have been assured, "You are going to have money to support this if this is handed over to you."

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. SIMON. I would be pleased to yield to my distinguished colleague from Illinois.

Mr. YATES. The gentleman knows I share deeply the best interests of Southern Illinois University and of the Carbondale Mining Technology Center. I share the gentleman's feelings on this most deeply. I would like to see it continue. The program, however, is being cut down.

The one objection I have to the gentleman's amendment, and perhaps it can be avoided, is that the amendment proposes to earmark approximately 25 percent of the money that is available for mining research and development for this one facility, which I think would be unfair for the rest of the country.

I would make this suggestion to the gentleman, that we have no objection to negotiations concerning the transfer of facilities to Southern Illinois University. The negotiations are now going on, as the gentleman has indicated. We do not know what the cost is likely to be.

I would like to suggest to the gentleman that I will work with him in making available whatever funds are necessary, assuming, of course, that the funding will be reasonable, in order to make that transfer possible.

I would suggest to the gentleman, therefore, that he withdraw his amendment at this time and that he and I try to work out what an appropriate amount would be for making the transfer and we will try to see that that is made available.

□ 1700

Mr. SIMON. I thank my colleague and appreciate his attitude and his concern.

My concern, frankly, is that the Department of Energy will simply hand over a facility and do nothing else. Down in Carbondale, Ill., when somebody says we are going to give you money, it is your word. But sometimes the country boys from Southern Illinois University get to Washington and somebody in the Department of Energy says something, and they can get taken in.

So with the assurance from the chairman of the subcommittee that we will try and work out some kind of reasonable accommodation, an assurance for the future for the center, I would ask unanimous consent, Mr. Chairman, that the amendment be withdrawn.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

AMENDMENTS OFFERED BY MR. DANNEMEYER

Mr. DANNEMEYER. Mr. Chairman, I offer several amendments.

The portion of the bill to which the amendments relate is as follows:

SMITHSONIAN INSTITUTION

SALARIES AND EXPENSES

For necessary expenses of the Smithsonian Institution, including research in the fields of art, science, and history; development, preservation, and documentation of the National Collections; presentation of public exhibits and performances; collection, preparation, dissemination, and exchange of information and publications; conduct of education, training, and museum assistance programs; maintenance, alteration, operation, lease (for terms not to exceed ten years), and protection of buildings, facilities, and approaches; not to exceed $100,000 for services as authorized by 5 U.S.C. 3109; up to 3 replacement passenger vehicles; purchase, rental, repair, and cleaning of uniforms for employees; $136,374,000: *Provided*, That funds appropriated herein are available for advance payments to independent contractors performing research services or participating in official Smithsonian presentations: *Provided further*, That none of these funds shall be available to a Smithsonian Research Foundation.

The Clerk read as follows:

Amendments offered by Mr. DANNEMEYER: On page 44, line 25, strike the period and insert in lieu thereof the following: "*Provided further*, That none of these funds shall be available for public exhibits and performances that present the theory of evolution as the sole explanation of life's origins.".

Page 45, line 16, strike the period and insert in lieu thereof the following: "*Provided further*, That none of the funds shall be made available for museum programs that present the theory of evolution as the sole explanation of life's origins".

POINT OF ORDER

Mr. YATES. Mr. Chairman, I make a point of order against the amendments.

The CHAIRMAN. The gentleman will state his point of order.

Mr. YATES. Mr. Chairman, I make a point of order that the amendment offered by the gentleman is legislation on an appropriation bill contrary to clause 2 of rule XXI. The amendment provides that funds would not be available for exhibits and performances that present the theory of evolution as the sole explanation of life's origins. This would require Smithsonian officials to make a determination whether or not an exhibition or performance presents the theory of evolution as the sole explanation of life's origins.

Deschler's Procedure (chapter 26, section 11.1) states that an amendment which places new duties on officers of the Government or implicitly requires them to make judgments and determinations not otherwise required by law assumes the character of legislation and is subject to a point of order.

Because this amendment does require that a determination be made that is not now required by law, it legislates on an appropriation bill. These determinations are not ministerial in nature. They would require a determination regarding the sole explanation of life's origins. This is a matter which academicians for centuries have not agreed upon. It would require a significant level of activity on the part of Smithsonian officials to determine the sole explanation of life's origins.

I think on that basis, Mr. Chairman, it is subject to a point of order.

The CHAIRMAN. Does the gentleman from California (Mr. DANNEMEYER) wish to respond to the arguments of the gentleman from Illinois (Mr. YATES) on the point of order?

Mr. DANNEMEYER. Just briefly, Mr. Chairman.

There would be a preferred way to offer the thought expressed by this amendment, and that would be through an authorization bill. But it relates to an authorization, or the subject relates to the Smithsonian Institution, and I am advised that we do not have an authorization bill going through the House that governs or covers or relates to the Smithsonian Institution. It has just been there so long, the memory of man runneth not to the contrary, we do not have an authorization, so the only ability a Member has, in effect, in a matter of this type is the appropriation vehicle.

That is one argument.

The second argument is that the amendment would—I concede there is some merit to the gentleman from Illinois argument—that it would, one interpretation would cause the operator of the museum to survey the field to determine what theories exist as to the origin of man and, therefore, it could be argued that it imposes new duties.

I submit in response to that contention that there is nothing in this amendment that would preclude the museum operator from exhibiting the theory of evolution, but they could not use it as a means, as an explanation of life's origin. To that extent I do not believe that it imposes any new duties.

The CHAIRMAN. Does the gentleman have any further argument?

If there is no further argument, the Chair has considered the amendments, the arguments of the gentleman raising the point of order and the response thereto and is prepared to rule and does now rule.

The amendments would require more than incidental determinations by some public official. The amendments would require that a Federal official substantially evaluate public exhibits and performances, and in the case of the second amendment, museum programs, to draw conclusions therefrom as to their theoretical basis.

The Chair finds that the amendments constitute legislation which would be in violation of clause 2 of rule XXI prohibiting legislation on an appropriation bill, and the point of order is sustained.

AMENDMENTS OFFERED BY MR. DANNEMEYER

Mr. DANNEMEYER. Mr. Chairman, I offer two amendments, and I ask unanimous consent that they be considered en bloc.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read as follows:

Amendments offered by Mr. DANNEMEYER: Page 44, line 25, strike the period and insert

in lieu thereof the following: ": *Provided further,* That none of these funds shall be available for the "Dynamics of Evolution" Exhibit at the National Museum of Natural History.".

Page 45, line 16, strilke the period and insert in lieu thereof the following: ": *Provided further,* That none of these funds shall be available for the "Dynamics of Evolution Exhibit at the National Museum of Natural History.".

Mr. DANNEMEYER. Mr. Chairman, this Member would have preferred to offer an amendment that would have said what I am really after, that the Natural History Museum here in Washington, if it chooses to have an exhibit depicting the theory of evolution as the origin of the universe, it should give equal time to the theory of creation. That is what the gentleman is after.

How does one reach that? To reach that is not easy because, as I indicated earlier in arguing the point of order, there is no authorization bill this Member is aware of going through the House to which an amendment could be offered.

But let us put this in perspective; 56 years ago in this country the conventional wisdom in the public school systems was to teach the theory of the origin of the universe based on the theory of creation. Our children were taught that.

Then about that time, in 1925 to be precise, a famous case in the annals of American jurisprudence occurred. A man named Scopes, a substitute biology teacher, was charged with the audacious act of teaching the theory of evolution in a public schoolroom in Tennessee in violation of a State law of that sovereign State. He was tried, prosecuted by William Jennings Bryan and defended by Clarence Darrow, and the jury found Mr. Scope guilty and he was fined $100.

The case is interesting because today, some 56 years later, the pendulum has swung about 180 degrees. Today most public school systems in the country are teaching students that the fact of evolution explains the origin of the universe. Only exceptionally do we find biology teachers or science teachers teaching the theory of creation. In fact, the pendulum has swung to such an extent that two States in the Union, Arkansas and Louisiana, very recently passed laws saying that we must give equal time to the theory of evolution and the theory of creation.

In case the Members have not noticed it, there is here in Washington, D.C., the Smithsonian Institution, and the National Museum of Natural History. On the second floor of that building, right now, you can go and see it for yourself, is an exhibit entitled "Dynamics of Evolution."

□ 1710

There is no question, when you walk through this exhibit on the second floor, that it treats the matter of the origin of the universe as based on the theory of evolution.

I do not quarrel with this exhibit. I think the origin of life is something that man has wondered about from the beginning of time. And it is proper for this exhibit to be in the Museum of Natural History. But I think it is also proper for this museum, if it has chosen to use one theory as to the origin of the universe, that is, evolution, that it also give credence to the theory of how we all got here that is exemplified in Genesis. This is the basis of the Judeo-Christian ethic, which is the foundation of all Western civilization.

For this Nation not to recognize in a museum the importance and fundamental nature of the theory of creation as the answer of how we all got here is a tragedy, and it is something that should be remedied.

Now, there is a tendency, I think, for some in our society to say:

Now, wait a minute. Are you contending that the exhibit on evolution as to the origin of the universe in the Museum of Natural History in Washington, D.C., seeks to establish a religion in our society?

I am saying precisely that.

"Well, what is your authority for that position?"

Well, I say to the Members, that a U.S. Supreme Court case decided in 1961, Tarcaso against Watkins, that humanism was recognized as a religion and the expression of humanism is entitled to the protection of the first amendment.

The CHAIRMAN. The time of the gentleman from California (Mr. DANNEMEYER) has expired.

Mr. DANNEMEYER. Mr. Chairman, I ask unanimous consent to proceed for 3 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. YATES. Mr. Chairman, reserving the right to object—and I shall not object—I do so in order to ask unanimous consent that all debate on this amendment and all amendments thereto end at 25 minutes after 5.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. All debate on this amendment and all amendments thereto will end at 25 minutes after the hour.

Mr. YATES. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from California (Mr. DANNEMEYER) to proceed for 3 additional minutes?

There was no objection.

Mr. DANNEMEYER. Mr. Chairman, the Supreme Court in the decision of Tarcaso against Watkins in 1961 announced that humanism as a religion was entitled to the protection of the first amendment.

Now, if you check the publications of the Secular Humanist Society of our country you find that the sixth doctrine recognizes and promotes the theory of evolution as a part of humanism.

I bring this issue to the Members from the standpoint of fair play. If this museum chooses to use this means of describing the theory of how we all got here, depicting the theory of evolution, then they should be giving equal treatment to the theory of creation. I think it is fair, it is equitable, and it will give balance in the presentation of the exhibit which I think the American taxpayers who pay the bill demand. After all, we have people in our society who profess the Judeo-Christian ethic and the theory of creation as exemplied in Genesis, and we have those who follow a monotheistic theory, which evolution is, and they are entitled to recognition in our society. I think fairness would indicate that both theories are entitled to equal treatment in the museum.

The CHAIRMAN. Members standing at the time the unanimous-consent request to limit debate on this amendment and all amendments thereto was granted will be recognized for approximately 1½ minutes each.

(By unanimous consent, Messrs. DICKS, LEVITAS, and AUCOIN yielded their time to Mr. YATES.)

The CHAIRMAN. The Chair recognizes the gentleman from Illinois (Mr. YATES) for approximately 5 minutes.

Mr. YATES. Mr. Chairman, I appreciate very much the sincerity with which the gentleman offered the amendment. I know that he is very much disturbed. He has talked to me about the exhibit at the Smithsonian. He is very much disturbed by the form that the exhibit "Dynamics of Evolution" takes.

It does try to project how the evolutionary theory of man came about. It is one form of an explanation, and I think it is the function of the Smithsonian in its educational mandate to make known to the country what the scientific community believes.

I asked the Smithsonian about this because a gentleman appeared as an outside witness before our subcommittee and made the same argument that the gentleman from California makes. The Smithsonian, in replying to it, makes the point that no one at the Smithsonian in any way attempts to raise any point in the exhibits as a religious matter. It just points out what the scientific conclusions are.

I just do not know how the Smithsonian could fulfill what the gentleman

from California wanted. For example, would it fulfill what the gentleman from California required if, for example, the Smithsonian put a Bible close to that exhibit so that a person could read the chapter on Genesis?

Mr. DANNEMEYER. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from California.

Mr. DANNEMEYER. Mr. Chairman, Genesis talks about the creation of our universe.

Mr. YATES. Yes.

Mr. DANNEMEYER. It describes the work of our Lord in 6 days.

Mr. YATES. Yes.

Mr. DANNEMEYER. It describes elements in the world that were created on each of those 6 days.

Mr. YATES. Yes.

Mr. DANNEMEYER. And it does not take a great deal of imagination to contemplate in one's mind as to how these 6 different days can be exhibited. Museum curators are paid very well to develop such exhibits.

Mr. YATES. The gentleman is saying something with which I cannot agree. I think it takes a great deal of imagination to present that properly.

For example, the Sistine Chapel has this magnificent fresco on the ceiling of the Lord creating man, by pointing his finger, a man just touching the finger of the Lord. That was Michaelangelo's interpretation of the creation.

Now, if I understand the purpose of the gentleman's amendment, it would serve his purpose if there were a picture of the Sistine Chapel, because that is at least one person's account of how the creation of man was achieved. And yet I would suggest to the gentleman that, were the Smithsonian to place that as its exhibit, somebody would come along and say, "No, Michaelangelo was wrong. This is a much better way to interpret it." And then the possibility occurs: Suppose the Smithsonian tried to portray the Garden of Eden, with two nude figures, and they were nude, as the gentleman says, they have a fig tree, and they have a serpent there. Would that serve the gentleman's purpose?

The point I am trying to make is that it places an onerous burden on the Smithsonian, which I do not think the Smithsonian should have.

I would agree with the gentleman that the Smithsonian does adhere pretty much to scientific presentations. It does try to avoid religious controversy, because even though this is a Nation that is founded on the Judeo-Christian tradition, the fact remains that there are people in this country, many people in this country, who do not observe either of those religions. I am sure we have many Buddhists and I am sure we have many people who believe in Zoroaster. I am sure we have many people who would want their religions portrayed in the same way as the gentleman wants the chapter on Genesis portrayed. It seems to me that a whole kettle of worms would be generated in the event that such a requirement were placed on the Smithsonian.

□ 1720

I believe that what we do today, that is, to educate our children, and the children's parents, at the churches of the country through books and through teaching and through other methods of this kind, this burden should not be placed on the Smithsonian.

The CHAIRMAN. The Chair recognizes the gentleman from Oregon (Mr. WEAVER).

Mr. WEAVER. Mr. Chairman, religion is a sacred matter between each individual and his Creator and deals with the unknown, the mysteries. Science is simply, no matter how imperfect, the best we have to determine what the facts are about our existence. The two simply should not be compared.

Mr. VENTO. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from California (Mr. DANNEMEYER).

This amendment would surely represent a backward step in which Congress would be attempting to put certain religious beliefs on the same level with scientific knowledge.

They do not equate and there is no reason or necessity to place them on a common ground. Religious beliefs are a matter of faith supported to be sure by our history and culture.

The theory of evolution or the dynamics of evolution as this amendment states is scientific fact, surely subject through years of debate and investigation and is supported by scientific facts, facts written into the rock record of geologic history verified for example by radiocarbon and argon gas dating. The effect of this amendment is for Congress to legislate scientific fact. This astounds me. I can hardly believe that such an assault would be made on the Institutions in our society which we have dedicated to foster human knowledge and understanding such as the Smithsonian.

It is as if mankind has climbed the mountain of human ignorance and we are arriving at the top and there sit the Creationists asking that we repudiate all that we have learned and give their beliefs based on faith the same status.

I submit that there is no need to place scientific facts in competition with religious beliefs and that attempts to do so misunderstand either scientific concepts, their faith or both.

The CHAIRMAN. The question is on the amendments offered by the gentleman from California (Mr. DANNEMEYER).

The question was taken and on a division (demanded by Mr. DANNEMEYER) there were—ayes 3, noes 32.

So the amendments were rejected.

The CHAIRMAN. Are there other amendments to title II?

If not, the Clerk will read.

Mr. YATES. Mr. Chairman, I ask unanimous consent that title III be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. Are there any points of order against title III? There are none.

AMENDMENT OFFERED BY MR. LEVITAS

Mr. LEVITAS. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

SEC. 302. No part of any appropriation under this Act shall be available to the Secretaries of the Interior and Agriculture for use for any sale hereafter made of unprocessed timber from Federal lands west of the 100th meridian in the contiguous 48 States which will be exported from the United States, or which will be used as a substitute for timber from private lands which is exported by the purchaser: *Provided*, That this limitation shall not apply to specific quantities of grades and species of timber which said Secretaries determine are surplus to domestic lumber and plywood manufacturing needs.

The Clerk read as follows:

Amendment offered by Mr. LEVITAS: Page 54, after line 8, insert the following:

"SEC. 307. No part of any appropriation contained in this Act shall be available to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States."

Mr. LEVITAS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered and read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. LEVITAS. Mr. Chairman, the amendment I am offering would prevent the use of any funds by the departments and agencies funded by this bill for the implementation of any regulations or actions which have been vetoed by Congress using the specific veto procedures provided by applicable law.

There are several programs and agencies funded under this bill which are subject to some sort of legislative veto. For example, all regulations promulgated under the Federal Land Policy and Management Control Act of 1976 with regard to land use planning, sales, withdrawals, review of withdrawals, and the Unintentional Trespass Act of 1968 are subject to

congressional veto. Congress also has the right to veto rules and regulations concerning Indian education and Forest Service boundaries.

The basic issue here, however, transcends the question of legislative veto. Even the few Members who still do not support legislative vetoes, surely must support the doctrine of following the law under which legislative vetoes are enacted and then duly exercised.

I have offered this amendment because past administrations have stated their intentions not to obey the law with regard to legislative vetoes. This unfortunate circumstance became concrete under the Carter administration last year after Congress vetoed four sets of regulations proposed by the Department of Education. In response, the Carter administration, through Attorney General Benjamin Civiletti and Secretary Shirley Hufstedler, announced a decision to ignore these vetoes. In short the Carter administration said it would not obey the law, providing for legislative veto of these regulations, as it was duly enacted by Congress and signed by the President.

The law is this case is very simple. It is very explicit. It says that where both Houses of the Congress have adopted a congressional veto, the regulations become null and void.

However, the problem was not just with the Department of Education. It was the general policy of the Carter administration. While I would hope that the Reagan administration will not be willing to disregard the law, we must be sure that the law is followed. This amendment will act as a safeguard to prevent this disregard for the law from occurring again.

The action of past administrations makes the issue one of whether we in Congress are going to allow the law to be ignored. I do not believe any Member of Congress can stand by and allow our mandates to be treated in such cavalier fashion. The Constitution of the United States requires the President of the United States to faithfully execute the laws. He is not given the authority to pick and choose those laws he wants to implement and those that he does not want to implement.

It is not for the executive branch to decide what laws will be enforced. There is a very important case that illustrated that point, Kendall against United States, decided by the Supreme Court in 1838. In that instance, the President of the United States directed the Postmaster General not to pay a certain sum required to be paid by Congress to a contractor with the Post Office, and in issuing the writ of mandamus, the Court said:

> To contend that the obligation imposed on the President to see the laws faithfully executed implies a power to forbid their execution is a novel construction of the Constitution and entirely inadmissible.

No, the President of the United States does not have the power or the right or the prerogative not to enforce the laws. Where such disputes exist the proper forum for resolving them lies within the court system and ultimately within the jurisdiction of the Supreme Court. The administration's questions about this provision of the law should be resolved in that arena, not by noncompliance.

Mr. Chairman, this is a simple proposition. Once a legislative veto has been exercised, it is a disobedience of the law by those charged with the responsibility of executing the law to disregard it, and I do not think we ought to give them money to disobey the law. The only way we can effectively enforce these provisions of the law is to provide a limitation for funding so that no funds can be used for purposes of implementing disapproved or vetoed actions.

That is the reason I have offered this amendment, Mr. Chairman. We are facing a significant challenge to our constitutional powers, and we must rise to meet it. My amendment will do so in a simple direct fashion. I urge every Member of this body to support its passage.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to the gentleman from Illinois.

Mr. YATES. I thank the gentleman for yielding.

The committee on this side has examined the gentleman's amendment and has no objection to it.

Mr. LEVITAS. I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. LEVITAS).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. ERTEL

Mr. ERTEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

> Amendment offered by Mr. ERTEL: On page 54, immediately after line 8 insert the following new sections:
>
> SEC. 308. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur or other personal servants to any officer or employee of such Department or Agency.
>
> SEC. 309. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to purchase passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated m.p.g. average of less than 22 miles per gallon.

Mr. ERTEL (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I yield to the gentleman from Illinois.

Mr. YATES. I thank the gentleman for yielding.

Mr. Chairman, may I say that the committee has examined the gentleman's amendment. It was accepted to the HUD bill as I recall, and I will say on behalf of the majority on this side we have no objection to the amendment.

Mr. McDADE. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I yield to the gentleman from Pennsylvania.

Mr. McDADE. I thank the gentleman for yielding.

Mr. Chairman, I join in those statements. We will be happy to accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. ERTEL).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. DICKS

Mr. DICKS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

> Amendment offered by Mr. DICKS: On page 53, line 5, after the word "the" add "first".

Mr. DICKS. Mr. Chairman, I just add this amendment. It is technical in nature. It clarifies the legislative intent.

Mr. Chairman, I yield back the balance of my time.

Mr. WEAVER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, this amendment is being offered in order to preclude me from offering my amendment and thereby deprive this House of the ability to debate one of the most critical issues in the Northwest.

That issue is the issue of log exports.

Presently the product of the great national forests of Oregon is about 3.2 billion board feet and we export logs in the amount of 3.2 billion board feet, enough to build several hundred thousand homes in this country.

So, therefore, I believe the issue of log exports should be debated fully and thoroughly and I wish that the gentleman from Washington had not offered his amendment.

The House should have the opportunity to debate such an issue of such momentous importance to the Northwest.

Over 15,000 jobs are lost in the Northwest to log exports. Mills are closing. I have had dozens of mills closed in my district and thousands of people thrown out of work because our logs are being exported to countries overseas instead of milled in our own mills with American labor.

The buyer of this timber, primarily Japan, exports to us finished products

manufactured with their labor, manufactured with their capital, Toyotas and Datsuns and Sonys, and we instead turn around and sell them our unprocessed raw material. I maintain that so long as Japan can buy our unfinished, unprocessed logs, they will not buy our finished products.

I ask the House, how much longer can we remain an industrial nation, when we export the very resource on which our Northwest jobs and manufacturers depend and buy back finished products? Are we going to be a colony nation, a nation simply dependent on others for our manufactured goods? Because so long as Japan can buy our logs they will not buy our finished lumber. And our mills will continue to go out of business. Our workers will continue to be thrown out of jobs. There is now 30 percent unemployment in many areas of my district.

So, I feel very strongly about this amendment that I was going to offer. It would have struck the phrase "by the purchaser," from the language panning Federal log exports, in the appropriations bill. The present language is confusing. The Forest Service has interpreted it to mean that companies can export their own timber and then buy from people who have bought Federal timber, and replace that timber for their mills. In other words, direct substitution of Federal timber for their exported timber.

My amendment would have foreclosed that possibility and perfected the existing language preventing Federal log exports.

□ 1730

So I feel very strongly—very strongly—that the House should fully debate this issue so critical to the Northwest. I feel that it is necessary to carry this issue much further until we stop the drain, the bleeding in the Northwest that is represented by log exports.

I would ask the gentleman from Washington (Mr. DICKS) exactly what the gentleman's amendment does.

Mr. DICKS. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Washington.

Mr. DICKS. Mr. Chairman, the language is meant to clarify. For the last 7 years, I think the gentleman from Oregon would be less than accurate if he did not admit there has never been any confusion in the Northwest about the intent of this language.

We have had regulations on the books that clearly indicate that the first purchasers are the ones regulated under the law, and I just offered this amendment to clarify that point.

Mr. WEAVER. What does the gentleman's amendment say? Is it "by the first purchaser"?

Mr. DICKS. By the first purchaser.

Mr. WEAVER. The gentleman adds "first" after the word "the"?

Mr. DICKS. That is right; to alleviate any misunderstanding.

Mr. YATES. Mr. Chairman, I ask unanimous consent that the time for debate on this amendment and all amendments thereto do now expire.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington (Mr. DICKS).

The question was taken; and on a division (demanded by Mr. WEAVER) there were—ayes 30, noes 5.

So the amendment was agreed to.

Mr. WEAVER. Mr. Chairman, I move to strike the last word.

I simply want to state for the record that I was one of the five to vote "no" on the amendment. I feel very strongly that the amendment we have just adopted now assures continued log exports in the Northwest and the continued bleeding of our economy.

Mr. ANTHONY. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Arkansas.

Mr. ANTHONY. I thank my chairman for yielding.

Mr. Chairman, during the last 20 years much of the growth in Pacific Northwest forest products industrial employment and production has been based directly on export markets, not only for logs but for increasing amounts of fiber and solid wood manufactured products. These offshore markets have also produced the income and the incentive for greater investments in forest management and domestic production capacity.

Employment gains have been substantial. Most importantly, these export-based jobs have remained steady in the Northwest while southern and northwestern mills are experiencing massive layoffs from the collapse of the domestic homebuilding industry. Log exports alone directly and indirectly supported more than 38,000 jobs in Washington and Oregon last year.

Sponsors of recent and current legislation designed to curtail log exports have claimed that protectionist measures are needed to assure domestic timber supply. Yet the national forests of western Washington and western Oregon currently have record volumes of uncut timber under contract, and this timber is banned from log exports.

In addition, State agencies in both Washington and Oregon have identified biological opportunities to grow more timber than is currently used for both domestic and foreign markets. In Washington, the primary log exporting State, a Department of Natural Resoures study found that timber supply could increase slightly by the middle of this decade if nothing changes—and intensification of management could increase the supply 8 percent by 1985.

Neither is there credible evidence to support claims that Northwest log exporters are substituting significant amounts of purchased Federal logs in their mills as replacements for exported private logs. The Forest Service found this was not the case in a study last year.

Mr. YATES. Mr. Chairman, I move to strike the requisite number of words.

Mr. OBERSTAR. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from Minnesota.

Mr. OBERSTAR. I thank the gentleman for yielding.

I was rising merely to strike the last word not to offer an amendment but to raise with the committee a question about a problem that has occurred in my congressional district related to an amendment the gentleman offered earlier.

The committee has provided $3 million for funding of a tree-planting program in consequence of the Boundary Waters Canoe Area Wilderness Act, to plant trees on State land and Federal forest land outside the Boundary Waters area to replace that timber which would be lost because of the wilderness designation under the law.

The Forest Service comes along and wants to close the tree nursery from which most of the trees would come for that tree-planting program. They want to close the Eveleth Tree Nursery and shift its activities to another Forest Service tree nursery in Michigan at Watersmeet, Mich.

The Minnesota tree nursery has been exceptionally efficient. They use the most modern seed extraction device, the most modern seedling planting and seedling transplanting devices. They are capable of producing 13 million seedlings a year. They operated at a $145,000 profit last year, while the tree nursery in Michigan had a $75,000 loss in operations.

If the Forest Service operates as they have told the public and told me, by contracting with the State of Minnesota to grow these seedlings, they are going to have enormous problems trying to get the State to grow seedlings the way the Federal Government wants them to do with the costs of transporting these seedlings. It is just going to be a very expensive operation. It is a needless waste on the part of the Forest Service.

I am inquiring if there is anything the committee can do to help us.

Mr. YATES. In reply to the gentleman, let me say this is the first knowledge the committee has of the Forest Service's intention to move the nursery. From what the gentleman says such a move does not make much

sense. I want to assure the gentleman that the committee will begin tomorrow to look into this matter and try to find out what should be done. If the committee determines that the move should not be made, it will make its opinion known to the Forest Service.

At any rate, it will keep the gentleman fully advised of what the results of its investigation are.

Mr. OBERSTAR. I greatly appreciate the chairman's recognition of the matter. I will submit information formally to the committee.

May I raise another question about the Voyageurs National Park in which the authorization for land acquisition has been consumed? There is no further authority. The Park Service is continuing to acquire properties under the 10-percent limitation of authority, which means at a rate of about $2.6 million a year.

At that rate, it will take probably another 20 years or 30 years to acquire all of the property within Voyageurs, some of which is needed for development. The development cannot go forward because they have not acquired the property.

I am just inquiring if the gentleman might anticipate any funds might be available by the end of this year for land acquisition.

Mr. YATES. Let me tell the gentleman I am going to have an interchange in a few seconds with my good friend, the gentleman from Georgia (Mr. LEVITAS), who is very much interested in the acquisition of lands along the Chattahoochee River. The problem of acquisition is one of the most pressing and most confusing that we have. The administration has taken the position that the land and water conservation fund should not be used for acquisitions but, rather, for rehabilitation in parks. This is contrary to legislation. I do not know whether the appropriate committees of the House will be looking at it from that angle. I do want the gentleman to know, however, that the committee has taken the position that acquisition procedures should continue; and while we placed a rather substantial sum in the bill for acquisition—which I may say in passing was over the budget—it still is not adequate to take care of the needs of the country.

Nevertheless, we will keep in mind the need for acquiring lands in the Voyageurs area, and we will keep the gentleman advised of that.

Mr. OBERSTAR. I want to commend the chairman and the subcommittee on the brilliant job they have done of restoring funds for land and water.

The CHAIRMAN. The time of the gentleman from Illinois (Mr. YATES) has expired.

(At the request of Mr. WEISS, and by unanimous consent, Mr. YATES was allowed to proceed for 1 additional minute.)

Mr. WEISS. Mr. Chairman, will the gentleman yield?

Mr. YATES. I yield to the gentleman from New York.

Mr. WEISS. I thank the gentleman for yielding.

Mr. Chairman, this appropriation bill for the Interior Department and related agencies for fiscal 1982, H.R. 4035, represents a strong effort by the House of Representatives to counter the policies of the Reagan administration which would allow despoiling of our limited natural resources. I want to commend my colleagues on the Committee on Interior and Insular Affairs, the Committee on Energy and Commerce, and the Appropriation Committee for their work in shaping responsible legislation within the policies set forth by Secretary of the Interior James Watt and other administration officials.

Several of the amendments being offered to this bill would help to further restore balance to endangered programs and thus maintain our Nation's commitment to preservation of the environment. Let me speak briefly on those amendments which seem most important.

I strongly support the amendment offered by the gentleman from New York (Mr. OTTINGER), the chairman of the Subcommittee on Energy Conservation and Power. This amendment would restore a total of $23 million to the energy conservation budget in two specific programs—$20 million for the State energy conservation program and $3 million for the residential conservation service.

Energy conservation is now widely recognized as the best immediate response to our short-term energy needs. It is important that the Federal Government act to insure that conservation assistance to low- and middle-income people is made available, as this amendment seeks to do. It is for these reasons that the amendment has received the backing of many groups, including the U.S. Conference of Mayors, the Consumer Energy Council of America, and the State of New York.

I also want to express my support for the amendment offered to eliminate funding for the SRC-I synthetic fuels plant by the gentleman from Michigan (Mr. WOLPE) and the gentleman from Minnesota (Mr. WEBER). The SRC-I project has skyrocketed in cost, almost doubling in the last year and a half even though construction has not yet begun; devoting further funding to it would sap badly needed funding from other, more promising, energy sources; and the project is an unjustifiable burden to taxpayers when the energy industry could finance it.

As I said earlier, Mr. Chairman, I consider this bill a clear response to the policies of the Reagan administration. Those policies disregard the importance of maintaining our resources. Secretary Watt's proposal to allow oil exploration in environmentally sensitive basins off the coast of California and his efforts to block the protective work of the Office of Strip Mining are just two examples of many policies which appear likely to allow gross misuse of our environment. I believe that Congress must fulfill its responsibility to present and future generations to preserve and protect our resources by adopting the amendments I have discussed and by approving this bill.

Mr. LEVITAS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise for the purpose of engaging the distinguished chairman of the subcommittee in a brief colloquy concerning the Chattahoochee River National Recreation Area in Georgia.

As the chairman knows, several years ago, in 1978, Congress created the Chattahoochee National Recreation Area and authorized $72.9 million, of which thus far $53 million has been appropriated.

□ 1740

The balance of $19.9 million has not yet been appropriated. As part of the acquisition process in this very important and beautiful park, there are certain portions of land along the river which have been placed under option for acquisition at very favorable prices to the Government.

We have at the most critical point on the river acquired an option for $500,000 which will expire in October of this year, and I was hoping that there might be some opportunity for the chairman of the subcommittee to give consideration, in the event that the other body should include funding, for this important and beautiful area to be acquired at great savings to the taxpayer, when compared to future acquisition costs, because this is an area which will be subjected to development and which will be lost irrevocably to future generations.

Mr. YATES. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I am happy to yield to the subcommittee chairman.

Mr. YATES. Mr. Chairman, the gentleman from Illinois is aware of the magnificent beauty of the Chattahoochee River and its surroundings. I recognize, too, that because of its beauty there is tremendous pressure from developers who want to take advantage of the beauty for the purpose of erecting homes, apartment buildings, and condominiums and whatever else may bring them a profit.

So I take most seriously the representation of the gentleman from Georgia (Mr. LEVITAS), and I want to assure him that if it is at all possible for our committee to negotiate a sum of money necessary to take up that option, we will try to do it.

Mr. LEVITAS. Mr. Chairman, I thank the gentleman from Illinois (Mr. YATES) very much for his comment.

Mr. GINN. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to my colleague, the gentleman from Georgia.

Mr. GINN. Mr. Chairman, I would like to commend the gentleman from Georgia (Mr. LEVITAS) for making this very worthwhile and timely suggestion and recommendation to the distinguished chairman of the Interior Subcommittee, and I would express the hope that the distinguished chairman would look with favor upon the gentleman's suggestion.

Mr. LEVITAS. Mr. Chairman, I thank my colleague, the gentleman from Georgia (Mr. GINN), for his statement and also his consistent support of the Chattahoochee River National Recreation Area.

Mr. Chairman, at this point I include a letter dated July 9, 1981, which I wrote to the Director of the National Park Service describing the importance of this land acquisition:

WASHINGTON, D.C., *July 9, 1981.*

Mr. RUSSELL E. DICKENSON,
Director, National Park Service,
Washington, D.C.

DEAR MR. DICKENSON: I am writing to request your urgent attention to a situation involving the desirability and necessity of acquiring a certain parcel of land for the Chattahoochee River National Recreation Area.

The Chattahoochee River National Recreation Area was authorized by Congress and signed into law on August 15, 1978 (Public Law 95-344). The land acquisition ceiling was set at $72.9 million. From that amount there was $53 million appropriated in fiscal year 1980 for the acquisition of lands and interests in lands for the National Recreation Area. No appropriations were made in fiscal year 1981 toward the remaining $19.9 million. The administration's budget proposal for fiscal year 1982 and the House marked-up version contain no provision for land acquisition funds for the Chattahoochee River National Recreation Area.

The concept of this park is a series of park tracts along the river, linked by the river like a string of pearls.

Tract 103-34 (River Properties, Inc.) is the most critically needed parcel in the park. It is the vital link in the chain—or the vital pearl on the string. This 354.67 acre parcel lies between and separates two other already acquired major tracts (289 acres and 192 acres) in the river corridor. This key parcel, at present, is undeveloped and no business or persons would be displaced through its acquisition.

The National Park Service entered into a $500,000/24-month option to acquire Tract 103-34. This option expires on October 31, 1981, and there is no provision for an extension. It is highly likely that this property will be extensively developed if the option is not exercised. While the owners have been very supportive of the creation of the Chattahoochee River National Recreation Area, they appear over the last two years to have extended themselves to a point where they will not continue to hold up the development of the tract when the nearby area is under so much pressure from development interests. Unless Congress appropriates the already authorized approximately $14.2 million plus other associated overhead costs (title insurance, closing costs, etc.) needed to complete the purchase by October 31, 1981, the half million dollar option money supplied by the federal government will be lost.

In order to protect the initial investment and preserve the integrity of this key park unit, it is imperative that this tract be acquired at this time.

In addition to the monetary savings outlined above, the Government will gain by:

(1) Allowing full utilization of existing and future park facilities as determined by the General Management Plan to accommodate a wide range of visitor use activities.

(2) Allowing management to concentrate on the development of complete park unit for maximum visitor enjoyment. The unit as foreseen by Congress is at present incomplete. It is divided and creates problems in maintenance, law enforcement, interpretation, and visitor accessibility. The completion of this unit will allow the National Park Service to contain visitor use on public property thereby minimizing trespassing and encroachment on private property nearby.

(3) Removing the area from the imminent threat of development thereby protecting the natural and scenic beauty of the Chattahoochee corridor and the preservation of archeological sites. If the area undergoes development, the sites could be severely impacted.

(4) Enhancing the visitors' appreciation and use of one of the most heavily used recreational units on the river. The heavy use of jogging trails and open recreational activity areas is best exhibited in this unit. Approximately 80 percent of the present use takes place within Tract 103-34 with the full knowledge of the landowner. If the option is not exercised, this recreational use will be terminated.

(5) Avoiding possible land value escalations, if the tract remains available for purchase, and maintaining credibility of the National Park Service with conservation and civic groups who have been working toward completion of the Chattahoochee National Recreation Area.

In light of the foregoing, I trust this will meet with your favorable consideration and that you will initiate or request such steps as are necessary to provide the necessary funds. It would truly be a shame as well as a loss of the taxpayer's investment to miss this opportunity. This is not a situation of expanding beyond the boundaries of the existing park, but rather it is filling in a predetermined, selected unit contiguous to the remainder of the park, which has already begun to be acquired.

If there are other persons you feel I should contact regarding this, please let me know. I will be happy to meet with them to discuss the matter.

With best wishes, I am,

Very truly yours,

ELLIOTT H. LEVITAS,
Member of Congress.

AMENDMENT OFFERED BY MR. WALKER

Mr. WALKER. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

SEC. 306. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

The Clerk read as follows:

Amendment offered by Mr. WALKER: On page 54, at line 9, add the following new section:

SEC. 309. No funds appropriated under the Act may be used to impose mandates on the States which require duties and obligations to the States that have not been fully complied with by Federal Government departments and agencies.

Mr. YATES. Mr. Chairman, I reserve a point of order on the amendment.

The CHAIRMAN. The gentleman from Illinois (Mr. YATES) reserves a point of order on the amendment.

The gentleman from Pennsylvania (Mr. WALKER) is recognized for 5 minutes in support of his amendment.

Mr. WALKER. Mr. Chairman, this amendment is an amendment that I would like to call a lead-by-example amendment. I do not think it is subject to a point of order because I do not think it imposes any new duties on anyone.

Simply, what the amendment is trying to do is to assure that the Federal Government does those things that we tell other people they have to do. For too long what we have done is we have gone to the States and we have said to them, "Look, you have got to do this," and when the States turn around and look at us, they find out that indeed we do not even do those things ourselves. We say to them, "You have got to spend your money this way," when we do not want to place a priority and spend our money this way.

This is simply an amendment that says if the Federal Government is not complying with the things it is mandating on other people, those mandates in fact cannot go forward. It is an effort to say that as we go about the process at the Federal level of cutting back on funding, we are not going to send those spending obligations out to the States.

That is going to be the temptation here. As we cut back here, we are going to be tempted along the line to mandate more things on the States and, therefore, just transfer the spending burden. I do not think that is what the new federalism is all about. I think what it should be about is the fact that if we see things that are true priorities, we ought to be able to work out an agreement with the States, or we ought to be able to say that we are going to at least do those things with the Federal departments and agencies that we mandate to the States.

That is what this amendment says, that we simply do ourselves what we ask others to do.

Mr. Chairman, if this amendment is approved, it would not speak to any voluntary program or any kind of matching program; it would simply speak to those things that we mandate on the States and that we are not willing to do.

This is a lead-by-example amendment, Mr. Chairman, and I ask for its approval.

POINT OF ORDER

The CHAIRMAN. Will the gentleman from Illinois (Mr. YATES) state his point of order?

Mr. YATES. Yes, Mr. Chairman. I make a point of order that the amendment offered by the gentleman from Pennsylvania (Mr. WALKER) is legislation on an appropriation bill, contrary to clause 2 of rule XXI.

I make the further point of order that it places additional duties on officers of the Government or implicitly requires them to make judgments and determinations not otherwise required by law. It assumes the character of legislation. It requires a determination as to whether or not funds appropriated for the States have been fully complied with by Federal governmental departments and agencies.

Mr. Chairman, I do not know how in the world an officer of the Federal Government could carry out what I think is implicit in this legislation without having additional duties imposed on him. For that reason, I press my point of order.

The CHAIRMAN. Does the gentleman from Pennsylvania (Mr. WALKER) desire to be heard on the point of order?

Mr. WALKER. Yes, I would like to respond to the point of order, Mr. Chairman.

Mr. Chairman, the operative language of my amendment says:

No funds appropriated under the Act may be used to impose mandates on the States—

The qualifying clause in it would not come into play unless the Federal Government is out imposing mandates on the States, and then it simply says that as we impose such mandates, it is something the Federal Government has already done. That seems to me to require no new duties. It is something we would have already accomplished, and I do not see any way that the language within this amendment requires any new duty. So it is clear that what it seeks to do is to stop the process of imposing mandates on the States.

The CHAIRMAN (Mr. DANIELSON). The Chair has studied the amendment, has listened to the arguments of the gentleman raising the point of order and the answer thereto, has checked the precedents of the House, is prepared to rule, and does now rule that the point of order is sustained.

First of all, the Chair adopts the argument advanced by the gentleman from Illinois (Mr. YATES) and points out that under chapter 2C of Deschler's Procedure, section 11.1, any amendment which explicitly or implicitly requires officers of the Government to make investigations, compile evidence, or otherwise make judgments and determinations, not otherwise required by law, would be excessive work and, therefore, subject to the point of order.

Are there other amendments to title III? The Chair hears none.

Mr. DICKS. Mr. Chairman, contrary to the statement made by my colleague from Oregon regarding the intent of my amendment I want to restate that my amendment was simply clarifying in nature. There appears to be some confusion as to the meaning of the three words "by the purchaser". My amendment makes it clear that the meaning of these words is the same as provided in the report language to the 1974 Interior approriations bill.

In no way did my amendment prohibit the gentleman from offering this amendment. I am quite surprised by the gentleman from Oregon's statement that he was blocked. Under the rules of the House his amendment could have been offered. I cannot explain why he chose not to offer it.

● Mr. LOEFFLER. Mr. Chairman, I rise in support of H.R. 4035 and urge the House's favorable consideration of the bill. Mr. Chairman, as this is my first term on the Appropriations Committee, and on the Interior Subcommittee, I wish to express my sincere appreciation to the ranking minority member of the subcommittee, the gentleman from Pennsylvania, and the chairman, the gentleman from Illinois, for their helpful guidance and assistance to me during these past few months. I look forward to working with you, and all members of the subcommittee, in the future.

Mr. Chairman, this bill represents a great deal of effort on the part of the subcommittee to balance fiscal year 1982 spending priorities with the critical need to reduce the growth of Federal spending. The committee and the House have made several major cuts in programs to arrive at a final figure which is $76 million below the President's budget request.

The administration has, however, expressed its reservations regarding the outlay impacts of the changes in spending priorities made by the committee. I share that concern, and would hope that the committee could consider henceforth the outlay impacts of spending changes made by the committee during its deliberations.

Mr. CHAIRMAN, I again want to thank my good friends, the gentleman from Pennsylvania, and the gentleman from Illinois, for their leadership on this bill.

I urge my colleagues to support H.R. 4035.

Thank you, Mr. Chairman. ●

Mr. YATES. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DANIELSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 4035) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

□ 1750

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. Is a separate vote demanded on any amendment?

Mr. WEAVER. Mr. Speaker, I demand a separate vote on the so-called Dicks amendment.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The Clerk will report the amendment on which a separate vote has been demanded.

The Clerk read as follows:

Amendment: On page 53, line 5, after the word "the" add "first".

The SPEAKER. The question is on the amendment.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. WEAVER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Would the gentleman from Oregon ask unanimous consent to put this vote over until tomorrow?

Mr. WEAVER. I would be glad to, Mr. Speaker.

I ask unanimous consent to put the vote over until tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Oregon (Mr. WEAVER)?

Mr. DICKS. Mr. Speaker, I object.

The SPEAKER. Objection is heard.

Mr. DICKS. Mr. Speaker, I withdraw my objection.

The SPEAKER. Then we will have the vote tomorrow and the vote on final passage will be tomorrow.

Further proceedings on this bill, the vote on the amendment and the vote on final passage will take place when the House convenes tomorrow morning.

PARLIAMENTARY INQUIRY

Mr. YATES. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. YATES. Mr. Speaker, at what time is the House meeting tomorrow morning?

The SPEAKER. The House meets at 10 o'clock.

Mr. YATES. I thank the Chair.

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATION, 1982

PARLIAMENTARY INQUIRIES

Mr. LEVITAS. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. LEVITAS. Mr. Speaker, I missed out on something. Has the previous question been ordered?

The SPEAKER. In view of the fact that the automatic voting machine is out of order and it would require a call of the roll, unanimous consent has been asked that the amendment as offered by the gentleman from Washington (Mr. DICKS), at the request of the gentleman from Oregon (Mr. WEAVER), will be postponed until tomorrow and the final passage of the bill will be postponed until tomorrow.

Mr. LEVITAS. Mr. Speaker, a further parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. LEVITAS. Is the previous question automatically ordered under the rule, or has the previous question been ordered?

The SPEAKER. The remaining amendments have been agreed to.

Without objection, the previous question was ordered.

The Chair recognizes the gentleman from Illinois (Mr. YATES).

Mr. YATES. Mr. Speaker, I had hoped to finish up the bill tonight.

The SPEAKER. So had the Speaker.

Mr. YATES. Well, I had hoped to finish up the bill tonight and dispose of it once and for all. There is a chance that I might not be here tomorrow.

I would urge the gentleman from Oregon to reconsider.

Mr. WEAVER. I will not reconsider.

Mr. YATES. The gentleman will not reconsider the request for a vote?

Mr. WEAVER. No.

Mr. McDADE. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. McDADE. Mr. Speaker, is it my understanding that the voting machine is still not working?

The SPEAKER. The gentleman is correct.

Mr. YATES. Mr. Speaker, the gentleman from Oregon has graciously consented to withdraw his request for a recorded vote on the Dicks amendment if we can have a vote on final passage tonight.

I would urge the Speaker, even though it will require a long rollcall vote, to have that vote tonight so we may dispose of the bill.

The SPEAKER. The Chair would have to say in respect to the fact that the President of the United States is going to be due on the Hill here at 6 o'clock.

Mr. McDADE. Mr. Speaker, I have a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. McDADE. Mr. Speaker, could we not accommodate the gentleman from Oregon by a teller vote, which would occur quite rapidly and Members would march down the aisle on the yeas and nays and be recorded by their peers that way?

Mr. WEAVER. No.

Mr. McDADE. Well, Mr. Speaker, I have a further parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. McDADE. Mr. Speaker, would the gentleman be satisfied with a division vote?

The SPEAKER. Well, does the gentleman from Washington intend to ask unanimous consent that the vote not be taken?

Mr. WEAVER. Mr. Speaker, if the Speaker would yield, I am going to ask for a recorded vote on final passage, but I am perfectly willing to withdraw, at the request of the chairman of the subcommittee, my request for a separate vote on the so-called Dicks amendment.

The SPEAKER. Well, it is the prerogative of the Chair to postpone the vote on final passage and the Chair will postpone the vote until tomorrow.

Mr. YATES. Mr. Speaker, on final passage?

Mr. SPEAKER. On final passage.

Mr. YATES. Well, I would urge the Chair not to do that, even though the President of the United States is coming over. I think the Members can vote and then go to meet the President of the United States.

I would urge the Chair to have final passage tonight.

The SPEAKER. Well, without objection, the previous unanimous-consent request to place the matter over until tomorrow is vacated and the Chair will put the question de novo on the amendment.

The question is on the amendment offered by the gentleman from Washington (Mr. DICKS).

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. WEAVER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken, and there were—yeas 358, nays 46, not voting 29, as follows:

[Roll No. 153]

YEAS—358

Addabbo	Coats	Findley
Akaka	Coelho	Fish
Albosta	Coleman	Fithian
Alexander	Collins (IL)	Flippo
Anderson	Conte	Florio
Andrews	Conyers	Foglietta
Annunzio	Corcoran	Foley
Anthony	Coughlin	Ford (MI)
Ashbrook	Courter	Ford (TN)
Aspin	Coyne, James	Forsythe
Atkinson	Coyne, William	Fountain
AuCoin	Craig	Fowler
Bafalis	Crockett	Frank
Bailey (PA)	D'Amours	Frost
Barnard	Daniel, Dan	Fuqua
Barnes	Danielson	Garcia
Beard	Daschle	Gejdenson
Bedell	Daub	Gephardt
Beilenson	de la Garza	Gibbons
Benedict	Dellums	Gilman
Benjamin	DeNardis	Gingrich
Bennett	Derrick	Ginn
Bereuter	Dickinson	Glickman
Bethune	Dicks	Goldwater
Bevill	Dingell	Gonzalez
Biaggi	Dixon	Gore
Bingham	Donnelly	Gradison
Blanchard	Dorgan	Gray
Bliley	Dornan	Green
Boggs	Dowdy	Guarini
Boland	Downey	Gunderson
Bolling	Duncan	Hagedorn
Boner	Dunn	Hall (OH)
Bonior	Dwyer	Hall, Sam
Bouquard	Dyson	Hamilton
Bowen	Early	Hammerschmidt
Breaux	Eckart	Hansen (ID)
Brinkley	Edgar	Harkin
Brodhead	Edwards (AL)	Hartnett
Brooks	Edwards (CA)	Hatcher
Brown (CA)	Edwards (OK)	Hawkins
Brown (OH)	Emerson	Heckler
Broyhill	Emery	Hefner
Burgener	English	Heftel
Burton, John	Erdahl	Hendon
Burton, Phillip	Erlenborn	Hertel
Butler	Ertel	Hightower
Byron	Evans (DE)	Hiler
Campbell	Evans (IA)	Hillis
Carman	Evans (IN)	Holland
Chappell	Fary	Hollenbeck
Cheney	Fascell	Hopkins
Chisholm	Fazio	Horton
Clausen	Fenwick	Howard
Clay	Ferraro	Hoyer
Clinger	Fiedler	Hubbard

Huckaby	Murphy	Shuster
Hughes	Murtha	Siljander
Hutto	Myers	Simon
Hyde	Napier	Skeen
Ireland	Natcher	Skelton
Jacobs	Neal	Smith (AL)
Jeffords	Nelligan	Smith (IA)
Jones (NC)	Nelson	Smith (NE)
Jones (TN)	Nichols	Smith (NJ)
Kastenmeier	Nowak	Snowe
Kazen	O'Brien	Snyder
Kildee	Oakar	Solarz
Kindness	Oberstar	Spence
Kogovsek	Obey	St Germain
LaFalce	Ottinger	Stangeland
Lagomarsino	Oxley	Stanton
Lantos	Panetta	Stark
Latta	Parris	Staton
Leach	Pashayan	Stenholm
LeBoutillier	Patman	Stokes
Lee	Patterson	Stratton
Lehman	Pease	Studds
Leland	Pepper	Swift
Lent	Perkins	Synar
Levitas	Pickle	Tauke
Livingston	Porter	Tauzin
Loeffler	Price	Taylor
Long (LA)	Pritchard	Thomas
Long (MD)	Pursell	Traxler
Lowery (CA)	Quillen	Trible
Lowry (WA)	Rahall	Udall
Lujan	Railsback	Vander Jagt
Luken	Regula	Vento
Lundine	Reuss	Volkmer
Markey	Rhodes	Walgren
Marks	Richmond	Walker
Marlenee	Rinaldo	Wampler
Marriott	Ritter	Washington
Martin (IL)	Roberts (KS)	Watkins
Martin (NY)	Robinson	Waxman
Matsui	Rodino	Weber (OH)
Mavroules	Roe	Weiss
Mazzoli	Rogers	White
McClory	Rostenkowski	Whitehurst
McCollum	Roth	Whitley
McCurdy	Roukema	Whittaker
McDade	Rousselot	Whitten
McEwen	Roybal	Williams (MT)
McGrath	Rudd	Williams (OH)
McHugh	Russo	Winn
McKinney	Sabo	Wirth
Mikulski	Santini	Wolf
Miller (CA)	Savage	Wolpe
Miller (OH)	Sawyer	Wortley
Mineta	Scheuer	Wright
Minish	Schneider	Wyden
Mitchell (NY)	Schroeder	Wylie
Moakley	Schulze	Yates
Moffett	Schumer	Yatron
Molinari	Seiberling	Young (MO)
Mollohan	Shamansky	Zablocki
Montgomery	Shannon	Zeferetti
Moore	Sharp	
Morrison	Shaw	

NAYS—46

Applegate	Evans (GA)	McDonald
Archer	Fields	Moorhead
Badham	Frenzel	Mottl
Brown (CO)	Goodling	Paul
Carney	Gramm	Petri
Chappie	Gregg	Roemer
Collins (TX)	Grisham	Sensenbrenner
Conable	Hall, Ralph	Shelby
Crane, Daniel	Hance	Shumway
Crane, Philip	Holt	Smith (OR)
Daniel, R. W.	Hunter	Solomon
Dannemeyer	Jeffries	Stump
Davis	Jenkins	Weaver
Deckard	Jones (OK)	Weber (MN)
Derwinski	Kramer	
Dreier	Lungren	

NOT VOTING—29

Bailey (MO)	Leath	Peyser
Bonker	Lewis	Rangel
Broomfield	Lott	Ratchford
Cotter	Madigan	Roberts (SD)
Dougherty	Martin (NC)	Rose
Dymally	Mattox	Rosenthal
Gaydos	McCloskey	Wilson
Hansen (UT)	Mica	Young (AK)
Johnston	Michel	Young (FL)
Kemp	Mitchell (MD)	

□ 1830

Mr. LOWERY of California changed his vote from "nay" to "yea."

Mr. SENSENBRENNER changed his vote from "yea" to "nay."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. FORD of Michigan. Mr. Speaker, I ask unanimous consent that the permanent RECORD show I was called from the floor to work on a conference yesterday when rollcall 145 was held. I returned to the building and to the floor too late to vote.

Had I been present I would have voted "yea" on the resolution.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

CHAIRMAN OF WAYS AND MEANS SHOULD COMMIT HIMSELF TO TAX CUT BY AUGUST 1

(Mr. BLILEY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BLILEY. Mr. Speaker, I was disturbed by an article in yesterday's New York Times indicating that Ways and Means Committee staff believe it "increasingly doubtful" that the American people will get the tax cut they deserve in time for withholding taxes to be reduced on October 1; instead, they would get refunds after filing returns next spring—8 months late.

This is inexcusable. The only reason to delay is if you do not believe the American people ought to get a tax cut.

I have pointed out before that the House has been in session less time this year than any year since records have been kept, starting in 1947. The American people will not wait until May, because Congress has not worked hard enough to give them the tax cut they need. They want to see a tax cut in their first October paychecks.

I urge my colleagues to join me and express their disapproval of this foot dragging. I have written the chairman of the Ways and Means Committee to call upon him to publicly commit himself to a real tax cut for the American people by August 1.

That is what the American people want. That is what the American people deserve.

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 22, 1981.

Hon. DAN ROSTENKOWSKI,
Chairman, Ways and Means Committee, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I was deeply disturbed to read in yesterday's New York Times that members of your staff believe it is "increasingly doubtful" that Congress will pass a tax cut for the American people by August 1.

Even more disturbing is the assertion that it really does not matter whether the tax cut is passed in time to reduce withholding on October 1: the tax cut could be delivered in the form of refund checks next May—eight months late—after the American people have filed their tax returns.

As I commented on the House floor last Thursday, the House of Representatives has been in session less this year than in any year since the CONGRESSIONAL RECORD began publishing legislative activity statistics in 1947. We can pass a tax cut if we want to. Let's not delay America's Economic Recovery any longer. There has been too much foot dragging already.

The American people want and need tax relief now, not some time next year. They will not wait for a refund check until next May because the Congress did not work diligently enough to pass a tax cut by August 1. They want and deserve to see that tax cut in their first October paychecks.

I urge you to disavow the comments of your staff and to commit yourself publicly to final passage of a tax cut by August 1. That is what the American people want. That is what the American people deserve.

Sincerely,

THOMAS J. BLILEY, Jr.

[From the New York Times, July 21, 1981]

CHARITIES FAVORED IN TAX VOTE

(By Edward Cowan)

WASHINGTON, July 20.—By a vote of 97 to 1, the Senate today approved legislation that would let taxpayers who take the standard deduction on their tax returns also claim a separate deduction for charitable contributions.

The proposal was adopted as an amendment to the pending tax-relief bill. Despite the one-sided vote for the amendment, enactment this year seems uncertain. Last week the Democratic majority on the House Ways and Means Committee voted down the proposal, which charities, churches and colleges have been sponsoring since the 1970's.

On the Senate floor, the Administration-sponsored tax-relief bill made slow progress toward final passage. As often happens, the Senate bogged down on what was essentially a side issue. This one was an amendment concerning the voting rights of employees who acquire stock in closely held corporations.

After more than two hours of debate, the Senate approved, 94 to 3, an amendment to let closely held corporations with employee stock ownership plans give their workers nonvoting shares. Opposed were three Democrats: Howard M. Metzenbaum of Ohio, Wendell H. Ford of Kentucky and Gary Hart of Colorado. They argued for retaining the existing law, which requires that employees be given voting rights.

In the House, the Ways and Means Committee did not meet today. It will resume deliberations on a tax bill tomorrow. The Democratic leadership, Speaker Thomas P. O'Neill, Jr. and the House majority leader, Representative Jim Wright, are expected to give their support to passage of a three-year tax-rate cut if the third year is conditioned on achievement of President Reagan's economic goals.

The Treasury Department denounced such a conditional, or "trigger," approach

on the ground that it would create public uncertainty about whether tax rates would be reduced in 1983. The Administration bill would authorize cuts of 5 percent on Oct. 1, then 10 percent in mid-1982 and 10 percent more in mid-1983.

Although President Reagan has pressed repeatedly for final passage of a tax bill by Aug. 1, aides to Dan Rostenkowski, chairman of the Ways and Means Committee, indicated that it was increasingly doubtful that this target could be achieved. The aides again disputed the repeated White House assertions that enactment by Aug. 1 was a prerequisite for a tax cut to take effect on Oct. 1.

Even if enactment comes later, the aides said, perhaps even too late to reduce withholding taxes in 1981, a tax cut could still be delivered by giving taxpayers refund checks next spring after they file their tax returns.

"LENGTHY DEBATE" URGED

Mr. Rostenkowski indicated in a television interview yesterday that he disliked having pressure put on him by the White House to hurry. "I don't think we can hustle through a bill like this," he said. "I think there has to be a lengthy debate."

The Illinois Democrat also seemed to indicate that a House-Senate conference might not be resolved until September, rather than in the two or three days the Administration would like. Saying that the tax staff would have to work carefully in drafting the language of a conference report, Mr. Rostenkowski said that "only in conference can you correct the inequities or the loopholes that surface" after the Senate and House pass their bills.

The only Senator voting against the amendment on charitable deductions was S. I. Hayakawa, Republican of California. Not voting were Paul E. Tsongas, Democrat of Massachusetts, who had signed a letter of support for the proposal, and Mark O. Hatfield, Republican of Oregon. The amendment was introduced by Daniel Patrick Moynihan, Democrat of New York, and Bob Packwood, another Oregon Republican.

HOW METHOD WOULD WORK

As approved, the amendment would authorize deductions equal to 25 percent of contributions in 1982 and 1983 with a maximum deduction of $25 each year. That would cost $38 million in the fiscal year 1982, which starts Oct. 1, 1981, followed by $280 million in the fiscal year 1983 and $390 million in the fiscal year 1984.

In 1984, taxpayers who take the standard deduction could also deduct 25 percent of contributions with no limit. In 1985 the deductible ratio would be 50 percent, and in 1986 it would be 100 percent. The amendment would lapse at the end of 1986 unless reauthorized.

The revenue cost would climb to $1.2 billion in the fiscal year 1985 and $2.8 billion in the fiscal year 1986.

The Internal Revenue Service said that 71 percent of tax returns for 1979 used the standard deductions, as against 52 percent in 1970. Charities, churches and colleges fear that this trend could erode their support from people of medium means.

Republicans on the Joint Economic Committee today released a paper by Robert E. Weintraub, a staff economist, which argued that cutting taxes and enlarging the budget deficit were not necessarily inflationary. Mr. Weintraub, well known as an economist who emphasizes the centrality of the money supply as a cause of inflation, said that much depended on whether the budget deficit was financed by expansion of the money supply or by borrowing from the public's existing stock of money.

THE TERRORIST LOGIC

(Mr. RUDD asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. RUDD. Mr. Speaker, everywhere we look, successful terrorists are being hailed as revolutionary heroes or tomorrow's leaders, and the not so successful ones are being mourned as martyrs. Meanwhile, the free world becomes more complacent to the deliberate and systematic destruction of governments and innocent citizens beyond our borders, and the routine acceptance of terrorist acts goes on.

It has become the tongue of the trade for intellectuals of one breed or another, to write off these events with rhetorical devices, such as blaming all of a society's ills on a set of vague underlying causes. This tactic avoids the real issue at hand. We cannot let this destructive logic cloud our thinking. A terrorist's primary objective is to inspire fear and violence in order to gain political ends. Quite simply, what terrorists do is oppose legitimate solutions to the problems. As long as we ignore this reality, we will continue to face the same dangers other nations have so suddenly encountered.

James Q. Wilson, Shattuck professor of government at Harvard, has written a worthy dissertation on terrorism and its significance which was reprinted in the July 19, 1981, Washington Star, which I would like to share with my colleagues.

[From the Washington Star, July 19, 1981]

THE TERRORIST'S GOAL IS NOT TO SOLVE THE PROBLEM

(By James Q. Wilson)

For a decade or more, the U.S. government, like the governments of most Western powers, was largely silent on the question of Soviet complicity in international terrorism. But beginning in 1979, and culminating in 1981 with the publication of Claire Sterling's book, The Terror Network, the evidence that the Soviet Union had provided, at a minimum, substantial supplies of arms and training facilities to a broad spectrum of terrorist organizations became so compelling that it was difficult to deny it.

Suppose, however, you wished to reject the hypothesis that the Soviet Union, either directly or through its satellite regimes, was deeply involved in a variety of terrorist enterprises. Suppose further that you were skeptical of the claims of unnamed "Western intelligence sources."

You would still have to explain, or explain away, the following facts:

When the wealthy Italian publisher and financial patron of the red underground, Giangiacomo Feltrinelli, was killed by a bomb he was trying to affix to a high-tension pylon near Milan, the police discovered that he had a false passport showing that he had made, under an assumed name, at least 22 visits to Czechoslovakia.

When Gen. Jan Sejna, military counselor to the Central Committee of the Czech Communist Party, defected to the West in 1968, he brought with him a list of 13 Italians, including Feltrinelli, who had attended a KGB school for terrorists set up in Karlovy Mar.

After the Italian police began to crack the Red Brigades, a key leader, Patrizio Peci, confessed, stating, among other things, that Red Brigade members had attended training schools in Czechoslovakia throughout the 1970s and had received Czech-made arms, shipped from Prague by way of Hungary and Austria.

When the Israeli police arrested a Dutch terrorist, Ludwina Janssen, she confessed that she had been trained by Cuban instructors at camps in South Yemen, a Soviet satellite regime, and that there were also in attendance at these camps students from the Provisional Wing of the IRA, the German Revolutionary Cells, and other terrorist groups in Japan, Latin America, and the Middle East. All this was subsequently confirmed by a German terrorist who defected and who had actually taught at a camp in Aden.

When the Irish Navy seized the S.S. *Claudia* in 1973, it was carrying Soviet-bloc arms consigned to the IRA and accompanied by an IRA member. Four years later, another ship was seized off Antwerp—the SS *Towerstream*—and it was also loaded with Soviet-bloc weapons destined for the IRA. In 1971, the Dutch police seized a shipment of Czech arms, ordered by the IRA from Omnipol, an arms factory in Prague. An IRA member was later to write that they ordered the weapons from an illustrated catalogue supplied them in Prague.

When Viktor Sakharov defected from the KGB, he described being trained in the South Yemen camps for his assignment—to work in Kuwait on plans to mount terrorist campaigns in Arab nations and in Turkey.

After several dozen fedayeen were arrested in Israel, they admitted—both to the Israeli police and later to a Canadian Broadcasting Corporation reporter—that they had been trained in Soviet camps located near the Black Sea.

Terrorist training camps in Yemen and Libya were staffed by, among others, Cuban instructors long after Cuba had become totally dependent on the Soviet Union and the Cuban Intelligence Service (DGI) had become an adjunct of the KGB.

In the light of all this, it is h the Soviets direct any terrorist organization. Moscow seems to have had great influence over the Popular Front for the Liberation of Palestine (PFLP) but less over other factions within the Palestine Liberation Organization (PLO). Most of the money for many terrorist groups probably comes, not from the Soviet Union, but from wealthy Arab nations and from criminal activities.

Moreover, right-wing terrorism is on the rise: there have been bombings of a French synagogue, an Italian railroad station, and a

German festival that have been the work, apparently, of various fascist groups.

It ought to be possible to condemn terrorism no matter who commits it, but what passes for an intellectual discussion of the matter today seems not to allow that possibility. Instead of proposing a definition of terrorism and then attempting to deal with it in all its ugly manifestations, we seem locked into the familiar rhetorical tactic of answering a charge by leveling a charge. The key to this is the speed and facility with which one can employ the phrase, "But what about . . .," followed by some atrocity allegedly committed by your opponent:

"The Soviet Union murdered its own citizens in the Gulag."

But what about the Indians at Wounded Knee?

"The IRA Provos kill innocent persons in Belfast."

But what about the torture of Jacobo Timerman by the Argentine police?

"The Soviet Union is supporting world terrorism."

But what about the CIA in Chile?

The tactic is not confined to foreign affairs. When I speak about the problem of urban street crime to a college audience, the first rejoinder is usually, "But what about pollution?" (or poorly designed Pintos, or the Lockheed loan, or Watergate).

DISCUSSION IMPOSSIBLE

The purpose of such tactics, obviously, is to avoid discussion of an issue by changing the subject in a manner that implies the moral inferiority of your opponent. Since there is always more than one evil loose in the world, this method means that no single evil can ever be discussed without discussing all evils simultaneously. And since one cannot, even in principle, discuss all things at once, nothing can be discussed. Moreover, the "but-what-about?" rejoinder implies that the counter-example is precisely analogous to the original example and, thus, that no distinctions among cases can be made. Since the essence of intelligent discussion is the willingness and capacity to make useful distinctions, the "what-about" gambit renders discussion impossible.

An especially deplorable, but by no means unusual, example of this kind of intellectual obfuscation can be found in a review of the Sterling book by Jonathan Marshall. Writing in Inquiry, Marshall asserts that Israel is a client state of the United States much as Cuba is a client of the Soviet Union. Having implied that the two cases are analogous, Marshall can accuse Sterling of practicing a double standard by failing to condemn the "regular practice of terrorism" by Israel, an American "surrogate."

I had not thought that anyone's capacity to make distinctions had atrophied to the point of being unable to find differences between the two instances. The Soviets control the DGI; the Americans, at best, can only envy the Mossad. Israel is a free society with a vociferous opposition; Cuba is a closed society with an imprisoned or emigre opposition. Cuban instructors teach terrorists from a score of nations how to kill in order not to defend Cuba but to "destabilize" the rest of the world; Israel launches reprisals against those who have attacked it. There are few simple rules by which to evaluate the actions of a beleaguered democracy—no doubt some of Israel's acts deserve condemnation—but it is not hard to know what to think of a totalitarian regime that has sold itself, lock, stock, and barrel, to an imperialist power.

TERRORISM DEFINED

Let us try to clear away this thicket of rhetorical tricks and offer a definition of terrorism. Though perhaps it can be improved upon, I would begin with that adopted by a conference on international terrorism held in Jerusalem in 1979; terrorism is the "deliberate, systematic murder, maiming, and menacing of the innocent to inspire fear in order to gain political ends."

Whatever its deficiencies, this definition at least permits one to distinguish between pure terrorism (e.g., random murder in Turkey) and guerrilla warfare directed at the political or military arms of an occupying power. It also suggests a difference between force used to disrupt a particular political or military order and force used to make impossible the maintenance of any form of order under any auspices.

Moreover, the definition implies that one must judge any killing by the extent to which other, less violent means exist to achieve political ends. If terror is practiced in a society with free elections, open courts, and a legitimate opposition, it is more despicable than when terror, even defined as the killing of innocent persons, occurs in a society where no alternative means of change exists. Such a definition can be applied to terror of the Right as well as on the Left, terror practiced by a government as well as terror practiced by those who oppose a government.

If there is one thing wrong with the definition, however, it is the implication that there are known "political ends" toward which terror is customarily directed. Sometimes there are: the aims of terror in the Soviet Union or in Nazi Germany were plain enough—to maintain the position of those in power. But just as often there are not: who can describe in anything more than empty generalities the political aims of the IRA Provos or the Red Brigades? For many of their members, the purpose of terrorism is simply to terrorize. The modern terrorist employs it, not as a last resort, but as a preferred method; as Paul Johnson has written, the terrorist exalts violence over other forms of political activity. This leads in turn to the suppression of the natural moral instincts so that it is no longer easy—perhaps no longer possible—for members of such conspiracies to distinguish between the political zealot and the psychopathic killer. The routinization of violence, the melding of the true believer and the bloodthirsty killer, leads to the final irony. As Johnson has pointed out, terrorism assists in the spread of the totalitarian state.

TERRORISTS VS. HEROES

Not all political violence we see in the world about us deserves to be called terrorism, but enough of it does to make one wonder why some of us strain to call it something else. A favorite intellectual device is to remark that what to one person is a terrorist is to another person a revolutionary hero, as if it were not possible to distinguish between terrorists and heroes. This kind of moral relativism, applied to ordinary shootings, would make it impossible to describe a common criminal. Does anyone really think it especially helpful, or even decent, to remark that one person's mass murderer is another person's "role model"?

We are more inclined to confound terrorists with heroes than we are to confuse psychotic killers with decent people because the former claim a political justification, and we tend to accept political justifications for acts that are otherwise unjustifiable. That acceptance might be defensible—if not persuasive—if we examined with care the justification, but usually we do not. We simply note that a person claims a political motive, that he employs some conventional bits of ideological bluster, and then assume that this must indicate the existence of some well-reasoned political argument that, had we the time and opportunity, we could discover. On the contrary, there is typically less to the matter than meets the ear.

There are essentially two ways of thinking about terrorism. One is to assume that terrorists are but an extreme expression of underlying social injustices and political tensions and that this symptom cannot be treated without first treating the underlying causes. This view is half right: terrorism rarely exists for long where there is neither freedom nor injustice. The error in this view is the assumption that if the underlying causes can be addressed, the extremist systems will disappear.

This is an error because it overlooks the second way of thinking about terrorism—the way Claire Sterling makes so vivid for us. It is that, whatever the root causes of terrorism and the underground political culture that gives it nurture, the terrorists quickly and inevitably develop a stake in opposing solutions to the problems. They will do whatever they can, make whatever alliances are necessary (including alliances with common criminals and homicidal maniacs), to prevent any "political solution" short of the destruction of the state itself. They will thus direct their attacks chiefly against groups desirous of constructive change. The Red Brigades, after all, killed Aldo Moro, a center-liberal politician, and not some monarchist fanatic. The aim of the true terrorist is not to hasten progress, but to provoke a fascist reaction. The most encouraging thing to know about the terrorist network is that in the West, after a dozen years of trying, and endless bloodshed, it has failed.

"NATURAL" RESULT?

This suggests why it is important to recognize that the Soviet Union has aided parts of the terrorist enterprise. It is not because we can get them to stop it (for all I know, they may have stopped already), or because being aware of the facts of Soviet involvement makes it easier to cope with terrorism from a law-enforcement point of view.

The most important reason is that it tells us something about the nature of terrorism itself and puts us on our guard against assuming that it is the natural result of social inequity. If we judge, as we have tended to do, the quality of a society or a regime by the amount of terrorism directed at it, assuming that the level of violence is a measure of the degree of injustice, then we may be making a very great error. For to the extent other nations abet and support terrorism, the correlation, otherwise perhaps natural, between the level of injustice and the level of violence in a democratic society is distorted. So long as we think terrorism natural or inevitable, or wholly the product of underlying causes, we cannot be prepared for what in fact happens. Once West Germany was sufficiently aroused, it was able to destroy the Baader-Meinhof gang without destroying German democracy. After Aldo Moro was murdered, the Italian police broke the back of the Red Brigades. Society did not change; terrorism changed.

THE TAX BILL AND THE BUDGET PROCESS

The SPEAKER pro tempore (Mr. SAM B. HALL, JR.). Under a previous order of the House, the gentleman from Georgia (Mr. GINGRICH) is recognized for 60 minutes.

Mr. GINGRICH. Mr. Speaker, last night I took a special order to begin the process of talking about the ongoing saga of the tax-cut bill.

Tonight I can report that the Democratic leadership bill was voted out of the Ways and Means Committee around 2:20 in the morning, that it included a number of new special interest cuts and changes, possibly the most significant best illustrated in this Washington Star headline this afternoon that says, "Big Oil Industry Break Voted By Democrats."

In other words, as I suggested yesterday, in one last desperate effort to retain power, to hold together a coalition that was rapidly breaking apart, what we have is a Democratic liberal leadership that at the last minute, late at night, not only passed out special breaks for the oil industry, but did so with the help of liberal Democratic votes from Members who have consistently, year after year, attacked the very industry which at the last moment they were convinced to help bail out.

It was not a large bailout. All this talk about helping the common man, the poor man, the Democratic leadership only offered $6.6 billion over the next 5 years.

Let me read the key paragraph in the Washington Star:

> The other, a $6.6 billion 5-year tax break for the oil industry, squeaked by 18 to 17, with all committee Republicans voting against it. It would provide a break averaging between $1 million and $2 million a year for each oil producer.

That is the current tax gift of the party of the common man, $1 million here, $2 million there; help out whatever interest group you have to in order to retain control.

Why are we reduced to this sad shape? As I said last night, since 1971, under liberal Democratic policies, our taxes have gone up 249 percent; that is, if you were paying $100 in taxes in 1971, thanks to the rise in your income just to keep up with inflation, the share of money that your Government took out of your pocket before you got to spend it went up year after year after year so that today it is 249 percent higher.

I will give you another example: In the last 5 years alone, taxes have gone up by 78 percent, more than three-fourths higher than they were just 5 years ago; but our incomes only went up 58 percent. That is, the liberal Democrats designed a tax code so that as your income would go up, your taxes would go up even faster.

□ 1840

If you gained a dollar, the Government gained $1.60. The result was that your income went up 58 percent, but the Government raised your taxes 78 percent. It was not an openly voted raise; it was just a quiet hidden structure in the system.

But this House has the opportunity and the chance to take us off that escalator. This House can make a difference. We now have basically two alternatives, and this chart shows you those alternatives.

I want to bring this a little closer. If you look at this chart, it tells you the big dollar figures. One of the biggest frauds we have heard for the last month is that one side, the liberals, are helping people who earn under $50,000 and the other side, the conservatives, are not. That is just not true.

If you look at the total tax cut for middle-income Americans, in 1984 all middle-income Americans would together get a total of $37.7 billion in tax cuts under the Rostenkowski liberal Democrat tax cut. In that year, under President Reagan's plan, those same Americans would get $43.7 billion in tax cuts.

Now, it is simple to anyone that $37 billion is less than $43 billion, and that the difference is that under the Reagan tax cut you get more money back from the Government. The Government takes less money out of your pocket.

What group are we talking about? Families between $15,000 and $50,000, the working Americans who are the backbone of this country.

Let me go through this one more time because there has been so much confusion and so much distortion. If you are in a family that earns between $15,000 and $50,000, by 1984, under the liberal tax program, you will get back less than under President Reagan's program.

Let me put it differently. If you get a cost-of-living increase, as you have in the past decade, what happens? Remember, you get a little more from your boss and lose a lot more to the Government. Some people actually get pay increases and lose take-home pay because the Government takes more away from them than their boss gives them in pay raises. Many, many people, possibly you, have had this experience.

What does this mean? By 1984, if you are in one of these brackets, if you earn right now $20,000, if that is the amount you earn right now and you get cost-of-living increases in 1984, the Rostenkowski liberal bill is designed in such a way that by 1984 you are actually paying more money than you paid this year.

That is not a tax cut at all in the long run, it is a tax increase, and anyone who votes for the Rostenkowski bill is voting to raise taxes in 1984, not to cut them.

It is the same gimmick we saw throughout the 1970's. They talk of a tax cut, but we never get to spend it because we end up with a tax increase.

Now, let me quote from the President's bipartisan tax program talking paper, a paper put out specifically to help people understand what is happening. I quote as follows:

> The fundamental difference between the two proposals is that the President's plan is a real tax cut while the Rostenkowski-O'Neill plan would allow taxes to continue to increase on working people. The full 25-percent tax cut is essential to provide a real tax cut to working people. Tax rate reductions of more than 22 percent are needed merely to offset the tax increases facing the American people. A 2-year tax cut of 15 percent is no tax cut at all.

In other words, the Rostenkowski tax cut, so-called, turns out to be a tax increase if you hope to get any pay raises. The only way it becomes a tax cut is if you promise not to work hard and do better or get promoted or get a pay raise or get a cost-of-living increase, because if you do any of those things, you end up in a higher bracket under the Rostenkowski liberal bill.

We hear talk that says, "Oh, but this isn't a 2-year bill. This is a 3-year bill with a trigger." This is the latest in a long series of lines designed to confuse the issue. The truth is that there is a phony trigger in the Rostenkowski bill, a trigger which is designed in such a way that it will never work, a trigger which proves, if you just look at the Rostenkowski bill, that it is clearly designed not to work.

Let me explain why. President Reagan has a carefully thought out plan to change the way things have been going, to fight high prices, to bring down interest rates, to cut taxes, to create jobs, and to make America prosperous again. President Reagan's plan cuts Federal spending and cuts taxes. It is designed to create economic growth, with new jobs and new opportunities. Under the plan that he designed, he thinks we will have a $22 billion deficit in 1983.

The Rostenkowski bill takes that figure of $22 billion and puts it into their bill as a trigger. Then they say, "Ah, if we get down to Reagan's level, then we get a third year cut." Then, however, they walk over and change the tax bill and increase the cost of the tax cut to such a degree that it is absolutely guaranteed that we cannot possibly have as small a deficit as President Reagan wants.

In fact, the Rostenkowski bill is a big deficit tax bill. It guarantees bigger Federal expenditures. It guarantees, I think, higher interest rates because the Federal Government clearly will have to borrow more money in 1983 under the Rostenkowski bill.

Then, having passed a tax bill which guarantees that they cannot possibly get to President Reagan's deficit figures, they turn around with a smile and say, "Ah, but if you do, we get the third year." In other words, it is a phony promise in a phony tax bill that will lead to a tax increase.

Asking President Reagan to accept the Rostenkowski tax bill as a step toward the Reagan economic plan is like going to the doctor and saying, "You have to make me well, but I don't want to take the medicine you prescribe. I want to invent my own medicine."

If the O'Neill-Rostenkowski proposal supporters and the liberal Democrats are willing to be responsible for the economy of the country, if they want to take the burden of higher inflation, higher interest rates, and more unemployment, if they want to see Americans out of work, they will want to fight for their bill and pass it. But if they pass it, the burden is theirs because they will not have passed the Reagan economic program and they will not have helped the President fight for recovery.

Let me say that we, the Republicans and the conservative Democrats who have been working together, are committed to a bipartisan tax program. Many conservative Democrats have shown great courage in working with President Reagan to put America above partisanship. We are committed to a real tax program that will genuinely cut taxes, that will leave your money in your pocket, and that will create new jobs.

Let us think of it this way. I represent Jonesboro, Ga., in Clayton County. Our basic goal is to have a tax cut that leaves money back home in Jonesboro so that people in Jonesboro can go into a Jonesboro store and buy things in Jonesboro to create jobs in Jonesboro. We want Clayton County to be prosperous. We want folks in Georgia to have a better future. We think that the only way to do that is to have a real tax cut that hits right at working Americans.

Let me put it a little differently. There is a fancy term called "marginal rates." It is really not very complicated. A marginal tax rate is what you pay on the next $100 of income. It is not what you pay on all of your money. Let us say you are working and earning, say—we will just pick a number—$16,000. If you are working, if you are married and the two of you are making $16,000 and filing a joint return, of the next $100 that you get in a pay raise, $16 of it will go to the Federal Government.

Let us say that you are earning $20,000 a year and filing a joint return. Of the next $100 pay raise, $19 will go to the Federal Government. If you are earning $24,000, that gets up to $22.

In other words, your marginal rate is what happens to the next pay raise you get. As I said earlier, many people find that if they get into a high enough bracket, with the next pay raise they lose money because they are pushed into the higher bracket and have to pay more taxes.

Let us look at a couple of these brackets. What happens under the Rostenkowski-O'Neill bill to someone who is making $16,000 and filing a joint return? Right now they are paying 16 percent on their marginal rate. In 1984, if they get cost-of-living increases over the next 3 years, their taxes will have gone up to a marginal rate of 18 percent.

We are not talking about rich people; we are not talking about a $50,000 income. A couple who earns $16,000, under the Rostenkowski-O'Neill plan, is going to pay 2 percent more on a marginal rate with their next pay raise in 1984 than they paid in 1980.

I think that is wrong. I think it is wrong to pass a tax cut that is a tax increase. I think it is wrong to try to mislead the American people. I think it is wrong to try to put in every possible special interest.

It may be good, as the Washington Star said, to have a "big oil industry break voted by Democrats."

It may be good, as the Washington Star said, to have a "$6.6 billion 5-year tax break for the oil industry, a break averaging between $1 million and $2 million a year each for oil producers."

I do not think it is good for working Americans to have a Rostenkowski-O'Neill bill that is a phony tax cut that will raise their marginal rates, that will leave them with less money, that will cripple President Reagan's recovery plan, that will guarantee fewer jobs, more unemployment, and higher interest rates.

In the next 10 days, you have a chance to change everything. You have a chance to write your Congressman, to phone your Congressman, to visit your Congressman, to say that the time has come as a decade in which my taxes went up on the average by 249 percent. The time has come for a real tax cut that really cuts taxes.

I think you have a chance now to change American history if you will take that opportunity.

CONGRESSIONAL IMPROVEMENT AMENDMENTS OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut (Mr. MOFFETT) is recognized for 5 minutes.

● Mr. MOFFETT. Mr. Speaker, the House Committee on Rules recently held hearings on Representative LOTT's proposed changes in the way in which the House of Representatives conducts its business. I was pleased to speak before that committee in the topic of congressional oversight, to initiate the process of making old laws work, rather than making more new laws.

Unfortunately, our present system does not give Members adequate time to study existing laws, either during debate in committees or in the House Chamber. Our time is constantly eroded away be meaningless procedural votes, often called intentionally to delay the work of the House. The average citizen would be appalled to learn that these votes—to approve the House Journal, to begin consideration under the 5-minute rule, and so forth—cost $25,000 each.

During debate on these matters, valuable time passes, serious consideration of legislation is disrupted and oversight is neglected.

There has to be a better way. Testifying before the Rules Committee, I offered one alternative, a congressional moratorium on new legislation, combined with an oversight and investigative season for 2 or 3 months each year.

The elimination of overlapping subcommittee hearings and other meetings would allow Members to step back and conduct a much-needed sober, scholarly examination of those laws already on the books. We could effect change without having to legislate, by getting rid of the dead wood and drawing attention to those programs which are effective. And, finally, Government could be viewed by the public as helpful rather than ineffective.

I hope that my colleagues will respond to my testimony se we can at least establish a demonstration project in which the drafting of new laws is deferred for a time in favor of making old laws already on the books work.

CONSIDERATION OF HOUSE RESOLUTION 100: THE CONGRESSIONAL IMPROVEMENT AMENDMENTS OF 1981

(Testimony of Congressman TOBY MOFFETT)

Thank you, Representative Moakley and Members of the Committee. I am delighted to have this opportunity to discuss Representative Lott's proposed amendments to the House rules. I applaud the Rules Committee for its attention to the issues which are raised by the Lott resolution. He has recommended some fundamental and thoughtful changes in House procedures—reforms which may sound academic but which are procedurally important—with regard to limiting the number of subcommittees, limiting staff, and focusing the attention of Congress on the oversight of existing federal programs.

My daughter's seventh grade textbook still, in what is an excellent school system, teaches students that a good Congress is one which passes a lot of laws. I am sure that this lesson is taught throughout the country and that this yardstick is being used by textbooks and by teachers. It is an outdated yardstick.

When I first ran for Congress in 1974, I said that we should spend more time

making old laws work than making new laws. My experience since that time has only served to confirm that view.

I have had the honor and privilege of serving with two outstanding oversight chairmen: Representative John Moss of the Commerce Oversight and Investigations Subcommittee, and Representative Ben Rosenthal of the Government Operations Subcommittee on Commerce, Consumer and Monetary Affairs. Those of you on the Committee elected before 1978, when John Moss retired, certainly remember his hearings and the effective way he brought about change in government without legislating.

You'll remember his hard-hitting investigation of the Arab blacklisting of American firms which did business with Israel. And you'll also remember how former Secretary of Commerce, the late Rogers C. B. Morton, attempted to withhold data which identified firms complying with the boycott of Israel. John Moss stood down Secretary Morton, not for political reasons, but for a principle. He did not want the United States government capitulating with or encouraging a form of blackmail, nor did he want our nation's leaders ignoring violations of U.S. laws.

Ultimately, Secretary Morton agreed to transmit this data to our House Oversight Subcommittee. Congress used this data to convince firms that they should not give aid and comfort to the Arab boycott. Our Subcommittee accomplished this without passing legislation or amending a statute. We did it through oversight.

Ben Rosenthal has exercised his Subcommittee's oversight responsibility in a similarly aggressive and successful way. His investigations into such controversial areas as the 1979 oil shortage, the manipulations of the silver market by the Hunt Brothers and the acquisitions of domestic firms for foreign investors serve as textbook examples of how the effectiveness of Congress should be judged.

I have tried to operate in a manner which, if it does not emulate it, does justice to the examples of my colleagues. I chair the Government Operations Subcommittee on Environment, Energy and Natural Resources—a Subcommittee with the luxury of not having to dot the i's and cross the t's of legislation.

Instead, we take a step back and try to determine if the federal departments and agencies under our jurisdiction are actually operating within the mandates of Congress. I would like to talk a little bit about my Subcommittee—not to boast about it—but to try to give the Rules Committee an example of how we work.

It's tempting—since we have under our jurisdiction the Department of Energy, the Environmental Protection Agency, the Nuclear Regulatory Commission, the Army Corps of Engineers, and the Department of the Interior—to set loose our investigative staff on a daily basis. It's tempting to hold a hearing a day. But we resist that temptation and, instead, look in depth at four or five areas per year.

An example: Synfuels. All year, my Subcommittee has been examining the issues revolving around synthetic fuels, the establishment of the Synthetic Fuels Corporation, the awarding of projects, contracts, etc.—a total look at the policy commitment Congress made when we passed the Energy Security Act.

Some of our work has already produced results.

Executives were hired for the Corporation at extravagant salary levels in direct contravention of the mandate in the Energy Security Act (ESA) which stated that, unless impossible, all hiring should take place within the salary ranges of the Senior Executive Service. Our Subcommittee found salaries for the Executives which were set at half-again, double, and triple of what Civil Servants are receiving. Our findings resulted in President Reagan rejecting the total compensation packages for these employees.

Our investigation continues in a number of other fruitful areas, including an inquiry into whether the Department of Energy has awarded contracts to companies which should not be eligible for Federal aid.

These investigations, and the results which we may obtain, matter. If the public has no confidence in the Synthetic Fuels Corporation, its mission will suffer. If the Synthetic Fuels Corporation feels it can operate outside the law, avoiding Congressional oversight, it may never fulfill its function. And the Synfuels program could become a massive 'syn-pork' project that produces no energy. We cannot afford that.

We have had the good fortune to produce reports—like that on the Synfuels program—which won near unanimous approval by the Subcommittee. We might have a dissenting vote or two but, generally speaking, we come out of the Subcommittee and ultimately the full Government Operations committee quite united.

These bi-partisan expressions of concern about the way in which an agency or a department is operating are important. They demonstate that you can have oversight without having legislation. They demonstrate that you can make changes in the behavior of administrative agencies. You can make changes "downtown" in the Executive Offices of the President or of his Cabinet Secretaries, if you are given the time and the breathing space to perform oversight properly.

All of this leads me to ask; when will Congress have the time to perform effective oversight regularly? And, how can we create a situation wherein all Subcommittees of Congress—not just Subcommittees such as mine—have an opportunity to exercise their oversight powers as a regular matter of course?

To help me answer these questions, I went back through about a decade's worth of proposals made by the various Commissions, committees and panels we have created, to help us develop a "blueprint for a House that works." Among all the proposals I examined—and I looked at the Obey Commission, Jerry Patterson's Select Committee, and the work of my former colleague Bob Giaimo with Rep. Hanley—I was most comfortable with the recommendations of former Representative Ned Pattison of New York. Ned Pattison recommended a "legislative moratorium" for a certain period of time; he suggested setting aside the latter part of the year, from October on. Regrettably, nothing came of his proposal.

We need to set aside such a time when no legislation is enacted except in emergencies, when Congress focuses on oversight.

Scheduling is very important. Of course, there are other stimuli: a Chairman exercises his prerogatives; when the Subcommittee Chairman and the Members feel the impacts of the mail, special interest pressure in the best sense of the phrase, or the ebb and flow of current events—these stimulate good oversight activity. But without the breathing space to step back and examine our programs, we won't be able to translate these pressures and influences into action and change.

This breathing space is not now available. We are constantly interrupted by votes on approving yesterday's Journal, on technical procedural matters, on countless other meaningless and unnecessary items. Taxpayers would be shocked to learn that the Clerk of the House estimates that these votes cost $25,000 each! What a waste of time and money; what a waste of private sector expenses for expert witnesses who wait while we cast these solely procedural votes.

Subcommittees which authorize legislation—that is, write new programs or continue old ones—must have an opportunity to do more oversight. The Comptroller General, in his November 22, 1977 report, actually recommended that legislation be written to include oversight mandates. His suggestions included that, during the life of a program's authorization, Congress would receive periodic reports by the program's managers. He suggested a mandatory schedule where the managers would testify as to the current status and effectiveness of the program.

I am not sure that such rigid formulas work or are helpful. The Rules Committee is probably best equipped to make that judgment.

More recently, the entire budget process has had a direct bearing on scheduling and on time constraints. I had requested a Congressional Research analysis of the time used by Committees for hearings, to demonstrate where the most slack time was, such that Congress could suspend its normal legislative routine at that time and devote itself to oversight. I quote from their results:

"This memorandum has shown where slack time exists according to one set of data collected in the 94th Congress. Since then, other elements, most notably the Congressional budget process, have further infringed upon what little legislative slack time existed at the time of the Obey Commission's report and an analysis of the requested data will shed additional light on this subject."

We need to take a hard look at the budget process, particularly with the reconciliation process factored in, to determine where we are and how more oversight can be included. It would be nice to think that Senators and Congressmen, who are trying to resolve the differences between the House and Senate budget-cutting bills, are making their decisions based upon a scholarly analysis or deliberative process with respect to the programs undergoing such severe reductions in funding. But I don't even think that Mr. Reagan would make such an assertion. I would submit that Congress has failed to create a sober scholarly process through which we can analyze what works and what does not.

In fact, Mr. Chairman and Members of the Committee, aren't we largely to blame for the frustration which has resulted in a meat-axe approach to cutting the budget, rather than a more sober process? I think the case could be made that if we had developed a process 10 years ago for finding out what works and what doesn't, then we might not be in the current predicament, where we are going forward with such an imperfect and often brutal mechanism for reducing federal spending.

In sum, I would make a plea that we need some space and time for an oversight session in Congress. If such a proposal is too difficult to schedule, let's at the very least try a demonstration project that might take place in the late fall of a non-election year,

where we would surrender our legislative roles and assume exclusively our oversight function.

There is a "good government" coalition outside of Congress which would include everyone from Ralph Nader to the National Association of Manufacturers, from Common Cause to the Chamber of Commerce, a coalition that would applaud our stepping back and taking a look at the "big picture."

It would be good for the country; it would be good for the Congress; and it might even improve this institution's dismal national approval ratings.●

KING CRIME

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 30 minutes.

Mr. GONZALEZ. Mr. Speaker, I would like to say that I am sure that it will be not necessary to use anywhere near the 30 minutes alloted for this special order; but I rise to continue and conclude the last presentation on what I have called and labeled "King Crime."

It has to do with the dastardly murder of Western Judicial District Federal Judge Wood and the prior attempt to assassinate the assistant district attorney for the western district, James Kerr.

At the time I spoke last, I was bringing the House up to date. I have spoken on this matter for better than 2½ years. The first half year was on the attempted murder of James Kerr, which I still believe is fundamental to the solution of the pattern that discerns itself in both crimes, but particularly the murder of Judge Wood.

This is an unprecedented crime. It just has never happened before in the history of the judiciary. The press has said that once before a Federal judge was killed, but that was an entirely different circumstance. It was, indeed, a homicide, but it was related to something nearer akin to passion than to the results of a deliberate intended premeditated crime based on the activities of the most sophisticatedly organized criminal element in the world, which is the syndicate or the organized crime organization of the United States, which I label "King Crime" because their rate of supremacy is undiminished. In fact, it has grown to the admitted point of noncontrol by the law enforcement agencies and those elements in our society that are structured to protect the people from the criminal element.

The connotations and the significance of the meaning behind these crimes continuously agitate my mind and have generated and have triggered off my appearances at this well, this forum. It is, after all, the only thing we do have available to us.

This crime and the other one related to the attempt on James Kerr are clearly an attack on the third branch of our Government, the Judiciary. It has resulted in the intimidation of the judiciary, at least in the western-southern portion of the judiciary system. The members of that and the related agents in the law enforcement constituency in that area, such as the assistant Federal district attorneys, are still under U.S. marshal custody or surveillance, which in itself entails a tremendous cost. It has cost several million dollars to provide this in the last 2½ years.

I have said that it is a sad commentary on our society and our country that while these agents that we have charged with the enforcement of the laws passed by this body should be hiding furtively and under the protection of U.S. marshals and at the same time the criminal element with head high walks the streets with complete untrammeled freedom and not only continues their nefarious trade today, a near $2 billion illicit trade that forms the financial background for the origanization that is clearly implicated in these crimes.

The fact that 2 years and 1½ months, almost 2 years and 2 months after the murder of Judge Wood, there is not even an indication of an indictment is also compounding this sad commentary and sad state of affairs of our society.

I have said and repeat now, we cannot boast of a free and democratic society as long as we have this element of control. We have the incisive penetration into business and government and politics. In fact, as I have said, it is this inextricable link between these communities, the highly organized criminal element and the business and political, that make it possible for us to have developed this terrible form and pattern of criminal and illicit behavior in our country.

Years ago, at the time of the gangster period and the reign of Al Capone, the good people in the Cook County area saw fit to import an English expert on crime and law enforcement. He came over, and being a diligent and an honest man, did not stay long. He tendered his decision and report immediately, almost just weeks after having arrived in the United States and said, "Gentlemen, I would like very much to fulfill the commission that has been authorized me, but I cannot in honor and in truth and efficiency do anything, because I am prepared to study and evaluate and offer recommendations with respect to the control of crime and criminal behavior, but where you have a situation here where you have such a linkage between the political, the official and the criminal element, I must say that once you have made that split between the two and once you have separated this linkage between the criminal element and the political, then call me and I will be glad to come and study the situation."

Well, this, of course, is a lot worse in this latter part of the 20th century than it was in the thirties and early forties. As a matter of fact, we have had such penetration between the organized, syndicated, criminal structure, that today they have penetrated the banking system and every form of business activity that is legitimate and some operating so efficiently that even those involved in the administration of these businesses do not even know who the real boss is behind the scenes.

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They have no question, and as I have said since 1970 on the occasion of the Sharpstown scandals, penetrated the highest levels of Government where today the chief law enforcement agencies of the Nation have lost their capacity to penetrate these underground labyrinths of crime, possibly because in the last 1½ years the main elements that the law enforcement agencies, such as the FBI and others had been working with as informers or double agents have been hit, they have been murdered in unprecedented numbers. There is no resolution of their crimes, which means that our law enforcement agencies have no means of controlling this criminal element.

Therefore, they are handicapped, and I think no better illustration of this, in fact, and a terrible illustration of this is the murder of Judge Wood.

I have pointed out, and this is where I left off in the last discussion, the connections between these crimes and others that have remained enshrouded in history. I have said that I am dedicated to the proposition, because I have feared this from the beginning, that we shall prevent in the case of the attempted murder of James Kerr and the murder of Judge Wood, that we will not have the same thing that has happened with the case of Jimmie Hoffa where even the body, the so-called corpus delicti has not even been found, and no ability on the part of our national law enforcement agents to penetrate that crime. It has faded into the dust of history, and we cannot accept at great cost to our democracy, to our form of government and our structure of society, no longer suffer or much longer delay in the resolution not only of the discovery of those who were the direct responsible individuals in the murder and the attempted murder of these two cases, but those behind the scene, and their exposure, and bringing before the bar of justice, and their conviction, and above all, their punishment, because it is a continuing confession that our society has lost even the basic reasons why governments are instituted.

After all, governments were begun from the beginning for the basic protection of life and limb and property, and if we cannot guarantee that, as we are not to our citizens, and particularly those highly placed in the offices of public trust, who have been elected and selected by the people, what it is is a continuing pattern of government by the board and not by the ballot.

In the case of Judge Wood, when the attempt was made to kill the district attorney, James Kerr, I stated then, locally, of course, because I have been concerned for more than a decade, locally, and had appeared before four grand juries, and was a source of information to those grand juries that eventually led to the discernment of such things as the Carrasco Gang, the tremendous rise in the international and especially in the southern border in the illicit drug trade, and especially with the attempt on James Kerr.

Two months before that I had more or less predicted that something of that kind was in the making, because it was clear in the murder of two persons whose murder has still yet to be resolved in the southern portion of the country that there was an emerging new pattern, and that has turned out to be this $2 billion traffic in stolen motor vehicles and automobile parts from the United States into Mexico, and in many instances, in most if not all in exchange for drugs.

In fact, I have said this before, that it has become so refined, this traffic, this give-and-take traffic, that a certain vehicle of a certain make and model and year will bring a certain amount in kilos of a certain drug, whether it is cocaine, heroin, or marihuana. A 1979 Chevy, for example, a pickup will have a certain value in the amount of exchange for brown heroin, for example. That has become so refined, I pointed out at the time, and this was before the attempt on James Kerr, that apparently a very, very substantial and aggressive penetration by organized crime had been made into what had been up to 3 years ago a desultory traffic in stolen vehicles.

The national statistics reflect that.

Three years ago the overwhelming number of reported automobile thefts were attributed to teenagers joyriding and the like. Today the overwhelming preponderant number of automobile thefts is something else, and even the official statistics do not reveal but just the tip of the iceberg of the extent of this traffic because today an inordinate amount is in stolen automobile parts, which because of the lack of identification, the law enforcement officials are unable to enforce even when they make an arrest.

We have had certain "sting" operations, for example, in the Southwest in which in less than 48 hours over 300 stolen vehicles and parts or agents involved in parts transactions have been arrested. Eighty percent of those automobile thefts had not been reported, yet the agents were successful in apprehending 90 percent of those stolen automobiles which were en route, they were not emanating say from the San Antonio area, but they were en route to the border for transportation and exchange and sale south of the border.

That coincided with the increase in and the refinement in the so-called brown heroin market, the so-called Latin American connection which coincided with the closing of the French connection and our Canadian border exposure and closing.

That, incidentally, was due mostly to the work of an agent by the name of Sante Bario. In the meanwhile, after his great work in the exposure of the French connection, he ended up in Mexico City as an agent in charge of the DEA.

Then in 1978 he was arrested in San Antonio and charged, after a very mysterious type of entrapment situation. For example, I have had meetings with the head of the DEA and the agents, and some of those that were involved in the Bario transaction, and they explained to me how they had entrapped Bario in a hotel room in San Antonio. When I asked them if any one of them could speak French they said no. Yet the transaction that exposed Bario was between this highly sophisticated double and triple agent with whom Bario had worked in the custom and fashion which is novelist and unbelievable in the real world, with this third agent and only conversing in French.

□ 1910

So how did the agents know at what point to break into the room? They were listening. They had bugged the room. How did they know, if they did not speak the language?

Bario was arrested and charged with bribery. This was the agent who had broken the French connection. This was the agent who had successfully worked with the New York Crime Commission in busting the corruption that that crime commission exposed prior to Bario's service with the Federal Government.

He was then placed in a jail 80 miles north and west of San Antonio. The attorney he hired, finding it difficult to communicate with his client, complained. And for some reason or another, they brought him into the Bexar County jail in San Antonio. He had not been there half a day before he was given a peanut butter and jelly sandwich to consume, and choked up on it and went into a coma from which he never recovered.

Sante Bario never had his day in court. He vegetated and died 6 months later.

Now, that case has been closed, with many questions unanswered. In my opinion, that case is tied in to the pattern of events which led eventually to the attempt on the life of James Kerr and the murder of Federal Judge Wood. Yet you do not hear anything about that. The case is considered closed. There are very mysterious elements.

There is no question in my mind—and I have some testimony to that effect, except that I have not advanced it because it is not documented, and I have never yet made an allegation that I could not or would not be able and capable of documenting—but there is no question in my mind that Sante Bario was the first one to know, and he should have known—and remember that Sante Bario was arrested on the cheek-by-jowl relationship between the sophisticated criminal Picault, who was not only a double agent, he was a triple agent, who was the one who reported to DEA that Sante Bario was on the take. Yet this is the man who had worked with Sante Bario for years, and Sante Bario knew the danger of working with him, and they expressed it while he was in Mexico City. Yet Picault moved to Mexico City and lived there, and, according to the widow of Sante Bario, was a source of great troublement and worry to both Bario and his wife.

Yet DEA, like other Federal agencies and some other local and State law enforcement agencies, has developed such a noxious pattern of being able to solve crimes, so they say, by working in partnership with the criminal only, which, in my opinion, means that that is a concession of surrender on the part of our law enforcement agents in their ability to solve crime. And anytime anybody has to go into partnership with a criminal, it is my belief and conviction that you become a victim of that criminal. Sooner or later he will be using you. And this is what they have done. And in the case of Sante Bario, there is no question in my mind that he was the first to detect the pattern and the source and the connections between officialdom in Mexico and officialdom in the United States connected with organized crime and the tremendous upsurge in this growing traffic of the importation of drugs into the United States and stolen vehicles into Mexico. There is no question of that in my mind.

Is the fact that he choked up and went into a coma after eating a peanut butter and jelly sandwich coincidental? There is no question in my mind. I am continuing my conversations and contacts with the medical examiner who was called in locally later on. But there are discrepancies between the first and then some of the postexaminations that were made. But it still seems to me that you would have to be very naive and almost believe in every

one of the fairy tales that we have been told and accept unquestionably the series of events beginning with the Sante Bario case, or going even before that, the Carrasco case and the experiences in the Bexar County jail with Carrasco, where Carrasco was treated as if he were in a hotel and continued doing the illicit drug business with a telephone at his command from the jail cell.

Now, it seems to me that given all of those facts, it would have been a mighty, mighty careless and negligent law enforcement agency that would bring a prisoner who had been on the other side of that law enforcement game with drug peddlers, bring him into that kind of an environment where he could be accessible.

Just a week or so ago I was again called by the San Antonio papers with respect to an arrest and an exposure that was making headlines in California, where the FBI apparently had descended on a substantial traffic in stolen automobiles from the California connection. I have brought out for 2 years that there are essentially four flows: The California, the Las Vegas-El Paso, the New York-Chicago-Austin-San Antonio-Laredo and Northern Laredo, and eastern, which incidentally involves the District of Columbia very heavily. There are quite a number of vehicles that have not been found in the District of Columbia area that I am sure have been in Mexico for some time. And that flow is the eastern seaboard down to Florida and across the way to New Orleans, Houston, and the southern border crossing points in Texas and Mexico, Brownsville, and across the way there.

Now we are talking very substantial business, closer to $2 billion than $1½ billion, a pattern which could not exist unless there were intimate connections between many forces, not only in otherwise normal business, but also in officialdom.

So that another headline was the recent arrest in San Antonio of a double agent who had been working very closely with the Drug Enforcement Agency and other law enforcement agencies. And unexpectedly, with him, the arrest of a police sergeant of the San Antonio Police Department which, for the first time, casts shadows on that department. I have been proud of the San Antonio Police Department and have good reason to be.

□ 1920

They have had great efficiency, and as far as I have known, never any involvement such as appears to be the implication now, at least with respect to this one longtime veteran of the force, a sergeant.

But I am saying here and now that this particular double agent who, incidentally, had been convicted and had received a term for his involvement in the old Carrasco gang doings a few years ago, today apparently is apprehended in what the law enforcement said was an unexpected arrest, that they were dealing with this double agent.

He meanwhile is alleging he was entrapped by DEA, that he was given money of a substantial nature by DEA in order to make a purchase of drugs, and says that he was entrapped and that the police sergeant happened to be there to protect him.

But that agent also involved other implications having to do with what the law enforcement agents say in the newspaper is unquestionably some capital funding from yet to be determined sources. They suspect otherwise honorable business sources.

I am saying that if this newly arrested double agent, as in the case of Sante Bario, does find that he is released he had better look out because if he really does open up and start talking, as it would be my hope he would, though I doubt it—because of the peculiar background of this individual—his life will be in danger or jeopardy.

I noticed in the newspaper that there was a big question about the amount of bond and his inability to receive it. He may have made it by the time I am speaking today.

Because it is another thing, let me say by way of parenthesis, for years now, when some of these arrests have been made, particularly of these involved in the international trade, and a bond is placed of $250,000, $350,000, $400,000 as in the case of Judge Wood, a related case of an individual—these individuals have come in with cash payment bonds, with the cash, not the bondsman, but the cash, $250,000 in cash.

As far as I know, no effort is being made or has been made to try to find out how in the world could those resources be made available to a lesser agent who is simply the courier transporting the goods.

Well, I think that the nearest thing that has been done is what has been done on my insistence on the Banking Committee level, where we have gone into the cash flow investigation in our Federal Reserve System and sure enough, the report that I rendered in this forum last year shows an inordinate amount of heavy cash transactions exceeding $5,000 in these areas like Miami, San Antonio, El Paso, and, of course, there is no question the conclusion is inevitable, it is related to the drug traffic and the attempt to launder the money that way. But nothing is being done to follow through and no progress has really been made in the resolution of these dastardly crimes that implicate so much of our own national destiny, so that in an attempt to do something from this level other than just talking, what can one do?

I did intervene at the highest levels with the Jimmy Carter administration. They did respond to a certain extent but I could never, and I have not succeeded in really bringing about this as a national priority, which is what it ought to be.

CONGRESS AND THE FREEDOM OF INFORMATION ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oklahoma (Mr. ENGLISH) is recognized for 5 minutes.

● Mr. ENGLISH. Mr. Speaker, last week, the Subcommittee on Government Information and Individual Rights, which I chair, conducted 3 days of general oversight hearings on the Freedom of Information Act. During the course of these hearings, the subcommittee heard testimony from 29 witnesses representing the press, the business community, public interests groups, historians, and others. The hearings provided a useful review of the issues that will be the focus of debate on freedom of information.

One issue that was raised at the hearing that may be of general interest to all of my colleagues is the so-called congressional exemption from the Freedom of Information Act. Jonathan Rose, Assistant Attorney General for Legal Policy, recommended that this congressional exemption be reconsidered. He indicated that the administration is not convinced of the wisdom or necessity for the exemption. I would like to take this opportunity to respond.

The Congress of the United States operates in greater openness than any other branch of the Federal Government. I challenge any agency of the executive branch to match this record:

All of the debate on the floor of the House and Senate is open to the public.

The proceedings of the House are televised, and the Senate is currently debating whether to televise its own proceedings.

A full transcript of floor debate for each House is printed and available within 24 hours.

The mark up of legislation at subcommittee and full committee—the fundamental decisionmaking process of our Congress—is normally conducted in open session.

Virtually all hearings are open to the public and press, and transcripts of most hearings are published and freely distributed.

Bills, resolutions, and committee reports are published and freely distributed.

A detailed statement of all expenditures made by Members and commit-

tees is published regularly by the Clerk of the House and the Secretary of the Senate.

If Congress were made subject to the Freedom of Information Act, it is quite likely that less information would have to be made public than is presently disclosed. Some documents now disclosed might fall within the act's exemptions and be subject to withholding. Congressional documents not now regularly disclosed—such as constituent correspondence and staff memorandums—would continue to be exempt from disclosure under the law. Further, if the Government in the Sunshine Act were applied to the Congress, many meetings that are now open to the public could be closed.

Congress is exempt from the FOIA because its own openness already surpasses the requirements of the law. Congress is also exempt in recognition of the status of its Members as elected officials of the United States. Since Members of Congress are accountable directly to the voters, we need not be subject to rules that were designed to apply to appointed officials and bureaucrats who are accountable to no one.

The exemption for Congress cannot be treated in isolation from the exemption for all elected officials. In fact, Congress exempted all elected Federal officials from FOIA. In addition to Members of Congress, the President and Vice President are not covered by the act. Included within the Presidential exemption are the President's personal staff and those units in the Executive Office of the President whose sole function is to advise and assist the President. The congressional exemption is no broader than the exemption for the President.

The decision to exempt Congress from the FOIA was a part of the policy decision to exempt all elected officials. If the administration thinks that it is time to reconsider this exemption, then we should reconsider the exemption for all elected officials, congressional and executive alike.

I am not certain that the repeal of the congressional exemption will have much of an effect on the availability of congressional information. The present disclosure policy of the Congress will be hard to improve upon.●

JUDICIARY SUBCOMMITTEE TO STUDY THE BAIL REFORM ACT OF 1966

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. KASTENMEIER) is recognized for 5 minutes.

● Mr. KASTENMEIER. Mr. Speaker, I am pleased to announce that the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, which I chair, will begin a series of hearings examining possible amendments to the Bail Reform Act of 1966. Over the years since the enactment of this historic reform in the Federal criminal justice system, suggestions have been made that amendments are needed to strengthen the ability of Federal judges to detain defendants prior to trial for reasons other than to compel their appearance at trial, traditionally the only permissible purpose of pretrial detention. Others have suggested that such options would result in nothing more than preventive detention, an unconstitutional expansion of the function of bail.

Over the next months the subcommittee will conduct a thorough and openminded series of hearings examining the preventive detention question and other issues regarding the Bail Reform Act.

We will begin on July 29 and 30, 1981. Our witnesses will include: Hon. William Hughes, chairman of the House Subcommittee on Crime; Hon. Charles Ruff, U.S. attorney for the District of Columbia; Hon. Gerald Tjoflat, judge of the U.S. Court of Appeals for the Fifth Circuit, and Prof. Daniel Freed, Yale Law School. Additional witnesses will be invited following the August recess.●

EARLY WARNING REPORT OF HOUSE BUDGET COMMITTEE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oklahoma (Mr. JONES) is recognized for 15 minutes.

● Mr. JONES of Oklahoma. Mr. Speaker, this week the House of Representatives is scheduled to vote on six appropriation bills that provide spending for fiscal year 1982—Interior, HUD-independent agencies, Agriculture, Treasury, Energy-Water, and legislative branch. I have asked the staff of the Budget Committee to continue the briefings that have been provided in the past to members of the Budget Committee and the House. These materials factually compare the total amount of spending and credit provided in these bills with the targets for such spending and credit that resulted from congressional approval of the first budget resolution for fiscal year 1982. I intend to insert into the CONGRESSIONAL RECORD these staff analyses, and analyses of all other appropriations, entitlement, or revenue bills as they are scheduled for floor action. It is my hope to provide these "Early Warnings" to interested Members every Monday. I believe that it is very important for the House to have information that compares such bills to the budget resolution—achievement of the resolution spending targets is not likely to occur unless the Members are clearly aware of the budget impact of their votes.

HOUSE BUDGET COMMITTEE EARLY WARNING REPORT—WEEK OF JULY 20, 1981

H.R. 4034, FISCAL YEAR 1982 HUD-INDEPENDENT AGENCIES

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Hud-Independent Agencies.

Chairman: Mr. Boland (Massachusetts).

Ranking minority member: Mr. Green (New York).

Scheduled: Tuesday, July 21, 1981.

I. Description of bill

This bill provides appropriations for HUD, the Environmental Protection Agency, NASA, the Veterans Administration, and several other smaller independent agencies.

The bill as a whole is under the 302(b) targets for this subcommittee by $977 million in budget authority and $756 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added and mandatory programs are fully funded, the subcommittee could be over its targets by $356 million in budget authority and $470 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is below the 302(b) target for discretionary action by $20 million in budget authority and $93 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:[1]		
1. Discretionary amounts in bill	48,764	19,298
2. Prior action		
3. Total action to date	48,764	19,298
4. 302(b) target	48,910	19,491
5. Over(+)/Under(−)	−146	−193
6. Amounts assumed but not yet considered	126	100
7. Over(+)/Under(−)	−20	−93
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	14,549	13,362
9. Prior action	115	23,368
10. Total	14,664	36,730
11. 302(b) target	15,495	37,293
12. Over(+)/Under(−)	−831	−563
13. Supplemental amounts needed	1,207	1,126
14. Over(+)/Under(−)	+376	+563

[1] In this display, General Revenue Sharing is scored as a discretionary program, consistent with the classification used by the Appropriations Committee in setting its 302(b) targets. GRS is fully funded, so this classification has no impact on whether the bill is under or over its targets.

IV. Explanation of over/under

The total of the 302(b) subdivisions made by the Appropriations Committee must equal the total amounts of the 302(a) allocation, but the assumptions which make up the subcommittee target need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) target are not known—as a result, the specific programmatic reasons that the bill is over or under the subcommittee targets cannot be precisely identified.

Although this bill is within its 302(b) allocation for total discretionary amounts, there are several differences from the budget resolution and the Omnibus Reconciliation bill, as passed by the House. The bill would appropriate $20.45 billion for new subsidized housing which would support an estimated 179,000 units. This is $2.06 billion more than the House-passed reconciliation bill which would support an estimated 158,000 units. The bill would appropriate $1.2 billion for operating subsidies for public housing, $440 million less than the House-passed reconciliation bill would authorize. The bill would set a limitation of $3.6 billion of 1982 GNMA mortgage purchase commitments, $1.6 billion more than the House-passed reconciliation bill would allow. The bill would appropriate $3.8 billion for community development block grants, $366 million less than the House-passed reconciliation would authorize. The Committee in effect does not follow the administration's block grant approach for community development, which is in the House-passed reconciliation bill, by appropriating a separate $500 million for UDAG.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its targets primarily because the targets seem not to make an allowance for the civilian agencies pay raise that will become effective this October. The Budget Committee estimates that $0.2 billion in budget authority and outlays would be needed by this subcommittee for the pay raise.

V. Comparison with the President

This bill is above the President's requests for items in this bill by $190 million in budget authority and $297 million in outlays.

VI. Credit

The Budget Resolution contains nonbinding targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and First Budget Resolution assumptions.

[In millions of dollars]

	Direct loan obligations	Primary guarantee commitments	Secondary guarantee commitments
1. Credit program limits in the bill	9,139	39,959	67,000
2. Limits assumed in the Budget Resolution not acted on in the bill			
3. Credit programs not subject to limit	−223	−3,924	
4. Total in bill	8,916	36,035	67,000
5. Budget Resolution assumptions	8,720	32,082	64,208
6. Over(+)/Under(−)	+196	+3,953	+2,792

Within the Appropriation Committee the HUD-Independent Agencies subcommittee has taken the lead on annual credit program limits. This subcommittee, which has the largest credit program jurisdiction within Appropriations, has enacted annual limits for each account requested by the Administration. However, the total limits proposed exceed the non-binding assumptions in the Budget Resolution. The main increase in direct loans is a limit of $260 million for the National Consumer Cooperative Bank, which the administration proposed to terminate. The increase in primary guarantees reflects basically a $4.0 billion increase in FHA mortgage insurance commitments, up to $39.0 billion, over the Resolution assumptions. The increase in secondary guarantees reflects a $2.8 billion increase in GNMA mortgage-backed securities, up to $67.0 billion, over the Resolution assumptions. The committee proposed these latter two increases because it felt that credit assistance limits for housing should not have a ". . . negative effect on the already depressed housing industry. . . ."

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary fiscal year 1982 appropriations in H.R. 2000.

Line 2. Prior action: the fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4035, FISCAL YEAR 1982 INTERIOR AND RELATED AGENCIES APPROPRIATIONS

The bill is over the budget resolution targets primarily because of the strategic petroleum reserve funded on-budget at $3.4 billion. Both House and Senate versions of the omnibus reconciliation bill contain provisions for moving SPRO funding off-budget. If enacted, funding for SPRO will not be counted against the targets and the bill will be under the targets.

Staff analysis

Committee: Appropriations.
Subcommittee: Interior.
Chairman: Mr. Yates (Illinois).
Ranking Minority Member: Mr. McDade (Pennsylvania).
Scheduled: Tuesday, July 21, 1981.

I. Description of bill

This bill provides funds for the Department of Interior (except the Bureau of Reclamation) and for other related agencies, including the U.S. Forest Service, the Department of Energy, the Smithsonian Institution, and the National Foundation on the Arts and the Humanities.

The bill as a whole is over the 302(b) targets for this subcommittee by $3.0 billion in budget authority and $1.7 billion in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are fully funded, the subcommittee could be over its targets by $3.1 billion in budget authority and $1.8 billion in outlays (the sum of lines 7 and 14 below).

II. Comparison with first budget resolution targets

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Their target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provisions of Section 305 of the fiscal year 1982 First Budget Resolution.

As shown on line 7 below, the bill plus discretionary amounts not yet considered exceeds the 302(b) targets for discretionary action by $3.0 billion in budget authority and $1.4 billion in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	11,182	6,412
2. Prior action		
3. Total action to date	11,182	6,412
4. 302(b) target	8,175	4,986
5. Over (+)/Under (−)	+3,007	+1,426
6. Amounts assumed but not yet considered		
7. Over (+)/Under(−)	+3,007	+1,426
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	28	10
9. Prior action		6,595
10. Total	28	6,605
11. 302(b) target	42	6,317
12. Over (+)/Under (−)	−14	+288
13. Supplemental amounts needed	88	85
14. Over (+)/(−)	+74	+373

IV. Explanation of over/under

The total of the 302(b) subdivisions made by the Appropriations Committee must

equal the total amounts of the 302(a) allocation, but the assumptions which make up the subcommittee targets need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) targets are not known—as a result, the specific programmatic reasons that this bill is over or under the subcommittee targets can not be precisely identified. For illustrative purposes, therefore, the following paragraphs consider the funding levels of certain major programs compared to the nonbinding Budget Resolution assumptions.

When compared to the Budget Resolution the bill is primarily over its targets because of the funding of the Strategic Petroleum Reserve. The bill provides $3.4 billion in budget authority and $1.7 billion in outlays for SPRO. The First Budget Resolution assumed $0.9 billion in budget authority and −$2.2 billion in outlays for SPRO. Thus, the bill is over the First Budget Resolution assumption for SPRO by $2.5 billion in budget authority and $3.7 billion in outlays. The outlay amount assumed for this program in the First Budget Resolution was the result of a $3 billion reduction in outlays from the President's request of $0.8 billion in outlays. The Appropriations Committee, in its 302(b) subdivision, shifted about $2 billion in outlays from other subcommittees to partially offset the unrealistic outlay assumed in the First Budget Resolution.

It is important to note that the reconciliation bill as passed by the House and Senate contains funding for the Strategic Petroleum Reserve off-budget. Therefore, if the reconciliation bill is enacted with SPRO financed off-budget, the funds provided in this appropriation bill for SPRO would be scored off-budget. This action would result in the bill being under its 302(b) targets by about $400 million in budget authority and $100 million in outlays.

The bill also appears to be over the Resolution by about $500 million in budget authority for other programs. The Committee recommended more funding for nearly every other programmatic area including National Park Service operations, Urban Parks, Historic Preservation, federal land acquisition, Indian programs, the Youth Conservation Corps and the National Foundation for the Arts and Humanities. There were also a few decreases in some programs compared to the First Budget Resolution assumptions.

[In billions of dollars]

	Fiscal year 1982 President's request		First budget resolution		302(b) targets		Interior appropriations bill	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Strategic petroleum reserve	3.90	0.55	[1] 0.90	[2] 2.20	(2)	(2)	3.40	1.45
Other DOE	1.00	0.70	1.00	.55	(2)	(2)	1.10	.65
Department of Interior	3.25	1.70	3.20	1.95	(2)	(2)	3.35	2.25
Department of Agriculture (Forest Service)	1.65	1.00	1.65	1.00	(2)	(2)	1.70	1.00
Indian Health	.65	.50	.65	.50	(2)	(2)	.70	.50
Indian Education	.35	.15	.35	.15	(2)	(2)	.40	.20
Smithsonian	.20	.15	.20	.15	(2)	(2)	.20	.15
National Foundation on Arts Humanities	.15	.10	.15	.10	(2)	(2)	.30	.15
Other	.05	.05	.05	.05	(2)	(2)	.05	.05
Total	11.20	4.90	8.15	2.25	8.15	5.00	11.20	6.40
[1] These amounts were derived as follows:								
President's request	3.9	0.8						
	−3.0	−3.0						
First budget resolution	0.9	−2.2						

[2] Not available.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its budget authority targets only because the target seem not to make an allowance for the civilian agencies pay raise that will be effective this October. The Budget Committee estimates that $85 million in budget authority would be needed by this subcommittee for the pay raise.

V. Comparison with the President (discretionary amounts only)

This bill is above the President's request by $7 million in budget authority and $1,481 million in outlays.

VI. Credit

The Budget Resolution contains only nonbinding targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and First Budget Resolution assumptions.

[In millions of dollars]

	Direct obligations	Primary commitments
1. Credit program limits in bill	15	28
2. Credit limits assumed in Resolution but not acted on in the bill		31
3. Credit programs not subject to limit	32	2,000
4. Total in bill	47	2,059
5. Budget resolution assumption	47	2,059
6. Over(+)/under(−)		

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III.

Line 1. Discretionary amounts in bill: discretionary FY 1982 appropriations in H.R. 4035.

Line 2. Prior action: the FY 1982 budget authority and outlays for this subcommitee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4144, FISCAL YEAR 1982 ENERGY AND WATER APPROPRIATIONS

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Energy and Water Development appropriations.

Chairman: Mr. Bevill (Alabama).

Ranking minority member: Mr. Myers (Indiana).

Scheduled: Tuesday, July 21, 1981 (Tentative).

I. Description of bill

This bill provides funds for the U.S. Army Corps of Engineers, the Bureau of Reclamation, the Department of Energy, the Water Resources Council, the Appalachian Regional Commission, the Nuclear Regulatory Commission and the Tennessee Valley Authority for fiscal year 1982.

The bill as a whole is *under* the 302(b) targets for this subcommittee by $397 million in budget authority and $180 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution

but not yet considered are added, and mandatory programs are fully funded, the subcommittee could be under its targets by $346 million in budget authority and $131 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Their target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *below* its 302(b) target for discretionary action by $397 million in budget authority and $195 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	13,314	7,184
2. Prior action	.....	.....
3. Total action to date	13,314	7,184
4. 302(b) target	13,711	7,379
5. Over(+)/Under(−)	−397	−195
6. Amounts assumed but not yet considered	.....	.....
7. Over(+)/Under(−)	−397	−195
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	.....	.....
9. Prior action	.....	6,011
10. Total	.....	6,011
11. 302(b) target	.....	5,996
12. Over(+)/Under(−)	.....	+15
13. Supplemental amounts needed	51	49
14. Over(+)/Under(−)	+15	+64

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of *where* a particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line-item assumptions in the Budget Resolution are *not binding* on a committee. Although within the totals requested by the Administration and assumed in the Budget Resolution for this bill, the bill makes several changes among funding priorities including:

An increase of $200 million for the Appalachian Regional Commission which was terminated by the administration (this program was funded at $299 million in fiscal year 1981);

A $302 million reduction in atomic energy defense activities (from a budget request of $4.7 billion, and a fiscal year 1981 program funding level of $3.7 billion);

A $70 million reduction in uranium enrichment construction activities, which according to the committee report does not represent any delay in project schedules because contracts scheduled for award late in fiscal year 1982 would be slipped into early fiscal year 1983.

In addition, the bill provides $228 million in funding for the Clinch River Breeder Reactor Project, and a $115 million increase in solar, geothermal and hydro program activities which are funded largely with funds deferred from fiscal year 1981.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its budget authority target only because the target seems not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President

This bill is below the President's requests for items in the bill by $232 million in budget authority and $153 million in outlays.

VI. Credit

The Budget Resolution contains only nonbinding targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and the First Budget Resolution assumptions.

[In millions of dollars]

	Direct loan obligations	Primary guarantee commitments	Secondary guarantee commitments
1. Credit program limits in the bill	31	.....	.....
2. Limits assumed in the budget resolution not acted on in the bill	.....	.....	.....
3. Credit programs not subject to limit	−1	4,502	.....
4. Total in bill	30	4,502	.....
5. Budget resolution assumption	27	4,502	.....
6. Over (+)/under (−)	+3	.....	.....

VII. Amendments

None are certain to be offered but we may expect: A Coughlin amendment to terminate the Clinch River Breeder Project, and a Pritchard amendment to terminate the Tennessee-Tombigbee project.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary FY 1982 appropriations in H.R. 2000.

Line 2. Prior action: the FY 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriation Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4119, FISCAL YEAR 1982 AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS

The bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Agriculture.

Chairman: Mr. Whitten (Mississippi).

Ranking minority member: Mrs. Smith (Nebraska).

Scheduled: Wednesday, July 22, 1981 (tentative).

I. Description of bill

This bill provides funds for the Department of Agriculture for fiscal year 1982, and for related independent agencies.

The bill as a whole is under the 302(b) targets for this subcommittee by $1,448 million in budget authority and $1,201 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are fully funded, the subcommittee could be under its targets by $389 million in budget authority and $222 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is under the 302(b) target for discretionary action by $540 million in budget authority and $455 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	20,039	14,777
2. Prior action	−6	.....

III. Summary table—Continued

	Budget authority	Outlays
3. Total action to date	20,033	14,777
4. 302(b) target	21,481	16,148
5. Over (+)/Under (−)	−1,448	−1,371
6. Amounts assumed but not yet considered	908	916
7. Over (+)/Under (−)	−540	−455
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	990	2,338
9. Prior action	2,152	1,992
10. Total	3,142	4,330
11. 302(b) target	3,142	4,160
12. Over (+)/Under (−)		+170
13. Supplemental amounts needed	151	63
14. Over (+)/Under (−)	+151	+233

IV. Explanation of over/under

The bill is under the discretionary targets. The total of the 302(b) subdivisions made by the Appropriations Committee must equal the total amounts of the 302(a) allocation, but the assumptions which make up the subcommittee target need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) targets are not known—as a result, the specific programmatic reasons that the bill is under the subcommittee targets cannot be precisely identified.

The amounts assumed but not yet considered reflects the difference between the Budget Resolution and the amount appropriated by the Appropriations Committee for food stamps. The Appropriations Committee recommended appropriations for food stamps only for the period September 1, 1981, through August 15, 1982. The Appropriations Committee recommended $9,765 million in budget authority for food stamps. This is the full amount requested in the President's budget for fiscal year 1982. The time period restriction imposed by the Appropriations Committee is intended to allow the President time to carefully review the new food stamps law and to analyze the new funding requirement, particularly with regard to the operation of the food stamps program in Puerto Rico.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its targets primarily because the targets seem not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President (discretionary amounts only)

This bill is over the President's requests for items in the bill by $232 million in budget authority and $254 million in outlays.

VI. Credit

The Budget Resolution contains non-binding targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and First Budget Resolution assumptions.

[In millions of dollars]

	Direct loan obligations	Primary guarantee commitments	Secondary guarantee commitments
1. Credit program limits in bill	8,080	731	
2. Credit limits assumed in Resolution but not acted on in the bill		5,145	
3. Credit programs not subject to limit	6,736	5,474	
4. Total in bill	14,816	402	
5. Budget Resolution assumption	13,747	−148	
6. Over (+)/Under (−)	+1,069	+550	

The main increases in direct loans are for disaster loans and water and sewer facility loans. The Budget Resolution reflected only $1.35 billion for direct disaster loans. The President's request reflected $1.6 billion for disaster loans of which $250 million were to be guaranteed loans. However, numerous fact sheets by the Administration indicated the Administration had intended the full $1.6 billion be allocated to direct loans. The bill also sets a limit of $450 in direct loans for water and sewer facility loans. The Budget Resolution assumes a zero level.

The main increases in guaranteed loans result from the bill allowing for $300 million in Industrial Development loans and $250 million for alcohol fuel production facilities loans. The Budget Resolution assumes zero levels of funding for both programs. The bill also does not place a limit on Rural Electrification and Telephone Revolving Fund guaranteed loans. The Budget Resolution assumes a limit.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III.

Line 1. Discretionary amounts in bill: discretionary fiscal year 1982 appropriations in H.R. 4119.

Line 2. Prior action: the fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over(+)/Under(−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over(+)/Under(−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over(+)/Under(−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over(+)/Under(−): line 12 plus line 13.

H.R. 4121, FISCAL YEAR 1982 TREASURY-POSTAL APPROPRIATIONS

This bill is under its targets for discretionary items.

Staff analysis

Committee: Appropriations.

Subcommittee: Treasury, Postal Service, General Government.

Chairman: Mr. Roybal (California).

Ranking Minority Member: Mr. Miller (Ohio).

Scheduled: Tuesday, July 21, 1981.

I. Description of bill

This bill provides funding for the Department of the Treasury, the U.S. Postal Service, the Executive Office of the President and certain independent agencies for fiscal year 1982.

The bill as a whole is under the 302(b) target in budget authority by $454 million in budget authority and $226 million in outlays (sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are "fully funded", the subcommittee could be $228 million under its 302(b) target in budget authority and $114 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *below* the 302(b) target for discretionary action by $331 million in budget authority and $235 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	5,675	5,265
2. Prior action		
3. Total action to date	5,675	5,265
4. 302(b) target	6,129	5,512
5. Over (+)/under (−)	−454	−247
6. Amounts assumed but not yet considered	123	12
7. Over (+)/under (−)	−331	−235
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	4,091	4,091
9. Prior action		420
10. Total	4,091	4,511
11. 302(b) target	4,091	4,490

III. Summary table—Continued

[In millions of dollars]

	Budget authority	Outlays
12. Over (+)/under (−)		+21
13. Supplemental amounts needed	+103	100
14. Over (+)/under (−)	+103	+121

IV. Explanation of over/under

The total of the 302(b) subdivisions made by the Appropriations Committee must equal the total amounts of the 302(a) allocation, but the assumptions which make up the subcommittee targets need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) targets are not known—as a result, the specific programmatic reasons that the bill is under the subcommittee targets cannot be precisely identified.

Amounts assumed in the Budget Resolution but not yet considered (line 6) consists of contributions to the international buffer stocks ($120 million in budget authority, $10 million in outlays) and the Domestic Policy staff ($3 million in budget authority and $2 million in outlays).

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its budget authority target only because the target seems not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President

This bill is below the President's requests for items in the bill by $220 million in budget authority but is $10 million above the President's requests in outlays.

VI. Credit

None.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: Discretionary fiscal year 1982 appropriations in H.R. 2000.

Line 2. Prior action: The fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: The target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: These are amounts assumed in the fiscal year 1982 budget resolution for which funding has been deferred by the Appropriations Committee, probably until next spring's supplemental appropriation bill.

Line 7. Over (+)/under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: Funding for mandatory programs (entitlements).

Line 9. Prior action: Outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: The target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: Amounts for any new entitlement legislation assumed in the budget resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the budget resolution. For this bill, the only assumed supplemental is for the pay raise.

Line 14. Over (+)/under (−): line 12 plus line 13.

H.R. 4120, FISCAL YEAR 1982 LEGISLATIVE BRANCH APPROPRIATIONS

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.
Subcommittee: Legislative Branch.
Chairman: Mr. Fazio (California).
Ranking minority member: Mr. Burgener (California).
Scheduled: Tuesday, July 21, 1981.

I. Description of bill

This bill provides funds for the Legislative Branch for fiscal year 1982.

The bill as a whole is under the 302(b) targets for this subcommittee by $333 million in budget authority and $285 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are "fully funded", the subcommittee could be under its targets by $53 million in budget authority and $38 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is below its 302(b) target for discretionary action by $83 million in budget authority and $63 in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	529	461
2. Prior action		
3. Total action to date	529	461
4. 302(b) target	612	524
5. Over(+)/under(−)	−83	−63
6. Amounts assumed but not yet considered		
7. Over(+)/under(−)	−83	−63
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	572	499
9. Prior action		126
10. Total	572	625
11. 302(b) target	822	847
12. Over(+)/under(−)	−250	−222
13. Supplemental amounts needed	280	247
14. Over(+)/under(−)	+30	+25

III. Summary table—Continued

[In millions of dollars]

	Budget authority	Outlays
10. Total	572	625
11. 302(b) target	822	847
12. Over(+)/under(−)	−250	−222
13. Supplemental amounts needed	280	247
14. Over(+)/under(−)	+30	+25

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of where a particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line item assumptions in the Budget Resolution are not binding on a committee. A list of the major areas where this bill differs from the Budget Resolution follows:

−$3.4 million in budget authority and −$3.1 million in outlays for the Library of Congress, −$14.0 million in budget authority and −$3.3 million in outlays for the Library's buildings and grounds, −$1.4 million in budget authority and −$1.1 million for GPO and, finally, −$3.2 million in budget authority and −$12.2 million in outlays for congressional printing and binding.

Amounts assumed in the Budget Resolution but not yet considered (line 13) consists entirely of funding for the Senate which is consistent with traditional practice, and funding for the October 1 pay raise. It is this latter item which causes the mandatory total to be exceeded; the target seems not to make an allowance for this pay raise.

V. Comparision with the President

This bill is below the President's requests for discretionary items in the bill by $61.0 million in budget authority and $11 million in discretionary outlays.

VI. Credit

There are no credit items in the bill.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line. 1. Discretionary amounts in bill: Discretionary FY 1982 appropriations in H.R. 2000.

Line 2. Prior action: The FY 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: The target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: These are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next spring's supplemental appropriation

Line 7. Over (+)/under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: Funding for mandatory programs (entitlements).

Line 9. Prior action: Outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: The target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: Amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/under (−): line 12 plus line 13.

1982 APPROPRIATIONS BILLS—ACTION TO DATE

[As of July 20, 1981]

Appropriation bill	Bill No.	House action		Senate action		Conference action agreed to		Date approved	Public Law
		Reported	Passed	Reported	Passed	House	Senate		
Agriculture	H.R. 97-4119	July 9							
Commerce-State-Justice	H.R. 97-4169	July 16							
Defense									
District of Columbia									
Energy-water	H.R. 97-4144	July 14							
Foreign operations									
Housing and Urban Development	H.R. 97-4034	June 25							
Interior	H.R. 97-4035	June 25							
Labor-HEW									
Legislative	H.R. 97-4120	July 9							
Military construction									
Transportation	H.R. 97-4209	July 17							
Treasury-postal	H.R. 97-4121	July 9							
Supplemental, 1981	H.R. 97-3512		May 13	May 14	May 21	June 4	June 4	June 5	97-12
Summary to date		(8+Supp.)	(Supp.)	(Supp.)	(Supp.)	(Supp.)	(Supp.)	(Supp.)	(Supp.)

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. SMITH of New Jersey) to revise and extend their remarks and include extraneous material:)

Mr. GINGRICH, for 60 minutes, July 27.

Mr. GINGRICH, for 60 minutes, July 28.

Mr. GINGRICH, for 60 minutes, July 29.

Mr. GINGRICH, for 60 minutes, July 30.

Mr. GINGRICH, for 60 minutes, July 31.

(The following Members (at the request of Mr. GONZALEZ) to revise and extend their remarks and include extraneous material:)

Mr. DANIELSON, for 60 minutes, today.

Mr. MOFFETT, for 5 minutes, today.

Mr. GONZALEZ, for 30 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. ENGLISH, for 5 minutes, today.

Mr. KASTENMEIER, for 5 minutes, today.

Mr. JONES of Oklahoma, for 15 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. MARRIOTT, immediately prior to title II, in the Committee of the Whole.

Mr. ZEFERETTI, to extend his remarks just prior to rollcall No. 152.

Mr. VENTO, prior to the vote on the Dannemeyer amendment in the Committee of the Whole today.

Mr. PANETTA, immediately preceding the reading of title II of H.R. 4035 in the Committee of the Whole today.

Mr. YATES, on the death of Scott Maness, during consideration in the Committee of the Whole of the Fish and Wildlife Service provisions of H.R. 4035.

(The following Members (at the request of Mr. SMITH of New Jersey), and to include extraneous matter:)

Mr. DERWINSKI in two instances.

Mr. ASHBROOK in three instances.

Mr. COLLINS of Texas in two instances.

Mrs. FENWICK.

Mr. LENT.

Mr. SHUMWAY.

Mrs. SCHNEIDER.

Mrs. SNOWE.

Mr. CHAPPIE.

Mr. WINN.

Mr. GINGRICH.

(The following Members (at the request of Mr. GONZALEZ), and to include extraneous matter:)

Mr. MATSUI.

Mr. WAXMAN.

Ms. OAKAR.

Mr. HAMILTON in two instances.

Ms. MIKULSKI.

Mr. ROSE.

Mr. DINGELL in two instances.

Mr. FOLEY.

Mr. BENNETT.

Mr. MILLER of California.

Mr. LEHMAN.

Mr. SIMON in two instances.

Mr. WEISS.

Mr. SMITH of Iowa.

Mr. PEYSER.

Mr. FUQUA.

Mr. OTTINGER.

Mr. EDGAR in two instances.

Mr. GUARINI in five instances.

Mr. DELLUMS.

Mr. HOWARD.

Mr. MOFFETT.

Mr. LUKEN.

Mr. BONKER.

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; and accordingly (at 7 o'clock and 23 minutes p.m.) the House adjourned until tomorrow, Thursday, July 23, 1981, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of the rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1854. A letter from the Secretary of Agriculture, transmitting the annual report of the Rural Electrification Administration for fiscal year 1980, pursuant to section 10 of the act of May 20, 1936; to the Committee on Agriculture.

1855. A letter from the Acting Assistant Secretary of Defense (Comptroller), transmitting notice of the proposed obligation of certain funds in the Air Force stock fund for war reserve stocks, pursuant to section 734 of the Defense Appropriation Act, 1981; to the Committee on Appropriations.

1856. A letter from the Deputy Chief of Naval Material (Contracts and Business Management), transmitting a report as to the validity of a claim by the Grumman Aerospace Corp. arising under a contract for the design, development, and production of a naval electronic warfare training system, pursuant to section 747 of Public Law 94-419; to the Committee on Appropriations.

1857. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-69, "To reform the sexual assaults laws of the District of Columbia, and for other purposes," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1858. A letter from the Acting Director, Office of Congressional Affairs, Equal Em-

ployment Opportunity Commission, transmitting a report on activities under the Age Discrimination in Employment Act during the last quarter of fiscal year 1979 and fiscal year 1980, pursuant to section 13 of the act; to the Committee on Education and Labor.

1859. A letter from the Administrator, Energy Information Administration, Department of Energy; transmitting reports covering the month of April 1981 on petroleum market shares of refined petroleum products and retail gasoline, pursuant to section 4(c)(2)(a) of the Emergency Petroleum Allocation Act of 1973; to the Committee on Energy and Commerce.

1860. A letter from the Assistant Secretary of State for Congressional Relations, transmitting notice of the State Department's intention to consent to a request by the Government of Australia for permission to transfer certain U.S.-origin military equipment to New Zealand, pursuant to section 3(d) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1861. A letter from the Assistant Secretary of the Treasury for Legislative Affairs, transmitting various project performance audit reports or project completion reports prepared by the International Bank for Reconstruction and Development and the Asian Development Bank, pursuant to section 301(e)(3) of the Foreign Assistance Act of 1961, as amended; to the Committee on Foreign Affairs.

1862. A letter from the Assistant Attorney General for Administration, transmitting notice of proposed changes in an existing records system of the Immigration and Naturalization Service, pursuant to 5 U.S.C. 552a(o); to the Committee on Government Operations.

1863. A letter from the Assistant Attorney General for Administration, transmitting notice of a proposed new records system, pursuant to 5 U.S.C. 552a(o); to the Committee on Government Operations.

1864. A letter from the Administrator, Sacramento Farm Credit Employees' Retirement Plan; transmitting the annual report of the retirement plan as of December 31, 1980, pursuant to section 121(a)(2) of the Budget and Accounting Procedures Act of 1950, as amended; to the Committee on Government Operations.

1865. A letter from the Director, Community Relations Service, Department of Justice, transmitting the annual report of the Service for fiscal year 1980, pursuant to section 1004 of the Civil Rights Act of 1964; to the Committee on the Judiciary.

1866. A letter from the Register of Copyrights, transmitting a report on the likely effects of the expiration of the manufacturing clause of the copyright law, in response to a request by Senators Scott and McClellan in 1976; to the Committee on the Judiciary.

1867. A letter from the Vice Chairman, Merit Systems Protection Board, transmitting a status report on performance appraisal and merit pay among mid-level employees, pursuant to 5 U.S.C. 1205(a)(3); to the Committee on Post Office and Civil Service.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. UDALL: Committee on Interior and Insular Affairs. H.R. 2015. A bill to enable the Secretary of the Interior to erect permanent improvements on land acquired for the Confederated Tribes of Siletz Indians of Oregon; with an amendment (Rept. No. 97-191). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. UDALL (for himself, Mr. HOWARD, Mr. LUJAN, Mr. CLAUSEN, Mr. MCCOLLUM, Mr. FUQUA, Mr. GIBBONS, and Mr. BREAUX):

H.R. 4230. A bill to facilitate the transportation of coal by pipeline across Federal and non-Federal lands; jointly, to the Committees on Interior and Insular Affairs and Public Works and Transportation.

By Mr. ARCHER (for himself and Mr. PICKLE):

H.R. 4231. A bill to amend sections 169 and 103 of the Internal Revenue Code with respect to tax treatment of pollution control facilities; to the Committee on Ways and Means.

By Mr. EVANS of Iowa:

H.R. 4232. A bill to amend the Internal Revenue Code of 1954 to provide that cost-share payments not used primarily to provide a significant increase in agricultural productivity shall be excluded from gross income; to the Committee on Ways and Means.

By Mr. FLIPPO:

H.R. 4233. A bill to make applicable to the Tennessee-Tombigbee Waterway certain provisions of law relating to taxation on fuel used in commercial transportation on inland waterways; to the Committee on Ways and Means.

By Mr. FRENZEL:

H.R. 4234. A bill to amend the Internal Revenue Code of 1954 with respect to the definition of political contribution; to the Committee on Ways and Means.

By Mr. JEFFRIES:

H.R. 4235. A bill to amend title 5, United States Code, to allow married Federal retirees to modify spousal survivor annuity elections; to the Committee on Post Office and Civil Service.

By Mr. JONES of North Carolina (for himself, Mr. BIAGGI, Mr. BREAUX, and Ms. MIKULSKI):

H.R. 4236. A bill to amend the Internal Revenue Code of 1954 and for other purposes; jointly to the Committees on Ways and Means and Merchant Marine and Fisheries.

By Mr. PAUL:

H.R. 4237. A bill to repeal certain provisions of law relating to the private carriage of letters, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. SMITH of New Jersey:

H.R. 4238. A bill to amend the Internal Revenue Code of 1954 to phase out the Federal estate and gift taxes and the tax on generation-skipping transfers; to the Committee on Ways and Means.

H.R. 4239. A bill to amend the Internal Revenue Code of 1954 to increase the amount of dividends and interest which may be excluded from gross income, and to make such exclusion permanent; to the Committee on Ways and Means.

By Ms. OAKAR:

H. Res. 192. Resolution expressing the sense of the House of Representatives that the President continue to call for a cease-fire along the Lebanese-Israeli border and to provide strong leadership to help insure peace and stability in Lebanon and Israel and in the entire Middle East region; to the Committee on Foreign Affairs

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. HUBBARD:

H.R. 4240. A bill for the relief of Doctor Armando Sandoval, his wife, Holivia Hofilena Sandoval, and their children, Nellissa Sandoval, Armando Sandoval, Jr., Oliver Sandoval, and Katrina Sandoval; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 1005: Mr. RAILSBACK.

H.R. 1313: Mr. FOWLER and Mr. HAMILTON.

H.R. 1359: Mr. SIMON.

H.R. 1360: Mr. SIMON.

H.R. 1361: Mr. SIMON.

H.R. 1554: Mr. DENARDIS.

H.R. 1894: Mr. JAMES K. COYNE, Mr. NAPIER, Mr. PATTERSON, and Mr. WIRTH.

H.R. 1918: Mrs. SMITH of Nebraska, Mr. ROYBAL, Mr. BARNARD, Mr. RAHALL, Mr. TAYLOR, Mr. WILLIAMS of Ohio, Mr. FIELDS, Mr. MOAKLEY, Mr. SOLOMON, Mr. HORTON, Mr. PATTERSON, Mr. FASCELL, Mr. ROE, and Mr. HARTNETT.

H.R. 1964: Mr. FOGLIETTA, Mr. YOUNG of Missouri, and Mr. BAILEY of Missouri.

H.R. 2322: Mr. MURPHY.

H.R. 2333: Mr. ERTEL, Mr. TAUKE, and Mr. NAPIER.

H.R. 2515: Mr. BARNARD, Mr. BEDELL, Mr. EMERSON, Mr. JEFFRIES, Mr. KOGOVSEK, Mr. STANGELAND, and Mr. WEBER of Minnesota.

H.R. 2833: Mr. GLICKMAN and Mr. GOODLING.

H.R. 2906: Mr. STANGELAND.

H.R. 3083: Mr. STENHOLM and Mr. CHENEY.

H.R. 3269: Mr. FITHIAN, Mr. MATTOX, Mr. GUNDERSON, Mr. SIMON, Mr. RUDD, Mr. UDALL, Mrs. HOLT, and Mr. ANDREWS.

H.R. 3631: Mr. LEVITAS, Mr. STANGELAND, Mr. NELLIGAN, Mr. NAPIER, Mr. GEJDENSON, Mr. BARNARD, and Mr. PATTERSON.

H.R. 3696: Mr. DWYER.

H.R. 3697: Mr. DWYER.

H.R. 4063: Mr. MITCHELL of New York, Mr. BEVILL, Mr. MURPHY, Mr. IRELAND, Mr. ROEMER, Mr. JONES of Tennessee.

H.R. 4067: Mr. HANSEN of Utah, Mr. COELHO, and Mr. CLAUSEN.

H.J. Res. 174: Mr. NEAL, Mr. WALGREN, Mrs. FENWICK, Mr. RAHALL, Mr. LEHMAN, Mr. BAILEY of Missouri, Mr. BONER of Tennessee, Mr. CHAPPELL, Mr. COURTER, Mr. FAZIO, Mr. GOLDWATER, Mr. CLINGER, Mr. PEPPER, Mr. PURSELL, Mr. RANGEL, Mr. LELAND, Mr. SIMON, Mr. VANDER JAGT, Mr. FORD of Tennessee, Mr. WEISS, Mr. WILLIAMS of Ohio, Mr. CORCORAN, Mr. KEMP, Mr. RODINO, Mr. GILMAN, Mr. MATTOX, Mr. KRAMER, Mr. CAMPBELL, Mr. YOUNG of Alaska, Mr. GINN, Mr. GRADISON, Mrs. SCHNEIDER, Mr. DELLUMS, Mr. DIXON, Mr. DORNAN of California, Mr. KAZEN, Mr. SHAMANSKY, Mr. SOLARZ, Mr. LEACH of Iowa, and Mr. DONNELLY.

H.J. Res. 260: Mr. COURTER, Mr. HANSEN of Idaho, Mr. SHELBY, Mr. LAFALCE, Mr. STATON of West Virginia, Mr. ROTH, Mr. ARCHER, Mr. BROWN of Colorado, Mr. GUNDERSON, Mr. DUNCAN, Mr. LEBOUTILLIER, Mr. WHITEHURST, Mr. BROYHILL, Mr. EMERSON, Mr. HYDE, Mr. MORRISON, Mr. DANNEMEYER, Mr. CHAPPELL, Mr. KINDNESS, Mr. HARTNETT, Mr. WEBER of Ohio, Mr. DYSON, Mr. BETHUNE, Mr. DANIEL B. CRANE, and Mr. GINGRICH.

H. Con. Res. 94: Mr. BEILENSON, Mr. WEAVER, Mr. ASPIN, Mr. FORD of Tennessee, Mr. OTTINGER, Mr. CONYERS, Mr. SIMON, Mr. STOKES, Mr. WOLPE, and Mr. GRAY.

H. Con. Res. 157: Mr. DORNAN of California, Mr. FAZIO, Mr. FINDLEY, Mr. GILMAN, Mr. HUGHES, Mr. MCDONALD, Mr. ROTH, and Mr. SOLOMON.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

141. By the SPEAKER: Petition of the Association of Retired Policemen of the District of Columbia, Inc., Washington, D.C., relative to police retirement benefits; to the Committee on the District of Columbia.

142. Also, petition of the Interstate Oil Compact Commission, Oklahoma City, Okla., relative to natural gas decontrol; to the Committee on Energy and Commerce.

143. Also, petition of the Interstate Oil Compact Commission, Oklahoma City, Okla., relative to mineral accounting; to the Committee on Interior and Insular Affairs.

144. Also, petition of the Interstate Oil Compact Commission, Oklahoma City, Okla., relative to issuance of permits by the U.S. Army Corps of Engineers; to the Committee on Public Works and Transportation.

145. Also, petition of the Interstate Oil Compact Commission, Oklahoma City, Okla., relative to future enhanced oil recovery incentives; to the Committee on Ways and Means.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 4121

By Mr. JACOBS:

—Page 25, line 20, strike out "$1,106,000" and insert in lieu thereof "$293,500".

By Mr. SIMON:

—Page 10, line 14, insert immediately before the period the following: ": *Provided*, That except in accordance with section 404 of title 39, United States Code, no part of any funds appropriated under this title shall be available to plan, administer, or implement the closure or consolidation of any post office of the reduction or suspension of services provided by any post office.".

H.R. 4144

By Mr. LEVITAS:

—Page 31, after line 19, insert the following:

SEC. 504. None of the funds in this Act shall be used to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.

By Mr. ROEMER:

—Page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,309,941,000".

By Mr. SIMON:

—Page 7, after line 23, insert the following new section:

SEC. 109. From the funds appropriated by the second paragraph of this title for general investigations, not less than $70,000 shall be expended for a study of flooding and drainage problems in Alexander County and Pulaski County, both located in the State of Illinois, and not less than $100,000 shall be expended from funds appropriated for the main stem study of the Ohio River to evaluate alternatives for flood damage reduction in Saline County and Gallatin County, both located in the State of Illinois.

SENATE—*Wednesday, July 22, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray.

Loving Father in Heaven, we regret that so often it takes a tragedy to draw us together and make us aware of each other. How often we have been indifferent to someone, have failed to express to him our appreciation, respect and affection, then tragedy overtakes and we remember with regret our negligence.

Forgive us for taking each other for granted, for failing to show honor, gratitude and love. Dear God, do not let us wait until someone dies to appreciate him, do not allow us to have to lose privilege to appreciate it. Keep us from treating people in ways we will regret if they are taken away from us; help us to treat others in ways we will wish we had. We pray this in the name of Him who loved to His death even those who opposed Him. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. BAKER. Mr. President, I thank the Chair.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE PROGRESS REPORT

ECONOMIC RECOVERY TAX ACT OF 1981

Mr. BAKER. Mr. President, I am pleased to note that the Committee on Ways and Means of the House of Representatives met until the early hours of this morning to complete action on a tax bill in the House of Representatives.

I believe that is a hopeful sign that may indeed reignite the flicker of hope that we can finish this session by the first of the month and keep the schedule adopted earlier in the year for the statutory August recess.

In that connection, Mr. President, there will be a vote at 11 a.m. today on a Dole tabling motion against the Dole amendment (No. 509) in the first degree.

I hope that when this issue is acted upon we can get on with the business at hand and complete action on the tax joint resolution here as it will be necessary, of course, to meet with the House of Representatives in conference on this joint resolution.

As I indicated yesterday, Mr. President, it is my hope that the distinguished minority leader and I, as well as other Senators who are interested, could today actively explore the possibility of one of several possible unanimous-consent agreements to expedite the passage of this measure.

I especially wish to examine the possibility of establishing by unanimous consent the number of amendments yet to be dealt with and the sequence. I have such a list on this side of the aisle, and I hope we will have an opportunity to explore that possibility this morning.

I hope, in the same connection, that we may be able to establish time limitations on the amendments remaining to be disposed of. I optimistically express the hope that they will be very short-time limitations except in the few instances where major issues are yet to be resolved by this body.

So, Mr. President, I think that by the action of the House of Representatives last evening and this morning in ordering the bill reported or at least completing work in order to prepare for that final vote today and by good progress, that I hope and trust the Senate will make on the tax joint resolution here, with our efforts to design unanimous-consent agreements in respect to the amendments to be dealt with, the manner in which they are dealt with, and the time in which they are dealt with, that the Senate can complete action on the tax joint resolution by Friday.

While there is an order for the convening of the Senate on Saturday at 10 a.m., it is my intention to vitiate that order or attempt to do so in the event we can finish this joint resolution on Friday.

If we do that, Mr. President, I think there is some chance, at least perhaps even a good chance, that the House of Representatives and the Senate could complete action on the tax bill and complete the conference process in time for the August recess to begin late on the evening of July 31 or the early morning of August 1.

CONFERENCE ON BUDGET RECONCILIATION ACT

Mr. President, I report as well on the reconciliation conference. This morning I met with Members from the House of Representatives and the Senate in that respect, and I believe very good progress is being made on the budget reconciliation conference.

I think it is fair to say that fully half of the subconferences have completed or virtually completed their work. Of those remaining, some have not completed their work simply because Members have been engaged in other matters, such as debate on the tax joint resolution in this Chamber, or in the Ways and Means Committee, and have not been able to attend the conferences.

I predict that a significant number of subconferences will complete their work today and that it is possible to complete work on the conference between the House of Representatives and Senate on the disagreeing votes on the budget reconciliation bill by Friday of this week as well.

So, Mr. President, it appears that Friday is not only a target day for the House of Representatives and Senate, most especially for the Senate, but of extraordinary import because it offers the promise, at least the potential, for the completion of the budget reconciliation conference and the completion of the tax joint resolution in the Senate.

Mr. President, I have no further need for my time under the standing order.

Mr. President, if any time remains to me under the standing order I am prepared to yield it back or to yield it to the distinguished minority leader or to a Senator.

RECOGNITION OF THE MINORITY LEADER

The PRESIDING OFFICER (Mr. GORTON). The minority leader is recognized.

SOCIAL SECURITY

Mr. ROBERT C. BYRD. Mr. President, I was amazed by President Reagan's letter of July 18 to me and other congressional leaders. I am dismayed that the President of the United States would accuse Members of Congress of "opportunistic political maneuvering, cynically designed to play on the fears of many Americans * * *." I regret that legitimate and strongly held policy disagreements could be characterized in such a political and partisan fashion.

Five months ago, when the President came before the Congress to argue the merits of his budget plan, he said that no budget savings would be made by cutting the social security retirement program. He said:

> The full retirement benefits of the more than 31 million Social Security recipients will be continued along with an annual cost-of-living increase.

These benefits were to be preserved as part of the Nation's safety net.

The checks for some current beneficiaries will soon be cut substantially, not

by any piece of legislation dealing specifically with social security, but through the budget process, and as a result of administration budget proposals.

The depth of benefit cuts in the administration's social security reform plan goes well beyond what might be necessary to insure adequate future financing of retirement benefits. The plan calls for $88 billion in cuts over the next 5 years which grow into a 23-percent cut in total benefit protection, and more than a 40-percent slash in retirement income for people who must retire at age 62. After examining the plan, one can only reasonably conclude that it is part of a larger Federal budget-cutting strategy.

According to the administration's own economic forecasts, upon which their budget plan and tax cut are premised, about $80 billion of the proposed savings would not be needed to pay for benefits during the next 5 years. The administration's program is clearly structured in a suspicious fashion. The administration has steadfastly defended a 3-year tax cut on the grounds of very optimistic assumptions regarding the Nation's future economic performance. In sharp contradiction, it has used extremely pessimistic economic assumptions about our future to evaluate the economic health of the social security system.

The short-term cash flow problems of the retirement trust fund are problems of the economy—high interest rates, unemployment, and low-growth—rather than of demography. The administration has painted a bleak economic future as its basis for justifying immediate, major, and permanent reductions in social security protection. The administration's plan is cruel and inhumane; it is unfair and it is unnecessary.

The nonpartisan, professional Congressional Budget Office has predicted that the short-term cash flow difficulties of the retirement trust fund can be solved by a simple, noncontroversial bookkeeping change: interfund borrowing among the social security system's three separate trust funds.

Health and Human Services Secretary Schweiker recently supported such an accounting change in testimony before the Senate Finance Committee. The Congressional Budget Office has supported this short-range solution, based on economic conditions more pessimistic than the administration's own forecasts, and assuming the benefit cuts which will soon be enacted as part of the President's reconciliation bill.

Last week, when Senate Democrats, under the leadership of Senator MOYNIHAN, attempted to resolve the short-term financing problems of the social security retirement trust fund through interfund borrowing, we were defeated on a party line vote.

The purpose of our action was to find a solution for the immediate, 5-year financing problems of the social security retirement fund, so that any other proposed changes in the social security benefit structure might be considered in a calm, realistic, and moderate manner—with time to examine the implications and reasons for such actions.

The purpose of our action was also to resolve the crisis of confidence, among the American people, regarding the fiscal integrity of the social security system. We welcomed Republican votes in attempting to resolve this crisis. Unfortunately, only one Republican voted with us.

In his letter to me, the President said that:

The highest priority of my administration is restoring the integrity of the social security system.

Th's claim rings hollow when measured against his proposal to slash immediately the benefits of millions of Americans who were planning to retire at age 62 next year. The integrity of the social security system is based on confidence and predictability. This administration has intentionally undermined confidence in the system. Its hastily conceived cuts have seriously eroded the system's predictability.

Mr. President, I shall read the letter of the President addressed to me into the RECORD. Then I shall read my response to the President into the RECORD. The letter from the President is dated July 18, 1981:

DEAR SENATOR BYRD: The highest priority of my Administration is restoring the integrity of the Social Security System. Those 35 million Americans who depend on Social Security expect and are entitled to prompt bipartisan action to resolve the current financial problem.

At the same time, I deplore the opportunistic political maneuvering, cynically designed to play on the fears of many Americans, that some in the Congress are initiating at this time.

It is true, Mr. President, as the President suggests in his letter, that the American people are frightened and concerned. Several thousands of our citizens expressed that fear and concern on yesterday when they braved the 94-degree heat and traveled long distances to petition their Congress and their Government on the west front of the Capitol in the hope of salvaging their dignity and their livel'hood. They came because millions of them are suddenly faced with the real possibility of losing their minimum monthly benefits. They came because they are confronted with living out their retirement years in poverty.

Of course, they can always turn to welfare. That is the cynicism with which this administration apparently views the matter.

They came because, for those who are retiring at age 62 because of ill health or other factors, the administration plans to reduce their benefits by 40 percent—40 percent, Mr. President, at a time when inflation makes affording the bare essentials a tough proposition.

The President writes of "opportunistic political maneuvering, cynically designed to play on the fears of many Americans." Mr. President, those several thousands of our senior citizens who gathered here yesterday on the Capitol lawn came because they are frightened, their "fears" created by the White House and Mr. David Stockman.

They came because David Stockman has told them that the Social Security Fund will be bankrupt in November of 1982.

Yes, they are frightened. They are frightened because the administration has deliberately whipped up anxiety, deliberately exaggerated the direness of the financial situation of the Social Security Fund so that the administration's harsh and unfair proposals will be accepted.

The letter continues:

These efforts appear designed to exploit an issue rather than find a solution to the urgent Social Security problem. They would also have the unfortunate effect of disrupting the budget conference and reversing the actions of a majority of both Houses of the Congress. Such a result would jeopardize our economic recovery program so vital to the well-being of the Nation.

In order to tell the American people the facts, and to let them know that I shall fight to preserve the Social Security System and protect their benefits, I will ask for time on television to address the Nation as soon as possible.

During this address, I will call on the Congress to lay aside partisan politics, and join me in a constructive effort to put Social Security on a permanently sound financial basis as soon as the 97th Congress returns in September.

Sincerely,

RONALD REAGAN.

Mr. President, I responded to the President on yesterday as follows:

DEAR MR. PRESIDENT: This will acknowledge receipt of your July 18 letter, expressing your concern for the 35 million Americans who depend on Social Security for their livelihood. I regret that you suggest in your letter that any deviation from the Administration's proposals on Social Security is "opportunistic political maneuvering, cynically designed to play on the fears of many Americans. . . ."

Your Administration's proposed Social Security cuts are a breach of faith with the American people. Gloom and doom predictions for the financial solvency of the system are severe distortions of the problems faced by the Social Security trust funds.

Since the inception of the Social Security program, no Administration has done more to shake the confidence of the American people in the security of the Social Security system. No Administration has ever before attempted to balance the budget by reducing Social Security benefits.

The "facts" are that the draconian solutions proposed by the Administration simply are not necessary to keep the system solvent in the short run. On July 15, Senator Moynihan offered an amendment which would have solved the foreseeable short-run problems of the system, and allowed for a dispassionate analysis of the long-term problems which the system may face in the next century. But the amendment which provided for borrowing among the three Social Security trust funds was defeated on July 16 by a party-line vote.

We did not wish to make this a partisan issue. We have welcomed Republican votes in support of our efforts. But partisan politics, directed from the White House and the OMB, have time and again resulted in a partisan vote on the Social Security issue.

I would respectfully suggest that your Administration's rhetoric is responsible for much of the fear and panic being experienced by the elderly. In recent testimony, David Stockman, Director of the Office of Management and Budget, stated that "The most devastating bankruptcy in history will occur on or about November 3, 1982." Such fear tactics certainly do not contribute to

the calm and reasoned atmosphere needed to fashion a bipartisan solution to the problems of the system.

I would also suggest, Mr. President, that our elderly citizens were misled by campaign promises to leave the Social Security retirement benefits unscathed by budget cuts. The frustration, anger, and fear we are witnessing now from our senior citizens is a result of those broken promises, and of the exaggeration of the system's problems in order to stampede the American people into support for unfair and ill-reasoned cuts. Balancing the budget is something that we must do, but not on the backs of Social Security beneficiaries.

Democrats stand ready to work for a resolution of the long-range problems of the Social Security system, while protecting the financial security of our elderly in the short run. I believe that such a solution can be found, and that the American people expect us to find it.

Sincerely,

ROBERT C. BYRD.

Mr. President, I ask unanimous consent to have printed in the RECORD the President's letter addressed to me and a resolution which was adopted yesterday by the Democratic Conference.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, July 18, 1981.

Hon. ROBERT C. BYRD,
Minority Leader, U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: The highest priority of my Administration is restoring the integrity of the Social Security System. Those 35 million Americans who depend on Social Security expect and are entitled to prompt bipartisan action to resolve the current financial problem.

At the same time, I deplore the opportunistic political maneuvering, cynically designed to play on the fears of many Americans, that some in the Congress are initiating at this time. These efforts appear designed to exploit an issue rather than find a solution to the urgent Social Security problem. They would also have the unfortunate effect of disrupting the budget conference and reversing the actions of a majority of both Houses of the Congress. Such a result would jeopardize our economic recovery program so vital to the well-being of the Nation.

In order to tell the American people the facts, and to let them know that I shall fight to preserve the Social Security System and protect their benefits, I will ask for time on television to address the Nation as soon as possible.

During this address, I will call on the Congress to lay aside partisan politics, and join me in a constructive effort to put Social Security on a permanently sound financial basis as soon as the 97th Congress returns in September.

Sincerely,

RONALD REAGAN.

RESOLUTION

Resolved by the Senate Democratic Conference:

Whereas on May 12, 1981, the President proposed precipitous, severe, unnecessary, unfair, and permanent reductions in Social Security benefits; and

Whereas the President's plan strikes at nearly every American who is employed, or has been employed, under the Social Security System; and

Whereas Social Security is the principal pension for most Americans and most private pensions are built on the expectation that employees will also receive social security benefits; and

Whereas the President's plan constitutes a serious breach of faith with Americans currently approaching retirement age, who have contributed to the Social Security System and have planned for their retirement upon the promise of a specific level of Social Security income; and

Whereas for many Americans retirement at age 62 is not a voluntary choice; and

Whereas ill health, unemployment, obsolescent skills, and discrimination force many people into early retirement; and

Whereas trust, confidence, and predictability are basic and essential qualities of the Social Security System; and

Whereas the President promised the American people that no budget savings would be made by reducing basic Social Security retirement benefits and that these benefits would be preserved as part of the Nation's "safety net"; and

Whereas the President's benefit cuts go well beyond what savings might be necessary to insure the future solvency of the Social Security System; and

Whereas on May 20, 1981, the Senate unanimously rejected the President's social security plan by a bipartisan vote of 96 to 0; and

Whereas on March 27, 1981, and June 23, 1981, and July 21, 1981, Democrats in the Senate supported action to preserve basic social security retirement payments to current beneficiaries; and

Whereas on July 16, 1981, Democrats in the Senate attempted to resolve the short-term financing problems of the social security retirement trust fund through interfund borrowing; and

Whereas the Congress would never renege on its commitment to the Nation's retirees, workers, and employers, by allowing the social security trust funds to become insolvent; and

Whereas on July 18, 1981, the President accused Members of the Congress of "opportunistic political maneuvering" regarding social security financing issues, "cynically designed to play on the fears of many Americans"; Now, therefore, be it

Resolved

(1) That the Senate Democratic Conference rejects the characterization of legitimate and constructive legislative actions to preserve social security retirement income for current beneficiaries as "opportunistic political maneuvering"; and

(2) That it is the sense of the Senate Democratic Conference that no change in the social security benefit structure shall be made which is designed to balance the Federal budget rather than insure the financial solvency of the social security system; and

(3) That Democrats in the Senate will continue to fight to defend social security benefits to which the elderly of this country are entitled, to reassure the American people who have been stunned by the President's plan, and to resolve the immediate and long-term financing difficulties of the social security trust funds.

RECOGNITION OF SENATOR THURMOND

The PRESIDING OFFICER. The Senator from South Carolina is recognized for not to exceed 15 minutes.

THE DAVIS-BACON ACT, PART IV, IMPACT ON FEDERAL CONSTRUCTION PROGRAMS

Mr. THURMOND. Mr. President, on Monday I began a discussion on the impact that the Davis-Bacon Act has on Federal construction programs. Today I want to continue that discussion, concentrating on recent findings of several revealing studies.

PART IV—DAVIS-BACON ACT IMPACT ON FEDERAL CONSTRUCTION PROGRAMS

GAO STUDIES

In the past 2 years there have been a number of studies reported to the Congress calling for the repeal of the Davis-Bacon Act and reporting that substantial cost savings to the Federal budget could be realized by repeal of the act. In the most comprehensive analysis of the Davis-Bacon Act to date, the General Accounting Office, GAO, recommended in their April 1979 report that the Davis-Bacon Act is no longer needed and should be repealed.

The GAO estimated that the act added over $700 million to the cost of Federal or federally assisted construction in 1977, and that Department of Labor determined prevailing wage rates ranged from 5 to 15 percent higher than the actually prevailing construction wage rates.

In addition, GAO criticized the DOL's administration of the act and blamed the Department for disrupting local work practices and wage structures nationwide. GAO concluded that Davis-Bacon was incapable of practical administration.

Mr. President, that April 27, 1979, GAO study is an exposé on bad legislation. I urge all my colleagues to get that study and read it. Let me quote from the digest of that report:

The Davis-Bacon Act is no longer needed. Other wage legislation and changes in economic conditions and in the construction industry since the law was passed make the law obsolete; and, the law is inflationary. GAO believes it should be repealed.

Since the act was passed, the Congress has enacted a number of other laws to protect the wages of construction workers, including laws requiring that minimum and overtime rates be paid and laws prohibiting contractors from requesting kickbacks of wages.

After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. GAO's review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in Labor's attempt to develop and issue wage rates based on prevailing rates.

In GAO's opinion, Labor's procedures for developing and issuing wage rate determinations provide no assurance that the rates stipulated actually prevail for corresponding classes of workers on similar private construction projects in the locality.

The act results in unnecessary construction costs of several hundred million dollars annually.

I ask unanimous consent that the complete digest of that report be included in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. THURMOND. The GAO did not end its criticism of Davis-Bacon in 1979. A more recent GAO report focusing on the construction of Washington, D.C.

Metro system concluded that the Davis-Bacon requirements will add approximately $150 million, or a 6.8 percent increase, in unnecessary construction costs. And most recently, in his last appearance before the House Budget Committee, retiring Comptroller General Elmer Staats, a man whom we all respect and admire, recommended the repeal of Davis-Bacon as one way to reduce the budget, which would not result in any program reduction.

CONGRESSIONAL BUDGET OFFICE STUDIES

GAO is not alone in recognizing the urgent need for the repeal of the Davis-Bacon Act. In its February 1981 edition of "Reducing the Federal Budget: Strategies and Examples," the Congressional Budget Office, CBO, stated that the repeal of the Davis-Bacon Act would have significant cost-saving benefits.

In that report, CBO examined the cost impact of Davis-Bacon on three programs: Ground transportation, military construction; and EPA construction grants, which when considered together account for about one-half of the Federal construction program.

Based on a conservative estimate of the wage differential between the Labor Department specified Davis-Bacon prevailing wages and actual local prevailing wages of 2.1 percent, CBO calculated savings to the Federal budget over the 1982–86 period to be approxmiately $780 million from just those three programs.

Moreover, at the request of the House and Senate Budget Committees, CBO calculated that by using President Reagan's budget authority figures and an estimated 4.2 percent wage differential, $2.4 billion in outlays could be saved in the budget over the next 5 years by repealing the Davis-Bacon Act.

REPORT OF THE CARTER FORCE

Two years ago, on May 28, 1979, the Carter administration completed a study aimed at addressing the controversy surrounding the Davis-Bacon Act. This study was not immediately released to the public. The Chamber of Commerce of the United States had to file a Freedom of Information suit in order to get a copy. Fortunately, with a change in administration, the Office of Management and Budget readily released the findings last March at the request of Senator HATCH and Senator NICKLES.

This study was summarized in a document entitled "The Options Paper: Interagency Review of Contract Wage Laws." It was compiled by a special OMB task force comprised of Labor Department officials and procurement officials from various agencies including the Defense and Energy Departments, the General Services Administration, and the National Aeronautics and Space Administration.

This report is important because it involves candid and open Cabinet debate on Davis-Bacon by the previous administration. The report took a highly critical view of the act. It said that administrative changes alone could reduce Federal expenditures by about $1 billion. This condemnation was made by officials who oversee the daily administration of the law. The statements tend to confirm what the business community has been saying about Davis-Bacon. It is even more important because the procuring officers now think that the act is highly inflationary, whereas when the act was passed in 1931, procuring officers were among the leading supporters of Davis-Bacon.

Since this study a candid discussion by high-level Carter Cabinet officials, their comments are most helpful in understanding the effects of the act. These officers contend that:

> The way the Labor Department has administered Davis-Bacon disrupts the contract process, bloats their budgets, and contributes to unwarranted inflationary pressures.

They further maintain that:

> The implementation of Davis-Bacon by the Labor Department is inflationary and that procedures followed result in minimum wage determinations that are higher than the actual prevailing wage rates in the locality.

Their final observation is that Davis-Bacon "serves to reduce competition for Federal construction needs."

As part of this study, the interagency task force had a confidential report from President Carter's Council on Economic Advisors. With regard to Davis-Bacon, the study made the following points:

In 13 States for which wage data are available, Davis-Bacon minimum wages are significantly above those in the local labor market for similar types of construction, this despite the fact that the sample was much more heavily unionized than the industry as a whole. The cost-increasing impact of the act was found to be greater, as a rule, in areas of lower unionization, as one would expect.

Minimum fringe benefits on Davis-Bacon projects tend to be set at levels comparable to those mandated by collective bargaining agreements, despite the presence of significant nonunion employment and the generally lower levels of fringe benefits paid to nonunion workers.

Setting Davis-Bacon minimum wages at the local mean wage within each occupation category would reduce the wage premium on Davis-Bacon projects, but, because there is significant dispersion in wage distribution, it would not eliminate that premium for workers. The law would still have the effect of raising many workers' wage above their free-market equilibrium levels.

Employment of helpers is a widespread practice in construction not covered by the act but it is usually not allowed in Davis-Bacon construction. This makes it very likely that comparisons of journeyman-person wage rates to Davis-Bacon minimums understate the cost increasing effect of the law as presently administered.

The staff report concluded that through administrative changes alone, the Government could save over $1 billion and reduce the aggregate rate of inflation by 0.225 percent.

Mr. President, this study performed by the Carter White House needs serious consideration. I want to share key portions of this document with my colleagues. I ask unanimous consent that they be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

OTHER STUDIES

Mr. THURMOND. An influential group of House Democrats, the Conservative Democratic Forum, in March 1981 recommended the repeal of the Davis-Bacon Act in a package of further budget cuts which they presented to President Reagan. The Conservative Democratic Forum estimated outlay savings of $560 million in fiscal year 1982 alone, from the repeal of Davis-Bacon.

The Associated Builders and Contractors, using OMB and GAO calculations, has estimated that repeal of the Davis-Bacon Act would result in savings to the Federal budget of approximately $5.4 billion in budget authority and $3.9 billion in outlays over the next 5 years. I ask unanimous consent that the figures prepared by the Associated Builders be included in the RECORD following the GAO report digest at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THURMOND. Mr. President, from the facts I have presented in my last two discussions, it can only be concluded that Davis-Bacon costs the taxpayer money. I want to repeat—this is the GAO speaking and these other groups that have made these studies and it is clear that the Davis-Bacon Act costs the taxpayers money. Tomorrow I will present several case studies with specific examples to demonstrate the impact that Davis-Bacon has on some specific projects.

Mr. President, I yield the floor.

EXHIBIT 1

COMPTROLLER GENERAL
OF THE UNITED STATES,
Washington, D.C.

To the President of the Senate and the Speaker of the House of Representatives:

This is our report to the Congress, "The Davis-Bacon Act Should Be Repealed."

We are recommending that the Congress repeal the Davis-Bacon Act because (1) there have been significant changes in the economy since 1931 which we believe make continuation of the act unnecessary, (2) after nearly 50 years, the Department of Labor has yet to develop an effective program to issue and maintain accurate wage determinations, and it may be impractical to ever do so, and (3) the act is inflationary, and results in unnecessary construction and administrative costs of several hundred million dollars annually.

We are sending copies of this report to the Secretaries of Labor; Commerce; Defense; Health, Education, and Welfare; Housing and Urban Development; Transportation; and the Treasury; the Administrator, Environmental Protection Agency; the Postmaster General; and the Director, Office of Management and Budget.

ELMER B. STAATS.

Digest

COMPTROLLER GENERAL'S REPORT TO CONGRESS

The Davis-Bacon Act should be repealed. The Davis-Bacon Act is no longer needed. Other wage legislation and changes in economic conditions and in the construction industry since the law was passed make the law obsolete; and, the law is inflationary. GAO believes it should be repealed.

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings or works in excess of $2,000 to which the United States is a party—or, under 77 related laws, in which the United States shares the financing—state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages (including fringe benefits) are those determined by the Secretary of Labor to be prevailing for the laborers and mechanics employed on projects of a similar character in the area in the work is to be performed.

The act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure.

GAO believes that the Davis-Bacon Act should be repealed for the following reasons.

SIGNIFICANT CHANGES IN ECONOMIC CONDITIONS AND WORKER PROTECTION LAWS SINCE THE 1930'S

When the act was passed in 1931, the United States was rapidly sliding into the great depression. Construction, which was about $10.8 billion in 1929, fell to $2.9 billion by 1933, and most of that was Government financed.

During the same period, employment in the construction industry declined from 1.5 million in 1929 to about 800,000 in 1933. Competition for contracts and for jobs was great—especially for Government construction. There were no minimum wage laws and no unemployment compensation programs or other laws to protect the wages of workers.

Since the act was passed, the Congress has enacted a number of other laws to protect the wages of construction workers, including laws requiring that minimum and overtime rates be paid and laws prohibiting contractors from requesting kickbacks of wages. (See ch. 3.)

In 1977 about $172.5 billion was spent on new public and private construction projects. About 78.1 percent ($134.7 billion) was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act. The remaining of $37.8 billion was for direct Federal or federally assisted construction spent by State and local agencies and involved an estimated 600 000 prime and subcontracts and an estimated 22 percent of the Nation's 3.8 million construction workers. (See ch. 1.)

THE ACT HAS BEEN AND CONTINUES TO BE IMPRACTICAL TO ADMINISTER

After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. GAO's review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in Labor's attempt to develop and issue wage rates based on prevailing rates.

Evaluation of the wage determination files and inquiries regarding 73 wage determinations at five regions and headquarters showed that, in many instances, wage rates were not adequately or accurately determined.

About one-half of the area and project determinations reviewed were not based on surveys of wages paid to workers in the locality, but on union-negotiated rates.

When surveys were made, the data collection and compilation practices were varied and inconsistent within and among regions, and at the headquarters level. There were also problems in identifying similar projects and collecting data from contractors on a voluntary basis.

Further, Labor deleted, added, and changed the wage data received without adequate reason or rationale. As a result, many of the worker classifications and rates issued did not represent the prevailing wages paid in the locality.

In GAO's opinion, Labor's procedures for developing and issuing wage rate determinations provide no assurance that the rates stipulated actually prevail for corresponding classes of workers on similar private construction projects in the locality. (See ch. 4.)

INCORRECT RATES ARE INFLATIONARY ON THE LOCAL AND NATIONAL ECONOMY

GAO's review of 30 Federal or federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 12 determinations where Labor's rates were higher, wage costs paid on the projects averaged 37 percent more than the comparable wage costs at rates prevailing in the localities. The higher wage costs ranged from a low of 5 percent to a high of 123 percent. As a result, Federal construction costs may have been inflated by an average of 3.4 percent. The increases ranged from 1 to nearly 9 percent. (See ch. 5.)

While GAO's selection of the 30 projects was made on a random sample basis, the sample size was insufficient for projecting the results to all Federal or federally assisted construction costs during the year with statistical validity. However, even in the absence of statistical certainty, the random nature of GAO's sample leads it to believe that, if these projects are representative (and GAO has no reason to believe they are not), the act results in unnecessary construction costs of several hundred million dollars annually. (See pp. 77 and 78.)

The inflated wage costs may have had the most adverse effect on the local contractors and their workers—those the act was intended to protect—by promoting the use of nonlocal contractors on Federal projects. Nonlocal contractors worked on the majority of these projects, indicating that the higher rates may have discouraged local contractors from bidding.

In the 18 projects where Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts. They generally paid workers the prevailing rates in the community—higher rates than those stipulated by Labor. Thus, the act's intent—to maintain the local prevailing wage structure—is carried out only when the administration of the act has no effect.

In addition, the act and a related weekly payroll reporting requirement of the Copeland Anti-Kickback Act result in unnecessary contractor costs—which are passed on to the Government—estimated at almost $191.6 million for 1976 and $189.1 million for 1977. In addition, estimated unnecessary costs of $10.9 million in 1976 and $12.4 million in 1977 were incurred by Federal agencies to attempt to administer and enforce the act. (See ch. 6.)

The excessive wage determinations have an inflationary effect on areas covered and, because of the large volume of covered construction (about $37.8 billion in 1977), on the construction industry and the national economy as a whole.

CONCLUSION

GAO believes that Davis-Bacon Act wage determinations could be eliminated with the same success achieved by eliminating wage determinations for workers on Federal contracts for supplies and materials under the Walsh-Healey Public Contracts Act. For the past 14 years Labor has issued no determinations under that act for the largest segment of Federal contractor employees, and apparently no adverse effect on wage rates of the workers involved has been evident. (See pp. 25 to 27.)

GAO believes that the significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. Moreover, the legislative intent—not to disturb local wage standards—is often not met; it is met only when Labor's wage determinations are lower than the wages prevailing in the project area.

RECOMMENDATIONS TO THE CONGRESS

The Congress should repeal the Davis-Bacon Act. GAO also recommends that the Congress rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act.

In addition, the Congress should repeal the provisions in 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees be not lower than those determined by the Secretary of Labor to prevail in the locality, in accordance with the Davis-Bacon Act.

AGENCY COMMENTS

Officials of the Office of Management and Budget disagreed with GAO's recommendations and said that problems in implementing the Davis-Bacon Act could be resolved where appropriate, modification of Labor's through administrative action including, implementing regulations.

GAO disagrees. It believes the problems and inadequacies it has identified—over almost 20 years of reviews—cannot be corrected or improved significantly by any administrative action, regulation modification, or application of additional resources to program administration. (See p. 13.)

Labor officials also disagreed with GAO's recommendations, and in many cases they questioned GAO's findings and conclusions. The Secretary of Labor stated that he was satisfied that, on balance, the Davis-Bacon Act was being competently and effectively administered.

GAO believes that Labor was less than objective in its comments. GAO's analysis showed that Labor's comments for the most part were misleading, inaccurate, taken out of context, unsupported, and often did not reflect the information in its files.

As a result of Labor's voluminous comments, GAO had to make an extraordinary effort to review and evaluate Labor's comments and claims. GAO believes that its findings are accurate and representative of Labor's administration of the Davis-Bacon Act. GAO believes also that, in administering the act, Labor has been consistently inconsistent.

Indeed, in GAO's opinion, its analysis of Labor's largely unsupported comments further supports GAO's view that the act is not susceptible to practical and effective administration. Therefore, the results of GAO's analysis are included in the report in some detail. (See the end of chs. 3, 4, 5, and 6 and apps. IV through XII.)

SAVINGS FROM REPEAL OF THE DAVIS-BACON ACT—BY FUNCTION

Budget function	1982	1983	1984	1985	1986	5-yr savings
Transportation:						
Budget authority	−356	−389	−421	−454	−605	−2,225
Outlays	−107	−259	−326	−376	−461	−1,529
Defense:						
Budget authority	−194	−212	−229	−247	−265	−1,147
Outlays	−56	−118	−169	−207	−240	−790
Community and Regional Development:						
Budget authority	−134	−147	−158	−170	−184	−793
Outlays	−27	−69	−136	−154	−160	−546
Natural resources and environment:						
Budget authority	−98	−106	−114	−124	−132	−574
Outlays	−67	−95	−111	−120	−129	−522
Energy:						
Budget authority	−73	−13	−86	−14	−110	−286
Outlays	−70	−12	−79	−13	−92	−266
Veterans:						
Budget authority	−19	−20	−23	−24	−25	−111
Outlays	−5	−8	−17	−22	−23	−75
Fiscal assistance:						
Budget authority	−19	−19	−19	−19	−19	−95
Outlays	−5	−8	−14	−17	−19	−63
Other:						
Budget authority	−20	−22	−24	−25	−28	−119
Outlays	−5	−9	−17	−22	−25	−78
Total:						
Budget authority	−913	−928	−1,074	−1,077	−1,358	−5,350
Outlays	−342	−578	−869	−931	−1,149	−3,869

REPEAL OF THE DAVIS-BACON ACT—OUTLAY SAVINGS

[In millions of dollars]

Budge function	1982	1983	1984	1985	1986	5-yr savings
Transportation:						
Wage	−48	−194	−256	−300	−360	−1,158
Administrative	−59	−65	−70	−76	−101	−371
Subtotal	−107	−259	−326	−376	−461	−1,529
Defense:						
Wage	−24	−83	−131	−166	−196	−600
Administrative	−32	−35	−38	−41	−44	−190
Subtotal	−56	−118	−169	−207	−240	−790
Community and regional development:						
Wage	−5	−45	−110	−126	−129	−415
Administrative	−22	−24	−26	−28	−31	−131
Subtotal	−27	−69	−136	−154	−160	−546
Natural resources and environment (no EPA construction included):						
Wage	−55	−82	−97	−105	−113	−452
Administrative	−12	−13	−14	−15	−16	−70
Subtotal	−67	−95	−111	−120	−129	−522
Energy:						
Wage	−58	−10	−65	−11	−75	−219
Administrative	−12	−2	−14	−2	−17	−47
Subtotal	−70	−12	−79	−13	−92	−266
Veterans:						
Wage	−2	−5	−13	−18	−19	−56
Administrative	−3	−3	−4	−4	−4	−18
Subtotal	−5	−8	−17	−22	−23	−75
Revenue sharing:						
Wage	−2	−5	−13	−18	−20	−48
Administrative	−3	−3	−3	−3	−3	−15
Subtotal	−5	−8	−14	−17	−19	−63
Other:						
Wage	−2	−5	−13	−18	−20	−57
Administrative	−3	−4	−4	−4	−5	−20
Subtotal	−5	−9	−17	−22	−25	−78
Housing and credit.[1]						
Total	−342	−578	−869	−931	−1,149	−3,869

[1] Excludes outlay savings from sec. 8, public housing, and housing for elderly and handicapped programs due to lack of construction costs estimates.

Assumptions used: 10 percent wage differential between Davis-Bacon prevailing wage and the comparable local wage rate. OMB spend-out rates for appropriate functions (see attachment). 0.5 percent of budget authority is attributable to administrative costs.

ASSUMPTIONS USED IN COST-SAVINGS ESTIMATES

I. BUDGET AUTHORITY

Used OMB computer run which shows funding for construction and rehabilitation.

Attempted to obtain construction costs associated with housing programs (Section 8, Public Housing, Housing for the Elderly and Handicapped, and FHA). However, no construction costs estimate is calculated separate from finance and operating costs (verified by OMB and HUD). These programs are subject to Davis-Bacon requirements but no savings could be calculated.

To determine the amount of general revenue sharing used for construction is somewhat difficult. Department of Treasury's State reports for FY 1978 estimates that $1.5 billion or 22.4% of the total $6.7 billion was spent for capital expenditures. Both OMB and Treasury stated that this statistic is very unreliable and should not be used. Instead, an official in Treasury's Office of State and Local Finance stated that the following statistics are available and more reliable:

Fiscal year 1979

(Bureau of Census data)

State and local direct expenditures, $380.4 billion.

Amount for construction, $53.2 billion.

Percentage of total for construction, 14 percent.

Assumptions used:

(a) 15 percent of revenue sharing for construction.

(b) 90 percent of construction for actual construction costs (10 percent for land and equipment).

II. ECONOMIC ASSUMPTIONS

Used CBO assumptions for CPI in 1983 through 1986.

CBO–CPI assumptions

[In percent]

1981	11.3
1982	9.5
1983	9.0
1984	8.3
1985	7.7
1986	7.2

III. SAVINGS

A. Budget Authority. 25 percent for labor costs X 10 percent wage differential (difference between Davis-Bacon prevailing wage and local wage rate) = Savings

B. Outlays:

1. OMB Spend-out percentage is multiplied to the Budget Authority saved for 1982–86 to obtain savings from wage differential.

Examples: Defense—BA savings in 1982 is 162 million.

Outlay spend-out first year is 15 percent or $24 million = Savings.

2. Administrative savings is based on a calculation of 0.5 percent of total budget authority, used by both OMB and GAO in their estimates.

We are showing separate line items for savings calculated for wage differentials and for administrative savings for each function listed.

EXHIBIT 2

CARTER WHITE HOUSE OPTIONS PAPER: INTERAGENCY REVIEW OF CONTRACT WAGE LAWS

THE ISSUE

What administrative changes, if any, should be made in the way contract wage rates are set under the Davis-Bacon and Service Contract Acts in order to:

(1) Improve administration of these contract wage laws; and

(2) Minimize unwarranted inflationary pressures.

BACKGROUND

Federal procurement statutes mandate competition. For labor-intensive contracts, such as construction and services, Congress has attempted to insulate labor from competitive pressure by enacting laws which mandate payment of locally "prevailing" wage rates. The Secretary of Labor is required to determine prevailing wage rates for hundreds of occupations and thousands of local areas.

The Davis-Bacon Act (1931) covers construction wages. Department of Labor issues 18,000 wage determinations annually covering $40 billion worth of contracts and 1 million workers, about one-fourth of all U.S. construction activity. The Act covers

both direct Federal contracts ($11 billion) and Federal assistance monies.

The Walsh-Healey Act (1936) covers manufacturing or furnishing of materials. This law has become a dead letter, however. Legal barriers have prevented DOL from obtaining sufficient private wage data upon which to base wage determinations and none have been issued since 1964.

The Service Contract Act (1965 and amendments in 1972, 1976) covers both blue and white collar service wages for direct Federal contracts but not Federal assistance monies. In addition to the prevailing wage determination, it also requires any successor contractor to pay not less than the prior wages and fringe benefits paid in a prior collective bargaining agreement. DOL issues 36,000 wage determinations annually covering $5 billion worth of contracts and 350,000 workers. Recent DOL rulings have tended to expand the coverage of the SCA to more types of contract activity to compensate for the defunct Walsh-Healey Act.

PROBLEM AREAS

Significant administrative issues fall into four broad categories:

(1) Wage Rate Calculations: With a range of wages being paid, what is the minimum "prevailing" rate: the average, the mode, the rate paid to at least 30 percent of the workers?

What data should be used, collected from whom, and how frequently?

How are job categories defined for comparability to setting wages?

(2) Definition of Locality:

How are "localities" defined and bounded, especially when heavy concentrations of Federal workers (and Federal wage rates) in the vicinity, such as the Cape Canaveral area in Florida, may severely skew the results?

Which wage rates should be used when the place of performance is unknown until a winning contractor is selected?

Under the Service Contract Act, how should the "successorship" requirements be applied when the new contractor is geographically far removed from the prior place of performance?

(3) Collective Bargaining Conflicts:

How should wages set under collective bargaining agreements be treated when contract wage determinations by DOL are different?

How should new wage determinations issued by DOL be allowed to affect ongoing negotiations?

(4) Interagency Procedures:

How can the Labor Department enforce the laws when procuring agencies neglect to request wage determinations or ignore rulings?

How can procuring agencies get timely determinations to support contract actions or appeal apparent discrepancies?

INTEREST GROUP POSITIONS

These contract wage laws have a long-standing history of controversy, challenges, court rulings, and interagency conflict. They rank high on the agenda of issues on industry, labor and procuring agencies.

Industry sees these laws as prime examples of Federal interference in the economy and business practices. They contend that:

Wage rates set under these acts are highly inflated and inflationary, and do not reflect "prevailing" rates,

These laws infringe on business management prerogatives, including choice of job categories and associated pay, preventing the most efficient business operations.

Internal operations and labor stability are upset by driving up wages for some workers on Federal contracts above other workers doing identical work in the private sector,

Collective bargaining agreements are nullified by higher wage requirements and specially-requested variance rulings from DOL are used by labor as self-serving floors for their demands during negotiations.

The mass of paperwork and reporting requirements, especially under Davis-Bacon procedures, substantially adds to nonproductive overhead,

Homogenized wage rates deaden the beneficial effects of competition, leaving little opportunity, if any, for new contractors to displace incumbents who then retain contract work literally for over a decade at a time.

Wage rate determinations require companies to import big city wage rates into other localities.

The labor community is incensed over the fact that a Democratic Administration could undertake such a review of basic labor protection laws. They contend that

Applications of these laws is not inflationary: the whole underlying statutory concept of "prevailing wages" is, by definition, not inflatonary but rather a protection against workers wages being deflated below industry and local norms,

With wages representing such a large fraction of total contract costs (25 percent in construction, up to 95 percent in service contracts), cut throat competition makes workers the pawns while profits remain high without the protection of Labor Department wage rulings,

Without these protections, especially the Service Contract Act "successorship" provision, the local labor force is periodically cast off, wages cut and fringes lost with each new contractor who wins the next competition,

These laws do not export high wages; they prevent the disruptive export of jobs to areas of the country where workers cannot follow,

Procuring agencies have systematically ignored and subverted DOL rulings by not requesting wage determinations and by inserting protective clauses in contracts in lieu of the required wage rates,

Procuring agency interests will always be inimical to wage protection laws. Their narrow budget interests always seek to squeeze labor costs.

Labor should not have to keep fighting this issue, year after year, through both Republican and Democratic Administrations, just because procuring agencies are never satisfied and can take a never ending series of bites of this apple,

DOL's current administration of the laws falls short owing to poor wage surveys which do not take into account the latest collective bargaining agreements.

The procuring agencies have for years contended that the way the Labor Department has administered these laws disrupts the contract process, bloats their budgets, and contributes to unwarranted inflationary pressures. They contend that—

Implementation of these laws by DOL is inflationary: procedures followed by DOL result in minimum wage determinations that are higher than the actual prevailing rates in the locality;

Procedures and regulations carried out by DOL serve to reduce competition for both Federal construction and Federal service needs, with its attendant increase in costs and subsequent budgetary impact;

Service contract procedures employed by DOL under locality, successorship, and use of labor management agreement issues, represent an intrusion in and disruption of nationally and historically recognized principles of collective bargaining;

DOL has systematically expanded coverage of the Service Contract Act to more and more nonservice contract activity, not to fulfill statutory intent but to compensate for the weakened Walsh-Healey Act coverage of manufacturing activity;

DOL rulings have been historically inconsistent, changing which Acts should apply and giving different wage rates for the identical jobs in identical locations for different contracts during the same year. Even DOL's administrative law judges have overruled the Department owing to these reversals and discrepancies.

OMB's Office of Federal Procurement Policy convened an interagency task force to address these issues last August. DOL, DOD, DOE, NASA, and GSA were participants. This latest review follows earlier efforts which led to the issuance and then retraction of changes to Service Contract Act regulations during the early months of this Administration.

GAO Review: The General Accounting Office recently circulated a draft report calling for outright repeal of the Davis-Bacon Act. They reasoned that significant changes in economic conditions and the economic character of the construction industry, since 1931, plus the subsequent passage of other wage protection statutes makes the Act unnecessary. The report also finds that after nearly 50 years, DOL has not developed an effective program to issue and maintain current and accurate wage determinations and it may be impractical to ever do so. The legislative intent of the Act is seldom achieved, in GAO's view, and the Act itself results in unnecessary annual construction costs of $715 including $215 million for administrative costs. At least eight bills with over fifty sponsors for repeal have already been introduced in the 96th Congress. Special interest in this review was also stimulated by the President's Special Advisor on Inflation.

CEA Review: CEA has completed a confidential-staff paper on the effects of these laws which it released to the members of the interagency review group. With regard to Davis-Bacon, the study makes the following points:

In 13 cities for which wage data are available, Davis-Bacon minimum wages are significantly above those in the local labor market for similar types of construction, this despite the fact that the sample was much more heavily unionized than the industry as a whole. The cost-increasing impact of the Act was found to be greater, as a rule, in areas of lower unionization, as you would expect.

Minimum fringe benefits on Davis-Bacon projects tend to be set at levels comparable to those mandated by collective bargaining agreements, despite the presence of significant nonunion employment and the generally lower levels of fringe benefits paid to nonunion workers.

Setting Davis-Bacon minimum wages at the local mean wage within each occupation category would reduce the wage premium on Davis-Bacon projects, but, because there is significant dispersion in the wage distribution, it would not eliminate that premium for all workers. The law would still have the effect of raising many workers' wages above their free-market equilibrium levels.

Employment of helpers is a widespread practice in construction not covered by the Act but is usually not allowed in Davis-Bacon construction. This makes it very likely that comparison of journey-person wage rates to Davis-Bacon minimums understate the cost-increasing effect of the law as presently administered.

With regard to the Service Contract Act, the CEA study asserts that Service Contract minimum wage rates for at least some DOD and NASA installations tend to be higher and increasing faster than local private sector wages.

It is virtually impossible to attach specific dollar savings or inflationary impact estimates to each of the specific administrative changes to be proposed here. However, the CEA staff study provides some estimates on which to base decisions. Davis-Bacon covered employment represents about 2.25 percent of the Nation's total private nonagri-

cultural wage bill for production and nonsupervisory employees. Wages of Service contract covered employees are 0.6 percent of the private nonfarm wage bill for production and nonsupervisory employees.

If the proposed changes resulted in 10 percent lower "prevailing" rate determinations, a reasonable expectation, then total Federal dollar savings under the Davis-Bacon Act would be $1 billion ($40 billion total, of which 25 percent is wages, times 10 percent reduction). The aggregate rate of inflation would be reduced by 0.225 percentage points.

A similar 10 percent reduction in Service Contract Act prevailing wage determinations would result in a total Federal dollar savings of $900 million ($10 billion total, of which 90 percent is wages, times 10 percent reduction) and a 0.06 percentage point reduction in the inflation rate.

In rough terms, then, proposed administrative changes which could result in 10 percent reductions in wages paid under both Davis-Bacon and Service Contract Acts could reduce Federal expenditures on the order of $1.9 billion and the inflation rate by 0.285 percentage point. In addition, there would be indirect inflation-reducing effects of unknown magnitude operating through wage-price-wage feedbacks.

The PRESIDING OFFICER. Who seeks recognition?

Mr. THURMOND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. DANFORTH). Without objection, it is so ordered.

BUDGET RECONCILIATION CONFEREES—H.R. 3982

Mr. BAKER. Mr. President, before the distinguished minority leader is recognized under the special order granted to him on last evening, I ask his indulgence long enough to put this unanimous-consent request.

Mr. President, I ask unanimous consent that Senator MATSUNAGA replace Senator RANDOLPH as a conferee on the reconciliation conference strictly for the class II dental benefits, section 1302 in the Senate amendment and section 14003 in H.R. 3982.

REPEALING THE WINDFALL PROFIT TAX

Mr. ROBERT C. BYRD. Mr. President, we should have no pretense about the consequences of the amendment proposed by the distinguished Senator from Kansas (Mr. DOLE) and the distinguished Senator from New Mexico (Mr. DOMENICI).

This combined measure will effectively repeal the windfall profit tax. By 1985, the overwhelming proportion of domestic oil production will fall within the classification of new oil and, under these amendments, would no longer be subject to taxation. The addition of the Domenici amendment, which would provide similar treatment for heavy oil and oil recovered by tertiary methods, would leave the windfall tax an empty shell. Through fiscal year 1986, almost $11 billion in revenue would be lost to the Federal Treasury. Wrapped in the flag of supply-side rhetoric and free market forces, this amendment would do nothing other than send an $11 billion windfall to the oil companies. In the meantime, the Republican majority in the Senate, following the directives of the Reagan administration, has voted to strip the elderly of their social security benefits, to cut health care for veterans and the poor, and to deny schoolchildren the right to a hot lunch. This is a message the American people should hear—and hear well.

There is much talk of unleashing the oil companies to explore and develop new energy reserves. But instead, the major oil companies seem intent on acquiring each other. Just last week, it was unveiled that Mobil Oil has offered $7.8 billion in an attempt to take over Conoco. Today, the news indicates that Gulf Oil is raising $5 billion in preparation for a takeover bid of another U.S. oil company, perhaps Cities Service. This is hardly the kind of investment in new energy resources which was promised as a consequence of decontrol. This is hardly the kind of economic activity which will fuel a resurgence of American productive capacity.

The windfall profit tax was the negotiated price for decontrol. The revenues from this tax were originally pledged to finance the creation of a viable synthetic fuels industry, to enhance mass transit systems, and to protect the poor and elderly from skyrocketing energy prices, But the Reagan budget has dispensed with those programs with the wave of a hand. Synfuels are now to be developed by private industry, mass transit construction has been curtailed, and the poor and the elderly are left to their own devices. The promise to the American people—who have borne the backbreaking burden of higher oil prices—has already been broken. And now, instead of investing the profits of decontrol for the common good, we are told we must return them to the oil companies for the benefit of the rich.

Mr. President, let us be clear as to what is behind this measure. The Republican platform pronounced that party's support for the repeal of the windfall profit tax. President Reagan advocated the repeal of the tax during his campaign. This amendment represents the essence of Reaganomics. It should affirm the growing public suspicion that the Republican administration is not committed to equity and fairness, but instead is committed to helping those who need help the least.

I intend to vote against this amendment. There is no economic justification for it, and there is no argument based on equity which can sustain support of it. I shall vote to table it, and I hope that other Senators will do likewise. The repeal of the windfall profit tax, in any form, would be a perversion of our national priorities and would only accentuate the budget deficits which threaten any program of economic recovery. It also would be a breaking of the promise that Congress made to the American people on the enactment of the tax as a quid pro quo for decontrol.

Mr. President, I yield the remainder of my time to Mr. DOLE and Mr. METZENBAUM.

Mr. METZENBAUM. Mr. President, I just wish to commend the excellent statement of the Senator from West Virginia, who has very appropriately and accurately and totally enunciated the issue as it is. For those of us who feel strong concerns about this matter, I wish to express our gratitude to the Senator from West Virginia for his continued leadership in matters of this nature.

Mr. ROBERT C. BYRD. I thank the Senator.

DOLE AMENDMENT NO. 509 PROVIDING TAX RATES ON NEWLY DISCOVERED OIL

Mr. DOLE. Mr. President, as I understand it, without debate, there will be a vote on the motion to table the amendment I have offered. I wish to make it clear that I hope everybody will vote for that motion, because it will give us some idea of how much support there is for this approach to bring about a production response which I believe has much more merit than the amendment we discussed yesterday, the so-called 1,000-barrel exemption.

If, in fact, we want to provide some incentive in an appropriate way, it is by phasing down the tax. I find great support for this concept. In fact, I included in the RECORD yesterday a letter from the domestic producers, made up of 20 different independent oil companies, indicating their support for this concept rather than the so-called exemption in the amendment yesterday, under which only approximately 50 percent would be returned to the producers. So we would not have the same incentive for more production.

Beyond that, I believe it is fair to state that this amendment is less expensive than the amendment which was offered yesterday. I hope that will be kept in mind.

No one really knows what the House did by 2:30 this morning, but apparently there is a 500-barrel exemption for new oil, a 100-barrel exemption for old oil, and tax cut up to $4,300. That is a rather rich package, and I think the computers are still trying to add up the total cost of that Democratic package, so far as big oil is concerned, on the House side. It may dwarf this little attempt by the Senator from Kansas, on the Senate side.

I hope that those Democrats who are against any private sector improvements or any incentive for the oil industry will take a look at what their colleagues may have done on the House side, before we pass judgment on the final version of what we are doing here.

I thank the distinguished Senator from West Virginia for permitting me to speak briefly on this motion.

It is just about 11 o'clock.

(By request of Mr. ROBERT C. BYRD the following statement was ordered to be printed in the RECORD.)

● Mr. BENTSEN. Mr. President, I rise in support of the Dole-Domenici substitute to provide for a phase-out of the so-called windfall profits tax on newly dis-

covered, incremental tertiary, and heavy oil. Although I would have preferred that my 1,000 barrel exemption amendment would have been adopted, I strongly believe that we need to provide some kind of substantial relief to our domestic oil industry in order to ease the oppressive burdens place on them by the so-called windfall profits tax.

I am convinced that we need to give additional incentives to our domestic oil industry in order to insure that we will be able to reduce America's dependence on unstable foreign petroleum supplies. We can no longer afford to drain the American economy of billions of dollars each year to buy foreign oil when we are failing to provide the necessary incentives for the production of our domestic energy resources.

I urge my colleagues to join me in support of the Dole-Domenici substitute, and I am hopeful for its early adoption.●

ECONOMIC RECOVERY TAX ACT OF 1981

The PRESIDING OFFICER. The pending business will be stated.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

MOTION TO TABLE AMENDMENT NO. 509

The PRESIDING OFFICER. Under the previous order, the hour of 11 a.m. having arrived, the Senate will now proceed to vote on the motion to table amendment No. 509, offered by the Senator from Kansas.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. SPECTER). Without objection, it is so ordered.

The question is on agreeing to the motion to lay on the table the amendment of the Senator from Kansas.

On this question the yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Alabama (Mr. DENTON) and the Senator from Maryland (Mr. MATHIAS) are necessarily absent.

I further announce that, if present and voting, the Senator from Alabama (Mr. DENTON) would vote "nay."

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN) is necessarily absent.

I also announce that the Senator from Nevada (Mr. CANNON) is absent attending a funeral.

On this vote, the Senator from Nevada (Mr. CANNON) is paired with the Senator from Texas (Mr. BENTSEN).

If present and voting, the Senator from Nevada would vote "yea" and the Senator from Texas would vote "nay."

The PRESIDING OFFICER. Is there any other Senator in the Chamber wishing to vote?

The result was announced—yeas 47, nays 49, as follows:

[Rollcall Vote No. 210 Leg.]

YEAS—47

Baucus	Eagleton	Nunn
Biden	Exon	Packwood
Bradley	Ford	Pell
Bumpers	Glenn	Proxmire
Byrd, Harry F., Jr.	Gorton	Randolph
Byrd, Robert C.	Hatfield	Riegle
Chafee	Hollings	Roth
Chiles	Huddleston	Rudman
Cohen	Inouye	Sarbanes
Cranston	Jackson	Sasser
Danforth	Kennedy	Specter
DeConcini	Leahy	Stafford
Dixon	Levin	Stennis
Dodd	Metzenbaum	Tsongas
Durenberger	Mitchell	Weicker
	Moynihan	Williams

NAYS—49

Abdnor	Hawkins	Murkowski
Andrews	Hayakawa	Nickles
Armstrong	Heflin	Percy
Baker	Heinz	Pressler
Boren	Helms	Pryor
Boschwitz	Humphrey	Quayle
Burdick	Jepsen	Schmitt
Cochran	Johnston	Simpson
D'Amato	Kassebaum	Stevens
Dole	Kasten	Symms
Domenici	Lavalt	Thurmond
East	Long	Tower
Garn	Lugar	Wallop
Goldwater	Matsunaga	Warner
Grassley	Mattingly	Zorinsky
Hart	McClure	
Hatch	Melcher	

NOT VOTING—4

Bentsen	Denton	Mathias
Cannon		

So the motion to lay on the table Mr. DOLE's amendment (No. 509) was rejected.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. BAKER. Mr. President, will the Chair state the result of the vote once more?

The PRESIDING OFFICER. Forty-seven yeas and forty-nine nays. The motion to table is not agreed to.

Mr. BAKER. Mr. President, as I understand it——

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate so we may hear the majority leader?

The PRESIDING OFFICER. The Senate will be in order. The Senate will be in order. Will the Senators clear the well so the majority leader may address the Senate?

Mr. ROBERT C. BYRD. Mr. President, Senators are not listening to the Chair. Could the Chair get order in the Senate?

The PRESIDING OFFICER. Will the Senators clear the well?

The Chair recognizes the majority leader. I think we now have order.

Mr. BAKER. Mr. President, I thank the Chair. I think the Chair acted very efficiently.

REMAINING AMENDMENTS

Mr. BAKER. Mr. President, the Senate was closely divided on this issue. I would not presume to advise the adversaries on this measure how they should proceed next. I simply reiterate what I have said before: We have to finish this bill and we have to find a way to do it.

Mr. President, I assume for the moment that debate will continue on the second-degree Domenici amendment to the Dole amendment. I would urge that Senators consider every hour that goes by and every day that goes by reduces the prospect that we can finish this bill in time to get it through conference and to obtain our recess goal of July 31.

I wish to repeat to the Members of the Senate that, notwithstanding statements from the White House and the Speaker of the House, I have never subscribed to the idea that we must go until August 7. I continue to believe we can finish our work by August 1, or by the evening of July 31.

Unless we get on with the business of the Senate—and the business of the Senate at the moment is the completion of the tax bill—then I have to confess that commitment is receding in prospect.

Mr. President, what I hope we can do at this point is to continue the debate, if that is the wish of Senators, on the pending question. I would like to explore with my counterpart, the distinguished minority leader, the prospect for ordering and arranging amendments in time for the consideration of the remaining amendments on this bill. If we do that, then I think we will make good progress. If we cannot, we will be stuck on this for the moment.

So, I shall not make any further effort at this time to end debate on this amendment. I would expect that, within the next little while, we could have some further statements made, or at least I hope so. But, for the moment, Mr. President, I have no further recommendation to make.

Mr. ROBERT C. BYRD addressed the Chair.

The PRESIDING OFFICER. The minority leader, the Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President. I join with the majority leader in stating the belief, the hope, and the determination that this debate can be completed and the tax bill can be enacted by August 1. I believe that can be done. It will depend, in considerable measure, on what the other body does. I think this matter is being expedited there.

I would hope that we here would continue toward our goal of enacting the measure and allowing Senators to go back and listen to the people in our respective States. But first let me say, Mr. President, that, with all due respect to the majority leader and those who are supporting this amendment, we will not finish our work on this tax bill by August 1, or even by August 15, if the pending amendment stays before the Senate.

I will not argue the merits or demerits of the amendment at this point. But I hope that the proponents of the amendment will decide to take it down, because this is not the way to expedite the work of the Senate on this tax bill.

There will be a prolonged debate on this amendment. And if, perchance, we were to come to a vote on the amendment after several days of debate, there would also be a considerable debate on the House bill when the opportunity

comes later to substitute the Senate bill for the House language, and there would be further extended debate on the conference report when it comes to the Senate.

So I suggest that this battle be delayed until another time and that we get on with action on the tax bill and forget about this amendment for the time being.

Mr. President, it is my intention to submit to the majority leader the amendments that Senators have on this side of the aisle. I am going to propose—and I want my colleagues on this side of the aisle to hear this: the distinguished majority leader and I have discussed this, so I think we pretty well agree that this might be a good approach—I am going to propose to my colleagues here that I give to the majority leader a list of our amendments. He will then indicate the identity of the amendments and the authors of such amendments on that side of the aisle so that there will be no surprises. We will say that those are all of the amendments that will be voted on, no second-degree amendments, so that everybody knows what is coming. We will vote up or down or on tabling motions.

Then, knowing what each side has, knowing there will be no surprises, no second-degree amendments, we then could say that a final vote on advancing the bill to third reading will occur at, say, the close of business on Wednesday next, or some such date.

This will enable the Senate to complete its action before the House measure gets over to the Senate, and the majority leader will be assured of our completing our business. He is entitled to that assurance. I, for one, want to see action completed on this bill.

It seems to me if we do that, we can, I hope, avoid a Saturday session and be assured that the bill will be acted upon. With everybody knowing what is coming by way of amendments, everybody will be prepared. We can sequence the amendments, and we will then proceed in an orderly way.

If I do not hear objection from my side of the aisle, this will be my proposal to the majority leader.

I yield the floor.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, there are a number of items now to be considered by the minority leader and by me, such as the limitation of the number of amendments to be proposed, such as an agreement that there will be no second-degree amendments, such as the possibility of a time certain to finish this bill. I am willing to engage in good faith negotiations with the minority leader on all of those items. I will say now that I favor each one of those proposals and I hope that our mutual effort in this respect will produce an agreement that can be cleared by the Senate within a short time. I am sure the minority leader will enter into those negotiations with the same spirit of optimism as I would.

Mr. President, I cannot say that I am put off with the idea that we may have a filibuster on this amendment or that passage of this amendment may jeopardize our recess time. I am not so wedded to July 31 or August 1 that I would not stand here as a matter of principle. I am prepared to say that if that has to be, that has to be. But I do not wish it.

In the meantime, Mr. President, we will continue with the debate on this amendment. I will retire now with the minority leader, if he will agree, and we will consider these several elements of the matters we have discussed. Perhaps we can even find a way to liquidate the pending amendment while we agree on the other issues as part of that larger package.

Mr. President, if we cannot, we may be here witnessing the termination of our expectation of a recess after July 31.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, the Senate should understand full well what the situation is. The Finance Committee came before this body with amendments having to do with the windfall profit tax amounting to about $20 billion in cuts over the next 10 years.

The Senator from Kansas, the chairman of the Finance Committee, then came before the Senate with an additional amendment to immediately phase out, within the next 4 years, the windfall profit tax with respect to new oil.

The next thing that occurred was that the Senator from New Mexico brought to the Senate an amendment which would phase out the windfall profit tax entirely within 4 years in connection with new oil, secondary oil, and tertiary oil as well.

So what we have before us is an effort on the part of the majority party to totally reverse the clock in connection with the matter of the windfall profit tax that in and of itself was negotiated ad infinitum this past session. It was not a victory for those who took the administration's position as to the amount of the windfall profit tax.

Quite the contrary, those who were opposed to it pretty much had their own way. The windfall profit tax that was finally enacted was a very cut back version of the original proposal of the Carter administration.

But some people are never satisfied. What we have here is an effort to take $40 billion in cuts and put them directly into the pockets of the oil companies at this time.

The real question is, How much? How far do we go? Just yesterday Members of the majority party refused to go along with the Members of the minority in indicating that we wanted to provide minimums for social security benefits.

How can you be so heartless, cruel, inhumane, and unfair to be willing to give the oil companies another $40 billion and turn your backs upon the senior citizens of this country, turn your backs upon the kids who want to go to college, turn your backs upon people who are in food stamp programs and school lunch programs, turn your backs on Vietnam veterans who have counseling services, and the host of other cutbacks that have occurred in the past several weeks in the budget process, and then have the audacity to come to the U.S. Senate and say you want to cut back $40 million within the next 10 years for the oil companies of this country?

I yield to the Senator from Delaware.

The PRESIDING OFFICER. Does the Senator yield for a question?

Mr. BIDEN. I seek recognition.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. BIDEN. I will be very brief, Mr. President. Without arguing the merits of this bill, I think we should put one thing squarely before the body and before the American people through the press. That is that we Democrats have been listening for the past month to the President of the United States telling us that we are holding up the critical business of the Nation by worrying about whether we are going to get the tax package through by the beginning of the August recess.

The President told us the budget cuts are essential, that we have to move on the total package, that the Democrats have to move. He spent a good deal of time castigating, I believe unfairly, the Speaker of the House of Representatives. All the press have been asking us for the last month, "Are you fellows going to slow up the President's tax bill?"

We have been told that America had a referendum on this issue in the last election and, therefore, we, the Democrats, on this side, even though we objected to much of what the President was doing, were expected to not stand in the way.

We have all on this side caucused in a Democratic caucus and talked and talked about that problem and concluded that the President has the chance and should be given the opportunity to have his tax bill and we should vote up or down on it. We would take exception where we would, but not attempt to slow it up.

Now here we are on the floor of the United States Senate with the prospect that the President will not get his bill on August 1, which was the time he needed. We were told, and every press report in America talked about, the critical date of August 1. "I have to have that on my desk." He beat the political life out of us over August 1.

Now we have the Republicans keeping the President from getting his bill. The President has not asked for the Dole amendment. He has not asked for the Domenici amendment. That was not part of the package.

Now we have a strange occurrence of the Republican Party, the Republican leadership, stopping the Republican President from having what the Republican President said is in the national interest, and in an immediate sense, of the United States of America.

So, Mr. President, I hope that no one in the press, no one in the public, and no one in this body makes any mistake about what we are debating. The Senator from Ohio and the Senator from Massachusetts are not going after the President's program. They are not going into the tax bill and saying, "Mr. President, what you said you need, you cannot have."

We are talking about the people. It is

a strange anomaly. The Senator from Ohio and the Senator from Massachusetts and others are here on this floor keeping out of the bill something the President says he does not want.

Mr. TSONGAS. Mr. President, will the Senator yield?

Mr. BIDEN. I will yield the floor after this point.

Mr. DOLE. What was the first point, Mr. President? I missed the first point.

Mr. BIDEN. The point is that "you-all" are doing your President a bad service. That is the point.

The point of the matter, Mr. President, is that Senators DOLE, DOMENICI, and others, are here on the floor of the U.S. Senate asking for something the President has not asked for, the result of which will be, I suspect, if I sense the resolve on this side of the aisle, that the President will not get what he says he needs as a matter of life and death; that is, his bill on August 1.

We want to give the President his shot. We will give him his tax bill. We will vote the portions we agree with and the portions we disagree with, and we will get it to him on August 1. But let it be known that it is the Republican Party that is keeping the President from having what he says he needs badly. He is not asking for Dole and Domenici. It is not part of his package. So it is the Republicans who are holding it up. I want that, as another famous Republican President said, made perfectly clear to everybody in this body. [Laughter.]

Mr. TSONGAS. Will the Senator yield for a question?

Mr. BIDEN. I yield.

Mr. DOLE. Mr. President.

The PRESIDING OFFICER. The Senator from Kansas has the floor.

Mr. TSONGAS. I thought the Senator from Delaware yielded to me, Mr. President.

Mr. DOLE. I will be glad to yield for a question, Mr. President. I am going to enjoy this, anyway. They can go ahead.

The PRESIDING OFFICER. Did the Senator from Delaware yield for a question?

Mr. TSONGAS. Yes, Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. TSONGAS. Mr. President, I wonder if the Senator from Delaware would join me in calling upon the President to take a position on this amendment. Obviously, it was not part of the package he requested. Obviously, it flies in the face of the statement that we do not have the money for all these programs. Since this issue is going to be a bottleneck, I think it would be quite appropriate for the President, given his statements of the past couple of weeks, to take a stand and let us see what his position is on this amendment.

Mr. BIDEN. I would be delighted to join the Senator, Mr. President, and I think the President could bring this to a screeching halt and get the bill by letting us know one way of another what he wants. My impression is that he does not want this, but I shall join and do join with the Senator from Massachusetts or anybody else in asking the President what his position is.

Mr. TSONGAS. Mr. President, I formally request of the President that he let this body know what his position is on the pending amendment.

I thank the Senator.

Mr. KENNEDY. Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, we have had an opportunity to debate and discuss this issue briefly, but I think, after the vote of the United States Senate, we ought to call this amendment what it is. It is basically an example of the greed of the major oil companies in this country.

If we look at the vote yesterday afternoon, when the distinguished Senator from Texas (Mr. BENTSEN) put out a proposal, one that I did not support for the reasons that I referred to yesterday—because all the indications are that the independents have had an extremely profitable year and the oil business is the most lucrative and successful business in the United States of America at this time—that amendment was hammered down. It was hammered down by many of those who are supporting this amendment. They knocked down the amendment which was even for the independents of the industry in order to come up with this amendment that is going to help the big boys, the major elements in the oil industry. There is only one word for it, and that is greed.

The major oil companies must have understood that there is something left in the Federal Treasury which they can get a handle on and they are trying to get a handle on it with this particular amendment. That is what we are faced with here on the floor of the U.S. Senate today. Mr. President, they must have understood that somewhere in this tax bill, there are some $40 billion left which they can get a handle on.

It is amazing to me, as has been pointed out by my colleagues this morning and again as we all pointed out yesterday at the start of this debate and discussion, that we find ourselves in this position at a time when we are in the process of reconciliation. I have been sitting in on the committees that have been meeting with the House of Representatives on some very basic and fundamental questions and issues.

Granted, we were defeated on the Riegle amendment yesterday, which would have cost somewhat in excess of $1 billion a year, because there was not money in the Federal Treasury; it was not sound economics; we would not be able to balance the budget; it was going to add to inflation. The President, in his letter to the Members of the Congress, said that such a result would jeopardize our economic recovery program so vital to the well-being of the Nation—on social security. Then we find that those who have been pointing that out to us in the Senate of the United States are prepared to support an amendment of $40 billion for the major oil companies in this country.

This, Mr. President, at a time during the reconciliation process when we are cutting back on the education of young people in the student loan program; we are cutting back on assisting those young people in this country who have felt the scourge of addiction to drugs or alcohol; we are cutting back on legal services to bring the Constitution of the United States to people who have been denied it because of limited financial resources; we are cutting back on programs for the young and for the old alike—but we are prepared to provide $40 billion to the major oil companies.

Mr. President, this is going to be an issue which will be debated and, clearly, from the vote on the tabling motion, it is the will of the Senate to debate this further, and we shall have an opportunity to do so. It does seem to me, Mr. President, that those who support this amendment would be wise to heed the advice of the minority leader and say that this debate on this issue ought to be resolved on another day.

Much has been spoken about whether we are going to meet the President's time schedule. I think it is important to point out at this time that those who are risking the delay are those who are the proponents of this amendment, not those who will be speaking on it and debating it over a period of time.

Mr. President, I commend the advice of the Democratic leader (Mr. ROBERT C. BYRD) to our colleagues, and hope that we can see this amendment withdrawn so that we can move expeditiously onto the others matters that remain before the Senate on the tax bill. That seems to be the wisest course. It is obviously the fairest and the most just course, and that way the President will be able to get his tax measure.

Mr. DOLE. Mr. President, I appreciate the willingness of the Senator from Massachusetts to hasten the passage of the bill after 6 days here. That is welcome news from that side of the aisle. We have spent most of our time debating issues that come from that side, amendments that have come from that side. The Senator from Kansas is certainly in no hurry on this amendment. I just checked. Fourteen Democrats voted one way yesterday, another way today. They prefer the more expensive oil amendment. Maybe ours is too small.

Perhaps we should beef ours up a little, add $2 or $3 billion a year. We could encourage those 14 Senators who supported the big oil amendment yesterday to vote for the responsible, moderate amendment today. We are going to look at that possibility.

Maybe we should have done more. Maybe we should have gone far enough to satisfy those 14 Senators on that side. We will take a look at it. Maybe we should go as far as the Senators did on the House Ways and Means Committee—a 500-barrel exemption for new oil, a 100-barrel exemption for old oil, and four or five other things that they have not figured out yet what they did at 2:30 this morning.

It seems to me that when we get back to reality, we realize we are talking about tax policy and energy policy. If you view it in that light rather than listen to the tired rhetoric we have heard here for years and years, which has the country on the verge of bankruptcy, we should know which option we should follow.

Should we follow the old, tired slogans and programs of all those who have been sitting on that side, that brought us the highest inflation in history, the highest interest rates in history, almost the highest unemployment rates in history, and more regulations than ever known in this country? I hope not. This Senator is concerned about that kind of leadership, because that is what we have had for too long.

Now, for 6 months, we have had a new President and, thankfully, a Republican majority in the Senate for the first time in 26 years, and we are going in a different direction. Obviously, those who do not want to go in a different direction, who want to hew to the left and stay on the left, are somewhat troubled by the change. I believe that, given an opportunity, they will find that the President of the United States, with his economic recovery package, has a proposal that will benefit all Americans.

If we could focus on that aspect of debate, I believe that those 14 Democrats who suddenly decided that this amendment, apparently, was not big enough or did not do enough for their special interests might be supporting what I consider to be a very reasonable amendment.

So I assume those on the other side will want to talk at length about this matter. We are prepared to debate or to let those on that side talk about the amendment.

Do you want to accept the amendment?

Mr. KENNEDY. I have a little speech I want to make.

Mr. DOLE. I have heard that. It was very good.

Is the Senator from Ohio ready to move forward?

Mr. METZENBAUM. I am. I suggest the absence of a quorum.

Mr. DOLE. That is not moving forward. [Laughter.]

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. GRASSLEY). Without objection, it is so ordered.

Mr. BAKER. I understand, Mr. President, after consulting with the distinguished managers of the bill on both sides and the minority leader that it is agreed that the best course to pursue at this moment would be to temporarily lay aside the pending amendment and proceed to the consideration of the so-called Hollings-Bradley amendment.

I ask unanimous consent, Mr. President, that the pending amendment be temporarily laid aside and that the Senator from South Carolina be recognized to call up his amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from South Carolina is recognized.

UP AMENDMENT NO. 259

(Purpose: Providing a 1-year targeted rate cut, and for other purposes)

Mr. HOLLINGS. Mr. President, I thank the distinguished majority leader.

I call up my amendment and ask the clerk to report it.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from South Carolina (Mr. HOLLINGS), for himself, Mr. BRADLEY, Mr. DODD, Mr. LEAHY, Mr. FORD, Mr. BIDEN, Mr. BUMPERS, Mr. KENNEDY, Mr. HART, Mr. CRANSTON, and Mr. GLENN proposes an unprinted amendment numbered 259.

Mr. HOLLINGS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 4, beginning with line 10, strike out all through page 29, line 20, and insert in lieu thereof the following:

SEC. 101. DECREASE IN MAXMIUM RATE TO 50 PERCENT IN 1982.

(a) IN GENERAL.—Section 1 (relating to tax imposed) is amended—

(1) by striking out in the table in subsection (a) all that follows the item relating to taxable income in excess of $47,200 but less than $55,200 and inserting in lieu thereof the following:

"Over $47,200	$14,060, Plus 50% of excess over $47,200.";

(2) by striking out in the table in subsection (b) all that follows the item relating to taxable income in excess of $40,200 but less than $42,200 and inserting in lieu thereof the following:

"Over $40,200	$12,240, Plus 50% of excess over $40,200.";

(3) by striking out in the table in subsection (c) all that follows the item relating to taxable income in excess of $34,200 but not over $40,200 and inserting in lieu thereof the following:

"Over $34,200	$10,290, Plus 50% of excess over $34,200.";

(4) by striking out in the table in subsection (d) all that follows the item relating to taxable income in excess of $23,600 but less than $27,600 and inserting in lieu thereof the following:

"Over $23,600	$7,030, Plus 50% of excess over $23,600."; and

(5) by striking out in the table in subsection (e) all that follows the item relating to taxable income in excess of $22,000 but less than $26,000 and inserting in lieu thereof the following:

"Over $22,000	$7,030, Plus 50% of excess over $22,000.".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning in 1982.

SEC. 102. RATE CUTS FOR 1983 AND AFTER; INCREASE IN ZERO BRACKET AMOUNTS.

(a) RATE REDUCTION.—Section 1 (relating to tax imposed) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of—

"(1) every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and

"(2) every surviving spouse (as defined in section 2(a)),

a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $3,800	No tax.
Over $3,800 but not over $5,900	13% of excess over $3,800.
Over $5,900 but not over $8,000	$273, plus 14% of excess over $5,900.
Over $8,000 but not over $12,300.	$567, plus 15% of excess over $8,000.
Over $12,300 but not over $16,400.	$1,212, plus 19% of excess over $12,300.
Over $16,400 but not over $20,600.	$1,991, plus 21% of excess over $16,400.
Over $20,600 but not over $25,000.	$2,873, plus 22% of excess over $20,600.
Over $25,000 but not over $30,300.	$3,841, plus 30% of excess over $25,000.
Over $30,300 but not over $35,600.	$5,431, plus 35% of excess over $30,300.
Over $35,600 but not over $46,200.	$7,286, plus 42% of excess over $35,600.
Over $46,200 but not over $60,400.	$11,738, plus 48% of excess over $46,200.
Over $60,400	$18,554, plus 50% of excess over $60,400.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every individual who is the head of a household (as defined in section 2 (b)) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $2,500	No tax.
Over $2,500 but not over $4,600	13% of excess over $2,500.
Over $4,600 but not over $6,700	$273, plus 14% of excess over $4,600.
Over $6,700 but not over $8,900	$567, plus 15% of excess over $6,700.
Over $8,900 but not over $15,200.	$897, plus 21% of excess over $8,900.
Over $15,200 but not over $18,400.	$2,220, plus 22% of excess over $15,200.
Over $18,400 but not over $23,700.	$2,924, plus 29% of excess over $18,400.
Over $23,700 but not over $29,000.	$4,461, plus 34% of excess over $23,700.
Over $29,000 but not over $34,300.	$6,263, plus 40% of excess over $29,000.
Over $34,300 but not over $44,900.	$8,383, plus 45% of excess over $34,300.
Over $44,900	$13,153, plus 50% of excess over $44,900.

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $2,500	No tax.
Over $2,500 but not over $3,600	13% of excess over $2,500.
Over $3,600 but not over $4,600.	$143, plus 14% of excess over $3,600.
Over $4,600 but not over $6,700.	$283, plus 15% of excess over $4,600.
Over $6,700 but not over $8,700	$598, plus 18% of excess over $6,700.
Over $8,700 but not over $11,000.	$958, plus 19% of excess over $8,700.
Over $11,000 but not over $15,200.	$1,395, plus 21% of excess over $11,000.
Over $15,200 but not over $19,000.	$2,277, plus 26% of excess over $15,200.
Over $19,000 but not over $23,700.	$3,265, plus 32% of excess over $19,000.
Over $23,700 but not over $29,000.	$4,769, plus 37% of excess over $23,700.
Over $29,000 but not over $34,300.	$6,730, plus 42% of excess over $29,000.
Over $34,300 but not over $41,700.	$8,956, plus 48% of excess over $34,300.
Over $41,700	$12,508, plus 50% of excess over $41,700.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013 a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $1,900	No tax.
Over $1,900 but not over $2,950	13% of excess over $1,900
Over $2,950 but not over $4,000	$136, plus 14% of excess over $2,950.
Over $4,000 but not over $6,150	$283, plus 15% of excess over $4,000.
Over $6,150 but not over $8,200	$606, plus 19% of excess over $6,150.
Over $8,200 but not over $10,300	$995, plus 21% of excess over $8,200.
Over $10,300 but not over $12,500	$1,436, plus 22% of excess over $10,300.
Over $12,500 but not over $15,150	$1,920, plus 30% of excess over $12,500.
Over $15,150 but not over $17,800	$2,715, plus 35% of excess over $15,150.
Over $17,800 but not over $23,100	$3,643, plus 42% of excess over $17,800.
Over $23,100 but not over $30,200	$5,869, plus 48% of excess over $23,100.
Over $30,200	$9,277, plus 50% of excess over $30,200.

"(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of every estate and trust taxable under this subsection a tax determined in accordance with the following table:

"If taxable income is:	The tax is:
Not over $1,050	13% of taxable income.
Over $1,050 but not over $2,100	$136, plus 14% of excess over $1,050.
Over $2,100 but not over $4,250	$283, plus 15% of excess over $2,100.
Over $4,250 but not over $6,300	$606, plus 19% of excess over $4,250.
Over $6,300 but not over $8,400	$995, plus 21% of excess over $6,300.
Over $8,400 but not over $10,600	$1,436, plus 22% of excess over $8,400.
Over $10,600 but not over $13,250	$1,920, plus 30% of excess over $10,600.
Over $13,250 but not over $15,900	$2,715, plus 35% of excess over $13,250.
Over $15,900 but not over $21,200	$3,643, plus 42% of excess over $15,900.
Over $21,200 but not over $28,300	$5,869, plus 48% of excess over $21,200.
Over $28,300	$9,277, plus 50% of excess over $28,300.".

(b) INCREASE IN ZERO BRACKET AMOUNT.—Subsection (d) of section 63 (defining zero bracket amount) is amended—

(1) by striking out "$3,400" and inserting in lieu thereof "$3,800",

(2) by striking out "$2,300" and inserting in lieu thereof "$2,500", and

(3) by striking out "$1,700" and inserting in lieu thereof "$1,900".

(c) FILING REQUIREMENTS.—Paragraph (1) of section 6012(a) (relating to person required to make returns of income) is amended—

(1) by striking out "$3,300" and inserting in lieu thereof "$3,500",

(2) by striking out "$4,400" and inserting in lieu thereof "$4,800", and

(3) by striking out "$5,400" and inserting in lieu thereof "$5,800".

(d) CONFORMING AMENDMENTS.—

(1) LUMP SUM DISTRIBUTIONS TAX.—Subparagraph (C) of section 402(e)(1) (relating to tax on lump sum distributions) is amended by striking out "$2,300" and inserting in lieu thereof "$2,500".

(2) PERSONAL HOLDING COMPANY TAX.—Section 541 (relating to personal holding company tax) is amended by striking out "70 percent" and inserting in lieu thereof "50 percent".

(e) WITHHOLDING TABLES.—

(1) DETERMINATION OF WITHHOLDING.—Section 3402(a) (relating to requirement of withholding income tax at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—

"(1) IN GENERAL.—Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables of computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall—

"(A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and

"(B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods.

"(2) AMOUNT OF WAGES.—For purposes of applying tables or procedures prescribed under paragraph (1), the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption. The amount of each withholding exemption shall be equal to the amount of one personal exemption provided in section 151(b), prorated to the payroll period. The maximum number of withholding exemptions permitted shall be calculated in accordance with regulations prescribed by the Secretary under this section, taking into account any reduction in withholding to which an employee is entitled under this section.".

(2) WAGES PAID FOR PERIOD LESS THAN 1 WEEK.—Section 3402(b) (relating to the percentage method of withholding) is amended—

(A) by striking out paragraph (1), and redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively; and

(B) by striking out paragraph (3), as redesignated by subparagraph (A), and inserting in lieu thereof the following:

"(3) In any case in which the period, or the time described in paragraph (2), in respect of any wages is less than one week, the Secretary, under regulations prescribed by him, may authorize an employer to compute the tax to be deducted and withheld as if the aggregate of the wages paid to the employee during the calendar week were paid for a weekly payroll period.".

(3) ZERO BRACKET AMOUNT.—Paragraph (1)(G) of section 3402(f) (relating to withholding exemptions) is amended by inserting "(or more than one exemption if so prescribed by the Secretary)" after "one exemption".

(4) CHANGES IN WITHHOLDING.—Section 3402(i) (relating to additional withholding) is amended to read as follows:

"(i) CHANGES IN WITHHOLDING.—

"(1) IN GENERAL.—The Secretary may by regulations provide for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests such changes.

"(2) TREATMENT AS TAX.—Any increased withholding under paragraph (1) shall for all purposes be considered tax required to be deducted and withheld under this chapter.".

(5) WITHHOLDING ALLOWANCES.—

(A) IN GENERAL.—Paragraph (1) of section 3402(m) (relating to withholding allowances based on itemized deductions) is amended to read as follows:

"(1) GENERAL RULE.—Under regulations prescribed by the Secretary, an employee shall be entitled to additional withholding allowances or additional reductions in withholding under this subsection. In determining the number of additional withholding allowances or the amount of additional reductions in withholding under this subsection, the employee may take into account—

"(A) the excess of his estimated itemized deductions or other estimated deductions (as prescribed by the Secretary) over his zero bracket amount (as defined in section section 63(d)),

"(B) such tax credits to which he is entitled as specified in the regulations prescribed by the Secretary, and

"(C) such additional items as specified in the regulations prescribed by the Secretary.".

(B) TABLES.—Paragraph (4) of section 3402(m) is amended to read as follows:

"(4) AUTHORITY TO PRESCRIBE TABLES.—The Secretary may prescribe tables or computational procedures pursuant to which employees shall determine the number of withholding allowances or the amount of reduced withholding to which the employees are entitled under this subsection.".

(f) REPEAL OF MAXIMUM TAX.—

(1) IN GENERAL.—Part VI of subchapter Q of chapter 1 (relating to maximum rate on personal service income) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 3 (b) (relating to tax tables for individuals) is amended to read as follows:

"(1) an individual to whom section 1301 (relating to income averaging) applies for the taxable year,".

(B) Subsection (b) of section 1304 (relating to special rules for income averaging) is amended—

(i) by inserting "and" at the end of paragraph (1),

(ii) by striking out ", and" at the end of paragraph (2) and inserting in lieu thereof a period, and

(iii) by striking out paragraph (3).

(C) The table of parts for subchapter Q of chapter 1 is amended by striking out the item relating to part VI.

(g) ALTERNATIVE MINIMUM TAX.—Paragraph (1) of section 55 (a) (relating to alternative minimum tax) is amended—

(1) by striking out all that follows "$60,000" in subparagraph (B) and inserting in lieu thereof ", exceeds", and

(2) by striking out subparagraph (C).

(h) Effective Dates.—

(1) IN GENERAL.—The amendments made by subsections (a), (b), (c), and (d)(1) shall apply to taxable years beginning after December 31, 1982.

(2) AMENDMENTS RELATING TO 50 PERCENT MAXIMUM TAX.—The amendments made by subsections (d)(2), (f), and (g) shall apply to taxable years beginning after December 31, 1981.

(3) WITHHOLDING AMENDMENTS.—The amendments made by subsection (e) shall apply to remuneration paid after December 31, 1981.

SEC. 103. 20-PERCENT MAXIMUM RATE ON NET CAPITAL GAIN FOR PORTION OF 1981.

(a) IN GENERAL.—If for any taxable year ending after June 10, 1981, and beginning before January 1, 1982, a taxpayer other than a corporation has qualified net capital gain, then the tax imposed under section 1 of the Internal Revenue Code of 1954 for such taxable year shall be equal to the lesser of—

(1) the tax imposed under such section determined without regard to this subsection, or

(2) the sum of—

(A) the tax imposed under such section on the excess of—

(i) the taxable income of the taxpayer, over

(ii) 40 percent of the qualified net capital gain of the taxpayer, and

(B) 20 percent of the qualified net capital gain.

(b) APPLICATION WITH ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—If subsection (a) applies to any taxpayer for any taxable year, then the amount determined under section 55(a)(1) of the Internal Revenue Code of 1954 for such taxable year shall be equal to the lesser of—

(A) the amount determined under such section 55(a)(1) determined without regard to this subsection, or

(B) the sum of—

(i) the amount which would be determined under such section 55(a)(1) if the alternative minimum taxable income was the excess of—

(I) the alternative minimum taxable income (within the meaning of section 55(b)(1) of such Code) of the taxpayer, over

(II) the qualified net capital gain of the taxpayer, and

(ii) 20 percent of the qualified net capital gain.

(2) NO CREDITS ALLOWABLE.—For purposes of section 55(c) of such Code, no credit allowable under subpart A of part IV of subchapter A of chapter 1 of such Code (other than section 33(a) of such Code) shall be allowable against the amount described in paragraph (1)(B)(ii).

(c) QUALIFIED NET CAPITAL GAIN.—

(1) IN GENERAL.—For purposes of this section, the term "qualified net capital gain" means the lesser of—

(A) the net capital gain for the taxable year, or

(B) the net capital gain for the taxable year taking into account only gain or loss from sales or exchanges occurring after June 10, 1981

(2) NET CAPITAL GAIN.—For purposes of this subsection, the term "net capital gain" has the meaning given such term by section 1222(11) of the Internal Revenue Code of 1954.

SEC. 104. INCREASE IN THE EARNED INCOME TAX CREDIT.

(a) INCREASE IN CREDIT.—Subsection (a) of section 43 (relating to earned income credit) is amended by striking out "10 percent" and inserting in lieu thereof "11 percent".

(b) REVISION OF LIMITATION.—Subsection (b) of section 43 (relating to limitation) is amended to read as follows:

"(b) LIMITATION.—The amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(1) $550, over

"(2) 13.75 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $8,000.".

(c) CONFORMING AMENDMENTS.—

(1) Subsection (f)(2) of section 43 is amended—

(A) by striking out "$10,000" each place it appears and inserting in lieu thereof "$12,000", and

(B) by striking out "$6,000" and inserting in lieu thereof "$8,000".

(2) Paragraph (2) of section 3507(c) (relating to earned income advance amount tables) is amended—

(A) by striking out "10 percent" each place it appears and inserting in lieu thereof "11 percent",

(B) by striking out "$6,000 and $10,000" and inserting in lieu thereof "$8,000 and $12,000", and

(C) by striking out "$3,000 and $5,000" and inserting in lieu thereof "$4,000 and $6,000".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1981.

(2) AMENDMENTS OF SECTION 3507.—The amendments made by subsection (c)(2) shall apply to remuneration paid after December 31, 1981.

SEC. 105. DEDUCTION FOR TWO-EARNER MARRIED COUPLES.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 221 as section 222 and by inserting after section 220 the following new section:

"SEC. 221. DEDUCTION FOR TWO-EARNER MARRIED COUPLES.

"(a) DEDUCTION ALLOWED.—

"(1) IN GENERAL.—In the case of a joint return under section 6013 for the taxable year, there shall be allowed as a deduction an amount equal to 10 percent of the lesser of—

"(A) $30,000, or

"(B) the qualified earned income of the spouse with the lower qualified earned income for such taxable year.

"(2) SPECIAL RULE FOR 1982.—In the case of a taxable year beginning during 1982, paragraph (1) shall be applied by substituting '5 percent' for '10 percent'.

"(b) QUALIFIED EARNED INCOME DEFINED.—

"(1) IN GENERAL.—For purposes of this section, the term 'qualified earned income' means an amount equal to the excess of—

"(A) the earned income of the spouse for the taxable year, over

"(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), (9), (10), and (15) of section 62 to the extent such deductions are properly allocable to or chargeable against earned income described in subparagraph (A). The amount of qualified earned income shall be determined without regard to any community property laws.

"(2) EARNED INCOME.—For purposes of paragraph (1), the term 'earned income' means income which is earned income within the meaning of section 911(d)(2) or 401(c)(2)(C), except that—

"(A) such term shall not include any amount—

"(i) not includible in gross income,

"(ii) received as a pension or annuity,

"(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(37)),

"(iv) received as deferred compensation, or

"(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)), and

"(B) section 911(d)(2)(B) shall be applied without regard to the phrase 'not in excess of 30 percent of his share of net profits of such trade or business'.

"(c) DEDUCTION DISALLOWED FOR INDIVIDUAL CLAIMING BENEFITS OF SECTION 911 OR 931.—No deduction shall be allowed under this section for any taxable year if either spouse claims the benefits of section 911 or 931 for such taxable year.".

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62 (defining adjusted gross income), as amended by section 112(b)(2) of this Act, is amended by inserting after paragraph (15) the following new paragraph:

"(16) DEDUCTION FOR TWO-EARNER MARRIED COUPLES.—The deduction allowed by section 221.".

(c) CONFORMING AMENDMENT TO WITHHOLDING.—Subparagraph (A) of section 3402(m)(2) (defining estimated itemized deductions) is amended by striking out "paragraph (13)" and inserting in lieu thereof "paragraphs (13) and (16)".

(d) OTHER CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 85 (relating to unemployment compensation) is amended by striking out "and without regard to section 105(d)" and inserting in lieu thereof ", section 105(d) and section 221".

(2) Subsection (d)(3) of section 105 (relating to amounts received under accident and health plans) is amended by inserting "and section 221" after "subsection" the first place it appears.

(3) The table of sections for such part VII is amended by striking out the item relating to section 221 and inserting in lieu thereof the following new items:

"Sec. 221. Deduction for two-earner married couples.

"Sec. 222. Cross references.".

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1981.

(2) WITHHOLDING.—The amendment made by subsection (c) shall apply to remuneration paid after December 31, 1981.

SEC. 106. REPEAL OF WINDFALL PROFIT PROVISIONS.

(a) ROYALTY CREDIT.—Notwithstanding the provisions of section 6429 of the Internal Revenue Code of 1954, as amended by section 241, the amount which may be treated as an overpayment of tax under such section for calendar years 1982 and following is zero.

(b) RATE OF TAX ON NEWLY DISCOVERED OIL.—Notwithstanding the provisions of section 4987(b)(3)(B) of such Code, as added by section 242(a), the applicable percentage for newly discovered oil for purposes of determining the amount of tax imposed by section 4986 of such Code for periods after December 31, 1981, shall be 30 percent.

Mr. HOLLINGS. Mr. President, the tax bill that is before us is a watershed. It is as crucial to our economic recovery as are the spending cuts contained in the reconciliation bill now in conference with the House.

It should not be hard to understand why this is so. Federal fiscal policy is the lynchpin in our efforts to improve our economic plight. The spending and taxing policies of the Federal Government affect inflation, interest rates, growth, unemployment, productivity, and a host of other factors. None of these indicators is in great shape today and some look downright dismal.

Inflation is running at near double digit levels. Interest rates have been hovering at such high levels, around 20 percent, for so long that hundreds of savings and loans are in severe danger of failing. Our productivity has declined for 3 consecutive years and our growth rate is now among the lowest in the industrialized world.

And if these ills were not enough, our national debt will soon reach the astronomical figure of $1 trillion. That is a 1 followed by 12 zeroes. It is an amount of money so large that a stack of 1 trillion $1 bills would reach nearly 68,000 miles high.

Despite our efforts, we have been unsuccessful in getting our economy out of the doldrums. There are many causes but one is certainly that the Federal Government has not set a good economic example. We could take no single more

powerful action than to set in place a responsible fiscal policy in which spending and revenues work in concert to produce a balanced budget.

A balanced budget is the key that can help make our economic recovery a reality. Without it, we can only continue the ruinous stagflation, with all its attendant evils, that is sapping the country's economic vitality.

Achieving a balanced budget is not an easy task, nor can it be done overnight. When I was chairman of the Budget Committee last year, we produced a balanced budget in the spring only to see it disappear in a worsening economy. In fact, in the past 30 years, we have succeeded only five times in actually reaching that goal, the last time being in 1969.

Mr. President, I ask unanimous consent that a table showing the revenues, outlays and deficits of the Federal budget since 1951 be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

BUDGET RECEIPTS AND OUTLAYS, 1951–80
[In millions of dollars]

Fiscal year	Budget receipts	Budget outlays	Budget surplus or deficit (—)
1951	51,646	45,546	+6,100
1952	66,204	67,721	—1,517
1953	69,574	76,107	—6,533
1954	69,719	70,890	—1,170
1955	65,469	68,509	—3,041
1956	74,547	70,460	+4,087
1957	79,990	76,741	+3,249
1958	79,636	82,575	—2,939
1959	79,249	92,104	—12,855
1960	92,492	92,223	+269
1961	94,389	97,795	—3,406
1962	99,667	106,813	—7,137
1963	106,560	111,311	—4,751
1964	112,662	118,584	—5,922
1965	116,833	118,430	—1,596
1966	130,856	134,652	—3,796
1976	149,552	158,254	—8,702
1968	153,671	178,833	—25,161
1969	187,784	184,548	+3,236
1970	193,743	196,588	—2,845
1971	188,392	211,425	—23,033
1972	208,649	232,021	—23,373
1973	232,225	247,074	—14,849
1974	264,932	269,620	—4,688
1975	280,997	326,151	—45,154
1976	300,005	366,418	—66,413
TQ	81,773	94,728	—12,956
1977	357,762	402,710	—44,948
1978	401,997	450,804	—48,807
1979	465,940	493,635	—27,694
1980	520,050	579,613	—59,563

Mr. HOLLINGS. As this table shows, a deficit or surplus is the result of two factors—outlays and receipts. Each is equally important in attaining a budget that is in balance.

On the spending side, we have already made outstanding progress. On May 21, the Congress adopted a budget resolution, House Concurrent Resolution 115, that significantly changed our spending priorities. It limited the increase in overall spending for fiscal year 1982 to 5.2 percent above the projected level for fiscal year 1981.

But more importantly, the resolution required 14 committees of the Senate and 15 committees of the House to report legislation that would cut spending by $36.5 billion in fiscal year 1982 and by a total of $141.6 billion through fiscal year 1984.

I ask unanimous consent to submit for the RECORD a table showing the instructions to each Senate committee.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

SUMMARY OF RECONCILIATION INSTRUCTIONS BY SENATE COMMITTEE

[In millions of dollars]

Senate committee	Fiscal year 1981		Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
	Budget authority	Outlay	Budget authority	Outlay	Budget authority	Outlay	Budget authority	Outlay
Agriculture, Nutrition, and Forestry:								
Reductions in direct spending		—163	—474	—928	—659	—618	—854	—795
Reduction in authorizations	—140		—3,193	—3,096	—3,961	—3,825	—4,551	—4,451
Armed Services: Reductions in direct spending	—233	—233	—966	—966	—899	—899	—511	—511
Banking, Housing, and Urban Affairs: Reductions in authorizations	—5,846	—133	—14,478	—840	—17,450	—2,133	—20,341	—3,779
Commerce, Science, and Transportation:								
Reductions in direct spending			—100	—100	—200	—200	—300	—300
Reductions in authorizations			—1,558	—884	—1,598	—1,328	—1,465	—1,337
Energy and Natural Resources: Reductions in authorizations	—1,331	—94	—3,714	—3,398	—3,660	—3,627	—3,604	—3,711
Environment and Public Works:								
Reductions in direct spending				—185		—900		—1,365
Reductions in authorizations	—2,350	—68	—4,835	—793	—3,035	—1,840	—3,500	—2,800
Finance:								
Reductions in direct spending	—212	—286	—4,394	—9,218	—4,563	—10,744	—4,675	—11,589
Reductions in authorizations			—96	—112	—114	—132	—149	—177
Foreign Relations: Reductions in authorizations			—250	—130	—275	—200	—300	—300
Governmental Affairs:								
Reductions in direct spending				—513		—414		—357
Reductions in authorizations			—4,776	—4,690	6,300	—6,388	—7,462	—7,440
Judiciary: Reductions in authorizations			—116	—13	—133	—81	—144	—124
Labor and Human Resources:								
Reductions in direct spending	—39	—49	—596	—575	—1,481	—1,395	—2,452	—2,311
Reductions in authorizations	—2,388	—414	—10,492	—8,225	—12,539	—11,069	—15,048	—13,746
Small Business: Reductions in authorizations	—97	—67	—526	—390	—564	—541	—554	—533
Veterans' Affairs: Reductions in direct spending	—14	—14	—110	—110	—108	—108	—106	—106
Total, reductions in direct spending	—498	—745	—6,640	—12,595	—7,910	—15,278	—8,898	—17,334
Total reductions in authorizations	—12,152	—776	—44,054	—22,571	—49,689	—31,164	—57,118	—38,398
Appropriations Committee	—13,300	—1,500		—3,200		—1,800		—1,100
Total, instructions to all committees	—25,950	—3,021	—50,674	—38,366	—57,599	—48,242	—66,016	—56,832
Eliminate double counting between appropriations and authorizing committees	+11,283	+677		+1,865		+1,263		+1,034
Total, net savings	—14,667	—2,344	—50,694	—36,501	—57,599	—46,979	—66,016	—55,798

Mr. HOLLINGS. Mr. President, I am especially heartened to see Republicans following in the Democratic footsteps by endorsing the reconciliation process. This year's reconciliation bill, while unprecedented in magnitude, builds on the pioneering action last year when 9 Senate and 10 House committees were instructed to report savings of $6.4 billion in fiscal year 1981 outlays. Eventually, after a conference of over 100 Members, the reconciliation bill and related spending reduction measures cut outlays by a total of $4.6 billion.

Let there be no doubt that reconciliation is a bipartisan effort, one that Democrats as well as Republicans support. Last year's precedent-setting action was initiated by Democrats and supported by Republicans. This year, a bipartisan group of Senators started the ball rolling on reconciliation with the introduction of Senate Concurrent Resolution 9, which I cosponsored. When the final results were in, 28 Democrats voted in favor of the spending cuts contained in the reconciliation bill that passed the Senate on June 25.

I ask unanimous consent that a summary of the spending reductions achieved by each committee in the Senate-passed reconciliation, S. 1377, be included in the RECORD at this point.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

SENATE PASSED RECONCILIATION SAVINGS (S. 1377)

[In millions of dollars]

	Fiscal year 1981		Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
	Budget authority	Outlay	Budget authority	Outlay	Budget authority	Outlay	Budget authority	Outlay
Agriculture, Nutrition and Forestry:								
Reductions in direct spending	−10	−163	−481	−945	−669	−628	−869	−810
Reductions in authorizations	−130		−3,369	−3,222	−4,051	−3,932	−4,532	−4,444
Armed Services:								
Reductions in direct spending	−233	−233	−966	−966	−899	−899	−511	−511
Banking, Housing and Urban Affairs:								
Reductions in authorizations	−5,991	−133	−13,779	−917	−18,883	−2,111	−22,774	−3,968
Commerce, Science and Transportation:								
Reductions in direct spending	+255	−25	−490	−340	−590	−398	−673	−496
Reductions in authorizations			−943	−789	−1,171	−729	−1,283	−1,144
Energy and Natural Resources:								
Reductions in authorizations	−2,627	−98	−6,055	−5,483	−5,958	−5,890	−5,419	−5,254
Environment and Public Works:								
Reductions in direct spending				−185		−900		−1,365
Reductions in authorizations	−2,351	−71	−5,001	−878	−3,069	−1,924	−3,710	−2,976
Finance:								
Reductions in direct spending	−174	−282	−5,900	−9,452	−6,792	−10,838	−7,508	−12,156
Reductions in authorizations			−54	−54	−65	−65	−71	−71
Foreign Relations:								
Reductions in authorizations			−268	−167	−340	−289	−306	−301
Governmental Affairs:								
Reductions in direct spending				−513		−414		−357
Reductions in authorizations			−4,776	−4,690	−6,360	−6,382	−7,462	−7,440
Judiciary:								
Reductions in authorizations			−117	−39	−134	−105	−144	−128
Labor and Human Resources:								
Reductions in direct spending	−163	−11	−614	−879	−1,174	−1,187	−1,832	−1,923
Reductions in authorizations	−2,419	−497	−10,053	−7,854	−12,299	−10,883	−14,940	−13,447
Small Business:								
Reductions in authorizations	−304	−67	−526	−582	−578	−541	−588	−533
Veterans' Affairs:								
Reductions in direct spending	−18	−18	−109	−109	−109	−115	−118	−123
Total, reductions in direct spending	−343	−732	−8,560	−13,389	−10,233	−15,379	−11,511	−7,741
Total, reductions in authorizations	−13,822	−866	−44,941	−24,675	−52,908	−32,851	−61,229	−39,706
Grand total	−14,165	−1,598	−53,501	−38,064	−63,141	−48,230	−72,740	−57,447

Mr. HOLLINGS. Mr. President, the reconciliation bill, which went to conference with the House on Tuesday, is the clearest possible sign of the commitment the Congress has to cut Federal spending in order to achieve a balanced budget.

But as I said earlier, there are two sides to a balanced budget. You cannot achieve it merely by cutting outlays. You have to pay attention to the revenue side. And that is where my present concern lies.

We cannot hope to ever achieve a balanced budget if for every dollar we cut in spending, we cut taxes by a similar amount. The arithmetic just does not allow it. We may reduce the overall level of Federal spending, but the deficit will remain the same.

To make any progress toward a balanced budget, we must cut taxes by less than we cut spending. To do otherwise jeopardizes not only a balanced budget but spending for some of our priority programs as well, such as national defense and social security.

To show the impact of tax cuts on the deficit, we need only look at the past decade. Since 1969, there have been seven major tax reductions. The effect of those reductions was that, in 1980 alone, if the tax laws had remained unchanged, Federal receipts from personal and corporate taxes would have been $154.7 billion higher than they were. That is nearly three times the level of our deficit that year.

In fact, we could have essentially balanced the budget or been in substantial surplus in each year during the 1970's if it were not for the tax cuts. In the past decade, the cumulative deficit was about $400 billion while the cumulative revenue loss from the tax cuts was over $700 billion.

Of course, I know just as well as the next person that everyone likes a tax cut. We like voting for them as much as our constituents like receiving them. But let us not fool ourselves and get carried away. What do the American people really want the Congress to do?

Well, in a poll taken shortly after the President's inauguration in January, 64 percent of those interviewed about Federal budget priorities ranked a balanced budget as more important than a tax cut. The people were not deceived by some of the claims made for a large tax cut. They clearly stated their preference for a balanced budget by over 2 to 1.

Mr. President, I ask unanimous consent that the results of that poll be printed in the RECORD.

There being no objection, the poll was ordered to be printed in the RECORD, as follows:

REAGAN BUDGET PRIORITIES

(NBC Poll, released January 28, 1981)

DEFENSE SPENDING

Do you think the federal government's spending next year on defense and the military should be increased, decreased, or kept about the same?

	1/81	10/80b
Increased	65	62
Decreased	6	6
Kept about the same	23	25
Not sure	6	6

INCREASED DEFENSE SPENDING VS. BALANCED FEDERAL BUDGET

If you had to choose between increasing spending on defense and balancing the federal budget, which would you choose?

[In percent]

Increase spending on defense	52
Balance federal budget	40
Not sure	8

BALANCED FEDERAL BUDGET VS. INCOME TAX CUT

If you had to choose between balancing the federal budget and cutting your federal income taxes, which would you choose?

[In percent]

	1/81	8/80a	7/80a
Balance Federal budget	64	49	57
Cut Federal income taxes	29	37	33
Not sure	7	14	10

FUTURE OF THE ECONOMY

During the next year, do you think the economy will get better, get worse or stay about the same?

[In percent]

	1/81	10/80a	5/80	1/80
Get better	38	30	30	15
Get worse	17	25	38	51
Stay about the same	40	38	27	30
Not sure	5	7	5	4

FUTURE FAMILY FINANCES

During the next year, do you think your family will be financially better off than it is today, worse off or about the same?

[In percent]

	1/81	10/80b	9/80	7/80a
Better off	29	23	25	20
Worse off	14	17	16	29
About the same	51	52	55	46
Not sure	6	8	4	5

REAGAN BUDGET PRIORITIES

Both before and after his election, President Reagan has emphasized three goals in the area of federal finance: an increase in federal outlays for defense and defense-related programs, progress toward a balanced federal budget and a reduction in federal income tax rates.

Of these three proposals, the public is most clearly attracted to the prospect of higher defense spending. Two thirds of the people interviewed in this survey—65 percent—favor higher defense outlays, while 23 percent want spending kept at current levels and only 6 percent favor less money for defense.

By a relatively narrow 12-point margin—52 percent to 40 percent—Americans would choose higher defense spending over a balanced budget, if the policy choice ultimately came to that.

Tax-cutting seems to be the least important of the three Reagan Administration policy goals, in the minds of the public. By more than two-to-one—64 percent to 29 percent—Americans say they would balance the budget rather than cut income taxes if those actions became the policy choices.

Mr. HOLLINGS. To get to that balanced budget—which the people want and the economy needs—requires not only substantial spending cuts but a responsible, prudent, timely tax cut.

The Finance Committee bill now before us has a number of provisions which I support. The committee's proposals are considerably improved over those sent to the Congress by the new administration last spring. As the distinguished chairman of the Finance Committee knows, I testified before his committee about a number of concerns that I had over the administration's original proposals.

I appeared before that committee specifically to argue three points:

That the large personal tax rate reductions be pared back to allow for specific incentives for saving,

That the business tax cuts be put in place immediately rather than phased-in over 5 years as the administration proposed, and

That the committee deliver to the American people a tax bill that could help produce a balanced Federal budget by fiscal year 1984.

In some respects the committee has done its work well. But in other respects it has failed. It failed by not keeping faith with the people who asked for a balanced budget.

We know how dramatic the reductions in spending will be—over $38 billion in fiscal year 1982 to over $57 billion in 1984. These will not be painless cuts.

But to achieve a balanced budget, this tax bill would require ever greater, substantial reductions in spending, the kind of cuts that even fiscal conservatives would not likely support; thus, with this bill, the prospects for a balanced budget fade farther and farther from sight.

Mr. President, it is for this reason primarily that we offer my tax amendment.

Our economy has suffered mightily during the past decade, through both Republican and Democratic administrations. Inflation has risen from a 2-percent rate during the 1950's and early 1960's to between 9 and 10 percent currently. The unemployment rate is near 7½ percent now and rising. Economic growth during the past few years has been very small, and our standard of living rose by only two-tenths of 1 percent last year.

The problem is that real income grows only when productivity grows—and productivity growth in this Nation has slipped badly during the past decade. Between 1950 and the mid-1960's, productivity, that is, output per hour worked, rose at an annual rate of about 3 percent. This growth accounted for over two-thirds of the annual growth in our capacity to produce goods and services, but during 1978, 1979, and 1980, productivity actually declined.

The lack of productivity growth has a dramatic impact on our Nation and on the Federal budget. If people cannot produce more, there is no way for them to consume more or for business to invest more. These facts are well known. What is less well known is the impact that slow productivity growth can have on the Federal budget.

Slow growth in productivity increases inflation and thus leads to higher Federal outlays. Slow productivity growth also implies slow economic growth over the long term. If this continues, our tax base will not rise rapidly enough to pay for the "graying" of the population and the necessary increase in defense readiness.

In this case, either tax rates will have to rise, or else we will have to accept further spending reductions or a large Federal deficit. This is a rather sober view of our economic prospects and one which we in Congress have been reluctant to face.

How can we improve our economic situation? We can begin by being more realistic about our economic prospects and adjust Federal programs accordingly. For example, we can alter the method by which social security, and civilian and military retirement programs are indexed for inflation.

But in addition, we can keep our eye on productivity and enact a tax program which will improve on that most fundamental fact of economic life. The economy needs a tax cut which accomplishes five things:

It must provide business with incentives to invest.

It must provide savings incentives to finance the additional investment.

It must provide individual tax cuts sufficient only to insure that economic growth will continue.

It must reduce the Federal deficit and reach a balance in 1984.

It must provide for sharp declines in interest rates later this year.

Our tax proposal would do all these things. It adopts many of the provisions included in the committee bill.

The business tax cuts provide specific incentives for capital investment and, in my view, are the centerpiece of the committee proposals and my amendment. The fact that the administration has focused on individual rate cuts, I think, gives an indication of its misplaced priorities.

The business tax cuts provide for substantially shortened and simplified depreciation schedules. Assets are placed into four categories and depreciated over 3, 5, 10, or 15 years. In addition, the investment tax credit has been increased, further stimplating investment.

Since the source of our economic difficulties—inflation, budget deficits, and the lack of increases in the standard of living—can be tied to productivity growth, it makes the most sense to attack the problem directly. The only tried and true way to increase productivity is to invest.

There has been some concern that the investment incentives may go too far, that they provide incentives greater than current year expensing, especially if interest rates decline as much as the administration thinks they will.

I share that concern. However, if interest rates do come down as predicted, subsequent measures could correct the tax inequities. Because so much of our future depends on raising the growth of productivity, we should not be stingy with investment incentives.

I, therefore, support this aspect of the committee's tax proposals.

The second important feature of our amendment provides savings incentives necessary to finance the additional investment spending in a noninflationary manner. The incentives to save in this bill through retirement accounts and stock ownership plans are worthwhile.

There can be no greater testimony to the need for these incentives than the current low rate of personal savings. In 1980, we saved only 5½ percent of our after tax income. During the 1960's, however, the savings rate was 6½ percent. If we had maintained the higher savings rate, we would now have an additional $20 billion to finance investment purchases.

The "all-savers certificate" also should be supported. But I have some question whether this proposal will do much to increase overall savings. Much of the funds attracted by the certificates will likely come from within the savings and loan institutions themselves. In addition, we should not delude ourselves that these certificates are for all savers. Rather, they will benefit only those taxpayers above the 30-percent tax bracket.

However, the savings and loan institutions have been sheltered for some time, by design, to support the housing market. We cannot afford to let these institutions fail only because they are unable to adjust quickly enough to high interest rates. We owe these institutions a short transition period. I hope that this so-called all-savers certificate will accomplish that purpose.

One option for helping savings and loans and other thrift institutions that has apparently been overlooked is a tax program which would rapidly lower interest rates. This is a major flaw in the committee bill.

The third part of our amendment concerns individual tax reductions. In my view, we need tax reductions. Inflation has substantially increased tax burdens during the past few years and this has impaired the growth of the economy.

But, I have a major disagreement with the proposals embodied in the bill. The proposals give tax reductions which are both too large and too soon. They run the risk of undermining the very incentives for investment and savings that have been so carefully crafted by the Finance Committee. Apparently the committee is oblivious to these dangers.

What we need are individual tax cuts to insure that economic growth will not falter during the next few years. We need individual tax cuts to insure that when the capital investments are made, there will be a rising demand for those goods and services produced.

What we do not need are extraordinarily large personal tax cuts that will steal this country's scarce resources, resources that otherwise would have produced capital investment and added to productivity growth.

We do not need large tax cuts that will generate runaway demand pressures, thereby adding to inflation and keeping interest rates high. Large cuts will undermine the very supply-side investment incentives needed to sustain long-run economic growth.

Many leading economists and the financial markets are distressed by the prospects of a large personal tax cut. Indeed, the administration's own economists are "puzzled and confused" as to why their plan is not bringing down interest rates.

Mr. President, I ask unanimous consent that two articles commenting on the effect of a deficit-financed tax cut be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, June 17, 1981]

DOUBTS OVER REAGAN'S DEFICITS

(By Charles L. Schultze)

Last February and March, administration spokesmen confidently predicted that as their tax and budget program began to move through Congress, financial markets would anticipate the soon-to-be realized economic improvements by bidding up bond prices.

Since then the Congress has indeed moved rapidly to adopt the President's spending program, and the prospects for enactment of something close to the President's tax program strengthen daily. But as these developments took place interest rates fluctuated more or less in line with short-term developments in the economy and the money supply. Financial markets, however, have not acted as if they expected the next several years to be marked by sharply lower inflation and increased national saving.

The President complained, with some acerbity, about the unreliability of the financial markets as an indicator of the economy's health. It is not hard to sympathize with the President. Financial markets are far from infallible predictors of the future; what would please the financial markets is not always what is good for the nation. (Nothing would drive up bond prices faster than the prospect of a solid depression.)

Whether or not the substance of President Reagan's economic program warrants the market's bearish reaction, I do not propose to argue. But I believe it is true that the rhetoric and the unorthodox economic analysis that have sometimes accompanied the presentation of the administration's program have exacerbated the market's skepticism.

Some of the more avid supporters of the administration's large multi-year tax reduction have developed an economic theory that asserts that any deficits from "supply-side" tax cuts will not affect inflation or interest rates. The additional income put into the pockets of taxpayers through cuts in marginal tax rates, they argue, has the felicitous anti-inflationary property not only of bringing forth increases in supply but of failing to raise demand.

For financial markets, this is a dangerous doctrine. Its acceptance would mean that whenever there was a choice between reducing budget deficits and making further tax cuts, priority would always go to the latter. The extent to which the administration has accepted this "hard-line" version of supply-side economics is not clear.

TARGET FOR 1984

On one hand the administration has labored to get major spending cuts enacted. Its budget estimates show a balanced budget target for 1984. It has recently reduced the size of its proposed tax cut in fiscal 1982. On this basis it would appear not to have bought the new theory.

But some of the administration's appointees are closely associated with the new doctrine. Moreover, the administration still insists on enactment of a 1984 tax cut virtually as large as its original recommendation ($147 billion vs. $152 billion), despite not being able to identify some $29 billion in spending cuts needed to balance the 1984 budget, despite the vanishing chances of getting $16 billion in Social Security cuts and despite a consensus of private forecasters that the optimistic economic assumptions on which it counts to balance the budget are unlikely to be realized.

Economists of virtually all persuasions have recognized three major consequences of deficit increase caused by a tax cut not accompanied by an increase in money supply.

First, the tax cut would increase taxpayers' after-tax income and hence their demand for goods and services. Second, in the face of constant money growth, some, but not all, of the increased spending on the part of taxpayers would be offset as the fiscal stimulus raised interest rates and "crowded out" some interest-sensitive private spending. Third, depending on economic circumstances, the remaining increase in demand would result partly in higher national output and partly in higher prices.

Economists who lean to monetarism emphasize interest rates and the crowding-out effect, and downplay the size of the remaining increase in aggregate demand.

Keynesians emphasize the increase in demand that remains even after interest rates have risen. And economists differ among themselves about how the remaining increase in aggregate demand would be split between higher production and higher prices. Whatever their disagreements, most believe that with stable money-supply growth, an expanded federal deficit resulting from a tax cut would result in some combination of increased aggregate demand and increased interest rates.

The economic theory of the ardent devotees of supply-side tax cuts has been set forth in a number of places, most comprehensively in a 100-page document, "The Classical Economic Case for Cutting Marginal Tax Rates." It circulated on Capitol Hill with a cover letter from the top Republican leadership in the House (Bob Michel, Trent Lott and Jack Kemp) describing it as an explanation of the reasoning behind the President's tax proposals.

There are two versions of the new doctrine in "The Classical Case." The first and most naive is:

"If we ignore the effects of tax-rate reductions on supply as the Keynesians insist, for every $1 increase in disposable taxpayer income from a tax cut there will initially be either $1 less for recipients of federal spending (if spending is also reduced) or $1 less in disposable income for the buyer of federal bonds sold to finance the federal deficit (if spending is not reduced). Aggregate income and demand are unchanged by a change in the tax rates."

And again: "The disposable income of the taxpayers increases by the amount of the tax cut. But the disposable income of the purchasers of federal bonds sold to finance the deficit is reduced by the amount of the tax cut."

According to this view, an investor who buys a $10,000 government bond to finance the deficit, and exchanges one asset (cash) for another asset (a bond), has suffered a $10,000 loss in income just as if his taxes had increased by $10,000. An asset exchange is treated as equal to a loss in income. As a consequence the income, and the demand for goods and services on the part of bond purchasers, are allegedly reduced by the same amount as income and demand are increased on the part of taxpayers. Neither aggregate demand nor interest rates rise because of the deficit. The entire economic effect of a tax cut is concentrated on the supply side.

Presumably in recognition that this incredible view of economic behavior wouldn't stand close scrutiny, the "Classical Case" later advances a more complex argument. When the Treasury borrows to finance a deficit there could indeed be a problem as private investment is crowded out, creating upward pressure on interest rates. But the problem will not occur if the deficit is caused by a cut in marginal tax rates.

"A cut in marginal tax rates can offset part or all of any increase in the deficit by crowding in additional saving and raising the returns on effort and investment. . . . Deficits caused by cutting marginal income tax rates add to the supply of funds in the financial market as well as to the demand for funds." Lo and behold, once again the deficit will not put upward pressure on interest rates.

There is no pea left under this particular set of shells. So long as the Federal Reserve maintains its monetary constraint, taxpayers must save 100% of any deficit-creating tax cut if the added deficit is to be financed at no rise in interest rates. Even in that unlikely event, if all the additional savings goes to finance the deficit, what is left to finance increases in private investment? The major point of supply-side tax cuts has been lost in this dialectical shuffle.

EASING FINANCIAL PRESSURES

The "Classical Case" goes on to observe that the larger economy resulting from cuts in marginal tax rates would also generate increases in corporate revenues and reductions in state and local borrowing, thereby easing pressures in financial markets.

This "bootstrap" theory of finance—an economic expansion generates its own financing at constant interest rates—is ironically reminiscent of an early, very naive and quickly discredited version of Keynesianism. It simply ignores the interest rate consequences of the increased demand for money that accompanies an expanded growth in nominal GNP.

A few economists have recently resurrected a highly esoteric argument which purports by tax cuts) will add neither to aggregate to show why deficits (including those created demand nor to interest rates. In this argument, when a tax cut is financed by a budget deficit, super-rational taxpayers will save all their tax cut to be able to pay the higher taxes which they forsee will be levied on them in the future to cover the interest on the newly created public debt. Neither aggregate demand nor interest rates will rise.

Empirical evidence and common sense

persuasively contradict this view of the world. In any event, adherents of a supply-side tax cut can scarcely afford to accept this approach to deficits. In the long run, according to this view, a deficit-financed tax cut cannot stimulate greater investment and work effort, since lower taxes today are expected to be offset by higher taxes tomorrow.

Recognition that deficits stemming from tax cuts have demand and interest-rate effects by no means implies that deficits are always "bad." In periods of economic weakness we may want to increase demand through tax cuts not matched by spending cuts. Recognizing that deficits have macroeconomic effects does not justify a policy of perpetually balanced budgets at any cost. Nevertheless, in a world of high, stubborn inflation, with inflationary expectations easily kindled and with interest rates already high, fiscal policy cannot ignore the danger that would come from high, persistent budget deficits. Financial markets will not react well to any suspicion that fiscal policy is governed by an economic doctrine that ignores its impact on demand. The administration could probably help its case with the market by making clear that it is indeed aware of such dangers in today's climate, even those created by cutting marginal tax rates.

[From the New York Times, May 27, 1981]

GEORGE, KEYNES, REAGAN, RABBIT AND HAT

(By William G. Tucker)

In the 1870's, a young newspaper editor named Henry George walked the streets of San Francisco lamenting the paradoxical economic mayhem that lay all around him. Why should people starve for lack of work in the very shadows of industries that were closing because people didn't have enough money to buy their goods? In 1879, he published his classic, "Progress and Poverty," to try to supply an answer.

George argued that panics occurred because the wealthy withdrew their money from productive enterprise to invest in a nonproductive good—specifically, land. Whenever rich investors started worrying about the future of the economy, he argued, they withdrew their business investments and started chasing speculative land ventures. Panic and poverty resulted. The solution, he argued, was for government to tax away all the economic "rent" earned from land ownership in order to channel investment back into more-productive business enterprises.

The system has worked occasionally in revitalizing cities. Pittsburgh's downtown renaissance is partly attributable to a Georgian taxing policy, whereby land is assessed at five times the rate of buildings on it. But as an overall strategy to stimulate the economy, it probably wouldn't work. Without land to speculate in, worried investors would just turn to something else. Art, antiques, yachts—anything would do as long as it promised to increase in value while the returns from business enterprises stagnated.

John Maynard Keynes attacked the same dilemma in the midst of the Depression and came up with another original answer. People couldn't invest, he argued, because there wasn't enough money. In a time of failing enterprises—technically called a "deflation"—money becomes more valuable, while goods become cheaper. Therefore, people want to hang onto money. But, as with land, there is only so much money available in the system. If people won't part with it, Keynes argued, business can't function. "Unemployment develops," he wrote, "because people want the moon." His solution was even more novel. If people want the moon, he argued, then give it to them. The Government should print more money and pump it into the economy to give people the illusion, at least, that they are again prosperous. They will start spending, and the economy will begin to hum. By the time the inflation is felt, the economy will be producing fast enough to absorb its effects.

For better or for worse, the gimmick worked. Keynesian "demand-side" economics became a double-barreled approach to altruistic social policies. Congress ran up even-larger deficits on programs to help the poor. But, it was argued, these programs benefited everyone by keeping employment and production high. It all seemed too good to be true.

It was. The problem, as Milton Friedman has expressed it, lay in the maxim "You can't fool all of the people all of the time." Gradually, people began to anticipate that money would continue losing its value, and to look for safer havens. Like 19th century plutocrats, they began to speculate in art, antiques, gold—anything that promised not to lose its value. In the 1970's, suburban homeowners' property often appreciated $3,000 to $4,000 a month. But when was the last time you heard of someone getting rich on the stock market?

The solution, then, should be to stabilize the currency, restore people's faith in the value of money, and try to nurse them back into investing in productive enterprise.

But what has the business-oriented Reagan Administration decided to do? Instead, it is going to try a new way of fooling people. The gimmick is now called "supply-side" economics. This time, we will give people newly printed money in the form of tax reductions. Thinking they are rich, they will go out and invest (but not spend) the money to get the economy rolling again. As Keynes proposed, by the time the inflationary effects have caught up, the economy will be running fast enough to absorb all the new currency. That way stagflation will end.

It may work. Keynes's plan, arguably, kept people fooled for almost 40 years. Perhaps this new suit of clothes for the emperor will wear for another 40. But the difficulty will be that once it succeeds it will be tried again and again until once more people catch on. Then it will be up to another new economic theorist to pull the same rabbit out of a different hat.

The one thing that would work in the long run—stabilizing the currency and controlling inflation so that business investment will once again become attractive—apparently isn't on the agenda.

After 40 years of being fooled by Keynes's demand-side inflation, how long will the public be fooled by the new supply-side inflation? On that question hinges the fate of the entire Republican economic program.

Mr. HOLLINGS. The reason that the administration's personal tax plan, the one in this bill, is not working is that it is wrong.

Our amendment would correct the bill's errors. Our individual tax cut proposal includes the following provisions:

A reduction in the maximum tax rate to 50 percent in January 1982. The current maximum rate is 70 percent. The maximum rate on capital gains is lowered to 20 percent effective June 10, 1981.

An increase in the zero bracket amount—formerly the standard deduction—to $2,500 for singles and heads of households and to $3,800 for joint returns beginning in January 1983.

An increase in earned income credit to 11 percent for the first $5,000 of earnings. The credit would not apply to those earning more than $12,000 and would be effective in January 1982.

A deduction for two-earner married couples of 10 percent—5 percent in 1982—of the first $30,000 of income of the lower earning spouse. The effective date is January 1982.

An average 10-percent reduction in personal tax rates beginning in January 1983.

The reductions have been designed to insure that persons in the $15,000 to $50,000 income bracket are treated fairly by compensating for the effects of inflation. In addition, the proposal provides for a reduction in the "marriage penalty." This provides a more equitable tax treatment for the secondary earner in a family.

Our tax proposals also include reductions in estate and gift taxes, tax cuts for U.S. citizens working abroad, tightened provisions to insure that persons engaging in commodity tax straddles pay their fair share of taxes, and various small business tax provisions.

While our tax proposals are directed toward improving incentives to work, save, and invest—the supply-side—there are demand-side effects as well. Anytime people receive tax reductions, their after-tax incomes rise and they will spend more, thus adding to demand. There are no supply-side tax proposals where the effects on supply are larger than the effects on demand. Thus, we need to be mindful of the total size of the tax cut.

The individual rate cuts in our proposal are phased in slowly. Thus, insuring that the Federal deficit does not get out of control in 1982 and in subsequent years. An immediate across-the-board tax cut at this time is a luxury this Nation cannot afford.

The Senate Finance Committee bill would cost the Treasury $37 billion in fiscal year 1982, $93 billion in fiscal year 1983, and nearly $150 billion in fiscal year 1984. By contrast, our proposal will cost only $12.4 billion in fiscal year 1982, and reach $97.8 billion in fiscal year 1984, a reduction of over $50 billion in fiscal year 1984 alone.

Many of our tax proposals will increase savings. However, they are not, by themselves, sufficient to finance the amount of investment needed to generate long-run, stable growth.

Under the committee bill, the Federal Government will remain in substantial deficit even in 1984, thus absorbing savings that would otherwise be available for investment. This is wrong. The Government must contribute its fair share to national savings. Reducing the deficit will dramatically increase the amount of savings.

The committee bill will not, even under the most optimistic economic assumptions, cure our deficit problems. In fact, if this bill is enacted, along with the spending cuts now being considered, we will still have a deficit of about $60 billion in 1982 and 1983 and $50 to $60 billion in 1984. This includes the expected, but as yet, unspecified additional cuts of $20 billion in 1983 and $28 billion in 1984.

Under our tax cut plan, the deficit will be reduced dramatically in 1982 to $35 billion and will reach a balance in 1984.

Our proposal will also lower interest rates. A major danger that I see—and the reason why our proposal provides for a smaller tax cut in 1982—is the poten-

tial for a dramatic collision between fiscal and monetary policy. The Federal Reserve is committed to restraining the growth in money supply to fight inflation.

So far, the Federal Reserve has been the only anti-inflation game in town. But, the Fed cannot do the job alone. Tax, spending, and monetary policies must be equal partners in the fight against inflation. This requires substantial spending cuts, a small tax cut, and a commitment to an honestly balanced budget.

The large tax cut in the committee bill will present the Federal Reserve with a huge increase in Treasury borrowing. The problem is that if the Fed buys too much of this extra Government debt, it risks an inflationary surge in the money supply. But, if the Fed does not buy part of the extra debt, then interest rates will rise dramatically to entice private citizens to finance this Government debt. Thus, this tax bill will decide whether the economy gets tax relief or interest rate relief.

We all have seen in recent months the plight of our thrift institutions. The cause of those problems is largely high interest rates. Lower interest rates would go a long way toward correcting the financial difficulties of the savings and loans.

Furthermore, substantially lower interest rates would reduce Federal outlays. In the first budget resolution, interest paid on the national debt was projected to be around $110 billion in fiscal year 1984. The lower interest rates resulting from our tax proposals could easily reduce interest outlays by around $10 billion in 1984, thus, holding out the prospect of a surplus in that year.

Mr. President, interest rates are also critical because they affect the amount of investment and capital formation. While improved tax incentives will stimulate investment spending, higher interest rates will choke off that spending.

The higher interest rates that would occur with a large individual tax cut could totally offset the beneficial effects of the new investment incentives. The Government would then be left with a large Federal deficit and no extra investment to show for it. It is vital that the individual tax cuts be small enough to enhance, not undermine, the supply-side incentives needed to restore economic growth and prosperity.

There has been much talk about how the administration tax proposals are modeled after the very successful Kennedy tax cuts in the early 1960's. It is true those tax cuts were successful in promoting strong economic growth during much of the 1960's.

However, the Kennedy tax cuts were phased in as ours would be. The business tax cuts, accelerated depreciation and an increased investment tax credit, began in 1962. Only in 1964 were large cuts in individual tax rates, combined with further cuts in corporate taxes, made effective. It was not just the amount of the tax cut but its timing that contributed to the program's success. That is the lesson to be gained from the Kennedy tax cuts.

Mr. President, our economy is in too precarious a state to start inflicting irresponsible tax policies on it. Some of the proposals that have been suggested so far, including the personal rate cuts in the Finance Committee bill, would burden the economy to such an extent that recovery from our current plight would be an impossible dream. Now is not the time to sacrifice our economic recovery for the sake of fulfilling campaign rhetoric.

We can ill afford an inconsistent fiscal policy in which spending restraint is nullified by excessive tax cuts. The reconciliation bill has proved that Congress is on the right track to a balanced budget by cutting Federal spending.

But there is a significant danger that we are about to undo that effort if we pass the tax bill as reported from the Finance Committee. Our amendment would rectify the major problems with the bill.

Adlai Stevenson was once asked whether he was conservative or liberal. He replied that that was not the important question. The important question is, "Am I headed in the right direction?"

Our amendment will head us in the right direction and insure that our spending and tax policies work together to achieve a balanced budget and economic recovery.

I urge my colleagues to support it.

Mr. President, I have a lot of material, but I am more anxious that those few Senators who will support us be heard on this particular score.

What this particular amendment does is to take from the Finance Committee's bill that is presently before the body the tax incentives for business and savings; we take the depreciation allowance, the marriage tax penalty, the foreign earnings tax credit, the saver's certificate, the various provisions to bring about investment, savings, and increased productivity and other provisions with the exception of the windfall profit tax. That costs $1 billion per year, you can see how the Congress is split right down the middle as a result of the setaside of the Dole amendment, which allows mine to be considered at this time. That windfall profit tax provision is not included in this amendment. Other measures take effect at the very beginning of 1982 as the President's does.

We withhold the across-the-board personal income tax cut until January 1, 1983, and at that point give a 10-percent tax cut there for that year and the ensuing years.

We can dismiss this matter. I think my colleagues have heard me many times. I believe in spending cuts. I cosponsored the original reconciliation bill with Senator DOMENICI.

It is the Domenici-Hollings reconciliation bill. I cosponsored it at the very first of the year without hesitation. We tried as Democrats last year, many of us, to cut spending, and we succeeded in saving some $8 billion in the first reconciliation bill. So I do not come now as a result of the recent popular wave of our distinguished President and jump on board, but rather we started in that direction last year, and I joined willingly this year.

I agree on tax cuts. The fact of the matter is we had quite a debate on tax cuts last year.

We had quite a discussion in the recent campaign. When we were all campaigning we understood what the feeling of the American people was. The feeling obviously was that we had to first get on the top of the inflation, the economy, and the high interest rates.

Very interestingly, if you look at the November issue just after the election of the U.S. News & World Report, there are some 12,782 voters just coming out of the polling booths—we had heard from all the analysts, the political writers, and the pollsters.

But here were people being polled at that moment. It was almost like what we in the law call the res gestae, the facts speaking to the persons themselves, and the question was "Why did you vote for President Reagan?" And out of the polling booths, the No. 1 answer was overwhelmingly inflation; No. 2 was a balanced budget; No. 3 was unemployment; No. 4 was defense and national security; and the fifth reason given by those numerous voters at that time was a tax cut. But what percentage? Thirteen percent, 13 percent of the Reagan voters.

I had to remind Secretary Regan of that because he is constantly talking about the President's commitment. The President had numerous commitments and all are understood by the overwhelming majority of the Reagan supporters.

I was in that campaign. My State went for Reagan. I saw how they were responding. They were not interested particularly in tax cuts. They had seven tax cuts in the past 10 years. They knew Democratic Congresses were not hesitant, reluctant or bashful about passing tax cuts. But what they were interested in is getting the Government in the black and lowering inflation and interest rates.

And so it is very interesting, that the Germond-Witcover column should at this timely moment review the history and tell how we have really gotten into a political box here now, by the auction for votes, by playing Santa Claus, and by developing a Christmas tree tax bill. We are a far, far cry from the original intent as I described it in last year's second concurrent budget resolution.

We called for a tax cut. But we, the majority of Democrats, envisioned at that time that it was a business tax cut restricted solely to the supply-side. We heard all the economists and all the witnesses. Most of them have lockjaw now. It is a remarkable thing. The remarkable thing, I say to the Senator from Kansas, is the almost uniform discipline, not just over on his side of the aisle in support of the President's program, but also within the business community, you can hardly find a member of the business roundtable, a corporate head, a member of the chamber of commerce, or the American Enterprise Institute or any other expert come forward and label this particular measure, as it is phased in, as the danger that it

really is. They will tell you quietly on the side. They will call you aside and say, "You ought to keep working to reduce the tax cuts."

And to the great credit of the distinguished chairman of the Finance Committee, I think he has been working in that direction, genuinely and sincerely so. When this thing started off it was a $54 billion measure in 1982, and a 10 percent personal tax cut in 1982, 1983, and 1984. We have got it down to $38 to $40 billion. So I think the Finance Committee, in its work, particularly its chairman and its ranking member, our Senator from Louisiana, should be credited with trying to aim it in the right direction.

But it still is not phased-in properly. To phase it in properly we need to first, have the business incentives, second, then, to balance the budget, and third, once the Government is in the black, then to lose the revenues, and cut down on the size of Government. Put Washington on a diet. I agree with that. But it has got to be done in that order, or else you have what the headlines showed this morning—higher interest rates.

Now, I say to the Senator, since I have his kind attention, Secretary Regan, for example, in a conference at the White House, when we proposed a balanced budget by 1984, he said, "Look, Wall Street is not worried about 1984. They don't even know how to pronounce it."

I did not make that up and I am confident I would be supported in that general report of what he stated.

"Wall Street," he says, "is not worried about 1984. They don't even know how to pronounce it."

Well, within a matter of a couple of weeks, we met with the brains of Wall Street. We had the economists; we had four to five former chairmen of the Council of Economic Advisers on both sides of the aisles for Republican Presidents and for Democratic Presidents; we had the mortgage loan guarantee advisers of the large banks; we had the executive vice presidents of the large banks; we had the wage and price experts, we had the scholars from the campuses; we had Nobel Prize winners, and they were worried about one thing—and this is just a little over 2 weeks ago—1984.

And while they stayed in session in the morning in an off-the-record session, criticizing constructively—that is what they were called to do—criticizing the tentative projections for growth rate, inflation rate, interest rate, GNP deflator, nominal growth rate, the Consumer Price Index, unemployment, and other indicators of economic activity that the Congressional Budget Office had prepared. Now that they have the July 15 submission of President Reagan and his administration, they will in testimony then give those projections.

So they met in a very, very constructive session. After having been there all morning, there were still about 18 left around 3 o'clock, after a quick lunch. They voted. They voted about 1984. And they were asked if any believe that there would be a deficit below $30 billion. None; zero. They were unanimous in their belief that the deficit would at least be in excess of $30 billion.

Then eight believed the deficit would be between $30 and $50 billion, there were eight of them who believed it would be between $50 and $60 billion, and there were two believed that the deficit would be nearer $70 to $80 billion.

What they were considering was the bill as proposed here by the Finance Committee, generally the President's program, a $40 billion tax cut in fiscal year 1982. They were taking the President's assumptions of unidentified additional spending cuts of $21 billion in 1983 and $28 billion in 1984. And looking at that growth rate that they could project, they came to the conclusion, in round figures, that there would be a $60 billion deficit in 1984.

This is what my amendment addresses, I really resist this middle class, upper class, lower class, 2 years, 3 years syndrome and the perpetual nonsene going on. The truth of the matter is inflation hurts the poor, it hurts the rich, it hurts the middle class, and it is killing everybody. We need to get on top of this inflation and these high interest rates. That is what the people really were looking for President Reagan, when they voted for him last year, to do. Unless we do that we are going to be in deep, deep trouble.

I have seen no proposal in either the House or the Senate this year, other than this particular one, which I continue to modify, that would bring this Government back into the black by 1984.

President Reagan, I like his politics. He says, "Either take my program or submit an alternative." That is the kind of politics I understand. I appreciate that kind of politics.

So in February and then in March and later in debate on the floor of the Senate, I tried to address that issue within a proposal that had general support. My wish has been to leave the flexibility. But I am not granted that particular luxury now.

I lost decisively all along the line. I am trying to attract support by taking those measures at the cost of $12 billion of the Finance Committee that go to savings, that go to investment, that go to depreciation allowance, that go to increased productivity, and say, "Let's do that as they did it back in 1962." President Reagan and his advisers are constantly reminding us of the Kennedy program.

President Kennedy first put in his investment tax credit and liberalized depreciation schedules in 1962 and thereupon, 2 years later, put in his across-the-board income tax cut. We have a precedent. We are using the very same precedent that the administration uses, only we are using it more accurately, more advisedly.

I would plead with my colleagues to give this proposal their earnest consideration.

If we do not do something along this line, then do not be mystified by high interest rates.

The President's advisers said last week that they were puzzled, dismayed, by the continued high interest rates. I know that they never understood the mammoth task before them. I think perhaps President Reagan has overpromised. I do not think he realized that he came to office on the biggest surge of red ink, the biggest Federal Government deficits, in the history of the Republic.

He and his advisers have been caught up in the litany of political rhetoric of the campaign about 25 years of Democratic bureaucracy. On the contrary, Government here at the Federal level has been responsible. There have been balanced budgets by Harry Truman and balanced budgets by President Johnson. Our last budget for fiscal 1969 was balanced with President Johnson.

When Richard Nixon came to office, he was given Government in the black.

In the 1950's there was a cumulative deficit of about $17.7 billion, and between 1960 and 1970 of $57 billion, for a total 20-year cumulative deficit of $74.7 billion.

In contrast to that for the last 10 years, we have run up deficits cumulatively in excess of $400 billion.

So the President and his administration came to town 6 or 7 months ago. No President could turn it around in 6 months' time. We cannot fault President Reagan for that. On the contrary, he has been very successful in cutting spending. There were 15 Democrats that did not vote for it, but at least 28 Democrats, almost a 2-to-1 majority, voted a couple of weeks ago for $38 billion in spending cuts. They voted that way, over 2 to 1, when they passed a resolution by over 80 votes in this Chamber.

That is quite a change and President Reagan deserves part of the credit. But when he comes with increased spending programs, particularly defense and otherwise, to the tune of some $37 billion, his $37 billion in spending cuts is immediately offset. The only way for the economy and the Federal Reserve to look and find any relief is to look at the tax program. When they and the financial minds of this land come and learn that there will be a $60 billion deficit in 1982, under this program: $60 billion in 1983, and $50–$60 billion in 1984, then the message goes back to the investment houses, the stockbrokers, the big banks, the financiers of the land that we have the same act with different players, the same old fiscal policy of deficit spending.

They beat up on Paul Volcker yesterday, Republicans and Democrats. Pick up the morning news. "Banking panel attacks Volcker on tight money." Republicans and Democrats jumped all over him. One proposed that he be impeached.

Well, they could impeach the gentleman, but they cannot impeach the economic facts of life. The economic facts of life give the Federal Reserve two options: They can take these large deficits from these same people who are being so critical. This is not partisan comment. Republicans and Democrats have joined together overwhelmingly in the Finance Committee bill. They are also joining together under the Ways and Means version. The bottom line is about a $40 billion tax cut in the light of a $60 billion deficit this year, with high inflation and interest rates. Interest on the national

debt is costing the Government $90 billion a year.

Those who are beating up on Volcker should realize that option one is to take that deficit next year and monetize it, to buy the debt and say to Chairman Volcker, "Go ahead and ease the money. Let it flow."

Everybody around here, including this speaker, is engaged in the polemics of savings and investment. We have to create more savings by the small saver.

One way to gut him is to give him a big deficit. That is what will happen if they succeed.

The Federal Reserve has that option to monetize the debt and to reduce the value of every dollar in that savings account.

The Fed can print more money, as they say in Washington. Or the Fed can allow interest rates to rise to a level where private capital buys that particular debt.

Of course, with the history of 10 years of ever deeper deficits, this is possibly the one last chance the Federal Reserve has of holding down on the money supply and permanently reducing inflation.

The only criticism I would have, and I do it lightly, is I wish Mr. Paul Volcker and all those connected with finance in this land would speak out and tell it like it is. We know the budget calls for those deficits, but it is very, very difficult to get those particular witnesses, like Mr. Volcker, to be critical of the administration's approach.

They talk in some vague language. You cannot get them, unless you cross-examine them sharply, to talk about continued Federal deficits. Why do they not come out and say this program is not working? They are saying it with their dollars, with their investments, with their banking houses, with their brokerage houses. They are saying it in the board meetings. But they will not come to the Congress and say it.

The Business Advisory Council, the Chamber of Commerce, and others have lockjaw. We have a very, very difficult time building a consensus and an understanding.

There is no mystery. We are here in this tax cut bill asking for more of the same deficit spending, Government in the red. Somewhere, somehow, some attempt should be made to get it into the black—admittedly, not in 1 year. That would be too traumatic. That would really cause a recession, higher unemployment, loss of revenues, and even a higher deficit. So I agree that it should be phased in. Three years does not bother me, 5 years does not bother me. The yearly approach, the comprehensive approach, is the desired approach. But I do think that what we first have to do is get Government in the black. We, on our side hiding behind President Reagan, say "Oh, we will just let it go and give him his chance. Everybody said he ought to have his chance, so we will give him his chance." Then if he fails, we can say, "Well, we gave you your chance," and wait for the collapse.

There has been no good evidence—they have given us a bookwriter, George Gilder. They have given us Dave Stockman.

I asked Dave Stockman when he came before us, just to see if he understood the economics. The distinguished Presiding Officer was there—before the Committee on the Budget. I said, "Mr. Stockman, does the Government make money out of inflation or does it lose money?" He looked at me amazed that I would even ask the question. Then, after hesitating, he talked about the ratchet effect on personal taxes and said we have these additional billions of dollars of inflation, ratcheting everybody up into the higher tax brackets, the Government and the politicians sitting around this table with this huge pile of money to divvy around. Absolutely incorrect.

Yes, we do get $70 billion from bringing those people into the income tax system who are paying income taxes for the first time, and the ratchet effect of $70 billion. But look at social security. Look at unemployment compensation, look at the veterans, look at civil service, look at food stamps, look at all the different Government programs, defense costs, and how they are increased by inflation.

This present fiscal year—1981—inflation has cost the Government $83.1 billion. So the first task of the budgeteer is to cut back on programs, as we tried to do last year with the first reconciliation bill and this year, with this reconciliation bill. We either cut back or leave a large deficit.

We do not make money. Stockman has not understood that. Those who are voting for indexing of personal tax rates have not understood that. There has been no reluctance, Mr. President, on the part of any Congress, Republican or Democratic, to cut taxes as a result of that ratchet effect. We have had seven cuts in a 10-year period with a loss of $731 billion in revenues. If we had those revenues, then we would have been way in the black. Instead of a $1 trillion debt limit that is going to come right after we get back from the August recess, we would be paying the debt. But that has not occurred.

Let me, at this point, Mr. President, yield to my distinguished colleagues in support of this amendment. I believe the Senator from New Jersey wishes to speak.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. BRADLEY. Mr. President, I thank my distinguished colleague from South Carolina for his presentation of a very serious issue, one that we in Congress have not focused on clearly enough.

The issue here, Mr. President, is not which side of this debate wants economic growth. Both sides want economic growth. Both sides realize that unless this economy is growing, there will not be the revenues to keep past commitments to the poor or the elderly or the handicapped, and there will not be the room in our economy for the rising expectations that most people have felt are a birthright in this country. So the issue is not economic growth. The issue is, How do we promote the greatest economic growth in the shortest period of time and sustain it over the longest period of time?

Let me say, Mr. President, it is pretty hard to have economic growth when interest rates are 20 percent. There is not a Senator in this body who cannot describe for us the telephone calls that he has received in the last several months from auto dealers, from farmers, from people in the housing business, people in the savings and loans business—anybody who has inventories that he has to finance out of bank loans, who has been used to planning his profit margin with an interest rate at the upper level of 10 to 12 percent and is now faced with 20-percent interest rates.

All of us have heard those personal stories. All of us know that interest rates are sending this economy into a real spiral and, more important, interest rates are eating away at the optimism that still is a very real part of every American's view of his or her future. But high interest rates not only have a profound and pernicious effect on individuals. They also affect our Nation and our national security, in the following ways:

With interest rates above 10 percent, we find an unprecedented drawdown in oil stocks in this country. A year ago, oil stocks were at an all-time high. Now the oil industry, acting rationally in an economic sense when it sees interest rates at 20 percent, chooses to deplete its existing stockpile rather than pay the interest rates to finance that stockpile and to insure that it continues to grow. That means these higher interest rates are making us more and more vulnerable to an oil supply disruption, removing that cushion, small though it has been, that we have had against the economic losses we would suffer from an oil supply disruption.

Mr. President, interest rates also affect our national security in a very real and tangible way in the international context. We are the dominant economy in the world.

The old joke was when we sneeze, Europe gets a cold, or Japan gets a cold. And right now, with these interest rates at 20 percent, three things will happen: The first thing is in West Germany, Mr. President, where we shall be going to them in the next year asking them to increase their defense expenditures, to share a greater burden of NATO. Probably that is important to do. But, Mr. President, when over 60 percent of West Germany's deficit comes from interest rates, financing their internal deficit, it is unlikely that they are then going to spend more money for defense because they are having to spend more money for interest rates.

Mr. President, in that sense, it affects very directly the national security of this country and our ability to share the burden of defending the free world.

Second, one in five jobs in this country is tied to the export business. Twenty-five percent of our GNP is involved in trade.

When the West German Central Bank or the French Central Bank has to raise its interest rates, the same thing is going to happen there that will happen here: The economy is going into a recession, which means that they will not be able to buy enough of our exports.

Third, in the Third World, the less-developed countries that currently purchase 38 percent of all those exports, with interest rates going up worldwide, will be shackled with higher and higher payments and will be unable to generate revenues to buy our exports. Specifically, for every 1 percent increase in the international banking rate for 12 key less-developed countries, their debt service payments go up $8 billion.

Mr. President, that is precisely at the time when their oil costs are relatively stable. So just when they have a chance to get a breath from rising oil prices and have more revenues to buy our exports, we are going to be forcing them to pay higher interest rates and therefore not have the money to buy our exports.

So, for all these reasons, interest rates at the levels we presently find them pose a serious threat not only to individuals in this country, not only to our national security, but also to the stability of the international financial system.

The question arises, how do we get those interest rates down? If you ask most people, they will say that what we have to do to get these interest rates down is to get inflation down. Yet, if you look at the latest figure on the CPI and check the short-term interest rates, you find a spread of 5 to 6 points. If inflation is coming down, those interest rates should come down.

So, maybe the answer is that what we have to do to get interest rates down is not to get inflation down alone, but maybe what we need is a credible Government policy—not just the CPI, which bobs up and down with things we cannot predict, such as harvests or oil supply disruptions; but maybe what we need is a credible Government policy that gives all segments of our country the prospect that we are going to have sustained, real economic growth without inflation.

Of course, the administration's policy is an across-the-board tax cut, cutting nondefense spending, increasing defense programs, and reducing the growth in the money supply by one-half in the next 3 years. What is our country saying to this economic policy?

Wall Street is clearly saying, "No." Look at the interest rates. The banks are saying, "No." Look at the interest rates. Interest rates and monetary policy respond to fiscal policy, as the distinguished former chairman of the Budget Committee clearly stated.

Those who look at that mix say, "No, it is not credible. The economic policy is not credible."

Even today, in the Banking Committee, Paul Volcker, the head of the Federal Reserve said something specific on this subject for the first time. He said he thought that this policy would be more credible if the third year tax cut was triggered. This means that even the Chairman of the Federal Reserve realizes this is an experimental program that plays with the only economy we have and that jeopardizes our entire economic system, and he wants a safety valve.

So, clearly, the money markets say, "No, this is not a credible policy." But wage earners also say, "No." The administration's argument is that as soon as wage earners see high interest rates and cuts in nondefense spending and increases in defense spending, and across-the-board tax cuts, they will believe that inflation is coming down and will go to the bargaining table and I ask for less. That has not happened.

I suppose one could say that if unemployment went up to 12 percent and stayed there for a year, inflationary expectations would be broken. But if that happened, you could forget the balanced budget in 1984 or a few years after, because this budget, the midyear review right here, says that in 1982, unemployment is going to be 7.3 percent.

This morning, I talked with at least two economists who say it will be more like 8.3 percent, which in budgetary terms means $29 billion more on the deficit—$29 billion with just 1 percent more unemployment. So I guess we could convince wage earners not to go to the bargaining table for higher wage increases if there were increased unemployment; but that would result in enormous human problems as well as budgetary problems. So wage earners are also saying, "No" to this economic policy.

What are citizens going to do with their tax cut? They are going to spend it. They are not going to save it, as the theory of the so-called supply-side school says. They are going to spend it, and the result will be higher inflation and higher interest rates.

So, Mr. President, the money markets say, "No," the wage earners say, "No," and the citizens of this country say, "No" to this economic policy.

This is where the real irony comes in, and the former chairman of the Budget Committee called attention to it very clearly. The knock on Democrats for the past 15 years has been that we spend money on nondefense programs and we give irresponsible tax cuts to the American people. Yet, if you look at this program in a macroeconomic sense, it has the same impact as the former chairman said. The only difference is that this budget spends money on defense programs and gives irresponsible tax cuts.

In fact, Mr. President, if one side of the ledger you put fiscal restraint and nondefense budget cuts and on the other side you put fiscal stimulus tax cuts and defense increases, you find that fiscal stimulus exceeds fiscal restraint by $197 billion in the next 3 years. So the argument just does not hold water.

When confronted with these facts, the administration says, "Supply-side miracle, supply-side miracle." Let us be clear about what the supply-side miracle is and is not. The supply-side miracle is not giving incentives for business to rebuild plant and equipment, nor giving incentives for capital formation or risk taking. We have been doing that for decades.

The former chairman of the Budget Committee recognizes that such incentives are critical to getting us back on the path of economic growth, and he also recognizes in this amendment that this is not a revolutionary, new economic theory. It has been followed by virtually every country in the world that has progressed in the last 15 or 20 years. It was following in this country from time to time in the past. It is not new.

That is what the supply-side miracle is all about. The supply-side miracle, as I said before, is the belief that the average citizen out there who gets back $8 a week in a tax cut is going to save it and is not going to spend it.

Everywhere I go I ask my constituents in the State of New Jersey, "Are you going to save that $8 or spend it," the message I get back is that "We have a lot of things that we have foregone in the recent past and we intend to spend it."

So, Mr. President, that is the supply-side miracle. But underlying it is the belief that the economy will perform unlike it has ever performed in the past, that Americans will not save between 4 and 7 percent of their income which is what they have saved in good times and bad times and in inflation and in recession, over the last 30 years, but somehow or another this time they will save 15 percent. It is not what the historical record shows.

Never mind that productivity has been on the decline over the last 5 to 10 years and the last 3 years it has been negative. The supply-side miracles say that in the next year or two it will be 3 percent even though nothing in the historical record says that can happen.

Mr. President, almost all of the econometric models project growth, inflation and unemployment, far, far different from the administration's projections.

That is where this issue is really joined because when you confront David Stockman, as I have, and I am sure as the Senator from South Carolina, the distinguished former chairman of the Budget Committee, has, and the Senator from Connecticut has, on the Banking Committee, the Finance Committee, or the Budget Committee, with the fact that no one agrees, no econometric model agrees, with the administration's projections, Mr. Stockman responded: "You see, Senator, those econometric models only look at the past to predict the future."

Mr. President, I have never heard as succinct a definition of the scientific method in my life. "We only look at the past to predict the future."

Mr. President, that is what the supply-side miracle is all about. It is the contention that science, empirical argument using the past to predict the future, clearing away the cobwebs, reorganizing things and making a rational judgment, is out and that belief, blind belief, is in.

I suggest that this is too great a risk to take with the only economy we have.

Just as Wall Street has said "No", as wage earners have said "No," as citizens have said "No", as anyone who believes in science and looks at the administration's program with a great deal of skepticism has said "No", so the result of this economic program will be continued high interest rates. People are not going to invest with interest rates at 20 percent, they are going to postpone their investment and productivity will not respond as quickly as the administration has said but we will continue in a very dangerous period of stagflation.

Mr. President, I think what the Senator from South Carolina has done is to offer an amendment which is a prudent, cautious amendment, in very dangerous times, dangerous times not only for our auto dealers and housing builders, but also for our national security and, indeed, the stability of our international financial system. He has come forward with a prudent, cautious amendment, an amendment which says we recognize the Finance Committee has done some good things for business, we are going to keep them there to try to promote investment.

He has also said that the amendment that was offered last week on the individual side by the Senator from New Jersey was a good amendment, and we will spread it over 2 years, so that we have some chance of breaking those inflationary expectations and sending the right message to the money markets, to the wage earners, and to the citizens of this country that, indeed, we have a Government policy that is credible and that is aimed at the long term and is aimed to generate real economic growth.

So I am pleased to cosponsor the amendment of the Senator from South Carolina, to join in this debate, and to ask my colleagues at a time when it might be diffcult, when it might not be the politically easiest course to take, to act cautiously and act for the long term.

The PRESIDING OFFICER (Mr. HUMPHREY). The Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I thank the distinguished Senator from New Jersey.

Mr. President, the Senator from New Jersey has been working all year long heading up a task force within the minority side trying to look critically at the economy. We have looked for alternatives and the Senator from New Jersey has tried to head up the minority effort.

And one of the great contributions that he has made, amongst many, in that particular endeavor is to target the tax cut for the $50,000 income level and less.

I just cannot commend him enough, nor can I, on the other hand—and I will yield to the distinguished Senator from Connecticut—not give vent to a frustration that how in heavens name would we ever have any credibility—we in the Congress worry about our credibility—how could we expect in the middle of all the bankruptcies and financial hardships of honest hard working people around the clock? We take cognizance of it in the marriage tax penalty. For the young couple we are trying to do things so they can own a home. Now we say let us do not penalize them. The only way they can adequately provide for their family is both get out and work. We do not advocate breaking up the family, but the economic factors of life are that if the couple is going to have that home to raise that family that they are going to have to work together, and in this amendment we take cognizance of it.

And then we come forward here on the floor as we have in the past 24 hours for a $40 billion tax cut for whom? For oil. Heavens above, for the richest crowd in the land. They are wrecking us.

I am telling the Senator from Kansas, he is in real trouble not just on social security, if he does not rein in that oil crowd of his. They are going to destroy the President himself and the entire Republican Party. They come running around here for more money. For what—incentive. Incentive they call it.

Try to get a meal for an expectant mother so the little child's brain can develop so we can get them off the breadline so they will be alert, attentive, educable, can concentrate and respond, be productive, and that is welfare. And we cut back on this—the WIC program—in order to get Government in the black, they say, on the one hand, and they get out here for the past 24 hours just beating down the Capitol walls to get another $40 billion for the crowd who is destroying us.

Here we struggled in the Finance Committee all last year, under the able leadership of the Senator from Louisiana, and all this year. The Ways and Means Committee has finally come out to try to find $12 billion for business, and business has found $40 billion overnight. The land is awash with dollars, for all earning $50,000 and above. There is no question about that. I have never seen such a thing in my life. The oil interests are gobbling up each other.

We cannot find revenue for a homeowner, who has a little savings. All of a sudden the banks zero in, send us these letters, and we are allocating credit, we are destroying private enterprise. We will not have anything for small business.

Of course, that is not accurate. It is pure nonsense. What is hurting small business is this oil activity where they had so much incentive that the biggest of all the chemical companies—and I have got four of them in my backyard of South Carolina—Du Pont said, "The heck with chemicals. Let us get in here and acquire this oil company."

No additional machines are needed, no business expansion undertaken, we do not have a round table on that one about productivity. The Chamber of Commerce, where art thou with the new jobs? Not a single new job, not a single new machine. Where has all that Reagan crowd gone anyway? They are busy buying each other up, merging, acquiring.

Gulf has a commitment for $5 billion; and this one has got one for $5 billion; everybody has $5 billion. Pennzoil has $2.5 billion.

We Senators sit around here praising each other, "the distinguished Senator who works so hard," peanuts. They have not gotten anywhere. The Finance Committee comes forth with a $12 billion benefit package. That oil crowd found an additional $40 billion. I had better watch my comments on that one because I know that the Senator from Louisiana represents oil, like I represent textiles. That is the interest of the State of Louisiana and that is the interest of the State of South Carolina, so we have got to represent our States' interests.

But when I see them come now with all of this wealth, it just shocks me. The Senator from New Jersey saw it, and he put an amendment out here to target the tax cuts. When you pay that interest rate, the distinguished Senator from Iowa, if you are over that $50,000 and you are up into that 50-percent bracket that 20-percent interest rate is only 10 percent interest to you. That keeps it snowballing.

The oil companies are gobbling each other up, keeping up the high interest rates. The municipalities are waiting. The savings and loan for short-term financing, they want the interest rates to go down; all hanging on, holding on, every small business in America. So for that rich crowd that is only 10 percent, and everybody knows that.

They do not need any more incentive. They come on around here and give us that Gildersleeve, George Gildersleeve, who says that is the crowd we ought to take care of because they will save and invest. Instead of buying three Rolls Royces and four country club or yacht club memberships, they will put it into the productive economy.

Mr. BRADLEY. Mr. President, will the Senator yield for a question?

Mr. HOLLINGS. Yes.

Mr. BRADLEY. The exact size of the amendment that is proposed by the distinguished Senator from Kansas has fluctuated in the debate here on the floor, and I am not certain whether it is $5, $10, $40, or $50 billion, but whatever it is, it is a sizable sum of money.

Mr. HOLLINGS. A total of $333 billion over the next 3 years. Our amendment is about $173 billion, so it is $160 billion less than the Finance Committee proposal.

Mr. BRADLEY. I am referring to the amendment.

Mr. HOLLINGS. On the oil amendment, oh, yes.

Mr. BRADLEY. If we provided this additional money for oil exploration——

Mr. HOLLINGS. Incentives, they need incentives.

Mr. BRADLEY (continuing). That would increase the deficit unless we cut somewhere. Does the Senator think it is likely the Senate is going to cut more deeply than it already has in nondefense programs in the next couple of years?

Mr. HOLLINGS. No; we have been trying to do that. It is a hard message to get over to the American public. When we sit around that table and look at the overall budget, whether we did it under President Ford, whether we did it under President Carter, and now under President Reagan, this inflation has been costing us more than we have been getting from the ratchet effect, and that is hard to get over for those who are running around here with tax index proposals.

You have paid out a 14.5-percent increase for social security last July amounting to $16.5 billion. You paid out 11.2 percent this July, which is another $15.5 billion. You have given out $32 billion. That is $32 billion in indexing. Nobody in his right mind says we ought to cut that.

I and several others have suggested that indexing be done, the wage rather

than the price index whichever rises less. But there are $32 billion that have gone out, and the tax we put in at the beginning of the year got $7 billion or $8 billion, so we have fallen behind.

So what they are trying to do, and it should be understood, when they are talking about future tax cuts, they are listening to that political rhetoric about Government, the 25 years of Democratic profligacy. Just cut it all out, cut it all out. Democrats want social security, Republicans want social security, and we are getting down to the bare bones now. Everybody can pick out a particular program. Some people do not like legal services, you and I happen to like it.

They are minimal, they are minuscule. Get to the veterans and the real programs in this Government, they are not going to be cut, and so they march down the road talking about unspecified cuts. These cuts are not going to be easy at all.

Mr. BRADLEY. The Senator would agree it has not been easy to cut the nondefense portion?

Mr. HOLLINGS. Right.

Mr. BRADLEY. And it will be increasingly more difficult, so the choice with the amendment on oil is whether we give it to oil, and if we did have to do one of two things if you agree we are not going to cut nondefense spending more. We will either have a bigger deficit——

Mr. HOLLINGS. Right.

Mr. BRADLEY (continuing). Or there is only one other area that will be cut; is that right?

Mr. HOLLINGS. Exactly.

Mr. BRADLEY. What does the Senator from South Carolina think about cutting back on defense spending?

Mr. HOLLINGS. Well, I know where they have not even taken care of—they are all up in the miasma of whether we should have the MX or one bomber or two bombers, and how many ships, and whether the carriers ought to be big or small. We have 30 years of neglect. They are in mud. Do you know where they are going to put the Pershing missiles? In a mud pile.

After the war we had Servan-Schreiber running around this Senate saying, "Get all the Americans out," the French were saying "Get out." You could not have a man walking around in a uniform. They would bomb him, so you had to take all your soldiers out of uniform.

Then we had the Mansfield amendment to withdraw them. You could not get money for housing, so right on down the line after 30 years, it is a disgrace.

Go talk to the commander in Heidelberg. What will he say if the Russians started over the line tomorrow? Do you know what the first request Congress would have? Housing, housing, and it is a disgrace, and it is not even in the bill.

We had not gotten around to certain real defense needs to take care of our troops. So there is no question in my mind, let us get on to that defense budget. We can make some economies there. We will have to. We cannot afford two bombers, we just cannot afford it. I would like to have three, you know me, but you cannot afford but one.

Mr. BRADLEY. If I understand the distinguished Senator, if you had to choose between providing greater incentives for oil or greater deficits or cutting the defense budget, if you had to choose which one of those you would not do, you would not provide these incentives for the oil industry; is that correct?

Mr. HOLLINGS. There is no question about it. It is even outrageous to put it in the tax program because you would not take a fat hog and give him more slop.

[Laughter.]

Mr. HOLLINGS. Look at Herblock's cartoon. Gee whiz, anybody who has any money is in oil. Du Pont in chemicals is trying to jump in oil; all smart money is trying to get into it, everybody. Seagram with liquor is trying to jump into oil. Everybody is trying to get into oil.

They do not need any further incentives. There is no equity in oil now—a hell of a lot of money but no equity.

Mr. BRADLEY. So the Senator's amendment recognizes you do not want to give more to oil but you want to have more for defense, and you do not want to have a bigger deficit.

Mr. HOLLINGS. That is exactly right.

I am willing—we have not gotten down to the economies in defense, and we have been trying to work with Secretary Weinberger. I would withhold some of the defense increases this year in order to get us into the black. I think we can get more in the outyears if we reduce inflation, if we get the Government in the black, because it not only helps us not only with respect to this particular program but with all Government programs.

I see many here. The Senator from Virginia has been a leader in trying to bolster our national defense and security and our distinguished Senator and friend from Ohio spent his life in national defense. There is no question in my mind that we have to improve our defense. But I believe that those who believe in national defense feel so keenly about trying to get this Government in the black, rather than have, say, a $25 billion increase in the defense budget this year as a result of inflation and other real program increases, we could withhold $5 billion or $10 billion of that to give a signal that we are not going to continue to have more of the same deficits.

That is what this bill is about. That is why we have an amendment. You are saying in this Finance Committee bill, "More of the same," a $60 billion deficit in 1982, a $60 billion deficit in 1983, and $60 billion or more in 1984. That is the message you are giving to America.

Mr. BRADLEY. Will the Senator yield for one more question?

Mr. HOLLINGS. Yes.

Mr. BRADLEY. As I understand it, the greatest deficit that has ever been sustained in 1 year by the U.S. Government was in 1975, when it was $66 billion. Is that correct?

Mr. HOLLINGS. That is right. Unless we outdistance it this year.

Mr. BRADLEY. Does the Senator not think that with this economic program, high interest rates, across-the-board tax cuts, if he were a betting man would he wager that we might, in the next 3 years, have a bigger deficit than in 1975?

Mr. HOLLINGS. Definitely, I believe it. I listened to those economists that watch the budget very closely, and I talked about the meeting of those economists. I am going to quote some of them who have testified in their testimony before our Budget Committee. It really concerns them now that we will have a higher deficit than we have ever had; namely, the $66 billion in 1975 by 1984 under this particular approach.

Mr. BRADLEY. This administration will have the record?

Mr. HOLLINGS. They are going to really break the record. The truth is, we go down with them. We are in Government and we are responsible. Now is the time to look and see if there is, as President Reagan says, an alternative.

Look at last evening. I think it is prophetic that it would appear. I did not invent it. I did not invent the expression "voodoo economics." The Republicans did that; our distinguished Vice President. This is in last night's Washington Star. I know my conservative friends like this paper:

> This was the conventional wisdom among Democrats and, for that matter, many Republicans. The government doesn't reduce taxes in times of high inflation and rising deficits. It is just the opposite of what is needed.
>
> So the most the Democrats would endorse would be cuts "targeted" to businesses to stimulate productivity and lower inflation. General tax reduction would be, as someone said before a vice presidential nomination changed his mind, "voodoo economics."
>
> That idea was, of course, a clean break with the dogma of the Republican Party—

Now, this is the President's proposal, the President's program:

> That idea was, of course, a clean break with the dogma of the Republican Party that held deficits were almost as pernicious as godless communism. And some leading Republican experts, including Rep. Barber B. Conable Jr., their ranking man on Ways and Means, did have serious doubts about whether it would work.

So we have credible, responsible, serious-minded Members on both sides of the aisle worried. And with all of this concern, it seems like we would try to cut back the tax cut or at least phase it in more slowly so that it has some chance of working to increase the productivity. You cannot have all the productivity without demand, so you can come in in 2 years with a tax cut come forth with a demand tax cut and balance the budget.

It is not easy. I readily admit that. But the way we are now approaching it in the Finance Committee version that is before us, unless we take this as a substitute, is more of the same—the fiscal policy of deficit spending. Do not come running around here jumping on Paul Volcker and the Federal Reserve. Like Pogo, you have met the enemy and it is us.

I yield to the distinguished Senator from Connecticut.

Mr. DODD. I thank my distinguished colleague from South Carolina for yielding.

Mr. President, I want to compliment the Senator and thank him for introducing this amendment, along with Senator BRADLEY, of New Jersey. I think that this amendment may be the single most

important amendment to be offered during this entire debate on tax policy.

I regret that it is not getting as much attention as it deserves, because I think the Senator from South Carolina has identified with his amendment the best hope we have for dealing with the No. 1 economic issue we face. Whether you live in Connecticut or South Carolina, Louisiana, Kansas, or Ohio, our constituents across this country wisely are telling us over and over again in every forum available that inflation—inflation—is the No. 1 problem we have to deal with. And this amendment, more than any other single amendment that has been offered, focuses its attention most directly on that problem.

I would like to also point out—and the distinguished Senator from South Carolina may have already made this point before I entered the Chamber—that for the last several years, while I was serving in the other body, I have heard the comparison between the so-called Kemp-Roth proposal—which is basically what we are getting with what has come out of the Finance Committee and what is being supported by the administration—and the so-called Kennedy-type tax cuts of two decades ago.

Well, nothing could be further from the truth. In fact, it was the tax cut—as described by both Mr. KEMP and Senator ROTH—that comes least close to dealing with the matter of inflation. In fact, it is the Hollings-Bradley amendment that most appropriately should be identified with the Kennedy-type tax cuts of the early 1960's, for the simple reason that it focuses the attention on the need to increase productivity and in these years recognizes that high inflation and high-interest rates come hand in hand, and unless we do lower our budget deficits, we are not going to have a significant impact on those interest rates and ultimately, on inflation.

The distinguished Senator from New Jersey and the distinguished Senator from South Carolina have described well the importance of this amendment. But I would like to add, if I could Mr. President, just a few words as to why I have joined as cosponsor of this amendment and why I hope that our colleagues in this body will support it when it comes up for a vote.

I suspect, quite honestly, that if we could have a secret ballot—and I am not an advocate of secret ballots—if on the Hollings-Bradley amendment we would pass this amendment overwhelmingly, because I believe in my heart and mind that the overwhelming majority of my colleagues in this Chamber recognize that this amendment and this approach is the sound, correct, and proper approach for dealing with our economic woes.

There are basically four reasons why I was attracted to this approach and this amendment. First of all, this amendment does not lock us into a multi-year policy that I believe will exacerabate the rates of inflation.

Second, it is clearly going to have a more profound impact immediately on our budget deficits. The Senator from South Carolina can correct me, but I believe the deficit would be reduced by around $30 billion or $35 billion and that in the near future we would have the real opportunity to balance the budget.

Third, there is a far more equitable distribution. And the Senator from South Carolina could not have been more correct when talking about the contortions we go through to provide those that already have so much with even more, and within the same time frame we reduce minimum benefits to social security recipients, turn our backs on even trying to provide assistance for middle-income families trying to educate their children, transportation, economic development and housing. Seventeen percent, Mr. President, of all the budget cuts proposed and adopted, 17 percent of those cuts come in the area of housing alone, a depressed industry in this country.

Fourth, Mr. President, was the reason identified just briefly by the distinguished Senator from South Carolina. That is that it is better structured and allows for better timing to accommodate the increased demand that this proposal will create.

I have been told that an average family of four in this country will receive a $400 tax break. That is about $10 a week, or a little less.

I am not an economist. I am not a financial expert. But if anyone honestly believes the average citizen of this country is going to take less than $10 a week in these times of high inflation and invest that in some securities or some blue chip stock, they are living in a never-never land, like Alice in Wonderland.

Those are the four basic reasons why I believe this amendment makes sense. Certainly all of us, whether we are Democrats or Republicans, recognize that significant change in our tax policy, including tax reductions in several important areas, is an absolutely necessary component of any strategy geared toward a stable, productive, and full employment economy. Over the last decade and a half we have witnessed the adverse impact, Mr. President, of high inflation, high interest rates, and high unemployment in our domestic, economic, and social fabric. American families, workers, and consumers have watched their standard of living drop as their paychecks lost value. Business management finds the cost of financing and operations continually rising at a staggering rate. Business is forced, obviously, to pass those costs on to consumers in the overwhelming majority of cases.

Competition is significantly affected and reduced because small businesses, which are more heavily dependent on debt financing, find it harder and harder to acquire capital to compete with larger, more established and financially secure industries. Investors' confidence in the future and the marketability of securities, particularly long-term securities, is continually undermined by unchecked inflation and high interest rates. As the distinguished Senator from New Jersey has pointed out, the international economy, which must require stable money markets, is undermined when other nations are forced to hike their interest rates in order to maintain the value and stability of their own currencies.

In the absence of rapid action our society will continue to face these problems, and economic recovery will remain a future dim hope rather than even a slight realistic possibility. Yet many of our most promising industries are those which are most severely affected. Small business, spurred by a continual push to gain the advantage in a relatively free and competitive marketplace, constitutes our primary source of innovation and new jobs. Yet small business suffers most heavily from interest rates hovering around 20 percent.

The construction industry, another area mentioned by both my colleagues, is indispensable to the supply of adequate housing for each American family. Yet, again, high interest rates have been a major factor in keeping annual housing starts at roughly half the levels required to meet that need.

In fact, in my own home State of Connecticut in the month of May we had 900 housing starts in the entire State. You have to go back to periods prior to World War II to find figures that low. Of course, the people who work in the construction trades are on the unemployment rolls. Small construction firms are going out of business every single day. Again, it is related to this same problem. High technology venture industries are turning out to be a major potential source of strength in international markets. Yet they cannot live up to their full potential under present economic conditions.

These, Mr. President, are just a few of the examples of how we are neglecting our most promising options for economic growth and competitiveness by failing to reduce inflation and interest rates substantially. Yet we cannot realistically expect interest rates to fall significantly if we insist on adopting a tax policy which will end up costing the Treasury almost $150 billion in 1984 and if the monetary policies advocated by the administration are adhered to. We cannot expect so-called supply side policies to reduce inflation if we insist on a massive, immediate infusion of new demand as part of the first stage of our economic recovery. We cannot hope to be able to respond to the rapid, unexpected changes in the economy, whether prompted by OPEC or the weather—and if we are being honest, those are the only two reasons why we are enjoying our present temporary respite—if we lock ourselves into a tax reduction of this magnitude over the next several years.

Not only does this bill call for rate reductions of 25 percent over 3 years, but now it indexes the tax tables thereafter. With all the talk about supply side economics and balanced budgets coming out of this administration, it has proposed a tax package which will have exactly the opposite effect, massive demand stimulus and unprecedented budget deficits. I do not believe the American people deserve or want either. As much as Americans like tax cuts, they are intelligent enough to realize that fighting inflation and restoring our productive capacity are far more important, and it is with this thought in mind, Mr. President, that this amendment has been offered.

Mr. President, it is not easy for anyone to stand up at a time when inflation is hurting so many people and talk about not providing some tax cuts for individuals over the next couple of years. But I think we have to be honest with our constituents. You cannot be all things to all people. We have to make some hard choices.

What is unique about this time, I believe, is that both the politics and the substance coincide. The politics tell us that people want us to reduce the rate of inflation, and they want that far more than whatever small tax break they may get by this particular bill. It seems to me when you have the substance and the politics on the same track, you ought to take advantage of it. Here we have an opportunity now to provide some real relief, to lift the burden of inflation off the shoulders of people who are being decimated by it, and also do what is in the long-term economic interest of this country.

I again commend the distinguished Senator from South Carolina. He is right so often on so many issues.

He may not think so initially. Others may think he is not right initially. But time has proven that he has some vision. He was talking about this approach, and I would like the RECORD to reflect it, weeks ago. I will be candid enough to say to him and others I was skeptical about it. I did not think it made that much sense. I certainly thought that the overwhelming majority of people in this country would want that tax cut and a few extra dollars to come into their pockets.

But I have learned from talking to people in Connecticut and listening to other people around the country, that their major concern is the rate of inflation. They recognize that unless we have better control over our Federal budget, unless we are able to reduce interest rates, this problem is going to not only continue but get worse and be exacerbated, I feel, by what is being proposed in this bill.

I would hope, Mr. President, that my colleagues will listen carefully to the words of the Senator from South Carolina and others who will speak on behalf of this very sound and necessary amendment to this bill.

Mr. HOLLINGS. I thank the Senator from Connecticut. He has been very generous to me in his support.

Many people perhaps felt, just as the Senator from Connecticut, that this was some of a half-baked idea, not presented in any sincere form, but just trying to go to the extreme to draw the lines of division with respect to the President's program.

The contrary is true. I really believe that President Reagan has had success so far, but I believe his present course is a disaster.

I do appreciate the comments of the Senator from Connecticut.

Mr. GLENN. Mr. President, I rise to support the amendment. These ideas are not recently arrived at. In March of this year I did a short article for the New York Times called "Alternate Tax Proposals." Embodied in the ideas expressed in that article are some of the same things that Senator HOLLINGS has very properly taken the initiative on in proposing an alternative to the direction in which we are headed.

I would like to comment today on this proposal by Senator HOLLINGS with a few introductory remarks leading up to a discussion of the amendment itself.

First, Mr. President, I do commend the Reagan administration for focusing national attention on the need to attack inflation and unemployment and do it through expanded business investment and research and innovation. Far too many American jobs have already been lost to well-financed foreign competition. Unless we dramatically improve our own competitiveness, we are certain to lose hundreds of thousands more.

That is why I have become increasingly concerned about the President's tax cut proposals. Theoretical explanations notwithstanding, the only thing we know for certain about the proposed cuts is that they are overwhelmingly weighted more toward demand than supply. Whatever happened to supply side economics?

My intention, Mr. President, is not to fuel the increasingly sterile debate over what label should be attached to the President's proposals. The truly important question is whether they will do the job for which they are intended. I frankly doubt that they will. Moreover, I submit that there is a less circuitous, less risky, and more economical way of achieving the results we all desire.

The problem is clear and beyond dispute. This Nation today faces an acute shortage of investment capital; a shortage that may well be the greatest single inhibitor of industrial productivity, modernization, and new job creation. The best illustration of these immense capital requirements is found in our most productive industry, agriculture. Some 600,000 commercial farmers today produce three to four times as much as the 6 million commercial farmers of 1940. The capital investment per commercial farmer in 1940 was less than $35,000 in 1981 dollars. Today, it is close to $250,000 and this does not include the capital invested in education or in the extension, market, and credit services currently available.

For the mature industries that comprise the heart of America's industrial economy, a massive capital infusion also is mandatory. In order to modernize and regain its competitiveness in world markets, the American steel industry needs $30 billion in investment over the next 5 years; the auto industry requires an eye-popping $80 billion over a similar 5-year period. Similar needs are mirrored in industry after industry. In fact, the prestigious conference board recently reported that the creation of an average U.S. industrial job now requires an investment of between $55,000 and $60,000.

In our high technology, knowledge-producing industries, even greater investment will soon be required simply to maintain existing employment levels, let alone increase the number of new jobs available. In information processing, for example, the office secretary today works with about $3,000 in equipment. The information specialist in the office of the future will require a capital investment of close to $25,000.

Although the cost of these investments will be high, so will be the productivity gains we reap from them. But whatever the investments cost, we really have no choice but to make them. Our labor supply will increasingly consist of people who are qualified for knowledge work—and will be productive only if supported by the appropriate capital investment. Moreover, international competition is certain to increase in the future, challenging us not only in the areas of steel and autos, but also in the advanced industries of electronics and chemicals.

In fact, we are already seeing that competition in the international market.

In short, we cannot hope to be productive, competitive, or to have full employment without a tax program that truly addresses the supply side needs of the American economy.

But if our problems reside largely on the supply side, why has the administration proposed an economic recovery program wherein the annual Federal budget deficit will balloon to an average of $60 billion in 1982, $60 billion in 1983, and $60 billion in 1984, and in which only 20 percent of the total tax cut is earmarked for direct supply side support?

Only 20 percent earmarked for what is supposed to be the major purpose of the tax cut.

Although conceding that its proposals favor personal over business tax cuts by a 4-to-1 ratio, the White House argues that since the cuts, unlike those of previous administrations, are skewed in favor of taxpayers in the upper income brackets, more money will go into investment than into consumption. Indeed, the administration spokesman—I believe David Stockman—testifying before Congress has said that he assumes 50 to 70 percent of the individual tax cuts will wind up being invested.

And if they do not wind up in that order of 50 to 70 percent, then they add to inflation instead of curing it. That is a mighty big assumption, 50 to 70 percent of those tax cuts winding up being invested, particularly since only 20 to 30 percent of all previous personal tax cuts were transformed into investment dollars. But history aside, is it not likely that many of the upper income people depended upon to invest their tax savings will instead divert potential investment dollars into gold, antiques or other speculative ventures?

Those in the upper-income bracket may be tempted to take a long-delayed vacation or buy a new carpet or whatever. If so, the efficacy of the President's package is correspondingly diminished. And for those in middle-income brackets, increased social security taxes will all but neutralize the benefit of decreased marginal income tax rates.

So what happens if we fall short of the administration's 50 to 70 percent investment targets? What if, as many economists predict, a 10-percent tax cut

for individuals results in a $60 billion increase in aggregate demand—a sum larger than the proposed budget cuts and business tax reductions combined? Quite simply, our economy could easily be in far worse shape than it is today. In the President's words, "too many dollars chasing too few goods" would ignite an explosive new round of inflation. Insufficient capital investment would leave our industries uncompetitive, create fewer new jobs, and provide lower tax revenues with which to balance the Federal budget.

This is not just me talking, Mr. President. This scenario is not merely the skeptical view of the senior Democratic Senator from Ohio. Indeed, a broad assortment of economic experts—including the Joint Economic Committee, the Congressional Budget Office, Charles Schultze, Henry Kaufman, Walter Heller, and even Herbert Stein—have cast doubts on both the structure and the assumptions of the administration's economic recovery program. Let us examine some of the reasons for their misgivings.

Assuming all the monetary, tax and budget initiatives proposed by President Reagan, the Joint Economic Committee projects "a weak recovery from the slump in 1980 and increasingly higher Federal deficits"—exceeding $100 billion in 1984. According to the Congressional Budget Office, interest spending costs on the Federal debt will average nearly $100 billion for each of the next 3 years with budget deficits averaging $60 billion a year.

Just compare that. It was only in the Lyndon Johnson days that we were having an entire Federal budget of $100 billion, and now we are talking about that as the interest on the national debt.

A day or so ago, we voted to index all the income taxes for this country. We have not learned from all our entitlement programs and all the indexing we did there, which got us into this problem. Now, instead of undoing some of these entitlements and rethinking indexing, we are going to make it worse. We are going to make the whole project expanded instead of contracted.

Whereas the administration projects investment growing from 10.5 percent to 14.5 percent of GNP while inflation drops from 11 percent to 5 percent a year and interest rates decline from 14 percent to 6 percent, less partisan analysts remain unconvinced. While the administration projects an inflation rate of 6.2 percent in 1982, Chase Econometrics, Wharton and Data Resources forecast inflation rates for 1982 above 8 percent. These pessimistic inflation forecasts, which lie at the heart of our financial markets' refusal to mark interest rates down, reflect the conviction of many private economists that Federal deficits will be substantially higher than the administration now predicts. The widespread expectation that persistent deficits will sooner or later force the Federal Reserve to relax its monetary restraint in order to finance the public debt or to avoid driving rates so high as to hurt domestic industries, economic growth and other western economies, has led the financial markets to cast a clear and resounding vote of "no confidence" in the Reagan tax plan.

Lest I be accused of being partisan in my comments, I point out that, similarly, Herbert Stein, chairman of the Council of Economic Advisers under Presidents Ford and Nixon—and certainly no huge admirer of Democratic proposals in the past—describes the Reagan administration's economic projection as "inconsistent with past experience."

In his view, the most likely result if steady, significant reductions of money growth and the budget and tax cuts are carried out, is that there would not be a strong boom in investments; that the increase of production would be less than projected; that unemployment would rise and remain high; and that the budget would not come into balance.

In Mr. Stein's words, "This is not the worst of possible outcomes. In fact, it may be close to the best available."

This latter observation should be stressed—for none of the already dismal projections I have mentioned include factors that could make the next 4 years even worse than historical experience would suggest. Such unexpected events as poor weather, political unrest in areas containing critical energy and materials supplies, or any number of other adverse events could further jeopardize the administration's fragile economic projections.

In view of these dangerous possibilities, why must we gamble that personal cuts will eventually "spill over" into investment? Why attempt to stimulate private saving through deep tax cuts for individuals when any such savings will be more than offset by increased Federal deficits? Rather than risking all on a "hope" that there will be enough spillover from personal tax cuts to provide desperately needed capital, I believe that we should provide a more modest tax cut for individuals and target what is truly required immediately to the supply side. Rather than frighten the financial markets and our allies with the prospect of big deficits and high interest rates, we should phase in the individual cuts while quickly and directly providing for our investment needs.

Mr. President, we need a tax cut that will stimulate investment and savings without fueling inflation and deficit spending. We need a tax cut that addresses the problems of big Federal deficits, high interest rates and inflation. But in my opinion—and apparently in the opinion of the Wall Street money men—the Reagan administration's proposal does not address these problems.

Fortunately, under Senator HOLLINGS' able leadership, there is a Democratic alternative that addresses our economy's immediate investment needs in a way that: First, diminishes the inflationary and deficit spending impact of the bill and second, provides for individual rate cuts that are, in sharp contrast to the rhetoric of the administration's proposal, truly "across-the-board" in effect.

Senator HOLLINGS' proposal accomplishes this by endorsing immediate implementation of the Senate Finance Committee's provisions on depreciation, capital gains, overseas earnings, the marriage tax penalty and the all-savers plan. Enactment of these provisions will provide substantial incentives for plant modernization and job creation—incentives that are much needed and long overdue.

While increasing supply side incentives for investment and savings, Senator HOLLINGS' proposal reduces deficit spending—and will thereby halt the upward spiral of interest rates. It does this by postponing implementation of across-the-board individual rate cuts until January 1983 when a 10-percent cut in individual income tax rates would become effective.

In sharp contrast to the administration's proposal, Senator HOLLINGS' plan provides an equitable offset to bracket creep and rising social security taxes for the majority of all Americans. The Reagan plan simply does not deliver tax cuts to those who will be facing tax increases. In the next 5 years, the income on which social security taxes are calculated will rise from approximately $30,000 to $50,000. Hence, more people in the $10,000 to $50,000 range will be paying more and more in social security taxes. Because the maximum tax rate will be held to 50 percent, only those now paying below that rate will be affected by bracket creep. Thus, while the administration's proposal would protect those above the 50-percent rate from both rising social security taxes and bracket creep, those below that lofty income level—which is 94 percent of the American people—would see their tax cuts sacrificed to rising social security taxes and bracket creep.

In short, while the Reagan tax cut is "across-the-board" in theory, it favors the rich in practice, in the hope that 50 percent to 70 percent of the money going to those people will come back in investment. If not—I repeat, by Mr. Stockman's own statements—if the money does not come back in investments on the order of 50 percent to 70 percent, then it adds to inflation instead of helping to stop inflation.

While the administration claims to oppose any redistributive tax cut, it advances a tax proposal that will do just that. But there is a catch. By a kind of reverse Robin Hood logic, the Republicans would shift the burden of taxes from those who can most afford them to those who can least afford them—the poor and the middle classes.

Even worse, this proposed shift in tax burdens comes at a time when the post-depression movement toward greater equality in income distribution has been arrested. The Reagan economic package will accelerate the reversal of this historical trend and may, through slow economic growth and high unemployment, heighten the tensions that often lead to social unrest.

Senator HOLLINGS' proposal addresses these inequities. It targets the reduction in individual tax rates to middle income taxpayers ($15,000–$50,000) and increases the zero bracket amount by $200 for single returns and by $400 for joint returns. In addition, it provides for an

increase in the earned income tax credit to 11 percent, effective January 1982. This provision is noteworthy because it highlights a curious contradiction in the administration's fiscal program. Whereas the President insists that marginal rate cuts for middle and upper bracket taxpayers are an incentive for greater market-oriented work effort, his tax plan fails to provide similar incentives for the working poor. In fact, for these Americans, incentives would actually be reduced. Take the earned income credit, for example. A year from now under the administration's tax plan, the working poor will begin losing their earned income credits to bracket creep. But that is not all. On top of losing the credit, they will be asked to start paying income taxes to the Federal Treasury. Far from being better off than they are today, the working poor will find themselves in an even more hopeless and frustrated condition. Before we accede to a rising tide that will assuredly sink some boats, let us understand where that kind of "new beginning" can lead us. When huge numbers of our countrymen are methodically denied an opportunity to share in the American dream, then you can bet your bottom dollar that none of us will rest very well.

Mr. President, the choices before us are very clear: Will we choose a real, honest demand side tax cut which ignores the needs of those that suffer most from inflation and rising taxes; which will increase deficits, interest rates and inflation; and which will delay, rather than hasten, investment and productivity gains? Or will we choose a true supply side tax cut that provides equitable relief from inflation and rising taxes for all taxpayers; that reverses growing deficits, soaring inflation and rising interest rates; and that provides direct and immediate incentives for investment and savings.

The Hollings amendment addresses our Nation's economic recovery needs in a fiscally responsible and even-handed manner. I urge my colleagues to vote in support of this proposal.

Mr. President, I also add that in today's Star there is an article by my colleague from Ohio over in the House of Representatives, Congressman DON PEASE, and it is entitled "Deficits Sure To Flow From 3-Year Tax Cut."

After some opening remarks about the situation in which we are in in that article, Congressman PEASE writes that, "If those two factors—assumed spending cuts and optimistic economic assumptions—are removed, what then?

And he says that he asked three independent sources to estimate the likely fiscal 1984 budget deficit under those circumstances. The answers he received were remarkably similar.

First, CBO, the Congressional Budget Office, put the fiscal 1984 budget deficit at $80 billion, by the latest estimate.

Then he talked to economist Joseph Pechman, of the Brookings Institution, and he put the fiscal 1984 deficit at $79 billion, just $1 billion off of the estimate of the CBO.

And Rudolph Penner, economist with the American Enterprise Institute and a general supporter of the Reagan economic recovery plan, estimates the fiscal 1984 budget deficit will be $87 billion.

So from one economist to another, they are coming out very close to this $80 billion figure, and this makes them very tough choices for Congress, for both Houses of Congress, as Congressman PEASE points out.

He also points out that the budget figures that would give us a balanced deficit as identified by the administration has yet to be spelled out. They have not even been identified yet for the future.

So he and 35 other congressional colleagues have signed a letter to President Reagan asking him to spell out where those cuts for 1983 and 1984 would be made so we will know what we are committing ourselves to, because the Reagan budget strategy assumes further spending cuts not yet specified of $20 to $30 billion in fiscal 1983. Will Congress make those spending cuts in the summer of 1982, in an election year, plus another $28 billion in spending cuts in the summer of 1983?

Rudolph Penner, the one I quoted a moment ago, of the American Enterprise Institute, does not think so. He assumes that any spending cuts will be offset by a few new programs and we will probably reverse some of the cuts that we are making right now and the next result is that no progress is made on balance toward finding the $28 billion in unspecified outlay cuts listed for fiscal year 1984 in the first concurrent budget resolution.

The 3-year tax cut, Congressman PEASE asked? The issue is not tax relief for Americans. To repeat, the issue is the Federal budget deficit and spending cuts.

Large deficits—an expansionary fiscal policy—must inevitably increase pressure for a very tight monetary policy with its certain concomitance: high interest rates, a depressed bond market, bulky GNP growth rates, and business bankruptcies by the score.

Mr. President, I think this article that just came to my attention a few moments ago certainly backs up the general thrust of my earlier remarks, and I ask unanimous consent to have printed in the RECORD this article in the Star of this afternoon by Congressman DON PEASE.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Star, July 22, 1981]

DEFICITS SURE TO FLOW FROM 3-YEAR TAX CUT

(By DON J. PEASE)

While any tax cut debate obviously involves the kind and amount of tax reductions, the Great Tax Debate of 1981 is mainly about federal budget deficits and spending cuts.

To illustrate, the First Concurrent Budget Resolution (adopted by Congress on May 20) envisions an FY 1982 tax cut of $54 billion, spending cuts of $35 billion and a deficit of $38 billion.

Clearly, using the Reagan administration's economic assumptions, no tax cut would mean no deficit.

A look at budget projections for FY 1984 underscores the point even more vividly:

The Reagan-backed First Concurrent Budget Resolution assumes an FY 1984 tax cut of $48 billion, additional, as-yet-unspecified spending cuts of $28 billion, and a small surplus of $1 billion.

But the 1984 "surplus" not only assumes that Congress will indeed make the $28 billion in unspecified cuts. It also requires acceptance of the extremely optimistic economic assumptions of the Reagan administration regarding inflation, interest rates, unemployment and GNP growth.

SIMILAR CONCLUSIONS

If those two factors—assumed spending cuts and optimistic economic assumptions—are removed, what then? I asked three independent sources to estimate the likely FY 1984 budget deficit under those circumstances. The answers are remarkably similar.

The Congressional Budget Office put the FY 1984 budget deficit at $80 billion.

Economist Joseph Pechman of the Brookings Institution put the FY 1984 deficit at $79 billion.

Rudolph Penner, economist with the American Enterprise Institute and a general supporter of the Reagan economic recovery plan, estimates the FY 1984 budget deficit at $87 billion.

From economist to economist, and from month to month, the projections for FY 1984 will vary slightly, but not much. If Congress adopts the Reagan economic recovery package this summer, it will face two years from now an FY 1984 budget which is also $80 billion in the red.

The tough choice for Congress in 1983 will be to make massive additional cuts on federal spending or to endure a huge budget deficit, the largest in U.S. history. The likely result: large, painful but insufficient cuts coupled with a large but not record-breaking deficit. Is Reagan budget strategist David Stockman aware of this probable scenario? I suspect so. The object is to force the Hobson's choice upon Congress as a way of getting otherwise unacceptable budget cuts adopted in 1983. How else, with Reagan off his peak of popularity, will the administration induce Congress to cut programs, like Social Security and veterans benefits?

Thirty-five congressional colleagues have joined me in signing a letter to President Reagan asking that the planned cuts for FY 1983 and FY 1984 be identified so that, at the very least, congressmen will know what they are committing themselves to if they vote for a three-year tax package.

Congress has struggled hard this year to come up with $37 billion in spending cuts. The Reagan budget strategy assumes further spending cuts (not yet specified) of $20 to $30 billion in FY 1983. Will Congress make those spending cuts in the summer of 1982, an election year, plus another $28 billion in spending cuts in the summer of 1983? Rudolph Penner doesn't think so. He assumes that any spending cuts will be offset by a few new programs and by cut reversals, and "the net result is that no progress is made on balance toward finding the $28 billion in unspecified outlay cuts listed for FY 1984 in the (first concurrent budget) resolution."

BUILT-IN DEFICIT

If Penner is right, and I believe he is, then the $48 billion tax cut which Reagan has scheduled for FY 1984 will contribute the bulk of a budget deficit that tops $80 billion.

The three-year tax cut? The issue is not tax relief for Americans. To repeat, the issue is the federal budget deficits and spending cuts.

Large deficits—an expansionary fiscal policy—must inevitably increase pressure for a very tight monetary policy with its certain concomitants: high interest rates, a depressed bond market, balky GNP growth rates, and business bankruptcies by the score.

Considering his great prowess in lobbying Congress, President Reagan will probably get his three-year tax reduction package in late July—unless responsible business and financial leaders speak out to help stave off disaster.

Mr. GLENN. Mr. President, I say once again I urge my colleagues to support Senator HOLLINGS.

I think we do have a golden opportunity here to pass this alternative that will target money where it is most needed. We do not have the kind of money that we need for capital investment in this country, the $80 billion over the next 5 years for autos, $30 billion for steel, the major item that was brought up by the White House Conference on Small Business last year, and I will add small business employs 55 percent of the people in this country. Small business lists adequate capital as its number one need if they are to provide the new jobs, the employment that they can provide for this country, and yet we are going a different route. The administration proposes only 20 percent of the tax cut money going directly to provide that capital. We are going 80 percent on the personal side hoping against hope that this will come back on the order of 50 to 70 percent and be reinvested. If it does not, we have added to inflation instead of curing it.

I think the Hollings proposal on this, which I support fully, gives us an alternate way out of this to have a less tax cut, better chance of a balanced budget, and target this money over to the capital market of this country where it is needed for small business and big business if we are to get this economy under control.

I yield the floor.

The PRESIDING OFFICER (Mr. ANDREWS). The Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I will yield in just a second to the distinguished chairman of the Finance Committee.

But in thanking the Senator from Ohio, I think the record should show that a Senator like him within the party has been seriously concerned with this particular economic program and he has met the challenge given by our distinguished President. Back on March 24 he presented an article in the New York Times entitled "Alternate Tax Proposals," outlining just exactly what he has touched upon here, about the need for the expansion of our technology, the capital investment necessary for the fundamental and basic industries of the economy.

In thanking him for his support and guidance on this particular proposal that we now have in our substitute amendment, I ask unanimous consent that an article by the Senator from Ohio in the New York Times, Tuesday, March 24, be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ALTERNATE TAX PROPOSALS

(By JOHN GLENN)

WASHINGTON.—Although I share President Reagan's determination to resuscitate our economy, I am increasingly doubtful that his tax proposals will do the job.

America faces an acute shortage of investment capital—a shortage that may well be the greatest single inhibitor of industrial productivity, modernization, and new-job creation. Generating an average industrial job now requires a $55,000 to $60,000 investment. In high-technology industries, even greater investment soon will be required simply to maintain existing employment levels, let alone increase the number of new jobs available. In more-mature industries, a large-scale capital infusion is mandatory. To modernize and regain its competitiveness in world markets, the steel industry needs $30 billion in investments over the next five years; the auto industry requires an eye-popping $80 billion. Small business, which provides 55 percent of all private-sector employment, is faced with imminent capital starvation.

If our problems are largely on the supply side, it is puzzling why the Administration has proposed an economic program in which the Federal budget deficit will remain in excess of $50 billion in fiscal 1981 (thus continuing to crowd an already tight money market) and in which only 20 percent of the total tax cut is earmarked for direct supply-side support. The White House argues that since its cuts, unlike previous Administrations', are skewed in favor of taxpayers in middle- and upper-income brackets, more money will go into investment than consumption. Indeed, Administration spokesmen have said that they assume that 50 to 70 percent of the individual tax cuts will wind up being invested.

That is a mighty big assumption, particularly since only 20 to 30 percent of all previous personal tax cuts were transformed into investment dollars. Moreover, except for the wealthy, increased Social Security taxes will all but neutralize the benefits of decreased marginal tax rates: After the new withholdings are factored into the equation, a family of four earning $25,000 comes out ahead by $23. The same family earning $50,000 will save $91. How many industrial bonds or stock certificates will $91 buy?

What happens if we fall short of the Administration's 50 to 70 percent investment target? What if, as many economists predict, a 10 percent tax cut for individuals results in a $60 billion increase in aggregate demand—a sum larger than the proposed budget cuts and business tax reductions combined? Quite simply, our economy could easily be in far worse shape than it is today. In the President's words "too many dollars chasing too few goods" would ignite an explosive new round of inflation. Insufficient capital investment would leave our industries uncompetitive, create fewer new jobs, and provide lower tax revenues with which to balance the Federal budget.

Why must we gamble that personal cuts will eventually spill over into investment? Why not provide a more modest tax cut for individuals, and target what is truly required directly to the supply side? Assuming that we can formulate adequate safeguards to ensure that businesses use the extra capital for productive, job-promoting investment (rather than for, say, the acquisition of other companies), we might consider the following:

Amending the proposed 10-year, 5-year, 3-year depreciation schedule to 10-5-3-1, adding a one-year write-off for expenses incurred for pollution control.

Providing greater tax incentives for industrial research and development, perhaps even a bottom-line tax credit for certain kinds of research.

Structuring even-faster depreciation schedules for high-technology industries that must be given the opportunity to write off their equipment in less than five years.

Offering investment tax credits, or even refundable tax credits, for industries willing to invest on-site in economically distressed areas. Such inducements might prevent further deterioration and community dislocation in major urban areas.

Giving more immediate effect to the proposed cuts in capital-gains taxes. Such cuts would be particularly helpful to small business.

Reducing the rate at which interest income is taxed. To encourage small savers as well as large, we could even exclude from taxation the first several thousand dollars of such income.

These suggestions are not comprehensive but they do provide a foundation for discussion, and clearly address the problems of capital formation and job creation head-on. Obviously, the ogres of inflation and unemployment cannot be slain through tax cuts alone. Budgetary restraint, regulatory reform, reduced dependence on foreign energy sources, and greater cooperation among industry, labor, and government must all be part of our long-term economic program. But for now, whatever happened to supply-side economics?

Mr. DOLE. Mr. President, I wonder if we could ask for the yeas and nays on the amendment? Have they been ordered? I am willing to have an up or down vote.

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I might just inquire of the distinguished Senator from South Carolina how many other Senators will speak on this antipeople amendment?

Mr. HOLLINGS. Antipeople?

I think in responding to the distinguished Senator—I know of a couple of other Senators and myself—it should not take long.

I do not know at what length the distinguished Senator from Delaware and the distinguished Senator from Arkansas wish to be heard.

But how does the distinguished Senator from Kansas call my amendment "antipeople"?

Mr. DOLE. It was not planned. It just sort of came out.

Mr. BUMPERS. If the distinguished Senator from Kansas is talking about antipeople amendments, I heard an interesting story last night. Somebody said what can President Reagan give a man who has everything? He said "More."

Mr. DOLE. That is what this amendment gives. Maybe some will be pleased to hear it.

I have looked the amendment over and it does a lot for big business and not much for the taxpayer. Maybe that will be clarified later on.

Mr. LONG. Mr. President, will the Senator yield? Is it possible to get agreement on a time limitation so that we can reach a conclusion sometime before the day is out?

Mr. HOLLINGS. That is not necessary. I have other things to do this afternoon. Let us move on and see what happens.

Mr. DOLE. Mr. President, I will just take a minute.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. I will just take a minute. I know there will be important things said, and I am sorry I will not be able to hear them. I will be off.

[Laughter.]

I do read the RECORD daily, the index.

I would just say very seriously to my distinguished colleague from South Carolina, as I have said before, both the Senator from South Carolina and the Senator from New Mexico have had a very salutary impact on what we have done in the Finance Committee, by their

guidance in the budget process. I think you indicated earlier that there had been some reduction of the cost in the Senate Finance Committee's resolution, and there were some concerns over the remaining cost. There were bipartisan concerns, as you accurately stated, among Republicans and Democrats about whether or not we could go full tilt on the so-called Roth-Kemp proposal. I think I expressed those concerns publicly, and so there were some changes made.

I will at the appropriate time, maybe after the distinguished Senator from Delaware and the distinguished Senator from Arkansas have spoken, just take a minute or two to summarize why I believe the present proposal before the Senate, which is more or less the Reagan proposal, President Reagan's proposal, is superior to this fine product that is before us at this moment.

Mr. BIDEN. Mr. President, I have a fairly lengthy statement.

Mr. President, the elimination of Federal deficit spending should be the single most important element in a program to achieve an economically sound future for this country. The national debt will exceed $1 trillion this year. Yet we are still making little progress toward balancing the budget. If this tax reduction is passed in the form recommended by the administration and the Finance Committee, it is reasonable to expect a Federal deficit in fiscal year 1984 of $60 billion. Remember, 1984 is the year when the budget was to be in balance.

Already we are paying a heavy price for Federal deficits. In order to slow inflation in the face of continued Federal deficits, the Federal Reserve Board has been following a highly restrictive monetary policy.

This policy has forced up interest rates with devastating effects on our economy. The prime rate is up around 20 percent. Our economic activity is stagnating and might turn down sharply if put under greater pressure. Productivity has declined 3 years in a row.

Unemployment has been in the 7-percent range for an intolerable length of time, and now it threatens to rise further. High interest rates have devastated the housing industry—in June housing starts were down to an annual rate of 1,032,000 units and predicted to fall further. The thrift industry, experiencing great difficulties in securing funds at reasonable rates, faces an uncertain future. And with all of this, inflation is still barely under 10 percent, and certainly not under control.

Mr. President, the road to a balanced budget has not proved to be easy. It has been particularly difficult under the economic conditions of the past few years—high inflation, high unemployment and relatively low economic growth. The budget has only been in balance five times in the past 30 years. It was last balanced in 1969. In the past decade alone we have piled up $400 billion in debt.

Ever since the congressional budget process was established our goal has been a balanced budget. Yet each time that we have looked ahead 2 or 3 years and thought we saw budget balance, the economy has acted up and the budget balance has disappeared. Then last year we were sure we had reached the goal of a balanced budget. We prepared one that was in balance, cutting $8 billion, but then the economy took an unexpected nose-dive and the goal still was elusive.

This year we started with a new President who was pushing for a balanced budget in 1984—a President who apparently was willing to propose strong measures to achieve a growing economy and a balanced budget fiscal year 1984. Congress has now virtually finished the first stage of that program—it has voted to cut about $38 billion in spending from existing Federal programs. An unheard of achievement.

Coming on top of the $8 billion achieved in 1980, the savings are substantial. Yet budget balance is still elusive. Even if we cut the budget by another $20 billion in 1983 and $28 billion in 1984, we still may not balance the budget.

Why is this so?

The reason is the tax bill before us on the Senate floor right now. This tax bill will cut Federal revenues by $37 billion in fiscal year 1982; by $93 billion in fiscal year 1983; and $150 billion in fiscal year 1984. The economy cannot grow rapidly enough to replace that revenue to the extent necessary to meet even the drastically pruned spending proposals of the administration.

Using reasonable economic assumptions, the budget will be in deficit by up to $60 billion in each of the next 3 years—an addition to the national debt of as much as $180 billion. That threatens to outdo the last decade.

The fact of the matter is that we cannot eliminate deficits until we cut revenues less than we cut spending. That is the mathematics of the situation in which we find ourselves after years of deficit financing. No one would be happier than I if there were a way to cut taxes as much or more than we cut spending and still cut the deficit. But it will not work. Just saying it will work, as so many are saying these days, does not make it so.

What is it, then, that the distinguished Senator from South Carolina and I propose to do in this amendment that will aid this deficit problem? We still propose tax reductions for individuals and for businesses. But we propose to target those tax cuts more carefully on the job that needs to be done.

First we propose early tax cuts to insure that there will be vigorous economic growth during at least the first half of this decade. These tax reductions will be aimed to stimulate savings. Yet the total tax reduction will not be so large that the increased Federal deficit will offset all the benefits achieved.

We also propose business tax reductions—primarily through increased depreciation allowances—that will target increased savings toward investment in assets that can increase our industrial productivity.

Then, after we have acted to rejuvinate the economy, but only then will we provide an individual income tax reduction which will ease the tax burden under which so many Americans are staggering today. That tax reduction, effective in 1983, will also promote rising demand for the goods produced through increased investment.

If we do otherwise—if we try to give tax cuts immediately to everyone—two things threaten. First, demand will grow before the increased investment and productivity is there to meet it. That can only mean greater and greater inflation.

Second, because we will of necessity be borrowing the money to make the tax refunds, the deficit will rob the tax cuts of their efficacy. There is a real danger that the tax program in this bill, and the deficits it will create, will cause inflation sufficient to raise taxpayers into yet higher brackets—virtually nullifying any benefits from tax reduction.

What will be the effect of our proposal on Federal deficits? They will begin to disappear. The movement may be slow, but it will be clearly visible. Our proposal will cost $12 billion in fiscal year 1982; and only $98 billion by fiscal year 1984.

These are much more modest figures than those in the Finance Committee bill—$37 billion in fiscal year 1982; $93 billion in fiscal year 1983; and $150 billion in fiscal year 1984. But our dollar figures are high enough to encourage saving, stimulate investment and provide tax relief. This will still be the biggest tax cut in history.

But, Mr. President, our deficit figures will be more modest than those of the Finance Committee bill. And it will be a declining deficit, not a level deficit as in the case of the bill before us. In place of the nearly $60 billion deficit a year for 3 years that the Finance Committee bill provides, our proposal will lower the deficit to $35 billion in fiscal year 1982 and reach balance in 1984.

Mr. President, this is the direction in which we should be moving.

Let me now outline the provisions in our tax reduction amendment for just a few moments.

I ask unanimous consent that a detailed listing of the contents of the proposal be printed at the end of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. BIDEN. Our tax cut proposal adopts many of the provisions already in the Finance Committee bill as it has been amended here on the floor.

Among these are proposals designed to stimulate increased savings. In 1980 Americans saved under 6 percent of their after-tax income. In earlier years our rate of savings has been higher, although we have never reached the levels found in many other countries.

We depend on these savings to finance additional investment. For that reason provisions in the committee bill to increase contributions to IRA and Keogh retirement savings accounts have been retained.

We have also kept the proposal to exempt from taxation 15 percent of net interest income up to $3,000 ($6,000 per couple). Employee stock ownership plans

and the new tax exempt all savers certificates should also help to increase savings levels.

The second major area of tax reduction is the committee proposal for investment incentives in the form of accelerated depreciation of assets.

These cuts provide for substantially shortened and simplified depreciation schedules in periods of 3, 5, 10 or 15 years. In addition there are increases in the investment tax credit. These incentives will help us to attack our productivity problems head on.

The third element in this program is individual income tax reduction.

These are not reductions of a size to cause rapid stimulation of demand, and thus of inflation.

They will be adequate, however, to assure demand for increased manufacturing capacity. And they will provide a good beginning on tax relief for the overburdened taxpayer.

In fact, because this tax proposal is truly anti-inflationary, our more modest tax cuts may be worth more to the taxpayer than larger ones, because they will not be eaten up by inflation.

Specifically, our proposal would provide:

A reduction in the maximum tax rate to 50 percent in January 1982. The current maximum rate is 70 percent. The maximum rate on capital gains is lowered to 20 percent effective June 10, 1981.

An increase in the zero bracket amount—formerly the standard deduction—to $2,500 for singles and heads of households and to $3,800 for joint returns beginning in January 1983.

An increase in earned income credit to 11 percent for the first $5,000 of earnings. The credit would not apply to those earning more than $12,000 and would be effective in January 1982.

A deduction for two-earner married couples of 10 percent (5 percent in 1982) of the first $30,000 of income of the lower earning spouse. The effective date is January 1982.

An average 10-percent reduction in personal tax rates beginning in January 1983.

The reductions have been designed to insure that persons in the $15,000 to $50,000 income bracket are treated fairly by compensating for the effects of inflation. In addition, the proposal provides for a reduction in the marriage penalty. This provides a more equitable tax treatment for the secondary earner in a family.

Our tax proposal also includes reductions in estate and gift taxes, tax cuts for U.S. citizens working abroad, tightened provisions to insure that persons engaging in commodity tax straddles pay their fair share of taxes, and various small business tax provisions.

Mr. President, for just a moment I would like to pause and review a case history which I believe is instructive for those who want to see where this Finance Committee bill is taking us.

We have known for some time now that our thrift institutions and their close relations, the housing industry, were in serious trouble.

In 1980, 119 savings and loan associations were merged out of existence.

In the first 5 months of 1981 the number is 80, an annual rate of 200.

In the first 4 months of this year the savings and loans had net deposit withdrawals of $5.3 billion.

Their losses so far this year are about $1 billion and are expected to total between $5 and $6 billion at yearend.

The plight of the housing industry, staggering under the 17-percent mortgage rates that the savings and loans must charge, is similar to that of savings and loans.

New housing starts in June were down 11 percent to just over 1 million units and were estimated to decline further.

New building permits issued were down 16 percent to 976,000.

Now, briefly, what accounts for all this?

The answer is high interest rates.

High interest rates throughout the economy have forced S. & L.'s to borrow at high interest to finance outstanding low-interest mortgages. But even so, deposits are drained away by more favorable interest elsewhere.

The resultant high interest rates for new mortgages have cast a pall over housing.

And why do we have high interest rates?

There are, of course, a number of reasons. But one critical element is the restrictive monetary policy necessary to prevent our continued high deficits from being inflationary. So I believe the Federal Government must accept some responsibility for the problems that have arisen.

It is because of that responsibility that we have had to add to this bill, and to our proposal, what is known as the all savers proposal.

That proposal would allow financial institutions that are active in lending for housing or agriculture to issue special certificates, the interest from which would be tax exempt within certain limits; 75 percent of the funds derived through these certificates by financial institutions would have to be used for housing or agricultural purposes.

There would be a maximum on tax free interest to depositors of $1,750 per person, $3,500 for a couple.

The interest rate would be pegged at 70 percent of the 1 year Treasury bill rate.

It is our hope that this will provide adequate funds to the thrift industry to tide it over the next couple of years. It may also help the housing industry by bringing down mortgage rates.

I do not like having to include such a provision in this tax bill.

I wish interest rates were low and these two industries were healthy. So I am even more concerned that, in the committee bill, there is nothing to bring interest rates down in the long term. Only that can provide a permanent solution for housing and the thrifts.

The problem is deficits. Deficits put pressure on credit markets and force interest rates up. Deficits force further restrictiveness in monetary policy, pushing interest rates up. Yet this bill before us does nothing to help deficits. It holds forth only 3 years of deficits totaling almost $200 billion.

Our amendment will reach the balanced budget goal in 1984. We have heard a lot about that goal. But few seem willing to take the hard steps to realize it.

In summary, Mr. President, I believe that this tax reduction proposal will achieve the following beneficial goals:

It will provide additional savings incentives.

It will provide business with the incentive to invest increased savings in productive assets.

It will provide individual income tax reduction that will relieve the staggering tax burden without proving inflationary.

It will make possible a balanced budget by 1984.

The choice that we must make here today is between a balanced budget in 1984 or a continuation of Federal deficit financing at higher levels than ever before.

The choice is between lower interest rates resulting from lower deficits or continued high interest rates that may push our economy ever closer to the brink of recession.

The choice is between a tax cut designed to moderate inflationary pressures or a tax cut so poorly designed that it will feed inflation. The choice is between prosperous home building and thrift industries or those same industries perched on the edge of disaster.

Mr. President, I believe that we are at a turning point in our economic future.

I am sure that the American people want us to choose the road that leads to long term economic stability and prosperity. I am convinced that our proposal can show us the way. I hope the Senate will adopt it.

EXHIBIT 1

[Summary]

HOLLINGS-BIDEN AMENDMENT TO H.J. RES. 266

INDIVIDUAL TAX REDUCTION

Reduction in the top rate on investment income from 70 percent to 50 percent (effective date January 1982). For capital gains the effective date is June 10, 1981.

A new deduction for married couples equal to 10 percent (5 percent in 1982) of the first $30,000 in earnings of the lesser earning spouse.

An increase in the zero bracket amount of $200 for single returns and $400 for joint returns.

An increased earned income tax credit of 11 percent.

Individual rate reductions averaging approximately 10 percent, effective January 1983, weighted more heavily to middle income groups.

SAVINGS INCENTIVES

Provides for a tax exempt savings certificate to be issued by depository institutions having a yield 70 percent of the yield on a 1-year Treasury bill.

The current temporary provision for $200 interest and dividend exclusion for single returns and $400 for joint returns will revert to prior law on January 1, 1982.

Increased incentives for retirement accounts and employee stock ownership plans.

CAPITAL FORMATION TAX INCENTIVES

Depreciation and investment tax credit revisions.

Tax credit for rehabilitation expenditures.

Tax credit for research and experimental wage expenditures.

ESTATE AND GIFT TAXES

Increased credits on estate taxes.
Unlimited marital deduction for estate and gift taxes.
Increased gift tax exclusion to $10,000.

INCOME EARNED ABROAD

Provides for an increased exclusion for income earned abroad.

COMMODITY TAX STRADDLES

Provisions to ensure proper taxation of commodity straddles.

SMALL BUSINESS PROVISIONS

Incentive stock options.
Subchapter S corporations.
Accumulated earnings credit.
Investment credit for used property.

OTHER PROVISIONS

Deduction for motor carrier operating rights.
Corporate contributions of research equipment to colleges.

Mr. BIDEN. Mr. President, the elimination of Federal deficit spending, it would seem to me, should be the issue that we are focusing on here. It is the single most important element in a program to achieve an economically sound future for this country. I know everyone here is painfully aware of the fact that very shortly we are going to be voting on extending the national debt to $1 trillion, a landmark level, yet we are making very little progress toward a balanced budget.

If this tax reduction bill is passed in the form recommended by the administration and the Finance Committee, I think it is reasonable for us to expect that we will have a minimum of $60 billion and, possibly, as high as a $80 billion deficit coming up, and it will average out somewhere around $60 billion a year through 1984, and we will be talking about adding $180 billion to $200 billion to what will be a $1 trillion deficit to work from.

I am sincerely perplexed. Not long ago I had the privilege of cosponsoring an amendment with the Senator from South Carolina to a budget resolution where we essentially did this, what we are doing now, in a slightly less structured form because of the budget format we had to work with. We were talking about the budget cuts, and I raised the point then that I will raise again now.

I have been made a believer over the last 9 years in the Senate. I must acknowledge that when I first came to the U.S. Senate at age 29, not too long out of college, many economists had been telling me about why deficit spending was not all that bad and all the things that could be good about it and how it would accomplish certain things. So I was not very convinced of the arguments made by my friends here who, I must acknowledge, were mostly on the Republican side of the aisle, telling me that deficit spending was really bad, and that it caused inflation and high interest rates.

As I listened over the years in this body I became more and more a believer in balanced budgets. When we formed the Budget Committee, I was one, as they call us, of the charter members, like the Senator from South Carolina and the Senator from New Mexico, and I had to sit down there every year and actually, in effect prepare the Federal budget.

I became a believer pretty quickly. Notwithstanding the fact that I would probably be characterized in this body on social issues and civil rights and civil liberties as being left of center, I would think my record on the Budget Committee over the past year proves at a minimum that I would be fiscally moderate if not conservative in the way I voted on that committee because I have been made a believer. I arrived at that conclusion maybe for different reasons from some of my more conservative friends, but the fact of the matter is I became a believer. They convinced me that deficits caused inflation, and inflation hurt little folks and old folks and poor folks more than it did rich folks, more than it did powerful folks.

So I began to focus on that. From 1976 on we tried chasing the elusive goal of a balanced budget. A couple of times we seriously thought we had it. We thought we had it by the neck, and then the economy—for a whole range of reasons I will not go into right now in the interest of time—fooled us, and we ended up with a deficit again, and my friends on the philosophical and physical right of this Chamber said, "Aha, those Democrats, those bad old Democrats, are at it again, big spending, deficit-making Democrats."

I said "my goodness," and I spent my whole time in 1978 going back, running for reelection, saying "mea culpa," "mea maxima culpa," "not me. I am a believer. Look at my record." They said, "You are a Democrat, aren't you?" I said, "I am a Democrat." They said, "Well, we have been hearing on these paid advertisements all over the country that the Democrats cause deficits, deficits cause inflation," and then we went through the whole thing.

Well, it was a very difficult thing to get out from under. Do you know what happened? The national Republican Party, the national Republican leadership in the Senate and in the House, the Republican candidate for President, and now President of the United States, were incredibly convincing, and they convinced everybody. They not only made a believer of me early on, they convinced my folks at home that to be a Republican was to be for balanced budgets. They were inseparable.

The American public, understandably somewhat frustrated—and it is somewhat presumptuous for guys like me to stand on the Chamber floor when the galleries are filled with the American public and say what the American public thinks—but what I think the American public thinks is that we are in pretty sad shape; that the Democratic Party did not do a whole lot to clear up the economy in the last 6 or 7 years; that they are not sure the Republican Party is going to do much but, basically, there was a referendum held in 1980 which said "Give those Republicans a chance."

It was not a referendum on El Salvador or on the CIA wanting to go back to the good old days, and it was not a referendum on wanting to do away with civil rights; it was not a referendum on a moral majority. It was not about those things.

It was about the economy. They said, "Hey, you Democrats are not doing too good. And so we got a President who says, 'I'm fiscally responsible and to be fiscally responsible means you must balance the budget.' "

How many times did the American public hear our President stand up and say—I wish I could imitate his voice well because it would make the impact that needs to be made here—"What we need to do here is understand that Government is like running your household." And he would look out to the American people and say, "Now, could you run your household if you spent more than you took in? You couldn't do that for very long, could you, my fellow Americans?"

And we all sat there and said, "That is right. We couldn't do that. No way."

And then he said, "And the one question I want to ask you all is: Are you better off today than you were yesterday?"

And even I sat there in front of the tube saying, "No, I'm not. I will tell you, things are bad." And, you know, it worked.

Mr. DOLE. Will the Senator yield?

Mr. BIDEN. Yes.

Mr. DOLE. Did the Senator vote for Reagan?

Mr. BIDEN. I beg the Senator's pardon?

Mr. DOLE. Who did the Senator vote for?

Mr. BIDEN. I voted for Carter because I did not believe Reagan and I will tell you why I did not believe him—I think this is proof of why you should not have voted for him—because he did not mean what he said. And I will tell you why he did not mean what he said.

We got down to the point where I sat there and listened and listened and listened on this floor. Without going into detail, which you have heard and which has been much more fully articulated than I could do it by the sponsor of this amendment, on what our amendment does, and the Senator from Arkansas whom I am sure will speak, also, and others, let me tell you what worries me most about what is happening now.

What worries me more than the effect of the deficit on our economy—and I am convinced, I pray to God I am wrong, but I am convinced that the effect of the Reagan program will be economically disastrous for most of us in this country, the 99 percent that do not have an oil well in their backyard. I think there will be trouble. And I think, in the long run, it will also be trouble for the folks who have an oil well in their backyard.

But this economy is so strong, this country is so resilient, notwithstanding the trouble we are in, that even Ronald Reagan and our Republican friends, with this economic plan, are not likely to be able to do long term, complete damage to it.

Mr. DOLE. Will the Senator yield?

Mr. BIDEN. Yes.

Mr. DOLE. Does the Senator really believe that you have confidence that we can clean up the mess you left us in? Is that what the Senator is saying?

Mr. BIDEN. Well, I am not sure. I admit we did leave part of a mess. I admit that Gerald Ford gave us a $65 billion budget deficit. I admit that Richard

Nixon left us a country in shambles that prevented us from focusing on the economy. I admit that the Republican leadership in the Senate did nothing constructive during the past 4 years, other than come up with simple solutions that obviously they knew would not work and throw hand grenades. But, as someone once said on this floor, it is much better to throw hand grenades than to catch them. So we were over here catching them and you were throwing them. We were everything from immoral to unenlightened to whatever.

But, at this time, that is not the thing that worries me.

Mr. DOLE. Will the Senator yield?

Mr. BIDEN. After I tell you what worries me and then I will be happy to yield and you can tell me why it does or does not worry you.

Mr. DOLE. I just have one thing to say and I am being called for another matter.

Mr. BIDEN. I yield.

Mr. DOLE. I do not know what worries the Senator, because then we would both be worried.

Mr. BIDEN. We should be.

Mr. DOLE. But I would hope that, in the final analysis—I understand all the rhetoric. I even made speeches like that.

Mr. BIDEN. Did you?

Mr. DOLE. Privately. I never wanted to go public with a speech like that. [Laughter.]

But, in the final analysis, it may be that you will vote for our package.

Mr. BIDEN. Well, I doubt whether I will be able to have the same incentive to vote for it as you do, because there is obviously not an incentive based on the merits of the economic package. There must be others. I will get back to that later.

But the thing that worries me is—and for the sake of argument I will admit that the Democrats were bad; that the Democrats did a horrible job; that the Democrats got us in all of this trouble; that the Democrats were the people the American people turned their backs on and that everything the Republicans said about us was true. Let us assume all of that for the sake of argument.

The thing that worries me is the American public turned to a fellow they believed was going to do at least one thing: they believed that he was going to balance the budget. They believed he was going to get the fiscal house in order. And they believed, especially after the first round of budget cuts, that he really meant what he said.

So he came along and even I supported 98 percent of all of the cuts on the floor that he offered, because I believed that if the goal was to balance the budget I would swallow hard and vote against things I supported philosophically and emotionally. So I voted for those cuts.

Now, where are we? The American people, who already lack confidence in the ability of their political institutions to function, are about to get another jolt, which is going to do more damage to us institutionally than anything we could do now. Because you are going to see the chambers of commerce of America, who are telling us to vote for this package, when they find out next year that there is a $60-billion deficit and another one coming up, they are going to say, "Oh, God bless the Democrats for pointing it out to us" or "Those awful Republicans for doing it to us." They are going to say, "You know what? Government does not work. Nobody can make it work. There isn't any way we can do it."

And we are going to further erode that little, tiny bit of reservoir of confidence that remains.

We spent the last 15 years—both political parties—in everything from Watergate to Abscam to stupid politics, convincing the American public that we do not know what we are doing; that we are not to be trusted; that we do not have any answers.

Mark my words, when they figure out or they conclude that the guy they really believed in did not deliver what they thought they were getting, they are going to be prepared to look to more radical answers. I cannot tell you what those radical answers will be, but they will look to more radical answers. And it will not be within the institutional framework we are talking about now.

We are talking about the free enterprise system helping us fight our way out of this. And I am all for unleashing it. That is what our bill does.

But you know what they are going to start saying—and remember I said it here—when we have unemployment above 7.5 percent, when we have a deficit of $60 billion, when we have interest rates still at 16, 17, 18, 20 percent, when we have an inflation rate at 12 or 13 percent after we have made all of these cuts, after we have brought on all of this misery, after we have wrung the country through this issue? They are going to say, "You know what? Maybe we should start planning the economy the other way. Maybe what we should do is have the Federal Reserve elected. Maybe what we should do is turn around and control all credit. Maybe what we should do is"—it will go on down the line. And nobody talks about that.

Let me conclude by asking a question of all who are going to read this in the RECORD, as Senator DOLE does, because he does not have much better to do in the morning than read the RECORD, apparently. Anybody who would spend the time reading the RECORD, I question.

But if he reads the RECORD, I hope he reads this tomorrow morning. I want him to go back home to his home State, or any of you who are hearing this in your offices or will read it tomorrow or your staffs tell you about it, go back to your home State and find your basic conservative Republican businessperson at the Rotary Club or the Chamber of Commerce meeting, wherever you go and where we all go to speak.

Pull him aside over the August recess and say to him, "Charlie, you know we are giving you this economic program that the National Chamber wants to have. By the way, Charlie, you do know, don't you, that there is going to be a $60 billion deficit next year? Don't you? And you do know, Charlie, that there will be another $60 billion the following year? You are aware of that, aren't you, Charlie?"

I will lay you 8 to 5 Charlie will look at you and say, "No, no, that is not right. Reagan is going to balance the budget for us."

And then say, "No, Charlie. Reagan's budget sets up a $45 billion deficit even with his figures. You know that, don't you, Charlie?"

You will not be able to convince Charlie, because this President has done such an incredibly good job, and I compliment him, of convincing the American public that he is for fiscal austerity, which is synonymous with balancing the budget, that he will not believe you.

I am not exaggerating. Try it on them. I do not mean to go talk to the economists for the big corporations in your State. I mean talk to the local businessman or woman, who runs a pet store, an apparel shop, whatever.

I am telling you, Mr. President, I do not know why we insist on this. I do not know why, since we went through the pain of cutting these programs, we do not do what we all know is what needs be done. That is to put the fiscal house in order.

It is a strange thing for the Democrats to be making this argument, if all we heard about them in the last 10 years is correct. I only ask that rhetorical question, Why do they want to have the 3-year big tax cut all at once knowing that the deficits will be catastrophic? Why is that?

I will leave you with a possible suggested answer. It is because this is all about social priorities in America. This is all about whether or not Government has responsibility. Not about inflation rates, not about interest rates. Whether or not Government has the social responsibility to take care of folks who need help.

They are right about one thing: If the revenue loss occurs, if the deficits are as high as we anticipate them to be, not only are "they going to be in trouble," but all of those other programs are going to be in trouble, too. It will be very hard to convince the American public that we should be funding social security, food stamps, or any other program.

I suggest that is what it is about. I suggest to you, Mr. President, that we can ill afford to further undermine the confidence of the American people.

I would suggest this is a good amendment and at a minimum we should be thinking about whether or not we try this thing to see whether or not it works.

I apologize to the Senator from South Carolina for going on so long about this. As I said, just be thankful I did not do my whole statement. I appreciate his leadership in this effort. I sincerely mean it when I say I do not see any other good reason, economic reason, why anyone would be against moving toward a balanced budget after we have cut the programs, when we are skewing this toward business, we are skewing it toward the supply side, we are skewing it toward people who are going to invest. Why would you not go with this other than the longer range reason of reordering the responsibility of Government in this country?

I thank the Senator.

The PRESIDING OFFICER. The Senator from South Carolina.

Mr. HOLLINGS. Mr. President, the distinguished Senator from Delaware has made more than a speech in support of a particular amendment. He made a formidable statement about a fundamental. He has described, really, what is the issue in this land of ours, and particularly in the Nation's Capitol, as we discuss the economic program.

I know I get side glances from my colleagues on this side of the aisle when I say I support President Reagan. I do it genuinely and have done it genuinely because, in part, of the very important point made by the Senator from Delaware.

In this regard, I ask unanimous consent that the article appearing in the Washington Star last night by Messrs. Germond and Witcover be printed in the RECORD at this particular point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

OLD RULES STILL PROVE VALUABLE FOR POLITICIANS

(By Jack W. Germond and Jules Witcover)

Playing tax-cut politics is walking in quicksand. That is clear in what has happened to Republicans and Democrats alike in the endless wrangling over the tax bill of 1981.

A year ago the Democrats were deriding the Republican priority for tax reduction at a time of runaway inflation. Speaker Thomas P. O'Neill Jr. told his party's national convention, "Let me assure the American taxpayer that the Democratic Party respects your intelligence and—unlike the Republican Party—will not insult you by proposing a massive tax cut of some $200 billion over the next five years while promising it will stimulate demand, balance the budget and reduce inflation all at the same time."

"The Republican alternative," said President Jimmy Carter, "is the biggest tax giveaway in history. They call it 'Reagan-Kemp-Roth.' I call it a free lunch Americans cannot afford." The Reagan-supported tax cut, said Vice President Walter F. Mondale, "is obviously murderously inflationary."

This was the conventional wisdom among Democrats and, for that matter, many Republicans. The government doesn't reduce taxes in times of high inflation and rising deficits. It is just the opposite of what is needed.

So the most the Democrats would endorse would be cuts "targeted" to businesses to stimulate productivity and lower inflation. General tax reduction would be, as someone said before a vice presidential nomination changed his mind, "voodoo economics."

But today all that seems to have been forgotten by the Democrats in Congress or at least most of them. Although they are giving lip service to their traditions and principles as a party by trying to skew the income tax cuts to those who earn under $50,000 a year, it is clear they are in a bidding war with the Republicans. Who can do the most for independent oil producers? Who has the most generous plan for minimizing the marriage penalty or reducing inheritance taxes or providing more shelter for interest and dividends?

Nor have the Republicans been any less susceptible to the political attraction of giving away the store. A year ago Ronald Reagan and his supporters were advocating tax reduction as a great experiment with the theory of "supply-side economics." Simply cut the rates, they said, and watch the economy boom.

That idea was, of course, a clean break with the dogma of the Republican Party that held deficits were almost as pernicious as godless communism. And some leading Republican experts, including Rep. Barber B. Conable Jr., their ranking man on Ways and Means, did have serious doubts about whether it would work.

But Kemp-Roth did have the virtue, in some eyes at least, of being an attempt to try something new. Heaven knows the conventional government attempts to influence the economy had been exposed as failures.

But now, as the negotiating drones on in both houses of Congress, it is clear that the economic questions have been put aside in favor of the political imperative. The White House that insisted a few months ago on nothing beyond the great experiment is now buying not only elimination of the marriage penalty and reduction of top rates on unearned income but relief for those independent oil producers and maybe indexing and perhaps deductions of charitable contributions on the short form.

What has happened is what always happens with tax legislation, although it is happening a little earlier in the year than usual. The tax bill has become a Christmas tree bill, just as they always do.

The Democrats may calim they are helping the little man as always. And it is clear the bill they are pushing in the House is different from Ronald Reagan's in that respect. But, let's not kid the troops, it is equally clear they have been stampeded by the White House and Reagan's political muscle into legislation they otherwise never would have been proposing at all—or at least not this year with these inflation rates.

Similarly, the Republicans may insist they are full of noble purpose. But it is also obvious that many of them, still harboring doubts about Kemp-Roth, have been swept up in the usual competition for political credit.

The result, almost inevitably, is going to be a tax bill that satisfies neither longstanding Democratic economic theory nor the new Republican commitment to economic innovation.

The lesson in this is that there are limits to the Reagan revolution and the new politics of the new conservative ma'ority. The old rules still apply, and one of the most basic is they don't shoot Santa Claus.

Mr. HOLLINGS. That will be a good memory jogger.

People forget the desperate circumstances we as Democrats were in last year, when, after our President had submitted his economic program and his state of the Union message, we were put to the task of saying, "Mr. President, go back and resubmit that message. It is just not an austere budget. It is not going to fly. We are in deep, deep trouble."

So the President had to resubmit, cutting billions of dollars. As Senator BIDEN has pointed out, we thought we had that June a very illusive goal; namely, the balanced budget. But we did follow on with reconciliation and cut spending. We set that dramatic record in that Congress because we felt it very keenly.

That gives somewhat of a perspective and panoramic background to the economic difficulty that we have and, necessarily, since it has persisted for a good 10-year period now, the difficulties that we have as public servants, the difficulty that Government has, and the difficulty that people have with respect to confidence in Government.

I think Senator BIDEN has made one of the most important statements made on the floor this year, if not the most important. I hope people are listening back in their offices, and I hope those covering this may momentarily forget about this amendment because it is not going to carry, obviously. Really get to the point that we are trying to make with the amendment and which the Senator from Delaware has made so colorfully.

Incidentally, when you are that attractive, dynamic and colorful, as the Senator from Delaware is—he is just still too young for some to give careful attention to. Not in my case I assure you. Around here, they do not believe. All too often, you must have age before your message will be given the attention it deserves.

It is unfortunate that you have to have snowy, gray hair or everything else like that and everybody saying, "Sir?" before you will be heard. They ought to listen to the meat of the message that the Senator from Delaware has here given.

This is not a partisan thing. This is a matter of having it work. If it does not work under President Reagan, then I do not know how we can get it to work. I would have hoped we could have gotten through to the President.

He has many, many concerns on his mind.

I would have hoped we could have gotten through by getting through to Secretary Regan, who we have not gotten through to. He is selling us. He has an impediment. He cannot listen.

Otherwise, our good friend, David Stockman, who is brilliant, who has done much, listens too much to the news reports and does not have it all together. That is David Stockman.

The Senator from Delaware responded exactly to the point he was making. David Stockman came on TV and sobered me up one evening. He said the Government had no responsibility to the American people for any service.

Now, you have come to the real meat in the coconut here. I am almost tempted to get a live quorum and get a record. Unfortunately we do not have this thing on radio yet so we could play it back to make them listen.

Touching on that issue, if the administration's economic recovery plan does not work, then we are not going to be accredited as a body—the Senate. The Senator is right. We have been in public service and are realists enough to know that that record will not be examined—people will not have time for that, they will be so angry, distraught and disillusioned.

Why is it that in 1976 they did not take a single one for President from the Democratic Party? They took an outsider. We had Muskie, KENNEDY, Humphrey, or UDALL, or Bayh—we had a whole stableful of them come out. We lost that confidence then. The body politic said, "We'll give you this fellow down in Plains, Ga. He says he wants a government as good as the people, and he will straighten that Washington crowd out."

We got the exact same message last November. They had their whole stable:

The Senator from Tennessee, the Senator from Kansas, the Senator from Connecticut, and others. They were all candidates. And the people said, "No, we have already lost confidence."

The Senator's point is well taken. They said, "We don't want to hear that Washington crowd anymore. We will take this fellow, Reagan."

You can joke about his being a movie star, but he was sincere in what he said about a balanced budget. Then after the election, we get Gildersleeve and Stockman and they come in with this, just economic trash, about incentives, like this oil thing the Senator from Kansas is talking about; he labels it the people's amendment.

We shall get to that in just a while. But let me hold up just a second.

The point is that we lost that confidence as Democrats, they lost it as Republicans, here, in Washington. We have had two of them come from without and they are both very sincere, Jimmy Carter and now Ronald Reagan. If it does not work under this one, the people will say, "A curse on both your Houses. There is no way for Government to work."

That is what Senator BIDEN said and no one is listening That is the real test that we have here: Can we get by this political dichotomy of what the pledge was and Kemp-Roth-Reagan and all that nonsense about going to give all that incentive and everything like that, when nobody really believes it? We are creating expectations that simply cannot be met.

And not believing it—if they had believed it that strongly, they would have given it in January. If they believe in it that strongly in July, they would have given it in July. After they backed off it in January, they would have given it in July. If they believed in it that strongly, they would have held to 10 percent, if 10 percent was necessary.

They really are worried themselves. Dr. Arthur Burns said so. But they are holding to the social goals.

I shall yield in just one second to the Senators from Arkansas, because he has been very patient with us. I shall read this statement of Dr. Arthur Burns in the RECORD. Dr. Burns is no other than the President's appointee as Ambassador to the Federal Republic of West Germany. He said:

> Skepticism concerning the underpinnings of the Reagan program is not confined to traditional liberals. It is also felt to some degree by economists, businessmen, and others, who are entirely sympathetic to the president's philosophy that the restoration of a healthy economy requires much more reliance on the free market and less on government.
>
> The basic question about the Reagan program is whether a declining rate of inflation is likely to accompany the consistently high rate of growth in the physical volume of overall production that the program projects for the five-year stretch from 1982 through 1986.

Mind you me, this is Dr. Burns that the distinguished Presiding Officer heard as a colleague on the Budget Committee. I asked Dr. Burns would he give an across-the-board tax cut this years. He said "No." He said "No."

Let me read one other little portion of Dr. Burns' treatise.

> In the third place, it is more useful to view the Reagan program as a plan that is still undergone evolution rather than as a finished, final blueprint for action. As such, it merits neither acceptance of every detail nor criticism that stops short of providing a practical alternative. There is considerable evidence that the president himself views his economic program in just that way.

I wonder about those around him, because they are moving on and politically have advised that there is no compromise. Before any mention is made, you immediately get a statement. I do not know how they find the gentlemen that fast. There is immediately a statement from the White House staff, no compromise because of the social goals the Senator is talking about. They are pell-mell for hell now. They are making spending cuts and, like the sheepdog, they are going to gobble up the flock.

Mr. BIDEN. Will the Senator yield on that point?

Mr. HOLLINGS. Yes.

Mr. BIDEN. Mr. President, there is one point the Senator from South Carolina has underscored, and I want to underscore again. It seems to me this is beyond partisan consideration. The Democrats have had to do it and President Reagan has to have the guts to take on interest groups. The Senator from South Carolina and I have stood on the floor, as the Senator from Arkansas and I did, and had to vote against traditional interest groups in the Democratic Party that we thought were wrong in what they are asking for.

I wish the President would follow his basic instincts and have the guts to vote against, by his statement, the interest groups that are insisting upon this whole plate that they are asking for. The majority of the American people do not belong to any interest group on either side of the table. I think that is what they are offended by. We on this side, under the leadership, I admit, of President Reagan giving us the opportunity to do so, stood up on the floor with some little cost and voted against traditional Democratic interest groups, because it was right to do.

They should do the same thing. They have the budget cuts. Do not be afraid to take on the rich folks, do not be afraid to take on the big guy. You will find the American people will be there. Just as I do not believe we are going to be hurt by the interest groups, because in their hearts, as one other famous Republican said, "You know we are right."

Mr. HOLLINGS. Mr. President, I shall take 1 minute to complete that thought after I listen to the Senator from Arkansas.

The PRESIDING OFFICER. The Senator from Arkansas.

Mr. BUMPERS. I thank the Chair and I thank Senators HOLLINGS and BIDEN.

Let me commence, Mr. President, with a story that really is not relevant to the bill and the amendment that we are arguing here. The Senator from Delaware alluded to President Reagan's debate with President Carter, when he looked into the camera and said, "How many of you people out there think you are better off than you were 4 years ago?" It is very easy in this day of cynicism, distrust, and apprehension, to say "I am certainly not." I think perhaps most people genuinely believe that, and maybe it is true.

It is not true for me, although people demean the Government or the programs of this country, such as those that kept my father from going bankrupt during the depression. For exampie, Rural Electrification Administration, fought every step of the way by the public power companies, saved my father from bankruptcy.

After World War II, it was the GI bill that enabled me to get an education to make a living with and also which allowed me to be Governor of my State and a U.S. Senator.

So when people ask me, "Are you better off?" I am grateful for every day I have. I feel I am the luckiest man alive. I grew up about as poor as you could get.

I sometimes wonder why I am not more mean spirited than I am. It seems that you have to be mean when you grow up poor.

We had an expression in the Marine Corps: "Pull up the ladder, Jack; I'm on board." It occurs to me that that is what life can be.

People are willing to provide this $333 billion tax cut, with most of it for the very wealthiest people in the country because they are supposedly the only ones who have enough sense to save it and invest it. As strongly as I want to cooperate with the President, I cannot support that.

Getting back to the earlier point: How soon we forget. You never appreciate peace until you have war. You never appreciate good health until you lose it. You do not appreciate anything until you lose it.

I know I am lucky. My 4-year-old brother died of acute indigestion. You would hardly have to take a child to the doctor's office to cure that today.

My wife's father used to heat a rock and put a quilt around it so her feet could stay warm in the wintertime while she rode the bus to school.

People talk to me about the good old days. I am not willing to go back to the good old days. I have had them.

That is not to demean for one moment the people in this country who are struggling and having a tough time, and nobody is more sympathetic to that than I am. I am speaking only for myself and a benevolent Government which has allowed me to get a good education, and I am grateful to it for allowing me to serve in the U.S. Senate.

In World War II. 120,000 Japanese were interned in this country in concentration camps. Senator INOUYE was not one of those because he was in Hawaii. He was native born. We called them Nisei.

Many Japanese volunteered to serve in World War II if they were native born, and, eventually, they were taken out of those camps. We had about 15,000 Japanese in two camps in Arkansas, and some of them were allowed to volunteer. They

were taken from behind barbed wire fences and were put in American uniforms.

But Senator INOUYE was one of the first people to enlist in World War II. We all know that he now has one arm because he lost the other during the Italian campaign. He came home with a row of ribbons across his chest like nobody you ever saw. He walked into a barber shop in San Francisco, California, and the barber said, "What are you?"

Senator INOUYE said, "Well, I'm an American."

"No," the barber said. "I mean, what are you?"

Senator INOUYE said "Well, I'm Japanese."

The barber said, "We don't cut Jap hair here."

Well, Senator INOUYE got even with that barber, because he is a U.S. Senator today.

Nobody would question how deplorable that is; but, by the same token, nobody would condemn a Government in which native-born Japanese can serve in the U.S. Senate to make sure things like that do not happen anymore.

So when the President asks if I am better off, I could think that I do not have quite as much money in the bank. My farm is not worth as much as I thought it was going to be. I could go through a litany of things, if I wanted to do so. The truth of the matter is that I paid more in income tax last year than I ever dreamed I would make when I got out of law school, and I am grateful for that fact.

The President later said something else on national television. The President said, "If you don't like my plan, come up with a better one." That was when the Democrats were still a party in disarray. It is going to take us a while to recover from 1980 and get our act together.

The President said, "If you don't like our plan, come up with a better one." All the Democrats started trembling and said, "You can't beat something with nothing, and that's all we have."

So we scurried around to come up with something we could all agree on. Finally, in the last few days, both in the House and in the Senate, we have come up with plans we honestly believe are better than his.

But almost every day, you hear the news reports: This is not acceptable to the President. That is not acceptable to the President. This plan is not acceptable to the President.

He says, "If you will just buy this plan, we will balance the budget; we will reduce inflation; we will reduce interest rates; we will do all those great things."

Both, an amendment in the House and one soon to be offered by the Senator from New Jersey in this body, would at least hold off the third year of this tax plan until the President's own goals have been met.

Why, in the name of all that is good and holy, would that not be acceptable to the President? He says that the inflation rate is going to be down in 1983, that the deficit will be a certain figure, and that interest rates, the thing that is absolutely dissolving this country, will be down.

The amendment of the good Senator from New Jersey and the amendment in the House would require that the third-year tax cut not go into effect until we see whether those goals are met or not. That seems to me to be the most reasonable thing in the world. However, as I drove to work this morning, I heard that the President said that is not acceptable.

The Senator from Delaware has already alluded to a thing that I want to repeat, because it is unique in the history of this country. It was the Democrats who got the message last fall. It is the Democrats, on this side of the aisle, who are bleeding for fiscal responsibility and a reduced deficit.

I do not care whether you believe that deficits are the cause of inflation or whether you believe deficits are the cause of high interest rates. It is good sense not to have deficits.

As the Senator said, he and I have to live within our means. Everybody has to live within his or her means, except the Government. So, let us do it, because if we do not carry out that one expectation of the American people, we will dissolve the small thread of confidence still remaining.

Therefore, we are pleading on behalf of the amendment of the Senator from South Carolina. I am not wild about it, but compared to Kemp-Roth, it looks like the New Testament. It is an amendment that cuts deficit spending by $173 billion over the next 3 years.

It is the Democrats who have always been for jobs. It is the Democrats who have always been for cutting taxes. It is also the Democrats, I presume, who got the message fully last fall that the American people want to do business differently. It is the Democrats who are trying to honor that mandate, if there was one, to balance the budget and to stop deficit spending.

The President has also said that we should not tinker with social security. He told the American people that the safety net is going to be kept sacrosanct: "You people on social security, don't worry, because we are not going to tinker with that."

Although he has not said it, every poll I have seen has said, "Don't give this country away to the oil industry." Yet, yesterday, in the middle of July 1981, the U.S. Senate did the most amazing thing I have ever seen. It voted to cut the minimum social security payments to 3.5 million people, $122 each month, many of whom depend on that almost totally. The Senate decided to take that $122 check away from them, and, within 1 hour, we were considering an amendment to give $40 billion to the American oil companies, who are busy buying up each other and everything else they can find to buy because they do not know what to do with the money. It is all over the floor.

I say to the Senator that he is going to live a long time before he sees that happen. I hope he lives a long time before he sees that happen again.

Concerning capital gains, I heard all the arguments made in 1978 when we cut out the capital gains rate from 49 to 28 percent. You cannot find one thing that has been said since the debate on this measure started that was not said since 1978. Cut the capital gains rate, and people will invest. We will improve our technology, become more productive, compete with Japan, and everything will come up roses. That was 3 years ago. What happened to that promise?

Now the argument is 28 percent was not low enough; let us go to 20 percent. Is that one of the promises they are going to meet?

That is not an antibusiness argument. That is a rhetorical economic question.

This amendment, of which I am a cosponsor, is infinitely preferable to those supposedly fair across-the-board cuts which the Senator from South Carolina and I both know are about as unfair as anything we can be as these charts show.

These figures are far more compelling, than the arguments that we have to give the oil companies more money as an incentive to explore.

That argument has been so totally devastated in this Chamber so many times since I have been here that one cannot believe anyone would have the courage to continue to make it. Yet it is still made.

Twenty billion dollars of credit is lined up by four companies in this country waiting to see who is going to gobble up Conoco. Tell me how much extra oil the United States is going to get when Gulf or Mobil succeed in buying Conoco. Where is that great American adventurism to go out and risk their money? They know that they do not have to risk anything; they can buy it. It is already found. They will just buy Conoco.

I tell the Senate that of the 27 top oil companies in this country, 20 of them are shivering in their boots right now. They know the other seven are probably going to gobble them up.

By comparison, what does the Kemp-Roth bill do for the people who make less than $20,000 a year, and that is half the people in America? The median income in this country for a family of four is $21,000. That means half the people of this country are making less than $20,000. What will their situation be at the end of 3 years?

These charts show it. In 1984 the peopeople who make between $5,000 and $10,000 a year will be 126 percent worse off, using a 9-percent inflation factor. The people who make between $10,000 and $15,000 in 1984 will be 13.1 percent worse off than they are today. And the people who make between $15,000 to $20,000 a year will be six-tenths of 1 percent worse off.

Unless they make over $20,000 they are going to be worse off, and that means half of the American people will be worse off under Kemp-Roth than they are right now.

The Senator from South Carolina has very wisely made sure that his tax cut will protect those people from inflation and protect them against the increased cost of social security. Why does this argument not penetrate? It is so simple. Talk about simple solutions we have been

listening to all these years. Here is one that really is simple.

The President said he was going to protect the truly needy. No one has ever said who the truly needy are. A man and his wife making $20,000 a year with a couple of children and with a $200 electric bill last month surely feels that he is truly needy. Try to tell the man who is making $30,000 a year and has two children to educate that he cannot get a student loan because he makes too much money.

Does the Senator from South Carolina know what is the take-home pay for a man with a wife and two children and an income of $30,000. It is about $18,000 a year. By the time he pays for his medical insurance, which admittedly is a cost of living, and by the time he pays his social security tax, his State income tax and his Federal income tax, he gets about $18,000 a year. If he is paying 20 percent of his income for housing, he is paying about $400 of his $1,500 a month for housing. So tell him how he is going to educate his children. He is going to tell you you are crazy.

A lot of people have called me and said give the President what he wants, and, as did the Senator from Delaware, I also cooperated with him. I voted for some budget cuts that I did not really want to vote for and did not believe in those budget cuts, but I swallowed hard in the interest of cooperation and voted for them.

I was always told as a parent that I should not give my children everything they want; it will really spoil them.

I do not think we are going to spoil the President, but I am also not convinced I should send my commonsense on vacation because we have a new President. So I am not going to do that.

Finally, does the Senator know who is not convinced about these figures? It is the people who play hard ball. It is the people who put their money where their minds are and not where their mouths are. Those are the fellows on Wall Street. If there is any crowd in this country that is unimpressed with the President's promise to balance the budget, it is the analysts on Wall Street.

Henry Kaufman, who is about as good a guru as one will find on Wall Street, is with Salomon Brothers, and he has said that there is not any way to balance the budget and there is not any way for interest rates to come down, given these kinds of tax expenditures. If we add to this $333 billion not just $100 billion increase over the next 3 years in defense spending but $100 billion over what President Carter had recommended and that was a colossal increase, that is $433 billion.

If Arthur Laffer could convince me that by cutting taxes by $333 billion, we are going to recoup $334 billion, then I would vote for Kemp-Roth. But in my opinion that is economic nonsense. It is not going to happen.

It does not please me to stand here and to take issue with the President, who still rides high in the popularity polls. But I fundamentally disagree on the economics of this particular joint resolution. It is wrong. It skews the benefits toward the very wealthiest and does nothing to protect those people in the lower income category, and it guarantees more deficit spending and, therefore, more inflation and higher interest rates.

I thank the Senator from South Carolina for proposing this amendment and allowing me to speak on it.

The PRESIDING OFFICER (Mr. MURKOWSKI). The Senator from South Carolina is recognized.

Mr. HOLLINGS. Mr. President, I thank the distinguished Senator from Arkansas. He brings the issue so cogently and forcefully to this body.

As he has emphasized, he is not enthralled with this particular amendment. The author himself is not enthralled with it. It is a realistic approach and it shows that when the Senator from Kansas, the chairman of our Finance Committee, would immediately characterize it as antipeople, when realistically we are trying to offer that alternative.

Take the Finance Committee. The Finance Committee provided for the marriage tax penalty. The Finance Committee provided for the investment tax credit. The Finance Committee provided for the depreciation allowance. The Finance Committee provided for the foreign earnings tax credit. The Finance Committee provided for the maximum tax schedule on investment income, reduced the tax rate to 20 percent on capital gains, and from 70 to 50 percent on investment income. The Finance Committee provided for all these things, including individual income tax cuts. When we phase them in in a deliberate, responsible economic way all of a sudden we become antipeople.

I think this goes to the heart of what the Senator from Delaware was trying to emphasize with respect to the confidence that they have and that will be lacking if some alternative is not passed whereby President Reagan can generally succeed. Why does he not accept this? Immediately his advisers are saying it is antipeople.

I really believe that the advisers have never understood or appreciated or the President himself, for example, the tax cuts that we have had.

If you live out on the political stump and away from Washington you get an anti-Washington bias, there is no question about it. As a former public servant at the State level, I will never forget at one time dealing with President Kennedy on the textile problem. We had submitted a paper, really which was what we called a white paper at that time, a plan that was adopted later by both the Northern and the Southern textile industries for an approach to getting an agreement with respect to one-price cotton, the quotas, and we were ready and prepared to announce this, and it was suggested that maybe some Congressmen and Senators would be called in.

In a casual way I said, "Oh, they really don't know too much about this."

It was later when I came to the National Congress that I learned that the Senator from Rhode Island, Senator Pastore, knew way more about it than I did, and that the Senator from Georgia, Senator Talmadge, knew way more about it than I did, and a lot of the others.

The service in the National Congress is an education, a continuing education. That is why we can speak with some sense of history and some experience because we were part and parcel of it.

Let me list these different tax reduction bills: The Tax Reform Act of 1969, the Revenue Act of 1971, the Tax Reduction Act of 1975, the Revenue Adjustment Act of 1975—you see there were two in 1975; the Tax Reform Act of 1976, the Tax Reduction and Simplification Act of 1977, and the Revenue Act of 1978.

Just look at the debate, Mr. President, on that Revenue Act when we were reducing capital gains from 49 to 28 percent, and if you read that record we were going to reindustrialize America; we were going to reindustrialize.

Here we are 3 years later, and we have not reindustrialized the automobile industry, which is going broke; the housing industry is going broke; the steel industry is asking for consideration; textiles, shoes, right on down the list, they are not reindustrialized.

But when you hear these arguments now that we are going to reindustrialize and we are going to all of a sudden rejuvenate the economy and there is going to be this tremendous growth rate, we say, "Well, we have heard that before."

Mr. President, I ask unanimous consent that a list of tax reductions from 1970 to 1980, both personal and corporate, be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TAX REDUCTIONS

[Billions of dollars, calendar year]

	Total	Personal	Corporate
1970	12.0	11.2	.8
1971	23.4	20.9	2.5
1972	22.3	17.1	5.2
1973	40.6	31.7	8.9
1974	44.3	32.5	11.8
1975	64.2	52.8	11.4
1976	70.2	55.6	14.6
1977	80.9	62.4	18.5
1978	97.9	76.2	21.7
1979	121.1	89.5	31.6
1980	154.7	122.8	31.9

Mr. HOLLINGS. The tax reductions are cumulative and are $731 billion.

We heard about governmental profligacy, waste, fraud, and abuse, and all of the cute little examples of the silly research projects, and all the single-issue groups which have been spawned and nurtured and have flourished on not having any defense, on having all this Government waste.

So coming to Washington I am convinced that this particular President did not realize that we have had all of those tax cuts and all of that tax reduction and all of that lost revenue. He proclaims to the joint Congress, "We don't want to have more of the same. We want to have something different." However, what we are getting is more of the same.

Equally, Mr. President, when we get to the matter of making money from inflation or losing money, I want to put in here the schedule of tax increases from inflation, the increased revenues of individuals of $35.6 billion, corporate $2.1

billion, social insurance $14.4 billion, and "other" $17.9 billion, for a total of $70 billion in increased revenues. That is right.

But then there are increased costs.

With respect to the matter of social security, national defense, medicare, medicaid, railroad retirement, food stamps, child nutrition, veterans' retirement, those expenditure increases as a result of inflation, are about $83.1 billion.

I ask unanimous consent to have printed the estimated effects of inflation in the fiscal year 1981 budget.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Estimated effects of inflation in FY 1981 budget

(In billions of dollars)

Tax increases from inflation	70.0
Individual	35.6
Corporate	2.1
Social insurance	14.4
Other	17.9
Expenditure increases from inflation	83.1
National defense	16.3
Payments for individuals:	
Medicare	3.5
Medicaid	1.4
Social security	16.4
Supplemental security income	.9
Railroad retirement	.6
Civil service retirement	1.9
Black lung	.1
Unemployment compensation	1.5
Food stamps	.8
Child nutrition	.4
Veterans retirement	.5
Other	4.9
Other grants	4.6
Net interest	24.3
All other	5.0
Change in deficit	13.1

Mr. HOLLINGS. Well, Mr. President, then in a letter to my colleagues I have tried to analyze the body politic to show why at this particular time the economists say that it cannot work and why good business judgment says it cannot work, and why good commonsense says it cannot work, why any housewife who would look at this particular problem would analyze it immediately as inflationary. It is because over the years we have been running these high deficits to the tune of the last 10 years really, a surge in red ink, of over $400 billion.

In essence, we have become diabetic on Federal deficits and alcoholic on these tax cuts. Congress has not been lethargic, they have not been politically inattentive, they have not been unaware. They knew there was some money around, so when we would be working over on the Budget Committee the distinguished chairman of the Finance Committee, the chairman himself, would be working on the theory that it was a footrace. We were trying to get the budget into balance, and knowing they had this extra kitty or pile they were trying to cut taxes and, frankly, in that footrace the Finance Committee has been winning out.

So with all of that loss of revenue, yes, to the body politic, you can give a beer to a man suffering from malnutrition. I know many ill in hospitals over a month's period of time are encouraged to drink a beer to get back, to recover from weight loss. But give an alcoholic a beer and you have given him poison.

At this particular time an across-the-board tax cut amounts to economic poison, more of the same.

We need the vitamins, the minerals, the revenues at this particular point so that we can get this body upright again and then, once recovered, surely go on a diet, cut it back across the board. The very size of Government has become oppressive. But unless it is addressed in that particular fashion, Mr. President, it cannot work. Who said so? Mr. President, Otto Eckstein came before the committee, and where I referred to the quiet lockjaw of the business community and leadership in this country, there have been some economists and leaders who have spoken out.

Otto Eckstein said:

But on the President's schedule there will always be an increment of fiscal stimulus to boost nominal demand and that factor will make the inflation worse. On a net basis, one cannot escape the conclusion, if one believes in the relationships that have governed our economy in the past, that the net effect of the President's program on the President's schedule is to make the inflation rate worse.

And that is what we are reading every day in the morning headlines.

The answer to the problem is simple enough. The Congress must stretch out the tax cuts to a schedule that will take the stimulus out of the fiscal policy.

He speaks of budget deficits. I can go quickly, because I understand now that my colleagues want to terminate the debate and go to a vote.

Mr. Chimerine, the chief economist for Chase Econometrics said:

First, I do not believe that a full implementation of all the recommendations would lead to a reduction in inflation and acceleration of real economic activity to the degree forecast by the administration. Second, the budget is not likely to be balanced at any time during the next several years and extremely large deficits are very probable.

Finally, Mr. President—and I have many others—but due to the press of time, I will quote from Herbert Stein, the Chairman of the Council of Economic Advisers for both President Nixon and President Ford.

My judgment is that if we are to balance the budget by 1984, the amount of tax cuts cannot exceed the amounts by which nondefense expenditures are actually cut below the Carter budget.

Now this is what we are doing. We are exceeding it. There is no plan to take care of it. There is no alternative on the floor.

We sincerely present this one in the light of trying not to thwart, frustrate or eliminate President Reagan's economic recovery, but, on the contrary, to have it succeed.

Mr. President, I ask unanimous consent to have printed in the RECORD a "Dear Colleague" letter signed by me and dated July 20, 1981, and also an editorial form the Washington Post today entitled "Cutting Loose on Taxes."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

COMMITTEE ON THE BUDGET,
Washington, D.C., July 20, 1981.

DEAR COLLEAGUE: When does a tax cut amount to a tax increase? When the system is so saturated with deficits and high inflation that another revenue loss means a bigger deficit, more inflation. This causes the racheting effect that puts people into higher tax brackets and brings millions on the tax-paying rolls for the first time. Taxes are not being increased by a new law. Taxes are being increased by a fiscal policy of deficit spending caused by tax cuts.

Ordinarily, a cool beer in this 95-degree heat would be refreshing. But give a beer to an alcoholic and you are giving him poison. A sweet to an ordinary individual is considered a dessert, but to a diabetic it is poison. The American body politic has grown fat. It suffers from the diabetes of deficit spending; it is drunk from tax cuts. Through the '50's and '60's, the body stayed relatively healthy. For the entire twenty-year period, there was only a $74.7 billion deficit. But for the last ten years, the cumulative deficit exceeds $400 billion. We had a balanced budget and surplus in Fiscal 1969, but there have been seven tax cuts since that time and a loss of revenue of $731 billion. These deficits have required government to be constantly in the financial markets borrowing money to pay for the deficit—thereby increasing inflation and increasing the rate of interest. While inflation will give the government a windfall of $70 billion in additional tax revenues this year, federal programs indexed for inflation and higher interest costs will cost the government $83.1 billion. Instead of becoming refreshed from the cool beer of inflation, we are getting drunker. It is actually costing us more money. We try to adjust programs for inflation, but we keep running bigger deficits. The Congress is caught up. More inflation, higher taxes, bigger deficits, more inflation, higher taxes, bigger deficits.

The only way to reduce taxes in this vicious cycle is first to reduce spending and the deficits. Tax revenue is to the body politic as food is to the human body. You can't cut it below the basic necessity level and expect to maintain your health. With deficits it has been cut below basic health needs for ten years and the first order of business is to stop the deficits. The tax bill before the Senate guarantees a $30 billion deficit in '82, a $60 billion deficit in '83 and a $60 billion deficit in '84. The body politic needs drying out for a couple of years before it takes another drink of across-the-board tax cuts. It needs now the vitamins and minerals necessary to stimulate productivity and savings. The Finance Committee's provisions on depreciation allowance, capital gains, overseas earnings, marriage tax penalty and a savings certificate will do just that, at a cost of $12 billion in 1982 rather than $40 billion. Then, beginning in January of 1983, a 10 percent individual income tax cut across-the-board targeted to those below the $50,000 income level can be provided. This phased-in approach will produce a $35 billion deficit in '82 and a balanced budget by 1984. President Reagan says adopt his program or submit an alternative. This is the only alternative presented that guarantees productivity, savings, a balanced budget, and lower interest rates.

Sincerely,

ERNEST F. HOLLINGS.

CUTTING LOOSE ON TAXES

Of all the congressional decisions being made in haste this historic July, none is likely to be more regretted in the leisure of future years than a decision to build automatic inflation-linked cuts into the income tax system. The Senate has already voted to adopt such provisions, and sentiment is building in the House for a similar measure.

Experience over the past several years has provided ample evidence of the dangers of building self-triggering inflation adjust-

ments into anything—social insurance programs, wage settlements or, specifically, tax systems. Some of the problems are technical—which index to use, for example. The Consumer Price Index is a useful statistical standard, but it was not designed to provide a measure of the actual cost-of-living for the purposes of any particular government policy. The CPI has been justly criticized for exaggerating the effect of inflation on Social Security and other indexed programs. Yet this is the index the Senate now proposes to use in adjusting tax brackets and other features of the system to keep inflation from increasing tax burdens.

Choosing the right index is just one of many technical difficulties. Mistakes made in 1972 when inflation adjustments were built into Social Security have added substantially to that program's financial troubles and are still not fully corrected. Yet indexing the Social Security system seems simple compared with the task of correctly adjusting all the dimensions of the tax system—and foreseeing all the consequences of these adjustments.

Still more serious is the loss of fiscal control that tax indexing entails. The notion that Congress has been fanning inflation to generate revenues for a spending spree is sheer nonsense. As Sen. Ernest Hollings pointed out on the opposite page last Sunday, inflation-driven increases in taxes have lagged well behind the corresponding increases in those parts of the budget that are explicitly or implicitly linked to the price level. Congress has shown itself fully capable over the last decades of legislating tax cuts sufficient to offset "bracket creep." What recent Congresses have not mustered the courage for is voting income tax increases when they are needed to cover unanticipated surges in government requirements.

Several states already have some inflation-proofing built into their income taxes, though not, typically, a full CPI adjustment. Colorado, where the economy has remained relatively strong, is enthusiastic. Other states, like Minnesota, however, have come to realize that there is no guarantee that the price of essential government services will move in lockstep with the CPI. The federal government, with its heavy commitment to defense, an expenditure that consistently outpaces the general price level and its large indexed social programs, is still more vulnerable. Suppose, for example, that an OPEC oil price rise jerks the CPI upward, pushes the cost of military obligations still higher and triggers a cut in taxes—all of this becoming apparent in the fall of the one out of two years with an election. What would happen? Further cuts in the non-indexed parts of the budget might be rushed through, but a bigger deficit is a much better bet.

Legislating a massive three-year tax cut in an economy as uncertain as the present one is folly enough. Sharply limiting the freedom of future Congresses to deal with whatever failures of current policy or unforeseen shifts may emerge is mid-summer madness.

Mr. DOLE. Mr. President, I thank the distinguished Senator from South Carolina. I know his proposal is presented in the utmost good faith. I am certain the Senator from South Carolina believes that he has a better plan.

The only problem is that we are supporting the President's plan and the President believes he has a better plan. But the Senator prefers his alternative to that reported by the Senate Finance Committee.

As I indicated earlier, the Senator from South Carolina, Senator HOLLINGS, and the Senator from New Mexico, Senator DOMENICI, have had an impact on the shape of the bill reported by the Senate Finance Committee. We did not do as much, or as little, I guess, depending on your point of view, as the Senator from South Carolina. He would pare back our bill, the cost of it, by eliminating provisions for a credit for royalty owners and to phase down the tax on new oil.

I think there is a lot of misunderstanding about royalty owners. Maybe in States where there is not too much production, there is an even greater misunderstanding. But I would only suggest that when we passed the windfall profit tax, few royalty owners in this country knew they were going to be involved, because President Carter always used to talk about big oil and the ripoff by big oil.

Naturally, somebody out there in the State of Kansas or the State of Louisiana or the State of Montana, or wherever, who was getting a little check for $100 or $200 a month, did not think the President was talking about them. Suddenly they were hit with a tax of about 36 percent.

The Senator from Kansas went to Oklahoma with the Senator from Oklahoma, Senator BOREN. We had a public hearing and about 1,800 people showed up. We asked in that audience that day how many were retired and how many were landowners and how many were royalty owners. We found, much to our surprise, that a great many in that audience were retired. They depended on these small royalty checks for their livelihood.

We also had hearings in Kansas. Senator BENTSEN had a hearing in Texas. I am certain there were hearings in other States that I may not be aware of.

We believe the royalty owner credit is a good provision. Because of the concern expressed by royalty owners, we did, as a part of the reconciliation bill last year—and I might add, with the support of President Carter and also candidate Reagan—provide for a $1,000 credit for royalty owners. We have increased that to $2,500, which means, in effect, that somebody with about a $7,500 royalty income, which is not big oil and a great deal of money, would not pay a tax. Above that, they would pay the normal windfall profit tax. So that may be one small part of it. There are only 2 million royalty owners in America. But, for the most part, we believe they deserve our consideration.

We have had debates on new oil. The provision in the Senate Finance Committee bill is a very modest one. It phases out the new oil rate from 30 percent to 15 percent over a period of 4 years, commencing in 1983. So it is not a big provision, not a very costly provision. We believe it provides some incentive for more production and that there would be a production response.

But, beyond that, as I understand the Senator's amendment, it provides rate cuts for only 1 year, as far as individuals are concerned, and that is in the amount of 10 percent in 1983. These would not be across-the-board rate cuts. So there are major differences between the Hollings proposal and the proposal that the Senate Finance Committee reported, a proposal also supported by the President.

Finally, I would say the debate for the most part has been helpful. This Senator cannot support this rather radical modification. It would take care of business taxes. We have taken care of lowering the rate from 70 to 50 percent of the unearned rate in the Senator's amendment. But somewhere along the line we forgot about the individual taxpayer who is being boosted into higher brackets right down the line.

As the Senator properly indicated, there have been several tax cuts since 1972. That has just kept most Americans up with inflation, although not all of them. It is our belief that the 5–10–10 proposal of the President is, in this case, a better proposal.

Now, history will judge whether or not the President was correct and those of us who supported his view were justified or whether the Senator from South Carolina and others who have spoken for his approach were correct.

But I believe we are on the right track. I doubt that this amendment will be adopted. That does not mean it does not have a great deal of merit. I just hope it does not have enough merit to be adopted.

I am happy to yield to the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Will the Senator tell me what this amendment would do as far as an ordinary family is concerned—the salt of the Earth kind of family, where a man is the breadwinner for the family and the wife stays home and does the housework and looks after the children? Let us say for an ordinary family making anywhere from $15,000 to $25,000 a year, what would the significance of this amendment mean as far as that ordinary, middle-income family is concerned? How would they make out under the amendment of the Senator from South Carolina? What difference would it make as far as they are concerned?

Mr. DOLE. In the bill we have for individuals there is about $26.6 billion in revenue in 1981. In Senator HOLLINGS' package, the figures I have, as far as individuals are concerned, there would not be any tax relief, so it would not be very difficult to compute.

Mr. LONG. Mr. President, may I say to the Senator from Kansas. I recall how, after we passed the windfall profit tax. I went back to Louisiana and I did not have any complaints from the big oil companies; they all understood about it. But, as the Senator from Kansas himself has predicted. I had all kinds of problems explaining this matter to old people, widowed women, and goodness knows how many other small landowners, about the windfall profit tax on their little bit of oil royalty.

So much so, that I will say here that if the Senator from Louisiana had known how that windfall profit tax had affected these small royalty owners. I would certainly have tried to prevent the

problem from happening. I am not talking facetiously. I am talking about widows and the small royalty owners affected by the windfall profit tax bill. We did not have them in mind when we enacted that. I came back here anxiously seeking to find some way to find relief for those worthy people, the small landowners, farmers or aged people, widows who had children to support.

As much as I was distressed about that, I know I would be even more distressed if this Senator went back to Louisiana and talked about the biggest tax cut in history for which I had voted and found that we left out all the middle-income people, these families making $15,000, $20,000, or $25,000, a man, his wife and two children.

The Senator might be able to go somewhere and explain to those people that this was a productivity bill and there was no place in it for them. I think it would be hard to explain. I would hate to have the job of going to a union hall and explain to the union members that we thought it was a good job to cut the taxes for those who are doing well from 70 percent to 50 percent that we thought it was good to cut the taxes for corporations, giving them enormous savings. But someone would ask, "What about me? Why did you leave me out?"

How does the Senator feel the average labor union member would feel about it when you explained, "We thought it better that you not get the tax cut."

I would hate to have to explain the consequences of an amendment that would leave out middle America.

I say to the Senator from Kansas that the Senator from Louisiana has had the privilege of managing a big tax cut bill on occasion, but I cannot recall when we left out the working man and woman, when we cut the taxes for big business and wealthy people. I say it would be very difficult to explain and I would not want to explain it to the rank and file of people.

A rich man might go along with that, but I say it would be difficult for the ordinary working man, who gets out and earns his money by the sweat of his brow, to understand why we kept him out and provided the tax cut for the corporations and wealthy people.

Can the Senator answer as to how he could explain how that would be a good idea?

Mr. DOLE. I cannot answer that. I only have 5 years left in my term. It would take nearly all of my time to explain that, particularly not to just the middle-income taxpayer but all taxpayers in the first year.

I understand the motive of the Senator from South Carolina in balancing the budget. I do not disagree with that. That is why the Senator from South Carolina knows we tried to hold down the first year and did it rather successfully.

It just seems to me that the Senator from South Carolina and those who support this proposal would be in a better position if they would provide more tax relief to the taxpayers. Big business is going to make out all right. They have a lot of lobbyists in the other room. I do not care to walk out in that direction They are going to be all right, but there is nobody here lobbying for the taxpayers except me, I guess, and the Senator from Louisiana.

Mr. LONG. How are we on Capitol Hill to react if the President should veto the bill, sending it back to us? He could say he would object that we did not do anything for middle America. How are we supposed to react to that?

Mr. DOLE. It would be pretty hard to figure that out. I would have to work on that for a while, particularly something like this. But I think we can successfully defeat this effort.

Again, I do not denigrate the effort. I think it is based on the conviction of the Senator from South Carolina that unless we cut the amount of revenue loss we will be in great difficulty. That is his view and the view of many who have spoken.

Many who have spoken are running around with little special-interest amendments they want me to take. I do not know how we can take care of all those people and not the taxpayers. What about the taxpayers, the people who are working for wages? I have not seen them running around saying "Take care of these taxpayers." They want to cut them out in 1982 and make room for more special amendments.

That is not the view of the Senator from South Carolina. Do not misunderstand me.

I have listened to some stand up with these great speeches about the taxpayer. I am reminded of what they have been telling me about their little amendments, to take care of this, to shelter this or shelter that. It is difficult to understand.

Mr. LONG. Will the Senator yield further?

Mr. DOLE. Yes, I am happy to yield.

Mr. LONG. I can understand how the Senator from South Carolina can make an attack on the people in the oil business. It sounds good, I am sure, to a lot of people in South Carolina. But Louisiana has a lot of people who produce oil and gas. The Senator from Louisiana has no apologies to make. He voted for what he thought was the prevailing view in the State of Louisiana. He did vote to give the oil and gas producers a reduction in the windfall profit tax.

Having done that, can the Senator explain to me how those of us who voted to give the oil and gas fraternity a break in this tax can go back and say, "Yes, we did help the oil and gas people get more of a tax break than proposed by the committee and we also voted to take out of here what there was to give a break to the middle-income people."

Mr. DOLE. I can give the Senator an answer but maybe not an explanation. I have not had this job very long and I understand there are only 90 amendments left. We just counted them. If they are all like this one, we will be all right, because this will be defeated. But there may be one or two which will creep through.

Possibly this amendment would save a lot of money. If we adopted this, we could take the other 90 and that would shorten the time. Instead of voting next Tuesday on this bill maybe we could vote on it tonight.

I was here when Senator BIDEN was speaking. I cannot recall what he said, but it was fairly partisan. I cannot believe that coming from Senator BIDEN, but it had sort of a partisan overtone, indicating how this country has gone to the dogs in just 6 months with Reagan in the White House. That is pretty fast. There are a lot of people in this country. To pull them all down that quickly I think may be a tribute to the President.

I do not know where Senator BIDEN was the past 4 years. I would just say that I cannot recall in history a previous time when a President has come to this town and said to the Congress, "You have to cut spending."

Some of us have voted for that policy, including the Senator from South Carolina, I might add.

The President also says, "We have to cut taxes. People are paying too much taxes."

If that is bad policy, to cut Federal spending, cut taxes, cut regulations, and try to do something with the economy to bring down inflation, then the President is on the wrong track. But I have to believe that the American people by and large support the President. They know he cannot turn this economy around overnight. But they know he could do it a lot quicker if we could get on with our business and pass this tax reduction legislation and pass the spending reductions and get out of here in August.

The best news for the taxpayers that I can think of would be to approve the tax reduction, pass the spending reduction, and not meet during the month of August. If Congress was not here for 30 days, that would be good news for the American taxpayer. When we are not here, we cannot do anything except make speeches and they do not cost as much as some of the other things we do.

I salute the Senator from South Carolina, but I want to share the views expressed by my distinguished friend from Louisiana. I am not ashamed to stand up here and represent the people of my State. Some of them are in the oil business. If it were up to the Senators from South Carolina and Connecticut, we might freeze, but we would put the oil industry out of business. "Throw me down a blanket. It is getting cold in here."

That might be all right, to go after the oil industry, particularly the small producers, the independents, the little royalty owners.

Maybe we have not looked at timber enough in this bill. Maybe there ought to be a windfall profit tax on timber or minerals.

By and large, we are moving ahead. I do not want to delay and clutter up the debate with facts. I am prepared to vote.

Mr. HOLLINGS. Mr. President, I am also prepared to vote. I wish we did have time to hear the Senator from Louisiana and the Senator from Kansas describe their handiwork. We took it from the Finance Committee. I am sure it is copied very carefully. When we take care of the marriage penalty, overseas earnings all-savers certificates, the very same depre-

ciation allowance, the same investment credit, then they say we cut out the individuals to take care of special interests.

Now we have the principal portion of the incentive—they describe it as incentive—but when it appears in my bill it is special interests. They say we just gave it to the wealthy people. All of a sudden it is just wealthy people and special interests, but only when it appears in the amendment of the Senator from South Carolina.

It is remarkable to hear them palaver along about the ordinary family, the salt-of-the-earth family, the wife that stays home and looks after the children. What would we tell them? We would tell them to stop picking their pockets with inflation and deficit financing; we are going to get the Government in the black; we are going to pay the bills like the ordinary family, the salt of the earth.

We are going to do like you, ordinary family. That is what this amendment is intended to do.

They have heard all that other political talk with all those other tax bills, about the little people. The little people are tired of being taken care of. They are being taken to the cleaner. This is an approach that even that ordinary family can understand and they are willing to forgo.

You can take any poll of the ordinary family. The wealthy, it is said, we got the wealthy in here. I thought I left out the wealthy when I left out the windfall profit tax provisions.

That was intentional, to leave out the wealthy. I thought when we got married couples, it meant just that: ordinary married couples that needed to work.

Mr. DOLE. Mr. President, I think we have had enough good debate on this amendment. Whatever happens, maybe it can be offered again next year, if it does not succeed this year. If it succeeds, I shall offer the President's proposal next year.

Again, Mr. President, I want to make certain that the record reflects my respect for the Senator from South Carolina. We have a different view on this proposal. I know that both the Senator and the Senator from New Mexico (Mr. DOMENICI) have been cautioning us as leading members of the Budget Committee that more or less controls whatever else the rest of us do. I mean sincerely that it has had an impact on some of the things we have not done.

That is why we kept that royalty credit small; that is why we did not do much in other areas that may be more than some would like. But there are a number of good provisions in the Senator's proposal. Reducing that top rate from 70 to 50 percent, I think, is good. The so-called marriage penalty reduction is good. That was done in our bill. There are a number of other areas that I think we see pretty much alike on.

I think the one big difference is that we would not make the average taxpayer wait a year for a little relief. I think it is going to be difficult to explain why you are going to give business a pretty substantial cut and not the working people. On that basis, I hope the amendment will be defeated.

Mr. LONG. Mr. President, the Senator from South Carolina says that he would keep the part the committee recommended with regard to the marriage penalty. That would help with regard to middle-income families, where both the husband and wife are working, or upper-income families where both the husband and wife are working. But his amendment would strike out of the bill the provisions for all these other married couples where only one of the two is working and earning income for the family. They would get no relief.

Mr. President, I have supported this bill and I shall vote for it. I have supported other bills that did a great deal for business. I suspect this bill will do as much to help big business and business in general as any bill that has ever passed in the U.S. Senate or through the Congress. But I would be embarrassed, Mr. President, to go back and report that even though the Republican Party and a Republican President strongly recommended that we do something for middle America, I participated with a group that proceeded to strike from the bill that which would benefit the rank-and-file working people in this country.

Some have contended that they do not receive enough benefit, they do not get enough of a break out of this bill. I would hate to think, Mr. President, if Senators feel that way, that they would proceed to strike out of this bill what the working people would get. I think this is a good bill, a well-balanced bill. It will benefit the economy, and I hope it will benefit every taxpayer. I hope the amendment will not carry. I think the many people of middle America are disadvantaged by this.

Mr. HOLLINGS. Mr. President, what we give middle America is what we give all America. That is low-interest rates under this amendment.

● Mr. LEVIN. Mr. President, I support the amendment offered by Senator HOLLINGS. This amendment is fiscally responsible. It recognizes the fiscal limits before us and the pressing need to reduce interest rates.

If the Senate adopts the individual rate cuts approved by the Finance Committee, we embark on an economic journey in a boat without rudder. Unproven theories underlie the tremendous cut in taxes that will occur under the Finance Committee bill. I believe they will result in more budget cuts, deeper than those already enacted.

Most importantly, this amendment recognizes the devastating impact of interest rates on the economy. We can expect $60 billion in the 1984 deficit if we do not adopt this amendment. We cannot possibly expect a drop in interest rates if the Federal Government continues to run up deficits of that magnitude. Economic recovery will continue to be elusive, housing construction and auto production will continue to fall prey to tight monetary policy.

I urge my colleagues to support this amendment. It is fiscally responsible and just the tonic for interest rates.●

Mr. METZENBAUM. Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BAKER. I announce that the Senator from Maryland (Mr. MATHIAS) and the Senator from Alaska (Mr. STEVENS) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN) is necessarily absent.

I further announce that if present and voting, the Senator from Texas (Mr. BENTSEN) would vote "nay."

The PRESIDING OFFICER (Mr. HAYAKAWA). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 26, nays 71, as follows:

[Rollcall Vote No. 211 Leg.]

YEAS—26

Biden	Ford	Levin
Bradley	Glenn	Matsunaga
Bumpers	Hart	Metzenbaum
Byrd, Robert C.	Hollings	Nunn
Chiles	Huddleston	Pell
Cranston	Inouye	Randolph
Dodd	Jackson	Tsongas
Eagleton	Kennedy	Williams
Exon	Leahy	

NAYS—71

Abdnor	Goldwater	Nickles
Andrews	Gorton	Packwood
Armstrong	Grassley	Percy
Baker	Hatch	Pressler
Baucus	Hatfield	Proxmire
Boren	Hawkins	Pryor
Boschwitz	Hayakawa	Quayle
Burdick	Heflin	Riegle
Byrd, Harry F., Jr.	Heinz	Roth
	Helms	Rudman
Cannon	Humphrey	Sarbanes
Chafee	Jepsen	Sasser
Cochran	Johnston	Schmitt
Cohen	Kassebaum	Simpson
D'Amato	Kasten	Specter
Danforth	Laxalt	Stafford
DeConcini	Long	Stennis
Denton	Lugar	Symms
Dixon	Mattingly	Thurmond
Dole	McClure	Tower
Domenici	Melcher	Wallop
Durenberger	Mitchell	Warner
East	Moynihan	Weicker
Garn	Murkowski	Zorinsky

NOT VOTING—3

Bentsen	Mathias	Stevens

So the amendment of the Senator from South Carolina (UP 259) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DOMENICI. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HARRY F. BYRD, JR. Mr. President, I wish to send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. I wish to remind the Senator from Virginia that amendment No. 509 and amendment No. 510 are the pending questions. It will take unanimous consent to take up another amendment on top of that.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending question is Senator DOLE's amendment No. 509.

Mr. DOLE. Mr. President, I ask unanimous consent that it be temporarily laid

aside so we may take up a technical amendment which I think has been cleared on both sides. The distinguished Senator from Virginia has cleared it with Senator LONG, myself, and Senator METZENBAUM. There is no revenue loss.

The PRESIDING OFFICER. Is there objection?

Mr. KENNEDY. I object.

The PRESIDING OFFICER. Objection is heard.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HAYAKAWA). Without objection, it is so ordered.

Mr. DOLE. Mr. President, the pending business is the Dole amendment?

The PRESIDING OFFICER. Is the Dole amendment No. 509?

Mr. DOLE. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Following that is amendment No. 510.

Mr. DOLE. Mr. President, there is a technical amendment I think we can dispose of, and on that basis I ask unanimous consent that we temporarily lay aside the pending amendment and permit Senator BYRD of Virginia to bring up his amendment which has been cleared by both sides and the "special administrator" Senator METZENBAUM.

The PRESIDING OFFICER. Without objection, it is so ordered .

UP AMENDMENT NO. 260

(Purpose: To permit successive income beneficiaries in a qualified Subchapter S trust)

Mr. HARRY F. BYRD, JR. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Virginia (Mr. HARRY F. BYRD, Jr.) proposes an unprinted amendment numbered 260.

Mr. HARRY F. BYRD, JR. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 147, line 25, strike the word "and".

On page 148, before line 1, insert the following new subsection:

"(ii) separately with respect to each successive income beneficiary of the trust, and".

On page 148, line 1, renumber subsection (ii) to be subsection (iii).

On page 148, beginning with line 14, strike through page 149, line 4, and insert the following in lieu thereof:

"(B) all of the income of which is distributed currently to one individual who is a citizen or resident of the United States, and

"(C) the terms of which require that—

"(i) at any time, there shall be only one income beneficiary of the trust,

"(ii) any corpus distributed during the term of the trust may be distributed only to the current income beneficiary thereof,

"(iii) each income interest in the trust shall terminate on the earlier of the death of the income beneficiary or the termination of the trust, and

"(iv) upon the termination of an income interest in the trust during the life of an income beneficiary, the trust shall distribute all of its assets to such income beneficiary."

On page 149, line 5, strike the words "(4) Special Rules. —"

On page 149, line 6, renumber subparagraph (A) to be paragraph (4).

On page 149, beginning with line 12, strike through page 149, line 17.

Mr. HARRY F. BYRD, JR. Mr. President, so far as I know there is no opposition to this amendment. It is a technical amendment.

Currently, only in very limited circumstances can a trust hold subchapter S stock without terminating the corporation's subchapter S status.

These requirements are unduly restrictive in view of the fact that trusts may hold other corporate stock or a partnership interest. And, a partnership is very similar, for tax purposes, to a subchapter S corporation.

The Finance Committee recognized this problem and agreed that certain simple trusts should be permitted to hold subchapter S stock.

In attempting to convert the Finance Committee decision into specific statutory language, the language did not cover the full intent of the committee. This amendment would better implement the objective of permitting simple trusts to qualify. To qualify for subchapter S status, a trust can have only one beneficiary at a time, but could have a succeeding beneficiary or beneficiaries, following the death of the earlier one or ones. It would require, too, that where there is a succeeding beneficiary each successive beneficiary would be required to make the election specified in the committee bill.

The amendment permits a trust which, in fact, distributes income currently to a single income beneficiary to be qualified to hold subchapter S stock, even if it was not technically a simple trust.

The amendment and the decisions of the Senate Finance Committee are intended to facilitate trust ownership of subchapter S stock and provide more flexibility in the use of the stock.

In this regard, a trust which qualified for a current income beneficiary would not lose its qualification, as to the current income beneficiary, if, for subsequent beneficiaries, it ceases to qualify. In dealing with trusts which terminate at the death of the beneficiary, it is not intended that the subchapter S qualification will be defeated by the temporary continuation of the trust during the time reasonably necessary to complete the distribution of the trust assets.

This amendment does not change the basic subchapter S rules.

The Department of the Treasury does not oppose the amendment and the amendment was developed in close consultation with the Department of the Treasury.

There is negligible revenue loss associated with the amendment.

I have discussed this with the Senator from Ohio (Mr. METZENBAUM) and he has no objection.

Mr. KENNEDY. Mr. President, if the Senator will yield for a question——

Mr. HARRY F. BYRD, JR. Yes, I yield.

Mr. KENNEDY. Do I understand correctly that there is no revenue loss?

Mr. HARRY F. BYRD, JR. It is described as being negligible, minimal.

Mr. KENNEDY. Negligible? Is there any approximation of what it is?

Mr. HARRY F. BYRD, JR. Less than $5 million.

Mr. KENNEDY. I see.

Are there any particular individuals who would benefit, or is it just a general purpose——

Mr. HARRY F. BYRD, JR. It is general purpose.

Mr. KENNEDY. I thank the Senator.

Mr. DOLE. Mr. President, I might say, in response to the question of the Senator from Massachusetts, the Joint Tax Committee advises me it is too small to estimate the loss, so it is negligible.

We are prepared to accept the amendment. I think the distinguished Senator from Louisiana is willing to accept the amendment.

Mr. HARRY F. BYRD, JR. I move the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Virginia (putting the question).

Mr. HARRY F. BYRD, JR.'s amendment (UP No. 260) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HARRY F. BYRD, JR. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. BAKER. Mr. President, will the distinguished manager of the bill permit me to make a brief statement at this point?

Mr. DOLE. Yes, I will yield to the majority leader.

Mr. BAKER. Mr. President, during much of the day today there has been an effort to negotiate arrangements for the final disposition of the measure before the Senate. I think we are very close to a time when I can propound a unanimous-consent request. We are not quite there yet. We are going over final details.

I wish to advise Senators that we are preparing to do that and hope to be able to make such a request within the next 10 minutes or so.

Mr. President, for the moment, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNANIMOUS-CONSENT AGREEMENT

Mr. BAKER. Mr. President, if I may have the attention of the Senators. I intend in a moment to offer a unanimous-consent request that has been worked

out by many Senators, and it will provide for final disposition of this measure. I ask Senators to give me their attention while I propound this request.

Before I do so, Mr. President, let me say that if this request is granted, two things will occur that the Senate should be aware of as it considers the request.

The first is that the pending amendment by the distinguished Senator from Kansas and the second-degree amendment to it by the distinguished Senator from New Mexico will be withdrawn, assuming that the unanimous-consent request is granted.

Mr. STENNIS. Mr. President, will the Chair maintain order? This is a serious and grave matter, and we cannot hear.

The PRESIDING OFFICER. The Senate will be in order.

Mr. BAKER. Mr. President, I repeat: If the request I am about to make is granted, it is my understanding that the Senator from Kansas will ask unanimous consent to withdraw his underlying first-degree amendment, which will take with it the second-degree amendment of the Senator from New Mexico. Since the request I am about to make provides for a time certain for reaching third reading of this measure, I will propose, after the granting of this request, to vitiate the order for the Senate to convene on Saturday.

With those two matters, I should like to make this request:

Mr. President. I ask unanimous consent that the following time limitations be ordered with respect to certain amendments to the committee amendment on House Joint Resolution 266: 30 minutes on each amendment, equally divided, to be controlled as to time in the usual form, except for those amendments contained in the attached list, consisting of 92 amendments.

I may say, parenthetically, that on that list are a number of amendments on which there are 1-hour limitations, equally divided; 30-minute limitations, equally divided; and in some cases, notations that no time is requested at all or no rollcall will be required.

I further ask unanimous consent that a time limitation of 6 hours be imposed on the bill, that this agreement be in the usual form as to the division of time.

Parenthetically, once more, the 6 hours will be under the control, under this formulation, of the distinguished chairman of the committee and the distinguished ranking minority member. They would have 3 hours each. They could yield time on any other amendment from the bill, by this provision. They will have the time under their control for whatever purpose they wish.

I further ask unanimous consent that these first-degree amendments which are listed and the committee substitute as amended be the only amendments in order on this bill; that following the disposition thereof, the bill be taken through the stage of third reading, with third reading to occur no later than 4 p.m. on Wednesday, July 29, 1981, to the exclusion of further debate, but not to the consideration of these amendments; that no further debate, point of order, or appeal in regard to the joint resolution be in order thereafter; that the joint resolution then be returned to the calendar, and that no motion in respect thereto be in order except for a nondebatable motion to proceed to its consideration.

Mr. President, before the Chair puts the request, let me say that the net effect of this is as follows:

First, we will now know what amendments are to be dealt with to the exclusion of every other amendment.

Second, there will be no second-degree amendments, only first-degree amendments, as shown on the list attached to the request, which I will supply to the clerk.

Third, time limitations will be imposed according to the list, and in the absence of a notation on the list, a time limitation of 30 minutes, to be equally divided, shall apply.

Next, that we will reach third reading on this joint resolution not later than 4 p.m. on Wednesday, July 29; that at that time, if we have not disposed of the amendments which are listed under this formulation, Senators will be entitled to call up those amendments for votes, notwithstanding the 4 p.m. time, as has been the case and the practice of the Senate in previous situations.

Mr. President, it also means that we would not proceed to final passage of this joint resolution but, rather, to third reading. It is fully anticipated that if we do this and if the House acts as I expect it to and sends us a House-passed measure, we will meet that bill in the usual form and move to amend or accept that bill, as the Senate has done previously under the rules, and perhaps ask for a conference and appoint conferees.

Mr. LONG. Mr. President, reserving the right to object, does the Senator have my name on the list? I have an amendment at the desk. Am I included in the list?

Mr. BAKER. That is off to a bad start, Mr. President, because I have the Democratic list here, and I do not observe the name of the distinguished Senator from Louisiana.

Mr. LONG. Please add my name. I have an amendment at the desk. It is about depreciation. It is an amendment relating to expense and depreciation. It is at the desk.

Mr. BAKER. I add that to the list, Mr. President.

Mr. KENNEDY. Mr. President, reserving the right to object, as I understand it, the Dole and Domenici amendments would be withdrawn. Second, that no further amendments would be offered to reduce the windfall profit tax, and no further amendments would be offered providing any other tax relief for the oil industry; that none of the other amendments on the list deals with proposed lower taxes for oil; or, if they do, then the amendments would be out of order.

Mr. DOLE. That is with the understanding—before I agree to any unanimous-consent request—that we change the effective date on the action taken by the Finance Committee to make it effective in 1982 and phase down the tax on new oil from 25 to 15 percent in 1984.

Mr. KENNEDY. With that exception, it is my understanding.

Mr. DOLE. That is my understanding, unless somebody misspelled "oil" in the lists.

Mr. KENNEDY. It comes in various forms and shapes.

May I have confirmation from the leader? Is my understanding correct?

Mr. BAKER. Yes. That is my understanding.

Mr. DOLE. There is an excise tax to be offered by the other side.

Mr. KENNEDY. That will raise taxes. I have no objection.

Mr. HEINZ. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. JOHNSTON. Mr. President, reserving the right to object, the pending business prior to going to the tax joint resolution was the Department of Justice authorization bill. There was pending to that the so-called Johnston-Helms amendment and a cloture motion had been filed on that.

As I understand it, under the rules of the Senate, a vote will occur automatically or should I say the call for the live quorum will occur automatically upon the disposition of the tax joint resolution and that would follow immediately.

I ask the majority leader under this unanimous consent request at what point will he proceed to the live quorum and the vote on the cloture motion?

Mr. BAKER. Mr. President, I have to confess to my friend from Louisiana I have not focused on that. I assume that we will reach the Department of Justice authorization bill sometime shortly after we dispose of this measure.

I point out to my friend from Louisiana, however, that we are going to third reading and I assume as well that the House of Representatives will send us a bill which will complete action. After that, there is no doubt that absent unanimous consent we will proceed again to DOJ and his cloture motion will be eligible.

I do not want to mislead the Senator. By going to third reading, if the House of Representatives for some reason does not send us the bill and we take up this joint resolution once more from the calendar and act on it, we will not have completed action on it.

Mr. JOHNSTON. As I understand it, under the present situation, once we dispose of the tax joint resolution, then we go immediately back to the cloture vote.

Mr. BAKER. Yes, that is my understanding also.

Mr. JOHNSTON. What happens under the unanimous-consent? We go to third reading and then do we immediately at that point go into the 6 hours of debate, or just what do we do?

Mr. BAKER. The 6 hours is on the joint resolution itself and it would be in advance of the time for third reading. At the time we reach third reading we will vote on any amendment that is then pending, or any amendments that have not been disposed of, and then the joint resolution will automatically go to the calendar under the formulation and remain there until it is motioned up on a

nondebatable motion as provided for in this request.

Mr. JOHNSTON. Under the assumption, and I ask the Parliamentarian, under the present rules immediately when we lay the tax joint resolution aside we would go to that cloture vote. Can I then assume or if I cannot assume will the majority leader ask as part of the unanimous-consent request that we go to that cloture vote immediately upon laying aside this joint resolution?

Mr. BAKER. Mr. President, I am not trying to pull any fast and fancy footwork on this. I really do not think that is necessary. I think that when we reach third reading on this joint resolution on Wednesday, the 29th, there is a good likelihood that that day or the day following the House of Representatives will send us a message embodying their tax bill and that we will immediately motion up the Senate-passed joint resolution for final passage, probably to strike all after the enacting clause of the House-passed bill and insert the Senate language, request a conference, and appoint conferees.

That is my expectation. At that point, it seems to me that there will be no doubt that the DOJ authorization bill will recur and that the vote on cloture which was postponed by the generous consent of the Senator from Louisiana will proceed.

I really have not had a chance to think that through beyond what I just described. But I suggest to the Senator from Louisiana that I do not know of anything else that would interfere.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. BAKER. Let me yield to the distinquished minority leader, if I may.

Mr. ROBERT C. BYRD. May I suggest to the distinguished majority leader to put a request that will allow for the interruption in the event that there is cloture invoked, put a request that will allow for the interruption of further action under cloture until such time as time or action is taken on this joint resolution or the House bill, as amended, not including conference reports.

Mr. BAKER. The minority leader defines what I am concerned about. I do not want to get into the cloture proceedings and get cloture and be locked out of the final passage on the tax joint resolution.

Mr. JOHNSTON. I obviously do not want that result. I may tell the majority leader the result that I want is a vote at a time when everyone is here and not after everyone has gone home and with a pro forma session of the Senate.

Mr. BAKER. Mr. President, let me put this inquiry to the Chair.

Mr. President, assuming that this request is granted and we proceed to third reading and the joint resolution goes to the calendar as provided in the request, what would then be the pending business before the Senate?

The PRESIDING OFFICER (Mr. LAXALT). That would not be final disposition of the tax joint resolution.

Mr. BAKER. Yes. And final disposition would not occur then until final passage of the tax joint resolution; is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. Do I understand, then, it is the request of the Senator from Louisiana that we alter the regular order and provide that after we have third reading that we proceed to the DOJ bill?

Mr. JOHNSTON. That is correct, with the condition it be laid aside at any time to come back to the tax joint resolution.

Mr. BAKER. Let me make a counterproposal. That request that was granted earlier with the consent of the Senator from Louisiana and all Senators embraced not only the tax joint resolution but the reconciliation conference report and the tax bill conference report.

If I were to make that request at this time, would the Senator from Louisiana have any objection to me providing that DOJ could be laid aside again on my motion after consulting with the minority leader, without debate, that it can be laid aside at any time at my request after consulting with the minority leader either for the purpose of proceeding to final consideration of the tax joint resolution, the conference report on the tax bill, or the conference report on the reconciliation bill?

Mr. JOHNSTON. I would be perfectly willing, I tell the majority leader, to do that. I ask only that he allow the vote to occur, the vote on cloture, immediately after third reading, which would insure a vote when everyone is here. Then if he wants to lay it aside that is perfectly agreeable.

Mr. MATSUNAGA. Mr. President, reserving the right to object.

Mr. BAKER. Yes.

Mr. MATSUNAGA. May I propound this question to the majority leader?

Of course, according to my calculations here of 92 amendments on the average of 30 minutes each, that would be 2,760 minutes, and then we have at least rollcall votes on 45 of them. That means 245 minutes added. And then we have some with 40 minutes and an hour. Add it up, and it is up to a minimum of 60 hours.

If we were to work 10 hours a day we have 5 days remaining. We will not make it at 4 p.m. Wednesday.

Mr. BAKER. Mr. President, the Senator from Hawaii is, of course, correct and underlying the request is the implication and suggestion that if we are going to finish and still have time to debate these amendments, some of these amendments are going to have to be withdrawn and not offered.

It is my personal estimate that a great number of the 92 amendments will never see the light of day. They will not be called up and offered.

I obviously cannot say how many, but I know of several that will not be offered.

I expect there will be a great number that will not be called up as we proceed with debate on this joint resolution.

Mr. MATSUNAGA. Mr. President, further reserving the right to object, assume that there are still amendments pending at 4 p.m. on Wednesday with time allotted, 30 minutes or 40 minutes. What happens then?

Mr. BAKER. Mr. President, I reply to my friend from Hawaii that at that time under the form of unanimous-consent request that I have now put we would proceed to vote on all the remaining amendments but without any further debate.

Mr. MATSUNAGA. Despite the fact that we will have an allotted time by this unanimous-consent request?

Mr. BAKER. Yes. That will be correct because otherwise the alternative formulation would be to have a time certain to vote and not provide for any disposition of the amendments, which seems to be an undesirable way to treat it. So I assure the Senator from Hawaii that I will make every effort not only to eliminate amendments that may be offered but to reduce time as well.

I think our prospects are good on both counts. I believe this will work. It certainly will mean that we will have to be in late this evening and other evenings, Monday, and Tuesday, in order to reach third reading with remaining time for debate, but I think it is doable. This has been the subject of conversation and negotiation between literally dozens of Senators during the course of this day, and I think all of us recognize, as does the distinguished Senator from Hawaii, that mathematically and theoretically we are building a trap for ourselves, but I do not believe we are and I think it will work as a practical matter.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. MATSUNAGA. I take it that the chairman of the committee will have the power of determining which amendments come first.

Mr. BAKER. Let me say to the Senator from Hawaii that the original draft of this request tried to sequence a number of amendments and then difficulties developed in that respect.

We did not attempt to sequence amendments in this unanimous-consent request. But it is my full intention and, I am sure, the intention of the distinguished managers of the bill and the minority leader to try to accommodate the convenience of Members on both sides by arranging a sequence of amendments to be considered from time to time.

I hope we can always have a backlog of a half-dozen amendments that we know in advance would be dealt with next. So in answer to the Senator from Hawaii I expect that will be taken care of as we reach that point and deal with the bill in an orderely way.

Mr. MATSUNAGA. I withdraw my reservation.

Mr. HEINZ. Mr. President, reserving the right to object, would my understanding be correct that all the amendments on this list, the 92-odd amendments, would be considered germane, and that none of them would be considered vulnerable to a point of order; is that correct?

Mr. DOLE. So far as this Senator is concerned, if they are on the list——

Mr. ROBERT C. BYRD. There is no rule of germaneness invoked.

Mr. BAKER. I do not think that is a problem.

I think only the amendments on the list would be in order. But absent cloture or an agreement that provided for only germane amendments, we would not

have to face that dilemma, and I am not now requesting a germaneness provision.

That was discussed in the several conferences and was not included in this agreement and, perhaps, for the reason implied by the Senator from Pennsylvania.

Mr. HEINZ. I thank the Senator.

Mr. BAKER. Mr. President, let me put another inquiry to the Chair, if I may. We have two conference reports that I trust we will deal with before very long, the reconciliation conference report and presumably a tax bill conference report. The tax bill conference report is self-explanatory. But in the event we receive from the conference a conference report on reconciliation, is my understanding correct that it is a privileged matter and could displace the tax bill for consideration by the Senate at any time?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. Nothing in this proposed request would abrogate any aspect of the privileged character of that conference report?

The PRESIDING OFFICER. That is correct.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. It would only temporarily displace the tax bill.

Mr. BAKER. Yes.

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. Now, Mr. President, let me say to the distinguished Senator from Louisiana that one of the many blessings of electronic legislation is that people listen when they are in their offices and away from the floor.

Since we began this colloquy I have had at least one Senator and, perhaps, others by now, who have indicated they would not be willing to agree to a consent order that we proceed to the consideration of DOJ after third reading and final disposition.

Let me urge the Senator from Louisiana, however, to consider not objecting to this request, and I will reiterate the assurance I gave him before, and that is after we do the tax bill and the reconciliation conference report or between those two, if there is time available for that, DOJ will recur, and I will make my best efforts to see that it does recur. But to change this agreement at this time to say it will recur after third reading, before final passage, at least would be objected to by at least one Senator, and I would not be prepared to agree to it at this time.

Mr. JOHNSTON. Mr. President, a point of order. Under the unanimous-consent agreement is it not true that as soon as the tax bill is laid aside, unless the reconciliation bill is brought up, that the vote on the cloture motion occurs immediately after the call for a live quorum?

The PRESIDING OFFICER. The answer is no. The order was final disposition of the tax bill.

Mr. JOHNSTON. Mr. President, a further parliamentary inquiry. Would it be in order to bring up any other matter other than the tax bill, reconciliation, the Department of Justice authorization after third reading, if the tax bill is laid aside?

The PRESIDING OFFICER. The Chair is advised it does not preclude another matter being brought up.

Mr. BAKER. Mr. President, let me say to the Senator from Louisiana I now have information that the Senator who objected to the order that we are committed to proceed to the cloture vote to occur has withdrawn his objection provided we proceed only to the cloture vote, and provided as well that we do nothing to circumvent our ability to go back to the tax bill or the reconciliation conference report, and also provided that after the cloture vote that we would not be—and that as well, of course, if the conference were to break down on reconciliation that we proceed to the consideration of the House-passed bill, if necessary.

But if the Senator will give me just a moment to decipher the suggestion I received from the Senator, I will see if I can put together language that will do that. It would appear though there will be no objection to going to the cloture vote after we do third reading. There would be objection to proceeding to debate.

Mr. JOHNSTON. That is perfectly suitable to me, and I think the majority leader.

Mr. MATSUNAGA. Mr. President, reserving the right to object, would the Senator be amenable to an amendment to his request which would allow a time limitation of 5 minutes equally divided for those amendments now on the list which will not have been considered at 4 o'clock Wednesday? I think that is a fair request, and that at least the amendment will have been explained to the Members. Otherwise those who vote without any explanation——

Mr. BAKER. Mr. President, let me make a countersuggestion for the consideration of Senators, and particularly with the minority leader with whom I have not discussed this. Did the Senator suggest 5 minutes equally divided?

Mr. MATSUNAGA. That is correct.

Mr. BAKER. Five minutes equally divided, but move the time back from 2 o'clock to 1 o'clock for third reading—I am sorry, it is at 4 o'clock, move it back to 3 o'clock.

Mr. MATSUNAGA. There may not be amendments, but assume from that list there are amendments, because of priority being given to other amendments, which could not be considered. Then those amendments would be put to a vote, perhaps a voice vote or a direct vote, after 5 minutes. Maybe 5 minutes will not be taken up. I do not know, but in fairness to those who will not be able to get their amendments up before 4 o'clock we would have had at least an explanation of the amendment which should be given.

Mr. BAKER. Mr. President, the Senator, as always, is making a worthwhile suggestion.

Would the Senator consider—and once again I repeat I have not consulted with the minority leader on this point—then providing 5 minutes equally divided for debate on amendments which have not been disposed of by 3 o'clock on the 29th, and that we would simply provide that third reading would be reached at 3 o'clock instead of 4 o'clock, and any amendment that remained would be voted on after 5 minutes of debate, under equal time?

Mr. ROBERT C. BYRD. On each.

Mr. BAKER. Let me make one more suggestion. If we are going to do that I suggest as well that the first vote in such a sequence, if there is such a sequence there, be a 15-minute rollcall and that each succeeding vote be a 10-minute rollcall.

Mr. MATSUNAGA. That would help.

Mr. ROBERT C. BYRD. Mr. President, I think the distinguished Senator from Hawaii has made a good suggestion. I would hope that the majority leader comes in early enough and stays late enough, if it is agreeable to the managers of the bill, so that when we reach that point we will not face that situation, but conceivably we could. I think the suggestion is a good one and I think the request the Senator has proposed protects Senators against that situation, and I would think that the hour by which the final vote on third reading would be moved up would also be a good suggestion.

Mr. BAKER. I thank the Senator.

Mr. KENNEDY. Mr. President, I would just ask whether the Senator from Connecticut has been consulted before any unanimous-consent request relative to the cloture motion.

Mr. BAKER. Mr. President, I can say to the Senator from Massachusetts that I have indeed consulted with the Senator from Connecticut.

Let me now amend my unanimous-consent request, Mr. President. I will restate the request with these revisions:

First, that we proceed to third reading on July 29 at 3 p.m., instead of 4 p.m. Next, that at 3 p.m. on the 29th of July next, any amendments that have not been disposed of would be called up and the time for debate on those amendments would be limited to 5 minutes, equally divided and controlled, and the control will be in the usual form.

I also ask unanimous consent, Mr. President, that after third reading and the bill is returned to the Calendar, that the Senate resume consideration of the Department of Justice authorization bill solely for the purpose of the cloture vote and that after the disposition of the cloture vote the Department of Justice authorization bill will be laid aside temporarily once more; and that nothing in this agreement would jeopardize the consideration of the reconciliation conference report or the tax bill conference report.

Mr. JOHNSTON. Is the Senator asking that it be automatically laid aside or that it is to be laid aside on the motion of the majority leader for the purpose of taking up one of those other matters?

Mr. BAKER. I would be happy to do it that way.

Mr. PACKWOOD addressed the Chair.

The PRESIDING OFFICER. The Senator from Oregon.

Mr. PACKWOOD. Mr. President, I make a request on behalf of Senator ROTH. He had hoped to have on this list a railroad rolling stock amendment upon

which we would have a 5-minute-to-a side time limitation. It has to do with the investment tax credit on railroads that lease railroad cars.

Mr. BAKER. Mr. President, that is with the 5-minute-time limitation.

Mr. DOLE. Mr. President, I have one late return from Senator BOSCHWITZ, who says he has worked out an amendment with Treasury on the Federal Home Loan Bank Board. I think we can talk him out of this other amendment.

Mr. BAKER. I am prepared now, Mr. President, to add those two amendments to the list.

Is there a time limitation on the Boschwitz amendment?

Mr. DOLE. Let us make it 10 minutes. He is not here.

Mr. BAKER. Ten minutes equally divided.

Mr. President, I also ask unanimous consent that a call for regular order would not bring back the DOJ bill, notwithstanding the provision of this agreement.

Mr. JOHNSTON. Will the Senator repeat that?

Mr. BAKER. Yes. What I have said is, on the DOJ bill, that after we get the third reading and return this bill to the calendar, that the DOJ bill is going to recur as the pending business. We are going to have a cloture vote and, at any time, the majority leader, after consulting with the minority leader, can move to some other measure and displace that and a call for regular order would not then bring back the DOJ bill.

Mr. ROBERT C. BYRD. Mr. President, when the distinguished majority leader says "some other measure," would he confine such measure to reconciliation of the tax bill so it will not embrace anything and everything?

Mr. BAKER. Either of those two measures or House-passed measures in respect to those?

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. I am happy to do that.

Mr JOHNSTON. And limit it to those?

Mr. BAKER. Yes, and limit it to those.

Mr. PACKWOOD. Mr. President, is there on the Democratic list an amendment of the Senator from Ohio, Senator METZENBAUM, relating to day care?

The PRESIDING OFFICER We do not have the list.

Mr. ROBERT C. BYRD. It is on the list.

Mr. PACKWOOD. Could I ask unanimous consent to allow a second-degree amendment to that, if he offers it?

Mr. BAKER. Mr. President, let me urge the Senator from Oregon not to offer a second-degree amendment. We have no second-degree amendments on this list. I am sure he could formulate a first-degree amendment.

Mr. PACKWOOD. Yes. But it would be a first-degree amendment as an alternative to his amendment, as I understand his amendment.

Mr. ROBERT C. BYRD. Mr. President, we have the same problem on our side. We convinced the Senator not to press his request. We also convinced him to fashion a first-degree amendment which he can craft.

Mr. BAKER. Mr. President, let me ask the Senator if he would request an addition on the list of a 10-minute time limitation for a first-degree amendment?

Mr. PACKWOOD. I ask for that request relating to day care.

Mr. DOLE. Mr. President, I hope this is a final reservation. As I understand it, if this request is agreed to, then the Senator from Kansas would withdraw the pending amendment and then I would be permitted to send an amendment to the desk which would, as I have indicated to the distinguished Senator from Massachusetts, start the phase in in 1982 at 25 percent, 20 percent in 1983, 15 percent in 1984 and would end in 1984.

Mr. KENNEDY. Mr. President, I understood that the amendment would be to change and alter the time. Outside of that, there is no change in the percentages. Am I correct that you accelerate the time when this measure will be phased in? It starts in 1983 and, as I understand it, you are just moving the time up to 1982. Am I correct? There was no objection to that, although there is, as I understand it, a revenue loss of approximately $200 million.

Mr. DOLE. Under the present provision in the Senate Finance Committee bill, the taxable rate in 1982 is 30 percent; in 1983, 25 percent; in 1984, 25 percent; in 1985, 20 percent; and in 1986 and thereafter, 15 percent.

It would be my hope that the Senator from Massachusetts would permit us to make the rate at 25 percent in 1982, 20 percent in 1983, and 15 percent in 1984.

Mr. KENNEDY. What is the revenue loss of the bill?

Mr. DOLE. The revenue loss is $151 million in 1982, $291 million in 1983, and $658 million in 1984.

Mr. KENNEDY. That was not my understanding of the conversations. I do not want to interfere with the majority leader's request. I would like to consult briefly with the Senator from Kansas.

Mr. DOLE. Let me say that I have been talking to the Senator from Oklahoma, Senator BOREN. I thought that was the understanding. Maybe I misunderstood it.

Mr. BOREN. If the chairman would yield, I will advise the Senator from Massachusetts that the amendment as it is now drawn in the bill reduces the tax from the present rate of 30 percent down to the rate of 15 percent. It cuts it in half, in other words. But the phase-in period was spread over 5 years and did not begin until January 1983.

What the Senator from Kansas, the chairman of the Finance Committee, is suggesting is that we begin the phaseout in 1982; that it would still be moving the 30 percent down to 15 percent and it would not go lower than 15 percent. But it would be doing so beginning January 1, 1982, as opposed to beginning January 1, 1983.

Mr. SARBANES. Will the Senator yield for a question?

Mr. BOREN. Yes.

Mr. SARBANES. As I understand that explanation, what the amendment should do is simply move the phaseout 1 year forward, but then maintain it over a period of time and at the rates that were already contained in the committee proposal. Is that correct?

Mr. BOREN. I want to be clear. In the committee proposal, I agreed to modify my original amendment to spread out the phasing. It did not begin until 1983. So the rate did not drop from 30 to 25 percent until January 1, 1983. Then it proceeded to drop on down 5 percent, to 20 and 15 percent and stay at 15 percent thereafter.

What we are suggesting here is that we begin the phaseout as of January 1, 1982, so that the rate, instead of saying 30–30 and then dropping to 25 in 1983, it would be 30 this year, 25 next year, 20 the following year, and then 15, and then stay at 15. It would simply escalate the phaseout, moving it forward by 1 year.

As I recall, and I would ask the chairman of the committee, I believe at one point, the way the committee amendment was drafted, it retained it at 25 percent for 2 years, did it not?

Mr. DOLE. Right.

Mr. BOREN. So, actually, I think that took about 5 years instead of 3 years to phase it out.

Mr. SARBANES. In other words, the Senator is not only moving the phaseout 1 year forward but also changing the schedule that was established. Is that correct?

Mr. BOREN. That is correct. The schedule established was 30, 25, 25, 20, 15. What is being suggested here is 30, 25, 20, and 15. It does not change the 15 once that is reached. It does move forward to 1982 the drop to 25, and it then goes on to 20 and then 15 rather than establishing it at 25 for 2 years.

Mr. SARBANES. So this is changing the rates of the phase in, in addition to moving them forward?

Mr. BOREN. This is compressing a 5-year phase down from 30 to 15 into a 3-year phase down from 30 to 15, beginning on January 1, 1982.

Mr. KENNEDY. Mr. President, I would have no objection to the changing of the date with the understanding that it was not going to accelerate the date, if the other figures and percentages were skewed in such a way that there was not going to be a revenue loss. But this proposal now is about a $2 billion revenue loss. That is different from the way I had understood the earlier conversation in which I had been led to believe that all we were doing was changing the date for the eligibility but that there was not going to be a revenue loss. I had no objection to that.

But this is a change not only in the date but also in the percentages. This is a $2 billion revenue loss. That would be objectionable, as far as I am concerned.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. BAKER. Mr. President, a great deal of work and effort has gone into this request. I really hope that it will not founder on this element. This is not even a part of the unanimous-consent request. The request was predicated on a statement by me that if it is granted the Sen-

ator from Kansas would withdraw his amendment.

I have to say I do not know anything about the substance of this. I have not discussed it with anyone. But I would hope we could go ahead with this request; that the Senator from Kansas would withdraw his amendment. Then, of course, the Senator can offer an amendment, as the list provides.

Mr. DOLE. I do not have the right to offer an oil amendment, according to the list.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I wonder if I might engage in a discussion and colloquy with the distinguished Senator from Massachusetts. As I understand, we can now agree on the following, so far as withdrawal of the pending amending amendment, and then follow that with an amendment that would do the following: phase the rate, move it up to 1982 at 25 percent; 1983 at 25 percent; 1984 at 20 percent; and 1985 at 15 percent.

Will the Senator tell us what the revenue loss is for that period, 1982 to 1986?

Mr. DOLE. Total? In 1982, it is about $200 million, Mr. President.

Mr. KENNEDY. Can he give us just the cumulative total from 1982 to 1986?

Mr. DOLE. I am advised that the Joint Tax Committee does not have a run on that, but it is about $800 million.

Mr. KENNEDY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PERCY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PERCY. Mr. President, I and several of my colleagues may propose an amendment to the tax bill on the subject of commodity tax straddles. I should like, for the benefit of my colleagues, to confirm the arrangement that has been made with the majority leader and the distinguished manager of the bill, the chairman of the Committee on Finance (Mr. DOLE). Senators DIXON, SYMMS, HELMS, TOWER, HAYAKAWA, JEPSEN, HUDDLESTON, D'AMATO, BURDICK, and I have been extremely concerned about the Finance Committee bill, which leaves the impression that the commodity straddle is some sort of tax gimmick used only by tax dodgers. This impression is incorrect and there is a need to put the record straight.

We are supportive, Mr. President, of the committee's effort to end abuses in the trading of commodities. There is no question or debate over the propriety of taking this action. One of our concerns centers on the means the Finance Committee has chosen.

We feel the use of the market-to-market approach, as used by the Finance Committee, is fraught with dangers to the commodity markets themselves, to their liquidity and to their smooth operation. There are ways to close these tax loopholes without throwing the baby out with the bath water. The Ways and Means Committee bill is one such approach.

Yesterday, Mr. President, I had a conversation with a distinguished economist and former Chairman of the President's Council of Economic Advisers, Alan Greenspan. Mr. Greenspan made the following comments about the Finance Committee bill and about the commodity tax straddle. I urge my colleagues to read his words of caution.

Mr. President, I ask unanimous consent that Alan Greenspan's comments be printed at this point in the RECORD.

There being no objection, the comments were ordered to be printed in the RECORD, as follows:

Market-to-market will force an artificial restructuring of positions in the futures market during the month of December as tax considerations become critical. This will reduce the efficiency of the commodity markets which are generally our most efficient markets.

Market-to-market is technically difficult when year end closings are split; that is, where there is more than one price or in inactive markets where few trades occur.

The principle behind commodity market-to-market is not distinguishable from other capital assets. What is the principle that distinguishes commodities from stocks, land or for that matter homes?

I conclude that this is a tax move which requires considerably more evaluation of its economic impact than has been given.

Mr. PERCY. Mr. President, our second concern is that at this time the Senate bill does not contain an all-important transition rule. I urge the Finance Committee to at least incorporate such an amendment in the bill so that, at a minimum, we will diminish the side effects this legislation will have on legitimate commodity traders and the liquidity of the commodity markets.

Let us put together a good provision that will clean up abuses without inflicting damage on the commodity markets.

Mr. President, I plan to join before final passage of this momentous Economic Recovery Tax Act, with several of my Senate colleagues to discuss the commodity markets, the role they play in our free enterprise agricultural economy and our questions relating to the Finance Committee provision on commodity tax straddles.

Mr. President, the Finance Committee bill properly addresses the question of commodity tax straddles. Abuses of this tax mechanism have been pointed out and some taxpayers in this country are avoiding their fair share of the tax burden by employing these tax provisions. Let me state at the outset that I do not take issue with the committee for attacking these problems. It is their responsibility to keep a close eye on the tax system and keep it from being abused.

The commodity trading industry supports the thrust of the committee's effort, too. At a Finance Committee hearing on April 30 of this year, Robert Wilmouth, president of the Chicago Board of Trade—the oldest and largest commodity futures exchange in the country—stated the following:

In the past few years, there has been a proliferation—and unabashed promotion—of tax shelter devices involving commodity spreads. Their sole purpose is to facilitate tax avoidance on income from activities having absolutely nothing to do with commodity trading.

As for the enactment of legislation directed specifically at commodity transactions entered into for the sole purpose of sheltering unrelated income, I can state our position quite simply: No problem.

I will return later to the areas that have caused me some concern. At this time, I would simply like to reiterate the point that there is a tax problem here. Let us just not throw out the baby with the bath water.

THE ORIGIN AND PURPOSE OF COMMODITY MARKETS

In grappling with taxation of commodity futures, the Finance Committee has taken on a very complicated area, indeed. Few Americans adequately understand the role the commodity markets play in our economy and in affecting the prices we all pay for food at the grocery store.

I believe it would be helpful to place the tax question in the perspective of the role the commodity markets play in our economy.

First, let me say that this is a major American institution. It is as important to the economy as the stock and bond markets are to commerce and trade. If we did not have the commodity futures markets, we would have to invent them. They are indispensible.

A look back into the history shows that we have had the markets—in one form or another—with us for centuries. Their origins trace back to medieval trade fairs in Europe where only "cash" commodities were traded. With the growth of trade, however, the complexities of commodity trading also grew and an active futures market developed.

On this side of the Atlantic, commodity trading followed the same course as that in Europe. That is, as our colonial markets began to grow and trade links developed between the British colonies, so too did the operation of a commodity market that can balance supply and demand in an organized and predictable fashion.

Mr. President, the Senate Agriculture Committee, which is steeped in the lore of our agricultural economy, prepared a very useful summary of the development of futures markets 3 years ago. At that time, the Senate had under consideration a reauthorization of the Commodity Futures Trading Commission.

I should like to quote two paragraphs from the Senate Agriculture Committee's report on that legislation, that so aptly describe the importance of the commodity markets:

As farmers brought grain and livestock to regional markets at essentially the same time each year, they often found that the supply of meats and grain far exceeded the immediate, short-term needs of packers and

millers. These processors, in turn, seeing more than adequate supplies at particular times, would bid at the lowest possible price. Often, the short-term demand could not absorb the glut of commodities at any price, and goods were dumped in the street for lack of buyers. The problem was often aggravated by lack of adequate storage facilities and road and water transportation. Through much of the year, snow and rain made the dirt roads from country farmlands to the city impassable, and once the commodities reached the exchange area, there was a continual problem of inadequate storage. Standards of quality and weight were often nonexistent and complicated a marketing system that also was victim of inadequate and underdeveloped harbor facilities.

Yet several months after the fall harvest and marketing of grain and livestock, prices would soar and people often went hungry. Businesses faced bankruptcy through lack of raw materials and inability to meet financing of their businesses. The rural population was unable to pay for needed manufactured products from the city—tools, building materials and textiles.

After the Civil War, again as commerce expanded westward, the pressure for a better system to deal with agricultural commodities became ever more apparent. Chicago became a center for grain marketing and New York for cotton. As the Senate Agriculture Committee report continues:

Futures trading projects demand and price into the future, and provides a means of appraising supply-and-demand conditions, and dealing with price risks, over time and distance. Trading in futures provides not only the market of today, but of months ahead, and affords guidance to buyers and sellers of agricultural commodities in planning ahead, and in financing and marketing commodities from one season to another.

TODAY'S COMMODITY MARKETS

Our commodity markets are continuing to evolve today and are no longer the purely agricultural markets of 100 years ago. Now, over 140 contracts are traded on 11 U.S. commodity exchanges. Approximately 50 percent of the trading is in farm products such as corn, sugar, orange juice, soybeans and cotton. The remainder is in metals, industrial products—such as lumber—and financial securities and currencies.

We all know that the stock market can be swayed by various events in an industry or even far away from the markets themselves. So it is with commodities. All major U.S. newspapers carry daily accounts of futures prices and commodity movements. A recent Wall Street Journal account on commodities was headlined: "Grain Prices Decline as Soviets Avoid U.S. for Major Purchases."

Mr. President, I ask unanimous consent that this article of July 17 be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, July 15, 1981]

GRAIN PRICES DECLINE AS SOVIETS AVOID U.S. FOR MAJOR PURCHASE

Canada agreed to sell the Soviet Union 2.3 million metric tons of wheat and barley by the end of the year.

The news sent grain prices sharply lower on the Chicago Board of Trade, where traders noted that Brazil is expected to sign a grain-supply agreement with the Soviets this week.

Taken together, the developments indicate the Soviets won't hurry to resume buying grain from the U.S. in large quantities, now that the embargo against Soviet sales has been lifted, analysts said. "Clearly they think of us as residual suppliers, and they're rubbing our face in it a little," said Dale Gustafson, a grain analyst with Drexel Burnham Lambert Inc.

Wheat's price on the Board of Trade fell 6¼ cents a bushel for July delivery to $3.8325. Corn, with which barley competes as a feed grain, erased most of Monday's gains in a 7½-cent decline to $3.48 a bushel for July delivery. July soybeans skidded 21 cents to $7.3425 a bushel. (A metric ton is 39.4 bushels of wheat, 45.9 bushels of barley or 36.7 bushels of soybeans.)

Before former President Carter declared an embargo on most grain sales to the Soviet Union in January 1980, the U.S. had contracted to sell Moscow 25 million metric tons of the 35 million metric tons it was to import last year. Since then, the Soviets have moved to line up supplies from other major grain-producing nations, including Canada.

Yesterday's sale by Canada was the first under a recent agreement that calls for the sale of at least 25 million metric tons of Canadian wheat and feed grains to the Soviet Union over the next five years.

The just-announced sale, valued at about $375 million (U.S.), calls for shipment of slightly more than 1.4 million metric tons, or 51.4 million bushels of wheat between August and the end of the year, including 300,000 metric tons, or 11 million bushels, of durum wheat, the kind used to make pasta. It also calls for shipment between August and October of 910,000 metric tons, or 41.8 million bushels, of barley.

Shipments are to be made from ports on the St. Lawrence River, the West Coast and Hudson's Bay.

Separately, in Moscow, the Associated Press reported that the Soviet Union and Brazil are expected to sign an oil and grain agreement there today. One source said Brazil would sell the Soviets 700,000 metric tons of soybeans and soybean meal each year from 1982 to 1986, plus an unspecified amount of corn from 1983 to 1986, the AP reported. The Soviets would sell Brazil 20,000 barrels of crude oil a day for five months, the AP added. Brazil is a major competitor for the U.S. in the world market for soybeans.

In other commodity markets yesterday:

Livestock and meat: Hog and porkbelly prices rose, the latter by as much as the daily limit of two cents a pound. Analysts noted that the daily slaughter of hogs continues low, resulting in sharp declines in the amount of frozen pork bellies in storage. A report yesterday showed the pork-belly inventory was reduced 7.7 million pounds this week, compared with an average drawdown for the past month of 4.5 million pounds a week. Cattle prices fell despite tighter meat supplies, as livestock traders remain pessimistic about high interest rates, which hurt the operations of the cattle breeding and feeding industry.

Sugar: Prices dropped on reports of a sale of 140,000 metric tons of Brazilian raw sugar, analysts said. September-delivery sugar sank 0.52 cent to 17 cents a pound. Increasingly tight supplies of sugar available for immediate purchase had driven prices higher in the previous three days of trading, one analyst noted. News of the sugar coming onto the market eased fears of short supplies, he added. A metric ton is 2.205 pounds.

Orange juice: Juice for delivery this month fell 2.05 cents a pound to $1.26. Traders decided that last week's worries about the Mediterranean fruit fly hurting orange juice supplies were unwarranted. Oranges processed into frozen concentrate are grown chiefly in Florida, and the fruit fly infestation is in California, where eating oranges are grown. Moreover, the infestation doesn't seem to have spread beyond California, analysts noted. "People just realized there wasn't much to the story," one analyst said.

Mr. PERCY. Mr. President, in addition to analyzing the drop in grain prices, the article also touches on other commodities, including the impact the Mediterranean fruitfly epidemic would have on frozen orange juice supplies.

Trading in futures can be a puzzle to outsiders to be sure. The New York Times may have recognized that commodity trading is not universally understood and includes at the top of its futures prices column each day a brief description of what commodity futures contracts are.

Mr. President, I ask unanimous consent that the New York Times' description be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 17, 1981]

FUTURES PRICES

Commodity futures contracts are commitments to buy or sell commodities at a specified time and place in the future. The price is established when the contract is made in open auction on a futures exchange. Only a small percentage of futures trading actually leads to delivery of a commodity, for a contract may change hands or be liquidated before the delivery date. Participants comprise commercial hedgers who use futures to minimize price risks inherent in their marketing operations and speculators who, employing venture capital, seek profits through price changes. Both purchase contracts on margin, or partial payment. Futures prices indicate the direction of prices based on current market conditions.

Mr. PERCY. Mr. President, my colleagues will note that the New York Times states that—

Participants comprise commercial hedgers who use futures to minimize price risks inherent in their marketing operations and speculators who, employing venture capital, seek profits through price changes.

I believe the Times does a great service in printing this small explanation, because it dispells the notion that there is something covert about commodity trading. Nothing could be further from the truth.

An excellent economics reference book entitled the Economic Way of Thinking and authored by Paul T. Heyne of Southern Methodist University, touches on the role of speculation in our market system. He points out in his book, on page 90, that speculators—

Even out the flow of commodities into consumption and diminish price fluctuations over time. Since price fluctuations create risks for those who grow or use corn, speculators are actually reducing risks to others. More accurately, they are purchasing risk (in hope of a profit) from others less willing to take risk (and willing to pay something in the form of reduced expected returns to avoid it).

Mr. President, I ask unanimous consent that this excerpt from the Economic

Way of Thinking be printed at this point in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

EXCERPT FROM THE ECONOMIC WAY OF THINKING

SPECULATORS

All of this is rather abstract. To make it more concrete we can examine a type of trading that probably suffers most from public misunderstanding: speculation.

The dictionary defines speculation as "trading in the hope of profit from changes in the market price." That's good enough for our purposes. The most celebrated (or, more accurately, the most execrated) speculator is probably the Wall Street "bear." He "sells short," that is, sells for future delivery to a buyer shares of stock he does not currently own. He believes that the stock will go down in price, so that when the time comes for him to deliver, he can purchase the shares at a low price and sell them at the previously agreed-upon higher price.

A more important speculator is probably the commodity speculator, who may trade in such items as wheat, soybeans, hogs, lumber, sugar, cocoa, or copper. He buys and sells "futures." These are agreements to deliver, at some specified date in the future, amounts of a commodity at a price determined now.

These are the spectacular speculators whose feats make the financial pages. A less publicized speculator is you yourself. You are buying education now for sale in the future at some price that you hope will be high, but which could conceivably be too low to justify your present investment. As these words are being written, many aerospace engineers are wishing they had invested in training to be environmental engineers.

Another familiar speculator is the housewife who reads that the price of sugar is expected to rise and responds by loading her pantry with a two-year supply. If the price of sugar rises far enough, she gains. If it does not, she loses. She has tied up her wealth in sugar, thereby cluttering her shelves and depriving herself of the opportunity to purchase more valuable assets—an interest-bearing savings account, for example.

The motorist who fills his tank when he sees a sign advertising gasoline at two cents a gallon less than he's accustomed to pay is speculating; the price may be four cents lower two blocks ahead. And the motorist who drives on an almost empty tank in hope of lower prices up ahead is a notorious speculator.

But many people overlook the pervasiveness of speculation in order to heap blame on the "profiteers" who allegedly "take advantage" of special situations and innocent people in pursuit of their own unprincipled profit. Is the speculator really the enemy of the people he is so often alleged to be?

CONSEQUENCES OF SPECULATION

"Speculators exploit natural disasters," it is often said, "by driving up prices before the disaster occurs. And sometimes the expected disaster never even materializes." That is true. But it is only one small and misleading part of the truth. Suppose evidence begins to accumulate in early summer that the fungus called corn leaf blight is spreading to major corn-producing areas of the Midwest. A significant percentage of the year's corn crop could be wiped out as a result. People who think this is likely to occur will consequently expect a higher price for corn next year. This expectation will induce some people to hold some corn out of current consumption in order to carry it over into the next crop period when, they believe, the price will be higher. That is speculation.

Notice how many different parties engage in such speculation: farmers who substitute other livestock feed for corn in order to maintain their corn stocks at a higher level, either to avoid having to buy corn next year at a higher price or in order to sell then at the higher price; industrial users who increase their inventories now while the price is relatively low; plus people who might not know a bushel of corn from a peck of soybeans but who hope to make a profit from buying cheap now and selling dear later. There are well-organized commodity markets to facilitate this kind of transaction. The effect of all these activities is to reduce the currently marketed supply of corn; the price consequently rises. And just as the critic protested, it rises before the disaster occurs.

But that is only a part of the picture. These speculative activities cause corn to be transported over time from a period of relative abundance to one of greater scarcity. The price next year, when the blight is expected to have its effects, will therefore be lower than it otherwise would be. Speculators thus even out the flow of commodities into consumption and diminish price fluctuations over time. Since price fluctuations create risks for those who grow or use corn, speculators are actually reducing risk to others. More accurately, they are purchasing risk (in hope of a profit) from others less willing to take risk (and willing to pay something in the form of reduced expected returns to avoid it).

Mr. PERCY. Mr. President, since the early 1960's, the size and scope of commodity trading has increased substantially. In 1963, for example, the total number of contracts traded on the exchange was 6.9 million, for a value of $68.6 billion. Ten years later, by 1973, the total number of trades had increased by a factor of eight, to 23.5 million contracts valued at nearly $400 billion. This growth has continued into the 1980's. For example, last year, 92 million contracts were traded, a quadrupling of the contracts traded just 8 years ago.

This industry, like many others, has a complexity and terminology all its own. The Senate Agriculture Committee, which is familiar with the structure of the markets through its periodic authorizations of the Commodity Futures Trading Commission, even published a "Glossary of Trade Terms" a few years ago so that we would know what some of these unique words meant in the context of commodity trading. These were not legal definitions, but prepared for use of Senators who were dealing with the Commission reauthorization legislation.

One look at this Glossary is enough to convince one of the uniqueness of the commodity markets. Here are some of the words that would baffle the layman: Backwardation—market situation in which futures prices are progressively lower in the distant delivery months; contango—not a dance, but a market situation in which prices are progressively higher in the future delivery months than in the nearest delivery month; hardening—describes a price which is gradually stabilizing; inverted market—a futures market in which the nearer months are selling at prices higher than the more distant months hence a market displaying "inverse carrying charges," characteristic of markets in which supplies are currently in shortage; MIT (market-if-touched) or board order—an order that becomes a market order when a particular price is reached. A sell MIT is placed above the market; a buy MIT is placed below the market; nearbys—the nearest delivery months of a commodity futures market; running bales—a term used in the cotton trade to designate the number of bales of cotton as they come from the gin in varying weights; spread (or straddle)—the purchase of one futures delivery month against the sale of another futures delivery month of the same commodity, the purchase of one delivery month of one commodity against the sale of that same delivery month of a different commodity, or the purchase of one commodity in one market against the sale of that commodity in another market, to take advantage of and profit from a change in price relationships. The term "spread" is also used to refer to the difference between the price of one futures month and the price of another month of the same commodity.

There you have a few selections from the Agriculture Committee report. These are only a few of the phrases. Let me reiterate that. The committee printed 20 pages of these special definitions. They sound odd to those not in the trading business but they are describing business practices that are essential components of the commodity futures industry.

Let me highlight one other definition in this Glossary that may indicate to my colleagues on the floor the interrelatedness of trading in commodities. I am referring to a "switch," defined in the Agriculture Committee booklet as "the liquidation of a position in one delivery month of a commodity and simultaneous initiation of a similar position in another delivery month of the same commodity. When used by hedgers, this tactic is referred to as 'rolling forward' the hedge. See Spread."

Mr. President, I want to highlight this one particular term because it indicates that there is a close relationship between hedgers—who are in the commodity markets to minimize price risks—and professional speculators who enter the market for profit and provide an important part of its liquidity for price discovery.

I am concerned that the Senate may not fully appreciate the uniqueness of the commodity markets, which have a different terminology and mode of operation than either the stock or bond markets, with which most of us are more familiar.

Moreover, as I mentioned earlier, I hope Congress will not move ahead and throw the baby out with the bath in this legislation. A "switch" is a legitimate market function that is employed by hedgers. The authors of this provision in our bill have stated that their language will not affect hedging transactions. But a form of the "switch" is also apparently used by others than hedgers, as implied in the definition I mentioned earlier. The markets are important enough to our economy that we should not enact a law without careful consid-

eration of the impact that law will have on the legitimate traders themselves.

REGULATION OF FUTURES TRADING INDUSTRY

Mr. President, before I continue with my discussion of the matter at hand, I should like to remind my colleagues that the commodity futures industry is presently regulated by the Commodity Futures Trading Commission, an entity established by Congress in 1974.

According to an analysis of commodity industry regulation written by David Stockman when he was executive director of the House Republican Conference in 1974, Congress first enacted commodity industry regulation in 1921. Mr. Stockman wrote that—

The Futures Trading Act was subsequently enacted in 1921, but because it adopted the taxation approach that had been proposed nearly 40 years earlier, it was ruled unconstitutional by the Supreme Court.

Mr. Stockman's 1974 analysis continues:

Congress quickly responded to this decision by adopting essentially the same legislation in 1922, but this time providing for a direct Federal regulatory agency, the Grain Futures Administration, under the aegis of the newly expanded commerce clause. . . .

An amendment in 1936 changed the title to the Commodities Exchange Act and retained the basic provisions of the 1922 Act. This New Deal legislation expanded regulatory authority to encompass six additional commodities. . . . During the next 30 years the Act was frequently amended to include additional commodities. . . .

In 1974, Congress enacted legislation establishing the Commodities Futures Trading Commission, thereby replacing the Commodities Exchange Commission in the Department of Agriculture. The present Commission has had chief regulatory purview over commodities trading since 1974 and was reauthorized by Congress in 1978.

In its 1978 report on the reauthorization, the Senate Agriculture Committee commented on the decision to establish a Commission:

Recent experience also supports the wisdom of Congress' decision in 1974 to expand the scope of commodities that could become the subject of regulated futures trading. Futures contracts based on these new commodities have enjoyed a rapid expansion. In fact, futures contracts on financial instrument—short-term commercial paper, mortgage-backed certificates guaranteed by the Government National Mortgage Association (GNMA), Treasury bonds and Treasury bills—are among the most active new contracts currently traded.

Many hedgers, including banks, businessmen, and home builders are attracted to these futures contracts as a method of planning their enterprises by ensuring against sudden and expensive decreases in value of the instruments used to finance their commercial operations. This experience establishes that the substantive economic value of futures trading is the same for a farmer, a manufacturer, or a financial institution. Participants in the futures markets utilize the hedging or risk-shifting element of futures contracts, whether the contracts involve soybeans or GNMA's. The comprehensive framework for exchange-traded futures contracts on an ever-expanding number of commodities established in the Commodity Futures Trading Commission Act of 1974 has worked well.

THE STRADDLE

Mr. President, as I stated at the outset of my remarks today, I am fully supportive of the committee's intention to close a loophole in the law that allows nonprofessionals from abusing the commodity markets. I quote Board of Trade president Robert Wilmouth who voiced a similar support for ending abuses.

"My concern is that this legislation may stray from this intent."

Earlier this year the Senate considered this issue in a different context. Senator METZENBAUM offered an amendment to the budget reconciliation instructions that would have required the Finance Committee to close certain tax shelter items as part of its reconciliation package.

During debate on this amendment, my good friend from New York, Senator MOYNIHAN, said:

The commodities tax straddle is a very simple device for putting off paying taxes for an extended period of time or reducing income from the regular income tax rates to capital gains tax rates.

It has been carried out by people who are not in the commodities market for any economic purpose of any kind. They are there very solely for the purpose of avoiding taxes or minimizing taxes, and they are doing this with the help of elaborate arrangements that professionals in this field have developed. . . . The tax straddle serves no economic purpose. It has no redeeming social value.

Later in his remarks, Senator MOYNIHAN notes that "I am not suggesting anything illegal has taken place, but the presumption is that these taxes are owed and should be paid."

Mr. President, I hope my good colleague from New York is sure of the distinction between the tax straddle and the commodity straddle, for the commodity straddle, as I have pointed out in my earlier remarks, is a legitimate, economic, trading device. It does serve an economic purpose when it is used by commodity traders in their normal line of business.

Let me reiterate the types of individuals Senator MOYNIHAN said he was interested in closing the loophole on: "people not in the commodities market for any economic purpose of any kind. They are there solely for the purpose of avoiding taxes and minimizing taxes."

Certainly this definition does not fit the commodity broker whose sole business is trading in commodity contracts and who is regulated by the regulations of the Commodity Futures Trading Commission. Certainly the Finance Committee should close the loophole on those who are not in the commodities market for any economic purpose whatsoever.

But this proposal goes beyond that and applies to anyone who is involved in commodity trading—whether they be speculators, brokers, or dentists looking for a tax dodge.

As I mentioned earlier today, a straddle is another name for a "spread." The spread is actually just one form of speculation practiced in the commodity markets. Speculators and hedgers are the two essential components of futures markets. They have different motives for being in the market, but they complement each other. Moreover, it is the speculators—that is professional speculative traders—who supply most of the risk capital for futures trading. It is this capital that forms the bulk of the liquidity of the futures markets.

The spreaders—those professional speculators who use straddles—are among some of the most important traders in the futures market. Without the spreaders, hedgers would be handicapped in their efforts to hedge cash purchases and sales. The key to the spreaders' trade is an attempt to profit by profit relationships—compared with other traders who try to profit from the direction of price movements. Spreads are of particular importance for transactions in distant months, when there are few takers among other types of traders. It is especially in the distant months that spreaders create market liquidity.

MARK TO MARKET

The Finance Committee legislation relies to a great extent on the mark-to-market approach. The Joint Committee on Taxation has prepared a pamphlet on this mechanism, which is used by the commodity traders to account for their daily positions.

At issue here is whether taxing the paper gains market to mark on December 31 each year will harm the liquidity of the markets. A related question is whether this approach will set a precedent in U.S. tax laws for taxing unrealized gains.

On the first point—regarding market liquidity—even the Treasury acknowledges there will be some impact. During his testimony before the Finance Committee, Assistant Secretary for Tax Policy John Chapoton said:

While our proposals will certainly have some effect on the quantity of transactions in the futures markets, we believe that, in the final analysis, they will improve, rather than detract from the efficiency of these markets.

The key part of his remarks that I would like to focus my colleagues' attention on is—

our proposals will certainly have some effect on the quantity of transactions in the futures markets.

Although the Treasury believes markets will improve with this tax change, others disagree. The editors of Barron's, for example, presented an editorial on this subject on July 20.

Mr. PERCY. Mr. President, the Barron's editors note—

The possible financial consequences of this crusade, in any case, strike us as horrific. If futures markets alone were taxed on paper profits, capital would fly elsewhere. Gold is an example. If futures contracts were liable to tax on unrealized gains, but mining shares and coins were not, capital would sensibly shift to shares and bullion. As New Year's Eve drew near, moreover, speculators would distractedly trade with an eye to taxes as much as to supply and demand. Prices would tend to become untrue.

Mr. President, I do not think enough thought has gone into considering the total economic ramifications of this tax change. There is good reason to approach this subject carefully because we are dealing with a mechanism that is key to our food-pricing system. If the pres-

ent provision in this legislation should backfire and dry up a substantial amount of liquidity as Barron's asserts—instead of just some as the Treasury asserts—we are in trouble.

On the second point, regarding this tax change setting a precedent, I have turned to an objective third party: the Library of Congress.

Mr. President, I ask unanimous consent that a memorandum prepared for my use by the Library of Congress on July 14, 1981 be printed in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

THE LIBRARY OF CONGRESS,
Washington, D.C., July 14, 1981.

To Senator Charles H. Percy, Attention: Bill Canis, Legislative Assistant.

From Harry G. Gourevitch, Senior Specialist in Taxation and Fiscal Policy.

Subject The Senate Finance Committee's Marking-to-Market Provision for the Taxation of Commodity Futures Contracts.

Under the Senate Finance Committee's bill, gain or loss on regulated commodity futures contracts must be reported on an annual basis. (section 503 of the bill) A taxpayer holding a regulated futures contract is treated for tax purposes as if he sold the contract on the last day of the year at its fair market value.

You have asked whether this provision is consistent with established Federal income tax principles.

THE SENATE FINANCE COMMITTEE'S POSITION

The Senate Finance Committee and Senator Robert J. Dole contend the provision is consistent with the established tax doctrine of constructive receipt. Under the doctrine of constructive receipt a cash basis taxpayer must include in his taxable income an item of income which he has not reduced to possession but as to which he has an unconditional right of possession. The Treasury regulations state,

"Income although not actually reduced to a taxpayer's possession is constructively received by him in the taxable year during which it is credited to his account, set apart for him, or otherwise made available so that he may draw upon it at any time, or so that he could have drawn upon it during the taxable year if notice of intention to withdraw had never been given. However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions. Reg. sec. 1.451–2(a)."

For example, interest which has accrued in a savings account during the year must be reported by the depositor as income on his tax return even if he leaves the interest in the account rather than withdrawing it. It is contended that the Senate provision is analogous to the constructive receipt of interest in this situation because under the marking-to-market system of the commodity exchanges a customer is entitled to withdraw his gains, or is required to deposit additional margin because of losses in the account, at the close of every business day.

The Senate Finance Committee's report states the Committee's position as follows:

"The Committee bill adopts a mark-to-market system for the taxation of commodity futures contracts. This rule applies the doctrine of constructive receipt to gains in a futures trading account at year-end. The application of this rule in present law means, for example, that taxpayers must include in their income any interest which has accrued during the year, even though they may nto [sic] have withdrawn the interest from their savings accounts. Because a taxpayer who trades futures contracts receives profits as a matter of right or must pay losses in cash daily, the committee believes it appropriate to measure the taxpayer's futures' income on the same basis for tax purposes. Report No. 97–144, p. 157, on H.J. Res. 266."

THE INDUSTRY'S POSITION

The commodity futures industry apparently contends that the bill's approach of taxing unrealized gains is unprecedented and that such taxation would represent a radical departure from established Federal income tax principles. Under current tax law unrealized appreciation in the value of property is not subject to tax. As stated in a basic textbook on Federal income taxation, "The United States tax system does not tax unrealized but accrued gain represented by annual increases in the value of property."* Realization events which do trigger taxation of accrued gain are a sale or exchange of the property. Thus, the industry may argue that to tax the appreciation in value of a commodity futures contract absent a sale or exchange of the contract would be unprecedented under the U.S. tax system. The bill's approach, according to the industry, would be like taxing a homeowner on the appreciation in value of his home, assuming its value during the year goes up, even though he does not sell or otherwise dispose of it.**

DISCUSSION

Which of these positions is the right one? Both are defensible, and how one comes out on the issue depends on whether one favors the interest-income analogy or the homeowner analogy.

As to the interest-analogy, it may be argued that it is inapposite, as a commodity futures contracts, unlike interest income, is a capital asset and appreciation in value of a capital asset is subject to tax only upon a sale or exchange.

As to the homeowner analogy, it may be argued that the homeowner's situation is different from that of the customer holding a commodity futures account, as the homeowner can reduce to cash the appreciation in value of his house only by selling the entire house, whereas the commodities customer is entitled on any day to withdraw the balance in his account without any sale or other act on his part.

The Senate Finance Committee clearly places a great deal of weight on the marketing-to-market system of the exchanges in seeking to reconcile its provision with the constructive receipt doctrine. At the same time, it should be noted that the Committee's approach of taxing unrealized gains could in the future be used as a precedent to justify the taxation of unrealized gains in other areas of the tax law where the underlying transactions will not have the benefit of a marking-to-market system.

Mr. PERCY. Mr. President, the Congressional Research Service analyst—Mr. Harry Gourevitch, a senior specialist in taxation and fiscal policy—carefully reviews both sides of the coin. He puts forth the Senate Finance Committee's position on taxing of unrealized gains and quotes from the report of the committee sustaining their view that this provision will not set a precedent.

Mr. Gourevitch also sketches the industry position. He notes that the industry has said this precedent could be used to justify taxing the unpaid equity on a person's home.

Mr. Gourevitch acknowledges in conclusion that both views "are defensible." The final paragraph of his memorandum is helpful, I believe, and I quote:

The Senate Finance Committee clearly places a great deal of weight on the marking-to-market system of the exchanges in seeking to reconcile its provision with the constructive receipt doctrine. At the same time, it should be noted that the Committee's approach of taxing unrealized gains could in the future be used as a precedent to justify the taxation of unrealized gains in other areas of the tax law where the underlying transactions will not have the benefit of a marking-to-market system.

In short, Mr. President, I believe there is adequate reason to be concerned over this approach in the Committee bill. I believe the Ways and Means Committee has hit upon a means of closing a tax loophole without posing these two important questions of liquidity and precedent.

I do not intend to offer an amendment to the Finance Committee bill, but it is clear to me that there are potential problems of a serious nature relating to title 5. I urge my colleagues on the Senate Finance Committee to carefully consider the Ways and Means Committee language when conferees meet as it may be the best approach given these concerns.

TRANSITION RULE

Mr. President, market liquidity will certainly be damaged if the Senate does not enact a transition rule for the provisions in the committee bill. We know there could be a massive cash drain from the market if we do not provide a mechanism for spreading out the tax liability deferred from previous years.

Immediate taxation of these deferred amounts would impact on more than just the commodity traders. It would indirectly affect hedgers, ranchers, and farmers. In other words, it would impact on all of those individuals who rely on highly liquid commodity markets to hedge and reduce risk. Ultimately, of course, the loser in this game would be the consumer, who could face much more volatile prices without the proper liquidity.

I would like to point out that even the Treasury Department, which supports the Finance Committee legislation, has spoken in favor of a transition rule and has stated that "as part of our proposal, a transitional rule might have to be provided to deal with gains and losses accrued to the effective date."

Yet, no amendment has been forthcoming.

This is not a special request for the commodity futures industry. That should be made clear from the outset. Congress has traditionally provided a transitional rule when it closed what it deemed to be "tax shelters." Although I do not believe that the tax straddle is a tax shelter as far as it concerns commodity traders, if the Senate is going to pass on this legislation, it would be shortsighted of us not to include a transitional rule.

What we are discussing here is the

*Surrey, S., Warren, W., McDaniel, P., and Ault, H., *Federal Income Taxation*, p. 821, Vol. 1, (1972 ed.).

**This summary of industry views is based on second-hand reports; I have not myself seen any industry memorandum on this question or talked to any industry representative.

timing for paying tax—not whether the tax should be paid at all.

The Tax Code is peppered with transitional rules for various instances. These rules range from 3 years to 10 years in duration, to spread out the tax liability in cases where Congress has changed the rules.

Mr. President, I ask unanimous consent that an analysis of present transition rules now in the Tax Code be included in the RECORD at the close of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PERCY. Mr. President, I might just highlight a few of these for my colleagues. In the Revenue Act of 1978, Congress included a 10-year transitional rule relating to a change in the taxation of corporate farming and a 5-year transitional rule for taxpayers who sell or distribute magazines. The 1976 Tax Reform Act also included a transition rule—in this case relating to the taxation of real property—for a 10-year amortization period. We could go back further, there are many such provisions in the tax code.

My purpose in mentioning these is to point out to my colleagues on the Finance Committee that it is incumbent on the Senate to write the best legislation possible. Without a transition rule, the Senate would be neglecting its responsibilities to write a responsible new law.

REACTION TO FINANCE COMMITTEE VERSION

The Finance Committee legislation was reported in June. I have received a number of comments on title 5, dealing with commodity straddles, and I wanted to share those with my colleagues.

First, the Governor of Illinois, Jim Thompson, sent Secretary of Agriculture Jack Block a hand-written note on June 22 about this matter.

Mr. President, I ask unanimous consent that this letter be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

STATE OF ILLINOIS,
Springfield, Ill., June 22, 1981.

JAMES R. THOMPSON,
Governor.

DEAR JACK: I am adding my voice to those which have been raised in the farm community across the nation, with a special plea from the Chicago and Illinois economy, to equitably resolve the "tax straddle" issue now pending in the Congress. While we agree with the need for reform, we believe it cannot come at the expense of long time and legitimate practices at the Board of Trade and Chicago Mercantile Exchange, whose activities have consistently lent stability to the cause of American agriculture.

I hope you can help us with the Treasury and Congress on this very difficult issue and I look forward to discussing it with you in person.

Best regards,

JIM THOMPSON,
Governor.

Mr. PERCY. Mr. President, Governor Thompson states in his letter:

While we agree with the need for reform, we believe it cannot come at the expense of long time and legitimate practices at the Board of Trade and Chicago Mercantile Exchange, whose activities have consistently lent stability to the cause of American agriculture.

On July 10, William Lesher, Assistant Secretary for Economics at the Department of Agriculture, wrote Mr. Chapoton at the Treasury Department about this. The Agriculture Department has several concerns with the present legislation and points out that the Department of Agriculture "has expressed concern that any changes in the rules recognize the need to maintain incentives to speculators in futures markets."

The letter concludes:

In addition, we have one other concern. Traders who have been rolling over capital gains from one year to the next may now face very large one-time tax liabilities under the proposed legislation. The payment on those accumulated gains may cause some short-term cash flow difficulties for traders and trading firms and some short-term liquidity problems in the market. We believe it would not be unreasonable to recognize the difficulties that may be created by such heavy one-time tax liabilities and to accommodate those difficulties in some way, such as spreading those payments over a five-year period.

Mr. President, I ask unanimous consent that Mr. Lesher's letter be included in full in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 10, 1981.

HON. JOHN E. CHAPOTON,
Assistant Secretary for Tax Policy,
U.S. Department of Treasury,
Washington, D.C.

DEAR MR. CHAPOTON: As you know, the Department of Agriculture favors the closing of tax loopholes which allows large amounts of unrelated income to escape taxation through transactions in futures markets. However, the Department of Agriculture has expressed concern that any changes in the rules recognize the need to maintain incentives to speculators in futures markets. That need has been demonstrated through research papers prepared by Houthaker, Breeden, Peck and others. What is less clear is the linkage between the tax avoidance opportunities and incentives to speculators in futures markets. While there are no conclusive empirical analyses, economic logic suggests that the opportunity to reduce taxes is a strong incentive to speculators.

We have studied the legislation recently considered by the Senate Finance Committee. As we understand it, gains on speculative transactions in regulated futures markets would be treated as ordinary income and taxed at a 32 percent maximum marginal rate.

The potential impact of this proposal on the volume of speculative trading is not clear. On the one hand, the more favorable tax rate on ordinary gains could be sufficiently attractive when compared to ordinary gains from other sources to attract new speculative trading to futures markets. On the other hand, the proposed lowering of the capital gains rate to 20 percent increases the incentive to shift ordinary gains to capital gains. That means that some potential speculators may be lured to other forms of business activity where that opportunity exists rather than pay the 32 percent rate. Thus, while the 32 percent rate is a step in the direction of accommodating the needs of futures markets, it is difficult to determine in advance the net impacts on the volume of speculative transactions from the forces described above. For this reason, it would be desirable to find some way to make gradual adjustments from existing law. That would make it possible to monitor impacts on the volume of speculative transactions. The Department stands ready to assist in the analysis of data generated during such a phase-in.

In addition, we have one other concern. Traders who have been rolling over capital gains from one year to the next may now face very large one-time tax liabilities under the proposed legislation. The payment on those accumulated gains may cause some short-term cash flow difficulties for traders and trading firms and some short-term liquidity problems in the market. We believe it would not be unreasonable to recognize the difficulties that may be created by such heavy one-time tax liabilities and to accommodate those difficulties in some way, such as spreading those payments over a 5-year period.

We appreciate your willingness to work with the Department of Agriculture on this important issue and look forward to continued close cooperation.

Sincerely,

WILLIAM G. LESHER,
Assistant Secretary for Economics.

Mr. PERCY. Mr. President, the last quotation I read speaks directly to the need for a transition rule in the Senate bill and I am pleased that the Department of Agriculture shares our concern over the lack of an adequate transition rule, which I described earlier in my remarks.

On June 22, H. J. Maidenberg of the New York Times business section, wrote a very comprehensive and fair article on the Finance Committee proposal. The New York Times analysis states at its outset:

The commodity futures industry is bracing this week for what could be the most damaging attack on its markets since the early days of the New Deal, when popularist reformers sought to abolish futures trading entirely.

While the latest assaults being readied in Congress are not aimed at eliminating futures trading, they are widely expected to drive many hedgers and speculators out of the markets because they would sharply restrict the use of commodity futures tax straddles.

Mr. President, I ask unanimous consent that the full New York Times article be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

COMMODITIES—CURBING WRITE-OFFS ON TAXES

(By H. J. Maidenberg)

The commodity futures industry is bracing this week for what could be the most damaging attack on its markets since the early days of the New Deal, when popularist reformers sought to abolish futures trading entirely.

While the latest assaults being readied in Congress are not aimed at eliminating futures trading, they are widely expected to drive many hedgers and speculators out of the markets because they would sharply restrict the use of commodity futures tax straddles.

The classic futures tax straddle works like this:

A person who expects to pay taxes on, say, $100,000 this year could select a commodity whose price is declining.

This investor would buy enough futures contracts in this commodity so that he or she might expect a loss, on paper, of $100,000 during calendar 1981.

At the same time, the investor would sell short a similar volume of futures in the selected commodity maturing in 1982, reasoning that if the value of the contract for this year declines, so will the contract for next year, so that the loss in this tax year would be balanced by the gain on the 1982 contract that he had sold short.

In this way, the loss this year would be offset by the profit on the 1982 contract. But the loss this year would also be used to offset the original tax liability of $100,000.

This procedure can be repeated: To offset next year's profit on the short sale, another money-losing deal (on paper) could be set up in late 1982, balanced by a 1983 future contract, and so on.

But not all straddles are used for rolling over tax liabilities. They are one of the most common everyday trading methods used by hedgers and speculators. The hedgers use them to protect inventory and forward sales commitments and other ordinary business operations. Speculators use them because of the lower cash margins and commissions required by brokers for straddles, as well as the fact that they represent a conservative way to trade futures.

"It is the most frightening prospect facing our industry today," declared Robert K. Wilmouth, chairman of the Chicago Board of Trade, in an interview in his office last Friday. "And while it initially affects our business, the anti-tax-straddle bills represent time bombs for the securities and other markets as well." His exchange handles roughly half the futures contracts traded on the nation's 11 commodity markets.

The two-pronged attacks on futures tax straddles are embodied in bills scheduled to be introduced early this week by Senator Daniel P. Moynihan, Democrat of New York, and Representative William M. Brodhead, Democrat of Michigan. Both are supported by the Treasury Department and the Internal Revenue Service.

Mr. Brodhead summed up his view of futures tax straddles, which was echoed by Mr. Moynihan, in an interview:

"Tax straddles do more than permit people to avoid paying taxes. They foul up the commodity markets because the tax straddles cause grave distortions in prices upon which legitimate trade hedgers and traders depend. They serve no economic purpose. Worse, many people who are encouraged to use these ploys by their brokers don't understand them at all. They are led to believe that they won't have to pay taxes on any gains. Some operators have built large tax shelters around these straddles."

Oddly, commodity industry leaders agree with many of the positions taken by Senator Moynihan, Representative Brodhead and their supporters in Government and have put forth a simple solution to the abuses of futures tax straddles: Rather than outlaw or sharply curb them, the industry would restrict their use to bona fide commodity hedgers and speculators.

Leo Melamed, special counsel to the Chicago Mercantile Exchange, one of the industry leaders fighting the proposed laws, discussed the problem during a phone interview from Chicago yesterday, noting:

"What we have been telling them in Washington all last week is that commodity hedgers and speculators have always been taxed at the highest rates, now 70 percent, because few keep positions long enough to qualify for long-term tax treatment. As a result, these traders try to average their gains by using tax straddles, in effect, putting some of their tax liabilities over into the next tax year. Until recently, the I.R.S. saw nothing wrong with this procedure."

But as inflation has thrust more people into higher tax brackets, many accountants have found futures tax straddles a convenient way to roll over the tax liabilities of their clients as well as providing simple tax shelters. "Suddenly we got doctors, dentists, real estate operators, even rock singers using futures tax straddles," Mr. Melamed said. "And the I.R.S. didn't like that. Nor did we in the industry, because we could see trouble coming."

The former chairman of the Chicago Mercantile, which handles a quarter of all futures business, and the acknowledged "father of financial futures," went on:

"One obvious solution would be to restrict futures tax straddles to bona fide hedgers and speculators. We believe this would eliminate 95 percent of the abuses. In other words, only those with gains made in commodity trading would be permitted to use futures tax straddles."

But the Moynihan-Brodhead bills offer another approach. Their bills would have all futures traders "mark to the market" on the last trading day of the year. Any gains shown on that day would be taxable as such for the calendar year.

The industry finds this the most alarming aspect of the bills being prepared. Both Mr. Wilmouth and Mr. Melamed noted that it would mean taxing unrealized gains in still open positions that could change dramatically into losses overnight.

If this precedent were established by law, they emphasized, it could eventually be the basis for taxing portfolios of securities, real estate, mutual funds and other holdings showing profits on a certain day. It would also be the first time in this nation that unrealized gains would be subject to taxation, both men pointed out.

"Everyone in the commodity market knows how a $100,000 profit one day can turn into a $100,000 loss the next," Mr. Melamed said. "Can you imagine the futures markets as Dec. 31 approaches. It would be chaos. Nobody would dare risk making a profit. The markets would come to a standstill long before each Dec. 31. The thought of marking to market for tax purposes on any given day is terrifying."

Why then does the Moynihan-Brodhead bills propose this procedure? Mr. Wilmouth and Mr. Melamed and other industry leaders who have been commuting to Washington in recent weeks think they have the answer. As Mr. Melamed observed:

"Unlike the securities and other markets, the futures market has traditionally marked to the market every business day in order to guarantee the fiscal integrity of every trade. This means that we establish and transfer gains and losses at the end of every session, even though both parties may still hold their positions. Apparently, the legislators think this system can thus be easily used to fix tax liabilities for the full year. We don't."

Mr. PERCY. Mr. President, as a result of these adverse comments about the Finance Committee's tax straddle provision, I put together a letter on July 13 with nine of my Republican colleagues. Our letter to Chairman DOLE stated our concern over the operation of the commodity markets, particularly the mark-to-market approach in the committee bill.

Mr. President, I ask unanimous consent that our letter of July 13 to Senator DOLE be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
Washington D.C., July 13, 1981.

HON. ROBERT DOLE,
Chairman, Finance Committee,
U.S. Senate, Washington, D.C.

DEAR BOB: We have been reviewing the tax reduction provisions of H.J. Res. 266 and commend you for moving this important legislation through Committee so quickly. Its passage will be a landmark in stimulating capital investment and savings in the United States and in putting our economy back on the track.

One aspect of this legislation troubles us, however, and in its present form, seems to run at crosscurrents to the investment orientation of the bill. We are referring to the commodity tax straddle provision and believe that the existing language is unintentionally—but seriously—flawed. Although there is a clear need to reform certain abuses of this tax mechanism, we find that this provision could have unintended adverse effects on the economy.

As you know, the commodity markets provides an invaluable service for the economy by stabilizing price fluctuations and transferring risk from seller to buyer. Without properly-functioning commodity markets, our agricultural economy would be much less efficient and we could not deliver the quantities of food throughout our own country and the world at predictable prices.

We are particularly concerned that the Committee proposal may tax unrealized gains. Senate Republicans have worked for many years to lower the taxation on capital gains and speed investment in new plants and equipment. By their definition, these are risk ventures and our legislative proposals have sought to nurture this type of activity in the economy.

Taxation of unrealized gains in the commodity markets would actually inhibit risk-taking in that market. Removal of the present built-in incentives to trade could make legitimate commodity trading more costly and could result in wider price fluctuations in the markets. Secretary of Agriculture Jack Block voiced similar concerns on June 6th when he noted that the proposal could adversely affect market liquidity and make it more difficult for some farmers and elevator operators to hedge in the market.

We would like to work with you to fashion a tax straddle provision that would end shelter abuses without seriously affecting the operation of legitimate commodity markets. We would like to reach agreement with you on this so that a floor amendment is unnecessary.

Warm personal regards,

Charles H. Percy, Steven D. Symms, Mark Andrews, Larry Pressler, Jim Abdnor, Jesse Helms, Roger W. Jepsen, Sam Hayakawa, John Tower, Bob Kasten.

Mr. PERCY. Mr. President, the Chicago newspapers have reviewed this tax change and found it to be wanting. The Chicago Sun-Times editorialized on the subject on July 10 and noted that—

This door would be slammed shut on traders as well as tax dodgers under a bill already approved by the Senate Finance Committee.

Five days later, the Sun-Times spoke out on this in another editorial, pointing out that the Ways and Means Committee bill—

Voted to bar abuse of the futures market tax shelters called "straddles" and it did so wisely without imperiling operations of Chicago's commodity exchanges.

Our other major Chicago paper, the Chicago Tribune ran an article on the commodity straddle on July 14, relating to the letter I sent Senator DOLE.

Mr. President, I ask unanimous consent that these three articles from the Chicago press be printed in the RECORD at this point.

There being no objection, the articles

were ordered to be printed in the RECORD, as follows:

[From the Chicago Sun-Times, July 10, 1981]

AN ANTI-CHICAGO TAX

New York has a lock on trading in securities. Chicago exchanges, however, do 80 percent of the nation's business in futures trading, including commodities contracts and financial instruments.

It is no surprise, then, that two New Yorkers—Sen. Daniel P. Moynihan and Rep. Benjamin Rosenthal, both Democrats—are among the three prime movers of legislation now on track in Congress that would inflict severe damage on our futures markets.

The asserted aim of the legislation is a worthy one: to prevent those who make financial killings in entertainment, real estate, the professions or otherwise from sheltering their earnings against taxes by investing them in futures contracts.

Its proponents propose to do this by making unrealized gains—paper profits—carried on the books as of Dec. 31 subject to normal income taxes.

The problem, however, is that this dragnet would also sweep in bona fide futures traders—hedgers and speculators—who serve a very useful function in the economy. By their willingness to take risks on what future prices might be, these traders take risk off the backs of those who can't afford it: farmers, ranchers, food processors, businesses and financial institutions.

To fulfill this function the risk-taker must be able to average profits and losses over an extended period and be assured of capital-gain tax treatment on his earnings.

This door would be slammed shut on traders as well as tax dodgers under a bill already approved by the Senate Finance Committee. And it's causing no end of worry at futures exchanges, including the Chicago Board of Trade and the Chicago Mercantile Exchange, and among agricultural organizations, starting with the American Farm Bureau Federation.

All of these organizations support legislation to shut off the tax shelter to outsiders, but they insist that the legislation can be and should be written to exempt bona fide futures traders. We concur.

If this is not done, some go so far as to say the bill "could literally destroy U.S. futures markets as they exist today."

The blow would be especially devastating in Chicago.

We alert Illinois' two senators, Charles H. Percy (R) and Alan J. Dixon (D), to the danger. And in the House, we look to Rep. Dan Rostenkowski (D-Ill.) to stand firmly against the bill in the Ways and Means Committee, which he chairs.

[From the Chicago Sun-Times, July 15, 1981]

A PLUS FOR CHICAGO'S TRADERS

The House Ways and Means Committee has voted to bar abuse of the futures market tax shelters called "straddles," and it did so wisely—without imperiling essential operations of Chicago's commodity exchanges.

As originally written, the legislation would have applied to professional traders as well as those who shelter incomes earned elsewhere by investing in futures contracts. This "would have closed the doors of the commodity exchanges," in the dire judgment of Leslie Rosenthal, chairman of the Chicago Board of Trade, and others in the business. And it would have been a severe blow to Chicago, where 80 percent of futures are traded.

Rep. Marty Russo (D-Ill.) proposed an amendment we had endorsed exempting the traders. With the support of the committee chairman, Rep. Dan Rostenkowski (D-Ill.), the amendment prevailed, 25–8.

The battle isn't over. The all-inclusive language is still in a bill cleared by the Senate Finance Committee. On that side of the Capitol, we are pleased that Sen. Charles H. Percy (R-Ill.) is mobilizing support for the position of Chicago's exchanges.

[From the Chicago Tribune, July 14, 1981]

DOLE URGED TO EASE COMMODITY TAX

(By Laurie Cohen)

Sen. Percy (R., Ill.) and nine other Republican Senators are urging Robert Dole (R., Kan.) Senate Finance Committee chairman, to support a less restrictive tax on commodity futures transactions than the one approved by the committee three weeks ago.

The 10 Senators, including Jesse Helms of North Carolina, head of the Senate Agriculture Committee, signed a letter that was sent to Dole late Monday. An aide to Percy said the group plans to submit a "package of proposals" to amend the bill passed by the committee.

A floor vote on the senate bill is expected this week.

The committee's plan would effectively close the tax straddle loophole, which the Treasury estimates costs the government $1.3 billion a year in revenues.

A straddle consists of the simultaneous purchase and sale of commodities for delivery in different months. The possible tax consequences include a deferral of gains into the next tax year and holding the gain for six months to qualify for long-term capital gains treatment at favorable tax rates.

"Although there is a clear need to reform certain abuses of this tax mechanism, we find that this provision could have unintended adverse effects on the economy," the letter states.

Industry leaders have been waging a vigorous lobbying campaign, claiming that the Finance Committee approach, which is supported by the Reagan administration, would substantially restrict the flow of speculative cash to the futures market. The Percy aide said that Robert Wilmouth, president of the Chicago Board of Trade, met with Percy in early May.

On Friday the House Ways and Means Committee approved an industry-backed bill introduced by Rep. Marty Russo (D., South Holland) that would produce $400 million less in revenues to the Treasury; according to Ways and Means Committee estimates.

The Percy aide said the Republican Senators are "attempting to move it more toward the House approach."

The letter says: "We are particularly concerned that the committee's proposal may tax unrealized gains. Senate Republicans have worked for many years to lower the taxation, on capital gains and speed investment on new plant and equipment."

Mr. PERCY. Mr. President, on July 20—Monday of this week—Barron's editorialized on the matter of the commodity straddle, highlighting their editorial with the title that the Finance Committee proposal was "Fraught with risk" to the smooth functioning of the commodity markets.

Speaking to the matter of taxing unrealized gains, the Barron's editorial notes:

Why not tax unrealized gains in stocks and bonds? By closing one such "loophole," the Administration, by force of logic, must close more, until it draws a loop tight around the neck of all risk capital.

The editorial continues:

The possible financial consequences of this crusade, in any case, strike us as horrific. If futures markets alone were taxed on paper profits, capital would fly elsewhere. Gold is an example. If futures contracts were liable to tax on unrealized gains, but mining shares and coins were not, capital would sensibly shift to shares and bullion.

And then the Barron's editorial makes an excellent point about this legislation:

As New Year's Eve drew near, moreover, speculators would distractedly trade with an eye to taxes as much as to supply and demand. Prices would tend to become untrue. The business of futures exchanges—to shift market risk from hedgers to speculators—would be impaired.

Mr. President, this is a valuable piece to the debate over this legislation and I ask unanimous consent that it be printed in the RECORD at this point.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

BAD SPECULATION: PROPOSAL TO TAX COMMODITY STRADDLES IS FRAUGHT WITH RISK

To the layman, the subject of taxes on commodity straddles beckons like a dark alley. Just the thing to know nothing about, the sensible man might say. Exactly the thing to be left to the experts. Perhaps, but in the past few weeks that dusty subject has captured the imagination of the Fourth Estate. Even as the House and Senate made ready to vote on such portentous fiscal matters as indexed marginal brackets and the All Savers' Certificate, stories kept surfacing about commodity straddles and taxes. In an investigative vein, for example, The Wall Street Journal disclosed from Washington that lobbyists for commodity speculators had been seen aboard yachts as well as on dry land in the act of buttonholing legislators. Dispatches have traced the progress of alternate bills, in the House Ways and Means Committee and the Senate Finance Committee, that would close the straddle "loophole." Then, on Wednesday, a coincidence: The New York Times and Washington Post, in separate editorials, endorsed the Senate bill, which is the Administration s. Even casual observers began to gather that (a) Donald T. Regan, the Treasury Secretary and former chief of Merrill Lynch, believes that "2,500 wealthy commodity speculators" are getting away with something; (b) the Administration means to do something drastic about it; because (c) the cost in forgone revenues runs (by the government's estimate) to $1.3 billion a year.

Yet one small detail largely escaped comment: if the Administration gets its way, commodity positions would be marked to market value at the end of each year and taxed on the basis of profits, whether realized or not. Speculators, that is, would be taxed on paper profits.

The best place to start this peculiar story is at the beginning. A commodity straddle, or spread, is a trading technique. It is invidiously defined as a "tax gimmick." By the same token, a fork might be defined as a "bean spear." Some people spear beans with forks; some speculators use spreads, or straddles (the terms are synonymous) to defer taxes. The definition is wrong because it is incomplete. A spread is a technique that involves the purchase of one futures contract and the sale of another. The second contract, the one (in this example) that is sold, may be in a different commodity. For example, a man might buy beans and sell silver. Or, the second contract might be in the same commodity but in a different delivery month. Thus, a speculator might buy October gold and sell December gold.

Spreads have many uses. The first is to reduce risk. It is obviously safer to stake out a long position in beans if one were also short a bit of them (or some wheat or corn). A second use is to profit by an expected

change in price relationships, for example, between bills and bonds or between beans and silver. A good reason to put on spreads is to put on taxes which is the cause of the row in Washington and all that ink in the papers.

Anyone with income to shelter can set up a commodity spread on which a profit (it is hoped) will be largely offset by a loss. He, or she, can buy gold futures for delivery in one contract month and simultaneously sell in another contract month. The chances are that, no matter which way gold goes, one "leg" of the spread will show a profit and the other leg a loss. The tax angle is to realize the loss but to postpone the gain. If the gold price rises, the short leg yields the loss. Thus the short sale is closed out and the long leg is protected with another spread. The profit isn't realized until the following year, or perhaps the year after that. Perpetual postponement is unlikely, however, because market risk tends to outweigh the benefit of tax postponement. The idea is to push a gain forward until it becomes a long-term gain, then to sell and pay taxes at the reduced rate.

All of which has elicited considerable indignation and one exceptionally bad piece of legislation. The bill (by number, S. 626) would close the straddle loophole by requiring that speculators mark their positions to market at the end of the year. Real and paper profits alike would be taxed at at rate of 32 percent or so (income would also be offset by past losses). This way, say proponents, profits would be captured in the year in which they were earned.

Obviously nothing of the kind has been done before. In no market are paper gains subject to tax. A precedent to the contrary would open vast possibilities for mischief in financial markets and real estate. If unrealized gain in gold contracts and T-bond futures are to be taxed, then why not in bullion and bonds, or in houses and common stocks?

Equity in a house can be borrowed and spent but it isn't taxed as income until the place is sold. Why not mark houses to market? At yearend, an investor with a profit in stock can sell short "against the box," or against his long position. He thus can "cash out" his gain but pays no tax until he delivers the stock to close out the transaction next year. Why not tax unrealized gains in stocks and bonds? By closing one such "loophole," the Administration, by force of logic, must close more, until it draws a loop tight around the neck of all risk capital.

What consequences might spring from this essay in "reform" are anybody's guess. The nature of tax reform is that everyone wants it but nobody has time to read the legislation, or, finding the time, can't make heads or tails of it. A case in point is the bill at hand, S. 626, to wit: "In general—In the case of any offsetting position in personal property—(1) that portion of any loss—(A) which is incurred in connection with the sale or exchange of any position held as part of such offsetting position, and (B) which exceeds any gain recognized in connection with the sale or exchange of any other position held as part of such offsetting position, shall be treated as incurred as of the close of the balanced period; and (2) the holding period (as determined under section 1223) of any position held as part of any offsetting position shall not include any portion of the balanced period with respect to the position." The words make sense separately but somehow not en masse.

The possible financial consequences of this crusade, in any case, strike us a horrific. If futures markets alone were taxed on paper profits, capital would fly elsewhere. Gold is an example. If futures contracts were liable to tax on unrealized gains, but mining shares and coins were not, capital would sensibly shift to shares and bullion. As New Year's Eve drew near, moreover, speculators would distractedly trade with an eye to taxes as much as to supply and demand. Prices would tend to become untrue. The business of futures exchanges—to shift market risk from hedgers to speculators—would be impaired. A futures industry handout raises an interesting point. "Should mark-to-market legislation adversely affect [financial futures] markets—as we believe it would—the cost would far exceed the benefits. Only a very slight widening of bid-ask spreads will add millions of dollars to the Treasury's costs in a new debt issue. We close a $1.3 billion dollar straddle loophole . . . and in the process increase the cost of Treasury financing by many times that amount." Yet the Treasury, unhedged, wants to make just that speculation.

This disaster in the making, oddly, isn't born of ignorance. The Treasury Secretary, Donald T. Regan, knows that if paper profits were profits, many would be the rich man at the bar at Harry's. (Merrill Lynch, which under Regan's stewardship helped to develop a type of straddle that was subsequently challenged by the IRS, now is helpfully advising clients on "alternate income sheltering strategies.") Moreover, a friend of S. 626, Sen. Daniel Patrick Moynihan (D., N.Y.) knows a thing or two about the commodity pits. The Senator's financial statements seem to show that a trading profit of roughly $60,000 was pushed into 1980 from 1979 as the result of some pork-belly spreads designed by his broker, Maduff & Sons. (An aide of Moynihan's was asked for comment on the Senator's apparent first-hand experience with the object of the ire of S. 626; but no comment was forthcoming.) In fairness to Moynihan, his was a managed account and the spread was far from risk-less. But then, most spreads involve risk. When the Administration argues the opposite, it is misinformed.

Thus the Treasury's honorable course is surrender, S. 626 should be given up for dead. In the House, the Ways and Means Committee has passed a bill that would limit the tax benefit of spending to income earned in commodity futures trading. It would impose no mark-to-market rule. If a bill must be passed, let it be that one.

The timeless lesson in this political dustup is that the tax law is far too complicated. The only known tangible result of the parade of "tax reforms" from 1954 to date is the burgeoning fees of lawyers and accountants. A while ago, Alvin Rabushka, senior fellow at the Hoover Institution at Stanford University, proposed a simple flat-rate system. If everybody paid 11 percent, he said, the Treasury would take in as much as it does today under the current gimmick-ridden regime. Nothing against lawyers and accountants, but the more we think of that reform, the better we like it.—JAMES GRANT.

Mr. PERCY. Mr. President, I have also received a number of letters in recent days from farm groups that are strongly concerned about this tax provision and I ask unanimous consent that a few of these be printed in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NATIONAL BROILER COUNCIL,
Washington, D.C., July 17, 1981.

Hon. CHARLES PERCY,
U.S. Senate, Dirksen Office Building, Washington, D.C.

DEAR SENATOR PERCY: The National Broiler Council represents the majority of the nation's broiler producer/processors. Because the broiler industry receives no government price support and because we rely entirely upon the free market for the price we receive for our product, we are particularly interested in looking for ways to reduce the risks of a very volatile business. Our producers use the futures markets of the country both to hedge the price of corn and soybean feedstuffs and to hedge the price they receive for their broilers.

Because there is a huge volume of trading in the corn and soybean futures markets, broiler producers have always been able to hedge very successfully the price of their feedstuffs. Unfortunately, we have not had the same success in our attempt to hedge the price of broilers. There has been a broiler contract for several years on the Chicago Board of Trade that has never had proper volume and liquidity. Therefore, we encouraged the Chicago Mercantile Exchange to establish a broiler contract, which they did in late 1979. This broiler contract on the Chicago Mercantile Exchange has not yet achieved a volume that will provide the necessary liquidity for a vital and efficient futures market. However, we are hopeful that increased gains in volume and liquidity in this market will give us the kind of hedging tool that we want.

Because of our experience in the futures markets, we in the broiler industry have looked with interest at the current deliberations by the Congress to close the so-called commodity "tax straddle loophole." Certainly we do not feel that people should be able to take income gained in other areas and create an artificial and offsetting loss in the futures markets by using spreads or straddles or any other device. However, we are concerned about the possible impact of the mark to market approach that has been adopted by the Senate Finance Committee. We are concerned that by imposing a tax on unrealized gains at the end of each year, the government might possibly dissuade traders from investing in long-term positions. We fear that traders will be much less interested in taking long-term positions in the futures market if they are completely denied the benefit of transferring gains and losses forward into future years.

We appreciate and applaud the Senate Finance Committee's action in exempting hedgers from taxation on unrealized gains; however, we realize that there must be sufficient interest on the part of speculators in order to create a viable futures market. The futures market in broilers is a good example of a market that has sufficient hedger interest, but lacks adequate speculative interest. Therefore, we fear that any tax approach which diminishes the interest of speculative capital in the futures market will greatly impair our attempts to establish a viable broiler contract which will provide a satisfactory hedging medium for our producers. We hope that it will be possible for the Senate to find satisfactory ways to eliminate any tax abuses without having a negative impact on the futures market.

Sincerely,

GEORGE B. WATTS,
President.

ASA WASHINGTON OFFICE,
Washington, D.C., July 20, 1981.

Hon. CHARLES PERCY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PERCY: I understand that during Senate consideration of the tax bill that you intend to seek less restrictive tax treatment of commodity straddles income than was approved by the Senate Committee on Finance. The American Soybean Association shares your concern with the future straddles provisions approved by the Finance Committee and urges approval of legislation similar to that approved in the House Committee on Ways and Means.

I enclose a copy of a letter ASA filed with the Committee on Finance on June 1 ex-

pressing concern that in the effort to eliminate the use of futures straddles as a method of tax avoidance that the Congress not cause a flight of speculator capital out of the futures markets. Futures markets are essential to American agriculture since they provide a way for farmers, processors, and merchandisers to reduce their risks from price fluctuations. Commercial hedgers are able to transfer their risk to the speculators who seek such risk in the hope of making a profit. If the profits from futures speculation are all taxed at the highest unearned income level one can expect a decline in speculator activity and a loss in market liquidity.

Soybean producers are especially aware of the importance of futures markets. Almost twenty percent of the total volume on futures exchanges is comprised of contracts for soybeans, soybean meal, and soybean oil. A decline in market liquidity would have an enormous effect on our industry.

Therefore, Mr. Chairman, we offer our support for your effort to gain fair treatment for income received from futures straddles.

While tax abuses through futures straddles should be stopped, the Congress should not disrupt our futures markets.

Sincerely,

JOHN BAIZE,
Washington Program Manager.

ASA WASHINGTON OFFICE,
Washington, D.C., June 1, 1981.

Hon. ROBERT DOLE,
Chairman, U.S. Senate Finance Committee, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR DOLE: The Finance Subcommittee on Taxation and Debt Management and Subcommittee on Energy and Agricultural Taxation have scheduled hearings on June 12 on S. 626 and other bills affecting tax treatment of commodity straddles. The American Soybean Association takes this opportunity to offer comments on those bills. We ask that our comments be made part of the hearing record.

The American Soybean Association is a national, non-profit, volunteer, single-commodity association organized to assure the opportunity for a profitable soybean industry. ASA has approximately 20,000 dues-paying members and ASA is supported by over 460,000 soybean producers who voluntarily invest in ASA programs through 23 separate statewide soybean checkoff programs. ASA seeks to maintain soybean profitability through its foreign market development, research, producer and public information, and government relations programs.

ASA does not condone the use of futures straddles as a means of avoiding federal incomes taxes. However, we are concerned that the Congress not unintentionally reduce overall speculation in futures in its attempt to curtail the use of commodity straddles. The futures markets are essential to the marketing of soybeans and soybean products both within the United States and in the international market. Speculators are essential to the proper functions of the futures markets.

Producers, merchandisers, processors and users of soybeans and soybean products use the futures markets both as a mechanism of price discovery and as a means of reducing the risk of price fluctuations. Farmers use the futures markets to "lock in" a future price for delivery of their production. By doing so they are better able to plan cash flow and project potential profits. Merchandisers, processors, and end-users use the futures market to "lock in" a future delivery price for such commodities. The ability to assure future prices and delivery of soybeans and soybean products greatly reduces the risk of doing business and allows substantially reduced trading margins to the benefit of both producers and consumers.

The futures markets allow hedgers to reduce their risk only because speculators seek out such risk in the futures markets. The capital infusion into the markets by speculators is essential to their liquidity. When one considers that the value of the 1980 soybean crop was approximately $16 billion, only a small portion of which was consumed directly on the farm, it is apparent how much speculator capital is needed to maintain soybean market liquidity. The overall value of the commodities traded on futures exchanges, not including financial futures, in 1980 was in excess of $100 billion.

We agree that tax abuse in the use of commodity futures should not be permitted. However, we are opposed to any legislation that would, as some have suggested, result in all profits from commodity futures transactions being considered unearned income and, thus, taxable at up to 70 percent. Also, we oppose a speculator being unable to balance out profits and losses from one year to the next. Such tax statutes would have the effect of forcing many speculators to turn to other investments where they would be eligible for taxation of the profits at the lower capital gains rates. The result could be a general reduction in market liquidity with higher risks for commercial hedgers. Faced with greater risk, the commercial hedgers would most likely increase their margins to the producers and consumers. Since over $8.6 billion of U.S. soybeans and soybean products were exported in 1980 any decrease in U.S. export competitiveness resulting from higher margins could impact the entire U.S. economy.

In conclusion, ASA urges extreme caution by the Congress in attempting to eliminate the use of futures markets as a means of tax avoidance. Futures markets are essential to farmers, processors, merchandisers, and end-users. They should not be needlessly interrupted. Soybean farmers need a strong and viable futures market to help assure their profit opportunity. The continued profitability of our nation's 630,000 soybean producers will help assure a stronger U.S. economy.

Sincerely,

FRANK RAY,
President.

GULF, GREAT-LAKES GRAIN LTD.,
Chicago, Ill., June 22, 1981.

Hon. CHARLES H. PERCY,
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR PERCY: While you are undoubtedly aware of proposed tax legislation pending before your committee affecting the commodities' future market, you may not be aware of the destructive impact on the entire grain marketing system embodied at the Chicago Board of Trade if such legislation were passed.

While the legislation purports to address tax "abuses" related to commodity spread transactions, it constitutes a radical departure from the underlying concept of the tax code which is to tax only realized gains. Further, such legislation would constitute a discriminatory (in fact single instance) of an effort under the tax law to capitalize interest without amortization.

We at the Chicago Board of Trade are proud of the fact that our grain marketing system plays a vital and growing role in the world economy. A firm foundation to such system is the incentive for entrepreneurial participation by investors, many of whom are small investors and who rely upon existing legislation for their participation. To enact the proposed legislation would, in this company's opinion, "dry up" this entire source of investment and create illiquidity in a market demanding complete liquidity for successful continuation.

In substance not only is the proposed legislation entirely discriminatory and without priority, but it would seriously impair the continued vitality of an industry fundamental to this country's entire grain marketing system.

If you believe I overstate the impact of such legislation, I ask you only to read the same in the light of this letter.

Thank you for your consideration.

ROBERT H. WILLIAMS,
General Partner.
EDWARD D. MCGREW,
Limited Partner.
JOHN J. GRIFFITH,
Limited Partner.
RUTH HOMER,
Manager.

ILLINOIS COOPERATIVE FUTURES CO.,
Chicago, Ill., July 21, 1981.

Hon. CHARLES H. PERCY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR PERCY: The Senate Finance Committee's recent action changing the method of taxing commodity straddles could deprive farm cooperatives and many other agribusiness firms of a mechanism of shifting risks of handling large inventories throughout the marketing year.

If left unchanged in floor debate or in conference, the new tax bill will drive professional speculators out of the markets. This would severely restrict the markets' liquidity and thus its capability to withstand commercial hedge pressure. The risk capital of professional speculators is necessary to absorb that risk of ownership which a farmer or agribusiness firm cannot afford to take.

Our scope of operations cover the entire United States. We represent some 45 Regional farm cooperatives and some 55 smaller cooperatives. Each of these cooperatives shift the risk of farmer owned grain to market professionals. Your understanding of the necessity to insure market liquidity will greatly help the U.S. Agricultural system and in turn the American Consumer. While I would not ask for special consideration for any group, I would ask that you continue your efforts not to unduly penalize an industry so vital to the U.S. economy.

Sincerely,

F. MCCOY COAN,
Executive Vice President.

EXHIBIT 1

TRANSITION RULE PRECEDENTS

Adjustments required by changes in method of accounting—current law:

Changes in a taxpayer's accounting methods can often change his tax liability. Section 481 of the Internal Revenue Code of 1954 (26 U.S.C. § 481) generally provides that, where a taxpayer changes his method of accounting, whether voluntarily or involuntarily, he must take into account in computing taxable income in the year of the change all adjustments which are necessary, solely because of the change in accounting method, to prevent duplication or omission of income or deduction items.

Since income for several years might be lumped into one year due to inclusion of all adjustments in the year of the change, § 481 provides two alternative limitations on the tax due for the year of the change. Under one method of limiting the tax, the net amount of the adjustments is allocated ratably over a three-year period (the year of the change and the two preceding tax years) (26 U.S.C. § 481(b)(1)). Under the alternative method, if the taxpayer can establish his taxable income under the new method of accounting for prior years, and can allocate the adjustments due to the new method back to these prior years, the increase in tax is limited to the net increase that would result from the inclusion of the adjustments in the prior years to which the allocations are made (26 U.S.C. § 481(b)(2)).

Adjustments required by changes in method of accounting—prior law:

The above-described provisions were first adopted as part of the Internal Revenue Code of 1954. Prior to that time (under the 1939 Code) a number of inequities existed. Some taxpayers who voluntarily changed accounting methods were required by IRS to make adjustments in the year of the change, thus experiencing "bunching" of income and an especially heavy tax burden for that year. Finally, taxpayers who were required by the IRS to change their method of accounting often obtained relief in the courts from making any adjustments.

However, Congress' action in 1954 to correct these inequities gave rise to several additional problems, relating primarily to adjustments for years prior to 1954. To remedy these problems, the Technical Amendments Act of 1958 (P.L. 85–866) adopted a special rule to give relief to taxpayers "where the adjustment results in an increase in income of the taxpayer of more than $3,000" (S. Rept. No. 1983, 85th Cong., 2d Sess. (1958)). Under this rule:

"One-tenth of the net amount of the adjustments . . . shall . . . be taken into account in each of the 10 taxable years beginning with the year of the change." (P.L. 85–866, § 29, amending 26 U.S.C. § 481(b))

Since this 1958 amendment was intended to take into account adjustments for pre-1954 Code years over a ten-year period, the amendment became obsolete for taxable years after 1963. Therefore, the above-quoted language was deleted as part of the "deadwood" amendments included in Title XIX of the Tax Reform Act of 1976 (See: P.L. 94–455, § 1911(a)(68)). The deletion of this language in 1976 did not, however, change the basic principle of allowing taxpayers to spread the increased tax liability resulting from a change in accounting methods over a ten-year period.

Other provisions allowing proration of adjustments in taxes due to changes in accounting methods:

For example, the Revenue Act of 1978 (P.L. 95–600) added a new provision to the tax laws allowing certain issuers of "qualified discount coupons" to elect to deduct for any taxable year the cost of redeeming coupons that are (1) outstanding at the end of the taxable year, and (2) redeemed within six months after the end of the taxable year. The amendment which made this change also included the following provision:

"(f) 10-Year Spread of Any Net Increase in Taxable Income Under Section 481(a)(2).—In the case of any election under this section which results in a net increase in taxable income under section 481(a)(2) . . . such net increase shall . . . be taken into account by the taxpayer in computing taxable income in each of the 10 taxable years beginning with year for which the election is made." (26 U.S.C. § 466(f))

The Revenue Act of 1978 also included a provision requiring that the taxable income of corporate farming ". . . shall be computed on an accrual method of accounting and with the capitalization of preproductive period expenses . . ." (26 U.S.C. § 477(a)).

In order to ease the tax burden imposed under this change, the same revision included an additional amendment providing that "the net amount of adjustments required . . . to be taken into account by the taxpayer in computing taxable income shall be taken into account in each of the 10 taxable years . . . beginning with the year of change" (26 U.S.C. § 447(f)(3)).

Similar relief was granted under the 1978 Act for taxpayers who sell or distribute magazines. Under prior law, accrual method sellers of magazines had been required to include sales proceeds in income for the year when the merchandise was shipped and could reduce income for returns of unsold merchandise only in the year the items were returned. Changes in the 1978 Act allowed magazine publishers to elect to exclude from income amounts attributable to items returned within a two and one-half month "merchandise return period" after the end of the taxable year.

The same provision included an amendment entitled, "5-Year Spread of Transitional Adjustments for Magazines" whereby ". . . the period for taking into account any decrease in taxable income . . . shall be the taxable year for which the election is made and the 4 succeeding taxable years" (26 U.S.C. § 458(d)). It is significant that the Conference Report on the 1978 Act characterized this 5-year adjustment period as an exception to the normal practice:

"Also under present law, when a taxpayer changes a method of accounting, certain adjustments (called transitional adjustments) are often required to prevent the duplication or omission of an item of income or deduction. These transitional adjustments are subject to *special rules that generally prescribe that the amount of adjustment is to be taken into income (or claimed as a deduction) ratably over 10 years,* beginning with the year in which the change in method of accounting occurs." [Emphasis supplied.] (Standard Federal Tax Reports, 1981, CCH, ¶ 2899N.)

Amortization of real property construction period interest and taxes:

Prior to 1976, amounts paid for interest and taxes attributable to the construction of real property were generally allowable as a current deduction (unless the taxpayer elected to capitalize them as carrying charges). Congress regarded this as an undesirable tax shelter:

"The present tax provisions relating to real estate are used by taxpayers in high marginal income tax brackets to avoid payment of income tax on substantial portions of their economic income. This is principally achieved by allowing current deductions for costs which many feel are attributable to later years. For example, during the construction period the interest paid on the construction loan and the real estate taxes are immediately deducted even though there is no income from the property. . . . These deductions combine to generate losses which can be used to offset income from other sources . . ." (H.R. Rep. No. 94–658, 94th Cong., 2d Sess., 30–30 (1976)).

Therefore, the Tax Reform Act of 1976 (P.L. 94–455) added a new section to the Code stating that "Except as otherwise provided in this section . . . no deduction shall be allowed for real property construction period interest and taxes" (26 U.S.C. § 189(a)). The section went on to provide that such charges are to be capitalized in the year in which they are paid or incurred and amortized over a ten-year period (26 U.S.C. § 189(b)).

However, the ten-year amortization rule did not take effect immediately. In order to ease the transition to the new system, § 189(b) provided that amounts paid or accrued, which would otherwise have been allowable as a deduction for the taxable year, would be allowable in accordance with a table set out in § 189(b). Thus, for nonresidential real property (for example):

(1) For taxable years beginning in 1976 (the year the amendment took effect) taxpayers were allowed to deduct 50 percent of construction period interest and taxes, and then to deduct one-third of the remaining 50 percent in each of the next three years;

(2) Beginning in taxable year 1977, taxpayers could deduct one-fifth of the interest and taxes per year over a five-year period;

(3) Beginning in 1978 they were allowed to deduct one-sixth of these amounts over a six-year period, and so forth, through 1981, when they could deduct one-ninth of these amounts over a nine-year period.

In years after 1981, the provision takes full effect and taxpayers will be allowed to deduct only ten percent of these charges per year over ten years (26 U.S.C. § 189(b)).

Investment credit for qualified progress expenditures:

Prior to adoption of the Tax Reduction Act of 1975 (P.L. 94–12), an investment tax credit could be taken for an investment in "qualified property" only at the time the property was placed in service. Congress believed that this provision was inequitable.

". . . In cases where taxpayers pay for long lead time property as it is being constructed and substantially before the property can be placed in service, to wait for the allowance of the investment credit until the property is placed in service represented too long a delay in the claiming of the credit." (Standard Federal Tax Reports, 1981, CCH, ¶ 531 quoting the Conference Report on P.L. 94–12.)

To remedy this, the 1975 Act added new § 46(d) to the Code whereby a taxpayer, at his election, would be permitted to treat "qualified progress expenditures" for new property as a part of the base for which he could claim an investment credit. To minimize the possible "doubling up effect" of this change, new § 46(d) also included a "transitional rule" providing for a five-year phase-in of the new system.

Under the transitional rule, 20 percent of a taxpayer's 1975 progress expenditures could be treated as part of his qualified investment for 1975. The remaining 80 percent of those payments would be taken into account ratably over the next four years (20 percent a year). Forty percent of the progress expenditures made in 1976 could be taken into account in that year with the remaining 60 percent taken into account in the remaining three years of the phase-in period, and so forth. Thus, by 1979 the phase-in period would be complete and all progress expenditures made in that year and later years could be treated as qualified investments. (See: 26 U.S.C. § 46(d)(7)).

Other transitional rules:

Transition rules have also been adopted in connection with amendments to the tax laws involving:

(1) Rollover contributions to employee trusts or annuities (26 U.S.C. § 402(a)(5)(A));

(2) Employee pension plans (26 U.S.C.A. §§ 410 note, 415 note);

(3) Accounting methods for installment sales of property (26 U.S.C.A. § 453(a)(1) note);

(4) Prepaid dues income of membership organizations (26 U.S.C. § 456(d));

(5) Deferred compensation plans for State and local government employees (26 U.S.C.A. § 457 note);

(6) Bad debt losses and gains with respect to securities held by banks (26 U.S.C. § 582(c)(4));

(7) Interest on accumulation distributions from foreign trusts (26 U.S.C. § 668(c)(2));

(8) Credit limitations on income from outside the U.S. (26 U.S.C. § 904(e));

(9) Capital loss carryovers (26 U.S.C. § 1212(b)(3)); and

(10) The definition of averagable income (26 U.S.C. § 1302(b)(3)).

Mr. PERCY. Mr. President, the understanding that has been worked out with the majority leader is that a colloquy on the commodity straddle will occur at an appropriate time and 60 minutes will be reserved for the 10 Senators whose names I have mentioned, including my distinguished colleague from Illinois, Senator DIXON, to present the case in this matter.

It is my understanding that the able manager of the bill, Senator DOLE, will take out of the bill itself whatever time

he requires to respond to that colloquy.

Mr. DOLE. That is correct.

Mr. PERCY. If it is possible to work out a satisfactory transition rule, then there will be no further need for an amendment. But if that is not possible, then it is the understanding of the Senator from Illinois that time has been reserved so that, on behalf of the 10 Senators, I may offer an amendment; that there will be 30 minutes then provided for that amendment; that that amendment will be considered and voted upon prior to final passage of the measure.

Is that understanding correct?

Mr. DOLE. That is correct.

Mr. PERCY. I thank my distinguished colleague.

I should like to ask one other question of the distinguished Senator, because most of the Senators who are concerned about this matter are on the Agriculture Committee. The Agriculture Committee will be meeting tomorrow on the reconciliation conference.

If we could have adequate notice—an hour's advance notice—as to when the colloquy would be appropriate, it would be appreciated, so that all Members who have indicated a desire to be on the floor and to speak on this issue can be on the floor. If that is satisfactory, I express my appreciation to the distinguished floor manager of the measure, the chairman of the Finance Committee, for his consideration in this matter.

Mr. DOLE. That is satisfactory with the Senator from Kansas. It is something on which we have spent a great deal of time.

I hope the Senator does not want to exempt the traders from any tax. They have a pretty good deal.

Mr. PERCY. As the distinguished Senator knows, he earlier today requested that the 3 o'clock colloquy we were to have be deferred so that, as I understood it, he could consider the matter further and possibly discuss it with the Treasury Department—I believe when he hears the way we are approaching the problem, he will see that we support the premise that everyone should pay taxes.

What we are concerned with—as I have discussed—is the destruction of highly sensitive markets, the futures markets. When he hears that colloquy, we trust that we can work out a transition rule that will preserve the integrity of what Alan Greenspan said to me yesterday is one of the most sensitive markets. Mr. Greenspan said that if we act improperly in this matter, we could affect many other markets in this country. We simply need to know what we are doing, and I know that is consistent with the philosophy of the distinguished Senator from Kansas.

Mr. DOLE. I thank the distinguished Senator from Illinois.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I think there has been a resolution now of this matter and let me say to the distinguished Senator from Massachusetts to make certain we have an understanding. Under the latest proposal in 1982 the rate would be 27½ percent; in 1983 the rate would be 25 percent; in 1984, 22½ percent; in 1985, 20 percent; and in 1986 it would be 15 percent.

And as I understand the revenue loss on that, according to the joint committee, it is in the neighborhood of $250 million and that is the best estimate I can make to the Senator from Massachusetts.

Mr. KENNEDY. I thank the Senator from Kansas.

I do think we quite frankly could find more deserving beneficiaries for this $250 million but I look at it that we have hopefully saved the American taxpayers about $25 billion today. Maybe others are going to object, but I appreciate the good faith of the Senator from Kansas. This is a 5-year loss and it is basically within margin of error. The way I see those figures, expressed over the period of time, $30 to $40 million a year, is within the basic margin of error.

I have no objection.

Mr. DOLE. Let me make clear to the Senator from Massachusetts those are estimates not made by this Senator.

Mr. KENNEDY. I understand that.

The Joint Committee has been always very fair with this Senator and I have no reason to question their estimates at this time.

Mr. DOLE. As I understand, that is satisfactory to both Senators from Oklahoma and the Senator from New Mexico.

The PRESIDING OFFICER. Is there objection?

Mr. BAKER. Mr. President, is the Chair putting the overall question?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. Just to make sure we have not dropped a stitch, let me make sure I have included everything.

RESTATEMENT OF UNANIMOUS CONSENT AGREEMENT

Mr. President, the intent of this request is to provide that only certain amendments will be in order. They are all first-degree amendments and they are all listed.

It is that there be time limitations on those amendments as noted on the list, except in the case where there is no time noted in which case there will be 30 minutes to be equally divided and the control of time will be in the usual form.

There will be a time limitation on the joint resolution of 6 hours to be equally divided between the distinguished manager of the joint resolution, the chairman of the committee and the distinguished ranking minority member, the Senator from Louisiana.

It is understood that time may be used as the managers wish including to yield time off the joint resolution to supplement the time provided for amendments.

No amendment other than those amendments listed and the committee substitute, as amended, will be in order.

Following the final disposition of these amendments the joint resolution will be taken through the stage of third reading, with third reading to occur not later than 3 p.m. on Wednesday, July 29, 1981.

At 3 p.m. on Wednesday, July 29, any amendments remaining will have a time limitation of 5 minutes equally divided.

There will be no further debate beyond the 5 minutes so provided. And no point of order or appeal in regard to the joint resolution will be in order after third reading, and following third reading the joint resolution will be returned to the calendar and no motion in respect thereto will be in order except for nondebatable motion to proceed to its consideration.

In addition, Mr. President, my request provides that after third reading of the joint resolution the Senate will proceed to take up the Department of Justice authorization bill at which time a vote on cloture filed against the Johnston amendment will occur. After the disposition of the cloture motion the majority leader may on motion and after consulation with the minority leader proceed to one of five items, the House or Senate tax bills, the tax conference report, the reconciliation conference report, the House budget bill, or one appropriation bill if such is available, it being understood that nothing in this request will waive any rights nor affect the status of the appropriation bill in respect to any other rule or precedent of the Senate.

Mr. President, I believe that is the summary of the request that has been put and I have taken the liberty of restating it since it has occurred now in stages and installments rather than a single presentation.

I inquire of the minority leader if he has any demurrer to that formulation or any corrections that he wishes to make?

Mr. ROBERT C. BYRD. I thank the distinguished majority leader.

First of all, what is the understanding with respect to the pending amendment by Mr. DOLE and Mr. DOMENICI?

Mr. BAKER. Yes. Mr. President, let me yield to the Senator from Kansas so he may explain that.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, it is my intention to withdraw the amendment and then offer an amendment which would comport with the agreement or at least the understanding we have just had with interested Senators and have a vote on that. And I am prepared to proceed whenever I get the word.

Mr. ROBERT C. BYRD. When will the amendment by Mr. DOLE come down?

Mr. DOLE. I will take it down ahead of time. My word is good.

Mr. ROBERT C. BYRD. The only reason I ask is under the agreement it would not have to come down until third reading unless we have an understanding. My understanding is that it will come down immediately after this agreement is entered into.

Mr. BAKER. Mr. President, if the Senator will yield to me, it is my understanding it will come down immediately

after this agreement is entered into, but it is also my understanding as a result of the negotiation between the Senator from Kansas and the Senator from Massachusetts, the Senator from Kansas will offer an amendment which will comport with the agreement which I understand the two Senators have made.

Mr. DOLE. I might add further it may be disposed of on a voice vote. I am not certain anyone will demand the yeas and nays.

Mr. ROBERT C. BYRD. Further, Mr. President, what assurance can the majority leader give to the Senate? I will only state this for the record. I know what the intent of the majority leader is. But for the record, what assurance does the majority leader give that this measure will remain before the Senate until final action after third reading next Wednesday, that it will not be set aside, not be disposed of by motioning up another amendment?

Mr. BAKER. Mr. President, I give my assurance to the minority leader in that respect. I would be happy to amend the order if he wishes me to do so. But I give him my personal assurance that it is my intention to proceed to third reading on this measure and not displace it with another measure except by unanimous consent as it might appear desirable to both sides.

Mr. ROBERT C. BYRD. Mr. President, the majority leader's word is good enough for me.

I just want to make sure every opportunity is given to Senators whose amendments are enumerated to call up those amendments before the hour of 3 o'clock is reached next Wednesday.

Mr. President, can the majority leader and the two managers of the measure assure the Senate that sessions will be fairly lengthy during the interim?

Mr. BAKER. Yes, Mr. President, I would hope the managers of this joint resolution on both sides will take account of the fact that we have more than 90 amendments to this joint resolution. While I have expressed the hope that many of them will not be called up and time on debate of the measures will be severely reduced, it is still going to be a major job to take all of these amendments up and consider them in coherent way.

So I hope the managers of the joint resolution will stay late tonight and will, since Thursday night is the regular evening in any event, a late evening. I expect tomorrow evening to be very late, stay as late as necessary on Friday, Monday, and Tuesday in order to provide for the orderly disposition of this measure and all the amendments to it.

Mr. President, while I am on the floor and responding to the minority leader, let me cover one other point.

ORDER VITIATING CONVENING TIME ON SATURDAY

Mr. President, I ask unanimous consent that conditioned on the granting of this order, that the order to convene the Senate on Saturday at 10 o'clock be vitiated.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, if the majority leader will further yield, I hope that Senators whose amendments are enumerated in the request will call them up in timely fashion. I have seen situations like this occur so often in which Senators want to put their amendments off until the next day or the last day and, as a result, we have a glut of amendments on the last day.

I hope that—and I am attempting to protect Members who have amendments, certainly those on my side of the aisle—they will be prepared to call those amendments up in timely fashion so that they will be able to get the time that is allotted to include them under the order.

Mr. BAKER. Mr. President, will the minority leader permit me to join him in that statement? I think the only way this can turn out to be a real debacle would be if Members do not take heed of the fact that they must offer their amendments as soon as possible.

It is absolutely essential that we stay in late in order to accommodate Senators who now have indicated they wish to offer 90 amendments.

Mr. PERCY. Mr. President, will the minority leader yield for just a comment on that point? The colloquy I had with the floor manager of the bill, Senator DOLE, is one wherein we have an amendment being offered by 10 Senators on commodity straddles, a colloquy for which 1 hour has been reserved which, if satisfactory, then the amendment would not have to be offered. But I would want to be certain, because most of the Members are on the Agriculture Committee and will be in reconciliation tomorrow. We were ready at 3 o'clock today for that colloquy. We could have completed it, but at the request of the floor managers we did not do it. I do want to be certain that we can do it. We will be ready at any time except during the reconciliation conference, but we will be ready to do it immediately tomorrow afternoon.

Mr. BAKER. Mr. President, I thank the Senator and I am very grateful to him.

Mr. DODD. Mr. President, will the minority leader yield?

Mr. BAKER. Mr. President, I yield the floor.

Mr. DODD. Mr. President, I do not object, but I have a question based on the comment made by the distinguished Senator from Kansas.

As I understand this agreement does not have included in it the further agreement that the Dole amendment, not the pending Dole amendment, but the second Dole amendment, would not necessarily be subject to a voice vote. That was not part of the agreement, as I understand it, but merely a desire of the Senator from Kansas.

Mr. BAKER. Mr. President, as I understood the Senator from Kansas, he merely ventured the opinion that it might not be necessary to have a rollcall. There was no provision made one way or the other.

Mr. DODD. That was not part of the agreement?

Mr. BAKER. No, it was not.

Mr. DODD. I thank the Senator.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, I think there is only one question I would like to have clarified. The request as propounded by the distinguished majority leader gives the leader one right that he does not, he would not, have otherwise, and I believe that this should be clarified.

He included in the request that in the event cloture is invoked on the Johnston amendment that following the vote on cloture the majority leader would have the right to move to proceed to take up the House or Senate tax bills, certain conference reports, and one appropriation bill.

Ordinarily, Mr. President, he would not automatically have that right to move to take up the House tax bill. That is not a privileged measure, and I take it that his request was for the purpose of assuring Mr. JOHNSTON that in the event cloture is invoked, the majority leader would only move to take up one of those bills or conference reports that he specified.

I would not want to accede to the request here that the majority leader proceed to the House tax bill in the event cloture is invoked. I have no intention at the moment of interposing any objection to a unanimous-consent request to go to that bill or obstructing, if I could—and in some circumstances I could—it is not my intention to obstruct the making of a motion to proceed to the House tax bill. But I would not want by this request to waive the right on the part of the minority or on the part of any Senator.

Mr. BAKER. Mr. President, if I can say to the distinguished minority leader, the purpose of the listing of the five items was to, as he correctly infers, reassure the Senator from Louisiana that I would only attempt to go to one of those five. I do not attempt to create any new right beyond that which has been stated, nor waive any right the minority leader would have or any Senator would have in an attempt to prevent the Senate's proceeding to those measures.

I would point out, as I did to the Senator from Louisiana, that under the response to the parliamentary inquiry put by the Senator from Louisiana on the status of the DOJ bill, the cloture vote after third reading, we are also creating a right for that vote to occur. Otherwise it would not occur after third reading. So it really is a question of accommodating the wishes of the Senator from Louisiana, and then giving certain rights to the majority leader to do other things that appear necessary and desirable.

Mr. ROBERT C. BYRD. Mr. President, I know that was the intent of the majority leader. I ask that he include in his request that any motion to proceed to the House tax bill or to one appropriation bill not waive any rule or right that any Senator presently has.

Mr. BAKER. Mr. President, I include that in the request.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, that completes my summary of the request, and if there are no further questions by other Senators, I am prepared for the Senate——

Mr. DOLE. Mr. President, I raise one other question as manager of the bill.

As I understand the agreement, there will be some effort to schedule major amendments at the earliest possible time. I do not want to get into all the sequences, but I hope the managers of the bill will have an opportunity to try to negotiate some of these amendments. It puts the manager under a certain handicap if he is locked into a time agreement. So, I hope we are not in effect, getting ready to raid the Treasury here with time agreements, because I think many of these amendments might be negotiated.

Mr. BAKER. Mr. President, I would say to the distinguished Senator from Kansas that I think it is issential that we try to schedule these bills and do the major bills soon. I would hope that he and the distinguished Senator from Louisiana (Mr. LONG), would take the responsibility for trying to arrange that schedule so that we have a reasonable number of amendments on tap and ready to go, maybe six of them at a time, so that we have some expectation of what is before us at any given time.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The text of the agreement is as follows:

UNANIMOUS CONSENT AGREEMENT

Ordered, That during the consideration of H.J. Res. 266, a joint resolution to provide for a temporary increase in the public debt limit, debate on any amendment in the first degree shall be limited to 30 minutes, to be equally divided and controlled by the mover of such and the manager of the bill, unless the amendment has a special time limit contained in the following list:

Sponsor, subject, time (30 minutes equally divided unless otherwise specified.).

Baucus—Increase write-off allowed certain small businesses for purchases of limited amounts of new equipment.

Baucus—Exclude from double taxation the first $100,000 of undistributed dividends.

Baucus—Index cap used to value land for estate taxes to the GNP deflator.

Baucus—Restore depreciation back to 175 percent.

Bentsen—Stock option.

Bentsen—Qualified progress expenditures.

Biden—Day care tax credit.

Bradley—Research and development.

Bradley—Eliminate tax on savings.

Bradley—3-year tax cut aimed at those under $50,000, 2 hours.

Bumpers/Kennedy—3-year tax cut redistribution to protect from inflation and social security, 2 hours.

Bumpers—Change definition of capital assets to elimnate luxury items.

Bumpers—Strike portion of the bill that reduces minimum tax on capital gains.

Byrd, R. C.—Depreciation schedule for generating equipment in coal-powered utilities and for pollution control equipment in coal-powered utilities.

Chiles—Resolution on small business, financial institutions and farms.

Cranston—Treatment of public utility property for "normalization".

DeConcini—Earnings limitations.

DeConcini—ESOP.

Dixon—Bank forward contracts.

Dixon—Individual retirement accounts.

Dodd/Heinz—Expensing option for construction of all residential rental housing, 40 minutes.

Eagleton—Social Security—de-couple from unified budget.

Exon/Bradley—Trigger for third year of tax cut, 2 hours.

Ford—Reduce tax on taxable income of principal campaign committees.

Glenn—Expand tax credit for incremental research and development, 1 hour.

Glenn—Exclude domestically performed R&D from Sec. 861 of Internal Revenue Code, 1 hour.

Hart—Commission on taxation.

Hart—Substitute individual tax cuts for indexing, 2 hours.

Hart—Tax on imported oil.

Heflin—Social Security interest rates.

Heflin—Tax credit on pecans.

Huddleston—Horse depreciation.

Huddleston—Earned income tax credit.

Kennedy—Retirement income tax credit for elderly.

Kennedy—Tax credit for home heating.

Kennedy—Deny business tax cuts to businesses that raise prices.

Kennedy/Wallop—Energy conservation.

Kennedy—Estate and gift tax.

Kennedy—Increase limit on corporate charitable contributions from 5% to 10%.

Kennedy—Cap on 10-5-3.

Kennedy—Reduce tax expenditures in proportion to direct spending cuts.

Kennedy—Reduce the tax deductions for business meals and first class airfare.

Kennedy—Phase in the 70% to 50% cut over two years.

Kennedy—Allow the investment credit to be carried back for a longer period and/or make the investment credit transferrable.

Leahy—Extend capital gains one-time exclusion for sale of home to handicapped.

Levin—Adoption and foster care tax credit—40 minutes.

Levin—Exclusion for first $100 of interest income.

Long—Expense and depreciation.

Matsunaga—Exempt energy investment tax credit from the "at risk" provision.

Melcher—IRS regulations on imputed interest rate.

Melcher—Refundable tax credit for nonferrous metal smelting.

Metzenbaum—Increase tax credit for day care.

Metzenbaum—Adoption and foster care tax credit.

Mitchell—Tax relief for small businesses by simplifying inventory accounting for tax purposes.

Moynihan—Thor power.

Moynihan—Technical amendments on straddle.

Nunn—Procedures to enable IRS to share information on non-tax crimes with Justice Department—1 hour.

Pryor—Social Security earnings limitation.

Riegle—Refundable investment tax credit.

Riegle—Marriage penalty.

Sasser—Social Security resolution/interfund borrowing.

Sasser—Repeal excise tax on custom gunsmith.

Sasser—Marriage penalty.

Stennis—Establish interest commission for study of possible stable and lower rate.

Hatfield—Oegon veterans home loans.

Boschwitz—Permit expensing in 1981.

Symms—Timber state and gift tax area.

Heinz—Definitions of pollution control expenditures eligible for Sec. 103 financing—1 hour.

Heinz—Repeal Sec. 189 (rental housing const.)—1 hour.

Heinz (with Domenici)—Targeted job tax credit—2 hours.

Hawkins (with Metzenbaum)—Daycare centers—1 hour.

Lugar—Tax credit for volunteer fire depts.

Packwood—Day Care.

Roth—Railroad Rolling Stock, 10 minutes.

Boschwitz—Federal Home Loan Bank Board, 10 minutes.

Mattingly—Moratorium Fringe Tax.

Jepsen—Tax Exemption for People who Adopt.

Rudman—Home Heating.

Helms—Deduction for Loss of Motor Carrier Operating Authority.

Wallop—Investment Tax "At Risk" ITC.

Durenberger — Technical amendment — Private Foundations.

D'Amato—Tax Straddle—7 Day Look Back.

Quayle—Rehabilitation Housing.

Symms—3 Estate Tax amendments—30 minutes total on all 3.

D'Amato—State Legislatures Travel Exemption.

Lugar—Depreciation of Mobile Homes, 20 minutes.

Packwood—Prepaid Legal, 20 minutes.

Gorton—Tax Considerations of Stock Conversion of Mutual Savings Banks, 10 minutes.

Dole—Agreed Upon Oil Amendment.

Dole—Fiscal Responsibility.

Stevens—Performing Arts.

Percy—Transitional Rule on Straddle, 1 hour (for Percy).

D'Amato—Savers Credit.

Jepsen—Related Party Rule for Farmers.

Tower—Tight sands.

Dole—Stock Options.

Dole—Cash Management.

Dole—Withholding on Foreign Investment in U. S. R/E.

Chafee—Repeal Demolition of Historic Structures.

Chafee—Credit for Rehabilitaiton in Historic Districts.

Roth—Depreciation on Structures.

Provided, That in the event the manager of the resolution is in favor of any such amendment, the time in opposition thereto shall be controlled by the Minority Leader or his designee.

Ordered further, That a time limitation of 6 hours be imposed on the resolution, to be equally divided and controlled, respectively, by the Senator from Kansas (Mr. Dole) and the Senator from Louisiana (Mr. Long): *Provided*, That the said Senators, or either of them, may, from the time under their control on the passage of the said resolution, allot additional time to any Senator during the consideration of any amendment: *Provided further*, That the listed amendments be the only amendments in order, and that at no later than 3:00 p.m. July 29, 1981 the bill be advanced to third reading: *Provided further*, That if any of the listed amendments have not been called up by that time, there be 5 minutes, equally divided and controlled, on each such amendment: *Provided further*, That following third reading of the resolution, it be returned to the Calendar and that the motion to resume consideration of the joint resolution not be debatable: *Provided further*, That immediately after the joint resolution is returned to the Calendar, the Senate proceed to vote on the cloture motion presented by the Senator from Louisiana (Mr. Johnston): *Provided further*, That if cloture is invoked, the Majority Leader, inspite of the prohibitions of Rule XXII, can move to the consideration of the House or Senate tax bill, the conference report dealing with a tax bill, the conference report dealing with the reconciliation bill, the House reconciliation bill, or one appropriation bill: *Provided further*, That any motion to proceed to either the House tax bill or an appropriation bill not be permitted to waive any present right of any Senator: *Provided further*, That no call for the regular order during the consideration of any of these measures be permitted to return the Senate to the unfinished business.

Mr. BAKER. Mr. President, I thank all Senators. I especially thank the distinguished manager of the bill, the Senator from Kansas, the ranking minority member, the Senator from Louisiana, and, most especially, the minority leader who was most helpful.

Mr. President, I yield the floor.

The PRESIDING OFFICER. The Senator from Kansas.

WITHDRAWAL OF AMENDMENT NO. 509

Mr. DOLE. Mr. President, under the agreement, I now withdraw the amendment.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn.

UP AMENDMENT NO. 261

(Purpose: Relating to the rate of tax on newly discovered oil)

Mr. DOLE. Mr. President, I think it is in order to send an amendment to the desk. I ask for its immediate consideration.

The PRESIDING OFFICER. The Senator has an amendment numbered 508 dealing with stock options.

Mr. DOLE. Mr. President, I ask unanimous consent that that be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE), for himself, Mr. DOMENICI, Mr. NICKLES, Mr. SCHMITT, Mr. BOREN, Mr. WALLOP, Mr. TOWER, and Mr. BENTSEN, proposes an unprinted amendment numbered 261.

Mr. DOLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 160, strike out the matter following line 22 and insert in lieu thereof the following:

"For taxable periods beginning in:	The applicable percentage is:
1982	27½
1983	25
1984	22½
1985	20
1986 and thereafter	15 "

Mr. DOLE. Mr. President, this is an amendment offered by myself and the distinguished Senator from Oklahoma, Senator BOREN; the Senator from New Mexico, Senator DOMENICI; the Senator from Oklahoma, Senator NICKLES; the Senator from New Mexico, Senator SCHMITT; and the Senators from Texas, Senator BENTSEN and Senator TOWER, and perhaps others. I believe it conforms with the agreement. I have shown it to the Senator from Massachusetts. It is 27½ percent in 1982, 25 percent in 1983, 22½ percent in 1984, 20 percent in 1985, and 15 percent in 1986.

I believe, as indicated by the Joint Committee on Taxation, this would cost an additional $250 million. As far as I know, there is no reason for lengthy debate on the amendment, but if anybody wants to speak, they may.

Mr. DODD addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. DODD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. On whose time?

Mr. LONG. Mr. President, I yield time to the Senator from Connecticut.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time? Do the Senators yield back their time?

Mr. DOLE. I yield back my time.

Mr. BOREN. All time is yielded back on this side.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Kansas (Mr. DOLE).

The amendment (UP No. 261) was agreed to.

Mr. BOREN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. BOSCHWITZ). Without objection, it is so ordered.

ORDER OF BUSINESS

(The remarks of Mr. HEINZ at this point in connection with the introduction of legislation are printed under statements on introduced bills and joint resolutions. During the remarks of Mr. HEINZ, the following occurred:)

Mr. HEINZ. Mr. President, I ask unanimous consent that any further time I may consume be charged against morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HEINZ. I thank the Chair.

ECONOMIC RECOVERY TAX ACT OF 1981

WINDFALL PROFIT TAX

Mr. HART. Mr. President, this morning I joined many of my colleagues in support of an amendment to phase out the windfall profit tax on new oil. That amendment, by improving the incentive to search for new domestic supplies, promised to increase our domestic oil supplies and thereby lessen our continued dangerous dependence on foreign oil.

A windfall profit tax should not be imposed on new oil. We need to provide a simple, prompt, and obvious incentive for new domestic production to protect the Nation's security. The price for oil yet to be discovered in this country should be the same as the price we pay OPEC for its oil, and the same as the price received for oil discovered in foreign countries. Only by equating domestic prices with world prices can we maximize the incentive to search for new oil reserves in the United States.

However, old oil presents a different case. Old oil should be priced in relation to its costs of production. Revenue from old oil should provide reasonable and adequate profits in relation to the investment, but it should not be whatever today's market demands. Today's market is not a free market; it is an OPEC cartel market, and thus we must discriminate between old oil and new oil.

For the past 2 years, I have argued in support of this approach as one which is fair to both consumers and producers. Under this approach, there would be no cartel-induced profits for producers from the sale of previously discovered oil that is already providing investors a fair return on their capital invested to discover it in the first place. Yet, there would be no shortage of profits to be earned from the successful search for new domestic oil supplies.

Two years ago, I introduced legislation using this approach as an alternative to the windfall profit tax bill proposed by the Carter administration. That bill placed no tax on new oil and put a 100-percent tax on the profit captured by domestic producers on old oil resulting from arbitrary cartel price-fixing.

However, last year, this approach was passed over in favor of the administration's proposal, a bill which I eventually opposed. I opposed the administration's proposal because it established substantial disincentives for new domestic oil production at a point when we faced the real possibility of being drawn into a war in the Middle East because of our reliance on foreign Gulf oil.

We face the same situation today.

In the past, we have placed the wrong tax on the wrong oil. By taxing new oil we have discouraged the development of new oil supplies. Meanwhile, we have not put a high enough tax on old oil.

If the Senate ultimately adopts this amendment to phase out the windfall profit tax on new oil. I plan to introduce legislation to increase the windfall tax on old oil to 100 percent. This proposal would provide a responsible windfall profit policy which will make incentives as strong as possible to insure maximum search efforts for new oil and oil which is expensive to produce. It will also insure that domestic producers do not receive undeserved and excessive profits from old oil.

MORTGAGE SUBSIDY BONDS

● Mr. BAUCUS. Mr. President, it is with great regret that I note the inability of the Congress to deal effectively with the problems we have with mortgage subsidy bonds. None of these have been issued

under the law passed in 1980 despite valiant efforts by many to try to comply with the new regulations and requirements.

What was needed was a clarification of the act so that the responsible entities could proceed in an appropriate way.

Unfortunately, we have not been able to agree on amendments which would provide the necessary clarification. It is indeed unfortunate; we are having great difficulties as a result of high interest rates particularly in the housing and construction industries. I understand the need to be patient and to tighten our belts so that interest rates come down, inflation is controlled, and we become productive again. But I do not see any reason to block minor changes in an act to make the act more effective.

The 1980 act was to stop abuses which had occurred in the past; but let us not throw out the baby with the bathwater.

I urge my colleagues to devote attention to this important issue and work to clarify the problems which exist with our law. It is counterproductive to do nothing. I urge my colleagues to take this issue up as early as possible and help the housing industry get going again.

Mr. President, I support and urge others to support the Senator from Tennessee's legislation (S. 1348) to amend the Mortgage Subsidy Bond Tax Act of 1980.●

CHARITABLE CONTRIBUTIONS—AMENDMENT NO. 246

● Mr. D'AMATO. Mr. President, as a longtime supporter and cosponsor of S. 170, the bill to allow above-the-line deductions for charitable contributions, I am pleased to cosponsor this amendment and to add my urgings to those of my distinguished colleagues that this Chamber adopt this most worthwhile of amendments. This amendment is vitally important if we are to preserve America's volunteer community. It belongs as part of this tax reduction package.

This amendment will extend to every American taxpayer the privilege that is currently afforded to only the 29 percent who itemize their deductions, that is, it would allow all taxpayers, regardless of their income class, to deduct their charitable contributions from their taxable income. This amendment will be phased in slowly in order not to disrupt the President's budget objectives.

For private philanthrophy to keep pace with inflation plus make up for the loss in Federal financing resulting from budget cuts already approved by Congress, 1982 private giving to nonprofit organizations would have to be 26 percent greater than it was in 1981. This is about three times the annual rate of growth recorded in the recent past. In 1983 the rate of increase in private giving to volunteer organizations over 1982 would have to be 39 percent just to maintain present services. In 1984 a 44-percent increase would be necessary.

We have historically been a nation of givers, rather than takers. I have every confidence that private philanthropy will meet this challenge and keep our volunteer community alive and active. Our commitment to the Nation's needy and deserving can, and will, be met.

It is perfectly appropriate, however, for the Government to encourage these activities through the tax system. Deductions for charitable contributions have long been a part of the law. Over time, however, fewer and fewer taxpayers have elected to itemize their deductions. Now only 29 percent do, and these individuals are primarily in the upper income brackets. This amendment will extend this deduction to the rest of America's taxpayers. It is consistent with the President's policy of across-the-board tax relief. It is consistent with my policy of protecting the average American taxpayer. It is consistent with the policy of this Chamber to encourage the private sector to step in and provide those services which the Government can no longer afford to offer.

Volunteer organizations involved in social welfare, education, health services, conservation, and the arts will all benefit through this legislation. With this legislation nonprofit community organizations will be able to make up the $27.3 billion shortfall they would otherwise suffer during the next 3 years.

Mr. President, I support the amendment.●

ORDER FOR ROUTINE MORNING BUSINESS

Mr. HEINZ. Mr. President, I ask unanimous consent that there now be a brief period for the transaction of routine morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

CARD TRICKS FOR ILLEGAL ALIENS

Mr. HUDDLESTON. Mr. President, recent newspaper reports have indicated that the Reagan administration is inclined to take the easy way out on the issue of illegal aliens. According to those reports, the President's advisers are recommending that the United States try to halt the flow of millions of illegal aliens into this country by relying on an employer-employee affidavit to prevent the employment of illegal aliens. While this approach would be a good initial step as we are phasing in a more secure verification system, it would not be practical or effective as the only means of discouraging the employment of illegal aliens.

Yesterday the Washington Post ran an editorial which in essence agreed that we need some other means. The Post stated:

> Without relying on some fair, accurate and simple means of distinguishing legal migrants from the illegals, proper enforcement of immigration laws becomes hopeless. Therefore, the test of any administration's determination to confront the problem seriously becomes a willingness to devise some national identifier, the most commonly mentioned being a counterfeit-resistant Social Security card.

I cannot agree more with the editor of the Post, or should I say that the editor could not agree more with me. Approximately 4 months ago I introduced a major immigration bill, S. 776, which incorporated the use of a counterfeit-resistant social security card for the purpose of preventing the employment of illegal aliens. I thank the Post for the endorsement of this concept and ask unanimous consent that the editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

CARD TRICKS

At this point, only the president himself can rescue the critical component of his own Cabinet task force's package of immigration policies—a new and less easily forged Social Security card, now threatened with extinction by sudden assault from a few powerful but misguided administration snipers.

Most people who have studied the immigration problem, including a majority of the Select Commission on Immigration and Refugee Policy (whose final report formed the basis for the task force's deliberations), subscribe to the following common sense syllogism: without enforcing strictly our existing immigration laws (or their successors), we cannot curb effectively the flood of illegal immigrants now entering the country. But without relying on some fair, accurate and simple means of distinguishing legal migrants from the illegals, proper enforcement of immigration laws becomes hopeless. Therefore, the test of any administration's determination to confront the problem seriously becomes a willingness to devise some national identifier, the most commonly mentioned being a counterfeit-resistant Social Security card.

Not only did most members of the select commission support the use of a universal identifier but, initially, the Cabinet task force also endorsed that plan. Most published accounts agree, however, that the full Cabinet rejected the proposal at the urging of a few opponents who led the attack determined to wipe out completely the concept of an identity card. Apparently First Amendment fastidiousness was less the issue than the potential use of a reliable Social Security card to impose sanctions on employers—among them the giant agribusinesses of the western states—who often hire illegal migrants.

The president has been badly served by his Cabinet in this instance, though not by its task force on immigration. That group recognized in its scrutiny of the immigration tangle something long obvious to experts such as Sen. Alan K. Simpson (R–Wyo.), formerly an influential member of the Select Commission and now chairman of the Senate Judiciary subcommittee on the problem—namely, that the cosmetic substitute of requiring workers and employers merely to sign a piece of paper attesting to the employee's legal status is meaningless.

At a time of continuing high unemployment among low-income workers in this country, both native-born and immigrant, asking illegals to swear *pro forma* to their legality while employers wink at the process reduces the level of national cynicism about hiring underpaid illegals to a new low point. Sen. Simpson said as much the other day, while urging that some form of national identifier, a new Social Security card or a useable alternative, be enacted.

Mr. Reagan should support the original Cabinet task force recommendation for a Social Security identifier. Undoubtedly creating a national identity card will make it easier to penalize unscrupulous employers who violate the immigration laws. That, however, seems a worthwhile step for a president committed already to a range of experimental programs in the field, including the new Mexican "guest worker" scheme and the elaborate plan to legalize the status of millions of

undocumented workers already living in the United States.

Mr. HUDDLESTON. Mr. President, the New York Times also addressed this issue in an editorial yesterday and came to a similar conclusion. I ask unanimous consent that that editorial also be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

BAD ADVICE ON IMMIGRATION

The Cabinet has muffed President Reagan's assignment to help him shape a comprehensive immigration policy. No system for deciding which aliens enter and stay in the United States can be cohesive, or even coherent, that fails to address the question of worker identification.

Unless employers have a sure way of knowing which applicants are legally eligible to work in the United States, they cannot reasonably be held accountable for hiring illegal aliens. And if employers cannot be required to police the effort, there is no reasonable hope of controlling illegal immigration. It just won't matter how many migrants the Government decides it wants to admit; without job controls, the nation will be burdened by hundreds of thousands more than the law allows.

This simple proposition has eluded the Cabinet. It wants the President to recommend penalties for anyone hiring illegals but to leave the identification issue up in the air. If Mr. Reagan forwards these incomplete ideas to Congress, he simply cannot expect to be taken seriously.

This is not, alas, the first evasion of the issue. The Select Commission on Immigration studied the problem for two years but only a slender majority of its members faced up to the need for foolproof identification techniques.

Fortunately, the key legislators are familiar with the commission's best thinking. Senator Alan Simpson, who heads the Senate's immigration subcommittee, served on the commission and has seen the value of a secure, counterfeit-resistant permit for all workers. A worthy alternative would be a labor force communications system by which employers could quickly check the eligibility of applicants.

Exaggerated concern about privacy adds to the problem. Some fear that a foolproof identification document would become an all-purpose domestic passport. That would indeed be unfortunate. But all that is needed is a Social Security card that cannot be forged.

What frightens the Reagan Cabinet, apparently, is another red herring—the possibility of excessive Government surveillance of employers. But with a reliable identification system, Government could enforce the law with minimal intrusion; it need only inquire whether the employer demanded satisfactory proof of a worker's eligibility.

The Cabinet's half-measure is actually the most dangerous possible approach. To make employers culpable for hiring illegals without giving them a reliable means of checking would encourage them to turn away deserving applicants on a hunch. Some would shun Hispanics and other minorities altogether. And some would use concern about identification as a pretext for discrimination.

Mr. Reagan should not endorse, and Congress should not approve, a program so flawed at the core.

DSAA DIRECTOR RETIRING

Mr. PERCY. Mr. President, it is a great pleasure for me to pay tribute to the retiring Director of the Defense Security Assistance Agency, Lt. Gen. Ernest Graves, who will retire on July 31.

His is an exceptionally distinguished career. General Graves has been an extraordinary soldier-scientist-diplomat, a superb leader of men and a person with the highest standards of integrity. He has unwaveringly adhered to the highest traditions of the motto, "Duty, Honor, Country," of the U.S. Military Academy, his alma mater.

It has been my privilege to have known and worked with General Graves for over 3 years. As chairman of the Senate Foreign Relations Committee, I have sought his advice and observed the extraordinary high quality of his work.

General Graves had made extraordinarily valuable contributions in the area of nuclear energy, civil works, and military construction but perhaps his greatest contribution to our national security has been during his tenure at the helm of the Defense Security Assistance Agency, a period of considerable change in the Nation's national security policy. He has superbly managed very limited resources to insure that the United States could assist our allies and friends to meet the challenges and opportunities of the 1980's and join with the United States in collective security.

General Graves has testified often before the Senate Foreign Relations Committee. His is an unblemished record of integrity and the spirit of cooperations so essential to the effective development of foreign policy by the executive legislative branches of Government. He has impressed all members of the committee with the clarity of his presentation of the administration's programs for security assistance and his keen insight into the importance and interrelationship of the security assistance program with our national security policy.

I regret to see him leave the service, but I know that he will be equally as successful in his future endeavors. I wish him great and continued success and satisfaction in the years ahead. I congratulate General Graves on a most distinguished career.

THE HIGH INTEREST RATE POLICY

Mr. BOREN. Mr. President, in spite of growing evidence that the high interest rate policy is failing and is placing an unbearable burden on the American people, Chairman Paul Volcker of the Federal Reserve Board seems bent on continuing such a policy.

Yesterday's Washington Star and today's Washington Post carry stories quoting Mr. Volcker that the Fed would continue a tight money, high interest rate policy for the remainder of the year. I shall ask unanimous consent that the text of these articles be printed in the RECORD.

The chairman of the House Banking Committee, Representative FERNAND J. ST GERMAIN, according to the article "bitterly contrasted the ready availability of multibillion dollars lines of credit for major corporations to acquire other companies with the problems which individuals and small business have in obtaining loans."

The criticism of the high interest rate policies is bipartisan. Representative GEORGE HANSEN, a Republican from Idaho, declared that this policy is destroying middle America and the American dream. Another Republican Congressman, NORMAN SHUMWAY, asked if the country could stand this kind of cure.

The answer, Mr. President, is that it cannot. It is increasingly evident that the high interest policy is deliberate. The CPI has fallen but the Treasury bill rate has not. The spread between the two is artificially large. Treasury spokesmen have clearly indicated acquiescence in and even encouragement for the policy. Unless the President strongly repudiates the policy and either turns Mr. Volcker around by persuasion or requests congressional authority to do so, it will be correctly concluded that the Volcker policy has become the administration's policy.

I take no partisan satisfaction from the administration's failure to act though if it continues, it will undoubtedly be of political benefit to my party.

I am an American before I am a member of any political party. As an American I very much want our President to succeed. I have supported many of his programs because in many areas he is trying to do what is right. It will be a tragedy, however, if he lets the extremist policy of Mr. Volcker on interest rates, completely derail the Nation's economic recovery program.

I have spoken before about the danger that such a policy poses to the entire economy. I will not recite again today the alarming statistics about the impact which interest rates are having on key segments of the economy and upon thrift institutions. I do want to ask my colleagues to carefully consider the very real effect of these policies on individual human beings. We must not bury ourselves in statistics to the point that we forget how these policies are affecting people in their daily lives, our own friends and neighbors, the kinds of average Americans who cannot afford high-paid spokesmen and who look to us to protect them.

I recently spoke to one man who has been in business for over 40 years. He has put virtually all of his adult life into building his small business. Next month he will close its doors. No one will be buying it from him. High interest rates have destroyed the equity which had been built up in that business. High interest rates have made it impossible to continue to operate it. To a man who has seen the work of a lifetime go down the drain, it is impossible to look at the high interest rate policy with statistical objectivity.

I will also never forget the middle-aged farmer who described to me what it was like to drive out the gate of his family farm for the last time after he had been forced to sell it and liquidate all of his holdings. He had grown up on the farm and raised his children past

their teenage years there. He and his wife had worked hard and lived frugally. When all was sold, this industrious pair had a net of less than $2,000 to show for over 20 years of hard work, planning, and commitment to their own dream. They too show up as a statistic on a page reciting the effects of high interest rates.

We must not forget the human tragedy that is reflected in the statistics. The suffering, disillusionment and bitter disappointment being caused by high interest rates is mounting like a tidal wave.

I hope that Mr. Volcker is not allowing any pride in authorship of the program to deter him from changes that should be made in it, I hope he will not forget the true meaning of the figures on the page.

I hope the President will not wait to act until it is too late.

Mr. President, I ask unanimous consent that the text of articles to which I have referred be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Star, July 21, 1981]

VOLCKER SETS FURTHER TIGHTENING ON MONEY SUPPLY GROWTH RATE

(By Jonathan Fuerbringer and Sheilah Kast)

The Federal Reserve, in a move that could keep upward pressure on interest rates, announced today a further tightening in the growth rate of the nation's money supply this year and even more restraint for 1982.

The new tightening for 1981 could prevent the expansion of the money supply, which financial markets had been counting on to help bring down interest rates in the near future.

For 1981, the Fed will now aim at the lower end—instead of the midpoint—of its 3.5 percent to 6 percent growth range for the key money supply figure called M–1B. In 1982, the midpoint of the M–1B growth range will be cut by three-quarters of a percentage point. M–1B includes currency in circulation, checking accounts and the new interest-bearing NOW accounts.

Many financial analysts, assuming that the Fed would aim for the midpoint of the range, had predicted that interest rates would decline based on the expectation of this easing. The prime rate is now hovering between 20 percent and 20.5 percent and, with other interest rates, has not declined despite a significant decline in inflation.

Fed Chairman Paul A. Volcker also said there has been some initial progress on inflation but that "it could prove temporary." For 1981, the Fed's range of inflation predictions is slightly more optimistic than the administration's. And in 1982, the administration prediction falls in the middle of the Fed range.

Volcker said the Fed expects slow economic growth this year and a slower rate of growth than the Reagan administration does next year.

In addition, the Fed expects that unemployment could top 8 percent by the end of next year, much higher than the administration's 7 percent prediction.

Volcker outlined the Fed's tighter monetary policy and its economic outlook in his mid-year review before the House Banking Committee today.

The tightening of the money supply's growth rate this year and next is consistent with long-term Fed policy and with the monetary policy advocated by the Reagan administration. Both are trying to curb inflation by slowing the growth rate of money. The Fed had been expected to reduce monetary growth rates for next year but the slight tightening this year was not expected.

Both the administration and the Fed contend that in the long run this restrictive monetary policy will reduce inflation and lead to lower interest rates. President Reagan defended this policy at the economic summit in Ottawa yesterday against complaints from European leaders about the impact of high U.S. interest rates on their economies.

However, the tighter restraint, which this year already has produced near-record interest rates despite the unexpected decline in the rate of inflation, could result in a sharper curb in economic growth than the Reagan administration is predicting. This assumption of slower growth by the Fed is what produces the predictions of higher unemployment rates.

In February the Fed set a 1981 target growth range of 3.5 percent to 6 percent for the M-1B money supply number. At the time, Volcker said the Fed would aim for the mid-point of the range.

But today Volcker said the Fed would now aim for the lower end of the range. He said the Fed made this decision partly because the effort to get the money supply growth rate back to the mid-point of the range—4.75 percent—could lead to "excessive" growth in money in the next couple of months. As of the most recent reporting week, M-1B is growing at a 2.6 percent annual rate, far below the mid-point of the range.

For 1982, the Fed set a tentative target for M-1B of 2.5 percent to 5.5 percent, with a mid-point of 4 percent.

Volcker said the Fed would leave the target ranges for other money supply numbers unchanged but would aim next year for the mid-point of the ranges rather than the top this year. The range for M-2, which includes M-1B, money market funds and savings deposits, is 6 percent to 9 percent.

Citing "tentative signs of a relaxation of price pressures," Volcker said that energy and food prices have moderated and commodity prices generally have weakened as speculators retreated in the face of high interest rates.

But he said rising labor costs "maintain the momentum of the inflationary process," and said he sees little evidence of slowing in wage increases.

A crucially important round of union wage bargaining begins next January, potentially setting a pattern for several years ahead," he said.

Last week the administration predicted that the real Gross National Product, after adjustment for inflation, would rise 2.5 percent this year and 5.2 percent next year. The Fed, however, predicts a range of growth of 1 percent to 3.5 percent this year and only 1 percent to 4 percent in 1982.

Partly as a result of this assumption of slower growth, the Fed is also more pessimistic about unemployment, seeing little likelihood of improvement through 1982. The Fed predicts unemployment will average between 7.5 to 8.25 percent this year and between 7 and 8.5 percent in 1982.

[From the Washington Post, July 21, 1981]

BANKING PANEL ATTACKS VOLCKER ON TIGHT MONEY

(By John M. Berry)

Federal Reserve Chairman Paul A. Volcker yesterday came under a drumfire of criticism from members of the House Banking Committee as he announced that the Fed is further tightening monetary policy by lowering a key money supply growth target.

Democrats and Republicans alike denounced the harsh impact that near-record high interest rates are having on home builders, home buyers, small businesses and the auto industry, among others.

It was by far the sharpest criticism Volcker has faced as chairman, and its bipartisan nature indicates that previously strong congressional backing for tight control of money supply growth is eroding in the face of constituent complaints. The latest Fed tightening was first reported in The Washington Post last Tuesday.

"We are destroying the small businessmen. We are destroying Middle America. We are destroying the American dream," declared conservative George Hansen (R-Idaho). Rep. Norman D. Shumway (R-Calif.) more quietly asked, "Can the country stand the cure for this [inflation] problem?"

On the other side, Rep. Frank Annunzio (D-Ill.), shouting and pounding his desk, accused the Fed of favoring big business over American workers. An incensed Rep. Henry Gonzalez (D-Texas) charged that the Fed has "legalized usury," and said he is preparing a bill of impeachment covering Volcker and a majority of the Fed's seven-member board of governors.

Many of the members, including Chairman Fernand J. St Germain (D-R.I.), bitterly contrasted the ready availability of multi-billion-dollar lines of credit for major corporations to acquire other companies with the problems individuals and small business have in obtaining loans. About $40 billion in such lines of credit have been arranged in recent weeks, St Germain said.

Despite all the criticism, Volcker said the Fed would continue to pursue a tight money policy to combat inflation.

Specifically, the chairman said the central bank's Federal Open Market Committee decided for the remainder of this year to aim for the lower end of the 3½-to-6 percent target range for growth of M1–B, instead of the midpoint of the range. As was reported last week in The Washington Post and confirmed by Volcker's testimony, the FOMC, which sets monetary policy, considered formally lowering the target but chose instead to lower its objective within the range.

For 1982, the target for growth of M1–B, the measure of money that includes currency in circulation and checking deposits at all financial institutions, was lowered to a range of 2½-to-5½ percent, Volcker said.

The target for M–2—which includes the items in M1–B as well as savings accounts at commercial banks, shares in money market mutual funds and funds obtained by financial institutions by selling securities with overnight repurchase agreements—was left unchanged at 6-to-9 percent both for this year and for 1982. However, Volcker said that next year the Fed would shoot for the midpoint of that range, whereas this year the central bank hopes merely to stay within its upper bound.

Recently, growth of M1–B has been below the 1981 target range, encouraging many financial market analysts to predict that the Fed soon would ease its tight money stance. M–2, on the other hand, has been at or above the 9 percent upper limit of its range.

Some monetarist economists, including Robert Weintraub of the Joint Economic Committee staff, praised the new Fed targets. Weintraub said the M1–B target, if achieved, would be "deflationary." The Fed, he declared, "is showing real toughness."

Volcker acknowledged that high interest rates were hurting the economy, particularly housing, autos, small business and thrift institutions, and that the high level of rates "also has repercussions internationally, complicating already difficult economic policy decisions of some of our major economic partners." U.S. monetary policy, for just that reason, was an issue at the economic summit meeting in Ottawa that ended yesterday.

"Amidst these difficulties, we must not lose sight of the fundamental point that so many

of the accumulated distortions and pressures in the economy can be traced to our high and stubborn inflation," Volcker told the committee. "Moreover, turning back the inflationary tide, as we can see, is not a simple, painless process, free from risks and strains of its own. All I would claim is that the risks of not carrying through on the effort to restore price stability would be much greater."

MESSAGE FROM THE HOUSE

At 6:47 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House disagrees to the amendment of the Senate to the bill (H.R. 3454) to authorize appropriations for fiscal year 1982 for the intelligence and intelligence-related activities of the U.S. Government, for the Intelligence Community staff, and for the Central Intelligence Agency Retirement and Disability System, to authorize supplemental appropriations for fiscal year 1981 for the intelligence and intelligence-related activities of the U.S. Government, and for other purposes; agrees to the conference requested by the Senate on the disagreeing votes of the two Houses thereon; and has appointed Mr. BOLAND, Mr. ZABLOCKI, Mr. MINETA, Mr. STUMP, Mr. ROBINSON, Mr. WHITEHURST, and Mr. YOUNG as managers of the conference on the part of the House; that Mr. PRICE, Mr. STRATTON, and Mr. DICKINSON were appointed as additional managers for consideration of such matters within the jurisdiction of the Committee on Armed Services pursuant to clause 1(c) of rule X of the Rules of the House of Representatives; and that Mr. RODINO, Mr. EDWARDS of California, and Mr. MCCLORY were appointed as additional managers for consideration of such matters within the jurisdiction of the Committee on the Judiciary pursuant to clause 1(m) of rule X of the Rules of the House of Representatives.

The message also announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1681. An act for the relief of Andre Bartholo Eubanks.

H.R. 1785. An act for the relief of Gladys Belleville Schultz.

H.R. 2010. An act for the relief of Kai-Mee Chen.

H.R. 2218. An act to direct the Secretary of Agriculture to convey certain National Forest System lands in the State of Nevada, and for other purposes.

H.R. 2573. An act for the relief of Moses Bank.

H.R. 2820. An act to provide that certain lands constituting part of the El Dorado National Forest be conveyed to certain persons who purchased and held such lands in good faith reliance on an inaccurate surveyor's map.

H.R. 2975. An act for the relief of Yuk Yee Li.

H.R. 4034. An act making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1982, and for other purposes.

HOUSE BILLS REFERRED

The following bills were read twice, by unanimous consent, and referred as indicated:

H.R. 1681. An act for the relief of Andre Bartholo Eubanks; to the Committee on the Judiciary.

H.R. 1785. An act for the relief of Gladys Belleville Schultz; to the Committee on the Judiciary.

H.R. 2010. An act for the relief of Kai-Mee Chen; to the Committee on the Judiciary.

H.R. 2218. An act to direct the Secretary of Agriculture to convey certain National Forest System lands in the State of Nevada, and for other purposes; to the Committee on Energy and Natural Resources.

H.R. 2573. An act for the relief of Moses Bank; to the Committee on the Judiciary.

H.R. 2820. An act to provide that certain lands constituting part of the El Dorado National Forest be conveyed to certain persons who purchased and held such lands in good faith reliance on an inaccurate surveyor's map; to the Committee on Energy and Natural Resources.

H.R. 2975. An act for the relief of Yuk Yee Li; to the Committee on the Judiciary.

H.R. 4034. An act making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1982, and for other purposes; to the Committee on Appropriations.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1629. A communication from the Secretary of Agriculture transmitting, pursuant to law, the fiscal year 1980 annual report of the Rural Electrification Administration; to the Committee on Agriculture, Nutrition, and Forestry.

EC–1630. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on a proposed foreign military sale to the United Kingdom; to the Committee on Armed Services.

EC–1631. A communication from the Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting, pursuant to law, copies of international agreements other than treaties entered into by the United States within the previous 60 days; to the Committee on Foreign Relations.

EC–1632. A communication from the Assistant Secretary of the Treasury for Legislative Affairs transmitting, pursuant to law, certain project performance audit reports of the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank; to the Committee on Foreign Relations.

EC–1633. A communication from the Vice Chair of the Merit Systems Protection Board transmitting, pursuant to law, a status report on performance appraisal and merit pay among mid-level employees; to the Committee on Governmental Affairs.

EC–1634. A communication from the Chairman of the Council of the District of Columbia, transmitting a copy of an Act of the Council No. 4–69; to the Committee on Governmental Affairs.

EC–1635. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a list of the reports of the General Accounting Office for the month of June 1981; to the Committee on Governmental Affairs.

EC–1636. A communication from the Register of Copyrights, the Library of Congress, transmitting, pursuant to request, a report on the likely effects of the expiration of the manufacturing clause of the copyright law; to the Committee on the Judiciary.

EC–1637. A communication from the Secretary of Education, transmitting, pursuant to law, notice of a final regulation relative to institutional grants for graduate and professional study program; to the Committee on Labor and Human Resources.

EC–1638. A communication from the Secretary of Education transmitting, pursuant to law, a copy of final regulations for training in the legal profession program; to the Committee on Labor and Human Resources.

EC–1639. A communication from the Secretary of Education transmitting, pursuant to law, a copy of final regulations relative to the Pell grant program; to the Committee on Labor and Human Resources.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. WARNER, from the Committee on Energy and Natural Resources, without amendment:

S. 859. A bill to amend the mineral leasing laws of the United States to provide for uniform treatment of certain receipts under such laws, and for other purposes (Rept. No. 97–162).

S. Res. 190. An original resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 859; referred to the Committee on the Budget.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation:

George A. Keyworth II, of New Mexico, to be Director of the Office of Science and Technology Policy.

(The above nomination from the Committee on Commerce, Science, and Transportation was reported with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. PERCY, from the Committee on Foreign Relations:

Davis Rowland Robinson, of the District of Columbia, to be Legal Adviser of the Department of State.

Gilbert A. Robinson, of New York, to be Deputy Director of the International Communication Agency.

Dean E. Fischer, of Virginia, to be an Assistant Secretary of State.

Joan M. Clark, of New York, a career member of the Senior Foreign Service, to be Director General of the Foreign Service.

Everett Alvarez, Jr., of Maryland, to be Deputy Director of the Peace Corps.

Richard T. Kennedy, of the District of Columbia, to be the Representative of the United States of America to the International Atomic Energy Agency.

Contributions are to be reported for the period beginning on the first day of the

fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Richard Thomas Kennedy.

Post: U.S. Representative to the IAEA, with the rank of Ambassador.

Contributions, amount, date, donee:

1. Self (joint w/wife), $100.00, February 12, 1981, Rep. Natl Comm; (joint w/wife), $100.00, October 26, 1980, Rep. Natl Comm.

2. Spouse, $100.00, January 15, 1980, Rep. Natl Comm; $50.00, January 16, 1979, Rep. Natl Comm; $25.00, October 14, 1978, Rep. Natl Comm; $30.00, February 4, 1978, Rep. Natl Comm; $25.00, February 14, 1977, Rep. Natl Comm.

3. Children and Spouses Names: None.

4. Parents Names: N/A.

5. Grandparents Names: N/A.

6. Brothers and Spouses Names: None.

7. Sisters and Spouses Names: Margaret Krizanosky, Andrew Krizanosky, $5.00, January 1980, Howard Baker Comm; $10.00, 1980, Fla. Tele. Corp; $10.00, 1981, Fla. Tele. Corp. (Employees Uniting for Better Government, Fla.).

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Monteagle Stearns, of California, a Foreign Service Officer of Class one, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Monteagle Stearns.

Post: Ambassador to Greece.

Contributions, amount, date, donee:

1. Self, none.

2. Spouse, none.

3. Children and Spouses Names: None.

4. Parents Names: William Foster Stearns (father), $25, 1980, Dem. Natl. Committee. James Williams Riddleberger (father-in-law), $25, 1980, Rep. Natl. Committee.

5. Grandparents Names: None.

6. Brothers and Spouses Names: None.

7. Sisters and Spouses Names: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Robert Strausz-Hupe, of Pennsylvania, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Turkey.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Robert Strausz-Hupe.

Post: Ambassador to Turkey.

Contributions, amount, date, donee:

1. Self: List attached.

2. Spouse: Mayrose Strausz-Hupe, none.

3. Children and Spouses Names: None.

4. Parents Names: None.

5. Grandparents Names: None.

6. Brothers and Spouses Names: None.

7. Sisters and Spouses Names: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

David Anderson, of New York, a Foreign Service Officer of Class one, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Socialist Federal Republic of Yugoslavia.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: David Anderson.

Post: Ambassador to Yugoslavia.

Contributions, amount, date, donee:

1. Self: None.

2. Spouse: None.

3. Children and Spouses Names: None.

4. Parents Names: None.

5. Grandparents Names: None.

6. Brothers and Spouses Names: None.

7. Sisters and Spouses Names: N.A.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

Marshall Brement, of Arizona, a Foreign Service Officer of Class one, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Iceland.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Marshall Brement.

Post: Iceland.

Contributions, amount, date, donee:

1. Self: None.

2. Spouse: None.

3. Children and Spouses Names: None.

4. Parents Names: None.

5. Grandparents Names: None.

6. Brothers and Spouses Names: None.

7. Sisters and Spouses Names: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

John R. Countryman, of the District of Columbia, a Foreign Service Officer of Class two, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Sultanate of Oman.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: John R. Countryman.

Post: Ambassador—Sultanate of Oman.

Contributions, amount, date, donee:

1. Self: None.

2. Spouse: None.

3. Children and Spouses Names: Daughter, Vanessa: None.

4. Parents Names: Mother, Lucille I. Countryman: None.

5. Grandparents Names: Julia and Charles Zwolsk: None.

6. Brothers and Spouses Names: N/A.

7. Sisters and Spouses Names: Carol A. Countryman: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge the information contained in this report is complete and accurate.

Richard Noyes Viets, of Vermont, a Foreign Service Officer of Class one, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Hashemite Kingdom of Jordan.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Richard Noyes Viets.

Post: Amman, Jordan.

Contributions, amount, date, donee:

1. Self: None.

2. Spouse: None.

3. Children and Spouses Names: Alexandra, Katrina, and Marynka: None.

4. Parents Names: Mrs. J. B. Viets: None.

5. Grandparents Names: Deceased.

6. Brothers and Spouses Names: J. R. Viets, Karyl Viets, B. T. Viets: None.

7. Sisters and Spouses Names: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. D'AMATO:

S. 1508. A bill to allow U.S. banks which establish international banking facilities to compete on equal terms with foreign banks establishing such facilities thereby enhancing the position of the United States in the international financing markets; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. HEINZ (for himself, Mr. MOYNIHAN, Mr. COHEN, and Mr. MELCHER):

S. 1509. A bill to amend title XVIII of the Social Security Act to change the method of medicare reimbursement for competitive medical plans; to the Committee on Finance.

By Mr. PERCY (by request):

S.J. Res. 100. Joint resolution to authorize the participation of the United States in a multinational force and observers to implement the Treaty of Peace between Egypt and Israel; to the Committee on Foreign Relations.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. D'AMATO:

S. 1508. A bill to allow U.S. banks which establish international banking facilities to compete on equal terms with foreign banks establishing such facilities, thereby enhancing the position of the United States in the international financing markets; to the Committee on Banking, Housing, and Urban Affairs.

INTERNATIONAL BANKING COMPETITION ACT

● Mr. D'AMATO. Mr. President, in 1978, the Congress took an historic step toward restoring U.S. based banking operations to their rightful place in the international financial marketplace by passing the International Banking Act. On June 9, 1981 the Federal Reserve Board authorized the establishment of Interna-

tional Banking Facilities (IBF's) within the boundaries of the United States.

These facilities will be permitted to carry on purely foreign deposit and loan activities; activities which are currently carried on in the offices of United States and foreign banks located overseas. Sophisticated international investors currently place their business at foreign offices because they prefer the higher returns available overseas over protective, yet burdensome investor-oriented regulation.

On February 18, 1981, however, the FDIC realized that its obligations under Federal Deposit Insurance Act required that the deposits held at these IBF's be covered by Federal Deposit Insurance and be assessed the one-twelfth of 1 percent FDIC insurance premium.

Unfortunately, approximately one-half of all the business currently carried in off-shore branches carry margins of one-sixteenth of 1 percent; less than the FDIC assessment. I am, therefore, introducing a bill that would exempt deposits at IBF's from FDIC coverage, allowing foreign investors to accept the same risk presently they incur at a foreign branch, thereby allowing IBF's to remain competitive.

By reducing the regulation on transactions between U.S. based International Banking Facilities and their foreign clients to only those necessary to protect the safety and soundness of the U.S. economy the IBF's will obtain the competitive equality necessary to attract a significant amount of economic activity back to America's shores.

The Congress, in 1978, foresaw three benefits that are as real and important today as they were then.

First, the United States and its major cities would enhance their status as International Banking Centers and increase their overall attractiveness as places, with a consequent creation of new jobs.

Second, U.S. Treasury revenues would increase because of the taxes on the profits of International Banking Business brought to the U.S.

Third, supervisory oversight of the conduct of international banking business would be facilitated by having this activity take place within the boundaries of the United States.

These benefits will be lost if we do not allow IBF's to offer services that are competitive with those currently in existence.

Mr. President, I ask unanimous consent that my bill be printed in its entirety in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1508

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. Subsection 5 of Section 3(1) of the Federal Deposit Insurance Act (12 U.S.C. § 1813(1) is hereby amended to read in its entirety as follows:

(5) such other obligations of a bank as the Board of Directors, after consultation with the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, shall find and prescribe by regulation to be deposit liabilities by general usage: *Provided further,* that the following shall not be a deposit for any of the purposes of this chapter or be included as part of total deposits or of an insured deposit:

(i) any obligation of a bank which is payable only at an office of the bank located outside of the States of the United States, the District of Columbia, Puerto Rico, Guam, American Samoa, and the Virgin Islands; and

(ii) any international banking facility deposit, including an international banking facility time deposit as that term is from time to time defined by the Board of Governors of the Federal Reserve System in its Regulation D or any successor regulation thereto.

SEC. 2. This Amendment shall take effect immediately.●

By Mr. HEINZ (for himself, Mr. MOYNIHAN, Mr. COHEN, and Mr. MELCHER):

S. 1509. A bill to amend title XVIII of the Social Security Act to change the method of medicare reimbursement for competitive medical plans; to the Committee on Finance.

COMPETITIVE HEALTH AND MEDICAL PLAN ACT OF 1981

Mr. HEINZ. Mr. President, today I am introducing, along with my colleagues Mr. MOYNIHAN and Mr. COHEN, the Competitive Health and Medical Plan Act (CHAMP) of 1981. The purpose of this legislation is threefold:

First, to offer the elderly a wider choice in selecting a health delivery system suited to their individual needs; second, to stimulate competition among alternative systems of health care delivery; and third, to contain health care costs through greater utilization of more efficient health care delivery systems.

To accomplish these goals, the CHAMP Act—we call it CHAMP after Competitive Health and Medical Plan—would reform the method of reimbursement to health maintenance organizations (HMO's) and provide medicare reimbursement to certain prepaid health benefit plans.

Mr. President, as chairman of the Special Committee on Aging, I am extremely concerned about the long-range projections for the medicare, or health insurance (HI) trust fund of social security.

I am also very troubled by the growing costs and shrinking medicare benefits for older people.

Last week, the social security trustees issued their 1981 report. Their long-range forecast for the HI Trust Fund was quite dismal. The trustees reported that the Medicare Trust Fund may go broke as early as 1989.

Furthermore, over the next 25 years, the deficit in the HI Trust Fund continues to balloon, with no reversal of this trend in sight. Extrapolating from the trustees' projections, it would require more than doubling the payroll taxes over the next 75 years to salvage the HI Trust Fund.

A rate of growth in hospital costs that continues to outstrip the growth rate of wages and prices is at the root of the impending shortage of medicare funds. Inpatient hospital costs for medicare recipients are projected to rise 15.6 percent in 1981. The HI Trust Fund will be further strained by a burgeoning elderly population living longer than ever before.

If we continue along our current course, making no reforms in medicare or the way we approach the overall cost of health care, the cost implications for both the elderly and the Nation are immense.

The public cost of treating our Nation's elderly has been approximately doubling every 4 years. Such a doubling of the current medicare outlay of $41 billion is difficult to fathom, let alone to budget.

At the same time, the elderly and disabled covered by medicare continue to be asked to dig deeper into their pockets to help pay the escalating costs of medicare. On July 1, the Health Care Financing Administration raised the monthly premium for medicare—part B from $9.60 to $11, or about 14.6 percent. This increase came close on the heels of the 13.3-percent hike in part A hospital insurance deductible, from $180 to $204, that the elderly and disabled began paying January 1 of this year. And, after reconciliation, we will ask them to pay still more.

For these soaring costs, the elderly health care consumer will get little more in the way of benefits than he or she does today.

At present, medicare covers only 38 percent of the elderly's total medical costs. Furthermore, the ability of the elderly to select their physician is steadily diminishing because the number of doctors willing to accept assignment under the medicare program is steadily declining. The assignment rate today is about 51 percent, down from 61 percent just 10 years ago.

Mr. President, the fact is that the medicare program is in dire need of reform now. We must begin to reverse the incentives contributing to skyrocketing costs, so that we can afford to pay health care costs of our elderly tomorrow.

The CHAMP bill that I am introducing today represents a vital first step in reforming the medicare program. It will not solve all of the problems faced by the Nation's elderly, nor is it intended to, but it is critically important that we begin now to address these issues.

The bill is designed to encourage a continuity of care that is so often lacking when an elderly individual seeks treatment today in the existing system. The traditional health care system is a bewildering array of medical specialties, hospitals, nursing homes, claim forms, and unplanned expenses.

The CHAMP bill would enable medicare beneficiaries to enroll voluntarily in HMO's and other prepaid physician-insurer contractual arrangements, all of which would be called competitive medical plans, or CMP's. In my judgment, an organized system of care like that provided through an HMO or Individual Practice Association (IPA) is an effective approach to dealing with the health problems of the elderly.

The advantages for an elderly individual receiving care from a single provider group reimbursed prospectively are particularly pronounced. From the el-

derly's perspective, perhaps the greatest benefit is the elimination of the cumbersome, frequently overwhelming paperwork for claims reimbursement under the medicare fee-for-service system.

In addition, older Americans enrolled in prepaid plans are able to budget their health care costs. Typically, these plans eliminate copayments and deductibles, and provide complete protection against catastrophic illnesses. Frequently, there is home health coverage as well.

Prepayment also removes the incentive to overserve and replaces it with an incentive to maintain health and reduce unnecessary hospitalization. For example, in 1976, hospital days per 1,000 persons age 65 and over totaled 4,121 in the United States. In the Kaiser-Permanente medical care program, the Nation's largest HMO with 4 million members, including 200,000 medicare beneficiaries, the age/sex adjusted rate for the over 65 population was 1,945 days per 1,000 members.

Under CHAMP, a competitive medical plan would receive a fixed prospectively determined payment per enrollee, which would be unrelated to the amount of care provided. This payment is set at 95 percent of the adjusted average per capita cost (AAPCC), or in other words, 95 percent of what it cost medicare today to provide its package of benefits to an eligible individual served by the fee-for-service sector.

This payment level would serve as a cost-controlling limit and also provide qualified plans an incentive to provide care in settings most appropriate to a patient's needs.

Under the maximum payment level, the actual payment per beneficiary would fluctuate based on appropriate adjustments for the population served, such as adjustments for age, sex, and health status.

Another important provision of the bill will insure that the economies realized through greater medicare participation in efficient medical plans will save not only the taxpayer's money, but that of the enrolled beneficiary as well.

Under this provision, all savings above the normal return a CMP receives through its private business will be passed on to the enrolled medicare beneficiary. Thus, this feature requires a CMP to provide medicare enrollees with increased benefits and decreased cost-sharing to the extent that medicare reimbursement exceeds the CMP's normal return or adjusted community rate.

Within the last year and a half, the Health Care Financing Administration (HCFA) has sponsored a number of demonstration projects to test the prospective reimbursement mechanism that is a central feature of my bill. The results to date show promise, although the demonstrations also have identified some probems that will need to be addressed during committee consideration of my bill.

The demonstrations prove several things: In particular that many elderly consumers are attracted to plans that can provide broader benefits in exchange for receiving all of their care from certain, efficient providers.

The Special Committee on Aging has scheduled a hearing for July 29, at 2 p.m., to look at both the benefits that accrue to medicare consumers who enroll in CMP's, and the difference between physician treatment of the elderly in a CMP and the fee-for-service system.

The Health Subcommittee of the Finance Committee has scheduled a hearing for July 30, at 2 p.m., to examine the prospective medicare financing mechanism being tested in the HCFA demonstrations, and additional methods of reimbursement to HMOs and other prepaid health plans.

It is my hope and expectation that these hearings will provide us with the information necessary to proceed in taking this vital first step to reform the medicare program.

I ask unanimous consent that a detailed factsheet, and the bill, be printed in the RECORD.

There being no objection, the bill and factsheet were ordered to be printed in the RECORD, as follows:

S. 1509

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Competitive Health and Medical Plan Act".

MEDICARE PAYMENTS TO COMPETITIVE MEDICAL PLANS

SEC. 2. Section 1876 of the Social Security Act is amended to read as follows:

"PAYMENTS TO COMPETITIVE MEDICAL PLANS

"SEC. 1876. (a)(1) The Secretary shall annually determine a per capita rate of payment for each class of individuals entitled to benefits under parts A and B who are enrolled under this section with a competitive medical plan with which he has entered into a risk sharing contract under subsection (g), and shall annually determine a per capita rate of payment for each class of individuals entitled to benefits under part B alone who are enrolled under this section with such a competitive medical plan. The Secretary shall define appropriate classes of members, based on such factors as age, sex, institutional status, disability and health status, and place of residence. The rate for each class shall be equal to 95 percent of the adjusted average per capita cost for that class. Each month the Secretary shall pay each such plan (other than a plan with which he has entered into a reasonable cost reimbursement contract under subsection (h)) the appropriate rate, in advance, for each individual enrolled under this section with the plan, or such lesser amount as the plan requests. Those payments shall be instead of the amounts which would be otherwise payable, pursuant to sections 1814(b) and 1833(a), for services furnished by or through the plan to individuals enrolled under this section with the plan, or enrolled other than under this section with the plan but eligible to enroll under this section with the plan.

"(2) With respect to any competitive medical plan which has entered into a reasonable cost reimbursement contract with the Secretary pursuant to subsection (h), payments shall be made to such plan in accordance with subsection (h) rather than under paragraph (1).

"(3) For purposes of this section, the term 'adjusted average per capita cost' means the average per capita amount that the Secretary estimates in advance (on the basis of actual experience, or retrospective actuarial equivalent based upon an adequate sample and other information and data in a geographic area served by a competitive medical plan or in a similar area, with appropriate adjustments to assure actuarial equivalence) would be payable in any contract year for services covered under parts A and B, or part B only, and types of expenses otherwise reimbursable under parts A and B, or part B only (including administrtive costs incurred by organizations described in sections 1816 and 1842), if the services were to be furnished by other than a competitive medical plan.

"(4) The payment to a competitive medical plan under this subsection for individuals enrolled under this section with the plan and entitled to benefits under part A an enrolled under part B shall be made from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund. The portion of that payment to the plan for a month to be paid by the latter trust fund shall be equal to 200 percent of the sum of—

"(A) the product of (i) the number of such members for the month who have attained age 65, and (ii) the monthly actuarial rate for supplementary medical insurance for the month as determined under section 1839(c)(1), and

"(B) the product of (i) the number of such members for the month who have not attained age 65, and (ii) the monthly actuarial rate for supplementary medical insurance for the month as determined under section 1839(c)(4).

The remainder of that payment shall be paid by the former trust fund.

"(5) If an individual is enrolled under this section with a competitive medical plan, neither the individual nor any other person or entity (except for the competitive medical plan) shall be entitled to receive payments from the Secretary under this title for services furnished to the individual, except as otherwise provided in subsection (h) in the case of a plan which has entered into a cost reimbursement contract.

"(b)(1) For purposes of this section, the term 'competitive medical plan' means a public or private entity, organized under the laws of any State, which—

"(A) is a qualified health maintenance organization (as defined in section 1310(d) of the Public Health Service Act);

"(B) is licensed as a health maintenance organization in the State in which it operates; or

"(C) meets the requirements of paragraph (2).

"(2) An entity meets the requirements of this paragraph if such entity—

"(A) provides to enrolled members at least the following health care services: physicians' services performed by physicians (as defined in section 1861(r)(1)), inpatient hospital services, laboratory, X-ray, and emergency services, and out of area coverage;

"(B) is compensated (except for deductibles, coinsurance, and copayments) for the provision of health care services to enrolled members by a payment which is paid on a periodic basis without regard to the date the health care services are provided and which is fixed without regard to the frequency, extent, or kind of health care service actually provided to a member;

"(C) provides physicians' services primarily (i) directly through physicians who are either employees or partners of such entity, or (ii) through contracts with individual physicians or one or more groups of physicians (organized on a group practice or individual practice basis);

"(D) assumes full financial risk on a prospective basis for the provision of the health care services listed in subparagraph (A), except that such entity may obtain insurance or make other arrangements—

"(i) for the cost of providing to any enrolled member health care services listed in subparagraph (A) the aggregate value of which exceeds $5,000 in any year,

"(ii) for the cost of health care service listed in subparagraph (A) provided to its enrolled members other than through the entity because medical necessity required their provision before they could be secured through the entity,

"(iii) for not more than 90 percent of the amount by which its costs for any of its fiscal years exceed 115 percent of its income for such fiscal year, and

"(iv) with physicians or other health professionals, health care institutions, or any combination of such individuals or institutions to assume all or part of the financial risk on a prospective basis for the provision of basic health services by the physicians or other health professionals or through the institutions; and

"(E) has made adequate provision against the risk of insolvency, which provision is satisfactory to the Secretary.

"(3)(A) Each competitive medical plan must provide at least the following basic health services to members enrolled under this section:

"(i) the services listed under parts A and B of this title which are available to individuals residing in the geographic area served by the plan for individuals entitled to benefits under part A and enrolled under part B; and

"(ii) the services listed under part B that are available to individuals residing in the geographic area served by the plan for individuals enrolled under part B only.

"(B) In addition, the plan (other than a plan with a cost basis contract under subsection (h)) may provide such individuals with such additional health care services either as the Secretary may approve or as such individuals may elect, at their option, to have covered. The Secretary shall approve any such additional health care services which the plan proposes to offer to such individuals, unless the Secretary determines that including such additional services will substantially discourage enrollment by covered individuals with the plan.

"(4)(A) Each competitive medical plan must have an open enrollment period, for the enrollment of individuals under this section, of at least 30 days duration every year, and must provide that at any time during which enrollments are accepted, the plan will accept up to the limits of its capacity (as determined by the Secretary) and without restrictions, except as may be authorized in regulations, individuals who are eligible to enroll under subsection (c) in the order in which they apply for enrollment, unless to do so would result in failure to meet the requirements of subsection (f) or would result in the enrollment of enrollees substantially nonrepresentative, as determined in accordance with regulations of the Secretary, of the population in the geographic area served by the plan.

"(B) An individual may enroll under this section with a competitive medical plan in such manner as may be prescribed in regulations, and may terminate his enrollment with the plan as of the beginning of the first calendar month following a full calendar month after he has requested termination.

"(C) Each competitive medical plan must provide assurances to the Secretary that it will not expel or refuse to re-enroll any such individual because of the individual's health status or requirements for health care services, and will notify each such individual of such fact at the time of the individual's enrollment.

"(5) Each competitive medical plan must provide that any individual enrolled in such plan under this section shall be reimbursed by the plan for his expenses in securing health services, which he would be entitled to receive through the plan, which he receives other than through the plan, if the services were medically necessary and immediately required because of an unforeseen illness, injury, or condition, and it was not reasonable given the circumstances to obtain the services through the plan.

"(6)(A) Each competitive medical plan must provide meaningful procedures for hearing and resolving grievances between the plan (including any entity or individual through which the plan provides health care services) and any individual member of such plan.

"(B) Any individual enrolling with a competitive medical plan under this section who is dissatisfied by reason of his failure to receive any health service to which he believes he is entitled and at no greater charge than he believes he is required to pay shall, if the amount in controversy is $100 or more, be entitled to a hearing before the Secretary to the same extent as is provided in section 205(b), and in any such hearing the Secretary shall make the competitive medical plan a party. If the amount in controversy is $1,000 or more, the individual or competitive medical plan shall, upon notifying the other party, be entitled to judicial review of the Secretary's final decision as provided in section 205(g), and both the individual and the competitive medical plan shall be entitled to be parties to that judicial review.

"(7)(A) Each competitive medical plan must have a program that defines procedures for—

"(i) review of medical care by physicians and other health care professionals;

"(ii) identification of clinical and administrative problems; and

"(iii) follow-up procedures to rectify any such problems.

"(B) Each competitive medical plan must provide adequate assurance to the Secretary that the program described in subparagraph (A)—

"(i) has been implemented and that where evidence of any such problem is found, recommended follow-up action is being taken; and

"(ii) is implemented on an ongoing basis.

"(8) Notwithstanding the requirement of paragraph (2)(A) that a competitive medical plan provide inpatient hospital services, an entity shall qualify as a competitive medical plan for purposes of this section if such entity had contracted with a single State agency administering a State plan approved under title XIX, for the provision of services other than inpatient hospital services, to individuals eligible for such services under such State plan, on a prepaid risk basis prior to 1970.

"(c) Subject to the provisions of subsection (b)(4), every individual entitled to benefits under part A and enrolled under part B or enrolled under part B only (other than an individual medically determined to have end-stage renal disease) shall be eligible to enroll under this section with any competitive medical plan with which the Secretary has entered into contract under this section and which serves the geographic area in which the individual resides.

"(d) The portion of a competitive medical plan's premium rate and the actuarial value of its other charges for individuals enrolled under this section with the plan and entitled to benefits under parts A and B, and the portion of its premium rate and the actuarial value of its other charges for individuals enrolled under this section with the plan and entitled to benefits under part B only, for services covered under parts A and B, or part B only, respectively, may not exceed the actuarial value of the coinsurance and deductibles that would be applicable on the average to individuals enrolled under this section with the plan (or, if the Secretary finds that adequate data is not available to determine that actuarial value, the actuarial value of the coinsurance and deductibles applicable on the average to individuals in the area, in the State, or in the United States, eligible to enroll under this section with a competitive medical plan) and entitled to benefits under parts A and B, or part B only, respectively, if they were not members of a competitive medical plan.

"(e) Notwithstanding any other provision of law, a competitive medical plan may, in the case of the provision of services to an individual enrolled in accordance with this section for an illness or injury for which the member is entitled to benefits under a workman's compensation law or plan of the United States or any State, or under an automobile or liability insurance policy or plan, including a self-insured plan, or under no fault insurance, charge or authorize the provider of such services to charge, in accordance with the charges allowed under such law, plan, or policy—

"(1) the insurance carrier, employer, or other entity which under such law, plan, or policy is to pay for the provision of such services, or

"(2) such member to the extent that such member has been paid under such law, plan, or policy for such services.

"(f)(1) Except as provided in paragraph (2), each competitive medical plan with which the Secretary enters into a contract under this section shall have, for the duration of such contract, an enrolled membership at least one-half of which consists of individuals who are not entitled to benefits under this title or under a State plan approved under title XIX.

"(2) The Secretary may modify or waive the requirement imposed by paragraph (1) only (A) if the Secretary determines that (i) special circumstances warrant such modification or waiver, and (ii) the plan has taken and is taking reasonable efforts to enroll individuals who are not entitled to benefits under this title or under a State plan approved under title XIX, and (B) on the condition that the plan will not have, for the duration of such contract, an enrolled membership of which one-half or more are individuals entitled to benefits under part A or enrolled under part B.

"(g)(1) The Secretary may enter into a risk sharing contract with any competitive medical plan, as defined in subsection (b)(1), which has at least 1,000 members for the purpose of carrying out this section.

"(2)(A) Each risk sharing contract under this subsection shall provide that, if the adjusted community rate for services under parts A and B (as reduced for the actuarial value of the coinsurance and deductible under those parts), for individuals enrolled under this section with the plan and entitled to benefits under those parts, or if the adjusted community rate for services under part B (as reduced for the actuarial value of the coinsurance and deductibles under that part), for individuals enrolled under this section with the plan and entitled to benefits under that part only, is less than the weighted average per capita payment to be made under subsection (a) at the beginning of an annual period for individuals who will be enrolled during the contract year under this section with the plan and entitled to benefits under parts A and B, or part B only, respectively, the competitive medical plan shall apply the difference between that average per capita payment and that adjusted community rate (as so reduced) or its equivalent in value to one or more of the following purposes:

"(i) the provision of additional benefits or services to each enrollee under parts A and B or part B only;

"(ii) reduction in premiums, deductibles, or copayments for such enrollees; or

"(iii) rebates or dividends to such enrollees.

"(B) If the competitive medical plans determines that additional benefits are to be provided as allowed under subparagraph (A)(i), such benefits shall be selected, by a group consisting of individuals enrolled under this section with such plan, from among feasible alternatives presented to such group by the plan in which such group of enrolled individuals shall be chosen shall be provided for in the contract.

"(C) For purposes of this section, the term 'adjusted community rate' for a service or services means, at the election of a competitive medical plan, either—

"(i) the rate of payment for that service or services which the Secretary annually determines based on a submission by the competitive medical plan, would apply to an individual enrolled in accordance with this section with a competitive medical plan if the rate of payment were determined under a 'community rating system' (as defined in section 1302(8) of the Public Health Service Act, other than subparagraph (C)), or

"(ii) such portion of the weighted aggregate premium, which the Secretary annually estimates would apply to an individual enrolled in accordance with this section with the competitive medical plan, as the Secretary annually estimates is attributable to that service,

but adjusted for differences between the utilization characteristics of the individuals enrolled with the competitive medical plan under this section and the utilization characteristics of the other members of the plan (or, if the Secretary finds that adequate data are not available to adjust for those differences, the differences between the utilization characteristics of individuals in other competitive medical plans, or individuals in the area, in the State, or in the United States, eligible to enroll under this section with a competitive medical plan, and the utilization characteristics of the rest of the population in the area, in the State, or in the United States, respectively).

"(h)(1) If the Secretary is not satisfied that a competitive medical plan has the capacity to bear the risk of potential losses under a risk sharing contract under this section, or if the competitive medical plan so elects, or if the plan has less than 1,000 members, the Secretary may enter into a contract with such plan pursuant to which such plan is reimbursed on the basis of its reasonable cost (as defined in section 1861(iv)) in the manner prescribed in paragraph (3), and any such contract shall be terminated on the later of—

"(A) December 31, 1986, or

"(B) the end of the sixtieth month during which such contract was in effect.

"(2) Such contract under this subsection may, at the option of such plan, provide that the Secretary (A) will reimburse hospitals and skilled nursing facilities for the reasonable cost (as determined under section 1861(v)) of services furnished to individuals enrolled with such organization pursuant to subsection (c), and (B) will deduct the amount of such reimbursement from payment which would otherwise be made to such plan. If such plan pays a hospital or skilled nursing facility directly, the amount paid shall not exceed the reasonable cost of the services (as determined under section 1861(v)) unless such organization demonstrates to the satisfaction of the Secretary that such excess payments are justified on the basis of advantages gained by the plan.

"(3) Payments made to a plan with a cost basis contract under this subsection shall be subject to suitable retroactive corrective adjustment at the end of each contract year so as to assure that such plan is paid for the reasonable cost actually incurred (excluding any part of incurred cost found to be unnecessary in the efficient delivery of health services) for the types of expenses otherwise reimbursable under this title for providing services covered under this title to individuals described in subsection (a)(1).

"(4) Any contract with a competitive medical plan under this subsection shall provide that the Secretary shall require, at such time following the expiration of each accounting period of the plan (and in such form and in such detail) as he may prescribe—

"(A) that the plan report to him in an independently certified financial statement its per capita incurred cost based on the types of components of expenses otherwise reimbursable under this title for providing services described in subsection (a)(1), including, in accordance with accounting procedures prescribed by the Secretary, its methcds of allocating costs between individuals enrolled under this section and other individuals enrolled with such plan;

"(B) that failure to report such information as may be required may be deemed to constitute evidence of likely overpayment on the basis of which appropriate collection action may be taken;

"(C) that in any case in which a plan is related to another plan by common ownership or control, a consolidated financial statement shall be filed and that the allowable costs for such plan may not include costs for the types of expense otherwise reimbursable under this title, in excess of those which would be determined to be reasonable in accordance with regulations (providing for limiting reimbursement to costs rather than charges to the plan by related plans and owners) issued by the Secretary in accordance with section 1861(v); and

"(D) that in any case in which compensation is paid by a plan substantially in excess of what is normally paid for similar services by similar practitioners (regardless of method of compensation), such compensation may as appropriate be considered to constitute a distribution of profits.

"(i)(1) Each contract under this section shall be for a term of at least one year, as determined by the Secretary, and may be made automatically renewable from term to term in the absence of notice by either party of intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after such reasonable notice and opportunity for hearing to the competitive medical plan involved as he may provide in regulations), if he finds that the plan (i) has failed substantially to carry out the contract, (ii) is carrying out the contract in a manner inconsistent with the efficient and effective administration of this section, or (iii) no longer substantially meets the applicable conditions of subsection (b).

"(2) The effective date of any contract executed pursuant to this section shall be specified in the contract.

"(3) Each contract under this section—

"(A) shall provide that the Secretary, or any person or organization designated by him—

"(i) shall have the right to inspect and evaluate the facilities of such competitive medical plan when there is reasonable evidence of some need for such inspection; and

"(ii) shall have the right to audit and inspect any books and records of the competitive medical plan that pertain (I) to the ability of the plan to bear the risk of potential financial losses, or (II) to services performed or determinations of amounts payable under the contract;

"(B) shall require the plan to provide (and pay for) written notice in advance of the contract's termination, as well as a description of alternatives for obtaining benefits under this title, to each individual enrolled under this section with the plan;

"(C) shall require the plan to comply with subsections (a) and (c) of section 1318 of the Public Health Service Act; and

"(D) shall contain such other terms and conditions not inconsistent with this section as the Secretary and competitive medical plan may find necessary and appropriate.

"(4) The Secretary shall establish minimum standards to ensure that a competitive medical plan that has entered into a contract with the Secretary under this subsection will provide clear and sufficient information on a regular basis to individuals eligible to enroll under this section with the plan, about the plan and to provide for the enrollment of such individuals with the plan.

"(5) The Secretary may not enter into contract with a competitive medical plan under this section if a former contract with that plan under this section was terminated at the request of the plan within the preceding 5-year period, except in circumstances which warrant special consideration, as determined by the Secretary.

"(6) The authority vested in the Secretary by this section may be performed without regard to such provisions of law or regulations relating to the making, performance, amendment, or modification of contracts of the United States as the Secretary may determine to be inconsistent with the furtherance of the purpose of this title.".

EFFECTIVE DATE

SEC. 3. The amendments made by section 2 of this Act shall apply with respect to services furnished on or after the first day of the thirteenth month that begins after the date of the enactment of this Act, or earlier with respect to any competitive medical plan if the plan so requests and the Secretary of Health and Human Services agrees; except that such amendments shall not apply—

(1) with respect to services furnished by a competitive medical plan to any individual who is enrolled with that plan and entitled to benefits under part A, or enrolled in part B, of title XVIII of the Social Security Act at the time the plan first enters into a contract subject to the amendments made by this section, unless—

(A) the individual requests at any time that the amendments apply, or

(B) the Secretary determines at any time that the amendments should apply to all members of the plan because of administrative costs or other administrative burdens involved and so informs in advance each affected member of the plan, or

(2) with respect to services furnished by a competitive medical plan during the five-year period beginning with the date of enactment of this Act, if a contract between the plan and the Secretary of Health and Human Services under section 1876(1)(2)(A) of the Social Security Act was in effect immediately before the date of the enactment of this Act, unless the plan requests that the amendments apply earlier.

SERVICES OF PHYSICIAN ASSISTANTS AND NURSE PRACTITIONERS

SEC. 4. Section 1861(s)(2) of the Social Security Act is amended—

(1) by striking out "and" at the end of subparagraph (F);

(2) by inserting "and" after the semicolon in subparagraph (G); and

(3) by adding after subparagraph (G) the following new subparagraph:

"(H) services furnished pursuant to a contract under section 1876 to a member of a competitive medical plan by a physician assistant or by a nurse practitioner (as defined in subsection (aa)(3)) and such services and supplies furnished as an incident to his service to such a member as would otherwise be

covered under this part if furnished by a physician or as an incident to a physician's service;".

FACTS ABOUT MAJOR PROVISIONS OF COMPETITIVE HEALTH AND MEDICAL PLAN (CHAMP) ACT OF 1981

(To be introduced by Senator JOHN HEINZ)

"To reform the method of reimbursement to health maintenance organizations and to provide Medicare reimbursement to certain prepaid health benefit plans."

What are the purposes of the Competitive Health and Medical Plan Act of 1981?

(1) To offer the elderly a wider freedom of choice in selecting a health delivery system suited to their individual needs;

(2) To encourage and stimulate competition among alternative systems of health care delivery. (Explanation: the more efficient a Competitive Medical Plan is in relation to the fee-for-service sector, the richer the benefits they can offer and therefore the more attractive the CMP will be to the elderly beneficiary);

(3) To contain health care costs through competitive market forces and through greater utilization of more efficient health care delivery systems.

What are the benefis of the CHAMP Act?

Because the payment to Competitive Medical Plans under this bill will be made on a prospective per capita, rather than a service-rendered basis, the CHAMP Act will:

(1) Provide the most appropriate care in the most appropriate settings;

(2) Enable Medicare beneficiaries to budget their total out-of-pocket health care expenses;

(3) Provide Medicare beneficiaries with a continuum of care;

(4) Be effective in holding down costs.

Who is eligible to participate in a competitive medical plan (CMP)?

Anyone entitled to benefits under Parts A and B of Medicare, except individuals medically determined to have end-stage renal disease, is entitled to participate in a CMP. Eligibility is delayed for those currently under a "spell of illness" covered under Medicare.

What is a competitive medical plan?

(1) An entity that meets the Federal definition of HMO contained in Title XIII of Public Health Service Act; or

(2) An entity licensed as a HMO by the State in which it operates; or

(3) An entity which:

(a) Assumes full financial risk on a prospective basis for the provision of health care services;

(b) Provides physicians services either directly or through contracts with physicians;

(c) Provides to enrolled members at least the medical and hospital benefits provided by Parts A and B of Medicare and out of area coverage;

(d) Is compensated for the care of enrolled members on a periodic basis, without regard to date, frequency, extent, or kind of services rendered;

(e) Has made adequate provision against risk of insolvency.

What is the difference between the CHAMP Act and current law?

At present, the only CMPs that may participate in the Medicare program are Federally qualified HMOs. Furthermore, the current Medicare reimbursement to these HMOs is inconsistent with the way HMOs are paid for all other enrollees.

Federally qualified HMOs can only choose between being reimbursed on a cost or a risk basis. Under both of these methods, the HMO receives interim monthly payments from Medicare, and adjustments for actual costs are made at the conclusion of the contract period.

Under the cost contract, efficiencies and inefficiencies are reflected only in increases or decreases in reimbursement. Under the risk contract, losses must be absorbed by the HMO, and savings are shared exclusively by the HMO and the Federal government—not the Medicare beneficiary. Thus, both of these methods ignore the principle of prospectively set (before services are rendered) payment levels inherent in the HMO concept, and oblige the HMO to calculate costs retrospectively.

What health care benefits would be provided by competitive medical plans?

At a minimum, a CMP must provide all services required under Parts A and B of Medicare.

How does the CHAMP Act ensure that savings will be passed on to the consumers?

If the Medicare reimbursement exceeds the adjusted community rate (which is the amount that would return to the CMP the same rate of profit for Medicare enrollees as for its private enrollees), the difference must be applied to additional benefits, decreased deductibles or co-payments or rebates.

The additional benefits will be selected by a group of Medicare eligible individuals enrolled in the CMP from a list of alternatives presented by the CMP.

How will the CMPs be reimbursed by medicare?

(1) On a prospective basis (in advance of actual services rendered);

(2) At a level that would be equal to 95 percent of the adjusted average per capita cost. (AAPCC means the average amount payable on a per capita basis in any contract year for medical services furnished under Parts A and B of Medicare as if the services were furnished by an entity other than a CMP. The adjustment will be made on the basis of age, sex, institutional status, disability and health status, and place of residence.);

(3) Existing CMPs and newly participating CMPs may, when this legislation is implemented, be reimbursed under the existing retrospective cost arrangement for a maximum of five years.

What else would a CMP have to do?

(1) Have an open enrollment period for at least 30 consecutive days per year;

(2) Regardless of their health status, provide basic health services to any individual eligible for Medicare benefits;

(3) Have a plan to assure quality care, and follow-through on recommendations to enhance quality of health care services;

(4) Demonstrate that the ratio of premium to benefits for Medicare enrollees will not exceed that of non-Medicare enrollees also in the plan;

(5) Meet reasonable standards of fiscal soundness;

(6) Use a community rating system;

(7) Provide Parts A and B services through qualified institutions and individuals;

(8) Permit the Secretary to inspect or evaluate the CMP if there is reasonable evidence to do so.

What restrictions are placed on CMPs?

A CMP may not:

(1) Levy premiums and other charges for Medicare enrollees that exceed those of Medicare recipients who are not enrolled in a CMP;

(2) Charge more for other services, provided in addition to the basic services, than those services would cost if their value were determined using the adjusted community rate;

(3) Participate in the CHAMP program unless at least one-half of the membership of a CMP consists of individuals not eligible for Title XIX, Medicaid, or Title XVIII, Medicare benefits.

What about emergency medical services?

A CMP is required to reimburse its members for the cost of medically necessary emergency medical services if reduced outside the area covered by the CMP, and must make arrangements for care 24 hours.

How are the rights of CMP enrollees protected?

(1) If dissatisfied, an individual may terminate enrollment in a CMP on the first day of the month following the first full month after termination is requested; and

(2) Review is mandated for any disputed service or charge if the amount in question is $100 or more. Judicial review is required for amounts equalling $1,000 or more.

How will the CHAMP Act prevent adverse selection?

(1) The Secretary of the Department of Health and Human Services will establish minimum standards under which CMPs can enroll eligible individuals and can inform them about the CMP.

(2) The Secretary may terminate contracts if significant violations are found.

How will contracts be administered?

The Health Care Financing Administration will be responsible for the administration of all contracts. Each contract:

(1) Will be drawn for at least one year terms;

(2) Will be automatically renewable, although it may be terminated at any time by the Secretary for good causes; and

(3) To be terminated by a CMP, the CMP must notify, in writing, each enrolled individual and provide a description of alternatives for obtaining benefits.

How would Medicare beneficiaries currently enrolled in HMOs be affected?

(1) Individuals already enrolled in the HMO and receiving Medicare reimbursement at the time the HMO enters into a contract with the Secretary have the option of continuing that reimbursement method or switching to the new; and

(2) The new reimbursement method would not apply for three years to HMOs already under contract with HHS at the date of enactment unless the HMO chooses otherwise.

How soon after enactment will the CHAMP Act be effective?

One year following the date of enactment, or earlier if requested by the CMP and the Secretary concurs.

By Mr. PERCY (by request):

S.J. Res. 100. Joint resolution to authorize the participation of the United States in a multinational force and observers to implement the Treaty of Peace between Egypt and Israel; to the Committee on Foreign Relations.

MIDEAST PEACE TREATY

Mr. PERCY. Mr. President, by request, I introduce for appropriate reference a joint resolution to authorize the participation of the United States in a multinational force and observers to implement the Treaty of Peace between Egypt and Israel.

This legislation has been requested by the Department of State and I am introducing the proposed joint resolution in order that there may be specific legislation to which Members of the Senate and the public may direct their attention and comments.

I reserve my right to support or oppose this joint resolution as well as any suggested amendments to it, when the matter is considered by the Committee on Foreign Relations.

I ask unanimous consent that the joint resolution be printed in the RECORD at this point, together with a section-by-section analysis of the joint resolution and the letter from the Secretary of State to the President of the Senate dated July 18, 1981.

There being no objection, joint resolution and material were ordered to be printed in the RECORD, as follows:

S. J. RES. 100

Whereas the Treaty of Peace between Egypt and Israel signed on March 26, 1979, calls for the supervision of security arrangements to be undertaken by United Nations Forces and Observers; and

Whereas the United Nations has been unable to assume those responsibilities; and

Whereas a Protocol initialled on July 17, 1981, by the Government of the Arab Republic of Egypt and the Government of the State of Israel provides for the creation of an alternative Multinational Force and Observers to implement the Treaty of Peace; and

Whereas the Government of the Arab Republic of Egypt and the Government of the State of Israel have requested that the United States participate in the Multinational Force and Observers: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized to assign, under such terms and conditions as he may determine, personnel of the Armed Forces of the United States to participate in the Multinational Force and Observers to be established in accordance with the Protocol between Egypt and Israel initialled July 17, 1981, relating to the implementation of the security arrangements of the Treaty of Peace. The President is also authorized to provide, under such terms and conditions as he may determine, United States civilian personnel to participate as observers in the Multinational Force and Observers. The status of United States Government personnel assigned to the Multinational Force and Observers shall be as provided in Section 629 of the Foreign Assistance Act of 1961, as amended.

SEC. 2. The President is authorized to agree with Egypt and Israel that the United States will contribute a share of the costs of such Multinational Force and Observers in accordance with the Protocol, subject to the authorization and appropriation of necessary funds.

SEC. 3. There are authorized to be appropriated to the President to carry out chapter 6 of Part II of the Foreign Assistance Act of 1961, in addition to amounts otherwise available to carry out that chapter, $125 million for the fiscal year 1982 for contributions as authorized by section 2 of this Resolution. Amounts appropriated under this section are authorized to remain available until expended.

SEC. 4. Any agency of the United States Government is authorized to sell, loan, or lease property (including interests therein) to, and to perform administrative and technical services for the support of, the Multinational Force and Observers upon such terms and conditions as the President may direct. Reimbursements to agencies under this section shall be credited to the current applicable appropriation of the agency concerned.

SECTION-BY-SECTION ANALYSIS

PREAMBLE

This provision sets forth the purpose of the resolution—to authorize the participation of the United States in a Multinational Force and Observers to implement the Treaty of Peace between Egypt and Israel. It also describes the factors which have tional Force and Observers and the request led to the establishment of such Multinafor United States participation in it.

Section 1.—This portion of the resolution authorizes the President to assign, under such conditions as he may determine, personnel of the Armed Forces to participate in the Multinational Force and Observers. It is anticipated that the United States would provide one infantry battalion and a logistics support unit to participate in the multinational force.

Egypt and Israel have also requested that the United States provide the observer unit of the Multinational Force and Observers. In the negotiations both parties have further requested that United States civilian personnel of the Sinai Field Mission perform this function. This section accordingly authorizes the assignment of such civilian personnel to serve as an observer unit. (Pursuant to Public Law 94–110 of October 13, 1975, (22 U.S.C. 2441), the United States Government performed certain functions similar to some of those which will now be performed by the Multinational Force and Observers.) It is also anticipated that individual United States officers and employees may be detailed to serve in the Multinational Force and Observers in other capacities (for example, as members of the Director General's staff) pursuant to Section 628 of the Foreign Assistance Act of 1961, as amended.

The final sentence of this section makes it clear that all United States Government personnel assigned to the Multinational Force and Observers will continue to receive their normal pay, allowances and other benefits in accordance with section 629 of the Foreign Assistance Act of 1961, as amended.

Section 2.—This section authorizes the President to agree that the United States will contribute a share of the costs of the Multinational Force and Observers, subject to the authorization and appropriation of necessary funds. In light of the initial costs involved in establishing the necessary facilities for the Multinational Force and Observers, it is contemplated that the United States would contribute up to 60 per cent of the costs of the Multinational Force and Observers through September 30, 1982.

Thereafter, the United States would pay one third of annual costs. It is envisioned that these shared costs would not include the salaries and other normal costs associated with the military personnel of the developed countries that contribute troops to this peace-keeping force.

The developed countries would be reimbursed, upon request, for additional expenses associated with transporting their personnel to and maintaining them in the Sinai. In particular, the Department of Defense would receive reimbursement under this section from the Multinational Force and Observers for additional costs over and above the cost of maintaining the United States military contingent in the United States.

The developing countries will be reimbursed for all expenses associated with provision of their military contingents. The full cost of the observer contingent furnished by the United States will be reimbursed by the Multinational Force and Observers.

Section 3.—For the purpose of covering the United States share of the costs for the operation of the Multinational Force and Observers through September 30, 1982, this section authorizes the appropriation of $125 million to carry out chapter 6 of part II of the Foreign Assistance Act of 1961, as amended (Peacekeeping Operations) in addition to amounts otherwise available to carry out that chapter. The funds made available pursuant to such authorization will be provided to the Multinational Force and Observers under appropriate grant agreements.

Section 4.—This section would authorize the provisions of supplies and services to the Multinational Force and Observers by United States Government agencies upon such terms and conditions as the President may direct.

This provision is intended to provide administrative flexibility sufficient to permit the economical utilization of available United States Government resources. The authority of section 607 of the Foreign Assistance Act of 1961, as amended, will remain available.

Although agencies would normally provide goods and services to the Multinational Force and Observers on a reimbursable basis, this section of the Joint Resolution would also permit nonreimbursable administrative and technical services such as use of vacant office space, access to communications facilities and transportation on a space-available basis.

The authority provided by Section 633 of the Foreign Assistance Act of 1961, as amended, will also be exercised as appropriate to permit timely and economical furnishing of goods and services under contracts performed by the United States for the Multinational Force and Observers.

THE SECRETARY OF STATE,
Washington, D.C., July 18, 1981.

Hon. GEORGE BUSH,
President, U.S. Senate.

DEAR MR. PRESIDENT: I herewith transmit on behalf of the President a proposed Joint Resolution to authorize the participation of the United States in a Multinational Force and Observers to be established by Egypt and Israel. The United States activities to be authorized are vital to the achievement of further progress towards a just and lasting peace in the Middle East which remains one of the most important objectives of United States foreign policy.

The conclusion in 1979 of the Treaty of Peace between Egypt and Israel was a crucial step in the overall peace process, and the United States has sought to provide appropriate support and assistance to ensure the full, effective and timely implementation of its terms. The next crucial steps called for in the treaty are the establishment of effective security arrangements in the border area, including the presence of United Nations forces and observers, and the total withdrawal of Israeli forces from Egyptian territory by April 25, 1982.

Unfortunately, on May 18, 1981, the President of the United Nations Security Council indicated that the Security Council was unable to reach the necessary agreement on the proposal to establish United Nations forces and observers. This possibility was envisioned during the peace treaty negotiations, and for this reason President Carter assured the Parties that, subject to United States Constitutional processes, "[i]f the Security Council fails to establish and maintain the arrangements called for in the Treaty, the President will be prepared to take those steps necessary to ensure the establishment and maintenance of an acceptable alternative multinational force."

Egypt and Israel have now agreed to establish, under the direction of a Director General appointed by them, such a multinational force and observers to permit the implementation of those security arrangements pursuant to the Treaty of Peace. This multinational force and observers can be effective, however, only if the United States and other nations who support the cause of peace provide the needed support and participation.

Timing is a crucial factor. If the multinational force and observers are to be operational by April 25, 1982, substantial planning, procurement and construction must be initiated well in advance. Given the urgency of the situation, at the request of the parties and after consultation with appropriate members of the Congress, the Department of Defense has initiated certain planning for procurement activities with financing to be provided to the Director General by the Governments of Egypt and Israel which will be credited against those Governments' shares

of the costs of the Multinational Force and Observers.

This procedure will permit essential, initial steps to take place. Nevertheless, the prompt enactment of the proposed Joint Resolution is essential if the establishment of the multinational force and observers is to proceed in a successful and timely fashion.

We cannot allow the present obstacles which prevent United Nations participation to delay or otherwise adversely affect the peace process. The enactment of this legislation on an urgent basis is vital to the successful implementation of the Treaty of Peace between Egypt and Israel which, in turn, is essential to further progress in the overall peace process. I therefore urge its early passage.

The Office of Management and Budget has advised that enactment of this proposal would be in accord with the program of the President.

Sincerely,

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ADDITIONAL COSPONSORS

S. 267

At the request of Mr. DECONCINI, the Senator from Oregon (Mr. HATFIELD), and the Senator from Massachusetts (Mr. KENNEDY) were added as cosponsors of S. 267, a bill to amend title 28, United States Code, to provide that the Federal tort claims provisions of that title are the exclusive remedy in medical malpractice actions and proceedings resulting from federally authorized National Guard training activities, and for other purposes.

S. 672

At the request of Mr. PELL, the Senator from North Dakota (Mr. BURDICK) was added as a cosponsor of S. 672, a bill to require the Secretary of Transportation to administer a national driver register to assist State driver licensing officials in electronically exchanging information regarding the motor vehicle driving records of certain individuals.

S. 1310

At the request of Mr. BOSCHWITZ, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 1310, a bill to amend the Internal Revenue Code of 1954 to provide certain community development, employment, and tax incentives for individuals and businesses in depressed areas.

SENATE JOINT RESOLUTION 65

At the request of Mr. PELL, the Senator from Iowa (Mr. JEPSEN) was added as a cosponsor of Senate Joint Resolution 65, a joint resolution proclaiming Raoul Wallenberg to be an honorary citizen of the United States, and requesting the President to ascertain from the Soviet Union the whereabouts of Raoul Wallenberg and to secure his return to freedom.

SENATE JOINT RESOLUTION 78

At the request of Mr. COCHRAN, the Senator from Nevada (Mr. CANNON) was added as a cosponsor of Senate Joint Resolution 78, a joint resolution to provide for the designation of October 2, 1981, as "American Enterprise Day."

● Mr. PELL. Mr. President, I ask unanimous consent that Senator JEPSEN be added as a cosponsor of Senate Joint Resolution 65, proclaiming Raoul Wallenberg to be an honorary citizen of the United States, and requesting the President to ascertain from the Soviet Union the whereabouts of Raoul Wallenberg and to secure his return to freedom. The addition of Senator JEPSEN brings to 55 the number of cosponsors in the Senate for this very worthy legislation.

This resolution has been approved unanimously by both the Committee on Foreign Relations and the Committee on the Judiciary, and I look forward to the day in the very near future when the measure is passed in both the Senate and the House and signed by the President.

Raoul Wallenberg's brave mission to Hungary during World War II, where he saved the lives of an estimated 100,000 innocent people who had been marked for extermination by the Nazis, was undertaken at the behest of the U.S. Government. His efforts in Hungary were financed and supported by the U.S. War Refugee Board. Consequently, the United States has a special obligation to Raoul Wallenberg and his family.

Certainly we must do everything we can to try to secure for Raoul Wallenberg the same life and liberty he saved for so many others. Honoring him by making him an honorary U.S. citizen will greatly enhance his renown as a courageous humanitarian, not only among those whose lives he saved, but among all groups and individuals who value human life and human rights. I thank my colleagues who have joined with me in this effort.●

SENATE RESOLUTION 190—ORIGINAL RESOLUTION REPORTED WAIVING THE CONGRESSIONAL ACT

Mr. WARNER, from the Committee on Energy and Natural Resources, reported the following original resolution, which was referred to the Committee on the Budget:

S. RES. 190

Resolved, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of S. 859. Such waiver is necessary because the bill, as reported, would reallocate receipts after January 1, 1981 from federal leases on acquired lands used for military or naval purposes.

SENATE RESOLUTION 191—RESOLUTION REGARDING PROGRAMS FOR THE RESETTLING OF INDOCHINESE REFUGEES

Mr. HUDDLESTON (for himself and Mr. ZORINSKY) submitted the following resolution, which was referred to the Committee on Foreign Relations:

S. RES. 191

Whereas the United States terminated all active and direct military involvement in Indochina in 1975;

Whereas since that time the United States has accepted almost 500,000 Indochinese refugees for resettlement in one of the largest and most expensive resettlement efforts in our history;

Whereas United States taxpayers have been required to spend billions of dollars to resettle and assist Indochinese refugees;

Whereas the flow of individuals in Indochina claiming to be refugees is at a very high level;

Whereas reliable sources claim that liberal first asylum conditions, together, with the prospect for rapid resettlement, is expected to continue the increased flow, and that most recent arrivals are "low-risk" refugees that do not belong to harassed minority groups, do not have close family ties in the United States, and were not associated with American programs during the war;

Whereas officials of the Immigration and Naturalization Service have concluded that thousands of Indochinese individuals claiming to be refugees do not fit the definition of "refugee" in our Immigration and Nationality Act;

Whereas the compelling and paramount economic reasons which require that Federal spending be substantially reduced necessitate a reduction in many domestic Federal assistance programs;

Whereas the basic requirements of the needy and deserving citizens of the United States must be placed first;

Whereas the concentration of Indochinese refugees has placed severe strains upon the State and local governments which must deal with their social and economic impact; and

Whereas it is necessary for the United States to maintain an equitable refugee policy and demands are increasing for the resettlement of refugees from other parts of the world: Now, therefore be it

Resolved, That it is the sense of the Senate that the program for resettling Indochinese refugees shall be immediately and thoroughly investigated by the Executive and Congress to determine if the program is classifying as refugees large numbers of individuals who are migrating primarily for economic reasons, is encouraging the mass migration of individuals and is being administered in the strict manner Congress intended. Should the findings of this investigation so warrant, the program shall be phased out as soon as possible.

The investigation shall give substantial weight to the testimony and professional opinions of Immigration and Naturalization Officers who have direct experience with the Indochinese resettlement program.

RESETTLING OF INDOCHINESE REFUGEES

Mr. HUDDLESTON. Mr. President, since the fall of Vietnam, the United States has undertaken one of the largest and most expensive refugee assistance efforts in our history. Almost 500,000 refugees have been resettled in the United States and approximately $2 billion has been spent for Indochinese refugee assistance. However, even after this monumental effort, the end is not in sight for the flow of refugees from Indochina.

I believe that ample evidence exists to prove that many of the individuals claiming to be persecuted in Indochina are in reality immigrants who are seeking a better economic life and that our resettlement policies are encouraging this continuing flow of people.

Therefore, I am submitting a resolution today which would recommend that the Executive and the Congress conduct an immediate investigation into these allegations to determine if the program is being administered in accordance with the intent of Congress. Although I believe that sufficient evidence exists to justify immediate phasing out of th's program, my resolution only calls for an investigation at this time.

I do not make this recommendation lightly. No one can deny that the individuals claiming to be refugees in that area are needy people, but there is no convincing evidence that their needs are any greater than those of the 16 million

other refugees in the world today. Furthermore, at a time when we are cutting billions of dollars out of domestic assistance programs, we should not continue this expensive foreign program which is misguided and counterproductive.

There is no doubt that our well publicized resettlement program has actually made the refugee situation worse by encouraging individuals to leave their countries. A study entitled "Indochinese Refugees: The Impact of First Asylum Countries and Implications for American Policy," which was prepared for the use of the Joint Economic Committee on November 25, 1980, made basically this finding. The study states:

The success of the program for Laotians and Vietnamese has the effect of increasing the flow of refugees attracted by liberal first asylum conditions and the prospect for rapid resettlement.

This finding comes as no surprise to those of us who have followed closely the Indochinese refugee problem from its very beginning. Several years ago it was not uncommon for the "boat people" to be picked up by our Navy. Nor was it unusual for these people to know which State in our country they wanted to go because of its reputation for the best refugee resettlement program.

They learn of these generous and rapid resettlement programs from many sources. The Voice of America and the BBC are constantly broadcasting about the type of receptions these people are getting, and then there is the flow of information from friends and relatives. The South China Morning Post recently ran an article on the exodus and reported that refugees "are sent a photo of a relative standing in front of a car which probably doesn't belong to him and then telling of jobs, houses, purchases . . . The Vietnamese seem to expect that they will be welcomed wherever they go . . .".

As long as this type of advertising continues, we should not be surprised to learn that the flow of refugees is still as high as it once was. This is substantiated by the New York Times which reported on June 26, 1981 that:

The number of refugees leaving Vietnam on small boats rose in April and May to the highest level in two years, and partial statistics obtained from the United Nations High Commissioner for Refugees indicate that the rate of departure remains high this month despite heavy monsoon weather in the South China Sea.

This discouraging fact was underscored by the publication of the 1981 World Refugee Survey prepared by the U.S. Committee for Refugees. The title of one of the lead articles in this publication tells the whole story—"Indochina Refugees: No End in Sight."

It is time that the United States faces up to the fact that continuing our present policies in this area of the world will only make the problem worse in the long run. The United States is not a bottomless well from which assistance can be extracted for an indefinite time. The Joint Economic Committee study says that as many as one million more people are willing to come out of Vietnam. I do not believe that we should continue to provide the encouragement for these people to do so.

If the present flow of individuals out of Indochina truly consisted of refugees, I would have more reservations about proposing this phase-out. But the most recent evidence strongly indicates that 70 percent or more may not fit our very liberal definition of "refugee." Section 101(a)(42) of the Immigration and Nationality Act defines a refugee as the following:

Any person who is unable or unwilling to return to, and is unable or unwilling to avail himself or herself of the protection of, that country because of persecution or a well-founded fear of persecution.

Unfortunately, it appears that many of those who claim to be refugees under this section are fleeing economic hardships and do not have a fear of persecution in its true sense. The Joint Economic Committee study found that:

Most recent arrivals are 'low-risk' refugees that do not belong to harassed minority groups, do not have close family ties in the United States, and were not associated with American programs during the war (66% of those in the initial processing phase for entry into the United States in March–April 1980 fell in this category IV of "other" under the American preference criteria for Indochinese refugees).

This argument of lack of refugee status is supported from other sources. The South China Morning Post reported on June 23, 1981 that:

For about 90 percent of the people who want to leave the reasons are economic,' a diplomat said. 'Some say they want to go for their children's education future, others complain about health care.

On June 26 the New York Times reported:

An argument increasingly voiced is that more than six years after the Communist victory in Indochina the genuine political refugees have already left and those who now are risking their own lives and those of their families to escape are doing so for economic gain.

This point of view has been openly discussed in the press for a long time now. On March 24, 1981 the Christian Science Monitor ran an article which said:

A growing number of immigration officers, refugee workers, and even a few social workers are claiming that many of the refugees are not really refugees but "assisted immigrants."

Now a large percentage are young unemployed, draft dodgers, students, and many others who may find life in Vietnam hard, but are not being persecuted.

While this problem has been reported in the press, it has also been strongly debated within the Reagan administration. The Department of State has taken the position that all individuals leaving Vietnam, Laos and Cambodia are to be presumed to be refugees. After a great deal of hard infighting by the Department of State, the Attorney General agreed with the Department, although there is no provision in the law for this kind of blanket, automatic classification.

The unfortunate aspect of this capitulation by the Attorney General is not that it will continue a counterproductive foreign policy but that the Nation's chief law enforcement officer has decided that he will not enforce the immigration law as it was written by Congress last year. The order which went out to INS officers in the field from the Acting Commissioner of INS states that "INS officers will limit their findings to admissibility under Section 212(a) of the Immigration and Nationality Act." The effect of this order was to prohibit the use of section 101(a)(42), which is where "refugee" is defined.

The internal fight between INS and the Department of State was an extremely bitter one and there are files full of cables, letters, and memos which provide convincing evidence that the refugee policy in Southeast Asia is not in compliance with the law.

It should come as no surprise to anyone that the Department of Justice is trying to cover up this evidence. Although I have been trying since June 15, 1981 to secure copies of this correspondence, the Department has refused to release it. Fortunately, it has become well known within the administration that I am seeking these documents and some have begun to see the light of day through unofficial channels.

From their content, I can understand why the Attorney General does not want them released, as can be seen from the following excerpt:

An assessment of the presently arriving Vietnamese has been made by the American Consul stationed in Songkhla, Thailand and his report taken by a Consular Officer who has been at his post for approximately 2 years indicates that 72 percent of the persons arriving at that location are economic immigrants. Further that the U.S. acceptance rate is acting as a magnet to a group who are tired of being deprived of the many things available in the western world and more exactly in the U.S.

Other documents make an even stronger case for the argument that a large percentage of those claiming to be political refugees are in reality economic refugees. There is also considerable evidence that many officials from friendly governments involved in Southeast Asia believe that our overly generous refugee policy is actually encouraging the flow of refugees.

Even those few who are true refugees do not have an automatic claim to resettlement in the United States. We have done more than our share by resettling more Indochinese refugees than all the other countries combined and by expending billions of dollars for assistance. I do not believe that it is fair to the American taxpayer to continue to ask him to contribute to an endless stream of people from Southeast Asia seeking a better life. There is no light at the end of the tunnel for this program in Indochina.

It will go on as long as we are willing to fund the major portion of it, and offer the hope to every immigrant for settlement in the United States.

If the only immigration problem we faced in the United States involved the Indochinese, the argument to continue to admit them might be more convincing. But this is not the case. Last year immigration to the United States was at its highest level in our history. We admitted

over 800,000 legal immigrants and probably as many illegal immigrants. A major portion of the legal ones were refugees.

Our refugee program has grown so large that we can no longer afford to think of it outside of our total immigration policy. Refugees come to this country as permanent residents and they contribute to the economic and social problems caused by a growing population. However, because of their special needs, they also generate direct costs for taxpayers. In fiscal year 1980 we spent $2 billion for refugee assistance and will probably spend $2.5 billion in fiscal year 1981. Furthermore, State and local governments are becoming more worried about the increased cost they must shoulder for refugees. A New York Times article reported in July that, "each month, California officials estimate, from 5,000 to 6,000 Southeast Asian refugees move to their State, and more than half seek public financial assistance."

If this administration is committed to telling our elderly who have spent their lifetimes working for the good of this country that they must accept less in the way of domestic assistance programs and social security, I do not believe that we can continue a policy which admits hundreds of thousands of refugees each year who will require very expensive special assistance programs.

The United States has gone far beyond the original intent of our Southeast Asian refugee resettlement program. We have created a multi-million dollar refugee recruiting program which is spearheaded by the State Department and which contravenes our own laws. Hundreds of voluntary agencies have been created to process refugees and even though they operate on very humanitarian principles, they rely on millions of dollars of grants through the refugee program in order to exist.

We have in effect created a special interest group both within and without the Government which is programed for one purpose—to process and resettle refugees in the United States. An example of this can be seen in recent activity. Earlier this year the Department of State committed the United States to accepting several thousand African refugees, again more than the rest of the world combined.

Now it appears that the administration has agreed to double the admission level for refugees from Poland. In order to accomplish this increase, the Department of Justice is using a little deception. On the one hand, they claim to be offsetting the Polish admissions by decreasing Indochinese refugee admissions. However, since the total refugee admissions greatly exceed the statutory yearly level of 50,000 by four or five times, there is no real reduction or offset. The administration has merely played games with numbers which are already too high.

It is time that we declare that the United States cannot be the resettlement colony for all the refugees of the world. There are 16 million refugees in the world and this number will probably increase due to the uncertain and volatile political and economic situations which exist in many countries of the world today.

This does not mean that we must completely stop the admission of refugees. The United States should always stand ready to do its fair share and even more. But we can no longer afford the luxury of an unlimited, open-ended policy.

Our immigration law establishes 50,000 refugees a year as a normal flow, yet, even though this legislation is less than 2 years old, we have never adhered to its limits. We admitted about 235,000 refugees in fiscal year 1980, we will admit about 217,000 in fiscal year 1981, and the number being suggested for fiscal year 1982 is 178,000. Actions beyond our control in Cuba, Haiti, or a dozen other countries could push that total much higher. Congress did not intend that the Refugee Act be abused in this fashion. If this, or any other administration, cannot use good judgment in administering the statute, Congress should take back some of the unlimited authority given to the President.

Mr. President, we cannot continue to administer our refugee policy in an ad hoc fashion as we have in the past. The only way to gain control of our total immigration policy is to include refugees within one total ceiling. Without the one ceiling to force us to set our priorities on immigration, we will continue on the same treadmill we presently are on. There are enough present and future hot spots in the world to keep the number of refugees in the millions and there will always be special-interest groups demanding that a particular group of people be given special treatment. In the past it has been Cuba, Haiti, and Indochina. Tomorrow it will be El Salvador, Poland, or any number of other countries.

News reports on this problem have begun to surface and they are providing support for the INS contention that many of these people are not refugees. I ask unanimous consent that articles from the New York Times, the Christian Science Monitor, and the South China Morning Post be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the South China Morning Post, June 23, 1981]

ECONOMIC WOES BEHIND EXODUS

(By Catherine Campbell)

There is a weary joke in the capital city of former South Vietnam that even the telephone poles are queuing up to leave.

"Almost everyone wants to get out. As soon as I am alone with someone the request for help is made," a Western diplomat said.

Diplomats are bombarded with letters, some containing months of savings, to speed their requests to the right authorities.

Visitors find pleading notes tossed into their pedal cabs or are pulled aside and told sad stories of life under communism.

Wishful recollections of salaries paid by American employers are laced with American slang of the war era.

The complaints are legion: in a recent crackdown bookstalls disappeared, and Western music was confiscated from the few remaining coffee houses. Taxes on the coffee houses were raised and they were forced to close, according to Vietnamese residents.

"There is nowhere to go but the movies—Russian, East German, Vietnamese—or sometimes the theatre," a young woman said. "There is nothing to do."

One hotel holds a Saturday night dance where Government approved girls are provided as dancing partners for foreigners, but usually the streets are silent, long before the midnight curfew.

Although there is grumbling about travel restrictions—for each trip outside Ho Chi Minh City, formerly Saigon, a person must receive formal permission—most of the complaints are about money.

"For about 90 percent of the people who want to leave the reasons are economic," a diplomat said. "Some say they want to go for their children's educational future, others complain about health care."

The Government does grant exit visas, mostly to people who can't earn their own living or whom the authorities feel will never be integrated into the new society, diplomats said. Most of those allowed to leave are of Chinese origin or are elderly.

About 6,500 people left Ho Chi Minh city legally for North America, Australia and Europe last year under orderly departure programs, the sources said.

"But twice that number sneaked out by boat last month alone."

The goal of doubling the number of orderly departures this year still puts barely a dent in the continuing flow of "boat people" to neighboring Asian countries.

Many Vietnamese make several attempts at a cost of up to US $3,000 (about HK $16,500) each in bribes to junior officials, only to face a new set of perils if they reach the open waters in often ill-equipped boats.

But people who tell of relatives lost at sea seem undeterred in their own escape plans, some having made five or six attempts only to be betrayed by someone they had paid off.

"If we are caught the women are usually set free but the men are detained," said one man who was saving his black market earnings for a seventh try.

"Even among the boat people there are few who fit the classic definition of a refugee as someone fleeing his country because of a well-founded fear for his safety," a diplomat said.

"The Vietnamese seem to feel that they have a right to resettlement and that the West, and especially America, should respect that right."

Diplomats say that their warnings of the hardships of resettlement go unheeded.

"This is the tragedy—most of the Vietnamese have no idea of life abroad," a diplomat said. "I try to warn them but their reaction is: you don't have the right to tell me to stay here. You don't understand the situation.

"My answer is that they don't know the situation abroad. They are sent a photo of a relative standing in front of a car which probably doesn't belong to him and then telling of jobs, houses, purchases. No emigrant is ever going to admit to those left behind that he made a mistake."

The Vietnamese seem to expect that they will be welcomed wherever they go, diplomatic sources said.

The unknown number of half-American children in Vietnam also provide problems for diplomats.

Some of them, curly-haired, leggy and ragged, hang around the few hotels hoping for handouts, their faces a reproach for a painful piece of recent history.

Diplomats say they get many letters asking them to find an American husband called Joe or John who left in 1972. "But sometimes even if the father is found, he doesn't want to know."—Reuter.

[From the Christian Science Monitor, July 7, 1981]

THAILAND GIVES RED LIGHT TO MORE INDOCHINA REFUGEES

(By Neil Kelly)

BANGKOK.—Thailand has cut its intake of Indochina refugees and closed one Cambodia refugee camp. It is expected to close another for Vietnamese boat people in the next few days.

These moves reflect a growing conviction in Thailand and throughout Southeast Asia that the tide of refugees must be checked. Governments in the area are concerned that they may face a growing burden as international efforts to meet the problem with financial aid and resettlement lose steam.

There is also a widespread feeling that more refugees are leaving to seek better economic conditions, rather than to escape persecution.

Cambodian, Vietnamese, and Laotian refugees in Thailand now total 250,000. This is 12,000 fewer than six months ago and more than 50,000 fewer than at this time last year.

The largest camp of all, the Khao I-Dang camp, eight miles from the Cambodian frontier, has seen its refugee population shrink from 140,000 in mid-1980 to fewer than 40,000 today.

No new Cambodian refugees have been admitted for almost a year. Like the Cambodians, Vietnamese who have trekked across Cambodia are being prevented from crossing into Thailand, and the former flood from Laos has abated.

The Thais are employing subtle persuasion, threats, and tough action to lick the refugee problem, which has plagued them since the communist victories in Indochina in 1975. There is general agreement among civilian and military authorities that the time has come to say "enough is enough," but differences remain on how to execute that policy.

Some say the tough policy is popular domestically and note that foreign governments also respond to it. Since the rumblings began in Bangkok, the United States has indicated it will remove immigration impediments which have caused a backlog of Cambodian refugees to build up, and some other countries have promised to take more.

Some of the Thai leaders even advocate enforced repatriation, but most Cabinet members favor more humanitarian policies.

Thai Premier Prem Tinsulanonda is on record as saying that no refugee would be forced to go home against his will. The United Nations High Commissioner for Refugees has said his organization would not participate in any enforced repatriation.

United Nations officials, in fact, insist that Thai policy has not changed and that Thailand will not force anyone to go back.

Nevertheless, the Thais are not prepared to regard anyone escaping from communism as a genuine refugee. They feel too many are merely economic refugees seeking better lives outside their own countries.

That feeling is behind Thai refusals to admit 358 Vietnamese refugees now stranded among Cambodian guerrillas near the Thai border.

The International Committee of the Red Cross says their lives are in danger while they remain surrounded by tens of thousands of Cambodians who have a deep-seated hostility toward the Vietnamese.

Despite ICRC pleas to the prime minister to give sanctuary to the Vietnamese, military, and security chiefs have refused to give way. They say the safety of the Vietnamese is not Thailand's responsibility.

One Thai official said the Vietnamese had left at their own risk and had bribed Vietnamese and Cambodian officials all the way along to get to Thailand. The Thais have even ignored American assurances that the Vietnamese would probably be eligible for admission to the U.S.

Meanwhile Vietnamese boat refugees are still being allowed ashore although there have been threats to push them back out to sea. A supreme command spokesman said Thailand did not want to encourage refugees to keep on coming. He added that the Vietnamese were not refugees in the true sense but discontented people seeking better economic opportunities.

Thousands of Cambodians have left Thailand in the past year. Some have gone all the way back to their home villages equipped with rice seed and farming implements to resume their old lives. But many more have stayed in the primitive border encampments hoping for something better to turn up.

Thai policy is directed at discouraging them to go away, for, according to military leaders, they are a security risk to Thailand and their own lives are in danger.

Thai and United Nations officials are planning the voluntary repatriation of 30,000 to 40,000 Cambodians still in holding centers inside Thailand. Safe roads must be found for them through areas where Khmer Rouge guerrillas and Vietnamese soldiers are fighting.

The Thais are determined to go ahead with the plan despite Vietnam's threat to attack the Thai border again if repatriation takes place without help from the Vietnamese-installed government in Phnom Penh.

BOAT PEOPLE: REDEFINING THE REFUGEES

(By Frederic A. Moritz)

SINGAPORE.—President Reagan is likely to face growing pressure for a sharp cutback in admission of refugees from Indochina.

A growing number of immigration officers, workers, and even a few social workers are claiming that many of the refugees are not really refugees but "assisted immigrants."

American quotas of some 15,000 a month of these "economic refugees" favored treatment, compared with hundreds of thousands of other deserving people around the world.

So far this view has not changed US policy. Similar legislation is being proposed to exceed the same Indochina immigration quotas the next year. The Select Commission on Immigration and Refugee Policy in its final report to the President and Congress has even filed for an overall increase in legal immigration, from 580,000 a year for the last five years to 650,000 a year for the next five years.

But advocates of a clampdown hope rising economic difficulties at home will spur President Reagan to reconsider making substantial cutbacks.

These skeptics are found within the State Department and the Immigration and Naturalization Service, and among the voluntary agencies that assist in refugee resettlement. Then they refuse to be identified. But they appear eager to use the press to help create a new climate of public opinion that will accept sharp cutbacks.

According to one source, they have already been frustrated in their efforts to petition the Reagan administration for a policy change. But they are outspoken and confident on giving their case.

Their argument is first and foremost that those coming out from Indochina today do not meet the requirement of the US Refugee Act of 1980, which defines "refugee" this way: Any person outside his country unable or unwilling to return because of persecution, or well-founded fear of persecution, on account of race, religion, nationality, or political beliefs.

Instead of applying this requirement strictly and fairly, immigration officials have met the 15,000-a-month quota by relying on certain Vietnam-era provisions. These allow entry into the United States for Indochinese who have been separated from family members now in the US, who have worked for the US military or for a US company, or who have studied in the US. But not everyone meeting these criteria qualifies as a refugee, the critics argue.

"The nature of the refugee exodus has managed markedly since the end of the Vietnam war," maintains a US Foreign Service officer, who refused to be identified.

First there were those directly involved in the fighting.

Then came the wave of ethnic Chinese in Vietnam threatened as a minority during the 1979 war with China.

Now a larger percentage are young unemployed, draft dodgers, students, and many others who may find life in Vietnam hard, but are not being persecuted.

Opponents of this view differ on the facts and in their interpretation.

"There has been some but very little change in the composition," a social worker says. "We have always had some former military, many youth, and a variety of nonskilled worker types."

Indeed, in periodically interviewing Indochinese refugees since 1976, this correspondent has found some, but relatively little, change in the types of refugees, with the exception of the 1979 Chinese exodus, and the outflowing of Cambodians fearing execution at the hands of the Khmer Rouge before it was ousted by the invading Vietnamese in early 1979. But one now meets fewer people claiming to face retaliation because of past associations with Americans.

Very few from Vietnam ever claimed they actually faced execution or imprisonment. Most said they were leaving because life was hard, because they wanted more freedom, because the state was regulating or confiscating their businesses, because the government was clamping down on Roman Catholicism, because they had relatives in the United States, or because they feared discrimination on grounds they had worked for the U.S.

Supporters of the refugees thus often maintain that from the beginning many never met the strictest definition of refugee. Rather they have always been an immense human problem which must be handled in a constructive way.

One problem is defining "constructive." As of last January there were nearly 170,000 Indochinese refugees housed in Asian camps of the United Nations Office of High Commissioner for Refugees. Some 120,000 languished in Thailand, 12,000 in Malaysia, and 9,000 in Indonesia.

The problem is that if the United States continues to apply its liberal quota, more "refugees" or "assisted immigrants" will be encouraged to take to their boats. Southeast Asian countries will have to take care of the refugees for a time, at least, as they make their way to the U.S.

Yet if the U.S. clamps down on refugee immigration, the burden of long-term responsibility for these people will fall on Southeast Asia.

Also, if anticommunist President Reagan clamped down on showing welcome to anticommunist refugees, he would be open to political charges of hypocrisy.

"The answer to that is a global policy of clampdown," says a U.S. official. "It would

apply equally to Vietnamese, Cubans, and Haitians."

"Enough is enough. Six years later we have a very limited obligation. One is to our former employees and another is in cases of assisting family reunion," this official says.

One proposal is a halfway measure demonstrating continued US responsibility but aimed at deterring a further flow and reassuring Southeast Asian allies.

Under this plan, the US would support huge transit camps holding refugees until other countries accept them. It is hoped the tide of refugees would then be stemmed, since the camps would empty more slowly than at present.

But all such proposals face a major problem: Vietnam's declining economy is a growing inducement for its citizens to leave.

In talking to refugees, as this correspondent recently did, the references to economic hardship are a droning refrain, along with vague references to questions of freedom. It is difficult to generalize, because one encounters only a spot sample and because many refugees are savvy enough not always to tell the truth.

Late last month two vessels bearing 106 Vietnamese refugees arrived in Singapore. Their roster sheets gave ample indication of the nature of the present exodus: The Oakwood, for example, carried 6 fishermen, 8 unemployed people, 9 children, 9 students, 11 workers. The roster list for the Smit Lloyd was similar.

Notable was an absence of intellectuals and businessmen. And the critics say there is a conscious strategy of getting young people out first then having the older people follow as family reunion cases.

Among them was Nguyen Tan Dung, a former air conditioner repairman who calls himself Dung Yung. The soft-spoken head of a family of 11 brought all of them out after making a deal with a fisherman.

"Why did you leave?"

"Life in Vietnam is hard. We don't have enough food and my brother is afraid he will be drafted to fight China."

The lean workman adds mention of economic hardship, rising prices, food shortages, and limitations of the religious freedom of Catholics.

And like almost all he wants to go to the United States. One reason appears to be the letters he gets from a relative already there. "They say life in America is easy, life is good," Dung Yung explains.

For those who want the refugee quotas slashed, the Nguyen Tan Dung family is living proof that refugee is no longer the proper word.

But there are also those like former schoolteacher Tu Thi Tuyet. If her words can be believed, her reasons for leaving are different.

"There is no religious freedom in Vietnam," she said.

She, too, has seen letters from the US. "They said life is hard there. That there is much race discrimination. But if that is the price of freedom, that is what we must take."

[From the New York Times, June 26, 1981]

EXODUS OF VIETNAM "BOAT PEOPLE" CLIMBING BACK TO THE 1979 LEVELS

(By Henry Kamm)

BANGKOK, THAILAND.—The number of refugees leaving Vietnam on small boats rose in April and May to the highest level in two years, and partial statistics obtained from the United Nations High Commissioner for Refugees indicate that the rate of departure remains high this month despite heavy monsoon weather in the South China Sea.

The April and May totals of 11,155 and 14,792 of Vietnamese men, women and children who survived the hazardous crossings to Malaysia, Thailand, the Philippines and Hong Kong were the highest since July 1979, when Vietnam, in the face of worldwide protests, halted the forced mass departures of citizens of Chinese origin.

The refugees who have been reaching Southeast Asian shores since then have for the most part been ethnic Vietnamese.

Last month's figures showed Malaysia receiving 5,320 refugees, Thailand 3,273 and Hong Kong 1,777. By the 15th of this month Hong Kong had already received 2,205, Malaysia 1,868 and Thailand 1,537.

NEW CONCERN IN SOUTHEAST ASIA

The rising rate of escapes has revived concern among the first-asylum nations of Southeast Asia and was a principal subject of discussion when the foreign ministers of the Philippines, Thailand, Indonesia, Malaysia and Indonesia met at their annual conference last week in Manila. They called on the Western countries that have been the ultimate destination of Indochinese refugees to increase the rate of resettlement. The officials expressed their concern to Secretary of State Alexander M. Haig Jr., who attended the conference.

A senior official in Mr. Haig's party said that the United States had assured the first-asylum nations that it intended to maintain its intake even after the present quota of 14,000 Indochinese a month expires on Sept. 30. But the official added that he expected that the quota would be lowered to 12,000 in consultation with Congress.

Despite the steady demand for resettlement in the United States and the total of 166,457 refugees now in Southeast Asian transit camps, as well as 135,562 Cambodians to whom Thailand denies refugee status, the United States is not filling its quota.

The reasons are difficulties of access to the Cambodians in Thai holding centers, the unwillingness of many refugees from Laos to leave this region and the application until recently by regional officials of the Immigration and Naturalization Service of rigid new criteria to deny refugees entry into the United States.

ONE OBSTACLE PUT ASIDE

The latter obstacle has been put aside as a result of State Department appeals to the Justice Department, including a letter from Mr. Haig to Attorney General William French Smith. But refugee officials who favor a liberal admission policy for the Indochinese as a duty imposed by the American military involvement in Indochina fear that such a policy remains contested.

They point to mounting sentiment in some Washington quarters against a more generous policy for Indochinese than for other immigrants from developing countries. An argument increasingly voiced is that more than six years after the Communist victory in Indochina the genuine political refugees have already left and those who now are risking their own lives and those of their families to escape are doing so for economic gain.

A high-level official panel, to be headed by former Assistant Secretary of State Marshall Green, will tour Southeast Asia next month and report its findings on these and related issues to the Reagan Administration. Mr. Green was chosen to replace Philip C. Habib, who is continuing his mediation mission in the Middle East.

AMENDMENTS SUBMITTED FOR PRINTING

ECONOMIC RECOVERY TAX ACT OF 1981

AMENDMENT NO. 511

(Ordered to be printed and to lie on the table.)

Mr. LONG submitted an amendment intended to be proposed by him to the joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 512

(Ordered to be printed and to lie on the table.)

Mr. HEINZ (for himself, Mr. PACKWOOD, and Mr. HART) submitted an amendment intended to be proposed by them to the joint resolution House Joint Resolution 266, supra.

POLLUTION CONTROL BOND FINANCING

● Mr. HEINZ. Mr. President, today I am proposing an amendment to the Economic Recovery Tax Act that might well be called the "Pollution Control Bond Regulatory Reform Act of 1981." Its passage is justified because for years the Internal Revenue Service—through regulations issued pursuant to section 103 of the Internal Revenue Code—has thwarted the intent of Congress by precluding the use of tax-exempt pollution control bonds for their intended purposes. Its passage is essential as part of the Economic Recovery Tax Act because the regulatory excesses perpetrated by the bureaucracy at IRS threaten to jeopardize the economic growth that otherwise would be generated as a result of the Senate Finance Committee tax reduction package.

Mr. President, the case for adoption of my amendment can be summarized as follows:

First, Senate Finance Committee hearings held the day after markup of the tax reduction bill had been completed demonstrated the urgency of the pollution control bond regulatory reforms contained in my amendment.

Second, compliance costs with Federal and State pollution control mandates jeopardize the success of the economic recovery program with respect to many of the Nation's basic industries—unless this amendment is adopted.

Third, Internal Revenue Service regulations have thwarted the intent of Congress as reflected in section 103 of the Internal Revenue Code and passage of various environmental control laws.

Fourth, my amendment would allow section 103 pollution control bonds to be used for their intended purposes—compliance with air and water pollution control and solid and hazardous waste management requirements—while minimizing the loss to the Federal Treasury.

Let me briefly expand on each of these points.

FINANCE HEARINGS HELD AFTER TAX BILL MARKUP DEMONSTRATED URGENCY OF POLLUTION CONTROL BOND REGULATORY REFORMS

For the benefit of my distinguished colleagues who do not serve on the Finance Committee, let me explain that hearings on this proposal were not held until June 26, the day after markup of the tax reduction bill had been completed.

But the expert witnesses who testified that day presented compelling arguments for immediate passage of the legislation on which this amendment is based—S. 169, cosponsored by Senators RANDOLPH, GLENN, LUGAR, GARN, DIXON, and ANDREWS.

To recap the testimony presented to the Finance Committee:

Wayne Nichols, director of the Ohio Environmental Protection Agency, said, that this proposal—

Would do more to help eliminate sulfur dioxide and other forms of air pollution than any other measure. It would enable Ohio to assist its utilities and industries, which are now heavily burdened by the cost of complying with pollution control laws, by increasing the availability of the single most important weapon in the fight against pollution—financing at reasonable rates.

In its testimony, the National Association of Manufacturers cited the report of the National Commission on Air Quality issued in March 1981, which cited as obstacles to improved air quality the very IRS regulations my amendment would reform. The NAM observed that in view of the combination of advanced implementation of pollution control laws and the current IRS restrictions, "It is difficult to see how many small companies will be able to weather increasing environmental regulation."

Observing the strategic importance of minerals, the American Mining Congress cited a House Committee on Interior and Insular Affairs Report, "U.S. Minerals Vulnerability: National Policy Implications," which concluded:

The very nature of mineral operations requires large capital and operating expenditures for pollution control, health and safety equipment, and mined land reclamation. Funding for achieving these worthwhile objectives has placed a heavy burden upon the already strained mining industry. McGraw-Hill studies have found that pollution control expenditures during the last nine years by the entire mining industry averaged 8 percent of their total capital expenditures (and a staggering 19 percent for the nonferrous metal industry) compared to only 6 percent for all industries.

William B. Holberg, vice president, Kidder, Peabody and Co., Inc., said:

Kidder, Peabody strongly endorses S. 169. . . . As the Committee knows from prior testimony, Kidder does not customarily take the role of an advocate but prefers to note factors Congress should consider when considering legislation. Our reversal is due to the fact that Kidder believes that it is inappropriate for the IRS to override the statute through regulations.

On behalf of the Council of Pollution Control Financing Agencies, its president, Ronald Bean, executive director of the Illinois Environmental Facilities Financing Authority, noted:

The Council's member agencies operate at the intersection of environmental goals and economic development goals.

The Council has endorsed this amendment because the proposal "* * * would make it clear that the Congress did not and does not intend to have this inequitable implementation of Section 103 by the Treasury."

The Institute of Chemical Waste Management, National Solid Wastes Management Association, testified:

We hope that you will speed approval of S. 169 to direct the Secretary of the Treasury to extend IDB financing eligibility to hazardous waste management projects and, thus, accelerate the pace of bringing these new projects into existence so that existing facilities receiving hazardous industrial wastes can be measured strictly against the yardstick of the new federal hazarous waste management regulations.

COSTS OF POLLUTION CONTROL COMPLIANCE JEOPARDIZE SUCCESS OF ECONOMIC RECOVERY PROGRAM

Without dwelling further on the testimony the Finance Committee heard on June 26, let me summarize the case for the regulatory reforms contained in my amendment: unless Section 103 regulations are revised, the massive capital expenditures mandated by Federal and State pollution control laws threaten the ability of American industry to make the job-creating investments that would otherwise be encouraged by the Economic Recovery Tax Act.

As socially desirable and necessary as many Federal and State pollution control mandates may be, the investments required for compliance generally are not productive investments in the sense of improving efficiency of operations or increasing output. In 1978, pollution abatement expenditures accounted for the following percentage of all investment in the following basic U.S. industries: Steelmaking—16.6 percent; chemicals—7.1 percent; petroleum—8.3 percent; and utilities—10 percent. As we approach the compliance deadlines for many environmental control acts, these costs can be expected to increase.

In fact, in the case of the steel industry, a report completed by Arthur D. Little, Inc., for the American Iron and Steel Institute, concluded that environmental control expenditures for the next decade may reach $7 billion. Similarly, the chemical industry and related industries face the "double whammy" of complying with the 600-plus pages of hazardous waste control regulations promulgated by the Environmental Protection Agency under the Resource Conservation and Recover Act—and paying a billion-plus dollars in additional taxes into the "Superfund" over the next 5 years. Other industries face similar mounting cost burdens for compliance.

IRS SECTION 103 REGULATIONS THWART CONGRESSIONAL INTENT

In adopting sections 103 and 169 of the Internal Revenue Code, Congress recognized that mandated pollution control investments warrant tax treatment different from that provided most other capital investments. Both of these provisions—section 103, dealing with tax-exempt industrial development bonds used for pollution control and waste disposal, and section 169, dealing with amortization of certified pollution control equipment—reflect a recognition that investment in pollution control and waste disposal facilities is necessary to attain desirable social goals and fulfill the mandates of environmental laws.

If faithfully implemented, these provisions of the tax code would provide industry with powerful economic incentives to reduce pollution in the most cost-effective way technically feasible—rather than to delay compliance, oppose standards, and litigate Federal and State requirements.

But in July 1975, the Treasury Department issued proposed regulations—which have since been employed by the IRS as if final—that do not reflect the intent of Congress as represented by section 103 of the Internal Revenue Code, the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act. The deficiencies and inconsistencies in these regulations have repeatedly been brought to the attention of the IRS by the Environmental Protection Agency, by the industries affected, and by many of us in the Congress. The IRS has not responded to these concerns.

Instead, the IRS has persisted in employing section 103 regulations that thwart the intent of Congress with respect to pollution control bond financing. It has done so in the following ways:

First, the IRS through its "realized pollution" test has limited eligible financing for air and water pollution control expenditures to end-of-the-pipe, "black box" technologies, ignoring the fact that current environmental law recognizes and indeed encourages the use of process changes in abating pollution.

Second, the IRS has ignored the fact that Congress has amended the Solid Waste Disposal Act with the Resource Conservation and Recovery Act to regulate hazardous waste; instead, the IRS has kept the definition of solid waste contained in the original 1965 act.

Third, the IRS has adopted a "gross savings" test by which the amount of eligible tax-exempt financing is reduced by the extent to which pollution control expenditures result in economic benefit—but measuring economic benefit in gross rather than net terms.

AMENDMENT ALLOWS USE OF POLLUTION CONTROL BONDS FOR INTENDED PURPOSES WHILE MINIMIZING LOSS TO FEDERAL TREASURY

So that IRS regulations with respect to section 103 pollution control bonds do not continue to thwart congressional intent, my amendment would make by statute the following changes to section 103.

First, it would state explicitly that process changes that reduce air or water pollution—and that have been adopted as a result of Federal or State pollution control mandates—qualify for pollution control bond financing.

Second, it would make clear that in amending the Solid Waste Disposal Act with the Resource Conservation and Recovery Act, Congress intended that nonnuclear hazardous waste management facilities should also qualify for section 103 financing.

Third, it would provide safeguards insuring that tax-exempt pollution control bond financing is used only for legitimate pollution control expenditures.

Because of concern expressed in the past by Treasury Department officials about the revenue loss associated with the changes proposed to allow process changes and hazardous waste management expenditures to qualify, I want to spend a few minutes emphasizing the safeguards contained in the legislation.

The first safeguard is a list of the types of process changes and facilities that would be expected to qualify for pollution control bond financing under the provisions of this amendment. I ask that this list be printed in the RECORD following my remarks. Although this list is by no means exhaustive—we must avoid locking in potentially obsolete technologies by statute—it is illustrative of the intent of Congress and should provide needed guidance for the IRS.

The second safeguard is a requirement that tax-exempt financing be available only for expenditures that the Environmental Protection Agency or its State equivalent has certified would not have been made but for Federal or State pollution control requirements.

The third safeguard is a formula for reducing the amount of pollution control expenditures eligible for tax-exempt financing by the extent to which a portion of the cost of a certified pollution control facility is recoverable in the form of net economic benefit. This formula is set forth in the statutory language of the amendment.

The fourth and final safeguard is a limitation on the amount of expenditures for process changes that can qualify for section 103 financing in the case of new plant construction or major expansion of existing facilities, defined as a 35-percent increase in capacity or output. Specifically, the amount of tax-exempt financing for certified pollution control expenditures—reduced to the extent that a net economic benefit results—would be further limited to: 30 percent of the first $100 million of capital expenditures for the entire plant or site; 25 percent of the second $100 million; 20 percent of the third $100 million; and 15 percent thereafter; capital expenditures subject to the limitation would include those made 3 years before and 3 years after the date on which the bonds were issued.

Taken together, these four safeguards address concerns raised in the past that allocating the portion of process changes attributable to pollution control is not feasible and that allowing process changes to qualify would allow the entire cost of new plant construction to be financed using section 103 pollution control bonds.

Because of the safeguards contained in my amendment, the Joint Committee on Taxation estimates the revenue loss to the Treasury of this proposal as follows:

Fiscal year:	*Millions*
1981	----
1982	----
1983	$100
1984	100
1985	200
1986	200

However, during the June 26 hearings, a number of witnesses suggested that even this modest estimate may be too high.

For example, Ron Bean, president of the Council of Pollution Control Financing Agencies, testified:

I want to caution the committee about what is not included in estimates of revenue loss. The Congressional Budget Office and the Treasury have consistently refused to recognize that a company which is able to finance a pollution control facility on a tax-exempt basis is therefore relieved of interest expenditures amounting to some 3 percent of the cost of the financing, or $30,000 per $1,000,000 for each year for the life of the financing. This money is, of course, subject to taxation, and at current rates, the Treasury would increase its revenues by 46 percent of that $30,000, or nearly $14,000 per million, each year, for the life of the financing. The remainder of that $30,000 is put to work by the industry, and presumably generates a profit in later years, which is also taxed. If it is distributed to shareholders, it is also taxed. These are all revenues which do not find their way into calculations of tax expenditures to the Treasury from tax-exempt pollution control financing.

Also, we are distressed to see the assumptions of Treasury revenues on the other side of the equation, from taxable bonds. This ignores the fact that most holdings of taxable bonds are by entities which themselves are tax-exempt or which manage to effectively shield taxable bond holdings from taxation.

In addition, several witnesses agreed that the revenue loss estimates should be revised downward to reflect the marginal tax rate reductions contained in the Economic Recovery Tax Act.

To summarize, Mr. President, the overwhelming body of evidence suggests that the regulatory changes made by my amendment are essential for the overall success of the Economic Recovery Tax Act. We need not make an "either-or" choice between economic growth and environmental quality—we can have both.

I thank my distinguished colleagues for their time and strongly urge their support.

Mr. President, I ask unanimous consent that the amendment and list mentioned earlier in my remarks be printed at this point in the RECORD.

There being no objection, the amendment and list was ordered to be printed in the RECORD, as follows:

AMENDMENT NO. 512

SEC. . INDUSTRIAL DEVELOPMENT BONDS ISSUED TO FINANCE POLLUTION CONTROL OR WASTE DISPOSAL FACILITIES.

(a) IN GENERAL.—Section 103 (relating to interest on certain governmental obligations) is amended by redesignating subsection (i) as subsection (k), and by inserting after subsection (h) the following new subsections:

"(i) AIR OR WATER POLLUTION CONTROL FACILITIES.—For purposes of this section—

"(1) IN GENERAL.—The term 'air or water pollution control facility' means land or property of a character subject to depreciation under section 167—

"(A) which is acquired, constructed, reconstructed, or erected to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, storing, or preventing the creation or emission of pollutants, contaminants, wastes, or heat,

"(B) which is certified by the Federal certifying authority (as defined in section 169(d)(2)) or the State certifying authority (as defined in section 169(d)(3)) as meeting or furthering Federal or State requirements for abatement or control of water or atmospheric pollution or contamination, and

"(C) all or a portion of the expenditures for the acquisition, construction, reconstruction, or erection of which would not be made except for the purpose of abating, controlling, or preventing pollution.

"(2) EXEMPT FINANCING TO BE AVAILABLE FOR EXPENDITURES FOR PURPOSES OTHER THAN POLLUTION CONTROL.—

"(A) IN GENERAL.—Subsection (b)(4)(F) of this section shall not apply with respect to any issue of obligations (otherwise qualifying under subsection (b)(4)(F)) if the portion of the proceeds of such issue which is used to provide air or water pollution control facilities exceeds (by more than an insubstantial amount) the amount by which—

"(i) the cost of acquiring, constructing, reconstructing, or erecting the facility, exceeds

"(ii) the net profit which may reasonably be expected to be derived through the recovery of wastes or otherwise in the operation of the facility over its actual useful life.

"(B) NET PROFIT.—For purposes of this paragraph, the term 'net profit' means the present value of benefits (using a discount rate of 12½ percent) to be derived from that portion of such cost properly attributable to the purpose of increasing the output or capacity, or extending the useful life, or reducing the total operating costs of the plant or other property (or any unit thereof) in connection with which such facility is to be operated, reduced by the sum of—

"(i) the total cost incurred to acquire, construct, reconstruct, or erect the property (reduced by its estimated salvage value), and

"(ii) the present value (using a discount rate of 12½ percent) of all expenses reasonably expected to be incurred in the operation and maintenance of the property, including utility and labor costs, Federal, State, and local income taxes, the cost of insurance, and interest expense.

"(C) LIMITATION ON EXPENDITURES UNDER SUBSECTION (b)(4)(f).—

"(i) IN GENERAL.—For purposes of subsection (b)(4)(F), the face amount of obligations issued for facilities preventing the creation or emission of pollutants, contaminants, waste, or heat to be installed at any new manufacturing or processing plant shall not exceed the amounts described in clause (ii) of this subparagraph after application of subparagraphs (A) and (B) of this paragraph.

"(ii) INSTALLATIONS AT NEW PLANTS, ETC.—In the case of such facilities described in subsection (b)(4)(F) to be installed at new plants as defined in clause (iii) of this subparagraph), the aggregate authorized face amount of obligations to be issued therefor shall not exceed the sum of 30 percent of the first $100,000,000 of capital expenditures paid or incurred in connection with such plants, 25 percent of the second $100,000,000 of such capital expenditures, 20 percent of the third $100,000,000 of such capital expenditures and 15 percent of such capital expenditures in excess of $300,000,000 plus the costs and expenses incurred in issuing such obligations.

"(iii) NEW PLANT.—For purposes of this subparagraph the term 'new plant' means any plant or identifiable part thereof, or other location that is or could be a source of pollution, placed in service within the 6-year period beginning 3 years before the date of any issue for the facility and ending 3 years after such date of issuance of the obligations described in clause (i). For purposes of clause (ii), all the capital expenditures during the 6-year period shall be aggregated. A major expansion of the capacity of any plant or identifiable part thereof or a major conversion in the use to which any plant (or identifiable part thereof) is devoted, shall be treated as a new plant. For purposes of this paragraph a major expansion of capacity shall mean an increase in capacity of 35 percent, and a major conversion in use shall mean a change affecting 35

percent of the output of the plant. Any plant or identifiable part thereof not described in the preceding three sentences shall be deemed an existing plant.

"(iv) CAPITAL EXPENDITURES TAKEN INTO ACCOUNT.—The capital expenditures taken into account with respect to any new plant or other source of pollution for purposes of this subparagraph are the expenditures which are properly chargeable to capital account and which are either made within 3 years before the date of the issuance of the issue or can reasonably be expected (at the time of the issuance of the issue) to be made within 3 years after the date of such assistance.

"(j) SOLID WASTE DISPOSAL FACILITIES.—For purposes of this section, the term 'hazardous waste or solid waste disposal facilities' includes land and property of a character subject to depreciation under section 167 which is acquired, constructed, reconstructed, or erected for no significant purpose other than to comply with hazardous or solid waste management requirements imposed by the Solid Waste Disposal Act.".

(b) CONFORMING AMENDMENT.—Subparagraph (E) of section 103(b)(4) is amended by inserting ", hazardous waste," after "sewage".

(c) CLARIFICATION OF REFERENCE.—For purposes of section 103(j) any reference to the Solid Waste Disposal Act means the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 and as it is, or may be, amended from time to time by other Acts. No inference shall be drawn from the preceding sentence with respect to the presence or absence of the words "as amended", by themselves or in combination with a reference to another Act, whenever reference is made in any other provision of law to an Act by its short title.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to obligations issued after the date of enactment of this Act and with respect to taxable years ending after such date.

EXHIBIT 1

Facilities and process changes to be included as report language to accompany legislation proposed by Senator John Heinz dealing with IRS definitions of pollution control facilities eligible for tax-exempt industrial development bond financing pursuant to section 103(b) of the Internal Revenue Code.

Eligible facilities and process changes shall include, but not be limited to, the following:

COAL MINING AND COMBUSTION

Coal washing and preparation to reduce sulphur emissions;

Fluidized bed boilers;

In mining operations, water diversion ditches that prevent natural water run-off from mingling with mining operations, becoming contaminated, and exiting as run-off pollution;

Cooling equipment, pipes, and pumps to recycle cooled flue gas in coal-fired boilers to reduce nitrogen oxide.

METALS

In metal "pickling" processes, equipment to convert sulphuric acid to hydrochloric acid, permitting acid regeneration and avoidance of waste treatment and sludge disposal expenses.

INDUSTRIAL PRINTING

Equipment to convert water-based paints, thereby avoiding air pollution that occurs from dried solvents dispersing through stacks.

PAPER INDUSTRY

Recovery boilers and their associated precipitators, black liquor oxidation systems, and black liquor evaporation systems.

BREWING INDUSTRY

Dust control equipment;

Spent grain liquor evaporators.

SOLID WASTE MANAGEMENT

Landfills;

Landfarms;

Transfer stations;

Incinerators without heat or energy recovery facilities;

Incinerators with heat or energy recovery facilities;

Compaction equipment (shredders, balers, and compaction equipment);

Transportation vehicles used to implement the collection and disposal functions.

HAZARDOUS WASTE MANAGEMENT

Same list as solid waste management but also:

Deep injection wells;

Storage facilities;

Treatment facilities;

Limestone flue gas desulphurization systems using feeders, storage bins, conveyors, dryers, and grinding and briquetting machines to produce gypsum.

PETROLEUM INDUSTRY

Facilities to strip sulphur from gas streams to be combusted at the refinery;

Facilities to transport waste water to regional waste control facilities;

Floating roof storage tanks.

AMENDMENT NO. 513

(Ordered to be printed and to lie on the table.)

Mr. MOYNIHAN submitted an amendment intended to be proposed by him to the joint resolution House Joint Resolution 266, supra.

AMENDMENT NO. 514

(Ordered to be printed and to lie on the table.)

Mr. PERCY submitted an amendment intended to be proposed by him to the joint resolution House Joint Resolution 266.

AUTHORITY FOR COMMITTEES TO MEET

SELECT COMMITTEE ON INTELLIGENCE

Mr. BAKER. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to have met during the session of the Senate on today to hold hearings on S. 1273, the Intelligence Reform Act of 1981.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Select Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Wednesday, July 22, to hold a hearing on State Implementation of Federal Standards: The Clean Air Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations have the authority of the Senate to have met on July 20, 1981, to hold hearings on the Sinai Agreement with Israel and the United States.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to have met during the session of the Senate on Tuesday, July 21, to vote on the following nominations:

Davis R. Robinson to be Legal Advisor, Department of State;

Gilbert A. Robinson to be Deputy Director, International Communication Agency (ICA);

Dean Fischer to be Assistant Secretary of State for Public Affairs;

Joan M. Clark to be Director General of Foreign Service;

Everett Alvarez, Jr. to be Deputy Director, Peace Corps;

Richard T. Kennedy to be U.S. Representative, International Atomic Energy Agency (IAEA) with rank of Ambassador;

Monteagle Stearns to be Ambassador to Greece;

Robert Strausz-Hupe to be Ambassador to Turkey;

David Anderson to be Ambassador to Yugoslavia;

Marshall Brement to be Ambassador to Iceland;

John R. Countryman to be Ambassador to Oman; and

Richard N. Viets to be Ambassador to Jordan.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Wednesday, July 22, to hold confirmation hearings on the nomination of Arthur Hummel to be Ambassador to China.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ENERGY CONSERVATION AND SUPPLY

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Energy Conservation and Supply of the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Wednesday, July 22, to hold hearings on S. 506, a bill to reinstate and validate U.S. oil and gas leases numbered OCS-P-0218 and OCS-P-0226.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Energy and Mineral Resources of the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 23, to hold hearings on S. 1032, S. 1383, and S. 1484, bills to amend the Mineral Leasing Act of 1920 to promote the development of oil shale.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

THE COMMISSION ON MORE EFFECTIVE GOVERNMENT

● Mr. ROTH. Mr. President, earlier this year Senator EAGLETON and I introduced S. 10, to create a Commission on More Effective Government. The Commission represents an important tool for first identifying the appropriate changes in the way that our Government conducts

the public's business, and in providing the followup to help secure their implementation. These changes are needed to improve the performance of Government today and to adequately prepare our Nation to meet the challenges of the coming decade.

In an article that appeared recently in the Washington Star, James J. Kilpatrick discussed the proposed Commission and the contribution that it can make to improving governmental performance. I ask that Mr. Kilpatrick's article be printed in the RECORD.

The article follows:

FORD SHOULD LEAD REVIVAL OF HOOVER COMMISSION

(By James J. Kilpatrick)

More than a quarter of a century has passed since a blue-ribbon commission, headed by former president Herbert Hoover, brought in its recommendations for reorganization of the federal government. It's time to put another such commission on the job.

Republican Sen. Bill Roth of Delaware and Democratic Rep. Richard Bolling of Missouri are working on the idea. They have sponsored companion bills in the Senate and House calling for a bipartisan 18-member commission to undertake a two-year study of our federal government as it operates today.

If history repeats, the study should swiftly recover the anticipated $16 million investment.

The Hoover Commission that was named by President Truman in 1947 brought in its detailed report two years later. The commission found upward of 1,800 departments, bureaus, commissions, agencies, councils and committees employing 2.1 million federal workers. No fewer than 65 agencies were reporting directly to the president.

Like a cooling field of lava, this bureaucratic eruption had stifled innovation, efficiency and federalism all at the same time.

It is one of the elementary truisms of government at every level that the reports of study commissions are to be seen, not read, and certainly not to be acted upon. Such reports emerge from a strong sense of procrastination that characterizes every legislative body. It is almost always better to put off until tomorrow what is too much trouble to do today. Appoint a study commission! And forget it.

HOOVER COMMISSION'S SUCCESS

The Hoover Commission's superlative studies provided an exception to the rule. Prodded by Mr. Truman, Congress undertook a dramatic restructuring of the federal government. Dozens of agencies were eliminated or combined. The State Department was wholly reorganized. Under the Military Unification Act, some impressive savings were achieved. President Eisenhower in 1953 inherited a reasonably taut ship.

But governments are like attics, back closets and rolltop desks. Left untended, they attract a prodigious clutter.

So it is today. Just a month ago Saul Pett, one of the top reporters of the Associated Press, took a perceptive look at what has become of the house of our fathers. Once it was a simple structure, uncrowded, comfortable to live in. But now?

"What we have," said Pett, "is a big, implausible, ramshackle house, distorted by random additions, by corridors that go nowhere and rooms that don't connect, a house loosely expanded through the years for numberless children, most of them unexpected."

Back in 1800, when the nation's population was about 5.3 million, "big government" was not much of a problem.

POPULATION OUTPACED

Since then, while our population has multiplied by 42 times, government employment has grown by 500 times. Today more than 18 million persons are employed in government. They represent one of every six employees in the total labor force, and they cost us $832 billion in salaries alone. The Federal Register of 1949 carried 7,952 pages of rules and regulations. The Register of 1979 carried 77,498 pages.

Roth and Bolling envision for their new commission a broader task than the old Hoover Commission took on. It is high time that we took a long, slow look at the complex picture of government totally. What are the proper limits? What are the separate functions? How can these awesome powers best be exercised—and best be restrained?

Forty years of political reporting have left this observer deeply skeptical about study commissions and study reports.

LEADERSHIP CRUCIAL

Such labors depend for their rare success upon a dedicated membership and an obedient staff. Leadership is everything. The word is going around that former President Gerald Ford might be tapped to take personal charge of the proposed investigation. A more experienced choice could not be found.

Under the best circumstances, the Roth-Bolling commission hardly could assemble a staff and get to work before spring of next year. Given two and a half years to complete and publish its report, the commission would be reporting to Congress in 1985. If Mr. Ford would accept the chairmanship, and agree to give the task his undivided attention, the study could become the crowning achievement of a life in public service. This was true of Mr. Hoover. It could be true of Mr. Ford as well.●

CHRYSLER REPORTS A PROFIT

● Mr. RIEGLE. Mr. President, today I had the privilege to be in attendance at the National Press Club for a speech by Chrysler Corp. Board Chairman Lee A. Iacocca. In that speech, he announced that Chrysler was reporting a second quarter pretax profit of $21 million.

This is, indeed, an incredible accomplishment by Chrysler. Two years ago Chrysler refused to accept defeat; refused bankruptcy. A combination of Chrysler management and employees, the UAW, Chrysler dealers, suppliers, financial institutions and Federal, State, and local governments pulled together to keep Chrysler from a bankruptcy that would have been disastrous to our national economy and to the State of Michigan. Against seemingly insurmountable odds. Chrysler has made a comeback.

All those associated with Chrysler can stand up today and be proud—this is their day. They have shown that Americans by pulling together can reach goals that the naysayers believe are not possible.

I request that Mr. Iacocca's remarks be printed in the RECORD.

The remarks follow:

REMARKS BY LEE A. IACOCCA

It's nice to be back at the National Press Club. The last time I talked to this distinguished audience was March 7, 1974. It was two presidents ago. I remember at the time I was wearing a WIN button (Whip Inflation Now) that Jerry Ford had given me.

I went back to see what pearls of wisdom I had laid on you way back then, and quickly discovered my speech was not that memorable.

If only for nostalgic reasons, here were a couple of my opening quotes:

"1974 could still turn out to be a good year for the automotive industry." (In retrospect, it was an absolute disaster.)

"We have gutty problems which are well known—industry car sales are off 25 percent and layoffs have topped the 82,000 mark." (Compared to today, those numbers look like boom times.)

"I would like to join those who are calling for a return to a free market economy, and we should begin by removing all controls on the price and allocation of petroleum products and by burning those standby rationing coupons."

"I am convinced that if controls are lifted, the biggest part of our present problems will go away." (I've never been more convinced of anything in my life.)

"The most meaningful step Congress could take to reduce fuel consumption would be to freeze emissions standards for three years at the 1975 level.

"What we need most of all is a quick revision of the standards for oxides of nitrogen, or NO_x."

That was the message of 1974.

It sounds like an echo in here. We still have many of the same problems.

But so much for nostalgia.

We are again in the middle of a period of American discontent. The American economy is dead in its tracks. If not the whole economy, surely the car and housing business. American spirits are low. Maybe people are feeling pretty good in Houston, but not in the cities of Detroit or Pittsburgh. There is an attitude of defeatism in the air. We see strong evidence of a kind of death wish among the editorial writers of the nation's press.

The intellectual thought leaders of America are wringing their hands over what they perceive to be the total inability of American industry to compete against the genius of foreign manufacturing. They suggest that we all become a giant national service industry, prepared to sell, clean, repair, and enjoy the basic products built at cheaper labor rates in other countries.

There is no question that America has a problem with its basic industries. In the 1970's, we had the lowest growth rate in productivity of any of the world's five largest industrial powers. It's hard to believe, but our growth rate was even lower than Great Britain's.

In 1979, our level of productivity was actually lower than it was in 1978; and in 1980, it was lower yet.

The data from those two years were obviously affected by the deep recession we've just gone through. It's tough to be productive when your plants are working at 60 percent of capacity. As we turn the economy around, and the plants fill up again, productivity will increase again.

But the long-term trend is absolutely clear. The facts can't be fudged or interpreted away. Something is out of whack in this country. Our problem is real, it is serious, and it must be reversed if we are to maintain our position as a world power.

Look at what's happening to some of our most basic industries.

Steel. Since 1960, the importation of of steel into this country has gone from 3 million tons to more than 14 million tons—56 percent of it Japanese.

Machine tools. In 1960, the U.S. machine tool industry was number one in the world. Today it ranks 5th in the world—behind Japan, France, Italy, and Great Britain.

Automobiles. In 1960, 8 percent of all cars sold in America were imports—almost none of them Japanese. The Japanese actually sold 942 new cars here in 1960! Today the import share of the American car market is hovering right around 30 percent. And Japan accounts for more than 80 percent of the total import share. They've gone from selling less than 1,000 cars a

year to roughly 2 million cars a year in this country.

There are lots of other examples—TV sets, sewing machines, cameras, microwave ovens, computers, integrated circuits, motorcycles, buses, construction equipment, you name it.

Unfortunately, some people in this country see the import challenge as a fatal challenge to American industry.

They're convinced that the sun is finally setting on America's basic industries—that we're doomed to becoming a second rate industrial power. As a people, we have begun to feed on the notion that we Americans can't do anything right anymore. It's negative. It's self-defeating. And it's very dangerous.

Nowhere is this conventional wisdom more pronounced than in discussions about the automobile industry. Because our products are so visible, people have come to associate the U.S. automobile industry—more than any other industry—with the decline of America's industrial power.

Everybody knows that Detroit has just suffered through the two most devastating years in its history. The combined pre-tax losses of General Motors, Ford, and Chrysler on their North American car and truck operations in 1980 alone were just under $8 billion. More than 200,000 workers are on layoff. Over 2,000 independent automobile dealers have gone out of business. And everybody knows that the Japanese are having a field day in our domestic automobile market. But they don't know why.

There's an immediate assumption that the foreign car makers are smarter than we are, that they know how to anticipate markets better than we do, that their cars are never recalled, always perfect—and if we had any sense at all we would just wise up and imitate everything they do.

There's no denying that we can learn a few things from the Japanese, just as they have learned from us. But to suggest that we become clones of the Japanese is not the answer. It's a different culture, with different personal values, and different life styles. Not better. Just different.

What the Japanese do have that is better is a combined government, business, and labor policy that sets long range goals and provides the means to achieve them.

We don't have such a national policy in this country—not yet. But if we ever hope to give American ingenuity the chance it needs to restore the strength of this country's basic industries, we had better develop such a national policy—and I mean fast.

In the second place, to suggest that the Japanese have suddenly become the visible symbols of perfection, and that Detroit suddenly can't do anything right, is to overlook the facts. The fact is that just two years ago, the imports were taking only 17 percent of our market. We were holding our own very nicely, and the little Japanese cars were piling up on the docks of California and New York in record numbers. The reasons are simple. The United States government was pursuing a policy of cheap energy. Gasoline was price controlled at 65 cents a gallon. There was plenty of it. And American-built cars were in great demand.

Then the crisis hit. The revolution in Iran caused panic at the gas station. Lines formed. Tempers flared. Riots broke out. And the U.S. government decontrolled the price of gasoline. Virtually overnight gasoline jumped to $1.25 a gallon, 40-mile-a-gallon cars became all the rage, and the glut of imported cars sitting on the docks went on the black market at a thousand dollars over list.

Now it would be one thing to acknowledge that with gas prices in Japan hovering at $3.00 a gallon for years, the Japanese were poised and ready with small cars. But it's also a fact that a Japanese car that sells for $8,000 in Japan sells for $600 less in this country solely on the basis of a Japanese tax policy that provides them an export incentive. And we allow it to happen in the name of free trade.

It is also true that their workers were prepared to work nights and weekends to take advantage of this windfall, courtesy of the U.S. Department of Energy.

But the American public and the editorial writers don't understand that. Suddenly, as if my magic, it has become a national truism that Japanese cars are in demand because they are little jewels of perfection. No recalls, no defects, no drivetrain problems. They are perfect! The Japanese worker walks on water. He sings the company song always on key. And according to this myth, Detroit builds nothing but junk, assembled with disregard for the corporate good by American workers who never come to work on Mondays or Fridays.

Baloney!

The Japanese obviously have a temporary break in the market, supported by a system that works very well for them. But before we throw our system away, and engage in a national guilt trip over our inability to compete, let me say a few kind words on behalf of the forgotten virtue of good old Yankee ingenuity.

Maybe we've lost sight of this country's tremendous ability to compete. Maybe we've forgotten who we are. Maybe we're suffering from a kind of national amnesia about our industrial and technological past.

Well, before we give up coffee and start drinking green tea, let me jog your memory a bit. Let me list a few facts that Americans may have forgotten about their great industrial heritage.

America has forgotten that all the major advances in modern manufacturing technology were made by Americans. We developed most of the state-of-the-art manufacturing systems that are in use today all over the world. That's especially true of automatic tools and assembly systems. Next time you see a picture of a robot welder on a Japanese assembly line welding a car frame under a shower of beautiful red sparks, remember that's an American invention. And keep in mind that our assembly lines look just as impressive—right down to the shower of red sparks. Of course, the red sparks don't come cheap—about $100 million a shot to automate an assembly line.

America has forgotten how great its own products are—products built in America, by and for Americans. To this day, nobody has ever convinced me that the Japanese build better cars than we do. As far as I'm concerned, there's only one area where the Japanese beat us, and that's fits and finishes—items like the paint job and the way the trim lines up. But we're catching up fast.

In terms of overall quality and value, American cars can't be beat by anyone, anywhere. Two independent studies—one out of the University of Michigan, and one from a Congressional Subcommittee on Trade—say that American cars are just as good or better than foreign cars in the following areas:

American cars are more durable. They have more structural integrity. They're cheaper to repair, maintain, and operate, with overnight parts availability. They have better corrosion resistance. They have more room and greater comfort, and they're safer.

And here is one final analysis based on the number of recalls of foreign cars. Since the National Highway and Traffic Safety Administration was established in 1966, the foreign car makers have had to recall a higher percentage of their cars than GM, Ford, or Chrsyler. It's a fact. Check it out.

We can meet the foreign challenge head on. We can meet it our own way—the American way. If you want proof of that, you don't have to look any further than Chrysler Corporation. The company that was once on the leading edge of the worst depression the American automobile industry has seen in fifty years is now on the leading edge of the industry's recovery.

To illustrate our recovery in concrete terms, I am happy to tell you today that in the second quarter of this year, just completed, Chrysler earned a net profit of $12 million. We are releasing those results nationwide as we meet here today.

Now if we had returned to profitability in a booming car market it would have been a remarkable achievement. But to do it against all the odds, in spite of double-digit inflation and a 20 percent prime rate, and in the most depressed market in 50 years, is maybe a little miracle.

Now we've already had a few pot-shots taken at us. We've been accused of adjusting the books just a little. Let me say this is a genuine operating profit.

Somebody has said we built more cars than we could sell. Let me point out that at the beginning of the second quarter, Chrysler had 14.5 percent of the industry's field stocks, and at the end of the quarter we had reduced that to 13.4 percent.

So don't let anybody tell you our second quarter was a fluke. It was real. Chrysler has fought its way back to profitability, and everyone associated with this company has reason to be proud.

It didn't happen overnight—it's been almost two years since we first applied for federal loan guarantees.

It didn't happen without a struggle. It took a lot of hard work, patience, and sacrifice on the part of everybody with a stake in Chrysler's future.

It didn't happen without a steady stream of intellectual carpetbaggers coming to Detroit to tell us we should have "died with dignity."

But it happened.

We've got our act together, and we're on our way back. Let me tell you how we did it.

We did it by installing state-of-the-art manufacturing technology in all of our plants. We now have a string of the most modern, automated front-wheel-drive assembly plants in the world and we're in the process of adding more.

Chrysler is the industry's front-wheel-drive leader. For 1982, 87 percent of our total product line-up will be in front-wheel drive—more than Ford, and more than GM.

We did it by establishing a management system to upgrade product quality and increase productivity. We've got a series of committees—from joint management teams in our plants to our top policy committee—working on ways to improve quality and productivity.

We did it by forming a new, progressive relationship with our labor unions—a relationship that is unique in American industry. We worked out a new wage contract with our unions. We put Doug Fraser on our Board of Directors. We developed a profit-sharing plan, and an Employee Stock Ownership Program.

We did it by hammering out a new, creative financing agreement with our banks and lenders. Under the terms of the financing arrangement—and along with all the other concessions we received from our unions, salaried employees, and suppliers—we have reduced our annual expenses by $2 billion a year and cut our breakeven point almost in half.

We did it by putting together what, in my opinion, is the best management team in the industry.

Finally, we did it by introducing the best product line-up in our history at the right price. That's what clinched it for us. In 1981 our prices went up the least, and our fuel economy went up the most. That's an un-

beatable combination. As a result, our sales are up 25 percent in the worst market in my memory. For 1982 we'll have a complete new intermediate line of fuel-efficient, front-wheel drive cars—two-doors, four-doors, station wagons, and even convertibles. And over the next five years we'll introduce at least two new models each year. All front-wheel drive. And all very fuel-efficient.

I'm not trying to make it sound like we're out of the woods. Chrysler is not, and the U.S. automobile industry is not. But with the help of a lot of our fellow Americans, we've blazed our own trail this far, and we're not about to hire a Japanese trail guide for the rest of the trip. Chrysler Corporation is an American company that's solving its problems the American way.

This country can learn a lot from Chrysler's experience. Chrysler Corporation has survived the most hellish test of fire in American business history. But it's bordering on insanity to think that every American company that finds itself in trouble should have to go through what Chrysler went through in order to survive.

There is a lesson to be drawn from the so-called "Chrysler crisis." American industry can carry only so much in the way of a regulatory burden before it begins to sink under the weight. The fact is, we're looking back on a decade of almost total fixation on social and environmental goals—a fixation that all too often overlooked our critical need for the capital that's required to remain competitive in world markets. I'm not here to knock environmental goals. Many of them were very important goals and still are. But as one former White House advisor put it, "We have underinvested in the economic machine that previous generations labored to put together."

As a result of our overreaction to the "friends of the earth," by the end of the 1970's, one-tenth of all corporate investment was going directly to meet government requirements. And capital investment in productivity improvements dropped to about 10 percent of the GNP, compared to 15 percen in Germany and 20 percent in Japan.

We have to reverse that trend. America's future productivity lies in rebuilding this country's great industrial base.

The current buzz word for it is "reindustrialization."

Basically, all reindustrialization means is that we have to stop diverting money to taxation and regulation, and put it back where it can create jobs for American workers: in capital investments in modern plants and equipment.

I have told everyone who will listen what I think is required to solve the problems. And I'm going to tell you today.

First, we need to get rid of the wasteful and unnecessary regulations that are crippling America's basic industries. Keep the good ones, and throw out the bad ones. Get rid of the air bag. Belts are better. Get rid of the 5-mile an hour bumper. It has nothing to do with safety. Put some sense back into the tailpipe standards. The cars are already 95 percent clean. A return to reason on all regulations would save Chrysler alone more than $500 million in expenditures by 1985.

Second, we need a monetary policy that assures a steady supply of money at a rate the country can afford. You can't have a supply side economic policy and a demand side monetary policy at the same time. It just won't work. We need a stable monetary policy (instead of jerking interest rates from 10 to 20 percent like a yo-yo) both to encourage business investment and to give our customers the confidence and the means to buy our products.

Third, we need to give business the tax incentives it needs to make capital investments. If we really are serious about reindustrialization, we have to help American companies get on their feet. We need to provide incentives which will benefit the marginal companies, the smaller companies, the companies that are just starting out—all the companies that are traditionally hit hardest by negative events in the economy.

Fourth, we need to establish some mechanism to help companies—such as Chrysler—before their problems reach the crisis point. We at Chrysler didn't want to apply for government loan guarantees. But we had no choice. There was no other course open to us—unless you count bankruptcy. Some choice!

What Chrysler needed then, and what U.S. industry needs today, is some kind of systematic organization to provide temporary assistance to companies that have a short-term capital problem without having to go through hysterical headlines on the nightly news. Not every company should receive help. Assistance would be reserved for those companies that could show they had a good chance of recovering fully and becoming viable again; companies like Chrysler. It is a serious need, and I believe it should be addressed quickly.

And fifth, as tough as it is to say, we need a careful reexamination of our labor practices and policies in this country. Let's face it. Our labor costs are out of line with the rest of the world. And it's our own fault. In years past, we kept giving away a larger piece of an expanding pie. But now the pie is shrinking, and we have to change our ways.

The Japanese don't have automatic cost of living increases tied to the Consumer Price Index. But we do. They don't have company-paid medical benefits that cost the consumer $300 a car. But we do. The Japanese don't pay their workers to stay home. But we do. That's a good way to get unproductive in a hurry.

And without denying anybody the basic protection of decent wages and health benefits, we have to face the fact that the Japanese are mopping the floor with us on compensation packages.

Sixth, we need a new management attitude in this country. We need the flexibility to put a labor leader on the board, the foresight to develop new techniques of cooperation in the work place, and the wisdom to avoid the temptation of preaching doctrinaire free enterprise, when we know Adam Smith went out of style decades ago.

Our worldwide competition learned that lesson a long time ago. They know how to work together to meet a national goal. It's time we learned to do that here.

During the last two years I've listened to a thousand stern lectures on the virtues of free enterprise from some of my conservative business friends and from the nation's editorial writers. They were angry because we didn't have the good grace to walk away and let Chrysler die. There was just one problem with that line of thinking: a half million American jobs were at stake. And the so-called "little people" who held those jobs helped us wage the fight for survival.

Because we didn't quit, those half million people are still working.

Because we didn't quit, we have paid out $4.3 billion in wages and fringe benefits since the Loan Guarantee Act was passed.

Because we didn't quit, our employees have paid over $890 million in federal, state, and social security taxes during that same period.

Chrysler Corporation has paid direct corporate taxes to local, state, and federal governments of $316 million since the Guarantee was passed.

We have bought goods and services worth $7.3 billion from over 17,000 U.S. suppliers.

And we have made capital investments in new plants and modern equipment worth $650 million since the Bill was passed.

With that economic contribution in mind, you tell me whether or not this nation has been better served because of what we did here in Washington in the winter of 1979.

The progress Chrysler Corporation has made over the past two years is living proof of how much Americans can accomplish if they work together.

Two years ago, nobody outside of Chrysler believed that cooperative effort would ever work. But it did. We're going to continue our rebuilding efforts. We're going to continue to develop new and better manufacturing systems. We're going to continue to invest in new technology. We're going to become more productive and efficient every year. And we're going to bring out new and better products every year.

We haven't lost faith in America, in American workers, or in America's ability to compete with anybody in the world.

We don't believe we have to become a service industry for the foreign workers of the world. We want to help lead the nation back to a sense of pride in our own ability.

More is at stake than the survival of Chrysler Corporation and the other basic industries of this nation. Through our collective actions, we can shape and direct the course of America's industrial progress.

No one could ask for a greater opportunity.●

CONSERVATIVES SHOULD BE ENCOURAGED BY O'CONNOR NOMINATION

● Mr. GOLDWATER. Mr. President, I have stated repeatedly that certain single issue factions have unfairly and wrongly criticized Judge Sandra O'Connor's nomination.

Thoughtful media columnist and writers around the country have begun making their own investigations of Mrs. O'Connor's record and invariably, they reach the same conclusion I do—Judge O'Connor is a bright, efficient jurist with strong conservative convictions on the broad economic and social issues that are of enduring interest to the Nation.

One recent item that particularly stands out was written for the Seattle Journal-American by Don Feder, who himself is an attorney as well as a free lance columnist.

I recommend Mr. Feder's calm and reasoned article to my colleagues and ask that it may appear in the RECORD.

The article follows:

[From the Seattle Journal-American, July 14, 1981]

THE LINE IN SUPPORT OF O'CONNOR SHOULD FORM ON THE RIGHT

(By Don Feder)

While I expected Reagan's first Supreme Court appointment to be controversial, I hardly thought conservatives would lead the opposition. Yet from the moment Sandra Day O'Connor stepped into the limelight, the guns of the New Right have been trained on her.

A coalition of 21 conservative groups has called on the president to withdraw his nomination and, barring that, has promised to fight confirmation in the Senate. The coalition includes anti-abortion groups, the Moral Majority, the Conservative Caucus and the Committee for the Survival of a Free Congress.

Opposition to O'Connor seems to be focused on two issues. As a member of the Arizona Legislature, she cast several pro-

abortion votes. She was also a sponsor of the Equal Rights Amendment in her home state. On these two issues alone, the New Right has determined that O'Connor is utterly without redeeming judicial value.

That right-to-life groups are opposing O'Connor's nomination is understandable. After all, their raison d'etre is to slug it out in the political arena on this single issue. Everything else is irrelevant to them.

That's fair enough. If O'Connor was a right-to-lifer who opposed the ERA, the feminist banshees would be wailing their heads off. What puzzles me, though, is why certain broad-based conservative groups have zeroed in on her position on these two issues, to the exclusion of what appears to be, in general, an excellent conservative record—not to mention the right judicial temperament.

Jerry Falwell doesn't like O'Connor's position on abortion. Well, neither do I. But ultimately this issue will be settled by the people and their elected representatives, not the Supreme Court. O'Connor, in keeping with her philosophy of judicial restraint, has stated that the legality of abortion is best determined by the legislative branch.

O'Connor's position on the ERA leaves room for doubt. Her early support for the amendment seems to have cooled. Even assuming she's gung ho for the Equal Rights Amendment, is that a valid reason to oppose her? Though I've given it the Bronx cheer on more than one occasion, many reasonable people support the ERA. In my hierarchy of burning political questions, the ERA ranks somewhere between fluoridation and vivisection.

If conservatives are less than enthusiastic about her position on the aforementioned, they should find much to cheer on other issues. While in the Arizona Legislature, O'Connor voted for a resolution opposing forced busing to achieve racial integration. She voted in favor of a bill to restore the death penalty in Arizona. On the gun issue, she voted for a resolution memorializing Congress not to enact further gun control. She also supported legislation making it easier for residents of Arizona to obtain a license to carry a handgun.

Hardly sounds like a member of the radical chic, does she? Barry Goldwater, who's known the lady for over 20 years, is her most ardent supporter in the Senate.

Of far more importance than O'Connor's position on social issues is her economic philosophy. According to Goldwater's office, her court decisions show a strong regard for property rights. As majority leader of the state Senate, she spearheaded the drive for a tax and spending limitation amendment. Lewis K. Uhler, president of the National Tax Limitation Committee, speaks of her "commitment to the theory that government is getting out of hand." In a 1977 speech, O'Connor made her position quite clear, stating, it is wrong to believe that government should provide solutions for every demand. Such demands place strains on our economy and tax burdens on our citizens."

Conservatives should pay particular attention to O'Connor's judicial philosophy. Will she seek to expand the rights of criminals, or protect the rest of us from their depredations? Will she interpret the Constitution as it was written, or use it as a launching pad for flights of fancy?

I am pleased to report that O'Connor is a strict constructionist, with a genuine concern for balancing the procedural rights of the accused with the rights of victims. In her appellate opinions, she generally turned down defendants' claims that their rights had been violated. She has spoken critically of judges who acquit vicious criminals on narrow technical grounds. She's expressed frustration because, "the desire to expand citizens' civil rights has made it difficult to convict people of crimes they obviously have committed." These aren't the bleatings of a hemophilic liberal, prone to coddling criminals.

The American people should take a long hard look at Sandra O'Connor's record. If her appointment is confirmed, she could easily serve on the Supreme Court for the next two decades.

My investigation has given me much cause for encouragement. I think she'll make an excellent justice, one constitutionalists can be proud of.●

THE CARNIVALE BAG COMPANY: AN EDA SUCCESS STORY

● Mr. D'AMATO. Mr. President, in 1978 Carnivale Bag Co., located in the Bedford-Stuyvesant area of New York City at 543 Park Avenue, was on the verge of leaving Brooklyn for New Jersey, or even farther out. Competition from Japanese and other foreign companies threatened the survival of the company. Adverse conditions in Brooklyn only made matters worse. Yet, thanks to assistance from the Economic Development Administration, on May 16, 1980, a group of Japanese luggage industry officials visited the Carnivale Bag Co. to observe a successful American leather goods firm at work. How did this come about?

Three years ago Carnivale Bag Co. was fighting a losing battle with overseas competition from Korea and Taiwan. The company produced handbags, but those items could be produced much cheaper overseas. The company then applied to the Economic Development Administration for a $1 million loan which was granted. With this loan, Carnivale Bag Co., a 34-year-old, family-owned business, moved to its present location from Manhattan, modernized its equipment and shifted from its retail-oriented product, handbags, to manufacturing goods like calculator cases, cosmetic kits and the like for top business corporations.

The loan, which the company is repaying at 13.5 percent interest has enabled Carnivale Bag to pay more than $600,000 in payroll taxes to the Federal Government and has saved taxpayers $2.5 million in welfare payments to employees formerly out of work. "Most of our employees were former welfare recipients and all came from the immediate area, such as Williamsburg, Bushwick and Bedford-Stuyvesant," says Howard Greenstein, the company's vice president. The number of employees at the 60,000-square-foot plant grew from 100 in 1978 to 375 presently with a $2.5 million payroll.

According to Greenstein, Price Waterhouse, the third largest accounting firm in the Nation, was so impressed with the company's 5-percent-a-year growth rate that it recommended to EDA that it make a second $950,000 working capital loan to Carnivale Bag Co. in order to allow it to expand its production facilities. Price Waterhouse predicted that Carnivale Bag Co. would, with a second loan, be able to increase the number of employees to 700 by 1982.

Thus, what the Japanese luggage officials did not know when they visited the Carnivale Bag Co. was that they were observing, not only a successful American leather goods firm at work, but one that pulled itself up by its own bootstraps, with a little help from the Economic Development Administration.●

GIRL SCOUT COMMEMORATIVE STAMP

● Mr. MURKOWSKI. Mr. President, I am pleased to be added as a cosponsor of S. 1448, a bill to provide for the issuance of a postage stamp to commemorate the 70th anniversary of the founding of the Girl Scouts in the United States of America. I feel it is appropriate to recognize the contribution the Girl Scouts have made to local communities throughout our Nation.

In my own State of Alaska, nearly 7,000 girls organized in three different Girl Scout councils are involved in a variety of productive activities all over the State. I speak from experience when I praise the work of the Girl Scouts—my wife and two of my daughters have all been involved with Scouting.

Girl Scouting in Alaska, like Scouting across the Nation, is a strong, active movement which prepares girls for conscientious citizenship. Millions of Americans have reaped the benefits that Scouting provides—currently, there are over 3 million participants in Girl Scouting.

As such, it is the largest voluntary organization for girls in the world. I believe that the issuance of a commemorative stamp is appropriate and fitting recognition of the opportunities for community service which Scouting provides, and I am proud to lend my full support to this measure.●

PHILIP GEYELIN ON THE CONDUCT OF FOREIGN POLICY

● Mr. PELL. Mr. President, I would like to call to my colleagues' attention an excellent article by Philip Geyelin which appeared recently in the Boston Globe. Mr. Geyelin points out some of the problems in the Reagan administration's handling of foreign affairs and the deleterious effects these problems are having on our foreign policy.

In particular, Mr. Geyelin notes that the Reagan administration's handling of foreign affairs has been marked by a sense of lack of discipline and extreme defensiveness, of incoherence and smallmindedness, all around. This has been evidenced, according to Mr. Geyelin, in the criticism by White House aides of Secretary of State Alexander Haig. It was also demonstrated in the administration's complaints that former Secretary of State Cyrus Vance, in a recent appearance on "Meet the Press," provided grist for Soviet propaganda mills when he questioned the administration's sincerity on arms control and the way it handled the new arms-sales-to-China policy.

Mr. Geyelin points out that all the leaks and charges and countercharges are counterproductive to an effective American foreign policy. He adds that representatives of other nations are confused; they cannot tell who has the last word. I had hoped that one of the benefits of a change in administrations would be

more coherence and harmony in the conduct and articulation of foreign policy. So far, however, that does not appear to be the case.

Mr. President, I ask that Mr. Geyelin's article be printed in the RECORD.

The article follows:

MUDSLINGING IN HIGH PLACES

WASHINGTON.—Remember Cyrus Vance, the former Secretary of State, Deputy Secretary of Defense, Secretary of the Army; the peace negotiator and trouble-shooter in Vietnam, Cyprus, Korea, the Detroit race riots; and now the quintessential Wall Street lawyer?

Turns out he's a dupe of the Communists. It was in the papers, straight from the Reagan high command. Not for attribution, of course; that's not how mud is slung in this town. But in leaks, with an altogether authentic ring, it was said that even the President was shocked by the way Vance provided grist for Soviet propaganda mills by questioning (in a recent interview on "Meet the Press") the Administration's sincerity on arms controls, as well as the way it handled the new arms-sales-to-China policy.

That this is hogwash hardly needs saying. Vance reported his impressions, based on what the Soviets told him on a recent trip to Moscow, of their doubts that the United States is serious about arms control. He did express his own doubts about whether the Administration has "a policy yet with respect to arms control." But he did not do so nearly as categorically as did Eugene V. Rostow, the President's very own nominee to run the arms control agency, at his Senate confirmation hearings.

So much for Vance giving aid and comfort to the Soviets. That the Russians talk in propagandistic, self-serving, deceptive ways to visiting Americans, official as well as unofficial, is no reason not to report it. That Haig's clumsy handling of the China arms matter surprised even members of the Administration is no secret.

The point is not the mud (Cyrus Vance's faithful public service speaks for itself), but the mudslinging. It says quite a lot about the continuing incapacity of this Administration, six months into its first term, to deal with the natural vissicitudes—the occupational hazards—of managing almost every aspect of foreign policy.

The Vance case is a minor bit of meanmindedness. But it is a piece of the far more consequential and equally furtive White House number now being done on Secretary of State Alexander Haig.

There's no way to prove it beyond a doubt (no one steps forward to take credit in these matters), but by a process of simple elimination you have to figure that both are the work of the White House inner ring. That includes the old-time political intimates (White House aides Ed Meese, Jim Baker and Mike Deaver) with an assist from Richard Allen, the President's adviser for national security.

And both incidents reflect the same severe shortage, in the handling of foreign policy, of precisely the qualities that have distinguished the Administration's handling of domestic (chiefly economic) affairs: the Mr. Nice Guy approach, coupled with sureness of purpose, competence, tough-mindedness, and a reasonably decent respect for dissent.

Whether we are talking about the overwrought reaction to the criticisms of Cyrus Vance or the White House vendetta with Al Haig, the common denominators are of quite the opposite sort. There is a sense of lack of discipline and extreme defensiveness, of incoherence and small-mindedness, all around.

It is true that Haig has brought a lot of his troubles on himself by his reach for authority, his insistence on leaving his mark on everything, his sometimes rattled, sometimes overly contentious, attitude. All this has invited the leaks and whispers of a "Haig problem". He is not a team player; he has "alienated" the President; is it "medical"?

Whether Haig has overreached or the White House powers-that-be are being overprotective—of the President or themselves—is less important than the effect this is having in a town where rumor mills are almost the only light industry.

At best, the effect is embarrassment for the President and his Secretary of State. At worst, it is beginning to be destructive—of Haig's effectiveness and of respect for not only the President but for the performance of the US government.

When the rumor-peddlers are making book on how soon Haig may be replaced (and by whom), foreign diplomats and dignitaries are, well, confused. One veteran ambassador from a close ally already is brooding out loud about the problem of knowing where the power lies: "Who should I be talking to? Who has the last word?"

In short, there is something uncommonly rancid about the atmosphere. The high incidence of mudslinging is but one measure. White House "officials," it is said, are aware of it, and of its potential for harm to American diplomacy. But they are not sure what to do about it.

Inasmuch as they are part of the problem, that's understandable. The solution, when it comes, will have to come from the President.●

ORDERS FOR THURSDAY

ORDER FOR RECESS UNTIL 9:30 A.M.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order of the Senate to convene at 10 a.m. on Thursday be vitiated and that when the Senate recesses this evening, it stand in recess until 9:30 a.m., Thursday, July 23, 1981.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR THURMOND SENATOR CRANSTON

Mr. HEINZ. Mr. President, I ask unanimous consent that following the recognition of the two leaders under the standing order on Thursday, Senators THURMOND and CRANSTON be recognized for not to exceed 15 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR CONSIDERATION OF TAX MEASURE

Mr. HEINZ. Mr. President, I ask unanimous consent that on Thursday, July 23, no later than 10 a.m., the Senate resume consideration of the tax measure, House Joint Resolution 266.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECESS UNTIL 9:30 A.M. TOMORROW

Mr. HEINZ. Mr. President, I move in accordance with the order just entered that the Senate stand in recess until 9:30 a.m., Thursday, July 23.

There being no objection, the Senate, at 8:04 p.m., recessed until tomorrow, Thursday, July 23, 1981, at 9:30 a.m.

EXTENSIONS OF REMARKS

SECTION 22 TESTIMONY

HON. CHARLES ROSE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. ROSE. Mr. Speaker, on June 24, 1981, the International Trade Commission held hearings in its section 22 investigation on the importation of foreign scrap tobacco and its effect on the U.S. tobacco price support program.

Among those persons testifying at this hearing was North Carolina Governor Jim Hunt. I would like to share with you his comments.

TESTIMONY BY GOVERNOR JIM HUNT—INTERNATIONAL TRADE COMMISSION HEARING ON SCRAP TOBACCO

Mr. Chairman and Members of the Commission: Thank you for allowing me to appear before you today. As Governor of the nation's largest tobacco producing and manufacturing state, I am deeply interested in matters affecting the future of the tobacco industry.

I am here today, at the request of the North Carolina Farm Bureau, to emphasize to you the importance of the tobacco industry—and the tobacco quota and support program—to the people of my state.

In 1979, tobacco provided jobs for 148,000 North Carolinians. That includes 44,000 farmers who depend on tobacco for a livelihood. It includes many small farmers.

In two recent years (1978 and 1980), the gross income from tobacco on North Carolina farms exceeded $1 billion a year.

In 1978, the latest year for which comprehensive figures are available, North Carolina farmers received gross income of $1.1 billion from tobacco. That was more than Kansas farmers received for wheat—and Kansas is the number one wheat state.

It was more than Arkansas farmers received for broilers—and Arkansas leads the nation in broiler production.

It was more than Texas farmers received for cotton—even though Texas is number one among the states in cotton production.

North Carolina's tobacco farm income was greater than California farm income for eggs—and California is number one in the nation in egg production.

I grew up on a tobacco and dairy farm near Wilson, which has the largest tobacco market in the world. My thesis for a master's degree in agricultural economics from North Carolina State University was the basis for the acreage-poundage controls for flue-cured tobacco.

Since becoming Governor nearly 4½ years ago, I have actively championed the cause of tobacco, working with the State's delegation in Congress when anti-tobacco forces have tried to eliminate or weaken the quota and price support program.

In 1979 I led the first tobacco trade mission to China in 30 years, taking with me a group of 12 farmers, industrialists and tobacco specialists for several meetings with Chinese trade and tobacco officials.

I have worked for lower tariff rates on U.S. tobacco entering the European community and other areas of the world. At my request a group of farmers went to Europe to talk with tobacco buyers and manufacturers as a follow up to preliminary discussion which I had there.

As you can see, I have a close familiarity with the tobacco program. And I fear that program is endangered today.

The flue-cured tobacco program that we have today has evolved over a period of 48 years, and it is a great success story.

Since 1965 the control program has been based on both acreage allotments and poundage marketing quotas. This means the grower is limited not only as to the acres he can plant but also the pounds he can sell. These are the tightest controls ever applied to a major farm commodity in the United States.

In referendum after referendum, flue-cured growers have voted overwhelmingly to continue their supply control and price support program. Usually the proportion of favorable votes has been between 95 and 98 percent of the total number cast.

Growers have had to make genuine sacrifices in order to keep their program. There have been many times in the past 30 years when they had to accept sharp quota reductions. Just since 1975, the basic flue-cured quota has been reduced by about one-third. A 40-acre allotment in 1975 would have shrunk to only 27 acres in 1981.

It has not been easy over the years for growers to live with these quota cutbacks, but growers know that the cutbacks were essential in order to make the program work. They have also made it work by continuous fine-tuning of various features of the program.

Under the tobacco program, growers have efficiently produced an adequate domestic and export supply of quality leaf. All segments of the industry and all sectors of the economy have benefited from the stability that the program has brought—stability of supply as well as price. Between marketing seasons, on a year-round basis, buying firms have been able to purchase tobacco from the loan inventory held by the Flue-Cured Tobacco Cooperative Stabilization Corporation. In effect, loan stocks have been used as a reserve supply available to the companies whenever needed.

Prices paid to growers for their tobacco have increased over the years, but not excessively so. Year-to-year adjustments in the support price have been based on increases in farmers' costs. Thus, most growers have been able to survive despite the soaring costs of such production items as fuel, fertilizer, pesticides, labor, machinery and others. If the price support formula had not been written so as to help growers meet today's highly inflated costs, how could the medium and smaller growers hope to survive?

No one should conclude, however, that returns to flue-cured tobacco farmers for the resources used have been excessive. That simply is not the case.

Through the North Carolina State University Electronic Farm Records Program and from other sources, data are available showing that return on investment for a flue-cured tobacco farm in Pitt County, North Carolina, over the past six years has ranged from 5.2 percent in 1975 to an average of 3.7 percent in 1978–80. For the farm owner who received one-fourth share of the crop as rent, profit as percent of tobacco sales price rose from 2.8 percent in 1975 to an all-time high of 13.0 percent in 1978 and then fell to 11.2 percent in 1979 and 4.5 percent in 1980.

These and other data available on the Pitt County farm show that by any standard of measurement used in business today, the profits have *not* been excessive.

In one respect the tobacco program occupies a unique place in the agricultural history of America. It has been in operation for more than four decades, and its cost to the federal government during that period of time has been very small. In fact, tobacco growers have received less than one percent of the federal funds spent on all types of commodity support programs over the past 50 years—or for that matter during the entire history of the country.

I submit that tobacco growers have reason to be proud of their program and of the part they have played in keeping the program on a sound basis. Despite the fact that all segments of the tobacco industry have been caught up in a "technological tornado" over the past 30 years, tobacco growers have been able to maintain the basic principle of their program—control of supply in return for fair realistic price support—even though structural modifications became necessary from time to time.

In the past few years, however, our tobacco farmers have become worried by the rising tide of imported leaf. According to the North Carolina Farm Bureau, in 1969 imports amounted to 237 million pounds, or only 18 percent of the tobacco used in cigarettes. By 1979, imports accounted for 31 percent (or 478 million pounds) of the tobacco used in cigarette production. The most alarming increases came in the "scrap" category, which increased from 10 million pounds in 1969 to 204 million pounds by 1979.

A number of factors account for the increases in imports.

The smoking and health issue has resulted in low-tar, low-nicotine, filter-tip cigarettes. Manufacturers have been able to increase the use of imported flue-cured leaf of lower quality than domestically produced flue-cured without the smoker being able to recognize the cheaper leaf.

The tobacco companies have a responsibility to their boards of directors and their stockholders to make a profit. They have become truly international companies, and they have encouraged the production of tobacco in many parts of the world.

At the same time, they have increased their exports of manufactured cigarettes from 29.15 billion cigarettes exported in 1970 to 81.99 billion in 1980, an increase of more than 250 percent.

Another factor in the increase of imports has been that United States foreign policy encourages the importation of goods from less developed countries. Many of them have the large supply of labor and limited

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

supply of land needed for tobacco production.

Foreign countries have subsidized their tobacco exports in order to earn the U.S. dollars they need for international exchange.

The Office of Monopoly in the Republic of Korea, for example, supplies farmers with fertilizer, seeds, chemicals, covers, materials for drying sheds and so on. Growers receive the equivalent of $1.64 per pound, farm sales weight, and export the tobacco through joint ventures with international leaf dealers to the United States for $1.44 per pound, processed weight. It is obvious that subsidies are involved.

All of these factors have contributed to the flood of imports.

And Stabilization loan stocks have increased despite repeated reductions in the national marketing quota, voluntary efforts to limit the harvest of lower-quality tobacco and the elimination of price supports on eight grades of lower-quality tobacco.

The U.S. Department of Agriculture estimates that, because of increased imports, about 140 million pounds of domestically grown flue-cured tobacco have been diverted into Stabilization loan stocks. This tobacco had an estimated loan value of $172 million by the end of the 1979 season. The Department estimates that 38 percent of total loan stocks in Stabilization will be under loan because of increased imports.

Recent actual realized losses to the Commodity Credit Corporation, the funding agency for Stabilization, have been small. For the 10-year period ending September 30, 1980, price support charge-offs have been $5.8 million, including a $5.2 million charge-off for fire loss. Gains to the CCC by collateral fees paid by associations have been $4 million. Thus, the net loss for the most recent 10-year period was $1.8 million.

Potential losses to the CCC could be substantial in the near future if excessive inventories are sold at prices that do not cover the value of the collateral plus accrued interest and carrying charges. The USDA estimates that there is a high probability of a CCC loss for existing stocks (1975 through 1980 crops) of at least $96 million over the 1981-85 period. For future crops, including the 1981 crop, losses associated with sales of loan stocks will depend on the level of imports as well as world and U.S. market conditions. Unless the USDA is wrong in its calculations, it is fair to project that actual taxpayer losses because of imports will be at least $96 million by 1985. Thus, it is clear that the price support program will soon be monetarily damaged by imports.

Under Section 22 of the Agriculture Act, relief is appropriate when imports "render or tend to render ineffective, or materially interfere with, any program or operation undertaken under this chapter . . . or any loan, purchase, or other program or operation undertaken by the Department of Agriculture."

We believe this is happening, and that is why we are appealing to this commission for help.

Let me conclude by summarizing my concerns this way:

We are talking about a substantial number of people in this nation—an estimated 103,000 full-time jobs in tobacco farming and another 400,000 part-time jobs during the tobacco harvest.

In the main, they make a fairly modest living. Few of them are affluent.

They have worked hard to build an effective system that costs less than other farm marketing systems.

This system is carefully balanced, depending on the cooperation and understanding of the farmers, the warehousemen, the manufacturers, the importers and exporters, the retailers and wholesalers, and local, state and federal governments.

Now, this careful balance is threatened by the high amounts of imports.

The tariff system must protect the farmers in a reasonable way, if they are producing efficiently. The growers need immediate help to deal with the problem of imports. I am here today to ask that they be given all the help possible, as quickly as possible.●

GEN. ERNEST GRAVES LEAVES THE PENTAGON

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. HAMILTON. Mr. Speaker, it is with regret that I learned recently that Lt. Gen. Ernest Graves, Deputy Assistant Secretary of Defense for Security Assistance, and Director, Defense Security Assistance Agency, will be retiring from military service at the end of this month.

During 36 years of military service, he established a reputation as a solid soldier, creative scientist, effective negotiator, and efficient innovator. A graduate of West Point, with a doctorate in physics from the Massachusetts Institute of Technology and a stint at the Harvard Business School, General Graves brought unique qualifications to his last and very important and sensitive assignment as Director of the Defense Security Assistance Agency (DSSA). In this position, he was responsible for managing and administering the multibillion-dollar security assistance program carried out by the Department of Defense.

General Graves proved a real and reliable asset in his many dealings with Congress. He established himself as a man of the highest integrity. He knew the legislative process well and demonstrated an ability for deft handling of complex legislation. He proved to be an articulate, witty, accurate, and frank congressional witness. He always had a flair for how to handle intricate issues and congressional concerns fairly. He was flexible and firm, but always forthright. You could disagree with General Graves on an issue, but you always had a feeling that he was listening and taking varying points of views into account in any given case.

Mr. Speaker, I wish to commend General Graves for his excellent handling of the DSAA assignment. He took on a highly difficult assignment at a time when there was perhaps more disagreement than agreement on several aspects of our conventional arms transfer policy. His tireless efforts and acknowledged expertise on the subject matter have made us all a little wiser and have improved the congressional authorization and oversight process. We wish him well in his next career and hope to see him soon again on the Hill, though hopefully not as a lobbyist. General Graves can be proud of his service to the Nation. Congress will miss him.●

IN SUPPORT OF HOUSE RESOLUTION 181

HON. THOMAS M. FOGLIETTA

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. FOGLIETTA. Mr. Speaker, had I been present in Washington on July 21, 1981, I would have cast my vote in support of House Resolution 181, a resolution opposing minimum social security benefit cuts.

The following statement was to be read at the senior citizen rally on July 21, 1981:

I thank you for your presence here in Washington today. Your visit will open the eyes of the nation to the status of senior citizens in this country.

I am sorry that I am unable to be with you in person, but urgent business requires my presence in Philadelphia. However, I am with you in spirit.

When I took office last January, I had two goals: to serve the needs of the people, and to be an effective and compassionate legislator. I believe that Senior Citizens have earned the right to a dignified retirement. You should have economic security. You should have access to the medical services which you need. It is difficult to support yourselves with double-digit inflation and meager social security benefits.

I have opposed the elimination of the minimum benefit and other cuts in social security benefits which were incorporated in the President's budget proposal. I voted against both of the budget resolutions which he endorsed. Unfortunately, I was in the minority. But I have not given up the fight. I support restoration of the minimum social security benefit, and will do all I can to insure that it passes.

I thank you again for taking the time on this hot day to share your views on social security.●

A TRIBUTE TO MRS. EDNA McMASTER

HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. MATSUI. Mr. Speaker, it is news to no one that one of the great problems facing our Nation is crime. The threat of being robbed or beaten has caused many Americans—particularly senior citizens—to stay off our streets, both day and night. Many have resigned themselves to living in fear.

In Sacramento, Calif., we are proud of one woman who has not given up, a

Sacramentan who has fought back against the rising tide of crime in the streets.

I am sure that every Member of this House will join me in paying tribute to a courageous and dedicated senior citizen in my district, Mrs. Edna McMaster, who has organized a highly successful crime prevention program in her neighborhood. Not only has crime been reduced in Mrs. McMaster's area of Sacramento, news reports of her efforts have galvanized the entire community into action against crime.

Mrs. McMaster lives in the Meadowview section of Sacramento, long known for its high rate of burglaries and street robberies. Two and one-half years ago, she was asked by the city police department to hold a neighborhood "home alert" party, to give police officers an opportunity to demonstrate home security and personal safety techniques to area residents.

Thanks to Mrs. McMaster's hard work, that first meeting was an overwhelming success. Through her leadership, Mrs. McMaster's neighborhood is now sticking together in the fight against crime.

Next door neighbors who were previously strangers, despite years of living on the same block, now watch out for each others' homes, property, and personal safety. Mrs. McMaster walks door to door on a regular basis, delivering police brochures and other information, and generally inspiring her neighbors to fight back against crime. As a result, crime has been significantly reduced along Wakefield Way in Sacramento.

Stories about her one-woman crusade against crime presented in the local media have encouraged other neighborhoods in Sacramento to take action. As a result, many are initiating their own home-alert programs through the police department.

I ask the House to join me in commending Mrs. McMaster for her tireless devotion to improving the safety, sense of community, and the quality of life in Sacramento, Calif.

Edna McMaster serves as an inspiring example of how a single individual can make a real difference in the life of a community.●

INTRODUCTION OF A BILL TO RECOGNIZE THE SPECIAL REQUIREMENTS OF OUR FOREIGN COMMERCE MERCHANT FLEET BY GRANTING SPECIAL TAX TREATMENT

HON. WALTER B. JONES

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. JONES of North Carolina. Mr. Speaker, I am pleased to offer for consideration of the Congress a bill which may make the difference between the United States having a merchant marine or becoming even more reliant on the fleets of other nations. We are all aware of the essential but ever-weakening link in our preparedness program which is the U.S.-flag merchant marine, and there is not a soul among us who does not want to reverse this trend. The investment this country makes in our merchant fleet is paid back many times over in the form of availability for sealift support for our Armed Forces and by providing a stable and reliable ocean transportation system so necessary to this Nation's importers and exporters.

The bill I introduce today would allow carriers who acquire those capital assets necessary to provide transportation services to depreciate or "expense" those costs in years in which they have earnings sufficient to set off their sizable investments. The ocean carrier business is one of relatively low earnings to equity ratios, a condition which inhibits investment in this essential industry. The bill I introduce recognizes the special nature of this industry and without changing any present or proposed tax program grants to the merchant marine the relief necessary.

In addition, we recognize that our maritime subsidies are threatened with phaseout, and that more operators may construct or reconstruct their U.S.-flag vessels in foreign shipyards. To encourage the maintenance of a U.S.-flag fleet, and also to encourage an investment policy which will encourage operators to return to U.S. shipyards to construct vessels, the bill I introduce allows an operator to deposit earnings from a foreign-built U.S.-flag vessel in a capital construction fund, the withdrawal from which would require the construction of those vessels in U.S. shipyards.

At this time, when many seek to end direct public support for private industry, we must assume a responsibility to examine the effects such actions will have on what are, more than ever before, vitally needed industries. This bill examines one such industry and provides encouragement to maintain that industry with a minimum of Government intrusion of public cost. I ask your support.●

ILLEGAL ALIENS AND SOCIAL SERVICES

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. HAMILTON. Mr. Speaker, I would like to insert my Washington report for Wednesday, July 22, 1981, into the CONGRESSIONAL RECORD:

ILLEGAL ALIENS AND SOCIAL SERVICES

In recent meetings with Hoosiers I have been impressed by how strongly they object to the large number of illegal aliens in the United States. These Hoosiers believe that illegal aliens are taking advantage of costly social services to which they are not entitled, and that they are responsible for budget cutbacks which will mean fewer social services for eligible Americans.

In response to these meetings I have attempted to find out whether the drain on social services caused by these illegal aliens is serious. As is often the case in such matters, strong claims have been made on both sides of the issue. Some observers explain that illegal aliens come here to work, that they are fearful of applying for any public benefits, and that the majority of them are taxpayers in any case. Other observers reject this point of view, arguing instead that illegal aliens are already straining hospitals, schools, and various programs of public assistance in many American cities. It seems that such a controversy ought to be easy to sort out, but it is not. Although information is available, it is not comprehensive enough to permit us to draw definite conclusions.

There is not much doubt that illegal aliens reside in America in great numbers. Steering clear of guesses that run as high as twelve million, the federal government has speculated that the true number is to be found somewhere between 3.5 million and six million. Records give evidence that the population of illegal aliens has been rising steadily for more than a decade. Nearly 1.1 million illegal aliens were located in 1979, more than six times the number located in 1967. There is not much doubt, either, that illegal aliens weaken social services where their concentrations are high. Conversations with some of my colleagues from southern Florida persuade me that the pressure placed on social services by Haitians and Cubans there is very nearly overwhelming. A county in California has sued the federal government for the $88 million the county has paid to cover the medical expenses of illegal aliens. Texas has denied it has a duty to school the children of illegal aliens. New York City has had to require documentation of citizenship from those who apply for welfare.

Notwithstanding these trends and events, the hard data that would reveal any widespread problem (or the lack of such a problem) are sketchy. A current government report summarizes the little we know about illegal aliens and their relationship to social services. Drawing statistics from interviews involving almost 8,000 illegal aliens, the report suggests that about 57 percent may pay social security taxes and as many as 62 percent may pay income taxes. It also suggests that only 4 percent receive jobless benefits and as few as 2 percent receive welfare.

The most recent presidential commission to study America's immigration policy reinforces the view that illegal aliens do not place a substantial burden on social services. Their use of programs of cash assistance seems to be minimal, and they appear to be straining schools and hospitals only in isolated instances, such as southern Florida.

There are several reasons why illegal aliens may not be as serious a threat to our system of social services as is sometimes thought. The population of illegal aliens is a working-age, predominantly male group whose need for welfare is not great. Illegal aliens often shun contact with public offi-

cials out of fear that they will be discovered. A major point, often overlooked, is that illegal aliens are simply not eligible for most forms of public assistance, so they draw benefits only by fraud or error. The list of federal programs closed to illegal aliens is long. On it are aid to families with dependent children, all the initiatives of the Comprehensive Employment and Training Act, all other initiatives administered by the Department of Labor, food stamps, legal services, medicaid, all six varieties of student financial aid, supplemental security income, and unemployment compensation. Social security, disability, and medicare benefits are available to all people who have worked the necessary time in covered employment, but illegal aliens have been barred from obtaining social security numbers since 1972 and thus have not been able to qualify for social security benefits. Few illegal aliens who have numbers actually receive benefits.

Even so, the problem of illegal aliens' abusing our system of social services is sufficiently acute that Congress should take steps both to diminish the abuses that exist and to prevent such abuses from becoming more serious in the future. Hoosiers are right to insist that our social services should be available only to Americans and to legal residents who have contributed to the programs. We should demand proof of citizenship or legal residence before benefits can be granted. We should encourage closer cooperation between administrators and law enforcement officials. In addition, we should enact vigorous measures to reduce the number of illegal aliens in our midst. Civil penalties for employers who hire illegal aliens and larger budgets to enforce our immigration laws are just two things we might consider.●

U.S. TRADE POLICY

HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. BONKER. Mr. Speaker, on July 9, the Export Task Force had the distinct pleasure of meeting with U.S. Trade Representative Bill Brock and Secretary of Commerce Malcolm Baldrige to discuss the recently announced trade policy.

As chairman of the task force, I would like to share this white paper on the administration's trade policy which was released by Ambassador Brock on July 8 at a joint hearing of the Senate Finance and Banking Committee. I commend the administration's efforts to focus on this important issue of international trade.

STATEMENT ON U.S. TRADE POLICY

A strong U.S. economy is our goal. Free trade, based on mutually acceptable trading relations, is essential to the pursuit of that goal.

International trade is, and will continue to be, a vital component of the United States' economy. The trade policy of the Reagan Administration will complement domestic economic programs which are designed to increase employment and output and reduce inflation.

One of the principal requirements of a strong U.S. economy is the maintenance of open markets both at home and abroad. The United States is more dependent on international trade than at any time in recent history. Exports generate higher real income and new jobs, and imports increase consumer choice and competition in a wide range of goods and services.

The United States is increasingly challenged not only by the ability of other countries to produce highly competitive products, but also by the growing intervention in economic affairs on the part of governments in many such countries. We should be prepared to accept the competitive challenge, and strongly oppose trade distorting interventions by government.

We will strongly resist protectionist pressures. Open trade on the basis of mutually agreed upon rules is in our own best economic interests, and is consistent with the Administration's commitment to strengthen the domestic economy.

We will give top priority to international trade. The President's Economic Recovery Program will strengthen industry and agriculture and improve the U.S. competitive position. Internationally, we will pursue policies aimed at the achievement of open trade and the reduction of trade distortions, while adhering to the principle of reciprocity in our trading relations. In seeking these fundamental objectives, we will initially focus on five central policy components. These are:

1. Restoration of strong non-inflationary growth to facilitate adjustment to changing domestic and international market conditions;
2. Reduction of self-imposed export disincentives; and better management of government export promotion programs;
3. Effective enforcement of U.S. trade laws and international agreements;
4. Effective approach to industrial adjustment problems; and
5. Reduction in government barriers to the flow of trade and investment among nations, with strong emphasis upon improvement and extension of international trade rules.

RESTORATION OF STRONG NONINFLATIONARY ECONOMIC GROWTH

Fundamental to any effective trade policy is the implementation of domestic economic programs that increase incentives to invest, raise productivity, and diminish inflation. The Administration's economic recovery plan provides the framework for achieving these objectives. The four component parts of the plan are: Reduction of the rate of growth in government expenditures, reduction of marginal tax rates for individuals coupled with accelerated cost recovery for business, regulatory reform and a consistent and predictable monetary policy. Implementation of the program will improve the competitiveness of U.S. products both at home and abroad.

Recent trends in U.S. productivity and investment have weakened our ability to compete abroad and eroded our industrial base at home. While the U.S has one of the highest levels of capital per worker and productivity in the world, the U.S. advantage in these areas is rapidly diminishing. A recent survey of 19 industrial countries indicated that the United States now ranked 17th in the rate of productivity growth and 19th in the rate of investment. Other surveys have indicated the United States has had a decline in research and development expenditures, while other developed countries are increasing theirs. The U.S. is losing its technological lead, and this is bound to have serious consequences for the international competitiveness of U.S. products.

The economic recovery program submitted by the Administration can reverse this trend by improving incentives to invest in capital equipment as well as in research and development. Stronger economic growth is also important to facilitate the adjustment to changing international market conditions.

High inflation has also had a strong negative effect on U.S. competitiveness abroad. The Administration's economic recovery plan will reduce the rate of inflation and as a result bring down interest rates, and it will provide the basic economic underpinnings essential to expanding trade opportunities.

REDUCTION OF SELF-IMPOSED EXPORT DISINCENTIVES AND IMPROVEMENT OF U.S. EXPORT PROMOTION PROGRAMS

A high priority will be assigned to the reduction or elimination of domestic export disincentives. Confusing, contradictory and unnecessarily complex laws and regulations adversely affect exports. The recent report to the Congress on Export Promotion Functions and Potential Export Disincentives identified three types of policies as the most significant export disincentives—the taxation of Americans employed abroad, the Foreign Corrupt Practices Act and export regulations and controls.

We will act to mitigate the trade-inhibiting effects of regulatory measures without undermining their legitimate objectives. Vice President Bush is chairing the Task Force on Regulatory Relief, which will review both existing regulations and future regulatory proposals.

The Administration will support remedial legislation where it is necessary. In this regard, the Administration supports the basic objectives of the Export Trading Company Bill currently before the Congress. The Administration also supports legislation to change the Foreign Corrupt Practices Act, and to reduce the income tax burden on Americans working and residing abroad.

We will make more effective use of the government's export promotion resources. The Department of Commerce is assigning a high priority to strengthening the Foreign Commercial Service and improving domestic export information efforts. Personnel in the Commerce District Offices will be spending more time in the field counseling exporters, holding "how-to-export" seminars, and developing "how-to-export" manuals. The Department of Agriculture will continue to give a high priority to overseas marketing efforts of the Foreign Agricultural Service and to domestic export-support programs.

EFFECTIVE ENFORCEMENT OF U.S. TRADE LAWS AND INTERNATIONAL TRADE AGREEMENTS

The U.S. and its trading partners have negotiated international agreements to reduce barriers to trade and to establish common ground rules to limit trade-distorting practices. These agreements are predicated on the fact that trade must be a two-way street in a genuinely open trading system. In the Multilateral Trade Negotiations, agreement was reached on new international codes of conduct covering a wide range of nontariff barriers. U.S. trade laws and international dispute settlement procedures provide the means for effective enforcement of these international trade agreements.

The Administration will strictly enforce United States laws and international agreements relating to international trade. Specifically, our antidumping, countervailing

duty, and similar structures are designed to neutralize or eliminate trade distortive practices which injure U.S. industry and agriculture. We regard these laws as essential to maintain the political support for a more open trading system.

We will insist that our trading partners live up to the spirit and the letter of international trade agreements, and that they recognize that trade is a two-way street. Accordingly, we will closely monitor the implementation of international trade agreements by all governments and we will make full use of all available channels for assuring compliance. We will need full and active support from the private sector in identifying compliance problems and in seeking solutions.

The manner in which the MTN codes are applied will determine the shape and effectiveness of the GATT agreements. We will actively pursue the implementation of the codes in a manner consistent with the goal of reducing trade barriers and trade-distorting measures. We will fully utilize the consultation and dispute settlement procedures of the GATT to assure that MTN principles are applied in practice.

One of the most difficult challenges we must face in seeking to achieve free trade is to develop appropriate responses to the growing intervention of foreign governments in international trade. The nontariff agreements negotiated in the Multilateral Trade Negotiations deal with many aspects of such intervention, and full enforcement of these agreements will help deal with this issue. We will seek new ways of dealing with forms of intervention that are not covered by these agreements.

We are currently faced by a growing subsidization of export credits by many of our trading partners. We will seek to renegotiate the existing international rules regarding official export credits. Our objective is both to substantially reduce, if not eliminate, the subsidy element, and to conform credit rates to market rates. The Export-Import Bank will target its export credits and guarantees where they are most needed to assist U.S. exporters facing subsidized foreign competitors.

EFFECTIVE APPROACH TO INDUSTRIAL ADJUSTMENT PROBLEMS

Developments in the world economy over the past few years, such as the energy crisis and the emergence of new suppliers of manufactured and agricultural products in world markets, have triggered major adjustments in the U.S. economy. Developments in the world economy over the foreseeable future will create the need for continuing adjustment.

Our policies toward the adjustment will take into account the fact that the economic vitality of certain sectors of our domestic economy is clearly essential to national security. Where other nations have a natural competitive advantage, U.S. industry must either find a way of upgrading its own capabilities or shift its resources to other activities. Where the foreign advantage is based upon government subsidies and other trade-distorting practices, U.S. policy will be to enforce U.S. trade laws and to work to eliminate such practices.

The economic program outlined by the Administration will support adjustment by encouraging non-inflationary growth and by removing obstacles to the operation of market forces. The Administration will continue taking measures, including regulatory relief and adjustment assistance, in order to further adjust in cases where severe problems exist.

Adjustment assistance and safeguard measures can ease problems of dislocation for firms and workers, but they do not of themselves effectuate adjustment. It is U.S. policy to place primary reliance on market forces to facilitate adjustment in affected industries.

Import restrictions, subsidies to domestic industries, and other market distorting measures should be avoided. A better solution to the problems associated with shifts in competitiveness is to promote positive adjustment of economies by permitting market forces to operate. It will be critical to encourage, through international negotiations, all governments to adopt adjustment policies which do not have trade and investment distorting effects.

REDUCTION IN GOVERNMENT BARRIERS TO FREE TRADE

The Multilateral Trade Negotiations achieved agreement on new codes covering a wide range of nontariff barriers and on a substantial reduction in tariffs. There are a number of issues, however, which were not adequately resolved in the Multilateral Trade Negotiations or which were not addressed in these negotiations. It is U.S. policy to deal with individual problems through bilateral negotiating efforts in the short run, and to seek to negotiate new multilateral disciplines over the longer term. Our objective will be to reduce government barriers, both in the U.S. and abroad, to the flow of trade and investment among nations. The preparations for any new initiatives must be thorough and in some cases could be quite lengthy.

CONCLUSION

Adoption and implementation of this comprehensive trade policy approach for the 1980's will strengthen U.S. economic performance and our competitiveness in world markets. To fully succeed in this area, we will need to muster a strong national determination, a will to persevere and prevail, and a commitment to rely on competition and free markets. The government can help create an environment conducive to efficient and profitable production. But it is private individuals and enterprises who have to take the initiative to seize economic opportunities.

Our trade policy is built on the close cooperative relationship with the Congress and the private sector. Our private sector advisory committees have become a fundamental element to our trade policy process. In implementing the agenda we have outlined, we will work closely with each, and increasingly with the 50 state governments in our federal system.

A strong U.S. trade position must be and will be a national priority. It is vital to our domestic well-being; it is essential to our capacity to provide leadership to the free world.●

THE PRIME CAPTIVE NATIONS IDEA

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. DERWINSKI. Mr. Speaker, after a whole generation of exposure to the "Captive Nations" concept and Public Law 86-90, many analysts both here and abroad still cling to certain myths and misconceptions beclouding both the law and the concept. If anyone has tried consistently to dispel them, it is Dr. Lev E. Dobriansky of Georgetown University and chairman of the National Captive Nations Committee.

In an article on "The Prime Captive Nations Idea," prepared for the summer issue of the international journal, the Ukrainian Quarterly, Dr. Dobriansky exposes each of the dominant myths. Because of its length, I include certain main excerpts from the article which I believe my fellow Members will find of profitable interest:

THE PRIME CAPTIVE NATIONS IDEA

(By Lev E. Dobriansky)

Our foreign policy with regard to Moscow and its global challenge will never be on an accurate and successful course until the very nature of the Soviet Union is fully comprehended and made the fixed, focal point of our manifold operations. At first sight, this observation might appear to be extreme or simplistic, but with some reflection given to its supportive grounds, both conceptual and empirical, its basic validity will be readily perceived.

How often in your life have you heard the expression "Know your enemy"? It suggests you consider his strengths and weaknesses if you seek to advantageously overcome him. Now this is a wise and simple rule of existence with the broadest field of application. Yet, strangely enough, despite the historical record of 61 years of Soviet Russian imperialism and conquests, the majority of our analysts and officials still shy from honestly recognizing Soviet Russia as a committed enemy to our national interests and the Soviet Union, in which the RSFSR is only one republic, as the primary empire of Moscow. Supposedly, the facts that we are in a nuclear age and diplomatic considerations must be observed are sufficient to alter the patently objective realities of history. Needless to say, they cannot.

In dealing with this field, there are far too many who operate with inaccurate concepts that could only contribute to poor policy results. Also, as in the case of human rights policy, one cannot but wonder about the requirement of sound logic. It took me and others almost four years to crank out of the Carter Administration an official admission of the existence of national human rights.

MOSCOW'S ACHILLES HEEL

Despite over 20 years of popular and academic education, it still is not generally understood that the Captive Nations Week Resolution, passed by Congress in July 1959, contains within itself the prime captive nations idea. The resolution was signed by President Eisenhower into Public Law 86-90, and every president since has issued annually a proclamation as called for by the resolution. Alluding to the idea, the foreword in a current congressional publication on the subject points out, "it is not generally known that on documented record since World War II no single, activist idea has produced deeper concern in the Kremlin than the composite captive nations one. From Khrushchev to Suslov to Arbatov fulminations against Public Law 86-90 have been intense, persistent and fearful. Any

thoughtful person would naturally ask 'Why?'" [1]

Indeed, why? The answer lies in the prime idea of this captive nations concept. The Soviet Russians understand it; regrettably, our people don't. And will continue to fumble and waste resources in costly consequence. Pointedly and unmistakably, the resolution taps Moscow's Achilles heel, namely the majority of captive non-Russian nations within the USSR itself. These were the first victims of Soviet Russian imperialism in the 1918–20 period; the resources of these nations have been and are continually exploited for Moscow's aggressions beyond the USSR; these nations have the longest, though still unsuccessful, record of resistance against this last, chief form of imperialism in the contemporary period; and these nations constitute the primary and inner empire of the foreign conqueror, Soviet Russia.

With intensive, detailed research a voluminous catalog of our governing illusions on these two basic points could be readily compiled. Just a few current examples here will serve to make the point. For instance, the widespread, uncritical usage of the term "the Soviets" is far more than just a case of semantic point. Our officials and non-officials wallow in it, yet fail to ask themselves why? Try it on any of them and you'll get the informative answer: everyone else does and isn't the Soviet Union "soviet." Unfortunately, this is the level of the average conception of the Soviet Union, made up of "the Soviets." By this ignorant usage we help Moscow more in its attempts at Russification within the USSR, at conveying the image of Homo Sovieticus, at displaying a unified "nation" of peoples than it can possibly succeed in realizing with its non-Russian captives in its primary empire.

Put concisely, this new empire called the USSR was carved by the conquering Soviet Russians; they dominate and control it; they call the shots directed at our national security and that of the Free World. Why then conceptually blur reality with this ludicrous usage? Aside from the basic Russian/non-Russian division in the USSR, the soviets—councils of workers and peasants—are only rubber-stamp bodies and scarcely influence the policies of Russian-based Moscow. In our American way, call a spade a spade, and act accordingly.

As another example, in a special issue in 1980, Time magazine begins its report this way: "The Union of Soviet Socialist Republics is not just a country, but an empire—the largest and probably the last in history." [2] This is progress and should serve as a hallmark for all of our media, not to mention government. However, no sooner this is said the reader is exposed to the same stereotyped concepts as "gross national product," "100 ethnic groups," "Soviet life" and other inconsistent terms that hardly support a working conception of the USSR as "an empire."

One more example, this time showing an inverse conceptual relationship to the above. The above shows a solid, overall concept but a poor support of it in the management of empirical details. This one is presented with details but fails to place them in an overall concept, which here is the primary Soviet Russian Empire. A long-term analyst of the USSR writes, "Most of the non-Russians I met protested their subjugation to the 'Russian Empire' far more openly than before. Most were far more eager to boast of anti-Russian feeling—many called it 'fury'—in their native republics." [3] Yet, despite what he heard, he writes in the same paragraph, "They are often exceeded by nationalist passion, anti-Russian by its very nature, among the Soviet minorities, from Lithuanians in the west to Kalmyks in the east—and including especially Ukrainians, Estonians, Georgians, Armenians, Uzbeks, and most of the Muslim peoples, whose birthrate is roughly five times the Russian average."

Now, who are "the Soviet minorities"? Is this supposed to mean minorities like our minorities in the USA? Sadly enough, too many of our people cling to this fanciful notion. On an overall quantitative basis the Russians have been in the minority for sometime.

SOVIET RUSSIAN IMPERIALISM

A cognitive appreciation of the USSR as a functioning primary empire presupposes some form of imperialist conquest. The historical record is abundantly clear on this. The marauding Russian Red Army under Trotsky was the determining factor in producing the first set of captive nations. As many honest Russian intellectuals, such as Fedotov, Berdyaev and others have long observed, traditional Russian imperialism was again at work, this time under the guise of Marxist-Leninist ideology. Soviet Russian imperialism is the real force, not an outmoded and theoretically irrelevant Marxist-Leninist ideology, that accounted for the recreation of the Russian Empire in the form of the USSR in the early 1920's and for its imperial extensions in the 1940's and beyond.

On this subject we shall hear more about in the period ahead. It's not a new subject the issue was met over a quarter of a century, when the Kerenskys, Nicolaveskis and other Russian emigres and friends attempted to befuddle our public regarding the Soviet Union and the mythical force of communism. This attempt is re-emerging with a new crop of Russian emigres, highlighted in particular by Solzhenitsyn. [4]

A few examples of this part of the equation (Soviet Russian Empire=Soviet Russian Imperialism) are also in order. Aleksandr Solzhenitsyn has well nigh discredited himself last year with his foolish attack against the Captive Nations Week Resolution. In this he joined Khrushchev and his successors. His discredited status was amplified by the wide chasm of thought as represented in his letter to the Kremlin in 1973, when he still was in the USSR, and his article in Foreign Affairs. [5] In basic principles and thought the latter contradicts entirely the former.

In line with this trend, another example is the concentrated attack on Dr. Richard Pipes, a renowned Harvard University professor and now with the National Security Agency in the Reagan administration. Solzhenitsyn viciously criticized Professor Pipes in his article, and this assault is continued in a similarly distorting article by a product of Moscow University's history department. The writer is concerned by asking "Doesn't the Communist ideology have something to do with the shape of Soviet foreign policy?" [6] And he then devotes his article to the implication that if anyone points to traditional Russian imperialism, now in its Soviet phase, or casts a light on the Soviet Russian Empire rather than stressing communism, he is anti-Russian. In plain logic, one can be anti-Soviet Russian imperialism, anti-Soviet Russian Empire, without being anti-Russian.

This subject of Soviet Russian imperialism as against the myth of communism or Marxist-Leninist ideology should be publicly highlighted. Following the passage of the Captive National Week Resolution, Khrushchev challenged us to discuss it in the United Nations. President Kennedy stated that "any summit meeting with the Russians would have to include discussion of the imperialism of the Soviet Union." [7] The thought is in the right direction, but how does one account for all the non-Russian nations now held captive in the USSR?

Another interesting aspect of this subject of imperialism is the propaganda mileage realized by the Kremlin in covering up its imperialism and persistently accusing "American imperialism," with impact even within our own country. For the thousandth time among utterances by the Soviet Russian leadership, Brezhnev states in a recent speech before the rubber-stamp Supreme Soviet that "bellicose-minded militaristic circles, headed by American imperialism" are responsible for a new, unprecedented arms race. [8] Pravda, of course, is replete with accusation. Recently it directed a warning to the 95-nation group of non-aligned nations meeting in India to beware of "subversive activity against the movement by international imperialism and Peking hegemonism." [9] Defense Minister Dmitri Ustinov sees peace and security being threatened by "imperialism," and Leonid Zamyatin, the international information chief of the CP Central Committee, claims that Poland's Solidarity "is backed by the imperialist forces of the West and operates in contact with subversive centers outside Poland." [10]

In these statements note the key words of "imperialsim," arms race, and subversive activity. Just turn them about in full application to Moscow and Soviet Russia, and the persistent accuser becomes the fitting accused. The Kremlin's propaganda technique of transferred blame can be easily countered, but the democracies have scarcely developed the counter-propaganda strategy.

Just one more note on this vital subject. It is refreshing to see Galbraith and others discussing "Soviet imperialism." In thinking about imperialism they seem to content themselves with what they construe to be a decline of the Soviet "Empire." [11] Facts for

[1] House Document No. 96-365. Twentieth Observance and Anniversary of Captive Nations Week. USGPO, 1980, p.v.

[2] "Inside the U.S.S.R." Time, New York, June 23, 1980, p. 22.

[3] George Feifer. "Russian Disorders," Harpers, New York, February, 1981, p. 51.

[4] See writer's article "Now Afghanistan—And Also Solzhenitsyn," The Ukrainian Quarterly, Summer, 1980, pp. 135–136.

[5] "Misconceptions About Russia Are A Threat to America," Spring, 1980.

[6] Wladislaw G. Krasnow. "Anti-Soviet or Anti-Russian?" Encounter, April, 1980, p. 68.

[7] Lov Cannon, Lee Lescaze. "Moscow Relations Viewed Grimly," The Washington Post, March 29, 1981.

[8] "Brezhnev Urges New Round of Arms Talks With the U.S.," The Washington Star, June 24, 1981.

[9] UPI, Moscow, February 8, 1981.

[10] Bruce W. Nelan. "Soviets Liken West to Nazis in 1941." The Washington Star, June 22, 1981.

[11] John Kenneth Galbraith. "20 Years of Decline In the Soviet Empire," The Washington Post, March 17, 1981.

the past 20 years, such as the Chinese-Russian rift, the Indonesian massacre of communists, the ouster of Russians from Egypt, the turnabout of Somalia and the like are assembled to prove their point. This isn't the place to argue each of these events. Suffice it to say, that on a scale of over 60 years Soviet Russia's imperial growth overshadows this supposed decline.

THE CNL

On a 60 year-plus scale, the picture of Soviet Russian imperial influence and power looks quite different from what Fritchey, Galbraith and others seek to portray in some short-run span.

THE CAPTIVE NATIONS LIST (CNL)—WHO'S NEXT?

[Country, people, and year of Communist domination]

Armenia [1]	1920
Azerbaijan [1]	1920
Byelorussia [1]	1920
Cossackia [1]	1920
Georgia [1]	1920
Idel-Ural [1]	1920
North Caucasia [1]	1920
Ukraine [1]	1920
Far Eastern Republic [1]	1922
Turkestan [1]	1922
Mongolia [1]	1924
Estonia [1]	1940
Lativa [1]	1940
Lithuania [1]	1940
Albania	1946
Bulgaria	1946
Yugoslavia (Serbs, Croats, Slovenians, etc.)	1946
Poland	1947
Rumania	1947
Czecho-Slovakia	1948
North Korea	1948
Hungary	1949
East Germany	1949
Mainland China	1949
Tibet	1951
North Vietnam	1954
Cuba	1960
Cambodia	1975
South Vietnam	1975
Laos	1975
Afghanistan	1980

[1] Countries absorbed into U.S.S.R.

WHO'S NEXT? IRAN, NICARAGUA, EL SALVADOR, NORTH YEMEN, ANGOLA, ETHIOPIA, SAUDI ARABIA, MOZAMBIQUE, REPUBLIC OF CHINA, SOUTH KOREA?

What has pained Moscow and its satraps so about the CNL? Well, the CNL has many utilities. For one, it is solidly grounded in historical fact and scholarship. . . . Had the Russians pursued communism for themselves, there would have been no objective grounds for the CNL ever.[12]

The new crop of Russian emigres should not be allowed to once again becloud the realities of the struggle. As a most perceptive analyst observed almost 30 years ago with reference to another generation of such emigres, "If Russians who claim to be anti-Communists refuse to extend the goal of freedom to non-Russians, then we must wonder whose side such Russians will be on when a showdown comes."[13]

Another utility of the CNL is the implied emphasis it places on the fundamental illegitimacy of the so-called socialist or communist governments. As President Reagan in his first Captive Nations Week proclamation strongly underscores, "governments derive their legitimacy from the consent of the peoples they govern."[14]

The CNL serves also the purpose of causing still free people to remember how others fell in the course of 60 and more years under Moscow's armed, determining power. Moscow, and its satraps and products, thrive on people forgetting the realities of history. . . .

THE 23D OBSERVANCE

As a concluding note on this 23d observance, what has been described here as a realistic framework for policy and strategy would not in any way preclude all the necessary things that must be done in inter-state relations to insure peace and also provide the beacon light of national and individual freedom. Negotiations on strategic arms, trade, cultural relations and a competitive coexistence on all levels and in all spheres can be diplomatically and deftly pursued within the framework. In short, the Soviet Russian leadership will get used to our more realistic understanding of it and respect us more for it. As all past empires, this empire overflows with weaknesses and vulnerabilities.●

[12] See chapter on "Historical Outlines of Soviet Russian Aggression" in my work The Vulnerable Russians, New York, 1967.

[13] James Burnham. Containment or Liberation, New York, 1953, p. 236.

[14] Captive Nations Week, 1981. By the President of the United States of America, A Proclamation, July 1, 1981.

CREEPING COMMERCIALISM IN PUBLIC TELEVISION

HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. WAXMAN. Mr. Speaker, John Weisman, a reporter for TV Guide, has recently written a two-part article on public television's relationship with its corporate supporters. To be certain, corporate contributions have been of inestimable value to the growth of public television, and made possible some of the finest programing available in America. The Reagan administration's proposed budget cuts for public broadcasting, however, will force an ever-greater reliance on corporate largesse, and may eventually lead to the presence of commercials on what was always intended to be a noncommercial medium.

The implications of these developments are profound—especially in the area of programing. The great virtue of public television is that it has the freedom, and the mandate, to pursue the very best in programing, to present what commercial broadcasters either cannot or will not because of their captivity to the ratings race. If public broadcasting is forced to become more like its commercial counterpart because of the funding squeeze, it is important to understand that the danger lies not in which programs will be produced, but in the absence of programs we may never see. As unrestricted funding, from the Government and public television's viewers, decreases in proportion to corporate support, via grants or commercials, public broadcasting's independence—its ability to create unrestricted programing free from outside influence—may be eroded. It is this issue that must be confronted in tandem with the budget reductions the administration wants to impose on public broadcasting.

Mr. Weisman has presented a comprehensive survey of these developments. Following is the second part of this excellent article, which I commend to my colleagues:

[From TV Guide, June 27, 1981]

BIG OIL AND PUBLIC TELEVISION—HOW CREEPING COMMERCIALISM IS SNEAKING UP ON PUBLIC TV

There was quiet meeting held late last winter at the headquarters of WNET, New York City's public-television station, that could help shape the future of public broadcasting. Present were high-ranking executives of public-television stations, fund-raising experts and other representatives from some of the Nation's biggest and most powerful PTV outlets.

The man who requested the meeting is not a station executive. He is William Cameron, senior vice president for television programming of the giant Needham, Harper and Steers advertising agency. Cameron told TV Guide that he had called the meeting to discuss, among other things, the future of public television in the light of the Reagan Administration's proposed budget cuts; and the proliferation of alternative sources of high-quality cultural programming on cable and pay-cable systems.

Cameron knows about such things because, according to Lawrence Bershon, manager of advertising services of the Atlantic Richfield Co., a Needham, Harper client, Cameron has conducted informal studies for Arco about where, aside from public television, Arco's money could be spent on programming.

Cameron says he was also seeking a greater role for corporate underwriters in public broadcasting. He said that "there is an enormous opportunity to be able to put our clients in the position that corporate sponsors had 25 or 30 years ago—of control of a show, of tailoring it to your needs."

Such tailoring, Cameron feels, would probably increase corporate giving to PTV.

Cameron's opinions have been repudiated by some of the people he claims he represented. Atlantic Richfield even issued a position paper stating that they have no intention of insinuating their corporate philosophies into any public-television programs they pay for.

But what no one denied is that many major underwriters of public-television programming are beginning to look at new ways to spend the millions of dollars that in the past have produced such shows as Cosmos, Upstairs, Downstairs or The Shakespeare Plays.

For a decade, the Public Broadcasting Service has dominated high-quality cultural television programming. But this is about to change.

CBS Cable, an estimated $6 million investment in cultural, arts and musical program-

ming, is slated to begin servicing more than 2.9 million subscribers on Oct. 12, 1981.

ARTS, a cultural package put together by ABC Video Enterprises and Warner Amex Satellite Entertainment, began service in April.

Bravo, a two-night-per-week cultural cable-TV package, has been in operation since December.

RCTV, headed by former CBS president Arthur Taylor in partnership with RCA, NBC's parent corporation, says it plans sometime in 1982 to begin marketing a cultural service built around BBC programming.

PBS itself has allotted $350,000 for a study of the feasibility of creating its own pay-cable cultural service, utilizing arts organizations, such as the Metropolitan Opera, currently seen on PBS. Mobil Oil contributed $125,000 of the study's funding, and Mobil vice president Herbert Schmertz says that one addition to the PBS cable package could be the Mobil Showcase Network series, "shown on a weekly basis."

Chloe Aaron is an independent producer of high-quality cultural programming. Previously, she was PBS's senior vice president for programming and spent some of her time in Great Britain looking at PBS fare made by BBC, Granada, Thames, London Weekend Television and others. Recently back from a scouting trip to London, she reports that things have changed. "It used to be just PBS people over there. Now cable people are taking the same trips. Everybody's bidding, and it's going to drive the price up."

For a number of reasons, these developments are of tremendous interest to the corporations that underwrite public television. All the new organizations producing cultural programming are commercial. This means sponsors can become involved in selecting the subject matter of the projects they fund—and they can advertise on their shows. And, according to many PTV officials, lack of corporate advertising is one of the major reasons that PTV's $600-million system received less than $30 million in corporate donations last year.

One hundred and fifteen companies gave underwriting money to public television last year. Of those, 111 donated about 45 per cent—about $12.8 million. The other 55 per cent, roughly $15.7 million, came from Exxon, Mobil, Arco and Gulf. This quartet of hugely successful multinational corporations (their combined profits last year were $8.8 billion more than the gross national products of more than a dozen developing nations), funded wholly or in major part 72 per cent of all the shows telecast during PBS's February 1981 core schedule—public television's equivalent of prime time.

There is nothing inherently wrong with the generosity of Exxon, Mobil, Gulf and Arco, generously that has provided some of the most admired—and most watched—programs on public television. Still, critics charge that these four corporate behemoths wield so much influence over public broadcasting that they have managed to crowd out of the prime-time core schedule any public-affairs programming that might harm their corporate images, while filling the airwaves with hour after hour of ballet, opera, music and drama.

The question that executives at Mobil, Gulf, Arco and Exxon are now asking themselves is whether the investment is getting an adequate return. Until recently, an underwriter's credits where limited to a single line at the beginning and end of each program. New regulations permit the use of corporate logos and the identification of the products that underwriters produce. But advertising is forbidden, despite WNET president John Jay Iselin's claim that ads are "inevitable" on PTV. Despite the progress, corporate ad directors such as Arco's Lawrence Bershon say that, dollar for dollar. PTV underwriting is bad business when you count only the CPM—the cost-per-thousand of viewers reached that is the base on which all ad rates are figured.

On the other hand, PTV proponents are quick to say that the alternative forms of cultural programming currently available, even though they accept advertising, don't reach as many people as public television.

Stuart Sucherman, a veteran fund-raiser who has just been hired by four of the Nation's most powerful PTV outlets to help them develop new monetary sources, says that "from a cost-effective point of view, public television is still a pretty good buy." Sucherman argues that public television, in spite of its smaller audience, is watched by more intellectuals and other influential Americans than are the commercial networks.

Even so, ad agencies surveying the possibilities for their corporate clients tell companies like Arco that they cannot be myopic. "They have to take a stand in the cable business," says Needham, Harper's William Cameron.

Exactly what that stand will be is still uncertain. But sources say it is possible that companies such as Exxon, Gulf, Arco and Mobil will be financing their own cable projects.

In the meantime, public broadcasting is not standing still. Three major public-television stations have already formed profit-making subsidiaries, so that they, too, can gain a toehold in the lucrative cable and pay-cable market when it explodes.

Says Public Broadcasting Service president Lawrence K. Grossman, "Nothing's sacred about our role. Things are changing; we will change with them."

Even the concept of public television, as espoused by E. B. White in his introduction to the first Carnegie Commission report in 1967, has evolved. White, an idealist, wrote: "I think [public] television should be the visual counterpart of the literary essay; should arouse our dreams, satisfy our hunger for beauty, take us on journeys, enable us to participate in events, present great drama and music, explore the sea and the sky and the woods and hills. It should be our Lyceum, our Chautauqua, our Minsky's and our Camelot."

Today, the realists are in charge. " 'Public' television," says KCET president James Loper, "is a misnomer. It's probably the worst thing we could have."

WNET's John Jay Iselin agrees. "I had lunch with someone recently," he says, "who thought that we should not be known as public broadcasters. He told me that we should be called the Independent Broadcasting Service." Iselin, like other executives from major producing stations, thinks that public stations should emphasize the production and distribution of programs on a national scale. Money could be raised from corporations, which would become partners with the producing stations. Thus, it would be possible, for example, for Atlantic Richfield to put up $3.5 million for the production of KCET's Cosmos series—and then receive 50 percent of any profits the series might make in overseas sales, tie-in books, merchandising items and other money-raising ventures.

"What you'd probably have," says one Congressional staffer who has spent years studying the relationship between PTV and big oil, "is the complete selling of public broadcasting as we know it."

Not everyone sees things that way. Mobil Oil's Herbert Schmertz sees new programming possibilities for his firm in PBS's pay-cable venture. He hopes that his company's $125,000 support will give the idea a shot in the arm. Sources close to Exxon, the world's largest petroleum company, say it also is looking at new ways to product and to fund cultural programming. Indeed, the relationship between PTV and big oil seems to be growing closer than ever.

Part of the problem is that big oil—and other major corporations—seems to be the only direction PTV can turn to as Government funds dwindle. Two Carnegie Commission reports on alternative means to fund public broadcasting have been disregarded, most recently by the Carter Administration, which, despite promises to the contrary, never bothered to address the question of how public television would raise money in the future.

The Reagan Administration has set a new tone for public broadcasting. In a speech to a joint session of Congress, the President said that Americans have had a long history of private support for the arts. And it appears that public broadcasters will have to look there, rather than to the Government, for their future sustenance.

Following the Administration's lead, Rep. Tim Wirth (D-Colo.), chairman of the House Telecommunications Subcommittee, which oversees the authorization bill for the Corporation for Public Broadcasting, introduced legislation for a one-year panel that would suggest ways in which public broadcasting could obtain much more outside revenue.

However the problem of PTV funding is solved—and it has eluded solution for more than a decade—the inevitable result of new cultural programming possibilities and new delivery forms will be increased commercialism. Not, perhaps, as crass as much of what you see on ABC, CBS or NBC these days. But the selling of public broadcasting, whether to big oil companies or bigger audiences, means that—to use E.B. White's words—we're going to be getting a lot more Minsky's than we'll be getting Camelot.●

RELIGIOUS PERSECUTION AND SUPPRESSION OF HUMAN RIGHTS

HON. BARBARA A. MIKULSKI

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Ms. MIKULSKI. Mr. Speaker, I would like to submit for inclusion into the CONGRESSIONAL RECORD two outstanding articles that recently appeared in the Baltimore newspaper, Catholic Review. Both articles describe religious persecution and the suppression of human rights, but in very different parts of the world and under very different governments. In my view, the matter of religious freedom and human rights deserves much more attention today, particularly since the current administration seems

supportive of repressive, rightwing dictatorships, while rejecting a strong human rights policy.

The first article, "Catholic Lithuania—A Forgotten Plight?," was written by an outstanding and highly respected clergyman originally from Baltimore, Father Pugevicius. His article describes the systematic campaign of repression carried out by the Soviet Government against the Catholic Church as an institution in Lithuania, as well as against Lithuanian citizens who attempt to practice Catholicism. The second article, titled "Death Lists, Terror 'Lift' Guatemala's Tyranny Status," by Thomas Kavanagh, delineates the terror and violence perpetrated by the Government of Guatemala against its own people and particularly against the Catholic Church. This is especially significant since President Reagan has lifted a ban on the sale of military equipment to the Guatemalan Government.

I strongly urge my colleagues to read these excellent articles, keeping in mind the foreign policy focus the Reagan administration is espousing and its impact on the most fundamental right—freedom of religion:

CATHOLIC LITHUANIA, A FORGOTTEN PLIGHT?

(By Father Pugevicius)

A Catholic country with no parochial schools, convents, monasteries or press would seem to have its Catholic character slated for extinction.

Add the fact that this country of 3.3 million which is still 65 per cent Catholic has fewer than 700 priests (and those, with a median age of 60) and its single seminary sees an annual enrollment of 22 students, and the hope for a continued Catholic identity diminishes further.

Conclude with a government policy which prohibits members of the clergy to instruct children in the Faith—indeed forbids young people under the age of 18 to participate in the Church, and the life expectancy for the Church in this country is nonexistent.

Yet, the Catholic Church in Soviet-occupied Lithuania has endured these and many more hardships since 1940.

"Despite the obstacles they face," stated Fr. Casimir Pugevicius, a priest of the Baltimore archdiocese currently working as executive director of Lithuanian Catholic Religious Aid in Brooklyn, N.Y., "the people of Lithuania are deeply religious. However, they are waging a life or death struggle against atheism, and look to their brother and sister Catholics for help.

"The problem facing the Church in Lithuania today is not merely a Lithuanian problem, but a Catholic problem," he said.

The Catholics of Lithuania themselves realize the importance of presenting their case to the world. Since 1972, the clandestinely published *Chronicle of the Catholic Church in Lithuania* has been documenting incidents of harassment, arrests and trials of clergy and laity who cling tenaciously to the Faith.

To date, 46 issues of the *Chronicle* have reached the West.

In the publication, one can read about Nijole Sadunaite, an underground nun sentenced to three years of labor camp and three years of internal exile for disseminating the *Chronicle*. One can be present in the churchyard of the parish of Betygala, where children were photographed by antagonistic teachers and security agents on their First Communion day.

And, more and more often, one finds the trials—Gemma Stanelyte, sentenced to three years general regimen camp for leading a religious procession . . . Dr. Algirdas Statkevicius, one of the Lithuanian Helsinki Monitors, confined to a psychiatric hospital . . . Vytautas Skuodis, a hydrogeologist known to listen to Vatican Radio, and author of an uncompleted manuscript studying the effects of persecution and atheism on Catholicism in Lithuania, sentenced to seven years strict regimen camp and five years internal exile.

"Unfortunately," said Father Pugevicius, "the plight of the Lithuanian Catholic has failed to excite the imagination and concern of the rest of the Catholic world.

"Certain individuals, like Nijole Sadunaite, have gathered champions across ethnic and religious lines. The support she received, in the form of letters, and the knowledge that groups were continually working on her behalf, told her she was not alone. Although she has only been back in Lithuania since last summer at the conclusion of her sentence, she has already begun signing petitions in support of other prisoners of conscience.

"But the support received by Nijole, and a few other prisoners, is not representative of the attention given to the problem as a whole" he stressed.

And the problems are severe. In a country ecclesiastically divided into two archdioceses, four dioceses and a prelature, there are only two bishops permitted to exercise limited authority. Two other bishops are in exile under severe governmental restriction.

Candidates for the seminary are selected, not by the Church, but by civil authorities, who seek to appoint men of weak moral character willing to undermine the Church. All religious orders have been banned, with those brave individuals who have been clandestinely professed facing almost insurmountable odds in practicing their ministry.

Although freedom of the press is guaranteed by the Soviet constitution, there is no Catholic press allowed. Severely limited editions of a prayerbook, the New Testament, a book of psalms and a catechism were printed since the Soviet occupation, but these are not generally available, and many were exported for propaganda value. No religious articles are allowed to be manufactured.

Parishes are dependent on civil authorities in all things. From required registration of the parish with the local Communist Executive Committee to the actual ownership by the state of sacred Mass vessels, each aspect of religious life and activity is controlled.

Priests may not assist in neighboring parishes, even by hearing confessions. Physicians can, and often do, deny the priest the right to administer the sacraments to a dying Catholic patient in the hospital. The religious education of children is restricted to "spiritual schools"—but the only such school is the lone seminary in Kaunas.

As executive director of Lithuanian Catholic Religious aid, Father Pugevicius, working with a staff of two, represents the only agency in the free world dedicated completely to assisting Western-rite Catholics in the USSR, spiritually, morally and materially.

In recent years, indications from Lithuania have shown the need to concentrate on getting the message of the "Church of Silence" to the rest of the Catholic world. It is this message that Father Pugevicius feels is not being heard or responded to.

He cited the case of Vytautas Skuodis, sentenced on Dec. 22, 1980, for "anti-Soviet agitation and propaganda."

"Vytautas Skuodis should certainly command the attention of every Catholic bishop, priest, layman, as well as the Catholic press and the American public at large," said Father Pugevicius.

"Skuodis was born in Chicago, Ill., on March 21, 1929, and was baptised there. Although his family returned to Lithuania the following year, Mr. Skuodis, also known as Benedict Scott, still claims U.S. citizenship. He even requested an American attorney at his trial last year, but his request was ignored.

The fact that an American citizen is in a Soviet prison camp to serve seven years for writing religious literature and listening to Vatican Radio should have the entire Catholic world in an uproar. But thus far, only one member of Congress, the Hon. Cardiss Collins (7th Congressional District, Chicago), has become involved in the case."

Father Pugevicius expressed hope that the case of Vytautas Skuodis, as well as other specific violations of the rights of believers will find their way to the agendas of diocesan Peace and Justice Commissions throughout the country.

"If more people, especially influential Catholics, began to state their objections to the pattern of violation of human rights, which the Skuodis case and others represent, the Soviet government would think twice before imprisoning believers for activities which are guaranteed by the Soviet Constitution, as well as under the Universal Declaration of Human Rights, which the Soviet Union signed.

"We're ready to provide all the help and background information necessary to anyone willing to help," the priest stated.

"The Church in Lithuania has survived against tremendous odds," Father Pugevicius pointed out. "For more than 40 years it has struggled, mostly alone, just to survive. This can't continue indefinitely, however. Whole generations of young people are growing up, never having known a free Lithuania, or freedom of thought.

"Without religious materials, even the most ardent believer cannot do alone what entire school systems have been designed to do. The clergy is aging, dying, and are not being replaced. The Church in Lithuania is alive, but severely handicapped . . . it needs the support of all Catholics to survive. A struggle for souls is a struggle none of us can afford to ignore," he declared.

NOTE: Father Pugevicius, former director of communications for the Baltimore archdiocese, is now located at 351 Highland Blvd., Brooklyn, N.Y., 11207. He may be reached at 212-647-2434. Free copies of the Chronicles are available by writing to the Lithuanian Catholic Religious Aid at the above address.

DEATH LISTS, TERROR "LIFT" GUATEMALA'S TYRANNY STATUS

(By Thomas M. Kavanagh)

"There is more violence now in Guatemala than in El Salvador. Throughout the country, the body count is running about 30 to 40 per day. It is a state of permanent repression there. Anyone associated with labor unions, the Church—even students—is in jeopardy. . .

"In a nation where 70 per cent of the wealth is owned by two per cent of the population, the government has made it clear there will be no social or economic changes. People here (in the U.S.) seem to think that if you have elections you have democracy. But in Guatemala the military has absolute control. They decide who will be in power. In the last election the two opposition candidates were assassinated."

This is Frank Rafael LaRue speaking. In Baltimore last week to discuss the seldom-noticed turmoil taking place in his native land, the 28-year-old former Guatemalan labor lawyer has been in exile since early this year. Coming to the United States was literally a matter of life or death, he said.

"My name came on the 'death list' two years ago," he explained, noting that this list of people the government considers subversive is actually published in the local newspapers. "It wasn't taken too seriously then but it is now. Everyone whose name was on those lists is either dead or in exile.

"Originally, I decided to stay; that is a big problem there: that so many people must leave . . . But it got to the point where I could not move around freely. I was being followed. In January the secret police went to my relatives looking for me. I went into hiding. I realized there was no sense staying if you couldn't put a foot on the streets."

Mr. LaRue, 28, undoubtedly made a wise decision. According to estimates made by Amnesty International, there have been 5,000 political killings in Guatemala this year alone. Reports from the United Nations Commission on Human Rights and the Inter-American Commission on Human Rights of the Organization of American States (OAS) have corroborated this figure.

As in El Salvador, the murders are often brutal, the bodies showing signs of vicious torture. As in El Salvador, the victims are often abducted by what the government calls ultra-right wing "death squads" but who Mr. LaRue believes to be members of the military merely dressed in civilian clothing.

As in El Salvador, the violence is carried out against anyone remotely considered "subversive" by the government—including 10 priests and one Protestant minister. As in El Salvador, not one single arrest has followed any of the murders.

Mr. LaRue, whose work just prior to exile had been with the Peace and Justice group in the Guatemala City archdiocese, is now traveling throughout the northeastern U.S. trying to spread the word about the situation in his homeland.

Americans, he said, have been given very little information about the problems there, despite their long-term nature and the fact that media in many other nations—including Canada—took notice long ago.

Some hint of what is happening there hit the American press last week when the Reagan administration bypassed its own guidelines in deciding to sell the Guatemalan government military equipment. President Carter had cut off all aid to that nation in 1977 because of the flagrant human rights violations perpetrated by the government.

In order for aid to be renewed, Congress was to have reviewed Guatemala's record on human rights. The Reagan administration skirted this obstacle, however, by removing the equipment shipped from the list of items covered in the stipulation.

The relationship between the U.S. and Guatemalan governments is apparent, LaRue said: American companies have invested more capital there than in any other Central American nation except Panama (where, of course, exists the Panama Canal). On top of this, oil finds in Guatemala indicate reserves that could eventually supply the United States with as much as 10 per cent of its imported oil. Supporting U.S. interests, i.e., the ruling government, figures to be a Reagan priority, he said.

While the military regime of General Romeo Lucas Garcia claims communist forces are creating an insurrection against his "centrist" government, Mr. LaRue said opposition represents the large number of groups who have lived amid squalor, poverty and now repression for too long.

Noting that Guatemala's mortality, malnutrition and illiteracy rates are the highest in the world save for Haiti, Mr. LaRue said that his nation "is very rich in its resources. It's hard to explain its being so poor when everyone there could live a decent life."

He added that even the Indians—descendants of the Mayan civilization who make up 60 percent of the population—have become part of the "struggle for justice," despite being noted for their peaceful ways. ("The government sees them as passive and naive," said Mr. LaRue).

"This is not a Marxist insurrection but there are Marxists in it," he continued. "Some people struggle because they are Christians, some because they are Indians and all are struggling just to survive . . . but there is definitely no Soviet influence."

Citing one significant difference between the situation in Guatemala and El Salvador, Mr. LaRue noted that military leaders in his homeland are part of the wealthy, ruling class and thus carry out their methods of control more vigorously.

"In El Salvador, the military defends an oligarchy. In Nicaragua, they defended a dictator (General Somoza). But in Guatemala, they are the 'dictator' themselves. The members of the military are part of the broad-based oligarchy so they are not protecting somebody else's wealth but their own. It makes them much more aggressive."

He said the "grassroots Church" has been "very much aligned" with the poor in opposing this aggression but that "the official Church"—in particular Cardinal Casariego—has "remained silent."

An article published in the Passionist Missions' magazine *Sign*, (February, 1981) pointed out that the Guatemalan bishops "broke that silence (in 1976) when they issued a pastoral letter . . . which was signed by all of them except Cardinal Casariego, archbishop of Guatemala City."

A number of other pleas from the bishops seeking an end to the murder and the system of socio-economic injustices have followed.●

REGENERATION IN THE RUHR

HON. CHARLES E. BENNETT

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. BENNETT. Mr. Speaker, when I came to Congress in January 1949 there was underway in Europe a miraculous adventure. It had to do with the aftermath of World War II and the direction that victor and vanquished might pursue. Would the period be one of retribution, vengeance, and earned guilt-laden remorse; or could it be something that would bring men in the world together for the mutual benefit of all?

Communist leaders yearned to acquire the Ruhr and its industrial capability for their purposes of world conquest and subservience to their dictatorship.

Luckily for mankind in 1948 the U.S. Congress had enacted the Marshall plan which furnished the nuts and bolts for the revitalization of those who had lost the war and some who were victors. The London Economist called it "the most straightforward, generous thing any country has ever done for others."

Another helpful action in 1948 was when America and Britain called the bluff of the Soviets who threatened to take over Berlin. So there was launched the successful Berlin airlift. Three years later the Schuman plan, a third constructive initiative, helped bind the wounds between Germany and France in a constructive common purpose of recovery and partnership for survival.

Mr. Speaker, there was a fourth element of importance at work in those days. It was the catalyst of Moral Re-Armament which brought about an unlikely spiritual brotherhood among the leadership of France and Germany in politics, in labor, and in management.

Mr. Speaker, my friend Kenaston Twitchell has recently written a book "Regeneration in the Ruhr" (Princeton University Press, 1981) which tells of the dramatic events which saved the Ruhr from being gobbled up by the Communists; but even more importantly Twitchell tells of the spiritual nature of the healing of wounds between France and Germany and between labor and management in industrial Ruhr.

In the late 1920's and early 1930's while I was in college I learned of the work of Frank Buchman, the initiator of Moral Re-Armament, then called the Oxford Movement. In 1949 and the early 1950's I came to know Frank Buchman personally, as well as Ken Twitchell and others active in the movement. I found inspiration in the dedicated lives of these wonderful people who sought to improve the lot of mankind by changing all men and women for the better, stressing as they do absolute honesty, purity, unselfishness, and love.

Twitchell and his family have given much of their lives to the Moral Re-Armament movement, which is alive and well in Europe today; and vigorously growing again in America. Speaking of this movement Twitchell wrote:

It advanced the belief that the basic need of humanity was a new spirit in man himself. Only when men and women change, would nations change. God would lead them

into freedom and truth when they learned to listen and obey.

Mr. Speaker, Twitchell's epilog to "Regeneration in the Ruhr" is worthy of quotation here:

Today, three decades after the events described in these pages, West Germany has a vitality that is outstanding on the continent of Europe. Yet, like America, she risks losing the quality of life and leadership that are vital to the future of freedom.

Can she find that inner commitment that can win over the Communist world, and give humanity a lasting peace?

The Berlin Wall is a stark reminder of the war of ideas that has blanketed this savage century.

Western civilization has incubated over the centuries the secret of regeneration. The crucial question now, for us all, is whether or not we so rejuvenate our Judeo-Christian heritage that we make it the discipline and joy of our lives and the core of our societies.

That choice, above all others, will determine our future.●

TERRORISM MUST BE CHECKED

HON. JOHN M. ASHBROOK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. ASHBROOK. Mr. Speaker, people all over the world were stunned by the attempted assassination of the Pope by a convicted terrorist. Fortunately, this senseless act did not take the life of the Pope and he was able to celebrate his 61st birthday this week. I am sure I speak for all Americans in wishing the Pope a speedy recovery.

We must take a stronger stand against these violent criminals who seek to publicize their causes by harming innocent individuals. On January 5, 1981, I introduced H.R. 67, a bill to amend the Internal Security Act of 1950 to provide our country with a more effective defense against the threat of international terrorist activities.

Although I have spoken out frequently against the dangers of terrorism for many years, I often feel that the message is ignored by many with the perception that "it couldn't happen to me."

I recently read an article that may convince those who doubt the very real danger of such violence. The article is entitled "The Nightmare of Terrorism," and it was published in the April 1981 issue of "Association Management," the magazine of the American Society of Association Executives. We are a Nation of many active association groups, and this article brings all too close to home the grave reality of terrorist violence through reports of actual terrorist incidents which threatened the safety of several association conventions.

I submit for the RECORD this article which stresses the importance of recognizing the real possibility of a terrorist incident occurring and the need to implement countermeasures to prevent such a nightmare from becoming a reality.

THE NIGHTMARE OF TERRORISM

(By Margo Vanover)

The threat of terrorism should not deter your association from sponsoring international meetings. But it should make you careful when planning such events.

The warning letter came on September 30, 1980. The bomb exploded about three weeks later.

"Sunday, October 19. The date is engraved on my brain," says Curtis Nabors, president, American Society of Travel Agents, Inc., New York City. That day, a bomb planted in an association convention kit exploded during the opening meeting of the 1980 World Travel Congress in Manila, Philippines. Eighteen people were injured, 11 of whom were ASTA delegates.

The explosive device is said to have been planted by the April 6 Liberation Movement, a political group opposed to the martial law imposed by Philippines' President Ferdinand Marcos. The blast narrowly missed President Marcos and other high-level officials who were attending the convention.

"Fortunately, the explosion did not cause severe injury to anyone. It could have been much more serious," explains Mr. Nabors. "Thank goodness that it wasn't."

Even though terrorist bombings, kidnappings, and murders make newspaper headlines almost daily, few association executives ever stop to think, "It could happen to me." But as terrorist attacks continue to increase, and as more and more associations take their annual meetings and conventions to foreign destinations, international terrorist attacks on association executives become more feasible, more threatening.

"The use of terrorist tactics has increased during the last 12 years—of that, there is no doubt," said Brian M. Jenkins, program director for security and subnational conflict, Rand Corporation, Santa Monica, California, in his recent address to the American Society for Industrial Security. "Although the overall level of terrorist activity oscillates from year to year, the trend is unmistakably upward."

Mr. Jenkins also points to an escalation in deaths during terrorist attacks. "The percentage of incidents with fatalities and multiple fatalities has increased during the last decade. This rise suggests that terrorists are more willing to kill and, perhaps, also more willing to risk being killed."

There were no fatalities in the ASTA attack. But in another terrorist incident that occurred several years ago, and that involved an association, the outcome was not as fortunate.

CONVENTION CHAIRMAN MURDERED

This time the terrorist attack was not international in nature, although it did occur outside of the continental United States. Thomas J. Rouland, CAE, executive director of the Federal Bar Association, Washington, remembers it well.

"Our 1977 Puerto Rico convention was going to be the biggest and best ever. We expected a larger turnout than ever before. . . . The Thursday before the convention, Alan Randall walked out of his home in San Juan, Puerto Rico, to get into his car and was assassinated. . . . No threats were given. Nothing. We had no indication whatsoever."

Mr. Randall was a labor lawyer who had lived and worked in Puerto Rico for a number of years. At the time of his assassination, he was the FBA's convention chairman and a member of its national executive committee.

Later that September day, a note was found in Mr. Randall's briefcase. The note, explains Mr. Rouland, accused the FBA convention chairman of being an enemy of the people. "It said that he had been accused, tried, and executed for being an enemy of the working class," Mr. Rouland recalls.

Ironically, a two-day seminar on terrorism as it affects lawyers was slated for the FBA's upcoming convention. Recognized experts on terrorism from various government agencies were to address the session. In the death note, the Labor Commandos—as they were called by the press—referred to the seminar on terrorism and mentioned by name each of the scheduled speakers.

The convention was only three days away, and some of the convention delegates, already were beginning to arrive in Puerto Rico. The executive committee of the Federal Bar Association was forced to make a difficult, almost no-win decision. Should they cancel? Should they go on, full speed ahead, with the show?

WHAT WOULD YOU DO?

If you are ever faced with a similar decision, the first thing you must do is calmly and methodically begin to obtain every available fact about the situation, says Mr. Rouland. You must also seek the advice of local police officials and carefully weigh their assessment of the situation.

"You must trust the security people," he says. "they know what they are doing. They have to level with us, and we have to level with them. But, in the end, we must look out for the best interests and well-being of our members. As association executives, that's our priority."

The FBA executive committee voted to cancel the convention in Puerto Rico and hold an abbreviated meeting at the Mayflower Hotel in Washington several weeks later. Time was a critical factor in their decision since, according to the association's bylaws, the annual meeting had to be held in the month of September.

Then, in a show of confidence, the FBA rescheduled the convention in Puerto Rico two months later.

Why? In part to satisfy the desire of the Puerto Rico chapter of the FBA, which, though distressed by the death of a fellow member, did not want the original show to be cancelled. "They believed the governor of Puerto Rico would provide adequate security," Mr. Rouland says.

When asked if he had any reservations about returning to the site so soon, Mr. Rouland responded: "No. I felt it was the right thing to do . . . The terrorists didn't direct their assassination against the Federal Bar Association. They didn't like Alan Randall. It wasn't an attack of us."

Although this murder occurred almost four years ago, it is not and probably never will be forgotten. Soon after the assassination, the FBA established the Alan Randall Memorial Fund, and each year at the annual convention, the Puerto Rico chapter raises money for a scholarship to be awarded to a promising law student.

"This is very important to the chapter—to educate future lawyers in his memory," says Mr. Rouland, "so that Alan Randall will not be forgotten and so he didn't die meaninglessly."

INNOCENT VICTIMS

The purpose of a terrorist attack quite often is not to harm the actual target of the attack but to gain publicity for a cause, to make a statement to the world. And, in the process, innocent bystanders who happen to be in the wrong place at the wrong time are victimized.

This was the case in the attack on the travel agents association. The April 6 Liberation Movement did not have a personal vendetta against the American Society of Travel Agents, Inc. "The terrorists were just looking for a forum," explains a state department spokesman. "And they found one."

The truth is that the Philippines had been the site of numerous terrorist attacks prior to the ASTA convention. From late August 1980 until the convention in October, one person had been killed and 40 injured in five bombings.

The association was not the ultimate target. It was the means to achieve an end.

Why, you might ask, did ASTA go ahead with its convention after receiving a warning letter? That's difficult question. In such a situation, there are no right answers. They all appear to be wrong.

AFTER THE WARNING

When Curtis Nabors received the warning letter on September 30, he did not treat it lightly and shrug it off. It and five other copies of the same letter that were later received by ASTA members were handed over to the Federal Bureau of Investigation, The Central Intelligence Agency, the Department of State, the U.S. Ambassador to the Philippines, and the U.S. Attorney General. According to Mr. Nabors, the State Department's verdict was that a travel advisory prohibiting travel to the Philippines was not necessary in this instance.

The association did not stop there. A few of the other safety precautions taken by the ASTA included:

Sending telegrams to all of the people who had registered for the meeting, explaining what had happened and what was being done.

A personal visit to the Philippines two weeks prior to the show by Mr. Nabors for the purpose of reviewing the situation with President Marcos and other government officials. "I was satisfied that they had taken every precaution they could," he says.

Extra security at the convention.

Development of a contingency plan that included a proposal for an emergency evacuation, locations of nearby hospitals, instant communication methods, and other information necessary in the event of an explosion.

When asked what his first reaction was at the instant of the blast, Mr. Nabors replies: "To ensure that there was no panic. My second reaction was to determine the extent of the injuries sustained and to evacuate in an orderly fashion. At that point, we didn't know if there was one bomb or 10 bombs. The evacuation worked because the delegates acted very professionally."

THE AFTEREFFECT

Because the association had developed a carefully executed contingency plan, it was able to proceed with at least some of the meeting. Although the general meeting sessions were canceled, the educational programs were aired on government television for six hours on Monday and Tuesday, and some of the social functions went uninterrupted.

Praising the attitude of those in attendance, Mr. Nabors says, "Everyone had a kind of show-must-go-on type of attitude." He says that, contrary to many newspaper reports, widespread pandemonium did not break out, the delegates were not hysterical, and people did not swarm to the airport to board the next flight out.

He seems to think that, in a way, it may have helped to solidify the association and "pull it even closer together." One example of this is that the ASTA offered a 50 percent refund to all who attended the congress, but so far, he says, only one out of every six people has accepted the offer.

The results of a random survey of 234 delegates conducted by International Research Associates, Ltd., Hong Kong, after the incident, parallels Mr. Nabors' perception of the crowd as calm and orderly. According to the survey results:

Of the respondents who were at the scene of the bombing, only 30 percent said the incident upset or frightened them.

91 percent said they would recommend the Philippines as a vacation spot, and about 80 percent said they would suggest it as a convention center.

65.5 percent of the ASTA delegates polled left the Philippines favorably impressed with the convention facilities, the country's vacation potential, and the friendliness of the Filipino people.

70 percent didn't think the conference should have been canceled because of the bombing.

HOW TO AVOID TERRORISM

These two incidents indicate the potential threat of terrorism to associations and their meetings. How can you guarantee that your association will never become the victim of a terrorist attack?

You can't. There are no guarantees, only reasonable precautions that lessen the chance of an attack, explains Hugh M. Walton, program manager, Commerce Working Group on Terrorism, U.S. Department of Commerce.

Here are a few precautions you should consider:

1. Acknowledge the reality of terrorism and consider that a terrorist incident could someday affect your association. Although this might seem like an unnecessary scare tactic, being aware of the threat is essential, points out the brochure, "Sabotage—Bombs—Bomb Threats," published by the American Society for Industrial Security, Washington.

"Since daily newspapers throughout the world are a continuing chronicle of current activity, a formal program to make management and employees aware of the threat posed by the terrorist would seem unnecessary," the brochure says. "Unfortunately, some managers persistently hold the opinion that, 'It won't happen to us.'

"The challenge then, is to convince management not only that attacks can happen to them, but that over a period of time, attacks will probably happen to them. Terrorism countermeasures require more lead time to institute effectively than any other security program because of the scope of the threat and the diversity of targets at which a threat may be aimed. No preventive program is effective on a reaction basis, and a suitable response can seldom be developed in the midst of crisis."

2. Select the site of a foreign meeting carefully. Look not only at the availability of hotels, appeal of the city, and size of the convention hall; look also at the incidents of terrorism. Call the Commerce Working Group on Terrorism and other appropriate authorities to find out the number of previous terrorist attacks, know terrorist groups active in the country, and, most importantly, the capability of the host government to help you with security.

Hugh Walton, of the Commerce Working Group on Terrorism, says that some governments have so many political problems that they cannot protect their own people, let alone a visiting group. A spokesman for the State Department rightly points out that once you are in a foreign country, the ability of U.S. officials to help you is limited. "Our role must be constrained if we're operating outside the U.S. We can't infringe on the foreign country's sovereignty," the spokesman says.

3. Become familiar with the U.S. policy on terrorism, for instance, you should know that it is this country's policy not to accede to terrorist demands. Although U.S. officials will not prevent you from paying a ransom in a case of kidnapping, they do not encourage it and will not act as your middleman, says a State Department spokesman.

"Gist," a reference aid published by the bureau of public affairs, Department of State, summarizes the U.S. policy on terrorism as follows: "The U.S. Government has made clear that it will make no concessions to terrorist blackmail. We will not pay ransom or release prisoners. We support other governments that take a similar stance.

"When Americans are abducted, we look to the host government to exercise its responsibility under international law to protect all persons within its territory. We maintain close and continuous contact with the host government during an incident, providing whatever support and assistance we can."

4. If you are sponsoring a meeting in a country that has been troubled by terrorism, consider keeping publicity to a minimum—especially press releases that would be picked up by the host country's media. "Terrorism is an international threat which requires some advance knowledge about the victim (or association), the itinerary, and the location," reads the American Society for Industrial Security's booklet, "Reducing the Risks of Terrorism."

"Unless absolutely necessary, restrict advance announcement of travel plans and withhold information about company affiliations and titles when registering in an overseas hotel," warns the booklet.

Mr. Walton of the Commerce Department agrees, advising association executives to do without "a lot of publicity and fanfare . . . or you're just inviting trouble."

5. If you have any idea that you will run into problems, develop a comprehensive contingency plan. When a bomb explodes, or a member is murdered, or a board member is kidnapped, you probably will be so stunned that ordinary thinking will be difficult. A contingency plan will alleviate some of your decision making and help you and your members cope with the event.

6. Contact the American embassy before your meeting and once you arrive in the host country. Embassy officials can be a valuable source of information for you. (For specific details on information provided by American embassies, see the accompanying box.)

7. If the host country has a record of terrorist incidents, consider hiring extra security for your meeting. That doesn't mean, of course, that you need guards armed with machine guns standing at every doorway, or that meeting participants need be intimidated by obvious security measures. "You can

take precautionary measures without building a fortress," Mr. Walton emphasizes.

When you are hiring security guards, "Don't take pot luck," Mr. Walton cautions. Instead, he says, find out what major U.S. corporations have offices in the country of your meeting; then call the company's U.S. headquarters and ask the security department what firms they have used. He says that businesses quite frequently trade names of good security firms. "Even competitors are sharing security information with each other to protect American life," Mr. Walton adds.

NOT A DETERRENT

When Curtis Nabors asked if the terrorist blast in the Philippines would deter the American Society of Travel Agents, Inc., from holding additional foreign meetings, his response was negative. "We're an association of travel agents. For us not to travel worldwide, when we are sending clients around the world, would put us in a ridiculous situation."

He also says that, personally, he would go back to the Philippines tomorrow without fear, and "I am not a foolhardy type of person." In fact, he is highly complimentary of the Filipinos, the country, and the convention facilities, saying that the government "did everything it could, before and after the event."

Mario Payawal, tourism attache for the Philippines Consulate, Los Angeles, says he has received numerous letters that express similar sentiments from the ASTA delegates who were at the convention.

"It was just an isolated case," Mr. Payawal explains. "The Philippine government condemns all forms of terrorism." He says that the people responsible for the ASTA bombing are now in custody and "proper charges will be filed against them."

Thomas Rouland is just as complimentary of Puerto Rico as a convention site. He says that after the assassination several people came up to him and said, "Oh, Puerto Rico. I would never have a meeting there."

"You miss the point," was his standard reply. "It's not Puerto Rico." He says that a terrorist incident could just as likely have occurred in New York City, Chicago, or Washington, D.C.

Pedro deAldrey, executive director, Tourism Company of the Government of Puerto Rico, San Juan, agrees. "It is probably safer here than in many places on the mainland. This is a relatively peaceful place to live and visit. . . . We are facing the same problems that are being faced throughout the industrialized world."

The threat of terrorism should not deter your association from sponsoring a foreign meeting—especially with the recent passage of bill H.R. 5973 allowing tax deductions for attendance at foreign meetings. This makes international meetings more attractive than ever before, and your members should not be kept from attending.

But the threat of terrorism should make you cautious and careful. Take adequate precautions, says Hugh Walton, to "make your organization a hard target, rather than an invitation to a terrorist group."●

A PENSION FOR OUR WORLD WAR I VETERANS

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. LEHMAN. Mr. Speaker, the Subcommittee on Compensation, Pension, and Insurance has just completed its hearings on H.R. 1918, a World War I pension bill.

I am a cosponsor of this legislation, because I believe that our Nation should finally recognize the dedicated service of these men who fought so bravely during the First World War. Following is a copy of the testimony which I submitted to the subcommittee in support of the early passage of this bill.

TESTIMONY OF THE HONORABLE WILLIAM LEHMAN ON H.R. 1918

Mr. Chairman, I would like to take this opportunity to express my strong support for H.R. 1918, legislation to give a service pension of up to $150 per month to our World War I veterans.

During the 95th Congress, this subcommittee held hearings on a similar World War I pension bill, and at that time I also submitted testimony in support of its passage. Unfortunately, during the 95th Congress and again during the 96th Congress, this legislation so desperately needed by our World War I veterans failed to be enacted into law. I will once again repeat the reasons why I am in favor of a bill to help our neglected World War I veterans, and hope that during this Congress it will at last be signed into law.

Our World War I veterans failed to receive the same benefits and consideration that our Nation has consistently given to other veterans. When these veterans were discharged they were not given any job preference classifications or other assistance to enable them to more easily find a job. These veterans did not even receive educational benefits to allow them to continue their education or to learn a new skill so that they could better make the difficult transition to civilian life.

Our World War I veterans did not have the opportunity to participate in any GI home loan programs to assist them in finding affordable housing for themselves and their families. These veterans did not receive hospital care, because veterans hospitals like those of today did not exist. The social security system did not aid most World War I veterans, as they were already too old to build up maximum benefits when it was created in 1935.

Passage of H.R. 1918 is long overdue, and it would serve to at least partially compensate our elderly veterans who were not eligible for the wide range of benefits available to our veterans from later wars. The sacrifices made by our World War I veterans were certainly not any less, and therefore the recognition of their contributions should not be any less.

There are so few World War I veterans that I am hopeful the 97th Congress will pass H.R. 1918 so that our Nation can finally say thank you to these brave and deserving men.

Inflation has imposed a special burden on our elderly who are living on fixed incomes, and passage of this bill would help our World War I veterans to better take care of themselves and their families. We cannot let any more congresses pass without first assisting these worthly veterans.●

EXCELLENT APPOINTMENT BY PRESIDENT REAGAN

HON. PAUL SIMON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. SIMON. Mr. Speaker, I applaud President Reagan's nomination of Arthur Hummel, Jr., as Ambassador to China. Mr. Hummel is a career Foreign Service officer who speaks fluent Chinese. He was born in China, has studied and taught in Peking and even spent a year during World War II fighting against the Japanese with a group of Chinese guerrillas.

I cannot think of a better way to show the Chinese that we are truly interested in talking to them, and in listening to what they have to say, than by appointing an Ambassador who speaks their language. Too often, our representatives overseas cannot speak the language of the country they are stationed in. Too often, foreign leaders are given the impression that nobody in the American Government cares enough about their country to learn their language. I hope this excellent appointment is a sign that we are finally recognizing the importance of foreign language skills in our diplomatic corps and that we are starting to bridge the language gap.●

NEW YORK ASSEMBLY OPPOSES DOMESTIC SWEATSHOPS

HON. GEORGE MILLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. MILLER of California. Mr. Speaker, over 140 Members of the House of Representatives, the State Legislature of California, and the City Council of Los Angeles have joined in urging Secretary of Labor Raymond Donovan to abandon his proposal to eliminate the prohibition on industrial homework in the garment industry.

Today, I want to introduce into the RECORD a resolution recently passed by the New York State Assembly which also calls upon Secretary Donovan to abandon this ill-advised plan. Like others in the garment industry—manufacturers, workers, contractors, and regulators—the assembly has recognized that elimination of the restriction would make enforcement of fair labor standards impossible, and would severely undermine the legitimate

manufacturer and States with such restrictions.

The comment period on the Secretary's plan has now closed. The overwhelming percentage of comments, like the testimony of every witness who testified before two hearings by the Subcommittee on Labor Standards, opposed lifting the ban.

I again call for joint action by the Congress and the administration to accept the Secretary's challenge to enact tougher penalties for violators of the Fair Labor Standards Act. Those tougher penalties, however, will be effective only if we retain the ability to enforce the law in the first place. The homework ban, which prevents the proliferation of sweatshops, is an essential part of the effort to eradicate unsafe workplaces and unconscionably poor working conditions.

The resolution follows:

RESOLUTION

Whereas approximately forty years ago, the Wage and Hour Administration, concerned about enforcing the minimum wage and maximum hour and child labor standards, provided for in the Fair Labor Standards Act, researched and concluded that there were seven industries in which it was impossible to enforce these standards under industrial homework conditions, and as a result homework was banned in the following industries: jewelry, gloves and mittens, knitted outerwear, women's apparel, buttons and buckles, handkerchiefs and embroidery; and

Whereas, Secretary of Labor Raymond J. Donovan has now proposed to repeal Part 530 of Title 29 of the Code of Federal Regulations, thereby abolishing these much needed regulations covering industrial homework; and

Whereas New York State has more extensive regulations specifying the conditions under which homework will and will not be permitted; and

Whereas a system of state by state regulation of industrial homework would cause a competitive disadvantage to those states such as New York which are more concerned about guarding against abuses in the areas of child labor, pay below minimum wage and poor health and safety conditions; Now, therefore, be it

Resolved, That this Legislative Body hereby respectfully memorializes United States Labor Secretary Raymond J. Donovan to withdraw his proposed repeal of federal industrial homework regulations; and be it further

Resolved, That copies of this Resolution, suitably engrossed, be transmitted to the Honorable Raymond J. Donovan, United States Secretary of Labor and each Member of Congress from the State of New York.●

SCIENCE AND ENGINEERING EDUCATION IN NSF BUDGET

HON. DON FUQUA

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. FUQUA. Mr. Speaker, yesterday the House, in its action on the National Science Foundation's appropriation, spoke out clearly on the importance of continuing the Foundation's programs in research and in science and engineering education. By a strong vote, the House upheld the position of the Appropriations Committee to restore $70 million in NSF's budget, $25.1 million of which is added for science and engineering education.

I would like to call my colleagues' attention to a letter I received from Dr. Frank Press, president of the National Academy of Sciences. His letter, and resolutions adopted by the Academy, articulate the value of the National Science Foundation's role in maintaining a strong base of education in science and engineering in this country, and the Academy's concern lest this role be lost.

NATIONAL ACADEMY OF SCIENCES,
Washington, D.C., July 16, 1981.

Hon. DON FUQUA,
Chairman, Committee on Science and Technology, U.S. House of Representatives, Washington, D.C.

DEAR MR. FUQUA: The direction of Congressional action on the proposed 1981 National Science Foundation budget for science education programs in recent weeks has been heartening to those who are most aware of the importance of a strong base of education in science and engineering to this country and who were dismayed by the cuts proposed in President Reagan's earlier budget proposal. There is still reason to be concerned, however, and I am writing to ask that the Congress give careful attention to this part of the NSF budget in taking final action.

As you know, the 1981 level for these programs, which include research fellowships as well as science course-content improvement projects and other programs to strengthen education, was $85.7 million, reduced to $67.6 million for the current year. The 1982 budget proposed by President Reagan was $9.9 million, which the Congress has increased to $35 million (House version) and $20 million (Senate version). The intent of the Congress to maintain a reasonable level of effort in this area, to the extent possible under the general retrenchment in the federal budget, is manifest; one must hope it will prevail.

It seems very important that the catalytic, supportive, and quality-setting role of the federal government in education in science and engineering not be lost. Not only the numbers and competency of our future scientists and engineers, but the public's understanding of the complex scientific and technological issues before our society depend on the nation's educational strength. In turn, the adequacy of these resources will determine how successful we are in national programs such as those for a stronger economy, national defense, and a more secure energy future.

About 8 months ago, a report by the National Science Foundation and the Department of Education, entitled "Science and Engineering Education for the 1980's and Beyond," presented evidence that our nation has reason to be concerned about deterioration in science and engineering education. The problems are pervasive and complex and will require determined and concerted effort by all sectors of society for their solution. The Federal Government must assume its fair share of the burden by enabling the Federal agencies with experience in science education—especially the National Science Foundation—to continue educational programs that prove to be effective.

At its annual meeting on April 28, 1981, the National Academy of Sciences passed a resolution expressing its concern about the selective cuts then under consideration for the National Science Foundation budget for science education programs. More recently, our Commission on Human Resources, at its meeting of June 12, reviewed this matter and passed a resolution affirming its support of continued federal efforts to strengthen science education at all levels, not overlooking research fellowships. I am enclosing copies of the two resolutions.

I thought you would like to know about these views. A retreat by the Federal Government at this time from its modest investment in this area would, in my opinion, be most unwise. I hope the Congress will look closely at the NSF education budget in taking final action and will maintain a strong federal emphasis on science education.

Yours sincerely,

FRANK PRESS, *President.*

Enclosures.

RESOLUTION

Whereas, the future of this country depends, in good measure, on its scientific and technological competence, and

Whereas, the future will depend on the scientific education of our young people, the National Academy of Sciences looks with disfavor on the selective cuts in the proposed NSF budget for its scientific education program and hopes that these funds will be restored, or that a reprogramming of the NSF budget will insure the continuance of its science education program.

Passed on April 28, 1981, during the 118th annual meeting of the National Academy of Sciences.

RESOLUTION

The Commission on Human Resources notes with pleasure and concurs with the resolution of the National Academy of Sciences dated April 28, 1981, regarding funding of science education. We believe strongly that there is a national need for substantial and consistent Federal support of all aspects of science education, including research fellowships. We wish to register our serious concern at the recent acceleration of the continuing decline in the availability of competitive open research fellowships for American scientists in the fields coming under the purview of the National Science Foundation. An integrated approach toward the support of these fellowships is needed; this may lead to new forms of support.

Immediate attention should be focussed on this problem to ensure that independent fellowships do not fall through the cracks. The Commission on Human Resources urges the Council and Officers of the National Academy of Sciences to take actions to serve the national need by instilling new vigor and substance in all science education, including research fellowships. We stand ready to help.

Approved by the Commission on Human Resources, National Research Council, June 12, 1981.●

A SOUR DEAL ON SUGAR

HON. PETER A. PEYSER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. PEYSER. Mr. Speaker, as we all know, the recent backroom bartering by the administration for votes on their version of the budget reconciliation package could saddle the consumer with an $8 billion tab. Unless the sugar support program is eliminated from the Food and Agriculture Act of 1981, Americans will end up paying more for every kind of processed food, from cookies to cornflakes.

As we get closer to the date when the House will have the opportunity to consider and vote on the 1981 farm bill, more newspapers weigh in with an editorial against the sugar provision.

A recent editorial column in the Wall Street Journal, entitled "Sugar Prices and the U.S., How Sweet It Is," concludes that while the sugar lobby clamors for ever-increasing support from the Federal Government, close examination shows that an intricate system of duties, tariffs, import fees, and quotas exist to protect their interest. Feeding the sugar lobby's collective sweet tooth will undoubtedly cause massive cavities in a person's household budget.

Today, I offer to my colleagues' attention a lead editorial from another one of our Nation's major newspapers, the Chicago Tribune, which finds the sugar provision to be "an inflationary assault on the consumer's pocketbook." I trust my colleagues will follow the advice of the Chicago Tribune and vote down the sugar provision.

[From the Chicago Tribune, July 9, 1981]

A SOUR DEAL ON SUGAR

In its eagerness to get its budget passed by the House, the White House made unfortunate concessions to conservative Democrats. Four Louisiana Democrats, for example, voted with the President only after he promised not to oppose higher price supports for sugar, which is important to that state's economy. Well, a commitment is a commitment, and this one was probably worth it to get the budget cut. But the President's commitment does not commit Congress, and the sugar bill is an inflationary assault on the consumer's pocketbook which Congress should vote down even without White House encouragement.

Domestic sugar growers and processors want the federal government to hold sugar prices up. This, they say, will prevent instability in the sugar market. Their definition of an unstable market is one in which sugar growers and processors aren't making enough money to keep them happy. When sugar prices were soaring last year, we didn't hear the industry lobbying Congress to stabilize them downward. Right now, however, prices are low—about 18 cents per pound, or less than half the level last year. All of a sudden instability is a problem.

The administration is quick to point out that raising the sugar support price would not directly inflate the federal budget. Under the farm bills approved by the House and Senate Agriculture Committees a farmer growing sugar would be able to get a loan from the Agriculture Department at 19.6 cents per pound. If the market price rises to a satisfactory level, he sells his crop and repays the loan; if not, he keeps the loan and lets the government keep the crop. As long as the market price stays well above the support price, farmers will prefer to sell, which means the government will lose no money.

Consumers, however, will lose. To hold the price up and thus minimize its own outlays, the government will probably have to use tariffs or quotas to keep U.S. producers from being undercut by imported sugar. Each penny added to the price of raw sugar costs consumers about $300 million.

Sugar growers say the market price would have to be at least 22 cents to induce farmers to sell on the market rather than let the government keep the sugar at 19.6 cents. That's about 4 cents above the current price, which translates into a $1.2 billion bill to consumers. Opponents of the legislation say the price would have to be at least 25 cents per pound, which would raise costs by more than $2 billion. Either way it's a bad deal. If the market price falls below what farmers need to make it profitable to sell, then consumers would lose less, but the government would have to cover a lot of defaulted loans.

No one doubts that the low prices are squeezing many sugar producers. But that is part of the normal cycle of sugar prices. Producers get rich when prices rise and suffer when they drop. In the long run, things even out for most producers. The growers and processors who can't make up their losses in the good years are those whose costs are too high, and who should be producing something else.

Sugar producers think the government should preserve their right to make money in good times and guarantee them a reasonable income in bad. But as the steel and shoe industries have shown, firms protected from competition soon lose the ability to serve their customers or to make money.●

IN HONOR OF JAYNE MUIR ZBOROWSKY

HON. MARY ROSE OAKAR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Ms. OAKAR. Mr. Speaker, it is with combined respect and pride that I am pleased to cosponsor a reception at the Women's City Club, Cleveland, Ohio, honoring Jayne Muir Zborowsky for her recent appointment as deputy director of economic development for Cuyahoga County.

Jayne Zborowsky has been a longtime personal friend to me and an equally loyal ally to the Greater Cleveland community. Her appointment as deputy director for economic development is but another example of her aptitude for success.

For the past two decades, Jayne Zborowsky has ably served the people in our community as a counselor in the Family Service Association, a child therapist for the Children's Aid Society, a city councilwoman, a professor and administrator at Cleveland State University, and currently serves as president of the Cuyahoga Women's Political Caucus.

Her untiring efforts in service-oriented occupations targeted at bettering the lot of hundreds of people deserves praise and applause. There is no question that her seasoned art of listening and advising, underlined with a sincere sense of caring, has provided the passport to progress for all those with whom she comes into contact.

Each of us honoring Jayne Muir Zborowsky here today has every confidence that she shall approach her new appointment with the same grace and integrity and vision that she has exercised in her past endeavors. Cuyahoga County is proud and fortunate to have such a woman, to have such a leader. We extend to her every good wish in her new venture and look toward her future and ours with great expectations.●

REAGAN TAX CUT PROMISES DISASTER

HON. TED WEISS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. WEISS. Mr. Speaker, supply-side economics was once called voodoo economics by GEORGE BUSH, who now supports the concept as Vice President of the United States; yet the wisdom of his original position keeps returning to us.

As columnist Sylvia Porter points out, the Reagan tax cut is almost certain to increase—not reduce—the annual Federal budget deficits. To widen the deficit is to risk the sobering experience of Great Britain, where riots have followed high interest rates, high unemployment, and negative industrial growth. And though Ms. Porter does not mention it, I must observe that the President's plan to boost defense spending by $1.635 trillion over 5 years will also help to doom his goal of a balanced budget, controlled inflation, and a resurgent economy.

I do not share all of Ms. Porter's assumptions. Yet she has written an insightful column on our Nation's financial prospects that I commend to the attention of my colleagues.

[From the Daily News, July 15, 1981]

DEFICITS WILL DOOM SUPPLY-SIDE PLAN

(By Sylvia Porter)

Unless the United States under this administration and this Congress gains, and then fights relentlessly to retain, control over our horrendous federal budget deficits, President Reagan's noble experiment with supply-side economics will fail.

And its failure will drag us all down with it.

Every other part of this economic policy, which has dominated U.S. domestic policy-making since Reagan took office, may be put properly in place (quite an assumption of its own, but let's assume it).

This means our destructively steep tax rates on investment would be reduced to encourage business to take more risks on building new plants and equipment and thereby to spur our productivity. It means our taxes on earnings would be so revised that they would discourage devil-may-care spending by us, as individuals, on things and non-things of temporary value. It means the growth in our money supply would be curtailed to force cutbacks in extension of credit for wasteful projects.

Even nature would get on our side by turning out huge crops and thriving cattle herds to curb food price increases. And geopolitics would throw a couple of aces our way by producing oil surpluses.

None of it would be enough to give supply-side economics a chance to work and send us into another era of sustained prosperity—unless there also are great slashes in our huge annual federal budget deficits. The reductions must be spectacular enough to quash the expectations of inflation, which are self-fulfilling prophecies. The balanced budgets can be postponed.

This is the sobering lesson being shouted to us by our ally Britain, under Prime Minister Thatcher.

Thatcher took office in May 1979 with the goals of cutting British government spending, reducing high tax rates on investment and earnings, curbing the growth in the money supply, revitalizing productivity, and bringing down the rate of inflation. That's "us," isn't it?

At that time, the index of government spending (1975-76 equals 100) was 90.5; in 1980-81 (latest figure), it was 98.5. As a percent of gross domestic product (Britain's total output), government spending then was 38.5 percent, today 40 percent. Government borrowing then was 5.67 billion pounds; today it's 13.5 billion pounds. Government borrowing as a percent of gross domestic product has soared from 3.8 to 6 percent. "Progress?"

In this same span, the rate of rise in consumer prices has sped up from 10.5 percent a year to 12 percent. The unemployment rate soared from 5.4 percent in May 1979 to 10.4 percent this May. Annual growth in industrial production plunged from plus 3.5 percent in May 1979 to minus 9 percent in 1980-81!

About her only achievement has been slowing the rate of growth in the money supply—from an annual 13 percent when she took office to an annual 11.5 percent now.

No wonder the labor riots in Liverpool, the high level of interest on British bonds, the demoralized securities markets in general.

Thatcher has not gained control over British government spending and the British deficit. She has slowed the growth in Britain's money supply, but the entire burden of adjusting to this slower growth has fallen on the private sector.

This, says Dr. William C. Freund, chief economist of the New York Stock Exchange, has caused "an unnecessary and costly contraction in jobs and output. . . . (It) underscores the importance of accompanying large and extended tax cuts with assured reductions in federal spending and deficits."

Don't shrug off Mrs. Thatcher as a bungler, Mr. President! What she has tried we are trying, too. Retreat on your tax cuts, concentrate on slashing our budget deficits—or your economics will fail, Sir.

That's what our own markets are warning you, too.●

OTTO A. TENNANT

HON. NEAL SMITH

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. SMITH of Iowa. Mr. Speaker, it is with great pleasure that I take this opportunity to congratulate Otto A. Tennant, P.E., of Des Moines, Iowa, who was recently elected president of the National Society of Professional Engineers. NSPE is a nationwide organization representing 80,000 indiviudal members involved in all aspects of engineering.

Before taking on this most prestigious position, Otto served as vice chairman of NSPE's north-central region and Professional Engineers in Industry. He also served as chairman of the NSPE Legislative and Government Affairs Committee.

Otto holds a B.S. degree in general engineering from Iowa State University and an M.A. in economics from Drake University.

Currently, Otto is manager of industrial marketing and technical services of Iowa Power & Light Co.

It is an honor for me to congratulate Otto on his recent election and to wish him the best of luck.●

CHIEF JUSTICE NOTES SERIOUS PRISON PROBLEM

HON. PAUL SIMON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. SIMON. Mr. Speaker, Chief Justice Warren Burger gave a commencement address at the George Washington University School of Law that talks about the state of our corrections system in the United States.

I commend the Chief Justice for speaking out candidly on a problem we are fundamentally ducking.

He calls for the establishment of a national academy to train corrections personnel just as we have had the police academy established by the FBI for police personnel.

Second, he calls for a sensible education/rehabilitation program.

The Chief Justice speaks good—and I am afraid not so common—sense in his discussion.

I urge my colleagues to read it.

REMARKS OF WARREN E. BURGER, CHIEF JUSTICE OF THE UNITED STATES, AT THE COMMENCEMENT EXERCISES FOR GEORGE WASHINGTON UNIVERSITY SCHOOL OF LAW

The ancient American custom of commencement speeches is an innocuous one that has done very little harm to graduates and may have the benefit of teaching them the virtue of patience. And parents, now released from paying the inflated rate of keeping a student in college, are bound to be in such a happy mood today that no speech could depress them!

I have no talent in framing cosmic remarks about the future which terminate with a "handing of the torch" to the survivors of three years of the rigors of a law school. My training as a lawyer is to try to identify problems and seek solutions. That will now be your role.

If there is a "torch" in the problem I discuss today, it is one that will singe your hands and burn your pocketbooks in the years ahead—probably for the rest of your lives. Not serious burns, but some.

Now let me tell you why it is important.

In my annual report to the American Bar Association recently, I discussed the appalling and increasing rate of crime and our apparent inability to cope with it. Since then, two particularly gross criminal acts have shocked the entire world, and underscored the point.

I reminded the American bar that governments were instituted by people primarily for their collective protection. Our own system of government, established 200 years ago—as it has envolved—affords more safeguards, more protections, and more benefits for a person accused of crime than any other system of justice in the world. The resolution of guilt is marked by characteristics which make our system unique in the world:

(A) It extends over a longer period of time than in any other judicial system;

(B) It allows for more appeals and more retrials than any other system in the world;

(C) After all appeals are fully exercised, it allows—in fact, it encourages—continued attacks on the conviction even though that conviction has become presumptively final;

(D) But in the final step—the correctional stage—we seem to lose interest and our performance must be judged a failure.

No one questions that a criminal conviction should always be open to correct a miscarriage of justice. But no other system in the world invites our kind of never-ending warfare with society, continuing long after criminal guilt has been established, beyond reasonable doubt, with all the safeguards of due process. Our system has moved thoughtful, sensitive observers who are dedicated to individual liberty to ask: "Is guilt irrelevant?"

On a number of occasions over the past 25 years since I have been a member of the judiciary, I have undertaken to discuss the subject of corrections, correctional practices, and correctional institutions.

That is my subject today. My concern on this subject has led me to visit many such institutions in the United States and even more in the countries of Europe.

Looking back, we see that over the past half century, we have indulged in a certain amount of self-deception with euphemisms, sometimes to sugarcoat the acid pills of reality, and sometimes to express our humane aspirations for those who break our laws: "Prisons" became "penitentiaries"—places of penitence—juvenile prisons became

"reform schools," and more recently, we have begun "halfway houses," without being quite sure halfway from what to what.

None of this is bad. I do not refer to these terms to disparage them or to question the humane impulses that led us to substitute them for the harsh term "prison." Yet it is now beginning to emerge that these terms may reveal our own confusion, and our own lack of direction to achieve the universally accepted objective to lend a helping hand to those who are confined for breaking the law. That we are confused, that we lack direction, is not surprising for we deal here with an intractable problem that has plagued the human race for thousands for years.

I cannot qualify as a professional or as an expert in the field of penology or corrections, but close observations of criminal justice and correctional practices for 25 years have left me with certain impressions. Some of those impressions have changed as reality overtook early hopes and aspirations which I had shared with penologists and judges.

I have long believed—and said—that when society places a person behind walls and bars, it has a moral obligation to take reasonable steps to try to render him or her better equipped to return to a useful life as a member of society. Note, I say "try," and I use the term moral obligation, not legal, not constitutional. The Constitution properly mandates due process; it mandates many protective guarantees, but it mandates nothing concerning the subject of punishments except that they be not "cruel and unusual." The laws aside, to make these people good citizens is also for our own proper self-interest—not just theirs.

Even as recently as 20 or 25 years ago, I shared the hopes of great penologists like James V. Bennett, Torsten Eriksson of Sweden, and Dr. George Sturup of Denmark, and many others that enlightened correctional programs would change and rehabilitate prisoners. With many others, I have had to recognize—to my sorrow—that, broadly speaking, prospects for rehabilitating convicted persons is a great deal less promising than the presumed experts had thought.

To do all the things that might have some chance of changing persons convicted of serious crimes will cost a great deal of money and 1981 is hardly the year in which to propose large public expenditures for new programs to change the physical plants and internal programs of penal institutions. So what I am about to propose our programs of relatively modest fiscal dimensions which I believe will help—but with no guaranteed results.

Estimates on the cost of criminal activity are necessarily speculative. How should we measure murder, rape, or assault? But those who have studied it give estimates as high as over $100 billion—billion—not million. This is reflected in a range of ways:

The direct loss suffered by the victims,

Increased insurance rates,

Increased security by home-owners and businesses,

Increased police departments,

Increased court facilities, and

Increased public assistance to victims and their families.

To approximate ideal solutions would cost a great deal of money and require a very long-term program. But we should not wait until we can do the whole job—the ideal—however that may be defined. We should begin where we can, at a level we can afford. Small steps are better than none.

Two steps could reasonably be taken within the range of affordable expenditures. I relate them chiefly because they are affordable in an economic sense—and affordable in terms of the psychology and the political and economic realities of 1981. These proposals are closely related, both bearing on training and education—training of the inmates and training of the keepers.

In 25 years on the bench, I have observed and dealt with more criminal cases, and cases dealing with conditions inside prisons, than I can estimate. I have visited many penal institutions and I assure you a prison is not a pleasant place; it is not even a comfortable place. It probably can never be made either comfortable or pleasant; but neither pleasure nor comfort is the primary object of the enterprise. At its best, it is barely tolerable and even at that level, a penal system is enormously costly—and it is paid for partly by the crime victims on the outside.

In all too many State penal institutions, the personnel—the attendants and guards—are poorly trained and some are not trained at all for the difficult and sensitive role they should perform. There is an astonishing rate of turnover of guards and correctional personnel. One State, widely regarded as having an enlightened correctional system, has a 40-percent annual turnover. One State has 54 percent, one 60 percent, another 65 percent, and another 75-percent turnover.

How can any human enterprise be effective with that rate of turnover of key personnel? The turnover reflects, in part, the appallingly low salaries paid. And I venture to say that there is a correlation between the low salary, the rapid turnover and the amount of training.

Long ago, I observed the marked contrast between the security personnel in the prisons of northern European countries and the prisons in our country. In northern Europe, guards are carefully screened and highly trained; that is as it should be for they are dealing with abnormal people in a very demanding setting. Without special training, prison personnel can become part of the problem rather than part of the solution.

An important and lasting consequence of lack of trained personnel is the impact on the inmate—the individual inmate—who continues his hostility toward society, toward fellow inmates and toward prison personnel. The "keepers" come to be the immediate symbols of the society that keep them confined. Unfortunately, judicial holdings have not always discouraged this warfare. More often than not, inmates go back into society worse for their confinement. Our dreams and hopes concerning rehabilitation have not been realized.

I begin with step one.

At present, there is no single, central facility for the training of prison and correctional personnel, particularly those at the lower and middle levels who work with prisoners on a one-to-one basis. I discussed this subject in 1971 at the Williamsburg Conference on Corrections and this led to the creation of the National Institute of Corrections which has conducted regional seminars to train middle- and upper-echelon prison personnel since 1972.

The operation of a correctional or penal institution is no place for amateurs. It calls for substantial professional training and the highest order of sensitivity, beginning at the guard level. We need look only to the volume of complaints, the disorders, and riots in these institutions over the past decade to find abundant evidence of this. If the only problem were the control of disorders it might be manageable, even if only by use of raw force, but force is not the solution. In a limited sense, these institutions can be compared with the production lines of Detroit: Recidivism is the penologists' word for "product recall." When prisons turn out "products" with a high rate of recall, we have disaster. And our current rate of recall—recidivist offenders is a disaster. And you will inherit that disaster.

Under the leadership of Norman Carlson, of the Federal Bureau of Prisons, and Allen Breed, Director of the National Institute of Corrections, much has been done to improve conditions. But more is needed.

The best of prison administrators cannot change some of the negative conditions unless those in the high-turnover, lower echelons are carefully screened, well-trained, and reasonably paid. Psychological testing of applicants is imperative to screen out people with latent tendencies of hostility. The existing statutory prohibitions on psychological screening must be reexamined. Today, those lower positions in most of the States are generally not paid adequately enough to get minimally qualified people.

One of the great, and perhaps most lasting, contributions of the Federal Bureau of Investigation was the founding of the National Police Academy by J. Edgar Hoover. For over 45 years, the FBI has given advanced training to thousands of State and local police personnel. That training has vastly improved the quality of law enforcement in America, both in terms of efficiency and the kind of law enforcement a decent society should achieve. A sheriff, constable, or policeman on the street cannot avoid errors under the fourth amendment, for example, if he or she has not been trained to appreciate the sensitive and elusive nuances of that rule of law. The cost of creating and maintaining the FBI Academy is but a tiny fraction of the benefits it has conferred.

The time is ripe to extend the fine work begun in 1972 by the National Institute of Corrections, and we should proceed at once to create a National Academy of Corrections to train personnel much as the FBI has trained State and local police. This is especially needed for the States which have no real training resources available. The academy should also provide technical assistance to State and local institutions on a continuing basis.

The cost of establishing such an institution, particularly if it could be made as an adjunct at the FBI Academy at Quantico is not great. The physical facilities of classrooms and dormitories could be used interchangeably by both the FBI police training program and the correctional academy. I am reliably informed that the faculty of such an institution could be made up of not more than a dozen permanent staff with the balance of the training conducted by an ad hoc faculty of specialists drawn from the State and Federal systems. Alternatively, the United States could acquire the facilities of a small, centrally located college which is closing its operations. Such a facility could readily be adapted to this purpose.

Now, step two.

The second step for which I would urge consideration is one that would need to be phased over a longer period. We should introduce or expand two kinds of educational programs:

The first would be to make certain that every inmate who cannot read, write, spell, and do simple arithmetic would be given that training—not as an optional matter but as a mandatory requirement. The number of young, functional illiterates in our institutions is appalling. Without these basic skills, what chance does any person have of securing a gainful occupation when that person is released and begins the search for employment—with the built-in handicap of a criminal conviction? To those who view the mandatory aspect as harsh—and some will—I suggest that the total work and study hours of inmates be no greater than we demand of the 15,000 young Americans who are cadets at our service academies—or law students!

Focusing on the longer term prisoner, the second phase of this educational program would require a large expansion of vocational training in the skilled and semiskilled crafts. So that a prisoner would not leave the institution without some qualifications for employment in the construction, manufacturing or service industries, these vocational training programs should also be mandatory. An inmate who declines to cooperate must be motivated to do so by incentives, including shortening the sentence. Just as good behavior credit is now allowed to reduce sentences, we should allow credit on sentences for those who cooperate. We should help them to learn their way out of prison. Rewards and penalties accompany the lives of the cadets I spoke of—and of law students. Why should this not apply to prisoners?

A few days ago I visited with W. Clement Stone, a fine American business leader, who has devoted much of his time and money to improve the lot of prison inmates. He has written and lectured on the crucial role of motivation in the lives of people. Prisoners are people and we must try to motivate them, try to train them, try to instill the self-esteem that is essential to any kind of normal life. We may succeed with only a small percentage, but we must try.

One of the institutions which impressed me in my visits to correctional facilities over the last 25 years was a juvenile prison in Europe. It had on its walls in the main entry lobby four statements which added up to a carrot and a stick. Here is the first thing the new inmate sees when he arrives to begin his term:

First: "You are here because you need help";

Second: "We are here to help you";

Third: "We cannot help you unless you cooperate";

Fourth: "If you don't cooperate, we will make you."

Someone may say that this is a harsh proposition to put to the people who are unfortunate enough to be in prison. But I suggest to you that among the factors which would explain the presence of that person at that place at that time, is that he or she has not been subject to the discipline calling for adherence to certain standards of work and learning. Motivation is absent, but even small successes can spark motivation, and that kind of carrot and stick program provides motivation.

We know that people who have neither learned to learn nor learned to work have little basis for the self-esteem or the esteem for others that is so essential to the human existence.

There is nothing novel in what I am proposing. There are skilled people who have thought about these problems for a long time who stand ready, willing, and able to implement them if only the Government will act in the areas in which only a National Government can act efficiently.

These are two very small steps in the whole scheme of this melancholy picture of crime in America. They are not necessarily logical starting points, but they are a beginning. The way to get started on any solution is to face the problem and take one or two steps—however small.

Even in this day of necessary budget austerity, I hope that the President and the Congress, in whose hands such matters must rest, will be willing to consider these two modest, but important steps. No one can guarantee results, but if we accept the moral proposition that we are our brothers' keepers and that there is a divine spark in every human being—hard as that is to believe at times—we must try.

For those who are reluctant to finance moral propositions, the hard economics of the cost of crime may offer greater inducement. For yet others, these programs offer the combined appeal of Christian charity and New England frugality.

The "Torch" is now yours. I hope it singes you enough while you earn large fees from affluent clients, to assure your support for these steps, because the consequences of the present system will fall on you and on your children.●

WATT MUST GO

HON. RONALD V. DELLUMS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. DELLUMS. Mr. Speaker, rather than serving as steward of the Nation's natural resources, the new Secretary of the Interior seems to have embarked on a campaign to infuriate my constituents. A recent editorial in the Oakland Tribune, a major bay area newspaper of reliably moderate inclinations, had this to say about James Watt's activities:

* * * therein lies the basic problem with Watt. He seems to be picking issues on the basis of the outrage they are likely to provoke from environmental groups rather than on their merits.

No government decision should be above review. But there is a difference between orderly review of policies and the sort of crash program Watt has started to undo years of effort aimed at protecting the environment.

The full text of this editorial follows for the entertainment and edification of my colleagues:

[From the Oakland Tribune, Apr. 21, 1981]

WATT: HARDLY IN MAINSTREAM

Last Wednesday the National Park Service announced that it will consider letting snowmobiles roar through the now quiet winter landscapes of Yosemite, Lassen and Kings Canyon National Parks.

Last Thursday Interior Secretary James G. Watt said he will take a second look at the California Desert Plan which protects 2 million acres of wilderness.

And on Thursday the Sierra Club launched a campaign to remove Watt from the office, saying he is "at war" with the fundamental idea of environmental protection.

It is an understandable conclusion.

In the three months he has been in office Watt has also abolished the Interior Department office which acquires land for national parks, authorized a study of whether some national parks should be turned over to local areas, proposed canceling of marine sanctuaries, moved to reconsider measures which protect Northern California's wild rivers, solicited proposals from western governors for federally subsidized water projects and reopened debate on the ban on oil and gas drilling off the Northern California coast.

Even some officials of major oil companies are privately critical of Watt's stance on offshore drilling, Sara Terry of the Christian Science Monitor reported last Friday.

According to her story, some oil company officials say that if Watt wanted a showdown with environmentalists, he should have picked an area expected to have larger reserves of oil.

And therein lies the basic problem with Watt. He seems to be picking issues on the basis of the outrage they are likely to provoke from environmental groups rather than on their merits.

In virtually every case the decisions he has reversed or agreed to reconsider were made only after careful study. Take the two possible policy changes announced last week.

The California Desert Plan was adopted after four years of study and the receipt of 40,000 comments. The debate over whether to allow snowmobiles is not merely a question of personal preference. If snowmobiles are allowed to travel over fragile meadows, their weight can compress the snowpack, making it so much colder that it harms fragile plants.

In a statement released in Washington in response to the Sierra Club petition drive, Watt said he "strongly believes he is in the mainstream of the environmental movement." We hope the recall petitions will put him on notice that he is not.

No government decision should be above review. But there is a difference between orderly review of policies and the sort of crash program Watt has started to undo years of effort aimed at protecting the environment.●

COAL SLURRY LEGISLATION

HON. JAMES J. HOWARD

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. HOWARD. Mr. Speaker, today I cosponsored legislation that, if enacted, would facilitate the construction of coal slurry pipelines. The bill is essentially in a form proposed by the slurry transport industry, and it will act as a starting point for hearings on this important issue. In many aspects, the bill differs from previous legislation. These differences and other points contained in the legislation will be examined closely during the course of the hearings. After committee hearings and after review of the testimony received at those hearings, the Committee on Public Works and Transportation will reach a final position on the type of legislative solution that we

believe will best facilitate the construction of coal slurry pipelines.

Coal is an important natural resource, and the transportation of coal both for domestic and foreign use needs to be reviewed in order to ascertain whether or not the Nation's transportation facilities are adequate to move the coal to domestic and foreign markets. Quite simply, this bill is a transportation bill, nothing less and nothing more—one that will facilitate the construction of coal pipelines across Federal and non-Federal lands. I must add, however, that the committee has conducted hearings on port development and is preparing legislation aimed at developing ports so that the Nation can better transport its goods in foreign markets. The ability of the ports to handle coal traffic is one of the major points that was discussed at those hearings. Thus, the committee has the opportunity to consider the overall transportation policies that exist in the coal transportation marketplace and to take major steps to improve and to increase the ability of this country to move its coal in a better manner.●

JAPAN TAKES LONG-RANGE VIEW ON SPACE: INCREASES EFFORTS TO COMPETE WITH THE UNITED STATES

HON. RONNIE G. FLIPPO

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. FLIPPO. Mr. Speaker, the Wall Street Journal has published an article on the Japanese space program which I believe all Members should read. The article makes two points which I feel are particularly salient. First, Japan has decided space is important to their future and they are getting organized to give it commensurate attention. They are aiming at the world market, and expect it will generate business worth $4.5 billion to Japan in the mid-1990's. Japanese Government and industry are beginning to work together to make this expectation a reality. Second, the Japanese are contemplating building a space shuttle. That is an eerie thing to learn—it sounds just like Datsun/Honda/Toyota all over again. We do it first and big and make all the mistakes. They do it second and small and learn from our mistakes and pretty soon we are importing from them.

I have always heard that imitation is the sincerest form of flattery. I think we had better start imitating the Japanese and get our space program organized. The Journal quotes a spokesman of the Japanese space agency as saying "If we decide to save money now, our descendants may have a grudge against us." We should flatter the Japanese and incorporate such thinking into our space planning. To do otherwise is extremely shortsighted.

Mr. Speaker, I am including the Wall Street Journal article for the benefit of other Members, and commend it to their attention.

[From the Wall Street Journal, July 20, 1981]

JAPAN SETS MINI-ENTRY IN SPACE RACE

(By Masayoshi Kanabayashi)

TOKYO.—Now that the U.S. has successfully flown its space shuttle, it's just a matter of time before the Japanese launch their own, smaller "Columbia" and begin exporting it to the U.S.

So went a joke that made the rounds here recently. As it happens, though, the joke contains at least a kernel of truth. It's still a sketch on a drawing board, and it isn't likely to take off until the 1990s, but Japan is indeed mulling a possible "mini" space shuttle.

"Just as we need a bus, we also need a mini-car," says a spokesman for Japan's National Space Development Agency, or NASDA, a government-sponsored corporation charged with putting Japan's budding space program into effect.

The mini-shuttle, which hasn't been officially authorized by the government yet, is just one part of that program. Since 1970, Japan has put 22 satellites into orbit, but three of them had to be launched for Japan by the U.S. National Aeronautics and Space Administration, or NASA, because Japan lacks rockets with sufficient power for heavy satellites.

So one thrust of Japan's space program is building bigger rockets. It's developing one capable of carrying a 1,100 pound satellite into orbit and last February it launched one that can carry 770 pounds.

Another project is the mini-shuttle. Although smaller than Columbia, it would have most of the U.S. shuttle's basic functions, including jet engines that would enable it to land in Japan for reuse. On the blueprints, the mini-shuttle measures 46 feet long and 24.5 feet wide, weighs 10 tons and can carry a crew of four plus 1,100 pounds of cargo.

Why does Japan need a space program in the first place? The answer seems to be part national pride, part a calculation that the technology developed by a space program will be critical to Japan's economic future. There is a feeling here that Japan, with its almost total lack of natural resources, has staked its future on high technology to such an extent that it can't afford to fall behind in critical technological areas. What supports the feeling is the realization that in downgrading its military as it has, Japan already lags in weapons technology.

"The present outer space is just like a virgin land in the sailing ship era," declares a pamphlet issued by NASDA. "If other countries get a patent license on new materials made in space or obtain medicine which is good enough to meet the world demand in small quantity, the impact on Japan will be great."

Moved by sentiments like those, Japan's Ministry of International Trade and Industry, or MITI, has begun taking steps to transform Japan's space program from a loosely organized network of research projects into an industry. Its first step, taken last fall, was to set up an advisory body to study the prospects for such an industry.

And the advisory body recently concluded: Space will be a $4.5 billion industry for Japanese manufacturers by the mid-1990s, comparable in size to today's radio and television manufacturing industry.

Moreover, the advisory body recommended that the Japanese space industry "aim at the world market," and urged that the government "provide active assistance." Regarding satellites specifically, the advisory body said that for the time being, "one way to win orders" would be to develop products jointly with foreign firms. "But in the long term," the advisory body said, "it is desirable for a group of Japanese companies to obtain the ability to enter the world market solely on their own."

A SMALL INDUSTRY

If the Japanese space industry accomplishes all that, it will have come a long way indeed. Today, although some 70 Japanese companies do space work, sales are less than $480 million—about the size of Japan's underwear industry. Exports constitute about 20% of the industry's current sales, but most of that is ground-station equipment, such as antenna systems. The rest is sales to the Japanese government for use in broadcasting, weather forecasting, resource surveying and other programs.

Of the 70 companies, six account for two-thirds of the annual business and are likely to be among the mainstays of the industry's future. They're Mitsubishi Heavy Industries Ltd., Nippon Electric Co., Ishikawajima-Harima Heavy Industries Ltd., Nissan Motor Co., Mitsubishi Electric Corp. and Toshiba Corp.

Company officials say none of the Japanese concerns is currently making money on its space business. They say the main priority is to increase technological prowess by taking part in the space program.

Launching rockets, for example, isn't a commercial business today, but when it does become one, says Yoshihide Hiraiwa, senior manager of Mitsubishi Electric, Japan will bring a great strength to the international competition—its ability to make high-quality products. "If Japan had manufactured the Columbia, the tiles would never have fallen off." Mr. Hiraiwa says.

In the future, Mr. Hiraiwa believes, the U.S. will continue to lead the free world in developing new space technology. But a good deal of the manufacturing, he hopes, will take place in Japan.

HOLES IN THE NET

Everyone, to be sure, isn't as optimistic about the Japanese space industry's future as the advisory body and Mr. Hiraiwa. Many company officials insist that it will be more difficult for Japan to excel in an industry that, unlike auto and television manufacture, isn't geared toward mass-production. Only two or three rockets are launched in Japan each year.

But other space industry proponents dismiss such pessimism. Someday, space could be a mass-production industry, they maintain. And although Japan is currently five to ten years behind in the space race, a NASDA official notes that "Japan has come through holes in the net of American technology in the past (in such sectors as automobiles and electronics), so there could be similar holes in the future as well."

But the way some Japanese talk, it seems likely that Japan will pursue its space program if only for the technological spin-off. "It's a high added-value industry," notes the advisory body, but more importantly it is necessary "for the realization of a desirable

industrial structure in Japan . . . As unilateral introduction of technologies from foreign countries is getting more difficult, it is necessary to strengthen Japan's own bargaining power through accumulation of necessary technological know-how."

Or, as the NASDA spokesman puts it, "if we decide to save money now, our descendants may have a grudge against us."●

A TRIBUTE TO ROSE FITZGERALD KENNEDY ON HER 91ST BIRTHDAY

HON. FRANK J. GUARINI

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. GUARINI. Mr. Speaker, today is the 91st birthday of Rose Fitzgerald Kennedy, truly one of America's grand ladies. To my knowledge she is the only American woman who has raised three of her sons to become U.S. Senators and has seen one of them become the President of our country.

Born July 22, 1890, as the oldest of the six children of John Francis Fitzgerald and his wife, Josephine Mary, Rose Kennedy indeed has shown the world that home is where character is built and where sacrifices are made to assure the happiness of others and where love is deeply lavished.

As the daughter of a father who served as the mayor of Boston in 1906 and as a Member of the U.S. House of Representatives, Rose Fitzgerald developed her charismatic sense of community and political life while cherishing her devotion to home and church. She was selected as the prettiest girl in Boston when she graduated with honors from high school at the age of 15. Her love for music was nurtured by her attendance at the New England Conservatory and her deep sense of commitment to her Nation and fellow man blossomed while she attended the Convent of the Sacred Heart in Boston and Manhattanville College of the Sacred Heart in Purchase, N.Y.

Her fondness for the French and German languages and the opera grew while she attended Blumenthal Academy, a German convent in the Netherlands.

Upon her return she dutifully performed as a cosmopolitan hostess for the mayor of Boston, a job she found "boring." She served as a volunteer in many areas teaching catechism and working in the library in the North End of Boston. She developed an organization aimed at the study of national and international affairs.

On October 7, 1914, she married Joseph Patrick Kennedy who became Ambassador to Great Britain. While absorbed by her duties as a wife and mother she never lost interest in community life.

They were the parents of nine children, including Joseph, Jr., who was killed in action serving with the U.S. forces in Great Britain in 1944; John Fitzgerald Kennedy, who became a U.S. Senator and was assassinated while President of the United States in 1963; Rosemary, Kathleen, Eunice, Patricia, Robert F. Kennedy, who also served as a U.S. Senator and was killed by an assassin's bullet in 1968; Jean, and Edward M. Kennedy, who now serves in the U.S. Senate.

The grief over the loss of three sons was compounded by the lengthy illness and death of her husband in 1969. Through it all, Rose Kennedy has held her head high, proclaiming "God never sends us a cross too heavy for us to bear."

There is no question in the minds of persons throughout the world that her religious faith has helped her greatly in her refusal to be conquered by her grief. Her leadership is proof positive that the Nation is proudest and noblest which has the greatest number of outstanding women, wives and mothers.

In recognition for her work in the Roman Catholic Church Rose Kennedy was made a papal countess by Pope Pius XII.

In 1970 she traveled to Ethiopia where she dedicated a library in memory of the late John F. Kennedy at Haile Selassie University.

Rose Kennedy has been described as "91 years young" by her son Senator TED KENNEDY and is reported in excellent health, attending Mass every day, enjoying golf and long walks at Hyannis port beach and swimming whenever possible in the chilly Atlantic Ocean. In her more recent years Rose F. Kennedy has worked raising funds for those who are mentally retarded, expressing "I have benefited a good many people in this fight."

I salute Rose F. Kennedy as a symbol of hope and courage. She has shown that hope indeed awakens courage and that those who can implant courage in the human soul are among the world's best physicians.

I am certain that my colleagues will want to join with me today in this tribute to Rose F. Kennedy who has given the world the gift of consideration, the gift of gratitude, the gift of courage, and the gift of inspiration.●

JOHNSTON SHOWS WHAT THE REAGAN ECONOMIC RECOVERY PROGRAM IS ALL ABOUT

HON. NORMAN F. LENT

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. LENT. Mr. Speaker, I rise to call to the attention of my colleagues an event which took place this past week in the Fourth Congressional District of New York, which I have the honor to represent. It was an event which demonstrated an essential truth about our great country and its future if President Reagan's economic recovery program is fully implemented.

On July 17, a Nassau County businessman, Mr. Robert Johnston broke ground for a new 80,000-square-foot refrigerated warehouse for his Harbor Distributing Corp. in Hicksville, N.Y. He is investing some $3,500,000 in this new warehouse, which will nearly double the company's storage capacity.

Mr. Speaker, $3,500,000 is a huge sum for a small businessman to invest at any time. In the light of current economic conditions, it requires great courage to make such a substantial investment. It also requires firm confidence in future economic growth. And that is why, Mr. Speaker, I feel my colleagues should be aware of this event. For Bob Johnston's investment is, in fact, a microcosm of what the Reagan economic recovery program is all about. And it demonstrates how the Reagan economic recovery program will work to revitalize our economy.

As the primary wholesaler for Anheuser-Busch products in Nassau County, N.Y., and nearby areas, the Harbor Distributing Corp. provides employment for 125 persons. The new storage facility is being built because sales are expected to increase. If sales increase by as much as $4,000,000 during the next 2 years, Bob tells me that would mean 25 additional jobs with his company. And, of course, the increased sales would also mean many thousands of dollars in additional tax revenues flowing into local, State, and Federal governments.

Mr. Speaker, imagine small businessmen all over the country making similar investments in new or expanded business facilities. Think of the thousands of jobs that would be created by such activity. Think of the millions of dollars in additional tax revenues pouring in to local, State, and Federal governments from these business activities.

Mr. Speaker, that is precisely what President Reagan's economic recovery program is designed to accomplish. The President's plan curbs inflation by limiting Federal spending; it encourages investment in new business activity through a 25-percent reduction in individual income tax rates and through increased business depreciation allowances. The President's program, by helping businesses to modernize and expand, will revitalize the American economy. And every one of us benefits from a prosperous, growing economy.

So, Mr. Speaker, Bob Johnston's decision to build a new warehouse in Nassau County provides us with a demonstration of the benefits our

Nation can expect from President Reagan's economic recovery program. The spending ceilings Congress voted on the fiscal year 1982 budget have provided the foundation for the program. Now, the Congress must complete the task by approving the President's simple, but effective, tax reduction program. I call upon my colleagues to support the President's tax reduction plan, and thereby help Bob Johnston and the thousands upon thousands of businessmen like him across our Nation. Give them the power to revitalize our economy.

I congratulate Bob for his courage and enterprise in forging ahead with this new project, and I know my colleagues will join me in wishing him every success.●

CLOSE THE LOG EXPORT LOOPHOLE

HON. DON BONKER

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. BONKER. Mr. Speaker, Congress has restricted the export of Federal timber ever since the national forest system was created more than 80 years ago.

Unfortunately, a loophole in this policy allows significant volumes of public logs to enter the log export trade in indirect fashion. This practice threatens the survival of many small- and medium-sized mills. It robs American workers of jobs that would otherwise be created to process that timber domestically, and it raises the cost of wood and wood products within the United States.

The House today can close that loophole by adopting Congressman WEAVER'S amendment to H.R. 4035, the fiscal year 1982 Interior appropriations bill. I strongly support this amendment and urge its adoption.

The loophole exists because, under current regulations, private timber companies can export their own logs and then buy Federal timber from third parties for processing in their mills. The practice is known as third-party substitution and continues despite clear congressional intent to the contrary.

An 1897 statute first prescribed procedures for selling Federal timber. Such sales were subject to a proviso that timber sold from a national forest reservation shall "be used in the State or territory in which such timber reservation may be situated but not for export therefrom."

In 1926, that restriction was relaxed to permit Federal timber exports upon determination that the timber was not needed locally. By the 1960's, this proved to be a mistake. The Japanese substantially increased their purchases of logs from public forests. The demand drove up prices; a shortage of Federal timber developed in the Pacific Northwest. Many local processing mills were forced to curtail or to shut down operations.

In April 1968, the Department of Agriculture placed a 1-year ceiling on export sales from Federal forests in western Washington and Oregon. Senator Wayne Morse also introduced legislation to extend the ceiling to slightly higher levels for 5 years throughout the Western States. The legislation, which was enacted, authorized "rules and regulations to carry out its purposes, including the prevention of substitution of timber restricted from export by this section for exported non-Federal timber."

During floor debate, Senator Morse said that,

> Public confidence in the use of Federal timber must be maintained by taking all possible steps to assure that substitution does not occur. That is why the appropriate Secretaries are specifically authorized to prevent it. . . .

Congress extended the log export ceiling in 1970. It expired in 1973, but Congress then adopted appropriations language designed to cause the Agriculture and Interior Departments to take more vigorous action to prevent national forest log exports. That language remains in effect today.

The language states that no appropriations shall be made for use for any sale of unprocessed timber from Federal lands in the West which will be "exported from the United States, or which will be used as a substitute for timber from private lands which is exported by the purchasers."

The Weaver amendment would strike the last three words. There are those who believe that the inclusion of the words "by the purchasers" was intended by Congress to give industry a loophole. There is not one shred of evidence to support that assertion.

Congressman Dellenbach said on the floor in 1973 that the committee expected the Secretaries to:

> Publish regulations to implement this legislation. The power to do so has been on the books for some time. The Secretaries have failed to use that power, and I am delighted to see that the committee is speaking strongly and that the Secretaries of Agriculture and Interior are warned that this is something they are to do.

And the report accompanying the 1974 appropriations act said:

> In the future sales (of unprocessed timber), the committee expects the Secretaries to take steps to include provisions in timber sales contracts that the timber involved will not be exported, or used by the purchaser as a substitute for timber he exports, or sells for export. The committee expects the Secretaries to publish regulations to implement this limitation and the act of 1926 . . . so as to control substitution of Federal timber for private timber sold for export.

The Forest Service thereafter adopted regulations restricting the export of unprocessed Federal timber or its use as a substitute for timber from private lands exported by the purchaser. These regulations, however, deal only with direct substitution by the Federal timber purchaser. They do not restrict the replacement of exported private timber with unprocessed Federal timber purchased from a third party. The Weaver amendment would close the third-party loophole.

An analyst for the Northwest Independent Forest Manufacturers, which represents many mills whose future depends upon a continuing supply of Federal timber for domestic processing, calculates that substitution is a 200 million board-foot a year problem in western Washington State and along the Columbia River.

The high volume of log exports and the dwindling supply of logs available to small independent mills continues to tilt the balance in favor of the larger companies. Closing the substitution loophole will simply permit all companies—large and small—to compete effectively.

In log export areas, there are two very distinct log markets—export and domestic. Export log prices are higher than domestic log prices. Exporters of private logs can take a portion of their profits from log exports and pay more for logs purchased from Federal lands than those sawmills that are completely dependent on Federal timber.

The effect of substitution on small, timber-dependent communities is obvious. When Federal logs are drawn away, local employment dries up. The intrusion of log exporters into the Federal timber market also tends to increase prices that the homebuilding and construction industries must pay for wood products.

Under current law, companies owning private timber are free to do what they wish with those logs. The Weaver amendment would not change that situation, but it would reassert congressional intent that unprocessed Federal timber should not be funneled indirectly into the log export trade.●

THE MIDDLE EAST CONFLICT

HON. MARY ROSE OAKAR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Ms. OAKAR. Mr. Speaker, today I am introducing a resolution which supports the call of the President for a cease-fire on the part of all parties involved in the Middle East conflict currently.

The country of Lebanon, which has always been our ally, continues to be exploited. Hundreds of people were recently killed and wounded by the recent Israeli air strike on Beirut. Most of these people were civilians, including women and children. In addition, countless bridges and buildings were destroyed, resulting in millions of dollars of devastation.

Israelis have in return experienced civilian loss by Palestinian retaliation. This violence must end. It is only

through dialog and a cease-fire that peace can be achieved. At this time, in nonpartisan resolution, we should support the President in calling for a cease-fire. The following is the text of the resolution.

H. RES. 192

Resolution expressing the sense of the House of Representatives that the President continue to call for a cease fire along the Lebanese-Israeli border and to provide strong leadership to help insure peace and stability in Lebanon and Israel and the entire Middle East region

Whereas, the Middle East is once again the object of intense and fierce fighting;

Whereas, hundreds of victims have been killed in recent attacks in the region and hundreds of civilians wounded;

Whereas, the diplomatic mission of Philip C. Habib is working under difficult circumstances to prevent another war from occurring in the Middle East;

Resolved, that it is the sense of the House of Representatives to urge the President of the United States to continue to press for a cease fire along the Lebanese-Israeli border and to provide strong leadership to help insure peace and stability in the countries of Lebanon and Israel and in the entire Middle East region.●

AMERICA'S FUTURE IS IN SPACE

HON. NEWT GINGRICH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. GINGRICH. Mr. Speaker, today I want to talk about two different ways of viewing the future.

One way says we face a future of diminishing resources and increasing chaos as we fight over those diminishing resources. Those who hold this view think that mankind has reached the limit not only of physical resources but of mental and spiritual resources as well.

The other view is of a future filled not with despair but with hope; not with problems but with opportunities; not with diminishing resources but with increasing knowledge to develop new resources. This is the historical view, for as we look at the history of mankind on this planet, we see a series of critical periods when one group of people wanted to give up because they couldn't see beyond the problems in the context of the past, and another group kept its minds open and found new ways around old problems and made the breakthroughs that brought us to where we are today, both technologically and sociologically.

We're at one of those critical periods now. The people who believe in the future are calmly and methodically going about working on the solutions while the doomsayers prepare for the end.

The bill I'm introducing today provides the framework for the technological developments that will overcome the hurdles mankind faces into the next century.

Research and development of new technology takes place only in pursuit of a specific goal. The goal which we are coming closer and closer to reaching is the exploration and development of resources in space.

Last April, two U.S. astronauts and their space vehicle were guided out of orbit and entered Earth's atmosphere at an incredible speed. Crossing whole countries in a matter of minutes, with absolutely no source of power in case of a mistake, they cruised to a perfect landing on a tiny piece of real estate.

The success of the maiden voyage of the Space Shuttle *Columbia* caused Americans to swell up with pride and brought a renewed patriotism. But more importantly, it reminded us that the only limits to the future are in the human mind and its ability to bridge the gap between belief and unbelief.

That is why I am introducing the National Space and Aeronautics Policy Act of 1981. The legislation sets clear goals for America in space. And so that freedom follows wherever we go, it also provides for the government of Americans in space.

To do this, I have reached into history and taken a few paragraphs from Thomas Jefferson's "Northwest Ordinance of 1784." Jefferson provided for Americans as they explored the Northwest Territory, "* * * for their constitutional protection, the establishment of territorial governments and their eventual statehood."

I would like to borrow a few more words from another famous U.S. President, John F. Kennedy. He said:

Now is the time to take longer strides * * * time for a great new American enterprise * * * time for this Nation to take a clearly leading role in space achievement which, in many ways, holds the key to our future on Earth.

Jefferson and Kennedy both knew that advancing into a new region isn't foreign to Americans. It is a natural part of our history.

There's another reason to move ahead with a national policy for space exploration and development. The rest of the world understands that space is the next frontier, and they are preparing.

Both our allies and our adversaries are setting clear, long-range goals for their own national space programs.

The United Nations has scheduled a conference for July 1982, in Vienna to discuss how the resources and benefits of space shall be allocated. The United States must address these international issues of space now, or we will be caught off guard.

If America does not compete in space, we abandon world leadership to those who do.●

TRANSPORTATION NEEDS

HON. BOB EDGAR

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. EDGAR. Mr. Speaker, the Surface Transportation Subcommittee of the House Committee on Public Works heard some important testimony today on transportation needs by Thomas D. Larson, secretary of the Pennsylvania Department of Transportation. I share his statement for consideration by the entire Congress. As we begin to plan for the future and prepare for greater local responsibility and creativity, we need to act with care. Secretary Larson's statement follows:

STATEMENT OF THOMAS D. LARSON, SECRETARY OF TRANSPORTATION, COMMONWEALTH OF PENNSYLVANIA

I. INTRODUCTION

Thank you, Mr. Chairman. My name is Thomas D. Larson. I am Secretary of Transportation for the Commonwealth of Pennsylvania. I am pleased to have this opportunity to testify before you today on transportation needs.

I have structured my remarks to first address highways, specifically capital needs for the Interstate system and bridges. I would then like to turn to mass transit, focusing mainly on non-capital requirements.

Today, each of the fifty states has a well-developed transportation system, made possible through a massive investment of public funds. But the decade of the 80's, already marked by new demographic realities and severely constrained budgets, causes us to reassess where we are and where we are going. In particular, the 80's must be the decade in which we face up to the enormous task of providing proper maintenance on our now crumbling transportation system.

II. COMPLETION OF THE INTERSTATE SYSTEM

We all agree that the time has come to complete the Interstate system. But, what is completion? Under the present definition, completion will cost $54 billion, and at that level is simply unattainable by 1990—if ever! Consequently, several proposals have been developed which redefine the cost to complete. For example, Pennsylvania has worked within the American Association of State Highway and Transportation Officials (AASHTO) and the National Governors' Association (NGA) to scale down the cost to complete. The NGA/AASHTO position redefines the cost to complete at approximately $42 billion. Both houses of Congress, as you are aware, and the Administration have also redefined completion. Costs range from $37 billion (H.R. 3210) to $31.5 billion (Administration S. 841) to $26 billion (S. 1024).

If completion were limited to the cost of closing remaining gaps of national significance, the cost to complete comes down to $12 billion—a readily achievable objective by 1990. In fact, this approach enables completion by 1990 at an annual program level of $1.5 billion.

The problems of apportionment and lapse of funds could be eliminated by moving directly to a national schedule for completion. The states, in conjunction with the Federal Highway Administration, would jointly de-

velop a schedule for completing nationally significant gaps by 1990. Congress would review and approve this multi-year obligation plan biennially in much the same way that the Interstate Cost Estimate is now reviewed and approved by Congress. The situation where, in the last three years, the Northeastern states have "donated" over $1.7 billion to an Interstate Discretionary Fund could be avoided through this approach. The growing need to restore, preserve and enhance the existing Interstate System—now recognized as perhaps the most urgent national highway problem—could be financed through a greatly expanded 4R program.

III. RESTORATION, PRESERVATION AND ENHANCEMENT

The NGA/AASHTO position recognizes that preservation of the existing Interstate system is equally important to completing it. The national consensus is to address Interstate preservation through an Interstate 4R (resurfacing, restoration, rehabilitation, and reconstruction) program. Implicit in the proposed 4R program is the concept of enhancement. That is, the amenities now included in the cost to complete would be eligible under the new 4R program.

The keys to a successful 4R program are adequate funding and a fair and equitable apportionment formula which still addresses needs. By redefining cost to complete so that it can be funded at $1.5 billion per year, Interstate 4R could be funded as high as $3.5 billion per year.

Why $3.5 billion a year? Allow me to give you an example from Pennsylvania. We feel that the Interstate Highway System is so important to the economic revitalization of the Northeast that we have made restoration and preservation of the Interstate System our number one priority. To demonstrate our commitment, we have already invested $13 million in Primary funds (since July of 1979) for restoration work on Interstate 80. This fiscal year, we plan to spend another $23 million (in Primary funds) for additional restoration work on Interstate 80. At the same time, our 10,000-mile Primary system also has massive and urgent restoration requirements.

Other states like Florida are struggling to add capacity to their Interstate System to keep pace with the additional traffic generated by a more than 40 percent increase in population over the past decade. The new Interstate 4R program must be both adequately funded and sufficiently flexible to enable such divergent needs to be addressed.

Because the Interstate 4R program will eventually become the highest priority national program, apportionment is extremely critical. Apportionment must be fair and equitable and at the same time reflect those factors which add to the cost of restoring, preserving and enhancing the system. As you know, the current parameters for Interstate 3R apportionment are Interstate lane miles and vehicles miles. All current proposals—H.R. 3210, S. 1024 and S. 841 (Administration)—have recommended the continuation of these two parameters with the only variation being in the weighting.

In the NGA/AASHTO position, factors other than lane miles and vehicle miles that contribute to pavement deterioration are recommended (such as weather, truck traffic and terrain). We have been working in conjunction with the AASHTO Task Force on Highway Legislation on a formula which would consider such factors.

Building upon the 4R concept, I would like to take a moment and briefly discuss a program option which, when taken together with a $12 billion Interstate completion program, would provide what we consider to be a "Balanced Approach" to the Interstate program. In effect, I would expand the 4R program to include the construction of locally significant gaps, since only nationally significant gaps would be eligible under a $12 billion Interstate completion program. The completion of locally significant gaps is estimated to cost $13 billion. Under this new program, which is designed to support the restoration, preservation and enhancement of the Interstate system, states would be given the additional flexibility to complete all other work which would be defined out of the Interstate Cost Estimate. This is precisely the kind of flexibility that's needed to bridge regional differences in Interstate needs at a time when resources are severely limited and costs continue to escalate at unreasonably rapid rates.

To further broaden the scope of this program, I would also propose the option of transferring apportionments to other Federal-aid highway categories in those states where Interstate highways were being adequately maintained and certified as such by the Federal Highway Administration. By including the transferability option, we preclude the need for a future Interstate Transfer program as presently structured. All prior Interstate Transfer approvals would continue to receive annual appropriations as they now do. A $3.5 billion program level has been assumed, since under this "Balanced Approach", Interstate completion would require only $1.5 billion.

IV. BRIDGES

Bridges are of extreme importance to Pennsylvania. Many local and regional economies depend heavily on the access afforded by key river and stream crossings. Remove that access, through weight restrictions or closings, and total system disruption occurs. Nationwide, bridge needs are estimated to be in excess of $30 billion.

The NGA/AASHTO position supports the bridge program as a categorical element of the Federal-aid highway program. In Pennsylvania, we endorse that position. We further support a strong bridge discretionary program to help finance "big ticket" projects.

V. MASS TRANSIT

I'll now turn to mass transit. Pennsylvania has proven its commitment to public transportation. We rank fourth in the nation with respect to state-financed operating assistance. Last fiscal year, Pennsylvania spent $112 million in state funds. For this current state fiscal year, we plan to make $140 million in operating assistance payments to the Commonwealth's transit agencies. In view of our commitment, we are doing all that we can to encourage greater local participation in public transportation, particularly now that we are facing the possible elimination of Federal operating assistance. We are working with members of the Pennsylvania General Assembly toward the enactment of local tax enabling legislation, a local tax option which presently does not exist.

We support the proposal to place increased emphasis on the modernization of existing rail and bus systems. Pennsylvania now contributes approximately $25 million per year in state funds toward the capital requirements of our transit systems. This program would be enhanced if capital assistance were made available for heavy maintenance as well as new facilities.

We believe that there is much more that the Federal government can do to encourage transit usage. For example, Federal tax credits could be established for employers who pay all or a portion of employee transit costs through prepaid weekly, monthly or even yearly transit passes. Tax credits could also be offered to employers who offer direct financial assistance or subsidy to transit operating agencies. In the area of regulatory reform and other cost reduction opportunities, we support the steps now underway to provide a local option on how best to meet the transportation needs of the handicapped. Section 13(c) labor sign-off requirements have become overly burdensome and need immediate attention. Relaxation of Federally-imposed specifications and procurement requirements are in order as well.

VI. SUMMARY AND CONCLUSION

In conclusion, I would like to commend both the Administration and the members of this committee on the progress made in addressing key areas of national need in the transportation sector. Concerning highways, I would encourage a central focus on removing the irrationality that the Interstate program increasingly poses by defining an equitable, achievable completion. Further, I urge that we move quickly to restore, preserve and enhance the nation's existing Interstate system with a Federal program complimentary to the varying needs of the states. The basic elements of our future Federal/state partnership have been identified in the legislative proposals advanced thus far but resolving details is now the key to final resolution. Where complete data was available, we have done some additional analyses of the highway proposals.

Greater local responsibility and creativity in the Federal role must attend future transit funding. Pennsylvania now carries a major transit support role. We believe local interests are willing to do more.

Again, I thank you for this opportunity.●

SOIL SAVING INCENTIVE THROUGH FAIR TAX TREATMENT

HON. COOPER EVANS

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. EVANS of Iowa. Mr. Speaker, today, I am introducing with cosponsors the Soil and Water Conservation Act of 1981, H.R. 2515, which was earlier introduced on March 13. This is identical legislation with S. 569 as introduced in the Senate by Senator JEPSEN.

This act would allow investment tax credit on those expenditures incurred by a landowner or operator related to the application of soil and water conservation practices on their land. It is the purpose of this act to encourage the application of these measures in an effort to preserve our Nation's most vital resource—our land.

By providing this incentive to farmers, this measure will encourage more serious consideration of wise stewardship of the Nation's soil and water resources.

H.R. 2515 provides a choice to those who incur conservation-related expenses by permitting them to take either a deduction of up to 25 percent of their gross income in the year the expense is incurred, or, if they prefer, to take a 10-percent investment tax credit for the year of the initial investment. Depreciation deductions for those improvements which are deductible would apply according to the standard depreciation schedule.

Since the initial introduction of this bill, Senator JEPSEN and I sought and have received a revenue estimate from the Joint Committee on Taxation. That committee has replied with its estimate of Treasury exposure. In fiscal year 1981 the revenue loss to the U.S. Treasury as a result of this bill would be about $9 million due to claims of either type. In fiscal year 1982, $25 million; fiscal year 1983, $27 million; fiscal year 1984, $30 million; fiscal year 1985, $31 million; and in fiscal year 1986, approximately $34 million would be lost to the U.S. Treasury as a result of this bill once approved.

Surely these are minute losses of Federal funds when compared with the potential soil which could be saved as a result of putting in place the practices which are thoroughly proved as savers of our soil and water. In addition to farmland benefits, there are sizable additional benefits to the entire Nation in the form of cleaner, silt-free lakes and streams when these practices are in place on lands feeding into those bodies of water.

Mr. Speaker, I urge my colleagues to join our colleagues Mr. STANGELAND of Minnesota; Mr. EMERSON of Missouri; Mr. BEDELL of Iowa; Mr. WEBER of Minnesota; Mr. JEFFRIES of Kansas; Mr. KOGOVSEK of Colorado; Mr. BARNARD of Georgia, in encouraging early hearings on this legislation in order that it might be approved during this session of Congress.●

HUMAN RIGHTS IN NORTHERN IRELAND

HON. RICHARD L. OTTINGER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. OTTINGER. Mr. Speaker, as a member of the Ad Hoc Congressional Committee for Irish Affairs, I would like to bring to the attention of my colleagues some of the efforts of the committee to make a positive contribution to the cause of peace, justice, and human rights in Northern Ireland.

Clearly, Ireland has seen too much violence and turmoil. I believe it is vital for Congress to speak out on this critical issue.

Here are just a few of the efforts of our committee to further the cause of human rights in Northern Ireland:

I. ARMS TO THE ROYAL ULSTER CONSTABULARY (RUC)

In 1979, the U.S. State Department announced a suspension of arms sales to the Royal Ulster Constabulary (RUC), the main police force in Northern Ireland. The RUC has been cited by the European Commission and Court on Human Rights and Amnesty International for various forms of inhumane treatment of prisoners and suspects under their control. The British Government appointed a special commission to investigate the Amnesty charges and this panel confirmed their findings.

Many members of the Ad Hoc Committee on Irish Affairs were concerned that President Reagan would lift this suspension of arms sales. I joined several of my colleagues in writing a letter to the President, urging that the embargo be maintained. We were subsequently assured by the White House that:

> The administration is holding to the policy of not approving licensing for sale of handguns to the RUC.

II. U.S. TRAINING OF BRITISH TROOPS

Concerned about reports that British troops are being trained at U.S. military facilities for later stationing in Northern Ireland, the ad hoc committee requested that Secretary of Defense Weinberger investigate these reports. In a letter to the ad hoc committee's chairman, Congressman MARIO BIAGGI, the Under Secretary of Defense noted that the training of British military personnel is authorized under the Arms Export Control Act and is an integral part of our mutual obligations under the North Atlantic Treaty. Under Secretary Fred Ikle wrote:

> Our cooperation with the United Kingdom is solely for the purposes of our NATO mission * * * not for internal police functions.

I consider this response interim in nature, and have been assured by my good friend, Mr. BIAGGI, that this issue will be pursued by the ad hoc committee.

III. HOUSE RESOLUTION 158

I am pleased to be a cosponsor of House Resolution 158, which calls on Great Britain to "exercise greater urgency and flexibility in finding a humanitarian solution to the hunger strike crisis." This bill is vital to demonstrate congressional concern for the British Government's intransigence in resolving the hunger strikes, and I urge my colleagues to join me in cosponsoring this measure.

IV. ECONOMIC SUMMIT IN OTTAWA

I joined several of my colleagues in an appeal to President Reagan to speak directly with Prime Minister Thatcher in Ottawa to urge her to initiate all possible steps to bring about a humanitarian resolution to the hunger strikes. I believe that a personal communication from the President would have served as a dramatic illustration to Mrs. Thatcher that this matter is of profound national concern.

Mr. Speaker, these are just a few of the efforts of the ad hoc congressional committee to contribute to the search for peace and justice in Northern Ireland. Our efforts will continue in the hopes of ending violence on all sides of this conflict. I urge my colleagues in the House to join the Ad Hoc Congressional Committee for Irish Affairs and thus demonstrate their commitment to the cause of peace in Northern Ireland.●

PROTECTING THE CIVIL SERVICE FROM POLITICAL RETALIATION

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. MARKEY. Mr. Speaker, I wish to thank the chairman of the committee for the fine report accompanying the Interior appropriations bill. This report documents all the ways in which Secretary Watt has recognized offices within the Interior Department to suit his own ideological purposes. Along with many of my colleagues here, I fear justifiably that Secretary Watt's reorganization of two such offices, the Office of Aircraft Services and the Office of Surface Mining, would destroy completely their effectiveness.

In carrying out his reorganization of the Interior Department, Watt has attempted to subvert not only environmental regulations legislated by Congress, but also the work of nonpolitical employees who see that those regulations are carried out. On March 20, the Secretary announced that due to budgetary constraints caused by the "waste, fraud, and mismanagement" of the previous administration, he had to release 51 employees under a reduction in force; 14 of the 51 employees released has been specially recruited from the finest law schools around the country to participate in the annual honors attorney program. At that time, the attorneys who were released claimed that Watt was using a "budget smokescreen to purge employees not considered politically reliable by the new administration."

As chairman of Oversight and Investigations I have looked closely at this reduction in force. Along with Chairman SCHROEDER and Chairman DINGELL, I asked the Secretary to defer the reduction in force until he could show us that budgetary constraints were indeed the cause. The Secretary responded in a letter to us on June 2 that there was so little money in the budget of the Office of the Solicitor that he had no other choice. On June

15, however, less that 2 weeks later, he advertised six positions in this very same office, positions for which the honors attorneys were certainly eligible.

The Office of the Solicitor has assured us that they had taken attrition into account before they decided to carry out the reduction in force. But GAO has recently informed us that in going over the budget figures of this office, attrition was not taken into consideration. That certainly sounds like mismanagement to me. As for waste, what about the wasted talent of 14 honors attorneys released from their work, some of whom have not found jobs yet?

Mr. Speaker, we, here in Congress, must protect the civil service from political retaliation by Secretary Watt. We did away with the spoils approach to Government over 100 years ago by establishing the civil service system. We should not allow Secretary Watt to reinstitute the spoils system now. We must continue to take congressional action to block this kind of political abuse of the civil service system.●

A GLITTERING ECONOMY

HON. NORMAN D. SHUMWAY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. SHUMWAY. Mr. Speaker, yesterday Federal Reserve Board Chairman Paul Volcker testified before the House Banking Committee, on which I serve. It should come as no surprise that the discussion focused on interest rates—the reasons for current near record levels, the impact of high rates on businesses, large and small, and on individuals, and the effect Fed policy is having on inflation.

While I have not been as critical of Chairman Volcker as many of our colleagues, primarily because I feel the Fed is committed to reducing inflation, the fact remains that high interest rates are having an increasingly negative impact on important sectors of our economy, such as housing, automobiles, and small businesses.

I therefore think it is essential that we begin to seriously consider alternatives to our present monetary policy. One proposal that is receiving increasing attention is a return to the gold standard in some form. In this regard, I commend the following editorial by Lewis Lehrman to the attention of our colleagues.

A GLITTERING ECONOMY

President Reagan was elected to end inflation and restore the economy. He is moving in that direction by slowing down monetary growth, reducing federal spending increases, cutting tax increases and eliminating some costly government regulations.

But the economic program will not work without a balanced budget and the gold standard. Without these, interest rates will come down only slowly from 20 percent, and demoralized financial markets will not recover.

Some presidential advisers and the Federal Reserve may try to force a recession and higher unemployment to bring down interest rates more quickly. But no compassionate person can really want to cure inflation and high interest rates with worklessness.

By itself, gradually reducing the rate of growth in the money supply will not work. We need something other than austerity and monetarism. Thatcherism will work no better here than it has in England.

Together, a balanced budget and a monetary reform based on gold will quickly reduce interest rates. The currency would be stabilized, along with the market for government securities, and inflationary expectations would evaporate.

Such a policy, with economic expansion as its goal, is clearly implied in the 1980 Republican platform, which stated: "One of the most urgent tasks in the period ahead will be the restoration of a dependable monetary standard—that is, an end to inflation."

Last year, Congress established a commission to study the gold standard. Its task is to examine an institution ridiculed by most academic economists and almost all politicians. Their feelings are natural, because the gold standard would end political and bureaucratic manipulation of the money supply. So would an annually balanced federal budget.

A gold standard puts control over money in the hands of the people. A balanced budget would return savings to the marketplace for growth and new jobs. In a free market, the people could decide between a gold and a paper dollar.

I believe, given a true choice, that Americans will choose the gold dollar as their money, just as they will choose a balanced budget, at the present level of tax receipts, as the basis for financial order. A true gold standard and a balanced budget will give us 4 percent interest rates, and there is no other way to get them.

For most of our life as a nation, we had stable prices and low interest rates under the gold standard. After mercantilist trade wars had wrecked the world economy and the international monetary system, President Roosevelt abandoned the gold standard domestically in 1934. President Johnson abandoned international convertibility in 1968, and President Nixon officially ended it in 1971.

The economic situation we have faced since 1971 is not unique. It is all too similar to the inflations of the Revolutionary and Civil wars. During the Revolution, the Continental Congress reduced the value of its currency to a pittance. But in 1792, after the inauguration of President Washington, Congress established the gold and silver standard. During the Civil War, the U.S. government issued Greenbacks that were not convertible into gold, and the price level doubled.

Inflation was a problem until Congress began the transition to a gold standard in 1875, completing it in 1879. For more than a generation, the price level was stable, because the dollar was as good as gold.

Today, with the right leadership, our transition could be even smoother, because we know more about monetary theory, and we can learn from past mistakes.

After the disastrous paper money experiments of the Revolutionary War and Civil War periods, America rediscovered that gold is the natural monetary standard. Gold is found in limited quantities. Its production cannot be quickly increased. It once took centuries, and even today takes a generation, to improve the technology of gold production significantly. As a result, over the long term, the gold supply increases only about two percent a year, equal to the long-term rate of economic growth in the industrialized world.

Uniquely, the decline in the real cost of producing gold over the long run is about the same as the gain in productivity. That is, the gold standard is the natural regulator of monetary growth that the monetarists seek, and fail to find, in the Federal Reserve.

Gold is also unique as a stable yardstick of economic value. It takes a relatively constant amount of capital and labor to produce an ounce of gold. So gold is the best measuring rod for the value of all other products. Over the long run, the value of gold is far more stable than any other commodity that might be used as a standard. It is certainly better than paper.

To achieve the enduring financial order that President Reagan wants, we must have the gold standard and a balanced budget. Together they establish the necessary stable legal framework, the monetary constitution for that order.

Under the gold standard, authorities must maintain the convertibility of the currency. Together with a balanced budget, this means balance in our international payments, and a much increased rate of savings by the people.

These savings under the gold standard will allow American industry once again to plan for long-range growth, knowing that it could count on permanently low interest rates for borrowing. And all this new investment would vastly increase the demand for labor.

The long night of austerity and unemployment would end.●

ADM. FRANK HIGBEE, A MARINER'S MARINER

HON. GLENN M. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. ANDERSON. Mr. Speaker, San Pedro, Calif., is honoring Adm. Frank Higbee today by naming a street for him. I'd like to add my own congratulations to Admiral Higbee and thank him for all the good things he has done for the South Bay area, the State of California, and the Nation down through the years.

Admiral Higbee has just recently celebrated his 87th birthday and his 61st wedding anniversary. In my opinion, those two accomplishments alone are sufficient to have a street named after one, but Admiral Higbee has a life history of accomplishments. The admiral is, to put it mildly, a seagoing man. He enlisted in the U.S. Navy in 1913, rose through the ranks of warrant officer and ensign during World War I, and left the Navy in 1920, shortly after he married his wife, Joan, in Wales. Incidentally, I imagine

that the two got along well together right off the bat, as she came from a long line of English merchant mariners.

In 1921, he tried his hand at wheat farming in Oregon, but the lure of the sea proved irresistible, and in 1926, he was at sea again as a U.S. Coast Guard lieutenant in the BEAR.

Lieutenant Commander Higbee became captain of the Port of Los Angeles in 1940, a position he held during the trying years of World War II—retiring in 1946 as a captain. He was promoted to the rank of rear admiral on the retired list. But he remained active in marine affairs as port warden for the Port of Los Angeles until he retired again in 1964. He currently lends his nautical expertise to the California State Lands Commission, serving as their consultant for maritime affairs.

My wife, Lee, and I thank the admiral for his many long years of service to the country, and wish him and his wife, Joan, many more years of happiness.●

PRO FOOTBALL AND THE L.A. COLISEUM—MORE FACTS TO REMEMBER

HON. JULIAN C. DIXON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. DIXON. Mr. Speaker, last week, the House Judiciary Subcommittee on Monopolies and Commercial Law held an instructive 3-day hearing on the antitrust aspects of professional sports. Included in the subcommittee's consideration is a bill I have cosponsored, H.R. 3287, which would prohibit a sports franchise in a market in which over 2 million persons reside from arbitrarily vetoing the entry of a second franchise into that area.

The need for this legislation was dramatically demonstrated last week by professional football box office figures obtained by a reporter for the Riverside (Calif.) Press-Enterprise. The data, based on a study by the National Football League's assistant treasurer's office, showed among other things that the Los Angeles Rams topped all of the other 27 franchises in net revenue from the sale of game tickets. The Rams earned a total of $7.78 million during their first season at Anaheim Stadium, over $1 million more than the runner-up Dallas Cowboys. Moreover, this amount must be regarded as pure profit, as it does not include each club's share of broadcasting revenues, estimated to reach $12 to $14 million per team under the league's next TV contract, which are thought to insure, in and of itself, the profitability of a pro football franchise.

These figures further indicate the outrageousness and indefensibility of actions taken by the Rams' management, first in abandoning the fans and taxpayers of Los Angeles County, owners of the Los Angeles Coliseum, and then in taking steps to prevent another franchise from entering the area.

The move of the Rams to Anaheim is of course a fait accompli, but the circumstances of the case bear repeating. In leaving the Los Angeles Coliseum, their home for 34 years and the only stadium in the world to host two separate Olympic competitions, the Rams abandoned a market which was generally accepted as one of the five or six most profitable in the NFL. So it was not a case of a struggling franchise seeking to salvage its profitability. Rather, when one considers the well-publicized enticements, including land deals, dangled in front of the Rams, one can only conclude that their move to Anaheim was motivated by the single factor of greed.

But what is even more outrageous—and what must continue to concern us, as elected representatives—has been the steadfast intransigence of the Rams and the NFL in allowing a replacement franchise—by expansion or transfer—to come to the coliseum. Such opposition cannot be defended by reason or precedent, but can only be explained by the Rams' desire to retain monopoly control over what is obviously a very lucrative market.

Though the Judiciary subcommittee strove to avoid discussion of the pending litigation which seeks to effect such a transfer, the subject, as one might expect, did enter the hearing room. In view of this, it is instructive to remember that the present crisis—which has cost the coliseum commission, and in turn the taxpayers of Los Angeles County, over $200,000 in legal expenses—was not of the county's, nor of any of the other plaintiffs' making.

In order that my colleagues and the general public might keep this in mind, I am enclosing a Los Angeles Times article, reporting on the data obtained by the Riverside Press-Enterprise.

The article follows:

[From the Los Angeles Times, July 17, 1981]

NOW NFL PLAYERS HAVE THE OWNERS' NUMBERS

(By Ted Green)

When National Football League owners and players try to hash out a new collective bargaining agreement probably early next spring, the key issue in complex negotiations is really quite simple:

How big will the players' slice be from the money pie?

According to Ed Garvey, the Washington, D.C. attorney who heads the NFL Players Assn., the players' take of total team revenues is 28%.

The owners claim it is substantially higher—say, 45%.

At any rate, either figure puts NFL players in the poorhouse compared to the athletes' estimated takes in other major sports. By most accounts, it is 48% in hockey, 50% in baseball and 60-65% in basketball.

Garvey, NFLPA executive director, says NFL players will shoot for 55% next year, or roughly twice what he says their current take is.

A 1982 strike is a real possibility. Many current contract squabbles reflect the players' near unanimous view that they are getting a raw deal.

Meanwhile, NFL players seemingly got more ammunition for their argument, with the revelation of each team's net ticket revenues last season. The figures had never before been public knowledge, and the best the players' association could do was guess.

They were uncovered by John Czarnecki, a sports writer for the Riverside Press-Enterprise. The figures were compiled by Tom Sullivan, the NFL's assistant treasurer. Czarnecki, protecting his sources, won't say how he discovered the document.

According to the 38-page document, which amounted to a detailed attendance and financial summary of the 1980 season, the Rams led all 28 teams with net ticket revenue of $7,784,766 for 20 games, counting exhibitions.

It simply means that the Rams may have a healthier profit situation than any NFL team.

Thus their critics may wonder why they didn't meet the contract demands of three star players they lost this past offseason, Vince Ferragamo, Bob Brudzinski and Jack Reynolds. The Rams, free to spend (or not spend) as they please, say the demands were too steep.

Incidentally, Garvey said the Rams traditionally have been among "the top five or six" paying teams. He added that he doesn't think that has changed significantly under owner Georgia Frontiere, who inherited the club in April, 1979, after her former husband, Carrol Rosenbloom, drowned in a swimming accident.

The Dallas Cowboys were next in ticket revenues with $6,774,925, the document said. Last were the Kansas City Chiefs at $4,149,931. (See accompanying chart for complete list.) The range between the Rams and Chiefs was $3.6 million.

Asked what this document might mean to the players, Garvey said:

"In every labor negotiation, one of the key elements is to have a lot of information. The more you have, the better your chance for success. Now we have a much better idea of how much the owners are actually making."

Speaking by phone from his Washington, office, Garvey said: "We say the players' current cut is 28%. The owners say 45% and shut up. We say, 'Open your books.' They say, 'Trust us.'

"Trust me, it's about 28%.

"The bottom line is, it's an inequitable situation. The league's next TV contract will bring in between $12 million and $14 million a year for each team. If that's true, and if the average player salary, which was $78,500 last year, creeps up to near $100,000, the players' take will drop to near 20%."

So?

"So," Garvey said, "this becomes the No. 1 collective bargaining issue."

And?

"And a strike sure is possible. Obviously we don't want to strike. But we have to be prepared. We have to have the ability to shut it (pro football) down."

Garvey said the NFL's new labor negotiator, New York attorney Jack Donion, is

eyeing next February or March as a target date to begin talks.

"I think we ought to start right now," Garvey said, "to avoid the kind of thing baseball is going through."

HOW CLUBS RANK

Team:	Net ticket revenue
1. Los Angeles	$7,784,766
2. Dallas	6,774,925
3. Seattle	6,444,885
4. Tampa Bay	6,291,002
5. San Diego	6,197,078
6. New England	6,119,155
7. Oakland	5,978,503
8. Philadelphia	5,975,192
9. Atlanta	5,867,498
10. Washington	5,716,097
11. Cleveland	5,705,878
12. Buffalo	5,658,641
13. Detroit	5,525,683
14. Houston	5,443,542
15. Denver	5,436,502
16. New Orleans	5,396,227
17. San Francisco	5,320,768
18. New York Jets	5,248,577
19. Miami	5,203,739
20. New York Giants	5,165,546
21. Pittsburgh	5,128,506
22. Chicago	5,124,586
23. St. Louis	5,106,640
24. Minnesota	5,053,038
25. Green Bay	4,969,186
26. Cincinnati	4,365,678
27. Baltimore	4,319,760
28. Kansas City	4,149,931

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IN RECOGNITION OF ALLEN PEARSON, RETIRING DIRECTOR OF THE NATIONAL WEATHER SERVICE CENTRAL REGION

HON. LARRY WINN, JR.

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. WINN. Mr. Speaker, on June 3, 1981, Mr. Allen Pearson, Director of the National Weather Service central region retired from Federal service. I want to take this opportunity to recognize the exemplary service that he has provided to the American public. In these times, when so much attention is focused on the bad aspects of the bureaucracy, it is refreshing to work with someone who epitomizes everything that is good. Allen has been honest, forthright, creative, and dedicated to the mission of the National Weather Service.

My affiliation with Allen has been through my interest in severe storms forecasting; a field in which Allen has achieved international acclaim. Prior to becoming the Director of the National Weather Service central region, Allen was the Director of the National Severe Storms Forecast Center. During his tenure, because of the creative and innovative new techniques he introduced, major improvements were made in the quality of severe storm and tornado forecasting, thereby reducing death and injury to the public. I can think of no better tribute to a man's dedication to his work.

In addition to being a master of the weather forecasting profession, Allen has also been an outstanding public spokesman. His ability to relate the very complex phenomena of weather has contributed immensely to the education of the public. On several occasions, I have had the distinct pleasure of having Allen appear before the Science and Technology Committee to testify on various weather issues. He has never failed to bring a vast wealth of knowledge and wisdom as well as a fresh breath of life to the proceedings.

Mr. Speaker, the Federal Government and the American public will suffer a great loss with the retirement of Allen Pearson. But I am sure you and my colleagues will join me in wishing him the very best of luck in his new endeavors.●

COMMEMORATION OF HARRY CHAPIN'S DEDICATION TO ENDING HUNGER

HON. CLAUDINE SCHNEIDER

OF RHODE ISLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mrs. SCHNEIDER. Mr. Speaker, hunger and malnutrition are two of our planet's best kept secrets, secrets that have devastating consequences. Harry Chapin was a man who was not afraid of revealing the human suffering and degradation of these secrets. He devoted a great deal of energy and gift working toward the eradication of world hunger and malnutrition and today we pay tribute to his vision.

Harry recognized what so many others have failed to: That we live in a very fragile world with limited and finite resources. He knew that only through the cooperation of the global community would all the inhabitants of our planet be fed.

We must share Harry's commitment. The monumental task of overcoming world hunger will take a concerted effort on behalf of the developing countries that suffer the most as well as by the large international community. The problem in front of us is one of making sure that the limited resources we have are put to the best possible use. We must learn to save what we do not use, and to use what we need sparingly. As a world leader, the United States must recognize its responsibility in resolving the problem of global hunger and encourage countries suffering the most, to manage food production on its own. We can do this in part through assistance programs and policies that will increase technical know-how, income, and productivity in poverty-stricken areas. But what can be just as crucial is a continuous dialog between the countries that have and those that have not. An open dialog will go just as far as economic aid, if not further, in promoting the global cooperation needed to resolve this problem.

There is no absolute solution to the world hunger problem, no magic potion that will produce nutritious, affordable food ad infinitum. But there are some practical tactics that we can take to improve the situation. The most important thing that we can do is learn to share the resources that we have.

We must understand that different countries have different needs, and that it is up to the entire industrial world—not just the United States—to help these countries meet their needs. We will all benefit in the long run if we can understand the interconnectedness of the Earth and learn to nurture its resources.

Harry understood this. We must learn a lesson from Harry Chapin's life and pursue his dream. I grieve at his death but I celebrate his life.●

H.R. 4083—CONTROVERSIAL BILL

HON. GENE CHAPPIE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. CHAPPIE. Mr. Speaker, on Friday afternoon, July 17, this body passed a controversial bill by unanimous consent, with no more than a handful of Members present. The bill, H.R. 4083, sets aside more than 2 million acres of California national forest land as wilderness preserves. The bill's sponsor was my colleague from California, PHILLIP BURTON.

The entire process of handling this legislation—in subcommittee, full committee, and in bringing it to the House floor—involved, to my way of thinking, highly unusual tactics.

H.R. 4083 had been scheduled to come before the House on Monday, July 20, under suspension of the rules. I was prepared to object on the floor because the bill is highly controversial and will have an enormous impact in my district, as well as in other areas of California and southern Oregon. Perhaps advocates of the bill anticipated opposition, and were prompted to steamroll the bill through late Friday under consent procedures.

The upshot is, the House has made this bill appear noncontroversial by approving it under unanimous consent. In committee, H.R. 4083 was opposed by the administration. There was no agreement among the California delegation to consent consideration, since others also had serious objections to the bill. The word that seemed to go out was that the minority Members of the California delegation, whose districts are most affected

by H.R. 4083, had signed off on the bill. This was certainly not the case.

This wilderness proposal was highly controversial in this, and the last, Congress. There are widely divergent views as to what constitutes the most acceptable acreage for wilderness preservation and what lands should be open for multiple-use management. By a single action, H.R. 4083 would double existing California wilderness by adding more than 2.1 million acres from the State's national forest lands to the wilderness system.

Under the Carter administration, the second roadless area review and evaluation (RARE II) recommended 1.3 million acres for wilderness in California. The Reagan administration, however, favors California RARE II wilderness additions of 1.2 million acres, which are also endorsed by the forestry professionals at the U.S. Forest Service. Objections to the wilderness acreage in the Burton proposal have been raised by many groups, among them recreation, timber, mining, ranchers, farmers, labor, homebuilders, and county officials. The people in California who depend on access to these resource-rich lands for jobs and recreation are concerned that they and their interests are being locked out.

At hearings last May in Weaverville, Calif., all attendance records were broken. Views expressed at the Weaverville hearings were highly charged, both for and against the Burton proposal, as were the views expressed in this body over the last 2 years. Yet, no one would have guessed it, in light of the way H.R. 4083 virtually flew off the House floor.

One of the mainstays of northern California is the forest products industry. H.R. 4083 would substantially reduce the volume of national forest timber available to mills in northern California. Such reductions will critically affect the economies of scores of communities where the timber industry is the major economic activity.

The bill would also substantially reduce the number and quality of services many northern California counties now fund from national forest timber sale receipts. And, of course, designations as wilderness impose severe restraints on geological exploration for mineral and energy resource development.

Yet, in a matter of 4 days, this bill sailed through subcommittee, full committee, and was passed by the House. This is incredible to me. Certainly my constituents will be appalled that, with 900,000 acres of wilderness proposed in my district, their concerns were not represented due to the legislative maneuverings of this Chamber.

The manner in which this bill was reported from the House Interior Committee was very clever. Under Mr. BURTON's leadership, the committee reported two almost identical bills, H.R. 4083 and H.R. 4043, but filed a report on only one, H.R. 4083. The strategy, I suspect, was to either circumvent, or permit only minimal attention by, the House Agriculture Committee on which I serve. On the floor, Mr. BURTON then added an amendment from H.R. 4043 providing only short-term release for lands determined best suited for nonwilderness use. This amendment was the only difference between the two Burton bills reported by the Interior Committee.

I think the minority leadership should be aware of the short shrift certain minority Members of the California delegation received throughout this entire process. I sincerely hope that the Senate will see through the events of July 17 and give every aspect of this legislation the careful consideration it deserves.●

OLIVER VICKERY: SOUTH BAY HISTORIAN

HON. GLENN M. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. ANDERSON. Mr. Speaker, I would like to take a few minutes today to discuss one of my longtime friends, Oliver Vickery. San Pedro, Calif., is naming a street in honor of Mr. Vickery today, and I want to add my own personal congratulations and thanks to him.

Mr. Vickery was born in Kentucky, but headed west to attend and graduate from the University of California. After his schooling, Oliver entered the marine supply business in San Pedro. He was a stalwart member of the business community for many years, but he is remembered for much more than his business successes. He is one of the South Bay's leading historians and has, over the years, devoted countless hours to preserving for future generations the history, lore, and artifacts of the area's past. He served as the curator of the Banning Mansion for a long period of time, and is remembered for his many excellent articles on Phineas Banning, a pioneer in southern California's early history. He has also authored a book about the harbor area entitled "Harbor Heritage," and is a regular contributor to the News Pilot, our local daily newspaper.

I, for one, will never forget Mr. Vickery's trip to the Soviet Union during the 1950's, at the height of the cold war, when he courageously espoused the cause of capitalism and free enterprise to what was perhaps not the most receptive of audiences. A national magazine did a feature story on his trip to Russia and his stunning comments.

My wife, Lee, and I want Oliver Vickery to know how much we, and all the people of San Pedro, appreciate his good work through the years, and we wish him many more years in the future so that we may all benefit from his continuing efforts on behalf of his community.●

CONGRESSIONAL TEXTILE CAUCUS FINANCIAL REPORT OF THE CONGRESSIONAL TEXTILE CAUCUS QUARTERLY STATEMENT OF EXPENSES AND FUND BALANCE

HON. KEN HOLLAND

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. HOLLAND. Mr. Speaker, the chairman, vice chairman, and secretary-treasurer of the Congressional Textile Caucus have approved the quarterly financial statement for the quarter ending June 30, 1981. I am herewith submitting the statement for insertion into the CONGRESSIONAL RECORD so that all Members of Congress may review it.

The statement follows:

CONGRESSIONAL TEXTILE CAUCUS

FINANCIAL REPORT OF THE CONGRESSIONAL TEXTILE CAUCUS QUARTERLY STATEMENT OF EXPENSES AND FUND BALANCE

[For the period ending June 30, 1981]

Expenditures:	
Telephone	$81.39
Do	90.96
Do	94.90
Office supplies	181.55
Do	121.32
Do	20.00
Do	23.68
Typewriter	684.40
Do	174.00
Copy machine	135.00
Do	135.00
Postage	3.00
Do	18.00
Subscriptions	25.50
Do	12.40
Total expenditures	1,801.10
Fund balance:	
Fund balance Mar. 31, 1981	8,641.60
Total dues deposited this quarter	6,800.00
Interest on account	133.26
Total	15,574.86
Less expenditures	1,801.10
Balance—June 30, 1981	13,773.76

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GREAT LAKES DILEMMA

HON. JOHN D. DINGELL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. DINGELL. Mr. Speaker, the Great Lakes once supported major and valuable renewable fishery resources. However, the decline of these resources in this century has been dra-

matic and well documented. At the turn of the century, Great Lakes commercial fishermen landed about 110 million pounds of fish per year; by 1975, landings had dropped to 61 million pounds per year. In the 1940's and 1950's lake trout, a major game fish, virtually disappeared from many areas of the Great Lakes, and these fish populations have never recovered. The contributing causes to the decline of the Great Lakes fisheries include habitat alterations, changes in forage fish supply, deterioration of water quality, the invasion of the parasitic sea lamprey, and overfishing.

Great strides have been made in the improvement of fishery management, particularly the eradication of the parasitic sea lamprey, which has appreciably restored fish populations. Advances in cleaning up the Great Lakes significantly improved fishery resource habitats.

However, overfishing in the Great Lakes now poses an ominous threat to the future survivability of fish species. A longstanding conflict between the State of Michigan, which contends it has the right to manage fish species for conservation purposes, and Indian fishermen, who feel, by virtue of their treaty rights, they should be unencumbered in their right, manner, and place of harvesting fish species, has been resolved in favor of the Indians by the U.S. Sixth Circuit Court of Appeals.

On this issue, I insert for the RECORD a July 21 editorial in the Detroit News, which presents a number of options which must be carefully considered in order to resolve this resource crisis. These options should be taken seriously and with great haste if we are to save the fishery resources in our Great Lakes:

A THREATENED FISHERY

The Indians won and Michigan lost when the U.S. Circuit Court of Appeals in Cincinnati upheld Federal Judge Noel Fox's ruling that states have no right to regulate Indian fishing.

The decision, if it stands, is the death knell for sport fishing in the Great Lakes, and the perpetuation of an injustice done to all sport fishermen.

At the core of the argument are two ancient treaties which conveyed rights to Indians in northern Michigan. The "treaty waters" are in Lake Michigan, north of Grand Haven and Lake Huron north of South Point, and in Lake Superior's Whitefish Bay.

Overfishing, plus the infestations of lamprey eels and the alewife trash fish, all but destroyed the whitefish and lake trout populations of lakes Michigan and Huron two decades ago. There weren't enough fish in them to argue over.

Since then, Michigan has operated a remarkable restocking program, financed with the license fees of sport fishermen. The lamprey eel was controlled. Two species of salmon were established and they gorged themselves on alewives. Further, plantings of lake trout thrived and grew to boasting size.

Indians vacuumed White Fish Bay with gill nets, which are illegal under state law. Having no fish near their reservations, they moved south to lakes Huron and Michigan and began an assault that alarmed and angered sport fishermen.

Gill nets ensnare all fish that swim into their coarse mesh, where they suffocate as their gills become tangled. Indians who net commerical whitefish also kill lake trout and salmon.

When the treaties were written in the 1800s, Indians fished for their own needs and put little pressure on the resource. Today, with whitefish going for more than $4 a pound, Indians or those who claim falsely to be members of a tribe, take every fish they can find.

The Michigan Department of Natural Resources (DNR) monitored Indian fishing in Grand Traverse Bay in 1980, and said gillnetting took 350,000 pounds of lake trout and 70,000 pounds of whitefish in two months.

No fishery can withstand such pressure for long.

Further, profligate harvesting of lake trout is occurring at the very point in the program when lake trout populations are becoming large enough to reproduce naturally.

What's to be done?

First, because the resource is so important in terms of food and tourist dollars, the state is obliged to appeal the judgment to the U.S. Supreme Court. Every legal recourse must be exhausted.

Second, it would be wasteful to spend additional dollars stocking lake trout in the disputed waters. Since the fish hatcheries are financed with anglers' fees, the fingerlings should go to waters that are controlled and where there is some hope of achieving natural regeneration.

Third, since salmon are more migratory than lake trout, there should be a slowdown in the salmon planting program.

If the state loses in the U.S. Supreme Court, the next step must be negotiation with the tribes. The DNR must make it clear that there will be no plantings unless the Indians accept—indeed, help write—rules that will control fishing pressures so the resource will be maintained perpetually.

There are sensible ways to develop Indian commercial fishing. Pound nets trap fish but don't kill them. When they are used, game fish can be returned to the water alive when the whitefish are harvested.

Once that's accomplished, the DNR can get back to the business of restoring the fishery in the "treaty waters," a feat that we know is scientifically possible.

Should this effort fail, Congress must then deal with the issue. The state, indeed the country, can't accept treaties, laws, or interpretations of either that condemn lakes Michigan and Huron to sterility.●

TO INCREASE ALTERNATIVES TO INSTITUTIONALIZATION

HON. MILLICENT FENWICK

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mrs. FENWICK. Mr. Speaker, over 1 million elderly Americans—5 percent of those who are over 65 years of age—live in nursing homes, and many of them will spend the rest of their lives there, isolated from family and from friends. Although many of these people need the nursing care which can be provided only by an institution, a 1977 Congressional Budget Office study estimated that 20 to 40 percent of them could be cared for at home if help were available. In this Congress I have, again, introduced a proposal to provide an alternative to institutionalization for these people—an alternative that could save a good deal of money.

Existing health programs for the aged have a strong institutional bias. Medicaid supports the vast bulk of federally subsidized long-term care, $20.7 billion was the 1979 Federal and State total for medicaid, $8.8 billion of this was for nursing home care alone, and only $264 million for home health care. Part of the problem is that eligibility for medicaid is determined more by income than by medical need. For example, in New Jersey, one's income cannot exceed $261 per month in order to qualify for home health care, yet for nursing home care one's monthly income may be as high as $716. Under present medicare law, the institutional bias continues; home health visits are limited and not designed for long-term needs.

If some of the money currently used for institutional care could be made available to those individuals or to their families, many could avoid institutionalization altogether. We now have between 260,000 and 520,000 elderly people sustained in nursing homes at high expense, despite the fact that they could be cared for at home for little more than half of the cost and—even more importantly—at far greater happiness and comfort. The Government should be encouraging family unity rather than discouraging it.

My bill would provide the groundwork for alternatives to institutionalization by authorizing demonstration projects wherein those people eligible for tax-paid nursing home care would be paid a tax-free stipend equal to 50 percent of the average nursing home cost. This stipend could finance care in a home situation which would suit their needs—with their family, or a foster family, or with friends in a cooperative living arrangement, pooling their resources. The living situation would be reviewed periodically by a competent health official to determine whether the stipend was being used properly, to the person's satisfaction and happiness.

A somewhat similar project is in progress in Maryland on a small scale. The study involves two groups; in one, the elderly person's family was given a stipend of up to $2,000 per year to help with the cost of health supplies, housing, food, and other necessities. Health care is paid for separately, in

addition to the stipend. The other group received no subsidy of any kind. The preliminary report indicates that without a stipend, only minimal support is available to families who provide care for an elderly relative. Because of the heavy drain on financial and emotional resources, even the most loving and caring family will admit their elderly parent into a nursing home, where public support is finally available. On the other hand, it appears that the stipend, although small, was enough of a help to enable the elderly person to remain at home.

I have introduced H.R. 2833 with the expectation that although saving a considerable amount of money, it can provide independence and dignity for a great number of elderly people in this country. Separation from one's family ought not to be required or encouraged by government regulations and incentives. Institutionalization ought, rather, to be an option of last resort.

For the RECORD, a complete text of the bill follows:

H.R. 2833

A bill to provide alternatives to institutionalization

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of Health and Human Services (hereinafter referred to as the "Secretary") may provide, through demonstration projects payments to individuals who are receiving, or are eligible to receive, benefits with respect to post-hospital extended care services under title XVIII of the Social Security Act or intermediate care facility services or skilled nursing facility services under title XIX of such Act, who do not require twenty-four hour nursing care or supervision, and who desire to establish a noninstitutional living arrangement which will meet their medical and other needs.

(b) The amount of any payment made to any individual under this Act shall be an amount determined by multiplying—

(1) the number of days in the period for which the payment is made, by

(2) 50 per centum of the average daily benefit paid for the services described in subsection (a), in the State in which such individual resides, on behalf of an individual under titles XVIII and XIX of the Social Security Act.

(c) Any payment received by an individual under this Act shall be used for the purpose of financing an appropriate noninstitutional living arrangement which meets the medical and other needs of the individual. The Secretary shall provide that such living arrangement will be reviewed periodically by a registered nurse or other appropriate health official for the purpose of determining whether the individual is satisfied with the care as a result of such arrangement.

(d) Any payment made under this Act shall be made on such terms and conditions, in advance or by reimbursement, in such installments, and for such length of time as the Secretary determines will best meet the medical and other needs of the individual receiving the payments.

(e) Such payments shall not be includable in gross income under the Internal Revenue Code of 1954.

(f)(1) The Secretary shall design demonstration projects established under this Act for the purpose of determining—

(A) the economic, medical, psychological, and sociological feasibility of transferring inpatients of skilled nursing and intermediate care facilities to noninstitutional living arrangements;

(B) the types and percentage of such inpatients who could live effectively in a noninstitutional living arrangement; and

(C) the types and percentages of such inpatients who would benefit economically and qualitatively from transferring to a noninstitutional living arrangement.

(2) The Secretary shall, within two years after the date of the enactment of this Act, transmit a report to each House of the Congress concerning the findings and conclusions which have been made with respect to the matters described in paragraph (1). In addition, such report shall contain recommendations, if any, by the Secretary for legislative action with respect to such matters.

(g) Funds made available under this Act shall be made in appropriate part, as determined by the Secretary, from the Federal Hospital Insurance Trust Fund (established by section 1817 of the Social Security Act) and from funds appropriated to carry out title XIX of the Social Security Act.●

IN SUPPORT OF THE PRITCHARD-EDGAR AMENDMENT ON THE TENNESSEE-TOMBIGBEE WATERWAY PROJECT

HON. BOB EDGAR

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 22, 1981

● Mr. EDGAR. Mr. Speaker, there are six good reasons to support the Pritchard-Edgar amendment on the Tennessee-Tombigbee waterway project.

First, the vast majority of the project has been halted by the fifth circuit court of appeals.

Second, the project will cost another $2 billion to complete—$200 million a year for the next 10 years.

Third, in March 1981, the Senate Environment and Public Works Committee voted 9 to 5 to recommend termination of the project.

Fourth, the project is only 33 percent complete, and will be a dismal economic failure even if finished because it will move negligible amounts of coal or other traffic.

Fifth, as stated in the July 22, 1981, New York Times editorial:

The economic case against both projects was forcefully stated by President Reagan's own Budget Director, David Stockman, while he was still a Congressman. * * * He suggested that if Congress paid for marginal enterprises like Tenn-Tom, it ought to "go whole hog and build a pyramid in every State."

Sixth, as stated in the July 22, 1981, Philadelphia Inquirer editorial:

The court enjoined further construction of a major portion of the waterway, ruling that The corps had "blatantly" violated Federal environmental requirements and intentionally used outdated financial statistics to make the project appear economically viable.

Both editorials follow:

[From the New York Times, July 22, 1981]

DISPENSABLE PORK

After cutting funds for food stamps, youth employment, Medicaid and a host of other social programs, the Reagan Administration endorsed two highly questionable multibillion-dollar construction projects of particular interest to powerful legislators—the Clinch River breeder reactor and the Tennessee-Tombigbee Waterway.

This week the House has a chance to derail both of them. It should. An Administration and Congress asking everyone to make do with less have no right to cling to such blatant pork barrels.

The Clinch River breeder reactor, which is to be built in Tennessee, is championed by that state's Senator Baker, the majority leader. It is supposed to demonstrate the breeder's potential for using nuclear fuel more efficiently than conventional reactors. But this $3.2 billion project is apt to wind up a technological turkey. Some consider the relatively small reactor obsolescent; it might also fall short of Federal safety and environmental requirements. A House subcommittee staff recently concluded that projected costs are soaring because of lax management. And the need for even a well-conceived breeder is diminishing as demand for electricity falls and estimates of uranium supplies rise.

The Tennessee-Tombigbee Waterway, in Mississippi and Alabama, would link the Tennessee River with an existing waterway that leads south to the Gulf of Mexico. It has powerful supporters on the Appropriations Committee in two Mississippians, Jamie Whitten and Tom Bevill. About $1.1 billion has already been spent on construction over the last decade, more than half the total estimated cost.

Even so, there may be good reason to halt the project. Tenn-Tom will create a bottleneck on the waterway to the south, and easing *that* problem would cost another $1 billion. Moreover, both the General Accounting Office and the Congressional Research Service question predictions that enough barge traffic will materialize to justify the linkup.

The economic case against both projects was forcefully stated by President Reagan's own budget director, David Stockman, while he was still a Congressman. Financing Clinch River, he warned, would encourage "a never-ending stream of outstretched palms" for Federal subsidies. He suggested that if Congress paid for marginal enterprises like Tenn-Tom, it ought to "go whole hog and build a pyramid in every state." The House should give both projects a pharaoh's burial.

[From the Philadelphia Inquirer, July 22, 1981]

SAYING NO TO PORK-BARRELISM

This week the House of Representatives will have an opportunity to commit the federal government to pay for a $3 billion water project and a $3.2 billion breeder reactor. For that $6.2 billion, the American taxpayer will receive a 232-mile waterway which has almost no economic justification and an energy project that, when completed, probably will be mothballed because it is useless.

The Tennessee-Tombigbee Waterway and the Clinch River Breeder Reactor represent

pork-barrell politics at their most outrageous. They have survived close votes in Congress in past years, because they are favorites of a powerful group of Southern members of Congress. This year, which has brought drastic reductions in social and economic programs vital to millions of Americans, the House must put cronyism aside and reject more money for the two projects.

House members will be asked to approve fiscal year 1982 appropriations of $189 million for Tenn-Tom and $250 million for Clinch River. That money will go toward projects that can make the following claims:

Clinch River. The cost overruns for the Breeder reactor already amount to 450 percent, making it the most expensive power project ever. A House oversight and investigations subcommittee has labeled the project a management fiasco marked by "unbelievably loose," unenforceable contracts. The plant may produce electricity by 1990, 11 years behind schedule at a cost so high that the government will have to sell it at a loss, or shut down the plant. When the Carter administration tried to kill the Clinch River project, it won an ally in the Congress. David A. Stockman, who maintained that "no further subsidization of the Clinch River program . . . can be justified." Mr. Stockman, now President Reagan's budget director, has backed away from that position in light of the administration's support for Clinch River.

Tenn-Tom. Known as the "clone of the Mississippi River," the Tenn-Tom waterway will link the Tennessee River with the Gulf of Mexico. The General Accounting Office and the U.S. Fifth Circuit Court of Appeals recently challenged the data used by the Army Corps of Engineers to justify construction of the largest public works project currently under way in the United States. The court enjoined further construction of a major portion of the waterway, ruling that the corps had "blatantly" violated federal environmental requirements and intentionally used out-dated financial statistics to make the project appear economically viable.

Rep. Robert W. Edgar (D., Pa.) long has led the fight in the House against funding Tenn-Tom, claiming that the amount earmarked to complete the waterway is more than double the federal funds allocated for all public works projects in Northeastern states. He and Rep. Joel Pritchard (R., Wash.) last year came close to winning that fight in Congress, and will mount a spirited effort again this year. The Clinch River Breeder Reactor vote also will be close.

The House has busied itself during the budget process in ferreting out waste and excess in a wide range of federal programs. It cannot allow the appropriations for two of the most wasteful and excessive to be approved.●

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Any changes in committee scheduling will be indicated by placement of an asterisk to the left of the name of the unit conducting such meetings.

Meetings scheduled for Thursday, July 23, 1981, may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

JULY 24

9:30 a.m.

Armed Services

Closed business meeting, to mark up S. 846, authorizing funds for fiscal years 1982 and 1983 for national security programs of the Department of Energy, and to consider pending routine military nominations.

212 Russell Building

Commerce, Science, and Transportation

To hold hearings on the nomination of James C. Miller III, of the District of Columbia, to be a Federal Trade Commissioner.

235 Russell Building

Finance

Taxation and Debt Management Subcommittee

To hold hearings on miscellaneous tax proposals, including S. 805, S. 1214, S. 1304, S. 1320, S. 1369, and S. 531.

2221 Dirksen Building

10:00 a.m.

Armed Services

To resume hearings on arms control issues.

212 Russell Building

Conferees

Senate Committee on Small Business conferees and House Committee on Small Business conferees on the Small Business Administration provisions of H.R. 3982, providing for reconciliation pursuant to section 301 of H. Con. Res. 115, the First Concurrent Resolution of the Congressional Budget.

Room S-146, Capitol

Energy and Natural Resources

To hold hearings on the nominations of Anthony G. Sousa, of Hawaii, to be a member of the Federal Energy Regulatory Commission, J. Robinson West, of Pennsylvania, to be an Assistant Secretary of Interior for Policy, Budget and Administration, Jan W. Mares, of Connecticut, to be an Assistant Secretary of Energy for Fossil Energy, and Alvin W. Trivelpiece, of California, to be director of the Office of Energy Research, Department of Energy.

3110 Dirksen Building

Environment and Public Works

* Water Resources Subcommittee

To hold hearings on S. 1493, deauthorizing certain water resources projects within the jurisdiction of the U.S. Army Corps of Engineers, and on other related issues.

4200 Dirksen Building

Foreign Relations

To hold hearings on S. 854, establishing an Office of Foreign Missions responsible for providing benefits for foreign missions on terms approved by the Secretary of State.

4221 Dirksen Building

Judiciary

To continue hearings on monopolization and competition in the telecommunications industry.

2228 Dirksen Building

Select Committee on Indian Affairs

Business meeting, to further discuss S. 1088, promoting the goal of economic and social self-sufficiency for American Indians, Hawaiian Natives, and Alaskan Natives, and to discuss a proposed committee report on the adequacy of Federal supervision and monitoring of oil theft on Indian and Federal lease lands.

1224 Dirksen Building

1:30 p.m.

Judiciary

Immigration and Refugee Policy Subcommittee

To hold hearings to examine the enforcement of U.S. immigration laws.

412 Russell Building

JULY 27

9:30 a.m.

Finance

International Trade Subcommittee

To hold hearings on proposed legislation extending the President's authority to waive the freedom of immigration provision of the Trade Act.

2221 Dirksen Building

Labor and Human Resources

Alcoholism and Drug Abuse Subcommittee

To hold oversight hearings on research activities of the National Institute on Alcohol Abuse and Alcoholism and the National Institute on Drug Abuse.

4232 Dirksen Building

10:00 a.m.

Agriculture, Nutrition, and Forestry

Agricultural Research and General Research Subcommittee

To hold hearings on proposed revisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), Public Law 96-539.

324 Russell Building

*Environment and Public Works

Business meeting, to consider pending calendar business.

4200 Dirksen Building

Foreign Relations

To hold hearings on the nominations of Jose M. Casanova, of Florida, to be Executive Director of the Inter-American Development Bank, and Abraham Katz, of Florida, to be the Representative to the Organization for Economic Cooperation and Development, with the rank of Ambassador.

4221 Dirksen Building

Governmental Affairs

Business meeting, to mark up S. 678, expanding the present ZIP code system to a 9-digit ZIP code, and S. 1080, improving and modifying the Federal regulatory process.

3302 Dirksen Building

2:00 p.m.
Agriculture, Nutrition, and Forestry
Agricultural Research and General Research Subcommittee
To continue hearings on proposed revisions of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), Public Law 96-539.
324 Russell Building
Foreign Relations
To hold hearings on the nomination of Frederick L. Chapin, of New Jersey, to be Ambassador to Guatemala.
4221 Dirksen Building
3:00 p.m.
Foreign Relations
To receive testimony from Assistant Secretary of Defense-Designate Richard N. Perle on international security policy issues.
4221 Dirksen Building

JULY 28

9:00 a.m.
*Select on Ethics
To resume hearings on matters involving Senator Williams.
6226 Dirksen Building
9:30 a.m.
Commerce, Science, and Transportation
Science, Technology, and Space Subcommittee
To hold hearings on proposed legislation to provide title to contractors receiving Federal research and development funds.
235 Russell Building
10:00 a.m.
Banking, Housing, and Urban Affairs
Business meeting, to mark up S. 708, clarifying the intent and modifying certain provisions of the Foreign Corrupt Practices Act of 1977, and S. 868, directing the Export-Import Bank to adopt export finance programs comparable in structure to those measures of official export credits offered by competing countries.
5302 Dirksen Building
Finance
International Trade Subcommittee
To resume hearings on U.S. trade policy.
2221 Dirksen Building
Judiciary
Business meeting, to consider pending calendar business.
2228 Dirksen Building
10:30 a.m.
Energy and Natural Resources
To hold hearings on S. 1503, authorizing the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, S. 1476, S. 1354, and S. 409, bills providing standby authority to deal with petroleum supply disruptions, and S. 445, establishing a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.
3110 Dirksen Building
2:00 p.m.
*Governmental Affairs
Intergovernmental Relations Subcommittee
To discuss alternatives for delivering public services, focusing on certain private sector involvement in social services.
Room to be announced
Judiciary
To hold hearings on pending nominations.
2228 Dirksen Building
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 29

9:00 a.m.
Commerce, Science, and Transportation
Business meeting, to consider pending calendar business.
235 Russell Building
Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building
*Labor and Human Resources
To resume oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building
*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building
10:00 a.m.
Banking, Housing, and Urban Affairs
Business meeting, to continue mark up of S. 708, clarifying the intent and modifying certain provisions of the Foreign Corrupt Practices Act of 1977, and S. 868, directing the Export-Import Bank to adopt export finance programs comparable in structure to those measures of official export credits offered by competing countries.
5302 Dirksen Building
Energy and Natural Resources
Business meeting, to consider pending calendar business.
3110 Dirksen Building
*Environment and Public Works
Business meeting, to consider pending calendar business.
4200 Dirksen Building
Judiciary
To hold oversight hearings on the implementation of the Copyright Act of 1976, focusing on section 101 relative to cable TV policy.
2228 Dirksen Building
Select on Indian Affairs
To hold hearings on S. 792, establishing a National Institute of Native American Culture and Arts Development.
5110 Dirksen Building
1:00 p.m.
Judiciary
To resume hearings on monopolization and competition in the telecommunications industry.
2228 Dirksen Building
2:00 p.m.
Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building
Special on Aging
To hold hearings on proposals relating to medicare reimbursement to competitive medical plans.
5110 Dirksen Building

JULY 30

9:00 a.m.
*Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
318 Russell Building
*Labor and Human Resources
To continue oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building
*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building
9:30 a.m.
Energy and Natural Resources
To resume hearings on S. 1503, authorizing the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, S. 1476, S. 1354, and S. 409, bills providing standby authority to deal with petroleum supply disruptions, and S. 445, establishing a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.
3110 Dirksen Building
Select on Indian Affairs
To hold hearings on S. 159, authorizing the exchange of certain land held by the Navajo Tribe and the Bureau of Land Management, Department of the Interior, and S. 1340, providing for the use and distribution of judgment funds awarded to the Clallam Tribe of Indians, State of Washington.
3110 Dirksen Building
10:00 a.m.
Judiciary
To hold hearings on S. 326, prohibiting a refiner, other than an independent or small refiner, from operating a gas station in the United States, and making it unlawful for a supplier to practice price discrimination in the sale of motor fuel.
2228 Dirksen Building
Judiciary
Immigration and Refugee Policy Subcommittee
To hold joint hearings with the House Subcommittee on Immigration, Refugees, and International Law of the Judiciary to examine the administration's policy relative to immigration and refugees.
412 Russell Building
2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building
2:30 p.m.
Armed Services
To meet in closed session to discuss the role of military power in foreign policy

objectives and specific foreign policy initiatives of the administration.
212 Russell Building

JULY 31

9:00 a.m.
*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Judiciary
Constitution Subcommittee
To resume oversight hearings on the implementation of the Freedom of Information Act, and on S. 1247, S. 1235, and S. 587, bills providing for the protection of certain confidential information from the disclosure requirements of the Freedom of Information Act.
2228 Dirksen Building

10:00 a.m.
Judiciary
Immigration and Refugee Policy Subcommittee
To hold hearings on employer sanctions.
2228 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

AUGUST 24

9:30 a.m.
Select on Ethics
Closed meeting, to discuss committee procedures in its investigation of Senator Williams.
6228 Dirksen Building

SEPTEMBER 10

9:30 a.m.
Judiciary
Constitution Subcommittee
To resume hearings on Senate Joint Resolution 41, proposed constitutional amendment prohibiting the United States or any State from making or enforcing any law which makes distinctions on account of race, color, or national origin.
2228 Dirksen Building

SEPTEMBER 15

9:30 a.m.
Labor and Human Resources
Aging, Family and Human Services Subcommittee
To hold hearings on primary intervention in addressing societal problems.
4232 Dirksen Building

SEPTEMBER 16

9:30 a.m.
*Veterans' Affairs
Business meeting, to markup S. 5, S. 7, S. 25, S. 26, S. 48, S. 105, S. 248, S. 417, and S. 742, bills providing educational assistance to members of the Armed Forces, and S. 266 and amendment No. 62 of S. 636 (Veterans' Administration Health Care Amendments), measures implementing procedures and guidelines for the interagency sharing of health resources between the Department of Defense and the Veterans' Administration.
412 Russell Building

SEPTEMBER 22

10:00 a.m.
Veterans' Affairs
To hold hearings on fiscal year 1982 legislative recommendations of the American Legion.
318 Russell Building

SEPTEMBER 23

10:00 a.m.
Labor and Human Resources
Investigations and General Oversight Subcommittee
To hold oversight hearings on the activities of the Occupational Safety and Health Administration.
4232 Dirksen Building

SEPTEMBER 24

10:00 a.m.
Labor and Human Resources
Investigations and General Oversight Subcommittee
To continue oversight hearings on the activities of the Occupational Safety and Health Administration.
4232 Dirksen Building

SEPTEMBER 30

9:30 a.m.
*Veterans' Affairs
Business meeting, to markup S. 349, providing for limited judicial review of the administrative action of the Veterans' Administration, and for reasonable fees to attorneys representing legal counsel for veterans.
412 Russell Building

CANCELLATIONS

JULY 23

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

10:00 a.m.
Energy and Natural Resources
Energy and Mineral Resources Subcommittee
To hold oversight hearings on the implementation of the Federal coal leasing program.
3110 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 24

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

JULY 27

9:30 a.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

HOUSE OF REPRESENTATIVES—*Thursday, July 23, 1981*

The House met at 10 a.m.

The Reverend Edward L. Foggs, Church of God, Anderson, Ind., offered the following prayer:

Eternal and all-wise God, Creator and Sustainer of Life: We pause to acknowledge Your gracious love and to give You thanks for Your constant and bountiful blessings.

Be present today, we pray, to give insight and wisdom to these elected representatives who grapple with momentous issues confronting our Nation and our world. Keep them ever mindful of the heritage and trust committed to them. Make them keenly sensitive to hurts of the human spirit and boldly responsive to the healing promptings of Your spirit.

As all of us seek to exercise responsible citizenship, enable us to understand and embrace Your will for our lives. Make us instruments of Your peace, love, mercy, and justice so that our journey here will please You and touch the lives of others in ways that ennoble their living.

Hear our prayer, O God, and uphold us by Your eternal spirit. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that Mr. MATSUNAGA has been appointed a conferee, on the part of the Senate, on the bill (H.R. 3982) entitled "An act to provide for reconciliation pursuant to section 301 of the first concurrent resolution on the budget for the fiscal year 1982," for section 1302 of Senate amendment and section 14003 of the House bill, vice Mr. RANDOLPH, excused.

THE REVEREND EDWARD L. FOGGS

(Mr. HILLIS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HILLIS. Mr. Speaker, we have been honored this morning in hearing the inspiring words of a guest chaplain who is one of my distinguished constituents. He is Edward L. Foggs, an executive officer of the Church of God, which has its national offices in Anderson, Ind., in my congressional district.

Mr. Foggs, an ordained minister, served 10 years as pastor of the Sherman Street Church of God in Anderson, beginning in 1959. He led the church in a major expansion program, at the same time being active as a civic leader in the Anderson community. He later became director of Urban Ministries for the Church of God under its Board of Church Extensions and Home Missions.

Mr. Foggs' ministry has extended beyond his own denomination to other significant endeavors. He has served as a member of the board of directors of the National Conference of Black Churchmen, Operation PUSH, and the Urban Training Center for Christian Missions. He is currently a member of the National Religious Advisory Council of the National Urban League, and is chaplain of the local Rotary Club. For the past 13 years he has taught Afro-American culture as an adjunct faculty member of Anderson College.

I would like to add that Mr. Foggs is a man who is not entirely unknown on Capitol Hill. He is the father of a son, and four daughters—two of whom have served as interns in my Washington office. Both are now employed on Capitol Hill, in the offices of my Hoosier colleagues, Congressman SHARP and Congressman DECKARD.

It is a pleasure for me to welcome him here today, and to renew my acquaintance with him and with his outstanding family.

THE REVEREND EDWARD L. FOGGS

(Mr. SHARP asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SHARP. Mr. Speaker, I am delighted to join my Hoosier colleague, Mr. HILLIS, in welcoming Pastor Foggs here this morning.

As my colleague has pointed out, he has a distinguished career and has provided outstanding leadership in communities in Indiana. I want to particularly comment on his good Christian family. His daughter, Miss Lynette Foggs, has been an exceptional public servant in my office, and I just want to say that these are the kinds of citizens, Mr. Speaker, that I think make America great.

U.S. AIR DEFENSE

(Mr. SKELTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SKELTON. Mr. Speaker, yesterday the House Armed Services Committee began the first in a series of hearings on the need for air defense in our Nation. I commend Chairman PRICE for initiating these hearings which I suggested.

I have a concern for America's air defense system. The air defense system that I speak of is simply the protection of the United States from enemy bombers.

The causes of our frail air defense program go back some 20 years. In the 1960's our military strategy adopted the policy of deterrence and, accordingly, we began to gradually dismantle our strategic or active defense system. Air defense was one of those victims.

In the 1960's, air defense had about 2,600 interceptor fighter planes. Today, we have less than 300. In the 1960's we had over 1,000 surface-to-air or SAM missiles assigned a role of guarding our key military installations. Today, we have none. In the 1960's the United States had a formidable air defense radar system. Today, that tier of radar systems known as the DEW line—or Distant Early Warning line—has gaps in it that allow an enemy aircraft to go through it without detection.

Mr. Speaker, I commend the Armed Services Committee for its initiation of these hearings, and I certainly hope that something substantial in the way of positive air defense will come about as a result.

FITTING MEMORIAL TO FRANKLIN DELANO ROOSEVELT

(Mrs. SCHROEDER asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SCHROEDER. Mr. Speaker, yesterday this House debated what to do about a memorial for Franklin Delano Roosevelt. I would like to make a proposal that I think is the kind of memorial F. D. R. would want more than anything made of concrete, or another statue or monument.

When he created social security, he truly cared about the elderly in America. F. D. R. insisted social security be kept separate from the rest of the budget. We allowed that to be changed under Nixon and I think that was

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

wrong. Social security was created and it was separated from the budget. In 1969, under President Nixon, we moved it into the unified budget.

The best monument to Franklin Delano Roosevelt would be to get social security out from under the unified budget so no more political and budget games will be played with it. People need to know what is really going on. We must make social security separate. We must know what is really happening. We must keep separate books. That is the way F. D. R. envisioned social security and it worked very well until 1969.

Let us give a real monument to F. D. R. I think the elderly are tired of having games played with them and F. D. R. would be shocked by this body treating social security as a bailout fund for the rest of the budget.

UPDATE ON RECONCILIATION CONFERENCE

(Mr. PANETTA asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. PANETTA. Mr. Speaker, this is a continuing update on the reconciliation conference.

Yesterday we had a number of conference meetings. In agriculture the issues related to Public Law 480 and a 9-percent cut in administration were resolved. They are continuing today on the food stamp issue and dairy cuts.

The Banking Committee completed its conference.

Energy and Commerce met on the health issues and will continue to meet today. The energy issues in that conference were largely resolved yesterday afternoon.

Education and Labor met on employment issues and resolved the CETA area and vocational education and today will be meeting on poverty programs and older Americans.

□ 1010

The Public Works Committee resolved late last night and completed its work on reconciliation.

The Government Operations Committee expects to resolve today.

For today, the following committees are meeting in conference: Agriculture, Armed Services, Education and Labor, Government Operations, Merchant Marine, and Ways and Means.

Mr. Speaker, all of us, very frankly, ought to be very proud of the process and the way it is going and the performance of the chairmen and Members on both sides of the Hill. There are some difficult challenges left, but I have every confidence that we will complete reconciliation within our timeframe.

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 22, 1981, 6 P.M.

SUBCONFERENCE COMPLETED

[Dollars in millions]

Committees: House/Senate	Date completed	Savings achieved	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations (37)	July 16, 1981	−$244	−$158
Post Office/Government Operations (50)	...do	−4,706	−5,163
Education and Labor/Agriculture (16)	July 17, 1981	−1,474	−1,457
Science and Technology/Energy and Natural Resources (54) [1]	July 16, 1981	−1,363	−615

[1] Preliminary CBO estimates.

WEDNESDAY'S ACTIVITIES

[Dollars in millions]

Committee	Activity (miniconference No.)	Issues	1982 savings achieved		Comments
			Budget authority	Outlays	
Agriculture	Agriculture/Agriculture miniconference (1–9)	All open issues			Conference agreement on Public Law 480 (miniconference No. 2)
Armed Services	None				
Banking	Banking/Banking miniconference (11)				Conference still in session at 6 p.m.
District of Columbia	None				
Education and Labor	Education and Labor/Labor and Human Resources miniconference (15).	CETA			Issues resolved. CBO estimates not available.
		Handicapped			
		Rehabilitation			
		Higher education			
Energy and Commerce	Energy and Commerce/Labor and Human Resources miniconference (27).	Health			Staffs developing a block grant package.
	Energy and Commerce/Energy and Natural Resources miniconference (24).	DOE authorization			Conference agreement.
		Fuel use			
		SPRO			
Government Operations	None				
Interior	...do				
Judiciary	...do				
Merchant Marine	Staff discussions				
Public Works	Public Works/Environment miniconference (52)	All open issues			Conference agreement.
Science and Technology	None				
Small Business	...do				
Ways and Means	...do				

Mr. REGULA. Mr. Speaker, will the gentleman yield?

Mr. PANETTA. I yield to the gentleman from Ohio.

Mr. REGULA. I want to compliment the gentleman on his excellent leadership and the work he has done on the reconciliation conference. The gentleman has really done a superb job, and I particularly want to compliment the gentleman on keeping all the Members of the House fully informed as to what is happening in the conference.

Mr. PANETTA. I thank the gentleman.

SOCIAL SECURITY CUTS

(Mr. DASCHLE asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. DASCHLE. Mr. Speaker, this House is now on record in opposition to the Reagan administration's intent to terminate the minimum benefit for social security recipients. Though it appears the administration is reconsidering its increased penalties for early retirement scheme, those currently receiving the minimum benefit will not

likely receive the courtesy of such a retrospective analysis.

Over 10,000 persons in my State will likely lose their minimum benefit should this cutback remain in the reconciliation bill. Most of these people are farmers or schoolteachers, in other words, those who are prevented by law from participating in social security until only recently. I consider this effort particularly a callous affront to the dignity of these older Americans. I feel that the President has been ill-advised on both of these proposals and I remain hopeful that the benefits of current social security beneficiaries will not be further tampered with.

Mr. Speaker, I received what I believe to be an excellent letter from a constituent of mine the other day stating his feelings about the proposed social security cuts. Mr. Leggett's statements echo a number of letters and calls my office has received in recent weeks since the social security changes were first proposed. Following is the text of the letter:

JULY 14, 1981.

DEAR MR. DASCHLE: There are a few things in President Reagan's budget, and tax cuts that bother me quite a bit. I am a senior citizen, having retired in 1974, at the age of 62 years old. I believe the age limits for retirement should be left as they are. Many men develop some kind of physical problems that force them to retire early, or at least by age 65. In these times I see very little reason to tamper with Social Security. When we were working the Social Security deductions were just as hard on us, as it is on present day workers, because we were making considerably less.

There are many other things that he, and I, don't agree on. I believe these issues should be non-partisan in scope, and a lot of common sense should be used in deciding the final outcome. I am one small voice among many. I do know that most of the tax money that is collected, comes from the little people, because there are so many of us around the country. I still pay at least half as much income tax, as I did before I retired. Other than a small private pension, my income is from interest on money I saved over the years, for the purpose of being able to live comfortably when I did retire. I also get a Social Security check. Inflation has sure bit into us retirees.

You probably get lots of letters like this one, but I feel that many people were in the same boat that I am, so I would vent my feelings for myself, and all the rest.

Sincerely yours,

EVERETT E. LEGGETT,
Aberdeen, S. Dak.

WALL STREET EXPECTS HIGH INTEREST RATES

(Mr. PEASE asked and was given permission to address the House for 1 minute.)

Mr. PEASE. Mr. Speaker, I am sending out a dear colleague letter today I would like to call to the attention of my colleagues which shows a cartoon of President Reagan trying to pull a bull out of a hat for Wall Street, but actually it is a bear that comes out instead. For all of the talk about balanced budgets and the new economic program, Wall Street simply is not buying it. It expects to have high interest rates fueled by the big deficits built into the Reagan budget over the next 3 years.

Larry Chimerine, chairman and chief economist of Chase Econometrics, is the latest to predict a budget deficit as high as $75 billion by 1984, in contrast with the balanced budget predicted by the President. Independent economists are unanimous in predicting budget deficits of that size in fiscal year 1984.

I think we need to be careful about building in a large tax cut for 1984.

SUBSIDIZED BOY SCOUTS?

(Mr. RUDD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RUDD. Mr. Speaker, when I was a Boy Scout, the small troop I was in used to scrape together enough money, either by donation or fundraising events, and plan for a modest little camping outing that we took every month or so. This activity was part of what it meant to be a Boy Scout.

Recently, I was shocked to learn of a tax-supported Boy Scout program set up by the Cook County Juvenile Court System in Illinois, which places repeat juvenile offenders in two specially crafted troops, all expenses paid. I was told that all of the juveniles in this program have been involved in serious or violent crimes, averaging almost five previous arrests with court referrals, and that 40 percent of those chosen do not even complete the program. These special Scouts are run by paid, full-time scoutmasters who make court appearances for the Scouts, take extravagant outings three weekends out of every four during the summer to places like Michigan, Wisconsin, West Point, and New Mexico. A large part of the funding from this program is subgranted down to the Boy Scouts from the Law Enforcement Assistance Administration, which contributes about $1,600 per participant, in addition to other State and local sources. These LEAA Federal grants alone have added up to $110,628 for the first year of the experimental program in 1979, $82,971 in 1980, and $58,387 for this year—all for two Boy Scout troops with a total of 50 members.

This program totally distorts what it means to be a Boy Scout—that is, taking part in a volunteer organization which stresses the principles of honesty, hard work, and thriftiness, among other attributes. I do not think we should be using Federal tax dollars for questionable programs like this, especially when there is need for help in more essential services to the public.

You can be sure I have written to LEAA for an explanation.

SPECIAL INTEREST BOONDOGGLE

(Mr. MOORE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOORE. Mr. Speaker, the Ways and Means Committee has adopted a $3.3 billion bailout for some big businesses as a part of its tax bill. I will be seeking authorization under the rule to offer an amendment to strike this provision from the bill when it reaches the floor.

The bailout provision allows only certain select "distressed industries" to carry back unused investment credits all the way to 1962, when ITC's were created, while the rest of business and industry can only go back 3 years. I have contacted the major business organizations and not one of them supports this provision. The Chamber of Commerce, Business Roundtable, National Association of Manufacturers, American Council for Capital Formation, and National Federation of Independent Business all have refused to endorse this special interest boondoggle.

Only this new class of superindustries which intend to slip into the Treasury unnoticed to raid it for $3.3 billion evidently support it and few of them do so publicly. Since there were no hearings on it, these business organizations have not considered or endorsed it, and it is special interest legislation, Members should have the right to debate and vote on it separately through the amendment I will offer.

□ 1020

THE TAX BILL

(Mr. GINGRICH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GINGRICH. Mr. Speaker, let me say in the beginning, it is always a delightful thing to see a colleague from Atlanta sitting in the chair.

Mr. Speaker, next week, this House will vote on a historic tax bill. President Reagan will offer us an opportunity to genuinely cut spending and cut taxes, fight high interest rates and create jobs.

Mr. Speaker, the bill which has been reported out by the Committee on Ways and Means, which is supported by the liberal Democratic leadership, is, in the long run, a tax increase bill. Any Member who votes for it should realize full well in 1982 his taxpayers or her taxpayers will have an opportunity to decide whether or not they wish to be represented by someone

who is in fact voting for a tax increase bill which will lead to higher taxes by 1984.

REAGAN TAX CUT IS NEEDED NOW

(Mr. LAGOMARSINO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LAGOMARSINO. Mr. Speaker, there is really only one reason why the majority wants to limit the tax cut to 2 years. They are doing it because they want to have the extra money to spend in 1984.

Can anybody who has been here more than 2 years doubt that Congress will spend every last dime of the money it takes in through taxes, and then some?

The only way to cut Government spending and bring inflation under control is to enact a meaningful cut in taxes. The American people understand this. They know the way to discipline a free-spending son or daughter is to cut their allowance. The way to discipline a free-spending Congress is to limit its revenues and then require that it live within its means.

A 2-year tax cut is not good enough. At best it will mean a momentary pause in the race to spend every dollar in the Treasury. We need the Reagan tax cut now.

URGENT SUPPLEMENTAL APPROPRIATION FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. NATCHER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 308) making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981; and I would like to state at this time, Mr. Speaker, that this meets with the approval of the Committee on Appropriations, the President, the Office of Budget and Management and the Department of Health and Human Services. There is no controversy about this matter at all, Mr. Speaker.

The Clerk read the title of the joint resolution.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

Mr. WALKER. Mr. Speaker, reserving the right to object, I would like to inquire of the gentleman from Kentucky (Mr. NATCHER), if I could, why in this language, which is general language going to health services, that the language that the House has regularly adopted referring to abortion under the so-called Hyde amendment, is not included in this particular legislation?

It seems to me that we are providing an additional amount for health services with no restrictions and that there is no language in here which would keep the health services bureaucracy of the Department of Health and Human Services from performing abortions with this money.

Mr. NATCHER. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from Kentucky.

Mr. NATCHER. In answer to the gentleman's inquiry, this request is for the Department of Health and Human Services in the operation of the 8 Public Health Service hospitals, the 27 clinics, and for that reason, the language that the gentleman refers to is not necessary in this supplemental request.

Mr. WALKER. Further reserving the right to object, Mr. Speaker.

Mr. NATCHER. If the gentleman would pardon me for interrupting, on the regular bill for fiscal year 1982, for the Department of Education, the Department of Health and Human Services, and the Department of Labor, the provisions concerning abortion in this regular bill would apply to the operation of the Public Health Service hospitals and the clinics until they are phased out and to all supplemental bills.

This is a phasing out proposition whereby they will go out of existence and it is not necessary to have that language at this time.

The gentleman from Pennsylvania knows the position of the gentleman from Kentucky and the gentleman from Massachusetts, in regard to the abortion language. That has been established all down through the years and the gentleman can take the word of the gentleman from Massachusetts and my word that the gentleman's interest will be fully protected.

Mr. WALKER. I thank the gentleman. The problem that I have, and the gentleman can correct me if I am wrong, is that this is for closedown costs for a particular public service hospital that is not specified in the legislation and neither is there any specification that this additional money over and above the supplemental that was previously passed by the House has the antiabortion protections in it.

I know, for instance, when we passed the previous supplemental we had the protection language in it with regard to abortions. This supplemental would seem to fall into the same category as that legislation and I am wondering why that language could not be included in this particular bill.

Mr. NATCHER. If the gentleman will yield further, I would like to say to the gentleman from Pennsylvania that any language in the regular bill for these three Departments would apply for any supplemental appropriation request and that is the major reason why it is not necessary at this time.

The language in the regular bill and under the continuing resolution, would apply to the urgent supplemental request now before the House, and to all such bills for these three Departments.

Mr. WALKER. Further reserving the right to object, and I ask the gentleman because I have the greatest respect for him, but, I ask the gentleman, why in that case did we include the abortion language in the previous supplemental if in fact the overall law applies without regard to the supplementals.

Mr. NATCHER. If the gentleman will continue to yield, the gentleman will recall that at that time we changed the language somewhat and it was in the continuing resolution. The gentleman is correct and the matter that he has called up at this time is proper in every respect and his interest will be fully protected.

To extend the continuing resolution was the reason why we placed the language back at that time.

□ 1030

Mr. WALKER. Mr. Speaker, further reserving the right to object, I would ask the gentleman, could we not include the language in this legislation just to provide that protection and thereby assure the Members of this House there is no problem?

Mr. NATCHER. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from Kentucky.

Mr. NATCHER. It is not necessary. The language that the gentleman is concerned about applies to this supplemental request like it would apply to any other supplemental request until we pass the regular bill for fiscal year 1982, and the gentleman has a good idea now about the language that will be in that bill. We would hope that the gentleman would not object. This is an urgent matter pertaining to 4,000 employees of the Public Health Service hospitals. It applies to these eight hospitals that are of great concern to a great many Members in the House.

This is a request direct from the President, sent up here on July 16. We held meetings on the 17th, marked it up the same day. We would hope that the gentleman would not object to the action that we request at this time.

Mr. WALKER. Further reserving the right to object, just let me clarify for the record, if this bill were to pass the House, is the gentleman saying for the legislative record and stating to the gentleman from Pennsylvania that all present language with regard to abortion would apply to every dime that is in this bill and that, therefore, the Hyde amendment would apply to

this bill just as it applies to every other dollar which is in the budget of the Department of Health and Human Services?

Mr. NATCHER. Mr. Speaker, will the gentleman yield further at this point?

Mr. WALKER. I yield to the gentleman.

Mr. NATCHER. I would like to say to the gentleman from Pennsylvania (Mr. WALKER) that the gentleman is correct. Every word the gentleman uttered is correct. It will apply. We will see to it on this committee that every word of it applies.

The gentleman is correct.

Mr. WALKER. I thank the gentleman.

Mr. CONTE. Mr. Chairman, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Speaker, here is what happened. The administration asked for a $36 million rescission. We went along with the administration. They now realize that they do not have enough money to carry on until October 1 for these hospitals. These eight hospitals are going to close.

This has nothing to do with abortion. We do not need the gentleman prodding us. The gentleman and I have always put the Hyde language in our appropriations bill. The Hyde language is in there. This is merely a little bookkeeping item to keep 3,800 Public Health Service employees on the payroll who otherwise will be furloughed August 15. And, 497 temporary employees will be furloughed August 1 unless we provide this money.

We are not repealing any law that we passed in this Congress in the supplemental rescissions bills. The terms of that bill apply to these funds as well. I give you my word on that.

Mr. Speaker, let me further say that none of us on the subcommittee were pleased at this request for a supplemental appropriation on the Public Health Service hospitals.

We were displeased because little more than a month ago this committee approved a $36 million rescission requested by the administration to be taken from the hospitals. Now, less than 60 days later, we are asked to provide an additional $16.8 million to keep the hospitals and clinics open through the end of the fiscal year. Clearly poor planning and faulty estimates of potential revenues have been badly handled.

In spite of my displeasure with the way the Public Health Service has estimated its operating costs and needs, I do support the supplemental request before us at this time.

I support this supplemental because if we fail to make the $16.8 million available, more than 3,800 Public Health Service employees will be furloughed on August 15. And, even prior to that on August 1, 497 temporary civil service employees will be laid off. They will lose their jobs and their livelihood with very little advanced notice. Further, I am concerned that adequate plans have not been made to accommodate needy patients that may be displaced by a rushed closing.

And, if we look at the slightly longer term picture for the hospitals and the communities they serve, it also does not make good sense to allow them to close prematurely. Right now four communities have submitted preliminary plans to take over the hospitals in their areas. Other communities are expected to draw up plans before long. If the hospitals are forced to close and then reopen, the cost to these communities would be prohibitively high. In addition, the loss of staff from premature closure would make restaffing by the communities particularly difficult.

For these reasons I urge my colleagues to support this supplemental.

Mr. WALKER. Further reserving the right to object, I think the gentleman from Massachusetts (Mr. CONTE), because of his long involvement with this issue, knows this is a matter of great concern to many Members of this House and many people in the body politic. I am very, very concerned about general language with regard to health services. I am pleased to get the assurances of both the gentleman from Massachusetts (Mr. CONTE) and the gentleman from Kentucky (Mr. NATCHER) that we are not, in fact, changing anything with regard to the law, that every penny of this money—the $16,800,000—would be covered by the Hyde amendment in this bill; and with those assurances, I shall not object, but I would make the point that we are extremely concerned about any language in general with regard to health services that might in any way whatsoever begin to impact on the abortion question.

I know the gentleman shares that concern, and the gentleman from Kentucky shares that concern.

Mr. CONTE. We are with you 100 percent.

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

Mr. MILLER of Ohio. Mr. Speaker, reserving the right to object, I do this just to clarify a point and see if there is a lesson in this particular legislation.

I am not opposing the legislation, but I see where the total budget for these facilities is comprised of appropriated funds plus reimbursement from patients who do not qualify for free care.

Unfortunately, reimbursements have fallen substantially below the level anticipated earlier in the year, leaving a critical deficit in operating funds. My question is: Why did the reimbursements fall? Are these people covered by other Federal programs and, therefore, they could go to a hospital and not be charged at all, and then the Federal Government would not have the reimbursement coming back to the Treasury?

Mr. CONTE. Mr. Speaker, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Speaker, there are two basic reasons why there is a shortfall in revenues for the operation of the Public Health Service hospitals. New York is holding back on the payment of medicaid reimbursements to the Staten Island Public Health Hospital in New York. More critical is the fact that because the hospitals are slated to close, patients are already going elsewhere for care and therefore needed revenues to operate the hospitals have fallen way off.

Mr. MILLER of Ohio. The State is holding back?

Mr. CONTE. On medicaid payments.

Mr. MILLER of Ohio. Will those payments be forthcoming in the future?

Mr. CONTE. We asked that of the witness who represented the Health and Human Services Agency before us last week, and what happened, really, is that once they found out that these hospitals were going to be closed, then they started foot dragging. Efforts are being made to collect past due revenues. As I said, the other problem is there are not as many patients in the hospitals right now. So there are fewer revenues coming into the hospitals.

Mr. MILLER of Ohio. That is part of my question. There are not as many patients in the hospital, but have they found other ways in order to enter a hospital through other Federal programs and, therefore, they would not have to pay anything? I am just trying to clarify the record as to why the reimbursements are not coming into the Federal Treasury.

Mr. CONTE. They are negotiating. I think they have four of these hospitals now that the States or communities will take over. The one in New Orleans, they are negotiating with the Veterans' Administration; the one in Seattle, they are negotiating with the Veterans' Adminstration. They hope to have them take over these hospitals. And I should add that the patients who use these facilities will be provided with proper and adequate care through contract arrangements with other providers or through care provided by their branch of the military.

Mr. MILLER of Ohio. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 308

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sum is appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 1981, namely:

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH SERVICES ADMINISTRATION

HEALTH SERVICES

For an additional amount for "Health Services", $16,800,000: *Provided,* That not more than $145,199,000 shall be available under this head for operation of Public Health Service hospitals and clinics.

Mr. NATCHER. Mr. Speaker, the bill which we bring to the House today, House Joint Resolution 308, provides for an urgent supplemental of $16.8 million for the Public Health Service hospitals and clinics of the Department of Health and Human Services. These funds will be used to augment the operating budget of these health care facilities in order to avoid the premature closure of the system approximately 6 weeks from today. This supplemental was proposed by the President on Thursday, July 16. The Subcommittee on Labor, Health, and Human Services and Education held a hearing on July 17. Immediately following the hearing, the subcommittee recommended unanimously that the full amount of the President's request be approved.

As most Members know, there are currently 8 hospitals and 27 clinics in the PHS system. The hospitals are located in Boston, Staten Island, Baltimore, Norfolk, New Orleans, Nassau Bay (Texas), San Francisco, and Seattle. On March 10 the President submitted a budget to Congress which included a proposal to close the last of these hospitals or transfer them to local communities in fiscal year 1982. The Congress has approved the basic provision of the closure proposal in its action on the 1981 rescission bill and in its action in the reconciliation bill which is currently in conference. Approval of this supplemental does not alter this decision. Additional funds are required in 1981, however, if this closure is to be conducted in an orderly and responsible fashion and if local communities are to be given a chance to take over hospitals as proposed by the President and agreed to by the Congress.

When the President submitted his proposal in March it was estimated by the administration that $234.3 million would be required to run the hospital system in 1981. The 1981 rescission/supplemental bill put this budget in place by approving a rescission of $36 million in the general operating budget of the hospitals. In addition a supplemental of $40 million was approved in the same bill to begin implementation of the closure plans. Of the $234.3 million required in 1981, $168.4 million was to come from appropriated funds and $65.9 million from fees paid into the system by nonentitled users, principally active duty and retired military and their families. Unfortunately, nonappropriated revenue to the system has fallen short of expectations as military and other paying patients have begun to find alternative sources of care. In addition the Federal court in San Francisco temporarily delayed the Department's plans to limit contract care to emergencies. The result is that the system is short $16.8 million in its 1981 operating budget. Without this supplemental, the hospitals will have to close by September 1 rather than during 1982 as originally planned. Furlough notices have already been sent to its 4,000 employees.

Some persons may ask why we do not let the system close early if it is going out of business anyway. The answer is twofold. First, I believe there is a responsibility to carry out closure in an orderly fashion which is fair both to employees of the system and to patients who have not yet found alternative sources of care. Second, the Congress has made a commitment to give local communities a reasonable opportunity to take over these facilities in 1982 if they want them. Takeover proposals have already been submitted by five of the communities and these would all be seriously jeopardized by premature closure. The Congress commitment to helping these communities is clearly stated in the House report and conference report accompanying Public Law 97-12 and I quote:

Page 207 of House Report 97-29: "The Committee has heard testimony from the Administration indicating that several communities are considering takeover of a particular facility . . . The Committee will seriously consider a request to add funds to upgrade such a facility for community use."

Page 69 of House Report 97-124: "The conferees are agreed that any community may submit a plan for community use of these facilities and that no hospitals should be closed prior to October 1, 1981."

I believe that we have the responsibility to honor this commitment and I strongly urge my colleagues to approve this supplemental.

Mr. LIVINGSTON. Mr. Speaker, I support House Joint Resolution 308, making urgent supplemental appropriations for the Department of Health and Human Services. The $16.8 million in this unusual and very urgent request is vital to keep the 8 Public Health hospitals and 27 satellite clinics open until the end of the fiscal year. Most importantly, approval of this request will prevent the premature furlough of almost 4,000 employees of the hospital system on August 15.

The Department of Health and Human Services notified Congress that this shortfall in funding became apparent only after we had already passed the 1981 supplemental/rescission bill. It is unfortunate and beyond my comprehension why the Public Health Service was not able to accurately estimate the actual costs necessary to keep the hospitals and clinics open until October. In any event the shortfall exists and we must act before the recess to avoid additional hardship being laid on approximately 4,000 employees of the Public Health Service system.

The administration and Congress in moving ahead with the closure of these hospitals have made a commitment to affected communities and employees to keep these facilities open until the end of the fiscal year. The 1981 supplemental/rescission bill approved in June allows Congress to consider future appropriations in the event affected communities or private or public entities express interest in taking over a hospital in their area. Both the House and the Senate reconciliation bills now pending before Congress contain language allowing interested parties to submit proposals to the Secretary of HHS for takeover of facilities. In addition, the Secretary is given discretion under both bills to keep hospitals open into 1982 in order to facilitate orderly transfers to those parties who have submitted a takeover proposal. With these commitments in mind, it is incumbent upon us to act favorably and as quickly as possible on a solution to this funding shortfall for the Public Health hospitals. This supplemental provides us with a quick solution. Hopefully the Senate will follow the House lead and expedite this urgent matter. If not, the House report to House Joint Resolution 308 clearly states that the Appropriations Committee would be willing to consider a reprograming request as an alternate solution to this problem and would do so on an expedited basis.

I concur with this language and support any effort, including House Joint Resolution 308, which will resolve this issue favorably and quickly.

Mrs. BOGGS. Mr. Speaker, I rise in support of House Joint Resolution 308, a bill making an urgent supplemental appropriation for the fiscal year ending September 30, 1981, for the Department of Health and Human Services in an amount of $16,800,000. I want to thank Chairman NATCHER and the subcommittee members and of course, Chairman WHITTEN and the full committee members, with whom I have the privilege of serving, for their

prompt consideration of this emergency supplemental request.

This $16.8 million needed to achieve the fiscal year 1981 transition is well within the realm of possibility and well within the contemplation of both the administration and the Congress as they both dealt with the possibility of local control. Without the additional money, about 4,000 Public Health Service employees, including doctors and nurses, will be furloughed for about 6 weeks beginning on August 15, and as many of my colleagues know, about 400 of these employees are employed at the New Orleans PHS Hospital.

Mr. Chairman, although the PHS system is scheduled to close September 30, there is a provision in the supplemental appropriations and rescissions for 1981, on page 207 which incorporates the following language and I quote:

> The committee has heard testimony from the administration indicating that several of the communities in which these hospitals are located are considering the possibility of taking over operation of a particular facility.
>
> Should any of these communities make a firm commitment to take over one of the hospitals, the committee will seriously consider a request to add funds to the 1982 appropriations bill to upgrade the facility for community use.

I urge you to support the promise Congress has made to these communities. The transfer of control of the hospital to community control would necessitate the hospital carrying out the tentative plans regarding current employees. This would have a significant effect on facilitating such a transfer.

While I have strong concerns regarding the closing of the PHS system, one of the many side effects of the drastic budget action the Congress has chosen to take this year, the least we can do is to see that the termination of this system is carried out in a rational, sympathetic manner.

Mr. Chairman, I urge the passage of the supplemental appropriations for the Department of Health and Human Services for fiscal year 1981.

● Mr. DICKS. Mr. Speaker, I rise in support of this emergency supplemental appropriation and urge my colleagues to support this vital measure.

As my good friend from Kentucky has explained, this emergency supplemental is absolutely essential because the Public Health Service hospitals and clinics are providing necessary and valuable health care to thousands of Americans.

Additionally, if this supplemental is not approved, communities that want to take over these hospitals and continue their operations will be denied the opportunity to do so.

Both Congress and the administration support allowing communities to take over these hospitals. The Assistant Secretary for Health at the Department of Health and Human Services recently reiterated the administration's commitment to community takeover on July 17, and Congress expressed their support for this approach in the report accompanying the fiscal year 1981 appropriations/rescission bill and in the Omnibus Reconciliation Act.

At this time, many communities have expressed serious interest in assuming control over their PHS Hospital. All have submitted plans for community takeover to the Secretary of HHS, who is now reviewing them. If these plans are viable, the Secretary will approve the transfer of these facilities to the communities.

In my view, to close these facilities prior to the end of this fiscal year would be extremely unfair—especially to cities like Seattle, Wash., which has worked diligently and at considerable expense for community takeover of its hospital.

The city of Seattle has submitted a plan for community takeover of the Seattle PHS hospital because the hospital serves a vital role in the local health-care delivery system. The hospital has no surplus beds, serves over 100,000 persons through its facilities and clinics, and is a major research and training center in the Pacific Northwest.

If this supplemental appropriation is not approved, all temporary civil service employees at his hospital will be terminated on August 1, and all civil service employees, with the exception of caretaker personnel, are to be furloughed on August 15.

If these employees are furloughed, all PHS hospitals will close and the possibility for community takeover of the hospitals will end.

In my view, this would be interpreted as a demonstration of extreme insensitivity to local health-care needs by the Congress.

Mr. Speaker, by its action on the fiscal year 1981 appropriations and rescission bill and on the Omnibus Reconciliation Act, this Congress made a commitment to communities, like Seattle, to continue the service and operations of PHS hospitals while the Secretary of HHS reviewed their plans for a community takeover and arranged for viable transfers to local control of these hospitals.

This Congress also made a commitment to provide quality, effective health care to this Nation's citizens.

My good friends, Chairman NATCHER and Mr. CONTE, and the other members of the Appropriations Committee have worked hard to meet these commitments by approving this legislation.

These individuals must be commended for their diligence and efforts over the past week and for their commitment to the citizens and communities of this Nation.

Mr. Speaker, for these reasons, I strongly urge my colleagues to support this necessary appropriation.●

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. NATCHER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the House Joint Resolution 308 just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 4241, MAKING APPROPRIATIONS FOR MILITARY CONSTRUCTION FOR DEPARTMENT OF DEFENSE FOR FISCAL YEAR ENDING SEPTEMBER 30, 1982

Mr. GINN, from the Committee on Appropriations, submitted a privileged report (Rept. No. 97-193) on the bill (H.R. 4241) making appropriations for military construction for the Department of Defense for the fiscal year ending September 30, 1982, and for other purposes, which was referred to the Union Calendar and ordered to be printed.

Mr. REGULA reserved all points of order on the bill.

NATIONAL CHILDREN'S DAY

Mr. GARCIA. Mr. Speaker, I ask unanimous consent that the Committee on Post Office and Civil Service be discharged from further consideration of the joint resolution (H.J. Res. 191) designating August 8, 1982, as "National Children's Day," and ask for its immediate consideration.

The Clerk read the title of the joint resolution.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

Mr. WALKER. Mr. Speaker, reserving the right to object—and I shall not object—it certainly seems like worthwhile legislation that the gentleman is bringing to the floor, but I would like to give the gentleman an opportunity to explain the bill for the membership of the House.

I yield to the gentleman for that purpose.

Mr. GARCIA. I thank the gentleman for yielding.

Mr. Speaker, what is significant about this bill, besides the fact that it

does honor children, this resolution was introduced by a late Member of this body from the Ohio delegation, Congressman Tennyson Guyer; and this was one of the last acts that he introduced in Congress. I think it is fitting and appropriate that today this Congress act not only because of the real significance of the resolution but also for the gentleman himself, Mr. Guyer, of Ohio.

House Joint Resolution 191 designates August 8, 1982, as "National Children's Day." America's children represent new life and hope for the future of the Nation and the world and should be regarded as this Nation's most precious resource. This Nation should affirm its commitment to focus on the joys, the rights, and the needs of children so as to create a better life for them.

Mr. WALKER. I thank the gentleman for that explanation. We appreciate the gentleman from New York bringing this to the floor. It is a fitting tribute and a memorial to Tenny Guyer, who served this body and his constituents so well, to have this National Children's Day approved.

Further reserving the right to object, I yield to the gentleman from Ohio (Mr. REGULA).

Mr. REGULA. Mr. Speaker, I want to commend the gentleman from New York and the committee for bringing this resolution to the floor. I served with our former colleague Tenny Guyer as a member of the Ohio Senate and also here.

□ 1040

Mr. Speaker, I know that Tenny Guyer had a long-time dedication to legislation that would improve the quality of life for children in this Nation. I think it is very appropriate that this type of resolution be brought before us, and that his name be associated with it. This is a fitting legislative tribute to his compassion and concern for the youth of our Nation.

Mr. GARCIA. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I am glad to yield to the gentleman from New York under my reservation.

Mr. GARCIA. Mr. Speaker, I would like to make just one additional point as it relates to this resolution.

A group of youngsters from the district that was represented by Mr. Guyer of Ohio came to my office and visited with me. We talked about this resolution, and I think probably what triggered it as far as I am concerned and the committee is concerned was the enthusiasm that these children expressed as it related to this resolution because it came out of an eighth grade class in Mr. Guyer's congressional district.

They had made some suggestions that because Mr. Guyer had passed away, his replacement would be able to introduce this resolution, but I felt, after checking with the Parliamentarian and finding that it was appropriate to introduce it and to pass it in Mr. Guyer's name, that we should go forward, and so we did.

Mr. Speaker, I thank the gentleman for yielding.

Mr. WALKER. Mr. Speaker, again I thank the gentleman from New York (Mr. GARCIA) for his interest in this matter. It appears that he has indeed helped in memorializing Tenny Guyer in a way that Tenny himself, I think, would have liked.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 191

Whereas America's children represent new life and new hope for the future of the Nation and the world;

Whereas children should be regarded as this Nation's most precious resource, and be assured of proper productive citizens and responsible leaders of tomorrow;

Whereas children have a right to quality education, freedom from hunger, freedom from poverty, freedom from discrimination, and the legacy of a world at peace;

Whereas the Nation's adults have an obligation to create a better world which is conducive to the well-being of the children of the United States, a world in which children can feel secure in the knowledge that they will have the opportunity to achieve their maximum potential as adults; and

Whereas the Nation should affirm its commitment to focus on the joys, the rights, and the needs of children so as to create a better life for them: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That August 8, 1982, is designated as "National Children's Day" and the President is requested to issue a proclamation commemorating the occasion and calling upon the people of the United States to observe that day with appropriate ceremonies and activities.

Mr. WEBER of Ohio. Mr. Speaker, today the House adopted House Joint Resolution 191 which designated August 8, 1982, as National Children's Day. This bill was introduced by our late Member Tennyson Guyer on February 25, 1981, and I am sure that we all agree with Mr. Guyer that children should be regarded as this Nation's most precious resource.

Honoring the Nation's children in this way also serves to honor the memory of Congressman Guyer.

I wish to commend my colleague, the gentleman from New York (Mr. GARCIA), for bringing this bill to the floor for passage. I was deeply saddened by the untimely death this year of our colleague in Congress and fellow Ohioan, Tenny Guyer. He will be missed by his family and friends, his colleagues in Congress, and by the many people in western Ohio, who knew and loved him well.

When I came to the House this year, as a freshman Member, I was looking forward to joining with Tenny to work for Ohio and the country. I was hoping to take advantage of his experience and his wisdom in order to make the work of a newcomer to Washington in these critical times that much easier.

Now, with his passing I hope that I can gain some inspiration from his memory and pursue my duties in Congress with the same spirit and love of the job that he brought to the office.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. GARCIA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks, and to include extraneous matter, on the joint resolution just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

WAIVING CERTAIN POINTS OF ORDER AGAINST H.R. 4144, ENERGY AND WATER DEVELOPMENT APPROPRIATIONS, 1982

Mr. DERRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 185 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 185

Resolved, That during the consideration of the bill (H.R. 4144) making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes, all points of order against the following provisions in said bill for failure to comply with the provisions of clause 2, rule XXI are hereby waived: beginning on page 4, line 11 through page 5, line 2; beginning on page 6, line 1 through page 7, line 23; beginning on page 15, line 21 through page 16, line 6; beginning on page 16, line 8 through page 27, line 2; beginning on page 28, line 22 through page 30, line 3; and beginning on page 30, line 22 through page 31, line 4. It shall be in order to consider en bloc amendments to the bill printed in the Congressional Record of July 17, 1981, by Representative Derrick of South Carolina, and said amendments shall not be subject to a demand for a division of the question in the House or in the Committee of the Whole.

The SPEAKER pro tempore (Mr. TRAXLER). The gentleman from South Carolina (Mr. DERRICK) is recognized for 1 hour.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield the customary 30 minutes for the minority to the gentleman from Missouri (Mr. TAYLOR), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 185 is a rule to facilitate consideration of H.R. 4144, making appropriations for energy and water development for the fiscal year ending September, 30, 1982, and for other purposes. This resolution waives points of order against designated sections of the bill for failure to comply with clause 2 of rule 21 of the rules of the House. The bill is, of course, open for amendment and the time of general debate will be determined by unanimous consent.

Clause 2 of rule XXI prohibits both unauthorized appropriations and legislation in an appropriations bill. The waiver applies only to sections of the bill that are specified in the rule, and is primarily necessary due to the fact that appropriations are provided in this bill for several programs whose authorizations have reached some stage of the legislative process, but have not yet been enacted into law. The bill also contains provisions that constitute legislation and which require waivers for their consideration. I submit for the CONGRESSIONAL RECORD a copy of the letter from the chairman of the Committee on Appropriations outlining the need for this waiver.

In addition, the resolution provides that the amendments printed in the CONGRESSIONAL RECORD of July 17, 1981, by Representative DERRICK, shall be considered en bloc and that this amendment shall not be subject to a demand for a division of the question in the House or in the Committee of the Whole. This provision enables the two amendments which address important and related issues within the State of South Carolina to be considered at the same time even though they appear in different paragraphs within title 3 of the bill.

Mr. Speaker, H.R. 4144 provides appropriations of $3.1 billion for Army Corps of Engineers civilian projects, $838 million for the Bureau of Reclamation in the Department of the Interior, $8.3 billion for the Department of Energy, and $821 million for seven independent agencies, including the Nuclear Regulatory Agency and the Appalachian Regional Commission.

The total new budget authority provided by this legislation is $13.1 billion which is $232 million below what the President requested.

Mr. Speaker, I urge the adoption of House Resolution 185 so that we may proceed to the consideration of this very important appropriations bill.

Mr. Speaker, at this point in the RECORD I include a copy of a letter dated July 14, 1981, from the chairman of the Committee on Appropriations to the chairman of the Committee on Rules, as follows:

COMMITTEE ON APPROPRIATIONS,
Washington, D.C., July 14, 1981.

Hon. RICHARD BOLLING,
Chairman, Committee on Rules, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee on Appropriations on July 14 reported the Energy and Water Development Appropriation Bill for fiscal year 1982. A number of paragraphs in the bill are lacking completed legislative authorization. In addition, bill language which might be considered as legislative in nature is required for certain accounts to continue the efficient execution of ongoing programs and projects. Therefore, we request a rule waiving points of order against the following sections of the bill for possible failure to comply with the provisions of Clause 2 of Rule XXI.

In Title I of the bill, under Special Recreation Use Fees, language is included to continue the availability of funding from the special account established by the Land and Water Conservation Act of 1965, as amended (16 U.S.C. 4601) for the Corps of Engineers. This language is necessary to ensure that certain provisions of P.L. 96-514, Department of the Interior and Related Agencies Appropriation Act, 1981, are not applied to Corps of Engineers programs funded in this appropriation bill.

Titles I and II also contain certain general provisions which may constitute legislation in an appropriation bill. These provisions have been reviewed with the appropriate legislative committees and are considered necessary in this bill to permit timely actions required for the efficient execution of ongoing public works programs and projects of the Corps of Engineers and the Bureau of Reclamation.

For Title III, Public Law 95-91, along with other legislation, provides generic authority for Department of Energy programs funded in the bill. However, the annual authorizing legislation contemplated in section 660 of P.L. 95-91 is in various stages of the legislative process. Differing versions of authorization legislation pertinent to this title have been reported in H.R. 3505 by the Interior and Insular Affairs Committee and in H.R. 3146 and H.R. 3447 by the Science and Technology Committee; H.R. 3505 and H.R. 3447 are presently pending before the Energy and Commerce Committee. H.R. 3413 was reported by the Armed Services Committee and passed by the House on June 11. Each bill contains portions of the FY 1982 authorization for DOE programs. Two general provisions are included in Title III to permit account consolidations for more efficient management of authorized programs.

In Title IV, the Nuclear Regulatory Commission and Water Resources Council programs for FY 1982 are not yet authorized. Differing versions of the NRC annual authorization were reported in H.R. 2330 by the Interior and Insular Affairs Committee on April 10 and the Energy and Commerce Committee on June 9. Authorization for the Water Resources Council was reported by the Public Works and Transportation Committee in H.R. 3432.

We should also note that the Omnibus Budget Reconciliation Act of 1982, H.R. 3982, contains several provisions which may constitute authorization for, or limitations on, certain programs funded in the bill. To the extent we can determine, the bill is within the provisions of H.R. 3982.

It is unlikely that authorizing legislation for those sections of the bill mentioned above will be enacted before House consideration of this bill is necessary. Under the circumstances and in the interest of orderly procedure, we respectfully request a hearing before your Committee to seek a rule waiving all points of order under Clause 2 of Rule XXI for the following:

Title I—Special Recreation Use Fees and General Provisions
Title II—General Provisions
Title III—Department of Energy
Title IV—Independent Agencies—Nuclear Regulatory Commission and Water Resources Council

We greatly appreciate your continued support.

Sincerely,
JAMIE WHITTEN, *Chairman.*

Mr. TAYLOR. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 185 is a rule to facilitate consideration of H.R. 4144, the Energy and Water Development Appropriations bill for fiscal 1982. The resolution waives points of order that would otherwise lie against specified provisions of the bill for failure to comply with clause 2 of rule XXI.

Clause 2 of rule XXI prohibits appropriations for any expenditure not previously authorized by law as well as prohibits legislation in an appropriations bill, and the waiver provided by this rule is necessary because 35 paragraphs of H.R. 4144 have either not yet been authorized or do constitute legislation.

The 35 paragraphs are specified in the resolution, and at the appropriate time I will ask unanimous consent to place in the RECORD a brief summary of the provisions of the bill for which waivers of points of order are provided for in this resolution.

Mr. Speaker, in addition to granting the waivers as requested by the Committee on Appropriations, the Committee on Rules provides for the en bloc consideration of amendments printed in the RECORD of July 17 by Representative DERRICK. These amendments shall not be subject to division either in the House or in the Committee of the Whole. It should be pointed out to the Members, I think, that when the Committee on Rules met on July 16 we did not have the amendments to be offered by Mr. DERRICK before us nor were we given an explanation of them. Other than that, we were told, the amendments are related to South Carolina.

In essence, this rule provides for orderly consideration of a very important appropriations bill, where we once again find ourselves taking up the bill before the authorization bills have been passed.

As to the bill itself, H.R. 4144 appropriations $13.1 billion for the Energy and Water Development functions of the Corps of Engineers, the Department of Energy, the Department of

the Interior Bureau of Reclamation and several related agencies in fiscal 1982.

The amount provided in the bill is $232,313,000 less than the budget estimate in the administration request, and the Appropriations Committee report notes that the bill is $533 million under the new budget authority target set forth in the first concurrent resolution on the budget.

Mr. Speaker, the bill continues the downward trend of recent years in funding for the Army Corps of Engineers and the Department of the Interior Bureau of Reclamation and due to our general economic conditions, no new construction starts are contained in H.R. 4144, even though 30 critically needed projects are authorized, engineered and ready to be started.

There was no disagreement about the necessity for providing these waivers in the Committee on Rules, and I urge the adoption of the resolution.

At this point in the RECORD, Mr. Speaker, I include a brief summary of the provisions of H.R. 4144 for which the waivers contained in the rule apply.

PROVISIONS OF H.R. 4144 FOR WHICH WAIVERS OF POINTS OF ORDER ARE PROVIDED FOR IN HOUSE RESOLUTION 183

In Title I, *Special Recreation Use Fees.* The provision states that notwithstanding certain language in the fiscal year 1981 Interior Appropriations Act, recreation use fees deposited into the Land and Water Conservation Fund shall be available for appropriation to the Corps of Engineers.

General Provisions. Contains provisions dealing with seven current water projects or waterways and a provision changing the name of a lake in Oklahoma.

In Title II, *Department of Interior General Provisions.* Contains a provision dealing with the availability of funds appropriated to the Colorado Salinity Control Project for pumping capacity at the Yuma Mesa Pumping Plant.

In Title III, *Department of Energy.* None of the funds appropriated in this title have yet been authorized in law. Differing versions of authorization legislation pertinent to this title have been reported in H.R. 3505 by the Interior and Insular Affairs Committee and in H.R. 3146 and H.R. 3447 by the Science and Technology Committee; H.R. 3503 and H.R. 3447 are pending before the Energy and Commerce Committee. H.R. 3413 was reported by the Armed Service Committee and passed by the House in June 11. Each bill contains portions of the fiscal year 1982 authorization for DOE programs.

In Title IV, *Nuclear Regulatory Commission.* The authorizing legislation for this agency, H.R. 2330, has been reported in differing versions by the Interior and Insular Affairs Committee and the Energy and Commerce Committee.

Water Resources Council. Legislation authorizing the activities of this agency, H.R. 3432, has been reported from the Public Works and Transportation Committee.

Mr. WALKER. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I am happy to yield to the gentleman from Pennsylvania.

Mr. WALKER. Mr. Speaker, I am somewhat concerned about these waivers of points of order in this bill.

□ 1050

It seems to me in going through the overall legislation that a number of these waivers speak to appropriating sections where without authorizing legislation we are going above budget figures, Gramm-Latta budget figures, on the outlay side.

I am somewhat concerned about the fact that those waivers seem to track an outlay problem that the Office of Management and Budget has indicated exists in the appropriation bills.

Is the gentleman familiar with that particular problem?

Mr. TAYLOR. I would simply say to the gentleman from Pennsylvania that the Rules Committee was assured that these did not exceed those budget figures.

Now, as to whether or not they do, I am not privy to that information. I do not have all the budget figures.

I would certainly suggest that inquiry be made at the proper time under the debate.

Mr. MYERS. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I will be happy to yield to the ranking member, the gentleman from Indiana (Mr. MYERS).

Mr. MYERS. We have all seen those figures presented to us by the Office of Management and Budget. Of course, they are speculative figures in that they refer beyond this year. What will happen in 1983 and 1984 is, of course, subject to what this Congress will enact in the future as far as appropriations are concerned; as far as rescissions and deferrals considered and acted upon by Congress. No one can today project what will happen in 1983, of the Office of Management and Budget, the Rules Committee, or any Member of this Congress.

I think it is the understanding here that all Members working on this bill and all appropriations are concerned about outlays and getting our economic house in order.

It is purely speculative when you consider that in future years we would rescind or defer funds that are not needed; so those figures that the gentleman is using with OMB are completely speculative for 1983 and 1984 because we do not know what action Congress will take in the future.

Mr. WALKER. Mr. Speaker, will the gentleman yield further?

Mr. TAYLOR. I would be happy to yield.

Mr. WALKER. Mr. Speaker, I think the point, however, is that on these particular sections that we are, in fact, in this bill committing to outlays for the future which, indeed, would have to be rescinded and that in the sections that are being waived, where no present authorizations exist, we are, in fact, exceeding what the Office of Management and Budget sees as appropiate outlay figures in the upcoming years and, indeed, this may prevent us from arriving at a balanced budget by 1984 in the opinion of the Office of Management and Budget. That is the key question here. Whether or not we should be granting rules waiving those provisions where no authorizations exist and where the authorizing committees have yet to make their determinations is, I think, a very serious question in this House that goes not only to this appropriation bill, but goes to appropriation bills that may follow.

Mr. MYERS. Mr. Speaker, will the gentleman from Missouri yield further?

Mr. TAYLOR. I yield to the gentleman from Indiana.

Mr. MYERS. Using the analogy that our colleague from Pennsylvania is using, there would be very few appropriations get out of here before Christmas. I do not think we could do much between Christmas and New Year's, assuming we would have all the authorizations completed.

Again, I do not know how anyone in OMB or anyplace else can say what Congress is going to do. We are all concerned about the same objective and we share our concern with Mr. Stockman that we are going to try to hold the line. We have done this.

According to the Congressional Budget Office, we are $150 million under the outlay figure laid down by Gramm-Latta. In the outyears, again I do not know what is going to happen in the future. No one here can predict that.

Assuming what OMB assumes that there would be no action by Congress to hold the line in the future, well, you could use that figure any way you want to, you can bounce that back and forth; but again we are under for 1982 and I am quite sure that the Committee on Appropriation is just as concerned about inflation and high interest rates and we will hold the line in the future, too. We all share the same concern the gentleman from Pennsylvania has.

Mr. WALKER. Mr. Speaker, will the gentleman yield further?

Mr. TAYLOR. I would be happy to yield.

Mr. WALKER. The problem is that what we are doing here is that we are waiving the rules of the House. We are saying that the rules of the House should not apply because we are taking certain actions that are basically in violation of the rules of the House. When you do that, it seems to me you have an obligation to assure us that we are also then complying with what the House has previously determined.

In Gramm-Latta we made some projections toward the future as well as toward the next year that we are committing ourselves as a Congress to a balanced budget in 1984. When we are waiving the rules of the House here in order to achieve a particular end in violation of previous determinations of this House, I think it is a concern. That is the concern I am expressing with regard to this rule.

Mr. TAYLOR. I would say to the gentleman that I certainly think we all agree that we have a concern in granting these waivers on appropriations before authorization; but by the same token, I think the gentleman from Indiana makes a very valid point that if we are going to get this work done this year, it is important that we move forward.

I have received no communication from Mr. Stockman relative to his position on this.

I would say to the gentleman from Pennsylvania that the letter of the chairman, the gentleman from Mississippi (Mr. WHITTEN) to the Rules Committee agrees with the gentleman from Indiana (Mr. MYERS), the ranking member, that it does comply, in fact, with Gramm-Latta II, the reconciliation bill, and with the assurance on the part of the chairman of the Appropriations Committee and the ranking member on the subcommittee dealing with energy and water, we felt constrained to at least vote out the bill.

I would suggest that in the future consideration of the bill on the floor that the gentleman from Pennsylvania would make the proper inquiry at that time.

Mr. WALKER. Mr. Speaker, will the gentleman yield further? I have another provision of the rule that concerns me.

Mr. TAYLOR. Yes.

Mr. WALKER. The rule also talks about block amendments to be printed in the CONGRESSIONAL RECORD of July 17, 1981, by Representative DERRICK of South Carolina and the amendments are not subject to a demand for division of the question in the House or the Committee of the Whole.

Now, this rule somewhat concerns me in that regard, because here we are on July 23 considering the rule. Nobody in the House has probably focused on it. Already we have gone past the date in which those particular amendments could go into the RECORD, and as I understand it, this rule came out of the committee on July 16. The amendments were to be printed in the RECORD July 17.

I am just concerned about the fact that over the period of the last few weeks we have had the chairman of the Rules Committee, for example, on the House floor talking about how there is a need for Members to have access to amendments and have access to bills well in advance and now we get a rule that all happened in a 1-day period, where the Members have had no chance really to examine it and where the Rules Committee had not seen the amendment before acting on it.

I would ask the gentleman whether or not there was any discussion of this particular provision in the Rules Committee.

Mr. TAYLOR. Well, I would say to the gentleman from Pennsylvania that he is correct in that it does violate the new regulations that I understood are provisions that have been implemented by the Rules Committee; however, because it was not printed in the RECORD prior to the time that the rule was granted, the amendment was subsequently printed in the RECORD on the 17th. I had no idea of what it related to until that time.

My colleague on the committee, the gentleman from South Carolina, is interested in this amendment. Perhaps the gentleman would like to respond to the question.

Mr. DERRICK. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I would be happy to yield.

Mr. DERRICK. The chairman of the committee, the gentleman from Missouri (Mr. BOLLING) in his letter of July 9, and I will read the paragraph that is pertinent:

> I wish to advise all Members of the House about some of the procedures I propose to follow in the future, except under the most unusual and/or critical circumstances on very complex matters such as budget resolutions, reconciliation bills, tax bills, to name three.
>
> Complex "rules" on such matters usually provide that the bill or resolution reported from the appropriate committee be made in order for consideration and that a limited number of amendments, including substitutes, may be offered.

I direct the gentleman's attention to the chairman's letter. His letter speaks to the procedure to be followed on complex rules and further the chairman defines "complex" rules. The rule we are now considering is not a complex rule. All germane amendments can be offered.

Further, my amendments do not require waivers of points of order for their consideration. The provision in the rule just allows for me to offer them together when considering title III of the bill. Therefore, this provision is not pertinent to the matter of complex rules.

As a matter of fact, the Rules Committee had my proposed amendment before it the day before we considered it.

I thank the gentleman for yielding.

Mr. WALKER. Mr. Speaker, will the gentleman yield further?

Mr. TAYLOR. I would be happy to yield.

Mr. WALKER. The problem for some of us is that it appears as though we are getting a double set of standards here with regard to how we are going to operate and that it is a standard then where the judgment is made in the Rules Committee and perhaps by the chairman of the Rules Committee as to what is complex and what is not complex, what some Members can do and what other Members cannot do.

I am very concerned that we are not meeting the mandates as laid down by the chairman himself.

I would hope that as we go through the process that we assure that everyone is treated the same way. You know, if we are adopting new processes around here, they should all meet similar standards.

All the gentleman from Pennsylvania is attempting to do is say that I think that there should be some fundamental fairness in this process, particularly when we see rules coming on to the floor which basically make the parameters of the debate on the substantive issues very, very narrow.

Mr. DERRICK. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I would be happy to yield.

Mr. DERRICK. One thing the gentleman should understand is that there are no restrictions on amendments in this rule and that Chairman BOLLING's letter is only concerned with the procedure to be followed for rules which limit amendments.

□ 1100

Mr. WALKER. Mr. Speaker, will the gentleman yield further?

Mr. TAYLOR. I am happy to yield.

Mr. WALKER. It is my understanding, for instance, we are going to be required on the tax bill to have our amendments printed by I think it is 3 o'clock this afternoon or tomorrow afternoon. All I am saying is I think the principle should be the same, that we are not following the same principles on this bill that we are evidently following with regard to the tax bill.

Mr. DERRICK. If the gentleman will yield further to me, the principles have not been deviated from. Chairman BOLLING's letter is concerned with complex rules. This is not a rule, as I just said a minute ago, that *restricts* amendments, so it is not applicable.

I think we are arguing about something that is really not germane to this particular rule.

Mr. WALKER. If the gentleman will yield further to me at this point?

Mr. TAYLOR. I yield to the gentleman.

Mr. WALKER. I thank the gentleman. The point here is that this particular rule did make in order an amendment which had not been printed in the RECORD, and that is the principle we are discussing here. It is a principle that I think, in fundamental

fairness, should apply across the board. That is the only point I wish to make, I thank the gentleman for yielding.

Mr. TAYLOR. The gentleman is correct. It does make in order an amendment that had not been printed in the RECORD prior to the committee meeting, which was a part of the new regulations by the chairman, which did describe such a situation as being a complex rule. But the gentleman that wrote the book interprets the rules, and he interprets that this is not a complex rule. So I suppose that the pattern could be cut to fit the cloth, but that is life as it is.

So this is the situation that we have before us. The Rules Committee does report out this rule, and I think that further criticisms, and perhaps suggestions, and perhaps debate can occur on the bill itself.

Mr. Speaker, I have no further requests for time and yield back the balance of my time.

Mr. DERRICK. Mr. Speaker, I yield 1 minute to the gentlewoman from Ohio (Ms. OAKAR) for purposes of debate only.

Ms. OAKAR. Mr. Speaker, I thank the gentleman for yielding. I rise in support of the rule, and I want to publicly thank the Rules Committee for the waiver that they did allow which permits a very small item to be inserted in the bill. Thus our project related to flood control for our Cleveland zoo is included in this bill.

I thank the gentleman.

Mr. DERRICK. We thank the gentlewoman for her kind remarks.

Mr. Speaker, I yield 7 minutes to the gentleman from Pennsylvania, (Mr. EDGAR), for purposes of debate only.

Mr. EDGAR. Mr. Speaker, we are about to begin today a very interesting and, I hope, creative process of looking at water policy and energy policy for our Nation as it relates to the appropriation bill. We have in this bill a number of important water projects and a number of important energy projects.

In these very few minutes, we are looking at a rule that waives points of order. If I could have the attention of the gentleman from Missouri (Mr. TAYLOR), the ranking minority member of the Rules Committee, as well as the gentleman from South Carolina (Mr. DERRICK), the majority member of the Rules Committee managing this bill, I have some specific questions that I would like to ask on the rule.

Over the last several years, we have seen in this House the failure of the authorizing committee to pass a water bill, an omnibus water bill. It has been my fear that because of the inability to come up with a merit water policy out of the Public Works and Transportation Committee that can receive the endorsement of both the House and the Senate that we would begin to place within a bill such as these authorizations that have never seen the light of day of the Public Works and Transportation Committee. There are a number of points of order waived against particular sections, and I would like to draw the attention of both gentlemen to pages 6 and 7, which will be the focus of my questions.

On pages 6 and 7, we have all points of order waived on these projects, and I wonder if the gentleman could indicate whether or not on pages 6 and 7 all of these projects have received clearance from the appropriate Federal agency; namely, the Corps of Engineers?

Mr. DERRICK. Mr. Speaker, will the gentleman yield?

Mr. EDGAR. I yield to the gentleman from South Carolina.

Mr. DERRICK. I would like to defer that question to the Appropriations Committee for their answer.

Mr. EDGAR. Let me repeat the question. On pages 6 and 7 of the bill, we authorize a project in Ohio at full Federal expense on the Cuyahoga River, and we authorize for Beverly Shores, Ind., a project, and I am asking whether or not these projects have received the final approval of the Army Corps of Engineers, and whether or not each of these projects have met the minimal water standards that the Army Corps of Engineers has?

Mr. BEVILL. Mr. Speaker, will the gentleman yeild?

Mr. EDGAR. I yield to the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. I would ask the gentleman to yield to our colleague from Ohio (Ms. OAKAR), who can answer the question on her project. I understand one of the projects in question is in the district of the gentlewoman from Ohio, and I would ask the gentleman to yield to her.

Ms. OAKAR. Mr. Speaker, will the gentleman yield?

Mr. EDGAR. I yield to the gentlewoman from Ohio.

Ms. OAKAR. I would say to the gentleman with reference to section 102, the project for the Cuyahoga River Basin, this has received approval and it was an oversight.

Mr. EDGAR. From the Army Corps of Engineers?

Ms. OAKAR. Yes. And it was an oversight initially by an arbitrary administrative decision in April 1980, which they have corrected, and also it has White House support in addition.

Mr. EDGAR. I thank the gentlewoman.

Could the gentlewoman answer further, is there any reason why this is at full Federal expense?

Ms. OAKAR. The reason is that this project involves simply the removal of some lions to another area and to allow for flood control because our animals have been drowning in our Cleveland Zoo every time there is a substantial rainfall. The local authority, however, does make a substantial contribution, so I would not want the gentleman to think that my area of Cleveland is not making a substantial contribution to the project also.

Mr. EDGAR. If the gentleman would respond to several other questions, we talk about the Saginaw River in Michigan, and we have the Mississippi River and Tributaries project, the Illinois Waterway project, and the Clayton Lake project. I wonder if the gentleman might indicate whether or not these projects have passed the full House and the Senate in an authorization bill, or whether or not that legislation is still pending in the House and in the other body.

Mr. BEVILL. Mr. Speaker, will the gentleman yield?

Mr. EDGAR. I yield to the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. All except one of these projects are authorized but they all have received waivers from the Rules Committee. These provisions are needed to perfect the authorizations.

Mr. EDGAR. I appreciate that. I have just one final question. Can anyone tell me the total number of projects and the cost of those projects that have not been authorized by the full House and Senate and are subject to the waivers in the water section of this legislation?

Mr. BEVILL. As I stated earlier, all the projects except one are authorized. The cost is difficult to estimate, but I do not believe the cost is excessive.

Mr. ALBOSTA. Mr. Speaker, will the gentleman yield?

Mr. EDGAR. I yield to the gentleman.

Mr. ALBOSTA. I am glad to try to answer that question on the Saginaw River project. There is no cost currently in the appropriations for anything on the Saginaw River project.

Mr. EDGAR. I thank the gentleman. If the gentleman from Alabama (Mr. BEVILL) would submit that for the record, I would appreciate it.

Let me make one final comment.

In asking the questions that I have asked, Mr. Speaker, I simply want to draw attention to the fact that we need a merit water policy in this House. We need the Government of the United States to set out minimal standards for flood control, for dams, for rivers, for navigation, for dredging projects throughout the Nation.

A lot of people have looked at BOB EDGAR as though I am the one who is opposed to all water projects in all parts of the Nation. It is not true. What I simply want to do in suggesting that we ought not to be authorizing in an appropriation bill is to put pressure on the House Public Works

and Transportation Committee to come up with a merit water policy for the Nation.

□ 1110

I think water is our next crisis, and I think to nickel-and-dime the Nation in a large appropriation bill by slipping in those projects that gain the favor of the chairman of the full committee or a chairman of a subcommittee is an inappropriate way to legislate. And given the pressure that we have heard from many Members, particularly the conservative Members of the House, concerning limited Federal dollars, we have got to begin to spend those dollars wisely, make sure that when we authorize projects we have a certain amount of cost-sharing, when we authorize projects, we have looked at their full engineering and environmental constraints, and we stand behind those projects.

I am afraid that what we are doing in waiving points of order on this legislation—not that the projects do not have merit—is, we are simply saying that in Cleveland or in Illinois or in Washington, if you can get to the chairman of the committee, you can have your project. But those of us who cannot get to them, those of us who come from other States and other regions fail to have a merit process on which projects can be selected and, therefore, we have to simply sit back and wait.

I think it is incumbent upon the House to have a national omnibus water policy based on merit so that New York, Michigan, California, Washington, Texas, Oklahoma, and Louisiana, can all be dealt with in an equitable manner.

Mr. DERRICK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. SMITH of Oregon. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 233, nays 178, not voting 22, as follows:

[Roll No. 154]

YEAS—233

Addabbo	Aspin	Benjamin
Akaka	Atkinson	Bennett
Albosta	AuCoin	Bevill
Alexander	Bailey (PA)	Biaggi
Andrews	Barnard	Bingham
Annunzio	Barnes	Blanchard
Anthony	Beard	Boggs
Applegate	Bellenson	Boland
Bolling	Gray	Patterson
Boner	Guarini	Pepper
Bonior	Hall (OH)	Perkins
Bouquard	Hall, Ralph	Peyser
Bowen	Hall, Sam	Pickle
Breaux	Hamilton	Price
Brinkley	Hammerschmidt	Pursell
Brodhead	Hatcher	Quillen
Brooks	Hawkins	Rahall
Brown (CA)	Hefner	Rangel
Burton, John	Heftel	Ratchford
Burton, Phillip	Hertel	Regula
Byron	Hightower	Reuss
Chappell	Hillis	Richmond
Chisholm	Holland	Rinaldo
Clausen	Howard	Rodino
Clay	Hoyer	Roe
Coelho	Hubbard	Rogers
Collins (IL)	Huckaby	Rose
Conyers	Hutto	Rostenkowski
Coyne, William	Ireland	Roybal
Crockett	Jeffords	Rudd
D'Amours	Jenkins	Russo
Daniel, Dan	Jones (NC)	Sabo
Daschle	Jones (OK)	Santini
Daub	Jones (TN)	Sawyer
Davis	Kastenmeier	Scheuer
de la Garza	Kazen	Seiberling
Dellums	Kildee	Shamansky
Derrick	Kogovsek	Shannon
Dicks	LaFalce	Shelby
Dingell	Lantos	Simon
Dixon	Leath	Skelton
Donnelly	Lehman	Smith (IA)
Dorgan	Leland	Smith (NE)
Dowdy	Long (LA)	Snyder
Downey	Long (MD)	Solarz
Duncan	Luken	St Germain
Dwyer	Lundine	Stark
Dyson	Marks	Stenholm
Early	Marlenee	Stokes
Eckart	Matsui	Stratton
Edwards (AL)	Mazzoli	Studds
Edwards (CA)	McCurdy	Stump
Edwards (OK)	McDade	Swift
Emerson	McHugh	Synar
English	McKinney	Tauzin
Ertel	Mica	Taylor
Evans (GA)	Mikulski	Traxler
Evans (IN)	Miller (CA)	Udall
Fary	Mineta	Vento
Fascell	Minish	Volkmer
Fazio	Mitchell (MD)	Walgren
Ferraro	Mitchell (NY)	Washington
Flippo	Moakley	Watkins
Florio	Mollohan	Waxman
Foglietta	Montgomery	White
Foley	Moore	Whitley
Ford (MI)	Murphy	Whitten
Ford (TN)	Murtha	Wilson
Fountain	Myers	Wirth
Fowler	Natcher	Wolpe
Frank	Nelson	Wright
Garcia	Nichols	Wyden
Gejdenson	Nowak	Yates
Gephardt	Oakar	Yatron
Gibbons	Oberstar	Young (MO)
Ginn	Ottinger	Zablocki
Gonzalez	Panetta	Zeferetti
Gore	Patman	

NAYS—178

Anderson	Conable	Fenwick
Archer	Conte	Fiedler
Ashbrook	Corcoran	Fields
Badham	Coughlin	Findley
Bafalis	Courter	Fish
Bedell	Coyne, James	Fithian
Benedict	Craig	Forsythe
Bereuter	Crane, Daniel	Frenzel
Bethune	Crane, Philip	Fuqua
Bliley	Daniel, R. W.	Gilman
Broomfield	Dannemeyer	Gingrich
Brown (CO)	Deckard	Glickman
Brown (OH)	DeNardis	Goldwater
Broyhill	Derwinski	Goodling
Butler	Dickinson	Gradison
Campbell	Dreier	Green
Carman	Dunn	Gregg
Carney	Edgar	Grisham
Cheney	Emery	Gunderson
Clinger	Erdahl	Hagedorn
Coats	Erlenborn	Hansen (ID)
Coleman	Evans (DE)	Harkin
Collins (TX)	Evans (IA)	Hartnett
Heckler	McCloskey	Sharp
Hendon	McCollum	Shaw
Hiler	McDonald	Shumway
Hollenbeck	McEwen	Shuster
Holt	McGrath	Siljander
Hopkins	Michel	Skeen
Horton	Miller (OH)	Smith (AL)
Hughes	Moffett	Smith (NJ)
Hunter	Molinari	Smith (OR)
Hyde	Moorhead	Snowe
Jacobs	Morrison	Solomon
Jeffries	Mottl	Spence
Johnston	Napier	Stangeland
Kemp	Nelligan	Stanton
Kindness	O'Brien	Staton
Kramer	Obey	Tauke
Lagomarsino	Parris	Thomas
Leach	Pashayan	Trible
LeBoutillier	Paul	Vander Jagt
Lee	Pease	Walker
Lent	Petri	Wampler
Levitas	Porter	Weaver
Livingston	Pritchard	Weber (MN)
Loeffler	Railsback	Weber (OH)
Lott	Rhodes	Weiss
Lowery (CA)	Ritter	Whitehurst
Lowry (WA)	Roberts (KS)	Whittaker
Lujan	Robinson	Williams (MT)
Lungren	Roemer	Williams (OH)
Madigan	Roth	Winn
Markey	Roukema	Wolf
Marriott	Rousselot	Wortley
Martin (IL)	Schneider	Wylie
Martin (NC)	Schroeder	Young (AK)
Martin (NY)	Schulze	Young (FL)
Mavroules	Schumer	
McClory	Sensenbrenner	

NOT VOTING—22

Bailey (MO)	Dymally	Mattox
Bonker	Frost	Neal
Burgener	Gaydos	Oxley
Chappie	Gramm	Roberts (SD)
Cotter	Hance	Rosenthal
Danielson	Hansen (UT)	Savage
Dornan	Latta	
Dougherty	Lewis	

□ 1130

The Clerk announced the following pairs:

Mr. Danielson with Mr. Hansen of Utah.
Mr. Dymally with Mr. Oxley.
Mr. Mattox with Mr. Dougherty.
Mr. Neal with Mr. Dornan of California.
Mr. Rosenthal with Mr. Lewis.
Mr. Gaydos with Mr. Latta.
Mr. Frost with Mr. Burgener.
Mr. Bonker with Mr. Chappie.
Mr. Savage with Mr. Roberts of South Dakota.
Mr. Hance with Mr. Gramm.

Mrs. FENWICK, Messrs. SCHUMER, WILLIAMS of Montana, DECKARD, FORSYTHE, and MAVROULES changed their votes from "yea" to "nay."

Mr. YATES and Mr. CLAUSEN changed their votes from "nay" to "yea."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate disagrees to the amendments of the House to the bill (S. 815) entitled "An act to authorize appropriations for fiscal year 1982 for procurement of aircraft, missiles,

naval vessels, tracked combat vehicles, torpedoes, and other weapons and for research, development, test, and evaluation for the Armed Forces, to authorize appropriations for fiscal year 1982 for operations and maintenance expenses of the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for fiscal year 1982 for civil defense, and for other purposes," and agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. TOWER, Mr. THURMOND, Mr. GOLDWATER, Mr. WARNER, Mr. HUMPHREY, Mr. COHEN, Mr. JEPSEN, Mr. QUAYLE, Mr. DENTON, Mr. STENNIS, Mr. JACKSON, Mr. CANNON, Mr. HARRY F. BYRD, JR., Mr. NUNN, Mr. HART, Mr. EXON, and Mr. LEVIN to be the conferees on the part of the Senate.

WAIVING CERTAIN POINTS OF ORDER AGAINST H.R. 4119, AGRICULTURE, RURAL DEVELOPMENT AND RELATED AGENCIES APPROPRIATIONS, 1982

Mr. DERRICK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 178 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 178

Resolved, That during the consideration of the bill (H.R. 4119) making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1982, and for other purposes, all points of order against the following provisions in said bill for failure to comply with the provisions of clause 2, rule XXI are hereby waived: beginning on page 5, lines 10 through 14; beginning on page 19, lines 7 through 11; beginning on page 22, lines 19 through 23, line 16; beginning on page 25, line 23 through page 27, line 3; beginning on page 28, line 19 through page 29, line 12; beginning on page 31, line 15 through page 32, line 6; beginning on page 41, lines 20 through 24; beginning on page 42, line 9 through page 44, line 7; beginning on page 47, lines 1 through 21; and beginning on page 50, line 19 through page 51, line 2; and all points of order against the following provisions in said bill for failure to comply with the provisions of clause 6, XXI are hereby waived: beginning on page 47, lines 1 through 21.

The SPEAKER pro tempore. The gentleman from South Carolina (Mr. DERRICK) is recognized for 1 hour.

Mr. DERRICK. Mr. Speaker, for purposes of debate only, I yield 30 minutes to the gentleman from Missouri (Mr. TAYLOR), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 178 provides for the consideration of H.R. 4119, the 1982 agriculture, rural development and related agencies appropriations by waiving points of order against certain provisions in the bill for failure to comply with the provisions of clause 2 and clause 6 of rule XXI.

Clause 2, rule XXI prohibits the consideration of appropriations that are unauthorized and prohibits the consideration of legislation in an appropriations bill. The provisions covered by the waiver included: in title I, the dairy indemnity program; in title II, rural housing programs and rural telephone bank; in title III, the commodity supplemental food program, the food donations program and the food stamp program; and in title IV, Public Law 480, the food for peace program. In addition, the waiver is required for section 608 of the bill which extends the availability of funds beyond a single fiscal year and for four rescissions which include the child nutrition program, the special milk program, the Federal Grain Inspection Service and the Agriculture Marketing Service.

Clause 6, rule XXI, prohibits reappropriations of unexpended balances. This waiver is necessary because the bill provides appropriations for the food for peace program including use of certain carryover balances from prior years' appropriations and thus, constitutes a reappropriation.

Mr. Speaker, H.R. 4119 provides appropriations of $22.7 billion for fiscal year 1982 for the Department of Agriculture, the Food and Drug Administration, the Farm Credit Administration, and the Commodity Futures Trading Commission. This appropriation is $1.06 billion less than the President's request and $2.8 billion less than provided in the 1981 appropriation. Included in this appropriation is $9.7 billion for the food stamp program, which is the level requested by the President, and the bill provides that these appropriations shall be available between October 1, 1981, and August 15, 1982.

Mr. Speaker, I am sure my colleagues are well aware that the programs requiring waivers are contained in either the 1982 farm bill or the Reconciliation Act, neither of which have been enacted into law. In order that we may proceed in an orderly fashion and finish the 1982 appropriations in a timely manner, I urge my colleagues to adopt this rule so that the House may take up the matter of the 1982 agriculture appropriations.

Mr. TAYLOR. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Resolution 178 is a rule to facilitate consideration on H.R. 4119, the agriculture, rural development and related agencies appropriations bill for fiscal 1982. The resolution waives points of order that would otherwise lie against specified provisions of the bill for failure to comply with clause 2 or clause 6 of rule XXI.

Clause 2 of rule XXI prohibits appropriations for any expenditure not previously authorized by law as well as prohibiting legislation in an appropriation bill, and the waiver provided by the rule is made necessary because 15 provisions of H.R. 4119 have not yet been authorized and 4 of those do technically constitute legislation. In addition, clause 6 of rule XXI prohibits reappropriating unexpended balances of appropriations, and the waiver provided by this rule is made necessary because one provision does constitute a reappropriation.

Mr. Speaker, H.R. 4119 provides appropriations of $22.7 billion for fiscal 1982 for the Department of Agriculture, the Farm Credit Administration and the Commodity Futures Trading Commission.

This appropriation is over $1 billion less than the President's request and is some $2.8 billion less than was provided in fiscal 1981. In addition, the appropriation is almost $2 billion less than the target set by the first concurrent resolution on the budget.

Because of the time constraints imposed on the authorization and appropriation process and the fact that we are fast approaching the beginning of the new fiscal year, we often find ourselves in the position of needing to take up an appropriation bill prior to the time that all of the bills authorizing certain parts of it have been passed into law.

This is not a new situation, and for this reason there was no controversy about the necessity for the waivers provided in this rule in the Committee on Rules.

Mr. Speaker, at this point in the RECORD I include a brief summary of the provisions for which the waivers contained in the rule apply:

PROVISIONS OF H.R. 4119 FOR WHICH WAIVERS OF POINTS OF ORDER ARE PROVIDED FOR IN HOUSE RESOLUTION 178

In title I, the dairy indemnity program is not yet authorized. The necessary authorization for this program is contained in H.R. 3982 and H.R. 3603.

In title II, the rural housing programs are not yet authorized. These program authorizations are contained in both H.R. 3982 and H.R. 3534, and include loans under the Rural Housing Insurance Fund, Very Low-Income Housing Repair Grants, Rural Housing for Domestic Farm Labor Grants, Mutual Self-Help Housing Grants, Self-Help Housing Land Development Fund, and the Rural Telephone Bank.

In title III, the Commodity Supplemental Food Program, the Food Stamp Program, and the Food Donations Program are not yet authorized. The authorization for these programs is contained in H.R. 3603.

In title IV, titles II and III of the Public Law 480 Food-for-Peace program are not yet authorized. The authorization for this program is contained in H.R. 3603.

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Section 608 of H.R. 4119 provides that the new obligational authority for certain appropriations items shall remain available until expended.

In addition, the bill contains four rescissions of budget authority contingent upon passage of the Omnibus Reconciliation Act of 1981 (H.R. 3982) as follows: In title I, a $24,101,000 rescission for the Federal Grain Inspection Service and a $20,820,000 rescission for the Agriculture Marketing Service; in title II, a $1,115,700,000 rescission in child nutrition program levels and a $95,000,000 rescission in special milk program levels.

□ 1140

Mr. WALKER. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I yield to the gentleman from Pennsylvania.

Mr. WALKER. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, my concerns about this rule are similar to the concerns that I expressed about the previous rule, and that is that as we look through the rule, we see that it consists of a series of waivers. If we take a look at the bill itself, we see that those waivers we talk about begin to red line sections of the bill that are waived. Under this provision we find that a goodly portion of this bill is waived.

The problem with that is that what we are waiving is the concept that we ought to have an authorization before an appropriation. And why that is important in our process here is because up until now in the budgetary process we have been dealing with authorizations. We have been dealing in the budget process essentially with an authorization process. Now we come down to the appropriation bills, and where we have no authorizations that exist, we are beginning to waive all the points of order against the rule that says there has to be an authorization before an appropriation.

What is happening is, if we look down the road a little way, we are beginning to impact upon the outyears in the budget process, and what we are beginning to do with these rules that are permitting that kind of waiver is that we are beginning to say in fiscal years 1983 and 1984 we are going to find it impossible to achieve a balanced budget because we have appropriated ahead more money than the Office of Management and Budget says we can in order to meet that balanced budget criteria.

So in the two-track finance process around here, on one track the House is making determinations in the authorization process in regard to Gramm-Latta, and we are looking forward through the years and saying that by 1984 we want to achieve a balanced budget, but on the appropriation track we are waiving the authorization and going ahead and appropriating toward the outyears more money than we should in order to achieve that balanced budget.

I am concerned about that kind of a rule. The point I am making here is that we cannot simply use these rules any longer as a parliamentary mechanism. It has become more than a parliamentary mechanism; it has become a way around the whole Gramm-Latta proposal toward a balanced budget in those outyears.

What I am hopeful of is that the Members of this House will begin to reflect on these rules and begin to realize that the waivers therein granted not only commit funds in 1982 but commit in the years ahead, and in committing toward the years ahead they have brought us to a point where we may not be able to achieve that balanced budget that most of the Members of the House have on repeated occasions said they want to achieve.

Mr. Speaker, I thank the gentleman very much for yielding.

Mr. WHITTEN. Mr. Speaker, will the gentleman yield?

Mr. TAYLOR. I yield to the distinguished chairman of the Committee on Appropriations.

Mr. WHITTEN. Mr. Speaker, I say to my friend, the gentleman from Pennsylvania (Mr. WALKER), that this is the second time in 30 years that we have asked for a rule on agriculture. May I say that all this came about because authorizing legislation has not yet been enacted.

The Budget Act calls for budget targets to be set in the first budget resolution. You cannot fix firm figures for the various programs before you have hearings, before you find out what is needed.

The Committee on Appropriations has worked very closely with the Committee on the Budget as they came out with all the proposed budget targets.

So the problem we have here is that the end of the fiscal year is coming up, and unless the Committee on Rules waives points of order on our appropriation bills we would have our whole Government closing down by the first of October. So we either want to do this or close down the whole Government.

May I point out that the gentleman talked about the rules of the House, but part of the rules of the House provides that we can waive the rules when certain situations require it. That is provided in the rules, too. We are faced with a situation where we are between a rock and a hard place. I think we are going to be voting for a continuing resolution in the near future, not because of this, but because there is not enough time left to complete the appropriation business, the authorizing committees have been busy dealing with the reconciliation matters and the tax issue must be settled.

So, Mr. Speaker, we just have not gotten any authorizations, and we either keep the Government running or we do not. This is the only way I know how to do it.

Mr. TAYLOR. Mr. Speaker, I would say that within this appropriation bill there are some definite cuts below the administration's request, and in the bill there is a cutback in the $24.1 million that reflects a shift to the private sector of functions in respect to grain.

So there have been some definite cutbacks made by the Committee on Appropriations, even below what the administration request was. I will ask the committee chairman, is that not true?

Mr. WHITTEN. Mr. Speaker, if the gentleman will yield, that is certainly true. I might say that if the current situation changes and we have to take additional action, we will take action, but right now we have to act on the information that we have.

Mr. TAYLOR. Mr. Speaker, I have no further requests for time.

Mr. DERRICK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 274, nays 131, not voting 28, as follows:

[Roll No. 155]

YEAS—274

Addabbo	Brinkley	Downey
Akaka	Brodhead	Duncan
Albosta	Brooks	Dwyer
Alexander	Brown (OH)	Dyson
Anderson	Broyhill	Early
Andrews	Burton, John	Eckart
Annunzio	Burton, Phillip	Edwards (AL)
Anthony	Byron	Edwards (CA)
Applegate	Campbell	Edwards (OK)
Aspin	Chappell	Emerson
Atkinson	Cheney	English
AuCoin	Chisholm	Ertel
Bafalis	Clay	Evans (GA)
Bailey (PA)	Coelho	Evans (IN)
Barnard	Coleman	Fary
Barnes	Collins (IL)	Fascell
Beard	Conte	Fazio
Bedell	Conyers	Ferraro
Beilenson	Coyne, William	Fiedler
Benjamin	Crockett	Flippo
Bennett	D'Amours	Florio
Bethune	Daniel, Dan	Foglietta
Bevill	Danielson	Foley
Biaggi	Daschle	Ford (MI)
Bingham	Daub	Ford (TN)
Blanchard	de la Garza	Fountain
Boggs	Dellums	Fowler
Boland	Derrick	Frank
Bolling	Dickinson	Fuqua
Boner	Dingell	Garcia
Bonior	Dixon	Gejdenson
Bouquard	Donnelly	Gephardt
Bowen	Dorgan	Gibbons
Breaux	Dowdy	Ginn

Glickman	Mazzoli	Rostenkowski
Gonzalez	McClory	Roybal
Gore	McCurdy	Rudd
Gramm	McDade	Russo
Gray	McHugh	Sabo
Green	McKinney	Santini
Guarini	Mica	Sawyer
Hagedorn	Mikulski	Scheuer
Hall (OH)	Miller (CA)	Schumer
Hall, Sam	Miller (OH)	Seiberling
Hamilton	Mineta	Shamansky
Hammerschmidt	Minish	Shannon
Hance	Mitchell (MD)	Sharp
Hatcher	Mitchell (NY)	Shelby
Hawkins	Moakley	Simon
Heckler	Moffett	Skelton
Hefner	Mollohan	Smith (IA)
Heftel	Montgomery	Smith (NE)
Hendon	Moore	Snyder
Hertel	Mottl	Solarz
Hightower	Murphy	Spence
Hillis	Murtha	Stark
Holland	Myers	Stenholm
Holt	Napier	Stokes
Howard	Natcher	Stratton
Hoyer	Neal	Studds
Hubbard	Nelson	Stump
Huckaby	Nichols	Swift
Hutto	Nowak	Synar
Hyde	O'Brien	Tauzin
Ireland	Oakar	Taylor
Jeffords	Oberstar	Traxler
Jenkins	Obey	Vento
Jones (NC)	Ottinger	Volkmer
Jones (OK)	Panetta	Walgren
Jones (TN)	Patman	Wampler
Kastenmeier	Patterson	Washington
Kazen	Pease	Watkins
Kildee	Pepper	White
Kindness	Perkins	Whitley
Kogovsek	Peyser	Whittaker
LaFalce	Pickle	Whitten
Lantos	Price	Williams (OH)
Leach	Pursell	Wilson
Leath	Quillen	Wirth
LeBoutillier	Rahall	Wolpe
Lehman	Rangel	Wright
Leland	Ratchford	Wyden
Livingston	Regula	Wylie
Loeffler	Reuss	Yates
Long (LA)	Rhodes	Yatron
Long (MD)	Richmond	Young (AK)
Lowry (WA)	Roberts (KS)	Young (FL)
Markey	Robinson	Young (MO)
Marks	Rodino	Zablocki
Marlenee	Roe	Zeferetti
Matsui	Rogers	
Mavroules	Rose	

NAYS—131

Archer	Evans (IA)	Lujan
Ashbrook	Fenwick	Luken
Badham	Fields	Lungren
Benedict	Findley	Madigan
Bereuter	Fish	Marriott
Bliley	Fithian	Martin (NC)
Broomfield	Forsythe	Martin (NY)
Brown (CO)	Frenzel	McCloskey
Butler	Gilman	McCollum
Carman	Gingrich	McDonald
Carney	Goldwater	McEwen
Clausen	Goodling	McGrath
Clinger	Gradison	Michel
Coats	Gregg	Molinari
Collins (TX)	Grisham	Moorhead
Conable	Gunderson	Morrison
Corcoran	Hansen (ID)	Nelligan
Coughlin	Harkin	Parris
Courter	Hartnett	Pashayan
Coyne, James	Hiler	Paul
Craig	Hollenbeck	Petri
Crane, Daniel	Hopkins	Porter
Crane, Philip	Horton	Pritchard
Daniel, R. W.	Hughes	Railsback
Dannemeyer	Hunter	Rinaldo
Davis	Jacobs	Ritter
Deckard	Jeffries	Roemer
DeNardis	Johnston	Roth
Derwinski	Kemp	Roukema
Dreier	Kramer	Rousselot
Dunn	Lagomarsino	Schneider
Edgar	Lent	Schroeder
Emery	Levitas	Schulze
Erlenborn	Lott	Sensenbrenner
Evans (DE)	Lowery (CA)	Shaw
Shumway	Stangeland	Weber (MN)
Shuster	Stanton	Weber (OH)
Siljander	Staton	Weiss
Skeen	Tauke	Whitehurst
Smith (AL)	Thomas	Williams (MT)
Smith (NJ)	Trible	Winn
Smith (OR)	Vander Jagt	Wolf
Snowe	Walker	Wortley
Solomon	Weaver	

NOT VOTING—28

Bailey (MO)	Erdahl	Mattox
Bonker	Frost	Oxley
Brown (CA)	Gaydos	Roberts (SD)
Burgener	Hall, Ralph	Rosenthal
Chappie	Hansen (UT)	Savage
Cotter	Latta	St Germain
Dicks	Lee	Udall
Dornan	Lewis	Waxman
Dougherty	Lundine	
Dymally	Martin (IL)	

□ 1200

The Clerk announced the following pairs:

Mr. Mattox with Mr. Chappie.
Mr. Waxman with Mr. Oxley.
Mr. Dymally with Mr. Roberts of South Dakota.
Mr. Gaydos with Mr. Latta.
Mr. Frost with Mr. Lee.
Mr. Rosenthal with Mr. Burgener.
Mr. St Germain with Mr. Lewis.
Mr. Savage with Mr. Ralph M. Hall.
Mr. Udall with Mrs. Martin of Illinois.
Mr. Lundine with Mr. Erdahl.
Mr. Brown of California with Mr. Dougherty.
Mr. Dicks with Mr. Bailey of Missouri.
Mr. Bonker with Mr. Dornan of California.

Mr. MARTIN of New York changed his vote from "yea" to "nay."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BEVILL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 4144, making appropriations for energy and water development for 1982, and that I be permitted to include extraneous matter.

The SPEAKER pro tempore (Mr. BONIOR of Michigan). Is there objection to the request of the gentleman from Alabama?

There was no objection.

ENERGY AND WATER DEVELOPMENT APPROPRIATION, 1982

Mr. BEVILL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4144) making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to not to exceed 1 hour, the time to be equally divided and controlled by the gentleman from Indiana (Mr. MYERS) and myself.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Alabama (Mr. BEVILL).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 4144, with Mr. BEILENSON in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the unanimous consent agreement, the gentleman from Alabama (Mr. BEVILL) will be recognized for 30 minutes, and the gentleman from Indiana (Mr. MYERS) will be recognized for 30 minutes.

The Chair recognizes the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. Mr. Chairman, I ask unanimous consent that the debate on the amendments by the gentleman from Washington (Mr. PRITCHARD) and the gentleman from Pennsylvania (Mr. EDGAR) in title I to the paragraph entitled "Construction, General" on page 2, be limited to 2 hours, one-half of the time to be controlled equally by the gentleman from Washington and one-half by myself.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BEVILL. Mr. Chairman, I ask unanimous consent that the debate on the amendments by the gentleman from Pennsylvania (Mr. COUGHLIN) in title III to the paragraph entitled "Energy Supply, Research and Development Activities" on page 16, be limited to 2 hours, one-half of the time to be controlled equally by the gentleman from Pennsylvania and one-half by myself.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. BEVILL. Mr. Chairman, I yield myself 14 minutes.

Mr. Chairman, we bring to you today for your favorable consideration the energy and water development appropriation bill for 1982. I am joined in this effort by my colleagues on the Energy and Water Development Subcommittee who have worked long and hard to bring this legislation to the floor, including the gentleman from Massachusetts (Mr. BOLAND), the gentlelady from Louisiana (Mrs. BOGGS), the gentleman from Florida (Mr.

CHAPPELL), the gentleman from California (Mr. FAZIO), the gentleman from California (Mr. BURGENER), and the gentlelady from Nebraska (Mrs. SMITH). Let me also make special mention of our new subcommittee members, the gentleman from Oklahoma (Mr. WATKINS), the gentleman from Indiana (Mr. BENJAMIN) and the gentleman from Arizona (Mr. RUDD). Our subcommittee has greatly benefited from the enthusiasm and interest of its members in all aspects of this bill. Let me also express my special appreciation to our ranking minority member, the gentleman from Indiana (Mr. MYERS). As in years past, he and I and the entire subcommittee have worked together without any trace of partisanship to fashion a bill that meets the present and future needs of our entire country.

Mr. Chairman, the bill before the committee today would provide $13,177,974,000 in new budget authority to the Army Corps of Engineers, the Bureau of Reclamation, the Department of Energy, and six independent agencies and commissions. This $868,876,000 more than was provided in last year's appropriation legislation but it is $232,313,000 less than the amounts requested in the President's revised 1982 budget. The increase over fiscal year 1981 consists of an increase totaling $1,029,378,000 for atomic energy defense activities offset by a decrease of $160,502,000 for other activities in the bill. The bill is also $533,026,000 below the subcommittee's section 302 allocation under the first concurrent resolution on the 1982 budget. We believe the outlays associated with this bill meet the estimated outlay targets established by CBO for the programs funded in the bill.

WATER RESOURCE DEVELOPMENT

Mr. Chairman, in fiscal year 1982 and in the years ahead, our Nation must continue to face an issue that has been with the American Republic since it was founded over 200 years ago. Indeed, it is an issue that every civilization has had to deal with all throughout recorded history—the wise and prudent development of our water resources.

As shown on the top of page 3 of the report, title I includes $3,154,502,000 for the Corps of Engineers, which provides for 284 water resource projects in the planning or construction phases. This includes two new planning starts but no new construction starts.

Title II includes $838,588,000 for the Bureau of Reclamation, which provides for 95 water resources projects in the planning or construction phases. This title contains no new planning or construction starts.

Titles I and II provide for continuation of ongoing construction projects and operation and maintenance programs. Within the available funds, the subcommittee has attempted to accommodate the most critical needs identified through the extensive hearings conducted with administration witnesses, the public, State and local officials, and Members of Congress.

Due to the budget constraints facing the Nation for fiscal year 1982, the committee is not proposing any new construction starts for water projects. There are many projects pending at the Water Resources Council which require authorizing legislation by the Congress before funding can be considered. In addition, there are many worthy projects that have been fully authorized by the Congress and require only to be funded before construction can begin.

The current administration has presented testimony indicating that as soon as the economic conditions improve they will be recommending new construction starts. The committee wants to emphasize that while the administration's proposals are always given every consideration, the Congress will determine which programs and projects will be funded.

The committee will review each project that is eligible for a new construction start in fiscal year 1983 and will recommend such funding for them as the economic situation dictates at that time.

TITLE III—DEPARTMENT OF ENERGY

The bill contains $8,363,425,000 in new budget authority for the Department of Energy. This includes $3,665,409,000 for energy and general science programs and $4,698,018,000 for atomic energy defense activities.

The amount recommended for energy programs reflects numerous changes in the request to reflect the testimony received and committee's assessment of funding needs. For example in solar, geothermal, and hydropower, the committee has added $125,041,000 to the request of $241,675,000. The evidence is that the reductions proposed by the administration from the fiscal year 1981 program levels were too drastic and would not maintain the momentum developed to date in the use of renewable energy.

As explained in the committee report, the committee has serious concerns relating to the administration's proposals for solar energy, principally as they relate to the termination of support for near-term efforts. For example, in passive solar and biomass, the paramount need of both potential customers and suppliers is the need for accurate and reliable information from the Federal program. However, the administration proposes to drastically curtail this effort. For that reason, the committee recommendation includes a reserve account which the committee expects the Department to use with the committee's agreement where necessary to support near-term efforts of the private sector.

The recommendation of nuclear fission programs is $883,757,000, exclusive of the Clinch River breeder reactor. We have included $228,000,000 for that project. Nuclear power now provides the energy to produce 12 percent of the Nation's electricity. To extend this capability for future generations requires development of advanced reactors including breeders. The Clinch River project will provide a bridge from the developed technology to possible commercial system applications near the turn of the century.

Impressive progress is being made in developing and demonstrating the technological basis for the safe disposal of nuclear waste. On a pilot scale, the program has demonstrated the technology to solidify nuclear wastes, to provide suitable overpack containers and to provide suitable casks for transporting the containers to a disposal site. Test emplacements in geologic storage are beginning to confirm the ability to engineer and utilize stable geologic formations for long-term isolation. There remain the confirmatory programs and resolution of political and institutional barriers to put this problem behind us.

The bill also includes $465,530,000 for fusion energy research and development which is $5,530,000 over the budget request and $89,913,000 over last year's level of $375,617,000. Fusion energy is recognized to be one of the most significant potential sources of energy for the future. Impressive progress is being made. However, practical fusion energy is still a long-term effort available to us hopefully around the turn of the century.

The committee has recommended revised bill language for the uranium supply and enrichment accounts. This language is necessary to provide for continuity of operations because of revenue fluctuations. The committee fully expects the Department to manage this program so as to stay within the final appropriation, either through collection of sufficient revenues or withholding of obligations as necessary to stay at or under the final amounts appropriated in the bill.

For general science and research, the committee recommendation provides a total of $559,360,000, compared to $504,415,000 in fiscal year 1981. There continue to be exciting and important discoveries on the frontiers of basic knowledge concerning the structure and nature of matter from this program. The application of nuclear science for medical purposes also has provided some important new discoveries and potential breakthroughs in the treatment of cancer and other medical disabilities. The committee recommendation continues our strong support for this program.

ATOMIC ENERGY DEFENSE ACTIVITIES

The committee recommendation provides $4,698,018,000 for atomic energy defense activities, an increase of $1,029,378,000, or 27 percent, over the amount provided in fiscal year 1981. The increase results from the introduction of new weapon systems, renovation and rehabilitation of existing production facilities, inflation increases and the employment of about 3,400 additional personnel in R. & D., testing, and production of warheads. This is the largest single-year increase in the history of the weapons program and represents a milestone in our efforts to upgrade the weapons complex, increase the level of testing activities so essential to a viable program. I am encouraged that the Department and the administration are following the lead of this committee in reinvigorating the weapons program. I personally took the opportunity last year to meet with then-President Carter to encourage him to provide adequate funding for these activities. The administration responded with two supplemental requests which the Congress approved, and substantially increased the fiscal year 1982 request to provide for necessary activities. The record of the committee clearly has been one of strong and continued support for the atomic energy defense activities and it will continue to be so.

In the revised request for fiscal year 1982 funding there were a number of items that appeared to the committee to be either premature or in excess of what can reasonably be obligated during the course of the fiscal year. Several projects, in addition, were not fully justified and in the view of the committee could not be supported without additional evidence or data.

The committee was concerned that the Department may not have sufficient resources to manage adequately the very large increases requested in weapons production activities, particularly in construction of additional production facilities. The recommended reductions in this area are made partly to reduce the level of activity and number of individuals which must be supervised to manageable proportions. Reductions made in specific weapons systems are within the prerogative of the committee to fund only those activities that can be demonstrated to be fully ready for production, capable of being deployed and essential for the national defense. The specific weapons systems addressed and reduced by the committee did not meet these three criteria.

The recommendation of $4.7 billion, with an increase of more than $1 billion over fiscal year 1981, reflects the continued support of the committee for defense atomic energy activities.

FEDERAL ENERGY REGULATORY COMMISSION

The committee recommendation provides $78,677,000 for the Federal Energy Regulatory Commission instead of $82,173,000 as requested, in the following object class control accounts:

	Fiscal year 1981 estimate	Fiscal year 1982 budget request	Committee bill
Salaries and benefits	$50,083	$52,064	$50,064
Travel; transportation of things; rents, communications, and utilities	10,116	11,227	11,227
Printing and reproduction; other services; supplies and materials; equipment	15,175	18,882	17,386
Total Federal Energy Regulatory Commission	75,374	82,173	78,677

TITLE IV—INDEPENDENT AGENCIES

Title IV of the bill includes $821,459,000 for six independent agencies. This is $147,651,000 or 15 percent below last year's level.

We have provided $202,900,000 for the Appalachian Regional Commission; $477,534,000 for the Nuclear Regulatory Commission; $137,743,000 for the Tennessee Valley Authority, and $2,500,000 for the Water Resources Council salaries and related expenses. The funding for the Appalachian Regional Commission continues the phasedown of this program started in the fiscal year 1981 supplemental and rescission bill. The following specific programs warrant additional comment beyond what is in the committee report.

APPALACHIAN REGIONAL COMMISSION

The committee's action provides a total of $202,900,000 for the Appalachian Regional Commission in fiscal year 1982. The administration had proposed to terminate the ARC as of October 1, 1981, and had therefore not requested funding for fiscal year 1982. The Congress agreed in the Fiscal Year 1981 Supplemental/Rescission Act (Public Law 97-12) that the ARC would be phased down because much has been accomplished in Appalachia as a result of the Commission's programs. It was also the consensus at the time Public Law 97-12 was enacted that much was yet to be done, and for this reason it would be premature to simply terminate the ARC, leaving hundreds of planned projects undone and leaving to already fiscally strapped States the need to pick up the operating costs of activities now funded through the ARC. In the view of the House, this would result in undue suffering in a region that has suffered more than most of the rest of the country and would leave unfinished the efforts begun 16 years ago to bring Appalachia up to the level of the rest of the country. In such areas as employment, education, health care, governmental services, natural resource development, and transportation, Appalachia has lagged far behind the country as a whole.

It is for these reasons that the committee has chosen to include funding for the ARC in fiscal 1982. These funds would be used to finance high priority projects and activities approved by the Commission. The committee directed that no area development projects be started that cannot be completed with available funds and that the Commission prepare a report for the consideration of the Congress. This report should include, in addition to those items identified in the committee report, an analysis of the potential for exporting Appalachian coal in furtherance of the economic development objective of the Commission.

The committee anticipates that the Congress will support continued authorization for the ARC beyond fiscal year 1982, and expects the ARC to prepare a fiscal year 1983 budget request consistent with authorization committee actions and in accord with the plan required by the Appropriations Committees.

NUCLEAR REGULATORY COMMISSION

The recommendation provides $477,534,000 for the Nuclear Regulatory Commission in fiscal year 1982, an increase of more than $35 million over fiscal year 1981. The committee continues to be concerned about the Commission's progress in licensing of nuclear powerplants. Although some progress has been made this year in the review of operating license requests, estimates still indicate that delays totaling 49 months in seven 1981 plants will result in increased costs to consumers of $1.6 billion. Of the 11 plants scheduled for operation in 1982, 3 are currently impacted a total of 6 months, which will cost consumers $283 million, and 2 plants planned to operate in 1983 will be delayed a total of 21 months by licensing delays at a total cost of $504 million. So in spite of what has been done to date, 12 nuclear powerplants will be ready for operation before the end of 1983 but will not be licensed for a total of 76 months beyond the point when they should be generating electricity. This will cost electric ratepayers $2.4 billion more than they would have spent had the NRC properly exercised its responsibilities to license these plants.

I am of the opinion that these delays are avoidable if the Commission takes steps now to improve its procedures and assure timely staff preparation and hearings. If the Commission is unable to do this, additional legislative action will certainly be required.

The House may soon consider authorization proposals for the NRC in fiscal year 1982. I endorse the interim licensing provisions that will assure the most expeditious licensing of nuclear powerplants without redundant public hearings or unnecessary opportunities for delay or judicial review.

The committee will continue to monitor the activities of the NRC and its

Commissioners to be certain everything possible is being done to eliminate needless delays in licensing. Any steps necessary to this end will be carefully considered in future legislative actions of the committee.

On pages 151-152 of the report, we discuss the NRC program to establish a safety goal for nuclear power reactors. Such goals would be in the form of quantitative criteria against which various Commission rules changes or safety objectives could be measured. Because this is the first time the Commission has attempted to establish safety goals, the committee believes they should be initially proposed on an interim basis for trial use so that the Commission can have the benefit of experience in their application. Accordingly, it would appear to us that the Commission should initially issue any proposed safety goals as a policy statement which could be used by the Commission staff in assessing the effectiveness of rules, regulations, and criteria. After experience is gained in application of the safety goal technique it may then be appropriate to promulgate the safety goals in some more formal manner.

TENNESSEE-TOMBIGBEE WATERWAY

An amendment will be offered to the bill deleting the funding for the Tennessee-Tombigbee Waterway. I think it is important to note the following facts about the project:

The navigation features of the project are 63 percent physically completed and are projected to be 69 percent complete at the end of fiscal year 1981.

Eighty-one percent of the project funds have been committed to date and it is estimated 85 percent will be committed through fiscal year 1981.

States and localities have invested millions of dollars in anticipation of project completion.

It is estimated that only $12 million in average annual benefits will be achieved if the project is stopped compared with $137 million if the project is completed.

The remaining benefit to cost ratio for the project is 3 to 1.

The users of the Tennessee-Tombigbee project will be expected to pay the same fee as are paid on other waterways.

The last six Presidents, including President Reagan, have supported the Tennessee-Tombigbee project.

The recent court decision brought to your attention by the opponents does not stop construction of the entire waterway. The Fifth Circuit Court of Appeals directed the district court to issue a temporary injunction halting further construction of a portion of the project only until a supplemental environmental impact statement can be completed on this portion. The court is expected to rescind the injunction as soon as the supplemental EIS is satisfactorily completed. The court did not rule against the merits of the project.

The court decision had nothing to do with the merits of the project. In fact, the decision affirms the project. It merely requires the filing of a supplemental EIS on a portion of the project because the corps did not follow its own regulations.

I repeat, the court has not stopped construction on the Tennessee-Tombigbee. That small portion of the waterway which may be stopped is the very section that the corps changed to improve the environmental aspects of the project. The court said, "A beneficial impact must nevertheless be discussed in an EIS, so long as it is significant. NEPA is concerned with all significant environmental effects, not merely adverse ones." The court reaffirmed the sufficiency of the EIS written prior to the start of the project.

The divide cut where half of the construction occurs continues to move along toward timely completion.

It is a good project and all of the Members and Governors from the States affected strongly support it.

CLINCH RIVER BREEDER REACTOR PROJECT

We also expect an amendment to delete funding for the Clinch River breeder reactor demonstration project.

My colleagues, amid the conflicting statements you are receiving on this project, let me summarize briefly the broader considerations and the weight of the evidence presented to the subcommittee which led to our recommendation to continue this project.

First, it is clear that the Nation will need substantial additional nuclear electric generating capacity in the next several decades, even assuming that all the goals for additional coal production, conservation, solar and renewable energies are met. The evidence is that nuclear-generated electricity will continue to be one of the most economical sources of the increased energy the country will need for future growth.

Second, despite varying estimates, the Nation's supply of energy resources is finite. We must use these resources prudently and with an eye to the needs of future generations. It makes no sense to use up all our uranium resources if we can preserve and extend these resources through use of breeder reactors.

Breeder reactors make use of the "tails" or byproduct materials from the fuel for present reactors. The energy available from the uranium already mined—the "tails" now in storage—provide an energy resource for electricity production that is equivalent to all the Nation's unmined coal, and three times the energy from OPEC oil.

Breeder reactors systems are more advanced than today's reactors. Besides using the uranium fuel much more efficiently—30 to 50 times as efficient—the breeder reactor systems offer the potential for significant technical, economic, and safety advantages over today's reactors.

The Clinch River project is a unique research and development project. It is needed to demonstrate the Nation's ability to bridge from the technology program to a safe, economical, and licensable breeder power system. It is not an effort to build a commercial breeder reactor.

GAO has confirmed the need for a project such as Clinch River to focus our development efforts, obtain utility experience, and maintain U.S. influence on worldwide nuclear development.

Clinch River is the most economical means of determining whether or not breeder technology is viable and economic for commercial appliction. Clinch River will cost an additional $1.7 billion over the $1.1 billion invested to date; but its revenues over a 30-year life will repay $3 to $4 billion toward the Federal investment.

There is extensive utility and industry involvement in and support for the CRBR project. Utility contributions with interest will total over $360 million.

Terminating the project losses the Federal investment to date, probably foreclosing a breeder energy option if needed in this century.

The committee long has supported a balanced energy development program, including solar and renewable energy, increased use of coal, and development of nuclear fission and fusion. The overwhelming weight of the testimony and data we have is that the breeder energy option should be demonstrated through the Clinch River breeder reactor project.

As President Reagan stated:

> It (nuclear energy) could supply electricity for thousands of industries and millions of jobs and homes. It must not be thwarted by a tiny minority opposed to economic growth which often finds friendly ears in regulatory agencies for its obstructionist campaigns.

I urge you to reject the amendment.

OTHER AMENDMENTS

There may be other amendments offered to the bill. We have worked hard to balance this bill on an equitable basis. We believe it merits your support and hope that you will vote with the committee.

COMMITTEE REPORT

The report accompanying the bill provides a good explanation of the recommendations reflected in the bill. I would encourage the Members to look through it.

This is a good bill and report. It is under the President's budget. It is under our committee allocation. I recommend its adoption by the committee.

Mr. Chairman, I would like to call the Members' attention to several printing errors in the committee report (H. Rept. 97-177).

On page 7, the third line in the table under California should read: "Coast of Northern California (Harbors for Light Draft Vessels.)"

On page 8, the first line in the table should be deleted.

On page 9, "Juniper" Inlet, Fla., should be "Jupiter" Inlet.

On page 13, "Hannibal, Missouri" should be in the "planning" column rather than under "general investigations."

Also on page 13, the St. Johns and New Madrid Floodway, Mo., project should be shown on page 34 under "Flood Control, Mississippi River and tributaries."

On page 26, the total cost for the Beverly Shores, Ind., project should be $600,000 and the total cost for the Big South Fork National River and Recreation Area, Ky. and Tenn., should be $278 million.

On page 29, the entire "subtotal" line should be deleted as it is meaningless.

On page 116 of the report, project 82-D-109 should read "155 MM AFAP," not "105 MM AFAP."

On page 142 of the report, the item identified as "MX-RES" should be identified as "Program Support."

In addition, the pagination of the bill in the index on page 2 of the report is out of sequence in some instances.

□ 1220

Mr. MYERS. Mr. Chairman, I yield myself 8 minutes.

Mr. Chairman, our chairman, as always, has done an excellent job in presenting what is in this bill.

I join the chairman in showing our appreciation and thanks to the other colleagues on the Subcommittee on Energy and Water of the Committee on Appropriations, as well as the very hard working staff. This is a hard working committee and I am not here today to offer accolades or thank yous but the staff does work particularly hard and we brought to the floor what we believe to be one of the better bills that we have written. There are some differences; some Members will be offering amendments to make some changes.

With one or two exceptions the bill cannot be improved upon. We ask our colleagues to vote with the committee.

This is the bill that used to be referred to as the "all American" bill. A former Member, who was chairman of this subcommittee for many, many years, stood in the well and said, "We bring to you today the 'all American' bill." It truly is an all American bill, just as it was back then.

It is somewhat more controversial today for a variety of reasons. I am sure the opponents of various sections of the bill and the proponents of changes will describe those and I need not take the Members' time at this time.

But it is an all-American bill because this is the bill that provides for the research, for alternate sources of energy for our children and grandchildren if they are to find new sources of energy.

This is the bill that provides the needed water resources, the enhancement, the development, the access, that our children and grandchildren shall have if they are to have an adequate water supply.

This is the bill that contains the funds that will provide this.

Now, the chairman has told us of the modest increases that we have this year, not as much as some Members would like to have had. As the chairman has told this body, we had a great many Members come before our committee making requests for additions in funding or new starts.

Again this year, contrary to what has been suggested during the discussion and debate on the rule, there are no new starts in this bill. There is nothing in this bill for water development that is not authorized except one locality that is being washed away at an unbelievable rate by erosion from the lake, and the community is losing not only its roads and beach, but also losing houses today.

Now we could sit here today and we as a committee could say, we are sorry, we have no authorization to do something about this, but in compassion for those who are losing their property, and for the environment that is being destroyed, not only by storms, but everyday, just by natural wave reaction and actions of the waves, the committee saw fit to add a small sum here to start resolving and doing something about this erosion that is brought about by natural causes.

The committee has made some minor changes from the President's recommendations. In most instances we are below what the President has recommended.

Again, there are some differences from OMB as it was discussed in the discussion on the rule, and I might add here that this is in all fairness to Mr. Stockman. We all agree he has a tremendous job to do and we are trying to cooperate with the Office of Management and Budget, to halt higher interest rates and to reverse this trend to stop inflation.

We share that concern with the Office of Management and Budget, with the President, with the other body, and we are working together trying to do just that; but we do have some differences about priorities, what programs shall be funded and how much.

Now we can argue about the outyears. Those are the years 1983, 1984, and 1985.

The Office of Management has taken the figures that we have this year and fully funded what we have appropriated in existing projects this year if we carried them out to those years.

It is true that if we took no restraint by this body we bust the budget, but that is not any different than we had 3 or 4 years ago when some of these were started.

If we fully funded those we would exceed the budget today. The committee and Congress has done something about it. We have said "no" on many occasions. We have exercised restraint and we will continue to do that, but it is not within the power, nor the authority of this Congress, seated today, to exercise the future will of Congress that we will not spend or that we shall spend. We all know we cannot obligate future Congresses, so it is unfair to say that the outlays, the outyears, will exceed the budget.

I am sure that future Congresses using the good judgment and exercise restraint in funding new starts when they do finally come around once again as well as restraining how much money we spend on the existing programs.

Now specifically in the water resource development, once again this year the committee has seen a downward trend in the development of our water resources. I am not at all sure this is wise. But again, understanding that we must hold the line on expenditures, we have selected this area to once again exercise more restraint than we have in the Department of Energy, and some of the other agencies that we are charged with the responsibility of funding.

The only increase we have in the water resource development is in operation and maintenance.

Recognizing that some of the projects that are in operation around the country, the dams and the waterway locks, are deteriorating, we have increased over last year the amount of money for operation and management and the running of these operations by $143 million.

If we had not increased this operation and maintenance we would not be fulfilling our responsibility and we would be costing our taxpayers more in the future.

□ 1230

This is the big increase in operation of water resource projects.

In the Bureau of Reclamation, we have increased by $22 million the amount requested for operation and maintenance.

In the Department of Energy, the largest increase is in weapons systems, but again, not nearly as high as the administration requested. We feel we have put in what can reasonably be

spent and that we are meeting needs of Defense in nuclear weapons.

In closing, Mr. Chairman, we are going to have some disagreement today.

I compliment our colleague, the gentleman from Pennsylvania (Mr. EDGAR), as well as the gentleman from Washington (Mr. PRITCHARD), and the other gentleman from Pennsylvania (Mr. COUGHLIN), in exercising some restraint in the time consumed. These issues they are going to be discussing, the two amendments they are offering, are not new to those of us who served in previous Congresses, but in order that the newer Members may have the opportunity to hear what is at stake, we voluntarily have agreed under a previous unanimous consent that we will limit the debate on each of those amendments to 2 hours. Both the proponents as well as the opponents feel this is ample time for Members who are concerned and will take the time to listen on the floor to what is involved.

Mr. Chairman, on behalf of the hardworking subcommittee and the full Appropriations Committee, we recommend passage of the bill with two or three technical amendments we will be making for the committee.

The CHAIRMAN. The gentleman from Alabama (Mr. BEVILL) has consumed 13 minutes of his time. The gentleman from Indiana (Mr. MYERS) has consumed 8 minutes of his time.

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to the gentleman from Mississippi (Mr. WHITTEN), our distinguished chairman of the Appropriations Committee.

Mr. WHITTEN. Mr. Chairman, it is a pleasure for me to take this floor today to speak to what I believe is something we must keep in sight. That is the protection and development of our own country.

I do not question the attitude or the reasons behind those that might differ in particular matters, particular projects. That has existed throughout our history. I do say the reason we have the standard of living today and the reason we have the rich country we have—even with its many financial problems—is because our forefathers had the foresight and the nerve, if I might say so, to develop the St. Lawrence Seaway, the New York Harbor, the San Francisco Harbor, our rail system back in the early days, navigation on the Red and the Arkansas Rivers, the irrigation in the West, the Bonneville Power Administration and other undertakings that have contributed to development and vitality of our Nation.

Where would we be today if we did not have the Bonneville Power Administration to serve the business interests as well as the people of the Northwestern part of the United States? Do the Members know if we did not have the power facilities there, we would have to furnish it from other sections?

I made a motion to override the recommendations of the President on the veto of the public works bill some years ago. He said because of the financial problems existing at that time we could not afford new starts on developing our own country. In my argument, which the Congress approved and accepted, I said the more problems we have, the more imperative it is that we do develop our own country. History has proved this correct.

I say that about 18 percent of our income goes for food and clothing, because we have developed our country. Just think of the United States when you first remember it and how it is today. We have a rich country in real resources because our people have worked at developing and improving it.

I am not going to go into the many things which my good friend, the gentleman from Indiana (Mr. MYERS), and my friend, the gentleman from Alabama (Mr. BEVILL), have gone into. There are many things in this bill. We all recognize one fight is going to be made on a project that means not only a whole lot to the Southeastern part of the United States but to the entire Nation. Let me tell the Members, whatever the reasoning of the Members might have been at the beginning of this project to stop a project that is over 60-percent complete, to stop a project which will contribute greatly to the development of the whole United States would be a grave mistake. Now that it is not raining, are we going to neglect our roof? Are we going to neglect the chance to get the coal in the biggest coal section of the United States out for the use of the world and at great benefit to the United States?

Now is the time to do it. Think about this: We are committed to a policy that mining and other activities by private industry must return the area to an environmentally satisfactory condition. In my own district, I have a big gash across two counties. My State gave up six highways and six bridges. They are gone. So if we stop this project now, not only will it cost us a whole lot more than we have spent up to now, but under the policy that we are following everywhere, we will spend many times what we spent restoring conditions to about what they were.

As Congressmen, we come from various districts. We represent our districts, we represent our people; but our title is Representative in the Congress of the United States. This is a big country. I want to tell the Members in my experience here, I am proud to say that I have supported every section of the United States because of how the United States goes, so will my area go and so will the area of each Member.

When we go along with the Bonneville Power Administration, with irrigation in the West, and with programs and projects to benefit every section of country we strengthen and protect the entire Nation. Now we have all the problems in California with the Medfly and we do not hesitate. When we had the tragic Hurricane Agnes and flood problems in Pennsylvania some years ago and we did not hesitate. We provided $1 billion almost overnight. We did not hesitate. We were here meeting the needs of our associates. I am proud last year to have had the foresight when we had this terrible tragedy in the State of Washington—Mount St. Helens—to help provide funds promptly for relief. I had already, as chairman of this committee, reported a major appropriation bill. I canceled it and introduced a new one so my colleagues in the House could be in on taking care of this great problem in the Pacific Northwest.

So I say to the Members today, whatever one may feel about my section or any other section, please look at this thing in perspective and look at it carefully. If Members will do this they will find that having gone this far, it is a very different question from what one might have been confronted with, at the outset. I have been telling Members that the entire project is close to completion and, according to my best information, the project will benefit 26 States directly and help the economy of the entire Nation. It will open up water transportation to our biggest coal deposits and, locally, will aid the development of this low-income area. The navigation features of the project will be over 69 percent complete by the end of fiscal year 1981. At least 85 percent of the total Federal cost will be committed by the end of the current fiscal year.

I point out that if you stopped the project now, annual benefits available would only be $12 million—when the total project is completed, annual benefits will be $125 million. If the project is halted now, we will have a partly finished canal; some locks and dams in various stages of completion. If the waterway is completed, we will have an important navigation system.

The cost to stop the project and to restore the project area to an environmentally acceptable condition would certainly exceed the cost to complete the project many times over, for all 232 miles are in some phase of construction.

Mr. Chairman, I beg the Members to take the position that with all the problems we have in the United States today, at home and abroad, the one thing we cannot neglect is to look after our own country.

This is a project that helps the United States. If we compare this investment with what we do with our

money in many other countries in the world, without any cost-benefit ratio test, it is at the top of the list as a wise investment.

□ 1240

Mr. Chairman, I ask the Members—and I do not do it often—to remember that I have been busy trying to look after every want that anybody has asked me for. But I say to the Members, "Do not be shortsighted and stop that which is good and wreck that which is absolutely essential if we are going to look after the country for the future."

I appreciate the Members' support through the years. I assure them of my support, and because I have done these other things, they do not owe me or our people or our area anything. But again, we are doing something good for the whole United States, and I call on the Members to support us.

Mr. MYERS. Mr. Chairman, I yield 5 minutes to a very outstanding member of the subcommittee, the gentleman from Arizona (Mr. RUDD).

Ms. FIEDLER. Mr. Chairman, will the gentleman yield?

Mr. RUDD. I yield to the gentlewoman from California.

Ms. FIEDLER. Mr. Chairman, I rise in support of the bill. I would also like to briefly comment on the Hansen Dam project, which is located in my congressional district in the city of Los Angeles, and is one of the projects recommended by the California Water Commission. The Appropriations Committee has recommended $100,000 be appropriated in fiscal year 1982 for the U.S. Corps of Engineers to complete a feasibility study to determine the best means of desilting Hansen Dam and restoring the water conservation and recreation operation as well as meeting the needed flood control requirements. I am in full agreement with this recommendation.

Hansen Dam was authorized by the Flood Control Act of 1936, and completed in 1940. For 4 decades it has provided important benefits to the residents of southern California by controlling floods, conserving storm runoff and local rainfall that add to the city's water supply, and by serving as a source of water-oriented recreation. Recreation at the project was authorized by the Flood Control Act of 1944.

However, since 1969 the reservoir behind the dam has been filling up with silt—estimated in excess of 20 million cubic yards of mineral debris—primarily due to fire-related erosion originating from the local canyon hills. As a result, the total storage capacity of the reservoir has been reduced from a 1940 figure at 35,000 acre-feet to a present estimate of 26,000 acre-feet, a volume reduction of 27 percent. According to the Corps of Engineers, the present capacity exceeds the flood control storage required for safe operation by 1,000 acre-feet; however, additional inflows of silt will eliminate this margin of safety in the near future.

Moreover, this situation has resulted in the loss of water supply to the city and virtual elimination of the water recreation benefits once realized. Spreading basins of recharge of the local water table are operated downstream of the dam by the Los Angeles County Flood Control District, and by the Los Angeles Department of Water and Power. In the past, the Corps of Engineers, in coordination with these two agencies, had a part of the dam operation, has impounded water behind the dam for controlled release into these spreading grounds. However, due to the significant reduction in reservoir immediately after the floods, this has caused increased siltation of the downstream grounds.

Furthermore, the recreational use of the reservoir has been seriously curtailed by the silt accumulation. The surface area of the reservoir has been significantly reduced from 140± to 30 acres, a surface area reduction of approximately 79 percent. In the past, the reservoir was used for water skiing, boating, swimming, fishing, and other activities under the supervision of the Los Angeles Department of Recreation and Parks. This reservoir is the only water-oriented recreation in the San Fernando Valley and is very important to residents. The local community is now forced to go without water-oriented recreation, or travel significant distances.

The Corps of Engineers is presently conducting a limited $10,000 alternatives study, initiated in November 1980, to determine possible methods to alleviate solely the short-term flood control problem of the dam. Among some of the alternatives under study include, first, trucking part of the debris from the dam; second, raising the dam's embankment; and, third, increasing the water outflow capability of the dam. The corps estimates that the study will be completed in November 1981. The corps has also indicated that the modification of the project to provide water conservation is being examined under the Los Angeles County drainage area review study scheduled for completion in October 1985.

Under the corps' current study plan, the residents of the city would not realize the potential water conservation and recreation benefits of Hansen Dam until about 1987.

Both the city of Los Angeles and the Appropriations Committee of the House believe that the Hansen Dam project warrants a separate study and that the current study scope should be expanded to include all three project purposes—flood control, recreation, and water conservation. Various alternatives, which consider all three project purposes in an integrated manner, should be identified and assessed including the preparation of comparative cost estimates.

In closing, let me say that I am confident that if this study is completed promptly, we will be able to act in time to protect Los Angeles from incurring the cost, both in dollars and human lives, that would result if Hansen Dam were not upgraded to protect the public from floods and the high cost of importing water to our citizens.

Thank you Mr. Chairman.

Mr. RUDD. Mr. Chairman, I thank the gentleman from Indiana (Mr. MYERS) for yielding me this time, and I would like to take this opportunity to commend the very distinguished chairman of this subcommittee, the gentleman from Alabama (Mr. BEVILL), and the very distinguished ranking minority member, the gentleman from Indiana (Mr. MYERS), as well as all of the members of this subcommittee. I commend my colleagues who have worked so diligently and so hard, and also the staff who have paid great attention to detail, in order that we can put this bill together and bring it to the floor. This is a bill that anybody can be proud of.

Mr. Chairman, the measure we consider today, the energy and water development appropriations bill, 1982, is representative of the kind of work this body can produce when the best interests of all the people are kept foremost in mind.

This bill provides the means by which our country can meet its energy requirements next year. Without a constant and dependable flow of energy and without a constant and dependable attention to water development, the economic activity of the United States would quickly grind to a halt.

As a member of the Energy and Water Development Subcommittee, I know the work that went into the preparation of this bill. The hearings fill 12,442 pages, and our witnesses came from Members of Congress, officials of the executive branch, several Governors and other State and local government officials, and many private citizens.

All possible views were heard, and all possible consideration was given to these views. These were balanced with the constraints of the administration's budget goals, and the result is before us today.

The bill provides funding for the Army Corps of Engineers, the Interior Department's Bureau of Reclamation, the Department of Energy, and a host of independent agencies.

These departments and agencies provide individual parts of a total picture.

And it is that total picture that we must concentrate upon as we debate the bill.

There will be temptations to attempt to put a little something extra in here, or take a little something out there, or even to cut out major items here and there.

This bill, perhaps more than any other we will consider this year, requires national statesmanship rather than regional bickering. We have a national water problem that requires a national policy. We have a national nuclear energy program that requires a national understanding.

Let me say, Mr. Chairman, that I support this bill. It meets the requirements of our Nation's needs for energy and for development of our precious water and it does so in a careful and thoughtful and economical manner.

Our environment will be safe with this bill, our resources will be wisely husbanded, and our economic health will be preserved.

I thank the chairman, Mr. BEVILL, and our ranking member, Mr. MYERS, for an outstanding leadership performance, and I urge the adoption of this bill.

Mr. MYERS. Mr. Chairman, I yield 5 minutes to the gentleman from Washington (Mr. MORRISON).

Mr. MORRISON. Mr. Chairman, I thank the distinguished ranking minority member for yielding me this time, and I would ask if the distinguished chairman of the committee, the gentleman from Alabama (Mr. BEVILL), would enter into a colloquy with me for the purpose of establishing a few facts for the record.

First of all, Mr. Chairman, I would like to compliment the subcommittee chairman and the subcommittee for their work on the energy and water development appropriations. I would especially like to commend the subcommittee for its foresight in the area of magnetic fusion.

Perhaps the lynchpin, Mr. Chairman, of this program is the Mike McCormack Fusion Materials Irradiation Test Facility, named in honor of my predecessor, more commonly known as FMIT. Without the ability to test materials, the fusion program could not move ahead in a logical manner.

Construction in terms of site preparation for FMIT began at the Hanford Nuclear Reservation in 1980. In the Report of H.R. 6796 in the 95th Congress, which became Public Law 95-238, FMIT, Project 78-3-B, was sited at the Hanford Energy Development Laboratory, Washington. I would like to reconfirm that it was the intention of the committee in fiscal year 1978, when FMIT was first appropriated, to have the project sited at Hanford. That is correct; is it not?

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. MORRISON. I yield to the subcommittee chairman.

Mr. BEVILL. Mr. Chairman, I thank the gentleman for yielding.

The gentleman from Washington (Mr. MORRISON) is correct, and that is what was authorized.

Mr. MORRISON. Mr. Chairman, I thank the gentleman.

It is also my understanding that the committee has directed the Department of Energy to move ahead with FMIT in a timely manner. In this bill the committee appropriated $14 million which was deferred from fiscal year 1981, and it is the consideration of the committee that up to an additional $12 million in operating expenses could be provided in support of this effort. Is that correct, Mr. Chairman?

Mr. BEVILL. Mr. Chairman, the gentleman is correct.

Mr. Chairman, I thank the gentleman, and I appreciate those responses.

Mr. Chairman, I include herewith the following material:

WASHINGTON, D.C.,
July 20, 1981.

Hon. JAMES B. EDWARDS,
Secretary, Department of Energy,
Washington, D.C.

DEAR MR. SECRETARY: This letter is to suggest a method of accelerating the pace of the magnetic fusion engineering and materials development program, consistent with the funding levels authorized by the House and Senate conferees on the reconciliation and authorization legislation for Fiscal Year 1982.

As you are probably aware, the conferees have agreed on a budget figure of $476.2 million for magnetic fusion for Fiscal Year 1982, along with $16 million of deferred funds for construction.

Within these numbers, the following funding is provided for the FMIT for Fiscal 1982: $12.7 million for operations, $1.0 million for capital equipment (at Los Alamos), $14.0 million for construction (deferred from fiscal year 1981).

In addition, the conferees agree on $5 million for the Center for Fusion Engineering.

These figures indicate an insistence on the part of the Congress to move ahead with aggressive implementation of the programs established in the Magnetic Fusion Energy Engineering Act of 1980, to continue work on the FMIT, and to bring into being the Center for Fusion Engineering as a management entity during Fiscal Year 1982.

At the same time, the Report of the European Fusion Review Panel, which was released in June, calls on pages 40 and 41 and on page 50 for early completion of the FMIT with possible support from the European community. Similar suggestions have originated with leaders and spokesmen of the Japanese fusion program.

I know that you will, on reflection, consider it significant that the Western European community and the Japanese each initiated a review of their fusion programs immediately following enactment of the Magnetic Fusion Energy Engineering Act of 1980 in this country, and that both the Japanese and the European communities have now undertaken aggressive fusion enginering, development, and materials testing programs similar to the one set forth in the new U.S. law. It is obvious that passage of the 1980 act stimulated these reviews. Unless the U.S. meets the goals set forth in the 1980 act, both the Japanese and the European communities will move ahead of the United States in fusion engineering development and with the demonstration of magnetic fusion electric energy production.

However, there is a strong tendency in both Japan and Western Europe to cooperate with the United States in fusion engineering and development. Since the FMIT is the only machine of its type being considered in the free world, and since it is already under construction (about $63 million has been spent on plant and capital equipment and operations), it seems altogether appropriate that both the European nations and the Japanese could reasonably be expected to join in funding the FMIT.

I am informed that the FMIT can be brought into operation (under its present schedule) in Fiscal Year 1986 and that the total cost, including operational costs for shakedown and standardization, will be about $240 million. This could be reduced somewhat by speeding up the program and bringing the FMIT on line closer to the original completion date.

It seems logical to me that the Japanese and Western European nations could be invited to each contribute $60 million (of 25% of the total cost) of the FMIT over the next three or four fiscal years and that they could be brought into joint operations of the FMIT in quite the same way as the Japanese are now participating in research with Doublet III. It is especially important to recognize that if such a program were initiated during the remaining months of this calendar year, it might be possible to speed up the program, bring the FMIT onto line at an earlier date, and reduce the total cost.

I cannot overemphasize the importance of the fusion program or the importance of maintaining the momentum that was established by the passage of the law. I would appreciate your thoughts on this matter, and I stand ready to provide any assistance in any way that I can.

Sincerely,

MIKE MCCORMACK.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentleman from California (Mr. FAZIO), who is a distinguished and very outstanding member of this subcommittee.

Mr. FAZIO. Mr. Chairman, my purpose for taking this time is, first of all, to congratulate the gentleman from Alabama (Mr. BEVILL) and the gentleman from Indiana (Mr. MYERS) for the fair and comprehensive job they have done in shepherding this bill to the floor, a bill that is full of so many different approaches toward the solution of our water resource and energy-related problems.

I would like to focus on some aspects of the bill that may not get a great deal of attention today. We know that the bill is somewhat controversial in some areas. We are going to fight about the Clinch River project, and we are going to fight about the Tennessee-Tombigbee, but I think many Members of this body are not aware of the fact that this committee has done an outstanding job in a number of areas to try to right some of the im-

balances in the administration's approach to energy development.

We are in an era when we had anticipated deriving a tremendous amount of money from the passage of the windfall profit tax on decontrolled oil. My constituents anticipated, as I am sure many of us on this floor did, that some of this revenue would be spent on the development of alternative energy forms in this country to help us find a way out of the yoke of OPEC. In lieu of that we find this administration cutting back on the energy budget across the board, particularly in areas other than nuclear fission. At the same time, it is proposing to spend—and I am not sure this is inappropriate, but it is ironic—$20 billion on a rapid deployment force in order to develop the kind of protection for an OPEC pipeline which we all had hoped to be free of in the future.

So this committee, in prudently restoring energy forms which have been so unnecessarily cut by the administration—areas like solar energy, wind energy, photovoltaics, ocean thermal technology, and geothermal technology—has, I think, fulfilled its responsibility to those who supported decontrol not only because they knew it would have a positive effect on energy conservation in this country but also because they anticipated that we would use some of the revenue to find ways to develop renewable alternatives to the overseas supply which has been so detrimental to our economy which is so ridden with energy price-driven-inflation.

I am proud of the fact that this bill moves us back in the direction of a broader and, I think, fairer and more comprehensive energy policy, and I would like to commend the subcommittee chairman and the members of the subcommittee for having made that wise decision.

In addition, I would also say that in the water development area we have found, particularly in the West, that we have many, many environmentally sound, carefully planned, and conservative water projects with a very positive cost benefit ratio in this bill. I think the committee deserves credit for that.

I would particularly like to thank the chairman and the ranking minority member for their pursuit of a balanced water policy for the West. This is something that has been consistent with the past history of the committee, and I think it is too often overlooked.

□ 1250

So in conclusion, Mr. Chairman, I think there are many aspects of this bill that a broad majority of this House can support. I am proud to be associated with it.

Mr. MYERS. Mr. Chairman, I yield 4 minutes to the gentleman from Utah (Mr. MARRIOTT).

Mr. MARRIOTT. If the chairman would enter into a colloquy with me, I would just like to make a couple points and ask a question.

It is my understanding that the radioactive mill tailings appropriations were reduced in this legislation from $30 million to $13 million in fiscal year 1982; is that correct?

Mr. BEVILL. Mr. Chairman, if the gentleman will yield, the gentleman is correct.

Mr. MARRIOTT. Again, it is my understanding that the reason that the committee cut that back was because of continuous bureaucratic delays in getting the regulations in line. I take it that the EPA again is way behind in terms of their regulations. Is that the reason why this has been cut?

Mr. BEVILL. That is exactly right. The gentleman is correct.

Mr. MARRIOTT. It is not the intent of the committee, as I understand it, to set a precedent here. It is the intent under the appropriations bill to fund these mill tailings removal as time arrives; is that correct?

Mr. BEVILL. The gentleman is correct.

Mr. MARRIOTT. I thank the chairman.

I would like to just make one point that is very frustrating to me. In 1978 in the Interior Committee we passed legislation to begin removing these tailings. We gave the EPA, as I recall, some 1½ years to complete the regulations. They are now 1½ years delinquent.

Now we understand they want another 1½ years to complete the regulations. To me, this is unreasonable and it now means that legislation that was passed in 1978 will not go into effect until 1990. It will be 1990 before we move these hazardous waste materials from some 25 cities around the United States.

I would urge all the Members of this House, my friend, the ranking minority member of the committee, the chairman, and everyone else involved, to see if they could not stick a pin in the EPA and these other agencies to get busy and do the job they are being paid to do.

To pass legislation in 1978 and still to be fiddle-faddling some 3 or 4 years later on regulations to remove the tailings, to me is just an example of the ineffective bureaucracy.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. MARRIOTT. I would be happy to yield.

Mr. MYERS. I certainly concur with what our chairman has told the gentleman, but it is not quite as simple as just authorizing it and sending some people out to remove it. There are some safety factors in handling these tailings that will have to be resolved.

We will certainly give every effort to make sure this happens, but it is not just such a simple thing as loading it on a boxcar or on a flatcar or on a truck and hauling it away. There are some safety factors that have to be worked out.

We will certainly work with the gentleman from Utah on that.

Mr. MARRIOTT. I understand those safety factors, but in a process that should take a year and a half to solve and now we are talking about 4 years seems to be a bit ridiculous.

Mr. MYERS. We will do our part to expedite it.

Mr. MARRIOTT. I thank my good friend.

Mr. MYERS. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. GOODLING).

Mr. GOODLING. Mr. Chairman, I thank the gentleman for yielding.

I would merely like to say that I appreciate the $29 million that is in here earmarked for Three Mile Island. I would hope that it would be $37 or $39 million. That was the understanding that I had.

I would ask that you not be too restrictive with that money. We have a situation that could be 100,000 times worse than anything that could ever happen at Mount St. Helens. No one knows, we have never had this kind of situation.

The same Government who refuses to permit the company to raise the money in order to clean up is also the same Government who refuses to offer any money to help clean up, and there we sit. No one knows with all that radioactive water, with that damaged core, no one knows how much time we have; we cannot get any support from anyone. It is the Federal Government who authorized it. It is the Federal Government who started the research and the development. It is the Federal Government who in turn determined how well those people should be trained, and they were trained better than the Federal Government asked them to be trained, and at the same time that Federal Government costs my ratepayers $14 million more every month because they refuse to let them operate unit 1, which operated beautifully for 7 years. They authorized every other unit to go back into operation, but not this one; so there is no way the company can ever raise any money to clean up.

Then at the same time to say we will not allow you to raise money, but we will not give you any, I just do not understand. It is a health and safety factor that we are faced with up there.

I appreciate the money that is there now. I would certainly hope that we could somehow make the rest of the Congress understand it is a health and

safety factor. It has nothing to do with whether you are for or against nuclear energy.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. GOODLING. I yield to the chairman.

Mr. BEVILL. I thank the gentleman for yielding.

I agree with what the gentleman says. There is one error, though. We do have $37 million in this bill, $29 million for operation and $8 million for equipment.

Mr. GOODLING. I appreciate that. I am asking for all the help we can get before we blow, and then you come and give us help after we are already destroyed, either economically or physically.

Mr. BEVILL. Mr. Chairman, I yield 2 minutes to my colleague, the gentleman from Pennsylvania (Mr. EDGAR).

Mr. EDGAR. Mr. Chairman, we will have adequate time to discuss the Tennessee-Tombigbee Waterway and its implications for our future.

I would commend to my colleagues some of the many editorials that have been printed throughout the country, in the Los Angeles Times, in papers from Connecticut to Florida, talking about the inappropriateness of moving on construction of the Tennessee-Tombigbee Waterway.

Let me read just two quotes from two of those editorials; first from the New York Times of yesterday:

> The economic case against both projects was forcefully stated by President Reagan's own Budget Director, David Stockman, while he was still a Congressman. * * * He suggested that if Congress paid for marginal enterprises like Tenn-Tom, it ought to "go whole hog and build a pyramid in every State."

That is a direct quote from David Stockman.

Second, in yesterday's Philadelphia Inquirer an editorial states:

> The court enjoined further construction of a major portion of the waterway, ruling that the Corps had "blatantly" violated Federal environmental requirements and intentionally used outdated financial statistics to make the project appear economically viable.

That is just a selection of two quotes from many that implicate the problems of this project, but let me just close by talking about some equity issues.

The funding for the Tennessee-Tombigbee Waterway, $189 million in this bill, equals the subsidy for the public service postal subsidy. It is nearly as much as the subsidy for Conrail. It is almost equal to the funding for the National Endowment for the Arts and Humanities. It would provide for 189,000 minimum student loans. It would provide nearly 2,000 units of subsidized housing.

If you cut $100 million out of the Tennessee-Tombigbee Waterway, you would still fund it at $100 million more money than any other water project in the Nation.

I think there is a matter of equity here. I urge my colleagues to look at the details and the facts of this issue.

Mr. MYERS. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. SHUMWAY).

Mr. SHUMWAY. Mr. Chairman, I rise in general support of H.R. 4144, the energy and water development appropriations bill for fiscal year 1982. It hardly needs to be said that a different set of priorities and guidelines will govern the actions of this Congress during its fiscal year 1982 appropriations debates. In short, we must follow through on the overriding need to reduce the rate of growth in Federal spending and to provide serious tax relief to all Americans. By appropriating $232 million less than requested by the administration and allowed under section 302 of the Budget Act, H.R. 4144 meets the objectives of the President's economic recovery program, while still providing Federal assistance to essential public works projects across the country.

As my colleagues know, H.R. 4144 provides $13.2 billion in funding for programs administered by the Department of Energy, the Army Corps of Engineers, the Bureau of Reclamation, and other related agencies. This measure touches on nearly every facet of our Nation's water and energy needs by assisting the construction of facilities, dredging harbors, hydropower licensing, recreation, research and development, and defense activities. Although there is hardly a congressional district which would not benefit from the passage of H.R. 4144, there are also very few areas which have not absorbed necessary funding reductions this year. The cuts proposed by the President and recommended by the Appropriations Committee will eliminate more than $2.5 million in funding for water- and energy-related projects of immediate interest to my constituents in northern California. And yet, Mr. Chairman, I am convinced that our long-range interests—namely, a healthy and prosperous economy—will only be served if we in Congress have the resolve to make these necessary cuts now.

Mr. Chairman, we hear a great deal here in the Congress about so-called pork barrel public works projects. But I would like to make clear that such sentiments are shortsighted and do not focus on the real and lasting benefits which accrue from providing Federal assistance to essential projects whose costs would normally preclude their construction. To illustrate this, my colleagues will be interested to know that J. Gordon Milliken, a senior research economist at the Denver Institute recently spoke on the subject of whether water projects pay their way. My friend, the distinguished gentleman from California (Mr. COELHO) has already inserted the bulk of Mr. Milliken's address into the RECORD. I would just like to highlight Mr. Milliken's conclusions:

> Nationally, the Federal reclamation program activities brought about $2.75 billion in Federal revenues during 1979, and another $1.24 billion in State and local revenues. Jobs were provided for 815,000 full time equivalent workers. Valued agricultural crops, hydroelectric power, municipal water supplies, recreation and flood control were provided by project lands and structures. And, as usual, a substantial portion of the Nation's investment in the Reclamation program was repaid to the Treasury by water and power users.
>
> From an economic viewpoint, there is good evidence that water projects do pay their pay. The Nation is richer because of them.

As we vote hereafter on a series of amendments to H.R. 4144, many of them directed toward deleting funds from projects which have already been cutback, I urge the consideration of these long-range benefits, that the costs and benefits of each project must be integrated into those of the entire program, and that Federal assistance, as recommended by H.R. 4144, will be a responsible step forward in our effort to utilize the Nation's water and energy resources.

□ 1300

Mr. MYERS. Mr. Chairman, I yield 2 minutes to the distinguished member of the Public Works Authorization Committee, the gentleman from California (Mr. CLAUSEN).

Mr. CLAUSEN. Mr. Chairman, I rise to commend this committee for their diligent effort in bringing to the floor a bill under the most difficult of circumstances, that being recognition of the fact that there are budget constraints that all of us have to deal with. I think they have presented us with a product that represents an investment in the public facility infrastructure of this country that is in very sad shape.

As my colleague from California (Mr. SHUMWAY), who preceded me stated, there is a tendency to label this legislation as "pork barrel legislation." Yet those of us that are dealing with both the authorizing committee and the appropriation committee responsibilities and actually track these projects that are funded, through the appropriation process and under consideration today, can provide or present a record of an extraordinary return on the investment to benefit the people in the areas involved. So it is to that end that I rise momentarily to offer my commendation to the committee and to express my sincere appreciation for the kind of cooperation they have extended to me and other members who have specific project interests in the legislation before us.

In addition, Mr. Chairman, I want to extend some well deserved recognition to the gentleman from Alabama (Mr. BEVILL) and the gentleman from Indiana (Mr. MYERS). Both of these gentlemen must be commended for their willingness to address a number of key issues and reestablish priorities which we in the Congress believe represent a sound investment in our natural resources. Dollars spent wisely and cautiously today in developing alternate sources of energy will assist us in addressing one of the most critical challenges confronting this Nation in the remainder of the 20th century—restoration of energy security. Until this country regains control over its energy future, U.S. industrial productivity, economic growth and national security will remain vulnerable to "energy blackmail."

In this bill, the committee has continued and extended its efforts toward the need for fiscal restraint in accordance with the President's budget revisions for fiscal year 1982. The bill provides increased funding for solar, biomass, wind, and photovoltaic energy systems. I applaud these committee recommendations and urge my colleagues to keep in mind as we debate this bill and amendments, that these programs are designed to address the development of longer term energy supply options to provide the energy resources needed for restoration of our energy security, national growth, and alleviate our dependence on fossil fuels. As you may know, I have always, and will continue to strongly support legislation which I feel is a positive step in the direction of our national goal of energy independence—this bill meets that criteria.

In particular, I support this bill for the committee recommendations in the area of geothermal energy development which appear to be more in line with accelerating the development of geothermal technology. If there is one natural energy resource which is under-utilized today, it is geothermal. Experts believe that within the next 20 years, there is the geological opportunity to supply 20,000 megawatts of generating capacity. This is equal to 700,000 barrels of oil per day or 8.5 percent of today's crude oil production in the United States. Geothermal energy has several ecological advantages—it produces neither atmospheric pollution nor solid waste. The use of geothermal resources is environmentally sound when compared to present fossil fuel pollutants. Continued funding of the Geothermal Resources Development Fund has been provided at a level which will continue to assist the private sector in commercial development of geothermal energy. In representing the district in which there is the largest commercial power generating plant driven by geothermal energy, I am especially pleased to see this continued funding.

Mr. Chairman, the Nation faces some hard choices regarding its energy future. The committee has given careful consideration to all the facts and details made available to them and, I believe that the end product of their work is a balanced and responsive bill. I urge my colleagues to support its passage.

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to my colleague, the gentleman from Alabama (Mr. FLIPPO).

Mr. FLIPPO. I thank the chairman for yielding.

Mr. Chairman, I want to commend the gentleman from Alabama (Mr. BEVILL) and the gentleman from Indiana (Mr. MYERS) for bringing this bill to the floor, and the members of the gentleman's committee for all of the hours of study they have placed in it.

Mr. Chairman, I will speak again when we get to the amendment process, but I think it is important to point out two or three points at this time. I am not surprised that we have had editorials from Pennsylvania and New York opposing the projects taking place in the Tenn-Tom Canal. I am not surprised because all of us know that editorials are matters that can be assisted in, in so many areas and, indeed, those people are entitled to their opinions.

But the other issues that have been raised against this project relate to the environment. I think we certainly have to consider the type of environmental problems that it will cause if this project is stopped at the present time.

I think it has been mentioned about the GAO studies. The part of the GAO studies that has not been emphasized is they say that in the neighborhood of $125 million a year will be lost in annual benefits if the project is stopped.

Not only that, I think it is important to remember that the State of Alabama has invested more than $200 million in public improvements, in bridges and facilities, in port facilities, and others anticipating the completion of the Tennessee-Tombigbee.

I believe it is a wise expenditure of funds. There are more than 5,000 people employed in various aspects of this project at the present time.

If one opposes this based upon misallocation of funds, or some idea that funds are not being fairly allocated to the various regions of the Nation, then I think that those who offer those kinds of arguments ought to remember that when this body allocated funds for energy assistance there were those in this body who did not think they were fair allocations. When this body looks at mass transit funds and many other projects, any kind of allocation of funds into formulas, there can be honest disagreement about how they ought to be allocated.

We should certainly strive for an equitable allocation of funds, but as Lincoln said when he was questioned about the fairness of collecting taxes, he said if we must wait until we have absolute equity, we shall never collect any taxes. Again, if we must wait until we have absolute fairness in the allocation of all projects, we will probably not have any projects if we must have unanimous agreement.

I urge adoption of the gentleman's bill.

Mr. MYERS. Mr. Chairman, I yield 1 minute to the gentleman from Washington (Mr. PRITCHARD).

Mr. PRITCHARD. Mr. Chairman, I thank the gentleman from Indiana. Before we start the debate on the Tennessee-Tombigbee Canal. I would just like to say that I want to thank the chairman, TOM BEVILL, for his courteousness and for the fact that we have been able to arrive at an arrangement today which I think can fully get out the feelings on both sides. The gentleman from Alabama (Mr. BEVILL) arranged for all of us to go down and look at the canal. I want to compliment him and thank him for his courtesy and the level of this debate taking place.

I also want to say, to assure him and other Members that feel strongly, that I did not take this amendment lightly. As a matter of fact, I had serious reservations about taking it up until I got into both the GAO report, which I had asked for in the last meeting, and also the study of coal movements.

But I did just want to take this minute to thank the chairman for his kindness and his courtesy. I think the debate can go forward, even though we do have very fundamental differences and approaches on this subject.

Mr. BEDELL. Mr. Chairman, I rise to explain and clarify my position with respect to the O'Neill project in Nebraska.

My position and commitment remain unchanged. I will continue to oppose what I consider to be wasteful Government spending such as the O'Neill project. This is a project whose costs have excalated to $335 million from the $113 million authorized level. It would take 30,000 acres to irrigate 77,000 acres—half of which are already privately irrigated—at a cost of $4,100 per acre for land worth $550 an acre. O'Neill would benefit less than 1 percent of Nebraska's farmers who would be required to pay back less than 15 percent of the cost. Additionally, the Bureau of Reclamation's cost/benefit analysis used to justify the project is seriously flawed and exaggerates the benefits in three instances in order to produce a ratio barely above unity.

Mr. Chairman, my intention was to offer an amendment to delete the $3.3

million funding request for 1982. However, since the gentlewoman from Nebraska has, along with her fellow Nebraskans, agreed to reduce funding to $500,000 while a study is undertaken for project alternatives, I will not pursue the amendment. For my purpose is not to deprive the State of Nebraska of water development, but rather to insure that it is done on a cost-effective basis with our taxpayers' money.

● Mr. FAZIO. Mr. Chairman, I am an enthusiastic supporter of this bill for a number of reasons. It represents, I think, a substantial improvement over the bill that was proposed to us by the administration. It gives us reason to hope that with the Federal Government's essential role carefully refined, we will once again be independent of foreign oil—and soon. Time is really the key to our energy dilemma. It is not whether we can devise the technologies and adjust our habits to achieve independence sooner or later but whether we can do so quickly, quickly enough to help the economy, quickly enough to avoid an energy-related conflict.

This bill is in a delicate political balance. It is made up of hundreds of separate projects. The vast majority are noncontroversial. A few are very controversial. I would ask my colleagues to step back from the controversies and look at the bill as a whole. Is it better? Is it not about as good as we are going to be able to get?

For my own State of California this bill contains studies for several new water projects which I think will result in more efficient water use at lower cost to the Federal Government and water users. I am also hopeful that these projects—including the sites pump storage reservoir and the relocation of the Contra Costa Canal intake—will help resolve some of California's statewide water problems in an environmentally sensitive manner.

I want also to call attention to one small item, $154,000 for the completion of a study into ways to preserve the Sacramento-San Joaquin Delta. The delta is a rich agricultural resource and of great ecological importance in California. It is also the hub of California's water delivery system. The delta is in grave danger of collapsing, and of leaving California's delivery system broken in two. Complex arrangements must be worked out between local, State, and National Governments to protect the vital interest each has in the delta's continued functioning. Completion of the corps study is an essential first step to that process.

This is a good and important energy bill, at a time when the country's energy policy is taking a radical turn. I happen to believe that we have an energy crisis still, and that the fears of three previous President's did not become moot on election day in November.

The worldwide oil glut has given the appearance of calm to our situation. Prices are not rising; gas lines are receding into memory. The stabilization of prices has contributed to reductions in the inflation rates.

However, the glut is in fact another bit of evidence of the extraordinary control Mideastern nations wield over us. We are only fortunate that the most powerful among them, the Saudis, are moderately disposed toward us. Nonetheless anyone who looks at our national security situation will quickly conclude that our reliance on the Middle East and on the beneficience of the Saudi leadership in particular is clearly our point of greatest vulnerability. It is for this reason that we are spending $20 billion to sustain a rapid deployment capability. I do not dispute the necessity of that expenditure, for Europe's and Japan's sake as well as our own. I do think, however, that the $20 billion plus should be seen as an index of just how severe our energy crisis continues to be.

Another index, of course, is the state of our economy. Inflation has tracked the rise in oil prices. In fact, energy cost increases are a substantial factor in the inflation rate increases. Further, energy costs are a substantial impediment to the reindustrialization of America. A new study by the Solar Energy Research Institute notes that investments in energy production currently constitute fully 40 percent of all the Nation's investment in plant and capital.

It is ironic that in order to save $350 million by cutting solar and geothermal energy programs by 54 percent, the administration proposes to delay indefinitely, and in some cases kill altogether, near-term solutions to problems that are costing us $20 billion in defense, percentage points on the inflation rate, and 40 percent of our industrial capital outlay. Against this backdrop, the administration's posture seems irresponsible.

There are good elements in this administration's approach. DOE has grown enormously fast and problems have developed that require cutting back. Cutting back is not all DOE needs—improved management would be even more constructive—but DOE is misshapen. The hard look this administration is forcing can be constructive.

It is also proper that the Nation should pay the real cost of energy. President Carter decontrolled the price of oil and this administration was correct in speeding the process up by a year. It is important that we pay the true cost of energy. All subsidies, primary, secondary, or tertiary, should be accounted for in our setting of national priorities.

The administration has a point when it says that the marketplace can best make decisions about which energy sources are the best for the long run. Politicians and bureaucrats cannot choose as impartially and in as much fine detail as the marketplace.

However, there are some truths which the proposed energy program—described in the media now as doing nothing at all—fails to recognize. With OPEC raising and lowering prices, with the Saudi's playing us like fish on a hook, it is clear that there is no free market. It is also clear that OPEC not only wants to sustain control of the energy market by manipulating prices, but that from time to time it cannot resist trying to achieve a political objective as well. Thus true energy independence and foreign policy independence are going to require assertive U.S. policy to drive other energy options forward, until oil becomes just another one in its rightful place. Since the market is not free, and since it is being manipulated precisely to maintain our dependence, reliance on the market is tantamount to having OPEC make our energy policy—better we do it ourselves.

Second, the energy policy fails to recognize that not only is energy independence key to fighting inflation, inflation is particularly hard on efforts to achieve energy independence. It is a vicious circle. Utilities are among the most strapped of corporate entities. Conservative lending institutions are less inclined than ever to venture into new areas. Cash-hungry stockholders are going to demand dividends that could have been investments in new energy forms.

Because the private sector is weak the Federal Government needs to deliver viable options to the marketplace. It needs a coherent policy by which each option is to be delivered. The private sector must know what is being delivered and when. The cuts proposed however, were done without this sort of planning and care for the needs of the private sector.

For instance, this administration proposed cutting the photovoltaic budget from $132 million to $55 million, 55 percent. Since passage of the Photovoltaics Act of 1978, arrays have dropped from $25 per peak watt to only $7 to $12. The act set a $1 goal by 1988. The program itself has established a 70-cent goal by 1986, 30 percent less 2 years sooner. This dramatic reduction would not have been possible without the Federal program for applied research and market development. That is the way costs come down. However, the administration wants photovoltaic work to recede into the indefinite future with long-term research and development. R. & D. is fine, but we need to push on below 70

cents. Dropping the ball now is not to foster energy independence.

Precisely in order to draw private industry quickly into this field of enormous promise, the Government also needs to help with utility scale demonstrations to show us how photovolatics work in the grid, and to give industry incentive to perform the research and invest in the facilities to make technological breakthroughs and mass production economies of scale possible.

I am happy to report that this bill now contains $20 million more partly for the photovoltaic applied research program at the Pasadena Jet Propulsion Laboratory. It also contains the Federal share of a 1 megawatt photovoltaic plant to be constructed by the Sacramento Municipal Utility District in California. The plant will be the world's largest, and by itself would constitute 20 percent of all the U.S. photovoltaics built in 1982. The Federal share, together with a State share, represent the difference between photovoltaic's current cost and the utility's current conventional source costs. It will be repaid as the cost of photovoltaics drops. The utility project doubles as a model for the transfer of technologies to the private sector.

The administration proposed cutting entirely the ocean thermal energy conversion program, from $34 million to zero. The action would kill the program at a point where it has achieved commercial feasibility in certain island locations of the world at $6,000 per kilowatt of capacity. By 1990 these costs should be half that, and commercial feasibility would exist for the U.S. gulf coast. OTEC is baseload solar power, the only form of renewable energy besides geothermal that now is baseload.

The OTEC program needs more Federal research into some lingering technical problems, and most importantly federally sponsored feasibility studies so that private lending institutions will risk the massive quantities of capital the OTEC plants require. Killing OTEC now, in addition to depriving the country of baseload solar power, deprives our shipyards of enormous industrial opportunities—the Japanese are not missing this potential.

The administration proposed cutting the Federal wind program from $58 million to $19 million, thus eliminating the Mod 5 large-scale wind generator and leaving us with the Mod 2. Boeing's Mod 2 has commercial application in less than 100 places around the Nation, at 10 to 12 cents per kilowatt hour. By spending another $20 million, which the committee bill recommends, the Nation can obtain a Mod 5 device with commercial application in thousands of places at only 3 cents per kilowatt hour. Boeing and General Electric would not have carried on with the Mod 5 on their own, given the outlays required, and the uncertainties of the market, especially as those uncertainties are abetted by an unsympathetic Federal Government insensitive to the manipulation of the marketplace by OPEC.

The administration proposed slashing the geothermal program from $126 million to $43.6 million, 65 percent. It further proposed cutting a medium temperature brine demonstration plant that could expand the potential of geothermal from one site with hot brines to over 400 warm brine sites in 43 States. They have a potential of 10,000 to 20,000 megawatts by year 2000. We were able to restore that demonstration plant, and make available to the administration existing funds to back geothermal loan guarantees.

The administration proposed cutting active and passive solar, those approaches which along with conservation promise the greatest amount of energy the soonest, by 68 percent, from $31.4 million to $10.1 million. Solar thermal dropped 52 percent from $87.6 million to $42.6 million, and biomass by 40 percent from $48.9 million to $29.5 million. We were able to restore solar thermal by $10 million, thereby improving the prospect that utilities will find thermal useful in small capital increments to add to their capacity in times of uncertain demand. Active and passive solar as well as biomass will be able to draw on a special $24 million solar reserve account should the administration see the wisdom in spending more on these options.

In sum, the bill attempts to restore to our energy policy some recognition that a marketplace manipulated by OPEC cannot be relied upon to liberate us from OPEC. We need to put oil in its rightful place among options. We have to provide industry with viable options to chose from and use. We have to do this as quickly as we can.

● Mr. CORRADA. Mr. Chairman, H.R. 4144, the energy and water development appropriations bill for fiscal year 1982, provides funding in two areas of particular interest to me and of importance to my constituents in Puerto Rico.

Under the general construction provisions of title I, the legislation provides for $16.3 million for the construction of the Portugués-Bucaná Rivers dam project. This project, the total Federal cost of which is $282 million, is the largest ever U.S. Army Corps of Engineers work undertaken in Puerto Rico. This project, once completed, will address the major problem of providing adequate water supplies to the southern coast of Puerto Rico, an area long plagued by drought conditions.

A second program of interest to us is funded under the solar energy research and development budget. One of the most exciting new technologies with a solid future as an integral part of our Nation's energy picture is ocean thermal energy conversion. OTEC is a renewable and environmentally safe technology that uses the temperature differential between the ocean waters to power a turbine to generate electricity. The process is particularly appropriate to islands such as Puerto Rico, Hawaii, the Virgin Islands, and Guam, and to coastal States like Florida and States in the gulf area.

Despite the fact that the administration wanted to eliminate funding for this program, the Committee on Appropriations reaffirmed congressional support for OTEC by allocating $29.3 million for fiscal year 1982. The committee is to be commended for its actions and the budget conferees should also be praised for agreeing on a figure of $25 million for OTEC, an amount that will allow the development of OTEC to continue on track.

I urge my colleagues to support these programs.●

Mr. BEREUTER. Mr. Chairman, I would like to address my fellow colleagues about an item in the pending bill. I refer to the $500,000 appropriation for the O'Neill unit, Pick-Sloan Missouri River Basin program.

For the past several years, this particular project has been the subject of debate on the House floor as amendments have been offered to overturn the position of the Appropriations Committee by deleting funds for the project. This year I am unaware of any such effort. There is, of course, good reason for this turn of events. Because my office has been contacted about my plans with respect to debate on this year's energy and water appropriations bill, I have asked for this opportunity to explain to my colleagues what has transpired these past several weeks.

The O'Neill project is probably the most controversial water development project in the State on Nebraska. Both proponents and opponents of the project have examined reams of material about it and often have arrived at exactly opposite conclusions. The project is supported by the senior Member of our congressional delegation who also serves on the Appropriations Committee, Congresswoman VIRGINIA SMITH. As the Representative from the First Congressional District in Nebraska, I oppose the project, as it is presently constituted. I also serve on the House Interior Committee, the committee which originally authorized the project.

Recently I issued a comprehensive report that details the reasons why I oppose the project. The full report has been shared with members of the House Interior and Appropriations Committees. My colleagues are free to contact my office if they wish to see

the report or various summaries that I have prepared.

The O'Neill project was in serious trouble long before I came to Congress. That is why I believe it is crucial to determine whether we can find an alternative way to deliver irrigation water to the general area that would be served by the current project.

A compromise was reached that has enabled us to secure the support of the Secretary of Interior and the Commissioner of the Bureau of Reclamation to conduct a study of alternatives. With the generous assistance of my two Republican colleagues on the Interior Committee, Congressman DON CLAUSEN and MANUEL LUJAN, Congresswoman SMITH and I, joined by our fellow colleague from Nebraska, Congressman HAL DAUB, have proposed and approved a plan of study for a 120-day, field-level reconnaissance study of alternatives to the existing project.

The study is to be completed by October 10, 1981. A scope of work document has been agreed to by all parties which lists eight alternatives that will be examined during this 4-month period.

During this study period, it was agreed by the Nebraska House delegates that no construction on the current project can proceed, even if the pending court injunction is lifted, and as also agreed, the Appropriations Committee has included a minimal $500,000 in the appropriation bill now before us. This figure was agreed to by Nebraska's House Members so it cannot be argued that deauthorization has taken place while alternatives are examined.

Mr. Chairman, the controversy over the current project will not subside. Those who support the project do so with deep conviction. Those who oppose it do so with equal fervor. Part of a legislator's responsibility is to examine all sides of an issue and then, if appropriate, try to seek compromise. It is in everyone's best interests to find a more publicly acceptable, cost-effective way to deliver irrigation water to the general area that would be served by the O'Neill project. That has been my objective. That is what the three members of Nebraska's House delegation have now agreed to seek through the study of alternatives.

● Mr. MATSUI. Mr. Chairman, it is a pleasure to speak in support of a specific appropriation contained within H.R. 4144 for a most progressive energy project—the Sacramento Municipal Utility District's proposed 100-megawatt photovoltaic powerplant. It constitutes an energy project beneficial both for the citizens of the Sacramento Valley and for the advancement of our national photovoltaic program.

The Sacramento Municipal Utility District proposes to construct a 100-megawatt photovoltaic powerplant for the provision of a near-term power resource to match the summer peak loads of the Sacramento region. A photovoltaic endeavor of this magnitude has never been attempted. Given the historic nature of this project, I firmly support the decision of the Appropriations Committee for a mutual sharing by the Federal Government and this utility district of the technical and cost risks associated with this first major commercialization of photovoltaics.

The Appropriations Committee has recommended the appropriation of $6.8 million to help underwrite the initial increment of generation for this powerplant—that is, the first megawatt of photovoltaic power. The estimated cost for this first step is $12 million, with private and State shares exceeding 43 percent of the cost. Hence, at this time, all that is needed to commence this innovative energy project is for the Federal Government to guarantee $6.8 million.

As the Appropriations Committee has concluded, this proposed obligation is of a very limited nature given the substantial safeguards inherent in the project. The energy plant will be constructed in incremental stages, with each stage requiring the adoption of innovative, proof-tested designs. The commitment to proceed with each new stage will not be made until specific cost standards have been met. This approach will minimize risk of cost overruns for both the Federal Government and the ratepayers of the Sacramento Valley.

Moreover, this proposed photovoltaic powerplant is consistent with the Department of Energy's announced support of a national photovoltaic program. The future commercialization of photovoltaics is very much dependent upon the establishment of online demonstration projects which can prove the economic viability of this alternative energy resource.

By endorsing the action of the Appropriations Committee, the Congress can act as a critical catalyst in achieving this online demonstration project. From a cost perspective, we are in a position to leverage this initial $6.8 million in reimbursable Federal expenditures against SMUD's commitment to expend $270 million in private sector outlays over the life of this project. Given the proposed budget reductions for our national photovoltaic program, this union of private sector funds with Federal assistance may be the sole means by which we will be able to translate photovoltaic theory into actual commercial generation. I ask the House of Representatives to support the recommendation of the Appropriations Committee on this specific appropriation.●

Mr. MYERS. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. BEVILL. Mr. Speaker, I yield back the balance of our time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

GENERAL INVESTIGATIONS

For expenses necessary for the collection and study of basic information pertaining to river and harbor, flood control, shore protection, and related projects, restudy of authorized projects, and when authorized by law, surveys and detailed studies and plans and specifications of projects prior to construction, $154,414,000, to remain available until expended.

AMENDMENT OFFERED BY MR. FRANK

Mr. FRANK. Mr. Chairman I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FRANK: Page 2, beginning on line 15, strike out "$154,414,000, to remain available until expended" and insert in lieu thereof "$154,114,000, to remain available until expended: *Provided*, That none of the funds appropriated by this paragraph may be used for the collection and study of information (including any surveys and detailed studies and the preparation of any plans and specifications) pertaining to the North Nashua Flood Control Project, located in the State of Massachusetts".

Mr. FRANK. Mr. Chairman, on behalf of my district I would just like to present back to the Federal Treasury $300,000 from this project that had been authorized.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. FRANK. I yield to the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. The committee is familiar with this. There is no objection to the amendment and we accept the amendment.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. FRANK. I yield to the gentleman.

Mr. MYERS. This side offers no objection to the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. FRANK).

The amendment was agreed to.

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The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

CONSTRUCTION, GENERAL

For the prosecution of river and harbor, flood control, shore protection, and related projects authorized by laws; and detailed studies, and plans and specifications, of projects (including those for development with participation or under consideration for participation by States, local governments, or private groups) authorized or made eligible for selection by law (but such studies shall not constitute a commitment of the Government to construction), $1,509,941,000, to remain available until expended.

AMENDMENT OFFERED BY MR. MYERS

Mr. MYERS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. MYERS: On page 3, line 1, strike out "$1,509,941,000" and insert in lieu thereof "$1,518,941,000".

Mr. MYERS. Mr. Chairman, this particular amendment is for continuing construction of a program in Kentucky that borders on the Tennessee line. This would have been offered by the gentleman from Kentucky (Mr. ROGERS), had he been a member of this committee; but because he is not, and because it was inadvertently left out of our bill, I offer it.

The gentleman from Kentucky (Mr. ROGERS) is here today, and he is prepared to explain that this is the Big South Fork National River and Recreational Area that we are putting funds in to keep this project going.

At this time, I yield to the gentleman from Kentucky (Mr. ROGERS) to explain this particular amendment, which is actually his amendment.

Mr. ROGERS. Mr. Chairman, I rise in support of the amendment offered by the distinguished gentleman from Indiana. I would like to commend him for his leadership in the formulation of this legislation, and for his willingness to offer this amendment on my behalf. I would also like to commend him and the gentleman from Alabama for their assistance in this project which is so vital to the people of my district.

Mr. Chairman, the Congress is having to make many difficult budgetary decisions this year. Programs for Federal spending are now subject to a tougher scrutiny than ever before. More than ever, programs are evaluated in terms of whether they are essential, whether they constitute a legitimate function of the Federal Government, and whether they will unleash private efforts that will lead to more jobs, more businesses, more thriving local communities.

The Big South Fork National River and Recreation Area stands up admirably to this line of investigation.

It is for this very reason that, since my arrival in Congress, I have been fighting for the survival of Big South Fork. I have lobbied the administration. I have testified before the Appropriation Committee's Subcommittee on Water and Development. I have worked with Governor Brown of Kentucky, Kentucky Secretary of Transportation Frank Metts, Col. Lee Tucker of the Nashville Corps of Engineers, representatives of the National Park Service, and representatives of McCreary, Wayne, and Pulaski Counties, to support the development of Big South Fork.

Let me tell you something about Big South Fork.

Big South Fork is a unique natural wonder. With its river and gorge, it has the potential to become the Yellowstone of the East. With its combination, not just of rivers and great natural beauty, but also mountains, forests, and a broad range of recreational pursuits, it will offer a wide choice of vacation possibilities to individuals and families.

The park will offer camping, both of a primitive variety for those who seek wilderness adventures, and developed for those who prefer a more civilized vacation. There will be hunting, with an abundance of game and fishing. There will be hiking, horseback riding, boating, swimming, picnicking, sightseeing, and pleasure walking.

And these exciting vacation possibilities will be accessible to tourists from the nearby urban areas who may not be able to afford longer trips with the current high gasoline prices.

But Mr. Speaker, exciting as these possibilities are, they don't indicate what I see as being the special thrill of Big South Fork.

Big South Fork is expected to attract more than 1 million visitors each year to McCreary, Pulaski, and Wayne Counties, as well as to the neighboring counties in Tennessee. They will require service stations, restaurants, campgrounds, shops, and motel facilities—businesses and services which the men and women of my district are able and willing to provide.

These visitors will have a substantial and beneficial impact on the local economies. In 1986, they are estimated to spend $42,656,000 locally; in 1991, this is expected to reach $93,841,800. Since, in 1978, the total lodging, restaurant, amusement, and recreation-based revenue in McCreary County totaled only $956,000, the potential for economic development as a result of the Big South Fork is absolutely enormous.

And these additional revenues will mean jobs. These are jobs right at home, so that the men and women of my district will not have to leave their homes and families to find work. It is expected that there will be at least 1,761 new jobs as a result of Big South Fork in 1986, and 3,876 new jobs by 1991—and these are conservative estimates.

And the spinoff effects from these jobs will contribute to the economic development of these communities. And since McCreary County is now suffering from 10-percent unemployment, these benefits will be particularly welcome.

Mr. Chairman, the Big South Fork project will accomplish many of the goals of the current administration in terms of encouraging economic development. But most important, it will allow these communities to help themselves.

County and city governments are already preparing. In addition, the State is contemplating the construction of a major access road to the park from I-75.

My constituents are fulfilling their end of the commitment. They have invested and planned on the expectation of promised Federal funding. To arbitrarily cut off their funds at this point would not only prevent this extremely beneficial project, but would discourage other communities from making the kind of investments in their development which we are actually so eager to encourage.

Mr. Chairman, Big South Fork has the potential to become the Yellowstone of the East. It has the potential to provide a tremendous economic boost to McCreary, Wayne, and Pulaski Counties. It will allow the men and women of my district to help themselves. The Federal money spent at this time will be unusually well-invested money—the Federal Government will receive an ample return in terms of increased tax revenues and smaller public assistance rolls.

The people in my district and I have worked hard for this project. It is a worthy project. The administration is persuaded that it is worthy, which is the reason that it requested $9.9 million.

I urge my colleagues to join me in reinstating funding for this project, which will be so beneficial to my district.

AMENDMENT OFFERED BY MR. PRITCHARD TO THE AMENDMENT OFFERED BY MR. MYERS

Mr. PRITCHARD. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. PRITCHARD to the amendment offered by Mr. MYERS: In the proposed amendment strike the sum "$1,518,941,000" and insert "$1,320,941,000".

Mr. PRITCHARD. Mr. Chairman, I would first like to take a moment to explain what led me to offer this amendment and why I believe it merits the committee's support.

Prior to our consideration of last year's energy and water appropriations bill, I was made aware of the size and scope of the Tennessee-Tombigbee Waterway. It was then—and still is—the largest construction project the Corps of Engineers has ever undertaken. It therefore deserves continuing congressional scrutiny. My review of the project at that time led me to conclude that there were some fundamental questions about the project—its costs and benefits—which required detailed investigation. I offered an amendment to substantially cut back the Tenn-Tom's funding until the GAO could provide Congress with some answers. Although my amendment was narrowly defeated, GAO and other experts have, in the past year, conducted studies of the project. Their conclusions have indeed justified the serious doubts about the Tenn-Tom

which I raised on the floor of the House last year.

Let me briefly summarize for you what we have learned.

First, GAO concluded that the Tenn-Tom is not one, but two projects whose ultimate cost to the Federal Treasury will approximate $3 billion. That is $2½ billion more than the original estimates for the project. The currently authorized project will cost us about $2 billion. However, GAO said that, in order for the waterway to move commerce to the gulf Port of Mobile, your constituents and mine will be asked for another $1 billion.

Second, about the only thing the project's proponents and opponents both agree upon is that the economic justification for this waterway rests almost entirely upon the movement of coal down the Tenn-Tom to Mobile. The coal movements projected by the corps have been studied by GAO and the Congressional Research Service. I have also discussed this issue with numerous experts in the transportation field and in the coal business. Not one of these sources has been able to verify the coal traffic projections of the corps.

GAO studied coal movements which were to represent over half of the project's annual benefits. Only 20 percent of the benefits were expected to materialize.

CRS reviewed two critical issues: First, whether coal from Illinois, Indiana, western Kentucky, and Tennessee would go down the Tenn-Tom for export through Mobile, and second, the likelihood of coal moving down the Tenn-Tom, as opposed to other waterways or transportation modes. CRS concluded:

First, that Illinois basin coal has too much sulfur to be competitive in the export market, so it will likely be used here in the United States;

Second, that if Illinois basin coal does move south, it will likely use the Mississippi River, which can handle barge tows anywhere from four to seven times the size of those which can operate on the Tenn-Tom or move on unit trains; and

Third, that a survey of such influential coal publications as the Keystone Coal Manual indicates that there is not expected to be any growth in coal mining activity in Tennessee through 1988.

Now, I support U.S. coal exports. I believe we have a responsibility to help our allies reduce their dependence on OPEC. However, I am convinced that this project will not be moving coal for export. By the way, so is Wall Street.

These are difficult economic times. President Reagan and this Congress have made some far-reaching commitments to reduce Federal spending and get the budget under control. Like all other functions of the budget, expenditures for water projects will clearly feel the pinch in the coming fiscal years. If we commit ourselves to completing the Tenn-Tom and putting it at the top of the water projects list, it will consume about $200 million a year for at least the next 6 fiscal years. Many necessary water projects throughout the country will not be funded because of the immense financial burden which completing the Tenn-Tom will require. If you believe your area might need a water project sometime in the next 10 years, remember the Tenn-Tom will still be with us. Think about it. I believe you will conclude as I have that we do not need it and we cannot afford it.

I urge your support for the amendment.

The CHAIRMAN. The Chair would remind the Members, if the gentleman would suspend, that the gentleman from Washington, under the unanimous-consent agreement, has 55 minutes remaining under his control of the time on this particular amendment or on any subsequent amendment he or the gentleman from Pennsylvania (Mr. EDGAR) may offer to the pending paragraph.

The gentleman from Alabama has 60 minutes remaining under his control of time on this or such subsequent amendment.

The Chair now recognizes the gentleman from Washington (Mr. PRITCHARD) for such further time as he may consume.

Mr. PRITCHARD. Mr. Chairman, I will now yield time to other speakers. This will be a long debate, and I am sure all of the arguments will be gotten out fully. I think that is just the way the system should be.

The CHAIRMAN. The Chair recognizes the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to the gentleman from Kentucky (Mr. PERKINS).

Mr. PERKINS. Mr. Chairman, I rise in support of the amendment of my colleagues, the gentleman from Kentucky (Mr. ROGERS) and the gentleman from Indiana (Mr. MYERS), the amendment for the Big South Fork. By oversight, I understand through the committee, the money was left out. It never was intended to be left out. It is a very worthy project. It should be approved by the committee, and I urge all members of the committee to support the project.

□ 1320

Mr. PRITCHARD. Mr. Chairman, I yield 3 minutes to the gentleman from Wisconsin (Mr. ROTH).

Mr. ROTH. Mr. Chairman, during the debate this morning on the rule, our colleague from Pennsylvania admonished this House saying that we need a well-thought-out program because water is of the utmost importance.

In my opinion, his analysis is correct and I think that the issue of water is not going to confront us only in 1981 but even more so as time goes on. I am supporting this amendment for many reasons, but the main reason is because this is no longer, as our friend from Indiana pointed out, the all-American bill. In truth all-American projects are all going to be put into jeopardy if we continue funding this white elephant.

Let me give my colleagues a concrete example. Twenty years ago, this Congress first authorized the Green Bay Harbor project. That project, modest in size and scope, well within the technological capability of the Corps of Engineers and quite predictable in cost, is still waiting one generation after authorization.

Now, Green Bay was told, "Sorry, there is no money in the bank," and that is quite obvious.

This House is considering continued funding of the largest ditchdigging the world has ever seen; it is bigger than the Panama Canal; it is opposed by many groups: The Sierra Club, the National Taxpayers Union, and many of us here in Congress.

The Tennessee-Tombigbee Waterway has become a real budget-busting $2 billion expense. We are throwing good money after bad. Yet, the most oft repeated argument and the most persuasive argument I have heard here on the floor is, "We cannot cut back now, we already have too much invested."

That reminds me of a time back in Fort Leonard Wood when I served in the Army, playing poker one night. A gentleman dropped $500 and I said, "I don't think this your night. I think it is time for you to get out."

"No, I have too much invested," he said, and he proceeded to lose $300 more.

If we vote for this continued funding we are emulating that losing poker player. We are saying we are in this game, we have got too much invested, we cannot draw back now. I think it takes a good deal of courage to draw back. We have a responsibility to the taxpayers and their tax dollars. If tax dollars are not invested in the best possible way it is time for us to reconsider whether it is at the 1st stage, the 10th stage, or 20th stage, we have an obligation to do that.

The Tennessee-Tombigbee is a program whose time quite frankly has gone. It no longer earns our support. Other improvements like, for example, Green Bay, starve while this ditchdigging dinosaur is soaring and using up, soaking up every spare dollar our taxpayers have. That is why I think it is time for us to take a look at this project and if it does not make sense, if it

is not a good investment, let us be frank and candid and have the political courage to say it is time that we cut back on this project.

Mr. BEVILL. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Mississippi (Mr. BOWEN).

Mr. BOWEN. Mr. Chairman, this very vital project by the end of this fiscal year will be 85 percent committed and under contract; $1½ billion of the total $1.78 billion cost of the project will be under contract by the U.S. Corps of Engineers.

The estimated close-down cost of this project is some $328 million—$328 million to close the project down, if for some sad and tragic reason the amendment offered by the gentleman from Washington should be adopted.

In other words, it would cost the taxpayers of this country more to close the Tennessee-Tombigbee Waterway down now than it would cost to complete it, and, of course, obviously the full benefits envisioned in the project will certainly not materialize until we open the project, so that the entire Ohio/Tennessee system will have access to the waterway.

Ten locks by the end of this fiscal year will have been completed or well underway. Five dams will have been completed or under construction. All but 16 miles of the total 232 miles of this project will be completed or under construction.

It would obviously be an environmental disaster to try to close the project down at this time.

Certainly there are valid arguments that may be raised against this project, as there can be against any public works project that we undertake; but those arguments should have been brought before us 10 years ago and not today when we are on the verge of completion of the project.

The Corps of Engineers estimates that the benefit-cost ratio is now 3 to 1—3 to 1—to complete the project as it stands right now.

The opening of this great waterway will result in a savings of $3 a ton in coal shipped through the waterway. It will result in a reduction of $136 per mile in transportation costs, at a time when we need to save energy in every possible way.

The coal flowing through this waterway will go to 10 foreign countries and key domestic markets in Florida, Alabama, Mississippi, Georgia, and other points around the gulf.

I want to remind my colleagues that there has been no court opinion which has closed this project down, contrary to what the Members might have read in some places. There has been a finding by a three-judge panel of the fifth circuit that work in one 40-mile stretch of this waterway must be held up temporarily, where the corps decided to utilize a chain of lakes as a part of environmental enhancement, as a part of a project to improve environmental conditions. The corps failed to provide an amendment to its original environmental impact statement, and as a consequence, that three-judge panel has asked only that that one short stretch be halted until the amendment is completed to the environmental impact statement.

The work on the remainder of the entire waterway can move forward on schedule.

Incidentally, the question always seems to come up about the fuel tax. I want to assure every Member of this body that the waterway user tax will certainly be applied to the Tennessee-Tombigbee Waterway. We have applied that tax by statutes to all the other waterways of our Nation that are open for navigation. When this waterway is completed it will be applied there, and I might point out that the senior Senator from our State of Mississippi has already introduced legislation in the other body that would apply the tax immediately to the waterway.

There is no question but that the Tenn-Tom will be covered, and I certainly will help lead the effort to insure that it is covered.

Mr. EDGAR. Mr. Chairman, will the gentleman yield?

Mr. BOWEN. I yield to the gentleman from Pennsylvania.

Mr. EDGAR. I thank the gentleman for yielding.

Earlier in the gentleman's statement the gentleman made a comment which I think would be helpful if we could clarify for the record.

The gentleman indicated the project is 232 miles and that only 16 miles of that waterway is yet to be completed. Is that correct?

Mr. BOWEN. I said that by the end of this fiscal year, if we proceed with the money that has already been appropriated to us for this fiscal year, all but 16 miles would be completed or well under construction.

Mr. EDGAR. Does that mean that the $189 million that we are appropriating in this bill for 1982, and similar figures that will be in the 1983, 1984, 1985, and 1986 budget will only be for that 16 miles?

The CHAIRMAN. The time of the gentleman from Mississippi (Mr. BOWEN) has expired.

(By unanimous concent, Mr. BOWEN was allowed to proceed for 3 additional minutes.)

Mr. EDGAR. If the gentleman will yield further, the question I am asking the gentleman is that $1.1 billion has been spent on the project and it is estimated that close to an additional $1 billion will be necessary to complete the project from Pickwick, Tenn., to Demopolis, Ala.

The gentleman has indicated by the end of this year all but 16 miles of the project will be complete, and it troubles me that what the gentleman is suggesting is that the remaining $1 billion to complete the project to Demopolis will be used essentially to do that 16-mile section. Is that what the gentleman said?

Mr. BOWEN. That is not correct. The corps has estimated the total cost as $1.78 billion with $1.5 billion committed, and there is, of course, no projected cost, no authorization legislation, and no requested appropriations for the south of Demopolis stretch which the gentleman frequently refers to.

□ 1330

Mr. EDGAR. If the gentleman will yield further, in this question, I am not asking about the project from Demopolis to Mobile. I am simply asking the 232-mile section from Pickwick, Tenn., to Demopolis, the gentleman has suggested that is just about completed. I have heard arguments made that 80 percent of the project is complete. I simply am trying to get clarity for the record.

Mr. BOWEN. Eighty percent is not completed, but the point I made very explicitly was that by the conclusion of this fiscal year, 85 percent of the project will be under contract. As I say, only 16 miles of the proposed construction that the gentleman refers to of the 232 miles will be untouched at that point, that is, not be under construction in some manner or completed by the end of this fiscal year.

If we call a halt, then we only have 16 miles of unspoiled, virgin territory that is not already under construction. That is why I say it would be an environmental disaster if we tried to stop the project at this time. We would have the longest swamp in America. It would not be a very attractive or desirable kind of swamp to have. I know the gentleman would not want to be a party to that kind of environmental catastrophe. The remaining cost would be spread over the completion of work throughout the project and not solely over the 16 miles not under construction.

Mr. EDGAR. I thank the gentleman for yielding. I disagree with the gentleman in terms of what kind of environmental impact this would have.

Mr. BOWEN. I would like to conclude my remarks by reminding the committee that there is no bottleneck south of Demopolis. The river traffic there has been using that stretch of waterway for heavy commercial navigation since 1915. There is one small lock there which permits only a 6-barge tow, but that happens to be the average size of tows on most of our inland waterways. It is the average for the Upper Mississippi, for the Ohio, the Illinois, the Arkansas, the Tennessee, and the Alabama Rivers. It is a

very common size tow for economical operation.

Mr. Chairman, I hope we will keep the faith with the people of the 14 States who will benefit directly and the entire Nation which will benefit immensely from the completion of this great project, an essential link in our national waterway system, the Tennessee-Tombigbee Waterway. Thank you, Mr. Chairman.

Mr. PRITCHARD. Mr. Chairman, I yield 3 minutes to the gentleman from Iowa, (Mr. LEACH).

Mr. LEACH of Iowa. Mr. Chairman, I would first like to commend the gentleman from Washington (Mr. PRITCHARD) for this initiative and would stress that the issue at stake is above all one of modesty—whether we, as a Congress, can recognize past mistakes.

Clearly, it is difficult to bring to an end a project that is half built; it is better to have half a white elephant than a whole one. Water projects are important, and perhaps increasingly so, but we have to realize that the problems of water are much different today than the problems that we have known in this country over the last half century. A new direction in water projects is needed—one which places a clear emphasis on the importance of potable water for people rather than canal transportation for a limited number of industries.

The $200 million a year savings that can be obtained over the next decade if this project is brought to a halt can—simply put—be better applied elsewhere with a different type of water project meeting a different type of problem.

Accordingly, Mr. Chairman, I rise in support of the amendment of the gentleman from Washington.

A similar amendment was offered 13 months ago during consideration of the fiscal year 1981 energy and water appropriations. At that time, floor debate raised serious questions about the advisability of continuing this project. Although I voted to sustain the amendment, it was narrowly defeated. Over the past year substantial time and effort has gone into researching the answers to those questions. The results—which have been made available to the Members of the House—have reinforced my conviction that funding for the Tennessee-Tombigbee Waterway project should be terminated.

However well intentioned those who conceived the project may be, the $3 billion the General Accounting Office has confirmed the project will cost to finish is simply not justified by the benefits which would result. Tenn-Tom is an enormously impractical relic left over from a water management policy which is no longer in step with our present national needs and priorities.

Last summer's drought was not an isolated incident, but part of what meteorologists say is a long-term trend. The coming decades will see the country facing mounting problems of water quantity and quality, and it is the issues of water conservation, collection, and distribution that our energies and resources must be turned, not to the building of limited utility behemoths like Tenn-Tom.

In States like my own, farmers and residents of small, rural communities are being forced to dig deeper and deeper wells, only to find that what water is reached is frequently contaminated and unsafe for consumption by either themselves or their livestock. Similar problems with ground water quality and quantity have arisen in every State in the country.

Problems of the sort encountered with ground water contamination at the Love Canal will without doubt occur elsewhere and must be addressed. Droughts of the kind which limited the citizens of northern New Jersey to the use of 50 gallons of water per week earlier this year will recur and must be prepared for. The Ogallala acquifer, which extends from South Dakota to the Texas Panhandle, and which is so critical to approximately 25 percent of our wheat crop is rapidly being depleted. The acquifers and river systems which irrigate the agriculture of much of the Far West are in similar straits.

The maintenance and improvement of navigation on our major rivers, vital flood control projects, and port construction must all continue under the Corps of Engineers budget. In this context, it should be noted that expenditures for Tenn-Tom over the next decade will dwarf those needed for any other corps construction project now planned. In 1972 the corps set the project's cost at $323 million; as of 1980 the cost had ballooned to over $3 billion and the estimates rise every year.

At the same time, the GAO has found over 70 percent of the navigation benefits estimated to develop for the project have not materialized. Prospective shippers have found alternatives, such as the Mississippi River, economically superior. The corps projected 18 million tons of coal would have to move on the Tenn-Tom system to get a positive cost-benefit ratio for the project. A recent DOE-DOT study on energy transportation indicates the real number is likely to be less than 5 million tons.

At a time when major cuts in Federal spending are necessary for the recovery of our economic health, the Tenn-Tom project is a prime example of the sort of wasteful extravagance we cannot afford and the voters have indicated they will not permit. The Tenn-Tom project is bigger than the Panama Canal, but the potential usage is trivial by comparison. Its contruction creates jobs in the short term but in final measure the Tenn-Tom project stands as a monument to the extravagance of the congressional pork barrel rather than as a project useful to the economic well-being of the country.

Again, Mr. Chairman, I urge support for the Pritchard amendment.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Ohio (Mr. STOKES), a member of the Appropriations Committee.

Mr. STOKES. Mr. Chairman, I rise in opposition to the Edgar amendment. I voted last year for the Ten-Tom project and I intend to do so again this year. One of my main concerns about a project of this magnitude has been with reference to equal opportunity. Last year when this issue came to the floor a rumor had circulated to the Congressional Black Caucus that the NAACP in that area was opposed to this project because of the lack of participation of minorities in this project.

As a result of this rumor I approached Chairman TOM BEVILL and confronted him with this rumor. He was quite concerned about the rumor and assured me that it was untrue. In giving me that assurance he invited me to visit the project to see for myself and to talk with any and every one involved with the project in order to ascertain the facts for myself. As a result of his invitation I did accompany the chairman and several other Members of Congress to a site visit of the Tenn-Tom project. Not only did I see the project, but I was given the opportunity to talk with many people regarding the project and minority participation in employment and contractual opportunities. Included in those talks were not only the Corps of Engineers but also people like Wendell Paris, chairperson of Minority People's Council on the Tennessee-Tombigbee Waterway. Their organization has over 4,000 people organized into 15 or more county chapters in the counties bordering the Tennessee-Tombigbee. These counties are in Alabama, Mississippi, and from Mobile to the Tennessee line. The major goal of their organization is to insure that minorities and poor people receive a fair and proportionate share of all of the benefits of this $2 billion Federal public works project.

In talking with this organization I learned that they have consistently supported full Federal funding for construction of the waterway provided that minorities, women, and poor people are given an equitable share of the jobs, training contracts, and all other benefits of the project.

It is important to note that the Tenn-Tom project is located in one of

the most rural and economically depressed regions of the Nation. Forty percent of the population in the Tenn-Tom corridor is black. In some counties the minority population exceeds 60 percent. In about half the counties about half the population is low income. In 1977 Congress put a provision in the Water Resources Act which required the Secretary of the Army, acting through the Chief of Engineers to make a maximum effort to assure the full participation of minority groups in employment and the utilization of minority firms.

Under this section of the law the Chief of Engineers is directed to report to Congress on July 1 of each year on their progress on implementation of the law. As a result of this law and prodding by the Minority People's Council, I think a great deal of progress has been made in seeing that minorities receive their equitable share of participation in this project. I do not say that all has been done to insure their full participation, but great progress has been made. Notably, the U.S. Army Corps of Engineers has become more concerned and sensitive to providing minorities, women and local residents with a fair share of the project benefits.

During my visit to the site and here in Washington since my visit, I have had meetings with Gen. E. I. Heiberg and Brig. Gen. James Ellis regarding constructive steps to improve upon the progress now being made by them. I think the corps would be the first to admit that this project is not yet a panacea and that in spite of the progress which has been made they still have a lot to do in implementing their goals.

Two of my distinguished colleagues, PARREN MITCHELL and HAROLD FORD, have also worked with me in this matter to help insure minority participation in this project. Mr. Chairman, I want also to commend the distinguished chairman of the subcommittee, Mr. BEVILL, for his total commitment and insistence that the law be fully complied with and implemented to insure full minority participation. I have also received full and completed cooperation from this very able staff. Hunter Spillan and Ed Nolan have both been very helpful.

In conclusion, Mr. Chairman, I want to quote from a copy of a letter I received from an old friend, Dr. Aaron E. Henry, president of the State Conference of NAACP in Mississippi. The letter was written to Chairman BEVILL. Dr. Henry said:

We of the Mississippi State Conference of the NAACP feel very strongly that the Tennessee-Tombigbee project is a major employment project in Mississippi. It has a large number of blacks employed that would be without obtainable employment should the Tennessee-Tombigbee project be curtailed or halted. . . . We urge this subcommittee to recommend that sufficient funds be appropriated so that the Tennessee-Tombigee project can be completed.

Mr. Chairman, I intend to vote against the amendment so that this project can continue. In my opinion, the completion of the Tennessee-Tombigbee will provide even greater economic opportunities for minorities. Economic growth generated by the waterway will provide much needed permanent jobs, help increase personal income which is now the lowest in the Nation and generate new business opportunities for minorities. I hope the amendment is defeated.

Mr. PRITCHARD. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey (Mr. HOLLENBECK).

Mr. HOLLENBECK. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I rise to express my staunch opposition to spending additional moneys for the Tennessee-Tombigbee Waterway project during fiscal year 1982 and beyond. I do not believe that additional appropriations are warranted given the cost-benefit ratio and the budget implications posed by this massive boondoggle.

To substantiate this view, I think we need only compare the funds required for Tennessee-Tombigbee to the total moneys appropriated for fiscal year 1981 to the Army Corps of Engineers. Of 212 corps projects totalling $1.3 billion, the Tenn-Tom project will run the taxpayers $220 million for 10 consecutive years. When one considers that the average corps project costs roughly $6.1 million per year, it is easy to understand how seriously the Tenn-Tom project is out of line with economic reality.

My home State of New Jersey received a total of $10.6 million in fiscal year 1981 construction money appropriated to corps' projects. The entire Northeast including Connecticut, Delaware, the District of Columbia, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Vermont received a total of $115.2 million for fiscal year 1981—$105 million short of the construction spent by the corps on the Tenn-Tom project alone.

Last year, as the House debated the wisdom of appropriating funds, I recall assurances from proponents of the project that the cost would not exceed $1.7 billion. Unfortunately, this estimate has proven less than reliable given the recently released General Accounting Office (GAO) report which clearly places the cost at a staggering $3 billion.

Supporters of the project have consistently maintained that the economic justification for the Tenn-Tom rests almost entirely on the amount of coal moved down the waterway to the Port of Mobile. Unfortunately, studies by the GAO and the Congressional Research Service have failed to indicate large movement of coal. Furthermore, the CRS study concluded that the Tenn-Tom project would face stiff competition from the existing Mississippi River system and, in the near future, railroads.

Given these facts, I urge all of my colleagues to join with me in supporting the amendment to H.R. 4144, the Energy and Water Development Appropriations, deleting funds for this 232-mile canal that would eventually displace more earth than was moved in building the Panama Canal. The facts are simple: The Tenn-Tom is more than $1 billion over budget, will carry little coal, will not produce its claimed benefits, is a severe drain on the Federal Treasury, and will preclude other needed water projects from being funded during the coming years. I hope my colleagues in the distinguished Chamber join me in voting to delete funding for this wasteful venture.

Mr. PRITCHARD. Mr. Chairman, may I inquire, how much time have we consumed?

The CHAIRMAN. The gentleman from Washington (Mr. PRITCHARD) has consumed 11 minutes of his 60 minutes. He has 49 minutes remaining. The gentleman from Alabama (Mr. BEVILL) has consumed 11 of his minutes.

Mr. PRITCHARD. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. EDGAR), the coauthor of this amendment.

Mr. EDGAR. Mr. Chairman, I have asked the pages to bring a map so that we can get an idea of what this project entails from Pickwick, Tenn., all the way down to Mobile.

As was indicated in some of the earlier testimony, this is a project that was initially authorized in 1946. However, construction of the project did not begin until 1971, and here we are in July of 1981 with still the prospect of spending between $15 million and $20 million a month on this project every year between now and the year 1990.

The project is in really two parts. From the border of Tennessee down to Demopolis, Ala., is the first section, and that Tennessee-Tombigbee Waterway is the one which we are dealing with in this legislation. I would point out to the Members that there is some study money in the bill to provide for straightening out the Lower Tombigbee section which goes from Demopolis to Mobile.

I would draw the attention of the Members to page 89 of a recent GAO study dated May 15, 1981. On page 89, it points out that eliminating the bottleneck that will be caused between the Tennessee-Tombigbee Waterway from Pickwick to Demopolis and the

Black Warrior River that is already in use below Demopolis will cost an estimated $960 million.

Let me quote it exactly:

Eliminating this bottleneck requires a project estimated by the Corps to cost $960 million, $323 million [and this is October of 1979 dollars] for construction and $637 million for inflation to the end of the estimated construction period of 1997.

What this basically says is that the project, which will cost approximately $2 billion to complete to Demopolis, will necessitate almost another $1 billion down to Mobile. That is where the figure of $3 billion comes from.

There has been a lot of opposition to this particular project. I could list out the many editorials around the country and the many prominent people who have tried to fight the project.

□ 1340

Mr. Chairman, let me read from a statement that appeared in the June 18, 1980, CONGRESSIONAL RECORD, at page 15332. Listen to these words:

I think it is about time that someone blew the whistle around here on the misguided notion that giant public works projects are unambiguously in the national interest, are an undisguised, unequivocal economic blessing just because someone comes up with a mechanical count showing the number of construction jobs, the number of permanent jobs, the amount of barge traffic, the amount of revenues that might be generated by the completion of a project of this sort, or even if they come up with an artifically contrived cost-benefit ratio demonstrating that this might be a viable idea.

This particular Congressperson goes on to state this:

I would suggest to the House today, if we are unwilling to look at the displacement affects, just moving around economic activity, shuffling it from one part of the country to another, if you are unwilling to look at the opportunity costs of diverting huge amounts of our national resources and capital to this questionable and marginal project, then you might as well employ single-entry bookkeeping all the way, go whole hog and build a pyramid in every state because that would generate a lot of jobs, at least for a temporary period of time and if you think that is too farfetched, then do something like buying the Jefferson Avenue plant that Chrysler shut down because it was obsolete and use it to build buggy whips and mechanical cash registers and some other obsolete products which the economy does not need. It would generate jobs and economic activity.

Now, the person who made that statement, strongly in opposition to the Tennessee-Tombigbee Waterway, happens to be a Republican and happens to have been selected by the President of the United States, Ronald Reagan, to be the Director of the Office of Management and Budget.

We have been told in this House over the last 6 months that we live in difficult times, that inflation is spiraling out of sight, and that all of us should pull our belts very tight and we should not allow the public purse, the Treasury of the United States, to be expended on worthless projects. We have been asked by the President of the United States to cut $40 billion out of public expenditures. We have been asked to cut back on nutrition programs, on legal services, and on housing starts. We have been asked by the President of the United States to cut back on student loans. We have been asked by the President of the United States to cut back on subsidies to Conrail and other transportation facilities.

But we have not been asked at this time in history to cut back on the Tennessee-Tombigbee Waterway. Oh, there was a small amount taken out. The committee cut $12 million from the original $201 million request.

Let me remind the House that not only does David Stockman oppose this project—his words are clear in the CONGRESSIONAL RECORD—but many other Cabinet officers have expressed their concern about this particular project, mostly privately, because they are part of an administration that for some reason has not spoken out, but I believe they would speak out publicly if they could because they recognize the demerits of this project.

Mr. Chairman, let me speak for a moment about the court challenge. It has been alleged that the court challenged only systems on 40-some miles of the lake territory of the project.

On July 13, 1981, the U.S. Court of Appeals for the Fifth Circuit ordered a halt to further construction of the major portion of the Tenn-Tom. The court held that the corps has blatantly violated NEPA, the National Environmental Policy Act, and its own regulations. The court held that the corps had used an unlawfully low interest rate, 3¼ percent, in calculating the benefits and costs to the project. And the court held—this is the court of appeals—that lawful determination of the required local support for the project had never been made by the corps. It is estimated that this court action will hold up the project for perhaps as much as 1 year.

Now, because of the court's order to enjoin the project funding for the Tennessee-Tombigbee this year, the funds are unnecessary. Listen to why.

First, major portions of the project are enjoined and cannot be built for at least 1 year. So why spend this year $189 million?

Second, it is uncertain that the corps can ever come into compliance with the law regarding this project.

Third, the corps should not be rewarded for such blatant violations of the law and its own regulations;

Fourth, the Congress should permit the judicial branch to consider the corps' efforts to comply with the conditions of the injunction dispassionately without further appropriations at this juncture; and

Fifth, and most importantly, the Congress should not make any decisions regarding further funding of the project until it has had a full opportunity to review the new environmental and economic studies just ordered by the court of appeals.

Now, there was some vague reference a few moments ago that only newspapers in places like New York have editorialized against this project. Let me point out that in newspapers like the Los Angeles Times they have said, on the 19th of July, 1981, "Let's scuttle it." The Los Angeles Times in March of 1981, said that we ought to end the project.

The Philadelphia Inquirer said we should "put cronyism aside" and end this project.

Those are newspapers that we might expect, but the Saint Petersburg Times, the Atlanta Constitution, the Tallahassee Democrat, the Idaho Falls Post-Register, the Chicago Sun-Times, the Chicago Tribune, the Fort Wayne Journal, the Wichita Eagle, the Lexington Herald, the Boston Globe, the Detroit Free Press, the St. Louis Post-Dispatch, the Raleigh News and Observer, the Wall Street Journal, the Providence Journal, and the Washington Post have all editorialized against this bad project.

Mr. Chairman, I suggest that my colleagues take a careful look at the editorials across the country. I suggest they take a look at statements from such distinguished people as David Stockman. Listen carefully, as we hear articulated by my colleague, the gentleman from Washington (Mr. PRITCHARD), the facts of this particular matter, and I think that any observer looking at it from an objective point of view would call for the termination of the project.

I urge my colleagues to support the amendment that I have cosponsored with my colleague, the gentleman from Washington (Mr. PRITCHARD). I urge that we get on with the business of cutting waste, fraud, and abuse out of the Government, balancing the Federal Government's budget.

Mr. Chairman, let us for once listen to the words of reason and cut this project.

The CHAIRMAN. The Chair recognizes the gentleman from Alabama (Mr. BEVILL).

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to my colleague and friend, the gentleman from Alabama (Mr. SHELBY).

Mr. SHELBY. Mr. Chairman, I do not want to belabor everything, but I want to tell this House that the Tennessee-Tombigbee runs through my district. Demopolis, Ala., that has been mentioned, the lock and dam, is right in the heart of my district. The Gainesville lock and dam is right in

the heart of my district and is operational.

If you have had the opportunity, and a lot of you have, to fly over the Tennessee-Tombigbee construction project, as I have, along with the gentleman from Pennsylvania earlier this spring, I think it would be a revealing sight.

I say to you that when you try to extend the perimeter of the battle that we are talking about here of what this entire project is going to cost to include Demopolis, Ala., I believe that is a false argument. I do not think that Demopolis is in here. It is not a part of this project. The argument of my colleague from Pennsylvania is misleading.

I think if we look at it in a realistic way, we will look at the project as a whole and say, "Look, we have just about got this thing finished. Let us finish it. It makes sense. It has made economic sense for a number of years, notwithstanding a lot of the critics."

I say let us support the canal and let us defeat this amendment.

Mr. EDGAR. Mr. Chairman, will the gentleman yield?

Mr. SHELBY. I would be glad to yield.

Mr. EDGAR. I wonder if the gentleman could explain the statement on page 89 of the General Accounting Office report of May of this year which indicates that not to make the $960 million improvements below Demopolis will, in fact, create a bottleneck that will make the lower part of the Tombigbee virtually useless.

Second, would the gentleman agree that in this legislation there is close to $1 million set aside to complete the study for the lower Tombigbee portion; is that correct?

Mr. SHELBY. I do not have the exact figures on that. They are in various reports and I am sure the committee staff will make them available to the gentleman from Pennsylvania.

The CHAIRMAN. The time of the gentleman from Alabama has expired.

Mr. BEVILL. Mr. Chairman, I yield 1 additional minute to the gentleman from Alabama.

Mr. SHELBY. First of all, the General Accounting Office, as all of us know, the people who make up those reports basically are an outstanding organization, but they are flawed like all of us are. The report by GAO is not well grounded. I do not think you are going to have a bottleneck in Demopolis. The Corps of Engineers does not think so and they certainly know the area better than GAO. I think it makes a lot of economic sense to finish the project and I believe we are going to do it.

Mr. MONTGOMERY. Mr. Chairman, will the gentleman yield?

Mr. SHELBY. I would be glad to yield to the gentleman from Mississippi.

Mr. MONTGOMERY. Mr. Chairman, I certainly support the gentleman's remarks. I rise in opposition to this amendment.

Mr. Chairman, I appreciate having this opportunity to indicate my strong support for the funding that has been included in this bill for the Tennessee-Tombigbee.

When complete, the Tennessee-Tombigbee will be a 232-mile channel connecting 16,000 miles of mid-American inland waterways with ports in the Gulf of Mexico. The waterway will provide users access to a much shorter than currently available route to the gulf, saving shippers from the Tennessee River systems alone as much as 839 miles.

Among the most important areas of concern for this 97th Congress are energy and our economy. The Tennessee-Tombigbee will impact favorably on both, and, in fact, would not be justifiable in these days of budget tightening were this not true. There is no doubt that the total outlay for the Tenn-Tom is high, but the benefits are great and are already being felt along the channel route with completion still 4 or 5 years away.

In the 9 years of construction to date, the Tennessee-Tombigbee has done much to introduce economic confidence into an area that has historically had none. Employment opportunities along the waterway have flourished allowing persons in very economically depressed areas to experience, in many cases for the first time in their lives, livable personal incomes. Most of the resultant economic growth has been a direct result of construction activities, with the stimulus coming from the new jobs and the purchase of supplies, material, and equipment from local businesses. Once construction is complete, the potential for industrial development along the channel will allow the higher living standard to continue. I am very enthusiastic about the potential this project has for my State and the Southeastern United States, where the growth rate has for far too many years lagged behind the national average.

Commerce moved along the channel will be largely coal and agricultural, and the advantage of a considerable reduction in the distance traveled for existing barge movements of these products will result in the Tenn-Tom becoming immediately one of the busiest waterways in the Nation. Over 28 million tons of commerce will move on the waterway in the first year of operation. Consider, if you will, the navigation benefits. The shorter route will result in an average savings of $3.28 per ton of commerce. A typical coal movement will cost $7.54 per ton on the Tennessee-Tombigbee channel vis-a-vis $10.52 for the next cheapest form of transportation.

Not only will the shorter and cheaper route save money, it will also save fuel. It is estimated in the first year of operation alone 25.4 million gallons of diesel fuel will be saved by barges using the Tenn-Tom.

The location in and around much of the most productive farmland in the country are key considerations for the project. Already more than 5 million bushels of soybeans have been shipped on the channel's limited navigation route.

The more direct connection with the Gulf of Mexico for many agricultural shippers will encourage this amount to increase many times over when the waterway is completed. The advantages provided the transportation industry should have a very positive influence on our balance of trade, especially since the benefits provided are to major U.S. exports.

Although the Tenn-Tom has come under environmental attack, construction has been very mindful of environmental needs. It is unfortunate that the recent court decision has cast doubt on the environmental awareness of the project, I have no doubt that this will be corrected in short order. Large numbers of game fish have already been stocked in secondary lakes and game and wildlife preserves have been planned as an adjunct to the project.

Progress on the construction of Tenn-Tom has moved along at a remarkable pace; 9 of the 10 locks are either already complete or under construction. The entire project is approximately 60-percent complete and there is now limited navigation occurring south of Columbus, Miss., through Alabama to the Gulf of Mexico. The anticipated industrial development has already begun to appear; the future prospects are very exciting.

I ask you to carefully consider the serious need for the Tennessee-Tombigbee as you vote on the funding for this project for the 1982 fiscal year. I am aware of the special constraints we have on the budget for the next few years, and in keeping with President Reagan's plans, I ask that you consider the outstanding merits, accomplishments, and fine future this project has and support a level of funding that will meet with the President's goals while allowing the construction to continue uninterrupted.

Thank you.

Mr. PRITCHARD. Mr. Chairman, I yield 7 minutes to the gentleman from Indiana (Mr. COATS).

Mr. COATS. Mr. Chairman, there was a day when special interest, pork barrel projects were the accepted means of doing business in this House. At least one public works project for every district was the goal of any Congressman who wanted to be reelected

to this body. Even the voting public accepted this as a way of doing business, because they knew that their own district was either in the middle of a public works, money-infusing project or at least on the waiting list and due to be funded at some future date.

I would suggest that the political climate has changed in this country. A serious economic crisis is facing this Nation. It is time to reevaluate and rethink old priorities. We have taken steps in this body to recognize this crisis by voting to limit Federal spending. Some of these votes to cut spending have not been easy. Some of the cuts will hurt, but a majority of this body has been willing to make these short-term cuts in order to achieve the long-term good for the people of this Nation, because we believe that control of inflation and a revitalized economy will aid all Americans.

Now, if we acknowledge that spending cuts have to be made, then we must recognize that cuts have to be made first in public works projects that cannot stand up to economic justification, and first on this list of firsts is the Tenn-Tom Waterway, an ultimate $3 billion effort to build a manmade river when the Good Lord has already given us free passage to the gulf, namely the Mississippi.

Having said that, let me point out one of the specific reasons why this project is not economically justified. To maintain the navigation benefits needed to keep this project's benefit cost ratio above parity, the Corps of Engineers must be able to accommodate two-way eight-barge tow traffic north of Demopolis, Ala., along the authorized portion of the waterway. In addition, it must be able to move these eight-barge tows south of Demopolis.

Virtually all of the project benefits that the corps has determined are based on moving traffic to Mobile. The passage south of Demopolis to Mobile is critical to the economic justification of the Tenn-Tom project.

Now, the problem with that is this: In its present state, the river south of Demopolis simply cannot accommodate the volume of traffic needed to support the claimed project benefits by the Corps of Engineers.

The corps claims that by reconfiguring the eight-barge tows at Demopolis into six-barge tows, it will be able to move enough traffic to Mobile. This assumption is demonstrably suspect and deserves critical examination by this Congress before passing on this issue.

Photographs of the river south of Demopolis show that it is, in the corps' own words, "more crooked than a barrel of snakes."

Let me hold up for the body some aerial photographs of the river south of Demopolis. This is mile 70 to 75. Here is mile 26 to 28. As you can see, it is more crooked than a barrel of snakes. You cannot move eight-barge tows down this river south of Demopolis without some major improvements.

In 1976, the corps found that only 8 percent of the barge traffic on this part of the river moved in six-barge tow configurations. None moved in eight-barge tow configurations. That means that the tows are going to have to be broken up at Demopolis, put into four-barge tows and moved on down the river. That changes the corps' economic justification and makes the project not economically justifiable.

If the river below Demopolis cannot accomodate such tows, it is reasonable to assume construction of the project north of Demopolis will only serve to generate extreme pressure for the bend straightening, extensive bend straightening needed south of Demopolis. In fact, that is precisely what we mean when we say the ultimate $3 billion cost of the project.

This is not idle speculation. This entire process is neatly outlined in a memorandum from the major project promoter, the Tennessee-Tombigbee Water Development Authority. In that memo entitled "Lower End Study" they state:

> It is becoming increasingly obvious that the Lower End Study should be stalled. The workshop for landowners held last Thursday in Jackson, Alabama, drew some 300 persons including State political leaders, all of which voiced strong opposition to the proposed improvements and the taking of land. Therefore, we strongly recommend that the study be indefinitely shelved until some future time when congestion of traffic begins to occur on the Ten-Tom. At that time there will be much stronger evidence for these proposed improvements and much more support.

As my colleague from Pennsylvania has pointed out, that proposed improvement is going to cost this country and the taxpayers of this country $960 million. That is where we come up with the $3 billion ultimate cost.

I submit that this Congress should put a stop to any effort at accelerated funding for a project that is but the tip of the iceberg. If we fully fund the Tennessee-Tombigbee project north of Demopolis, we can fully expect to be told breathlessly only a few years from now in this body that just a little more work is needed to the tune of $1 billion.

The argument has been made since we have spent so much already that we ought to spend just a little bit more. I think the facts I have just stated, as documented by the GAO report, and the memorandums from the Corps of Engineers, indicate that we will spend quite a bit more to ultimately bring this project to conclusion.

Prior to the time I joined this body, I spent a number of years in the investment business. One of the basic rules by which we operated was that no matter how much money was previously spent on a project, you don't make the situation worse by throwing good money after bad. I am afraid, Mr. Chairman, that in spending more money on the Tenn-Tom Waterway, we are throwing scarce, badly needed good money after a bad project. Just because we have already spent $1 billion on this project does not mean we should spend an additional $1 or $2 billion.

This Nation can no longer afford this kind of wasteful, unjustified spending.

Mr. WOLPE. Mr. Chairman, will the gentleman yield?

Mr. COATS. I yield to the gentleman from Michigan (Mr. WOLPE).

Mr. WOLPE. I thank the gentleman for yielding. I would like to associate myself with the remarks of the gentleman from Indiana.

I rise in support of the amendment offered by my distinguished colleagues, the gentleman from Washington (Mr. PRITCHARD) and the gentleman from Pennsylvania (Mr. EDGAR), and commend them for their leadership in this important effort.

No single issue has dominated the attention of this Congress more than the effort to eliminate wasteful spending. It is an issue worthy of our attention, an issue that has been ignored for far too long, and an issue that now demands our immediate attention.

Recognizing the need to put our economic house in order, this Congress recently passed an austerity budget that drastically reduced Government spending. But there is a troubling aspect about this budget: While it eliminated a vast number of costly Federal entitlements—entitlements, it should be noted, that were designed to address the dilemmas of our country's most economically vulnerable—it left untouched numerous and glaring examples of waste and porkbarrel spending. And of all the pockets of waste that remain in the budget, perhaps none is more deserving of elimination than the Tennessee-Tombigbee Waterway.

From the outset, the benefits of the waterway were grossly overstated. In order to develop a persuasive case for the waterway's construction, the Army Corps of Engineers claimed that a multitude of businesses would be able to obtain more expedient and more affordable transportation as a consequence of the canal's construction. In truth, most of the businesses cited in the corps report either did not exist or denied that they had any interest in using the canal.

Advocates of the waterway claim that its construction is necessary to handle the transportation of increased coal production. However, a congressional research study released just this

week reports that no major expansion of coal mining is planned in the parts of Appalachia that the $2 billion canal project is supposed to serve.

Simply, we do not need Tenn-Tom. It is a boondoggle that we can live without. In fact, it is such a horrible waste of this Nation's resources that appropriations should be halted even if the project were under full-scale construction. But thanks to the wisdom of the Fifth Circuit Court of Appeals of New Orleans, we need not address that issue directly.

On July 13—last Monday—the Fifth Circuit Court of Appeals of New Orleans ordered the district court to issue an injunction against the river and canal sections of the project, and against all activity affecting the environment of land acquisitions planned after 1971—over 35,000 acres of land. The court held that the Army Corps of Engineers had, and I quote:

Blatantly violated the National Environmental Policy Act and its own regulations by refusing to prepare a supplemental environmental impact statement on the major changes in the Tennessee-Tombigbee Waterway that have occurred since 1971.

The court further states that—

The fault lies with the decision of the corps to ignore its responsibility and to resist this lawsuit while continuing its default.

It would be the height of folly for us to appropriate another $189 million for this project when it has been shown to be unlawful, and has been halted precisely because of that illegality.

There are far more important issues before us than creating a contingency fund for an obsolete and unlawful boondoggle that has been halted by the courts. If we fail to adopt this amendment, we will be throwing very expensive dice into the darkness—a frivolous and foolhardy gesture.

I urge adoption of the Pritchard-Edgar amendment.

Mr. COATS. I urge my colleagues to support the amendment of the gentleman from Washington (Mr. PRITCHARD).

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. ALBOSTA).

Mr. ALBOSTA. I thank the chairman and rise in opposition to the amendment.

I have listened to my good friend, the gentleman from Pennsylvania, and his opinions about our distinguished chairman and the Director of OMB, David Stockman. But I also know that Mr. Stockman has been against food stamps, he has been against economic development, he has been against most of those things. So I do not think in reference to the Tennessee-Tombigbee that it is a good or valid argument to involve Stockman.

I respect the gentleman's opinion and his sincereness in opposing the Tennessee-Tombigbee. But I want to point out to the gentleman and to this body that if we took the same attitude in terms of the Hoover Dam, if we took this same attitude in terms of developing water projects in California that bring us the fruit into New York City, Detroit, and to Chicago during the winter months, if we took this same attitude 20, 30, or 40 years ago in developing any projects, I ask the gentleman to tell me where would this country be today, and is it in the best interests of the United States and its people that we do develop what we can afford? I do not disagree with anyone that wants to point out that we ought to conserve and cut back. We ought to do the best we can in terms of fiscal responsibility in this country.

But I also want to point out that if we stop everything, if we stop everything because we want to take a anti-development position, then we will not accomplish the greatness that we have accomplished to this point in time in terms of the world itself. So we have the Corps of Engineers and their projects that the corps has carried out so that this country today is the envy of the rest of the world because we have been able to develop our natural resources and we have been able to develop our rivers.

Let me tell my colleagues how far I think we yet have to go. We have a planned development by the Corps of Engineers to develop the hydroelectric potential of the Northeast and the Midwest, the only area of our country that does not have any type of marketing system for electric power, such as a power authority established by Federal law. How can we in the Midwest continue to be competitive when we have the Tennessee Valley Authority? If I would have been here in Congress I would have supported those projects at that time, because it was great to develop them, and there was a potential and a need to develop them.

But we need to develop essentially the Northeast and the Midwest, and I am going to need support, and the gentleman from Pennsylvania, is going to need support to develop that potential in Pennsylvania.

I would say to the gentleman not to expect his county government to do it and not to expect his State government to do it because they will never be able to do it or to afford it. They can participate, but they will not be able to afford it alone, so we need the Federal Government's participation.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentleman from Kentucky (Mr. HUBBARD).

Mr. HUBBARD. Mr. Chairman, I rise in opposition to this amendment which would discontinue funding and eventual completion of the Tennessee-Tombigbee Waterway project.

As you know, I represent western Kentucky, an area rich in coal deposits. One major factor preventing rapid development of our coal, as more uses are discovered for it, is the deplorable lack of bulk transportation capabilities. Completion of Tenn-Tom would allow cheap and efficient transport of our coal to ports on the Gulf of Mexico and the many points between.

However, there are obstacles in the way. There are some who have fought Tenn-Tom since its inception. There are those in the House who have sought to cut its funding to the bone, saying such action is a cost-cutting one. I cannot agree with this view of the value of Tenn-Tom. To simply do away with over 8 years of construction effort and the planning that went into that effort would be unconscionable. Even worse, however, is the fact that the project would not fulfill its original purpose and that the nearly $1 billion previously spent on the project would be completely wasted.

Also, lest we foster the notion that only coal is to be transported on the waterway, we should remember that many agricultural commodities are transported by river barge and that the Central States and the South are some of the major agricultural areas of our Nation. Other commerce expected to be moved on Tenn-Tom are limestone, chemicals, and other basic raw materials.

But let us look more closely at the coal situation. As our national commitment to produce more coal began, we realized that production was only part of the problem. The coal must be moved to the location where it will be used or be shipped overseas, where its sale will allow us to close the gap on our trade imbalance. Indeed, Tenn-Tom has been criticized because the majority of commerce projected to be moved on the waterway is coal, one-half of which would be for export. At this time, and in the foreseeable future, however, coal is the best resource we have for resolving our energy supply and trade imbalance problems. The Tenn-Tom route can move coal at $2.57 per ton cheaper than existing modes of transportation, further lowering the cost to consumers. Additionally, Tenn-Tom will move coal to five steam-generating plants. An efficient method of transporting coal will lower projected costs of meeting electrical demand in the years ahead.

Information obtained direct from the coal industry indicates that completion of Tenn-Tom will result in an increase in coal production in the Ohio Valley. These data indicate a 14-percent increase in Kentucky alone, with Illinois increasing production by a whopping 42 percent, 32 percent in Indiana and a 26-percent increase in Ohio. Clearly, Kentucky is not the only State which would benefit from completion of Tenn-Tom.

Tenn-Tom is a vital and necessary project. To allow it to die from lack of funding would be a catastrophe. It must be completed quickly and I urge you to approve the administration's request for $201.9 million in fiscal year 1982.

Thank you.

□ 1410

Mr. PRITCHARD. Mr. Chairman, I yield 3 minutes to the gentlewoman from Rhode Island (Mrs. SCHNEIDER).

Mrs. SCHNEIDER. Mr. Chairman, I rise in strong support of the amendment offered by the gentleman from Washington. In my opinion, the gentleman has identified a large expenditure of Federal funds which, simply put, does not stand the stringent test of cost effectiveness required of a responsible legislative body. Despite the heavy reliance on facts by the opponents to the SRC-I project yesterday, it was obvious the more emotional, rhetorical lingo was more persuasive. Nonetheless, I personally feel compelled to make a few points that are verifiably factual.

Let us look at the facts. With the $1 billion required to upgrade and complete the Demopolis to Mobile segment, this project will cost some $3 billion to complete. And what are we getting for this massive expenditure? The answer is less than encouraging.

The Army Corps of Engineers and other supporters of the project base its economic justification on the movement of coal. But both GAO and CRS find corps' estimates of coal movements greatly exaggerated, noting intense competition which would develop between Tenn-Tom and the Mississippi River and the railroads.

The Mississippi, despite its greater length, would still be more attractive to coal shippers. The tows, or strings of barges, would be larger on the Mississippi by a factor of 5 to 6. The Tenn-Tom would pose a very restrictive and slow passage, having 10 locks, while the Mississippi has none. CRS has estimated that a ton of coal can move down the Mississippi for as little as 10 percent of the cost of moving the same ton down Tenn-Tom.

Can this situation be worth another $1 billion? I think not, and I have not even addressed the competitive movement of coal by railroad.

The original cost estimate for Tenn-Tom was about $325 million. Today, 10 years later, it has increased 900 percent and is partially blocked by a court injunction.

This is simply another example of a huge, unnecessary, extravagant Federal porkbarrel project breaking the backs of the taxpayers. Let us shut it down this year and save close to $200 million. Do you realize what $200 million can buy? If we can shut it down for good when we have the opportunity, we can save an estimated $600 million plus $1 billion more on the Demopolis segment.

The amendment offered by the gentleman from Washington is an important first step, and I commend him for offering it. I sincerely urge my colleagues to join with us in slaying this sacred cow.

Mr. EDGAR. Mr. Chairman, will the gentlewoman yield?

Mrs. SCHNEIDER. I yield to the gentleman from Pennsylvania.

Mr. EDGAR. I would like to congratulate the gentlewoman for her statement. I think it is right on target. And just to clarify a point which was made earlier, the gentleman from Michigan was speaking about the economic problems of our region of the country, particularly Michigan.

I would like to point out for the House that this project is going to expend $189 million in the function category for Tennessee-Tombigbee under Alabama, but it is also going to provide $800,000 for the Tombigbee River and tributaries in Mississippi. The whole State of Michigan is only going to get $600,000 a year under this bill.

Mr. BEVILL. Mr. Chairman, I yield such time as she may consume to the distinguished gentlewoman from Tennessee (Mrs. BOUQUARD).

Mrs. BOUQUARD. Mr. Chairman, I rise in opposition to this amendment.

Today the Tennessee-Tombigbee Waterway stands 63 percent completed, and by the end of fiscal year 1981 it is projected that 69 percent of the navigation portion of this waterway will be completed.

The Congress already has committed 85 percent of the Federal funds for the completion of the Tenn-Tom, and it seems incredulous that we would be thinking of halting funding for this project at this late date.

The opponents of continued funding of the Tenn-Tom argue that it will either be too successful, requiring additional work on connecting waterways, or that it will be empty, and therefore a waste of money.

I think that my colleagues will realize that you cannot argue both ways at the same time. The truth is that this waterway has been the topic of more investigations than any other Federal public works project in history. And it has met the test of each legitimate and complete investigation.

Those of us from the coal-producing States of this great Nation realize that America's answer to the energy crisis lies in its most abundant energy resource—coal. And we realize, also, that America has made a commitment to the rest of the world to double its production of steam coal by 1990 and triple it by the end of this century.

To do so will mean hundreds of thousands of additional jobs for America's coal miners. It will also mean a great deal of additional coal will need to be transported to our ports for export to other countries. To argue the contrary is to argue against the continued expansion of America.

We have the coal, we have the workers, we have the desire to eliminate our costly dependence on foreign oil. We now must ready our transportation network for the increased level of coal, for domestic use and for export. The Tenn-Tom stands ready to help do this. Let us not stop a worthy project, nearly two-thirds complete today. Let us vote for commonsense and vote to continue support for the Tenn-Tom.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Mississippi (Mr. WHITTEN).

Mr. WHITTEN. Mr. Chairman, may I say to my colleagues again that this debate is, in my judgment, much ado about nothing in many ways.

I talked to the Director of the General Accounting Office, and he said the GAO was entitled to go back to the St. Lawrence Seaway or even further in history if the Senate or a chairman of a committee asked the agency to do so and to supply information. Thus the information asked of the GAO and supplied by that agency was in response to a Senate request and did not go to any conclusion as to the project, its present status, or its eventual merits.

Now, let us see what the court said in its opinion. I quote:

> We are extremely reluctant to interfere with the construction of a project that Congress has authorized for the last 10 years and is now 55 percent complete.

This was the figure at the time the suit was filed.

Thus the court acknowledges that the project has been approved by the Congress each of 10 years. The court does say to file a supplemental environmental impact statement. This is being done now. I shall not dwell here on the value of the Tenn-Tom to the Southeastern States and they are tremendous.

The question before us is, Shall we spend the money and complete the project and receive the estimated $125,000,000 income per year, or close the project which will result in the loss of more money and we will receive no benefits?

Reference has been made to the court's opinion that failure of the corps to file the supplemental environmental impact statement was sufficient to reverse the district court and directs such court to enjoin certain further construction until the corps had filed such supplemental environmental impact statement. In fact, the court said, "if such impact statement had been filed there would have been no need for a lawsuit." Again this impact statement is being prepared.

Now, we all wonder why the corps did not file a supplemental environ-

mental statement. I can only surmise that since the changes improved the environment, or so they thought, it was not necessary. They provided for the development of this area in the new section. Local people were satisfied. This lawsuit was brought by people from other areas.

The court of appeals answered in its opinion that you have to file the statement because the law says so, even if it does improve the situation.

The court of appeals returned the case to the district judge, and in the opinion said the district court, on a proper evidentiary showing, can release any part of the project from the injunction.

As to the amount of money involved it will be needed—perhaps to meet the expense of a new supplementary environmental statement plus construction. If the statement is filed early then the money is necessary for construction.

If the local district judge does relieve them from some of the injunction, you will need the funds for construction.

So let me say again, I am not only asking you to treat my section of the United States like we treated yours; but I am asking you that when you go this far down the road, do not have us coming here asking you for money to restore the environmental quality of this area like it was when the project was started.

Please realize this is an investment in a valuable project of great value locally, and also to the Nation.

Let us rush to completion so that we may reap the benefits of this sound project. I hope the Members will vote this amendment down.

Mr. PRITCHARD. Mr. Chairman, I yield 2 minutes to the gentleman from Illinois (Mr. DERWINSKI).

Mr. DERWINSKI. Mr. Chairman, as you know, nearly 70 percent of the benefit/cost justification for the Tennessee-Tombigbee project is based upon alleged coal movements from mid-America to the gulf. I have examined this claim closely, particularly as it relates to the potential for Illinois coal to move down the Tenn-Tom, and have found it to be very problematical.

A recently released study of potential Tenn-Tom coal traffic prepared by the Library of Congress asserts that very little, if any, Illinois coal will be shipped on the project:

First, the study correctly noted that Illinois coal tends to be higher in sulfur content than certain other coal. Thus there is at the outset a more limited export market for the coal, since foreign countries prefer to import lower sulfur coal.

Second, the study concluded that Illinois coal will be more expensive to burn, due to the need to scrub out the sulfur. Therefore, the study pointed out that Illinois coal—even more than other coal—will be moved to market by the cheapest means possible in order to offset the extra burning costs.

Third, the study concluded that it will be far cheaper to move coal down the Mississippi River than down the Tenn-Tom, for the following reasons:

First, the Mississippi is free of locks all the way from southern Illinois to the Port of New Orleans—while the Tenn-Tom is burdened with 10 separate locks, each of which would delay an eight-barge tow for periods of at least 45 minutes. In addition, the river between Demopolis and Mobile is extremely narrow and winding, a fact which would further impede barge traffic.

Second, barge tow sizes on the Mississippi can run as high as 45 to 50 barges—while the maximum tow size on the Tenn-Tom will be a mere 8 barges on the upper portion (above Demopolis) and only 4 to 6 barges on the lower portion (below Demopolis).

Based on these barge tow disparities, the Library of Congress concluded that—

> The direct labor cost of moving 6,000 or 9,000 tons of coal (on the Tenn-Tom) could approach that of moving 60,000 tons of coal down the Mississippi. (Study at page 5.)

Thus it is clear that very little Illinois coal will move on the Tenn-Tom. It is also clear that very little coal from other States will be moved on the project. Since the major justification for the project is the alleged movement of coal, it will clearly be an economic white elephant. We should not spend a penny more on the project.

□ 1420

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to the gentleman from Alabama (Mr. FLIPPO).

Mr. FLIPPO. Mr. Chairman, I rise in opposition to the amendment.

We, in the South, do not ask for policies which guarantee equality of economic condition. Rather, we support policies which guarantee equality of economic opportunity. The Tennessee-Tombigbee Waterway probably represents our No. 1 economic opportunity.

We have labored for many years—including 11 years of actual construction—on the Tenn-Tom and now have the navigation features almost 70 percent complete. I find it hard to believe that there are those who want us to abandon it now.

We have already spent over $1.4 billion.

Every major structure is already under contract.

It will cost almost as much to terminate it as it will to complete it.

This project is being built in Mississippi, which is 50th in per capita income in the United States. The project is finished in Alabama, which ranks 47th in per capita income, but Alabama will get very little benefit from this waterway unless it is completed and Tombigbee River is connected to the Tennessee by this new waterway route. Incidentally, Alabama, has already spent more than $130 million to relocate roads and bridges and expand the Port of Mobile in getting ready for this project.

I have never seen more misinformation about any project, than I have seen about Tenn-Tom this week. Some of the letters I received said it would be a "free waterway" and that we are subsidizing barge transportation.

I wish someone would cite for me a form of transportaion that is not subsidized to some degree by the Federal Government.

But we only ask for equal opportunity, and I assure you that there was never any intent that Tenn-Tom be any different from any other waterway. Every other waterway in this country was built without user charges being assessed on it.

But just to prove that we want to be fair with the other sections of this country, I have introduced legislation that will assess user charges on the Tenn-Tom.

I might add that the administration bill on user charges for waterways does include the Tenn-Tom. It levies a tax on fuel used on waterways, and provides for other methods such as licenses, ton-mile charges over given segments, lockage fees, congestion fees, and assessments based on cargo capacity.

These fees will be used to provide for full recovery of operation, maintenance and construction costs, with interest, over a period of 50 years.

But gentlemen, if this project is not completed, how is the Federal Government going to get back its $1.4 billion that has already been invested in this project? I submit to you that there will be no way to recover the taxpayers' money already spent.

I repeat, every public waterway system built in this country before Tenn-Tom was built without user fees being assessed on it. But we are not asking that Tenn-Tom be a free waterway. I have introduced legislation before it is completed to provide for recovery of all costs, with interest, in building and operating the Tennessee-Tombigbee Waterway.

To complete it will cost $475 million after this fiscal year. The full $1.7 billion cost of the project can be recovered through user fees, not to mention the thousands of new jobs that it will create through new industry and business.

If we stop it now, the $1.4 billion already sunk in concrete and moving dirt will be lost forever and there will be no way to recover it.

Gentlemen, I urge you to support completion of this much-needed project.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentlewoman from Louisiana (Mrs. BOGGS), a member of the Appropriations Subcommittee and a very able member.

Mrs. BOGGS. Mr. Chairman, I rise in opposition to the amendment. I rise not only as a member of the Subcommittee on Energy and Water Development, who has listened to the testimony, read the testimony, visited the site, but also as the Representative of the Second Congressional District of Louisiana, in which the Port of New Orleans is located.

There are those who criticize this project, the Tennessee-Tombigbee project, as duplicating or cloning the Mississippi River. I can tell my colleagues that the Tennessee-Tombigbee has had the support of the Port of New Orleans, which is on the Mississippi River, since its inception.

This project will be in the Port of New Orleans' judgment a welcome addition to service the entire range of ports along the Gulf of Mexico.

We recognize that it will provide the heartland of America another direct and vitally important route to the deep water gulf port system. Its timely completion will provide added stability to the entire region's economy by increasing the viability of its industry. It will also be a great stimulus to regional and economic development in the area that it traverses which for the most part involves economically and underdeveloped or deprived locations, as the gentleman from Ohio has so well pointed out.

In a parochial way, I should like to say to the gentleman from Illinois that we are very grateful at the Port of New Orleans and on the Mississippi River for the movement of coal from the Illinois region through our ports, but we also recognize that with the great expansion of ports for the export of coal that we very much need another waterway that can also move the coal from the ports of Illinois.

So, in the light of the worldwide energy crisis, perhaps the single most important role of the new waterway in our Nation's future will be to provide another needed route for coal movements. In that role, the Tennessee-Tombigbee Waterway will add a major new fuel-efficient artery for the delivery of Appalachian coal to the world's coal markets through the Port of Mobile.

Over 1.2 billion tons of coal are expected to move on the Tennessee-Tombigbee during the 50-year economic life of the project, an average of 23.5 million tons annually.

Mr. Chairman, I join with the Port of New Orleans commissioners in strongly supporting the early completion of this vital waterway which we feel is very much in the overall national interest and I urge the defeat of this amendment.

Mr. BEVILL. Mr. Chairman, I yield three minutes to the distinguished gentleman from Oklahoma (Mr. WATKINS), who is a member of this subcommittee.

Mr. WATKINS. Mr. Chairman, I rise in opposition to the amendment and I support the Tennessee-Tombigbee. I would like to say to my colleagues in the House, hopefully with some commonsense, I really do not even think this discussion should be taking place today on this July 23, 1981.

I have never taken any of the trips across the waters to a foreign country. I have never taken one inspection trip across the seas. But I have taken a trip down to get a firsthand view of the Tennessee-Tombigbee. I would like to put it in perspective, hopefully with what I consider commonsense.

Before coming to Congress, I was a homebuilder and a land developer. Now think with me just a little bit. We are talking about a project here that is really a canal that connects two rivers. It is useless unless we finish it. It is useless unless we finish this project which has already had 70 percent of it completed with over 81 percent of the taxpayers' dollars spent to complete the project.

Now as a builder I would not even consider building a home or some facility, to three-fourths of the way complete and just stopping and not completing the project to get a financial return for the taxpayers dollars.

I would not consider changing some land development in a project and let it become useless and stop it.

If we go ahead and build this project with the additional 30 percent to make it so the water will flow through, we can ship barges and receive a financial return for the taxpayers. I have seen six barges tied together going down the lower part of the river. I have personally investigated the project. I have been down there and got ticks and chiggers on me. I can say from firsthand, personal inspection we can not just quit this project.

I ask my colleagues to go down there. If my colleagues want a white elephant to exist, to place egg on the face of this Congress and egg on the face of the taxpayers of this country, we can just stop this project and let it sit there.

But I appeal to the Members, let us go ahead and finish this project. Let us see some money come back in return. It will pay its way. We will open up a depressed area of this country. We will allow jobs to be created and economic development to take place. I think we all will be proud of it.

I just ask and I appeal to my colleagues, whether Democrat or Republican, whether conservative or liberal, to look at this as an economically viable project for the future of the citizens of our Nation.

If we leave it now 70-percent complete, with 81 percent of the money invested, it will take more money to fill the ditch back up or we can let it sit there, a scar on the face of this great country of ours, or we can go ahead and finish it and get some return to the taxpayers for this investment.

Mr. BEVILL. Mr. Chairman, I yield 6 minutes to my friend and colleague, the gentleman from Alabama (Mr. EDWARDS).

Mr. EDWARDS of Alabama. Mr. Chairman, I rose about this time last year and came to this very same microphone and I said to our colleagues in the House that in all of the years that the Tennessee-Tombigbee has been before this Congress I have made very few speeches about it; and the reason, frankly, is that I did have a very keen parochial interest in this project and I tend to shy away from getting involved in debates where I do.

I should have thought that after we debated this fully and fairly and completely last year, that that would have been the end of it. And I must say that I am a little dismayed that we find ourselves back here again making the same arguments. We could almost pull out our old speeches from a year ago and say the same things because not a whole lot has changed since then.

If that should have any bearing at all on our thinking, it should be the fact that we are 1 year closer to completion and, therefore, we should go ahead and see this project through.

□ 1430

The biggest problem we have with the Tennessee-Tombigbee is bigness. If this same project were on a smaller scale somewhere else, all these things we are talking about would not be before us today. It sticks out like a sore thumb. We know that. It is the biggest waterway project of its kind in the history of this country, and the chances are it will be the last of this kind.

I would suggest that it will be tougher in the years to come to see these kinds of projects get through the Congress because of the kinds of arguments we have been hearing today. I think that is sad. We should build America. We should do those things that develop our own country, and that is what the Tennessee-Tombigbee does.

I give the Members one little rural county in my district, one of the poorest counties in this country, certainly one of the poorest in my State. An industry of some 400 employees is right now getting ready to come into that county because of the Tennessee-Tombigbee Waterway, to pick that county up by its bootstraps and hire people and generate commerce.

That is what these waterways are all about, to move traffic. That little county is south of Demopolis. I do not think I have had one dime in this bill in 10 years for the Tennessee-Tombigbee that is in my district. South of Demopolis has been hauling barges back and forth for as long as the memory of man runneth not to the contrary, six- and eight-barge tows. There are locks there that can handle eight barges. Whether the operators want to use eight barges is their business, but they can handle them.

Sure, that river looks like a snake, the blue part south of Demopolis. I would say the gentleman from Pennsylvania (Mr. EDGAR) did not put enough curves in there. They are there, but barges and towboats have been going around those curves for 100 years. There is nothing unusual about that. Those boys that run those things know how to go around that river. I can show the Members some rivers in my district and in southwest Alabama curved more than that. They have been using those rivers to push or pull barges for a long, long time.

So the problem we face here, I suggest, is one of bigness. The Corps of Engineers has found the benefit-cost ratio on this project is 3 to 1—3 to 1 without dealing with anything south of Demopolis. I do not know why that should not be sufficient. I would argue if 3 to 1 on this project is no good that the chances of ever building another waterway project are pretty slim. 3 to 1 in most cases I have ever heard of has been very good and something that should be accepted by people who deal in this kind of thing.

What else does it mean? The State of Alabama has already put out $45 million to build the Port of Mobile up to take this traffic. We have passed another $100 million bond issue to further improve the Port of Mobile to handle the coal. We have been building the bridges, along with the State of Mississippi, to prepare ourselves for this project.

To now tell the people in that part of the country and the 23 States it will serve that, after about two-thirds completion, we are going to stop just does not make sense to me and it surely does not make sense to them.

So I ask the Members not to be confused and fuzzed up about this issue south of Demopolis.

There is no project south of Demopolis. There has been no request for a project south of Demopolis. There has been no authorization for a project south of Demopolis other than it is part of the Warrior-Tombigbee system which already exists. I can tell the Members that the people in my district would not look very kindly on doing anything south of Demopolis in any case.

The Tennessee-Tombigbee can stand on its own. It has a good benefit-cost ratio that merits the Members' support. I would urge the Members of this House to oppose this amendment and get on with the completion of this project.

Mr. EDGAR. Mr. Chairman, will the gentleman yield?

Mr. EDWARDS of Alabama. If I have any time remaining, I yield to the gentleman from Pennsylvania.

Mr. EDGAR. Mr. Chairman, is the gentleman indicating that in this bill there is not close to $1 million for the study south of Demopolis?

Mr. EDWARDS of Alabama. What the gentleman said is there is no authorization to build anything south of Demopolis. There has been no request for money to build anything south of Demopolis. There is no money in this bill to construct anything south of Demopolis, and that is all I said.

Mr. PRITCHARD. Mr. Chairman, may I inquire, what is the time situation?

The CHAIRMAN. The gentleman from Washington (Mr. PRITCHARD) has 26 minutes remaining.

Mr. PRITCHARD. Mr. Chairman, I yield 1 minute to the gentleman from Minnesota (Mr. WEBER).

Mr. WEBER of Minnesota. Mr. Chairman, I rise in support of the amendment of my colleague from Washington (Mr. PRITCHARD) to delete the funding for the Tennessee-Tombigbee Waterway. Although I am relatively new to the debate, after examining the economic facts of this project, I can find absolutely no compelling reason why the taxpayers of this country should continue to bear the financial burden of a multibillion-dollar project with limited, if any, benefits.

Mr. Chairman, a year ago the General Accounting Office was requested to take a close look at the Tenn-Tom project, and reported its findings to Congress in May of this year. Their conclusions confirmed everything which was said last year by opponents of the project. To briefly summarize:

The Corps of Engineers is constructing a severe bottleneck on the Tombigbee River. As GAO stated:

> Completing Tenn-Tom will create a bottleneck on the waterway south of Demopolis, Alabama. Eliminating the bottleneck would cost about $860 million. . . . Continuing Tenn-Tom may be sowing the seed for this additional project.

The conclusion seems inescapable to me that Tenn-Tom is going to be a $3 billion undertaking—$2 billion for the project north of Demopolis, and $1 billion for the project south of there.

More than $1.6 billion would be saved if Tenn-Tom were halted now, including the $1 billion needed to salvage the project south of Demopolis.

The navigation benefits used to justify the project have simply not materialized. GAO examined the benefits estimated by the Corps to arise between 1976 and 1981—benefits estimated to total $77 million annually. However, during that time, less than $16 million in benefits have actually materialized, or less than one-quarter the projected total.

At that rate, the project will be a dismal economic failure. Rather than producing $125 million in annual navigation benefits, the project will produce less than $26 million, while the annual costs on the northern portion of the waterway alone are likely to exceed $100 million.

The project is immense. Although over $1 billion has been committed to date, over $1.6 billion more remains to be spent on the portions of the waterway above and below Demopolis. Thus, the remainder of this project will require $200 million in annual Federal funds for the rest of this decade.

In terms of sheer size, the project is no less massive. The corps itself states that the amount of earth to be excavated for Tenn-Tom would build a 16-foot highway from the Earth to the Moon—a distance of one-quarter of a million miles.

In addition, during last year's debate, one of the most eloquent supporters of this amendment was the present Director of the Office of Management and Budget, David Stockman. Mr. Stockman made two extremely important points during that debate: First, that some of the economic activity generated by the project does not represent a net gain to the national economy. Rather, it will bring about regional shifts in economic activity from one area of the country to another. And second, that the opportunity costs of spending these additional billions of dollars to complete the Tenn-Tom project have not been counted. He stated, and I quote:

> If you spend $3 billion to build this new kind of transportation system or transportation complex, then that money is not going to be available to build steel plants, to build new auto plants, that this country needs, to build synfuels plants this country is going to need over the next decade.

And he concluded that if Congress is going to ignore the fact that projects of this type would not help develop new economic activity, except on a very parochial level, then:

> You might as well employ single-entry bookkeeping all the way, go whole hog and build a pyramid in every state because that would generate a lot of jobs.

There is clearly no rationale for continuation of this project. It does not constitute a successful or productive component of sound economic policy, transportation policy, or any other policy of this Nation. It is, however, pork policy, and one for which a radical overhaul is long overdue. Projects such as the Tenn-Tom Waterway should not be exempt from the sacrifices that far worthier programs are being forced to make in the name of

fiscal restraint and Federal budget austerity.

I would welcome the support of each and every Member of this body for my colleagues' amendment to delete the Tenn-Tom project from this bill.

Mr. PRITCHARD. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. EDGAR).

Mr. EDGAR. Mr. Chairman, this has been a healthy and an interesting debate. As it winds to a conclusion, I know there will be a number of summary points that have to be made. Let me just make three quick points.

Our chairman of the full committee, the gentleman from Mississippi (Mr. WHITTEN) was very articulate in his reading of a sentence from the court decision. Let me repeat the words that he used. He said:

> We are extremely reluctant to interfere with the construction of a project that Congress has authorized for the last 10 years and that is now 55 percent complete.

That is a quote out of the conclusion of the court decision. The problem is that the gentleman did not read what follows, which begins:

> But the plaintiffs have established that the Corps has blatantly violated NEPA and its own regulations by refusing to prepare a supplemental EIS on the major changes in the Tennessee-Tombigbee Waterway that have occurred since 1971.
>
> Any lay person looking at a list of these changes would at once perceive that such major alterations could have significant environmental impacts. All the expert testimony offered by the parties has confirmed that lay judgment, and the Corps has been at an utter loss for evidence to justify its refusal to file a supplemental EIS.
>
> If the limited injunctive relief we have imposed seems harsh or late, the fault lies with the decision of the Corps to ignore its responsibility and to resist this lawsuit while continuing its default.

I think that clarifies the court's conclusion, and I invite Members to see the total statement that was made by the court.

The second summary point I would like to make is that in 1980—last year—the fiscal request and budget appropriation was $246 million for this project. In 1981, this present fiscal year, we are spending $220 million on this project; and in these 3 years of fiscal constraint, fiscal year 1980, fiscal year 1981, and now in 1982, the total cost over 3 years will be $655 million.

Let me just share with my colleagues the fact that if we combined all of the money for Corps of Engineers water projects that we are spending in Ohio, Maryland, New York, West Virginia, Florida, Indiana, Kansas, Iowa, Montana, Colorado, and Arizona, and added up the total amount of money spent in all of those States, you would not come to the figure that is being appropriated, $189 million, for this legislation.

□ 1440

This is my final point. My colleague, the gentleman from Washington (Mr. PRITCHARD), has a good amendment.

There will be a follow-on amendment offered, but this amendment, I think is the one we ought to support. There is money in the pipeline to shut down the project. There are usable sections of the project from Columbus down. There is opportunity to resell some of the land, and, particularly, there is opportunity to pause and wait and see where the court decision takes us to determine what the final aspects of this particular project are.

But I would argue very strongly with my colleagues that if we do live in a time of limited Federal dollars and if we do live in a period of time when we have to be in great restraint in the use of those Federal dollars, we ought to question any project in which, if we cut $100 million out of it, we would still be spending more money on that project than all other projects in the Nation.

Mr. Chairman, I think it is the responsibility of this Congress, which has set the tone for cutting Federal spending, to cut this project, and move on and serve the Nation in constructing those needed water projects throughout the country that have merit and are clearly more justified than the project that has been laid out before us.

Mr. BEVILL. Mr. Chairman, I yield 5 minutes to my good friend and colleague, the gentleman from Indiana (Mr. MYERS), who is the ranking minority member of this subcommittee.

Mr. MYERS. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, I rise in very strong opposition to this amendment.

I know that the proponents of this amendment meant not to leave the impression that this administration did not favor completion of this project. Just in case anyone got that impression from some of the discussion this afternoon, I quote from a former member of this body who wrote a letter just today to a Member of the other body. I am speaking now about our U.S. trade representative, William E. Brock, and I will read just part of that letter that he sent today:

> I am writing to you in support of your efforts and those of your colleagues in defending the Administration's funding proposal for the completion of the Tennessee-Tombigbee project. As U.S. Trade Representative, I believe that the Tennessee-Tombigbee project has the potential to provide important benefits for shipping interests and foreign commerce. This is especially important for U.S. coal exports. Increased shipping capacity on the Tennessee-Tombigbee or any other American waterway can do much to encourage and facilitate international trade and to strengthen our domestic economy.

This is Bill Brock writing to a Member of the other body.

It has also been mentioned that our former colleague who served two terms here last year inserted into the RECORD some comment about this project. This, of course, we must recognize, was at a time when he represented 465,000-plus people in a district in Michigan. Today he has a much larger constituency, and I do not believe any Member here has a comment from him that he opposes the completion of the Tennessee-Tombigbee.

Now, the argument this afternoon seems to have hinged on the fact that the use of the upper part of the Tennessee-Tombigbee would become so expansive and so great that the tows would be larger and they would be unable to navigate the already completed lower section. If that is true, the argument of these same people that it will never become cost beneficial and economically feasible destroys itself by its own evidence. It has to be either one way or the other. Either there has got to be not enough traffic on it that is will never pay or they cannot use the argument that the lower part is going to have to be expanded. One argument has to concede the other. We hear from the proponents of this amendment that the cost-benefit ratio they talk about is on eight-barge tows. The economic study was on six-barge tows, and it has been determined in a recent court decision, so I think we easily destroy this argument by fact.

Much of the argument this afternoon has been along the line that if we had to start this, this is where we would be. I can understand the new Members who have not voted on this issue wishing that they did not have to vote on this, but they, too, cannot escape the fact that we have this investment.

There is not a segment of this waterway that is not under some type of construction, and much of it is already completed. So whatever happened in the past, right or wrong, we are where we are today. We either complete a project that is 60-percent complete or we do not. This is a project that, from every economic study, from those who know, is worthwhile, except for the GAO, and I do not know whether they were ever there to see it. From what I read, I am not sure they ever went there to see it.

It is unfortunate that many of the Members here today have to vote on something they have never seen. It is unfortunate, without any disrespect to those who have expressed views, that we must often vote on something that we know very little about. We can only get the studies someone else has given us.

Again, most of the opposition today to the completion has come from a

report from the General Accounting Office. Again, I see no evidence that anyone from the General Accounting Office ever went on the ground to see the project. Yet this committee has seen it on several occasions, and we strongly recommend that it would not be wise to accept this amendment and waste the money we have in the project today.

The chairman of the full committee has very ably said that it is not a simple matter of just stopping it in its tracks and say that we have wasted a billion dollars, and we are not wasting any more, as someone has suggested. It is not that simple. If we should not complete this waterway, if we adopt this amendment offered by our colleague, the gentleman from Washington (Mr. PRITCHARD), this would not simply just write it off and terminate it. There would be termination costs. We would have to pay contractors, and in the larger amounts there would be court suits that would be involved. I am sure there would be discussion in Congress that we would have to go back and restore the land to its original contour as closely as we can, at tremendous cost and with no return to the taxpayers.

Mr. Chairman, from all the evidence we have, this will be a viable project when completed, and from evidence both from the administration and from the committee that does have knowledge, we strongly recommend that we complete it.

The CHAIRMAN. The Chair recognizes the gentleman from Washington (Mr. PRITCHARD).

Mr. PRITCHARD. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this is not an easy decision. I know that most Members have made up their minds. There may not be a loose vote in the House. I repeat, it is not an easy decision.

My friend, the gentleman from Alabama, said, "I don't know why we are here." It is not easy to be here and question a project that is this far along. I would agree with him on that.

When I left here the last time last year, I said, "I don't see how we can justify stopping it."

I would also agree with the gentleman that it is a big project, and that is why it stands out. But the fact that it is big does not mean that we do not check it out. Honestly, if I could see economic justification for this project, whether it was small or whether it was big, I would vote for it and continue it.

I am not trying to attack any part of the country and not give them their just due. I want this country to be strong. I think legitimate water projects are in the best interest of this country, and that we ought to fund them and we ought to support them.

But that does not mean that any time a project is started we do not look at it carefully in case we made a mistake. The sad truth is that we have made a mistake. That is the truth. It is just like the situation if you have a relative and you have been dumping some money in a business he is in; if things are bad, you do not say, "Well, I have given him $10,000 last year. I just have to keep dumping more money in it."

I think the facts show that we should stop this project.

Mr. Chairman, let me just cite several points. As far as the economics of this project is concerned, it just will not wash. The studies prove this conclusively. The Department of Energy in 1980 said there is not going to be 20 million tons of coal moving down the Tenn-Tom. They estimated 4 million tons. So that is a 500-percent error.

Then the General Accounting Office in 1981 said that the facts do not support this project.

□ 1450

How about the bond issue, when the Port of Mobile sold bonds to pay for an expansion? If you look into the prospectus and you look into what the bond people said, they do not anticipate a 20-million-ton increase in coal that was going down that waterway. They said it will be 1 million tons.

Now, these are the people who are promoting the sale of bonds in that very area.

I know the gentleman wants to ask me a question, so I would be glad to yield to him.

Mr. EDWARDS of Alabama. Well, just simply to ask, has the gentleman not been advised by the bond company that that figure was used as an absolute minimum and was never intended to be what was perceived to be the maximum or normal flow of coal down that river?

Mr. PRITCHARD. Well, I was not. All I would answer is that if Mobile is supposed to have a lot of coal and you only have 1 million tons, even if it is the minimum, I would think in selling bonds you would be on that shaky ground.

Mr. EDWARDS of Alabama. The gentleman, unless I am mistaken, neither the gentleman in the well nor the gentleman from Pennsylvania (Mr. EDGAR) has been talked to by the State docks people and/or the bond people explaining that provision in that document.

Mr. PRITCHARD. I have not. I will take the gentleman's word that that is the minimum.

Mr. EDWARDS of Alabama. It is not indicative of the coal and anybody who looks at those numbers knows that it is not. It is a number that was used without regard to any of these things we are talking about, I would suggest to the gentleman.

Mr. PRITCHARD. Let us take the Coal Weekly. In 1979, this is a trade journal, it described the Tenn-Tom and its estimates of coal delivery as a "pipe dream." That is the industry that ships coal.

The CRS service that came in and made a study of coal shipments, you know, they concluded that there just was not any way that you are going to get the coal shipments to justify this canal. Remember, that is the basis of the justification today.

I would hasten to add when this project was started, the basis was on shipments from south to north. If you go back and look in the records when it was started, they talked about shipments going north. Now all we do is talk about shipments going south.

The Keystone Coal report, now, that is the industry manual; you do not have to go down and walk along this canal to find out about coal shipments. You go to the industry itself and the Keystone Manual, which is the bible for the coal industry, they said it shows no planned expansion in coal production for Tennessee over the next few years. Now, why?

Well, it is high sulfur coal and foreign governments are not buying high sulfur coal. They can buy other types of low sulfur coal and use it in their production of electricity. They have got air problems in foreign cities, just as we have; so they are not buying high sulfur coal.

Let us just look at three or four facts. The project is 80-percent complete, they said. Now, it is 55-percent complete in the authorized project and it is 33-percent complete, when you include the necessary work south of Demopolis.

Another assertion is that it will cost over $300 million to terminate the project. The assertion is belied by several facts. First, the major portion of the project has already been halted by the court of appeals. Second, the General Accounting Office in its report in May of 1981 concluded that termination costs would be no more than $120 million, and possibly less, depending upon the degree of area restoration.

Third, even this figure would be reduced by at least $29 million through the resale of lands. It is a far cry from the $300 million that was claimed.

There is the assertion that the project will permit the economical shipment of large amounts of coal. The facts just do not show that.

Finally, what has happened in the Senate? We have a lot of people say, "Oh, we know over in the Senate it is going to go sailing through." The Senate Subcommittee on Public Works voted 9 to 5 to limit the funding of the project to just $25 million this year. This is the committee that held the hearings in the Senate and they voted 9 to 5 against it; so funding is not assured once it gets to the Senate.

We do have an opportunity and a responsibility right now to make a judgment whether it is proper to put more money into this project, and if it makes sense to you, I think you should; but I would urge you people who are convinced that it is not viable and have looked at the facts, I would urge you to take this step today. Do not keep prolonging it. Do it today. We have an opportunity right now to stop what I think is not effective spending of the American dollars. If 3, 4, or 5 years from now, our economy turns around and we have lots of money and we can fund projects that are very questionable and very marginal, why then we can take a look at it again; but today we ought to vote in favor of this amendment.

Mr. BEVILL. Mr. Chairman, I yield myself 12 minutes.

Mr. Chairman, we have heard a lot of talk here today. You know, it is amazing to me to sit here and hear about this project that I have been listening to testimony on for years. I do not believe anybody here that is in this Congress has heard more testimony, other than my good friend, the dean of the House, the gentleman from Mississippi (Mr. WHITTEN). We have had 2,000 people before our committee, but I hear more things when this bill comes up on the floor that I never heard before.

We have over 200 projects in this appropriation bill and every single one of them probably has some opposition. When this project is finished, and you are going to finish it, you are not going to stop a project this practically finished; I will guarantee that you are going to see the same type of opposition on other projects. They will target another project for deletion.

Last year, I pointed out that by accident I got hold of this publication I am holding up. It tells me what is going to happen before it happens, before I come to the floor I know what is going to happen. Its says here:

Strategy: How to kill the Tenn-Tom.

I tried last year, to find out who publishes this document. There is no signature, but I will tell you, there is some very sophisticated material in this publication. It tells you about a visit:

It is probably worth a hundred letters. You got to your Congressman and let him know that you are against the Tenn-Tom.

This first time in all these years I ever heard the cost of this project; somebody said $3 billion. I nearly fainted. It never has been over $1.78 billion. That is just all there is to it. You cannot make anything else of it; but in here they say it is going to cost $3 billion. Three billion dollars, that is a big difference; but that is the only place I ever hear it. We never hear it before the committee and I never heard it anywhere except in here when this bill comes up.

But I want you to listen now. You listen a minute and see if this rings a bell with you. It says here:

The most effective way to get in touch with your Congressman, don't go to Washington, because then you would be lobbying. He would look at you, you know, and he would know you done bought a ticket to come up here and he would think you are lobbying somebody. You get an appointment with him in his office back in his district and you go in there and you look at the Congressional Almanac before you go and pick out some votes that you like so you can brag on him. You go in there and make him feel good. You brag on him and tell him how much you appreciate that vote, the way he voted on such and such a bill, and then you pop it to him. You say, "Now, listen, I am against the Tombigbee." Now, this is not up here in your section of the country. All you have got to do is just be for it. I want your commitment. You know, that is way down there. That is a boondoggle.

They have never seen it, of course. They do not know anything about it, but they call it a boondoggle.

Now, this has been going, on, starting last year, and this is the second year of it, the same old thing. These people that are opposing this project, not one of them, not one of them have come before our committee to give us the benefit of their knowledge.

They have not told us anything.

I invited my good friends Congressman PRITCHARD, and Congressman EDGAR, to go down and see this project. We have nothing to hide about this project. I invited them to go down, and I appreciated them going down and seeing it. They looked at it and they were briefed by the Corps of Engineers.

The people who are building this project, the corps, are professional engineers, and they would be working somewhere else if they were not here working on the Tennessee-Tombigbee. They are professional engineers, and we rely on them for technical information.

I am glad we do not rely on what we hear on this floor because we would be in trouble. It would be a terrible water project when we got through with it if we relied on what we hear here.

The corps said the total cost of the project is $1.78 billion. No one raised a question about it, nobody questioned that figure.

The GAO in its recent study, discussed coal shipments. My good friend from Washington, Congressman PRITCHARD, has been told that they cannot use this high-sulfur coal from that area down there in foreign countries.

I will tell my colleagues right now if they will go down there they will see barges of coal, six barges together south of Demopolis, just where they have been for the past 65 years, traveling that part of the river, and they say it is not navigable and they cannot turn the curves. It is a crooked river, but it is not so crooked that six barges cannot go down it and have been going down it, tied together—eight could, but they use six, and it has been that way for 65 years. There is no authorization, and no one is even thinking of building a project south of Demopolis.

Let me finish by saying that from my home county, coal is going down the Tombigbee, down the Warrior River to Demopolis, and on down to Mobile, and being hauled from there into seagoing vessels to Japan and all over the world. So, if the gentleman will, he needs to tell the people in Japan that have been using that coal for 10 years and they are buying millions of tons.

What does the GAO say about the coal? The GAO in its recent study was asked, and I picked this up because my colleagues have been quoting and finding things in here, and they indicate that it says to stop the project. There is not anybody that knows anything about that project that ever said to stop it. Nobody would recommend that. The court would not recommend it. The court specifically said it would be a mistake to stop the whole project.

The GAO in its recent study was asked to determine whether the coal reserves were available to meet projected shipments over the 50-year life of the Tenn-Tom. The GAO finding, and here I am quoting them, found:

An estimated 58 billion tons of recoverable coal reserves are located in those States adjacent to the inland waterway systems with a potential for movement on the Tenn-Tom. This amount is 48 times the coal estimated to move on Tenn-Tom during its 50-year economic life.

The Corps of Engineers has consistently for 200 years been conservative in their estimates. We have checked them out and the benefits have always been more than the corps has estimated.

Someone mentioned that a million dollars is going for a study down south of Demopolis. Of course this is in the report, and all they have to do is look and see what is in here. Do not make it sound like we are trying to start another project. We are not. There are some locks down there. They have been there for 65 years.

The Oliver lock is going to have to be replaced one day. This money is to study these old locks. One of these days they are going to have to have some repairs on them and some work done on them.

There is no new project that we are talking about south of Demopolis.

We have all of these smoke screens and I cannot answer all of them. I do not have that much time. But my colleagues have heard what Mr. Brock said about the coal that we need to be moving on the Tenn-Tom. We need to ship that coal overseas, and more is going to be going overseas. The corps said 70 percent of the freight on the Tenn-Tom will be coal. My colleagues

know the important role that coal is playing now.

Some Members have said that members of the Cabinet are against the Tenn-Tom. My colleagues heard what Mr. Brock has said. He is very much in favor of it. The President is for it and the last six Presidents were for it.

There are other projects in there that cost just as much as the Tenn-Tom. There is not a State in this Nation that does not receive money through the projects funded in this appropriation bill. Every one of the 50 States is receiving money. So let us not throw up all of these smoke screens.

I have never seen such a phony attack as is made on this Tennessee-Tombigbee project. This project has been studied more than any project, not just any project in the United States, but any project in the world. It has met every test.

The L. & N. Railroad started this opposition with $15,000. This is where the ball started rolling. They do not have their name on this, but they put $15,000 into it to start this opposition when the project started. They have been to the U.S. Supreme Court twice, and the Supreme Court of the United States says you have not got a case. They have been in the Federal court. This is the sixth decision last week which really affirms the strength of this project. There actually have been six Federal court decisions, and twice the U.S. Supreme Court said no, said the lower courts have handled it right. This was on the environmental question, on economic feasibility, on every kind of question that could be raised, and they have raised it.

So I urge my colleagues to vote against this Pritchard amendment. If my colleagues approve this Pritchard amendment they are going to have an area out there that looks like the worst tornado that ever hit any part of the United States. I asked one of the engineers yesterday, what would happen if we did not get the funding for the project and just stopped it like one or two are advocating here.

He said, well, the first thing is that you would have to have people out there to pump the water, to dewater the locks and dams. There are still six locks and dams in different stages of completion. He said if we did not they would just push them up out of the ground. Talk about a disaster area.

Let me just urge my colleagues, vote no on the Pritchard amendment.

● Mr. SOLARZ. Mr. Chairman, I rise today to support the amendment offered by Representatives PRITCHARD and EDGAR to delete $189 million for the Tennessee-Tombigbee Waterway project from the energy and water appropriations bill.

As a member of the Budget Committee, I am particularly concerned about this needless and wasteful appropriation. We have completed work on the first budget resolution for fiscal year 1982 and are well into the reconciliation process which will reduce Federal spending by some $37 million. Over the last several months we have cut the flesh and muscle from vital and well-functioning programs because the Congress has accepted the argument that Government is living beyond its means. In this context there can be no justification for continuing to fund Tennessee-Tombigbee.

Let me also make it clear that I support public works and infrastructural spending as a necessary precondition to America's economic revitilization. All the tax cuts in the world will not improve productivity if we do not have the roads, waterways, and tracks to carry goods. But, I am convinced that Tennessee-Tombigbee will not improve our infrastructural capacity.

The rationale for Tennessee-Tombigbee is that it would provide a transportation avenue for coal exports. The Library of Congress reported on July 16, however, that there does not exist any substantial quality of coal for export to move on Tennessee-Tombigbee. Also, Tennessee-Tombigbee will not improve on the Ohio and Mississippi Rivers which can handle whatever coal there is.

GAO estimates that the total cost for this superfluous project will be $3 billion. GAO also found that the Army Corps of Engineers wildly exaggerated the project's benefits. Indeed, the majority of the tonnage claimed as a benefit comes from businesses which either do not exist or denied that they had any interest in the project. In fact, the Tennessee-Tombigbee Waterway will never justify its cost.

Finally, documents filed with the Federal district court in Mississippi show that in 1975 the corps withheld the true cost of the project because it would have had too great an emotional impact on Congress. On July 13, the U.S. Court of Appeals for the Fifth Circuit enjoined the Corps of Engineers from continuing work on the major construction area, concluding that the Army Corps had blatantly violated the law. How, in good conscience, can we rush to drastically reduce necessary programs and continue to fund such a boondoggle?

I urge you to support the amendment and vote against the Tennessee-Tombigbee appropriation.●

Mr. PRITCHARD. Mr. Chairman, I reserve the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Washington (Mr. PRITCHARD) to the amendment offered by the gentleman from Indiana (Mr. MYERS).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. PRITCHARD. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 198, noes 208, answered "present" 1, not voting 26, as follows:

[Roll No. 156]

AYES—198

Applegate	Forsythe	Murphy
Archer	Fountain	Neal
Aspin	Fowler	Nelligan
Atkinson	Frank	Obey
Bafalis	Frenzel	Ottinger
Barnes	Gejdenson	Panetta
Bedell	Gephardt	Paul
Beilenson	Gingrich	Pease
Bereuter	Glickman	Petri
Bingham	Goodling	Peyser
Blanchard	Gradison	Porter
Boland	Green	Pritchard
Bolling	Gregg	Pursell
Bonior	Grisham	Railsback
Brinkley	Gunderson	Ratchford
Brodhead	Hall (OH)	Reuss
Broomfield	Hamilton	Richmond
Broyhill	Harkin	Rinaldo
Burton, John	Hartnett	Roberts (KS)
Butler	Heckler	Rodino
Carman	Hertel	Roth
Clay	Hiler	Roukema
Clinger	Hillis	Rousselot
Coats	Hollenbeck	Russo
Collins (IL)	Hopkins	Santini
Collins (TX)	Hyde	Sawyer
Conable	Jacobs	Schneider
Conte	Jeffords	Schroeder
Corcoran	Jeffries	Schulze
Coughlin	Johnston	Schumer
Courter	Kastenmeier	Seiberling
Coyne, James	Kildee	Sensenbrenner
Coyne, William	Lagomarsino	Shamansky
Crane, Daniel	Lantos	Shannon
Crane, Philip	Leach	Sharp
Daniel, R. W.	LeBoutillier	Shaw
Danielson	Leland	Siljander
Dannemeyer	Lent	Smith (NJ)
Daub	Lowery (CA)	Smith (OR)
Davis	Lowry (WA)	Snowe
Deckard	Lundine	Solarz
Dellums	Lungren	Solomon
DeNardis	Madigan	Stanton
Derrick	Markey	Stark
Derwinski	Marks	Studds
Dingell	Marlenee	Swift
Dougherty	Martin (IL)	Synar
Dreier	Martin (NC)	Tauke
Dunn	Martin (NY)	Vander Jagt
Early	Mavroules	Vento
Eckart	McClory	Walgren
Edgar	McCloskey	Walker
Edwards (CA)	McDonald	Washington
Emery	McGrath	Waxman
Erdahl	McHugh	Weaver
Erlenborn	McKinney	Weber (MN)
Evans (DE)	Michel	Weber (OH)
Evans (IA)	Mikulski	Weiss
Fary	Miller (CA)	Whitehurst
Fenwick	Minish	Whittaker
Ferraro	Mitchell (NY)	Wolf
Fiedler	Moffett	Wolpe
Fish	Molinari	Wyden
Fithian	Moore	Yates
Florio	Moorhead	Yatron
Foglietta	Mottl	Young (FL)

NOES—208

Addabbo	Benedict	Brown (CO)
Akaka	Benjamin	Brown (OH)
Albosta	Bennett	Byron
Alexander	Bethune	Campbell
Anderson	Bevill	Carney
Andrews	Biaggi	Chappell
Annunzio	Billey	Cheney
Anthony	Boggs	Chisholm
Ashbrook	Boner	Clausen
AuCoin	Bouquard	Coelho
Badham	Bowen	Coleman
Bailey (PA)	Breaux	Conyers
Barnard	Brooks	Craig
Beard	Brown (CA)	Crockett

Daniel, Dan	Hunter	Rangel
Daschle	Hutto	Regula
de la Garza	Ireland	Rhodes
Dickinson	Jenkins	Robinson
Dicks	Jones (NC)	Roe
Dixon	Jones (OK)	Roemer
Donnelly	Jones (TN)	Rogers
Dorgan	Kazen	Rose
Dowdy	Kindness	Rostenkowski
Duncan	Kogovsek	Roybal
Dwyer	Kramer	Rudd
Dyson	LaFalce	Sabo
Edwards (AL)	Leath	Scheuer
Edwards (OK)	Lee	Shelby
Emerson	Lehman	Shumway
English	Levitas	Shuster
Ertel	Livingston	Simon
Evans (GA)	Loeffler	Skeen
Evans (IN)	Long (LA)	Skelton
Fascell	Long (MD)	Smith (AL)
Fazio	Lott	Smith (IA)
Fields	Lujan	Smith (NE)
Findley	Luken	Snyder
Flippo	Marriott	Spence
Foley	Matsui	St Germain
Ford (MI)	McCollum	Stangeland
Ford (TN)	McCurdy	Staton
Fuqua	McDade	Stenholm
Garcia	McEwen	Stokes
Gibbons	Mica	Stratton
Ginn	Miller (OH)	Stump
Goldwater	Mineta	Tauzin
Gonzalez	Mollohan	Taylor
Gore	Montgomery	Thomas
Gramm	Morrison	Traxler
Gray	Murtha	Trible
Guarini	Myers	Udall
Hagedorn	Napier	Volkmer
Hall, Ralph	Natcher	Wampler
Hall, Sam	Nelson	Watkins
Hammerschmidt	Nichols	White
Hance	Nowak	Whitley
Hatcher	O'Brien	Whitten
Hawkins	Oakar	Williams (MT)
Hefner	Oberstar	Williams (OH)
Heftel	Oxley	Wilson
Hendon	Parris	Winn
Hightower	Pashayan	Wirth
Holland	Patman	Wortley
Holt	Patterson	Wright
Horton	Pepper	Young (AK)
Howard	Perkins	Young (MO)
Hoyer	Pickle	Zablocki
Hubbard	Price	Zeferetti
Huckaby	Quillen	
Hughes	Rahall	

ANSWERED "PRESENT"—1

Burton, Phillip

NOT VOTING—26

Bailey (MO)	Frost	Mazzoli
Bonker	Gaydos	Mitchell (MD)
Burgener	Gilman	Moakley
Chappie	Hansen (ID)	Ritter
Cotter	Hansen (UT)	Roberts (SD)
D'Amours	Kemp	Rosenthal
Dornan	Latta	Savage
Downey	Lewis	Wylie
Dymally	Mattox	

□ 1520

The Clerk announced the following pairs:

On this vote:

Mr. Phillip Burton for, with Mr. Burgener against.

Mr. Mattox for, with Mr. Latta against.

Mr. Dornan for, with Mr. Hansen of Utah against.

Mr. Lewis for, with Mr. Hansen of Idaho against.

Mr. ST GERMAIN changed his vote from "aye" to "no."

Messrs. PURSELL and EVANS of Iowa changed their vote from "no" to "aye."

Mr. PHILLIP BURTON. Mr. Chairman, I have a live pair with the gentleman from California (Mr. BURGENER). If he were present he would have voted "no." I voted "aye." I withdraw my vote and vote "present."

So the amendment to the amendment was rejected.

The result of the vote was announced as above recorded.

□ 1800

PERSONAL EXPLANATION

Mr. RITTER. Mr. Chairman, I was unavoidably absent during rollcall number 156. Had I been present I would have voted "aye." Such a vote would have been consistent with my vote in the previous Congress on this issue.

□ 1530

Mr. DONNELLY. Mr. Chairman, I move to strike the requisite number of words.

If I could engage the chairman of the subcommittee in a brief colloquy, I wish to inquire as to the Appropriations Committee's specific intentions for the Weymouth-Fore River project in Massachusetts. It is not addressed in the language of the energy and water appropriations bill. It is my understanding that final plans and specifications will be completed in October 1981, after more than 10 years of study and planning. Local sources are prepared to provide 50 percent of the total $401,000 cost of the dredging project, contingent upon prompt Federal approval of the remaining 50 percent, and I understand the gentleman has been assured by the office of the chief engineer that the project will proceed October 1, 1981.

Mr. BEVILL. Yes, the gentleman is correct.

Mr. DONNELLY. I thank the chairman for his support.

AMENDMENT OFFERED BY MR. EDGAR TO THE AMENDMENT OFFERED BY MR. MYERS

Mr. EDGAR. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. EDGAR to the amendment offered by Mr. MYERS: In the Myers amendment, strike out "$1,518,941,000" and insert in lieu thereof "$1,429,941,000".

The CHAIRMAN. The Chair should point out that under the unanimous-consent agreement, there are 11 minutes remaining under the control of the gentleman from Washington (Mr. PRITCHARD), and there are 4 minutes remaining under the control of the gentleman from Alabama (Mr. BEVILL).

The Chair now recognizes the gentleman from Washington (Mr. PRITCHARD) to yield such time as he desires.

Mr. PRITCHARD. Mr. Chairman, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. EDGAR).

Mr. EDGAR. Mr. Chairman, I believe it will only take 10 minutes on my amendment—5 minutes for me to explain my amendment, 5 minutes for the gentleman from Alabama, (Mr. BEVILL), to respond. Then we can have a vote on my amendment on the Tennessee-Tombigbee Waterway.

Let me just indicate to you the status. We lost by a very few votes the Pritchard amendment, which was an attempt to eliminate all funding for the Tennessee-Tombigbee Waterway. The amendment which I have pending simply reduces the funding of that project to $100 million for fiscal year 1982.

It leaves in the project more money than any other water project in the Nation. In fact, my amendment will provide for $13 million more than is spent on the nearest, closest project, which is lock and dam 26.

As we have just determined by an action of the House, the House on this particular day does not want to kill the project.

Mr. Chairman, for two specific reasons, I believe that this project can proceed with the reduction of $89 million. Let me state them very quickly: First, the court of appeals has enjoined a major section of the project, therefore a great portion of the project will not need the kind of funding that was anticipated in placing $189 million in the project; and second, and probably more importantly, there is responsibility on the part of the States involved, the communities involved, to have a certain amount of cost sharing.

Let me quote for my colleagues a statement that is found on page 88 of the GAO report of May 1981. Under "Alternative Financing Is A Possibility," it states:

> We believe during this period when there is enormous pressure to reduce Federal spending, if the concern of the Congress is the remaining Federal expenditure, exploring alternative arrangements to finance the incomplete segments of Tenn-Tom may be worthwhile. While it was not within the scope of our review to examine alternative financing, we feel this is a possibility. Some methods that come to mind include:
>
> States or others could borrow funds from the Federal Government and repay through user charges.
>
> Alabama and Mississippi could issue long-term bonds and repay through user charges.
>
> Alabama and Mississippi could finance portions of the project through general revenue funds.

I indicated in earlier debate in hopes of supporting the Pritchard amendment that David Stockman spoke in the well of the House just a year ago in opposition to this project. I had indicated that all over the country there is concern about Federal spending, and we have had editorial endorsements from everywhere indicating the need to reduce Federal funding and particularly reduce it for the Tennessee-Tombigbee Waterway.

My amendment, in short, leaves $100 million, does not impact on the amendment offered by the gentleman

from Indiana (Mr. MYERS). In fact, it includes the increase of $9 million offered by the gentleman, and it is an opportunity for those Members—many of whom supported completion of the Tennessee-Tombigbee Waterway—to say that maybe it is more appropriate for us to spend close to $10 million a month rather than spending close to $20 million a month.

I urge my colleagues to reduce the funding to $13 million above the funding for any other project in the Nation, to fund it at $100 million, and to return $89 million to the Federal Treasury.

Mr. PRITCHARD. Mr. Chairman, will the gentleman yield?

Mr. EDGAR. I yield to the gentleman from Washington.

Mr. PRITCHARD. Mr. Chairman, I congratulate the gentleman on his amendment. I hope the people in this body will support it. I think since the Members have decided on a close vote to continue this project, it makes reasonable sense to cut down the pace, particularly since there is a court case that will slow down construction in the next 6 months.

Mr. EDGAR. I thank the gentleman for his comments.

I would like to congratulate the gentleman on his efforts on this issue. I hope the House will be responsible and vote $100 million rather than $189 million for this particular project, the Tennessee-Tombigbee Waterway.

I yield back the balance of my time.

The CHAIRMAN. The Chair will recognize the gentleman from Alabama (Mr. BEVILL) and inform the gentleman he has 4 minutes remaining under the unanimous-consent agreement.

Mr. BEVILL. Mr. Chairman, I yield myself such time as I may consume.

The gentleman has pointed out that we have no need for any more money. Frankly, 85 percent of the project will be committed by October 1. To approve this amendment will kill the project.

□ 1540

As the Members know, we have funded this project for 11 years. The project is like a bridge. We cannot use a bridge unless it goes all the way across the river. Eighty-one percent of the funding of that bridge has already been committed, and as of October 1 it will be 69 percent complete.

After this bill, we will need but four more smaller appropriations to complete the project and get the benefit of it.

Let me speak about the economy vote. We keep talking about the economy. The Corps of Engineers advise me that it will cost more to tear these locks and dams down and put this land back in an environmentally acceptable condition, than we have already spent. It will cost more to do that than it will to complete the project.

So the economy vote is to complete this project, and if Members vote for this amendment, they are still killing the project because this is going to cancel a great part of the ongoing work and it is going to wreck the project.

This a good project. It stands all tests. I urge the Members to vote against this amendment. If they approve the amendment, they are going the kill the project.

So please vote no on the amendment to cut out $89 million from the Tennessee-Tombigbee.

Mr. Chairman, let me correct one thing. We keep putting up these smokescreens. I do not want to spend my time explaining this, but there are other projects in the bill that cost more than the Tenn-Tom. Every State in this Nation is represented in the appropriation bill. I will just say there are appropriations for energy and water projects for every State in the Union.

So, Mr. Chairman, I urge the Members to support this project. Let us complete the project and get the benefits of it. The country needs it. We need to keep moving coal. Coal is no good in the ground. The fact is that we have one-third of the coal in the world, but it is no good if we do not have the transportation facilities to move it.

So, Mr. Chairman, I urge the Members to vote "No" on this amendment.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. PRITCHARD. I yield to the gentleman from Indiana.

Mr. MYERS. Mr. Chairman, I thank my colleague for yielding.

Carrying on with what the chairman of the subcommittee just said, if we are going to kill the project, we might as well kill the project right and kill it dead in its tracks. It would be foolish now to vote for $100 million if Members want to kill it entirely. So if they want to kill it, they might as well vote not to spending another $100 million.

If we are going to spend $100 million, we might as well spend $189 million and do it right. If we continue it at $100 million, it would be at a much slower pace and at greater cost to the taxpayers. The quicker we get the job done, the cheaper it is going to be. We all know what has happened with inflation.

So really, with all deference to my friend, the gentleman from Pennsylvania (Mr. EDGAR), the real issue was the last vote, and I can fully understand how someone might have voted for the last amendment thinking that we might save money. But on this amendment we would absolutely be wasting money to vote for $100 million.

Mr. EDGAR. Mr. Chairman, will the gentleman yield?

Mr. PRITCHARD. I yield to the gentleman from Pennsylvania.

Mr. EDGAR. Mr. Chairman, I appreciate the gentleman's yielding.

Let me just say this as we move toward the vote. We passed a highway bill before this House that included $100 million for bridges over Federal projects. Ninety percent of those funds were used as a local match for the Tennessee-Tombigbee Waterway.

There has been very little responsible cost sharing, and I believe part of the $89 million can be made up by local cost sharing within the area.

Second, the court of appeals has effectively shut down a major section of the project. Much of the cost sharing can go in that direction.

The chairman of the subcommittee indicates that if we vote for the Edgar amendment, all these contracts will have to be stopped. Those contracts will have to be stopped under the court action anyway, and it is my opinion—and I hope it is shared by many—that we will move quickly to action on this to save the Federal Government $89 million. If Mississippi, Alabama, and Tennessee believe the project is as significant as they have stated, then they can share in some of the costs of the project.

Mr. Chairman, I hope that we will move to a vote on the amendment.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. PRITCHARD. I yield to the subcommittee chairman.

Mr. BEVILL. Mr. Chairman, I thank the gentleman for yielding.

Mr. Chairman, I am sure the gentleman does not mean to be erroneous, but the States and local governments have spent millions of dollars building bridges and roads. They have committed themselves with bond issues in anticipation of this waterway.

Recently, the Mobile, Ala., State Dock Commission issued bonds for $100 million for improved coal-loading facilities at the port of Mobile in anticipation of this project being completed in 1986, as scheduled. The Fifth Circuit Court of Appeals order has not stopped work on the project at this time and when the district court issues its order I am confident the corps will comply and make the necessary environmental impact statement available.

Mr. EDGAR. Mr. Chairman, will the gentleman yield?

Mr. PRITCHARD. I yield to the gentleman from Pennsylvania.

Mr. EDGAR. Mr. Chairman, I would just like to close by saying that I thank my colleagues for this debate on the Tennessee-Tombigbee Waterway.

I think full funding of the project at $100 million clearly indicates the Federal commitment to the project that the House has just determined, and yet it saves the Federal Government $89 million.

The CHAIRMAN. The question is on the amendment offered by the gentle-

man from Pennsylvania (Mr. EDGAR) to the amendment offered by the gentleman from Indiana (Mr. MYERS).

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. EDGAR. Mr. Chairman, I demand a recorded vote.

A recorded vote was refused.

Mr. EDGAR. Mr. Chairman, I demand a division.

On a division (demanded by Mr. EDGAR) there were—ayes 31, noes 67.

The CHAIRMAN. The amendment is not agreed to.

Mr. EDGAR. Mr. Chairman, I demand a recorded vote.

Mr. MYERS. A point of order, Mr. Chairman.

The CHAIRMAN. The point of order stands. A recorded vote has already been denied.

Mr. EDGAR. Mr. Chairman, I make the point of order that a quorum is not present on the last vote.

The CHAIRMAN. The Chair will count for a quorum.

One hundred and fifty-six Members are present, a quorum.

So the amendment to the amendment was rejected.

□ 1550

AMENDMENT OFFERED BY MR. FRANK TO THE AMENDMENT OFFERED BY MR. MYERS

Mr. FRANK. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. FRANK to the amendment offered by Mr. MYERS: In the proposed amendment strike $1,518,941,000 and insert in lieu thereof $1,501,121,000 and strike the period and insert in lieu thereof: "*Provided*, That none of the funds appropriated by this paragraph may be used for the Stonewall Jackson Lake Project, located in the State of West Virginia (including to acquire any land for such project or to commence construction on such project)."

Mr. FRANK. Mr. Chairman, first, I would like to offer my regrets for the historical circumstance that this is named the Stonewall Jackson Dam. I mean no disrespect to his memory. I would be glad, if the amendment carried, to name some other project the Stonewall Jackson Dam.

This amendment would strike $17.8 million from the appropriation and would prohibit any further expenditure on the Stonewall Jackson Dam in West Virginia.

Land acquisition has gone forward for this dam, but there has been no construction of the dam itself, so this is not a case where the argument that we have already been committed seems to have that much relevance.

It is a highly controversial project within the State of West Virginia itself.

The proposal is to build a dam, the benefits for which, as put forward by the Corps of Engineers, do not justify the expenditure. There is $17.8 million now at stake, but there is a remaining Federal loss totaling $142 million, so we are talking over the life of this project about a significant amount of money.

This is a time of austerity when tight standards have been applied to spending. I think logically the application of standards even far looser from those we have applied to most programs this year would lead the membership to agree to delete the Stonewall Jackson Dam.

As I said, it is controversial within West Virginia. Fourteen percent of the benefits claimed by the Corps of Engineers are for recreation, but that recreation has to be paid for in part by the State of West Virginia. The State senate of West Virginia this year adopted a resolution announcing that it had no intention, the State senate, of appropriating those funds.

The agriculture commissioner of the State of West Virginia has reiterated his opposition.

The Farm Bureau is opposed to it.

It is a project which would take approximately 140 farms in West Virginia, dislocating over 1,000 people.

We have got a consensus, I would hope, on money not being spent for projects of a low priority. I do not deny that there are benefits that would accrue from this project. I do disagree that they are worth the expenditure of $145 million of Federal funds.

Forty-seven percent, by far the largest single item of claimed benefits for this project, is for water quality control. It is water quality control solely by the method of flow augmentation, having the river flow better from the standpoint of controlling waste.

This dam entirely predates legislation which has since been enacted and has been carried out in substantial part which mandates treatment of water pollution at the source. The method of dealing with pollution by waterflow is no longer the public policy of the country. We have, in fact, spent tens of millions of dollars in this particular area alone, and I am glad we have, to deal with water pollution at its source. To continue to commit $145 million in Federal funds for a project whose main claimed benefit is water quality control and to ignore the fact that the country has in the interim since it was proposed changed its view on how to deal with water quality control, simply does not meet the standards of fiscal sanity and fiscal tightness to which we ought to be adhering.

Flood control is 29 percent. There is a problem with floods in western West Virginia; but we ought to be clear about what we are talking about. These are not life threatening floods. These are not the kinds of floods that send raging walls of water down on innocent people. There is a problem with backup and there is a problem with property damage by floods. This project would abate some of it. It does not seem to me it abates $145 million worth of it. If you look at the flood damage which has occurred, and again we are talking about property damage and nothing life threatening, so we are not here talking about putting anyone in jeopardy, I do not think you will find a degree of need to justify $145 million.

Mr. Chairman, earlier today I asked, and the chairman of the subcommittee, who has been very gracious in this work, and the ranking minority member agreed to an amendment which deleted a $300,000 study for a water project in my own district. There are some people in there who would benefit from it if it went ahead, but it did not seem to me that that study could eventuate in any project which would be worth the tens of millions of dollars it would have to cost us.

We are told we are in a new period and I hope, Mr. Chairman, that we are not dealing with this in a time warp. We have been told over and over again this is 1981, not 1965 and not 1968, and we simply cannot spend the way we used to.

I do not deny the project has merit. I deny it has $145 million worth of merit by today's standards.

Mr. KAZEN. Mr. Chairman, I move to strike the last word.

Will the distinguished gentleman from Massachusetts answer some questions for me, please?

Mr. FRANK. Certainly.

Mr. KAZEN. Is this amendment purporting to strike out $17.8 million?

Mr. FRANK. I believe it purports to do that; in fact, it does do that.

Mr. KAZEN. It is strictly the cost that goes to the Stonewall Jackson Lake project in West Virginia, and no other?

Mr. FRANK. I can say to the gentleman that it does not affect San Antonio in any way, shape, or form yet.

Mr. KAZEN. Will the gentleman answer my question. It is strictly for that one project?

Mr. FRANK. Yes; it is. It is $17.8 million solely for the Stonewall Jackson project. I have other amendments to deal with other projects with which the gentleman is concerned.

Mr. KAZEN. I thank the gentleman.

Mr. BENEDICT. Mr. Chairman, I rise in opposition to this amendment.

The Stonewall Jackson Dam, the object of this discussion, is in the second district of West Virginia, which I have the honor and the responsibility to represent.

We have heard a great deal of comment about numbers. I would almost think that my good friend and colleague, the gentleman from Massachusetts, had been to West Virginia; but I

think a few observations on the subject are appropriate.

This project is for water quality and flood control, pure and simple. It has been reviewed since its original authorization in 1966 by five different administrations, Democratic and Republican alike. It has been reviewed by the General Accounting Office. It has been reviewed by the Standing and Authorizing Committees of this body and, indeed, 2 years ago under like circumstances an amendment was offered by another freshman Member of this body and this body as a whole again brought this project forward.

By the end of this fiscal year, 80 percent of the lands necessary for this project will have been purchased. The work of moving utilities and highway reconstruction is ongoing. It represents the culmination of some 60 years of effort on the part of the citizens of Weston, W.Va., people who have worked now for three generations to achieve some measure of protection from recurring flooding to their homes and to their businesses.

I wish my colleague, the gentleman from Massachusetts, would come with me to West Virginia, to Lewis County, and to walk in my shoes and meet with these people whose lives are touched by this project.

Certainly there is controversy. Certainly there are those few who lose land in this project and whose pain is very intense over that loss, make no mistake of that. I have firsthand knowledge in my own family of the pain involved in losing land through a condemnation. No matter how worthy the project, there is no way it is acceptable to these individuals. These individuals have worked hard and they continue to do so in opposing the project.

In this world there are individuals who see this pain and this agony by these few people as an opportunity to further an adventure or an agenda of their own, sometimes with the best motives in the world, as I know my colleague, the gentleman from Massachusetts, has only the best of motives; but sometimes they are used quite cynically and this pain becomes an asset to be used by other persons for their own ends.

□ 1600

So before my colleagues pass judgment on this project I wish they would come with me to the city of Weston to talk to the business people whose businesses are subject to recurrent flooding and the people whose homes are subject to recurrent flooding, and those who fear that a fire will go untended because the streets of the city are blocked with floodwater. I wish my colleagues would come and meet with me and with the administrator of the local hospital who sent me a telegram along with dozens of other people from the city of Weston urging continuation of this project.

You should talk with the hospital administrator who is concerned that floodwaters will again fill the streets and emergency vehicles will not be able to travel from the scene of an accident or serious illness to the hospital.

We are dealing with people's lives here as well as dollars and cents. I think it is incumbent upon the Members of this House to have first-hand knowledge of those lives.

Make no mistake, there are two sides of this debate. There are a significant number of people who stand to benefit and who need this project badly. There are those who would say we could have used another method to have achieved flood control for the city of Weston. Ten years ago that is certainly true. But we must live in the world as it is today, not as we would like it to be, but as it is. This is the project that is available and at hand.

This project has bipartisan support from the congressional delegation. It is supported by our Senators and it is supported by the Governor of our State. It is supported by numerous local and civic organizations, the chamber of commerce, and others. It is important to the people of Lewis County and to Weston.

I thank my colleagues for their attention and urge defeat of this amendment.

Mr. MOLLOHAN. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I compliment the gentleman from Massachusetts for his sincere interest to reduce Federal expenditures and his research on the Stonewall Jackson Lake project in West Virginia. It is indeed gratifying to know that legislators from other parts of the Nation have taken a very keen interest in becoming familiar with a project in my home State.

However, some rather broad generalizations have been made about Stonewall Jackson, so let me discuss for only a few minutes the justification for the Stonewall Jackson Project.

It has been suggested that the amount of land in the project has increased. This is correct. But the fact is that the total land involved accounts for less than 1 percent of all property taxes collected in the entire county and amounts to roughly $14,000 per year.

It is contended that the project will eliminate 400 farms and relocation prospects are slim. The fact is that only 132 farms will be involved—and most of them are part-time operations. Property acquisition is over 60 percent complete and already almost 200 families have been successfully relocated. There is not a lack of housing in the area, and the impact of relocation is not nearly as severe as we would be led to believe.

It is stated that improvements to water quality have been superseded and the project is not needed for that purpose. The fact is that the West Fork River is spoiled by mine drainage, domestic wastes and sediment. It has the highest mineral content of any major stream in the Monongahela River Basin. Both the Interior Department and the Environmental Protection Agency favor the water quality benefits that will result.

It is claimed that flood benefits are exaggerated and include protection for new development. The fact is that the economic justification does not include benefits for new development. If that occurs in the area, it will be over and above the estimated benefits.

But the project will all but eliminate flood damages in the Weston area, which is flooded on the average of once a year, and will reduce by 76 percent annual damages caused by flooding of the West Fork River.

The claim is made that the water quality in the dam will be so poor that a separate swimming pool will have to be built. The fact is that the water quality will be more than adequate for swimming. However, West Virginia State health regulations prohibit swimming beaches in all new lakes.

The claim is made that large coal reserves will be lost having a real value of $1,844 per acre. Relatively, only a small coal acreage is involved and in no case has a farm with residence, farm buildings, and coal been purchased at a cost exceeding $700 per acre. Coal is being given a fair market value based on the sale of similar types and quantities of coal in the surrounding area.

It has been alleged that the Corps of Engineers did not fully explore small watershed alternatives. That is just not true. Detailed studies were made. When this question was first raised, I personally asked the Federal Soil Conservation Service State director to make an evauation of small watershed alternatives. He advised in a formal letter that there was no way a small watershed program could provide the essential benefits provided by the Stonewall Jackson Lake project.

With reference to legal action on the project—the truth is that Stonewall Jackson has met all legal requirements, including an environmental impact statement. Objections to the project made in Federal district court were overruled, appealed to a Federal circuit court of appeals and overruled, and an appeal to the U.S. Supreme Court was denied.

These are the facts, and it is indeed regrettable that misinformation is being used as a basis for this amendment.

But this is not the first time these points have been raised concerning the Stonewall Jackson Lake project. I can attest that these points have been thoroughly explored by the appropriate authorizing and Appropriations Committees and debated right here on the floor of the House in each of the last 10 years. And I might add that the same scrutiny has taken place on the Senate side. And each year the project is given a clean bill of health and funded by the Congress. During the 10 years I have supported this public improvement in my home State of West Virginia, three different Presidents have endorsed it.

Stonewall Jackson will provide flood protection, adequate domestic water supplies, water quality improvements, and recreation benefits which will contribute greatly to the advancement of tourism, the second largest employer in West Virginia.

This is an important project to my district and to the adjoining district. It would be tragic if we did not move forward with its construction.

Stonewall Jackson has the support of the new administration as illustrated through a budget request for fiscal year 1982. As we have heard, it has the vigorous support of the Appropriations Committee. And most importantly, it has the support of the largest conceivable majority of people in north central West Virginia.

I urge my colleagues to vote against this amendment.

Mr. ROEMER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I just want to say that we have heard a lot of conversations about water projects, somewhat emotional and often partisan, not by party but by district. One of the most telling arguments offered so far about these projects are those that are midway in their construction.

Unfortunately for the gentleman from West Virginia, this project cannot even offer that recommendation to the Members. It is a project that, if begun at all, has just been barely begun. It is a project which is marginally beneficial as to its benefits over costs, by the Corps of Engineers own reckoning. It is 1.3 to 1, and that is at a 4-percent interest rate.

Mr. MOLLOHAN. Mr. Chairman, will the gentleman yield?

Mr. ROEMER. I yield to the gentleman from West Virginia.

Mr. MOLLOHAN. The gentleman said that the project has not even been started. The project calls for $189 million, and approximately $46 million has been spent. That has been spent for road relocation, utility, utility relocation, and for land acquisition.

Mr. ROEMER. Yes.

Mr. MOLLOHAN. And over 14,000 acres of 19,500 acres have already been purchased.

Mr. ROEMER. Yes.

Mr. MOLLOHAN. That has already been purchased, and the families have been relocated.

Mr. ROEMER. If I could reclaim my time, let me respond to that by saying that I said it had barely been just begun, and only land acquisition. The land is not going to go anywhere. It is still going to sit there, growing in value.

Mr. MOLLOHAN. Over $40 million of $170 million is not "barely."

Mr. ROEMER. It has some value to the purchaser.

Mr. FRANK. Mr. Chairman, will the gentleman yield?

Mr. ROEMER. I yield to the gentleman from Massachusetts.

Mr. FRANK. I thank the gentleman for yielding.

Mr. Chairman, I say to my friend, the gentleman from West Virginia, that I understand and admire his advocacy of his district's needs as he conceives them. I do not deny that there would be some benefit for Clarksburg and for other parts of West Virginia.

The question is not whether this is a good thing but whether by the current fiscal standards that we are talking about that we should now commit ourselves to an additional $145 million expenditure.

As the gentleman from Louisiana has pointed out, no construction has started yet. Land has been acquired. Land acquired can be reacquired; it can be sent back. There is not a loss, in the economic sense.

I would also say to the gentleman from West Virginia that I appreciated the rebuttal he made of various arguments. I would only like to have the record state that none of the arguments I made were the ones he was rebutting. I understand that people have made arguments.

Mr. MOLLOHAN. You recognize I did not say you said that.

Mr. FRANK. Yes, I recognize that you did not say I said it. And if I spill this one out any longer, the record will become unrecognizable.

I simply wanted to make it clear that the arguments were not being put forward here.

The point is this: The gentleman from West Virginia who spoke first said flood control was the issue. The Corps itself only claims 29 percent for flood control. They claim 14 percent for recreation, but the State Senate of West Virginia says they are not going to put the money up for recreation.

The second gentleman from West Virginia says, "Well, the only reason they are not going to swim in the lakes is that State law says you cannot."

Frankly, if you cannot swim in the lakes, I do not care why, it is not very recreational. Not swimming in the lakes for health reasons is no more recreational than not swimming in the lakes because it is against the law.

The fundamental point remains that the project has some worth, but it does not seem to me to be worth $145 million additionally, particularly since its main point to claim benefit, water quality control, has been preempted not entirely, but in part, by the addition since this budget was conceived of a whole new way in this country of trying to deal with water quality.

Mr. BEVILL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to this amendment. The committee has reviewed this project for the past 10 years and it is a good project. The main benefits of this project are water quality control and flood control. This is an important project and I urge the Members to vote against this amendment.

Mr. MYERS. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, the gentleman who is the author of this amendment offered an earlier amendment that affected his State, and the committee accepted that, as has been the policy of this committee not to push a project on a Member who should know more about it than anyone else, members of this subcommittee included. In this particular instance now we have heard from two Members of the State affected, and they have both testified to the agony, the suffering, the loss associated with the fact that we have not provided protection from floods as well as water quality for this area. So the committee again urges the members of the committee here to support the Members who should know the most about it, the Members of the State as well as the members of the subcommittee, and to vote down this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. FRANK) to the amendment offered by the gentleman from Indiana (Mr. MYERS).

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. FRANK. Mr. Chairman, I demand a recorded vote, and pending that, I make the point of order that a quorum is not present.

The CHAIRMAN. A quorum is not present. Pursuant to the provisions of clause 2 of rule XXIII, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device, if ordered, will be taken on the pending question following the quorum call. Members will record their presence by electronic device.

The call was taken by electronic device.

The following Members responded to their names:

[Roll No. 157]

Addabbo
Akaka
Albosta
Anderson
Andrews
Annunzio
Anthony
Applegate
Aspin
Atkinson
AuCoin
Badham
Bafalis
Bailey (PA)
Barnard
Barnes
Beard
Bedell
Beilenson
Benedict
Benjamin
Bennett
Bereuter
Bethune
Bevill
Biaggi
Bingham
Blanchard
Bliley
Boggs
Boland
Bolling
Boner
Bonior
Bouquard
Bowen
Breaux
Brinkley
Brodhead
Brooks
Broomfield
Brown (CA)
Brown (CO)
Brown (OH)
Broyhill
Burton, John
Burton, Phillip
Butler
Byron
Campbell
Carman
Carney
Chappell
Cheney
Chisholm
Clausen
Clay
Clinger
Coats
Coelho
Coleman
Collins (IL)
Collins (TX)
Conable
Conte
Conyers
Corcoran
Coughlin
Courter
Coyne, James
Coyne, William
Craig
Crane, Daniel
Crane, Philip
Crockett
D'Amours
Daniel, Dan
Daniel, R. W.
Danielson
Dannemeyer
Daschle
Daub
Davis
de la Garza
Deckard
Dellums
Derrick
Dickinson
Dicks
Dingell
Dixon
Donnelly
Dorgan
Dowdy
Dreier
Duncan
Dunn
Dwyer
Dyson
Early
Eckart
Edgar
Edwards (AL)
Edwards (CA)
Edwards (OK)
Emerson
Emery
English
Erdahl
Erlenborn
Ertel
Evans (DE)
Evans (GA)
Evans (IA)
Evans (IN)
Fary
Fascell
Fazio
Fenwick
Ferraro
Fiedler
Fields
Findley
Fish
Fithian
Flippo
Florio
Foglietta
Foley
Ford (MI)
Ford (TN)
Forsythe
Fountain
Fowler
Frank
Frenzel
Fuqua
Garcia
Gejdenson
Gephardt
Gibbons
Gingrich
Ginn
Glickman
Goldwater
Gonzalez
Goodling
Gore
Gradison
Gramm
Gray
Green
Gregg
Grisham
Guarini
Gunderson
Hagedorn
Hall (OH)
Hall, Ralph
Hall, Sam
Hamilton
Hammerschmidt
Hance
Hansen (ID)
Harkin
Hartnett
Hatcher
Hawkins
Heckler
Hefner
Heftel
Hendon
Hertel
Hightower
Hiler
Hillis
Holland
Hollenbeck
Holt
Hopkins
Horton
Howard
Hoyer
Hubbard
Huckaby
Hughes
Hunter
Hutto
Hyde
Ireland
Jacobs
Jeffords
Jeffries
Jenkins
Johnston
Jones (NC)
Jones (OK)
Jones (TN)
Kastenmeier
Kazen
Kemp
Kildee
Kindness
Kogovsek
Kramer
LaFalce
Lagomarsino
Lantos
Latta
Leach
Leath
LeBoutillier
Lee
Lehman
Lent
Levitas
Livingston
Loeffler
Long (LA)
Long (MD)
Lott
Lowery (CA)
Lowry (WA)
Lujan
Luken
Lundine
Lungren
Madigan
Markey
Marks
Marlenee
Marriott
Martin (IL)
Martin (NC)
Martin (NY)
Matsui
Mavroules
McClory
McCloskey
McCollum
McCurdy
McDade
McEwen
McGrath
McHugh
McKinney
Mica
Michel
Mikulski
Miller (CA)
Miller (OH)
Mineta
Mitchell (MD)
Mitchell (NY)
Moffett
Molinari
Mollohan
Montgomery
Moore
Moorhead
Morrison
Murphy
Murtha
Myers
Napier
Natcher
Neal
Nelligan
Nelson
Nichols
Nowak
O'Brien
Oakar
Oberstar
Obey
Ottinger
Oxley
Panetta
Parris
Pashayan
Patman
Patterson
Paul
Pease
Pepper
Perkins
Petri
Peyser
Pickle
Porter
Price
Pursell
Quillen
Rahall
Railsback
Rangel
Ratchford
Regula
Reuss
Rhodes
Richmond
Rinaldo
Ritter
Roberts (KS)
Robinson
Rodino
Roe
Roemer
Rogers
Rose
Rostenkowski
Roth
Roukema
Rousselot
Roybal
Rudd
Russo
Sabo
Sawyer
Schneider
Schroeder
Schulze
Schumer
Seiberling
Sensenbrenner
Shamansky
Shannon
Sharp
Shaw
Shelby
Shumway
Shuster
Siljander
Simon
Skeen
Skelton
Smith (AL)
Smith (IA)
Smith (NE)
Smith (NJ)
Smith (OR)
Snowe
Snyder
Solarz
Solomon
Spence
St Germain
Stangeland
Stanton
Stark
Staton
Stenholm
Stokes
Stratton
Studds
Stump
Swift
Synar
Tauke
Tauzin
Taylor
Thomas
Traxler
Trible
Vander Jagt
Volkmer
Walgren
Walker
Wampler
Washington
Watkins
Waxman
Weaver
Weber (MN)
Weber (OH)
Weiss
White
Whitehurst
Whitley
Whittaker
Whitten
Williams (MT)
Williams (OH)
Wilson
Winn
Wirth
Wolf
Wolpe
Wortley
Wright
Wyden
Yates
Yatron
Young (FL)
Young (MO)
Zablocki
Zeferetti

□ 1630

The CHAIRMAN. Three hundred and ninety-seven Members have answered to their names, a quorum is present, and the Committee will resume its business.

RECORDED VOTE

The CHAIRMAN. The pending business is the demand of the gentleman from Massachusetts (Mr. FRANK) for a recorded vote.

A recorded vote was ordered.

The CHAIRMAN. The Chair reminds the Members they will have just 5 minutes in which to record their votes.

The vote was taken by electronic device, and there were—ayes 137, noes 267, not voting 29, as follows:

[Roll No. 158]

AYES—137

Archer
Aspin
AuCoin
Barnes
Bedell
Bingham
Boland
Bolling
Bonior
Brinkley
Brodhead
Broomfield
Brown (CA)
Clay
Coats
Collins (IL)
Collins (TX)
Conable
Conte
Conyers
Courter
Coyne, James
Crane, Daniel
Crane, Philip
D'Amours
Dannemeyer
Daschle
Deckard
Dellums
Derrick
Dorgan
Early
Eckart
Edgar
Edwards (CA)
Emery
Erdahl
Evans (DE)
Evans (IA)
Evans (IN)
Fascell
Fenwick
Ferraro
Fish
Fithian
Foglietta
Forsythe
Frank
Frenzel
Garcia
Gejdenson
Goodling
Gradison
Green
Hagedorn
Hall (OH)
Harkin
Heckler
Hertel
Hiler
Howard
Hoyer
Hughes
Jacobs
Jeffords
Jeffries
Johnston
Kastenmeier
Kildee
LaFalce
Leach
Leland
Lowry (WA)
Markey
Marks
Martin (IL)
Martin (NC)
Mavroules
McDade
McDonald
McGrath
McKinney
Mikulski
Miller (CA)
Minish
Mitchell (MD)
Mitchell (NY)
Moffett
Neal
Nowak
Obey
Ottinger
Oxley
Patterson
Paul
Petri
Porter
Pursell
Rangel
Ratchford
Reuss
Richmond
Rinaldo
Ritter
Rodino
Roemer
Roth
Roukema
Russo
Sabo
Scheuer
Schneider
Schroeder
Schumer
Sensenbrenner
Shamansky
Shannon
Siljander
Smith (OR)
Solarz
Solomon
St Germain
Stark
Staton
Studds
Synar
Volkmer
Walker
Washington
Waxman
Weaver
Weber (MN)
Weiss
Wirth
Wolpe
Wyden
Yates

NOES—267

Addabbo
Akaka
Albosta
Anderson
Andrews
Annunzio
Anthony
Applegate
Atkinson
Badham
Bafalis
Bailey (PA)
Barnard
Beard
Beilenson
Benedict
Benjamin
Bennett
Bereuter
Bethune
Bevill
Biaggi
Blanchard
Bliley
Boggs
Boner
Bouquard
Bowen
Breaux
Brooks
Brown (CO)
Brown (OH)
Broyhill
Burton, John
Burton, Phillip
Butler
Byron
Campbell
Carman
Carney
Chappell
Cheney
Chisholm
Clausen
Clinger
Coelho
Coleman
Corcoran
Coughlin
Coyne, William
Craig
Crockett
Daniel, Dan
Daniel, R. W.
Danielson
Daub
Davis
de la Garza
Derwinski
Dickinson
Dicks
Dingell
Dixon
Donnelly
Dowdy
Dreier
Duncan
Dunn
Dwyer
Dyson
Edwards (AL)
Edwards (OK)
Emerson
English
Erlenborn
Ertel
Evans (GA)
Fary
Fazio
Fiedler
Fields
Findley
Flippo
Florio
Foley
Ford (MI)
Ford (TN)
Fountain
Fowler
Fuqua
Gephardt
Gibbons
Gingrich
Ginn
Glickman
Goldwater
Gonzalez
Gore
Gramm
Gray
Gregg
Grisham
Guarini
Gunderson
Hall, Ralph
Hall, Sam
Hamilton
Hammerschmidt
Hance
Hansen (ID)
Hartnett
Hatcher
Hawkins
Hefner
Heftel
Hendon
Hightower
Hillis
Holland
Hollenbeck
Holt
Hopkins
Horton
Hubbard
Huckaby
Hunter
Hutto
Hyde
Ireland
Jenkins
Jones (NC)
Jones (OK)
Jones (TN)
Kazen
Kemp
Kindness
Kogovsek
Kramer
Lagomarsino
Lantos
Latta
Leath
LeBoutillier
Lee
Lehman
Lent
Levitas
Livingston
Loeffler
Long (LA)
Long (MD)
Lott
Lowery (CA)
Lujan
Luken
Lundine
Lungren
Madigan
Marlenee
Marriott
Martin (NY)
Matsui
McClory
McCloskey
McCollum
McCurdy
McEwen
McHugh
Mica
Michel
Miller (OH)
Mineta
Molinari
Mollohan
Montgomery
Moore
Moorhead
Morrison
Murphy
Murtha
Myers
Napier
Natcher
Nelligan
Nelson
Nichols
O'Brien
Oakar
Oberstar
Panetta
Parris
Pashayan
Patman
Pease
Pepper
Perkins
Peyser
Pickle
Price
Quillen
Rahall
Railsback
Regula
Rhodes
Roberts (KS)
Robinson
Roe
Rogers
Rose
Rostenkowski
Rousselot
Roybal
Rudd

Sawyer	Stangeland	Weber (OH)
Schulze	Stanton	White
Seiberling	Stenholm	Whitehurst
Sharp	Stokes	Whitley
Shaw	Stratton	Whittaker
Shelby	Stump	Whitten
Shumway	Swift	Williams (MT)
Shuster	Tauke	Williams (OH)
Simon	Tauzin	Wilson
Skeen	Taylor	Winn
Skelton	Thomas	Wolf
Smith (AL)	Traxler	Wortley
Smith (IA)	Trible	Wright
Smith (NE)	Udall	Yatron
Smith (NJ)	Vander Jagt	Young (FL)
Snowe	Walgren	Young (MO)
Snyder	Wampler	Zablocki
Spence	Watkins	Zeferetti

NOT VOTING—29

Alexander	Downey	Mottl
Ashbrook	Dymally	Pritchard
Bailey (MO)	Frost	Roberts (SD)
Bonker	Gaydos	Rosenthal
Burgener	Gilman	Santini
Chappie	Hansen (UT)	Savage
Cotter	Lewis	Vento
DeNardis	Mattox	Wylie
Dornan	Mazzoli	Young (AK)
Dougherty	Moakley	

□ 1640

Mr. JOHN L. BURTON changed his vote from "aye" to "no."

So the amendment to the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. ROEMER TO THE AMENDMENT OFFERED BY MR. MYERS

Mr. ROEMER. Mr. Chairman, I offer an amendment to the amendment.

The Clerk read as follows:

Amendment offered by Mr. ROEMER to the amendment offered by Mr. MYERS: In the proposed amendment strike out "$1,518,941,000" and insert in lieu thereof "$1,298,000,000".

Mr. ROEMER. Mr. Chairman, I have an amendment that has just been read and which, if adopted by this House, would save about $330 million from the Jimmy Carter budget and about $200 million from the Appropriation Committee budget as presented to this House today.

The question becomes this: How can we save those enormous sums of money? There are two ways to cut the budget. The first technique is taking it project by project or program by program and asking each project or each program to stand or fall on its own merits or demerits.

This approach is intelectually and economically the most comfortable way to approach budget cuts. project by project and program by program.

But in this first technique of doing it project by project and program by program, there are problems, the most pressing of which is time. We have either not taken the time or had the time to discuss the programs which we cut across the board in this Congress. Also with these water projects, individual project review becomes horribly subjective as we look at the benefit-cost ratios and human life and property equations and compare those with the costs already sunk in the project.

The second way to cut the budget is across the board. It is the way that, in this case, I prefer.

Mr. PERKINS. Mr. Chairman, will the gentleman Yield?

Mr. ROEMER. Mr. Chairman, when I get finished, I will be glad to yield to the distinguished committee chairman.

The second way to cut the budget is across the board. Instead of pitting project against project, program against program, and review against subjective review, we make modest and manageable cuts equitably distributed and thereby yield enormous savings.

It is this second method that my amendment attempts to follow. The amendment does not target any project for termination. The amendment does not pit any project, one against the other. What the amendment does is to ask the Appropriations Committee, under certain broad categorical guidelines, to reduce all projects that fit beneath these guidelines by a similar 25 percent, from the Carter budget, excepting those projects which have already been reduced by at least 25 percent, saving $211 million over what the Appropriations Committee first recommended.

The criteria are as follows: First, all water projects less than 80 percent complete; second, all water projects that do not have at least a 10-to-1 benefit-to-cost ratio; third, exempt all projects already reduced by 25 percent or more from the Carter budget; fourth, all projects that are not designated in the committee report as rehabilitation or replacement or hurricane protection; and fifth, we reserve a $30 million amount saved under the criteria just stated, to the Appropriation Committee's discretion to fully fund those projects categorized as predominately flood control.

This amendment will reduce funding by 25 percent from the Carter budget on some 116 projects.

Let me conclude my remarks by saying this: I have learned a lot in my few months here, and I have learned it is most difficult to fool with projects because, although we talk about the common good and the broad scope of economy, we start first at home and then look outward.

□ 1650

I am asking that no project, not even those in my district, escape the categorization by these criteria. We can save a quarter of a billion dollars at a time when this country has no national water policy, at a time when we have asked program after program to cut back with almost no review and no consideration.

Should we not require the same sacrifice of brick and mortar that we ask of human beings?

I hope you can support this amendment. I hope you can support this goal of ours to bring some economic sanity into the area of water development.

I want to say that the strongest arguments that I have heard against delaying these projects is that inflation will cost us more in the long run. Well, this is not 1965. The reason we got into this inflationary mess is that we decided to spend now, regardless of the budget.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

(By unanimous consent, Mr. ROEMER was allowed to proceed for 3 additional minutes.)

Mr. ROEMER. When will we end the inflationary spiral? I predict we never will if we continue to spend because it is cheaper now than somewhere down the road.

Mr. DAUB. Mr. Chairman, will the gentleman yield?

Mr. ROEMER. I would be glad to yield to the gentleman from Nebraska.

Mr. DAUB. I appreciate the gentleman yielding. I will rise later in opposition if I get time; but I want to ask the gentleman a question about the criterion.

Did the gentleman say that flood control projects are specifically excluded from the criterion that the gentleman offers the House now for consideration?

Mr. ROEMER. What we have done is applied the 25-percent cut on the 100-some odd projects that we looked at, which yield an additional $30 million in savings that we did not put in our amendment.

We ask in our criteria that the Appropriations Committee apply that $30 million to flood control projects.

Mr. DAUB. If the gentleman will yield further, I have not seen a copy of the gentleman's amendment and because of its importance, I really would like, and I ask unanimous consent that the gentleman be given additional time to read precisely to this body the language of the amendment.

Mr. ROEMER. All right. I will be glad to. We have copies and I will be glad to give the gentleman one. I ask the gentleman to recognize that these are amendments to the appropriations bill. By the nature of the bill, the amendments cannot authorize. That is why I have spent considerable time here today spelling out the criteria which I could not place in my amendment.

Mr. DAUB. I thank the gentleman.

Mr. BEVILL. Mr. Chairman, I rise in opposition to this amendment. It is a far-reaching amendment, as we have noticed. It would knock out about 80 percent of the projects in this bill.

I urge that we vote "no" on the amendment.

Mr. DAUB. Mr. Chairman, I move to strike the last word. I rise in opposition to the amendment.

I just had a chance to read the language of the proposed amendment from my good friend. I thank the gentleman. He has brought further information to me and I do appreciate the gentleman's indulgence.

I had the privilege of being 1 of approximately 2,000 witnesses that came before the Appropriations Committee. I happened to have had a chance to examine carefully, and I spent a lot of time with this, I would like to say to my colleagues, going through the 12,442 pages of testimony, many coming from persons 3,000 miles away to share with the experts on this subject their views on projects in their districts.

This particular language does not give, in my judgment, legitimate guidance to either the corps or to the Chief of the Bureau of Rivers and Harbors.

I take particular exception to this kind of language, because I do not believe that this body would have time in 1 week to examine probably 80 percent of the projects contained in the bill should their cost-benefit ratio not be better than 10 to 1.

Mr. ECKART. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, perhaps if we had commenced this budget cutting activity when it first had been suggested by an earlier President, we might not find it necessary to contemplate the project cuts that this amendment draws to our attention.

This Congress failure to restrain pork barrel and other unneeded projects requires us to take decisive action today.

It is important to point out to the committee that 162 of the water projects in this bill are funded at the levels requested 4 years ago and that the criteria being suggested by the gentleman from Louisiana in his amendment is not the kind of broad meat-ax cut that is not in tune with what might be the needs of a particular project, but that the gentleman's amendment is reflective of a strict review of projects that are well on the way to be completed. It does not pit individual projects against the other and does not terminate any projects nor provide for zero-based funding.

Mr. ROEMER. Mr. Chairman, would the gentleman yield on that point?

Mr. ECKART. I would be happy to yield.

Mr. ROEMER. I thank the gentleman for yielding.

I would like to make that point again. Unlike some comments on the floor and some made at this microphone, this amendment does not zero fund nor target any project.

As to the comments of my colleague, the gentleman from Nebraska, as to the criteria, in the appropriations bill, I trust and appreciate the wisdom of the Appropriations Committee and its various subcommittees. It is turning back to them the job of some modest cost savings in line with what we have done with everything from health care to human needs that I think is not only needed, but is necessary in the economic life of this country.

I thank the gentleman for yielding.

Mr. ECKHART. Well, I appreciate the gentleman's request and commend him for bringing this amendment to our attention. It is important that these cuts not affect only certain parts of the country but are fair and equitable. This amendment helps accomplish that purpose.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Louisiana (Mr. ROEMER) to the amendment offered by the gentleman from Indiana (Mr. MYERS).

The amendment to the amendment was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana (Mr. MYERS).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 104. The discount rate for the Saginaw River, Michigan, project authorized in section 203 of Public Law 85-500 (72 Stat. 311) shall be as provided for in section 80b of Public Law 93-251 (88 Stat. 34) if non-Federal interests subsequently provide appropriate assurances for the non-Federal share of project costs.

Mr. BONIOR of Michigan. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I rise to engage the chairman of the committee in a colloquy with regard to a particular issue that involves the Midwest.

I want to commend the chairman of the subcommittee, the gentleman from Alabama, and the ranking minority member, the gentleman from Indiana, for their assistance on the issue of winter navigation extension on the Great Lakes. This is an issue of great regional importance raising complex environmental and economic issues.

From 1970 through September 1979, on a demonstration project basis, the corps was authorized to extend the navigation season on the Great Lakes, and, in addition, to conduct a full feasibility study of a continuing extension. Since then, when their specific authority expired, the corps has developed an operational extension to January 7 plus or minus 1 week.

As part of the full feasibility study, the corps had authority to undertake environmental studies, and had some $6 million set aside for that purpose. They chose, however, to postpone environmental studies until after they were given authority for a continuing extension. The result is that today, some 10 years after Congress began to study extension of the navigation season, we still do not know the environmental impact of an extension.

The committee has generously put aside $2 million for fiscal year 1982 to allow the Corps of Engineers to begin the important studies necessary to assess the environmental impact of navigation extension. The full studies will require $8.5 million, and the committee has also agreed to complete that funding in subsequent years. Is that correct, Mr. Chairman?

Mr. BEVILL. The gentleman is correct.

Mr. BONIOR. I thank the gentleman. At the center of any environmental assessment, is the need to develop base-line data on the Great Lakes ecosystem absent navigation extension. If we do not know what the system looks like without an extension, we can hardly measure the impact of an extension. In order to meet the need for baseline data, it is necessary that we suspend the corps' operational extension, prohibiting navigation between December 15, plus or minus 2 weeks and April 1.

The chairman is well aware of this problem. In funding the environmental assessment, am I not correct in understanding that the chairman envisions that the operational extension will be suspended to allow for the collection of baseline data, and that the committee will declare that intent as part of next year's action on the fiscal year 1983 appropriation bill?

Mr. BEVILL. The gentleman is correct, for that 1 year.

Mr. BONIOR. The solution we have reached here tracks the solution that was proposed in section 124 of H.R. 4788, and explained in Water Resources Development Act of 1979, House Report No. 96-508, to accompany that bill. Unfortunately, H.R. 4788 died in the Senate. I thank the chairman again for his cooperation in resuscitating this important measure.

I would like to close with a caveat. As the chairman knows, I am deeply concerned that the corps has chosen to proceed with an operational extension. I think it is clear that Congress has reserved to itself the decision on whether or not the corps should extend the season. It is an authorization matter.

In closing, accordingly, I want to underline the fact that today's action does not affect the question of whether or not authority exists for navigation extension. Today's action in funding studies does not presume that authority exists. Rather, it is consistent with the need to develop fuller environmental studies so that Congress, and not the corps, can make the final decision. Similarly, today's commitment to suspend the operational ex-

tension does not assume that the corps is without authority. Rather, it reflects the needs of the studies themselves.

Today's action in short, leaves the question of authority exactly where it was yesterday—waiting for resolution.

□ 1700

The conclusion we have reached here tracks the solution that was proposed in section 124 of H.R. 4788 and explained in the Water Resources Development Act of 1979.

I would like to thank the gentleman from Alabama (Mr. BEVILL) and the gentleman from Indiana (Mr. MYERS). I will have further comments to make on this issue at a later time.

AMENDMENT OFFERED BY MR. SIMON

Mr. SIMON. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

SEC. 108. Clayton Lake which is an element of the flood control project for the Clayton and Tuskahoma Reservoirs, Kiamichi River, Oklahoma, authorized by section 203 of the Flood Control Act of 1962 (76 Stat. 1187), shall hereafter be known as "Sardis Lake". Any law, regulation, map, document, or record of the United States in which such lake is referred to shall be held and considered to refer to such lake as "Sardis Lake".

The Clerk read as follows:

Amendment offered by Mr. SIMON: Page 7, after line 23, insert the following new section:

SEC. 109. From the funds appropriated by the second paragraph of this title for general investigations, no more than $70,000 shall be expended for a study of flooding and drainage problems in Alexander County and Pulaski County, both located in the State of Illinois, and no more than $100,000 shall be expended from funds appropriated for the main stem study of the Ohio River to evaluate alternatives for flood damage reduction in Saline County and Gallatin County, both located in the State of Illinois.

Mr. SIMON (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. SIMON. Mr. Chairman, I think for once this is an amendment to this bill that is completely noncontroversial. This is in regard to funding of studies that have already been authorized.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. SIMON. I yield to the gentleman from Alabama.

Mr. BEVILL. The committee is familiar with this amendment. We have no objection to it, no one objects to it and we accept it.

Mr. SIMON. I thank the gentleman from Alabama.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. SIMON. I yield to the gentleman from Indiana.

Mr. MYERS. I am very familiar with the problems the gentleman is addressing. They certainly do need attention. I know this is a very real problem and a frequent problem in the gentleman's district, and this side is pleased to accept the gentleman's amendment.

Mr. SIMON. I thank my colleague from Indiana.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. SIMON).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. CONTE

Mr. CONTE. Mr. Chairman, I offer an amendment.

The portion of the bill to which the amendment relates is as follows:

CONSTRUCTION PROGRAM

For construction and rehabilitation of projects and parts thereof (including power transmission facilities for Bureau of Reclamation use) and for other related activities as authorized by law, to remain available until expended, $605,258,000, of which $130,063,000 shall be available for transfers to the upper Colorado River Basin Fund authorized by section 5 of the Act of April 11, 1956, and $186,497,000 shall be available for transfers to the Lower Colorado River Basin Development Fund authorized by section 403 of the Act of September 30, 1968, for construction and for liquidation of contract authority provided pursuant to said Act: *Provided*, That of the total appropriated, $221,735,000 shall be derived from the Reclamation Fund: *Provided further*, That transfers to the Upper Colorado River Basin Fund and Lower Colorado River Basin Development Fund may be increased or decreased by transfers within the overall appropriation to this heading: *Provided further*, That the final point of discharge for the interceptor drain for the San Luis Unit shall not be determined until development by the Secretary of the Interior and the State of California of a plan, which shall conform with the water quality standards of the State of California as approved by the administrator of the Environmental Protection Agency, to minimize any detrimental effect of the San Luis drainage waters: *Provided further*, That no part of the funds herein approved shall be available for construction or operation of facilities to prevent waters of Lake Powell from entering any national monument.

The Clerk read as follows:

Amendment offered by Mr. CONTE: On page 8, line 21, strike out "$605,258,000" and insert in lieu thereof "$601,258,000".

(By unanimous consent, Mr. CONTE was allowed to proceed for 5 additional minutes.)

Mr. CONTE. Mr. Chairman, those Members who are supporting this bureaucratic boondoogle clearly are grasping for straws.

A recently distributed "Dear Colleague" by the Member from North Dakota would have you believe that the Congress owes the proponents of this special-interest project something for their patience.

The author of this "Dear Colleague" states that one of the reasons for this water diversion project is to provide a "counterbalance for the negative impact that other aspects of the plan—the Garrison Dam itself and other mainstem dams—would have on the State of North Dakota." He continues by saying in his letter:

Unfortunately, the dam's construction together with that of the Oahe Dam in South Dakota, inundated one-half million acres of North Dakota's choice river bottom land.

Let me respond to the gentleman's statement by saying that what he proposes to do will require the acquisition and substantial destruction of an additional 200,000 acres of land. It must be said, however, that this is no ordinary land which the project would harm. Instead, it is a region which represents 13 congressionally authorized national wildlife refuges; and 70,000 acres of prime prairie waterfowl marshes which provide the perfect environment for the production of the canvasback duck. No other State in the country except Alaska can claim as many ducks as part of its environment. The support for these waterfowl marshes is obvious through the annual sales in duck stamps of $16.5 million. In fact, there has been such a controversy regarding the potential loss of land if this project goes forward that one county has sued to leave the conservancy district and three more are considering it.

The proponents of this project would have you believe that because the project was authorized by Congress in 1965, that it must be constructed now. As a matter of critical importance, U.S. District Court Judge Richey ruled on May 6, 1981, that the project may not continue unless Congress reauthorizes the project which now is expected to cost $1.018 billion versus the original projection of $207 million. The Congress has not reauthorized this boondoggle. In addition to the skyrocketing costs and plummeting benefit-cost ratio, the project has been declared by the International Joint Commission, one designed to study the impact of this project on the rivers which flow between North Dakota and Canada, as one which would cause significant injury to the health and property in Canada as a result of adverse impacts on the water quality. Let me emphasize to all Members in this Chamber that to go forward with this project would be a violation of the 1909 Boundary Waters Treaty.

Mr. Chairman, the proponents would also have you believe that this project will save North Dakota from some drought. It should be noted this taxpayer's nightmare will not be saving North Dakota from any drought since it is expected to irrigate only six-tenths of 1 percent of the agricultural land in the State. In fact, this year the Agriculture Department

is projecting that the State of North Dakota may lead the Nation in wheat production. Therefore, Garrison will not be reclaiming arid wasteland. On the contrary, the land to be irrigated, at a cost of $800,000 per farm or $3,300 per acre, is already productive.

Mr. Chairman, the author of the "Dear Colleague" wants you to believe that a 5,000 acre test-plot, which the $4 million in this bill is expected to fund, will resolve the concerns of our good neighbors to the north in Canada who aided this Nation in its time of need during the hostage crisis in Iran. As I stated earlier, the International Joint Commission concluded that because of the rough fish which would be transmitted into the Hudson Bay watershed from the North Dakota rivers that this project would be in violation of the 1909 Boundary Waters Treaty. This 5,000 acre test-plot does not even address this issue.

Mr. Chairman, at a time when fiscal restraint and responsibility is so critical to this Nation, I cannot understand, for the life of me, why these people think they need another $4 million in taxpayers' hard-earned money to fund this boondoggle when there are available $7.4 million in previously appropriated, unspent funds.

As I stated before, the district court's decision in May of this year blocks all new project construction and land acquisition on this project. If the Congress wants to spend this $4 million, it should at least be put in a program where it can be spent effectively. Appropriating this $4 million for the Garrison project is a waste; it represents the stockpiling of Federal dollars behind a dead project.

In the gentleman's final paragraph of his letter, he asks for the $4 million in tight Federal funds in order to keep the project from falling even further behind schedule. I must say to the gentleman from North Dakota that last year alone the project costs increased by $183 million, which is more than all the funds expended to date.

Mr. Chairman, it simply is no longer fiscally responsible to pour additional new taxpayers' dollars into this bureaucratic boondoggle. At the present rate of increase of 38 percent of the project costs, the American taxpayer would be finished off long before the project. Funds previously appropriated should be used to determine the best salvage value of the roughly 15 percent of project features constructed to date.

I strongly urge you to support the amendment to delete the $4 million for this travesty.

□ 1710

Mr. Chairman and members of the committee, I have served longer than anyone in this House on the Migratory Bird Commission. There are two members. Right now it is me and the gentleman from Michigan (Mr. DINGELL). Two members from the Senate, three members of the Cabinet. You do not know what we have to fight for from your hunters, from your sportsmen, who go out and buy these—duck stamp money—to buy a little wetland, to have some place where these ducks can breed, where waterfowl can breed, where they can travel in the flyways, in the Atlantic flyway, in the Central flyway, the Pacific flyway. And one of the best breeding grounds we have in the 48 States is North Dakota. Now they want to flood that land and destroy these refuges that the sportsmen of this country have bled for and fought for. The people of North Dakota themselves do not want this dastardly project. So let us put an end to it today.

Mr. WEAVER. Mr. Chairman, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from Oregon.

Mr. WEAVER. Mr. Chairman, I want to compliment and commend the gentleman for his excellent presentation of the issue and join him and associate with him in the amendment and thank him. I was unavoidably detained in the reconciliation conference and got here a few seconds late. I thank the gentleman very much for offering the amendment.

Mr. CONTE. I thank the gentleman. I offered the amendment to protect the gentleman. I knew he was busy over there.

Mr. VOLKMER. Mr. Chairman, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from Missouri.

Mr. VOLKMER. Mr. Chairman, is the gentleman of the opinion that we would not have as many ducks in the flyways if this amendment would not be successful?

Mr. CONTE. This area here is one of the best, let me say the best breeding grounds in the lower 48 that we have. It is the best breeding ground for the canvasback outside of Alaska. It is a jewel of a place. Not only that, but if you look at the ratio of the thing, the ratio now is almost 1 to 1, the cost ratio of it. It is a boondoggle. One county has already gone to court and said they do not want the thing. There are three other counties that want no part of this project.

Mr. FORD of Michigan. Mr. Chairman, will the gentleman yield?

Mr. CONTE. I yield to the gentleman.

Mr. FORD of Michigan. The gentleman fascinates me with his knowledge of the habits and the flyways of the canvasback. What is it the gentleman does with them after they fly down out of North Dakota?

Mr. CONTE. Well, that is the idea of the whole thing. You want to keep that population up. You want to preserve the species so that the sportsmen can do a little hunting on their off times and harvest the flocks, but you do not want to destroy the flocks. There will be nothing to harvest later on.

Mr. BEVILL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to this amendment. I would like to point out that the committees have consistently supported this project. There is a treaty between the two countries, Canada and the United States. The Prime Minister and President Reagan discussed this matter in Ottawa last week. President Carter and the Prime Minister of Canada had agreements. We have respected all of those. The delegation of North Dakota supports it, and the committee supports it. We urge the Members to vote no on this amendment.

Mr. WEAVER. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, I am from Oregon, but I do have a great interest in North Dakota. My credentials are, for a nonresident, rather good. My great-uncle was the first secretary of state of North Dakota. He bequeathed a farm in North Dakota to my mother, a 640-acre farm in the Williston Basin, the site of the great oil discoveries. Unfortunately, she gave it up for taxes in the 1930's, so we no longer own that.

Also, in my first year in the Congress I killed a dam in my district. I killed that dam in my district because it was a boondoggle. It was a $100 million irrigation dam without an irrigation project. Yet they were going to build it. They were going to build it because the stream was there, I guess, because it had no purpose. It had a cost-benefit ratio about 1 to 1, the same as the Garrison Dam. And it hurt me. I lost 30 percent of the vote in that area because I did that. But, my God, if we are going to cut the budget, where is it going to be cut? Are we all going to sit here and say: Cut somewhere else, not me?

Where I see waste, that is where I will go. And if it is in my own district, that is where I will go. The Garrison water project is a classic spending boondoggle. When originally authorized, the unit was to cost $200 million. Today it is estimated at $1 billion. It has a cost-benefit ratio of 1 to 1, and that is at 3¼-percent interest. They cannot even make a profit at 3¼-percent interest. My gosh, if you cannot make a profit today at 3¼-percent interest, something has got to be wrong.

Garrison has already drained $160 million from the Federal Treasury. How much longer do we send this money down the swamp? The project is 15-percent complete, down from the 20-percent complete estimated in 1979.

So it is going backward while we pump more money into it. Is there any wonder why we have inflation in this country when we build projects like synfuels plants at $4.5 billion and dam projects and canal projects at billions of dollars that do not pay their way? And then we say: Why do we have inflation in this country? It is because we are wasteful, inefficient, and we spend the taxpayers' money without a real accounting.

The gentleman from Massachusetts has adequately covered the waterfowl. I would like to repeat, however, that Canada, their opposition to this is that the waterways will flow into their waterways, bringing foreign rough fish and other biotic material into their Hudson Bay area. That is not being a good neighbor.

You know, Garrison, just as the dam that I was talking about earlier that I killed in my district, was conceived back in the 1930's. And back in the 1930's when no work was around and there were no public works and people were desperate, these dams were life-saving things to the community and to the working people. I supported them and I have supported dams all my life. But we have run out of the dams that are effective and efficient and that pay for themselves. Now we go back to this Dust Bowl era dam and try to resurrect it and keep it alive, and our taxpayers' money and our Federal coffers go down the tube day after day because we are afraid to say no. Well, let us say no today.

Mr. CONTE. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Massachusetts.

Mr. CONTE. The chairman of the committee mentioned that there was a 1909 boundary water treaty and that this was not in violation of it. I would like to make the point that the issue was referred to the International Joint Commission, which concluded that the project, "would cause significant injury to the health and property in Canada as a result of adverse impacts on the water quality." And this would be in violation of the 1900 Boundary Waters Treaty.

And I might say that I just got a call from Parliament in Ottawa this morning in opposition to this.

□ 1720

Mr. DORGAN of North Dakota. Mr. Chairman, I move to strike the requisite number of words. Mr. Chairman, a couple of evenings ago I was reading a book called "Touch of the Earth," that contains writings from Indian chiefs. The book describes Chief Joseph, Crazy Horse, and Sitting Bull discussing how you cannot always trust what they say in Washington.

I was thinking about the Garrison diversion project with respect to that conversation.

Back in the 1940's, the Pick-Sloan project was developed for a couple of reasons. They said they wanted to harness the Missouri River to provide both navigational aid and flood control downstream. They also wanted to provide for hydroelectric power, they said.

In exchange for what North Dakota had to give up for that project, 500,000 acres of North Dakota land in exchange for what we gave up for the construction of the dams within our borders, the Federal Government said it was willing to give North Dakota a million acre irrigation project. That was in the 1940's.

Well, a dam was built in North Dakota, a good dam, the Garrison Dam, which provides a goodly amount of hydroelectric power and flood control downstream. According to the statistics I have seen, the amount of money saved from flood damage that otherwise would have occurred had the dam not been built equals the cost of the Garrison diversion unit.

The fact is that our society, and particularly the downstream areas, have received a lot of benefits as a result of the Garrison Dam. We have borne the cost of that dam, 500,000 acres of North Dakota land, in exchange for promised benefits.

The promised benefit was 1 million acres of irrigable land in North Dakota. That changed in 1965. They said a quarter million acres.

Now we have some folks in Washington saying, no irrigable land. They say let us cut the project.

It seems to me that if we are left with the costs and no benefits—if we are left without a major water project in our State's future, in a semiarid climate, with 14-17 inches of rainfall per year—then we have lost something very precious.

I stand here to ask my colleagues to reject the amendment offered by the two gentlemen who have recently spoken. I think that the Garrison diversion program is a program that is worth continuing. It may well have some changes before it is completed. They say the costs have skyrocketed. Certainly they have skyrocketed because of inflation, because this project has been dragged out for so long.

We are not talking about $400 million in funding. We are not talking about $40 million. We are talking about $4 million of funding for the Garrison diversion project this year.

Mr. Chairman, I would like to conclude simply by saying that that promise that was made to our area of the country in the 1940's and again in the mid-1960's—the promise of a reliable and consistent water program, a water supply system for municipal and industrial use in North Dakota cities—is a very important promise.

I wrote a "Dear Colleague" letter which has been quoted at some length and I would like to read a paragraph from that letter and explain what I meant by that paragraph and to explain how that paragraph underlines what I think is the need for a water project in my State's future.

I said: "After 16 years of waiting for water from this often-delayed project, the people of North Dakota are recognizing that the impact of energy development in our State is making the availability of water an ever-increasing problem."

Let me repeat that."The people of North Dakota are recognizing that the impact of energy development in our State is making the availability of water an ever-increasing problem."

"This fall we are about to begin preliminary studies on a State-funded $60-$80 million pipeline to deliver water to one of our major communities. This city has grown so rapidly as a result of energy development that it can no longer supply its residents with decent water and now faces the possibility of having to recycle water from the third stage of its sewage lagoon. An emergency such as this community faces serves as a graphic reminder that wherever you go in a semiarid impact State like North Dakota, the availability of water can be a seriously limiting factor, one that—in the absence of a reliable delivery system such as Garrison Diversion—is capable of creating a crisis situation practically overnight."

I want to point out that the city of Dickinson, to which that paragraph referred, would not be served by the Garrison diversion program. The point is that the city remains arid, and illustrates that wherever you go in a semiarid State, the potential of a water delivery problem exists. The potential of a dryup of water supply for those industrial and municipal purposes exists.

North Dakota needs this project. I think the amendment should be turned down.

Mr. MYERS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I reluctantly rise to oppose the amendment. I am reluctant because my good friend of many years has proposed this amendment. He is my neighbor in the Rayburn Building. He serves good iced tea every once in a while.

However, because of the merit of this program, I am compelled to oppose this attack on the Garrison diversion. We have some perennial matters here that come up every year, and this is one. This year we do not have our good friends, the former Member, MARK ANDREWS, who is over in the other body. Mark mentioned to me last night this matter would be coming up and urged us on his behalf and on behalf of the many people from North Dakota who come every year to sup-

port this project. We do not hear from the Parliament of Canada. No, I must say we have never had a Member of Parliament come down and support it. We have had one or two people every year come in opposition.

We understand and listen to them because, yes, they are affected. But we are trying to work out those differences and I think we are about to resolve those differences. Maybe not to the satisfaction of every Member of the Parliament of Canada. Nevertheless, we are attempting to do that and it is a project that has widespread support.

The Governor has been here a number of times to testify on its behalf, and many members of the legislature, and it is one of those projects that certainly is not new to those Members who have been here for a while.

But it is a good project. People in North Dakota gave up land with the understanding this project would be built. We would be really violating the spirit of that agreement. The fact is that others have sacrificed for this project.

I think this body owes it to those who have sacrificed for the previous programs and projects. We should go ahead and complete this part, which is a necessary element in the complete project.

So I urge that the Members not support this amendment.

Mr. VENTO. Mr. Chairman, I rise in support of the Weaver-Conte amendment. The Garrison diversion is a project whose time and appropriateness have long since passed. It is a classic example of a boondoggle water project which defies economic and environmental logic.

This amendment to halt Garrison should be adopted solely on the basis of economics. Originally projected to cost $207 million, the Garrison diversion has now ballooned to over $1 billion with no end in sight for this explosion cost growth.

However, the problems with Garrison go beyond cost growth. It has been demonstrated that the construction of Garrison will have severe environmental impacts on this country and Canada.

As has been stated earlier, the Garrison diversion will require 220,000 acres to irrigate another 250,000 acres. A large portion of this land to be lost in construction includes national wildlife refuges. North Dakota possesses a rich waterfowl habitat. Its alkaline lakes and prairie marshes provide ideal breeding, feeding, and nesting areas for waterfowl. In fact, North Dakota produces more ducks annually than any other state except Alaska.

The Garrison diversion would have a devastating impact on waterfowl and their habitat. Thirteen national wildlife refuge areas will be destroyed or degraded through project development. In all, over 70,000 acres of prime prairie wetlands will be irreversibly lost.

Garrison diversion will also have severe environmental impacts on water quality for North Dakota, Canada, and Minnesota. A major concern is that the return flow of irrigation waters, channeled into the Souris and Red Rivers will increase the salinity of these waters and will add further pollutants such as sulfur. This concern is so great that Canada has appealed to the International Joint Commission. The IJC has agreed that the Garrison project would be a violation of the 1909 Boundary Waters Treaty between the United States and Canada. Because of this decision, the United States has made a commitment, reaffirmed by President Reagan this spring, that no action would go forward on Garrison that would have an impact on Canadian waters.

The concern in my State of Minnesota about the potential environmental impacts of the Garrison project is very great. The Minnesota-North Dakota border is the Red River, which is to receive some of the irrigation return flow. While this flow may increase water levels, it will also increase pollution levels above State legal limits. These significant environmental impacts caused the State of Minnesota Pollution Control Agency to join the Audubon Society lawsuit to halt the Garrison project.

Mr. Chairman, the Garrison project cannot stand the test of economics and environmental concerns. The time has come for Congress to say no to a program with skyrocketing costs and severe national and international environmental implications.

Mr. DASCHLE. Mr. Chairman, I have a serious problem in voting on the amendment to delete $4 million for the Garrison project. On the one hand, there are presently discussions being carried on by the State administrations of North and South Dakota, and between those States' congressional delegations, which could result in some very positive benefits for my State from the Garrison project. On the hand, there are, as yet, no provisions in the Garrison authorization which would protect South Dakota from some potential negative impacts resulting from the project. If the project is built as originally planned, there could be serious problems in my State with return flows from the project. There is nothing in the authorizing language which speaks to South Dakota's concerns about the quality of the water released into the James River, or about the timing of those releases. An ill-timed release could cause serious flooding problems for residents along the James River in South Dakota.

Even if the Garrison is built as originally planned, South Dakota could be in trouble. But the fact of the matter is that the environmental concerns of the Canadian Government may very well prevent the project from being built as planned. In that case, an alternative plan, draining into South Dakota entirely, might be substituted. In that case, the impacts on South Dakota might be even greater. I have tried to obtain assurances from the North Dakota delegation, and the State of North Dakota, that they will seriously consider specific protections for the State of South Dakota in the Garrison authorization. To this point, we have failed to successfully reach agreement on these protections in specific terms.

Coming from a State like South Dakota, I realize the necessity that water development is in our sister State, and I hesitate to oppose a project which North Dakota feels is necessary for its economic well-being. But I cannot support an authorization for a project which could seriously impact my State until some considerations are agreed upon to protect my State. I hope that some accommodation between our two States can be made. But until that accommodation is made, I must vote in favor of deleting the $4 million for additional construction this year.

Mr. LUJAN. Mr. Chairman, the uranium enrichment program includes the development of advanced isotope separation technologies. This program could result in significantly lower costs for uranium enrichment and conservation of uranium resources. Since gaseous diffusion enrichment plants are so power intensive, the development of this technology would have an additional national benefit—to conserve energy.

There are presently three processes for advanced isotope separation being developed. The report for the energy and water appropriations bill we are now discussing has included language on this program. This language calls for the Department to select one of these three processes as soon as possible.

This rush to decide among the three projects is ill advised. All of the three competing processes still have significant problems to overcome. Requiring DOE to choose one of them now would not allow DOE to make the best choice. This could be a precipitous move and a bad expenditure of funds.

I am at present a member of Reconciliation Conference, which considers these matters. I intend to make the same arguments to my colleagues there.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. CONTE).

The question was taken, and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. CONTE. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 188, noes 206, not voting 39, as follows:

[Roll No. 159]

AYES—188

Applegate	Forsythe	Murphy
Archer	Frenzel	Napier
Aspin	Garcia	Nelligan
AuCoin	Goldwater	Oberstar
Badham	Goodling	Obey
Bailey (MO)	Gradison	Ottinger
Barnes	Green	Oxley
Bedell	Gregg	Parris
Beilenson	Grisham	Patterson
Bingham	Guarini	Paul
Bliley	Hagedorn	Pease
Breaux	Hall (OH)	Petri
Brinkley	Harkin	Porter
Brodhead	Hartnett	Pursell
Broomfield	Hawkins	Railsback
Brown (CO)	Heckler	Reuss
Brown (OH)	Hiler	Richmond
Broyhill	Hillis	Rinaldo
Burton, Phillip	Hollenbeck	Ritter
Butler	Horton	Rodino
Byron	Hughes	Roemer
Campbell	Hunter	Roth
Carman	Jacobs	Roukema
Clay	Jeffries	Roybal
Clinger	Johnston	Russo
Coats	Kastenmeier	Savage
Coleman	Kemp	Sawyer
Collins (IL)	Kindness	Scheuer
Collins (TX)	Kramer	Schneider
Conable	Lagomarsino	Seiberling
Conte	Latta	Sensenbrenner
Conyers	Leach	Shamansky
Corcoran	Lee	Shannon
Coughlin	Lehman	Sharp
Courter	Lent	Shaw
Coyne, James	Levitas	Smith (NJ)
Craig	Livingston	Smith (OR)
Crane, Daniel	Lowery (CA)	Snowe
D'Amours	Lowry (WA)	Snyder
Daniel, Dan	Luken	Solomon
Daniel, R. W.	Lundine	Spence
Dannemeyer	Lungren	St Germain
Daschle	Markey	Stanton
Davis	Marks	Stark
Deckard	Martin (IL)	Staton
Dellums	Martin (NC)	Studds
DeNardis	Martin (NY)	Synar
Derrick	McClory	Tauke
Derwinski	McCollum	Trible
Dingell	McDonald	Walgren
Dougherty	McEwen	Walker
Dunn	McGrath	Washington
Early	McKinney	Waxman
Edgar	Mikulski	Weaver
Edwards (CA)	Miller (CA)	Weber (MN)
Emery	Miller (OH)	Weber (OH)
Erlenborn	Minish	Whitehurst
Evans (DE)	Mitchell (MD)	Wolpe
Evans (IN)	Mitchell (NY)	Wortley
Fascell	Moffett	Wyden
Fenwick	Molinari	Yates
Fish	Moore	Yatron
Foglietta	Moorhead	

NOES—206

Addabbo	Bethune	Chisholm
Akaka	Bevill	Clausen
Albosta	Blanchard	Coelho
Anderson	Boggs	Coyne, William
Andrews	Boland	Crane, Philip
Annunzio	Bolling	Danielson
Atkinson	Boner	Daub
Bafalis	Bouquard	de la Garza
Barnard	Bowen	Dickinson
Beard	Brooks	Dicks
Benedict	Burton, John	Dixon
Benjamin	Carney	Donnelly
Bennett	Chappell	Dorgan
Bereuter	Cheney	Dowdy
Dreier	Hubbard	Rangel
Duncan	Huckaby	Ratchford
Dwyer	Hutto	Regula
Dyson	Hyde	Rhodes
Eckart	Ireland	Roberts (KS)
Edwards (AL)	Jenkins	Robinson
Edwards (OK)	Jones (NC)	Rogers
Emerson	Jones (OK)	Rostenkowski
English	Jones (TN)	Rousselot
Erdahl	Kazen	Rudd
Ertel	Kildee	Sabo
Evans (GA)	Kogovsek	Schroeder
Evans (IA)	LaFalce	Schulze
Fary	Lantos	Schumer
Fazio	Leath	Shelby
Ferraro	LeBoutillier	Shumway
Fiedler	Leland	Shuster
Fields	Loeffler	Simon
Findley	Long (LA)	Skeen
Fithian	Long (MD)	Skelton
Flippo	Lott	Smith (AL)
Foley	Lujan	Smith (IA)
Ford (MI)	Marlenee	Smith (NE)
Ford (TN)	Marriott	Solarz
Fountain	Matsui	Stangeland
Fowler	Mavroules	Stenholm
Frank	McCloskey	Stokes
Fuqua	McCurdy	Stratton
Gejdenson	McDade	Stump
Gephardt	McHugh	Swift
Gibbons	Mica	Tauzin
Gingrich	Michel	Taylor
Ginn	Mineta	Thomas
Glickman	Moakley	Traxler
Gonzalez	Mollohan	Udall
Gore	Montgomery	Volkmer
Gramm	Morrison	Watkins
Gray	Murtha	Weiss
Gunderson	Myers	White
Hall, Ralph	Natcher	Whitley
Hall, Sam	Nelson	Whittaker
Hamilton	Nichols	Whitten
Hammerschmidt	Nowak	Williams (MT)
Hance	O'Brien	Williams (OH)
Hansen (ID)	Oakar	Wilson
Hatcher	Panetta	Winn
Hefner	Pashayan	Wirth
Heftel	Patman	Wolf
Hendon	Pepper	Wright
Hertel	Perkins	Young (AK)
Hightower	Peyser	Young (FL)
Holland	Pickle	Young (MO)
Holt	Price	Zablocki
Hopkins	Quillen	Zeferetti
Howard	Rahall	

NOT VOTING—39

Alexander	Downey	Mottl
Anthony	Dymally	Neal
Ashbrook	Florio	Pritchard
Bailey (PA)	Frost	Roberts (SD)
Biaggi	Gaydos	Roe
Bonior	Gilman	Rose
Bonker	Hansen (UT)	Rosenthal
Brown (CA)	Hoyer	Santini
Burgener	Jeffords	Siljander
Chappie	Lewis	Vander Jagt
Cotter	Madigan	Vento
Crockett	Mattox	Wampler
Dornan	Mazzoli	Wylie

□ 1740

The Clerk announced the following pairs:

On this vote:

Mr. Vento for, with Mr. Crockett against.

Mr. Ashbrook for, with Mr. Lewis against.

Mr. Vander Jagt for, with Mr. Dornan of California against.

Messrs. SCHEUER, McKINNEY, RODINO, HARKIN, D'AMOURS, LEVITAS, DAVIS, GOLDWATER, and LEHMAN changed their votes from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. WRIGHT. Mr. Chairman, I move to strike the last word.

(By unanimous consent, Mr. WRIGHT was allowed to speak out of order.)

LEGISLATIVE PROGRAM

Mr. WRIGHT. Mr. Chairman, I take this time to announce to all the Members an agreement tacitly made between the leaders on both sides and the managers of the bill on both sides.

We really would like to finish this bill tomorrow. We would like to get to the crucial votes by about noon in order to accommodate Members, many of whom have plane flights leaving shortly after that hour.

Therefore, I am going to make a request of Members, in which I believe I am joined by our counterparts on the Republican side, and the request is that Members on both sides of the aisle tomorrow resist temptations to make 1-minute speeches and refrain from making those 1-minute speeches at the beginning of the day in order that we may get on to the bill and back into the Committee of the Whole very early. The House comes in at 10 a.m. If we can do that, then we can expedite the business of the House.

The gentlewoman from Tennessee (Mrs. BOUQUARD) has said that for her part she would be willing to restrain and curtail her side of the amendment in which she is interested to 30 minutes rather than the hour which has been agreed on, if there were a disposition on the other side to do the same.

In any event, we can begin, if it is mutually agreeable, with the general proposition that we will ask the Members not to delay tomorrow and to expedite getting on to the Committee of the Whole House for the further consideration of this bill, and if there should be too great a number of Members seeking recognition, I would expect to assert the prerogative of the Chair simply to postpone those recognitions until after the business of the House has been dispensed with.

Mr. COUGHLIN. Mr. Chairman, will the distinguished majority leader yield?

Mr. WRIGHT. Yes; I do yield to my friend.

Mr. COUGHLIN. Mr. Chairman, we have made commitments to Members on this side in connection with the debate on Clinch River, so I would not be able to guarantee that we can foreshorten the debate, but I will certainly do my best to do so.

Mr. WRIGHT. Mr. Chairman, I thank my friend for that comment. I am sure that he will act in good faith, and I am aware of the problem he faces.

I have had the problem, too, when there have been so many who want to be heard, and I do not want to choke off dissent or cause either side to operate under a gag rule of any kind. Perhaps we can both operate under a general restraint and get to a vote by noon at the latest on that particular

amendment. If we can do that, then I think everyone's purpose will be well served.

Mr. COUGHLIN. Mr. Chairman, I thank the distinguished majority leader for yielding.

□ 1750

Mr. WRIGHT. Now, it may be necessary for some conferees on the budget, I am advised, to continue their labors over the weekend. That information comes from no less an authority than the chairman of the Committee on Energy and Commerce.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

OPERATION AND MAINTENANCE

For operation and maintenance of reclamation projects or parts thereof and other facilities, as authorized by law; and for a soil and moisture conservation program on lands under the jurisdiction of the Bureau of Reclamation, pursuant to law, to remain available until expended, $128,606,000, of which $82,303,000 shall be derived from the reclamation fund and such amounts as may be required for the Boulder Canyon Project shall be derived from the Colorado River Dam fund: *Provided*, That funds advanced by water users for operation and maintenance of reclamation projects or parts thereof shall be deposited to the credit of this appropriation and may be expended for the same objects and in the same manner as sums appropriated herein may be expended, and such advances shall remain available until expended.

Mr. WILLIAMS of Montana. Mr. Chairman, I move to strike the last word.

Mr. Chairman, if I may engage the attention of the distinguished chairman for the purpose of a colloquy which is of importance to the congressional district which I represent in Montana.

As the chairman knows, I say to the gentleman from Alabama (Mr. BEVILL), there is an Army Corps of Engineers water project in my district which has been the subject of extended controversy in recent years. The project I am referring to is the Libby additional units and reregulating dam.

Several years ago, on November 8, 1978, a Federal district court judge ruled that the reregulating dam portion of the project has never received congressional authorization, and the construction was halted. A year and 4 months later, on March 15, 1979, the Ninth Circuit Court of Appeals upheld the ruling.

Since that time, the Congress has refused to authorize the reregulating dam. In fact, a year ago January, I successfully offered an amendment to the public works bill deleting authorization for the reregulating dam.

Mr. Chairman, as the gentleman knows, an economic analysis conducted by the General Accounting Office showed that this project has a benefit/cost ratio 0.58 to 1. It is also necessary to make the point that the cost of this project, like that of so many other projects in this time of inflation, has severely escalated. The corps' initial project costs were $300 million in 1979. They now estimate that the costs have risen to $559 million.

As the gentleman knows, the corps had requested $14.6 million in order to continue work on the additional units 5-8. The committee has cut that request by $9.6 million to a total of $5 million. Unless the reregulating dam is authorized and constructed, there is very limited need for the additional units in Libby main dam. Mr. Chairman, these units cannot operate in conjunction with the four existing generating units due to downstream fluctuation criteria which govern the operation of Libby Dam. And while there is excess water behind Libby Dam which could provide additional electricity, it is only an additional 4 percent of electricity using the corps' own figures. It would be unwise to double the capacity of Libby Dam and merely add 4 percent to the power output. The benefits to the taxpayers could hardly replace the cost in this instance.

In summary, Mr. Chairman, I believe we agree that the additional units at Libby Dam are not being installed to operate as they were originally intended. To add these additional units without the reregulating dam, which Congress has refused to authorize, is unnecessary and wasteful. There is, however, wisdom in adding one of the additional units to Libby Dam to harness the electricity of the excess water to which I earlier referred. Am I correct then in my understanding that the $5 million which is being appropriated today is to be used only for the installation of one additional unit at Libby Dam, and not for any other facet of the Libby additional units and reregulating dam project?

Mr. BEVILL. Yes, I can tell the gentleman from Montana that no funds in this legislation are to be applied to construction of the Libby reregulating dam or the additional units 6, 7, or 8.

The CHAIRMAN. The Clerk will read.

The Clerk continued to read title II.

Mr. MYERS (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title II be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The CHAIRMAN. Are there any points of order to the remainder of title II? The Chair hears none.

Mr. WIRTH. Mr. Chairman, I move to strike the last word.

I would like to engage in a colloquy with the chairman.

Mr. Chairman, on page 72 of the report there is shown some $4 million for international programs. As we have discussed, there remains a need for approximately another $1 million to undertake other initiatives in this area of solar energy research and development, to improve our competitive advantages abroad.

I was wondering if it would be possible for us to shift $1 million out of the solar reserve account into the international account. It would show $5 million rather than $4 million on page 72 of the report.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. WIRTH. I yield to the gentleman.

Mr. BEVILL. Yes. We will agree to that and have no problem with it.

Mr. WIRTH. I think that would be very helpful and would advance the competitive interests of this country overseas in the area of solar energy.

Mr. FAZIO. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I also would like to engage the chairman in colloquy in the same area of concern in energy.

Mr. Chairman, the administration presented us with an austere solar budget, particularly austere in the area of active and passive solar energy for buildings. Because we were not convinced that the administration is correct in asserting that active and passive solar are basically launched in the marketplace, we included in this bill a novel $24 million solar reserve account, to be used should the administration find that its optimistic projections are not coming to pass and that solar is not making the near term contribution to energy independence it potentially could.

In the case of active solar, the committee noted that such activities as the solar homebuilders program, the gathering of performance and reliability data on solar hot water and space heating and cooling, and the dissemination of such information to the public and industry seemed to be of great importance. I would be appreciative if the chairman would confirm for the record that the committee is willing to see $4 million from the solar reserve account spent on these data acquisition, information dissemination, and training activities.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. FAZIO. I yield to the distinguished gentleman.

Mr. BEVILL. I thank the gentleman for yielding.

We certainly are willing to agree to this and commend the gentleman for the outstanding work that he has done in the solar field particularly, and in the entire energy field.

Mr. FAZIO. I thank the chairman for his affirmation and appreciate his kind words.

The CHAIRMAN. If there are no points of order against the provisions of title II and there are no further amendments to title II, the Clerk will read title III.

The Clerk read as follows:

OPERATING EXPENSES

ENERGY SUPPLY, RESEARCH AND DEVELOPMENT ACTIVITIES

For operating expenses of the Department of Energy necessary for energy supply, research and development activities and other activities in carrying out the purposes of the Department of Energy Organization Act (Public Law 95-91), $2,115,499,000, to remain available until expended: *Provided*, That not to exceed $9,800,000 of the funds provided herein shall be for the purpose of carrying out the West Valley Demonstration Project Act in accordance with Public Law 96-368.

AMENDMENT OFFERED BY MR. COUGHLIN

Mr. COUGHLIN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. COUGHLIN: On page 16, line 15, strike "2,115,499,000" and insert in lieu thereof "1,887,499,000"; and in line 19, before the period, insert ": *Provided further*, That no part of this appropriation shall be obligated or expended for research and development, design, or construction of the Clinch River breeder reactor project".

The CHAIRMAN. Does the gentleman from Pennsylvania desire recognition?

Mr. COUGHLIN. Mr. Chairman, I desire to be recognized only to yield to the distinguished chairman of the subcommittee.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. COUGHLIN. I would be happy to yield to the chairman.

Mr. BEVILL. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. NATCHER) having assumed the chair, Mr. BEILENSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4144) making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes, had come to no resolution thereon.

LEGISLATIVE PROGRAM

(Mr. MYERS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MYERS. Mr. Speaker, I ask to be recognized for the purpose of inquiring as to what we agreed to a moment ago. Is it my understanding the agreement for this program tomorrow is that the 1 minute will be held to a minimum and if not, in any event, the Committee on Energy and Water will be recognized and have the time early? The first order of business will be to recognize the gentleman from Pennsylvania (Mr. COUGHLIN) who has already been recognized. Am I correct?

The SPEAKER pro tempore (Mr. NATCHER). The gentleman is correct.

PERMISSION FOR COMMITTEE ON WAYS AND MEANS TO HAVE UNTIL MIDNIGHT TOMORROW TO FILE REPORT ON H.R. 4242, TAX INCENTIVE ACT OF 1981

Mr. ROSTENKOWSKI. Mr. Speaker, I ask unanimous consent that the Committee on Ways and Means have until midnight Friday, July 24, 1981, to file a report on the bill (H.R. 4242), the Tax Incentive Act of 1981.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

Mr. CONABLE. Mr. Speaker, reserving the right to object, I just would like to say that the minority has agreed to have its minority views available by the same time, midnight Friday.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

MERGER MANIA

(Mr. ECKART asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ECKART. Mr. Speaker, the merger mania marches on. In one of the most obscene displays of corporate overindulgence ever seen in this Nation, Conoco continues to be pursued by a bevy of heavyweight beaus. The field of serious contenders seems to have been pared down to three, Seagram Co., the Canadian distiller, E. I. DuPont de Nemours & Co., the chemical giant, and Mobil Oil Co., the second largest oil company in America. There are still some second-line suitors hanging on the fringe. These include Marathon Oil Co.; Texaco, Inc.; and Cities Service Co. Looking at the frantic goings on, one might ask what each of the principal contenders hope to gain from a merger with Conoco. Seagram merely wishes to reinvest moneys gained from last year's sale of their energy holdings. Conoco is not too impressed with their overture, finds it, in fact, downright unfriendly, and wishes they would go away. Conoco might go so far as to say that they are not our kind, they drink, you know. DuPont, on the other hand, hopes to assure itself of an uninterrupted supply of petroleum products at reasonable prices to feed its petrochemical plants. Conoco loves the DuPont offer. They are the right kind of people. Of course the fact that they promise to retain Conoco's top management did not hurt their chances. It is tough to go out and find another six-figure salary on short notice. And Mobil, well, let me quote Mr. Willard Grimm, a well-known merger expert, who said that mergers of this type are "primary tools for achieving companies' growth goals, namely to lessen risk and obtain better cash flow." The key phrase here is "to lessen risk." This from the industry that insists they need all those profits so they can throw the dice in search of more energy resources to free the United States from foreign sources. These three companies I can assure you are not dice throwers and they are not out on the frontier of risk. They are looking for the sure thing, the instant winner, or, in the vernacular of the race track, "the sailboat race." An ironic note about a merger with Mobil is that Conoco finds their advances so repulsive that Conoco threatens to sue Mobil on the grounds that a merger with them would violate antitrust laws. Since when have the corporate giants showed such sensitivity to antitrust laws? The next logical question is who will finance these forays into merger land? Now any eighth grader will tell you that it is better to use someone else's capital and not your own. So of course most of the primary and secondary suitors have established lines of credit with their friends, the bankers. Mobil has established a $6 billion line of credit with a group of international banks led by Citibank. Texaco has arranged a $5.5 billion line of credit. Marathon Oil Co. has arranged a $5 billion line of credit with Chase Manhattan Bank. Cities Service Co. has arranged a $1 billion loan. This is all occurring during a period of time in our country when it is difficult to get a loan for a house or a car with sky-high interest rates for working men and women. And at a time when congressional budget conferences are trying to decide if middle-class college students should get loans, and banks are testifying to congressional committees on the same subject that they do not wish to become involved in such small loans.

I don't know how my colleagues feel on this subject, but it is difficult for me to stand by as Congress votes for budget cuts in essential services and not speak out against this carnival of avarice that continues day after day. Commenting on the accelerating pace of merger moves, the economist Robert Lekachman remarked: "The Reagan administration, which promised an investment boom, has instead unleashed the wildest collection of

mergers and takeover events since Napoleon conquered most of Europe."

The merger of Conoco and any of the suitors will not result in any real economic growth for this country, but is merely a redistribution of the wealth among the wealthiest giants of corporate American industry.

Today you cannot get a loan to buy a house, a car or to put your children through school. But if you want to buy an oil company, have I got a deal for you.

UNITED STATES NEEDS NEW IMMIGRATION POLICY

(Mr. GARCIA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GARCIA. Mr. Speaker, the United States needs a new immigration policy. Our present policy is unfair and ineffective. On March 6, the President set up a Cabinet-level task force to deal with this problem. During the past few months I have had the chance to look over some of the proposed recommendations by the task force. While immigration problems are complex and no solution will be perfect, many of the task force's recommendations are vague and insensitive.

As a Representative from the South Bronx, I am particularly concerned with immigration policy as it affects immigrants from the Dominican Republic. Two of the proposals made by the task force have the largest impact on Dominicans. One, is the legalization program. As I understand it, the administration proposes to give legal status to all undocumented aliens who were living in this country on January 1, 1980. The proposed legalization process would take 10 years to complete. Every 3 years immigrants would be required to renew their status subject to their staying out of legal trouble. After 10 years, they would be given permanent residence status. During that 10-year period, however, they would not be permitted to bring their families to this country, nor would they receive any social welfare benefits other than medicaid and education. Yet, these individuals would be required to pay full social security and income taxes.

What would happen would be the establishment of an entire underclass alienated from society, and isolated from their families. For an administration that places such strong emphasis on the family and more traditional values, it seems odd that it would support legislation that breaks down these values. In essence, this program establishes a caste system for browns and blacks. They would be required to support the Government without reaping its benefits.

The second major problem I have with the present immigration policy is with the preference system. As it stands now, the preference system for the admission of immigrants is unfavorably biased toward those countries and individuals who need to immigrate to the United States the least. The present system gives preference to family members of permanent U.S. residents first. I have no problem with that, but the system also gives preference to the more intellectually capable and sophisticated members of society. The sixth preference group, seventh is lowest, admits certified skilled laborers if there is a need for their skills. This is the category that most Dominicans are eligible for. Yet, because they come from an economically deprived area, technical schooling or certification is nearly impossible. But these individuals need help and opportunities. I am not suggesting opening doors to all the world's needy without setting some kind of limits. That would be ridiculous. But I am suggesting that the immigration preference system be set up in such a way so that the more economically deprived would have a better chance of coming to this country.

Both the legalization program and the preference system, as it is presently structured, show an unfair bias against Dominicans and all other poor Latin and Caribbean peoples. If an immigrant comes from an impoverished and politically unimportant country, he or she is not given equal treatment. Dominicans may not have oil but they have numbers, people who are willing to work to keep this country prosperous. It is not like America to forget the little person. I intend to see that we do not.

CLINCH RIVER BREEDER REACTOR

(Mrs. BOUQUARD asked and was given permission to address the House for 1 minute, to revise and extend her remarks and include extraneous matter.)

Mrs. BOUQUARD. Mr. Speaker, we will probably have a vote on the Clinch River breeder reactor issue today. I would like to read a copy of a letter sent by Dr. Edward Teller to Martin Anderson in the White House concerning the Clinch River project. It is a particularly interesting letter because opponents of Clinch River have extensively quoted Dr. Teller's comments against the project. As you will see from the letter, Dr. Teller does not oppose the project and has just made a film in which he supports the breeder reactor program generally, and Clinch River specifically.

HOOVER INSTITUTION,
Stanford, Calif., July 7, 1981.

Hon. MARTIN ANDERSON,
Assistant to the President for Policy Development, the White House, Washington, D.C.

DEAR MARTIN: I have sent you a copy of my recent letter to all members of Congress in connection with the Clinch River Breeder Reactor, about which I had serious doubts. Congress has now taken the definitive authorization action regarding this project and while I know that corresponding appropriation actions are still necessary, I feel that I should discontinue speaking of my reservations and rather try to support the National nuclear power program as it stands today and in a form from which it could be further improved.

I have agreed to the request of people from Oak Ridge to give a talk generally supporting the Clinch River project and making suggestions as to how to ensure the success of our whole nuclear electric power effort. This will be videotaped and I hope widely distributed to interested utilities for use in the campaign to move forward with our nuclear program.

Two points that I hope to emphasize, in addition to progress with Clinch River, are the great urgency of simplifying and improving the effectiveness of our federal licensing procedures and, secondly, taking appropriate steps which may minimize the public opposition to the breeder project which is apt to develop after the research and development phase is completed and when deployment begins. Indeed, this has been the pattern of political opposition to the present light water power reactor program.

I hope all this will appear to you as right and practical.

With best regards.

EDWARD TELLER.

EXTEND THE VOTING RIGHTS ACT

(Mr. CAMPBELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CAMPBELL. Mr. Speaker, last Tuesday, the Civil and Constitutional Rights Subcommittee of the House Judiciary Committee unanimously voted to extend the Voting Rights Act. I rise today to commend the subcommittee on its action, and to urge the committee and Congress to give early and favorable consideration to legislation to extend and improve the act.

I learned through hard experience that the right to vote cannot be taken for granted, and that election laws can be unfairly applied to any minority—whether it be a people or a party. Our freedom to vote rests on both the good faith of our election officials and on the strength of our commitment to make and enforce fair and impartial election laws.

I learned this lesson during my very first step into politics. It was 1960 and I was not old enough to vote, but I helped a friend who was running in the Democratic primary for State house. I recall that the two of us paid

a visit on an old Democrat ward heeler in an attempt to persuade him to support my friend's candidacy. The old pol, sitting with his feet on a desk and chewing tobacco, told us that he could assure us victory in five precincts—if we paid a price. Because he refused to be bought, my friend lost those five precincts badly, and narrowly lost the primary. I lost some youthful naivete, but at the same time gained a lifelong appreciation of the importance of protecting the voting rights of all.

In this same year, 1960, the percentage of eligible black voters registered to vote stood at only 15.6 percent; today the figure is approximately 56 percent.

Mr. Speaker, I have felt the outrage of finding the doors of our election process closed shut. I know that we must remain vigilant in protecting our most fundamental right—the right to vote.

Since the adoption of the Voting Rights Act in 1965, minority voter registration has increased dramatically, testifying to the act's success in enforcing the 15th amendment of the U.S. Constitution. To preserve the gains in political participation made over the last decade and a half, and to provide incentive for good faith compliance in the future, Congress has the responsibility to extend the act. We also have a responsibility to examine a number of ways to make the Voting Rights Act fairer and more effective.

First, it may be time to grant aggrieved parties in sections of the country not now under the administrative preclearance section of the act a better chance to utilize the preclearance remedy to protect their voting rights. Subtler forms of voting discrimination, such as may exist behind gerrymandering and sudden moves to at-large districting, are not unique to the South; a strengthened administrative preclearance remedy ought to be expressly part of the law for applicability in all sections of the country. This is a more equitable way to enforce voting rights and is fairer than automatically imposing nationwide preclearance—a step I oppose as unmanageable and probably unconstitutional.

Further, I believe we need to encourage States and localities covered by section 5 of the act—preclearance—to observe not just the letter of the law, but the spirit as well. We can most effectively do this by providing a positive incentive for compliance—the ability for jurisdictions with consistent and excellent records of compliance to regain control of their own election laws. I am favorably impressed by a proposal introduced by Representative HENRY HYDE of Illinois, H.R. 3948, which would encourage covered jurisdictions to take positive steps to increase minority participation in the election process; the existing law simply maintains the status quo.

Under Representative HYDE's proposal, a State or political subdivision could be relieved from administrative preclearance upon meeting an exacting four-part test. In order to prevail, the petitioning jurisdiction must persuade a three-judge Federal panel that: First, no discriminatory test or device has been used during the 10 years preceding the filing of the action; second, that during this previous 10-year period, all submissions to the Attorney General have been made which were required under section 5; third, that the Attorney General has not successfully interposed any "substantial" objection with respect to such submission; and fourth, that the petitioning jurisdiction has demonstrated "constructive efforts" to involve minorities in the electoral process. Following relief from administrative preclearance, the court retains jurisdiction for a period of 5 years, during which time the Attorney General or any aggrieved party may seek to reopen the case and reimpose preclearance, arguing that the jurisdiction in question has participated in conduct which, had it taken place prior to relief from preclearance, would have precluded relief in the first place. After the 5-year probation period, the jurisdiction would be treated no differently than any other part of the country.

Relief from administrative preclearance should only be possible after a jurisdiction has taken meaningful steps to open—and keep open—the political process. And all the while, preclearance should remain a viable remedy—ready for use at any time in any section of the country where voting discrimination rears its ugly head. Whatever the details of the final legislation, the goal should be to promote good faith compliance with the act.

I believe that the clear success of the Voting Rights Act in breaking barriers to minority voter rights mandates the act's extension beyond 1982. As a southerner, however, I share the concerns of many that the existing law does not recognize or even encourage positive State actions designed to broaden voting rights. That is why I shall support efforts that will, without weakening the act's goals, reward good-faith compliance and promote efforts to expand minority voter participation.

REAGAN MONETARY POLICY

(Mr. ALEXANDER asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous matter.)

Mr. ALEXANDER. Mr. Speaker, I see in the morning news that the economy is down at a rate of 1.9 percent in the second quarter. Domestic sales are down. Export sales are down. Unemployment is up and interest rates are up.

The Secretary of Commerce, Mr. Baldrige, states that business is going to be in for a rough time for the rest of the year. I have news for Mr. Baldrige. The high-interest-rate policy of this administration is breaking the back of business, it is breaking the back of farmers, and it is breaking the back of individuals.

Our own colleague, the gentleman from Ohio (Mr. PEASE) published an editorial in the Washington Star yesterday which reflects on the reason for this downturn in our economy. It states that the Reagan economic policy is producing a $80 billion deficit, and that the stock market, in reacting to that deficit, is taking a downturn. I insert the text of this editorial for the benefit of my colleagues:

[From the Washington Star, July 22, 1981]

DEFICITS SURE TO FLOW FROM 3-YEAR TAX CUT

While any tax cut debate obviously involves the kind and amount of tax reductions, the Great Tax Debate of 1981 is mainly about federal budget deficits and spending cuts.

To illustrate, the First Concurrent Budget Resolution (adopted by Congress on May 20) envisions an FY 1982 tax cut of $54 billion, spending cuts of $35 billion and a deficit of $38 billion.

Clearly, using the Reagan administration's economic assumptions, no tax cut would mean no deficit.

A look at budget projections for FY 1984 underscores the point even more vividly.

The Reagan-backed First Concurrent Budget Resolution assumes an FY 1984 tax cut of $48 billion, additional, as-yet-unspecified spending cuts of $28 billion, and a small surplus of $1 billion.

But the 1984 "surplus" not only assumes that Congress will indeed make the $28 billion in unspecified cuts. It also requires acceptance of the extremely optimistic economic assumptions of the Reagan administration regarding inflation, interest rates, unemployment, and GNP growth.

SIMILAR CONCLUSIONS

If those two factors—assumed spending cuts and optimistic economic assumptions—are removed, what then? I asked three independent sources to estimate the likely FY 1984 budget deficit under those circumstances. The answers are remarkably similar.

The Congressional Budget Office put the FY 1984 budget deficit at $80 billion.

Economist Joseph Pechman of the Brookings Institution put the FY 1984 deficit at $79 billion.

Rudolph Penner, economist with the American Enterprise Institute and a general supporter of the Reagan economic recovery plan, estimates the FY 1984 budget deficit at $87 billion.

From economist to economist, and from month to month, the projections for FY 1984 will vary slightly, but not much. If Congress adopts the Reagan economic recovery package this summer, it will face two years from now an FY 1984 budget which is also $80 billion in the red.

The tough choice for Congress in 1983 will be to make massive additional cuts on federal spending or to endure a huge budget deficit, the largest in U.S. history. The likely result: large, painful but insufficient cuts coupled with a large but not record-breaking deficit. Is Reagan budget strategist David Stockman aware of this probable scenario? I suspect so. The object is to force the Hobson's choice upon Congress as a way of getting otherwise unacceptable budget cuts adopted in 1983. How else, with Reagan off his peak of popularity, will the administration induce Congress to cut programs, like Social Security and veterans benefits?

Thirty-five congressional colleagues have joined me in signing a letter to President Reagan asking that the planned cuts for FY 1983 and FY 1984 be identified so that, at the very least, congressmen will know what they are committing themselves to if they vote for a three-year tax package.

Congress has struggled hard this year to come up with $37 billion in spending cuts. The Reagan budget strategy assumes further spending cuts (not yet specified) of $20 to $30 billion in FY 1983. Will Congress make those spending cuts in the summer of 1982, an election year, plus another $28 billion in spending cuts in the summer of 1983? Rudolph Penner doesn't think so. He assumes that any spending cuts will be offset by a few new programs and by cut reversals, and "the net result is that no progress is made on balance toward finding the $28 billion in unspecified outlay cuts listed for FY 1984 in the (first concurrent budget) resolution."

BUILT-IN DEFICIT

If Penner is right, and I believe he is, then the $48 billion tax cut which Reagan has scheduled for FY 1984 will contribute the bulk of a budget deficit that tops $80 billion.

The three-year tax cut? The issue is not tax relief for Americans. To repeat, the issue is the federal budget deficits and spending cuts.

Large deficits—an expansionary fiscal policy—must inevitably increase pressure for a very tight monetary policy with its certain concomitants: high interest rates, a depressed bond market, balky GNP growth rates, and business bankruptcies by the score.

Considering his great prowess in lobbying Congress, President Reagan will probably get his three-year tax reduction package in late July—unless responsible business and financial leaders speak out to help stave off disaster.

TAX BILL PROGRESS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. GINGRICH) is recognized for 60 minutes.

Mr. GINGRICH. Mr. Speaker, I want to continue the series of reports on the tax bill and the process being engaged in here between two groups, a bipartisan conservative Democratic/Republican coalition that is trying to pass President Reagan's economic recovery package and trying to help the United States fight high interest rates, inflation, and unemployment; and the efforts of the liberal Democratic leadership to retain power.

This was summarized recently by one gentleman who said the difference is that President Reagan has a program for America while the other side has a program for their political party. I think that is a fairly accurate summary. On the one hand we have a serious effort to change economic conditions while on the other hand we have a continuing series of efforts to zigzag and maneuver.

Least my colleagues think I am talking purely out of my personal beliefs as a partisan, let me quote two leaders, one intimately involved in the liberal Democratic leadership, the majority leader, the gentleman from Texas (Mr. WRIGHT). He said recently, and this was after a process of bargaining with the administration in trying to find a way to get a compromise bill:

Obviously 25 percent in 3 years instead of 30 percent in 3 years is not coming half way. It is coming one-sixth way.

Let me repeat that because I think it bears thinking about as a frame of mind. I am quoting the gentleman from Texas, the Democratic majority leader (Mr. WRIGHT):

Obviously 25 percent in 3 years instead of 30 percent in 3 years is not coming half way. It is coming one-sixth way.

It is as though halfway was between the gentleman from Texas, Mr. WRIGHT's position of zero and President Reagan's position of 30 percent. I cannot really believe the gentleman from Texas wanted no tax cut at all, yet that is certainly the way his quote read.

On another date he said:

If the White House will insist on a 3-year approach, I am not sure we could sell this to most of the Democrats, but conceivably we might be able to half way, 5 percent for 3 years, or 5 percent for 1 year, and then 7 percent, and then stop and regroup.

I think that gives my colleagues a fair summary of the difference. On the one hand there is an effort to bargain half way, give 5 percent, give 7 percent, whatever will work. On the other hand there is a serious, fundamental effort to reexamine the entire process. But the liberal leadership was in a dilemma. They really could not come flat out against a popular President, against a national movement, against an effort to cut taxes that runs from California to Massachuseets. So they tried to hide behind a smokescreen.

I quote again, and for the final time from the gentleman from Texas (Mr. WRIGHT), the majority leader. "I am certain that most of them," meaning Democrats, "do not believe in the 3-year tax cut. They do not want it. But a lot of the very same ones who do not believe in it nevertheless want to be perceived as supporting the President."

Some Democrats have been very upset, some liberals have been very upset with this approach.

I want to quote from an article that appeared in this morning's Washington Post by Michael Kinsley. Mr. Kinsley is the senior editor of the New Republic, a liberal magazine, normally of Democratic persuasion. He entitled his article rather eloquently "The Shame of the Democrats."

□ 1810

He says:

In the face of the conservative ideological revival, the Democratic Party has collapsed not just politically but morally.

He goes on further to say:

The moral humiliation is that the final program is worse for traditional Democratic values than Reagan's initial plan. The poor, the working class and indeed the country would have been better off if the Democrats had played no role at all in shaping the forthcoming tax and budget cuts.

Mr. Kinsley describes the process I have talked about in recent days. He says:

The progress of the tax bill since February has been even more startling. Someone ignorant of American politics, observing the debate, would assume that the Democrats were quite literally the party of millionaires. Reagan amended his original proposal once in an attempt to get Democratic support. That version has passed the Senate Finance Committee. But last week the House Ways and Means Committee passed its own version, and the Democratic leadership is planning an all-out fight to avoid another defeat on the House floor.

The Democrats' proposed two-year personal tax cut is skewed ever-so-slightly more toward moderate income people (a matter of $45 to $60 for someone making under $30,000). They hope to get great political mileage out of this, though the Republicans are waiting in ambush with the message that their three-year cut is bigger for everybody in the end.

Last night, I guess, we sprang that ambush by pointing out that the 3-year cut is far better—far better—than the 2-year cut which in fact by the third year becomes a tax increase.

The public has been confused in part because segments of the news media have, frankly, misreported, have stacked the deck against our efforts.

For example, if you look at the way in which Time magazine printed the tax bill, you get the Senate Finance Committee for 1982, the House Democrats for 1982, the Senate Finance Committee for 1983, the House Democrats for 1983.

Then you get the Senate Finance Committee again. But you do not realize, because there is no further bar, that in fact it is precisely in 1984 that the Reagan program begins to draw away from, to change, the whole face of American politics and of American take-home pay. For it is by that period that, for example, if you earn $15,000 this year, you suddenly find that you are being left behind if you go for the Rostenkowski tax increase, that you are in fact falling further and further behind as your cost-of-living increase pushes you into higher brackets.

What you are getting, in essence, as Mr. Kinsley said, is an offer by the liberals to buy off your current desire to change the way we do business, to change the kind of tax program that has continually raised the taxes for all of us, raised it by 249 percent in the 1970's.

What the liberals are trying to do is slow down that process just long enough so that we will forget what is happening and go about other business. But the process they are using to slow that down is itself so distasteful, so unacceptable that even many liberals are protesting.

Let me quote again from Mr. Kinsley's "The Shame of the Democrats":

Daniel Rostenkowski, Democrat of Illinois, chairman of the House Ways and Means Committee, is not going to sit idly by while the Republicans give away millions. Why should they get all the credit? He is determined to match every offer in the Senate bill, and raise them on a couple. The question, he said last week, is "whether you want to lose courageously, or to win." On the estate tax, for example, he outbid the Republicans by adopting all their changes and adding a 28 percent tax cut for estates over $2.5 million. The Senate proposes a $2,500 credit against the windfall profits tax for oil royalty owners. The windfall tax says, the committee report, "may impose a hardship on many low- and middle-income taxpayers." No doubt it is some sort of hardship to pay $2,500 in taxes, though this hardship is mitigated somewhat by up to $30,000 in oil revenues such a tax represents. But why stop there in your concern for low- and middle-income taxpayers? Rostenkowski wants to exempt a thousand barrels a day from the windfall tax. This represents a cool $12 million a year per operator.

Let me recap. What Mr. Kinsley, a liberal Democrat, is saying, is that the effort of the party of the common man, the effort of people, according to Mr. O'NEILL who has a tax cut for those below $50,000, in fact involves a 28-percent tax break for estates of $2.5 million. It involves a tax break of $12 million per year per operator, according to Mr. Kinsley.

Surely not the common man, unless Mr. O'NEILL, the Speaker's common man, has become rather wealthier than he used to be. Twelve million dollars a year? Many, many working families could spend a pittance of that $12 million and be far better off.

And where has this left us, this effort to wheel and deal, to maneuver, to zigzag, to somehow find a liberal answer which could at least slow down the tax revolt?

Mr. Kinsley says it well, speaking of the Democrats and the Democratic Party and its current disarray and the liberal Democratic leadership and their disarray:

What is the point of a political party with so little sense of its own constituency that it behaves in this way? Charles Manatt, the Democratic Party chairman, is a Sunbelt-style business lawyer from Los Angeles (real estate, entertainment, banking, and so on). I suspect he knows precisely how a commodity straddle works, and hasn't a clue about the eligibility rules for AFDC. But his firm's Washington office will prosper, just as that of his predecessor, Robert Strauss, is prospering. Al Ullman, Rostenkowski's predecessor as chairman of Ways and Means, is now a Washington "consultant" and hired lobbyist for the group working to gut the estate tax. Rostenkowski may think a similar niche awaits him. But if the Democrats keep devaluing their own souls, others may conclude that this merchandise is no longer worth buying.

But let us not just rely on the New Republic or on national liberal editorial writers. Let us look at the basic difference. The basic difference is that President Reagan, for many years, has worried how to change what has been happening to America. He has been out talking to people, he is concerned about unemployment, about the lack of jobs, he is concerned about the lack of opportunity for young people. He knows we need new factories and new jobs, that we need better machinery to compete with Japan and Germany, that American workers deserve the best chance to compete and to earn a living that is possible. He knows that working families need a chance and real tax cuts that will allow them to spend money on their children going to school, to buy clothing, to have a better home. President Reagan is committed to an economic recovery program. President Reagan has offered a clear systematic sought-out effort that by 1984 will have genuinely cut taxes. The other side is offering a tax increase, is offering an opportunity to hide for a little bit from the Tax Code that with each passing cost-of-living increase puts you in a higher bracket, takes more money away from you, leaves your family with less and less.

In the next week we will have a chance to change American history. The Ways and Means Committee, stacked 2 to 1 against the conservatives and against the Republicans stacked with liberal Democrats, has reported out a Rostenkowski-O'Neill tax increase bill that clearly over the next 3 years will not benefit working Americans.

□ 1820

That bill will come to the floor next week. We will have a chance here to vote on it.

Your opinion, your voice, can make a difference in whether America continues to decay, whether we have more unemployment, more factories closing, less chance to compete, or whether we in fact really do take a new stride, a new direction, move to a period of real prosperity, real jobs, and a growth in real take-home pay for our families and whether or not we can rebuild a system that will enable us to support social security and to guarantee every retired American a livelihood for the future.

If you want real economic recovery and a real change for the future, you have a chance now in the next few days to make your voice known.

THE SECOND ANNUAL NEW YORK-TOKYO BOYS BASEBALL FRIENDSHIP SERIES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. ADDABBO) is recognized for 5 minutes.

● Mr. ADDABBO. Mr. Speaker, it seems all we read and hear about these days as far as baseball is concerned, is news of strikes, negotiations, and free agency. The current baseball strike has perhaps distorted our perceptions and clouded our memories that the youth of our country, and of the world, still revel in playing the game of baseball for the sheer unabashed thrill and enjoyment of healthy competition, camaraderie, learning, and sportsmanship. It is a game where they and many of us here today, have been exposed for the first time to winning and losing, and all the responsibilities which come with both. The game of baseball on this level has always been and will forever remain just that, a game, to savor and enjoy in the glorious free time of adolescence.

With this in mind, I would like to take this opportunity to call to the attention of my distinguished colleagues in the House of Representatives a series of youth baseball games currently being played in New York City and its neighbor, Yonkers. It is an event helping to commemorate the 20th anniversary of the highly successful and truly unique sister-city relationship between two of the world's greatest cities. Last year, Tokyo was the host of the initial New York-Tokyo Nanshiki Baseball Games, the people of Tokyo extending to the 16-member New York Friendship Team the opportunity to experience their glorious city with all the hospitality and warmth Tokyo's citizens are famous for. This year's visit by the representative from Tokyo has been a time for New York to welcome our guests with open arms, the Japanese youth, when not playing baseball, visiting the sites which have made our "Big Apple" the electrifying and fascinating city millions of tourists have found it.

The youth representing New York City and Yonkers were chosen by the board of education and the Police Athletic League. Each of the five boroughs and Yonkers were represented by a team selected by the league, with a special team representing the entire city, "The New York Friendship Team," chosen by the New York Board of Education.

In the first game of the series, the Friendship Team and the visitors settled for an 11 to 11 tie in Central Park,

with three Queens residents—third baseman Pat Green of Flatbush, Dean Tatarian of Bayside, and Ozone Park's Mike DeLuca, who contributed a key two-run triple—playing important roles. In a game held yesterday the Queens PAL All Stars unfortunately found themselves on the short end of a 4 to 1 score, though this game, as well as all the others in this series, certainly does not tell the whole story.

You see, there are no losers in this series, only winners. The winners are the young people participating to meet new friends from a city around the world and to help them understand and learn about the many similarities and differences both cultures and nations have to offer. Sports have always been a fantastic tool in reaching understanding and facilitating cooperation on the international level, and is it my sincerest hope that the second annual New York-Tokyo baseball series will become a tradition both nations eagerly await every summer.

Through ventures such as the sister-city relationship, our two nations can become closer friends and partners in the search for world peace and security. The fine youth who participated in these games are the future world leaders of tomorrow and the lessons they have learned on the ballfields will be the ones they carry with them as they lead our nations to further greatness.

I would like to point out that this series would never have been so successful if not for the tireless efforts of so many caring and dedicated people. There would have been no baseball if not for the work of Chairman Robert M. Reunitz and Executive Director Mico D. Licastro, two gentlemen who have played key roles in the New York-Tokyo relationship. Among others, just to name a few of the so many, Al Mazza of the board of education, Conrad Ford of the Police Athletic League, and all the various officials from Tokyo all have done an outstanding job.

More importantly, it is the players, managers, coaches, and parents who deserve our utmost thanks and praise in giving us the opportunity to witness the game of baseball the way it was intended to be played. Never can it be said that we can never learn a thing or two from our young people.●

MIKHAIL RUDZEVITSKY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Hawaii (Mr. HEFTEL) is recognized for 5 minutes.

● Mr. HEFTEL. Mr. Speaker, it is an honor and a privilege for me to join in this special order honoring all Soviet Jews for their courageous battle for freedom and human dignity. I would like to take this occasion to pay special tribute to Mikhail Rudzevitsky, a Soviet Jew who was first refused permission to emigrate to Israel on July 19, 1973. An aeronautical engineer by profession, Rudzevitsky was born in 1949 and is married. He is being denied permission to emigrate due to the alleged secrecy of his service in the Soviet Army. Sadly, his status as a "refusenik" precludes him from practicing his chosen career profession.

Rudzevitsky is one of the lesser-known Soviet Jews whose attempt to emigrate to Israel has been denied. Because of this, it is vitally important that his plight receive wide publicity. I feel that all of us should speak out for those who have been denied the most fundamental of freedoms—freedom of movement, freedom of thought, freedom of expression, rights that we as Americans all too often take for granted.

Only through a knowledge of the plight of Soviet Jews can we as Americans fully appreciate the fruits of liberty which are ours. I am therefore proud to participate in this "Call to Conscience Vigil" and I call upon my colleagues to join with me in bringing the lesson of this ordeal to the attention of the American people.

The legacy of Mikhail Rudzevitsky and of all Soviet Jews is one of indomitable human spirit and faith in an enduring ideal. It is in the end firmly rooted in a dream of freedom which shall never die.●

COAL PIPELINE ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arizona (Mr. UDALL) is recognized for 10 minutes.

● Mr. UDALL. Mr. Speaker, today my colleagues, Mr. HOWARD, Mr. LUJAN, Mr. CLAUSEN, Mr. MCCOLLUM, Mr. FUQUA, Mr. GIBBONS, Mr. BREAUX, and I are introducing the Coal Pipeline Act of 1981. The bill would increase competition for transporting coal by making eminent domain authority available to slurry pipeline carriers, as it is currently available for other types of pipelines and railways. Although coal is a relatively cheap fuel, the cost of transporting it by rail amounts to about 50 percent of its delivered price. It is time to let slurry technology compete with rail transportation on an equal footing to help drive down the cost to American consumers of energy generated from coal-fired powerplants.

It is imperative that we move quickly to replace imported oil with domestic coal as an energy source. Energy produced in a coal-fired powerplant is half the price of energy produced with gas, even taking into consideration the cost of air quality control equipment. The cost of oil is now roughly three times the cost of coal in the United States, and the unpredictable supply and pricing policies associated with imported oil should not be suffered by this country any longer.

Abundant supplies of coal will not contribute to energy security in this country if transportation systems to move it from mine to powerplant are inadequate. It is clear that the railroads will continue to be a leading transporter of coal, but in many areas of the country coal is not even considered as an alternative fuel because there are no rail tracks to transport it. Coal slurry pipelines should aid this country's fight for energy independence by serving areas which would otherwise have no choice but to buy expensive oil and gas. The recent deregulation of the railroads is evidence that Congress believes in the competitive health of the railroads, and slurry pipelines competing for routes with railroads will keep rates down in furtherance of Congressional goals.

I want to emphasize that the legislation we are introducing today was written by the coal slurry industry and this is their proposal for consideration by the Congress. I do not necessarily agree with all the positions represented by the bill and will want to give careful study to certain important issues when the bill is subject to hearing scheduled by the Interior Committee July 30.

This bill does not set up a complicated regulatory process for accomplishing its purposes. Rather, it simply authorizes slurry pipeline carriers to apply for rights of way to construct pipelines to move coal, using mechanisms already in place in the Federal land Policy Management Act and the Interstate Commerce Act. It preserves the States' unqualified rights to appropriate, use, and regulate its water. I urge my colleagues to give this bill careful consideration in light of our country's policy on energy security and the Federal role in stimulating coal development.●

REGULATORY REFORM AND JUDICIAL REVIEW

The SPEAKER pro tempore. Under a previous order of the House the gentleman from California (Mr. DANIELSON) is recognized for 60 minutes.

Mr. DANIELSON. Mr. Speaker, on Monday, July 20, I received a report from the Judicial Conference on the United States expressing the views of that conference on the bill H.R. 746, the regulatory reform bill now pending before this subcommittee on Administrative Law and Governmental Relations of which I have the honor of being the chairman.

In early May, as chairman of that subcommittee, I requested an evaluation of our bill from the Judicial Conference because I knew that the regulatory reform bills pending before both Houses of Congress as well as proposed amendments to those bills

would have a significant impact on the courts.

The Judicial Conference is in a unique position to assess that impact, since the Conference operates as a sort of board of directors for the judiciary branch, and since it is composed entirely of Federal judges.

In response to my request the Judicial Conference in a letter dated July 20, 1981, addressed three distinct areas of concern: The scope and standards of judicial review, the level of judicial review, and the race to the courthouse in administrative agency cases.

The Conference restricted its comments to those portions of the bill which would have an impact upon the courts.

The position of the Judicial Conference is that some language in the pending legislation would force the courts to duplicate agency decisions and place them in a policymaking role which is inappropriate for the judiciary.

In its letter the Conference concluded that the present language of H.R. 746 and the Senate companion measure, S. 1080 which provides for independent court review of agency action, overreaches that goal and creates an unmanageable burden for the Federal courts.

The Conference bases this conclusion on its view that it is inappropriate that the judicial function become equated with complete oversight and redetermination of administrative agency decision.

The Conference specifically opposes the creation of judicial review for the procedures—I emphasize procedures—of agency decisionmaking which are required by these bills, such as the determination of which rules are "major," the applicability of so-called hybrid rulemaking procedures, and the contents of regulatory analysis.

The Conference concludes that such judicial review would put the courts "in the position of redetermining an agency factual decision whether the $100 million impact level had been reached" and would "require the courts to analyze the analysis that the agency used to reach their decision."

This would result in a dramatic increase in the number and complexity of the cases to be reviewed as well as a qualitative change in the depth of that review.

Among the other positions set forth by the Conference, the Conference also opposes the transfer of general jurisdiction over agency actions from the district courts to the courts of appeal because of the negative impact this would have on the comparative workloads of the courts.

This provision has been removed from H.R. 746 but it is presently included in the bill S. 1080.

Because of the importance of the issues raised by the Judicial Conference, I intend to reopen the hearings on H.R. 749, if that is the wish of the members of my subcommittee, at the earliest possible date.

In communicating with me the Administrative Office of the U.S. Courts said:

ADMINISTRATIVE OFFICE OF THE
UNITED STATES COURTS,
Washington, D.C., July 20, 1981.

Hon. GEORGE E. DANIELSON,
Chairman, Subcommittee on Administrative Law and Governmental Relations, Rayburn House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: In your letter of May 11, 1981, you requested the views of the Judicial Conference of the United States on H.R. 746. As I indicated to you at that time, the Judicial Conference was then in the process of considering H.R. 746 and other regulatory reform bills of the 97th Congress. In order to expedite the development and transmission of Judicial Conference views to Congress, the Judicial Conference in March of this year created a special ad hoc committee to consider the regulatory reform bills pending in Congress. That committee sent its report and recommendations to the Executive Committee of the Judicial Conference last week. Because the Judicial Conference meets only twice a year in March and September, the Conference has an Executive Committee authorized to act on behalf of the Judicial Conference on matters requiring action prior to a regularly scheduled session of the Judicial Conference. Due to the priority attention that H.R. 746 and S. 1080 are receiving in Congress, the Executive Committee has acted on behalf of the Judicial Conference in an effort to be responsive to congressional requests for Judicial Conference views.

The Judicial Conference addressed three distinct areas of concern:

I. The scope of judicial review of the administrative agency actions and the standards for such review;

II. The level of judicial review in the first instance in the federal court system; and

III. The proposed solution to eliminating the unseemly "race to the courthouse" in administrative agency cases.

I. SCOPE OF JUDICIAL REVIEW

The Conference first addressed its attention to the addition of the word "independently" (italicized) to Section 706(a) and to the language in the new Section 706(c) which precludes a "presumption in favor or against agency action. These sections are quoted below. The language of the existing section of the Administrative Procedure Act is in regular type; the additions made by S. 1080 are italicized. (The additions made by H.R. 746 to 706(c) are similar but presented in a different order.)

S. 1080

§ 706. Scope of Review.—(a) To the extent necessary to decision and when presented, the reviewing court shall *independently* decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action.

706(c) In making determinations under clause (2)(C) of subsection (a) of this section, the court shall require that action by the agency is within the scope of the agency jurisdiction or authority on the basis of the language of the statute or, in the event of ambiguity, other evidence of legislative intent. In making determinations on other questions of law, the court shall not accord any presumption in favor or against agency action.

The Conference does not object to the use of the word "independently" in § 706(a) nor to the use of the phrase "[no] presumption in favor or against agency action" in § 706(c). The Conference recognizes the importance of preserving the judiciary's traditionally independent approach to questions of law. The Judicial Conference is concerned that the language employed in S. 1080 and in H.R. 746 will generate new cases and will require more extensive judicial analyses that Congress intends or is practicable for the federal courts to undertake. Without appropriate qualifying language in the bill itself or in its legislative history, the modifications to the Administrative Procedure Act will have an effect beyond that intended by Congress and risks imposing unmanageable burdens upon the judiciary. The bills, S. 1080 and H.R. 746, appear to apply with equal force to all questions that might technically be termed matters of law, including the thousands of minor, interstitial matters which Congress appears to have intended as appropriate subjects of agency expertise. Additionally, there will be cases in which issues of law and fact will be so intermixed as to defy any federal court's efforts to separate them. To apply literally this proposed language concerning the scope of review to all issues in all agency cases before the courts might require duplication of the agencies' decisions by the reviewing court. The committee questions whether Congress intended that in all agency actions the federal courts be required to undertake such a difficult and time-consuming, if not impossible, task. It appears inappropriate that the judicial review function become equated with complete oversight and redetermination of administrative agency decisions including factual decisions. Not only would such review be complex and technical in nature, but the scope of review contemplated in these two bills would significantly increase the incentive to litigate agency decisions. The impact on the courts would be an increase in the number of administrative agency cases and a qualitative increase in the courts' workloads given the breadth of matters before the courts, the depth of the reviews, and the complexity of the matters subject to judicial review.

Position I.A.

The Judicial Conference is concerned with preserving the independent review of questions of law in agency actions by the federal courts. However, the language used in S. 1080 and H.R. 746 to accomplish that objective overreaches that goal and creates an unmanageable burden for the federal courts. Without appropriate qualifying language, the Judicial Conference opposes the modifications proposed to ensure independent judicial review because the effect of the proposed language would exceed the objective intended by Congress.

If Congress believes as matter of policy that judicial review is necessary, Congress could create a specialized Article I court or a group of such executive branch tribunals to perform such judicial review. The existence of such a court would avert the overburdening of the Article III courts with the many, routine appeals from agency decisions and rules. Appeal by certiorari from that court to an Article III court could, of course, be created for meritorious cases. The Judicial Conference supported the creation of such a

court for Veterans Appeals in the 96th Congress. The Judicial Conference Subommittee on Federal Jurisdiction which met in June of 1981 recommends reaffirmation of that position. The subcommittee also recommends supporting a similar Article I court for the appeals of Social Security claims. The reason is clear, the federal courts cannot absorb the workload. The federal courts today, given their existing backlogged dockets and their limited resources, could not hear and decide in any reasonable period of time the cases which the judicial review provisions contained in S. 1080 and H.R. 746 would generate.

Position I.B.

The Judicial Conference supports, as an alternative to direct review of administrative agency cases, the creation of an Article I court or courts with certiorari review by Article III courts.

The second major issue which the Conference addressed under the scope of judicial review was the modification of the Administrative Procedure Act to set a standard for judicial review of an agency's informal rulemaking under section 553. The Administrative Procedure Act currently provides no specialized standard of review for agency proceedings subject to section 553 of title 5. The proposed standards are as follows:

S. 1080

(F) *without substantial support in the rulemaking file, viewed as a whole, for the asserted or necessary factual basis, as distinguished from the policy or legal basis, of a rule adopted in a proceeding subject to section 553 of this title; and*

H.R. 746

(F) *without substantial support in the rulemaking file, viewed as a whole, for the asserted or necessary factual basis subject to section 553 of this title; or*

The Conference is concerned that the proposed language may blur the distinction between informal rulemaking (section 553) and formal rulemaking (section 554). The use of the phrase "substantial support" in S. 1080 and H.R. 746 is an improvement over the phrase "substantial evidence" which had been debated in the 96th Congress, but "substantial support" still tends to evoke an adjudicatory standard. Such a standard for informal rulemaking negates the Congressional purpose in establishing an informal process for creating, modifying, and repealing certain types of agency regulations. The Conference noted that there are an enormous number of minor regulations which are subject to the informal process and that there are *comparatively* few cases involving important rules with significant impact which are subject to this process.

A reviewing court needs the flexibility to address each case in a manner appropriate to the nature of the regulation considered, including assessing the suitability of the particular file in light of the particular regulation involved. The Conference reasoned that the Congressional intent in adding section 706(a)(2)(F) is to require support sufficient *under the circumstances* for the operation of the rulemaking process in a *particular* instance. The Conference believes that the phrase "adequate support" or the phrase "sufficient support" would better effectuate that intent than the phrase "substantial support" which appears in S. 1080 and H.R. 746. The Conference recognizes that the decision whether to add a separate standard for reviewing informal rulemaking is a matter of policy for Congress to address. Given the fact that Congress has inserted such a standard in S. 1080 and H.R. 746, the Conference feels that it is appropriate for the Judiciary to comment on the means by which Congress seeks to codify the requirement for support in an agency rulemaking file.

Position I.C.

The Judicial Conference proposes alternatives to the phrase "substantial support" in section 706(a)(2)(F) such as "adequate support" or "sufficient support" because the use of the term "substantial support" blurs the necessary distinction between the informal rulemaking process and the formal adjudicatory process which requires "substantial evidence" on the record.

A third concern considered was the pending amendments to permit judicial review of agency decisions and agency regulatory analyses supporting those decisions. Such judicial review would be a review of the entire informal rulemaking file, a review of the analyses and data supporting the agency's decisions, and a review of the non-documented processes of decision-making in informal rulemaking (§ 553). Such matters are not the equivalent of a *record* in the sense that courts now review the *records* of adjudicatory agency proceedings (§ 554). (For example, these amendments would put Article III courts in the position of redetermining an agency's factual decision whether the $100 million impact level has been reached. The bills would also require the courts to analyze the analysis that the agency used to reach their decision.) Not only will the number of cases increase by creating such judicial review, but the time and expertise to make the review required will also increase dramatically. The Conference questions the ability of the federal courts to perform such a task effectively and quickly.

Recommendation A.3.

The Judicial Conference opposes the creation of judicial review of such agency determinations and the supporting regulatory analyses.

The fourth and final issue that the Conference considered pertaining to the scope of judicial review was the potential for "interlocutory" judicial review of agency decisions (e.g., whether to classify a rule as a major or minor rule). H.R. 746 (as introduced and as printed on June 8, 1981) explicitly precludes judicial review of an agency decision such as cited above (Section 632(a) p. 10 of the June 8, 1981, committee print of H.R. 746). S. 1080 is silent on the subject. Because there is concern that an amendment to create such judicial review may be offered, the Conference decided to address the issue.

The Conference opposes judicial review of agency decisions during the rulemaking process for several reasons. First, such "interlocutory" review by the federal courts would add cases to already overburdened federal court dockets, cases which might again be before that court on the merits of the rulemaking process. Second, the agency's initial decisions may not be well suited for judicial review at an early point in time given a potential paucity of information in the file combined with the technical nature of the regulation. Many cases could require remand. It is the Conference's opinion that reversals of preliminary agency decisions would occur only rarely. Also, judicial review at an early stage of the rulemaking process would require more discretion by the reviewing court than Congress may have intended. Third, due to the flood of civil cases coming to the courts and the existing backlog, these "interlocutory" reviews would not only overburden the federal courts, but they would also hinder the rulemaking process. Given that one objective of regulatory reform is to expedite agency rulemaking procedures, creating a certain delay by permitting premature judicial review of agency decisions conflicts with achieving that objective of expediency. Finally, this delay could be manipulated by either those making the rule or those challenging it. Furthermore, that same strategy could be applied not only to the creation of new regulations but also to the modification or repeal of existing regulations.

Position I.D.

The Judicial Conference opposes efforts in Congress to create a right of judicial review for preliminary administrative agency decisions in the course of rulemaking.

II. LEVEL OF JUDICIAL REVIEW

H.R. 746 as introduced included the amendments to 5 U.S.C. § 704. The text of the current section 704 is as follows:

[Ch. 7, Judicial Review, 5 § 704]

§ 704. Actions reviewable.—Agency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review. A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action. Except as otherwise expressly required by statute, agency action otherwise final is final for the purposes of this section whether or not there has been presented or determined an application for a declaratory order, for any form of reconsideration, or, unless the agency otherwise requires by rule and provides that the action meanwhile is inoperative, for an appeal to superior agency authority. Pub. L. 89-554, Sept. 6, 1966, 80 Stat. 392.

The amendments proposed in the original version of H.R. 746 are as follows:

JUDICIAL REVIEW

SEC. 207. (a) Section 704 of title 5, United States Code, is amended—

(1) by inserting "(a)" immediately before "Agency"; and

(2) by adding at the end thereof the following new subsection:

"(b) If no special statutory review proceeding is applicable, an action for review of a rule defined in section 551(4) of this title shall be brought in the United States Court of Appeals, and venue of such action shall be determined in accordance with section 2343 of title 28, United States Code.".

The proposed addition to section 704(b) has been deleted from the June 8 committee print of the House bill. The Judicial Conference chose, however, to consider this issue and recommend a position because the proposed change may be offered as an amendment to the Senate bill or reappear during the House mark-up of its bill.

The effect of the proposed addition of 704(b) would be to direct all administrative agency cases absent special statutory provisions to the courts of appeals rather than to district courts. The Conference considered the comparative workloads of the district and the appeals courts as well as the nature of the administrative agency action reviewed (e.g., Social Security cases). The Conference believes that the status quo is preferable to the judiciary.

Position II

The Judicial conference opposes adding a section 704(b) as proposed in H.R. 746 as introduced.

III. RACE TO THE COURTHOUSE

The Conference directed its attention to the solution proposed in S. 1080 to the problem of the "race to the courthouse." The provisions in S. 1080 (pp. 22-24) sustantially embody the proposal recommended by the *Administrative Conference of the United States.* To avoid unseemly action on the part of attorneys and to avoid inconsistent and contested actions by the various courts in deciding such matters of venue, the provisions in S. 1080 would amend 28 U.S.C. § 2112 to provide for random selection by the Administrative Office of the United States Courts when multiple proceedings have been instituted. The Judicial Conference supports this proposal with the caveat that the random selection is viewed as a ministerial function *not* as a judicial function. Were it viewed otherwise, the Administrative Office would not be an appropriate agent to perform the selection. The Conference is concerned that no judicial functions be imposed on the Administrative Office by Congress. However, the Conference believes that the selection function contemplated in this bill is ministerial and administrative in nature.

Position III

As a matter of principle, the Conference opposes the imposition of any judicial function on the Administrative Office of the U.S. Court. However, the Judicial Conference supports S. 1080's solution to the "race to the courthouse" problem with the qualification that the selection procedure is a purely ministerial duty. The Judicial Panel on Multidistrict Litigation with its staff may, however, be an alternative to the Administrative Office of the U.S. Courts as the agent administering the random selection process.

Sincerely yours,

WILLIAM E. FOLEY,
Director.

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Mr. Speaker, I know that you are pleased, as am I and all the Members of the House of Representatives, to have received this comment from the Judicial Conference, which comment will play such an important role in the further markup of regulatory reform bills, in their consideration in the committees of the Congress, and in their consideration on the floor of the Congress. This exchange of ideas represents a new high level of cooperation between the judicial and legislative branches of our Government.

Mr. Speaker, I yield back the balance of my time.

PRIVATE IMMIGRATION BILLS RELATING TO FOREIGN MEDICAL GRADUATES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kentucky (Mr. MAZZOLI) is recognized for 15 minutes.

● Mr. MAZZOLI. Mr. Speaker, the Subcommittee on Immigration, Refugees, and International Law of the Committee on the Judiciary established guidelines covering the consideration of private immigration bills introduced by Members on behalf of foreign medical graduates.

The subcommittee sent a "Dear Colleague" letter to all Members of the House which explained the policy adopted by the subcommittee at a meeting on June 11, 1981.

To give further notice of this new policy, I include, following my remarks, a copy of the letter detailing the new policy.

CONGRESS OF THE UNITED STATES,
COMMITTEE ON THE JUDICIARY,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 13, 1981.

DEAR COLLEAGUE: This letter details the policy, recently adopted by the Subcommittee on Immigration, Refugees, and International Law, concerning private immigration bills which have been introduced on behalf of alien doctors who are currently living in the United States. These doctors are technically known under the law as foreign medical graduates (FMG).

FMGs are foreign-born doctors who have received their medical education and medical degree abroad. They initially entered this country legally, under an established program providing for further medical study, but are now in the U.S. illegally.

Many of these doctors want to remain in this country and practice medicine here. Under the law, they cannot remain here. They must return to their homeland.

Hence, many seek to remain in the United States, and legalize their status here, through means of a private immigration bill.

Quite a few of these bills are now before the Subcommittee. And, we have received reports that there are several thousand other FMGs in this country illegally. They are practicing medicine, some with proper medical licenses, others without such licenses.

We have also been advised that there may be as many as 30,000 FMGs in the U.S. illegally who are not practicing medicine but who are pursuing other occupations.

In short, the presence in the U.S. of these FMGs constitutes a major immigration issue. But this is one issue on which our Subcommittee has proceeded carefully in the area of private bills because a decision on one private bill to benefit a single FMG may set a precedent for thousands of other FMGs.

The Subcommittee, following extended and careful deliberation on June 11, 1981, adopted the following policy affecting the three categories into which these private bills fall:

I. Private bills introduced and referred to the subcommittee by June 11, 1981 covering FMGs who entered the United States prior to January 9, 1977

The Subcommittee will defer final action on these bills until a time near the end of the 97th Congress.

The Subcommittee desires the beneficiaries of these private bills to use this "grace period" to exhaust all administrative remedies existing under current law which could legalize their status and lead to their acquiring permanent resident status.

Specifically, this grace period is to enable the FMGs, who are the beneficiaries of these private bills, to satisfy the following statutory requirements for permanent residence:

1. Passage of the Visa Qualifying Examination (VQE). This examination tests the medical competence of physicians. It is given in 5 cities in the United States and 26 locations throughout the world. The next one is scheduled for September, 1981.

2. Exemption from the two-year foreign residency requirement. Some countries require their citizens—who have entered the United States as exchange visitors for medical studies—to return to their home country to practice the skills which they learned in the U.S.

This Subcommittee policy applies only to FMGs admitted into the U.S. prior to January 9, 1977, because this is the cut-off date established by Public Law 94-484, the "Health Professions Educational Assistance Act of 1976". In passing this law, the stated intent of Congress with respect to FMGs was to assure the services provided by such doctors was quality health care.

All FMGs who have entered the United States after January 9, 1977, have clear knowledge that they must leave the U.S. following completion of their specialty medical training.

The Subcommittee will schedule final action on all private bills in this category once the author of the bill provides proof to the Subcommittee that those listed requirements have been met by the beneficiary of the private bill.

However, it should be noted that fulfillment of these requirements does not guarantee favorable action on the bills by the Subcommittee. These requirements are simply prerequisites which must be met before the Subcommittee will take up the merits and equities presented by the case and move to final action.

The Subcommittee has authority to initiate a request for official reports from the Immigration and Naturalization Service (INS) and from the Department of State on a FMG, who is the subject of private legislation.

This request for an official report for a doctor in the United States—technically called a "waiver of Rule 4"—effectively stays deportation until all the reports are completed, are filed with the Subcommittee, and final action has been taken by the Subcommittee.

The Subcommittee has a policy to "waive Rule 4" only in those rare instances when unusual hardship to the bill's beneficiary, or to a U.S. citizen, can be demonstrated. Thus, in most instances, the Subcommittee does not waive Rule 4.

As part of the Subcommittee's new policy FMGs falling within this category, it will waive Rule 4—i.e., request Departmental reports—on all private bills which were pending before the Subcommittee on this category on June 11, 1981.

To summarize: final action on private bills of this category will be deferred until the end of the 97th Congress to allow time for the accomplishment of the two statutory requirements listed above, except that final action will be scheduled earlier where the Subcommittee has proof that the two requirements have been fulfilled.

Implicit here, of course, is that the Subcommittee will view with very little favor private bills in this category where the FMGs do not meet the VQE and foreign residency waiver requirements.

II. Private bills introduced and referred to the subcommittee after June 11, 1981 covering FMGs who entered the United States prior to January 9, 1977

Private immigration bills for FMGs referred to the Subcommittee after June 11, 1981, covering FMGs who entered the United States under the exchange visitor program prior to January 9, 1977, will not be scheduled for Subcommittee consideration until the Subcommittee receives proof that the FMGs have met these two requirements: passage of the visa qualifying examination, and, exemption from the two-year foreign residency requirement.

The Subcommittee intends to clear its docket of all private bills for FMGs before the 97th Congress adjourns.

Implicit here, of course, is that the Subcommittee will view with very little favor private bills in this category where the FMGs do not meet the VQE and foreign residency waiver requirements.

III. Private bills already introduced and referred to the subcommittee or yet to be introduced covering FMGs who entered the United States on or after January 9, 1977

Private bills on behalf of FMGs, who entered the U.S. on or after January 9, 1977, will be scheduled in the regular fashion.

It is the intention of the Subcommittee to view unfavorably all private bills to benefit FMGs who entered the country on or after January 9, 1977.

As was explained earlier, January 9, 1977, was the date upon which the new national policy on FMGs became effective.

All FMGs who have entered the U.S. for study on or after January 9, 1977, know clearly that they must leave the U.S. and return to their homeland after completion of their medical studies.

Conclusion

The Subcommittee has developed its policy on private immigration bills for FMGs with three objectives in mind.

The first is to provide a balanced, thoughtful, and firm application of the nation's immigration laws.

The second objective is to support the goals of the Health Professions Educational Assistance Act of 1976 which established a new national standard for foreign medical doctors.

The third objective is to be of assistance to Members of the House who have sponsored private immigration bills for FMGs.

We appreciate your attention to this complicated issue. If you have any questions, please do not hesitate to contact the Subcommittee staff on 55727.

Sincerely,

Romano L. Mazzoli, Chairman, Subcommittee on Immigration, Refugees, and International Law; Sam B. Hall, Jr.; Patricia Schroeder; Barney Frank; Hamilton Fish, Jr., Ranking Minority Member, Subcommittee on Immigration, Refugees, and International Law; Dan Lungren; Bill McCollum.●

THE FAMILY FARM ANTITRUST ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. KASTENMEIER) is recognized for 5 minutes.

● Mr. KASTENMEIER. Mr. Speaker, I am pleased today to introduce the Family Farm Antitrust Act of 1981, which is being cosponsored by my colleagues Mr. BONIOR, Mr. FORSYTHE, Mr. KOGOVSEK, Mr. PANETTA, Mr. PRICE, Mr. STUDDS, and Mr. WEAVER. Our purpose in proposing this legislation is to preserve the family farm base of American agriculture by prohibiting large, nonfarm investors from gaining control of farm production.

Historically, American agriculture has been based on the family farm. To a large degree, this is still the case. However, we are now witnessing major changes in the way we produce food. Since the late 1930's farm numbers have declined from 6.8 million to under 2.7 million. The size of the average farm has increased dramatically, and the Nation's largest farms are producing a growing share of our food supply.

Concern over these trends prompted former Agriculture Secretary Bob Bergland to hold a series of public forums around the Nation in late 1979 on the structure of American agriculture. If there was one common thread in these discussions, it was the widespread public support for the family farm. Americans recognize that it is the farm family which has made the United States the most efficient food producer in the world.

We cannot totally halt the trend toward fewer and larger farms; nor is it desirable to return to an era of small subsistence farms. What we can do, and what my proposal seeks to do, is to insure that corporate giants do not use their overwhelming economic power to control the production of food in this country.

During the past decade we have found that companies such as Dow Chemical and Boeing are in direct competition with family farmers. Many of the large conglomerates which produce farm machinery, fertilizer, seed, and livestock feed are moving directly into farming. Often these companies also process and market farm commodities. Therefore, they can provide important advantages to their farm subsidiaries. We cannot expect small independent farmers to compete with the economic muscle of these giant firms.

In discussing this issue, some would argue that the presence of business corporations and wealthy investors in farming is not a problem. They might point out that nonfarm corporations appear to have a small share of the agricultural market.

However, if we look beyond the general statistics, we find some disturbing trends. Last year, in a staff working paper, the Congressional Budget Office analyzed the most current available figures on corporate farming. The Budget Office revealed that there are 800 large corporations involved in farming and reported that most of these corporations have substantial nonfarm business activities. The CBO further looked at the largest one-third of these corporations and found that, on the average, each owned 20,000 acres of farmland and had $9.3 million in annual agricultural sales. Twenty-one of the companies reported receiving Government farm subsidy payments averaging $434,000 in 1974.

Also in 1980, farmers all over the country were alarmed to learn of the formation of the American Agricultural Investment Management Co., Inc. (AAIM), which has been organized to help pension funds invest in farmland. Under this plan, AAIM would purchase and operate farms for its clients.

It appears that the company has not yet made any moves toward actually buying farms. This is fortunate, because pension funds in this county command vast financial resources, and could afford to invest in huge tracts of our prime agricultural land. However, we must do more than merely hope that this does not occur. We must enact legislation on the national level to restrict such purchases.

Several State governments have acted to restrict investments by nonfarm corporations and aliens. These statutes vary greatly, but their existence indicates the level of concern among the States over this issue.

We must recognize three important points about corporate concentration in agriculture. First, it will not increase efficiency. U.S. Department of Agriculture studies have shown that a fully mechanized, single-family farm can achieve maximum efficiency per unit of production.

Second, soil and water conservation will decline under corporate stewardship. Business firms seek to maximize profits, and many important conservation practices reduce profits in the short term. Such practices are much more attractive to a family which has held a farm for generations and hopes to leave the land to its children and grandchildren.

Third, corporate control will change the very character of rural communities. Sociological studies show that a much higher quality of life exists in areas dominated by independent farm families than in those areas where nonfarm investors are prevalent.

We are slowly learning the painful lesson that economic concentration does not result in greater efficiency and productivity. We have seen the effects of such concentration in the profiteering of the oil companies and the total mismanagement of the steel and automobile industries. Enactment of the Family Farm Antitrust Act will mean that we will not have to relearn this same lesson in our most important industry—food production.

The Family Farm Antitrust Act would prohibit any person or corporation with nonfarming assets in excess of $5 million from engaging in farm production. It addresses not only the

ownership of productive farmland, but also the control of agricultural production through the leasing of farmland and through contracts which give the corporation control over the actual operation of farms. The Secretary of Agriculture is directed to periodically advise the Congress on the need to raise the nonfarm asset ceiling.

Upon passage of the Family Farm Antitrust Act, companies and individuals who are in violation would have 5 years to divest their holdings. The Farmers Home Administration would be required to acquire those holdings at fair market values if no other buyers could be found. This land must then be resold within 2 years.

A civil penalty would be applied to those who do not divest within the 5-year period and those who come into violation of the bill after its passage. The penalty equals $2,000 per year for every acre of farmland controlled in violation of the act, or twice the value of the commodity illegally produced, whichever is greater.

Agricultural cooperatives and nonprofit educational and research institutions would be exempt from the bill.

Mr. Speaker, I urge my colleagues to support the Family Farm Antitrust Act. I would like to submit the text of this legislation to the RECORD at this time:

H.R. 4250

A bill to amend the Clayton Act to prohibit certain anticompetitive practices in the agricultural industry

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Family Farm Antitrust Act of 1981".

FINDINGS; DECLARATION OF POLICY

SEC. 2. (a) The Congress finds that—

(1) in order to nurture the private enterprise system, it is desirable to protect consumers and small businesses, and to provide for the continued existence of the family farm, by protecting family farms against the monopolization of the agricultural industry,

(2) vertical integration within the agricultural industry by corporations engaged in the processing, distributing, and retail industries, and other conglomerate corporations, tends to create monopolies in the agricultural industry, to foster anticompetitive trade practices in that industry, and to produce unfair competition for family farms, and

(3) the anticompetitive forces at work within the agricultural industry, by threatening the existence of the family farm, are causing population shifts from rural areas to urban areas which rob the rural areas of productive population and increase the problems of already overcrowded urban areas.

(b) The Congress declares that it is the policy of the United States and the purpose of this Act to restore competition to the agricultural industry and to provide for the continued existence of the family farm.

AMENDMENTS TO CLAYTON ACT

SEC. 3. (a) The Clayton Act (15 U.S.C. 12 et seq.) is amended by inserting after section 8 the following new section:

"SEC. 8A. (a) Except as provided in subsection (b), no person engaged in commerce (or in an activity affecting commerce) in a business other than farming, whose unrelated assets exceed $5,000,000 shall—

"(1) engage, directly or indirectly, in farming or the production of agricultural commodities;

"(2) control, or attempt to control, the production of agricultural commodities through the ownership or leasing of land for use in the production of agricultural commodities; or

"(3) participate in the production of agricultural commodities by acquiring a controlling interest in the stock or other share capital, or the assets, of another person, or by any other means of acquisition or control of another person who is engaged in the production of agricultural commodities.

"(b) Subsection (a) shall not apply to a person who is—

"(1) an organization which is described in section 501(c)(3) of the Internal Revenue Code of 1954 and exempt from tax under section 501(a) of such code if the farming activities of that organization do not result in unrelated business income taxable under part III of subchapter F of chapter 1 of such Code; or

"(2)(A) an association that is described in the first section of the Act entitled 'An Act to authorize association of producers of agricultural products', approved February 18, 1922 (7 U.S.C. 291) commonly known as the Capper-Volstead Act, and that satisfies the requirements of the first section of such Act; or

"(B) a cooperative association, as defined in section 15(a) of the Agricultural Marketing Act (12 U.S.C. 1141j(a)) that satisfies the requirements of section 15(a) of such Act.

"(c)(1) Subject to paragraph (2), any activity engaged in, or property or other interest owned, during the 5-year period beginning on the effective date of this section by a person to whom subsection (a) applies, which would (but for the operation of this paragraph) be a violation of subsection (a) shall not be considered to be a violation of such subsection for such 5-year period if engaging in activity or owning such property or other interest is a continuation by such person of an activity engaged in, or property or other interest owned, by such person immediately before such effective date and if such activity or such property or other interest is not increased or expanded during such 5-year period.

"(2) Paragraph (1) shall not apply with respect to any activity engaged in, or any property or other interest owned, during such 5-year period by any such person if, immediately after the end of such 5-year period, such person continues to engage in such activity, or own any property or other interest, in violation of subsection (a).

"(d) It shall not be a violation of subsection (a) for any creditor, beneficiary, or intestate successor to acquire, pursuant to forfeiture, devise, or the laws of intestate succession, and to hold for not more than 2 years any property or other interest, which acquisition and holding would violate such subsection but for the operation of this subsection.

"(e) Any person who knowingly violates subsection (a) shall be subject to a civil penalty not to exceed the greater of—

"(1) twice the amount of the gross income from the production of agricultural commodities in the calendar year in which the violation occurs received by such person, directly or indirectly; or

"(2) the product of $2,000 and the number of acres used in the production of agricultural commodities in the calendar year in which such violation occurs.

Such penalty shall accrue to the United States and may be recovered in a civil action brought by the United States.

"(f) For purposes of this section—

"(1) the term 'agricultural commodities' means livestock, grain, cotton, tobacco, peanuts, other field crops, vegetables, fruits, tree nuts, milk, eggs, or hay or other forage;

"(2) the term 'grain' means wheat, corn, barley, oats, rye, rice, grain sorghum, and soybeans;

"(3) the term 'livestock' means cattle, swine, sheep, goats, horses, ponies, mules, donkeys, burros, hares, rabbits, fur-bearing animals, bees, chickens, turkeys, ducks, geese, or game birds;

"(4) the term 'production of agricultural commodities' means the use of land in a calendar year to produce agricultural commodities if in such calendar year the fair market value of the aggregate amount of such agricultural commodities disposed of for profit, by sale or otherwise, exeeds $1,000; and

"(5) the term 'unrelated assets' means assets which are not used for the purpose of engaging in the production of agricultural commodities.".

(b) Section 11 of the Clayton Act (15 U.S.C. 21) is amended by—

(1) by striking out "sections 2, 3, 7, and 8" in subsections (a) and (b) and inserting in lieu thereof "sections 2, 3, 7, 8, and 8A", and

(2) in subsection (b) by striking out "sections 7 and 8" and inserting in lieu thereof "sections 7, 8, and 8A".

ASSISTANCE OF THE SECRETARY OF AGRICULTURE

SEC. 4. (a) To the extent provided in advance in appropriation Acts, the Secretary of Agriculture, acting through the Farmers Home Administration, shall acquire at fair market value any property or other interest of which a person is requred to divest himself in order to comply with section 8A(a) of the Clayton Act, if such person establishes to the satisfaction of the Secretary that he is otherwise unable to sell or exchange such property or other interest for such purpose for the fair market value of such property or interest.

(b) The Secretary of Agriculture shall sell, at not less than fair market value, any property acquired by the Secretary under subsection (a) as soon as practicable, but in any event not later than 2 years after the date on which such property is so acquired under such subsection.

ENFORCEMENT ACTIVITIES OF THE SECRETARY OF AGRICULTURE

SEC. 5. The Secretary of Agriculture shall—

(1) acquire information to determine whether violations of section 8A(a) of the Clayton Act have occurred if such information is available to the Secretary under any other provision of law,

(2) exercise any general investigatory authority vested in the Secretary, to investigate alleged violations of such section reported to the Secretary by any person, and

(3) report to the Federal Trade Commission the results of such investigations.

RECOMMENDATIONS REGARDING LEGISLATION

SEC. 6. The Secretary of Agriculture shall from time to time submit to each House of the Congress any recommendation for adjustment of the monetary amount specified in section 8A(a) of the Clayton Act, as added by this Act, which the Secretary determines to be necessary, taking into account changes in economic conditions, to carry out effectively the purpose described in section 2(b) of this Act.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. There are authorized to be appropriated such sums as may be necessary to carry out sections 4, 5, and 6 of this Act.

□ 1850

POTENTIAL IMPACT OF CUTS ON CHILD HEALTH IN BUDGET

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. DINGELL) is recognized for 10 minutes.

● Mr. DINGELL. Mr. Speaker, Members of Congress are being forced in budget reconciliation conferences all over the Hill this week to deal with hundreds of Federal policies and programs for which we are making thousands of separate budget decisions involving billions and billions of dollars.

I am seriously concerned that the administration has proposed drastic cuts in areas like health care with no realistic idea of their impact of human life and human health. For that reason, I am convening a joint hearing with the Subcommittee on Health and Environment and the Subcommittee on Oversight and Investigations next Monday to assess the potential impact of these cuts on child health and infant mortality so that conferees might be better able to weigh this impact during our conference discussions. Meanwhile, I commend to my House and Senate colleagues an excellent discussion of this subject by Larry S. Gage, general counsel of the National Association of Public Hospitals, which appeared in the July 21 Washington Star:

[From the Washington Star, July 21, 1981]

BUDGETS AND THE LATE BABY DOWNING

(By Larry S. Gage)

Sometimes it takes a tragic emotional incident like the death of a premature baby to open our eyes to the damage our budget-cutting mania may do to the national health.

Two pounds, six ounces, "baby boy Downing" died of respiratory failure in a rural Florida hospital earlier this month. He had been denied admission, because of recent budget cuts, to a public hospital neonatal intensive care unit just 40 miles away. In the scant few hours he lived, he taught us several valuable lessons about the remarkable past and uncertain future of our nation's health-care system.

Perhaps "baby boy Downing" would not have been saved in any event by his transfer to the neonatal unit, but he'd have had a chance. Prior to 1950, his chances would have been zero in any hospital. In even the best-equipped facility in 1965 his chances of survival would have been closer to 7 in 100 than the current estimate of 7 in ten. Recent technological advances in emergency transportation and patient care for these infants, as in many other areas of medicine, have been nothing short of astonishing.

AVAILABLE TO NEARLY ALL

Because this technology has been costly, it is perhaps equally astonishing that we have in many areas made it available to all citizens, regardless of their ability to pay. Despite some noticeable gaps, and notwithstanding our consistent failure to enact universal national health insurance, our patchwork crazy-quilt of federal, state, local, and private support has enabled us—at least until now—to provide this care in many parts of the country to almost everybody who needs it.

The federal government, through Medicaid, Medicare, and other health-care programs, is a major partner in this system—but by no means the only one. Many services are directly funded by state and local governments, through publicly owned hospitals, clinics, and other institutions. These subsidized public services are often far more extensive than people realize—ranging from state-wide emergency transportation systems, to shock-trauma centers, burn units, well-baby clinics, poison centers, renal dialysis, and neonatal intensive care. The neonatal unit in this case, for example, was in a county-owned institution: Tampa General Hospital.

Highly specialized services like neonatal units are expensive. Babies often must stay for a long time, at prohibitive cost. In a public institution, government must ultimately agree to pick up the tab.

In a state like Florida, where Medicaid eligibility is extremely restrictive, a public hospital must find other sources of income if such care is to be provided for those who cannot afford to pay. For the most part, such hospitals must rely on direct state or local operating subsidies, which often comprise a major portion of a hospital's budget.

When state or local governments cut back on their contribution, however, a public hospital may have no choice but to slash available services. And despite the special tragedy associated with the death of a child, it is only logical that costly, high-technology services which benefit only a few will be early budget-cutting targets.

Baby boy Downing was refused admission to Tampa General for precisely this reason. The state of Florida has cut direct subsidies for neonatal care nearly in half. The Tampa General governing board responded by insisting that the number of available beds be reduced from 33 to 18.

HOLES IN THE NET

At other public hospitals faced with other budget cuts the services reduced might be different—but the net result will be the same; people denied necessary medical attention, perhaps even in life threatening situations. In fact, cities and counties are going through similar fiscal crises all over the country, even before the current wave of federal budget cuts goes into effect.

This story is being heard in public hospitals—our system's institutional "safety nets"—all over the country, Denver, Los Angeles, St. Louis, Boston, Chicago, Atlanta, and New Orleans, are among those already struggling with funding shortfalls.

There is clear cause for alarm as Congress works to complete the budget reconciliation process. While neither house accepted the President's proposed 5 per cent cap on federal Medicaid increases, for example, the Senate adopted Medicaid cuts of considerably greater magnitude than the House, primarily by reducing the minimum federal share from 50 per cent to 40 per cent, and indexing federal Medicaid increases in later years to the GNP deflator.

ESCALATING COSTS

Reducing the minimum federal match will have a cruel impact on a small handful of states—California, Michigan, Illinois, and New Jersey will lose over a half a billion dollars among them in 1982 alone. Tying the rate of later increases to the GNP deflator will also result in severe disruptions for "safety net" institutions. For without major structural changes in health-care systems as a whole, overall health costs will continue to increase at a rate 3 to 5 per cent faster than general inflation—due in no small measure to new developments in areas such as neonatal care.

Fortunately, the House adopted a more moderate and equitable set of health-care budget cuts, especially for later years, and it is thus up to the Reconcilation Act conferees meeting this week to learn the final lesson from "baby boy Downing": That unless they act with utmost caution in fashioning a final list of health-care budget cuts from the House and Senate proposals, there will be many more like him to come.●

PRODUCTIVITY: THE 1981 JEC MIDYEAR REPORT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. REUSS) is recognized for 10 minutes.

● Mr. REUSS. Mr. Speaker, I introduce today the Joint Economic Committee's unanimous midyear report on "Productivity." The 20 members of the committee have been carefully studying and reviewing the critical economic issues of America's declining productivity. This report represents the result of the committee's latest work and their agreement on the importance of reversing the productivity slump if we are to restore America's economic health. The report includes the committee members' consensus on recommendations to reverse America's declining productivity. The committee's bipartisan report is being introduced in the Senate today by its vice chairman, Senator ROGER JEPSEN.

Here are the major points of the Joint Economic Committee's midyear report. The committee hopes that Members will take note of the magnitude of the productivity decline, its effect on the economy, and the importance of reversing the slump. We hope that Congress will be moved to action on the committee's recommendations for reversing the negative trend in productivity.

During the three decades following the end of World War II, the American economy was the strongest and most productive in the world. Since 1973, however, our productivity growth has deteriorated sharply. Between 1950 and 1965, the level of pro-

ductivity grew at an annual rate of 3 percent. For the period from 1967 to 1973, the annual rate was 2.4 percent. Between 1973 and 1980, the country experienced a dramatic drop in productivity as the rate of growth fell to 0.6 percent annually.

This fall off in the growth of U.S. labor productivity has become a major source of concern for Congress and the American public. And for excellent reasons: declining productivity has far-reaching effects on the Nation's economic health; declining productivity leads to higher inflation, higher unemployment, and a weakening of the U.S. trade position. In addition, the absence of productivity gains prevents any general improvement in the standard of living of the American people. As the Joint Economic Committee has concluded in an earlier study, "Sluggish productivity growth is the most important factor contributing to our economic malaise."

Higher productivity is vital if America is to restore its image and position of strength in the world. Higher productivity is vital if America is to stop its inflationary spiral. Higher productivity is vital if America is to increase employment levels. And, higher productivity is vital if America is to maintain and increase the quality of life of its people. Without productivity gains, it will be difficult, if not impossible, to achieve the healthy and strong economy we are all working for.

Congress has recognized the importance of this issue. The effort to reverse the productivity slump now takes center stage in virtually all congressional economic policy discussions. Efforts to improve the level of productivity must remain at the forefront of not only the work of Congress, but also in the actions of business, labor, and the American people in general. The Joint Economic Committee's midyear report proposes meaningful recommendations for all parties which have an important stake in reversing the productivity decline.

America still has the highest level of productivity in the world. Discussions about America's declining productivity refer to a decline in the rate of productivity growth, and not total productivity. When one looks at the entire U.S. private economy compared to our competitors, American industry and workers rank as the most efficient and productive in the world. However, if current trends continue, it will not be very long before many of the other industrialized countries achieve productivity levels that meet or exceed the productivity of the American worker.

Although productivity growth has long been recognized as one of the most important determinants of national well-being, it has not until recently been a major source of concern for Congress or the American public. The members of the Joint Economic Committee are encouraged by the growing interest in this issue which the committee first began studying in 1957 with a study on productivity, prices, and incomes. The committee continued to review the productivity issue periodically throughout the 1960's and 1970's. Over the past few years, especially, the Joint Economic Committee has been actively studying and reporting on the extent, causes, and effect of the productivity decline.

The Joint Economic Committee's midyear report calls attention, once again, to this most important issue. The report begins with a summary of America's productivity record and a discussion of the causes of the decline. In the main portion of the report, the committee presents their unanimously approved recommendations for improving America's productivity. The committee's eight recommendations, which are primarily microeconomic policies, involve both Government policies and private-sector activities that could help restore the American economy's productivity growth.

The specific recommendations for action are directed at three areas:

First, Congress and the administration should pursue economic policies aimed toward restoring our economy to healthy, long-run growth, as well as toward lower inflation and unemployment.

Second, Government and business should work together toward increasing the stock of capital available to America's workers. In both the public and private sectors, we should pursue policies to increase investment in both real and human capital, reduce waste and inefficiency, and improve the Nation's infrastructure.

Third, corporate managers should retune their thinking to look beyond short-term profits. Greater emphasis should be placed on the question of how today's business decisions influence productivity and affect American industry's long-run ability to survive and compete in the world economy.

The Joint Economic Committee's first recommendation calls for Congress and the administration to pursue policies which will promote economic growth, reduce inflation, and increase employment. High growth will enable industry to utilize their unused capacity, thereby increasing the output per unit of fixed costs. A reduced rate of inflation will improve productivity by increasing personal savings and by providing a stable and less risky economic environment conducive to business investment. High employment improves productivity by making it easy for workers to adjust to technological change by finding new jobs at comparable or better pay.

The second recommendation proposes that the tax system be targeted to encourage productivity improvement in the private sector. Specifically, the committee favors liberalized depreciation for capital-intensive industries in order to stimulate fixed investment, tax incentives for research and development activities, and improvement and increased use of the targeted jobs tax credit for labor-intensive industries. Adoption of this recommendation will help to resolve one of the most important factors in the productivity slowdown, the inadequate level of capital investment during the 1970's. At the same time, the committee recognizes the need to give substantially the same benefit to new spending for research and development, and job training.

Creating conditions for lower interest rates is the focus of the third recommendation. The Democratic and Republican members of the Joint Economic Committee believe that lower interest rates will stimulate investment in business, agriculture, housing, and research, with the result being an expansion in productivity and competition.

The fourth recommendation calls for improved investment in vital public and private infrastructure. The proper macroeconomic policies or a well-designed capital depreciation program will not have a maximum effect without adequate highways, ports, railroads, bridges, utilities, and the like. The steady shift in population from the Northeast and Midwest to the South and West, coupled with declining tax bases in some parts of the country, has placed increasing, unmet demands on the Nation's infrastructure. While public works investment in constant dollars by the Federal Government has remained near its 1968 peak, such investment by State and local governments declined by 40 percent and 25 percent, respectively. The committee believes that some revision or consolidation of existing Federal categorical grant programs may stimulate a more effective use of public funds and diminish the risks of waste and fraud occurring in these programs.

In the fifth recommendation, the committee advocates Government efforts to reduce the burden of paperwork and anticompetitive economic regulation. Efforts must also be made to insure that social regulation meets its objectives in cost effective ways. It would be difficult to quantify the effect of Government regulation on productivity, but there can be little doubt that the rapid growth of Federal regulatory programs during the past 15 years has hurt. A program to improve the productivity of the American economy must include measures to improve regulatory cost-effectiveness, and reduce the unnecessary costs of redundant, ineffective, wasteful, and conflicting regulations and paperwork.

Regulatory cost-effectiveness must be improved, but not at the expense of tampering or rescinding the significant contributions some of the regulations have made toward the overall well-being of consumers and workers.

The sixth recommendation focuses attention on the need to improve the productivity of the Federal Government. Just as America's businesses use scarce resources to produce privately consumed goods and services, the Government also absorbs scarce resources in order to produce public goods and services. Improving the Federal Government's productivity would free up resources for use in the private sector or to permit effective achievement of Governmet objectives without expanding the budget or Federal employment.

The final two recommendations focus on business and labor's responsibility in reversing the productivity decline. The seventh recommendation encourages business to develop a new emphasis on longrun competitiveness in product develpment, production, engineering, distribution, and marketing; rather than on short-term financial performance. A key component of increasing long-term competitiveness is increasing productivity. Therefore, the members of the Joint Economic Committee strongly urge each and every American business firm to develop its own productivity improvement program.

The final recommendation encourages labor and management to cooperate in improving longrun productivity and competitiveness. Cooperative activities by labor and management have already demonstrated their effectiveness in increasing productivity. The committee heartily supports continued labor/management cooperative activities.

The committee's midyear report is valuable, not only because of the recommendations which outline actions needed to help improve productivity, but also because it recognizes the role and responsibility of all the actors who must participate if America is to reverse the productivity slowdown. The claim has been made that Government is the sole or primary cause of the problem. The further claim is made that governmental changes alone will reverse the productivity slowdown. These claims are simply false. Responsibility for reversing the productivity decline rests with every individual and segment in our Nation.

There is no doubt that Government must play an important role in reversing the productivity decline. The committee's recommendations clearly outline Government's responsibility. The Federal Government must pursue policies which will reduce inflation, lower interest rates, and provide a more stable and less risky business environment. Congress and the administration must also develop a tax system which will encourage, rather than discourage, productivity growth. And, all levels and branches of Government must work toward reducing unnecessary and anticompetitive paperwork and regulation.

In addition to Government, however, business, labor, and the American people in general must share in the responsibility for improving productivity. There is much that the private sector can do on its own that would significantly enhance productivity. I am pleased to report that business and labor have already undertaken successful efforts to improve productivity.

The hearings which the Joint Economic Committee has held during the past few months have introduced the committee members to what U.S. business and labor can and are doing to improve productivity. Industry and labor leaders have examined Japanese methods, as well as tapped their own resources, in developing programs to improve productivity. Industry is placing greater emphasis on quality and people-oriented management. They have recognized that productivity, quality products, and quality of work life are inseparable. Labor has demonstrated their appreciation of the private sector's role in improving productivity through their willingness to join, as well as lead, industry efforts to promote productivity.

Here are some examples of business and labor's efforts to improve productivity.

Business and labor have begun to improve productivity on their own by making better use of our country's most valuable asset—our people. These efforts revolve around an understanding of and appreciation for the new value system of today's worker. In his testimony before the committee, Dr. James J. Renier, from Honeywell, described the new value systems as—

> One that values persons over institutions, individualism over conformity, participation over authority, quality over quantity, diversity over uniformity, and experience over things.

This new value system reflects the great improvements in the standard of living for America's workers, and the fact that workers' concerns extend beyond simply earning enough money to meet life's necessities. Today's workers want assurance that they are making a real difference, that their best talents are being effectively used, and that they are recognized as an individual and not just another input in the production process.

The best example of business and labor's recognition of the values and abilities of the American worker is the increasing number of companies establishing quality control circles. In these quality control circles, representatives from management and labor meet regularly to discuss production problems and to present and review proposals for improving the production process workers' knowledge. Companies across the board are reporting that these cooperative labor/management efforts result in productivity gains, improved labor/management relations, and better work environments.

The Westinghouse Electric Corp. currently conducts 700 quality circles at 150 locations, involving 10,000 people. The Honeywell Corp. is proud of the fact that, at one facility, 10 teams improved productivity by 46 percent over 2 years. At another Honeywell plant, 28 teams reduced assembly time in 1 year equal to savings of $625,724. Quality circles are also being established in the automobile industry. Labor and management have worked together at General Motors to establish over 50 quality circles. The result has been improved product quality, reduced absenteeism, and a more satisfied work force.

Industries are also instituting large-scale productivity programs that include not only quality circles, but also investment and engineering programs. Many of these programs are aimed at improving product quality and developing and implementing advanced production methods. Robert M. Lynas of TRW told the committee that: "The challenge of the 1980's for U.S. industry is to increase the emphasis on quality management." The success of the Japanese can be attributed, in large part, to their insistence on high-quality products and production processes with low reject rates. Successful efforts in this country include a large-scale program at Beatrice Foods which resulted in a $7 million savings in 1 year ending February 28, 1981. Another example is Westinghouse, which has created a multimillion-dollar productivity "seed fund." About $30 million has already been used on more that 120 projects, including advanced robotics systems.

Private sector activities to improve productivity are not limited to America's large corporations. Small companies are one of the greatest contributors to increased productivity. For example, the emphasis which the Millipore Corp. of Bedford, Mass., places on research and development, and long-term horizons has resulted in productivity improvements and growth. The willingness of America's small and high-growth industries to take additional risks in the marketplace will help pull America out of its productivity decline.

Corporations of all sizes are beginning to respond to the values and abilities of the American workers. With the continued cooperation of labor, the private sector will continue to be a vital part of our efforts to reverse our painful productivity slowdown. The result of private sector pro-

ductivity activities has and will be higher productivity.

Implementation of the recommendations of the Joint Ecomomic Committee's report will require the cooperative efforts of business, labor, and Government. The committee believes that this report sets the tone and direction for such cooperation.

INTRODUCTION OF THE SMALL BUSINESS INNOVATION RESEARCH ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. LAFALCE) is recognized for 5 minutes.

● Mr. LAFALCE. Mr. Speaker, I am introducing the Small Business Innovation Research Act of 1981 which amends the Small Business Act in a way which will significantly strengthen the role of the Nation's smaller, technology-based firms in federally funded research and development projects. This bill, which is identical to a bipartisan measure introduced in the Senate, moves toward a solution of a very real problem facing the United States—the low and falling rate of productivity and innovation.

Within the last few years, productivity levels of U.S. industry have dropped below those of all leading industrial nations. While the annual growth rate of major trade competitors such as Japan and Germany has been on a sharp upturn.

During this same period, innovation rates have also decreased. New technologies are not being developed to keep pace with the needs of U.S. markets. I submit that one answer to this highly complex issue lies in utilizing our limited monetary resources in a way that insures maximum benefits through a comprehensive and coordinated effort aimed at improving our methods of producing innovative technology.

The Small Business Innovation Research Act of 1981 will provide a powerful and creative method of properly channeling the impact of the Federal Government in the area of research and development. Approximately 60 percent of all research and development in this country is funded by the Federal Government. This amounted to $31.7 billion in 1980. With enactment of this legislation productivity will be increased through Federal encouragement of small businesses to engage in risk taking, job creating enterprises.

As the delegates of the White House Conference on Small Business perceived, there is ample reason to insure that small business receives an equitable share of Federal research and development dollars in light of its demonstrated ability to produce low-cost technological development. As documented in a recent study by OMB it was found that from 1953 to 1973 almost half of all major U.S. innovations were developed within firms with less than 1,000 employees. Additionally, other studies have shown that traditionally, small firms have produced innovations and technological breakthroughs at a far greater rate than larger, more heavily structured businesses.

The National Science Foundation, whose highly successful small business innovative research program was the model for this proposal, found that small businesses are much more cost effective than larger companies engaging in R. & D. research.

Let us not forget that small businesses are not only the innovators but the job creators as well. As a 1979 MIT study shows, firms with 250 or less employees produced 90 percent of the 6.8 million jobs created from 1965 to 1976.

The Federal Government's failure to recognize the innovative technological potential of small business is all too clear. Over the past 4 years, the share of Federal research and development funds received by firms with fewer than 500 employees remained at a mere 3 to 4 percent.

The time has come for Congress to recognize its responsibility to foster the growth of this potential by encouraging small businesses to create new jobs and tax revenues through the generation of new technologies.

The engine for this growth will be a requirement that agencies having research and development budgets over $100 million must establish small business innovative research—SBIR—programs designed to enable small firms to develop the types of new products and processes needed by the particular agency. This bill will require that a goal of 1 percent of each agencies' annual R. & D. budget must be allocated to small business.

We even have an existing mechanism in place to facilitate this goal setting process within an agency. Public law 95-507 already provides a system whereby an agency undergoes an annual small business goal-setting process. Utilizing 95-507 to implement the requirements of this law for research and development will avoid unnecessary disruptions of the Federal procurement system.

As it stands, small innovative companies are held back due to an insufficient capital base. High-technology firms are rich in innovative potential and call for extensive financing. However, viewed as they are as high-risk ventures, investors are hesitant in financing them.

This bill would attack this capital investment trap that innovative small businesses find themselves caught in.

The SBIR provides for three-phased funding of small, high technology firms. Initially, agencies invite small businesses to submit R. & D. proposals, of which the most promising will be funded up to $50,000 for testing of feasibility of the innovation. If this initial research proves successful additional funding is possible—where private capital is not within reach—ranging from $100,000 to $500,000. Finally, the actual production and marketing will be financed by private capital.

In order to implement the SBIR program, each Federal agency is called to set aside 1 percent of its total annual R. & D. budget for small business. A 3-year phasein period calling initially for two-tenths of 1 percent is provided in order to allow agencies adequate preparation time for proper construction of the SBIR program. The SBA would be responsible for coordinating the release of program solicitations, monitoring the awarding of grants, and reporting to the Small Business Committee on the implementation of the program.

If enacted, the Small Business Research and Development Act of 1981 will assist the Federal agencies in meeting their R. & D. objectives, while developing the untapped potential of small, high-technology companies. New products, more efficient processes and more jobs would be created as a result of the programs. No new Federal moneys are required; simply the transference of a minute portion of already existing funds to the leading innovators in our economy: small businesses.

The benefits accruing to our Nation's spirit of entrepreneurship and the stimulus to economic diversity arising from such a carefully limited Federal effort may very well play a significant role in revitalizing our economy over the decades ahead.●

REQUEST FOR A RULE ON H.R. 4242, THE TAX INCENTIVE ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. ROSTENKOWSKI), is recognized for 5 minutes.

● Mr. ROSTENKOWSKI. Mr. Speaker, today the Committee on Ways and Means favorably ordered reported to the House, H.R. 4242, a bill to provide significant tax relief to individuals and to restructure the tax treatment of business income to encourage increased savings, investment, and productivity growth.

I take this occasion to advise my colleagues that the Committee on Ways and Means has specifically instructed me to request a modified closed rule. We intend to file the committee report tomorrow, July 24, 1981, and will request to be heard before the Committee on Rules as expeditiously as possible.●

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. WHITE) is recognized for 5 minutes.

● Mr. WHITE. Mr. Speaker, I was under the impression that I had recorded my vote in favor of the Courter substitute to H.R. 3519 that directs the President to submit recommendations to the Congress to improve efficiency and management, and eliminate waste, fraud, abuse, and mismanagement in the Defense Department. As the RECORD of July 16 does not reflect my having voted, I would like to make it clear that I agree with the intent of that amendment (rollcall No. 136).●

NATIONAL FLOOD INSURANCE PREMIUMS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. NELSON) is recognized for 5 minutes.

● Mr. NELSON. Mr. Speaker, I would like to take this opportunity to express my displeasure with the recent national flood insurance premium incease.

A number of families in my district have received NFI premium increases ranging from 300 percent to greater than 800 percent. I find it distressing that a Government agency, in particular, the Federal Emergency Management Agency, would contribute so heavily to the inflationary fire. At the very least, such an increase in premiums would be more reasonable if that rate hike were spread over a longer period of time at a more acceptable rate increase.

I appreciate FEMA's attempt to make the national flood insurance program fiscally sound. But, it stands to reason that a 300-plus-percent increase is unjustified and a poor decision in today's economic climate.●

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. GAYDOS (at the request of Mr. WRIGHT), after 11:30 a.m. on Wednesday, July 22, and for today on account of personal reasons.

Mr. HENDON (at the request of Mr. MICHEL), for July 24, 1981, on account of official business.

Mr. GILMAN (at the request of Mr. MICHEL), after 1 p.m. today to attend a funeral.

Mr. MARTIN of Illinois (at the request of Mr. MICHEL), for July 24, 1981, on account of illness in the family.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. DAVIS) to revise and extend their remarks and include extraneous material:)

Mr. DOUGHERTY, for 60 minutes on, July 29.

(The following Members (at the request of Mr. FAZIO) to revise and extend their remarks and include extraneous material:)

Mr. ADDABBO, for 5 minutes, today.
Mr. HEFTEL, for 5 minutes, today.
Mr. UDALL, for 10 minutes, today.
Mr. DANIELSON, for 60 minutes, today.
Mr. GONZALEZ, for 30 minutes, today.
Mr. ANNUNZIO, for 5 minutes, today.
Mr. MAZZOLI, for 15 minutes, today.
Mr. KASTENMEIER, for 5 minutes, today.
Mr. PEPPER, for 5 minutes, today.
Mr. DINGELL, for 10 minutes, today.
Mr. REUSS, for 10 minutes, today.
Mr. LAFALCE, for 10 minutes, today.
Mr. ROSTENKOWSKI, for 5 minutes, today.
Mr. WHITE, for 5 minutes, today.
Mr. NELSON, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. LIVINGSTON, to revise and extend his remarks on House Joint Resolution 308 at the conclusion of the debate.

Mrs. BOGGS, to revise and extend her remarks on House Joint Resolution 308 at the conclusion of the debate.

Mr. VENTO, on the Weaver-Conte amendment, in the Committee of the Whole today.

Mr. BEDELL, to revise and extend his remarks, during general debate on energy and water in the House today.

Mr. LUJAN, immediately preceding debate on title III of H.R. 4144 in the Committee of the Whole.

Mr. DASCHLE, during the Committee of the Whole today.

Mr. BEREUTER, during general debate on H.R. 4144 in the Committee of the Whole today.

(The following Members (at the request of Mr. DAVIS) and to include extraneous matter:)

Ms. FIEDLER in two instances.
Mr. FISH.
Mr. NELLIGAN.
Mr. SOLOMON.
Mr. ROTH.
Mr. ASHBROOK in two instances.
Mr. DERWINSKI in two instances.
Mr. BROYHILL.
Mr. LEACH of Iowa.
Mrs. HOLT.
Mr. LUJAN.
Mr. EMERY.
Mr. DENARDIS.
Mr. PORTER.
Mr. WOLF.
Mr. COATS.
Mr. CLAUSEN in two instances.
Mr. PHILIP M. CRANE.
Mr. ROUSSELOT in two instances.

(The following Members (at the request of Mr. FAZIO) and to include extraneous matter:)

Mr. FORD of Michigan.
Mr. YATRON.
Mr. UDALL.
Mr. PEASE.
Mr. OTTINGER.
Mr. SHARP.
Mr. HUBBARD.
Mr. FOWLER.
Mr. BEDELL.
Mr. HEFNER.
Mr. HEFTEL.
Mr. LELAND in two instances.
Mr. MAZZOLI.
Mr. RICHMOND.
Mr. RODINO
Mr. SKELTON.
Mr. HAWKINS.
Mr. SYNAR.
Mr. CONYERS in two instances.
Mr. SOLARZ in two instances.
Mr. DICKS.
Mr. DYSON.
Mrs. BOGGS.

ADJOURNMENT

Mr. DANIELSON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 50 minutes p.m.), the House adjourned until tomorrow, Friday, July 24, 1981, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1868. A communication from the President of the United States, transmitting a report on progress toward conclusion of a negotiated solution of the Cyprus problem, pursuant to section 620C(c) of the Foreign Assistance Act of 1961, as amended (H. Doc. No. 97-78); to the Committee on Foreign Affairs and ordered to be printed.

1869. A letter from the Secretary of Agriculture, transmitting notice of a delay until July 31 in the submission of a report on the study of the potential for expansion of U.S. agricultural exports and the use of agricultural exports in obtaining natural resources or other commodities and products needed by the United States, required by section 210(a) of Public Law 96-494; to the Committee on Agriculture.

1870. A letter from the Acting Assistant Secretary of Defense (Comptroller), transmitting a list of contract award dates for the period July 15 to October 15, 1981, pursuant to 10 U.S.C. 139(b); to the Committee on Armed Services.

1871. A letter from the Director, Defense Security Assistant Agency, transmitting a report on the impact on U.S. readiness of the Air Force's proposed sale of certain defense equipment to the United Kingdom (Transmittal No. 81-83), pursuant to section

813 of Public Law 94-106; to the Committee on Armed Services.

1872. A letter from the Assistant Secretary of the Navy (shipbuilding and Logistics), transmitting notice of the proposed conversion to contractor performance data entry/keypunch function at the Navy Regional Finance Center, Washington, D.C.; to the Committee on Armed Services.

1873. A letter from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting notice of the proposed conversion to contractor performance of the guard services function at the Aviation Supply Office, Philadelphia, Pa., pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

1874. A letter from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting notice of the proposed conversion to contractor performance of the custodial services function at the Fleet Training Center, Mayport, Fla., pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

1875. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-58, "Vital Records Act of 1981," and report, pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1876. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-64, "Clothing of Two Public Alleys in Square 1818," and report, pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1877. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-62, "District of Columbia Statehood Constitutional Convention Amendment Act of 1981," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1878. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-63, "Traffic Act Amendments Act of 1981," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1879. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-67, "District of Columbia Depository Disclosures Amendments Act of 1981," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1880. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-66, "Good Faith Donor and Donee Act of 1981," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1881. A letter from the Chairman, Council of the District of Columbia, transmitting D.C. Act 4-65, "To authorize the sale of library-related items by the District of Columbia Public Library," pursuant to section 602(c) of Public Law 93-198; to the Committee on the District of Columbia.

1882. A letter from the Secretary of Education, transmitting proposed final regulations to govern the legal profession training program, pursuant to section 431(d)(1) of the General Education Provisions Act, as amended; to the Committee on Education and Labor.

1883. A letter from the Secretary of Education, transmitting proposed final regulations to implement the institutional grants for graduate and professional study program, pursuant to section 431(d)(1) of the General Education Provisions Act, as amended; to the Committee on Education and Labor.

1884. A letter from the Secretary of Education, transmitting proposed final regulations to govern determination of a student's cost of attendance at a postsecondary Institution under the Pell grant program, pursuant to section 431(d)(1) of the General Education Provisions Act, as amended; to the Committee on Education and Labor.

1885. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Air Force's intention to offer to sell certain defense equipment to the United Kingdom (Transmittal No. 81-83), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. NATCHER: Committee on Appropriations. House Joint Resolution 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981 (Rept. No. 97-92). Referred to the Committee of the Whole House on the State of the Union.

Mr. GINN: Committee on Appropriations. H.R. 4241. A bill making appropriations for military construction for the Department of Defense for the fiscal year ending September 30, 1982, and for other purposes (Rept. No. 97-193). Referred to the Committee of the Whole House on the State of the Union.

Mr. PERKINS: Committee on Education and Labor. Report pursuant to section 302(b) of the Congressional Budget Act of 1974 (Rept. No. 97-194). Referred to the Committee of the Whole House on the State of the Union.

Mr. BINGHAM: Committee on Foreign Affairs. H.R. 3136. A bill to amend the Foreign Assistance Act of 1961 with respect to the activities of the Overseas Private Investment Corporation, with an amendment (Rept. No. 97-195). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. GINN:

H.R. 4241. A bill making appropriations for military construction for the Department of Defense for the fiscal year ending September 30, 1982, and for other purposes.

By Mr. ROSTENKOWSKI:

H.R. 4242. A bill to amend the Internal Revenue Code of 1954 to encourage economic growth through reductions in individual income tax rates, the expensing of depreciable property, incentives for small businesses, and incentives for savings, and for other purposes; to the Committee on Ways and Means.

By Mr. BROYHILL:

H.R. 4243. A bill to establish a national tourism policy and provide for its effective implementation; to the Committee on Energy and Commerce.

By Mr. CHAPPELL (for himself and Mr. HUTTO):

H.R. 4244. A bill to continue the minimum monthly insurance benefits under title II of the Social Security Act for individuals currently entitled to such benefits; to the Committee on Ways and Means.

By Mr. COTTER:

H.R. 4245. A bill to amend the Gun Control Act of 1968 to provide for separate offense and consecutive sentencing in felonies involving the use of a firearm; to the Committee on the Judiciary.

H.R. 4246. A bill to require a speedy trial for criminal defendants charged with use of a firearm in the commission of a Federal crime; to the Committee on the Judiciary.

By Mr. JAMES K. COYNE:

H.R. 4247. A bill to amend title 5, United States Code, to allow paid leave for Federal and District of Columbia Government employees serving in volunteer fire departments or rescue squads in emergency circumstances; to the Committee on Post Office and Civil Service.

H.R. 4248. A bill to amend the Internal Revenue Code of 1954 to clarify the tax exemption for interest on obligations of volunteer fire, ambulance, and rescue departments: to the Committee on Ways and Means.

By Mr. EMERY:

H.R. 4249. A bill to amend the Internal Revenue Code of 1954 to allow the residential energy credit for certain wood-burning stoves; to the Committee on Ways and Means.

By Mr. KASTENMEIR (for himself, Mr. BONIOR of Michigan, Mr. FORSYTHE, Mr. KOGOVSEK, Mr. PANETTA, Mr. PRICE, Mr. STUDDS, and Mr. WEAVER):

H.R. 4250. A bill to amend the Clayton Act to prohibit certain anticompetitive practices in the agricultural industry; to the Committee on the Judiciary.

By Mr. OTTINGER:

H.R. 4251. A bill to provide for the modification of the navigation project at Mamaroneck Harbor, N.Y., relating to the Federal share of certain costs of disposing of dredged material; to the Committee on Public Works and Transportation.

By Mr. SABO:

H.R. 4252. A bill to amend the Railroad Retirement Act of 1974 to make annuities payable before the first day of the month when the first day is on a weekend or holiday; to the Committee on Energy and Commerce.

By Mr. GUARINI (for himself, Mr. COURTER, Mr. DWYER, Mrs. FENWICK, Mr. FLORIO, Mr. FORSYTHE, Mr. HOLLENBECK, Mr. HOWARD, Mr. HUGHES, Mr. MINISH, Mr. RINALDO, Mr. RODINO, Mr. ROE, Mrs. ROUKEMA, and Mr. SMITH of New Jersey):

H.R. 4253. A bill to modify the navigation project for Anchorage Channel, New York Harbor; to the Committee on Public Works and Transportation.

By Mr. LAFALCE:

H.R. 4254. A bill to amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy; to the Committee on Small Business.

By Mr. UDALL (for himself, Mr. LUJAN, Mr. DINGELL, and Mr. BROYHILL):

H.R. 4255. A bill to authorize appropriations to the Nuclear Regulatory Commission, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. GEJDENSON (for himself and Mr. DOWNEY)

H. Con. Res. 161. Concurrent resolution disapproving the proposed transfer by the Republic of Korea to Uruguay of certain items produced using technical data of U.S. origin; to the Committee on Foreign Affairs.

By Mr. RAHALL:

H. Con. Res. 162. Concurrent resolution expressing the sense of Congress that acts of violence and aggression in Israel, Iraq, and Lebanon aimed at innocent citizens be condemned; that the administration be commended for its decision to suspend the shipment of military planes to Israel, and calls for further temporary suspension of arms to Middle East combatants; that Congress be involved in the development of a comprehensive U.S. policy leading to peace in the Middle East region; and that Congress urges all parties to the violence to halt all aggressive acts; to the Committee on Foreign Affairs.

By Mr. DIXON (for himself Mr. WAXMAN, Ms. FIEDLER, Mr. DYMALLY, Mr. LEWIS, Mr. BEILENSON, Mr. HAWKINS, Mr. MOORHEAD, and Mr. PEPPER):

H. Res. 193 Resolution concerning the safety and freedom of Soviet citizen Yuri Badzyo; to the Committee on Foreign Affairs.

By Mr. HAWKINS:

H. Res. 194. Resolution expressing the concern of the House of Representatives with respect to the loss of jobs in the United States due to expanded foreign production, and sale in the United States of goods, and for other purposes; to the Committee on Education and Labor.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. JOHN L. BURTON:

H.R. 4256. A bill for the relief of Reynaldo B. Nidoy and Bella Anderson Nidoy; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 52: Mr. RAILSBACK and Mr. MARKS.

H.R. 247: Mr. MOLLOHAN and Mrs. SCHROEDER.

H.R. 352: Mrs. MARTIN of Illinois.

H.R. 374: Mr. LANTOS, Mr. HOYER, and Mrs. COLLINS of Illinois.

H.R. 375: Mr. RANGEL, Mr. BIAGGI, and Mr. WHITLEY.

H.R. 560: Mr. RICHMOND.

H.R. 768: Mr. MCEWEN, Mr. ERDAHL, Ms. FIEDLER, Mr. ANTHONY, Mrs. BYRON, Mr. FLORIO, Mr. DOWNEY, and Mr. ERLENBORN.

H.R. 907: Mr. WEAVER.

H.R. 2034: Mr. CHAPPELL, Mr. LELAND, and Mr. SMITH of New Jersey.

H.R. 2052: Mr. EDGAR.

H.R. 2208: Mr. HUNTER.

H.R. 2561: Mr. DAUB, Mr. WEBER of Minnesota, Mr. WOLPE, Mr. BEREUTER, Mr. LANTOS, Mr. HAMILTON, and Mr. NICHOLS.

H.R. 2773: Mr. FRANK and Mr. WATKINS.

H.R. 3136: Mr. FINDLEY and Mrs. SNOWE.

H.R. 3186: Mr. GRAMM and Mr. LOEFFLER.

H.R. 3456: Mr. SHELBY, Mr. DORGAN of North Dakota, Mr. SAWYER, Mr. MADIGAN, Mr. SPENCE, Mr. VENTO, Mr. FAZIO, Mr. RAILSBACK, Mr. HUNTER, and Mr. RITTER.

H.R. 3496: Mr. ALEXANDER, Mr. GARCIA, Mr. CHAPPIE, Mr. WILLIAM J. COYNE, Mr. GORE, Mr. HANSEN of Idaho, Mr. HAWKINS, Mr. HOYER, Mr. JONES of Tennessee, Mr. KOGOVSEK, Mr. LELAND, Mr. MARLENEE, Mr. RATCHFORD, Mr. RUDD, Mr. SAWYER, Mr. SMITH of Iowa, Mr. SKEEN, Mr. SNYDER, Mr. WIRTH, Mr. WOLPE, and Mr. YATES.

H.R. 3575: Mr. ANDERSON, Mr. BAILEY of Missouri, Mr. DE LA GARZA, Mr. EMERSON, Mr. FROST, Mr. MURTHA, Mr. MYERS, Mr. ROBERTS of Kansas, Mr. ROTH, Mr. SYNAR, Mr. WEBER of Ohio, and Mr. WHITTAKER.

H.R. 3666: Mr. LEBOUTILLIER.

H.R. 3708: Mr. MCCLORY, Mr. GOLDWATER, Mr. STUMP, Mr. JONES of North Carolina, Mr. KINDNESS, Mr. HANSEN of Idaho, Mr. FRENZEL, Mr. WINN, Mr. TRIBLE, Mr. BARNARD, and Mr. WAMPLER.

H.R. 3710: Mr. BEDELL.

H.R. 3824: Mr. MAZZOLI, Mr. CLAY, Mr. HYDE, Mr. JEFFRIES, Mr. HERTEL, and Mr. WILLIAMS of Ohio.

H.R. 3904: Mr. MURPHY.

H.R. 3929: Mr. BURGENER, Mr. JAMES K. COYNE, Mr. FORSYTHE, Mr. LAGOMARSINO, Mr. LUNGREN, Mr. SMITH of New Jersey, Mr. STANTON of Ohio, and Mr. WOLF.

H.R. 3949: Mr. FROST.

H.R. 4002: Mr. WEAVER and Mr. PANETTA.

H.R. 4015: Mr. RALPH M. HALL, Mr. MOTTL, Mr. WYDEN, Mr. SABO, Mr. HALL of Ohio, Mr. HERTEL, Mr. VENTO, Mr. MURPHY, Mr. DAUB, and Mr. CORRADA.

H.R. 4155: Mr. BROYHILL.

H.J. Res. 50: Mr. MCDONALD.

H.J. Res. 168: Mr. PICKLE, Mr. ST GERMAIN, Mr. WHITLEY, Mr. PORTER, Mr. PERKINS, Mr. GORE, Mr. FORD of Tennessee, Mr. EVANS of Delaware, Mr. EVANS of Iowa, Mr. PRITCHARD, Mr. JAMES K. COYNE, Mr. BROWN of Ohio, Mr. DORGAN of North Dakota, Mr. HATCHER, Mr. JENKINS, Mr. NAPIER, Mr. BINGHAM, Mr. BARNARD, Mr. EMERSON, Mr. SKEEN, Mr. LUJAN, Mr. BRINKLEY, Mr. FOGLIETTA, Mr. SMITH of Alabama, Mr. UDALL, Mr. MCCLORY, and Mr. AUCOIN.

H.J. Res. 214: Mr. ARCHER, Mr. ALEXANDER, Mr. ANDREWS, Mr. BADHAM, Mr. BEVILL, Mr. BOLAND, Mr. BOWEN, Mr. BREAUX, Mrs. BYRON, Mr. CARNEY, Mrs. CHISHOLM, Mr. COATS, Mr. DE LA GARZA, Mr. DICKINSON, Mr. DOUGHERTY, Mr. EMERY, Mr. FARY, Mrs. FENWICK, Mr. FISH, Mr. FORD of Tennessee, Mr. FORD of Michigan, Mr. GINN, Mr. GRADISON, Mr. HOWARD, Mr. JEFFRIES, Mr. KEMP, Mr. LATTA, Mr. LUKEN, Mr. LEACH of Iowa, Mr. LENT, Mr. MOORE, Mr. MOTTL, Mr. MURPHY, Mr. PICKLE, Mr. SCHEUER, Mr. SMITH of Iowa, Mr. SNYDER, Mr. SPENCE, Mr. STANTON of Ohio, Mr. STENHOLM, Mr. WALGREN, Mr. WHITTAKER, Mr. WHITTEN, and Mr. WON PAT.

H.J. Res. 263: Mr. AKAKA, Mr. ANNUNZIO, Mr. ARCHER, Mr. ASHBROOK, Mr. BAFALIS, Mr. BAILEY of Pennsylvania, Mr. BAILEY of Missouri, Mr. BARNES, Mr. BEARD, Mr. BEREUTER, Mr. BETHUNE, Mr. BLILEY, Mrs. BOGGS, Mr. BONIOR of Michigan, Mrs. BOUQUARD, Mr. BREAUX, Mr. BRINKLEY, Mr. BROOKS, Mr. BROOMFIELD, Mr. BROWN of California, Mr. BROWN of Colorado, Mr. BURGENER, Mr. JOHN L. BURTON, Mr. PHILLIP BURTON, Mr. CARNEY, Mr. CHAPPELL, Mr. CHENEY, Mrs. CHISHOLM, Mr. CLAUSEN, Mr. CLAY, Mr. COATS, Mr. COELHO, Mr. COLLINS of Texas, Mr. CONTE, Mr. CORCORAN, Mr. COUGHLIN, Mr. JAMES K. COYNE, Mr. CRAIG, Mr. D'AMOURS, Mr. DAN DANIEL, Mr. DANNEMEYER, and Mr. DAUB. Mr. DAVIS, Mr. DE LA GARZA, Mr. DELLUMS, Mr. DE LUGO, Mr. DENARDIS, Mr. DERWINSKI, Mr. DICKINSON, Mr. DICKS, Mr. DINGELL, Mr. DIXON, Mr. DORNAN of California, Mr. DOWDY, Mr. DREIER, Mr. DUNCAN, Mr. DUNN, Mr. DWYER, Mr. DYSON, Mr. EDGAR, Mr. EMERSON, Mr. ERDAHL, Mr. EVANS of Georgia, Mr. FARY, Mrs. FENWICK, Ms. FERRARO, Mr. FIELDS, Mr. FISH, Mr. FLIPPO, Mr. FOGLIETTA, Mr. FORD of Michigan, Mr. FORSYTHE, Mr. FOUNTAIN, Mr. FOWLER, Mr. FRENZEL, Mr. FUQUA, Mr. GEJDENSON, Mr. GEPHARDT, Mr. GIBBONS, Mr. GILMAN, Mr. GINGRICH, Mr. GONZALEZ, Mr. GOODLING, Mr. GREEN, Mr. GREGG, Mr. GUNDERSON, Mr. RALPH M. HALL, Mr. SAM B. HALL, JR., Mr. HAMMERSCHMIDT, Mr. HANSEN of Idaho, Mr. HARTNETT, Mrs. HECKLER, Mr. HEFNER, Mr. HENDON, Mr. HERTEL, Mr. HILER, Mr. HILLIS, Mr. HOLLAND, Mr. HOLLENBECK, Mrs. HOLT, Mr. HOPKINS, Mr. HUBBARD, Mr. HUCKABY, Mr. HYDE, Mr. JEFFRIES, Mr. JENKINS, Mr. JONES of North Carolina, Mr. KASTENMEIER, Mr. KAZEN, Mr. KEMP, Mr. KINDNESS, Mr. KRAMER, Mr. LAFALCE, Mr. LAGOMARSINO, Mr. LANTOS, Mr. LEATH of Texas, Mr. LEE, Mr. LEHMAN, Mr. LELAND, Mr. LENT, Mr. LEWIS, Mr. LIVINGSTON, Mr. LOEFFLER, Mr. LOTT, Mr. LUNGREN, Mr. MADIGAN, Mr. MARKEY, Mr. MARKS, Mr. MARTIN of New York, Mr. MARTIN of North Carolina, Mrs. MARTIN of Illinois, Mr. MAVROULES, Mr. MCCLORY, Mr. MCCURDY, Mr. MCDADE, Mr. MCDONALD, Mr. MCGRATH, Mr. MCKINNEY, Mr. MICHEL, Ms. MIKULSKI, Mr. MILLER of Ohio, Mr. MILLER of California, Mr. MITCHELL of New York, Mr. MOORE, Mr. MOORHEAD, Mr. MORRISON, Mr. MURTHA, Mr. MYERS, Mr. NATCHER, Mr. NELLIGAN, Mr. NICHOLS, Mr. O'BRIEN, Mr. OBERSTAR, Mr. OTTINGER, Mr. OXLEY, Mr. PANETTA, Mr. PARRIS, Mr. PASHAYAN, Mr. PATMAN, Mr. PATTERSON, Mr. PAUL, Mr. PEPPER, Mr. PETRI, Mr. PEYSER, Mr. PORTER, Mr. PRICE, Mr. PRITCHARD, Mr. PURSELL, Mr. QUILLEN, Mr. RATCHFORD, Mr. ROBERTS of Kansas, Mr. ROBINSON, Mr. ROEMER, Mr. ROGERS, Mr. ROSE, Mr. ROSENTHAL, Mr. ROUSSELOT, Mr. ROYBAL, Mr. RUDD, Mr. RUSSO, Mr. SAWYER, Mrs. SCHNEIDER, Mr. SCHULZE, Mr. SCHUMER, Mr. SHAW, Mr. SHELBY, Mr. SHUMWAY, Mr. SIMON, Mr. SKEEN, Mr. SMITH of Oregon, Mrs. SMITH of Nebraska, Mrs. SNOWE, Mr. SOLOMON, Mr. SPENCE, Mr. STANGELAND, Mr. STANTON of Ohio, Mr. STATON of West Virginia, Mr. STRATTON, Mr. STUMP, Mr. SWIFT, Mr. SYNAR, Mr. TAUZIN, Mr. TAYLOR, Mr. THOMAS, Mr. VENTO, Mr. VOLKMER, Mr. WALKER, Mr. WAMPLER, Mr. WEAVER, Mr. WEBER of Ohio, Mr. WEBER of Minnesota, Mr. WEISS, Mr. WHITEHURST, Mr. WHITLEY, Mr. WHITTAKER, Mr. WHITTEN, Mr. WILSON, Mr. WOLF, Mr. WOLPE, Mr. WORTLEY, Mr. WRIGHT, Mr. WYLIE, Mr. YOUNG of Alaska, and Mr. YOUNG of Missouri.

H.J. Res. 277: Mr. MCCLORY, Mr. GOLDWATER, Mr. STUMP, Mr. JONES of North Carolina, Mr. KINDNESS, Mr. HANSEN of Idaho, Mr. FRENZEL, Mr. WINN, Mr. TRIBLE, Mr. BARNARD, and Mr. WAMPLER.

H.J. Res. 293: Mr. LANTOS, Mr. VENTO, and Mr. GRISHAM.

H. Con. Res. 112: Mrs. FENWICK, Mr. FRANK, Mr. FRENZEL, Mr. GRAY, Mr. HYDE, Mr. LANTOS, Mr. LEACH of Iowa, Mr. SIMON, Mr. SOLOMON, Mr. TRIBLE, and Mr. YATRON.

H. Res. 176: Mr. ADDABBO, Mr. MCKINNEY, Mr. REGULA, Mr. DUNCAN, Mr. SKEEN, Mr. FOGLIETTA, Mr. CONTE, Mrs. SCHNEIDER, Mr. DELLUMS, Mr. WORTLEY, Mr. UDALL, Mr. LANTOS, Mr. MORRISON, Mr. SMITH of New Jersey, Mr. BROYHILL, Mr. GREGG, Mr. CORCORAN, Mr. ROE, Mr. RAILSBACK, Mr. EVANS of Iowa, Mr. RITTER, Mr. MARKEY, Mr.

SUNIA, Mr. EDGAR, Mr. RAHALL, Mr. TAUKE, Mr. FRENZEL, Mr. HALL of Ohio, Mr. CROCKETT, Mr. WEBER of Ohio, Ms. MIKULSKI, Mr. DERRICK, Mr. DWYER, and Mr. BROWN of Ohio.

PETITIONS, ETC.

Under clause 1 of rule XXII,

146. The SPEAKER presented a petition of Howard Jarvis, Los Angeles, Calif., and others, relative to passage of "The American Tax Reduction Act of 1981"; which was referred to the Committee on Ways and Means.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 4119

By Mr. ERTEL:

—Page 53, immediately after line 22 insert the following new sections:

SEC. 622. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such Department or Agency.

SEC. 623. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated miles per gallon average of less than 22 miles per gallon.

By Mr. PEYSER:

—Page 49, line 2, immediately before period insert the following: ": *Provided*, That no funds appropriated under this section shall be expended by the Governor of the Farm Credit Administration, the Federal Farm Credit Board, or their delegates to implement or execute any policy authorizing loans under the Farm Credit Act of 1971 as amended, other than rural housing loans, to persons or legal entities who derive less than 50 percent of their income as bona fide farmers or ranchers, or less than 50 percent of their income from farm-related businesses.".

H.R. 4121

By Mr. LEVITAS:

—Page 43, after line 21, insert the following:

SEC. 617. None of the funds made available pursuant to the provisions of this Act shall be used to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.

H.R. 4144

By Mr. ERTEL:

—Page 31, immediately after line 19 insert the following new sections:

SEC. 504. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such Department or Agency.

SEC. 505. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated miles per gallon average of less than 22 miles per gallon.

H.R. 4209

By Mr. SNYDER:

—Page 38, after line 15, add the following new section:

SEC. 322. None of the funds in this Act shall be used to implement any change in the policy or rules governing the operation of aircraft at Washington National Airport (14 CFR 93, subpart K; 14 CFR 159, subpart C) as such policy or rules were in effect on July 21, 1981.

—Page 38, after line 15, add the following new section:

SEC. 322. None of the funds in this Act shall be used to implement any change in the policy or rules governing the operation of aircraft at Washington National Airport (14 CFR 93, subpart K; 14 CFR 159, subpart C) as such policy or rules were in effect on July 21, 1981. This limitation shall not apply to any change in 14 CFR 159.60.

H.R. 4242

By Ms. MIKULSKI:

—Add to title I, subtitle A:

That (a) section 170 of the Internal Revenue Code of 1954 (relating to charitable, etc., contributions and gifts) is amended by redesignating subsections (h) and (i) as subsections (i) and (j), respectively, and by inserting after subsection (g) the following new subsection:

"(h) STANDARD MILEAGE RATE FOR USE OF PASSENGER AUTOMOBILE.—If the Secretary prescribes by regulation a standard mileage rate which may be used to compute for the taxable year the deduction under section 162 for use of a passenger automobile, such standard mileage rate may be used to compute for such year the deduction under this section for use of a passenger automobile."

SENATE—*Thursday, July 23, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 9:30 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray.

Gracious heavenly Father, often when we need Thee most, we find it hardest to come to Thee. Sometimes we do not come because we are impressed with our strength and do not feel any need. Sometimes we do not come because we have failed or sinned and refuse to admit our need. Either way it is pride which deprives us of Thy favor. Forgive us, Lord, for finding it so difficult to understand the meaning of grace, that grace means the umerited favor of God.

Help us to see that the one condition grace requires is admission of need; that it is our weakness which qualifies us for Thy strength; that it is our lack of wisdom which qualifies us for Thy light and truth; that it is our failure and sin which qualifies us for Thy love, forgiveness, and renewal.

Loving God, we have no secrets from Thee. Thou knowest us far better than we know ourselves. Help us to humble ourselves before Thee and find in Thy grace a very present help in time of trouble. Touch every person in the Senate with grace and love and healing. Forgive and restore wherever there is need in heart and office and home. We ask this in the name of Him who never failed to supply every need brought to Him. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. BAKER. I thank the Chair.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

SENATOR STEVENS IS THE PROUD FATHER OF A NEW BABY DAUGHTER

Mr. BAKER. Mr. President, I am happy to report to my colleagues that the distinguished assistant Republican leader, Senator STEVENS, and his wife Catherine are the proud parents of a new baby girl. Both baby and mother are reportedly doing fine, and as far as we can ascertain, so is Senator STEVENS.

Senator STEVENS' daughter, who will be named later today, was born at 12:08 this morning at George Washington University Hospital.

It is truly a touching sight, Mr. President, to see a proud papa gallivanting through the Capitol corridors with a smile on his face and a box of cigars in his hand. Even more touching is the conversation that corners Senator STEVENS with polemics on reconciliation, and finishes with "and she looks just like me."

I am sure that I speak for this entire body in wishing the new parents all the very best for their entire family.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished majority leader yield?

Mr. BAKER. Yes.

Mr. ROBERT C. BYRD. Mr. President, I am elated and gratified at the good news that the distinguished majority leader has brought to the Senate.

I hope he will convey my good wishes to Mrs. Stevens and also to the proud father, and the good wishes of my wife, Erma.

Mr. BAKER. I thank the minority leader. He may be assured that I will do that at the earliest opportunity.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. BAKER. Yes, I yield.

The PRESIDING OFFICER (Mr. COHEN). The Senator from South Carolina is recognized.

Mr. THURMOND. Mr. President, I take this opportunity to congratulate Senator and Mrs. TED STEVENS upon becoming the proud parents of a fine baby daughter. My understanding is that the mother and the baby are both doing nicely.

The baby has not yet been named, but we are certainly hoping that she will favor her lovely and beautiful mother.

We wish the parents great success with this splendid baby.

Again, on behalf of my wife, Nancy, and myself, we wish to extend our heartiest congratulations and best wishes for the good health and success of this baby girl.

Mr. MURKOWSKI. Mr. President, I take this brief moment to offer my warm congratulations to the senior Senator from Alaska (Mr. STEVENS) and his wife, Catherine, on the birth of their baby girl this morning at 12:08 a.m. This new baby girl, yet unnamed, joins sisters Susan and Beth and brothers Walter, Teddy, and Ben.

Mr. President, in the finest traditions of the Republican leadership, this is the first baby born to a Republican Member of the 97th Congress. Not only is TED now my colleague, but my longtime friend, as are members of both our families. Mrs. Murkowski and I are delighted at this new edition to the Stevens family, and I am sure that other Members of the Senate join me in extending warm congratulations to them.

I might mention that my colleague is said to be currently in a state of shock over the price increase of a box of cigars in the last 25 years.

Mr. DOLE. I thank the distinguished Senator from Alaska. We will accept the addition. [Laughter.]

THE DEMISE OF THE WASHINGTON STAR

Mr. BAKER. Mr. President, it is with great sorrow that I rise this morning to report that Time, Inc., has decided to suspend the operations of the Washington Star. Washington afternoons shall never be the same.

I am sure that I join with many of my colleagues in noting the countless contributions that the Star has made to legislative reporting and to the city of Washington itself. The zealous appetite for information which Washingtonians are world renowned for will be greatly diminished.

The Star's proud history dates back to the Civil War. Its legacy is distinguished by many of the most notable names in American journalism. It has always been regarded as one of the best afternoon papers in the country.

Mr. President, I believe that this is a major tragedy in the annals of contemporary news reporting. For the hundreds of thousands of its readers, the Washington Star has been more than an institution. It has been a force and responsible voice in the community, which took on an almost human quality and a fixture of objectivity and trust.

I am reminded of the thoughts of Henry Adams:

> He had often noticed that 6 months' oblivion amounts to newspaper death, and that resurrection is rare. Nothing is easier, if a man wants it, than rest, profound as the grave.

BUDGET RECONCILIATION CONFERENCE

Mr. BAKER. Mr. President, yesterday we dispensed with the request for a Saturday session for this week, due in large part to our time agreement on the tax bill. I am grateful to the distinguished minority leader, Senator BYRD, for his help in achieving that time constraint.

It is my hope at this time, however, that this action does not prevent my colleagues from remembering just how busy we all are. We are now in the second week of the budget reconciliation process. Fifty-eight subconferences were established, and over 250 conferees appointed to resolve divisive issues and facilitate a distinguished proposal.

We have launched a major effort, and consequently, our advancements have been many. Perhaps one of the finest

examples of our progress is the banking subconference.

I wish to express my profound appreciation to the members of the banking subconference who, under the outstanding leadership of the distinguished Senator from Utah (Mr. GARN), have successfully completed their conference with the House Committee on Banking. Senator GARN, along with my distinguished colleagues, Senators PROXMIRE, HEINZ, LUGAR, and RIEGLE, worked diligently with their counterparts from the House to expeditiously conclude their important and difficult subconference.

Let me assure you, Mr. President, that their completion was not an easy task. The banking subconference was the largest of the scheduled subconferences. There were 32 separate issues involved, and approximately $13–$14 billion in reductions at stake. Instead of turning out to be the bane of the reconciliation effort, the banking subconference acted efficiently and reduced authorizations for 1982 by roughly $13 billion.

The committee acted on measures affecting the Export-Import Bank, the community development program and numerous individual housing programs. Many of the provisions involved crucial policy changes that will have far-reaching consequences in the years to come.

I believe that the banking conferees have provided a model for other conferees. I strongly urge the members of the Agriculture, Commerce, Finance, Labor and Human Resources, and Energy subconferences, to heed the Banking Committee's example. It is my intention to have the conference reports on the Senate and House floors next week, and I would like to suggest that the members of the above-mentioned subconferences meet this Saturday to work out their differences and conclude their business.

We must push ahead and diffuse the remaining difficulties. We should not let unresolved issues jeopardize the entire process.

I might remark to my colleagues in the unfinished subconferences, that useful and constructive weekend sessions this week might very well prevent more intense, pressure-filled, and vacation-ruining meetings in August.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, is there an order for the transaction of routine morning business following the recognition of the two leaders under the standing order and the recognition of two Senators provided for under the special orders?

The PRESIDING OFFICER. Not this morning.

Mr. BAKER Mr. President, I ask unanimous consent after the recognition of the two leaders under the standing order, and the recognition of the two Senators under special orders, as provided for heretofore, that there be a brief period for the transaction of routine morning business not to extend beyond the hour of 10 a.m. in which Senators may speak for not more than 1 minute each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

ECONOMIC RECOVERY TAX ACT OF 1981

Mr. BAKER. Mr. President, I wish to reiterate the point made by the distinguished minority leader and myself yesterday. We now have an order for third reading of the tax measure at 3 o'clock on Wednesday, July 29. That is good news. The bad news is that we have 91 amendments to deal with, more or less, and my devout wish is that it shall be less.

But that also means, Mr. President that we will surely have to work very hard and very late in order to assure that every Senator has an opportunity to present, if they wish to do so, his or her amendment that appears on that list, and in an orderly way, and not save them for the last minute to have a stampede of amendments beginning at 3 o'clock on Wednesday.

So I must say with great regret that I expect the Senate will be in very late tonight; I would estimate perhaps as late as 11 or 12 o'clock in the evening. There already is an order for the Senate to convene at 10 o'clock tomorrow. It will be my intention to adjust that time to an earlier hour, if it is necessary, to accommodate any requests for special orders.

I regret that it is necessary to announce that the Senate will be in late tonight and probably tomorrow night, and also we expect late sessions on Monday and Tuesday night, but I do believe that is necessary if we are to fulfill our legislative responsibility and complete work on this joint resolution and go to third reading by 3 o'clock on July 29.

Mr. President, I am pleased to yield the remainder of my time to the minority leader if he wishes it or to any other Senator on this side of the aisle. Would the minority leader like any additional time?

Mr. ROBERT C. BYRD. I thank the distinguished majority leader. I think I will need the additional time.

Mr. BAKER. Mr President, I yield the additional time I have assigned to me to the distinguished minority leader.

RECOGNITION OF THE MINORITY LEADER

The PRESIDING OFFICER. The minority leader is recognized.

Mr. ROBERT C. BYRD. On my side of the aisle I wish to emphasize the necessity, as the distinguished majority leader has stated, for working long and late in order to complete action on the tax bill by the deadline of 3 p.m. on next Wednesday.

Mr. President, I know that these morning hours are relaxed hours, and some Senators who have amendments are inclined to feel there is no great rush, and that we can delay a few minutes here and a few minutes there on into the morning. We repeatedly get these suggestions and requests from our colleagues that, "Well, I would like to go later in the day," "I would like to go later in the morning," "I would like to have my amendment taken up tomorrow."

The problem with that is too many amendments wait until tomorrow and, as a result, a glut of amendments develops which makes it difficult for some Senators to get any time at all on their amendments when the last moment arrives.

So I would suggest in the interest of having every Senator have his time at bat that Senators get their amendments ready, be ready to call them up, and do not attempt to lay over amendments until tomorrow when it can be done today.

I say there will be a great deal of sadness and some weeping and gnashing of teeth next Wednesday at 3 p.m. if Senators do not do that.

Mr. BAKER. I agree with that.

If the Senator will yield to me, I would absolutely concur in that. The Senator and I and most Members of the Senate have seen that happen before. It is always a source of great anguish to me and to the minority leader, I am sure, to have Senators express their concern, their legitimate concern, that they had no time or, in this case, 5 minutes for debate. Now is the time to avoid that, today.

On yesterday I asked the distinguished manager of the bill, Senator DOLE, to try to keep us advised with a list of six amendments in advance so we would know the sequence and the order in which amendments were to be presented. I urge Senators on this side of the aisle who hear these remarks to make known when they will be ready at the earliest moment to offer their amendments today, not tomorrow, not Monday or Tuesday, as the minority leader suggests.

ORDER TRANSFERRING TIME TO SENATOR PROXMIRE

While the distinguished minority leader has yielded to me briefly, I am advised that the Senator from California (Mr. CRANSTON) will not need the special order in his favor this morning, but the Senator from Wisconsin wishes possession of his time, will the minority leader be agreeable if I transfer that time now?

Mr. ROBERT C. BYRD. I would be very happy if the Senator would do that.

Mr. BAKER. I thank the minority leader. Mr. President, I ask unanimous consent that the time allocated to the Senator from California this morning under special order be transferred and controlled by the Senator from Wisconsin (Mr. PROXMIRE).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I thank the distinguished majority leader.

I will ask the members of the Democratic policy staff to attempt in every way to keep Senators on my side alerted to the need for calling up their amend-

ments, and we will try to assist in having a list of amendments by Senators who are ready to go throughout the day and the remaining days preceding next Wednesday.

THE STRATEGIC ARMS CONTROL POLICY OF THE UNITED STATES

Mr. ROBERT C. BYRD. Mr. President, the strategic arms control policy of the United States is currently in limbo. Although President Reagan has expressed his desire to engage in serious strategic arms reduction negotiations, the present policy can be summed up as "rearm first, talk later." This simple approach does the world an injustice and damages the cohesion of NATO. We must build and talk at the same time. If the Soviets are not interested in this process, a serious American effort will go far toward convincing our allies that our perception of the threat is correct and they must take further measures to contain it. The present course gives the Soviets the patently unearned advantage of posturing as the real exponents of arms control. It puts us in a difficult position as we press Europe to expand its forces and commitments in a more equal partnership with us. And it may well require excessive diversion of funds from our conventional forces to our strategic arsenal.

Mr. President, the distinguished senior Senator from Colorado (Mr. HART), as a member of the Armed Services Committee, has followed arms control matters in a thoughtful and constructive way for many years. He recently wrote a perspective article for the New York Times on the problems the present drift in arms control policy presents for the Nation, particularly in the areas of defense planning and the excessive diversion of resources from our conventional forces which would be necessitated by an uncontrolled arms race.

I ask unanimous consent that the article, which appeared in the July 22, 1981, issue of the New York Times be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

FOR ARMS TALKS SOON

(By Gary Hart)

WASHINGTON.—When Secretary of State Alexander M. Haig Jr. presented the Reagan Administration's strategic arms limitation policy last week, he made no promises that negotiations would resume any time soon. The Administration, he said, is committed to arms-limitation talks—but not on any specific timetable and not until some conditions, including modifications in Soviet foreign policy, are met. On this most crucial question, a wide gulf separates theory and practice, intention and rhetoric, in this Administration.

The Administration's reluctance to resume negotiations toward limits on nuclear arms demonstrates two fundamental flaws in its national-security policy. First, nuclear-arms limits are seen as ancillary, not central, to national security. Second, nuclear-arms agreements are viewed as a concession to the Soviet Union for good behavior rather than legal protection against Soviet bad behavior.

Secretary Haig and his colleagues seem to think of arms limitation as national security's poor relation. They are willing to tolerate it, but it must always take a back seat to a strategic military buildup.

In a nuclear age, national security must mean more than our ability to fight a war successfully. Security must also mean preventing a nuclear war from ever occurring. Prevention of nuclear war has two interdependent and equally important elements: a stable and survivable deterrent and limitations on the Soviet threat.

An arms-limitation agreement would benefit our national security in at least four ways. Unfortunately, as yet, this Administration seems not to recognize them.

It would limit the size of the Soviet nuclear threat. By 1985, the Russians will have the technical capacity to increase vastly their nuclear arsenal. They will be able to more than double the number of "silo-killer" warheads that SALT II would have permitted, deploy additional heavy missiles, and nearly double their arsenal of land-based missiles with multiple warheads. As Mr. Haig says, numbers are not the whole story. But limiting numbers is one way of limiting the threat. Regardless of whether the limits negotiated two years ago were adequate, right now we are living without any legal limits whatsoever.

It would provide greater certainty for United States defense planning. A treaty would legally restrict the Soviet Union to known test practices and known test ranges, which we have monitored for years with high confidence. We may seek more ambitious limitations or tighter safeguards, as Mr. Haig suggests. But the only way to achieve these limitations is by entering into negotiations. We gain no additional security by waiting; we lose nothing by negotiating.

It would provide greater ability to focus our resources on conventional forces. If the Russians embark on an uncontrolled nuclear-arms buildup, pressures on us to do the same would be enormous. An Administration so aware of Soviet expansionism should be alert to the dangers of an uncontrolled nuclear-arms race. It would divert both our attention and our resources from the conventional forces we and our allies need to discourage Soviet adventurism.

It would help provide a consensus on national-security issues. We need a stable majority on national-security issues if we are to rebuild and maintain our military strength. This majority must include those who, in the past, saw a strong defense and nuclear-arms limits as mutually exclusive.

The Administration also fundamentally misconstrues the purpose of arms-limitation treaties. It seems to think that they are a reward to our friends, and not a control on our rivals.

The Administration's policy of "linkage" holds that until Soviet adventurism diminishes, we must delay arms negotiations. Mr. Haig suggests that any other policy leads to the "appalling conclusion" that we must tolerate Soviet aggression. But Mr. Haig is wrong. It is not a question of our tolerating Soviet conduct. It is exactly because of Soviet conduct that we must pursue an arms-limitation treaty.

The Reagan Administration has linkage backwards. The only linkage that makes sense is linkage between our distrust of the Russians' intentions and the need for an arms treaty that limits their capability. The more we distrust the Russians, and the more we are concerned about a continued strategic buildup by them, the more we should support arms-control agreements that limit them.

No one would argue that we should agree to a treaty for the sake of agreement, or accept one with inadequate verification, or lock ourselves into outmoded technology. But Mr. Haig's pointing at these problems does nothing to solve them. Only full discussion at the negotiating table can.

Mr. Haig described the Administration's stance on strategic-arms talks as one of "patient optimism." But there is no reason for patience in seeking negotiations—and there is little reason for optimism that talks will begin soon enough.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that any remaining time I have may now be transferred to Mr. PROXMIRE to be controlled by him when his order is executed.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER TO RESUME CONSIDERATION OF TAX MEASURE

Mr. BAKER. Mr. President, it is now 9:44 a.m. I believe there is an order, is there not, for the Senate to resume consideration of House Joint Resolution 266 at 10 o'clock?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. We are on a collision course, then, with the special orders entered and after the time allocated to the Senator from South Carolina there would not be time remaining for the Senator from Wisconsin. Therefore, I ask unanimous consent that the Senate resume consideration of House Joint Resolution 266, without any intervening debate, motion, or point of order, at the conclusion of the time allocated to the distinguished Senator from Wisconsin.

The PRESIDING OFFICER. Without objection, it is so ordered.

RECOGNITION OF SENATOR THURMOND

The PRESIDING OFFICER. Under the previous order, the Senator from South Carolina is recognized for not to exceed 15 minutes.

Mr. THURMOND. I thank the Chair.

THE DAVIS–BACON ACT, PART V, CASE STUDIES

Mr. THURMOND. Mr. President, in continuing my discussion of the Davis-Bacon Act, today I would like to provide some examples where the act, as implemented by the Department of Labor, has resulted in increases in the cost of Federal construction projects.

PART 1—DAVIS-BACON ACT CASE STUDIES

Yesterday I mentioned the General Accounting Office study of April 1979 which recommended the repeal of the Davis-Bacon Act. That study contains a series of examples demonstrating the impact that the Davis-Bacon Act has on Federal construction projects. I urge my colleagues to review those cases.

More recently, in April of this year, Senator NICKLES, chairman of the Labor Subcommittee of the Senate Committee on Labor and Human Resources, held oversight hearings on the Davis-Bacon Act and the cases which I shall discuss

today are taken from this most recent hearing.

For the purposes of this presentation, I have broken the criticisms of the Davis-Bacon Act into four categories:

First. The importing of wage determinations from high-cost areas to low-cost areas.

Second. The improper determination of what prevailing wages actually are.

Third. The problem of changing wage determinations.

Fourth. The improper classification of workers resulting from Labor Department wage determinations.

IMPORTING OF WAGE DETERMINATIONS

Although the Davis-Bacon law requires that the Secretary of Labor determine prevailing wages for the "city, town, village, or other civil subdivision of the State in which the work is to be performed," the Labor Department usually issues prevailing wage determinations on a county-by-county basis. As a result, there are many instances where higher wages paid in urban areas may be imported into rural areas within the same county. Let me cite three examples.

Senator NICKLES himself cited a case in Oklahoma involving the Mountain Park Dam in Kiowa County. On this project the Labor Department ignored similar construction that was underway near the Mountain Park Dam and instead imported wage rates from the Hugo Dam in southeast Oklahoma, a project that was 225 miles away, with the resultant wage rates 30 percent greater than those prevailing locally in Kiowa County.

The second example cited by a witness from the Associated Builders & Contractors (ABC) referred to a builder constructing a multifamily housing project outside of Des Moines, Iowa, who was forced to pay the commercial union rates that prevailed in the city of Des Moines. In this case the actual prevailing rates for residential work in the area of the project ranged from 25 to 50 percent below that for the metropolitan area.

Let me cite a third example, quoting directly from a contractor who testified before Senator NICKLES' subcommittee:

My company is presently considering constructing the additions and renovation project to the "Site R" sewage treatment plant. (This is a military construction project associated with the alternate military command center.) That was, until we received the Department of Labor wage determination for this project.

Upon receipt of the "Site R" determination, our company protested to the Department of Labor, Davis-Bacon Division, stating that we were, at the time, engaged in a similar project almost within sight of the "Site R" job. The wages on the "Site R" project were over double the wages actually being required on the Fort Ritchie project. We stated that with such differences in wage rates, it would be impossible to manage the two projects if we were the successful bidder. The area at both sites is rural-agricultural. In fact, the Davis-Bacon rates on the Fort Ritchie project are actually higher than the "prevailing" local rates, since the only local work is some small scale housing construction.

The Department of Labor refused to alter the "Site R" rates with the explanation that since there was no representative trade sample in the "Site R" Adams County, Pennsylvania area, they used the Harrisburg, Pennsylvania wage rates—Harrisburg is over 75 miles away.

IMPROPER WAGE DETERMINATIONS

In my earlier presentations I discussed the 30-percent rule and the average method used by the Department of Labor in making wage determinations. Almost without exception these rules result in wage determinations which must be used by contractors on Federal contracts which are in excess of those that actually prevail. Again, let me give you several examples taken from Senator NICKLES' hearing.

One builder in Lancaster, Pa., estimated the cost for a sewer project to be $125,000, to be accomplished with his nonunion work force. However, when he discovered that Davis-Bacon wage determinations were to be applied to the contract, he refrained from bidding on that job. The job was awarded to another contractor for the amount of $200,000. This contractor paid the union wage scale and incurred the additional expense of having his labor force move into the town and stay in a motel until the job was finished.

A large general contractor in Maryland estimated the cost for a residential high-rise project. Prior to beginning construction the contractor determined that Federal funding assistance from the Department of Housing and Urban Development would be required and, therefore Davis-Bacon wage rates would apply. As a result, the contractor was forced to recalculate his costs and to obtain new estimates from all his subcontractors. The resulting recalculation of the project's cost provides an excellent opportunity to evaluate the added costs directly attributed to Davis-Bacon. In this case the original project estimate of $4,694,000 was increased by $447,000 or nearly 10 percent.

CHANGES IN WAGE DETERMINATIONS

In my earlier discussion of Davis-Bacon I mentioned that there are some 20,000 Davis-Bacon wage determinations made by the Department of Labor each year. Federal contracting agencies and private contractors alike must keep up with these changing wage determinations to be sure that contract documents and contract estimates reflect the most recent wage determination. This process of continually changing wage determinations is an administrative problem and often results in increased cost as noted in the following two cases.

The ABC reported a situation in the State of Maryland where the Department of Labor prevailing rate for plumbers on a rural Maryland project was doubled (from $6.41 per hour to $12.86 per hour) in two successive wage determinations less than 3 months apart. Despite a protest to the Labor Department in accordance with established procedures, the higher rate was sustained on the basis that the 30-percent rule applied.

Another subcontractor from Florida reported that on a 50-unit Housing and Urban Development project in Jacksonville, the Davis-Bacon wage determination was modified shortly before construction began. The hourly wage rate rose $2 per hour for plumbers and $1.57 per hour for unskilled labor. The result was that the subcontractor was forced to reestimate his cost and provide greatly increased labor estimates and he was only one of over 40 subcontractors who were forced to adjust bids upward.

IMPROPER TRADE CLASSIFICATION

I have mentioned briefly the issue of job classifications. The Department of Labor has the unenviable task of developing job classifications for every construction trade for every skill level. This is a very difficult task because construction practices vary across the Nation. Let me cite a single example that received much publicity here in the Washington area a few years ago.

In 1977 the State of Virginia began construction on a 1.6-mile section of Interstate 66. The Virginia State Highway Department felt that certain workers should be paid highway prevailing wages, but the Labor Department made an arbitrary judgment that prevailing wages for heavy construction should apply. This would have resulted in greatly increased costs for this project. In this case the State of Virginia successfully appealed this expensive wage determination proposed by the Department of Labor.

Mr. President, I could spend several days citing case after case of examples where the Davis-Bacon Act has cost the taxpayer money. The examples that I have mentioned here today are typical examples and I know the Members have heard from their constituents about similar cases in their State. In my next presentation I intend to continue my series on Davis-Bacon with a discussion of a similar piece of legislation—the Walsh-Healey Act—which is no longer in force.

Mr. President, I yield the floor.

RECOGNITION OF SENATOR PROXMIRE

The PRESIDING OFFICER. Under the previous order, the Senator from Wisconsin (Mr. PROXMIRE) is recognized for not to exceed 15 minutes in addition to the 8 minutes yielded by the Senator from West Virginia.

INTERIOR DEPARTMENT POLICIES THREATEN U.S. TRADITIONS

Mr. PROXMIRE. Mr. President, Secretary of Interior James Watt's policies represent a time bomb waiting to go off for future generations of Americans. They have the potential to do more lasting harm to our Nation than the proposals of any other Secretary in the Cabinet.

America has been blessed both with vast natural assets and enormous productive capacity. The tension between these two national goals—protecting our natural assets while expanding our pro-

ductive capacity—has led to compromises in the best interests of both.

Secretary Watt, however, has threatened to overturn this balance of reason by siding in every instance with unbridled economic development, no matter what the environmental cost.

Defense and foreign policies can be changed almost overnight. Social programs can be cut and obsolete programs can be canceled. But our natural resources are fragile and not always renewable. Thus the changes Secretary Watt recommends will have tragic consequences for decades.

Our children and our children's children will have to live with his mistakes.

No Secretary of the Interior has been so fanatically opposed to the traditional American desire to pass on to succeeding generations the opportunity to enjoy the use of our natural resources. No Secretary has been more cynical in his approach to fish and wildlife, to parks and open lands and wilderness areas. His radical positions are outside the mainstream of American conservatism.

Here are just a few of the reasons why Secretary Watt's policies pose a threat to basic conservation practices:

He has proposed reducing to guideline status the only effective economic and environmental standards for water projects. The result will be more boondoggles, more waste of the taxpayer's money.

He has dramatically weakened the Office of Surface Mining which enforces the law requiring restoration of strip-mined lands. The probable result—a blank check to mining companies to further ravage our land.

He has sacrificed long-term productivity of Federal grazing lands in favor of maximizing current economic return to livestock operators. The potential result—depletion of our vital rangelands.

He has proposed increasing greatly the rate of offshore oil leasing to levels even many oil companies oppose. He would allow leasing in such environmentally sensitive areas as the Santa Maria Basin off the coast of California. The likely result—destruction of critical coastal areas.

He supports increased commercialization of the national parks. The result—it would line the pockets of the concessionaries at the expense of the public.

He has called for a 85 percent spending cut for further land purchases for parks, wildlife refuges, and additions to the National Forest System while cutting wasteful water project construction funds by only a token 5 percent. The result—increased land costs and possible loss of important natural areas.

Ironically, Secretary Watt's policies have been a shot in the arm for the environmental movement. Complacement attitudes have been cast aside. New energy, talent and organization is now evident. Memberships have increased and contributions are pouring in. From the left to the right, wildlife and conservation groups representing millions of hunters, fishermen, birders, and environmentalists have found unity in a common opposition to the Interior Secretary.

The Watt policies should be reversed by Congress. With strong public support this may be possible. The American public needs to make its voice heard on this subject.

1. BUDGET REVISIONS

Secretary Watt has frankly stated that he would "use the budget process to be the excuse to make major policy decisions." A review of the $383 million in requested rescissions for fiscal year 1981 and $877 million (15.3 percent) in requested cuts in fiscal year 1982 reveals major reductions in resource management and conservation programs while programs directed toward resource use were cut little or not at all, and in some instances increased:

Acquisition programs under the land and water conservation fund were cut 92 percent ($520 million to $45 million), including the total elimination of the States' share of the fund. The urban parks and recreation recovery program and the historic preservation fund were cut 100 percent.

The two water resource planning agencies (Water Resources Council, Office of Water Research and Technology) were cut 100 percent ($71.8 million) and replaced by a proposed "Office of Water Policy" funded at $2.5 million within the Office of the Secretary.

The Fish and Wildlife Service took a reduction in force of 531 positions in its resource conservation programs (5,127 to 4,596) including 194 positions in habitat preservation programs.

The Office of Surface Mining was cut 26 percent—$246 to $180 million. Personnel cuts were deeper, from 935 to 628, with the bulk of the cuts in enforcement and State program review.

The Bureau of Mines took almost a 50-percent cut in its environmental technology personnel—437 to 224—while its resource technology program increased 25 percent—698 to 903. The environmental program addressed mine waste controls and reclamation while the technology program studies new uses for minerals and and technology development.

The Bureau of Land Management inventory and environmental assessment programs were cut by 130 positions while onshore and offshore oil and gas leasing programs received an addition of 40 positions.

In contrast, the Bureau of Reclamation suffered only a 5-percent cut—$35 million—in water project construction, by stretching out eight projects. No projects were eliminated.

These revisions represent a major shift away from resource conservation programs and toward resource development programs.

2. EMASCULATION OF THE OFFICE OF SURFACE MINING (OSM)

Three separate secretarial actions threaten to eviscerate the Office of Surface Mining:

The authorized personnel ceiling was reduced from 1,001 to 628 positions.

OSM was "reorganized" to eliminate all five regional offices that supervised implementation of the Strip Mining Act, to be replaced by two "Technical Centers" to support, not supervise, State implementation. The total number of field offices was reduced from 42 to 22.

New OSM regulations have been proposed that will first, eliminate the requirement of on-the-ground inspections, second, eliminate the requirement of specific compliance with Federal regulations, and third, allow mine operators to simply certify that violations have been abated, with no independent verification.

Without adequate personnel, enforcement authority, or regulations, OSM will not be able to effectively enforce the Strip Mining Act.

3. RANGELAND POLICY

Mr. President, Secretary Watt has announced a new "good neighbor" rangeland policy that caters to grazing interests at the expense of our public lands. The new policy will sharply reduce the overall level of rangeland management, focus management actions on measures to maximize economic return to livestock operators, and accelerate decertification of our public lands. Specifically, the revised policy will:

First, adopt a "triage" policy, dividing rangeland into three management categories: maintain (M), custodial (C) and improve (I). Management will focus on the "I" category, with the objective of maximizing economic return. The "I" category represents approximately 60 percent of our rangeland. The remaining 40 percent will be maintained at the status quo, which is generally a level of grazing that results in long-term deterioration of the resource. By contrast, a recent CEQ study estimates that 83 percent of our rangeland is in "unsatisfactory" condition and productive capacity will decline 25 percent in 25 years without strong restoration efforts.

Second, allocations to these three management categories will be made on the basis of trend data and maps, rather than detailed environmental assessments. This, along with reduced vegetative production inventories, means that grazing decisions will be made in the absence of good information on the carrying capacity of the land, thereby inviting overgrazing and deterioration of the resource.

Despite these problems, Mr. President, BLM is reducing the section of its rangeland management staff devoted to grazing inventories by 40 permanent full-time positions. This further complicates the implementation of an effective rangeland management program.

4. WATER RESOURCE PLANNING

The Carter administration launched a comprehensive water policy reform effort, the object of which was to replace the existing pork-barrel process with uniform eligibility criteria designed to achieve national economic development and environmental quality objectives. Secretary Watt has systematically dismantled this effort through the following actions:

First, proposed zero-funding of the U.S. Water Resources Council and the Office of Water Research and Technology, and elimination of independent water project review.

Second, opposed reauthorization of the U.S. Water Resources Council.

Third, proposed relaxation of WRC's principles and standards, National Economic Development Manual, and Envi-

ronmental Quality Manual from regulatory to guideline status.

Fourth, various efforts to reduce fish and wildlife mitigation efforts within his Department, including first, reduced funding for fish and wildlife coordination, second, freeze on Fish and Wildlife Coordination Act regulations, third, use of duck stamp wetland acquisitions as mitigation credits for water projects, and fourth, prohibition on use of condemnation authority for mitigation.

Fifth, withdrawal of Federal water rights claims, and sharp reductions in the budgets of offices that quantify the water needs of national parks, refuges and BLM lands.

5. MORATORIUM ON HABITAT ACQUISITION

Mr. President, Secreary Watt's proposal to request a rescission of $250 million in appropriated park acquisition funds in 1981, and to effectively freeze all new acquisitions out of the Land and Water Conservation Fund (LWCF) in fiscal year 1982, has been widely described as applying only to acquisition of parks. Overlooked is the fact that BLM lands, wildlife refuges, and additions to the National Forest System are also funded out of the LWCF.

A coalition of national conservation organizations has put together a list of critically threatened areas, authorized for purchase but not yet acquired, which may well be lost to development this year if Secretary Watt's moratorium remains in place. This includes $161 million in parks, $25.8 million in refuges, $2.2 million in BLM lands, and $42.9 million in national forests, for a total of $231.9 million. Other acquisitions will be delayed, increasing the total cost of congressionally mandated acquisitions and making some acquisitions prohibitively expensive. Acquisitions are funded out of revenues from OCS leasing pursuant to Congress' intent to offset the loss of publicly owned, nonrenewable resources—oil and gas—through acquisition of another form of natural heritage to be handed down to posterity—parks, refuges, and forests. OCS lease revenues are estimated to increase from $4.1 billion in 1981 to $27.3 billion in 1985, yet the freeze prohibits the use of these receipts to "recapitalize" our inventory of natural resources.

6. ACCELERATED OFFSHORE OIL AND GAS LEASING

In April 1981, Secretary Watt proposed to accelerate the 5-year OCS leasing program, to increase the total number of sales from 36 to 42, and to open up over 1 billion offshore acres to leasing. This, first, will reduce the effectiveness of the environmental assessment process, since it is impossible to adequately assess such large amounts of acreage in such a short time; second, does not permit the results of initial exploration in previously unexplored areas to be factored into planning for subsequent sales, since the spacing of sales will be compressed to 2-year intervals; and third, involves leasing in environmentally critical areas, such as the Santa Maria Basin off California.

Recent press reports, denied by the Secretary, that he is thinking of reducing the total offered acreage from 200 million per year to 50 million per year will do little to alleviate these problems if, as reported, he simply lets the oil companies select the areas for bidding. While environmental assessment may become more manageable, the total number of sales will not be reduced, accelerated spacing of sales will continue, and critical areas will still be opened if they contain potential for oil and gas development.

7. CONCESSIONAIRE MANAGEMENT OF PARKS

Secretary Watt supports a much expanded role for concessionaires in park management. He first announced the new policy in a speech to the Conference of National Park Concessionaires in March 1981. Implementation of the policy will be gradual, but is partially reflected in the prospectus calling for concessionaire proposals for activities in Yellowstone Park, issued in June 1981.

The prospectus allows for: First, longer concessionaire contracts than the current average of 20 to 30 years, thus lessening the professional park managers' ability to modify connection activities in response to changing park conditions; second, waiver of franchise fees in return for concessionaire investments into concession operations, thus encouraging increased, and possibly unneeded development in the park; third, continuation of concessionaire possessory interests in facility development and improvement, thus increasing the cost to the Federal Government of contract termination in the event of inadequate operation; and fourth, expanded concessionaire involvement in "cooperative planning" within the park, thus elevating concessionaire influence in management decisions and increasing the risk of making resource decisions based on economics rather than proper resource protection and visitor enjoyment.

Mr. President, by requesting this type of proposal, the prospectus implicitly rejects a proposal under consideration within the National Park Service to set up a Public Benefit Corporation (PBC) that would own the concessions but lease them out under short-term management contracts. The consequence of the new policy is to increase the likelihood that national parks will be managed to maximize economic return to concessionaires, not to maximize the long-term health of the park's natural resources.

8. LESS PROTECTION FOR ENDANGERED SPECIES

Secretary Watt has launched a broad-based attack on protection of endangered species. His proposed budget reduces funds for endangered species listing, 33 percent; recovery, 20 percent; enforcement, 13 percent; and State acquisition of habitat, 100 percent. Although four new listings were proposed before he assumed office, he has repeatedly delayed their final listing and has "frozen" over 40 additional proposed listings that have been finalized within his Department. He has proposed to amend the definition of "harm" to mean only injury or death to an endangered species. Steps are also being taken within the Department to deemphasize identification of critical habitat areas, and to establish a priority list of endangered species favoring vertebrates and, particularly, mammals, although there is no basis in the Endangered Species Act to make such distinctions.

These multiple initiatives will result in the loss of many species that did not make it "under the wire" and will make recovery of listed species more difficult through reduced habitat protection.

9. LAW OF THE SEA TREATY SCUTTLED

Mr. President, on February 18, 1981, Secretary Watt sent a letter, which has not previously been made public, to Secretary of State Alexander Haig. The letter strongly opposes the treaty as then drafted and is generally considered the determining factor in Secretary Haig's decision to withdraw U.S. support for the treaty and replace the U.S. negotiating team. The treaty would have: first, brought 160 nations under uniform environmental protection regulations for marine resources, second, expanded other international marine treaties, such as the London Ocean Dumping Convention, to all 160 signatories, and third, called for uniform standards for seaworthiness of all large vessels, including oil tankers. If the treaty is scuttled, these protections will be lost.

10. DESTRUCTION OF CONSENSUS ON RESOURCE CONSERVATION

Mr. President, Secretary Watt's inflammatory rhetoric has shredded the fragile fabric of emerging consensus on resource issues. This consensus recognizes the importance of planning for the long-term health of our commonly-held resources as well as for their short-term consumption. Through the use of such ill-chosen terms as "lock-up," "extremists," and "crisis development," his constant allusions to easterners versus westerners, the States versus the Federal Government, and the public sector versus the private sector, he has fanned the flames of regionalism, encouraged private sector overreaching, and reduced conservation issues to the level of partisan politics.

In the long run, this improvident and fractious rhetoric will result in more damage to the resources of this Nation than any other single action he can take in the management of the Department.

HOUSE LETTER ON THE TOBA-MASKOY TRIBE

Mr. PROXMIRE. Mr. President, I once again call the Senate's attention to the plight of the Toba-Maskoy Indians of Paraguay.

The Toba-Maskoy have been forcibly moved to what is known to be an uninhabitable area. There is currently an international outcry about their treatment by the Paraguayan Government.

Our colleagues in the House of Representatives have taken the initiative on this matter. The Subcommittee on Human Rights and International Organizations has sent a letter to the President of Paraguay urging him to restore the tribe to its ancestral lands. In this letter, the House subcommittee members state that "cultural and physical geno-

cide threatens the Toba-Maskoy Tribe."

Mr. President, this initiative by our House colleagues is admirable. Unfortunately, their action is handicapped by our inaction. We have not ratified the Genocide Convention. It has been pending in this body for 41 years, denied ratification by the U.S. Senate. Therefore, any American effort to stem the potential genocide in Paraguay is necessarily less effective. How much longer must we inhibit our Nation's capacity to stand up for human rights around the world? We must ratify the Genocide Convention and we should do it promptly.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. NICKLES). The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

DEPARTMENT OF DEFENSE AUTHORIZATION ACT, 1982

Mr. BAKER. Mr. President, the request I am about to make has been cleared with the distinguished minority leader, and it seems appropriate that we should go forward with it at this time, for reasons that will be obvious from the request.

I ask the Chair to lay before the Senate a message from the House on S. 815.

The PRESIDING OFFICER laid before the Senate the amendment of the House of Representatives to the bill (S. 815) to authorize appropriations for fiscal year 1982 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons and for research, development, test, and evaluation for the Armed Forces, to authorize appropriations for fiscal year 1982 for operations and maintenance expenses of the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for fiscal year 1982 for civil defense, and for other purposes.

(The amendment of the House is printed in the RECORD of July 16, 1981, beginning at p. H4478.)

Mr. BAKER. Mr. President, I move that the Senate disagree to the amendments of the House and agree to the request of the House for a conference on the disagreeing votes of the two Houses thereon, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed the following conferees on the part of the Senate: Mr. TOWER, Mr. THURMOND, Mr. GOLDWATER, Mr. WARNER, Mr. HUMPHREY, Mr. COHEN, Mr. JEPSEN, Mr. QUAYLE, Mr. DENTON, Mr. STENNIS, Mr. JACKSON, Mr. CANNON, Mr. HARRY F. BYRD, JR., Mr. NUNN, Mr. HART, Mr. EXON, and Mr. LEVIN.

Mr. BAKER. Mr. President, I thank the distinguished Senator from Mississippi and the distinguished Senator from Texas, the chairman of the committee, and I thank the minority leader for his help in expediting the appointment of the conferees.

ECONOMIC RECOVERY TAX ACT OF 1981

Mr. BAKER. Mr. President, what is the pending measure before the Senate?

The PRESIDING OFFICER. The pending business will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

ORDER TO INCLUDE BENTSEN AMENDMENT FOR CONSIDERATION ON TAX MEASURE

Mr. BENTSEN. Mr. President, I would like to explain to my colleagues that yesterday morning I had to leave early to fly to Texas for an emergency trip for the funeral of one of my very closest friends and was only able to get back late last night. I was out of touch by telephone a good part of that period, practically all of that period of time. I did not know about the time limitation on amendments.

Because of that, my staff did not get in touch with me. Therefore, under those extenuating circumstances, I ask unanimous consent that my amendment be listed among those to be considered at the appropriate time. I have discussed this with the distinguished chairman of the Finance Committee, the manager for the majority, and I have discussed it with the minority leader, all of whom think it appropriate.

Mr. DOLE. Mr. President, reserving the right to object, and I will not object because of the extenuating circumstances, this Senator certainly understands and it is perfectly satisfactory with this Senator.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

AMENDMENT NO. 508

The PRESIDING OFFICER. The pending question is the Dole stock option amendment.

Mr. BAKER. I thank the Chair.

Mr. President, the distinguished chairman of the Finance Committee is not in the Chamber. He is not here at this time because, at my request, he is attending, briefly, a conference on reconciliation. He will be in the Chamber shortly. I believe all Senators will understand that it was absolutely essential for him to make a brief appearance at that conference.

It would seem inequitable, then, to charge this time against his amendment, and I ask unanimous consent that the time consumed in the quorum call not be charged against anyone.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I suggest the absence of a quorum, on those conditions.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that we temporarily set aside the amendment of the Senator from Kansas.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I believe the Senator from Indiana has an amendment he wishes to send to the desk.

UP AMENDMENT NO. 262

(Purpose: To place manufactured homes in the 10-year property class)

Mr. LUGAR. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Indiana (Mr. LUGAR) for himself and Mr. CRANSTON proposes an unprinted amendment numbered 262.

Mr. LUGAR. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 50, line 17, strike out "and".

On page 50, line 18, strike out the end period and insert in lieu thereof ", and".

On page 50, between lines 18 and 19, insert the following: "(iv) manufactured homes.".

On page 50, line 21, insert "(other than manufactured homes)" after "property".

On page 76, between lines 13 and 14, insert the following:

"(7) MANUFACTURED HOMES.—The term 'manufactured home' has the same meaning as in Sec. 603(6) of the Housing and Community Development Act of 1974, which is 1250 class property used as a dwelling unit."

Mr. LUGAR. Mr. President, I offer this amendment on behalf of the distinguished Senator from California (Mr. CRANSTON) and myself. It has been brought to my attention that the treatment of manufactured housing under the accelerated cost recovery system is unclear and, therefore, if left to the Internal Revenue Service, could result in discrimination against manufactured housing for rental purposes. It is clearly unfair to risk having the Internal Revenue Service classify manufactured housing as real estate subject to the 15-year category. This result would cause manufactured housing to suffer a substantial loss relative to all other forms of rental housing in the course of this tax bill, the purpose of which is to make investment in all forms of capital more attractive.

Manufactured housing comprises a substantial segment of new home sales each year. The latest figures indicated that from 20 to 25 percent of new home sales are manufactured houses, and in many parts of the country this form of housing supplies the only form of affordable home ownership. In some geographic areas, investors and developers have made significant use of manufactured housing as an excellent substitute

for conventional rental housing, particularly for the elderly and handicapped.

Congress has increasingly recognized the benefits of manufactured housing, especially after it took steps to insure that all such homes conform to a single, uniform construction and safety code—National Mobile Home Construction and Safety Standards Act of 1974—in title VI of the Housing and Community Development Act of 1974. Since that landmark legislation, Congress has steadily expanded the range of subsidy and loan insurance programs available to manufactured housing in homeownership situations.

Mr. President, fully 18 percent of the Nation's manufactured home dwellers rent their units according to HUD's January 1981 report to Congress. This amounts to 657,000 households. I am advised that the owners of these older rental units have generally taken depreciation of from 7 to 12 years. As with the 15-year real estate category, the Congress does not address the actual useful life of residential structures. The whole purpose of the rapid depreciation provisions in the bill is to encourage investment through specific, predictable incentives. Recent developments in construction techniques and materials have led to a useful life for manufactured housing which exceeds that of older units. Nevertheless, it remains unfair to categorize manufactured housing along with all other real estate in the 15-year category. This development has led to the ever-increasing attractiveness of manufactured housing as a housing alternative.

Clearly, the Congress must make certain through this tax bill that investors receive an adequate incentive to invest in manufactured housing. My amendment places manufactured houses in the 10-year category. Such an incentive would continue the positive approach the Congress has taken toward manufactured housing as a safe, reliable, and less expensive alternative to fixed-site housing. Rental housing of all kinds is in short supply across the Nation. Manufactured housing can play a vital role in meeting the needs of thousands of families if investment incentives, otherwise provided for in this important tax bill, are not inadvertently taken away.

Mr. President, the manufactured housing industry has succeeded after many years of effort in having Federal policy recognize the durability and safety of manufactured housing. Again, any action to categorize this sound housing alternative in a shorter category than the 15-year category made available to real estate in no way would reflect the Congress assessment of the value to the Nation of manufactured housing.

Accordingly, I suggest that this bill be amended to clarify that manufactured housing be included in the 10 year accelerated cost recovery category.

Mr. President, the intent of the amendment is to clarify the Tax Code so that the Internal Revenue Service will treat manufactured houses in the 10-year category. Presently a manufactured house used as a residence is depreciated by owners anywhere from 7 to 12 years. There could be ambiguity without this clarification as to how it will be treated in the new depreciation provisions.

The intent of the amendment is to center this situation in the category of 10 years.

The amendment has been cleared, I understand, with the distinguished Senators on the other side of the aisle. We have consulted with the Treasury, and there is no objection. I yield to my distinguished colleague from New York.

Mr. MOYNIHAN. Mr. President, I first ask unanimous consent that the Senator from New York (Mr. MOYNIHAN), the Senator from New Jersey (Mr. BRADLEY)—and would my distinguished colleague wish to be listed as a cosponsor?

Mr. D'AMATO. I would like to be listed as a cosponsor.

Mr. MOYNIHAN. I ask unanimous consent that we be listed as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, this is in the view of the Committee on Finance altogether meritorious legislation.

If I may make a little historical point, it was only in 1970 at a time when it appeared that for a decade, despite some fair amount of prosperity, housing starts had lagged and lagged and lagged that it was suddenly learned in the Bureau of Census that manufactured housing was being listed under truck manufacture, and about a quarter of our actual housing market was lost to view, as it were.

I know there is a shortage of rental housing, and manufactured housing could alleviate a considerable part of this practice. The Senator from Indiana has a meritorious amendment which is supported on this side, if he wishes to move its adoption.

Mr. LUGAR. I thank the distinguished Senator from New York. I move the adoption of the amendment.

The PRESIDING OFFICER. Is all time yielded back on the amendment?

Mr. MOYNIHAN. I do not believe there was a time agreement.

The PRESIDING OFFICER. There was a 20-minute time agreement.

Mr. MOYNIHAN. On a second occasion this morning I ask the forgiveness of the Chair. I yield back all our time.

Mr. LUGAR. I yield back my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Indiana.

The amendment (UP No. 262) was agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LUGAR. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Kansas.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the amendment of the Senator from Kansas be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 263

Mr. MOYNIHAN. Mr. President, on behalf of myself and my distinguished colleague from New York (Mr. D'AMATO) I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN), for himself and Mr. D'AMATO, proposes an unprinted amendment numbered 263.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 281, line 24, insert "(a)" before "Subsection".

On page 282, between lines 8 and 9, insert the following:

(b) SPECIAL RULE FOR FLOOR SPECIALISTS.—Section 1236 (relating to dealers in securities) is amended by adding at the end thereof the following new subsection:

"(d) SPECIAL RULE FOR FLOOR SPECIALISTS.—

"(1) IN GENERAL.—In the case of a floor specialist (but only with respect to acquisitions, in connection with his duties on an exchange, of stock in which the specialist is registered with the exchange), subsection (a) shall be applied—

"(A) by inserting 'the 7th business day following' before 'the day' the first place it appears in paragraph (1) and by inserting '7th business' before 'day' in paragraph (2), and

"(B) by striking the parenthetical phrase in paragraph (1).

"(2) FLOOR SPECIALIST.—The term 'floor specialist' means a person who is—

"(A) a member of a national securities exchange,

"(B) is registered as a specialist with the exchange, and

"(C) meets the requirements for specialists established by the Securities and Exchange Commission.".

Mr. MOYNIHAN. Mr. President, this is a technical amendment to the provision of the bill as reported from the Committee on Finance that incorporates S. 1432, the legislation generally referred to as the commodity straddles legislation.

As the distinguished Presiding Officer knows, these straddles provisions are a major component of our measure. They stand to gain the Internal Revenue Service some $1.3 billion in the first full fiscal year in which they are in effect. That is the measure of the hemorrhaging of the system that is rapidly occurring under the present arrangement.

A distinguished member of the New York Bar at a recent meeting of the tax section of the New York Bar Association referred to the commodity tax straddle as having the potential to zero out the revenue system. We have adopted what we feel to be a fair and effective measure that will maintain the integrity and the viability of the commodity exchanges while avoiding their endangerment for the purpose of pure tax avoidance, something that is becoming notorious.

Of course, in the previous administration, the Assistant Secretary of the Treasury, Mr. Lubick, first raised this to the attention of this Senator; and Mr.

Chapoton, his successor, has been firm in supporting this matter. The Secretary of the Treasury has technically taken himself out of this discussion owing to his previous activities in the commodity markets of his firm, not of himself, but the Treasury Department altogether favors this.

Mr. President, in order to achieve our purpose. we have had to repeal the so-called 30-day lookback rule for brokers and dealers in securities. This is from an earlier period.

Today, a broker-dealer has 30 days to decide whether any security he buys is for his own investment or for sale to a customer. Securities that a dealer buys for himself produce capital gain or loss. Securities that he buys for a customer produce ordinary income or loss.

The committee bill requires that for the remainder of this year, a broker-dealer would have to declare why he is purchasing a security by the day after he buys it. Beginning in 1982, he would have to declare this on the same day he buys it.

My amendment would restore a limited 7-day lookback. The limited lookback would be available only to market specialists on stock exchanges. These are people who trade professionally on the floors of the exchanges and who are required by SEC rules to buy or sell when anyone wants to trade. In the jargon of the stock exchange, they are market makers.

The 7 days in the amendment are 7 business days, not calendar days.

I should also say that the limited lookback would be available only for stock in which the market maker is a specialist.

I am offering the amendment for two reasons. First, there is no reason to eliminate the lookback for specialists. Stock does not lend itself easily to the sort of tax manipulation that we have heard about in the commodity futures area. Stock prices are not as violatile as commodity futures prices.

Moreover, market specialists are closely regulated by the stock exchanges and by the Securities and Exchange Commission. Their business is making markets. They are not in the business of marketing tax shelters to outsiders.

Second, it is impractical to eliminate the lookback for specialists. That is because a specialist has a hard time determining what stock he has in hand. Stock transactions take days to clear. A stock that a specialist may have thought he was buying for a customer may be refused by the customer, or there may have been a misunderstanding. The specialist does not know for sure what he has until days after each transaction.

This is a technical amendment. It is something that I would have raised in the Finance Committee, had I been aware of the need for it in late June.

I have spoken personally to the Assistant Treasury Secretary, Buck Chapoton, and to the chairman, Senator DOLE, about it. I have personally seen to it that the amendment was cleared on both sides of the aisle.

This will give fairness to the operators on the floor of the exchanges. It will see that it represents a modification of a present arrangement but in no significant way a transformation. It is particularly, of course, important to dealers who make the markets, the so-called market specialists, who, by offering at any given time to buy or to sell a particular stock, a particular security, are the hubs of activity in these markets. We do not wish in any way to impair their activity, as much as a layman can do it. We wish them well. We wish them all to prosper, and we wish their markets to do so, and we wish the investors to do as well, and the firms that their investments have invested in. Such is our disposition in these matters. I believe my colleague would wish to speak on this matter and I am happy to yield to him.

Perhaps the Senator from New York would wish to take time on his side at this point.

Mr. President, I must ask, I have been delinquent, is there a time agreement on this amendment?

The PRESIDING OFFICER. The Senator is correct. There is a 30-minute time limitation.

Mr. MOYNIHAN. Is it equally divided?

The PRESIDING OFFICER. That is correct.

Mr. MOYNIHAN. Then perhaps the Senator from New York, being the only Senator on that side of the aisle at the moment, would yield himself such time as he desires.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. Mr. President, I join with my distinguished colleague from New York in moving the adoption of this amendment, inasmuch as it is intended to correct an inadvertent, I believe, deficiency that would occur of a total elimination of the 30-day lookback provision as it pertains particularly to the specialists. The specialists, as defined by the SEC on the various exchanges, are an absolute necessity for maintaining an orderly market. Without giving them sufficient time in which to allocate which account they will place the securities, particularly when they are attempting to make that market, we will destroy the viability of a system that has been an effective tool and part of the American economy, particularly as it relates to our exchanges in the sale of stock.

The amendment is a compromise amendment. It would allow those market makers on the floor of the national security exchanges known as specialists 7 days to identify whether a security is held for long-term capital gains. This is the bare minimum that can be done without risking the crippling of our capital markets. The amendment has the support of the Treasury and the Finance Committee. The Joint Committee on Taxation has judged that it will have a negligible revenue effect.

But I must caution my colleagues, that we will merely avoid dealing a crippling blow to the securities markets by adopting this amendment. I have here, and will submit for the RECORD assessments by the Chairman of the Security Exchange Commission, John Shad, and representatives of the specialist profession that market makers require a 30-day lookback in order to perform their functions properly.

I do not feel that we, as responsible representatives, can approve this amendment and believe that we have truly come to grips with the full scope of the problem. We must adopt this compromise here today and then we must carefully assemble the information that is necessary to assess the full impact of the elimination of the 30-day lookback on the functioning of the markets.

I cannot stress enough that this is not a tax shelter. This amendment allows professionals who insure the soundness of the securities markets will not be deprived of a right we allow every other investor—the right to take the effects of taxes into account when planning their investments.

I greatly appreciate the support of the Finance Committee and the Treasury for this compromise amendment. I look forward to the support of my many distinguished colleagues.

In title V, in the bill before us, the Finance Committee has, quite properly, eliminated a tax abuse that results from the 30-day lookback provision.

Under present law—Internal Revenue Code section 1236—a securities dealer is allowed, upon acquiring a security, 30 days—30-day lookback—in which to clearly identify whether the security is held for investment thereby receiving favorable capital gains treatment. This allows market makers a reasonable period of time in which to respond to market developments. According to critics, the problem created by the 30-day lookback is that broker-dealer limited partnerships have been set up purely to take advantage of the tax opportunities presented.

I have no quarrel with eliminating the lookback for these partnerships. However, Congress should be able to correct one problem without creating another. The manner in which this abuse has been eliminated has claimed an unintended victim, those traders of securities who are obligated to make a market in a security.

Marketmakers have unique responsibilities arising from their obligation to maintain an orderly market even in the face of tremendous market pressure. During a significant movement in the market these traders must stand ready to make a market by buying or selling securities in accordance with the need for liquidity in the market. During such a run in the market a specialist may continually accumulate a position that the specialist had no intention of acquiring.

In a volatile up and down market a marketmaker will not even be able to judge what disposition would be in his long term best interest. These responsibilities, which are critical to the functioning of our markets and the process of capital formation, give rise to the need for a lookback provision limited specifically to market makers. It is essential to the market maker that he be able to look back over the movement of the market.

Mr. President, I further add that I believe that the 7 working days that we

provide will not be totally adequate to accomplish the important mission that the specialists are charged with. However, it is better than 1 day and it certainly moves in the right direction in restoring what I consider to be a balance to the marketplace.

It would be my hope that, after a period of time, this body and the House would see that additional time would be provided to the specialists with no loss in income to the Treasury.

Mr. President, I strongly support and urge the adoption of what I consider to be necessary remedial legislation.

Mr. MOYNIHAN. I thank my colleague from New York, who has been indefatigable in expressing his views on this matter. He understands it in great detail, and he has followed it, which is a natural concern to our State as to other States.

I see our distinguished colleague from Illinois has risen. Maybe he would wish to speak on the matter which I know has concerned him.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DIXON. Mr. President, I wish to thank my friend from New York for his introduction of this amendment. This is the lookback amendment.

May I ask my distinguished friend from New York whether he contemplates offering later this morning the so-called transitional amendment that includes the three steps in the transitional process that we discussed in the past?

Mr. MOYNIHAN. I would say to my friend from Illinois that the amendment will be offered, but it is technical and highly so and there are some matters to be worked out with the staff of the Joint Tax Committee so that we have a good, clean bill and everyone understands it. But the Senator is entirely right. These amendments are listed in the agreed-upon matters that come before us. He may be sure that they will be brought up and, of course, that he will have the fullest opportunity to participate in these matters, as he has done.

Mr. DIXON. May I ask my friend if he is indicating that that matter will be taken care of here on the floor of the Senate, not in the conference committee at a later date but now during the course of time that we are considering this bill?

Mr. MOYNIHAN. That is my present thinking. I wish to discuss it with the chairman of the committee. It is clearly our intention that this matter be dealt with. I can speak to the distinguished Senator later on that, if he wishes.

Mr. DIXON. Mr. President. I thank the distinguished Senator from New York for his accommodations in this matter. I think he knows, as do his colleagues that support this straddle tax contained in title V of this bill, that some of us here very strongly oppose what is being done here and very strongly support the version that has been adopted by the House Ways and Means Committee, which we believe is the better version to support that important industry in our State and the agriculture industry generally in the country.

But I do wish to say here publicly that I am indebted, as is our senior Senator from Illinois (Mr. PERCY) and others, for the many accommodations given us by the senior Senator from New York in connection with these amendments. He has been very open with us and very fair.

I assume, on the basis of what he has now said, that, in addition to this lookback amendment, he will be offering, in due course, before the completion of this bill on next Wednesday, that three-step transitional amendment has been shown to me on several occasions. While we will not then feel supportive of the legislation contained in title V, I can say that we appreciate the courtesy accorded us. I thank him for his time and efforts, as well as the distinguished Senator from Kansas, the chairman of the Finance Committee.

Mr. MOYNIHAN. Mr. President, I appreciate those remarks from the Senator from Illinois.

Mr. SYMMS. Will the Senator from New York yield to me?

Mr. MOYNIHAN. I am happy to yield to my friend from Idaho.

Mr. SYMMS. I thank the Senator from New York for yielding.

I was off the floor momentarily. I just want to ask a question. Is the Senator offering a 7-day lookback for the specialists?

Mr. MOYNIHAN. That is correct.

Mr. SYMMS. One of my concerns is, as I understand it now they actually do not get the reconciliation until the eighth day. Have the exchanges assured us that they will be able to speed up their computer operation so that they can actually accomplish this?

Mr. MOYNIHAN. This is seven business days. We are given to understand that this is not a problem.

Mr. SYMMS. My concern is that, to my knowledge, there has not been any abuse on taxes with the specialists.

Mr. MOYNIHAN. No.

Mr. SYMMS. They presently have a 30-day lookback. I was wondering where the 7 days came from. Why do we not have 15 days?

Mr. MOYNIHAN. We asked for 15 calendar days, but 7 business days was the most that could be secured from the Treasury.

Mr. D'AMATO. Would the Senator yield?

Mr. MOYNIHAN. I am happy to yield.

Mr. D'AMATO. If I might answer my distinguished colleague on this point, the fact is that this has been an overreaction, this moving to only 7 days. It is better than nothing, because if we kept it at 1 day we would create chaos in the marketplace.

I believe my colleague, Senator SYMMS, is absolutely right. There is no necessity to even tamper with this, as this 30-day lookback period applied its application to the specialists. It is a total overreaction. I believe the Treasury has taken the wrong step in saying they would only support 7 days. Mr. Shad, Chairman of the SEC, has indicated in a letter dated July 16, 1981, to me that he supports a retention of the 30-day lookback for specialists on the national security exchanges.

Mr. President, I ask unanimous consent to have the letter from Mr. Shad printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., July 16, 1981.

Hon. ALFONSE M. D'AMATO,
Chairman, Subcommittee on Securities, Senate Committee on Banking, Housing and Urban Affairs, U.S. Senate, Washington, D.C.

DEAR CHAIRMAN D'AMATO: This is to confirm my support of your efforts to amend H.J. Res. 266 to retain the 30 day look-back for specialists on national securities exchanges. In fact, I would recommend retention of that provision for all legitimate market makers. This is, of course, my personal view, since the full Commission has not functioned on the question.

Stock exchange specialists perform a vital function by providing the liquidity necessary to ensure the efficiency and orderliness of the securities markets. Section 1236 gives due deference to this function in allowing specialists and other securities dealers a thirty day period to determine whether a particular purchase will be held in inventory—and be subject to ordinary tax treatment—or be placed in the dealer's investment account—where it may be eligible for capital gains treatment. While I am aware of reports of the abuses of the provision by limited partnerships formed for the purpose of trading in securities (as opposed to acting as a dealer or market maker), deletion of this provision for bona fide dealers and market makers (including specialists) will increase the risk of their performing an essential function for the Nation's individual and institutional investors.

Please call if I can be of further assistance.

Sincerely,

JOHN S. R. SHAD,
Chairman.

Mr. D'AMATO. Mr. President, that would not have cost the Treasury any money. It would have continued to provide an orderly manner for which these transactions could be accomplished. I guess it is a matter of pride of authorship for some people. Some of the specialists spoke to the Treasury and they said, "Oh, we can get away with 7 days." I am accepting to this as 7 days being better than 1 day. I do not believe that we have acted responsibly in this case. It is better than nothing. That is why I am moving and supporting my distinguished colleague from New York, Senator MOYNIHAN, that it be at least given 7 working days.

Mr. SYMMS. I appreciate the remarks of the Senator very much.

I would like to ask the senior Senator from New York one other question. I came on the floor when my friend from Illinois, Senator DIXON, was asking about is it the intention to offer some corrective amendments to this?

Mr. MOYNIHAN. Yes, there are a number of them, some or all of which will be offered. Some may be taken up in conference. These are matters that require a fair amount of work with the staff.

Mr. SYMMS. I thank the Senator very much.

In closing, I would say, along with what Senator D'AMATO just said, I support this amendment, but I do so only because it is better than the very bad situation in the bill. I personally am very

opposed to the portion of the bill that deals with the whole section on the commodity tax straddle question. I think it goes far too far. I have made this known to the chairman of the committee and the Treasury. I think the House position is much better than what we have in the Senate.

I hope by the time we get to conference on this bill, there may be some reconciliation which could be considered by this body with the House. I know the Senator and I dealt with the House last night. If they are as tough with the Finance Committee as with the Public Works Committee, maybe some of my fears will be set aside.

Mr. MOYNIHAN. My distinguished friend will recall that at the hour of 10:45, the House conferees decided, in their terms, to yield to the Senate conferees. We sat there longer than they, which sometimes determines the outcome.

The PRESIDING OFFICER. Who yields time?

Mr. MOYNIHAN. Mr. President, I am happy to yield 2 minutes to the Senator from Illinois.

Mr. DIXON. I thank the Senator from New York for yielding.

I would say to my distinguished friend, the Senator from Idaho, that immediately prior to his coming to the floor I had a discussion with the Senator from New York. The Senator from Idaho will recall that we looked at a transitional amendment containing three points which had been given to me by the aides to the Senator from New York several days ago.

I want to say that it is still my understanding that in the course of these proceedings before we pass this bill next Wednesday, the Senator from New York, not in the conference committee but here on the floor, will be offering that transitional amendment.

I understand that from representations made to me by the distinguished senior Senator. I understand that to be the case.

Mr. SYMMS. Will the Senator from Illinois agree with me on the statement I made about the fact that the approach to close the appearance of abuses is much better taken care of in the House version than what we have done thus far here in this body?

Mr. DIXON. I will say to the Senator from Idaho that I am indebted, as I indicated publicly here, to the distinguished senior Senator from New York and the chairman of the Finance Committee, the Senator from Kansas, with respect to this subject matter. I completely disagree entirely with their approach. I think the House Ways and Means Committee approach is a much better one. I think all of this has been handled too hurriedly.

On the three prior occasions, this very question has been rejected earlier in this session of the Senate by the body, a majority of both the Republicans and Democrats. I am distressed by what is occurring. I do not think adequate hearings have been held.

I think the approach is wrong, but I want to say once again that the Senator from New York and the Senator from Kansas have been very courteous and kind. I only ask for assurance that here we do have the transitional amendment. That assurance up to now has been given and I am grateful for it.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. DOLE. As I understand it, there is no objection to the pending amendment. Is that correct?

Mr. MOYNIHAN. That is my understanding.

Mr. DOLE. We will get into the other matter later. I do not suggest that I would support any transitional rule which would permit people to avoid paying taxes. If that is one of the rules, I would oppose it.

Mr. MOYNIHAN. Mr. President, I am prepared to yield back our time.

The PRESIDING OFFICER. Does the Senator from Kansas yield back his remaining time?

Mr. DOLE. Yes.

Mr. MOYNIHAN. Mr. President, I move adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

So Mr. MOYNIHAN's amendment (UP No. 263) was agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, I think the pending business is the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that that amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I understand the amendment of the Senator from New Jersey is next, with a 2-hour time limitation.

Mr. BRADLEY. Mr. President, there is a 2-hour time limit, but I do not think it will require 2 hours.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

UP AMENDMENT NO. 264

(Purpose: Providing targeted rate schedules)

Mr. BRADLEY. Mr. President, it is unclear at this point how many Senators would like to speak. Therefore, I will not agree to reducing the time of 2 hours on this amendment.

Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New Jersey (Mr. BRADLEY) for himself and Mr. MITCHELL proposes an unprinted amendment numbered 264.

Mr. BRADLEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 4, beginning with line 11, strike out all through the matter preceding line 1 on page 15 and insert in lieu thereof the following:

(a) RATE REDUCTION.—Section 1 (relating to tax imposed) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

If taxable income is:	The tax is:
Not over $3,400	No tax.
Over $3,400 but not over $5,500	11% of the excess over $3,400.
Over $5,500 but not over $7,600	$231, plus 14% of the excess over $5,500.
Over $7,600 but not over $11,900	$525, plus 16% of the excess over $7,600.
Over $11,900 but not over $16,600	$1,213, plus 19% of the excess over $11,900.
Over $16,000 but not over $20,200	$1,992, plus 21% of the excess over $16,000.
Over $20,200 but not over $24,600	$2,874, plus 25% of the excess over $20,200.
Over $24,600 but not over $29,900	$3,974, plus 29% of the excess over $24,600.
Over $29,900 but not over $35,200	$5,511, plus 33% of the excess over $29,900.
Over $35,200 but not over $45,800	$7,260, plus 42% of the excess over $35,200.
Over $45,800 but not over $60,000	$11,712, plus 48% of the excess over $45,800.
Over 60,000	$18,528, plus 50% of the excess over $60,000.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $3,400	No tax.
Over $3,400 but not over $5,500	10% of the excess over $3,400.
Over $5,500 but not over $7,600	$210, plus 12% of the excess over $5,500.
Over $7,600 but not over $11,900	$462, plus 14% of the excess over $7,600.
Over $11,900 but not over $16,000	$1,064, plus 17% of the excess over $11,900.
Over $16,000 but not over $20,200	$1,761, plus 18% of the excess over $16,000.
Over $20,200 but not over $24,600	$2,517, plus 23% of the excess over $20,200.
Over $24,600 but not over $29,900	$3,529, plus 26% of the excess over $24,600.
Over $29,900 but not over $35,200	$4,907, plus 30% of the excess over $29,900.
Over $35,200 but not over $45,800	$6,497, plus 41% of the excess over $35,200.
Over $45,800 but not over $60,000	$10,843, plus 47% of the excess over $45,800.
Over $60,000	$17,517, plus 50% of the excess over $60,000.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $3,400	No tax.
Over $3,400 but not over $5,500.	10% of the excess over $3,400.
Over $5,500 but not over $7,600.	$210, plus 11% of the excess over $5,500.
Over $7,600 but not over $11,900.	$441, plus 12% of the excess over $7,600.
Over $11,900 but not over $16,000.	$957, plus 16% of the excess over $11,900.
Over $16,000 but not over $20,200.	$1,613, plus 17% of the excess over $16,000.
Over $20,200 but not over $24,600.	$2,327, plus 22% of the excess over $20,200.
Over $24,600 but not over $29,900.	$3,295, plus 25% of the excess over $24,600.
Over $29,900 but not over $35,200.	$4,620, plus 28% of the excess over $29,900.
Over $35,200 but not over $45,800.	$6,104, plus 40% of the excess over $35,200.
Over $45,800 but not over $60,000.	$10,344, plus 46% of the excess over $45,800.
Over $60,000	$16,876, plus 50% of the excess over $60,000.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every

individual who is the head of a household (as defined in section 2(b)) a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $4,400	11% of the excess over $2,300.
Over $4,400 but not over $6,500	$231, plus 14% of the excess over $4,400
Over $6,500 but not over $8,700	$525, plus 16% of the excess over $6,500.
Over $8,700 but not over $11,800	$877, plus 19% of the excess over $8,700.
Over $11,800 but not over $15,000	$1,466, plus 21% of the excess over $11,880.
Over $15,000 but not over $18,200	$2,138, plus 23% of the excess over $15,000
Over $18,200 but not over $23,500	$2,874, plus 27% of the excess over $18,200.
Over $23,500 but not over $28,800 %	$4,305, plus 32% of the excess over $23,500.
Over $28,800 but not over $34,100.	$6,001, plus 41% of the excess over $28,800.
Over $34,100 but not over $44,700	$8,174, plus 45% of the excess over $34,100.
Over $44,700	$12,944, plus 50% of the excess over $44,700.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $4,400	10% of the excess over $2,300.
Over $4,400 but not over $6,500.	$210, plus 12% of the excess over $4,400.
Over $6,500 but not over $8,700.	$462, plus 14% of the excess over $6,500
Over $8,700 but not over $15,000.	$770, plus 18% of the excess over $8,700.
Over $15,000 but not over $18,200.	$1,904, plus 21% of the excess over $15,000.
Over $18,200 but not over $23,500.	$2,576, plus 24% of the excess over $18,200.
Over $23,500 but not over $28,800.	$3,848, plus 28% of the excess over $23,500.
Over $28,800 but not over $34,100.	$5,332, plus 40% of the excess over $28,800.
Over $34,100 but not over $44,700.	$7,452, plus 44% of the excess over $34,100.
Over $44,700	$12,116, plus 50% of the excess over $44,700.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $4,400.	10% of the excess over $2,300.
Over $4,400 but not over $6,500.	$210, plus 11% of the excess over $4,400.
Over $6,500 but not over $8,700.	$441, plus 12% of the excess over $6,500.
Over $8,700 but not over $15,000.	$705, plus 17% of the excess over $8,700.
Over $15,000 but not over $18,200.	$1,776, plus 20% of the excess over $15,000.
Over $18,200 but not over $23,500.	$2,416, plus 24% of the excess over $18,200.
Over $23,500 but not over $28,800.	$3,688, plus 28% of the excess over $23,500.
Over $28,800 but not over $34,100.	$5,172, plus 39% of the excess over $28,800.
Over $34,100 but not over $44,700.	$7,239, plus 43% of the excess over $34,100.
Over $44,700	$11,797, plus 50% of the excess over $44,700.

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b) who is not a married individual (as defined in section 143) a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $3,400	11% of the excess over $2,300.
Over $3,400 but not over $4,400	$121, plus 14% of the excess over $3,400.
Over $4,400 but not over $6,500	$261, plus 16% of the excess over $4,400.
Over $6,500 but not over $8,500	$597, plus 17% of the excess over $6,500.
Over $8,500 but not over $10,800	$937, plus 19% of the excess over $8,500.
Over $10,800 but not over $12,900.	$1,374, plus 21% of the excess over $10,800.
Over $12,900 but not over $15,000	$1,815, plus 23% of the excess over $12,900.
Over $15,000 but not over $18,200.	$2,298, plus 27% of the excess over $15,000.
Over $18,200 but not over $23,500.	$3,162, plus 31% of the excess over $18,200.
Over $23,500 but not over $28,800.	$4,805, plus 35% of the excess over $23,500.
Over $28,800 but not over $34,100.	$6,660, plus 43% of the excess over $28,800.
Over $34,100 but not over $41,500.	$8,939, plus 48% of the excess over $34,100.
Over $41,500	$12,491, plus 50% of the excess over $41,500.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $3,400	10% of the excess over $2,300.
Over $3,400 but not over $4,400	$110, plus 12% of the excess over $3,400.
Over $4,400 but not over $8,500	$230, plus 14% of the excess over $4,400.
Over $8,500 but not over $10,800.	$804, plus 17% of the excess over $8,500.
Over $10,800 but not over $12,900.	$1,195 plus 18% of the excess over $10,800.
Over $12,900 but not over $15,000.	$1,573 plus 21% of the excess over $12,900.
Over $15,000 but not over $18,200.	$2,014, plus 24% of the excess over $15,000.
Over $18,200 but not over $23,500.	$2,782, plus 28% of the excess over $18,200.
Over $23,500 but not over $28 800	$4,266, plus 32% of the excess over $23,500.
Over $28,800 but not over $34,100.	$5,962, plus 42% of the excess over $28,800
Over $34,100 but not over $41,500.	$8,188, plus 47% of the excess over $34,100
Over $41,500	$11,666, plus 50% of the excess over $41,500.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $2,300	No tax.
Over $2,300 but not over $3 400	10% of the excess over $2,300.
Over $3,400 but not over $4,400	$110, plus 11% of the excess over $3,400
Over $4,400 but not over $6,500	$220, plus 12% of the excess over $4,400.
Over $6,500 but not over $8,500	$472, plus 15% of the excess over $6,500.
Over $8,500 but not over $10,800.	$772, plus 16% of the excess over $8,500
Over $10,800 but not over $12,900.	$1,100, plus 17% of the excess over $10,800.
Over $12,900 but not over $15,000.	$1,497, plus 20% of the excess over $12,900.
Over $15,000 but not over $18,200.	$1,917, plus 23% of the excess over $15,000.
Over $18,200 but not over $23,500.	$2,653, plus 26% of the excess over $18,200.
Over $23,500 but not over $28,800.	$4,031, plus 30% of the excess over $23,500.
Over $28,800 but not over $34,100.	$5,621, plus 41% of the excess over $28,800
Over $34,100 but not over $41,500.	$7,794, plus 46% of the excess over $34,100.
Over $41,500	$11,198, plus 50% of the excess over $41,500.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013 a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $1,700	No tax.
Over $1,700 but not over $2,750.	11% of the excess over $1,700.
Over $2,750 but not over $3,800.	$115, plus 14% of the excess over $2,750
Over $3,800 but not over $5,950.	$262, plus 16% of the excess over $3,800.
Over $5,950 but not over $8,000.	$606, plus 18% of the excess over $5,950.
Over $8,000 but not over $10,100.	$996, plus 21% of the excess over $8,000.
Over $10,100 but not over $12,300.	$1,437, plus 25% of the excess over $10,100.
Over $12,300 but not over $14,950.	$1,987, plus 29% of the excess over $12,300.
Over $14,950 but not over $17,600.	$2,755, plus 33% of the excess over $14,950.
Over $17,600 but not over $22,900.	$3,630, plus 42% of the excess over $17,600.
Over $22,900 but not over $30,000.	$5,856, plus 48% of the excess over $22,900.
Over $30,000	$9,264, plus 50% of the excess over $30,000.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $1,700	No tax.
Over $1,700 but not over $2,750.	10% of the excess over $1,700.
Over $2,750 but not over $3,800.	$105, plus 12% of the excess over $2,750.
Over $3,800 but not over $5,950.	$231, plus 14% of the excess over $3,800.
Over $5,950 but not over $8,000.	$532, plus 17% of the excess over $5,950.
Over $8,000 but not over $10,100.	$880, plus 18% of the excess over $8,000.
Over $10,100 but not over $12,300.	$1,258, plus 23% of the excess over $10,100.
Over $12,300 but not over $14,950.	$1,764, plus 26% of the excess over $12,300.
Over $14,950 but not over $17,600.	$2,453, plus 30% of the excess over $14,950.
Over $17,600 but not over $22,900.	$3,248, plus 41% of the excess over $17,600.
Over $22,900 but not over $30,000.	$5,421, plus 47% of the excess over $22,900.
Over $30,000	$8,758, plus 50% of the excess over $30,000.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $1,700	No tax.
Over $1,700 but not over $2,750.	10% of the excess over $1,700.
Over $2,750 but not over $3,800.	$105, plus 11% of the excess over $2,750.
Over $3,800 but not over $5,950.	$220, plus 12% of the excess over $3,800.
Over $5,950 but not over $8,000.	$478, plus 16% of the excess over $5,950.
Over $8,000 but not over $10,100.	$806, plus 17% of the excess over $8,000.
Over $10,100 but not over $12,300.	$1,163, plus 22% of the excess over $10,100.
Over $12,300 but not over $14,950.	$1,647, plus 25% of the excess over $12,300.
Over $14,950 but not over $17,600.	$2,310, plus 28% of the excess over $14,950.
Over $17,600 but not over $22,900.	$3,052, plus 40% of the excess over $17,600.
Over $22,900 but not over $30,000.	$5,172, plus 46% of the excess over $22,900.
Over $30,000	$8,438, plus 50% of the excess over $30,000.

"(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of every estate and trust taxable under this subsection a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $1,050	11% of taxable income:
Over $1,050 but not over $2,100.	$115 plus 14% of the excess over $1,050.
Over $2,100 but not over $4,250.	$262, plus 16% of the excess over $2,100.
Over $4,250 but not over $6,300.	$606, plus 19% of the excess over $4,250.
Over $6,300 but not over $8,400.	$996, plus 21% of the excess over $6,300.
Over $8,400 but not over $10,600.	$1,437, plus 25% of the excess over $8,400.
Over $10,600 but not over $13,250.	$1,987, plus 29% of the excess over $10,600.
Over $13,250 but not over $15,900.	$2,755, plus 33% of the excess over $13,250.
Over $15,900 but not over $21,200.	$3,630, plus 42% of the excess over $15,900.
Over $21,200 but not over $28,300.	$5,856, plus 48% of the excess over $21,200.
Over $28,300	$9.264, plus 50% of the excess over $28,300.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $1,050	10% of taxable income.
Over $1,050 but not over $2,100.	$105, plus 12% of the excess over $1,050
Over $2,100 but not over $4,250.	$231, plus 14% of the excess over $2,100.
Over $4,250 but not over $6,300.	$532, plus 17% of the excess over $4,250.
Over $6,300 but not over $8,400.	$880, plus 18% of the excess over $6,300.

"If taxable income is:	The tax is:
Over $8,400 but not over $10,600.	$1,258, plus 23% of the excess over $8,400.
Over $10,600 but not over $13,250.	$1,764, plus 26% of the excess over $10,600.
Over $13,250 but not over $15,900.	$2,453, plus 30% of the excess over $13,250.
Over $15,900 but not over $21,200.	$3,248, plus 41% of the excess over $15,900.
Over $21,200 but not over $28,300.	$5,421, plus 47% of the excess over $21,200.
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Over $4,250 but not over $6,300.	$478, plus 16% of the excess over $4,250.
Over $6,300 but not over $8,400.	$806, plus 17% of the excess over $6,300.
Over $8,400 but not over $10,600.	$1,163, plus 22% of the excess over $8,400.
Over $10,600 but not over $13,250.	$1,647, plus 25% of the excess over $10,600.
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Over $21,200 but not over $28,300.	$5,172, plus 46% of the excess over $21,200.
Over $28,300	$8,438, plus 50% of the excess over $28,300.".

On page 20, strike out lines 10 through 17, and insert in lieu thereof the following:

"(1) on July 1, 1982, as if the reductions in the rate of tax under section 1 reflected in the tables for taxable years beginning in 1982 were effective on such date, and

"(11) on July 1, 1982, as if such reductions reflected in the tables for taxable years beginning after 1982 were effective on such date.".

Mr. BRADLEY. Mr. President, the amendment I have sent to the desk is a 3-year tax cut that is targeted to individuals earning under $50,000. It has the same revenue loss as the bill that the Senate Finance Committee reported. It has the same withholding schedules. It is a 3-year tax cut.

Mr. President, let me explain why I propose this amendment.

As the Senate knows, in the last 2 days I have proposed a 1-year tax cut and I have proposed a phased-in 2-year tax cut. The purpose of those two amendments was to recognize that interest rates are hurting many segments of our society, endangering our national security, and destabilizing the international financial system: The only way to get interest rates down is to have a Government policy more credible than the administration's and to have a tax program that recognizes that fiscal and monetary policy are inextricably entwined. A 1-year tax cut provides the right signal to the financial markets, a signal that says we are pursuing a course which is fiscally responsible and, therefore, has some chance of getting those interest rates to come down.

Mr. President, I have proposed those two amendments with interest rates primarily in mind.

I have said throughout the debate on the tax bill in the Finance Committee that my interest was to provide real tax relief to individuals, to promote risk-taking, to see interest rates come down, and to build a consensus for economic growth.

Mr. President, after seeing those two amendments receive less than 30 votes of my fellow Senators, I have concluded that a responsible fiscal tax cut is not going to be supported in the Senate. A 1-year tax cut, although it targeted significantly more tax relief to individuals earning under $50,000, will not be adopted. I also recognize that the phased-in 2-year tax cut for individuals will not be adopted. Therefore, Mr. President, we are presented with doing nothing to the 3-year tax cut that is supported by the administration and that the Senate Finance Committee reported to the floor, or attempting to alter that 3-year tax cut in a way that is more consistent with the objectives that I have stated, which are providing real tax relief, promoting risk-taking, and building a consensus for economic growth.

So, Mr. President, given the fact that this 3-year tax cut is moving down the tracks and clearly is going to overrun the Senate, I have decided to propose this 3-year tax cut amendment which, in my view, if it is the Senate's will to have a 3-year tax cut, makes that tax cut more acceptable. It does so by providing greater tax relief for individuals with under $50,000 in income.

Mr. President, we have been presented with a number of alternatives and I think it is the will of Senators on my side of the aisle not to spend more than the Senate Committee on Finance has agreed to spend on tax cuts. For example, the revenue loss in the Senate Finance Committee bill in calendar 1982 is $56 billion, in fiscal year, $36.9 billion, in calendar year 1983, $115 billion, in fiscal year 1983, $93 billion.

Mr. President, the amendment I have proposed does not exceed that revenue loss. The amendment I have proposed has in it every provision that the Senate Finance Committee has adopted. The only difference is that it skews the individual rate reductions to persons earning under $50,000 in income. I offered this amendment in the Finance Committee after my 1-year tax cut was rejected, the 1-year tax cut that provides significantly more relief to individuals earning under $50,000. This provides less than the 1-year tax cut. It provides less relief for individuals with under $50,000 in income, but provides more than the Senate Finance Committee bill.

I want to make the point, Mr. President, why I think it is important to provide this greater tax relief for individuals earning under $50,000. The argument that we have heard in committee and on the other side and in the media is that this is a redistribution amendment. First, let me say it is not significant redistribution. I do not think it would qualify as redistribution.

Also, I make the point that it is not the intent of this amendment to kill risk-taking in the society or to punish those individuals who happen to have wealth. In the bill, we have provided for a reduction from 70 to 50 percent on investment income. The purpose of that is to promote risk-taking an innovation and capital formation. That is still in this amendment, but it is this Senator's view that the combination of that reduction in tax on investment income and across-the-board rate cuts provides insufficient relief for individuals earning under $50,000.

The reason that I make this amendment, Mr. President, is not for redistribution reasons but for economic growth reasons. I think it is essential that we build a consensus for economic growth and a consensus means all segments of our society. It does not just mean the business community or individuals who have wealth. It means getting all Americans to understand that unless our economy is growing, we shall not be able to continue to have the expectations of rising living standards, which this Senator believes have come to be taken as almost a birthright for most Americans. Unless we have a growing economy, we will not be able, as this budget debate this year and in ensuing years will demonstrate, to have sufficient revenues to keep the promises we have already made to the old, the disabled, and the sick.

What this amendment does is say let us get everybody on board the train of economic growth and let us do it in a way that provides some benefits to those individuals who will be hardest hit by social security tax increases and by inflation pushing them into the higher tax brackets. The spirit of this amendment recognizes that we want everyone in this country to recognize that, in order to increase productivity, we need to increase investment. In order to increase productivity, we need to increase worker participation in accelerating the learning curve, in maximizing innovation in our society.

This amendment is offered in the same spirit that, in the budget debate, I fought for trade adjustment assistance. To one person, trade adjustment assistance is a welfare program. To another person, to this Senator, trade adjustment assistance is an essential prerequisite to economic growth, an essential prerequisite to a growing economy that participates actively in international markets. If we are to maximize our comparative advantage, we clearly are going to have industries that become less competitive with those of Japan or West Germany.

These industries are institutions, yes, but they also comprise many individuals. What this Senator argues is that if we are to grow and if part of the way we are to grow is to maximize our comparative advantage, we have to find some way to take care of those individuals who find themselves, at 50 or 60 years of age, caught in an industry that has suddenly lost its competitiveness.

That is what trade adjustment assistance is all about, Mr. President. In order to get those workers in older industries on board the train of economic growth in the international context, we are going to have to provide some cushion for them and to retrain them so that they can make the transition from the declining industries to the growing industries.

It is in the same spirit, Mr. President, that I offer this amendment. If we are going to get individuals who earn under $50,000 to go along with the business incentives that are critical to maximizing productivity and international competitiveness, we are going to have to as-

sure these individuals that we have a tax cut that is not skewed to the wealthy alone but that provides relief for them, relief from the higher social security taxes and the inflation that pushes them into higher tax brackets. That is the purpose of this amendment.

It is also offered in the same spirit—as we have said a number of times on the floor—that says that this economy is not separate from the world economy. A State's economy—whether it is Kansas or Colorado or Ohio or New Jersey—cannot be separated from the economy of this country. We are all interrelated; we are a part of the whole. An illness in one part is an illness in the whole. Similarly, the economy of the United States has to be a part of a growing world economy.

It is the recognition of that interrelatedness that also motivates me to offer this amendment. It recognizes that individuals earning $50,000 and under are absolutely essential toward building that consensus for economic growth and international competitiveness. So it is with that spirit in mind that I have offered the amendment, and it is with that spirit in mind that I will debate the amendment, if need be.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ARMSTRONG). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BRADLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BRADLEY. Mr. President, again, so that the Senate may know what this amendment is all about. this is an amendment which takes the same revenue loss as the Senate Finance Committee measure. This tax cut does not cost more and therefore does not create a bigger deficit than that of the administration-Senate Finance Committee bill. It is a 3-year tax cut. and it even has the same withholding tables.

Probably a little known fact is the withholding table issue. The individual will receive a tax cut under the Senate Finance Committee measure in July of 1982. That is when the 10-percent cut will go into effect. Normally, withholding changes take effect in January; that is, on a calendar year basis rather than the fiscal year basis in the administration's bill. I would not be one to suggest that the timing of the tax cut has any political motivation, although there will be elections in November 1982. The individual who has his withholding taken out of his paycheck and who finds that he has less withheld in July 1982. as opposed to January 1982. might indeed remember this tax cut and those who advocated it.

This amendment provides that even if we keep the same withholding schedules, the same 3 years, and the same revenue loss, an individual earning under $50.000 should and would receive a greater tax cut. Let us just take one hypothetical example.

In 1982 an individual earning $30.000 who is married and has two dependents, under the Finance Committee bill would receive a tax cut of $499. Under this tax cut amendment he would receive $562. In 1983 and 1984 that individual would also receive significantly more tax relief under this amendment than under the Senate Finance Committee bill.

So opposition to this amendment cannot derive from the argument that we will create greater deficits. We cannot. We will not.

Opposition to this amendment can only rest on a doctrinaire adherence to the concept of across-the-board cuts. It can only derive from the belief that somehow or other individuals making under $50,000 should not get a greater tax cut.

Mr. President, that is opposition which I do not understand, for it is individuals earning under $50,000 who are hardest hit by the increases in social security taxes and by the bracket creep which will push individuals into higher tax brackets.

What this amendment says is let us recognize that. Let us take the President's 3-year tax program and let us target more to those making under $50,000.

This amendment does not do all of those things that I had hoped would be in a tax cut. I supported a 1-year tax cut. I have supported a phased-in 2-year tax cut because I think that is an approach which will get interest rates down.

But that is not the world we are living in. I see the train coming down the tracks. We are going to have a 3-year tax cut and so this amendment simply says if we are going to have a 3-year tax cut let us take the same revenue loss figures, the same withholding tables, and let us target more relief to individuals earning under $50,000.

Under this approach, in 1983 an individual making $35,000 with two dependents would get $1,043 back in a tax cut, versus the $916 he or she would get under the administration-Finance Committee approach.

Mr. President, as I look at the economy, I have the greatest fear about high interest rates, not only because they are killing the auto dealers, the housing industry, the savings and loans, farmers, and any business that has high inventories they must finance out of bank debt, but also as I argued on the floor of the Senate in the past 2 days, because it affects our national security and destabilizes the international financial system.

It threatens our national security in two very direct ways: One is that it encourages oil companies to deplete their oil stocks instead of holding them, and if the oil stocks are depleted and we have another interruption in the Middle East, which is a real possibility, we will not have any cushion and oil prices will skyrocket much more than they would if we had high oil stocks.

High interest rates create a situation where oil stocks are depleted and this endangers our national security.

Internationally, because ours is the dominant economy, the United States maintaining very high interest rates forces our European allies to raise their interest rates. The result is that the country that we want to increase defense expenditures, West Germany, to share the burden of NATO, will not be able to increase those defense expenditures as much as we would like because they will be paying more in interest to finance their deficit.

Those are two very real reasons why our national security is endangered by high interest rates.

So, Mr. President, the amendment that is before the Senate now is related specifically to the issue of who gets the tax cut, and I argue once more that the reason we should provide more tax relief to individuals earning under $50,000 is because we need them on the train of economic growth and we need those individuals to realize that they are included in this program to make America more competitive internationally and that a Congress that is enacting a 3-year tax cut recognizes that they should be made whole for the increases in taxes that they will be paying from social security increases and from bracket creep.

It is a very clear choice. Those who oppose this amendment cannot say that they are opposing it because it is a 1-year tax cut and not a 3-year tax cut. It is a 3-year tax cut. They cannot oppose it for any other reason than that they prefer to adhere to a doctrinaire approach of across-the-board tax cuts instead of providing upper income individuals with the 70-to-50 reduction in investment income and pushing the rest of the tax relief more to individuals earning under $50,000.

The only reason that they can oppose it is because they do not want individuals making less than $50,000 to get that relief, or that they adhere kind of blindly to the concept of across-the-board cuts.

Mr. President, I hope that Senators will realize that people who earn under $50,000 actually deserve, for long-term growth reasons, a greater tax cut than the administration has proposed and the Finance Committee has reported.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METZENBAUM. Mr. President, I understand we are on controlled time.

The PRESIDING OFFICER. Who yields time?

Mr. BRADLEY. Mr. President, I yield 5 minutes to the Senator from Ohio.

The PRESIDING OFFICER. The Senator is recognized.

Mr. METZENBAUM. Mr. President, I have not given this amendment nearly as much attention or dedication as has the distinguished Senator from New Jersey who, I know, has worked diligently and hard in order to try to make this tax bill a more equitable one, and I think it might very well be stated that this is the fairness and equity amendment because the country seems committed

and the Congress is certainly committed to cutting taxes.

The real question is who is going to get the benefit of those tax cuts? I think this amendment moves very far in trying to rectify a situation that is indeed a bad one, an unfair one.

When you have a tax bill that requires those who earn less than $10,000 a year to have their share of the tax burden increased 50 percent, while those earning in excess of $100,000 a year have their share of the tax burden cut 25 percent you know that something has gone wrong, that in some way it just has not worked out right for the people of this country.

This tax bill, as I look it over, is an amazing document. No one would have believed it would be possible for any group of Congresspersons or Senators to come before the Congress in 1981 with a measure that goes as far as this one. The amendment with respect to estate taxes, I never heard any complaint at all on that subject having to do with taxes in connection with estates after a husband or wife is deceased. There was some complaint about the amount but I do not think anybody ever thought they were going to totally repeal any tax at all. That is in this bill.

Then when you look at what has been done as far as the rates themselves have been concerned, and the cutbacks, whether it has to do with the capital gains question, making it a maximum now of 20 percent, or whether it has to do with the rates themselves, a maximum of 50 percent, one questions whose tax bill is this and what is it really all about?

I am not going to say that this amendment is going to solve all the problems of this tax legislation, but I think it would move us very far in the direction of correcting the inequities that exist. It is far more reasonable, it is far more equitable, and it is far more considerate of middle-income Americans.

Middle-income Americans have been sitting out there waiting for a tax cut they think would have some impact upon their ability to put bread on the table for their children. They have been concerned about trying to buy homes, they have wanted to be able to send their kids to college. But what are we doing with this tax bill? We are giving all of our attention to capital gains treatment and to stock options and a host of other areas that are special privileges for those who have able spokespersons around the Halls of Congress.

This amendment would move us dramatically, realistically, and fairly in the direction of equity, and I commend the Senator from New Jersey for his leadership in offering this amendment, and I hope the Senate will see fit to accept it.

Mr. BRADLEY. I thank the Senator from Ohio for his comments and his support.

I will be pleased to yield 10 minutes to the Senator from Michigan.

Mr. RIEGLE. I thank the Senator.

Mr. President, let me begin by acknowledging the leadership of the Senator from New Jersey (Mr. BRADLEY) on these tax questions over the last several weeks.

As the leader of a special economic task force within the Democratic Party here within the Senate he has time and again taken the lead on critical issues. He is doing so today.

Mr. President, I want to indicate my strong support for this amendment.

I think that this amendment, more than any other, will be seen as the tax fairness amendment. It is a straightforward attempt to distribute the tax cut more fairly among people in all income groups across this country.

This amendment accepts the Reagan administration's proposal for a 3-year tax cut. But it divides the benefits of that tax cut in such a way that those with incomes above $50,000 do not get the massive windfall that they would under the Reagan plan. If this amendment passes, the wealthy would get somewhat less than the President proposes, and those families with incomes below $50,000—those who need the tax cut help the most—would get more of the tax relief Congress is about to provide.

The other evening, I had the opportunity to meet with a group of economists and business people from across the country. The tropic of our discussion was the prospect for economic recovery under so-called Reaganomics. We discussed the total impact of the new administration's program, the combination of budget cuts, changes in the tax law regulatory relief and increased spending, a basic issue was whether the combination of all these things falls with equal weight on people across our society, people in different circumstances and people in different income groups. The effort of the United States to work through our economic problems is going to require struggle and sacrifice for some period of months, perhaps for 1 or 2 years. The ultimate success of that effort will depend upon holding a strong consensus in this country. The only way, in the end, to hold a consensus during a time of struggle and sacrifice is to make one that the burdens are shared on a fair basis.

That is why the formula for distributing the tax cuts is absolutely essential.

Mr. President, unless we build more equity into this tax cut than the Reagan people are suggesting, there is no way we will be able to hold the public faith and the public support for a national economic recovery program through the hard months that are ahead.

Mr. President, if you consider the effect of the higher social security taxes that are coming, if you look at the effect of inflation that is anticipated, many Americans with incomes below $50,000 a year will actually be falling behind under the Reagan tax package. They will be net losers. They are being asked to be net losers so that those in the very high-income brackets can be net gainers in a very large way.

Well, there is absolutely no justification for the kind of tax cut distribution proposed by President Reagan. The people in the Reagan administration are floating the notion that somehow or other the people with very high incomes know better how the Nation's resources should be invested and that they are more likely to save. Frankly, I think that is insulting to everybody else. Most of the people in my State who earn $12,000 or $14,000 or $18,000 or $22,000 a year are struggling to save, and they do put money aside. Otherwise they cannot send their kids to college; otherwise they cannot buy a house or they cannot buy and acquire some of the other things that people ought to be able to have in our kind of a county in 1981, 1982 and 1983.

Mr. President, people at middle income levels do, in fact, need to save and want to save. And they ought to be given a chance to save. They ought to be given more of this tax cut so that they can have an opportunity to get ahead, to put some money aside, to strengthen their own family finances. When middle income Americans save, they too provide that larger savings pool that we need for capital investment here in the country to modernize our industry and provide more jobs.

This tax cut bill will be flawed if it does not direct adequate relief to those middle income Americans. That is a critical defect in the Reagan plan.

The Reagan plan looks out basically for those people at the high end of the income scale. That is not surprising because, as I look around this administration, that is who the administration is.

I can see why people who earn $200,000 a year would think the Reagan tax cut is terrific. Because the President's plan is terrific if you earn $200,000 a year, as the President does, and as many of his friends do. But if you earn $30,000 or $18,000 or $12,000, as most Americans do, the Reagan tax package is not fair. It will not provide enough help.

What we are trying to do is correct that defect here. We are accepting all other basic premises of the President in this amendment. We are saying, "Yes, there should be tax cuts; yes, the tax cuts should total the amounts proposed by the President; yes, the tax cuts should be broad-based; yes, we will talk in terms of 3 years, but let us direct that tax relief on a fair basis to the people in our society who need it the most and who will put the funds to good use."

So that is the sole purpose of this amendment. That is why it is important that we have a clear debate on the issue.

Now my feeling is very strong. The rank and file people of this country do need tax relief, they have been hurt by inflation, they have been hurt by a loss in real income in the last few years. They are saying that to us in every possible way. They are saying it to county officials, city and State officials, and they are certainly saying it to us here at the Federal level. So I support the idea of providing this tax relief.

But we can not in any honest way say that this bill before us is a fair tax bill. And we will not be able to say it is fair unless we make this change to distribute more of these proceeds to people under $50,000. And unless the tax cut is fair, we will make it much more difficult for the American people to keep up our

common resolve to overcome our economic problems.

That is why it is essential that we move in the direction of this amendment.

Mr. President, Senators on this side of the aisle have made a number of attempts to formulate different packages with tax cuts for 1 year, tax cuts for 2 years, no tax cut in the first year and a tax cut later in time. Each proposal was put forward in an attempt to devise a better tax cut. This proposal is one important effort to improve this bill.

This amendment arises from a desire to provide a tax cut that is better, that is fairer, that is more equitable, and one that will do more good for more people. I think we have a solid approach here. It is not perfect. We do not have perfect choices in situations such as these. But this one meets the test of equity and fairness.

The Reagan individual tax cuts do not meet the test of equity and fairness. So it is on that basis that I hope the Senate will decide to support this amendment. It makes good sense and I think it is one that the country can continue to support.

I thank the Senator for yielding.

Mr. BRADLEY. Mr. President, I thank the Senator from Michigan for his comments.

I want to reiterate what I have already stated several times today. This is an amendment which modifies the Senate Finance Committee bill in only one way. It modifies it by simply providing greater tax relief to individuals earning under $50,000.

Again, let me state the rationale. In this tax bill there is a reduction on investment income from 70 percent to 50 percent; the tax on interest, dividends, capital gains, were all reduced. The reduction on investment income is from 70 to 50 percent.

Mr. President, that clearly benefits individuals earning over $50,000. And this Senator believes that that tax reduction is essential to creating investment and innovation and capital formation, all of which are important to make America more productive and internationally more competitive.

But, Mr. President, the Senate Finance Committee bill not only provides a reduction from 70 to 50 percent on investment income, which I support, but it also gives across-the-board tax cuts. Across-the-board tax cuts means 10 percent for everyone.

Mr. President, the real issue here is whether an individual who earns $90,000 a year can use an extra hundred dollars more than a family earning $20,000 a year. Is the benefit greater to the family earning $20,000 a year or to the family earning $90,000 a year?

I would argue, Mr. President, that since that family earning $20,000 a year will be paying much higher social security taxes and will much more likely be pushed into a higher tax bracket than the family earning $90,000 a year, that that family earning $20,000 could use the hundred dollars more and that the society as a whole would benefit more if that family got the $100.

Why? Because it would demonstrate to them that Government is concerned about the higher taxes that they are going to pay, and that Government is providing greater relief to them. And it says to the upper-income individual that we encourage you to take risks; that we encourage you to invest; and that if you invest and make it we are going to reduce the tax that you have to pay, we are going to reduce that tax from 70 to 50. But we also recognize that families struggling to pay heating bills and food bills and mortgage payments could use that $100 more than the family making $90,000 a year.

That is the simple explanation of what this amendment says. And I cannot understand why the chairman of the Finance Committee and the administration does not accept this amendment and say, "We have now provided greater tax relief to middle America." I do not understand it.

The individuals I have talked to who make more than $50,000 cannot understand it either. They say, "We do not want another $100. We are already going to get sizable increases by the reduction in the investment income tax from 70 to 50. We want you to take that extra hundred dollars that we are going to get on across-the-board cuts but that we do not need and we want you to push that into tax relief for families with incomes under $50,000."

That is the message I hear from individuals earning over $50,000. They know they are going to benefit from lower investment taxes and they see down the road a possible adverse reaction to this tax bill, namely, that the Senate would not even provide $100 more to people making $50,000 or less in this country. I cannot understand why. I cannot understand why.

The only conclusion that I can draw is that there is some doctrine at issue here, that there is some ideological commitment to the concept of across-the-board cuts.

Mr. President, that troubles me. Senators who vote against this amendment cannot say they voted against it because it costs more and it will create a bigger deficit, because it will not. It has the same revenue figures as the administration-Senate Finance Committee bill.

Senators who vote against this amendment cannot say that they wanted a 3-year tax cut but the amendment was a 1- or a 2-year. This is a 3-year tax cut. They can only say that they adhere rigidly to the concept of across-the-board cuts and that that rigid adherence to the concept of across-the-board cuts is why they have refused to give people earning under $50,000 even $100 more in tax relief.

That is the only reason that anyone can offer if they vote against this amendment.

Mr. President, to me it is a very clear issue. It is one that I do not feel the other side has addressed, and which probably they will not address. Frankly, they have the votes. But I think it is a question that every citizen in this country should ask of their elected representatives. "Why did you vote against the tax cut amendment that would not have jeopardized the tax reduction on investment income, that would not have cut back on investment, risk taking, or innovation, but would only have permitted a person earning under $50,000 to get back an extra $100?"

My rationale for this is not redistribution, but it is that in order to build a consensus for economic growth, we have to show that Government recognizes the problems that are caused by higher social security taxes and by inflation. And we have to show that Government is sensitive to the problems of families earning under $50,000, as well as to the need to generate more investment and to promote risk taking in this society.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered. Who yields time?

Mr. BRADLEY. I yield 2½ minutes to the Senator from Massachusetts. It is my understanding with the Senator from Kansas that toward the end he would be willing to yield 10 minutes additional time to the Senator from New Jersey. I will wait until he returns before I make the request.

The PRESIDING OFFICER. The Senator has 2 minutes 52 seconds that he can yield without obtaining additional time.

Mr. BRADLEY. Mr. President, may I yield time from the bill? I yield such time from the bill as the Senator requires.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I join in commending to the Senate the amendment of the Senator from New Jersey. I have followed closely the work of Senator BRADLEY during the debate on this tax bill in the Finance Committee, in the Democratic Caucus and here on the floor of the Senate. In a series of different amendments in this debate, he has tried to correct the basic inequity in the Senate Finance Committee bill, and to insure meaningful tax relief for the vast majority of American taxpayers.

The Bradley amendment is a fairness amendment. It deserves the support of the Senate, because it corrects some of the worst abuses in the committee bill.

The Finance Committee bill is basically unfair to average families and to middle-income Americans. It is a bonanza for the rich. But it shortchanges everyone making less than $50,000 a year.

The Bradley amendment operates within the supply-side economics concept. It preserves the reduction in the tax rate on unearned income from 70 to 50 percent. It preserves significant marginal rate reductions for various income groups. But within these constraints, it achieves the basic goal of fairness by earmarking a larger share of the tax relief for those earning less than $50,000.

Senators who support the Reagan eco-

nomic program and supply-side theory can also support the Bradley amendment, because it retains the basic features of the administration plan, while securing a fairer distribution of the tax relief. It gives more relief to the millions of Americans who are the hardest pressed by inflation and by the increase in social security taxes.

I join with the Senator and his cosponsors in urging that the Senate accept the Bradley amendment. If we care about fairness and equity as well as about providing incentives for economic recovery and the modernization of American industry, then we should adopt the Bradley amendment, because it is responsive to these important demands.

I thank the Senator for yielding time.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Does the Senator from New Jersey yield time for that purpose?

Mr. BRADLEY. I yield time to be charged against the bill and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BRADLEY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BRADLEY. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. BRADLEY. Mr. President, I yield 5 minutes off the bill to the distinguished Senator from Montana (Mr. BAUCUS).

The PRESIDING OFFICER. The Senator is recognized.

Mr. BAUCUS. Mr. President, first, I pay my compliments to the Senator from New Jersey. He, more than anyone else, has led the effort to restore some sanity to the individual cuts portion of this bill. He not only has led the efforts, he is the first one to push hard—first in the committee and, since the action of the committee, in subsequent weeks and now here, on the floor—to modify the bill that is now before the Senate to make it fairer regarding income tax cuts. I think the large majority of the American people owe the Senator from New Jersey a debt of gratitude because his efforts have been very salutary and very productive and we shall some day see the results—if not immediately, then in the next weeks, months, and next couple of years.

Mr. President, when the Finance Committee recently completed its consideration of the tax bill that is before us today, I voted for the measure, since I genuinely believe we must modify our taxes and must improve our Nation's productivity.

Many aspects of the tax bill are very good, and I believe will serve their purposes.

We have addressed such important items as the marriage tax penalty, estate tax reform, and I am pleased to see that we have accepted the Democratic proposal to reduce maximum tax rates on all income to 50 percent.

We tried to help small business and we have done our best to encourage a change in our savings rates.

The so-called all-savers bill should help increase the savings at our beleaguered savings and loans and the increase in IRA's should encourage people to put more money into savings.

We have helped ESOP's and we have helped the small royalty owner.

We have done many good things in the bill, I think.

But there are still some glaring weaknesses in it and that is why I am now speaking in support of this Bradley alternative proposal.

Mr. President, I am not opposed to people earning money and becoming rich. Indeed, that is the incentive that drives our economy. It is important.

But I am opposed to using the tax system to benefit those who need the benefit the least. This is particularly true after we have very wisely and generously reduced the maximum tax rates from 70 percent to 50 percent. That helps those who have money and encourages them to invest.

That is how it should be.

But when, on the basis of vague supply side economics, we take a general tax cut which is supposed to be beneficial to all American people and even tilt that in favor of the wealthy, I must rise in protest.

The Bradley proposal seeks to modify the inflationary and inequitable administration bill by proposing a 3-year tax cut with provisions that focus more individual relief to middle- and low-income Americans. This is not an expensive proposal. In fact, it does not cost any more; all it does is tilt the balance a little bit to those who need greater relief from inflation.

Our tax system must be fair and this proposal is fair.

Alternatives are also fair, possibly making it a 2-year tax cut or, if we must have a 3-year tax cut, including a trigger to make sure the third year is warranted makes good sense. I cannot imagine embarking on such an enormous and radical change in our tax structure without providing us with an opportunity to sit back and think a bit about what we are doing and evaluating how well we are doing.

To me that is only good sense. Mr. President. But Senator BRADLEY's present proposal makes sense too and is simple.

My only complaint with the Bradley proposal is that it does not go far enough. I believe that we could do a great deal with the depreciation schedules as well.

I find it disconcerting that big business and the administration are tied so closely together that all business cannot accept a more rational and wise expensing proposal. Expensing makes sense; 10–5–3 really does not, especially if inflation rates come down.

Mr. President, I hope to see the Senate take all these measures and really craft a tax bill which will make us productive, which is not a giveaway to big business, which is not a giveaway to anybody but is fair to all.

Mr. President, I urge my colleagues to give serious consideration to the amendment before us now. It makes sense and it is the way we should go. I support it enthusiastically.

In summary, Mr. President, I have only this to say: When we combine the spending cuts that we are enacting today in this Congress, this week and next week, along with this tax bill, in about 3 or 4 months or a year or 2, the American people are going to wake up to what we have done here. What we have done is simple: We have redistributed American wealth. The greater intent, to restore productivity, to get our economy moving and to redress some of the problems that have occurred because of taxflation is obviously the primary purpose for this tax bill. That is the intent of the budget and tax cuts.

But a practical effect will be redistribution of wealth to the wealthy. Mr. President, already in America, the disparity between upper-income Americans and lower-income Americans is greater than in most countries in the world. It is greater than in Western European countries, greater than in Japan. This tax bill is going to make that disparity in America today even greater yet; so, after a few months, or next year, when Americans begin to realize, when commentators begin to comment even more about what is happening here, I think the American people are going to want this redistribution changed.

That is why I support the proposal of the Senator from New Jersey, Mr. President. It is an effort to minimize that greater redistribution. It is an effort to enact a bill which is fair. Mr. President, fairness is essential, because the more the tax system is perceived as being unfair, the more American taxpayers are not going to pay income taxes. They are not going to report income. There is going to be a greater underground economy and there is going to be more and more disillusionment with Washington and with Government generally.

Mr. President, we have to have a tax system which is fair. It is not fair, in my judgment, when we redistribute income to an even greater degree than is now true. We need to tilt this package to help lower- and middle-income people as well the wealthy. This proposal does that.

I thank the Senator from New Jersey.

The PRESIDING OFFICER (Mr. MATTINGLY). Who yields time?

BRADLEY AMENDMENT: SKEWED RATES

Mr. DOLE. Mr. President, the Senator from New Jersey proposes an amendment similar to one that he offered in the Finance Committee. If I recall correctly, that amendment was rejected by the Finance Committee by a vote of 14 to 5. That does not mean the amendment lacks all merit, but does indicate that there are many who feel the President's proposal has more merit.

We had a good discussion of the amendment there. Again, I commend the Senator from New Jersey for offering the amendment.

The Bradley amendment would offer a 3-year tax cut for individuals with a 5–10–10 sequence, as in the President's program and the Finance Committee bill. The difference is that the Bradley cut would not be an across-the-board cut: It would attempt to skew the tax cut toward the groups some call middle-income. In this case, that means taxpayers with incomes of $50,000 or less. Under the Bradley amendment, about $1.5 to $2 billion would be shifted each year from taxpayers above that cutoff point to taxpayers below that level.

Mr. President, I will say that this is a very straightforward, simple amendment. The Senator from New Jersey asks us to engage in income redistribution rather than across-the-board rate cuts. The President, and the Finance Committee, have made a commitment to an across-the-board tax cut. They have done so in the expectation that such a cut will restore incentives to work, save, invest, and help get the economy moving. To the extent the individual tax cut is artificially structured to help this group or that—as the Senator proposes—it sacrifices those goals and runs a greater risk of merely stimulating demand and fueling inflation. The latest reports show good news on the inflation front, but that does not mean that we should cease to be concerned about the threat of renewed inflation.

This is a well-intentioned amendment, Mr. President. But if you divide the extra tax reduction for the middle-income group among the taxpayers in that group, you will find that the Senator has only succeeded in giving some marginal dollars in tax reduction to each taxpayer. The cost for doing that is to sacrifice the across-the-board principle, which is what we are counting on to increase productivity and savings in the economy. I do not think that change is worth the price, particularly if it means more inflation that will eat away at the value of those extra dollars of tax reduction.

Mr. President, there are many ways to skew a tax reduction proposal to favor certain groups. We hoped to avoid that in this bill, and we have succeeded so far with respect to individual rate cuts. There are some in the other body who would prefer to give more to commodity traders, or to $5 million estates, or to oil producers generating 500 barrels a day. Those are all examples of skewing that are not in our bill. But if we want equitable, across-the-board, sustained tax relief, the Finance Committee bill—and the President's proposal—are a superior alternative. I am confident that the Senate will continue to express its preference for a better product.

Mr. President, the basic problem is that the Bradley amendment just happens to be in conflict with the policy advocated by the President. That is a judgment that the President has made.

I am not suggesting that, maybe, when we are all done and we come back here from conference, there might not be some aspects of this amendment in the conference agreement. But I think at this point it is premature. I do believe it is a well-intentioned amendment.

Mr. President, I do not want to unduly extend the debate, so I am prepared to yield back the remainder of my time.

Mr. BRADLEY. I am prepared to yield back the remainder of my time.

I appreciate the words of the chairman. That is as close as he can get to supporting the amendment.

Mr. DOLE. I did the best I could, without supporting it. The Senator from New Jersey has been very helpful to us in the committee, and I still believe that on the final vote he may be in the "yea" column—I hope.

Mr. BRADLEY. Time will tell.

The PRESIDING OFFICER. All time on the amendment has been yielded back. The question is on agreeing to the amendment of the Senator from New Jersey (UP No. 264). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 42, nays 57, as follows:

[Rollcall Vote No. 212 Leg.]

YEAS—42

Baucus	Exon	Metzenbaum
Biden	Ford	Mitchell
Boren	Glenn	Moynihan
Bradley	Hart	Nunn
Bumpers	Hollings	Pell
Burdick	Huddleston	Proxmire
Byrd, Robert C.	Inouye	Pryor
Cannon	Jackson	Randolph
Chiles	Johnston	Riegle
Cranston	Kennedy	Sarbanes
DeConcini	Leahy	Sasser
Dixon	Levin	Tsongas
Dodd	Matsunaga	Williams
Eagleton	Melcher	Zorinsky

NAYS—57

Abdnor	Grassley	Packwood
Andrews	Hatch	Percy
Armstrong	Hatfield	Pressler
Baker	Hawkins	Quayle
Bentsen	Hayakawa	Roth
Boschwitz	Heflin	Rudman
Byrd, Harry F., Jr.	Heinz	Schmitt
Chafee	Helms	Simpson
Cochran	Humphrey	Specter
Cohen	Jepsen	Stafford
D'Amato	Kassebaum	Stennis
Danforth	Kasten	Stevens
Denton	Laxalt	Symms
Dole	Long	Thurmond
Domenici	Lugar	Tower
Durenberger	Mathias	Wallop
East	Mattingly	Warner
Goldwater	McClure	Weicker
Gorton	Murkowski	
	Nickles	

NOT VOTING—1

Garn

So Mr. BRADLEY's amendment (UP No. 264) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, I move to lay that amendment aside temporarily.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. HATFIELD. Mr. President, will the Senator yield?

Mr. DOLE. I would be happy to yield to the Senator from Oregon.

UP AMENDMENT NO. 265

Mr. HATFIELD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Oregon (Mr. HATFIELD) proposes an unprinted amendment numbered 265.

Mr. HATFIELD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 171, between lines 16 and 17, add the following new section:

"SEC. 253. MORTGAGE SUBSIDY BOND TRANSITIONAL RULES.

"(a) GENERAL.—The table set forth in section 1104(n)(1) of the Mortgage Subsidy Bond Tax Act of 1980 is amended by adding at the end of the table the following item:

"State of Oregon	66,500,000 May 12, 1981, General Obligation Bond issues of the State of Oregon for financing for veterans qualified under the Oregon Department of Veterans' Affairs program, to provide loans for which applications were accepted prior to January 1, 1981 and for which written commitment would have been made within one month thereafter but for the requirements of sections 1102 and 1103 of the Act.

"(b) CLERICAL AMENDMENT.—The heading for the table set forth in section 1104(n)(1) of such Act is amended by striking out "city or county" and inserting in lieu thereof "state, city, or county".

"(c) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by the Mortgage Subsidy Bond Tax Act of 1980."

Mr. HATFIELD. Mr. President, this is one of those issues that affects only the State of Oregon.

I offer this amendment on behalf of myself and my colleague, Senator PACKWOOD.

Mr. President, in late 1980 the Congress enacted a reconciliation bill that included new restrictions upon the issuance of mortgage revenue bonds and general obligation bonds issued on behalf of veterans home loans. The Senate never fully studied this matter, or considered it on the Senate floor. The bill was forced upon us in conference on the reconciliation measure. Unfortunately, a drastic mistake was made by enacting this legislation in late November with an effective date of January 1981.

Five thousand Oregon veterans had relied upon existing law, received letters of commitment or substantially relied to their detriment on the existing Oregon veterans program. But in early January they found themselves cut off by the act. Even though extensive transition rules were provided for mortgage revenue

bonds and for specific bond issues in Chicago, for example, no transition rules were provided for State veterans' programs.

Mr. President, my amendment merely allows the State of Oregon to spend $66.5 million of a May 1981 bond sale to finance those 1,500 applicants who have so patiently waited for relief.

The Mortgage Subsidy Bonds Act was intended to allow present general obligation bonds for residences of veterans to continue. The act, however, imposed two new requirements that have imposed a severe financial impact on hundreds of Oregon veterans. These requirements dictate that substantially all of the proceeds of a bond issue be used for residential purposes and that the proceeds cannot be used to acquire or replace existing mortgages.

The difficulty lies in the fact that those Oregon veterans who have entered into landsale contracts with intentions of refinancing them with VA loans may not be able to receive mortgages from any bond sale that occurs after January 1, 1981. Upon the opinion of Oregon's bond counsel and the attorney general of the State of Oregon, the VA has severely curtailed its policy on home loans. The VA is now holding 1,448 refinance applications for a total of $66,527,710. All of these applicants have received letters of commitment or have incurred substantial financial obligations in reliance upon previous VA requirements.

The State was planning to fund these applications via the May 1981 bond sale, but the provisions of the act are effective January 1, 1981, and, therefore, the funds from the bond sale must be used in accordance with the act. The State of Oregon is desperately working to finance as many of these letters of commitment as possible; however, when the funding required for other applications draws State reserves below the $66.5 million mark, the State will be forced to cancel all remaining refinance applications. The entire Oregon delegation strongly supports S. 425. This legislation seeks to hold harmless those individuals who in good faith have made substantial economic commitments in the expectation of recieving funds from the May 1981 bond sale. No detailed transition rules were written for State veteran programs, but they were provided for mortgage revenue bonds. I hope my colleagues will recognize the urgent need for relief of affected Oregon veterans.

Finally, Mr. President, the Oregon State attorney general has expressed concern that a class action suit might be filed on behalf of affected applicants if relief is not provided. Thus, the State may be forced to pay for these mortgages, regardless of the cost, or face a law suit that would threaten the very existence of the Oregon veterans program.

S. 425 is strictly limited to the May 1981 bond sale and holds harmless those individuals who applied prior to January 1, 1981. This legislation will give relief to some 1,500 Oregon veterans who are depending on the VA for much-needed funds.

I have discussed this matter with the managers of the bill, the distinguished Senator from Kansas (Mr. DOLE) and the distinguished Senator from Louisiana (Mr. LONG), and also with Secretary of the Treasury Regan, and the Veterans' Administration here in Washington, and to the best of my knowledge all have approved of this amendment in order to gain relief for these 1,500 Oregon veterans.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER (Mr. GORTON). The Senator from Kansas.

Mr. DOLE. Mr. President, this is merely a change in the transitional rule provided in last fall's mortgage subsidy bond revisions. It does not change the permanent provisions. The Senator is correct, it has been discussed with this Senator and with the distinguished Senator from Louisiana, and personally with Treasury Secretary Regan and the Treasury staff, and we have no objection to the amendment.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. DOLE. I yield back our time.

Mr. HATFIELD. I yield back our time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Oregon.

Mr. HATFIELD's amendment (UP No. 265) was agreed to.

Mr. HATFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATFIELD. Mr. President, I wish to thank the Senator from Kansas and the ranking minority member for their cooperation in this matter.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I would again move to temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. DOLE. Mr. President, if we could take up one other noncontroversial amendment, then I understand the Senator from Massachusetts and the Senator from Arkansas would then be next.

Mr. MATTINGLY addressed the Chair.

The PRESIDING OFFICER. The Senator from Georgia.

UP AMENDMENT NO. 266

(Purpose: Extension of prohibition on fringe benefit regulations)

Mr. MATTINGLY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Georgia (Mr. MATTINGLY) proposes an unprinted amendment numbered 266.

Mr. MATTINGLY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle F of title II, insert the following:

SEC. . Prohibition of Issuance of Fringe Benefit Regulations.

Section 1 of the Act entitled "An Act to prohibit the issuance of regulations on the taxation of fringe benefits, and for other purposes", approved October 7, 1978 (Public Law 95-427), is amended by striking out "May 31, 1981" each place it appears and inserting in lieu thereof "December 31, 1983".

Mr. MATTINGLY. Mr. President, on May 31, 1981, the temporary moratorium prohibiting the Internal Revenue Service from issuing regulations regarding the taxation of fringe benefits expired.

In an effort to prevent the Internal Revenue Service from issuing regulations regarding the taxation of fringe benefits. I introduced legislation to extend permanently the expiring moratorium. In addition, Senator JEPSEN and I, along with 62 other Senators from both political parties, wrote Secretary of the Treasury Regan requesting that he halt publication of such regulations, since the possibility is remote that the Congress would allow such regulations to take effect.

In response to this effort, Secretary Regan announced:

No regulations or rulings altering the tax treatment of fringe benefits will be issued by the Treasury prior to July 1, 1982.

I was pleased by this announcement.

Although we have temporarily won the battle, the war is not over. I have, therefore, offered an amendment to extend the moratorium to December 31, 1983. This will give sufficient time for Congress to review the issue of fringe benefits and act accordingly. In addition, it will prevent the Internal Revenue Service from pulling the rug out from under the feet of employers and employees until Congress considers the issue.

While having no negative revenue effect, enactment of my amendment would eliminate a potential administrative burden for employers and prevent a gross injustice to employees.

Mr. DOLE. Mr. President, I understand the amendment prohibits the issuance of final regulations on fringe benefits until December 31, 1983. The House committee has taken similar action. I think the date there is May 31, 1983. It is not certain what revenue effect this will have, because the regulations have never been issued.

It is, however, a very sensitive point with a number of Members. In fact, we have heard from, as I think the Senator from Georgia accurately stated, about 60-some Members who had an interest in this matter and who sent a letter to Treasury Secretary Don Regan.

Mr. President, I ask unanimous consent that a copy of the reply to that letter from Secretary Regan be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WASHINGTON, D.C., *June 17, 1981.*

Hon. ROBERT DOLE,
U.S. Senate,
Washington, D.C.

DEAR BOB: I fully appreciate the concern expressed by Members of Congress with respect to Treasury's intentions regarding the issuance of proposed fringe benefit regulations.

After reconsidering the matter with Commissioner Egger and Assistant Secretary Chapoton, we have decided that no regulations or rulings altering the tax treatment of fringe benefits will be issued by the Treasury prior to July 1, 1982. As a result, present administrative practice will not be changed during this period.

This decision will alleviate the uncertainty created by the expiring legislation and provide ample opportunity for the Treasury to work with the Congress at an appropriate time to develop an acceptable solution to existing interpretative and enforcement problems in this difficult area of the law.

With best wishes.

Sincerely,

DONALD T. REGAN,
Secretary of the Treasury.

Mr. DOLE. Mr. President, I hope that Congress, together with the Treasury, could go to work on this overall problem. Certainly some rules are necessary. We hear a great deal about the underground economy and untaxed fringe benefits are considered by some to be on the border of that economy. I think once we clear the air by working together with Treasury it would be helpful to those in the airline industry, pilots, stewardesses, and others, salesclerks, all the people who will get free tuition and other things that we hear about to have some certainty on what the rules are. This amendment would certainly give ample time for the Congress, and specifically the Finance Committee, to address this issue.

As far as I know there is no objection to the amendment.

Mr. MATTINGLY. Mr. President, I move the adoption of the amendment.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. Does the Senator from Georgia yield back the remainder of his time?

Mr. MATTINGLY. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Georgia (Mr. MATTINGLY).

The amendment (UP No. 266) was agreed to.

Mr. MATTINGLY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MATTINGLY. Mr. President, I ask unanimous consent to add Senator SASSER's name as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, again I ask unanimous consent to temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, as I understand it, the Senator from Massachusetts and the Senator from Arkansas wish to proceed with a major amendment under which there is a 2-hour time agreement. Is that correct? Is there a 2-hour time agreement on this?

Mr. KENNEDY. The Senator is correct; 2 hours, equally divided.

Mr. BUMPERS addressed the Chair.

The PRESIDING OFFICER. The Senator from Arkansas.

UP AMENDMENT NO. 267

(Purpose: To insure that all taxpayers receive a net tax reduction)

Mr. BUMPERS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Arkansas (Mr. BUMPERS), for himself and Mr. KENNEDY, proposes an unprinted amendment numbered 267.

Mr. BUMPERS. Mr President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 4, beginning with line 10, strike out all through page 23, line 15, and insert in lieu thereof the following:

SEC. 101. RATE CUTS; RATE REDUCTION CREDIT

(a) RATE REDUCTION.—Section 1 (relating to tax imposed) is amended to read as follows:

"SECTION 1. TAX IMPOSED.

(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who makes a single return jointly with his spouse under section 6013, and every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $3,600	No Tax.
Over $3,600 but not over $5,700	12% of the excess over $3,600.
Over $5,700 but not over $7,800	$252, plus 14% of the excess over $5,700.
Over $7,800 but not over $12,100	$546, plus 16% of the excess over $7,800.
Over $12,100 but not over $16,200	$1,234, plus 19% of the excess over $12,100.
Over $16,200 but not over $20,400	$2,013, plus 22% of the excess over $16,200.
Over $20,400 but not over $24,800	$2, 937, plus 25% of the excess over $20,400
Over $24,800 but not over $30,100	$4,037, plus 29% of the excess over $24,800.
Over $30,100 but not over $35, 400.	$5,574, plus 33% of the excess over $30,100.
Over $35,400 but not over $46,000.	$7,323, plus 39% of the excess over $35,400.
Over $46,000 but not over $60,200.	$11,457, plus 44% of the excess over $46,000.
Over $60,200 but not over $85,800.	$17,705, plus 49% of the excess over $60,200.
Over $85,800	$30,249, plus 50% of the excess over $85,800.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $3,600	No tax.
Over $3,600 but not over $5,700.	10% of the excess over $3,600.
Over $5,700 but not over $7,900.	$210, plus 12% of the excess over $5,700.
Over $7,900 but not over $12,100.	$474, plus 16% of the excess over $7,900.
Over $12,100 but not over $16,200.	$1,146, plus 17% of the excess over $12,100.
Over $16,200 but not over $20,400.	$1,843, plus 19% of the excess over $16,200.
Over $20,400 but not over $24,800.	$2,641, plus 23% of the excess over $20,400.
Over $24,800 but not over $30,100.	$3,653, plus 26% of the excess over $24,800.
Over $30,100 but not over $35,400.	$5,031, plus 30% of the excess over $30,100.
Over $35,400 but not over $46,000.	$6,621, plus 35% of the excess over $35,400.
Over $46,000 but not over $60,200.	$10,331, plus 40% of the excess over $46,000.
Over $60,200 but not over $85,800.	$16,011, plus 44% of the excess over $60,200.
Over $85,800 but not over $109,600.	$27,275, plus 48% of the excess over $85,800.
Over $109,600	$38 699, plus 50% of the excess over $109,600.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $3,600	No tax.
Over $3,600 but not over $5,700.	9% of the excess over $3,600.
Over $5,700 but not over $7,900.	$189, plus 11% of the excess over $5,700.
Over $7,900 but not over $12,100.	$431, plus 13% of the excess over $7,900.
Over $12,100 but not over $16,200.	$977 plus 17% of the excess over $12,100.
Over $16,200 but not over $20,400.	$1,674, plus 18% of the excess over $16,200.
Over $20,400 but not over $24,800.	$2,430, plus 22% of the excess over $20,400.
Over $24,800 but not over $30,100.	$3,398, plus 25% of the excess over $24,800.
Over $30,100 but not over $35,400.	$4,723, plus 28% of the excess over $30,100.
Over $35,400 but not over $46,000.	$6,207, plus 33% of the excess over $35,400.
Over $46,000 but not over $60,200.	$9,705, plus 38% of the excess over $46,000.
Over $60,200 but not over $85,800.	$15,101, plus 42% of the excess over $60,200.
Over $85,800 but not over $109,600.	$25,853, plus 45% of the excess over $85,800.
Over $109,600 but not over $162,600.	$36,563, plus 49% of the excess over $109,600.
Over $162,600	$62,533, plus 50% of the excess over $162,600.

"(b) HEADS OF HOUSEHOLDS.—There is hereby imposed on the taxable income of every individual who is the head of a household (as defined in section 2(b)) a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2,600 but not over $4,700	12% of the excess over $2,600.
Over $4,700 but not over $6,800	$252, plus 14% of the excess over $4,700.
Over $6,800 but not over $9,000	$546, plus 16% of the excess over $6,800.
Over $9,000 but not over $12,100.	$898, plus 20% of the excess over $9,000.
Over $12,100 but not over $15,300.	$1,518, plus 22% of the excess over $12,100.
Over $15,300 but not over $18,500.	$2,222, plus 23% of the excess over $15,300.
Over $18,500 but not over $23,800.	$2,958, plus 28% of the excess over $18,500.
Over $23,800 but not over $29,100.	$4,442, plus 32% of the excess over $23,800.
Over $29,100 but not over $34,400.	$6,138, plus 38% of the excess over $29,100.
Over $34,400 but not over $45,000.	$8,152, plus 41% of the excess over $34,400.
Over $45,000 but not over $60,900.	$12,498, plus 49% of the excess over $45,000.
Over $60,900	$20,289, plus 50% of the excess over $60,900.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2.600 but not over $4,700.	10% of the excess over $2,600.
Over $4,700 but not over $6,800.	$210, plus 14% of the excess over $4,700.
Over $6,800 but not over $9,000.	$504, plus 15% of the excess over $6,800.
Over $9,000 but not over $12,100.	$834, plus 18% of the excess over $9,000.
Over $12.100 but not over $15,300.	$1,392, plus 19% of the excess over $12,100.
Over $15,300 but not over $18,500.	$2,000, plus 21% of the excess over $15,300.
Over $18,500 but not over $23,800.	$2,672, plus 25% of the excess over $18,500.
Over $23,800 but not over $29,100.	$3,997, plus 29% of the excess over $23.800.
Over $29,100 but not over $34,400.	$5,534, plus 34% of the excess over $29,100.
Over $34,400 but not over $45,000.	$7,336, plus 37% of the excess over $34,400.
Over $45,000 but not over $60,900.	$11,258, plus 44% of the excess over $45,000.
Over $60,900 but not over $82,100.	$18,254 plus 48% of the excess over $60,900.
Over $82,100	$28,430, plus 50% of the excess over $82,100.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2,600 but not over $4,700	9% of the excess over $2,600.
Over $4,700 but not over $6,800	$189, plus 11% of the excess over $4,700.
Over $6,800 but not over $9,000	$420, plus 14% of the excess over $6,800.
Over $9,000 but not over $12,100	$728, plus 17% of the excess over $9,000.
Over $12,100 but not over $15,300	$1,255, plus 18% of the excess over $12,100.
Over $15,300 but not over $18,500	$1,831, plus 20% of the excess over $15,300.
Over $18,500 but not over $23,800	$2,471, plus 24% of the excess over $18,500.
Over $23,800 but not over $29,100	$3,743, plus 28% of the excess over $23,800.
Over $29,100 but not over $34,400	$5,227, plus 32% of the excess over $29,100.
Over $34,400 but not over $45,000	$6,923, plus 35% of the excess over $34,400.
Over $45,000 but not over $60,900	$10,633, plus 42% of the excess over $45,000.
Over $60,900 but not over $82,100	$17,311, plus 45% of the excess over $60,900.
Over $82,100 but not over $108,600	$26,851, plus 48% of the excess over $82,100.
Over $108,600	$39,571, plus 50% of the excess over $108,600.

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS).—There is hereby imposed on the taxable income of every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)) who is not a married individual (as defined in section 143) a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2,600 but not over $3,700	12% of the excess over $2,600.
Over $3,700 but not over $4,700	$132, plus 14% of the excess over $3,700.
Over $4,700 but not over $6,800	$272, plus 16% of the excess over $4,700.
Over $6,800 but not over $8,800	$608, plus 17% of the excess over $6,800.
Over $8,800 but not over $11,100	$948, plus 19% of the excess over $8,800.
Over $11,100 but not over $13,200	$1,385, plus 22% of the excess over $11,100
Over $13,200 but not over $15,300	$1,847, plus 23% of the excess over $13,200.
Over $15,300 but not over $18,500	$2,330, plus 27% of the excess over $15,300.
Over $18,500 but not over $23,800	$3,194, plus 31% of the excess over $18,500.
Over $23,800 but not over $29,100	$4,837, plus 35% of the excess over $23,800.
Over $29,100 but not over $34,400	$6,692, plus 40% of the excess over $29,100.
Over $34,400 but not over $41,800	$8,812, plus 44% of the excess over $34,400
Over $41,800	$12,068, plus 50% of the excess over $41,800.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2,600 but not over $3,700	10% of the excess over $2,600.
Over $3,700 but not over $4,700	$110, plus 12% of the excess over $3,700.
Over $4,700 but not over $6,806	$230, plus 15% of the excess over $4,700.
Over $6,800 but not over $8,800	$545, plus 16% of the excess over $6,800
Over $8,800 but not over $11,100	$865, plus 17% of the excess over $8,800.
Over $11,100 but not over $13,200	$1,256, plus 19% of the excess over $11,100.
Over $13,200 but not over $15,300	$1,655, plus 21% of the excess over $13,200.
Over $15,300 but not over $18,500	$2,096, plus 24% of the excess over $15,300.
Over $18,500 but not over $23,800	$2,864, plus 28% of the excess over $18,500.
Over $23,800 but not over $29,100	$4,348, plus 32% of the excess over $23,800.
Over $29,100 but not over $34,400	$6,044, plus 36% of the excess over $29,100.
Over $34,400 but not over $41,800	$7,952, plus 40% of the excess over $34,400.
Over $41,800 but not over $55,600	$10,912, plus 45% of the excess over $41,800.
Over $55,600	$17,122, plus 50% of the excess over $55,600.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $2,600	No tax.
Over $2,600 but not over $3,700	9% of the excess over $2,600.
Over $3,700 but not over $4,700	$99, plus 11% of the excess over $3,700.
Over $4,700 but not over $6,800	$209, plus 12% of the excess over $4,700.
Over $6,800 but not over $8,800	$461, plus 15% of the excess over $6,800.
Over $8,800 but not over $11,100	$761, plus 17% of the excess over $8,800.
Over $11,100 but not over $13,200	$1,152, plus 18% of the excess over $11,100.
Over $13,200 but not over $15 300	$1,530, plus 20% of the excess over $13,200.
Over $15,300 but not over $18,500	$1,950, plus 23% of the excess over $15 300.
Over $18,500 but not over $23,800.	$2,686, plus 26% of the excess over $18,500.
Over $23,800 but not over $29,100.	$4,064, plus 30% of the excess over $23,800.
Over $29,100 but not over $34,400.	$5,654, plus 34% of the excess over $29,100.
Over $34,400 but not over $41,800.	$7,456, plus 38% of the excess over $34,400.
Over $41.800 but not over $55,600.	$10,268, plus 42% of the excess over $41,800.
Over $55 600 but not over $82,100.	$16,064 plus 48% of the excess over $55,600.
Over $82,100	$28,784, plus 50% of the excess over $82,100.

"(d) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—There is hereby imposed on the taxable income of every married individual (as defined in section 143) who does not make a single return jointly with his spouse under section 6013 a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $1,800	No tax.
Over $1,800 but not over $2,850	12% of the excess over $1,800
Over $2,850 but not over $3,900	$126, plus 14% of the excess over $2,850.
Over $3,900 but not over $6,050	$273, plus 16% of the excess over $3,900.
Over $6,050 but not over $8,100	$617, plus 19% of the excess over $6,050.
Over $8,100 but not over $10,200.	$1,006, plus 22% of the excess over $8,100.
Over $10,200 but not over $12,400.	$1,468, plus 25% of the excess over $10,200.
Over $12,400 but not over $15,050.	$2,018, plus 29% of the excess over $12,400.
Over $15,050 but not over $17,700.	$2,787, plus 33% of the excess over $15,050.
Over $17,700 but not over $23,000.	$3,661, plus 39% of the excess over $17,700.
Over $23,000 but not over $30,100.	$5,728, plus 44% of the excess over $23,000.
Over $30,100 but not over $42,900.	$8,852, plus 49% of the excess over $30,100.
Over $42,900	$15,124, plus 50% of the excess over $42,900.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $1,800	No tax.
Over $1,800 but not over $2,850	10% of the excess over $1,800.
Over $2,850 but not over $3,950	$105, plus 12% of the excess over $2,850.
Over $3,950 but not over $6,050	$237, plus 16% of the excess over $3,950.
Over $6,050 but not over $8,100	$573, plus 17% of the excess over $6,050.
Over $8,100 but not over $10,200.	$921, plus 19% of the excess over $8,100.
Over $10,200 but not over $12,400.	$1,320, plus 23% of the excess over $10,200.
Over $12,400 but not over $15,050.	$1,826, plus 26% of the excess over $12,400.
Over $15,050 but not over $17,700.	$2,515, plus 30% of the excess over $15,050.
Over $17,700 but not over $23,000.	$3,310, plus 35% of the excess over $17,700.
Over $23,000 but not over $30,100.	$5,165, plus 40% of the excess over $23,000.
Over $30,100 but not over $42,900.	$8,005 plus 44% of the excess over $30,100.
Over $42,900 but not over $54,800.	$13,637, plus 48% of the excess over $42,900.
Over $54,800	$19,349, plus 50% of the excess over $54,800.

"(3) FOR TAXABLE YEARS BEGINNING AFTER 1983.—

"If taxable income is:	The tax is:
Not over $1,800	No tax.
Over $1,800 but not over $2,850.	9% of the excess over $1,800.
Over $2,850 but not over $3,950.	$94, plus 11% of the excess over $2,850.
Over $3,950 but not over $6,050.	$215, plus 13% of the excess over $3,950.
Over $6,050 but not over $8,100.	$488, plus 17% of the excess over $6,050.
Over $8,100 but not over $10,200.	$837, plus 18% of the excess over $8,100.
Over $10,200 but not over $12,400.	$1,215, plus 22% of the excess over $10,200.
Over $12,400 but not over $15,050.	$1,699, plus 25% of the excess over $12,400.
Over $15,050 but not over $17,700.	$2,361, plus 28% of the excess over $15,050.
Over $17,700 but not over $23,000.	$3,103, plus 33% of the excess over $17,700.
Over $23,000 but not over $30,100.	$4,852, plus 38% of the excess over $23,000.
Over $30,100 but not over $42,900.	$7,550, plus 42% of the excess over $30.100.
Over $42,900 but not over $54,800.	$12,926, plus 45% of the excess over $42,900.
Over $54,800 but not over $81,300.	$18,281, plus 49% of the excess over $54,800.
Over $81,300	$31,266, plus 50% of the excess over $81,300.

"(e) ESTATES AND TRUSTS.—There is hereby imposed on the taxable income of every estate and trust taxable under this subsection a tax determined in accordance with the following tables:

"(1) FOR TAXABLE YEARS BEGINNING IN 1982.—

"If taxable income is:	The tax is:
Not over $1,050	12% of taxable income.
Over $1,050 but not over $2,100	$126, plus 14% of the excess over $1,050.
Over $2,100 but not over $4,250	$273, plus 16% of the excess over $2 100
Over $4,250 but not over $6,300	$617, plus 19% of the excess over $4,250.
Over $6,300 but not over $8,400	$1,006, plus 22% of the excess over $6,300.
Over $8,400 but not over $10,600.	$1,468, plus 25% of the excess over $8,400.
Over $10,600 but not over $13,250.	$2,018, plus 29% of the excess over $10,600.
Over $13,250 but not over $15,900.	$2,787 plus 33% of the excess over $13,250.
Over $15,900 but not over $21,200.	$3,661, plus 39% of the excess over $15,900.
Over $21,200 but not over $28,300.	$5,728, plus 44% of the excess over $21,200.
Over $28 300 but not over $41 100.	$8,852, plus 49% of the excess over $28,300.
Over $41,100	$15,124, plus 50% of the excess over $41,100.

"(2) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $1,050	10% of taxable income.
Over $1,050 but not over $2,150	$105, plus 12% of the excess over $1,050.
Over $2,150 but not over $4,250	$237, plus 16% of the excess over $2,150.
Over $4,250 but not over $6,300	$573, plus 17% of the excess over $4,250.
Over $6,300 but not over $8,400	$921, plus 19% of the excess over $6,300.
Over $8,400 but not over $10,600.	$1,320, plus 23% of the excess over $8,400.
Over $10,600 but not over $13,250.	$1,826, plus 26% of the excess over $10,600.
Over $13,250 but not over $15,900.	$2,515, plus 30% of the excess over $13,250.
Over $15,900 but not over $21,200.	$3,310, plus 35% of the excess over $15,900.
Over $21,200 but not over $28,300.	$5,165, plus 40% of the excess over $21,200.
Over $28,300 but not over $41,100.	$8,005, plus 44% of the excess over $28,300.
Over $41,100 but not over $53,000.	$13,637, plus 48% of the excess over $41,100.
Over $53,000	$19,349, plus 50% of the excess over $53,000.

"(3) FOR TAXABLE YEARS BEGINNING IN 1983.—

"If taxable income is:	The tax is:
Not over $1,050	9% of taxable income.
Over $1,050 but not over $2,150.	$94, plus 11% of the excess over $1,050.
Over $2,150 but not over $4,250.	$215, plus 13% of the excess over $2,150.
Over $4,250 but not over $6,300.	$488, plus 17% of the excess over $4,250.
Over $6,300 but not over $8,400.	$837, plus 18% of the excess over $6,300.
Over $8,400 but not over $10,600.	$1,215, plus 22% of the excess over $8,400.
Over $10,600 but not over $13,250.	$1,699, plus 25% of the excess over $10,600.
Over $13,250 but not over $15,900.	$2,361, plus 28% of the excess over $13,250.
Over $15,900 but not over $21,200.	$3,103, plus 33% of the excess over $15,900.
Over $21,200 but not over $28,300.	$4,852, plus 38% of the excess over $21,200.
Over $28,300 but not over $41,100.	$7,550, plus 42% of the excess over $28,300.
Over $41,100 but not over $53,000.	$12,926, plus 45% of the excess over $41,100.
Over $53,000 but not over $79,500.	$18,281, plus 49% of the excess over $53,000.
Over $79,500.	$31,266, plus 50% of the excess over $79,500.".

(b) INCREASE IN ZERO BRACKET AMOUNT.—

(1) IN GENERAL.—Subsection (d) of section 63 (defining zero bracket amount) is amended—

(A) by striking out "$3,400" and inserting in lieu thereof "$3,600",

(B) by striking out "$2,300" and inserting in lieu thereof "$2,600", and

(C) by striking out "$1,700" and inserting in lieu thereof "$1,800".

(2) FILING REQUIREMENTS.—Paragraph (1) of section 6012(a) (relating to persons required to make returns of income) is amended—

(A) by striking out "$3,300" and inserting in lieu thereof "$3,600",

(5) by striking out "$4,400" and inserting in lieu thereof "$4,600", and

(C) by striking out "$5,400" and inserting in lieu thereof "$5,600".

(3) CONFORMING AMENDMENTS.—Subparagraph (C) of section 402(e)(1) (relating to tax on lump sum distributions) is amended by striking out "$2,300" and inserting in lieu thereof "$2,600".

(c) CREDIT TO REFLECT EQUIVALENT 1981 RATE REDUCTION.—

(1) IN GENERAL.—Section 6428 (relating to refund of 1974 individual income taxes) is amended to read as follows:

"SEC. 6428. 1981 RATE REDUCTION TAX CREDIT.

"(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by section 1, or against a tax imposed in lieu of the tax imposed by section 1, for any taxable year beginning in 1981, an amount equal to the product of—

"(1) 1.25 percent, multiplied by

"(2) the amount of tax imposed by section 1 (or in lieu thereof) for such taxable year.

"(b) SPECIAL RULES FOR APPLICATION OF THIS SECTION.—

"(1) APPLICATION WITH OTHER CREDITS.—In determining any credit allowed under subpart A of part IV of subchapter A of chapter 1 (other than under sections 31, 39, and 43), the tax imposed by chapter 1 shall (before any other reductions) be reduced by the credit allowed under subsection (a).

"(2) CREDIT TREATED AS SUBPART A CREDIT.—For purposes of this title, the credit allowed under subsection (a) shall be treated as a credit allowed under subpart A of part IV of subchapter A of chapter 1.

"(c) TABLES TO REFLECT CREDIT.—

"(1) SECTION 3 TABLES.—The tables prescribed by the Secretary under section 3 shall reflect the credit allowed under subsection (a).

"(2) OTHER TABLES.—In order to reflect the amount of the credit under subsection (a) for different levels of tax or taxable income, the Secretary may—

"(A) modify the tables under section 1, or

"(B) prescribe such other tables as he determines necessary.".

(2) CONFORMING AMENDMENTS.—

(A) The table of sections for subchapter B of chapter 65 is amended by striking out the item relating to section 6428 and inserting in lieu thereof the following new item:

"SEC. 6428. 1981 rate reduction tax credit.".

(B) Paragraph (1) of section 3(a) (relating to imposition of tax table tax) is amended by inserting "and which shall be in such form as he determines appropriate" after "Secretary".

(d) REPEAL OF MAXIMUM TAX ON PERSONAL SERVICE INCOME.—

(1) IN GENERAL.—Part VI of subchapter Q of chapter 1 (relating to maximum rate on personal service income) is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 3(b) (relating to tax tables for individuals) is amended to read as follows:

"(1) an individual to whom section 1301 (relating to income averaging) applies for the taxable year,".

(B) Subsection (b) of section 1304 (relating to special rules for income averaging) is amended—

(i) by inserting "and" at the end of paragraph (1),

(ii) by striking out ", and" at the end of paragraph (2) and inserting in lieu thereof a period, and

(iii) by striking out paragraph (3).

(C) The table of parts for subchapter Q of chapter 1 is amended by striking out the item relating to part VI.

(e) CONFORMING AMENDMENTS.—

(1) ALTERNATIVE MINIMUM TAX.—Paragraph (1) of section 55(a) (relating to alternative minimum tax) is amended—

(A) by striking out all that follows "$60,000" in subparagraph (B) and inserting in lieu thereof ", exceeds", and

(B) by striking out subparagraph (C).

(2) PERSONAL HOLDING COMPANY TAX.—Section 541 (relating to personal holding company tax) is amended by striking out "70 percent" and inserting in lieu thereof "50 percent".

(f) WITHHOLDING TABLES.—

(1) DETERMINATION OF WITHHOLDING.—Section 3402(a) (relating to requirement of withholding income tax at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—

"(1) IN GENERAL.—Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall—

"(A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and

"(B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods.

"(2) AMOUNT OF WAGES.—For purposes of applying tables or procedures prescribed under paragraph (1), the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption. The amount of each withholding exemption shall be equal to the amount of one personal exemption provided in section 151(b), prorated to the payroll period. The maximum number of withholding exemptions permitted shall be calculated in accordance with regulations prescribed by the Secretary under this section, taking into account any reduction in withholding to which an employee is entitled under this section."

(2) WAGES PAID FOR PERIOD LESS THAN 1 WEEK.—Section 3402(b) (relating to the percentage method of withholding) is amended—

(A) by striking out paragraph (1), and redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively; and

(B) by striking out paragraph (3), as redesignated by subparagraph (A), and inserting in lieu thereof the following:

"(3) In any case in which the period, or the time described in paragraph (2), in respect of any wages is less than one week, the Secretary, under regulations prescribed by him, may authorize an employer to compute the tax to be deducted and withheld as if the aggregate of the wages paid to the employee during the calendar week were paid for a weekly payroll period.".

(3) ZERO BRACKET AMOUNT.—Paragraph (1)(G) of section 3402(f) (relating to withholding exemptions) is amended by inserting "(or more than one exemption if so prescribed by the Secretary)" after "one exemption".

(4) CHANGES IN WITHHOLDING.—Section 3402(i) (relating to additional withholding) is amended to read as follows:

"(i) CHANGES IN WITHHOLDING.—

"(1) IN GENERAL.—The Secretary may by regulations provide for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests such changes.

"(2) TREATMENT AS TAX.—Any increased withholding under paragraph (1) shall for all purposes be considered tax required to be deducted and withheld under this chapter.".

(5) WITHHOLDING ALLOWANCES.—

(A) IN GENERAL.—Paragraph (1) of section 3402(m) (relating to withholding allowances based on itemized deductions) is amended to read as follows:

"(1) GENERAL RULE.—Under regulations prescribed by the Secretary, an employee shall be entitled to additional withholding allowances or additional reductions in withholding under this subsection. In determining the number of additional withholding allowances or the amount of additional reductions in withholding under this subsection, the employee may take into account—

"(A) the excess of his estimated itemized deductions or other estimated deductions (as prescribed by the Secretary) over his zero bracket amount (as defined in section 63(d)),

"(B) such tax credits to which he is entitled as specified in the regulations prescribed by the Secretary, and

"(C) such additional items as specified in the regulations by the Secretary.".

(B) TABLES.—Paragraph (4) of section 3402(m) is amended to read as follows:

"(4) AUTHORITY TO PRESCRIBE TABLES.—The Secretary may prescribe tables or computational procedures pursuant to which employees shall determine the number of withholding allowances or the amount of reduced withholding to which the employees are entitled under this subsection.".

(g) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a), (b), (d), and (e) shall apply to taxable years beginning after December 31, 1981.

(2) WITHHOLDING AMENDMENTS.—The amendments made by subsection (f) shall apply to remuneration paid after September 30, 1981.

On page 29, after line 20, insert the following:

SEC. 104. INCREASE IN EARNED INCOME AMOUNT.

(a) IN GENERAL.—Subsection (a) of section 43 (relating to earned income credit) is amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—

"(1) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to 13 percent of so much of the earned income for the taxable year as does not exceed $5,000.

"(2) TRANSITION RULE.—Paragraph (1) shall be applied in the case of—

"(A) taxable years beginning in 1982, by substituting '11' for '13', and

"(B) taxable years beginning in 1983, by substituting '12' for '13'.".

(b) REVISION OF LIMITATION.—Subsection (b) of section 43 (relating to limitation) is amended to read as follows:

"(b) LIMITATION.—

"(1) IN GENERAL.—The amount of the credit allowable to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(A) $550, over

"(B) 13 percent of so much of the adjusted gross income (or, if greater, the earned income) of the taxpayer for the taxable year as exceeds $8,000.

"(2) TRANSITION RULE.—Paragraph (1) shall be applied in the case of—

"(A) taxable years beginning in 1982, by substituting '13.75' for '13' and '$7,000' for '$8,000', and

"(B) taxable years beginning in 1983, by substituting '12' for '13'.".

(c) CONFORMING AMENDMENTS.—

(1) SUBSECTION (F)(2) OF SECTION 43 IS AMENDED—

(A) by striking out "$10,000" each place it appears and inserting in lieu thereof "$13,000 ($11,000 in the case of taxable years beginning in 1982)", and

(B) by striking out "$6,000" and inserting in lieu thereof "$8,000 ($7,000 in the case of taxable years beginning in 1982)".

(2) PARAGRAPH (2) OF SECTION 3507(C) (RELATING TO EARNED INCOME ADVANCE AMOUNT TABLES) IS AMENDED—

(A) by striking out "10 percent" each place it appears and inserting in lieu thereof "13 percent (11 percent for taxable years beginning in 1982 and 12 percent for taxable years beginning in 1983)",

(B) by striking out "$6,000 and $10,000" and inserting in lieu thereof "$8,000 ($7,000 in the case of taxable years beginning in 1982) and $13,000 ($11,000 in the case of taxable years beginning in 1982)", and

(C) by striking out "$3,000 and $5,000" and inserting in lieu thereof "$4,000 ($3,500 in the case of taxable years beginning in 1932) and $6,500 ($5,500 in the case of taxable years beginning in 1982)".

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1981.

(2) AMENDMENTS OF SECTION 3507.—The amendments made by subsection (c)(2) shall apply to remuneration paid after December 31, 1981.

(e) RECONCILIATION OF COSTS.—

It is the sense of the Senate that the total tax reductions in this legislation, including the additional tax reductions provided by amendments adopted by the Senate, shall not exceed the total tax reductions contained in the bill reported to the Senate by the Senate Committee on Finance. The Senate conferees are instructed to reconcile the provisions for tax reductions to meet this requirement.

Mr. BUMPERS. Mr. President, I am proposing this amendment on behalf of myself and the Senator from Massachusetts, Mr. KENNEDY. Senator KENNEDY and I offered this same amendment in 1978 and it passed the Senate rather overwhelmingly.

It is designed to do something that we have talked about ever since we started on this tax bill. It is designed to protect those people in the lower income categories.

This amendment covers the full 3-year period of the Kemp-Roth amendment. It is a 3-year tax cut. I am opposed to the President's plan for a 3-year tax cut for a whole host of reasons, but a 3-year tax cut amendment is going to pass in the Senate.

The reasons for passing this amendment are even more compelling because Senator BRADLEY's amendment to limit the tax cut to 1 year and to help those people who make less than $20,000 a year has been defeated. In my opinion, the amendment to limit the tax cut to 2 years and condition the third year on achieving all the economic goals the President says this tax cut will accomplish will also be defeated.

Nobody in the Senate is deluding himself into believing that we are not going to have a 3-year tax cut even though it will be wildly inflationary and will not result in a balanced budget. However, if we are going to have to have a tax cut of $333 billion, the least we can do is to try to be fair about where that tax cut is going.

I intend to support the amendment which adds the triggering mechanism for the third year. Under that amendment, this tax cut will not be operative until the unemployment rate has reached what the President says it will be in 1984; until the inflation rate is down to what the President says it will be in 1984; until the interest rate is down to what the President says it will be in 1984; and until the 1983 budget deficit is as low as the President said it will be. That is a separate amendment and I am not going to spend the 1 hour on our side allotted to the Senator from Massachusetts and myself debating that amendment.

This tax cut is bad economics. But I am more concerned that this bill is a bad piece of morality for the U.S. Senate to impose on 62 percent of the people of this country.

Mr. President, you can see from the chart on the left that 62 percent of the tax returns filed in this country are filed by people who make less than $22,000 a year. In my State, admittedly a poor State, 50 percent of the people make less than $16,000 a year.

Nationwide, 50 percent of the people make less than $21,000 a year.

Who comes out worse under the President's tax proposal? It seems that this information never seems to penetrate. It never seems to be understood. I believe this country has a conscience. I do not believe the American people would opt for this tax cut if they could hear this debate. Even if you asked the people making $100,000 a year, they will not say "I want to make this at the expense of the working people and those having the toughest time paying their gasoline bills and their electric bills."

But what does the Senate Finance Committee bill do? I will tell you what it does. For the people in this country making between $5,000 and $10,000 a year, this tax cut leaves them with 126 percent less in 1984 as a result of inflation. In other words, inflation and social security taxes go up enough so that people in that income category get 126 percent less after the tax cut.

As the simple rhetorical question and the answer is in the question: Who is having the toughest time dealing with inflation in this country? Is it the people who are making over $100,000 a year and who in 1984 will get a $5,396 tax cut, more in tax cuts than the people in the low end of the category even make?

If you happen to be in that $10,000 category in 1984 you get a $114 tax cut. But if you happen to have been born rich, you get a $5,396 tax cut. The simple question is: Is that fair? Is that what this country is about?

Let us assume you make between $10,000 and $15,000 a year with a family of four. You are going to be 13.1 percent worse off as a result of the tax cut at the end of 3 years. If you make $20,000 a year or less, the category which includes 50 percent of the people in this country, you will be worse off by 0.6 of 1 percent.

Those are the three categories: 5 to 10, 10 to 15, 15 to 20. Fifty percent of the American people will have more inflation, more social security tax increases, than the tax cut gives them. But if you make $100,000 a year, you will be 15 percent better off at the end of 3 years.

I know what the vote is going to be on this amendment, but everyone in this body ought to know what they are voting for. That is the reason I am standing here. The statistics are on these charts at the back of the Chamber. They are not in the Senate Finance Committee's report. When the distinguished Senator from Louisiana was chairman of that committee, and I do not mean this personally, the Finance Committee used to include all these statistics that are now provided by the Joint Committee on Taxation. All the statistics I have been citing to you cannot be found in the committee report this year. You have to go to the Joint Committee on Taxation to find those figures.

But they are there. They are irrefutable.

Let me talk a little bit about the politics of the problem. Politics is the name of the game around here. If you want to go home and tell the folks you gave them a big fat tax cut, do you know how I would answer that? I would like to debate that person before a crowd of people and have him stand up first and say, "I voted to cut your taxes. I gave you a big tax cut."

I would follow him, and would say, "I want everybody in this audience that makes $50,000 to $100,000 a year to hold up their hand." In a crowd of 5,000, if the statistics held out, 250 people would hold up their hand, roughly 5 percent of the people. I would say, "My opponent gave those 250 people a tax cut. Now all you folks who made less than $50,000, hold up your hand. I will tell you what he did for you."

I just want everybody to know that

politics is not one-sided on this issue. Sometimes the information is slow to penetrate. The press does a lousy job of communicating anything except the politics of this problem.

But it is going to penetrate. The American people expect a tax cut. In 1984, maybe there will be another Presidential debate and then the challenger to the incumbent will say, "All you people who think you are better off than you were 4 years ago, do you feel you are better off than you were 4 years ago?"

The question will be posed again, but the answer at that time will not be based on the way they feel. You can hold up the charts and say, "I do not have to ask whether you are better off because here is what the U.S. Congress did to you the first year of this administration and here is how much worse off you are."

It is a mathematical certainty. Not only do I think it is bad economics, but it is totally unfair to the vast majority of the people of this country who are having such a tough time.

I had a man in my office the other day who said, "Do you know, Senator, I am so tired of hearing about poor people, I hope I never hear about poor people again." I said, "I am just like you. I am tired of hearing about poor people. But as a Member of the U.S. Senate I do not have the privilege of forgetting the same people who are where I was 30 years ago."

More than anything else, I am disturbed about the developing ethic in this country. Those people who have it made seem to kick those who are reaching for the first rung on the ladder. I want everybody to have the same opportunity as I have had.

I talked yesterday afternoon about a benevolent Government paying tuition to undergraduate school and to one of the finest law schools in the country. I am sure I could not have attended that law school if it had not been for the GI bill of rights.

When people like David Stockman go on television and say: "This Government does not owe a service to anyone" I want to ask him, "Do you have a sister, mother, grandmother, or anyone in a nursing home? Let us take her out and let you take care of her."

The idea of saying the Government owes nobody anything, whether they are ill, handicapped, black, white, Hispanic, or whatever—is offensive to me.

I agree that Government spends too much money. I agree that we ought to cut back on a lot of programs and a lot of expenditures which are of marginal value. But even George Will, one of the most conservative columnists in this country, warned a lot of his cohorts recently:

> Do not get carried away with this anti-Government thing because you may get a lot more than you are asking for and then we are really going to be in a pickle.

I am not defending the abuses of Government, I am not defending the high spending policies of the Democratic Party. I am here defending the principles that I learned as a Methodist Sunday school boy in Charleston, Ark., population 1,700. I was taught to love thy neighbor. I was taught to be sensitive to those less fortunate. I was even taught something about feeding the hungry and clothing the naked.

In this religious era of this country, where you hear so much about politics and religion being mixed, I do not hear so much about the Beatitudes. I hear a great deal about what I always heard in the Marine Corps, "Pull up the ladder, Jack, I am on board."

Well, Mr. President, I cannot predict with any degree of certainty, nor can any other economist, what is going to happen in the country. My friend from South Carolina, Senator HOLLINGS, tells me that a group of economists testified in the Budget Committee the other day, and he asked all of them, "What do you think the deficit will be in 1984?" The lowest figure they predicted, except for one person who thought the budget would be balanced, was $40 billion. Most said it would be $60 to $80 billion.

If you believe inflation is caused by deficit spending, you are going to get a big dose of it after this tax bill passes. There is no earthly way the President can balance the budget in 1984. Book it. Remind me that on July 23, 1981, I said it on the floor of the U.S. Senate. If he gets this tax cut and if he gets all the defense expenditures he wants, he is not going to balance the budget. That is an absolute, ironclad certainty with this Senator.

Mr. President, what is going on where this policy has been pursued? The closest parallel is the government of Margaret Thatcher in England, where the unemployment rate now reaches almost 11 percent. They talk about the inflation rate in England going down. It is going down here, too, because the OPEC cartel has given us a little breathing room. The Saudi Arabians said, "We are going to hold production up so that some of our neighbors cannot raise the oil price," and that is one of the good things that has happened in this country.

The other is that interest rates are so high, nobody can buy anything. Of course the inflation rate is going to go down.

The inflation rate is going down and interest rates are going up. What a dichotomy.

Mr. President, if there were an election held in England today, I dare say the conservative government of Margaret Thatcher would be overwhelmingly defeated. Those people are in big trouble.

The other day, I watched the Secretary of the Treasury, Donald Regan, on one of the Sunday talk shows. Somebody asked him: "Mr. Secretary, do not you think this tax is unfair to the vast majority of the American people? Is not it really a tax that benefits the very wealthiest people in American society?"

He said, "Well, we are giving about the same amount, about 38 percent, of this tax cut to people who make over $50,000 a year, and they now pay about 34 percent of the taxes. They will save it and they will invest it and we will become more productive and we can compete with the Japanese," and on and on.

He said, "You know, we do not say this is a redistribution of income tax."

Redistributing income is supposed to be a really dirty word. But, you know, Mr. President, that is precisely what this tax bill does. For the first time in history, we are redistributing the income from the poorest of the people, the working and middle-income people, and giving it to the wealthiest. That is the kind of redistribution of income this tax cut provides.

Mr. President, there is only one country which has a higher income inequality than the United States. That is France, and they just turned socialist. Whether they turned socialist because the rich just kept getting richer and the poor kept getting poorer, I am not in a position to say. All I know is that the top 20 percent of people in this country make 11 times more than the bottom 20 percent make, and France is the only place where the income inequality is worse than that. It has been getting worse in France and maybe that is the reason they turned to socialism.

I do not want a socialist government here, Mr. President. I want the one we have. But I want it to be responsible, thoughtful, and economically sound. And this one is not.

Mr. President, there is one other point I want to make that I have not heard made any time during the debate on this tax bill. I want to give some selected figures on what has already happened in the past 10 years in this country, I want to show you that this is just the icing on the cake for a trend that has been continuing for 10 years.

We have an effective tax rate in this country. The lowest rate anybody pays is 14 percent and the highest anybody pays is 70 percent under today's law. This amendment cuts that marginal rate from 70 percent to 50 percent. I support that change. That is also going to reduce the capital gains rate, and I am not enthusiastic about this change.

Our amendment contains a cut from 70 percent to 50 percent on those ultra-high incomes because nobody pays any tax in that income category anyway. We have so many tax loopholes and shelters in this country. A man the other day told me he made $208,000 in income last year and paid $88,000 in tax. I said:

> You have to be the dumbest man I have heard in a long time. I do not know anybody making $208,000 that cannot get by with $5,000 or $10,000 in income tax.

There are so many tax shelters to avoid paying that kind of income tax, an accountant would go crazy telling him all of them.

I think we ought to reduce it just so people can quit pointing at it. Less than one-half of 1 percent of the Federal budget comes from the income category of 50 to 70 percent. So get rid of it so people cannot sit around and say, "I am not going to work any more; the Government takes 70 cents of every dollar I make." Nobody much is paying it anyway.

Mr. President, most people do not know the effective tax rates that are paid. These are selected figures from the Joint Committee on Taxation. In 1970, people who made $20,000 to $25,000 a year paid an effective tax rate of 15.4 percent. That is the tax they paid on their adjustable gross income. When people tell you about paying that 70 percent, they are talking about the upper level of their income.

Maybe they paid 70 percent or even 50 percent on the top dollars of their income, but they paid 14 percent on that first $5,000, just like everybody else does.

We have a progressive tax system, Mr. President. When you average 14 percent on the taxpayer's first $5,000 and 16 percent on his next $2,000, and 18 percent on his next $2,000, he is not paying an effective rate of 70 percent or even 50 percent. I dare say it is impossible. Nobody in this country can pay an effective tax rate of 70 percent. He can pay 70 percent on the top part of his income, but he pays the same rate on the first 20 that the guy making $20,000 pays.

What has happened in the last 10 years, Mr. President? Those people who make between $20,000 and $25,000 a year in 1970 paid an effective rate of 15.4 percent and in 1980, they paid an effective rate of 13.6 percent. That means people in that $20,000 to $25,000 income category in the past 10 years have had an effective tax cut of 1.68 percent. That is not very much, is it? It is sure not enough to get excited about.

But the people who make between $50,000 and $100,000 paid an effective tax rate in 1970 of 36 percent and, in 1980, they paid 23.6 percent. Those people have had a 12.4 percent effective tax cut already in the last 10 years. And those people making $100,000 to $200,000 in 1970 paid an effective tax rate of 41 percent in 1970 and in 1980, they paid an effective tax rate of 32.9 percent.

These are the people who talk about paying 70 percent, Mr. President. In 1980, they paid 32.9 percent. They had an effective tax cut in the last 10 years of 7.1 percent.

It is hard to make these arguments without everybody saying, "He is antibusiness. He is antirich. He is anti everything." I am not antibusiness or antirich. I am pro fairness. I am pro justice. I am pro equity. I am against something that looks so appealing.

The other day the President called one of the Democratic alternatives a wolf in sheep's clothing. I thought that was really interesting, for the President to call somebody else's tax cut a wolf in sheep's clothing. If there ever was a wolf in sheep's clothing, this tax bill is it.

I yield the floor, Mr. President.

The PRESIDING OFFICER (Mr. ANDREWS). The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, how much time remains?

The PRESIDING OFFICER. The proponents have 36 minutes remaining.

Mr. KENNEDY. I yield myself such time as I may use.

Mr. President, so far in this tax debate, the Members of the Senate have gone on record on a number of different amendments.

As my colleague Senator BUMPERS has pointed out, the Senate has spoken, and spoken quite clearly, about the timing and some aspects of the distribution of the tax reduction.

First, we had a Bradley amendment to provide a 1-year tax cut and fairer tax relief for middle-income families. That amendment was defeated.

Later, we had a Hollings amendment that scaled down the tax reductions over a 3-year-period to bring the budget into balance by 1984, and also to provide fairer tax relief for average families. I supported the Bradley amendment. I supported the Hollings amendment. But they were defeated.

Then, we had another Bradley amendment earlier today, to keep the 3-year tax cut, to keep the reduction in the tax rate on unearned income from 70 percent to 50 percent, and to provide fairer tax relief for the middle-income brackets by redistributing incomes from the upper brackets. We have just voted on that measure, and it was defeated.

Now, Senator BUMPERS and I are offering an amendment that seeks to achieve the goal of fairness by a different method, a method that preserves the principle of a 3-year tax cut, and that does not involve taking anything from upper income groups.

The Bumpers-Kennedy amendment is designed to provide tax cuts to lower- and middle-income individuals, to insure that they have a net tax cut after taking into account inflation and the social security tax increase which took effect in January 1981.

For 1982, the amendment would increase the zero bracket amount—formerly the standard deduction—and the earned income tax credit. The ZBA would be increased from $2,300 to $2,600 for single persons and from $3,400 to $3,600 for married couples filing joint returns. The rate of the earned income credit would be increased from 10 percent to 11 percent, and the phaseout of that credit would be increased from the range $6,000 to $10,000 of income to the new range $7,000 to $11,000. This is exactly the same increase in the earned income credit which was approved by the Finance Committee in 1980.

For 1983, in addition to the increase in the ZBA, there would be a rate restructuring in the middle-income brackets to provide more middle-income tax reduction without raising anyone's taxes. In addition, the rate of the earned income credit would be raised to 12 percent, and the phaseout range to $8,000 to $13,000 of income.

For 1984, there would be further rate cuts in the middle-income brackets. Also, the rate of the earned income credit would be raised to 13 percent.

The Bumpers-Kennedy amendment adopts the approach that the Senate accepted in 1978 as the fairest way of providing tax relief for individuals. The purpose of the amendment is a very simple one—to insure that all taxpayers actually receive a net tax cut. Whatever additional tax relief we provide for upper income taxpayers, we should at least guarantee that all taxpayers receive a net tax cut.

Middle income taxpayers, as well as upper and lower income families, have been heavily impacted by inflation and by increases in social security taxes. If the Senate is going to truly provide tax equity, tax justice, and tax fairness, we have a responsibility to taxpayers across the economic spectrum to relieve them of the burdens of increased taxes caused by inflation and social security taxes. Whatever additional tax relief we provide, we must at least offset these tax increases. If we fail to do so for any income group, then we are actually legislating a tax increase for that group.

There may be other economic arguments that can be advanced that say, after we meet this principle, that there are economic justifications for additional tax relief for the highest income groups. That is the economic policy of the administration—tax relief for the rich, as carried out under the banner of supply-side economics.

Under the Finance Committee bill, when the effects of inflation and social security tax increases are taken into account:

In 1982, 47 million taxpayers with incomes of $15,000 or less will have a net tax increase of $1.3 billion.

In 1983, these same taxpayers will have a net tax increase of $2.7 billion.

In 1984, 58 million taxpayers with incomes of $20,000 or less will have a net tax increase of $4.7 billion.

By contrast, the 4 million taxpayers with incomes over $50,000 will receive a net tax decrease of $7.2 billion in 1982, $10.2 billion in 1983, and $10.1 billion in 1984.

In short, under the Finance Committee bill, those most hurt by inflation and social security tax increases receive the least protection, and those hurt the least receive the most protection.

The Bumpers-Kennedy amendment provides additional and more equitable tax relief to offset the effects of inflation and social security taxes, so that essentially all taxpayers receive a net tax cut.

In 1982, all taxpayers receive a net tax cut.

In 1983 and 1984, the $10,000 to $20,000 income groups receive a net tax cut. For the $5,000 to $10,000 income group, the impact of inflation and social security taxes is almost completely offset in 1983, and is reduced dramatically in 1984.

The additional tax relief is provided through rate cuts, increases in the standard deduction, and increases in the earned income tax credit.

The amendment contains a specific "sense of the Senate" instruction that in the final legislation the total tax reductions shall not exceed the level reported by the Finance Committee. The total tax reductions in the Senate bill, therefore, including those provided in this amendment, will thus be reconciled by the conferees to meet this target.

Mr. President, I ask unanimous consent that four tables illustrating the amendment may be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TABLE I.—INDIVIDUAL INCOME TAX CUTS COMPARED TO INFLATION AND SOCIAL SECURITY TAX INCREASES UNDER SENATE FINANCE COMMITTEE BILL AND BUMPERS-KENNEDY AMENDMENT

[Dollar amounts in millions, 1981 income levels]

Expanded income class (thousands)	Inflation and social security increases	Net tax reduction under Senate Finance Committee bill		Net tax reduction under Bumpers-Kennedy amendment	
		Amount	Percent	Amount	Percent
1982:					
Below $5	$371	−$323	(*)	−$117	(*)
$5 to $10	1,621	−808	(−17.0)	196	(4.1)
$10 to $15	1,899	−159	(−1.1)	447	(3.1)
$15 to $20	2,228	224	(1.1)	654	(3.2)
$20 to $30	5,150	1,058	(2.0)	1,646	(3.1)
$30 to $50	7,098	2,314	(2.9)	2,625	(3.3)
$50 to $100	3,316	2,233	(4.6)	2,276	(4.7)
$100 to $200	863	1,705	(7.3)	1,708	(7.3)
$200 plus	276	3,291	(15.8)	3,290	(15.8)
Total	22,820	9,536	(3.6)	12,842	(4.9)
1983:					
Below $5	567	−458	(*)	−168	(*)
$5 to $10	3,187	−1,708	(−53.55)	−45	(−1.4)
$10 to $15	3,812	−525	(−4.2)	506	(4.0)
$15 to $20	4,264	411	(2.2)	838	(4.6)
$20 to $30	9,854	2,495	(5.1)	3,086	(6.3)
$30 to $50	13,644	5,279	(7.3)	5,632	(7.8)
$50 to $100	6,832	4,170	(9.3)	4,229	(9.4)
$100 to $200	1,844	2,593	(11.6)	2,599	(11.7)
$200 plus	598	3,482	(17.0)	3,481	(17.0)
Total	44,601	15,740	(6.5)	20,158	(8.3)
1984:					
Below $5	664	−550	(*)	−173	(*)
$5 to $10	4,330	−2,599	(−126.7)	−327	(−15.9)
$10 to $15	5,338	−1,438	(−13.1)	284	(2.6)
$15 to $20	5,732	−107	(−0.6)	1,000	(5.7)
$20 to $30	13,164	1,729	(3.8)	3,340	(7.4)
$30 to $50	18,101	4,419	(6.5)	5,605	(8.2)
$50 to $100	9,448	3,807	(9.0)	4,084	(9.7)
$100 to $200	2,640	2,756	(12.8)	2,798	(13.0)
$200 plus	873	3,540	(17.5)	3,548	(17.5)
Total	60,289	11,558	(5.2)	20,159	(9.0)

TABLE II.—COMPARISON BETWEEN SENATE FINANCE COMMITTEE AND BUMPERS-KENNEDY PERCENTAGE DISTRIBUTION OF TAX CUTS BY INCOME CLASSES

Expanded income class (thousands)	1982			
	Percentage of tax returns		Percentage of SFC cuts	
Below $5	19.4		0.1	
$5 to $10	17.2	50.9	2.5	8.0
$10 to $15	14.3		5.4	
$15 to $20	11.6		7.6	
$20 to $30	18.1	44.3	19.2	55.9
$30 to $50	14.6		29.1	
$50 to $100	3.9		17.1	
$100 to $200	.7	4.8	7.9	36.0
$200 plus	.2		11.0	

TABLE III.—PERCENTAGE OF INFLATION AND SOCIAL SECURITY TAX INCREASES OFFSET BY SENATE FINANCE COMMITTEE TAX CUTS

Expanded income class (thousand)	1982 (percent)
Below $5	12.9
$5 to $10	50.1
$10 to $15	91.6
$15 to $20	110.0
$20 to $30	120.5
$30 to $50	132.6
$50 to $100	167.3
100 to $200	297.6
$200 plus	1,292.4

TABLE IV.—COMPARATIVE COSTS (INDIVIDUAL TAX CUTS)

[In billions]

	Finance Committee	Additional relief under Bumpers-Kennedy amendment
Fiscal year:		
1982	$26.8	$1.2
1983	70.6	4.4
1984	114.1	7.7

TABLE V.—TAX CUTS FOR A FAMILY OF 4 UNDER THE FINANCE COMMITTEE BILL

	1982 tax cut	1983 tax cut	1984 tax cut
Earned income:			
$5,000	0	0	0
$10,000	52	78	83
$15,000	151	226	281
$20,000	228	371	464
$30,000	405	744	914
$40,000	639	1,188	1,438
$50,000	947	1,754	2,158
$60,000	1,255	2,370	2,928
$100,000	2,137	4,648	5,822
Investment income:			
$100,000	2,793	5,304	6,478
$200,000	11,555	15,002	17,514
$500,000	56,155	59,602	62,204
$1,000,000	133,155	136,602	139,204

Mr. KENNEDY. Mr. President, I might point out that you do not find any of these tables in the Finance Committee bill. The committee is not anxious to display these figures, because they demonstrate the unfairness of their tax relief.

For the first time in the recent history of major Senate tax bills, the report of the Finance Committee fails to include the customary tables showing the effect of the bill in reducing the tax burden on individuals in various income categories. It is easy to understand the embarrassment that led to the omission—because the tables irrefutably demonstrate the fundamental unfairness of the proposed Kemp-Roth tax cuts to middle-class families, and the excessive benefits conferred on the highest income groups.

Under the Bumpers-Kennedy amendment, all groups of taxpayers—low-income, middle-income, and upper-income—will be held harmless from the increase in inflation over these next 3 years and from the increase in social security taxes. That is something on which we should be able to develop a broad consensus in the Senate.

This amendment does not reduce the tax relief for the upper-income brackets, as the Bradley amendment did. We are adding additional relief under the Bumpers-Kennedy amendment to hold harmless the middle-income groups and the lower-income groups against inflation and social security tax increases. With this amendment, we are also instructing the conferees to come back to the Senate, after the conference, with the same amount of dollar loss for tax reduction as was recommended by the Senate Finance Committee. We leave up to the conferees to determine how the relief in the final bill will be allocated. But we urge the Members of this body to accept the fundamental principle of fairness and equity, by at least holding harmless the families of this country against the burdens of inflation and increases in social security taxes.

This is a concept which has been accepted in the past by the U.S. Senate. It is not a new one. It is identical to the concept that was accepted by the full Senate in 1978.

I also want to review briefly with the Members of the Senate why this particular amendment is necessary. There has been a considerable amount of distortion and a considerable amount of misrepresentation put out by the administration when it comes to the allocation of tax reductions.

First of all, Mr. President, one of the tables to which I have referred indicates the percentage of tax returns in each income group, and the tax relief provided to each group by the Senate Finance Committee bill. Those earning $15,000 or less make up 50 percent of all taxpayers, yet they receive only 8 percent of the committee's tax relief.

At the same time, the 5 percent of individuals with income over $50,000 a year receive 36 percent of the tax cut.

The average family income in the United States today is about $20,000 a year. That is the median income. Half of all the families in the United States earn $20,000 a year or less.

Under the administration's program and the Finance Committee bill, these average income families will not even get a tax cut. When inflation and social security tax increases are taken into account. They will get no tax cut at all. They will get a tax increase.

A family earning $20,000 a year gets tax relief of only $1,000 over the next 3 years—not even enough to offset inflation and social security tax increases.

But if you have investment of $500,000 a year, you get a tax cut worth $50,000 or $60,000 in each of those 3 years. Individuals with $500,000 in income, will get $175,000 in tax cuts over the next 3 years—while the family that earns $20,000 a year, the basic median family in this country, gets only $1,000. That

is not fair, and that is why I oppose the Reagan plan of tax relief only for the rich.

In the 19 years that I have been in the Senate, we have seen tax reduction programs on many different occasions. But no other tax cut was as unfair as this one. This is the largest tax cut in our history. It is the largest tax cut in our history. And it is the most unfair tax cut in our history. It is a bloated bonanza for the wealthiest individuals in this country, and it gives only crumbs in tax relief for the middle-income families, the working class families, and the neediest people in this society.

There is a pervasive misunderstanding about the reality of the administration's tax cuts. The President says he is cutting taxes for everyone. But half the country is not getting a tax cut at all. They are getting a tax increase, because of the burden of rising inflation and rising social security taxes. The Reagan-Kemp-Roth plan gives a real tax cut to only some taxpayers. And the richer you are, the more you get.

But if you are earning $20,000 a year or less, you do not get a real tax cut at all. No matter how the administration tries to present its case, these facts tell the true story. Only if the Bumpers-Kennedy amendment is adopted will middle-income and low-income families get the tax relief the administration has promised.

The administration is trying hard to persuade middle-income families that they are the real beneficiaries of this bill. But nothing can get around the fundamental facts that this tax program is skewed to the most powerful individuals and the wealthiest individuals in this country, and that it shortchanges everyone else.

The Bumpers-Kennedy amendment corrects this basic injustice in the President's plan. This may well be the last chance for the Senate to provide some degree of real tax relief to middle-income families. We take away nothing from the upper-income brackets. The upper income brackets are going to receive their tax relief. But let us make sure that, for middle-income individuals, the $20,000 a year worker in this country the family of four, let us make sure that they are going to receive a tax cut, too. They are not receiving it under the proposal that is before the Senate.

We are adding additional tax relief to the bill. But included in the amendment which has been offered by Senator BUMPERS and myself are these words: "It is the sense of the Senate that the total tax reduction in this legislation, including the additional tax reductions provided by amendments adopted by the Senate, shall not exceed the total tax reductions contained in the bill reported to the Senate by the Senate Committee on Finance. The Senate conferees are instructed to reconcile the provisions for tax reductions to meet this requirement."

We are committed to the principle that the total reductions in this bill will not exceed the amount that came out of the Finance Committee. The conferees will implement that principle, which is stated specifically in our amendment. I hope the Senate will accept the amendment.

I withhold the remainder of the time.

The PRESIDING OFFICER. Who yields time?

Mr. LONG. Mr. President, I yield myself such time as I may require, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, I yield myself such time as I may require.

I see the chairman of the Finance Committee is in the Chamber at this time.

I just wanted to express the appreciation of the Senator from Arkansas and myself for the support of this concept back in 1978. I hope that the same good judgment he showed at that time will apply to the current amendment.

Mr. DOLE. I appreciate it very much. In fact I am sorry I missed the statements of both Senators. I was very honestly in conference on another amendment we are trying to negotiate with the Senator from Massachusetts. I hope it was not lost time.

Mr. KENNEDY. I am surprised the Senator still did not hear it.

Mr. DOLE. I like the charts. I do not understand the numbers.

But I would just say again that this is a basic departure from the President's plan and I certainly understand it is well-intentioned, if misdirected.

Mr. President, this amendment is similar to that offered by the Senator from New Jersey. The amendment would offer a 3-year tax cut for individuals as in the President's program and the Finance Committee bill. The difference is that the cut would also be redistributive: it would attempt to skew the tax cut toward low-income groups, allegedly affected most by inflation and social security increases. In this case, that means taxpayers with incomes of $20,000 or less. Some of the tax cut would be shifted each year from taxpayers above that cutoff point to taxpayers below that level. The changes are made primarily by increasing the standard deduction and the earned income credit.

Mr. President, I will say that this is a very straightforward, simple amendment. The Senator asks us to engage in income redistribution rather than across-the-board rate cuts. The President, and the Finance Committee, have made a commitment to an across-the-board tax cut. They have done so in the expectation that such a cut will restore incentives to work, save, and invest, and help get the economy moving. To the extent the individual tax cut is artificially structured to help this group or that—as the Senators propose—it sacrifices those goals and runs a greater risk of merely stimulating demand and fueling inflation. The latest reports show good news on the inflation front, but that does not mean that we should cease to be concerned about the threat of renewed inflation.

This may be a well-intentioned amendment but it is misdirected. The cost for directing more dollars and a greater percentage cut to the lowest income groups is to sacrifice the across-the-board principle, and the across-the-board cut is what we are counting on to increase productivity and savings in the economy. I do not think that change is worth the price, particularly if it means more demand-fueled inflation that will eat away at the value of those extra dollars of tax reduction.

In addition, this amendment would cost an additional $13.3 billion over the next 3 years. This must come out of some other part of the bill.

Mr. President, there are many ways to skew a tax reduction proposal to favor certain groups. We hoped to avoid that in this bill, and we have succeeded so far with respect to individual rate cuts. There are some in the other body who would prefer to give more to commodity traders, or to $5 million estates, or to oil producers generating 500 barrels a day. Those are all examples of skewing that are not in our bill. But if we want equitable, across-the-board, sustained tax relief, the Finance Committee bill—and the President's proposal—are a superior alternative. I am confident that the Senate will continue to express its preference for a better product.

I do not think we should extend the debate any further.

I am ready to have a vote. Do Senators wish an up and down vote?

I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Massachusetts. On this question the yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

Mr. CRANSTON. I announce that the Senator from Vermont (Mr. LEAHY) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators who have yet to vote?

The result was announced—yeas 22, nays 76, as follows:

[Rollcall Vote No. 213 Leg.]

YEAS—22

Baucus	Inouye	Pryor
Biden	Jackson	Randolph
Bumpers	Kennedy	Riegle
Cranston	Levin	Sarbanes
Dodd	Matsunaga	Tsongas
Eagleton	Metzenbaum	Williams
Glenn	Mitchell	
Hart	Proxmire	

NAYS—76

Abdnor	Exon	Moynihan
Andrews	Ford	Murkowski
Armstrong	Goldwater	Nickles
Baker	Gorton	Nunn
Bentsen	Grassley	Packwood
Boren	Hatch	Pell
Boschwitz	Hatfield	Percy
Bradley	Hawkins	Pressler
Burdick	Hayakawa	Quayle
Byrd, Harry F., Jr.	Heflin	Roth
	Heinz	Rudman
Byrd, Robert C.	Helms	Sasser
Cannon	Hollings	Schmitt
Chafee	Huddleston	Simpson
Chiles	Humphrey	Specter
Cochran	Jepsen	Stafford
Cohen	Johnston	Stennis
D'Amato	Kassebaum	Stevens
Danforth	Kasten	Symms
DeConcini	Laxalt	Thurmond
Denton	Long	Tower
Dixon	Lugar	Wallop
Dole	Mathias	Warner
Domenici	Mattingly	Weicker
Durenberger	McClure	Zorinsky
East	Melcher	

NOT VOTING—2

Garn	Leahy

So Mr. BUMPERS' amendment (UP No. 267) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The amendment of the Senator from Kansas is the pending business.

Mr. DOLE. Mr. President, I ask unanimous consent that that amendment be temporarily laid aside. I understand the Senator from Colorado wants to proceed with this amendment.

UP AMENDMENT NO. 268

(Purpose: To replace individual rate reductions with indexing of such rates)

Mr. HART. Mr. President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Colorado (Mr. HART) proposes an unprinted amendment numbered 268.

Mr. HART. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER (Mr. EAST). Without objection, it is so ordered.

The amendment is as follows:

On page 4, beginning with line 10, strike out all through page 26, line 2, and insert in lieu thereof the following:

INDEXING OF INDIVIDUAL INCOME TAX RATES, ETC.

SEC. 101. (a) ADJUSTMENTS TO INDIVIDUAL INCOME TAX RATES.—Section 1 (relating to tax imposed) is amended by adding at the end thereof the following new subsection:

"(f) ADJUSTMENTS IN TAX TABLES SO THAT INFLATION WILL NOT RESULT IN TAX INCREASES.—

"(1) IN GENERAL.—Not later than December 15 of 1981 and each subsequent calendar year, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in subsections (a), (b), (c), (d), and (e) with respect to taxable years beginning in the succeeding calendar year.

"(2) METHOD OF PRESCRIBING TABLES.—The table which under paragraph (1) is to apply in lieu of the table contained in subsection (a), (b), (c), (d), or (e), as the case may be with respect to taxable years beginning in any calender year shall be prescribed—

"(A) by increasing—

"(i) the maximum dollar amount on which no tax is imposed under such table, and

"(ii) the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed under such table,

by the cost-of-living adjustment for such calender year,

"(B) by not changing the rate applicable to any rate bracket as adjusted under subparagraph (A) (ii), and

"(C) by adjusting the amounts setting forth the tax to the extent necessary to reflect the adjustments in the rate brackets.

If any increase determined under subparagraph (A) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10 (or if such increase is a multiple of $5, such increase shall be increased to the next highest multiple of $10).

"(3) COST-OF-LIVING ADJUSTMENT.—For purposes of paragraph (2), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

"(A) the CPI for the preceding calendar year, exceeds

"(B) the CPI for the calendar year 1980.

"(4) CPI FOR ANY CALENDAR YEAR.—For purposes of paragraph (3), the CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of such calendar year.

"(5) CONSUMER PRICE INDEX.—For purposes of paragraph (4), the term 'Consumer Price Index' means the Consumer Price Index for all urban consumers published by the Department of Labor.".

(b) DEFINITION OF ZERO BRACKET AMOUNT.—Subsection (d) of section 63 (defining zero bracket amount) is amended to read as follows:

"(d) ZERO BRACKET AMOUNT.—For purposes of this subtitle, the term 'zero bracket amount' means—

"(1) in the case of an individual to whom subsection (a), (b), (c), or (d) of section 1 applies, the maximum amount of taxable income on which no tax is imposed by the applicable subsection of section 1, or

"(2) zero in any other case.".

(C) PERSONAL EXEMPTIONS.—

(1) GENERAL RULE.—Section 151 (relating to allowance of deductions for personal exemptions) is amended by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount".

(2) EXEMPTION AMOUNT.—Section 151 is amended by adding at the end thereof the following new subsection:

"(f) EXEMPTION AMOUNT.—For purposes of this section, the term 'exemption amount' means, with respect to any taxable year, $1,000 increased by an amount equal to $1,000 multiplied by the cost-of-living adjustment (as defined in section 1(f)(3)) for the calendar year in which the taxable year begins. If the amount determined under the preceding sentence is not a multiple of $10, such amount shall be rounded to the nearest multiple of $10 (or if such amount is a multiple of $5, such amount shall be increased to the next highest multiple of $10).".

(d) RETURN REQUIREMENTS.—

(1) AMENDMENTS TO SECTION 6012.—

(A) Clause (i) of section 6012(a)(1)(A) is amended by striking out "$3,300" and inserting in lieu thereof "the sum of the exemption amount plus the zero bracket amount applicable to such an individual".

(B) Clause (ii) of section 6012(a)(1)(A) is amended by striking out "$4,400" and inserting in lieu thereof "the sum of the exemption amount plus the zero bracket amount applicable to such an individual".

(C) Clause (iii) of section 6012(a)(1)(A) is amended by striking out "$5,400" and inserting in lieu thereof "the sum of twice the exemption amount plus the zero bracket amount applicable to a joint return".

(D) Paragraph (1) of section 6012(a) is amended by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount".

(E) Paragraph (1) of section 6012(a) is amended by adding at the end thereof the following new subparagraph:

"(D) For purposes of this paragraph—

"(i) The term 'zero bracket amount' has the meaning given to such term by section 63(d).

"(ii) The term 'exemption amount' has the meaning given to such term by section 151(f).".

(2) AMENDMENTS TO SECTION 6013.—Subparagraph (A) of section 6013(b)(3) is amended—

(A) by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount",

(B) by striking out "$2,000" each place it appears and inserting in lieu thereof "twice the exemption amount", and

(C) by adding at the end thereof the following new sentence: "For purposes of this subparagraph, the term 'exemption amount' has the meaning given to such term by section 151(f).".

(e) WITHHOLDING TABLES.—

(1) DETERMINATION OF WITHHOLDING.—Section 3402(a) (relating to requirement of withholding income tax at source) is amended to read as follows:

"(a) REQUIREMENT OF WITHHOLDING.—

"(1) IN GENERAL.—Except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Any tables or procedures prescribed under this paragraph shall—

"(A) apply with respect to the amount of wages paid during such periods as the Secretary may prescribe, and

"(B) be in such form, and provide for such amounts to be deducted and withheld, as the Secretary determines to be most appropriate to carry out the purposes of this chapter and to reflect the provisions of chapter 1 applicable to such periods.

"(2) AMOUNT OF WAGES.—For purposes of applying tables or procedures prescribed under paragraph (1), the term 'the amount of wages' means the amount by which the wages exceed the number of withholding exemptions claimed multiplied by the amount of one such exemption. The amount of each withholding exemption shall be equal to the amount of one personal exemption provided in section 151(b), prorated to the payroll period. The maximum number of withholding exemptions permitted shall be calculated in accordance with regulations prescribed by the Secretary under this section, taking into account any reduction in withholding to which an employee is entitled under this section.".

(2) WAGES PAID FOR PERIOD LESS THAN 1 WEEK.—Section 3402(b) (relating to the percentage method of withholding) is amended—

(A) by striking out paragraph (1), and redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively; and

(B) by striking out paragraph (3), as redesignated by subparagraph (A), and inserting in lieu thereof the following:

"(3) In any case in which the period, or the time described in paragraph (2), in respect of any wages is less than one week, the Secretary, under regulations prescribed by him, may authorize an employer to compute the tax to be deducted and withheld as if the aggregate of the wages paid to the em-

ployee during the calendar week were paid for a weekly payroll period.".

(3) ZERO BRACKET AMOUNT.—Paragraph (1)(G) of section 3402(f) (relating to withholding exemptions) is amended by inserting "(or more than one exemption if so prescribed by the Secretary)" after "one exemption".

(4) CHANGES IN WITHHOLDING.—Section 3402(i) (relating to additional withholding) is amended to read as follows:

"(i) CHANGES IN WITHHOLDING.—

"(1) IN GENERAL.—The Secretary may by regulations provide for increases or decreases in the amount of withholding otherwise required under this section in cases where the employee requests such change.

"(2) TREATMENT AS TAX.—Any increased withholding under paragraph (1) shall for all purposes be considered tax required to be deducted and withheld under this chapter.".

(5) WITHHOLDING ALLOWANCES.—

(A) IN GENERAL.—Paragraph (1) of section 3402(m) (relating to withholding allowances based on itemized deductions) is amended to read as follows:

"(1) GENERAL RULE.—Under regulations prescribed by the Secretary, an employee shall be entitled to additional withholding allowances or additional reductions in withholding under this subsection. In determining the number of additional withholding allowances or the amount of additional reductions in withholding under this subsection, the employee may take into account—

"(A) the excess of his estimated itemized deductions or other estimated deductions (as prescribed by the Secretary) over his zero bracket amount (as defined in section 63(d)),

"(B) such tax credits to which he is entitled as specified in the regulations prescribed by the Secretary, and

"(C) such additional items as specified in the regulations by the Secretary.".

(B) TABLES.—Paragraph (4) of section 3402(m) is amended to read as follows:

"(4) AUTHORITY TO PRESCRIBE TABLES.—The Secretary may prescribe tables or computational procedures pursuant to which employees shall determine the number of withholding allowances or the amount of reduced withholding to which the employees are entitled under this subsection.".

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

On page 25, line 3, strike out "103" and insert in lieu thereof "102".

Mr. HART. Mr. President, earlier in the consideration of this bill, the Senate adopted an amendment, which I strongly supported to provide for indexing of personal income taxes in 1985. Fifty-seven Senators support this amendment.

Therefore, they went on record favoring the concept of indexation in the personal income tax code. If tax indexing is right in 1985, Mr. President, it is right today.

The amendment I am offering substitutes indexing of personal income taxes for the personal income tax cuts provided by the Senate Finance Committee bill. Indexing is a good public policy for several reasons. The tax indexing provided by this amendment represents a tax reduction that is less inflationary and more fairly distributed than the Senate Finance Committee proposal.

If our objective is to reduce taxes in a way that will protect taxpayers from inflation and allow wiser decisions about long range savings and investment, then indexing is our most effective tool. By automatically adjusting income tax brackets for inflation, indexing would prevent increases in a taxpayer's liability when the taxpayer has had no increase in real income.

The chairman of the Senate Finance Committee said it best during debate on indexing earlier this week:

While Congress periodically cuts taxes and offsets much of the inflation increase, those adjustments have not compensated all taxpayers equitably across the income scale. . . . The Committee concluded that built-in adjustments for inflation in the individual income tax would be a preferable means of stabilizing the tax burden for most taxpayers, and would be consistent with the goals of administrative simplicity and equity in the tax code.

Mr. President, indexing is essential if we are to have a tax system based on equity. Congress has a responsibility to act now so that future inflation does not increase the average American's tax bill when there has been no real increase in his income. It is fundamentally wrong for the U.S. Treasury to be reaping a windfall in increased revenues each year without ever having to enact a tax bill, or to undertake the very difficult political judgment of increasing taxes.

The hidden tax increase caused by inflation is a dramatic example of taxation without legislation.

Mr. President, let me cite just a few examples of how much revenue will go to the Federal Government in the next few years because of inflation induced tax increases:

In fiscal year 1982, the Federal Treasury will reap a windfall of $14.6 billion because of the bracket creep caused by inflation.

In fiscal year 1983, the Federal Treasury will take in $39 billion in additional taxes because of the hidden inflation tax.

And in fiscal year 1984, the Federal Government will receive $67.8 billion worth of taxes never expressly legislated by Congress.

Mr. President, to remedy the perverse and automatic response to the rising cost of living embodied in the hidden inflation tax, we must begin indexing in 1982, not 1985.

This Senate has gone on record in support of tax indexing in 1985. Those Senators who supported indexing and believe it to be a necessary and sound remedy to inflation-caused tax increases, should support this amendment. My indexing amendment represents a tax reduction for millions of Americans that is less expensive, less inflationary, and more fairly distributed than the Finance Committee tax cut.

Mr. President, a number of my colleagues have gone on record in support of the concept of indexing and have supported strongly and vigorously on this floor the idea of indexing the tax cut.

Earlier in our debate, the distinguished Senator from Minnesota (Mr. DURENBERGER) said:

Mr. President, none of the tax reform measures we have considered this week are as desperately needed, or as long overdue, as the tax indexing.

My distinguished colleague from the State of Colorado (Mr. ARMSTRONG), who has long been a proponent of tax indexing, has said:

Indexing is the cure for these economic ills. Indexing permanently reduces tax rates, prevents the Federal Government from profiting from the inflation it creates, is honest, is a true tax reform, creates tax certainty, and stops taxflation cold.

The distinguished Senator from Kansas, who is chairman of the Senate Finance Committee (Mr. DOLE), said indexing is—

a major step forward as Congress reasserts its control over tax and fiscal policy. For too long we have allowed inflation to dictate tax rates and blot Federal spending.

Mr. President, the list goes on and on of statements by supporters of the amendment earlier this week with the concept of tax indexing. This amendment simply permits those who believe in that concept to advance their support by some 4 years.

Mr. President, the tax reduction provided by indexing from 1982 through 1984 has nearly $90 billion less Treasury impact than the Finance Committee tax cut. For example, in the year 1982, tax indexing would have an impact of $14.6 billion in reduced revenues compared to the Finance Committee tax cut of $26.8 billion. Tax indexing in fiscal year 1983 would cost the Treasury $39 billion compared to the Finance Committee tax cut of $70.6 billion. Tax indexing in fiscal 1984 would have a negative impact on Treasury revenues of $67.8 billion compared to the Finance Committee tax cut of $114.1 billion.

Mr. President, over the 3-year period which this amendment would affect—1982, 1983, and 1984—the impact on the Federal Treasury by indexation would be less than the revenue measure proposed by the Finance Committee to the tune of over $70 billion. That would enhance the possibility of the Congress and this Government to balance the Federal Government by that amount over the next 3 years. Therefore in the interest of a balanced budget, this amendment goes much farther in that direction than the Finance Committee bill.

In addition, Mr. President, the tax reduction provided by indexing in 1982, 1983, 1984 would be more fairly distributed than that of the committee bill. For example, in the Finance Committee bill, 32.6 percent, almost one-third, is directed to those with incomes of $50,000 or more. With tax indexing, less than one-quarter—23.5 percent—of the benefits of the tax reduction would be directed toward those of a similar income level, $50,000 or more, and a full 77 percent of those tax reduction benefits would go to those with incomes under $50,000.

To take another example, the Finance Committee targets about 37 or 38 percent of its tax cut to those with incomes of $30,000 or less. This indexing proposal that I have submitted targets almost 50 percent of the tax rate reduction to the $30,000 and below income brackets. Mr. President, as these statistics demonstrate, personal income tax indexing, beginning in 1982, would not only have less

budget impact and therefore be less inflationary than the committee's tax cut but would also be more fairly distributed to those in the middle and lower income classes.

Over the past several days, as we have approached the issue of tax indexation, some have made arguments that we should not go down this road. For example, some have argued that tax indexing has greater benefits for those in upper income brackets than in lower. As I have already indicated, the statistics and the facts are otherwise. Mr. President, I ask unanimous consent to have printed two tables prepared by the Joint Tax Committee which demonstrate that, in fact, indexation of the tax code would benefit those in the lower- and middle-income brackets more than it would those in the upper income brackets.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 3.—TAX INCREASES FROM INFLATION: [1] AGGREGATE TOTAL AND PERCENT OF INCOME TAX LIABILITY UNDER PRESENT LAW BY INCOME CLASS (1981 INCOME LEVEL)

Expanded income (thousands)	Aggregate total (millions)	Percent of income tax liability
Below $5	$168	[2]
$5 to $10	1,232	19.3
$10 to $15	1,365	8.4
$15 to $20	1,570	6.8
$20 to $30	3,703	6.3
$30 to $50	5,268	6.1
$50 to $100	2,781	5.4
$100 to $200	771	3.2
$200 and over	253	1.2
Total	17,110	6.0

[1] Revenue gain from not adjusting personal exemption, earned income credit, zero bracket amount, and rate brackets by 9.14 percent.
[2] Individual income tax liability is negative for this group because earned income credits exceed tax.

TABLE 4.—SCHEDULED TAX INCREASES FOR 1981: AGGREGATE CHANGE IN REVENUE AND AS PERCENT OF TAX LIABILITY AND AFTER-TAX INCOME, BY INCOME CLASS (1981 INCOME LEVEL)

Expanded income [1] (thousands)	Aggregate change in revenue (millions)					Total increase as percent of tax liability	Total increase as percent of after-tax income
	Inflation increase [2]	Interest and dividend exclusion [3]	Net income tax increase	Employee and self-employed social security increase [4]	Total increase		
Below $5	$168	−$25	$143	$228	$371	[5]	1.0
$5 to $10	1,232	−141	1,091	530	1,621	25.4	1.5
$10 to $15	1,365	−208	1,157	742	1,899	11.6	1.4
$15 to $20	1,570	−222	1,348	880	2,228	9.7	1.4
$20 to $30	3,703	−564	3,139	2,011	5,150	8.8	1.5
$30 to $50	5,268	−862	4,406	2,692	7,098	8.3	1.8
$50 to $100	2,781	−391	2,390	926	3,316	6.4	1.9
$100 to $200	771	−83	688	175	863	3.6	1.5
$200 and over	253	−21	232	44	276	1.3	.6
Total	17,110	−2,517	14,593	8,227	22,820	8.0	1.6

[1] Expanded income is equal to adjusted gross income plus excluded capital gains and various tax preference items less the smaller of investment interest paid or investment income.
[2] Revenue gain from not adjusting personal exemption, earned income credit, zero bracket amount, and rate brackets by 9.14 percent.
[3] Revenue loss from expanding the $100 dividend exclusion to the $200 interest and dividend exclusion.
[4] Revenue gain resulting from ad hoc increase in the wage base (to $29,700) above what would occur under indexing ($28,200), and from increase in rate to 6.65 from 6.13 percent for employees and to 9.3 from 8.1 percent for the self-employed.
[5] Individual income tax liability is negative for this group because earned income credits exceed tax.

Mr. HART. Further, Mr. President, I ask unanimous consent to have printed a similar table that demonstrates statistically that the budget impact from indexation in the next 3 years is some $70 billion less than the Finance Committee bill.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 10.—COMPARISON OF AGGREGATE REVENUE LOSS OF ADMINISTRATION PROPOSAL, INDEXING, AND REPEAL OF SOCIAL SECURITY INCREASES [1]

[In billions of dollars]

	Calendar year liabilities						Fiscal year receipts					
	1981	1982	1983	1984	1985	1986	1981	1982	1983	1984	1985	1986
Indexing [2]	8.9	31.5	57.0	87.5	123.6	166.1	3.2	25.1	47.2	75.8	109.7	149.7
Repeal 1981 social security increase [3]	7.4	16.0	17.7	20.0	21.8	24.4	2.9	15.6	17.2	19.1	21.1	23.5
Total	16.3	47.5	74.7	107.5	145.4	190.5	6.1	40.7	64.4	94.9	130.8	173.2
Administration proposal	14.6	48.7	92.9	129.8	152.8	178.9	6.4	43.9	80.8	119.8	146.6	171.9

[1] July 1, 1981, effective date assumed for all proposals.
[2] Adjustment of the personal exemption, the earned income credit, rate brackets, and the zero bracket amount by the rate of growth of the GNP deflator over the preceding fiscal year. The following inflation rates were assumed for fiscal years 1980 through 1985: 9.14, 10.38, 8.53, 8.07, and 7.51 percent, respectively. The revenue estimate for 1981 assumes an adjustment for half the first year's inflation, i.e., 4.57 percent.
[3] Repeal of 1981 ad hoc base increase above what would occur under indexing and 1981 increase in rate. Figures include employer portion of tax.

Mr. HART. Mr. President, it has been argued that indexation would put handcuffs or a stranglehold on the Treasury, would legislate inflexibility, would take away Congress ability to legislate either increases in domestic programs or increases in our defense budget. The facts are otherwise. A Congress, at any time that it decides it is in the national interest, can vote a tax increase. That may be laughable in some political circles because of the negative effects politically of voting for a tax increase, particularly in these days. Mr. President, what is in the interest of maintaining and organizing a democracy but taking the case for national priorities to the American people? That is, in effect, what I think tax indexation would require.

If we, for example, wanted to vote increases in social security in good time but that was going to require additional revenues that we would otherwise be receiving from bracket creep and inflation, why not take that issue by way of mandate to the American people and actually propose an increase in taxes to pay for that program?

To the contrary, if we decide we need to spend, in a 4- to 5-year period, $1 trillion additional funds for our national security, we can cut the budget and take the money from other domestic programs as this administration has proposed and still come up short, as I think we will and as I think the data suggests for the next few years, to pay the bill for increased defense. We have another option and that is to go to the American people and tell them bluntly, frankly and candidly that we think it is in the Nation's interest to increase expenditures for national defense and we are going to pay for it, pay for it above the table, with a tax increase if necessary to balance the Federal budget and pay the defense increase, and not below the table because of inflation-caused bracket creep and unlegislated taxation.

Others have argued, including the very distinguished Senator from Louisiana,

the expert on revenues (Mr. LONG), that this would eliminate political judgments, that it takes out of the hands of legislators the options that are available to us and that we are really elected to vote for. I think to the contrary, Mr. President. I think if Members of Congress were forced to go to the American people and say, "We don't have enough tax revenues, we are going to have to raise your taxes and we believe they should be raised," either for some domestic or some defense agenda, then we take the case directly to our constituents. We are trusting the American people. We are not asking them to give us a blindly-authorized arbitrary tax increase caused by inflation that we alone have the judgment to determine how it should be spent. We are going to the American people, either as an administration or as Members of Congress, and saying, "If we adopt this list of priorities, whether it is a domestic list of spending priorities or a defense or national list of priorities, here is what it will cost you in increased taxation. You tell us whether you think it is worth it."

Mr. President, since the rate of inflation went up almost a decade ago, the Government of the United States has realized tens of billions of dollars in windfall taxation. Given that windfall taxation, we have not had to make hard choices. I must say that even this administration, which has told the American people that it is making hard choices, has not really done so. It has cut some programs to provide funding for others that are its priority and are on its agenda, but it is not taking that case to the American people and saying, "If we want a balanced budget and if we want increased defense spending, taxes must go up, and we will have to vote for those tax increases."

Instead, we are going to accept bracket creep and not have tax indexation and a fair and just tax system for 3 or 4 more years.

Mr. President, I do not think that is being candid with the American people, and I do not believe it is fair.

We have seen a record created in the last 3 or 4 days by a majority of Members of the Senate, some very visibly and very vocally on the floor of the Senate, as to why tax indexation is a good thing, why it is important to maintain a democracy, why it is important not to collect moneys we have not voted for, and I subscribe to every one of those arguments. But if those arguments are valid, they are valid in 1984, 1983, and 1982.

Tax indexation is not an economic measure. It is a tax reform measure. It is a tax justice measure. It is a measure designed to support and strengthen the democracy.

We should not have taxes that are not legislated, and that is the system we have presently, in a high inflation period.

Mr. President, based on all these arguments and all these contentions, I hope those who voted in the majority the last time for tax indexation in 1985 will see their way clear, for all the same reasons, to vote for tax indexing in 1982, 1983, and 1984.

I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. WALLOP. I yield myself such time as I may use.

Mr. President, the Senator from Colorado, in proposing his amendment, makes an interesting argument, but he makes an argument we have continued to hear from the Democratic Party, and that is that they are against stabilizing the tax system and providing real tax decreases for Americans.

In effect, what this would do would be to ratify the unjust circumstances that bring us to the floor of the Senate and to the consciousness of America today and have made tax reform and tax legislation a matter of wide political commentary and discussion.

To index now and fail to make the adjustments in the tax structure that are proposed by the Finance measure and proposed by a majority of Republicans and Democrats in that committee is to say to the American people, in essence, "You have recognized, by subscribing to the debate, that there is a need for tax reform, but we are not going to give it to you. We are just going to index what is in place and unfair today."

I do not believe that is what brings us here. To say that this would be less of an impact on the budget is to admit to the American people that those tax increases, those radical tax increases, which have been scheduled in income taxes and in social security taxes, are given the stamp of approval of the Senate and Congress; that we are going to have all those tax increases, the high taxes that bring us here, and we are going to ratify that out into time by merely indexing it.

I do not believe that is what the argument is all about. The argument is about trying to achieve some real reductions for Amreicans in a tax burden which is too heavy. I believe everybody feels that it is too heavy. It is too heavy because we have had too great an appetite to fund programs and unfund deficits. It really does not do anything about the rate of inflation that is created by a tax burden that is already overpowering. That is the problem with the suggestion of the Senator from Colorado.

Part and parcel of the President's economic program is first, the reduction in spending and second, a real, honest-to-God tax cut for Americans over the course of the next 3 years, to put them in front of the curve of inflation; and part of fighting inflation is to put money, earned money, into the hands of wage earners. This does not do that. This simply ratifies the position in which the country finds itself today, which lends credibility to the argument about the need for a tax cut.

So I have to oppose the amendment. Also, it does one other thing that I believe is wrong. If the Senator has at all followed the discussions in the Finance Committee and some of those on the floor, he must realize that part of the need to delay the indexing proposal is to deal with the indexing itself: the index that takes the rise in the price of Scotch whiskey and adds it to the cost of living, the rise in all kinds of other things which are not part and parcel of necessity for a standard of living in this country. They are a standard of luxury, but they go into that index.

We simply cannot ratify the means by which we adjust the cost of living by going into tax indexing on that basis right now.

The cost-of-living indexing absolutely has to be dealt with and we have time to deal with it in a rational way and to make real, honest-to-God judgments as to what is the cost of living. There is opposition, as the Senator well knows, to making rational judgments in the cost-of-living index because they come from labor, whose contracts are tied to that index, and they want everything that is inflationary on that thing, because it has a direct and immediate benefit to wage contracts that are based on that index.

The Senate, Congress, and the United States have some major and serious problems to resolve before the indexing is a valid standard, anyway; and the indexing tied to the present means of computing the cost-of-living index is not a valid standard. It is not valid for the United States as a government, and it certainly is not valid as a means to base a present tax reform, as the Senator from Colorado suggests.

For that reason, plus the fact that it ratifies the inequitable tax burden that brings us here and brings legitimacy to the argument for the need for a tax cut, we have to oppose the amendment.

I reserve the remainder of my time.

Mr. HART. Mr. President, I ask unanimous consent that the name of the Senator from Arizona (Mr. DECONCINI) be added as a cosponsor of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HART. Mr. President, I will yield in a moment to the Senator from Arizona for remarks he may make in connection with this amendment. However, I wish to respond, first, to the Senator from Wyoming.

He says this amendment would ratify current injustice and would do nothing about the inflation that has brought us here today. This amendment, I will confess, is not an amendment to solve the problem of inflation. However, I believe that the Senator from Wyoming and many others, on both sides of the aisle, have said that the cause of inflation is budget deficits.

This amendment will have $70 billion less negative budget impact over the next 3 years than the one he supports. So if we are worried about inflation, let us balance the Federal budget. Let us not cause $70 billion more deficit in the next 3 years.

If the Senator from Wyoming or anyone else can explain to me, with any degree of cogency and persuasiveness, how increasing the Federal debt is going to do something about inflation, I would like to hear it.

I will confess that this amendment is not designed to solve the problem of inflation, but I submit, further, that the measure the Senator from Wyoming supports is designed to make it worse.

It is going to fuel the Federal debt

which is going to fuel Federal borrowing which is going to fuel inflation and keep interest rates high.

The Senator is right. This amendment is not going to solve the problem of inflation. But I say to our colleagues that the language in the committee bill is going to make it worse.

The time to change the tax structure is when this economy is on an even keel. If the price of changing the tax rates is to increase inflation, we have done very little for the American taxpayers and citizens.

Mr. President, what good does it do the average taxpayer to get a tax cut of $200 or $300 or $400, or even more, if at the same time the rate of inflation takes away $1,000, or $1,200, or $1,500 in spending power? We have done that taxpayer no good. We have done him or her harm.

We have yet to hear an argument by proponents of Kemp-Roth other than speculation, other than hope, that that money that is going to be returned in tax rate reductions is going to be saved and invested in a hilly inflationary period in a way that is going to return revenues to the Federal Treasury and close the budget gap by 1984, balance the Federal budget and thus reduce inflation.

Mr. President, I think the majority of the people in this country think that is nothing but a theory, think it is nothing but speculation, and they do not think it is going to work.

They know if their spending power is reduced by an amount of $1,000 or $1,500 and they get $200 or $300 back in taxes they are worse off rather than better off, and they are not going to invest that money. They are going to use it to pay their bills and to stay even. We are going to end up in 1983 or 1984 or 1985 with a huge Federal deficit, very high rate of inflation, and very high interest rates.

The question is in the meantime are we going to protect the taxpayers against the reason that we are here debating this issue today and that is an unfair and unjust and unlegislated tax increase?

Mr. President, I would bet my life savings on the fact that if we had indexed the tax code 10 years ago we would not be here debating this issue today. The American people know that their taxes have been increased unfairly, they know that Congress has not had the courage to vote a tax increase to pay our bills. And they know that all this mumbo-jumbo about tax cuts and rate reductions and pie-in-the-sky supply-side economics is nothing but more politics. In the meantime, they want a just and fair tax code.

The way we are going to get that is not some speculative economic theory. It is to index the brackets for personal income taxation, and that is what this amendment does.

No; the Senator from Wisconsin is absolutely correct. This amendment is not going to solve the problem of inflation. But it is also not going to make it worse.

Mr. President, I yield to the Senator from Arizona.

Mr. DECONCINI. Mr. President, I thank the Senator from Colorado, and let me compliment him on being one of the leaders in this body long before I got here on the necessity for indexing. There has been a lot of talk about it, just like there is a lot of talk about balancing the budget and then when it comes down to doing it do we have the courage to do it?

I am pleased to join my distinguished friend from Colorado, Senator HART, as cosponsor of this amendment. The rationale for adjusting the personal income tax system to offset the effects of inflation is well known. The issues involved have been thoroughly discussed on numerous occasions in this Chamber and, judging by last Wednesday's vote on the Dole amendment, a majority is now persuaded that the arguments in favor of indexing are, on balance, more compelling than those against, and that we should proceed. The only problem I have is that we have put this off for a long, long time.

This result, Mr. President, which I believe represents a new milestone in Federal tax policy, is due in no small part to the forceful and persistent advocacy of the indexing concept over the past several years by the distinguished chairman of the Finance Committee, Senator DOLE.

Those of us who have favored this change are in his debt for offering it many times on the floor since this Senator has been in the body.

Those of us who have favored this change are here now favoring it once again, at least I hope we will be.

No one has made the case for the tax indexing more effectively than the chairman of the Finance Committee. Indeed, Mr. President, I know of no better support for the pending amendment than the statement of the chairman with respect to a similar proposal on October 6, 1978.

I ask unanimous consent that a copy of that statement be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR DOLE, OCTOBER 6, 1978

Mr. DOLE. Mr. President, the No. 1 problem in our tax system is inflation. During periods of inflation, the net effect of the current tax system is to push low- and middle-income taxpayers into higher tax brackets, without any corresponding increase in the real purchasing power.

DOUBLE DIGIT INFLATION

Mr. President, it is certainly no secret that we are in the midst of an inflation crisis. During the last two quarters, the inflation rate in this country has been at double-digit levels. Yesterday, the administration announced that the wholesale price index increased at nine-tenths of 1 percent, which means we can expect more inflation in future months. The inflation rate for 1978 will be substantially higher than that over the previous year. In fact, the inflation rate under the Carter administration is almost twice as high as it was in the last year of the Ford administration.

TAXFLATION

Mr. President, taxflation is a cruel tax. As an individual earns more money to keep up with the continuing rise in the cost of living, he is pushed into a higher tax bracket. Although he receives an increase in his gross income, there is actually a decrease in his real purchasing power, because he must pay a greater percentage of his income in Federal taxes. Let me give you an example how tax inflation works. A taxpayer who earns $15,000 in 1978 will have to earn $16,200 in 1979 just to maintain his purchasing power with our 8 percent inflation rate. However, the taxpayer's real tax liability will be increased $260. An individual earning $30,000 will have to increase his income up to $32,400 just to stay even with inflation, but his tax bill will rise by $850. Taxflation is easy to understand and the Senator from Kansas believes it is easy to stop.

FINANCE COMMITTEE AMENDMENT

During the markup on the Revenue Act of 1978, I introduced a program to make periodic inflation adjustments in our tax system. My proposal, which is similar to the amendment pending today, called for an inflation adjustment for 2 years, effective 1980, to the personal exemption, the tax brackets, and the zero bracket amount. Unfortunately, the proposal was narrowly defeated.

INDEXING

Mr. President, periodic inflation adjustments to the tax system—indexing—would help neutralize the tax impact of inflation by maintaining the effective rate of taxation for any given income level at the rate originally legislated. The bill reported by the Finance Committee does not adequately protect taxpayers against tax increases caused by inflation.

UNLEGISLATED TAX HIKE

Taxflation is an automatic, unlegislated and unsigned tax hike that cheats the American worker. Government revenues increase at a greater rate than inflation. A report by the Joint Committee on Taxation estimated that a 10-percent inflation rate will increase Government revenues by 12.5-percent. Other economists have said that the windfall profit for the Government is even greater. Dr. Emil Sunley of the Department of the Treasury has stated that tax receipts increase by 1½ times as fast as the rate of inflation. According to the Congressional Budget Office, tax inflation will take as much as $45 billion in 1983 from the American taxpayer. We must put a stop to the effects of tax inflation. I believe that the appropriate vehicle is to adopt the amendment providing for an annual tax inflation adjustment.

INDEXING IS FAIR

Mr. President, there is no tax reform that is more important to the American taxpayer than the tax equalization amendment. Periodic inflation adjustment is fair. It is equitable. It is simple. It is an idea whose time has come.

TREASURY OPPOSITION

The Treasury Department told the Finance Committee in a hearing last April on a proposal which I introduced, S. 2738, the Tax Indexation Act of 1978, that there is no need to index the tax system, because Congress periodically reduces taxes. However, I say that the need for indexing has been underlined by congressional action that has enacted yearly tax cuts for the last 3 years. Now, we have another major tax bill before us. It is true that Congress has tried to keep tax inflation under control by periodically cutting taxes. However, this system has not worked. Furthermore, periodic reduction is deceiving. When the economy becomes too distorted by inflation and taxes are rising too rapidly, Congress tells the American taxpayer that it is going to reduce his taxes.

Congress pats itself on the back and gives itself credit for this "enlightened action." However, the taxpayer is usually in no better condition than if the taxflation were eliminated. The Senator from Kansas does not believe that we are fooling the American taxpayer.

NOT A TAX CUT

Mr. President, the legislation before the Senate is not a tax cut. This legislation is before the Senate, because tax inflation has put an onerous burden on the American tax-

payer. In effect, past tax reduction by Congress in the bill before the Senate is nothing more than a repeal of the automatic tax increases caused by inflation.

Mr. President, there are those in this Chamber who would say that indexing the tax system would be the acceptance of inflation. This, of course, is not true. The fact is, the Federal Government is the benefactor of tax inflation. It is the Federal Government that receives the yearly windfall bonus of tax inflation. Each year, the Government receives billions and billions of dollars in new revenue. I believe that this vested interest should stop.

Mr. President, indexing does not mean that Congress will not have the authority to reform the tax laws or to provide for real tax cuts. Indexing would mean that Congress would have to muster the political courage to raise the money to front new spending programs. Indexing would bring discipline back to the Federal budget process.

I might say this is an idea that has been around for some time. It is one Milton Friedman advanced some years ago. It was first called to my attention by our former distinguished colleague from New York, Senator Buckley. I remember going to a breakfast meeting with Milton Friedman and Senator Buckley some 4 years ago or more. One of the leaders in that effort was Senator Bob Taft, of Ohio. Senator Taft and Senator Buckley are no longer in this body, but other leaders have taken their places; and one who has been very active over the years has been the Senator from Michigan (Mr. GRIFFIN). It has been his efforts and initiative, and the efforts and initiative of the distinguished Senator from Massachusetts (Mr. BROOKE) and the distinguished Senator from Colorado (Mr. HART) that have kept the idea alive.

I think it is fair to predict—it may not happen today, but I would wager that within the next 4 or 5 or 6 years we are going to have indexing, because as more and more States adopt indexing, there will be more and more pressure upon the Members of Congress to do the same thing.

We have indexing in California, in a modified way. The distinguished Senator from Colorado has pointed out how well it is accepted in the State of Colorado. We have indexing in the State of Arizona. It is being considered by a number of other legislative leaders across the country.

It seems to me that one thing the American people understand—they know that taxes may be necessary, they know that inflation may not be desirable, but sometimes it happens, but it is pretty hard to understand or explain to the taxpayer why that taxpayer, man or woman or both, must pay taxes on inflation.

All we are suggesting is that starting in 1980—it does not affect this tax bill; we just suggest that starting in 1980, for a period of 4 years, we are going to index just three areas—not everything, but three areas.

For example, if we have a $1,000 personal exemption, as we will if this bill passes, as I assume it will, and the inflation rate should be 6 percent in 1979, then we would increase that personal exemption by $60. That is just how simple it is. I repeat, there have been a lot of examples given about what happens to the wage earner if he is making $15,000, with 8 percent inflation. The wage earner gets the cost-of-living increase and his income goes up to $16,200, but that is not all that goes up. The taxes go up. He does not have any more earning power, no more real dollars, but he gets a tax increase of 19 percent, and pays $260 more in taxes.

It just seems to me that, when we look at taxflation costing the American people $9 billion a year—we heard the distinguished Senator from Massachusetts this morning, in discussing his good amendment, say that we were not addressing the problem of inflation; we have heard our distinguished chairman on the floor indicate that we are probably going to take care of inflation and the increased social security costs and that is about all; we have heard our distinguished colleague from Delaware, the author of the so-called Roth-Kemp bill, discuss inflation and the need for substantial tax reduction—but I would just suggest that though this particular approach to tax relief has not gotten as much publicity and probably has not been talked about as much as other proposals, it has a great deal of merit. The American people understand it. There are not any curves. We are just saying, "You don't pay taxes on inflation."

As the Senator from Massachusetts pointed out, those who suffer the most are those at the lower end of the economic scale, and they will benefit most from this proposal, the Griffin-Brooke-Hart proposal.

So it seems to me that we have a real opportunity. We have a bipartisan opportunity. This matter was raised in a Republican administration, the Ford administration. We lost. We could not get the support of those who now tell us they cannot support it in the Treasury Department. They have not changed. The same people there make the basic decisions. They were there in the last administration, and they are there in this administration.

But now we have some precedents for indexing, because of an outstanding Member of Congress on the House side, Representative BILL ARCHER, from Texas. He offered an indexing proposal on capital gains, and it was adopted by a vote of almost 2 to 1 in the House of Representatives. So I suggest that Members of Congress understand indexing, and the American taxpayer understands inflation. The American taxpayer does not understand why he has to pay taxes on inflation, and all we say, "You just take out inflation and pay taxes on the rest."

For those who say that indexing takes away discipline, it does not take away the discipline. If we are going to have inflation, it is still going to inflate the cost of everything you buy. We just say that when it comes to paying taxes for the Federal Government, we are going to try to keep you whole.

It is going to be automatic. We are not going to have the ritual every year or every 2 years of Congress saying, "We are going to cut your taxes" when we do not cut your taxes. As I say, though we call this measure before us a tax cut bill, it is not a tax cut bill. Anybody who might be under the impression that he is going to get a tax cut, if he will just add up the total of what inflation will cost, along with the increase in social security costs next year, when you add that up and compare it with what you are going to get in a tax cut next year, if you break even you are lucky.

That is some help. I do not suggest that it is not a help, but it is not a generous act of the Government, because it is the taxpayers' money. But it will be of some help to the taxpayers.

I think it is time that we stopped the endless cycle of illusory tax cuts. We have had tax cuts for each of the past 3 years. If we could have a system of indexing, and we indexed the personal exemption, we indexed the tax brackets to take care of that so-called bracket creep, and we indexed the zero bracket, it seems to me that if we would do that we would address the problem.

Let me suggest that this is not a narrow position. It is not an effort to offend the President of the United States. It is not an effort to offend anyone on this floor. It has a number of cosponsors, including the Senator from Arizona who has just spoken (Mr. GOLDWATER), the Senator from Idaho (Mr. MCCLURE), the Senator from California (Mr. HAYAKAWA), the Senator from Missouri (Mr. DANFORTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from New Mexico (Mr. DOMENICI), the Senator from Minnesota (Mr. ANDERSON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Indiana (Mr. LUGAR), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from Arizona (Mr. DECONCINI), and the Senator from Oregon (Mr. MARK O. HATFIELD).

That is a rather broad-based group of Senators of different philosophical approaches, from different parts of the country, all concerned about taxes, all concerned about the proper way to address the problem.

Let me also add this, and then I will yield to the distinguished Senator from Wyoming.

Indexing is not a new concept. Sixty-three percent of all Federal expenditures are indexed, as are some of the current provisions in the Tax Code. Indexing takes place in the food stamp program, social security program, SSI, civil service salaries. Current pension tax laws are indexed, as is the excise tax on the use of oil and natural gas, currently pending in the tax conference, which may or may not become law. Indexing does help keep down Federal expenditures.

Canada, since adopting tax indexing, has experienced a decline in the real rate of Government spending. In Canada real growth in Federal spending declined from 15.9 percent in 1974 to 2.7 percent in 1976.

Indexing is simple. It does not complicate the tax laws. It applies to all taxpayers. All taxpayers suffer from inflation, so all taxpayers benefit from indexing.

Mr. President, I ask unanimous consent to have printed in the RECORD a very eloquent statement delivered by former Senator Jim Buckley in which he outlines his long-held views on indexing. The statement he made at the time is somewhat broader than the proposal before us, but I believe it indicates another former outstanding Member of this body who was known for his conscience of conservatism, a conscience regarding responsible spending, concern about a way to approach taxes and tax cuts with proper adjustments. I believe the statement might be of interest. I ask unanimous consent that it be made part of the RECORD following my remarks.

The PRESIDING OFFICER (Mr. PELL). Without objection, it is so ordered.

(See exhibit 1.)

Mr. DOLE. As far as this Senator is concerned all the points have been covered. I would just reemphasize that indexing is not complicated. It would help the taxpayers cope with some of the problems of inflation. It would eliminate the annual ritual in the Congress. It would end the congressional vested interest in the yearly taxflation windfall profits. Somebody has to pay when we have inflation and it is always the taxpayer. It is not the Government. The Government is the beneficiary. The chief beneficiary of inflation is the U.S. Government. I would hope that we would indicate by our vote that there is broad support for this concept.

EXHIBIT 1

STATEMENT OF JAMES L. BUCKLEY

I am pleased to have this opportunity to address the Finance Committee on a subject which I advocated for a great many years. While in the Senate, I was actively involved in the efforts to introduce indexing into the tax system. I continue to be committed to that objective.

S. 2738, the Tax Indexation Act of 1978, is similar to legislation that I proposed in the 94th Congress. Senator Dole has expanded the concept and made some improvements which I would like to discuss later. What needs to be addressed first is the major inequities that tax inflation introduces into the tax system.

During periods of inflation, the net effect

of the current system of taxation is to push low and middle-income taxpayers into higher tax brackets without any corresponding increase in their real purchasing power. Tying the Federal income tax to the cost-of-living index would help neutralize the tax impact of inflation by maintaining the effective rate of taxation for any given level of income at the rate originally legislated.

An example will illustrate the point. Suppose an individual is earning $10,000 per year in 1978 and that inflation averaged 7 percent per year for the next ten-years. If that taxpayer receives cost-of-living pay increases which keep pace with inflation, his income would be $20,000 in 1988. Yet, that $10,000 increase in income would not be able to buy any more than his lower salaries. In fact, his income would have less purchasing power because of the increase in Federal tax rates.

Assuming the taxpayer is the head of a typical family of four, he would be required to pay approximately 6 percent of his 1978 earnings in Federal income tax. However, because inflation would have the effect of lifting this same individual into ever higher tax brackets, by 1988 he would be required to pay over 13 percent of his earnings to the Federal Government. Thus, although his real income in terms of purchasing power remains unchanged, his increase in "money" income will cause him to pay more than twice as much in taxes leaving him poorer in 1988 despite a doubling of his dollar income.

Another point to make is that tax inflation has the most adverse effect on those in low and middle income tax brackets. An individual whose $100,000 is doubled to $200,000 in ten years would have his taxes increased from 43 percent to 54 percent.

I believe that Congress should enact appropriate legislation to protect the individual taxpayer from the consequences of inflation. The Government is principally responsible for inflation, yet, it is the only one whose income is not hurt by that inflation.

Indexing the tax system would eliminate this windfall profit for the U.S. Treasury. If Congress wants to spend more money in real terms, it should have to make the decision to tax people at higher rates to pay for the increased spending. The tax benefits from inflation in the present system are a disincentive for Congress to control inflation.

The most indefensible inequity of inflation is that the Government profits from the inflation it causes. Tax indexation would require Congress to show the political courage to vote for tax increases if new Government revenues are desired. Hopefully, this situation would make Congress less eager to spend the public's money.

Some have argued that indexing is in itself inflationary. Indexing does not in any way affect inflation nor does it imply a willingness to "live with" inflation. To lower inflation, other monetary and fiscal remedies should be pursued. What indexing can do is to reduce the adverse consequences of inflation for individuals and business while other anti-inflation efforts are put into effect. If indexing acts as a curb on congressional spending habits, that is an extra bonus that can only help in the fight against inflation.

The need for indexation has been underlined by congressional action in enacting yearly tax reductions for the past three years. Passage of indexing legislation would bring stability to our tax system. Taxpayers, both individual and corporate, would not have to wait for Congress to act to offset the bigger bite of inflation. No more would American taxpayers be bounced up and down by the yearly game of tax increase/tax reduction.

The need for indexing is emphasized by the administration's tax program. President Carter's tax proposal has been billed as an offset for higher social security taxes and inflation. However, the President failed to tell us that his tax cut would only keep many Americans even and then only for a short time.

The Congressional Budget Office has predicted that Tax inflation will swell the U.S. Treasury by $45 billion in 1983. The President's tax cut will barely make a dent in that figure. Even if adopted in its present form, the President's package would leave the vast majority of Americans paying more taxes than they are now.

S. 2738 is an excellent first step to take in adoption of indexing for our tax system. The bill indexes the most important sections of the tax code. Under S. 2738, the zero bracket amount, the tax rate tables, the personal exemption, the corporate surtax exemption, individual retirement accounts and Keogh contributions, the gift exclusion, the unified estate credit, the general tax credit, the earned income tax credit, the tax credit for the elderly, the child care tax credit, the limitations on investment tax credit, the minimum tax threshold, the current exempt amount for the exchange of personal residences by individuals over age 65 and the basis of assets would all be adjusted.

Many of these sections have substantial impacts on the most vulnerable group in our society to inflation, the elderly. Those on fixed incomes do not even receive the advantage of cost-of-living increases as do many workers. Therefore, indexing such items as the tax credit for the elderly and the exempt amount on home sales are particularly important in restoring tax equity for this group.

The bill provides for increases in allowable contributions to IRA's and Keogh plans. I believe that it is important for the government to provide the proper incentive for individuals to plan for their own retirements. If inflation continues at present rates for 20 years, the present limit on IRA contributions will certainly be inadequate to meet future living expenses.

The earned income credit was added to the code to eliminate any work disincentives that receiving welfare payments might have for low income individuals. Yet, as welfare payments have increased with inflation, the earned income credit has not kept pace. Indexing this credit will ensure that having a job will always be more profitable than taking welfare.

The Dole bill also acknowledges the importance of the business community in establishing a stable, non-inflationary growth in the economy. Corporate tax rates will not be indexed but several tax sections important to businesses will. Small business will benefit from indexing of the corporate surtax. The surtax amount has been raised in the past but never in an orderly fashion that reflects the changing needs of business.

The other business provisions that are indexed are the limitation on investment tax credit and the basis of assets. The investment tax credit is particularly important in promoting the capital expansion which is needed for future business expansion. This bill would also adjust the cost basis of an asset to reflect changes in the purchasing power of the dollar. Thus an individual would pay capital gains tax on the sale of a capital asset only on the real increase in value and not on a fictitious inflationary gain. Adjustments to basis for inflation would benefit individuals who dispose of their assets as well as businesses.

Indexing has worked well in other countries. Canada is an excellent example of the benefits derived from indexing the tax system. Yet, indexing has not been tried in a tax system and economy as complicated as ours. While I believe that indexing will be successful, Senator Dole has taken a cautious approach in his bill.

The inflation adjustment in S. 2738 would only be equal to two-thirds of the increase in the consumer price index. This percentage is large to curb tax inflation. Yet, by being less than the rate of inflation, no charges that indexing is itself inflationary can be made.

The indexing authority will automatically expire after 5 years. Thus, the Congress can review the success of the program. The increases will be made only once a year, which is no more often than recent major tax legislation.

The adjustments will be automatically put into effect each year. There is another safeguard built into the bill at this point. The President could, by executive order, stop the increase for any year. That decision would be subject to a one-House veto by Congress.

This legislation is an important reform for every taxpayer. No longer would Congress be able to hide tax increases behind the mask of inflation. Since tax indexing was first proposed, the principle has gained increasing support from business as well as academic quarters. In the two years since I left Congress, I have found evidences of that support from many different sources. I am certain that the country would benefit from indexation of taxes and the Dole bill. S. 2738 is a good place to start.

Mr. DECONCINI. Mr. President, I just wish to underscore some of the remarks that the distinguished chairman of the Finance Committee made back on October 6, 1978, because I believe they are relevant today as they were then. Here is just a brief summary but it is quoted from the actual text of the RECORD:

Mr. President, taxflation is a cruel tax. As an individual earns more money to keep up with the continuing rise in the cost of living, he is pushed into a higher tax bracket. Although he receives an increase in his gross income, there is actually a decrease in his real purchasing power, because he must pay a greater percentage of his income in Federal taxes. Let me give you an example how tax inflation works. A taxpayer who earns $15,000 in 1978 will have to earn $16,200 in 1979 just to maintain his purchasing power with our 8 percent inflation rate. However, the taxpayer's real tax liability will be increased $260. An individual earning $30,000 will have to increase his income up to $32,400 just to stay even with inflation, but his tax bill will rise by $850. Taxflation is easy to understand and the Senator from Kansas believes it is easy to stop. . . .

Mr. President, this is Senator DOLE repeating again:

Mr. President, periodic inflation adjustments to the tax system—indexing—would help neutralize the tax impact of inflation by maintaining the effective rate of taxation for any given income level at the rate originally legislated. The bill reported by the Finance Committee does not adequately protect taxpayers against tax increases caused by inflation.

Taxflation is an automatic, unlegislated and unsigned tax hike that cheats the American worker. Government revenues increase at a greater rate than inflation. A report by the Joint Committee on Taxation estimated that a 10-percent inflation rate will increase Government revenues by 12.5 percent. Other economists have said that the windfall profit for the Government is even greater. Dr. Emil Sunley of the Department of the Treasury has stated that tax receipts increase by 1½ times as fast as the rate of inflation. According to the Congressional Budget Office, tax inflation will take as much as $45 billion in 1983 from the American taxpayer. We must put a stop to the effects of tax inflation. I believe that the appropriate vehicle is to adopt the amendment providing for an annual tax inflation adjustment.

Mr. President, there is no tax reform that is more important to the American taxpayer

than the tax equalization amendment. Periodic inflation adjustment is fair. It is equitable. It is simple. It is an idea whose time has come. . . .

Mr. President, the legislation before the Senate is not a tax cut. This legislation is before the Senate, because tax inflation has put an onerous burden on the American taxpayer. In effect, past tax reduction by Congress in the bill before the Senate is nothing more than a repeal of the automatic tax increases caused by inflation.

The chairman goes on:

Mr. President, there are those in this chamber who would say that indexing the tax system would be the acceptance of inflation. This, of course, is not true. The fact is, the Federal Government is the benefactor of tax inflation. It is the Federal Government that receives the yearly windfall bonus of tax inflation. Each year, the Government receives billions and billions of dollars in new revenue. I believe that this vested interest should stop.

Mr. President, indexing does not mean that Congress will not have the authority to reform the tax laws or to provide for real tax cuts. Indexing would mean that Congress would have to muster the political courage to raise the money to front new spending programs. Indexing would bring discipline back to the Federal budget process. . . .

All we are suggesting is that starting in 1980—it does not affect this tax bill; we just suggest that starting in 1980, for a period of 4 years, we are going to index just three areas—not everything, but three areas."

That is the chairman in his statement on indexing on October 6, 1978.

In sum, Mr. President, the rationale for indexing personal taxes turns on the validity of four simple propositions:

1. Indexing controls bracket creep and thus helps to preserve the integrity of the more or less progressive distribution of the tax burden which has been explicitly agreed to in the regular legislative process.

2. Indexing eliminates the inflation dividend to Government resulting from bracket creep and thus promotes greater fiscal discipline.

3. Indexing, by doing away with unlegislated tax increases, forces the Congress and Administration to make explicit choices regarding the level and distribution of the burdens of public finance and thus improves the prospects for public accountability for tax policy.

4. Indexing, by keeping real tax liabilities the same in the absence of either a change in real income or an explicit change in tax policy, is conducive to the kind of stable economic and tax environment preferred by investors.

Now, Mr. President, if these assertions were valid in 1977 and 1978 and if they will be valid in 1985 (as the Dole amendment implies), then it is hard to see why they are not valid now. Mr. President, I urge adoption of the amendment.

Mr. President, during the 4½ years the Senator from Arizona has been in this body we have had an opportunity to vote for this four times, to my recollection, and it will be interesting to see the vote today because I think this is a test of whether or not the rhetoric that has been put forward here over the several years, and probably many years before I ever became a Member of this body, about indexing, doing something for that poor taxpayer who gets moved into the next bracket due to inflation holds true. Now we are going to see a test.

The Senator from Colorado has shown courage today in bringing this forward, and not wait to have a bill reported hopefully from the Finance Committee. I suspect that we will have an opportunity to join the Senator from Colorado again and again in offering indexing, because I am fearful when the shoe is on the other foot indexing sounds OK, but let us not push it across now.

So, Mr. President, I now hope the American public will look carefully at this vote and carefully discern those who have voted for indexing in the past and see if they can be consistent, see if those arguments which have been made time and time again are now going to be voiced and put forward in a vote in favor of the amendment of the Senator from Colorado.

The PRESIDING OFFICER. Who yields time?

Mr. WALLOP. Mr. President, the Senator from Colorado has the floor. I do not know whether he wants to respond any further.

Mr. HART. Mr. President, I reserve the remainder of my time.

Mr. WALLOP. Mr. President, I will be brief in my response to what has been said.

First of all, the Senator from Wyoming is not one of those who has said the sole cause is budget deficits. I happen to believe that is a cause, and a major cause, but I do not believe it is by any stretch of the imagination the sole cause. A good deal of it is lack of savings in this country, a good deal of it is lack of investment in this country, a good deal of it is lack of productivity due to starvation of capital, which is due primarily to high tax rates, and we are not going to, as has the majority party, try to fight inflation on only one battleground and use that as the sole argument. It just simply will not work. It has not worked, and it brings us here today. It has given us the highest rates of inflation we have ever had.

He says—there is nothing but speculation, no proof, no argument—that these tax savings will result, these tax decreases will result, in increased savings or investments. There are polls after polls that have been taken that say Americans, if they get ahead of the marginal curve, will—Americans responding to these say that they will. But we can, if we adopt this indexing amendment and drop the rate reform that is in the Finance Committee resolution, insure that those savings will not take place because they cannot, because we have got to the point right now where the tax burden is such on Americans that they are not saving. They are slipping behind in their standard of living.

It is the same old argument that comes along about this unlegislated tax increase that is inherent, and that argument I subscribe to on the argument of an indexing proposal.

But, on the other hand, we are actually here, if we were to adopt this amendment, seeking a legislated approval of the tax increases that have taken place.

What has taken place, and what we are gathered to do right now, is a legislative tax decrease not an unlegislated ratification of the tax increases that we have had.

The effect of the Senator from Colorado's amendment would be that $70 billion more of the Treasury—that is $70 billion more that Congress will indulge itself in, and it will balance the budget, if it does at all, on the backs of the wage earners and not on their productivity and not on their ability to get ahead of the margin, and not on their ability to improve their standard of living. If we do that, that is crazy.

Then they approach Senator DOLE and they say that he made the case for tax indexing way back in 1978. But he did not make the case for ratifying the burden, unjust as it has become right now. He never has done that. Since 1978 we have had roughly a 30-percent increase in the rate of inflation, and we have had since 1977 the greatest tax increase in the history of this country in the form of social security tax increases, and those are taken into account, so we are here, if we adopt this amendment, simply ratifying the burden and telling the American wage earner to lump it. We are not interested in a tax reduction for him.

It makes the point that there is no tax reform that is more important. I suggest that we have made this tax reform, but there is one thing that is more important, and that is to stabilize the rate of taxation before this thing takes place rather than ratifying the unjust burden that has brought us to this floor. Let us at least adjust the rates before we do that.

Finally, the Senator from Arizona makes the case that it will control bracket creep. Well, it will from here on out, but it ratifies the brackets already crept, and I do not think that is what gathers us here. We are gathered here to try to do something about the injustice of what has taken place, and then when we have made those rate reductions we will indulge ourselves in the indexing.

Mr. HART. Mr. President, will the Senator yield for a question?

Mr. WALLOP. I will.

Mr. HART. The Senator in his discussion of this amendment has somehow implied or suggested or even flatly stated that Congress has been increasing people's taxes. When did we do that? When did we increase income taxes?

Mr. WALLOP. Does the Senator not consider the social security taxes as an income tax?

Mr. HART. A payroll tax. I am talking about the income tax. You are talking about ratifying the income tax increases.

Mr. WALLOP. I am talking about the brackets already crept, the so-called tax-flation argument the Senator makes. I am saying we have permitted this thing, and people have brought this argument to the floor time and again because they sensed that it was happening. But it has gotten to the point where we have to reduce that. The brackets have already been crept.

Mr. HART. Has the Congress increased the tax brackets?

Mr. WALLOP. No, they have not increased them. The people have been

having that increase by virtue of the fact that we have had 30-percent inflation, and that has put people into the position where they are paying more taxes. You are trying to ratify that circumstance. I am saying we must undo what we have done and then do what the Senate has already done, and that makes sense.

It is absolutely sheer rhetorical nonsense to say this would put people to the test of their rhetoric on indexing. We have met that test. The Senate has voted to go to indexing, and there is no test left. The real test now is whether or not people recognize that the American public, the wage earners of this land, are unfairly taxed now and are entitled to a tax reduction before we begin indexing.

On that I would rest the case of the majority. If the Senator has any more statement, I would be glad to hear him. Otherwise I am prepared to yield back the remainder of my time.

Mr. HART. Well, I think the Senator from Wyoming is just clearly wrong, and the Senator from Arizona is just clearly right.

To pick some year way out in the future and vote for something for the American people, the people that Senators have been arguing for for years around here, and say how we have satisfied our commitment is patent nonsense.

Why not 1995? Let us vote for indexing in 1995 and, therefore, we are all on record for indexing.

That is ridiculous. If all the arguments that I and the Senator from Arizona cited, that proponents of the concept of indexing have said over the years that we must have it now—they said that this week; they said that in 1979; they said it in 1978, the year that I first introduced, with the Senator from Michigan, the first bipartisan indexing proposal 4 years ago; we must have indexing now—if all those arguments 3 days ago about it were fair and just and it is the thing we had to do—and then 1985. Well, that is no record. That is not satisfying any commitment. That is postponement.

Now, I do not want to get into a dispute with the Senator from Wyoming about who has approached inflation on one level or several levels. But I think the record of the party on this side of the aisle has been that inflation is caused by a variety of factors and ought to be treated accordingly—exported dollars for imported oil, wages and prices, and other factors are involved.

The incumbent President of the United States gets up before the Congress and says, "'There is only one cause of inflation and that is the Government." Now, who is approaching inflation on only one level? "The Government causes inflation," the President of the United States says.

The Senator from Wyoming talks about getting ahead of the marginal curve, whatever that means. I agree with him. People will invest when they get ahead of the curve. But the Finance Committee's bill is not going to get them ahead of the curve. They are going to fall farther behind.

Inflation is going to go up because of budget deficits created by this bill. It will pick their pockets to a much greater extent than the tax cut that is argued and we are presenting, and they are going to be worse off than better off.

It is on that basis that we will rest our case. The Senator from Colorado is prepared to vote.

Mr. DECONCINI. Will the Senator yield for a question?

Mr. HART. I yield.

Mr. DECONCINI. It is my understanding that the amendment of the Senator from Colorado only goes to the personal, across-the-board income tax offered by the committee and does not reduce any of the other proposals that have already been recommended or adopted so far. Is that correct?

Mr. HART. The Senator from Arizona is absolutely correct. I thank him for raising the question which has not been addressed today.

The Senator from Wyoming properly said what we need are incentives for investment. The amendment the Senator from Colorado has offered and the Senator from Arizona supports keeps all the business incentives and deductions and incentives to invest in the bill and this would merely index the personal income tax rate.

Mr. DECONCINI. I thank the Senator from Colorado. I just wanted to make a point that I think this amendment offers us what the distinguished chairman of the Finance Committee has been talking about for years, as the junior Senator from Colorado, as well as my distinguished colleague and the author of this amendment. We have an opportunity here to continue what I consider and what I think many consider some real positive approaches toward the business community, toward incentives for savings, toward the ultimate elimination of the marriage penalty, for estate taxes, and for depreciation. And yet when we come to the individual, we now have a chance to do what has been argued here for 4½ years, the most cogent argument being the one from the Senator from Kansas on October 6, 1978, which I read and listened to and was so convinced and became such a zealot on indexing that I think the Senator's amendment ought to be accepted.

I cannot imagine even asking for a vote, because it makes so much sense and there is so much support, at least until this date. I thank the Senator.

Mr. HART. Mr. President, I am prepared to yield back the remainder of my time.

Mr. DOLE. Mr. President, does the Senator want the yeas and nays on this amendment?

Mr. HART. Yes. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, we will yield back the remainder of our time.

Mr. HART. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Colorado (Mr. HART). The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BAKER. I announce that the Senator from Alaska (Mr. STEVENS) is necessarily absent.

I also announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

Mr. CRANSTON. I announce that the Senator from Vermont (Mr. LEAHY) is necessarily absent.

The PRESIDING OFFICER (Mr. SIMPSON). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 4, nays 93, as follows:

[Rollcall Vote No. 214 Leg.]

YEAS—4

Cranston	Hart	Levin
DeConcini		

NAYS—93

Abdnor	Glenn	Murkowski
Andrews	Goldwater	Nickles
Armstrong	Gorton	Nunn
Baker	Grassley	Packwood
Baucus	Hatch	Pell
Bentsen	Hatfield	Percy
Biden	Hawkins	Pressler
Boren	Hayakawa	Proxmire
Boschwitz	Heflin	Pryor
Bradley	Heinz	Quayle
Bumpers	Helms	Randolph
Burdick	Hollings	Riegle
Byrd, Harry F., Jr.	Huddleston	Roth
	Humphrey	Rudman
Byrd, Robert C.	Inouye	Sarbanes
Cannon	Jackson	Sasser
Chafee	Jepsen	Schmitt
Chiles	Johnston	Simpson
Cochran	Kassebaum	Specter
Cohen	Kasten	Stafford
D'Amato	Kennedy	Stennis
Danforth	Laxalt	Symms
Denton	Long	Thurmond
Dixon	Lugar	Tower
Dodd	Mathias	Tsongas
Dole	Matsunaga	Wallop
Domenici	Mattingly	Warner
Durenberger	McClure	Weicker
Eagleton	Melcher	Williams
East	Metzenbaum	Zorinsky
Exon	Mitchell	
Ford	Moynihan	

NOT VOTING—3

Garn	Leahy	Stevens

So Mr. HART's amendment (UP No. 268) was rejected.

Mr. DOLE. I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question now recurs on the amendment of the Senator from Kansas (Mr. DOLE).

The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENMENT NO. 269

(Purpose: To extend and revise the targeted jobs credit)

Mr. HEINZ. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Pennsylvania (Mr. HEINZ) proposes an unprinted amendment numbered 269.

Mr. HEINZ. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle F of title II, insert the following new section:

EXTENSION AND REVISION OF TARGETED JOBS CREDIT

SEC. . (a) EXTENSION OF CREDIT TO INDIVIDUALS HIRED BEFORE JANUARY 1, 1983.—

(1) IN GENERAL.—Paragraph (1) of section 51(d) (defining members of a targeted group) is amended by inserting "such individual first begins work for the employer before January 1, 1983, and" after "if".

(2) CONFORMING AMENDMENT.—Subsection (c) of section 51 (defining wages) is amended by striking out paragraph (4).

(b) INDIVIDUALS QUALIFYING AS MEMBERS OF A TARGETED GROUP.—

(1) IN GENERAL.—Paragraph (1) of section 51(d) (defining members of targeted groups) is amended by striking out subpargraphs (D) and (E) and inserting in lieu thereof the following:

"(D) an eligible work incentive employee.

"(E) an involuntarily terminated CETA employee,".

(2) DEFINITIONS.—

(A) IN GENERAL.—Subsection (d) of section 51 is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following new paragraphs:

"(5) ELIGIBLE WORK INCENTIVE EMPLOYEES.—The term 'eligible work incentive employee' means an individual who has been certified by the designated local agency as—

"(A) being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer, or

"(B) having been placed in employment under a work incentive program established under section 432(b)(1) of the Social Security Act.

"(6) INVOLUNTARILY TERMINATED CETA EMPLOYEE.—The term 'involuntarily terminated CETA employee' means an individual who is certified by the designated local agency as having been involuntarily terminated after December 31, 1980, from employment financed in whole or in part under a program under part D of title II or title VI of the Comprehensive Employment and Training Act.".

(B) CONFORMING AMENDMENTS.—

(i) Subsection (a) of section 50B (relating to definitions and special rules) is amended by adding at the end thereof the following new paragraph:

"(5) TERMINATION.—The term 'work incentive program expenses' shall not include any amount paid or incurred in any taxable year beginning after December 31, 1981.".

(ii) Subsection (c) of section 51 (defining wages) is amended by striking out paragraph (3).

(3) REMOVAL OF AGE LIMITATION ON VIETNAM VETERANS.—Paragraph (4) of section 51(d) (relating to Vietnam veterans) is amended—

(A) by inserting "and" at the end of subparagraph (B),

(B) by striking out ", and" at the end of subparagraph (C) and inserting in lieu thereof a period, and

(C) by striking out subparagraph (D).

(c) CERTIFICATIONS.—

(1) CERTIFICATIONS MUST BE MADE BEFORE EMPLOYEE BEGINS WORK, ETC.—Subsection (d) of section 51 is amended by adding at the end thereof the following new paragraph:

"(13) SPECIAL RULES FOR CERTIFICATIONS.—

"(A) IN GENERAL.—An individual shall not be treated as a member of a targeted group unless, before the day on which such individual begins work for the employer, the employer—

"(i) has received a certification from a designated local agency that such individual is a member of a targeted group, or

"(ii) has requested in writing such certification from the local designated agency.

"(B) INCORRECT CERTIFICATIONS.—If—

"(i) an individual has been certified as a member of a targeted group, and

"(ii) such certification is incorrect because it was based on false information provided by such individual,

the certification shall be revoked and wages paid by the employer after the date on which notice of revocation is received by the employer shall not be treated as qualified wages.".

(2) CERTIFICATION OF ECONOMICALLY DISADVANTAGED FAMILIES.—Paragraph (9) of section 51(d) is amended to read as follows:

"(9) MEMBERS OF ECONOMICALLY DISADVANTAGED FAMILIES.—An individual is a member of an economically disadvantaged family if the designated local agency determines that such individual was a member of a family which had an income during the 6 months immediately preceding the month in which such determination occurs, which, on an annual basis, would be 70 percent or less of the Bureau of Labor Statistics lower living standard. Any such determination shall be valid for the 45-day period beginning on the date such determination is made.".

(d) ELIGIBILITY.—Section 51 is amended by adding at the end thereof the following new subsection:

"(i) CERTAIN INDIVIDUALS INELIGIBLE.—

"(1) RELATED INDIVIDUALS.—No wages shall be taken into account under subsection (a) with respect to an individual who—

"(A) bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation (determined with the application of section 267(c)),

"(B) if the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to a grantor, beneficiary, or fiduciary of the estate or trust, or

"(C) is a dependent (described in section 152(a)(9)) of the taxpayer, or if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

"(2) NONQUALIFYING REHIRES.—No wages shall be taken into account under subsection (a) with respect to any individual if, prior to the hiring date of such individual, such individual had been employed by the employer at any time during which he was not a member of a targeted group.".

(e) LIMITATIONS ON QUALIFIED FIRST-YEAR WAGES.—Section 51(e) (relating to limitation on qualified first-year wages) is amended by inserting "the greater of $25,000 or" after "exceed".

(f) LIMITATION ON WAGES TAKEN INTO ACCOUNT FOR CERTAIN YOUTHS.—Paragraph (4) of section 51(b), defining qualified wages) is amended to read as follows:

"(4) ANNUAL LIMITATION ON WAGES TAKEN INTO ACCOUNT.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the amount of the qualified first-year wages, and the amount of the qualified second-year wages, which may be taken into account with respect to any individual shall not exceed $6,000 per year.

"(B) LIMITATION IN CASE OF CERTAIN YOUTHS.—In the case of an individual who is a youth participating in a qualified cooperative education program—

"(i) the amount of qualified first-year wages which may be taken into account shall not exceed $3,000, and

"(ii) the amount of qualified second-year wages which may be taken into account shall not exceed $1,500.".

(g) ADMINISTRATION, AUTHORIZATION OF APPROPRIATIONS, AND TELEPHONE EXCISE TAX.—

(1) ADMINISTRATION.—

(A) DESIGNATED LOCAL AGENCY.—Paragraph (12) of section 51(d) (defining designated local agency) is amended to read as follows:

"(12) DESIGNATED LOCAL AGENCY.—The term 'designated local agency' means a State employment security agency established in accordance with the Act of June 6, 1933, as amended (29 U.S.C. 49–49n).".

(B) NOTIFICATION.—Subsection (g) of section 51 (relating to notification of employers) is amended by striking out "Secretary of Labor" each place it appears in the hearing and text and inserting in lieu thereof "United States Employment Service".

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal year 1982 the sum of $30,000,000 to carry out the functions described in paragraph (1), except that, of the amounts appropriated pursuant to this paragraph—

(A) $5,000,000 shall be used to test whether individuals certified as members of targeted groups under section 51 of such Code are eligible for such certification (including the use of statistical sampling techniques), and

(B) the remainder shall be distributed under performance standards prescribed by the Secretary of Labor

(3) EXTENSION OF TELEPHONE EXCISE TAX.—

(A) IN GENERAL.—The table contained in paragraph (2) of section 4251 (a) (relating to imposition of tax on communication services) is amended by striking out the last 2 lines of such table and inserting in lieu thereof the following:

"During 1980 or 1981.....2
"During 1982, 1983 and 1984.....1"

(B) CONFORMING AMENDMENT.—Subsection (b) of section 4251 is amended by striking out "January 1, 1983" and inserting in lieu thereof "1985".

(h) EFFECTIVE DATES.—

(1) AMENDMENTS RELATING TO MEMBERS OF TARGETED GROUPS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by subsections (b), (c) (2), and (d) shall apply to wages paid or incurred with respect to individuals first beginning work for an employer after the date of the enactment of this Act in taxable years ending after such date.

(B) ELIGIBLE WORK INCENTIVE EMPLOYEES.—The amendments made by subsection (b) (2) (A) relating to the designation of eligible work incentive employees (within the meaning of section 51 (d) (5) of the Internal Revenue Code of 1954) as members of a targeted group and subsection (b) (2) (B) (ii) shall apply to taxable years beginning after December 31, 1981. In the case of an eligible work incentive employee, subsections (a) and (b) of section 51 of such Code shall be applied for taxable years beginning after December 31, 1981, as if such employees had been members of a targeted group for taxable years beginning before January 1, 1983.

(2) CERTIFICATIONS.—The amendment made by subsection (c) (1) shall apply to individuals beginning work for an employer after July 23, 1981, except that such amendment shall apply to individuals beginning work for an employer on or before such date

if the employer has not received a certification described in section 51 of the Internal Revenue Code of 1954 with respect to such employee on or before such date.

(3) LIMITATION ON QUALIFIED FIRST-YEAR WAGES, ETC.—The amendment by subsections (e) and (f) shall apply to taxable years beginning after December 31, 1981.

Mr. BAKER. Mr. President, will the Senator yield to me briefly?

Mr. HEINZ. I yield.

Mr. BAKER. Mr. President, I observe that on the list of qualified amendments agreed to last night that might be offered and on which there are time limitations, there appears to be 2 hours, equally divided, for this amendment. I wonder whether the distinguished Senator from Pennsylvania, the distinguished Senator from New Mexico, and the minority manager of the measure will consider a reduction of that time to 1 hour, equally divided.

Mr. DOMENICI. I will be glad to do so.

Mr. BAKER. I thank the Senator.

Mr. BAUCUS. Mr. President, reserving the right to object, I do not know whether the principals on this side would agree to that. I understand that Senator LONG is interested in this amendment, and we are trying to find out now whether he will agree. I cannot say at this point.

Mr. BAKER. I thank the Senator.

Mr. President, I will not now put that request; but I note for the record that the sponsors of the amendment have indicated their willingness to reduce the time to 1 hour, equally divided, and I hope the minority might do so as well.

Mr. BAUCUS. We will do everything we can to do so.

Mr. BAKER. I thank the Senator.

Mr. HEINZ. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I am advised now that, in addition to the consent to the reduction of time by the distinguished authors of the amendment, Senator HEINZ and Senator DOMENICI, other Senators as well, including the minority leader and the minority manager of the measure, also are agreeable.

Therefore, I ask unanimous consent that the time on this amendment be reduced from 2 hours to 1 hour, equally divided, under the conditions previously ordered.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I yield myself such time as I may require.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, I ask unanimous consent that my name be added as a cosponsor on the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I very much hope that the Senate will agree to this amendment.

The targeted jobs credit is an approach which uses the tax law to try to see that those unfortunate disadvantaged people who for one reason or another are getting the worst of it in this society will have some consideration beyond that which would otherwise be the case in helping them to find employment.

It gives the employer a tax advantage if he will employ these less fortunate displaced people in our society.

It was given consideration by the Committee on Finance and also by the House Committee on Ways and Means when the matter was considered on an earlier date.

We believe, Mr. President, that this tax advantage for employing the disadvantaged should be continued. I am pleased that the Senators from Pennsylvania and New Mexico have joined in supporting this amendment, and I hope very much that the Senate will agree to it when this matter comes to a vote.

There are many good things in the bill, but I think this certainly would claim a priority along with the best provisions to try to assure an opportunity to those who otherwise would be very badly disadvantaged.

So I wish to add my voice in support of those who are sponsoring this amendment.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT 269 (AS MODIFIED)

Mr. HEINZ. Mr. President, I modify my amendment and send to the desk the modification.

The PRESIDING OFFICER. Is there objection to the modification?

Without objection, the amendment is so modified.

The modified amendment is as follows:

At the end of subtitle F of title II, insert the following new section:

SEC. . EXTENSION AND REVISION OF TARGETED JOBS CREDIT.

(a) EXTENSION OF CREDIT TO INDIVIDUALS HIRED BEFORE JANUARY 1, 1983.—

(1) IN GENERAL.—Paragraph (1) of section 51(d) (defining members of a targeted group) is amended by inserting "such individual first begins work for the employer before January 1, 1983, and" after "if".

(2) CONFORMING AMENDMENT.—Subsection (c) of section 51 (defining wages) is amended by striking out paragraph (4).

(b) INDIVIDUAL QUALIFYING AS MEMBERS OF A TARGETED GROUP.—

(1) IN GENERAL.—Paragraph (1) of section 51(d) (defining members of targeted groups) is amended by striking out subparagraphs (D) and (E) and inserting in lieu thereof the following:

"(D) an eligible work incentive employee,

"(E) an involuntarily terminated CETA employee,".

(2) DEFINITIONS.—

(A) IN GENERAL.—Subsection (d) of section 51 is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following new paragraphs:

"(5) ELIGIBLE WORK INCENTIVE EMPLOYEE.—The term 'eligible work incentive employee' means an individual who has been certified by the designated local agency as—

"(A) being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer, or

"(B) having been placed in employment under a work incentive program established under section 432(b)(1) of the Social Security Act.

"(6) INVOLUNTARILY TERMINATED CETA EMPLOYEE.—The term 'involuntarily terminated CETA employee' means an individual who is certified by the designated local agency as having been involuntarily terminated after December 31, 1980, from employment financed in whole or in part under a program under part D of title II or title VI of the Comprehensive Employment and Training Act.".

(B) CONFORMING AMENDMENTS.—

(i) Subsection (a) of section 50B (relating to definitions and special rules) is amended by adding at the end thereof the following new paragraph:

"(5) TERMINATION.—The term 'work incentive program expenses' shall not include any amount paid or incurred in any taxable year beginning after December 31, 1981.".

(ii) Subsection (c) of section 51 (defining wages) is amended by striking out paragraph (3).

(3) REMOVAL OF AGE LIMITATION ON VIETNAM VETERANS.—Paragraph (4) of section 51(d) (relating to Vietnam veterans) is amended—

(A) by inserting "and" at the end of subparagraph (B),

(B) by striking out ", and" at the end of subparagraph (C) and inserting in lieu thereof a period, and

(C) by striking out subparagraph (D).

(c) CERTIFICATIONS.—

(1) CERTIFICATIONS MUST BE MADE BEFORE EMPLOYEE BEGINS WORK, ETC.—Subsection (d) of section 51 is amended by adding at the end thereof the following new paragraph:

"(13) SPECIAL RULES FOR CERTIFICATIONS.—

"(A) IN GENERAL.—An individual shall not be treated as a member of a targeted group unless, before the day on which such individual begins work for the employer, the employer—

"(i) has received a certification from a designated local agency that such individual is a member of a targeted group, or

"(ii) has requested in writing such certification from the local designated agency.

"(B) INCORRECT CERTIFICATIONS.—If—

"(i) an individual has been certified as a member of a targeted group, and

"(ii) such certification is incorrect because it was based on false information provided by such individual,

the certification shall be revoked and wages paid by the employer after the date on which notice of revocation is received by the employer shall not be treated as qualified wages.".

(2) CERTIFICATION OF ECONOMICALLY DISADVANTAGED FAMILIES.—Paragraph (9) of section 51(d) is amended to read as follows:

"(9) MEMBERS OF ECONOMICALLY DISADVANTAGED FAMILIES.—An individual is a member

of an economically disadvantaged family if the designated local agency determines that such individual was a member of a family which had an income during the 6 months immediately preceding the month in which such determination occurs, which, on an annual basis, would be 70 percent or less of the Bureau of Labor Statistics lower living standard. Any such determination shall be valid for the 45-day period beginning on the date such determination is made.".

(d) ELIGIBILITY.—Section 51 is amended by adding at the end thereof the following new subsection:

"(i) CERTAIN INDIVIDUALS INELIGIBLE.—

"(1) RELATED INDIVIDUALS.—No wages shall be taken into account under subsection (a) with respect to an individual who—

"(A) bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than 50 percent in value of the outstanding stock of the corporation (determined with the application of section 267(c)),

"(B) if the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to a grantor, beneficiary, or fiduciary of the estate or trust, or

"(C) is a dependent (described in section 152(a)(9)) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

"(2) NONQUALIFYING REHIRES.—No wages shall be taken into account under subsection (a) with respect to any individual if, prior to the hiring date of such individual, such individual had been employed by the employer at any time during which he was not a member of a targeted group.".

(e) LIMITATIONS ON QUALIFIED FIRST-YEAR WAGES.—Section 51 (e) (relating to limitation on qualified first-year wages) is amended by inserting "the greater of $25,000 or" after "exceed".

(f) LIMITATION ON WAGES TAKEN INTO ACCOUNT FOR CERTAIN YOUTHS.—Paragraph (4) of section 51 (b) (defining qualified wages) is amended to read as follows:

"(4) ANNUAL LIMITATION ON WAGES TAKEN INTO ACCOUNT.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the amount of the qualified first-year wages, and the amount of the qualified second-year wages, which may be taken into account with respect to any individual shall not exceed $6,000 per year.

"(B) LIMITATION IN CASE OF CERTAIN YOUTHS.—In the case of an individual who is a youth participating in a qualified cooperative education program—

"(i) the amount of qualified first-year wages which may be taken into account shall not exceed $3,000, and

"(ii) the amount of qualified second-year wages which may be taken into account shall not exceed $1,500.".

(g) ADMINISTRATION, AUTHORIZATION OF APPROPRIATIONS, AND TELEPHONE EXCISE TAX.—

(1) ADMINISTRATION.—

(A) DESIGNATED LOCAL AGENCY.—Paragraph (12) of section 51 (d) (defining designated local agency) is amended to read as follows:

"(12) DESIGNATED LOCAL AGENCY.—The term 'designated local agency' means a State employment security agency established in accordance with the Act of June 6, 1933, as amended (29 U.S.C. 49–49n).".

(B) NOTIFICATION.—Subsection (g) of section 51 (relating to notification of employers) is amended by striking out "Secretary of Labor" each place it appears in the heading and text and inserting in lieu thereof "United States Employment Service".

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for fiscal year 1982 the sum of $30,000,000 to carry out the functions described in paragraph (1), except that, of the amounts appropriated pursuant to this paragraph—

(A) $5,000,000 shall be used to test whether individuals certified as members of targeted groups under section 51 of such Code are eligible for such certification (including the use of statistical sampling techniques), and

(B) the remainder shall be distributed under performance standards prescribed by the Secretary of Labor.

(3) EXTENSION OF TELEPHONE EXCISE TAX.—

(A) IN GENERAL.—The table contained in paragraph (2) of section 4251(a) (relating to imposition of tax on communication services) is amended by striking out the last 2 lines of such table and inserting in lieu thereof the following:

"During 1980 or 1981	2
"During 1982, 1983 and 1984	1"

(B) CONFORMING AMENDMENT.—Subsection (b) of section 4251 is amended by striking out "January 1, 1983" and inserting in lieu thereof "January 1, 1985.".

(h) EFFECTIVE DATES.—

(1) AMENDMENTS RELATING TO MEMBERS OF TARGETED GROUPS.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by subsections (b), (c)(2), and (d) shall apply to wages paid or incurred with respect to individuals first beginning work for an employer after the date of the enactment of this Act in taxable years ending after such date.

(B) ELIGIBLE WORK INCENTIVE EMPLOYEES.—The amendments made by subsection (b)(2)(A) relating to the designation of eligible work incentive employees (within the meaning of section 51(d)(5) of the Internal Revenue Code of 1954) as members of a targeted group and subsection (b)(2)(B)(ii) shall apply to taxable years beginning after December 31, 1981. In the case of an eligible work incentive employee, subsections (a) and (b) of section 51 of such Code shall be applied for taxable years beginning after December 31, 1981, as if such employees had been members of a targeted group for taxable years beginning before January 1, 1983.

(2) CERTIFICATIONS.—The amendment made by subsection (c)(1) shall apply to individuals beginning work for an employer after July 23, 1981, except that such amendment shall apply to individuals beginning work for an employer on or before such date if the employer has not received a certification described in section 51 of the Internal Revenue Code of 1954 with respect to such employee on or before such date.

(3) LIMITATION ON QUALIFIED FIRST-YEAR WAGES, ETC.—The amendment made by subsections (e) and (f) shall apply to taxable years beginning after December 31, 1981.

Mr. HEINZ. Mr. President, I rise to offer this amendment on behalf of myself; Senator DOMENICI, the chairman of the Budget Committee; the chairman of the Finance Committee, Senator DOLE; the ranking minority member of the Finance Committee, Senator LONG, together with the following distinguished cosponsors: Senators D'AMATO, ANDREWS, PACKWOOD, BOSCHWITZ, BOREN, SPECTER, SYMMS, PRESSLER, DURENBERGER, ROTH, BENTSEN, MITCHELL, BRADLEY, MATSUNAGA, DANFORTH, RIEGLE, CHILES, MOYNIHAN, DECONCINI, FORD, HUDDLESTON, RANDOLPH, METZENBAUM, SASSER, CHAFEE, HATFIELD, LEVIN, INOUYE, and SARBANES.

Mr. President, what our amendment proposes is a 1-year extension of the successful targeted jobs tax credit program, that would otherwise expire at year end, with some important changes to make it work even better.

The Senate should not permit the targeted jobs tax credit program to die because it offers a way out of poverty and joblessness for the disadvantaged who are looking for private-sector jobs.

Maybe this program should be renamed the "Human Cost Recovery Act" because targeted jobs tax credits can open doors and reclaim lives.

Like the Capital Cost Recovery Act, the Human Cost Recovery Act is concerned with making an investment now for a better future. By lowering taxes on businesses that buy productive equipment, we expect a more prosperous country. By lowering taxes on businesses that hire workers with chronic problems finding work, we can expect a more humane society.

The targeted jobs tax credit helps seven categories of people who are trying to find jobs with less success than anybody else. For those who do succeed, the average pay is less than $8,400 a year.

When the Congress last met in 1978 to discuss the second largest tax cut in history, the Revenue Act of 1978, we adopted a new law to help those in poverty and with few skills find the jobs they were looking for. By yearend, 600,000 will have them. It is fitting then, as we meet here again today, discussing the largest tax cut in history, to reaffirm and improve on our earlier work 3 years ago

The credit helps impoverished Vietnam veterans, 18- to 24-year olds, and ex convicts. It helps the handicapped those on general assistance and those receiving supplemental social security. And it helps those in high school get off to a good start on their first job.

It does so by permitting their employers to take a tax credit worth up to $3,000 the first year of their employment. For major corporations, the figures are just over half this because they lose the right to deduct an amount equal to the credit. In the second year, the credit cannot exceed $1,500.

But whenever it works, those are tax dollars we should be glad not to collect. For the 4 million people who qualify, it is the bridge they have been searching for to join our society, as equal partners. This is the most important reason why the credit should be retained. The Treasury makes an investment only if those in poverty help themselves to escape it by finding and keeping a private sector job.

In a way, the targeted jobs tax credit is a form of justice. For unrelated reasons, the Congress has set the minimum wage at $3.35 an hour, while an employer has to pay a minimum $3.75 an hour due to social security, workmen's compensation, and unemployment taxes. When these people look for work, they cannot leap over that $3.75 hurdle. It is just too high for an employer to gamble.

Therefore, it would be unconscionable if Congress did not take steps to lower the barrier to a productive life it had erected in the way of millions of people. It is only fair that we keep the barrier low by retaining the tax credit.

While this program is worth retaining in its present form, there are ways to make any Government program better. Here are the ones we propose.

First, a new category should be created for CETA workers who have lost their jobs under the budget cutbacks. The human cost recovery concept makes special sense for people the Government previously has invested in. It would be a mistake to build only half a building, and it would be foolish not to complete efforts to guide CETA workers toward self-sufficiency.

Second, the 35 years of age limit is lifted for Vietnam veterans. Soldiers who fought in 1965 and were over 20 years of age at the time are now denied assistance on a technicality despite living in poverty. The limit should be lifted.

Third, we wish to remove a provision in the 1978 law that had the effect of locking many small businesses out of the benefits. Now, wages paid to TJTC eligible workers can never exceed 30 percent of payroll. This makes it impossible for an employer with only three employees to hire even one TJTC eligible worker without violating the ceiling. Instead, under the amendment, the previous limit or $25,000 in eligible wages is permitted, whichever is higher.

Fourth, employers are required to file for the credit before their TJTC eligible employees start working. This will eliminate the current practice where employers can file for the credit although they learn months after the fact that workers hired previously qualify.

Finally, important administrative changes are made, too. Most significantly, we require the Secretary of Labor to distribute administrative funds through the U.S. Employment Service under performance standards he establishes. That way, local employment offices which do the best jobs will receive more resources. Right now, there is no real link between funding and performance.

In addition, the WIN credit program, which works the same way for AFDC recipients who find private-sector jobs, is merged with the larger TJTC program to eliminate employer confusion.

To remove the concern that this valuable program would nevertheless weaken our efforts to eliminate future deficits, we simultaneously propose that the Federal telephone excise tax drop from 2 percent in 1981 to 1 percent in 1982, 1983, and 1984.

I am confident the Senate will reaffirm its view again today that it has an obligation to help those who are trying to help themselves out of poverty through self-supporting work in the private sector. It will do so by agreeing to a 1-year extension of the targeted jobs tax credit as part of the tax bill before us now.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, parliamentary inquiry. How much time remains on the amendment?

The PRESIDING OFFICER. The time remaining on the amendment is Senator HEINZ 16 minutes, and for the other side 22 minutes.

Mr. DOMENICI. Mr. President, I yield myself 5 minutes.

First of all, I want to thank the distinguished Senator from Pennsylvania (Mr. HEINZ) for his diligence and his hard work in perfecting this amendment. It required a lot of work.

I also want to thank the distinguished ranking minority member of the Finance Committee, Senator LONG. He helped us with this and has already spoken in behalf of it.

Mr. President, I can think of no more important task for this body to undertake than to reduce the growth of Federal spending. I am grateful to my colleagues for their help over the past many months and in the future to achieve this goal. Budget reductions are vital to ending inflation and to reviving our economy, but they also can have severe impacts on Americans who have nowhere else to turn but their Government.

It is my hope and the hope of this administration that the private sector of our economy will step forward to create jobs and to offer services for such people. I know some would doubt the sincerity of those who would rely upon the "safety net." This Senator is firmly committed to making the "safety net" a reality.

For this reason, I am offering an amendment today with Senator HEINZ and Senator LONG to extend the targeted jobs tax credit for 1 more year. This provision has already created nearly 600,000 jobs under present law. If we do not act today to extend the life of this program, these jobs will be lost by year-end.

Three-quarters of those who currently qualify for the targeted jobs credit earn the minimum wage. They include economically disadvantaged youth, Vietnam veterans, and exconvicts. Those on general assistance and SSI as well as the handicapped and students in cooperative education qualify also.

By the end of September, budget reductions will have eliminated 300,000 CETA public service jobs. It is estimated that 100,000 of these workers will have difficulty finding alternative employment. This amendment provides the jobs credit to employers who hire these former CETA workers.

The credit amounts to as much as $3,000 in the first year of employment and $1,500 in the second year. This provides a substantial incentive for employers to create jobs for qualified workers.

As Budget Committee chairman, I am concerned that we not increase the revenue loss of this tax bill beyond what President Reagan recommended. For this reason, the amendment proposes to extend the telephone excise tax to pay for the revenue loss of extending the targeted jobs credit. In fact, this amendment actually raises $109 million by the end of fiscal year 1985.

Under present law, the telephone excise is scheduled to phase out by 1983. The amendment extends the excise at 1 percent through 1984.

This amendment also makes important improvements in the targeted jobs tax credit. We would eliminate retroactive certifications to insure that the credit goes to new jobs for qualified workers and not to jobs which would have been available without the credit.

Cooperative education students would receive a credit not to exceed $1,500 in the first year and $750 in the second year.

The present law credit excludes disadvantaged Vietnam veterans who are age 35 or over. Many veterans have been excluded by this provision. The amendment repeals this restriction so that all disadvantaged veterans qualify.

Some employers have been confused by the existence of two employment credits under present law. Therefore, the amendment merges the WIN credit into the targeted jobs credit. We eliminate the general assistance and SSI categories because so few people qualify under these categories today and because the additional administrative burden is large.

Finally, our investigation into the administration of the targeted jobs credit shows that funds are not distributed by the number of certifications or other appropriate measures of performance. The amendment calls upon the Secretary of Labor to establish performance standards and to distribute administrative funds to the U.S. Employment Service based upon those standards.

I urge my colleagues to support this amendment. Let us demonstrate that the truly disadvantaged have not been forgotten.

Mr. President, I do not have to explain to this body that I have been one who, for the last 5½ months, has been devoting his time to cutting the Federal budget, to removing programs from that budget that have been extremely costly and ineffective. I have done much of that for two reasons: First, because we cannot continue to spend as much as we have been spending, and, second, because I am convinced that with budget cutting and tax reform, the American economic ssytem can be revitalized and can provide far more jobs to our people.

But as I return to my State, my constituents, even those who wholeheartedly support what I have just said, ask one very simple question, and it is: "Senator, we agree, but certainly you are not going to turn this economy around in 1 week or 1 month, and it might not even be turned around in 1 year. What is going to happen since you have cut Federal programs? What is going to happen to those who lose public sector jobs? What is going to happen to those people?"

I am hard pressed, Mr. President, to say to them that my enthusiasm for this new approach, in which I wholeheartedly believe and in which I have faith, is going to work miracles. When I came back to my State, and as I looked at the President's economic package, I had to answer that question. A few years ago many of us on this side of the aisle, joined by many Senators on the other side, advocated a private sector jobs approach through the tax bill. That was when we began to cut back on the CETA jobs program.

My recollection is that a number of us asked Senator BENTSEN to work on a targeted jobs credit bill which would provide employers with a tax break if they hired the hardcore unemployed.

That law has been in existence for 4 years now. I do not think the Carter ad-

ministration liked it very much. Nonetheless, it worked.

Our amendment pays for itself with a simple change in the telephone excise tax. We will extend it at 1 percent through 1984. It will pick up a little bit of extra revenue.

The key to this amendment is that a CETA worker who cannot find work and who is certified can go to work for a private sector employer. Also we have made the full credit available to all employers. Before they had to have three employees to get the full credit. An employer who hires one of these workers gets up to a $3,000 tax break in the first year and $1,500 in the second year.

We all know ex-convicts have a difficult time finding a job. We provide for them in this amendment. If an employer will hire them he will get a break for giving them an opportunity to be permanently employed in the private sector.

We have also provided for students in vocational education. Many of them are disadvantaged—in fact vocational educators tell me that over 50 percent of their placements are of disadvantaged youth. We are saying, "Let us make it easier for vocational educators to find jobs for those young people."

We are aware that they are mostly part-time workers. So we have cut that tax break in half. For a full year they can only get $1,500 of the credit. In the second year it is $750.

I am excited about this amendment, because I can go home now and say, in response to those questions: "If we are having problems in one of our cities, large or small, our leadership can get the business community into a meeting and say, 'Have you considered this job tax credit? You get a break. You get up to $3,000 as a break on your tax returns if you hire one of these people: an ex-CETA employee, an underprivileged youth, a vocational education youth, somebody who came out of prison or off of welfare, and a handicapped person.' "

From my standpoint, those of us who believe in the President's program ought to encourage the private sector across this land to provide jobs in the hard core areas.

I would submit that those who support a lower minimum wage for young people such as Senator LONG can find a solution for that problem in this amendment. The disadvantaged youth and students in cooperative education can get the same wage as adults, but their employers will get a significant tax break. So there is a reason to hire them.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. DOMENICI. I would be pleased to yield.

Mr. LONG. Does not this amendment also provide that where people are on the welfare rolls, the breadwinner can be hired, and that the family can have the benefit of this job credit when the employer hires people who otherwise were on welfare?

Mr. DOMENICI. Absolutely.

Mr. LONG. So that instead of just paying a greater amount of money to keep those people on the welfare rolls, we provide a very generous tax credit to help the employer to move those people into private employment.

A great number of people, of course, who are on the welfare rolls have tried to continue welfare benefits and still work. But this would provide a possibility of the employer paying enough money, and also a way their earnings could be checked, so that the person would come off the welfare rolls, but the tax subsidy would help see to it that they would live adequately, that the employer could pay them enough so that they need not be in poverty, and they would do a lot better by their family to move into legitimate, proper private employment rather than working covertly or rather than remaining on the welfare rolls.

Mr. DOMENICI. The Senator is absolutely correct. I would just make two additional points.

Will the Senator yield me 1 additional minute?

Mr. HEINZ. I yield 1 minute to the Senator.

Mr. DOMENICI. There has been some confusion under present law between the targeted jobs tax credit and the WIN credit. Our amendment merges those two credits so that there no longer should be any confusion there. Is that not correct?

Mr. HEINZ. The Senator is correct; we do.

Mr. DOMENICI. And there is one other issue. A number of people have been concerned that some employers have taken advantage of the program by claiming the credit long after they hired a qualified worker. As I understand it, the Senator and I have modified the law so that on the day employment starts, the worker has to be certified by the Department of Labor as a person who qualifies under this bill. Is that not correct?

Mr. HEINZ. The Senator is correct. One of the problems with the program as it has been administered until now is that retroactive certification has been permitted. With this amendment we require that people be properly certified before they begin work.

Mr. DOMENICI. One other point that comes to mind is that there is a great concern in this body and in our country about our Vietnam veterans. There is much higher unemployment among our Vietnam veterans than among other classes of people. Under the old law, as I recall, if you were more than 35 years of age and a Vietnam veteran, you did not qualify. We have eliminated that age restriction.

Mr. HEINZ. The Senator is correct. Our amendment lifts all age limits on Vietnam veterans who are impoverished.

Mr. DOMENICI. Let me close by saying that I am not one who will add revenue loss to this tax bill. I do not want our good chairman, Senator DOLE, to go to conference with a bill that cuts taxes more than the Finance Committee wished to when they brought the bill here to the floor. I would not be a part of this amendment if it did that, but it does not. It can accomplish our job creation objective and actually raise revenue, with a 3-year extension of the telephone excise tax. This amendment more than pays for itself. So I hope the Senate goes along with us and adopts this measure.

Mr. HEINZ. Mr. President, I would just observe that the Senator from New Mexico has made many invaluable contributions along the way in developing this legislation. He shared his views with me when we held hearings, when we later introduced S. 1347, a simple 1 year of the credit and during the last 2 weeks leading up to today. I am also indebted to Senator LONG. As Senator DOMENICI points out, he has been a strong supporter from the beginning. I am also indebted to Senator DOLE who facilitated this legislation. He sponsored hearings we had, and he has been very supportive again today. I am deeply grateful to him.

Mr. President, before I yield the floor, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MATSUNAGA. Mr. President, will the Senator from Louisiana yield me 3 minutes?

Mr. LONG. Mr. President, I believe the time is in the control of the manager. Who has control of the time, Mr. President?

The PRESIDING OFFICER. The minority leader or his designee, since Senator DOLE is, apparently, in favor of the amendment.

Mr. LONG. Do I have control of the time? Then I yield 3 minutes to the Senator from Hawaii.

Mr. MATSUNAGA. I thank the Senator for yielding.

Mr. President, as a cosponsor of the Heinz amendment, I rise in its strong support. The targeted jobs tax credit is an important private sector incentive to hire hard-to-employ individuals. The existing jobs tax credit program will expire this year, and the amendment now before us is essential to extend one of the few remaining programs to combat structural unemployment.

When the original general jobs tax credit terminated, overall unemployment had been reduced. The Congress, therefore, decided to target the credit to certain disadvantaged groups, specifically vocational rehabilitation referrals, economically disadvantaged youths, economically disadvantaged Vietnam veterans, supplemental security income recipients, general assistance recipients, cooperative education students, and economically disadvantaged ex-convicts. People in these disadvantaged groups have had the most difficulty in finding employment in the private sector.

The targeted jobs tax credit was intended to improve the employment chances of these individuals, with the hope that they would acquire useful work habits and work records. That experience would then enable these disadvantaged individuals to enter the mainstream of working society.

The administration of the targeted jobs tax credit program, I must admit, has not been praiseworthy. A year passed, before implementing regulations were issued. Notwithstanding administrative

foot dragging, 450,000 people have been hired under the program.

As our economy slows down—and there are economists who predict a recession coming on—unemployment will increase and the disadvantaged groups will encounter greater problems in securing jobs. The need for the targeted jobs tax credit will become all the greater.

I had hoped that displaced homemakers would be added to the categories now eligible under the program. Most of these women have met serious difficulties in reentering the job market, and they have real economic need to secure employment. However, revenue constraints as well as objections from supporters of this amendment to going beyond the original targeted jobs tax credit, have prevented the inclusion of displaced homemakers. They argued that displaced homemakers are so numerous that the projected revenue loss was unacceptable to the other amendment cosponsors. The large number only stresses the problem faced by displaced homemakers. I truly regret the failure to include this category of needy individuals.

Nonetheless, because of the meritorious purpose of the bill, I urge the adoption of the amendment.

The PRESIDING OFFICER. The time allotted to the Senator from Hawaii has expired.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. HEINZ. Mr. President, I yield such time as the Senator from Kansas requires.

Mr. LONG. Mr. President, if the Senator needs his time, I would be happy to yield to the Senator such time as he requires.

Mr. DOLE. Mr. President, I wish to congratulate the distinguished Senators from Pennsylvania, New Mexico, and Louisiana, not only for bringing this matter to the floor but for working it out with Secretary Regan, so that we now believe we have a better program. I think everybody—most everybody—would agree that there have been some abuses in the program. It has been too closely drawn and too loosely administered. In fact, there was some doubt it was being administered at all.

It would be my hope that with this new approach we could move ahead with something that has the chance of becoming a great program. It should not be a subsidy for Burger King or McDonald's or the fast food chains. It should be a program to help the chronically unemployed—we have a new classification because the Senator has included displaced CETA workers, which I think is an excellent idea—and to take care of unemployed young Americans and others in this country who qualify under the law.

I do not have any quarrel with the idea of fast food employment, but I suggest that in some respects the law was so loosely drawn you were getting the credit whether you were going to hire someone or not. By removing the retroactive provisions, we will make a great improvement.

It seems to me that this is an idea that has been around for some time, as I was just telling the distinguished Senator from Pennsylvania (Mr. HEINZ). I think about 14 years ago, or maybe longer ago, when I was in the House of Representatives, we had a proposal much like this called the Human Investment Credit Act. That, in essence, as the Senator from Pennsylvania pointed out, is how this program should be regarded, because it has great potential. It was an idea, very honestly, that a number of Republicans and Democrats in the House at that time thought had a lot of merit. It took years and years for it to be enacted. Now we have had some good experience and some bad experience. It would be my hope that with the tightening up that has been done by the Senators involved, principally the Senator from Louisiana, the Senator from Pennsylvania, the Senator from New Mexico, the Senator from Hawaii and others, that we will have an outstanding program.

I might add it is very helpful to me as manager of this bill to have it paid for by extending the excise tax on telephones at a 1-percent rate through 1984.

I commend those who have brought this matter to the floor. I think this revised proposal has great merit.

The Secretary of the Treasury discussed this program yesterday with the Senator from New Mexico, and I hope we will have his personal attention directed to this program.

The provisions of this amendment have been agreed to by the Treasury, and I believe it is a sensible proposal.

PROVISIONS OF THE AMENDMENT

The targeted jobs credit expires at the end of this year. Most people agree that the credit has failed to fulfill our expectations, partly because the present law allows retroactive certifications and includes groups that may not be truly disadvantaged, and who would be hired in any event. There is no value in a wage subsidy that does not increase employment.

Mr. President, this amendment addresses some of these problems. It would renew the jobs credit for 1 year, so that any eligible individual hired before the end of 1982 would be qualified for the full credit. However, the problem of retroactive certifications would be dealt with by requiring that a certification or a request for certification be made before the employee begins work. This will prevent employers from claiming the credit for workers already on the rolls who would have been hired anyway.

In addition, the revised credit would apply to former CETA workers who have been discharged because of the budget cutbacks that have pared back that program. This is consistent with the goal of placing people in the private sector with what we hope will be permanent employment. At the same time, it should do so in a less expensive manner than the CETA program.

The amendment would also lift the age limitation on qualifying Vietnam veterans, fold in the win credit for AFDC recipients, and provide some administrative tightening, including giving the U.S. Employment Service the authority to implement the program. It is also important to note that the amendment cuts back on the amount of the credit for cooperative education youth who are hired. This group has accounted for 47 percent of the certifications in the program. There is little evidence that these students have been hired because of the credit; it is likely they would have been hired anyway.

They are not a particularly disadvantaged group, and in any event, the credit already covers economically disadvantaged youth under a separate category. In fact, the cooperative education programs have declined somewhat in recent years, so it appears the credit has not even gave them a boost. All it has done is provide a cheap source of subsidized labor for employers who offer high-turnover, short-term jobs.

Mr. President, the amendment addresses this problem by cutting the amount of the credit in half for cooperative education youth. The credit will be limited to $1,500 for the first year of employment and $375 for the second year. This is a big step in the right direction, but more should be done about this group, and hopefully will be in the future. With these changes, I believe the amendment is a good bet. During the 1-year extension we will have time to reexamine and rethink the jobs credit program and, I would hope, be able to devise an incentive that will really increase employment among groups with chronic employment problems. It is certainly worth the effort to try to meet the goals we originally set for this program.

Mr. HEINZ. I am grateful to the Senator from Kansas for his comments.

Mr. MOYNIHAN. Will the Senator yield?

Mr. LONG. I yield 1 minute.

Mr. MOYNIHAN. Mr. President, I associate myself altogether with this enterprise which has been a matter of genuine concern in the Finance Committee, which has supported it for years, though without the results we hoped for. I ask to be added as a cosponsor.

I hope this time we can get the attention of the Department of Labor to see that these opportunities are known about and used.

Mr. LONG. How much time remains?

The PRESIDING OFFICER. The Senator has 4½ minutes remaining.

Mr. LONG. I yield myself 2 minutes.

Mr. President, many years ago we had a debate on the family assistance plan. Some of us in the Senate developed some doubts about that measure after it passed the House, so it never became law. But we did find some aspects of it that we liked, which we did support as time went by. In the course of seeking to develop some constructive alternatives at that time we suggested in the Senate Finance Committee that we ought to have a tax advantage or a refundable tax credit, if need be, for a low-income person to seek employment and obtain it.

That found its way into law and became what is known as the earned income tax credit.

At that time, we also proposed that

there should be a tax advantage for those who would employ persons who were disadvantaged, persons who found themselves in need and on the welfare rolls. To some degree, that suggestion was the same philosophy as is expressed here, to try to provide private employers a special incentive to employ these people who are most in need of employment, both for their personal income as well as for the dignity and the satisfaction of being a part of the mainstream of America.

This concept has continued to move forward.

At one point I was afraid it was not being administered as well as we would like to see it administered and it was therefore being recommended to be phased out or terminated. I am pleased that the Senator from Pennsylvania has seen fit to provide us with his leadership and I am pleased that he was joined by the Senator from New Mexico in fighting to see that this program is continued and that the administration will be tightened up to meet some of the objections that have been made to the program.

I am very hopeful that more employers will know about it. It is my understanding that in the hearings on this subject, which I was not privileged to attend this year, the point was made time and again that there would be a great number of additional people who need jobs and would have them if the employers had more widely known about this. I hope those who administer the program the next year will make a special effort to see to it that employers know that this program is here and that it is available to help hire these people.

In many instances, this might not be the most desirable or productive employee from the point of view of the employer. But these are people who need the jobs the most. These are people we ought to be moving into mainstream employment.

Take the case of a person who has been convicted of a felony, for example, a person who is trying to redeem himself and make a good life for himself or herself in society. When those people have to answer the question on just the ordinary standard form presented to them when they seek employment. "Have you ever been convicted of a felony?" and if they have to answer yes to that question, they will not get the job in some cases.

This tax credit gives a special incentive to the employer to consider hiring this person and it also shows that we in government believe that employers should hire those people. The alternative is those people returning to a life of crime.

It does help to redeem people in many situations, and properly administered I believe it has tremendous hope for this country.

Mr. BOREN. Will the Senator yield me 1 minute?

Mr. LONG. I yield.

Mr. BOREN. Mr. President, I associate myself with the remarks which have been made by the Senator from Pennsylvania, the Senator from Louisiana, the Senator from Hawaii, the distinguished chairman, and others. I commend the Senator from Pennsylvania for taking the lead in making sure that we continue a program that can be a very valuable one in increasing employment opportunities for our people and using the private sector to do it. I commend him for the changes he has proposed and the suggestions he has made for tightening up the program to make it work.

I am very pleased to support it. I ask the Senator from Pennsylvania if he will add me as a cosponsor.

Mr. HEINZ. Mr. President, I ask the Senator from Oklahoma (Mr. BOREN) be added as a cosponsor, and also the Senator from Tennessee (Mr. SASSER).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I am cosponsoring the amendment offered by my distinguished colleague from Pennsylvania and others which would renew the targeted jobs tax credit for 1 year. If Congress does not act swiftly this fledgling program will expire on December 31 of this year.

Congress created the targeted jobs tax credit in 1978 to provide employment in the private sector through tax incentives to individuals who have difficulty finding jobs in both good and bad times. Under the program, if a firm hires an eligible individual, the credit in the first year amounts to 50 percent of the first $6,000 of the employee's wages. In the second year, the credit is 25 percent of the first $6,000.

Mr. President, the program serves a valuable purpose. Youth in work-study programs and economically disadvantaged youth make up the majority of the population eligible for the targeted jobs tax credit. In this Nation, unemployment among teenagers stands at a shockingly high rate. For all workers, unemployment over the first 6 months of this year averaged 7.4 percent; teenage unemployment was 19.2 percent.

The targeted jobs tax credit makes it a little easier for a young person to find that important first job where he begins to acquire the skills that allow him to establish independence and attendant self-esteem.

The annual cost of the program is $300 million. And although this seems a large sum, it is, in fact, relatively small in comparison to other jobs programs. Outlays for public service employment in fiscal year 1981 are expected to be $4.4 billion.

Mr. President, the program is yielding results. By the end of 1981, 600,000 persons will have found private sector jobs as a result of the targeted jobs tax credit. This is despite the fact that the Treasury did not offer final regulations on the proper use of the credit until 18 months after the law became effective. Employers have indicated to me that such a failing makes them hesitant to implement a new program.

Mr. President, I believe that Congress should proceed with speed to extend the targeted jobs tax credit. Time is short and the calender is crowded in this legislative session. We must take this opportunity to renew the worthwhile program before us.

● Mr. D'AMATO. Mr. President, I support the targeted jobs tax credit. This is a truly excellent program. It well reflects the spirit of the current administration's economic policies. It will encourage job training and reduce unemployment through the provision of tax incentives. It is much more proper for our Government to provide encouragement to business for the creation of new jobs in this way, rather than serve as the employer of last resort itself. This is a reasonable response to the problem of chronic unemployment by certain groups in our society and it deserves the support of every Member of this Chamber. This is not a partisan amendment.

Even without taking into account the feedback effects of increased Government revenue resulting from the new and increased income and social security taxes that will be paid by those hired under this program, this amendment is a net revenue raiser to the tune of $183 million over the next 3 years. Thus no one need fear that a vote in favor of the targeted jobs tax credit will "bust the budget."

Nearly 5 million people will be eligible for employment and job training under this program. Targeted groups include: Poor and disadvantaged youths, Vietnam veterans, and ex-felons who have met, or are meeting, the conditions of their parole; handicapped individuals who have completed a vocational rehabilitation program; our Nation's poor who are recipients of supplemental security income or general assistance; CETA workers who have been laid off due to budget cuts; and high school students enrolled in cooperative education programs. Frequently, these are the groups which are hired last. But this should not be. These people have a lot to contribute to our, and their, society if they are only given a chance. The targeted jobs tax credit will provide them with this chance.

Compared to the massive bureaucracies necessary to provide employment through public service jobs, administration of the targeted jobs tax credit is amazingly simple and generates considerably more employment for substantially less Federal money. Under this program an eligible individual needs only to be certified and obtain a voucher to that effect from the U.S. Employment Service. This voucher is then presented to a potential employer and serves as a substantial inducement for the employer to grant the applicant a job. The employer then files the voucher with the Department of Labor within 30 days of hiring and receives a tax credit in return. The tax credit equals 50 percent of the first $6,000 in wages paid that employee during his or her first year and 25 percent of the first $6,000 in wages paid that employee during the second year. The tax credit is then eliminated. By this time the employee should have made himself or herself a valuable part of the organization whose retention would need no further inducement from the Federal Government. Thus, the total tax credit per employee would be a maximum of $4,500 over 2 years. During this period when these credits are taken by employ-

ers, their customary deductions for wages paid are reduced by the amount credited as a partial offset to prevent double counting.

Mr. President, this is an extremely worthwhile proposal which belongs in this tax reduction package. It has my fullest support and I urge its immediate adoption.●

Mr. SYMMS. Mr. President, I am very pleased to join my colleagues in supporting the targeted jobs tax credit amendment to expand private sector employment by offering tax incentives to employers who hire members of particular targeted groups.

This amendment represents a positive, workable solution toward providing an advantage in the labor market for individuals from certain groups who have the most difficulty in securing employment.

The targeted jobs tax credit program reduces employment; creates new jobs; creates better quality, permanent jobs; increases the cash flow for businesses needing expansion capital; and offers sufficient incentives to businesses, thereby creating special interest in hiring and retraining targeted groups. This amendment will improve the living standards in local communities by putting people to work on a permanent basis, allowing them the opportunity to improve their social status within those communities.

As Senator HEINZ so aptly indicated in an editorial in the Washington Star, this amendment would target job assistance to America's boat people, without the boats.

There are three basic principles incorporated in this amendment:

Work as a way for the disadvantaged to gain the skills, training, and experience they need to succeed;

Employment in the private sector, as the most efficient way of solving the problems of structural unemployment; and

Resources targeted on those candidates most in need.

The targeted jobs tax credit program has been well received in the private sector, and has helped hundreds, perhaps thousands of disadvantaged employees that would not have otherwise been employed. The TJTC program represents the most equitable employment device now in effect and I strongly urge my colleagues to support this amendment.

Mr. SPECTER. Mr. President, I am pleased to cosponsor this amendment which seeks to reauthorize the targeted jobs tax credit by my colleague from Pennsylvania, the distinguished chairman of the Budget Committee, the Senator from New Mexico, and the ranking Minority member of the Finance Committee, the Senator from Louisiana.

I strongly support efforts which encourage employers in the private sector to hire disadvantaged workers. Under this program, seven categories of workers in groups which have experienced historically high rates of unemployment are given the opportunity to place a foot on the ladder of economic opportunity. This program encourages these people to participate in our economic system in productive jobs. It offers them the opportunity to earn valuable skills and a chance for advancement. And it does it at a lower cost than public service employment programs.

Currently, this program provides assistance to handicapped people, youth between the ages of 18 and 24 from economically disadvantaged families, Vietnam-era veterans under age 35, general assistance recipients, supplemental security income recipients, students between the ages of 16 and 18 participating in cooperative education programs, and ex-convicts.

This credit produces jobs by providing employers a tax credit equal to 50 percent of the first $6,000 in annual wages earned during the first year of employment and 24 percent of the first $6,000 earned during the following year. In my home State of Pennsylvania, of which I am most familiar, over 7,000 economically disadvantaged persons have benefited from this program since its inception in 1970.

In addition to the above groups, I have particular concern for individuals who are currently employed under title II–D and VI of CETA, which will be eliminated later this year. As such, I strongly support the provisions of this amendment which will extend the targeted jobs tax credit to these individuals. As well, this amendment will include Vietnam-era veterans over 35 who currently earn less than a poverty income. As a member of the Veterans Affairs Committee and through by travel in Pennsylvania, I have become acutely aware of their plight.

I believe that this amendment addresses criticisms of this program which were raised in the past. Employers would be required to file for the credit within 30 days of hiring an employee in order to prevent the granting of "retroactive certification." It would also require the Secretary of Labor to establish a quality control system. And further, this amendment will raise over $100 million of revenues through 1985, lowering the Federal debt and aiding our efforts to reduce inflation.

Mr. President, I believe that if we are going to turn our economy around and make America more competitive in the world economy, we must increase productivity and create jobs in the private sector. This program, which encourages the employment of disadvantaged individuals and gives them the first opportunity to participate in productive work, makes much sense from this point of view. I am pleased to join in with my colleagues from Pennsylvania, New Mexico, and Louisiana in cosponsoring this important amendment.

Mr. HEINZ. Mr. President, I am prepared to yield back the remainder of my time.

Mr. LONG. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment, as modified. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

Mr. CRANSTON. I announce that the Senator from Vermont (Mr. LEAHY) is necessarily absent.

I further announce that, if present and voting, the Senator from Vermont (Mr. LEAHY) would vote "yea."

The PRESIDING OFFICER (Mr. ABDNOR). Are there any other Senators in the Chamber who wish to vote?

The result was announced—yeas 95, nays 3, as follows:

[Rollcall Vote No. 215 Leg.]

YEAS—95

Abdnor	Ford	Moynihan
Andrews	Glenn	Murkowski
Armstrong	Goldwater	Nunn
Baker	Gorton	Packwood
Baucus	Grassley	Pell
Bentsen	Hart	Percy
Biden	Hatch	Pressler
Boren	Hatfield	Pryor
Boschwitz	Hawkins	Quayle
Bradley	Hayakawa	Randolph
Bumpers	Heflin	Riegle
Burdick	Heinz	Roth
Byrd, Harry F., Jr.	Helms	Rudman
	Hollings	Sarbanes
Byrd, Robert C.	Huddleston	Sasser
Cannon	Humphrey	Schmitt
Chafee	Inouye	Simpson
Chiles	Jackson	Specter
Cochran	Jepsen	Stafford
Cohen	Johnston	Stennis
Cranston	Kassebaum	Stevens
D'Amato	Kasten	Symms
Danforth	Kennedy	Thurmond
DeConcini	Laxalt	Tower
Denton	Levin	Tsongas
Dixon	Long	Wallop
Dodd	Lugar	Warner
Dole	Mathias	Weicker
Domenici	Matsunaga	Williams
Durenberger	Mattingly	Zorinsky
Eagleton	Melcher	
East	Metzenbaum	
Exon	Mitchell	

NAYS—3

McClure	Nickles	Proxmire

NOT VOTING—2

Garn	Leahy

So the amendment of Mr. HEINZ (UP No. 269), as modified, was agreed to.

Mr. HEINZ. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PENDING AMENDMENTS TO THE TAX MEASURE

Mr. ROBERT C. BYRD. Mr. President, I take the floor at this time to ask the distinguished majority leader what the program will be for the remainder of today and for tomorrow and Monday, if he can inform us.

Mr. BAKER. Mr. President, I thank the Senator for his inquiry.

There are 101 amendments that are on the list of amendments attached to the unanimous-consent agreement that was given last evening. So far today notwithstanding our best efforts we have only disposed of eight. We have 93 remaining.

In addition to the amendments that we have disposed of, a number of Senators have indicated that they will require only a brief time for their amendment, in a few cases that they will not offer their amendment, and in still other cases that they will not require a rollcall.

So even though we have disposed of only eight amendments, I suppose there is room for some slight optimism that we

have done a higher percentage of that 101 than I had thought.

Mr. President, we have not done well enough. We have in only one case of which I am aware reduced the time allocated under the order and that was a 2-hour limitation given to the amendment to be offered and indeed offered by the Senator from Pennsylvania and the Senator from New Mexico. That was reduced voluntarily and at my request from 2 hours to 1 hour.

Mr. President, if we are going to finish this joint resolution and do so without having a stampede on Wednesday at 3 p.m., we are going to have to do better and what that means is that Senators are going to have to be here to offer their amendments, that they are going to have to consider reducing the time available for debate on those amendments, to forego offering those amendments if it is possible to do so, to forego record rollcall votes when that is possible, to negotiate with the managers of the joint resolution on both sides to try to reach accord where that is possible, and in addition to all of that, Mr. President, to stay late tonight and the Senate is always on notice that Thursday is our late night, but I say to my colleagues that this is going to be a late, late night.

I think it is absolutely essential that we be here at least until 11 p.m. and perhaps later than that, depending on how much we can stand. But there is no other alternative, Mr. President, except to stay late this evening and I urge that Senactors take account of the fact that we will be here until 11 p.m. or 12 o'clock tonight.

We have disposed of, as I say, eight amendments. We have to do more than that. We have to do them at a better rate than that. We have an order to convene at 10 a.m. tomorrow. I intend to ask the Senate to modify that request to take into account any special orders that Senators may request and to convene the Senate early enough so that we can be on this joint resolution again at 10 a.m. tomorrow and we will run tomorrow all day. Senators should not assume because it is Friday or because we have vitiated the order for a Saturday session that it is going to be an easy day. It is not going to be an easy day. I do not know yet how long we will be in, Mr. President, but anyone who is planning on a 6 or 7 p.m. plane is in trouble in my opinion.

So, Mr. President, I say to my friend, the minority leader, that it looks like we will be in very late tonight. We will have a long day tomorrow. We will convene again at—Mr. President, do we have an order for 10 a.m. on Monday?

The PRESIDING OFFICER. The order is for 12 noon on Monday.

ORDER TO CONVENE AT 10 A.M. ON MONDAY

Mr. BAKER. Mr. President, I ask unanimous consent that we change that to 10 a.m. on Monday.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. We have an order for 10 a.m. on Monday and, Mr. President, as much as I regret to say so, I must tell my friend, the minority leader, that if we do not make better progress than we are making so far, the Senate should be on notice that they should expect late evenings, and I mean 11 p.m. or 12 o'clock evenings on Monday and Tuesday, so that we can avoid that stampede of amendments yet undisposed of beginning at 3 p.m. on Wednesday, which the order requires.

So, Mr. President, I regret to give this report to the minority leader and to the Senate, but I think I have no other alternative except to state the situation as I see it and urge Senators to cooperate in every possible way in trying to improve the rate of disposition of amendments.

Mr. ROBERT C. BYRD. Mr. President, the majority leader indeed has no alternative.

I am somewhat surprised to hear that we still have 101 amendments. On yesterday, I thought there were 90 amendments at the time we had our agreement.

Mr. DOLE. Mr. President, will the minority leader yield?

Mr. ROBERT C. BYRD. I yield.

Mr. DOLE. There were 10 added while we were getting the agreement. [Laughter.]

Mr. ROBERT C. BYRD. I am not surprised.

Mr. BAKER. Mr. President, it finally got to the place, if the minority leader will permit me, where I tried to gather up all copies of the lists and destroy them except one but even with that I did not succeed in keeping diligent staff people from scribbling amendments on the list and we ended up with 101.

Mr. ROBERT C. BYRD. Mr. President, it is not my desire to attempt to tell the majority leader what to do. I am really concerned about the number of amendments. Most of them are on my side of the aisle. So I think I am justified in saying this: I suggest that my side at least—I will not tell the majority leader what to do on his side—but I am going to ask my side to contact via the cloakroom, via the hot line, Senators to see if they would have any objections to cutting down the time on 30-minute amendments to 20 minutes, and let us start there and perhaps the majority leader would want to think about having 10-minute rollcalls after the first rollcall tomorrow and each day because I can see right now we are going to be in one big squeeze and someone is going to get squeezed if we do not take action early, and most of the amendments being on my side I feel I am justified in making this suggestion because it is going to cut most deeply on my side.

Mr. BAKER. Mr. President, I thank the minority leader for that suggestion, and I can only urge Members on this side to consider that request which indeed I will make and I propose to make that request immediately after the next rollcall vote this afternoon so Senators will have an opportunity to comment on it.

But I serve notice now that after the next rollcall vote I will propound a unanimous-consent request to reduce the time on all amendments unspecified for a time from 30 to 20 minutes.

Mr. President, I will discuss this with the minority leader, but I am inclined to try to reduce the time on rollcalls to 10 minutes tonight instead of tomorrow, and we might do that at about 7 p.m. tonight because by then all committees will have met and discharged their duty for today, I trust, with the exception perhaps of the conference committees and subconferences, but everyone then would be on notice that beginning at 7 p.m. rollcall votes will be only 10 minutes in duration. Members should take account then that I will most likely make that request after the next rollcall.

Mr. DOLE. Mr. President, will the majority leader yield?

Mr. BAKER. I yield to the Senator from Kansas.

Mr. DOLE. I know of 90 amendments pending. It may appear to be gloomy but I think it is better than it may appear at first blush. We have a lot of negotiations going on. Some you can never satisfy, and I am probably in that category, but there are some that just keep coming and coming. We hope to negotiate three or four areas that involve a number of Senators and a number of amendments. We hope to also find out how many are willing voluntarily just to let me say that that amendment is no longer going to be called up and we are working on that list. I hope by tonight at 11 p.m. we will be down to 50 amendments.

Mr. BAKER. Mr. President, if the Senator can do that I will add another medal to his array and cluster of medals because that would be a great contribution to the Senate, to the country, and certainly to the tranquility of our weekend.

Mr. President, I am prepared now to yield the floor and to urge once again all Senators to take account of the announcements that I have made and make their plans accordingly.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. It is my understanding that the distinguished Senator from Mississippi (Mr. STENNIS) now wishes to call up an amendment or address a matter that is of much concern to him.

The PRESIDING OFFICER. The Senator from Mississippi.

NATIONAL COMMISSION ON INTEREST RATES

Mr. STENNIS. Mr. President, I thank the Senator from Kansas.

Mr. President, I have an amendment prepared here that relates to the interest rates and it would call for the creation of a commission and undertake to designate the members of the administration that would be on that commission, including, of course, the Secretary of the Treasury and then provide certain other outside members.

In consideration of this matter and in conference with the Senator from Kansas, the chairman of our valued Finance Committee, and the ranking minority member, the Senator from Louisiana (Mr. LONG), the former chairman, we have talked this matter over. I have talked it over with Mr. Regan, the Secretary of the Treasury, who is very much interested in the subject matter and concerned. Considering the time element, even though the subject matter is of the utmost importance, but the time element

involved in trying to put it on this joint resolution, as an amendment, I have concluded that I want to present my amendment and then withdraw it and make these remarks and have a colloquy with the chairman of the committee and the ranking minority member as I have related already that will concern a hearing by the committee. That will take place sometime soon, at their convenience and with their arrangement, of course. They will go into this subject matter.

I want to take just a very few minutes of time to relate just why I am doing this. It is certainly not a jumped-up affair, and I am most grateful to the chairman and the ranking member for their willingness to discuss and advise on this matter, and Mr. Regan, the Secretary of the Treasury, and others.

I feel this very keenly as a Member of this body. I had a chance to talk with President Reagan while he was President-elect. He asked me what I thought was the most demanding, the most urgent, and the most immediate point concerning our economy, and I told him these high interest rates.

The Senator from Oregon (Mr. HATFIELD) held hearings, as the Appropriations Committee chairman, this January. I attended every minute of those hearings. We heard many of the economists there, and on down the line no one had a full answer or a full explanation of this problem of interest rates.

Even though this general debate here this year on the budget and on the tax bill and on related matters I believe has been the best I have had the privilege of hearing since I have been in the Senate, and the caucuses were good, constructive, and these debates have been good and there has been much expression of concern, I feel one thing we have not exhausted the subject matter on is the matter of these interest rates.

I do not know a thing about economics. I am not a financier. But I feel that I know something about the problems that people who work for a living are up against, and little businessmen and little shopowners and small automobile dealers and everybody along that line; I know their problems, and I know what they are up against.

This economy cannot live with the interest rates they are having to pay now. I know it is absorbing their savings, and it is going to bankrupt them. It is stagnating the young fellows who are trying to get a start by way of buying a home, a shop or anything else.

I do not have any full remedy, but I have written it down this way in my own writing, that any economic system which does not afford the people with a stable, moderate interest rate is inadequate, unsound, and defective, and unstable high interest rates will eventually bring a collapse of the free enterprise system.

The yearly takeout in the form of interest is too much for the borrower to ever get ahead under present conditions. The profits of investment in enterprise are taken by the lender. The incentive to invest in productive capacity is lost to the money speculator. All the lenders are not money speculators, and I did not mean it that way. But an individual consumer cannot carry the load of these high interest rates. Many consumers have exhausted their savings—and that is going on every day—by paying high interest rates because of necessities, and these necessities have increased greatly in price.

The Federal Government itself cannot continue to pay an annual interest payment which is now approaching $100 billion on the public debt, and which continues to grow. It just seems to me that 13 or 14 or 15 years ago, it was in 1960, I believe, that we first hit a total budget of $100 billion. Now the takeout is close to $100 billion a year just for interest on that debt.

Mr. President, as the debate on the legislation before us has highlighted, many serious economic problems have developed over the past decade. Interest rates at unprecedented levels is the greatest concern. High interest rates and high inflation are twin devils that have combined to undermine confidence in the economy and in the Nation's capacity for growth.

The situation is serious. These high and volatile interest rates have caused speculation in money, with a corresponding decline in productive investment. The high cost of money has seriously hurt the basic industries which contribute directly to the quality of American life. The producers of homes, automobiles, home appliances, and home furnishings are suffering a serious business downturn and the thousands of small businesses which are the backbone of our Nation's commerce and basic to the free enterprise system are drying up, selling out, and going bankrupt at an alarming rate.

We must be concerned. Any economic system which does not afford the people with a stable, moderate interest rate is inadequate, unsound, and defective. Unstable high interest rates will eventually bring a collapse of a free enterprise system. The yearly takeout in the form of interest is too much for the borrower to ever get ahead. The profits of investment in enterprise are taken by the lender. The incentive to invest in productive capacity is lost to the money speculators.

A ceiling on interest rates, an allocation of credit and money, and a total control of credit for major items will, of course, be severe, unpopular, difficult to administer and in the long range undesirable. However, some remedy is necessary to save us from a gradual deterioration of our economy which could lead to a sudden and catastrophic loss of confidence in our economy and could bring about a collapse of our markets. Small businesses are the most vulnerable and they would fall first, but eventually all segments of our economy would necessarily tumble.

The individual consumer cannot carry the load of these high interest rates. The consumers have exhausted their savings by paying high interest rates for necessities and these necessities have increased greatly in price, adding to the financial misery of the American people. The Federal Government itself cannot continue to pay an annual interest payment which is now approaching $100 billion on the public debt, which continues to grow. Something must be done.

Earlier this year, on January 27, 28, 29, and 30, I joined in hearings on the national economy with the chairman of the Senate Appropriations Committee, Senator HATFIELD. These hearings were very thorough. Some of the most knowledgeable people on the economy appeared before the committee and testified concerning their sense of what was wrong with the economy and what cure should be proposed. I asked each of the witnesses what we should do about high interest rates. Most of the spokesmen were at a loss to suggest a specific plan. Most acknowledged that if the rate of inflation were reduced, interest rates would come down. Now we find that even though the rate of inflation has moderated somewhat, interest rates continue at high levels.

I met with the President right after he came into office and expressed my concern about these high interest rates. I urged him to act promptly to bring interest rates under control. I said that it must be a top priority of his administration and the 97th Congress to reduce the high interest rates which are stifling our economy. I believe the President and the chairman of our committees have made a good start, but the question is, where are we headed? How long will it take to restore moderate and more stable interest rates in our economy?

Mr. President, there is much about this economy that is not understood. The general condition in which we find ourselves now of stagnation, inflation, high interest rates, nonproductive investment, and low savings, is not the result of a recent turn of events. The economy during this last decade has been marked by severe economic shocks. Economic changes have occurred with great rapidity and the laws and regulations put on the books designed to cope with such changes have been approved at a pace which defies a clear understanding of their impact on the economy.

In my view, the time has come for a comprehensive examination the high level of interest rates and the impact of our monetary and fiscal policies on such rates. It is my belief that we have got to give the American people some assurance that something will be done to bring interest rates down, reduce inflation and restore growth to our economy. I believe we need to bring together the finest minds and experts in this field and ask them to carefully look at the situation and recommend steps which may be taken that would lead to a reduction in interest and inflation rates.

I have prepared an amendment to this resolution under consideration which would establish a National Commission on Interest Rates for the purpose of achieving a greater understanding of the complex factors which govern our national economy and would bring before the Congress and the President for consideration administrative and legislative proposals which would address the health of the Nation's economy.

In discussions with the Secretary of

the Treasury, the chairman of the Finance Committee, Senator DOLE, and the ranking minority member, Senator LONG, I have agreed to hold this amendment with their assurance that they would join with me in pursuing this problem of high interest rates by holding hearings on this subject upon return of the Congress in September. I will place in the RECORD a bill which would establish such a Commission, with an explanation of its purpose for consideration of the Senate. It is my intention to submit this bill for consideration of the Senate if the hearings on our economy indicate that such a Commission would be warranted.

Mr. President, I ask unanimous consent to insert in the RECORD at this time a bill to establish a National Commission on Interest Rates, followed by an explanation of the bill,

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. ——

A bill to establish a National Commission on Interest Rates

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "National Commission on Interest Rates Act".

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds and declares that—

(1) interest rates charged by lenders have reached levels which threaten the health of the Nation's economy;

(2) high interest rates have contributed to price inflation, a reduction in the supply of goods and services, economic stagnation, and a higher Federal deficit;

(3) the volatility of interest rates has created business uncertainty, encouraged speculation, and deterred investment in productive capacity;

(4) existing monetary, credit, banking, and fiscal policies have not stabilized interest rates at beneficial levels; and

(5) the development of policies to restore stability and confidence in the financial markets is necessary to the economic security of the United States.

(b) It is the purpose of this Act to establish a commission to investigate and recommend methods of promoting moderate and stable interest rates.

ESTABLISHMENT

SEC. 3. (a) There is established as an independent instrumentality of the United States a commission to be known as the National Commission on Interest Rates (hereafter in this Act referred to as the "Commission").

(b) The Commission shall be composed of the following members:

(1) The Secretary of the Treasury, or his delegate.

(2) The Chairman of the Council of Economic Advisers, or his delegate.

(3) The Comptroller of the Currency, or his delegate.

(4) The Chairman of the Federal Home Loan Bank Board, or his delegate.

(5) The Administrator of the National Credit Union Administration Board, or his delegate.

(6) The Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, or his delegate.

(7) The Chairman of the Securities and Exchange Commission, or his delegate.

(8) The Chairman of the Federal Trade Commission, or his delegate.

(9) Two members appointed by the President, one of whom is an official of a State agency that regulates banking or similar financial institutions, and one of whom is an official of a State agency that regulates savings, thrift, or similar financial institutions.

(10) Five members appointed by the President from private life who are not officers or employees of the Federal Government or of any State or local government.

(c) The Commission shall consult with the Board of Governors of the Federal Reserve System in carrying out its functions.

(d) Upon the appointment of the members described in paragraphs (9) and (10) of subsection (b), the President shall designate a member of the Commission to be Chairman of the Commission. This designation shall be made by and with the advice and consent of the Senate unless the individual designated already holds an office to which he was appointed by and with the advice and consent of the Senate.

(e) A vacancy on the Commission shall not affect its powers and shall be filled in the same manner in which the position was originally filled.

DUTIES

SEC. 4. (a) The Commission shall make a full and complete investigation of and make recommendations with respect to ways to establish moderate and stable interest rates. In conducting this investigation, the Commission shall consider—

(1) the upward ratcheting of interest rates;

(2) the "crowding out" of private borrowing and lending;

(3) the unprecedented volatility of interest rates;

(4) the high cost of long-term borrowing;

(5) the impact of international financial conditions on the domestic economy;

(6) the increase in speculative investment;

(7) the expansion of consumer credit;

(8) the expansion of housing credit; and

(9) any other problems relating to the establishment of moderate and stable interest rates.

(b) Not later than one year after the date on which the last member of the Commission is appointed pursuant to section 3(b), the Commission shall submit to the President and to the Congress a final written report concerning its investigation and make such recommendations for administrative action and legislation as the Commission finds appropriate.

(c) Not later than 6 months after the date of enactment of this Act, the Commission shall submit an interim report to the President and to the Congress, describing the activities of the Commission during the period prior to the submission of such report.

(d) The Commission shall cease to exist sixty days after it submits its final report to Congress under subsection (b).

POWERS

SEC. 5. (a) The Commission or, on the authorization of the Commission, any member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpena or otherwise, the attendance and testimony of such witnesses and the production of such evidence as the Commission or an authorized member may find advisable.

(b) (1) Subpenas may be issued only under the signature of the Chairman or any member of the Commission designated by him and shall be served by any person designated by the Chairman or any members. The attendance of witnesses and the production of evidence may be required from any place in the United States at any designated place of hearing in the United States.

(2) Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission.

(3) The provisions of section 1821 of title 28, United States Code, shall apply to witnesses summoned to appear at any such hearing. The per diem and mileage allowances to witnesses summoned under authority conferred by this section shall be paid from funds appropriated to the Commission.

(4) Any person who willfully neglects or refuses to qualify as a witness, or to testify, or to produce any evidence in obedience to any subpena duly issued under the authority of this section shall be fined not more than $500, or imprisoned for not more than 6 months, or both. Upon the certification by the Chairman of the Commission of the facts concerning any such willful disobedience by any person to the United States attorney for any judicial district in which such person resides or is found, such attorney may proceed by information for the prosecution of such person for such offense.

(c) The Commission may acquire from the head of any Federal agency available data, reports, and other information which the Commission considers useful in the discharge of its duties. Each such agency shall cooperate with the Commission and furnish all information requested by the Commission to the extent permitted by law.

ADMINISTRATION

SEC. 6. (a) Subject to such rules and regulations as may be adopted by the Commission, the Commission is authorized to—

(1) appoint and fix the compensation of an Executive Director, by and with the advice and consent of the Senate, and such additional staff personnel as may be necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at such rates not in excess of the maximum rate for GS–18 of the General Schedule under section 5332 of such title;

(2) procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $200 a day for individuals;

(3) procure supplies, services, and property, and make contracts; and

(4) enter into agreements with the General Services Administration for procurement of necessary financial and administrative services, for which payment shall be made by reimbursement from funds of the Commission in such amounts as may be agreed upon by the Chairman and the Administrator of the General Services Administration.

(b) The Comptroller General is authorized to make detailed audits of the books and records of the Commission, and shall report the results of any audit to the Commission and the Congress.

COMPENSATION

SEC. 7. Each member of the Commission not otherwise employed by the United States shall be compensated at the rate of $200 per day for each day, including traveltime, that he is engaged in the actual performance of his duties as a member of the Commission. A member of the Commission who is an officer or employee of the United States shall serve without additional compensation. All members of the Commission shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

ASSISTANCE

SEC. 8. (a) Upon the request of the Commission, the head of any Federal agency shall furnish the Commission with available data, reports, and other information to the extent permitted by law.

(b) Upon the request of the Commission, the head of any agency, department, or other instrumentality of the United States may furnish personnel and services to the Commission, with or without reimbursement.

AUTHORIZATION

SEC. 10. There are authorized to be appropriated without fiscal year limitation such sums, not to exceed $2,000,000, as may be necessary to carry out the provisions of this Act.

Mr. STENNIS. This bill, to which I refer today, would permit a body of our finest and most knowledgeable experts to consider in a total way the Nation's economic situation and examine those problems which have emerged in recent years. This bill would establish a National Commission on Interest Rates for the purpose of investigating and recommending to the President and the Congress administrative and legislative changes to bring about moderate and stable interest rates.

By adopting this bill the Congress would find and declare that interest rates charged by lenders have reached levels which threaten the health of the Nation's economy. It would find that high interest rates have contributed to price inflation, a reduction in the supply of goods and services, economic stagnation, and a higher Federal deficit.

The Congress would find that the volatility of interest rates has created business uncertainty, encouraged speculation, and deterred investment in productive capacity.

The Congress would find that existing monetary, credit, banking, and fiscal policies have not stabilized interest rates at beneficial levels, and by adoption of this bill the Congress would declare that it is necessary to develop policies to restore stability and confidence in the financial markets in order to guarantee the economic security of the United States.

This Commission would be an independent instrumentality of the United States. The membership would consist of 15 members, with a chairman appointed by the President. The membership would consist of the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, the Comptroller of the Currency, the Chairman of the Federal Home Loan Bank Board, the Administrator of the National Credit Union Administration Board, the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, the Chairman of the Securities and Exchange Commission, the Chairman of the Federal Trade Commission, two members appointed by the President, one of whom is an official of a State agency that regulates banking or similar financial institutions, and one of whom is an official of a State agency that regulates savings, thrift, or similar financial institutions, and five members appointed by the President from private life who are not affiliated with, do not represent, and hold no substantial interest in banking, savings, thrift, or financial institutions.

In recognition of the independent nature of the Federal Reserve System, the Chairman of the Federal Reserve is not included as a member of the Commission, and therefore would not be bound by any recommendations made by the Commission. However, this act directs the Commission to consult with the Board of Governors of the Federal Reserve System in carrying out its functions.

The Commission would be directed to make a full and complete investigation of and make recommendations with respect to ways to establish moderate and stable interest rates. I have been advised by experts in the economic and financial management field that in conducting this investigation the Commission should consider certain significant economic problems which have been particularly prevalent in the past decade.

The areas are mentioned in this bill, but of primary importance the Commission has been given broad authority to consider any economic problem which relates to the establishment of moderate and stable interest rates.

The Chairman is to provide a written report 1 year from the date of his appointment, and an interim report not later than 6 months after the date of enactment of this act.

I have proposed a focus on interest rates because this economic measure is accepted universally and traditionally as the yardstick of a market economy. Interest rates and usury predate economics as a formal discipline.

Indeed, the learned philosopher and economist from Scotland, Adam Smith, writes in his treaties on economics, "The Wealth of Nations," concerning interest, that:

The profits . . . must vary with it, must sink as it sinks, and rise as it rises. The progress of interest, therefore, may lead us to form some notion of the progress of profit.

I want to repeat now that there has been an effort here—the committees have worked, all of them that pertain to this field—and I have talked to many Senators, and I find and I have never seen a matter which has searched the souls of the membership here as has this one, just this matter of these interest rates. No one can find a full answer.

So I thought, as I said in the beginning, that something more should be tried, and these committee chairmen and the ranking members are concerned, and they were willing to take any reasonable steps. I talked to my fellow Senators about it. I wish we could just create a commission now that represented a cross section.

But I believe this hearing will be very valuable. I have a high regard for our Finance Committee, not just this year but other years, too, and I now want to yield to the chairman of the committee, if he is ready to express his feelings here in response to this matter.

As I say, as those Senators know, I expect to finally withdraw the amendment in time. But that will carry with it the intention to introduce it again after these hearings are concluded sometime around the end of September.

Mr. President, I yield to the Senator from Kansas.

Mr. DOLE. Mr. President, let me say, first of all, I appreciate the fact that the distinguished Senator from Mississippi has taken an interest, and has a long-time interest, in this problem. I also appreciate the fact that he is willing to discuss the amendment at this time and then withdraw it, based upon the fact and the promise, which will be pursued, to have hearings.

I had hoped to discuss this matter today with the distinguished Senator from Utah (Mr. GARN) about joint hearings with the Banking Committee and the Finance Committee. But he is in Utah today attending a funeral.

I am certain we can work that out. If not, there will be hearings in the Finance Committee, hearings that we hope will be productive, not just a media event but hearings on a very deep-seated, deep-rooted problem which affects every one of our States, particularly small businessmen, farmers, housewives, working men and women who must either buy things on time or borrow money to exist or borrow money for their businesses or borrow money for any other purpose.

It is my intention and my hope that we can hear at that time not only someone to tell us again about the problem but maybe help address something we might do, if there is anything we can do from a legislative standpoint, to help address the problem.

There have been others who have expressed a deep interest in this problem. I know the distinguished Senator from South Dakota (Mr. PRESSLER) has been discussing this at length, and certainly at this time any other Senator who had an interest would be welcome to participate.

But I will say to the Senator from Mississippi that the problem is real. I have asked the distinguished chairman of the Budget Committee to be here, along with the chairman of the Joint Economic Committee and, of course, the distinguished Senator from Louisiana (Mr. LONG) to express not only our concern but our commitment to make certain that this is not forgotten after the amendment is withdrawn.

I thank the distinguished Senator from Mississippi. Could I yield first to the Senator from Louisiana?

Mr. STENNIS. I would like to yield to the Senator from Louisiana. I thank the Senator from Kansas.

Mr. LONG. Mr. President, as one Member of this body, I am convinced that interest rates should be below where they are at this time. I say that because I believe that the effort to curb inflation and turn it around is bearing fruit. Indications are that the administration's efforts to fight inflation by all the methods that have been taken have been showing some results. Partly the result is what we are doing on the Hill and partly the result of what the President is doing.

We are told that inflation will not exceed 10 percent this year. I am led to believe that the long-term trend on interest rates tends to be about three points above inflation for prime loans. If that is the case, we have a right to expect interest rates of around 13 percent rather than the much higher rates that exist at this time, 17 to 20 percent. And it is a favorable trend in curbing inflation to bring

interest rates down and should be paying off already.

But if the banking community is not convinced at this point, it should be convinced within a month or so, and interest rates ought to be lower than they are, and they ought to be coming down.

Now, bankers can give us a lot of conversation to indicate that they really do not want to charge all these high rates. But the fact is that most bankers enjoy charging high rates. It makes more money. And if you read what their corporate charters say, they say about the same thing every other corporate charter says. Those people are in business to make a profit. When they report to their shareholders, they proceed on the theory that they are to make the best profit they can for their stockholders.

This Government has the power within it to do a great deal about interest rates. A lot of that power has been vested in the Federal Reserve Board by an act of Congress, not by the Constitution of the United States.

And when people say that nothing can be done about it, the fact is that this Government has more power over interest rates than any bank or any group of banks if it wants to exercise its power. If you want interest rates to be at a level that is in accordance with the national interest, that level should be influenced by the activities of this Government acting through its Federal Reserve Board. Now, that is an instrumentality of the Government. The bank exercises a power and a function that is placed in the Congress under the Constitution and it ought to be doing what the Congress thinks is correct. The President is part of this procedure.

If these interest rates are too high, then Congress has to take the responsibility, because, in the last analysis, the power to do something about it was put in the Congress by the Constitution. And insofar as we have farmed it out to the Federal Reserve Board and other instrumentalities of this Government, we cannot exercise a responsibility for the action of those who are supposed to be doing what we want them to do and we should be looking at it.

The Secretary of the Treasury, I thought, was very considerate, and I believe the Senator from Mississippi would agree that he was conciliatory. He indicated that he, too, would like to see interest rates lower and that he wants to do what is best for the 230 million people of this country. He indicated he would welcome a hearing on the subject to discuss the subject and he would be happy to report and listen to everybody's suggestions, including those that he would make himself.

So I would be happy to cooperate in any way that I can to see that Congress does exercise its responsibility and that we discuss the matter and that we do consider what can be done and perhaps what should be done about this situation.

May I say that I would be glad to cooperate with the chairman of the committee and with the Senator from Mississippi in any way that I can to help see that this matter is properly discussed and, hopefully, suggestions might be made and considered.

Mr. STENNIS. I thank the Senator very much. I take quite seriously what you gentlemen say and always do, and all of us do. The two of you can be very helpful, I am sure.

Mr. PRESSLER. Will the Senator yield?

Mr. STENNIS. Yes, I am happy to yield to the Senator from South Dakota.

Mr. PRESSLER. Mr. President, I would like to join as a cosponsor of the interest rate amendment which the distinguished Senator (Mr. STENNIS) is offering. Let me indicate at the outset that I also have a Senate resolution to make the interest rate issue the top priority of the Congress which I will be offering shortly. I believe it is important that the Senate address this question quickly because I think that the White House and the Congress are not fully aware of the devastating impact that high interest rates are having on the economy.

I commend the Senator for his action today and also the committee chairmen who have promised to hold hearings, but let us hope that the action taken is more than just merely hearings. Today, small businessmen and farmers are in a near state of revolt regarding interest rates. Some of the larger corporations can pass the cost of interest on to the consumers, but small farmers and businessmen cannot.

It should be understood that the deduction for interest rates cannot be enjoyed unless one has an income to mark it off against. So, therefore, many smaller operators cannot even deduct the interest rates because they do not have any income against which to mark it.

Let me say that I sense that those in the highest positions of the Federal Reserve are not at all aware of the damage the high interest rates are having on individuals and small business across the country. When the Federal Reserve was established, it was done so with the idea that it would be politically independent. But I am not sure economics should be independent of politics. There is nothing wrong with the political situation being responsive to the needs of the people. Members of Congress hold listening meetings and we are supposed to respond to our constituents and the problems that are out there in our home States and districts.

Mr. President, I do not believe that the highest levels of the Federal Reserve or, indeed, of Congress and the White House have done much to date to limit the impact of high interest rates. I know there is talk of removing the Chairman of the Federal Reserve or of curtailing the Board's power. On the long-range basis, it is a valid question whether Congress should have given this power to the Federal Reserve or if we should now take it back.

Of course, we in Congress also have a responsibility to move toward a balanced budget for which the huge deficit the Federal Reserve feels makes the taking of these actions necessary. At present, however, the Board has set the rates at a much higher level than the current rate of inflation dictates.

The damage that is being done all across our country by the staggering interest rates is far greater than is realized in Washington. Those damages will be felt in 2 and 5 and 10 years, by the loss of family farms and small business today and in the next few months.

Once again, the damages are falling heaviest on working people, working women and men, on small operators who must pay the interest and do not have an income sufficient to deduct the income tax deduction and also who cannot pass the cost of higher interest rates on to consumers.

Too often Washington hears from great corporations or great labor unions who can pass on or absorb, temporarily, such increases. I think we are overlooking the really staggering impact that this has on small individuals in more remote areas of our country.

I join in the request to the various committee chairmen for hearings. I commend the Senator from Kansas for his commitment. I know my distinguished colleague from Iowa, the chairman of the Joint Economic Committee, is here and the chairman of the Budget Committee is here. Their concern for this subject is indeed encouraging. I believe they share my sense of urgency regarding this matter.

I brought this subject up with the President when he was before our conference just a week ago because I sensed that some of his advisers may not have fully shared the urgency of the crisis of high interest rates. I believe the action we are taking today can only heighten the awareness of members of his administration to this subject.

Therefore, I join in cosponsoring this amendment which would create a commission. I understand it is being withdrawn in exchange for a commitment to hold hearings. I join in that request and I applaud the Senator from Kansas for making the commitment.

Mr. JEPSEN. Will the Senator yield?

Mr. STENNIS. I am happy to yield and then I will yield next to the Senator from New Mexico.

Mr. JEPSEN. Mr. President, I thank my distinguished colleague from Mississippi, and I commend him for discussing probably the most important and crucial economic issue that is facing this country today. As President Reagan found out the other day when he got an earful in Ottawa, it is also an international problem that affects this country.

We have heard about how high interest rates hurt the people who want to buy homes, the homebuilders, and the realtors. It carries on down in that chain to where a person who has received an offer of a promotion from one city to another is not sure whether to accept the move. The new job he might take now has to be considered in the light of whether the home that he has can be sold and, if it can be sold, whether he will be able to afford to buy a home in the new place that he is moving.

It affects everyone at all levels of our economy.

My question is a $64,000 question that we all have to get to on the bottom line: How do we bring the interest rates down? That is the question. We can print money. Money actually creates inflation and inflation is what causes high interest rates. I think there is some misunderstanding in that. You can blame the Federal Reserve Board or whoever you want to about high interest rates, but high interest rates are primarily caused by inflation. High interest rates do not fight inflation; they are caused by it.

I think among other things we should study the root causes of inflation. Then we can get at interest rates and then recommend steps on how to get them down.

I can assure the distinguished Senator from Mississippi that the Joint Economic Committee will be holding hearings and we will counsel with, consult, and cooperate in every way with the distinguished Senator from Mississippi at the time of these hearings and the calling of witnesses to make sure that his interests are considered and that he is totally involved. I thank the distinguished Senator for bringing this up at this time.

Mr. STENNIS. I thank the Senator.

I am glad to yield to the Senator from New Mexico for his comments.

Mr. DOMENICI. I thank my friend for yielding. Might I say in all honesty, the issue of interest in our country, is one that is so significant and so volatile that many who would come to the floor with an amendment such as the one proposed and which is to be withdrawn might be confronted with an attitude on my part that it was done merely for some political kind of propagandizing.

I want to say to the Senator from Mississippi that that is not his case. I have never found him to do that.

What brings the Senator from Mississippi to the floor is the utter feeling of frustration about this situation.

There are a couple of historic facts that are so frustrating that we ought to have the brightest people in the world attending hearings. For instance, never in the history of our country have we had such a big difference between inflation and interest. Perhaps the distinguished Senator who chairs the Joint Economic Committee is correct, that interest and inflation are in some way tied. But we now have for certain inflation which is no longer double digit. Let us say it is 9.3. We have interest which is twice as high, 18 or 19. Never in the history of America have we had such a big difference between inflation and interest.

As the Senator knows, in my committee, where we have to set the targets, where we have to estimate how we will get to the balanced budget at some point in time, there is no fact that is more devastating to our efforts to attempt to predict a balanced budget than inflation. The Senator is absolutely correct; it is approaching $100 billion. The interest is approaching $100 billion.

The biggest political problem of Lyndon Johnson was how did he tell Americans that he was going to have a $100 billion budget. Now we have $100 billion in interest this year.

There is no question but this is the Achilles heel. Our President must know it; those who advise him must know it. This economic recovery plan will not work if we have interest rates at this height for very much longer. We are going to have a tax package that stimulates growth, budget cutting that attempts to bring excessive Government spending under control, but the Senator from Mississippi knows, and everyone here knows from talking to their constituents, be they the small businessman, big business, the farmer, the one who buys a car or the one who sells it, activity will begin to drop off unless we find an answer.

I think I know some of the reasons, I will say to the Senator from Mississippi. It will be my privilege to await these hearings. I would like to attend them. We will have to be producing the second budget resolution soon and we will have to predict for the Senate for all of 1982. The Senator will have to stand here and vote on his best estimate of what that should be.

There are some real anomalies. While the interest rates are this high, the American people would assume that the banking institutions would be flourishing. The Senator and I know that the savings and loan institutions of America have never been in such a precarious position in terms of potential insolvency since the Great Depression. The savings and loans, which make the long-term mortgages for our homes, are just almost out of business. Who is going to give them money to loan for 30 years? When the interest rate was 18 or 20 percent some 20 months ago, it dropped precipitously some 10 or 12 points, but in a few months it was back up. Who will lend money at a fixed rate for 30 years? Where will that money come from?

I commend the Senator from Mississippi for his attitude and his genuine concern.

Mr. STENNIS. I thank the Senator very much. The Senator has given an excellent summary of the situation.

What concerns me, too, is I think the Senator is correct when he said this high rate of interest is a roadblock to the success of the Reagan plan, the Reagan package, whatever you want to call it. We are not going to get out of this predicament until we get something done about these interest rates. I feel very strongly about that.

I want to make clear that I am not blaming the Federal Reserve Board or its Chairman. I put in the resolution that the Commission would consult with him since he has responsibilities of his own.

The attitude of the Senator from New Mexico is very helpful in trying to solve this problem.

Mr. President, I want to emphasize, too, that I was impressed with the concern of Mr. Regan, the Secretary of the Treasury. I again express my faith in him in trying to find a way through this darkness of these repeated high, high, high rates. I have confidence in his ability.

I believe, Mr. President, with reference to the financial community of this Nation, that they have the ability and the know-how, and, based on their experience, their indepth learning in this field, they will be helpful to the Secretary of the Treasury, to the President, or anyone. I suppose some have volunteered but it seems to me that they should all volunteer to make suggestions as to what they think might pull us out of this 20-percent interest rate which is the roadblock to the success of this plan.

There is another thing that drove me to this conclusion. I realize that at the very best this plan takes time. I want to warn the American people again, do not expect too much at the end of the first year or even at the end of the second year, or the third year. But we cannot wait that long on reduction of this 20-percent interest rate, the 18-percent interest rate, the 16-percent interest rate. The ordinary business of the country cannot make it, as I see it.

We have to stay with this problem until we find something to resolve it.

Mr. President, I do not have any specific remedy, but I do know that we could put caps on interest rates, devise some kind of a system to do that.

We had, in the Eisenhower administration, I believe it was, regulation W. That was put on for a while and that put a limitation on amounts, I do not remember the exact numbers. As I recall, it did a lot of good. So we cannot just stand back and wait for 2, 3, or 4 years and say the free enterprise system must have a free swing. We just cannot last that long. If people ever generate a sense of real fear, because normal business conditions cannot function, then semi-pandemonium can break loose at any time. I speak from experience on that, having come through the Depression. I was practicing law when the Depression started. In fact, it came in about the time I came into the profession and I felt the first wave. But when the institutions begin to fail they can fall like dominoes—and I am not predicting they will, but the failures can spread almost overnight.

So, Mr. President, I find a great interest and a great preoccupation about this problem, that it cannot be permitted to last, but we are all short on real remedy. I am pleased, as I said again Mr. President, to have the active cooperation of the committees, the agencies of the Government, the membership, or anyone outside, of course, that will get at this matter and try to come up with something on the positive side.

I think, Mr. President, for the RECORD, I understand that I ought to introduce this amendment now, and I have sent it to the desk. Then, as I said, I shall withdraw it.

Mr. DOLE. Mr. President, is the amendment at the desk?

UP AMENDMENT NO. 270

(Purpose: To establish a National Commission on Interest Rates)

The PRESIDING OFFICER. It is. The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Mississippi (Mr. STENNIS), for himself, Mr. PRESSLER, and Mr. SASSER, proposes an unprinted amendment numbered 270.

After title V, insert the following new title:

TITLE VI—COMMISSION ON INTEREST RATES

SEC. 601. NATIONAL COMMISSION ON INTEREST RATES.

This title may be cited as the "National Commission on Interest Rates Act".

SEC. 602. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds and declares that—

(1) interest rates charged by lenders have reached levels which threaten the health of the Nation's economy;

(2) high interest rates have contributed to price inflation, a reduction in the supply of goods and services, economic stagnation, and a higher Federal deficit;

(3) the volatility of interest rates has created business uncertainty, encouraged speculation, and deterred investment in productive capacity;

(4) existing monetary, credit, banking, and fiscal policies have not stabilized interest rates at beneficial levels; and

(5) the development of policies to restore stability and confidence in the financial markets is necessary to the economic security of the United States.

(b) PURPOSE.—It is the purpose of this title to establish a commission to investigate and recommend methods of promoting moderate and stable interest rates.

SEC. 603. ESTABLISHMENT.

(a) IN GENERAL.—There is established as an independent instrumentality of the United States a commission to be known as the National Commission on Interest Rates (hereafter in this Act referred to as the "Commission").

(b) MEMBERSHIP.—The Commission shall be composed of the following members:

(1) The Secretary of the Treasury, or his delegate.

(2) The Chairman of the Council of Economic Advisers, or his delegate.

(3) The Comptroller of the Currency, or his delegate.

(4) The Chairman of the Federal Home Loan Bank Board, or his delegate.

(5) The Administrator of the National Credit Union Administration Board, or his delegate.

(5) The Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, or his delegate.

(7) The Chairman of the Securities and Exchange Commission, or his delegate.

(8) The Chairman of the Federal Trade Commission, or his delegate.

(9) Two members appointed by the President, one of whom is an official of a State agency that regulates banking or similar financial institutions, and one of whom is an official of a State agency that regulates savings, thrift, or similar financial institutions.

(10) Five members appointed by the President from private life who are not officers or employees of the Federal Government or of any State or local government.

(c) CONSULTATION.—The Commission shall consult with the Board of Governors of the Federal Reserve System in carrying out its functions.

(d) CHAIRMANSHIP.—Upon the appointment of the members described in paragraphs (9) and (10) of subsection (b), the President shall designate a member of the Commission to be Chairman of the Commission. This designation shall be made by and with the advice and consent of the Senate unless the individual designated already holds an office to which he was appointed by and with the advice and consent of the Senate.

(e) VACANCY.—A vacancy on the Commission shall not affect its powers and shall be filled in the same manner in which the position was originally filled.

SEC. 604. DUTIES.

(a) IN GENERAL.—The Commission shall make a full and complete investigation of and make recommendations with respect to ways to establish moderate and stable interest rates. In conducting this investigation, the Commission shall consider—

(1) the upward ratcheting of interest rates;

(2) the "crowding out" of private borrowing and lending;

(3) the unprecedented volatility of interest rates;

(4) the high cost of long-term borrowing;

(5) the impact of international financial conditions on the domestic economy;

(6) the increase in speculative investment;

(7) the expansion of consumer credit;

(8) the expansion of housing credit; and

(9) any other problems relating to the establishment of moderate and stable interest rates.

(b) FINAL REPORT.—Not later than one year after the date on which the last member of the Commission is appointed pursuant to section 603(b), the Commission shall submit to the President and to the Congress a final written report concerning its investigation and make such recommendations for administrative action and legislation as the Commission finds appropriate.

(c) INTERIM REPORT.—Not later than six months after the date of enactment of this Act, the Commission shall submit an interim report to the President and to the Congress, describing the activities of the Commission during the period prior to the submission of such report.

(d) TERMINATION OF COMMISSION.—The Commission shall cease to exist sixty days after it submits its final report to Congress under subsection (b).

SEC. 605. POWERS.

(a) IN GENERAL.—The Commission or, on the authorization of the Commission, any member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpena or otherwise, the attendance and testimony of such witnesses and the production of such evidence as the Commission or an authorized member may find advisable.

(b) HEARINGS.—

(1) SUBPENAS.—Subpenas may be issued only under the signature of the Chairman or any member of the Commission designated by him and shall be served by any person designated by the Chairman or any members. The attendance of witnesses and the production of evidence may be required from any place in the United States at any designated place of hearing in the United States.

(2) OATHS.—Any member of the Commission may administer oaths or affirmations to witnesses appearing before the Commission.

(3) ALLOWANCES.—The provisions of section 1821 of title 28, United States Code, shall apply to witnesses summoned to appear at any such hearing. The per diem and mileage allowances to witnesses summoned under authority conferred by this section shall be paid from funds appropriated to the Commission.

(4) REFUSAL TO TESTIFY.—Any person who willfully neglects or refuses to qualify as a witness, or to testify, or to produce any evidence in obedience to any subpena duly issued under the authority of this section shall be fined not more than $500, or imprisoned for not more than 6 months, or both. Upon the certification by the Chairman of the Commission of the facts concerning any such willful disobedience by any person to the United States attorney for any judicial district in which such person resides or is found, such attorney may proceed by information for the prosecution of such person for such offense.

(c) COOPERATION OF OTHER AGENCIES.—The Commission may acquire from the head of any Federal agency available data, reports, and other information which the Commission considers useful in the discharge of its duties. Each such agency shall cooperate with the Commission and furnish all information requested by the Commission to the extent permitted by law.

SEC. 606. ADMINISTRATION.

(a) IN GENERAL.—Subject to such rules and regulations as may be adopted by the Commission, the Commission is authorized to—

(1) appoint and fix the compensation of an Executive Director, by and with the advice and consent of the Senate, and such additional staff personnel as may be necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but at such rates not in excess of the maximum rate for GS–18 of the General Schedule under section 5332 of such title;

(2) procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $200 a day for individuals;

(3) procure supplies, services, and property, and make contracts; and

(4) enter into agreements with the General Services Administration for procurement of necessary financial and administrative services, for which payment shall be made by reimbursement from funds of the Commission in such amounts as may be agreed upon by the Chairman and the Administrator of the General Services Administration.

(b) AUDITS.—The Comptroller General is authorized to make detailed audits of the books and records of the Commission, and shall report the results of any audit to the Commission and the Congress.

SEC. 607. COMPENSATION.

Each member of the Commission not otherwise employed by the United States shall be compensated at the rate of $200 per day for each day, including traveltime, that he is engaged in the actual performance of his duties as a member of the Commission. A member of the Commission who is an officer or employee of the United States shall serve without additional compensation. All members of the Commission shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

SEC. 608. ASSISTANCE.

(a) INFORMATION.—Upon the request of the Commission, the head of any Federal agency shall furnish the Commission with available data, reports, and other information to the extent permitted by law.

(b) PERSONNEL AND SERVICES.—Upon the request of the Commission, the head of any agency, department, or other instrumentality of the United States may furnish personnel and services to the Commission, with or without reimbursement.

SEC. 609. AUTHORIZATION.

There are authorized to be appropriated without fiscal year limitation such sums, not to exceed $2,000,000, as may be necessary to carry out the provisions of this title.

Mr. DOLE. Mr. President, let me say we have heard not only from the Sen-

ator from Mississippi (Mr. STENNIS) but we have heard from the ranking member of the Finance Committee, the chairman of that committee, the chairman of the Budget Committee, the chairman of the Joint Economic Committee, and the Senator from South Dakota (Mr. PRESSLER), who has an interest in this. The Senator from Mississippi did meet personally with the Secretary of the Treasury, Don Regan, yesterday. He has a special interest in this.

It affects our economy, affects everything that happens. So I would say at the outset, I shall be in touch with the distinguished Senator from Utah (Mr. GARN) to see if we cannot arrange joint hearings sometime around mid-September.

Mr. STENNIS. Mr. President, I certainly am grateful.

Mr. President, there is no backing up on the part of any of us who are interested in this matter at all but, as a matter of expediency, I am convinced that we would get along better, get results faster, by going this route, a route that I would like very much to go. Then we reserve the right to examine it and I can reintroduce it then. I would like the right, at a preliminary point in time, for us to have a report on it next year—not a final report, but an interim report of some kind. I wish that we had more attendance here and maybe more of a debate, but I think they key points have come in from the key people on this amendment.

Mr. DOLE. I thank the Senator.

Mr. President, do I understand that the Senator will withdraw the amendment, based on the discussion?

Mr. STENNIS. That is correct.

Mr. President, in keeping with what I have already said, I withdraw this amendment with the understanding that I can reintroduce it later.

The amendment was withdrawn.

Mr. DOLE. I thank the distinguished Senator from Mississippi.

Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending question is an amendment numbered 508, offered by the Senator from Kansas.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Let me say for those who may be listening, Mr. President, if Senators have an amendment that may be technical or minor in nature, if they would please come to the floor, we might be able to accommodate that amendment. There are a number in the negotiation stage, and certainly we are not going to preclude negotiations.

Senator PACKWOOD, I understand, is on his way with a noncontroversial minor amendment. Senator TOWER has an amendment he would like to offer, which may be controversial. He is discussing that with Senator METZENBAUM. Senator KENNEDY has 11 amendments. Hopefully, they will not all be offered.

We are negotiating in a couple of areas with Senator KENNEDY, negotiating with Senator DODD and Senator HEINZ. We are negotiating with the Senator from Hawaii.

The list may appear to be long, Mr. President, but if we could resolve three or four of these areas with multiple sponsors, the list would shrink considerably and maybe rapidly. Hopefully, we can do those before 11 or 12 o'clock tonight.

The Senator from Kansas has a fiscal responsibility amendment which would indicate the sense of the Senate that we are going to come back within the numbers, that will limit the revenue loss in accordance with the administration's numbers, but I think we may not offer that until a later time.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is amendment No. 509 proposed by the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that that amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, there is a supplemental appropriation bill which is essential, I believe, to deal with at this time and which has been cleared on both sides and cleared with the minority leader, with the distinguished chairman of the Appropriations Committee, and I believe all Senators who are concerned.

I apologize to the distinguished managers of this joint resolution that we interrupt the proceedings on the joint resolution for this, but I believe it is essential.

SUPPLEMENTAL APPROPRIATIONS FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES—HOUSE JOINT RESOLUTION 308

Mr. BAKER. Mr. President, I ask unanimous consent that the House Joint Resolution 308 now at the desk be laid before the Senate and that debate thereon be limited to 10 minutes equally divided with time controlled by the majority and minority floor managers of this joint resolution and that no amendment thereto be in order and no motions, points of order, or appeals be in order.

The PRESIDING OFFICER. Without objection, it is so ordered.

The joint resolution will be stated by title.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 308) making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consideration of the joint resolution.

Mr. BAKER. Mr. President, the Senator from New Mexico (Mr. SCHMITT) will manage on behalf of the majority.

Mr. SCHMITT. Mr. President, I believe the distinguished Senator from Wisconsin is certainly aware of the measure and we have had no objection from him.

I ask the Senate to adopt the pending supplemental appropriation of $16.8 million which is needed to keep the U.S. Public Health Service hospital and clinic system in operation until the end of the fiscal year.

The supplemental has been recommended by the House Appropriations Committee and passed by the House. The administration requested the funds.

In approving the rescission/supplemental appropriations bill in June, Congress directed the Department of Health and Human Services to keep the hospitals open until October 1 of this year and to permit any community to submit a plan for community use of these facilities.

Now the administration claims that because of the shortage of funds that neither goal can be achieved and that the $16.8 million supplemental is "critical" to continued operation of the hospital and clinic system for the remainder of fiscal 1981.

The administration states that unless the funds are appropriated, it will be necessary for the eight general medical-surgical hospitals and 27 outpatient clinics to close next month. For example, Dr. Edward N. Brandt, Jr., the Assistant Secretary for Health, testified before my subcommittee on July 20 that without the funds the administration will be forced to terminate inpatient care by August 1 and outpatient care on September 1.

In addition, according to Dr. Brandt, more than 4,000 civil service and wage grade employees will have to be furloughed and will not receive any severance pay or lump-sum leave pay until next fiscal year when funds become available.

The source of the administration's problem appears to be the decrease in third-party payments, particularly those from the Department of Defense for beneficiaries who may receive care at the PHS facilities, but who do not qualify for free care under the merchant seaman's entitlement.

Third party payments to the hospital and clinic system have dropped off from the $67.2 million anticipated this year, to the $54.7 million now projected. About 71 percent of all such payments come as reimbursements for Defense Department beneficiaries, including retired military personnel.

The Department of HHS estimates a total shortfall of $12.5 million in reim-

bursements from fee-paying patients served by the system. The reason for the fall off in such payments doubtless is the administration's plan to shut down the hospitals by the end of the fiscal year in any event, driving prospective fee-paying patients to other facilities for their health care.

The $16.8 million supplemental will provide a funding level of $145,199,000 for the hospital and clinic system exclusive of income it still will be able to derive from a $40 million supplemental provided by Congress in June and from whatever third-party payments it continues to collect.

I might add that this supplemental will not breach the budget ceiling provided by the third concurrent resolution. Much as we do not wish to add to Federal spending, there is sufficient margin left under the ceiling to take care of this supplemental.

I have become convinced that it will be extraordinarily difficult and disruptive to solve this problem through a simple reprograming.

Mr. President, the pending bill is also of great importance to the community efforts that are attempting to take over the management of these hospitals in an expeditious fashion and with great thought in mind.

I yield to the distinguished junior Senator from Washington for any comments he may wish to make.

Mr. GORTON. I thank the Chair.

Mr. President, House Joint Resolution 308 is very important to the communities in which the eight public health service hospitals are located. It means that the Congress is keeping its promise to those communities to allow them the opportunity to assume the operation of the hospitals.

It is unfortunate that a supplemental appropriation is necessary but the merits of the case clearly call for its approval.

I am delighted with the prompt response this matter has received from both Houses of Congress. The leaders of the House Labor HHS Appropriations Subcommittee, Representatives NATCHER and CONTE are to be commended on the superb job they did in getting this matter through the House this morning. Quite frankly, I was surprised when I heard that the matter was concluded this morning. I was expecting that it would take several more days before this body had the opportunity to act.

I would also like to express my deep appreciation to Senator SCHMITT. We would not be before you now if it were not for his attentive and sympathetic response to this request. Likewise, I would like to thank Senators HATFIELD and PROXMIRE for their cooperation.

I hope that the efforts that have been expended to date by the affected communities will bear fruit. We have a tough job ahead of us to effectuate the plans proposed by the communities, but it is clear that there would be no such opportunity if it were not for this supplemental appropriation. I thank all those who contributed to the effort.

This bill represents the only emergency supplemental appropriation which has been approved by this administration and which is about to be approved by this Congress. That illustrates the truly unique nature of the problem which these hospitals face.

This proposal recognizes the promise made by the administration in its determination to close down Public Health Service hospitals to the people of the communities losing those hospitals that they would be both allowed and encouraged to assume the operation of what up until the end of this fiscal year will be the eight Public Health Service hospitals.

It recognizes as well the mistakes made by the Department of Health and Human Services in estimating the needs for the balance of fiscal year 1981 in the rescission bill which recently passed this Congress.

This supplemental appropriation will allow the operation of the eight hospitals and the clinics through the end of September of this year. After that point only those communities which have valid plans will be eligible for continuing supplemental funding under appropriations yet to be adopted for fiscal year 1982 while they go into complete and full community control. Without this supplemental appropriation that promise to the communities could not possibly be carried out.

I should like personally to thank the distinguished majority leader and the distinguished minority leader for their willingness to consider this bill through special and extraordinary fashion. I should like to thank the distinguished chairman of the Appropriations Committee for his willingness to facilitate it, as well as Senator RUDMAN, Senator PROXMIRE, and, of course, my own colleague from the State of Washington.

I should like to point out, Mr. President, that the work of the distinguished Senator from New York (Mr. D'AMATO), who is now the Presiding Officer over this body, has also been vital to the saving of these hospitals for community use. But, most of all, we all owe a debt of gratitude to Senator SCHMITT who was willing in a very extraordinary fashion to deal objectively and affirmatively with this matter. He has my thanks and, I am sure, the thanks of all other Senators who are concerned with these hospitals.

I have been privileged and honored to work with my senior colleague, Senator JACKSON, in complete harmony toward this important community goal, and I hope the Chair will now recognize him.

Mr. SCHMITT. Mr. President, I yield time, if I have time remaining, or I am sure by unanimous consent, I will yield time to the senior Senator from Washington.

The PRESIDING OFFICER. The Senator from Washington is recognized.

Mr. JACKSON. I thank the distinguished junior Senator from New Mexico for yielding to me.

Mr. President, this emergency supplemental budget request is a very important measure. Last week the employees of the Public Health Service hospitals were sent furlough notices. When the Senate passes this measure, it will enable Secretary Schweiker to rescind those notices. And it will give the hospitals the much needed time to finish working on the plans for community takeover.

Just this morning the House passed this measure. I want to commend Congressman NATCHER, the chairman, and Congressman SILVIO CONTE, the ranking minority member of the Labor, Health and Human Services Subcommittee of the House Appropriations Committee for their quick response to this request from the administration. I want to commend Senator SCHMITT for his foresight in holding a hearing on this issue last Monday. And I want to thank Senators HATFIELD and PROXMIRE for their cooperation in bringing this to full Senate consideration. Senator GORTON, too, worked long and hard to put this all together and I thank him.

I have long been concerned for the future of the Public Health Service hospitals. I do not agree with the administration's policy to close them. Seattle's hospital has focused its resources on the unmet health needs of the Pacific Northwest. In short, we need our hospital. Just this morning in Seattle, the mayor was presented with a charter to establish a public authority to operate the hospital. The task force which developed this charter was acting in reliance on both the administration's and Congress assurances that we would aid in the transition from Federal to local control.

The Senate needs to pass this $16.8 million supplemental to get the hospitals through to October 1, 1981. The employees are in a state of limbo now, with furlough notices pending. They deserve this peace of mind.

The conferees to the reconciliation are currently working on the next step—fiscal year 1982 funds. Even now I look for support as the Congress considers that step because I believe the investment would represent substantial savings to the Federal Government. Whether or not the Federal Public Health Service hospital system exists, the Federal Government will continue to be obligated to provide health care to many groups now being served by the PHS hospitals—defense and other Federal personnel, retirees, dependents, and Native Americans. This emergency supplemental, as well as other such funds as may be necessary, will help the now-Federal institutions be turned over to local entities which would be capable of serving Federal beneficiaries at a lower cost than would otherwise be possible.

The need is realistic. And the transition needs to be consistent with the assurances of the administration that it would ease the way for the creation of a viable new entity.

I urge the Senate to follow the House action of this morning, and pass this budget request.

Mr. President, I want to especially thank the distinguished chairman of the subcommittee, Senator SCHMITT, for his foresight in holding a hearing on this issue last Monday.

I want to thank also, of course, Senator HATFIELD, the chairman of the Appropriations Committee, and the ranking minority member, Senator PROXMIRE; the majority leader, Senator BAKER, and the minority leader, Senator ROBERT C. BYRD,

as well as my colleague, Senator GORTON, who has worked with all of the Senators involved in the hospital closures in an effort to do equity and justice to the employees who are caught in this current situation.

The communities that are involved here are trying to play an important role to provide for continuity of service based on the opportunity that we can create with this measure to provide services for those who are eligible under the entitlement programs.

So I express my special appreciation to the distinguished Senator from New Mexico for acting so expeditiously.

Mr. SCHMITT. I thank the two Senators from the great State of Washington for their compliments and for their cooperation in this matter.

Mr. SARBANES. Mr. President, I rise in support of House Joint Resolution 308, the fiscal year 1981 emergency supplemental request for the Public Health Service hospitals and clinics system. It is important that this supplemental appropriation be approved and I want to commend the managers of the bill for bringing it to the floor as quickly as they have. The urgency of the supplemental request of $16.8 million to enable the PHS hospitals and clinics to operate for the balance of fiscal year 1981 rests on the fact that several communities have been preparing to take over the PHS hospitals in their area. Lack of funds to operate the PHS hospitals for the balance of the current fiscal year would thwart those plans, furlough 4,000 employees, and literally destroy the PHS hospitals as an important community health resource.

Failure to provide the operating funds would have a severe impact on the Baltimore PHS Hospital and the people it serves. The hospital currently provides acute inpatient medical, surgical, psychiatric, and alcoholism services, a wide range of specialty and ancillary services, as well as several special programs such as a geriatric day treatment center for occupational and environmental health. Many of the Baltimore Hospital's services are provided jointly with such community and academic-based agencies and institutions as the North Baltimore Community Mental Health Center, the North Central Baltimore Health Corporation—which since 1978 has run the Hampden, Woodberry, Remington Community Health Center, and the Johns Hopkins University School of Medicine and School of Hygiene and Public Health. These institutions and services are particularly important to the 50,000 residents of neighborhoods near the hospital designated as a medically underserved area, as well as to the primary beneficiaries.

Since the announcement by the administration of its intent to terminate the PHS hospital system, the patient advisory group for the Baltimore Hospital began to plan for the hospital to be taken over by a local, nonprofit organization, the Wyman Park Health System (WPHS). The conversion proposal, submitted to Secretary Schweiker, was prepared in conjunction with the Johns Hopkins University, the North Baltimore Center, the North Central Baltimore Health Corporation, and the city of Baltimore. Also joining the effort are many civic and community associations; and the Governor of Maryland, the Honorable Harry R. Hughes, has expressed his strong support.

In utilizing the Baltimore PHS Hospital, it is the goal of the WPHS to maintain the fine medical care which is currently provided to merchant seamen, Coast Guard, Department of Defense, and NOAA personnel, PHS officers, and the central Baltimore City communities. The Baltimore PHS Hospital has a highly regarded staff of great dedication and enjoys broad community support and use. The WPHS will draw on these strengths to provide accessible, high-quality comprehensive health care while assuring continuity of the staff, services, and care now delivered to its patients. The hospital will also serve as a center for medical training and research with a close affiliation with the Johns Hopkins University. Its extended system of community health and mental health centers will be retained and expanded focusing on primary ambulatory care, preventive and therapeutic medicine, and health and social services.

It will be impossible to carry out this goal if the present staff of the Baltimore PHS Hospital is furloughed because of lack of operating funds for August and September. Already, the impact of the administration's plan for the PHS hospital system has caused attrition in staff, particularly in new PHS doctors. The Baltimore PHS Hospital presently employs over 600 people; and the great fear is that these employees, if furloughed, will obtain other jobs and be lost to the hospital. Continuity of the staff is absolutely critical to the well thoughtout conversion plan, so widely supported by the community, Baltimore City, and the State. Termination of the operating funds before the end of the fiscal year also runs counter to the conversion process outlined in both the Senate and House versions of the reconciliation measure. It is, therefore, vital to this effort that the supplemental request be approved; and I urge the Senate to support the committee's action.

Mr. SCHMITT. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. Is all time yielded back?

Mr. JACKSON. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on the third reading of the joint resolution.

The joint resolution (H.J. Res. 308) was ordered to be read a third time, was read the third time, and passed.

Mr. JACKSON. Mr. President, I move to reconsider the vote by which the joint resolution was passed.

Mr. GORTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ECONOMIC RECOVERY TAX ACT OF 1981

The Senate continued with the consideration of the joint resolution.

Mr. DOLE. Mr. President, I know there are at least two Members headed in this direction with amendments, one which may require a rollcall and one which will not. In fact, there may be three Members who are, hopefully, headed in this direction. So while they are proceeding to the floor I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. Amendment No. 508 proposed by the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that that amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 271

(Purpose: To extend the prepaid legal services tax exclusion for three years)

Mr. DOLE. Mr. President, I send to the desk an amendment on behalf of Senator PACKWOOD for himself, Senators KASTEN, STEVENS, DURENBERGER, CRANSTON, HEINZ, and D'AMATO.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) for Mr. PACKWOOD and others proposes an unprinted amendment numbered 271:

At the end of the bill, add the following:

SEC. ——. PREPAID LEGAL SERVICES.

Paragraph (1) of section 2134(e) of the Tax Reform Act of 1976 (relating to the effective date) is amended by striking out "1982." and inserting "1985.".

Mr. DOLE. Mr. President, I am offering this amendment for Senator PACKWOOD. I have discussed it briefly with the distinguished Senator from Louisiana, Senator LONG. It has been discussed with Senator METZENBAUM who has no objection.

What it does is simply extend for 3 years an existing tax provision on prepaid legal services, Internal Revenue Code section 120. This provision was enacted in 1976 and expires December 31, 1981.

The current law does encourage employers to provide legal services to employees. The purpose of the section is to encourage employers to provide legal services to employees. It does this by providing that employees are tax free on the value of legal services provided for them by the employer.

It will make available legal services for divorces, wills, contract disputes, and other typically personal legal problems for the working class that may have an income too high for free legal services provided by localities but not enough assets to afford the astronomical prices often charged by those in private legal practice not working through a group plan.

As far as I know, there is no opposition to the amendment. Does the Sena-

tor from Louisiana have any objection to the amendment?

Mr. LONG. I have no objection. If anyone wishes to speak against the amendment, I will be happy to yield time, but I personally have no objection.

Mr. DOLE. Mr. President, I ask unanimous consent to be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I am prepared to yield back my time.

Mr. ROBERT C. BYRD. Reserving the right to object.

Mr. DOLE. The Senator from Ohio has been contacted.

Mr. ROBERT C. BYRD. Then I have no objection.

Mr. LONG. I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment offered by the Senator from Kansas (Mr. DOLE) on behalf of the Senator from Oregon (Mr. PACKWOOD).

The amendment (UP No. 271) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 511

Mr. LONG. Mr. President. I have an amendment at the desk. I ask for its immediate consideration.

Mr. DOLE. Mr. President, I ask unanimous consent that my amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG) proposes an amendment numbered 511.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 77, after line 7, insert the following:

SEC. 201A. EXPENSE-METHOD DEPRECIATION.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by inserting after section 168 the following new section:

"SEC. 168A. EXPENSE-METHOD OF DEPRECIATION.

"(a) ALLOWANCE OF DEDUCTION.—There shall be allowed as a deduction an amount equal to the basis of each expense-method property placed in service by the taxpayer during the taxable year.

"(b) EXPENSE-METHOD PROPERTY DEFINED.—Except as otherwise provided in this section, for purposes of this title, the term 'expense-method property' means section 38 property which is either 3-year or 5-year recovery property (within the meaning of section 168(c)).

"(c) SPECIAL RULES.—

"(1) DISPOSITIONS WITHIN ONE YEAR AFTER PLACED IN SERVICE.—The term 'expense-method property' shall not include any property if such property is disposed of by the taxpayer before the date one year after the date on which such property was placed in service.

"(2) NONCORPORATE LESSORS.—In the case of a person other than a corporation, the term 'expense-method property' includes property with respect to which such person is the lessor only if subparagraph (A) or (B) of the first sentence of section 46(e)(3) is met with respect to such property.

"(3) PROPERTY WHICH CEASES TO BE EXPENSE-METHOD PROPERTY.—If any expense-method property for which a deduction was allowable to the taxpayer under this section ceases to be expense-method property with respect to the taxpayer—

"(A) the taxpayer shall be treated as having disposed of such property for an amount equal to its fair market value as of the date of such cessation, and

"(B) the basis of such property in the hands of the taxpayer after the date of such cessation shall be treated as equal to such fair market value.

"(d) PHASE-IN.—

"(1) IN GENERAL.—In the case of an expense-method property placed in service before 1986, the first-year deduction for such property shall be allowed for the taxable year in which placed in service and for succeeding taxable years in accordance with the following table:

"In the case of property placed in service during:	The following percentages of the first-year deduction with respect to the property shall be allowed: For taxable year in which placed in service:	For first succeeding taxable year:	For second succeeding taxable year:	For third succeeding taxable year:	For fourth succeeding taxable year:
1981	20	20	20	20	20
1982	25	20	20	20	15
1983	30	20	20	20	10
1984	30	25	25	20	
1985	35	30	20	15	
1986	40	30	30		
1987	55	25	20		
1988	70	20	10		
1989	85	15.			

"(2) FIRST-YEAR DEDUCTION.—For purposes of paragraph (1), the term 'first-year deduction' means, with respect to any property, the amount allowable as a deduction under this section with respect to such property for the taxable year in which such property was placed in service (determined without regard to this subsection).".

(b) EXPENSE-METHOD DEDUCTION TREATED AS COST RECOVERY.—Subsection (a) of section 168 (relating to cost recovery) is amended by adding at the end thereof the following new sentence: "In the case of expense-method property (as defined in section 168A(b)), the deduction allowable under section 168A shall be deemed to constitute the reasonable allowance provided by this section.".

(c) REPEAL OF SECTION 179.—Section 179 (relating to additional first-year depreciation allowance for small business) is hereby repealed.

(d) CLERICAL AMENDMENTS.—

(1) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 167 the following new item:

"Sec. 168A. Expense-method of depreciation.".

(2) The table of sections for part VI of subchapter B of chapter 1 is amended by striking out the item relating to section 179.

(e) PHASE-OUT OF REGULAR INVESTMENT TAX CREDIT FOR EXPENSE-METHOD PROPERTY.—Subparagraph (B) of section 48(a)(2) (relating to regular percentage for investment tax credit) is amended by striking out the period at the end thereof and inserting in lieu thereof ", except that in the case of expense-method property (within the meaning of section 168A(b)), the regular percentage for any period after 1980 shall be determined in accordance with the following table:

Calendar year:	*Percentage*
1981	9
1982	8
1983	7
1984	6
1985	5
1986	4
1987	3
1988	2
1989	1
1990 and thereafter	0

EXPENSING IS THE ANSWER

Mr. LONG. Mr. President, from the time the President first submitted his tax proposals to Congress, it has been clear that one of the chief objectives of the administration has been to increase very substantially the tax incentives for investing in machinery and buildings. A similar objective was reflected in the bill reported by the Finance Committee last September.

This provision may turn out to be the most important benefit to the country in the entire bill.

My purpose today, however, is not to praise these provisions because they are good, but to criticize them because they are not good enough. This is an area which challenges our ability as legislators to do the best possible job, not merely a good job. This is an area where B minus is not good enough. The country needs a bill that earns an A.

For over a year it has been clear that there has been substantial dissent in the academic community. Recently all of the members of the American Economic Association listing themselves as working in the areas of fiscal policy and monetary policy, were polled on a choice between 10–5–3 on the one hand and a first-year recovery system on the other. Almost 200 responses were received. Of the 200, only one of those responses favored the 10–5–3 over the first-year approach.

Given the difficulty in obtaining agreement among economists on anything at all, this degree of unanimity cannot be lightly dismissed. This is particularly true since some of the economists involved are considered, at least by academic standards, conservative thinkers.

As this Senator has listened to the discussions on this subject, two main criticisms have impressed me over and over in reference to the new system. The first criticism is that the 10–5–3 tends to distort investment decisions. The second is that it is too complex.

In reference to the first criticism, the committee bill preserves the concept of the tax life of an asset, but pays no attention to economic life. As a practical matter, almost all machinery and equipment is depreciated over the same term of years even though actual economic lives are quite different.

Using a term of years which has a different relationship to economic life for different assets means that the economic effect on these assets is different. It may be true that the bill increases the tax incentive for investing in almost all kinds of machinery and equipment, but the degree of incentive varies substantially from one kind of equipment to another and from one industy to another.

It is elementary textbook economics that real wealth consists not only in having a large number of assets but in having the right combination of assets.

Those of us who believe in a free-market system think the best way to determine the right combination of assets is to look to the laws of supply and demand in a free market. The artificial differences in incentive created by 10–5–3 produce a different pattern of investments and, by definition, a less efficient and productive pattern.

Turning to the second criticism, I believe that the 10–5–3 system is simpler than present law, but it is not as simple as it could be and should be.

The 10–5–3 system means that business will have to keep track of when its assets were purchased, the so-called vintage accounts, because the depreciation rate varies year by year. Depreciation schedules will be simpler than under existing law but they will continue to exist. Furthermore, the entire complicated structure of the investment tax credit will have to be retained. Granting the credit, and recapturing the credit. again means that records as to date of purchase must be maintained, and the law must remain filled with complex provisions for carryovers and carrybacks of credit, for the stacking of credits and the mechanics of recapture.

Depreciation, at least accelerated depreciation. and the investment tax credit are both designed to do exactly the same thing, namely, to stimulate investment in fixed assets. To have two parallel systems using different concepts and different rules is more than twice as complicated as using one system.

If we were to scrap accelerated cost recovery and the investment tax credit and substitute a system whereby machinery and equipment was treated as a current expense in the year purchased. both of the objections to 10–5–3 would disappear.

The first objection was that 10–5–3 distorts the mix of assets in which our economy invests. Under an expensing system the effective tax rate is the same for all assets and all industries. at least as to machinery and equipment. Therefore investments will be made according to the laws of supply and demand and not according to accidental discrepancies in effective tax rates.

Turning to the question of simplicity, the use of current expensing eliminates the need to keep vintage asset accounts. It eliminates the need for the entire investment tax credit structure with its carryovers, carrybacks, and recaptures. It is hard to imagine a simpler system than expensing.

The whole history of the relationship between expensing and 10–5–3 is ironic. The business community had originally sought to have Congress adopt expensing. They were told that expensing was politically impossible and hence 10–5–3 was developed as first step toward expensing. Even today I think most of the business community would prefer expensing to a combination of 10–5–3 plus the investment credit.

Human nature being what it is there are some in the business community who today would prefer the economically less desirable and intellectually less defensible combination of 10–5–3 plus the investment credit than simple expensing simply because it is a richer package. Nevertheless, business support for expensing is still sufficiently strong and the advantages sufficiently great so that it is likely that eventually we will end up with expensing, whether or not as part of this package.

In addition to the question of whether expensing is ultimately the way we should go, there have been substantial questions as to how it should be phased in. Under the amendment I have submitted there would be a 10-year phase in period to meet budgetary requirements. During that phase in period the taxpayer would refer to just one simple table to determine the depreciation allowance on any piece of machinery. Over the phase in period the investment tax credit would decline as depreciation became more and more accelerated. After 1989, expensing would completely take the place of the existing two systems.

I ask unanimous consent that the table showing the determination of the depreciation allowance during the phase in period be printed as part of my remarks, Mr. President.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

AMENDMENT BY SENATOR LONG—EXPENSE METHOD OF DEPRECIATION FOR EQUIPMENT

In the case of property placed in service during:	The following percentage of the first-year deduction with respect to the property shall be allowed: For taxable year in which placed in service:	For first succeeding taxable year:	For second succeeding taxable year:	For third succeeding taxable year:	For fourth succeeding taxable year:	The following percentage investment tax credit shall be allowed:
1981	20	20	20	20	20	8
1982	25	20	20	20	15	8
1983	30	20	20	20	10	7
1984	30	25	25	20		6
1985	35	30	20	15		5
1986	40	30	30			4
1987	55	25	20			3
1988	70	20	10			2
1989	85	15				1
After 1989	100					0

Mr. LONG. Mr. President, the effect of my amendment on the revenue is to slightly reduce the revenue loss under the committee bill for the years 1981 through 1984. In some later years it would slightly increase the loss.

In conclusion, the importance of this legislation for capital formation in the American economy is hard to overstate. All of us have been working hard on the tax bill and would like to get it over with. We must resist the temptation to be too hasty, and should attempt to produce in this important area the highest quality system we know how to do. There is very little question that if we hew to that standard, expensing is the answer.

Mr. President, it is not common in this room this year to refer to Mr. Reagan's predecessor, but one phrase of President Carter's appeals to me, when he asked "Why not the best?"

What I am suggesting here, Mr. President, is that business should be able to expense its purchases of machinery in the year the purchases are made. That is the best answer. While I have no doubt that the Senate is not ready to do that today, I am confident that the time will come when we will conclude that this is the way we must go.

Mr. DOLE. Mr. President, I appreciate the statement made by the distinguished Senator from Louisiana, who knows more about the tax code than any other living person in America. It is a matter that he discussed in great detail in the Committee on Finance. I might add that it makes a great deal of sense. The more you look at expensing, the more appeal it has. I am not certain what may happen in conference, but when we come back, we may see a program with 10–5–3 and expensing that might be even better than the House bill or the present Senate bill. I am prepared to go to conference with an open mind and I appreciate the comments of the distinguished Senator from Louisiana.

Mr. LONG. Mr. President, the chairman of the committee has been most considerate of every Senator on the committee, especially the Senator from Louisiana. I do not care to increase his burden at this point. I hope we will have the opportunity of looking at expensing again in conference. In any event, I believe this is the direction we must go sooner or later, and the sooner we make that decision, the better off we will be. I do appreciate the comments of the chairman of the committee and I look forward to a further occasion to look at this approach.

Rather than complicate the issue, Mr. President, I withdraw my amendment.

The amendment was withdrawn.

Mr. DOLE. Mr. President, as I under-

stand, we have two amendments that are ready to go. I promised the distinguished Senator from Connecticut.

Mr. DODD. Mr. President, the Senator from Pennsylvania will be here momentarily.

Mr. DOLE. Mr. President, I ask unanimous consent to temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

PENDING AMENDMENTS

Mr. DOLE. Mr. President, I say to Senator BYRD that we are about to take an amendment that we have been negotiating. This will take care of three or four names on the list. We hope to follow that with another amendment that will take care of three or four names on the list.

I appreciate the patience of the distinguished Senator from Connecticut in the past few days, because I know this is a matter of great importance and concern to him. I appreciate not only his patience but his leadership.

Mr. BAKER. Mr. President, will the Senator yield to me for a brief moment?

Mr. DODD. I am happy to yield.

Mr. BAKER. Mr. President, I hope that other Senators will follow the good example of Senators who have now consolidated their amendments and eliminated a number of amendments that now appear on the list. If we can continue to do that, there is a good chance we can finish these amendments in far less time than expected.

It is 6 p.m. now. What I would like to do is, at 8 o'clock, meet with the distinguished minority leader and see what progress we are making. If we are making enough progress, by following this example, perhaps we can shorten the estimate for the end of this session today. I should like to do that, but it depends on what progress we are making. We shall check a little later.

Mr. PERCY. Mr. President, on the tax straddle, on which we have 60 minutes for colloquy and 30 minutes for an amendment, it is my estimate that we can wrap that up in 30 minutes total and save an hour.

Mr. BAKER. Mr. President, I express my appreciation to the Senator from Illinois and point to that as an indication of what we can do if we want to.

UP AMENDMENT NO. 272

(Purpose: Relating to the application of section 189 of the Internal Revenue Code of 1954)

Mr. DODD. Mr. President, I sent an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Connecticut (Mr. DODD) for himself and Mr. HEINZ, proposes an unprinted amendment numbered 272.

Mr. DODD. I ask unanimous consent that further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle F of title II, insert the following new section:

SEC. . AMENDMENTS TO SECTION 189.

(a) TAXABLE YEARS BEGINNING BEFORE 1990.—Subsection (b) of section 189 (relating to amortization of amounts charged to capital account) is amended by striking out the table contained in such subsection and inserting in lieu thereof the following:

"If the amount is paid or accrued in a taxable year beginning in—		The percentage of such amount allowable for each amortization year shall be the following percentage of such amount
Nonresidential real property	Residential real property (other than low-income housing)	
1976		(See subsec. (f).
	1978	25.
1977	1979	20.
1978	1980	16⅔.
1979	1981	14⅔.
1980	1982	12½.
1981		11⅓.
After 1981		10.
	1983	12½.
	1984	16⅔.
	1985	25.
	1986	50.
	After 1986	100"

(b) EXCLUSION—Subsection (d) of section 189 is amended to read as follows:

"(d) EXCLUSION OF CERTAIN REAL PROPERTY.—This section shall not apply to construction period interest and taxes paid or accrued for, and with respect to—

"(1) any real property acquired, constructed, or carried if such property is not, and cannot reasonably be expected to be, held in a trade or business or in an activity conducted for profit, or

"(2) low-income housing."

(c) REPEAL OF SECTION 189 IN 1991.—

(1) IN GENERAL.—Section 189 is hereby repealed.

(2) CONFORMING AMENDMENT.—The table in sections for part VI of subchapter B of chapter 1 is amended by striking out the item relating to section 189.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to amounts paid or accrued in taxable years beginning after December 31, 1981.

(2) REPEAL OF SECTION 189.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 1990.

Mr. DODD. Mr. President, I ask unanimous consent that Senators CRANSTON, TSONGAS, WILLIAMS, JACKSON, RIEGLE, D'AMATO, and DURENBERGER be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DODD. Mr. President, I yield myself such time as I may consume.

Let me say at the outset that the distinguished Senator from Kansas has been gracious in talking about my patience. He has demonstrated even greater patience in dealing with a plethora of amendments to this bill. I know I speak for myself and, I am sure, the distinguished Senator from Pennsylvania, my principal cosponsor for this effort, when I say that we appreciate his patience and his willingness to put up with a matter that is of deep concern not only to both of us but to him as well. We are truly grateful for that willingness to work on something as important as this.

Mr. President, this amendment would phase out and eventually repeal the amortization requirements in current law for real property construction period interest and taxes. Unlike other legitimate business expenses, section 189 of the Internal Revenue Code prevents the deduction of these costs when incurred in connection with investments in real property. Instead, this section requires that these items be amortized over a 10-year period.

In cooperation with my distinguished colleague from Pennsylvania (Mr. HEINZ), we are proposing to repeal this provision beginning in 1982 for investments in connection with low-income residential rental housing and to phase out the applicability of this section with respect to other forms of residential real property by 1986. Section 189 would be repealed for investment in connection with all real property in 1990.

The eventual repeal of section 189 will contribute significantly to increased investments in real property and overcome the inequities which currently exist between the real estate and other industries which are not subject to this requirement. Section 189 has the effect of increasing capital needs and decreasing competition for these resources.

As I said, Mr. President, I appreciate the cooperation of the chairman of the Committee on Finance (Mr. DOLE) in coming to a compromise on this issue.

Mr. President, this action is essential if we are to begin to reverse the conditions contributing to a national housing shortage reaching crisis dimensions. The crisis is especially severe with respect to the availability of rental housing. Today, Americans who want to rent housing cannot find decent affordable housing opportunities. The vacancy rate for rental housing shows no signs of improving from the recent record low levels. For the first quarter of 1981, the national vacancy rate was barely above 5 percent. My area of the country, the northeastern region, had a vacancy rate during this past quarter of only 3.7 percent, hardly high enough to handle a minimal level of normal market turnover.

Demographic trends will increase the pressure on the already high demand for rental housing. As the baby boom generation comes of age, and individuals choose to live in smaller households, more and more people will need rental housing.

The problem is not confined to any one region or location. In cities across the Nation, Americans of low and moderate means are finding it impossible to obtain the housing they need. The vacancy rates are dangerously low: in Miami, below 1 percent; in Los Angeles, 1 percent; in Chicago, 2 percent; in New York City, below 3 percent. Boston, Seattle, and Atlanta have vacancy rates below 5 percent. Whether the location is a northeastern industrial center or a western boomtown, prospective renters are finding their mobility severely hampered by the rental housing shortage.

Production of rental housing has fallen off dramatically since the passage of the Tax Reform Act of 1976. In 1977, 203,000 unsubsidized rental units were started. In 1978, the figure dropped to 173,000; by 1979, it had fallen to 125,000, production collapsed in 1980; only 43,000 units

were started—a drop of over 75 percent in production in the space of only 4 years.

The supply of rental housing has been exacerbated further by the loss of existing units as the inventory ages and is not replaced. Anthony Downs in the "Future of Rental Housing in America" estimates that the gap between rental needs and production in the decade of the 1980's will range from 1.1 to 4.6 million units. The study "Housing Needs in the Eighties," published by ICF Inc., predicts a shortage of 3.5 million rental units over the course of the decade.

The crisis in the rental housing industry is real, and the outlook is not encouraging. A 1979 GAO report states that the rental housing market could be likened to "an endangered species." Dangerously low vacancy rates aggravate already inflationary rents, thereby threatening the ability of moderate- and low-income Americans to afford decent housing. An estimated one-half of all renters already pay over one-fourth of their incomes for housing. As rental housing moves out of the price range of middle America, more and more units will be converted to condominiums, thus further reducing the available supply of rental housing units.

While this amendment alone will not solve all the problems of renters and builders of rental housing units, I think it will significantly improve the climate for construction of units, spur productive investment and development in the industry, and help us fulfill the promise of a decent home for every American, rich or poor. Only such action can help us avert the housing crisis that plagues our Nation, and jeopardizes the well-being of our citizens.

Mr. HEINZ. Mr. President, will the Senator yield?

Mr. DODD. I yield.

Mr. HEINZ. Mr. President, I compliment the Senator from Connecticut for this excellent amendment. It is one on which he has labored long and hard. I know, because I have been present at some of his labors, not all, and they have been most productive.

We are deeply indebted to the chairman of the Finance Committee, Senator DOLE, for his work on this amendment and his understanding.

I ask unanimous consent that the name of the Senator from Kansas (Mr. DOLE) be added as a cosponsor of the amendment.

The PRESIDING OFFICER (Mrs. KASSEBAUM). Without objection, it is so ordered.

Mr. HEINZ. Madam President, I wish to associate myself with the remarks of the Senator from Connecticut (Mr. DODD). He has clearly set forth the case for this amendment, which is that we have a crisis in rental housing in this country, and we need to do something about it.

This amendment addresses the double crisis of rental housing, low-vacancy and low-production rates, by providing a supplyside stimulus to residental real estate development.

To revive rental housing production—which declined from 185,000 starts in 1977 to fewer than 50,000 in 1980—our amendment repeals section 189 immediately for low-income residential rental property. This will lead to an immediate increase in rental housing production. For example, the forecasting and policy analysis division of the National Association of Realtors estimates that repeal of section 189 for low-income residential rental property would increase housing starts by 16,000 units in fiscal year 1982, and just under 19,000 units in fiscal year 1983.

Besides repealing section 189 immediately for low-income residential rental real property, this amendment phases out the 10-year amortization requirement for all other residential property. Instead, it requires amortization over 8 years in calendar 1983, 6 years in 1984, 4 years in 1985, 2 years in 1986, and expensing in 1987 and beyond. In addition, section 189 is repealed in its entirety in 1990.

Nobody can really argue with the equity of this proposal. When an investment is made in just about anything else, interest costs can be deducted immediately. Yet this is not the case with investments in rental housing or commercial structures. Therefore, our amendment will make it more financially attractive to start building residential housing once again by raising the reward for doing so.

Madam President, everybody is familiar with the fact that the price of housing in the last 4 or 5 years has shot right off the map, to the point where perhaps fewer than 10 percent of the people of this country can now afford that which they used to think of as part of the American way of life—their own home.

This amendment takes pressure off the single-family housing market by allowing people who are not yet ready to finance their own home to find rental housing. So we really strike two blows here. First, we help those who must rent by increasing the number of apartments. Second, we help them by keeping the price of owner-occupied housing lower than it otherwise would be, letting people acquire the means to buy their own homes.

Of course, containing the price explosion in residential real estate carries with it a budgetary advantage, too. Since housing costs weigh heavily in the CPI calculation, by lowering them, we lower the CPI and the cost of Federal programs indexed in the CPI. That helps close the deficit.

To sum up, Madam President, I believe that this amendment is a very good one. I salute all Senators who have been helpful in advancing it, particularly the Senator from Connecticut, who really has been in the forefront of this matter, and Senator DOLE, who has worked along with us and who is a cosponsor of the amendment.

I thank the Senator from Connecticut for yielding.

Mr. DODD. Madam President, I deeply appreciate the assistance of the distinguished Senator from Pennsylvania. He has worked tirelessly as well over the last 3 or 4 days to work out a compromise that will meet the needs of people who are suffering from inadequate housing in this country, and he has worked hard to try to achieve a compromise with the distinguished Senator from Kansas. This would not have been possible without the valiant efforts and assistance of the Senator from Pennsylvania, and I deeply appreciate it.

Madam President, I yield to the distinguished Senator from New York.

Mr. MOYNIHAN. I thank the Senator from Connecticut.

Madam President, I ask unanimous consent that my name be added as a cosponsor of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Madam President, I congratulate the Senator from Connecticut and the chairman, who have made this possible. I affirm everything the Senator from Connecticut has said on this subject, so far as my own knowledge of it extends.

I particularly point out the condition of rental housing in the city of New York, where the vacancy rate is below 3 percent and, in fact, it is disappearing.

Not only the effects of the Revenue Act of 1976 and section 189 but also a combination of other things means that in the Nation's largest city, a city which historically has been a place of entry, a place of a great movement and churning of population, rental housing is disappearing, and this will be for the first time in three centuries. We will find ourselves in the city of New York in very much the condition Paris has been since 1920, for the past 60 years, with consequences.

You cease to be a center of commerce, of arts, of the creative functions in the world, when young people cannot come and when old people dare not move, when the sort of elemental fact of having a place to live is not possible. The society freezes. It becomes a society of key money, of landlords and tenants and a preoccupation with that which should be only an amenity and is, indeed, a necessity.

Much more is at issue than the tax costs and carrying costs of certain kinds of construction. What is at issue is whether cities become places young people can go to in order to establish themselves, or whether they become walled cities, walls of condominiums and cooperative apartments.

There is a large social purpose beyond this. The Senator knows it. That is why he so valiantly and successfully worked to bring it about, and I congratulate him for his role in this matter.

Mr. DODD. Madam President, I thank the Senator from New York for his compliments. I would be remiss if I did not point out that the distinguished Senator from New York (Mr. MOYNIHAN), over the years, has been forthright and courageous in talking about the plight of our urban centers, not merely because he represents the largest city in our Nation but also because of his deep commitment to the issue of adequate housing for people, regardless of where they live.

His voice and his support for this amendment is something that I deeply appreciate, and I am delighted that he has cosponsored this amendment.

Mr. MOYNIHAN. I thank the Senator.

Mr. DODD. Madam President, I yield the floor at this time.

Mr. DOLE. Madam President, let me again congratulate and commend the Senator from Connecticut (Mr. DODD) and the Senator from Pennsylvania (Mr. HEINZ), and others, who played a role in negotiating what I think is a pretty good amendment.

I think we all understand the present law and we all understand that there was a change made in 1976. We now have the present rule because of a number of real estate tax shelters that were springing up and because there were some abuses in the program.

This will give us an opportunity to take a look at the new provision as it is phased in.

The Senator from Kansas supports the amendment.

PRESENT LAW

Construction period interest and other charges must be added to a capital account and amortized over a period of up to 10 years. This provision was added to the Tax Code to close real estate tax shelters.

I commend the Senators from Connecticut and Pennsylvania for modifying their original proposal. The phaseout of the restrictions of section 189 will give us an opportunity to study the effects of this change on construction and the Tax Code. If abuse develops, we will have time to make corrections and perhaps review the effect of this provision and the exemption from the at-risk rules for real estate.

COMPROMISE

Low income—Present section 189 from applying, scheduled to begin in 1982.

Residential—Phase out section 189 beginning in 1983 over 5 years.

Commercial—Section 189 repealed at the end of 1990.

I know of no other speakers on this side. I am prepared to accept the amendment.

I know the distinguished Senator from Louisiana is prepared to accept the amendment.

Mr. MOYNIHAN. The distinguished Senator from Louisiana is more than willing to accept the amendment, and we yield back all time on this side.

Mr. DOLE. I yield back our time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Connecticut.

The amendment (UP No. 272) was agreed to.

Mr. MOYNIHAN. Madam President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. Madam President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Madam President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 273

(Purpose: Providing transition rules for the tax straddles provisions)

Mr. MOYNIHAN. Madam President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) proposes an unprinted amendment numbered 273.

Mr. MOYNIHAN. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 284, after line 4, insert the following:

SEC. 509. ELECTION FOR EXTENSION OF TIME FOR PAYMENT AND APPLICATION OF SECTION 1256 FOR THE TAXABLE YEAR INCLUDING JUNE 23, 1981.

(a) ELECTION—

(1) IN GENERAL.—In the case of any taxable year beginning before June 23, 1981, and ending after June 22, 1981, the taxpayer may elect, in lieu of any election under section 508(c), to have this section apply to all regulated futures contracts held during such taxable year.

(2) APPLICATION OF SECTION 1256.—If a taxpayer elects to have the provisions of this section apply to the taxable year described in paragraph (1).—

(A) the provisions of section 1256 of the Internal Revenue Code of 1954 (other than section 1256(e)(2)(C)) shall apply to regulated futures contracts held by the taxpayer at any time during such taxable year, and

(B) for purposes of determining the rate of tax applicable to gains and losses from regulated futures contracts held at any time during such year, such gains and losses shall be treated as gain or loss from a sale or exchange occurring in a taxable year beginning in 1982.

(3) DETERMINATION OF DEFERRED TAX LIABILITY.—If the taxpayer makes an election under this subsection.—

(A) the taxpayer may pay part or all of the tax for such year in two or more (but not exceeding five) equal installments;

(B) the maximum amount of tax which may be paid in installments under this section shall be the excess of—

(i) the tax for such year, determined by taking into account paragraph 2, over

(ii) the tax for such year, determined by taking into account paragraph (2), and by treating all regulated futures contracts which were held by the taxpayer on the first day of the taxable year described in paragraph (1), and which were acquired before the first day of such taxable year, as having been acquired for a purchase price equal to their fair market value on the last business day of the preceding taxable year.

(4) DATE FOR PAYMENT OF INSTALLMENT.—

(A) If an election is made under this subsection, the first installment under subsection (a)(3)(A) shall be paid on or before the due date for filing the return for the taxable year described in paragraph (1) and each succeeding installment shall be paid on or before the date which is one year after the date prescribed herein for payment of the preceding installment.

(B) If a bankruptcy case or insolvency proceeding involving the taxpayer is commenced before the final installment is paid, the total amount of any unpaid installments shall be treated as due and payable on the day preceding the day on which such case or proceeding is commenced.

(b) FORM OF ELECTION.—An election under this section shall be made not later than the time for filing the return for the taxable year described in subsection (a)(1) and shall be made in the manner and form required by regulations prescribed by the Secretary. The election shall set forth—

(A) the amount determined under subsection (a)(3)(B) and the number of installments elected by the taxpayer,

(B) each regulated futures contract held by the taxpayer on the first day of the taxable year described in subsection (a)(1), and the date such contract was acquired,

(C) the fair market value on the last business day of such taxable year for each regulated futures contract described in subparagraph (B), and

(D) such other information for purposes of carrying out the provisions of this section as may be required by such regulations.

Mr. MOYNIHAN. Madam President, this is an amendment prepared by the Finance Committee and modified by a group of Senators, a number of our distinguished colleagues in the Chamber today, the distinguished Senator from Illinois (Mr. PERCY), the junior Senator from Illinois (Mr. DIXON), the Senator from Idaho, the distinguished member of the Finance Committee (Mr. SYMMS).

It has to do with the transition rules that will govern the law that will put an end to commodity tax straddles as they are known.

This is an important provision of our joint resolution. It will gain for the Treasury some $1.3 billion in revenue the first year, as we understand, and will put an end to a practice which was spreading at an alarming rate which in the words of one New York tax attorney "threatens to zero out the revenue system."

Madam President, there are a number of measures. The one that we send on behalf of the committee has to do with the amount of time that taxpayers would have in the terminology of this practice, the argot, if they have rolled income into 1981 and are not able to do that again into 1982.

There are persons who sometimes legitimately have rolled income from one year to another for long periods of time and who have large amounts of income accumulated liable to tax.

All of a sudden the tax code will not make it possible to roll into another year and large amounts of tax would be owing. Many of these persons will for one reason or another find that burden too great to pay at once. We, having no desire to be punitive with respect to anyone who has been abiding by the laws as they have been, propose that for any liabilities from this commodities straddle sequence, the tax be declared in 1981, and then the taxpayer will be given 5 years in 20 percent units, if he or she so chooses, to pay that tax.

There will be interest due at the regular IRS rate on delinquent taxes. These are not delinquent taxes, however. These are taxes that have been formally declared and the law will provide a 5-year period if the taxpayer so chooses for which to pay.

This we think will be a just treatment. It is a reasonable treatment, and it seems to meet the concerns of persons who are involved here.

Madam President, there is another question having to do with whether the taxpayer can elect to have the new rules applied to his entire 1981 tax year. We wish to make the point that the amendment would allow such an election.

Then there is a third matter which

has to do with the question of what will be the rate for 1981, the top rate. That has not been established. The committee bill says that 60 percent of one's income is taxed as long-term and 40 percent as short-term capital gain. That produces a 32-percent rate for 1982.

The modification offered makes that rate available for 1981 as well.

We first of all agree that the taxpayer can have the new rules apply for his entire 1981 tax year. The question is whether the lower tax rate will apply if he chooses, and I understand the modification offered is to have the lower rate apply if the taxpayer so elects.

Mr. PERCY. Madam President, according to my understanding that is correct. I would first like to express my appreciation to Senator MOYNIHAN for the understanding that he has shown for the problem. He recognizes that all of us are attempting to accomplish the same thing with this amendment; namely, to make this the best possible bill. We also share an interest in removing the possibility that nontraders can take advantage of the markets. It would be scandalous if nontraders were to continue to avoid paying taxes by using this as a tax-avoidance mechanism.

We all understand the fundamental nature of the commodities market. My distinguished colleague, Senator ALAN DIXON, with whom I have worked closely on this matter, thoroughly is conversant with the markets. He understands agriculture; he understands the impossibility of marketing without a futures market.

Mr. MOYNIHAN. Yes.

Mr. PERCY. If we did not have futures markets we would have to invent them tomorrow; otherwise, there would be utter chaos in the farm commodity market. We are certainly very dependent on it in Illinois and we are very grateful indeed for the understanding that Senator SYMMS of Idaho has shown for this matter. We are joined by other Senators, the chairman of the Agriculture Committee, Senator HELMS, Senator TOWER, Senator HAYAKAWA, Senator JEPSEN, the ranking Democrat on the Agriculture Committee, Senator HUDDLESTON, Senator D'AMATO, and Senator BURDICK, expressing their concern.

Madam President, as I stated previously, I am fully supportive of the committee's intention to close a loophole in the law that allows nonprofessionals from abusing the commodity markets. Board of Trade President Robert Wilmouth has voiced a similar support for ending abuses.

My concern is that title 5 strays from the original intent of this legislation.

Earlier this year the Senate considered this issue in a different context. Senator METZENBAUM offered an amendment to the budget that would have required the Finance Committee to end tax shelter items as part of its reconciliation package.

During debate on this amendment, the Senator from New York, Senator MOYNIHAN, said that:

> The commodities tax straddle is a very simple device for putting off paying taxes for an extended period of time or reducing income from the regular income tax rates to capital gains tax rates.
>
> It has been carried out by people who are not in the commodities market for any economic purpose of any kind. They are there very solely for the purpose of avoiding taxes or minimizing taxes, and they are doing this with the help of elaborate arrangements that professionals in this field have developed . . . The tax straddle serves no economic purpose. It has no redeeming social value.

Senator MOYNIHAN also noted that:

> I am not suggesting anything illegal has taken place, but the presumption is that these taxes are owed and should be paid.

I know from our extended conversations that my good colleague from New York is aware of the distinction between the tax straddle and the commodity straddle.

The commodity straddle, as I have pointed out in my remarks yesterday, and as Senator DIXON and Senator SYMMS have frequently pointed out, is a legitimate economic trading device. It is not at all what Senator MOYNIHAN has been talking about. It does perform a valuable function. It is just as valuable in the commodity field as the bond and stock markets are in their respective fields. It does serve an economic purpose when it is used by commodity traders in their normal line of business. Let me reiterate the types of individuals Senator MOYNIHAN said he was interested in closing the loophole on: "People not in the commodities market for any economic purpose of any kind. They are there solely for the purpose of avoiding taxes and minimizing taxes * * *."

With that we agree completely. But if the committee bill stands as now written, without modification that the distinguished Senator sent to the desk, it would literally force these accumulated taxes to be suddenly due and payable in 1981. In order to pay those taxes it would bankrupt many brokers. It would force liquidation of existing businesses that have conducted business on the basis that, in their legitimate and legal function, they would not have those taxes due and payable in 1981.

Now, as the distinguished Senator knows, we started out with "well, all right, we will recognize that, and it was laid down that a 3-year transition rule would be permitted." All of the sponsors of the amendment—which I discussed on the floor last night—felt that 10 years would be a more reasonable period of time.

However, in order to have comity, in order to move along on this, and in order to have an understanding with the committee on this, we have now discussed and feel that the 5-year period, taking everything into account, is acceptable. Under this amendment, tax liability would be fixed in 1981. In each of the next 5 years, 20 percent of the amount would be paid. Taxpayers would be subject to the regular IRS interest cost which at the present time is approximately 12 percent.

Mr. MOYNIHAN. That is correct.

Mr. PERCY. This is not a burden that cannot be borne. It is a change; it is a change in the rules of the game, in functions legitimately carried on. But in order to move ahead we will accept this compromise.

In forging this compromise, we have taken into account my extended discussion the night before last with Alan Greenspan, and the statement he made on this. I put this statement in the RECORD yesterday so that Senators could read it today. He is extraordinarily concerned that we not move precipitously in this area; that we move in a way taking into account the sensitivity of commodity markets; that we move in such a way as to give time, provide a transition period, and then hold hearings in depth that will really accommodate this point sometime in the future, so that we have a thorough understanding of it.

He feels we should not in any way imply we are going to move in an adverse way to destroy one of the most valuable functions performed today in the business world, the futures commodity trading function. It is absolutely essential to the position not only of agriculture but many of our minerals, lumber, and even Government securities.

So I express my appreciation to my distinguished colleague. With the assistance of the majority leader and the manager of the bill, we did reserve last night 60 minutes so that my distinguished colleagues would have adequate time to speak on this issue. A half an hour ago we notified all those Senators who have an interest that we would be taking up at this particular time this matter. I am very pleased indeed, to say that I do not think we will need anywhere near that time now.

I would yield back my time. I thank my distinguished colleague for yielding to me, and I would appreciate his yielding to my distinguished colleagues who are on the floor so that they might also express their very strong feelings about this important issue.

I express my deep appreciation to them for their cooperation, support, and leadership they have taken on this particular matter.

Mr. MOYNIHAN. Madam President, before turning to our distinguished colleague I would like to thank the learned and gracious chairman of the Committee on Foreign Relations for his remarks, to affirm precisely his point that commodity futures trading which involves straddles and hedging is an altogether necessary economic function. It brings order and predictability to the market for producers and consumers.

An alternative arrangement was once tried in the 1850's in Illinois where a person found guilty of trading an agricultural future got 6 months in the Cook County slammer. Such was the farmers' mistrust of the process.

Well, we have come a long way, and we have learned that to the contrary it is in the very deep interest of farmers, of miners, of millers, of consumers, that prices for commodities be stable.

The commodity exchanges do this. Floor traders do it with wear and tear on their voices that I can certainly not sustain. The exchanges are altogether desirable, valuable, and indispensable institutions.

Mr. PERCY. Madam President, will the distinguished Senator yield so I can make a comment to Senator DOLE? With 92 pending amendments you would almost think it impossible to know everything about those amendments, especially when you have a bill of this magnitude.

I may not have an opportunity in the future, but I would like to simply say that I am filled with admiration for the way this bill has been handled. I am very grateful for the comity shown by the committee, not only for the consideration the chairman has always given to his fellow committee members, but also for the consideration he has given to the Members of the Senate who are not on the Finance Committee. He has been willing to spend the time, energy, and thought to talk to the people involved in trading those commodity futures in order to determine what we must plug up as unwarranted loopholes.

We express deep appreciation to him for his leadership and guidance and congratulate him for what I consider to be an absolutely outstanding bill when we come to third reading at 3 p.m. on Wednesday next.

Mr. MOYNIHAN. Madam President, I see the Senator from Illinois has risen.

Mr. DIXON. Madam President, may I express my personal appreciation to my friend, the distinguished senior Senator from New York, for the accommodation of many of us who were concerned about this so-called transitional amendment.

I want to thank the distinguished chairman of the Finance Committee, the manager of the bill on the floor, who has been most accommodating. I know I speak for my dear friend and colleague, the senior Senator from Illinois, and my friend, the Senator from Idaho, Senator SYMMS, the ranking member of the Committee on Agriculture, Senator HUDDLESTON, on this side, Senator BURDICK from North Dakota, and others who are interested in what I say, that we appreciate the modifications accepted in this transitional amendment which help address the concerns we all have that are raised by title V in this bill.

I do want to make it very clear, as I have on so many occasions to the Senator from New York, the Senator from Kansas, and others, that title V is certainly not acceptable to us.

We stongly feel that the provisions adopted in the bill in the House Ways and Means Committee are by far the more acceptable measure if something is necessary.

I understand the case to be—and this is something I would like to address in the form of a question to the senior Senator from New York—that we are going to move ahead and adopt this transitional amendment and there will be time remaining for the senior Senator from Illinois, the Senator from Idaho, and myself to make some brief remarks in a colloquy concerning this subject matter.

Mr. MOYNIHAN. The Senator is entirely correct. That is so ordered.

Mr. DIXON. I want to express my appreciation once again and reserve that time later in the allotted time for the colloquy to make my further views known about title V. I thank the Senator for his courtesy over a period of many days in giving us this opportunity to adopt a transitional amendment to title V of the bill.

Mr. MOYNIHAN. The Senator is most generous. I thank him for his remarks.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Madam President, my understanding was that we would go ahead and pass the amendment and the Senator from Idaho would want to have an exchange with the Senators from Illinois.

But I also would commend the Senator from New York and others who helped work out this amendment.

I would make only two comments. First, I want to confirm that this Senator does not believe that the only abuse is the use of commodities markets by outsiders to pay no taxes. I regard it as an abuse for any American to earn $1,000,000 and pay no taxes. My distinguished colleagues from Illinois wish to finesse this point. But the issue is simple: Can any American earn a high income and pay no taxes? This Senator believes that any American earning $1 million must pay taxes. The Senate bill, unlike the House bill, prevents possible abuse in this area.

The second point I make is that the averaging provision of the amendment is indeed novel. This Senator cannot recall another occasion in which, on closing a tax loophole, we provided a new income averaging rule for those who were avoiding tax. I might note, finally, that this transition rule will apply to all commodities gains on exchanges, not only to the traders.

I just believe, as I say in my statement, that if you are out there making a million dollars, I do not care if you are a trader or not a trader, you ought to pay some taxes. It just seems to me that is what we are going to try to make certain happens. It has been a difficult job. I know some of the people involved are very distressed with those of us who found it necessary, at least as we perceived the problem, to take some action. Others would have waited until next year, or others would not have done anything. Others would exempt certain groups.

But I think, in the final analysis, the committee acted responsibly with the direct and total assistance from the senior Senator from New York.

I do support the amendment. I am pleased that other Senators who have an interest in this matter, members of the committee, and those not on the committee, believe that we have reached an agreement that might be somewhat satisfactory.

Mr. MOYNIHAN. Madam President, may I ask the distinguished Senator from Idaho, would he be prepared to have the measure adopted and then the colloquy commence?

Mr. SYMMS. I prefer to do it that way. I would just like to voice my support for the amendment and thank the Senator and the chairman of the committee for sponsoring and supporting this amendment. I suggest we pass the amendment and have our colloquy.

Mr. MOYNIHAN. The Senator is most gracious.

Madam President, I yield back all time on this side.

Mr. DOLE. Madam President, I yield back all time on this side.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from New York (Mr. MOYNIHAN).

The amendment (UP No. 273) was agreed to.

Mr. MOYNIHAN. Madam President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Madam President, I ask that we lay aside the pending amendment so that the Senators may engage in a colloquy.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PERCY addressed the Chair.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. PERCY. Madam President, I did speak last night on this amendment. I would like to yield the majority of the time to other Members with whom we have worked so closely.

I would like to say, however, that the committee may have overlooked the impact this legislation will have on forward contracts.

I ask unanimous consent that an explanation of forward contracts be printed in the RECORD.

There being no objection, the explanation was ordered to be printed in the RECORD, as follows:

A bank forward contract is a contract to purchase or sell a specific quantity of a foreign currency at future date for a specified price.

It is like a regulated futures contract traded on an organized exchange.

Both are contracts for the purchase or sale of a specific quantity of a foreign currency, such as pounds-sterling or Swiss francs, at a future date at a specified price. By their terms, both contracts call for delivery of the foreign currency, but in practice they are commonly closed out by offsetting contracts. However, bank contracts are traded through banks, acting as dealers. Futures are traded on exchanges.

Futures contracts are regulated by exchanges and the Commodity Futures Trading Commission. These contracts require the deposit of margin and appreciation or depreciation in the contracts results in decreases or increases in margin accounts.

Forward contracts are made with any of a number of commercial banks which, while not a part of a regulated exchange, comprise a centuries-old, highly liquid market. Last year this market traded contracts wih a total value of $70 trillion. Brokerage firms which trade in the interbank market for the customers speculating in foreign currencies establish lines of credit with banks against which forward contract positions are debited or credited.

It is common for firms to shop both ex-

changes and the interbank market to achieve the best price.

Corporations and banks use the market to hedge currency risks. Governments use the market to stabilize their currency, and speculators provide risk capital hoping to profit from changes in the values of currencies.

As in other futures markets, speculators' risk capital provides liquidity. They assume the risks that corporations, governments and other hedgers wish to avoid. The market could not exist without speculative capital.

Under the Finance Committee bill, regulated futures contracts would be taxed under the so-called mark-to-market approach at the rate of 32 percent without regard to the period the position was held. At the end of the year, a taxpayer would determine his gains and losses in open positions by valuing them at market. Any unrealized gain would be added to net gains from closed positions and taxed.

Forward contracts would be taxed when gains and losses are realized and gain or loss would be long- or short-term depending upon the holding period. Typically, gains will be short-term and taxed at the rates up to 50 percent for individuals and 46 percent for corporations. Losses from straddle transactions would be disallowed.

Valuation would be based upon quotations of prices for the particular currency for the particular delivery date. These quotations are available from commercial banks and many of them are published each day in the Wall Street Journal and other financial publications. For example, if on July 17 one had a contract to purchase the pound-sterling for delivery in six months, the Wall Street Journal reported that on July 17, 1981, the value of the pound six months in the future was $1.9235.

The essential terms of these contracts are the same as those traded on regulated exchanges: The purchase or sale of a specific quantity of currency on a specified date in the future for a price in U.S. dollars. Because the interbank market is much larger than the exchange which trades foreign currency contracts, investors may acquire positions for a greater number of delivery dates in the interbank market than on the International Monetary Market.

Within the limitations imposed by the relative sizes of these two markets, money can flow freely from one market to another and differences in prices are largely eliminated by arbitrageurs.

Mr. PERCY. Madam President, Senator HAYAKAWA is in California and is necessarily absent from the Senate. He has asked me to present on his behalf a statement on the commodity straddles. I submit the statement for the RECORD.

The statement follows:

● Mr. HAYAKAWA. Madam President, I join with my colleagues from Illinois, Idaho, North Carolina, Texas, Iowa, and others to express my concern that a provision in this tax bill will have a devastating effect on the stability of the Nation's agricultural industry. As a Senator from the largest agricultural producing State in this country, and a member of the Committee on Agriculture, I am surprised and distressed that the Finance Committee has included a provision which has the effect of taxing unrealized gains in the name of closing a tax loophole.

Madam President, I do not believe that a commodity straddle is a tax loophole; it is a means of hedging in a market which provides stability for the agricultural industry. Holders of commodity straddles, or spread traders, are motivated by economic considerations rather than tax advantages, and provide a vital function to futures markets.

Spread traders provide nearly all of the market liquidity for the months farther from delivery months. Because these speculators trade in distant months the market is considerably more stable—the greater the number of competing bids and offers the narrower the price range of trading. Were spread traders forced out of the market, as the committee provision would do, there would be higher prices to consumers and lower prices to producers created by a volatile market.

I am not saying that there is no abuse of this mechanism. There are no doubt, examples of individuals carrying huge incomes over into future taxable years, and covering them with current losses. The answer to these abuses is not taxing all spread trading out of existence by taxing unrealized gains—a very dangerous precedent; the answer is attacking the problem.

Instead of crippling all spread trading, perhaps we ought to change the tax procedures to reflect the differences between a spread and a tax loophole. One such method is allowing losses from straddles to be offset only against commodity related income and prohibiting spreads from being used to convert unrelated income into long-term capital gains.

This method will, I believe, solve the problem of abuse in the market without driving all the capital generated by straddles out of the market. However, if the committee provision is accepted, those currently providing a stabilizing effect to the commodity market will devote their capital elsewhere; and when that happens there will be no tax revenue increase. because former traders will find tax shelters in other markets. So the Treasury will reap no increase in revenue, but the futures markets will lose a vital stabilizing element. Therefore, I urge my colleagues to oppose the commodity straddle provision in the tax bill, and adopt a more reasonable solution.●

● Mr. HUDDLESTON. Madam President, I wish to express my concern about the treatment of commodity futures transactions in the Finance Committee bill.

Futures markets are an essential part of our food chain. They are used by seed producers, farmers, grain merchandisers and food processors. These markets serve two functions that are necessary to the orderly functioning of our food and agriculture sector—price discovery and hedging.

Producers can tell the approximate worth of their crop at any given moment by checking the price at the futures exchange as listed in the daily newspaper. This helps the farmer plan his marketing far into the future. Without access to a viable futures market, the price of grain a few months hence would simply be a guessing game between the seller and the buyer.

The second primary function of a futures market is hedging. Commodity ownership carries with it the inherent risk of adverse price changes. The practice of hedging allows merchants and processors to transfer this risk to speculators who are willing to assume it. This promotes efficient management and frees up capital that would otherwise be tied up in risky positions in actual commodities.

The presence of the speculator is essential to the hedging process. Speculators provide liquidity to the market and keep it functioning smoothly. When a grain merchandiser wishes to hedge his export sale, he moves quickly to place his buy order in the market. He is depending on a speculator being there to accept the other side of his contract. Any delay in executing the order leaves the merchandiser vulnerable to adverse price changes.

Speculators may hold outright long or short positions or hold spread positions. When a person enters a spread they are long one contract and short another. While there are several types of spread positions, all are speculating on the price range or spread between different contracts. It is not a riskless venture. Spreaders or straddlers are vulnerable to changes in interest rates and storage costs. I do not think I need to remind you of the volatility of interest rates in the past year.

Madam President, I am worried that title V of the Finance Committee bill will damage the liquidity of the futures markets. I have yet to see any proof that there will be no harm done to these markets as a result of this measure.

The "mark-to-market" rules are a radical departure from current methods of taxation. No other market is subject to taxes on its unrealized profits. Yet that is what we are proposing to do today. At the end of each year, market participants will pay taxes on all profits whether realized or not. As we all know, what was a profit on December 31 can easily be a loss on January 1 in commodity markets.

Contrary to popular belief, Madam President, this proposed rule does not apply only to spread transactions, but to all market transactions. I cannot believe that will not harm the market volume in the future.

Another detrimental factor in the proposed rule is the 32-percent tax rate. In another action, the Finance Committee has lowered the long-term capital gains rate to 20 percent. Commodity speculation is a risky business at best. This 12 percent differential will cause speculative capital to flee the futures market in search of a more favorable tax rate.

I am not in favor of continuing a tax haven for the rich in the commodity markets. However, I am afraid we may have moved too far and too fast in our eagerness to close this tax loophole. We need to consider the ramifications of our actions. Although I may support this bill, I urge the Finance Committee conferees to look closely at the measure adopted by the Ways and Means Committee. This approach seems to have less onerous consequences for the commodity markets. I am afraid we may find ourselves back on this floor next year trying to solve a problem that we ourselves have created. We should think twice before we allow this to happen.●

Mr. PERCY. Madam President, I am

happy to yield to my distinguished colleague from Idaho.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. SYMMS. I thank the distinguished Senator from Illinois.

Madam President, on the subject of the commodity straddles, section 5 of the Senate Finance Committee bill, I wish to join with my colleague, the Senator from Illinois, Senator PERCY, and others who have voiced some concern about this issue.

In the Finance Committee markup of this section, I was amazed at the apparent lack of knowledge or experience that some of the supposed Government commodity experts had while recommending major tax law changes that significantly impact on a very vital and crucial industry. Our supposed experts could not identify the differences between straddles, hedges, or butterflies. Yet, they were proposing changes that will have major repercussions on the timber, mining, and agricultural industries—industries who rely on stable price discovery mechanisms in the futures market and who use the futures market to spread the risk.

The futures market is in the business of providing risk management capabilities to farmers, to mineral producers, and to timber producers. I am very concerned and actually opposed to this particular section of the bill.

My State's economy is dependent on the extraction industries—agriculture, mining, and timber. These products are all linked directly and traded in the commodity markets.

The principal economic purpose of the futures market is to provide a place for a producer or commercial user to transfer risk to someone else. It allows the farmer or the grain elevator to sell to someone else. It allows the farmer or the grain elevator to sell his grain at a definite price before the crop is ready for delivery to market, and at the same time, allows the miller or the processor to purchase today their futures needs at a certain price.

A secondary purpose of the market is to provide pricing information for commodities at a future point in time. Both of these functions are very important to the production, processing, marketing, and distribution of agricultural, as well as many other commodities.

It is true that the present tax law treatment of commodity futures has made it possible for taxpayers who have gains from real estate, securities and other capital assets unrelated to commodities, to use the futures market to defer the tax on these unrelated gains into future years and, in some cases, to convert short-term gains from these unrelated gains into long-term gains. It should also be pointed out that the present law treats Treasury bills and certain other Government obligations as ordinary assets rather than capital assets. This has made it possible for a taxpayer to shelter ordinary income, such as wages, if the price of the bill goes down and to defer the corresponding gain from the futures contract to the subsequent year.

I am not in any way opposed to changes in the tax law which would prohibit the use of the futures market as a tax shelter for gains from income which are unrelated to commodity transactions.

I commend the chairman of the Finance Committee, the distinguished Senator from New York, and others for their attempt at closing a tax loophole.

However, it is very clear that the intention of the tax straddle legislation that is incorporated in the Senate Finance Committee's tax bill is not to simply close the loophole in the present tax law, but to change the tax treatment of all transactions in the futures industry. Ironically, the language in the Senate Finance Committee's tax bill still does not entirely close the tax straddle loophole, but it does seriously impair the ability of our Nation's commodities markets to function.

The Senate Finance Committee's tax bill has taken what is popularly known as the "mark-to-market" approach in attempting to solve this issue. This approach constitutes a tax on unrealized gains. With a few minor exceptions, this is a concept which—for very good reasons—has never been followed in the Tax Code. From the standpoint of sound tax policy, there would seem to be innumerable reasons for rejecting it.

If unrealized gains in the futures industry are to be taxed, why not do the same in the securities industry? Or on a house? Or on appreciation in any other investment? Any of these would provide a windfall to the Treasury, but with tremendous consequences to the functioning of the American economy. For those who state that taxing the equity in a home is not probable, they need simply to examine the Carter administration's fiscal year 1981 budget recommendations very clearly proposes that concept.

The mark-to-market concept will, in my opinion, inevitably distort the Nation's futures markets. Futures markets now constitute the major risk management mechanism available to U.S. farmers, businessmen, and financial institutions.

Senator PERCY, mentioned that the distinguished economist, Alan Greenspan stated that the Senate Finance Committee position might increase the cost of financing the Federal debt by $2 billion—$3 billion due to market distortions caused by illiquidity in the Government securities markets. Since the Treasury is supposed to gain approximately $1.3 billion in trying to close the loophole, the Treasury might very well stand to lose more than it has gained. This is a classic case of overkill—of throwing the baby out with the bath water—while trying to solve a problem.

Annual volume turnover is literally in the trillions of dollars. The distortion in the mark-to-market concept is inherent in of itself. The concept imposes a Federal tax liability based on one's open positions in the futures market as of December 31 each year. That means that tax considerations are likely to overwhelm basic supply-demand fundamentals in the final weeks and days of each calendar year as taxpayers are saddled with the enormous risk of having open positions on which their tax liability has already been determined. This will cause many individuals and institutions to liquidate those positions because of the inordinate risk involved, and because of the cash flow problems that result from having to pay taxes on a still unrealized gain.

I can site, Madam President, a good example: If an investor purchased silver contracts at $15 an ounce in 1979 and those contracts closed at $30 an ounce on December 31, 1979, and by March 16, 1980, those contracts were priced at $10 an ounce, that taxpayer would be liable for the taxes in the difference between $15 an ounce and $30 an ounce where it closed on December 31, 1979, even though the investor had actually lost money on his contracts by March 1980.

The mark-to-market concept will distort the agriculture markets, the metal markets, the timber markets because everybody will naturally start thinking, "I have a profit in this position and maybe I better close out my position on December 31 because I cannot afford to have that position go against me on January 1."

We are implementing a system that will cause distortions in the markets and cause a great deal of problems in the last 2 weeks of the year, doing damage to the farmers, the lumberjacks, the timber producers, the miners, and the metal producers who use those markets.

For instance, if a real estate developer, that is in a limited partnership, decides to build a building in the next calendar year, he will go to the bank to secure a loan. The bank will agree to lend a prime plus 2 percent in most cases. Since the developer does not know that the prime rate will not be higher next year, he is forced to go into the futures market to protect his loan at today's interest rate. Under the Senate Finance Committee proposal, that real estate developer will have to pay a tax on his open positions in the commodities markets, which are still unrealized, and he will still not have obtained the loan or even started building the building.

Futures markets provide an inexpensive means by which farmers, businessmen, and financial institutions can shift some of the price risk inherent in the businesses to other individuals or firms willing to bear such risk. In agriculture, for example, firms throughout the entire marketing chain use futures markets for hedging price risks. The ability to reduce risks by hedging in liquid markets enables marketing margins to be small, which results in higher producer prices and lower consumer prices. I predict that if the Senate Finance Committee proposal is enacted into law, without a major change in conference. The liquidity in the futures markets will decline significantly and producers will receive much lower prices and consumers will be paying much higher prices because we will be distorting the finest market system that any nation has ever developed in the world to market agricultural and other commodities.

The Senate Finance Committee approach on this issue will greatly increase

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the costs of trading in futures markets and will reduce the flow of speculative and investment capital into the process of determining efficient prices.

Farmers call it price discovery. We know what the price of our commodity is on whatever given day at any given time. The only efficient price discovery mechanism is a very liquid market where there are a significant number of traders. The market-to-market concept will reduce the number of trades in the futures industry and create market distortion. This proposal does not adequately address the issue of eliminating the exploitation of futures markets for tax shelters purposes, but seriously jeopardizes the legitimate economic function of futures markets.

Furthermore, I would like to mention that there have not been any economic impact studies completed on this proposal. There have been a lot of overnight experts working on this issue, very diligently I might add, but many of the people who actually wrote the language have never traded a commodity and basically did not know how the markets functioned until several weeks ago.

The Senate Finance Committee proposal will have a devastating impact on the use of the futures markets as a risk transfer mechanism for the commercial world.

For the RECORD, I shall submit a summary of futures markets techniques, as well as an analysis of the sources which give rise to market liquidity.

I ask unanimous consent to have printed in the RECORD at this point an article from the July 20, 1981, issue of Barron's editorial commentary entitled "Bad Speculation, Proposal To Tax Commodity Straddles Is Fraught With Risk."

I also ask unanimous consent to have printed in the RECORD 12 letters so that our colleagues will have an opportunity to adequately study this issue.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

PROPOSAL TO TAX COMMODITY STRADDLES IS FRAUGHT WITH RISK

To the layman, the subject of taxes on commodity straddles beckons like a dark alley. Just the thing to know nothing about, the sensible man might say. Exactly the thing to be left to the experts. Perhaps, but in the past few weeks that dusty subject has captured the imagination of the Fourth Estate. Even as the House and Senate made ready to vote on such portentous fiscal matters as indexed marginal brackets and the All Savers' Certificate, stories kept surfacing about commodity straddles and taxes. In an investigative vein, for example, The Wall Street Journal disclosed from Washington that lobbyists for commodity speculators had been seen aboard yachts as well as on dry land in the act of buttonholing legislators. Dispatches have traced the progress of alternate bills, in the House Ways and Means Committee and the Senate Finance Committee, that would close the straddle "loophole." Then, on Wednesday, a coincidence: The New York Times and Washington Post, in separate editorials, endorsed the Senate bill, which is the Administration's. Even casual observers began to gather that (a) Donald T. Regan, the Treasury Secretary and former chief of Merrill Lynch, believes that "2,500 wealthy commodity speculators" are getting away with something; (b) the Administration means to do something drastic about it; because (c) the cost in forgone revenues runs (by the government's estimate) to $1.3 billion a year.

Yet one small detail largely escaped comment if the Administration gets its way, commodity positions would be marked to market value at the end of each year and taxed on the basis of profits, whether realized or not. Speculators, that is, would be taxed on paper profits.

The best place to start this peculiar story is at the beginning. A commodity straddle, or spread, is a trading technique. It is invidiously defined as a "tax gimmick." By the same token, a fork might be defined as a "bean spear." Some people spear beans with forks; some speculators use spreads, or straddles (the terms are synonymous) to defer taxes. The definition is wrong because it is incomplete. A spread is a technique that involves the purchase of one futures contract and the sale of another. The second contract, the one (in this example) that is sold, may be in a different commodity. For example, a man might buy beans and sell silver. Or, the second contract might be in the same commodity but in a different delivery month. Thus, a speculator might buy October gold and sell December gold.

Spreads have many uses. The first is to reduce risk. It is obviously safer to stake out a long position in beans if one were also short a bit of them (or some wheat or corn). A second use is to profit by an expected change in price relationships, for example, between bills and bonds or between beans and silver. A third reason to put on spreads is to put off taxes, which is the cause of the row in Washington and all that ink in the papers.

Anyone with income to shelter can set up a commodity spread on which a profit (it is hoped) will be largely offset by a loss. He, or she, can buy gold futures for delivery in one contract month and simultaneously sell in another contract month. The chances are that, no matter which way gold goes, one "leg" of the spread will show a profit and the other leg a loss. The tax angle is to realize the loss but to postpone the gain. If the gold price rises, the short leg yields the loss. Thus the short sale is closed out and the long leg is protected with another spread. The profit isn't realized until the following year, or perhaps the year after that. Perpetual postponement is unlikely, however, because market risk tends to outweigh the benefit of tax postponement. The idea is to push a gain forward until it becomes a long-term gain, then to sell and pay taxes at the reduced rate.

All of which has elicited considerable indignation and one exceptionally bad piece of legislation. The bill (by number, S. 626) would close the straddle loophole by requiring that speculators mark their positions to market at the end of the year. Real and paper profits alike would be taxed at a rate of 32 percent or so (income would also be offset by past losses). This way, say proponents, profits would be captured in the year in which they were earned.

Obviously nothing of the kind has been done before. In no market are paper gains subject to tax. A precedent to the contrary would open vast possibilities for mischief in financial markets and real estate. If unrealized gain in gold contracts and T-bond futures are to be taxed, then why not in bullion and bonds, or in houses and common stock? Equity in a house can be borrowed and spent but it isn't taxed as income until the place is sold. Why not mark houses to market? At yearend, an investor with a profit in stock can sell short "against the box," or against his long position. He thus can "cash out" his gain but pays no tax until he delivers the stock to close out the transaction next year. Why not tax unrealized gains in stocks and bonds? By closing one such "loophole," the Administration, by force of logic, must close more, until it draws a loop tight around the neck of all risk capital.

What consequences might spring from this essay in "reform" are anybody's guess. The nature of tax reform is that everyone wants it but nobody has time to read the legislation, or, finding the time, can't make heads or tails of it. A case in point is the bill at hand, S. 626, to wit: "In general—In the case of any offsetting position in personal property—(1) that portion of any loss—(A) which is incurred in connection with the sale or exchange of any position held as part of such offsetting position, and (B) which exceeds any gain recognized in connection with the sale or exchange of any other position held as part of such offsetting position, shall be treated as incurred as of the close of the balanced period; and (2) the holding period (as determined under section 1223) of any position held as part of any offsetting position shall not include any portion of the balanced period with respect to the position." The words make sense separately but somehow not en masse.

The possible financial consequences of this crusade, in any case, strike us as horrific. If futures markets alone were taxed on paper profits, capital would fly elsewhere. Gold is an example. If futures contracts were liable to tax on unrealized gains, but mining shares and coins were not, capital would sensibly shift to shares and bullion. As New Year's Eve drew near, moreover, speculators would distractedly trade with an eye to taxes as much as to supply and demand. Prices would tend to become untrue. The business of futures exchanges—to shift market risk from hedgers to speculators—would be impaired. A futures industry handout raises an interesting point: "Should mark-to-market legislation adversely affect [financial futures] markets—as we believe it would—the cost would far exceed the benefits. Only a very slight widening of bid-ask spreads will add millions of dollars to the Treasury's costs in a new debt issue. We close a $1.3 billion dollar straddle loophole . . . and in the process increase the cost of Treasury financing by many times that amount." Yet the Treasury, unhedged, wants to make just that speculation.

This disaster in the making, oddly, isn't born of ignorance. The Treasury Secretary, Donald T. Regan, knows that if paper profits were profits, many would be the rich man at the bar at Harry's. (Merrill Lynch, which under Regan's stewardship helped to develop a type of straddle that was subsequently challenged by the IRS, now is helpfully advising clients on "alternate income sheltering strategies.") Moreover, a friend of S. 626, Sen. Daniel Patrick Moynihan (D., N.Y.) knows a thing or two about the commodity pits. The Senator's financial statements seem to show that a trading profit of roughly $60,000 was pushed into 1980 from 1979 as the result of some pork-belly spreads designed by his broker, Maduff & Sons. (An aide of Moynihan's was asked for comment on the Senator's apparent first-hand experience with the object of the ire of S. 626; but no comment was forthcoming.) In fairness to Moynihan, his was a managed account and the spread was far from riskless. But, then, most spreads involve risk. When the Administration argues the opposite, it is misinformed.

Thus the Treasury's honorable course is surrender, S. 626 should be given up for dead. In the House, the Ways and Means Committee has passed a bill that would limit the tax benefit of spreading to income earned in commodity futures trading. It would impose no mark-to-market rule. If a bill must be passed, let it be that one.

The timeless lesson in this political dustup is that the tax law is far too complicated. The only known tangible result of the parade of "tax reforms" from 1954 to date is the burgeoning fees of lawyers and accountants. A while ago, Alvin Rabushka, senior fellow at the Hoover Institution at Stanford University, proposed a simple flat-rate system. If everybody paid 11 percent, he said, the Treasury would take in as much as it does today under the current gimmick-ridden regime. Nothing against lawyers and accountants, but the more we think of that reform, the better we like it.

AMERICAN FARM BUREAU FEDERATION,
Washington, D.C., May 28, 1981.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The American Farm Bureau Federation is the nation's largest general farm organization with over three million member families in 48 states and Puerto Rico. Many Farm Bureau members use the commodity futures market as an important tool in marketing their commodities. We are concerned that pending legislation would change the tax treatment of an important part of the hedging technique through the elimination of commodity straddles or spreads.

The need to prevent abuse in the futures market, and specifically to prohibit the use of the market as a tax shelter for gains from income unrelated to commodity transactions, is important. However, in attempting to prevent abuses, we urge you to consider that not all commodity spreads are motivated by tax avoidance. To determine that all spreads are suspect could penalize market participants such as farmers by forcing legitimate speculative capital from the market. The loss of such capital would affect the volume of trade as well as prices received by farmers.

Therefore, we urge that any corrective legislation be targeted toward eliminating the use of futures markets to offset nonrelated income in other fields, rather than hampering the continued use of futures markets by commercial hedgers and professional traders who are a vital part of any viable futures market.

Sincerely,

VERNIE R. GLASSON,
Director, National Affairs Division.

April 29, 1981.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee on Ways and Means has scheduled hearings on April 30 on H.R. 1293 and other bills affecting tax treatment of commodity straddles. The American Soybean Association takes this opportunity to offer comments on those bills. We ask that our comments be made part of the hearing record.

The American Soybean Association is a national non-profit volunteer, single-commodity association organized to assure the opportunity for a profitable soybean industry. ASA has approximately 20,000 dues-paying members and ASA is supported by over 460,000 soybean producers who voluntarily invest in ASA programs through 23 separate statewide soybean checkoff programs. ASA seeks to maintain soybean profitability through its foreign market development, research, producer and public information, and government relations programs.

ASA does not condone the use of futures straddles as a means of avoiding federal income taxes. However, we are concerned that the Congress not unintentionally reduce overall speculation in futures in its attempt to curtail the use of commodity straddles. The futures markets are essential to the marketing of soybeans and soybean products both within the United States and in the international market. Speculators are essential to the proper functions of the futures markets.

Producers, merchandisers, processors and users of soybeans and soybean products use the futures markets both as a mechanism of price discovery and as a means of reducing the risk of price fluctuations. Farmers use the futures markets to "lock in" a future price for delivery of their production. By doing so they are better able to plan cash flow and project potential profits. Merchandisers, processors, and end-users use the futures market to "lock in" a future delivery price for such commodities. The ability to assure future prices and delivery of soybeans and soybean products greatly reduces the risk of doing business and allows substantially reduced trading margins to the benefit of both producers and consumers.

The futures markets allow hedgers to reduce their risk only because speculators seek out such risk in the futures markets. The capital infusion into the markets by speculators is essential to their liquidity. When one considers that the value of the 1980 soybean crop was approximately $16 billion, only a small portion of which was consumed directly on the farm, it is apparent how much speculator capital is needed to maintain soybean market liquidity. The overall value of the commodities traded on futures exchanges not including financial futures, in 1980 was in excess of $100 billion.

We agree that tax abuse in the use of commodity futures should not be permitted. However, we are opposed to any legislation that would, as some have suggested, result in all profits from commodity futures transactions being considered unearned income and, thus, taxable at up to 70 percent. Also, we oppose a speculator being unable to balance out profits and losses from one year to the next. Such tax statutes would have the effect of forcing many speculators to turn to other investments where they would be eligible for taxation of the profits at the lower capital gains rates. The result could be a general reduction in market liquidity with higher risks for commercial hedgers. Faced with greater risk, the commercial hedgers would most likely increase their margins to the producers and consumers. Since over $8.6 billion of U.S. soybeans and soybean products were exported in 1980 any decrease in U.S. export competitiveness resulting from higher margins could impact the entire U.S. economy.

In conclusion, ASA urges extreme caution by the Congress in attempting to eliminate the use of futures markets as a means of tax avoidance. Futures markets are essential to farmers, processors, merchandisers, and end-users. They should not be needlessly interrupted. Soybean farmers need a strong and viable futures market to help assure their profit opportunity. The continued profitability of our nation's 630,000 soybean producers will help assure a stronger U.S. economy.

Sincerely,

FRANK RAY, *President,*
American Soybean Association.

VALLEY VIEW CATTLE CO.,
Dallas, Tex., May 22, 1981.

Hon. KENT HANCE,
House Ways and Means Committee, Washington, D.C.

DEAR REPRESENTATIVE HANCE: As a member of the Agri-business community and a Director of the Chicago Board of Trade, I have become concerned over proposed legislation before the Congress which will impact heavily on the marketplace of farmers and Agribusiness.

The thrust of the legislation is to deal with tax avoidance occasioned by commodity straddles which shelter unrelated income. This is fair and proper and I certainly support such a change.

I am deeply concerned that legislative language could be so broadly constructed that it could virtually destroy the ability of our grain futures markets to perform their economic function. The language must not obstruct or interfere with much needed spread trading which the futures markets depend on for life and breath.

Futures markets provide the ability to transfer price risk. If only hedgers used the futures markets they would be illiquid as the production cycle causes overwhelming selling at harvest and concentrated repurchase during the consumptive periods.

For viable futures markets, it is absolutely essential that speculative trading, and specifically spread trading, be maximized to provide both liquidity and stability to the marketplace.

Hedgers can pay a higher cash price to producers and demand a lesser price from buyers if our price risk is minimized in a liquid futures market. If spreaders were discouraged out of the market by this proposed legislation, our competitive margins would be jeopardized requiring a reduction in bids to farmers while escalating our offers to importers to compensate for the substantially greater price risk and the unhedgeability factor.

It is most certainly reasonable to correct abuses as applied to unrelated income. Hopefully you will consider arguing for maintaining futures market liquidity by assuring the legislative language in no way impedes legitimate economic activity, specifically that of the all-important speculative spreader.

If I can answer any questions related to this legislation, please give me a call.

Sincerely yours,

EDWIN L. COX, Jr.

NEW OLEANS COMMODITY EXCHANGE,
New Orleans, La., May 20, 1981.

Hon. W. HENSON MOORE,
2404 Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN MOORE: I have had the opportunity to review the transcript of the hearing held before the Committee on Ways and Means held on April 30, on legislative proposals relating to commodity "tax straddles." I noted that your commitment to the agricultural sector of our economy, of which I'm well aware, was reaffirmed by the statement that you "have no intentions of destroying the farmer's ability to market his crop." Unfortunately, the various tax straddle proposals presented to date would do just that.

The thrust of the proposals by the Treasury Department, by Senator Moynihan, and by Congress Rosenthal and Broadhead is to deal with tax avoidance occasioned by commodity straddles which shelter unrelated income. We would like to see such abuse corrected just as much as would the Congress. But those proposals, instead of applying only to situations in which futures markets are exploited for tax shelter purposes, are far too encompassing. If enacted, they will vastly reduce the amount of spread trading conducted for profit and thus reduce the liquidity in futures markets. Legislation following these proposals could literally destroy U.S. futures markets as they exist today.

Futures markets provide an inexpensive means by which farmers, businessmen, and financial institutions can shift some of the price risk inherent in their businesses to other individuals or firms willing to bear such risk. In agriculture, for example, firms throughout the entire marketing chain use futures markets for hedging price risks. The ability to reduce risks by hedging in liquid markets enables marketing margins to be

small, which results in higher producer prices and lower consumer prices.

Futures markets must be liquid, however, to permit industry members to hedge at minimal cost. Because hedging needs are not uniform, speculative trading—and particularly, spread trading—is necessary to provide market liquidity. Spreading provides much of the needed liquidity in deferred contract months in which there is frequently little trading. As a result, members of the industry can establish a price for their products or their input needs many months into the future. Spreading also often enables industry members to roll hedges with minimal price effects. In the absence of spreading, it would be virtually impossible to hedge effectively.

Futures markets play an especially vital role in the efficient operation of U.S. agriculture. In particular, the prices disseminating from our grain futures markets serves as a basing point from which grain is priced throughout the world. Because these prices provide signals for production and inventory management decisions, accurate prices are necessary to promote efficiency. Currently, futures markets disseminate accurate prices because of their market liquidity. If markets were not liquid, the prices disseminating would not accurately reflect supply and demand. Even relatively small discrepancies in price would have serious ramifications. Because U.S. farm income was $150 billion, a downward price distortion of only 1 percent would have resulted in a reduction in farm income of $1.5 billion.

The hedging and price discovery benefits which futures markets provide are vitally important to U.S. agriculture. Any actions which reduce the liquidity and competitiveness of futures markets will certainly have a disastrous impact on the U.S. competitive advantage in agriculture. Because agriculture is so important to the U.S. economy and our balance of payments, any legislation which adversely affects futures markets may adversely affect not only all agribusiness, but all U.S. citizens as well.

Agricultural futures contracts have traded for well over a century. During that time, futures markets have become an integral component of the agricultural industry and have helped U.S. agriculture become the envy of the world.

Only in recent years have futures markets in financial instruments been introduced. Now members of other industries have an opportunity to experience the same benefits from futures markets as members of the agricultural industry have had. Mortgage bankers, portfolio managers, corporate bond dealers, etc. can use futures markets to reduce the risk of adverse interest rate changes. Any action which is detrimental to futures markets would be detrimental to these industries as well.

In conclusion, the tax legislation proposed by Senator Moynihan, Congressmen Rosenthal and Brodhead, and the Treasury Department will have significant adverse impacts, either directly or indirectly, on numerous and various business transactions. These proposals will greatly increase the costs of trading in futures markets and will reduce the flow of speculative and investment capital into the process of determining efficient prices. Because these proposals will drastically reduce the profitability of futures trading relative to other potential income sources, fewer trades will be conducted resulting in less market liquidity. Caution must be taken before any legislation is passed which cripples our futures markets.

Industry representatives have been working with tax counsel on this issue and will soon make available an alternative proposal which is carefully constructed to prevent spread transactions which are largely motivated by tax considerations to shelter unrelated income—a proposal which would eliminate the exploitation of futures markets for tax shelter purposes without jeopardizing the legitimate economic function of futures markets.

We appeal to you to carefully review this issue and to give support to our alternative proposal. If you have additional questions, please feel free to call.

Sincerely,

C. C. ODOM II.

MID-STATES TERMINALS, INC.,
May 22, 1981.

Hon. DONALD J. PEASE, M.C.,
Committee on Ways and Means, 1102 Longworth House Office Building, Washington, D.C.

DEAR MR. PEASE: As a farmers export grain cooperative, we market grain produced on Ohio farms in the magnitude of a half billion dollars annually.

We are the export arm of both Landmark, and Ohio Farmers Inc. and, in effect, owned by those 65,000 farmer members.

We are vitally concerned about some proposed legislation before your Committee which will impact heavily on the marketplace of farmers and Agri-business. This legislation seeks to deal with tax avoidance occasioned by commodity straddles.

Our appeal to you is to monitor the legislative language so that it is not so broadly constructed that it could destroy the ability of our grain futures markets to perform their economic function. The language must not obstruct or interfere with much needed spread trading which the futures markets depend on for life and breadth.

It is one thing for commodity straddles to be used to shelter unrelated income and we in cooperative activities support your changing the law to prohibit such maneuvers.

However, legitimate spread trading is absolutely essential to our futures markets and must be maximized to provide both liquidity and stability to the marketplace.

Throughout the entire marketing chain—farmer, country elevator, miller, processor, exporter, foreign importer and others—all desperately need the futures markets to transfer price risk by hedging. Unfortunately, if only hedgers used the futures markets they could be illiquid as the production cycle causes overwhelming selling at harvest and concentrated repurchase during the consumptive periods. Speculative trading and specifically spread trading balance out and minimize wide pricing swings.

We hedgers can pay a higher cash price to producers and demand a lesser price from buyers if our price risk is minimized in a viable and liquid futures market. If your legislation discourages spread traders out of the market, our margins and hedging capabilities would be jeopardized, requiring a reduction in bids to farmers to offset losses due to the unhedgeability factor.

Please construct your strongest argument for maintaining futures market liquidity by assuring the legislative language in no way impedes legitimate economic activity, specifically that of the all-important speculative spreader.

We should like to further assist your Committee with documentation and outline the serious, unfavorable consequences if the legislation is poorly drafted.

Sincerely,

CLAYTON W. JOHNSON.

MID-STATES TERMINALS, INC.,
May 11, 1981.

Hon. JOHN BLOCK,
Secretary of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: There is proposed legislation before the Congress which will impact heavily on the marketplace of farmers and Agri-business. Your Department of Agriculture will be asked (or perhaps has already been asked) to prepare a position paper for the Committee on Ways and Means as it applies to taxation of commodity spreads and straddles.

The thrust of the legislation is to deal with tax avoidance occasioned by commodity straddles which shelter unrelated income. This is fair and proper and we in farmer cooperative activities support such a change.

However we are deeply concerned that legislative language could be so broadly constructed that it could virtually destroy the ability of our grain futures markets to perform their economic function. The language must not obstruct or interfere with much needed spread trading which the futures markets depend on for life and breath.

Throughout the entire marketing chain—farmer, country elevator, miller, processor, exporter, foreign importer and others—all desperately need the futures markets to transfer price risk by hedging. Unfortunately, if only hedgers used the futures markets they would be illiquid as the production cycle causes overwhemling selling at harvest and concentrated repurchase during the consumptive periods.

For viable futures markets, it is absolutely essential that speculative trading, and specifically spread trading, be maximized to provide both liquidity and stability to the marketplace.

We must emphasize that we hedgers can pay a higher cash price to producers and demand a lesser price from buyers if our price risk is minimized in a liquid futures market. If spreaders were discouraged out of the market by this proposed legislation, our competitive margins would be jeopardized requiring a reduction in bids to farmers while escalating our offers to importers to compensate for the substantially greater price risk and the unhedgeability factor.

Our appeal to you is to support the correction of abuses as applied to unrelated income.

Simultaneously, please construct your strongest argument for maintaining futures market liquidity by assuring the legislative language in no way impedes legitimate economic activity, specifically that of the all-important speculative spreader.

If we can assist your Department in formulating its response to the Committee, either by the way of documentation or outline of unfavorable consequences if the legislation is poorly drafted, we would be pleased to do so.

Sincerely,

CLAYTON W. JOHNSON.

BREED, ABBOTT & MORGAN,
Washington, D.C., June 18, 1981.

Re: Commodity Straddles—S. 626; Prior Year Transactions.

Hon. STEVEN D. SYMMS, Jr.,
452 Russell Senate Office Building, Washington, D.C.

DEAR SENATOR SYMMS: On Friday, June 12th, the Taxation Subcommittee and Energy and Agricultural Taxation Subcommittee of the Finance Committee held a joint hearing on the question of the proper tax treatment for investments in commodities and commodity futures, as framed by Senator Moynihan's proposal, S. 626.

During the course of their presentations to you, the spokesmen for the various domestic exchanges on which the subject investments are placed made a number of references to the nature of the activities in their marketplaces and to the substantial tax planning orientation of certain of this activity. Whatever view you may eventually adopt regarding the basic economic value of investments in commodities and the merits of related tax ramifications, we believe it is important to keep in mind, as stated in the Joint Committee's pamphlet describing the issues in this area, that: "The tax potential of certain transactions in commodity futures . . . has been recognized by the investment industry for decades."

For these "decades", it seemed to be well established that investment in commodity straddles could result in the deferred recognition of income and even the conversion of income to long-term capital gain. However, in 1977, evidently distressed by what it perceived as an accelerating expansion of knowledge regarding the tax potentialities of these investments to a universe of citizens larger than just the professional investment community, the I.R.S. decided to "crack down." In May of 1977, the I.R.S. issued a ruling (Rev. Rul. 77–185) declaring that losses generated from commodity straddles could not be deducted from income for tax purposes.

Rev. Rul. 77–185 is in our judgment seriously defective as a matter of legal reasoning. We have supplied extensive legal and economic analyses establishing this conclusion to the Finance Committee's staff and would be pleased to share them with your office, should you so desire. However, the fact that the government is now so actively seeking an elaborate legislative solution to a problem it declared to be clearly determined as a matter of present law in its 1977 ruling may be the best evidence of the weakness of the position taken therein.

Perhaps even more stunning in some respects than the issuance of the ruling by the I.R.S. is the fact that it was made retroactive to all open tax years. Despite what the Joint Committee has portrayed in its explanatory material as practices in the commodities' markets extending over a great many years, I.R.S. did not make the virtually unprecedented conclusion in its 1977 ruling applicable just to taxable years ending after the year of the ruling. As a result of this retroactivity and the aggressive enforcement posture adopted by I.R.S., a great many taxpayers now face serious disputes on this matter. These controversies in many instances will involve tax years preceding or perforce including the year of the ruling and will impact on taxpayers who have already closed their commodity transactions and recognized for tax purposes any gains inherent in their commodity straddle positions. It is assured that such a situation will generate acrimonious dispute between citizens and the I.R.S. and that a substantial portion of I.R.S.' enforcement capacity will be occupied by litigation on this issue.

Congress has in the past shown itself sensitive to the predicament of taxpayers who find themselves in this type of confrontation with I.R.S. For example, in connection with changes in the applicability of the investment tax credit for movie and television films enacted as part of the 1976 Tax Reform Act, Congress included special rules for prior taxable years specifically designed to avoid costly litigation with respect to the past. This express rationale would appear to be equally applicable to the structuring of any legislation relating to commodity straddles, and we urge that consideration be given to the question of past year transactions.

If you or your staff have any questions about the concerns raised by this letter, I would be pleased to make myself available to respond to them.

Sincerely,

LAWRENCE F. O'BRIEN, III.

MUCH, SHELIST, FREED, DENENBERG, AMENT, & EIGER, P.C.

July 15, 1981.

In Re: Senate bill 626/House bills 1293 and 1338 commodities straddles.

Hon. STEVEN D. SYMMS,
Senate Finance Committee,
Washington, D.C.

DEAR SENATOR SYMMS: I am opposed to the legislation now pending in Congress identified by the above bills.

First, as an attorney whose practice is concentrated in the area of taxation, I believe that all the pending bills depart from long-established tax theory and concepts, namely, income or loss is not realized and recognized until there is a "closed transaction". By "marking to market" on the last day of the taxpayer's year, tax may be due on unrealized income or unrealized loss may be deducted from income, when a "closed transaction" will not have taken place.

Second, much-needed capital would be diverted from futures markets. In fact, capital and liquidity deficiencies have been major problems for certain exchanges, such as the New York Futures Exchange which was opened more than a year ago as an adjunct to the New York Stock Exchange. These deficiencies endanger its continued operations. Other exchanges have closed because of capital deficiencies and liquidity, among other problems, i.e. the West Coast Commodity Exchange.

Third, market efficiency may be severely hampered, by lack of liquidity.

Fourth, to single out this industry, while not using similar proposed legislation to tax unrealized securities income from stocks, bonds, options, mutual funds, or other investments which also have an ascertainable value constitutes gross discrimination against one successful industry. Equal application of the law should be given to other similar industries and factual circumstances where margin accounts, open positions, short positions, selling short against the box, and other techniques are regularly used, and which do not result in gain or loss realization or recognition until there is a "closed transaction".

Fifth, curtailing the commodities industry will inevitably cause investors to seek other industries which now employ techniques for tax deferral in large dollar amounts, such as tax-free exchanges of like property in which millions or, perhaps, billions, of dollars of taxes are deferred.

My opposition is primarily the selection of one industry to change long standing tax theory while leaving other situations open to continued benefits where gross discrimination will result only against commodity futures transactions.

Very truly yours,

JOSEPH D. AMENT.

Hon. STEVEN D. SYMMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SYMMS: Although I am sure you're aware of the potential damaging impact of various legislative proposals aimed at curbing tax abuses related to commodity spread transactions, I am compelled to reiterate the extent of that impact.

The United States has the most efficient grain marketing system in the world—a system in which futures markets play a vital role. Enactment of current legislative proposals would literally destroy that system by removing from the futures markets any incentive for participation by speculative investors.

An essential element of any successful futures market is liquidity, much of which is provided by speculation. A liquid market allows commercial users to hedge with minimal costs. Prices accurately reflecting supply and demand are disseminated through a liquid market.

The market illiquidity that would result from a lack of speculative participation would destroy the legitimate economic functions of futures markets and therefore seriously jeopardize the agricultural marketing system of this country.

Various organizations, such as the American Farm Bureau Federation, the National Farmers Organization, and the American Soybean Association, have expressed grave concern about the detrimental effect to agriculture that legislative proposals presented by the Treasury, Senator Moynihan, and Congressmen Rosenthal and Brodhead would have. I add to those my own concerns and appeal to you to give careful consideration to this issue.

Yours sincerely,

PIERRE ROCHON,
President,
Drexel Burnham Lambert S.A. France.

ELMHURST, ILL., *July 17, 1981.*

Hon. STEVEN D. SYMMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SYMMS: In the attempt to close certain tax loopholes and present abuses in commodity straddles, the recent tax package passed by your committee, in my opinion, will have a most adverse and damaging effect on the commodity futures industry and is a prime example of overkill. The Treasury, in its quest for additional revenues, combined with certain members of your committee, have conceived a bill whose impact will have far reaching adverse effects on our export markets and the ability of the federal government to fund its financial needs.

Our grain industry is the most efficient producer of food that the world has ever known. Those acquainted with the economics of the agriculture industry realize the important part that the futures markets play. To disallow interest write-offs vs. ordinary income will simply reduce the farmers profit and will force the commercial cash grain industry to be the sole carriers of our largest export item. To force the market participants to mark-to-market, which incidentally is an unprecedented approach for taxation of unrealized profits, will simply reduce the liquidity of the commodity markets. It would appear that stocks, real estate or any other personal property could soon be subject to this form of taxation to which I am unalterably opposed.

It is my strong conviction that there were times in the past two years that the government would not have received competitive bids for the entire amount of bonds that they were auctioning on a given day without the futures market to absorb the hedge selling.

I think if you will take the time to understand the vital role the futures market plays in the grain and financial industry, you will see the economic cost of your bill will be far greater than any monies the Treasury may gain.

Sincerely,

JOHN R. KINSELLA.

JUNE 30, 1981.

Hon. STEVEN D. SYMMS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SYMMS: The one thing all Americans can agree on is that we need a strong and vigorous economic system. For 150 years the commodities futures markets have been an essential and integral part of our grain marketing and pricing system. These markets were established by the agricultural industry to provide orderly markets; prices which adequately reflected the actual situation of demand and supply; and, most importantly in a business which is constantly at the mercy of uncontrollable natural forces: protection against undue losses.

This protection the people in the agribusiness achieve through hedging their crops and inventories, transferring their risks to the professional speculators who thus become part of the agribusiness complex. Since large losses, as well as gains, may be incurred in any given year, the industry has used spreads in futures positions to help balance loss years with profit years and to help make tax costs commensurate with the large risks involved.

In the last few years, outside elements

have entered the futures markets in order to capitalize on tax laws which are foreign to their own business. There is no doubt that the use these elements have made of the tax laws governing bona fide hedging operations is a severe breach and misuse of the original intention of these laws. There is no economic justification for this abuse, and the whole agricultural complex, including the commodities futures industry, strongly supports efforts by the legislature to put a stop to such practices.

There is, however, grave concern that the legislators, in trying to smoke out the wasp nest, will burn down the whole house. The health and very life of a major part of our national economic system is involved in this issue, and extreme care must be taken that, while abuses are corrected, the industry is not crippled in the operation. It is not overstating the case to say that the health and vitality of the American agricultural system will be deeply affected by the final form of this legislation.

Sincerely yours,

ROBERT COLE,
Chicago Board of Trade Member.

BACHE HALSEY STUART SHIELDS INC.
Pittsburgh, Pa., July 1, 1981.

Hon. STEVEN D. SYMMS,
U.S. Senate, Washington, D.C.

DEAR SENATOR SYMMS: Although I'm sure you're aware of the potential damaging impact of various legislative proposals aimed at curbing tax abuses related to commodity spread transactions, I am compelled to reiterate the extent of that impact.

The United States has the most efficient grain marketing system in the world—a system in which futures markets play a vital role. Enactment of current legislative proposals would literally destroy that system by removing from the futures markets any incentive for participation by speculative investors.

An essential element of any successful futures market is liquidity, much of which is provided by speculation. A liquid market allows commercial users to hedge with minimal costs. Prices accurately reflecting supply and demand are disseminated through a liquid market.

The market illiquidity that would result from a lack of speculative participation would destroy the legitimate economic functions of futures markets and therefore seriously jeopardize the agricultural marketing system of this country.

Various organizations, such as the American Farm Bureau Federation, the National Farmers Organization, and the American Soybean Association, have expressed grave concern about the detrimental effect to agriculture that legislative proposals presented by the Treasury, Senator Moynihan, and Congressmen Rosenthal and Brodhead would have. I add to those my own concerns and appeal to you to give careful consideration to this issue.

Sincerely,

ROBERT N. HUTCHISON,
Vice President.

[Memorandum]

HOPKINS & SUTTER,
Chicago, Ill., July 23, 1981.

To: Thomas A. Davis.
From: Bradford L. Ferguson.

Alternative I would permit "cash and carry" interest and carrying charges to be deducted to the extent of interest earned by a commodity trader on funds held in customer accounts or on funds held for collateral or to meet other capital requirements of the commodity trading business.

Alternative II would permit "cash and carry" interest and carrying charges to be deducted by any taxpayer to the extent that taxpayer has included any interest in gross income.

Draft floor statements will follow:

On page 268, lines 14 and 15, strike out "with respect to the property described in subparagraph (A)".

Mr. SYMMS. Madam President, the United States has the most efficient grain marketing system in the world—a system in which futures markets play a vital role. Enactment of current legislative proposals will literally destroy that system by removing from the futures markets any incentive for participation by speculative investors.

An essential element of any successful futures market is liquidity, much of which is provided by speculation. A liquid market allows commercial users to hedge with minimal costs. Prices accurately reflecting supply and demand are disseminated through a liquid market.

LIQUIDITY

The success of any market, especially a futures market, is largely dependent on its liquidity. Simply defined, liquidity is the quantity of bids and offers flowing to a given market. It is axiomatic to markets that the more bids and offers competing with each other, the narrower the spread between them. Obviously, the narrower the spread between bid and offer, the more viable and efficient the market.

Conversely stated, an illiquid market is one where the spread between bid and offer is wide and where, as a result, there are large price gaps between sales.

It should be obvious that the more liquid a market is, the less impact a large buying or selling order will have on the price. This is of critical importance to commercial users of the markets. A commercial hedger cannot be certain of the prospective "basis" for his hedge unless he can with some degree of certainty be assured of the price level at which his order will be consummated. Similarly, a speculator must know that he can buy or sell a quantity within the futures market without adversely affecting the price structure, lest he injure his own position in the process. Thus, illiquid markets are generally shunned by both the commercial user and the speculator.

SOURCES OF LIQUIDITY

Bids and offers, the basis of liquidity, are the result of orders flowing to the market. This is true whether the orders come in written form over electronic equipment or whether they originate in the mind of the member standing on the floor of the exchange; this is true whether the orders are at a price certain—a price order—or whether they are to be executed at the going market price—a market order. In every case, orders are, in effect, the underlying source of bids or offers.

Broadly speaking, orders flowing to a futures market can be placed in two general categories: first, orders originating "off" the floor of an exchange, and second, orders originating from members "on" the floor of an exchange.

Analysis made at both the Chicago Board of Trade (CBOT) and at the Chicago Mercantile Exchange (CME)—which together represent about 75 percent of this Nation's futures business—indicate that between 40 percent and 60 percent of daily transactions originate on the floor of the exchanges. As a general rule, the more active the floor participation is, the more liquid the market. Thus, some of the less active exchanges have, as a percentage of their total volume, a much lower percentage of floor-originating daily transactions. In any discussion of liquidity, it is therefore imperative to understand the importance of "on-the-floor" order flow and the methodology which generates these transactions.

The primary source of on-the-exchange order flow comes from exchange members who act for their own account; a secondary source of on-the-exchange-order flow comes from "order-fillers"--brokers who are also capable of acting for their own account from time to time. Together, these exchange members. "locals," create and maintain a very significant proportion of the daily liquidity in any successful market.

TRADING TECHNIQUES

There are only a few basic techniques for trading futures markets, and they can all be used by participants whether they are "off" or "on" the floors of the exchanges. There is, in practice, a marked difference in the application of these techniques between the two categories, which will be explained.

These techniques are broadly defined in the following manner: "position traders," "scalpers"—market makers—and "spreaders."

A. "POSITION TRADERS"

These are market participants who take either a long or short—buy or sell—position in the market and intend to stay with the position for an undetermined length of time. Their theory is to stay with their position until either the market reaches their price level objective or the market moves adversely against them to a point that they feel they must liquidate the position. They may stay in positions for as little as 1 day or as long as several months. It is not time, but rather price level or market economics which dictates when they assume and when they liquidate positions.

Hedgers and commercial users are predominantly position traders. By definition, their futures position is linked to a nonfutures commercial transaction; therefore, they will maintain their futures position until their price-hedge need has been satisfied or until market economics dictate a different posture. Commercial traders are, generally speaking, off-the-floor participants.

Similarly, there are many speculators, both on and off the floor, who are position traders. Although in their case, their market decision is not based on a tangential commercial transaction—as with hedgers—they too will stay in a position until market conditions have changed considerably and as a consequence, their opinion has either been fulfilled or changed.

Position traders are a very important segment of futures market business. They provide the market with stability as their position account for a major

portion of the "open commitment" [1] of futures contracts. However, by definition, position traders do not often move in and out of the market; they are not, therefore, in the idividual sense, the principal source of continuous daily liquidity.

B. "SCALPERS"—SHORT TERM POSITION TRADERS

Unlike market-makers in securities, scalpers are under no obligation to make a market in futures; yet, that is exactly their function. Their motivation is profit. The scalper, in its purest sense, is a trader who always bids the market and simultaneously offers. His trading procedure is geared to make small profits on each transaction. Thus, he attempts to limit his risk—and at the same time his profit potential—on each transaction by his immediate willingness to offset an assumed position as soon as he profitably can. Similarly, he will attempt to immediately offset a losing position as quickly as he can. In other words, his methodology is primarily based on volume rather than on large profit potential of any given transaction.

There are many types of scalpers. Some operate along classical lines by buying and selling between the smallest increment allowed by contract specifications. Others attempt to profit by buying and selling between larger daily market gyrations. Most scalpers fall somewhere between these two methods or combine the two. In every case, however, the scalper attempts to flow with the immediate market movement: being among the first to sell as the market is falling, and the first to buy when the market is rising.

In most cases, the scalper liquidates his position as soon as the minor market movement has ended or as soon as he finds that his purchase or sale is in danger of turning into a loss. Thus, a scalper will institute and liquidate a small position many, many times during one day. Scalpers seldom leave the pit during trading. As a general rule, most scalpers will keep only a very small, if any, open position. Their methodology does not generally allow for the risk exposure assumed by an open position.

It will be clear that scalpers are predominantly "on-the-floor" participants. A nonmember could not possibly conduct this type of market trading. As an obvious consequence of this methodology, the scalper is a constant and continuous source of bids and offers. Daily liquidity is, therefore, to a large extent, dependent on such traders.

C. SPREADERS

The spreaders' method of futures market trading is to trade the differential [2] between 2 or more contract months in a given commodity. In other words, the spreader will buy a quantity, going long, of one contract of, say, soybeans, cattle or T-bills, and so forth, and simultaneously sell, going short, the same quantity of another month of the same commodity. Thus, his profit potential is not based on whether the price of the commodity will go up or down, as he is both long and short, but rather it depends upon the narrowing or widening of the differential between the contract months which comprise his position.

The professional local spreader is an artist. His aptitude, agility and ability to detect the slightest market shift is extraordinary. He is constantly active performing his transactions, moving as a buyer of 1 month to a seller of another, and immediately back again. In fact, many spreaders perform this activity among 3 or 4 contract months. The object is always to pick up even the smallest increment of profit in the shift of the differential. The spreader is alert to a new offer or bid in 1 given month which could be spread profitably into another month. He is quick to react to any sudden downdraft or updraft in the market so that he can "unwind" one side of his spread for that small moment of market movement and "hook it up" again as soon as the price movement has stopped.

The vast majority of spreaders apply this technique as a consequence of an accumulated spread position. That is to say, a spreader will usually have a theory, based on his analysis of market economics or dynamics, that a certain differential in a given commodity future will—over a period of time—narrow or widen. Thus, he accumulates a spread position commensurate with his opinion and may stay with it for an extended period of time. This spread position becomes his "inventory" upon which he applies his daily spread transactions.

Although often at the end of the trading session his "inventory" may not have changed very much during the course of the day, he has constantly traded the "spread" in question. In other words, during the course of each trading session, a spreader will be constantly offsetting and reinstating portions of his pre-established spread-inventory in an attempt to produce a daily profit as well as to better the overall position.

The techniques of daily spreading against a preestablished inventory is the principal difference between the off-the-floor spreaders and on-the-floor spreaders. Those off the floor rarely attempt this procedure; those on the floor almost always do. Thus, there is a significant difference between the two categories when calculating their respective contribution to liquidity.

The member-group is a much higher contributor to daily liquidity than the nonmember variety. Both categories combined, however, are an extremely important component in the open commitment of futures contracts and are, therefore, a major factor in providing "market thickness" and stability to the price structure. In fact, it is highly doubtful whether any futures market could function effectively without a large pool of participating spread traders, both from "on" as well as "off" the floor.

Spreading is also carried on, although to a lesser extent, on an "intermarket" basis. That is, traders also trade the differential between related commodities, for example, going long corn and short wheat, et cetera. The theory for this type of transaction is based almost entirely on economic analysis. Both commercial users and speculators make exhaustive studies of the price relationships among related commodities—sometimes of three or four different commodities—and then institute spread positions on the basis of their analysis or on the basis of the dictates of their commercial transactions. Again, such spreading contributes to market ability.

Spreaders are the crucial factor in providing bids and offers in forward contract months without which commercial hedging would come to a virtual standstill. It is a fundamental fact in futures markets that the largest transaction activity occurs in the nearby contract months of every commodity. That is, most speculative orders flow to those contract months that have only a few months of life remaining. As a general rule, the further out into time a futures contract month is located, the less the trading activity. As a consequence, forward contract months have much less liquidity than nearby contract months. Therefore, a potential commercial hedger, who often must place his hedge in a very distant contract month, would not be able to effectively do so were it not for spreaders.

Spreaders are virtually the only source of large quantities of bids and offers in forward contract months. As a group, they are the only ones a commercial hedger can depend on to provide bids or offers of sufficient size that can withstand the impact of the intended hedge transaction. The spreader does so as part of his market technique—buying or selling the forward month and simultaneously doing the reverse in the nearby contract month.

The spreader's motivation, of course, is to make a profit on the basis of the differential between the 2 contract months. The hedger is more than happy to offer the spreader a favorable price structure in order to provide the incentive for the spreader to act, for otherwise the hedge cannot be placed at all. There is no way to adequately explain the importance of the spreader in this function. It is a role which no one else can effectively assume and upon it depends the essence of futures markets as a risk transfer mechanism for the commercial world.

Spreading is of such importance to the viability of every market that it is one of the central considerations when designing a "pit"—trading arena. Whenever possible, trading centers are specifically designed to facilitate the spreaders' need to quickly move from the area of trading in one contract month to another. Thus, in most successful markets, the "pit" is essentially circular with a specific area of trading for each contract month at designated points around the circle. The spreader, by standing inside the pit, can therefore hear the bids and offers in all of the contract months and quickly move to buy and sell in two or more of them.

[1] "Open commitment" is the total of open longs and short positions in a given futures contract. This figure is published daily by every exchange.

[2] The differential is the difference between the price of one contract month of a futures market and that of another contract month of the same commodity or, in some cases, of a related commodity.

Spreading is such an important element in futures markets that an active market may have many spread transactions consummated by and between spreaders or spread orders. On any given day, spread traders or brokers with spread orders will execute their spread with another trader or another broker also with a spread order. In such cases, two spreaders are intent on making the exact opposite spread transaction; they each, quite obviously, have a different opinion as to which direction the spread differential is headed. As a matter of fact, there is so much spreading activity in futures markets that the foregoing is not a rare occurrence, rather it occurs often. Spreaders, just like position traders, have differing opinions about the differential.

As a result of the different application, theories, commercial needs and different opinions, there is almost always an active "spread-market" in every futures contract, whereby spreaders seek out their opposites by calling out the differential at which they are willing to do a spread. Indeed, it is customary procedure for a trader or broker to enter a "pit" and inquire what is the going spread to buy 1 given month and sell another or vice versa. If it is a successful market, there is always an available differential for either side of a spread.

There is an erroneous assumption among some unschooled market observers that spreading is virtually a "riskless" procedure. Nothing could be further from the truth. Naturally, spreads, as a market position, carry less risk than an open-ended long or short position. There is no question that as a general rule, when a market is going up or down, all the contract months will move in the same direction.

But the degree of movement is usually different for 1 futures contract month than it is for another. The differential between 2 or more contract months in any given commodity future is constantly changing. In the first place, the differential is consistently subject to different views and applications by market participants. More importantly, however, the differential is constantly affected by supply and demand statistics, prospective anticipations, cyclical considerations, interest rates, general U.S. and world economic conditions, a variety of government reports, technical market dynamics, as well as a host of other factors.

The contention that any spread position differential is "safe" is blatantly absurd as any simple analysis will show. Moreover, such an assumption would belie the fact that the spreading technique is a market procedure of large profit potential. In truth, futures-spreading is a very profitable technique for those market participants who have talent and degree of sophistication that it demands. Obviously, there has to be a considerable and constant change in differential in order for it to offer the profit potential that it does. It is axiomatic that where there is a potential for great reward there is also the danger of great risk.

Actually, there are probably more different theoretical views on spread differentials than there are on whether the market price will be going up or down. There are also a variety of market applications possible via the spread technique which are not as efficient through position trading. For instance, when a trader desires to accumulate a large outright long or short position in a forward month, he frequently cannot easily do so because of lack of liquidity there. In such a case, the trader can generally find another trader seeking to consummate a spread transaction—where 1 of the contract months of the spread is the one the first trader is interested in. In that case, the first trader will make the spread transaction and then gradually liquidate one end of his spread—by offsetting transactions—and end up with the outright long or short position he wanted in the first place.

Although a simultaneous buy and sell transaction is the technique used by the majority of spread traders, as heretofore described, this is not the only form of spreading. Spreading is also a function of a delayed and separate futures transaction. Sometimes a trader who has maintained a long or short position in a given contract month will subsequently establish the opposite position in another month of the same commodity, thereby creating a spread position. In such cases, his motivation is generally twofold; first, to reduce the market risk for his position—he does this by establishing the spread; second, to generate additional profit potential on the basis of the spread differential—obviously, he establishes the spread pursuant to his theory on the direction of the differential. Such delayed spreading techniques—sometimes referred to as straddles—are often also undertaken when the original position is at a loss and the trader does not yet wish to liquidate it.

In such cases the trader still believes that the original position will eventually prove profitable, but until a more favorable market trend develops, he wants to limit his exposure by assuming an opposite position on another contract month. His intention is, at some future date, to liquidate the secondary position, "leg," and reassume his original outright long or short market posture.

Often such delayed spreads are also motivated by tax considerations. For instance, if the original market position has accumulated a substantial profit and if the position has been in existence for several months, in the absence of tax considerations, the trader would liquidate it whenever he feels the market has reached the desired profit potential. However, because of tax considerations, it would behoove the trader instead to institute a spread by buying or selling an equivalent quantity of the same commodity in another contract month. Although the trader now exposes his accumulated profit to the risk of an adverse differential movement, he may thereby establish a long-term capital gain in the original position. In other words, the delayed spread allows the trader to stay with his position for the 6-month time period necessary, but at a reduced market risk.

As a matter of fact, the so-called tax spread is as often as not mistaken with a transaction which was not instituted in the first place because of tax considerations or implications. It simply is most difficult to differentiate one spread from another. As a point in fact, many spread positions, which were originally placed as part of a participant's normal market methodology, may later be motivated by tax considerations and utilized according to the dictates of prudent tax consequence.

In theory, a tax spread is a spread which is motivated solely by tax considerations. It is highly unlikely that in practice such is the usual case since in every situation the market participant will also want to place the spread in a manner that will afford him the potential for a profitable differential. The motivation of spread transactions are, therefore, necessarily coupled with profit considerations. Motivation aside, however, it must be understood that the so-called tax spread is placed in the market with the same rules and in accordance with the same procedural requirements as are all other spread transactions. Furthermore, tax spreads are subject to the same risks as are any other spread positions.

It is not the objective of this analysis to examine so-called tax spreading, but it must be noted that the previous example of a delayed spread motivated as a result of tax considerations is essentially no different than the motivations in many other fields of endeavor. Such similar business decisions legitimately occur in every walk of life and within virtually every form of commerce. Moreover, tax implications are always a critical element and integral consideration for every businessman, in every field, and with respect to every commercial venture or transaction.

There is an opinion held by some that the majority of spread transactions are tax motivated. Such an opinion is pure nonsense and evidence of a total lack of comprehension about the use of spreading as an important and integral futures market technique.

In short, spreading as a futures technique is as old as the markets themselves, and is probably the single largest contributing source of market liquidity, particularly in the forward months. Any diminution in the transaction volume generated by this methodology would have immediate and devastating effects on futures. Indeed, spread participants are the backbone of market liquidity, without which no viable futures market can exist.

Finally, it must be noted that most market participants utilize all of the different market techniques from time to time. That is to say that there is no exclusivity among the traders; scalpers sometimes act as position traders as well as spreaders; spreaders often take on outright positions and so on and so forth. The combination of all of the techniques by all of the participants is what results in transaction volume and liquidity.

SUMMARY

The success of a futures market is critically dependent on liquidity. Liquidity, the quantity of bids and offers flowing to

the market, is achieved by active participation of both commercial and speculative forces from both "off" and "on" the floors of the exchanges; the larger share of daily liquidity is, however, attributable to "locals."

Market methodology which generates liquidity can be broken down into three broad general categories: first, position traders; second, scalpers; and third, spreaders. Of the three categories, scalpers and spreaders are, by far, the most productive contributors of liquidity and of them, spreaders are the most important.

Not only does spreading effectively produce a flow of constant daily bids and offers, but also spreading is virtually the only mechanism which enables commercial participants to place forward hedges in distant contract months.

Any disruption in the technique or motivation of spreading would have an immediate and devastating impact on the use of futures markets as a risk-transfer mechanism for the commercial world.

It is my concerted opinion that the "mark-to-market" approach will significantly disrupt the flow of normal transactions in the futures markets.

Madam President, I would say in closing that I hope that my worst fears will never be realized. I hope that in the course of the next few weeks many Members of the Senate will have an opportunity to study this issue and that some agreement can be worked out so that the language that was adopted by the House Ways and Means Committee will be passed into law.

It is my understanding that that language that passed the Ways and Means Committee had a majority of votes from both the Democrats and the Republicans on the committee. I think their approach closes the tax loophole and does not seriously jeopardize the markets.

Madam President, I would be very concerned that if the Senate language, title 5 of Senate Joint Resolution 266, passes and is signed into law by the President, we stand the risk of having the major grain market in the world be Winnipeg, the major metal market in the world be London, and possibly the major timber market, instead of being Chicago, being in Winnepeg or Hong Kong.

It seems to me that if we are trying to generate economic growth in our economy we should not be passing legislation which has not been carefully studied and on which there are not any economic impact studies.

If the mark-to-market principle were applied to any other item, whether it be a home, a stock, a bond, a farm, a piece of real estate, the mark-to-market concept would be absolutely in the worst interest of this country.

I believe we have to have equity in our tax system, but title 5 of House Joint Resolution 266 does not address this issue.

The real problem is mark-to-market taxes unrealized gains. It is extremely bad tax policy. It sets a precedent that could have a very negative impact on the future of our tax code.

Madam President, I thank the distinguished chairman of the Committee on Foreign Relations for yielding time to me. I thank the distinguished chairman of the Committee on Finance and the majority leader for making the time available for us to voice our concern on this very important issue.

Madam President, I yield back my time.

Mr. PERCY. Madam President, I thank my distinguished colleague very much indeed for an invaluable contribution. I am happy to yield to my distinguished colleague from Illinois.

Mr. DIXON. Madam President, I thank my good friend, the distinguished senior Senator from Illinois, for his efforts on behalf of this question; and my colleague, the distinguished Senator from Idaho, for the remarks he has just made, which I heartily endorse.

Again, I thank the senior Senator from New York for his accommodation in respect to the transitional amendment which is now included in this bill.

Madam President, I want to make clear once again the position of this Senator and his colleague from Illinois and others who join us that the provision adopted by the House Ways and Means Committee concerning this subject matter is entirely more acceptable to us than what is being done in title V, even with the adoption of this transitional amendment, in the Senate.

The colloquy that we are engaged in here, I hope, will make a record for our colleagues in the conference to indicate the views on this matter of many of us on both sides of the aisle, including my distinguished friend, whom I now see on the floor, the ranking member of the Committee on Agriculture, the Senator from Louisiana (Mr. LONG).

First, may I say, Madam President, that we all ought to understand that the bill we have been discussing for some days is a tax relief bill, a bill to reduce taxes for the average citizen in this country, a bill to reduce taxes for the average businessman, a bill that will give benefits to large and small business alike in America, save for one section of the bill, title V, the subject matter we discuss here. That section and that section alone is a part of this bill which increases taxes, increases taxes for one lone sector of the American economy.

Madam President, I ask, why do we do that without adequate hearings? I was delighted to hear my colleague, the Senator from Idaho, suggest the problem we face when we enter so hastily into placing a tax on unrealized income. I wonder how many of my colleagues here really know and understand that that is what we are doing in title V of this bill. We are saying for the future that we are creating another method of taxation, a new method of taxation by taxing unrealized capital gains income. I suggest that that holds certain dangers for a great many important business interests in America.

Madam President, I suggest again, what is our hurry in doing this without sufficient hearings? Some might say it was so much the sense of the Senate that we ought to do it. I say that that is not so, because there were three other votes on this question that have been taken on prior occasions in this session of the Senate.

I invite the attention of my colleagues to Senate vote No. 64 of April 1, 1981, when this very same question came before the Senate. A rollcall was taken and an attempt to adopt this tax was rejected. Fifteen Democrats, 33 percent of this side, voted yes. But 31 Democrats, 67 of us, voted no, and 51 Republicans, or 100 percent of that side, voted no.

But that was not the last time the question came before the Senate. The question came to us again, and I invite my colleagues' attention to Senate vote No. 103 on May 12 of this year, not too long ago. A rollcall was taken on this question, and this tax was again rejected, the Democrats, 29 percent voting yes, the yeas being 32; the Republicans, three voting yes, or 6 percent, the nays being 62.

It was rejected a third time on May 12 in Senate vote 105, again rejected by a majority vote of the Senate.

Madam President, my distinguished friend and colleague, the Senator from Oklahoma (Mr. BOREN), is a member of the Committee on Finance. I have here a statement that he has asked to have printed in the RECORD. I should like to quote from this statement by my distinguished colleague from Oklahoma, who voted for title V in committee:

> Although the "mark to market" approach for taxing futures contracts represents a change that will accomplish an end to tax abuse in the commodities markets, there may be other methods also available to us; for example, another such measure may be contained in the House tax bill.

Madam President, I say very briefly before I close that there are other questions raised by the committee proposal. Bank forward contracts, which are speculative trading devices used by banks in the city of Chicago and other places, are economically identical to regulated futures contracts and are currently taxed in an identical manner. However, as this bill now stands, those transactions, although exactly the same, will be treated differently under the law in the future.

Madam President, I wish to close, if I may, by reading very briefly from a letter from Mr. Hendrik S. Houthakker, Henry Lee Professor of Economics at Harvard University:

> . . . The futures markets do perform vital services, especially the transfer of risk. Speculators, on balance, take on the price risks incurred by the holders of inventories, and by exporters and others who have made forward sales of their products. Since prices on commodity and financial markets are inherently volatile, these risks are large. Insurance companies also take on risks, but they count on the law of averages to limit their exposure; the futures markets obey that law at best in the very long run, in which most risk-takers would be bankrupt.
>
> Risk-bearing can be profitable, but it is discouraged by the Tax Code with its basic principle of "heads I win, tails you lose".
>
> • • • • •
>
> Contrary to what we are now told, it is not among the larger loopholes.

I repeat: it is not among the larger loopholes—

> One need only think about the "underground economy", in which tax losses could

easily exceed one hundred billion per year to put things into perspective. Just to focus on those created by legislation there is the agricultural loophole through which oil men, movie stars, and the like are permitted to masquerade as livestock breeders, incidentally, offering tax subsidized competition to genuine farmers. In the real estate or the oil drilling industries, one tax gimmick is piled on top of another. Each of these loopholes costs much more revenue than the straddle loophole, which has the merit of increasing the supply of risk capital.

Congress created these loopholes either intentionally by giving in to pressure groups or unintentionally by sloppy drafting. . . .

• • • • •

The Finance Committee bill goes farthest in changing the tax treatment of straddles; it would impose "marking-to-market", an accounting method without precedent in the Tax Code which would tax gains before they are realized, while replacing long-term capital gains treatment by a blend of long-term and short-term rates. Its effect on the commodity markets could be devastating because risk capital would be diverted into areas where taxes on gains are paid only after realization and where long-term gains continue to be available.

I appreciate the sincerity of my colleagues who are involved in this subject and the good work they do here. I suggest that it is a complicated field, and that it is a field that requires the additional attention of Congress. If we must act, the approach taken by the House Ways and Means Committee is by far the preferable approach.

I thank the distinguished Senator from New York for the transition amendment. However, I believe a better approach must be found in the conference committee, by the work of that committee.

● Mr. BOREN. Madam President, as a member of the Finance Committee, I was pleased to support Senator MOYNIHAN's proposal to clean up tax abuses which have taken place using the Nation's commodity markets; I particularly commend the chairman and the staff for the excellent work they have done in coming up with a solution to a most technical series of problems. I intend to support title V for final passage.

I do, however, want to clarify my feelings with respect to the "mark-to-market" proposal, both as a member of the Finance Committee and as a member of the Agricultural, Nutrition, and Forestry Committee, which oversees the commodity industry and the Commodity Futures Trading Commission.

Although the "mark-to-market" approach for taxing futures contracts represents a change that will accomplish an end to tax abuse in the commodities markets, there may be other methods also available to us; for example, another such measure may be contained in the House tax bill.

Madam President, the point that I wish to make is that while I supported, and continue to support, the Senate Finance Committee provisions with respect to commodity straddles, I might also support other measures accomplishing much of the same purpose. In such a complex area as we are dealing with here, I hope that my colleagues, conferees on the bill, if and when it reaches conference, will lend their best efforts toward finding the best possible solution to effect an end to the current abuse of the straddle mechanism to avoid the payment of taxes.

The Nation's commodity markets are extremely important to the farmers and ranchers of Oklahoma, and the goal of our efforts to reach tax abuse in the markets should not have the ultimate effect of drying up market liquidity and thereby damaging legitimate hedging and price-discovery mechanisms of the marketplace.●

Mr. PERCY. Madam President, I express appreciation to my distinguished colleague and join him in the expressions of hope that he has evidenced.

Also, I appreciate the cooperation, support, and help of Senator DOLE, Senator MOYNIHAN, and Senator LONG.

Madam President, 60 minutes have been reserved for this colloquy. I know of no other Senator, of the 10 Senators scheduled to speak, who intends to speak. Therefore, I yield back the remainder of our time.

Mr. JEPSEN. Madam President, I rise in opposition to title 5 of the Economic Recovery Tax Act of 1981, which deals with commodity tax straddles undertaken for purposes of income tax avoidance. I want to state clearly at the outset that I totally support the intention of title 5. I take issue only with the specific approach the Senate Finance Committee has chosen to adopt. The arguments against it are compelling.

First, despite the exemption from the provision's terms accorded farmers, grain elevator operators, and other members of the agricultural community, these groups are not protected. Title 5 appears to ignore the dynamics of commodity markets. It is simply not enough to exempt hedgers because they represent only one factor in the complex workings of the market. The fact of the matter is that a hedge contract to deliver corn next March, or hogs next April, or an interest rate in December, at a price fixed today, cannot be sold unless someone will buy it. That someone may be a feedlot operator, a meatpacker or a building contractor, who is hedging too; but it may also be a person willing to assume an unhedged position because he or she feels the price will rise rather than fall. Title 5 penalizes such a person and I believe that penalty will have a serious impact on farmers and their storage facility operators.

Why? In a word, because it may seriously decrease liquidity in the affected markets. At best, the result will be to increase the costs of hedging. At worst, farmers and grain elevator operators will be subjected to price manipulation by large buyers. The latter is not just rhetorical speculation; it is a concrete possibility. If the traders, who assume risks, are driven out of the market by this legislation, we have to ask ourselves a simple question: Who remains? The answer is other hedgers. What happens if they do not want to buy when farmers want to sell? What happens if a few large buyers control the market in a given commodity? What happens if the market effectively disappears?

I think it is important that we think about these possibilities as we consider title 5. For 3.4 million American farmers and 20 million American workers in related industries, they are very important ones.

The American farmer works 16 hours a day, 365 days a year, in a particularly risky business enterprise. Many of the factors which determine whether that effort pays off or not lie beyond the farmer's control: weather, political embargoes, and interest rates.

Furthermore, these uncontrollables are unique to the farmer. The only way he or she can minimize the risk is through hedging. Title 5 threatens to take that insurance away. I am worried that the drafters of the legislation may get more than they bargained for. I am worried that the American farmer will suffer.

The second argument against the provision, as drafted, is that it sets a dangerous and unparalleled precedent. The mark-to-market approach is intended to make tax avoiders pay taxes. I find it difficult to believe that such a result is anything more than idle fantasy. The tax avoiders are going to do exactly what they have done every other time Congress has closed a loophole. They are going to find another one.

No positive result will come of it but a very negative one will. For the first time in the history of this country, we will be taxing unrealized or paper gains. If 1 day after the tax year a previously profitable contract drops dramatically in price, requiring additional margin payments, and the holder sells, he will have effectively paid tax on a concrete loss. It is that simple.

If Congress accepts the taxation of paper profits in commodity markets, how long will it be before that approach is extended to stocks? How long before gold, housing, cattle and who knows what is included? We shouldn't start down this road. Period.

Does the Finance Committee want to stop tax avoidance through commodity straddle schemes? Then, they should provide us with a substitute. Perhaps they can devise legislation which allows commodity losses to be used only against like gains. Such action would protect American agriculture and fulfill the basic intention of the present bill. It sounds like a pretty good solution to me. I urge my colleagues to reconsider title 5.

Mr. DOLE. Madam President, I understand a couple of Senators are on the way to the floor—Senator QUAYLE and Senator BRADLEY—and they have an amendment that might be acceptable. Senator KENNEDY has an amendment which he will offer by 8 o'clock, and it may not be acceptable.

I hope there are other Senators who may be listening. We still have a number of amendments that were listed in last night's agreement. If Senators are listening in their offices, I wish they would come to the floor and dispose of those amendments. This would be an excellent time.

In addition, there are probably a half dozen or so Senators interested in some form of day-care amendments. I understand that their staffs have been meeting, and we hope we might be able to work out something to accommodate six or eight of those amendments.

I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. BOSCHWITZ). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, according to comments I have heard around the Capitol in the last 30 minutes or so, some people may have misconstrued the remark I made earlier on the floor to the effect that we apparently are making good progress in disposing of amendments and that perhaps we could recess earlier than the 11 or 12 o'clock I announced earlier.

I still hope for that. I should like to improve on that time a little.

I have heard the rumor that there will not be any more votes tonight. There most assuredly will be votes tonight. It is my hope that we will have two, three, or four amendments tonight.

I certainly counsel Senators not to assume that there will be no more votes tonight. I assure them that there will be.

Mr. President, I hope the Senator from Kansas may be in a position to call up another amendment or to call another Senator on the list to do that at this time.

Mr. DOLE. Mr. President, if the distinguished majority leader will yield, I understand Senator ROTH is on his way to bring up an amendment or at least to discuss an amendment.

There are other Senators coming in from different areas and maybe they will all arrive.

I expect at least disposition of three or four amendments and probably a couple of rollcalls and perhaps one major amendment that, as I said earlier, will take care of five, six, or seven amendments on that list.

Mr. BAKER. All right.

Mr. President, I suppose there is no alternative really then except to suggest the absence of a quorum which I shall do in a moment.

May I point out that every time we do that the time on the quorum is charged against something, either a pending amendment or against the 6 hours allocated for general debate on the joint resolution. So it is not a free ride. And if no Senator has an amendment at this time or any statement to make I am prepared to make the suggestion.

Mr. DOLE. Mr. President, I might ask the distinguished Senator from Louisiana. The Senator from Kansas has the fiscal responsibility amendment. I am not certain that this will be the appropriate time, but I guess it is as good as any to offer that.

Mr. LONG. By all means.

I suggest the Senator include me on this as a cosponsor.

Mr. DOLE. I am pleased if the Senator will join me.

Mr. President, I so ask unanimous consent that the distinguished Senator from Louisiana (Mr. LONG) be added as a cosponsor on this proposed amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. So I shall send the amendment to the desk but first I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 274

(Purpose: To express the sense of the Senate relative to limitation of revenue losses)

Mr. DOLE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) for himself, Mr. LONG, and Mr. DOMENICI, proposes an unprinted amendment numbered 274.

Mr. DOLE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the committee amendment, add the following new section:

SEC. . It is the sense of the Senate that the conferees on the part of the Senate shall limit the revenue loss from this bill for the fiscal year 1981 to $1,500,000,000, for the fiscal year 1982 to $38,300,000,000, for the fiscal year 1983 to $91,800,000,000, and for the fiscal year 1984 to $150,000,000,000.

Mr. DOLE. Mr. President, I shall read this amendment very quickly:

It is the sense of the Senate that the conferees on the part of the Senate shall limit the revenue loss from this bill for the fiscal year 1981 to $1,500,000,000, for the fiscal year 1982 to $38,300,000,000, for the fiscal year 1983 to $91,800,000,000, and for the fiscal year 1984 to $150,000,000,000.

Mr. President, I might say this is at the suggestion of my friend, the distinguished Senator from Louisiana (Mr. LONG) to indicate to all those in the Chamber who have all these meritorious, but costly, amendments that, in the final analysis, the conferees expect to come back to this body with a conference report that is within the numbers outlined in that amendment.

I think most Senators hope that we will do that. In fact, I guess that every Senator hopes that we might accomplish that goal, and I also suggest that if we leave to go to conference with numbers in excess of the numbers just read, then I assume everyone will understand that his particular amendment will be subject to close scrutiny and maybe some reduction.

Of course, in a conference itself many matters will be negotiated with the House of Representatives that may have different ideas on what is meritorious and what may not be meritorious.

It is a serious amendment. It is offered in the hope to dispel any doubts that we are not going to violate the numbers that the administration presented to our committee or to cause any anguish to the Senate Budget Committee, its chairman and its ranking minority member, Senator DOMENICI and Senator HOLLINGS.

I hope that maybe we might have a vote on this amendment at 8 p.m.

I ask the Senator from Louisiana if that is how he understands the amendment?

He has used this type of amendment in the past and it has been very effective.

Mr. LONG. Mr. President, I support the amendment. This is an effort to assure Congress and the Senate, in particular, that if the amendments that we have in here exceed what the budget totals expect for this joint resolution we will simply have to stay within that in conference, and we expect to. We have done this before.

Mr. DOLE. That is right.

Mr. LONG. We have in good faith stayed within the expectations submitted, and we expect to do so on this occasion.

I support the Senator from Kansas.

Mr. DOLE. I yield back the remainder of my time.

Mr. LONG. Mr. President, I yield back my time.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, it appears that a number of Senators are away from the Chamber at this time, and it might suit the convenience of Members if we were to set this vote on this amendment at 8 p.m.

Mr. President, I ask unanimous consent that the vote on this amendment occur at 8 p.m., and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Without objection, the vote will occur at 8 p.m.

Mr. BAKER. I thank the Chair.

Mr. President, will it be possible for the Senator from Kansas or the Senator from Louisiana to arrange for another amendment?

The Senate has now a voracious appetite for amendments.

Mr. MELCHER. Mr. President, will the Senator yield?

Mr. BAKER. I am happy to yield.

Mr. MELCHER. I thank the distinguished minority leader.

Mr. President, I wish to enter into a colloquy with the distinguished chairman of the Finance Committee if it is possible.

Mr. DOLE. Yes.

Mr. MELCHER. Mr. President, I have an amendment on the computed interest rates that is cosponsored by Senator EXON, Senator JEPSEN, and Senator BOSCHWITZ, which we are prepared to offer at this time.

It is my understanding that the distinguished chairman of the Finance Committee wishes to discuss this matter with the Treasury Department yet again tomorrow morning. If that is indeed the case, could we set a time for bringing up the amendment tomorrow morning so that we could be prepared to do so?

Mr. DOLE. Mr. President, I thank the distinguished Senator for yielding. I also thank him for his patience.

The Senator from Kansas was trying to negotiate with the Treasury today. Unfortunately most of those with authority to negotiate were not available

because they are working on the tax bill reported by the Ways and Means Committee. I hope to discuss this issue tomorrow morning with Secretary Regan and be in a position hopefully to do business with the Senator either tomorrow morning or early afternoon.

Mr. MELCHER. I thank the distinguished chairman for his comments and I appreciate that very much. We will be prepared to act accordingly at noon or shortly after noon.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask that we temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURENBURGER addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

UP AMENDMENT NO. 275

(Purpose: Relating to the Foundation Payout Rule)

Mr. DURENBERGER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Minnesota (Mr. DURENBERGER), for himself, Mr. MOYNIHAN, Mr. PACKWOOD, and Mr. BRADLEY, proposes an unprinted amendment numbered 275.

Mr. DURENBERGER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the resolution insert the following new section:

PRIVATE FOUNDATION DISTRIBUTIONS

(a) GENERAL RULE.—

(1) Paragraph (1) of section 4942(d) of the Internal Revenue Code of 1954 (defining distributable amount) is amended by striking "or the adjusted net income (whichever is higher)".

(2) Paragraph (3)(A) of section 4942(j) of the Internal Revenue Code of 1954 is amended to read as follows:

"(A) which makes qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated—

"(i) equal to substantially all of its adjusted net income (as defined in subsection (f)), or

"(ii) if that amount exceeds substantially all of its minimum investment return (as defined in subsection (e)), equal to substantially all of its minimum investment return, and if its actual qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) exceed its minimum investment return, substantially all of such qualifying distributions (within the meaning of paragraph (1) or (2) of subsection (g)) are made directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated; and".

(b) EFFECTIVE DATE.—The amendment made by subsection (a)(1) shall apply to the determination of a private foundation's distributable amount for taxable years beginning after December 31, 1980. The amendment made by subsection (a)(2) shall apply to the determination of a foundation's status as an operating foundation for taxable years beginning after December 31, 1980.

Mr. DURENBERGER. Mr. President, the Foundation Payout Rule of the present tax law has reduced the ability of our independent foundations to continue their important charitable work. Today, we are offering an amendment that would eliminate the provision that has caused this problem. This amendment would produce minimal revenue loss, if any. The amendment's passage is essential if foundations are to continue as a vital part of American philanthropy and to expand their role in providing innovative and sensitive options to delivery of services by the Government.

THE 1969 FOUNDATION LEGISLATION

In 1969, Congress enacted a comprehensive set of requirements to insure that foundations are operated in the public interest. Unfortunately, as a result of dramatic and unforeseen changes in economic conditions in the years since 1969, one aspect of the 1969 legislation seriously threatens the capability of foundations to expand their role in encouraging alternative delivery systems. Because of the substantial decline since the early seventies in both the real value of foundation assets and the birth rate of new foundations, we simply cannot afford to ignore this problem.

Under present law, foundations must distribute their entire realized income, or an amount equal to 5 percent of their investment assets—whichever is greater. This payout requirement was intended to ensure that every foundation would make reasonable current distributions in support of charitable activities.

However, the payout rule was enacted at a time when double-digit inflation was unimaginable and all prior experience suggested that foundations' current income would fall well below the required percentage. Consequently, as the legislative history makes entirely clear, Congress' primary focus was on fixing the percentage distribution requirement—not in the income payout requirement.

With the sharp rise in both inflation and interest rates since 1969, the impact of the payout rule has changed dramatically. By investing in certificates of deposit and other secure debt instruments, foundations can now earn current incomes far in excess of 5 percent. However, while every other class of charitable institution can use these high current yields to help offset the effects of inflation, foundations cannot.

Instead, a foundation seeking to preserve its grantmaking capability must shift to far more risky equity investments. Thus, by virtue of the present payout requirement foundations enter the fight against inflation handicapped by an artificial—and wholly unintended—investment constraint.

THE SOLUTION

To remove this handicap, the amendment we are offering would eliminate the requirement that foundations distribute any excess of their realized income over 5 percent of their asset value. Foundations would continue to be required to distribute at least 5 percent of the value of their investment assets. This 5-percent payout requirement reflects a somewhat high projection of the real rate of return on foundation investments, and insures that foundations will continue to make substantial current distributions to charity.

Most important, this amendment reflects the importance of preserving and expanding the ability of foundations to respond to human needs. It will give foundations the same flexibility in working to preserve their charitable purchasing power as is currently available to all other charitable organizations. After a short transition period this amendment will produce a substantial and permanent increase in the level of foundation support for charity, and thus help to offset public spending cuts.

FOUNDATION ACCOUNTABILITY

Mr. President, during hearings earlier this year by the Finance Committee's Subcommittee on Taxation and Debt Management, testimony was given that indicated some foundations were not responsive to public inquiries for information on grantmaking and other operational issues. I believe it is imperative that such information be easily accessible to the public in a timely manner and so will be following up on this issue in the Finance Committee.

In the interim, though, the service has the authority to require additional information from foundations on Form 990–PF, copies of which are available to the public. My distinguished colleague from Hawaii, Senator MATSUNAGA, will be discussing the additional information we believe should be required.

SUPPORT FOR THIS AMENDMENT

The Subcommittee of the Finance Committee on Taxation and Debt Management held hearings earlier this year on this proposal. The amendment is strongly supported by the United Way of America, the National Conference of Catholic Charities, the United Negro College Fund, the American Cancer Society, and Independent Sector, the national philanthropic coalition including close to 300 member organizations such as those four charities, the American Red Cross, the National Health Council, the national representative groups for a broad spectrum of church and other religious organizations, colleges, universities, and many others.

CONCLUSION

This tax bill provides incentives for increased productivity. We are permitting individuals and small businesses to retain more of what they make and are increasing the pool of capital needed to create more jobs and build new plants. We have adopted an important amendment for increased giving to charities by those who do not itemize their deductions. This will expand the productivity

of the voluntary sector—their ability to meet the diversity of needs and to provide additional consumer choice in social services.

Our amendment will encourage improved productivity by foundations in providing alternative delivery systems. Throughout this century the thousands of American foundations, large and small, have enriched the lives of all Americans.

Again and again, foundation grants have played a key role in supporting dramatic breakthrough in medicine and in other fields of scientific research; in improving our colleges and universities and other important public institutions; and in responding to basic human needs.

I urge my colleagues to give their support to this amendment to permit foundations to continue their unique role in the delivery of social services.

Mr. President, I yield at this time to the chief cosponsor of this amendment, the senior Senator from New York.

Mr. MOYNIHAN. Mr. President, I rise to join my distinguished colleague from Minnesota in this matter. It is one which has concerned him and concerned others of us for some years as we once again run into the unanticipated consequences of seemingly small changes in the tax code.

Congress enacted the payout rule in 1969. It has been the wholly unexpected and ironic result that, although the law was intended to provide more money for charities and universities, it has had the opposite effect. There is less money, not more money, going to these institutions.

Measured in constant dollars, foundations distributed in 1969 $1.6 billion in grants; in 1979, they distributed only $1.1 billion. There has been a period of steady decline.

Mr. Russell Mawby, the president of the W. W. Kellogg Foundation, told the Senate Finance Committee during hearings which the Senator from Minnesota chaired:

> What is at stake is not the continued existence of any particular foundation, but rather the continued ability of foundations as a whole to support important charitable works.

We heard testimony from representatives of the United Way, the United Negro College Fund, the Girl Scouts, and the National Conference of Catholic Charities. We heard subsequently from the independent sector, an umbrella organization of charitable groups ranging from the Audubon Society to the Salvation Army. They spoke to us in the most urgent terms about this matter.

It took some distress to bring these groups together. It would be a very, very unhappy event if a not well-thought-out law should begin to erode the role of institutions that have been here before our Government and absent which our Government would be a different and less attractive set of arrangements.

Mr. President, I hope that the Senate will support this amendment. I know that my friend, Senator DURENBERGER, has won his side of the aisle in the enterprise and I believe we have won ours, it being a wholly nonpartisan matter.

I see the Senator from Hawaii has arisen. He has been indefatigable in this matter. I yield at this time to him.

Mr. MATSUNAGA. I thank the Senator from New York for yielding. I commend him and the Senator from Minnesota (Mr. DURENBERGER) for the great effort they have exerted in this regard.

Mr. President, I would like to address a matter concerning private foundation requirements under the Tax Code. On March 30, 1981, the Finance Subcommittee on Taxation held hearings on S. 464. That bill chiefly seeks to correct the minimum distribution requirement for foundations. At a time when the Federal Government is slashing social programs and the business community is overwhelmed by aid request from social agencies, the private philanthropic sector must provide increasing support for social services.

I ask unanimous consent, Mr. President, to have printed in the RECORD following my remarks a brief article from the Wall Street Journal on this specific point.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. MATSUNAGA. Private foundation grants are crucial for many social agencies, and the mandatory payout rule first enacted in the 1969 Tax Reform Act insures that their tax-exempt status actually advances their stated charitable objectives. The rule establishes minimum levels of financial support expected of foundations to warrant their tax-exempt status. The payout rule requires private foundations to distribute their net income or an amount equal to 5 percent of their asset value, whichever amount is greater, toward their tax-exempt purpose. For operating foundations, the required payout is smaller—net income or 3½ percent of net assets whichever is greater. The needs of social agencies must be considered with these foundations' own stated charitable objectives, before we change the mandatory payout requirements. Moreover, the adverse effect of the payout rule is open to question. Although foundation assets in constant dollar terms have declined from $18.6 billion in 1965 to $16.7 billion in 1979, this amount has remained unchanged since 1965. The dollar amount has actually risen to $38.4 billion in 1979.

I agree with Senator DURENBERGER that some remedial action should be taken and I support his amendment, although I wish time allowed more scrutiny of the problem created by the payout rule.

In addition, at the hearings, on S. 464, the National Committee for Responsive Philanthropy raised some concerns with the public responsiveness of foundations. Robert O. Bothwell, executive director of the committee stated:

> A recent study by the National Committee for Responsive Philanthropy documented that many foundations remain aloof and isolated from the public. Thirty percent of the country's largest foundations refused to provide any information about their grantmaking, finances and operations even after repeated requests, and another thirty percent provided only minimal information. Thirteen (all with assets exceeding $25 million) had unlisted phone numbers. And according to the Council of Foundations, less than 500 of the country's 21,000 foundations voluntarily publish annual reports.

Now these foundations to obtain their Federal tax exemption must be organized for and operated pursuant to their tax-exempt purpose. The Congress in the past has opened these foundations to public scrutiny. The Congress authorized the Internal Revenue Service to obtain pertinent information from the organizations to determine whether they were being managed pursuant to their charitable objectives and also to make available this information to the general public. In this way, a knowledgeable public could determine whether to support these organizations.

With this established congressional policy in mind, I fail to understand the reluctance on the part of many foundations to respond to individuals who inquire about the foundations' programs and grants. Self-promotion should move these foundations to respond to inquiries and publicize their philanthropic activities. I am deeply concerned over foundation secrecy. This secrecy keeps the public ignorant of foundation activities and prevents the community from learning of the charitable assistance made available by these organizations.

At the least, a foundation should make public:

First. Its name, address, and phone numbers.

Second. Its trustees, officers, and key staff members.

Third. Its recent grants, including recipients' name, amounts, and purpose of grants.

Fourth. Its total grants awarded for the year.

Fifth. Its area of grant activity and its general guidelines in awarding financial assistance.

Sixth. Its grant application procedure, deadlines, and contact person.

The first four items are now required on informational tax forms established by the Internal Revenue Service. The Service at one time also required information on the last two items as to grant program areas, selection guidelines, and procedure. The Service viewed this latter information as necessary to determine whether the foundation had been organized for a tax-exempt purpose.

Subsequently, when the Service began to obtain such information from initial application for tax-exempt status, it dropped the requirement for this data on its annual informational return. However, the Tax Code requires not only that a foundation must be organized for an exempt purpose, but also that the foundation must be operated exclusively for their stated tax-exempt purpose.

To make this determination, the Service must obtain information as to foundation's grant guidelines, selection process, and application procedure. The statute authorizes the Service to require such information and the Service at one time did obtain such information. That information remains essential for the Service to administer the Code requirement and to inform the public as Congress directed.

The statutory requirement is plain. The Internal Revenue Service in implementing the statute, should obtain information as to the foundation's grant

guidelines, application process, and selection process.

If the Service does not on its own initiative reinstitute these questions on its informational return, I will join Senator DURENBURGER in obtaining remedial legislation to enforce the public information policy established by the Congress in 1969.

EXHIBIT 1

[From the Wall Street Journal, June 11, 1981]

IN NEED OF CHARITY: NONPROFIT GROUPS SCRAMBLE FOR PRIVATE DONATIONS TO REPLACE FEDERAL MONEY REAGAN WANTS TO CUT

(By Brooks Jackson)

TURKEY RUN FARM, VA.—The federal government used to budget $200,000 a year to operate this working replica of a Colonial subsistence farm, where workers in 18th Century costumes toil to raise tobacco and razorback hogs. Currently, the place is brought to you in part by a grant from Mobil Corp.

Because of budget constraints, the National Park Service last March briefly closed the 120-acre farm, located on a former landfill site just behind Central Intelligence Agency headquarters a few miles up the Potomac from Washington. But the farm is so popular locally, especially for gradeschool field trips, that local citizens quickly raised $30,000, including $2,000 from Mobil, to keep it open.

The money ran out Sunday, but the farm can keep going for now thanks to a little more fund-raising help from the newly formed Friends of Turkey Run Farm. The group has incorporated itself, obtained tax-exempt status and signed a 25-year lease with the Park Service, which is part of the Interior Department. As of this week, the farm's workers aren't government employes; they will be paid by the farm's friends.

But even though the farm's staff has been cut to five from eight, there is only enough money to meet payrolls through June. Current fund-raising efforts figure to bring in enough to keep going through August. The friends figure that they will need $120,000 a year to keep the stripped-down operation going.

MANY PLEAS FOR FUNDS

Turkey Run's friends are just one of many groups seeking private money to offset past government cuts and further cuts proposed by the Reagan administration. Telephones are ringing busily at foundations and at corporate philanthropy offices as supporters of programs ranging from the arts to low-income housing scramble to supplant endangered federal support. And for most of the fund seekers, the outlook is even bleaker than for Turkey Run.

"I've spent a lot of time on the phone saying 'No,'" says Bernard McDonald, a program officer at the Ford Foundation. "We can't possbily replace the federal money. . . . The foundation's entire appropriation for the year (about $100 million) doesn't equal one of the less significant programs that's being cut."

If private philanthropy won't save every federally supported endeavor facing the ax, conservatives such as Sen. John Warner aren't grieving. "Let the private sector be the judge and jury," the Virginia Republican says.

Sen. Warner, who was the administrator of the 1976 Bicentennial Commission, cites the patriotic galas that it helped organize—primarily with private money—as evidence that worthy undertakings will find nongovernmental support.

Many Republicans applaud the idea of substituting private charity for federal support, partly because of a belief that government has intruded too far into areas that are properly the domain of philanthropy. Sen. Warner and Reagan administration officials are optimistic that charitable giving will increase to fill much of the gap left by the budget cuts. The Sentor is so committed to the idea that he has persuaded Interior Secretary James Watt to appear with him at a $100-a-couple dinner tomorrow to raise money for Turkey Run Farm.

And indeed, there are some bright spots on the private fund-raising front. The Netherlands Carillon near Arlington National Cemetery is practically swimming in donations after a nationally broadcast report that, to save $3,000, the Park Service would cancel summer bell-ringing concerts. Nine local savings associations pledged enough to keep the bells clanging this year, and Japan's American Isuzu Motors is considering a donation for future years. "It so happens that 'Isuzu' means '50 bells,'" a company spokesman explains.

The arts also seem to be attracting extra support. Phillips Petroleum Co. was moved to make its first grant to a ballet company by word that President Reagan intends to cut funds for the arts. Phillips gave $125,000 to enable the Ballet West Troupe of Salt Lake City to mount a new production. Phillips, based in Bartlesville, Okla., previously had concentrated its giving on such things as education of geologists and support for the Boy Scouts.

"It doesn't matter if I like (ballet) or you like it," says Phillips' manager of corporate giving, Max Kissell. "It has to be maintained for those who *do* enjoy it."

GIFTS TO PUBLIC TV

Donations to public television are also setting records. Giving by viewers is up 29% this year throughout the Public Broadcasting Service.

But the increase doesn't seem prompted by Mr. Reagan's proposed 25% cut in federal aid to public broadcasting. Donations had increased at about the same rate last year and the year before. Nor are the increases enough to make up for lost federal dollars. "There's a lot of talk about how corporations are going to fill the gap, but it's just hot air," says Ward Chamberlin, president of Washington's public broadcasting station, WETA.

So a few months ago, Mr. Chamberlin set up a profit-making subsidiary, Wetacom Inc., which is expected to bring in about $600,000 this year and perhaps $1,250,000 next year. The company has produced television commercials for, among others, Ronald Reagan's presidential campaign.

LOBBYISTS FOR POOR

Lobbyists for the poor are finding the quest for private money a bit tougher. "The oil companies may be paying for ballet, but so far as we know they aren't giving low-income people reductions on the heating bills," says Catherine Crawford, an official of the National Low-Income Housing Coalition based in Washington.

Corporations and foundations are feeling much of the pressure from groups hoping to get private grants to replace disappearing federal dollars. But these sources of money are being stretched thin.

At RCA Corp., for example, more than 350 requests have poured in since the first of the year. "I would say it's damn close to 50% more than we ordinarily get," says Samuel Convissor, the vice president for corporate relations.

And despite the Reagan administration's optimism about increased private giving, a few stark facts stand out. One is that charitable donations haven't kept pace with inflation for the past two years. Another is that individuals donated only about 1.8% of their income to charity last year, down from 2% a decade earlier.

DROP IN FEDERAL AID

In fact, many nonprofit organizations have become largely dependent on the very kinds of federal dollars that are being cut. An analysis conducted for Independent Sector, a philanthropy lobby, estimates that nonprofit groups would lose $20 billion in federal support over the next four years as a result of the cuts.

The squeeze between rising costs and declining federal support is already pinching painfully in Pennington Gap, Va., where the nonprofit Tri-County Housing Corp. is groping for a way to stay in the business of building subsidized homes for the Appalachian poor. Layoffs of federally paid workers because of cuts in the Comprehensive Employment and Training Act program already have taken six construction workers and soon will remove another six.

Without the subsidized labor, Tri-County's manager, Michael Neff, sees little hope of building homes cheaply enough for low-income people to afford them, even with 1% mortgages from the Agriculture Department.

Like Mr. Chamberlin, Mr. Neff has also set up a profit-making subsidiary in the hope that it can build homes for the well-off and use the proceeds to subsidize the poor. Other nonprofit housing groups are considering this approach.

TWO KNOTTY PROBLEMS

Mr. Neff, however, faces two knotty problems. One is that he would have to build several homes for the rich to make enough money to build one for the poor he really cares about. The other is that so far there aren't any profits anyway. None of the half-dozen bids he has submitted has produced a response. "It's just been gloomy," Mr. Neff says.

Similarly disappointing are results reported in Wichita, where the local child-care association has found little success in getting local businessmen to provide more support for day-care centers.

Using $3,000 donated by the local Junior League, the association assembled a slide presentation to drum in the idea that better care for children makes better employes of the mothers. The association's executive director, Frankie Gibson, says she showed the program "at least 100 times over the last year." But the results, she says, were "pretty negligible."

Meanwhile, Mrs. Gibson says, many of the 26 local day-care centers may be forced to close if Mr. Reagan's proposed cuts in federal social-service programs go through. "I've been attending wakes for two weeks," she says.

Mr. MOYNIHAN. Will the Senator yield for a question?

Mr. MATSUNAGA. I am happy to yield.

Mr. MOYNIHAN. Does the distinguished Senator think it would be appropriate if the Committee on Finance, or the appropriate subcommittee, were to hold hearings on this particular matter—sometime this fall or possibly early next year when we can bring some numbers together? The Senator raises a serious question which must be dealt with.

Mr. MATSUNAGA. I agree with the Senator from New York that it would be most appropriate to hold such hearings.

Mr. MOYNIHAN. I wonder if the Senator from Minnesota would agree that this is a subject which we should properly pursue and which might be the subject of legislation if that, in our judgment, would be appropriate.

Mr. DURENBERGER. If the Senator will yield, we have discussed this matter and I am very, very interested and very committed to having hearings on this subject. The whole matter of disclosure and other accountability issues are very important. As an interim step we have worked to get the Treasury to adjust the 990 form so that it more simply and adequately reflects this information.

I do intend to hold hearings on the whole issue of disclosure. Those who have the most to gain from these foundations should have greater access to a variety of foundations.

Mr. MOYNIHAN. May I say that has been a forthright response from the chairman. Let us act now if there are foundations that we can inquire into when the time comes.

Mr. DURENBERGER. I thank the Senator from New York. I move adoption of the amendment.

I yield back any remaining time.

Mr. MOYNIHAN. I yield back any remaining time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 275) was agreed to.

Mr. MOYNIHAN. I move to reconsider the vote by which the amendment was agreed to.

Mr. DURENBERGER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. I understand there will be a record vote at 8 o'clock. I understand the distinguished Senator from Tennessee (Mr. SASSER) and the Senator from Arizona (Mr. DECONCINI) have an amendment. If that can be cleared, perhaps we can take care of it before 8 o'clock.

Mr. SASSER. I would say to the chairman that the Senator from Arizona (Mr. DECONCINI) is not on the floor. He wanted to discuss this matter with the chairman of the Finance Committee. As much as I would like to have it completed before 8 o'clock, I must defer until Senator DECONCINI is in the Chamber. I thank the Chair.

Mr. BAKER. Mr. President, will the Senator yield to me?

Mr. DOLE. I yield.

UP AMENDMENT NO. 274

Mr. BAKER. Mr. President, it is now 2 minutes until 8. Since it is not possible to proceed with the next amendment at this time and since this will be a 15-minute rollcall vote, I ask unanimous consent to proceed with the rollcall previously ordered for 8 o'clock at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Kansas. The yeas and nays have been ordered and the clerk will call the roll.

Mr. STEVENS. I announce that the Senator from California (Mr. HAYAKAWA) is necessarily absent.

I also announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

Mr. CRANSTON. I announce that the Senator from Hawaii (Mr. INOUYE) and the Senator from Vermont (Mr. LEAHY) are necessarily absent.

The PRESIDING OFFICER (Mr. LUGAR). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 95, nays 1, as follows:

[Rollcall Vote No. 216]

YEAS—95

Abdnor	Exon	Moynihan
Andrews	Ford	Murkowski
Armstrong	Glenn	Nickles
Baker	Goldwater	Nunn
Baucus	Gorton	Packwood
Bentsen	Grassley	Pell
Biden	Hart	Percy
Boren	Hatch	Pressler
Boschwitz	Hatfield	Proxmire
Bradley	Hawkins	Pryor
Bumpers	Heflin	Quayle
Burdick	Heinz	Randolph
Byrd, Harry F., Jr.	Helms	Riegle
Byrd, Robert C.	Huddleston	Roth
Cannon	Humphrey	Rudman
Chafee	Jackson	Sarbanes
Chiles	Jepsen	Sasser
Cochran	Johnston	Schmitt
Cohen	Kassebaum	Simpson
Cranston	Kasten	Specter
D'Amato	Kennedy	Stafford
Danforth	Laxalt	Stennis
DeConcini	Levin	Stevens
Denton	Long	Symms
Dixon	Lugar	Thurmond
Dodd	Mathias	Tower
Dole	Matsunaga	Tsongas
Domenici	Mattingly	Wallop
Durenberger	McClure	Warner
Eagleton	Melcher	Weicker
East	Metzenbaum	Williams
	Mitchell	Zorinsky

NAYS—1

Hollings

NOT VOTING—4

Garn	Inouye	Leahy
Hayakawa		

So Mr. DOLE's amendment (UP No. 274) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I indicated earlier that after the 8 o'clock vote——

Mr. ROBERT C. BYRD. Mr. President, may we have order?

Mr. METZENBAUM. May we have order in the Senate?

The PRESIDING OFFICER. May we have order in the Senate?

The majority leader wishes to make an announcement.

The majority leader.

Mr. BAKER. I thank the Chair.

Mr. President, I announced earlier that after 8 o'clock I would try to take stock of the situation and make some estimate of when we could finish this evening.

As I understand the arrangement now, the Senator from Tennessee (Mr. SASSER), my colleague, has an amendment to offer which will probably be accepted and may not take more than 3 to 5 minutes. After that I understand the Senator from Massachusetts (Mr. KENNEDY) will offer an amendment on which there will be a rollcall.

After that, I understand the Senator from Texas (Mr. TOWER) has an amendment, and he will wish a rollcall as well.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. TOWER. I do not wish a rollcall because I think there is widespread support. It is being supported on both sides of the aisle. Unless someone demands a rollcall, I will be prepared to vote by voice vote.

Mr. BAKER. Yes.

Mr. President, in any event it appears that there is time for at least two additional rollcalls tonight, and I estimate then that if we have time of 30 minutes and none yielded off the joint resolution and if the Senate grants the request I am about to make in a moment for 10-minute rollcall votes we should be able to do that and recess about 10 p.m.

That is good progress for this evening, and it is earlier, I think, than most of us thought we could do it. But I think that is a fair arrangement, and I am not going to take any additional time.

I hope that we can do that. I wish to see us be able to conclude action on this joint resolution at least by about 10 p.m. or thereabouts.

At this point, in order to expedite that and to improve the chances that we may realize on that, I ask unanimous consent that any rollcall votes ordered beyond this point this evening before the Senate recesses over until tomorrow be 10 minutes in length.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METZENBAUM. Mr. President, I wish to inform the Senator, the majority leader, that if it is at all possible I hope to be able to call up the day care amendment yet this evening. I think we are pretty close to agreement on it. If we are, of course, it would not require a rollcall vote. I wish to advise the majority leader.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. METZENBAUM. I yield.

Mr. DOLE. We hope we can negotiate that. If we are given enough time, maybe we can work this out.

Mr. METZENBAUM. I did not mean to be crowding the Senator from Kansas. I think we are making good headway. I wish to advise the majority leader. I am hopeful we could get to it this evening and without objection accept it as an amendment to the joint resolution.

Mr. DOLE. Mr. President, I understand the distinguished Senator from Tennessee (Mr. SASSER) prefers to go after the amendment to be proposed by the Senator from Massachusetts (Mr. KENNEDY).

I ask unanimous consent that the pending amendment be laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 276

(Purpose: To limit the increase in the unified estate and gift credit to estates and donors with interests in small farms and businesses)

Mr. KENNEDY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an unprinted amendment numbered 276.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 225, beginning on line 23, strike out all through page 226, line 6, and insert in lieu thereof the following:

(1) IN GENERAL.—Section 2010 (relating to unified credit against estate tax) is amended—

(A) by striking out "$47,000" in subsection (a) and inserting in lieu thereof "$47,000 ($192,800 in the case of a qualified small business estate)", and

(B) by adding at the end thereof the following new subsection:

"(e) QUALIFIED SMALL BUSINESS ESTATE.—For purposes of this section, the term 'qualified small business estate' means the estate of any decedent whose executor is eligible to elect the application of section 6166.

On page 226, strike out lines 9 though 15, and insert in lieu thereof the following:

(1) by striking out "$175,000" in paragraph (1) and inserting in lieu thereof "$175,000 ($600,000 in the case of a qualified small business estate (within the meaning of section 2010(e))"; and

On page 227, strike out lines 1 through 7, and insert in lieu thereof the following:

(1) AMOUNT OF CREDIT.—

(A) IN GENERAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax) is amended by striking out "$47,000" and inserting in lieu thereof "$47,000 ($192,800 in the case of a qualified small business donor)".

(B) QUALIFIED SMALL BUSINESS DONOR DEFINED.—Section 2505 is amended by adding at the end thereof the following new subsection:

"(e) SMALL BUSINESS DONOR.—For purposes of this section—

"(1) IN GENERAL.—The term 'small business donor' means a donor who owns an interest in a closely held business.

"(2) INTEREST IN A CLOSELY HELD BUSINESS.—The term 'interest in a closely held business' means—

"(A) an interest as a proprietor in a trade or business carried on as a proprietorship;

"(B) an interest as a partner in a partnership carrying on a trade or business, if—

"(i) 20 percent or more of the total capital interest in such partnership is owned by the donor, or

"(ii) such partnership had 15 or fewer partners; or

"(C) stock in a corporation carrying on a trade or business if—

"(i) 20 percent or more in value of the voting stock of such corporation is owned by the donor, or

"(ii) such corporation had 15 or fewer shareholders.

"(3) CERTAIN INTERESTS HELD BY HUSBAND AND WIFE.—Stock or a partnership interest which—

"(i) is community property of a husband and wife (or the income from which is community income) under the applicable community property law of a State, or

"(ii) is held by a husband and wife as joint tenants, tenants by the entirety, or tenants in common,

shall be treated as owned by one shareholder or one partner, as the case may be.

"(4) INDIRECT OWNERSHIP.—Property owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. For purposes of the preceding sentence, a person shall be treated as a beneficiary of any trust only if such person has a present interest in the trust.

"(5) CERTAIN INTERESTS HELD BY MEMBERS OF DONOR'S FAMILY.—All stock and all partnership interests held by the donor or by any member of his family (within the meaning of section 267(c)(4)) shall be treated as owned by the donor.

Mr. KENNEDY. Mr. President, as I understand there is a time limitation of a half hour; am I correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. KENNEDY. I will be glad to make it shorter, if there is a chance to get the attention of the Members.

The PRESIDING OFFICER. The Senate will be in order.

Mr. DOLE. Mr. President, will the Senator yield.

Mr. KENNEDY. I yield.

Mr. DOLE. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I think we could make it short. I think there are a couple Members who asked when the next vote would be and I guessed about 10 minutes until 9. They could still make it if they hurry.

Mr. KENNEDY. I see.

Why do we not proceed and then if there are no other speakers on the amendment I will yield back the time.

Mr. President, this amendment deals with the provisions of the Finance Committee bill that relate to the estate tax exemption.

The Finance Committee proposal raises the estate tax exemption to $600,000 over 5 years. The purpose is to help small businesses and family farms.

The committee report has many references to family farms, closely held businesses, smaller estates, and family enterprises. The clear purpose of this provision is to provide relief to these taxpayers, to help small businesses and family farms. I think they are entitled to that relief.

But the Finance Committee bill phases in this relief over 5 years. And the principal reason for this long phase-in is that only one-third of the relief in the committee bill actually goes to family farms and small businesses. Only 15 percent of the relief goes to family farms, and approximately 15 percent more goes to small businesses.

The remaining two-thirds of the relief in this provision has nothing to do with family farms and small businesses. It goes to the wealthiest 3 percent of the families in this country, the richest individuals in our society.

My amendment grants the relief immediately to family farms and small businesses. It raises the estate tax exemption from $175,000 to $600,000, and it makes it effective next January—not 5 years from now, but immediately. At the same time, the amendment limits the relief to small businesses and family farms, the estates for whom the relief is intended.

In doing so, we will save billions of dollars over the next 5 years.

The Finance Committee's proposal will cost the Treasury over $10 billion between 1983 and 1986. This amendment will cost about $7 billion over the same period. Thus, the amendment saves $3 billion in revenues compared to the committee bill, and it provides faster relief to family farms and small businesses than the committee bill.

If we are really interested in helping the family farmers and the small business men and women, we should not delay that help and assistance. Other wealthy individuals do not deserve the sort of estate tax relief intended for family farms and small businesses.

Effectively we are holding hostage the family farmer and the small businessman until we are able to phase all of that program in to help the wealthiest individuals in this country with their estate programs.

I just do not feel that is warranted or justified, with the kind of costs that we are talking about at this time, given the budget constrictions and given the limitations and given the other provisions that have been accepted in this legislation on the tax rate.

So, Mr. President, I am prepared to withhold the remainder of my time.

Mr. GRASSLEY. Mr. President, I rise in opposition to this amendment, and I do it without reluctance because I remember the debate on the estate tax bill of 1976 when there were efforts to insert special provisions, some of which were untried and untested. One of those new provisions happened to be the carryover basis, and we know how that fouled up the estate tax so that even the best of lawyers could not settle estates. Finally, we had to repeal that terrible provision of the estate tax.

First, I think we ought to be reluctant to move into any areas that are not tried and tested in our reform of the general estate tax.

Second, I think we need to remember that the estate and gift taxes have always been aimed at huge concentrations of wealth. Because of inflation a $600,000 exclusion no longer represents such a large estate, especially when that exclusion will not reach that level until 1986.

There are purposes for estate taxes. One of them is to raise revenue for the Federal Treasury. I suggest to you that the estate tax does not raise much revenue for the Federal Treasury.

Another purpose of the estate tax is to redistribute some wealth, and I would suggest to you that it has done a very poor job of redistributing wealth, and I would suggest that this amendment is not going to do anything in that direction either.

You could raise a basic point here as to whether or not the estate tax is accomplishing its original purposes.

Of course, we must remember that the family farms and small businesses are the backbone of this economy, and I am sure the Senator——

Mr. KENNEDY. Mr. President, will the Senator yield?

Mr. GRASSLEY. I would rather not yield at this time.

The Senator from Massachusetts would agree with that statement, and I know that is the point of his amendment, but

you must keep in mind what has happened with estate taxes, with high inflation and high appreciation of property. The estate taxes are focusing on those areas that we originally intended to touch, but because of inflation and appreciation it is getting out of hand to a point where even small farms must be sold and small businesses must be sold to settle estates. If this amendment is passed even middle-income homeowners, who have owned moderate homes of $175,000, may some day be hit by this estate tax if this amendment were adopted.

It was never Congress intent in the original estate tax legislation to affect those estates.

While family farms and businesses are one of the major targets of estate tax relief, the problem is broader than that. The fact is that inflation, by increasing the dollar value of property, has increased the transfer tax burden even where real wealth has not increased.

Raising the estate tax exclusion will give taxpayers less reason to structure their holdings to avoid estate taxes. They may be more likely to undertake wealth-producing activities without fear that their holdings will be taxed away at death.

The present policy of taxing moderate-sized estates has done nothing to prevent the concentration of wealth. There is no justification for continuing that burden.

Estate taxes encourage investment in liquid assets that can be readily utilized to pay the tax rather than illiquid assets, such as physical capital.

In addition, they discourage risk-taking by putting a premium on establishing trusts for tax avoidance.

These problems become more acute when inflation makes estate taxes a significant problem for more people.

The bill simply attempts to address that problem and lessen the inhibiting effect of the estate tax.

Estate taxes need to be significantly reduced for all classes because they discourage savings. In many cases the motive for savings is the desire to leave bequests to ones' heirs. If you know that a bequest will be taxed heavily there is less reason to save, thus limiting estate taxes to moderate-sized estates can encourage savings and help people in long-term planning.

At current rates of inflation even modest family estates will not escape taxation over the next few years unless we make a significant change. Estate taxes are likely to weigh more heavily on these families than on the wealthier families who can afford sophisticated estate tax planning.

Now is the time for not only increasing the exemption so that a smaller number of people will be paying estate taxes, but it is also time to simplify the estate taxes, and this amendment would further complicate them.

I reserve the remainder of our time on this side.

Mr. KENNEDY. Mr. President, I have difficulty in following the logic of the Senator from Iowa. He makes a very strong case for the family farmer and the small businessman and businesswoman of Iowa and the rest of the country.

What possible reason, I ask the Senator from Iowa, is there to say to that family farmer in Iowa "You have to wait 5 years in order to get this estate tax relief," when you have got an amendment that is before the Senate of the United States tonight which says you can have it at once?

This is the approach suggested by one of the leading farm Senators, Senator KASSEBAUM, who has recommended such relief in S. 574. In fact, her bill would raise the estate tax exemption to $750,000, and it would limit the relief to farms.

This idea has been tested and tried and supported by Senators who represent agricultural States, and also, I would expect, by Senators from other parts of the country who are concerned about small businessmen and women. If it is right in 5 years, Senator, why is it not right tonight? That is my question to you.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I want to remind the Senator from Massachusetts that the very consideration the Senator is talking about is provided for in a special use valuation of the estate taxes. It is the very group of people that you are concerned about helping who are helped right now, today, not 5 years down the road, and those classes deserve that help because they are the backbone of the American economy, the small businesses and the family farms.

But I want to remind the Senator, too, your exemption will not help the middle-income householder. We must implement across-the-board estate tax reform if we are to help the middle-income householder.

Mr. KENNEDY. The Senate Finance Committee itself understood that the special use provision was not adequate, because the committee also raised the exemption to $600,000. They understood the problem, and that is why they raised the exemption to $600,000.

Now, the reason they could not go to $600,000 right away is that two-thirds of the relief is going to other wealthy individuals who have nothing to do with family farms and small businesses. What sense does that make?

Even now, only the wealthiest 3 percent of the estates in the country are taxed at all. The other 97 percent fall below the level of the current estate tax exemption. And the committee bill will reduce this proportion even farther.

Can the Senator from Iowa tell me what percent of estates are going to pay any estate tax whatsoever under the Senate Finance Committee bill?

Mr. GRASSLEY. After 1986, three-tenths of 1 percent.

Mr. KENNEDY. Three-tenths of 1 percent.

Mr. GRASSLEY. Let me suggest to the Senator that when the estate tax reform went through in 1942 it was 1 percent of the estates. Because of inflation during the last 25 or 30 years, that got as high as 12 percent in 1976.

When we passed the 1976 legislation, the percentage of estates taxed worked its way down within a few years to 3 percent. Because of increased inflation and appreciation it is back up to about 8 or 9 percent today.

I would suggest to you that the original intent of the Congress when enacting the estate tax legislation of 1916, 1935, 1942 was to tax 1 percent of estates in this country. If it was a fair guide in terms of redistributing wealth and raising revenue for the Federal Treasury in those years, then it is a fair assumption for 1981 through 1986. Hopefully continued changes in the future will continue to result in that same percentage holding true; in other words, taxing the extremely large estates, not those of middle income Americans, whether they be small farmers or households.

Mr. KENNEDY. How large is the estate of the middle-income American? Does the Senator suggest here that the estate of the middle-income American is $600,000?

Mr. GRASSLEY. Let me suggest to the Senator from Massachusetts, to answer his question, that I do not exactly know what the average estate is, but it is surely higher than the $175,000 that he provides for the mass of the people who will be paying estate taxes.

Mr. KENNEDY. Mr. President, 93 percent of the estates in this country in 1976 were under $90,000. The Senator is hardly talking about a middle-class amendment, when about 90 percent of all the estates in the country are valued at less than half the figure he mentioned.

The objective of the Senate Finance Committee is to help the estates of family farmers and small businesses. We can achieve that goal this year, rather than waiting 5 years while the Senate Finance Committee bill is phased in for all individuals, including the wealthiest individuals and the wealthiest estates in the country. We can afford to do so if we limit the relief to those who deserve it and for whom it is intended—the family farms and small businesses of America.

Under the Senate Finance Committee bill, the cost of increasing the estate tax exemption would be $10 billion. Under the amendment that I offer, we save close to $4 billion, and we give relief much more rapidly to those who need it. There is no 5-year waiting period.

We can achieve the objective of the Senate Finance Committee in helping the family farms and the small businesses of this country. They have a problem—and they are entitled to relief. They are entitled to that relief now, not 5 years from now. Yet, the Senator from Iowa will make them wait 5 years for the relief they deserve today, if the position that he has taken is accepted.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 4 minutes and 56 seconds remaining.

Mr. KENNEDY. I reserve the remainder of my time.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, this bill does give some advantage to farmers that it

does not give to others. In the valuation section provisions, for example, it gives farmers a better break than people in other lines of endeavor.

Mr. President, I for one would have difficulty understanding why other dedicated citizens are not worthy of equal consideration with farmers. One of my grandfathers was a carpenter and the other was a farmer. I loved them both, and I would think that both of them would have equal treatment before the law.

In my family, we had many lawyers; some of them were very dedicated people. We also had some public servants who were very dedicated people. We had family members who served in the Congress, and a father and uncle who were Governors of a State.

Can you really say that a man who is sufficiently well-thought of by the citizens that elected him Governor, that he was not equally deserving—I am not saying better deserving—of consideration than a farmer, or equally deserving of being considered one of God's children as one who is a small businessman? Any of our own children will be children of a U.S. Senator. My father was a U.S. Senator, a man whom I very much idolized and a very dedicated person—much misunderstood by some, but much beloved by those of us who knew him very well. Can we say that a person who dedicates his life to serving the public in public office is unworthy of equal tax treatment with a small businessman or farmer? I would not want to try to do that.

I would hate to try to go before my State legislature and tell all of those State legislators that, in my judgment, they were unworthy of equal tax treatment with farmers or small businessmen.

Are we to say that one who works for a company is not equally deserving of tax equality as one who happens to be the owner of the company? I would not want to make that case, Mr. President.

Now, the Senator would give one-third of our citizens special tax consideration as being more deserving of favorable treatment than the others.

I did not write the committee report. I just happen to be one who voted to give everybody what amounts to a $600,000 exemption.

I say to Senators, go out there and try to explain to those two-thirds of the people you are discriminating against with this Kennedy amendment why you did that to them. Explain to them why their old mamas and old daddies were not equally as deserving of consideration as other citizens. See if you can explain it to them.

I am not going to have to explain it, because I am going to vote to say that we are all first-class citizens, we are all getting the same treatment, we will all get the same $600,000 exemption. Above that, you pay a lot of taxes.

The Senator is worried about these wealthy people. He need not worry about that. There are a lot of people who have more than $600,000 to leave. They start out paying more than 30 percent and go up to 70 percent. Those people are going to pay a lot of taxes.

I am just saying that there is a lot of taxes to be paid by people who are very wealthy. I think that we would be unwise to try to say that because you are not a farmer or because you are not a small businessman, and because you might be a professional person or even because you might have inherited money from your old father or mother, that you should not be equally deserving of tax treatment on a par with other Americans who were doing the best they could do and what is right as the good Lord gave them the light to see it.

It is difficult for me to see why you should not have tax equality among good Americans who are dedicated to the service of their Nation and their communities and their fellowman, whether they be a farmer, or a small businessman, or professional person, or just some God-fearing person who goes to church and regularly contributes to the things that are good for society. Such a person should be equally deserving of tax equality with others.

Mr. GRASSLEY. Will the Senator yield?

Mr. LONG. I yield to the Senator.

Mr. GRASSLEY. I think the Senator raises a very valid point about treating all classes and occupations in American society equally under the estate tax.

To illustrate the point of the Senator's amendment, the estate of a person might include an average home here in the Washington area, worth approximately $100,000, a little bit of life insurance worth $50,000, household goods of $25,000, and maybe a car worth $10,000. So, you have an estate of $185,000. Let us suppose the mother and father were killed and left two minor children. This amendment would impose taxes on an estate just that modest so that those children would not have the benefit of what little bit of savings that family had.

So, I think the Senator from Louisiana is correct in pointing out that we have had too much special direction in estate taxes where we are experimenting with certain things that are not tried and tested. We really do not know their impact. We get back to the carryover basis, as an example.

The Senator from Massachusetts played a major part in defending the carryover basis. We knew how unworkable the carryover basis was in that 1976 legislation. Is it not possible that something like this may turn out to be as unworkable in 5 or 6 years as the carryover basis and require repeal?

It just seems to me that we ought to simplify estate taxes, not make them more complicated.

Mr. LONG. Mr. President, I have known what it is to go and try to explain to people why they had to pay a tax which they did not think was fair and which they did not think was right.

The PRESIDING OFFICER. The time has expired.

Mr. LONG. I yield myself 1 additional minute from the bill.

Mr. GRASSLEY. I yield time to the Senator from Louisiana.

The PRESIDING OFFICER. From the bill?

Mr. LONG. I yield myself a minute from the bill.

I have known what it is like to explain to people why they have had to pay a tax that was unjust and unfair. I am saying that anyone who wants to vote for this amendment can then go out and try to explain to two taxpayers out of three why they had to be hit with this very heavy tax; why you voted to exempt one taxpayer out of three because they were a farmer or a small business person.

You are not going to be successful. They are going to be very bitter about it, Mr. President, and I would hope that the amendment is not agreed to.

Mr. KENNEDY. Mr. President, I yield myself 2½ minutes.

Mr. President, I have often heard my good friend and colleague from Louisiana tell the story about the parish in Louisiana where half the people thought the world was round, and half the people thought it was flat. One day, they were interviewing a person to be a schoolteacher in the parish, and they told him what the people thought. And he said he could do the job, because he could teach the world round or teach it flat.

Tonight, when I hear the Senator from Louisiana making that strong egalitarian argument about fairness for American industry and fairness for all American taxpayers, I suspect he is teaching that the world is flat. We are all very well aware of the many differences in the way the tax code treats different individuals and corporations. We use the tax code to provide special incentives to some industries and not to others. And there are countless tax provisions that give special relief to those who are the most deserving—and to many who are not so deserving.

The fact of the matter is that the Senate and the Finance Committee have recognized again and again that there is a special merit in the needs of the family farmers and the small businesses of this country. In many important ways, they are different from other taxpayers in our society. With respect to the estate tax, I think we can all agree that no family farm and no small business should have to be sold because the owner has died and the heirs cannot pay the estate tax. Yet that happens all too often under the estate tax laws today. This bill is designed to provide relief to prevent that from happening.

But if people have IBM stock or A.T. & T. stock in their estates, they do not face a similar danger. Their estates have no liquidity problems. They can sell part of the stock in order to pay their estate taxes.

What we are talking about is not the average taxpayer in this country. What we are basically talking about, if this bill is enacted is relief for some of the wealthiest families in the country, disguised as relief for family farms and small business.

The Senate Finance Committee has recognized that there is a special need, because of inflation, to ease the burden of estate taxes on family farms and small businesses.

That is what the committee report says, again and again. They make no case for such relief they provide for the large number of other wealthy individuals who are helped by this bill at a cost of billions of dollars to the Treasury, but who would not recognize a family farm or a small business if they saw one.

So let us deal with the serious problem of family farms and small businesses. Let us deal with it now—not from now. Let us not pretend that we are helping them, when in fact we are only using them as a smokescreen to provide massive relief to others who do not deserve it.

Finally, as to the example that was given by my friend and colleague from Iowa about the two young orphans, I am sure the distinguished Senator from Iowa understands they would pay no estate tax because of the special orphan deduction. I thank the Senator for yielding.

The PRESIDING OFFICER. All time has expired. The question is on agreeing to the amendment. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from California (Mr. HAYAKAWA) is necessarily absent.

I also announce that the Senator from Utah (Mr. GARN) is absent due to death in the family.

Mr. CRANSTON. I announce that the Senator from Hawaii (Mr. INOUYE) and the Senator from Vermont (Mr. LEAHY) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 9, nays 87, as follows:

[Rollcall Vote No. 217 Leg.]

YEAS—9

Dodd	Kennedy	Metzenbaum
Eagleton	Levin	Sarbanes
Exon	Mathias	Williams

NAYS—87

Abdnor	Ford	Nickles
Andrews	Glenn	Nunn
Armstrong	Goldwater	Packwood
Baker	Gorton	Pell
Baucus	Grassley	Percy
Bentsen	Hart	Pressler
Biden	Hatch	Proxmire
Boren	Hatfield	Pryor
Boschwitz	Hawkins	Quayle
Bradley	Heflin	Randolph
Bumpers	Heinz	Riegle
Burdick	Helms	Roth
Byrd, Harry F., Jr.	Hollings	Rudman
	Huddleston	Sasser
Byrd, Robert C.	Humphrey	Schmitt
Cannon	Jackson	Simpson
Chafee	Jepsen	Specter
Chiles	Johnston	Stafford
Cochran	Kassebaum	Stennis
Cohen	Kasten	Stevens
Cranston	Laxalt	Symms
D'Amato	Long	Thurmond
Danforth	Lugar	Tower
DeConcini	Matsunaga	Tsongas
Denton	Mattingly	Wallop
Dixon	McClure	Warner
Dole	Melcher	Weicker
Domenici	Mitchell	Zorinsky
Durenberger	Moynihan	
East	Murkowski	

NOT VOTING—4

Garn	Inouye	Leahy
Hayakawa		

So Mr. KENNEDY's amendment (UP No. 276) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The vote now recurs on the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent to lay that amendment aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 277

(Purpose: Allowing each member of an affiliated group to make certain ACRS elections)

Mr. BOSCHWITZ. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Minnesota (Mr. BOSCHWITZ) for himself and Mr. BENTSEN proposes an unprinted amendment numbered 277:

At the end of the bill, add the following new title:

TITLE VI—SAVINGS AND LOAN ASSOCIATIONS

SEC. 601. REORGANIZATIONS INVOLVING FINANCIALLY TROUBLED THRIFT INSTITUTIONS.

Amendment of section 368(a)(3)(D).—Section 368(a)(3)(D) of the Internal Revenue Code of 1954 (relating to agency receivership proceedings which involve financial institutions) is amended to read as follows:

"(D) Agency proceedings which involve financial institutions.—

"(i) For purpose of subparagraphs (A) and (B)—

"(I) In the case of a receivership, foreclosure, or similar proceeding before a Federal or State agency involving a financial institution to which section 585 applies, the agency shall be treated as a court, and

"(II) In the case of a financial institution to which section 593 applies, the term 'title 11 or similar case' means only a case in which the Board (which will be treated as the court in such case) makes the certification described in clause (ii).

"(ii) A transaction otherwise meeting the requirements of subparagraph (G) of paragraph (1), in which the transferor corporation is a financial institution to which section 593 applies, will not be disqualified as a reorganization if no stock or securities of the corporation to which the assets are transferred are received or distributed, but only if all of the following conditions are met:

"(I) the requirements of subparagraphs (A) and (B) of section 354(b)(1) are met with respect to the acquisition of the assets,

"(II) substantially all of the liabilities of the transferor immediately before the transfer become, as a result of the transfer, liabilities of the transferee, and

"(III) the Board certifies that the grounds set forth in 12 U.S.C. § 1464(d)(6)(A) (i), (ii), or (iii) exist with respect to the transferor or will exist in the near future in the absence of action by the Board.

"(iii) For purposes of this subparagraph, the Board means the Federal Home Loan Bank Board or the Federal Savings and Loan Insurance Corporation or, if neither has supervisory authority with respect to the transferor, the equivalent State authority."

SEC. 602. LIMITATIONS ON CARRYOVERS OF FINANCIAL INSTITUTIONS.

Section 382(b)(7) of the Internal Revenue Code of 1954 (relating to reduction of net operating loss carryovers in title II or similar cases), as added by section 2(d) of P.L. 96-589, is amended to read as follows:

"(7) Special rule for reorganizations in title II or similar cases.—For purposes of this subsection—

"(A) a creditor who receives stock in a reorganization in a title II or similar case (within the meaning of section 368(a)(3)(A)) shall be treated as a stockholder immediately before the reorganization and

"(B) in a transaction qualifying under section 368(a)(3)(D)(ii)—

"(i) a depositor in the transferor shall be treated as a stockholder immediately before the reorganization of the loss corporation,

"(ii) deposits in the transferor which become, as a result of the transfer, deposits in the transferee shall be treated as stock of the acquiring corporation owned as a result of owning stock of the loss corporation, and

"(iii) the fair market value of the outstanding stock of the acquiring corporation shall include the amount of deposits in the acquiring corporation immediately after the reorganization.

SEC. 603. RESERVES FOR LOSSES ON LOANS.

Paragraph (1) of section 593(e) of the Internal Revenue Code of 1954 (relating to distributions to shareholders of a domestic building and loan association) is amended by striking out "applies." in the last sentence thereof and substituting therefor the following: "applies, or to any distribution with respect to an interest in an association, if such interest was originally received by the Federal Savings and Loan Insurance Corporation in exchange for financial assistance pursuant to section 406(f) of the National Housing Act (12 U.S.C. sec. 1729(f)).".

SEC. 604. FSLIC FINANCIAL ASSISTANCE.

(a) Part II of subchapter H of Chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 597. FSLIC FINANCIAL ASSISTANCE.

"(a) EXCLUSION FROM GROSS INCOME.—Gross income of a domestic building and loan association does not include any amount of money or other property received from the Federal Savings and Loan Insurance Corporation pursuant to section 406(f) of the National Housing Act (12 U.S.C. sec. 1729(f)), regardless of whether any note or other instrument is issued in exchange therefor.

"(b) NO REDUCTION IN BASIS OF ASSETS.—No reduction in the basis of assets of a domestic building and loan association shall be made on account of money or other property received under the circumstances referred to in subsection (a)."

(b) CLERICAL AMENDMENTS.—The table of sections for Part II of subchapter H of Chapter 1 of the Internal Revenue Code of 1954 is amended by inserting after the item relating to section 596 the following:

"Sec. 597. FSLIC financial assistance".

SEC. 605. EFFECTIVE DATES.

(a) The amendment made by sections 601 and 602 shall apply to any transfer made on or after January 1, 1981.

(b) The amendment made by section 603 shall apply to any distribution made on or after January 1, 1981.

(c) The amendment made by section 604 shall apply to any payment made on or after January 1, 1981.

Mr. BOSCHWITZ. Mr. President, I think we can dispose of this amendment rather quickly. It has been cleared with the chairman of the Committee on Finance and with the ranking minority member.

The PRESIDING OFFICER (Mr. WARNER). The Senators are requested to clear the well and aisles.

Mr. BOSCHWITZ. Mr. President, I offer this amendment on behalf of myself and the Senator from Texas (Mr. BENTSEN), and, as I said, I believe we can dispose of the amendment rather quickly. It has been cleared with the chairman of the Finance Committee and the Treasury Department. It has been supported by the Federal Home Loan Bank Board, the distinguished ranking minority member of the Finance Committee, and the U.S. League of Savings and Loans.

This amendment would facilitate the infusion of capital to a failing savings and loan or the merger of a savings and loan with another financial institution by clarifying that these transactions are nontaxable events.

The other alternative to capital infusions or mergers in the case of a troubled savings and loan would be liquidation by the Federal Savings and Loan Insurance Corporation. This would require payment out of their insurance funds to all insured depositors and would have unfortunate results for noninsured depositors. The potential cost to the Government, depositors and shareholders could be significant. This amendment will help the Federal Home Loan Bank Board avoid these consequences.

Under current law, there is some uncertainty about the tax consequences of capital infusions to savings and loans or mergers of savings and loans. This uncertainty deters potential investors and will likely result in the more costly liquidation pay outs by the FSLIC.

Deeming a merger or capital infusion to be a taxable event will deny possible benefits to a financial institution taking over a troubled savings and loan and would trigger additional tax liability of a savings and loan which received additional capital.

For example, if new capital is provided it may be considered a contribution to capital by a nonshareholder, which would require the savings and loan association to reduce its tax basis on certain assets under section 362(e) of the Internal Revenue Code.

Also, the repayment of this capital might be considered a redemption of capital stock from the association's bad debt reserve, which would trigger payment of ordinary income tax. This amendment would assure that these transactions are tax-exempt and thus allow the FSLIC to loan capital to weakened savings and loans until they are back on their feet. If not, we could end up with a Government bail-out of depositors, a result that could ultimately prove very costly.

The need for this amendment is immediate. The Federal Home Loan Bank Board currently has 404 institutions on their troubled list. Through June of this year we have already seen as many mergers as took place in all of 1980. This year there has also been the first liquidation of a savings and loan since 1971.

Surely an infusion of capital to a troubled institution to allow it to become viable again is a far better solution than letting it go under. And surely a merger of a failing savings and loan serves the public interest better than liquidation.

This amendment in no way impacts upon the all-savers amendment which was adopted last Thursday. The amendment addresses a set of problems different from that of the all-savers amendment, and it is equally important in these circumstances.

I have been informed by the Treasury Department that there is no revenue loss in this amendment, and they have no objection to it.

I hope we can now move to accept this amendment, and I move that we do accept the amendment.

Mr. President, I ask unanimous consent to have printed in the RECORD a letter from Richard T. Pratt, Chairman of the Federal Home Loan Bank Board.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEDERAL HOME LOAN BANK BOARD,
Washington, D.C., July 23, 1981.

Hon. RUDY BOSCHWITZ,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BOSCHWITZ: I am writing to seek your support for an amendment to H.J. Res. 266 that would resolve several technical tax issues that may otherwise impede the effectiveness of the Federal Savings and Loan Insurance Corporation's actions with respect to ailing insured savings and loan associations.

Pursuant to the amendment, subsections of the Bankruptcy Tax Act of 1980 would be clarified to provide that all mergers instituted for supervisory reasons by the FSLIC, the Federal insurance corporation directed by the Federal Home Loan Bank Board, would be tax-free reorganizations under Section 368(a)(1)(G) of the Code. In addition, Section 382 would be amended to ensure that losses of weakened associations would be carried over to acquiring entities to the same extent that loss carryovers of other types of businesses can be transferred in tax-free reogranizations. Finally, Section 593 would be amended and a new Section 597 would be enacted to ensure that no tax liability would result from FSLIC capital infusions to weakened associations and subsequent repayments of the infusions by rehabilitated associations.

In order to prevent a default or restore an insured institution in default to normal operations, the FSLIC may make loans to, purchase the assets of, make contributions to, or arrange the merger of a failing institution. If liquidation is the least costly alternative, the FSLIC will liquidate the institution and effect a payout of insured accounts. The Board recognizes the extraordinary nature of mergers arranged in a supervisory context and exempts them from certain procedural requirements and general rules usually applicable in non-supervisory cases. I believe that the Internal Revenue Code should also reflect the extraordinary nature of these supervisory circumstances and afford tax-exempt status to FSLIC imposed supervisory mergers and assistance activities.

A literal reading of the Internal Revenue Code might result in FSLIC assistance to an association in the form of cash or an interest bearing note being treated as a contribution to capital by a non-shareholder, with reductions in the basis of assets required under Section 362(c). Also, if a recipient institution issues a mutual capital certificate or similar equity instrument in consideration for the FSLIC assistance, repayment of the assistance might be determined to be subject to the rules of Section 593(e) regarding redemption of capital stock and produce adverse tax consequences to the association. Finally, there are varying degrees of uncertainty concerning the tax-free reorganization status of various types of supervisory mergers, in particular, mergers of a mutual association into a stock association and mergers of a stock association into a mutual association.

In many instances, these potential adverse consequences could significantly increase the cost of supervisory activities to the FSLIC. In some instances, the increased costs resulting from adverse tax consequences could cause the cost of FSLIC assistance to exceed the cost of liquidation, and thus, require a liquidation that otherwise could be avoided. In all instances, the uncertainty of the tax ramifications of FSLIC assistance adds a significant degree of technical difficulty, delay and doubt to the activities of the FSLIC and its relationships with involved insured institutions and other potential acquirors of failing institutions.

At the present time, the resolution of two sensitive supervisory mergers—one involving an insolvent association and one involving an almost insolvent association—have been significantly delayed due to the inability to resolve the tax treatment for the mergers. And the number of supervisory mergers raising tax problems absent adoption of this amendment may increase significantly in the coming months. I believe that the Board's exercise of its statutory responsibilities should not be hindered by the rigid imposition of rules that are inappropriate in a supervisory context, but may be valid in non-supervisory situations.

Resolution of these matters will greatly facilitate assistance activities in this period of increased pressure upon the FSLIC to conserve its assets while, at the same time, protecting depositors in FSLIC insured savings and loan associations.

Sincerely,

RICHARD T. PRATT,
Chairman.

Mr. SARBANES. Mr. President, will the Senator yield for a question?

Mr. BOSCHWITZ. I yield.

Mr. SARBANES. Does the amendment affect in any way the nature of institutions which can engage in these mergers or the geographical territory in which such mergers can be engaged?

Does the amendment except existing law in that regard and seek only to clarify a nontax consequence of such a merger?

Mr. BOSCHWITZ. That is correct. The latter is correct.

Mr. SARBANES. I thank the Senator.

Mr. DOLE. Mr. President, I understand that the Senator from Minnesota has discussed this amendment with the Senator from Louisiana, and Senator BENTSEN is a cosponsor of the amendment.

We are prepared to accept the amendment and are prepared to yield back the remainder of our time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 277) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BOSCHWITZ. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I move that

the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. The questioning is on agreeing to the motion.

The motion was agreed to.

AMENDMENT NO. 507

(Purpose: To amend the Internal Revenue Code of 1954 to allow the credit for production of natural gas from certain nonconventional sources only if such natural gas was sold at a lawful price without regard to section 107 and subtitle B of title I of the Natural Gas Policy Act of 1978)

Mr. TOWER. Mr. President, I call up my amendment which is at the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Texas (Mr. TOWER) proposes an amendment numbered 507.

Mr. TOWER. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert: That (a) subsection (e) of section 44D of the Internal Revenue Code of 1954 (relating to the credit for producing fuel from a nonconventional source) is amended to read as follows:

"(e) APPLICATION WITH THE NATURAL GAS POLICY ACT OF 1978.—

"(1) NO CREDIT IF SECTION 107 OF THE NATURAL GAS POLICY ACT OF 1978 IS UTILIZED.—Subsection (a) shall apply with respect to any natural gas described in subsection (c)(1)(B)(i) which is sold during the taxable year only if such natural gas is sold at a lawful price which is determined without regard to the provisions of section 107 of the Natural Gas Policy Act of 1978 and subtitle E of title I of such Act.

"(2) TREATMENT OF THIS SECTION.—For purposes of section 107(d) of the Natural Gas Policy Act of 1978, this section shall not be treated as allowing any credit, exemption, deduction, or comparable adjustment applicable to the computation of any Federal tax.".

(b) The amendment made by this section shall apply to taxable years beginning after December 31, 1979.

Mr. TOWER. Mr. President, I ask unanimous consent that the names of Senators BENTSEN, JOHNSTON, and HART be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, I ask unanimous consent that I be permitted to amend my amendment, simply to correct a typographical error.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. On page 1, line 10, of the amendment, the letter "B" should be substituted for the letter "E." That is a typographical error.

The PRESIDING OFFICER. The amendment will be so modified.

Mr. TOWER. Mr. President, my amendment is of a technical nature, is noncontroversial, and, according to assurances by the Joint Committee on Taxation and the Treasury Department, is revenue neutral. It is offered merely to eliminate an unintended problem facing producers—usually small, independent producers—who are prejudiced by the interaction of two laws, the Natural Gas Policy Act of 1978 (NGPA) and the Windfall Profit Tax Act of 1980, with regard to natural gas production from so-called tight sands formations.

Mr. President, the text of this amendment is identical to that of S. 1183, introduced on May 14, 1981, by my distinguished colleague, Senator BENTSEN, and cosponsored by Senators MCCLURE, BOREN, JOHNSTON, RANDOLPH, and myself.

The problem which my amendment seeks to relieve is the unintentional "whipsaw" that the interaction of these two laws imposes on many independent producers of "tight sands" gas, who are denied the special incentive ceiling price established by the Federal Energy Regulatory Commission (FERC) for production of high cost, "tight sands" gas.

The problem arises from a provision of the Windfall Profit Tax Act, section 231, which triggers section 107 of the NGPA, which requires producers to take the affirmative step of filing an election with the FERC on the date surface drilling commenced. This is required, Mr. President, even though it is usually not the case for producers to know whether they will be fortunate enough to find natural gas, let alone what kind. According to the terms of the NGPA, however, failure of the producers to be clairvoyant by filing, on day 1, an election with the FERC precludes the producers from selling such gas at the higher incentive price that is otherwise available to, and intended for them. The alternative of taking the tax credit, made available under the Windfall Profits Tax Act, however, is without real value because this credit is phased down under the statute so as to provide little in the way of production incentive. The result, Mr. President, is that for these producers it is simply no longer economical to enter into "tight sands" gas production.

Mr. President, it is clear from the legislative history of the acts that Congress intended to offer producers a choice between the incentive price and the tax credit. My amendment clarifies this intention, but, like S. 1183, would bar the producer from having the possible double benefit of collecting both the credit and higher prices.

This amendment is necessary, Mr. President, because under existing law there is no fair chance for these producers to make the proper election required by the terms of the NGPA. In fact, many small producers are not always so sophisticated as to be aware of the requirement that they must anticipate the need for an election. As a result, many producers, who are denied the incentive ceiling price at which such natural gas may be sold, are eligible for only a phased-out credit for their tight sands gas production.

Mr. President, this is a technical amendment, one that, I understand, has no revenue impact. To describe the problem in more detail, however, I ask unanimous consent that the text of a legal memorandum on this matter be printed in the RECORD.

There being no objection, the memorandum was ordered to be printed in the RECORD, as follows:

FEBRUARY 23, 1981.

PRODUCERS PRECLUDED FROM INCENTIVE PRICE ON TIGHT SANDS GAS

PROBLEM

Due to the unanticipated mechanical operation of certain filing provisions in the Natural Gas Policy Act of 1978 (NGPA) and the Crude Oil Windfall Profit Tax Act of 1980, many natural gas producers may be arbitrarily and unjustly precluded from receiving the special incentive ceiling price established by the Federal Energy Regulatory Commission (FERC) for production of high cost natural gas from geological formations known as "tight sands."

INTERACTION OF WINDFALL PROFIT TAX ACT AND NATURAL GAS POLICY ACT

The enactment of the Windfall Profit Tax Act triggers the application of Section 107 (d) of the NGPA, requiring producers to file an election with the FERC on or before the later of May 2, 1980 (i.e., the 30th day after the enactment of the Windfall Profit Tax Act) or the date on which surface drilling of the well began in order to collect the special incentive ceiling price in lieu of a tax credit provided for such production by Section 231 of the Windfall Profit Tax Act. If producers did not timely make such an election, they may be precluded from collecting any incentive price whatsoever (since the tax credit has been rendered worthless under a phase-out formula) and are thereby economically precluded from entering into tight sands production.

NEED FOR PRODUCTION INCENTIVES

Tight sands are made up of low porosity rock formations containing trapped natural gas. A gas producer who drills into such formations must utilize expensive and risky production technologies such as hydraulic fracturing in order to encourage the flow of tight sands gas to the well.

Congress clearly recognized the need to encourage production of the estimated 150 Tcf (trillion cubic feet) in recoverable reserves of tight sands gas when it authorized the FERC to set a special incentive price. The FERC also recognized the need to compensate producers for the extraordinary risks and costs when it established the incentive ceiling price at a level much higher than might otherwise be collected for such gas. At this time, certain low porosity geological formations in Texas, Colorado, Wyoming, New Mexico, and Louisiana have been formally designated as tight sands, and formations in Ohio, Pennsylvania, and West Virginia are being considered for such designation. However, many producers may not be able to collect the incentive price in lieu of the phased out tax credit due to the operation of the election procedure.

EXAMPLES OF INABILITY TO COLLECT INCENTIVE PRICE

In the following situations, for example, the producer may be unable to collect the special incentive ceiling price:

(i) A producer, who still has not filed the election required by NGPA Section 107(d) to be made on or before either May 2, 1980 or the date surface drilling of the well began, has an interest in a well surface drilled after January 1, 1980 and discovers tight sands gas in an area with no history of tight sands production.

(ii) A producer who simply failed to file the election before commencing surface drilling discovers tight sands gas in an area with no history of tight sands production.

(iii) A producer who elcted after May 2, 1980 to collect the special incentive ceiling price on all future wells subsequently reenters and deepens an existing dry hole surface drilled before July 16, 1979 and discovers tight sands gas.

(iv) A company formed after May 2, 1980 enters into production activities, files a

blanket election to cover all of its wells, but like the producer in example (iii) reenters a dry hole surface drilled before July 16, 1979 and discovers tight sands gas.

(v) A producer acquires an existing well surface drilled in 1980 for which no election was ever made, which is now producing tight sands gas.

(vi) A royalty interest owner (including an overriding royalty interest owner able to take his gas in kind) who has not filed his election with the FERC on or before the later of May 2, 1980 or the date surface drilling began arguably is precluded.

NEED FOR LEGISLATIVE REMEDY

In order to realize full production of the nation's vast reserves of tight sands gas as soon as possible, all producers must be provided with a meaningful incentive to drill for and produce tight sands gas. It is clear from the legislative history that Congress intended to offer producers a choice between the incentive price and the tax credit in order to promote both drilling for and production of tight formation gas. However, because in circumstances such as the ones described above many producers had no fair chance to make an election, or no reason to anticipate they would need to make an election, or in other circumstances because of misunderstandings regarding the need to affirmatively elect the incentive price, many producers may be relegated to a phased out tax credit for their tight sands gas production.

This effective denial of both the incentive price and the tax credit acts as a disincentive to tight sands production for these producers and is clearly contrary to the intent of Congress.

Mr. JOHNSTON. Mr. President, I introduced S. 1183, which was a Bentsen bill, cosponsored by me, Mr. BOREN, Mr. TOWER, Mr. MCCLURE, and Mr. RANDOLPH.

Under the present law, because of the interaction of the windfall profit tax and the Natural Gas Policy Act, it has become virtually impossible to produce tight sands gas. Under the Natural Gas Policy Act, we provided for a higher incentive price for tight sands gas. However, under the windfall profit tax, you must make an election as to whether you are going to get the tax credit provided for under the windfall profit tax—you must make that election between tight sands and the tax credit at the time you penetrate the earth.

Producers do not know what kind of gas they are going to get when they first penetrate the earth. They do not know whether they are going to get gas at all, let alone tight sands gas. Consequently, virtually no one makes the election for tight sands gas; and if they find the tight sands gas, then the great expense of producing tight sands gas comes after you find it, because it requires what we call "fracking," bringing in the expensive equipment—in effect, fracturing this big formation with the high-pressure introduction of sand and other materials to open up the formation. It means that you simply cannot produce it. That was never intended.

The Tower amendment, which I have cosponsored, will indeed and in fact clear up that problem. So I hope that my colleagues—particularly on this side of the aisle—will realize that the amendment is not one to give some fabulous bonanza to oil companies but, rather, is a means to carry out the intent of Congress under the Natural Gas Policy Act, that intent being to give the higher incentive price to tight sands, tight sands having already been described in the Natural Gas Policy Act and rules having been promulgated.

So I hope my colleagues will go along with the amendment. As I understand it, it has zero revenue effect and is a very needed amendment.

Mr. BENTSEN. Mr. President, I am pleased to join my distinguished colleague, the senior Senator from Texas, in urging our colleagues to adopt a technical, noncontroversial amendment on high-cost gas. The amendment we are presenting is identical to S. 1183, which I introduced on May 14 of this year.

Let me briefly explain the problem. An unforeseen technical problem has arisen for natural gas producers due to the mechanical interaction of the tax credit provisions of the Crude Oil Windfall Profit Tax Act of 1980 (COWPTA) and certain filing requirements contained in the Natural Gas Policy Act of 1978 (NGPA). As a result, many taxpayers who have interests in high-cost gas wells are unable to receive either of the two economic incentives that Congress provided under these statutes to encourage the production of high-cost gas.

The COWPTA provides a tax credit for certain high-cost gas production, including gas produced from geopressured brine, coal seams, devonian shale, and tight formations. In addition, Congress in the NGPA deregulated the price of high-cost gas produced from devonian shale, geopressured brine, and coal seams, and authorized the Federal Energy Regulatory Commission to set a special incentive price for gas from tight formations.

The enactment of the COWPTA tax credit triggered a restrictive filing requirement contained in section 107(d) of the NGPA. Under this provision, producers who wish to collect any deregulated or incentive price in lieu of the tax credit must file an election with the FERC on or before the later of May 2, 1980—that is, the 30th day after enactment of the Windfall Profit Tax Act—or the date on which surface drilling of the well began. Thus, a producer who did not make a timely filing to elect the deregulated or incentive price is regulated to the COWPTA tax credit.

However, the COWPTA tax credit has already been phased out for high-cost gas produced from coal seams, geopressured brine or tight formations under a formula contained in the COWPTA. The credit phases out entirely when the average weighted price of uncontrolled crude oil reaches $32.14 per barrel. The average deregulated price of crude oil is now over $33 per barrel, so that it is unlikely that the tax credit will ever be worth anything for producers of these three types of high-cost gas.

Nevertheless, this "credit" triggers the NGPA election requirement. Many producers did not file a timely election that satisfied this requirement and, consequently, can neither charge the incentive or deregulated price nor collect a real tax credit. In many cases, for example, it is extremely difficult, if not impossible for a producer to know what type of formation he will encounter prior to drilling in a wildcat area. Therefore, the producer will not realize that he has missed the election deadline until he has completed the well.

Congress clearly intended to permit all producers to collect either a higher incentive price or a meaningful tax credit in order to promote both drilling for and production of high-cost natural gas. Congress recognized that producers should be compensated for the extra costs and risks of producing such, appropriately labeled, high-cost gas. However, Congress did not anticipate that, due to the technical operation of the two statutes, many producers would have no fair chance to make an election or no reason to anticipate they would need to make an election.

Our amendment provides that a producer will automatically be eligible to receive the incentive or deregulated price for his high-cost gas production. However, a producer may collect any credit for which he is eligible instead of the higher incentive or deregulated price. Our intent to prevent "double-dipping", or collection of both the credit and higher prices, is thus preserved. In addition, this amendment will obviate the need for filing for the deregulated or incentive price, thus reducing thousands of needless filings by producers. This amendment will also provide a real incentive for the production of high-cost natural gas, and finally, the level of the credit is unchanged.

At the same time this proposal preserves the availability of the tax credit for gas produced from Devonian shale, which is the only type of high-cost gas for which the credit provided by the COWPTA is real and substantial. The credit for Devonian shale gas is not tied to the price of decontrolled crude, until 1983 and thereafter. For 1980, 1981, and 1982, this credit will not start phasing out until the average sale price of Devonian shale gas reaches $4.05 per mmBTU, and will not entirely phase out until that average price reaches $5.08 per mmBTU. The average price of this gas is now less than $3 per mmBTU, and will probably not increase markedly in the next year or two. Accordingly, this proposal lets Devonian shale producers collect the credit for these years, and then receive the deregulated price thereafter.

Mr. President, this election problem is emerging as an industrywide and nationproblem for small and independent producers of natural gas. This amendment would remedy this problem by establishing a new but more workable and fair election requirement than exists under current law. Because this problem is so important to maximize gas production in this country and because it should be remedied as soon as possible, I hope that my colleagues will adopt this simple provision. The effective denial of both the incentive price and the tax credit acts as a disincentive to high-cost gas production for many producers and is clearly contrary to the intent of Congress and the best interest of this country.

Mr. TOWER. Mr. President, it is my

understanding that the two managers of the joint resolution are prepared to accept this amendment. I am prepared to let it go by voice vote and yield back the remainder of my time if there is no time taken in opposition.

The PRESIDING OFFICER. Has all time been yielded back?

All time having been yielded back, the question is on agreeing to the amendment of the Senator from Texas.

The amendment (No. 507) was agreed to.

Mr. TOWER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SASSER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 278

(Purpose: To amend the Internal Revenue Code of 1954 to simplify the excise tax provisions relating to certain sporting goods)

Mr. SASSER. Mr. President, I send an amendment to the desk on behalf of myself and Senator DECONCINI, Senator MCCLURE, Senator BENTSEN, and Senator SYMMS, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Tennessee (Mr. SASSER) for himself and Mr. DECONCINI, Mr. MCCLURE, Mr. BENTSEN, and Mr. SYMMS proposes an unprinted amendment No. 278.

Mr. SASSER. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 171, add the following new section after line 16:

"SEC. 253. EXCISE TAX SIMPLIFICATION.

"(a) IN GENERAL.—Section 4182 of the Internal Revenue Code of 1954 (relating to certain excise taxes) is amended by redesignating subparagraph (c) as (e) and by inserting after subparagraph (b) the following new subparagraphs:

"(c) MANUFACTURER, PRODUCER.—For the purpose of this subchapter, a manufacturer or producer shall be deemed a person who engages in the business of manufacturing and produces more than 50 items per annum.

"(d) SHELLS AND CARTRIDGES.—There shall be no tax imposed on an individual who handloads shells or cartridges for himself or others only on a not-for-profit basis.".

"(b) EFFECTIVE DATE.—The provisions of this section shall take effect upon enactment, except that the provisions of subparagraph (c) of section 4182 of the Internal Revenue Act of 1954, as amended by this section, shall apply to all pistols, revolvers, and firearms sold after December 31, 1975.

Mr. SASSER. Mr. President, this amendment is a noncontroversial amendment which I have discussed with the distinguished floor managers of the joint resolution, Senator DOLE and Senator LONG, and I understand that it is acceptable to both of these distinguished Senators.

This amendment does two things. First, it provides for a sensible and consistent definition of a manufacturer so that the Nation's custom gunsmiths will not be liable for Federal manufacturer excise taxes of 10 to 11 percent that are now imposed on American firearms producers.

The problem that we have today is that there are many, many custom gunsmiths throughout the Nation that manufacture only a few firearms a year and do not properly regard themselves as firearms manufacturers. These custom gunsmiths produce a limited number of handcrafted guns either for themselves or for gun collectors throughout the country. They really are not firearms manufacturers.

But because of some inconsistencies in the definition of firearms manufacturers, there are a number of custom gunsmiths who contend that the IRS will improperly judge them to be firearms manufacturers and thereby be held liable for back excise taxes. Indeed, there is one reported case, I understand, where the IRS spent nearly 3½ years and a considerable sum of money to collect some $10,000 in back taxes from a custom gunsmith.

But these custom gunsmiths fear that their small businesses and hobbies will be disrupted or even wiped out by the threat of an IRS ruling that might hold them liable for back taxes.

Mr. President, there has been so much confusion in this area, it is my understanding that very little tax revenue has thus far been collected from custom gunsmiths so this amendment has a negligible revenue impact. Adoption of this amendment will lead to consistent enforcement of our tax laws.

The second part of this amendment provides that individuals who handload shells or cartridges for themselves or others shall also not be liable for excise taxes when they perform such services on a not-for-profit basis.

Passage of this amendment means that custom gunsmiths and American sportsmen will be free from arbitrary and unfair IRS actions to collect Federal excise taxes which are incorrectly applied to their activities.

Mr. SYMMS. Mr. President, will the Senator yield?

Mr. SASSER. I yield to the Senator from Idaho.

Mr. SYMMS. I thank the distinguished Senator from Tennessee for yielding.

Mr. President, I wish to compliment the Senator for bringing this to the attention of the Senate. I support the amendment.

I can say that my senior colleague, Senator MCCLURE, who was here in the Chamber just a few moments ago, spoke with me about the amendment and gives it his support and endorsement.

Mr. DECONCINI. Mr. President, I am pleased to cosponsor this amendment with my distinguished colleagues from Tennessee (Mr. SASSER) and Idaho (Mr. MCCLURE).

As Senator SASSER noted the purpose of this amendment is to resolve an ambiguity that has arisen in the application of the excise tax on firearms to the Nation's custom gunsmiths, and to exempt not-for-profit cartridge loaders from the tax. As the Senator noted, these are uncontroversial amendments which clarify the application of the excise tax to certain small groups of citizens.

This amendment has a negligible impact upon the revenues of the United States and yet it may well be the only means by which to prevent the extinction of a significant number of this Nation's gunsmiths. It is contrary to the national interest for this body to permit the Internal Revenue Service to tax small business into bankruptcy. A combination of conflicting statutes and regulations, and a decision by the fourth circuit court of appeals has placed numerous of the custom gunsmiths in this country in the position of owing substantial back taxes on the basis of a provision which was considered inapplicable to them for years.

Mr. President, taxing the custom gunsmiths of this country into extinction serves no useful purpose and the economic costs of exempting this limited group of people from the tax is more than outweighed by the contribution small business has made and continues to make to this Nation. I therefore join my distinguished colleagues in moving the adoption of this amendment.

Mr. SASSER. Mr. President, I ask unanimous consent that the distinguished Senator from Nevada (Mr. CANNON) be added as an additional cosponsor to this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SASSER. Mr. President, I withhold the remainder of my time.

Mr. DOLE. Mr. President, I understand this amendment has been cleared with the Senator from Louisiana.

Mr. LONG. Yes.

Mr. SASSER. It has been cleared with the Senator from Texas.

Mr. DOLE. And it has been cleared with Senator METZENBAUM.

Mr. SASSER. It has been cleared with Senator METZENBAUM also.

Mr. DOLE. I have no objection.

We may proceed.

Mr. SASSER. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Tennessee.

The amendment (UP No. 278) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DECONCINI. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, does any Senator, here have an amendment that

is not under negotiation? There are some we are negotiating.

Mr. BAKER. Mr. President, we have a good attendance in the Chamber now. We still have more than 80 amendments on the list.

Surely some Senator has some amendment he is willing to call up at this time.

Mr. President, while I consult with the minority leader and the distinguished chairman and ranking member of the committee, I will suggest the absence of a quorum and charge it against the bill.

The PRESIDING OFFICER (Mr. WARNER). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I wonder if the distinguished Senator from Arizona (Mr. DECONCINI) would be willing to bring up his earnings limitation amendment now?

Mr. DECONCINI. Mr. President, I do not intend to bring that amendment up.

Mr. BAKER. May I inquire did the distinguished Senator from Arizona say he does not plan to offer his amendment?

Mr. DECONCINI. The Senator is correct.

Mr. BAKER. At all?

Mr. DOLE. That counts.

Mr. BAKER. The Senator has my profound thanks.

Mr. DOLE. Does anybody else not plan to offer his amendment that we can scratch off? There is an ESOP amendment.

Mr. DECONCINI. Mr. President, I am not prepared to offer that amendment at this time, but I intend to bring it up Monday, before the final vote.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I think we can complete a colloquy here between the distinguished Senator from Hawaii (Mr. MATSUNAGA) and myself and the distinguished Senator from Louisiana (Mr. LONG).

OVER WITHHOLDING OF INCOME TAX

Mr. MATSUNAGA. Mr. President, according to a Government Accounting Office report many employees are subject to overwithholding of income tax under present law. Employers are withholding more taxes than the workers will actually owe, and the workers will not be able to regain these withheld amounts until they file for a tax refund. I wish to clarify that this overwithholding will be corrected by the Economic Recovery Tax Act of 1981.

Employees who do not voluntarily choose to be overwithheld are subject to overwithholding because the withholding system is not sufficiently flexible and because present law limits adjustments for withholding to particular "itemized deductions." The tax legislation now before us authorizes the Treasury to issue regulations to correct these problems. The Senate should make clear its intent that the Treasury should promptly issue these regulations, and any needed forms, tables, and computational procedures.

This measure envisions prompt regulations allowing employees to adjust the amount withheld by taking into account the items that affect their income taxes, such as deductions from gross income and itemized deductions. These regulations should provide the same standards as current regulations to determine the deductions which are reasonably expected and can be taken into account for withholding adjustment.

In addition, these regulations should not prevent a particular kind or class of deduction, credit or additional item from being taken into account, unless doing so would distort the amount of tax withheld in relation to the amount of tax owed. Also, these regulations should set forth the circumstances under which the taxpayer's total estimated income—or the estimated income of the taxpayer and his spouse if they file jointly—must be taken into account in determining the amount of withholding. Also, these regulations should take into account the problem with taxpayers claiming grossly exaggerated numbers of withholding allowances or a total exemption from withholding in order to avoid having any taxes withheld.

Might I have the majority floor manager's view on the withholding provision.

Mr. DOLE. I appreciate the Senator's remarks and share his concern about overwithholding of income taxes. The bill contemplates that the Treasury would act promptly to issue the needed regulations, forms, tables, and computational procedures to implement the provisions in the bill and should allow employees to adjust withholding in the manner, and under the standards, described by the Senator. These regulations should provide that the items that affect income taxes owed may be taken into account to adjust withholding unless they would distort the amount of tax withheld in relation to the amount of tax owed.

Mr. MATSUNAGA. Does the distinguished minority floor manager of the measure share this understanding?

Mr. LONG. Yes, I do.

Mr. MATSUNAGA. I thank both floor managers and I yield the floor.

MORTGAGE REVENUE BONUS

Mr. SYMMS. Mr. President, the passage of the omnibus budget reconciliation bill of 1980 severely crippled the State housing agencies' ability to successfully sell mortgage revenue bonds.

Last year, Congress sought to place restrictions on single family mortgage revenue bonds for a variety reasons. The Congress sought to direct the benefits of the program from rural areas to big cities, and on this count, Congress succeeded by providing big cities with virtually no restrictions on the use of the program. The housing needs of Idaho's citizens, particularly in remote and rural areas of the State will not be met but we are more than meeting the housing needs of those living in large urban areas.

The Congress also sought to limit the amount of "public profit" these programs generate, and on this count the Congress succeeded by requiring programs to be operated below the level of self-sufficiency and financial responsibility.

In addition, the Congress sought to eliminate potential tax losses to the Treasury by increased use of the program. Congress failed on this issue because as decreased housing starts and lumber industry unemployment have taken builders off of tax paying jobs and put them on unemployment benefits.

The Congress sought to eliminate competing credit demands and reduce interest rates by restricting the amount of bonds sold. On this count, the Congress failed since no bonds have been issued since January 1, 1981. Yet, interest rates being charged on January 1, 1981, compared to interest rates being charged on February 15 show that rates rose.

The Congress sought to direct the benefits of the program to first time homebuyers: On this count, Congress succeeded in allowing the first time homebuyer to buy a four-plex and get into the rental business, but denied a mobile homeowner, renting in a park, from leaving serfdom.

The Congress sought to balance the Federal budget through limiting the issuance of these bonds. On this count, the Congress would be credible if it had tried to balance the budget by eliminating some of the bureaucratic programs at HUD that are not beneficial to a national housing policy.

The entire issue of mortgage revenue bonds needs to be reviewed and voted upon by the Congress. It seems to me that if the U.S. Government intends to have a national housing policy, then the viability of mortgage revenue bonds as a part of that policy needs to be examined. If we are not going to have a national housing policy and we intend to close the Department of Housing and Urban Development then mortgage revenue bonds need not be an issue.

Mr. DOLE. Mr. President, I might say to the distinguished majority leader that I do not think there are going to be any more votes, unless we vote on adjournment. We have gone through the list of amendments. There are seven, eight or nine that are in the pending stage with Senators, as they are talking to Treasury, our staff and the joint committee. I think in the morning we ought to have quite a flock of amendments, but I cannot seem to find any more this evening.

Mr. BAKER. Mr. President, let me ask the distinguished chairman and the minority manager of the bill what they can offer to us in terms of amendments that can be sequenced and amendments that can be laid down this evening.

Mr. DOLE. I do not know of any we can lay down, but I can promise the ma-

jority leader we will have one ready to go at 10 a.m.

Mr. BAKER. Mr. President, I must say that I have tried as hard as I know to find some Senator who is in a position to offer an amendment tonight. I believe the minority leader has done as much. The distinguished chairman of the committee has tried hard, going through his list repeatedly, as has the minority manager, to find some amendment that is eligible and ready.

It had been my fondest hope that we could have at least one, perhaps two more amendments this evening. But I have to say I do not believe we are going to make it.

What we will do instead, Mr. President, is schedule at least three amendments for action in the morning, two of the three will require rollcall votes, one probably will not, and adjust the convening hour so that we can get on this bill at 10 o'clock.

I would like now, Mr. President, to put a unanimous-consent request.

Mr. RANDOLPH. Mr. President, reserving the right to object, and I shall not object, I would like to ask a question. May I presume to ask a question?

Mr. BAKER. Yes. I have not yet put the request. I yield to my friend from West Virginia.

Mr. RANDOLPH. I wonder if there is any decision made in reference to the time on tomorrow afternoon or evening or night when we would stop working here in the Senate.

Mr. BAKER. Mr. President, there is not. I cannot do that, as much as I would like to accommodate the wishes of the Senator from West Virginia.

Mr. RANDOLPH. I thank the leader very much.

Mr. BAKER. I really cannot do that. I know I am doing a disservice to every Member of the Senate by not doing that. I indicated earlier that we would be in until 11 o'clock tonight. I think this train is pulling the engine instead of the engine pulling the train. So I am not going to presume to suggest what time we will finish tomorrow night, but it will be a full day's work. We will stay as long as we can gin up amendments, and that is going to be until late afternoon and maybe into the evening.

ORDER FOR RECESS UNTIL 9:15 A.M. TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the convening of the Senate on tomorrow be changed from 10 a.m. to 9:15 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR REDUCTION IN LEADERSHIP TIME TOMORROW AND FOR RECOGNITION OF CERTAIN SENATORS

Mr. BAKER. Mr. President, I ask that the time allocated to the two leaders under the standing order be reduced to 5 minutes each, if that is agreeable to the minority leader, and that after the recognition of the two leaders under the standing order, as reduced, there be special orders for the recognition of the distinguished Senator from South Carolina, the President pro tem (Mr. THURMOND), and the distinguished Democratic Whip, the Senator from California (Mr. CRANSTON).

The PRESIDING OFFICER. Without objection, is is so ordered.

ORDER TO RESUME CONSIDERATION OF TAX MEASURE TOMORROW AND INITIAL SEQUENCE OF AMENDMENTS

Mr. BAKER. Mr. President, I ask unanimous consent that at the hour of 10 a.m. tomorrow, the Senate resume consideration of the pending measure, and that at that time the junior Senator from Indiana (Mr. QUAYLE) be recognized to call up an amendment on rehabilitation.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Parenthetically, it is not anticipated that the Quayle amendment will require a rollcall. Of course, any Senator can ask for one, but we do not anticipate it, nor do we anticipate a long debate.

Mr. President, I ask unanimous consent that after the disposition of the Quayle amendment, as described, that the distinguished junior Senator from Tennessee (Mr. SASSER) be recognized to call up an amendment on social security.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that after the disposition of the Sasser amendment Mr. BAUCUS be recognized to call up an amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. After the Baucus amendment, it is likely that we will call up a Heflin amendment. That has not yet been cleared. I will advise Senators that is probably to be added to the sequence sometime tomorrow.

Now, Mr. President, we have disposed of 24 amendments from the list of 101, 22 of them today with six rollcall votes and two of them last night. That is good progress. But, once again, Mr. President, it is not good enough to avoid the stampede of amendments that almost inevitably will occur beginning on Wednesday at 3 o'clock.

Mr. President, let me explain to the Senate, to every Member, why I have tried to push as hard as I have today.

I fully appreciate the fact that the Senate has granted a unanimous-consent order providing for the disposition of this measure to third reading not later than 3 o'clock on Wednesday. If we are going to finish our work and get out of here anyplace close to the beginning of the first of August, we are going to have to do at least that well, because we are going to end next week with two conference reports, I predict, two monumental conference reports, one on the tax bill and one on budget reconciliation.

If we do not improve on that Wednesday time for third reading on the tax bill, we are going to end up with both of those conference reports in our laps, maybe on the same day.

Mr. President, I am not asking for a change in the consent order that has already been entered. I certainly am not ungrateful for the accommodation Senators have already provided for the third reading time of next Wednesday. But I urgently ask Senators to consider offering as many amendments as possible tomorrow, that we have a good full day of work tomorrow, and a good day; a late day on Monday; and that we try to get to third reading on this bill on Tuesday rather than Wednesday.

The order provides, as Senators will all recall, that we will reach third reading not later than 3 o'clock on Wednesday.

Mr. President, I respectfully challenge the Senate to try to improve on that by 1 day. In order to do that, Senators are going to have to do better than we did today, although 24 amendments is an extraordinary accomplishment by the Senate by any measure. This is an extraordinary bill. There is a great number of amendments. But it simply is not good enough.

I commend the distinguished chairman of the committee, the ranking minority member, the minority leader, and all Senators for working hard and working late this day. But I urge them once again, Mr. President, to improve on our list of accomplishments by tomorrow.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. BAKER. Yes.

Mr. DOLE. I certainly share the views expressed by the distinguished majority leader. What we really need is someone to start coming over with amendments. I have to say we have not had too much downtime. Maybe we have had 15 or 20 minutes all day in quorum calls.

I think we can process the amendments even more rapidly. Hopefully, tomorrow we will have a lot of people here asking to be put into some sequence. We will be very happy to do that, probably on a rotation basis which would be fair to both sides.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. ROBERT C. BYRD. Mr. President, the distinguished majority leader is correct in his evaluation of the situation. There will be the conference report once the conferees finish action on the tax measure and the conference report when the conferees wind up on the reconciliation measure.

The majority leader will have my support in advancing the action to third reading on this measure by the close of business Tuesday. I will do everything I can.

Mr. BAKER. Mr. President, I am extremely grateful to the minority leader. I learned much from him in his years as majority leader. One of the things I learned most profoundly was that it usually takes the joint leadership to move an important piece of legislation.

I acknowledge my gratitude to him and the necessity for his cooperation, which he has so generously offered.

Mr. President, there will be no more votes tonight, I must announce reluctantly.

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I now ask that there be a brief period for the transaction of routine morning business, not to extend beyond the hour of 10:10 p.m., in which the Senators may speak for not more than 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE DEATH OF THE STAR

Mr. PRESSLER. Mr. President, Time, Inc.'s announcement today of their intention to terminate publication of the Washington Star is disturbing. The Star is a 128-year-old Washington institution and is one of the Nation's finest evening newspapers. If no new backer can be found to continue publication of this great newspaper, it would be a deplorable loss for the city, the Nation, and the journalism profession.

The demise of this paper would leave Washington, D.C., in a regrettable position as the only city of its size in the Nation to have only one major newspaper.

August 7 will be a sad day when the work of the Star's editorial and reporting staff, including some of the finest journalists in the country, will no longer be available to newspaper readers in Washington. Murray Gart has done well in providing Washington with an afternoon voice along with the superior editorial skills of Edwin Yoder and Sidney Epstein. Among the reporters of the Star's staff whose work I have enjoyed are Mary McGrory, Lisa Hornig, Eleni Epstein, and Ymelda Dixon. I might say that Jeanne and Murray Gart did a great deal of fine work for this community.

It is my hope that several options could be pursued to keep the Star in operation in the event Time, Inc. is unable to find a buyer.

First, it would be to the benefit of Washington if the Star and the Washington Post could renew their attempts to work out a joint publication formula. As the editors of the Post have pointed out themselves, any newspaper, no matter how outstanding, functions better with good professional competition.

Second, like Harpers magazine which teetered on the brink of extinction almost 2 years ago, private foundations may have an interest in continuing the Star's operations. When the MacArthur Foundation announced its decision to run the magazine, the foundation's president stated that the purchase was "an example of the way in which private philanthropy can contribute to the quality of thought in the United States." Surely the continuation of the Star is of the same importance.

Third, perhaps the Star can consider an employee-ownership plan. Although the profitability of the Star may preclude further consideration of this option, employee ownership could reduce the profit and loss pressures which frequently take on such immense importance when a major corporation owns a newspaper.

In conclusion, Mr. President, I know all this is easier said than done but I am concerned about the concentration of power in the media. We now have most of our major cities having only one major newspaper, and newspaper chains across our country are coming to own more and more of our media. People running them are of the best intentions, but if we do not have a diversity of outlets, a diversity of sources, the quality of news lessens. There was a time in American history when we had the independent journalist, the independent editorial writer. The fact of the matter may be that that time is fading, except in some instances. That is of great concern to me.

So it is a sad day. The Star died today and it is a very sad thing when we think about it. The greatest Capital in the world has only one newspaper and we do not have the benefit of that diversity of opinion in the greatest Capital in the world. It is with a note of sadness that I conclude this statement. I wish that something could be done to keep the Star going.

THE YOUNGEST OLD MEN IN JOURNALISM

Mr. PERCY. Mr. President, few people in Washington today have witnessed and reported on the breadth and continuum of events in this town as have Richard L. Strout, who recently began his 61st year with the Christian Science Monitor, and Marquis W. Childs, who, in June, retired after serving for 55 years as a reporter and columnist for the St. Louis Post-Dispatch.

Their commitment to the highest journalistic standards and their contributions to our understanding of the people, issues, and events of Washington are impressive indeed.

It is for this reason that I ask unanimous consent today to have printed in the RECORD a very fine tribute to these men which appeared in the Washington Post on June 21, 1981, and was written by their admiring colleague, David S. Broder.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE YOUNGEST OLD MEN IN JOURNALISM

(By David S. Broder)

We had a breakfast the other morning to honor one of our own, a reporter for the Christian Science Monitor named Richard L. Strout. It was an ordinary working day for him, as for us, except for Dick Strout it was the start of his 61st year on beat.

He was hired by the Monitor on June 13, 1921, and two years later drove his Model T down to Washington and began covering the administration of Warren G. Harding, the first of 11 presidents he has seen. He is a tall Yankee with a neatly trimmed moustache, straighter and slimmer than most of us a generation or two younger. He stays fit, he says, by steady work; 60 years for the Monitor; 38 years doubling in brass as the weekly columnist for The New Republic, writing under the non-disguise of TRB, an acronym with no meaning.

He may well be the best print journalist working in Washington. His claim to that title was probably strengthened when a colleague and competitor named Marquis W. Childs retired at the beginning of June after 55 years as a reporter and columnist for the St. Louis-Post Dispatch. Childs quit so he could write some more books, a decision Strout probably thinks he will get around to—in due time.

As we sat with Strout the other morning, hearing him do capsule profiles of the presidents he had known and discourses on his favorite topics—the dangers of the arms race and the folly of our political sweepstakes—all of us, I suspect, were thinking of what such a career can mean. Journalism is, in many respects, in public disrepute these days; the polls and everyday conversation tell us most of our readers disbelieve what they find in our copy and have meager confidence in our ability to get the story right.

Yet Strout and Childs are regarded with affection and trust and confidence, not only by colleagues in the business but by people about whom and for whom they have written.

What lessons can they teach us? One is the importance of steadiness. They did not flit. Sixty years on one paper in Strout's case; 55 for Childs. Most of it on one beat, the nation's capital. They learned the ground they were covering, and they let both their subjects and their readers know what to expect from them.

Today, too many of us move from beat to beat, from paper to paper, from network to network—seeking novelty or fame. We sacrifice the knowledge and credibility of a Strout or a Childs in the process.

The second characteristic the two men have in common is their liveliness and their love of the human follies they have seen. They are the youngest old men in journalism. Childs was a connoisseur of gossip, carrying tidbits both ways across the Atlantic on his frequent trips, reveling in a colleague's rendition of some particularly implausible anecdote.

Strout speaks of the roguish Harding with more affection than any of the late greater presidents he knew, still marveling at his dalliances among the galoshes in a White House closet, while the Secret Service stood guard.

But, at heart, both men are dead serious about their work. They have witnessed a lot of history, but they have read widely, avidly, to encompass more. They have the scholar's fetish for accuracy, for getting the names and numbers right, for checking their recollections against the reference books.

They care deeply about the fate of this country and this world—and they do not disguise their concern. Childs in his valedictory column and Strout in two of his most recent New Republic essays wrote about the dangers of nuclear arms in the hands of those "fanatics, the ideologues," as Childs called them, "who have brought on one catastrophe after another in this bloody century."

But they are—as journalists must be in order to rise and write another day—optimists. "If occasionally I have despaired over earthlings who seem bound to destroy our small planet," Childs wrote, "I have fallen back on the tough stuff of human nature and the ingenuity of mankind, which has survived despite all the plagues, natural and man-made."

Finally, they have immense pride in their craft. "For all the 'new journalism' and the public's skepticism over what sometimes seems to be invention, it is a splendid trade, and there are admirable practitioners who serve the cause of intelligence and order in a turbulent world," Childs told his readers as he left.

Strout offered this advice to fellow journalists at the National Press Club a couple of years ago: "I hope they will stay committed. I hope they will retain their curi-

osity—their interest; yes, and at their heart a touch of anger. When the Adrenalin runs low, when the little flame of anger flickers out, I think it is time for the reporter to think about going into some more remunerative form of work."

Fortunately, Dick Strout and Mark Childs have not found that other form of work—in all these years when they could have been looking. For us in this troubled, and vulnerable line of work, their example is important.

CHICAGO SUN-TIMES EDITORIALIZES ON DEFENSE

Mr. PERCY. Mr. President, the Chicago Sun-Times recently published what I regard as a first-rate series of editorials on the U.S. defense posture.

The series examined a wide range of related issues, including the level and rate of defense expenditures, net assessment and threat analysis, technology and reliability tradeoffs, the procurement and defense contracting process, and manpower.

In its concluding piece, the Sun-Times endorsed the need for a substantial buildup in our national defense forces, but cautioned against believing that current deficiencies can be redressed simply by spending more money. The concluding editorial placed particular emphasis on redoubling our efforts to insure that the problem of defense waste and mismanagement is addressed in an organized, continuous, and concerted way, a point of view which I am sure we all strongly support.

Mr. President, I ask unanimous consent that this series of editorials be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Sun-Times, June 21, 1981]

A STRONGER DEFENSE

The American people are moving along toward the costliest buildup of their military forces in peacetime history.

Congress is approving, with all but inaudible opposition, a 1982 defense bill of $136.5 billion, up 28 percent after inflation. And this is just the first installment on the administration's plan to spend $1.5 trillion on defense through 1986. On an annual basis, that's a jump of 70 percent after inflation.

There is a broad national consensus for such massive spending, in spite of the enduring burdens of inflation, recession, high taxation. The people have had, apparently, their fill of humiliation at the hands of the Vietcong, ayatollahs, OPEC sheiks and Kremlin hierarchs. And they are determined to build military muscle so they can feel secure again.

There is assuredly a need for muscle building. The Soviets are projecting their power well beyond their borders—into Afghanistan, at the approaches of the Persian Gulf, in Southeast Asia, Africa and the Caribbean.

And they have what it takes to do so after lavishing—for three decades—precious resources on history's greatest military buildup.

From a zero base, they have achieved nuclear equivalence with the United States and, by some accounts, will soon imperil our silo-based retaliatory missiles. Their army is more than twice as large as ours. They have 50,000 tanks, we 10,000. Their navy, much enlarged, now moves freely in distant seas.

They are not, to be sure, 10 feet tall. Nor are we, thanks to superior technology, only 4 feet tall. Our allies, furthermore, are stronger than theirs, and far more trustworthy.

But the numerical disparities between us in specific areas and our new responsibility to defend interests beyond Europe and the Pacific—notably at the oil wells of the Persian Gulf—make it essential that we attend to our weapons and the people who man them.

When Harold Brown left office as President Carter's defense secretary, he was pleased about "the long-overdue consensus for increasing our nation's military strength" and President Reagan's determination to sharply raise spending on it. But he also warned that big defense budgets do not automatically translate into greater military power.

This the Reaganites have not thus far heeded. Brown's successor, Caspar W. Weinberger, a good administrator with no experience in military matters, in short weeks produced the huge new budgetary numbers. The primary question asked in compiling them was not "What do we need?" but "How much should we spend?" And what the numbers add up to, mostly, is more of the same.

In "The Defense of the United States," the fine series CBS–TV aired last week, a persistent question arose: "Will throwing money at our problem solve it?" The answer is no.

A Senate military expert, Gary Hart (D-Colo.), calls the current defense bill "dangerous" because its programs are unrelated to "what history suggests is important for an effective military. . . . The bill provides more of the same ships, planes and tanks we have been . . . buying for decades. With its emphasis on $3.5 billion aircraft carriers, $650 million submarines, $40 million fighter planes and $2.5 million tanks, [it] makes it unlikely we can have the numbers we need."

Numbers are one need. So is what Sen. Hart calls usability of materiel—"the ability to function in bad weather . . . in the hands of real soldiers, without much maintenance." We need simpler, more mobile equipment to respond quickly to unforseen threats.

On a higher level, we need sharper assessments of Soviet strengths and weaknesses so we don't keep spending on the wrong things.

But for this essential wisdom Americans are called upon to trust a military-industrial-congressional complex that has repeatedly and shamelessly squandered their resources.

Past spending, though less than the future's, was hardly puny. Yet much of it went for "wrong things," resulting in a technologically brilliant but often inoperative force that, while it might respond appropriately to a challenge in Europe, left us all but naked to Soviet expansionism and radical nationalism on the Persian Gulf. Items:

The new M–1 tanks are so huge that only one at a time can be airlifted by the biggest U.S. transport, the C–5A.

The Air Force's new MX missile was designed just a bit too big to fit in the Navy's new Trident submarine's missile tubes, requiring costly alternative deployment, as in the Utah-Nevada "race tracks."

A new armored personnel carrier, the infantry's key vehicle, doesn't fit in the ramp opening of our assault transport planes.

The Army—because of the priority given to high technology—can't afford to properly train its troops. It has a third of the ammunition it needs for war. Six of 10 combat divisions are "not combat ready."

A third to two-thirds of our complex tactical aircraft are grounded at any given time for maintenance and to await—for as much as nine months—replacement parts, of which the Air Force lacks $2.1 billion worth.

The Navy lacks 20,000 petty officers and more of other personnel, so that warships often languish in port, unready to fight.

Clearly, throwing money at problems does not necessarily solve them. What is required for an adequate national defense is not simply "more," but prudent, well-reasoned answers to the questions "what?" and "why?"

William Kaufmann of the Massachusetts Institute of Technology shows in a new study that we can close the gap on the Soviets with just small increases in force strengths.

But this can be done only if most of the money available is spent on force readiness, which includes adequate and well-trained regular and reserve manpower, simpler weaponry to arm them and improved ability to transport them quickly and on short notice.

Thats where President Reagan, the Pentagon and Congress ought to be headed. They have not yet shown that they are.

[From the Sun-Times, June 22, 1981]

SOVIETS OVERRATED—AND PENTAGON OVERREACTS

Lavish as the administration's defense budgets are projected to be, prudent choices will have to be made on how our precious dollars are spent. No realistic budget could ever accommodate the wish lists of generals and admirals and their civilian managers.

But prudent choices depend on wise assessment of what the Soviet are up to, and here the U.S. intelligence community historically has made flagrant errors that promoted wasteful U.S. responses. Rep. Les Aspin (D-Wis.), one of the wiser heads of the House Armed Services Committee, confirms the point in his Personal View on the opposite page.

Other warped assessments pervert perceptions of Soviet strength, and thus they pervert the Washington reactions based on them.

Most notorious are the CIA "studies" of Soviet defense spending, showing that Moscow's military budgets are far larger than ours. Truth is bent (probably by design to justify support for higher American budgets), and how it's done is shown by one example:

To arrive at the cost of the 4.5-million-man Soviet army, the CIA assigns the pay scales of U.S. military *volunteers* to the *conscripted* Soviet soldiers. Then it adds the American overhead of more than $10,000 per volunteer. When Uncle Sam gives our GIs a raise, the CIA gives an equivalent "raise" to Soviet soldiers and kites its totals that much more.

The CIA's statistical humbug has been credibly analyzed and realistically revised by Franklin D. Holzman, a Tufts economist and a fellow at Harvard's Russian Research Center. His understated conclusion: "The corrected figures indicate that the Soviet Union has not been outspending the United States."

The Pentagon also habitually makes U.S.-Soviet comparisons without including their respective NATO and Warsaw Pact allies. When you add them in, even using the CIA's cockeyed Soviet budget figures, the perspective (see the accompanying table) tends to ease the alarm over our "weakness."

Take into account also the character of our allies compared with the Soviet's, Poland for one. The U.S.S.R. has been described properly as the only major power surrounded by enemies—almost all of them communist.

Go on, if you will. Add the China factor, including 4.4 million troops. The Chinese are not, to be sure, our allies, but they certainly are not the Soviet Union's friends.

And none of this takes into account the quality of weaponry. Returning to Holzman:

"It is paradoxical to read in the Joint [congressional] Economic Committee hearings for various years that, according to the CIA, the Soviet Union has been regularly producing and deploying more military equipment than we have, and has almost twice as much military; yet the predominant opinion of participants is that the United States is still the stronger power.

"The resolution of this paradox is not hard to find. Clearly the basis for this view is the

superior quality and technology of U.S. equipment. Unfortunately, this crucially important factor is not captured in CIA estimates."

The matter of accurate, prudent assessment of Soviet strengths and what we should do to counter them bears heavily on crucial decisions the Reagan administration is to make soon, perhaps starting as early as next week.

These include two very costly projects—the MX missile and how it is to be deployed and construction of a manned bomber (or two bombers) to replace the venerable B–52.

The MX is the $40 billion-minimum nuke launcher with which the Pentagon proposed to scar up much of Utah and Nevada in a race-track configuration. That deployment is so monstrous that it may no longer be in the cards. But others are.

The real question is not how, but whether it should be deployed. And the answer revolves around the validity of the two canons of Pentagon theology invoked to justify it—"the window of vulnerability" and Soviet "first-strike capability."

The thesis is that in the mid-80s, before the MX can be deployed (that's the "window" in time), Soviet intercontinental nukes will be so accurate that they will be able to destroy our land-based Minutemen—and many of our submarine missiles—in a "first strike" without risking destruction of their own society.

But is a window really opening? In the 1970s we deployed 5,250 intercontinental nuclear warheads (present total 10,000), they deployed 4,341 (total 6,000). Ours are more accurate and in more hardened silos. Three-fourths of theirs are fixed in place on land. Most of ours are moving targets at sea or in the air.

The vulnerability idea is based on questionable assumptions—untested in war—about the accuracy of Soviet missiles. Excellent evidence indicates that from 100 to 300 of our silo-based missiles would survive, as would hundreds in undersea and air deployments.

Are the Russians mad enough to gamble 10 million, or 100 million, of their own on a theoretical first-strike capability? Are we?

On procurement of the new manned bomber: President Carter shelved the B–1 on the sound ground that the B–52 would be good enough (well into the 1990s, some experts say) to launch the new, cheaper, highly accurate cruise missiles without having to penetrate Soviet air defenses.

Now it's said that Defense Secretary Caspar Weinberger is leaning toward not one but two new manned, penetrating bombers—the advanced technology Stealth bomber for the '90s and later, and an updated version of the B–1 to tide us over until then. Do we really need and can we really afford the B–1?

We don't know the answers to all the questions. We do know that the Reagan administration is too new to be making fast-draw decisions . . . based on questionable assessments . . . pumped out by an incestuous military-industrial complex . . . for approval of vote-hungry congressmen eager to provide jobs in their thriving Sun Belt districts.

And we know that weapons systems once conceived—malformed or not—rarely, if ever, are aborted. They survive for decades to suck the milk from what should be a well-trained, realistically armed, mobile military force.

[From the Sun-Times, June 23, 1981]

HIGH TECH'S MIXED BLESSING

Military experts often agree that American technological superiority gives U.S. forces an edge on the Soviets in spite of their greater numbers in many weapons classifications.

That position has been battle-tested, especially in the air, when U.S. equipment was matched against the Soviets' in Korea, Vietnam and the Middle East.

But high tech can become—many say has become—a god that's worshipped for its own sake, even when more sophistication endlessly delays production, drastically inflates costs, compounds maintenance problems (effectively reducing force readiness) and, most important, reduces combat effectiveness.

Last week's CBS-TV series, "Defense of the United States," pointed up one notorious example of useless high tech—the Navy's F–18 fighter, now seven years in development.

Its birth model was priced at $5 million; that's now up to $30 million. And it is a dog in war games. The cockpit's "Star Wars" gadgetry dazzles pilots, so that they are consistently beaten by pilots flying smaller, simpler, much cheaper F–5s.

Sen. Gary Hart (D-Colo.) tried to scrap the F–18 project. But the military procurement establishment does not scrap the junk it creates; it gold-plates the mistakes and muddles on. And Congress goes along: 20,000 companies in 44 states make F–18 parts.

The F–18 is by no means the only such mistake. Many more are catalogued in the new book by James Fallows, National Defense, which should be force-fed to anyone who has anything to do with military budgets, especially members of Congress.

The Fallows thesis is that Washington is trapped in a "culture of procurement . . . that draws the military toward new weapons because of their great cost, not in spite of it."

That might be overstated, but Fallows is chillingly persuasive when he writes:

"To survey the first-line equipment of each service—the Army's new Abrams tank, the Navy's Trident submarine and F–18 fighter, the Air Force's MX missile, F–15 fighter and various 'smart' missiles—is to see a pattern. The weapons cost between 2 and 10 times as much as systems they replace; their technical complexity leads to behind-schedule deliveries and long periods in repair shops; their performance is better suited to computer-simulated war games than to the unpredictability and disorder that have typified real combat."

From Fallows and elsewhere these others:

The heat-seeking Sidewinder, first guided missile used in war, is still the best. It cost $3,000 ($10,000 today). The newer, radar-guided Sparrow and Phoenix cost 10 and 100 times as much and are less reliable.

The F–15 fighter is grounded at least a third of the time, partly because its maintenance depends heavily on diagnostic computers. And these computers themselves are out of order 20 to 50 percent of the time.

The Navy is equipping its newest warships with high-tech radar that can track and automatically fire weapons at hundreds of attacking planes or cruise missiles. One problem: It works only 60 percent of the time.

This is not an argument against technology that serves the defense interest, which much of it does. It is an argument against mindless excesses that compound the military's central problem, combat readiness, by filling its shops with inoperable gadgetry and diverting scarce money from basic needs—essential maintenance, adequate spare parts and ammunition and personnel training.

Defense Secretary Caspar Weinberger and his deputy, Frank Carlucci, have set up a special office to check the addition of the brass hats to ultrafancy weapons systems. But the monkey has been on their back for so long, there's no going cold-turkey. It will take continuous attention from dedicated straights.

ITS HIGH COST

The high cost of high technology to defense capability has been illustrated by retired Air Force Col. Everest Riccioni, a specialist in the subject. He compares three fighters—the simple but able F–5, the moderately complex F–4 and the super-sophisticated F–15.

The same amount will buy:

F–5	1,000
F–4	500
F–15	250

Now consider that the more complex a plane is, the more time it is down for maintenance and repairs. Flight availability is measured in "sortie rates"—flights per day a plane can be counted on for duty. The sortie rates of the three planes:

F–5	2.5
F–4	1.5
F–15	1

Multiply the number of planes above by the sortie rate and the fighting product is:

F–5	2,500
F–4	750
F–15	250

The question is not whether pilots would rather confront a MiG fleet in F–5s or F–15s but whether they would prefer to confront it with 10 planes or 100. The answer is obvious.

[From the Sun-Times, June 24, 1981]

MORE MONEY, LESS DEFENSE

"Runaway costs characterize our entire defense procurement program. These vast expenses have nothing to do with maintaining the strength of our military forces. They are . . . the result of a system that permits Defense Department officials to operate as though the public purse has no limits. It is a system that can and must be changed."

The authors of that statement are not your everyday pointy-headed unilateral disarmers. They are Senators Barry Goldwater (R-Ariz.) and Howard M. Metzenbaum (D-Ohio).

The two properly indict the "system," which goes beyond the Pentagon to include the defense industry and members of Congress less concerned with the national interest than the narrow interest of their own constituents.

The point is supported in detail in "The Iron Triangle," written by military affairs expert Gordon Adams and published just last week by the Council on Economic Priorities.

The triangle, Adams writes, is a "community of shared interests [that] excluded public participation from military decision-making" and reinforces "shared expectations that another generation of weapons is both desirable and necessary, whatever the cost."

Here's how the three sides of the triangle are welded together:

Defense contractors maintain elaborate lobbying offices to press their self-serving projects on the Pentagon and Congress. Costs are charged off to the taxpayers.

At least eight contractors have set up their own potential action committees, which dole out millions in campaign funds to congressmen representing districts in which they have plants and those in key positions on defense-related congressional committees.

Movement of key personnel within the triangle reinforces the incestuous relationship. During the 1970s, the eight contractors hired 1,671 Pentagon and NASA officials; 270 contractor employees went the other way.

"The triangle costs taxpayers hundreds of millions of dollars directly," the study finds, "and may cost billions indirectly by formulating policies that boost arms purchases above what is required for national security." Adams concludes: "Because of the Iron Triangle, the U.S. will end up buying less defense for more."

Similar indictments and demonstrations of gross waste enrich the literature of military procurement: The House Appropriations Committee identifies 46 areas where huge

sums could be saved. The General Accounting Office lays out 15 ways to economize.

Both estimate that 10 percent of defense budgets represents waste. Apply that to the $1.5 trillion the administration proposes to spend through 1986, and you have $15 billion.

Goldwater and Metzenbaum cite a government study showing that only "modest improvements in efficiency could reduce [defense] outlays by $16 billion."

What could $15 billion or $16 billion buy? Enough cost-efficient tanks and tactical fighters to overcome the Soviet lead in those areas—with $10 billion left over to restore a fourth of the funding Washington is now slashing from civilian programs.

Evidence supporting the primary theses of *The Iron Triangle* abounds for the close reader of daily news reports. Here are just two examples:

Seventeen graduates of the last Congress have registered as lobbyists, according to Congressional Quarterly. Two of them, Richard Ichord (D-Mo.) and Bob Wilson (R-Calif.), held key positions on the House Armed Services Committee. They have now registered as the "Washington Industrial Team" to twist the arms of their former colleagues in behalf of 7 of the top 10 defense contractors.

In three recent fiscal years, the Air Force did not ask for any appropriations to build more Lockheed C-130 transports, made in Georgia, or more A-7 attack fighters, made in Texas. Thanks to Sen. Sam Nunn (D-Ga.) and House Majority Leader Jim Wright (D-Tex.), Congress funded a minimum of 10 of each anyway. In the last fiscal year, the Senate balked, so Congress compromised by funding only six of each of the unwanted planes.

[From the Sun-Times, June 25, 1981]

CAN WE AFFORD IT? MAYBE

As the Reagan administration gears up to invest $1.5 trillion of U.S. resources in a defense buildup, economists are engaged in fierce debate over whether we can afford it.

With reason, Defense spending is scheduled to balloon from $159 billion in the current year to $250 billion in fiscal 1984 and an all but incredible $336 billion in fiscal 1986.

The field is crowded with economists saying, "No, we can't afford it, certainly not while cutting taxes 30 percent." They point to President Lyndon B. Johnson, who fathered the modern inflationary era by refusing to raise taxes while he mobilized the nation for the Vietnam War. And we are starting from an inflation base more than twice as high as the highest of the Vietnam catastrophe.

Administration economists and those who take their side believe the country can hack it. They note that President Reagan's buildup will be slower, more gradual and end up costing less than LBJ's as a share of the nation's wealth. Between 1965 and 1967 defense spending grew from 7.1 percent to 8.9 percent of the gross national product, or 1.8 points. Reagan plans to go from 5 percent to 6.7 percent of GNP, or 1.7 points, in six years.

But the unconvinced argue that the Reaganites' numbers are based on overly optimistic estimates of how supply-side economics will buck up the economy's performance. They assume a rosy 4.4 percent annual growth in the GNP and a healthy increase in productivity—which until recently had been stagnating—of 3 percent a year.

They also—and this deserves stress—expect inflation of defense costs to drop to 6.2 percent in three years. But inflation is much more severe in defense industries than in the economy as a whole—20 percent for primary weapons systems in 1980 alone. And it seems unrealistic to hope that a preshrunk, narrowly competitive industry can become more cost-efficient as demand for its products soars.

Whatever the eventual effects of the military buildup on inflation, Americans will have to pay dearly for it in other ways.

CBS-TV "Defense" series last week held up on yardstick: The cost of making something out of the fragmentary rapid deployment force—which we favor—will amount to more than the proposed budget cuts in education. Social Security, Medicaid, Medicare, transportation and energy put together.

There will be other massive dislocations of precious resources. Money, manpower and material for defense must come, sacrificially, from somewhere else.

The administration is embarked on a campaign to stimulate the sluggish American economy, to expand investment and productivity in the private sector, to reverse the decline in the U.S. share of world markets.

But the defense buildup will sharpen the competition for the limited investment funds available. Some authorities predict that 20 percent prime rates and 15 percent mortgages will continue to be a drag on private-sector business—and on the American dream.

And the competition for skilled labor—already brisk—also will weigh down the civilian sector (and inflate wage costs).

Rep. Les Aspin (D-Wis.) notes that the U.S. work force has the largest proportion of scientists and engineers in the world—20 percent higher than Japan. But we are still losing our competitive edge abroad and at home because the arms industries, even now, suck up at least 20 percent and perhaps as much as half of it. No comparable sacrfice is demanded of the civilian industries of our market-grabbing allies.

The United States does retain a technological edge in electronics and aerospace manufacturers, but these are precisely the pitchers that will be drained to fill the defense cups.

More is needed for the military, as we have said from the outset, but diverting the more is bound to be painful.

It will have to be managed in a controlled, continually monitored way to keep from exhausting American social, economic, and political structures. These are as essential to America's strength and security as the might of its armed forces.

[From the Sun-Times, June 26, 1981]

MANNING THE NEW WEAPONS

In this series of editorials on national defense, we have not, thus far, addressed the critical issue of manpower, which is central to the discussion.

Neither, for that matter, has the Reagan administration.

What almost everybody wants is to be mightier than the Russians. But if it requires drafting American youths to make us so, some insist that's not the democratic way.

Yet the all-volunteer force is well short of success, "democratic" as it is (undemocratic may be more accurate, considering the disproportion in the armed services of poorly educated, less employable non-WASPs).

Six of 10 U.S. Army divisions are rated "not combat ready," largely because of gaps in the ranks. The Navy, traditionally more elitist, is short more than 20,000 petty officers. The Air Force lacks 2,100 pilots and 400 navigators.

In the face of such gaping holes, the Pentagon proposes to expand the mission of the armed forces, to make them capable of fighting two and a half extended wars at one time (Europe and the Pacific for the whole numbers, Southwest Asia for the half) instead of one and a half brief wars (Europe and a "brushfire" somewhere else).

On the books, the Pentagon will be expanding Army divisions by four, Navy ships by 150, Air Force wings by five. This will require at least a 200,000-man addition to the existing force of 2 million.

Where will they come from, taking into account not only today's lack of enthusiasm but tomorrow's demographics? The number of American males reaching age 18 will drop a fourth by the late 1980s.

President Reagan says he is determined to stick with volunteerism, even when he is told that, if the aim of our buildup is to deter the Soviets from aggression, conscription on the lawbooks would be more persuasive than tanks in the field.

Defense Secretary Caspar W. Weinberger said this week he intended to avoid the draft issue "as long as possible," which implied that he can't avoid it forever.

Lawrence J. Korb, assistant defense secretary for manpower, told us in Chicago last week that "we haven't given the all-volunteer force a fair chance," that the concept was "undermined" when the incentives that were to have accompanied it were withheld.

These, he said, the Reagan Pentagon intends to provide: pay levels competitive with the civilian, improved living conditions for service personnel, training at acceptable levels, cultivation of what is perceived as a rising pride in service to the country and, in fiscal 1982, post-service education benefits like those offered under the GI Bill.

We have no quarrel with these plans, especially in the absence of a clear public mandate for conscription. A draft in any case would help only initial recruitment. It would do nothing to solve the problem of retention—reducing the dropout rate of personnel trained at high cost to operate increasingly complex weapons and their sophisticated support systems.

But as the administration gears up to spend billions on new hardware, it had better be assured there will be hands and minds enough to work the stuff when it's here.

[From the Sun-Times, June 28, 1981]

$1,5-0-0,0-0-0,0-0-0,0-0-0—WHERE TO SPEND IT AND HOW TO CONSERVE IT

In the last week, we devoted most of this editorial space to a single issue, the buildup of the national defense forces.

The attention has been justified, we're convinced, because Americans have never before, in peacetime, been called upon to sacrifice so much of their precious resources on a single program: $1,500,000,000,000 over the next five years.

We have tried to make these points:

A large and continuous investment is required because of the Soviet Union's expansionism, backed up by a spectacular buildup of its own military force, which in key areas surpasses ours.

But the problem of imbalances can't be solved by throwing money on the whole catalogue of weapons systems, as the Reagan administration for the most part is hastily doing. Soviet strengths and weaknesses must be realistically assessed, and dollars appropriately targeted.

The problem of defense waste must be addressed in an organized, continuous, concerted way. Federal authorities estimate 10 percent could thus be saved. That amounts to $150 billion, barely less than the current year's entire defense budget, not $15 billion as we said in error on Wednesday.

To do so, the Pentagon must be cured of its obsession with high technology. Technology often gives U.S. forces an edge over Soviet numbers. But abused, it creates unnecessarily complex weapons that are less effective in combat at costs that drain money from force readiness.

The public interest must be imposed upon the Iron Triangle—the closed, incestuous relationship of Pentagon, defense contractors and shameless congressmen—which too often

creates and perpetuates costly weapons systems, not to enhance the national security, but for private benefit.

After extensive study of military issues, we're convinced that—in spite of Washington's scare talk of "Soviet first-strike capabilities"—the U.S. forces have a significant edge on the Russians in intercontinental nuclear weapons, and that a greater proportion of defense spending should go into conventional forces.

U.S. security especially requires:

A ready force, with adequate, well-trained manpower, equipped with weapons that are cost- and combat-efficient and light and otherwise mobile enough to be moved great distances in short times.

Air and sea transport in numbers enough to move the force is, of course, essential. So are ammunition and spare parts in quantities adequate for a long war, not the quickie the Pentagon has prepared for.

A Navy powerful enough to contain the Soviet fleet, which in recent years has grown from a simple coastal patrol force to one that can project Soviet power into seas far from its home bases.

We discussed the first point in earlier parts of this series. As to the second:

Sen. Gary Hart (D-Colo.), a sane and expert congressional voice, puts the Soviet naval challenge in historic perspective, calling it "the greatest since Admiral [Alfred von] Tirpitz built the German high seas fleet to challenge Britain early in the century."

"We no longer have the automatic naval supremacy," Hart insists, "that allowed us to pursue a continental [European] strategy . . . without risking other vital interests—not just American interests, but Western interests." The Persian Gulf, for one.

We concur, without, however, endorsing the positions of Navy Secretary John F. Lehman Jr. He has the Pentagon admirals' dedication to big-deck nuclear aircraft carriers, in spite of their vulnerability in the modern naval era of "smart" missiles.

Lehman wants three big carriers, each costing $6 billion (before cost overruns) with their essential escorts. Such fortunes could be spent more prudently on smaller, less targetable carriers and other attack vessels.

The U.S. Navy already leads the Soviets' in raw tonnages. Their huge lead is in numbers of warships.

It will be the height of national irresponsibility if the military managers in Washington continue to squander the enormous new appropriations in the same old ways. If they do, they will also squander the strong consensus they have for the buildup. The media are watching, perhaps as never before.

To direct the White House, the Pentagon and Congress into the proper spending channels, public input is required if public acquiescence is expected. The Center for Defense Information proposes a blue-ribbon National Commission on U.S. Defense Policy, and that could be beneficial.

Somehow, also, the Iron Triangle must be broken open to impose national frugality on its three self-serving legs. For openers, we need tighter controls on lobbying by defense contractors, on their campaign contributions to congressmen, on the freeflow of personnel among the three divisions, all of which abet a shared interest in weapons systems, an interest from which the public is excluded.

For continuous monitoring of the spending, a new mechanism is in order—some kind of inspector-generalship acting for the taxpayers. The Government Accounting Office, an arm of Congress, has in the past been useful—when called upon—in pointing out where the waste is and how to get rid of it. Perhaps a permanent monitoring unit could be established within it. Or in the White House Office of Management and the Budget, where it would be more independent of Congress.

On the other side of the defense ledger, this administration must, in the name of humanity, eventually face the issue of limiting destructive systems—of not building them at all, of imposing ceilings on their numbers, even reducing them—in agreement with the Soviet Union.

As to our friends, pressures will have to be kept on them to share, more generously, the great burden carried by Americans to protect the common interests of the free world. The United States has the nuclear problem in hand. Its allies could make the greatest contribution to conventional forces—Europeans on their ground, Japan in its coastal waters.

Finally, Reagan and his team must recognize that the threat of force, by itself, does not constitute a policy for the secure and civilized conduct of international affairs.

Nearly half a year into his administration, Reagan has nothing that can be called a foreign policy, apart from bluster and gunrattling. These, and his embrace of tyrants—on condition only that they be anti-Soviet—have projected abroad a questionable moral base for the way Americans should behave in the world community.●

TRIBUTE TO DENVER DICKERSON

Mr. MATHIAS. Mr. President, I join Senator PELL and Senator CANNON, in mourning the death of Denver Dickerson, former staff director of the Joint Committee on Printing and in that position a principal source of strength to the chairman of the Rules Committee.

During his long and distinguished career of public service, Mr. Dickerson was greatly admired by all those who had the privilege of working with him. We will miss his humor, his graciousness, and especially the kindness he showed to his friends and his associates.

Mr. Dickerson's career was marked by many successes. At the age of 28 he was elected the youngest speaker in the history of the Nevada State Assembly. During World War II, he joined the Army and served in the Pacific theater as a technical sergeant and correspondent. After the war, Mr. Dickerson became press officer in the U.S. Embassy in Rangoon, Burma, and in 1957 he came to Washington to become press secretary to former Senator Alan Bible. President Kennedy appointed him as Lieutenant Governor of Guam in 1963, and he remained in that post for 6 years.

Mr. Dickerson returned to Capitol Hill in the early 1970's to work as a professional staff member of the Senate Rules Committee, and in 1973 he became staff director of the Joint Congressional Committee on Printing where he remained until retiring in 1980.

I know I speak for all of us who remember Mr. Dickerson with admiration and respect when I extend our sincere sympathy to his wife Maxine, his daughter Diane, and his son Jeffrey.

PIONEER DAY

Mr. CANNON. Mr. President, on July 24, 1847, the first of a visionary and hardy band of pioneers arrived in Salt Lake Valley and began establishing the first permanent settlements in Utah. This first group numbered 147 weary but dedicated souls.

The leader of this first pioneer group was Brigham Young, a man of infinite capacity for organization, leadership, and spirituality. He organized an exodus of his followers from the then United States and led them into an uncharted and untamed territory. This movement spanned the years 1847 until the railroads were built in 1863, and involved many hundreds of individuals. There is no parallel to this organized movement in American history. Brigham Young was not content merely to establish a haven in a new town named Salt Lake City; he sent teams of his "saints" throughout Utah territory, Nevada territory and beyond to establish a far-flung theocratic dominion.

But it was more than Brigham Young's charismatic personality which motivated his followers. Those who endured the long trek across the plains were a sturdy group willing to make whatever sacrifices were necessary to secure their religious freedom. They sought the chance to raise their children free from persecution and to lead them along the path of a restored religion that involved every aspect of their daily lives. They bent the raw wilderness to their goals and created from it a land of milk and honey.

In retrospect, the fruits of their labors can be seen clearly on this 134th anniversary, and those fruits are impressive indeed. From its beginnings in 1830 in Fayette, N.Y., with a total of six members, the church which so motivated these pioneers has grown to nearly 5 million today. From its humble beginnings, Salt Lake City is now one of the great cities of our Nation and rightfully claims the distinction of being the "Crossroads of the West". The church is now a worldwide organization.

The history of my home State of Nevada has been strongly influenced by the Mormon pioneers, including my own forebears. "Mormon station," the present Genoa, Nev., was the first known settlement in Nevada territory. My grandfather, David H. Cannon, traveled on foot through Carson Valley in which Genoa is located, on up through Washoe Valley near where Reno now stands, and worked for a period of time for the prominent church leader, Orson Hyde, and then moved on to San Francisco.

Present day Las Vegas was initially an outpost of the colonizing efforts of Brigham Young and has a large Mormon population today. Early in 1855, church members began construction of a fort in one of the few natural oases between the Pacific Coast and Salt Lake City. Portions of that structure remain preserved today in Las Vegas.

The descendents of those first pioneers have continued the traditions of their fathers and mothers. Devotion to family, church and nation; commitment to hard work; patronage of the arts and music; and development of each individual's talents are the guiding principles of church members today. Their contributions to the strength of our Nation are simply beyond enumeration. Truly, there is much to celebrate on this 134th anniversary of the day when the first wagons of tired

and humble pioneers descended into Salt Lake Valley.

I, myself, was born into a Mormon family in one of those settlements begun under the direction of Brigham Young. That settlement is the present St. George, nestled in the beautiful red hills of southern Utah, from which I moved to Nevada a number of years ago. My grandfather, David H. Cannon, helped build the beautiful St. George temple, the first Mormon temple completed in Utah, and then served for many years until his death as its President. I am proud of that heritage.

Mr. President, I salute the church and Mormons everywhere on this celebration of "Pioneer Day."

HIGH INTEREST RATES

Mr. BOREN. Mr. President, press reports indicate that the stock market continued its decline yesterday. The market went down another nine points yesterday. According to wire reports, the uneasiness which caused the decline of the market to the lowest level in several months was "fueled by worry about high interest rates."

As the press reports came in from the Ottawa Summit indicating a likelihood that high interest rates would not decline in the near future, the markets have taken a nosedive.

The stock market was not the only market affected. Agricultural markets, already severely depressed, plunged sharply with reports of a continuation of the high interest rate policy. Hogs and pork bellies have gone down their maximum limit for 3 days in a row. Cattle prices have gone down more than $2 in the past 2 days to their lowest levels during the life of current contracts. The Wall Street Journal on July 22 attributed the decline in meat prices to rising interest rates.

Even though a Government cattle inventory report released Monday was widely interpreted as being bullish, it failed to boost cattle futures and one of the reasons analysts noted was high interest rates.

Mr. President, I can only express my frustration at the fact that while the danger signals grow increasingly clear, it seems apparent that they are not being heeded. Last night's Washington Star contains an article which indicates that the Ottawa summit leaders were informed that high interest rates would continue in the United States. It is also clear from reading between the lines that our allies appear resigned to such a policy but are far from happy with it. I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

OTTAWA SUMMIT ACCEPTS HIGH INTEREST RATE LEVELS

(By Jeremiah O'Leary)

OTTAWA.—President Reagan and the U.S. delegation apparently convinced the leaders of the industrial democracies at the economic summit that high interest rates are here to stay—at least until inflation subsides.

This was the message in the communique issued yesterday by leaders of the seven industrial democracies as they wound up their three-day meeting.

"We see low and stable monetary growth as essential to reducing inflation," the communique said. "Interest rates have to play their part in achieving this and are likely to remain high where fears of inflation remain strong."

"But we are fully aware that levels and movements of interest rates in one country can make stabilization policies more difficult in other countries by influencing their exchange rates and their economies.

"For these reasons, most of us need also to rely on containment of budgetary deficits by means of restraint in government expenditures as necessary. It is also highly desirable to minimize volatility of interest rates and exchange rates; greater stability in foreign exchange and financial markets is important for the sound development of the world economy."

The leaders of the seven industrial nations assembled here with much of the focus on the controversial high interest rates in the United States that have dramatically affected European investment.

Reagan, however, showed no inclination to change his economic recovery policy of budget cuts, tax cuts and tight money.

West German Chancellor Helmut Schmidt told the summit conferees he would have to go home and tell his people interest rates were going higher and that he was going to have to make more budget cuts.

However, Treasury Secretary Donald T. Regan did say the United States probably will consult more with the other industrial nations.

"We won't change what we are doing, but we will discuss it more," he said. "They will go home satisfied that they gave us their ideas.

"They saw our problem and wished us well in getting interest rates down in a hurry."

The next most controversial matter was intervention in exchange markets. France and Italy in particular wanted the United States to agree to some form of intervention to promote stability.

The United States, however, took the position that attempting to control the rise and fall of currency values is futile.

"I'm a fair-market man," said Secretary Regan. "If that's what the dollar is worth, that's what it's worth."

One American official said facetiously: "We upped our interest, now up yours."

On another controversial matter, the United States sidestepped proposals for so-called "global negotiations" aimed at helping development in Third World nations.

The final communique said: "We reaffirm our willingness to explore all avenues of consultation and cooperation with developing countries in whatever forums may be appropriate.

"We are ready to participate in preparations for a mutually acceptable process of global negotiations in circumstances offering the prospect of meaningful progress."

U.S. officials said this language meant the United States is ready to talk generally about global negotiations but not to get boxed in at some United Nations-like discussion with a one-country, one-vote situation.

The participants in the summit took a slam at the Soviet Union by declaring in their communique: "The Soviet Union and its partners, whose contributions are meager, should make more development assistance available, and take a greater share of exports of developing countries while respecting their independence and non-alignment."

There was a potential for difficulty on the question of European trade with the Soviet bloc and future imports of Siberian natural gas by West Germany.

East-West trade was of concern to the United States because of the risk of European nations' becoming vulnerable to the Soviet Union through dependence on Eastern resources.

The United States also was concerned about gaining consultations on strategic technology exchanges by Western nations with the Soviets.

U.S. officials wanted the communique to say there would be joint action if threats arose from dependence on Soviet bloc resources.

The communique, which traditionally does not include anything to which any of the seven members object, said instead: "We also concluded that consultations and coordination are necessary to ensure that in the field of East-West relations, our economic policies continue to be compatible with our political and security objectives. We will undertake to consult to improve the present system of controls on trade in strategic goods and related technology with the USSR."

The summit leaders reaffirmed their commitment to liberal trade policies and to continuing resistance to protectionist pressures.

The Japanese escaped condemnation from the others for their alleged protectionism, although the communique noted that any protectionist measure, whether as a trade restriction or in the form of a subsidy to prop up an industry, undermines economies and aggravates inflation.

President Reagan said in a statement: "It is good to see just how far we have come in our talks this week."

Reagan said that to the rest of the world it looked as if this would be a difficult summit, with the seven nations sharply divided.

"The true measure of these past two days, filled with candid but always friendly talks is that we leave with a true sense of common understanding and common purpose," Reagan said. "I was particularly grateful to the other leaders for their degree of understanding and support for the economic policies we are embarked on in the United States.

"As Chancellor Schmidt has told us, our unity in economic matters is the best insurance we have against a return to the disastrous beggar-thy-neighbor policies of another era."

The summit leaders agreed to meet again for the second cycle of economic meetings next year in Paris.

Reagan flew back to Washington last night.

Mr. BOREN. Mr. President, I have spoken each day not for any political purpose but from a sincere desire to alert those who make policy to the danger at hand. How many thrift institutions will be forced to collapse? How many farmers and small businessmen will be driven into bankruptcy before the danger is recognized?

I am concerned that the President is not being well served by his advisers. I wonder if a sufficient contingency plan has been developed to halt a panic in the event that one should develop. Do the Federal Reserve and the various insurance corporations have sufficient reserves and powers to restore order to the markets and the financial institutions if a serious disruption occurred? Does Mr. Volcker understand the difference between cooling down the economy and snapping it completely by applying pressure to brittle segments which will snap instead of bend?

I hope that the President will consider the anguish of those who are on the brink of losing all they have worked to build if interest rates are not quickly reduced. Far too many as I said yesterday,

have already had to see the work of a lifetime completely erased by high interest rates. It is unconscionable to allow such a policy to continue. Unless something is done soon, the optimism which the American people now feel for the future of the economy under the new administration will soon become a faded memory, mentioned only in disillusionment.

THE VOTING RIGHTS ACT: EXTENSION, NOT EXTINCTION, IS WHAT IS NEEDED

Mr. EAGLETON. Mr. President, if constitutional rights were ranked in terms of their importance, the right to vote would surely rank very, very high on the list.

The free and unfettered exercise of the right to vote safeguards a democracy in which many other important constitutional rights can be exercised. Also, through granting or withholding their votes, our citizens hold their elected officials accountable for their actions.

Today I am pleased to become a cosponsor of S. 895, the bill to extend the Voting Rights Act of 1965 beyond its present August 1982 expiration date. Most importantly, the bill would extend the act's present requirement that jurisdictions with a history of using their laws to discriminate against minority voters must approve any changes in those laws with the U.S. Justice Department—these jurisdictions are primarily, but not exclusively, in the South—S. 895 would also: First, extend the Voting Rights Act protections for minority groups whose voting rights are threatened by language barriers and, second, clarify, in light of a recent Supreme Court decision, the type of proof that must be offered to show a violation of the act.

It has been over a hundred years since enactment of the 15th amendment promise that, "the rights of citizens of the United States to vote shall not be denied or abridged * * * on account of race, color, or previous condition of servitude." Students of American history know only too well of the sordid means by which voting rights were systematically and arbitrarily denied by various post-Civil War State and local governments. First, through overt intimidation and rigged "literacy tests," then through such devices as gerrymandering and "at large" voting districts, voting by minority groups has repeatedly been excluded and diluted.

The Voting Rights Act, particularly its important requirement for Justice Department clearance of legal changes, has helped to bring about dramatic changes in the pattern of voting discrimination. According to one recent article on the Voting Rights Act, the "preclearance" requirement has permitted the Justice Department to defend the voting rights of minorities in some 811 cases since 1965. (Significantly, 538, or roughly 66 percent of those cases, has occurred since 1975.) Analysts give the Voting Rights Act major credit for the extraordinary gains minority groups have made in voter registration, vote casting, and in election of officials from their ranks.

Twice before, the Voting Rights Act has come up for extension. Twice the Congress has reaffirmed its belief that the Voting Rights Acts protections were appropriate and essential.

These previous efforts have not been without controversy. However, as the act comes before the Congress once again for extension, larger numbers of increasingly strident voices have been raised to discredit it.

In that light, I believe it is particularly important for those who believe that the Act is effective and essential to stand up, be counted, and expose the errors of those who oppose the act's extension.

Ironically, one of the arguments used to discredit the drive for Voting Rights Act extension is that the act has worked so well. Thus, we are told that voting rights violations have abated to such a degree, in response to the act's enforcement provisions, that they are no longer necessary.

As the statistics cited above demonstrate, this is plainly not so. Numerous egregious violations of this basic constitutional guarantee have been attempted in recent years.

However, even if the violations were actually lessening, this would hardly be a reason to let the Voting Rights Act lapse. Just as no reasonable person would disconnect a burglar alarm because it has served to decrease robberies, no thoughtful official should let the Voting Rights Act die because it has prevented the theft of minority ballot power.

A second, equally bogus, attack on the Voting Rights Act portrays it as an example of an excessive, bureaucratic procedure, significantly interfering with "States' rights." This argument conveniently ignores the fact that the preclearance process is a very simple one indeed. A very tight time limit is allowed for Justice Department consideration. (It usually takes 60 days, and at most, it takes 120 days.) Further, the threat of arbitrary Justice Department action is reduced by ample appeal rights and procedural protections.

All told, the act provides no real interference to the vast majority of States and jurisdictions whose voting rights laws are approved expeditiously in the pre-clearance process. What the act does provide is very potent interference with a government that would discriminate against minority voters—something that it, of course, has no "State's right" to do at all.

In closing, Mr. President, let me say that I am particularly distressed with the Reagan administration's continued unwillingness to throw the important weight of the Presidency behind the voting rights extension. Recently, President Reagan disappointed the delegates to the NAACP convention in Denver by remaining noncommittal on the question. Further, the President's Attorney General said in a recent interview that the administration is still "in the process of looking into" the act's merits and may endorse some undefined "alternative" instead. Despite the administration's failure to make up its mind on one of the most important, visible civil rights question in recent years, the Attorney General tried to give assurances that administration officials are "strongly in favor of the underlying purposes of the Voting Rights Act."

I can think of no better way for the administration to demonstrate its true commitment to voting rights than to endorse extension of the single most effective device yet developed for protecting them. Such an endorsement would prove that in electing President Reagan "for a change," the American public did not get an unplanned and undesired change in this Nation's strong commitment to equal voting rights under law.

THE RETIREMENT OF JOHN PRICE

Mr. HATFIELD. Mr. President, on the occasion of his retirement, I am pleased to pay tribute to a truly exceptional employee of the U.S. Senate, Mr. John Price, chief janitor and head of custodial services.

Mr. Price has been a dedicated and respected member of the Senate staff, and it was with a feeling of regret that I recently discovered he will be leaving the Senate at the end of this month.

His tenure in the Senate has been a commendable one, and those of us who have known and worked with Mr. Price realize what an asset he has been. He began his career in the Senate on July 13, 1948, as a laborer in the custodial services division, and on July 1, 1973, was promoted to his present position as chief janitor—a productive 33 years in the Senate.

Mr. Price has met many of the most influential and historical leaders of the world—Presidents, heads of states, world figures, Senators, Congressmen—and has mementos from many of these occasions. These experiences, combined with his accommodating, conscientious, and eternally pleasant manner, have produced high regard for Mr. Price from his staff, other employees in the Senate, and those of us here on the Senate floor.

I could not allow this occasion to pass without calling attention to the fine character and unique talent of Mr. Price. I will miss him but wish Mr. Price a continued industrious, healthy, happy life.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Saunders, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 12:08 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House has passed the following joint resolution, in which it requests the concurrence of the Senate:

H.J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

At 6:15 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4035. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes.

HOUSE BILL REFERRED

The following bill was read twice by unanimous consent, and referred as indicated:

H.R. 4035. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes; to the Committee on Appropriations.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. HATFIELD, from the Committee on Appropriations, with amendments:

H.R. 4034. An act making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1982, and for other purposes (Rept. No. 97–163).

By Mr. MATHIAS, from the Committee on Rules and Administration, without amendment:

S. 778. A bill to amend Public Law 96–36 to authorize additional funds to plan for the development of the area south of the original Smithsonian Institution Building, adjacent to Independence Avenue at Tenth Street Southwest, in the city of Washington (Rept. No. 97–164); and

S. Res. 146. Resolution to amend Senate Resolution 324 of the 87th Congress to provide for the participation of the Department of Defense education system for dependents in overseas areas in the Senate youth program (Rept. No. 97–165).

By Mr. MATHIAS, from the Committee on Rules and Administration, without amendment:

S. Res. 192. An original resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 778; referred to the Committee on the Budget.

By Mr. HATFIELD, from the Committee on Appropriations, with amendments:

H.R. 4035. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 1982, and for other purposes (Rept. 97–166).

By Mr. MATHIAS, from the Committee on Rules and Administration:

S. Res. 193. An original resolution to establish within the Office of the Sergeant at Arms and Doorkeeper of the Senate a Senate Placement Office (Rept. No. 97–167).

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. PERCY, from the Committee on Foreign Relations, with an understanding:

Exec. A, 93–1. The Treaty Between the Government of the United States of America and the Government of the Republic of Colombia, concerning the Status of Quita Sueno, Roncador, and Serrana, signed at Bogota on September 8, 1972 (Ex. Rept. No. 97–16).

By Mr. PERCY, from the Committee on Foreign Relations, without reservation:

Exec. N, 96–2. International Convention Against the Taking of Hostages, adopted by the United Nations General Assembly on December 17, 1979 and signed on behalf of the United States on December 21, 1979 (Ex. Rept. No. 97–17).

Exec. H, 96–2. Convention on the Physical Protection of Nuclear Material, adopted at a Vienna Meeting of Government Representatives on October 26, 1979, and signed by the United States on March 3, 1980 (Ex. Rept. No. 97–18).

Exec. M, 95–1. Revised Customs Convention on the International Transport of Goods Under Cover of Transport International Routier Carnets (TIR Convention), done at Geneva on November 14, 1975, with annexes (Ex. Rept. No. 97–19).

Exec. K, 96–2. Amendments to the Convention on the Inter-Governmental Maritime Consultative Organization, signed at Geneva, March 6, 1948 (The IMCO Convention) (Ex. Rept. No. 97–20).

By Mr. BAKER (for Mr. GARN), from the Committee on Banking, Housing, and Urban Affairs:

Robert W. Karpe, of California, to be President, Government National Mortgage Association;

Nora Walsh Hussey, of South Dakota, to be Superintendent of the Mint of the United States at Denver; and

Clifford M. Barber, of New York, to be Superintendent of the U.S. Assay Office at New York, New York.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. INOUYE:

S. 1510. A bill for the relief of Apolonio P. Tumamao and others; to the Committee on the Judiciary.

By Mr. HEINZ:

S. 1511. To amend the Tariff Act of 1930 to clarify the determination of the definition of a country under the agreement, and for other purposes; to the Committee on Finance.

By Mr. McCLURE (by request):

S. 1512. A bill to extend the expiration date of section 252 of the Energy Policy and Conservation Act; to the Committee on Energy and Natural Resources.

By Mr. MATSUNAGA:

S. 1513. A bill for the relief of Cirilo Raagas Costa and Wilma Raagas Costa; to the Committee on the Judiciary.

By Mr. MATSUNAGA:

S. 1514. A bill to amend title II of the Social Security Act so as to liberalize the conditions governing eligibility of blind persons to receive disability insurance benefits thereunder; to the Committee on Finance.

By Mr. HATFIELD:

S. 1515. A bill to repeal Federal provisions of law establishing agricultural programs concerning the marketing of and price support for tobacco; to prohibit compacts among States for regulating tobacco production and commerce; to amend the Tobacco Inspection Act and the U.S. Warehouse Act to provide for the assessment of certain fees to cover the costs of inspection, licensing, and other activities carried out under those Acts; and to amend the Internal Revenue Code of 1954 to increase the tax on cigars and cigarettes; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. WARNER (for himself and Mr. McCLURE):

S. 1516. A bill to amend the Geothermal Steam Act of 1970 (30 U.S.C. 1001 et seq.) to expedite exploration and development of geothermal resources; to the Committee on Energy and Natural Resources.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. INOUYE:

S. 1510. A bill for the relief of Apolonio P. Tumamao and others; to the Committee on the Judiciary.

● Mr. INOUYE. Mr. President, I would like to introduce a bill today which has been recommended by the Comptroller General of the United States for the purpose of relieving six Federal employees of liability for overpayments, and providing reimbursement for the high rate of per diem involving their claim.

Ordinarily, one might expect matters of this nature to be corrected by making the appropriate readjustments governed by the executive branch's fiscal directives.

However, I am informed, by virtue of the amount involved, approximately $11,000, that this is impossible and a private bill of this nature is required. I would hope that this bill would receive prompt attention since the bill seeks to correct administrative failures by officials of the U.S. Government in implementing a regulatory change in per diem for these employees of our Government.

Mr. President, I ask unanimous consent that the text of this bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1510

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That each of the following-named persons is relieved of all liability to repay the United States and is entitled to a refund of the amount which appears beside his name:

	Indebtedness
Apolonio P. Tumamao	$1,137.50
Milton M. Ikawa	2,032.50
Malcolm B. Shin	2,032.50
Mamerto A. Garma	1,938.00
John B. MacKinnon	2,028.75
Kenneth A. Grigsby	2,032.50

The amounts represent overpayments of per diem allowances as a result of administrative failures by officials of the United States Government in implementing a regulatory change in the per diem rate in the case of the above-named civilian employees of the Department of the Navy who were performing extended temporary duty training assignments during the period May 1977 to January 1980. In that audit and settlement of the accounts of any certifying or disbursing officer of the United States, credit shall be given for the amount of payments made pursuant to this Act.●

79-059 O - 85 - 23 (Vol. 127) Pt. 13

By Mr. HEINZ:

S. 1511. A bill to amend the Tariff Act of 1930 to clarify the determination of the definition of a country under the agreement, and for other purposes; to the Committee on Finance.

DEFINITION OF A COUNTRY UNDER THE TARIFF ACT

● Mr. HEINZ. Mr. President, the trade policy issues I have been concentrating on this year have for the most part dealt with what I would call leftover items from the multilateral trade negotiations—issues, like the treatment of unfair trade practices from nonmarket economies, or revision in our generalized system of preferences (GSP), which were unresolved by those negotiations. I have already introduced legislation on those two specific matters, S. 958 and S. 1150 respectively, and I plan further legislation in the fall to deal with some other issues not adequately resolved in the MTN.

Today, however, I want to comment on a problem which has grown out of the MTN and which did not exist prior to that agreement. I refer, Mr. President, to the problem of how and under what circumstances the United States will accept new countries' accessions to the subsidies code, thereby committing our Government not to take action against their subsidized imports without a determination that someone in this country has been injured.

At the time the MTN agreements were presented to the Congress for approval in 1979, significant gaps remained with regard to their application to developing countries. It had not been possible during the MTN to negotiate universally acceptable criteria and specific procedures for having individual LDC's forgo the "special and differential treatment" which they, collectively, have come to regard as a permanent feature of the trading system. The United States was virtually alone among the industrialized countries in pressing the point, and was basically at a loss to come up with some mechanism that would be appropriate for all LDC's. The range of economic and competitive situations among the countries of the Third World is simply too vast to be covered by a single, uniform formula.

The result was that the operative parts of the MTN codes, such as the subsidies code, were left deliberately vague (or loose) with regard to potential LDC signatories. The expectation was that the executive branch—specifically, the U.S. Trade Representative—would for several years be engaged in one-on-one negotiations with LDC's interested in joining the various codes. Such an arrangement would appeal to the administration, of course, since it permitted maximum flexibility for reconciling trade policy and foreign policy concerns on a case-by-case basis.

In order to sell this open-ended negotiating mandate to the Congress and the private sector, in the case of the subsidies code, the administration gave explicit assurances as to the minimum levels of obligations that would be required of any developing country which sought to accede to the code. These were specifically said by administration spokesmen to include:

First, an obligation not to extend existing export subsidies to any wider range of products;

Second, an obligation not to raise the amounts of existing export subsidies;

Third, an obligation not to introduce new export subsidies; and

Fourth, a commitment to phase out existing subsidies, and to eliminate immediately those for products in which the subsidizing country is already competitive.

These assurances are those specified in the legislation I am proposing today. Unfortunately, the record of the past 18 months shows that these minimum expectations either have not been pursued seriously by the administration, most notably in the case of Pakistan, or have been openly flouted by countries which have accepted them, as in the case of Uruguay. The continuation of this state of affairs threatens to undermine the integrity of all of the codes negotiated in the Tokyo Round.

The United States is in a position to rectify this situation because it alone is able to grant or withhold the principal benefit—an injury test in U.S. countervailing duty proceedings—which accrues to countries signing the subsidies code.

In light of experience to date, legislation clearly is needed to specify the minimum conditions under which a developing country may be treated as a "country under the agreement." With such legislation, U.S. negotiators will be in a strong position to insist upon the acceptance of, and continued adherence to, those conditions—which all countries participating in the negotiation of the subsidies code understood were the basic foundation of that code.

The inclusion of these specific commitments in our law would also have the beneficial effect of insuring that developing nations are treated within the same parameters. As a result of the Carter administration reneging on its promises to Congress in the case of Pakistan and then trying to adhere to those promises in the case of India several months later, we are now involved in a messy legal dispute in the GATT, where the Indians are accusing us of violating the most-favored-nation principle of the GATT which obligates us to extend to all GATT members the benefits we have extended to one.

By accepting a lower level of commitment on subsidies from Pakistan, India argues, we are now obligated to accept the same from them. Although the legal issues here are far from clear—the subsidies code itself gives broad latitude for rejecting such commitments—this dispute will be a divisive one in the GATT which will tarnish our standing in other LDC's and complicate our efforts to protect our interests with other LDC's. Had we had in the law definition of the acceptable commitments early in 1980, this difficult situation would not have arisen. This bill provides an opportunity to rectify that situation.

It should also be kept in mind, Mr. President, that another purpose of this legislation is to continue congressional efforts to depoliticize the countervailing duty and antidumping processes that begin with the transfer of those functions from the Treasury Department to the Commerce Department in 1980.

It has always been my view that the decision to accept Pakistan's inadequate commitments was a political one made by White House personnel for foreign policy reasons and not for the trade policy reasons established by the Congress. Aside from the irony that it seems to have had little visible impact on our relations with Pakistan, this decision stands out as precisely what we in the Congress feel should be avoided—the granting of permanent trade benefits on the basis of often illusory short-term political factors.

Unfortunately a similar circumstance has just occurred in the new administration with respect to a case involving toy balloons from Mexico. This decision is particularly distressing in view of the strong commitments made by several high ranking Commerce Department officials to enforce these laws aggressively and objectively.

This case is now in litigation, which I hope will quickly rectify the error the Department has made. Episodes such as this undercut the Government's credibility with American companies seeking to exercise their rights under our unfair trade practice laws and thereby encourage the Congress to act once again to clarify the law and reduce the administration's discretion.

Mr. President, this bill deals with this same principle. It seeks simply to codify the Government's promises and hold it to them. I hope we will be able to act on it promptly. I ask that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1511

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 701 of the Tariff Act of 1930 (19 U.S.C. 1671) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

"(c) LIMITATION ON ACCEPTANCE CONCERNING DEVELOPING COUNTRIES.—Notwithstanding subsection (b) or any action previously taken to designate a country as a 'country under the Agreement', no country shall be so designated until it has committed itself to the General Agreement on Tariffs and Trade to eliminate its export subsidies promptly; except that in the case of any country which is a beneficiary developing country under section 502 of the Trade Act of 1974 (19 U.S.C. 2462), such country may be so designated if, in lieu of such commitment, such country agrees—

"(1) not to increase the number of product classes receiving export subsidies;

"(2) not to introduce new export subsidies;

"(3) not to increase the amount of existing export subsidies; and

"(4) to a timetable, agreed to by the United States, for reducing and eventually eliminating completely export subsidies, except that such elimination shall be immediate for any class of products which the International Trade Commission, after referral by the President, determines is already competitive in the United States mar-

ket and would be competitive in the absence of export subsidies.

For purposes of determining the competitiveness of any class of products, the International Trade Commission, at the request of the President, shall conduct an investigation and shall determine and report to the President not later than 60 days after receiving his request, whether the class of products is already competitive in the United States market and would be competitive in the absence of export subsidies.

"(d) REVIEW OF DETERMINATIONS.—In the case of a beneficiary developing country which enters into an agreement under subsection (c), the President shall review the current status of, and compliance with, such agreement at least once during each 12-month period following the date on which the agreement becomes effective. Upon determining that any such country has introduced export subsidies inconsistent with such agreement, the President shall promptly revoke the designation of such country as a 'country under the Agreement'. If, within 12 months after the International Trade Commission has made a negative injury determination pursuant to sections 703(a) or 705(b) of this Act, the President revokes the designation under this section of a country as a 'country under the Agreement', the determinations of the Commission with regard to imports from such country which were the subject of such injury determination shall be deemed null and void and the administering authority shall issue a countervailing duty order.".●

By Mr. McCLURE (by request):

S. 1512. A bill to extend the expiration date of section 252 of the Energy Policy and Conservation Act; to the Committee on Energy and Natural Resources.

EXTENSION OF ANTI-TRUST DEFENSE OF ENERGY POLICY AND CONSERVATION ACT

● Mr. McCLURE. Mr. President, today I am introducing at the request of the administration a bill to extend the expiration date of section 252 of the Energy Policy and Conservation Act.

I note that the administration's bill is identical to S. 1475, a bill introduced by me, together with Senator JACKSON, on July 14, 1981.

Mr. President, I ask unanimous consent that the administration's transmittal letter and the text of the bill be printed in the RECORD.

There being no objection, the bill and letter were ordered to be printed in the RECORD, as follows:

S. 1512

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 252(j) of the Energy Policy and Conservation Act (42 U.S.C. § 6272(j)) is amended by striking "September 30, 1981" and inserting in its place "June 30, 1985".

DEPARTMENT OF ENERGY,
Washington, D.C., July 22, 1981.

Hon. GEORGE BUSH,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: Enclosed is proposed legislation "[t]o extend the expiration date of section 252 of the Energy Policy and Conservation Act."

This proposed legislation is part of the Department of Energy Legislative Program for the 97th Congress. The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this legislation for the consideration of the Congress.

PURPOSE OF THE LEGISLATION

This bill would amend subsection 252(j) of the Energy Policy and Conservation Act (EPCA) by changing the expiration date of section 252 from September 30, 1981, to June 30, 1985. The extension would continue the antitrust defense afforded by section 25 (f) of EPCA to United States oil companies participating in the Agreement on an International Energy Program (IEP), thus facilitating the continued participation of United States oil companies in the IEP.

BACKGROUND

The IEP was originally signed in 1974 as the result of an effort by the United States to promote cooperation among major industrial countries in reducing dependence on imported oil. There are presently 21 signatories to the IEP, consisting of most of the principal industrialized oil consuming nations. The IEP provided for creation of the International Energy Agency (IEA) as an autonomous entity within the Organization for Economic Cooperation and Development and, under the auspices of the IEA, of an international oil sharing system for use during oil supply emergencies, and an information system on the international oil market. It also required each country to establish an emergency petroleum storage program, and to have a means for restraining demand for petroleum products in the event of an interruption of petroleum supplies to the IEP countries.

Section 252 of EPCA sets out procedures applicable to the development or carrying out of voluntary agreements and plans of action to implement the allocation and information provisions of the IEP. Under this authority, effective March 21, 1976, United States oil companies entered into the Voluntary Agreement and Plan of Action to Implement the International Energy Program (the Voluntary Agreement) (41 F.R. 13998, April 1, 1976). At present, 21 United States oil companies, including both major international oil companies and independent oil companies, are participants in the Voluntary Agreement.

The antitrust defense provided in section 252(f) is essential to the participation of United States oil companies in the Voluntary Agreement and, through it, in the IEP. The IEP, in turn, can function effectively only with participation by United States and foreign oil companies which are primary sources of the information about conditions in the international oil market and would be the primary actors in redistributing oil if the IEP's emergency sharing provisions were activated.

This bill simply extends to June 30, 1985, the effectiveness of the section 252 antitrust defense, thereby synchronizing its expiration with that of Titles I and II of EPCA, and assuring continuity of U.S. company participation in the IEP. All of the other conditions and safeguards presently incorporated in that section will remain unchanged.

COST AND BUDGET DATA

Enactment of this legislation would cause no apparent increase in budgetary requirements for the Department of Energy.

Sincerely,

R. TENNEY JOHNSON,
General Counsel.●

By Mr. MATSUNAGA:

S. 1514. A bill to amend title II of the Social Security Act so as to liberalize the conditions governing eligibility of blind persons to receive disability insurance benefits thereunder; to the Committee on Finance.

DISABILITY BENEFITS FOR THE BLIND

Mr. MATSUNAGA. Mr. President, I am today introducing legislation that is designed to provide improved disability insurance for the blind. My measure would amend title II of the Social Security Act so as to moderate the eligibility requirements that blind persons must meet in order to qualify for disability benefits.

Currently, benefits to the blind are eliminated whenever a sightless person begins to earn $458 a month. Under my proposal, a person who is blind and has worked 6 quarters in social security covered employment would be able to qualify for disability benefits. And, such payments would continue for as long as the blindness lasts.

By reducing the work requirement, we would be recognizing the unique difficulty that blind persons have in securing employment. Because they are frequently the last hired and first fired, many blind persons are often not able to acquire the necessary quarters for coverage.

In fact, as presently written, current law actually prevents many blind people from even seeking employment. It is not unusual for those who have managed to qualify for disability benefits to be afraid to take jobs, for fear of losing their disability checks. The risk of being forced to relinquish their benefits is just too great compared to the low wages and lack of job security that awaits them upon entering the work force.

The changes that my bill would accomplish would put an end to this unfortunate and regressive situation, and in fact, would be the culmination of a process begun in the 88th Congress by the late beloved Senator from Minnesota, our Nation's former Vice President, Hubert H. Humphrey.

After 20 years of deliberation, and several piecemeal efforts to enact well-meaning legislation, the time has come for the Congress to provide the blind with the appropriate legislative portal they need to play a greater role in our Nation's society. It is time that we tapped their talent and ability for the sake and prosperity of our Nation's economy.

In doing so, we should be mindful that welfare payments to the blind would be reduced substantially if these blind but capable persons were to be given this additional incentive to work. The National Federation of the Blind estimates that 75,000 blind people would become ineligible for social security insurance, if they were instead able to qualify for disability benefits under the provisions of my bill. Certainly, many of these beneficiaries would subsequently become employed and would eventually also contribute both income and social security taxes to our Nation's Treasury.

Mr. President, my legislation addresses the specific economic problems of the blind and merits the support of all of my colleagues who are interested in encouraging people to work rather than to exist on public assistance. Accordingly, it is paramount that we seek to complete the work that was begun over 20 years ago and strive to mainstream the greater portion of our Nation's blind into fuller and more productive roles in our society. This can be accomplished through the enactment of my bill, which would cre-

ate the viable economic opportunities that the blind so fervently desire and eliminate the bureaucratic obstacles that presently stand in their path.

By Mr. WARNER (for himself and Mr. McCLURE):

S. 1516. A bill to amend the Geothermal Steam Act of 1970 (30 U.S.C. 1001 et seq.) to expedite exploration and development of geothermal resources; to the Committee on Energy and Natural Resources.

GEOTHERMAL STEAM ACT OF 1981

Mr. WARNER. Mr. President, I am introducing today, for myself and Senator McCLURE, the Geothermal Steam Act of 1981. As chairman of the Energy and Minerals Subcommittee of the Senate Energy Committee, I plan to remove constraints, and provide incentives for widespread development of our abundant geothermal resources.

It has been recognized for several years that amendments to the Geothermal Steam Act of 1970 are necessary in order to induce the private sector to invest the considerable capital sums necessary to develop geothermal. As with any new technology, much has been learned, through trial and error, of how to locate and define a geothermal reservoir sufficient in size to warrant commercial exploitation. However, we feel that now the technology is at a point where institutional barriers such as insufficient acreage availability for geothermal exploitation on Federal lands, contained in the existing law, must be removed or modified if utilization of this vast resource is to become a reality.

Although, to date, most of the geothermal resources which have been defined in the United States lies west of the Rocky Mountains, recent exploration on the east coast and gulf coast have revealed that substantial quantities of geothermal potential may exist in these areas as well. Although the temperatures of the resources outside the West are somewhat lower, technological improvements for the utilization of relatively low temperature geothermal could make this resource eventually available as a replacement for fossil fuels on a nationwide basis.

However, in order to stimulate early development, we obviously must provide access to those areas where the most viable resources under current economic conditions exist; and this is clearly on public lands in the Western States.

The bill I am introducing increases the acreage available per State to each company developing geothermal from 20,400 to 51,200. The bill also provides authority for the Secretary of the Interior to increase this acreage in 1985. We anticipate that the Secretary will look closely at the amount of development which takes place under the modified acreage limitation in determining whether the acreage limitation should be increased again.

It is my intention in working with Senator McCLURE, chairman of the full Energy Committee, to seek early consideration of this measure in order to stimulate the private sector into committing capital resources necessary to bring significant amounts of geothermal energy into production, both for direct heat use in space heating and agri-farming and electric generation, at the earliest possible time.

I realize that considerable lead time is necessary to explore for, define, and bring a geothermal reservoir into production. Just the construction of a powerplant, for example, to utilize the resource takes a number of years and can be further delayed by obtaining necessary permits, especially environmental permits.

However, if we do not provide some stimulus to the industry now, and if we let yet another Congress pass without legislation, the considerable interest which has been shown by the private sector in this resource may diminish and capital will be diverted into other endeavors. This would be unfortunate indeed, since geothermal offers potentially tremendous saving in more scarce fuels, not to mention the fact that since combustion is not necessary to generate geothermal heat, its environmental impact is insignificant when compared with fossil fuels.

Mr. President, I commend this measure to the consideration of my colleagues.

ADDITIONAL COSPONSORS

S. 29

At the request of Mr. LUGAR, the Senator from Florida (Mr. CHILES) was added as a cosponsor of S. 29, a bill to repeal the Federal requirement of incremental pricing under the Natural Gas Policy Act of 1978.

S. 484

At the request of Mr. CHILES, the Senator from Hawaii (Mr. INOUYE) was added as a cosponsor of S. 484, a bill to amend the Social Security Act to insure adequate short- and long-term financing of the old-age, survivors, and disability insurance program and the medicare program.

S. 537

At the request of Mr. HEFLIN, the Senator from Montana (Mr. BAUCUS), the Senator from Kansas (Mr. DOLE), the Senator from Arizona (Mr. DECONCINI), the Senator from Nevada (Mr. LAXALT), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Mississippi (Mr. COCHRAN), and the Senator from South Carolina (Mr. THURMOND) were added as cosponsors of S. 537, a bill to aid State and local governments in strengthening and improving their judicial systems through the creation of a State Justice Institute.

S. 881

At the request of Mr. RUDMAN, the Senator from Alaska (Mr. STEVENS) was added as a cosponsor of S. 881, a bill to amend the Small Business Act to strengthen the role of the small, innovative firms in federally funded research and development, and to utilize Federal research and development as a base for technological innovation to meet agency needs and to contribute to the growth and strength of the Nation's economy.

S. 895

At the request of Mr. MATHIAS, the Senator from Vermont (Mr. STAFFORD), the Senator from Delaware (Mr. ROTH), the Senator from Missouri (Mr. EAGLETON), and the Senator from Kentucky (Mr. FORD) were added as cosponsors of S. 895, a bill to amend the Voting Rights Act of 1965 to extend certain provisions for an additional 10 years, to extend certain other provisions for an additional 7 years, and for other purposes.

S. 979

At the request of Mr. LUGAR, the Senator from South Dakota (Mr. PRESSLER) was added as a cosponsor of S. 979, a bill to amend the Internal Revenue Code of 1954 to clarify the tax exemption for interest on obligations of volunteer fire departments.

S. 1081

At the request of Mr. MATHIAS, the Senator from Pennsylvania (Mr. HEINZ) was added as a cosponsor of S. 1081, a bill to amend the Internal Revenue Code of 1954 to provide for a deduction for certain amounts paid into a reserve for service liability losses and expenses of design professionals and for other purposes.

S. 1230

At the request of Mr. CRANSTON, the Senator from Minnesota (Mr. DURENBERGER), the Senator from Wyoming (Mr. SIMPSON), and the Senator from Washington (Mr. JACKSON) were added as cosponsors of S. 1230, a bill to provide for the minting of commemorative coins to support the 1984 Los Angeles Olympic Games.

S. 1373

At the request of Mr. DECONCINI, the Senator from Arkansas (Mr. PRYOR), the Senator from Alabama (Mr. HEFLIN), and the Senator from North Dakota (Mr. BURDICK) were added as cosponsors of S. 1373, a bill to authorize the President to call a White House Conference on Veterans.

S. 1417

At the request of Mr. SPECTER, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 1417, a bill to establish a Presidential Protection Commission to advise the President and the Congress on reducing the risk of assassination at public appearances and otherwise to increase efforts to prevent criminal assaults against the President and to recommend amendments to title 18 of the United States Code and other provisions of Federal law relating to safeguarding the President.

S. 1448

At the request of Mr. MATHIAS, the Senator from Minnesota (Mr. DURENBERGER), and the Senator from New Mexico (Mr. SCHMITT) were added as cosponsors of S. 1448, a bill to provide for the issuance of a postage stamp to commemorate the seventieth anniversary of the founding of the Girl Scouts of the United States of America.

S. 1493

At the request of Mr. ABDNOR, the Senator from Indiana (Mr. QUAYLE) was added as a cosponsor of S. 1493, a bill to deauthorize several projects within the jurisdiction of the Army Corps of Engineers.

AMENDMENT NO. 507

At the request of Mr. TOWER, the Senator from Louisiana (Mr. JOHNSTON), the Senator from Colorado (Mr. HART), and the Senator from Texas (Mr. BENTSEN) were added as cosponsors of amendment No. 507 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

SENATE RESOLUTION 192—ORIGINAL RESOLUTION REPORTED WAIVING CONGRESSIONAL BUDGET ACT

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution; which was referred to the Committee on the Budget:

S. RES. 192

Resolved, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of S. 778. Such waiver is necessary because S. 778 authorizes the enactment of new budget authority which would first become available in fiscal year 1982, and such bill was not reported on or before May 15, 1981, as required by section 402(a) of the Congressional Budget Act of 1974 for such authorizations.

The waiver of section 402(a) is necessary to permit Congressional consideration of statutory authority to plan for the development of the area south of the original Smithsonian Institution Building adjacent to Independence Avenue at Tenth Street, Southwest, in the City of Washington.

S. 778 provides an authorization for fiscal year 1982 of $1,000,000. Although $500,000 was authorized in fiscal year 1980, no funds in that year or fiscal year 1981 were appropriated for the planning of the proposed Quadrangle development in the area south of the Smithsonian Institution's original building, now known as the Castle.

The specified sum is included in the President's fiscal year 1982 budget request. The Appropriations Committees of the Senate and the House of Representatievs have therefore had adequate notice of this authorization. Thus, Congressional consideration of this authorization will in no way interfere with or delay the appropriations process.

SENATE RESOLUTION 193—ORIGINAL RESOLUTION REPORTED TO ESTABLISH A SENATE PLACEMENT OFFICE

Mr. MATHIAS, from the Committee on Rules and Administration, reported the following original resolution which was placed on the calendar:

S. RES. 193

Resolved, That (a)(1) there is established, within the Office of the Sergeant at Arms and Doorkeeper of the Senate (hereinafter referred to as the "Sergeant at Arms"), an office to be known as the "Senate Placement Office" (hereinafter referred to as the "Office").

(2) The Office shall be under the administrative direction and supervision of the Sergeant at Arms. Policies respecting the operation of the Office shall be established by the Sergeant at Arms with oversight of such policies provided by the Committee on Rules and Administration of the Senate.

(3) The Office shall be headed by an Office Manager and shall be staffed with such additional personnel as may be required to carry out the duties of the Office.

(b)(1) It shall be the duty and function of the Office to assist Senators, Senate Committees, and Officers, and employees of the Senate having hiring authority (hereinafter referred to as "Senate employers") in filling job vacancies by making available to such Senate employers pertinent information regarding individuals who are seeking employment through the Office.

(2) In carrying out its duties, the Office shall develop and conduct appropriate tests for clerical and secretarial skills, as well as tests for such other occupational skills as may be authorized by the Sergeant at Arms.

SEC. 2. (a) The expenses of the Office shall be paid from the contingent fund of the Senate in accordance with the paragraph under the heading "UNDER LEGISLATIVE", relating to the contingent fund of the Senate, of the Act of October 2, 1888 (25 Stat.; 2 U.S.C. 68), and upon vouchers approved by the Sergeant at Arms, except that vouchers shall not be required for the disbursement of salaries of employees paid at an annual rate.

(b) The provisions of subsection (a) of this section shall remain in effect only for the period ending on the date that appropriated funds become available for the expenses of the Office under a provision of law enacted after the date this resolution is agreed to.

SENATE RESOLUTION 194—RESOLUTION RELATIVE TO SENSE-OF-THE SENATE RESOLUTIONS

Mr. PRYOR submitted the following resolution; which was referred to the Committee on Rules and Administration:

S. RES. 194

Resolved, That it is the sense of the Senate that there be no more "Sense of the Senate" resolutions.

AMENDMENTS SUBMITTED FOR PRINTING

INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1981

AMENDMENT NO. 515

(Ordered to be printed and to lie on the table.)

Mr. KASTEN submitted an amendment intended to be proposed by him to the bill (S. 1196) to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to authorize appropriations for development and security assistance programs for the fiscal year 1982, to authorize appropriations for the Peace Corps for the fiscal year 1982, to provide authorities for the Overseas Private Investment Corporation, and for other purposes.

SPECIAL REQUIREMENTS FUND

Mr. KASTEN. Mr. President, I am submitting an amendment to S. 1196 which would provide for a special requirements fund under the economic support fund. The amendment would provide this fund subject to a 15-day notification procedure.

AMENDMENT NO. 516

(Ordered to be printed and to lie on the table.)

Mr. KASTEN submitted an amendment intended to be proposed by him to the bill S. 1196, supra.

AVAILABILITY OF FUNDS FOR SAHEL DEVELOPMENT PROGRAM

Mr. KASTEN. Mr. President, I am today submitting an amendment to S. 1196 which would condition the availability of funds for the Sahel development program on the maintenance of certain accounting procedures with respect to such funds.

AMENDMENT NOS. 517 AND 518

(Ordered to be printed and to lie on the table.)

Mr. KASTEN submitted two amendments intended to be proposed by him to the bill S. 1196, supra.

AUTHORIZATION OF APPROPRIATIONS FOR CERTAIN INTERNATIONAL PROGRAMS

Mr. KASTEN. Mr. President, today I am submitting two amendments which I intend to propose to S. 1196. One amendment reduces the authorization for appropriations for the American schools and hospitals abroad program from the $12 million reported by the Foreign Relations Committee to $7.5 million as requested by the administration.

The second amendment would reduce the authorization for international organizations and programs from the $229,050,000 as reported by the Foreign Relations Committee to $219,000,000 as requested by the administration.

ECONOMIC RECOVERY TAX ACT OF 1981

AMENDMENT NO. 519

(Ordered to be printed and to lie on the table.)

Mr. BENTSEN submitted an amendment intended to be proposed by him to the joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 520

(Ordered to be printed and to lie on the table.)

Mr. ROBERT C. BYRD (for himself, Mr. JACKSON, Mr. INOUYE, Mr. MATSUNAGA, Mr. MATHIAS, Mr. METZENBAUM, Mr. FORD, Mr. RANDOLPH, and Mr. HUDDLESTON) submitted an amendment intended to be proposed by them to the joint resolution House Joint Resolution 266, supra.

NOTICES OF HEARINGS

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Mr. DURENBERGER. Mr. President, I would like to announce that the Subcommittee on Intergovernmental Relations of the Governmental Affairs Committee is sponsoring a 3-day forum on "Alterative Service Delivery." This forum will bring together individuals, businesses, nonprofit organizations, and State and

local government officials who have been most active and successful in promoting alternative service delivery. The purpose of the forum is to explore the possibilities of more effective ways to meet public service needs through expanding the role of the private sector and evaluating new strategies for public-private cooperation.

The forum will be conducted at 2 p.m. on July 28 in room 3302 of the Dirksen Senate Office Building, at 9 a.m. and 2 p.m. on July 29 in room 357 of the Russell Senate Office Building, and at 9 a.m. on July 30 in room 318 of the Russell Senate Office Building. Those wishing to submit written statements to be included in the printed record of the forum should send five copies to Ruth M. Doerflein, clerk, Subcommittee on Intergovernmental Relations, room 507, Carroll Arms Building, Washington, D.C. 20510.

For further information on the forum, you may contact Julie Shaw of the subcommittee staff on 224–4718.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON FOREIGN RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to have met during the session of the Senate on Thursday, July 23, to hold confirmation hearings on the nominations of William Dyess to be Ambassador to the Netherlands, John Loeb to be Ambassador to Denmark, and Keith Nyborg to be Ambassador to Finland.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON INTERNATIONAL FINANCE AND MONETARY POLICY AND THE SUBCOMMITTEE ON SECURITIES

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on International Finance and Monetary Policy and the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs be authorized to have met to hold a joint hearing during the session of the Senate on July 23, at 2 p.m., regarding S. 708, the Business Accounting and Foreign Trade Simplification Act.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

DECISION OF PRESIDENTIAL TASK FORCE ON CREW COMPLEMENT

● Mr. HOLLINGS. Mr. President, just a few weeks ago, a Presidential Task Force on Crew Complement made a controversial decision the effect of which allows future passenger-carrying aircraft to be built for operation by two, rather than by three, cockpit crew members.

While I make no claim to having the expertise to settle what is obviously an involved matter, I do want to emphasize the importance of the issue to the American public. Serious questions of airline passenger safety are part and parcel of the debate, and my hope is that discussions and planning for the future can be accomplished in an atmosphere of good will and of realization that the overriding goal must always be the public good.

Additionally, I would point to the outstanding record compiled by America's flight engineers over the years. Any change involving a diminution of their role has great implications, and we ought to be mindful both of their fine record and of the contribution they have made to air safety.

Mr. President, the executive committee of the Flight Engineers' International Association has just adopted a statement concerning the Presidential Task Force on Crew Complement decision, and so that their side of the story may be heard too, I ask that the text of this statement be included in today's edition of the RECORD.

The statement follows:

STATEMENT OF THE FLIGHT ENGINEERS' INTERNATIONAL ASSOCIATION

The Flight Engineers' International Association is disturbed and disappointed by the decision announced on July 2 by the Presidential Task Force on Crew Complement which would allow future passenger aircraft to be designed for operation by two rather than three cockpit crew members.

The Task Force has effectively removed the flight engineer from the cockpit of the new generation of commercial airliners. In extensive testimony before the Task Force our position that maximum air safety can be achieved only by three-member crews was amply documented.

The Task Force has made a tragic mistake. We stated repeatedly during these proceedings that the issue involved is air safety—not employment. No member of the Flight Engineers' International Association will lose a job because of the decision. We are convinced that maximum safety for future airline passengers has been compromised.

The Task Force was not justified in ignoring the unfortunate experience of the airline industry when it flew the DC 6 with a two-member crew. The many reliably reported situations in which the third crew member effectively assured the safety of the flight should have convinced the Task Force that notwithstanding new technology in the cockpit, maximum safety is not possible without a human pilot backup.

We do not question the integrity of the individual members of the Task Force or their staff; we do deplore the fact that the study was made hastily and without the benefit of technical testing in a trial period. Hopefully there will be no disastrous consequences and the Flight Engineers' International Association will use its expertise and influence to guarantee the use of proper crew complement certification procedures by the FAA to assure the flying public the best possible cockpit design under any and all circumstances.●

LASERS—THE NEED FOR A NATIONAL FOCUS

● Mr. HEFLIN. Mr. President, on July 9, 1981, I had the pleasure of addressing the American Institute of Aeronautics and Astronautics which was meeting here in Washington. This Institute was conducting a conference on laser systems and technology. The title of my speech was "Lasers—The Need for a National Focus." Much of the information contained in this speech has not been presented to the Members of Congress. I think that this information should be made available, so I ask that a copy of my speech be printed in the RECORD.

The text of the speech follows:

LASERS—THE NEED FOR A NATIONAL FOCUS

I. INTRODUCTION

Over the past decade, technological advances made possible only through the dedication and determination of gifted researchers and scientists, such as those here today, have provided a sufficient foundation for national application of lasers in both peaceful and military uses. Our scientists and technicians have lifted lasers from the pages of science fiction and made them real, everyday devices. This very transformation has brought high-energy lasers into the realm of defense weapons systems, and subsequently introduced a whole new concept in military strategy.

To date, the U.S. Senate has assumed a leadership role that is gaining momentum which I think will lead to the construction of decisive laser defense weapons in the foreseeable future. There are, as you well know, many good and meritorious ideas and technological opportunities that remain in obscurity, both unappreciated and underfunded, which may enable us to realize the needed laser weapons capabilities years sooner—if such ideas are adequately supported and managed.

II. NEED FOR AN "UP FRONT" PROGRAM

It is essential to realize that the correct technical decisions as to the detailed nature of actual laser applications cannot be made without a greatly expanded "up front" program—one to mature and test the needed technologies. We can look to the laser beam itself for an excellent model for this program. The astounding feats laser beams are capable of performing and in some cases are performing, from mending a torn retina, to dissolving a brain tumor, or to destroying an enemy missile or communications satellite, are all possible only because each atom contributes its bit of energy, which is organized and focused into a coherent beam.

By a somewhat strained analogy, our present, largely diffused laser and particle beam research programs need to be focused like a laser beam into a program capable of emitting energy—in our case, results. We need, in my judgment, a clearly focused national program for laser development, and that's what I am working toward.

This morning I wish to bring you up to date on efforts to provide such an "up front" program. But, I would first like to cover some pressing issues concerning laser technology.

III. PRACTICAL APPLICATION—FOSSIL FUELS

Since the initial discovery of the laser in 1960, practical applications of laser technology have already proven to be of great benefit in manufacturing, retailing, medicine, and advanced communications fields. And the possibilities for lasers are breathtaking. In my judgment, lasers will indeed play a key role in virtually every aspect of our future technology. However, the potential for laser application in space exploration and in the crucial areas of national defense and energy production has yet to be fully appreciated. And this very potential, I feel, makes laser technology the most exciting and important field of research for the remainder of this century. I am not exaggerating when I say that the future of this nation, especially in defense and energy, is inextricably tied to the full development and exploitation of laser technology.

You'll be happy to know that I do not plan to dwell on the numerous laser applications with which many of you are so thoroughly familiar. From a technical standpoint, most of you have forgotten more about lasers than I will ever know. But please allow me to mention laser technology as a

possible answer to our critical fossil fuel energy problem. The production of electricity through clean and safe nuclear fusion creates enormous implications for our economic state. However, the application of laser technology can offer our nation an inexhaustible supply of cheap and clean electric power, while avoiding the problems associated with nuclear reactors and radioactive wastes. This important civilian application cannot be ignored or scorned.

IV. LASERS FOR DEFENSE USES/SOVIET TECHNOLOGY

Undoubtedly, the peaceful beam uses are promising and must not be overlooked, but the defense-oriented possibilities possess the potential to cause a dramatic shift in the national security posture of the superpowers. And as we look at the uses of lasers for our national defense, we must also concern ourselves with the laser technology advances made by the Soviets.

Perhaps for the first time in the last twenty years, the United States is not confined by the military concept of MAD—Mutual Assured Destruction—which incorporates the idea that there is no defense against nuclear missile attack but only a balance of terror. The potential effects of high-energy laser systems on this strategic military balance are overwhelming. Space laser weapons, if they can be developed, and I believe they can be, should bring an end to the fear-filled era in which we have lived for the last few decades. Technology offers us, and the Soviet Union I hasten to add, the chance to begin to overcome this vulnerable mass destruction strategy—it, conversely, will enable us to employ a new and stronger defensive stance.

This stance, however, requires that a clear distinction be drawn between the needed "revolutionary" technology and the "evolutionary" advances in conventional technology. Our future strategic position awaits the accelerated, concentrated development of beam weaponry, not a slow-paced unfolding of laser uses. The key point here is that high-energy laser development and weaponization programs could give us a needed edge, but we must not drag our feet.

The reason I feel that any delay may become a decisive factor is that much has been written lately about the Soviet Union's extensive research and development of laser weapons systems. The Russians are well aware of military possibilities in space, obvious through their significant commitment of resources to their programs. According to a recent issue of Aviation Weekly and Space Technology, Soviet space launches have outnumbered those of the U.S. by a factor of 3½ to 1 during the last decade. A United States Air Force analysis recently revealed that Soviet technology today could exploit U.S. communications channels or even interrupt the control links of U.S. space systems.

Until this recent revelation by the Air Force, their intelligence agency had not been able to convince others in the intelligence community that the Russians were driving ahead in this vital area of weapon technology. The CIA, Defense Intelligence Agency, and Air Force Intelligence Agency had all expressed differing ideas as to the actual Russian abilities in laser systems. The information collected and analyzed over the past months has done away with their differences in opinions, but unfortunately, not with our problem.

Report after report show increasing Soviet activity in the area of laser development. Findings indicate that the Russians now have an operational, land-based laser weapon capable of putting low orbiting U.S. spy satellites out of action. Further evidence of Soviet progress was provided by a spy satellite which spotted a large laser or particle beam device under construction.

In another instance, what the Air Force once believed to be another nuclear plant now appears to be an experimental laser site. Reports continue as another facility, located just thirty miles north of Moscow, amazes U.S. intelligence because of the high level of work going on in the underground cavern. Here it is reported that the Russians have developed a ground-based laser that is capable of downing low-orbiting spy satellites, Big Bird, and the KH-11. Information has also been gathered that the Soviets are developing an eleven-ton space station to take multi-shot lasers beyond the interfering particles within the earth's atmosphere. This advancement is possible because the Russian program can boast five times as many people and dollars as we have. According to Clarence Robinson of Aviation Week, Soviet superiority in particle beam weaponry can be further evidenced by the fact that three out of four accelerators under testing in the U.S. are based on Soviet designs! This persistence and drive has given the Russians an undoubted edge.

Even so, if we would only admit that we have a problem and quickly set definite goals and objectives involving the advancement of beam weaponry, we could catch up to the Soviet level and enhance our world stance. But currently, organizational and political impediments are tying the hands of research. Even as the Russians blitz ahead, our own Department of Defense insists on studying, testing, and deliberating on research to the point that it practically suffocates needed breakthroughs. One senior Pentagon official was recently quoted describing the R&D pace as "academic," drawing attention to the fact that under present conditions, we are failing to devote the necessary all-out effort toward laser development. To simply be satisfied with our present level of organization and research and development may eventually lead us to being surprised once again by the Soviets, as we were with Sputnik, but with even graver implications.

V. SUBCOMMITTEE HEARINGS

In the face of this tremendous Soviet development, the Subcommittee on Science, Technology and Space of the Senate Committee on Commerce, Science, and Transportation held four days of oversight hearings on the status of our laser research and applications. These hearings, which were held during December of 1979 and January of 1980, allowed me to become informed on this subject as well as to become more aware of the vast possibilities lasers offer and the organizational problems holding back progress.

The purpose of these hearings was to provide a broad overview of the highly diverse and rapidly developing laser technology. The hearings were important and timely for several reasons, reasons which still exist today:

1. The possibilities of laser technology in improving national security, future energy production, and civil space applications are immense.

2. The federal government serves as the principal sponsor of laser research and technology applications. Federal funding for research since the invention of the first lasing device in 1960 exceeds $2.46 billion. Sustained, as we have seen today, increased government funding will maintain our degree of national interest.

3. This federal funding is spread among various departments and agencies of the government. The principal programs exist in the Department of Defense, the Department of Energy, and NASA; small additional amounts are contained in the budgets of other organizations. Some degree of synergism exists among the departmental research and applications programs, but there is no formal coordination and integration mechanism at the federal level. Program formulation and budget allocation are decentralized and focus on narrowly defined "mission" responsibilities.

4. Fourth, there are unusually strong and highly diverse views within the scientific community (and within the federal government) about the potential of high-energy lasers, the time when these applications could be realized, the ideas that should be emphasized, and the appropriate federal funding levels needed.

As I have already mentioned, the focus of the hearings was on laser research and technology applications. The subcommittee sought the extent to which technology currently was "in use" in industry and government, an understanding of the promising potential applications, the research and technology developments necessary to achieve future applications, whether additional federal dollars are needed, and if so, at what level.

Testimony was heard from witnesses representing a cross-section of federal organizations, industry, and non-profit and academic institutions engaged in laser work. The witnesses also represented the spectrum from creative, visionary thinkers to the developers of military and commercial hardware.

The hearings gave me the "inside story" I wanted to know on laser beam technology, and I was impressed with the vast range of important applications to date. However, I was disappointed in the absence of any formal, full-time coordination of the programs. These feelings were shared by others at the hearings and were ultimately expressed in the committee hearings recommendations.

IV. WORK AND PROGRAMS WITHIN GOVERNMENT AGENCIES AND DEPARTMENTS

The federal program structure, as analyzed by the subcommittee, lacks one ingredient necessary to synchronize a well planned, vital research program. While much has been done to nurture this infant technology during the first twenty years of its existence, a recurring theme developed during the laser hearings: To date, laser research and development has been highly compartmentalized with a number of federal agencies and civilian institutions working more or less independently, each within its own sphere of interest and influence. The laser research and technology programs of the federal government reside primarily, as you know, in the DOD, DOE, and NASA.

The hearings found the funding for the DOD high-energy laser program's being "stretched" to cover the maximum number of scaled down research projects and field experiments, leaving only small amounts for highly innovative research funds. Thus the hearings found that there is a compelling need to revise the DOD high-energy laser research and development planning and funding to achieve a balance between testing and needed innovative developments. It was therefore recommended that the achievement of this objective could be enhanced by the Secretary of Defense's designating a position in the Office of the Deputy Under Secretary for Research and Engineering to manage and direct the overall DOD high-energy laser program. But this advice from the hearing addresses only a part of the problem, since as mentioned earlier, the total national effort is fragmented and lacking cohesiveness.

Coordination among the federal departments and agencies is rather weak, and much of the coordination which does exist stems from the professional relationships among the senior managers and researchers, rather than from institutional relationships. The federal program structure stresses achievement of differentiated departmental, rather than national missions and goals. Thus, one of the major findings of the hearings, documented by the committee report, is that there is a need to improve the coordination of high-energy laser programs among the various departments and agencies of the government. This improved cooperation will in-

crease the effectiveness of each separate departmental and agency program, leading eventually to a more effective and efficient national effort. Increased synergism among the programs should be sought in the context of "opportunity at little or no cost."

It is in this context that I strongly recommend that an institutional mechanism be established to enhance coordination. It is imperative that a strategy be developed which balances technology and weapons systems development, specifying long-term systems objectives which would provide a framework for planning balanced and integrated development and experimental programs.

Interest in this strategic field is increasing every day. From the White House to the Senate, attention is being focused on laser research and development. Secretary of State Alexander Haig has displayed his interest in the possibilities of implementing space-based laser weapons by seeking a status report of current U.S. programs, their strategic, military, and political implications. Similarly, the National Security Council is considering a major study on space defense by a task force. From this particular study, the White House policy decisions on national objectives, programs, and the level of commitment are expected, according to high level staff officials.

Within the Senate, my colleague Malcolm Wallop of Wyoming is responsible for much of the interest in laser capabilities along with the concern over bureaucratic impediments hindering laser developments. Wallop's enthusiasm and admirable leadership qualities have brought about the serious consideration and treatment of laser beam technology. Senator Wallop, together with former Apollo astronaut, Senator Harrison Schmitt of New Mexico, introduced an amendment to the Senate floor which provided $50 million in the fiscal 1982 Defense Authorization bill specifically designated for space-based high-energy laser weapons development. By far, this action is the Senate's most outward, visible support in favor of laser programs. Through its passage, the Senate gave the Air Force the responsibility to formulate the program leading toward an early, in-orbit feasibility demonstration. Strong wording in the bill clearly states the Air Force's mission of establishing an airborne and space-based laser programs office.

The $50 million was only a fraction of the $250 million originally sought by Senator Wallop to be earmarked for the DARPA's space-based, high-energy laser weapons program and for the Air Force to expedite laser weapons development and testing. Instead, $20 million will be designated for the DARPA and the Air Force will receive the other $30 million.

Senator Schmitt sees the U.S. passing through a technological revolution, with the major component being laser weapons. President Reagan, according to Senator Schmitt, also regards lasers as offering a new strategic policy option aimed at the idea of protection instead of mass destruction. In meeting with Senator Schmitt, President Reagan has expressed an interest in developing laser weapons, favorably for ballistic missile defense.

Senator Wallop further stresses the urgency of positive government action before it is too late by comparing laser development to our MX development. In 1966 we toyed with the idea of a 10-warhead counter force missile while at about the same time the Soviets started on the SS–18. In fact, the SS–18 was fully deployed last year. The projected finishing date for the MX is 1990—it may be obsolete by then! Personally, I feel that we cannot afford to drag our feet with laser development. There must be an integrated, centralized research and development program.

VII. THE NATIONAL LASER INSTITUTE

I am sponsoring, along with eight other Senators, legislation which would mandate the establishment of a National Laser Institute. Its concise purpose is to provide a mechanism to improve the coordination of the federal efforts in laser research and technology development in order to accelerate the development and utilization of laser technology for the benefit of mankind.

The National Laser Institute Act would create in the Executive branch of the federal government an Institute to oversee the coordination of laser research and development efforts. The Institute would be comprised of key government officials, such as the Secretary of Energy, the Administrator of NASA, the Director of the Office of Science and Technology Policy, the Secretary of Defense, the Director of the National Science Foundation, and other recognized leaders of the scientific, business, academic, and governmental community who would be appointed by the President and by the Congress.

The Institute would be supported by a small, but competent, full-time staff and would be required to meet at least two times each year and would be mandated to study laser and particle beam research and technology applications for future civilian and national security uses; to make recommendations to the Congress and the President regarding implementation of the findings of the Institute; and to make recommendations to the Congress and the President regarding coordination of the efforts of the departments and agencies of the Federal government with respect to laser and particle beam technology, including cooperative programs and exchange of information, manpower, and facility resources.

Also, as outlined in the bill, the National Laser Institute will be required to prepare and submit to the President and the key committees in the House and Senate an annual report regarding its activities under the act. The Institute members and employees would have access to such classified or nonclassified information as is necessary for them to carry out their responsibility of an overall umbrella agency under the act.

The formation of an institute such as the one I am advocating is certainly not without precedent. When World War I broke out in 1914, the United States was last on the list of world powers equipped with military aircraft, running a poor fifth behind France, Germany, Russia, and Great Britain. Not only was the tangible evidence of aeronautical progress lacking, but there were few aeronautical research laboratories and facilities in this country, whereas the above-mentioned nations already had well equipped and well staffed research facilities. Italy and Russia had aeronautical laboratories long before the United States took the step.

A survey by the Smithsonian Institution showed clearly the dangerous gap between the state of air technology in Europe and in the United States. The resulting national concern over this problem led to the establishment of the National Advisory Committee for Aeronautics, which was charged with the duty of supervising and directing the scientific study of air flight. In time, the N.A.C.A. proved to be one of the most successful approaches to solving problems that has ever been devised by our Congress.

Within a few short years, the U.S. was able to assume the lead in aeronautical science and continues to this day to be the technological leader in air and space technology—all under the leadership of the N.A.C.A. and its offspring, NASA. If this Congress would draw upon the precedent set by that Congress so many years ago and establish the National Laser Institute, I am confident that 50 or 75 years from now Americans will look back with pride to the beginnings of the effort which made us the leader in the advancement of laser and particle beam technology.

Response to the proposal of the National Laser Institute has come from many concerned government and scientific organizations. My proposal was delivered to DOD, DOE, and NASA. And they were all invited to comment on the feasibility of the Institute. NASA and DOD have rejected the idea, believing that their sporadic correspondence and meetings were sufficient coordination devices. A classified report by the Comptroller General of the United States on the DOD's high-energy laser technology program came to the conclusion that the fragmented approach to solving a common problem was neither efficient nor effective.

The GAO recommends in its unclassified summary that the Secretary of Defense perform an assessment of its program, redefine their objectives, and restructure its management to one utilizing a more centralized approach. The GAO also recommended that DOD adopt a recommendation of the Defense Science Board that "the high-energy laser programs objectives be redefined and its management restructured to a centralized approach." Positive response to the proposed Institute ranges from endorsement of such diverse groups as American Society for Laser Medicine and Surgery to the Reserve Officers Association. Other interested parties, such as defense contractors, have indicated support for the concept, but are reluctant to do so on the record. I solicit the support of all of you here today, as well as any constructive criticism you might have. If you want a copy of my bill or the committee report, feel free to contact my office. I intend to try to move the bill forward this fall, and I am considering asking Senator Schmitt for one additional hearings day to update the record.

VIII. CONCLUSION

We must realize that decisions by the government on high-energy technology and weapons systems will make a dramatic difference in the emerging tactical and strategic balance between the superpowers. The time has come for the United States to make a commitment to future strength and defense. Nevertheless, as I mentioned earlier, there is within the scientific community strong and highly diverse opinions about the potential of high energy lasers and the time when these applications would be realized. In my judgment, a National Laser Institute would provide the forum for the resolution of this debate so that we could begin to achieve a consensus which would give this country a national laser program which will achieve the results we are seeking.

These are difficult times for the United States as we struggle with a serious inflation and national debt problem. At the same time, however, we must establish long-term national security goals which involve decisions about high-technology hardware procurement to be made with a large uncertainty about operational success. The Federal government is the principal sponsor of laser research for high-energy applications. Government sponsored basic research in the U.S. since World War II, particularly in our universities, laid the scientific foundation that later contributed to the discovery and development of the laser. These tremendous investments made by the government into laser research and development deserve careful coordination and supervision to facilitate speedy, worthwhile returns. We must also continue to fund adequately these projects and insure complete support. I feel that the best answer to the challenges that I have mentioned is the National Laser Institute.●

FOOD SAFETY: LET HISTORY REPEAT ITSELF?

● Mr. LUGAR. Mr. President, as we consider how best to accomplish regulatory reform in the coming months, I call attention to one very positive report of a food safety regulatory agency which has come to my attention during oversight hearings. Certainly, the accomplishments in terms of the attitudes of the industry toward regulation are exactly what we hope to accomplish this year as those of us in Congress, working in concert with the Reagan administration, streamline administrative procedures and, if necessary, refine the food safety laws themselves. Let me quote from the agency's report in the hearing, which makes the following statement:

> The administration of the food law has been vigorously pushed . . . One of the most gratifying results obtained during the year has been the abandonment of the position of hostility which many manufacturers up to that time held, and an assumption of hearty cooperation not only with the inspection work of the Department but also with the broadest views respecting the wholesomeness of the substances added to foods.

There is only one slight hitch in this good news; the regulatory agency, the Bureau of Chemistry at USDA, did indeed do a good job, but the date of the oversight hearing report is 1908, the year after the Food and Drug Act was first passed. I hope history repeats itself this year, some three quarters of a century later, with respect to restoring a positive attitude between the regulated and the regulators.

I hope history repeats itself in that as a Nation we will continue to strive toward a safer food supply. Such a goal should not require eating some sort of offbeat diet, the reading of hundreds of special warning labels, or constant worry on the consumer's part. However, it will require a positive attitude on the part of private industry, professional and voluntary consumer groups, and Government to work together to achieve these worthy public health objectives within a reasonable time frame and at a reasonable cost. Such cooperation has marked the history of past progress in the field. I hope it is a hallmark of our future efforts.

In two other ways, I hope history does not repeat itself. First, less regulation should not result in a more dangerous food supply. The history of our food safety laws shows most of the legislation in the field was preceded by major abuses or catastrophic events. These galvanized public opinion into taking steps to curtail the latitude permitted to manufacturers.

The desire of the public to have a safe food supply has not diminished one bit simply because it wants less Government redtape.

I certainly do not want people to get the idea that if refinements are made in the food regulations that it is necessary for them to eat natural, organic, or nonprocessed foods to lower possible food-related health risks. As a matter of fact, the evidence is not at all convincing that such natural, organic, or nonprocessed foods pose any less risks to health than does usual fare, although they often cost more money. While I respect the choices of those who wish to eat these particular foods, I think it is important to inform and educate all consumers so that they are aware of the fact that our food supply is safe, and that we are striving to make it safer in the future at the same time that we attempt to unscramble unnecessary and burdensome economic regulations which apply to food.

We need to be keenly aware that while we need to inform the public that absolute safety for the food supply is impossible to achieve, and some risk is always going to be present, we are not taking our lives in our hands every time we lift a fork. Commonsense is needed in making decisions about food safety and risks both among citizens and those of us who are legislators and who have the special responsibility of making refinements in food safety legislation, and regulations when they are necessary.

But in thinking through changes in procedures and laws, we do not want to go back to the days of 1908, when the Government had no authority to require premarket testing of food additives and we simply had to wait and see if some substances added to foods were harmful. All that Government could do was to try to keep use of untested additives and preservatives to a minimum. Prosecution was only possible in a situation where it was clear that the manufacturer had deliberately meant to do harm—fortunately a rare event. But for the cases in which human harm resulted simply from a failure to assess potential negative effect the Government did not have strong legal legs to stand on. To quote again from the Bureau of Chemistry's 1908 report, an understandable, but noticeable antiadditive bias was evident:

> A large number of prominent manufacturers during the year entirely abandoned the use of any kind of preservatives . . . Although there have been no suits brought so far involving the addition of a chemical preservative to a food, the practice has been openly discredited by so many first-class manufacturers as to warrant the statement that the cause of pure food, insofar as chemical preservatives are concerned, has been firmly established.

I would not be pleased if a regulatory agency were to issue such a report next year. Progress has been such that this would be unlikely, since the healthfulness of our food supply has increased. Fortunately, advances in food science, food technology, and toxicology have been striking in the past 75 years. We no longer have to use human beings as guinea pigs to test the safety of additives; our laws insure that they are tested before, instead of after they are permitted into the food supply. Thus, the dangerous tradeoffs we sometimes made at the turn of the century are no longer necessary. Our complex food supply system is heavily dependent upon certain additives and preservatives today. We could not continue to feed our population without many of them. Therefore, we need to continue our research efforts to find better additives and adopt prudent attitudes toward their use.

The second way in which I hope history fails to repeat itself is that more heat than light is generated by consideration of our food safety laws. There is little doubt that food safety legislation has some kinks and complexities which in the best of all possible worlds it would be nice to smooth out. In this session of Congress, we have the opportunity to consider refinements in the food safety laws without the impetus generated by emotions and hotheadedness when Congress is faced with an immediate crisis which has to be resolved.

We need to get rid of the complexities and ambiguities which resulted from acting in haste in amending the food safety laws in the past. We need to take time to consider the likely outcomes of the changes which are suggested. We need to hear all points of view. In summary, we have had an excellent food safety law which has served us well for three-quarters of a century. I hope that the past is prolog to the future and that the basic law, with such refinements as may be necessary to bring it in line with the current state of law and science continues to serve us long into the next century.●

ALTERNATIVES TO TOBACCO

● Mr. EAGLETON. Mr. President, in the near future the Senate will consider omnibus farm legislation, the Agricultural Act of 1981. One of the important farm commodities, tobacco, is not currently part of the bill that this body will consider. When the omnibus farm legislation was marked up by the Committee on Agriculture, Nutrition, and Forestry, it was widely assumed by many in the Congress that the tobacco price support program was not in need of modification. The committee's decision to report its bill came prior to an International Trade Commission hearing on June 24, that showed that this program, which many in the Congress believed was free of Federal taxpayer subsidy, could cost the American people between $223 and $273 million over the next few years. Some have said these figures underestimate what the actual cost will be. In view of this information, it is clear that the Senate may want to consider changes in the program.

Through the years, I and many others have been concerned that it may be unwise to abolish this program because farmers lacked sufficient alternatives to tobacco production. Recently, though, I have learned at least five commodities—tomatoes, fresh market strawberries, apples, peaches, and pick-your-own strawberries—yield even a higher return per acre than does tobacco. This information, incidentally, was developed by North Carolina State University.

It is enlightening to know that viable alternatives exist for tobacco producers so that they will not join grain farmers and others in the rapid exodus from rural areas to cities that has occurred. In view of the need to have sufficient information, I would like to share a copy of an article, "Viable Alternatives for Tobacco Farmers," from the current is-

sue of North Carolina Insight, with members of this Chamber. I am sure that my colleagues will find this particular article worth a thorough review in light of the upcoming debate that will take place on the tobacco program.

Mr. President, I ask that this article be printed in the RECORD.

VIABLE ALTERNATIVES FOR TOBACCO FARMERS

(By Frank Adams)

Hundreds of North Carolina's family farmers are quietly searching for profitable alternatives to tobacco, a crop many of them learned about at the knees of fathers or grandfathers, and a crop which is as much a way of life as a source of income. That way of life and of producing income has changed dramatically in recent decades. Tobacco operations have increased in size, requiring large capital investment. Bulk curing barns and mechanical harvesters are transforming tobacco production from a labor-intensive to a capital-intensive enterprise.

As a result, today fewer farmers than in years past can afford to grow tobacco. In 1972, according to the U.S. Department of Agriculture (USDA), there were about 40,500 flue-cured operations in the major growing regions of Virginia, North Carolina, South Carolina, and Georgia; by 1979 the number had fallen to 29,000 a 28 percent decline in seven years.*

The director of the N.C. Agricultural Extension Service, T. C. Blalock, sums it up: "Tobacco farmers are either going big and mechanized or they are leasing [their allotments].... Thousands of farmers who used to be full time have now taken a job in industry." This is especially true for tobacco farmers who haven't the capital to invest in mechanized systems, for small allotment-holders who can make more money leasing than growing, and for sharecroppers who have had the allotments they used to grow leased away to large-scale operations.

Farmers with small tobacco operations seem to have three options: (1) they can continue to borrow money and invest in their tobacco operations, hoping to be one of the shrinking number of survivors; (2) they can take an off-farm job (and perhaps grow a little corn, hay, or other pasture crop part-time); or (3) they can try to change to crops other than tobacco and remain on the farm. This article addresses prospects and problems of the third option.

Tobacco farmers have grown accustomed to guaranteed market outlets and sales price levels, both of which are assured through the federal support system. Coping with new crop systems can be a difficult challenge for a tobacco farmer, especially at the marketing end. "Yes, there are alternatives to tobacco," says J. E. Legate, dean of North Carolina State University's School of Agriculture. But he adds, "No other crop for which we have a stable market can provide the per-acre return that is realized from tobacco."

For those who determine agricultural policy in tobacco-belt states, the quest for suitable substitutes to tobacco and a regular market for those substitutes looms large in economic and political importance. Finding ways to keep people on their farms and out of unemployment lines and cities lowers the monetary and social costs of displacement out of tobacco. Keeping people on farms relieves the pressure that industrial recruiters face to provide jobs in rural areas for farmers forced off their land. Most importantly, alternative crops and new market mechanisms can help farmers continue what they want to do and know how to do: farm.

A LACK OF GOVERNMENT SUPPORT

Displaced tobacco farmers cannot make a transition to soybeans, corn, wheat, or some other grain. All these crops require large acreage units for a profit. In 1979, soybeans netted about $72 per acre in North Carolina; wheat, $63; corn, $106; and even fresh market corn, $250 (see table on this page). Meanwhile, the state's flue-cured tobacco crop brought about $1,200 profit per acre.

Various fruit and vegetable crops, however, are viable alternatives for tobacco farmers. Strawberries, for example, netted over $3,000 an acre in North Carolina in 1979. Trellis tomatoes, peaches, and apples also topped the per acre return of flue-cured tobacco; blueberries, cucumbers, and sweet potatoes weren't far behind (see table). Moreover, all these crops can be grown on small acreage units, similar to the old-style, three-to-five acre tobacco farm.

To switch to these crops, tobacco farmers need a great deal of technical advice and support. They face large, sometimes insurmountable hurdles. Many of them have large investments in modern curing and harvesting equipment; some lack the practical skills needed for growing unfamiliar crops. And the biggest constraint is the lack of a guaranteed market.

If strawberries, trellis tomatoes, apples, and other high-income yielding crops had guaranteed markets and sales prices, many now reluctant farmers might see their way clear to diversifying their operations into vegetables or fruits. In a state like North Carolina, the agricultural support systems are geared to those crops—like tobacco—where federal programs are already functioning, rather than to crops for which backup systems have yet to be developed. Research in Washington and in field stations, farm bulletins and surveys, and extension projects all have the funding and momentum of the tobacco program behind them. Alternative crops do not receive the same research or attention from the government support systems, such as the land-grant universities and the farmer loan agencies, that tobacco gets.

The N.C. Agricultural Extension Service, for example, has assisted in seeking alternative crops for tobacco farmers in only isolated instances. In the western counties, the Extension Service did assist in expanding the trellis tomato industry, which has helped some burley farmers. But it has not mounted any type of intensive effort to help tobacco farmers throughout the state adapt their operations to other crops. Its research efforts have also been limited. In 1978, when the Governor's office expressed concern regarding possible modification or loss of the tobacco program, the state extension office at North Carolina State University made a study of alternative gross farm incomes that might be generated in case of some catastrophic drop in tobacco income. The study put far greater hopes in beef cattle, poultry, swine, dairying, and horticulture than in a minor category called agronomy (new crops).[1] In addition, any initiatives toward finding new ways to adapt tobacco farms to fruit and vegetable operations do not appear likely. "We have not done any overall study since that report," says Extension Director Blalock.

The experiences of Phil Wood, a tobacco farmer in Fuquay-Varina, N.C., illustrate another limitation of government support for alternatives to tobacco. In 1980, Wood grew 55 acres of flue-cured tobacco, but even a farm that big wasn't enough. "Expenses were so high that I had to start borrowing for the winter," Wood says. "I just broke even, didn't make a thing." For the 1981 season, Wood wanted to grow 20 acres of peppers and 40 acres of cotton, but he ran into another kind of money problem. Farmers borrow large sums each year to get their crop in the ground, and Wood went to the usual lending source, Production Credit Association. But Production Credit, which was willing to lend Wood money to grow tobacco, would not take a risk on peppers or cotton. "I'm in a trap right now," Wood said in January, 1981, still deciding what to plant in the spring. "Production Credit won't loan me money so I can diversify and Farmers Home [Association] won't loan me any money unless Production Credit refuses [to give] me [money]." Since Production Credit is willing to loan Wood money for tobacco, he's stuck. "I can't diversify now because funds aren't available to me."

HOW TO SURVIVE THE CONSTRAINTS TO SWITCHING

In Wadesboro, N.C., a private, nonprofit research farm is working to provide models for small farmers to continue living and working on the land. A project of the 45-year-old National Sharecroppers Fund, the Frank Porter Graham Center has been training small farmers and conducting crop and livestock experimentation for almost 10 years. The bottom line for any commodity tested at the Graham Center is profits; the central concern is what the net income yield per acre will be. The farm's staff also examine closely possible constraints farmers face in growing particular crops, especially on three-to-five acre operations—the size of a small tobacco farm. The Graham Center has found that most of the crops listed on page 19 can be grown profitably on a small farm operation. Moreover, few carry with them technical or investment problems that cannot be overcome. Some possible constraints and ways to overcome them are:

Irrigation—Vegetables and berry crops require more water than tobacco, and irrigation would be necessary during especially dry years. Graham Center staff member Mark Epp says the cost of an irrigation system is not insurmountable to small farmers. An irrigation system for a 10-to-15 acre vegetable operation can be installed for $10,000–$15,000 by using a pond dug on the farm, says Epp. And the Farmers Home Administration will loan money for irrigation systems. "Though it's expensive, it's no more expensive than a lot of machinery and energy used in grains and tobacco," Epp explains.

Start-up time—Farmers interested in orchards as a livelihood are often deterred by the long wait for fruit trees to mature. Peach trees require a three-year start-up time; apple trees need five years before producing the first crop. The Graham Center suggests planting row-crops, such as sweet potatoes, sorghum cane, peanuts, or watermelons between the rows of young trees while they are maturing, thus alleviating an income dormancy during this period.

Machinery and labor—Many tobacco farmers have sizable investments in curing barns and other equipment associated exclusively with tobacco, and they naturally fear the loss of their investments if they switch to alternate crops. In addition, one initial reason for purchasing tobacco production technology was probably the farmer's difficulty in finding and affording seasonal labor. So, another obstacle to growing crops other than tobacco is the farmer's fear of a renewed, increased need for hand labor.

Farmers who own one-row planting and tilling equipment require little capital investment when starting alternative crop farming, aside from irrigation costs already mentioned. The tobacco transplanter can be used to set out sweet potatoes or tomato plants, and bulk barns might be used for sweet potato curing or peanut drying. Farmers might have to sell automatic tobacco harvesters since only one-row machinery transfers to vegetable crops, but many smaller tobacco farmers have not yet invested in that costly piece of machinery.

Labor used to produce flue-cured tobacco averaged about 172 hours per acre in 1979, with over two-thirds of that labor used to harvest and prepare the tobacco for market, according to the USDA. Most crops studied

Footnotes at end of article.

at the Graham Center to date require a similar amount of labor for production and harvest. If some alternate crops do require more hand labor than tobacco, the savings in capital costs and fuel bills may soften that particular blow.

Energy—Tobacco is an energy-intensive crop, particularly as the harvest and curing becomes more mechanized. Flue-cured tobacco accounts for over 60 percent of North Carolina's energy uses in agriculture. Approximately 316 gallons of fuel are needed on an average acre.[2] Nationally, tobacco grows on only 0.03 percent of the available cropland but consumes only 15 percent less energy than what is used to raise all the vegetables in the United States. Many farm chemicals are oil-based, and one USDA study found a higher percentage of tobacco acres sprayed with insecticides than any other major crop.[3] Alternative crops tested at the Graham Center pose no greater pest or disease threat than tobacco and historically have required less fuel and oil-based chemicals.

Soil and climate—There is nothing unique about the soil which supports the successful growth of tobacco. It can be raised on a great variety of soils in all climates from southern Canada to tropical areas. Tobacco production was frozen in its percent location by the federal tobacco program enacted in 1933. Most crops tested at the Graham Center would grow well in all the major tobacco belts.

In sum, then, other than the cost of irrigation for berries and some vegetable crops, changing over to any of the alternatives as profitable as tobacco does not present multiple hurdles. None would require additional machinery or labor; dependency on fuel and pesticides would probably decrease for tobacco farmers who switch; and soil and climate conditions offer no obstacles. But alternative crops grown widely would require a dependable and accessible market, plus additional organizational means for distribution.

MARKETING—THE BIGGEST DETERRENT

The key deterrent to tobacco farmers interested in growing alternative crops is the lack of a stable market and distribution system. Only tobacco has a guaranteed market. Warehouses are located in dozens of hamlets, and, due to the support price and quota system, tobacco prices do not fluctuate according to supply and demand. Prices for many other crops do fluctuate, rendering growers' incomes uncertain from year to year.

Footnotes at end of article.

It is ironic that North Carolina, with its bountiful fields and many miles of as yet undeveloped land, imports more than three-fourths of the vegetables its residents consume. In the central Piedmont alone, there are more than two million consumers who, conceivably, could buy local produce if farmers chose to grow it and if it were made accessible. But because of established marketing and distribution systems, getting large quantities of locally grown vegetables into consumers' grocery bags is no easy enterprise.

If enough vegetable farmers pool their individual harvests into an adequate quantity, it is possible to make the links to established bulk buyers—jobbers, wholesalers, and processors—who sell in large population centers and through supermarket chains. One such cooperative effort underway may handily serve Piedmont vegetable growers someday, and, if successful, will serve as a much needed marketing model for farmers in other areas.

In the Piedmont, where small-size tobacco operations are steadily dwindling in number, a group of farmers has been working to establish the Piedmont Vegetable Marketing Cooperative, Inc. The Co-op has its roots among a small group of Chatham County farmers who quickly discovered that a key step toward obtaining start-up capital from traditional lending institutions is a USDA feasibility study. The USDA ascertains the need for a marketing co-op, ensures that a sufficient number of farmers wish to take part, and finds the probable buyers for the co-op's supply of produce. In 1978, the farmers wrote USDA requesting the feasibility study, which USDA does for free. Two USDA agricultural economists surveyed 131 farmers in six Piedmont counties to learn about their current crop production and their interest in a vegetable co-op warehouse in their area. During this time, the North Carolina Land Trustees, a nonprofit group based in Durham, was providing technical assistance to the Co-op and holding meetings in the six counties to generate interest in the idea.

The economists found that 66 percent of those surveyed farmed full time, raising tobacco, soybeans, hogs, beef, and vegetables. They planted a total of 815 acres in vegetables, an average of about six acres each. (See table on page 23 for a description of the types of vegetables grown and their yields.) Twenty-two farmers sold their vegetables on consignment and four sold on contract. Fifteen relied on door-to-door sales. The economists multiplied the farmers' reported yields by the 1978 N.C. average seasonal price and determined their total gross revenue was $858,857.97 (see table). Nearly to a man, the 131 farmers told the economists that if a market were established, they would be willing to expand their vegetable production.

The feasibility study sought to determine the demand for home-grown produce, the prices farmers could expect, the location of the markets, and any requisite quality standards. In gathering data the USDA contacted packing sheds, wholesale shippers, processors, retailers, and a few consumer food co-operatives. Each operation was questioned about grading and packing preferences, minimum volume requirements, contractual arrangements, and pricing patterns. The USDA report suggested three marketing strategies for the Piedmont vegetable growers: (1) that the farmers form a cooperative based initially on sweet potatoes, cucumbers, and green peppers; (2) that the co-op find a warehouse where produce could be assembled, cleaned, graded, and packed on a large-scale basis; and (3) that the co-op hire a full-time manager.

With this blueprint in mind, the fledgling Piedmont Co-op set out to gather the membership and raise the equity necessary to lease warehouse space, to furnish it with loading docks and refrigerated storage, and to hire a manager. On July 15, 1980, farmers from six Piedmont counties voted to create a co-op for shipping green peas, cucumbers, summer squash, okra, and sweet potatoes to local markets and to Washington and Baltimore. In September, the Co-op formally organized and incorporated itself with about 50 members. Next came the critical step: generating the start-up capital.

To be a member, a farmer has to buy one share in the Co-op ($30). The feasibility study indicated that at least 650 acres of produce were needed as commitment from members before the Co-op's success could be assured. Lending institutions look closely at the portion of start-up capital invested by the Co-op members. The Co-op board decided that for the project to be on solid footing, the members would have to contribute 30 to 50 percent of the start-up capital needed. Depending upon inflation, grant applications, and other factors, the board thinks each member might have to invest up to $300 per acre for each acre of vegetables he plans to sell through the warehouse. If this equity could be raised from members, the rest of the financing necessary—some $150,000 to $200,000—could be secured more easily than if adequate member equity is lacking.

USDA FEASIBILITY SURVEY RESULTS FOR GROWERS IN 6 PIEDMONT COUNTIES

Crop (unit)	Acres harvested	Yield per acre	Price per unit	Total yield	Total revenue
Cabbage (pounds)	36.65	18,000	$0.08	659.700	52,776.00
Cucumbers (bushels)	155.40	188	3.07	29.215	89,690.64
Okra (pounds)	15.20	9,800	.20	148.960	29,792.00
Peppers (bushels)	57.50	338	6.09	19.435	118,359.15
Pole beans (bushels)	29.90	225	6.00	6.728	40,365.00
Snap beans (pounds)	37.15	3,000	.07	111.450	7,801.50
Summer squash (bushels)	23.50	225	7.00	5,288	37,012.50
Sweet corn (crates)	135.45	187	3.50	29.329	88,652.03
Sweet potatoes (bushels)	86.20	337	3.50	29.149	101,672.90
White potatoes (pounds)	25.30	15,000	.11	379.500	41,745.00
Tomatoes (pounds)	30.80	22,500	.15	693.000	103,950.00
Watermelons (pounds)	64.95	16,875	.04	1,096.131	43,841.25
Cantaloupes (pounds)	68.80	6,000	.25	412.800	103,200.00
Total [1]	766.80				858,857.97

[1] The figure for total acres harvested does not take into account that growers allocated 48.2 acres to the production of crops such as grapes, peas, collards, etc. The total acreage of all vegetables harvested thus becomes 815 acres.

Source: Preliminary Report, U.S. Department of Agriculture Economics, Statistics, and Cooperative Service, Washington, D.C. 20250. "Vegetable Growers Cooperative, Piedmont Area of North Carolina." n.d.

While farmers can sometimes get low interest loans from Production Credit or Farmers Home Administration for investing in a co-op, making such an investment commitment has been difficult for many farmers, especially after a poor 1980 crop. Consequently, the Co-op did not reach its goal of a 650-acre commitment from members in time for the 1981 season. "It's a chicken and egg problem," says Arnie Katz, a Land Trustees staff member who works with the Co-op. "There's no doubt several hundred farmers would join in a year once they saw it going." Katz has talked to many tobacco farmers who either want to diversify or leave tobacco altogether. An uncertain market remains a severe initial deterrent. The Piedmont Co-op's board of directors is continuing efforts to build interest—and equity—in their venture, and will coordinate a smaller, pilot operation during the 1981 marketing season.

CONCLUSION

These private endeavors to rearrange economic relations on a small scale provide policymakers with valuable practical examples of how new economic institutions

can be forged for the benefit of family farmers. The Graham Center's work reaffirms the viability of small farms; the efforts of farmers to establish their own marketing mechanism show that the will to continue their traditional way of making a living is as strong as ever. The problems enterprising small farmers face—and their reluctance to put their money and efforts into new ventures before they see some strong assurance of success—should point the way toward redirected government efforts as well, both in the administration of state-level agriculture programs and at the land-grant university centers such as North Carolina State University. Meaningful policies could result from public discussion about why family farmers are searching for alternatives to tobacco. Solid research and technical assistance is needed on ways to improve marketing and distribution systems for small farmers' potentially valuable contribution: food crops.

Tobacco farmers generally have had an edge over other kinds of farmers for many years because of their guaranteed market and support program. But small operators lack the capital to keep up with intensive mechanization trends. Tobacco farmers have to find new ways to survive on the land or join the hundreds of thousands who must search for non-farm employment. Tobacco farmers who wish to grow alternative crops, such as vegetables, have some advantages from the start: much of their equipment will transfer to their revamped operations; in most cases, they will save on energy costs; many of the alternative crops could provide them even better profits than does tobacco; and they can stay on the farm. In marketing their produce, though, they will need assistance, and that is the challenge that private and public interests must meet, cooperatively.

Ranking of crops according to net return per acre in North Carolina (1980)

1.	tomatoes (mountains; trellis)	$3,454.46
2.	strawberries (fresh market)	3,008.00
3.	apples	1,974.65
4.	peaches (fresh market)	1,960.00
5.	strawberries (pick your own)	1,278.00
6.	tobacco (flue-cured)	1,198.02
7.	blueberries (fresh market)	1,142.37
8.	cucumbers (fresh market)	799.19
9.	watermelons	775.15
10.	sweet potatoes	653.05
11.	okra (fresh market)	466.96
12.	cabbage	437.96
13.	summer squash (fresh market)	339.04
14.	snap beans (fresh market)	330.24
15.	pole beans	301.16
16.	white potatoes	260.84
17.	sweet corn (fresh market)	249.89
18.	peanuts	238.18
19.	alfalfa hay	171.00
20.	tomatoes (processing; hand harvested)	157.42
21.	snap beans (processing)	144.39
22.	cotton	130.44
23.	green pepper (fresh market)	125.00
24.	red clover/orchard grass hay	117.65
25.	okra (processing)	116.74
26.	cucumbers (processing)	107.41
27.	corn (no till)	106.34
28.	corn	101.71
29.	tall fescue hay	101.22
30.	wheat and soybeans (double cropped)	98.30
31.	grapes	97.52
32.	soybeans	72.45
33.	wheat	62.77
34.	milo	39.61
35.	barley	30.92
36.	oats	0.51
37.	coastal bermuda hay	—98.50

SOURCE: Crop budgets prepared by the Agricultural Extension Service at North Carolina State University, updated with current market data in January 1980, by Mark Epp, coordinator of training and research, Frank Porter Graham Center, Wadesboro, N.C.●

FOOTNOTES

*Grise, Verner N., "Flue-Cured Tobacco Farming: Structural Characteristics, Labor Use, and Mechanization," paper presented at the 29th Tobacco Workers Conference, Lexington, Ky., January 21, 1981, Economics and Statistics Service, USDA.

[1] Letter from T. C. Blalock, director of the Agricultural Extension Service, to W. D. Lewis, agricultural policy advisor to North Carolina Governor James Hunt, July 7, 1978, which said, in part:

"In view of the apprehension from the Governor's office regarding the possible modification or loss of the tobacco support program, I have asked our commodity-oriented departments to estimate the additional annual gross cash farm income that might be generated through accelerated efforts on the part of producers and processors working with the Agricultural Extension Service if a substantial drop in tobacco income were to occur. A summary of these estimates is attached. . . .

Commodity category	Present estimated annual gross farm income	Future estimated annual gross farm income
Christmas tress	$5,400,000	$21,000,000
Beef cattle	94,600,000	253,900,000
Horses	110,000,000	300,000,000
Dairying	171,130,000	214,378,932
Horticulture	246,200,000	432,900,000
Poultry	606,205,000	893,471,743
Swine	314,000,000	450,000,000
Agronomy (new crops)	671,000	2,240,000

These estimates are not considered additive because they were developed independently and do not reflect competition for the same resources of production. However, if all this expansion could occur under the most favorable circumstances, even so we could not replace all the income normally resulting from tobacco production. This optimistic pattern of increased production of alternatives to tobacco would require about as much land as is required for tobacco. Depending upon the degree of mechanization adopted, the alternatives to tobacco could require almost as much labor as for tobacco. Some of these enterprises would require substantial amounts of investment capital."

[2] 1979 Tobacco Information, North Carolina State University Extension Service, p. 62.

[3] Agriculture and Energy, edited by William Lockeretz. Academic Press, 1977, p. 704.

TRIBUTE TO JOHN DALTON

● Mr. JOHNSTON. Mr. President, I would like to invite the attention of my fellow Senators to three resolutions prepared on the occasion of John Dalton's departure from public service which testify to the esteem in which my good friend and fellow citizen of Shreveport, La., is held by the Federal Home Loan Bank Board, the Federal Home Loan Mortgage Corporation and the Federal Savings and Loan Advisory Council. Before becoming Chairman of the Bank Board and the Mortgage Corporation, Mr. Dalton served as chairman of GNMA, and thus has helped to guide the thrift industry through a very difficult period in its history. He has distinguished himself as an individual and as a public servant, and I would like to extend to him our thanks and best wishes in his return to the private sector.

Mr. President, I ask that the resolutions earlier referred to be printed in the RECORD.

The resolutions are as follows:

FEDERAL HOME LOAN BANK BOARD

Whereas, John H. Dalton will resign as a member of the Federal Home Loan Bank Board on July 15, 1981, after a period of loyal and distinguished public service; and

Whereas, Mr. Dalton has served with diligence, dedication, and devotion to the objectives of the agency, both as Chairman and Board Member of the Agency; and

Whereas, Mr. Dalton has particularly distinguished himself in his relations with other agencies, departments, and the Congress in an effort to develop creative solutions to problems besetting the thrift industry; and

Whereas, Mr. Dalton has taken a leading role in regulatory actions, such as the formulation of adjustable mortgage plans, increased investment authority, and more flexible reserve, liquidity, and liability structuring, in order to make more funds available for housing; and

Whereas, Mr. Dalton has helped direct the Agency's role in deregulation efforts, including reduction of applications, reports and other paperwork burdens and the simplification of many rules and regulations; now, therefore,

Be it resolved, that the Board, on behalf of the remaining Board Members and the staff, expresses our high esteem for Mr. Dalton as a colleague and friend, our admiration and respect for his integrity, loyalty, and outstanding performance, and our wish for him in the years ahead to enjoy good health, happiness, and fulfillment of his future career goals.

FEDERAL HOME LOAN MORTGAGE CORPORATION

Whereas, John H. Dalton served both as a Member and as Chairman of the Federal Home Loan Mortgage Corporation during the period February 28, 1980 to July 15, 1981;

Whereas, John H. Dalton carried out his responsibilities in an able and energetic manner and provided leadership and guidance to the Corporation during a critical period in its history; and

Whereas, John H. Dalton has decided to return to private life;

Now, therefore, be it resolved by the Board of Directors of this Corporation that John H. Dalton be, and hereby is, commended by the Board for his high level of service to the Corporation and the secondary mortgage market.

FEDERAL HOME LOAN BANK BOARD

Whereas, the Honorable John Dalton has served as a member of the Federal Home Loan Bank Board in a distinguished manner since February of 1980, and

Whereas, Mr. Dalton assumed the role of Chairman of the Board during an extremely critical period for the S&L Industry, and under his leadership, the Board continued to pursue solutions to the challenges facing the industry during this critical period, and

Whereas, as a result of Mr. Dalton's advice, assistance, support and gracious manner the transition of the Bank Board's Chairmanship took place with a minimum of disruption and no loss of leadership for the thrift industry, and

Whereas, Mr. Dalton has left a lasting legacy to the S&L Industry and to the American Public that the Industry serves, particularly in making financing for home ownership available to the widest possible spectrum of the American Public.

Be it resolved that (1) the membership of the Federal Savings and Loan Advisory Council express their gratitude for Mr. Dalton's outstanding efforts in behalf of the nation's public good, and (2) the Council membership wishes Mr. Dalton unlimited success on his return to the private sector.●

ABORTIONS

● Mr. HEFLIN. Mr. President, I want to enter into the RECORD an article

written by my friend, Joe Azbell of the Montgomery Independent, in the edition of that newspaper dated July 16, 1981. This article points out the high number of abortions being performed in Montgomery, Ala. This is extremely disturbing. The abortion issue continues to be an issue of serious concern to those that feel that life should be protected at every stage. I deeply regret that this is happening in my home State, but I suspect that similar activities are occurring in every State. I ask that the attached article be printed in the RECORD.

HERE, PERHAPS 5,000 ABORTIONS A YEAR—AS 3 ABORTION CLINICS BATTLE IT OUT

(By Joe Azbell)

Abortion clinics are in a fierce competitive fight for business in Montgomery and are running ads on radio, TV and newspapers to get clients.

It's paying off in cash dividends for the clinics, which are doing a vigorous business here.

Mary Farmer, a registered nurse who owns Beacon Clinic, says her clinic does 150 to 200 abortions a month. There are two other abortion clinics here—Montgomery Women's Medical Clinic and Reproductive Health Services of Alabama.

From our information, there are 400 to 500 abortions performed monthly in Montgomery, or about 5,000 to 6,000 annually.

Reproductive Health Services, at 1203 E. Southern Bypass, runs a typical ad: "Unplanned pregnancy . . . pregnancy testing . . . abortion services . . . abortions by board certified medical gynecologists."

Beacon Clinic goes with a similar ad but with extras: "Unplanned pregnancy . . . concerned sympathetic help . . . abortion . . . skilled doctor on staff . . . birth control, counsel and devices . . . free pregnancy testing . . . consultations strictly confidential." This clinic is at 1011 Monticello Court.

Montgomery Women's Medical Clinic, at 3866 S. Court, advertises itself as a "facility for performing therapeutic abortions." It offers "free pregnancy testing, family training and counseling, service, care and help for rape victims. We care. Call for answers on abortion, birth control, VD control."

AN EARLY START

We observed comings and goings at the three clinics one recent morning. Business starts early. Automobiles begin to arrive before 9 a.m. and usually the woman seeking an abortion is accompanied by another woman or often by a man.

Many women from Central and South Alabama counties come to Montgomery for pregnancy testing, followed later by abortions. Some come in pickup trucks but others drive expensive automobiles. The women seem to run from very poor to well-off economically. Ages vary from young to middle-age, but most are young.

It usually takes two trips to the clinic to complete an abortion, unless the patient has been referred by a physician. The first trip is for testing and discussion of fee, followed by the abortion operation. The abortions are performed on Saturdays at Reproductive Health Services. Two out-of-town physicians do the operations there. Local physicians are involved at the other clinics. It's an assembly-line operation that takes 10 to 15 minutes, with one patient following another.

Linda Stolarczyk, administrator at the clinic, said she didn't advertise except for small, discreet ads until Mary Farmer at Beacon Clinic "began her big promotional campaign." She added, "Now we are forced to advertise." She said she is in the newspapers, telephone book and on two radio stations. "I don't think it's proper to advertise on TV but others are doing it." The Southern Bypass clinic does from 20 to 25 abortions a week, or from 80 to 100 a month. The clinic is owned by an Alabama corporation, formed in Mobile. She said the principal stockholder is a Miami businessman (unnamed) who owns real estate and operates several businesses. The administrator said she has a degree in psychology. "Bruised emotions are more important than the 10 minutes it takes for the abortion," she said. "We care about our patients."

FROM ALL OVER

She said about a third of her patients are from out of the Montgomery area. "Dothan doesn't have a clinic so we get a lot of women from there. And they come from Opp and Andalusia and Enterprise and Ozark and Troy. There is one doctor in Selma who does abortions but he charges twice what we do so we get patients from Selma," she said.

A representative of the Montgomery Women's Medical Clinic said the clinic charges $225 for an abortion "and that includes your medical take-home package."

Ernest Harris of Birmingham, who at one time was in the auto racetrack business in North Carolina, owns the Montgomery Women's Medical Clinic and others in Birmingham and Mobile.

Summit Medical Center of Birmingham advertises for business in Montgomery. One reason out-of-town clinics do so is because some women here prefer to go out of town for fear someone might learn about their visits to a local clinic.

The women who run the local clinics are fluent, educated and outspoken about abortions and cooperative with information. At least two of the clinics indicate they are in a tough fight since Beacon Clinic has broadened the advertising. In many cities, billboards are the main medium for abortion clinics and for anti-abortion messages as well.

MILLION A YEAR

It is estimated that all three Montgomery clinics do a total of about $1 million a year in business. Physicians who perform the abortions get a great deal of this money. They usually operate one day at each clinic although special arrangements can be made. Besides doctors' fees, there's advertising, insurance, rent, employees, taxes, licenses, which indicates it's a profitable but not rich-quick business.

The big question is how fierce will the advertising campaign get? Will the promotion of abortion clinics become so blatant as to turn off even supporters or will it bring on a demand for new legislation?

The administrators appear often on TV and radio talk shows. They are candid about the business. Mary Farmer, who has received some national awards for her work, says she has appeared on "so many TV and radio shows that I couldn't count them."

"To me, I am performing a public service. Alabama has the highest teenage pregnancy rate in the United States. We've got to cut down on that rate. I think we are doing our part here. I am promoting the clinic and abortions at the same time."

The abortion clinics operate strictly on cash and credit cards. You can charge an abortion on Visa or Master Charge at Beacon Clinic, Mary Farmer said. "I don't accept checks. Every time I do, it comes back bad so we don't accept them—just cash and credit cards."

She said her charge for an abortion is ¢200.

As you talk to the heads of the local clinics, you sense a back-biting competition. They don't hide their adversary attitudes. They are fighting for business.

FROM THE OTHER SIDE

Montgomery's Right-to-Life groups are using billboards to promote abortion alternatives.

But the abortion clinics do not seem too concerned about the right-to-life groups. They have the law on their side and become concerned about the anti-abortionists only when state legislation is involved.

The growth of abortions in Montgomery has been rapid. When the first clinic opened, business was relatively slow. Today with some 5,000 to 6,000 abortions annually, business is booming.

The advertising campaign is intended to double or even triple the number of abortions.

One administrator put it like this: "Many young couples are having difficulty making ends meet. They can't afford to have a baby. They come to us for $200 and beat the costs of inflation. They simply wait until they can afford a child. The single mother comes to us for these and many other reasons. No two patients are alike. And it's a difficult subject to discuss with some people. I think I'm performing a real service."

Some people in Montgomery would violently disagree. They are trying to come up with methods for closing down the abortion clinics, which they call "murder factories." Meanwhile the promotion battle between the clinics goes on each and every day with no end in sight and the number of abortions continue to grow.●

DEPENDENCY AND INDEMNITY CARE BENEFITS

● Mr. DECONCINI. Mr. President, I am pleased to be a cosponsor of S. 917 and would like to commend the chairman of the Veterans Affairs Committee for insuring expeditious consideration of this legislation. All too often in recent years, legislation providing for cost-of-living increases in veterans' disability and dependency and indemnity care benefits has not received timely consideration by this body thereby delaying cost of living adjustments. Not only have such delays subjected veterans to unnecessary hardships, they have also created additional financial burdens for the Veterans' Administration which has had to process retroactive checks once the legislation cleared Congress. I am delighted that history will not repeat itself this year.

I am particularly grateful to the chairman, Senator SIMPSON, and the ranking minority member, Senator CRANSTON, for incorporating as part of the committee amendment to this legislation a provision to modify the application of section 1776 of title 38 of the United States Code.

Title 38 applies different criteria for the approval of educational institutions for GI bill purposes to educational institutions which have been fully accredited and approved by a nationally recognized accrediting agency or association (section 1775), and nonaccredited institutions (section 1776). Schools which are candidates for accreditation are considered, for title 38 purposes, to be in a nonaccredited status. One regulation which is applicable to nonaccredited schools—and thus to schools in candidate status—is the requirement that the school maintain a pro rata refund policy which provides that any unused portion of tuition, fees and other charges be

returned to the student veteran—on a pro rata basis—in the event he or she withdraws from a course of instruction.

Application of this regulation has worked an undue, and I believe unintended, hardship on large, public institutions with low tuition charges whose administrative and bookkeeping activities for all schools in the system are centralized. Let me cite an example of the onerous financial burden this policy would place on one community college in my State. Rio Salado Community College which charges tuition fees of $3 per credit hour has indicated that this policy could result in a refund to a veteran of less than 50 cents while it might cost the system as much as $25 to process the check. I ask unanimous consent that a more complete list of examples of the impact of the pro rata refund policy be printed at the end of my statement.

As a result of this burdensome policy, one institution within the Maricopa County Community College System has not sought VA approval for purposes of veterans' educational benefits, simply because the system cannot afford to implement the pro rata refund policy. And all new schools coming on line in the system—and there are several—will soon be confronted with the same problem. Since it takes anywhere from 4 to 8 years for schools to receive full accreditation, veterans electing to attend these new institutions will be deprived of educational benefits to which they are legally entitled. Although I am only familiar with the problems in my home State, it is possible that this problem could become national in scope, particularly if schools that do not now charge tuition find it necessary for State budgetary reasons to impose tuition charges.

Section 1776 was incorporated as part of title 38 in order to curb abuses and insure quality education for veterans at institutions in candidacy status. I wholeheartedly endorse those objectives. However, I do not believe it was the intent of Congress to place unreasonable financial and administrative burdens on large, public educational systems which are seeking to provide quality education.

The amendment incorporated in this bill is narrowly drafted. It does not delete section 1776; it simply provides the administrator with the authority to waive the pro rata refund policy if he determines that it will place an undue administrative hardship on institutions because the total amount of tuition, fees, and other charges is nominal.

Again, I thank the chairman for his assistance in rectifying this problem.

Mr. President, I ask that the material showing examples of pro rata refund policy be printed in the RECORD.

The material follows:

EXAMPLES OF A PRO RATA REFUND POLICY APPLIED TO VETERANS ENROLLED SPRING 1980

1. Veteran A enrolled in Fall 1979–80 semester for 3 credit hours. Dropped to 0 credit hours on October 23, 1979. Still enrolled at sister college for 6 credit hours. Amount of refund: $1.88

2. Veteran B enrolled in Spring 1979–80 semester for 3 credit hours. Dropped to 0 credit hours on March 14, 1979. Amount of refund: $16.00

3. Veteran C enrolled in Fall 1979–80 semester for 9 credit hours. Dropped to 6 credit hours on September 27, 1979 and to 0 credit hours on December 14, 1979. Amount of refund: (1) $2.82—(2) $2.53

4. Veteran D enrolled in Fall 1979–80 semester for 12 credit hours. Dropped to 7 credit hours on September 17, 1979 and to 0 credit hours on December 14, 1979. Amount of refund: (1) $22.95—(2) $2.71

5. Veteran E enrolled in Fall 1979–80 semester for 4 credit hours. Dropped to 0 credit hours on December 14, 1979. Amount of refund: $2.18●

PRODUCTIVITY: THE 1981 JEC MIDYEAR REPORT

○ Mr. JEPSEN. Mr. President, I submit for the RECORD today the Joint Economic Committee's unanimous midyear report on "productivity." The 20 members of the committee have been carefully studying and reviewing the critical economic issues of America's declining productivity. This report represents the committee's latest work and their agreement on the importance of reversing the productivity slump if we are to restore America's economic health. The report includes the committee members' consensus on recommendations to reverse America's declining productivity.

The committee hopes that Members will take note of the magnitude of the productivity decline, its effect on the economy, and the importance of reversing the slump. We hope that Congress will be moved to action on the committee's recommendations for reversing the negative trend in productivity.

During the three decades following the end of World War II, the American economy was the strongest and most productive in the world. Since 1973, however, our productivity growth has deteriorated sharply. Between 1950 and 1965, the level of productivity grew at an annual rate of 3 percent. For the period from 1967 to 1973, the annual rate was 2.4 percent. Between 1973 and 1980, the country experienced a dramatic drop in productivity as the rate of growth fell to 0.6 percent annually.

This fall-off in the growth of U.S. labor productivity has become a major source of concern for Congress and the American public. And for excellent reasons—declining productivity has far-reaching effects on the Nation's economic health; declining productivity leads to higher inflation, higher unemployment, and a weakening of the U.S. trade position. In addition, the absence of productivity gains prevents any general improvement in the standard of living of the American people.

Higher productivity is vital if America is to restore its image and position of strength in the world. Higher productivity is vital if America is to stop its inflationary spiral. Higher productivity is vital if America is to increase employment levels. Without productivity gains, it will be difficult, if not impossible, to achieve the healthy and strong economy we are all working for.

Congress has recognized the importance of this issue. The effort to reverse the productivity slump now takes center stage in virtually all congressional economic policy discussions. Efforts to improve the level of productivity must remain at the forefront of not only the work of Congress but also in the actions of business, labor, and the American people in general.

America still has the highest level of productivity in the world. Discussions about America's declining productivity refer to a decline in the rate of productivity growth and not total productivity. When one looks at the entire U.S. private economy compared to our competitors, American industry and workers rank as the most efficient and productive in the world. However, if current trends continue, it will not be very long before many of the other industrialized countries achieve productivity levels that meet or exceed the productivity of the American worker.

Although productivity growth has long been recognized as one of the most important determinants of national well-being, it has not until recently been a major source of concern for the Congress or for the American public. The members of the Joint Economic Committee are encouraged by the growing interest in this issue which the committee first began studying in 1957 with a study on productivity, prices, and incomes. The committee continued to review the productivity issue periodically throughout the 1960's and 1970's. Over the past few years especially, the Joint Economic Committee has been actively studying and reporting on the extent, causes, and effects of the productivity decline.

The Joint Economic Committee's midyear report calls attention, once again, to this most important issue. The report begins with a summary of America's productivity record and a discussion of the causes of the decline. In the main portion of the report, the committee presents their unanimously approved recommendations for improving America's productivity. The committee's eight recommendations, which are primarily microeconomic policies, involve both Government policies and private-sector activities that could help restore the American economy's productivity growth.

The specific recommendations for action are directed at three areas:

First, Congress and the administration should pursue economic policies aimed toward restoring our economy to healthy, long-run growth as well as toward lower inflation and unemployment.

Second, government and business should work together toward increasing the stock of capital available to America's workers. In both the public and private sectors, we should pursue policies to increase investment in both real and human capital, reduce waste and inefficiency, and improve the Nation's infrastructure.

Third, inflation and our Tax Code structure have forced many corporate managers to concentrate on short-term returns. In some cases, long-term planning has suffered. The members of the Joint Economic Committee recognize that only by reducing inflation and changing the Tax Code, can American

businessmen aim at the long run. In this report we make recommendations designed to reduce inflation and minimize the shortterm bias of the Tax Code.

The Joint Economic Committee's first recommendations calls for Congress and the administration to pursue policies which will promote economic growth, reduce inflation, and increase employment. High growth will enable industry to utilize their unused capacity, thereby increasing the output per unit of fixed costs. A reduced rate of inflation will improve productivity by increasing personal savings and by providing a stable and less risk economic environment conducive to business investment. High employment improves productivity by making it easy for workers to adjust to technological change by finding new jobs at comparable or better pay.

The second recommendation proposes that the tax system be changed to encourage productivity improvement in the private sector. Specifically, the Committee favors liberalized depreciation for capital-intensive industries in order to stimulate fixed investment, tax incentives for research and development activities, and improvement and increased use of the targeted jobs tax credit for labor-intensive industries. Adoption of this recommendation will help to resolve one of the most important factors in the productivity slowdown: the inadequate level of capital investment during the 1970's.

Creating conditions for lower interest rates is the focus of the third recommendation. The Democratic and Republican members of the Joint Economic Committee believe that lower interest rates will stimulate investment in business, agriculture, housing, and research, with the result being an expansion in productivity and competition.

The fourth recommendation calls for improved investment in vital public and private infrastructure. The proper macroeconomic policies or a well-designed capital depreciation program will not have a maximum effect without adequate highways, ports, railroads, bridges, utilities, and the like. The steady shift in population from the Northeast and Midwest to the South and West, coupled with declining tax bases in some parts of the country, has placed increasing, unmet demands on the Nation's infrastructure.

While public works investment in constant dollars by the Federal Government has remained near its 1968 peak, such investment by State and local governments declined by 40 percent and 25 percent, respectively. The committee believes that some revision or consolidation of existing Federal categorical grant programs may stimulate a more effective use of public funds and diminish the risks of waste and fraud occurring in these programs.

In the fifth recommendation, the committee advocates Government efforts to reduce the burden of paperwork and anticompetitive economic regulation. Efforts must also be made to insure that social regulation meets its objectives in cost-effective ways. It would be difficult to quantify the effect of Government regulation on productivity, but there can be little doubt that the rapid growth of Federal regulatory programs during the past 15 years has hurt.

A program to improve the productivity of the American economy must include measures to improve regulatory cost-effectiveness and reduce the unnecessary costs of redundant, ineffective, wasteful, and conflicting regulations and paperwork. Regulatory cost-effectiveness must be improved, but not at the expense of tampering or rescinding the significant contributions some of the regulations have made toward the overall well-being of consumers and workers.

The sixth recommendation focuses attention on the need to improve the productivity of the Federal Government. Just as America's businesses use scarce resources to produce private consumed goods and services, the Government also absorbs scarce resources in order to produce public goods and services. Improving the Federal Government's productivity would free up resources for use in the private sector or to permit more effective achievement of Government objectives without expanding the budget or Federal employment.

The final two recommendations focus on business and labor's responsibility in reversing the productivity decline. The seventh recommendation encourages business to develop a new emphasis on long-run competitiveness in product development, production, engineering, distribution, and marketing; rather than on short-term financial performance. A key component of increasing long-term competitiveness is increasing productivity. Therefore, the members of the Joint Economic Committee strongly urge each and every American business firm to develop its own productivity improvement program.

The final recommendation encourages labor and management to cooperate in improving long-run productivity and competitiveness. Cooperative activities by labor and management have already demonstrated their effectiveness in increasing productivity. The committee heartily supports continued labor-management cooperative activities.

There is no doubt that Government must play an important role in reversing the productivity decline. The committee's recommendations clearly outline Government's responsibility. The Federal Government must pursue policies which will reduce inflation, lower interest rates, and provide a more stable and less risky business environment. Congress and the administration must also develop a tax system which will encourage, rather than discourage, productivity growth. And all levels and branches of Government must work toward reducing unnecessary and anticompetitive paperwork and regulation.

In addition to Government, however, business, labor, and the American people in general must share in the responsibility for improving productivity. There is much that the private sector can do on its own that would significantly enhance productivity. I am pleased to report that business and labor have already undertaken successful efforts to improve productivity.●

ALCOHOL AND DRUG ABUSE PROGRAMS

● Mr. RIEGLE. Mr. President, I should like to take this opportunity to share with my colleagues an open letter to the Congress which addresses concerns I have expressed on a number of occasions over the Senate Labor and Human Resources Committee's proposal to include alcohol and drug abuse programs within a larger health services block grant contained in the Omnibus Reconciliation Act of 1981. The fate of these services is presently being decided by House-Senate conferees.

Over 20 national organizations and groups with first-hand experience and knowledge with the problems of alcohol and drug abuse have cosigned this letter urging the acceptance of the House proposal for a separate block grant for alcohol and drug abuse services. I urge my colleagues, especially those serving as conferees in health-related matters, to give serious consideration to the recommendations of these professionals.

I ask that this letter be printed in the RECORD.

The letter follows:

AN OPEN LETTER TO THE U.S. CONGRESS

Re: Discriminatory provisions against alcohol and drug abuse services contained in the Senate-proposed health services block grant.

The problems of alcohol and drug abuse are pervasive and continue to damage American families, business and our armed forces. The costly economic drain they create on the health services system, our criminal justice system and social services systems must be curbed. The Federal government has historically played a critical role in the effort to reduce these problems. However, under the proposed Senate health services block grant national leadership, as well as State and community efforts in alcohol and drug abuse are in grave jeopardy.

It is vital that our limited public health resources be used as effectively as possible. In this respect, the health services block grant as proposed by the Senate will spell disaster for alcohol and drug abuse services. Under the Senate proposal, States will be required to continue funding for community health centers, community mental health centers and migrant health centers. They are also empowered to transfer a portion of the block grant funds to continue child and maternal health programs, and to spend a sizeable portion on administrative expenses. No protections are retained for alcohol or drug abuse services, and in fact, as little as twenty percent of the block grant may be available for discretionary use by the States. This amount may be used for any of the following health functions: alcohol and drug abuse services, community health centers, migrant health programs, home health services, emergency medical services, and program management.

Under the best of circumstances, the States will experience massive reductions in their Federal funds for alcohol and drug abuse. Without specific statutory protections, such as those provided other health programs, alcohol and drug abuse services will be disproportionately reduced and many will cease to exist. This would reflect, by public policy, the discrimination which has been socially expressed against people with

alcohol and drug abuse problems for many decades.

A more productive approach is possible within current budgetary constraints. It is critical that the Congress seek changes in the Senate's health services block grant, through a mini-block grant approach, to offer the same protection to alcohol and drug abuse services as has been included for other categorical health programs. A mini-block grant will assure that necessary services continue. This would provide States with much greater flexibility than they now have to provide services according to their own needs. In fact a mini-block is far more embracing of the block grant concept than would be a further earmarking of the Senate health services block grant.

While we are appreciative of the important demonstration authorities for alcohol and drug abuse contained in S. 755, this alone is not enough to ensure an adequate response to our country's alcohol and drug abuse problems. Neither will further earmarking within the Senate proposal be a sufficient remedy. The most productive means to accomplish the goal of maintaining alcohol and drug abuse services is through a mini-block grant.

We the signers of this urgent appeal speak on behalf of people all over the country who will suffer if provisions of the Senate bill prevail and who feel that alcohol and drug abuse services were sacrificed in the construction of the Senate health service block. By denying statutory protections, alcohol and drug abuse services will be virtually the only health programs to have to compete for funding at the State level. And, given the cuts in major health programs across the board, most will cease to exist.

Critical decisions will soon be made concerning the future of our national response to the problems of alcohol and drug abuse. We strongly urge modifications to the Senate bill which will preserve the service systems and more effectively reduce the economic drain, family disintegration and human suffering related to alcohol and drug abuse. Since it is not possible to maintain current levels of funding, it is imperative to allocate available funds in the most effective way. We urge your support for the adoption of a conference report which contains provisions for an alcohol and drug abuse mini-block grant.

Alcohol and Drug Problems Association.
American Council on Marijuana.
American Medical Society on Alcoholism.
Association of Labor/Management Administrators and Consultants on Alcoholism.
Coalition for Health Funding.
Comprehensive Care Corporation.
National Alliance of State Alcohol and Drug Abuse Advisory Council Chairpersons.
National Association of Alcoholism Counselors.
National Association of Alcoholism Treatment Programs.
National Association for City Drug and Alcohol Coordination.
National Association of Halfway House Alcoholism Programs.
National Association of Prevention Professionals.
National Association of Social Workers.
National Association of State Alcohol and Drug Abuse Directors.
National Black Alcoholism Council.
National Coalition for Adequate Alcoholism Programs.
National Council on Alcoholism.
National Council of Community Mental Health Centers.
National Youth Work Alliance.
North American Women's Commission on Alcohol and Drug Abuse.
North Conway Institute.
Rutgers Center for Alcohol Studies.
The Salvation Army.
Therapeutic Communities of America.●

AMERICA'S PROMISE OF FREEDOM

● Mr. EAST. Mr. President, I should like to share with my colleagues the message given by Charles Malik, the Jaques Maritain distinguished professor of moral and political philosophy at the Catholic University of America, to an audience at the Cosmos Club here in Washington, D.C., on April 21, 1981. This message, which has been published in the June 15 issue of Vital Speeches, is important to us because, although it is one of optimism, the speaker emphasized the need for continued moral resolution in the face of the dangers of Marxist-Leninism which confront the world today.

America, Professor Malik concedes, is a providential land, promising abundance, social order, justice, and the rule of law. It is inhabited by a people who enjoy freedom, and who benefit from a pervasive sense of trust, but these blessings carry with them burdens and responsibilities. American freedom can only be preserved for so long as America is willing and able, in the words of John Foster Dulles, to dissolve and roll back the formidable glacier of slavery which is creeping over the world. America's allies in the struggle against Marxist-Leninist slavery are not necessarily the people that we shower money on, they are the unfree people around the world who seek to be free, and the free people who seek to remain free.

Cynics tell us that America cannot be the policeman of the world, but Professor Malik correctly warns that—

In this closely-knit world there can be no political vacuum, and every neglected area is going to be filled by someone else. When lesser men exude the impression that America should abdicate its world responsibilities, and should crawl back into its safety shell (the truth is that there is no shell and certainly no safety anymore) . . . then one is overtaken by the fear that faith in freedom has itself eroded.

There is a very real danger of falling into the Marxist-Leninist trap and seeing the contemporary struggle solely in terms of a conflict between rival economic and political systems, between "democratic capitalism" and "communism." According to Professor Malik:

Nothing would please Marx and Lenin and all their followers more than if the debate between them and their opponents were carried out only within the bounds of economics and politics. The ultimate philosophical point of Marxist-Leninism is precisely the reduction of all truth, all value, all meaning to the level of material-economic-bodily categories. Instead, Marxists should be forced to debate—and debating does not mean only the argument of words—on the plane of man and history and truth and value and freedom.

The sad truth is that the whole climate of opinion in the world today has become pervaded by materialistic and socialistic categories of thought, and in this sense Marxism, by dragging everyone into its frame of reference, has already gained a major advantage. Even the American family—America's holiest institution and one of the essential anchors of all American values—is in grave trouble and will remain so for so long as we allow people to beguile us by using the term "sexual revolution" in anything but a pejorative sense.

Yet even at this late hour America can still succeed in repelling the forces of slavery, provided we preserve our courage and will to do so. We must remember that it is freedom, not peace, that we seek to defend; we confront Marxist-Leninism with arguments that transcend restrictive materialistic terminology; and we must speak instead about man versus the state, about freedom versus slavery, and about the supremacy of the mind and the spirit.

Mr. President, I ask that Professor Malik's address be printed in the RECORD.

The address follows:

THE WORLD PROMISE OF AMERICA—THE TRUTH IS THE MOST IMPORTANT THING

(By Charles H. Malik)

The world promise of America is something providential. Nothing of the order of the American phenomenon can be fortuitous or accidental. America has been schooled and refined precisely for its world promise. It may still have to be chastened further before its authentic word to the world can be uttered. Whatever the trying and the chastening still, doubtless America's word will be articulated and uttered one day.

Already a few features are discernible. The authentic word of America is not going to descend upon America all of a sudden, as by magic: it is a slow ripening of a long process, and, therefore, the features already apparent must somehow enter into the constitution of the definitive product.

America promises abundance. Is there a need, or even a want or whim, that someone has not thought of and has not devised the means to satisfy? There is no waiting for the need or the want or the whim to arise of itself; it is artificially created, a process that need have no end. You can walk to the Drug Store around the corner, or to the Safeway a few yards beyond, or to a thousand other specialized stores, and fetch gadgets for your most exotic desires. And you need not go there yourself; you can order on the telephone through the yellow pages of the telephone directory almost anything your whim may covet, and in many instances it would be delivered to you. The quantitative abundance of goods is only matched by their qualitative diversity.

What about the personal financial means to share in this material abundance? This, too, America promises on an ever-widening scale. To be sure, there are millionaires and billionaires, but the middle class, both upper and lower, is probably more numerous and stable than middle classes elsewhere. Neither are the slums more slummy than they were in the past, or than they are today in other regions of the globe. And there is a growing social consciousness, both official and unofficial, to face and deal with the problem of poverty and privation. And while I do not preach poverty, but, on the contrary, advocate real social justice in the strongest possible terms, the truth is that above the level of subsistence there are many poor whom the rich may envy, and above the level of sufficiency there are many rich whom the poor may pity. There is a strict correlation between the multiplicity of wants and the multiplicity of woes. The proper retention of this distinction between the blessedness of poverty above a certain minimal level and the trials and tribulations of riches above a certain maximal level is one of

the promises of America. I counsel you to ponder the Bible or Saint Augustine or Saint John Chrysostom on the afflictions of the rich and the happiness of the poor. I know very well how this last sentence of mine is misunderstood or misrepresented or ridiculed by the cynics and materialists of this age.

America promises order. Practically all aspects of life are ordered. People stand in line; the bills reach you regularly; dealings with banks conform to an orderly procedure; the papers appear on time with the latest news; the TV and the radio are relentless in their neat performance, whether for good or evil; the telephone system connects you in a matter of minutes, and sometimes of seconds, with practically anybody in the Western Hemisphere and in Europe, Japan, Australia, and many other parts of the world, a population aggregate of about one billion and a half; and nothing is more impressive than the neatness and methodical orderliness with which the great hospitals and medical centers function. Things do break down now and then, of course, but that is not the rule: the rule is order, regularity, dispatch. The mind is thus relieved from many a care and worry. And the question then becomes: what will the mind, thus relieved, turn to?

America promises the rule of law. The mind is conscious all the time that, although the law can be broken, and sometimes indeed is broken, yet the law is there, a potent though invisible force. And just as there is no respect of persons with God, so there is no respect of persons with the law. In this sense and to this extent, the law is a sort of image of God. With the Constitution being the supreme law and with the judiciary impregnated with the British norm, the branches of the government know and keep their lawful limits and the citizens know that their duties are enjoined and their rights protected by law. That the law is above every person, including the President, and that the freedoms of the citizens, including their corporations, are safeguarded by the Constitution, these two matters are among the most important promises of America.

Social justice is another of America's promises. What is distinctive about America here is the fact that social justice has been considerably, even phenomenally, advanced since World War II without any impairment of fundamental freedoms. Social justice does not mean indiscriminate mechanical egalitarianism in America; plenty of room is allowed for structure, articulation, distinction, difference, individual genius. The Aristotelian principle of distributive justice is more or less recognized in America. Of course tensions in some respects have heightened, but the solid achievement in this realm speaks for itself. There is no comparison between matters as they stand now and as they did in 1945—both in custom and in law. The effective harmonizing of social justice with freedom belongs to the genius of America. While others could achieve a measure of social justice only at the expense of freedom, the American character and outlook has succeeded in reconciling the two.

American promises a pervasive sense of trust. People trust one another and take each other's word. You are asked for identification documents, but often you are not. In general, you trust your doctor, your lawyer, your colleague, your partner, your dealer. In general, social, business, professional and friendly relations are characterized by a spirit of honor and integrity. You move about in stores, churches, restaurants, hospitals, clubs, government buildings, the offices of great corporations, the streets, with the sense in general of complete safety. It does not occur to you that you are being shadowed or pursued. You unquestioningly trust the goods you buy to be as they are marked or advertised, and while fraud at times there is, the remarkable thing is that with the spirit of freedom and trust being so pervasive there is only so little of it. You do not go about suspecting that the people you meet are scoundrels. You take it for granted that what people are telling you is the truth. Despite the fact that the enemies of America are trying to fan the spirit of mutual mistrust among the American people, I do not believe they will succeed. There are enormous social problems in America but the spirit of trust and confidence remains remarkably steadfast. It is the most important factor that will enable America to overcome these problems.

American statesmen laugh. Do Japanese or Chinese or Soviet statesmen laugh? I have not seen any of them in pictures laughing. Maybe they consider it beneath their dignity; maybe they take themselves too seriously. Do European statesmen laugh? I have not seen Churchill or de Gaulle or Adenauer or Macmillan or Giscard d'Estaing laugh. But who can forget the face of Roosevelt or Eisenhower bursting with hearty laughter? Truman laughed, and what a magnificent laugh. Carter can hardly be remembered as not laughing. And the relaxed and relaxing laugh of Reagan is his most natural expression. This is not a trivial point; it signifies something deep; there must be a hidden source of joy in the American soul. Laughter is one of the promises of America.

Because I must dwell on one promise more than all the rest, I shall not belabor further the other promises of America: the distinctive American sense of zest and adventure; the perhaps unprecedented, but not unlimited, capacity of America to receive and assimilate so many different races, cultures, backgrounds, ethnic origins; the pluralism of America in which diversity and difference are preserved within the unity of an overarching law; respect for individual initiative and inventiveness, a respect not only honored by custom but enshrined in law; the vast American technology, unrivaled both in scope and variety; the amazing democracy of America, quite incomprehensible to the outside world, a democracy that stunned the world by its workings in the elections of last year; the great universities, libraries and museums of America; the fact that the English language is now the lingua franca of the whole world, a privilege that no other language enjoyed in all history, and therefore the infinite moral responsibilities devolving upon the English-speaking peoples, and especially the Americans, as to the quality of the message and meaning and influence that the use of that language carries in every country and culture today; the fact that America is the recognized leader of the Free World, and that if America, God forbid, should falter or stumble in its leadership, the cause of freedom and man would probably be doomed; the worldwide influence of the American system of government—even the Soviets call their head of state now president!; and the hidden resources of the spirit which de Tocqueville so preceptively observed in American existence.

The cynics, the resentful, will of course retort; I have exaggerated, I have idealized, I have been extravagant and sentimental, I have painted too rosy a picture of the American promise, a picture that will not stand full exposure to the light of the facts. For every promise they will depict a counter-promise: the darker and seamier side of American existence. Also they will say: America is not unique in these promises; other countries hold them out too. I know all that. But I claim that every proposition I made is true "for the most part," and, as Aristotle pointed out, for anything to be true "for the most part" and "in general" is itself most significant: it indicates the presence of an underlying law. To dwell only on the exception, to single out what is not true "for the most part," is to reveal a sickly soul within. In these contingent matters to be true "for the most part" is sufficient. And as to other countries being graced by some of these promises as well, that too I know very well. Their importance in the case of America stems from America's unparalleled importance in the world.

Now I come to the most important thing I want to say.

The greatest promise of America is freedom. Freedom is also the greatest, and in the end perhaps the only decisive, secret weapon which America can wield.

In all its aspects freedom must always be understood as responsible freedom. Thus it must be sharply distinguished from anarchy or from uncritically and thoughtlessly doing anything you please.

The aspects of freedom are numerous; they include free economic enterprise, free elections, free press, freedom of association, freedom of movement, freedom of thought, freedom of expression, freedom of belief, freedom at once to hold fast to and to change your belief, no arbitrary arrest or detention or interference in people's affairs, the inner serene spiritual freedom which creates—just letting people be themselves under the oversight of just law. To the extent to which these things do not exist or are hampered by social or political pressure or by bad personal habits, there is no freedom.

Leaders in the Western world talk about justice; they also talk all the time about peace; but they rarely talk about freedom. Such has been the deterioration in the scale of values in the Western world owing to the rising tide of materialism and sensualism that freedom, the highest gift of the free spirit, has dropped to the bottom of the ladder. People talk as though they would be quite happy if they had enough to eat and drink and live and enjoy themselves, and if they were left alone in peace, even if they were unfree. The burdens and responsibilities of freedom are too much for them; they would rather be relieved of them, as Dostoyevsky demonstrated in the Grand Inquisitor. What is the difference, then, between the ideas of totalitarianism and the ideas of freedom?

Justice is never the end, peace is never the end: unless justice and peace issued in freedom, especially the creative freedom of the spirit, they would be worthless. Justice and peace alone could so tyrannize over man as to produce the deadliest staleness and ennui. Freedom alone saves, freedom alone creates, freedom alone gives meaning to life, and it is this freedom that is the outstanding promise of America, not only for itself but for the world.

When we say the world promise of America we should mean, after all the other promises are enumerated, the promise of liberty.

There is a justice that is profoundly unjust and there is a peace that only the slave can covet; and once I asked an honorable lady, when are you going to have peace, Madam?, and she answered, only in the grave! So there is such a thing as the peace of the grave. And we pray for the dead, May they rest in peace!

But freedom means life, real life, abundant life; it means liberty, joy, being, and when it is the freedom of the spirit, which is the most original freedom from which all other freedoms flow, it means also love. In the guise of love, freedom is the total absence of fear, as the Bible teaches. And when you are wholly liberated from fear, you are a slave to nothing.

America's real friends are not the people you shower money on, nor the people you choke with material and military goods. America's most dependable friends are the free people who want to remain free and the unfree people who want to become free. And yet America's care for these people appears at times to be minimal.

America's other promises are important, but without the promise of freedom, they are empty. It is the enslaved whom you want to help liberate, it is the free who are threatened whom you want to succor. The ultimate real content of every promise is freedom. All other promises are in order to reach and rest in freedom.

Lenin used to say, the peoples of Asia and Africa, the less developed peoples, are the world reserves of the revolution; and the event proved him right. The West should dare say, America should dare say, the free peoples who are fighting for their freedom, and the enslaved peoples who want to fight to be free, are the world reserves of liberty.

And the circle of those who want to fight to be free could be widened indefinitely if only America and the West determined to arouse in the people who never tasted freedom their dormant yearning for freedom, and if only they made them feel that they would support them. And the way of arousing this yearning is a whole art by itself.

John Foster Dulles once spoke of dissolving and rolling back—this is his phrase—the formidable glacier of slavery which is creeping upon the world. Who would dare mention "roll back" today, who would even dare think of it?

But if you do not roll back slavery, or cause it to disintegrate from within—I mean the slavery of the mind, the slavery of the spirit, the slavery even of the body—you are going to be rolled back by it yourselves.

On this matter always two questions arise: America is not the policeman of the world, and think of the balance of terror!

That America is not the policeman of the world goes without saying, and indeed how could America be if she remained true to its own principle of freedom? But what does not go without saying, what should be emphatically pointed out, is that in this closely-knit world there can be no political vacuum and every neglected area is going to be filled by someone else. It is therefore not a luxury that America can dispense with to interest itself effectively and sustainedly in every part of the world. Thus those who say America is not the policeman of the world either have no idea of how isolationism is absolutely impossible from now on unto the end of time, or some of them may, for reasons to be independently ascertained, want to see the enemies of freedom win at the expense of freedom. Which of course does not mean that all regions of the world are of equal interest to America.

And as to the bogy of the balance of terror, again it goes without saying that nuclear war is unthinkable and must be avoided at all costs save the cost of being blackmailed into submission or slavery. And again what does not go without saying is, first, that if nuclear war is by mutual tacit agreement avoided, conventional and other kinds of war are not thereby excluded; and, second, why, if the terror is really balanced and equal, one side could muster courage to advance while the other could not? If the atom and nucleus have virtually abolished world nuclear war, why should one side, under the protective umbrella of the balance of terror, be more resourceful in waging other types of war? If there is equality of terror there should be equality of opportunity. And if the equality of terror provides one side with greater opportunities, then there should be something profoundly the matter with the whole moral and spiritual equipment of the other side—with its very thinking and planning, with its resolution and will. All problems finally resolve themselves into problems of moral preparedness—problems of the adequacy or inadequacy of thought and will. Let no man, let no nation, let no civilization, absolve itself from moral responsibility for its trials and tribulations. Let no man, let no nation, let no civilization, blame "cosmological" factors or blame others for its own "fate" or failure.

In his inaugural address last January President Reagan said:

"Above all we must realize that no arsenal or no weapon in the arsenals of the world is no formidable as the will and moral courage of free men and women.

"It is a weapon our adversaries in today's world do not have.

"It is a weapon that we as Americans do have.

"Let that be understood by those who practice terrorism and prey upon their neighbors."

To say, therefore, that courage and will are decisive, and that the free must lend a hand to those who are struggling to preserve and strengthen their freedom, and must encourage the unfree to free themselves, to say this is wholly in keeping with the sentiment of President Reagan.

But when lesser men, or when cynics, exude the impression right and left that America should abdicate its world responsibilities, and should crawl back into its safety shell (the truth is that there is no shell and certainly no safety shell any more), or that the unimaginable danger of nuclear war has effectively paralyzed America's will, then one is overtaken with the fear that faith in freedom has itself eroded. Faith is more important than courage, more important even than will. It is only the man of faith, the man that believes something, who will dare to will and dare. And if it is the case that faith in the values of freedom has withered away, then, believe me, God help us!

Attempts have been made lately to pit capitalism against socialism and to prove that what is called "democratic capitalism" is superior to communism. Such attempts are quite legitimate, but they could also be misguided. Nothing would please Marx and Lenin and their followers more than if the debate between them and their opponents were carried out only within the bounds of economics and politics, even if this debate should demonstrate that the communist "system" were inferior to the capitalist "system". The ultimate philosophical point of Marxism-Leninism is precisely the reduction of all truth, all value, all meaning—the reduction of everything (they would probably say the elevation of everything—to the level of material-economic-bodily categories. Their opponents should absolutely resist falling into that trap. Far from accepting to be shut up within the confines of that cage, they should shift the frame of reference of the discussion altogether from material-social-economic considerations to the state of the mind and the spirit. Marx and Lenin would still have won if they were bested in an argument confining itself only to social justice and economics and power and class relations, without being challenged in terms of freedom, man, mind, truth, the continuity of history and the supremacy of spiritual values. It is the affirmation of what they deny, namely, the primacy of value and will and mind and spirit and freedom, that they dread most.

They should be forced to debate—and debating does not mean only the argument of words—on the plane of man and history and truth and value and freedom. Not capitalism versus communism, even if you could win the argument; but man versus the state, freedom versus slavery, the established cumulative wisdom of tradition and history versus the arbitrary rebellious "wisdom" of party and politics, the grace of understanding and forgiveness versus the hardened, resentful heart that never understands and never can forgive. On these planes ought the argument with them to unfold itself.

The sad truth is that the whole climate of opinion in the world today, including America, is materialistic-socialistic-relativistic; that in this prevailing climate to shift the frame of reference of the discussion requires herculean efforts; that the self-styled arguers with communism—I mean not only arguers in words but in being, in existence—are both incompetent and incapable of raising the fundamental issues; and that Marx, in dragging everybody to his frame of reference, may already have won, at least for a while.

I must be frank with you. The truth is the most important thing, no matter how delicate or painful. And the truth is that whereas the world promise of America is unprecedented as to its meaning and magnitude, America cannnot deliver its promise with the American family being in the deep trouble in which it finds itself today. The same observation applies to Europe and the West in general. I beg you on my knees not to let anybody beguile you by using the term "sexual revolution" in a non-pejorative sense, namely, in the sense of liberation or progress. The seepage of the scourge of Freudianism into the holiest American institution, the family, can cancel out all your great world promises. If I read the history of American mores correctly, nothing is more un-American than the sexual and chemical revolutions. If technological civilization is to blame, then the whole place of technology in human life must be radically reconsidered.

If Billy Graham is right in a statement he made a short while ago, that whereas the average rate of divorce in America as a whole is one in three marriages, in one conservative Christian religious community, which he named, it is one in 700,—and I believe he is right,—then the only hope for America and the world is a vigorous and sustained return to the living God.

And this is what old Jeremiah said to his people 2700 years ago:

"Thus saith the Lord, Stand ye in the ways, and see, and ask for the old paths, where is the good way, and walk therein, and ye shall find rest for your souls. But they said, We will not walk therein." (Jeremiah 6:16) May this last sentence never be uttered by the people of America.●

VETERANS' DISABILITY COMPENSATION, HOUSING, AND MEMORIAL BENEFITS AMENDMENTS OF 1981

● Mr. MURKOWSKI. Mr. President, as a member of the Veterans' Affairs Committee I am pleased to join with my colleagues on this committee in cosponsoring S. 917, the veterans' disability compensation, housing, and memorial benefits amendments of 1981. I commend Mr. SIMPSON, the distinguished chairman of our committee for his leadership in bringing this measure to the Senate floor in such a timely manner.

Mr. President, S. 917, as unanimously reported by the committee, is important to our Nation's veterans for several reasons. While I support the bill in full, I would like to highlight the provisions directly affecting the service-connected disabled veteran. This country has a commitment to all veterans to insure that their needs are properly met—ranked highest are those of the service-connected disabled veteran. S. 917 would authorize a 11.2-percent cost-of-living increase for the service-connected disability compensation program, currently providing benefits for 2,276,542 service-connected veterans. In addition, dependency and indemnity compensation benefits for surviving spouses and children of veterans whose deaths were serv-

ice connected or who were totally disabled due to a service-connected cause at the time of death, will increase 11.2 percent.

The service-connected disabled veteran not only has served his country but he has made an extreme sacrifice. Along with the cost-of-living increase, I also believe it is necessary to increase the maximum automobile allowance from $3,800 to $5,000 and extend eligibility for automobile adaptive equipment to those veterans who suffer from favorable ankylosis, the stiffening of one or both knee joints, or one or both hip joints, resulting from an abnormal bone fusion. The Veterans' Administration also offers a special adapted housing grant program for blind veterans or those who have lost, or lost the use of, one lower and upper extremity or both lower extremities, to aid them in acquiring housing with the necessary adaptations for their disability. S. 917 provides an increase in this grant from the present $30,000 to $35,000 to offset the rising average cost of a specially adapted home.

Mr. President, along with my colleagues on the Veterans' Affairs Committee, I consider the benefits offered our service-connected veterans to be of the utmost priority. I am pleased that during this period of economic recovery we are able to continue to meet the needs of the service-connected veteran. I am proud to be a cosponsor of this legislation and urge my colleagues approval of this important measure.●

THE YEAR OF THE DAUGHTER

Mr. ROBERT C. BYRD. Mr. President, in addition to the congratulations I have extended to the majority whip, the Senator from Alaska (Mr. STEVENS) and his wife on the birth of their daughter, Lily, I should like to take this occasion to say that Senators on this side of the aisle are not going to be outdone. So I take this opportunity to inform my colleagues that a Senator on this side of the aisle, the Senator from Massachusetts (Mr. TSONGAS) and his wife are also the proud parents of a daughter, Molly, born Sunday, July 19. Mother and daughter and father are doing well.

It appears that Senators are producing daughters this year. So if we might appropriately designate the year, I would say it is the year of the daughter.

In addition to those two born this month, the Senator from Delaware (Mr. BIDEN) and his wife also welcomed a daughter, Ashley, born just last month on June 8.

I know that all three of these Senators are extremely proud of the new additions to their families and all of us extend our good wishes to them.

Mr. BAKER. Mr. President, I join the distinguished minority leader in extending my congratulations to the Tsongases and to the Bidens for their additions to the Senate family. In such a real way, it is a Senate family, because we work in such tightly closed and bound circumstances and our wives are so involved with our daily activities and the inconvenience that is essential to the functioning of the Senate that the Senate is, perhaps, more of a family than almost any other public institution that I know of. So all of us take special pleasure at the new additions to that family. I also note that daughters have been in abundance this year. I have a special affection for daughters and I think that is fine.

RECESS UNTIL 9:15 A.M. TOMORROW

Mr. BAKER. Mr. President, I know of no further business that must be transacted this evening. With the concurrence of the minority leader, I move, in accordance with the order previously entered, that the Senate stand in recess until tomorrow morning at 9:15 a.m.

The motion was agreed to and, at 10:06 p.m., the Senate recessed until tomorrow, Friday, July 24, 1981, at 9:15 a.m.

NOMINATIONS

Executive nominations received by the Senate July 23, 1981:

DEPARTMENT OF JUSTICE

J. Paul McGrath, of New Jersey, to be an Assistant Attorney General, vice Alice Daniel, resigned.

DEPARTMENT OF THE TREASURY

Anthony H. Murray, Jr., of Pennsylvania, to be Superintendent of the Mint of the United States at Philadelphia, vice Shallie M. Bey, Jr.

NATIONAL TRANSPORTATION SAFETY BOARD

James Eugene Burnett, Jr., of Arkansas, to be a Member of the National Transportation Safety Board for the term expiring December 31, 1985, vice Elwood Thomas Driver, term expired.

James Eugene Burnett, Jr., of Arkansas, to be Chairman of the National Transportation Safety Board for a term of 2 years, vice James B. King, term expiring.

DEPARTMENT OF ENERGY

Rayburn D. Hanzlik, of California, to be Administrator of the Economic Regulatory Administration, vice Hazel Reid Rollins.

DEPARTMENT OF THE INTERIOR

Dallas Lynn Peck, of Virginia, to be Director of the Geological Survey, vice H. William Menard.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Juan A. del Real, of Maryland, to be General Counsel of the Department of Health and Human Services, vice Joan Zeldes Bernstein, resigned.

Thomas R. Donnelly, Jr., of Virginia, to be an Assistant Secretary of Health and Human Services, vice William Brownlee Welsh, resigned.

INTERNATIONAL JOINT COMMISSION, UNITED STATES AND CANADA

L. Keith Bulen, of Indiana, to be a Commissioner on the part of the United States on the International Joint Commission, United States and Canada, vice Jean Lande Hennessey, resigned.

U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

Paul J. Manafort, Jr., of Virginia, to be a Member of the Board of Directors of the Overseas Private Investment Corporation for a term expiring December 17, 1983, vice Wallace F. Bennett, term expired.

DEPARTMENT OF STATE

The following-named Foreign Service Information officers for promotion from class One to the class of Career Minister for Information:

Terrence F. Catherman, of the District of Columbia.

McKinney H. Russell, Sr., of Florida.

NATIONAL LABOR RELATIONS BOARD

Robert P. Hunter, of Virginia, to be a Member of the National Labor Relations Board for the term of 5 years expiring August 27, 1985, vice John C. Truesdale.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

William M. Bell, of Michigan, to be a Member of the Equal Employment Opportunity Commission for the term expiring July 1, 1986, vice Eleanor Holmes Norton.

DEPARTMENT OF AGRICULTURE

Charles Wilson Shuman, of Illinois, to be Administrator of the Farmers Home Administration, vice Gordon Cavanaugh, resigned.

SMALL BUSINESS ADMINISTRATION

Frank S. Swain, of the District of Columbia, to be Chief Counsel for Advocacy, Small Business Administration, vice Milton David Stewart, resigned.

DEPARTMENT OF DEFENSE

Edward C. Aldridge, Jr., of Virginia, to be Under Secretary of the Air Force, vice Antonia Handler Chayes, resigned.

IN THE ARMY

The U.S. Army Reserve officers named herein for appointment as Reserve Commissioned Officers of the Army, under the provisions of title 10, United States Code, sections 593 (a), 3371 and 3384.

To be major general

Brig. Gen. Wayne Paul Jackson, xxx-xx-x... xxx-...

Brig. Gen. Thomas Milton Moore, xxx-xx-x... xxx...

Brig. Gen. William Francis Ward, Jr., xxx... xxx-xx-...

To be brigadier general

Col. John Alex Arkins, xxx-xx-xxxx.

Col. John Joseph Diggins xxx-xx-xxxx.

The Army National Guard of the United States officers named herein for appointment as Reserve Commissioned Officers of the Army, under the provisions of title 10, United States Code, section 593(a) and 3385:

To be major general

Brig. Gen. Vincent William Lanna, xxx-xx-x... xxx-...

Brig. Gen. Elmer Lewis Stephens, xxx-xx-x... xxx-...

To be brigadier general

Col. Carroll Glenn Allen, xxx-xx-xxxx.

Col. William James Burns xxx-xx-xxxx.

Col. Keith Marvin Eggen, xxx-xx-xxxx.

Col. LeRoy Robert Evans xxx-xx-xxxx.

Col. Joe Arlon Forberg xxx-xx-xxxx.

Col. Kenneth Wayne Himsel xxx-xx-xxxx.

Col. Robert George McClellan xxx-xx-xxxx.

Col. Kenneth Lester Rieth xxx-xx-xxxx.

Col. Ivan Fay Smith xxx-xx-xxxx.

Col. Michael Thomas Sullivan, Jr., xxx-xx-x... xxx-...

Col. Arthur Albert Weller, Jr. xxx-xx-xxxx.

Col. Edward Herman Wulgaert, xxx-xx-x... xxx-...

The Army National Guard of the United States officers named herein for appointment as Reserve Commissioned Officers of the Army, under the provisions of title 10, United States Code, sections 593(a) and 3392:

To be brigadier general

Col. Charles Hill Anderson, xxx-xx-xxxx.

Col. Robert Michael Fiorella xxx-xx-xxxx.

Col. Edward Lawrence Hanson, xxx-xx-x... xxx-...

Col. William Arthur Jackson xxx-xx-xxxx.

Col. Val Elmore McCreary, xxx-xx-xxxx.

Col. Charles McClung Scott, Jr., xxx-xx-x... xxx-...

Col. William Kinney White, xxx-xx-xxxx.

ENVIRONMENT PROTECTION AGENCY

Matthew Norman Novick, of the District of Columbia, to be Inspector General, Environmental Protection Agency, vice Inez Smith Reid.

EXTENSIONS OF REMARKS

UNITED STATES-WESTERN EUROPEAN TRADE RELATIONS

HON. DONALD J. PEASE
OF OHIO
IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. PEASE. Mr. Speaker, I would like to bring to the attention of my colleagues remarks made earlier this year by Sir David Nicholson, a Member of the European Parliament—European Democratic Group—from the United Kingdom. Sir Nicholson made his presentation during the course of meetings between the European Parliament and the U.S. House of Representatives, held in Washington on May 19-20, 1981.

Sir Nicholson addresses the issue of transatlantic trading relationships and the continuing problems in such areas as steel, textiles, automobiles, and export subsidies. The parliamentary exchanges between our two institutions have been occurring since 1972 and have provided a welcome and necessary forum for improving mutual understanding of a variety of problems affecting the United States-Western European relations.

I had the privilege of serving as chairman of the U.S. delegation which meets with representatives of the European Parliament on four occasions during the past 2 years, including this most recent meeting in Washington. The experience was a stimulating and rewarding one. The Honorable TOM LANTOS of California has now assumed the chairmanship of this group. I am certain that he will perform brilliantly in that position, and I will help him in any way I can to insure the continuing success of this valuable parliamentary exchange.

Sir David Nicholson's remarks on trade follow:

Thank you very much Mr. Chairman. I am going to try to respond to the United States' question which, amongst several points, asks about the trend in Western Europe towards protectionism and such factors as the multifibres agreement and export financing. I really welcome what Mr. Sam Gibbons said at the beginning about the need for us to try to approach these problems, all of these problems together. I would personally like to think that the two greatest trading blocks in the world, in the free world, the United States and the European Community, could in fact find some way to work together as partners to regulate free, and not only free but fair trading throughout the world. This is what we all want and, as I suggested yesterday, I think the time may come, perhaps has come, for some declaration of intent in this way and it would be just wonderful, of course, if you could persuade the President to come and make that declaration in the European Parliament, that goes without saying.

Now, turning to the more detailed points which the question raises, the rate of unemployment in Western Europe is rising at a very considerable speed as Mr. Giummarra has mentioned: up from 5.7% in the March 1980 to 7.5% in March 1981. This has fallen particularly heavily on the traditional industries such as steel, shipbuilding and textiles.

In the case of the textiles, between 1973 and 1979, no less than 700,000 jobs were lost and 200,000 more are estimated to have been lost since then and the remaining 4,000,000 jobs are also in danger so this is a very very significant drop.

In steel between 1975 and 1980 161,000 jobs have been lost in the Community so I am sure you appreciate how serious we feel this is and how difficult it is to maintain an attitude of free trade against protectionism when you have this kind of thing going on.

Now we have not been able to replace these jobs in new industries which, because of their technological base, tend to be capital rather than labour intensive and it is very understandable that workers in these very vulnerable industries become alarmed when they see their problems being exacerbated by an increasing flow of imports from the United States and elsewhere. Accordingly the political pressure on us as their political representatives builds up to a point where it is becoming almost irresistable. If the United States wishes, as I am sure she does, to preserve the open trading system, they must help us by giving us some tangible arguments for resisting the protectionists. At the moment we have a deficit in 1980. The deficit was 25 billion dollars, which was double the 1979 figure and we have very little ground on which to defend the free trade cause.

So I would like now, if I may, just to touch briefly on two or three specific areas. Firstly steel. By suspending and then raising the level of the trigger-price mechanism, the United States has substantially reduced imports of European steel at a time when we have real manifest crisis in the industry. They are now threatening further curbs on imports through an anti-dumping action in respect of fine and special steels brought by the Department of Commerce and I would like just to quote these figures about the export of steel from the Community to the United States. In 1978 7.4m tons were exported to the United States; in 1979 that figure had dropped to 5.4m and in 1980 to 3.9m tons.

My second example, if I may, is in clothing. Now here the United States refused to reduce their tariffs during the Tokyo round so as to bring them close to parity with those of the Community and the Community standard tariff is 7 percent while the United States' average is 33 percent.

Well now coming on thirdly to textiles, here we have a combination of a weaker dollar and artificial pricing of natural gas which is a principal feedstock, as you all know, for artificial fibres, which has enabled the United States' industry to compete cost effectively in the European Community in general and in the United Kingdom in particular. Textile imports in January to September 1980 were 122 percent up on the equivalent period in 1978 and in the first six months of 1980 alone 62,000 jobs were lost in the United Kingdom and over 100 mills were closed and the pace has not slackened since. Against this background you must see that it is easy to see why the industry has become protectionist.

Well, now we come on to cars. The rate of penetration of Japanese cars has risen startlingly, particularly in the Benelux countries, which have traditionally taken German, French and Italian production. In Britian penetration hovers around 11% which is, nevertheless, too high. The United States has now done a bi-lateral deal with the Japanese and inevitably there are worries that the surplus Japanese capacity will be aimed at the vulnerable European markets and any arrangement with Japan, in our opinion, should be tri-lateral. Now, in this respect, my group has put down a motion, I might as well warn you right now that my group has put down a motion in the European Parliament which I will read out:

1. That it considers the recent Japanese-American understanding could pose a threat to Community manufacturers of motor vehicles;

2. Believes that regulation of the trade in motor vehicles must be conducted on a multi-lateral basis;

3. Urges the Commission to seek immediate clarification of the nature of the Japanese-American understanding and report to Parliament.

Well, as regards the control of export finance, which was referred to in the question, a joint agreement would be welcome. Of course much depends on the movement of currency parities and domestic industry rate and we think the Ottawa conference would be an ideal time to discuss this, as also the whole concept of moving forward from where we got to with the multi-national trade negotiations, to develop a wider, broader system as partners for the regulation of free and fair trade which I referred to.

The most important thing I would like to try to get home to Members of the Congress is that there will have to be some agreement at Ottawa on the limitation of deficits between the European Community, Japan and the United States. We cannot go on financing the Japanese oil deficit indefinitely. They will no doubt point out that they do well because they are efficient and competitive. Well so be it, but we can point out that they feel no difficulty in protecting their automobile, steel and textile industries, and indeed the open trade system cannot survive if one player insists on picking up all the chips and beggaring the other. The best way of combating protectionism in Europe is for them to liberalize their market unilaterally in those industries which are most heavily protected and that way we can see some overall growth. Otherwise the whole GATT system will be in jeopardy for the excellent reason that it will have shown itself inadequate, inadequate to even out trade flows.

Now so far as the multifibre agreement is concerned, I would like to quote from my colleague Mr. Michael Welsh's opening ad-

dress in the European Parliament when the resolutions for re-negotiation of the multifibre agreement was passed by the Parliament. In this opening address, if I may quote, he says that the most important thing that we have to do, and I say this very seriously to the Commission, is to improve our understanding with the United States. You will find a passage in this resolution which refers to the under-pricing of oil and gas and to the extreme surges of American textile imports into the Community. He says "I do not propose to deal with this today because I do not regard it as part of the multifibre agreement itself. That is a bilateral question to be solved by the Community and the United States. What I do say however, is that it is absolutely critical that the United States be induced in these negotiations to take an increased share of low cost imports, thus easing the pressure on Community markets, and I would say that the liberalization measures that we propose later on are entirely contingent on the ability of the United States, and indeed other OECD countries, to take a fairer share of the burden. It is absolutely essential that the United States' Administration pushes ahead with a bill to de-regulate gas and that Congress passes it. This is really, if I may put it this way, a touchstone of their good intentions."

Well ladies and gentlemen, I have mentioned the significance of the Ottawa Conference and I am sure you have heard long enough from me now. I cannot emphasize too strongly how important it is for the Community and the United States to try to get together on some of these issues and try to develop a partnership approach to the regulation of free and fair trade. Thank you Mr. Chairman.

THE WAYNE/WESTLAND, MICH., POST OFFICE: AN EXAMPLE FOR THE ENTIRE NATION

HON. WILLIAM D. FORD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. FORD of Michigan. Mr. Speaker, many people believe that the U.S. Postal Service is an archaic and inefficient institution whose service declines in proportion to increases in its rates. The average American probably believes that postal productivity has been falling steadily for years and that its future is hopeless.

In fact, just the opposite is true. In 1980, when the productivity of American industry, as a whole, declined dangerously—by nearly 3½ percent—the Postal Service did such an outstanding job of improving its operations that productivity increased by 5.5 percent. Although postal rates increased by 20 percent over the most recent 3-year period, this price increase was well below the national rate of inflation.

The U.S. Postal Service is the most efficient, most productive postal system in the world. It moves more mail, at a lower price, to more people than the systems of any of our industrial rivals, including Japan, Germany, and France. Every American has reason to feel proud of this great public corporation and the men and women who make it work.

I am particularly proud of the contribution to the Postal Service's surge of productivity made by the postmasters and postal workers in my own congressional district of Michigan. As one example, let me cite the achievements of Postmaster Bill Stottlemyer and the clerks and letter carriers of the Wayne/Westland Post Office.

Under Postmaster Stottlemyer's leadership, letter carrier productivity has increased by more that 35 percent since 1968. The average carrier now makes each delivery in 0.927 minute, compared to 1.467 minutes 13 years ago. The Wayne/Westland Post Office thus saves 104,656 hours per year, which translates into $1,296,587 yearly. Postmaster Stottlemyer's carriers now make 10,272 more deliveries each day, with 96 fewer carriers than in 1968.

The Wayne/Westland office has reduced its vehicle usage substantially, despite the addition of 10,000 delivery points, and thus saves nearly a half million dollars a year. Through the introduction of improved letter-sorting machinery, mailer presort programs, and greater effort by postal clerks, the Wayne/Westland office has reduced its work force and saved $2½ million a year—savings which translate directly into lower rates for the mailing public. Postmaster Stottlemyer calculates that his office's increased productivity, when related to the population of Wayne/Westland, yields savings equal to $37.89 per person, or 210 first-class stamps per family member.

Mr. Speaker, I hope my colleagues will join me in applauding the efforts of Postmaster Stottlemyer and the Wayne/Westland postal workers to provide better and cheaper postal service to their community. Their efforts, which have been duplicated by hundreds and thousands of postal employees throughout the Nation, should serve as a model for other public employees and for the private sector as well.●

THE 100TH ANNIVERSARY OF WEINSTEIN'S PHARMACY

HON. HAMILTON FISH, JR.

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. FISH. Mr. Speaker, last month, on June 27, Weinstein's Pharmacy of Katonah, N.Y., celebrated its 100th anniversary. This small business should be a model for the rest of the country—demonstrating the ability of the American entrepreneur to endure all the economic hardships of the past century, including recent high-interest rates and the Depression. In good times and bad, Weinstein's Pharmacy has provided invaluable services to the the local community.

First founded in the small hamlet of Whitlockville in 1881, the pharmacy moved to the town of Katonah after New York City flooded Whitlockville to expand its water supply. The original building was replaced early in this century. The Weinstein family has run the pharmacy since the early 1930's. The owner, Lionel Weinstein, is now 75 and in semiretirement. His devotion to his business is second to none, and I am sure Mr. Weinstein's semiretirement will last for some time.

I have visited the Weinstein Pharmacy and have consistently found the owners and employees to be courteous and friendly. The Katonah and northern Westchester community are fortunate to have access to the services of Weinstein's Pharmacy. I wish the pharmacy continued success for another 100 years.●

AWARD OF A SECOND AIR FORCE OUTSTANDING UNIT AWARD TO THE 146TH TACTICAL AIRLIFT WING

HON. BOBBI FIEDLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Ms. FIEDLER. Mr. Speaker, in a time when the readiness of our Armed Forces is increasingly a matter for concern, I am pleased to report that the 146th Tactical Airlift Wing of the California Air National Guard, based at Van Nuys Airport in the San Fernando Valley of California, has just received its second Air Force Outstanding Unit Award. This unit, though outstanding, is typical of the Reserve and National Guard units that stand ready throughout our Nation. I think that for this reason, my address to this unit on the presentation of the award last weekend should be of widespread interest.

Mr. Speaker, the award of a second Air Force Outstanding Unit Award to the 146th Tactical Airlift Wing is a truly outstanding event. The Air Force has shown its recognition of "The Hollywood Guard" as one of the best units in its order of battle. I would like to add my own appreciation and, on behalf of my fellow residents of the San Fernando Valley, to join in the recognition of our friends and neighbors who serve in the 146th.

Field Marshal Viscount Slim of Burma, the famous British leader of the Second World War, said that a reservist is twice a citizen. I think the 146th is the best proof one can find of this. Not only do the vast majority of its members hold full-time civilian

jobs in our community, but they are fully ready both for their peacetime and wartime missions. They serve the community they live in through their commitment to the traditional National Guard role of disaster prevention, of helping in times of peril, of saving lives and property. They serve the Nation through their wartime mission, able to take their C-130's into unprepared airstrips anywhere in the world with troops, equipment, and supplies. Tactical airlift has often been the difference between victory and defeat in modern warfare, and history gives us many examples of its importance. Today, as the rapid deployment force becomes increasingly important in our national security planning, our vital tactical airlift assets have become even more vital. I am pleased that the 146th is performing this important mission so well.

I am sorry I cannot be here myself today, but the pressures of Congress are keeping me in Washington this weekend. I am pleased to report that more and more of my colleagues in Congress are joining with me in my appreciation of the fine work done not only by the 146th, but by Air Force Reserve and National Guard units throughout the country. This week, we have had under consideration the fiscal year 1982 Defense Authorization Act. I strongly support the provisions of this act procuring 12 brandnew C-130H Hercules transports especially for our Reserve airlift wings. More and more aircraft will be coming to the Reserves directly from the production line. I support and applaud these actions. We owe you the finest possible tools for your demanding tasks.

I remember fondly my visit with you here at Van Nuys last April, but, as a San Fernando Valley resident, I enjoy looking skyward at the sound of engines and seeing a Hercules going about its business as part of the valley's very own Air Force. So, to the men and women of the 146th Tactical Airlift Wing—keep them flying, folks. We are proud of you.●

AIR ISN'T FREE

HON. JOHN M. ASHBROOK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. ASHBROOK. Mr. Speaker, the July 14 edition of the Wall Street Journal carried a reasoned, balanced editorial concerning the Clean Air Act and the improvements which must be made by the Congress when it considers revisions in the near future.

In the 1960's, few would have disputed the claim that the United States was suffering from an increasingly serious environmental problem, caused, in part, by increased pollution of the atmosphere. In 1970, Congress, in an attempt to rectify the problem, enacted the Clean Air Act.

Times have changed since 1970. The quality of our air has improved. Yet, in the years since 1977, when the Clean Air Act amendments were adopted, the costs associated with the implementation of the act have risen significantly and improvements in air quality have been only marginal. The Journal editorial makes a good case for Congress taking a long, hard look at the act when it comes before us for revision.

It is important to enact balanced legislation. We must allow local authorities to take into consideration local concerns. We must block the Environmental Protection Agency from recklessly regulating even though a direct loss of jobs can be attributed to its actions. We must take away from the EPA the carte blanche ticket which allows Federal bureaucrats to force standards on the States which make compliance impossible. And we must limit the authority of the EPA to issue regulations which do not take into account social, economic and environmental considerations.

I would recommend the Wall Street Journal editorial to my colleagues.

[From the Wall Street Journal, July 14, 1981]

AIR ISN'T FREE

The administration's proposed revisions of the Clean Air Act, which are expected to be sent to Congress this week, aim at reducing cumbersome bureaucracy and cutting costs to business and consumers. While many of the recommendations would make needed improvements in this 11-year-old legislation, the administration may not be going far enough to temper the act with a strong dose of economic realism. In particular, the White House is shying away from its self-avowed tenet of weighing costs against benefits of federal regulations.

President Reagan issued an Executive Order on Feb. 17 that requires agencies to evaluate the potential benefits and costs of their major regulatory proposals. Such analysis can have a healthy effect on the economy by stripping away unnecessary or overly costly regulations, but even the Reagan administration is not unfettered in its ability to introduce regulatory relief, as a recent U.S. Supreme Court decision made absolutely clear.

In a case about workers' exposure to toxic substances, the court ruled that the government cannot use cost-benefit analysis in setting occupational safety and health regulations because no such provisions were set in the original legislation. Rather, it said, the law states that safety and health risks must be reduced to the extent "feasible," i.e., without regard to how large the cost or how small the benefits. The court's decision highlights the danger of using vague legislative language to skirt around hard economic and health decisions.

When Congress passed the Clean Air Act in 1970, it similarly failed to address squarely the inherent economic and health choices. For instance, the act contains no provision explaining what the economy can afford to spend to improve the quality of the air. Instead, it says that national air quality standards must provide an "adequate margin of safety" against "significant adverse health effects." Given such vague language, it is not surprising that the courts have consistently ruled that costs cannot be taken into account in setting air quality standards.

Scientific research of the past 10 years or more has also shown that the health goals of the act are unattainable. The smallest amount of air pollution will always adversely affect small segments of the population, such as those people who suffer from, say, allergies or emphysema. Even if every man-made source of air pollution were closed tomorrow, natural sources of pollution such as decaying forests and swamps would continue to harm the health of some people.

The administration's working group on the Clean Air Act drew up three options to redress the problem of setting air quality standards: to leave the current wording intact; to eliminate the "margin of safety" language and to consider the "degree of significant risk of adverse health effect"; or to allow costs to be considered in providing protection against "unreasonable risk." The administration has apparently decided to abandon the cost-benefit approach and to opt for the middle course.

The Reagan administration may consider it sufficient to replace the current loosely worded air quality goals with a policy of risk assessment—implying that some degree of health risk is considered acceptable—without specifically requiring an analysis of benefits and costs. But that strikes us as unnecessarily conciliatory in political terms toward the environmental lobby and like-minded leaders on Capitol Hill. It is a gesture that is unlikely to win the administration much praise from either side in this year's debate.

Improvement in air quality remains a worthwhile goal. But what is less widely recognized—particularly along the corridors of the Environmental Protection Agency—is that clean air carries heavy costs and it is economically important to ask how clean is clean enough. The Council on Environmental Quality estimates that air pollution control cost the U.S. $25 billion in 1979 and the cost could exceed $40 billion by the mid-1980's. Moreover, expenditures on pollution control equipment also represent lost opportunities to invest in productive ventures which could materially improve our standard of living with input of new goods and services.

In revising the Clean Air Act, Congress should seek to facilitate the least costly way of maintaining or improving air quality. For instance, the requirement that new plants install the "best available control technology"—often meaning the most costly—should be scrapped in favor of a flexible and innovative approach. And in promulgating new air quality standards, the government should be required to weigh the benefits against the costs. There is no such thing as free clean air.●

TRIBUTE TO DONALD L. JACKSON

HON. WILLIAM L. DICKINSON

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 16, 1981

● Mr. DICKINSON. Mr. Speaker, I did not have the privilege of serving with the late Don Jackson when I came to the House in the 89th Congress. He had already retired from this body before I arrived. However, I came to know, love, and respect him as a member of Chowder and Marching, an organization of Republican members, present and former.

Don was a man of great accomplishment, intelligence, patriotism, and humor. He was a man of ideas and principle—a fellow who you could not help but like the first time you met him. Although we did not serve together in the House concurrently, he was one of those solid and knowledgeable former Members who a newcomer would want to seek out for advice and counsel. He possessed that rare balance of energy, interest, commonsense, wisdom, humor and a down-to-earth understanding of life that always made him one of those rare men worth seeking out and listening to.

As one who gets a lift from good humor, I always will remember Don as a humorist par excellence. He enjoyed good humor and understood its mind and spirit renewing capacities. It was always fun to be in a group when Don was along.

In Don's passing, the Nation has lost a great lawmaker and statesman; the U.S. Marine Corps has lost a brave and courageous leatherneck; and I have lost a helpful mentor and friend.●

TAX-DEFERRED RETIREMENT PLANS

HON. TOBY ROTH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. ROTH. Mr. Speaker, a few years ago Americans could purchase an annuity payable during their sunset years at tax rates substantially lower than they would be when purchased. Not too different from many pension ideas, Keogh plans or individual retirement accounts, these tax-deferred annuities became quite popular, especially as confidence in the social security system began to slide downward. These plans became a hedge against the financial stability of that system.

Sadly, tax-deferred annuities have had their day. The IRS pulled the rug out from under the institutions making these annuities available. IRS withdrew its deferral and published other rulings having the opposite effect. Today, tax-deferred annuities of this kind have gone out of existence.

The Ways and Means Committee has again rejected changes in the tax law to breathe new life into the tax deferral of these plans. But, this administrative nightmare demands legislative remedy. Increasing support to this form of retirement savings by Members of Congress sustains supporters of this proposal to continued efforts to abolish the discriminatory policies of IRS, which have constituted a usurpation of the powers of Congress.

Revenue Ruling 80-274, which ended deferral of taxes on these plans, is a usurpation of the legislative power of Congress. In order to provide an honorable and dignified retirement, the Internal Revenue Code provides an annuity holder with tax deferral of earnings accumulated on the premiums paid for deferred annuities. The prior administration was unable to persuade Congress to amend the code to curtail this deferral. Nevertheless, that administration undertook to achieve the same objective by administrative fiat. To this end, the IRS issued the ruling about which I am upset.

Not only does Revenue Ruling 80-274 usurp the legislative power and authority of Congress, but it is also discriminatory in its intent and effect. The burden of this arbitrary and capricious ruling falls uniquely on four small life insurance companies and the local savings industry of this Nation, and those annuitants depending on the plans to provide for their retirements.

Revenue Ruling 80-274 has sounded the death knell for an annuity which encourages savings by middle America. People today are simply concerned about retirement and providing for their older years. Understandably, they are not convinced that social security will offer them adequate retirement benefits. In an effort to provide for their own self-sufficiency in retirement, they have looked to an annuity such as these for an assured income they cannot outlive.

This annuity is funded with certificates of deposit of banks and savings and loan associations in the locale of the annuitant. It provides these institutions with stable deposits, thereby creating a pool for local mortgage money. The benefits redound to the prospective homeowner, the local construction industry and its suppliers and workers, as well as those of ancillary industries. The importance of these savings institutions as a source of mortgage money is evidenced by the fact that in 1978, savings and loan associations held approximately 47 percent of the outstanding residential mortgage loans and commercial and savings banks held only 31 percent.

The experience of First Savings of Wisconsin, the State's largest savings and loan association, testifies to the importance of these annuity plans continued tax deferral. First Savings has a group annuity contract with an insurance company for a single payment deferred annuity that fell victim to Revenue Ruling 80-274.

In 1979, premiums paid by enrollees under this contract provided approximately one-third of First Savings net increase in savings after accounting for interest credited. In 1980, in spite of new annuity enrollments with premiums in excess of $16 million, First Savings suffered a net savings decrease. Both in 1979 and 1980, approximately 75 percent of these premiums represented new money to First Savings. Cancellations were minimal.

First Savings found that, on average, the enrollee is 54 years old, has a family income from all sources of approximately $26,300 and has paid an annuity premium of $9,943. Without the backbone of such middle-income savers, the thrift institutions cannot continue to support local home mortgages, all-savers certificates or not. Under these circumstances, it was not surprising that the then Chairman of the Federal Home Loan Bank Board, Jay Janis, urged the revocation of Revenue Ruling 80-274 upon its promulgation.

Revenue Ruling 80-274 is also discriminatory. It denies annuity tax treatment to our savings funded annuity. On the other hand, Internal Revenue Service has not made such actions against other forms of similar devices, such as money market funds—which are also widely popular—mutual funds; and should not. The Treasury Department announced that its attack of these other savings plans was going to be put off until after the 1980 election. Today, only these annuity plans remain offlimits to taxpayers.

The precipitous reversal of policy announced in Revenue Ruling 80-274 was not made because of any change in the law or regulations or court actions. It came about because this type of annuity was becoming popular. Incentives to saving should not receive such cavalier treatment. The Ways and Means Committee action this week should embrace these annuity plans and take action to end Revenue Ruling 80-274.

I introduced legislation again this year to supply total relief to this important investment device for retirement incomes. My bill, H.R. 567, squelches IRS policies announced in all revenue rulings pertaining to these annuity plans. I strongly urge my colleagues to support changes in the tax law to wipe Revenue Ruling 80-274 off the books. Prompt action by this House, putting all annuity plans and savings programs on the same footing

is the least Congress owes to those citizens planning to retire on income from these programs.●

THE SEVENTH ANNIVERSARY OF THE INVASION OF CYPRUS

HON. BENJAMIN S. ROSENTHAL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. ROSENTHAL. Mr. Speaker, I rise with great sadness to mark the seventh anniversary of the Turkish invasion of Cyprus. The invasion was unjustified, and has created more misery than it could have ever aspired to alleviate.

The dead on both sides, the hundreds of thousands left homeless, and the profound decline in health care and education, all are memorials to the folly of the invasion.

There have been profound changes in Turkey since 1974, and I voice the hope that the new Turkish leadership, which is clearly committed to the prosperity and renewal of their country, will bear faith to the humanitarian vision of Ataturk and decide to withdraw their armed forces and enter into a serious negotiation to settle the issues in dispute.

The United States ought to enjoy the friendship of all three interested parties to the Cyprus invasion. There is a community of interests which supports the alliance of Greece, Turkey, Cyprus, and the United States. The immediate end to the Turkish invasion of Cyprus would allow these four democracies to draw closer together and work to insure the prosperity and peace of the Eastern Mediterranean.●

POSTAL WORKER SALUTED

HON. GERALD B. H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. SOLOMON. Mr. Speaker, we hear a lot these days about apathy, about people failing to help out their neighbors when they are in trouble. I am really not so sure that is entirely true. I think Americans still show the spirit of cooperation and selflessness that made this country strong.

In fact, Mr. Speaker, I have an example right here to prove that very point. Francis Girard, a letter carrier in Glens Falls, N.Y., has been honored by the Glens Falls Post Office for his quick thinking in an emergency situation that prevented a house fire and possibly saved a life.

Last summer Girard was carrying out his duties when he spotted a fire in a house on his mail route. He flagged down a policeman who fought the blaze with a fire extinguisher until the fire department arrived. Thanks to Girard's quick actions the damage was limited to a couch and part of a wall.

Glens Falls Postmaster John Collins recently presented Girard with a $100 check to reward that quick thinking. The post office also released a statement which I would like to put into the RECORD:

The Postal Service and the people of Glens Falls should be proud of Mr. Girard's eagerness to get involved and do his civic duty which many of our citizens today hesitate to do.

I would like to add my congratulations and the congratulations of the entire House of Representatives.

POSTAL WORKERS SALUTED

The Glens Falls Post Office has honored carrier Francis B. Girard, 59, for his quick thinking in an emergency situation.

Girard is credited with preventing a house fire and possibly saving a life last summer.

Girard, of 10 Hoyt Ave., Glens Falls, while performing his normal carrier duties, spotted a fire in the Marilyn LaPier residence at 203 Bay St., Glens Falls. He flagged down a policeman and the policeman fought the blaze with an extinguisher from his patrol car while the fire department was called. The fire occurred on July 23. Damage was restricted to a couch and the wall of the home near the couch.

Postmaster John J. Collins presented Girard with a $100 check for his quick thinking in an emergency situation.

"The Postal Service and the people of Glens Falls should be proud of Mr. Girard's eagerness to get involved and do his civic duty which many of our citizens today hesitate to do," the Post Office said in an announcement.

In other honors conferred Wednesday, $50 awards for being safety captains were given to carrier Louis Distasio; clerk William Kenny; data collection officer James Park and clerk Gerald Jones. In 1980, officials said, the Glens Falls Post Office had one of its best safety years, ranking second in the entire Northeast.

A $100 award was given to George Kumas, a maintenance employee, for a suggestion for an improved locking procedure.

Clerk Phillip Rosser was presented a special achievement award of $100 for his "consistent, above-average productivity, his mail processing know-how and his ability to get along with others."

Clerk Thomas Clum was presented a $25 award for a proposed modification to a letter-sorting case.

Clerk Ronald Bello was presented a $25 award for his proposed design of a local revenue protection form.●

ASIANS FEEL THE PERILS OF RACISM

HON. JULIAN C. DIXON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. DIXON. Mr. Speaker, recently in Los Angeles a group of Asian Americans formed an organization known as the Asian Pacific American Round Table (A-PART), which responds to the alarming and increasing incidents of slander against the Asian American community.

Since the 1960's, the Asian American population has been portrayed as a "successful" minority group. This stereotype of success was advanced both in popular press and academic journals. However, individual cases of success should not imply that the diverse peoples who make up the Asian American communities are uniformly successful.

Moreover, despite relatively high education attainment, Asian Americans earn far less than majority Americans with comparable education and are often victims to discriminatory employment practices.

I commend the actions of the Asian Pacific American Round Table, its Chairman Fred Fujioka, and offer a recent article published in the Los Angeles Times as background for my colleagues on the important challenge which this organization will undertake.

[From the Los Angeles Times, July 17, 1981]

ASIANS FEEL THE PERILS OF RACISM—NEW ORGANIZATION FORMED TO COMBAT IT

(By Patrick Lee)

The signs are there, says Fred Fujioka: Anti-Chinese vandalism, rumors of Ku Klux Klan attacks, Oriental ancestry as an issue in recent political campaigns, advertising blaming Japan for American's economic woes.

All represent growing antagonism to Los Angeles' growing Asian population, says the 30-year-old attorney, head of a newly formed group created to combat anti-Asian racism.

"There is a feeling that racism expressed against Asians is somehow more acceptable than that directed at blacks or Jews," says Fujioka. He is interim chairman of the Asian-Pacific America Round Table (A-PART), a loose coalition of Asian community leaders modeled after the Jewish Anti-Defamation League.

At a recent press conference announcing the group's formation, Fujioka said that the bipartisan, multiethnic group will publicly denounce attempts to "slander the Asian-American community," particularly "symptoms of bigotry that Americans fail to see."

"The problem with racism against Asians is that it's not blatant anymore, as it was just after Pearl Harbor," Fujioka says. "Now, it can be as subtle as a joke at which everybody laughs, including ourselves. And we shouldn't. It will creep up on us until we're not laughing anymore."

On the surface, Los Angeles' Asian-American community seems to be doing well. A Times story last year quoted city estimates that the median family income of Asians was $15,256, only $2,500 less than that of whites. Further, city figures showed that Asians and Pacific Islanders had the lowest unemployment rate of any L.A. ethnic group, despite the recent influx of Southeast Asian refugees. Asians now make up some 5.5% of the county's population and their numbers are growing.

But Fujioka says that racist threats are real and cautions the Asian community not to grow complacent.

The white population views the Asian community as a monolith, Fujioka maintains, and incidences of racism directed at any one group reflect on all groups. Moreover, he says, despite good economic position, Asians are vulnerable. "The parallel with the Jewish community is obvious," he says. "The Jewish people learned that no matter how well you are doing in society, when the going gets rough, you can become a scapegoat.

"To the extent we are doing well now, we can't forget that a generation ago we were the scapegoats of an entire nation," adds the third-generation Japanese-American, whose family suffered internment in California relocation camps during World War II.

Fujioka points to recent business advertising to illustrate rising anti-Asian feeling. A seemingly innocuous ad in Fortune magazine depicts a scowling Sumo wrestler facing a blond man in red-white-and-blue tights. The copy reads, "Japan is challenging the U.S. for a big new market in computer memory superchips."

BIG BLACK GUY

The racism is subtle, Fujioka asserts. "If the ad had depicted a big burly black guy facing Capt. America, that would have been racism."

A more blatant automobile ad quotes a National Enquirer story headlined, "Japanese Cars Killing Thousands of Americans." The ad continues: "We whipped the Japanese in World War II—but now they're getting even by shipping us millions of dangerous cars."

"Such advertising worries me because feelings directed against Japan parallel feelings in this country against Japanese-Americans," he says.

Examples of more outright hostility to Asian communities can be found in the news, Fujioka notes. He mentions the recent turf war in Texas between white shrimpers and Vietnamese refugees, in which a white man was killed. Locally, A-PART is concerned about vandalism against Chinese-language theaters last year in the West San Gabriel Valley. A-PART alleges that the Klu Klux Klan is involved, although Fujioka admits that his group has not substantiated the klan rumors circulating around Monterey Park, Alhambra and Montebello. These cities all have large Chinese- and Japanese-American populations.

The Monterey Park Progress/Post-Advocate received an unsigned letter in December from a self-styled klan group in Alhambra warning the paper to cease publication of its Chinese-language edition. The paper responded with editorials and stories critical of racist activities. In March, the paper's offices burned to the ground. Until police determined that teen-agers started the blaze accidentally, authorities feared klan involvement. Since then, except for isolated incidents of anti-Chinese and anti-Semitic vandalism, the police say they have no evidence of organized klan or neo-Nazi activity.

But Fujioka says the klan rumors indicate an awareness that organized racist attacks could happen. "If (klan activity) is not widespread, we should let our people know. If it is true, then we want to deal with it. In any case, we want to look into the rumors, if only to dispel them."

Racism has also encroached into the political arena, A-PART charges. The group's press conference was timed to coincide with City Council inaugurations, including that of Councilwoman Peggy Stevenson. Fujioka asserts that racism accounted for Councilwoman Stevenson's landslide victory over challenger Mike Woo, who is of Chinese descent, in the 13th-District campaign this year.

Councilwoman Stevenson's campaign materials referred to Woo's father as "a wealthy Chinatown banker" and to Woo himself as an "outsider." Woo and his backers charged Stevenson with using innuendo to inject the issue of race into the campaign. Stevenson denied any racist intentions. After the election, news analyses attributed Woo's defeat to his association with Tom Hayden and Jane Fonda and to perceptions of Woo as a "carpetbagger."

A-PART charges that Woo lost because his race was made a campaign issue. "The term 'outsider' was a code word for 'Chinaman,'" Fujioka says. He notes that Stevenson's campaign literature used the term "outsider" on one page while speaking of Woo's Chinatown connections on the next. In addition, Fujioka says, Stevenson included full photographs of Woo in her own brochures.

RACISM THAT WORKED

The campaign rankles Fujioka because, he says, it was an example of racism that worked. Woo's loss was one of the main reasons A-PART was formed. In future elections, Fujioka explains, the group, consisting of equal numbers of Republicans and Democrats, will act as a nonpartisan watchdog to respond when race becomes an issue. (Though he says he had no part in A-PART's inception, Woo has attended the group's organizational meetings. "I have a special interest in the group since race was an issue in my campaign," he explains.)

Fujioka says that A-PART is still defining the issues it will address and has not yet formulated a plan of action. The group has no formal charter, no office, no budget. It has a floating membership of some 70 persons, one-third of whom are Asian women. But Fujioka notes that the membership represents several prominent Asian-American civic organizations as well as the four largest Asian-American ethnic groups: Japanese, Chinese, Korean and Filipino.

The group's immediate goal is to "get the word out," to increase its membership, Fujioka says. The group has value plans for a recruitment drive and fund-raiser in the fall. At the group's last three meetings (held in Chinatown restaurants; the next is Aug. 20), the various ethnic groups have hammered out their differences, many resulting from historical and cultural animosities. "We don't love each other," Fujioka admits, "but we will come to respect each other." A coalition like this is a position of strength.

"But whatever our differences, we are agreed on one thing: Racism against any one Asian ethnic group is bad for all Asians," Fujioka says.

"As far as we have come, we are not fully integrated into society. It's no longer a question of getting our foot in the door. Now we want to kick it open."●

THE ARGENTINE GULAG

HON. RICHARD L. OTTINGER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. OTTINGER. Mr. Speaker, I am including in today's RECORD an article which recently appeared in the New York Times by Hector Timerman and Tom Bernstein concerning the existence of concentration camps in Argentina. Hector Timerman is a son of Jacabo Timerman, a former political prisoner in Argentina and author of "Prisoner Without a Name, Cell Without a Number." Mr. Bernstein is a member of the Lawyers Committee for International Human Rights.

These two men detail some of the evidence contained in a comprehensive report, "Testimony on Secret Detention Camps in Argentina" which was issued last year by Amnesty International. The report shows how and why Argentine concentration camps are able to operate, and addresses the disappearances of over 20,000 people in Argentina.

It is becoming increasingly clear that the Argentine Government is one of the world's worst offenders of human rights. Despite the overwhelming evidence of the vicious, Nazi-like nature of that regime, the Reagan administration continues to seek to legitimize Argentine terror by maintaining cordial relations and selling arms to Gen. Roberto Viola. It is time for us to stop endorsing these terrible crimes against humanity.

I commend this important article to the attention of my colleagues.●

H.R. 1918—THE NEED FOR A PENSION AUTHORIZATION FOR OUR FIRST WORLD WAR VETERANS

HON. BOBBI FIEDLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Ms. FIEDLER. Mr. Speaker, on July 21, it was my privilege to place the following testimony in support of H.R. 1918 before the Pension Subcommittee of the Veterans' Affairs Committee. I would like to reproduce this testimony here because I believe that it helps underline the importance of this bill to our First World War veterans and their families:

Mr. Chairman, I am pleased to be able to offer testimony on behalf of H.R. 1918, of which bill I have the privilege to be a cosponsor.

The authorization of a pension for our First World War veterans has one very strong argument for it—that of simple fairness. In all our Nation's armed conflicts before then, Congress made pensions available to each and every veteran and widow. Veterans of World War II and more recent conflicts have had the benefit of the GI bill and a battery of programs, all well deserved. The veterans of the First World War—the veterans of the Argonne, Siberia, or countless stateside camps—fell between the two different types of benefits. Even today, 60 percent of all surviving First World War veterans receive nothing from the Veterans' Administration. When our First World War

veterans see their Canadian comrades-in-arms of 1918 still receiving a general pension from a still-grateful nation, it would be hard for them not to feel at least a little overlooked.

I think that authorizing a pension, as proposed by H.R. 1918, would have a value to our First World War veterans and their families far above that of any payment they might receive. All people of courage and spirit deserve respect and recognition. If we had it in our power, the Congress should make every First World War veteran a living national monument, to be preserved for future generations with their memories and lessons there to guide us. But as that, alas, is not within our power, we must then show our appreciation of our First World War veterans here and now, which is why I believe it important for this Congress to pass H.R. 1918. We we are willing to learn, the generation of the First World War has much to teach us—what life was like before the war in years when, George Orwell wrote, it seemed like summer all year round; of what modern war is really like, in the gas- and flame-filled forests of the Argonne or the sodden heaped-up weariness of the North Atlantic in midwinter; or of a homecoming that was as often as turbulent and bewildering as it was for our Vietnam veterans, who are now realizing that they have more in common with their grandfathers than they might have thought. I think that all this deserves the recognition H.R. 1918 would award.

Justice is an imperative, and I believe that justice requires that our First World War veterans receive the general pension that should have been theirs many years ago. Since 1918, these people have seen turbulent and troubled times. They have seen yet another great and terrible war, and many smaller yet just as terrible wars, for we have learned from the First World War that all modern war is terrible. They have seen depression and recession, boom and bust. They have seen the world change out of all recognition from that which they marched away from in 1917 and 1918. I cannot say that all the changes have been for the best. With all of this, it would be a good and proper thing to allow them to point at one thing that has endured the years, and that is the thanks and gratitude of the American people for duties done, for courage past.●

AMERICAN PRODUCTIVITY

HON. CARROLL HUBBARD, JR.

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. HUBBARD. Mr. Speaker, one of the major challenges of the 1980's in American industry, business, and government, is to improve productivity through new approaches and techniques. Mr. Arnold Ligon, a longtime friend of mine and a businessman in Madisonville, Ky., a city that I represent in Congress, has some definite ideas about American productivity which I would like to share with my colleagues. The letter follows:

DEAR CARROLL: There has been much discussion lately on productivity. I have some definite ideas on this subject I would like to pass on to you. Just three days ago I was discussing my feelings on this subject and commented that productivity was at 50 percent. The responsible person I was talking with responded by saying I was wrong; he felt it was more like 25 percent. Therefore, I definitely think this matter should be brought to the attention of those who are in a position to do something about it.

If I walk out of my house and do not turn the lights off or if my wife prefers to buy pre-packaged food or pre-cut chicken, you could consider that a waste, but it is our business. We are wasting our money and paying for it with after-tax dollars. If your wife does something of a similar nature—or is extravagant when it is not necessary, that is her business or yours because she is spending your after-tax dollars.

There are many things that I, as a citizen, have no control over, but you, as a Congressman of this great United States do. I want to add that I think you are doing a fine job. However, if you would allow your staff to read newspapers every morning—other than checking on your home district for news—read books or any other means to allow the productivity to drop in your office (such as work six hours out of eight), I believe they would be stealing your money and mine by your permitting and condoning them to be unproductive.

This is what I am going to address in this letter—wastefulness—either through a very unthoughtful process or not caring. For example, productivity decreases if Congress passes laws that contribute to or allow waste—such as allowing labor laws to get to be what could be 50 percent productivity. There are labor rules that allow waste in management or management allowing labor or unions to be unproductive; i.e., pay for eight hours and only get four hours productivity.

Hypothetically, if it takes 100 hours to build a new car and we waste fifty percent (50 percent) of the time, then the labor cost would be twice as much. Again, the people who are doing shoddy work in automobiles, tire manufacturers, and any kind of productivity do not have to be unions, as such. It can be management, union plants or white-collar workers. I'm talking about total productivity. Whoever is not doing their job eventually makes prices so high that car sales or tire sales hurt Mr. Consumer—which is you and I. We are spending our after-tax dollars to pay for their wastes. Again, I believe this is contributing to the dishonesty of employees, and we are paying for it.

I have given this much thought in the past several weeks as there is so much talk about foreign automobiles, foreign steel, foreign tires, etc., in this country. I know, in my time, to my knowledge I have not purchased a foreign car or anything else substantial that is foreign-made. One of the finest tires made in the world, I believe, is a foreign radial tire. I never purchased any until they built a plant in the United States, and now we buy them. Our American workmanship became so bad on truck tires, in my opinion, there was not any way to support our American tire. Although foreign manufacturers now own many plants in this country—and I do not try to draw the line here—if they put a plant over here, then I feel free to buy the product that comes out of that plant. It seems that the foreign people that come over here who own and control plants have a better way of getting quality workmanship out of our working people in this country better than American-managed companies.

I could give you so many examples. For instance, we could pyramid all of the wastes that could be in a car from its start—such as the wastes in steel manufacturing or the wastes that might be in the coke processing or in coal mining. Another example would be if the coal miners are not being productive—and there is some question that non-union mines are allegedly more productive than the union coal mines (and it doesn't seem like this should be possible).

Union people should be the best qualified in the United States for productivity and should have proud, skillful, well-educated and managed people. There should be so much pride in union workmanship that when an employer wanted to call the union and get employees, they should be able to offer the best man in the United States for that job. He should be ready and willing to do the job and do it well. Once this attitude is handed down, there is not any question that our products will improve, our productivity will increase and inflation will stop and come down fast.

In our experience with buying many products, we run into things each day that you would find hard to believe. As you know, I am a truck man, and I have just finished the process of dealing with several new trucks and trailers. I'm not particularly picking on the make, but the component parts that were speced out from various suppliers. You would not believe how bad the workmanship is. I think pride in workmanship must be created anew someway in this country.

I recently had a discussion with a man that was driving a Volvo automobile. He talked about how good it was—and it is—as I have ridden in it. It is a quiet, good automobile—not too expensive. He said that American people or buyers should rebel until we get our products straightened out. You find all kinds of silly things—like a coke or drink bottle inside of an American made car door, and it will rattle. When you finally get your door panel off, there will be a note in the bottle—how long did it take you to find this rattle?

I'm not necessarily picking on union labor—just anyone that doesn't do their job as good as they could. I'm talking about everyone that serves the public—myself included. If I charge a shipper more money for hauling his freight because I've allowed myself to become wasteful and haven't used my time productively, I would be as bad as the rest of the nation that I am discussing.

Should productivity improve, as I predict, a person could purchase a home, car, etc., at half the price today. Many people need a new house or want a fuel-efficient automobile. If the people working in plants would really work and produce good items, sales would increase and lay-offs would decrease.

The purpose of this letter is not to pick on any person. I just strongly believe productivity in this country has to take a turn for the better. I also believe this county needs to get back to the basic Christian and moral principles upon which it was founded.

Sincerely,

ARNOLD LIGON.●

A TRIBUTE TO IVOR D. FENTON

HON. GUS YATRON

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. YATRON. Mr. Speaker, I would like to take this opportunity today to recognize and pay tribute to an outstanding American who has contributed greatly to this Nation through a lifetime of distinguished service. On August 2, the friends and admirers of the Honorable Ivor D. Fenton, former U.S. Representative from Pennsylvania, will gather in Mahanoy City, Pa., to honor this very special individual on the occasion of his 92d birthday, which is August 3.

Congressman Fenton was born in Mahanoy City (Buck Mountain), Schuylkill County, Pa., in 1889. He attended Bucknell University and graduated from the Jefferson Medical College in Philadelphia, Pa., in 1912. He then served an internship at Ashland State Hospital in 1912 and 1913, and began practicing medicine in Mahanoy City in 1914. He enlisted in the U.S. Army Medical Corps and was commissioned as a lieutenant August 8, 1917, rising later to the rank of captain. After serving 20 months, 11 overseas, Congressman Fenton was discharged on June 6, 1919, and returned to Mahanoy City to resume his medical practice.

Representative Fenton was elected to the 76th Congress and served in the 11 succeeding Congresses, January 3, 1939 to January 3, 1963. He was the medical adviser to the secretary of welfare, State of Pennsylvania, and medical consultant to the State General Hospital, State of Pennsylvania from March 1964 to January 1968, when he retired.

From time to time, our Nation is blessed by the presence of men and women who bear the mark of greatness, who help us see a better vision of what we can become. Ivor Fenton is such a man. Each Member of Congress makes a contribution to the Nation in a unique and special way. Congressman Fenton's contribution was that he never lost faith in our Nation and the great opportunities it offers to those who are willing to participate fully in making it work. He was willing to dedicate himself to make it work, and it is because of men like him that it does.

Congressman Fenton's dedication to his country, his integrity and his selfless devotion to duty serve as an example to all of us. I know that my colleagues will join me in wishing Congressman Fenton the very best in his future endeavors.●

CALL TO CONSCIENCE VIGIL: CASE OF DR. MARK NASHPITZ

HON. WYCHE FOWLER, JR.

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. FOWLER. Mr. Speaker, I consider it a great honor to take part in the congressional vigil for Soviet Jews. More importantly, I consider it an obligation to participate in this expression of our country's dedication to human rights. Working to extend human rights appeals to our idealistic hope that we can improve the quality of life of all mankind. Idealism aside, however, our national interest dictates that we work to enforce human rights. We in the United States cannot feel secure in our freedom as long as the fundamental rights of others are violated elsewhere in the world.

Yet many countries, most notably the Soviet Union, continue to disregard the observance of human rights as set out in the international Helsinki final act. The most severe violations have come in the areas of suppression of political dissidents, censorship, denial of freedom of religion, and restrictions on travel and emigration. The Soviet state continues to subject its own citizens wishing to leave the country to innumerable obstacles.

The case of Dr. Mark Nashpitz is only one example of the many instances of Soviet repression. Examining Dr. Nashpitz's case history is extremely important in that it reminds us that we are not dealing with mere abstractions but rather with fellow human beings who are suffering without just cause.

Nashpitz, a refusenik of 10 years, was first denied a visa to emigrate to Israel in March 1971, on the ground that his father had left the country illegally in 1956, and that the son, 8 years old when his father defected, would have to pay the consequences of his father's actions. Repeatedly denied permission to leave, Nashpitz has served two terms in exile. He is one of a few former prisoners of conscience who has served his term and is still denied permission to emigrate.

Dr. Nashpitz received his first corrective labor sentence in 1972. Knowing that those who have served in the Soviet military are often denied permission to emigrate because of their exposure to secrets, he refused to serve when summoned.

Once out of exile, Nashpitz renewed his efforts to obtain a visa. His mother was allowed to emigrate to Israel in 1974, yet KGB officials told Nashpitz that his own emigration would be expedited if he agreed to act as a Soviet informer, investigating the means used by Israeli activist leaders to find out the emigration status of Jews living in the Soviet provinces. Nashpitz refused, and in February 1975, he participated in a peaceful demonstration with approximately 30 other Russian activists. Carrying placards asking for the right to emigrate to Israel and to halt harassment following visa applications, the refuseniks were arrested by militiamen in front of the Lenin Library. Their protest lasted about 2 minutes. While most of the other demonstrators were sentenced to only 10 or 15 days, Nashpitz's trial resulted in a sentence of 5 years of internal exile. Further, there is considerable evidence that the trial itself violated both Soviet law and internationally recognized human rights principles. Nashpitz was, for example, denied his right to a defense and to an open and fair trial.

While in exile in Siberia, Nashpitz got married. The pattern of harassment continued, as his wife also became a police target. Although Nashpitz was released in June 1979, he and his wife were not allowed to register as residents in Moscow.

On behalf of Mark Nashpitz and other prisoners of repression, I ask the officials of the Soviet Union to recognize the spirit and letter of the international Helsinki final act. These principles include the right to leave any country, including one's own, freedom of opinion and expression, and freedom of thought, conscience, and religion. The Helsinki final act cites reunification of families as an important humanitarian bond between nations. Mark Nashpitz should be granted permission to reunite with Ita Nashpitz, his mother, in Israel.

I take part in the congressional vigil for Soviet Jews and the hope not only that our efforts here may have some positive effect on Soviet human rights policy but also that this call to conscience may bring the plight of refuseniks to the attention of the President and other Members of Congress so that we may take the necessary steps to enforce the Helsinki final act throughout the world, thereby showing the full measure of respect for human rights in our own country.●

INSTITUTIONAL INVESTORS: WHO OWNS WHAT?

HON. BERKLEY BEDELL

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. BEDELL. Mr. Speaker, the current wave of corporate mergers raises many questions that have been debated both in the news media and in the Congress. Concern has been raised about the sheer size of some of these mergers as well as about the vast amounts of capital that they may

drain away from other, more productive sectors of our economy. Questions concerning the antitrust implications of some of the proposed mergers have been raised as well.

In a letter I sent recently to David Clanton, the Chairman of the Federal Trade Commission, I sought to call the Commission's attention to another issue. That is the matter of the increasingly prominent role being played in these mergers by institutional investors.

In my letter to Mr. Clanton, I cited the example of the Conoco takeover war being fought by Mobil and DuPont as a classic illustration of how incestuous relations have become between major corporations. Of the 65 largest shareholders of Conoco, 36 appear in the list of major shareholders of either Mobil or DuPont. In fact, 20 investors show up in the list of the largest shareholders of all three companies. One financial institution, Bankers Trust of New York, manages the employee stock plans of all three firms.

The information on the ownership patterns in these companies comes from the Corporate Data Exchange Stock Ownership Directory—Energy, published in 1980.

The full text of my letter to Mr. Clanton follows:

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 21, 1981.

Hon. DAVID A. CLANTON,
Chairman, Federal Trade Commission, Washington, D.C.

DEAR MR. CHAIRMAN: The recent wave of corporate mergers seems to have captured the public's attention, both because of the high visibility of the companies involved and because of the sheer size of the deals being proposed. I imagine the Commission is watching the unfolding scene with some interest.

While the specific individual mergers raise interesting and important issues of themselves, this current merger wave also seems to highlight an underlying matter that I wish to call to your attention. That is the issue of the increasingly prominent role being played in the stock market by institutional investors and the potential problems that arise as a result.

I am using the term "institutional investors" to include managers of pension funds, trust funds, corporate investment funds, mutual funds, insurance reserves, etc. While the money they handle may ultimately reside in individual accounts, as is the case with bank trust departments especially, decisions on the actual investment and the exercise of voting rights usually are made by the professional managers.

In recent years, the amount of money handled by these institutional investors has grown dramatically. Pension funds and mutual funds come to mind most immediately as examples of how rapidly this sector of the investment world has expanded.

With this growth in the amount of money they control, institutional investors have had to look for places to invest their funds. This has resulted in a spreading of their investments over a number of companies. Increasingly, we see the same investors showing up as major shareholders in a large number of major corporations.

I do not believe there is anything inherently sinister or conspiratorial about this. But it does raise some questions in my mind about the traditional view we have had of investors filling the role of impartial arbiters of economic disputes.

This issue first came to my attention last year when I chaired hearings on conglomerate mergers and their effects on small business and local communities. A question that troubled me throughout the hearings was: Why are so many corporate executives apparently willing to sacrifice the long-term health of their companies in exchange for short-term gains? The question has broad implications for our whole economy, as we see investments in new technology, expanded production capacity and increased productivity passed over in favor of tender offers designed to rearrange the ownership of existing assets. One possible explanation is the pressure institutional investors bring to bear for short-term payoffs in the stock market, as these investors are able to move very substantial sums of money in and out of a stock.

Another way of looking at the current merger wave is to start by observing that many institutional investors occupy prominent positions on the lists of shareholders of both the acquiring companies and the ones to be acquired. Thus, they may sit in judgment of the initial tender offer and then they help decide whether or not to accept it. Frequently, they are able to receive an enormous bonus for their holdings in the acquired company without diluting their holdings in the merger maker.

To illustrate how incestuous the relationships have become, I am enclosing a table prepared with information from Corporate Data Exchange, Inc. (Source: CDE Stock Ownership Directory: Energy, published in 1980.) We looked at the top investors in Conoco and in the two American companies that are leading the bidding war for control of Conoco.

Of the 65 largest shareholders in Conoco, 36 appear in CDE's list of major shareholders at either Mobil or DuPont. In fact, 20 investors show up in the list of largest shareholders of all three companies.

The pattern is most noteworthy in the case of major financial institutions. Bankers Trust of New York, for instance, is listed as the single largest holder of stock in Conoco and is also the No. 1 shareholder at Mobil; it slips a bit to No. 12 on the list of investors in DuPont stock. Citicorp is ranked No. 2 at Conoco, No. 4 at DuPont and No. 15 at Mobil. Chase Manhattan is No. 4 at Conoco, No. 5 at Mobil and No. 21 at DuPont.

The position of Bankers Trust is of interest for other reasons, too. According to CDE, Bankers Trust is the manager of the employee stock plans at all three companies. In other words, they will be casting the votes for employee/shareholders on both sides of a Conoco takeover, no matter whether the final offer comes from Mobil or DuPont or both.

At this point, I am not sure what, if any significance should be assigned to this pattern of spreading investment by institutional investors. However, I do believe it is a trend that warrants very careful consideration. As is illustrated in the Conoco-DuPont-Mobil table, there already is a substantial intertwining of holdings in major corporations by institutional investors and the present rush towards mergers within the Fortune 100 is likely to accentuate this pattern.

Consequently, I am wondering if the Federal Trade Commission has considered the issue of institutional investors controlling substantial blocks of stock in many large companies, some of which now are seeking to merge with one another. In the case of some of the largest investment banks, the question is compounded by the fact that some of these same institutions are deeply involved in the financial arrangements attendant to the pending mergers.

If the Commission or its staff has prepared any studies addressing this issue, I would like to see them. If no such studies have been done recently, I respectfully suggest that the Commission ought to take a close look at this matter as quickly as possible.

Sincerely,

BERKLEY BEDELL.

Enclosure.

The following chart lists major shareholders in Conoco who also appear in the top ranks of Mobil and/or DuPont investors. The numbers indicate the investor's ranking in the list of top shareholders at each company as of early 1979. Source: CDE Stock Ownership Directory: Energy, published in 1980 by Corporate Data Exchange, Inc.

	Conoco	DuPont	Mobil
Bancoklahoma Corp	20	.....	8
Bank of New York Co	13	24	35
Bankers Trust New York	1	12	1
Boston Co	16	.....	38
Brown Bros. Harriman & Co	14	28	.....
California Public Employees & Teachers Retirement System	17	11	50
Chase Manhattan	4	21	5
Chemical New York	49	37	12
Citicorp	2	4	15
Clevetrust	35	.....	23
Continental Corp	56	48	47
Continental Investment	31	45	.....
1st National Boston	6	14	.....
1st Pennsylvania	62	42	19
FMR Corp	60	16	27
General Electric	10	36	.....
Girard	26	13	16
Harris Bankcorp	30	.....	11
Heller International	45	41	43
Lord Abbet & Co	11	25	.....
Manufacturers Hanover	39	5	14
Marsh & McLennan	22	.....	29
Massachusetts Financial Services	44	34	.....
Mellon National	7	23	41
Metropolitan Life Insurance	52	29	28
Minnesota State Board of Investment	28	.....	45
Morgan J. P	43	10	2
New Jersey Division of Investment	27	.....	24
N.Y. City Comptroller's Office	53	49	51
Northern Trust	19	39	.....
Provident	37	31	32
Prudential Insurance	64	8	7
TIAA–CREF	5	19	.....
U.S. Steel	12	22	.....
U.S. Trust	15	20	18
Wells Fargo	21	27	13

●

TENNESSEE-TOMBIGBEE: MONUMENT TO PORK BARREL

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. CONYERS. Mr. Speaker, when the House considered the amendment to the energy and water development appropriations bill (H.R. 4144) offered by my colleague from Washington, Congressman JOEL PRITCHARD, I mistakenly voted against the amendment. Even though the amendment would

have lost, I want to take this opportunity to indicate my support for the objective of the amendment. I fully agree that we should strike the entire $189 million in construction funds for the Tombigbee Waterway in Alabama and Mississippi.

This body has moved in recent weeks to substantially cut programs that are basic to the survival of the majority of Americans—the poor, elderly, working class, and minority Americans. At the same time, we are defeating efforts to save the American taxpayers the burden of having to pay for a project that is highly questionable and has serious environmental, economic, and equity problems. Much like our decision on the Defense Department authorization, we are throwing money at projects that have not been proven to be cost effective or to have any real beneficial impact on the economy. The fact is, the Tennessee-Tombigbee project will not produce anywhere near the economic benefits that are claimed by its backers. I think it has been correctly described as the most expensive, needless ditch ever built.

We have to begin to look at these projects in terms of their long-term costs and not just the initial startup costs. This ditch will eventually cost the American taxpayer some $2.25 billion, a cost which is not being factored into congressional and administration economic projections. To avoid this excessive cost, the Congress should ditch the project, sell the land, and cut the losses.

The project was initiated as a political gift to southern politicians by the then President Nixon, and the House is continuing the giveaway by its actions today. This is no way to rebuild the Nation's economy and rationalize investment and spending on the part of the Federal Government.●

CENTRALIA, PA. MINE FIRE BURNS UNDER THE TOWN FOR 20 YEARS

HON. JAMES L. NELLIGAN

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. NELLIGAN. Mr. Speaker, I am pleased that the Appropriations Committee has included in its report language which I suggested mandating the use of funds from the Abandoned Mine Reclamation Fund for a borehole project in Centralia, Pa., located in my congressional district.

This project is vital if the perimeters of the underground mine fire are to be identified. The fire has been burning under Centralia for the past 20 years. Once it is determined where the fire is burning, the people of Centralia will be in a position to voice their opinion on which of the several solutions that have been proposed to solve the problem will be preferable.

So that my colleagues will have an appreciation of the situation in Centralia, I call to your attention an article which appeared in the New York Times on March 28, 1981.

The article follows:

PENNSYLVANIA TOWN LIVES WITH FIRE THAT WON'T STOP

(By William Robbins)

CENTRALIA, PA., March 25.—For generations this was a town that Centralians loved. Those who left yearned for their valley and the surrounding hills, where green trees and flowers of summer hid old mining scars, and many returned to its modest but neatly painted homes, its gardens and fresh air.

But now part of the town finds living here like existing on some primordial planet where the earth belches noxious gases and where the ground sometimes opens up under the tread of unwary feet.

"It was awful scary," said Todd Domboski, 13 years old, describing his escape last month from a 250-foot hole that had opened in his grandmother's yard and almost swallowed him. "I just grabbed some roots and hung there; the smoke was so thick I couldn't see anything." He was rescued by a teen-aged cousin, but his mother, Florence, still tries to keep him calm with medication.

"I just thank God I'm alive," said John Goddington. Fumes from an underground fire, whose heat had already killed his business, last week robbed the 63-year-old service station owner of oxygen as he slept, and almost took his life. Found unconscious, he was taken to a hospital and revived with an oxygen pump.

OVERCOME WHILE SLEEPING

The villain of Centralia is an old coal mine fire that now threatens homes and lives in the south end of this village of 1,200 people in east-central Pennsylvania. A total of 109 of the village's 400 homes are in what is called the impact area, with about 20 threatened more seriously than the others.

The 19-year-old fire, ignited in 1962 from a waste dump that had been dug over a coal seam, had been burning for nearly 18 years before residents here sensed a serious danger to their lives and property, though it had long ago forced workers from the anthracite mines that honeycombed the earth beneath the village.

More than 250 other mine fires are now burning in the United States, including one in northeastern Pennsylvania in a vein that runs between the villages of Larksville and Courdale. In the mid-1980's one underground fire in Laurel Run, Pa., forced the removal of all of the town's 850 residents and the demolition of their 173 homes, their church, and their school.

Gases from the Centralia fire have burst holes through the earth in dozens of places around the homes, and plumes rise like steam in the crisp, mountain air. Pipes have been installed in most of the openings to carry the sulfurous fumes above breathing space, but the odors still float into houses when windows are opened.

In some of the homes, deadly carbon monoxide and carbon dioxide seep up through basements and into living rooms and bedrooms, displacing oxygen and sometimes causing headaches and nausea and fanning fears for the health of children.

Medical experts say that prolonged deprivation of adequate oxygen can cause brain damage, but no one has said for sure how low and how long are the limits of danger to a growing child.

In homes like those of John and Isabelle Coddington, above their gasoline station and in the nearby homes of David and Eileen Lamb, Thomas and Christine Oakum, and Tony and Mary Androtti the families live by monitors with gauges to set off alarms whenever oxygen levels fall below 19.5 percent or carbon monoxide rises above 35 parts per million.

A normal oxygen level in the air is 21 percent. No amount of carbon monoxide, which is the lethal substance that comes from automobile exhaust, is normal but 35 parts per million is regarded as the threshold of serious danger.

Whenever an alarm sounds, sometimes a bell and sometimes a beeping whine, someone gets up and opens a window until the alarm ends, letting in the cold and the odors from the fuming pipes.

"My God, what are we to do?" asked Carrie Wolfgang, Todd Domboski's 74-year-old grandmother. "You can't live with the windows closed and you can't stand to open them."

Columbia County, the state and Federal agencies have been discussing plans to go to Centralia's aid. The state has offered mobile homes as temporary living quarters for the most seriously threatened, but they are not available yet and those getting offers say they do not know how they can maintain two homes.

But Secretary of the Interior James G. Watt and Gov. Dick Thornburgh have reached an agreement on a $1 million emergency relief program under which the Interior Department will buy 26 of the homes and relocate the owners.

Meanwhile, many homeowners continue to worry about who will be moved and when and whether action will come in time to prevent dangers of the kind narrowly escaped by Mr. Coddington and Todd Domboski.

"You worry," said David Lamb, who said his daughter's asthma had been aggravated by the fumes. "You never know, any day a house and everybody in it could sink out of sight. That fire down there is burning away the timbers and the columns of coal the miners left to support the roofs of those old mine tunnels."

The reality of Centralia's fears is underscored by a recent report of the Federal Bureau of Mines. The most serious danger in Centralia, it said, is "the presence of hazardous combustion gases which have migrated into area homes through fractures in the strata overlying the fire."

Those gases, it said, may include "potentially lethal" carbon monoxide. "There is also the possibility," it continued, "that slightly elevated levels of carbon dioxide or deficiency of oxygen will cause some physical effects over a prolonged exposure."

Another threat of the mine fire, some people say, is that it may turn townspeople against one another as it also creates marital strains between husbands and wives locked by mortgages into homes they cannot sell while they are unable to meet the cost of a second dwelling.

"It's too bad," said Mrs. Lamb, alluding to tensions that neighbors said they sensed because people living in affected areas felt that those in unaffected areas had been lackadaisical about supporting demands for assistance "People here were so close if you sneezed at St. Ignatius they'd say 'God bless

you' at Duffy's," she continue, citing a church at one end of town and a home at the other.

One of the first to notice a serious problem from the fire was Mr. Lamb, who bought his home in 1978 but soon found there was not enough oxygen in his basement to keep his furnace burning. He spent $5,000 to convert to electric heat. Today, when he checked his basement with a portable meter, the oxygen reading was 9 percent.

For Mr. Coddington, the awareness struck Dec. 7, 1979, when his son Joseph found a basement wall hot to the touch. A test showed temperature in the walls at 180 degrees. Mr. Coddington then checked his underground gasoline tanks, and when he opened the caps fuel spurted out. Its temperature was 140 degrees. His pumps had to be closed and the gasoline removed.

Crews sent by the Bureau of Mines attempted to fill the steaming holes that had burst through the ground around the station, but the move seemed only to force more gases into surrounding homes. It was shortly after that when Mrs. Androtti began to suffer from headaches and nausea.

Over the years the Bureau of Mines has spent $3.4 million trying to solve the Centralia problem, an Interior Department aide said. Efforts by Federal and local agencies have included attempts both to smother the fire and to douse it with water but all have failed. Now some experts say the only sure solution would be removal of the 109 homes and excavation of the fire below.

"That would be the end of the town we have known," said John Wondoloski, a miner who is Centralia's parttime Mayor.●

H.R. 4243

HON. JAMES T. BROYHILL

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. BROYHILL. Mr. Speaker, I am today introducing H.R. 4243, a bill to set forth a comprehensive and detailed national tourism policy for both domestic and international tourism.

A section-by-section analysis of the legislation follows:

SECTION-BY-SECTION ANALYSIS

TITLE I: NATIONAL TOURISM POLICY

This title states a comprehensive and detailed National Tourism Policy covering both international and domestic tourism.

TITLE II: TOURISM POLICY COUNCIL; TOURISM ADVISORY BOARD

Section 201: This section establishes an interagency "Tourism Policy Council" in order "to assure that the national interest in tourism is fully considered in Federal decisionmaking." The Council would be chaired by the Secretary of Commerce, and would include the Secretaries of State, Interior, Labor, Energy and Transportation, and such other officials of Federal agencies as the President designates.

By defining the potential membership of the Council in terms of "Federal agencies," this section would provide for representation of all Federal agencies whose programs significantly affect tourism, whether or not they are part of the Executive Branch. Members of the Council could designate alternates from their respective agencies, but they must be persons who exercise "significant decisionmaking authority in the agency involved." The Council would be required to meet at least twice annually and to submit annual reports on matters considered by the Council.

Section 202: This section would authorize the Secretary of Commerce to establish, and maintain in an active status, a Tourism Advisory Board. The Board, consisting of at least 15 members representing all segments of the travel and tourism industries, would be established and operated under the Federal Advisory Committee Act. The Policy Council would be required to receive and consider recommendations of the Board as to matters appropriate for interagency consideration.

TITLE III: AMENDMENTS TO THE INTERNATIONAL TRAVEL ACT

Section 301: Amends Section 1 of the International Travel Act to refer to "providing for the implementation of the international aspects of the National Tourism Policy."●

THE PARADE MARSHAL CHOSEN

HON. DON H. CLAUSEN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. CLAUSEN. Mr. Speaker, over the Fourth of July recess I was unable to share with the citizens of Willits and Mendocino County, Calif., the pleasure of seeing one of their favorite sons serve as grand marshal of the annual frontier days Fourth of July parade because I was simultaneouly serving as a parade grand marshal in a neighboring county. However I want to take this opportunity to recognize a great American, a man who has given so much of his time, resources, and energy to make his community a better place to live. Robert E. Harrah and his family have been associated with the community of Willits since 1943. Through his initiative, innovation, and industry he has built two very successful business enterprises which have provided steady employment for a large number of local people while helping the local economy remain steady even during periods of economic turbulence.

But Bob Harrah is more than just a businessman. He and his wife Jayne and their entire family have been actively involved in a large number of civic, social, and fraternal activities, and have individually worked behind the scenes to help a very large number of people and projects.

Mr. Speaker I am submitting for the RECORD an article which appeared in the Willits News in order to recognize the unique contributions which Bob Harrah and his family have made. I do it so all may recognize a true success story, a favorite son in every sense of the word. His example should serve as an inspiration for others to emulate. Our purpose on Earth is not only to make a living but to make a life. Bob and Jayne Harrah, throughout a lifetime of hard work, dedication, commitment, and initiative, have enriched the lives of all fortunate enough to know them. We are all deeply in their debt. This is an all-American family that genuinely represents the good things in life and the greatness of our country.

The article follows:

[From the Willits News, June 3, 1981]

PARADE MARSHAL CHOSEN

The 1981 Frontier Days Parade Committee announced this week that local businessman Bob Harrah has been selected for the honor of serving as Grand Marshal of this year's Fourth of July parade and attendant activities.

Robert E. Harrah was born in Riverside, Washington in 1916 and spent his boyhood on a small apple farm and his growing up years in a succession of lumber camps in the Washington and Oregon woods where his father was employed in all phases of lumbering and sawmill operation.

When Bob was in the fifth grade, he rode horseback three miles back and forth to school every day and when he was ten, he was working as a whistle punker in the woods, a man-sized job that was vital to early day logging operations.

In later years, he worked in the oil fields of Southern California and in a variety of jobs, all involving use and care of heavy machinery.

In 1943 he and his wife Jayne came to Mendocino County from a job working on the Panama Canal, and in 1944 he opened the Harrah Brothers Machine Shop with his brother Joe in a small garage.

That was the beginning of a remarkable business career that eventually led to the growth of two of the largest employers in the city of Willits, Microphor and Remco Hydraulics.

Remco grew out of Harrah's Machine Shop, originally a sawmill machinery manufacturing plant.

In 1957 the facility was expanded to produce hydraulic equipment for the lumber, electric generation and defense industries, and the name was changed to Remco Hydraulics.

The business continued to grow under Harrah's vision and inventiveness, expanding into the manufacture on non-metallic hydraulic cylinders, which Harrah invented, until the small town factory was acquired by Stanray Corporation in 1968.

Harrah joined the Stanray Board of Directors, becoming its chairman and chief executive officer in 1975, and he and Jayne commuted between Willits and Chicago for two years until 1977 when Stanray was acquired by the multi-national firm of IC Industries.

Harrah is still involved with IC industries, serving as a director of the company, as well as serving on the Board of Directors of Abex Corporation, an IC Industries subsidiary.

Not to be bored, Harrah developed the low-flush toilet and began the fledgling company which grew into another successful business for him and his community, Microphor, which was recently sold to a group of New York investors.

In 1977 he received the Knottingham Man of the Year Award from the California State Environmental Health Association for

inventing and perfecting the low-flush toilet.

Along the way, Bob Harrah has always found time to devote his talents and energy to bettering his community.

He has served on the Willits City Council and Planning Commission; was a member of the Willits Unified School Board for ten years and served as its chairman; and is presently serving on the Boards of Directors of both Howard Memorial Hospital and the Bank of Willits.

He was a member of the Willits Volunteer Fire Department from 1945 until 1952 and was involved in the direction and operation of Frontier Days during those days when the Fire Department put on the annual show.

While still active in the administration of the various Boards on which he serves, Bob and Jayne are now devoting themselves to their Eden Valley Ranch which they bought in partnership with Max McKee and the late Earl Maize Jr. and Frank Crawford in 1954.

For a number of years the ranch was leased as a cattle operation, but in 1975 Harrah assumed full ownership of the ranch and now runs it himself as a cattle business, raising registered and commercial Brangus cows and bulls.

He is also doing some experimental planting of wild rice, corn for silage, barley, oats, rye and alfalfa along with permanent pasture, and developing water for an irrigation system.

Bob and Jayne Harrah have given in many ways to their hometown. No one but they know just how much they have given as most of their gifts are made anonymously.

The community of Willits will now reverse the giving process with this recognition of a Favorite Son during the 1981 Frontier Days celebration.●

IN MEMORY OF CHRIS BLENMAN OF BROOKLYN, N.Y.

HON. CHARLES E. SCHUMER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. SCHUMER. Mr. Speaker, recently, the people of Brooklyn suffered a great loss with the passing of Chris Blenman. I have been greatly moved by his contributions to our community and would like to share with my colleagues my thoughts about this great man.

Chris Blenman was a man who dedicated his life to serving his fellow man. During his adult life he worked for many community services giving of himself in a way which has been matched by few. His contributions to the people of Brooklyn were not limited to a single field; his efforts mirrored his expertise and ranged from education to better health care for the community.

Chris was a model citizen who did his best to insure that all citizens would have better community services and living conditions. He worked for our children as a volunteer in the local public schools; he worked for our senior citizens and founded the United Senior Citizens Transportation Service which serves the Crown Heights area. Chris also served as the first president of the Troy Senior Center and was reelected for 6 consecutive years. In 1978, Chris was elected again to the presidency of Troy and served until his untimely passing. Chris also served as a member of the board of directors of the Charles Drew Health Center. For all of his outstanding contributions, Chris was elected Senior of the Year by the community.

Chris Blenman was also a model husband and father who exemplified those characteristics which have made this country strong and great; it is an unusual man who can care for and serve his community and his family simultaneously. Chris Blenman was such a man. Chris Blenman was a person with whom I was very proud to have been associated. I would like to extend to his family, Mr. Speaker, his wife and son, his stepson, and his two grandchildren, the deepest sympathies of the people of Brooklyn and of the Congress.●

ISRAELI RAID ON IRAQI NUCLEAR REACTOR

HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. PHILIP M. CRANE. Mr. Speaker, I would like to express my dismay at the recent criticism of the Israeli raid on the Osiraq nuclear reactor site. This critical response merely reveals lack of understanding about the uniquely precarious position which Israel occupies in the midst of hostile neighboring countries.

The Israeli attack cannot and should not be classified as an act of aggression against Iraq. Israel and Iraq are in a formal state of war. Iraq first declared war on Israel when the nation was formed in 1948. Although Egypt, Lebanon, Syria, and Jordan signed armistice agreements in 1948, Iraq refused. Again in 1967 and 1973 Iraq joined the wars against Israel. Iraq refused to accept the 1967 cease-fire contained in the U.N. Security Council Resolution 242 and the 1973 cease-fire contained in the U.N. Security Resolution 338. On October 23, 1973, the Iraqi Government proclaimed, "Iraq does not consider itself a party to any resolution, procedures, or measure in armistice or cease-fire agreements or negotiations or peace with Israel, now or in the near future."

Given the state of war which exists between the two countries, the Israeli raid was a legitimate act of self-defense, justified under article 51 of the U.N. Charter. As explained by Sir Humphrey Waldock, current President of the International Court of Justice, in a lecture at The Hague in 1952, "It would be a travesty of the purpose of the U.N. Charter to compel a defending state to allow its assailant to deliver the first and perhaps fatal blow. To read article 51 otherwise is to protect the aggressor's right to the first strike." Clearly, to require Israel to sit by idly while Iraq proceeds, according to most analyses, to develop a nuclear capability would be contrary to the entire intent of article 51.

Self-defense and self-protection are universally accepted principles—principles which no country would surrender, voluntarily. No nation has the right to decide for another nation when its existence is threatened. Only Israel can determine when its national security is endangered, and when action must be taken to protect that security. Israel's fear that Iraq would use nuclear aggression against Israel is confirmed by Iraqi behavior as well as by the public statements of Iraqi leaders.

For over 33 years, Iraq has been committed to the destruction of what it refers to as the Zionist entity. Iraq routinely finances terrorist activity against Israel, causing the U.S. State Department in 1980 to label the Iraqi Government as a promoter of international terrorism. Furthermore, in an August 1980 radio broadcast, Saddam Hussein openly declared his intention to destroy Tel Aviv with bombs.

This threatened destruction of Israel undermines any hope for stability in the region. America's interests and traditions are firmly linked to Israel. As a stalwart champion of democracy and freedom, Israel represents and protects Western interests in a region vulnerable to terrorism and Soviet imperialism. Israel remains a strong deterrent to Soviet domination in a region crucial to world energy supplies. The United States thus suffers from violations against its most valuable ally in the Middle East.

R. Emmett Tyrrell, Jr. has written an excellent article on the subject of the Osiraq raid. In this article, which appeared in the Washington Post on Monday, June 15, 1981, Mr. Tyrrell states cogently the reasons why the United States should praise rather than condemn Israel's actions. For the benefit of my colleagues, I submit the article in its original, unedited form:

[From the Washington Post, June 15, 1981]

BOUQUETS TO THE ISRAELIS

(By R. Emmett Tyrrell, Jr.)

Why all the rending of garments over last week's Israeli air strike? The Iranians tried to bomb the very same Iraqi nuclear plant last September, and I noted no uproar. Why the anguished chorus over the Israeli attack? Is it because the Israelis were successful and the Iranians missed? Had Allah smiled on the Iranian bombers, would the United Nations have convened another of its hot-air confabulations? Imagine Iraq's

president, Saddam Hussein, in possession of atomic bombs. Would the Saudis sleep as comfortably then as they do now? Would Jordan's King Hussein? Would the Syrian Machiavel, Hafez Assad, or anyone less in that enormously volatile area?

The nations of the Middle East and, for that matter, all the peace-loving nations of the world ought to be sending the Israelis bouquets. And let us be spared any more of the Arab's emotional sonorities about international law. The Iraqis are at war with Israel. They want to be at war with Israel. They like to be at war with Israel. In fact, Saddam Hussein seems to relish war as fondly as the late Benito Mussolini did, though Hussein butchered a lot more of his countrymen in pursuing high office than did Mussolini.

Many of those now ardently criticizing Israel apparently are ignorant of the vicious and mercurial nature of Israel's enemies. They seem to doubt that any foreign peoples would ever be ruthless or unreasonable. Thus they favor ceaseless dialogue and public relations as instruments of diplomacy. Such people are simply ignoring the nature of international politics.

The goal of all serious political activity is control, generally control of one's enemies. If one is insufficiently powerful to subjugate one's enemies, one scales down one's ambitions. The difference is between choosing an offensive or a defensive policy. The third option is taking no action at all.

The Israelis will never be powerful enough to subjugate their enemies, and they cannot opt out of their political situation. Hence they are condemned to a defensive strategy, and their air strike last week was a masterful show of defense. Their critics wish they had exercised the third option and done nothing.

This is the option with which the West has been most comfortable with over the past 35 years. Those who prescribe it essentially see foreign affairs as apolitical. They refused to accept that there are struggles for influence going on in the world. They deny that there are malevolent forces. They believe all disagreements are reasonable disagreements. Always they counsel restraint.

By practicing restraint, the West has prospered. Every year more and more fashionably dressed people parade along the Champs Elysees, the Via Veneto and Central Park South. Life is sweet; all is well.

But the grim truth is that, in an increasing number of countries around the world, life has become hellish. And as the Western powers withdraw their influence, allowing the liberal order in international relations to be extinguished, the future of world peace itself is increasingly left in the nervous hands of men like Saddam Hussein. I for one do not like the drift of things. As the citizenry of the West continues to cut deals abroad and live the high life at home, more and more woebegone immigrants from foreign barbarism drop themselves to Western shores. It is an ominous sign.

The countries of the West abound with Africans, Asians and Latin Americans who have lost the struggle for political control in their countries. The Israelis understand the meaning of these signs. The outcome of the war in Southeast Asia should constitute the great political lesson of the late 20th century. The Israelis appreciate this. They do not want to become the next wave of boat people.

For over three decades the Israelis have steadfastly accepted the imperatives of their political condition. A nation of under 4 million, it has endured in an ocean of 134 million hostile faces. During this time, dozens of peoples have had their cultures snuffed out. Yet the irony is that by accepting the imperatives of their political condition, the Israelis have actually gained a degree of acceptance in that hostile ocean that their present critics would never have prophesied. More Arabs today view the Israelis as tolerable than ever before. In that turbulent and bloody-minded area, the Israelis have been the only truly effective peace-keeping force. The Lebanese understand this. The Egyptians understand it. Do the diplomats of the West understand?●

LOSING THE STAR AND "DOONESBURY"

HON. MANUEL LUJAN, JR.

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. LUJAN. Mr. Speaker, we are all stunned with the announcement today that the Washington Star will cease publication in just 2 weeks. It is hard to realize that the Nation's Capital cannot support two daily newspapers, in the city that generates more news than any other in the world. A free press is stimulated by the competition of ideas and philosophy. I am grateful that my hometown of Albuquerque, N. Mex., is able to maintain two viable daily newspapers.

As tragic as the loss of the Star itself, Mr. Speaker, will be the loss of the comic strip "Doonesbury." I am truly hopeful that "Doonesbury" has a life of its own. If its creator, Gary Trudeau, can bounce back as strong as his namesake, the Prime Minister of Canada, then I am sure we can all enjoy the strip for years to come. I am happy that readers in Albuquerque will not suffer an interruption in "Doonesbury."●

CHRYSLER RECOVERY AND NEEDS OF U.S. AUTOMOBILE INDUSTRY

HON. PHILIP R. SHARP

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. SHARP. Mr. Speaker, yesterday's announcement by the Chrysler Corp. that it earned a quarterly profit for the first time since 1978 is welcome news. It was a major accomplishment, especially at a time when overall U.S. automobile sales and production have been depressed.

During July, the Chrysler Corp. was the only major U.S. automobile manufacturer to increase its sales. Last week, the mid-July auto sales statistics were released and produced continued concern about the health of the economy generally and the condition of the auto industry, despite the recovery of Chrysler.

Ford Motor Co. sales were down 34.2 percent below the level of a year ago. General Motors sales were 13.8 percent below the early July level of last year, AMC sales were down 4.5 percent and Volkswagen of America sales declined 17.1 percent. During the period, Chrysler recorded a 13.6-percent increase.

Mr. Speaker, it is unfortunate that an industry as important to our economy as the automobile industry must develop serious problems before we analyze the trends and developments to establish effective, long-term policies.

Allocation of the voluntary automobile import restriction agreement among Japanese manufacturers was recently announced and shipments to the United States have dropped 4 percent. This is helpful, but import restrictions are not the ultimate solution to the problems faced by American companies and American workers.

Major elements in a long-term policy must include stabilizing interest rates, stimulating capital formation, reforming unnecessary regulations as well as developing greater cooperation between labor and industry management.

Another significant part of a long-term solution must be to encourage Japanese automobile producers to establish manufacturing and assembly facilities here in the United States. That trend is just beginning, and must be encouraged as the structure of the industry shifts to the development of the global car whose parts are manufactured in many places in the world. One Japanese manufacturer, Honda, is building an automobile assembly plant in Marysville, Ohio; 2,000 American workers will have jobs when the plant is finished in 1982. Nissan Motors, producer of Datsuns, is building a $300 million truck assembly plant in Tennessee; 2,200 American workers will build an estimated 120,000 light duty trucks annually when the facility is completed in 1983. Toyota Motors announced last week the completion of a feasibility study for construction of a parts manufacturing plant in British Columbia, the first such Toyota facility in North America.

During 1980, U.S. auto production fell from 11.5 million vehicles to 8 million. The Japanese increased their production from 9.6 million to 11 million at the same time. The U.S. share of world production declined from 28 to 21.4 percent. Consequently, the Japanese became the world's largest producer, capturing 29.4 percent of the world market.

More than 50 percent of Japanese auto production is exported around the world; 43 percent of Japanese exports are sold in the United States.

The largest Japanese producer, Toyota, sold 582,000 vehicles in America, 18 percent of its total vehicle production. With this level of Japanese dependence on auto exports, it is clear they have a stake in the health of the American economy. There must be concern not only about how American interest rates are affecting immediate sales, but also with respect to the effects of long-term economic growth and the stability of U.S. employment on long-term sales projections.

If the current condition of the U.S. auto industry remains bleak, there will be long-term unemployment in auto-related industries throughout the economy. Unless the condition of our domestic industry improves, there will be renewed calls for import restraints. The United States is virtually the only major auto market in the world without mandatory import controls, such as percentage content requirements. Pressure will continue to grow for these types of restrictions unless the Japanese wisely use the time provided in the voluntary restraint agreement. We are giving up 27 percent of our automobile market to foreign manufacturers, predominantly the Japanese, and there must be a greater long-term commitment to the American economy if free trade is to resume.

Mr. Speaker, Volkswagen has pioneered many trends in the automobile industry. It has been operating a $400 million assembly plant in Pennsylvania for 3 years, and a new $300 million facility will be completed next year in Michigan. The competition provided by domestically produced foreign cars has spurred technological innovation. Americans have jobs, and our consumers and economy benefit without the foreign trade deficit problems associated with manufacturing and assembling vehicles abroad. This lesson must be communicated to Japanese industry and action taken. Whether the facilities are wholly owned or joint venture agreements, our own economy cannot sustain the loss of nearly 30 percent of a key market to manufacturers abroad.

Establishing a domestic manufacturing and assembly operation by a foreign company is a complex project, but one that must be undertaken. Relationships with domestic suppliers must be developed, and a management system keeping quality control but sensitive to the domestic labor force complexities must be established. Nonetheless, Volkswagen has very successfully overcome these obstacles, and the pattern can be followed by other foreign automobile producers.

As the industry adjusts to changing market forces and consumer demand, the structure of the industry is being altered. Joint ventures are developing in both production and marketing. Enormous capital investment requirements, technology innovation, varying Government safety and environmental standards, and the need for a product distribution system have encouraged greater cooperation between foreign and domestic manufacturers. Chrysler's relationship to Mitsubishi is continuing to develop; General Motors and Isuzu have joint marketing and production arrangements; Ford and Toyota attempted to negotiate an acceptable agreement for several months; Nissan and Volkswagen are jointly producing Audi Passats in Japan. Cooperation and competition can exist at the same time. Similar arrangements are likely in the near future to strengthen manufacturers and to minimize the risks of entering new markets with new products.

Mr. Speaker, the recovery of the Chrysler Corp., from the edge of bankruptcy will strengthen the company's position in developing joint ventures which will help in the long-run stabilization of the company and the U.S. automobile industry. Although the company should be justifiably pleased with the accomplishment, much remains to be done to assure the long-run survival of the company through the difficult economic conditions our Nation is facing.

Nearly 225,000 American automobile workers will not have jobs this year. The social and economic costs resulting from the conditions of the industry are enormous. It is in the long-term best interest of our international trade partners that they contribute more to the stability of the U.S. economy and labor force.●

THE NEED FOR CONGRESSIONAL SCRUTINY IN DEFENSE SPENDING

HON. MIKE SYNAR

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. SYNAR. Mr. Speaker, let me begin by stating my unequivocable support for the administration's general plans to improve our Nation's defense posture. Very competent sources, representing all political ideologies, have repeated the message that America must bolster certain areas of our national defense. I am convinced that now is the time for a national commitment to this end. I feel that the general direction which has been set in the 1982 defense authorization bill is a very necessary step in meeting this very important goal.

Although I am committed to an increase in spending for national defense, Mr. Speaker, I nevertheless have a number of strong reservations about some of the details which were included in the defense authorization bill that the House has just passed. The President's plans for defense call for an outlay of $1.6 trillion over the next 5 years. In planning for the programs which will account for this enormous appropriation—the equivalent of spending roughly $1 billion each day for 5 years—it is absolutely imperative for Congress to act judiciously.

I believe that in defense appropriations, this prudence should include three very important components. First, Congress must apply the same strict budgetary guidelines to defense appropriations that it does for all other Federal programs. It is just as important to exercise careful congressional oversight, for example, in how the food stamp program is administered as it is to show accountability for all our defense expenditures. We must not let the sense of urgency in improving our Nation's defense make us blind to the very real problems which go with any large appropriation.

Next, Congress must be dedicated to locating and eliminating waste. Again, this should apply to all Federal programs. Finally, and perhaps most importantly, Congress should always consider military appropriations with the final goal in sight—that of military preparedness. Any deviation from this course is an abandonment of the intended goals of defense spending. I am afraid that in the debate over the defense authorization bill during the last few weeks, Congress lost sight of these basic components to a responsible defense authorization bill. Let me cite some examples.

One of the amendments offered by the Government Operations Committee to the defense authorization bill would have required yearly congressional approval for the Defense Department's multiyear contracts. Since the amendment applied only to major weapons systems rather than to every small project requiring a multiyear contract, this proposal would have allowed Congress to evaluate those programs with the greatest potential for overruns in cost. It would not have prohibited multiyear contracts, but instead would have provided an independent means of verification to insure that the projects were indeed as effective as intended. Unfortunately, Congress failed to pass this very simple means of assuring budgetary effectiveness.

There are a number of uncertain factors when multiyear contracts are awarded. The economic considerations involved in the procurement of multiyear contracts are simply too indefinite to allow for blind approval without periodic consideration. In my opinion, the failure of Congress to pass this amendment was a failure to accept the responsibilty for fiscal accountability to the very programs it has authorized. The free rein Congress

has given the Department of Defense in multiyear procurement is simply not consistent with the careful scrutiny Congress rightfully exercises in most other Federal programs.

Another serious concern I have about the defense authorization bill is its failure to come to grips with the potential for waste in the Defense Department's budget. A recent investigation by the nonpartisan General Accounting Office found over $16 billion worth of waste in the Defense Department. The GAO testified this year that $8.7 billion of this total could be located immediately. Despite these reliable reports, however, Congress failed to pass an amendment which would have requested the President to submit a message enumerating $8 billion in savings from the elimination of waste, fraud, abuse, and mismanagement.

The concern I have about this vote is that most Members perceived the amendment as a cut in defense spending; as a result, the measure failed. I believe that if this Congress is truly dedicated to the elimination of waste in bureaucracy, it must apply the priority to all programs. I am afraid that in the overriding concern to see that the Defense Department receives as much money as the country can afford, Congress has forgotten the equally important responsibility to seeing that the money is not spent unwisely.

The highest priority in passing authorization bills for the Department of Defense is to insure the highest degree of military preparedness. Included in the version of the defense authorization bill was an amendment to grant military personnel the authority to make seizures and arrests in Federal drug violations. Although I am committed to seeing that something be done to stem the flow of drugs into the country, the use of military personnel in making arrests is not the answer.

The most basic requirement for the U.S. Armed Forces to be able to take on this new responsibility is an adequate number of personnel. By no means does the military have a surplus of members. Reports indicate that in many areas the number of recruits in the All-Volunteer Military is insufficient. The provision in the defense bill to grant military personnel the authority to make arrests ignores this frightening condition of manpower strength. In addition, the training most members of the military possess is inadequate to make arrests. They are not trained as policemen. They are not trained as witnesses. They have not been given instruction in the issuing of Miranda warnings or accepting admissions and confession. Unfortunately, the military will be forced to take time from its duties of military instruction in order to train its members in making civilian arrests.

The amendment raises other problems. Throughout history, Western society has respected the need to keep separate a nation's military and police forces. We have seen problems arise in many countries this century when the military is used to enforce civilian law. I sincerely hope this breach of longstanding separation of military and police forces in the United States will not set a precedent we may later come to regret.

In addition, the amendment does not address the problems of drug enforcement. The administration has proposed to cut the budget of the Coast Guard—the result of this cut could lead to the dismissal of over 400 employees valuable to the Coast Guard's efforts in drug control. The administration wants to abolish the Drug Enforcement Administration and did not fund the Law Enforcement Assistance Administration. These are the agencies that should deal with this Nation's pressing drug problems. We cannot say we have solved the problems of drug smuggling by merely giving the responsibility of enforcement to the Defense Department.

In conclusion, Mr. Speaker, I believe that in our haste to assure a strong national defense we have left many questions unanswered. We must realize that defense spending does not exist in an economic vacuum. The Office of Management and Budget has used the unrealistically low inflation rate of 8.7 percent to estimate the costs of multiyear programs, a projection that could result in a $6.4 billion underestimation in defense costs according to the Congressional Budget Office. Our dependence on unstable foreign sources of certain raw materials has not been taken into consideration in planning for future weapons construction. Congress has failed to adequately address the questions about the ability of our industrial base to support such an ambitious program of defense procurement. These are a few of the many reservations I have about this defense bill.

Despite these reservations, I nevertheless voted for the bill; I fully support an increase in our defense expenditures. Congress must remember, however, that responsible management of the Federal budget does not mean that all scrutiny ends with the final passage of a bill. It is our obligation to see that waste is eliminated in this and other budgets. It is our responsibility to see that the expanded authority we have given the military is not abused. Finally, it is our elected duty to assure the American people that the procurement policies of the military will be watched closely by Congress in order to guarantee their maximum cost efficiency.●

DR. KOOP'S RELIGIOUS LIBERTY

HON. DAN COATS

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. COATS. Mr. Speaker, during the past several months there has been considerable controversy surrounding the nomination of Dr. C. Everett Koop to serve as U.S. Surgeon General.

As one surveys the opposition, one notices a variety of objections to Dr. Koop's nomination. Some complain that Dr. Koop is too old and still others remark that Dr. Koop has had virtually no experience in public health programs.

I think it is important to note that all of these concerns are actually rooted in an unarticulated opposition to Dr. Koop's religious and moral convictions. It is this objection I find highly regrettable. Can we bar an individual from assuming a Federal position simply on the basis of his or her religious beliefs?

I have recently received a letter from the National Association of Evangelicals which directly addresses the question of religious liberty and Dr. Koop. I would like to share this letter with my colleagues by placing it in the RECORD. I would also encourage my colleagues to sign discharge petition No. 5 so that the House can expedite the consideration of Dr. Koop's nomination.

The letter follows:

NATIONAL ASSOCIATION OF EVANGELICALS,
Washington, D.C., July 8, 1981.

Hon. DANIEL R. COATS,
U.S. House of Representatives,
Washington, D.C.

DEAR DAN: The National Association of Evangelicals enthusiastically supports the appointment of Dr. C. Everett Koop to be Surgeon General of the United States.

Right now the appointment of this eminently qualified pediatric surgeon is being held up in the House Subcommittee on Health and Environment for reasons related to his moral and religious convictions on the sanctity of human life. The NAE Office of Public Affairs, for forty years a watchdog for religious liberty, is concerned about this development.

We strongly believe that no individual, who is otherwise qualified for the post to which he or she is appointed, should be withheld for reasons related to legitimate religious conviction. Further, he has reassured the nation that he will uphold the laws of the land:

"My position on abortion is that of the President, the Secretary of Health, the assistant secretary and the Republican platform. But I am a law-abiding citizen. As a government official I can do nothing that is not the law of the land, and it is not my intent to disrupt anything that is considered legal and proper." (Wall Street Journal, June 19, 1981)

To release this appointment for Congressional approval, Representative Hyde has sponsored Discharge Petition No. 5. On behalf of our 38,000 NAE churches with a membership of four million, and a service constituency of ten to fifteen million, let me urge you to sign Discharge Petition No. 5. If your name is already among the approximately 160 who have signed the petition, we would welcome and appreciate your assistance in securing the signatures of your colleagues.

Cordially yours,

ROBERT P. DUGAN, Jr.,
Director.●

TRIBUTE TO ARCHBISHOP PHILIP M. HANNAN

HON. LINDY (MRS. HALE) BOGGS

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mrs. BOGGS. Mr. Speaker, I am proud to call to the attention of my colleagues a very special constituent of Louisiana's Second Congressional District. He is Archbishop Philip M. Hannan, an outstanding servant of the people and a dear personal friend.

I would like to insert in the RECORD a newspaper article from the New Orleans Times-Picayune/States-Item, dated July 13, 1981, that chronicles a historic segment of this fine man's life. It reports on Archbishop Hannan's successful efforts to save the Cathedral of Cologne in West Germany during World War II, when he was a young American chaplain. His quick thinking and courage saved the cathedral's priceless treasures from pillage and destruction.

In late August of this year, Archbishop Hannan will celebrate the 25th anniversary of his ordination as a Roman Catholic bishop. Since 1965, he has protected and cared for south Louisiana's most prized treasures—our people.

I offer a copy of the article for my colleague's edification:

[From the Times-Picayune/the States-Item, July 13, 1981]

WAR STORY—ARCHBISHOP IS PART OF THE HISTORY OF A HISTORIC CATHEDRAL

(By Angus Lind)

When a young German priest named Friedhelm Hofman was about to become canon of the historic Cathedral of Cologne in West Germany, old Canon Kleff sat him down and told him there were some things he must know about the cathedral that no one else knew.

The largest Gothic church in northern Europe is situated in the heart of Cologne, a large river port on the Rhine. It is a classic in German Gothic architecture, begun in 1248 and completed in 1880. Its great twin towers dominate the city, rising 516 feet into the sky. Its 14th-century stained glass choir windows are some of the most beautiful in the world. And the church's works of art—its relics, chalice and statues, and the Shrine of the Magi—are priceless.

Cologne, being a river port and a key transportation route, was ripped apart by 262 Allied air raids. There were 20,000 casualties. A population nearing one million at one point had shrunk to 69,000 by April, 1945. Ninety-one of Cologne's 150 churches were devastated. But the cathedral had somehow survived with only medium damage.

But this was not what Kleff wanted to tell the young canon about. He wanted to tell him the story of how a young American Catholic chaplain saved the church's treasures from pillage: The chaplain took it on himself to cross security lines to have himself named temporary pastor of the church so the treasures could be guarded from looters and more bombardment during the close of World War II.

Hofman listened attentively as the old canon told how the young American found him hiding in the basement of the church, trying to protect the valuables by himself. Then how the chaplain got permission to take charge of the church until the military government took over.

The Germans being the good record keepers they are, the American priest's name was recorded on a document. It was Capt. Philip M. Hannan, USA, of the 505th Parachute Regiment of the 82nd Airborne Division. Hofman filed the story away in his memory.

Three years ago, Sister Andre Becker, O.S.U., a member of the Ursuline community of New Orleans, visited Cologne and met Hofman. They talked about the priest from New Orleans, and Hofman was surprised to learn that he is now the Archbishop of New Orleans. The two toured a castle together, the sister thanked him for his hospitality, and she told him she would love to show him New Orleans if he ever got over here.

"Some day I will," he promised.

Last week, "some day" happened. Thirty-six years after the incident at Cologne, Friedhelm Hofman, Canon of the Cathedral of Cologne, stood in Archbishop Philip M. Hannan's office on Walmsley and warmly presented him a book about the Cathedral of Cologne. Inscribed in it is: "With heartful greetings and thanks for all you have done during the end of the war. Friedhelm Hofman, Canon of the Cathedral of Cologne."

To say the least, Hannan was stunned that a chapter from his past has come back to him on such a nice note.

The archbishop sat down and relived what happened. He had visited the cathedral before the war in 1938 when he was a student at Rome. So he was more than familiar with the value of the treasures in the church when the Allied forces took Cologne.

"I almost got killed trying to get in the cathedral," said the archbishop, who is prone to modestly understating his accomplishments, including his paratroop jumps. "The Germans across the river had a good field of fire. I jumped from one bit of rubble to another and finally got there.

"A priest came up from the cellar. He was Canon Kleff, and he is still alive today. He had been asked to stay there and guard the cathedral. When I saw him, he had dust all over him. I realized that in time of war, you need more than one priest to stand up and say, 'You can't come in here.'"

The treasures had been placed in specially-built bunkers inside the cathedral. They were made of masonry and shaped like igloos. But Hannan said a simple grenade could have blown them apart.

So he broke the security lines and found his archbishop. He convinced him that what he wanted to do was the right thing. The archbishop authorized him to take charge and appointed him pastor. "I stationed a guard at the cathedral to keep anybody from blowing up the bunkers. I also told the paratroopers that if they had taken anything at all from the cathedral as a souvenir to return it to me . . . and all of them did," he laughed.

"Cologne was devastated," Hannan said. "On our flank was an American infantry division, but I didn't know anybody in it. I didn't know if they realized the value of these art treasures. The German people were starving and they would do anything at this point."

So the guards stayed until the military government arrived and took over about two months later. "The link is," said Hannan, "that Canon Kleff remembered that I came there and passed it on."

"The treasures are still there today, some in their old places," beamed Canon Hofman. "They are still there for all to see.

"Some good things happened after the war," he said. "Excavations were begun, and three other cathedrals were found—one built in 870, one built in 560 and one built in 320. Even a Roman temple from 15 A.D. was uncovered."

In 1981, the cathedral's appearance is marred by crumbling stone, a problem made worse by pollution in the air.

It will take decades to carefully replace the destroyed parts. So large is the structure, which seats 18,000, that there is still unrepaired war damage.

Remodeling and construction is a permanent part of the decor, so much so that it can be safely predicted that no one living today will ever see the cathedral without scaffolding. There is a saying in Cologne: "When the cathedral is completed, the world will end."

Still, the treasures will be intact, thanks to the actions of a Catholic chaplain from New Orleans.●

THE LOSS OF A DISTINGUISHED CITIZEN

HON. DON H. CLAUSEN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. CLAUSEN. Mr. Speaker, last week the people of Arcata, Calif., Humboldt and Del Norte Counties, and the Redwood Empire lost one of their most distinguished citizens. Gordon Hadley was born, raised, and spent his life in the north coast area. He attended Arcata High School and Humboldt State University, where he showed early signs of the good citizenship which was to be the hallmark of his life. He was a great basketball player and also served as editor of his college newspaper, the Lumberjack. This newspaper experience, coupled with a stint as a reporter and sports editor of the Humboldt Times, led him to the Arcata Union. He later acquired the Del Norte Triplicate in Crescent City, and the McKinleyville News, and formed the Hadley Newspaper Corp.

He insured that his newspapers were responsive to the needs of the commu-

nities, and served as a vehicle to express various points of views on issues of local importance.

He was truly a pillar of the community, serving as chairman of the Humboldt State University Advisory Committee, for which he received the President's Distinguished Service Medal from HSU. He was a very active member of the Arcata Rotary, with a near perfect attendance record for almost 40 years. He also was an active member of a host of other social, professional, civic, and fraternal organizations. His reward for his toil on behalf of his fellow citizens was not what he got for it, but what he became because of it.

Mr. Speaker, life is a voyage in which we choose neither vessel nor weather, but must rely upon management of the sails and guidance of the helm. Through rough seas and smooth, Gordon Hadley was steady and dependable. He demonstrated that the true purpose of our existence is not to make a living but to make a life—a meaningful, purposeful, and well-rounded life.

He was ably assisted by his loving and very talented wife, Monica, who shared in so many of his personal and journalism activities, and by his son Craig. Perhaps the highest tribute a man receives is when his son chooses to follow in his footsteps, and Craig Hadley is continuing to provide the people of Arcata the same fine newspaper coverage his father did—in the tradition of forthright and objective journalism.

To recognize the unique contribution which Gordon Hadley made to the people of Humboldt County and the Redwood Empire, and so that all may know the high esteem in which he was held by his peers, I am submitting for the record an article about his death that appeared in the Arcata Union.

In this way, we can record for posterity the life story of a man for whom I had a profound amount of respect: A close friend upon whose advice and counsel I could rely; a tall man, with a friendly and warm personality who, like the giant redwoods of our native Humboldt area, stood straight and unbending in his commitment to the principles of life he believed in and used in the philosophical direction of the newspapers he and his family owned; a man of stature and character that related so well to the communities his newspapers served.

Gordon Hadley will not only be missed but genuinely remembered and appreciated for the life he shared with his multitude of friends.

[From the Arcata Union, July 9, 1981]

UNION PUBLISHER DIES; AGE 69; 34 YEARS AT THE HELM

Gordon G. Hadley, publisher of The Union for 34 years, died Tuesday, July 7 at the age of 69. He was born Jan. 15, 1912.

Mr. Hadley began his venture into the newspaper business at the end of the Depression years in 1939 when he purchased The Arcata Union from Robert W. Matthews Sr. With that start, he later formed Hadley Newspapers Inc., purchasing the Del Norte Triplicate in 1962 and the McKinleyville News in 1967.

Although he sold the business to his son Craig in 1972, Mr. Hadley continued to work full-time as president of Hadley Newspapers until four months ago when it was discovered he had cancer.

He is survived by his wife, Monica; his son, Craig; and three grandchildren, Megan, Heather and Ryan Hadley.

A native Arcatan, Mr. Hadley was graduated from Arcata High School, attended then Humboldt State College where he was a star basketball player and later served in the Merchant Marines.

He was an active alumnus of HSU, serving as president of the university's advisory board and was active in the HSU Century Club. Mr. Hadley received the President's Distinguished Service Award at the HSU Commencement exercises in June of 1970.

Mr. Hadley actively participated in community and professional affairs. He served as director and board member of the California Newspaper Publishers Association, was past president and historian of the Ingomar Club and was past president and founding member of the Baywood Golf and Country Club.

He was past president of the Rotary Club of Arcata and had perfect attendance for 30 years. He also was a member of the California Press Association.

Mr. Hadley was an avid outdoorsman, fly fishing for steelhead on the Klamath and regularly making hunting trips to Colorado.

Memorial contributions may be made to the Gordon G. Hadley Memorial Fund for Arcata Recreational Youth Facilities through the Humboldt Area Foundation or may be made to the Shriners Crippled Childrens Hospital, 1701 19th Ave., San Francisco.

Services will be held Friday, July 10 at 11 a.m., Paul's Chapel of the Redwoods, 11th and H Streets, Arcata.

Pallbearers will be Jim Yarbrough, George Yamor, C. LeRoy Starkey, Alistair McCrone, Lawrence Lario, Bob Johnson, Bill Smullin, Charlie Harris, John Judy, Con Daly, Jim Neslis, Ed Carpenter, Ed Goodwin and Merced Wrigley.

Honorary pallbearers will be Homer Balabanis, Jalmer Berg, Howard Libbey, Allen Lehman, Spud McNamara, Walter Warren, Jack Carson, Don Rioworts, George Black, Roy Stewart, Jack Dickinson, Arnold Cooper, Bud Van Deren, Happy Hill, Laurence Allen, Bill Hale, Bill Walker, Bud Ryerson, Curly Emmerson, George Knab, Darrel Norberry, Andy Rossia, Dr. Joe Walsh, Les Westfall, Steve Dolfini, Jack Daly, Dr. William Ashley, Ray Vellutini, Dick Nash and Walter Thoreson.●

CYPRUS ANNIVERSARY

HON. JOHN H. ROUSSELOT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. ROUSSELOT. Mr. Speaker, this week marks the seventh anniversary of an event that came very close to splitting open the southern ranks of the Western alliance. I am, of course, referring to the attempted military coup by Greek officers and the subsequent Turkish invasion of the island nation of Cyprus.

This event was only the most visible in a series of tensions that had been building for several years between our two closest allies in that region of the world. In a progression of events that strained the ties of NATO as never before, Greece withdrew its armed forces from the organization, and the United States imposed an arms embargo against Turkey. In all, the future course of events seemed very much in doubt.

Today we can look back with a sense of relief that tensions have eased and relations seem once again to be on the mend. On October 28 of last year Greece, the mother of democracy, took her rightful place in the Western alliance as her military was reintegrated into the command structure of NATO. The United States has lifted its arms embargo against Turkey, who reciprocated by reaffirming U.S. usage of military bases in that country. Both countries are beginning to talk of settling longstanding conflicting claims concerning the Aegean continental shelf, and most importantly, the small nation of Cyprus, while still divided and occupied, is at least peaceful at this time.

It is my hope that this pattern of easing tensions will extend to the focal point of the Cyprus issue. Upon independence from the United Kingdom in 1960, Cyprus became a republic with constitutional guarantees for both the Greek majority and the substantial Turkish minority. There was a permanent division of offices on an ethnic basis. Greek and Turkish communal chambers dealt with religion, education, and other social matters. In a spirit of unity and cooperation this plan was agreed to by the United Kingdom, the new Cypriot Government, the United Nations, and both Greece and Turkey.

After an attempted coup in 1974 Turkish military forces invaded the island. In the last 7 years thousands of Cypriots, both Greek and Turkish have been turned into refugees in their own country, losing their homes, belongings and jobs.

President Reagan has stated that his administration is committed to a free and independent Cyprus based on the United Nations Resolution 3212 of November 1974 which "calls upon all States to respect the sovereignty, independence, territorial integrity, and non-alinement of the Republic of Cyprus and to refrain from all acts and interventions directed against it; urges the speedy withdrawal of all foreign armed forces and foreign military presence and personnel from the Re-

public of Cyprus, and the cessation of all foreign interference in its affairs."

Mr. Speaker, the people of Cyprus need, and in fact deserve peace and a chance to heal and rebuild their nation. All foreign forces on that island must be withdrawn. All refugees should be allowed to return to their homes, and the illegal provisional government in the north should be disbanded. As in all democracies, the majority will must prevail, but there must also be guaranteed rights for all minority groups.

This issue must be settled, and quickly, for the future well-being of the Republic of Cyprus, the stability of that important area of the world, and for the good of NATO.●

CAPTIVE NATIONS WEEK

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. DERWINSKI. Mr. Speaker, as examples of the great amount of public participation and spirit surrounding the commemoration of Captive Nations Week, I wish to insert several proclamations issued from Governors of States across the country. It so happens that the proclamations, which follow, were issued by former Members of this body:

STATEMENT BY GOV. PIERRE S. DU PONT IN OBSERVANCE OF CAPTIVE NATIONS WEEK

Whereas the imperialistic politics of Russian Communists have led, through direct and indirect aggression, to the subjugation and enslavement of the peoples of Poland, Hungary, Lithuania, Ukraine, Czechoslovakia, Latvia, Estonia, Byelorussia, Romania, East Germany, Bulgaria, Mainland China, Armenia, Azerbaijan, Georgia, North Korea, Albania, Idel-Ural, Servia, Croatia, Slovenia, Tibet, Cossakia, Turkestan, North Vietnam, Cuba, Cambodia, South Vietnam, Laos, Afghanistan and others; and

Whereas the desire for liberty and independence by the overwhelming majority of peoples in these conquered nations constitutes a powerful deterrent to any ambitions of Communist leaders to initiate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of human freedom and human rights and to the people of the United States as the leaders in bringing about their freedom and independence; and

Whereas the Congress of the United States by unanimous vote passed Public Law 86-90 establishing the third week in July each year as Captive Nations Week and inviting the people of the United States to observe such week with appropriate prayer, ceremonies and activities; expressing their sympathy with and support for the just aspirations of the captive nations: Now, therefore,

I, Pierre S. du Pont, Governor of the State of Delaware, do hereby declare July 12-18, 1981, as "Captive Nations Week" in the State of Delaware, and urge all Delawareans to offer their prayers and dedicate their efforts for the peaceful liberation of oppressed and subjugated peoples all over the world.

STATE OF LOUISIANA, DAVID C. TREEN, GOVERNOR—PROCLAMATION

Whereas the United Nations Universal Declaration of Human Rights is being ignored by many of the atheistic communist member signers; and

Whereas these same nations are also ignoring their signing of the human rights provisions of the Helsinki Agreement of 1975, while hypocritically following a deceptive course of world conquest, destroying the freedoms of the citizens of the nations they capture; and

Whereas the State of Louisiana has been a haven for the refugees of these enslaved nations, granting the same human dignity and freedoms to these peoples as the citizens of the United States enjoy; and

Whereas The Congress of the United States of America has passed Public Law 86-90 establishing the third week of July as Captive Nations Week and inviting the peoples of the United States to observe such week with appropriated prayers, ceremonies and activities expressing sympathy for the just cause for all subjugated nations: Now therefore,

I, David C. Treen, Governor of the State of Louisiana, do hereby proclaim the week of July 12-18, 1981, as "Captive Nations Week" in Louisiana, and urge my fellow citizens to observe this week by prayer and by offering personal, moral and spiritual support for the subjugated peoples, in 33 nations and especially, those countries recently purged of their cultural heritage, such as Afghanistan, Nicaragua and Rhodesia.

STATE OF NEBRASKA—PROCLAMATION

Whereas Communist politics have led and continue to lead, through direct and indirect aggression, to the subjugation and enslavement of the peoples of many countries; and

Whereas over the past ninety-two years, millions of immigrants have passed under the torch of the Statue of Liberty to begin a new life of freedom; and

Whereas Nebraskans and millions of other Americans long for the day when all freedom-loving people will once again enjoy liberties which are basic to the right of self-government and the dignity of human beings; and

Whereas the Congress of the United States has established the third week of July each year as Captive Nations Week, inviting all Americans to observe such week with appropriate activities in support of the peaceful liberation of oppressed peoples all over the world: Now, therefore,

I, Charles Thone, Governor of the State of Nebraska, do hereby proclaim the week of July 12th through the 18th, 1981, as "CAPTIVE NATIONS WEEK" in Nebraska and call upon all citizens to join with others to rededicate themselves to the spirit of liberty, thereby giving support to all freedom-loving peoples abroad.

STATE OF MINNESOTA—PROCLAMATION

Whereas the imperialistic politics of Russian Communists have led, through direct and indirect agression, to the subjugation and enslavement of the peoples of many nations throughout our world; and

Whereas the desire for liberty and independence by the overwhelming majority of peoples in these conquered nations constitutes a powerful deterrent to any ambitions of Communist leaders to initiate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of human freedom and human rights, and as leaders in bringing about their freedom and independence; and

Whereas the Congress of the United States, by unanimous vote, passed Public Law 86-90 establishing the third week in July each year as Captive Nations Week and inviting the people of the United States to observe such a week with appropriate prayer, ceremonies and activities, expressing their sympathy and support for the just aspirations of captive nations: Now, therefore,

I, Albert H. Quie, Governor of the State of Minnesota, do hereby proclaim the week of July 12 through 18, 1981 to be "CAPTIVE NATIONS WEEK" in Minnesota, and have asked Lieutenant Governor Lou Wangberg to prepare this proclamation for my signature and disseminate the same.●

A TRIBUTE TO JOHN PAUL JONES

HON. MARJORIE S. HOLT

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mrs. HOLT. Mr. Speaker, on July 21, the U.S. Naval Academy Band played the world premiere performance of the "John Paul Jones March," a musical composition by Prof. Charles T. Gabriele, the band's composer-in-residence. The performance was at a summer concert at Annapolis, Md.

The music is a tribute to the great American naval hero buried in the crypt of the Academy chapel. It was my pleasure to participate in a presentation in which Professor Gabriele dedicated the march to the very fine U.S. Naval Academy Band and its excellent leader-director, Lt. Comdr. Allen E. Beck.

Mr. Speaker, it is indeed fortunate that the medium of music will help perpetuate our national pride for John Paul Jones.●

THE MATTER OF MAX HUGEL

HON. DENNIS M. HERTEL

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. HERTEL. Mr. Speaker, an editorial in last Friday's Detroit News discusses the Reagan administrations appointment of Max Hugel to the CIA.

I would like to share this editorial with my colleagues:

[From the Detroit News, July 17, 1981]

THE MATTER OF MAX HUGEL

The resignation of Max Hugel as deputy director for operations for the Central Intelligence Agency (CIA) doesn't end the controversy surrounding his appointment.

Allegations that Mr. Hugel engaged in fraudulent securities transactions as a businessman in the 1970s are embarrassing enough. But how does CIA Director William Casey (also accused of financial indiscretions) explain the appointment of a man with no professional intelligence experience to direct the CIA's clandestine operations division?

Mr. Casey is supposed to have recruited Mr. Hugel, a Reagan campaign operative, believing that his unorthodox style was suited to rebuilding the service. He further reasoned that Mr. Hugel's business connections would assist in developing commercial covers for American intelligence agents operating overseas.

But the professional intelligence community was wary of Mr. Hugel from the beginning. As the CIA's "spymaster," he was responsible for the recruitment of overseas agents, counterintelligence operations, psychological warfare, and the dissemination of information by the agency in foreign lands. The position had always been held by a seasoned professional.

Fortunately, that description aptly fits John Stein, the newly appointed deputy director whose 20 years of experience has won high praise from colleagues and congressional leaders alike. His selection places the division in capable hands.

Yet the question remains how Max Hugel received the job in the first place. While it is an immutable law of politics that campaign staffers receive government posts in exchange for services rendered, it has been customary to pick the best talent available for such a sensitive post.

The White House has reason to be concerned about Mr. Casey's fumble.●

THE LENT SUBSTITUTE TO H.R. 1311, THE NATIONAL TOURISM POLICY ACT

HON. DAVID F. EMERY

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. EMERY. Mr. Speaker, I rise today in support of the Lent substitute to H.R. 1311, the National Tourism Policy Act. This legislation is an honest bipartisan effort to spur an aggressive national tourism policy, and I urge my colleagues, especially those who represent districts where the tourism industry plays a key economic role, to do the same.

In the State of Maine, for example, recently released employment information generated by the Department of Labor and analyzed by the U.S. Travel Data Center, reflects the tourism industry as the No. 1 employer compared to other Maine industries. Many other States in the Nation boast similar statistics and this fact, in my opinion, warrants an effort to create a more comprehensive and effective tourism policy. How better to capitalize on this obviously important ingredient to our economic stability? The Lent substitute offers the needed alternative.

Too long the U.S. Travel Service has played an ineffective role in shaping tourism policy in this country. Officials charged with the responsibility of attracting foreigners to our shores are in dire need of an upgraded image within the Department of Commerce. This bipartisan proposal changes the name of the U.S. Travel Service to the U.S. Travel and Tourism Administration, and upgrades its administrator to an Under Secretary.

Keeping in line with the President's budget philosophy, the time has come to replace inefficiency with an efficient and necessary organization, to replace the U.S. Travel Service with the U.S. Travel and Tourism Administration. Furthermore, I would like to point out that this proposal is consistent with the administration's budget request of approximately $6.5 million.

Again, I urge my colleagues on both sides of the floor to support and vote for this important bill.●

PRESERVING THE INTEGRITY OF THE CIVIL SERVICE RETIREMENT SYSTEM

HON. FRANK R. WOLF

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. WOLF. Mr. Speaker, as a member of the House Post Office and Civil Service Committee I have attempted to foster and promote the soundness of the civil service retirement system and insure its integrity. I have long felt that our commitment to career employees in their retirement years must be honored, for the retirement program is an integral part of the whole civil service system from recruitment and appointment through the close of a career of service.

The issue before us today focuses on our determination to preserve the long-range value of Federal civil service.

On two occasions this year I joined with fellow Republicans of our committee, under the able leadership of ranking minority member, EDWARD J. DERWINSKI, petitioning the administration to come forward with a commitment to oppose any future merger or consolidation of civil service retirement with social security.

In addition, I have personally lobbied the administration to come forth and oppose efforts to undermine the retirement system in the future. In response to these petitions, I am pleased to report that the administration has made a public comment and commitment that it opposes mandatory social security coverage for Government workers. I would like to quote at this point in the RECORD a portion of the letter which I received from Max L. Friedersdorf:

I just wanted to assure you that the President explicitly decided that sound National Retirement Policy requires that these two funds be maintained as separate entities.

BACKGROUND

Universal coverage—a proposal to require the enrollment of Federal, State, and local government employees under the social security system—is a proposal which has surfaced periodically since 1936. A number of bills establishing universal coverage in various forms were introduced; however, none of these measures were enacted.

Here are a few of the reasons why I oppose compulsory social security coverage for Federal employees.

Civil service retirement is a contributory benefit of Federal employment. The U.S. Government, as employer, enters a contractural obligation with its employees to share the cost of providing the employee an annuity, upon retirement, based on the length of service and earnings. Universal coverage would violate this contractual agreement by altering both the formula and the benefit calculations for civil service retirement.

Mandatory coverage would unjustly penalize Federal workers who have contributed to and vested in the civil service retirement system.

The inclusion of 2.8 million Federal employees would expand the social security base of contribution by a mere 5 percent in the short run but would mean more eligible beneficiaries in the long run, at a cost which would far exceed the revenues gained.

The Government's cost of administering and funding a jointly coordinated system of retirement and insurance—paying both Federal and postal retirees and their survivors their present benefits while continuing to meet the old-age, survivors, disability, and medical insurance obligations of those presently under the system—would add tremendous cost to the already financially troubled social security system.

Destruction of a fine civil service retirement system would not help the social security program. The merger would cost the taxpayers more, not less.

Social security is an income maintenance program, not a retirement plan, and its benefits were intended to be supplemented by a private pension and/or additional income. It was also designed to provide a broad range of support to the elderly, disabled, survivors' beneficiaries, and medically indigent.

Civil service retirement is an earned annuity, keyed to length of service and earnings. It was intended to provide an adequate retirement income; it was not intended or designed to provide the additional social insurance benefits offered by social security.

The civil service retirement and social security system cannot be effectively integrated because of the inher-

ent differences between the two systems.

Civil service retirement has been a useful tool in recruiting and retaining qualified employees for Federal service. Although pay caps imposed by a series of successive administrations have had the effect of depressing Federal salaries, a sound and viable retirement system has encouraged many workers to stay in Government service.

Universal coverage would rob Federal managers of a valuable tool in personnel management.

Finally, charges that universal coverage would eliminate "disparities" between civil service and other pension benefits are unfounded.

Recent statistics from the Bureau of Retirement and Insurance prove that the pensions of Federal retirees and their survivors are not excessive and do not surpass those of private-sector employees.

As one who represents a congressional district with a high concentration of Federal workers and retirees, I maintain a high degree of interest and concern over Federal personnel problems and policies. I am pleased that the President shares my view on the wisdom and necessity of maintaining the integrity and independence of the Federal civil service retirement fund.

Mr. Speaker, I insert the text of my April 20 letter to the President, the June 4 letter from the Republican delegation of the House Post Office and Civil Service Committee, and the White House reply at this point in the RECORD:

HOUSE OF REPRESENTATIVES,
Washington, D.C., April 20, 1981.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I concur with the recommendation of my fellow Republicans on the House Committee on Post Office and Civil Service that your Administration not extend mandatory Social Security coverage to Federal employees.

The issue of including Federal employees within the Social Security Retirement System has been considered frequently over the years. Eight times since 1938, Congress has considered and rejected the idea of universal Social Security coverage. In 1977, the Universal Social Security Coverage Study Group concluded a merger of the two systems would not result in any cost savings to the government, in fact, under one option, there would be an increase.

Also, the Congressional Budget Office, in its February, 1981 report, "Pay for Social Security: Funding Options for the Near Term" commented on the option, advanced by the 1979 Advisory Council on Social Security which sought to broaden coverage on an incremental basis; "The Advisory Council's recommendations do not address the administratively complex questions of integrating the two retirement systems' benefit contribution rates. Nor do they consider the potential effects of the Civil Service Retirement fund. With assets exceeding $70 billion in 1981, the Civil Service Retirement fund now appears strong. But without compensatory revenue provisions, incorporating civil service workers into Social Security would diminish the Civil Service Retirement fund's income. The effect of implementing this option would be to transfer part of Social Security's current problem to the Civil Service Retirement System."

The Civil Service Retirement System should continue to be maintained as a contributory staff retirement system, as it was originally conceived. To do otherwise is to ignore a long-standing commitment to Federal employees.

During these times when economic conditions suggest budgetary restraint, you have my support to the maximum extent possible in your efforts to control federal spending. I intend to work with your administration to address the financial problems with the Social Security System. I question, however, whether merger of the Civil Service Retirement System with the Social Security System would have a long-term impact on the financial health of the Social Security program.

Sincerely,

FRANK R. WOLF,
Member of Congress.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., June 4, 1981.

Hon. RONALD REAGAN,
Office of the President,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: As the designate spokesman for Republican members of the Post Office and Civil Service Committee and colleagues with a high degree of interest in Federal personnel problems and policies, I am convinced you share our view on the wisdom and necessity of maintaining the integrity and independence of the Federal Civil Service Retirement Fund. We sincerely hope you will publicly affirm and endorse that position.

Federal employees and annuitants assign a high priority to the retention of an unfettered Civil Service Retirement Fund. For that reason, we think it would be highly advantageous for you to make a commitment disavowing any interest in merging the fund with Social Security. It would represent a positive gesture that your Administration is providing Federal employees and annuitants with long-range protection of the Civil Service Retirement Fund.

A White House statement on this issue would make it absolutely clear that your Administration has no intention of reneging on what amounts to a contractual agreement with Federal employees on their retirement security.

Sincerely yours,

Frank R. Wolf, Marjorie S. Holt, Daniel B. Crane, Charles Pashayan, Jr., Tom Corcoran, Edward J. Derwinski, Benjamin A. Gilman, Stan Parris, Gene Taylor, James Courter, Members of Congress.

THE WHITE HOUSE,
Washington, D.C., July 22, 1981.

Hon. FRANK WOLF,
House of Representatives,
Washington, D.C.

DEAR FRANK: This is to clarify our response regarding your continued concerns about the independence of the Federal Civil Service Retirement Fund and the Social Security trust funds, and to assure you that the President explicitly decided that sound national retirement policy requires that these funds be maintained as separate entities.

Please know that we very much appreciate your active interest on behalf of Federal employees and their retirement security. I hope you will not hesitate to contact me should you have any further questions concerning the Federal Civil Service Retirement Fund or the Social Security trust funds.

With cordial regard, I am

Sincerely,

MAX L. FRIEDERSDORF,
Assistant to the President.●

THE UNITED STATES IS STILL THE GREATEST NATION IN THE WORLD

HON. FREDERICK W. RICHMOND

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. RICHMOND. Mr. Speaker, I am sure that my colleagues will all find some thoughtful and thought-provoking comments in a recent speech by Mr. Frank Gard Jameson, chairman of the board of Glenair, Inc., a company that manufacturers airplane parts; and chairman of the board of the Freedom Foundation, a chairmanship he took over when President Eisenhower died.

In his address to the Rotary Club in Los Angeles, Calif., on June 12, 1981, Mr. Jameson took as his theme: "The United States Is Still The Greatest Nation In The World." However, Mr. Jameson's text contains a dismal litany of problems, including decline in U.S. military strength, as well as decline in U.S. economic, industrial, and technical power.

In addition, drawing heavily upon statistics and opinions of Gen. Alton D. Slay, former Commander of the Air Force Systems Command, Mr. Jameson paints a frightening picture of our "national industrial resource and productivity disease."

I am placing in the CONGRESSIONAL RECORD excerpts from Mr. Jameson's most impressive compilation of the problems now confronting our Nation, its industries and, especially, the Congress.

While I do not necessarily agree with every one of Mr. Jameson's statistics and comments, I believe my colleagues will be both interested and challenged by his presentation of the facts and his conclusions.

Excerpts from the address follow:

. . . When an industrialist who makes military hardware says he's going to talk about "decline", it's only natural that his audience would automatically expect him to talk about "military decline".

I'm not going to talk about our military decline at all.

I'm not going to talk about the fact that the overpowering strategic nuclear power

edge we had over the Soviet Union fifteen years ago has vanished.

I'm not going to tell you that during the last decade our armed forces' strength declined 40 percent, while Soviet armed forces strength grew by 25 percent.

I'm not going to mention the fact that during the 1970s, Soviet spending on things related to military research and development, military weapon systems acquisition, and military facilities, exceeded that which we spent on those things by $240 billion dollars.

Nor will I hint at the fact that last year the Soviets spent $50 billion more on these items than did we—an amount larger than the total Army, Navy, or Air Force budget.

I won't burden you down with the statistic that the Soviets now have three times as many engineers engaged in military research and development as do we, nor with the fact that they are graduating six times the number of engineers each year that we do.

And I won't even allude to the fact that the military equipment these engineers are designing is highly sophisticated, reliable and effective, or to the fact that the Soviets are efficient producers and their factories are modern and well equipped.

I do not intend to tell you that they are currently outproducing us in every single aspect of military weapon production.

And I won't try to support such a statement by telling you about the fact that they now outproduce us eleven and one-half to one in armored vehicles and artillery tubes; 18 to 1 in surface-to-air missiles; three to one in attack helicopters; and two to one in submarines, naval surface combatant ships, and tactical fighter aircraft.

Also, I won't try to make anything at all out of the fact that they've introduced three totally new types of ICBMs since we introduced our last one—the Minuteman III—over ten years ago;

And I won't expose the fact that they have deployed over 600 new ICBMs since we deployed our last minuteman III five years ago.

Nor will I trouble you with the fact that they have commissioned over 60 new ballistic missile subs since we commissioned our last Poseidon sub thirteen years ago; nor even with the fact that they're building 30 bombers every year and have built almost 600 bombers since we built our last B-52 twenty years ago.

I won't talk about any of those things today.

But I will talk about another type of decline—the decline of our economic, industrial, and technical power, relative to the rest of the world.

Now any rational discussion of a war has to include, as the very first consideration, the identity of the enemy, you just can't have a war without an enemy.

I have, for years, in all my talks quoted a possum—Pogo of the comic strips:

"We have met the enemy, and he is us".

Today, through our own folly and bad habits, we have contracted a disease—a particularly virulent disease, which is rapidly sapping our strength; a disease that continues to spread because we have lacked the will to combat it.

I speak of our national industrial resource and productivity disease.

I want to talk about the resource part of that disease first.

In past times, we in the United States, have always been proud to believe and to proclaim that we were basically a self-sufficient nation.

The bright side of the coin is agriculture, one farmworker—and that means a farmer, a family helper, or a hired farm worker, feeds 68 people; of those, 48 are in the U.S., and 20 overseas. If you want another comparison, each African and Asian farmer produces an average of 4,409 pounds of raw food products; Russian farmers, 33,059; European farmers, 35,274; and U.S. farmers, 375,000. . . . Here in America . . . this one great industry . . . feeds not only us, but the world, and provides our country with 50 billion dollars worth of foreign exchange to offset some of our 100 billion dollars in oil purchases.

The case for our agricultural self-sufficiency is still strong, but that is the only case that can be made, the OPEC oil embargo showed us all, through long gas lines, just exactly how insufficient we are in that important area, and when we look at our non-fuel minerals position today, the self-sufficiency myth is completely destroyed. In terms of many essential non-fuel minerals, the U.S. is a "have not" nation. . . .

Consider, if you will, the strategic implications of the following dirty dozen facts:

Fact One: We had to import over 25 billion dollars worth of non-fuel minerals last year.

Fact Two: Today, the U.S. is more than 50 percent dependent on foreign sources for 23 of the 40 essential non-fuel minerals we use in the United States: And almost totally import dependent for 12 of the most critical of these; and many of these essential minerals come exclusively from very unstable areas of the world.

And a corollary fact: The Soviet Union is totally independent on foreign sources for all but five of these 40 essential minerals and in none of those 5 are they 50% dependent.

Fact Three: Much of the world's production and reserves of a number of our critical materials are located in two areas of the world: Siberia and Southern Africa. These two areas contain 99 percent of the world's reserves of platinum group metals; 80 percent of the world's manganese ore; 97 percent of the world's vanadium; 96 percent of the world's chrome; 87 percent of the world's diamonds; 60 percent of the world's vermiculite; and 50 percent of the world's fluorspar, iron ore, asbestos, and uranium. Zaire and Zambia alone have 52% of the world's supply of cobalt and currently provide 65 percent of the world's needs and 90 percent of our needs.

Fact Four: OPEC controls only 52 percent of the world's oil supply and the power of that cartel needs no commentary. It is awesome. Third world non-fuel mineral cartels, based on the OPEC example, are brewing. We have already heard strident calls for a "new international economic order" and for the "right to nationalize, expropriate, or transfer ownership of foreign property." In many countries "foreign property" means mines and mineral deposits.

Fact Five: In 1973, in Prague, Leonid Brezhnev made the following comment to Siad Barre, President of Somalia, and I quote:

"Our aim is to gain control of the two great treasure houses on which the West depends. The energy treasure house of the Persian Gulf and the mineral treasure house of Central and Southern Africa." Think what's happened since. Five nations in Central and Southern Africa and about that number in the General Persian Gulf area already under heavy soviet influence or control.

Fact Six: Our national stockpile is grossly deficient in many of these essential minerals—in fact, we are below established goals in 37 critical materials: This shortage amounts to $11 billion or 61% of the desired inventory of $18 billion. And no purchases have been made to add to the stockpile in over 20 years.

Fact Seven: The U.S. could substantially reduce its dependence on foreign sources for raw material through expansion of domestic sources for cobalt, bauxite, chromium, platinum, zinc, fluorspar, gold, nickel, titanium, and many others. And every pound of productive capacity reduces the stockpile requirement by 3 pounds.

Fact Eight: It takes up to 10 years to develop and bring a mineral deposit into production without any federal constraints: But we do have many federal constraints to mining—80 different federal laws administered by 20 different federal agencies constrain mineral exploration and mining operations in the United States.

Fact Nine: As a result of these laws, over 75 percent of the public land in the United States has either been withdrawn or severely restricted from mining and mineral exploration—most of it in the last few years. This equates to an area the size of the entire United States east of the Mississippi River.

And most of that withdrawn land is in the most heavily mineralized areas of the country.

Fact 10: Even when we have adequate supplies of basic materials from friendly sources, we often don't have enough processing capacity. Titanium is a good example of that problem. We have only three companies in the U.S. which process titanium ore and, at maximum capacity, they still fall 20% short of domestic demand.

Fact 11: Moving up to the next industrial echelon, we find another capacity problem. There are, for instance, only three remaining U.S. suppliers of large forgings—the kind we need for aircraft landing gear and engine components. Literally hundreds of foundries were closed in the mid-1970s as a result of very ambitious OSHA/EPA rule making. Those which were able to stay alive had to make substantial investments in anti-pollution equipment which generally did nothing to improve their productivity—51 have closed just in the last two years.

Fact 12: This shrinking industrial base, coupled with increasing demand, not only nationally, but worldwide, for scarce materials, and products made from these materials has resulted in greatly lengthened lead times—as much as 200%—and greatly escalated costs—as much as 300 percent price rise in just the last two years.

Let's switch gears a bit away from resources to the productivity part of our disease.

The United States is dead last in productivity growth rate of all industrialized western nations and our productivity growth rate continues to decline.

According to the Bureau of Labor statistics, while Japan's rate has been increasing annually at almost 8%, and West Germany's at almost 5% for the past 20 years, the United States has been limping along at an average growth rate of 1.5% over that period.

But that's an average. Last year, we had a negative growth rate of 8/10ths of 1%. In other words, we didn't grow at all—our rate went down, not up.

And, based on data through September, it looks now as if we'll see another negative growth rate this year.

If, in the 1970s, we had maintained the 3 percent productivity growth rate we had in the early 1960s, real U.S. output would now be $400 billion higher. Think of the additional jobs that would have generated.

During that same decade, if we had kept a 3% growth rate our exports would have been about $125 billion higher. That alone would have generated over 2 million additional jobs.

There are a lot of reasons for our productivity decline.

One of the most important is low capital investment in modern plant and equipment, and low amounts spent for research and development.

Today the average U.S. plant is 20 years old—eight years older than the equivalent German plant and more than 10 years older than the equivalent Japanese plant.

The U.S. is dead last among industrial countries in investment in new and modern equipment as a percent of the gross national product.

Furthermore, a significant share of the capital investment that has been made in recent years has been for the installation of pollution abatement and health and safety equipment which do not contribute to productivity.

There is a similar picture in R&D investment.

The ratio of our national R&D expenditures to GNP has decreased nearly 24 percent in the last 15 years and much of today's R&D is spent to comply with government regulations—in some industries compliance R&D approaches 40 percent of the total amount spent.

A good indicator of the tangible output of a country's research and development is the number of patents granted. Of the total number of U.S. patents granted in the past 20 years, the percent granted to foreigners has steadily increased from 17 percent in 1960 to 38 percent of the total today.

Another reason for our productivity decline is poor quality of much of the output of our industry.

Poor quality and poor productivity are costing every man, woman and child in the U.S. It's costing the Department of Defense dearly in military preparedness; it's costing American industry dearly in profit and reputation; and it's costing the country dearly in international trade.

In 1960, we imported only 5 percent of our consumer electronic goods. Today we import 51 percent.

In 1960, we imported only 4 percent of our automobiles. Today we import 27 percent.

In 1960, we imported only 3 percent of our metal forming machine tools. Today we import 25 percent.

In 1960, we imported only a fraction of 1 percent of our electrical components. Today we import over 20 percent.

In 1960, we imported only 2 percent of our industrial chemicals. Today we import 20 percent.

In 1960, we imported only 4 percent of our steel, today we import 14 percent.

Those losses mean lost jobs, lost profits, lost taxes, lost opportunity.

Last year our balance of payments for merchandise was $29.5 billion in the red. For the first half of this year, we were $18.5 billion in the red. Oil imports generally get blamed for these deficits, but Japan and West Germany import all of their oil and yet they have a strong surplus of exports over imports. Why are they so different? We're losing our markets overseas, and at home, because we are failing to put out enough high quality products at a competitive price.

Foreign nations are now setting world productivity and quality standards—not the U.S.; and Japan is the leader.

Many people I've talked to about this Japanese phenomenon assert that the reason is the Japanese worker: That he is somehow different from his American counterpart and that we could never achieve the degree of dedication to quality that we see in Japan. That's pure hogwash. The American worker only needs leadership toward quality—it's our management that's failing.

Look at the many cases where businesses in the United States were failing or faltering and Japanese businessmen entered with the key ingredients—leadership, capital from Japan, and attitude—modernized and turned things around.

Look at Quasar, Sanyo, Sony of America, for instance; the facts are clear—remarkable yield improvements—40 to 1 at Quasar for instance—this record achieved with American workers—not Japanese.

In 1976, Sanyo Electric bought a TV manufacturing plant in Arkansas from an American producer. In less than four years they slashed the post delivery failure rate from ten percent to less than two percent. Again, the workforce is American.

In 1972, Sony Corporation set up a consumer electronics plant near San Diego. Today that plant holds the worldwide Sony record for quality—over 200 manufacturing days without a major defect.

Honda of America at Marysville, Ohio didn't have a customer complaint all last year.

"Well interesting," you say; "But what, pray tell, does all this portend?" I'm glad you asked.

For one thing, it portends absolutely nothing good for our economy—unless we get off our backsides.

Just look what Datsun, Toyota and Honda have already done to our automobile industry. And the fault is ours—not Japan's—we did it to ourselves. The Japanese merely stepped into a great market/void—quality autos at a reasonable price.

We pioneered that industry and had a hammer lock on it until a few years ago. But last year, Japan produced more automobiles and more trucks than we did. And in the past ten years, their share of the U.S. market has jumped from 3.7% to almost 20%. And, as I said earlier, the total foreign share of the U.S. auto market now stands at a whopping 27%!

Have you seen the TV ad that shows the "Official" auto of the U.S. Olympic Team? Ford? Chevy? Wrong!! Subaru!

And consider the implications of the recent action of the Ford Motor Company in closing their Mahwah manufacturing facility in New Jersey—idling 5,000 workers—because of, according to the Wall Street Journal, "bad quality".

Consider . . . if you will, the implications for defense of a sick and moribund automotive industry. I can't think of an industry more important to defense than our auto industry—unless it's our electronic industry.

And there's another black spot. Our electronic industry is fast being surpassed by the Japanese. For instance, they gained a toehold in the world's semiconductor markets a few years ago and now seem bound and determined to take it over. They now enjoy 41 percent of the world market in a key component of modern computers—a 16 kilobit random access memory chip.

Why? A combination of high productivity, reasonable price, and high quality.

Hewlett-Packard—an American electronics firm—recently performed a study that illustrates the situation very well.

Semiconductor chips supplied by three Japanese firms were tested and compared with similar chips supplied by three U.S. firms. The failure rate of the best American model was nine times higher than the best Japanese model.

What does all this talk about chips and memory devices mean to us? For starters, we're all dependent on these devices. All of our weapon systems have computers in them—satellites, fighters, bombers, missiles—even the bombs themselves have them.

And I believe that I would be safe in saying that every household represented in this audience owns equipment containing literally dozens of these semiconductor chips—automobiles, TVs, electronic watches, clocks, microwave ovens, speaker systems, tape decks and recorders, phonographs, games, calculators, etc., etc.

I mentioned earlier that we now import over half of the consumer electronic goods sold in this country. Most of these goods come from Japan.

If trends in consumer electronics continue, a lot of a very important segment of our defense industry will dry up, and, in wartime we'll have to worry about availability of sophisticated electronics and microcircuitry for our weapons, as we now do for jewel bearings and mechanical watch movements.

What's in store? More of the same. Let me give you a few more elevator stories to worry you.

Story No. 1: There is currently a great shortage of technically educated professionals and skilled labor in the United States and the forecast is that things will get worse. For instance, the N.S.F. projects an 80% shortage of computer professionals, an 87% shortage of statistical professionals and a 47% shortage of industrial engineers by 1990.

Story No. 2: The forging industry is currently 20% short of its needs for die designers, 18% short in impression die makers, and 13% short of trim makers. They forecast that these shortages will be double to triple those figures within 10 years.

Story No. 3: The tooling and precision machining industry could hire 60,000 journeymen right now if they were available and they say that that shortage could quadruple by 1985.

Story No. 4: In our U.S. universities, foreign students comprise 40% of the total enrollment in engineering at the masters, and 47% at the doctorate degree level. We have almost 80,000 foreign students enrolled in engineering majors in this country. Our current maximum physical capacity is just over 50,000 engineering bachelor graduates per year.

Last year 45 percent of the PhDs in engineering awarded in this country went to foreign students.

Story No. 5: Japan is graduating more engineers in Japan every year than the United States, even though their population is roughly one half of ours.

Story No. 6: In Japan 20 percent of their bachelors degrees and 40 percent of their masters degrees go to engineers vs. 5 percent for engineers at each degree level in the United States.

Story No. 7: Japan is graduating 50% more electrical engineers each year than we do.

Story No. 8: Japan has more consumer electronics engineers than does the United

States and they are expanding while we are shrinking.

They are looking toward the future. We are not. We are sitting complacently on our backside, selling our enemies the rope to hang us with.

I guess what I've been saying to you for the last few minutes is that, in my opinion, we are well on our way toward becoming a second-rate industrial power. That concerns me deeply and it should concern everyone in this audience, and for that matter, everyone in this country.

It is a gross contradiction to think that we can maintain our position as a first-rate military power with a second-rate industrial base. It's never been done in the history of the modern world.

I've talked about some of the direct causes for this sorry situation—poor productivity and quality, strategic minerals availability, a failing educational system, etc. But I haven't yet discussed the underlying root cases. They aren't new. They've been germinating and maturing for a long time.

A complacement, short-term planning, short-term profit oriented industry is one basic cause.

Too little competition in some areas, too much in others is another.

Attractiveness of investment in places like Korea, Ireland, Mexico and the Philippines versus investment at home is still another.

A penchant for liberal arts instead of engineering at too many of our universities is one more.

Too many restrictions and too many negative incentives for investment in mining and modern plant and equipment is certainly a basic cause.

Government over-regulation;

Repressive profit, depreciation and tax policies;

Repressive inflation and interest rates;

On-again, off-again defense budgets; to name just a few disincentives to investment for which Government is mainly responsible.

The biggest question in the world today is whether or not you and I and the other 230 million Americans, care enough for our children's and grandchildren's future, to work every day as hard as we can to change the national attitude, or will we just allow our forefathers dreams to sink like the Titanic as we sit about rearranging the deck chairs, waiting for others to save us. Twenty-three nations before us have lost the political and economic leadership of the world—from Egypt, Greece and Rome, to Germany, Spain, Holland and England. . . .

Is there hope? There is a lot more than hope. This is still the most productive, most powerful nation in the world. Instead of tying Americans down—turn them loose with proper incentives. If U.S. Steel, General Motors, even Chrysler, had the same incentives Japanese and German manufacturers had, we could positively go by them so fast it would look like they were standing still. We are the largest consumer in the world and if we just tucked in our fat gut, instead of spending the inheritance left by our working ancestors and borrowing recklessly from our future citizens, we could bring any nation in the world to its knees economically.

We should tell the Japanese—not ask them—to voluntarily bring our balance of payments into neutral within a year or we would do it for them with laws they certainly would not like.

Instead of rescuing industries with government money after they fail, we should give them the same tools—low interest loans, help in the foreign marketplace, and power that foreign companies have. . . .

What's to be done? Obviously most of these factors are not within the province of most of you Rotarians, and we can do little directly to change them. But there are a few things that we can do and I'll tell you about some of the things I've started.

I talk or write to at least one government official per day. . . .

Explain to people that we must pay for our past mistakes. The country was built on cheap energy, low interest rates and hard work. We must take our medicine, tighten our belts and show the same resolve that our forefathers did. . . .

Take the time to write to the editor or news commentator. . . .

Go to meetings of other groups and let them know how you feel.

In other words, get more active so that you can be one of those to help save America before it is too late.

There are three kinds of people—those that make things happen—those that watch things happen—and those that just sit back and say, "What happened?" Be sure you are in the first group.

Much of the material for this talk was taken from a speech given by my good friend, Four-Star General Alton D. Slay, who was Commander of the Air Force Systems Command, until recently, and given at the Dallas Council on World Affairs. General Slay has given me permission to use his material, without direct attribution, however, I do want to give him full credit for his work.●

NEED TO REFORM THE FOOD STAMP PROGRAM

HON. JOHN H. ROUSSELOT
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. ROUSSELOT. Mr. Speaker, it is my strong belief that the food stamp program needs a complete, thorough and prudential reform. Food stamp costs have doubled in the past 3 years and 1 out of 10 Americans (22 million people) now participates in the program.

The original purpose of the food stamp program was to insure adequate nutrition for America's needy families. It was to supplement, not supplant. As it was originally conceived and operated, the program was designed to make sure that a given percentage of a family's income went for food. The combined effect of the current prospective income test and the large deductions from income has been to divert the food stamp program away from its original purpose and toward a generalized income transfer program, regardless of nutritional need. It is rather apparent to me that this program has been grossly liberalized, inadequately monitored and, as a result, has grown completely out of proportion from its origin. By restructuring food stamps to complement other nutrition programs and by targeting funds to those whose low income prevents them from maintaining an adequate diet, significant savings can be achieved while making certain that needy families have the resources to meet their nutritional needs.

The Gramm-Latta amendment to the House reconciliation bill, H.R. 3982, adopted benefit and eligibility changes to eliminate high income recipients and to assure that income is fully, accurately, and promptly reported.

THE GRAMM-LATTA PROPOSAL

First. Establishes a gross income eligibility limit of 130 percent of the poverty level (about $11,000 for a family of four);

Second. Restricts the expansion of income disregards and deductions which excessively inflate benefit levels;

Third. Prorates first month benefits to the actual period for which a recipient is certified; and

Fourth. Uses retrospective income accounting and other measures to limit fraud and abuse.

These changes are necessary to achieve substantial food stamp savings now and in the future ($1.9 billion in fiscal year 1982; $2.5 billion in fiscal year 1984) while maintaining the safety net for truly needy people.

I remind my colleagues that they will be voting on the approval of the conference report on the omnibus reconciliation savings bill, the fiscal year 1982 agriculture appropriations bill, as well as the omnibus farm bill reauthorizing the food stamp program. I would like to urge that they keep in mind the text of over 100 letters I have received from individual, concerned taxpayers from the 26th Congressional District of California. The time is now, Mr. Speaker, to reform the food stamp program in the true sense—reform that will concentrate on and help those who really need it and not on the people who are of adequate income and able to purchase sufficient food for their families. I cannot word it better than my constituents:

I'm one of the 9 out of every 10 Americans who pays for the food my family eats. I estimate that I spend ($125) per week on groceries.

I'm not a rich person. However, I am a hard-working taxpaying one. And I want you to know that I pay for my food with cash. I do not use food stamps and I'm proud of it.

Frankly, I feel that spending $11 billion a year to feed 1 out of every 10 Americans with food stamps indicates that this Government handout is being given to other than the truly needy. And that this is a shameful and dangerously expensive waste of my tax dollars.

As one of your constituents, I urge you to support major reforms of the food stamp program. I'll be watching to see how you vote.●

THE HISTORY OF LEXINGTON, MO.

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. SKELTON. Mr. Speaker, the history of my hometown of Lexington, Mo., has been compiled by a friend of mine, Rev. Donald S. Lintvet. His work on one of America's most historic communities, and one of the early western settlements of our State, is truly an outstanding historic endeavor. From that history, I offer for the RECORD an excerpt which tells of Lexington during the war between the States, which is an example of the thorough research and scholarship of Reverend Lintvet:

LEXINGTON IN THE CIVIL WAR

In 1860, C. F. Jackson was elected Governor of Missouri. Abraham Lincoln had been elected President of the United States, at the same time. Governor Jackson took his seat on January 4, 1861. In his inaugural address, he maintained that "Missouri must stand by the other slave-holding states, whatever course they may pursue." In April, Fort Sumter was fired upon. President Lincoln called for 75,000 troops. Men must now decide to take sides, for or against the national sovereignty of the lawfully constituted Federal authorities. In a message to the legislature on May 3, 1861, Governor Jackson said the President's call for troops "is most unconstitutional and illegal, tending toward a consolidated despotism."

On June 11, 1861, Governor Jackson stipulated, as a vital condition of peace, that no Federal troops should be stationed in or pass through Missouri. The proposition was rejected by the Legislature, a decision which clearly reflected the division of its members into northern and southern sympathizers.

On July 30, 1861, the State convention, by a vote of 56 to 25, declared the state offices and seats in legislature vacant, by reason of their occupants being engaged in "treasonable and armed hostilities against the lawfully constituted federal authorities, and that all legislature and executive acts in pursuance of such treason or armed hostility, pretended to be done in the name and by authority of the State of Missouri, were null and void." On July 31, 1861, Lt. Governor Reynolds, whose office had been declared vacant by the state convention, issued a proclamation which said, in part: ". . . The road to peace and internal security is only through union with the south. Rally to the stars and bars, in union with the glorious ensign of the grizzly bear." (Early in March, the confederate congress had adopted the "stars and bars" as the flag of their confederacy. The state seal of Missouri has two grizzly bear among its emblems.)

On August 30, 1861, General Fremont issued a general order proclaiming martial law, in Missouri. The property of all persons who had taken up arms against the United States was declared to be confiscated, and "their slaves to be free men." (President Lincoln at once annulled this last clause.)

Governor Jackson had appropriated the school fund of the State of Missouri to the arming and equipping of the state troops. To checkmate this action by the Governor, General Fremont, the Federal commander, in Missouri, ordered the funds of certain banks be sent to St. Louis, not for use of federal authorities, but to prevent their being employed to aid the forces of Governor Jackson and General Price. A Lt. Col. H. M. Day was, on September 7, 1861, directed by his commanding officer, T. A. Marshall, at Lexington, to "proceed, without delay, with one company, to take possession of the money in the State Bank of Lexington, and give your receipt for it, and a copy of this order."

Mr. Morrison, then one of the directors of the bank, later with Morrison-Wentworth Bank, stated he had buried the funds, but these were soon surrendered. The cashier, Mr. C. R. Morehead, was afterward censured and dismissed from the service of the bank for being the informant, but he declared his innocence.

The funds taken by Col. Marshall, amounted to $960,159.60, of which $165,650.60 was in gold. Col. Day gave the following receipt:

"Received at Lexington, Missouri, 7th September, 1861, of the Farmer's Bank of Missouri, at Lexington, seven boxes of American gold coin, marked and said to contain each, $20,000, and numbered from 1 to 7 inclusive. Also, one box of foreign and California coin, marked and said to contain $10,659.60; also three bags said to contain $5,000 each, amounting in all by the above estimate, to $165,659.60; also, seven cases of bank note circulation, being the circulation of the Farmer's Bank of Missouri, at Lexington, numbered and said to contain as follows and thus marked: "No. 1, $50,000; No. 2, $50,000; No. 3, $50,000; No. 4, $74,000; No. 5, $100,000; No. 6, $200,000; No. 7, $270,500. Total amount of bank notes circulation being, according to the above estimate, $794,500."

H. M. DAY,
Lt. Col., 1st Cav. Regt., Ill. Vols., USA.

On September 13, 1861, the siege of Lexington was commenced by General Sterling Price. His force had been variously estimated from 22,000 to 28,000, with 13 cannon. Colonel Mulligan, commanding Federal forces, had 2,780 troops, six brass cannon, two howitzers, and forty rounds of ammunition. On September 17th, there was a skirmish at Blue Mills Landing, or Missouri Bottom, in Clay County. A body of Confederates, variously estimated at 600 to 1,000 men, were on their way to join Price, at Lexington. Being pursued by a body of 700 Iowa and Missouri Unionist volunteers, they laid in ambush and were attacked. The Federals lost 16 killed and 80 wounded. The Confederates lost 10 killed and 60 wounded, repulsed their assailants, and then crossed over to Blue Mills, in Jackson County, on the south side of the Missouri, and marched on to Lexington.

The main Battle of Lexington was fought September 18th and 19th. On September 20th, Colonel Mulligan surrendered. General Price honorably recognized the pluck and splendid heroism of his opponents, who were out of both provisions and ammunition and, for two days, had no water except the night dews which settled in their blankets and was wrung out into camp dishes in the morning. He released the privates on parole, but retained the officers as prisoners. Of the Federals, 42 were killed and 108 wounded. General Price reported 25 killed and 72 wounded, from his regular muster rolls. However, nearly half the men there with him were not formally enrolled as soldiers, thus the losses among them could never be accurately ascertained although they were known to have been heavy.

On September 27th, General Fremont left St. Louis with an army of 15,000 infantry, 5,000 cavalry, and 86 pieces of artillery, in pursuit of Price. But Price was too good a general to be caught at a disadvantage and skillfully managed to lead the Federals on wild goose chases all over southern Missouri. Fremonts generals; Hunter, Pope, Siegel, Asboth and McKinstry, commanded some 38,789 men, all of whom seemed to be looking for Price, to give him battle, but he wasn't ready. Instead, he decoyed them into many a long and fruitless march. On October 16th, Lexington was recaptured by a Major White, who released Union prisoners, including two colonels of Mulligan's brigade.

On December 15th, General Pope captured 300 recruits and 70 wagons loaded with supplies going from Lexington to join General Price, who was then at Osceola with 8,000 men. Then followed a series of battles dating from December 18, 1861 to October 28, 1864. Among these battles was the Battle of Pea Ridge, in Arkansas, on March 7-8, 1862, a battle fought by the Confederates to regain a foothold in Missouri, thus it properly belongs to the history of Missouri military operations. The Federal losses were: 203 killed, 972 wounded, 176 missing. The Confederates lost: 1,100 killed, 2,500 wounded and 1,600 taken prisoner. Confederate Generals McCullock and McIntosh were killed and General Buckner was captured.

On October 28, 1864, General Price made another stand at Newtonia, in Newton County, and had a sharp fight with the Federals, but was defeated and escaped into Arkansas. This was the last encounter, that can be called a "battle", within the boundaries of our State.

Colonel Mulligan, after his release, reorganized his regiment and was sent east, where he took part in several battles or skirmishes in western and northern Virginia. He was wounded July 24, 1864 at the battle of Kernstown, near Winchester, and died of his wounds two days thereafter. His wife's brother, Lt. James H. Nugent, was killed while carrying him off the field.●

AMERICAN-BORN PROFESSOR SENTENCED TO SOVIET HARD LABOR CAMP

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. DERWINSKI. Mr. Speaker, according to various underground sources from behind the Iron Curtain, Vytautas Skuodis, also known as Benedict Scott, an American-born Lithuanian geologist claiming American citizenship has been serving a 7-year sentence since December 1980 in a Mordovian prison camp. As of June 15, 1981, Skuodis began a hunger strike protesting the illegal occupation of the Lithuanians by the Soviets and their denial of his American citizenship.

Skuodis was born in Chicago and baptized at Our Lady of Vilnas Church, 2337 West 23d Place, Chicago, Ill. In the 1930's he left for Lithuania.

However, following the end of World War II in the early 1940's Vytautas Skuodis still in Lithuania was caught in the illegal Soviet occupation of Lithuania. Since that time he has been denied his American citizenship by Soviet authorities.

This blatant denial by Soviet authorities to openly ignore Skuodis' American citizenship clearly demonstrates to the free world the Soviet's total lack of respect for human dignity and complete disregard for the basic rights that a political opponent dissenting against the authoritative political machine of Moscow must face.

A more complete biography of Vytautas Skuodis follows:

A geologist claiming American citizenship was sentenced by a Soviet court to 7 years strict regimen camp and 5 years internal exile for "anti-Soviet agitation and propaganda".

The trial of Vytautas Skuodis, also known as Benedict Scott, who was born in Chicago, March 21, 1929, took place in Vilnius, Lithuania, December 15-22, 1980. The U.S. Consul in Moscow requested permission by the U.S.S.R. to attend the trial.

The trial is reported in the samizdat Chronicle of the Catholic Church in Lithuania No. 46, which recently was smuggled out of Soviet Lithuania to the West.

Skuodis was charged under Article 68-1 of the Lithuanian SSR Criminal Code of systematically listening to foreign radio broadcasts, of producing the samizdat journals Perspektyvos/Perspectives/ and Alma Mater, or authoring a 300-page manuscript entitled "Spiritual Genocide in Lithuania," and of writing appeals to then President Jimmy Carter and to the signatories of the Helsinki Final Act allegedly distorting the "reality of Soviet life".

The Chronicle reports that Skuodis refused legal counsel, saying his state-appointed lawyer, a member of the Communist Party, would be unable to represent him objectively, in a political trial such as his.

On October 1, 1980, he requested Soviet authorities for a lawyer from the U.S., to no avail.

During the proceedings, Skuodis defended his work "Spiritual Genocide in Lithuania" as a scientific study, not anti-Soviet propaganda. It concludes that the academic level of atheistic literature in the U.S.S.R. is very low and unscientific.

During preliminary interrogations and during the trial itself, Skuodis is said to have refused to answer questions about his involvement in samizdat activity, especially his role in Alma Mater, geared to students of the 400-year old University of Vilnius.

In a defense speech lasting six hours, Skuodis stated: "I have not transgressed against the state. There is a personal conflict between me and the Party, which places itself above the State.

"Expression of opinion on economic and political questions cannot be treated as a criminal offense. The Constitution of the U.S.S.R. guarantees every citizen the right to free expression of opinion and to criticism."

Skuodis emphasized that he was not allowed to consult with a lawyer in advance and that his notes for his own defense were confiscated and used against him by the prosecution.

The Catholic Committee for the Defense of Believers' Rights, a group of seven Roman Catholic Lithuanian priests/Lithuania is predominantly Roman Catholic/announced the day Skuodis was sentenced, that he had been accepted as the first lay member.

Sentenced with Skuodis under Article 68-1 for alleged anti-Soviet agitation and propaganda were Gintautas Iesmantas and Povilas Peceliunas.

Iesmantas, a 51-year old journalist, was convicted of writing allegedly anti-Soviet poetry, listening to foreign radio broadcasts, duplicating and disseminating samizdat, and propagating secession of Lithuania from the U.S.S.R. in his articles, mainly in Perspectives. He was sentenced to 6 years strict regimen camp and 5 years internal exile.

Povilas Peceliunas/pronounced Pech-e-LYOO-nuhs/, a 53-year old high school teacher of Lithuanian language and literature, was sentenced to 3 years strict regimen camp and 5 years exile for writing articles allegedly slandering the Soviet system and for allegedly editing Perspectives, where they appeared. The journal professes to publish articles which cannot appear in the official press.

VYTAUTAS SKUODIS—PRISONER OF CONSCIENCE—PROFILE

Family: Skuodis' wife, Irena Skuodiene, and two daughters, Giedre and Daiva Skuodyte, reside at Vandentiekio g. 44-4, Vilnius, Lithuania, U.S.S.R. His mother, Elzbieta Skuodiene, lives on Gogolio g. 65-2, Panevezys, Lithuania, U.S.S.R.

March 21, 1929: Benediktas Vitautas Scott Skodzius/Vytautas Skuodis/Born to Peter Scott Skodzium and Elizabeth Markevicitue in Chicago, Illinois/Certificate and Record of Birth Registered No. 13870. Certificate of Baptism at Our Lady of Vilna Church, 2327 W. 23rd Place, Chicago IL 60608/.

1930: Skuodis family emigrates to Lithuania.

1953: Vytautas Skuodis graduates from the University of Vilnius.

1953-69: He works in his field as a supervisor of important geological surveys and hydroelectrical projects in Lithuania, Latvia and Siberia.

1969: Joins the faculty of the University of Vilnius as a lecturer of hydrogeology and geological engineering. His scholarly articles appear in various professional journals. An environmental protection group is founded and chaired by Skuodis at the University.

November 24, 1979: KGB agents conduct an eleven-hour search at the Skuodis residence in Vilnius. Skuodis' uncompleted manuscript Spiritual Genocide in Lithuania, notes, samizdat, two typewriters and a tape-recorder are confiscated.

November 25, 1979: Skuodis issues a worldwide appeal to religious believers and offers his services to the Catholic Committee for the Defense of Believers' Rights in Lithuania. He is subjected to a three-and-a-half hour interrogation.

November 27, 1979: Security policy question Skuodis.

November 28, 1979: Skuodis claims American citizenship in an open letter to President Jimmy Carter.

November 29, 1979: Skuodis joins the Lithuanian Helsinki Group.

December 6, 1979: In an open letter to L. I. Brezhnev, Skuodis demands implementation of rights guaranteed by the Soviet Constitution.

December 31, 1979: Skuodis is dismissed from the University faculty under Article 287-3 of the Lithuanian SSR Labor Code for "amoral conduct".

January 9, 1980: The Skuodis home is searched again. After the search, Skuodis is arrested.

January 1980: The Lithuanian Helsinki Group issues an appeal to L.I. Brezhnev on behalf of Skuodis.

January 14, 1980: United Press International reports the arrest of Skuodis based on information supplied by human rights, advocate Andrei Sacharov in Moscow.

December 22, 1980: Skuodis is sentenced to 7 years strict regimen camp and 5 years internal exile under Article 68-1 of the Lithuania SSR Criminal Code for "anti-Soviet agitation and propaganda". The Catholic Committee for the Defense of Believers' Rights announces that Skuodis has been accepted as the first lay member.●

A TRIBUTE TO JOHNNY GOYEN

HON. MICKEY LELAND

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. LELAND. Mr. Speaker, I wish to pay tribute today to city of Houston Councilman Johnny Goyen, who has decided to retire from public service after 24 years of distinguished performance. I want to call to the attention of my colleagues an article from the Houston Post on July 12, 1981 by Tom Kennedy.

Johnny Goyen has served the city of Houston longer than anyone else. Houston has grown tenfold since he was first elected, and he played a significant role in that growth. Johnny Goyen is known as a friend of the policeman in Houston, a reputation that he is proud of.

Councilman Goyen has been one of the most consistently popular elected officials in the Houston area all through the years. His presence on the city council will be missed by many.

For these and many other reasons, Johnny Goyen is worthy of commendation by you, Mr. Speaker, and by all of my colleagues.

[From the Houston Post, July 12, 1981]

GOYEN PACKING AWAY 24 YEARS OF MEMORIES

(By Tom Kennedy)

As Johnny Goyen recalls his nearly 24 years around the horseshoe-shaped table where the Houston City Council makes decisions twice a week, he sometimes thinks of all he has to remember.

He remembers when he first took office in 1958, when only about 1.3 million air passengers flew through his native beloved city. That was the first year he served in elective office—after waging a campaign that cost $3,500, including the financing of two pairs of shoes.

Today those figures have multiplied by factors of 10. Houston has grown, and the man who has served on City Council longer than anyone else in history doesn't have as much fun as he did back when Houston was a city of about 800,000.

Goyen, 60, has not lost an election since the year 1941 when, as a University of Hous-

ton student before World War II he ran his first "at-large" race for the UH Student Council.

"I lost the UH election by 10 votes out of 900 cast," Goyen recalled last week, sitting at the same desk in the same office he has occupied at City Hall for 23½ years. "It taught me that it hurts to lose. I learned from that, that if you want something bad enough, put a little effort into it."

That fateful night more than 40 years ago his dear friend Jack Valenti—who would go on to become a trusted aide to President Lyndon Johnson and now serves as president of the Motion Picture Association of America—got the early returns at UH and phoned Goyen the bad news.

With that disappointment firmly implanted in his mind, Goyen, who eventually became chief clerk of the Municipal Courts in Houston, decided to run for City Council about two minutes before the 1957 midnight filing deadline.

He spent $3,500, mainly for push carts and two pairs of shoes, one black and one brown, both of which he used to walk all over town—through bowling alleys, restaurants and bank lobbies to urge people to cast their ballots for Goyen.

Goyen smiled as he recalled the memory and carefully fingered a memento of his November 1963 campaign for his Position 3 at-large seat. It was a yellowed piece of school paper addressed to "Nana," the name his two sons called him. It said, "Nana. Go . . . you will make it. Bobby."

"Now Bobby is 24 years old," the silver-haired Goyen said. "He doesn't remember when I didn't go to City Hall."

When that long-established habit ends Jan. 1, Goyen will spend full time with his real estate business, Bobby Goyen is getting his real estate license now while the older Goyen son, Johnny III, 32, is an FM radio disc jockey.

"Use to, people would ask him if he was related to Johnny Goyen the city councilman," Goyen said. "Now they ask me if I'm related to Johnny Goyen the disc jockey. It shows there's a new generation coming up. He's probably got a bigger following than I do right now."

The elder Goyen said the fun has been taken out of being a city council member, a feeling attributed mainly to what the considers needless harassment by federal officials during grand jury inquiries of recent years. At times, the veteran councilman said, it seemed he talked more with his colleagues about going to the Federal Building than about city business.

"It hasn't been the fun that it used to be," he said. "When you are called to the 'Funny Building' on matters you vote on, you wonder why you're called, and you know that you've not done anything wrong other than vote on what you think was right. That does have a tendency to take some of the fun and humor out of it."

Goyen remembers a pledge of the late Mayor Lewis Cutrer to establish expanded surface water supplies for the city in the early '60s, a commitment requiring touchy night meetings with citizens of the small towns up and down the Trinity River.

Cutrer and his councilmen, including Goyen, successfully convinced those people the establishment of Lake Livingston and Lake Conroe as surface water supplies for Houston was a decision beneficial to all concerned.

That decision and another to begin construction of Houston Intercontinental Airport during the administration of Mayor Louie Welch strike pleasant beats in Goyen's heart.

But he also recalls his undying support of Houston police officers as his greatest thrill and, alas, his greatest disappointment—one which clouds his political retirement.

Goyen always has supported the most minute cause of the police, going back to his early concern, in 1960 or thereabouts, for the comfort of patrol officers who wore scratchy, woolen shirts all year.

Back then, Goyen said, he approached Cutrer and pointed out Houston's tropical summers hardly are suited for wearing uncomfortable, long-sleeved uniforms. He urged the mayor to get cotton shirts for all officers.

"That's when cotton shirts came in for summer," Goyen said with pride. "I don't know if too many police officers around now remember that. But some of them do. Some of them are still on the force who remember that."

Goyen has supported virtually every police pay raise proposal, and one of his pet projects has been the infirmary at the Police Department.

Despite this devotion to police matters, Goyen—in an action he considers his greatest disappointment in office—was snubbed by the Houston Police Officers Association when it made political endorsements in the 1979 city elections.

"That was the first year the HPOA endorsed candidates," he said. "And they ignored even inviting me over for an interview and then endorsed the sister of one of the members of their screening committee, which hurt, was unfair."

And, said Goyen, it made him more empathetic "when citizens come before council saying they haven't been treated fairly by police. I can relate to that with some members of the police force because I've always backed pay raises."

Although Goyen missed winning reelection by about four tenths of a percent in the November election, he went on to defeat Olga Soliz in a runoff.

He spent about $35,000 to win that, his last election—10 times what he spent in 1957—and during his last term has served as Mayor Jim McConn's appointed mayor pro tem.

Goyen last saw his friend Valenti about two weeks ago and told him of his plans to forgo the filing deadline this October. "He told me, 'Being on the outside is not like being on the inside. Believe me, I know.'

"I told him: I want to work for Johnny Goyen now. I want to spend some time with my family."

Already cleaning out his office in preparation of leaving, Goyen is coming across many mementos of his years in office, items he will be reminiscing about with his wife Jody in the months after he officially leaves City Hall.

But perhaps his most cherished memories will come in the friends he has made—especially those, such as Councilman Ben Reyes, he initially didn't expect to make and maintain when the council expanded to 15 members for his last term.

As he sat in his office looking from the past to the future last week, he said he hopes his influence during his 24 years of service will not easily be forgotten.

"I don't want to sound corny," the mayor pro tem said, "but I have tried my best to be fair to all people while acting as a member of City Council. I think 'fairness' would be the word I would want to be remembered by. There are some people who may dispute that. I would hope they would be in the minority."●

GUN CONTROL IN SWITZERLAND

HON. PETER W. RODINO, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. RODINO. Mr. Speaker, there was a recent reference in the CONGRESSIONAL RECORD to the low rate of gun-related crimes in Switzerland and the fact that the entire Swiss male population between the ages of 20 and 50 is in the military reserve and required to keep rifles at home. They may carry them wherever they want, so long as they are not used for criminal purposes.

From this it was deduced that national gun control laws are not the answer to our frightening crime rate.

I have introduced legislation that would place modest restrictions on the manufacture, sale, and purchase of handguns. I make no claim that this legislation would be the solution to our crime problem. I do believe, however, that it might keep handguns out of the possession of at least some criminals, sick persons, and would-be assassins.

I was curious, however, about the state of the law in Switzerland. The Swiss Embassy here in Washington has graciously provided me with a two-page summary that it entitles, "Gun Control in Switzerland." It reveals, for instance, that military authorities keep an exact record of all military rifles and pistols kept in the homes of Swiss militia members. It also reveals that, although there is no national gun-control law, all the cantons (states) have restrictions and that there is an intercantonal "concordat" on controls to which all cantons are parties. This pact requires licensing of all who sell firearms or ammunition and licensing of buyers, with restrictions on those who can be licensed. Dealers must keep detailed records of each sale.

In addition, some cantons require a special permit to carry and transport firearms.

Mr. Speaker, the summary provided me by the Swiss Embassy follows. It seems to me the Swiss have rather substantial gun control, far stricter than my proposals.

GUN CONTROL IN SWITZERLAND

1. All male Swiss citizens incorporated in combatant militia units are taught how to shoot, beginning at age 20 with basic military training. Rifle clubs teach younger men how to shoot in voluntary preparatory courses.

All combatant militia troops (ages 20 to 50) are permitted to keep their personal weapon and ammunition at home.

The military authorities keep an exact record of all military rifles and pistols kept in the homes of Swiss militia members.

2. There are no federal firearms control laws in Switzerland. Enactment of such laws and rules are under the jurisdiction of the Cantons (States). There exists however an intercantonal "Concordat" concerning the sale of firearms and ammunition approved by the Swiss Federal Council on July 20, 1944, to which all cantons have been parties since May 1, 1961. This "Concordat" in essence provides:

(a) That whoever sells firearms and ammunition commercially requires an authorization (firearm-sale permit) issued by the competent authority of the canton where the business is domiciled;

(b) Commercial sales of handguns (i.e. pistols and gasguns) are only allowed to persons presenting a duly signed "firearms purchase certificate" issued by the competent authorities of the canton where the purchaser is domiciled;

(c) Such purchase certificates are not issued to persons under 18 years of age, to mentally ill or deficient people, to persons under interdiction, to habitual drinkers under protective guardianship as well as to different categories of persons with a criminal record;

(d) Persons authorized to sell handguns and gasguns are required to keep detailed records containing the date of sale, the exact personal data of the purchaser, the number, issuing authority and date of the "purchase certificate" as well as the type and factory number of the firearm.

Under the provisions of the "Concordat" it would appear that whereas the commercial purchase of handguns and gasguns is subject to the presentation of a "firearm purchase certificate", this requirement does not at present extend to the purchase of rifles and shotguns.

A number, but not all cantons have subjected the carrying and transportation of firearms to the issuance of a special permit. Some cantons have regulated the carrying and transportation of all firearms, while others regulate only the carrying of firearms as well as pointed weapons.

The "Weapons Rules" of the Canton of Zurich, which regulates the trade in weapons and ammunition as well as the carrying and owning of weapons, and is representative of other cantonal rules, subjects the carrying of handguns, gasguns, pointed weapons (such as daggers, etc.), blunt weapons (such as knuckledusters, etc.), as well as the transportation of these weapons in public transport facilities to a personal permit (weapon permit), valid up to 2 years, if danger to the applicant's person or property can be substantiated. Private ownership of machine pistols, machine guns, explosive weapons (i.e. hand grenades and bombs) as well as weapon simulating articles of daily use, is prohibited.

Persons authorized to carry weapons under these provisions do not appear to require a special license to use these weapons.

3. Belonging to the Militia is a duty.

4. A militiaman who uses his military weapon and ammunition in self-defense to defend his or his family's life when not on active military duty, while infringing the service regulation concerning the unauthorized use of his emergency ammunition ration, would face no conviction under military law if no charges are held against him under civil criminal law.

5. A militiaman who used his military weapon for unauthorized and improper purposes may, under military criminal law, be sentenced to prison or, if the offense is of small gravity, be punished by a disciplinary action.

6. Under the Swiss Federal Criminal Code penalties for armed robbery, assault with a deadly weapon or killing someone during the course of committing a felony may vary from confinement in the penitentiary for one year up to a life sentence. It is not the use of the weapon as such, but the aggravating circumstances created by the perpetrator's willful and criminal intent that determine the imposed penalty.

7. Switzerland has still what could be termed a minor crime rate.

8. Accident rates involving guns are very small.●

H.R. 4230, THE COAL PIPELINE ACT OF 1981

HON. MORRIS K. UDALL

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. UDALL. Mr. Speaker, yesterday my colleagues, Mr. HOWARD, Mr. LUJAN, Mr. CLAUSEN, Mr. MCCOLLUM, Mr. FUQUA, Mr. GIBBONS, Mr. BREAUX and I introduced the Coal Pipeline Act of 1981. The bill would increase competition for transporting coal by making eminent domain authority available to slurry pipeline carriers, as it is currently available for other types of pipelines and railways. Although coal is a relatively cheap fuel, the cost of transporting it by rail amounts to about 50 percent of its delivered price. It is time to let slurry technology compete with rail transportation on an equal footing to help drive down the cost to American consumers of energy generated from coal-fired powerplants.

It is imperative that we move quickly to replace imported oil with domestic coal as an energy source. Energy produced in a coal-fired powerplant is half the price of energy produced with gas, even taking into consideration the cost of air quality control equipment. The cost of oil is now roughly three times the cost of coal in the United States, and the unpredictable supply and pricing policies associated with imported oil should not be suffered by this country any longer.

Abundant supplies of coal will not contribute to energy security in this country if transportation systems to move it from mine to powerplant are inadequate. It is clear that the railroads will continue to be a leading transporter of coal, but in many areas of the country coal is not even considered as an alternative fuel because there are no rail tracks to transport it. Coal slurry pipelines should aid this country's fight for energy independence by serving areas which would otherwise have no choice but to buy expensive oil and gas. The recent deregulation of the railroads is evidence that Congress believes in the competitive health of the railroads, and slurry pipelines competing for routes with railroads will keep rates down in furtherance of congressional goals.

I want to emphasize that the legislation we are introducing today was written by the coal slurry industry and this is their proposal for consideration by the Congress. I do not necessarily agree with all the positions represented by the bill and will want to give careful study to certain important issues when the bill is subject to hearing scheduled by the Interior Committee, July 30.

This bill does not set up a complicated regulatory process for accomplishing its purposes. Rather, it simply authorizes slurry pipeline carriers to apply for rights-of-way to construct pipelines to move coal, using mechanisms already in place in the Federal Land Policy Management Act and the Interstate Commerce Act. It preserves the States' unqualified rights to appropriate, use, and regulate its water. I urge my colleagues to give this bill careful consideration in light of our country's policy on energy security and the Federal role in stimulating coal development.●

HARRY CHAPIN

HON. LAWRENCE J. DeNARDIS

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. DENARDIS. Mr. Speaker, 1 week ago today, America lost one of its most talented and compassionate citizens when Harry Chapin was killed in a tragic automobile accident in New York. Harry, singer, songwriter, and founder of World Hunger Year, was a tremendously warm and caring man. I am particularly grieved by his tragic death because he was to have performed at the Oakdale Summer Theater in Wallingford on Monday, Tuesday, and Wednesday of this week. It was to be Harry's seventh season at the Oakdale, and each year he has donated the proceeds from one of his performances to his causes—the fight against world hunger. Harry would annually entertain his many fans in my district with his down-to-earth, storytelling style. After each show, Harry would meet with his audience on the grounds of Wallingford's quaint theater-in-the-round to chat and sign programs, T-shirts, and his poetry books. No one was ever denied, and the profits made on his concessions went to his World Hunger Organization.

This warm, compassionate, human being had a genuine concern for those on this Earth who do not share in the fruits of life; the basics that we too often take for granted. I hope that his unselfish lifestyle has taught all of us

a valuable lesson. We must recommit ourselves to Harry's goal of ending world hunger. Now that Harry is gone, we must not let his dream die.●

WHEN WILL CONGRESS STOP WASTEFUL PROJECTS?

HON. JOHN EDWARD PORTER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. PORTER. Mr. Speaker, the American people have made clear to all their elected Representatives that they want wasteful Government spending ended and ended now. There are many examples of waste that come to mind, but perhaps three of the most evident and largest are the Tennessee-Tombigbee Waterway, SRC I, and the Clinch River breeder reactor.

The Washington Post put its finger on the problem of waste with an editorial published yesterday dealing with these three projects, and I share it here with my colleagues. We will find out soon whether the House has the courage to follow the dictates of the American people and of their own consciences or whether it will continue to be business as usual.

THREE THAT DESERVE TO LOSE

Three very large government projects—the Tennessee-Tombigbee Waterway, the Clinch River breeder reactor and SRC I (the solvent refined coal project)—come before Congress this week. All richly deserve to be defeated.

What else do these projects—a canal connecting the Tennessee to the Gulf of Mexico, a breeder reactor demonstration plant, and a plant to make solid and liquid fuels from coal—have in common? All three are to be paid for entirely or largely from federal government funds. All have incurred immense cost overruns beyond expenses due to delay and inflation. All are way behind schedule. All are extremely expensive—between $3 billion and $4.5 billion. And none of the three makes economic sense.

It took 25 years from the time the Tenn-Tom was first authorized for Congress to become sufficiently persuaded of its merit to appropriate money for it. Congress was right the first 25 times. The canal's cost has ballooned from about $300 million a decade ago to $3 billion, but less than 20 percent of its projected benefits for the last five years actually materialized. Nearly everything else about the project is uncertain, including where the canal could sensibly end, which direction barge traffic on it will travel, who would use it and for what, and whether the benefits would ever exceed the costs of construction.

Since Clinch River was first proposed, the rationale for plutonium breeders has evaporated. Only a large and growing number of traditional nuclear electric plants, using up the available uranium fuel, would offset the breeder's greater cost and make it economically competitive. But in the last few years projected nuclear demand has plummeted, estimates of uranium availability have risen sharply, and the price of uranium has dropped. Meanwhile, the cost of the Clinch River plant alone has risen fivefold—to $3 billion—and construction has not even begun. Utilities lobby strongly on Clinch River's behalf, but do not put their money behind it: the private share of the cost is now down to 9 percent. European breeder programs, including the most ambitious in France, are on hold or being reevaluated.

The SRC I project is the youngest of the three, but it may already have set the record for cost overruns: up 99.8 percent in 18 months. As in the case of Clinch River, the government would bear most of the costs—up to 97 percent, depending on how successful the project is. The revenues now being projected by the principal contractor assume that the solid and low-grade liquid products will sell at the equivalent of oil priced at $76 a barrel, which is very unlikely. The project suffers from a number of basic design flaws.

None of these projects will yield benefits commensurate to the government's investment. Some may yield none at all. Termination would be the best choice even if there were plenty of money available. But at a time when badly needed government programs are being cut to the bone, their presence in the budget is an affront.●

OFFICE MANAGEMENT DEMONSTRATION AND TRAINING CENTER OPENED

HON. AUGUSTUS F. HAWKINS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. HAWKINS. Mr. Speaker, on behalf of the Committee on House Administration I am pleased to announce the opening of the Office Management Demonstration and Training Center.

The Center is located on the first floor of the House Office Building Annex No. 1, and is accessible through the C Street entrance. The Center provides a convenient location to display examples of up-to-date computer equipment which is on the House Approved Equipment List. A highly trained staff is available to demonstrate to Members and employees how best to use this equipment and the wealth of information which can be accessed through it.

The Center's staff can show how computer technology relates to specific job functions in a congressional committee, or House support office.

Training classes on computerized information systems will be offered in the training facility located at the Center, as well.

The Office Management Demonstration and Training Center will show how computer technology can:

Help offices manage and answer incoming and outgoing correspondence, and perform specialized mailings;

Help offices prepare a variety of documents, such as speeches, news releases, reports, and so forth;

Help offices manage the problems associated with storing constituent mail and other office files;

Be useful as a research tool through access to computerized information on the Member information network, including the status of legislation (LEGIS), House Floor action (SOPAD); the Federal budget (MBIS); grants information system; Federal laws (JURIS); and topics of interest to Congress and other information in the Library of Congress (SCORPIO).

Help keep track of daily schedules, by storing and retrieving information about meetings, appointments, and other events; and help to coordinate district and Washington schedules;

Help offices to speed up communications by sending and receiving messages via computer on the electronic mail system.

The Center is open to Members and staff from 8:30 a.m. to 6 p.m., Monday through Friday, and demonstrations and other assistance will be available on both a scheduled and walk-in basis.

I encourage my colleagues to take advantage of this service. For more information, please call the Center at extension 5-0542.●

ECONOMIC POLICIES AND BLACK PROGRESS: MYTHS AND REALITIES

HON. MICKEY LELAND

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 23, 1981

● Mr. LELAND. Mr. Speaker, the National Urban League this week released a report assessing the effectiveness of Government programs on the economic condition of black Americans. The major finding of this important new study is that more than two-thirds of the black poor have moved from poverty in the past 20 years as a direct result of certain Federal social programs.

A further result shows that poor blacks have not been locked into a permanent state of poverty as a result of these programs, but in fact 90 percent of this group have enjoyed improved economic health. This is a timely and significant study that clearly refutes the absurd claims of the Reagan administration.

I want to share a summary of this report with my colleagues:

ECONOMIC POLICIES AND BLACK PROGRESS: MYTHS AND REALITIES

(By Robert B. Hill, National Urban League Research Department)

MAJOR FINDINGS

1. Low-income black families are not overdependent on government aid. Three-fifths (58 percent) of all poor blacks receive benefits from no more than two of the seven major programs for the poor. And while

one-fourth of black families are currently on welfare, only 7 percent are completely dependent on it.

2. Contrary to popular belief, most low-income blacks are not "locked" into a permanent state of poverty and dependency. Of the blacks who had been poor at any time (66 percent) during 1967-75, only one-tenth (7 percent) remained poor throughout those 9 years.

3. The black "underclass" did share in the economic advances of the '60's and '70's. Two-thirds of them were lifted from poverty between 1967-75, primarily as a result of government programs.

4. Blacks have made their most significant gains as a result of targeted government efforts, in such areas as health, nutrition, education and employment. But they have made least progress under decentralized block grant programs with little federal oversight.

5. Help from relatives contributed more to the economic well-being of black female-headed families than welfare. Income from kin accounted for one-third (34 percent) of the change in the total income of female-headed black familes, while public assistance accounted for only 13 percent.

6. "Middle-class" and poor blacks have a high degree of convergence in their racial attitudes. The overwhelming majority of both middle-income (70 percent) and low-income (61 percent) blacks feel there is "a great deal" of discrimination today.

7. The gap between "middle-class" and poor black families appears to be narrowing rather than widening. Female-headed families increased 10 times faster among college-educated (308 percent) than grade school-educated (32 percent) black women between 1970-79.

8. The overwhelming majority (80 percent) of "middle-class" black men come from lower-status backgrounds. Only 18 percent come from "middle-class" origins, while 40 percent come from working-class backgrounds and 23 percent moved up from the "underclass."

SECTION SEVEN

CONCLUSIONS

At the outset of this study, we asked, "What kinds of policies and programs are needed to significantly enhance the social and economic conditions of blacks during the 1980's?" In order to properly answer this question, we felt it was necessary to systematically assess the effectiveness of past and current policies on the economic well-being of blacks.

We sought, therefore, to determine the empirical validity of much conventional wisdom about the efficacy of government policies on behalf of blacks and other economically disadvantaged groups. One belief that has become increasingly accepted is that the blacks who made the greatest progress in recent decades were these from college-educated or high-income "middle-class" backgrounds and their gains were primarily due to a significant decline in racism and not because of government actions. At the same time, according to this view, government intervention has not touched the black "underclass," who remain "locked" in a state of self-perpetuated poverty and dependency that is growing larger. This perspective is best illustrated in Gershman's analysis of black progress:

"But it has benefited, at best, two-thirds of the black population, divided almost equally between middle-class and working-class blacks. The bottom third has not only failed to participate in the progress of the last 15 years, but its social and economic condition has deteriorated to an alarming extent . . .

"The black underclass in the ghetto has been expanding at precisely the same time as the black middle class has also been expanding and moving ahead . . .

"Though the problem of the underclass has grown more intractable and has, in fact, been brought more sharply into focus by the 'deepening schism' in the black population, there is no greater readiness now than there was 15 years ago to acknowledge its true character."

But, as our study has shown, the black "underclass" has participated in the economic advances of blacks over the past two decades. Two-thirds of them were lifted out of poverty, primarily because of government economic support programs. And the greatest gains were not made by "middle-class" blacks, but by blacks from working-class and "underclass" origins. For example, while the proportion of college-educated black men in higher-level jobs rose by only 2 percentage points (from 76 percent to 78 percent) between 1960 and 1979, the proportion of black men with only an elementary school education moving into higher-level occupations soared by 11 percentage points (from 16 percent to 27 percent). Moreover, while the number of poor blacks did increase during the '70's the proportion of all black persons who were poor declined (from 34 percent to 31 percent)—because the number of non-poor blacks increased at a faster rate than the number of poor blacks. Furthermore, the gap between middle-income and poor blacks appears to be converging, rather than widening, because of some downward mobility among "middle-class" blacks. While the number of black families headed by women with elementary school education rose by only 32 percent between 1970 and 1979, the number of black families headed by college-educated black women soared 10 times as fast (i.e., by 308 percent).

What accounts for the discrepancy between the widely held view of a permanent "underclass" falling farther and farther behind an expanding black "middle-class" and the empirical reality of a changing "underclass?" A major reason for this difference is the failure of many social scientists: (a) to view poverty and dependency, especially among blacks, as dynamic, rather than static, and (b) to adopt a life-cycle perspective in the analysis of economic change. Both of these methodological deficiencies by most analysts of black economic well-being are largely due to their over-reliance on cross-sectional, rather than longitudinal data.

Cross-sectional data tend to provide a static perspective, since they can only measure the economic well-being of individuals and families at one point in time. Thus, they are not useful in systematically determining: (a) the nature and degree of economic change for the same individuals at different points in time and (b) the factors and processes that contributed to that change. Longitudinal data, on the other hand, provide a dynamic view of economic conditions because they are able to follow the same individuals over time. This superiority of longitudinal data over cross-sectional data was underscored by Lane and Morgan in describing the University of Michigan's Panel of Income Dynamics:

"The panel survey thus has produced a large and unique body of data useful for answering some major questions about the dynamics of income distribution. First, the data provides a description of such items as the amount of variation in the income of families through the years, the types of families whose economic status does and does not change and the amount of change in the composition of the poverty population. In addition, panel data have several advantages for explaining the causes of change, most existing causal analysis is based on comparing people at different income levels at a single point in time to determine what factors may account for past changes in their economic status. But such analysis cannot examine change itself because it is not based upon observations of the same individual at two different points in time. A panel study permits the direct measurement of change and provides information on the time sequence of different events so that causes and consequences of change in economic status can be more distinguished with more accuracy. While these features of a panel study do not solve all the problems of analyzing the causes of change, they provide considerably better information than that available from analysis of cross-section surveys."

"MUSICAL CHAIRS" PHENOMENON

Consequently, over-reliance on cross-sectional data obscures the significance of the "musical-chairs" phenomenon. This popular parlor game involves having a fixed number of chairs with different people occupying them at various points in time. Cross-sectional data tend to lead many analysts to infer that because the size of a group (such as the black "underclass") has remained virtually unchanged (or has even increased) at different time periods, that the same people belong to those groups at different points in time. However, longitudinal data reveal the occurrence of "musical chairs": that while the size of the group has remained virtually the same, their places have been taken by different people. Thus, the persons in the "underclass" category at one period of time may differ significantly from those persons in that category at another period of time.

In short, the composition of the black "underclass" and "middle-class" is constantly undergoing change. Based on longitudinal data and other analyses, we contend that a more accurate description of the economic changes among blacks over the past two decades would be as follows:

"Significant numbers of 'underclass' blacks moved up into the 'working-class,' while sizable numbers of 'working class' blacks moved in the 'middle-class.' At the same time, many members of the 'middle-class' moved down to the 'working-class,' while sizable numbers of the 'working-class' moved into the positions that had been vacated by the upwardly mobile 'underclass.'"

The most encouraging aspect of such economic patterns is that it has been possible for thousands of black individuals to move out of very impoverished conditions. But the most disheartening fact is that: (a) there are so many other blacks moving down to take the positions they vacated and (b) that it is very likely that they may be returning to those lower-level positions themselves some time in the near future. Thus, while there has been much upward mobility among blacks, their economic advances tend to be precarious and unstable. Yet, although "low-income" is a more enduring status for most blacks, poverty and dependency are not.

THE LIFE-CYCLE PERSPECTIVE

The second major impediment to a clearer understanding of economic change among blacks is the failure of many analysts to adopt a life-cycle perspective. Longitudinal studies also reveal that families have significantly different needs at different stages of their life-cycle because of constant changes in those families with regard to: number of members, ages of members, employment status, health status, etc. Thus, they are more dependent on external support from relatives, friends or public and private agencies at certain stages of their life-cycle than at others. Cross-sectional data provide a glimpse of their degree of economic dependence or independence at only one point in time in one life-cycle, while longitudinal data permit one to view the change in their degree of economic dependence at various points in time during many different life-cycles. Since the University of Michigan's panel study has been following 5,000 families over 10 years, it provides unique insights concerning the short-term and long-term aspects of poverty and dependency. For example, families headed by black women tend to be more dependent on support from relatives and from public agencies when they are in a life-cycle with very young children under six than when they are in a life-cycle when all of their children are over 18. Different economic policies are needed at different life stages of families.

Our study has indicated that the popular generalization "government programs have not worked for most poor blacks" needs to be significantly modified. First of all, it is true that most government programs for the poor have only reached a fraction of those who needed them. But the record shows that those low-income blacks who were reached did benefit from most of them. But one must clearly distinguish between programs. Some, such as those in the areas of health, nutrition and education, were much more effective than others, such as those in the areas of housing, tax incentives to businessmen to hire disadvantaged workers, and block grants to states and local areas.

In fact, past experience with block grants—a "new" strategy being proposed by President Reagan—has indicated that they are very ineffective and inefficient vehicles for meeting the needs of economically disadvantaged groups. Evaluations of past block grant programs (such as ESEA, CDBG, Title XX, LEAA and CETA) have revealed that large numbers of the poor were not being reached or adequately served by these programs, since a sizable portion of the funds was distributed to areas that has little need for them. Studies of the use of Community Development Block Grants, for example, have uncovered numerous instances of communities using the funds to build tennis courts and swimming pools rather than more low-income housing. Findings from evaluations of Title I of the Elementary and Secondary Education Act (ESEA) block grant revealed that:

"While federal aid is available only to local educational agencies serving areas with high concentrations of poor children, the funds may be used to assist any student who is "educationally deprived" regardless of family income. Although the intent of avoiding income segregation is laudable, the provisions of the law have created grave obstacles to the effective monitoring of the use of Title I funds at the local level. A recent Office of Education Study of Title I showed that the program actually serves more children who are not from poor families than it does low-income or AFDC children, and that a majority of participants cannot even be classified as "low achievers" when compared to their peers. This problem is more disturbing when it is considered that the program serves long an estimated one-third to one-half of all children who need compensatory instruction and that many of those served do not receive the full range of services they might require. Even though funds have been used to help non-poor children or have been misdirected for other purposes, ESEA has directed needed funds into districts where the poor concentrate and has opened possibilities for compensatory education.

Thus, studies have consistently shown that the poor and disadvantaged have been more effectively reached by targeted, categorical programs than by untargeted, decentralized block grants with little federal oversight. Thus, we agree that many of the government programs during the 1970's did not effectively help the disadvantaged, most especially the numerous block grant programs that were established by President Nixon to replace the more targeted, categorical programs.

It is clear that minorities and other subgroups in the population are most effectively aided by targeted efforts. But the new strategy or policy that is needed is one that complements, reinforces and builds on the already existing strengths, resources, assets and self-help efforts of low-income families, groups and communities.

For example, our study revealed that families headed by black women made their most significant economic progress when: (a) they were employed and (b) they received support from relatives. The new policies that are needed should be evident. A major priority should be given to providing meaningful employment opportunities to female-headed families before they go on welfare or are in dire economic straits. Secondly, all government policies—before and after they are enacted—should be periodically evaluated and modified to insure that they are complementing and reinforcing family strengths, especially the support from extended family members.

Equal national priority for enhancing employment and self-help should be directed toward black youth. Studies by a member of scholars, such as Douglas Glasgow and Robert Woodson, clearly demonstrate that black young people have the creativity and ability to play a major role in their own economic development. Woodson has effectively documented innovative community development efforts by groups of former youth gang members throughout the country. If government policies are designed to encourage the growth of such self-help strategies in low-income communities across the nation, then the economic well-being of all groups—both black and white—will benefit significantly.●

HOUSE OF REPRESENTATIVES—*Friday, July 24, 1981*

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. WRIGHT).

DESIGNATION OF SPEAKER PRO TEMPORE

The SPEAKER pro tempore laid before the House the following communication from the Speaker:

WASHINGTON, D.C.,
July 23, 1981.

I hereby designate the Honorable JIM WRIGHT to act as Speaker pro tempore on Friday, July 24, 1981.

THOMAS P. O'NEILL, Jr.,
Speaker of the House of Representatives.

PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

We begin this day, O Lord, with a word of praise for the opportunities before us. Help us to know gladness of heart and joy of spirit that comes when we truly seek to minister to others and rejoice in Your presence. Strengthen our lives with the gifts You provide that hope, peace, faith, patience, understanding, trust, and wisdom may enlighten our lives. Breathe the power of Your spirit into the minds and souls of all who turn to You and grant us all Your eternal blessing. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate had passed without amendment a joint resolution of the House of the following title:

H.J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

BIDDING WAR FOR VOTES ON TAX BILL

(Mr. WEAVER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WEAVER. Mr. Speaker, we must all be appalled by the bidding war going on now for votes on the tax bills by both sides. "Sweeteners" are being offered to the wealthiest, most affluent people in this country, while at the same time we sit in a budget-cutting process, cutting funds for the poorest of this country, cutting funds for food stamps, for child nutrition, for other programs essential to the well-being of these people, while at the same time we offer billions of dollars in tax cuts to those already the most wealthy.

I for one cannot accept either position.

UPDATE ON RECONCILIATION CONFERENCE

(Mr. PANETTA asked and was given permission to address the House for 1 minute and to revise and extend his remarks and to include extraneous matter.)

Mr. PANETTA. Mr. Speaker, a further update on the reconciliation conference.

In general summary, of the 58 subconferences that were involved, 37 have been completed, for a total of $30 billion in savings that have been made to this point.

Yesterday, the Agriculture Committee met and completed work on differences with regards to forestry, alcohol fuels, food stamps, and will continue to meet today on the area of dairy reductions.

Small Business met and has come to a conclusion with regards to their conference.

Education and Labor continued to meet in the employment area, with the one outstanding issue being funding for the Women's Equity Act.

The Government Operations Committee has completed their work yesterday. The only issue remaining is language on the block grant title.

The Ways and Means Committee met all day yesterday, and has resolved a good portion of their differences. They are continuing to meet today, as is Energy and Commerce.

Today, those that are meeting are Agriculture, Ways and Means, Small Business, Education and Labor, and Energy and Commerce. We expect that in those conferences that are not completed, the chairmen and the members will meet over the weekend in order to complete action on the reconciliation hopefully by the end of this weekend.

The "Daily Report on Conference Activity" is as follows:

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 23, 1981, 6 P.M.

SUBCONFERENCE COMPLETED

[Dollars in millions]

Committees: House/Senate	Date completed	Savings achieved	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations (37)	July 16, 1981	−244	−158
Post Office/Government Operations (50)	do	−4,706	−5,163
Education and Labor/Agriculture (16)	July 17, 1981	−1,474	−1,457
Science and Technology/Energy and Natural Resources (54)[1]	July 16, 1981	−1,363	−615
Armed Services/Armed Services (10)[2]	July 23, 1981	−966	−966
Veterans/Veterans (57)	do	−110	−116

[1] Preliminary CBO estimates.
[2] HBC staff estimates.

☐ This symbol represents the time of day during the House proceedings, e.g., ☐ 1407 is 2:07 p.m.
● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

THURSDAY'S ACTIVITIES

[Dollars in millions]

Committee	Activity (mini-conference No.)	Issues	1982 savings achieved		Comments
			Budget authority	Outlays	
Agriculture	Agriculture/Agriculture miniconference (1–9)	All open issues			
Armed Services	Armed Services/Armed Services miniconference (10).	Survivor benefit	−37	−37	Conference completed. Savings are estimates subject to CBO verification.
Banking	None.				
District of Columbia	None.				
Education and Labor	Education and Labor/Labor and Human Resources miniconference (15).	Poverty			Issues resolved. Savings estimates not available.
		Older Americans			
		Head Start			
		Action			
Energy and Commerce	Energy and Commerce/Labor and Human Resources miniconference (27).	Maternal and child	−87	−29	Savings estimates subject to CBO verification.
		Health block grant			
	Energy and Commerce/Energy Staff Discussions (24).	SPRO and other energy programs	−4,167	−3,794	Savings estimates subject to CBO verification.
	Energy and Commerce/Commerce Staff Discussions (23).	Railroad issues			
Government Operations	Government Operations/Government Affairs miniconference (38).	All open issues			Mini-conference completed. Savings estimates not available.
Judiciary	None.				
Merchant Marine	Staff Discussions (47–48)	Maritime Authorization			
		Ocean Dumping			
Public Works	Public Works/Commerce Staff Discussions (51)	Airport Development and Planning			
Science and Technology	Staff Discussions (55)	NSF Authorization			
Small Business	Small Business/Small Business miniconference (56).	All Open Issues			Conference still in session at 6 p.m.
Veterans		All	−110	−116	Completed miniconference.
Ways and Means	Ways and Means/Finance miniconference (58)	All Open Issues			Conference still in session at 6 p.m.

FRIDAY'S ACTIVITIES

Committee	Scheduled activity	Time	Place	Issues	Comments
Agriculture	Agriculture/Agriculture miniconference (1–9)	10 a.m.	1302 LHOB	All Open Issues	
Energy and Commerce	Energy and Commerce/Finance miniconference (25).	4 p.m.	S–206	Medicaid	
Small Business	Small Business/Small Business miniconference (56).	10 a.m.	S–146	All Issues	

BAILOUT FOR BIG INDUSTRY IN WAYS AND MEANS TAX BILL

(Mr. MOORE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOORE. Mr. Speaker, yesterday I reported to the House that the major business organizations have not endorsed the $3.3 billion bailout in the Ways and Means tax bill for some of the biggest businesses in our country.

I might note, however, that the trade associations for these six so-called distressed industries have been very curiously quiet so far. I point out to them that history shows that the Ways and Means Committee and the Congress itself wisely seldom addresses the same perceived need twice. Therefore, there is a message for them in this historical comment.

I say to my friends in the railroad, auto, mining, airlines, paper and steel industries which profess to be distressed under this provision that if this $3.3 billion bailout passes, it is highly unlikely we in the Ways and Means Committee and the Congress will address any further tax needs for these industries for a long time to come. So whether it is the need or the greed of a few within these industries, which causes their associations, silence, they may poison the well for all.

GENERAL LEAVE

Mr. BEVILL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the consideration of the bill, H.R. 4144, making appropriations for energy and water development for 1982, and that I be permitted to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

ENERGY AND WATER DEVELOPMENT APPROPRIATION, 1982

Mr. BEVILL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 4144) making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Alabama (Mr. BEVILL).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 4144, with Mr. BEILENSON in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Thursday, July 23, the Clerk had read through line 19 on page 16, and pending was an amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN).

Under the unanimous-consent agreement of Thursday, July 23, debate on the amendment by the gentleman from Pennsylvania to the paragraph pending is limited to 2 hours, 1 hour to be controlled by the gentleman from Pennsylvania (Mr. COUGHLIN), and 1 hour to be controlled by the gentleman from Alabama (Mr. BEVILL).

At this time the Chair recognizes the gentleman from Pennsylvania (Mr. COUGHLIN).

Mr. COUGHLIN. Mr. Chairman, I yield myself 2 minutes.

Mr. Chairman, the amendment that is before the committee would delete $228 million for the Clinch River breeder reactor. Mr. Chairman, this is not just my amendment, but it is offered on behalf of a bipartisan group of Members who have examined the Clinch River breeder reactor and found it wanting. It is offered with the greatest deference to the distinguished chairman of the subcommittee and the distinguished ranking minority member, both of whom I have the greatest respect and who are my friends. Each year they go through

the very difficult procedure of trying to evaluate competing projects and everyone owes them a great debt of gratitude.

Mr. Chairman, since 1974 I have been calling attention to this question of a project which cannot be justified on either a research and development or a cost-benefit basis. This year the administration adopted a philosophy that if an energy R. & D. project does not warrant private investment it should not receive Federal support.

There followed a wholesale slaughter of subsidies for private energy research and development, with which I tend to agree, except very mysteriously for the Clinch River breeder reactor, which does have to say for it that it is located in the home State of the majority leader of the other body.

The authorizing committee, always strong for this project, after a painful and lengthy reevaluation, voted 22 to 18 on a bipartisan basis to terminate the project. Mysteriously it was slipped back in as a part of Gramm-Latta II.

It started in 1973 when a consortium of utilities agreed to contribute $257 million to the project of an estimated cost of $422 million. The cost has now soared to $3.2 billion, but the contribution of the utilities has remained where it was.

□ 1010

The burden of the taxpayers has increased from 39 percent of the project to 91 percent of the project.

Mr. Chairman, if we are to continue this project, we will be building a white elephant that will make the fiasco at Union Station Visitors Centers look like a peanut.

Mr. Chairman, I reserve the balance of my time.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentlewoman from Tennessee (Mrs. BOUQUARD).

Mrs. BOUQUARD. Mr. Chairman, I rise in strong opposition to this amendment. It is purely and simply an antisupply amendment aimed at stopping the construction of a critical technology demonstration plant. The Clinch River breeder is the steppingstone to achieving electrical independence in energy supply and we know that electricity is the most flexible way of providing energy for this Nation.

There are several points that I wish to make:

First, Clinch River is intended to be a technology demonstration plant and not a commercial plant, and, as such, should not be subjected to conventional arguments with respect to cost and overall economics. Nevertheless, when electricity revenues are included, the project passes this accounting test, with flying colors.

Second, the project and the fast breeder development program represent an investment of billions of dollars over several decades, and this amendment suggests that we throw away most of that investment. The skilled breeder team is focused on building this plant now and any delay or cancellation would cost us dearly.

Third, the breeder reactor is an energy insurance policy for which we cannot afford not to pay the premium because we have large uncertainties in electrical demand and uranium supply. We must be in a position to make a decision on commercial deployment by the end of this century.

A technology demonstration project is intended to verify key aspects of a technology, in this case the operating characteristics of breeder powerplants as they will fit in utility systems. Technical and economic data will be provided to government, industry and the public, so that sufficient experience with, and information about the concept will be available to permit the commercial deployment of the breeder.

Although operation of Clinch River is not intended to be a demonstration of commercial readiness, the anticipated electrical revenues of a 30-year life will exceed $20 billion! Using today's wholesale price of electricity at the plantsite, this amounts to a net income of more than $2.3 billion, which is just about the remaining project cost. There will be no waste in funds if any reasonable figure is put on the importance of the experience we will derive, and the present value of the net revenues comes to an astounding figure of over $800 million.

We have thousands of skilled technical people including engineers, scientists and managers in place, carrying out a broad breeder R. & D. program which supports the focused activity on the project. This highly skilled team has nearly completed the detailed design of the plant, procured several hundred million dollars' worth of hardware, and is ready to go ahead and put the pieces together. The design is the most advanced breeder in the world, and the CRBR team is anxious to move ahead so we can finally obtain important experience in operating such a plant.

Certain other developed nations are considerably ahead of us in plant experience, but far behind us in fuels and component technology. Clinch River gives us the opportunity to integrate our advanced technology into a viable program.

The size of this plant is an appropriate scale-up from our most recently built breeder reactor, the Fast Flux Test Facility in Washington. While this facility does not generate electricity, it is the world's most advanced breeder fuels test bed. This careful scale-up minimizes the risks and uncertainties in operating a U.S. breeder plant and promises to supply the necessary data in an orderly manner.

The CRBR is a critical premium on an insurance policy for a virtually limitless energy supply. This view is based on the fact that the breeder multiplies uranium supplies better than 60 times, providing nearly limitless fuel to generate electricity, which remains the most flexible way for us to substitute plentiful fuels for those in scarce supply.

I have heard and seen all too many energy demand and supply scenarios over the past 8 years since the Arab oil embargo. One conclusion is clear, projections of energy demand can become self-fulfilling prophecies and this country cannot afford to discourage itself into thinking small about its future. The fact is now well documented that a cradle-to-grave analysis of distributed energy technologies reveals that solar, biomass, and other so-called renewable approaches are by no means risk free. The breeder reactor will be even safer than light water nuclear plants and as of now, we still have no recorded fatalities from their operation. Fast breeders use sodium as a working fluid and it has a marvelous capacity for absorbing heat in the event of the most improbable reactor accident.

Mr. Chairman, before I sum up, there are two arguments of the anti-CRBR faction which I should like to address.

First, I am amused to hear the opponents repeat the phrase "free market" with respect to nuclear power. This country is burdened with a regulatory climate which has too long dwelled on safety through perceived rather than real risks. The suggestion that the nuclear industry and the financially stressed electric utilities can pledge $2 billion for a technology demonstration project is simply absurd. There is no free market for nuclear energy and even this energy-enlightened administration will have difficulty in forcing the regulatory system to focus on the real risks of energy techologies. I simply do not see how "we can get from here to there" through this regulatory maze.

Finally, the oft-used accusation of cost overrun should be placed in some perspective. All over this country massive cost overruns are encountered in construction projects which are simply brick and mortar and have no R. & D. connection with them. The CRBR project not only has been the victim of soaring construction costs, but in addition, its price tag has been escalated by 4 years of Carter administration opposition and a series of major changes in licensing requirements. In short, Mr. Chairman, CRBR has had more of its share of project delays and design changes which had nothing to do with

the capability of the team or the maturity of the techology.

I think the question is simple; are we going to move ahead and build this plant to convince the world that we are serious about energy independence or not? The answer I think should be given in three little words: supply, supply, supply.

Mr. COUGHLIN. Mr. Chairman, I yield 2 minutes to the gentleman from Michigan (Mr. WOLPE).

Mr. WOLPE. Mr. Chairman, it is important, as we begin this morning's debate on the Clinch River breeder reactor, to keep in mind some very basic elements of that project.

The first is what is at stake in the amendment before us today is far more than the elimination of an appropriation of $230 million from this year's annual budget. We are not only talking about $230 million this year. We are talking about another $237 million in 1983, $248 million in 1984, $252 million in 1985, and $274 million in 1986.

We are talking about a project, in short, that is going to cost an estimated $3.2 billion and that has increased in its estimated cost from an original figure of $669 million to the present $3.2 billion. That represents a 450-percent cost escalation in the project. And let there be no mistake about it. That cost escalation means the sacrifice of other programs, energy and nonenergy programs, in the Federal budget, in order to make room for that kind of cost increase.

At the same time, that the projected total cost of the project has increased by 450 percent, what has happened to the industry's contribution? When the project was first conceived, the industry contribution was placed at approximately 50 percent of the total cost. That industry contribution has not increased 1 penny from the original commitment. Consequently, today we are talking about an industry contribution of 9 percent of the total project cost. That is outrageous on its face.

The Members will be told today that this project is required in order to displace petroleum and to meet our Nation's energy requirements. Let there be no mistake. The supporters of the amendment before us today fully share the view of the opponents that our energy dependency, our petroleum dependency, is a major threat to our national security. It is precisely because of the urgency of that threat that we need to be certain that we are investing taxpayer dollars and private sector capital in those technologies that will most quickly and most cheaply displace petroleum. The Clinch River project simply does not meet that test.

It has survived to this point not because it has any relevance to the energy crisis we are facing—clearly it does not—but solely because of enormous special interest pressure. It is time to bring it to an end.

Mr. BEVILL. Mr. Chairman, we are trying to trim our time here to save time. Since we are going to use half the time the gentleman from Pennsylvania is going to use, if the gentleman will recognize two speakers to our one, we will move along.

Mr. COUGHLIN. Mr. Chairman, I yield 7 minutes to the gentleman from New York (Mr. FISH).

Mr. FISH. Mr. Chairman, I rise in support of the gentleman's amendment to cut funds from the Clinch River breeder reactor project. This amendment follows the decision of the Science Committee to deauthorize this project. Our committee has spent a great deal of time in discussing this project during the fiscal year 1982 authorization hearings, and I urge my colleagues to follow the Science Committee's recommendation for Clinch River, which was carefully reached after long, exhausting deliberations. Frankly, I just do not think that our Nation can afford the costs of this project anymore.

As my colleagues are fully aware, we have visited the Clinch River breeder reactor issue many times in the past. The proliferation risks, enormous costs, environmental concerns, and safety problems with this project have been discussed on this floor many times over the years. Much time has been spent on discussing the menace of huge stockpiles of plutonium created by the development of a breeder reactor, and the dangers are well known. In 1977, the NRC halted the licensing process for Clinch River with over 100 unresolved safety issues which still remain. Before we build a breeder, substantially more research is needed to comprehend, evaluate, and control the safety risks that will accompany the use of this technology.

After close to 10 years, ground still has not been broken on this project. We must now ask ourselves if the time has passed when Clinch River can serve our interests. In 1973, we were promised a breeder demonstration program after 6 years, or in 1979. Let us now look at what has happened. In 1981, after spending over $1 billion, we are now promised a demonstration project in 1990—9 more years along the road. Clearly, we are losing ground here. If the NRC licensing process requires an alternative site, the project could be set back another 4 years to 1994, at an additional cost of perhaps $1.7 billion. Overall, this would be an 11- to 15-year delay. Instead, in the 10 years since Clinch River was first authorized, we have gone forward with a strong base breeder program, and a conceptual design study for a large development plant has just been released.

In light of this inglorious history, the project bears a high burden of proof if it is to again receive more funding for fiscal year 1982. After much deliberation, the Science Committee believes and has recommended that this project be terminated. I strongly agree.

Mr. Chairman, one of the key reasons for the Clinch River project in the past has been our need to satisfy projected large increases in electric power demand during the next three decades. Under this scenario, breeders would be essential to help us meet our growing electrical power needs. Yet, we have all recently heard from many experts that these projected increases will probably not occur. From 7.8 percent in early 1970, the current rate is 2 to 3 percent.

The Science Committee has recently held hearings on the future of energy utilities. During these hearings, we heard from several witnesses that we should now expect significantly lower electricity growth rates in the future. Utility and Commission forecasts indicate that the rate will be 1.4 percent or less in the 1980's. Other recent estimates indicate that electric demand in the 1980's will probably grow at only half the rate of the 1970's.

Another claimed need for Clinch River has been that the breeder will be needed soon because of our diminishing supply of uranium. Clinch River was originally authorized in order to anticipate this shortage and to extend our uranium supplies farther into the future.

However, by all accounts we have now dramatically underestimated our supplies of uranium. Utilities have encountered numerous licensing difficulties for new nuclear plants, causing the cancellation of many of these plants, and corresponding less use of uranium. Preliminary reports from the NURE program have also indicated that we have more uranium than we originally thought. Thus, the original breeder demonstration scheduled no longer makes technical sense. As a result, I believe that we should now reexamine the Clinch River program before we further invest in it.

In a time of severe fiscal constraints, we should ask ourselves whether we need the breeder now. We need to seriously consider whether it is more important to devote our limited taxpayers' moneys to this project or to some other worthy program that is deserving of our immediate attention. I admit that the breeder is one of the so-called inexhaustible forms of energy, along with our fusion and solar energy resources, that may well be needed in the next century. But right now, we need to examine whether the breeder will be helpful in the short term.

The answer to this critical question is no. Our immediate interest is to reduce our dependence on petroleum.

The breeder cannot satisfy these immediate needs. At the present time only 8.8 percent of our annual oil consumption is used to generate electricity. Moreover, much of that oil is specifically used to fire small backup generators to meet peakload requirements. The size and scale of breeder reactors will always make them uneconomical for such intermittent applications. Thus, the Clinch River project will have virtually no impact on our present oil import problem.

It will be well into the 21st century before the breeder reactor even begins to look commercially attractive. By that time, oil-fired central power stations will have long since been replaced by coal and conventional nuclear powerplants. We hope to have other forms of inexhaustible energy supplies, such as fusion and solar, online by then. A viable synfuels industry will also have been developed.

I urge my fellow colleagues to recognize the economic realities of our present situation. There is no doubt that we will have to devote a great deal more money to Clinch River in future years if we go ahead with this project. Funding problems in these years will certainly be even more serious, as the administration tries to balance our budget in 1983 and 1984 with more difficult cuts. The estimated costs of the Clinch River project have increased more than sevenfold, from an original estimate in 1969 of $400 million to today's estimate of over $3 billion. Unfortunately, there is no guarantee that these exorbitant costs will not continue to escalate. In fact, an economic study considered in detail during hearings before the Science Committee suggested that the original estimates of the costs of new energy plants have been consistently underestimated, and that it would be very reasonable to conclude that the actual costs of demonstration projects such as Clinch River would probably be significantly higher if the project were carried to completion.

Furthermore, it is unreasonable for the Federal Government to be responsible for all of these increasing costs. Our taxpayers' liability in this project has grown from about $100 million to now over $3 billion—more than 30 times the original estimate. According to recent estimates, the utility and industry share of today's costs for Clinch River have dwindled from 50 percent to about 9 percent of total costs. This is in my opinion not a wise course to follow.

Mr. Chairman, many of my colleagues are concerned that we will severely restrict our Nation's ability to develop the breeder option if we do not build Clinch River. This is surely not the case. Even without Clinch River, we will still have an aggressive breeder program. The base breeder program that the administration has proposed, and for which $361 million has been authorized by the Science Committee, will provide for a strong breeder program which will, in fact, enhance the program by calling for a more rational design.

In a recent report to the members of the Energy and Commerce Committee, the staff also recommended that we evaluate alternative nuclear reactor programs before we continue to support Clinch River. They recommended that technical audits be performed on major alternative programs, even including safety and reliability improvements in the use of our conventional nuclear light water reactors, as well as more efficient use of our uranium resources. This is the way to go. We have the time. Given our serious funding problems, I believe that there are certainly much better ways to spend the money authorized for Clinch River than on the controversial type of breeder design that it would now demonstrate. In my opinion, it certainly would be better to go forward with research and development activities in several other nuclear activities, including the development of all of the breeder technologies, at this time.

Mr. Chairman, it is time for us to put aside projects that have only symbolic meaning. We cannot afford to devote our limited taxpayers' moneys to the demonstrations of technologies that have limited merits. If there is to be budget austerity, let it be across the board. We must expect concessions from all energy technologies and nuclear cannot be an exception. I urge my fellow colleagues to face the energy future and stop living in the past.

□ 1020

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri (Mr. SKELTON).

Mr. SKELTON. Mr. Chairman, I rise in opposition to the pending amendment.

We have heard opponents discuss the cost of the Clinch River breeder reactor, but we have not heard them mention the revenues. The revenues are some $20 billion the project generates. Opponents also have said that the Clinch River breeder reactor will not impact the importation of oil into this country.

Let me cite some relevant studies on that very topic. In a study performed for the Government of Canada, it was reported that if electrical energy growth were increased by 7 percent per year, we could eliminate imported oil totally within 10 years just by allowing the marketplace to operate.

Second, a study performed by the Oak Ridge National Laboratory verified that 75 percent of the oil and gas used in the industrial sector could be replaced by using existing technology with electric energy.

If by 1990 electric energy replaces one-half of today's oil used in the home heating, one-half of the oil and gas used to produce electricity, and only 10 percent of the industrial use of oil and natural gas, we could achieve by 1990 a savings of 3½ million barrels a day.

At today's prices that amounts to over $4 billion a year. The price of oil, by 1990, of course, will undoubtedly be much higher. If commonsense alone does not persuade us that increased domestic supplies of energy will reduce imported energy, then we may safely rely on the vast body of research clearly demonstrating this simple fact of life.

Mr. Chairman, I oppose the pending amendment.

Mr. COUGHLIN. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present.

Members will record their presence by electronic device.

The call was taken by electronic device, and the following Members responded to their names:

[Roll No. 160]

Addabbo	Collins (TX)	Findley
Akaka	Conable	Fish
Albosta	Conte	Fithian
Alexander	Corcoran	Flippo
Anderson	Coughlin	Foglietta
Andrews	Courter	Foley
Annunzio	Coyne, James	Ford (TN)
Anthony	Coyne, William	Forsythe
Ashbrook	Craig	Fountain
Atkinson	Crane, Daniel	Fowler
AuCoin	Crane, Philip	Frank
Badham	Daniel, Dan	Frenzel
Bafalis	Daniel, R. W.	Fuqua
Bailey (MO)	Danielson	Gejdenson
Bailey (PA)	Dannemeyer	Gephardt
Barnard	Daschle	Gilman
Barnes	Daub	Gingrich
Beard	Davis	Ginn
Bedell	de la Garza	Glickman
Beilenson	Deckard	Gonzalez
Benedict	Dellums	Goodling
Benjamin	Derrick	Gore
Bennett	Derwinski	Gradison
Bereuter	Dickinson	Gramm
Bethune	Dicks	Green
Bevill	Dingell	Gregg
Bliley	Dixon	Grisham
Boland	Donnelly	Guarini
Boner	Dorgan	Gunderson
Bonior	Dornan	Hagedorn
Bonker	Dougherty	Hall (OH)
Bouquard	Dowdy	Hall, Ralph
Bowen	Dreier	Hall, Sam
Brinkley	Duncan	Hamilton
Brodhead	Dunn	Hammerschmidt
Brooks	Dwyer	Hansen (ID)
Broomfield	Dyson	Harkin
Brown (CA)	Eckart	Hartnett
Brown (CO)	Edgar	Hawkins
Broyhill	Edwards (AL)	Hefner
Burton, John	Edwards (OK)	Hertel
Burton, Phillip	Emerson	Hightower
Butler	Emery	Hiler
Byron	English	Hillis
Campbell	Erdahl	Holland
Carman	Erlenborn	Hollenbeck
Carney	Ertel	Holt
Chappell	Evans (DE)	Hopkins
Cheney	Evans (IA)	Horton
Clausen	Evans (IN)	Howard
Clinger	Fary	Hoyer
Coats	Fascell	Hubbard
Coelho	Fazio	Huckaby
Coleman	Fenwick	Hughes
Collins (IL)	Ferraro	Hunter

Hutto	Mollohan	Shumway
Ireland	Montgomery	Simon
Jacobs	Moore	Skeen
Jeffords	Moorhead	Skelton
Jeffries	Morrison	Smith (AL)
Johnston	Murphy	Smith (IA)
Jones (NC)	Murtha	Smith (NE)
Jones (OK)	Myers	Smith (NJ)
Jones (TN)	Napier	Smith (OR)
Kastenmeier	Natcher	Snowe
Kazen	Neal	Snyder
Kildee	Nelligan	Solomon
Kindness	Nelson	Spence
Kogovsek	Nichols	Stangeland
Kramer	Nowak	Stanton
LaFalce	O'Brien	Stark
Lagomarsino	Oakar	Staton
Lantos	Oberstar	Stenholm
Latta	Ottinger	Stokes
Leach	Oxley	Stratton
Leath	Panetta	Studds
LeBoutillier	Parris	Stump
Lee	Pashayan	Swift
Lehman	Patman	Synar
Leland	Paul	Tauke
Lent	Pease	Tauzin
Levitas	Pepper	Taylor
Livingston	Perkins	Thomas
Long (LA)	Petri	Traxler
Long (MD)	Peyser	Trible
Lott	Pickle	Vander Jagt
Lowery (CA)	Porter	Volkmer
Lowry (WA)	Price	Walgren
Lujan	Pursell	Walker
Luken	Rahall	Wampler
Lundine	Railsback	Washington
Lungren	Ratchford	Watkins
Madigan	Regula	Weaver
Markey	Rhodes	Weber (MN)
Marks	Rinaldo	Weber (OH)
Marlenee	Ritter	Weiss
Marriott	Roberts (KS)	White
Martin (NY)	Robinson	Whitehurst
Matsui	Roe	Whitley
Mazzoli	Roemer	Whittaker
McClory	Rogers	Whitten
McCloskey	Rose	Williams (MT)
McCollum	Rostenkowski	Williams (OH)
McCurdy	Roth	Wilson
McDade	Roukema	Winn
McEwen	Rudd	Wirth
McGrath	Russo	Wolf
Mica	Sawyer	Wolpe
Michel	Schneider	Wortley
Mikulski	Schroeder	Wright
Miller (CA)	Schulze	Wyden
Miller (OH)	Schumer	Wylie
Mineta	Seiberling	Yates
Minish	Sensenbrenner	Yatron
Mitchell (MD)	Shamansky	Young (FL)
Mitchell (NY)	Shannon	Young (MO)
Moakley	Sharp	Zablocki
Moffett	Shaw	Zeferetti
Molinari	Shelby	

□ 1040

The CHAIRMAN. The total of 356 Members have answered to their names, a quorum is present, and the Committee will resume its business.

The Chair recognizes the gentleman from Pennsylvania (Mr. COUGHLIN).

Mr. COUGHLIN. Mr. Chairman, may I inquire, how much time do I have remaining?

The CHAIRMAN. The Chair will inform the gentleman that he has 49 minutes remaining.

Mr. COUGHLIN. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. OTTINGER).

Mr. OTTINGER. Mr. Chairman, I rise in the strongest support of the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN) and congratulate him on his leadership.

First of all, I would like to point out that the cost of this project as represented by its proponents is grossly underestimated. It leaves out entirely the cost of reprocessing. The cost of reprocessing will run into hundreds of millions of dollars, and it is not even included. The costs of decontamination and decommissioning of the plant are also omitted.

□ 1050

Presently the estimated cost of decommissioning a conventional reactor is on the order of $60 to $100 million.

When the CRBR project costs are viewed from a cradle to grave perspective, the fact that large, additional financial obligations will be incurred by the U.S. Government becomes evident.

Those who vote to continue CRBR must understand that in so doing they are voting to commit U.S. taxpayers to 40 years of paying the unconsidered costs of reprocessing, decontamination, decommissioning, and disposal of radioactive wastes—costs which have been neatly overlooked in previous economic analyses.

These large, hidden costs, lurking somewhere in the future, are yet to be incurred and thus can still be avoided. By terminating the CRBR project now you will be saving not only the $2 billion-plus estimated by DOE to complete the project, but at least several hundred million perhaps even more than $1 billion in addition.

Terminating this economically unsound project is a long overdue step.

In addition to omitting the very high cost of reprocessing and decontamination and decommissioning, the costs of disposing of the high level and plutonium contaminated wastes at the end of the project are also omitted. These cost factors also overlook the very great likelihood that this plant will not operate at a high capacity factor which would be necessary to earn the revenues cited.

If you take a look at the French Phenix reactor in the first year of its operation, it operated at 47 percent of its capacity and in its second year at only 15 percent of its capacity.

The British Daunray reactor, when it started in 1979, operated at 9 percent of capacity; in 1980 at 3.7 percent of its capacity and in 1981 at only 15 percent of its capacity.

The figures that were presented concerning electricity revenues from CRBR assume that this plant is going to operate at greater than 60 percent capacity. I think that is exceedingly unrealistic.

Furthermore, the potential revenues cited by the proponents of this measure are clearly inaccurate.

A July 22, 1981, "Dear Colleague" letter from the gentlewoman from Tennessee (Mrs. BOUQUARD) and the gentleman from New Mexico (Mr. LUJAN) appears to assert that the Clinch River plant will produce revenues from the sale of kilowatt-hours to TVA for 30 years sufficient to cover the remaining costs associated with the project.

First of all, the contract with TVA is only for 5 years. At that, the TVA ratepayers are going to be closely subsidizing the cost of this plant, because the contract calls for TVA to purchase this power at the avoided cost, which is the highest possible cost, the cost of constructing a brandnew plant, whereas the TVA could well get their power much more cheaply from coal or nuclear plants, a far less cost.

After the 5 years have expired TVA will have to renegotiate a new contract and would likely not renew the contract at this rate which I believe is exorbitant. I am sure the gentlewoman from Tennessee does not want to see her ratepayers bilked for the next 25 years after this contract expires.

I am inserting into the RECORD the following comments which further show the dubious economics on which the Clinch River project is based:

A July 22, 1981 Dear Colleague letter from Mrs. Bouquard and Mr. Lujan appears to assert that the Clinch River Plant will produce revenues from the sale of kilowatt hours to TVA for 30 years sufficient to cover the remaining cost associated with the project. This assertion is not substantiated. Furthermore, whatever revenues are produced by the sale of electricity generated at the Clinch River Plant will be taken out of the hides of TVA ratepayers—at a cost above that at which TVA could conserve such energy.

NO LONG-TERM CONTRACT

The Bouquard/Lujan Dear Colleague's conclusion that electricity sales will cover remaining project costs is based on an assumption that the Clinch River facility will sell output to TVA for 30 years. At present, TVA has agreed, by contract, to purchase output only for the first 5 years of operation. During the initial five years TVA will determine whether to acquire the facility's output for additional years. Thus, there is no guarantee that the facility will have a ready market beyond the initial 5 years.

NO LONG-TERM PRICE

TVA has agreed to purchase the Clinch River output for 5 years at its avoided operating cost. There is no guarantee that this price can be attained for the Facility after these five years. Indeed, the normal arrangement between utilities attending a power sale is to "split the savings", an arrangement that would result in a lower price per kilowatt of Clinch River output after these five years.

ALLEGED REVENUES FROM POWER SALES ARE GREATLY OVERSTATED

TVA will purchase CRBRP output at TVA's avoided operating cost with no capacity credit. The price per kilowatt hour assumed by Bouquard/Lujan is based on the average wholesale rate charged by TVA and escalated. That rate, of course, has been set to cover all costs of capacity experienced by TVA, including the costs of considerable coal and nuclear plant capacity owned by TVA. Thus the rate used as the basis of the price per kilowatt hour is too high. As such, the revenues per kilowatt hour are overstated.

TVA RATEPAYERS WILL SUBSIDIZE CLINCH RIVER

Except in extraordinary circumstances, such as when Congress determined to encourage cogeneration and small power production in Title II of PURPA, utilities are required by the law to meet load at least or minimum cost. The purchase by TVA of Clinch River output at TVA's avoided cost is not consistent with this requirement. Effectively, the existing contract between TVA and Clinch River requires TVA to meet some if its load at "most cost", at a level above that occasioned by investment in conservation and maybe even in other generation plants, all for the purpose of generating some revenues to offset project costs. The TVA ratepayer is being asked to pay for energy generated by Clinch River which they could likely obtain more cheaply if Clinch River output were not purchased by TVA. Thus, TVA ratepayers help defray some of the cost of the subsidy to the facility.

UNREALISTIC PLANT PERFORMANCE ASSUMPTIONS

The alleged $3.2 billion revenues are based on an unrealistic assumption of near perfect operation of a highly complex, first-of-a-kind liquid metal plant.

Comparably sized breeders (Phenix in France and PFR in the United Kingdom) have not performed anywhere near perfection:

SAME CAPACITY FACTORS

[In percent]

	1976	1977	1978	1979	1980	1981
Phenix 600 MW (thermal)...	47	15	61	84	61	63
PFR (Daunray) 650 MW (+).....				9	3.7	15

CRBR earnings are most sensitive to the plant's performance during the first 5-10 years. This is precisely when technical difficulties due to start-up and initial operation will be most serious.

THE TECHNOLOGY BEING DEMONSTRATED IS UNRELATED TO A COMMERCIAL OPERATING BREEDER

The technology CRBR would demonstrate is very different from any future commercial plant.

First, CRBR is not even a commercial prototype;

Second, CRBR's size is one-third that of a commercial plant;

Third, the components and design will likely be different in a larger plant; and

Fourth, France, the United Kingdom and Japan all plan to by-pass a CRBR size breeder.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Washington (Mr. MORRISON).

Mr. MORRISON. Mr. Chairman, I rise in opposition to the amendment proposed and in support of the Clinch River breeder reactor project.

I would like to compliment Members of Congress, on wise investments in the past, perhaps greater investments than many realize, in the breeder reactor concept and in a balanced-energy approach to America's future.

In my State of Washington, we have just completed the fast flux test facility, a breeder reactor designed to return us to a position of world leadership in nuclear fuel technology.

I think history is going to measure all of us as representatives of the people by the wise use of our God-given natural resources, and that includes the fuels that we burn to generate electricity.

Nuclear fuels are one of those natural resources we burn, they are abundant, but limited to a 50-year supply. Keep in mind that less than 1 percent of the uranium ore mined actually ends up as nuclear fuel in today's light water reactors.

We have accumulated massive stockpiles of uranium-238, which is cast aside during the processing of nuclear fuels. That uranium-238, if processed in a breeder reactor, has the energy equivalent of more than all the coal reserves identified in the United States. It also equals approximately 1.4 trillion barrels of oil. If you want to calculate the dollar value, multiply today's price of oil times 1.4 trillion barrels.

All of a sudden that 50-year supply of uranium that we have in this Nation multiplies out to several conturies.

Timing of the Clinch River reactor has been questioned. Let me remind you that with the light water reactor and other complex technologies, it takes about 25 to 30 years from the time the technology is complete until we are able to make commercial application.

There is much talk of waiting for fusion energy, and I am excited about the prospects. Congress has done a great deal under my predecessor to establish fusion energy for the future, but do not hold your breath. The committee, in this bill, does make a continuing investment in the future of fusion, but the fusion engineering device called for in last year's legislation will not be ready until the year 2000 at best, and it will take years from there to achieve commercial use.

The question of size has been brought up about the Clinch River reactor. I personally had some questions myself, but having made several visits to the test facilities at Hanford, Wash., now believe that we must stay with the three times extrapolation that has been so safe and successful in the past. That is, you can multiply existing facilities by three times in determining the size of the next unit, and the Clinch River reactor fits precisely into that dimension.

The CHAIRMAN. The time of the gentleman from Washington has expired.

Mr. BEVILL. Mr. Chairman, I yield 1 additional minute to the gentleman.

Mr. FOLEY. Mr. Chairman, will the distinguished gentleman yield to me?

Mr. MORRISON. I yield to the gentleman from Washington.

Mr. FOLEY. Mr. Chairman, I thank the gentleman.

I want to join with him in his statement. I congratulate him on it.

I join with him also in opposing this amendment and in strong support of the breeder reactor program.

I urge Members on both sides to oppose the amendment.

Mr. MORRISON. I thank the gentleman from Washington for his comments.

Mr. Chairman, I think that the Clinch River reactor is a good investment; a justifiable investment in America's energy future.

I oppose the amendment and urge my colleagues to do likewise.

(By unanimous consent Mr. CONTE was allowed to speak out of order.

IT IS TIME TO PLAY HARDBALL

Mr. CONTE. Mr. Chairman, I have had just about enough of this soft pedaling and petty politics which the Congress has been experiencing this year. I stand here with the deepest possible conviction, for everyone present to hear, the Republicans are out to play hardball this year.

No longer will the Republicans precariously stand by waiting for the boll weevils to make up their minds or to set the stage for the next Democratic/Republican confrontation this year. From the very first pitch next Wednesday night the Republicans will be in complete control, and we will not need any assistance to maintain our edge of victory.

No longer will the Republicans stand for the thrashing that we took last year. Although I could not convince the young slasher, I have recruited our chief thrasher, JOHN "RAZOR-TONGUE" LEBOUTILLIER, to cut the Democrats down to size.

Mr. Chairman, if you think that big JOHN has any trouble moving around the—"mound,"—you can check it out next Wednesday night and see for yourself how agile and aggressive my new colleague can be.

Mr. Chairman, in your role as head umpire of this fine Chamber, it would be my natural inclination to ask you to umpire next Wednesday night's contest; however, due to JOHN'S affinity for the hard, high, fast ball in situations such as this, I suggest that you toss the ceremonial first pitch and allow us young bucks to lock horns on the field.

It is not that I doubt your ability to handle the high velocity of a Republican pitch, it is that inevitable curve ball that questions the sanity of allowing you to umpire behind the plate.

Whatever you decide, the game is part of a double header at the Alexandria Dukes home field at 4-Mile Run Park. Tickets are available through the Congressional Staff Club and various other outlets on the Hill, and bring your family and have a good time.

□ 1100

CONGRESSIONAL BASEBALL GAME

Mr. CHAPPELL. Mr. Chairman, I ask unanimous consent I be permitted to speak out of order for 2 minutes.

(By unanimous consent, Mr. CHAPPELL was allowed to speak out of order.)

Mr. CHAPPELL. Mr. Chairman, I want to say with reference to this year's baseball game that I hope the gentleman from Massachusetts (Mr. CONTE) is able to put a team together that will play hard ball, because last year there was some misunderstanding, apparently, on their part. He apparently thought we were trying to play a softball game, and finally had to call it at the end of the fifth because we had so many runs that he was afraid that he could not keep the score within his ability to count.

Even an old blind hog roots up an acorn once in awhile, and I do hope that my good friend from Massachusetts (Mr. CONTE) is able to root up a good team this year. God knows he is going to need it. If he is counting on the boll weevils to help him on the baseball game, he has the wrong idea, because while some of us may vary here and there on certain votes, he may be certain that the boll weevils are not going to move to his side of the aisle when it comes to a baseball game, and we are going to teach him the lesson of his life.

While the Democratic team roster represents players from every ideological base, we want the gentleman to understand that he is going to be in for it when we come out to the ball game next Wednesday. Clearly when we all get through our distinguished opponents will wish that it were not the major leagues who were on strike.

While I am sure my Republican colleagues are still reeling from last year's Republican defeat, I hope they will be able to muster the necessary enthusiasm and at least give the Democratic team a good batting workout this year.

Mr. Chairman, I hope we will all find the time to attend this year's game. To my Republican colleagues, I urge them all to come and support their team because God knows it is going to need it.

To all of our colleagues, let me invite them to come out for this very worthy cause of Washington's Children's Hospital. Let us have a good time. Let us have a good game, and let us show the people of America that at least the Congress is still interested in baseball, and good baseball, whether our professionals are or not.

Mr. COUGHLIN. Mr. Chairman, I yield such time as he may consume to the gentleman from New Jersey (Mr. HOLLENBECK).

Mr. HOLLENBECK. Mr. Chairman, I rise in opposition to the Coughlin amendment to delete funding for the Clinch River breeder reactor. I believe that this country needs to continue development of the breeder to assure that it is available if needed to meet our future energy requirements and Clinch River is a key element in this development. The United States is dependent upon fossil resources for most of her energy requirements. Our country still imports large amounts of crude oil, which severely impacts our balance of payments and all aspects of our economy, not to mention the uncertainty in assuring a continued source of supply. Although we have large amounts of fossil energy reserves, it would be wise to preserve these materials for energy uses that require hydrocarbon material, such as transportation and petrochemical feedstocks.

Fortunately, our country has energy sources other than fossil fuels that have the potential for making major contributions to our general energy requirements, including light water fission reactors, breeder reactors, fusion reactors, and solar power systems. All of these except light water reactors, which are available now, have future potential. The breeder reactor concept has been under development for many years, and its technological feasibility has already been proven.

The United States has large amounts of uranium, and this resource is capable of lasting thousands of years if breeder reactors are introduced. Compared to the breeder's efficient utilization of uranium, light water reactors utilize only a small percentage, one-sixtieth, of usable energy in uranium. As a result, they require large amounts of uranium ore to be mined every year. The deployment of hundreds of these reactors in the United States which we will likely need could quickly deplete our known uranium ore reserves.

Considering the uncertainties in uranium availability and cost and the potential range in commercial introduction dates they imply for breeders, the course that seems most logical is one that brings this country to a state of readiness for breeder deployment by the earliest possible need date. The risks of being late in achieving breeder commercial viability poses the potential for a much greater risk to the United States than any perceived penalty associated with continuing its development to a point of commercial deployment readiness too early. In other words, we simply must have this insurance policy—and Clinch River is part of the premium.

Although there are a number of potential deployment routes for the breeder, the most logical and cost-effective next step in the breeder program is completion of Clinch River. The decision to proceed with Clinch River is not a commitment to commercialize the breeder, but is a commitment to obtain the design, construction, and operating information that is necessary for the industry to make rational decisions on the future course of development of breeders.

Mr. Chairman, I feel it is appropriate at this time to insert a copy of the dissenting views on the CRBRP as they appeared in the Science Committee's report for the Department of Energy authorization bill for fiscal year 1982.

DISSENTING VIEW ON CLINCH RIVER BREEDER REACTOR PLANT PROJECT

These views are presented to underscore our strong support of the Clinch River Breeder Reactor Plant Project as a key element in our nation's breeder reactor development program.

The action of the Committee on Science and Technology to terminate the Clinch River Breeder Reactor Plant (CRBRP) is in direct opposition to the will of Congress as expressed over the last four years and to the intent of the new Administration. This action comes just at the time when we can move ahead with construction of CRBR and revitalize our national and international commitment to the development of nuclear energy. Our support for this project is based on a broad consensus in the scientific and technical community as well as the federal governments of the U.S. and the major developed countries that breeder technology is important to future energy security. In pursuing this goal, we believe, for a number of reasons, that CRBRP is the next step that the U.S. should take in its breeder development program.

Clinch River is the best plant to accomplish the goals of the U.S. breeder program. No alternative can offer more than this plant without greater cost or a serious loss of time. The design has been favorably reviewed at least 20 times by independent government and industry organizations with the objective of insuring that it was sound and at the forefront of technology. The Clinch River Breeder Reactor is the most advanced design in the world today in all aspects except size, and the size of CRBP was properly selected so that it would not be too large a scale-up from the predecessor plant, the Far Flux Test Facility.

CRBRP is ready to go now. Project design is about 86 percent complete and engineering research and development is about 96 percent complete. By the end of fiscal year 1981, about $218 million worth of completed hardware will have been delivered and more than $540 million worth will be in fabrication. We could complete the plant about seven years after receiving regulatory consent to begin construction.

Every other major industrialized nation in the world is building breeder reactors. The Soviet Union, France, the United Kingdom, Japan, Italy, and West Germany are actively developing breeder reactors with four fast breeder reactors larger than 250 MWe already operating and nine under construction or planned. All these nations realize that without breeder reactors to assure long-term fuel supplies, nuclear power will be a relatively short-term energy resource.

The U.S. must have a high-confidence, energy strategy. We must assure ourselves and future generations of a secure supply of energy. The prudent course is to preserve the breeder option by proceeding with CRBRP. The General Accounting Office in its 1979 report, "The Clinch River Breeder

Reactor—Should the Congress Continue to Fund It?", said flatly that if this nation wants a strong breeder program the Clinch River Breeder Reactor should be built. The GAO said further that a decision not to develop breeders implies the phasing-out of nuclear fission as an energy source. GAO support of CRBRP has been consistent and is included in subsequent GAO reports dated July 10, 1979 and September 22, 1980.

The proper stewardship of our indigenous resources requires that we utilize the breeder reactor to assure adequate supplies of nuclear fuel for centuries to come. The breeder promises to use uranium at least 50 times more efficiently than today's light water reactors. The prestigious National Academy of Sciences in its report, "Energy in Transition", came to the conclusion that we need all our resources—but we especially need coal and nuclear. The Academy said that the breeder would essentially make uranium a potential source of energy for hundreds of thousands of years. While current nuclear fuel resource projections indicate that breeders may not be needed until after the year 2020, significant uncertainties surround the long-term production capacity for this fuel.

The United States last year sent an estimated $100 billion overseas for oil. We are exporting our money and jobs for a resource that we burn rendering it unavailable for satisfying a wide range of human needs such as plastics, medicine, and fertilizer. Nuclear power cannot replace all that oil or its substitute fuel natural gas, but it can make a substantial contribution in modifying the energy mix so as to lessen our dangerous dependence on a foreign and depletable oil resource. A typical 1000 megawatt nuclear plant can replace 10 million barrels of oil per year if it is used to displace some of the more than 420 million barrels of oil consumed each year for generating electricity.

Those who say we could abandon our development effort and buy foreign breeder technology are wrong because of the licensing and economic aspects attendant to such an action. The U.S. has been a leader in technology, especially nuclear technology, until the present. Whether we retain this lead and build our own advanced fission plants according to our own safety standards and economics will be decided this year. The delays encountered in adopting foreign technology to our needs as well as the direct costs of design modifications would significantly add to the cost of breeder reactors in the U.S. On the other hand developing the breeder for the U.S. market will assure us the safest and most efficient machine possible.

Nuclear power is needed to meet our growing electric energy demand. Even doubling our present coal consumption for electric energy production—a prodigious task—we still will not be able to meet our projected electricity needs in the year 2000 without significantly expanding our nuclear generating capacity even assuming an electricity growth rate that's only one-half our historical growth rate during healthy economic times. Furthermore, nuclear is economical. For example, the Commonwealth Edison Company uses coal, oil and nuclear fuel to generate electricity. Because of its heavy reliance on nuclear power, its ratepayers saved $460 million in 1980 alone over what costs would have been if these nuclear plants had been constructed as coal-fired units. Projections for their system indicate that electricity from new nuclear plants will continue to be about 20% cheaper than from new coal plants.

Opponents of CRBR have argued that it is uneconomic and too expensive. A first-of-a-kind technology demonstration is never judged on economically competitive grounds. Arguments about the costs of breeder reactors 20 or 30 years into the future have to be based on assumptions that cannot be verified. The market conditions of the future will dictate the rate of breeder deployment. Furthermore, the return on the Federal dollar for developing CRBRP includes more than that gained from the advancement of breeder technology. The economic arguments against CRBRP ignore the tremendous revenues from the sale of generated electricity that will be realized over the plant lifetime. These net revenues are estimated at $2.3 billion at today's wholesale cost of electricity for TVA (almost $20 billion at projected costs). The present value of this failure revenue is $540 million.

The Clinch River Plant will cost less, can achieve critical program objectives sooner, and will entail less technical risk than any alternative yet proposed. Any other plant would add at least eight to ten years more to the demonstration project schedule and increase costs by several billion dollars. Additionally, to increase the plant size would also increase the risk of failure. In order for breeder reactors to have any impact on nuclear fuel supplies before the year 2030, we must move ahead now with a demonstration plant. That plant can only be the CRBR.

Some support for CRBR has been lost because of a desire to shift the financial burden for costly demonstration projects to the private sector. While we support this approach in concept, it cannot be implemented independent of the realities of the marketplace. Private industry has previously demonstrated its willingness to take risks in the development of nuclear power as shown by the utility contribution to CRBR as well as other private nuclear ventures such as the Barnwell nuclear facility. Current conditions, however, make it nearly impossible for the highly regulated utility industry to purchase new generating capacity needed to displace oil-fired units, much less finance expensive R&D plants. If nuclear energy is to continue to provide power for America in the 21st century, the government must make a comparatively minor investment now.

A severe critic of the CRBR in the past is Mr. David Stockman. He recently sent to the Committee, through the Ranking Republican Larry Winn, a letter dated May 11, 1981. Mr. Stockman noted that "Republicans over the years have seen the development of the breeder reactor as * * * a logical part of a complete and efficient total nuclear fuel cycle. The Clinch River Breeder Reactor is the first material evidence that the United States is willing to move toward such a goal." In addition, he stated that "The Reagan Administration favors the economical and safe development of nuclear energy. And, in particular, this Administration supports construction and operation of the Clinch River Breeder Reactor. This Administration intends to reinvigorate the effort on this project by joining the long struggle by the Congress to complete this project."

The CRBR project is important in near term to the future of nuclear power. If Congress acts to terminate CRBR, this will be one more in a series of policy reversals (including closing the enrichment order books, prohibition against domestic and foreign reprocessing, and the Carter Administration's identification of nuclear power as an energy source of last resort) which, in conjunction with regulatory uncertainty and private financing constraints, make additional investment in nuclear power difficult at best. If we are to meet our growing electric energy needs, these uncertainties must be removed. The focus of attention today is on the government's willingness to continue with the CRBR project.

We strongly support the completion of the Clinch River Breeder Reactor Plant and believe it is one of the most important energy technology development decisions facing the Congress this session. Moving ahead with CRBR will not only move us once again toward world leadership and influence in breeder technology but permit the much needed domestic development of nuclear power.

ROBERT ROE, MARILYN L. BOUQUARD, RONNIE FLIPPO, ALBERT GORE, JR., ROBERT A. YOUNG, RICHARD C. WHITE, HAROLD VOLKMER, RALPH M. HALL, LARRY WINN, JR., BARRY M. GOLDWATER, JR., MANUEL LUJAN, JR., HAROLD C. HOLLENBECK, ROBERT S. WALKER, EDWIN B. FORSYTHE, WILLIAM CARNEY, JOE SKEEN, BILL LOWERY.

I strongly support the continuation of Clinch River. It is a step in the right direction for our country and will maintain us as a strong, viable, and independent Nation. I urge my colleagues to support the Clinch River breeder reactor.

Mr. COUGHLIN. Mr. Chairman, I yield 4 minutes to the gentlewoman from Rhode Island (Mrs. SCHNEIDER) the author of the amendment in the authorizing committee.

Mrs. SCHNEIDER. Mr. Chairman, I rise in support of Congressman COUGHLIN's amendment to eliminate funding for the Clinch River breeder reactor.

I know many of you have been subjected to a lot of pressure in the past few weeks by the corporate interest groups in favor of this project. As we knock down the arguments for the project—one by one—the lobbyists have been reduced to waving the American flag in our faces and crying, "National Security."

Do not be fooled for a minute. All the talk about Russians, and the French and the Germans and war in the Middle East is a smokescreen to hide the fact that this project will mean nothing to the America taxpayer.

By now, you have been swamped with facts and figures, but several points are worth repeating. First—this project will make no real contribution toward ending our dependence on oil imports. Only 7 percent of all foreign oil imports are used to generate electricity. Every year, oil-fired powerplants are replaced by coal and conventional nuclear powerplants. We will not have a commercial breeder reactor for another 50 years—by then, there will not be any oil-fired powerplants left. Where is the oil displacement claimed by breeder proponents? Are

we going to hook our cars up to breeder reactors?

A second point—I understand that Westinghouse lobbyists have circulated a rumor that it will cost more to end this project than it will to build it. If you believe that, then I have a bridge to sell you. The Science and Technology Committee held a full day of hearings on termination costs. It was obvious from the testimony of industry witnesses that their inflated claims about termination costs were nothing more than hot air.

After the hearing, the Science Committee settled on a first-year installment of $44 million, an amount which was suggested by our chairman. If you are worried about the financial strain on the utilities, you might be interested to know that their contributions to the project have already been collected from their own ratepayers. We should also remember that the cost of completing this project now being quoted—$3.2 billion—is a preconstruction estimate. Ask the utilities if they will share in any cost overruns beyond that $3.2 billion. They will most emphatically decline.

Finally, you have been reassured—particularly by the gentleman from Tennessee, for whom I have a great deal of respect—that there are no problems with the Clinch River contracts. Well, that is simply untrue, and let me give you just one example.

Six years ago, the Government contracted for delivery of 11 steam generators at a price of $56.9 million. We were supposed to have had those steam generators 3 years ago.

What has happened instead? By August of this year we might have two steam generators at a total cost of $143 million. That is a cost overrun of over 1,000 percent. I call that a problem. This story has been widely circulated in the newspapers—including the Nashville Tennessean—and has never been denied.

We face a very basic choice today—will we choose between the taxpayers who will have to shell out billions for this boondoggle, or the corporate interest groups who have been pressuring us?

The Clinch River breeder reactor project is a hoax.

Let us say no—to the lobbyists who treat this Congress like a flock of sheep that can be manipulated by self-interested appeals to national security.

Let us say no—to the bureaucrats at DOE who oppose this project one year, and turn around and support it the next.

Let us say yes to the American taxpayer.

Let us say yes to the Coughlin amendment, and make this a Congress we can be proud of.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from New Jersey (Mr. ROE).

Mr. ROE. Mr. Chairman, I thank the chairman for yielding me the time to present some thoughts and views to our colleagues.

I have listened intently to this debate, and I particularly listened to the last speaker. I am amazed when you talk about what is wrong with America, and you are out in the field, and you listen to people respond to you—the utter frustration that people sense and feel. Now we come back and the big debate is going to be next week on saving money for the taxpayers. That is what the issue is going to be on, and who can provide the best deal for the American taxpayers.

We come back and say what is wrong with America and the people are concerned; we cannot get anything done or anything built. It takes 10 years to build a sewer plant in the United States, if you can get it done at all. Eighteen years of delay to build a water supply vital to the needs of the people of this Nation. It takes at least 15 years to get a navigational channel dredged.

The cost of money to the people of this country is at least 10 to 15 percent a year in interest, and we have inflation that is about 12 percent. The cost of construction is 15, 16, and 18 percent a year.

The charge and what is wrong with the Clinch River breeder reactor lies in the House of Representatives and it lies in the administration. There is not an overrun in this program at all. It has cost us $1.5 billion more because we cannot make up our mind or get a decision, so much that some people know about that, which is not true. If you asked them where the top of the breeder reactor was technically or where the bottom was, they would not even know; they could not even distinguish between that and those fat cows we saw on that chart as to what the breeder reactor is.

Let me tell my colleagues something. America's future lies in our independence in energy, energy to the cost of production. Do we have the right to waste another $1 billion by holding up this project or $2 billion or more in the only area that the United States has now that is free to move, which is in the breeder reactor to be able to recoup the investments we have made in the future that we are talking about in this great country of ours? To lose this project now would be the biggest fraud cast upon the people of this Nation, and we would be responsible in this House of Representatives for throwing away 5 billion dollars' worth of taxpayers' money.

That is what this debate is about, about the last and final hour, the last chance we have to carry our leadership through in energy and our leadership through in technology.

□ 1110

That is what made our country great, not our retreating from our responsibilities but what we should be doing for tomorrow.

I implore you, when you vote this time, do not worry about areas of the country; worry about the sovereignty of the United States. Yes, it is that important—and that important to this Nation.

Mr. COUGHLIN. Mr. Chairman, I yield 2 minutes to the distinguished gentleman from California (Mr. BROWN), a member of the committee.

Mr. BROWN of California. Mr. Chairman, I rise in favor of the amendment offered by my distinguished colleague, LARRY COUGHLIN, to delete funding from the water and energy development appropriations for the Clinch River breeder reactor.

Mr. Chairman, for over 4 years now, I have been involved in the debate to terminate the Clinch River breeder reactor project (CRBR) in Tennessee. I feel compelled once again to speak in opposition to the construction of this project. In spite of the multitude of reasons to put Clinch River behind us, this multibillion-dollar mistake is still alive in the pending legislation.

While I feel that the arguments made during the past several years are valid and reason enough to terminate CRBR, the particular circumstances surrounding this year's vote overwhelm any possible justification for continuing support of the project. The Science and Technology Committee earlier this year voted to terminate Clinch River. But authorization for CRBR was slipped through in Gramm-Latta II under the guise of so-called fiscal restraint despite the fact that the estimated cost before groundbreaking is over $3 billion.

Mr. Chairman, I would like to make it clear that I am strongly in favor of federally supported research efforts of various energy technologies including nuclear, solar, conservation, and alternative sources. However, and I think my colleagues would have to agree, this support should not be indiscriminate. Unfortunately for this country, and for the Federal budget, the Clinch River project has come to symbolize our support for nuclear power and serve as an indicator of our commitment to resolving this Nation's energy problems. The reality, however, is that the commitment of the industry itself to the project is questionable. Although this project started as a 50–50 Government-industry venture, the Federal Government is now expected to bear 95 percent of the costs with industry contributing only 5 percent. It is no wonder, I suppose, that CRBR is considered a symbol by its proponents, as it hardly hurts their purses. And yet they want the Government to carry the major burden of the costs.

As for solving this country's energy needs, as a producer of electricity, Clinch River will hardly contribute to alleviating our liquid fuels problem.

Construction of Clinch River is another, less positive symbol as well. This reactor would be the first step to the development of a plutonium economy. We cannot pretend that our own country's entry into the commercial breeder era is not a nuclear proliferation threat. If anyone believes that the present generation of light water reactors, with their relatively low-grade nuclear fuels, are nuclear weapon proliferation threats, they can only be terrified at the prospect of a plutonium economy.

When the Joint Committee on Atomic Energy, of which I was a member, approved a timetable for acceleration of the development of breeder reactors, the assumptions under which the committee operated were significantly different than they are today. Simply stated, changes in energy demand, uranium supply, and governmental policy have rendered the original assumptions outdated. The Republicans who led the fight against this project in the Science and Technology Committee won because the CRBR no longer makes economic sense, if it ever did. Furthermore, the technology is now hopelessly obsolete; 12 years after the original plans were completed for the project, ground has yet to be broken.

Mr. Chairman, this country underwent significant disruptions under the oil embargo of 1973 and has felt the repercussions since then of higher energy prices and the effect of this on inflation. Can any Member of this body honestly say that the construction of this project and the development of this technology will alleviate any of our problems? As one who has long been involved in solving our energy needs, and as one concerned with safe and economical energy technologies, I believe that the Clinch River breeder reactor is an unreasonable proposal. I urge my colleagues to adopt the Coughlin amendment.

Mr. COUGHLIN. Mr. Chairman, I yield 4 minutes to the gentleman from Illinois (Mr. PORTER), a member of the Appropriations Committee.

Mr. PORTER. Mr. Chairman, the Clinch River breeder reactor project has outlived its usefulness and not one more cent should be expended on it. Although it once offered the great hope of unlimited electrical power at low cost, the enormously expensive breeder program has run hard into the realities of lower projected electricity demands and an expansion of the world's known uranium base.

These changed circumstances have undercut the very reason for Clinch River's existence, while its cost explosion has made continued funding not only unwise but thoroughly wasteful.

In the early 1970's Clinch River was proposed because it apparently provided the answer to two troubling aspects of atomic power: the projected shortage of uranium fuel for nuclear reactors, and the concomitant inability of nuclear power to meet the projected demand for electricity by the year 2000.

The breeder uses low grade uranium and plutonium fuels and generates still more plutonium as a byproduct—which, in turn, can be consumed by other reactors to generate even greater power. It was a magic pyramid of energy that stimulated the imagination of an energy-hungry world and that whetted the appetite of decision-makers for its rapid development.

The on-again off-again history of the project over the course of four administrations is well known to the Congress. Through the distracting recriminations and acrimonious exchanges over who is to blame for the delays and exponential cost overruns, some significant factors have crystallized in the last decade:

First, electricity demand has dropped as the price has risen, actually creating excess capacity. According to the Edison Electric Institute, electrical demand growth rates dropped to 1.9 percent in 1980 and could range from zero to minus 1 percent in the near future.

Additionally, the known reserves of uranium in the world have grown dramatically, reaching the point where the need for any fuel reprocessing or plutonium fuel generation is doubtful.

All of this has occurred against a background of reduced role expectations for nuclear power. In the early 1970's Government and industry studies projected 1,000 operating nuclear plants by the year 2000. Current DOE estimates are closer to 170.

Mr. Chairman, if we are to proceed with development of a new and expensive technology no longer essential to meeting electrical demand, it must at least be justifiable for sound economic reasons.

Unfortunately, this has not proven to be the case with Clinch River. At a now estimated $3.2 billion price tag for the breeder—up from the original 1969 estimate of $400 million and the 1973 figure of $649 million—Clinch River's electricity is going to be the most costly in American history. Over $1,100 million has already gone into this project and construction has not yet begun.

No; economic factors do not weigh in favor of continued support for this enterprise. A generator that will need to sell its product at below cost of production is a poor investment. The business community, which understands the bottom line, has lost its enthusiasm for Clinch River. Private utilities' contribution to the breeder has fallen from 61 percent in 1973 to only 9 percent today.

In addition to the changed circumstances that have undercut the need for the breeder, there have been other factors which have undercut the value of the program itself: There are safety concerns that may make NRC licensing impossible without a site relocation at an additional cost of $1½ billion, and there are experts who claim that the technology itself is fast becoming obsolete—among them Edward Teller, a nuclear pioneer—and the wrong path toward continued nuclear energy development. These doubts are reflected worldwide as the French and other European boosters of the breeder have themselves backed away from it.

Finally, there remains the agonizing question of whether or not we would, in any case, want to pursue a system that generates unwieldy amounts of plutonium—the most toxic substance known to man and the material of nuclear weaponry. We have discouraged others from doing so; can we really afford to contradict ourselves?

Mr. Chairman, it is rare for this House to face such an obviously avoidable expenditure as continued funding for Clinch River. The movement to purge is a bipartisan one that originated with our very able colleagues in the Science and Technology Committee after a lengthy review that reevaluates years of prior support.

Surely these dollars would be better spent on productive energy research. Speaking as a Member who has supported the safe use of nuclear power, let me say that this is not a vote against atomic energy; it is a vote for fiscal sanity and prudent public policy.

There has been no better assessment of this question than that of our esteemed former colleague from Michigan, and now Director of the Office of Management and Budget, who said in 1977: "(Clinch River) is totally incompatible with our free market approach to energy policy."

Mr. Chairman, this project has become an indefensible white elephant, and every Member of Congress knows it. If private industry wants to pursue it, fine. But the American taxpayers should not have to foot this exorbitant bill any longer.

I yield back the balance of my time.

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to the distinguished gentleman from Texas (Mr. WHITE).

Mr. WHITE. Mr. Chairman, the Clinch River breeder reactor project and the U.S. LMFBR program have the support of a wide variety of individuals and groups throughout this country, from the nontechnical laymen and women who urge U.S. energy independence to the distinguished scientists whose technical

knowledge of the program is testimony to its correctness.

Many of the most respected scientists in the United States stand firmly behind our breeder program and CRBRP. Representing the group Scientists and Engineers for Secure Energy, Inc., known as SE2, several of these renowned technical experts have felt compelled to speak out again recently to counter opponents who want to delay or terminate our breeder program by cancelling Clinch River. Notable experts, such as Alvin Weinberg, Norman Rasmussen, Dixy Lee Ray, and Manson Benedict as well as four Nobel laureates including Hans Bethe, are some of the 17 SE2 members whose recent concensus in favor of the breeder bears repeating.

These distinguished scientists summarized their support by four key points: First, that the LMFBR is the only already proven technology which can serve as guaranteed insurance against possible, future energy crises;

Second:

At the time of possible, future deployment, LMFBR's will be a secure, and most probably economical way by which to convert nuclear power technology into a truly renewable energy resource of unlimited potential;

Third:

In many respects, the CRBRP is the most advanced development project of its kind. If promptly pursued and properly followed up, it may open the way for the United States and the world to acquire, by the turn of the century, a fully commercially applicable, advanced breeder technology at precisely the time when a massive introduction of such a resource may become necessary.

Their fourth point states:

In view of recent political developments in certain Western Countries, particularly, France, the Clinch River Breeder Reactor Project may become the only reliable technological undertaking of its kind in the Free World.

These four points carry powerful significance since they come from such a respected group. In their wisdom, these scientists further state:

Our support for the steady development of the LMFBR technology in this country does not in any way reduce our enthusiasm for the search for, and development of, alternative sources for the secure generation of nuclear power. In particular, we fully endorse the call by Edward Teller for an ongoing assessment by a national body of technological experts of various known and promising technical options . . . Nevertheless, we strongly believe that such an assessment of additional alternatives should proceed concurrently with the vigorous, and rapid, development of the Clinch River Plant.

These eminent scientists clearly recognize that the United States cannot turn its back on any potential future energy resource and that no one source by itself is sufficient to meet our energy needs. Dependence on one or two sources to the exclusion of others with promise is indefensibly poor stewardship. Let us return to better management of our resources by completing the Clinch River project which we can only do by voting against this amendment.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from New Mexico (Mr. LUJAN).

Mr. LUJAN. Mr. Chairman, this is the fourth year of controversy in Congress over the Clinch River breeder reactor project, and I have heard a lot of arguments on the subject. There have been endless paper studies, reports, investigations, and hearings. There have been a lot of misconceptions. I would like to address several of the key areas of misconception.

One basis of arguments by CRBR opponents is that the design is obsolete. This would be an effective criticism since very few Members of Congress are technical experts in breeder design areas. However, the design of the Clinch River plant has been continually updated as it has proceeded. R. & D. and proof test programs as well as requirements indentified in the course of NRC licensing proceedings have been the basis of upgrading. New features, such as the most advanced core design in the world, have been incorporated. We are leading the world in our ability to analyze the core activity. A recent comprehensive study has confirmed that the loop-type design of Clinch River is also the correct design for U.S. breeder reactors. The French would like to incorporate many of our design features in their superPhenix.

At the Science and Technology Committee hearings, we heard representatives of the previous administration; they could not identify one single obsolete system or component; they could not suggest one feature that could be modernized. At least 13 independent Government reviews since 1975 have confirmed that the Clinch River is not technically obsolete. In addition, unique features to meet U.S. safety and licensing requirements, not contained in foreign design, have been incorporated. If we were to rely on buying a breeder design from a foreign country, as has been suggested by some opponents, these designs would be unlikely to meet U.S. safety and environmental requirements.

The CRBR has been opposed on economic grounds. Stopping the CRBR now would not save money. Ending the breeder would also mean a heavy cost. With close to $1 billion already spent, the General Accounting Office has estimated that it would cost as much as $350 million more to terminate the project. This means that even if it is halted now, nearly half the cost of completing it would be spent anyway—without benefits to the taxpayers. In addition, we could incur the eventual cost of $3 billion to build another demonstration reactor if we don't continue to support this option.

On the contrary to arguments that stopping the CRBR would save money, the breeder offers society positive economic benefits. In his 1979 American Society of Mechanical Engineers paper, "Perceptions of Risks and Timing in Breeder Development Decisions," C. Braun, research manager of the Electric Power Research Institute, states:

The conclusion of this section is that breeders introduction into the generation mix offers the potential for significant reduction in electricity cost and beyond the confines of the electric sector-increase in total personal consumption. Foregoing or delaying the FBR option will result in an economic penalty. The magnitude of the unexpected FBR introduction savings cannot be exactly computed due to our inability to foresee the future evolution of all the relevant parameters. A reasonable range of the economic risk of delayed FBR commercialization is up to 300 billion discounted 1978 dollars or up to 10 percent of generation costs.

Critics have pointed to cost increases since the CRBR was first conceived. We all have seen cost increases since then. But the overwhelming majority of cost increases for the CRBR are due to changes and cost factors imposed on the project by external factors—continuing indecision attributable to the national policy debate over the breeder, licensing changes, the impact of delays and escalating inflation. Critics of the project claim that the cost increases demonstrate that the CRBR is not cost beneficial and is no longer justified. However, we all know that much of the cost increases are attributable to factors beyond the control of the project management.

Finally, the project can be completed, by 1990, for about $2.2 billion—about what 10 days' worth of imported oil currently costs the United States, and less than what only one synthetic fuel plant will cost.

We have heard a great deal of debate about the need for the CRBR. This country has indeed many energy options, but there is a concurrence among the experts in energy policy that no one option will satisfy all of our future national energy needs—not solar, not nuclear, not geothermal, not coal, not conservation, and certainly not oil. We need each and every one of these energy options. The breeder technology is a crucial piece of our nuclear option and to foreclose that option now is to restrict the flexibility this country will have in responding to energy problems in the future. In summary, I believe the Clinch River breeder reactor project is not only needed but that this country cannot afford to foreclose the option that the CRBR project offers. I urge my fellow Members to support this appropriation and to vote against the Coughlin amendment.

□ 1120

Mr. COUGHLIN. Mr. Chairman, I yield 1 minute to the gentleman from New York (Mr. GREEN).

Mr. GREEN. Mr. Chairman, I rise in support of the amendment offered by my distinguished colleague from Pennsylvania (Mr. COUGHLIN) which deletes the fiscal year 1982 funds appropriated for the Clinch River breeder reactor.

I have always supported the reactor in the past, because I believe that we must pursue all available means of energy development if we are ever to solve our energy crisis. I continue to believe that breeder technology is an important option in our energy future. However, my general support for breeders does not now extend to the Clinch River project for several reasons.

Most importantly, this year we are considering Clinch River under circumstances of unprecedented budgetary stringency. The difficult choices that we have made this year necessarily put Clinch River's funding on a different footing. After making cuts in a wide array of Government programs, keeping Clinch River in the Federal budget would be irresponsible. Budgetary economies require priorities, and Clinch River, with its $3.2 billion price tag, its lack of commercial viability, and its progressively more dated technology, cannot be considered a priority.

Time is simply passing this project by. Clinch River was established on the basis of two energy assumptions: A great rise in the demand for energy, and a great drop in the supply of uranium, and neither assumption has proven correct. The economic environment in which Clinch River was intended to operate has never materialized, and probably will not until sometime between the years 2030 and 2050. While I believe that someday we will have to spend money on a breeder project of at least Clinch River's scope, that day is some years away. Furthermore, when we do spend that money, it will be for a project that is the up-to-date product of the breeder research then being done, rather than on Clinch River, which is rooted in assumptions and technology that are over 10 years old.

Clinch River is also not commercially viable—the generally gloomy economic outlook of our allies' breeder programs, and the falling percentage of our utilities' contribution to Clinch River's costs are evidence of this. The new administration has claimed it will only support commercially viable programs, yet it continues to support Clinch River. Clinch River cannot compete economically with other forms of energy generation, so that its continued Federal support represents a subsidy for nuclear interests that is inconsistent with the administration's stated policies. Furthermore, Clinch River is funded at a disproportionately high level compared to other alternative sources of energy. This funding bias works to the disadvantage of solar and conservation programs, for example, and is also contrary to the administration's stated objective of getting the Government out of the business of determining the optimal mix of the Nation's energy sources.

No program can be immune from budget scrutiny, and I believe that such scrutiny bears out deleting Clinch River's funding at a time of Federal spending cutbacks. Cutting this project's funding will not harm our energy situation, and will save a good deal of money. Considering all the cuts that we have made this year, Clinch River should also go. I urge my colleagues to vote "yes" on this amendment.

Mr. COUGHLIN. Mr. Chairman, I yield 1 minute to the gentleman from Illinois (Mr. PHILIP M. CRANE).

Mr. PHILIP M. CRANE. Mr. Chairman, the Clinch River breeder project has been with us for a long time now. Since 1970, when the project was originally authorized, it has suffered the fate of many Government-run, bureaucratically managed projects—its costs have skyrocketed, its schedule has slipped, its management and contractual problems have multiplied.

After 10 years of this type of Government management—what do we have?

We have a project that is running 450 percent over cost.

We have a project that is not an economical source of power.

And, worst of all, we have a project for which the American taxpayer will be picking up 91 percent of the tab.

All this is before construction has even begun.

After 10 more years of this kind of management—what will we have?

We will have a project that will cost the American people billions more in precious Federal dollars—it is unclear how much the costs will escalate when construction actually begins.

We will have a 375-megawatt powerplant that is not needed by the region for which its power is intended.

And we will have a demonstration breeder which cannot be marketed or commercialized by anyone in the private sector.

The current Director of OMB, when he was my colleague in the House, made this point very clear. Let me quote him:

> Development of energy technology options should not be confused with their marketing and commercial introduction * * * therefore, the only justification for any continued funding of the Clinch River project is the hard economic judgment that the market would select the breeder during the 1990's as the lowest cost form of nuclear electric power production. (The Market Case against the Clinch River Breeder Project, Sept. 17, 1977)

David Stockman did not think it very likely that the private markets would justify this lavish funding for a breeder demonstration.

So the question is clearly one of whether the Government should step in and make this decision for the private sector.

Whether we in the Congress should substitute our judgment for the wisdom of the market.

Whether we should commit untold billions of dollars of taxpayers' money to a project which the market will not support.

I think it is time we stopped making these decisions for the market. That was one of the meanings of the election last November. I intend to vote against further funding of this project, because it is apparent to me that it is unnecessary and, in a true sense, out of control.

If we are ever to control the Federal budget, if we hope to achieve a balanced budget by 1984, we must have the discipline to oppose such runaway ventures as the Clinch River breeder reactor.

I urge support of the gentleman's amendment.

Mr. BEVILL. Mr. Chairman, I yield 1 minute to the gentleman from Missouri (Mr. YOUNG).

Mr. YOUNG of Missouri. Mr. Chairman, in the breeder reactor, our Nation has a technology which will allow us to use our domestic energy sources more thoroughly than ever before. Breeder reactors will renew our unrenewable uranium supplies which cannot be used in today's reactors by converting them into plutonium fuel. This fuel can then be used in both conventional nuclear plants and in breeders.

Nuclear power, along with coal, will become increasingly important to a more balanced U.S. energy supply mix. These sources can displace the burning of precious oil and natural gas for electricity generation. Currently, the oil U.S. utilities burn to generate electricity is equal to nearly half of the petroleum imported from the Middle East. A single nuclear plant can replace 10 million barrels of oil annually. The oil burned for electrical generation can thus be freed for essential transportation uses.

Even at the lower electrical growth rate expected in the United States—estimated to be roughly 3 percent—our electricity needs will double in only 23 years. That means twice as many powerplants. While new technologies such as solar will help, they cannot make the contribution of proven technologies such as nuclear and coal.

To insure that the nuclear option remains open, utilities must be assured of future fuel availability. The breeder

reactor can help to provide this assurance. Conventional nuclear plants now supply approximately 12 percent of the Nation's electricity, but they do not derive the maximum benefit from our natural uranium resources because they can use only a fraction of the energy value that the uranium resources contain. In the process of making fuel for today's light water reactors (LWR's) the abundant portion of uranium (U^{238}) is removed. Millions of tons of this presently useless material represent an energy resource equivalent to 100 times the total energy now being consumed annually in the United States.

Uncertainties over future electrical growth rates and fuel availability demand prudent planning. If we halt the Clinch River breeder demonstration plant, we retard the breeder option and invite continued dependence on costly and unreliable foreign oil.

The United States needs energy made in America. In our breeder program, the Clinch River plant is the next prudent step to demonstrate breeder technology in a time frame which will allow private enterprise to make confident decisions about future breeder use.

France, Japan, the Soviet Union, Great Britain, and West Germany are all ahead of us in actual breeder operation. The commercial-size Super Phoenix in France is scheduled for 1983 operation under joint European sponsorship. These nations have recognized the breeder's potential value as a necessary future energy source. Our technical base, however, still surpasses theirs. If we want to retain our leadership in breeder technology, Clinch River must be completed. We hold the promise of this technology in our grasp today. We must not again lose our leadership in an important technical area.

I strongly support the continuation of Clinch River, and I urge my colleagues to support it as well by voting against this amendment.

Mr. SAM B. HALL, JR. Mr. Chairman, will the gentleman yield?

Mr. YOUNG of Missouri. I yield to the gentleman from Texas.

Mr. SAM B. HALL, JR. I thank the gentleman for yielding.

I would like to associate myself with the remarks of the gentleman from Missouri in support of the Clinch River breeder project.

Mr. COUGHLIN. Mr. Chairman, I yield 4 minutes to the gentleman from New York (Mr. LUNDINE).

Mr. GLICKMAN. Mr. Chairman, will the gentleman yield?

Mr. LUNDINE. I yield to the gentleman from Kansas.

Mr. GLICKMAN. Mr. Chairman, I rise in support of the Coughlin amendment.

Mr. LUNDINE. Mr. Chairman, I rise in support of the amendment of the gentleman from Pennsylvania (Mr. COUGHLIN).

We have, as my colleagues know, a very tight research and development budget situation this year. This is too large an allocation of Federal research and development dollars to one project possibly to be justified. This investment cannot be justified because demand for electricity has been reduced.

We have enough uranium to produce electrical energy from light water reactors for the next 50 years. We have much more promising research and development under way which can address the 21st century energy needs of this country.

This takes valuable resources away from our research and development programs for fusion, for advanced breeder research, and for nuclear safety.

Now I favor the generation of electricity by nuclear energy and I want to make it very clear this is not an argument between the pronukes and the antinukes. I really believe that in order to accomplish the transition to a renewable source of energy in the next century we are going to need nuclear energy and we are going to need more of it.

However, if we examine objectively the Clinch River project, neither is it high enough priority to be included to this extent in our research and development activity, nor is it a prudent investment in our energy future.

This is a simple question. It is a question of cost, a question of priorities, a question of market conditions.

This project will cost upward of $3 billion. Today, the utility contribution is less than $100 million. That is less than 10 percent of the total amount spent to this date. There is a reason for this lack of support. It is not just that there have been cost overruns. It is clearly that the project will not suffice in market analysis today. The Stockman memorandum has been already widely discussed and it goes, I think, even though 4 years old, very incisively to the point that utilities are not investing because utilities realize that this is a poor investment.

The total amount spent today, $1 billion, is an investment, there is no question about that, but we can save well over $1.7 billion by terminating this project today.

So, in conclusion, I would say whether one is for nuclear energy or one is opposed, look at it from the standpoint of the priorities of our research and development activities, look at it from the standpoint that our resources are by no means unlimited and I urge my colleagues to support the amendment of the gentleman from Pennsylvania (Mr. COUGHLIN) and defeat the further waste of these funds on this project.

Mr. BEVILL. Mr. Chairman, I yield 2 minutes to the gentleman from Arizona (Mr. RUDD).

Mr. RUDD. Mr. Chairman, I rise in opposition to the amendment. The opponents of Clinch River try to tell us that the energy policy of this country is a free market energy policy. I assume they consider OPEC a figment of one's imagination. They believe that the Nuclear Regulatory Commission has not been overly cautious in delaying the licenses of a dozen nuclear plants which are costing the consumers hundreds of millions of dollars in construction loans and other financing costs each year.

Now these same people want to throw away the $1 billion already invested in this project which is the focal point of over 20 years of breeder reactor research and development. Add to that over $300 million in unsettled claims and termination costs that the Government will have to pay to close down the project and you come out with a net loss of $1.3 billion as a minimum.

If you proceed in building the plant you will soon have a facility which will generate over $2.6 billion in revenue in its first 5 years of operation—while providing important operating experience. In the 30-year lifetime of the plant you will generate revenue of more than six times that amount for a total of close to $14 billion.

If it is really a case of economics, I think that would make good sense to these opponents. On top of that benefit is the engineering and fabrication experience which would be gained in building this plant in the United States to our safety standards.

President Reagan supports Clinch River. The scientific and engineering communities support Clinch River. Even Dr. Teller has changed his position and supports Clinch River. Let us build this research and development project and get our domestic energy program moving forward again. Let us be able to use our uranium resources 60 times more efficiently. And let us bring to an end the misstatements in the media about an energy program that can provide us with an energy source equal to all the oil in the free world.

□ 1130

Mr. COUGHLIN. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. DUNN), a member of the authorizing committee.

Mr. DUNN. Mr. Chairman, I rise as a supporter, a strong supporter, of nuclear energy. However, I also rise in support of this amendment. I rise in support of utility companies across this Nation, utility companies that are facing regulatory problems, that

cannot get decisions from the NRC, while the attention of this Congress and a great deal of the taxpayers' money is being spent on the Clinch River reactor, an uneconomical and ill-advised project.

I rise in support of utility companies that cannot find adequate funding for many technologies due to money being spent on projects like Clinch River, utility companies that say there are increased sources of uranium, utility companies that are facing problems of lesser demand for electrical energy. Until we solve important problems of transportation and disposal of nuclear waste, and until we solve some public perception problems, there certainly is no need for Clinch River and other projects of huge expense and questionable value.

I rise in support of an administration that has continually said to our committee, "We support basic research. We are against funding near-term commercialization that better belongs in the hands of free enterprise."

Finally, I rise in support of the American taxpayers. The administration has urged that we cut wasteful Government spending. The Clinch River breeder reactor is an excellent example of it.

Mr. COUGHLIN. Mr. Chairman, how much time do I have remaining?

The CHAIRMAN. The gentleman has 27 minutes remaining.

Mr. COUGHLIN. Mr. Chairman, I yield 4 minutes to the gentleman from New Hampshire (Mr. GREGG), a member of the authorizing committee.

Mr. GREGG. Mr. Chairman, I do come from New Hampshire. I think that is an important fact in this debate because New Hampshire has the Seabrook powerplant which is, and unfortunately has become, the lightning rod of the issue of nuclear energy in this country.

I am a strong supporter of Seabrook. I am a strong supporter of completing Seabrook. I am a strong supporter of nuclear power, but I do not support the Clinch River breeder reactor. The simple fact is that this is not a referendum on nuclear power, as some would have the Members believe. This is a referendum of economics. This is a referendum on the question of how one is going to justify in today's economy a project which is clearly not economically viable.

No matter how one looks at this project, it is not a commercial technology within this century. That is the important point.

We are asked here to build a plant which, for it to be commercially viable, must have a uranium cost of at least $100 per pound. Today uranium does not cost $100 per pound. It is not projected it will cost $100 per pound in this century.

The result of that is that we are building a plant which cannot compete—simply cannot compete—with light-water technology as a commercially viable entity in this time or in the time of its life.

We are told by many that the reason to build this plant is so we will be ready for the time when commercial technology breeder reactors will be available. We are told to build this plant because it is needed to design and prepare for that time which will occur some time around the year 2020 if one is optimistic, but most likely later.

What we are really doing is, we are forcing this technology on the marketplace by building this plant today. We are artificially taking the assets of the country and directing them toward a technology which simply cannot compete. We are not planning for the future; we are creating a situation which today will demand a nationalization basically of the nuclear industry, because we will have created a technology which is not viable without huge Government subsidy. Once you have that huge subsidy supporting the industries which build that plant, the $3 billion to $4 billion in industries which have been built up around the construction of that plant, we will have basically nationalized those industries, because they cannot survive in the marketplace without Federal support.

We have also heard that the termination costs are going to outweigh the benefits of terminating. That is simply not true. In our committee it was made very clear. That termination argument simply does not work. The facts are the termination costs, as our committee found them, were somewhere between $45 million and $50 million and they are still going up and nothing has been put in the ground.

I ask that the Members support nuclear energy in the free marketplace by voting for this amendment.

Mr. BEVILL. Mr. Chairman, I yield 4 minutes to the distinguished gentleman from Kansas (Mr. WINN).

Mr. WINN. Mr. Chairman, as the ranking member on the Science and Technology Committee, I rise in opposition to the Coughlin amendment to delete funding for the Clinch River breeder reactor.

Rising in support of this CRBR project is something that I have often done in the past. I must admit that almost all that can be said has been said in those past debates, to support the idea of building the Clinch River plant, and it is being repeated here today for us. But there are some issues that have not been answered. Nowhere in the debate today have I heard a reasonable answer to some disturbing questions:

What is to follow if Clinch River is terminated? Will the large plant visualized in the recently completed contractual design study be constructed? If not, what will substitute for Clinch River as the focus of the Nation's breeder reactor program, and what form will the program take?

Will the domestic industrial infrastructure be available when needed to design, fabricate components, and build the large plant at some future time?

Is it prudent to construct and operate on a utility grid a large breeder reactor without benefit of intermediate scale up?

What effect will termination of the Clinch River project have on utility confidence in the Federal Government's commitment to fast breeder reactor development and on possible utility financial participation in any future project?

What will be the effect on our position as a leader in the world for nuclear energy policy?

What are the answers to these questions? What do we have left if we decide to kill the CRBR? The General Accounting Office was equally concerned about the result of a lack of focus for the breeder program. They stated in a September 1980 report on the overall fast breeder research and development program that if the Congress wished to maintain a nuclear option or if it wishes to commit to nuclear power as a long-term energy source, a breeder reactor should be constructed and operated to demonstrate the technology. If Congress is unable to agree on an approach for preserving the breeder option, or if it does not wish to do so, then the GAO believes we should consider terminating the breeder program. But, once terminated, any future decision to restart the program would cost many years of development time and leave the United States with the possible alternative of purchasing breeder reactors from foreign sources if future energy developments indicate a need for the technology.

So the Coughlin amendment would leave us in this worst of all possible worlds: Spending over $300 million on liquid metal breeder reactor research, with no focus to the program. This is the truly fiscally irresponsible thing to do.

I would like to shift my discussion to the latest investigation effort concerning the CRBR. On July 20, 1981, the House Committee on Energy and Commerce held a hearing on the Clinch River breeder reactor (CRBR) project, called by the Investigations and Oversight Subcommittee. The purpose of the hearing, according to headlines in the Washington press prior to the hearing, was to expose the CRBR project as "a management fiasco and a growing financial disaster."

The hearing produced no significant new information. There were no new charges. Similar subjective comments

have been made in the past that the project is grossly mismanaged and that the Federal Government is being ripped off. However, after something in excess of 400 investigations, none of these charges have been substantiated. As a consequence, I do not know how an individual of apparent "folk hero" status could provide a more indepth review of the project in just 2 months' time.

At this time, I wish to insert a partial list of the reviews and investigations that have been made of the LMFBR demonstration program, stretching back to November 1962 and continuing up to February of this year:

REPORTS ON CRBR PROJECT BY THE OFFICE OF THE INSPECTOR GENERAL AND ITS PREDECESSORS, JULY 20, 1981

Jun. 1975 (44-2-356): "Allegations of Conflict of Interest on Part of Acting Assistant Director, CRBRP."

Oct. 1976: "Inspection of Clinch River Breeder Reactor Plant Project Office."

Nov. 1976: "Audit of ERDA's Administration of the Westinghouse Procurement Function."

Dec. 1976: "Audit of Employee Relocation Costs."

Jan. 1977: "Audit of CRBRP Project Office Unpaid Obligations and Other Financial Matters."

Mar. 1977: "Payroll and Travel Support Services Provided for the CRBR Project Office."

Apr. 1977: "Review of CRBR Project Office Audit of TVA Costs During fiscal year 1976."

Jul. 1977: "Review of Budget Administration"

Oct. 1977: "Evaluation of CRBR Audit of Project Management Corporation's Accounts and Records."

Oct. 1977: "Review of CRBR Financial and Accounting Reporting System."

Oct. 1977: "Annual Audit Statement—CRBRP Project Office."

Nov. 1977: "Review of CRBRP Contracting and Procurement Activity."

Feb. 1978 (26-2-197): "Allegation of Loan to and Attempted Bribe of an Employee of Atomics International."

Feb. 1978: "Audit of CRBRP Project Office Unpaid Obligations and Other Financial Matters."

Apr. 1980 (OIG-9-12): "Allegation of Procurement Irregularities on Part of Two Employees of Rockwell International."

Feb. 1981 (PI-71): "Allegation of Misuse of CRBRP Computer Resources."

A BIBLIOGRAPHY OF MAJOR LMFBR AND/OR CRBRP PROGRAM REVIEWS—DEPARTMENT OF ENERGY, JULY 20, 1981

Nov. 1962: A Report to the President, USAEC.

Feb. 1967: The 1967 Supplement to the 1962 Report to the President, U.S. AEC.

July 11, 1969, and June 2, 1970: Congressional debate on the merits of the proposed program resulted in Authorizing Legislation for the First U.S. LMFBR Demonstration Plant: Public Law 91-44, Project Definition Phase (PDP); and Public Law 91-273; Definitive Cooperative Arrangement Phase (DCA).

Mar. 1972: LMFBR Demonstration Plant Program: Proceedings of the Senior Utility Steering Committee and Senior Utility Technical Advisory Panel, WASH-1201, U.S. AEC.

Aug. 7, 1972: Memorandum of Understanding signed by PMC, BRC, TVA, CE, and U.S. AEC; Resulting from a review to establish the intent and needs to be fulfilled by the Project. Presented to and approved by the U.S. JCAE following public hearings before the Committee on September 8, 9, and 12, 1972.

Sept. 25 through Oct. 17, 1972: Contractor Selection Evaluation Panels, PMC/U.S. AEC/CE. Convened to evaluate contractor proposals for accomplishing the objectives of the Project, including technical ideas.

Annually from 1973 to present: PMC Annual Reports to the BRC Project Review Committee, R. Jortberg and D. Keeton, PMC.

Dec. 1973 LMFBR Program Plan—2nd Edition, WASH 1101-1110.

Dec. 1973: Report of the Cornell Workshops on the Major Issues of a National Energy R&D Program. Included: Workshop on the Short-Term Nuclear Option, A. M. Weinberg, Chairman, and the Workshop on Advanced Nuclear Power, H. Bethe, Chairman.

June 1974: CRBRP Reference Design Report (Vols. 1 & 2), Baseline Cost Estimate (Vols. 1 & 2, the "White Book"), and Baseline Schedule; compiled for PMC as part of the U.S. ERDA LMFBR program with input from the Contractors. In support of these documents, the following reviews transpired:

Oct. through Dec. 1973: Review of Initial Conceptual Design, Cost, and Schedule Estimates by U.S. AEC, PMC, Contractors.

Jan. through Mar. 1974: CRBRP Re-Design and Cost Reduction Task Forces, a total of eight groups including the short-shaft pump and steam generator building task forces.

Apr. through May 1974: Independent Cost Review by U.S. ERDA (other than RDT), including the Comptroller, Construction, and Contracts Divisions, and the Project Cost Review by U.S. ERDA/RDT.

Apr.-Aug. 1974: Reactor Manufacturer/Utility Co./National Lab Recommendations on the LMFBR Program ("Tampa Meeting" Reports, consisting of ten letter reports and U.S. AEC summary).

June 1974: Operation Genesis, A Comprehensive Report of the CRBRP Project, U.S. AEC and PMC.

Aug. 7-9, 1974: Procurement Review of WARD, Chicago Operations Office.

Sept. 1974: Revised Cost Estimate for CRBRP, U.S. AEC (SECY-75-244).

Fall 1974: Blackwell Committee Review (reviewed FFTF at Richland, than CRBRP at Germantown with Riley, Ross, et al.).

Jan. 1975: Report of the LMFBR Program Review Group (Klein/Culler Report).

Apr. 4, 1975: Comments on Energy Research and Development Administration's Proposed Arrangement for the Clinch River Breeder Reactor Demonstration Plant Project, RED-75-361, U.S. GAO.

Apr. 10, 1975: CRBRP Environmental Report docketed by the U.S. NRC following extensive acceptance review.

Apr. 28, 1975: The Liquid Metal Fast Breeder Reactor Program—Past, Present, Future, RED-75-752, U.S. GAO.

May 22, 1975: Cost and Schedule Estimates for the Nation's First LMFBR Demonstration Power Plant, RED-75-358, U.S. GAO.

May 1975: Independent Reactor Development Program Review, Manson Benedict et al., review convened at Tampa Airport.

June 5, 1975: CRBRP PSAR docketed by the U.S. NRC following extensive acceptance review.

July 31, 1975: The Liquid Metal Fast Breeder Reactor: Promises and Uncertainties, OSP-76-1, U.S. GAO.

Aug. 1975: CRBRP Current Cost Estimate (Blue Book), PMC.

Aug. 1975: CRBRP Revised Cost Estimate (Green Book), PMC.

Nov. 1975: The LMRBR—Decision Process and Issues, EPRI SR-20.

Dec. 15, 1975: The LMFBR Program later designated ERDA-67, U.S. AEC.

Dec. 1975: Final Environmental Statement for the LMFBR Program, 3 Volumes, ERDA-1535.

Dec. 1975: Alternative LMFBR Program Plans—A Preliminary Examination of the Scope and Timing of LMFBR Plants and Test Facility Projects, ERDA.

1975: Analysis of the ERDA Energy Plan, Office of Technology Assessment, ERDA 48, U.S. Congress.

1975: Hans Bethe Committee Review, Nemzek, Kintner, Riley, Cunningham, et al., held at the Key Bridge Marriott Hotel.

1975: Review of the LMFBR Program and the Role of CRBRP, Review convened by Commissioner Anders with about 20 participants including Levenson, Van Nort, Taylor, Iacobellis, Nemzek, et al., at H Street.

Jan. 1976: Review of National Breeder Reactor Program, U.S. JCAE.

May 6, 1976: Can the U.S. Breeder Reactor Development Program be Accelerated by Using Foreign Technology, RED-76-93, U.S. GAO.

Aug. 1976: Final Generic Environmental Statement on the Use of Recycle Plutonium in Mixed Oxide Fuel in Light Water Cooled Reactors (GESMO), NUREG-0002, 5 Volumes, U.S. NRC.

Nov. 29, 1976: Considerations for Commercializing the LMFBR, EMD-77-5, U.S. GAO.

Dec. 1976: Liquid Metal Fast Breeder Reactor Program—Overall Plan, ERDA 67.

Jan. 1977: Report of the Task Force on CRBRP Scope, Status, and Design (the Rizzo Report), U.S. ERDA.

Feb. 1977: Final Environmental Statement Related to Construction and Operation of the CRBRP, NUREG-0139, U.S. NRC Office of Nuclear Reactor Regulation.

Apr. 5, 1977: CRBRP Cost Estimate Review Team; Final report to the LMFBR Steering Committee (the Passman Review), U.S. ERDA.

Apr. 5, 1977: The Fission Breeder—Why and When, U.S. ERDA.

Apr. 6, 1977: LMFBR Review Steering Committee, U.S. ERDA, Convened by President Carter. Majority Opinion by Culler, Ayers, Benedict, Everett, Laney, Starr, Walske.

July 25, 1977: An Evaluation of the National Energy Plan, EMD-77-48, U.S. GAO.

Oct. 1978: Alternative Breeding Cycles for Nuclear Power: An Analysis, Congressional Research Service, Library of Congress.

May 7, 1979: The Clinch River Breeder—Should the Congress Continue to Fund It? EMD-79-62, U.S. GAO.

May 11, 1979: The Clinch River Breeder Reactor Project—An End to the Impasse, (White House White Paper).

May 23, 1979: Nuclear Reactor Options to Reduce the Risk of Proliferation and to Succeed Current LWR Technology, EMD-79-15, U.S. GAO.

July 10, 1979: Comments on the Administration's White Paper—"The CRBR Project; An End to the Impasse," EMD-79-89, U.S. GAO.

Dec. 1979: Nuclear Proliferation and Civilian Nuclear Power Report, DOE/NE-001, U.S. DOE. This is the final report of the Non-Proliferation Alternative Systems Assessment Program (NASAP).

Dec. 25, 1979: Final Report of the Committee on Nuclear and Alternative Energy Systems (CONAES); Energy in Transition 1985-2010.

Mar. 1980: Assessment of the Status of the CRBRP Project and Update of the Total Estimated Cost to Complete the Project (the Rizzo Task Team Review), U.S. DOE.

Feb. 25, 1980: Final Report of the International Nuclear Fuel Cycle Evaluation (INFCE). Summary Volume published by the IAEA, Vienna Austria, March 1980.

Sept. 22, 1980: Report to the Congress; the U.S. Fast Breeder Reactor Program Needs Direction, EMD-80-81, U.S. GAO.

Perhaps the saddest mistake made in this investigation is this obsession to rehash, retrench, and renounce. We should be addressing this challenge of designing, constructing, and operating breeder technology which has the ability to use our own resources, to utilize our own expertise, to strengthen our energy arsenal, to expand our national capabilities, and to spend our money at home.

Therefore, I urge my colleagues to oppose the Coughlin amendment and support the wise use of our uranium resources, by developing the breeder technology.

□ 1140

Mr. Chairman, with my remarks today I wish to include a letter from the Secretary of Energy, dated July 21, 1981, and addressed to me. The letter is as follows:

THE SECRETARY OF ENERGY,
Washington, D.C., July 21, 1981.

Hon. LARRY WINN, Jr.,
House of Representatives,
Washington, D.C.

DEAR MR. WINN: As we approach a probable vote in the House of Representatives on funding of the Clinch River Breeder Reactor (CRBR), I want to reaffirm the strong support that the President and those of us in the Department of Energy have for this project.

We believe that in order to resolve the technical uncertainties associated with the breeder—which at present preclude the private sector from determining its commercial feasibility—it is necessary for us to move ahead with the basic research and development work in order to lower risks and uncertainties to levels consistent with normal commercial ventures.

The CRBR offers an opportunity to demonstrate a technology which would enable a 60-fold increase in the amount of energy which can be extracted from our domestic uranium resources. It is an ongoing project in which a one-third down payment on estimated completion costs has already been made.

Thus, I urge you to vote to provide funds for this most important and ongoing project.

With best wishes,
Sincerely,

JAMES B. EDWARDS.

Mr. COUGHLIN. Mr. Chairman, I yield 2 minutes to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, there will be a lot of whispers around the floors and the corridors of this body that a vote against this amendment is a vote against nuclear power. Nothing could be further from the truth.

Members can believe the Clinch River breeder reactor is a bad idea and still support nuclear power in general. They can support Seabrook, they can support Diablo Canyon, they can support Indian Point, they can support Three Mile Island, they can support any existing conventional light water reactor and at the same time come to the same conclusion the Wall Street Journal has come to. Their conclusion is that they think a seven times increase in the price of uranium is necessary for the breeder reactor to become economical; second, that 450-percent cost increases are unjustified in terms of the allocation of limited economic resources in our society; and third, it unnecessarily enhances the likelihood that we will spread nuclear bombs throughout our society.

Those three reasons combined are the reasons the Wall Street Journal reached this conclusion, and this does not come from the granola-chomping people of Vermont. They are opposed to the breeder reactor because it does not meet the tests of economics, and if we do not vote to slam the door on the Clinch River today, we cannot with conviction face the rest of the world. We cannot discuss with credibility with the French President Mitterrand, who has begun to turn his administration around on the question of the breeder reactor, on the implications of spreading this plutonium technology around the world, and on having a worldwide conference on the question.

We should oppose this technology because of economics, but, more importantly, we should oppose it because the plutonium material we are discussing in this particular technology is the stuff of atom bombs. It is the stuff of Armageddon, and it is our responsibility at this point in time to reject it, to reject it upon the grounds of economics and also to reject it upon the grounds of world peace and nonproliferation, which ought to be the goals that guide this body today.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. CORCORAN).

Mr. CORCORAN. Mr. Chairman, the eyes of the world are again focused on international nuclear policy as a result of events in Iraq last June. This administration most recently reaffirmed its commitment to assure that nuclear nonproliferation goals are met worldwide, and instructed appropriate Government agencies to expedite these efforts.

For the United States to influence other nations in the peaceful uses of nuclear energy, we must maintain a strong position domestically. Our continued rapid development of the U.S. LMFBR program and Clinch River enhance international nonproliferation objectives. The DOE nonproliferation alternative systems assessment program has concluded that if the United States wants to influence foreign programs, we must show leadership as an LMFBR developer.

The Carter administration's attempt to restructure the U.S. breeder program by terminating Clinch River was viewed as a sign of weakness by those nation's with fluid breeder programs who recognize the vast potential benefits LMFBR's promise. In fact this and related pious but unrealistic changes in our nuclear policies reduced our nonproliferation goals rather than strengthened them.

The United States must maintain its technical position among foreign nations rapidly moving ahead with large-scale breeder plants. This is mandatory, since it allows us to speak with authority on any foreign developments which could threaten nonproliferation principles.

Additionally, from an economic standpoint, if and when a commercial LMFBR market develops internationally, U.S. industry should be in a position to compete for a fair market share. We must proceed with Clinch River because it is an integral part of our program to retain our strong leadership role and membership in the breeder technology community. We cannot continue our dependence on foreign energy sources, or permit the future import of LMFBR whose safety and licensability are uncertain. What is more, such counterproductive action would further erode our already negative balance of trade.

A strong U.S. breeder program that includes Clinch River construction will increase our Nation's ability to have a voice in international safeguards and controls over the sale and use of peaceful nuclear energy sources, including breeder reactors. Furthermore, we need the Clinch River project in order to keep the nuclear option open for the United States and our allies in the free world who need the energy security to which the nuclear option contributes. Therefore, I urge your support to assure that Clinch River moves ahead by voting against this amendment.

Mr. Chairman, I have enjoyed the debate up to this point, because one of the arguments that those who are in support of the Coughlin amendment continue to use is that the proponents of this project try to justify it on the basis of economics.

This is not a commercial project we are discussing today. This is a research and development project, and with respect to the economic arguments, we are looking several years down the road. It seems to me that nobody has the clairvoyance to know at this point just what the economic market opportunities might be in the next century but there is one thing that we do know, and that is that in this country we have some productivity problems and we have some problems with respect to our influence over the international control of the nuclear technology. Those are the two issues that I want to address.

I find it very interesting that many of those who are in support of the amendment offered by my friend, the gentleman from Pennsylvania (Mr. COUGHLIN), come from the Midwest and the Northeast. One of the interesting things about the Frost Belt States in comparison to the Sun Belt States is that we are net energy importers. If we want to revitalize our economies, if we want to deal with the migration of business and industry away from the Frost Belt to the Sun Belt, I think we have to recognize that we need to deal decisively and with vision with respect to our lack of energy.

It seems to me that the productivity potential that is involved in this kind of project, the need to invest the basic research in this project, and the need to put our Midwestern and Northeastern States back into the position of having control of our energy future, are critical to the arguments in behalf of this project.

Second, with respect to the nuclear nonproliferation issue, when we look back to 1977, when the previous administration made its ill-advised decision with respect to Clinch River and with respect to reprocessing on behalf of the goals of nonproliferation, we need to examine what the effect of that has been. The effect of that has been that the United States is further behind in our control over the use of the advanced technologies in nuclear power.

Just recently we had the occasion, to the consternation of so many people around the world and particularly in the United States, of the Israeli bombing of Iraq. Now, what does that indicate? It indicates the United States does not have control over advanced nuclear technology as we once did, and the breeder project is part of this technology so we should continue the development of this important energy source for reasons beyond our domestic energy considerations.

I know the gentleman does not intend to do this, but the gentleman from Pennsylvania (Mr. COUGHLIN) by his amendment will have the effect, if the amendment should prevail, of driving more and more countries into the hands of other nuclear technology exporters, particularly the Soviet Union.

So, Mr. Chairman, I would suggest that we examine this issue as President Reagan has examined it. I would suggest we examine this issue as the President and the Office of Management and Budget have examined it and conclude that the overall policy of the United States, not just for energy but also in terms of our relationship with other countries around the world, particularly our allies, should be that we need to keep the nuclear option open, particularly because we may want to exercise it at the turn of the next century for both ourselves and our allies. Therefore, I urge the defeat of this shortsighted amendment.

Mr. COUGHLIN. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. MCGRATH) a member of the authorizing committee.

Mr. McGRATH. Mr. Chairman, I rise in support of the amendment to delete funding for the Clinch River breeder reactor project.

I have studied this issue carefully when we were considering it in the Science and Technology Committee, and the conclusion I reached is that the project simply does not make good economic sense at this time.

I am sure we have all heard the arguments against the Clinch River project, so I will not go into great detail here. Briefly, they are these:

First. Our projected energy demand is lower than was anticipated when the project was undertaken. Electrical growth rates since this project was undertaken have dropped from a high of 9 percent in 1969 to 1.9 percent in 1980.

Second. The slowdown in conventional reactor construction means uranium fuel supplies will last much longer than expected, so there is no particular need for the breeder at this time.

Third. Electricity from a breeder reactor is more expensive than that from light-water reactors. Experience from the world's first and only commercial breeder reactor reflects electricity costs twice that of conventional reactors.

Fourth. Clinch River would probably have little relevance to our immediate oil import problem in this country. Coal is proving to be an economic competitor for the large central power stations that use oil. Consequently, it may be well into the 21st century before breeder reactors may be needed.

In addition to these points, we cannot afford to ignore the facts presented in the Energy and Commerce Committee's report. This project is a management fiasco.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. McGRATH. Certainly, I yield to the gentleman from Tennessee.

Mr. GORE. Mr. Chairman, there was no report from the Energy and Commerce Committee. I will address that later.

There was a staff draft which was thoroughly and completely discredited in the hearing held based on the staff draft. So I would caution the gentleman on that if he intends to base his argument on that staff draft.

Mr. McGRATH. Mr. Chairman, I thank the gentleman for his comments.

Certainly further funding of this project would simply be throwing good money after bad.

American taxpayers have invested close to $1 billion in this project over the last 10 years. In spite of this tremendous expenditure, not one spadeful of dirt has been overturned to begin this project. When all of our citizens are being asked to make sacrifices, I cannot justify additional funding for a project whose necessity is questionable at this time.

For all these reasons, Mr. Chairman, I support the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN).

□ 1150

Mr. BEVILL. Mr. Chairman, I yield 1 minute to our distinguished colleague, the gentleman from New York (Mr. CARNEY).

Mr. CARNEY. Mr. Chairman, I rise in strong opposition to the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN). I believe that we must press forward vigorously with the development of all of our domestic energy resources if we are to reach our goal of energy independence. The breeder option can play a major role in satisfying our future energy needs.

Our Nation's energy problems are certainly unsettling, if not downright dangerous. I am afraid that our energy future could be much worse than our energy present if we do not make the proper adjustments now. We are all aware of the fact that both oil and natural gas are versatile energy resources, but that their supply will not last indefinitely. Someday we will have to turn to other options to provide our needed energy reserves. Many, if not most, experts agree that coal and uranium will be the most appropriate domestic fuels for the generation of electricity in the future.

The breeder will help our Nation insure that nuclear power will be a useful long-term energy option. Breeder reactors have the capability to extend our uranium resources for hundreds of years. If our existing uranium resources are totally utilized, they would supply almost 3,000 times more than the total energy consumed in our

country each year, or the equivalent of almost 50 trillion barrels of oil.

The Clinch River program is one of vital importance. We must insure in this legislation that its construction goes ahead without any further delay. Testimony before my Committee on Science and Technology has clearly indicated that the United States has fallen far behind in the development of the breeder technology. This is a very disturbing trend, one which must be reversed as soon as possible. The French are now proceeding with the development of a 1,200 megawatt-electric super Phenix plant, and the Soviet Union is progressing with its BN 600 project. Several other countries, most notably the United Kingdom, Japan, and West Germany, have mounted aggressive development and construction programs to commercialize the breeder.

To abandon the Clinch River project now would be a crippling blow to our Nation's breeder program. It would freeze our technological base, and weaken our technical capability to continue to pursue breeder development. It would also signal to the world that our Nation is no longer serious about maintaining a key role in technical advancement in the nuclear field.

A recent GAO report indicates that a breeder demonstration project was an essential step in the development of this technology. Without a demonstration project, GAO found that the program would become hopelessly mired. For the benefits of my colleagues, I would just like to quote one significant finding from this report:

> Consequently, if this country wants to rely on nuclear power as a long-term energy source or even if it chooses only to preserve a future energy supply option for possible use if other energy technologies cannot carry the load, the information gathered by GAO supports the position that fast breeder technology should move forward to the construction and operation of an LMFBR demonstration plant.

Many recognized energy experts have indicated that it is imperative that our Nation go ahead with the breeder. The International Nuclear Fuel Cycle Evaluation, a 2-year study initiated by the previous administration and endorsed by 66 nations and 5 international organizations, concluded that the early development of fast breeder reactors is necessary to provide an assured supply of electricity from our nuclear resources in the future. A recent study by a distinguished panel of scientists under the auspices of the National Academy of Sciences also recommended the continued development of the breeder reactor.

Mr. Chairman, the single most important objective for our breeder program is to build Clinch River as soon as possible. Killing Clinch River will be saying to the world that we are really not serious about solving our energy problem, that we really do not care. We cannot ignore the fact that nuclear is one of the only two important energy resources we have to solve our problems in the present century, as well as the next. We cannot ignore the great fuel resources promised by this technology. A decision to go ahead will be a long overdue signal to the world that we are once again serious about nuclear energy and solving our energy problems.

Mr. COUGHLIN. Mr. Chairman, I yield 4 minutes to the gentleman from North Carolina (Mr. JOHNSTON).

Mr. JOHNSTON. Mr. Chairman, I rise in support of the Coughlin amendment.

I rise in support of nuclear power and I rise especially in support of those who 10 years ago this month had the courage to cut off the funds for another very, very similar project, because 10 years ago this month the Congress of the United States voted to cut off the funding for the supersonic transport.

Now, let us think what would have happened if we had listened to those who said, "Well, we have spent hundreds of millions of dollars on developing an SST, so we have got to keep pushing forward."

Well, we would be in the same position that the French and the British are now in. We would have a bunch of them sitting on the ground unused because the economic assumptions of the SST proved invalid.

There are four SST's on the ground in France that cannot be sold. There are going to be a lot of breeder reactors in this country and elsewhere in the world that will also prove economically unfeasible.

A consortium of the French, the Germans, the English and the Dutch, have tested and demonstrated breeder reactor technology in Phenix. They are now underway with super Phenix.

It is not a question of whether or not this technology exists, just like it was not a question of whether or not an SST would fly. The French and the British have proved it; but the question is whether America's resources are best devoted to the development of a technology utilizing fission rather than fusion.

Even the experts will tell you that fission technology will always carry with it a high degree of risk.

Let us look where the smart money is putting its money. Where are Texaco and Sohio spending their research dollars? It is not in nuclear fission. It is in nuclear fusion. In a world of finite resources, let us take the billions of dollars that we would devote to a technology that is already being exploited and devoted to fusion technology, not fission technology, because some day we will have safe, efficient fusion plants, utilizing lasers, utilizing a technology that does not carry with it the risk of fission technology.

We will do it because we acknowledge that the economic assumptions of Clinch River are no longer true. In 1973 we were projecting Yellow Cake at $50 or $60 a pound in the 1980's going up to $100 a pound. The Nuclear Regulatory Commission told us that 1,000 light water reactors would be operational by the year 2000. Now they are telling us maybe 170.

Our problem is not technology. Our problem is the NRC, because the only reason we cannot use the French and the German technology is because of our own rules and regulations. If we ever need it, all we have to do is get control of the NRC and we can license the Phenix technology and construct a breeder reactor in the United States.

I beg my colleagues, let us not devote billions of the taxpayers' dollars to a technology we now know enough about to know that it does not represent the solution on the long range basis to our energy requirements.

I am totally in favor of the atomic energy program, but let us go for the real opportunity fusion, not fission.

Mr. BEVILL. Mr. Chairman, I yield 1 minute to the gentleman from Tennessee (Mr. DUNCAN).

Mr. DUNCAN. Mr. Chairman, I rise in strong opposition to this amendment, an amendment which may be better called a turn back the clock amendment, or an amendment which may make our country further dependent upon foreign nations for energy.

We are challenged once again by critics of Clinch River, many who for years have had a general antinuclear sentiment.

At a time when other industrialized nations are proceeding with their breeder program, it is certainly no time to curtail our program. Attempts to terminate Clinch River directly opposes a consensus of opinion in its favor as clearly demonstrated by congressional action during the previous administration efforts to stop it. Moreover, the current administration fully endorses this project, intending that it move ahead without further jeopardy.

Clinch River is not only the cornerstone of our current breeder program, but also a milestone project for continued domestic nuclear power development and growth. Among others, the GAO has indicated that a decision not to develop breeders implies the phasing out of nuclear fission as an energy source. A decision to stop Clinch River will have the same result. Without breeder reactors to assure long-term fuel supplies, nuclear power becomes a relatively short-term energy resource. It is for this reason that breeder foes are so determined and why we must

not be misled by their flawed reasoning.

Breeders promise to use our natural uranium at least 50 times more efficiently than current light water reactors. The respected National Academy of Sciences in its "Energy in Transition" report concluded that we need all our resources, especially coal and nuclear. The Academy has said that breeders would make uranium a potential source of energy for thousands of years.

We need not even look to the future to recognize nuclear power's economic benefits. They exist today. For example, the Commonwealth Edison Co. uses coal, oil and nuclear fuel to make electricity. Because of its heavy use of nuclear, Commonwealth's customers saved $460 million during 1980 over what they would have paid if these nuclear units had been coal-fired plants.

Regulatory uncertainty and financing limitations already place a heavy burden on nuclear power viability. If Clinch River is terminated, the nuclear option will be even more in peril. I firmly believe Clinch River is an opportunity for greater energy independence that we cannot afford to ignore. This amendment should not be accepted by the Congress.

Mr. COUGHLIN. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania (Mr. ERTEL).

Mr. ERTEL. Mr. Chairman, I rise in support of the amendment. The reason is, we have to establish our priorities in energy. We have to start looking at the priorities among solar, coal, conservation, oil shale, and fusion energy and a lot of other technologies.

I look at Clinch River and it does not fit into any kind of energy scheme that I see for America. Clinch River to me is a waste of our money, but abandoning Clinch River does not mean we are abandoning breeder technology. We are going to be spending over $400 million on breeder technology without Clinch River.

So then why spend $3.2 billion on this reactor, especially when the noted physicist, Edward Teller wrote in a telegram to one of the Members of Congress:

> Clinch River is technically obsolescent, its small size and large cost make it thoroughly inconsistent with badly needed economy in Government.

Now, some people will say that Edward Teller backed away from that position in later letters. I would suggest if you look at the context of those letters, the first telegram he sent was unsolicited, the later letter was solicited, and I would suggest to you that Edward Teller was heavily lobbied to change his position for this solicited letter comprises what was unsolicited and what he was lobbied to do.

This is the same thing we saw once before with one of our noted physicists, Hans Bethe, noted Cornell physicist, who came before the Science and Technology Committee about 3 years ago. I was sitting there, when the Nobel Prize winner stated the same thing as Edward Teller said—that Clinch River was outdated. Then a couple of months later, when I had pointed this out to one of the contractors that was working the Clinch River project, they said, "We will come back with a letter showing you where Hans Bethe is." And they did. The contractor came back with a letter that changed Bethe's position and was signed by Bethe.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. BEVILL. Mr. Chairman, I yield 1 additional minute to the gentleman.

Mr. ERTEL. So what has happened, we have seen a very effective lobbying effort; but really, what is the truth? Do they really believe it is obsolescent? Do they really believe it is too small? I would suggest that is exactly what they believe.

It seems to me it is time we get our priorities straight in this country especially when we are cutting back on coal development, when we are cutting back on other types of development of energy sources, the priorities leave no room for $3.2 billion to be spent on a Clinch River project which is obsolete and does not fit into our energy program.

Mr. Chairman, I would suggest that we approve this amendment to delete Clinch River.

□ 1200

Mr. COUGHLIN. Mr. Chairman, I yield 5½ minutes to the gentleman from Michigan (Mr. WOLPE), a member of the authorizing committee.

Mr. WOLPE. Mr. Chairman, it is not uncommon up here to find many lobbyists and many special interests playing what is termed, "hardball." But in this particular issue I think someone is out there playing with pistols and tommyguns.

The gentleman from Pennsylvania (Mr. ERTEL) a moment ago referred to the position of Dr. Edward Teller, one of the most prestigious and prominent nuclear scientists in the country, who not long ago observed that Clinch River is technically obsolete and its small scale and large costs make it thoroughly inconsistent with badly needed economy in government.

That was not the only time Dr. Teller spoke to that issue. On another occasion he wrote:

> In 36 years of development, in which billions of dollars have been spent in the United States and even more worldwide, and in which the best nuclear engineers have been involved, a fast breeder reactor still remains years away from a practical economical possibility. * * * The Clinch River Breeder Reactor might well be considered a symbol for the renewed support of the nuclear industry. However, a symbol that cost three or four billion dollars might well be considered too expensive.

Then Dr. Teller only this week sent another letter out—this time to Martin Anderson over in the White House saying, and I quote:

> I have sent you a copy of my recent letter to all Members of Congress in connection with the Clinch River Breeder Reactor, about which I had serious doubts.

He goes on to state:

> I have agreed to the request of people from Oak Ridge to give a talk generally supporting the Clinch River project.

The gentleman from Pennsylvania indicated that Dr. Teller is not alone in doing an about-face on his position. So has Dr. Hans Bethe, another leading American nuclear scientist who, in testimony before our Science and Technology Committee last year, acknowledged that while he, too, was very concerned with the development of an effective breeder program in this country, that the particular breeder design, the particular Clinch River project in question, was already obsolete.

Then only this very week we had still another turnaround. This time it was Bob Staker, Department of Energy Director of the Office of Reactor Research and Technology, the office in charge of the breeder project. A few years ago Mr. Staker said, and I quote:

> If we proceed with the Clinch River, by 1988 we'll have a 350 megawatt plant. That would be 15 years after the French and the Soviets have the same thing. We must leapfrog if we want to maintain our position.

Then, in the hearing that occurred under the chairmanship of the gentleman from Michigan (Mr. DINGELL), this past week, Mr. Staker interestingly also changed his position, saying that he has had to rethink this whole question in the context of new realities.

Finally, David Stockman. As Congressman, Mr. Stockman declared in 1977:

> After a careful in-depth review of the economics of the project, I have come to the conclusion that it is totally incompatible with our free-market approach to energy.

Now, as OMB Director, Mr. Stockman has suddenly found himself to be in support of the Clinch River breeder reactor project.

Do we need any more evidence of the extent to which this project continues to be motivated by heavy-handed special interest pressure, rather than by an analysis of energy crisis that faces this country and of the most effective solutions to that crisis. Let there be no mistake. When Dr. Teller felt free to speak his mind, he was opposed to the Clinch River breeder reactor. When Dr. Bethe felt free to speak his mind, he was opposed

to the Clinch River project. When Bob Staker of the DOE felt free to speak his mind, he was opposed to the Clinch River project. And when David Stockman felt free to speak his mind, he was opposed to the Clinch River project.

The issue that is facing the Congress today is whether this Congress will feel free to speak its mind—and record its opposition to a project that should have been terminated long, long ago. We do ourselves and we do the American taxpayers no favor when we throw wholly unjustified subsidies to every energy technology and every energy interest that comes before this Congress.

The reality is that some technologies represent a sound taxpayer investment because they will displace petroleum and they will do so at the lowest possible cost. But there are other technologies and projects—and the Clinch River project is perhaps the classic example—that are nothing but a huge drain upon taxpayer resources and a drain upon private sector capital. And investments in technologies that do not represent an effective displacement of petroleum are only prolonging our dependence upon imported petroleum and thereby weakening our national security.

Mr. Chairman, I urge this House to support the Coughlin amendment and terminate funding for the Clinch River breeder reactor.

Mr. BEVILL. Mr. Chairman, I yield 5 minutes to our distinguished colleague from Tennessee (Mr. GORE).

Mr. GORE. Mr. Chairman, I rise in opposition to this amendment.

I want to speak briefly about some of the arguments we have heard and some of the arguments we have not heard.

First of all, with respect to our future energy needs in the United States, some would have us believe perhaps that they have a crystal ball at their disposal and can predict the future. The country has seen in the recent past that the energy picture is the most unpredictable, and the fact remains that the United States faces massive uncertainties with respect to energy supply and demand in the coming decades.

It is true that energy demand is going down compared to what it was expected to be. It is also true that electricity demand is a special case. We have seen people switching to electricity from other sources of energy.

It is also true that we have difficult problems and massive uncertainties with respect to the continued use of fossil fuels in the large quantities in which we are now using them, and in the quantities we expect now to use them in the future. Acid rain, the air problems, the greenhouse effect, these problems could lead our civilization to need nuclear power in the future. If we decide that we do need nuclear power, then we will need breeder technology.

This project is not a commercialization project, it is a research, development and demonstration project to answer the questions that must be answered if we are to develop this technology.

I would like to address in the time I have remaining some of the arguments that we have not heard during this debate today. For the past several weeks Members have read in their hometown newspapers and in the Washington press about allegations of waste, fraud and abuse and mismanagement at the Clinch River project. It is interesting that no one from the subcommittee who participated in the hearings on those allegations has spoken out during this debate to refer to those allegations. Let me tell my colleagues why.

These allegations were based upon a staff draft that did not stand up to the scrutiny applied to it during the hearings we held. There were three alleged cases of waste, fraud and abuse. All three of them were extremely minor in nature, immediately caught and identified by the management of the project, immediately referred to the Inspector General and the FBI, and immediately stopped. In fact, before the hearing was over the managers of this project were being commended for having caught these allegations and for having seen to it that the project was managed tightly, and that money was not wasted.

□ 1210

The hearing, in fact, backfired, Mr. Chairman. It demonstrated that the managers of this project have kept a close eye on the taxpayers' funds.

Now, what has happened during the past 10 years? We have seen 10 tumultuous years over the lifetime of this project. This project has lasted through four presidents, through the OPEC revolution, through the national energy debate and through the bitter struggle between the Congress and the executive branch in the last administration about whether or not this project would be continued.

It is not surprising that there has been a stop-and-start, a stop-and-go approach, when the executive branch orders a halt to it and unilaterally asks that it be stopped. That causes problems. And it has caused an escalation in many of the costs.

Before yielding, I would simply ask my colleagues to vote no on this amendment, and I said I would yield to my colleague, the gentlewoman from New Jersey.

Mrs. ROUKEMA. I thank the gentleman for yielding.

Mr. Chairman, I would like to associate myself with the remarks that the gentleman from Tennessee (Mr. GORE) has made here today. I think the gentleman has made an eloquent and persuasive case behalf of the need for a nuclear option and the uncertainty of our energy future.

Mr. Chairman, I rise in opposition to the amendment offered by Mr. Coughlin that would delete funding for the Clinch River breeder reactor. I am rising in support of our energy future and a continued commitment toward keeping our long-term options open.

Every Member in this room knows the consequences of failing to make progress toward our goal of energy independence. We have already paid a high price because of an uncertain energy supply. We know that we cannot rely upon one source of energy, and that we should be doing all we can to lessen our dependence upon imported oil.

The issue is, Do we take a chance, as critics would have us do, that we will not need the breeder technology in the future—or do we take the conservative, sensible approach and develop this demonstration project now, in case we do need this energy option later on? We all know that past predictions of energy trends have caught the United States virtually unprepared. I, for one, prefer to opt for preparedness in this case.

We spend billions to subsidize research for war; surely it is prudent for this small expenditure on behalf of the peaceable use of nuclear power.

In 1980, a GAO report on Clinch River concluded:

> If a long-term future for nuclear power is desired, or even if the future role of nuclear power is viewed as uncertain but a nuclear option is to be maintained, constructing and operating a fast breeder demonstration plant is needed now to determine the actual costs and operating performance.

Mr. GORE. I thank the gentlewoman for her remarks.

Mr. BEARD. Mr. Chairman, will the gentleman yield?

Mr. GORE. I yield to the gentleman from Tennessee.

Mr. BEARD. I thank the gentleman for yielding.

Mr. Chairman, I rise in opposition to the amendment. There are many reasons why we need the Clinch River breeder reactor program.

CRBR is needed to help confirm and demonstrate the potential value and environmental desirability of the LMFBR concept as a practical and economic future option for generating electric power.

CRBR is needed as a key element of the U.S. breeder reactor development program for assuring nuclear fuel resources in the 21st century. This technology will permit the use of already mined uranium resources greater in energy equivalence than either the U.S. coal reserves or the estimated oil reserves of the entire world. Also, since breeders consume plutonium,

they will actually reduce the inventory of stored plutonium that is generated in conventional nuclear powerplants.

CRBR should be built so the United States can be ready to commercially deploy breeder reactors by the end of the century when we most likely will begin to need them.

CRBR is needed to provide the design, construction, and operation experience necessary for the development of large-scale breeder reactors.

CRBR is needed to help to verify certain key characteristics of breeder powerplants for operation in utility systems; that is, licensability and safety, operability, reliability, availability, maintainability, flexibility, and prospects for economy.

CRBR is needed to develop technological and economic data for the benefit of Government, industry, and the public, and to provide the broad basis of experience and information necessary for commercial and industrial application of the LMFBR concept.

CRBR is needed to achieve the intended benefit from $1 billion already spent on the project. These funds as well as the Nation's multibillion investment in breeder technology will be mostly wasted unless the project is completed.

CRBR is needed to demonstrate Government support for the continued development of nuclear power. Long-term uncertainties in fuel supplies will preclude further development of conventional nuclear power if breeder development is not continued.

A national commitment to an orderly breeder development program is urgently needed now as an essential part of proceeding with the nuclear option, and CRBR is a key part of that program.

The CRBR design is current, incorporating many U.S. and foreign technological advances.

The CRBR size is also an appropriate scale up from the Fast Flux Test Facility and represents a prudent balance of risk, cost, and schedule.

Finally, completion of the CRBR will provide the comprehensive sound technical base needed to move breeder technology forward toward the goal of breeder deployment early in the next century.

These conclusions are supported by a broad consensus of scientists, engineers, and even foreign governments, and form the basis for the U.S. breeder development program. As you can see, there is ample justification for proceeding with this project.

I urge you to carefully consider the need for CRBR as well as the facts dealing with the criticisms of the project. I am confident that these facts will lead you to vote against the amendment offered by the gentleman from Pennsylvania which would delete funding for the project.

Mr. COUGHLIN. Mr. Chairman, I yield 4½ minutes to the gentleman from Minnesota (Mr. WEBER).

Mr. WEBER of Minnesota. Mr. Chairman, it is hard, after having been through all of the debate and the discussion in the Science and Technology Committee prior to our deauthorization vote on this issue, and now having listened to all of the debate today, much of which is rather repetitive, to find many points to make that are new at this stage of the debate. And in fact that is because the most compelling arguments against this project are relatively simple; yet, compelling nonetheless.

The fact is that this project is not economically sensible. And you can only say that so many different ways and so many different times. It is not economically sensible because of the short-term cost, in terms of the direct fiscal impact on the fiscal year 1982 budget, and it is not economically sensible because of the long-term energy picture that our country faces.

Let us review once again, before we conclude this debate, those very simple, compelling arguments so that Members will be fully and precisely aware of what they are voting for when they vote on this amendment and on this project.

In the short run, we are talking about a very expensive project, $228 million in actual appropriations in this year, $3.5 billion additionally required to complete this project under present estimates, and those are estimates before construction has even begun. The likely completion cost of this project will certainly be much higher once we break ground and actually start building the project. That is likely to mean that year after year after year we will be appropriating in the neighborhood of $300 to $400 million annually, while at the same time we attempt to approach the goal of a balanced budget by the year 1984.

Members of this body are going to be asked to make additional difficult economic decisions to reduce the Federal budget, more difficult than those we have made with great difficulty in this Congress, if we are to achieve a balanced budget by 1984. And if we are going to fund this project at still higher levels in additional years, where are other additional cuts to be made? We have already cut virtually every other program in the energy budget to the bone. It is going to be exceedingly difficult to find additional places to cut within the energy budget, and Members are going to have to make some very, very tough decisions, or we are going to have to forsake the goal of a balanced budget by 1984. I do not believe our country can afford the economic consequences of such excessive Federal spending much longer.

But let us also look at the long-term economics of this project. The basic economics of this country's energy situation and of breeder technology mean that this facility will not be commercially viable today. And no one argues that. Other Members have pointed out that that is not relevent to this argument, that this is not meant to be a commercially viable facility, that this is an R. & D. project. While I would dispute the fact that this is purely an R. & D. facility, as would other members of the scientific and energy community, leaving that aside for the moment, I would point out that point is largely irrelevant to the discussion we are having today because many Members will be voting on this amendment with the presumption that after we construct the Clinch River breeder reactor, then breeder technology will become commercially viable.

We are told that this is the next logical step in the development of our overall nuclear power program. It may be the next step, but it is not a logical step. It is, however, the next step on a virtually endless ladder of Government subsidizations that are going to be required to foist this technology on an unwilling and an unwanting energy market.

Members who believe that this project will yield us commercially viable breeders over the short term are mistaken.

OMB Director Stockman made this point compellingly when as a Member of Congress he argued against the continued subsidization of the Clinch River breeder reactor. He stated, and I quote:

> The CRBR will generate a vast industrial support and supply infrastructure among private companies engaged in all phases of reactor design, component manufacture and plutonium fuel cycle support. The development of this infrastructure is in fact one of the central goals of the project. What will happen is that the breeder will develop still greater institutional momentum.

And that institutional momentum will pressure us as a body to vote to fund still additional breeder reactors with additional multibillion-dollar price tags. This means that financial support of this particular technology will remain largely a public sector responsibility for the next 50 years.

Edison Electric Institute, one of the chief proponents of breeder technology, is quick to concede this point. They do not argue that this is going to be the last vote that we have to cast to spend billions of dollars of taxpayer's money on breeders. No; they say that after we complete Clinch River, we will have to construct a near-size prototype at Government expense. So we build the fast flux facility at Government expense, we build Clinch River at Government expense, we build the near-size prototype at Government ex-

pense; and then at some point in the far distant future perhaps in the second or third decade of the 21st century, when virtually everyone here is no longer a Member of Congress, and half the people alive today are probably no longer with us, then we are told we will have commercially viable breeders.

Simply put though, support for continued Federal subsidization of Clinch River represents a rejection of significant new efforts to foster a free market in energy technology. A truly market-oriented approach should reject massive, long-term subsidization of any one energy technology, and should instead center around a cost-effective response to the energy problem—that is, arriving at a competitively derived energy mix that will provide maximum productivity at the least possible cost to both the energy consumer and the taxpayer. This, in my opinion, will inherently exclude a project like Clinch River, which most energy experts agree is one of the least cost-effective energy alternatives available given the enormous capital investment requirements and the likelihood of reduced electrical demand over the next several decades.

The figures before us today make a compelling point—that there is a fundamental and irreconcilable conflict between the administration's oftenstated commitment to reducing unnecessary and inefficient Federal subsidization of energy technologies and the continued development of a nuclear white elephant such as Clinch River.

In fact, past statements by both Secretary of Energy Edwards and Budget Director Stockman essentially indicate acceptance of the fact that breeder technology could not possibly survive when subjected to the rigors of the marketplace.

Mr. Chairman, Clinch River is an ineffective and poorly devised approach to our Nation's critical energy problems, which both the taxpayers and energy consumers of this country can ill afford. It has been my hope that the free market premises of the new administration could be applied equitably and without bias to all areas of Federal involvement in the energy field. With Clinch River, however, this has not been the case. As Mr. Stockman has put it:

* * * early commercialization of the breeder will result in large economic losses to society * * * Therefore, no futher subsidization of the Clinch River project, an integral step in the early commercialization program, can be justified.

I can find no legitimate reason why a program whose sole merit and support rests on institutional momentum and narrow financial interests should receive an extraordinary amount of Federal largesse at a time when far worthier programs are being sacrificed in the name of budget restraint.

I urge the adoption of the Coughlin amendment.

Mr. BEVILL. Mr. Chairman, I yield myself 3 minutes.

Mr. Chairman, we have been funding this project now for 10 years. The two Houses of Congress have overwhelmingly supported this project. Countries such as Great Britain, France, and Russia are moving on with their breeder program. And here we have to go through this continuing debate. We have been doing this every year since 1977. I think this is a matter that we should move on with. I do not think that there is any Member of this House who would question the fact that this country does have limited energy supplies. This is what we are talking about. I do not believe that there is any Member in this House who would question the fact that we must have nuclear power to produce electricity. We know that the world supply of oil is running out and we know that this country cannot afford the luxury of not having the use of nuclear power.

So we are talking about fuel for nuclear power, and this breeder project is a very important project. The Secretary of Energy and witnesses from the U.S. Department of Energy, who testify before out committee each year, point out the importance of continuing this project. We hear all of these figures this project now is going to cost, and, of course, it depends on what dollars you use, but we have $3.2 billion as the cost now, including inflation. We have spent $1.1 billion.

The public utilities will invest $360 million into this project. Are we just going to stop the project now?

My good friend, the gentleman from Pennsylvania (Mr. COUGHLIN), has offered this amendment that would delete the funds in the bill for the project. As you know, it is going to take money to terminate the project. You cannot do it for nothing. It is just not practical. You have the utilities. What are we going to do about the utilities? Are we going to pay them back? There are going to be claims filed. We are going to set off some fireworks here with this amendment.

□ 1220

I think that this House will defeat this amendment. I urge my colleagues to defeat this amendment. I think that one of the best statements that I have heard about this project came from President Reagan. He recently made this statement about the Clinch River breeder project that we are talking about right now. Here is what he said:

Nuclear energy could supply electricity for thousands of industries and millions of jobs and homes. It must not be thwarted by a tiny minority opposed to economic growth which often finds friendly ears in regulatory agencies for its obstructionist campaigns.

I urge my colleagues to vote against this amendment.

PREFERENTIAL MOTION OFFERED BY MR. OTTINGER

Mr. OTTINGER. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. OTTINGER moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken.

Mr. OTTINGER. Mr. Chairman, I take this time because there was not adequate time on the other side to read this letter from a distinguished scientist all of us who work in the energy field know very well, who has not been co-opted by pressures by the administration or by other scientists. He is Dr. John Deutch, who was formerly Under Secretary of Energy and Assistant Secretary of Energy in charge of all energy research and development, including this project.

Yesterday, because he felt so strongly about this he wrote me a handwritten letter which I will read to the Members at the present time:

DEAR CONGRESSMAN OTTINGER: This letter confirms public and private remarks that I have made concerning the inadvisability of continuing with the Clinch River breeder reactor (CRBR) project. As you know, I am in favor of nuclear energy and breeder research and development, but I believe that the date when breeders might be economically deployed is well into the future, quite likely beyond the year 2020; the CRBR project is, therefore, not needed. It is technically obsolete and wastes precious research and development resources.

A much better course of action would be to plan ahead for a new breeder R. & D. plant that would incorporate technical advances that have taken place within the United States breeder program since 1968 and to cancel the obsolete CRBR plant.

It seems to me that the recent debate has raised some issues that deserve comment. First, the CRBR has not incorporated new technology, as some of its advocates claim. For example, it is still based on FFTF fuel design, an outdated fuel transfer system and a questionable steam generation design.

Second, some argue that money spent on CRBR will be recovered from operational revenues that would be raised during operation of the plant. This view, in my opinion, is misinformed.

The CRBR is a 350 megawatt (electric) plant whose operating cost, when waste management and reprocessing costs are included, is certainly larger than the total cost including operation, plus investment of electricity from a light water nuclear plant that would be available in the region.

Under no circumstances, when inflation is taken into account, could revenues from CRBR operation ever repay the $3 billion plus Federal investment.

Third, most informed observers of the nuclear industry recognize that near term needs to support this important energy source are: regulatory reform, reactor safety, waste management and utility financial strength not proceeding at great expense with the CRBR project.

I hope the House terminates this project.

Sincerely yours,

JOHN DEUTCH.

I hope that this House will follow Mr. Deutch's very wise advice.

Mr. COUGHLIN. Mr. Chairman, I rise in opposition to the motion.

Mr. Chairman, we have heard a lot of argument today, and the distinguished chairman of the subcommittee just referred to a letter from President Reagan. I hasten to add that letter, of course, is not directed toward the Clinch River breeder reactor in favor of or against; it was directed to the broad question of nuclear energy which many of us who oppose the Clinch River breeder reactor also support the broad development of nuclear energy.

Through all the argument we have had today, Mr. Chairman, one thing has become clear, that no matter how we look at the Clinch River breeder reactor, no matter how we look at it, it cannot be justified.

Mr. Chairman, it was originally justified as a commercialization demonstration project, but with escalation of costs that have taken place, my colleagues, there is no way, there is no way we are going to recoup the costs of this project through the sale of electricity at commercial rates, and indeed, the plant is being built in an area where there is a surplus of electricity at the present time.

Costs will continue to escalate. Not a single allegation in the study that indicates that the whole project is a management disaster, has been refuted.

Now, having found we cannot justify this as a commercialization demonstration project, some people say that this is a breeder research and development project.

But, my friends, it is unnecessary to have this project, if we are talking about it as research and development, because the research and development of the breeder program can go on at the fast flux test facility in Hanford, Wash., and at other places in the country without Clinch River.

In fact, in this bill, without Clinch River, there is almost a half billion dollars for breeder research—without Clinch River. In this bill, more is spent for breeder research than in any other country in the world.

My distinguished chairman talked about other countries going ahead with their programs. The United States is going ahead and spending more money on breeder research than any other country in the world. Clinch River is not necessary for research and development.

Finally, then, having said it is not a commercialization demonstration project and it is not an R. & D. project, they say, well, it is a technology demonstration project, to demonstrate the technological capability of adapting a breeder to electrical generation.

But by all the best estimates that we have, by all the best estimates, the breeder technology will not become economical until sometime around the year 2030—50 years from now.

At today's uranium prices, there is no way that a breeder can compete with a light water reactor until that time frame and produce energy more cheaply. So why do we build a technology demonstration project when the need is 50 years or so away and the technology is still developing?

It is not a technology demonstration project. What we are really talking about is a single reactor that is going to be built out there, that is going to—sure as heaven made apples—be a white elephant. It will not produce economical electricity. Its cost will not be recouped. It will be technologically obsolescent and will have been a massive extraordinary expenditure of taxpayers' dollars that is totally unwarranted.

My colleagues, in your heart of hearts, and maybe better in your stomach of stomachs, there is no way we can support this project.

□ 1230

Mr. OTTINGER. Mr. Chairman, I ask unanimous consent to withdraw my motion.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania (Mr. COUGHLIN), who has 2 minutes remaining.

Mr. COUGHLIN. Mr. Chairman, I yield back the balance of my time.

Mr. BEVILL. Mr. Chairman, I yield 1 minute to our distinguished colleague from Iowa (Mr. HARKIN).

Mr. HARKIN. I thank the gentleman for yielding.

Mr. Chairman, I just wanted to point out that in 1970, when the Atomic Energy Commission came to Congress for this project, they asked Congress for $50 million. In 1971, they came back and asked to increase that to $100 million. Congress agreed with that, but only after Mr. Hosmer, the ranking minority member on the Joint Committee at that time, a Republican from California, offered an amendment which was adopted by the House limiting the Government's total involvement to this project at no more than 50 percent of the cost of that $100 million.

What has happened since then? The cost has gone up from $100 million to $700 million to $1.5 billion to $2 billion to maybe $3 billion, and yet the Government's costs have increased year after year after year.

What we have here is another one of those situations where we start out very small. The Government gets involved. The need for it has long since passed, and yet the project continues.

I ask that the Members of this body for once and for all put an end to this project and vote for the Coughlin amendment.

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to our distinguished majority leader, Mr. WRIGHT.

The CHAIRMAN. The gentleman from Texas, the distinguished majority leader, is recognized for no more than 11 minutes.

Mr. WRIGHT. Mr. Chairman, I am not a scientist. There is a great deal about nuclear energy I do not pretend to understand. It would be foolish of me to enter into the presumption of a knowing discourse with some of the other Members about the feasibility of techniques that are here being employed; but I think I know something about history. I believe I understand something about the needs of this Nation of ours for a continued commitment to energy independence. I believe I know something about where we are in the world. I think I know something about the continued need of any nation that is to be a leader of the world to maintain its commitment to scientific pursuit.

Ever since the beginning of time, there have been people who wanted to turn back having committed themselves to a goal and then having discovered that the goal was difficult of achievement, they were willing to turn back.

The children of Israel, we are told, in the Old Testament times, left Egypt to flee from bondage. They wearied of the costs of wandering in the desert and in the wilderness and some of them wanted to return to the fleshpots of Egypt, the comfort, the convenience.

Some today want to return to the idea of the comfortable notion that we do not have to do expensive and costly things in order to achieve energy independence. When Copernicus and Gallileo were speaking of the world being round, there being galaxies and firmaments, they were persecuted by people who saw apostasy in some of the things that they were teaching because they wanted to return to the comforts of doing things as usual. I am sure when Christopher Columbus set sail for a new world, he did not know exactly where he was going, but he knew there was a world to be sought, There were those among his crew who wanted to turn back when, after a little while, they had not sighted land.

I know this is not the time to turn back. Seven different times the Congress has voted to go forward with this project, seven times in the last three Congresses. We have already spent $1 billion on it. That is an investment the American people have made in this phase of energy security for the United States and energy supremacy.

If we stop now, we have wasted that $1 billion and we have wasted the time, the effort, and the energy that has been put into it. I am told by those who have studied the economics of the project that it will, in the course of its lifetime, pay back that billion and the remainder that we have proposed to put into it to its completion seven different times. The Government will get back $7 for every $1 it has put into it from the sale of electrical energy.

I guess it really comes down to a question of whether we are really committed to the idea and whether we are willing to pay for energy independence. How short our memories can be. How short a time ago it was that we had gas lines here in the United States and people were willing, for a very brief while, to do just almost anything it took to make this Nation energy supreme again. We are still spending $60 billion or $70 billion for foreign oil, even though we have, by means of many devices—and some of them heroic—curtailed our consumption of foreign oil. The energy crisis is far from over. We need to pursue it will diligence.

I am reminded of two contrasting reactions experienced by men who viewed the first blinding flash of light which accompanied the world's first nuclear explosion. Out there on the sand flats of the New Mexico desert, a physicist said, "I am sure that on doomsday, in the last millisecond, the last man on Earth will see what we have just seen."

But William L. Lawrence of the New York Times said he felt as though he had been present at the dawn of creation when God has said, "Let there be light."

At every step up the path of man's increasing physical knowledge, we have had the same choice. Either we cringe before the future in fear or we could look it in the eye with faith. Either we could want to return to the fleshpots of Egypt, back to the more comfortable, less costly ways, seek some solace in the belief that we have an oil glut now, and sure enough, we do not have an energy problem, will not have one; or we can look the future in the eye with faith and determine that this will continue to be not only the greatest nation on Earth, but it will become an even greater nation.

Our future is not behind us. It would be foolhardy for us now to turn our backs upon what we thus far so nobly have advanced.

So I say to the Members, let us vote down this amendment as we have done on the previous occasions and let us demonstrate once again that the Congress of the United States is indeed committed to the proposition that this Nation of ours will become energy independent, that we will discover and master all of those means that are made available to us by science and by He who put the electricity in the storm cloud in the first place, who locked the Promethean quality of the Sun in the tiniest of atoms, there to lie until man was given the knowledge of how to unlock them and how to use them for the benefit of the future of mankind.

I yield back the balance of my time.

Mr. BEVILL. Mr. Chairman, I yield such time as he may consume to my colleague, the gentleman from California (Mr. GOLDWATER).

Mr. GOLDWATER. Mr. Chairman, I do rise in opposition to the amendment, and I would compliment the majority leader. He truly is a spokesman for the future.

I can remember back just a few years ago when we were all crying for energy independence. I think the majority leader has pointed out quite well that here is an opportunity for the future.

Did you know we can make energy from our wastes and cut our environmental impact as well? I am not talking about municipal wastes. I am talking about the wastes from uranium enrichment. I am talking about the breeder reactor. All of the wastes, of tailings from the enrichment process for light water reactors are a resource for the breeder reactor. Thousands of canisters of this material are sitting in storage yards at enrichment plants in Oak Ridge, Tenn., Paducah, Ky., and Portsmouth, Ohio, just waiting to be used in a breeder reactor.

We can use this already mined uranium to produce literally hundreds of years' worth of electrical energy at our present consumption rate. Right now we are mining uranium ore in this country, with some associated health and environmental hazards. The fast breeder reactor option would roughly cut in half our need for uranium mining and milling. Since our uranium, like fossil fuels, is a limited resource, we buy uranium from other countries. A deal was recently made with Russia to buy uranium for U.S. needs. The breeder's ability to make energy from enrichment tails is certainly to our country's strategic advantage.

There are other environmental benefits as well. The ecological effects for the enrichment processes are avoided. There should be less radiological impact, less thermal impact, and less waste disposal problems.

The Clinch River breeder reactor project offers us an opporunity to make energy from present wastes and reduce the environmental impacts. This is a valuable form of conservation.

Did you know that the Clinch River breeder reactor project represents the largest utility commitment ever made to a single research and development project? A total of 753 utilities agreed to pay $257 million of the breeder's cost for the learning experience. But already, because of the opposition to the CRBR, industry's confidence in Government in large projects has been severely damaged. The cancellation of the CRBR will only strengthen the image of Government as an entity that has too little regard for the sanctity of contracts. This will have negative effects on technology transfer for other energy technologies as well.

Synfuel, solar, geothermal, ocean thermal, and wind technologies will be received skeptically by industry when the Government wants to encourage industrial takeover of the development of those options.

There is a similar effect on this country's image overseas. France, the United Kingdom, West Germany, and Japan all have breeder programs; and Russia started operating its fourth breeder last year.

Leaders abroad are aware of the inconsistencies in the U.S. nuclear programs, and have been urging our Government to restore its credibility in nuclear power and proliferation matters. The less-developed countries that must use oil disapprove of a nuclear power slowdown in the United States. Cancellation of the CRBR will clearly aggravate the issue.

Use of nuclear power in the future depends on reasonable assurance that nuclear fuel will be available at reasonable prices. The fast breeder reactor provides that assurance. If we turn our backs on the breeder, we are turning our backs on decades of scientific research, analysis, and careful planning. Billions of taxpayers' dollars and private risk capital have gone into the fission energy program.

This was done with the full understanding of the commitment of the Government to push development of the whole technology; there was faith in that commitment.

Fission energy, with breeder technology, offers the option of expanding our energy resource base. It is not prudent to stop 30 years of effort and stop current development. To do so with the present fast breeder reactor program is to throw away the option and go back to square one. To start now on a new concept in a new breeder project is to embark on a project that will not reach the CRBR's present status for 10 or more years. In addition, for every year the Clinch River project is set back, the project's total cost goes up by at least 10 percent, or about $300 million.

There is a very good chance that the Nation does not have this much time to get the answers it needs.

In the name of our past commitments and our energy future, I urge my colleagues in the strongest possible way to support continuation of this essential technology development.

Thank you.

Mr. AuCOIN. Mr. Chairman, as chairman of the House Task Force on Industrial Innovation, I spend a lot of time trying to convince people that it makes sense to spend Federal tax dollars on research and development of new technologies.

But it is pretty tough to sell that idea to anybody who has heard about the Clinch River breeder reactor.

Clinch River is the kind of project that gives research and development a bad name.

It is a textbook example of a project run amok: Poorly conceived, fraught with waste and cost overruns, gobbling up tax dollars at an alarming pace while producing no tangible benefits.

It would take days to catalog the problems surrounding Clinch River, but as I see it, they boil down to three basic questions:

Is the project worthy of public investment—that is, will it deliver a technology that meets a genuine need?

Do we know what the project will cost, and if so, are the results worth the price?

What are the implications for nuclear proliferation?

No prudent agency should embark on a research and development project without having answers to those questions at the outset. Yet in the case of Clinch River, we have been pouring money down the drain for 10 years, and still do not have answers.

Scientists, engineers, and economists are debating whether the project is obsolete, given changing economic assumptions and technological advances. The price tag has escalated from $500 million to over $3 billion and shows no signs of stopping there. And we still do not know how the breeder fuel will be reprocessed, let alone what kind of safeguards there will be against theft and loss.

Clinch River is especially troubling to me because I know we can make good use of our tax dollars in energy research and development. A good example is the Federal research effort in photovoltaics—silicon cells which convert the Sun's rays directly into electricity. Only a few years ago, this technology was prohibitively expensive, with a price per kilowatt-hour more than 100 times greater than conventional fuels.

But in the 6 years that the Federal Government has been involved in photovoltaic research and development, the price per kilowatt-hour has dropped by more than 200 percent, and is now within shooting distance of the conventional fuels. Thirteen U.S. companies are now manufacturing and marketing photovoltaic arrays.

Here is a technology that is needed, that has proven its worth and is rapidly moving toward commercialization.

The research has not been cheap—about $600 million has been spent so far—but we have something to show for the dollars we have spent. We have already spent $1 billion on Clinch River, and construction has not even started.

Mr. Chairman, Clinch River is a mistake—an expensive, embarrassing, shameful mistake.

It is time we acknowledged the mistake, and corrected it—today—by deleting funds for Clinch River.

When we talk about Clinch River, we are talking about priorities. If we reward obsolete, overpriced technology at the expense of innovation and ingenuity, if we bail out a wasteful program while cost-effective programs go begging, if we empty our pockets today without investing in tomorrow—then we abandon the traditions on which this Nation was built, and jeopardize our future as a world leader.

I do not accept this shortsighted thinking, and I do not think the American people do, either.

Mr. BEVILL. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. COUGHLIN).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. COUGHLIN. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 186, noes 206, answered "present" 1, not voting 40, as follows:

[Roll No. 161]

AYES—186

Albosta	DeNardis	Heckler
Applegate	Dingell	Heftel
Aspin	Dixon	Hertel
AuCoin	Donnelly	Hiler
Barnes	Dorgan	Hopkins
Bedell	Dornan	Howard
Beilenson	Dunn	Hoyer
Benedict	Early	Hughes
Bethune	Eckart	Hunter
Bingham	Edgar	Hyde
Blanchard	Edwards (OK)	Jacobs
Boland	Emery	Jeffords
Bonior	Erdahl	Johnston
Bonker	Ertel	Kastenmeier
Brinkley	Evans (DE)	Kildee
Brodhead	Fascell	LaFalce
Broomfield	Fazio	Lantos
Brown (CA)	Fenwick	Leach
Brown (CO)	Ferraro	Lehman
Burton, John	Findley	Leland
Burton, Phillip	Fish	Levitas
Carman	Fithian	Lowry (WA)
Chisholm	Foglietta	Luken
Clay	Fowler	Lundine
Clinger	Frank	Lungren
Collins (TX)	Gejdenson	Markey
Conte	Gephardt	Marlenee
Conyers	Gilman	Matsui
Coughlin	Glickman	McCloskey
Crane, Daniel	Goodling	McCurdy
Crane, Philip	Gradison	McDade
Crockett	Green	McGrath
D'Amours	Gregg	McHugh
Daniel, R. W.	Guarini	McKinney
Danielson	Gunderson	Mikulski
Daschle	Hall (OH)	Miller (CA)
Deckard	Hamilton	Mineta
Dellums	Harkin	Minish
Mitchell (MD)	Rodino	Staton
Mitchell (NY)	Roybal	Studds
Moakley	Sabo	Swift
Moffett	Sawyer	Synar
Molinari	Scheuer	Tauke
Moore	Schneider	Traxler
Neal	Schroeder	Trible
Nowak	Schumer	Udall
Oakar	Seiberling	Walgren
Oberstar	Sensenbrenner	Washington
Obey	Shamansky	Waxman
Ottinger	Shannon	Weaver
Panetta	Sharp	Weber (MN)
Paul	Shaw	Weber (OH)
Pease	Siljander	Weiss
Petri	Simon	Williams (MT)
Peyser	Smith (NJ)	Williams (OH)
Porter	Smith (OR)	Wirth
Pursell	Snowe	Wolpe
Rahall	Snyder	Wortley
Railsback	Solarz	Wyden
Rangel	St Germain	Wylie
Ratchford	Stanton	Yates
Ritter	Stark	Yatron

NOES—206

Addabbo	Foley	Murtha
Akaka	Ford (MI)	Myers
Alexander	Ford (TN)	Napier
Anderson	Forsythe	Natcher
Andrews	Fountain	Nelligan
Annunzio	Fuqua	Nelson
Anthony	Gingrich	Nichols
Archer	Ginn	O'Brien
Ashbrook	Goldwater	Oxley
Atkinson	Gore	Parris
Badham	Gramm	Pashayan
Bafalis	Grisham	Patman
Bailey (MO)	Hagedorn	Pepper
Bailey (PA)	Hall, Ralph	Perkins
Barnard	Hall, Sam	Pickle
Beard	Hammerschmidt	Price
Benjamin	Hance	Regula
Bennett	Hansen (ID)	Rhodes
Bereuter	Hartnett	Rinaldo
Bevill	Hatcher	Roberts (KS)
Bliley	Hawkins	Robinson
Boggs	Hefner	Roe
Boner	Hightower	Roemer
Bouquard	Hillis	Rogers
Bowen	Holland	Rose
Breaux	Hollenbeck	Rostenkowski
Brooks	Holt	Roth
Broyhill	Hubbard	Roukema
Butler	Huckaby	Rudd
Byron	Hutto	Russo
Campbell	Ireland	Schulze
Carney	Jeffries	Shelby
Chappell	Jones (NC)	Shumway
Clausen	Jones (OK)	Shuster
Coats	Jones (TN)	Skeen
Coelho	Kazen	Skelton
Coleman	Kindness	Smith (AL)
Collins (IL)	Kogovsek	Smith (IA)
Conable	Kramer	Smith (NE)
Corcoran	Lagomarsino	Solomon
Courter	Latta	Spence
Coyne, James	Leath	Stangeland
Coyne, William	LeBoutillier	Stenholm
Craig	Lee	Stokes
Daniel, Dan	Lent	Stratton
Dannemeyer	Livingston	Stump
Daub	Loeffler	Tauzin
Davis	Long (LA)	Taylor
de la Garza	Long (MD)	Thomas
Derrick	Lott	Vander Jagt
Derwinski	Lowery (CA)	Volkmer
Dickinson	Lujan	Walker
Dicks	Madigan	Wampler
Dougherty	Marks	Watkins
Dowdy	Marriott	White
Dreier	Mavroules	Whitehurst
Duncan	Mazzoli	Whitley
Dwyer	McClory	Whittaker
Dyson	McCollum	Whitten
Edwards (AL)	McDonald	Wilson
Emerson	McEwen	Winn
English	Mica	Wolf
Erlenborn	Michel	Wright
Evans (GA)	Miller (OH)	Young (AK)
Evans (IA)	Mollohan	Young (FL)
Evans (IN)	Montgomery	Young (MO)
Fary	Moorhead	Zablocki
Fiedler	Morrison	Zeferetti
Fields	Murphy	

ANSWERED "PRESENT"—1

Gonzalez

NOT VOTING—40

Biaggi	Garcia	Mottl
Bolling	Gaydos	Patterson
Brown (OH)	Gibbons	Pritchard
Burgener	Gray	Quillen
Chappie	Hansen (UT)	Reuss
Cheney	Hendon	Richmond
Cotter	Horton	Roberts (SD)
Downey	Jenkins	Rosenthal
Dymally	Kemp	Rousselot
Edwards (CA)	Lewis	Santini
Flippo	Martin (IL)	Savage
Florio	Martin (NC)	Vento
Frenzel	Martin (NY)	
Frost	Mattox	

□ 1250

The Clerk announced the following pairs:

On this vote:

Mr. Richmond for, with Mr. Biaggi against.

Mr. Mattox for, with Mr. Cheney against.

Mr. Florio for, with Mr. Quillen against.

Mr. Vento for, with Mr. Lewis against.

Mr. Edwards of California for, with Mr. Burgener against.

Mr. FORD of Tennessee changed his votes from "aye" to "no."

Messrs. GILMAN, HUNTER, FORD of Tennessee, and DANIELSON changed their votes from "no" to "aye."

So the amendment was rejected.

The result of the vote was announced as above recorded.

Mr. GOODLING. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I take this time just to indicate that I realize we must move ahead in nuclear energy whether we like it or not, but I take this time just to indicate that we as the Federal Government should not be doing anything in the nuclear energy field until we make a decision about what we are going to do about Three Mile Island. Three Mile Island has been sitting there for 2 years and no one knows when it is going to blow. The Federal Government refuses to allow the company to produce energy in order to generate money in order to clean it up, and at the same time the Federal Government refuses to do anything about helping to clean it up.

We have no idea what could happen. We do know that my constituents are now paying $14 million a month more every month because that company must purchase energy. They are not allowed by the Federal Government to produce it.

So let us not move ahead in the area of nuclear energy, until we take care of our responsibilities at Three Mile Island, an area as I said where we have no idea when it could blow. That could be any day.

Two weeks ago they could not even open the doors to get in to investigate. The Federal Government is responsible for that area. If we are not allowed as a company to produce energy, then we cannot get any resources in order to pay for it. If the Federal Government does not help a little bit, then the Federal Government has the alternative which means they will be stuck with the entire $1 billion amount, because there is no other entity to pick it up when the company goes bankrupt.

So I merely am calling on the Congress of the United States to meet its responsibilities before we have a total disaster in that area. All scientists say it should be cleaned up and it should be cleaned up promptly. They do not know how much time we have.

So again I say, please, Congress, meet your responsibilities before it is too late.

□ 1300

RECONCILIATION UPDATE

(By unanimous consent, Mr. JONES of Oklahoma was allowed to speak out of order for 5 minutes.)

Mr. JONES of Oklahoma. Mr. Chairman, I take the time of the committee to give a progress report on the conference on reconciliation. We had hoped to complete as much of this conference as possible by today with the hopes that we could vote on the conference report by the end of next week.

I am pleased to report that we have made considerable progress to date. Of 58 subconferences involving approximately 260 Members of this body and the other body, so far 40 of those subconferences have reached agreement with a total savings of approximately $33 billion of the $35-plus billion that the reconciliation bill called for. We hope that another 7 of those subconferences will complete agreement by the end of the day, leaving just about 10 or 11 subconferences to complete their work.

It is the hope of this chairman that the chairmen involved in the other committees will meet over the weekend and try to complete their subconferences. The majority leader, Mr. WRIGHT, has urged, and will continue to urge the chairmen involved to meet this weekend in order to complete this conference.

On the Senate side, the majority leader, Mr. BAKER, is also urging his chairmen to meet this weekend.

We hope that if the conferences are completed over the weekend or early next week that the bills can be drafted and printed and given to the Members in enough time so that we could vote on this toward the end of next week.

I particularly want to pay tribute to the gentleman from California (Mr. PANETTA), the distinguished chairman of the Reconciliation Task Force, who has done an even more superb job this year in moving these conferences along than he did last year.

Mr. PANETTA. Mr. Chairman, will the gentleman yield?

Mr. JONES of Oklahoma. I yield to the gentleman from California.

Mr. PANETTA. I thank the gentleman for yielding.

Just to follow up on the gentleman's comments, we have had 58 subconferences. We expect as of the close of business today to have 47 completed. Committees are still working. We have 40 completed and we expect the remaining 7 to be completed, and that will leave 11 conferences that still need to be focused on, 10 of which I might say are energy related.

I understand the chairman of the Energy and Commerce Committee is prepared to meet this weekend to try and complete the work on those pieces.

We have 17 committee jurisdictions involved here. It is extremely complicated to begin with to try to assemble the reconciliation package, but we want to do it in enough time to give the Members the opportunity to read the reports and know what is contained in this obviously very large and complex package. For that reason we need to try to complete work on all conferences, hopefully by Sunday evening or Monday.

Mr. JONES of Oklahoma. So I would urge that particularly the conferees from the Budget, Ways and Means, and Energy and Commerce Committees make plans to be here this weekend to carry on these conferences until they are completed.

Mr. MICHEL. Mr. Chairman, will the gentleman yield?

Mr. JONES of Oklahoma. I am happy to yield to the gentleman.

Mr. MICHEL. I just want to take this opportunity to commend both the gentleman from Oklahoma but particularly the gentleman from California for heading up this task force group and the monumental job that has been done up to this point. There were those skeptics who said that it could not be done, and it would get ensnarled, and bogged down, and as the gentleman well knows, we have been meeting every morning regularly to monitor the progress.

It has been good, and I would simply like to admonish those Members who are yet to get their final resolutions to heed the chairman's suggestion here and work over the weekend so that next week we can have it all put in place.

The chairman of the Ways and Means Committee just asked me a little bit ago whether we would be amenable for coming in, for example, at 9 o'clock on Wednesday and we might dispose of the entire tax bill on Wednesday. That is agreeable with me.

I would like to think that immediately following the tax bill resolution that if we could not do it before, certainly by Thursday then we could wrap up reconciliation, and then we will be in a position of simply resolving

the differences on the tax bill before having that August recess. We are toeing the mark very well. If we continue to do so we can meet that target date next week.

I thank the gentleman for all of the cooperation and I yield back.

Mr. JONES of Oklahoma. I thank the gentleman for his comments and yield back the balance of my time.

Mr. BEVILL. Mr. Chairman, I ask unanimous consent that the debate on the amendments of the gentleman from South Carolina (Mr. DERRICK) and all amendments thereto be limited to 1 hour, the time to be controlled equally by the gentleman from South Carolina and myself.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

AMENDMENTS OFFERED BY MR. DERRICK

Mr. DERRICK. Mr. Chairman, I offer two amendments.

The CHAIRMAN. Pursuant to the rule, it shall be in order to consider en bloc amendments printed in the CONGRESSIONAL RECORD of July 17, 1981, by Representative DERRICK, and said amendments shall not be subject to demand for a division of the question.

The Clerk read as follows:

Amendments offered by Mr. DERRICK: Page 16, line 15, strike out "$2,115,499,000" and insert in lieu thereof "$2,105,499,000".

Page 21, line 14, strike out "$1,063,453,000" and insert in lieu thereof "$1,073,453,000".

The CHAIRMAN. The gentleman from South Carolina (Mr. DERRICK), pursuant to the unanimous-consent agreement, will be recognized for 30 minutes.

Mr. DERRICK. Mr. Chairman, I yield myself such time as I may consume.

The amendment I am offering with Representative CORCORAN does two things. The first thing it does is transfer $10 million from the privately-owned Barnwell nuclear fuel plant to the defense waste processing facility at the adjoining Department of Energy's Savannah River plant, both located in South Carolina. The Savanna River plant is located in my district. The Barnwell nuclear fuel plant is located adjacent to my district. There is a 95-percent chance that it will be in my district under reapportionment.

First I want to state that I do support commercial nuclear reprocessing as long as it is carried on by the private sector. Back in the early 1970's a consortium went to South Carolina to reprocess spent nuclear fuel rods that come from these nuclear reactors. They went down there with the intent of spending around $70 million, $80 million, or $90 million, and in the course of the next several years spent somewhere between $250 million and $300 million.

As a result of some regulatory problems, and as a result, in my opinion, of some bad mismanagement, they really have done very little since 1974-75 to bring about the licensing of this facility. They came to the Congress in 1977 and asked that the Congress provide them with research and development funds to be used to give them an opportunity to look for alternate uses for this facility.

The Congress did provide these funds, and over the next 4 years the Congress provided in research and development grants, the sum of some $54 to $55 million. Last year, the 4th year that they came before the Congress, they indicated that this would be the last year that they would require our funding. I would think that a number of Members supported them on this basis. I know that was the basis on which I supported the 4th-year funding.

However, they approached the Congress for fiscal year 1982 again asking for $11.5 million, of which $10 million was put in this bill.

□ 1310

This was $10 million to be used for research and development, admittedly some of it very worthwhile research and development, but in my opinion, research and development that could be carried out at Federal installations at probably less expense to the Federal Government.

They also came to the Congress in March of this year with an ultimatum, and that ultimatum was that the Federal Government must purchase this facility. Either the Federal Government purchase this facility, or they were going to close it down and take a writeoff.

So they are the ones who created the bottom line in the ultimatum.

According to figures of the Corps of Engineers and DOE, it is estimated to buy this plant, this privately owned plant, and to put it on line would cost about $1.04 billion. At a time when everything in this Government is directed to getting the Federal Government out of the private sector, we would be committing $1.04 billion to becoming involved in the private sector.

I do not think that it is proper for the Federal Government to become involved in commercial nuclear reprocessing. I think it would preclude in the future the private sector from adding the ingenuity, the creativity, that they have available to them in this particular area.

I suggest that the $10 million will accomplish some research, that is true. But it will also help them to keep this facility limping along so that the Federal Government might be lobbied over the next year for a Federal takeover or a Federal bailout.

True, this company has had some problems, and they have some legitimate gripes when it comes to the Federal Government, about the regulatory procedure; but, after all, we provided them with some $54-$55 million of taxpayers' money, and this should well compensate for that.

So I have offered this amendment that takes the $10 million from this facility and lets the private sector do it and transfer it to the Savannah River plant.

This $10 million that goes to the Savannah River plant will be used as a part of a solidifying high-level nuclear waste, a vitrification process. As all of us understand, I hope, the solidification and the final disposal of high-level nuclear waste is one of the great environmental problems that we face in this country today and it is going to be one of the great environmental and economic problems that we face as we go into the next century if we do not begin now to solve this problem. We have taken the advantages of the nuclear industry, both from a military standpoint and the commercial standpoint over the last 35 or 40 years, but we have not dealt with the disposal of high-level nuclear waste.

The Savannah River plant requested this $20 million. The committee gave them $10 million. This will give them what they requested. And by giving the Savannah River this additional $10 million, it will mean that this project will be on line 6 or 8 months ahead of schedule if they do not have it and will save, according to the Department of Energy, an additional $40 million.

Now, in closing, let me say that if we really believe and the business community really believes that we want to get the Federal Govenment off the backs of the free enterprise system and give the free enterprise system an opportunity to act and to use the creativity and the forcefulness that they have, then I ask the Members to support this amendment.

Mr. BARNARD. Mr. Chairman, will the gentleman yield?

Mr. DERRICK. I yield to the gentleman from Georgia.

Mr. BARNARD. Mr. Chairman, I rise in support of the Derrick-Corcoran amendment. This amendment is deserving of support by my colleagues because it will transfer $10 million from the Barnwell nuclear fuel plant to fund the solidification work on high level radioactive wastes at the Department of Energy's Savannah River plant. These high level wastes are produced under DOE's nuclear weapons programs carried out at the Savannah River plant.

President Reagan rejected and actively opposed funding for the AGNS reprocessing plant. In a March 20 memo to DOE Secretary James Edwards, the President stated that it was not appropriate for the Federal Government to continue to fund this commercial enterprise.

It would require more than $1 billion to acquire and complete the Barnwell plant. These are funds we simply do not have if we are to reach our goal of a balanced budget by 1984. The commercial reprocessing of spent nuclear fuel is best left to the private sector—it is not a proper role for the Federal Government.

This amendment would transfer the $10 million targeted for the Barnwell plant to the defense waste processing facility at the Savannah River plant. This waste project, when complete, will solidify liquid high level radioactive wastes left over from the production of plutonium for nuclear weapons. Solidification is the first and absolutely essential step toward final disposal of this waste. The $10 million will bring the total appropriation up to the $20 million level approved by the Armed Services Committee and the full House of Representatives in the fiscal year 1982 authorization to complete design work for the project.

Mr. Chairman, this amendment will not broach the overall budget request for the Savannah River plant put forth by the administration and I would urge my colleagues to join with me in support of this amendment.

Mr. BEVILL. Mr. Chairman, I yield 5 minutes to the gentleman from New Mexico (Mr. LUJAN).

Mr. LUJAN. Mr. Chairman, I oppose the amendment offered by Congressman DERRICK to cut the Barnwell funds from the fiscal year 1981 budget.

My distinguished colleague has always been a staunch supporter of nuclear energy as a viable energy alternative.

I also want to compliment him on his excellent white paper titled "Nuclear Energy," dated July 1981—I found it well written and more importantly understandable. I also understand his concern about storage of waste in his State of South Carolina.

However, I must disagree with his amendment cutting out the funds for continuation of R. & D. work at the Barnwell plant. Right at the time when many see the early valuable role Barnwell can play in this country's commercial nuclear power planning, an amendment is offered that would set the national nuclear program back years.

I would hope that during the hearings on my bill to set up Barnwell as a private commercial activity, convincing facts would be developed that would justify passage of my bill. It would in my opinion be a disservice to this Nation's commercial nuclear programs, to consider an amendment to shut down Barnwell, until my bill to set up a privately owned commercial fuel reprocessing operation has been debated. I believe the amendment is a step backward, in our attempt to set up a commercial plant to reprocess nuclear spent fuels, store spent fuels and demonstrate high-level waste solidification and volume reduction and to demonstrate the proper handling of nuclear waste.

There are many telling arguments as to why, we must not lose the "Barnwell option."

Early activation of the Barnwell nuclear fuel plant under private ownership will provide many benefits. It represents the most cost-effective way to achieve several important national objectives; such as, early reprocessing of power reactor fuel on an industrial scale, maintaining control of the plutonium and other special nuclear materials which is supportive to the national nonproliferation policy, and the development of a national waste management program that is cost effective and consistent with our goal to provide a safe method to store nuclear wastes.

If the Barnwell operation is brought to a halt Allied General Nuclear Services (AGNS) will be forced to plan and initiate decommissioning procedures. Such a move would be a terrible setback to several civilian nuclear power programs, as I pointed out in my statement when I introduced my Nuclear Fuel Management Corporation bill.

Not to use the Barnwell facility for early commercial reprocessing, fuel storage and waste preparation is ill-advised. If the Barnwell option is lost we may later have to initiate a Greenfield program—starting from scratch—which will cost much more and be very time-consuming.

The technology for both reprocessing and even waste vitrification and stabilization is reasonably well known, but needs to be quickly implemented, in anticipation of the availability of the permanent or long-term national waste repositories—I do not envision the permanent storage of solidified nuclear waste at Barnwell.

As I have stated earlier, my bill provides that Barnwell is to be operated as a commercial facility subject only to expressed national policy and laws on safety, environmental impacts and nonproliferation of nuclear technology. I would hope that this body would reject the amendment offered by my colleague Congressman DERRICK.

□ 1320

Mr. CORCORAN. Mr. Chairman, will the gentleman from South Carolina (Mr. DERRICK) yield me 2 or 3 minutes so I might engage the gentleman from New Mexico (Mr. LUJAN) in colloquy?

Mr. DERRICK. I yield 5 minutes to the gentleman from Illinois.

Mr. CORCORAN. I thank the gentleman for yielding.

I would like to ask the gentleman from New Mexico (Mr. LUJAN) a question. I want to congratulate the gentleman from New Mexico for his initiative in introducing the legislation dealing with commercial reprocessing because I think, as the House knows, I have a very long-term interest in commercial reprocessing and I am unhappy with the progress of our Government up to this point in order to provide the appropriate regulatory framework within which, in my judgment, commercial reprocessing ought to be examined and ultimately allowed to go forward if acceptable from environmental and safety standpoints.

But there is an inconsistency or perhaps a misunderstanding on my part I would like to get clarified. It is my understanding that the company that presently owns the Barnwell facility has made it absolutely clear in testimony before the House of Representatives and I would judge the Senate of the United States as well, that under no circumstances do they want to resume the option of either commercial reprocessing or federally owned reprocessing. And so, I have a question about the legislation the gentleman has introduced as it would impact on Barnwell. The gentleman said that the legislation that he introduced would facilitate the development of commercial reprocessing and that the facility that would be involved under the gentleman's legislation in this reprocessing would be the facility at Barnwell, but yet as I said, there is this inconsistency in terms of what AGNS has already said, and that is they are not interested. So I wonder how the gentleman's legislation could promote private sector commercial reprocessing involving Barnwell?

Mr. LUJAN. Mr. Chairman, will the gentleman yield?

Mr. CORCORAN. I yield to the gentleman from New Mexico.

Mr. LUJAN. As the gentleman very well knows, the reason that AGNS decided not to go on ahead and add the reprocessing facilities to Barnwell is because they have been burned by the Federal Government. They spent, what, $300 million to build it, and all of a sudden the Nuclear Regulatory Commission imposes so many additional requirements that they have decided not to go.

That is why they do not want to go, simply because of the rigmarole they have to go through and all the expense they had to go through and then finally the Government says, "You can't do it."

We are beginning to form a private corporation that would not have the inhibitions that AGNS has. Perhaps AGNS might want to be part of it, I do not know, but that really is not the point. It is somebody new coming in with a fresh approach and we are in different times today.

I think we can convince the Nuclear Regulatory Commission to move on

ahead with licensing. After all, there has been a change in policy.

Mr. CORCORAN. I understand that. I would like to further this colloquy because I do not understand how Barnwell could be involved in the gentleman's legislation when the only condition on which Barnwell would ever resume its interest in reprocessing would be if there would be a Federal takeover, and yet the gentleman is telling us that legislation is needed to permit a private corporation to go into this business.

One of the reasons that the gentleman from South Carolina and I have involved ourselves in this amendment is because we want to clarify the situation so that private industry can come forward on reprocessing as was the original intention, as the gentleman well knows.

I just wondered, what is the magic formula? Is there going to be Federal money involved in the gentleman's legislation?

Mr. LUJAN. No. The Federal Government would start the corporation and then eventually as stock is purchased and as fees come in for either temporary storage or for reprocessing, those moneys would be used to enlarge the facility.

In this particular case, if we take this money out, what AGNS has said is they will have to start decommissioning Barnwell. I do not want to see that happen. I think the research that is now going on at Barnwell is very necessary from two standpoints. One is, of course, the results of research and what we can learn in the safeguards programs that we have research work going on and second, it provides the option of leaving Barnwell intact, and that serves the national interest.

Mr. CORCORAN. I would remind the gentleman that the President of the United States, Ronald Reagan, examined that option and he concluded that we should not put one penny of taxpayers' money into that project.

Mr. GOLDWATER. Mr. Chairman, will the gentleman yield?

Mr. CORCORAN. I yield to the gentleman from California.

Mr. GOLDWATER. I thank the gentleman for yielding.

I think the point that has to be made here is that the amendment of the gentleman from South Carolina (Mr. DERRICK) does not offer a solution to the question of what do we do with Barnwell.

All we are trying to do is find a solution.

Mr. BEVILL. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from South Carolina (Mr. SPENCE).

Mr. SPENCE. Mr. Chairman, I rise in opposition to the amendment offered by my colleague from South Carolina (Mr. DERRICK). I regret that I find it necessary to do this and I sincerely trust that none of my colleagues has ever had to do what I have to do, because this facility is located in my district and I hope my colleagues never have someone from their State get involved in a facility in their particular district and find themselves in this situation.

I have here letters, telegrams, editorials in newspapers, from people in South Carolina. I have letters from 120 senators and members of the house of representatives in South Carolina in support of Barnwell and its continuation.

I think when someone says that we should keep the Federal Government out of this business of reprocessing, that is partly true, but I think at the same time we in the Federal Government owe a responsibility to Barnwell, the reprocessing facility there, because after all in 1967 the U.S. Government, then the old AEC, encouraged private industry to start and operate this facility. As a matter of fact, they wanted three of them throughout the United States, regional reprocessing facilities.

As a matter of fact, Congress carved out, according to the report of the gentleman from South Carolina (Mr. DERRICK), 1,730 acres from the Savannah River plant owned by the Government and deeded this property to Barnwell County and Barnwell County in turn leased the property to Allied Gulf nuclear facility.

The South Carolina Legislature even had to pass legislation for this facility to operate. Since that time, private industry has spent $362 million and assembled an expert staff of 340 people to operate this facility.

Everything was going along on schedule until the last administration held up the licensing of Barnwell.

Since that time, this Congress, each fiscal year, has appropriated for research and development and other grants and contracts to Barnwell $67 million to keep research going at Barnwell.

The research has developed the best nuclear safeguard system that we have in this world today and is presently being used—research in the waste disposal and also further reprocessing research.

□ 1330

Why reprocessing in the first place? It has not even been touched on yet. If people are truly concerned about nuclear waste and nuclear waste disposal, reprocessing retrieves the good, reusable fuel from the waste and reduces by a factor of 7 the amount of the waste we have to deal with. So after all, it helps to dispose of the waste. Also, it retrieves the good from the bad and keeps it under Government control to prevent the problem of proliferation.

As to the Government buying Barnwell, the administration has said that they did not want to buy Barnwell. That is true. I agree. But they still want reprocessing to continue and we need reprocessing to continue. As a matter of fact, right now private talks are going on, as another Congressman alluded to, in an effort to form a consortium to take over this facility and to operate it as a reprocessing facility.

We need this $10 million to keep open this facility long enough for these private interests to conclude their talks and to take over this facility.

Mr. BAILEY of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from Pennsylvania.

Mr. BAILEY of Pennsylvania. Mr. Chairman, I would just like to associate myself with the gentleman's remarks and his analysis of this amendment. I think the gentleman is right. I sincerely hope that the House will support the gentleman in his stand on this issue. I think the gentleman's position is absolutely correct.

Mr. SPENCE. I thank the gentleman for those remarks.

I would like to say finally, in conclusion, that I am not opposed to the additional funds for the Savannah River plant. As a matter of fact, that facility is located in my district, too. I am in favor of those funds, but there are separate funds that can be used.

Mr. DERRICK. Mr. Chairman, how much time has been consumed?

The CHAIRMAN. The gentleman from South Carolina has 16 minutes remaining.

Mr. DERRICK. I yield 5 minutes to the gentleman from Michigan, (Mr. DINGELL).

Mr. DINGELL. Mr. Chairman, I rise in support of the amendment offered by my colleague, the gentleman from South Carolina (Mr. DERRICK). I commend the gentleman for offering the amendment.

Mr. Chairman, we have here a very interesting set of circumstances. A private facility has received in the last few years something on the order of about $50 million in taxpayers' funds to keep open a facility for the reprocessing of spent nuclear materials. During that time, that was in part justified by the fact that the Carter administration had said that there would be no reprocessing privately. That ban has now been removed by the Reagan administration. So a private facility which desires to reprocess can do so. I think that is appropriate.

In addition to that, the art and the technology of reprocessing is not new. It is well understood. For some 10 years it was done at the West Valley facility in New York. The technology is understood. It is known.

What is really at stake here? The question here is: Is there any impediment to private citizens and the marketplace permitting technology to go forward and permitting reprocessing to go forward? The answer is: There is none. If there is a market demand for this to take place, then the facility will be able to function and the market should carry it.

But if there is no market, then there is no reason why we should be spending $10 million a year to keep the facility going, which is ultimately going to probably cost the taxpayers a great deal of money. We probably are going to have to buy this if we do not sever the umbilical cord pretty soon. It could cost something on the order of about $1 billion. We are probably going to be paying $10 million a year to buy ourselves $1 billion white elephant at some time in the not too distant future. I do not think that makes good economics.

I would point out to the Members that if there is a market for private reprocessing, the Barnwell plant can be a success. If there is not, it will not be. The technology is understood. We have just the problem of finally saying, "Fellows, the free market should function and you should be able to reprocess, if you so desire, or you should get out of the business if you find there is no market for it."

There is a real question about whether we ought to go ahead and stuff an additional $10 million down the throat of the administration when they say it is not needed. President Reagan has indicated in a March 20 memo that he does not believe that it would be appropriate for the Federal Government to acquire the Barnwell plant or to finance construction or operation of any of its facilities. It appears to me rather clear the administration does not feel they need the money; they do not feel they want the money; they do not feel we ought to be financing it. In a time when we have budgetary structures, when we are cutting everything from EDA to school lunches to social security to education to health to FAA to navigation safety to the Coast Guard and all of the other programs we are cutting, when we are eliminating money for water and air pollution, and we are eliminating programs which would benefit every age and economic class in this society, then it strikes me that maybe, just maybe, this is $10 million that we can well dispense with in the public interest.

I would urge my colleagues to support the amendment. Let us sever the umbilical cord. Let us let these people move out into the private sector; and if they can do business, let them then do business. Let them profit and prosper according to that.

If they cannot, let us not continue them as a potential supplicant for the Federal Government to spend $10 million on a project which is apparently not even near completion.

For the last few years, I have been deeply involved in the energy problems confronting the Nation, and I fully recognize the importance of preserving all of our present and potential energy options. Certainly, nuclear power is one energy option which should be preserved. Given our finite fossil fuel resources, it is essential for not only our generation but for future generations that we pursue policies which preserve and conserve energy resources. The energy that remains in spent nuclear fuel is a potential resource that should not be lightly discarded, and reprocessing is the technology that can extract that energy for subsequent use. And so I do not speak to you today as one who is opposed to reprocessing.

The question presently before the House is not one of whether this Nation should or should not pursue a policy of reprocessing spent nuclear fuel. Instead the question is whether the Federal Government should continue to financially support the maintenance of the reprocessing technology. I support the gentleman's amendment because I believe that reprocessing of spent nuclear fuel is an activity which should be performed by the private sector.

We are not talking about supporting the development of a new technology, for reprocessing is a known technology which for years was employed by the private sector. For 10 years spent fuel was commercially reprocessed at the West Valley facility. This facility was closed not for technical reasons, but for economic reasons, when the operators determined that they could not continue to operate the plant profitably. The decision was based upon economics, and not technology.

The West Valley experience did not deter the owners of Barnwell from undertaking this project. Work on the project was terminated when the Carter administration announced that it was the administration's policy to "indefinitely defer" commercial reprocessing. However, despite the previous administration's policy, the Congress provided funds to maintain this technology. During the last 4 years, the Congress has appropriated over $54 million to preserve this technology. The new administration has now changed the Nation's policy toward reprocessing, and the private sector is free to pursue this economic activity. The Congress has fulfilled its obligation to the owners of this facility by providing funds to them to preserve this technology. There are now no legal or administrative impediments preventing the private sector from engaging the commercial reprocessing of spent nuclear fuel. It is now simply a question of economics, and, in this instance, I believe that is a question that should be left to the private sector to decide.

This is the position of the Reagan administration. In a March 20, 1981, memorandum to Secretary of Energy Edwards, President Reagan stated:

> I have disapproved the Department's request for additional funds for use in connection with activities at the Barnwell, South Carolina reprocessing plant. I do not believe it would be appropriate for the federal government to acquire the Barnwell plant or to finance the construction or operation of any of its facilities.

Thus, this amendment is consistent with the administration's budget request to the Congress.

In closing, I should like to note that during the last few days much of the discussion in this Chamber has focused on the question of whether the Federal Government should continue to support some very costly projects of dubious technical merit. To date, the Federal Government has invested only a relatively small amount in the Barnwell facility. However, we must realize that the owners of the Barnwell facility are aggressively supporting a bailout in the form of Federal acquisition. The report of the Senate authorizing committee directs the Department of Energy to submit a study on the feasibility of Federal acquisition of this facility. Unless we terminate Federal funding for this project now, we will fall into a quagmire of continuing and escalating Federal expenditures.

The Congress has fulfilled its obligation to the owners of this facility by providing over $54 million during the last 4 years to preserve this technology. The new administration has now removed all impediments to commercial development of reprocessing. Thus, the question before the House is one of economics, and I submit that as a question which should be addressed by the private sector.

I urge my colleagues to join with me in supporting this amendment.

Mr. ANDREWS. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from North Carolina.

Mr. ANDREWS. Mr. Chairman, I understand the learned gentleman to be saying the Federal Government should not be expending further moneys for purposes such as are being carried out at Barnwell. I understand the amendment not to be in that nature but, rather, to say to still spend the $10 million, just shift it from Barnwell to Savannah.

Mr. DINGELL. That is right. That makes excellent good sense.

Mr. LUGAN. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from New Mexico.

Mr. LUJAN. Mr. Chairman, I do not think the gentleman wished to mislead

the House into believing that this has been some kind of boondoggle.

Mr. DINGELL. I did not say it was a boondoggle. I said it was money that does not need to be spent. If the private sector wants to spend it, fine. Why should we pay $10 million a year for something that apparently is uneconomic at this time?

Mr. LUJAN. If the gentleman would continue to yield, there have been great advances at Barnwell with the moneys we have put in for research like this money is.

Mr. DINGELL. I applaud that. If they are that good, Barnwell should be a financial success.

Mr. LUJAN. It is doing the research for the Federal Government.

Mr. DINGELL. That is why we have the NRC.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished gentleman form New York (Mr. CARNEY).

Mr. CARNEY. Mr. Chairman, I wish to address the issue of the Barnwell reprocessing plant. There has been some discussion about this administration's policy regarding Barnwell and the relative roles of the Government and industry in the future of reprocessing. President Reagan in his letter of March 20 emphasized that the Department of Energy should consult with industry and develop recommendations for his further review on how to create a more favorable climate for reprocessing efforts. It is my understanding that the administration fully recognizes that it will take some time to work out the details for commercial reprocessing. The funding for Barnwell for this year gives us the right amount of time to do this and it is fully consistant with the administration's policy. I fully support and encourage the concept of commercial reprocessing, but this needs to be done carefully. It is important that we keep alive the capabilities at Barnwell as we carefully consider what the relative roles of industry and government should be.

Therefore, I oppose the Derrick-Corcoran amendment and urge my colleagues to vote against the amendment and in favor of the Barnwell project and our reprocessing options.

The letter of President Reagan says:

THE WHITE HOUSE,
Washington, March 20, 1981.

Memorandum for the Secretary of Energy.

Subject: Decisions on Department of Energy budget appeal.

As you know, I have approved the Department of Energy's request to add $27 million to its civilian nuclear budget in FY 1982 for the purpose of conducting research and development at the damaged Three Mile Island nuclear plant. As noted in the Department's request, the use of these funds is contingent upon an agreement between the Department, General Public Utilities, the Pennsylvania Utility Commission, and the U.S. Nuclear Regulatory Commission that will limit the Federal role to necessary research activities in support of private-cleanup efforts.

Further, I have disapproved the Department's request for additional funds for use in connection with activities at the Barnwell, South Carolina reprocessing plant. I do not believe it would be appropriate for the Federal Government to acquire the Barnwell plant or to finance construction or operation of any of its facilities.

I wish to emphasize that the Department of Energy should consult with industry to determine which regulatory barriers are of greatest concern to it and, working with the Vice President's Task Force on Regulatory Relief, should develop recommendations for my further review on how to create a more favorable climate for private reprocessing efforts.

RONALD REAGAN.

Mr. DERRICK. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. WEBER).

Mr. WEBER of Minnesota. Mr. Chairman, I rise in support of the amendment of my colleague from South Carolina. The facts I have seen to date make a compelling case for terminating Federal involvement in the Barnwell reprocessing facility. Although the $10 million at question for this project is a relatively small amount in comparison to some of the other white elephants that have been funded in this bill, continued Federal funding this year raises the distinct possibility of locking the taxpayers into a $1 billion-plus commitment to a project which Allied General, the industrial partner, has itself stated is uneconomic to complete or operate. In fact, President Reagan, in a March 20 memorandum to Secretary of Energy Edwards, said, and I quote:

I do not believe it would be appropriate for the Federal Government to acquire the Barnwell plant or to finance construction or operation of any of its facilities.

It is the administration's belief, and it is my belief, that the Federal Government should not invest public moneys in research and development efforts at private facilities of this sort, particularly when comparable Government research programs already exist.

The owners of the plant have made it clear that they do not intend to bear the financial burden of completing and operating the Barnwell plant, and have asked the Government to purchase it. President Reagan, however, has stated that reprocessing is a responsibility of the private sector, and that is a decision I intend to support.

The Federal Government should not be involved in or forced to bear the financial burden of bailing out every research effort which private industry finds uneconomical. Congress should not establish itself as a benefactor of last resort for projects of this sort, and we have the opportunity of putting that on record today by adopting this amendment. If the Barnwell reprocessing facility can indeed make a contribution to this Nation's energy picture, and can do so on a cost-effective basis, then it should go forward. However, the gentleman from South Carolina and the gentleman from Illinois do not believe this to be the case, the President does not, nor do I. Barnwell promises to be an unnecessarily expensive Federal investment, and I would urge the adoption of the amendment to delete the funding from this bill.

□ 1340

Mr. BEVILL. Mr. Chairman, I yield 4 minutes to the distinguished gentleman from South Carolina (Mr. CAMPBELL).

Mr. CAMPBELL. Mr. Chairman, I rise in opposition to the amendment which would delete all funding for the Barnwell nuclear fuels plant and transfer $10 million in additional funding for the defense waste processing facility at Savannah River.

For 4 long years, the Federal Government has seen fit to leave the only nuclear fuel reprocessing plant available in the United States—Barnwell—in limbo while the rest of the world forges ahead with continued development of their nuclear technology. We have seen the leadership role in the peaceful production of nuclear power slip from our fingers while France and other Western European nations take the lead.

Due to the Government's indefinite deferral of commercial reprocessing and the previous administration's foot-dragging, Barnwell has never been operated as a reprocessing plant. The facility—and the reprocessing option—have been kept barely alive by minimal funding for research and development. That R. & D. funding, by the way, has allowed Barnwell to provide valuable research which has contributed to the nonproliferation objectives of the Nation as well as transportation safety and waste management technologies.

Now, however, the new administration through DOE has given the private companies which own Barnwell assurances that they will receive some indication of Government intent with regard to Barnwell and reprocessing by the end of this year. It only makes sense to keep the reprocessing option open during this interim period by approving the $10 million bridge for Barnwell, as the Appropriations Committee did by unanimous vote.

Mr. Chairman, this amendment has been touted as a budget-cutting amendment. It is not. It is a simple transfer of funds from one project to another, and does not cut the energy and water appropriations bill by a dollar. Let me emphasize that the Office of Management and Budget does not support this amendment. The Department of Energy does not support this amendment. While the President in a much-circulated memorandum dated March 20 opposed Federal

acquisition of the Barnwell plant, he did not speak to the reprocessing option and, in fact, he has supported nuclear energy as an essential element in our energy mix. The minimal funding providing in the committee bill is simply designed to keep the reprocessing—and the nuclear—options open. The fact is that the decision not to support the pending amendment was made in OMB's daily policy meeting Wednesday, with Dave Stockman in attendance. The Department of Energy's position was reaffirmed Wednesday by Energy Secretary Jim Edwards.

Those who support this amendment contend that we have wasted enough of the Government's money on Barnwell in the last several years. If we fail, however, to continue the research program now underway, then we have indeed wasted the money already spent on these programs without having produced a result. And, if we force Barnwell to shut down—which it will do without this funding—and then decide that we should pursue the capability for reprocessing spent nuclear fuel, it will cost us a minimum of 5 years and $500 million and probably as much as 10 years and $1.2 billion. With studies on Barnwell scheduled to be completed by the end of the year, it seems clear to me that the economic approach is to maintain Barnwell in a research mode while optional uses for Barnwell are explored.

Mr. Chairman, I would also like to address the other aspect of the pending amendment—adding $10 million in funding for the defense waste processing facility at DOE's Savannah River plant. It is my understanding that the Armed Services Committee doubled its authorization for this facility from $10 million in fiscal year 1981 to $20 million in fiscal year 1982 on the assumption that the construction plan called for $20 million this year. DOE testimony before the Energy and Water Development Subcommittee on Appropriations, under the leadership of our able colleague from Alabama, however, showed that the $10 million requested by the administration is entirely adequate to maintain the Department's schedules for beginning construction in late 1983 or early 1984. No data has been submitted to that subcommittee, I am told, to indicate that any additional money is required. Rather it is a complex design and engineering process that controls the length of time leading to construction. I am assured, moreover, by the gentleman from Alabama that the subcommittee supports the Savannah River facility and would, if it should become necessary, give every consideration to providing additional funding if the need is shown.

The whole question of nuclear power is a knotty one. Very frankly, I share the concerns raised by the authors of this amendment that reprocessing plants could be converted at some point to away-from-reactor storage sites. One of the reasons I oppose this amendment is because I think it would encourage such a result, by diverting Barnwell from its intended purpose of reprocessing spent nuclear fuel.

Transferring the modest $10 million appropriation from Barnwell will not save the taxpayers of this country a dime, Mr. Chairman, but it would cost them dearly in the years ahead as the United States sees the last of its nuclear technology lead evaporate.

I submit that the question is a simple one: Do we or do we not support retaining the nuclear option? Members who cast a vote for this amendment must know that its effect will be to foreclose the option to move ahead with reprocessing of spent nuclear fuel, our best hope of closing the nuclear cycle. In the long run, that will severely limit or eliminate the use of nuclear power.

Mr. DERRICK. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois (Mr. CORCORAN).

Mr. CORCORAN. Mr. Chairman, I thank the gentleman for yielding me this time.

Mr. Chairman, this is a knotty issue, as my friend, the gentleman from South Carolina (Mr. CAMPBELL), has pointed out. It does cause us some political strain perhaps, but I think there have been a number of misunderstandings about what the authors of these amendments propose to do.

First of all, I think we need to look at the merits of the issue, and the merits of the issue suggest that in order to deal in a rational, sensible way with the nuclear waste management program of the United States, we should be moving toward research and development at the demonstration scale level, and testing the long-term, permanent disposal of nuclear waste. Moreover in order to get to that point we need to be moving ahead, as I have argued in previous sessions of Congress, to have a framework to get the regulatory environment within which private companies can develop reprocessing facilities on a commercial basis.

I would cite no less an authority than President Reagan in support of that view. My friend and colleague, the gentleman from South Carolina (Mr. CAMPBELL), has referred to the fact that the President disapproved the money that some people wanted, particularly that DOE Secretary Edwards wanted, for the Federal ownership of the Barnwell facility in order to take it off the hands of Allied General Nuclear Services. But he failed to mention that in that memorandum the President did address the question of reprocessing, and I quote from it:

> I wish to emphasize that the Department of Energy should consult with industry to determine which regulatory barriers are of greatest concern to it and, working with the Vice President's Task Force on Regulatory Relief, should develop recomendations for my further review on how to create a more favorable climate for private reprocessing efforts.

In other words, Mr. Chairman, this administration has made a judgment on whether or not we ought to have public ownership of reprocessing or whether we ought to go back to what we had originally planned when we embarked on the effort to use the atom for peaceful commercial purposes.

So I think it would be a mistake to do as the committee recommends, and that is to put the $10 million into the Barnwell facility. That door has been closed; that issue is over. As my friend, the gentleman from Michigan (Mr. DINGELL), has pointed out, if the private companies want to come forward, they can come forward, and we need to take some steps, as I attempted to do in the last Congress, to move ahead on the so-called GESMO proceedings so we have a regulatory proceeding or a regulatory framework in which the private companies can develop reprocessing.

Mr. Chairman, certainly we ought to look at what happens in the private sector as we make some of our public policy decisions. Yesterday everybody saw with regret the major banner headline in the Washington Star, "Star To Cease Publishing." Now I suppose that we can expect, as with Chrysler and many other entities, that there is the possibility that they will come forward asking for a Federal bailout. That is precisely what is happening in this case.

□ 1350

I would suggest that if the people who are asking for this $10 million are thwarted, as my colleague, the gentleman from South Carolina (Mr. DERRICK) and I would do with the effect of this amendment, they will have plenty of opportunity to find employment. They are very capable lobbyists who for 4 years in a row have come to this Congress and sold us a bill of goods, and they have kept that option alive; so they can go over to Time, Inc., and go to work and maybe they could get employment as lobbyists for Time, Inc., in order to get a Federal bailout for the Washington Star.

Mr. Chairman, the money that we transfer from this ill-advised proposal would go to a very sensible, desirable public interest activity, and that is the part of the nuclear waste management program that we need research and development on. It is the effort to solidify the nuclear wastes, to test on an engineering scale the work that needs to be done in order to get that waste into a solid form, the borsilicate process, the solidification process, so that we can put the nuclear waste in a safe

inert form, underground, so that it can be protected for generations to come.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

Mr. CORCORAN. I yield to my friend, the gentleman from South Carolina.

Mr. CAMPBELL. Mr. Chairman, I thank the gentleman for yielding.

I would pose two questions, and I know that the gentleman did not mean it this way, but certainly the gentleman does not mean to suggest that the Washington Star has been banned from publishing for a 4-year period by the Federal Government, as had Barnwell for a period of time.

Mr. CORCORAN. Well, if I may reclaim my time, that is simply not true. What happened with respect to Barnwell is that 4 years ago the previous administration made the decision to stop reprocessing and unfortunately the consequences were painful in many respects.

Now, lots of companies can come forward and develop the reprocessing option on a private basis as the Reagan administration reverses this and other past mistakes. I support this new policy and our pending amendment is helpful in this regard.

Mr. BEVILL. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. GOLDWATER).

Mr. GOLDWATER. Mr. Chairman, the problem with this amendment is that it does not offer a solution to a very, very difficult problem. The problem is, what do we do about reprocessing?

Now, let us go back. Back in the 1960's it was determined that the Federal Government had put up most of the money for the front end of the fuel cycle, the enrichment process. Now, it was in our national interest to encourage private investment, so under this national policy of encouraging private involvement, these companies, Gulf and Allied General came along in 1968 and got a permit. They started construction in 1970. Then all of a sudden about 1974 we began to see some change of national policy at the Federal level. We had the Nuclear Regulatory Commission issue some requirements. Then came President Ford who further put a slowdown on reprocessing and then, of course, in 1977 President Carter terminated any reprocessing and here was the private sector, Allied General, under good faith, trying to proceed along and capitalize on their investment and complete the fuel cycle.

So this is not a question of whether the private sector is involved. This is a question of a national policy; a question of what we are going to do with completing the fuel cycle.

I am sure that the private sector is totally disillusioned, totally turned off from participating in this process because of the on-again, off-again statements coming from the Federal Government.

We have to make up our minds what we are going to do. That is what this money has been spent for over the past several years. It was, in essence, to put it into a holding pattern until we in the Congress and the administration make up our minds.

It is irresponsible, in my opinion, to take this $10 million and put it someplace else, because it does not offer a solution to the problem that we have to address.

I would vote down this amendment.

Mr. DERRICK. Mr. Chairman, I yield 1 minute to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Mr. Chairman, I thank the gentleman.

I rise in support of this amendment. I think it is a good one.

I think it is important for us to remember here that we are not talking about transferring money from one public function to another public function or one private to another private. It is from a private function to a public function.

In April of this year, AGNS, those people who run Barnwell, said in a letter to the Department of Energy that there is no realistic combination of circumstances that could make private reprocessing practicable.

What we are doing is taking that money from a process which cannot be made practicable and putting it into an area that has to be dealt with as a national matter of public policy and that is to deal with defense wastes in this country.

It is a good amendment. It is a solid amendment. It is one which makes a wise expenditure of a limited national resource in our country.

Barnwell is no longer economical. By pulling the money out, we would end subsidization of the private sector. We are taking that money, though, and putting it into a problem that has to be solved, the national nuclear waste disposal question.

Mr. BEVILL. Mr. Chairman, I yield such time as she may consume to the distinguished gentlewoman from Tennessee (Mrs. BOUQUARD).

Mrs. BOUQUARD. Mr. Chairman: I am rising to oppose the Derrick amendment. Reprocessing of spent nuclear fuel is essential to provide the necessary plutonium for our breeder reactor program and for more effective waste management. The Barnwell Nulear Fuel Plant (BNFP) in South Carolina, which is capable of fulfilling these roles, is the only large scale reprocessing facility in the United States.

In 1977, President Carter indefinitely deferred commercial reprocessing. The Nuclear Regulatory Commission (NRC) subsequently terminated all licensing of the Barnwell facility. Because of policy and regulatory uncertainties and delays, and the prospect of history repeating itself, there is no prospect at this time for Barnwell to operate on a commercial basis.

Since 1977, Congress has maintained Barnwell in a research mode while optional uses for Barnwell are explored. The R. & D. conducted at the Barnwell Plant has developed what many believe to be the most sophisticated nuclear safeguards system in the world. This system is being used for safeguards training under provisions of the Nuclear Non-Proliferation Act of 1978. This important R. & D. will allow the Nation to retain the invaluable expertise to bridge the gap of time until other important uses of the facility can be facilitated. These possible uses include storage and reprocessing of utility spent fuel and use as a safeguards research, development, and training center.

The Energy Research and Production Subcommitee, which I chair, authorized a continuation of the Barnwell program through fiscal year 1982 for a number of very good reasons.

First, it will allow Secretary Edwards a chance to complete his current evaluation and discussions with industry leaders on how Barnwell might be started up. Second, it will allow us to continue to collect the valuable information coming from the safeguards program at Barnwell. And third, it will keep alive a facility that we vitally need to support our breeder reactor and nuclear waste management programs in this country.

While the administration's budget request did not contain funds for continued research and development activities at Barnwell or for acquisition of the Barnwell reprocessing plant, the President nevertheless directed DOE to encourage a more favorable climate than presently exists for the resumption of private reprocessing activities.

The actions of the President and of the Department in meeting with and encouraging corporations in pursuing private reprocessing efforts clearly indicate a reversal of the policy regarding commercial reprocessing of spent fuel. It will take time for private commitments to materialize. In the interim continuation of research, development and demonstration activities at Barnwell can further advance our ability to safeguard special nuclear materials.

Contracting with Barnwell for research and development does not imply a commitment to acquire the plant for Federal operation. This contracting will be considered on its merits. Current administration policy prohibits Federal acquisition of Barnwell, but does not prohibit DOE-sponsored research and development there.

Fear of Federal purchasing of Barnwell is a misdirected and invalid basis

for deleting R. & D. funding at this facility and I urge my colleagues to oppose this amendment.

Mr. BEVILL. Mr. Chairman, I yield 3 minutes to the distinguished chairman of the Committee on Science and Technology, the gentleman from Florida (Mr. FUQUA).

Mr. FUQUA. Mr. Chairman, I rise in opposition to the amendment offered by my very good friend, the gentleman from South Carolina (Mr. DERRICK) to eliminate the funding for this R. & D. program.

I do this with great reluctance, because I have worked with the gentleman from South Carolina (Mr. DERRICK) in previous Congresses to include money for this project. The Committee on Science and Technology has the jurisdiction over this project and all during the time of our hearings and markup of our bill, we were unaware of the position of the gentleman from South Carolina (Mr. DERRICK) about Barnwell. They asked for $13 million and we included $10 million in the budget for this project. I have been to Barnwell.

Mr. DERRICK. Mr. Chairman, will the gentleman yield? The gentleman mentioned my name. I think I have a right to respond.

Mr. FUQUA. Well, I have a very limited amount of time.

Mr. DERRICK. I understand that, but the gentleman has mentioned my name and and I want to tell the gentleman that I did advise the gentleman from Alabama (Mr. BEVILL). I assumed that meant advising the gentleman from Florida as well.

Mr. FUQUA. Well, the gentleman did not communicate to me until this week when I found out about this.

But I had been to Barnwell. I have been through that facility. I spent a Saturday there along with my colleague, the gentleman from New Mexico (Mr. LUJAN).

Some people wonder why we do need this. Well, we do need to keep the plant available in case there is some decision to use it. There is a study going on now and, hopefully, it will be completed by the end of the year, at least by the time of the 1983 budget, so that we can decide what to do with this facility.

It is premature at this time and I do not think you will see me in the well next year asking for any more money for Barnwell, because I have asked them to conclude some final disposition of this project; but this amendment is premature at this time. They are developing some very sophisticated safeguards at this plant that have been the idol of the world as far as nuclear safeguards that are being used in the enforcement of the Nuclear Nonproliferation Act of 1978.

They are doing many other very worthwhile things in research and development at this facility.

I would urge my colleagues at this time to reject this amendment so that we can continue this for this last year, so that this administration, who has a different policy regarding the processing than the previous administration, that some ultimate resolution can be made of this program.

I urge defeat of the amendment offered by my good friend, the gentleman from South Carolina.

Mr. DERRICK. Mr. Chairman, I yield 2 minutes to the gentleman from Arizona (Mr. UDALL).

Mr. UDALL. Mr. Chairman, as chairman of one of the committees which has jurisdiction over this very difficult area, we have studied it at some length. I come down on the side of a close and interesting question.

I support Congressman DERRICK's proposal to move the Barnwell funding into a more productive effort for waste solidification at Savannah River.

The Interior Committee has been investigating the possible public and private uses for the Barnwell plant over the past several years. During this time, we have recognized substantial barriers to operation of the plant and significant questions about its economic viability.

This year, Congressman LUJAN has introduced legislation which would turn the plant over to a private corporation to see whether sufficient private financing can be put together to get it onto operation. I believe this legislation could be a positive approach to resolving the Barnwell issue. But continued funding of Federal activities at the site will not contribute to a reasonable private-sector approach.

Transfer of the funds to keep waste disposal activities on track is a more urgent and more productive priority. The defense wastes at Savannah River should not be put on a back burner. We should have facilities constructed to get the liquids removed from the tanks at the site and put into a safe solid form ready for permanent disposal.

My colleague's amendment is wise; I believe he is doing the best thing for the citizens of South Carolina and that his amendment is in keeping with the priorities of our national nuclear program.

□ 1400

So I asked my colleagues to vote and suggest they are voting in the best interests of our pocketbook and the pocketbook of our constituents and the best interests of the environment.

Mr. BEVILL. Mr. Chairman, I yield myself such time as I may consume.

I rise in opposition to this amendment and urge everyone to vote against the amendment.

I endorse the statement by the distinguished chairman of the Science and Technology Committee, the gentleman from Florida (Mr. FUQUA). He has covered this matter well and I urge the defeat of this amendment.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. BEVILL. I yield to my good friend and colleague, the ranking minority member of the subcommittee, Mr. MYERS.

Mr. MYERS. Mr. Chairman, I join my chairman in opposing this amendment. I have heard no argument this afternoon that this type of research need not be done. All recognize that we are getting pretty deep in wastes, so the decision has to be made.

In order to make the proper decision, first on the process to be used, and even more importantly how it shall be handled, the safety factors, research must be conducted. The only place where it is being done today is at Barnwell. To transfer this money today would start the process all over again and would not be wise. It certainly would not save the taxpayers any money.

This is the only place this very badly needed research is being done.

Our colleague from the Three Mile Island area this afternoon was critical of the Government and the fact the decision had not been made and was not handled properly. Do we want to create another catastrophe like this in the handling of wastes? I think not.

The proper way to do this is to fund this research where it is being done today. I urge a "no" vote.

Mr. McCLORY. Mr. Chairman, will the gentleman yield?

Mr. BEVILL. I yield to the gentleman from Illinois (Mr. McCLORY).

Mr. McCLORY. Mr. Chairman, I have a large nuclear generating plant in my congressional district. Disposing of the spent fuel is a problem for us. What is the best way to go: To support the amendment which would apparently move us toward vitrification of the materials? Is the reprocessing route the best?

As I understand, if we defeat the amendment the reprocessing process is apt to move forward more expeditiously. Would the gentleman help to resolve my dilemma for me?

Mr. BEVILL. The committee has provided $10 million for this, after hearing the testimony and discussing this matter with the Department of Energy, because this option should be kept open. This is an important project. It is one that does take spent fuel, and it helps solve our waste problem. It can help in solving the waste problem.

As far as transferring this money to the Defense waste processing facility, our committee would consider whatever is needed there. We put in the amount the administration requested, $10 million. If they need another $10 million, we will consider it. We do not

have to take the money from this project to do that.

So I hope that answers the gentleman's question.

Mr. McCLORY. I thank the gentleman.

Mr. BEVILL. I urge my colleagues to vote against this amendment and yield back the balance of my time.

The CHAIRMAN. The question is on the amendments offered by the gentleman from South Carolina (Mr. DERRICK).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. DERRICK. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device and there were—ayes 157, noes 213, answered "present" 1, not voting 62, as follows:

[Roll No. 162]

AYES—157

Addabbo	Ford (MI)	Neal
Albosta	Ford (TN)	Nowak
Alexander	Fowler	Oakar
Anderson	Frank	Oberstar
Aspin	Gejdenson	Obey
AuCoin	Gephardt	Ottinger
Barnes	Gilman	Panetta
Bedell	Ginn	Pease
Beilenson	Glickman	Petri
Bingham	Goodling	Peyser
Blanchard	Gore	Porter
Bonior	Gradison	Rangel
Bonker	Gregg	Ratchford
Breaux	Guarini	Rodino
Brinkley	Hall (OH)	Roemer
Brodhead	Hamilton	Roybal
Broomfield	Harkin	Russo
Burton, John	Hatcher	Sabo
Burton, Phillip	Hawkins	Scheuer
Chisholm	Heftel	Schneider
Clay	Hertel	Schroeder
Collins (IL)	Holland	Schumer
Conyers	Hoyer	Seiberling
Corcoran	Hughes	Shamansky
Coyne, James	Jacobs	Shannon
D'Amours	Jeffords	Sharp
Danielson	Jones (NC)	Siljander
Daschle	Jones (OK)	Simon
de la Garza	Kastenmeier	Skelton
Deckard	Kildee	Smith (NJ)
Dellums	Kogovsek	Solarz
DeNardis	LaFalce	Stark
Derrick	Leach	Studds
Dicks	Lehman	Swift
Dingell	Leland	Synar
Donnelly	Levitas	Traxler
Dorgan	Long (LA)	Udall
Dunn	Lowry (WA)	Volkmer
Eckart	Lundine	Walgren
Edgar	Madigan	Washington
Edwards (CA)	Markey	Waxman
Erdahl	Matsui	Weaver
Erlenborn	Mavroules	Weber (MN)
Evans (GA)	Mazzoli	Weber (OH)
Evans (IN)	McDade	Weiss
Fascell	McHugh	Williams (MT)
Fenwick	McKinney	Wirth
Ferraro	Mikulski	Wolpe
Findley	Miller (CA)	Wyden
Fish	Minish	Yates
Fithian	Mitchell (MD)	Zeferetti
Foglietta	Moffett	
Foley	Moore	

NOES—213

Akaka	Ashbrook	Bailey (PA)
Andrews	Atkinson	Benjamin
Annunzio	Badham	Bennett
Applegate	Bafalis	Bereuter
Archer	Bailey (MO)	Bethune
Bevill	Hansen (ID)	Paul
Bliley	Hartnett	Perkins
Boggs	Heckler	Pickle
Boner	Hefner	Price
Bouquard	Hightower	Pursell
Bowen	Hiler	Rahall
Brooks	Hillis	Railsback
Brown (CA)	Hollenbeck	Regula
Brown (CO)	Holt	Rhodes
Broyhill	Hopkins	Rinaldo
Butler	Howard	Ritter
Byron	Hubbard	Roberts (KS)
Campbell	Huckaby	Robinson
Carman	Hunter	Roe
Carney	Hutto	Rogers
Clausen	Hyde	Rose
Clinger	Ireland	Rostenkowski
Coats	Jeffries	Roth
Coelho	Johnston	Roukema
Collins (TX)	Jones (TN)	Rudd
Conable	Kazen	Sawyer
Conte	Kindness	Schulze
Coughlin	Kramer	Sensenbrenner
Courter	Lagomarsino	Shaw
Coyne, William	Lantos	Shelby
Craig	Latta	Shumway
Crane, Daniel	Lee	Shuster
Crane, Philip	Lent	Skeen
Daniel, Dan	Livingston	Smith (AL)
Daniel, R. W.	Loeffler	Smith (IA)
Dannemeyer	Long (MD)	Smith (NE)
Daub	Lott	Smith (OR)
Derwinski	Lujan	Snowe
Dickinson	Luken	Snyder
Dornan	Lungren	Solomon
Dougherty	Marks	Spence
Dreier	Marlenee	Stangeland
Duncan	Marriott	Stanton
Dwyer	McClory	Staton
Dyson	McCloskey	Stenholm
Edwards (AL)	McCollum	Stokes
Edwards (OK)	McCurdy	Stratton
Emerson	McDonald	Stump
Emery	McEwen	Tauzin
English	McGrath	Thomas
Ertel	Mica	Trible
Evans (DE)	Michel	Vander Jagt
Evans (IA)	Miller (OH)	Walker
Fary	Mineta	Wampler
Fazio	Molinari	Watkins
Fiedler	Mollohan	White
Fields	Montgomery	Whitehurst
Forsythe	Moorhead	Whitley
Fountain	Morrison	Whittaker
Fuqua	Murphy	Whitten
Gingrich	Murtha	Williams (OH)
Goldwater	Myers	Wilson
Gramm	Napier	Winn
Green	Natcher	Wolf
Grisham	Nelligan	Wortley
Gunderson	Nichols	Wright
Hagedorn	O'Brien	Wylie
Hall, Ralph	Oxley	Yatron
Hall, Sam	Parris	Young (AK)
Hammerschmidt	Pashayan	Young (FL)
Hance	Patman	Zablocki

ANSWERED "PRESENT"—1

Gonzalez

NOT VOTING—62

Anthony	Flippo	Mitchell (NY)
Barnard	Florio	Moakley
Beard	Frenzel	Mottl
Benedict	Frost	Nelson
Biaggi	Garcia	Patterson
Boland	Gaydos	Pepper
Bolling	Gibbons	Pritchard
Brown (OH)	Gray	Quillen
Burgener	Hansen (UT)	Reuss
Chappell	Hendon	Richmond
Chappie	Horton	Roberts (SD)
Cheney	Jenkins	Rosenthal
Coleman	Kemp	Rousselot
Cotter	Leath	Santini
Crockett	LeBoutillier	Savage
Davis	Lewis	St Germain
Dixon	Lowery (CA)	Tauke
Dowdy	Martin (IL)	Taylor
Downey	Martin (NC)	Vento
Dymally	Martin (NY)	Young (MO)
Early	Mattox	

□ 1410

The Clerk announced the following pairs:

On this vote:

Mr. Moakley for, with Mr. Anthony against.

Mr. Barnard for, with Mr. Biaggi against.

Mr. Vento for, with Mr. Cheney against.

Mr. Garcia for, with Mr. Quillen against.

Mr. Richmond for, with Mr. Beard against.

Mr. Mattox for, with Mr. Taylor against.

Mr. MICA changed his vote from "aye" to "no."

Mr. GONZALEZ changed his vote from "no" to "present."

So the amendments were rejected.

The result of the vote was announced as above recorded.

Mr. BEVILL. Mr. Chairman, I move to strike the last word and I yield 1 minute to the gentleman from New York (Mr. OTTINGER).

Mr. OTTINGER. I thank the gentleman for yielding.

Mr. Chairman, I had originally planned to offer a floor amendment today to reduce the nuclear energy appropriations for the Department of Energy to its fiscal year 1981 levels. However, in view of the short time and in view of the Clinch River vote, I have agreed to accede to the chairman's request and not offer the amendment. Nevertheless, I would like my colleagues to be aware of the reasons behind such an amendment.

President Reagan's request for the Department of Energy budget for fiscal year 1982 singled out the nuclear fission budget for special treatment. At a time when the administration was proposing that the budgets for all other energy technologies be slashed, nuclear fission was to receive a 30-percent increase over last year's budget for a total of $1.2 billion.

At the same time, the President proposed to cut energy conservation, our most cost-effective energy source, by 79 percent over last year's spending. Solar energy and other renewables were to suffer a 65-percent cut from last year's spending. Fossil energy was to be reduced 71 percent.

I find this special treatment for the nuclear industry most curious, especially coming from an administration that claims to put so much faith in the free market to test out reliable technologies. For some reason, solar energy, one of our youngest sources of energy, is expected to prove itself in the cold world of the marketplace. Yet nuclear energy, which is presumably an already commercial energy source—and on which the Federal Government has lavished some $21 billion in subsidies over the last 30 years—is to continue to receive special favors at the expense of the taxpayers of this Nation.

The imbalance in Mr. Reagan's budget becomes even more outrageous

once we study which sectors of the economy are most dependent on petroleum use. Our oil dependence in the electricity sector is minimal. Electricity accounts for only 9 percent of our petroleum use, and nuclear energy provides only 11 percent of our electricity.

Our biggest oil users are transportation, accounting for 53 percent of national oil use; industry, accounting for 26 percent; and the residential/commercial sector, accounting for 13 percent. How are we to rid ourselves of this national security threatening oil dependence? Studies by the Harvard Business School, the Mellon Institute, the Ford Foundation, and the Solar Energy Research Institute unanimously conclude that energy conservation is our most cost-effective energy source. According to a recent SERI report, energy conservation in existing and new buildings could save more than the equivalent of our total annual imports at half the cost of providing that same energy from oil, gas or electricity.

In the transportation sector, if the average American car were to increase its mileage to 55 miles per gallon by the year 2000, the Nation would consume nearly 3 million barrels per day less gasoline than it does today.

Yet the Nation's programs aimed at improving efficiency in all these sectors of the economy will be decimated under President Reagan's budget.

Mr. Chairman, I can only conclude that my amendment was too generous in proposing to keep the nuclear budget at its fiscal year 1981 level, for if energy conservation had been treated so well, it would receive a 79-percent increase over President Reagan's proposed levels. While the appropriations committee made significant improvements on the administration's sorry proposals for conservation, it is indeed regrettable that they have increased the taxpayers' subsidy to the nuclear industry.

Mr. BEVILL. Mr. Chairman, I ask unanimous consent that the remainder to title III be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. Are there any points of order on any of the provisions of title III?

AMENDMENT OFFERED BY MR. WEAVER

Mr. WEAVER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. WEAVER: Page 16, line 19, insert immediately before the period the following: ", and *Provided further,* That $5,000,000 of the funds provided herein shall be made available to the Secretary of Agriculture for the establishment of pilot wood utilization projects and demonstrations as authorized by the Wood Residue Utilization Act of 1980, Public Law 96-544.".

POINT OF ORDER

Mr. BEVILL. Mr. Chairman, I make a point of order against the gentleman's amendment.

The CHAIRMAN. The gentleman will state his point of order.

Mr. BEVILL. The amendment is not germane to this paragraph of the bill nor to the bill as a whole. The wood residue program is authorized by Public Law 96-554, and clearly is to be administered by the Forest Service, Department of Agriculture, which is funded under the Interior appropriations bill.

This program was not authorized to be administered or funded by the Department of Energy, which is where the gentleman's amendment applies.

Under clause 7, rule XVI, it is stated that it is not in order during consideration in the House to introduce a new subject by way of amendment, and an amendment inserting an additional section should be germane to the portion of the bill to which it is offered.

I contend this amendment is not germane to this paragraph or this bill and is in violation of clause 7, rule XVI.

I ask for a ruling by the Chairman.

The CHAIRMAN. Does the gentleman from Oregon (Mr. WEAVER) wish to respond to the gentleman from Alabama (Mr. BEVILL) with respect to the gentleman's point of order?

Mr. WEAVER. Briefly, Mr. Chairman, and that is the Department of Energy now funds wood utilization programs. This bill is law. We are not changing existing law. We are referring only to existing law and it is an energy manufacturing program and, therefore, definitely germane to this bill.

The CHAIRMAN. The Chair is prepared to rule on the point of order made by the gentleman from Alabama (Mr. BEVILL).

For the purposes stated by the gentleman from Alabama, the distinguished chairman of the subcommittee, the point of order is sustained and the amendment is held not germane to the pending title of the bill, which relates only to the Department of Energy.

Are there further amendments to title III? If not, the Clerk will read.

The Clerk proceeded to read title IV.

Mr. BEVILL (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title IV be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. Are there any points of order against the provisions of title IV?

AMENDMENT OFFERED BY MR. STRATTON

Mr. STRATTON. Mr. Chairman, I offer an amendment.

(The portion of the bill to which the amendment relates is as follows:)

NUCLEAR REGULATORY COMMISSION

SALARIES AND EXPENSES

For necessary expenses of the Commission in carrying out the purposes of the Energy Reorganization Act of 1974, as amended, and the Atomic Energy Act, as amended, including the employment of aliens; services authorized by 5 U.S.C. 3109; publication and dissemination of atomic information; purchase, repair, and cleaning of uniforms; reimbursements to the General Services Administration for security guard services; hire of passenger motor vehicles and aircraft; $477,534,000, of which not to exceed $1,455,000 shall be available for the Office of the Commissioners, and of which $80,610,000 shall be available for the Office of Nuclear Reactor Regulation, and of which $62,667,000 shall be available for the Office of Inspection and Enforcement: *Provided,* That from this appropriation, transfer of sums may be made to other agencies of the Government for the performance of the work for which this appropriation is made, and in such cases the sums so transferred may be merged with the appropriation to which transferred: *Provided further,* That moneys received by the Commission for the cooperative nuclear safety research programs may be retained and used for salaries and expenses associated with those programs, notwithstanding the provisions of 31 U.S.C. 484, and shall remain available until September 30, 1983: *Provided further,* That funds available for nuclear reactor research shall remain available until September 30, 1983: *Provided further,* That transfers between accounts may be made only with the approval of the Committees on Appropriations of the House of Representatives and the Senate: *Provided further,* That no part of the funds appropriated in this Act may be used to implement section 110 of Public Law 96-295.

The Clerk read as follows:

Amendment offered by Mr. STRATTON: Page 30, line 3, strike out the period and insert in lieu thereof the following: ": *Provided further,* That no funds appropriated to the Nuclear Regulatory Commission in this Act may be used to implement or enforce any portion of the Uranium Mill Licensing Requirements published as final rules at 45 Federal Register 65521 to 65538 on October 3, 1980.".

Mr. STRATTON (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. STRATTON. Mr. Chairman, my Subcommittee on Procurement and Military Nuclear Systems of the Armed Services Committee held 2 days of hearings on the remedial action programs for the decontamination and decommissioning of sites formerly associated with nuclear defense programs and for sites which contain uranium mill tailings or other uranium

ore residues. These remedial action programs are being developed to meet the requirements of Public Law 95-604, the Uranium Mill Tailings Radiation Control Act of 1978.

The act assumes that uranium mill tailings pose a potential and significant radiation health hazard to the public. Without any evidence that uranium mill tailings are a hazard, Public Law 95-604 requires EPA and NRC to develop standards and regulations that have been interpreted, for instance, to require dirt piled 10 to 30 feet on the piles because our future Government might not continue for another 1,000 years. Without any evidence of hazard, EPA proposed the promulgation of standards that could require cleanups at certain sites that would place those sites at or below the background levels for radon and radium that occur naturally in neighboring areas.

The act directed EPA to issue final cleanup and disposal standards by November 8, 1979. This deadline was not met, but interim standards were proposed on April 22, 1980, and January 19, 1981. A comment period was established which ended on July 15, 1981. The Deputy Administrator of EPA testified at hearings on June 24,, 1981, that EPA would take 2 to 3 years to establish final standards because they wished to consider very carefully all of the public comments available to this agency.

Public Law 95-604 required the Nuclear Regulatory Commission to promulgate rules which would implement and enforce the EPA final standards. There are no EPA final standards; and there should not be NRC rules.

The cost to the private sector and to the U.S. Government to follow the NRC final rules could be in the billions of dollars without providing any real improvements in the health and safety of the American public. Until such time as epidemiological studies are done, until such time as EPA publishes its standards and until we know what hazards actually exist, the Nuclear Regulatory Commission should be prohibited from enforcing the arbitrary, capricious and expensive-to-apply rules they have promulgated.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I yield to the gentlman from Alabama.

Mr. BEVILL. Mr. Chairman, I agree with the gentleman from New York that in this era of budget stringency there should be careful controls on the expenditure of funds which provide marginal benefits to the public. I thank the gentleman for bringing this serious deficiency to our attention. We accept this amendment on this side.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. STRATTON. I yield to the gentleman from Indiana.

Mr. MYERS. Mr. Chairman, we certainly do not want to get into a situation where we would needlessly spend hundreds of millions or billions of dollars to modify areas that pose little, if any, hazard to the public. We accept the amendment on this side.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New York (Mr. STRATTON).

The amendment was agreed to.

□ 1430

Mr. DECKARD. Mr. Chairman, I move to strike the last word.

Mr. Chairman, it was at this point that I intended to introduce an amendment affecting the Columbia Dam. For technical reasons, I am unable to do so.

Last December, the Government Operations Committee, of which I am a member, unanimously approved a report criticizing the Columbia Dam project in Tennessee as a waste of money. Completion of the project would cost taxpayers an additional $100 million, simply to create the eighth recreational reservoir within a short radius. To that end, TVA proposes to destroy a river, condemn 440 farms, and force 1,500 people from their homes.

The TVA appropriation in this bill is $15.8 million—the amount of money for the Columbia Dam project for fiscal year 1982. These funds were deferred in the fiscal 1981 supplemental appropriation and rescission bill which we adopted a short time ago, pending acquisition by TVA of the necessary permits. These have now been obtained, and only by cutting these funds can the project be halted. A vote to do so would save $15.8 million immediately and more than $100 million in downstream costs.

The committee found that—

First, this project would not produce a single benefit that could not be achieved by a less costly alternative. Indeed, the Columbia Dam is the highest cost alternative for addressing the problems noted by project sponsors.

Second, the primary justification of the project—fully 60 percent of claimed benefits—is for flat water recreation in an area which already has seven reservoirs within a short drive of the project site.

Third, 440 farms would be destroyed and 1,500 people would be forced from their homes to make way for this recreational reservoir.

Fourth, over $100 million remains to be spent on this project, but all the claimed benefits—aside from those associated with a speedboating lake—could be realized by spending between $15 and $25 million on nondam alternatives.

Fifth, the TVA's own staff acknowledged that the alleged benefits could be realized more cheaply, but the TVA did not disclose the existence of this cheaper alternative until the Government Operations Committee investigation.

Sixth, the project will cause the loss of 13,000 acres of farmland and the economic activity associated with this farm business—again, in order to create yet another recreational lake.

Seventh, the project will eliminate 54 miles of the Duck River, as stream of great biological diversity, whose wood duck population give the stream its name.

Eighth, for 6 months of the year, the reservoir would be reduced in size by two-thirds from 12,000 acres to 4,000, thereby creating extensive recreational mudflats.

Ninth, flood control, at times alleged to be a significant benefit, amounts actually to less than 2 percent of projected benefits. The project floods more acreage upstream than it protects from occasional flooding below the dam. Most of the flood control benefit is claimed for an area of substandard housing and abandoned buildings comprising 43 structures; to protect these, TVA proposes to destroy 440 farms. An alternative would have been to adopt a voluntary relocation and flood-proofing program; this could have done the job at far lower cost, but it would not, of course, have produced a motorboating lake.

Tenth, improved water supply, which accounts for 19 percent of claimed benefits, could be achieved simply by appropriate operation of the existing Normandy Dam which is 111 miles upriver.

Eleventh, the Columbia Dam offers no navigational benefits and will generate no power.

It is incredible that, had the Government Operations Committee not investigated the project, we never would have known that TVA itself is in possession of a staff report which says that all the project objectives can be met without the Columbia Dam, and for a cost of between $15 and $25 million. All, that is, except the substitution of yet another lake for a natural river.

Since the convening of the 97th Congress, we have done little but look for areas in which spending can be cut. Many of us have cost votes we would have preferred not to make, but felt that no alternative existed if we were serious about making economies. But having done so, we should be determined that questionable spending be eliminated from every area of the budget. If we are prepared to reduce spending for human services in order to battle inflation, we should be prepared to vote against expenditures for motorboating as well.

The CHAIRMAN. Are there further amendments to title IV?

AMENDMENT OFFERED BY MR. BEVILL

Mr. BEVILL. Mr. Chairman, I offer an amendment.

The CHAIRMAN. May the Chair inquire, is this an amendment offered by the gentleman?

Mr. BEVILL. This is a correctional amendment.

(The portion of the bill to which the amendment relates is as follows:)

TENNESSEE VALLEY AUTHORITY

PAYMENT TO TENNESSEE VALLEY AUTHORITY FUND

For the purpose of carrying out the provisions of the Tennessee Valley Authority Act of 1933, as amended (16 U.S.C., ch. 12A), including purchase, hire, maintenance, and operation of aircraft, and purchase and hire of passenger motor vehicles, $137,743,000, to remain available until expended.

The Clerk read as follows:

Amendment offered by Mr. BEVILL: On page 30, line 20, strike out "$137,743,000" and insert in lieu thereof "$140,743,000".

Mr. BEVILL. Mr. Chairman, the amendment I offer would provide the Tennessee Valley Authority with $3 million to conduct a biomass fuels research program utilizing waste hardwood now abundant in the TVA region. The committee had originally recommended deletion of these funds from the budget request because of insufficient information by the TVA, but now has the information.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. BEVILL. I yield to the gentleman from Indiana.

Mr. MYERS. Mr. Chairman, this side concurs that this is a unique opportunity to develop ethanol. It is a known process. We feel this is the fastest way to accomplish this. We accept the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Alabama (Mr. BEVILL).

The amendment was agreed to.

Mr. BINGHAM. Mr. Chairman, I move to strike the last word. I would appreciate clarification of the committee's intent with respect to the language proposed on page 30 of H.R. 4144 prohibiting the use of funds to implement section 110 of Public Law 295. I was the original author of section 110 which provides for the first systematic safety evaluation of all U.S. operating commercial nuclear power plants. Specifically, I would like the distinguished chairman's assurance that the committee does not intend by its bill or report language to impede in any way ongoing efforts within the Nuclear Regulatory Commission and the industry, in connection with the existing systematic evaluation plan (SEP), to assess and, where appropriate, to upgrade the safety of currently operating plants. As I am sure the gentleman knows, as part of this effort, the NRC is at this very moment improving the safety features of its standard review plan (SRP), the basic document used in the licensing process, and is working with industry to review the 11 oldest plants against current safety criteria. This exercise is scheduled to be repeated for the newer plants as well.

Mr. BEVILL. I would assure the gentleman from New York that the committee does not intend by its bill or report language on section 110 of Public Law 96-295 to impede ongoing safety programs.

Mr. BINGHAM. I appreciate the gentleman's remarks. I would also, and finally, seek his assurance that the language we are discussing would not prevent the NRC from deciding in the future to modify and improve its ongoing systematic evaluation plan, if, in the judgment of the Commission and the staff, the SEP needs further revision.

Mr. BEVILL. The gentleman is correct in noting that it is not the committee's intent to prevent the Commission from revising and upgrading such existing safety programs.

Mr. BINGHAM. I thank the distinguished chairman.

The CHAIRMAN. Are there further amendments to title IV? If not, the Clerk will read title V.

The Clerk proceeded to read title V.

Mr. BEVILL (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title V be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The CHAIRMAN. Are there any points of order against the provisions of title V of the bill? The Chair observes no one standing.

Are there any amendments to title V?

Mr. AUCOIN. Mr. Chairman, I move to strike the last word.

I wonder if I might use this time to engage the chairman of the committee in a colloquy.

Mr. Chairman, I am troubled by the prospect that there is something missing in our suggestion of an appropriate Federal solar program. Industry and Government have been working to provide the Nation with additional supplies of renewable energy resources for the heating and cooling of residential and commercial buildings. As the result of our suggestions, I am worried that neither the Government nor the industry will succeed in their attempts to realize the potential of passive solar technology in the shortest practicable time.

The major research is almost completed. All that remains to be done is to incorporate the knowledge that has been developed into both new and existing buildings. The problem is that the construction industry is highly fractionalized and comprised of numerous small entrepreneurs. Any weak link in the long progression of incorporating a novel building concept will severely retard its early development. Builders, mortage lenders, product manufacturers, contractors, designers, craftsmen, and, ultimately, the consumer all must hear a single voice that measures the progress of passive solar. Further, because of certain added costs of passive solar, greater economic risk is involved. The homebuilder, in desperate circumstances now, will only build what he has been able to sell this year. The economy has dictated that he will neither be able to introduce nor to market innovative ideas and designs such as passive solar in this continuing building depression, unless he is assured that the consumer is being appraised of passive solar's considerable merit.

The passive solar technology which has been developed by the efforts of the Department of Energy and the construction industry is ready to be incorporated into our buildings. Increased utilization of passive solar designs and materials will not only result in a reduction of the Nation's nonrenewable resource requirements but will lower the consumer cost of maintaining a residence or commercial property and will ultimately provide additional funds for the purchase of buildings.

Passive solar energy relies primarily on the building industry for its introduction into the marketplace. I believe that the Federal Government should share with the construction industry the responsibility for the continued development and distribution of passive solar energy information. Through provision of useful information to builders, to the investment community, and to consumers, the Department of Energy will encourage the building community to incorporate passive solar into their design and construction systems. As the result of Government and industry cooperation, the Nation will benefit from a reduction in the cost and use of nonrenewable fuels, without the attendant risk of creating another permanently supported industry.

Mrs. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. AUCOIN. I yield to the gentlewoman from Louisiana.

Mrs. BOGGS. Mr. Chairman, I rise to echo the sentiments expressed by the gentleman from Oregon (Mr. AUCOIN). In the process of reining in on Government spending, we must not waste past expenditures and present opportunities by only investing the public's money in long-term research programs.

While it may appear that the subcommittee, in its decisions, is emphasizing long-term solar research to the exclusion of short-term applications, I

do not believe, Mr. Chairman, we intended for the apparent programmatic imbalance to be our policy.

Within the subcommittee's recommended level, there is actually sufficient flexibility for pursuit of both long-term cooling research and near-term application of already developed technologies through development of an industry/Government partnership. The establishment of a successful partnership will not only provide the beleaguered construction and home-building industries with new opportunities for employment, investment, and growth, but it will insure that the often valuable results of past Federal programing will be carried forward into the private marketplace.

I believe this is how we intend for the Department of Energy to pursue this program in fiscal year 1982 and in the future. When we are again resolved into the House, I will ask permission to insert in the RECORD as a part of the history of our committee's deliberations a list prepared by the Passive Solar Industries Council of the type of near-term passive solar projects that merit study and development.

Thank you.

The Passive Solar Industries Council recommends establishment and implementation of a passive solar energy program which contains the following components:

1. Basic Research

Residential

Advanced high performance materials, components and systems (Phase change materials, e.g. thermal storage, dense masonry aggregate for thermal storage, glazing systems and hybrid systems, etc.).

Commercial

Occupancy effects and time of day energy use.

Interrelationships of passive heating, cooling and lighting systems.

Integration of passive heating, cooling and lighting systems with conventional mechanical systems.

2. Thermal Behavior of Occupied Buildings

Residential

Provide baseline data needed to evaluate the thermal performance of passive solar systems.

Field measurements of dynamic heat loss/gain of occupied buildings.

Measure performance of specific retrofit options in various climates.

Commercial

Multizone interaction.

Total system performance.

3. Prototype and Component Development and Testing

Residential

Phase change storage building components.

High density masonry.

Advanced glazing systems.

Movable insulation and shading devices.

Packaged in modular passive systems.

Commercial

Glazing materials.

Advanced building shell materials.

4. Collect, Analyze and Present Actual Cost and Performance Data on All Innovative Technologies in a Variety of Climates for Residential and Commerical Applications

5. Develop Design and Analysis Methods Which Accurately Predict Performance of Passive Systems for Residential and Commercial Applications

6. Disseminate Research Results through Targeted Technology Transfer Program Using Existing Industry Channels

Residential and commercial

Notebooks, design manuals.

Simplified calculation program.

Seminar for design and building professionals, code officials, lenders, etc.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. AUCOIN. I yield to the distinguished gentleman from Alabama.

Mr. BEVILL. Mr. Chairman, the gentlewoman has stated it correctly. The gentleman from Oregon is correct. This is the intent of the committee. We certainly agree with you and accept your statement.

I have become impressed by the efforts of the building community, working in partnership with the Federal Government over the last 3 years, to develop what has been commonly referred to as passive solar energy for residential and commercial heating and cooling.

Unlike other forms of solar energy producing systems, passive solar heating is not founded upon the development of exotic machinery or new gadgets. Passive solar is the integration of several commonsense principles for both energy conservation and energy production within a building system. Passive solar buildings are being constructed and are performing to specification in numerous test site locations across the Nation.

Some polishing of design material and technology remains to be done, but clearly, the primary impediment to passive solar's near-term potential is the absence of a single entity to coordinate and assist in the production of industry-generated research and design information. The point made by my colleague, Mr. AUCOIN, is central to this issue. There must be a clearinghouse for this widely disparate industry group. The logical place for such activity is the Department of Energy's Office of Passive and Hybrid Solar Heating and Cooling, which has established an extremely effective working relationship with the building community. Mrs. BOGGS is quite correct when she laments the economic waste that would result by terminating Federal passive solar efforts while yet in the breech.

The need for passive solar is clearly defined, the potential return on investment is so high and the private sector options yet so limited, that continued involvement of the Federal Government for the next 3 to 5 years is strongly endorsed.

There is ample evidence that the private sector is eager to assume the coordinating role now being performed by the Federal Government. The recent incorporation of a broad-based construction industry association group is testimony to the fact that there should be no fear of the Federal Government creating a permanently supported industry. Unfortunately, given economic circumstances, this is not the best of times to be founding an association to be supported by the construction industry, and it is doubtful that such an association can become self-sustaining and assume a greater role on behalf of passive solar for another 2 to 3 years.

My committee has reviewed the past program of activities for passive solar within the Department of Energy and has engaged in productive discussion with the building industry concerning its perceived needs. I feel that the funding level of $15 million is adequate to achieve the continued implementation of a passive solar energy program which will contain essential information transfer and continued basic research components.

I will do my best to insure that these concepts will be accepted by our colleagues in the Senate, and I further pledge careful and concise review of the Department of Energy's ongoing passive solar programing.

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Mr. DICKS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I wish to engage the subcommittee chairman in a colloquy, if I may. I note that in your report on page 88 "Other Energy Programs" under the subheading of "Energy Storage Systems" you have added $3 million to support programs in the physical and chemical storage area which are unlikely to be picked up by the private sector if Federal funding is terminated. There is a program funded under "Physical and Chemical Storage" which involves the recovery of industrial waste heat from aluminum plants and through the use of energy storage technologies the distribution of that energy to heat homes, commercial buildings and schools. This program is located in the State of Washington and currently faces severe funding restrictions in fiscal year 1982. The program has been most successful and holds great potential for the Nation in energy savings. The coalition of industry, the city and educational institutions will not be able to continue should Federal support be terminated as now planned. Is this the type program your committee anticipated funding through the addition of $3 million?

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. DICKS. I yield to the gentleman from Alabama.

Mr. BEVILL. Mr. Chairman, it is certainly the type of program we had in mind. I would add that these programs which have been successful and show such promise and have such a high national impact are indeed the types which should not be terminated in midstream. That is why we added the money.

Mr. DICKS. I might add that the city involved, Bellingham, Wash., has contracted to repay the Federal Government a portion of the dollars invested when they build the full-scale system.

Mr. BEVILL. That seems to be an even greater reason for the program to continue.

Mr. DICKS. Mr. Chairman, I thank the gentleman very much.

AMENDMENT OFFERED BY MR. LEVITAS

Mr. LEVITAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LEVITAS: Page 31, after line 19, insert the following:

SEC. 504. None of the funds in this Act shall be used to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.

Mr. LEVITAS (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. LEVITAS. Mr. Chairman, the amendment I am offering would prevent the use of any funds by the departments and agencies funded by this bill for the implementation of any regulations or actions which have been vetoed by Congress using the specific veto procedures provided by applicable law.

There are several programs and agencies funded under this bill which are subject to some sort of legislative veto. For example, all regulations promulgated under the Energy Security Act with regard to synthetic fuels authorities of the President, U.S. Synthetic Fuels Corporation and energy targets are subject to congressional veto. Congress also has the right to veto FERC rules involving natural gas pricing passthrough under the Natural Gas Policy Act. Futhermore, under the terms of the Energy Policy and Conservation Act, the Secretary of Energy may propose standby energy rationing plans which Congress may veto if it so chooses.

The basic issue here, however, transcends the question of legislative veto. Even the few Members who still do not support legislative vetoes, surely must support the doctrine of following the law under which legislative vetoes are enacted and then duly exercised.

I have offered this amendment because past administrations have stated their intentions not to obey the law with regard to legislative vetoes. This unfortunate circumstance became concrete under the Carter administration last year after Congress vetoed four sets of regulations proposed by the Department of Education. In response, the Carter administration through Attorney General Benjamin Civiletti and Secretary Shirley Hufstedler, announced a decision to ignore these vetoes. In short the Carter administration said it would not obey the law, providing for legislative veto of these regulations, as it was duly enacted by Congress and signed by the President.

The law in this case is very simple. It is very explicit. It says that where both Houses of the Congress have adopted a congressional veto, the regulations become null and void.

However, the problem was not just with the Department of Education. It was the general policy of the Carter administration. While I would hope that the Reagan administration will not be willing to disregard the law, we must be sure that the law is followed. This amendment will act as a safeguard to prevent this disregard for the law from occurring again.

The action of past administrations makes the issue one of whether we in Congress are going to allow the law to be ignored. I do not believe any Member of Congress can stand by and allow our mandates to be treated in such cavalier fashion. The Constitution of the United States requires the President of the United States to faithfully execute the laws. He is not given the authority to pick and choose those laws he wants to implement and those that he does not want to implement.

It is not for the executive branch to decide what laws will be enforced. There is a very important case that illustrated that point, Kendall against United States, decided by the Supreme Court in 1838. In that instance, the President of the United States directed the Postmaster General not to pay a certain sum required to be paid by Congress to a contractor with the Post Office, and in issuing the writ of mandamus, the Court said:

To contend that the obligation imposed on the President to see the laws faithfully executed implies a power to forbid their execution is a novel construction of the Constitution and entirely inadmissible.

No, the President of the United States does not have the power or the right or the prerogative not to enforce the laws. Where such disputes exist the proper forum for resolving them lies within the court system and ultimately within the jurisdiction of the Supreme Court. The administration's questions about this provision of the law should be resolved in that arena, not by noncompliance.

Mr. Chairman, this is a simple proposition. Once a legislative veto has been exercised, it is a disobedience of the law by those charged with the responsibility of executing the law to disregard it, and I do not think we ought to give them money to disobey the law. The only way we can effectively enforce these provisions of the law is to provide a limitation for funding so that no funds can be used for purposes of implementing disapproved or vetoed actions.

That is the reason I have offered this amendment, Mr. Chairman. We are facing a significant challenge to our constitutional powers, and we must rise to meet it. My amendment will do so in a simple direct fashion. I urge every Member of this body to support its passage.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to the gentleman from Alabama.

Mr. BEVILL. Mr. Chairman, we have reviewed the gentleman's amendment, and we accept it. There are no objections to it.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. LEVITAS. I yield to the gentleman from Indiana.

Mr. MYERS. Mr. Chairman, we on this side accept the amendment.

Mr. EDGAR. Mr. Chairman, if the gentleman will yield, could he give us just a brief further explanation of his amendment?

Mr. LEVITAS. Mr. Chairman, the amendment is one that we have adopted on other appropriation bills. It simply says that where there is a procedure already in the law where we have rejected the use of funds for regulations by agencies or other branches of government, there shall be no funding for those regulations which have been rejected by the Congress.

Mr. EDGAR. Mr. Chairman, I thank the gentleman for explaining his amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. LEVITAS).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. ERTEL

Mr. ERTEL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ERTEL: Page 31, immediately after line 19 insert the following new sections:

SEC. 505. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such Department or Agency.

SEC. 506. None of the funds provided in this Act to any Department or Agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001

with an EPA estimated miles per gallon average of less than 22 miles per gallon.

Mr. ERTEL (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. BEVILL. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I am happy to yield to the gentleman from Alabama.

Mr. BEVILL. Mr. Chairman, we are familiar with the gentleman's amendment. It has been added to every appropriation bill. We have no objection to it, and we accept it.

Mr. MYERS. Mr. Chairman, will the gentleman yield?

Mr. ERTEL. I yield to the gentleman from Indiana.

Mr. MYERS. Mr. Chairman, this side will accept the amendment.

Mr. EDGAR. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I will ask the gentleman from Pennsylvania (Mr. ERTEL) if he will explain what his amendment does.

Mr. ERTEL. Mr. Chairman, if the gentleman will yield, the amendment would merely eliminate the utilization of chauffeurs, servants, or waiters for the personal service of people who would be funded under this bill, and, second, what it would do is provide that any car procured or leased under the bill would be required to have an EPA rating above 22 miles per gallon. I refer to passenger automobiles.

Mr. TRAXLER. Mr. Chairman, will the gentleman yield?

Mr. EDGAR. I yield to the gentleman from Michigan.

Mr. TRAXLER. Mr. Chairman, I thank the gentleman for yielding.

I do not want to take much time on this because I have a plane to catch also. Let me just ask the author of the amendment this question.

If I understand the definition of "passenger automobile," under the section he is relating this to, it may include pickup trucks. I ask the question because the only pickup trucks which meet this mileage requirement are Japanese pickup trucks.

Mr. ERTEL. Mr. Chairman, my recollection of the definition of "passenger automobile" is that it does not include pickup trucks. It is only the vehicles which carry passengers up to 10.

Mr. TRAXLER. Mr. Chairman, if the gentleman will allow me, let me say that I just wanted to alert the gentleman to that point. I will talk to him further about this. I wish the gentleman would look at this section, because I am fearful of what he is doing. I do not think we have the time to straighten this out now, but I will be glad to talk to him next week.

Mr. EDGAR. Mr. Chairman, just for the information of the House, the reason I have asked that the amendment be explained is simply that 2 years ago when we were in the same situation, when we were in a rush to finish completion of this bill, we had the spectacle of a Member coming in and asking unanimous consent that an amendment be read; the ranking Republican Member and the ranking Democratic Member accepted the amendment, and everyone was happy. We discovered, however, the next day that we had reauthorized the Tellico Dam without any vocal consideration or any words being spoken on the House floor.

My caution is simply that the Members of the House ought to know what amendments we are accepting quickly at this late hour of legislation.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. ERTEL).

The amendment was agreed to.

● Ms. OAKAR. Mr. Chairman, today's vote by the House in approving the fiscal year 1982 energy and water appropriations bill is of special interest to me because it provides my constituents back home in Greater Cleveland with funds for several necessary and worthwhile water projects.

Specifically, the bill would fund the entire cost of utility relocation in the vicinity of the Cleveland Zoological Park as part of an important flood control project, at a cost of $3.3 million; and would continue funding of the Corps of Engineers Advanced Phase I Study on general navigation improvements to Cleveland Harbor ($202,000), continue study on flood prevention measures to the Cuyahoga River Basin ($100,000), and rehabilitate sections of the Cleveland Harbor's breakwater and dredge the harbor ($7.4 million).

These funds are critical toward improving and modernizing Greater Cleveland's waterfront and river facilities. The people of my city hope one day to have our harbor dredged to a depth to permit the entry of the 1,000-foot giant iron ore carriers to promote greater industrial employment and production and commercial development of the Greater Cleveland and northeast Ohio area. Toward this end, it is my hope that Congress will act on comprehensive water resources legislation, especially in view of the many recommendations by the Corps of Engineers for improving Cleveland Harbor and port facilities to handle the 1,000-foot carriers.

In the meantime, I wish to commend the House for its adoption of this legislation which will specifically permit the corps to proceed toward completion of the very important flood control project in the Cleveland Zoological Park. Now that relocation of utilities will be undertaken at full Federal expense, thus relieving the local sponsor—Cleveland Metroparks—of an inequitable and inordinate expense—the corps can complete this project which is so critical to prevent annual flooding (which has resulted in animal life loss and extensive property damage) of low-lying areas of the Cleveland Zoo.●

Mr. BEVILL. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. FOLEY) having assumed the chair, Mr. BEILENSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4144) making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The SPEAKER pro tempore. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY MR. COUGHLIN

Mr. COUGHLIN. Mr. Speaker, I offer a motion to recommit.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. COUGHLIN. I am, in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. COUGHLIN moves to recommit the bill, H.R. 4144, to the Committee on Appropriations.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. WEAVER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 244, nays 104, not voting 85, as follows:

[Roll No. 163]

YEAS—244

Akaka	Fields	McCloskey
Albosta	Findley	McCollum
Alexander	Foley	McCurdy
Anderson	Ford (TN)	McDade
Annunzio	Fountain	McEwen
Archer	Fuqua	McHugh
Ashbrook	Gejdenson	Mica
Atkinson	Gephardt	Miller (OH)
AuCoin	Gilman	Mineta
Badham	Gingrich	Minish
Bafalis	Ginn	Mollohan
Bailey (MO)	Glickman	Montgomery
Bailey (PA)	Goldwater	Moore
Benjamin	Gonzalez	Moorhead
Bennett	Goodling	Morrison
Bereuter	Gore	Murtha
Bethune	Gradison	Myers
Bevill	Gramm	Napier
Bingham	Grisham	Natcher
Blanchard	Guarini	Neal
Bliley	Gunderson	Nelligan
Boggs	Hagedorn	Nichols
Boner	Hall, Ralph	Nowak
Bonker	Hamilton	O'Brien
Bouquard	Hammerschmidt	Oakar
Breaux	Hance	Oberstar
Brooks	Hansen (ID)	Oxley
Brown (CA)	Hartnett	Panetta
Byron	Hawkins	Parris
Campbell	Hefner	Pashayan
Carney	Heftel	Patman
Chisholm	Hiler	Pepper
Clausen	Hillis	Perkins
Clinger	Holland	Pickle
Coelho	Hollenbeck	Price
Corcoran	Howard	Rahall
Coyne, James	Hoyer	Regula
Coyne, William	Hubbard	Rhodes
D'Amours	Hunter	Rinaldo
Danielson	Hyde	Robinson
Dannemeyer	Ireland	Rodino
Daschle	Jones (NC)	Roe
Daub	Jones (OK)	Rogers
de la Garza	Jones (TN)	Rose
Dickinson	Kildee	Rostenkowski
Dicks	Kindness	Roth
Dingell	Kogovsek	Roukema
Donnelly	Kramer	Roybal
Dorgan	LaFalce	Rudd
Dougherty	Lagomarsino	Scheuer
Dreier	Lantos	Schulze
Duncan	Latta	Shamansky
Dunn	Lehman	Shaw
Dwyer	Lent	Shelby
Edwards (AL)	Livingston	Shumway
Edwards (OK)	Loeffler	Shuster
Emerson	Long (LA)	Simon
Emery	Long (MD)	Skeen
English	Lowery (CA)	Skelton
Erdahl	Lujan	Smith (AL)
Erlenborn	Luken	Smith (IA)
Ertel	Lundine	Smith (NE)
Evans (GA)	Lungren	Smith (NJ)
Evans (IA)	Madigan	Snowe
Evans (IN)	Marks	Snyder
Fary	Marlenee	Solarz
Fascell	Marriott	Spence
Fazio	Matsui	Stangeland
Ferraro	Mazzoli	Stanton
Fiedler	McClory	Staton
Stenholm	Volkmer	Wilson
Stokes	Walgren	Winn
Stratton	Wampler	Wirth
Stump	Watkins	Wolf
Swift	Waxman	Wortley
Synar	Weber (OH)	Wylie
Tauzin	White	Yatron
Thomas	Whitehurst	Young (AK)
Traxler	Whitley	Young (FL)
Trible	Whitten	Zablocki
Udall	Williams (MT)	
Vander Jagt	Williams (OH)	

NAYS—104

Applegate	Edgar	Murphy
Aspin	Edwards (CA)	Obey
Barnes	Evans (DE)	Ottinger
Bedell	Fenwick	Paul
Beilenson	Fithian	Pease
Bonior	Foglietta	Petri
Brinkley	Forsythe	Porter
Brodhead	Frank	Pursell
Broomfield	Green	Rangel
Brown (CO)	Gregg	Ratchford
Broyhill	Hall (OH)	Ritter
Burton, John	Harkin	Roberts (KS)
Burton, Phillip	Heckler	Roemer
Carman	Hertel	Sabo
Clay	Holt	Schneider
Coats	Hughes	Schroeder
Collins (IL)	Jacobs	Schumer
Collins (TX)	Jeffords	Seiberling
Conable	Jeffries	Sensenbrenner
Conte	Johnston	Shannon
Conyers	Kastenmeier	Sharp
Coughlin	Leach	Siljander
Courter	Lee	Smith (OR)
Craig	Leland	Stark
Crane, Daniel	Levitas	Studds
Crane, Philip	Lowry (WA)	Walker
Daniel, Dan	Markey	Washington
Daniel, R. W.	Mavroules	Weaver
Deckard	McDonald	Weber (MN)
Dellums	McGrath	Weiss
DeNardis	Mikulski	Whittaker
Derrick	Miller (CA)	Wolpe
Derwinski	Mitchell (MD)	Wyden
Dyson	Moffett	Yates
Eckart	Molinari	

NOT VOTING—85

Addabbo	Ford (MI)	Michel
Andrews	Fowler	Mitchell (NY)
Anthony	Frenzel	Moakley
Barnard	Frost	Mottl
Beard	Garcia	Nelson
Benedict	Gaydos	Patterson
Biaggi	Gibbons	Peyser
Boland	Gray	Pritchard
Bolling	Hall, Sam	Quillen
Bowen	Hansen (UT)	Railsback
Brown (OH)	Hatcher	Reuss
Burgener	Hendon	Richmond
Butler	Hightower	Roberts (SD)
Chappell	Hopkins	Rosenthal
Chappie	Horton	Rousselot
Cheney	Huckaby	Russo
Coleman	Hutto	Santini
Cotter	Jenkins	Savage
Crockett	Kazen	Sawyer
Davis	Kemp	Solomon
Dixon	Leath	St Germain
Dornan	LeBoutillier	Tauke
Dowdy	Lewis	Taylor
Downey	Lott	Vento
Dymally	Martin (IL)	Wright
Early	Martin (NC)	Young (MO)
Fish	Martin (NY)	Zeferetti
Flippo	Mattox	
Florio	McKinney	

□ 1500

The Clerk announced the following pairs:

On this vote:

Mr. Addabbo for, with Mr. Zeferetti against.

Mr. Mattox for, with Mr. Vento against.

Mr. Biaggi for, with Mr. Russo against.

Mr. Nelson for, with Mr. Richmond against.

Mr. Anthony for, with Mr. Garcia against.

Until further notice:

Mr. Chappell with Mr. Beard.

Mr. Boland with Mr. Horton.

Mr. Young of Missouri with Mr. Kemp.

Mr. Wright with Mr. Quillen.

Mr. St Germain with Mr. Dornan of California.

Mr. Mottl with Mr. Burgener.

Mr. Gaydos with Mr. Rousselot.

Mr. Rosenthal with Mr. Taylor.

Mr. Crockett with Mr. Fish.

Mr. Barnard with Mr. Mitchell of New York.

Mr. Peyser with Mr. Brown of Ohio.

Mr. Moakley with Mr. Tauke.

Mr. Florio with Mr. Lewis.

Mr. Reuss with Mr. Cheney.

Mr. Patterson with Mr. Benedict.

Mr. Hutto with Mr. Solomon.

Mr. Ford of Michigan with Mr. Davis.

Mr. Hightower with Mr. Chappie.

Mr. Fowler with Mr. McKinney.

Mr. Frost with Mr. Martin of North Carolina.

Mr. Huckaby with Mr. Frenzel.

Mr. Early with Mr. Pritchard.

Mr. Bowen with Mr. Sawyer.

Mr. Flippo with Mr. Railsback.

Mr. Hatcher with Mr. Butler.

Mr. Gray with Mr. Coleman.

Mr. Jenkins with Mr. Roberts of South Dakota.

Mr. Dixon with Mrs. Martin of Illinois.

Mr. Downey with Mr. Hansen of Utah.

Mr. Kazen with Mr. Hendon.

Mr. Santini with Mr. Dymally.

Mr. CARMAN and Mr. WYDEN changed their votes from "yea" to "nay."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON MERCHANT MARINE AND FISHERIES TO FILE REPORT ON H.R. 4074, REVISING LAWS PERTAINING TO MARITIME ADMINISTRATION

Mr. JONES of North Carolina. Mr. Speaker, I ask unanimous consent that the Committee on Merchant Marine and Fisheries may have until midnight tonight, July 24, 1981, to file a report on the bill (H.R. 4074) to revise the laws pertaining to the Maritime Administration.

The SPEAKER pro tempore (Mr. MINETA). Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PERSONAL EXPLANATION

(Mr. FORD of Michigan asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FORD of Michigan. Mr. Speaker, I was attending and chairing a meeting of the Franking Commission and returned to the floor too late for the vote just passed and would have voted "yea" had I been on the floor.

RESIGNATION AS MEMBER OF COMMITTEE ON GOVERNMENT OPERATIONS

The SPEAKER pro tempore laid before the House the following resignation as a member of the Committee on Government Operations:

WASHINGTON, D.C., *July 24, 1981.*

Hon. THOMAS P. O'NEILL,
Speaker of the House,
Capitol Building, Washington, D.C.

DEAR MR. SPEAKER: I hereby resign my post, effective today, on the Committee on Government Operations.

Thank you very much for your consideration in this matter.

Sincerely,

DAVID DREIER,
Member of Congress.

The SPEAKER pro tempore. Without objection, the resignation is accepted.

There was no objection.

ELECTION AS MEMBER OF COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

Mr. MADIGAN. Mr. Speaker, I offer a privileged resolution (H. Res. 195) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 195

Resolved, That David Dreier, of California, be and hereby is elected to the Committee on Banking, Finance and Urban Affairs.

The resolution was agreed to.

A motion to reconsider was laid on the table.

LEGISLATIVE PROGRAM

(Mr. MADIGAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MADIGAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute for the purpose of asking the distinguished majority whip if he could explain to the House the program for the balance of the day and the program for next week as well.

Mr. FOLEY. Will the distinguished acting Republican leader yield to me?

Mr. MADIGAN. I will be happy to yield.

Mr. FOLEY. I thank the gentleman.

This concludes the business for today and this week.

On Monday the House will meet at noon and consider 10 bills under a suspension of the rules. They are:

H.R. 2803, National Oceanographic (NOAA) authorizations;

H.R. 3115, EPA authorizations;

H.R. 4074, Maritime Administration law revisions;

H.J. Res. 223, gold medal for Fred Waring;

H.R. 4053, Mineral Leasing Act amendments;

H.R. 4182, airport development authorizations;

H.R. 1898, James A. Burke Post Office;

H.R. 1855, Fort Point Channel Bridge;

H.R. 1311, National Tourism Policy Act; and

H.R. 2120, Risk Retention Act.

Monday is also District day; and there will be two bills under consideration, these are:

H.R. 2818, increase District borrowing authority; and

H.R. 2819, increase District payment from Federal Government.

Finally, the House will consider H.R. 4419, Agriculture appropriations, fiscal year 1982.

I would like to advise all Members at this time that there will be votes on Monday on the two District bills as well as on the Agriculture appropriations bill. Votes on the suspensions, however, will be postponed until Tuesday.

On Tuesday the House will meet at noon, and first vote on those suspensions debated on Monday.

Following that we will consider:

H.R. 4121, Treasury-Postal appropriations, fiscal year 1982; and

H.R. 4120, legislative appropriations, fiscal year 1982.

□ 1510

It is my intention to request unanimous consent that the House meet at 9 o'clock on Wednesday. It will meet at 10 o'clock on Thursday and Friday. On Wednesday and the balance of the week the House will consider H.R. 4242, the Tax Incentive Act of 1981, subject to a rule being granted; H.R. 4169, State, Justice, Commerce, Judiciary appropriations for fiscal year 1982; H.R. 4209, Transportation appropriations, fiscal year 1982; and H.R. 4241, military construction appropriations, fiscal year 1982.

The conference report on budget reconciliation will be brought to the floor as soon as possible.

Adjournment times will be announced daily.

It is possible that there will be a late session on all days, including Friday, as well as a Saturday session that could also run late.

I will repeat: Adjournment times will be announced daily. There will be a Friday and possibly a Saturday session. Members should expect late evenings each night, including Friday and Saturday.

Mr. MADIGAN. If the gentleman will allow me, I should like, on behalf of the distinguished minority leader (Mr. MICHEL), to pursue for the record several understandings that I understand have been reached.

It is my understanding that the conferees on the budget resolution will continue to work over the weekend, in the hope that the budget resolution can be completed and that the conference report can be filed early in the week, with possible action on it by Wednesday. I would like to clarify that that is the understanding of the gentleman from Washington.

Mr. FOLEY. It is certainly the hope.

Mr. MADIGAN. And that the Rules Committee will meet on Tuesday for the consideration of a rule on the tax bill, that we will have a 9 o'clock session on Wednesday, and the hope, at least, is expressed, as I understand it, by the leadership of both parties, that the conference on the tax bill can be expedited so that we will be able to vote on the tax bill by Saturday; but that in the event that we are not at that point by Saturday next, there is a possibility that the House would continue to be in session for the following week until action on the tax bill conference is completed.

Is that the gentleman's understanding?

Mr. FOLEY. That is the gentleman's understanding and, again, hope. No one can predict with any certainty at what point a conference on the tax bill could be concluded. In fact it is hoped that the tax conference might actually be concluded before the end of next week. The Speaker has indicated, however, that if necessary, the House may stay in session the following week in order to complete the tax conference.

Mr. MADIGAN. So the three things important for the Members to understand are that the members of the budget conference have some obligations this weekend, that all Members can expect the possibility of night sessions all next week, and on Saturday, and there is the possibility that we will be working the first week in August.

Mr. FOLEY. Yes; while I am not aware of the schedules of various subcommittees with respect to the budget reconciliation, I believe some will have sessions over the weekend in an effort to conclude their work.

It is true, as the gentleman says, that next week will be somewhat unusual in that Members should expect not only votes on each day, but adjournment times to be announced daily, the virtual certainty of a Friday session, or the possibility of a Saturday session, and the possibility of late sessions each night including Friday and Saturday.

Also, Members would be well advised to make no firm plans for the beginning of the recess. If a conference report on the tax bill has not been concluded by next week, the likelihood of a further schedule the following week is very high.

Mr. WALKER. Mr. Speaker, will the gentleman yield?

Mr. MADIGAN. I yield to the gentleman from Pennsylvania.

Mr. WALKER. Is it not also our understanding with regard to the Rules Committee meeting on Tuesday, with

regard to the tax bill, that only amendments that were filed before 3 o'clock this afternoon would be considered by the Rules Committee at that point? Is that the gentleman's understanding? Is that the understanding of the gentleman from Washington?

Mr. FOLEY. That is not my understanding, I will tell the gentleman, frankly. I have no authority to make any such representation.

Mr. MADIGAN. It is my understanding that that was an idea expressed by the chairman of the Rules Committee, but it is nothing that has been agreed to by the leadership of either party or the leadership together.

Mr. WALKER. I thank the gentleman.

Mr. DERWINSKI. Mr. Speaker, will the gentleman yield?

Mr. MADIGAN. I yield to my colleague, the gentleman from Illinois.

Mr. DERWINSKI. Mr. Speaker, I just want to be sure, with all of the leaders involved, is it proper for me to assume that this basic understanding has the OK of the gentleman from California, Mr. JOHN L. BURTON?

Mr. FOLEY. I must tell the gentleman, frankly, I have not discussed the matter with either of the distinguished gentlemen from California, Mr. PHILLIP BURTON or Mr. JOHN L. BURTON; but knowing those gentlemen, I am sure that the gentleman himself may be able to consult on that.

Mr. DERWINSKI. I feel relieved that the gentleman is still aware of them.

Mr. FOLEY. I am certainly aware, and I thank the gentleman for his contribution.

ADJOURNMENT TO MONDAY, JULY 27, 1981

Mr. FOLEY. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at noon on Monday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY BUSINESS ON WEDNESDAY NEXT

Mr. FOLEY. Mr. Speaker, I ask unanimous consent that the business in order under the Calendar Wednesday rule be dispensed with on Wednesday next.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

HOUR OF MEETING ON WEDNESDAY NEXT

Mr. FOLEY. Mr. Speaker, I ask unanimous consent that when the House convenes on Wednesday next, it meet at 9 a.m.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Washington?

There was no objection.

MOTIONS TO STRIKE WITH REFERENCE TO VARIOUS PENDING TAX PROPOSALS

(Mr. PHILLIP BURTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PHILLIP BURTON. Mr. Speaker, I rise at this time, having watched the clock, hoping this will prove to be a successful effort to qualify in the course of revising my remarks to note certain motions to strike with reference to the various pending tax proposals.

APPLY THE CREDIT ELSEWHERE TEST TO BIG BUSINESS, TOO

(Mr. BEDELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BEDELL. Mr. Speaker, the Nation's largest corporations seem to be overcome by a sudden urge to merge. As part of this merger frenzy, major oil companies are lining up huge loans in order to finance takeover battles. The sudden rush of these companies into the credit market should be great concern to all of us.

When six oil companies can arrange new lines of credit totaling $28 billion in just 3 weeks, the effect has to be that less money is available for others to borrow for more productive uses, and the huge surge in demand for loans must help to keep interest rates high for smaller borrowers.

Three of those six oil companies, incidentally, have applications pending before the Synthetic Fuels Corporation for Government financial assistance.

I have written to the chairman of the Synthetic Fuels Corporation, urging them to apply a strict credit elsewhere test to the energy companies who are seeking Government financial support. This is what we require of small businessmen and farmers who come to the Government for assistance, and it is what we should demand of the big oil companies, too.

At this point in the RECORD, Mr. Speaker, I wish to insert the complete text of my letter to Edward Noble, chairman of the Synthetic Fuels Corporation.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 24, 1981.

Mr. EDWARD E. NOBLE,
Chairman, Synthetic Fuels Corporation, Washington, D.C.

DEAR MR. NOBLE: I am sure you are following the daily news accounts of the bidding that is going on for control of Conoco. The recent wave of merger activity among some of the nation's leading energy companies has caused many such firms to publicize the lines of credit that they have opened recently.

Just in the past month, we have seen published reports that various oil companies have arranged for loans totaling $28 billion. A list of six oil companies and the credit that each is reported to have lined up recently: Conoco, $3 billion; Gulf, $6 billion; Marathon, $5 billion; Mobil, $6 billion; Pennzoil, $2.5 billion; and Texaco, $5.5 billion.

Of course, these sums are in addition to any cash those firms may have on hand. And the numbers do not reflect any additional lines of credit that may be available to other companies.

The $28 billion in loans recently arranged by the six companies listed above practically dwarfs the $18 billion in loan guarantees that the Snythetic Fuels Corporation is authorized to issue this year. You may recall that Congress authorized that $18 billion on the premise that funds otherwise would not be available for the development of synthetic fuels projects by the energy companies.

On April 29, 1981, I recognized from R. G. Romatowski, then Acting Undersecretary of the Department of Energy, a list of 61 proposals pending before the Synthetic Fuels Corporation. That list of applications for U.S. Government financial assistance included requests from three of the six companies listed above.

Texaco is seeking loan guarantees on two projects and joint venturing on a third. *Conoco* is seeking a loan guarantee for one project. And *Mobil* has requested both price and loan guarantees in one proposal.

At this time, it seems appropriate to recall that Section 131(r) of the Energy Security Act provides that "any financial assistance by the Corporation for (a) project will not compete with nor supplant such available private capital investment and that adequate financing for the project would not otherwise be available. . . ."

As a member of the Small Business Committee I am, of course, more familiar with the workings of government loan guarantees for small businesses rather than those proposed for multinational corporations. The Small Business Administration applies a very strict "credit elsewhere" test to all applicants for SBA loans or loan guarantees. Under this provision, a small business cannot even apply for SBA financial assistance until after it has been turned down for a loan by at least two banks. And as a member of the Agriculture Committee, I know that the Farmers Home Administration not only applies a credit elsewhere test to the applicant for an FmHA loan but sometimes also applies the test to members of the farmer's family.

It seems to me that it is not unreasonable to require that big energy companies should play by the same rules the government imposes on operators of small business and family farms. Last year we required tens of thousands of small businesses and family farmers to show that they had been refused credit elsewhere before they could apply for SBA or FmHA financial assistance. I believe nothing less should be required of the oil companies that are lined up at the Synthetic Fuels Corporations door, waiting for its loan window to open.

In order to assure the public that U.S. Government financial assistance is not going to corporations that can finance their

own projects, one of the first actions taken by the new Synthetic Fuels Corporation ought to be the establishment of a clear and unequivocal credit elsewhere test. Not only will this help instill confidence in the Corporation, but it will also direct assistance to those smaller firms that truly need the Government's help.

Sincerely,

BERKLEY BEDELL.

RAMSEY CLARK, WHERE ARE YOU WHEN WE NEED YOU?

(Mr. DERWINSKI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

● Mr. DERWINSKI. Mr. Speaker, hardly a day goes by in Iran without the radical government there announcing it has executed someone else for antirevolutionary activity. More than 200 Iranians have been shot in the wake of Bani-Sadr's ouster from the presidency. The cruelty of this regime is abundantly clear, yet I have detected no expressions of outrage from those "human rights" activists who were so long critical of the Shah. Indeed, the silence is deafening from the likes of Ramsey Clark and company who were so quick to condemn the Shah and embrace Khomeini as an alternative. Such silence is particularly perplexing, given the fact that most of the victims have been from the left end of the political spectrum Mr. Clark identifies with.

Admittedly, the Shah and his associates had their shortcomings. But this regime makes them look thoroughly benevolent in contrast. In fact, the Islamic militias and secret police have resorted to tactics that are far worse than those attributed to the Shah's savak.

I also want to call the attention of the House to the continued persecution of members of the Baha'i religious group in Iran by the Khomeini government. The Baha'is in Iran have long suffered tremendous pressure and persecution but they are now being murdered by the Khomeini regime for adherence to their faith.

Mr. Speaker, it is high time that this Congress spotlighted what is happening in Iran. Therefore, today I am asking the chairman of the Foreign Affairs Committee's Human Rights Subcommittee to hold hearings posthaste on the human rights situation in Iran. In view of his consistent record on human rights, I am confident that the chairman of that subcommittee, Mr. BONKER, will respond in a forthcoming manner.●

CONGRESSMAN HENRY B. GONZALEZ INTRODUCES BILL OF IMPEACHMENT FOR FEDERAL RESERVE BOARD CHAIRMAN PAUL VOLCKER

(Mr. GONZALEZ asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. GONZALEZ. Mr. Speaker, yesterday, ironically, the Washington Star had a pretty strong editorial taking me to task for what was then my threat to introduce a bill of impeachment for the Chairman of the Federal Reserve Board, Paul Volcker, which, incidentally, I have since introduced today.

I have replied to that editorial, and I wish to offer it for the RECORD at this point, in that the attack, ironically, came at a time in the same edition, on another page, the newspaper was confessing that it was going out of business for the very reasons that have impelled my introduction of the impeachment resolution on Mr. Volcker.

WASHINGTON, D.C.,
July 24, 1981.

Mr. EDWIN YODER,
Editor, the Washington Star,
Washington, D.C.

DEAR MR. YODER: It was a special irony to read the Star's editorial defense of the Federal Reserve's ruinous policy in the same pages that the Star announced its own demise, yet another company destroyed by an inability to finance the kind of effort needed to stay afloat.

I'm serious about impeachment proceedings against the Fed's chief. After all, the Fed is supposed to be independent of the White House, but all evidence suggests that it is merely a messenger boy for the Oval Office. Your editorial had it right when it said I want to get rid of the messenger. The Fed isn't supposed to be a messenger; it is supposed to be a manager. It isn't supposed to respond to the whims of the White House, but that's what it does. Even an old friend of mine, an ardent defender of the current Fed policies, has published studies showing how subservient the Fed is to whatever Administration happens to be in power.

Look at it this way. Why should we pretend that the Federal Reserve should maintain the image of independence, if it swings with the political wind? Why not just put it under the Treasury, where its actions would be seen for what they are, namely; instruments of political policy, and similarly accountable? Interest rates aren't a divine act, they are deliberately induced.

There is something dreadfully wrong when the money can be found to finance multibillion dollar corporate raids, but can't be found to keep two newspapers alive in a town as big and rich as Washington. There is something amiss when gigantic speculations can always get cash on favorable terms, but the corner merchant can't finance an inventory at less than loan-shark rates. There is something sadly wrong when a Federal deficit that is progressively smaller (in terms of GNP) somehow is supposed to be crowding interest rates up to historically high levels.

It isn't necessary to destroy small business by the thousands, to drive home building and auto industries into depression, or to turn millions into the streets to fight inflation.

The Federal Reserve privately says that Ronald Reagan's policies are reckless and might be ruinous. If they believe that, why won't they say so publicly? I don't see any reason why Congress or the American people should put up with the pretense that the Fed is either independent of White House demands, or even that it knows what it's doing. It would be healthy to air the linen in some forum other than a sterile academic debate like that we always see in Congressional reviews on the conduct of monetary policy.

Sincerely yours.

HENRY B. GONZALEZ,
Member of Congress.

P.S.—I enclose a copy of my impeachment resolution, just introduced.

□ 1520

HISTORICAL EVENT

The SPEAKER pro tempore (Mr. MINETA). Under a previous order of the House, the gentleman from Georgia (Mr. GINGRICH) is recognized for 60 minutes.

Mr. GINGRICH. Mr. Speaker, I want to report today on a historic event this morning. For the first time in history, a President visited the Republican Conference.

The Republican Conference is a gathering of Republican Congressmen, and while Presidents have often, beginning with Woodrow Wilson, come down and addressed the entire Congress, this is a unique event in the history of the House and I think the beginning of a new and closer working relationship.

What has finally happened is that we are developing within the framework of the American Constitution a defacto parliamentary team, an effort to knit together the President and the members of his bipartisan coalition, the conservative Democrats and Republicans, in an effort to genuinely govern. We are a team.

The tax bill which we will be fighting for next week is a jointly designed bill in which the Treasury, a branch of the White House, the center of the executive, worked closely with Republicans and convervative Democrats in the House, a branch of the legislature, to develop a team effort, a team bill, as part of a team program, to fight inflation, high-interest rates, and unemployment.

Back in the 1980 campaign, we personified this team by bringing to the steps of the Capitol the Republican candidates for the Presidency, the Vice Presidency, the Senate, and the House as well as those sitting Members of the Senate who were not up for reelection.

It was, to the best of my knowledge, the first time in American history that a party had brought together all of its Federal officeholders and candidates to one place to jointly pledge to enact a series of steps to improve America.

We are in the process of keeping our word of enacting those steps. We have cut the budget as we promised to, we have cut the congressional budget, as we promised to, we have developed a stronger national defense as we prom-

ised to, and now we are fighting to cut taxes as we promised to.

In fact, if anything, in the last 24 hours we have dramatically improved the Conable-Hance bill that it is now a permanent reduction in taxation.

We have added to it indexing. Indexing is that process which says that if the cost of living pushes you up in your income just in paper dollars, because of inflation, then the Tax Code should go up at the same time, so that you would not—I repeat, not—be in a higher tax bracket.

By indexing the Tax Code, we will guarantee in the future working Americans will not see more of their pay raise go to the Federal Government, but in the future working Americans, when they receive a cost-of-living increase will get to spend that cost-of-living increase, that in the future, the Federal Government will be put on a diet, instead of putting the American family on a diet.

Indexing means that the Federal Government will have to plan the future to have honest open tax increases, not just to receive a huge windfall profit from inflation, pushing Americans into higher brackets.

Indeed, the Conable-Hance bill is in effect a revolution in tax policy.

As President Reagan himself said this morning, the people on the other side, the liberal Democratic leadership, are offering us a bill that is more of the same kind of so-called phony tax cuts we have had in the past decade. We have had five tax cuts in the last 10 years, and tax revenues have gone up $400 billion.

Those are President Reagan's figures. In other words, every time there was a short tax cut brought to you by the liberals, taxes end up being higher.

The Rostenkowski tax bill is in the same tradition.

President Reagan pointed out that the Rostenkowski-O'Neill bill is in fact better for you, if you plan to live only 2 more years. But in the short run, if all you can see is the immediate future, they have a slight argument but not much of one. It is a good gimmick, it is more of the same kind of short-term cuts, short-term efforts that failed throughout the seventies, that gave us a 249-percent tax increase.

But if you hope to live at least 3 years, then what happens under Rostenkowski-O'Neill is once again taxes go down very slightly, then they start back up immediately. So that by 1984 you are back with tax increases.

What you have is a gimmick on their side versus a plan on President Reagan's side.

Now, people are tired of the phony tax cuts of the last 10 years. People want real tax cuts.

For example, in response to one national survey recently people were asked, President Reagan has proposed a 25-percent reduction in Federal income tax rates for all individuals spread over 3 years starting with a 5-percent cut beginning October 1 of this year. Do you approve or disapprove of this tax cut proposal?

Sixty-eight percent of the American people approved, 23 percent opposed, and the rest were not certain.

In every region there was approval. The most amazing thing is that traditionally most Democratic regions of the country, the Northeast approved the most, those of you who live in Massachusetts, New England, New York, New Jersey, Connecticut, in areas where incomes average higher and therefore people are in higher tax brackets.

The margin in the Northeast was 70 percent approval, 21 percent disapproval.

In the Midwest it was 68 percent approval, 21 percent disapproval.

In the South, it was 66 percent approval, 23 percent disapproval.

In the West, it was 68 percent approval, 25 percent disapproval.

Think of that. In every part of the country by an average of 2½ to 1, 2½ to 1, the American people are asking for a tax cut, for a real tax cut, for real tax relief.

This weekend, as the Congress scatters and goes back home, as Members have a chance to see their friends and neighbors, the American people have a chance to register their commitment, their support, for a bill that is now out that is available.

□ 1530

The Conable-Hance bill, with its full 25 percent tax rate reduction over the next 3 years, with its commitment to more jobs, to new machinery, to new factories, to creating the prosperity that will give our children a chance to have a better life, the Conable-Hance bill has President Reagan's support and it deserves your support.

BLUEPRINT FOR A HOUSE THAT WORKS—PART VIII

The SPEAKER pro tempore (Mr. LOWRY of Washington). Under a previous order of the House, the gentleman from Mississippi (Mr. LOTT) is recognized for 5 minutes.

● Mr. LOTT. Mr. Speaker, I would like to remind my colleagues that the hearing record on House Resolution 100, the Committee Improvement Amendments of 1981, will remain open until Friday, July 31. Members wishing to submit statements on this package of House rules amendments designed to make our committee system more manageable and accountable should send them to the Subcommittee on Rules, House Rules Committee, 1628 Longworth House Office Building.

Mr. Speaker, I have termed this package of rules changes a "Blueprint for a House That Works," because it is my feeling that the legislative process is not working as it should due to a variety of flaws in our committee system. To date 105 of our colleagues have cosponsored this committee reform resolution.

At this point in the RECORD, Mr. Speaker, I insert the testimony I presented on House Resolution 100 before a joint Rules Subcommittee hearing on July 13. I commend it to the attention of my colleagues and invite them to submit their own views on it for our hearing record. The testimony follows:

TESTIMONY OF HON. TRENT LOTT

Messrs. Cochairmen and members of the Subcommittees, I am grateful to the Subcommittees on Rules and Legislative Process for holding these joint hearings on H. Res 100, the "Committee Improvement Amendments of 1931," which currently has 104 cosponsors.

I especially want to commend the chairman of the committee for referring this resolution to the subcommittees. As the Patterson Select Committee on Committees reluctantly concluded in its final report last year, select committees may not be the appropriate vehicles for attempting institutional changes, and such efforts may have a greater chance for success if drafted, promoted and managed by a standing committee. And the minority views to that report added, "The Committee on Rules possesses the necessary continuity, experience and considerable authority that is required to deal intelligently and effectively with institutional problems generally and with committee system revision in particular." The minority went on to urge this committee "to employ its augmented resources to remedy what its distinguished chairman has characterized as a 'House Out of Order.'."

The underlying premise of my "Committee Improvement Amendment" is that this is indeed a House out of order—our committee system is in disarray, and, as a result, our representative form of government as we know it is in danger of collapse. And I am not alone in this view. Nearly 70 percent of the House respondents to a select committee survey in the last Congress agreed with the statement that our committee system is in disarray. And this assessment is shared by numerous political scientists and other students of the Congress.

It is not difficult to identify the underlying causes of this breakdown in the legislative process in the House: the growing independence of Members and consequent loosening of party ties and discipline; the factionalization of the political process with the growth of single-issue interest groups and resultant difficulty in achieving a national consensus on major issues; the decentralization of power in the House with the proliferation of semi-autonomous subcommittees and the consequent jurisdictional duplication and conflict; and a system overload that has Members spread so thinly over such a sprawling subcommittee maze as to make intelligent and conscientious deliberation and decision-making an almost impossible task.

Identifying a problem is one thing. Doing something about it is quite another. As we have painfully learned from past reform efforts, any proposals for institutional im-

provement will run up against powerful resistance because they necessarily involve some new sacrifice of power, prerogatives and turf. They also often involve the imposition of new self-disciplines which we are reluctant to embrace in the free-wheeling-and-dealing political arena to which we have grown accustomed. But I would submit that institutional change and improvement is no longer some luxury which we can indulge when it suits us. It is now a necessity which is critical to the survival of our democratic system of government. Lord Macaulay once advised the British Parliament to "reform, that you may preserve." That advice, given some 150 years ago, is just as relevant to our situation in the House today.

Woodrow Wilson wrote in his 1885 treatise on "congressional government" that, "Congress in session is Congress on public exhibition, whilst Congress in its committee rooms is Congress at work." Yet it's a wonder today that Congress gets any work done. Members complain that they spend more time shuttling back and forth between committee and subcommittee meetings and hearings and floor votes than they do in actual committee work. It's little wonder that we've had to resort in recent times to such phantom legislative devices as one-third quorums and proxy voting to markup legislation. Yet is this any way to write our Nation's laws that affect tens of millions of people and involve tens of billions of taxpayers' dollars?

I think it's high time we recognized that this House is not working as it should and that what is clearly needed is a new "Blueprint for a House that Works." That's what I've termed my package of "committee improvement amendments." It recognizes that the very heart of the legislative process—the committee system—is badly flawed and in need of repair. The Bolling Select Committee on Committees in the 93rd Congress observed that, "Committees are the nerve ends of Congress—the gatherers of information, the sifters of alternatives, the refiners of legislation. Few organizations are so critical to the continued effectiveness of Congress as a policy-making body." Yet those very nerve ends are being rubbed exceedingly raw by our existing organization and procedures.

At the heart of my committee improvement package is the belief that we must drastically reduce the number of subcommittees which have spawned more problems than solutions in this body. Section 4 of my resolution would limit all standing committees, except Appropriations, to no more than six subcommittees, and all Members to no more than four standing subcommittee assignments. This is virtually identical to a proposal reported by the Patterson Select Committee on Committees in the last Congress. Moreover, the Member survey conducted by that select committee revealed that 81 percent of the Members agreed that the number of subcommittees should be reduced, and 82.6 percent agreed that a limitation should be placed on Member subcommittee assignments. Sixty-four percent of the respondents felt committees should be limited to six or less subcommittees, and 62 percent felt Members should be limited to four or less subcommittee assignments.

I can't think of any proposal which would do more to reduce system overload and conflict than these two reforms. In the last Congress we had 152 standing subcommittees in the House. As a result of a Democratic Caucus rule in this Congress, limiting committees to eight subcommittees or the number they had in the last Congress, whichever is fewer, we've brought the total down to 141. But that's still far too many. My proposal would result in a further reduction of some 17 subcommittees, bringing the total down to 124.

Section 2 of my resolution is also aimed at reducing the workload of our committees. It would eliminate the practice of joint referral of bills, while retaining split and sequential referrals. The current joint referral practice has guaranteed a duplication of effort and a marked increase in jurisdictional conflict, controversy and confusion. The Select Committee on Committees in the last Congress found that multiply referred bills consume four times as much hearing and meeting time and yet have less chance of being reported or passed than singly referred bills.

My proposal is similar to one put forward by the select committee in the last Congress. Joint referrals would be abolished and instead the Speaker would initially designate a committee of principal jurisdiction to consider a measure. At the same time the Speaker would be given additional discretionary authority for sequentially referring a measure, either on its introduction or after it has been reported from the principal committee. And, as I already mentioned, the current practice of split referral of the same bill would be retained. I think this is a reasonable compromise that recognizes legitimate jurisdictional concerns while avoiding many of the problems which currently result from the joint referral procedure.

With the reduction of subcommittees and assignments and the elimination of joint referrals, I think we can abolish the phantom legislative devices of one-third quorums and proxy voting. Section 5 of my resolution would abolish all proxy voting—something which the House voted to do back in 1974 but which was reversed at the beginning of the next Congress in the House Rules resolution reported from the Democratic Caucus. Section 6 of my bill would restore the majority quorum requirement for the transaction of any business, including the markup of legislation, returning us to the practice which existed prior to 1977.

I cannot stress enough the importance of insuring that our committees and subcommittees act in a more responsible, conscientious and representative manner in considering legislation which will be reported to the House. To the extent that we have permitted phantom legislating in committees and subcommittees through mini-quorums and proxy voting, we have only guaranteed that a more flawed legislative product will be reported to the House. And I think this explains in large part why we've witnessed such an explosion of amendments when these bills reach the House floor. To the extent that the committees and subcommittees have not adequately reflected House sentiment in their work, the House has had to rewrite their bills on the floor.

This same argument applies with equal force to section 3 of my resolution which would require that the party ratios on committees and subcommittees reflect the overall party ratio of the House. I do not consider this a partisan matter, as some have lightly dismissed it. The shoe may just as easily be on the other foot in the next Congress. Rather, it is a matter of fairness, equity, of minority rights, and of basic democratic theory and practice. I appreciate that there is some precedent for having greater majority representation on the Rules, Appropriations, and Ways and Means committees; but there is no justification whatsoever in our precedents for the bloated majorities which have been retained this year on the Rules and Ways and Means committees—69 and 66 percent Democrat, respectively. I strongly suspect that this blatant departure from precedent will come back to haunt the majority party when the tax bill finally reaches the floor with whatever conditions of debate may be imposed by the rule reported from this committee.

The issue of equitable party representation on committees was eloquently addressed in a chapter of the final report of the Select Committee on Committees in the last Congress, and I quote:

"Establishing committee ratios which inadequately correspond to the political cast of the full House, in effect, disparages the basic principles of democratic representation. Party alignments in the House reflect the conscious choices made by the American electorate every two years."

And the chapter goes on, and again I quote:

"This popularly-decided division of partisan strength, one assumes, should be mirrored in all aspects of the congressional process. Yet the systematic skewing of ratios has discounted the effective participation of the minority at the focal point of legislative determination—the committee system."

Perhaps just as important as our committees' legislative procedures is their oversight responsibility. This is particularly true in this era of budgetary constraints and spending reductions imposed by the reconciliation process of the Budget Act. Our committees must be in a better position to intelligently determine which programs and agencies are working as they should and which are not. And yet, some 75 percent of the House respondents in last year's select committee survey felt that the House was not doing an adequate job at oversight.

Section 1 of my resolution, which has been referred to the subcommittee on legislative process, is offered as an alternative to the more rigid oversight procedures which would be imposed by H.R. 2, the "Sunset Act," and H.R. 58, the "Sunset Review Act." Despite the large number of cosponsors of such measures in the House, I sense that enthusiasm for such new disciplines as would be ordained by these bills, is on the wane. One of the past strong supporters of sunset legislation in the other body, Senator Eagleton, recently expressed the view that, "Sunset Is an Idea Whose Time Has Come and Gone." Indeed, to the best of my knowledge, a Sunset bill has not even been introduced in the other body.

Nevertheless, I do not think the waning interest in sunset legislation means there is not a need or desire for some form of strengthened oversight. My section 1 offers a fexible yet meaningful alternative. Unlike H.R. 2 and H.R. 58, it does not tie oversight agendas to the authorization process directly, though obviously committees would have upcoming reauthorizations in mind in formulating their oversight plans.

Under existing House Rules, at the beginning of each Congress "appropriate representatives of the Committee on Government Operations shall meet with appropriate representatives of the other committees of the House to discuss the oversight plans of such committees." The Government Operations Committee must then publish these oversight plans within 60-days after the convening of a new Congress, and may make any

recommendations for coordination of such activities.

The problem with the present procedure is that "appropriate representatives" has been construed to permit an intra-staff operation, subject of course to supervision by committee chairmen. But, in most cases, committees are not formally involved in formulating their oversight plans for the Congress. I suspect there are many committee members who haven't even seen a copy of their oversight plan for this Congress. Part of the problem is that most committees are barely organized before these plans must be submitted. The Committee on Government Operations has repeatedly criticized this 60-day reporting requirement in the preface to its reports. In addition, in this year's preface it has indicated that it "is still not convinced that, as presently structured, this is the most effective solution to the problems of coordinating the oversight activities of the standing committees of the House."

My resolution addresses these problems of inadequate committee participation in oversight plan development, unrealistic time frames, and coordination, in the following ways: First, committees would have 60-days in which to consider and formally adopt their oversight agendas for the new Congress; secondly, the Committee on Government Operations would hold hearings on these plans at which the chairman and ranking minority member of each committee would appear and testify; third, the Committee on Government Operations would report a consolidated oversight agenda resolution not later that 90-days after Congress convenes, and the resolution may only contain such changes as may have been agreed to by the chairman and ranking minority member of the committee involved in order to insure proper coordination and avoid unnecessary duplication; and fourth, the oversight agenda resolution would only be subject to amendments offered by direction of the Government Operations Committee or the majority and minority leaders.

I might add that this is one of the options considered by the Bolling Select Committee in the 93rd Congress, and it also draws heavily on the work of the Legislative Process Subcommittee in the last Congress. It differs from the latter mainly in that it does not require action by both Houses, and it does not directly tie the oversight plans to subsequent authorization requirements. Obviously, it differs from H.R. 1 in that it contains no rigid timetables or program termination. I think Members are already straining under the requirements and timetables of the budget process and we should therefore avoid any burdensome new timetables and workloads. The important thing is that committees do pay more attention to their oversight responsibilities, and I think my proposal will accomplish that by requiring formal committee involvement in the development of oversight plans, and formal House endorsement of those plans, subject to limited changes proposed by the leadership and the Government Operations Committee.

My final proposal, contained in section 7 of the resolution, would require the House to vote on an overall committee staff ceiling at the beginning of each year. The survey of House Members conducted in the last Congress revealed that 63 percent think committee staffs are too big, 62 percent think this has contributed to the fragmentation and unmanageability of the committee system, and more than 80 percent think some kind of ceiling should be placed on committee staff overall.

I think the clash we had over committee staffs at the beginning of this year and the resultant reductions is a clear indication that this sentiment is just as strong in this Congress if not stronger. The House Administration Committee is understandably in a difficult position in attempting to arbitrate the competing demands for austerity and for more staff at the same time. I think that job would be made easier if the committee had clear direction from the House at the outset on an overall committee staff ceiling so that the committee-by-committee allocations could be made within that House-imposed framework.

I am indebted to the Schroeder-Breaux Task Force of the Select Committee on Committees in the last Congress for this proposal. To quote from their report:

"The establishment of an aggregate ceiling would force committees to justify more specifically their staffing needs in annual funding requests. Committees would know that their requests would be balanced against those from other committees, and would be forced to limit their requests only to those new positions for which a strong need existed."

Under my resolution, the House could not consider any primary expense resolution until the House had adopted an overall committee staff ceiling resolution reported from the Committee on House Administration. In allocating staff to committees in the subsequent primary expense resolutions, the House Administration Committee would take into account the past and anticipated legislative and oversight workloads of each committee. The total staff authorized in all such primary expense resolutions, taken together with the existing statutory staff, could not exceed the ceiling adopted by the House. Any subsequent supplemental expense resolutions which breached that ceiling could not be considered except by a two-thirds vote of the House.

The time has come to halt the exponential growth in staff which has occurred over the last decade. Between 1973 and 1979, committee staffs grew from 918 at a cost of $14 million, to 1,939 at a cost of over $40 million. I think we have reached a point of diminishing returns in terms of what can be accomplished with additional committee staff. We are still only 435 Members with a limited amount of time to accomplish our work. More staff only generate more work which we do not have time to do. This only means that more work and decisions are delegated to unelected staff, and this in turn poses a real danger to the representative nature of our government. Thank you.●

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. GILMAN) is recognized for 5 minutes.

● Mr. GILMAN. Mr. Speaker, yesterday afternoon, July 23, 1981, while I was absent from the floor of the House in order to attend the memorial services for a dear friend, Harry Chapin, I missed a number of rollcall votes and take this opportunity to announce how I would have voted had I been present:

On rollcall No. 156, the Pritchard amendment, to delete funds for the Tennessee-Tombigbee water project, I would have voted "no." The motion failed, 198 to 208. Although there are some valid criticisms of this project, since this project has progressed quite far to date, I believe it would be wasteful to leave it incomplete at this juncture.

Rollcall No. 157 was a quorum call in the Committee of the Whole.

Rollcall No. 158 was on the Frank amendment, reducing funds for general construction by the Corps of Engineers by approximately $18 million by eliminating funds for the Stonewall Jackson Lake project, West Virginia. This amendment failed, 137 to 267. Had I been present, I would have voted "no."

Rollcall No. 159 was the Conte amendment, to reduce funding for the Garrison diversion project. The amendment failed, 188 to 206, and had I been present, I would have voted "yes."●

OFF-BUDGET SPENDING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. COLLINS) is recognized for 30 minutes.

● Mr. COLLINS of Texas. Mr. Speaker, we must review off-budget spending by Congress. In 1974 this totaled $1.4 billion and off-budget has zoomed up to $23.2 billion in 1981. Congress issues press statements on the size of the Nation's deficit, but the true mark is the rise in the national debt. In the past 12 months the national debt has increased $91 billion.

The folks at home are entitled to know about off-budget financing and its impact on our inflation.

Recent rapid growth of off-budget loan activity has had serious effects on the Nation's economy and has prevented a comprehensive analysis of the unified budget. Outlays of off-budget agencies are not subject to review through the regular appropriations process. Since 1976, off-budget outlays have grown faster than any other Federal program (table 1). Budget projections show that in 1981 off-budget direct loans will increase by a towering $23.2 billion, while on-budget loans will only increase by $3.9 billion.

By far the most active off-budget agency is the Federal Financing Bank (FFB), which accounts for almost all off-budget net outlays. The FFB is authorized to purchase: First, agency debt; second, agency-guaranteed loans; and third, agency loan assets. The FFB is financed by borrowing exclusively from the Treasury, from which it has unlimited borrowing authority. Since its 1974 total of $0.1 billion in off-budget outlays, the FFB has increased its obligations to an estimated $23.1 billion in 1981.

PURCHASING AGENCY LOANS

When an agency sells a loan to a private entity, the loan is considered repaid for budgetary purposes. An agency's on-budget loan can become an off-budget loan by selling it to the FFB. In 1981, about seventh-eighths of all Federal agency loans and loan asset sales will be to the FFB, resulting in off-budget financing.

PURCHASING GUARANTEED LOANS

A guaranteed loan occurs when a Federal agency guarantees a loan to a private lender against any loss as a result of default by the borrower. When the FFB purchases the loan guarantee, it is recorded as a direct loan from the Government and is not included in the budget. In 1979, the FFB purchased more than $5 billion in guaranteed loans, which resulted in a net outlay of over $3.9 billion; thus the unified budget is understated by $3.9 billion from this source alone.

Since the FFB is off-budget, its outlays are not subject to the regular congressional review which the budget process requires. This makes its role of purchasing loan assets and loan guarantees attractive to an on-budget agency, which can reduce its outlays by selling to the FFB—while at the same time becoming off-budget. Selling agencies such as the Farmers Home Administration (FHA) and the Rural Electrification Administration (REA) record the proceeds of such sales as repayments, thereby rolling over their loanable funds and reducing agency outlays by the amount of the sale. Loan guarantees have also been made to experimental or troubled industries, such as Amtrak, Conrail, TVA—which has $11 billion in outstanding loans, and New York City. Much activity has been directed at the energy industry to finance the research and development of solar and geothermal energy, electric vehicles, and underground coal mines.

Off-budget guarantees have become the vehicle for Government intervention or subsidization without any budgetary review.

Brief summaries follow for several off-budget FFB programs and the proposed changes recommended by the Reagan administration's budget revisions for 1982:

REA

The Rural Electrification Administration (REA) of the USDA makes direct and guaranteed loans for construction and operation of electric and telephone utilities in rural areas. The REA relies almost entirely upon the FFB as the originator of these off-budget guaranteed loans, and receives almost $5 billion annually in loan guarantees from purchases of the FFB.

The rationale for this proposed change in REA is that availability of subsidies reduces the incentive for utilities to improve their financial condition. Recent data shows less than 1 percent of U.S. farms are currently without electricity as compared to 89 percent without electricity when the program began in 1935.

EDA

The purpose of the Department of Commerce's Economic Development Administration (EDA) is to provide grants, loans, and loan guarantees to assist economically distressed areas, and to deal with problems of economic adjustment. However, the effectiveness of EDA is questionable, because its programs are not targeted to those most in need; in fact, over 80 percent of the country is eligible for EDA assistance, and those areas no longer in distress remain eligible for assistance. This unregulated loan policy is expected to total over $500 million in EDA off-budget loan guarantees for fiscal year 1981. By contrast, a more controlled EDA totaled only $18.5 million as recently as fiscal year 1977.

HUD

The New Community Development Corporation (NCDC), an agency within HUD, provided $10 million in off-budget loan guarantees for a new development in North Carolina called Soul City. Individual grants totaling approximately $26 million were used in Soul City to construct pathways, build toilets, install water, and sewer lines, and erect street lights. However, despite these HUD-sponsored loans, the Soul City project failed, becoming the eighth Government-sponsored community to fail since the NCDC program began in the early 1970's. Ventures such as these exemplify the recurring problem of off-budget loans which are made without adequate evaluation.

The existence of off-budget entities result in the budget and the deficit being understated by billions of dollars each year. A major step in bringing about a more realistic and comprehensive budget would be to move the off-budget agencies into the on-budget category, thereby properly attributing to agencies their respective subfunctions. Because off-budget programs receive less scrutiny than on-budget programs, much of their activity goes without congressional scrutiny. To put them under better control, some programs such as the Export-Import Bank, the housing for the elderly or handicapped fund, and the Pension Benefit Guaranty Corporation, have been returned to an on-budget status, with little or no effect on their operational process. Therefore, all off-budget activities, should be returned to the unified budget. (Including the FFB.) If all loan activity were included in the unified budget, it would eliminate much wasteful spending of taxpayer dollars.

TABLE 1.—OFF-BUDGET OUTLAYS BY AGENCY

[In billions of dollars]

	1974	1980	1981
Federal Financing Bank	0.1	14.5	23.1
Rural Electrification and Telephone Revolving Fund[1]	.5	([2])	([2])
Rural Telephone Bank	([2])	.2	.2
U.S. Postal Service Fund	.8	—.4	—.2
U.S. Railway Association	([2])	([2])	.3
Total off-budget outlays	1.4	14.3	23.2

[1] No net outlays are authorized after fiscal 1980.
[2] Less than $50 million.

Source: Budget of the U.S. Office of Management and Budget.

TABLE 2.—FEDERAL FINANCING BANK NET PURCHASES

[In billions of dollars]

	Fiscal year—			
	1975	1979	1980	1981
FFB net purchases of:				
Agency debt	6.5	2.9	4.0	4.5
Loans and loan assets	5.1	9.4	7.6	13.0
Loan guarantees	1.1	3.9	6.8	10.1
Total net purchases	12.7	16.2	18.4	27.6
Total excluding agency debt	6.2	13.3	14.4	23.1

Source: Special analysis, Budget of the United States, fiscal year 1982, Office of Management and Budget.

ADDITIONAL DATA

"Agenda for Spending", edited by Eugene J. McAllister (Heritage Foundation).

Budget Revisions, fiscal year 1982 (Office of Management and Budget).

Congress and the Budget, by Eugene J. McAllister (Heritage Foundation).

"Off-Budget Federal Outlays", by Stephen H. Pollock (Republican Study Committee).

Research on Congressional Budget—Tori Thomas.●

ISRAELI BOMBING OF BEIRUT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. CROCKETT) is recognized for 5 minutes.

● Mr. CROCKETT. Mr. Speaker, I wish to state for the record my strong disapproval of Israel's bombing of a suburb of Beirut, Lebanon, last Friday. This so-called defensive preemptive act of Israel, which resulted in more than 300 civilian deaths and 800 injuries, is unjustifiable and deplorable.

The bombing was totally devoid of strategic or military merit. The Israeli Government has gained nothing except worldwide condemnation and eroding American support for Prime Minister Begin's aggressive policies.

The overriding concern of the United States—aside from the fact that human lives have been expended—should be that the planes that bombed Beirut were U.S. made and supplied by the United States in accordance with the Military Sales Act, which states that "defense articles and defense services shall be sold by the United States * * * to friendly countries" for internal security and for legitimate self-defense. The massive destruction of a civilian area and the killing and maiming of hundreds of

Lebanese citizens, who have no quarrel with Israel, hardly falls under the rubric of "legitimate self-defense."

As William Raspberry pointed out in Wednesday's Washington Post:

> Already, the Palestinians—and not just the PLO—are making the case that the failure of the United States to take strong action against Israel for violating the terms of the arms agreements amounts to a tacit complicity of the United States in Begin's madness.

It is clear to me that the United States should unequivocally disassociate itself with the bombing and moreover should formally reprove Israel for carrying out this action.

This latest action by the Israeli military establishment makes clear their intention to heighten tensions in the Middle East even further, and to flaunt the use of American-made military equipment to do so. Although I was willing to join some of my colleagues on the Foreign Affairs Committee in urging the President to send Israel the previously promised four F-16 fighter planes, I now see that the Begin government has no intention of adhering to the terms of sale in the Military Sales Act.

I suggest, Mr. Speaker, that the administration should, at the very least, clarify to the Israeli Government what constitutes "legitimate self-defense" and, pending that clarification, we should suspend all military deliveries to Israel. I suggest further, Mr. Speaker, that it should be the concern of this Congress to consider seriously if the recommended fiscal year 1982 U.S. military assistance of $1.4 billion to Israel and $1.1 billion to Egypt, the Sudan, and other friendly Arab nations, is not an exacerbation of an already highly explosive and dangerous Middle East situation.●

CONFEREES REACH AGREEMENT ON VETERANS BENEFITS AND SERVICES RECONCILIATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Mississippi (Mr. MONTGOMERY) is recognized for 5 minutes.

● Mr. MONTGOMERY. Mr. Speaker, I am pleased to announce that the conferees of the House and Senate Veterans' Affairs Committees have reached agreement on that part of the reconciliation bill related to veterans' benefits and services.

I can report to the Members of the House that we have reached the total reduction in spending levels we were instructed to bring about—$110 million in budget authority and outlays in 1982, $108 million in 1983, and $106 million in 1984.

I want to express my sincere appreciation to the chairman of the Senate Veterans' Affairs Committee, ALAN SIMPSON, for his cooperation and leadership in bringing about a most reasonable compromise of the differences between the bills passed by the House and Senate. The compromise will be fully explained in the statement of the managers soon to be filed by the Budget Committee. I am most grateful to Senator ALAN CRANSTON, the ranking minority member of the Senate Veterans' Affairs Committee, who is always most willing to work with us in resolving issues in disagreement. I also want to express my appreciation to Senators BOB KASTEN, FRANK MURKOWSKI, and JENNINGS RANDOLPH, who worked with us to reach agreement.

Finally, Mr. Speaker, I want to thank the very distinguished ranking minority member of the committee, the gentleman from Arkansas, JOHN PAUL HAMMERSCHMIDT, and our other conferees, DON EDWARDS, BOB EDGAR, SAM HALL, MARVIN LEATH, MARGARET HECKLER, CHALMERS WYLIE, and HAL SAWYER, for the splendid cooperation I received from each of them in working out the agreement with the other body. Resolving differences between us, where we are faced with terminations of certain programs or limiting the level of benefits paid to individuals, is a most difficult task, and I am most grateful for the willingness of our Members to work together in resolving our differences with the other body.●

THE 41ST ANNIVERSARY OF THE SOVIET ANNEXATION OF LITHUANIA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. STRATTON) is recognized for 5 minutes.

● Mr. STRATTON. Mr. Speaker, June 15 marked the 41st anniversary of the military occupation and forcible annexation of Lithuania by the Soviet Union. I am glad to take this opportunity to join once again with my colleagues in Congress and with Lithuanians throughout the world in commemorating this important anniversary, and in reaffirming my commitment to work for the right of the Lithuanian people to self-determination.

During two horrible nights in June 1940 the Soviets rounded up 35,000 people in Lithuania and shipped them by train to Siberia—a journey from which most of them would never return. Since that date Lithuanians have lived under Soviet rule, victims of repeated terrorism—one more captive nation. Many have managed to escape from their troubled country and have continued in other lands to keep Lithuanian pride and culture alive, and to fight for their country's freedom. The vital Lithuanian-American community is a leader in that effort.

Recently I returned from a trip behind the Iron Curtain, to Romania and Hungary. One could sense the feeling that foreign military dominance brings to a country. But one was also heartened by the spirit and courage of the people in these countries who do somehow continue to strive for a decent way of life under Communist rule.

The Soviet invasion of Lithuania occurred four decades ago, but the march of conquest has not stopped as seen by the recent, swift occupation of Afghanistan. And the struggle against the Soviets is perhaps today most dramatically seen in Poland, as those brave people have indeed transformed the shape of political rule in a Soviet satellite.

These events, plus the annual commemoration of the anniversary of Lithuanian occupation help to focus international attention on the plight of all captive nations, as well as our efforts to secure self-government for all of them. To that same end, earlier this year I introduced a resolution, House Concurrent Resolution 36, to express the sense of Congress that the right of self-determination should be returned to the people of the Baltic States, and that it should be made a prime political objective of the United Nations.

Under leave to extend my remarks, I include a statement entitled the "1979 Balkan Memorandum" issued by the Lithuanian-American Community of the U.S.A., Inc.

1979 BALTIC MEMORANDUM

DISSIDENTS IN SOVIET UNION URGE FREEING OF THREE BALTIC REPUBLICS

To: Government of the USSR; Government of the Federal Republic of Germany; Government of the German Democratic Republic; Governments of all countries which have signed the Atlantic Charter; Secretary-General of the U.N., Mr. Kurt Waldheim.

Soviet juridical science interprets the term national sovereignty as a nation with all the rights, its political freedom, and a real possibility to fully and completely determine its own destiny, and, first of all, a capability for self-determination, including cessation and formation of an independent state. National sovereignty is characterized by political, territorial, cultural and linguistic independence, a state which has full sovereign rights in all indicated areas of public life, guaranteeing their fullest possible realization.

One can neither give nor abolish national sovereignty; it can only be violated or established.

In 1919 Lenin recognized the existence de facto of Estonia, Latvia and Lithuania, which had recently separated from the Russian Empire. In 1923 Soviet Russia concluded peace treaties with these countries which signified de jure recognition of the Baltic States on the part of Russia. In the name of the Soviet government Lenin gave up in perpetuity any sovereign rights to Estonia, Latvia and Lithuania. However, 19 years later Stalin and Hitler encroached on the sovereignty of these nations. August 23 of this year marks the 40th anniversary of the so-called Molotov-Ribbentrop Pact, the implementation of which meant the end of independence for Estonia, Latvia and Lithuania.

On August 23, 1939, a non-aggression treaty was concluded between the German

Reich and the Soviet Union. A secret protocol on the division of Eastern Europe into so-called spheres of influence was attached to it. The objects of the confidential negotiations between the Peoples' Commissar for Foreign Affairs of the USSR, V. M. Molotov, and the Minister of Foreign Affairs of Germany, J. Ribbentrop, were Finland, Estonia, Latvia, Lithuania, Poland, Bessarabia and Northern Bukovina. The essence of the secret protocol was that the fate of Finland, Estonia and Latvia was to be entrusted to the USSR, while that of Lithuania to the German Reich.

On September 28, 1939, the USSR and Germany concluded the treaty on friendship and borders. This treaty amended the secret protocol of August 23, 1939, in that now Lithuania as well was to go to the USSR, with the exception of the area of the left bank of the Sesupe River which in case of "special measures" was to be occupied by the German army.

From June 15–17, 1940, on the order of the Government of the USSR, the Red Army executed the "special measures" on the territory of Lithuania, Latvia and Estonia. Also annexed was that territory of Lithuania which, according to the agreement between Stalin and Hitler, the German army was to annex to Germany.

On January 10, 1941, the German ambassador in the USSR, Dr. von Schulenberg, on the one hand, and the chairman of the Council of the Peoples' Commissars of the USSR, V. M. Molotov, on the other, signed a new secret protocol in which the object of trade was the above-mentioned Lithuanian terrritory. The German government gave up to the USSR the territory to the West of the Sesupe River for a monetary compensation of 7.5 million dollars in gold or 31.5 million Reichsmarks.

The Molotov-Ribbentrop Pact became a conspiracy of two of the greatest tyrants in history—Stalin and Hitler—against the world and humanity, which began the Second World War. We consider August 23 as a day of infamy.

On August 14, 1941, the President of the USA, F.D. Roosevelt, and the Prime Minister of Great Britain, W. Churchill, signed the so-called Atlantic Charter which has six points. Point two of the Charter declared that the USA and England "do not consent to any territorial changes which are not in agreement with the freely expressed wishes of the nations involved." Point three: "They respect the right of all nations to choose for themselves that form of government under which they want to live; they strive to re-establish the sovereign rights and self-rule of those nations which were deprived of these by means of force." The USSR joined the Charter on September 24, 1941.

The declaration of the USSR said: "The Soviet Union in its foreign policy . . . will be guided by the principle of self-determination of nations. . . . The Soviet Union defends the right of every nation to claim independence and territorial integrity of its country, the right to establish such a social system and to choose such a form of government which it considers expedient and necessary in order to secure the economic and cultural prosperity of the country."

One should recall that, according to international law, the realization of the right of nations for self-determination is impossible, if occupational forces are located on the territories of these nations. This is also emphasized in Lenin's Peace Decree, which says, that if a nation "is not granted the right by means of free elections, under conditions of complete withdrawal of foreign troops or influence of a foreign power, to decide the forms of national existence, without the slightest coercion, then the joining of its territory to another country in annexation, i.e. it is a capture and a taking over by force."

The consequences of the notorious Munich agreement of September 29, 1938, were liquidated by the very fact of Germany's defeat in World War Two. The government of the F.R.G. under pressure of Czechoslovak public opinion, recognized the Munich agreement as null and void from the moment of its signing.

However, the Molotov-Ribbentrop Pact apparently still has legal force. We consider that the silence of world public opinion on this matter encourages aggressors of the past, present and future.

We appeal:

To the government of the USSR with a request that it publish the full text of the Molotov-Ribbentrop Pact and all secret protocols that go with it. We remind that the Soviet government in the Peach Decree declared that it refused to resort to secret diplomacy. At the same time, we request that the Molotov-Ribbentrop Pact be declared null and void from the moment of its signing;

To the governments of the F.R.G. and G.D.R. with a request to publicly declare the Molotov-Ribbentrop Pact as null and void from the moment of its signing, and to assist the government of the USSR to liquidate the consequences of the above-mentioned Pact—by withdrawing foreign troops from the Baltic territories. In order to accomplish this, a commission for the liquidation of the consequences of the Molotov-Ribbentrop Pact should be created, made up or representatives of the USSR, F.R.G. and G.D.R.;

To the governments of the signatory countries to the Atlantic Charter with a request that they, from a position of moral responsibility, express their decisive condemnation of the Molotov-Ribbentrop Pact and its consequences. We remind that, according to international law, such actions are not considered internal affairs if, because of their essence and purpose, they present a threat to peace and security and do grave injustice to generally recognized international norms. The principle of self-determination of nations and peoples presupposes the legality of any forms and methods in the struggle against colonialism, an international crime. To this is bound the legality of international support for the struggle for liberation. Furthermore, according to the Declaration of the Principles of International Law, every state, by means of combined and independent actions, must promote the realization of the principle of equality and self-determination of peoples;

To the Secretary-General of the U.N. with a reminder that this international organization is the legal successor to the League of Nations, of which Estonia, Latvia and Lithuania were also members before the "special measures" were taken. Therefore, the legal responsibility for the fate of these countries rests with you.

We request that the question of liquidating the consequences of the Molotov-Ribbentrop Pact be raised at the next session of the General Assembly of the U.N.

We remind that the principle of self-determination of nations was fixed in contemporary international law. This took place as a result of affirmation of the principle of self-determination of nations in such important international documents as the U.N. Charter (Art. 1, 13, 55, 76); the Declaration on Granting Independence to Colonial Countries and Peoples, adopted by the 25th General Assembly session on December 14, 1960; the Resolution of the General Assembly of December 20, 1965 which recognized the legality of the struggle of the colonial peoples; the International Convention on the Liquidation of all forms of racial discrimination, adopted at the 20th General Assembly session on December 21, 1965; the International Pacts on Rights of Man, adopted by the 21st General Assembly session on December 16, 1966; the Declaration on the Principles of International Law, adopted by the 25th jubilee General Assembly session on October 24, 1970. In these and other international legal acts of the U.N. the contemporary content of the principle of equality and self-determination of peoples reveals itself: It signifies:

The right of all peoples to manage their fate freely, i.e. under conditions of complete freedom to determine their domestic and foreign policy status without foreign interference and to realize according to their wishes their political, economic, social and cultural development;

The right of nations to dispose freely of their natural wealth and resources;

An obligation of all states to promote through combined and independent actions the implementation of the principle of equality and self-determination of peoples in accordance with the provisions of the U.N. Charter.

Equality and the right to manage one's fate are declared as a most important principle of international law in the Final Act of the all European Conference on Security and Cooperation in Europe.

And you, Mr. Secretary-General, are aware that the above-mentioned international documents, which are binding, are violated by certain countries which are members of the U.N. We request that at the next Assembly session of the U.N., the question of the situation of Latvia, Estonia and Lithuania be discussed, inasmuch as the peoples of these countries are deprived of the right and opportunity to manage their fates.

Dated August 23, 1979.

Romas Andrijauskas, Stase Andrijauskiene, Alfonsas Andriukaitis, Edmundas Bartuska, Vytautas Bogusis, Priest Vladas Bobinas, Romas Vitkiavicius, Jonas Volungevicius, Jonas Dambrauskas, Jonas Eisvidas, Angele Pauskuskiene, Kestutis Povilaitis, Vytautas Bastys, Liutauras Kazakevicius, Rimas Zukauskas, Ivars Zukovskis, Alfredas Zaideks, Juris Ziemelis, Leonas Laurinskas, Rimas Mazukna, Priest Mocius, Mart Niklus, Priest Napoleonas Narkunas, Sigitas Paulavicius, Kestutis Subacius, Enn Tarto, Antanas Terleckas, Jonas Petkevicius, Ints Calitis, Jadvya Petkeviciene, Jonas Protusevicius, Sigitas Randis, Endel Ratas, Henrikas Sambore, Julius Sasnauskas, Leonora Sasnauskaite, Algis Statkevicius, Erik Udam, Petras Sidzikas, Arvidas Cedanavicius, Vladas Sakalys, Jonas Serksnas, Zigmas Sirvinskas, Mecislovas Juravicius, Priest Virgilijus Jaugelis.

The Baltic Republics—Lithuania, Estonia, Latvia—have been included in the composition of the USSR independent of the will of the peoples of these countries—in essence as a result of occupation by troops of the USSR.

Dedicated to the principle of equality and self-determination of nations, respecting the right of every nation to manage its fate independently, we consider that in the given historical situation, the question of the self-determination of Lithuania, Latia and Estonia must be decided by means of a referedum, conducted in each one of these countries under conditions which provide for a free expression of the people.

We support the appeal of the respresentatives of Lithuania, Estonia and Latvia to examine the violation of the right of the peoples of these countries to self-determination and their rights to freely determine their own destiny.

Dated: August 23, 1979.

MALVA LANDA.
VIKTOR NEKIPELOV.
TATIANA VELIKANOVA.
ANDREI SAKHAROV.
ARINA GINZBURG.

1981 STATUS REPORT OF THE SIGNERS OF THE 1979 BALTIC MEMORANDUM

Arrested: Liutauras Kazakevicius, Julius Sasnauskas, Antanas Terleckas, Mart Niklus, Algis Statkevicius, Mecislovas Jurevicius.

Psychiatric institutions: Petras Sidzikas, Arvidas Cekanavicius.

Deceased: Zigmas Sirvinskas, Priest Virgilijus Jaugelis.

Compulsory resettlement: Alfonsas Andriukaitis.

Escaped to West: Vladas Sakalys.●

DID REAGAN REPLACE THE FORMAL GRAIN EMBARGO WITH A DE FACTO EMBARGO?

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Arkansas (Mr. ALEXANDER) is recognized for 15 minutes.

● Mr. ALEXANDER. Mr. Speaker, President Reagan, during the 1980 campaign, made much ado about the grain embargo on the Soviet Union which was disadvantaging the American farmer.

After taking office, Secretary of State Alexander Haig and Agriculture Secretary John Block got into an unseemly dispute over whether the embargo ought to be lifted. Secretary Block called for the lifting of the embargo and the resumption of grain sales to the Soviet Union. Secretary Haig, on the other hand, sought to continue the embargo to demonstrate to the Soviets the new administration's policy of "linkage."

While the debate lingered on in the Cabinet, farm prices drifted lower as the prospect of regaining the Soviet market dimmed.

Finally, after a good deal of public agonizing, the President lifted the embargo and the American farmer heaved a sigh of relief, assuming that negotiations for the sale of U.S. grain would be quickly renewed with Soviet trade officials.

Unfortunately, Secretary Haig continued his opposition to grain sales to the Soviet Union and the bureaucratic infighting continued as before. The result: commodity prices have slipped to dangerous lows and the promise of expanded exports has diminished.

The Washington Post reported Monday, July 20, that the White House had moved to end the bureaucratic infighting by placing it under the leadership of Ambassador Bill Brock at the office of the Special Trade Representative.

Many of my colleagues may not know that the 5-year grain agreement between the United States and the U.S.S.R. expires in September. The issue of renegotiating that agreement has been confused by the absence of policy consensus since the decision by President Carter to suspend grain sales in January 1980 and the decision by President Reagan to end the suspension earlier this year.

The central policy question is: Under what conditions will the Soviets be allowed to purchase U.S. grain and in what amounts? The 1975 U.S.-U.S.S.R. agreement provided assurances that the Soviets would buy at least 6 million tons of grain and could buy up to 8 million tons each year. In addition, after consultations with the United States, they were authorized to buy more for each of the last 3 years. When President Carter suspended exports in 1980, the Soviets had contracted for 25 million tons of grain. They ultimately received only the 8 million tons provided for in the 1975 agreement.

The central political question is: Can the President satisfy his instincts to curb trade with the Soviet Union to maintain his tough foreign policy stance while retaining his support among farmers who voted for him because he offered to lift the embargo? There is a suspicion that the President would like to have it both ways. He has formally lifted the embargo but has done virtually nothing to restore the trade agreement with the Soviet Union.

It makes no sense to replace a formal trade embargo with a de facto embargo enforced by indecision and delay. I hope that the President has not adopted such a cynical policy.

As for the Soviets, they have been moving with dispatch to line up grain supplies from Argentina, Brazil, Canada, and other countries. Still, they will need to purchase a portion of their requirements from the United States. I am informed that over a month ago in London, Soviet officials indicated their willingness to initiate additional purchases and renew the purchase agreements at the earliest possible date.

It is time to stop the bureaucratic squabbling and reach a policy consensus. If it is truly the policy of the administration to help farmers by negotiating a new grain sales agreement with the Soviet Union, then Messrs. Haig, Block, and Brock should get on with the task while there is still time to salvage something from this year's crop.

If it is the policy of the administration to maintain a de facto embargo, permitting—even encouraging—the policy differences between the State and Agriculture Secretaries, it will not take the American farmer long to figure out what is going on.

Mr. Speaker, when a farmer plants his crop, he does not have the luxury of delaying until a time which would insure that his harvest would come when prices are highest. I suggest the administration does not have the luxury of delaying until the political costs are lowest to move ahead with renegotiating the grain deal with the Soviets.●

THE TAX CUT—A SUBJECT TO PURSUE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts (Mr. FRANK) is recognized for 30 minutes.

Mr. FRANK. Mr. Speaker, we have just heard some disquisition on the tax bill and it seems to me that that is a subject we ought to be pursuing. As a member of the Banking Committee, I heard this week extensively from Paul Volcker, the Chairman of the Federal Reserve Board. He made it very clear, although tact and his interest in good relationships with the administration kept him from being quite explicit himself, one of the most serious consequences that will eventuate if we were to adopt a tax bill which committed us now irrevocably to three rounds of tax cuts—and I should just like to say, Mr. Speaker, that it seems to me unfortunate semantically that we have fallen into a pattern of talking about 1-year tax cuts, 2-year tax cuts, or 3-year tax cuts. These are forever tax cuts. None of these tax cuts are triggered to destruct at the end of 1, 2, or 3 years. We are not talking about a 1-, 2-, or 3-year cut. We are talking about cutting once forever, or two times or three times, or until a later Congress undoes a tax cut.

To those of us in elected office today, the notion that there will someday be a body of elected officials prepared to raise taxes seems indeed a very wonderous and fantastic one. We are assuming these tax cuts are here for a long time.

What we have is a situation, then, economically where we are being asked to lock ourselves in today to 3 years of fairly substantial tax reductions. I believe substantial tax reductions are desirable. I believe that proper stimuli to investment, to capital formation, are desirable. I believe that dealing with the problem of inflation as it has hit tax brackets is essential. It costs a lot more money to be rich than it used to cost, Mr. Speaker,

and our tax code does not reflect that. We have to adjust it for that purpose.

The question is not whether we should cut taxes and not by and large the amount we should cut them in the near term. The question is, given a time of raging inflation—and economists can sense this, which may in fact augur poorly for the accuracy of the fact—but there is at least an economist consensus that the underlying rate of inflation, the basic inflation rate in the economy, remains higher than the recent drops in the Consumer Price Index would indicate. The recent drops in the Consumer Price Index have been welcome, but they have been tied in substantial part to a leveling off of oil prices as conservation and previous higher prices have taken their toll on usage and they reflect, as well, some very special circumstances in the agricultural area.

We cannot count on those drops in the CPI to continue. We cannot either claim that they are a result of national economic fiscal and monetary policy. There remains a serious problem with a rate of inflation, and particularly a rate of interest rates, that is, to many segments of the economy, intolerable.

Interest rates have remained for a long time at rates that most of us had come to associate with illegal activity. The prime rate today is at a level which, when I was growing up in Jersey City, other people used to get when they loaned you money, not banks; people who had more efficient and rugged collection methods.

The question is: Are we at all concerned about high interest rates? That is where Mr. Volcker comes in. Mr. Volcker made it very clear in his 4 hours of testimony, which he graciously spent before the Banking Committee, that he intends to keep money very tight and, consequently, interest rates very high. He is not seeking higher interest rates as an end in itself, but higher interest rates are the inevitable and accepted consequences of his tight money policy. He intends to keep the money policy as tight as it can be as long as we have inflation, and particularly, he says, as long as we are faced with Federal deficits.

The problem we face is that the financial community in particular has been always skeptical of the Congress and the President's ability to bring inflation under control, particularly to reduce Federal deficits.

We have had what some say is an anomaly, but it is a costly one and one that the economy is having trouble bearing up under, of the inflation premium on interest rates being far higher than it usually is, of the interest rates on long-term bonds in particular—so essential for capital work, so essential for our municipalities and State governments, as well as to the private sector in doing capital construction and investment—the rate on long-term bonds has been staggeringly high.

The clear message of Mr. Volcker's testimony is that for the Congress this week to lock itself into three rounds of tax cuts which will, on paper, produce staggering deficits in years 1983 and 1984 would, in fact, have a very negative impact on our interest rate situation.

The Chairman of the Federal Reserve Board has made it very clear that he and his conferees on the Board intend to keep money tight and to keep interest rates high as long as the deficits persist.

Nothing we could do in this Congress would send more of a negative message about inflation and deficits than adopting the third year of tax cuts, the third round of tax cuts. We cannot constitutionally lock ourselves into spending cuts. There is no way that Congress can this year vote in a binding fashion spending reductions for fiscal year 1983 or fiscal year 1984. Certainly not in any way remotely approaching the degree of tax reduction we are voting.

What that means is that the financial markets, the Federal Reserve Board, and others whose expectations and views will have an enormous impact on interest rates will, in fact, respond in a way that says inflation is going to continue and interest rates will continue. The effect of higher interest rates we found even in Washington, D.C.—now it is often speculated on as to whether or not reality can ever pierce the confines of the Capital, and it has a very difficult time. Washington's bulwarks against crude reality are perhaps as well developed as any fortification since the Great Wall of China.

But high interest rates and the consequent problems in the real estate market have breached our fortress. People in Washington who have been participants in the great game of musical chairs, of buying real estate and selling it at inflated prices, are stuck. For the first time we have people here in Washington, D.C., with property they cannot sell. The housing market, whether it is a question of selling homes or constructing homes, is in the worst doldrums it has been in in the memory of most of us.

This has an enormously depressing economic effect and it has an enormously depressing social effect. For the first time, perhaps, since the depression, a generation of young Americans in their twenties, young people who are married, who earn incomes it seems to them by historical standards adequate for a decent lifestyle, who are about to enter the phase of family formation, are finding that they simply cannot afford a home.

The average price for a new home, shown by FHA figures, in the Northeast for the last quarter, was $94,000. The average interest rate was 16.75 percent. If one can save up $20,000, a pretty good feat for some young people, and put that down as a down payment, they have to finance $70,000 in loans at 16.75 percent. They are paying double numbers in the thousands without, in the first year, without having done a thing to reduce the principal.

□ 1540

These are the consequences of interest rates remaining at such intolerably high figures. We have, I believe, a responsibility as Members of this Congress to deal with this problem of high interest rates.

We, I thing, do exactly the wrong thing in that regard by passing a third round of tax cuts without regard to what the inflation situation or the interest rate situation or the deficit situation will be at that time.

So the question is not whether we are talking about cutting taxes for only this year and next year. Of course, those tax cuts would remain in effect. The question is not whether a tax cut in fiscal year 1984 is a good idea. The question is: Is it sensible now, in the face of this inflation and the face of interest rates persisting far beyond the administration's expectations? According to their projections, particularly after they succeeded to the extent they succeeded in changing the spending patterns of the Federal Government, interest rates should have been lower by now.

We have the spectacle of the President telling us, "Don't believe Wall Street." This particular President tells us not to believe Wall Street because the financial community simply will not behave the way his scenario wants them to behave. That is the problem.

The question is, Do we make it conclusive? The question is not whether a third round of tax cuts is or is not a good idea. The question is whether a third round is something to which we should commit ourselves now irrevocably. No one thinks that a tax cut voted now would be altered or diminished or watered down 2 or 3 years from now, certainly not in a year when we are facing a Presidential election. Congress or the President facing a 1984 election would not in fact raise taxes.

So we face the prospect of voting now for tax cuts, along with massive spending increases on the defense side, with the overruns coming and the definite increases in defense that we voted this year, some of which are quite necessary and some of which are excessive.

I still do not understand what the supposed mission is of a World War II battleship. I mean to adhere to a principle I personally developed to vote for no weapon older than myself, because

I do not believe anyone or anything substantially older than I is going to be much good any more in a fight.

But with these increases in defense spending added to these decreases in revenue, much of which is a good idea, we build in a deficit on paper for fiscal year 1984 which is staggering, and the day we do that in a binding fashion is the day we will have a terribly negative effect on interest rates which affects the small business community, the construction market, the people who need homes, and a whole range of others in an absolutely devastating fashion.

Of course, there is an alternative. We could commit ourselves to the third year of tax cuts, to a third round—I keep forgetting my own semantic warning—and we could then commit ourselves to making spending reductions in equivalent amounts. The administration itself is already having difficulty providing for that new round of spending reductions. The fact is that the administration, if this tax bill goes through and if it gets its third round, will by its own terms have to make allowance for tens of billions of dollars in additional spending reductions.

If we look at Federal Government spending and set aside defense, where in fact they want to increase it, if we set aside the safety net, which is at varying dimensions and has a very tensile strength but which certainly takes up a certain percentage of the budget, we find that what is left is not a substantial part of the Federal budget, and its ability to sustain further cuts is not very great.

That is why the administration has had the extraordinary dilemma of trying to cope with the problem of social security. While the President campaigned quite sincerely on a promise never to cut social security benefits, he now finds he has to cut social security benefits.

I know we were told that the proposal the President made was not a cut in existing benefits in respect to the people getting a cost-of-living increase. We were told that we were not cutting the benefits; we were going to postpone them. But the increases due now are the increases coming July 1, and the President's proposal was that they would not come until October 1. There was, however, under the President's proposal the proposal that there would be no retroactivity. There was to be on October 1 no backpayment to June, July, August, and September.

Mr. Speaker, I rent an apartment down here, and I guess I have a lease that expires sometime. If that lease expires on July 1, I would like to go to my landlord and tell him, "I am not going to pay for June, July, August, or September. I am going to reduce them. I am just not going to pay you for July, August, or September. I will pay you October 1."

I do not think even congressional immunity would keep me housed; I think I would be evicted under those circumstances.

I think the older people who are receiving social security have every right to consider the cancellation of increases for July, August, and September as a flat reduction. I do not think the President wanted to do that. I do not think he is unmindful of the needs of the elderly. It is true, simply with the minimum benefit, that for many people the minimum benefit of $122 is not very much, but for many, many others it is the difference between absolute degrading, grinding poverty and a little chance for dignity in their lives. People will not starve in the absence of the minimum benefit, but there are older Americans who have worked very hard and have built their lives, up to the ages of 70 and 80, on the expectation of including that minimum benefit, and that minimum benefit for many of them is, 20, 30, or 40 percent of their income.

Take away 30 or 40 percent of their meager income and see what it does to their lifestyles. The disruption of the lifestyles of these innocent elderly people is not something that the President easily decided to do. He is forced to do that—forced, I believe, in a self-imposed way, but nonetheless forced.

If we enact a third round of tax reductions without a trigger, if we commit ourselves irrevocably to that third round of tax cuts, we put no money in anybody's pocket for 2 years. When we talk about a fiscal year 1984 tax reduction, to that effect we are not talking about anybody being worse off in the intervening period. We are arguing now that it would be prudent to wait, that we hope the economy would be in a situation where further tax reductions would be possible, but that inflation could be a problem.

The alternative, as I say, is to give the wrong signals about inflation and to confront ourselves with a dilemma about spending cuts. I think the members of the administration understand that. I think that is why there has been a campaign.

The Senator from New York, Senator MOYNIHAN, aptly characterized this as terrorism, as "political terrorism." It is a conscious effort to persuade older people to accept a reduction of their benefits. It is a conscious effort to say to older people that their benefit level simply cannot be sustained.

I do not think that that is morally acceptable, and I do not think it is economically necessary. I think we can find the resources to meet our various needs without substantially disrupting or diminishing what they get.

But if we now do the third round of tax cuts, the inflationary impact and the high interest rate impact of that commitment would be very great. We should be very clear about this. If we adopt now a third round of tax cuts and we project the spending that is likely to take place, we will be voting for the largest deficits in the history of the U.S. Government. We will be voting for deficits that are close to $100 billion a year.

If we do that, it will in itself, I think, be a serious economic mistake, and it will also generate pressures on us in return to make some reductions in spending that some people may not find acceptable. That does not mean that we should not make reductions in spending.

I voted, Mr. Speaker, today against today's appropriation. I voted against the Clinch River breeder reactor and the Tennessee-Tombigbee waterway and a few others that seemed to me to be excessive spending proposals.

It seems that sometimes we operate in a kind of time machine. According to the administration, on programs like social security or housing for the elderly or other necessary programs, we are told that this is 1981, not 1965, and we have to be careful how we spend; we have to economize, we have to cut back. But then, on the other hand, we take up these waterway projects and take up some of the other projects which may indeed be attractive but which I do not think we can afford, and then, boom, it is 1965 again. We manage to get ourselves transported back in time.

So I think we greatly exacerbate our dilemma if we vote to commit ourselves now to a third round of tax reductions. That, as I say, is the issue. It is the issue we ought clearly to be addressing. There are other issues, however, with regard to tax reductions that I think have to be addressed. The gravest one, I think, is the new option that is taking place, and that is to reduce the taxes on the oil industry.

□ 1550

Of all the beleaguered and inflation ridden and negatively affected groups that exist in our society and who are in need of relief at this time, I would guess that a poll of the public or of economists or of any sector would put the oil industry rather low on that particular totem pole. We are told by some that the windfall profit tax was a terrible blow, but it does not seem, for instance, to have diminished the effectiveness of Conoco to a host of suitors. There is massive bidding war going on now for Conoco without any further tax breaks to the oil industry.

Despite that, we have the unseemly spectacle of both parties, I am unhappy to have to say, engaging in an auction for the fortunes of the oil industry.

We are told that we are going to take care in the Democratic tax bill of the independents, the little guys, we are told. We are supposed to conjure up, I suppose, some rugged figure striding alone on his 2 or 3 acres.

In fact, as I understand our bill, the definition of independents is people who have up to 500 barrels a day. At $32 a barrel, that is $16,000 a day gross income.

Mr. Speaker, I understand why they call them independents. I could be pretty independent with that kind of activity. That would guarantee my independence.

Mr. CONYERS. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I yield to the gentleman from Michigan.

Mr. CONYERS. Mr. Speaker, I want to thank the gentleman for yielding and commend him for beginning this colloquy in preparation for our last week in connection with the debate that will flow around the tax bill.

I would like to remind the gentleman that a number of Members in the Congress joined with the Congressional Black Caucus with a tax alternative that was included within the alternative budget that the Congressional Black Caucus presented on May 6 in this body. I cannot recall whether my colleague in the well had joined with us in that.

Mr. FRANK. Mr. Speaker, if the gentleman will yield back to me briefly, yes, I was proud to vote for what I thought was a very excellent budget that the caucus put forward.

Mr. CONYERS. I thank the gentleman for refreshing my memory.

I would like to just review, if I can for a few moments, some of the considerations that were raised in that regard. It seems to me that the tax bill has raised a number of questions. I am very pleased that the Democratic Study Group quoted the Congressional Black Caucus alternative as providing—and this is a direct quote:

> The largest and fairest tax cut of any of the proposals before the House.

And to further quote them:

> As taking the boldest step of any proposal being offered to the House to deal with the Federal deficit.

Now, it follows from that that the House Budget Committee in fiscal year 1982 has found that the tax expenditure will amount to $266 billion; namely, more than one-third of the total directed outlays for fiscal year 1982. This raises some rather enormous questions.

I would like to ask my colleague in the well whether he has information about whether or not there will be an opportunity to discuss this proposal that was introduced relative to the tax question in May or whether he has some other alternative.

Mr. FRANK. I did not quite get all of that. Could the gentleman refresh me? Is that the tax proposal of the President that was introduced, or does the gentleman mean the one in the Black Caucus budget?

Mr. CONYERS. Yes; in our budget there was a tax proposition that was raised, but not disposed of because it was inappropriate.

Mr. FRANK. I appreciate the gentleman's question. I think we ought to point out, as I remember, that was the most fiscally responsible budget of the four on which we voted. It had the smallest deficit. It provided a tax reduction of an important sort, while also providing some tax equity by closing down some unproductive loopholes.

Unfortunately, to date the rules under which we have debated some very important questions on tax and on budget matters have not allowed for adequate discussion. Indeed, as the gentleman from Michigan knows, one of the problems we face is that it is rumored that we would be dealing with tax legislation next week of the most far-reaching sort, again without what many of us would consider an adequate opportunity to discuss it.

So I would hope that we could prevail, those of us who would be in a majority, on the question of structuring the rules so that there could be a debate and a discussion that would allow for full hearing of the very many genuine merits of that tax package.

Mr. CONYERS. Well, will the gentleman yield further?

Mr. FRANK. I would be glad to yield?

Mr. CONYERS. Does the gentleman contemplate a proposal that might be adequately taken up under the rule and under that subject matter for next week?

Mr. FRANK. I have not yet seen the tax bill, and being in an out-party and not the other, that means I am not yet ready to vote for it. If I were in the other party I would not have to. Seeing is no prerequisite to believing, certainly to acting on it; but I have seen the outlines of a proposal proposed by our colleague, the gentleman from Wisconsin (Mr. OBEY) and the gentleman from Arizona (Mr. UDALL), modified some at the suggestion of the gentlewoman from Maryland (Ms. MIKULSKI). It is a proposal which resembles the proposal that the Black Caucus put forward in several respects. It does not conform as much as I think I or the gentleman or the authors of the amendment might like because of the time constraints; but it does come closer, I think, in its general outlines than any other proposal.

Mr. CONYERS. Will the gentleman yield further?

Mr. FRANK. Yes; I yield.

Mr. CONYERS. This then follows in a way the same scenario that occurred on the debate of the budget itself. If my memory serves me correctly, the gentleman from Wisconsin (Mr. OBEY) in fact offered an alternative budget proposal which followed along the lines of the Congressional Black Caucus. It was certainly far superior to either the administration or the majority proposals, and so I am very happy to tell my colleague in the well and the rest of my colleagues in the House that they may anticipate the Rules Committee granting the same allotment or some fair allotment of time, that they will have an opportunity to review and to reconsider the merits of the proposal offered by the Congressional Black Caucus in the original budget.

In other words, what we have done is broken out the tax proposal and have introduced that separately and presently calling upon the Rules Committee to grant additional time; so we may be in a very related operation in which we may if the beneficience and wisdom of the leadership in the House and the decision of the Rules Committee obtains, we will have the Obey-Udall proposal, the Congressional Black Caucus proposal, as well as the administration proposal and the majority proposal.

Mr. FRANK. I thank the gentleman.

Mr. SHANNON. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I would be glad to yield to my friend, the gentleman from Massachusetts.

Mr. SHANNON. Mr. Speaker, I would like to commend my colleague, the gentleman from Massachusetts, and my colleague, the gentleman from Michigan.

I know that during the course of this debate on tax policy there has not been much of an opportunity for those Members of the House outside of the Ways and Means Committee to state their positions on these very important issues. I think that that is unfortunate, because certainly whatever the ultimate shape of the tax bill which will be sure to be enacted this year, it is going to be affecting the course of the economy and all our lives and the lives of all the people we represent for years to come. So I think it is wholly appropriate that Members should go to the Rules Committee and express their positions and certainly over the next few days try to broaden the debate as best they can.

I think it also important to point out that until this morning when the administration unveiled its latest proposal, nobody knew what the alternatives were going to be. In fact, there has not been sufficient time for anybody to analyze them.

Mr. FRANK. Well, if the gentleman will allow me to reclaim my time briefly, as the gentleman well knows there are Members on the other side who do not want to know. They follow the

principle in voting of the need-to-know basis and the only one who needs to know is the author of the amendment. Those who merely vote for it are not considered. It is a security-conscious administration, I understand that. They are simply carrying out that principle. There is no point in reading an amendment just because you are expected to vote for it.

Mr. SHANNON. Well, as the gentleman knows, I have been spending much of my time for the last few weeks talking to Members from the other side of the aisle and what I have heard time and time again from them, particularly from those Members from our region of the country, is that they do not know what the final proposals will be, so they really cannot say how they are going to vote when the vote is cast next week.

Well, I guess that excuse is gone now, but one thing is clear and that is in the last closing days of this debate on tax policy, an element has entered into the debate which I think should concern all of us here and that is the question of oil taxes.

Now, we on the Ways and Means Committee did not want to do anything to tinker with the windfall profit tax or deal with this energy at all. Our chairman and our members were quite candid about that.

We wanted the administration to express its willingness to take oil out of the picture, so that we would not have to consider it in the context of this economic recovery program.

The administration and the Republicans in the Senate were unwilling to do that, so it did enter into the picture.

Now, that has added a very disturbing new element, which is a real serious attack by the administration as of its proposal today on the very windfall profits tax itself. I think it is something which should cause concern to all Americans, but particularly to those Americans from our region of the country.

Mr. FRANK. If I can reclaim my time briefly, I think the gentleman can perform a service by sharing his views. I say the gentleman from Massachusetts has been in the Ways and Means Committee one of those who have fought for a tax cut that is truly productive and stimulative and also equitable.

I think the gentleman might scoop the Nation by telling them some of what is in that particular set of oil tax breaks that was unveiled today by the President.

□ 1600

Mr. SHANNON. It is unclear. If I can take a little of the gentleman's time, it is unclear exactly what the total price tag on this proposal is going to be.

But what is clear is that the administration's new proposal has taken out the tighteners on the oil tax, on the multinational oil companies that the Ways and Means Committee included, and has doubled the size of the tax cut that the oil companies would get. We are talking about $16 billion in tax relief to oil producers in the administration's latest proposal.

I cannot understand how any American, particularly Members of Congress from the Northeastern part of the United States, of whatever party, can support this tremendous giveaway to the oil companies, and that is what it has become, I am afraid to say.

Mr. CONYERS. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I yield to the gentleman from Michigan.

Mr. CONYERS. I would like to ask through the gentleman who has the time a question of the member of the Ways and Means Committee. The latest information I have, and the gentleman may help me out here, is that the administration is now bargaining with a new sweetener to top the Democratic proposal so that they may win back the conservative Democratic votes that apparently have fallen in line as a result of the oil giveaways put on through the committee, onto the committee bill. Could I get some enlightment on that?

Mr. FRANK, I will be glad to yield to the gentleman, but first I would like to point out that that is what I believe. Sometimes in a restaurant that is what is called one of those nonnutritional sweeteners, because it certainly is not going to do anything to the economy.

I will yield to the gentleman from Massachusetts.

Mr. SHANNON. That certainly has happened. There is no question about it. Once the energy area entered into the debate, a number of Democratic Members who were reluctant to get into this at all, but were forced into it by the administration, supported a proposal which would have cost less than half in the energy area of what the administration's proposal will cost the taxpayers and the energy consumers of this country. We are talking about a $16 billion tax break for oil producers at a time when oil prices continue to go up.

Mr. CONYERS. If the gentleman will continue to yield, is that the administration proposal or the committee proposal?

Mr. SHANNON. That is the administration proposal.

Mr. CONYERS. Is that their latest proposal or is that the latest one the gentleman knows of?

Mr. SHANNON. That is the proposal as of this morning. There might be another proposal this afternoon. I think there have been five administration proposals since we first started talking about taxes, but the latest one I heard of was released this morning, and that is the one that contained the big oil giveaway.

Mr. CONYERS. Can the gentleman advise me which one has the biggest giveaway?

Mr. SHANNON. The administration's proposal, the so-called Hance-Conable II, III, IV, whichever number this is, the latest Hance-Conable proposal has the biggest giveaway to the oil companies by a wide margin.

Mr. CONYERS. Does that then jeopardize the small balance in which the administration, in which the majority of the House of Representatives assumed that they would be able to carry the day in this? After all, it is about time we, the majority of the House, won one in this incessant goround with the administration.

Mr. SHANNON. If I could take some time from the gentleman, I am not as concerned about winning or losing as I am concerned about what is going to happen to the economy of this country if we make tax policy in the way in which the administration indicates it wishes to make tax policy.

Mr. BEDELL. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I am glad to yield to the gentleman from Iowa (Mr. BEDELL).

Mr. BEDELL. I want to address the gentleman from Michigan in regard to the proposal I understand may come forth from the Black Caucus. I felt that some of the proposals of the Black Caucus in regard to the budget showed a great deal of creativity and were, indeed, tremendous proposals. Are you working on some proposals that might be of similar importance to our country in that regard?

Mr. CONYERS. Mr. Speaker, will the gentleman yield to me?

Mr. FRANK. I yield.

Mr. CONYERS. We are taking that same language and have already rewritten it into a legislative package, and are introducing it for consideration for the next week. We are prayerful that the Rules Committee will grant us time so that this proposal can at least minimally be considered. The question is what will it do?

Mr. BEDELL. If the gentleman will yield further, it would certainly be my hope at the minimum you would have the opportunity to get the information on that out to all of the Members. It is my personal belief that a great many Members did not realize just what was in the proposal by the Black Caucus in regard to the budget, which not only would have given, in my opinion, greater encouragement for business expansion and reinvestment in business, but also move toward a balanced budget. I felt that the big problem was people did not understand.

I have great problems with what I see happening here in regard to tax legislation.

It seems to me that the situation is the same as if we were in a poker game and everyone is trying to raise everybody else. The only problem is the chips we are playing with are great big chips of taxpayers' money that are apparently in the latest bid going to go to special-interest groups. I would hope again that the people would be aware of what seems to be happening is the administration is now apparently trying to outbid the Ways and Means Committee, and I personally want to commend those people who have some responsibleness, who come forward such as the gentleman from Michigan and say that we had better take a look at what has happened.

I guess there is some truth to the fact that we better move fairly quickly or everything we have in America will be given away as everybody tries to outbid everybody else.

Mr. CONYERS. If the gentleman will yield again to me, I appreciate this. Since we have a very important and valuable member of the Ways and Means Committee on the floor who has indulged us in this discussion so far, and I am personally grateful for him doing that, I would like to now posit this question. Is there a chance that the committee, chaired by the distinguished gentleman from Illinois (Mr. ROSTENKOWSKI) will try to meet the administration's new bid and raise it? Is there a possibility that we can have one last crack at this by reopening the oil boondoggle and offer some additional sweeteners to make sure that those Members who may now be attracted and swinging gradually over to their original administration position, since there were 29 of them I understand who supported the budget and created the problems that we are now confronted with, is there a chance now that the committee can meet the administration and raise it?

Mr. FRANK. I would say before yielding to the gentleman from Massachusetts that I share the views of the gentleman from Michigan. We should note that the gentleman from Massachusetts (Mr. SHANNON) has been among the virtuous on the Ways and Means Committee.

Mr. CONYERS. Absolutely. There is no question.

Mr. FRANK. But I would now turn to the gentleman from Massachusetts (Mr. SHANNON) for an inside report from the Ways and Means Committee.

Mr. SHANNON. I would like to think we are all virtuous on the Ways and Means Committee, at least on our side of the Ways and Means Committee. We have completed our deliberations. I think it is open record. Everybody knows that there was no unanimous agreement among Democrats on the Ways and Means Committee as to every single element that is in the bill. We have tried to accommodate the wishes of the various parts of our party and the various parts of our country, and I think we have done a pretty good job of it.

But the principle upon which we have worked is that when this tax bill is enacted by the Congress it should be a tax bill that addresses the needs of the average working American. It should not be a tax bill which skews all of the benefits just toward high-income earners, It should not be a tax bill that skews all of the benefits just toward large business corporations. It should not be a tax bill which takes from the pockets of the average individuals, working families and gives it to the oil companies or the large business corporations.

I think we have done a pretty good job of structuring a tax bill that all Democrats, in the final analysis, should be able to support. I am happy to say we have completed our work. The committee has completed its work and it has reported a bill which will be considered.

Mr. FRANK. If the gentleman will yield back for a moment, I wish somebody else would complete their work so that we could complete our work.

Mr. SHANNON. I am sure that is going to happen imminently. At least I hope so. But I am happy to say we have completed our work, and while I do not agree with every single word of that work product or every detail of it, I think it is a product which we can be proud of. That is not to say that others should not have other ideas.

□ 1610

And certainly I urge all of my colleagues to express their ideas in the next few days, not to feel the least bit embarrassed about expressing those ideas at this point in the debate, because certainly the President has not been embarrassed about injecting a lot of new ideas into the debate in the very last days.

Mr. CONYERS. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I yield to the gentleman from Michigan.

Mr. CONYERS. On this matter of virtue, it is very important in the Congress that we not only preserve the virtue of all of the members of the Ways and Means Committee, but we preserve the consideration of virtue of all of the Members of the House of Representatives.

So let us not cherish this important principle just for the Democratic members of the Ways and Means Committee. I would like to extend it to everybody in the House of Representatives.

Now, the problem that evolves is that some are more virtuous than others. Therein lies the problem.

Mr. FRANK. Or the opportunity.

Mr. CONYERS. There is an abundance of virtue in the House of Representatives, but it is not coequally spread among the membership, nor even in the gentleman's committee as the gentleman must well know by now.

Mr. SHANNON. If the gentleman from Massachusetts will yield, certainly virtue is in the eye of the beholder. We on this side would define virtue differently than some Members of the other body might define it. But I think that the important thing is that in the next few days the American public has the ability to understand exactly what we are talking about here, because we are talking about policies that are going to affect the lives of every American, and we are past the point where we can just speak in slogans or speak in political bumper sticker terms. We are talking about who is going to get what, as far as tax policy is concerned, for the next decade, really. It is going to seriously affect the growth of our economy over the next decade, it is going to seriously affect all of our constituents, and I am just very pleased that our colleagues are so active in this debate.

Mr. LUNGREN. Mr. Speaker, will the gentleman yield?

Mr. FRANK. I yield to the gentleman from California.

Mr. LUNGREN. Mr. Speaker, I was sitting in my office watching this debate, just prior to going to the airport to fly back to California, but it was so interesting that I felt I would even possibly delay my visit out to California to join in this.

I would just like to ask, if the gentleman will yield me the time, the gentleman from Massachusetts, who is on the Ways and Means Committee, who seems to be complaining about the fact that "we do not know what the Republican bill is," could he tell this Member when the committee bill was ready? Because I asked for a copy of it yesterday about 6 o'clock, and we were told that in concept the democratically controlled Ways and Means Committee had agreed on what they wanted last week but they had not been able to work it up as of about 6 o'clock last night for any Member here in the House to get it. Could the gentleman tell me whether we have a print of that at the present time?

Mr. FRANK. I would be glad to yield to the gentleman from Massachusetts to respond to that, but I would point out to the gentleman from California that it can be very sticky here on the weekend. I would not want to endanger the gentleman's weekend.

Mr. LUNGREN. This is much more fun.

Mr. SHANNON. I am very happy that the gentleman raised that question. Quite definitely there were copies available last night at 6 o'clock. I am sorry that the gentleman was

unable to obtain a copy, but others of us had them available, and certainly I thing the Republican members of the committee had them available.

But I think the point that really has to be outlined is that this is really a revolutionary thing we are going through here. Normally the way legislation works is that the administration makes its proposals and then the committees work on those proposals and come to some conclusions and come to the floor of the House. Of course, this is a reversal. We have been working on this legislation for months, feeling that the administration had made its proposal, only to find out just a few days before we are going to vote on it that they have not yet made their proposal and that we have been working under a false assumption, and that is that their ideas on tax policy had been laid out to us at the beginning of our deliberations.

Mr. LUNGREN. Mr. Speaker, will the gentleman from Massachusetts yield further?

Mr. FRANK. I yield to the gentleman from California.

Mr. LUNGREN. I noted that there were comments by some of my friends on the other side of the aisle that somehow this tax bill development process had become somewhat of a bidding war and suggested that somehow those of us on this side of the aisle and this administration had voluntarily wanted to enter that.

I would just ask my friends on the other side of the aisle whether or not they recall the President asking for a clean bill, a simple bill on cutting the tax rates across the board and depreciation reform, and his request that we deal with all of these other things in a second bill, and whether my friends recall that that request was denied by the majority on the Ways and Means Committee.

So it seems rather difficult for me to accept the fact that the President of the United States and this side of the aisle ought to be criticized for being involved in a bidding war when in fact we requested that that war never begin and the President requested that we have just a pure bill to be dealt with at this time, and he was rebuffed in that effort.

Mr. SHANNON. If the gentleman will yield, let me say that nothing would have pleased me more than if the President had sent to us as his substitute to be offered next week that clean bill that he spoke about in the beginning of the year, and then we could hold our ideas up about tax policy and measure them against those ideas expressed in that clean bill. Nothing would have pleased me more if he would have stuck to his guns on that.

TAX BILL DEVELOPMENT PROCESS

(Without objection, Mr. BEDELL was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BEDELL. Mr. Speaker, does the gentleman from California agree that there has been a bidding war?

Mr. LUNGREN. Absolutely. One would have to have not listened around here, been around here, not had his eyes open around here to recognize that we had a bidding war, with the chairman of the Ways and Means Committee as the chief auctioneer, for the last several weeks.

Mr. BEDELL. Well, we could argue about who is the auctioneer, but I would submit that you only have a bidding war when several people are bidding. And one can bid or not bid. I think legitimately there can be criticism of more than one person, but I do not believe you can say that somebody who is in a bidding war was not one of those who helped contribute to cause the war to go on.

Mr. LUNGREN. If the gentleman will yield, the gentleman will admit the fact that even though the Republicans make up about 46 percent of the House of Representatives, when we got a split of 23 Democrats on the Ways and Means Committee and 12 Republicans on the Ways and Means Committee, the game was stacked somewhat against us, and we did not have, in essence, control of the game. When you are involved in a game, you have got to play the game the way the referee tells you to play the game. Unfortunately, we have got a situation where the majority party not only in some cases is the opposition in terms of the game that is being played, but also the referee.

Mr. BEDELL. I do not agree with the gentleman at all

Mr. LUNGREN. I did not think the gentleman would.

Mr. BEDELL. If the gentleman agrees with what he says, the fact is that both parties are at fault, in the opinion of the gentleman from Iowa.

THE LATE JOHN S. KNIGHT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. PEPPER) is recognized for 5 minutes.

● Mr. PEPPER. Mr. Speaker, the passing of John S. Knight was a momentous loss to America and to the world. On the 16th day of June after a day's work at the office, in the home of a friend, John S. Knight, herculean figure that he was, passed this life into another. John S. Knight was one of the great empire builders of America. Few men have the ability and the good fortune to be able to build an empire from the ground up to an institution of magnificent proportions. At 83, John S. Knight could see the Knight-Ridder Newspapers as his empire, built with his own hand and head and heart. One of the great newspaper enterprises of the Nation and the world had risen from the Akron Beacon-Journal and the Miami Herald by the genius and the determination of John S. Knight. Years before he reached the end, it was all put together and thriving by the sure hand of John S. Knight. He was not only a great publisher but he had received the Pulitzer Prize for his own writing. He used to religiously write a column which gained for him admiration and honors. John Knight's long life embraced sunshine and shadow, many joys and many sorrows; but he had such equanimity of spirit and such stability of character that he never lost his head or his brave heart whether fortune smiled or frowned upon him. He established standards of propriety, integrity, and quality in the publication of newspapers and he stood fearlessly by those standards whether what his papers said was popular or unpopular.

John Knight was not an uncertain friend. While he was not a man to throw his affections wildly about, he respected those who were honest and courageous in their views even if they differed from his and he had contempt for those who were hypocrits. John Knight has made the press of America better. He has immeasurably added to the stature of his State and his country and to the free world. He has left a large place upon this Earth upon which he played so great a part. His work will live into the long future and he will stand as a stalwart figure of our time in the memories and records of millions.

A beautiful service for Mr. Knight was held on June 23 and upon that occasion, one of those brilliant men who had helped Mr. Knight to achieve his great success, who had been constantly by his side as his coworker, confidante and friend, Lee Hills, director of the Knight-Ridder Newspapers and editorial chairman emeritus of those papers, with eloquence and moving beauty, delivered the eulogy at the Church by the Sea in Bal Harbour. None was closer to Mr. Knight than Lee Hills. None knew him better, and none could speak of him more understandingly and compassionately than Mr. Lee Hills. I, therefore, Mr. Speaker, include following my remarks the eulogy of Mr. Knight by Mr. Lee Hills in the body of the RECORD:

[From the Miami Herald, June 24, 1981]

MIAMI FRIENDS PAY RESPECTS TO KNIGHT

Only John S. Knight could pack that many editors into a church, let alone get them to sing.

Knight, the father of Knight-Ridder Newspapers and editor emeritus of The Miami Herald, appeared to be smiling wryly from his black-draped portrait at the

Church By the Sea Tuesday morning as his relatives, his employes, and his friends worked their way, rather rustily, but with feeling, through four stanzas of Isaac Watt's 18th-Century hymn, *Our God, Our Help in Ages Past.*

Knight died last week at 86, in Akron, Ohio. He was buried there last Saturday. Tuesday morning he was eulogized in the same church where he married his third wife, Elizabeth Augustus, who died earlier this year.

The Rev. Ernest Simon officiated at the ceremony.

"Lift us above the shadow and the sadness of mortality into the light of Thy countenance," he prayed. "Into Thy keeping we commit the soul of Thy servant, John S. Knight, confident that he will live with Thee for all eternity."

Standing in the pulpit at the edge of the church's sanctuary, which twinkled with the light of seven-branched candelabra, Lee Hills, editorial chairman emeritus of The Miami Herald and Knight-Ridder Newspapers, told the congregation of more than 200 people that they ought not to feel too sad at the "terrible finality of death."

Instead, Hills said, "Let us celebrate the fact that we witnessed a life lived long and well."

For Knight, Hills said, "was interested in everything. He loved horse racing and football, politics and world affairs, with genuine relish. He was a natural athlete and a champion golfer. He knew how to calculate the odds, whether in dice or in newspaper acquisitions. He played the percentages and he always played to win."

The reference to dice-playing drew some quiet chuckles. One of Knight's reputed exploits was his winning $5,000 in a craps game on a homeward-bound troop ship at the end of World War I.

"Entrepreneur, reporter, sportsman, business executive, a writer of clarity and grace, publisher, philanthropist, columnist—but first and last an editor. Nothing else was a close second," Hills said.

Irascible too Hills was bound to admit. He said Knight's marriage to Betty Augustus six years ago rejuvenated him, that her benign influence was appreciated by more people than just her husband.

"He . . . proudly proclaimed himself the 'new Knight'—he was patient, sweet, lovable, contented and agreeable."

Pause. "Well, up to a point," Hills said, and the mourners smiled again.

"When I commented one day that he was never irascible anymore, he said he would probably prove me wrong in 24 hours. He did. He picked up one of his papers and complained that the type was too small to read."

Hills concluded: "And so, Jack, we are here today to say goodby to you as we did so recently to Betty. We honor you, not with tears, but with unforgettable remembrance. We shall miss you personally as a friend. We shall miss you professionally as a colleague."

TEXT OF EULOGY FOR KNIGHT

(Here is the text of the eulogy for John S. Knight, editor emeritus of Knight-Ridder Newspapers. It was delivered by Lee Hills, Knight-Ridder director and editorial chairman emeritus.)

We are gathered here to bid our last farewell to a remarkable man—father, brother, professional colleague and friend.

It is difficult not to be sad in the face of the terrible finality of death. But let's put that aside. Instead, let us be joyous, let us celebrate the fact that we witnessed a life lived long and well.

I stand here very humbly aware of the awesome assignment that I have to translate the deep emotions of the heart into language in some meaningful way.

John Shively Knight was not a person you would easily forget. Our memories of him are vivid and lasting.

He was a strong and forceful leader. He exuded confidence and what we call "presence," which enhanced his qualities of wisdom and intellect. He was not a person you overlooked. Wherever he sat was head of the table. By sheer strength of character, he achieved extraordinary stature.

For many years, from the time he and Jim Knight acquired The Miami Herald in 1937, he was conspicuous in the civic life of this community. He chaired committees and helped raise funds for a myriad of causes. People from all walks of life came to him for advice about the affairs of this, his second hometown. People would call and say every fall, "When is John Knight coming down? We need to talk to him." Freely given, that advice on more than one occasion rescued some local institution in trouble because of management or finances.

He was interested in everything. He loved horse racing and football, politics and world affairs, with genuine relish. He was a natural athlete and a champion golfer. He knew how to calculate the odds, whether in dice or in newspaper acquisitions. He played the percentages and he always played to win.

Jack had some flashes of his flamboyant and gifted father, C.L. Knight, and the caring and grace and humanity of his sensitive mother, Clara. It was a combination that made him a source of inspiration for those whose lives he touched. The more you knew him, the more you respected him.

He was equally at ease with presidents and printers, princes and preachers. He was a keen businessman with a hard-boiled, handsome flair that attracted both men and women.

His personal life was marked by great happiness and, yes, great tragedy, but he met the latter with courage of the highest order. He suffered sadness without surrender.

Some of his older friends remember with affection his first wife, Katie, mother of his three sons, and his second wife, Beryl, who shared nearly half his life.

He did not talk about it, but those close to him knew the strong thread of religious belief that ran through his life and of his many generous acts of charity.

If you read that his heart caused his death, don't believe it. There was nothing wrong with his heart, and it never failed him or anybody else. Indeed, he had a giant heart. His manner could sometimes be crusty and his wit caustic, but we remember him as a kind warm-hearted, dear friend. The heart governs understanding, and that was his special quality. It also ruled his unfailing sense of responsibility and public trust. He knew that ideals and traditions are not automatically carried on, so he worked to perpetuate them through others.

Jack Knight would not want us to linger long over his fabulous achievements. But he was a Renaissance man. He did it all:

Entrepreneur, reporter, sportsman, business executive, a writer of clarity and grace, publisher, philanthropist, columnist—but first and last an editor. Nothing else was a close second. In fact, he was at his office critiquing his papers the day he died.

He believed fiercely that newspapers must be independent editorially and economically, and that is the way he ran his. He practiced his profession of journalism with passion, energy and courage. He was an independent thinker. It was impossible to fit him into any slot. He loved being unpredictable.

He served his country in a variety of special missions. He repeatedly turned down bids to enter politics, and received countless letters from readers urging him to run for President. Over the years he was showered with honors.

His strong sense of integrity touched the lives of hundreds of journalists and millions of readers. He left a legacy of excellence.

In a career spanning most of this century, Jack Knight leaves an impressive mark on American journalism. As founder of today's most widely read newspaper group, his will be a continuing presence. Those who come after him have the guidance to continue the standards he set.

Jack's last five years were crowned with great happiness, brought by Betty Augustus Knight.

He not only loved Betty with all his heart—it was a joyful thing to see them together—but he also revered her in a way that made this a marriage of rare beauty—a wedding which was solemnized in this church.

He gave her full credit and proudly proclaimed himself the "new Knight"—he was patient, sweet, lovable, contented and agreeable—well, up to a point. When I commented one day that he was never irascible any more, he said he would probably prove me wrong in 24 hours. He did. He picked up one of his papers and complained the type was too small to read. That was typical. Jack would fret and stew over some minor annoyance, but if an editor or general manager really blew a big one when he was trying to do his best, Jack would usually comfort rather than scold him.

Betty brought a whole new dimension into Jack's life, and her large and loving family became part of it.

After she died last New Year's Day, he didn't get over it. He could not talk about her without a tear.

And so, Jack, we are here today to say goodby to you as we did so recently to Betty.

We honor you not with tears but with unforgettable remembrance.

We shall miss you personally as a friend.

We shall miss you professionally as a colleague.

You were one of us. We admire and respect you.

We love you, Jack, and we will treasure your memory.●

TAX BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. CONYERS) is recognized for 60 minutes and to revise and extend his remarks.

Mr. CONYERS. Mr. Speaker, I would like to raise a question with my colleagues, particularly the distinguished member of the Committee on Ways and Means, who is or was here, because in this bidding war we have now conceded exists on both sides of the aisle, the question that now revolves is whether the Democratic committee version, which has been report-

ed, as I understand it, probably sometime last night or this morning, whether this precludes them from any more bidding. Since the administration has now topped everybody, does this in fact jeopardize the consolidation of support and votes that surround the committee bill?

And I am very concerned that we find out what the answer is to this before we leave.

□ 1620

Mr. BEDELL. Mr. Speaker, will the gentleman yield?

Mr. CONYERS. I yield to the gentleman from Iowa.

Mr. BEDELL. It appears to me when you have a poker game with people bidding, you need to get in the game or you do not have to get in and bid. The concern I have is that there is presently a game going around everywhere. It is my contention, to make the excuse that you have to bid, is a very poor excuse. It appears to me very clearly what should be done by either the administration or the Ways and Means Committee is to put forth a proposal that they think is the best proposal and the proper proposal and that is the only way you can properly serve the American people.

If I read it correctly, that is exactly what the Black Caucus tried to do in the budget considerations as they put forth their proposal.

It would be my hope that the Black Caucus would do something similarly in regard to this opportunity and would not become involved in the poker game, but would simply say this is what I believe and would stand for that.

Mr. CONYERS. I thank the gentleman and I will continue to expect his support in these matters.

Mr. FRANK. Mr. Speaker, will the gentleman yield?

Mr. CONYERS. I yield to the gentleman from Massachusetts.

Mr. FRANK. I would like to say that I think this has served a useful purpose here today and I am glad that our colleague from across the aisle, from California, was stimulated to come and join the debate on the issues about which there has been too little discussion.

I am pleased to tell my colleagues and my friends I think it is now clear there will be amendments filed to this bill that will give us all a chance, we hope, to express some of our concerns.

The proper framework having been set in motion, I think we can rest assured as we adjourn today, that there will be an opportunity, if we continue to press, on Tuesday or Wednesday of next week, whenever the tax bill comes to the floor, for those of us who do not think the oil companies ought to be further cosseted and other special interests to be dealt with. I believe we will have an opportunity to do so.

Mr. CONYERS. Could I ask the gentleman from Massachusetts if he is familiar with this language—I am quoting:

> They went out and gave 2,500 wealthy speculators on the floors of the Chicago Board of Trade and other commodity exchanges a tax break of $400 million. Now couple that with what they have been doing in the oil fields, offering the oil producers 1,000-barrels-a-day exemption from the windfall profits tax; they do not have a poor man's bill, they are trying to buy their way to victory over us.

Mr. FRANK. I would have to confess that I am not familiar with that language.

Mr. CONYERS. Well, I was not either until very recently. It came from the Treasury Secretary, Mr. Donald Regan, talking about the Democratic version of the tax bill which is a little bit disappointing to me and makes it even more important that we consider as carefully as we can the implications of this measure.

I might say to my colleagues that after spending months debating the budget, for us to pass superficially or casually over the way that the tax laws of this country will be written and revised for the next several years, would be catastrophic to the national welfare, to the individual citizens and families in this country, and would be a very careless fulfillment of our obligation.

We write the tax laws; the House initiates them. It seems to me to be an incredibly important undertaking that commences next week.

Mr. FRANK. I was amused to learn that Donald Regan had that to say about tax provisions which the Republicans have now trumped and I await with eager anticipation and bated breath—which is different from a baited tax bill, which is what we also have—to see who it can attract. I am eager to see how ferociously the Secretary of the Treasury will denounce the tax bill, which his employer has sent over to us.

I am sorry our friend from California has left the floor, though I am pleased he may have caught the plane home. He asked when the Democratic tax bill was going to be printed, and through the good offices of my friend from Massachusetts, I have been presented with one.

So if the gentleman from California, as he packs, is listening, we do have a copy of H.R. 4242. We will leave it in the Republican cloakroom if he wants to pick it up for reading on the long flight home.

Mr. CONYERS. The gentleman's contribution has been very important. I would take further time to outline the congressional Black Caucus tax program, but it has been printed previously in the RECORD and there will be more consideration on it and it will be distributed to all of the Members starting on Monday.

Mr. Speaker, I yield back the balance of my time.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. GAYDOS (at the request of Mr. WRIGHT) for today, on account of personal reasons.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. SMITH of Oregon) to revise and extend their remarks and include extraneous material:)

Mr. LOTT, for 15 minutes, today.

Mr. GILMAN, for 5 minutes, today.

Mr. COLLINS of Texas, for 30 minutes, today.

(The following Members (at the request of Mr. HOYER) to revise and extend their remarks and include extraneous material:)

Mr. CROCKETT, for 5 minutes, today.

Mr. GONZALEZ, for 15 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. MONTGOMERY, for 5 minutes, today.

Mr. STRATTON, for 5 minutes, today.

Mr. ALEXANDER, for 15 minutes, today.

Mr. FRANK, for 30 minutes, today.

Mr. PEPPER, for 5 minutes, today.

Mr. ADDABBO, for 60 minutes, on July 27.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. AUCOIN, to revise and extend his remarks prior to the vote on the Coughlin amendment.

Ms. OAKAR, to revise and extend her remarks, on H.R. 4144, immediately before the vote in the Committee of the Whole today.

Mrs. BOGGS, to place in the RECORD a list immediately following her remarks in the deliberations in the Committee of the Whole today.

(The following Members (at the request of Mr. SMITH of Oregon) and to include extraneous matter:)

Mr. RITTER.

Mr. BROWN of Ohio.

Mr. WYLIE.

Mr. CRAIG.

Mr. BEARD in four instances.

Mr. BROOMFIELD.

Mr. MARRIOTT in two instances.

Mr. DORNAN of California.

Mr. PAUL.

Mr. SMITH of New Jersey.

Mr. CARNEY.

Mr. LUJAN.

Mr. HOPKINS.

Mrs. ROUKEMA.
Mr. GREEN.
(The following Members (at the request of Mr. HOYER) and to include extraneous matter:)
Mr. D'AMOURS.
Mr. KASTENMEIER.
Mr. WAXMAN in two instances.
Mr. MATSUI.
Mr. DYSON.
Mr. WEAVER.
Mr. GARCIA in two instances.
Mr. ALEXANDER.
Mr. PATTERSON.
Mr. MOAKLEY.
Mr. LEHMAN in two instances.
Mr. DIXON.
Mr. BINGHAM.
Mr. PEPPER.
Mrs. SCHROEDER.
Mr. ANDREWS.
Mr. RAHALL.
Ms. OAKAR.
Mr. DONNELLY.
Mr. OTTINGER.
Mr. MOFFETT.

ADJOURNMENT

Mr. HOYER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 25 minutes p.m.), under its previous order, the House adjourned until Monday, July 27, 1981, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1886. A letter from the Secretary of Health and Human Services, transmitting the third annual report on drug abuse prevention, treatment, and rehabilitation, covering fiscal year 1980, pursuant to section 405(b) of the Drug Abuse Office and Treatment Act of 1972, as amended (92 Stat. 1268); to the Committee on Energy and Commerce.

1887. A letter from the Assistant Legal Adviser for Treaty Affairs, Department of State transmitting copies of international agreements, other than treaties, entered into by the United States, pursuant to U.S.C. XXX 112b(a); to the Committee on Foreign Affairs.

1888. A letter from the Assistant Secretary of Housing and Urban Development for Adminstration, transmitting notice of a proposed new records system, pursuant to 5 U.S.C. 552a(o); to the Committee on Government Operations

1889. A letter from the Administrator of General Services, transmitting reports on building project surveys for Huntsville and Decatur, Ala. and Florence, Ala.; to the Committee on Public Works and Transportation.

1890. A letter from the Administrator of General Services, transmitting a prospectus proposing a succeeding lease for space located at 500 Dallas Avenue, Houston, Tex.; to the Committee on Public Works and Transportation.

1891. A letter from the Acting Comptroller General of the United States, transmitting an assessment of the reporting requirements of the Bank Secrecy Act (GGD-81-80, July 23, 1981); jointly, to the Committees on Government Operations and Banking, Finance and Urban Affairs.

1892. A letter from the Acting Comptroller General of the United States, transmitting a report on the fund distribution formula and management controls in the Head Start program (HRD-81-83, July 23, 1981); jointly, to the Committees on Government Operations and Education and Labor.

1893. A letter from the Acting Comptroller General of the United States, transmitting a report on consumer products advertised to save energy (HRD-81 -85, July 24, 1981); jointly, to the Committee on Government Operations and Energy and Commerce.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. HOWARD: Committee on Public Works and Transportation. H.R. 1855. A bill to grant the consent of Congress to the city of Boston to construct, maintain, and operate a causeway and fixed-span bridge in and over Fort Point Channel, Boston, Massachusetts, with amendments (Rept. No. 97-196). Referred to the Committee of the Whole House on the State of the Union.

Mr. HOWARD: Committee on Public Works and Transportation. H.R. 1898. A bill to designate the building known as the Quincy Post Office in Quincy, Massachusetts, as the "James A. Burke Post Office" (Rept. No. 97-197). Referred to the House Calendar.

Mr. HOWARD: Committee on Public Works and Transportation. H.R. 4182. A bill to extend the airport development aid program through fiscal year 1981 (Rept. No. 97-198). Referred to the Committee of the Whole House on the State of the Union.

Mr. JONES of North Carolina: Committee on Merchant Marine and Fisheries. H.R. 4074. A bill to revise the laws pertaining to the Maritime Administration with amendments (Rept. No. 97-199). Referred to the Committee of the Whole House on the State of the Union.

Mr. ZABLOCKI: Committee on Foreign Affairs. Report submitted pursuant to section 302 of the Congressional Budget Act of 1974 (Rept. No. 97-200). Referred to the Committee of the Whole House on the State of the Union.

Mr. ROSTENKOWSKI: Committee on Ways and Means. H.R. 4242. A bill to amend the Internal Revenue Code of 1954 to encourage economic growth through reductions in individual income tax rates, the expensing of depreciable property, incentives for small business, and incentives for savings and for other purposes (Rept. No. 97-201). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BEARD:
H.R. 4257. A bill to amend section 4205 of title 18 of the United States Code to provide in Federal criminal cases that two-thirds of a prison sentence must be served in order to be eligible for parole, and increasing to 25 years the portion of a life sentence or sentences of over 30 years that must be served to be eligible for parole; to the Committee on the Judiciary.

H.R. 4258. A bill to amend section 924 of title 18, United States Code, to revise the mandatory penalty for the use of a firearm during the commission of a felony, and for other purposes; to the Committee on the Judiciary.

H.R. 4259. A bill to amend titles 18 and 28 of the United States Code to eliminate, and establish an alternative to, the exclusionary rule in Federal criminal proceedings; to the Committee on the Judiciary.

By Mr. CONABLE (for himself and Mr. HANCE):
H.R. 4260. A bill to amend the Internal Revenue Code of 1954 to encourage economic growth through reduction of the tax rates for individual taxpayers, acceleration of capital cost recovery of investment in plant, equipment, and real property, and incentives for savings, and for other purposes; to the Committee on Ways and Means.

By Mr. BEARD.
H.R. 4261. A bill to amend the Controlled Substances Act and Controlled Substances Import and Export Act to provide mandatory minimum sentences for violations involving large quantities of marihuana, cocaine, and opium derivatives, and to establish conditions under which certain individuals may be denied bail; jointly to the Committees on the Judiciary and Energy and Commerce.

By Mr. CONYER:
H.R. 4262. A bill to amend the Internal Revenue Code of 1954 to encourage economic growth and improve fairness through reductions in individual income tax rates, reform of the treatment of depreciable property, incentives for small business, and for other purposes; to the Committee on Ways and Means.

By Mr. HENDON (for himself, Mr. JONES of North Carolina, Mr. FOUNTAIN, Mr. WHITLEY, Mr. ANDREWS, Mr. NEAL, Mr. JOHNSTON, Mr. ROSE, Mr. HEFNER, Mr. MARTIN OF NORTH CAROLINA, MR. BROYHILL, Mr. PHILLIP BURTON, Mr. CHENEY, Mr. CLAUSEN, Mr. DE LA GARZA, Mr. FOLEY, Mr. LUJAN, Mr. UDALL, Mr. WAMPLER, and Mr. YOUNG of Alaska):
H.R. 4263. A bill to authorize the Secretary of the Interior and the Secretary of Agriculture to designate the "Roy A. Taylor Forest" in the Nantahala National Forest, Jackson County, N.C. and erect appropriate signs and markings at a suitable location on the Blue Ridge Parkway to commemorate the "Roy A. Taylor Forest"; to the Committee on Interior and Insular Affairs.

By Mr. HUGHES:
H.R. 4264. A bill to amend chapter 207 of title 18 of the United States Code with respect to detention of defendants before trial in criminal cases; to the Committee on the Judiciary.

By Mr. LUJAN:
H.R. 4265. A bill to amend and supplement the acreage limitation and residency provisions of the Federal reclamation law, as amended and supplemented, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. MARRIOTT (for himself and Mr. MARTIN of New York):

H.R. 4266. A bill to amend the Strategic and Critical Materials Stock Piling Revision Act of 1979 in order to prescribe the method for determining the quantity of any material to be stockpiled under such act, and for other purposes; to the Committee on Armed Services.

By Mr. RINALDO:

H.R. 4267. A bill to require the inspection of imported meat and meat food products, to require the grading of meat and meat food products, to require the Secretary of Agriculture to establish a labeling system for meat and meat food products, and for other purposes; to the Committee on Agriculture.

By Mr. SANTINI:

H.R. 4268. A bill to provide hospital care facilities operated by the Veterans' Administration within a reasonable distance of veterans with service-connected disabilities who live in the area of Las Vegas, Nev.; to the Committee on Veterans' Affairs.

By Mr. UDALL (for himself, Mr. OBEY, Mr. REUSS, Mr. FAZIO, Mr. LOWRY of Washington, Mr. D'AMOURS, Mr. SABO, Mr. MCHUGH, Mr. MILLER of California, Mr. GORE, Mr. OBERSTAR, and Mr. WAXMAN):

H.R. 4269. A bill to amend the Internal Revenue Code of 1954 to reduce individual and business income taxes, and for other purposes; to the Committee on Ways and Means.

By Mr. WILLIAMS of Montana:

H.R. 4270. A bill requiring the use of underground structures for public buildings whenever appropriate; to the Committee on Public Works and Transportation.

By Mr. GONZALEZ:

H. Res. 196. Resolution providing for the impeachment of Paul A. Volcker, Chairman of the Board of Governors of the Federal Reserve System; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 116: Mr. LAGOMARSINO and Mr. HOYER.

H.R. 123: Mr. GINGRICH.

H.R. 1914: Mr. HOYER.

H.R. 2322: Mr. ANNUNZIO and Mr. DANNEMEYER.

H.R. 2859: Mr. JAMES K. COYNE.

H.R. 3262: Mr. MURPHY, Mr. CLAY, Mr. PATTERSON, Mr. WOLPE, Mr. KRAMER, Mr. LOWRY of Washington, Mr. BAFALIS, Mr. KILDEE, Mr. BEDELL, and Mr. SIMON.

H.R. 3268: Mr. NELSON.

H.R. 3375: Mr. SMITH of Iowa and Ms. OAKAR.

H.R. 3412: Mr. EDWARDS of Oklahoma, Mr. WAXMAN, Mr. PEASE, Mr. LOWRY of Washington, Mr. LUNDINE, Mr. DYMALLY, Mr. CONYERS, Mr. NEAL, Mr. STUDDS, and Mr. WEAVER.

H.R. 3465: Mr. WOLPE and Mrs. HOLT.

H.R. 3485: Mr. GRAMM.

H.R. 3599: Mr. JEFFRIES.

H.R. 3911: Mr. MURPHY, Mrs. CHISHOLM, Mr. OTTINGER, Mr. WOLPE, and Mr. LEBOUTILLIER.

H.R. 3958: Mr. LOWRY of Washington, Mr. LAFALCE, Mr. ADDABBO, Mr. SCHUMER, Mr. CHAPPELL, Mr. RAILSBACK, Mr. HANSEN of Idaho, Mr. DICKS, and Mr. BOWEN.

H.R. 3960: Mr. FAZIO and Mr. GOODLING.

H.R. 4059: Mr. DAUB.

H.R. 4074: Mr. HUGHES, Mr. BREAUX, Mr. BONKER, Mr. FOGLIETTA, Mr. DYSON, Mr. HUTTO, Mr. OBERSTAR, Mr. ANDERSON, Mr. SNYDER, Mr. FORSYTHE, Mr. PRITCHARD, Mr. YOUNG of Alaska, Mr. LENT, Mr. EMERY, Mr. EVANS of Delaware, Mr. DAVIS, Mr. CARNEY, Mr. DOUGHERTY, Mr. SHUMWAY, Mr. FIELDS, Mrs. SCHNEIDER, Mr. SHAW, and Mr. BOWEN.

H.R. 4212: Mr. DYSON, Mr. LEHMAN, Mr. DAUB, and Mr. BROOMFIELD.

H.J. Res. 174: Ms. MIKULSKI, Mr. MATSUI, Mr. TRAXLER, Mr. WRIGHT, Mr. TAUZIN, Mr. ROSENTHAL, Mr. DICKS, Mr. COTTER, Mr. BARNARD, Mr. RAILSBACK, Mr. ALEXANDER, Mr. FINDLEY, Mr. GRISHAM, Mr. O'BRIEN, Mr. DIXON, Mr. DAUB, Mr. EVANS of Delaware, Mr. DYMALLY, Mr. YATRON, Mr. BREAUX, Mr. BARNES, Mr. GREEN, Mr. FRANK, Mr. HUNTER, Mr. WEBER of Ohio, Mrs. SMITH of Nebraska, Mr. BROWN of Ohio, Mr. YOUNG of Missouri, Mr. WAMPLER, Mr. SMITH of Iowa, Mr. HOWARD, Mr. PHILLIP BURTON, Mrs. BOUQUARD, Mr. MARKEY, Mr. BOLAND, Mr. BOWEN, Mr. OTTINGER, Mr. JACOBS, Mr. EMERY, and Mr. HAMILTON.

H. Con. Res. 160: Ms. OAKAR.

H. Res. 101: Mr. BEDELL.

H. Res. 176: Mr. AUCOIN.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

147. By the SPEAKER: Petition of the Democratic Club of North Dade, North Miami Beach, Fla., relative to Israel's strike at Iraq's nuclear facility; to the Committee on Foreign Affairs.

148. Also, petition of the City Council, New York, N.Y., relative to Raoul Wallenberg; to the Committee on the Judiciary.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 3275

By Mr. SENSENBRENNER:

—Strike all after the enacting clause, and insert in lieu thereof the following:

That this Act may be cited as the Civil Rights Commission Authorization Act of 1982.

SEC. 2. Section 106 of the Civil Rights Act of 1957 (42 U.S.C. 1975e), as amended is further amended to read as follows:

"SEC. 106. For the purposes of carrying out this Act, there is hereby authorized to be appropriated for the fiscal year ending September 30, 1982, the sum of $12,318,000 together with such additional amounts as may be necessary for increases in salary, pay, retirement, and other employee benefits authorized by law which arise subsequent to the date of the enactment of the Civil Rights Commission Authorization Act of 1982.".

H.R. 4242

By Mr. ALEXANDER:

(Amendment offered by Mr. ALEXANDER to the Michel-Conable substitute.)

—At the appropriate place in title I insert the following new section:

SEC. . TAX REDUCTIONS TAKE EFFECT ONLY AFTER A BALANCED FEDERAL BUDGET ACHIEVED.

(a) GENERAL RULE.—Notwithstanding any provision of this subtitle—

(1) no amendment made by this subtitle shall apply to any taxable year beginning before the calendar year described in subsection (b), and

(2) the amendments made by this subtitle shall apply to any taxable years beginning in the calendar year described in subsection (b) and in calendar years thereafter in the same manner as they would have without regard to this section.

(b) YEAR IN WHICH AMENDMENTS TAKE EFFECT.—For purposes of subsection (a), the calendar year described in this subsection is the first calendar year (after 1980) which begins after the close of a fiscal year with respect to which the Secretary of the Treasury determined that there was no deficit in the Federal budget.

—Add at the end of subtitle A of title I the following new section:

SEC. 103. TAX REDUCTIONS TAKE EFFECT ONLY AFTER A BALANCED FEDERAL BUDGET ACHIEVED.

(a) GENERAL RULE.—Notwithstanding any provision of this subtitle—

(1) no amendment made by this subtitle shall apply to any taxable year beginning before the calendar year described in subsection (b), and

(2) the amendments made by this subtitle shall apply to taxable years beginning in the calendar year described in subsection (b) and in calendar years thereafter in the same manner as they would have without regard to this section.

(b) YEAR IN WHICH AMENDMENTS TAKE EFFECT.—For purposes of subsection (a), the calendar year described in this subsection is the first calendar year (after 1980) which begins after the close of a fiscal year with respect to which the Secretary of the Treasury determined that there was no deficit in the Federal budget.

(Amendment offered by Mr. ALEXANDER: to the Obey substitute.)

—At the appropriate place in title I insert the following new section:

SEC. . TAX REDUCTIONS TAKE EFFECT ONLY AFTER A BALANCED FEDERAL BUDGET ACHIEVED.

(a) GENERAL RULE.—Notwithstanding any provision of this subtitle—

(1) no amendment made by this subtitle shall apply to any taxable year beginning before the calendar year described in subsection (b), and

(2) the amendments made by this subtitle shall apply to taxable years beginning in the calendar year described in subsection (b) and in calendar years thereafter in the same manner as they would have without regard to this section.

(b) YEAR IN WHICH AMENDMENTS TAKE EFFECT.—For purposes of subsection (a), the calendar year described in this subsection is the first calendar year (after 1980) which begins after the close of a fiscal year with respect to which the Secretary of the Treasury determined that there was no deficit in the Federal budget.

By Mr. PHILLIP BURTON:

—Strike from H.R. 4242 title V (tax straddles) in its entirety, and substitute therefore the following language:

SECTION 1. SHORT TITLE; AMENDMENT OF 1954 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Straddle Tax Act of 1981".

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. POSTPONEMENT OF RECOGNITION OF LOSSES, ETC.

(a) GENERAL RULE.—Part VII of subchapter O of chapter 1 (relating to wash sales of stock or securities) is amended by adding at the end thereof the following new section:

"SEC. 1092. STRADDLES.

"(a) GENERAL RULE.—In the case of a straddle—

"(1) that portion of any loss with respect to such straddle which exceeds the recognized gain with respect to such straddle shall be treated as sustained not earlier than the close of the balanced period, and

"(2) the running of the holding period for each position which is part of such straddle shall be suspended for the balanced period.

"(b) STRADDLE DEFINED.—For purposes of this section—

"(1) IN GENERAL.—The term 'straddle' means offsetting positions with respect to personal property.

"(2) OFFSETTING POSITIONS.—A taxpayer holds offsetting positions with respect to personal property if there is a substantial diminution of the taxpayer's risk of loss from holding any position with respect to personal property by reason of his holding 1 or more other positions with respect to personal property (whether or not of the same kind).

"(3) PRESUMPTION.—

"(A) IN GENERAL.—For purposes of paragraph (2), 2 or more positions shall be presumed to be offsetting if—

"(i) the positions are customarily treated as offsetting positions (whether or not such positions are called a straddle, butterfly, or any similar name),

"(ii) the aggregate margin requirement for such positions is lower than the sum of the margin requirements for each such position (if held separately), or

"(iii) there are such other factors as the Secretary may by regulations prescribe as indicating that such positions are offsetting.

"(B) PRESUMPTION MAY BE REBUTTED.—Any presumption established pursuant to subparagraph (A) may be rebutted if the taxpayer establishes to the satisfaction of the Secretary that the positions were not offsetting.

"(c) BALANCED PERIOD.—

"(1) IN GENERAL.—For purposes of this section, the term 'balanced period' means any period during which the taxpayer holds the straddle plus the 30-day period after the day on which the positions which make up the straddle cease to be offsetting.

"(2) SHORTENING OF 30-DAY PERIOD WHERE TAXPAYER DISPOSES OF ALL POSITIONS.—If, before the close of the 30-day period specified in paragraph (1), the taxpayer disposes of all of the positions which make up a straddle, the balanced period shall be treated as ending on the day on which the taxpayer makes the last such disposition.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PERSONAL PROPERTY.—The term 'personal property' means—

"(A) commodities,

"(B) evidences of indebtedness,

"(C) currency, and

"(D) any other type of personal property (other than publicly traded stock which is not commodity substitute stock).

"(2) POSITION.—

"(A) IN GENERAL.—The term 'position' means an interest (including a futures contract or option).

"(B) SUCCESSOR POSITION.—If the taxpayer (within the period beginning 30 days before and ending 30 days after the date of the disposition of a position) acquires a successor position, such successor position—

"(i) shall be treated as the same position as the position to which it succeeds, and

"(ii) shall be treated as held on each day which intervenes between the disposition of the interest which it succeeds and the day on which such successor interest is acquired.

For purposes of the preceding sentence, personal property acquired by the taxpayer pursuant to a futures contract, option, or other interest shall be treated as a successor position to such interest.

"(3) POSITIONS HELD BY RELATED PERSONS, ETC.—

"(A) IN GENERAL.—In determining whether two or more positions are offsetting, the taxpayer shall be treated as holding any position held by a related person.

"(B) RELATED PERSON.—For purposes of subparagraph (A), a person is a related person to the taxpayer if—

"(i) the relationship between such person and the taxpayer would result in a disallowance of losses under section 267 or 707(b), or

"(ii) such person and the taxpayer are under common control (within the meaning of subsection (b) or (c) of section 414).

For purposes of clause (i), an individual's family shall consist only of such individual, such individual's spouse, and a child of such individual who has not attained the age of 18.

"(C) CERTAIN FLOW-THROUGH ENTITIES.—If part or all of the gain or loss with respect to a position held by a partnership, trust, or other entity would properly be taken into account for purposes of this chapter by a taxpayer with respect to whom the entity is not a related person, then, except to the extent otherwise provided in regulations—

"(i) such position shall be treated as held by the taxpayer, and

"(ii) the offsetting positions held by the taxpayer shall be treated as held by the entity.

"(4) PUBLICLY TRADED STOCK; COMMODITY SUBSTITUTE STOCK.—

"(A) PUBLICLY TRADED STOCK.—The term 'publicly traded stock' means any stock of a corporation which is regularly traded on an established securities market.

"(B) COMMODITY SUBSTITUTE STOCK.—The term 'commodity substitute stock' means any stock of a corporation 80 percent or more in value of the business and investment assets of which consist of interests in commodities. For purposes of this subparagraph, the term 'business and investment assets' means assets used or held for use in the trade or business, and assets held for investment.

"(e) EXCEPTION FOR HEDGING TRANSACTIONS.—This section shall not apply in the case of any hedging transaction (as defined in section 1256(e)).

"(f) CROSS REFERENCE.—

"For provision requiring capitalization of certain interest and carrying charges where there is a straddle, see section 263(g)."

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for such part VII is amended by adding at the end thereof the following new item:

"Sec. 1092. Straddles."

(2) The heading for such part VII is amended to read as follows:

"PART VII—WASH SALES; STRADDLES".

(3) The table of parts for subchapter O of chapter 1 is amended by striking out the item relating to part VII and inserting in lieu thereof the following:

"PART VII—WASH SALES; STRADDLES".

SEC. 3. CAPITALIZATION OF CERTAIN INTEREST AND CARRYING CHARGES IN THE CASE OF STRADDLES.

Section 263 (relating to capital expenditures) is amended by adding at the end thereof the following new subsection:

"(g) CERTAIN INTEREST AND CARRYING COSTS IN THE CASE OF STRADDLES.—

"(1) GENERAL RULE.—No deduction shall be allowed for interest and carrying charges properly allocable to personal property which is part of a straddle (as defined in section 1092(b)). Any amount not allowed as a deduction by reason of the preceding sentence shall be chargeable to the capital account with respect to the personal property to which such amount relates.

"(2) INTEREST AND CARRYING CHARGES DEFINED.—For purposes of paragraph (1), the term 'interest and carrying charges' means—

"(A) interest on indebtedness incurred or continued to purchase or carry the personal property, and

"(B) amounts paid or incurred to insure, store, or transport the personal property.

"(3) EXCEPTION FOR HEDGING TRANSACTIONS.—This subsection shall not apply in the case of any hedging transaction (as defined in section 1256(e))."

SEC. 4. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

(a) GENERAL RULE.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1256. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

"(a) GENERAL RULE.—For purposes of this subtitle—

"(1) each regulated futures contract held by the taxpayer at the close of the taxable year shall be treated as sold for its fair market value (and any gain or loss shall be taken into account for the taxable year),

"(2) proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account by reason of paragraph (1),

"(3) any gain or loss with respect to a regulated futures contract shall be treated as—

"(A) short-term capital gain or loss, to the extent of percent of such gain or loss, and

"(B) long-term capital gain or loss, to the extent of percent of such gain or loss, and

"(4) if all the offsetting positions making up any straddle consist of regulated futures contracts to which this section applies, sections 1092 and 263(g) shall not apply with respect to such straddle.

"(b) REGULATED FUTURES CONTRACTS DEFINED.—For purposes of this section, the term 'regulated futures contract' means a contract—

"(1) which requires delivery of personal property (as defined in section 1092(d)(1)) or an interest in such property,

"(2) with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market, and

"(3) which is subject to the rules of a domestic board of trade or domestic exchange or of any foreign board of trade or foreign exchange which the Secretary determines has rules adequate to carry out the purposes of this section.

"(c) TERMINATIONS.—The rules of paragraphs (1), (2), and (3) of subsection (a)

shall also apply to the termination during the taxable year of the taxpayer's obligation with respect to a regulated futures contract by taking or making delivery or otherwise. For purposes of the preceding sentence, fair market value at the time of the termination shall be taken into account.

"(d) ELECTIONS WITH RESPECT TO MIXED STRADDLES.—

"(1) ALL POSITIONS UNDER MARK TO MARKET.—The taxpayer may elect to have this section apply to all positions of each mixed straddle of the taxpayer in the same manner as if all such positions were regulated futures contracts.

"(2) ALL POSITIONS UNDER SECTION 1092.—The taxpayer may elect to have this section not to apply to all regulated futures contracts—

"(A) which are part of a mixed straddle, and

"(B) which, before the close of the day on which acquired by the taxpayer, are clearly identified as being part of a mixed straddle.

"(3) TIME AND MANNER.—An election under paragraph (1) or (2) shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(4) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under paragraph (1) or (2) shall apply to the taxpayer's taxable year for which made and to all subsequent taxable years, unless the Secretary consents to a revocation of such election.

"(5) MIXED STRADDLE.—For purposes of this subsection, the term 'mixed straddle' means any straddle (as defined in section 1092(b)) if at least one (but not all) of the positions which are a part of such straddle are regulated futures contracts.

"(e) MARK TO MARKET NOT TO APPLY TO HEDGING TRANSACTIONS.—

"(1) SECTION NOT TO APPLY.—Subsection (a) shall not apply in the case of a hedging transaction.

"(2) DEFINITIONS.—

"(A) HEDGING TRANSACTION.—For purposes of this subsection, the term 'hedging transaction' means any transaction if—

"(i) such transaction is entered into by the taxpayer in the normal course of the taxpayer's trade or business primarily to reduce risks from price movements of inventory held or to be held by the taxpayer, and

"(ii) before the close of the day on which such transaction was entered into, the taxpayer clearly identifies such transaction as being a hedging transaction.

"(B) INVENTORY.—For purposes of this subsection, the term 'inventory' means property described in paragraph (1) of section 1221.

"(3) SPECIAL RULE FOR SYNDICATES.—

"(A) IN GENERAL.—Notwithstanding paragraph (2)(A), the term 'hedging transaction' shall not include any transaction entered into by a syndicate.

"(B) SYNDICATE DEFINED.—For purposes of subparagraph (A), the term 'syndicate' means any partnership or other entity (other than a C corporation)—

"(i) if at any time interests in such entity have been offered for sale in any offering required to be registered with any Federal or State agency having authority to regulate the offering of securities for sale, or

"(ii) if more than 35 percent of the losses of such entity during any period are allocable to limited partners or limited entrepreneurs.

"(C) DEFINITIONS.—For purposes of this paragraph—

"(i) C CORPORATION.—The term 'C corporation' means any corporation other than an electing small business corporation (as defined in section 1371(b)).

"(ii) HOLDING ATTRIBUTABLE TO ACTIVE MANAGEMENT.—An individual shall not be treated as a limited partner or limited entrepreneur with respect to any entity for any period during which such individual actively participates in the management of such entity.

"(f) SPECIAL RULES.—

"(1) DENIAL OF CAPITAL GAINS TREATMENT FOR PROPERTY IDENTIFIED AS PART OF A HEDGING TRANSACTION.—For purposes of this title, gain from any property shall in no event be considered as gain from the sale or exchange of a capital asset if such property was at any time identified under subsection (e)(2)(A)(ii) by the taxpayer as being part of a hedging transaction.

"(2) SUBSECTION (a)(3) NOT TO APPLY TO ORDINARY INCOME PROPERTY.—Paragraph (3) of subsection (a) shall not apply to any gain or loss which, but for such paragraph, would be ordinary income or loss."

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following new item:

"SEC. 1256. REGULATED FUTURES CONTRACTS MARKED TO MARKET."

SEC. 5. CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.

Section 1212 (relating to capital loss carrybacks and carryovers) is amended by adding at the end thereof the following new subsection:

"(c) CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.—

"(1) IN GENERAL.—If a taxpayer (other than than a corporation) has a net commodity futures loss for the taxable year and elects to have this subsection apply to such taxable year, the amount of such net commodity futures loss—

"(A) shall be a carryback to each of the 3 taxable years preceding the loss year, and

"(B) to the extent that, after the application of paragraphs (2) and (3), such loss is allowed as a carryback to any such preceding taxable year—

"(i) percent of the amount so allowed shall be treated as a short-term capital loss from regulated futures contracts, and

"(ii) percent of the amount so allowed shall be treated as a long-term capital loss from regulated futures contracts.

"(2) AMOUNT CARRIED TO EACH TAXABLE YEAR.—The entire amount of the net commodity futures loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried back under paragraph (1). The portion of such loss which shall be carried to each of the 2 other taxable years to which such loss may be carried back shall be the excess (if any) of such loss over the portion of such loss which, after the application of paragraph (3), was allowed as a carryback for any prior taxable year.

"(3) AMOUNT WHICH MAY BE USED IN ANY PRIOR TAXABLE YEAR.—An amount shall be allowed as a carryback under paragraph (1) to any prior taxable year only to the extent—

"(A) such amount does not exceed the net commodity futures gain for such year, and

"(B) the allowance of such carryback does not increase or produce a net operating loss (as defined in section 172(c)) for such year.

"(4) NET COMMODITY FUTURES LOSS.—For purposes of paragraph (1), the term 'net commodity futures loss' means the lesser of—

"(A) the net capital loss for the taxable year determined by taking into account only gains and losses from regulated futures contracts, or

"(B) the sum of the amounts which, but for paragraph (6)(A), would be treated as capital losses in the succeeding taxable year under subparagraphs (A) and (B) of subsection (b)(1).

"(5) NET COMMODITY FUTURES GAIN.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'net commodity futures gain' means the lesser of—

"(i) the capital gain net income for the taxable year determined by taking into account only gains and losses from regulated futures contract, or

"(ii) the capital gain net income for the taxable year.

"(B) SPECIAL RULE.—The net commodity futures gain for any taxable year before the loss year shall be computed without regard to the net commodity futures loss for the loss year or for any taxable year thereafter.

"(6) COORDINATION WITH CARRYFORWARD PROVISIONS OF SUBSECTION (b)(1).—

"(A) CARRYFORWARD AMOUNT REDUCED BY AMOUNT USED AS CARRYBACK.—For purposes of applying subsection (b)(1), if any portion of the net commodity futures loss for any taxable year is allowed as a carryback under paragraph (1) to any preceding taxable year—

"(i) percent of the amount allowed as a carryback shall be treated as a short-term capital gain for the loss year, and

"(ii) percent of the amount allowed as a carryback shall be treated as a long-term capital gain for the loss year.

"(B) CARRYOVER LOSS RETAINS CHARACTER AS ATTRIBUTABLE TO REGULATED FUTURES CONTRACT.—Any amount carried forward as a short-term or long-term capital loss to any taxable year under subsection (b)(1) (after the application of subparagraph (A)) shall, to the extent attributable to losses from regulated futures contracts, be treated as loss irom regulated futures contracts for such taxable year.

"(7) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) REGULATED FUTURES CONTRACT.—The term 'regulated futures contract' means any regulated futures contract (as defined in section 1256(b)) to which section 1256 applies. Such term includes any position treated as a regulated futures contract under section 1256(d)(1).

"(B) EXCLUSION FOR ESTATES AND TRUSTS.—This subsection shall not apply to any estate or trust."

SEC. 6. CERTAIN GOVERNMENTAL OBLIGATIONS ISSUED AT DISCOUNT TREATED AS CAPITAL ASSETS.

(a) GENERAL RULE.—Section 1221 (defining capital asset) is amended by striking out paragraph (5) and by redesignating paragraph (6) as paragraph (5).

(b) TREATMENT OF AMOUNTS RECEIVED ON SALE OR OTHER DISPOSITION.—Subsection (a) of section 1232 (relating to bonds and other evidences of indebtedness) is amended by adding at the end thereof the following new paragraph:

"(4) CERTAIN SHORT-TERM GOVERNMENT OBLIGATIONS.—

"(A) IN GENERAL.—On the sale or exchange of any short-term Government obligation, any gain realized which does not exceed an amount equal to the pro rata share of the acquisition discount shall be treated as ordinary income. Gain in excess of such amount shall be considered gain from the sale or exchange of a capital asset held less than 1 year.

"(B) SHORT-TERM GOVERNMENT OBLIGATION.—For purposes of this paragraph, the term 'short-term Government obligation' means any obligation of the United States

or any of its possessions, or of a State or any political subdivision thereof, or of the District of Columbia which is issued on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year from the date of issue. Such term does not include any obligation the interest on which is not includible in gross income under section 103 (relating to certain governmental obligations).

"(C) ACQUISITION DISCOUNT.—For purposes of this paragraph, the term 'acquisition discount' means the excess of the stated redemption price at maturity over the taxpayer's basis for the obligation.

"(D) RATABLE SHARE.—For purposes of this paragraph, the ratable share of the acquisition discount is an amount which bears the same ratio to such discount as—

"(i) the number of days which the taxpayer held the obligation bears to

"(ii) the number of days after the date the taxpayer acquired the obligation and up to (and including) the date of its maturity."

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (D) of section 1231(b)(1) is amended by striking out "paragraph (6)" and inserting in lieu thereof "paragraph (5)".

(2) Subparagraph (B) of section 341(c)(2) is amended by striking out "(and governmental obligations described in section 1221(5))".

SEC. 7. PROMPT IDENTIFICATION OF SECURITIES BY DEALERS IN SECURITIES.

Subsection (a) of section 1236 (relating to dealers in securities) is amended—

(1) by striking out "before the expiration of the 30th day after the date of its acquisition" and inserting in lieu thereof "before the close of the day on which it was acquired", and

(2) by striking out "expiration of such 30th day" and inserting in lieu thereof "close of such day".

SEC. 8. TREATMENT OF GAIN OR LOSS FROM CERTAIN TERMINATIONS.

(a) GENERAL RULE.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1234 the following new section:

SEC. 1234A. GAINS OR LOSSES FROM CERTAIN TERMINATIONS.

"Gain or loss attributable to the cancellation, lapse, expiration, or other termination of a right or obligation with respect to personal property (as defined in section 1092(d)(1)) which is (or on acquisition would be) a capital asset in the hands of the taxpayer shall be treated as gain or loss from the sale of a capital asset."

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by inserting after the item relating to section 1234 the following new item:

"Sec. 1234A. Gains or losses from certain terminations."

SEC. 9. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendment made by this Act shall apply to property acquired by the taxpayer after May 5, 1981, in taxable years ending after such date.

(b) IDENTIFICATION REQUIREMENTS.—

(1) UNDER SECTION 1236 OF CODE.—The amendments made by section 7 shall apply to property acquired by the taxpayer after the date of the enactment of this Act in taxable years ending after such date.

(2) UNDER SECTION 1256(e)(2)(A) OF CODE.—Clause (ii) of section 1256(e)(2)(A) of the Internal Revenue Code of 1954 (as added by this Act) shall apply to property acquired by the taxpayer after December 31, 1981, in taxable years ending after such date.

(c) ELECTION WITH RESPECT TO PROPERTY HELD ON MAY 5, 1981.—If the taxpayer so elects (at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe), the amendments made by this Act shall also apply to regulated futures contracts or personal property held by the taxpayer on May 5, 1981, effective for periods after such date in taxable years ending after such date. For purposes of the preceding sentence, the term "regulated futures contract" has the meaning given to such term by section 1256(b) of the Internal Revenue Code of 1954, and the term "personal property" has the meaning given to such term by section 1092(d)(1) of such Code.

(d) NO CARRYBACK TO YEARS ENDING BEFORE MAY 5, 1981.—No amount shall be allowed as a carryback under section 1212(c) of the Internal Revenue Code of 1954 to any taxable year ending on or before May 5, 1981.

—Strike from H.R. 4242, section 321, Exclusion of Interest on Certain Savings Certificates (the All Savers Plan).

Strike from H.R. 4260 (the Conable-Hance substitute to H.R. 4242), section 301, Exclusion of Interest on Certain Savings Certificates (the All Savers Plan).

By Mr. DASCHLE:

(An amendment to H.R. 4242, as reported, and to any amendment in the nature of a substitute to H.R. 4242, the Tax Incentive Act of 1981.)

—At the end of title I of the bill, insert the following new section:

SEC. . DELAY IN RATE REDUCTIONS FOR 1982, 1983, AND 1984 IF FEDERAL SPENDING EXCEEDS REVENUES.

(a) DELAYED APPLICATION.—

(1) IN GENERAL.—In the case of calendar years 1982, 1983, and 1984, if total outlays exceed total revenues for the fiscal year ending in such calendar year, the individual income tax rate and withholding schedules which would otherwise take effect for taxable years beginning in such calendar year shall not take effect.

(2) EXCESS OF OUTLAYS OVER REVENUES DETERMINED UNDER BUDGET RESOLUTION.—For purposes of paragraph (1), the determination of whether total outlays exceed total revenues for a fiscal year shall be such determination as specified in the second concurrent resolution on the budget (and any further concurrent resolution on the budget under section 310 of the Congressional Budget Act of 1974) adopted by the Congress before the end of the calendar year ending in such fiscal year.

(b) PRIOR YEAR'S SCHEDULE TO REMAIN IN EFFECT IF OUTLAYS EXCEED REVENUES.—If, by reason of subsection (a), schedules do not go in effect for taxable years beginning in a calendar year, the schedules in effect for taxable years beginning in the preceding calendar year shall continue to apply.

(c) RATE REDUCTIONS TO COMMENCE WHEN REVENUES EXCEED OUTLAYS.—If any scheduled tax reduction does not go into effect during the calendar year for which it is scheduled by reason of subsection (a), any reduction scheduled to go into effect in subsequent years shall take effect as scheduled unless precluded by the application of paragraph (1).

By Mrs. FENWICK:

—Strike out section 121 and insert in lieu thereof the following:

SEC. 221. ELIMINATION OF THE MARRIAGE PENALTY.

(a) IN GENERAL.—

(1) TAX IMPOSED.—So much of subsection (c) of section 1 (relating to tax imposed) as precedes the table is amended to read as follows:

"(c) UNMARRIED INDIVIDUALS (OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS) AND CERTAIN MARRIED INDIVIDUALS.—There is hereby imposed on the taxable income of—

"(1) every individual (other than a surviving spouse as defined in section 2(a) or the head of a household as defined in section 2(b)),

"(2) every married individual (as defined in section 143) who—

"(A) does not make a single return jointly with his spouse under section 6013,

"(B) who elects at such time and in such manner as the Secretary prescribes, to have this subsection apply, and

"(C) whose spouse elects, at such time and in such manner as the Secretary prescribes, to have the provisions of this subsection apply, a tax determined in accordance with the following table:".

(2) SPECIAL RULES FOR MARRIED INDIVIDUALS ELECTING SECTION 1(c).—Section 1 is amended by adding at the end thereof the following new subsection:

"(f) MARRIED INDIVIDUAL ELECTING SUBSECTION (c).—In the case of a married individual (as defined in section 143) who elects to have the provisions of subsection (c) apply with respect to his taxable income for any taxable year—

"(1) DEDUCTIONS AND DEPENDENT EXEMPTIONS.—The amount of any—

"(A) deduction allowable by part VI or VII of subchapter B to such individual or the spouse of such individual for the taxable year, or

"(B) personal exemption allowable under section 151(e) to such individual or the spouse of such individual for the taxable year,

shall be allocated between such individual and the spouse of such individual so that 50 percent of such amount is allocated (and allowed as a deduction) to such individual.

"(2) INCOME FROM JOINTLY OWNED PROPERTY.—The income (other than earned income) received by such individual and the spouse of such individual during the taxable year from property held by such individual and the spouse of such individual as tenants in common, joint tenants, or tenants by the entirety, shall be allocated between such individual and the spouse of such individual. The amount allocated to an individual under the preceding sentence shall be an amount which bears the same relationship to such income as the amount of such individual's gross income for the taxable year (determined without regard to this subsection) bears to the sum of—

"(A) such individual's gross income for the taxable year (determined without regard to this subsection), plus

"(B) the gross income of the spouse of such individual for the taxable year (determined without regard to this subsection).

"(3) COMMUNITY PROPERTY LAWS.—The computation of such individual's taxable income shall be made without regard to any community property laws.

"(4) EARNED INCOME.—For purposes of this subsection, the term 'earned income' has the meaning given such term in section 911(d)(2) or 401(c)(2)(C).".

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 1 is amended—

(A) by inserting "Certain" before "Married" in the heading thereof, and

(B) by inserting ", or who does not elect to have the provisions of subsection (c) apply," after "section 6013".

(2) Subsection (d) of section 63 (relating to the definition of taxable income) is amended—

(A) by inserting ", or who is married and makes an election under section 1(c)" before the comma at the end of paragraph (2), and

(B) by inserting "under section 1(d)" after "return" in paragraph (3).

(3) Clause (i) of section 6012(a)(1)(A) (relating to persons required to make returns of income) is amended—

(A) by striking out ", is not" and inserting in lieu thereof "and is not", and

(B) by inserting "or who is married (as so determined) and makes an election under section 1(c)," before "and for the taxable year".

(4) Subsection (c) of section 42 (relating to general tax credit) is amended by inserting "under subsection (d) of section 1" after "return".

(5) Section 44A (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(A) by inserting ", or a married individual who makes an election under section 1(c) for such year" after "year" the first place it appears in subsection (e)(1)(A),

(B) by inserting "and who has not so elected" after "year" the first place it appears in subsection (e)(1)(B),

(C) by inserting "Certain" before "Married" in the heading of subsection (f)(2), and

(D) by inserting "or make the election provided under section 1(c) for such year" before the period at the end of subsection (f)(2).

(c) FORMS.—The Secretary shall provide a form which enables a married individual electing the provisions of section 1(c) of the Internal Revenue Code of 1954 and the spouse of such individual to make their respective returns of income for the taxable year (required under section 6012 of such Code) on the same form.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

By Mr. FRANK:

—Strike out title V of the bill and insert in lieu thereof the following:

TITLE V—TAX STRADDLES

SEC. 501. POSTPONEMENT OF RECOGNITION OF LOSSES, ETC.

(a) GENERAL RULE.—Part VII of subchapter O of chapter 1 (relating to wash sales of stock or securities) is amended by adding at the end thereof the following new section:

SEC. 1092. STRADDLES.

"(a) RECOGNITION OF LOSS IN CASE OF STRADDLES, ETC.—

"(1) LIMITATION ON RECOGNITION OF LOSS.—

"(A) IN GENERAL.—Any loss with respect to 1 or more positions shall be taken into account for any taxable year only to the extent that the amount of such loss exceeds the unrealized gain (if any) with respect to 1 or more positions which—

"(i) were acquired by the taxpayer before the disposition giving rise to such loss,

"(ii) were offsetting positions with respect to the 1 or more positions from which the loss arose, and

"(iii) were not part of an identified straddle as of the close of the taxable year.

"(B) CARRYOVER OF LOSS.—Any loss which may not be taken into account under subparagraph (A) for any taxable year shall, subject to the limitations under subparagraph (A), be treated as sustained in the succeeding taxable year.

"(2) SPECIAL RULE FOR IDENTIFIED STRADDLES.—

"(A) IN GENERAL.—In the case of any straddle which is an identified straddle as of the close of any taxable year—

"(i) paragraph (1) shall not apply for such taxable year, and

"(ii) any loss with respect to such straddle shall be treated as sustained not earlier than the day on which all of the positions making up the straddle are disposed of.

"(B) IDENTIFIED STRADDLE.—The term 'identified straddle' means any straddle—

"(i) which is clearly identified on the taxpayer's records, before the close of the day on which the straddle is acquired, as an identified straddle,

"(ii) all of the original positions of which (as identified by the taxpayer) are acquired on the same day and with respect to which—

"(I) all of such positions are disposed of on the same day during the taxable year, or

"(II) none of such positions has been disposed of as of the close of the taxable year, and

"(iii) which is not part of a larger straddle.

"(3) UNREALIZED GAIN.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'unrealized gain' means the amount of gain which would be taken into account with respect to any position held by the taxpayer as of the close of the taxable year if such position were sold on the last business day of such taxable year at its fair market value.

"(B) REPORTING OF GAIN.—

"(i) IN GENERAL.—Each taxpayer shall disclose to the Secretary, at such time and in such manner and form as the Secretary may prescribe by regulations—

"(I) each position (whether or not part of a straddle) which is held by such taxpayer as of the close of the taxable year and with respect to which there is unrealized gain, and

"(II) the amount of such unrealized gain.

"(ii) REPORTS NOT REQUIRED IN CERTAIN CASES.—Clause (i) shall not apply—

"(I) to any position which is part of an identified straddle,

"(II) to any position which, with respect to the taxpayer, is property described in paragraph (1) or (2) of section 1221 or to any position which is part of a hedging transaction (as defined in section 1256(e)), or

"(III) with respect to any taxable year if no loss on a position (including a regulated futures contract) has been sustained during such taxable year or if the only loss sustained on such position is a loss described in subclause (II).

"(b) CHARACTER OF GAIN OR LOSS; WASH SALES.—Under regulations prescribed by the Secretary, in the case of gain or loss with respect to any position of a straddle, rules which are similar to the rules of subsections (a) and (d) of section 1091 and of subsections (b) and (d) of section 1233 and which are consistent with the purposes of this section shall apply.

"(c) STRADDLE DEFINED.—For purposes of this section—

"(1) IN GENERAL.—The term 'straddle' means offsetting positions with respect to personal property.

"(2) OFFSETTING POSITIONS.—

"(A) IN GENERAL.—A taxpayer holds offsetting positions with respect to personal property if there is a substantial diminution of the taxpayer's risk of loss from holding any position with respect to personal property by reason of his holding 1 or more other positions with respect to personal property (whether or not of the same kind).

"(B) ONE SIDE LARGER THAN OTHER SIDE.—If 1 or more positions offset only a portion of 1 or more other positions, the Secretary shall by regulations prescribe the method for determining the portion of such other positions which is to be taken into account for purposes of this section.

"(3) PRESUMPTION.—

"(A) IN GENERAL.—For purposes of paragraph (2), 2 or more positions shall be presumed to be offsetting if—

"(i) the positions are in the same personal property (whether established in such property or a contract for such property),

"(ii) the positions are in the same personal property, even though such property may be in a substantially altered form,

"(iii) the positions are in debt instruments of a similar maturity or other debt instruments described in regulations prescribed by the Secretary,

"(iv) the positions are sold or marketed as offsetting positions (whether or not such positions are called a straddle, spread, butterfly, or any similar name),

"(v) the aggregate margin requirement for such positions is lower than the sum of the margin requirements for each such position (if held separately), or

"(vi) there are such other factors (or satisfaction of subjective or objective tests) as the Secretary may by regulations prescribe as indicating that such positions are offsetting.

For purposes of the preceding sentence, 2 or more positions shall be treated as described in clause (i), (ii), (iii), or (vi) only if the value of 1 or more of such positions ordinarily varies inversely with the value of 1 or more other such positions.

"(B) PRESUMPTION MAY BE REBUTTED.—Any presumption established pursuant to subparagraph (A) may be rebutted.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PERSONAL PROPERTY.—The term 'personal property' means any personal property (other than stock) of a type which is actively traded.

"(2) POSITION.—

"(A) IN GENERAL.—The term 'position' means an interest (including a futures or forward contract or option) in personal property.

"(B) SPECIAL RULE FOR STOCK OPTIONS.—The term 'position' includes any stock option which is a part of a straddle and which is an option to buy or sell stock which is actively traded, but does not include a stock option which—

"(i) is traded on a domestic exchange, and

"(ii) is of a type with respect to which the maximum period during which such option may be exercised is less than the minimum period for which a capital asset must be held for gain to be treated as long-term capital gain under section 1222(3).

"(3) POSITIONS HELD BY RELATED PERSONS, ETC.—

"(A) IN GENERAL.—In determining whether 2 or more positions are offsetting, the taxpayer shall be treated as holding any position held by a related person.

"(B) RELATED PERSON.—For purposes of subparagraph (A), a person is a related

person to the taxpayer if with respect to any period during which a position is held by such person, such person—

"(i) is the spouse of the taxpayer, or

"(ii) files a consolidated return (within the meaning of section 1501) with the taxpayer for any taxable year which includes a portion of such period.

"(C) CERTAIN FLOWTHROUGH ENTITIES.—If part or all of the gain or loss with respect to a position held by a partnership, trust, or other entity would properly be taken into account for purposes of this chapter by a taxpayer, then, except to the extent otherwise provided in regulations, such position shall be treated as held by the taxpayer.

"(4) SPECIAL RULE FOR REGULATED FUTURES CONTRACTS.—In the case of a straddle—

"(A) at least 1 (but not all) of the positions of which are regulated futures contracts, and

"(B) with respect to which the taxpayer has not elected to have the provisions of section 1256 apply.

the provisions of this section shall apply to any regulated futures contract and any other position making up such straddle.

"(5) REGULATED FUTURES CONTRACT.—The term 'regulated futures contract' has the same meaning given such term by section 1256(b).

"(e) EXCEPTION FOR HEDGING TRANSACTIONS.—This section shall not apply in the case of any hedging transaction (as defined in section 1256(e)).

"(f) CROSS REFERENCE.—

"For provision requiring capitalization of certain interest and carrying charges where there is a straddle, see section 263(g).".

(b) PENALTY FOR FAILURE TO DISCLOSE.—Section 6653 (relating to failure to pay tax) is amended by adding at the end thereof the following new subsection:

"(g) SPECIAL RULE IN CASES OF FAILURE TO REPORT UNREALIZED GAIN ON POSITION IN PERSONAL PROPERTY.—If—

"(1) a taxpayer fails to make the report required under section 1092(a)(3)(B) in the manner prescribed by such section and such failure is not due to reasonable cause, and

"(2) such taxpayer has an underpayment of any tax attributable (in whole or in part) to the denial of a deduction of a loss with respect to any position (within the meaning of section 1092(d)(2)).

then such underpayment shall, for purposes of subsection (a), be treated as an underpayment due to negligence or intentional disregard of rules and regulations (but without intent to defraud).".

(c) APPLICATION WITH SECTION 1233.—Paragraph (2) of section 1233(e) (Defining property to which section applies) is amended by inserting ", but does not include any position to which section 1092(b) applies" after "taxpayer" in subparagraph (A).

(d) CLERICAL AMENDMENTS.—

(1) The table of sections for such part VII is amended by adding at the end thereof the following new item:

"Sec. 1092. Straddles.".

(2) The heading for such part VII is amended to read as follows:

"PART VII—WASH SALES; STRADDLES".

(3) The table of parts for subchapter O of chapter 1 is amended by striking out the item relating to part VII and inserting in lieu thereof the following:

"PART VII. WASH SALES; STRADDLES.".

SEC. 502. CAPITALIZATION OF CERTAIN INTEREST AND CARRYING CHARGES IN THE CASE OF STRADDLES.

Section 263 (relating to capital expenditures) is amended by adding at the end thereof the following new subsection:

"(g) CERTAIN INTEREST AND CARRYING COSTS IN THE CASE OF STRADDLES.—

"(1) GENERAL RULE.—No deduction shall be allowed for interest and carrying charges properly allocable to personal property which is part of a straddle (as defined in section 1092(c)). Any amount not allowed as a deduction by reason of the preceding sentence shall be chargeable to the capital account with respect to the personal property to which such amount relates.

"(2) INTEREST AND CARRYING CHARGES DEFINED.—For purposes of paragraph (1), the term 'interest and carrying charges' means the excess of—

"(A) the sum of—

"(i) interest on indebtedness incurred or continued to purchase or carry the personal property, and

"(ii) amounts paid or incurred to insure, store, or transport the personal property, over

"(B) the sum of—

"(i) the amount of interest (including original issue discount) includible in gross income for the taxable year with respect to the property described in subparagraph (A), and

"(ii) any amount treated as ordinary income under section 1232(a)(4)(A) with respect to such property for the taxable year.

"(3) EXCEPTION FOR HEDGING TRANSACTIONS.—This subsection shall not apply in the case of any hedging transaction (as defined in section 1256(e)).".

SEC. 503. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

(a) GENERAL RULE.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1256. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

"(a) GENERAL RULE.—For purposes of this subtitle—

"(1) each regulated futures contract held by the taxpayer at the close of the taxable year shall be treated as sold for its fair market value on the last business day of such taxable year (and any gain or loss shall be taken into account for the taxable year),

"(2) proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account by reason by paragraph (1),

"(3) any gain or loss with respect to a regulated futures contract shall be treated as—

"(A) short-term capital gain or loss, to the extent of 40 percent of such gain or loss, and

"(B) long-term capital gain or loss, to the extent of 60 percent of such gain or loss, and

"(4) if all the offsetting positions making up any straddle consist of regulated futures contracts to which this section applies (and such straddle is not part of a larger straddle), sections 1092 and 263(g) shall not apply with respect to such straddle.

"(b) REGULATED FUTURES CONTRACTS DEFINED.—For purposes of this section, the term 'regulated futures contract' means a contract—

"(1) which requires delivery of personal property (as defined in section 1092(d)(1)) or an interest in such property;

"(2) with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market; and

"(3) which is traded on or subject to the rules of a domestic board of trade designated as a contract market by the Commodity Futures Trading Commission or of any board of trade or exchange which the Secretary determines has rules adequate to carry out the purposes of this section.

"(c) TERMINATIONS.—The rules of paragraphs (1), (2), and (3) of subsection (a) shall also apply to the termination during the taxable year of the taxpayer's obligation with respect to a regulated futures contract by offsetting, by taking or making delivery, or otherwise. For purposes of the preceding sentence, fair market value at the time of the termination shall be taken into account.

"(d) ELECTIONS WITH RESPECT TO MIXED STRADDLES.—

"(1) ELECTIONS.—The taxpayer may elect to have this section—

"(A) apply to all positions of all mixed straddles of the taxpayer in the same manner as if all such positions were regulated futures contracts; or

"(B) not apply to all regulated futures contracts which are part of all mixed straddles.

"(2) TIME AND MANNER.—An election under paragraph (1) shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(3) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under paragraph (1) shall apply to the taxpayer's taxable year for which made and to all subsequent taxable years, unless the Secretary consents to a revocation of such election.

"(4) MIXED STRADDLE.—For purposes of this subsection, the term 'mixed straddle' means any straddle (as defined in section 1092(c))—

"(A) at least 1 (but not all) of the positions of which are regulated futures contracts, and

"(B) with respect to which each position forming part of such straddle is clearly identified, before the close of the day on which such position is acquired, as being part of such straddle.

"(e) MARKED TO MARKET NOT TO APPLY TO HEDGING TRANSACTIONS.—

"(1) SECTION NOT TO APPLY.—Subsection (a) shall not apply in the case of a hedging transaction.

"(2) DEFINITION OF HEDGING TRANSACTION.—For purposes of this subsection, the term 'hedging transaction' means any transaction if—

"(A) such transaction is entered into by the taxpayer in the normal course of the taxpayer's trade or business primarily—

"(i) to reduce risk of price change or currency fluctuations with respect to property which is held or to be held by the taxpayer, or

"(ii) to reduce risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or obligations incurred or to be incurred, by the taxpayer,

"(B) the gain or loss on such transactions is treated as ordinary income or loss, and

"(C) before the close of the day on which such transaction was entered into, the taxpayer clearly identifies such transaction as being a hedging transaction.

"(3) SPECIAL RULE FOR SYNDICATES.—

"(A) IN GENERAL.—Notwithstanding paragraph (2), the term 'hedging transaction' shall not include any transaction entered into by a syndicate.

"(B) SYNDICATE DEFINED.—For purposes of subparagraph (A), the term 'syndicate'

means any partnership or other entity (other than a C corporation)—

"(i) if at any time interests in such entity have been offered for sale in any offering required to be registered with any Federal or State agency having authority to regulate the offering of securities for sale, or

"(ii) if more than 35 percent of the losses of such entity during any period are allocable to limited partners or limited entrepreneurs (within the meaning of section 464(e)(2)).

In the case of any person which is a dealer in securities, the Secretary may on a case-by-case basis increase the percentage under clause (ii).

"(C) DEFINITIONS.—For purposes of this paragraph—

"(i) C CORPORATION.—The term 'C corporation' means any corporation other than an electing small business corporation (as defined in section 1371(b)).

"(ii) HOLDING ATTRIBUTABLE TO ACTIVE MANAGEMENT.—An individual shall not be treated as a limited partner or limited entrepreneur (within the meaning of section 464(e)(2)) with respect to any entity for any period during which such individual actively participates in the management of such entity.

"(f) SPECIAL RULES.—

"(1) DENIAL OF CAPITAL GAINS TREATMENT FOR PROPERTY IDENTIFIED AS PART OF A HEDGING TRANSACTION.—For purposes of this title, gain from any property shall in no event be considered as gain from the sale or exchange of a capital asset if such property was at any time identified under subsection (e)(2)(C) by the taxpayer as being part of a hedging transaction.

"(2) SUBSECTION (a)(3) NOT TO APPLY TO ORDINARY INCOME PROPERTY.—Paragraph (3) of subsection (a) shall not apply to any gain or loss which, but for such paragraph, would be ordinary income or loss.".

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1256. Regulated futures contracts marked to market.".

SEC. 504. CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.

Section 1212 (relating to capital loss carrybacks and carryovers) is amended by adding at the end thereof the following new subsection:

"(c) CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.—

"(1) IN GENERAL.—If a taxpayer (other than a corporation) has a net commodity futures loss for the taxable year and elects to have this subsection apply to such taxable year, the amount of such net commodity futures loss—

"(A) shall be a carryback to each of the 3 taxable years preceding the loss year, and

"(B) to the extent that, after the application of paragraphs (2) and (3), such loss is allowed as a carryback to any such preceding taxable year—

"(i) 40 percent of the amount so allowed shall be treated as a short-term capital loss from regulated futures contracts, and

"(ii) 60 percent of the amount so allowed shall be treated as a long-term capital loss from regulated futures contracts.

"(2) AMOUNT CARRIED TO EACH TAXABLE YEAR.—The entire amount of the net commodity futures loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried back under paragraph (1). The portion of such loss which shall be carried to each of the 2 other taxable years to which such loss may be carried back shall be the excess (if any) of such loss over the portion of such loss which, after the application of paragraph (3), was allowed as a carryback for any prior taxable year.

"(3) AMOUNT WHICH MAY BE USED IN ANY PRIOR TAXABLE YEAR.—An amount shall be allowed as a carryback under paragraph (1) to any prior taxable year only to the extent—

"(A) such amount does not exceed the net commodity futures gain for such year, and

"(B) the allowance of such carryback does not increase or produce a net operating loss (as defined in section 172(c)) for such year.

"(4) NET COMMODITY FUTURES LOSS.—For purposes of paragraph (1), the term 'net commodity futures loss' means the lesser of—

"(A) the net capital loss for the taxable year determined by taking into account only gains and losses from regulated futures contracts and positions to which section 1256 applies, or

"(B) the sum of the amounts which, but for paragraph (6)(A), would be treated as capital losses in the succeeding taxable year under subparagraphs (A) and (B) of subsection (b)(1).

"(5) NET COMMODITY FUTURES GAIN.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'net commodity futures gain' means the lesser of—

"(i) the capital gain net income for the taxable year determined by taking into account only gains and losses from regulated futures contracts, or

"(ii) the capital gain net income for the taxable year.

"(B) SPECIAL RULE.—The net commodity futures gain for any taxable year before the loss year shall be computed without regard to the net commodity futures loss for the loss year or for any taxable year thereafter.

"(6) COORDINATION WITH CARRYFORWARD PROVISIONS OF SUBSECTION (b)(1).—

"(A) CARRYFORWARD AMOUNT REDUCED BY AMOUNT USED AS CARRYBACK.—For purposes of applying subsection (b)(1), if any portion of the net commodity futures loss for any taxable year is allowed as a carryback under paragraph (1) to any preceding taxable year—

"(i) 40 percent of the amount allowed as a carryback shall be treated as a short-term capital gain for the loss year, and

"(ii) 60 percent of the amount allowed as a carryback shall be treated as a long-term capital gain for the loss year.

"(B) CARRYOVER LOSS RETAINS CHARACTER AS ATTRIBUTABLE TO REGULATED FUTURES CONTRACT.—Any amount carried forward as a short-term or long-term capital loss to any taxable year under subsection (b)(1) (after the application of subparagraph (A)) shall, to the extent attributable to losses from regulated futures contracts, be treated as loss from regulated futures contracts for such taxable year.

"(7) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) REGULATED FUTURES CONTRACT.—The term 'regulated futures contract' means any regulated futures contract (as defined in section 1256(b)) to which section 1256 applies. Such term includes any position treated as a regulated futures contract under section 1256(d)(1).

"(B) EXCLUSION FOR ESTATES AND TRUSTS.—This subsection shall not apply to any estate or trust.".

SEC. 505. CERTAIN GOVERNMENTAL OBLIGATIONS ISSUED AT DISCOUNT TREATED AS CAPITAL ASSETS.

(a) GENERAL RULE.—Section 1221 (defining capital asset) is amended by striking out paragraph (5) and by redesignating paragraph (6) as paragraph (5).

(b) TREATMENT OF AMOUNTS RECEIVED ON SALE OR OTHER DISPOSITION.—Subsection (a) of section 1232 (relating to bonds and other evidences of indebtedness) is amended by adding at the end thereof the following new paragraph:

"(4) CERTAIN SHORT-TERM GOVERNMENT OBLIGATIONS.—

"(A) IN GENERAL.—On the sale or exchange of any short-term Government obligation, any gain realized which does not exceed an amount equal to the ratable share of the acquisition discount shall be treated as ordinary income. Gain in excess of such amount shall be considered gain from the sale or exchange of a capital asset held less than 1 year.

"(B) SHORT-TERM GOVERNMENT OBLIGATION.—For purposes of this paragraph, the term 'short-term Government obligation' means any obligation of the United States or any of its possessions, or of a State or any political subdivision thereof, or of the District of Columbia which is issued on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year from the date of issue. Such term does not include any obligation the interest on which is not includible in gross income under section 103 (relating to certain governmental obligations.)

"(C) ACQUISITION DISCOUNT.—For purposes of this paragraph, the term 'acquisition discount' means the excess of the stated redemption price at maturity over the taxpayer's basis for the obligation.

"(D) RATABLE SHARE.—For purposes of this paragraph, the ratable share of the acquisition discount is an amount which bears the same ratio to such discount as—

"(i) the number of days which the taxpayer held the obligation, bears to

"(ii) the number of days after the date the taxpayer acquired the obligation and up to (and including) the date of its maturity.".

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (D) of section 1231(b)(1) is amended by striking out "paragraph (6)" and inserting in lieu thereof "paragraph (5)".

(2) Subparagraph (B) of section 341(c)(2) is amended by striking out "(and governmental obligations described in section 1221(5))".

SEC. 506. PROMPT IDENTIFICATION OF SECURITIES BY DEALERS IN SECURITIES.

Subsection (a) of section 1236 (relating to dealers in securities) is amended—

(1) by striking out "before the expiration of the 30th day after the date of its acquisition" and inserting in lieu thereof "before the close of the day on which it was acquired (before the close of the following day in the case of an acquisition before January 1, 1982)", and

(2) by striking out "expiration of such 30th day" and inserting in lieu thereof "close of such day".

SEC. 507. TREATMENT OF GAIN OR LOSS FROM CERTAIN TERMINATIONS.

(a) GENERAL RULE.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1234 the following new section:

Sec. 234A. GAINS OR LOSSES FROM CERTAIN TERMINATIONS.

"Gain or loss attributable to the cancellation, lapse, expiration, or other termination of a right or obligation with respect to personal property (as defined in section 1092(d)(1)) which is (or on acquisition would be) a capital asset in the hands of the taxpayer shall be treated as gain or loss from the sale of a capital asset.".

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by inserting after the item relating to section 1234 the following new item:

"Sec. 1234A. Gains or losses from certain terminations.".

SEC. 508. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this title shall apply to property acquired and positions established by the taxpayer after June 23, 1981, in taxable years ending after such date.

(b) IDENTIFICATION REQUIREMENTS.—

(1) UNDER SECTION 1236 OF CODE.—The amendments made by section 506 shall apply to property acquired by the taxpayer after the date of the enactment of this Act in taxable years ending after such date.

(2) UNDER SECTION 1256(e)(2)(C) OF CODE.—Section 1256(e)(2)(C) of the Internal Revenue Code of 1954 (as added by this title) shall apply to property acquired and positions established by the taxpayer after December 31, 1981, in taxable years ending after such date.

(c) ELECTION WITH RESPECT TO PROPERTY HELD ON JUNE 23, 1981.—If the taxpayer so elects (at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe) with respect to all regulated futures contracts or positions held by the taxpayer on June 23, 1981, the amendments made by this title shall apply to all such contracts and positions, effective for periods after such date in taxable years ending after such date. For purposes of the preceding sentence, the term "regulated futures contract" has the meaning given to such term by section 1256(b) of the Internal Revene Code of 1954, and the term "position" has the meaning given to such term by section 1092(d)(2) of such Code.

—Strike out section 601 of the bill.

By Mr. LEVITAS:

(Amendments to Conable-Hance; amendment in the nature of a substitute.)

—Add at the end of title I, subtitle A, the following new section:

"(5) TAX REDUCTIONS FOR 1983 AND 1984 ONLY IF CERTAIN CONDITIONS ARE MET.—

"(A) IN GENERAL.—Paragraphs (3) and (4) shall apply if (and only if) the Secretary determines, and publishes such determination in the Federal Register, before October 15, 1982, that all of the following conditions have been met:

"(i) The deficit in the Federal budget for fiscal year 1982 was $37.7 billion or less.

"(ii) The Consumer Price Index for All Urban Consumers, as published by the Bureau of Labor Statistics, for September 1982 was 300 or less.

"(iii) The average investment yield for United States Treasury bills with maturities of 91 days (which were auctioned during the third quarter of calendar year 1982) was 8.5 percent or less.

"(B) TAX REDUCTIONS MAY TAKE EFFECT WITHOUT REGARD TO CONDITIONS IF CONGRESS AND PRESIDENT AGREE.—Notwithstanding subsection (a), paragraphs (3) and (4) shall apply if before November 1, 1982—

"(i) the President determines, and publishes such determination in the Federal Register, that such paragraphs shall apply, and

"(ii) neither House of Congress adopts a resolution indicating that such paragraphs shall not apply.

"(C) SCHEDULES FOR 1983 AND THEREAFTER IF CONDITIONS ARE NOT MET.—If paragraphs (3) and (4) do not apply, the Secretary shall, not later than November 15, 1982, prepare and publish in the Federal Register, the schedules which shall apply for taxable years beginning in 1983 and later. Such schedules shall reflect the tables under section 3402(a) which took effect on July 1, 1982, but as if such tables reflected a 5-percent reduction effective on such date."

Page 8, line 2, strike out "The schedules" and insert in lieu thereof "Except as provided in paragraph (5), the schedules".

Page 11, line 2, strike out "The schedules" and insert in lieu thereof "Except as provided in paragraph (5), the schedules".

Page 19, line 3, strike out "and".

Page 19, line 6, strike out "date.'" and insert in lieu thereof "date, and".

Page 19, after line 6, insert the following:

"(iii) on January 1, 1983, if paragraphs (3) and (4) of section 1(b) does not apply.'"

By Mr. LUKEN:

—After section 102 of the bill, insert the following:

SEC. 104. ADJUSTMENT TO INSURE THAT INFLATION WILL NOT RESULT IN TAX INCREASES.

(a) ADJUSTMENTS TO INDIVIDUAL INCOME TAX RATES.—Section 1 (relating to tax imposed) is amended by adding at the end thereof the following new subsection:

"(f) ADJUSTMENTS IN TAX TABLES SO THAT INFLATION WILL NOT RESULT IN TAX INCREASES.—

"(1) IN GENERAL.—Not later than December 15 of 1984 and each subsequent calendar year, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in subsections (a), (b), (c), (d), and (e) with respect to taxable years beginning in the succeeding calendar year.

"(2) METHOD OF PRESCRIBING TABLES.—The table which under paragraph (1) is to apply in lieu of the table contained in subsection (a), (b), (c), (d), or (e), (which is in effect for taxable years beginning in the preceding calendar year), as the case may be, with respect to taxable years beginning in the following calendar year shall be prescribed—

"(A) by increasing—

"(i) the maximum dollar amount on which no tax is imposed under such table, and

"(ii) the minimum and maximum dollar amounts for each rate bracket for which a tax is imposed under such table,

by the cost-of-living adjustment for such calendar year,

"(B) by not changing the rate applicable to any rate bracket as adjusted under subparagraph (A)(ii), and

"(C) by adjusting the amounts setting forth the tax to the extent necessary to reflect the adjustments in the rate brackets.

If any increase determined under subparagraph (A) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10 (or if such increase is a multiple of $5, such increase shall be increased to the next highest multiple of $10).

"(3) COST-OF-LIVING ADJUSTMENT.—For purposes of paragraph (2), the cost-of-living adjustment for any calendar year is the percentage (if any) by which—

"(A) the CPI for the preceding calendar year, exceeds

"(B) the CPI for the calendar year 1983.

"(4) CPI FOR ANY CALENDAR YEAR.—For purposes of paragraph (3), the CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of such calendar year.

"(5) CONSUMER PRICE INDEX.—For purposes of paragraph (4), the term 'Consumer Price Index' means the Consumer Price Index for all-urban consumers published by the Department of Labor.".

(b) DEFINITION OF ZERO BRACKET AMOUNT.—Subsection (d) of section 63 (defining zero bracket amount) is amended to read as follows:

"(d) ZERO BRACKET AMOUNT.—For purposes of this subtitle, the term, 'zero bracket amount' means—

"(1) in the case of an individual to whom subsection (a), (b), (c), or (d) of section 1 applies, the maximum amount of taxable income on which no tax is imposed by the applicable subsection of section 1, or

"(2) zero in any other case.".

(c) PERSONAL EXEMPTIONS.—

(1) GENERAL RULE.—Section 151 (relating to allowance of deductions for personal exemptions) is amended by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount".

(2) EXEMPTION AMOUNT.—Section 151 is amended by adding at the end thereof the following new subsection:

"(f) EXEMPTION AMOUNT.—For purposes of this section, the term 'exemption amount' means, with respect to any taxable year, $1,000 increased by an amount equal to $1,000 multiplied by the cost-of-living adjustment (as defined in section 1(f)(3)) for the calendar year in which the taxable year begins. If the amount determined under the preceding sentence is not a multiple of $10, such amount shall be rounded to the nearest multiple of $10 (or if such amount is a multiple of $5, such amount shall be increased to the next highest multiple of $10).".

(d) RETURN REQUIREMENTS.—

(1) AMENDMENTS TO SECTION 6012.—

(A) Clause (i) of section 6012(a)(1)(A) is amended by striking out the dollar amount and inserting in lieu thereof "the sum of the exemption amount plus the zero bracket amount applicable to such an individual".

(3) Clause (ii) of section 6012(a)(i)(A) is amended by striking out the dollar amount and inserting in lieu thereof "the sum of the exemption amount plus the zero bracket amount applicable to such an individual".

(C) Clause (iii) of section 6012(a)(1)(A) is amended by striking out the dollar amount and inserting in lieu thereof "the sum of twice the exemption amount plust the zero bracket amount applicable to a joint return".

(D) Paragraph (1) of section 6012(a) is amended by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount".

(E) Paragraph (1) of section 6012(a) is amended by adding at the end thereof the following new subparagraph:

"(D) For purposes of this paragraph—

(i) The term 'zero bracket amount' has the meaning given to such term by section 63(d).

"(ii) The term 'exemption amount' has the meaning given to such term by section 151(f).".

(2) AMENDMENTS TO SECTION 6013.—Subparagraph (a) of section 6013(b) (3) is amended—

(A) by striking out "$1,000" each place it appears and inserting in lieu thereof "the exemption amount",

(B) by striking out "$2,000" each place it appears and inserting in lieu thereof "twice the exemption amount", and

(C) by adding at the end thereof the following new sentence "For purposes of this subparagraph, the term 'exemption amount' has the meaning given to such term by section 151(f).".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1984.

By Mr. MOORE:

—Strike all of title II, subtitle F, "Treatment of Existing Carryovers of Certain Distressed Industries," beginning on page 150, line 1 through page 156, line 19.

By Mr. PEPPER:

—Paragraph (2) of section 221(b) of the Internal Revenue Code of 1954 (as proposed to be added by section 122 of the bill) is amended—

(1) by striking out clauses (ii) and (iii) of subparagraph (A) and redesignating clauses (iv) and (v) of such subparagraph as clauses (ii) and (iii), respectively, and

(2) by adding at the end thereof the following new sentence: "Such term includes an amount received as a pension or annuity which arises from an employer-employee relationship or from a tax-deductible contribution made to a retirement plan or Individual Retirement Account.".

—At end of title VII, add the following new section:

SEC. 709. BORROWING BY OLD-AGE AND SURVIVORS INSURANCE TRUST FUND FROM THE DISABILITY INSURANCE TRUST FUND OR HOSPITAL INSURANCE TRUST FUND.

Section 201 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(l)(1) If in any month the assets of the Federal old-age and survivors insurance trust fund are insufficient to provide that such trust fund shall have assets equal to or greater than 25 percent of the amount disbursed from that trust fund during the 12 immediately preceding months, the managing trustee may borrow (without interest) from the Federal disability insurance trust fund or the Federal hospital insurance trust fund, for deposit in the Federal old-age and survivors insurance trust fund, an amount not to exceed the difference between the assets of the Federal old-age and survivors insurance trust fund and 15 percent of the amount so disbursed from such trust fund.

"(2) If the assets of the Federal old-age and survivors insurance trust fund in any month equal or exceed 25 percent of the amount disbursed from that trust fund during the 12 immediately preceding months, all amounts that would otherwise thereafter be paid into that trust fund shall instead be paid into the above-mentioned trust fund from which the Federal old-age and survivors insurance trust fund has borrowed sums pursuant to paragraph (1), except so much as shall be required to maintain the assets of the Federal old-age and survivors insurance trust fund at 25 percent of the amount so disbursed, until the loan (or loans) under this subsection are repaid.".

By Mr. RAHALL:

—Paragraph (4) of section 168(b) of the Internal Revenue Code of 1954, as added by section 201 of the bill, is amended by adding at the end thereof the following new sentence: "Subparagraph (B) shall not apply to property described in section 48(1)(17)(A)(ii) with a present class life of 18 years or less."

Subsection (f) of section 168 of the Internal Revenue Code of 1954, as added by section 201 of the bill, is amended by adding at the end thereof the following:

"(8) CERTAIN COAL-RELATED POLLUTION CONTROL EQUIPMENT.—This subsection shall not apply to any property described in section 48(1)(17)(A)(ii)."

Paragraph (11) of section 48(a) of such Code, as added by section 201 of the bill, is amended by inserting before the period "and to any property described in 48(1)(17)(A)(ii)."

Subsection (b) of section 201 of the bill is amended by adding at the end thereof the following new paragraph:

(3) ENERGY PERCENTAGE TO APPLY TO COAL UTILIZATION PROPERTY.—

(A) Subparagraph (A) of section 48(1)(2) is amended by striking out "or" at the end of clause (viii), by inserting "or" at the end of clause (ix), and by inserting after clause (ix) the following new clause:

"(x) coal utilization property,".

(B) Subsection (1) of section 48 is amended by redesignating paragraph (17) as paragraph (18) and by inserting after paragraph (16) the following new paragraph:

"(17) ENERGY PERCENTAGE TO APPLY TO COAL UTILIZATION PROPERTY.—

"(A) COAL UTILIZATION PROPERTY.—The term 'coal utilization property' means public utility property which is—

"(i) a boiler or burner the primary fuel for which will be coal,

"(ii) pollution control equipment required (by Federal, State, or local regulations) to be installed in connection with equipment described in paragraph (1), or

"(iii) coal cleaning equipment.

"(B) SPECIAL RULE.—Paragraph (18) shall not apply to coal utilization property."

By Mr. SAVAGE:

—Strike out subtitle A of title II (relating to expense-method depreciation) and insert in lieu thereof the following:

Subtitle A—Shorter Useful Lives

SEC. 201. 30 PERCENT REDUCTION IN USEFUL LIVES.

(a) IN GENERAL.—Section 167 is amended by adding at the end thereof the following subsection:

"(t) 30 PERCENT REDUCTION IN USEFUL LIVES.—Notwithstanding any other provision of this section, the taxpayer shall be entitled to use a useful life for any property which is 30 percent less than the shortest useful life permitted under—

"(1) subsection (m) for such property, or

"(2) facts and circumstances, if no useful life for such property is prescribed under subsection (m)."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 1980.

—Strike out title IV of the bill (relating to estate and gift tax provision).

By Mr. STARK:

—Strike out subsection (c) of section 810 of the bill (relating to effective date for property transferred to employees subject to certain restrictions) and insert in lieu thereof the following:

(c) EFFECTIVE DATE.—The amendment made by subsection (a), and the provisions of subsection (b), shall apply to transfers after July 21, 1981.

H.R. 4260

By Mr. ALEXANDER:

—At the appropriate place in title I insert the following new section:

SEC. TAX REDUCTIONS TAKE EFFECT ONLY AFTER A BALANCED FEDERAL BUDGET ACHIEVED.

(a) GENERAL RULE.—Notwithstanding any provision of this subtitle—

(1) no amendment made by this subtitle shall apply to any taxable year beginning before the calendar year described in subsection (b), and

(2) the amendments made by this subtitle shall apply to taxable years beginning in the calendar year described in subsection (b) and in calendar years thereafter in the same manner as they would have without regard to this section.

(b) YEAR IN WHICH AMENDMENTS TAKE EFFECT.—For purposes of subsection (a), the calendar year described in this subsection is the first calendar year (after 1980) which begins after the close of a fiscal year with respect to which the Secretary of the Treasury determined that there was no deficit in the Federal budget.

By Mr. PHILLIP BURTON:

—Strike from H.R. 4260 (the Conable-Hance substitute to H.R. 4242) title V (tax straddles) in its entirety, and substitute therefore the following language:

SECTION 1. SHORT TITLE; AMENDMENT OF 1954 CODE.

(a) SHORT TITLE.—This Act may be cited as the "Straddle Tax Act of 1981".

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 2. POSTPONEMENT OF RECOGNITION OF LOSSES, ETC.

(a) GENERAL RULE.—Part VII of subchapter 0 of chapter 1 (relating to wash sales of stock or securities) is amended by adding at the end thereof the following new section:

"SEC. 1092. STRADDLES.

"(a) GENERAL RULE.—In the case of a straddle—

"(1) that portion of any loss with respect to such straddle which exceeds the recognized gain with respect to such straddle shall be treated as sustained not earlier than the close of the balanced period, and

"(2) the running of the holding period for each position which is part of such straddle shall be suspended for the balanced period.

"(b) STRADDLE DEFINED.—For purposes of this section—

"(1) IN GENERAL.—The term 'straddle' means offsetting positions with respect to personal property.

"(2) OFFSETTING POSITIONS.—A taxpayer holds offsetting positions with respect to personal property if there is a substantial diminution of the taxpayer's risk of loss from holding any position with respect to personal property by reason of his holding 1 or more other positions with respect to personal property (whether or not of the same kind).

"(3) PRESUMPTION.—

"(A) IN GENERAL.—For purposes of paragraph (2), 2 or more positions shall be presumed to be offsetting if—

"(i) the positions are customarily treated as offsetting positions (whether or not such positions are called a straddle, butterfly, or any similar name),

"(ii) the aggregate margin requirement for such positions is lower than the sum of the margin requirements for each such position (if held separately), or

"(iii) there are such other factors as the Secretary may by regulations prescribe as indicating that such positions are offsetting.

"(B) PRESUMPTION MAY BE REBUTTED.—Any presumption established pursuant to subparagraph (A) may be rebutted if the taxpayer establishes to the satisfaction of the Secretary that the positions were not offsetting.

(c) BALANCED PERIOD.—

"(1) IN GENERAL.—For purposes of this section, the term 'balanced period' means any period during which the taxpayer holds the straddle plus the 30-day period after the day on which the positions which make up the straddle cease to be offsetting.

"(2) SHORTENING OF 30-DAY PERIOD WHERE TAXPAYER DISPOSES OF ALL POSITIONS.—If, before the close of the 30-day period specified in paragraph (1), the taxpayer disposes of all of the positions which make up a straddle, the balanced period shall be treated as ending on the day on which the taxpayer makes the last such disposition.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) PERSONAL PROPERTY.—The term 'personal property' means—

"(A) commodities,

"(B) evidences of indebtedness,

"(C) currency, and

"(D) any other type of personal property (other than publicly traded stock which is not commodity substitute stock).

"(2) POSITION.—

"(A) IN GENERAL.—The term 'position' means an interest (including a futures contract or option).

"(B) SUCCESSOR POSITION.—If the taxpayer (within the period beginning 30 days before and ending 30 days after the date of the disposition of a position) acquires a successor position, such successor position—

"(i) shall be treated as the same position as the position to which it succeeds, and

"(ii) shall be treated as held on each day which intervenes between the disposition of the interest which it succeeds and the day on which such successor interest is acquired.

For purposes of the preceding sentence, personal property acquired by the taxpayer pursuant to a futures contract, option, or other interest shall be treated as a successor position to such interest.

"(3) POSITIONS HELD BY RELATED PERSONS, ETC.—

"(A) IN GENERAL.—In determining whether 2 or more positions are offsetting, the taxpayer shall be treated as holding any position held by a related person.

"(B) RELATED PERSON.—For purposes of subparagraph (A), a person is a related person to the taxpayer if—

"(i) the relationship between such person and the taxpayer would result in a disallowance of losses under section 267 or 707(b), or

"(ii) such person and the taxpayer are under common control (within the meaning of subsection (b) or (c) of section 414).

For purposes of clause (i), an individual's family shall consist only of such individual, such individual's spouse, and a child of such individual who has not attained the age of 18.

"(C) CERTAIN FLOW-THROUGH ENTITIES.—If part or all of the gain or loss with respect to a position held by a partnership, trust, or other entity would properly be taken into account for purposes of this chapter by a taxpayer with respect to whom the entity is not a related person, then, except to the extent otherwise provided in regulations—

"(i) such position shall be treated as held by the taxpayer, and

"(ii) the offsetting positions held by the taxpayer shall be treated as held by the entity.

"(4) PUBLICLY TRADED STOCK; COMMODITY SUBSTITUTE STOCK.—

"(A) PUBLICLY TRADED STOCK.—The term 'publicly traded stock' means any stock of a corporation which is regularly traded on an established securities market.

"(B) COMMODITY SUBSTITUTE STOCK.—The term 'commodity substitute stock' means any stock of a corporation 80 percent or more in value of the business and investment assets of which consist of interests in commodities. For purposes of this subparagraph, the term 'business and investment assets' means assets used or held for use in the trade or business, and assets held for investment.

"(e) EXCEPTION FOR HEDGING TRANSACTIONS.—This section shall not apply in the case of any hedging transaction (as defined in section 1256(e)).

"(f) CROSS REFERENCE.—

"For provision requiring capitalization of certain interest and carrying charges where there is a straddle, see section 263(g)."

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for such part VII is amended by adding at the end thereof the following new item:

"Sec. 1092. Straddles."

(2) The heading for such part VII is amended to read as follows:

"PART VII—WASH SALES; STRADDLES".

(3) The table of parts for subchapter O of chapter 1 is amended by striking out the item relating to part VII and inserting in lieu thereof the following:

"Part VII. Wash sales; straddles."

SEC. 3. CAPITALIZATION OF CERTAIN INTEREST AND CARRYING CHARGES IN THE CASE OF STRADDLES.

Section 263 (relating to capital expenditures) is amended by adding at the end thereof the following new subsection:

"(g) CERTAIN INTEREST AND CARRYING COSTS IN THE CASE OF STRADDLES.—

"(1) GENERAL RULE.—No deduction shall be allowed for interest and carrying charges properly allocable to personal property which is part of a straddle (as defined in section 1092(b)). Any amount not allowed as a deduction by reason of the preceding sentence shall be chargeable to the capital account with respect to the personal property to which such amount relates.

"(2) INTEREST AND CARRYING CHARGES DEFINED.—For purposes of paragraph (1), the term 'interest and carrying charges' means—

"(A) interest on indebtedness incurred or continued to purchase or carry the personal property, and

"(B) amounts paid or incurred to insure, store, or transport the personal property.

"(3) EXCEPTION FOR HEDGING TRANSACTIONS.—This subsection shall not apply in the case of any hedging transactions (as defined in section 1256(e))."

SEC. 4. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

(a) GENERAL RULE.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by adding at the end thereof the following new section:

"SEC. 1256. REGULATED FUTURES CONTRACTS MARKED TO MARKET.

"(a) GENERAL RULE.—For purposes of this subtitle—

"(1) each regulated futures contract held by the taxpayer at the close of the taxable year shall be treated as sold for its fair market value (and any gain or loss shall be taken into account for the taxable year),

"(2) proper adjustment shall be made in the amount of any gain or loss subsequently realized for gain or loss taken into account by reason of paragraph (1),

"(3) any gain or loss with respect to a regulated futures contract shall be treated as—

"(A) short-term capital gain or loss, to the extent of percent of such gain or loss, and

"(B) long-term capital gain or loss, to the extent of percent of such gain or loss, and

"(4) if all the offsetting positions making up any straddle consist of regulated futures contracts to which this section applies, sections 1092 and 263(g) shall not apply with respect to such straddle.

"(b) REGULATED FUTURES CONTRACTS DEFINED.—For purposes of this section, the term 'regulated futures contract' means a contract—

"(1) which requires delivery of personal property (as defined in section 1092(d)(1)) or an interest in such property,

"(2) with respect to which the amount required to be deposited and the amount which may be withdrawn depends on a system of marking to market, and

"(3) which is subject to the rules of a domestic board of trade or domestic exchange or of any foreign board of trade or foreign exchange which the Secretary determines has rules adequate to carry out the purposes of this section.

"(c) TERMINATIONS.—The rules of paragraphs (1), (2), and (3) of subsection (a) shall also apply to the termination during the taxable year of the taxpayer's obligation with respect to a regulated futures contract by taking or making delivery or otherwise. For purposes of the preceding sentence, fair market value at the time of the termination shall be taken into account.

"(d) ELECTIONS WITH RESPECT TO MIXED STRADDLES.—

"(1) ALL POSITIONS UNDER MARK TO MARKET.—The taxpayer may elect to have this section apply to all positions of each mixed straddle of the taxpayer in the same manner as if all such positions were regulated futures contracts.

"(2) ALL POSITIONS UNDER SECTION 1092.—The taxpayer may elect to have this section not to apply to all regulated futures contracts—

"(A) which are part of a mixed straddle, and

"(B) which, before the close of the day on which acquired by the taxpayer, are clearly identified as being part of a mixed straddle.

"(3) TIME AND MANNER.—An election under paragraph (1) or (2) shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(4) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under paragraph (1) or (2) shall apply to the taxpayer's taxable year for which made and to all subsequent taxable years, unless the Secretary consents to a revocation of such election.

"(5) MIXED STRADDLE.—For purposes of this subsection, the term 'mixed straddle' means any straddle (as defined in section 1092(b)) if at least 1 (but not all) of the positions which are a part of such straddle are regulated futures contracts.

"(e) MARK TO MARKET NOT TO APPLY TO HEDGING TRANSACTIONS.—

"(1) SECTION NOT TO APPLY.—Subsection (a) shall not apply in the case of a hedging transaction.

"(2) DEFINITIONS.—

"(A) HEDGING TRANSACTION.—For purposes of this subsection, the term 'hedging transaction' means any transaction if—

"(i) such transaction is entered into by the taxpayer in the normal course of the taxpayer's trade or business primarily to reduce risks from price movements of inventory held or to be held by the taxpayer, and

"(ii) before the close of the day on which such transaction was entered into, the taxpayer clearly identifies such transaction as being a hedging transaction.

"(B) INVENTORY.—For purposes of this subsection, the term 'inventory' means property described in paragraph (1) of section 1221.

"(3) SPECIAL RULE FOR SYNDICATES.—

"(A) IN GENERAL.—Notwithstanding paragraph (2)(A), the term 'hedging transaction' shall not include any transaction entered into by a syndicate.

"(B) SYNDICATE DEFINED.—For purposes of subparagraph (A), the term 'syndicate' means any partnership or other entity (other than a C corporation)—

"(i) if at any time interests in such entity have been offered for sale in any offering required to be registered with any Federal or State agency having authority to regulate the offering of securities for sale, or

"(ii) if more than 35 percent of the losses of such entity during any period are allocable to limited partners or limited entrepreneurs.

"(C) DEFINITIONS.—For purposes of this paragraph—

"(i) C CORPORATION.—The term 'C corporation' means any corporation other than an electing small business corporation (as defined in section 1371(b)).

"(ii) HOLDING ATTRIBUTABLE TO ACTIVE MANAGEMENT.—An individual shall not be treated as a limited partner or limited entrepreneur with respect to any entity for any period during which such individual actively participates in the management of such entity.

"(f) SPECIAL RULES.—

"(1) DENIAL OF CAPITAL GAINS TREATMENT FOR PROPERTY IDENTIFIED AS PART OF A HEDGING TRANSACTION.—For purposes of this title, gain from any property shall in no event be considered as gain from the sale or exchange of a capital asset if such property was at any time identified under subsection (e)(2)(A)(ii) by the taxpayer as being part of a hedging transaction.

"(2) SUBSECTION (a)(3) NOT TO APPLY TO ORDINARY INCOME PROPERTY.—Paragraph (3) of subsection (a) shall not apply to any gain or loss which, but for such paragraph, would be ordinary income or loss."

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by adding at the end thereof the following new item:

"Sec. 1256. Regulated futures contracts marked to market."

SEC. 5. CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.

Section 1212 (relating to capital loss carrybacks and carryovers) is amended by adding at the end thereof the following new subsection:

"(c) CARRYBACK OF LOSSES FROM REGULATED FUTURES CONTRACTS TO OFFSET PRIOR GAINS FROM SUCH CONTRACTS.—

"(1) IN GENERAL.—If a taxpayer (other than a corporation) has a net commodity futures loss for the taxable year and elects to have this subsection apply to such taxable year, the amount of such net commodity futures loss—

"(A) shall be a carryback to each of the 3 taxable years preceding the loss year, and

"(B) to the extent that, after the application of paragraphs (2) and (3), such loss is allowed as a carryback to any such preceding taxable year—

"(i) percent of the amount so allowed shall be treated as a short-term capital loss from regulated futures contracts, and

"(ii) percent of the amount so allowed shall be treated as a long-term capital loss from regulated futures contracts.

"(2) AMOUNT CARRIED TO EACH TAXABLE YEAR.—The entire amount of the net commodity futures loss for any taxable year shall be carried to the earliest of the taxable years to which such loss may be carried back under paragraph (1). The portion of such loss which shall be carried to each of the 2 other taxable years to which such loss may be carried back shall be the excess (if any) of such loss over the portion of such loss which, after the application of paragraph (3), was allowed as a carryback for any prior taxable year.

"(3) AMOUNT WHICH MAY BE USED IN ANY PRIOR TAXABLE YEAR.—An amount shall be allowed as a carryback under paragraph (1) to any prior taxable year only to the extent—

"(A) such amount does not exceed the net commodity futures gain for such year, and

"(B) the allowance of such carryback does not increase or produce a net operating loss (as defined in section 172(c)) for such year.

"(4) NET COMMODITY FUTURES LOSS.—For purposes of paragraph (1), the term 'net commodity futures loss' means the lesser of—

"(A) the net capital loss for the taxable year determined by taking into account only gains and losses from regulated futures contracts, or

"(B) the sum of the amounts which, but for paragraph (6)(A), would be treated as capital losses in the succeeding taxable year under subparagraphs (A) and (B) of subsection (b)(1).

"(5) NET COMMODITY FUTURES GAIN.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term 'net commodity futures gain' means the lesser of—

"(i) the capital gain net income for the taxable year determined by taking into account only gains and losses from regulated futures contract, or

"(ii) the capital gain net income for the taxable year.

"(B) SPECIAL RULE.—The net commodity futures gain for any taxable year before the loss year shall be computed without regard to the net commodity futures loss for the loss year or for any taxable year thereafter.

"(6) COORDINATION WITH CARRYFORWARD PROVISIONS OF SUBSECTION (b)(1).—

"(A) CARRYFORWARD AMOUNT REDUCED BY AMOUNT USED AS CARRYBACK.—For purposes of applying subsection (b)(1), if any portion of the net commodity futures loss for any taxable year is allowed as a carryback under paragraph (1) to any preceding taxable year—

"(i) percent of the amount allowed as a carryback shall be treated as a short-term capital gain for the loss year, and

"(ii) percent of the amount allowed as a carryback shall be treated as a long-term capital gain for the loss year.

"(B) CARRYOVER LOSS RETAINS CHARACTER AS ATTRIBUTABLE TO REGULATED FUTURES CONTRACT.—Any amount carried forward as a short-term or long-term capital loss to any taxable year under subsection (b)(1) (after the application of subparagraph (A)) shall, to the extent attributable to losses from regulated futures contracts, be treated as loss from regulated futures contracts for such taxable year.

"(7) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

"(A) REGULATED FUTURES CONTRACT.—The term 'regulated futures contract' means any regulated futures contract (as defined in section 1256(b)) to which section 1256 applies. Such term includes any position treated as a regulated futures contract under section 1256(d)(1).

"(B) EXCLUSION FOR ESTATES AND TRUSTS.—This subsection shall not apply to any estate or trust."

SEC. 6. CERTAIN GOVERNMENTAL OBLIGATIONS ISSUED AT DISCOUNT TREATED AS CAPITAL ASSETS.

"(a) GENERAL RULE.—Section 1221 (defining capital asset) is amended by striking out paragraph (5) and by redesignating paragraph (6) as paragraph (5).

"(b) TREATMENT OF AMOUNTS RECEIVED ON SALE OR OTHER DISPOSITION.—Subsection (a) of section 1232 (relating to bonds and other evidences of indebtedness) is amended by adding at the end thereof the following new paragraph:

"(4) CERTAIN SHORT-TERM GOVERNMENT OBLIGATIONS.—

"(A) IN GENERAL.—On the sale or exchange of any short-term Government obligation, any gain realized which does not exceed an amount equal to the pro rata share of the acquisition discount shall be treated as ordinary income. Gain in excess of such amount shall be considered gain from the sale or exchange of a capital asset held less than 1 year.

"(B) SHORT-TERM GOVERNMENT OBLIGATION.—For purposes of this paragraph, the term 'short-term Government obligation' means any obligation of the United States or any of its possessions, or of a State or any political subdivision thereof, or of the District of Columbia which is issued on a discount basis and payable without interest at a fixed maturity date not exceeding 1 year from the date of issue. Such term does not include any obligation the interest on which is not includable in gross income under section 103 (relating to certain governmental obligations).

"(C) ACQUISITION DISCOUNT.—For purposes of this paragraph, the term 'acquisition discount' means the excess of the stated redemption price at maturity over the taxpayer's basis for the obligation.

"(D) RATABLE SHARE.—For purposes of this paragraph, the ratable share of the acquisition discount is an amount which bears the same ratio to such discount as—

"(i) the number of days which the taxpayer held the obligation, bears to

"(ii) the number of days after the date the taxpayer acquired the obligation and up to (and including) the date of its maturity."

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (D) of section 1231(b)(1) is amended by striking out "paragraph (6)" and inserting in lieu thereof "paragraph (5)".

(2) Subparagraph (B) of section 341(c)(2) is amended by striking out "(and governmental obligations described in section 1221(5))".

SEC. 7. PROMPT IDENTIFICATION OF SECURITIES BY DEALERS IN SECURITIES.

Subsection (a) of section 1236 (relating to dealers in securities) is amended—

(1) by striking out "before the expiration of the 30th day after the date of its acquisition" and inserting in lieu thereof "before the close of the day on which it was acquired", and

(2) by striking out "expiration of such 30th day" and inserting in lieu thereof "close of such day".

SEC. 8. TREATMENT OF GAIN OR LOSS FROM CERTAIN TERMINATIONS.

(a) General Rule.—Part IV of subchapter P of chapter 1 (relating to special rules for determining capital gains and losses) is amended by inserting after section 1234 the following new section:

"SEC. 1234A. GAINS OR LOSSES FROM CERTAIN TERMINATIONS.

"Gain or loss attributable to the cancellation, lapse, expiration, or other termination of a right or obligation with respect to personal property (as defined in section 1092(d)(1)) which is (or on acquisition would be) a capital asset in the hands of the taxpayer shall be treated as gain or loss from the sale of a capital asset."

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter P of chapter 1 is amended by inserting after the item relating to section 1234 the following new item:

"Sec. 1234A. Gains or losses from certain terminations."

SEC. 9. EFFECTIVE DATES.

(a) IN GENERAL.—Except as otherwise provided in this section, the amendments made by this Act shall apply to property acquired by the taxpayer after May 5, 1981, in taxable years ending after such date.

(b) IDENTIFICATION REQUIREMENTS.—

(1) UNDER SECTION 1236 OF CODE.—The amendments made by section 7 shall apply to property acquired by the taxpayer after the date of the enactment of this Act in taxable years ending after such date.

(2) UNDER SECTION (e) (2) (A) OF CODE.—Clause (ii) of section 1256(e)(2)(A) of the Internal Revenue Code of 1954 (as added by this Act) shall apply to property acquired by the taxpayer after December 31, 1981, in taxable years ending after such date.

(c) ELECTION WITH RESPECT TO PROPERTY HELD ON MAY 5, 1981.—If the taxpayer so elects (at such time and in such manner as the Secretary of the Treasury or his delegate shall prescribe), the amendments made by this Act shall also apply to regulated futures contracts or personal property held by the taxpayer on May 5, 1981, effective for periods after such date in taxable years ending after such date. For purposes of the preceding sentence, the term "regulated futures contract" has the meaning given to such term by section 1256(b) of the Internal Revenue Code of 1954, and the term "personal property" has the meaning given to such term by section 1092(d)(1) of such Code.

(d) NO CARRYBACK TO YEARS ENDING BEFORE MAY 5, 1981.—No amount shall be allowed as a carryback under section 1212(c) of the Internal Revenue Code of 1954 to any taxable year ending on or before May 5, 1981.

—Strike from H.R. 4260 (the Hance-Conable substitute to H.R. 4242) sections 601, 602, 603, and 611 of title VI, subtitles A and B, entitled "ENERGY PROVISIONS."

Strike from H.R. 4242, some or all of the sections of title VI, subtitle A, (sections 601, 602, 603, 604 and 605) entitled "CHANGES IN THE WINDFALL PROFIT TAX."

—Strike from H.R. 4260 (the Conable-Hance substitute to H.R. 4242) "SECTION 402, REDUCTION IN MINIMUM RATES OF TAX."

Strike from H.R. 4242 "SECTION 402, REDUCTION IN MINIMUM RATES OF TAX."

SENATE — *Friday, July 24, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 9:15 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray.

O give thanks to the Lord, for He is good; His steadfast love endures forever.—Psalm 118: 1.

We thank Thee, Lord, for the physical, mental, and emotional energy which made it possible for the Senate to engage in the intensely demanding work of this past week. We thank Thee for the unity of the Senate despite the great differences emerging in debate and negotiation. We thank Thee for the good will of honorable men and women who are committed to the good of all people and pursue it relentlessly. We thank Thee for wise and patient leadership who guide their parties to just and equitable decisions. We thank Thee for the tireless labors of dedicated office and Senate staffs who give indispensable support to the legislative process.

Gracious Father, help all who have worked so hard this week to give attention to their personal health and family relationships. Though responsibility remains heavily upon them, may they make time to relax and rest and give themselves to their spouses and children.

In Jesus' name. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. BAKER. Mr. President, there is a great amount of routine business to be transacted, but I understand that we are not prepared to do it at this time. I will provide a time for morning business, if the Senate will consent, later in the day, to do those things which have accumulated.

Mr. President, there are two special orders for the recognition of Senators today. Is that correct?

The PRESIDENT pro tempore. The Senator is correct.

Mr. BAKER. And a period for the transaction of routine morning business, with the resumption of House Joint Resolution 266 to commence at 10 a.m. Is that correct?

The PRESIDENT pro tempore. The Senator is correct.

Mr. BAKER. In order to conserve time, then, and to provide an opportunity for other Senators to speak, in addition to the Senators recognized under special orders, I yield 5 minutes to the Senator from Kansas.

Mrs. KASSEBAUM. I thank the majority leader.

TAXES AND HIGH INTEREST RATES

Mrs. KASSEBAUM. Mr. President, I wish to speak for a few minutes on a matter of great concern to us, as we have been debating the tax bill this week, a bill which in many ways is for all seasons and, in the matter of the House, is still up for the highest bidding.

I believe that the chairman of the Finance Committee has guided this bill through this Chamber with extraordinary skill. However, there are two issues which I believe are related and of great concern. One is high interest rates, which we focus on periodically in the Senate Chamber. But I think that high interest rates and taxes share some common characteristics. They are too high and they are not fair. They also have interrelated economic impacts.

It is argued that interest rates must remain high in order to bring inflation down and that some taxes must come down in order for productivity to increase.

There are academic cases to be made for this, but economic policy right now is simply too important to be left solely to the economists. Some measure of commonsense and equity must be taken into account.

It seems clear that whatever beneficial anti-inflation effect has been gained from high interest rates is being offset by the devastating impact on select segments of the economy. Any farmer, homebuilder, or auto dealer can attest to the economic slowdown resulting from tight money interest rates that have become legalized usury.

For many, the term "slowdown" is a cruel understatement. It is the virtual depression in these economic sectors that is producing the nationwide statistical improvement in inflation rates.

In fact, that paper benefit is more apparent than real. In any event, beating inflation at the cost of the destruction of these small entrepreneurs is not my idea of good policy.

The tight money attack on inflation cannot continue much longer when farmers cannot get operating loans, but an aggregate line of credit for big business mergers can total $40 billion in a single week. The sheer unfairness of that situation should, and I believe will, ultimately require the independent Federal Reserve Board to capitulate in its insistence on tight money. As one who has felt that monetary policy should be given a chance to work, and I strongly do believe that, I am now serving notice that I must be firmly opposed to this ruinous experiment.

Unlike the inequity of interests rates, which essentially flows from the diverse nature of individual business practices, the unfairness of the tax system stems from the very design of that policy. The complexity of the tax code is not an accident. It has resulted from years of using and designing the tax law to shape social and economic policy through a confusion of credits, exemptions, deductions, and an ever-growing list of what has become known simply as "loopholes."

Untangling the tax code would be a political nightmare. Every tax break has a constituency and a justification. Almost no credit, exclusion or exemption can be identified as malevolent. Who can be against the interest deduction for home mortgages or charitable contributions? Some loopholes are less defensible, of course, but all of them are premised on accomplishing some presumably good purpose. Taken together, however, they are bad policy. They erode respect and confidence.

Whether people consent to be governed depends in large part on their belief in the fairness of government's demands upon them. The complexity and intentional unequal treatment of our tax code engenders an understandable contempt of the system. Every special provision pushes general rates higher and encourages other special provisions. There is a growing sense that public values are being subordinated to the self-centered tactics of tax manipulation. Financial gain is no longer a mark of distinction, but rather has become suspect. The very fabric of our self-respect and the social contract is weakened.

What is needed is a massive simplification of the tax law. Most of us in Congress know that. Unfortunately, few of us understand the urgency of that need. If we do not fundamentally reform our tax laws in a way that restores popular respect for the system, I fear we will unravel the already frayed thread of public confidence.

As we listen to economic theorists propound their strategies of monetary and fiscal policy—of interest rates and taxes—it is our duty in Congress to remember the context of this debate. In our democracy the people, through their

representatives, seek a broader perspective. Our economic conditions cannot be allowed to obscure the uniquely American principle of fairness. As we fashion our policies we must temper them with equity or we will give sustenance to much graver, though less measurable, troubles ahead.

Thank you, Mr. President.

Mr. PROXMIRE. Mr. President, will the Senator from Kansas yield briefly?

Mrs. KASSEBAUM. I am happy to yield to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I thank my good friend from Kansas for a superlative statement. I think it is about time we debate monetary policy and high interest rates, and I think the statement made by the distinguished Senator from Kansas is most constructive and helpful.

It is a terrific problem: What can we do? What can we do to see that farmers and small businessmen get access to the credit markets when we see these enormous corporations borrowing billions of dollars for some takeover at the same time.

I think the Senator from Kansas asked a very appropriate question. We had Paul Volcker before our committee 2 days ago, and Mr. Volcker, I think, is doing an heroic job under very tough circumstances and suffering, I think, a great deal of unfair criticism, but at the same time we do face this dilemma: The situation in which high interest rates are impeding our economy, and at the same time we have enormous vacant capacity, growing unemployment, a homebuilding industry that is flat on its back, an auto industry that is in very serious trouble, primarily because of high interest rates.

So I think we do need a debate and discussion of this, and I think the Senator from Kansas made a very constructive beginning in that direction.

I thank her.

Mrs. KASSEBAUM. Mr. President, I thank the Senator from Wisconsin. I join him in saying that I do think Chairman Volcker has certainly led the Federal Reserve Board with extraordinary heroism under growing criticism, but I think, as the Senator from Wisconsin points out, we are in many ways dealing with a tax bill which may well compound rather than alleviate the high interest rates under which we have been operating.

I thank the Senator.

Mr. President, I yield back any further time that I have.

Mr. BAKER. Mr. President, I yield any time I have remaining to the Senator from California.

RECOGNITION OF THE ACTING MINORITY LEADER

The PRESIDING OFFICER (Mr. SPECTER). The Senator from California, the assistant minority leader, is recognized.

Mr. CRANSTON. Mr. President, the minority leader yielded such time as he might have remaining to me, and I yield 2 minutes to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I thank my good friend, the minority whip.

A HISTORIC OPPORTUNITY

Mr. PROXMIRE. Mr. President, in his latest book, "Infiltration," Albert Speer, Hitler's onetime Minister of Armaments, looks back to the years when he daily authorized the torture of forced laborers. Speer writes:

> I hid my conscience behind the countless problems that I had to settle at such times.

Mr. President, when difficult moral questions arise, there will always be day-to-day problems to hide behind. At such times it will always be easier to avoid the hard choices. But by ignoring an issue like the Genocide Treaty we commit a crime of omission—an easy crime, a quiet crime, but a crime no less worthy of blame.

Our moral responsibility may be diluted—but it does not disappear. We still must share a little of the guilt for each instance of alleged genocide, whether in Cambodia, Uganda, or elsewhere. Washing our hands of the problem does not remove the stain.

Mr. Speer writes of an "ethical hardening" that became prevalent under Hitler, and which still exists today, going beyond any one ideology or any specific regime. I hope that such hardening has not advanced so far that it numbs us to the sufferings of those victims of genocide abroad.

It is not necessary to find Albert Speer an admirable figure in order to acknowledge that he has, in recent years, tried to come to terms with his past. Mr. President, I ask that this Senate come to terms with the present and ratify the Genocide Convention.

I thank my good friend, the minority whip.

ORDER OF BUSINESS

Mr. CRANSTON. Mr. President, may I ask how much time remains on behalf of the majority and minority leaders?

The PRESIDING OFFICER. The time of the majority leader has expired. The Senator has 3 minutes and 8 seconds remaining.

Mr. CRANSTON. I yield back that time.

TIME OF SENATOR THURMOND IS VITIATED

Mr. President, I understand the distinguished President pro tempore, Senator THURMOND, wishes his time vitiated, so I will now proceed with my special order.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from California is recognized.

JAMES WATT, THE EXTREMIST, THE RADICAL, THE CHAMPION OF NARROW SPECIAL INTERESTS

Mr. CRANSTON. Mr. President, as a Westerner and as a Californian, I share the anger felt by so many people by the policies of this Nation's 43d Secretary of the Interior, James Watt. I voted against Mr. Watt's confirmation. Still I expressed the hope that once confirmed he would be transformed by his elevation to the Cabinet, that he would shake off his parochial, philosophical, and partisan biases, as some past nominees have done, and carry out his responsibilities according to the highest standards of the public good.

I grew up with a view of the foothills of the Coast Range, south of San Francisco, and drew into myself at an early age that special affection Californians have for the beauty of landscape that surrounds and sustains them.

Secretaries of the Interior are charged with custodial care for hundreds of millions of acres of public land. They must see to it that some of the resources on and in those lands are used now, but that something of value is saved for generations to come.

The post of Secretary of the Interior calls for a skilled touch to maintain a balance between many competing and conflicting interests. But I must conclude, 6 months into his term of office, that Mr. Watt has exceeded even the worst case fears of his harshest critics.

Mr. Watt, in less than a half-year, has grossly tipped the scales in favor of those lumber and mining interests, big oil companies, big ranchers, and short-term profiteers who covet the West for their own purposes without regard to environmental values.

The National Wildlife Federation, the country's largest and perhaps most conservative environmental organization, declares that this Secretary has no conservation program but only a master plan for resource exploitation.

Mr. Watt recently told people who operate businesses in our national parks:

> We will use the budget system to be the excuse to make major policy decisions.

We now know what policy decisions he has in mind. His hidden agenda is out in the open.

The Watt budget would stop additional parkland purchases, including acquisitions in areas like Santa Monica Mountains that have been specifically authorized by Congress.

His policies would cripple real enforcement over strip mining, and would end effective protection and identification of endangered species. They would eliminate the cost-efficient Youth Conservation Corps and gut the popular urban parks program.

By his excessive rhetoric and reckless actions, Mr. Watt has trampled what many of us cherish as an article of faith and commonsense: that the land is not a grab bag of resources but an interweaving of life with man himself as part of the fabric.

Californians are not the only people aroused by the Secretary's appalling indifference to the beauty and adventure of the West.

Americans in other States are also justly proud of their natural surroundings. They too have had enough of Mr. Watt's nature-baiting and confrontation tactics in just 6 months to last a lifetime.

Still it is true in California—the birthplace and headquarters of much of the conservation movement in America—that feelings toward this Secretary and his policies run especially deep.

It is a California tradition to feel uniquely challenged by beauty and to feel a new passion for life inspired by the magnificent setting in which we find ourselves.

Our history and identity as Californians are inseparable from the lure of sunlight, blue water, the pine and cypress-lined coast, mountain meadows, and great silent deserts.

We have learned to love and respect the web of natural gifts that support the California ideals of health, outdoor life, physical and spiritual renewal.

However, not everyone who came to California was interested in gentle pursuits.

Writing about California in the last half of the 19th century, the philosopher Josiah Royce explained:

> You get a sense of power from these wide views, a habit of personal independence from the contemplation of a world that the eye seems to own.

The exploiters were not content to own California with their eyes alone. The sense of power that came from wide horizons was often turned against the land.

During California's gold rush much of the mother lode became a wasteland of muddied rivers and streams, caved-in hillsides, heaped debris, and tree stumps.

Our history remembers when much of California was overlogged, overroaded, and overbuilt in a headlong scramble to cash in on the State's lush promise.

In the late 19th century the mining regions of the State reminded poet and essayist Bayard Taylor "of a princess, fallen into the hands of robbers, who cut off her fingers for the sake of the jewels she wears."

In the absence of a conservation ethic scarcely anyone was particularly upset when, in 1853, five Americans spent 25 days in the Calaveras Grove cutting down a 3,000-year-old Sequoia that was 302 feet high and 96 feet in circumference.

They polished the stump into a dance floor and hollowed out the fallen trunk into a bowling alley.

Eventually such mindless destruction gave rise to a new California attitude. It held that life is to be savored, not just compulsively gotten through.

And since nature is the most obvious and overwhelming fact of life in California, it is something to be nurtured rather than to be exploited.

From John Muir to Ansel Adams, with many in between, California has produced a legion of gifted individuals who have spread the conservation ethic beyond the Pacific slope.

In the 1860's a group of Californians led by Frederick Law Olmstead—who later planned the Capitol Grounds as well as Central Park in New York and the Stanford University campus—successfully persuaded Congress and President Lincoln to give over to California a huge tract of land including Yosemite Valley and the Mariposa big trees to protect against commercial exploitation for all times.

It was the first major donation of public domain land for Federal park purposes—the birth of the national park idea.

Yellowstone became the first official national park in 1871, but it was the addition of Yosemite and Sequoia Parks in California that provided real momentum to the establishment of a national park system.

Theodore Roosevelt, a Republican, was our great conservation President, who did much to promote the idea of national parks. But it was Democrat Woodrow Wilson who finally signed the legislation in 1916 that established the national park system.

Wilson's Secretary of the Interior was Franklin Lane, a Californian. Lane received a letter from a prominent businessman and former classmate at the University of California, Steven Mather, who was distressed by poor management of Yosemite and Sequoia Parks.

Secretary Lane invited his former UC classmate to come to Washington, D.C., to improve the situation as the first director of the National Park Service. Mather was succeeded in that office by another Californian, Horace Albright, who also had played a key role in the legislation which founded the parks system.

Newton Drury, also a Californian, founded the bipartisan Save the Redwoods League in 1910 and became the Park Service's fourth national director in 1940.

William Kent, a Republican Congressman from California, pushed for a national park system and donated a redwood grove in Mill Valley which became Muir Woods National Monument.

The conservation movement in California was embodied in others besides politicians and government officials. In 1892 California citizens of varying political faiths and backgrounds formed the Sierra Club as a mutual expression of this new attitude. According to historian Kevin Starr the club's founding "attested to the fact that many Californians of a very fine sort were in dialogue with the environment and wanted the premises of their conversion shared with others and preserved for the future. Americans in California, many of them at least, came to recognize along with John Muir that in the wilderness was strength and sanity and healing."

Had James Watt been Interior Secretary in the 1890's no doubt he would have blasted these pioneer conservationists as "extremists."

He probably would have seen these Californians as pursuing "narrow special interests," engaged in a "greedy land grab," depriving honest loggers and hydraulic miners from a chance to "develop" the State.

That is how he has described the legitimate heirs of the conservation pioneers, today's environmentalists in California and elsewhere.

Who is the extremist? Who is out of sync with a long and honorable bipartisan tradition of care for the land?

In my opinion it is Mr. Watt who is the extremist, the radical, the champion of narrow special interests. For him to apply those labels to men and women who treasure the environment is a gross distortion of California history.

Let us look at what Mr. Watt has done and plans to do and let us see his record in a California context, because that is where the weight of this man's excesses have been particularly damaging.

Secretary Watt proposes to lease to energy companies very nearly the entire Outer Continental Shelf of the United States.

Mr. Watt wants to lease 200 million acres each year on the OCS amounting to nearly 1 billion acres over the next 5 years. For comparison, a total of 43 million acres have been leased for energy development since 1954.

In California Mr. Watt restored to lease sale 53 the possibility of oil and gas drilling in four northern California offshore basins which the previous Secretary of the Interior had deleted entirely. The coastal areas that are affected comprise some of the most spectacular and unspoiled shoreline in the Nation.

Development of the minuscule amount of energy assumed to be in these basins would imperil the entire marine and coastal environment offshore such breathtaking and spectacular areas as Big Sur, Mendocino, Bodega, and Point Reyes.

The Eel River Basin off the Humboldt and Del Norte County coasts is one of the world's most productive fishing grounds. Nearly half of all California's Dungeness crab catch comes from this basin.

Secretary Watt with this one action alienated California's fishing and shipping industries, recreation and tourism businesses, environmental groups, Governor Brown, and virtually every California Member of Congress, and every State, county, and municipal official—Democrat and Republican—who represent the State.

In addition, he has attempted to lease—over the objection of most of those I just mentioned and in apparent violation of Federal law—31 environmentally sensitive tracts in the northern end of the Santa Maria Basin off San Luis Obispo and Santa Barbara Counties.

And to what end? Government geologists estimate that 80 percent of the oil and gas in lease sale 53 could be obtained by limiting drilling to the lower half of just the Santa Maria Basin where environmental risks are minimal.

It is estimated that all the oil in the four northern basins would supply the Nation for about 11 days—provided it could be extracted and piped ashore, and there is serious question if that is feasible.

The Reagan administration, in an attempt to regain credibility in California, has stated that the President—not Secretary Watt—will make the final determination whether to proceed with leasing in the four northern basins.

The irony is that most of the oil and gas could have been obtained in a fraction of the area with relatively little risk to the environment.

Secretary Watt could have avoided incurring the wrath of so many people con-

cerned with the scenic and economic values of the California coast.

Why did he not do so?

Perhaps because Mr. Watt is seeking to prove a point that is generally lost on most of us. Maybe he wants to show that he can beard the lion of a bipartisan environmental movement in its own den and get away with it.

On the offshore leasing issue and on others that directly affect California, Mr. Watt's extreme positions remind me of what George Santayana said about fanaticism: That it consists in redoubling your efforts when you have forgotten your aim.

Look at Mr. Watt's butchery of the Land and Water Conservation Fund which he once called one of the most effective preservation and conservation programs in America. That is what he said as a nominee for Secretary of the Interior.

Congress authorized $900 million annually from the fund for parkland acquisitions and for matching grants to State and local governments for their own park and recreation projects.

Once he was confirmed in his job, however, Mr. Watt set about slashing the fund from an authorized $900 million a year down to $45 million—a phase-out figure to cover obligatory court awards and minor administrative costs.

His slashing of the fund will delay completion of the Golden Gate National Recreation Area and the Channel Islands, and saddle U.S. taxpayers with higher future costs. His action was a deliberate devastating move to wipe out plans for a 70,000-acre park in the Santa Monica Mountains.

Perhaps there is not contradiction here. Perhaps Mr. Watt sincerely believes this fund is the most effective preservation and conservation program in America and, therefore, he is against it.

As a result of his antagonism to this program there are authorized parks and recreation areas around the Nation that will be nothing more than boundary markings on paper without the buying power of the Land and Water Conservation Fund.

In California this means that years of painstaking efforts by private citizens and government officials to plan a 70,000-acre park in the Santa Monica Mountains of Los Angeles and Ventura Counties may have been in vain.

Some $35 million requested by the Park Service for acquiring key land parcels in fiscal 1982 will not be forthcoming if the Secretary has his way.

Mr. Watt's moratorium on park acquisition brought a halt to negotiations to obtain these lands for the public.

His actions have accelerated the scramble to develop this area for private homes, subdivisions and businesses.

Since the Santa Monica Park was authorized by Congress in 1978, local governments have received applications for building permits for nearly 3,000 homes in this area. More than a third have been approved.

Just since May of this year applications for another 1,500 housing units have been received and 372 building permits issued.

Construction has not yet begun. The Santa Monica Mountains are still open space. As yet it still could be a high quality park and recreation area. But with every day that Federal land acquisition remains frozen, the prospects grow dim for providing a near-at-hand wildlands preserve for the people of the Los Angeles basin.

Because of what Secretary Watt has done to the Land and Water Conservation Fund additions to the Golden Gate National Recreation Area and to the Channel Islands will be delayed, at best, therefore saddling taxpayers with higher future costs.

Secretary Watt says he would rather spend money to maintain facilities at existing parks properly. No one questions the need for maintenance and upgrading of present park resources. But until Mr. Watt appeared on the scene no one in a position of responsibility in Government suggested that money should be spent on maintenance instead of on expanding and acquiring new parks.

We desperately need both.

America's proud national parks are more popular—and more crowded—than ever before.

As gasoline becomes more expensive and more precious we must provide national park preserves closer to where the bulk of Americans live—in urban areas.

In terms of use these are the most valuable wildlands in America. As more and more Californians year after year escape urban crush and seek temporary respite it is irresponsible to draw an arbitrary line and say: No more parks!

But Mr. Watt thinks there are too many urban parks in the care of the Federal park service now. He scorns them as "playgrounds" and wants them deauthorized by Congress.

If Mr. Watt thinks little of parks that are near at hand he is contemptuous of the classic rugged and remote wilderness areas that since 1964 have been preserved by the Federal Government in their natural state.

Mr. Watt has generally taken a dim view of pristine wilderness, suggesting that mining and oil drilling might satisfactorily be allowed in areas being considered for wilderness designation.

In a memorandum to his Assistant Secretaries he listed what he called "open wilderness areas" as a major goal of his Department.

I do not know exactly what Mr. Watt means by that phrase. I do not know if anyone knows its true meaning. But if Mr. Watt means to open wilderness areas to industrial uses, the term wilderness as it has been understood, at least since 1964 in this country, will have lost all meaning.

Californians love the desert. In fact, we have learned in the past few years that they may be loving it to death.

Five years ago Congress enacted a law I sponsored in the Senate to formulate a land use plan for some 12 million acres of federally owned desert lands in California.

The Bureau of Land Management with the assistance of the California Desert Advisory Committee held numerous public hearings and learned much about the harm that off-road vehicles do to the thin crust that covers the desert, and to the plants and animals that depend on that crust for their survival.

The plan the BLM developed after years of public meetings and negotiations with interested parties does not forbid motorcycles and dune buggies from the desert. It does provide certain areas for off-road vehicle recreation.

Mr. Watt, without benefit of a single hearing, urged the President to rescind existing requirements that ORV's be controlled.

At present the Bureau of Land Management must restrict ORV's unless it can be shown that they can be operated without damage to the environment. If this order is revoked, BLM managers will have to seek approval for restricting ORV's on a case-by-case basis.

In the meantime there could be irreparable damage to the fragile desert environment.

The desert does not possess the regenerative powers of less arid land. Trails left by burros leave their imprint for decades. Tank tracks are still visible in the Mojave Desert where Gen. George Patton conducted desert warfare maneuvers 40 years ago.

There is still time to save those portions of the California desert that should be saved, and to use those that should be used.

The Bureau of Land Management has recommended that 2.1 million acres in 45 separate locations in the California desert be studied for wilderness designation.

But between Mr. Watt's policies for mining and drilling in and around wilderness study sites and his effort to revoke restrictions on off-road vehicles, it will be a hard fight indeed before Californians see a new wilderness area designated in their desert lands.

We must be concerned for the future—even if James Watt is not.

What will become of Death Valley, one of the most desolate and hauntingly beautiful places on Earth?

Legislation that I cosponsored in 1976 brought a temporary halt to surface mining for talc and borates in the national monument and in five other units of the national park system that had been left open to mining. The moratorium established by that law now has expired. The Secretary of the Interior will decide whether to acquire for the public the scenic areas around Zabriskie Point and Gower Gulch or to yield to claims that these vistas should be destroyed for their mineral wealth.

On which side will Mr. Watt exert the power of his important office?

The decisions of any Secretary of the Interior call for a skilled touch to maintain a balance between competing and often conflicting interests on public lands.

Some say the quality of Mr. Watt's custodial sensitivity was best displayed in a recent speech to the business interests that operate concessions inside the national parks.

This was the speech that Nathaniel Reed, a Republican Assistant Secretary of the Interior under Presidents Nixon

and Ford, called, "surely one of the most fawning, disgusting performances ever given by a Secretary of the Interior. He was so eager to please that he all but gave away the park system."

Mr. Watt extended an open invitation to concessioners to propose commercial development schemes for the parks, including cutting themselves in for a greater role in those functions traditionally performed by Park Service rangers and personnel.

This too carries a special resonance for Californians. Many of us still remember that a park commissioner embarked on filming a television series a few years ago and found it necessary to try to improve on nature by painting some of the rocks in Yosemite Park to provide better contrast for the TV screen.

Mr. Watt's generous invitation to concessioners can be expected to revive other plans for building aerial tramways and cog railways in the most scenic areas of Yosemite, Sequoia, and other national parks.

I voted against Mr. Watt's confirmation. In a careful study of his background, and from his testimony before the Senate committee, I could find nothing to reassure Americans who support land preservation and conservation that Mr. Watt would protect the public lands for present and future generations.

Still I express the hope in my speech cpposing his nomination that once confirmed he would be transformed by his elevation to the Cabinet—that he would shake off parochial, philosophical, and partisan biases as some past nominees have done and carry out his responsibilities according to the highest standards of the public good.

It gives me no pleasure to conclude that 6 months into his term of office Mr. Watt has exceeded even the worst-case estimate of his harshest critics.

He proclaimed a good neighbor policy toward State and local government in the West. But his every official act toward California turns his professed policy into a sad joke.

He reopened considerations of OCS drilling off California without consulting State officials. Then he had the temerity to suggest he was acting to give Governor Brown an opportunity to express himself on this issue though Jerry Brown has been firmly and on record, repeatedly, in opposition to drilling on the north coast.

Given authority to manage air quality over the Outer Continental Shelf, he has promulgated regulations that will permit development to occur that will substantially retard California's vital, long-term effort to achieve cleaner air.

He has revoked the designation of two California coastal marine sanctuaries in order to open those areas for previously banned oil and gas drilling.

He has instructed the Park Service to hold public hearings in California with a view toward repealing the ban on snowmobiles in Lassen, Sequoia/Kings Canyon and Yosemite National Parks.

In thought, word and deed, Mr. Watt has played out his role of Interior Secretary as puppet of the exploiters and the destroyers, with flourishes that remind Californians of those loggers who made a dance floor and a bowling alley out of a 3,000-year-old tree.

His proposals do not come from the mainstream of diverse Americans political views, but from an antigovernment bias so primitive that for awhile I had trouble believing Secretary Watt was serious about them.

Six months in office have proved he is deadly serious.

His policies are reckless and irresponsible. They reflect a radical reversal of longstanding bipartisan California tradition of love and respect for the land that includes probably as many Republicans as Democrats—yes, in some cases even Ronald Reagan.

Most of the developers of our national resources—the oil, timber, and mining interests—are selective in their opposition to park development and protective land use policies. Not Mr. Watt.

Secretary Watt lacks even the sophistication of the exploiters. His policies are more than capricious and irresponsible—they are a radical reversal of a longstanding California bipartisan tradition of love and respect for the land.

Mr. Watt misses the point when he excoriates environmentalists. What he is attacking in California is not something cooked up in the 1970's or 1960's by well-to-do Bohemians. It is a very old and honored tradition in California to identify with the outdoors and to treasure the intricately interrelated web of nature that supports human life and all else.

The California adherents to this philosophy number in multiple millions. They probably include as many Republicans as Democrats. And for Mr. Watt's enlightenment, I would like to list just a few of those Republicans: Mather, Albright, and Kent, whom I have mentioned, Hiram Johnson, Earl Warren, Robert Gardner Sproul, and more recently Ike Livermore, William Penn Mott, former Congressman and Ambassador Bill Maillard, former Senator Tom Kuchel, Dr. Ed Wayburn, and yes, in some cases, Ronald Reagan.

Then-Governor Reagan vetoed the Dos Rios Dam despite opposition from the water lobby. He supported wild and scenic river designations and he greatly increased acreage in the State parks.

I wish President Reagan had nominated someone other than Mr. Watt for Interior—someone who would have been both closer to the President's own feelings toward the outdoors and closer in spirit to the traditional California attitude toward the environment.

I have concentrated here on Secretary Watt's impact on my State, California. In the coming weeks I will be looking at what his policies are doing to public lands and public expectations in other States and in our country as a whole.

I am not alone in keeping a watch on Mr. Watt. People all over America have had enough of Mr. Watt's nature-baiting and confrontation tactics. They clamor for his removal.

The Los Angeles Times recently editorialized:

Try as he may to force the lock on so much of America's protected public lands, Watt is not likely to break the conservation ethic that put those areas under lock in the first place. But he could do a lot of damage in that time. He must be stopped.

As a Westerner and Californian who loves the land and reveres man's proper role in the natural scheme of things, I want Mr. Watt stopped. Now.

Mr. President, I yield back whatever time remains, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, is the Senate in morning business?

The PRESIDING OFFICER. There has been no order for morning business yet.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that I may proceed as in morning business for 1 minute.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE AFGHAN RESISTANCE FIGHTS ON

Mr. ROBERT C. BYRD. Mr. President, the New York Times of July 23 contains an article entitled "Three-Day Battle in Kabul Suburb Called One of Biggest for Afghans." The report describes a major clash between the Afghan freedom fighters and Soviet and Afghan Army units just outside Kabul.

While it is difficult to obtain detailed information on much of what occurs inside Afghanistan, even the Soviet-dominated Karmal regime cannot hide evidence of the battle that occurred last week near Kabul.

The clash, as the Times report makes clear, was hard on the Soviets and their Afghan Army clients. The rebels once again fought bravely against very heavy odds, and apparently inflicted several hundred casualties. Sadly, several hundred Afghan civilians may also have died during the Soviet attacks.

This battle shows that the will and spirit of the free Afghan people cannot be broken. They are at the point of the Soviet dagger, where tough talk is meaningless, and the price of liberty is often life itself. They deserve the help of freedom-loving countries and the admiration of all.

I ask unanimous consent that the article be inserted in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THREE-DAY BATTLE IN KABUL SUBURB CALLED ONE OF BIGGEST FOR AFGHANS

(By Michael T. Kaufman)

NEW DELHI, July 22.—Three days of fighting around a Kabul suburb last week were described here today in Western diplomatic reports as some of the fiercest and costliest fighting near the capital since the onset of Afghanistan's guerrilla war and the arrival of Soviet troops.

The reports agreed that the fighting had centered on Paghman, 16 miles northwest of

Kabul, once a community of summer villas belonging to the rich and favored classes. More recently the town and the hills around it sheltered groups of guerrillas raiding Soviet and Afghan Government positions.

The Western sources said that, on July 14, after warning civilians to evacuate their homes, Soviet and Afghan forces began a clearing operation involving artillery shelling and rocketing from helicopter gunships. Civilian casualties were said to have been high and the diplomats told of hearing from people who returned to look for survivors that in some places bodies were stacked "like firewood."

CADETS' FUNERAL SHOWN ON TV

In the initial operations, eight days ago, a force of 300 cadets from a military academy in Kabul, were sent in to search for rebels. According to one of the dispatches, the cadets were at one point encircled by rebels who with bullhorns ordered them to either join the insurgents or face death. The diplomats' informants said 200 cadets had defected and 100 had been killed.

The diplomats said Kabul television showed the funeral of 30 cadets who were described as "martyrs." The showing of the bodies on television followed a protest at the military hospital where relatives of cadets sent to Paghman shouted abuse at the Government.

During the next two days, Soviet and Afghan planes carried out air raids over the Paghman area in what a diplomatic report described as an apparent retaliatory and punitive effort. In one instance, according to two reports, Soviets and Afghan forces on the ground were accidentaly strafed and bombed by Soviet helicopters and planes.

One Western report said the rebels around Paghman were being reinforced by guerrilas from nearby provinces as word of the fighting spread. On the second evening, the rebels attacked a Government military encampment at a former botanical garden on the outskirts of Paghman, but were pushed back.

One source reportedly told a Western diplomat that, in an effort to intimidate the residents, a Soviet armored personnel carrier traveled back and forth from one end of town to the other for four hours after midnight firing a heavy machine gun in all directions.

By the afternoon of July 16, the Soviet troops began pulling back and one observer said he had watched for more than an hour as more than 300 tanks, trucks and armored cars moved back to the Kabul plateau.

CASUALTY FIGURES CALLED SUSPECT

On overrall casualties, one of the diplomatic reports cautioned that body counts were suspect, but the report went on to say that a reconstruction of available information suggested that several hundred Soviet and Afghan soldiers had been killed or wounded, with at least 70 cadets dead. The report added that there had probably been "50 to 100 rebels killed and several hundred civilians."

One of the reports said that, as a result of advance warning, many residents had evacuated their homes and sought refuge with relatives elsewhere. The scene of the fighting was a few miles beyond the zone where diplomats are free to travel.

Because of the proximity of the fighting to Kabul, would spread quickly and apparently led the authorities to permit the showing of the cadets' funeral.

The diplomats said that violence in Kabul abated somewhat during the battle in Paghman. A woman who had appeared on television singing her compositions in praise of the Government was kiled the next day in her home, her body reportedly mutilated. A guard posted at the home of a United States diplomat was shot and killed by a passer-by who took the dead man's machine gun and calmly escaped in a taxi, according to Western diplomats.

TRIBUTE TO DENVER DICKERSON

Mr. ROBERT C. BYRD. Mr. President, I want to say a few words in memory of Denver Dickerson, a veteran of many years of able and loyal Senate service, who died at his home in Bethesda, Md., on Sunday afternoon, July 19. He was 67 years of age.

He retired early in 1980 after 7 years as staff director of the Joint Committee on Printing. Earlier he had served with distinction as professional staff member of the Committee on Rules and Administration, under the chairmanship of my distinguished colleague, Mr. CANNON, and during the 1950's as press secretary and later as executive assistant to former Senator Alan Bible of Nevada.

Son of the late Gov. Denver S. Dickerson of Nevada, Denver was born in Carson City and studied at the University of Nevada in Reno.

He became a highly regarded newspaperman and columnist on newspapers in Carson City and Reno, and had a brief career as a state legislator as well, including a term as speaker of the Nevada Assembly, to which post he was elected when he was 28.

His long and varied experience also included service as a technical sergeant in World War II; director of the Nevada State Employment Security Department; press officer for the U.S. Embassy in Burma; and Lieutenant Governor of Guam under Presidents Kennedy and Johnson.

Mr. Dickerson was widely and affectionately known among Senators and the Senate community in general, who share a sense of deep loss with his family.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HATFIELD). Without objection, it is so ordered.

ECONOMIC RECOVERY TAX ACT OF 1981

Mr. BAKER. Mr. President, what is the pending business?

The PRESIDING OFFICER. The present business is that, under the previous order, the hour of 10 a.m. having arrived, the Senate will now resume consideration of House Joint Resolution 266, which the clerk will state.

The assistant legislative clerk read as follows:

A joint resolution (H. J. Res. 266) to provide for a temporary increase in the public debt limit.

The Senate resumed consideration of the joint resolution.

The PRESIDING OFFICER. Under the previous order, the Senator from Indiana (Mr. QUAYLE) is to call up an amendment dealing with the rehabilitation of housing.

Mr. BAKER. Mr. President, I am advised that the Senator from Indiana is on his way to the floor. In the meantime, I suggest the absence of a quorum, with the time utilized therefor to be charged against the bill.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I understand that the distinguished Senator from Indiana (Mr. QUAYLE) has an amendment which has been worked out with the joint committee and approved by both myself and Senator LONG. I yield the floor to the distinguished Senator from Indiana.

UP AMENDMENT NO. 279

(Purpose: To increase to $40,000 the expenditures per dwelling unit of low-income housing eligible for 5-year amortization in certain situations providing for sale of the units to tenants)

Mr. QUAYLE. Mr. President, I thank the distinguished chairman of the Finance Committee for yielding.

I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Indiana (Mr. QUAYLE) proposes an unprinted amendment numbered 279.

Mr. QUAYLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

After line 16, page 85, insert the following:

"(e) AMORTIZATION OF LOW-INCOME HOUSING.—Paragraph (2) of section 167(k) (relating to rehabilitation of low-income rental housing) is amended by striking out 'The' in subparagraph (A) and inserting in lieu thereof 'Except as provided in subparagraph (B), the'; by redesignating subparagraph (B) as subparagraph (C), and by inserting after subparagraph (A) the following:

"(B) The aggregate amount of rehabilitation expenditures paid or incurred by the taxpayer with respect to any dwelling unit in any low-income rental housing which may be taken into account under paragraph (1) may exceed $20,000, but shall not exceed $40,000, if the rehabilitation is conducted pursuant to a program certified by the Secretary of Housing and Urban Development, or his delegate, or by the government of a State or political subdivision of the United States and if—

"(i) the certification of development cost is required;

"(ii) the tenants occupy units in the property as their principal residence and the program provides for sale of the units to tenants demonstrating home ownership responsibility; and

"(iii) the leasing and sale of such units are pursuant to a program in which the sum of the taxable income, if any, from leasing of each such unit, for the entire period of such leasing, and the amount realized from sale or other disposition of a unit, if sold, normally does not exceed the excess of the taxpayer's cost basis for such unit of property, before adjustment under section 1016 for deductions under section 167, over the net tax benefits realized by the taxpayer, consisting of the tax benefits from such deductions under section 167 minus the tax incurred on such taxable income from leasing, if any."

Mr. QUAYLE. Mr. President, today, I am offering an amendment to the Economic Recovery Tax Act which has been worked out with both the chairman and the ranking member of the Committee on Finance.

Mr. President, this amendment to the Economic Recovery Tax Act will have little effect on the Treasury, but it may have a profound effect on thousands of people, in hundreds of neighborhoods, in dozens of cities and towns.

This amendment simply raises from $20,000 to $40,000 the amount that may be depreciated over a 60-month period for money spent on upgrading low-income housing for qualified low-income housing rehabilitation projects.

Section 167(k) of the Internal Revenue Code presently permits that accelerated depreciation on the first $20,000 spent on rehabilitating such housing. Last year this program was extended until 1984. This amendment will permit those who choose to upgrade low-income housing, and who qualify under this section, to depreciate the first $40,000 instead of the first $20,000. We are changing the statute to reflect financial reality.

Mr. President, let me take a moment to describe how this program has been used in one city of my State, Fort Wayne, Ind.:

An insurance company which is headquartered in Fort Wayne has been buying abandoned, or otherwise unsuitable housing and spending the amount of money necessary to make those structures habitable. In conjunction with several banks, the insurance company has been taking half of the amount they have invested and getting a 15-year mortgage for that amount.

It is the insurance company's position that the other half—the half not mortgaged—is a donation to the community. It is a corporate contribution to Fort Wayne.

The insurance company, having renovated a single family dwelling, then rents that house to a low income tenant for only the amount necessary to cover the mortgage, taxes, insurance, and a small reserve for repairs.

The city of Fort Wayne, as its part in the program, has been fixing the streets, curbs, and lighting.

After 5 years, if the tenant has lived up to the terms of the lease, the insurance company sells the house to the tenant for $1. The bank transfers the remaining 10 years of the mortgage to the new owner, thereby completing the cycle.

Mr. President, this program does more than rehabilitate dwellings; it creates homes. It does more than improve the tax base; it creates neighborhoods.

We have worked this out to take care of a particular situation in my State, more particularly, in Fort Wayne, Ind., where some of the companies have been involved in rehabilitating low-income housing. They have done this in a unique way. They have bought property for virtually $1. They have rehabilitated the property and assumed mortgage for one-half the amount of the project.

Then they have obtained tenants to come in, to pay rent based upon those mortgages. After a period of 5 years, the companies transfer the property to the tenant. The tenant assumes the mortgage, and owns the property.

What they have done is unique, and it is hoped that we can get other corporations and foundations to take an interest in this type of project particularly as we have increased the exemption from $20,000 to $40,000—to take a keen interest in rehabilitating low-income housing in the cities.

The $20,000 limit was put in 4 years ago. We are simply facing reality, that $20,000 simply is not sufficient. We are going to raise this to $40,000; but under the direction and stewardship of the Senate Finance Committee, we have put in certain parameters as to where the additional $20,000 will be allowed as a deduction.

I yield to the distinguished chairman of the Finance Commitee. I thank him and the ranking minority member of the committee, Senator LONG, for their cooperation. I also thank the staff for coming up with the precise language to take care of this program.

Mr. DOLE. I thank the Senator from Indiana.

Mr. President, under the amendment as proposed by Senator QUAYLE and worked out by the Treasury—and we also appreciate the cooperation of the Joint Tax Committee—the cap of the depreciation deduction for low-income rental housing will be raised to $40,000. However, the cap will be raised only if there is a special benefit provided to the tenants. Under present law, a taxpayer may elect 60-month straight-line amortization of costs incurred in the rehabilitation of low-income rental housing. The amortization is limited to $20,000 per dwelling unit.

Under the amendment, the $20,000 limit would be raised to $40,000 per unit if the rehabilitation is pursuant to a program under which the tenants who demonstrate home ownership responsibility may purchase their units for a sales price that limits the profit to the sellers.

I understand that the revenue loss is less than $5 million.

Mr. LONG. Mr. President, this proposal has been tried, and apparently it seems to be working very well. It certainly deserves to be tried on a broader basis.

I commend the Senator for offering this amendment, and I hope very much that the Senate will go along with it.

Mr. DOLE. I thank the Senator from Louisiana.

I yield back the remainder of my time.

Mr. QUAYLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 279) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. QUAYLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Under previous order, the Senator from Tennessee (Mr. SASSER) is recognized to call up an amendment dealing with social security interfund borrowing.

Mr. DOLE. In the absence of Mr. SASSER, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HEFLIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time?

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 280

(Purpose: To provide a credit against federal income tax for expenses involved in the planting of pecan trees to replace pecan trees destroyed by Hurricane Frederick)

Mr. HEFLIN. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alabama (Mr. HEFLIN) proposes an unprinted amendment numbered 280.

Mr. HEFLIN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 284, line 5, insert the following: new section 509:

SEC. 509. CREDIT AGAINST INCOME TAX FOR PLANTING OF CERTAIN PECAN TREES.

(a) ALLOWANCE OF CREDIT.—That notwithstanding any other provision of law, there shall be allowed as a credit against the tax imposed by Chapter 1 of the Internal Revenue Code of 1954 an amount equal to the product of—

(1) $10, multiplied by

(2) the number of pecan trees planted by the taxpayer to replace pecan trees destroyed by Hurricane Frederic during September 1979.

(b) LIMITATIONS BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—The credit allowed by subsection (a) for a taxable year shall not exceed the tax imposed by chapter 1 of such Code for such taxable year, reduced by the sum of the credits allowable under subpart A of part IV of subchapter A of chapter 1

of such Code, other than the credits allowable under sections 31, 39, and 43 of such Code. For purposes of the preceding sentence, the term "tax imposed by chapter 1 of such Code" shall not include any tax treated as not imposed by chapter 1 of such Code under the last sentence 53(a).

(2) CARRYOVER OF CREDIT.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation under paragraph (1), such excess shall be carried forward to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The provisions of this Act shall apply to taxable years beginning after December 31, 1980, and before January 1, 1986.

(2) PRE-1981 EXPENDITURES ALLOWED FOR 1981.—In the case of the taxpayer's first taxable year beginning after December 31, 1980, this Act shall be applied by taking into account the period beginning on August 31, 1979, and ending on the last day of such first taxable year.

Mr. HEFLIN. Mr. President, the amendment I am offering today is simple and straightforward. What this amendment will do is allow a credit against income tax for planting pecan trees in south Alabama which were destroyed by Hurricane Frederick in September 1979.

I am sure, that each Member of this body will recall that the gulf coast was devastated by Hurricane Frederick in September 1979, and one group which was particularly hard hit was the Alabama pecan growers. We have explored all the possibilities, but we can find no Federal aid programs which will enable this industry to get back on its feet. Accordingly, during the 96th Congress, I introduced a bill, S. 1900, which would give special tax relief to all fruit and nut growers who suffer damage because of the whims of nature, such as floods, fires, or storms. At a hearing on this measure, the administration spoke in opposition to it, basically because it would impact on the symmetry of the tax code. Thus, because of this problem and because the cost of the bill is estimated at $20 million per year, that particular measure did not move forward.

In a spirit of compromise and to provide at least some measure of relief for these small family businesses, I introduced S. 531 this Congress. Basically, my amendment would allow persons who lost pecan trees a tax credit of $10 for each tree that was destroyed in the hurricane if a tree was planted by the taxpayer to replace the destroyed tree. The cost of pecan trees in the market in Mobile today is approximately $10 per tree. Thus, a $10 tax credit will enable the pecan growers at least to recover the cost of initial planting of the tree. It does not even approach the cost to nurture the tree and bring it into full production, which takes a period of 8 to 10 years; but at least it would provide some resources to get the trees in the ground at their earliest possible date.

Last year, fewer than 10 percent of the trees that were destroyed were replaced, primarily because the pecan growers, mostly on small family farms, just do not have the funds to purchase new trees to set out.

Over 144,000 trees were destroyed by the hurricane. Even if every single tree were replaced and the tax credit claimed, the maximum amount of tax loss under this measure would be about $1.4 million. Most likely, the actual tax loss will be considerably less than that; and thus, it is really not as significant an amount of money for the national treasury to absorb. It is significant, however, in that it may enable the crippled pecan industry of south Alabama to get back on its feet and once again to be a tax-producing industry.

Mr. President, I hope that the Members of this body will feel compassion for these small businessmen and approve this bill.

I point out that at the time of this devastating storm, there was no such things as crop insurance for pecan growers. Since newly enacted legislation does bring pecan and other fruit and nut trees under the Federal crop insurance programs, this should be a one-time, nonrecurring disaster. In the future, insurance will be available to offset these kinds of losses. Because this is a special situation, I think that special legislation is appropriate, and I urge my colleagues to support this bill.

Mr. President, I have discussed this amendment with the majority floor manager and the minority floor manager. I believe there is no objection to it.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. HEFLIN. I object.

The PRESIDING OFFICER. Objection is heard.

The clerk will continue to call the roll.

The assistant legislative clerk continued to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, as indicated by the distinguished Senator from Alabama, the amendment provides a nonrefundable credit for expenses involved in the planting of pecan trees for the purpose of replacing trees destroyed in September 1979 by Hurricane Frederick. The amount of the credit would be $10 per pecan tree. Credits exceeding tax liability could be carried forward to succeeding taxable years. The credit would be available for taxable years beginning after 1980 and before 1986. For the first taxable year beginning after 1980, the credit would be extended to cover trees planted after August 31, 1979.

The reduction in revenue would be less than $1 million a year for all years to which the amendment applies.

Mr. President, I have discussed this amendment with the Senator from Alabama. I have no objection to adding it to the bill and taking it to conference. I cannot guarantee what will happen at that point.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE. I yield to the Senator from Ohio.

Mr. METZENBAUM. Mr. President, I oppose this amendment. I believe it provides a special category in the tax code for circumstances that could be oppressive.

I do not think it is the way we should treat matters of this kind. I sympathize with my good friend from Alabama concerning the problem, but I believe that once we start down this road there will be no end to it.

I do not feel it is a matter of great enough moment for me to make a matter of a rollcall vote.

I do wish to rise to indicate my opposition to it and recognize it is in the hands of the Finance Committee for consideration and will be in the hands of the Finance Committee for further disposition after the matter goes to conference.

I do think it is the wrong way to go and strongly object to it, but I am completely satisfied the chairman of the Finance Committee is prepared to accept it. If we do handle it on a voice vote, I at least record my own voice in the negative.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. DOLE. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Alabama.

The amendment (UP No. 280) was agreed to.

Mr. HEFLIN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I understand the distinguished Senator from Tennessee (Mr. SASSER) and the Senator from New York (Mr. MOYNIHAN) are in the process of modifying an amendment that now would be on the floor otherwise.

I simply say to those who may be listening in their offices that the way we are moving, if no one has any amendments, we could wrap this joint resolution up by noon today.

I hope that, if anyone has an amendment he is interested in, he propose it soon. I hope the distinguished majority leader will underscore the need to move on. I also hope that after the next rollcall vote the majority leader will have another inventory on the amendments and we will find out how many Members are serious about their amendments. I

really believe that about half of those amendments still pending will never be offered and that many of the others are in negotiations that could lead to their acceptance. So we may be fairly near completion.

Mr. BAKER. Mr. President, will the Senator yield to me then?

Mr. DOLE. I yield to the distinguished majority leader.

Mr. BAKER. Mr. President, I underscore every word that the distinguished chairman of the Finance Committee has said and indeed I think his suggestion is a good suggestion.

I understand there will be a rollcall vote on the Sasser amendment. After that rollcall vote or after the next rollcall vote, as the case may be, I will ask Senators to remain in the Chamber so that we can canvas the amendments that are—I hesitate to use the word "serious"—let me say that are going to be called up so that we can have some reading on where we are and how much time it will take to get there to get to final passage.

Mr. President, I also urge Senators to take account of the fact that today, as I said last night, we are going to have a full day and a long day and we are going to have votes all day right up to the time that we recess.

So, Mr. President, I urgently request Senators to remain in the Chamber after the next rollcall vote while we do an inventory of amendments and we will see how we are getting along.

The PRESIDING OFFICER. Who yields time?

Mr. BAKER. Mr. President, I suggest the absence of a quorum, and I ask to have it charged against the bill.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SASSER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. MATTINGLY). Without objection, it is so ordered.

UP AMENDMENT NO. 281

(Purpose: Expressing the sense of the Senate that the Senate Finance Committee report a bill authorizing interfund borrowing to the Senate by September 30, 1981)

Mr. SASSER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. SASSER), for himself, Mr. MOYNIHAN, Mr. SARBANES, Mr. CANNON, Mr. MELCHER, Mr. RANDOLPH, Mr. BRADLEY, Mr. PELL, Mr. WILLIAMS, and Mr. PRYOR, proposes an unprinted amendment numbered 281.

Mr. SASSER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill, add the following new section:

"SEC. . (a) It is the finding of the Senate that—

"(1) a crisis of confidence exists about the fiscal integrity of the Social Security System, and

"(2) the three trust funds that comprise the Social Security System face two separate and distinct problems—a short-term cash flow problem confronting the Old Age and Survivors Trust Fund over the next five years and the long-term financing problem that becomes acute in the next century, and

"(3) there is general agreement that interfund borrowing will resolve the immediate cash-flow problem, and

"(4) it is of paramount importance that the Congress restore faith in the fiscal integrity of the Social Security System by acting quickly and responsibly in solving the financial problems of the system.

"(b) It is therefore the sense of the Senate that the Senate Finance Committee report a bill to the Senate authorizing interfund borrowing or such other provisions as may be required by November 15, 1981."

Mr. SASSER. Mr. President, may I inquire how much time we have to a side?

The PRESIDING OFFICER. Fifteen minutes.

Mr. DOLE. Fifteen minutes.

Mr. SASSER. I yield myself 5 minutes, Mr. President.

Mr. President, over the last 2 months, since Health and Human Services Secretary Schweiker announced the Reagan administration's social security financing plan, the Nation has been subjected to a constant barrage of facts and a daily trading of charges about the fiscal integrity of the social security program.

Well, the American people are confused. They want to know what are the facts. Is the social security system bankrupt? If not, how bad is the funding situation? What are the options and what are the impacts for various options if they are exercised? Who is trying to do what to whom? These are the questions, Mr. President, that the American people have been asking. The answers vary along all points of the political and economic compass.

Most recently, the President sought to clarify his administration's position on the problems confronting social security. In a July 18, 1981, letter to the minority leader, the President stated:

Thirty-five million Americans who depend on social security expect and are entitled to prompt bipartisan action to resolve the current financial problem.

Mr. President, I could not agree more with the President of the United States.

Furthermore, President Reagan has asked the Congress to "lay aside partisan politics" and join him in a "constructive effort" to put the social security system on a sound financial basis.

Again, I could not agree more with the President of the United States. I would venture to say that the overwhelming majority of the American people also agree.

I believe that the able and distinguished chairman of the Finance Committee (Mr. DOLE) will agree with me that the social security faces two different and distinct financing problems:

First, a short-term cash-flow problem confronting the old age and survivors trust fund over the next 5 years; and, second, the longer term, more difficult problem with questions facing financing of the other two trust funds around the turn of the century, if one uses the economic projections the administration submitted to support its economic recovery tax bill and the budget cuts.

Moreover, Mr. President, I expect that the distinguished chairman of the Finance Committee will confirm that there is general agreement among the experts who have studied these problems that at least one option has broad-based support and should be taken as soon as possible—authorization for interfund borrowing.

The 1980 Social Security Administration report recommended interfund borrowing. Mr. Stanford Ross, Mr. William Driver, and Mr. Robert Ball, three former Social Security Administration Commissioners have all recommended interfund borrowing. The American Enterprise Institute and the Brookings Institution, two organizations that seldom agree on anything, agree that interfund borrowing should be authorized. President Reagan, the President's Commission on Pension Policy, the National Commission on Social Security, and the trustees of the old age and survivors trust fund agree on interfund borrowing. All in all, Mr. President, that is a very, very impressive group. Indeed, there is agreement among the Nation's experts that this is the solution to our immediate short-term cash-flow problem, the solution is interfund borrowing.

In addition, the concept of interfund borrowing has been endorsed by the Coalition To Protect Social Security, an umbrella organization consisting of 100 organizations representing between 35–40 million people—both contributors and beneficiaries. The National Education Association, the American Association of Retired Persons and the National Retired Teachers Association, the National Council of Senior Citizens, and the National Association of Retired Federal Employees all support enacting an interfund borrowing proposal as soon as possible.

This amendment is a prompt and constructive approach to solve the immediate problems that face the OASI trust fund. This amendment asks the Finance Committee to report a bill authorizing interfund borrowing to the Senate by November 15, 1981.

As a practical demonstration of a willingness to work on a bipartisan basis, I ask for administration support and the support of our friends from across the aisle on this amendment—to meet us half way—to solve first things first.

The immediate problem, Mr. President, is a short-term cash flow problem now confronting the old age and survivors trust fund in the fall of 1982. The answer is the authorized interfund borrowing.

This amendment speaks only to the short-term problem. It is narrow in focus. It proposes only one acceptable answer—interfund borrowing. It sets a specific deadline for bringing this solution to the floor of the Senate.

Mr. President, before I close my remarks on this amendment, let me reiterate several points about the need for prompt action to authorize interfund

borrowing to preserve the fiscal integrity of social security.

First, it has been made abundantly clear that the administration's May 12 social security proposals would wreak havoc with public confidence in social security.

Delays in cost of living adjustments would affect nearly 36 million social security recipients.

The 18.1 million individuals eligible for retirement at the age of 65 within the next 5 years would receive a 10-percent benefit reduction due to a technical change in benefit computations.

Over 7 million workers and spouses electing early retirement within the next 5 years would receive benefits cuts of up to one-third of expected benefits.

And some 4 million beneficiaries currently on the rolls would receive reduced benefits as a result of pending cuts in the minimum benefit, student benefit, and death benefit features of social security.

Second, the American business community has been caught off guard by the proposed social security changes. If the administration's proposals were put into effect immediately, employer social security cost would rise by as much as 7 percent. Large and small companies alike, because their pension plans are integrated with social security, would see their pension costs increase dramatically with the enactment of the administration's sweeping changes. Again, this is another aspect of the administration's reform package that has received little consideration due to the hasty and premature way in which these revisions were adopted.

Third, to avoid taking hasty action on social security, it is imperative that we take immediate action to authorize interfund borrowing now. That is the intent of the Sasser-Moynihan amendment.

The administration's own estimates of the combined trust fund balance contained on page 116 of the 1981 social security trustee's report indicate that the combined trust fund balance would average 19.7 percent from 1981 through 1990. This is a combined trust fund sufficient to provide that no monthly benefit checks will ever be in jeopardy through 1990. If the administration wishes to provide an immediate guarantee that the social security retirement program will not go broke, it must provide for a program of interfund borrowing.

And even if we turn to other sources, such as the Congressional Budget Office, which uses more pessimistic economic projections than the administration, we find that they too indicate that interfund borrowing will provide for a solvent social security system through 1986 at the very least. As my distinguished colleague, Senator MOYNIHAN, noted the other day, with some of the proposed benefit reductions in social security that are contained in the Omnibus Reconciliation Act, we will have a combined trust fund balance that will not dip below 14 percent of the combined trust fund between now and 1986.

Once again, with interfund borrowing in effect in the short term, there would be sufficient funds in the program to prevent any "bankruptcy" in the social security system.

Mr. President, I ask unanimous consent that pertinent material from the 1981 trustee's report be included in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

TABLE G1.—PROJECTED ASSETS OF THE OASI, DI, AND HI TRUST FUNDS AT BEGINNING OF YEAR AS A PERCENTAGE OF ANNUAL EXPENDITURES DURING YEAR UNDER THE 5 ALTERNATIVE SETS OF ASSUMPTIONS, CALENDAR YEARS 1981-90

Calendar year	OASI	DI	OASDI	HI	Total OASDI and HI
Alternative II-A:					
1981	18	20	18	46	23
1982	[1] 13	13	13	57	21
1983	[1] 5	33	[2] 8	66	18
1984	[1]—4	62	[2] 3	70	15
1985	[1]—13	96	[2]—1	70	13
1986	[1]—18	155	[2] 1	69	15
1987	[1]—21	219	[2] 4	70	18
1988	[1]—24	285	9	68	22
1989	[1]—26	352	14	61	25
1990	[1]—28	418	20	51	27

[1] Assets of fund would be insufficient to pay benefits when due during part or all of this year.

[2] Assets of combined trust funds would be insufficient to pay combined benefits when due during part or all of this year.

Note: The assumptions underlying the projections are described in the section entitled "Economic and Demographic Assumptions" of this report and in app. A of the HI Annual Report. The OASI, OASDI, and combined OASDI and HI trust fund ratios in 1982 and later under each alternative are theoretical, because the OASI trust fund is projected to be depleted and no provision for additional income exists in present law. See text for details; the economic assumptions in alternative II-A for 1981-86 are identical to or derived from the assumptions underlying the President's fiscal year 1982 budget.

Mr. SASSER. Finally, Mr. President, even the administration itself has indicated by its May 12 presentations that they regard interfund borrowing as a prudent way of solving the social security system's problems.

Every Senator who has studied the social security system knows that we are going to have to have interfund borrowing to help solve the cash flow problems of social security.

The administration most surely will have interfund borrowing as a part of its overall social security reform package.

Interfund borrowing is part of the major social security reform bills now pending in the House and Senate.

Interfund borrowing is a concept endorsed by a variety of groups concerned with the social security system, among them:

The American Association of Retired Persons;

The National Council of Senior Citizens;

The National Education Association;

The National Association of Retired Federal Employees; and

The Coalition To Protect Social Security (SOS).

I think that this demonstrates the breadth of national concern about this matter, and I ask unanimous consent that several letters calling on the Senate to authorize interfund borrowing be printed in the RECORD at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS,
Washington, D.C., July 23, 1981.

Hon. JIM SASSER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR SASSER: The National Retired Teachers Association and the American Association of Retired Persons support interfund borrowing among the three Social Security Trust Funds: Old Age and Survivors Insurance, Disability Insurance, and Medicare Hospital Insurance. Therefore, we support your resolution which would express the sense of the Senate that the Senate Finance Committee report a bill authorizing social security interfund borrowing before July 29, 1981.

We fully recognize that interfund borrowing alone will probably not be sufficient to solve the projected cash flow problem for OASI. Consequently, we favor a comprehensive financing package which responds fully and fairly to the short-term and long-range problems confronting social security. But the development of such a package will take time.

We strongly believe that Congress should approve interfund borrowing now. This would provide a clear signal to the public to assure that social security's financial integrity is maintained. Moreover, it would help to reassure workers and older Americans alike who are deeply concerned over statements that social security is on the verge of bankruptcy. Such remarks—even though they may be well-intentioned—oftentimes have the effect of frightening older Americans. Social security is faced with short-range and long-term financial problems. But they can clearly be solved in an equitable manner for today's and tomorrow's retirees. Enactment of interfund borrowing is an important and necessary step to achieve this objective.

Sincerely,

CYRIL F. BRICKFIELD,
Executive Director.

COALITION TO PROTECT,
SOCIAL SECURITY,
Washington, D.C., July 20, 1981.

DEAR SENATOR: The Save Our Security Coalition is made up of about 100 organizations with a combined membership between 35 and 40 million adults about equally divided between current contributors to social security and current beneficiaries—retired persons, the disabled and surviving family members of workers.

We strongly support the current efforts to amend the tax bill in the Senate to authorize interfund borrowing among the social security trust funds.

According to the Congessional Budget Office's alternative set of economic assumptions (much more pessimistic than those being used for the budget and tax bills), interfund borrowing even under present law would solve social security financing problems through F. Y. 1985. With reduced expenditures growing out of the reconciliation process, interfund borrowing would be sufficient through F. Y. 1986 or longer.

Interfund borrowing, therefore, would permit the Congress to address any remaining social security financing problems free from the pressure of near term shortages in a particular fund.

The principle of interfund borrowing is noncontroversial. Administration support was restated by Secretary Schweiker in testimony before the Subcommittee on Social Security of the Senate Finance Committee on July 8, 1981, and is also backed by the Democrats in the Senate. We believe it needs to become law just as quickly as possible.

There is a high level of anxietv about social security among our members. We believe it is important to provide for interfund borrowing now to reassure them and the country

that social security checks will be paid on time and in full.

We understand that another amendment to permit interfund borrowing will be offered in the next few days. The SOS Coalition urges your support of this amendment.

Sincerely yours,

WILBUR J. COHEN,
Former Secretary of HEW and Chairman, SOS Coalition.

WILLIAM J. DRIVER,
Former Commissioner of Social Security and Executive Vice Chairman, SOS Coalition.

ROBERT M. BALL,
Former Commissioner of Social Security and Chairman of SOS Coalition.

SAVE OUR SECURITY COALITION—ORGANIZATION MEMBERS

A. Philip Randolph Institute.
Action Alliance of Senior Citizens.
Advocates for the Handicapped.
AFL–CIO.
American Association of Homes for the Aging.
American Association of University Professors.
American Association of University Women.
American Federation of State, County and Municipal Employees.
American Foundation for the Blind.
American Jewish Committee.
American Veterans Committee.
Americans for Democratic Action.
Associated Actors and Artists of America.
Association for Retarded Citizens.
Big Wheels.
Center for Community Change.
Center for Independence Living.
Communications Workers of America.
Concerned Seniors for Better Government.
Council of State Administrators of Vocational Rehabilitation.
Democratic Socialist Organizing Committee.
Disabled American Veterans.
Disabled in Action of Pennsylvania.
Disabled Resources Committee.
Economic Opportunity Commission.
Federation of Senior Citizen Clubs and Organizations.
Food Research and Action Center.
Gray Panthers.
International Association of Machinists and Aerospace Workers.
International Ladies Garment Workers Union.
Joseph P. Kennedy, Jr. Foundation.
Legal Research and Services for the Elderly.
Metropolitan N.Y. Coordinating Council on Jewish Poverty.
Monmouth County Office of the Handicapped.
National Association for Human Development.
National Association for the Advancement. of Colored People.
National Association of Private Residential Facilities for the Mentally Retarded.
National Association of State Mental Health Program Directors.
National Association of State Universities and Land Grant Colleges.
National Black Catholic Lay Caucus.
National Caucus and Center on Black Aged.
National Center for Urban Ethnic Affairs.
National Coalition for Older Women's Issues.
National Conference of Catholic Charities.
National Consumers League.
National Council of Catholic Women.
National Council of Churches.
National Council of Jewish Women.
National Council of LaRaza.
National Council of Negro Women.
National Council of Senior Citizens.
National Council on the Aging.
National Education Association.
National Indian Council on Aging.
National Multiple Sclerosis Society.
National Organization of Social Security Claimants Representatives.
National Retired Teachers Association and American Association of Retired Persons.
National Senior Citizens Law Center.
National Society for Autistic Children.
National Urban Coalition.
National Urban League.
National Women's Political Caucus.
New Horizons.
Ohio Coalition of Senior Citizen Organizations.
Ohio Rehabilitation Services Commission.
Older Women's League.
Operation Overcome of Lackawanna County.
Operation Overcome of the Anthracite Region.
Operation Overcome of the Lehigh Valley.
Paralyzed Veterans of America.
Pennsylvania Alliance of the Physically Handicapped.
People United for Self Help.
Power, Inc.
Rehabilitation Institute—Center for Independent Living.
Retired Teachers Chapter, UFT.
Senior Citizens Task Force/United Planning Organization.
Seniors for Adequate Social Security.
Student Services for the Handicapped.
Texas Planning Council for Developmental Disabilities.
The Workmen's Circle.
UAW International Union.
UAW Retired and Older Workers Dept.
United Cerebral Palsy Association.
United Presbyterian Church.
United States Catholic Conference.
University of the District of Columbia Institute of Gerontology.
Washington Armed Services Committee.
West Virginia Developmental Disability Planning Council.
Western Gerontological Society.
Westside Community for Independent Living.
Wisconsin Council on Developmental Disabilities.

NATIONAL EDUCATION ASSOCIATION,
Washington, D.C. July 23, 1981.

Hon. JAMES R. SASSER,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR SASSER: The National Education Association, representing 1.8 million professional educators, most heartily supports your amendment to H.J. Res. 266, the Economic Recovery Tax Act of 1981, which would direct the Committee on Finance to authorize interfund borrowing to relieve the shortfall in the Old Age and Survivors Insurance trust fund.

We believe it is important to take this first step to ensure the solvency of the trust fund. It has been used before under legislation enacted by the Congress, and we feel it is necessary to do so again in the interest of prudent stewardship and to relieve widespread public anxiety about the ability of the Social Security ssytem to meet its obligations in timely fashion.

We appreciate your initiative in this matter and wish you well.

Sincerely,

JAMES W. GREEN,
Assistant Director for Legislation.

Mr. SASSER. Mr. President, millions of Americans pay into the social security trust fund every day by a single unified payroll social security tax deduction. They do not make detailed calculations about how much of this payroll tax is earmarked for each of the three social security trust funds. All the worker knows or cares about is the fact that his taxes go to support the overall social security system. He expects his taxes to keep the social security system solvent. Therefore, we owe it to the American worker and the American social security system to adopt this amendment which will promote prompt action on interfund borrowing and thereby keep the social security system from going broke.

Mr. President, I ask Senators on both sides of the aisle to support this amendment and thereby send a strong message to the American people that we will not permit the social security system to default on its obligations in the years ahead. That is the best way of building up confidence in the social security system—confidence that has been badly shaken by the recent turmoil surrounding recommendations for precipitous and unwarranted changes in the social security system.

I yield 5 minutes to the distinguished Senator from New York.

Mr. MOYNIHAN. I thank my friend from Tennessee. I wish to express my appreciation for his allowing me to be a cosponsor. I believe we are beginning to reach a degree of consensus in this body, Mr. President. The subject of social security has divided us in the last few months on several occasions. It has caused Members to put forth propositions not acceptable to the other side, and yet in the end we will come together on this matter, as we have done before. I think the distinguished chairman and the ranking member of the committee wish that to happen.

I know, as a member of the subcommittee, that our distinguished chairman, the Senator from Colorado, wishes it.

This is the emergence of such an agreement and I welcome it most heartily.

Mr. President, it is with great seriousness of purpose that I rise in support of Senator SASSER's measure to instruct the Finance Committee to report a bill authorizing borrowing between the three social security trust funds. I am delighted to be an original cosponsor of the measure.

No one is more sensitive than I to the need to insure social security's financial stability. The system has two separate financial problems. There is a long-range problem that we must address or the system will have difficulties during the next century. There is a short-term problem in one of the funds, the old age and survivors insurance (OASI) trust fund, which, by all accounts, will begin to run a deficit by the end of fiscal year 1983, and recover before the decade is over.

The long-range problem is the result of major demographic changes in our society. Simply stated, society will have to support more retirees during the second quarter of the next century than it has ever done. We can and will make sure that social security is financially able to absorb those larger cohorts of retirees. But the more pressing problem is how we will cover the smaller deficit that the OASI fund will run in the next few years.

The administration has proposed cutting benefits by $80 billion during the next 4 years, advocating this cutback

in social security as the means to insure the programs' financial soundness. Surely such a drastic cutback must be viewed only as a last resort, never to be undertaken as long as any other way of meeting the system's financial needs exists. Those who depend upon social security deserve as much. Deserve to know that their retirement income will not be reduced as long as there is any alternative.

President Reagan used to agree. This plan to reduce benefits is antithetical to his campaign promises. Consider this statement, made during his debate with President Carter:

> What is needed is (to make) the system actuarily sound, but with the premise that no one presently dependent on Social Security is going to have the rug pulled out from under them. . . . We cannot frighten, as we have with the threats and the campaign rhetoric that has gone on in this campaign, our senior citizens—leave them thinking that in some way they're endangered and they would have no place to turn. They must continue to get those checks.

I agree. Recipients of the minimum benefit agree. Early retirees agree. But the administration no longer agrees. Instead, it eliminates the minimum benefit. Student benefits. Now it asks Congress to support a scheme to reduce retirement income drastically. And unnecessarily.

There is an alternative to cutting benefits. A good alternative. A fair way to insure that OASI meets its short-term payroll problems in a way that does not undermine the overall stability of social security and that cuts no one's benefit.

It is intertrust fund borrowing.

There are three social security trust funds. All money in them is social security money. There is a problem in one of the funds, the OASI fund. The others, the disability insurance (DI) and hospital insurance (HI) funds, are solvent. They are solvent enough to cover the OASI shortfall.

According to the most recent economic estimates of the Congressional Budget Office, combining the three social security trust funds will provide all but $12.9 billion of the funds needed to meet payments during the next 4 years. After that point, the funds will remain solvent until the next century.

Those figures do not take into account the savings that the system will realize because of reconciliation. CBO estimates those to be $29 billion. These savings will lead to additional interest income on the funds. Robert Ball, former Commissioner of Social Security, estimates that at approximately $11 billion. Others, including the actuaries of the Social Security Administration, put the figure much lower, at about $5 billion. Using the more conservative estimate of interest income, total savings from reconciliation will be approximately $34 billion.

Those $34 billion should be more than enough to cover the $12.9 billion shortfall.

With interfund borrowing, then, there is no short-term deficit in the funds, and we can begin to consider ways to solve the real problem, the long-term deficit. And we will insure that the millions of Americans who depend upon social security for their income today, and the millions more who count upon it for their retirement income in the future, know that Congress will not blithely acquiesce in a move to cut their benefits. Not while there is any other option open to us.

The distinguished economist Walter Heller put it well in an article in today's Wall Street Journal. Permit me to quote from his article, "The Social Security Muddle":

> Yes, the Social Security system has problems. Yes, revenues are "out of sync" with benefit payments because of high unemployment and inflation. Yes, if nothing is done, the system will be in crisis 30 years from now when the baby boom generation retires.
>
> But none of this calls for calamity-howling or rash action to slash benefits. Let's see where a calm appraisal, anchored in fact rather than fear, might lead us.
>
> It would serve everyone's interests if the debate were stripped of its overheated, cry-wolf rhetoric; if the administration would stop trying to stampede Congress into making precipitate changes that would squeeze an already hard-pressed segment of our population in the name of avoiding a bankruptcy that is not going to occur, and if Congress would promptly undertake a tiding-over operation that will enable the Social Security system, especially OAS", to meet its full obligations in the short run and then turn to the desirable reforms in the system for the long run.

Dr. Heller is correct. Congress must undertake the simplest action that will at once insure social security's solvency and protect retirement benefits. That action is interfund borrowing. I urge my colleagues to vote for this amendment.

Mr. DOLE. Mr. President, I have looked at this resolution. It is a sense of the Senate resolution. It does recognize the short- and long-term problems we have in social security. It is devoid of political rhetoric, which is an improvement over others we have had before the Senate. It indicates that we ought to proceed to do the job that we have the responsibility for doing in the Senate Finance Committee. Certainly, I consider that appropriate.

I think the distinguished Senator from Louisiana has no problem with the resolution.

I can say to the sponsors, some of whom are on the committee, that we will be addressing the entire social security problem after the recess. Hopefully, the tax bill will have been disposed of and the budget reconciliation bill will have been disposed of. That will give us almost full time to work on the long- and short-term financial problems in the social security system. They will not be solved simply by authorizing interfund borrowing, and I believe this resolution acknowledges that fact. The sponsors of the resolution recognize that we will have to move ahead on several fronts.

It is still the belief of this Senator that we need a bipartisan approach to resolving some of these problems in an effort to restore confidence in the system and to assure the American people that we will preserve the integrity of the social security system. That is the goal of every Senator I know of.

On that basis, I have no objection to the amendment. I am happy to accept it. I thank the distinguished Senator from Tennessee for bringing it to the floor, along with the Senator from New York.

Mr. SARBANES. Mr. President, I am very pleased to join the Senator from Tennessee and the Senator from New York as a cosponsor of this amendment calling on the Senate Finance Committee to report a bill authorizing social security interfund borrowing before September 30, 1981. I applaud the Senator for bringing this very important matter to the floor again and urge my colleagues to give their support to this amendment.

The recent statements by the administration that we will have the greatest bankruptcy in history on November 3, 1982, when the old age and survivors trust fund will experience a slight shortfall of funds and the announcement of $88 billion cuts in our social security program has caused deep concern, fear, and anxiety among older Americans. As you know, the social security program is this Nation's basic source of retirement income for over 35 million people. For 66 percent of these people it is their main source, or many times their only source of income. To tell them that come November 1982 there will not be any money to send out their monthly checks is irresponsible of this administration.

The problem that the old age and survivors trust fund will experience next year is a short-term financing problem. The other trust funds, disability and hospital, are in good financial shape and will realize surpluses in the next year. The old age and survivors insurance trust fund is the only one suffering a shortfall.

Many experts on social security agree that the way to resolve this problem, is to permit the three trust funds to borrow from one another. The administration, in fact, has incorporated this recommendation in its comprehensive social security package. By passing this amendment calling on the Finance Committee to report a bill out permitting interfund borrowing in order to insure sufficient funds in the OASI trust fund we will reassure the citizens of this country that they will be able to continue to rely on their monthly social security checks.

One reason for this shortfall is a higher rate of inflation and unemployment than was projected when the social security amendments were passed 4 years ago. For example, the bill assumed that inflation in 1980 would be 4.7 percent, when in fact it was 13.5 percent. What this means for the social security trust fund is that higher than expected annual benefit increases were paid out. In addition, a higher than assumed unemployment rate results in lost revenues for the social security trust fund. For every percentage point increase in unemployment the system loses $2 to $3 billion.

The administration has used one set of statistics to justify their economic program and budget which shows very low inflation—4.7 percent in 1985—and very low unemployment—6 percent in 1985—and another set to justify the need for their $88 billion in social security cuts.

Inflation and unemployment do drain money from the trust funds. However, if

the economy performs as the administration projects under their budget, the only adjustment needed to ensure solvency for social security is to permit interfund borrowing. In fact, if the administration uses the same assumptions they used in preparing their budget we would only have a short fall of $5 billion for the next 5-year period, 1982–86 in the Retirement and disability trust funds. In other words, what the administration is recommending is an $88 billion cut in social security benefits to take care of a $5-billion shortfall.

Even taking more realistic or pessimistic economic assumptions from the Congressional Budget Office, the shortfall for retirement and disability from 1982 to 1986 is only $38 billion. These figures seem to point out that the administration does not have faith in their projected figures of low inflation and low unemployment over the next few years, or they want to realize an incredible windfall of an $88-billion surplus.

In a recent letter supporting interfund borrowing from Wilbur J. Cohen, former Secretary of HEW and chairman of Save Our Security Coalition (SOS); Robert Ball, former Commissioner of Social Security and chairman of SOS coalition; and William J. Driver, former Commissioner of Social Security and executive vice chairman SOS coalition; they state:

There is a high level of anxiety about social security among our members. We believe it is important to provide for interfund borrowing now to reassure them and the country that social security checks will be paid on time and in full.

Mr. President, all this amendment does is call on the Finance Committee to report a bill by September 30, 1981, to the Senate to permit interfund borrowing. I urge my colleagues to support this amendment so that we can reassure all of the older citizens that Social Security will continue to pay their benefits on time and in full.

I ask unanimous consent that the letter from SOS be printed after my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SOS COALITION TO PROTECT
SOCIAL SECURITY,
Washington, D.C., July 23, 1981.

DEAR SENATOR: The Save Our Security Coalition is made up of about 100 organizations with a combined membership between 35 and 40 million adults about equally divided between current contributors to social security and current beneficiaries—retired persons, the disabled and surviving family members of workers. Enclosed is a list of member organizations.

We strongly support the Sasser, Moynihan, Sarbanes amendment to be offered during the Senate's consideration of the Economic Recovery Tax Act of 1981 stating, ". . . the sense of the Senate that the Senate Finance Committee report a bill before July 29, 1981, authorizing social security inter-trust fund borrowing."

According to the Congressional Budget Office's alternative set of economic assumptions (much more pessimistic than those being used for the budget and tax bills), interfund borrowing *even under present law* would solve social security financing problems through F.Y. 1985. With reduced expenditures even one-half as large as those proposed in either the Senate or House version of the reconciliation bill, interfund borrowing would be sufficient through FY 1986 or longer.

Interfund borrowing, therefore, would permit the Congress to address any remaining social security financing problems free from the pressure of near term shortages in a particular fund.

The principle of interfund borrowing is noncontroversial. Administration support was restated by Secretary Schweiker in testimony before the Subcommittee on Social Security of the Senate Finance Committee on July 8, 1981 and is also backed by the Democrats in the Senate. We believe it needs to become law just as quickly as possible.

There is a high level of anxiety about social security among our members. We believe it is important to provide for interfund borrowing *now* to reassure them and the country that social security checks will be paid on time and in full.

For this reason the SOS Coalition urges your support of the Sasser, Moynihan, Sarbanes amendment.

Sincerely yours,

WILBUR J. COHEN,
Former Secretary of HEW and Chairman, SOS Coalition.

WILLIAM J. DRIVER,
Former Commissioner of Social Security and Executive Vice-Chairman SOS Coalition.

ROBERT M. BALL,
Former Commissioner of Social Security and Chairman of SOS Advisory Committee.

SAVE OUR SECURITY COALITION—ORGANIZATON MEMBERS

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AFL–CIO.
American Association of Homes for the Aging.
American Association of University Professors.
American Association of University Women.
American Federation of State, County and Municipal Employees.
American Foundation for the Blind.
American Jewish Committee.
American Veterans Committee.
Americans for Democratic Action.
Associated Actors and Artists of America.
Association for Retarded Citizens.
Big Wheels.
Center for Community Change.
Center for Independent Living.
Communications Workers of America.
Concerned Seniors for Better Government.
Council of State Administrators of Vocational Rehabilitation.
Democratic Socialist Organizing Committee.
Disabled American Veterans.
Disabled in Action of Pennsylvania.
Disabled Resources Committee.
Economic Opportunity Commission.
Federation of Senior Citizen Clubs and Organizations.
Food Research and Action Center.
Gray Panthers.
International Association of Machinists and Aerospace Workers.
International Ladies Garment Workers Union.
Joseph J. Kennedy Jr., Foundation.
Legal Research and Services for the Elderly.
Metropolitan N.Y. Coordinating Council on Jewish Poverty.
Monmouth County Office of the Handicapped.
National Association for Human Development.
National Association for the Advancement of Colored People.
National Association of Private Residential Facilities for the Mentally Retarded.
National Association of State Mental Health Program Directors.
National Association of State Universities and Land Grant Colleges.
National Black Catholic Lay Caucus.
National Caucus and Center on Black Aged.
National Center for Urban Ethnic Affairs.
National Coalition for Older Women's Issues.
National Conference of Catholic Charities.
National Consumers League.
National Council of Catholic Women.
National Council of Churches.
National Council of Jewish Women.
National Council of LaRaza.
National Council of Negro Women.
National Council of Senior Citizens.
National Council on the Aging.
National Education Association.
National Indian Council on Aging.
National Multiple Sclerosis Society.
National Organization of Social Security Claimants Representatives.
National Retired Teachers Association and American Association of Retired Persons.
National Senior Citizens Law Center.
National Society for Autistic Children.
National Urban Coalition.
National Urban League.
National Women's Political Caucus.
New Horizons.
Ohio Coalition of Senior Citizen Organizations.
Ohio Rehabilitation Services Commission.
Older Women's League.
Operation Overcome of Lackawanna County.
Operation Overcome of the Anthracite Region.
Operation Overcome of the Lehigh Valley.
Paralyzed Veterans of America.
Pennsylvania Alliance of the Physically Handicapped.
People United for Self Help.
Power, Inc.
Rehabilitation Institute—Center for Independent Living.
Retired Teachers Chapter, UFT.
Senior Citizens Task Force/United Planning Organization.
Seniors for Adequate Social Security.
Student Services for the Handicapped.
Texas Planning Council for Developmental Disabilities.
The Workmen's Circle.
UAW International Union.
UAW Retired and Older Workers Dept.
United Cerebral Palsy Associations.
United Presbyterian Church.
United States Catholic Conference.
University of the District of Columbia Institute of Gerontology.
Washington Armed Services Committee.
West Virginia Developmental Disability Planning Council.
Western Gerontological Society.
Westside Community for Independent Living.
Wisconsin Council on Developmental Disabilities.

Mr. LONG. Will the Senator yield?

Mr. DOLE. I yield.

Mr. LONG. Mr. President, the Senator has modified his amendment to give the Finance Committee broader options than we would have had under his original draft amendment. As modified, I am happy to support the amendment. I ask the Senator to include me as a cosponsor.

Mr. SASSER. Mr. President, I ask that the Senator from Louisiana (Mr. LONG) be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. What he is asking us to do is something we definitely should do and ought to do within the time specified by the resolution. I am happy to support the amendment and I hope it will be agreed to.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

Mr. SASSER. Mr. President, last Saturday President Reagan asked for a prompt, constructive, and bipartisan action to put social security on a sound financial basis. I think this amendment meets all three criteria. It is prompt, it is constructive, and it seeks the bipartisan support offered by the President. This amendment endorses a concept that has uniform support from all the experts. The distinguished Senator from New York (Mr. MOYNIHAN) has taken the lead in advancing this concept on the Senate floor.

This amendment has the support of some more than 100 organizations having a membership of between 35 million and 40 million people equally divided between contributors and beneficiaries.

The Senate needs to demonstrate to the American people that it can respond to the real problem. The real problem now, and the immediate, pressing problem, is the short-term cash flow problem that confronts the old age and survivors trust fund beginning in the fall of 1982—that is the only problem dealt with by this amendment.

If agreed to, this amendment will, I hope, Mr. President, lower the political rhetoric. It will allow us to deal with this short-term cash flow problem using the device, essentially, of interfund borrowing, to remove fear, to restore trust. After we solve the immediate cash-flow problems, then we can begin an approach to solve the complicated and far more difficult problems that face the social security system after the turn of the century in a calm, in a deliberate, in a rational and objective fashion.

I am delighted that the chairman of the Senate Finance Committee, the distinguished Senator from Kansas (Mr. DOLE), has agreed to meet myself and others halfway on this measure to address only the OASI problem now—to begin a legislative partnership utilizing interfund borrowing and other techniques that the Finance Committee might deem acceptable in order to deal exclusively with the immediate problems that will confront social security during the next 8 years.

Mr. President, I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. SASSER. Mr. President, I yield back the remainder of my time.

Mr. DOLE. I yield back any remaining time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), the Senator from Wisconsin (Mr. KASTEN), and the Senator from Texas (Mr. TOWER) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Mississippi (Mr. STENNIS) and the Senator from New Jersey (Mr. WILLIAMS) are necessarily absent.

I further announce that if present and voting, the Senator from New Jersey (Mr. WILLIAMS) would vote "yea."

The PRESIDING OFFICER (Mr. DANFORTH). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 89, nays 4, as follows:

[Rollcall Vote No. 218 Leg.]

YEAS—89

Abdnor	Eagleton	Metzenbaum
Andrews	East	Mitchell
Armstrong	Exon	Moynihan
Baker	Ford	Murkowski
Baucus	Glenn	Nickles
Bentsen	Goldwater	Nunn
Biden	Gorton	Packwood
Boren	Grassley	Pell
Boschwitz	Hatch	Percy
Bradley	Hatfield	Pressler
Bumpers	Hawkins	Proxmire
Burdick	Heflin	Pryor
Byrd, Harry F., Jr.	Helms	Quayle
	Huddleston	Randolph
Byrd, Robert C.	Humphrey	Riegle
Cannon	Inouye	Roth
Chafee	Jackson	Rudman
Chiles	Jepsen	Sarbanes
Cochran	Johnston	Sasser
Cohen	Kassebaum	Schmitt
Cranston	Kennedy	Simpson
D'Amato	Laxalt	Specter
Danforth	Leahy	Stafford
DeConcini	Levin	Stevens
Denton	Long	Symms
Dixon	Lugar	Thurmond
Dodd	Mathias	Tsongas
Dole	Matsunaga	Wallop
Domenici	Mattingly	Warner
Durenberger	Melcher	Zorinsky

NAYS—4

Hart	McClure	Weicker
Hollings		

NOT VOTING—7

Garn	Kasten	Williams
Hayakawa	Stennis	
Heinz	Tower	

So the amendment (UP No. 281) was agreed to.

Mr. SASSER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, if I could have the attention of the Senate, could we have order in the Senate?

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, I thank the Chair.

Mr. President, I shall not take very long, but if I could have the attention of the Senate, I think we can get a better view of where we are and where we are going today and next week on this joint resolution.

Mr. President, I report that as of this moment there are 75 amendments, according to my count, yet to be disposed of on the list of qualified amendments attached to the unanimous-consent request which was granted previously. We have done pretty well. That means that we have disposed of about 28, but it also means we have a long way to go.

It will not offend any Senator, I am sure, when I say that I have a strong feeling that a number of those 75 amendments probably will never see the light of day and that some of them are duplicates, some of them closely coincide with other amendments, some of them may be noncontroversial and some of them may be hedging of bets, and that is all right with me. That is good strategy, and it is good legislative technique, and I have even done a little of that myself from time to time.

I hope I did not shock the conscience of the Senator from New York who has reacted so energetically to this suggestion, but, Mr. President, we have reached the point where we simply must get a realistic view of where we are heading.

May I inquire, are there Senators here who can now tell the leadership that they do not intend to offer their amendments or that they are willing to substantially reduce the time that is allocated under the order or under the special provisions of the order for debate on their amendments?

There are 75 amendments remaining, and I would be most pleased to have any statements by Senators on either side of the aisle in respect to amendments that will not be offered so that we can take them off the list and plan for the remainder of this day and for the time remaining before we reach a third reading.

Mr. President, I would not presume to inquire of the minority Members. I would ask the minority leader instead if he would consider stating that inquiry for his side of the aisle and if indeed he will support the request that I have just made.

Mr. ROBERT C. BYRD. Mr. President, I do support the request, and I wish to see every Senator given an opportunity to adequately debate his amendment.

I think there is ample time remaining in which to do that, but I am also very desirous of seeing the conferences go forward on the reconciliation measure and on the tax bill and with respect to the latter as soon as possible after the House of Representatives passes the bill.

I also wish to see the August recess become a reality which is a matter of law. Senators have planned on it, and I hope we do not have any problems confronting us with respect to airline reservations in the early part of August.

I suggest, therefore, that we redouble our efforts to complete action on this measure as soon as possible. I wish to address my comments to my side of the aisle because we have most of the amendments over here.

Is there any objection on my side of the aisle to moving the third reading on this joint resolution forward by 1 day? In other words, instead of having a third reading at 3 p.m. on Wednesday, is there any objection to making that, say, 6 p.m. on Tuesday? This will give us the remainder of today, it will give us all day Monday, and all day Tuesday to get our amendments in place and have adequate

debate on them and vote on them. Then, it will give the conferees, the managers of the measure, and the staff an additional day within which to get ready for the conference.

I have discussed with the distinguished Senator from Louisiana this morning the length of time that he feels a conference would require, and I am constrained to believe that based on what he said and what Mr. DOLE has said that if they had an additional day we might think in terms of having our August recess begin if not Saturday of next week certainly by Monday the following week.

I hope that I will get a positive response on my side to that suggestion.

Mr. BIDEN. Mr. President, will the Senator yield for an inquiry?

Mr. ROBERT C. BYRD. I yield.

Mr. BIDEN. Mr. President, does that assume that we will stay late enough the other days, today and Monday, in order to get these amendments in, if in fact we wish to? In other words, I have no objection to moving up a day, but I do have an objection if that would mean that we have to end up at the end of the list and are precluded from offering our amendment or debate it on limited time when we are already held to an agreement on some of these amendments.

Mr. ROBERT C. BYRD. I was contemplating the same agreement that we entered into yesterday which, based on the suggestion by Mr. MATSUNAGA, would provide for at least 5 minutes equally divided time on any amendment that was reached at the hour, and in this instance I suggest 6 p.m. on Tuesday; at that hour Senators would at least have 5 minutes within which to explain the amendments so that no Senator would be shut off from offering his amendment.

The majority leader is providing for the Senate to convene on Monday at 10 a.m., with resumption of action on this joint resolution, which I think is a good idea. With 2 full days it seems to me that if we worked diligently and hard we could dispose of these amendments.

I understand several of them will not be brought up, others can be packaged together. I believe, may I say to the distinguished Senator from Delaware, that there is time within which to call up the amendments, debate them, and finish on Tuesday by 6 p.m.

Mr. BIDEN. Mr. President, I do not wish to quarrel with the Democratic leader. But I do not know how quick he can do this. The Democratic leader tells me he thinks we can get the amendments up. I yield to his judgment on it, but I must tell him it worries me a little bit.

Mr. GLENN. Mr. President, I feel much the same way as the Senator from Delaware about this. I have a couple of amendments which we have been trying to work out with the distinguished majority floor leader, Senator DOLE. He is trying to work out the two amendments I have. They are contingent on some of the things going on over in the House. We are trying to get a confirmation on those things.

We have an awful lot of amendments here, and I do not want to enter into any unanimous-consent agreement right now. I seems to me as if we might canvass both sides and find out how many really serious amendments are going to be presented, and try to block in the time.

It worries me that on tax legislation we always, on this most important legislation that we pass in this Congress, almost always, wind up considering these things at 3 or 4 o'clock in the morning, where nobody knows what we are voting on or we rush them through.

I think this tax legislation is some of the most important legislation that this Congress, in fact, many Congresses, may consider because we are changing the direction of the tax code and the budgeting procedure in this country. I would not want to see us rush these through, and I would not want to see my own amendments, which I feel very strongly about on research and development, get edged out.

The distinguished floor manager of the bill, Senator DOLE, is trying to work out these things, and I would not want to enter into a time agreement right now. I say this even though I would like to see us finish at 6 o'clock tonight.

Mr. ROBERT C. BYRD. I did not say tonight. I said Tuesday night.

Perhaps it would be better to say 9 o'clock Tuesday night. May I say I do not make this statement without having some idea of what we have up and without already having done considerable canvassing. But this is not just a shot in the dark. It is an effort to move us on, get the conference going, and be able to keep our scheduled appointments back home with the people. I merely throw out the suggestion. We will consider it more. I will be glad to further canvass the Senators, may I say to the distinguished Senator from Ohio, before we accede to such agreements.

Mr. MATSUNAGA. Mr. President, will the distinguished majority leader yield?

Mr. ROBERT C. BYRD. I yield the floor.

Mr. MATSUNAGA. As I understand it, the majority leader is not seeking to amend the order now that no later than 3 o'clock Wednesday next we will have third reading; am I correct?

Mr. BAKER. Mr. President, I have not put such a request. But I must tell the Senator from Hawaii that I would, with any encouragement at all, do so. But I agree with the distinguished minority leader. I think we can finish on Tuesday instead of Wednesday, and both he and I mentioned that possibility last night in the closing moments of the session, that it should be possible to finish this bill on Tuesday instead of Wednesday, and that if we do not do that, we are going to end up with two big conference reports in our lap, maybe both on the same day.

Mr. MATSUNAGA. As I understand the majority leader correctly now, he is seeking to assess the situation by determining what Senators will or will not offer their amendments. May I suggest that instead of making the general appeal, such as the minority leader is now making, that he work through the whip system, that he make a list of the amendments, and have the whips approach each individual Senator, and I think he will get a much faster answer that way.

Mr. BAKER. Mr. President, I thank the Senator from Hawaii. Of course, I will do that. It does not appear that I am going to get a single response to my request about eliminating amendments, and I find that very disappointing. But I say to my friend from Hawaii we have worked this list over and over and over again, and I believe the minority leader has worked on his side as well. We will work again. But, Mr. President, we simply have to try to identify those amendments on this list, this remaining list of 75, that are not going to be offered so that we can do justice to those which are.

I understand the Senator from Minnesota has asked me to yield, and I do that.

Mr. BOSCHWITZ. Mr. President, I will indeed withdraw my amendment that I have proposed. This will be the fourth amendment I have withdrawn, and I hope others would do the same.

I was presiding yesterday for an hour, and a large portion of that time was given over to quorum calls because there were not Senators prepared to offer their amendments at that time. Some people I know are having trouble with the Treasury, and I hope the distinguished floor leader, Senator DOLE, will push the Treasury along so that some of the amendments that are being held up because of them will move along as well, and I hope other Senators will also bring down their amendments. I will withdraw my amendment on permit expensing in 1981.

Mr. BAKER. Mr. President, if the rules of the Senate permitted, I would ask for a round of applause for the distinguished Senator from Minnesota.

I yield now to the distinguished Senator from Nebraska.

Mr. EXON. I thank the majority and minority leaders.

In the spirit of trying to ease the difficult job the two leaders have, I would like to announce that I have only one amendment, and I am prepared to offer that amendment Monday morning, if that is agreeable with the majority and the minority leaders and the manager and ranking minority manager on this resolution. It has to do with the critical problem of interest rates.

We have scheduled at this time, as I understand it, 1 hour each, 2 hours equally divided. I think it is a rather important amendment. I think we can cut down the time, and in a spirit of trying to move things along, I would like to ask at this time that we amend that to an hour and a half equally divided, 45 minutes on each side.

Mr. BAKER. Mr. President, I yield to the distinguished chairman of the committee and I ask if it is satisfactory to him to reduce the time from 2 hours to 1½.

Mr. DOLE. I can reduce it to 1 hour. The Senator can have 45 minutes and we will take 15.

Mr. ROBERT C. BYRD. I want to reserve the right to object on decreasing the time on that matter. I want to discuss it with the Senator.

Mr. BAKER. I want to say that I appreciate the offer of the Senator from Nebraska and I will make every effort to schedule it on Monday. I am personally very grateful to him.

Mr. EXON. I will withdraw my request to reduce the time.

Mr. BAKER. I thank the Senator.

Mr. President, I yield to the Senator from Idaho.

Mr. SYMMS. Mr. President, if the majority leader will yield, it is not my intention to offer the timber evaluation use amendment which is on the list.

Mr. BAKER. Mr. President, I am very grateful to the Senator. Is that the first Symms amendment, the timber estate and gift tax?

Mr. SYMMS. Yes.

Mr. BAKER. Mr. President, I ask unanimous consent that that amendment be removed from the list.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I thank the Senator from Idaho.

Mr. President, I ask unanimous consent that on the Helms amendment dealing with the loss of motor carrier operating authority, if I could have the attention of the distinguished manager of the bill, that the time be reduced from 30 minutes on the Helms amendment on trucking authority down to 10 minutes equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the amendment to be offered by the distinguished Senator from Minnesota (Mr. BOSCHWITZ) be removed from the list of agreed amendments.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I might just say to the majority and minority leaders that we have a number of amendments pending right now so we are ready to go.

Mr. BAKER. Mr. President, I guess that is as far as we can go. The dam did not break. We did not get a big flood of Members volunteering to take their amendments down, but I think we have made some progress. I hope both sides, Mr. President, will continue to canvass their Members and try to reduce this list in the course of the day.

I yield the floor, Mr. President.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, as I understand it, the Senator from Montana, the Senator from Ohio, and the Senator from Idaho will be offering amendments shortly; following that the Senator from Rhode Island (Mr. CHAFEE) has an amendment.

The PRESIDING OFFICER. The next amendment is the amendment of the Senator from Montana (Mr. BAUCUS).

Mr. BAUCUS. Mr. President, we have an amendment that is almost ready to go. It will take about 5 or 10 seconds.

Mr. DOLE. Mr. President, I ask unanimous consent that we take up the amendment of Senator CHAFEE, who is here, if that is all right with Senator BAUCUS.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 282

(Purpose: Repealing straight-line method for certain buildings replacing demolished historic structures)

Mr. CHAFEE. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Rhode Island (Mr. CHAFEE) proposes an unprinted amendment numbered 282.

Mr. CHAFEE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 74, beginning with line 18, strike out all through page 75, line 9.

On page 114, line 17, strike out "subsection (o)" and insert in lieu thereof "subsections (n) and (o)".

Mr. CHAFEE. Mr. President, this amendment deals with the repealing of the straight-line method for buildings replacing demolished historic structures.

Mr. President, might we have order?

The PRESIDING OFFICER. The request of the Senator from Rhode Island is well taken. The Senate will be in order. Senators wishing to converse will remove themselves from the floor. Staff that are conversing can remove themselves from the Chamber.

The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, the purpose of this amendment is to repeal section 167(n) of the Internal Revenue Code which requires that only the straight-line method can be used to depreciate buildings that replace certified historic structures that have been demolished.

The amendment has a negligible revenue cost—less than $10 million a year, according to the Joint Committee on Taxation—and it is not opposed by the Treasury. In fact, during the Finance Committee markup on this bill, the Treasury Department indicated it would prefer to do away with the straight-line penalty that exists.

Most importantly, Mr. President, my amendment has strong support from the most ardent proponents of historic preservation. Among them I cite the National Trust for Historic Preservation, Preservation Action, and from my own State the Historical Preservation Commission.

The need for this amendment, Mr. President, is quite simple, although it may not be apparent at first glance. When the straight-line penalty was originally put in the code in 1976 it was believed that it would act as a disincentive to tearing down historic buildings. It has been the experience, however, that the straight-line penalty has had a more damaging effect which thwarts the preservation movement. The prospect of having tax penalties imposed on them should their property ever be developed has actually made property-owners resist historic certification.

Mr. Eric Hertfelder, executive director of the Rhode Island Historical Preservation Commission, explained it to me this way:

The net result of the disincentives has been to subvert the National Register; to make it a list of properties that owners will consent to having listed rather than a comprehensive list of those important to our history.

Mr. President, I hope that the committee would accept this amendment without further delay.

Mr. DOLE. Mr. President, I have discussed this amendment with the Senator from Rhode Island. I also discussed it with the staff of the Joint Tax Committee. It does repeal section 167(n) of the Internal Revenue Code which, as indicated by the Senator from Rhode Island, requires that only straight-line depreciation can be used to depreciate buildings that replace demolished historic structures.

For the reasons stated, the Treasury has no objection to the amendment. The cost will be less than $10 million on an annual basis.

Did the Senator discuss this with the distinguished Senator from Louisiana?

Mr. CHAFEE. I did not. I apologize.

Mr. LONG. Will the Senator yield?

Mr DOLE. Yes, I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, it seems to me that, on this side of the aisle, we have been most cooperative in considering amendments. I want to cooperate with the distinguished manager of the bill, who I think is doing a very fine job, and with members of the Finance Committee and all Senators.

I would think, at a minimum, a Senator ought to come and show us an unprinted amendment before he calls it up so we may have an opportunity to take a look at it and to think about it for a few minutes before we are asked to agree to it.

The Senator made a good statement. But I would hope the Senator would lay this amendment aside long enough for us to take a look at it.

Mr. CHAFEE. I certainly will do that. I apologize. A mistake was made and I regret that. I will lay the amendment aside and I will discuss it with the manager of the bill on the minority side and any others who may be concerned.

The PRESIDING OFFICER. Without objection, the amendment is laid aside.

Mr. DOLE. Mr. President, I would ask that we lay aside temporarily the amendment.

The PRESIDING OFFICER. The Chair has already ruled that it is laid aside on the request of the Senator from Rhode Island.

Mr. DOLE. I am happy to yield the floor to the Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana is recognized.

UP AMENDMENT NO. 283

(Purpose: To raise the limit on the special use valuation reduction in valuation to $600,000)

Mr. BAUCUS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Montana (Mr. BAUCUS), for himself, Mr. GRASSLEY, and Mr. SYMMS, proposes an unprinted amendment numbered 283.

At an appropriate place, insert the following:

Amend section 2032A(a)(2) of the Internal Revenue Code as follows:

Strike the figure "$500,000" and substitute "$600,000."

Mr. BAUCUS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state his parliamentary inquiry.

Mr. BAUCUS. Mr. President, it is the understanding of this Senator that this amendment may be considered only by unanimous consent, since it is not precisely the same amendment on the subject that this Senator did get agreement to offer an amendment on. Must this amendment be only considered by unanimous consent?

The PRESIDING OFFICER. The agreement allows an amendment on any one of four subject matters from the Senator from Montana. Is this one of those amendments?

Mr. BAUCUS. Yes, it is.

The PRESIDING OFFICER. Well, then, the amendment is in order.

Mr. BAUCUS. I thank the Chair.

Mr. SYMMS. Will the Senator from Montana yield?

Mr. BAUCUS. Yes.

Mr. SYMMS. Mr. President, I ask unanimous consent to have my name and the Senator from Iowa (Mr. GRASSLEY) added as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAUCUS. Mr. President, I originally intended to offer an amendment which would index the cap on special use valuations which is presently part of the Internal Revenue Code as it applies to Federal estate tax.

This bill, as it is presently before the Senate, raises the Federal estate tax exemption from $175,000 to $600,000. The bill also does not touch the present $500,000 special use cap that is presently in the law.

I intended to offer an amendment which would index that $500,000 cap as it applied to ranch and farmlands, lands which under the code can now be valuated according its current use and not according to its best use in order to reduce the Federal estate taxes on those estates.

In discussion with the Treasury and after further discussion with other Members of this body, I soon realized that it would be very difficult, if not impossible, to get that amendment passed. We, therefore, in certain discussions, agreed to this present amendment which raises the $500,000 cap to $600,000.

It is our hope that when this body goes to conference with the other body that cap will be raised in conference even further.

The whole point here is to help farms and ranches meet inflation that they are going to incur in the next several years. We have generally taken care of estates in this bill by raising the Federal estate tax exclusions, exemptions, and other provisions as they apply to Federal estate tax. It is my intention by this amendment to make sure that we also take care of the inflation factor as it will apply to farms and ranches in future years. We are doing so by raising that cap from $500,000 to $600,000.

Mr. President, my amendment is modest in its goals and yet brings greater fairness to our tax structure. It also in a small way starts us on the road toward indexation of taxes which will ultimately bring complete fairness to our tax system.

Briefly stated, my amendment indexes the cap which currently exists on the land use valuation system used by the Internal Revenue Service. The IRS is currently required to evaluate land which is part of an estate according to its best use; however, in the case of farms and ranches and agricultural land, the IRS, after having figured the best use price of the land is then obligated to use the land use formula to determine its value as farmland. After it has completed its calculations, the estate may be reduced up to $500,000. This $500,000 cap was established several years ago and was a fair evaluation of land values at that time.

However, since 1975, land values have soared. For example, in Montana irrigated lands have gone from $485 an acre to $1,155 an acre. Yet the cap remains and estate values have diminished proportionately.

There is no real way to handle this problem other than to change the tax laws every year or to index the cap. Constantly changing the cap to suit the circumstances of time is laborious and obviously not an attainable objective; indexing is the best way to handle the problem.

Finally, let me make one more point: There have been some efforts to remove the cap entirely. I personally think that a cap should be there since total removal will serve the purpose of attracting nonfarm investment into farmland and will be a giveaway to the huge corporate agrifarms. The purpose of this estate tax measure is to protect the small farmer, rancher, and the family farm. It is not to provide tax shelters for huge businesses.

Indexing takes care of that problem.

It is my understanding that this amendment was agreed to by the committee chairman.

Mr. President, I reserve the remainder of my time.

Mr. DOLE. Mr. President, the Senator is correct. I assume the Senator has discussed this change with the distinguished Senator from Louisiana.

Mr. BAUCUS. Yes.

Mr. DOLE. Mr. President, I yield to the Senator from Idaho.

Mr. SYMMS. Mr. President, I thank the Senator very much for yielding.

I compliment my friend from Montana for bringing this amendment to the floor. As he stated, he originally chose to index the special use valuation cap, which I believe is an excellent concept and a concept I support. That concept should have been included in our bill. However, I am pleased that Senator BAUCUS, Senator GRASSLEY, the Department of Treasury, and I have reached an agreement. The Senator from Montana is to be commended for initiating this concept at this time. I support the amendment and would encourage my colleagues to vote for it.

Mr. GRASSLEY. Would the Senator from Montana yield?

Mr. BAUCUS. I am happy to yield.

Mr. GRASSLEY. I, too, join in the commendation of the Senator from Montana for offering this amendment. But, more importantly, I would like to compliment him for his willingness to come forth and work out a compromise on both sides. I think that the end goal of increasing the special use valuation is a most worthy objective. I like the concept of indexing to automatically adjust the cap to reflect appreciation so that the estate taxes, or any taxes, can be kept at a reasonable level.

While this amendment may not accomplish the ideal Senator BAUCUS and I were striving for, it still improves current law. I am going to support this amendment and cosponsor it. Adoption of this amendment will improve the situation from the current law which was enacted in 1976, since that time the farmland in Iowa has increased in valuation by 49 percent. This must be recognized. An average farm in Iowa of 300 acres was probably worth about $144,000 back in 1976; today it is worth $619,000. Insisting the cap be kept at $500,000 does not reflect these economic realities.

We need to update the tax code. There is probably no provision of the estate tax that is more beneficial in keeping farms within the family and maintaining the institution of the family farm than the special use valuation.

I rise in support of it and urge my colleagues to do likewise.

Mr. BAUCUS. Mr. President, I thank the Senator from Iowa and the Senator from Idaho for their able assistance on this amendment.

Mr. DOLE. Mr. President, I thank the Senator from Idaho and the Senator from Montana for their willingness to accommodate the concerns of Treasury and others of us concerned about the overall cost of this recordbreaking tax reduction proposal. I support the efforts of the Senators. I am certainly willing to accept the amendment. I understand the Senator from Louisiana is willing to accept the amendment.

Mr. LONG. I accept the amendment.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 283) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. BAUCUS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The pending amendment is the amendment of the Senator from Kansas.

Mr. DOLE. I ask unanimous consent that that amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is temporarily laid aside.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I might say to the Senator from Massachusetts we have an amendment which has been agreed upon, I believe. Does the Senator want to follow on?

Mr. KENNEDY. That will be fine.

UP AMENDMENT NO. 284

(Purpose: To amend the Internal Revenue Code of 1954 to clarify the tax exemption for interest on obligations of volunteer fire departments)

Mr. LUGAR. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Indiana (Mr. LUGAR), for himself, Mr. RANDOLPH, Mr. PACKWOOD, Mr. PRESSLER, Mr. D'AMATO, Mr. QUAYLE, and Mr. BRADLEY, proposes an unprinted amendment numbered 284.

Mr. LUGAR. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title II add a new section:

"OBLIGATIONS OF CERTAIN VOLUNTEER FIRE DEPARTMENTS"

That (a) section 103 of the Internal Revenue Code of 1954 (relating to interest on certain governmental obligations) is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

"(i) OBLIGATIONS OF CERTAIN VOLUNTEER FIRE DEPARTMENTS.—

"(1) IN GENERAL.—An obligation of a volunteer fire department shall be treated as an obligation of a political subdivision of a State if—

"(A) such department is a qualified volunteer fire department with respect to an area within the jurisdiction of such political subdivision, and

"(B) such obligation is issued as part of an issue substantially all of the proceeds of which are to be used for the acquisition, construction, reconstruction, or improvement of qualified firefighting property.

"(2) QUALIFIED VOLUNTEER FIRE DEPARTMENT.—For purposes of this subsection, the term 'qualified volunteer fire department' means, with respect to a political subdivision of a State, any organization—

"(A) which is organized and operated to provide firefighting or emergency medical services for persons in an area (within the jurisdiction of such political subdivision) which is not provided with any other firefighting services,

"(B) which is required (by written agreement) by the political subdivision to furnish firefighting services in such area,

"(3) QUALIFIED FIREFIGHTING PROPERTY.—For purposes of this subsection, the term 'qualified firefighting property' means property—

"(A) which is of a character subject to the allowance for depreciation, and

"(B)(i) which is used in the training for the performance of, or the performance of, firefighting or ambulance services, or

"(ii) which is exclusively used to house the property described in clause (i).".

(b) The amendments made by subsection (a) shall apply to obligations issued after December 31, 1968.

Mr. LUGAR. Mr. President, let me say briefly that this amendment addresses the predicament faced by volunteer fire departments in our country who have entered into an agreement with other units of government to perform fire services. That responsibility has been expressly delegated to them through written contracts.

The ability of banks in this country to loan money to these volunteer fire departments and have tax-exempt status for those loans is the concern.

A paid fire department, operating on behalf of a municipality or a county government, or whoever has authority in a governmental sense for fire protection, borrows money to buy equipment. They enjoy tax-exempt status for those securities. My amendment would remove an inequitable situation by permitting volunteer fire departments—expressly charged to perform fire services—are treated similarly to paid fire departments.

Mr. President, clearly the protection of citizens and local businesses is a responsibility of local government. If the Internal Revenue Service succeeds in its present course of taxing the interest income from debt issued to volunteer fire departments however, many firefighting services across the country will face serious difficulties; the increased cost to these firefighting units will lead to either a substantial reduction in firefighting capability or the demise of our volunteer fire department system altogether.

The Senate Finance Subcommittee on Taxation and Debt Management recently held a hearing on S. 979 at which representatives from various volunteer fire departments testified. These spokesmen were, without exception, supportive of the bill.

A number of these representatives suggested that to best fulfill the intent of the bill, two qualifying criteria should be struck. Their comments confirmed a study supplied to me by the Congressional Research Service, stating that a very small percentage of departments would qualify under the original criteria. In response to these constructive criticisms, I have trimmed the amendment to allow legitimate volunteer firefighting organizations—to whom fire protection has clearly been delegated—the same tax exempt treatment currently enjoyed by municipally paid fire services.

Mr. President, I have also strengthened the amendment by requiring departments to operate under written contract, to assure that they are acting as an arm of the political subdivision. None of the fire organizations represented objected to this requirement although some indicated that many of their members did not now operate under such an agreement.

Mr. President, the chairman of the Senate Finance Subcommittee on Taxation and Debt Management (Mr. PACKWOOD) has said, and I fully agree, that volunteer fire departments represent one of this country's strongest example of volunteerism. I might add to this comment, that they offer the taxpayer something he can get nowhere else, expert firefighting services at very little cost.

To allow the IRS to pursue its present course would be to place at risk these praiseworthy and critically important firefighting services.

Finally, Mr. President, it plainly makes no sense for the IRS to impose an additional economic burden on communities already struggling to meet existing financial responsibilities.

Mr. President, this amendment is fully consistent with what the President has called on us to do today. If we accept this amendment, we will guard against an increased economic burden, a small step for this body but a welcome relief for the American people.

Mr. President, we have discussed this amendment with the majority and the minority managers—and believe we have their support for it.

The assumption by IRS has always been, prior to a few months ago, that that was the case. As a result, there is no tax loss, because the loans have been given tax-exempt status. That has now come under question. The purpose of the amendment is to clarify that issue. We have done so, I think, through the proper channels—that is, seeking hearings before the Committee on Finance. Senator PACKWOOD was kind enough to hold such a hearing. A number of witnesses were heard and the amendment that we are now offering with the distinguished cosponsors is a result of that hearing.

Mr. President, I reserve the remainder of my time.

Mr. BIDEN. Will the Senator yield for a moment for me to speak to this amendment?

Mr. LUGAR. Yes, I am happy to yield to the distinguished Senator from Delaware.

Mr. BIDEN. Mr. President, I compliment the distinguished Senator from Indiana on this amendment. I come from one of those States, Mr. President, where the overwhelming percentage of fire protection is provided by volunteer fire services. As a matter of fact, in Delaware, Mr. President, I think we probably have the single most comprehensive volunteer fire protection force that exists in the country in terms of the scope with which they cover the State.

Delaware's population is protected by 61 fire companies—60 of which are volunteer. The Fire Department of the City of Wilmington pays approximately 250 employees. The other 60 fire companies are staffed by close to 7,000 volunteer firefighters. None of these individuals get paid a cent for their hard and dangerous work.

Mr. President, it is a constant battle for these volunteer fire companies—who, I emphasize and reemphasize, as we all know in our own States—are volunteer. These folks do it for nothing. They would add to the budget in my State significantly. Delaware is a relatively small State. If the volunteer fire companies had to go on a paid status, the budgets of the communities serviced by the existing 60 volunteer fire companies would be increased by tens of millions of dollars. This, in turn, would force these communities to cut or even terminate many existing programs and services.

The point I would like to make and the point the Senator from Indiana so eloquently made is that we should be careful that we do all we can to see to it that we accommodate what is a public-spirited volunteer effort that I have yet to find abused anywhere in this country.

The cost benefit to the volunteer fire companies in the Senator's amendment is significant to some individual companies. It literally means a difference in some States and some localities whether or not they are able to provide the services they have. I think this is one of the purposes we should be dealing with.

Mr. President, if there is any tax exemption or tax break that exists anywhere within the tax code or in this tax bill that makes sense, the Senator from Indiana has pointed it out. I shall not delay the Senate any further by going on about the virtues of volunteer fire companies, so I shall simply mention the virtues of this amendment and how important it is to volunteer fire companies around the country. I thank the Senator from Indiana and ask that I may be made a cosponsor of the amendment.

Mr. LUGAR. Mr. President, I ask unanimous consent that the Senator be made a cosponsor.

The PRESIDING OFFICER (Mr. RUDMAN). Without objection, it is so ordered.

Mr. D'AMATO. Mr. President, I come before the Senate today as both a colleague and as a longtime member of the Island Park Volunteer Fire Department. We are 150 volunteers who protect the lives and homes of more than 10,000 residents of three Long Island communities—Island Park, Barbum Isle, and Harbor Isle. I know firsthand that each and every one of those residents believes that this protection is one of—if not the—most important public services provided them.

At least 30 percent of our Nation's population—the citizens of suburban and rural America—depend on more than 25,000 volunteer departments to do what they cannot do as individuals. Each time a rescue vehicle is dispatched; every time an emergency truck rushes to the scene of an accident; for every life saved by a volunteer's fast action, we are witnessing a significant expression of citizenship and community spirit. It is the essence of citizenship and community spirit. It is the essence of caring. It is true Americana.

Clearly, these volunteer departments protect their communities as capably as professional firefighters in urban municipalities. In some cases, unfortunately, they must battle more adverse conditions. One major adversity is financing.

Volunteer departments cannot issue tax-free obligations as professional departments may. This is because we have for too long ignored the fact that most volunteer companies are extensions of the local governments they serve. They have written contracts or agreements to protect those communities. Yet they do not enjoy the tax-free status that municipal departments enjoy. It is time we grant volunteers equity with their professional colleagues.

I am, therefore, cosponsoring this amendment which would allow volunteer departments, meeting four specified criteria, to borrow money at lower interest rates than they are now able to obtain—the same lower rates currently provided to municipal fire departments. Lenders would offer these lower rates, since the interest on such loans would be made tax exempt under this amendment.

Too many departments are struggling with outdated equipment. Replacing or restoring that equipment is just as great a struggle. By lowering the cost of borrowing money, we will not only be saving money for these departments and the taxpayers who help support them, we will also be saving lives.

A firefighting team, whether it is professional or volunteer, is only as good as its rescue equipment. Time saves lives. In those precious seconds after an automobile accident or during the life-threating minutes of a house fire, volunteers must gather from as far away as several miles, ready their equipment and speed to the scene of an accident. If they are slowed by an overworked engine or limited by a less mobile vehicle, lives can be lost—lives that can never be brought back.

Even when emergency teams reach an accident victim in time, they may lack the paramedic equipment needed to sustain life. A large number of volunteer companies purchased paramedic gear in the early 1960's and have used that equipment ever since. They have been unable to afford the high cost of new, lifesaving apparatus. Who knows how many lives might have been saved by such equipment? That is a question all of these selfless volunteers do not want to ask themselves. It is a question I do not want them to face ever again.

Gen. James Doolittle once said:

One trouble with us Americans is that we're fixers rather than preventers.

With the passage of this amendment, we can prove the general wrong. We can prevent needless suffering by making it possible for volunteer fire departments to equip themselves with the most modern lifesaving and firefighting equipment.

The amendment would apply to only those departments which are the sole organized firefighting service in an area, which provide their services vis-a-vis a contract or agreement with the local governments, which receive no less than 50 percent of their funding from a government or governments, and which offer their services without charge.

Earlier, I said the work of volunteer departments is the essence of caring. It is also the essence of unselfishness. Not only do volunteers risk their lives and sacrifice their time for training and emergencies, they do so free of charge. They expect nothing, either as individuals or as a department. Local governments and their taxpayers are happy to provide partial funding of these departments.

It is the same from Maine to California. Volunteer fire departments are too important—too basic—for us to ignore. Here is an amendment that will give these volunteers a badly needed shot in the arm.

Mr. President, this amendment will help our citizens to help themselves. It will support a community service vital to thousands of communities across the United States. I and my fellow volunteers of the Island Park Volunteer Fire Department, like volunteers across the country, have earned your support and deserve passage of this amendment.

● Mr. QUAYLE. Mr. President, as a cosponsor, with my distinguished colleague from Indiana, of S. 979, a bill to amend the Internal Revenue Code of 1954 as it relates to volunteer fire departments, I wish to comment on Senator LUGAR's proposed amendment to the Economic Recovery Act of 1981.

This amendment seeks to reverse a recent IRS ruling that eliminates a volunteer fire department's tax-exempt status in relation to interest paid on borrowed funds.

This Nation's volunteer fire departments perform an essential function in protecting lives and property in both rural and urban areas throughout the country. A volunteer fire department's effectiveness depends primarily upon its ability to acquire top quality equipment. This equipment is acquired through private loans at municipality rates. The consequences of the elimination of these departments' tax-exempt status would obviously be severe.

The Wayne Township Volunteer Fire Department in Indianapolis, Ind., provides an excellent illustration of the potentially detrimental impact of this ruling. The elimination of their tax-exempt status will mean an interest differential of close to $100,000 in the department's efforts to replace its 1949 fire truck. In light of the fact that this highly respected firefighting organization receives substantial funds by agreement with the township trustees and requires no compensation from the community-at-large for its services, the interest tax will impose a substantial burden.

In some communities, this situation could completely eliminate firefighting services. Thus, I urge my colleagues in the Senate to adopt this amendment. In

doing so, they will both promote and preserve the invaluable firefighting services that these men and women provide to this Nation.●

Mr. BRADLEY. I welcome the opportunity to join Senator LUGAR in recognizing the important role that volunteer fire departments play in our communities.

Many believe these outstanding volunteers serve only rural areas of the country. It might startle some of my colleagues to know that in the most densely populated State in the country, my own State of New Jersey, the vast majority of our citizens rely on volunteer firemen to protect their lives and homes.

In Bergen County, New Jersey's most populous county, 66 of the 70 communities are served by volunteer fire departments. In Passaic County, only 3 out of the 19 communities have paid fire departments.

The spirit of voluntarism is an intrinsic part of our Nation's history and development. While stories of individual sacrifice abound as citizens reach out to help others in community service programs, nowhere is it more compelling than in the volunteer fire departments. Here, individuals not only spend time to train, to be constantly available, they risk their very lives to help their neighbors.

It is appropriate that we recognize that sacrifice today, and I am pleased to join the Senator from Indiana as a cosponsor of his amendment.

Mr. LUGAR. Mr. President, I reserve the remainder of my time.

Mr. DOLE. Mr. President, this amendment, as I understand it, is in both House bills—the House bipartisan substitute bill and the Ways and Means Committee proposal. I understand also that there is a bipartisan interest in this proposal. I have no objection to the amendment.

Mr. LONG. Mr. President, I have no objection.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

Mr. D'AMATO. Mr. President, I commend my colleague from Indiana (Mr. LUGAR) who has worked at bringing forth this legislation which I deem to be very critical to a substantial portion of our community, those volunteers who do a yeoman service and who are so often neglected. This legislation will go a long way toward making it possible for them to carry out their very important functions in communities throughout this Nation and, indeed, it is in keeping with the spirit of voluntarism and giving to their fellow citizens. So I commend Senator LUGAR for his work in bringing this legislation to the point where we look forward to its being enacted into law.

Mr. LUGAR. Mr. President, I am especially indebted to Senator D'AMATO for his work in this field. He has been champion of the volunteer fire departments in his public service to local government and he continues to be that in the Senate.

Mr. President, I urge adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 284) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LUGAR. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 285

(Purpose: To increase the amount of the credit for the elderly)

Mr. KENNEDY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

Mr. DOLE. Mr. President, will the Senator yield so I may temporarily lay aside my amendment?

Mr. KENNEDY. Yes.

Mr. DOLE. I ask unanimous consent for that purpose, Mr. President.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the amendment.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) for himself, Mr. MOYNIHAN, Mr. BUMPERS, Mr. PRYOR, Mr. SASSER, Mr. MATSUNAGA, Mr. CANNON, Mr. RANDOLPH, Mr. DIXON, Mr. DODD, and Mr. RIEGLE, proposes an unprinted amendment numbered 285.

Mr. KENNEDY. I ask unanimous consent that further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, add the following new subtitle:

Subtitle —Credit for the Elderly

SEC. . INCREASE IN THE AMOUNT OF THE CREDIT FOR THE ELDERLY.

(a) IN GENERAL.—

(1) SECTION 37 AMOUNT.—Paragraph (2) of section 37(b) (relating to initial amount) is amended—

(A) by striking out "$2,500" in subparagraphs (A) and (B) and inserting in lieu thereof "$3,000",

(B) by striking out "$3,750" in subparagraph (C) and inserting in lieu thereof "$4,500", and

(C) by striking out "$1,875" in subparagraph (D) and inserting in lieu thereof "$2,250".

(2) ADJUSTED GROSS INCOME LIMITATION.—Paragraph (1) of section 37(c) (relating to adjusted gross income limitation) is amended to read as follows:

"(1) ADJUSTED GROSS INCOME LIMITATION.—The section 37 amount shall be reduced by 50 percent of the excess of the adjusted gross income of the taxpayer over—

"(A) $15,000 in the case of a single taxpayer,

"(B) $17,500 in the case of a joint return, or

"(C) $8,750 in the case of a married individual filing a separate return.".

(3) ELECTION OF PRIOR LAW WITH RESPECT TO CERTAIN INCOME.—Subsection (e) of section 37 (relating to election of prior law with respect to public retirement system income) is amended—

(A) by striking out "$2,500" each place it appears and inserting in lieu thereof "$3,000";

(B) by striking out "$3,750" each place it appears in paragraph (6) and inserting in lieu thereof "$4,500", and

(C) by striking out "$1,875" in paragraph (7) and inserting in lieu thereof "$2,250".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

Mr. KENNEDY. Mr. President, I offer this amendment in behalf of myself, Mr. MOYNIHAN, Mr. BUMPERS, Mr. PRYOR, Mr. SASSER, Mr. MATSUNAGA, Mr. CANNON, Mr. RANDOLPH, Mr. DIXON, Mr. DODD, and Mr. RIEGLE.

Mr. President, under current law, income from social security benefits is exempt from Federal income tax. In order to provide comparable tax treatment for elderly persons whose retirement income from other sources is taxable, the Internal Revenue Code provides an elderly tax credit equal to 15 percent of retirement income up to $2,500 for single persons and $3,750 for couples, The credit is phased out beginning at $7,500 of income for single persons and $10,000 for couples.

Although social security benefits have been indexed each year for inflation, the tax credit for the elderly has not been increased since the Tax Reform Act of 1976. As a result of 5 years of high inflation, the comparability intended for beneficiaries of the elderly tax credit has not been maintained.

To reduce this unfair differential, our amendment would increase the base for the elderly tax credit to $3,000 for single persons and $4,500 for couples. It would also increase the beginning of the phaseout range to $15,000 for single persons and $17,500 for couples. The maximum credit would increase from $375 to $450 for single persons, and from $562 to $675 for couples.

These changes are identical to the measure approved by the Senate Finance Committee in 1978 and adopted by the full Senate, but later dropped by the conferees. The revenue cost was estimated then at $278 million a year, benefiting nearly 2 million elderly taxpayers. Virtually all of these taxpayers have income under $50,000 a year, and 94 percent have income under $20,000 a year.

I urge the Senate to support this amendment. Police officers, firefighters, teachers, and Federal, State, and local government retirees deserve the fair tax treatment that Congress intended when it enacted the elderly tax credit.

This important protection in the tax law for elderly persons was originally enacted in 1954. It was updated in 1962, and again in 1976—and it should be updated in 1981.

Mr. President, I ask unanimous consent that a letter from the American Association of Retired Persons and the National Retired Teachers Association, and a letter from the National Association of Retired Federal Employees in support of the amendment may be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL RETIRED TEACHERS ASSOCIATION AND AMERICAN ASSOCIATION OF RETIRED PERSONS,

July 21, 1981.

DEAR SENATOR: The National Retired Teachers Association and the American Association of Retired Persons urge you to approve an amendment to the tax cut bill

(H.J. Res. 266) to update the tax credit for the elderly (TCE). This provision is designed to provide comparable tax relief for public pensioners—such as retired teachers, policemen, firemen and others—as is available for social security beneficiaries. The TCE, however, has not been updated since 1976. During that time, social security beneficiaries have received five cost-of-living increases aggregating almost 58 percent. Quite clearly, the tax credit for the elderly no longer provides comparable tax relief for government pensioners with little or no social security benefits.

We recommend that the maximum amounts for computing the 15-percent TCE be raised from $2,500 to $3,000 for older single persons and from $3,750 to $4,500 for elderly couples. This change alone could provide up to $75 in additional tax relief for aged individuals and $112.50 for older couples.

Second, we urge that the adjusted gross income phase-out provisions be raised to more realistic levels—from $7,500 to $15,000 for aged individuals and from $10,000 to $17,500 for elderly couples. Under this approach, single aged taxpayers would be potentially eligible for the TCE if their adjusted gross income is less than $21,000. The cut-off point for elderly couples would be $26,500.

Under present law, the maximum amount for computing the TCE is reduced by $1 for each $2 of income above $7,500 for aged single persons and $10,000 for elderly couples. The net impact is that the TCE is effectively phased out for individuals with adjusted gross income of $12,500 and for couples with adjusted gross income of $17,500. These phase-out levels are too low and deny many middle-income older taxpayers essential tax relief. Moreover, these restrictions contradict the credit's basic objective, which is to provide equal tax treatment for social security and non-social security retirees.

This proposal is virtually identical to a measure approved almost unanimously by the House and Senate in 1978. Strong support existed then to update the TCE. The case is even more compelling now because inflation is whittling away at the tax relief provided by the TCE.

Our Associations strongly believe that this proposal is a soundly conceived and legislatively feasible approach to provide needed tax relief to elderly persons whose pensions are subject to federal income tax. For these reasons, we reaffirm our support for this measure and urge you to adopt it.

Sincerely,

PETER W. HUGHES,
Legislative Counsel.

NATIONAL ASSOCIATION OF
RETIRED FEDERAL EMPLOYEES,
Washington, D.C., July 21, 1981.

DEAR SENATOR: On behalf of the 435,000 members of the National Association of Retired Federal Employees (NARFE), I respectfully request your support of an amendment which will be offered to the 1981 Tax Reform measure (H.J. Res. 266) to update the Tax Credit for the Elderly (TCE) and thus provide some degree of tax relief to older Americans with little or no tax free Social Security income. Since the majority of Federal retirees and survivors are in this category, the amendment to be offered is of considerable importance to our membership.

The Tax Credit for the Elderly was enacted into law in 1976, with the intent of providing tax relief to retirees with little or no Social Security income, but for many of the truly elderly, those over age 65, the new credit provided little relief because of the imposition of a credit phase-out based on the individual's adjusted gross income. In 1978 both the House and Senate overwhelmingly approved liberalization of the Tax Credit for the Elderly, but the provision was eliminated in a conference committee.

The TCE Amendment which will be offered in the Senate in the near future will update the income levels on which the credit is based from $2500 to $3000 for an individual ($3750 to $4500 for a married couple), and more importantly, will upwardly adjust income phase-out figures from $7500 to $15,000 for individuals ($10,000 to $17,500 for a couple).

Our Association has long urged the total elimination of the income phase-out restrictions under the TCE, but the phase-out figures set forth in this amendment would certainly provide long overdue relief and have our full support. Since the current TCE figures were established in 1976, both the Consumer Price Index and Social Security benefits have increased by more than 55 percent, yet the tax relief provided to Federal retirees and others with little or no tax free Social Security income has not been changed at all. We, therefore, urge your support of this amendment.

Sincerely,

MICHAEL C. NAVE,
President.

Mr. KENNEDY. Mr. President, the basic purpose of the tax credit for the elderly is to provide a comparable tax treatment between elderly persons who receive social security benefits and other elderly persons who receive the bulk of their retirement income in other forms, principally from private pension plans, civil service retirement, State and local government pension plans, and small earnings. Social security benefits are tax free. The tax credit for the elderly assures that the elderly with taxable income from other sources will get tax relief comparable to that provided by the tax exemption for social security benefits. The last time the tax credit for the elderly was increased was in 1976. Social security benefits have increased substantially since then to offset inflation, but the tax credit for the elderly has not been increased at all.

The primary beneficiaries of this amendments will be the retired police officers, firefighters, teachers, and other State and local retirees, and retired Federal employees. It is strongly supported by the American Association of Retired Persons, the National Retired Teachers Association, and the National Association of Retired Federal Employees.

What we are trying to do with this amendment is to restore the tax parity between social security retirees and other retirees. These are elderly Americans who are hard pressed by inflation. Under any standard of equity and fairness, they are entitled to this relief. If we fail to provide it, we are discriminating against these retirees. I believe that is unfair and unacceptable, and I hope the Senate will approve this amendment.

Mr. MATSUNAGA. Mr. President, will the distinguished Senator from Massachusetts yield?

Mr. KENNEDY. I yield to the Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, as a cosponsor of the amendment and as the introducer of a bill which would have accomplished the same thing that this amendment proposes to accomplish, I strongly support the amendment.

As the Senator from Massachusetts has ably stated, this would bring equity to those who are not under the social security program. I particularly have in mind Federal employees—that they would be paying taxes on their retirement on an unequal basis with the social security beneficiaries, who are exempt, to the extent of the social security benefits. The Federal employees do not have the benefit of such an exemption.

By the amendment which is now pending, equity will be brought to Federal and private employees who retire without the benefits that social security beneficiaries receive.

I commend the Senator from Massachusetts for taking the leadership in this matter.

Mr. KENNEDY. I thank the Senator for his helpful comments and for his strong support.

Mr. President, we can achieve this measure of equity for elderly people for approximately $300 million a year. It means increased tax relief of about $100 for each of several million elderly Americans who are suffering from inflation.

If we do not do this, we are really saying to the retired police officers, firefighters, teachers, Federal employees, and others, "You must bear an undue burden in the fight against inflation, while others are not asked to bear that burden."

We know that this tax bill does not provide fair tax relief to low- and middle-income families. Equity demands that we try to respond to the very special needs of our elderly citizens.

I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I am prepared to vote.

Mr. SYMMS. I yield myself such time as I may need.

Mr. President, I am aware of the concern the distinguished Senator from Massachusetts brings to this Chamber today, but it is important that we consider that no revenue is provided to pay for the expansion of this tax credit for the elderly.

How much would it cost the Treasury?

Mr. KENNEDY. About $300 million a year—only a small fraction of what was being asked 2 nights ago for the major oil companies, when the effort was made to cut back the windfall profit tax. That was a proposal to give billions of dollars to the major oil companies, but there was no argument raised at that time that the revenues were not there for them. We are trying now to take care of some elderly people who have retired.

[Applause in the galleries.]

The PRESIDING OFFICER. The galleries will be in order.

Mr. SYMMS. I thank the distinguished Senator from Massachusetts.

I believe the Senator will agree with me that those taxes that are levied against the major oil companies are ultimately paid by people, so that the oil companies are collectors of taxes, not payers of taxes. It is people who pay

those taxes, at any rate. So it becomes somewhat of an academic argument.

In this particular case, we should also consider that one purpose for the elderly credit is to provide those with a retirement income, a tax benefit comparable to the tax exemption for social security and railroad retirement beneficiaries. The question of retirement income and the role of Government in taxing or subsidizing such income is a broader one than can be dealt with by a single amendment to a tax bill.

I believe this whole area deserves more careful consideration and review. There is some risk here in addressing this matter in a piecemeal fashion, whether it costs $300 million, $3 million, or $300 billion. We probably should not try to address this particular issue in this bill because, after all, this is a tax measure that is aimed toward encouraging economic productivity and encouraging broader real growth in our economy.

Another reason for the elderly credit is to aid elderly taxpayers who continue to work. Again, the question of incentives and disincentives to working after retirement age is a broad question of social policy and should not be addressed in a haphazard fashion.

Although there may be some merit to it and the Finance Committee might come to the conclusion that this is a better approach, we will have to work on this matter in the Finance Committee.

We agreed to a resolution in this body by unanimous consent—I believe every Member of the Senate voted for it—to address the entire question of the social security problems, and incentives impacting on our senior citizens at a later date.

This motion is not in congruence with the rest of this legislation.

I think the major opposition I find to the amendment simply is that it does not comply with the intention of this tax measure.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SYMMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time?

Mr. SYMMS. Mr. President, I simply encourage the Members of the Senate to vote down this proposal today and assure them that the Finance Committee is going to take a very careful look at this proposition. This should be discussed in the second tax bill.

I urge a no vote on this proposition.

Mr. KENNEDY. Mr. President, I yield myself such time as I may require.

This amendment has absolutely nothing to do with social security. It is designed to provide tax relief to retirees who are not receiving tax-exempt social security benefits. We are talking about a concept which has been accepted for nearly 30 years, since the time that this credit was first put into effect in 1954. It has gradually been increased since then. In 1978, this same amendment was accepted without dissent in the Senate.

Now I hear the Senator from Idaho questioning whether this is an appropriate measure. He asks, What is the incentive to the individual?

We are talking about retirees, men and women who served their country well and are retired now. We are talking about some of the neediest people in our society.

This bill contains billions of dollars for the major oil companies. I think it can afford a few hundred million dollars for the elderly.

This has absolutely nothing to do with social security. This is not a revolutionary or new concept. It has been in the tax laws since 1954.

What we are asking is for some degree of fairness and equity, that when we are lowering the taxes for the wealthiest individuals in this country, we should bring the retirees up to some degree of equity and fairness, and not say we are going to lower the taxes for the wealthiest individuals in our society but we are shutting the door on retirees.

It just seems this is a very modest program and a very measured one, one that has been accepted by this body before.

I think a no vote on this is saying to the retirees, "We are going to let you bear the brunt of the fight against inflation, not the wealthiest individuals, who are going to get the tax cuts, but you are the ones who are going to bear the brunt in the fight against inflation."

I think that is unfair and that is unjust, and I am prepared to let the Senate make its judgment. I am prepared, if the Senator from Kansas is, to yield back my time.

Mr. DOLE. Mr. President, I say to the Senator from Massachusetts, again, that this is a very attractive amendment. The Senator from Kansas has had some association with this amendment in earlier years. I appreciate his statement about our efforts here, and his concern that we have not been as successful as some might have wished with reference to newly discovered oil. But I also must indicate that this amendment, as the Senator properly stated, costs about $300 million a year. I just hope that this is an issue we might address on the second tax bill, and there will be a second tax proposal, I can say to the Senator from Massachusetts.

I am prepared to yield back my time.

Mr. KENNEDY. I yield back the remainder of my time.

Mr. PERCY. Mr. President, I regretfully must oppose the amendment offered by the Senator from Masachusetts (Mr. KENNEDY).

While I wholeheartedly agree with the intent of the amendment to increase the credit for the elderly, I do not think this is the appropriate time to address the issue.

Mr. President, the tax bill now before us is an integral part of the President's economic recovery plan. It provides tax reductions and incentives that are sorely needed to stimulate the economy, boost productivity, and provide strong and steady economic growth in the future. This amendment is not directly related to that purpose and should be addressed at a later time.

As a member of the Senate Special Committee on Aging, I am very sensitive to the income security of older persons in this country. They are the group that is hardest hit by inflation. It only makes sense that we take action to maintain equitable tax treatment of retirement income.

The credit for the elderly is designed to give persons with fully taxable retirement income the same tax advantages as persons receiving tax-free social security benefits. The credit has not increased since 1976 while social security benefits, which are automatically adjusted for inflation, have continued to rise.

The Kennedy amendment would recognize this by increasing the amount of income eligible for the credit and by raising the levels of income at which the credit phases out. It is identical to a provision passed by the Senate in 1978 as part of the Revenue Act. Unfortunately, it was deleted by the joint House-Senate conference commitee and did not become law.

I support this update of our tax laws and hope the administration will include such a provision in its second tax bill which I understand will be drafted and sent to the Congress in mid-October.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Massachusetts. On this question the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), and the Senator from Texas (Mr. TOWER) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) would vote "yea."

The result was announced—yeas 44, nays 50, as follows:

[Rollcall Vote No. 219 Leg.]

YEAS—44

Baucus	Hart	Nunn
Biden	Hawkins	Pell
Bradley	Hollings	Pressler
Bumpers	Huddleston	Proxmire
Burdick	Inouye	Pryor
Byrd, Robert C.	Jackson	Randolph
Chafee	Kennedy	Riegle
Chiles	Leahy	Roth
Cranston	Levin	Sarbanes
DeConcini	Mathias	Sasser
Dixon	Matsunaga	Tsongas
Dodd	Melcher	Weicker
Eagleton	Metzenbaum	Williams
Ford	Mitchell	Zorinsky
Glenn	Moynihan	

NAYS—50

Abdnor	East	Mattingly
Andrews	Evon	McClure
Armstrong	Goldwater	Murkowski
Baker	Gorton	Nickles
Bentsen	Grassley	Packwood
Boren	Hatch	Percy
Boschwitz	Hatfield	Quayle
Byrd, Harry F., Jr.	Heflin	Rudman
Cochran	Helms	Schmitt
Cohen	Humphrey	Simpson
D'Amato	Jepsen	Specter
Danforth	Johnston	Stafford
Denton	Kassebaum	Stevens
Dole	Kasten	Symms
Domenici	Laxalt	Thurmond
Durenberger	Long	Wallop
	Lugar	Warner

NOT VOTING—6

Cannon	Hayakawa	Tower
Garn	Heinz	Stennis

So Mr. KENNEDY's amendment (UP No. 285) was rejected.

Mr. DOLE. I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Kansas.

Mr. DOLE. I move to lay that aside temporarily.

I yield to the Senator from New York (Mr. D'AMATO).

The PRESIDING OFFICER. The Senate will be in order.

UP AMENDMENT NO. 286

(Purpose: To make permanent certain rules relating to travel expenses of State legislators)

Mr. D'AMATO. Mr. President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. D'AMATO), for himself, Mrs. HAWKINS, and Mr. MURKOWSKI, proposes an unprinted amendment numbered 286.

Mr. D'AMATO. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the bill, insert the following:

SEC. TRAVEL EXPENSES OF STATE LEGISLATORS.

(a) IN GENERAL.—Section 162 (relating to trade or business expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

"(h) STATE LEGISLATORS' TRAVEL EXPENSES AWAY FROM HOME.—

"(1) IN GENERAL.—For purposes of subsection (a), in the case of any individual who is a State legislator at any time during the taxable year and who makes an election under this subsection for the taxable year—

"(A) the place of residence of such individual within the legislative district which he represented shall be considered his home,

"(B) he shall be deemed to have expended for living expenses (in connection with his trade or business as a legislator) an amount equal to the sum of the amounts determined by multiplying each legislative day of such individual during the taxable year by the greater of—

"(i) the amount generally allowable with respect to such day to employees of the State of which he is a legislator for per diem while away from home, to the extent such amount does not exceed 110 percent of the amount described in clause (ii) with respect to such day, or

"(ii) the amount generally allowable with respect to such day to employees of the executive branch of the Federal Government for per diem while away from home but serving in the United States, and

"(C) he shall be deemed to be away from home in the pursuit of a trade or business on each legislative day.

"(2) LEGISLATIVE DAYS.—For purposes of paragraph (1), a legislative day during any taxable year for any individual shall be any day during such year on which—

"(A) the legislature was in session (including any day in which the legislature was not in session for a period of 4 consecutive days or less), or

"(B) the legislature was not in session but the physical presence of the individual was formally recorded at a meeting of a committee of such legislature.

"(3) LEGISLATORS WHO RESIDE NEAR CAPITAL.—Paragraph (1) shall not apply to any legislator whose place of residence described in paragraph (1)(A) is 50 or fewer miles from the nearest point on the border of the city (or comparable political subdivision) in which the State capital is located.

"(4) ELECTION.—An election under this subsection for any taxable year shall be made at such time and in such manner as the Secretary shall by regulations prescribe.".

(b) EFFECTIVE DATE.—

(1) The amendment made by this section shall apply to taxable years beginning after December 31, 1980.

Mr. D'AMATO. Mr. President, I ask unanimous consent that Senator HAWKINS and Senator MURKOWSKI be added as cosponsors to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. D'AMATO. Mr. President, I am proposing an amendment to House Joint Resolution 266 with minimal revenue implication—less than $30 million over the next 6 years. This amendment would restore and make permanent expired provisions of the Internal Revenue Code relating to the travel expenses of State legislators.

Prior to 1981 State legislators were allowed to treat their residence in their legislative district as their tax home. Thus, they were entitled to take deductions for reasonable living expenses on legislative days when they were required to stay away from this home overnight on legislative business.

However, this reasonable and equitable provision has been inexplicably allowed to expire. The tax home for State legislators, consequently, is now defined as their principal place of business. For most of them this is the State capital. Thus, they receive no tax deductions to partially offset the necessary expense of maintaining two homes during the legislative session.

This situation results in unfair treatment of our fellow legislators. They should be allowed to deduct the additional travel and living expenses necessary to the proper performance of their legislative duties.

My amendment would allow a State legislator to use his or her legislative district as a tax home. A legislator making such an election would be treated as having expended an amount equal to the greater of his or her State per diem or the Federal per diem in that State capital on each legislative day. However, no matter how large the State per diem is, there is a safety valve which limits the maximum deduction to 110 percent of the Federal per diem. The bill would also deem an electing legislator to be away from home on legislative business on each legislative day.

My amendment is similar to the one adopted by the House Committee on Ways and Means as part of their tax package last week. There is one major difference. My amendment would make these provisions permanent parts of the IRS Code, instead of simply authorizing them for 2 more years. There is no reason for these legitimate deductions of State legislators to be less justified in the future than they are today. There is no reason for us to have to repeat this process next year. Thus, there is no reason not to make these deductions a permanent part of the Internal Revenue Code. The Ways and Means temporary extension was done to artificially keep their package within budget guidelines in the outvears. We should not play such games with our fellow legislators.

My amendment adopts the Ways and Means version in the restriction of these deductions to State legislators whose residences are more than 50 miles away from their State capital. This is consistent with other provisions of the Internal Revenue Code which make it clear that commuting expenses are not deductible costs for individuals in other professions. One hundred miles a day seems to be the maximum reasonable amount to require State legislators to commute. This new provision is retroactive only to January 1, 1981.

Mr. President, this amendment entails virtually no revenue loss. This amendment merely continues current law. This amendment is necessary to restore fair and just tax treatment to our fellow legislators. I urge its immediate adoption.

I might add I had the opportunity to speak to our distinguished colleague from Louisiana (Mr. LONG) who has indicated he has no objection to this proposal, and neither does the distinguished chairman, the Senator from Kansas (Mr. DOLE).

Mr. DOLE. I yield to the Senator from Louisiana.

Mr. LONG. Mr. President, I would like to be added as a cosponsor to the Senator's amendment. I think it is a good proposal. It does meet a problem which confronts members of State legislatures. I think it is right and fair. I hope very much it will be agreed to. I hope the manager of the bill will accept the amendment. The State legislators have been treated unfairly for a number of years.

Mr. D'AMATO. Mr. President, I ask unanimous consent to add the Senator from Louisiana as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I am willing to accept the amendment. I think the official position of Treasury would be in opposition to the amendment. State legislators are probably treated more favorably now than any other taxpayers, certainly better than Members of Congress. We have taken the retroactive provision, which is better than the provision in the House bill.

I am aware that there are many of our friends in the State legislatures with a deep interest in this matter.

There is the so-called Chappie case

which was decided correctly, in the opinion of many.

Here we are doing this prospectively so that would be a plus. On that basis, I have no objection to the amendment. I thank the distinguished Senator from New York for bringing this matter to our attention. I am certain every Member of this body has heard from one or two of his personal friends in the State legislative bodies. I do not quarrel with that, but I would suggest it is not a bad deal we are providing.

I ask unanimous consent that a description of the amendment be inserted at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATE LEGISLATORS EXPENSES

PRESENT LAW

Under present law, a State legislator may elect to treat the legislative district represented as his or her tax home. If such an election is made, the State legislator is entitled to a deduction for living expenses equal to the sum of the amount determined by multiplying each legislative day of the individual by the amount of the Federal per diem for the location of the legislature. For this purpose, the term "legislative day" includes only days on which the legislator was away from home overnight on specified legislative business.

The provisions of present law apply to taxable years beginning before 1981.

AMENDMENT

The amendment would replace the provisions of present law with a permanent rule for the deductibility of expenses of State legislators. Generally, the new rule would be similar to that of present law. However, an electing legislator would be treated as having expended an amount equal to the sum determined by multiplying each of the legislator's legislative days by the greater of the Federal per diem or the State per diem (but not in excess of 110 percent of the Federal per diem). The amendment would overrule the away-from-home rule for State legislators.

EFFECTIVE DATE

The amendment would apply to taxable years beginning on or after December 31, 1980.

REVENUE EFFECT

It is estimated that this amendment would reduce budget receipts by $2 million in fiscal year 1981, $11 million in fiscal year 1982, $5 million in fiscal year 1983, by $6 million in fiscal years 1984 and 1985, and $7 million in fiscal year 1986.

Mr. D'AMATO. I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 286) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. D'AMATO. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that the amendment be temporarily laid aside.

AMENDMENT NO. 282

Mr. CHAFEE. Mr. President, I ask unanimous consent that we might return to my amendment which we were previously considering.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHAFEE. Mr. President, this amendment has been cleared with the minority and I have also discussed it with the distinguished senior Senator from New York, who is interested in this matter. He approves of the action which I am proposing.

Mr. President, at this time I move adoption of the amendment I have proposed.

Mr. DOLE. Mr. President, as the Senator from Rhode Island has indicated, he has discussed this amendment with Senator LONG. I know of no objection to the amendment. I am prepared to accept the amendment.

Mr. BOREN. Mr. President, as has been indicated, this amendment has been cleared with the ranking minority member, Senator LONG, and there is no objection on this side of the aisle.

Mr. CHAFEE. I move adoption of the amendment.

Mr. CHAFEE subsequently said: Mr. President, this morning when I discussed my amendment repealing the straight-line disincentive for the demolition of historic structures, I stated that the proposal was supported by many historic preservation organizations.

For the benefit of my colleagues, I ask unanimous consent that letters to this effect from the National Trust for Historic Preservation, Preservation Action and the National Conference of State Historic Preservation Officers be printed in the RECORD.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

NATIONAL TRUST FOR
HISTORIC PRESERVATION,
Washington, D.C., July 24, 1981.

Hon. JOHN H. CHAFEE,
Dirksen Senate Office Building,
U.S. Senate, Washington, D.C.

DEAR SENATOR CHAFEE: The National Trust for Historic Preservation commends you on your initiative in sponsoring an amendment to the Economic Recovery Act of 1981 to repeal Section 167(n), the so-called straight-line disincentive.

The straight-line disincentive has been a major point of contention since enactment of the Tax Reform Act of 1976. There are some organizations that feel the demolition disincentives have stopped the destruction of some historic buildings. However, more often than not, these provisions have resulted in vocal opposition to National Register designation of historic commercial districts in our nation's older cities, including Providence, St. Louis, and my own city of Cincinnati.

Most importantly, the straight-line disincentive created a wide-spread misperception that National Register listing constituted an infringement on private property rights. I feel confident that your amendment, if enacted, will reverse this misperception and restore public confidence in the National Register as an invaluable objective inventory of those sites, buildings and objects significant in our nation's history and culture that merit preservation.

Sincerely,

MICHAEL L. AINSLIE,
President.

NATIONAL CONFERENCE OF STATE
HISTORIC PRESERVATION OFFICERS,
Washington, D.C., July 24, 1981.

Hon. JOHN H. CHAFEE,
U.S. Senate, Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR CHAFEE: We understand that you have offered several amendments which are designed to facilitate the tax provisions for historic preservation. We agree with and support your efforts to remove the disincentives which now exist. Although as preservationists we would like the opportunity to work with property owners prior to demolition, a goal of the disincentives, the administrative problems appear to overcome the potential benefits achieved through the disincentives. The issue of the disincentives was brought before our membership in April of 1979. At that time, we attempted to overcome the problems through regulatory change. The problems which grow from the disincentives have continued and therefore we support your efforts.

Sincerely,

J. RODNEY LITTLE,
President.

PRESERVATION ACTION,
Washington, D.C., July 24, 1981.

Senator JOHN H. CHAFEE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR CHAFEE: Preservation Action, the national citizen's lobby for historic preservation and neighborhood conservation, endorses your amendment to the Senate tax bill—H.J. Res. 266—that will eliminate the straight-line disincentive enacted as a part of the 1976 Tax Reform Act provisions affecting historic structures.

Our organization represents over 1,200 organizations and individuals in every State of our nation who are concerned with the revitalization of our cities, particularly the older cities. In the enactment of the 1976 Tax Reform Act, tax incentives for the certified rehabilitation of commercial historic buildings proved so attractive that over $1.1 billion of revitalization has already been accomplished. Within the same provisions, the disincentive controlling replacement structures on the site of a demolished historic building was originally viewed as a factor to enhance preservation efforts. However, after five years of experience and controversy, we now acknowledge that such a disincentive has helped little and has more often proven to be a detriment to historic designation and neighborhood improvement. In the worst cases, after the destruction of a historic structure, we have seen a proliferation of parking lots rather than compatible new structures.

Preservation Action applauds your amendment as a good addition to the Senate proposals for rehabilitation of older buildings and historic structures. We have lobbied extensively for a margin of tax credit that would make certified rehabilitation of historic buildings more attractive than their defacement, demolition, or replacement. We are satisfied that the proposals within H.J. Res. 266, as amended by Senator Dole this week, offer attractive options to developers, particularly for residential rental use. By virtue of the investment tax credit proposals, we believe that preservation will play an even more significant role than it has in the past as catalyst in the revitalization of towns and cities of all sizes. Certainly there are no more enthusiastic preservationists in the country than in your own State of Rhode Island, and we look to them to lead the way.

Thank you for your continuing interest and support of our cause.

Sincerely,

NELLIE L. LONGSWORTH,
President.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 282) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. CHAFEE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Does the Senator from Rhode Island have any other amendment that he might wish to bring up?

Mr. CHAFEE. I will not bring up any other amendment.

Mr. DOLE. I ask unanimous consent that the other amendment to be proposed by Senator CHAFEE be removed from the list.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question recurs on the amendment of the Senator from Kansas.

Mr. DOLE. I wonder if I might pose a question to Senator D'AMATO. He has an amendment listed concerning savers credit. Is it the intention of the Senator to call up that amendment?

Mr. D'AMATO. If I might have an opportunity to consult with my staff concerning certain revisions, I will be better able to inform the Senator from Kansas as to whether or not I will bring up the amendment.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. SYMMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. JEPSEN). Without objection, it is so ordered.

UP AMENDMENT NO. 287

(Purpose: To allow an unlimited marital deduction for estate and gift tax purposes for the transfer of certain life estates to a spouse)

Mr. SYMMS. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. Does the Senator ask unanimous consent that the pending amendment be temporarily laid aside?

Mr. SYMMS. I ask unanimous consent, Mr. President, that the Dole amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the amendment.

The legislative clerk read as follows:

The Senator from Idaho (Mr. SYMMS), for himself and Mr. BOREN, proposes an unprinted amendment numbered 287.

On page 231, between lines 7 and 8, insert the following new subsection:

(d) ELECTION TO HAVE CERTAIN LIFE INTERESTS QUALIFY FOR MARITAL DEDUCTION.—

(1) ESTATE TAX.—Subsection (b) of section 2056 is amended by adding at the end thereof the following new paragraphs:

"(7) ELECTION WITH RESPECT TO LIFE ESTATE WITH RESPECT TO SURVIVING SPOUSE.—

"(A) IN GENERAL.—In the case of qualified terminable interest property—

"(i) for purposes of subsection (a), such property shall be treated as passing to the surviving spouse, and

"(ii) for purposes of paragraph (1)(A), no part of such property shall be treated as passing to any person other than the surviving spouse.

"(B) QUALIFIED TERMINABLE INTEREST PROPERTY DEFINED.—For purposes of this paragraph—

"(i) IN GENERAL.—The term 'qualified terminable interest property' means property—

"(I) which passes from the decedent,

"(II) in which the surviving spouse has a qualifying income interest for life, and

"(III) to which an election under this paragraph applies.

"(ii) QUALIFYING INCOME INTEREST FOR LIFE.—The surviving spouse has a qualifying income interest for life if—

"(I) the surviving spouse is entitled to all the income from the property, payable annually or at more frequent intervals, and

"(II) no person has a power to appoint any part of the property to any person other than the surviving spouse.

Subclause (II) shall not apply to a testamentary power in the surviving spouse exercisable by the surviving spouse alone in all events.

"(iii) PROPERTY INCLUDES INTEREST THEREIN.—The term 'property' includes an interest in property.

"(iv) SPECIFIC PORTION TREATED AS SEPARATE PROPERTY.—A specific portion of property shall be treated as separate property.

"(v) ELECTION.—An election under this paragraph with respect to any property shall be made by the executor on the return of tax imposed by section 2001. Such an election, once made, shall be irrevocable.

(8) SPECIAL RULE FOR QUALIFIED CHARITABLE REMAINDER TRUSTS.—

"(A) IN GENERAL.—If the surviving spouse of the decedent is the only noncharitable beneficiary of a qualified charitable remainder trust, paragraph (1) shall not apply to any interest in such trust which passes or has passed from the decedent to such surviving spouse.

"(B) DEFINITIONS.—For purposes of subparagraph (A)—

"(i) NONCHARITABLE BENEFICIARY.—The term 'noncharitable beneficiary' means any beneficiary of the qualified charitable remainder trust other than an organization described in section 170(c).

"(ii) QUALIFIED CHARITABLE REMAINDER TRUST.—The term 'qualified charitable remainder trust' means a charitable remainder annuity trust or charitable remainder unitrust (described in section 664)."

(2) GIFT TAX.—Section 2523 is amended by adding at the end thereof the following new subsections:

"(f) ELECTION WITH RESPECT TO LIFE ESTATE FOR DONEE SPOUSE.—

"(1) IN GENERAL.—In the case of qualified terminable interest property—

"(A) for purposes of subsection (a), such property shall be treated as transferred to the donee spouse, and

"(B) for purposes of subsection (b)(1), no part of such property shall be considered as retained in the donor or transferred to any person other than the donee spouse.

"(2) QUALIFIED TERMINABLE INTEREST PROPERTY.—For purposes of this subsection, the term 'qualified terminable interest property' means any property—

"(A) which is transferred by the donor spouse,

"(B) in which the donee spouse has a qualified income interest for life, and

"(C) to which election under this subsection applies.

"(3) CERTAIN RULES MADE APPLICABLE.—For purposes of this section, the rules of clauses (ii), (iii), and (iv) of section 2056(b)(7)(B) shall apply.

"(4) ELECTION.—An election under this subsection with respect to any property shall be made on the return of the tax imposed by section 2501 for the calendar year in which the interest was transferred. Such an election, once made, shall be irrevocable.

"(g) SPECIAL RULE FOR CHARITABLE REMAINDER TRUSTS.—

"(1) IN GENERAL.—If, after the transfer, the donee spouse is the only noncharitable beneficiary of a qualified remainder trust, subsection (b) shall not apply to the interest in such trust which is transferred to the donee spouse.

"(2) DEFINITIONS.—For purposes of paragraph (1), the term 'noncharitable beneficiary' and 'qualified charitable remainder trust' have the meaning given to such terms by section 2056(b)(8)(B)."

(3) TREATMENT OF SPOUSE.—

(A) INCLUSION IN GROSS ESTATE.—Part III of subchapter A of chapter 11 is amended by redesignating sections 2044 and 2045 as sections 2045 and 2046, respectively, and by inserting after section 2043 the following new section:

"SEC. 2044. CERTAIN PROPERTY FOR WHICH MARITAL DEDUCTION WAS PREVIOUSLY ALLOWED.

"(a) GENERAL RULE.—The value of the gross estate shall include the value of any property to which this section applies in which the decedent had (at any time within 3 years before the decedent's death) a qualified income interest for life.

"(b) PROPERTY TO WHICH THIS SECTION APPLIES.—This section applies to any property if a deduction was allowed with respect to the transfer of such property to the decedent—

"(1) under section 2056 by reason of subsection (b)(7) thereof, or

"(2) under section 2523 by reason of subsection (f) thereof."

(B) GIFT TAX.—Subchapter B of chapter 11 (relating to transfers) is amended by adding at the end thereof the following new section:

"SEC. 2519. DISPOSITIONS OF CERTAIN LIFE ESTATES.

"(a) GENERAL RULE.—Any disposition of all or part of a qualified income interest for life in any property to which this section applies shall be treated as a transfer of such property.

"(b) PROPERTY TO WHICH THIS SECTION APPLIES.—This section applies to any property if a deduction was allowed with respect to the transfer of such property to the decedent—

"(1) under section 2056 by reason of subsection (b)(7) thereof, or

"(2) under section 2523 by reason of subsection (f) thereof."

(4) Subchapter C of chapter 11 is amended by inserting after section 2207 the following new section:

"SEC. 2207A. Right of Recovery Where Property is Includible in Spouse's Estate Under Section 2044.

"(a) RECOVERY WITH RESPECT TO ESTATE TAX.—

"(1) IN GENERAL.—If any part of the gross estate consists of property the value of which is includible in gross estate by reason of section 2044 (relating to certain property for which marital deduction was previously allowed), the decedent's estate shall be entitled to recover from the person receiving the property the amount by which—

"(A) the total tax under this chapter which has been paid, exceeds

"(B) the total tax under this chapter which would have been payable if the value of such property had not been included in the gross estate.

"(2) DECEDENT MAY OTHERWISE DIRECT BY WILL.—Paragraph (1) shall not apply if the decedent otherwise directs by will.

"(b) RECOVERY WITH RESPECT TO GIFT TAX.—If for any calendar year tax is paid under chapter 12 by any person with respect to property treated as transferred by such person under section 2519, such person shall be entitled to recover from the person receiving the property the amount by which—

"(1) the total tax for such year under chapter 12, exceeds

"(2) the total tax which would have been payable under such chapter for such year if the value of such property had not been taken into account for purposes of chapter 12.

"(c) MORE THAN ONE RECIPIENT OF PROPERTY.—For purposes of this section, if there is more than one person receiving the property, the right of recovery shall be against each such person.

"(d) TAXES AND INTEREST.—In the case of penalties and interest attributable to additional taxes described in subsections (a) and (b), rules similar to subsections (a), (b), and (c) shall apply."

On page 231, line 8, strike out "(d)" and insert in lieu thereof "(e)".

On page 231, line 14, strike out "and" and insert in lieu thereof a comma.

On page 231, line 15, after "subsection (c)(3)" insert the following: ", and paragraphs (2) and (3)(B) of subsection (d)".

Mr. SYMMS. Mr. President, the present amendment has been approved by Senator METZENBAUM and the minority ranking member, by Senator DOLE and by Treasury in the present tax bill. It is cosponsored by Senator BOREN, who is here on the floor.

Mr. President, the tax bill we are currently considering has incorporated some major estate tax reforms with which I am generally very pleased.

However, the enactment of an unlimited marital deduction without any change being made in the qualitative requirements for qualification would present an estate owner with a difficult choice in many cases. All estate taxes could be postponed, but only by giving the surviving spouse unrestricted control over the property, which current law requires in order to obtain a deduction. The owner may prefer not to give his or her spouse such control. The point becomes more significant as divorce and remarriage increase, which has occurred. The property owner would like to be sure that upon the death of his spouse his children by a prior marriage or marriages share in his property, including the marital deduction property.

Under current law, the objective is attainable, at least in part, through the disposition of that part of the estate which does not qualify for the deduction, including the property that is sheltered from tax by the amount of the unified credit. With an increased unified credit, the objective is attainable for a greater amount of property by placing the amount sheltered from the tax in trust for the spouse without giving the spouse a general power of appointment.

However, for the substantial property owner who must pay a tax if the marital deduction is not used the inability to satisfy each of two objectives—postponing payment of tax and being able to control the disposition of property—remains and the tax pull would be substantial to make maximum use of the deduction. A qualification test for marital deduction purposes which eliminates the general power of appointment requirement would permit satisfaction of both objectives and provide more flexibility in estate planning.

This is a technical, noncontroversial change that does not cost any money and a change that the Department of the Treasury did not object to in the House Ways and Means Committee markup.

If this change is not made at this time, Congress will then have to address the issue on the next tax bill. In the meantime, between tax bills, everyone will have written a new will in order to qualify for the unlimited marital deduction. Then, when the change is made on the next tax bill, everyone that had their will rewritten, will have to have another will drawn up. The only people that stand to gain by not making the change now are all of the attorneys who will be writing and rewriting all of those wills.

Furthermore, charities will be severely impacted if a change is not made now. Under the current bill, an unlimited marital deduction will be allowed. Present law allows for an unlimited charitable deduction. However, the bill does not allow such deduction for life interest in an estate if a remainder interest goes to charity. My amendment would allow a spouse's life interest in a charitable remainder unitrust, charitable remainder annuity trust, pooled life income fund or life interest in a personal residence or farm with a remainder to charity to qualify for the unlimited marital and the unlimited charitable deduction.

Not to do this would impose a penalty for generosity of a spouse who desires to assist a charity and provide for a surviving spouse. A penalty would also be imposed upon the surviving spouse who would receive less because of elimination of her life estate from tax benefit considerations of the estate or gift tax marital deduction plan.

Elimination of allowance for gift and estate tax marital deduction for such life interests in the above deferred plans will seriously impair charities' ability to receive the above types of gifts. Many times the values of such life interests are nominal because of the age of spouses who plan this way, but the principal of gift and estate tax marital deductions are of great importance to potential creators of such trusts or deferred gifts.

My amendment would basically allow a life estate trust to be established by the spouse and still receive an unlimited marital deduction. If the remainder of that estate is given to a charity, there will not be a tax because under current law there is an unlimited charitable deduction. However, if the remainder went to children, or someone other than a second spouse, that remainder would be taxed under current estate tax methods.

Mr. President, I understand the distinguished Senator from Louisiana approves this amendment. The distinguished Senator from Ohio (Mr. METZENBAUM) is also on the floor.

Mr. LONG. Mr. President, it is my understanding that this is basically the same provision that the House Ways and Means Committee has already approved.

Mr. SYMMS. That is correct, Mr. President.

Mr. LONG. So it has been considered and favorably acted upon on the other side by the committee, and I believe that Treasury supports the amendment.

Mr. SYMMS. Yes, Mr. President, Treasury supports the amendment.

Mr. LONG. The amendment has substantial merit, Mr. President, I am pleased to support it.

Mr. SYMMS. I yield back the remainder of my time, Mr. President.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 287) was agreed to.

Mr. SYMMS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. SYMMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBTITLE C—EMPLOYEE STOCK OWNERSHIP PROVISIONS

Mr. LONG. I yield myself 1 minute on the bill.

Mr. President, we have in the bill deductions dealing with employee stock ownership: "Title III, Subtitle C—Employee Stock Ownership Provisions," sections 321 through 328.

I understand there is an amendment which Mr. DECONCINI would like to offer on this matter. I would like to suggest that the Senate have the opportunity to vote on this subtitle C, reserving the right of the Senator from Arizona (Mr. DECONCINI) to offer his amendment thereto, so that at a subsequent time he can offer the amendment, and the Senate can work its will with regard to that amendment.

What I have in mind is that, by all indications, this subtitle will be in conference between the Senate and the House. So far as I know, these provisions will not be in the House bill—perhaps one or two will be, but most of them will not—and I should like the Senate to take its position so that we see how the Senate feels about it.

Mr. SYMMS. Mr. President, reserving the right to object, as a matter of clarification, are there any other amendments the Senator from Louisiana is aware of that deal with this subject, other than the DeConcini amendment?

Mr. LONG. So far as I know, there is no other amendment pending to the employee stock ownership section.

Mr. SYMMS. I think we should include in the Senator's request that it would not prejudice any Senator's amendment that deals with this section of the bill.

Mr. LONG. I simply want the Senate to vote on subtitle C, which contains the provisions to which I have made reference. Obviously, when we pass the bill, that suggests that the Senate favors the particular subsection. But this will be in conference on its own right; that being the case, I should like the Senate to take a position on it.

Mr. SYMMS. This is employee stock ownership?

Mr. LONG. Yes.

Mr. SYMMS. This does not deal with stock options?

Mr. LONG. This does not deal with stock options at all. This is an entirely different matter. It is in title III of the bill, subtitle C, starting at page 205, through page 225.

Mr. President, I will broaden my unanimous-consent request to ask that, notwithstanding the vote of the Senate, the provisions of these sections remain subject to amendment, so that any Senator who might have an amendment pending that relates to this matter would not be prejudiced. I simply want the Senate to have its opportunity to take a position with regard to these provisions.

It starts on page 205, line 19, and continues through to page 225, line 18.

This language was agreed to unanimously by the Committee on Finance. There was no objection to it, and I do not anticipate much opposition to it by the Senate as a whole.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. It would take unanimous consent.

Mr. LONG. Mr. President, I ask unanimous consent that the Senate may vote on this language in the committee bill, starting at page 205, line 19, which is section 321, through page 225, line 18. I ask, further, that this be without prejudice to the right of any Senator to amend that particular section—or that portion of the bill.

The point is that I do not wish to prejudice any Senator from amending the language. I simply wish the Senate to take a position, by rollcall vote, in view of the fact that this language will be in conference.

Mr. SYMMS. Could the Senator withhold this vote until the chairman of the committee returns to the Chamber? I do not have any objection to the request, but I ask that we not have a vote until the chairman of the committee returns.

Mr. LONG. Mr. President, I ask unanimous consent that the vote be delayed until the chairman of the committee, Mr. DOLE, is present.

The PRESIDING OFFICER. Does the Senator from Louisiana desire now to withdraw his unanimous-consent request?

Mr. LONG. Mr. President, I ask unanimous consent that the Senate vote on the matter.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I now ask unanimous consent that the vote be deferred until such time as the managers of the joint resolution think it appropriate.

Mr. SYMMS. That is all right.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SYMMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LONG. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I wish to direct myself to the provisions of the law on which I have asked that a rollcall vote be held. These provisions deal with employee stock ownership.

Mr. President, expanded ownership is an issue that cuts across party lines in an attempt to bring out the best in our free enterprise system. As the 1980 Republican platform reminds us:

> The widespread distribution of private property ownership is the cornerstone of American liberty. Without it, neither our free enterprise system nor our Republican form of Government could long endure.

Mr. President, let me say that I think most Democrats will agree. I certainly agree with that suggestion of the Republican platform. The Republican platform pledges the Reagan administration "to help millions of Americans . . . to share in the ownership of the wealth of their Nation."

President Nixon included a similar pledge in his 1970 state of the Union address in which he suggested:

> We must adopt reforms which will expand the range of opportunities for all Americans . . . This means . . . new opportunities for expanded ownership, because in order to be secure in their human rights people need access to property rights.

In a similar vein, Senator Hubert Humphrey explained his support of expanded ownership in a letter to the editor of the Washington Post not long before his death:

> Throughout my career as a public servant, I have viewed full employment as a top priority goal for this country. And I continue to do so. But I recognize that capital, and the question of who owns it and therefore reaps the benefit of its productiveness, is an extremely important issue that is complementary to the issue of full employment.
>
> I see these as twin pillars of our economy: Full employment of our labor resources and widespread ownership of our capital resources. Such twin pillars would go a long way in providing a firm underlying support for future economic growth that would be equitably shared.

The benefits of Government-stimulated economic growth have traditionally trickled down through higher wages, expansion in the number of jobs, and the availability of increased tax revenues to fund expanded social programs.

That approach has produced strains on the economy as the benefits of such growth have resulted in the accumulation of massive amounts of productive capital by a relatively few households while the vast majority have been left with only a meager net worth.

For example, during our bicentennial year, the Joint Economic Committee studied capital ownership in the United States and found that 50 percent of the total value of outstanding stock held by individuals is owned by just five-tenth of 1 percent of the U.S. population. Two-thirds, according to a 1976 IRS report, is held by 5.2 percent of the population age 20 and over. Similarly, 1 percent of the population received 47 percent of all dividends.

At the other end of the ownership spectrum, the committee cited a 1972 study indicating that 55 percent of American households have a net worth of less than $10,000; and 12 percent, or 1 in every 8, have a net worth of $1,000 or less.

Perhaps the most disturbing analysis of the present state of our private property system, however, is provided by the National Bureau of Economic Research which reports that for the majority of American families their most important wealth is now their entitlements under our pay-as-you-go social security system.

Thus, for most Americans their most important asset is an assurance that someone else will be taxed on their behalf. Clearly that is a long way down the wrong road if we intend to have a private property economy to leave to subsequent generations of Americans. Incentives for economic growth need to be combined with incentives that will distribute the long-term benefits of such growth more widely.

CAPITAL OWNERSHIP OPPORTUNITIES

Most of us share President Reagan's concern for incentive economics, for supply-side measures designed to stimulate new capital investment. We are generally in agreement that this package of tax cuts will provide a strong private sector foundation for a revitalized economy.

With that in mind, we are considering legislation that will target an estimated $147.5 billion through 1986 for increased business writeoffs of equipment and facilities—all of which will be owned by someone. The financial press estimates that by the close of this century productive wealth in the United States will increase by $2 to $5 trillion. The bulk of that new wealth will be owned by private individuals.

Within a healthy and growing economy, there will be opportunities not only to work but also to own. The distribution of job opportunities as an outgrowth of Government-stimulated economic growth is a factor that will be evaluated in great detail. Unfortunately, we are unlikely to have an analysis of the distribution of ownership opportunities as well.

In large part, corporate finance will determine who will be owners of these badly needed new capital investments. Corporations finance their growth from three primary sources: Retained earnings, debt, and various tax benefits—primarily equipment writeoffs, such as those which form the bulk of the business tax relief in this bill.

New stock plays only a minor role in the financing of new capital. For example, Federal Reserve Board figures show that corporate equities accounted for only 0.89 percent of the total funds raised in the United States during 1979. For the entire 1970's, stock sales accounted for a mere 3.7 percent of new capital raised in the nonfinancial sector. Even during the rapid growth of the 1960's, new equity issues were the source of only 7 percent of total financing for nonfinancial companies.

Because of the way in which new investments are financed, capital ownership has historically been an opportunity reserved for a relative few. The ownership of new capital wealth is largely a function of existing capital wealth.

After studying the self-perpetuating wealth concentration that the most widely used financial technique imply, the Joint Economic Committee concluded in its 1976 annual report:

> To provide a realistic opportunity for more U.S. citizens to become owners of capital, and to provide an expanded source of equity financing for corporations, it should be made national policy to pursue the goal of broadened capital ownership.

For the most part, the American people cannot afford capital ownership. Daily economy survival, not savings and investment, is their main concern. And the less our technologically-advanced economy needs their labor, the less able they are to save their way to capital ownership. Inflation, of course, penalizes what little savings they are able to set aside.

After passage of this bill, the bulk of America's new productive capital will, I expect, continue to be financed as before—except that more accelerated write-offs will then be available with which to do that financing. It is my hope that the ESOP provisions of this bill will provide an incentive for at least some portion of this new capital to be financed in such a way that more Americans will begin to accumulate a capital estate.

A MODEL OF WORKABILITY

Free enterprise capitalism is losing ground all over the world. We need to be able to demonstrate to other nations how our increasing prosperity spreads out and reaches Americans in all walks of life.

Unless we offer such a model, other nations will continue to see the socialist model as a more attractive alternative. Secretary of State Haig was on target when he recently commented that our economic contradictions here at home make it more difficult for us to lead abroad.

As Ronald Reagan explained in 1975:

> Capitalism hasn't used the best tool of all in its struggle against socialism—and that's capitalism itself.

In a July 1974 speech to the Young Americans for Freedom, Governor Reagan explained the historical precedent for a policy of expanded ownership and endorsed the uniquely American opportunity that such a policy would represent:

> Over one hundred years ago, Abraham Lincoln signed the Homestead Act. There was a wide distribution of land and they didn't confiscate anyone's already owned land. They did not take from those who owned and give to others who did not own. It set the pattern for the American capitalist system. We need an Industrial Homestead Act . . . I know that plans have been suggested in the past and they all had one flaw.
>
> They were based on making present owners give up some of their ownership to the nonowners. Now this isn't true of the ideas that are being talked about today.
>
> Very simply, these business leaders have come to the realization that it is time to formulate a plan to accelerate economic growth and production and at the same time broaden the ownership of productive capital. The American dream has always been to have a piece of the action.

Thus spoke President Ronald Reagan.

The theme of the employee stockownership plan (ESOP) provisions of this bill is a theme of widespread participation—participation not only through jobs but through ownership as well. As the private sector expands and the economic pie begins to grow, these ESOP incentives will provide those who make that pie with an opportunity to own a piece of it. Instead of simply sharing in the pie by taking a larger slice, ESOP's will provide a chance for more working Americans to own a piece of the pie-making machinery.

Thirty-two Members of the Senate have joined me in cosponsoring the bipartisan measure which I introduced some months ago. About half of those provisions appear in this bill and they have been unanimously recommended by the Committee on Finance.

In addition, it is encouraging to see that just this past month the State of Delaware joined the States of Maryland, Michigan, Minnesota, and New Jersey in establishing as official State policy the encouragement of ESOP's as a means to broaden ownership. Similar legislation is pending in several other States.

TOWARD A POLICY OF ECONOMIC SELF-SUFFICIENCY

If we are to have a self-sustaining economic system, and one in which Government plays only a minor role—as the voting public seems to be telling us it should—then the private sector must itself be encouraged to play a greater role in the functioning of our private enterprise economy.

By producing the economic pie, we necessarily create the problem of how it is to be distributed. Wages and salaries are one way. Under our present system, however, pay tends to outpace productivity.

When an upward drift in income is not matched by a real growth in output, income gains are, of course, largely illusory. It would be shortsighted for us to continue to leave the vast majority of Americans with nothing other than their labor, as the "capital" with which they provide input into—and derive income from—our capital-intensive economy.

Redistributive taxation is another way to distribute income, although for this purpose it is strictly a hindsight, remedial approach. In addition, the fiscal strains created by this approach are increasing at an alarming rate. For example, over the past 20 years, direct Federal transfer payments to individuals have grown from 26.4 percent of total budget outlays to more than 50 percent; and $27 billion was paid out in 1960; by 1980 that had risen to $284 billion, including a growth of more than $200 billion just since 1970. And of course Government can never return as much as it takes, so its costs insure a net loss in the transfer.

We need to bring our outtake system more "in synch" with the realities of our input system. A market economy is based on the premise that each person's outtake from the economy is directly related to that person's productive input—whether that input be through a job or through the ownership of productive capital. Both can generate income.

Rather than break the relationship between effort and reward, the expanded ownership concept suggests that we recognize the increasingly dominant role that nonhuman capital now plays in the productive process, and begin to provide a way for more Americans to economically participate by means more consistent with the existing state of technology.

When capital owners are few, the private property conduits of a market economy reward those few. If there were many owners, the earnings of that productive capital could begin to broadly irrigate the economy with purchasing power.

How efficiently our free enterprise system works in solving our income distribution problem is partly a function of how well our structure of property laws matches the underlying technological and economic realities. If those realities change and our property arrangements fail to keep pace, a conflict is inevitable.

Of the seven leading industrial democracies—France, West Germany, Canada, Sweden, the United Kingdom, and Japan—the United States now ranks second only to France in its degree of income inequality. In addition, our poorest 20 percent have a lower share of total pretax income than any country, including France. A broader distribution of capital ownership would help to improve our poor ranking internationally.

In some nations, the private ownership of productive capital is forbidden—on the grounds that private property is at the heart of the problem. The solution, however, lies not in destroying the institution of private property, but in making it possible for all to become owners of some of it.

Expanded ownership could help reduce the role that Government plays in redirecting income. But to do that requires that we work to build economic self-sufficiency into the American population at large.

Over the long term, the best way to cut back Government programs is to cut back the need for such programs. If we are to have a self-sustaining economic system, however, we must first begin to share the ability to succeed. The encouragement of expanded ownership would be a step in that direction.

A NONINFLATIONARY BENEFIT

If we are to win in our battle against inflation, we need incentives for working Americans not only to save but also to moderate their wage demands. The current situation at Continental Airlines provides a good example of the potential that employee stockownership plans have for moderating wage-push inflation.

The Continental employees are proposing that they forgo a portion of future pay raises and, instead, apply those funds to invest in company stock (through an ESOP). This inflation-fighting approach to compensation should be encouraged.

According to pollster Louis Harris, the American public is generally receptive (that is, 63 percent) to the idea of having their salaries linked to higher productivity—at least if they are convinced that their sacrifices will provide funds for needed investment. Thus, the encouragement of employee stockownership plans may help restrain inflation by helping to channel wage demands into capital investment.

When combined with the labor productivity gains that generally accompany employee stockownership, widespread ESOP-type financing has the potential to significantly improve our economic situation. Just as the company with employee stockownership will have a productive advantage over a conventionally-owned competitor, so too should the U.S. economy enjoy a competitive edge with a tax policy supporting expanded ownership.

Employee stockownership could also serve as a new stabilizing element in labor-management relations—an element that may encourage these traditional foes to act more in the national interest by beginning to operate more in a spirit of cooperation and compromise. Unions must find new, noninflationary ways to deliver victories to their members, and management needs to find new ways to deal with union demands.

A recent Harris poll found that 53 percent of American employees and 61 percent of American business leaders feel that there is too little cooperation between business and labor. Employee stockownership provides a fruitful new area in which these traditional adversaries can resolve their differences.

INCENTIVE ECONOMICS

What would be the effect of transforming this troubled economy of ours into one in which working Americans have the interest and incentive of ownership? Even a modest stake in the system would bring with it a better understanding of how our free enterprise system works, and a greater awareness of the costs and the tradeoffs of Government programs.

Our tax code should encourage a broad distribution of productive input and a substantial payout of the earnings generated by that input. If we are to have a more equitable and a more workable income distribution—without Government redistribution—we must have incentives for the widespread ownership of productive capital.

Our tax system is a key to linking equity and efficiency. As presently structured, that system not only aggravates the bias toward concentrated ownership and governmental redistribution, in the process it also jams the market's pricing system and its ability to allocate resources in the most productive, market-responsive fashion.

We must begin to strike a better balance between the energy and efficiency of the market and the equity, compassion and equality of democracy. Expanded ownership would bring a democratic new dimension to the investment process, and open new possibilities for economic participation by more Americans.

DEMOCRATIC CAPITALISM

Since 1973, the Congress has approved, and three separate administrations have signed into law, 14 bills promoting the use of employee stock ownership plans (ESOP's) as a means to expand the ownership of productive capital. In addition, in the Tax Reduction Act of 1976, Congress made clear its policy of "* * * encouraging employee stock ownership plans (ESOP's) as a bold and innovative method of strengthening the free private enterprise system which will solve the dual problems of securing capital funds for necessary capital growth and of bringing about stock ownership by all corporate employees."

However, the provisions of current law—even when improved by the very modest ESOP-related provisions of this bill—will do very little to expand the base of capital ownership in the United States. Due to the nature of the most commonly used techniques of finance found in the private sector, the great bulk of the new productive capital created due to the investment incentives in this bill will likely flow to that same small group of Americans who are already quite wealthy.

That would show a failure of foresight on our part, and I hope that we will take steps to correct such a trend if we find that is the direction in which we are headed.

Both sides of the aisle are on record in support of expanded capital ownership. Both sides are also on record as equally steadfast in their opposition to a socialist approach to economic policy, such as is now being considered in France.

This is the richest and the most comprehensive capital formation bill ever considered by the U.S. Congress. By the end of this century we would be well advised to insure that a significant amount of this yet-to-be-created productive capital flows into the hands of a steadily expanding number of American households.

If there is to be an expansion of capital ownership in the United States, certainly these next two decades are an opportune time to make that bipartisan desire a reality. Tax policy alone may not be adequate if expanded ownership is to become a reality. Thus, we should also consider how monetary policy can operate in support of a national policy of expanded capital ownership.

Capitalism's market mechanisms of incentive and reward have brought more and better goods and services to more people here and throughout the world than any other system in history. Yet those mechanisms are not indestructible. If they are to be preserved, we need an institutional framework that operates in their support. That support lies in the direction of a more democratic form of private property capitalism—a type of capitalism that is true to its Democratic roots, and true to the American tradition of widespread participation.

The issues to be examined in this study go to the very heart of just what sort of economic system we mean to have in the United States, and just what sort of Nation we intend to leave for succeeding generations of Americans. The ESOP provisions of this bill offer us a blueprint—a guide for future legislation designed to include more Americans as partners in our economic progress.

CLARIFICATION OF ESOP AMENDMENTS

Mr. President, this bill makes a number of changes in the law relating to finance. It is also a tax-qualified plan (ESOP's). Many of these changes are highly technical in nature. Thus, it may prove useful to provide some additional clarification regarding several of the provisions.

An ESOP is a technique of corporate finance. It is also a tax-qualified plan under which employer stock is held for the benefit of employees. The stock, which is held by a tax-exempt trust under the plan, may be acquired through direct employer contributions or with the proceeds of a loan to the trust.

In order to qualify, a plan must, for example, satisfy rules prohibiting discrimination in favor of highly-paid employees, and it must meet standards relating to employee participation vesting, benefit and contribution levels, the form of the benefits, and the security of the benefits. If a plan meets these requirements, in addition to deferral of employee tax on employer contributions, the income earned on assets held under the plan is generally not taxed until it is distributed or made available. In addition, special 10-year income averaging rules or tax-free rollover treatment apply to distributions made in a lump sum. Also, the Internal Revenue Code provides for deferral of tax on the appreciated value of employer securities and for exclusions from estate and gift tax.

An employee stock ownership plan which borrows to acquire employer stock is referred to as a leveraged ESOP. A leveraged ESOP is a technique of corporate finance designed to build beneficial equity ownership of shares in an employer corporation into its employees.

Under such an ESOP, an employee stock ownership trust generally acquires stock of the employer with the proceeds of a loan made to it by a financial institution. Typically, the loan is guaranteed by the employer. Employer contributions to the trust are applied to retire the loan. Within limitations (based on a percentage of payroll), those contributions are deductible by the employer.

The provisions of this bill raise the deductibility limits for employer contributions applied to the repayment of the

principal of an ESOP loan. In addition, employer contributions to repay the interest expense of an ESOP loan will be deductible without regard to the deduction limitations otherwise applicable to contributions to tax-qualified employee benefit plans.

Subject to meeting a nondiscrimination test, a corresponding amendment provides that the limitation on annual additions to employee benefit plans will no longer apply to employer contributions applied by an ESOP to repay interest on an ESOP loan. In addition, those limitations would no longer apply to amounts forfeited under an ESOP loan.

Although the effective date of the act applying to these revised limitations is generally effective for years after 1981, it is intended that employer contributions applied to pay a loan incurred prior to 1982 will also qualify under the new provisions.

Many of the rules governing the new payroll-based tax credit ESOP are the same as those applicable to the current additional investment tax credit for ESOP contributions. As under present law, a payroll-based tax credit ESOP may be treated as a tax-qualified plan from its effective date even though the plan is not actually established until the date for filing the employer's tax return for its taxable year—including extensions.

As under present law, the allocation of employer contributions to a tax credit ESOP for a year must be made in proportion to the total compensation of all participants sharing in the allocation for the plan year, taking into account only the first $100,000 of compensation for an employee. In addition, integration with benefits provided under social security continues to be prohibited.

Limited amounts of administrative expenses for establishing a tax credit ESOP may be charged to the plan. The maximum amount which may be charged is 10 percent of the first $100,000 of the amount required to be transferred to the plan for the taxable year in which the plan is established, and 5 percent of any additional amount for such year. In addition, ongoing costs of administration—up to 10 percent of the first $100,000 of the trust's dividend income plus 5 percent of the remaining dividend income—may also be charged to the plan.

Because the entire tax credit is intended to benefit the employees participating in the plan, the payroll-based ESOP credit is not to be available to a company if a governmental regulatory agency requires a "flow through" of any part of the ESOP credit through to the consumer. If a regulatory commission requires a flow through, a regulated employer will be required, in effect, to pay out the ESOP tax credit twice—once to the ESOP and then again to the consumers. This requirement is the same as is presently applicable to the flow through of the additional investment tax credit for ESOP's.

If the payroll-based ESOP credit is determined by the Internal Revenue Service to be a smaller amount than claimed, the employer maintaining the plan may either first, reduce the amount required to be transferred to the plan for the current taxable year or any succeeding taxable year by an amount equal to the reduced amount, or second, to the extent such amount is not used to reduce contributions, deduct an amount equal to such reduction as of the date the credit is reduced—subject to the limitations of code section 404.

In determining whether there is sufficient affiliation between corporations to permit the filing of a consolidated return, employer securities held by a tax credit ESOP are disregarded. Stock of a parent corporation in a parent-subsidiary controlled group of corporations—determined by applying a 50-percent test—may be contributed to the plan as employer securities by another member of the group.

In a case where a parent corporation and a subsidiary corporation—including a second tier subsidiary—are members of an affiliated group of corporations, the subsidiary corporation will not recognize gain or loss on a contribution of stock in the parent corporation to a tax credit ESOP maintained by the subsidiary.

Where an employer claims a payroll-based ESOP credit, that claim will not result in the imposition of additional minimum tax on the employer—because the employer's tax savings are offset by the contribution to the plan. Thus, the base for computing the minimum tax is not increased for the tax credit attributable to the claiming of the ESOP tax credit.

This bill also introduces a new nondiscrimination test applicable to leveraged ESOP's and to tax credit ESOP's. The purpose of the test is to insure that rank and file employees are the primary beneficiaries of the additional incentives provided under this bill.

The nondiscrimination test places limitations on the amount of employer contributions that may be allocated to officers, 10 percent shareholders, and the highly compensated. For purposes of this requirement, the term "officers" includes only those persons, regardless of title, who perform substantive duties in the nature of top management. Highly compensated employees are those earning twice the annual addition limitation under section 415—$83,000 for 1981.

ESOPS GRANT FLEXIBILITY

Mr. President, the July 13 edition of Business Insurance carried a very thoughtful article on employee stock ownership plans and their role in providing companies with greater pension flexibility. I ask unanimous consent that the article be inserted in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

ESOP's: STOCK OWNERSHIP PLANS GRANT COMPANIES PENSION FLEXIBILITY

(By John W. Milligan)

NEW YORK.—In the world of defined contribution plans, flexibility is spelled E-S-O-P.

Otherwise known as the Employee Stock Ownership Plan, the ESOP is a highly touted way of giving employees a piece of the action and increasing job incentive.

It is a flexible plan that can be used by small companies such as The Columbian newspaper in Vancouver, Wash., to multinationals like the Chrysler Corp.

The plans continue to grow in number, says the ESOP Assn. of America, which estimates that 4,000 to 5,000 such plans (including more complicated TRASOPs) are now offered by U.S. companies.

ESOPs have been around since 1953 and trace their heritage to more simplified stock ownership arrangements of the 1920s. The present-day structure was established by the Employee Retirement Income Security Act of 1974.

To understand an ESOP, one must first understand that they range in complexity from the very simple to the very sophisticated. They may replace a pension plan or live alongside one.

And from the employee's point of view, they may be good or bad, depending on the fortunes of the company involved.

With ESOPs, the exception is more often the rule.

At one end of the ESOP scale is a plan maintained by The Columbian, a 47,000-circulation daily newspaper.

The Columbian converted an older profit-sharing plan to an ESOP in 1976. The ESOP is provided in lieu of the defined benefit plan for some 200 employees.

This plan is also a non-leveraged type, which means the company contributes either cash or stock to an employee trust.

The Columbian contributes cash to the trust, said Mason Nolan, vice president of finance. The trust then purchases stock from the company or from individuals who wish to sell. The latter are mostly family members of this closely held company.

The most recent annual contribution to the trust was $385,000 for the 1980 plan year, Mr. Nolan said.

Members are fully vested after 15 years. The stock is issued after termination, retirement, total disability or death and employees or their survivors have 90 days to sell their stock back to the company if they wish to receive its present market value.

"We're very happy with it," Mr. Nolan said of the company's ESOP. "It has been well received by the employees and has created a limited market for the company's closely held stock."

Stock value has continued to rise with the growth of the company, he said, and the employees are "pleased" with owning a piece of The Columbian—now up to about 17 percent.

Start-up fees were approximately $2,000 to $3,000 and consisted mostly of legal services, Mr. Nolan said. The company now pays about $10,000 for annual maintenance, which includes independent stock appraisal, computer services and expenses of the independent trustee. The company handles stock transfers itself, he said.

Perhaps the most publicized ESOP in recent memory belongs to the Chrysler Corp., a direct result of the Chrysler Loan Guarantee Act of 1979.

Chrysler will contribute $162 million in common stock to an estimated 94,000 employees from June 1982 through 1984, a company spokesman said.

The plan technically went into effect July 1, 1980, and the company spent the next 12 months determining how many employees will actually qualify. That figure has been roughly set at 94,000 in the United States and Canada.

Eligibility determination was based on two factors:

An employee must have worked a minimum of 650 hours between July 1, 1980, and June 31, 1981.

An employee also must have started at his job at least nine months prior to July 1, 1980.

There is no employee contribution required, and the plan exists alongside Chrysler's regular pension plan. The stock will remain in trust until an employee terminates or retires, or dies, in which case it goes to a beneficiary.

Chrysler will make the stock contribution from shares that have been authorized but not issued, the spokesman said.

As of July of this year, the company had 120 million shares of authorized stock. Of this, 66 million are issued and outstanding. Chrysler will contribute the necessary stock from the remaining 54 million shares that are authorized but not issued, the spokesman said.

The company will allocate just under 6 million common shares for the 1982 plan year, or approximately 63 shares per qualified employee.

A medium-sized company with an ESOP is the Katz Agency in New York, a 700-employee advertising firm. Katz has maintained a "combined stock ownership plan" since 1971, said Gail Deindorfer, director of corporate benefits. Under the plan, 50 percent of its stock is owned by the ESOP and 50 percent by management. Unlike The Columbian, Katz provided the ESOP in addition to a regular pension plan.

Katz employees are 50 percent vested after four years and a day, and then vest an additional 10 percent each year until they are fully vested at nine years and a day. Employees may retire at the age of 55 with 25 years service, and Katz has requested an amendment from the Internal Revenue Service requiring employees to sell their stock back to the company after they leave.

Some "seven or eight" ESOP participants have retired recently, Ms. Deindorfer said, and one person received enough cash through a "stock rollover" to maintain his former salary level.

"We love it," she said of the ESOP program. The company's stock has done "as well or better" than the market in good years, and "better" than the market in bad years, she said.

The ESOP also seems to have more impact on employees than the previous profit-sharing plan, she added. "We all feel that we own a piece of the company."

A special kind of ESOP is the Tax Reduction Act Stock Ownership Plan (TRASOP), which provides an additional 1 percent to 1½ percent capital investment tax credit to participating companies (see related story). Since credit is based on capital expenditures, it is most attractive to large, money-intense companies.

Most ESOPs are maintained by small and medium-sized companies that are closely held, said Gary Redman, managing vp of consultants M&R Benfo Inc. in Seattle, Wash. Because of their special characteristics, TRASOPs are of little benefit to companies that are not "heavily capital intensive," he said.

For the closely held company, an ESOP provides a "value indication" for its stock that is not traded on the open market. The stock of such companies must be appraised each year by an independent party, Mr. Redman said, principally to protect the employee. Yet the appraisal also provides the stock with a dollar value that it otherwise would not have.

At most small companies, an ESOP is established to replace a profit-sharing or some other type of defined contribution plan. The ESOP may also replace a company's pension plan, where employees receive their stock in lieu of a pension upon retirement. The employee may then cash in his or her stock.

At a closely held company, however, the value of the ESOP can vary due to circumstances beyond an employee's control. Mr. Redman noted that if a "dynamic individual" such as the company's founder retires, the company may go "downhill" and the stock value may slide.

An ESOP can be used to raise capital. With a leveraged ESOP, a company sells stock to a trust rather than makes a contribution in cash or stock. The trust then borrows funds and pays the company an amount equal to the present value of the stock.

The company guarantees the loan and agrees to give the trust enough money to pay off the loan over a period of four to seven years.

This provides the employee with a stock and a sense of ownership in the company, and gives management an infusion of cash—borrowed and paid upfront by the trust for capital investment purposes.

While the deduction limits are presently the same for both leveraged and non-leveraged ESOPs, legislation now before the U.S. Senate would strengthen leveraged ESOPs even more.

Jeff Gates, tax counsel to the Senate Finance Committee, said a bill recently sent to the full Senate calls for an increase in deduction limits for leveraged ESOPs to 25 percent from their current level of 15 percent. When combined with additional changes in the bill, Mr. Gates said, this increase will make leveraged ESOPs an even stronger plan.

Mr. SYMMS. Mr. President, I would just like to say that I share the views of the distinguished Senator from Louisiana.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SYMMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SYMMS. Mr. President, the pending business before the Senate now is the vote on the employee stock ownership section of the bill. The yeas and nays have been ordered.

The PRESIDING OFFICER. The yeas and nays have not yet been ordered.

Mr. SYMMS. I ask for the yeas and nays, Mr. President.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

SUBTITLE C, TITLE III, PAGE 205, LINE 19, THROUGH PAGE 225, LINE 18, AS AMENDED (EMPLOYEE STOCK OPTION PROVISIONS)

The PRESIDING OFFICER. The question is on division of the committee amendment specified earlier. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), and the Senator from Texas (Mr. TOWER) are necessarily absent.

I further announce that, if present and voting, the Senator from Texas (Mr. TOWER) would vote "nay."

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON) and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) would vote "yea."

The PRESIDING OFFICER (Mr. WARNER). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 93, nays 1, as follows:

[Rollcall Vote No. 220 Leg.]

YEAS—93

Abdnor	Ford	Mitchell
Andrews	Glenn	Moynihan
Armstrong	Goldwater	Murkowski
Baker	Gorton	Nickles
Baucus	Grassley	Nunn
Bentsen	Hart	Packwood
Biden	Hatch	Pell
Boren	Hatfield	Percy
Boschwitz	Hawkins	Pressler
Bradley	Heflin	Pryor
Bumpers	Helms	Quayle
Burdick	Hollings	Randolph
Byrd, Harry F., Jr.	Huddleston	Riegle
	Humphrey	Roth
Byrd, Robert C.	Inouye	Rudman
Chafee	Jackson	Sarbanes
Chiles	Jepsen	Sasser
Cochran	Johnston	Schmitt
Cohen	Kassebaum	Simpson
Cranston	Kasten	Specter
D'Amato	Kennedy	Stafford
Danforth	Laxalt	Stevens
DeConcini	Leahy	Symms
Denton	Levin	Thurmond
Dixon	Long	Tsongas
Dodd	Lugar	Wallop
Dole	Mathias	Warner
Domenici	Matsunaga	Weicker
Durenberger	Mattingly	Williams
Eagleton	McClure	Zorinsky
East	Melcher	
Exon	Metzenbaum	

NAYS—1

Proxmire

NOT VOTING—6

Cannon	Hayakawa	Stennis
Garn	Heinz	Tower

The PRESIDING OFFICER. Subtitle C of title III of the committee substitute is agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair recognizes the Senator from Massachusetts.

UP AMENDMENT NO. 288

(Purpose: To increase the amount of the deduction allowable to a corporation in any taxable year for charitable contributions)

Mr. KENNEDY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes unprinted amendment numbered 288.

Mr. KENNEDY. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle F of title II, add the following new section:

SEC. . INCREASE IN DEDUCTION ALLOWABLE TO A CORPORATION IN ANY TAXABLE YEAR FOR CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Paragraph (2) of section 170(b) (relating to percentage limitations) is amended by striking out "5 percent" and inserting in lieu thereof "10 percent".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1981.

Mr. KENNEDY. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. KENNEDY. Mr. President, I yield myself such time as I might need.

Mr. DOLE. Mr. President, is this the charitable contributions amendment?

Mr. KENNEDY. The Senator is correct. Mr. President, the Senator from Kansas has stated correctly that this is a charitable contributions amendment.

Under current law, there is a limit on the corporate tax deduction for gifts to charity equal to 5 percent of the corporation's taxable income. The amendment that I have offered increases the limit to 10 percent.

At the present time, corporate contributions to charity average only about 1.2 percent of corporate income, so the revenue loss for the amendment is extremely small. The Joint Economic Committee has estimated it to be less than $50 million a year, perhaps much less than that.

But some corporations are at their limit, so it is appropriate to increase the limit now.

One of the administration's justifications for the current reductions in Federal spending is that in many areas involving social programs, it will be appropriate for the private sector and voluntary agencies to increase their own efforts to meet the need. In fact, corporations are now being deluged with requests for assistance from social agencies facing funding cutoffs.

It is clear that private agencies cannot make up the full loss of Federal aid. The Urban Institute estimates that over the period 1981–84, Federal funds for welfare, health, and environment, housing, food, and the arts will be cut by over $128 billion.

Voluntary agencies working in this area will suffer a direct loss of some $27 billion over the next 5 years, or about $5 billion a year.

Contributions to nonprofit groups by corporations and some 600 company-operated foundations totaled about $2.5 billion in 1980.

Thus private giving would have to double over the next 5 years to make up for the loss of Federal funds.

Experts at the conference board suggest that, far from private agencies being able to pick up the slack, many of the agencies will be unable to survive. As one expert has said, "There could be a Darwinian struggle for survival."

Less than 30 percent of the Nation's 2 million companies now make charitable contributions. The Business Roundtable, the Chamber of Commerce, and the National Association of Manufacturers have all called on the business community to increase their giving.

A major effort is being made to bring the corporations of this country into the process of meeting the needs of people of our society. This amendment will facilitate that effort, by raising the limit on corporation contributions to charity. It will encourage companies to respond to the variety of different needs of the people of our country.

Earlier this week, an amendment was adopted to this bill to permit individuals who take the standard deduction to deduct their gifts to charity. That amendment received the overwhelming support of the Senate, and it will encourage individuals to increase their contributions to charities. The amendment I have offered will provide a similar incentive to corporations.

If we are to respond to the challenge of the administration, and seek the support of the private sector in the effort to meet the basic needs of our society, then this is an appropriate amendment to encourage the private sector to do so.

Mr. President, I ask unanimous consent to have printed in the RECORD an excellent article from the New York Times of Monday, July 6, describing the current situation. I also ask unanimous consent that these tables adapted from the article may be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 6, 1981]

NONPROFIT GROUPS CALL ON INDUSTRY TO REPLACE U.S. AID

(By Kathleen Teltsch)

Large companies from coast to coast report a surge in appeals for grants from anti-poverty groups, universities, cultural agencies and other nonprofit organizations scrambling to replace money they fear they will lose as a result of Reagan Administration budget cuts.

The companies say there is no way they can come anywhere near offsetting the Federal grant money that is to be eliminated.

"We've been deluged with thousands of requests, a 100 percent increase in the first quarter of this year," said Mary Hall, vice president of corporate contributions at the Weyerhaeuser Company headquarters in Tacoma, Wash., which twice a day receives mail sacks crammed with appeals. Most corporate givers reported an increase of 25 to 35 percent in requests from the nation's 300,000 nonprofit organizations, which range from opera companies and private universities to groups that feed the poor.

"There's a certain element of panic about anticipated losses," Richard F. Neblett, contributions coordinator for Exxon, said at its Manhattan headquarters, where the increase in appeals is less dramatic than that at Weyerhaeuser.

VOLUNTEER AID ENCOURAGED

Throughout the budget-cutting process, senior White House officials have said that they expected private volunteer efforts to replace many curtailed Government programs. For example, a Task Force on the Arts and Humanities that President Reagan named in May is to report by the end of the summer on what Mr. Reagan called a plan "to make better use of existing Federal resources and to increase support for the arts and humanities by the private sector."

However, despite efforts in Congress and elsewhere to encourage private giving, corporate officers and other experts on charity say that business, foundations and individual givers combined will be unable to offset the Federal grant money being cut.

While final details of the budget cuts are not yet known, a study by the Urban Institute in Washington recently estimated that there would be reductions of $128.2 billion from 1981 to 1984 for social welfare, health, environment, the arts and Government-financed housing and food programs.

$27 BILLION LOSS IN 5 YEARS

Lester M. Salamon, the political economist who directed the institute's study, said that the anticipated cuts would mean a loss of $27 billion over the next five years for the nonprofit organizaions working in these fields, the groups now flooding corporations with their appeals for money.

Contributions to nonprofit groups by companies and some 600 company-operated foundations last year totaled only $2.53 billion, according to the American Association of Fund-Raising Counsel Inc.

The difference between the amount of funds to be lost and the total corporate contribution is of such dimensions that companies cannot possibly pick up the whole tab, said Anne Klepper, a senior research associate for the Conference Board, whose 4,000 members include the country's leading foundations, government agencies and educational institutions.

"There have been unrealistic expectations about who will do what for a long time," she said. "Now the situation is getting crunchier. Inevitably there will be a struggle to survive among the nonprofits. It could be a Darwinian scene."

Private giving from all private sources for nonreligious purposes would have to increase by 144 percent over the next five years to make up for reductions in Government assistance and keep up with inflation, Mr. Salamon estimated, growth four times faster than the average over the last five years.

TOO MUCH, TOO SOON

Corporate officials say the Administration's assumption that the private sector and especially business can fill the void is expecting too much, too soon.

"You cannot send a Mailgram from Washington to all corporations and say a funny thing happened, and expect they will be ready immediately to make up the shortfall—life is not like that," Edward M. Block, a vice president of the American Telephone and Telegraph Company, remarked in objecting to the proposed cutback in financing for the National Endowment for the Arts. Mr. Block is also president of the American Council for the Arts.

Even if business took the lead in support of the arts, a vast fund-raising campaign could not be started in time to avoid serious damage, Mr. Block contended. Business will also be under heavy pressures to help pay for a variety of human services. he observed, suggesting that these might be assisted at the expense of the arts.

A.T. & T. is the leading partner of the Bell System, whose $38.2 million budget for philanthropy made it the largest single donor in the business community in 1980. Exxon ranked second, with contributions of $38.1 million. Only six private foundations in the United States give away more money annually.

Many companies plan to increase giving, among them Exxon, International Business Machines, Levi Strauss and General Electric, but the widespread opinion is that the total for all would not offset the Government reductions.

DROP IN THE BUCKET

Contributions from corporations increased 15 percent in 1978 and 1979, dropping to •

percent because of low profits last year, but even if the former high level was reached, it would amount to only $380 million more a year, "a drop in the bucket," in the words of John J. Schwartz, president of the American Association of Fund-Raising Counsel.

"Dollar for dollar, there is no way for the private sector to make up for the cuts," agreed John H. Filer, chairman of the Aetna Life and Casualty Company, although he maintained that companies and nonprofit groups could have significant impact in critical areas, including training the hard to employ.

Less than 30 percent of the country's two million companies report to the Internal Revenue Service that they make philanthropic donations, the Conference Board said. Under Federal law, companies are permitted to deduct for charitable giving up to 5 percent of their taxable income. Only a few, mainly companies in the Minneapolis area that have joined a 5 Percent Club, reach the maximum; the average hovers around 1 percent.

Even before the Reagan Administration, there were efforts by organizations and individuals to persuade companies to step up giving and to reach the thousands that do not make any contributions.

The National Business Roundtable issued a policy statement in March endorsed by the Chamber of Commerce and the National Association of Manufacturers calling on the business community to increase giving. And Laurence A. Wien, a New York lawyer and real estate investor, is credited with having "shamed" dozens of prospering companies into increasing their contributions by presenting or threatening to push stockholder resolutions.

Raising the present level of company giving to 5 percent would increase corporate contributions to $10 billion to $12 billion, according to philanthropic experts. However, even doubling the present level to 2 percent is expected to take several years, these analysts said.

The Administration and public expectations that business can be "the thousand-fingered Dutch boy plugging the dikes" poses risks for business, which "will have to perform as never before," according to Donald H. Haider, professor of public management at Northwestern University.

Speaking at a Public Affairs Council meeting of corporate leaders in Chicago in March, Mr. Haider produced a stunned silence with his warning that a failure by industry to increase business activity, create jobs and also act as the "great gap-filler" could result in a backlash in which business could lose the freedom from regulations and other benefits it expects from the Reagan Administration.

Brian O'Connell, president of the Independent Sector, said it would be a mistake for the Administration to single out business and give the impression that the burden now rests with it to pick up the slack. The group, set up two years ago to stimulate private charitable giving, has been lobbying for new tax laws to encourage giving by individuals. Its 310 members include leading companies, foundations and nonprofit organizations.

"I believe business will do more and can do more, but it has to be done in a spirit of encouragement and cooperation and not by giving the impression that business must fulfill an obligation," Mr. O'Connor said.

TABLE I—*Recipients of charitable contributions (1979)*

[*In percent*]

Religion	46.5
Education	13.8
Health and hospitals	13.8
Social welfare	10.1
Arts and humanities	6.2
Civic and public	2.8
Other	6.8
Total	100.0

Distribution of nongovernmental contribution: $43.3 billion.

TABLE II—*Distribution of corporate contributions (1979)*

[*In percent*]

Education	37.7
Health and welfare	35.0
Civic	11.6
Culture and art	9.9
Other	5.8
Total	100.0

TABLE III—*Source of charitable contributions (1979)*

[*In billions*]

Individuals	$36.39
Corporations	2.45
Foundations	2.24
Total	41.08

Mr. KENNEDY. I yield to the Senator from Virginia.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. HARRY F. BYRD, JR. Mr. President, it seems to me that this amendment has a great deal of merit. As I understand it, there will be very little loss to the Treasury. I feel that the corporations of our Nation have an obligation to the less fortunate, have an obligation to the various charities of our country, and I have felt for some time that the 5-percent limitation was not a particularly reasonable one.

The Senator from Massachusetts has proposed an amendment to make it 10 percent. It seems to me that is reasonable and appropriate.

The Senator from Massachusetts, as he pointed out, stated that corporations, taken as a whole, are contributing less than 2 percent of their net income for charitable purposes. The Senator from Virginia thinks that is a low figure, and it should be higher. This will tend to encourage some corporations, at least, to increase their charitable contributions. So I, for one, am pleased to support the Senator's amendment.

Mr. KENNEDY. I thank the Senator from Virginia for his encouraging words and for his support. He has stated exactly what the amendment does, and he also underlines the importance of encouraging the corporate sector to respond to the needs in our society. This amendment will encourage that sector to do so, and I hope the Senate will accept it.

I withhold the remainder of my time.

Mr. DOLE. Mr. President, as I indicated to the distinguished Senator from Massachusetts earlier, I agree with the statement by the Senator from Virginia that this amendment has merit. But in my official capacity as manager of the bill I must say that the Treasury opposes this amendment. I do believe however that it reflects the attitude of this administration to encourage corporate giving which is particularly important when you are going to have less in Federal funds flowing into some of these areas. So I just suggest that we have a vote on it. Members can vote any way they wish. I intend to vote for the amendment.

Mr. LONG. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Do the Senators yield back their time?

Mr. DOLE. I yield back my time.

Mr. KENNEDY. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Massachusetts. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), and the Senator from Texas (Mr. TOWER) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) and the Senator from Connecticut (Mr. DODD) would each vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 88, nays 5, as follows:

[Rollcall Vote No. 221 Leg.]

YEAS—88

Abdnor	Ford	Murkowski
Andrews	Glenn	Nickles
Armstrong	Gorton	Nunn
Baker	Grassley	Packwood
Baucus	Hatch	Pell
Bentsen	Hatfield	Percy
Biden	Hawkins	Pressler
Boren	Heflin	Proxmire
Boschwitz	Helms	Pryor
Bumpers	Hollings	Quayle
Burdick	Huddleston	Randolph
Byrd, Harry F., Jr.	Humphrey	Riegle
Byrd, Robert C.	Inouye	Roth
Chafee	Jackson	Rudman
Chiles	Jepsen	Sarbanes
Cochran	Johnston	Sasser
Cohen	Kassebaum	Schmitt
Cranston	Kasten	Simpson
D'Amato	Kennedy	Specter
Danforth	Leahy	Stafford
DeConcini	Levin	Stevens
Denton	Long	Symms
Dixon	Lugar	Thurmond
Dole	Mathias	Tsongas
Domenici	Matsunaga	Wallop
Durenberger	McClure	Warner
Eagleton	Melcher	Weicker
East	Metzenbaum	Williams
Exon	Mitchell	Zorinsky
	Moynihan	

NAYS—5

Bradley	Hart	Mattingly
Goldwater	Laxalt	

NOT VOTING—7

Cannon	Hayakawa	Tower
Dodd	Heinz	
Garn	Stennis	

So Mr. KENNEDY's amendment (UP No. 288) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. STEVENS. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, I ask unanimous consent to temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 289

(Purpose: To provide for an investment tax credit for theatrical productions and game shows)

Mr. STEVENS. Mr. President, I have an amendment at the desk. I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), for himself and Mr. MOYNIHAN, proposes an unprinted amendment numbered UP 289.

Mr. STEVENS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle B of Title II, insert the following:

SEC. . INVESTMENT TAX CREDIT FOR THEATRICAL PRODUCTIONS AND GAME SHOWS.

(a) THEATRICAL PRODUCTIONS TREATED AS SECTION 38 PROPERTY.—Section 48(a) (defining section 38 property) is amended by adding at the end thereof the following new paragraph:

"(11) THEATRICAL PRODUCTIONS.—

"(A) IN GENERAL.—Subject to the provisions of subsection (q), the term 'section 38 property' includes theatrical productions.

"(B) THEATRICAL PRODUCTION DEFINED.—For purposes of this subpart, the term 'theatrical production' means a presentation of a dramatic work, including a play, musical, opera, or ballet performed in a theatre before a live audience, but does not include a presentation primarily for use on television, radio, or film, or in a night club.".

(b) SPECIAL RULES FOR THEATRICAL PRODUCTIONS.—Section 48 is amended by redesignating subsection (q) as subsection (r) and by inserting immediately after subsection (p) the following new subsection:

"(q) THEATRICAL PRODUCTIONS.—

"(1) ENTITLEMENT TO CREDIT.—

"(A) IN GENERAL.—A credit shall be allowed under section 38 to a taxpayer for the costs of a theatrical production, but only to the extent that the taxpayer has an ownership interest in such production.

"(B) OWNERSHIP INTEREST.—The ownership interest of a taxpayer shall be determined on the basis of his proportionate share of any loss that may be incurred with respect to the theatrical production.

"(2) PROPORTION OF INVESTMENT QUALIFYING FOR THE CREDIT.—

"(A) IN GENERAL.—In the case of a theatrical production, the term 'qualified investment' in section 46(a)(2) means, for each theatrical production placed in service by the taxpayer during the taxable year, an amount equal to 66⅔ percent of the qualified United States production costs.

"(B) PLACED IN SERVICE DEFINED.—A theatrical production shall be treated as placed in service by the taxpayer during the taxable year in which such production is first publicly presented, including a public presentation preceding an opening before the ultimate audience for which it was intended, but not including a presentation before a select audience, such as prospective contributors.

"(3) QUALIFIED UNITED STATES PRODUCTION COSTS.—

"(A) IN GENERAL.—For purposes of this subsection, the term 'qualified United States production costs' means costs incurred in producing a theatrical production for presentation in the United States, including costs incurred prior to the time such production opens before the ultimate audience for which it was intended.

"(B) PRODUCTION COSTS DEFINED.—The term 'production costs' includes—

"(i) costs directly associated with the theatrical production, including the cost of equipment and supplies, and compensation for services performed by actors, production personnel, directors and producers,

"(ii) a reasonable allocation of general overhead costs,

"(iii) the cost of the rights to present a theatrical production, but not ancillary rights such as rights for television, films, radio, or night club presentations,

"(iv) residuals payable under contracts with labor organizations, and

"(v) participations payable as compensation to actors, production personnel, directors and producers.

Participations in all theatrical productions produced by a taxpayer during a taxable year shall be taken into account under clause (v) only to the extent of the lesser of 25 percent of each such participation of 12½ percent of the aggregate qualified United States production costs (excluding costs described in clauses (iv) and (v) of this subparagraph) for such theatrical productions, but taking into account for both the 25 percent limit and the 12½ percent limit no more than $1,000,000 in participations for any one individual for any one theatrical production. For purposes of this paragraph (other than clauses (iv) and (v) of this subparagraph and the preceding sentence), costs shall be taken into account only if they are capitalized. Production costs do not include advertising and promotional expenses.

"(4) UNITED STATES.—For purposes of this subsection, the term 'United States' includes possessions of the United States.".

(c) GAME SHOWS.—Subparagraph (B) of section 48(k)(1) (defining qualified film) is amended to read as follows:

"(B) QUALIFIED FILM DEFINED.—For purposes of this subsection, the term 'qualified film' means any motion picture film or video tape created primarily for use as public entertainment or for educational purposes. Such term does not include any film or tape the market for which is primarily topical or is otherwise essentially transitory in nature. The market for what are commonly designated as television game shows shall not be treated as primarily topical or otherwise essentially transitory in nature.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production costs incurred after December 31, 1981.

Mr. STEVENS. Mr. President, today I am pleased to join with Senator MOYNIHAN in proposing an amendment to amend the Internal Revenue Code of 1954 extending the investment tax credit to theatrical productions.

This measure is identical to S. 2500 that was introduced in the last Congress and was the subject of hearings before the Senate Subcommittee on Taxation and Debt Management on May 30, 1980.

The Theatrical Production Investment Tax Credit Act of 1981 which Senator MOYNIHAN and I introduced last year, extends the investment tax credit to live commercial theatrical production. Provisions of the measure closely parallel those which were included in the Tax Reform Act of 1976 that extended the investment tax credit to qualifying production costs in the motion picture industry. The Theatrical Production Investment Tax Credit Act of 1981 will provide tax credit to persons to invest in productions of the commercial theatre.

This credit will provide an effective incentive to the performing arts industry while minimizing direct Government funding in this area. Under the provisions of this measure the investment tax credit will be allowed with respect to production costs if such costs constitute new section 38 property. Each taxpayer's share of the credit will be limited to their ownership interest in the theatrical production.

The investment tax credit was designed to spur investment and create new employment opportunities.

The theatrical industry badly needs the stimulus of an investment tax credit. Fewer new plays are being produced each year in commercial theatres. To a great extent, the decline in theatrical productions over the last few years can be traced to skyrocketing production costs. The play must run for months, if not a year, if the investors are to recoup production costs; yet four out of five productions lose money. The investment tax credit will help abate the deterrent to invest in new productions.

The cost to the Treasury for this measure is extremely small. The Joint Tax Committee estimate for last year's bill determined that the Theatrical Production Investment Tax Credit Act will reduce budget receipts by less than $5 million annually. This is certainly a small price to pay for encouraging investors to participate in theatrical productions that will have such a significant effect on the American artistic community.

Mr. President, there is a final provision in this amendment that addresses the problem created by the regulations promulgated pursuant to the 1976 amendment to section 48k. This second provision brings television game shows within the same treatment as motion pictures and video dramatic series. Game shows require this section 48k credit because of the large up-front costs in the investments required for their production.

I have discussed this with almost everyone who is involved. I am happy to yield to my good friend from New York, the cosponsor of this amendment.

Mr. MOYNIHAN. Mr. President, I thank the distinguished senior Senator from Alaska for bringing this matter to the floor.

He has noted that there have been hearings before the Committee on Finance. The record is a clear one, which is that the number of legitimate theater productions in our country has been dropping by one-half for each of the last three decades.

The problems of the investor in these productions are real. We have established that four out of five new theater productions lose money—they did 2 years ago—and of the fifth that does not, the returns are often very small or marginal. Our amendment allows investors in the legitimate theater and game shows to be treated in the same manner as investors in moving pictures. There is hardly a distinction in the nature of enterprise and, meaning no denigration of the movies, the theater is surely the older enterprise. Typically it has been

the more creative. It ought not to be penalized. It ought to be given equal treatment. The legislation of this Senator and of the Senator from Alaska will do that at very small cost to the Treasury. I feel it will be of large benefit to the American public and to the arts, the producers, the writers, and the actors. I do very much hope that this can be accepted.

Mr. President, it is my understanding that our distinguished chairman and his colleague, the ranking member, are willing to accept the amendment.

Mr. DOLE. Mr. President, I have discussed this amendment with the distinguished Senator from Alaska and the Senator from New York. It is my understanding that it has been discussed with the distinguished Senator from Louisiana (Mr. LONG) and "Commissioner" METZENBAUM. I must say for the record, though, that Treasury does oppose the amendment, but on the basis that we have accepted a few other amendments opposed by the Treasury, I have no objection.

Mr. LONG. Mr. President, we do provide an investment tax credit for the movie industry. I have been told that has been a saving grace, that without that, the movie industry may have been in very bad shape—not to say it is in that great shape, anyway. But this did a great deal to save the movie industry of this country and to keep it from going overseas.

The question was asked, why cannot we have the same consideration for the legitimate stage and for the Broadway musicals? I am not speaking just about New York performances. We have good stage plays here in Washington, D.C., and there is a revival all over the whole country, including New Orleans, which I represent.

We were asked why we could not do something of this sort and give them a tax advantage similar to what motion pictures have, in view of the fact that we do as much for the movies. Treasury said, the reason is that they were opposed to doing it for the movies, too, so as far as they are concerned, they would solve the problem, I assume, by undoing what we did for the movies.

Mr. President, I think we were right in giving the consideration that we did for the movie industry. The same logic that said we will do this for the movie industry suggested we do it for the legitimate stage. I am pleased to support the amendment. I hope the Senator agrees to it.

I compliment the Senator from Alaska and the Senator from New York in bringing this before us.

Mr. STEVENS. Mr. President, I emphasize the fact that this applies to all theater. I represent a State with a small population. We have the Anchorage Repertory Theater. They are concerned about this. The Senator from New York represents the home of large Broadway shows. They are concerned about this. So this is not something for just his community nor for the small community. This is something across the board for performing arts theaters.

I think it is a small price to pay, Mr. President, for giving some encouragement to these creative arts.

Mr. MOYNIHAN. It seems to me the largest consequence of this measure will be in precisely the repertory companies we have all over the country, which would like to bring in fresh productions and new authors. This will give them just that extra bit of assistance that we hope will have real consequence.

Mr. METZENBAUM. Will the Senator from Alaska yield for a question?

Mr. STEVENS. I am happy to yield to my friend from Ohio.

Mr. METZENBAUM. Mr. President, I understand the investment tax credit now is applicable to what we call the serial shows on TV.

Mr. STEVENS. Yes.

Mr. METZENBAUM. And this amendment would extend that to the game shows as well; is that correct?

Mr. STEVENS. That is right, those that are pretaped and pre-prepared. This would extend to them the same treatment as motion pictures, which is the same treatment already given to the serials, as I understand it.

Mr. METZENBAUM. Mr. President, I do not oppose this amendment, but I do wish to make a few observations.

I am not sure I can find a distinction between the serial shows and the so-called game shows. If one gets the investment tax credit, I guess the other is entitled to it as well. But I think we have before us today a pretty good example of the kind of abuses of tax laws we get into when we start extending investment tax credits to certain areas that are really not particularly productive.

We started with ITC's on the basis that they would add to the economy, contribute something as far as productivity in our country is concerned. I think, instead of the direction we are moving to extend the benefit to game shows as well as the other shows, we ought to be going the other way. But since we are not doing that, I think I have to agree that there seems to be some kind of unfair discrimination in the law as it is at the moment. I have no amendment, but I wish we were going in the opposite direction.

Mr. STEVENS. Mr. President, I thank the Senator. I understand his position. Mine is based on equity also. As long as this one is there, it ought to be fairly administered and apply to game shows. Particularly it ought to apply to performing arts theaters.

Mr. President, I am prepared to have the amendment voted on voice vote.

Mr. DOLE. Mr. President, it is my understanding that these credits are only available if it has some long-term use. If it is just a topical, short-lived proposition, the tax credit would not be available.

Mr. METZENBAUM. Like the "Gong Show" or "Tic-Tac-Dough"?

Mr. DOLE. I have never been on the "Gong Show" until I arrived here.

Mr. STEVENS. Mr. President, I yield back any time remaining.

Mr. DOLE. I yield back my time.

Mr. MOYNIHAN. I yield back my time, Mr. President.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Alaska.

The amendment (UP No. 289) was agreed to.

Mr. STEVENS. I move to reconsider the vote by which the amendment was agreed to.

Mr. MOYNIHAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, Senator BAUCUS and Senator ROTH are preparing an amendment. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I wonder whether the Senator from Florida (Mr. CHILES) is in a position to bring up his resolution on small business.

Mr. CHILES. No. I want to bring it up next week.

Mr. DOLE. Mr. President, for the benefit of those who may be wondering about the status of the amendments, I point out that there are three remaining amendments by the Senator from Montana (Mr. BAUCUS). Two of those are under discussion.

One of the amendments by Senator BENTSEN is under discussion.

I am not certain about the amendments of the distinguished Senator from Arkansas (Mr. BUMPERS). Perhaps he can come to the floor and offer his amendments.

The amendment by the distinguished minority leader is under discussion with the Treasury.

The Senator from California (Mr. CRANSTON) is not certain whether he wants to proceed with his amendment.

The same can be said of the Senator from Arizona (Mr. DECONCINI).

The amendment of the Senator from Illinois (Mr. DIXON) is under discussion.

The amendment by Mr. EXON and Mr. BRADLEY, dealing with the third-year tax cut, will be offered on Monday.

The distinguished Senator from Kentucky (Mr. FORD) has an amendment which I think would be acceptable. The amendment is to be offered by Senator FORD and Senator PACKWOOD.

The two amendments by Senator GLENN are under discussion with the Treasury.

I understand that the distinguished Senator from Colorado (Mr. HART) will be willing to bring up his amendment with respect to a tax on imported oil. He indicated to me earlier that he would do that this afternoon.

The distinguished Senator from Alabama (Mr. HEFLIN) has one amendment pending. We have disposed of one of his amendments. I also believe that the distinguished Senator from Kentucky (Mr. HUDDLESTON) is willing to bring up his

earned income tax credit amendment, and the cloakroom should notify him.

Mr. DOLE. I yield.

Mr. LONG. Mr. President, Senators should be here to offer their amendments. At the close of business yesterday, the distinguished manager of the bill was on this floor, urging Senators—pleading with them—to come in and offer their amendments.

About 12 o'clock today, some of us who were here were urging Senators to come to the floor and offer their amendments.

The Senator from Kansas, the chairman of the committee, is again pleading with Senators to offer their amendments.

If the time runs out and Senators have not had an opportunity to discuss adequately their amendments, it will be their fault; it will be 100 percent their own fault.

The manager of the bill now, for the second or third time, is pleading with Senators to offer their amendments. Those of us on this side of the aisle who have the responsibility to manage the bill for the minority are joining in this plea to Senators. If they want to offer their amendments, they should do so, and we will agree to a voice vote, a roll-call vote, whatever they want.

If the time runs out and Senators have not had their amendments considered at the last minute, they should keep in mind that it is their fault. We have been pleading with them to bring in their amendments.

Mr. DOLE. I appreciate that statement by the Senator from Louisiana. That is an accurate reflection of what is happening—except, of course, in those cases where we are trying to negotiate. I will be visiting with Secretary Regan later this afternoon on three or four of those amendments.

The Senator from Massachusetts (Mr. KENNEDY) has a number of amendments. Three of them have been disposed of. One is under discussion. The others may not be offered.

The Senator from Vermont (Mr. LEAHY) has one amendment.

The Senator from Michigan (Mr. LEVIN) has two amendments.

We have disposed of the amendment of the distinguished Senator from Louisiana.

The Senator from Hawaii (Mr. MATSUNAGA) has an amendment and that was under negotiation. We promised the Senator from Hawaii if we cannot resolve it it will be brought up on Monday. So he will have all the time he needs.

The Senator from Montana (Mr. MELCHER) has an amendment.

Again, I could go down the list, but I think the long and short of it is that not really that many amendments remain. There are probably six or eight that are being discussed with Treasury officials, and I am willing to bet that not many of the others are going to be proposed. There are just not that many that I know of that anyone is pressing very strongly.

So perhaps if the distinguished Senator from Kentucky (Mr. FORD) and the distinguished Senator from Oregon (Mr. PACKWOOD) will be in a position to offer their amendments, or the other Senator from Kentucky (Mr. HUDDLESTON) would offer the amendment on the earned income tax credit, that would help us.

While we are waiting for Senator ROTH and Senator BAUCUS, who I understand have an amendment, I might also add there are about six Senators involved in a discussion on certain proposed day care credits, including the Senator from Ohio. I will be discussing that amendment with the Secretary later this afternoon. So they are not holding up anything. They are trying to put something together.

Mr. MATSUNAGA. Mr. President, will the Senator yield to permit me at this time an opportunity to make a general statement in support of the joint resolution?

Mr. DOLE. I yield.

INDIVIDUAL RETIREMENT ACCOUNT EXPANSION

Mr. MATSUNAGA. Mr. President, certain provisions in the committee bill are laudable in that they encourage greater retirement security by increasing the amount which individuals may set aside in an individual retirement account known as an IRA, and extending the IRA tax benefits to voluntary employee contributions in employer-sponsored plan. I supported these measures in the Finance Committee and believe they are necessary incentives for individuals to provide for their own security upon retirement.

Laudable as these provisions are, they fall short in answering the problem fully, and, indeed, they create a pernicious distinction between employer-sponsored voluntary and mandatory contribution plans which undermines the stability of mandatory contribution plans.

Mandatory contribution plans include governmental plans and a number of private employer-sponsored plans. Under these plans, the employee must contribute toward his retirement fund to secure a matching contribution from the employer.

These mandatory plans usually provide the participating employee with incidental benefits such as life insurance, annuity options, and increased benefits from later plan amendments. Moreover, these mandatory plans offer systematic worker savings through payroll deduction; and new employers who cannot afford to fund their workers' retirement program alone have resorted to mandatory plans to share the cost with workers.

However, worker participation in these plans will be weakened, as employees opt out to establish a deductible IRA. As a consequence, these mandatory plans may be disqualified as more and more workers withdraw from them to set up their own IRA. The pending bill, by allowing a tax deduction for employee contribution to a voluntary plan but not to a mandatory plan, endangers the continued operation and establishment of mandatory plans.

The Treasury Department has acknowledged the erosive effect the present bill will have on mandatory plans. During one of the Finance Committee executive sessions on expanded IRA's, Assistant Secretary Chapoton expressed concern over the potential erosion of mandatory plans, but opposed the inclusion of mandatory plans in the tax benefit provisions, because of the projected heavy revenue loss.

I believe the bill's failure to allow a tax deduction for mandatory-plan contributions is a mistake, which I hope will be rectified as soon as revenue constraints permit. I had intended to offer an amendment to correct the situation, but decided against it on assurance given me by the distinguished chairman of the Finance Committee that there will be a second tax bill considered by the committee, at which time my proposal could be raised.

I thank the Senator for yielding, and I suggest the absence of a quorum.

The PRESIDING OFFICER. Which Senator yields for that purpose?

Mr. MATSUNAGA. The Senator on the majority, Senator DOLE had yielded.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FORD addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky.

UP AMENDMENT NO. 290

(Purpose: Relating to the taxable income of a "principal campaign committee" of a candidate for election to Congress)

Mr. FORD. Mr. President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Kentucky (Mr. FORD), for himself and Mr. PACKWOOD, proposes an unprinted amendment numbered 290.

Mr. FORD. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following:

SEC. . TAX RATES FOR THE PRINCIPAL CAMPAIGN COMMITTEE OF A CONGRESSIONAL CANDIDATE.

(a) Paragraph (1) of subsection (b) of section 527 of the Internal Revenue Code (relating to tax rates applicable to political organization taxable income) is amended by striking the word "Such" and by inserting in lieu thereof the following: "Except as provided in subparagraph (A),".

(b) Paragraph (1) of subsection (b) of section 527 of the Internal Revenue Code (relating to tax rates applicable to political organization taxable income) is amended by adding thereto the following new subparagraph:

"(A) SPECIAL RULE.—In the case of political organization taxable income of a "principal campaign committee" of a candidate for election to Congress, the tax referred to in paragraph (1) shall be computed by multiplying the political organization taxable income by the appropriate rates of tax specified in section 11(b).

(i) DEFINITION.—For purposes of subsection (b), the term "principal campaign committee" means the committee designated, pursuant to 2 U.S.C. section 432(e), as in effect on July 18, 1981, by a candidate for election to Congress in accordance with regulation prescribed by the Secretary. A designation, once made, shall be revoked only with the consent of the Secretary.

(ii) ONE DESIGNATION.—A candidate for election to Congress shall have only one designation in effect.".

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective for taxable years beginning after December 31, 1981.

Mr. FORD. Mr. President, this is an amendment to impose the normal corporate tax on a narrow group of political campaign committees. I have discussed this with both sides. I doubt seriously there is any objection to imposing a tax here. I think it is the proper thing to do.

Mr. DOLE. Mr. President, I would say to the distinguished Senator from Kentucky that this would, indeed, impose normal corporate taxes upon a narrow class not now subject to such tax. This amendment has been discussed with the manager of the bill; with the distinguished Senator from Louisiana, Senator LONG, and also with Senator PACKWOOD, who joins Senator FORD in this amendment, and others.

I have no objection to the amendment. It has also been discussed, I understand, with Senator METZENBAUM.

I ask that we withhold for a second while staff is checking with Senator LONG. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I say to the distinguished Senator from Louisiana that I have indicated that the amendment had been discussed and that he had had not objection. Is that correct?

Mr. LONG. I have no objection, Mr. President.

Mr. DOLE. I yield back my remaining time.

Mr. FORD. I yield back my remaining time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Kentucky (Mr. FORD).

The amendment (UP No. 290) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. FORD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. FORD. I thank the distinguished Senator.

Mr. DOLE. I thank the distinguished Senator from Kentucky.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 291

(Purpose: To amend the Internal Revenue Code of 1954 to redefine individuals eligible for the earned income credit, and for other purposes)

Mr. HUDDLESTON. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kentucky (Mr. HUDDLESTON), for himself and Mr. ROTH, proposes an unprinted amendment numbered 291.

Mr. HUDDLESTON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the bill, insert the following:

SEC. 1. Subparagraph (A) of section 43(c)(1) of the Internal Revenue Code of 1954 (defining individuals eligible for the earned income credit) is amended—

(1) by striking out "or" at the end of clause (ii);

(2) by striking out the period at the end of clause (iii) and inserting in lieu thereof ", or"; and

(3) By adding at the end thereof the following new clause: "(iv) is, on the last day of such taxable year, a citizen of the United States or an alien individual who has been admitted to the United States as a permanent resident.".

Mr. HUDDLESTON. Mr. President, the amendment that I have presented is designed to close a loophole that is being used by a substantial number of illegal aliens in the country to receive a payment from the Federal Government under the earned income tax credit provisions of our income tax law.

A study has been made that would suggest that as much as $120 million a year is being paid from the Treasury to persons who are illegally in this country and are filing tax returns for the purpose of receiving the "refund." I put that in quotations because it is not a refund but it is a tax payment, a monetary payment, to the taxpayers of the country.

The amendment would simply make this provision available to all American citizens and all legal residents who are in the country, and would just preclude those who are not in the country legally.

Mr. President, on April 15, millions of Americans completed their tax returns for 1980 and in the process paid an unprecedented amount of taxes. Hundreds of billions of dollars in income taxes have been paid into a tax system which is the largest in the world and which functions primarily upon the voluntary compliance of the American taxpayer.

Unknown to most taxpayers, large numbers of illegal aliens also rushed to get their income tax returns filed. However, a substantial number of illegal aliens who file income tax returns are using the earned income tax credit to either reduce their taxes or to receive a refund on taxes that were never paid.

In 1975, Congress passed a tax bill which created a new concept in tax law: The earned income tax credit. This credit was intended to provide some tax relief for low-income workers who have dependent children. The underlying rationale for the credit was that it would offset the impact of social security taxes and encourage individuals to find employment.

Under this law, the worker is entitled to a 10-percent tax credit for the first $5,000 in earned income; the credit is phased out when adjusted gross income reaches $10,000. The most expensive feature of this law is its refundable aspect. If the worker owes taxes which are less than the credit, the excess of the credit will be paid to him or her by the Government as an overpayment. In 1979 about 9 million individuals qualified for the earned income tax credit, which cost the Federal Treasury approximately $2.1 billion. Of this amount, $1.4 billion was attributable to the refundable aspect of the law.

There is compelling new evidence that illegal aliens are using the earned income tax credit in order to reduce taxes or to secure refunds from the Government even though they do not pay any taxes. A new study just released by David North, director of the Center for Labor and Migration Studies at the New TransCentury Foundation, concluded that "nearly a third of those with refunds secured EITC payments." Furthermore, they "had larger average EITC payments and larger refunds than Americans generally."

The study states that part of the study group of 517 individuals received EITC payments totaling $19,637 and that this resulted in a mean payment of $302. If we assume a very conservative number of 3 million illegal alien workers in the United States, this would result in EITC payments of about $120 million. The 3 million assumption is conservative, because even the U.S. Bureau of the Census admits that there could be as many as 6 million illegal aliens in the country and other reliable sources believe there could be as many as 12 million.

According to a letter from the Acting Commissioner of IRS, illegal aliens can qualify under the law for the EITC and they use the earned income tax credit. In order to prevent this continued misuse of the EITC, I am offering this amendment which limits eligibility for the EITC to a citizen of the United States or an alien individual who has been ad-

mitted to the United States as a permanent resident.

It is ironic that an earned income tax credit primarily meant to encourage low-income individuals to work instead serves to limit employment opportunities for them. Even though we have about 8 million unemployed people in the country today, this provision is an added incentive to enter the United States to take jobs from American citizens. In effect, the Federal Government is paying illegal aliens to take American jobs at a time when the administration is reducing unemployment benefits and jobs programs.

To believe that this is not a widespread problem would be to ignore what we have learned in the past about the speed with which illegal aliens catch on to the loopholes in our tax laws. The IRS has established through experience that illegal aliens learn very quickly how to beat the tax collector. Between 1976 and 1978 the IRS conducted a pilot program in which it interviewed apprehended illegal aliens to determine whether they had outstanding tax liabilities. This program was dropped because the illegal aliens quickly learned how to get around it. In a letter to me dated January 4, 1980, the Director of the Collection Division at the IRS stated:

> An awareness of the program developed within the Mexican illegal alien community which comprised the majority of apprehended illegals. The Mexican press publicized the fact that illegals caught with money were subject to being interviewed by IRS, and the word evidently spread. Consequently, when Mexican illegals were picked up, they had little or no money, but numerous postal money order stubs from payments they had apparently sent back to their families in Mexico.

In essence the Director admitted that even though the IRS found that many of the apprehended illegal aliens did in fact owe Federal income taxes, there was no way to collect, since the illegals learned very quickly to send most of their money out of the country as soon as possible.

There is further evidence that illegal aliens learned quickly of other methods of avoiding Federal income taxes. The IRS published a manual which was used by its own agents for the tax collection program aimed at illegal aliens. In this manual was a section entitled "Practices to Avoid Taxes" which stated:

> (1) Assigned personnel should be aware of practices utilized by some illegal aliens and their employers to avoid their Federal tax obligations.
>
> Many aliens also claim excessive exemptions, since they are aware that by doing so they will receive larger take-home amounts.

This manual states conclusively that many illegal aliens are deliberately falsifying their tax returns and W–4 forms. The result is that if an illegal alien does not bother filing a tax return before he returns home, he in effect takes the uncollected, nonwithheld taxes with him. If he does file a return, he pays little or no taxes because of the excessive number of exemptions. Under the latter method he also increases the amount of the refundable earned income tax credit.

Although the amounts involved in each individual case may be relatively small, they are very substantial if several million illegal aliens are in fact manipulating the tax system. The earned income tax credit alone cost the Federal Government over $2 billion in 1979. Further, we should not forget that the Congressional Budget Office has determined that each 1 percentage point increase in unemployment costs the Federal Treasury $29 billion every year. Any program which encourages illegal aliens to take jobs in this country will result in a substantial indirect cost by increasing our unemployment rate.

Mr. President, at the present time most Americans are paying more in taxes but are being told they will receive less in benefits for those taxes. In the near future we may be able to reduce this inequity for many taxpayers by passing a substantial tax reduction bill. I think that it would be very appropriate to pass along hundreds of thousands of dollars of savings now by denying the use of the EITC to illegal aliens. The EITC was intended to encourage Americans to find jobs, not to recruit illegal aliens.

This has been cleared, I believe, on both sides of the aisle. I will defer to the Senator from Kansas.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, as I understand, the present law is that individuals who are eligible for the earned income credit are married individuals who are entitled to a dependency exemption for a child, surviving spouses, and heads of households who maintain a household for a child. In each case, the child must reside with the taxpayer in the United States.

The amendment offered by the distinguished Senator from Kentucky would prohibit illegal aliens from claiming the benefits of the earned income credit.

There are some administrative problems, Mr. President.

The provision adds administrative complexity to the credit, because the IRS will have to distinguish between legal and illegal aliens.

The IRS indicates it will be very difficult for the IRS to enforce the provision, and its attempt to enforce it could strain already heavily "taxed" IRS resources.

It is not clear that the problem the amendment attempts to address is a major problem.

They also feel the problem of illegal aliens should be dealt with outside the Internal Revenue Code.

But the IRS are not the ones who are overtaxed, Mr. President; the American people are the ones who are overtaxed. I just want to suggest that this amendment has merit as far as this Senator is concerned. There may be some objection, but I am not aware of any other than the ones I have expressed. No overwhelming problems have been called to my attention by the Department of the Treasury. While the official position of the Treasury and the IRS would be in opposition to the amendment, I am willing to accept the amendment.

Mr. HUDDLESTON. I thank the Senator from Kansas.

Mr. President, the IRS, of course, claims difficult enforcing a great many provisions of the tax code, but this is a matter of fundamental equity, in my judgment. We should not have a provision of our tax law that is designed to help the American citizens being used in an illegal way. This amendment closes that loophole.

Mr. DOLE. Does the Senator from Louisiana have any objection to the amendment?

Mr. LONG. I have no objection to the amendment.

Mr. DOLE. I yield back my time on the amendment, Mr. President.

Mr. HUDDLESTON. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 291) was agreed to.

Mr. HUDDLESTON. I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I ask unanimous consent to temporarily lay aside the pending amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT 292

(Purpose: Providing different methods of computing deductions for motor carrier operating)

The PRESIDING OFFICER. The clerk will state the amendment of the Senator from North Carolina.

The assistant legislative clerk read as follows:

> The Senator from North Carolina (Mr. HELMS) proposes an unprinted amendment numbered 292.

Mr. HELMS. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 169, strike out lines 11 through 22, and insert in lieu thereof the following:

(a) ALLOWANCE OF DEDUCTION.—

(1) IN GENERAL.—For purposes of chapter 1 of the Internal Revenue Code of 1954, in computing the taxable income of a taxpayer who, on July 1, 1980, held one or more motor carrier operating authorities, an amount equal to the greater of—

(A) the sum of—

(i) 10 percent of so much of the qualified income as does not exceed $25,000,000;

(ii) 8 percent of so much qualified income as exceeds $25,000,000 but does not exceed $50,000,000;

(iii) 6 percent of so much qualified income as exceeds $50,000,000 but does not exceed $75,000,000;

(iv) 4 percent of so much qualified income as exceeds $75,000,000 but does not exceed $100,000,000; and

(v) 2 percent of so much qualified income as exceeds $100,000,000, or

(B) the aggregate adjusted bases of all motor carrier operating authorities held by the taxpayer on July 1, 1980, or acquired

subsequent thereto pursuant to a binding contract in effect on July 1980,

shall be allowed as a deduction ratably over a period of 60 months. The 60-month period shall begin with the month of July 1980 or, at the election of the taxpayer, the first month of the taxpayer's first taxable year beginning after July 1, 1980.

(2) QUALIFIED INCOME DEFINED.—For purposes of this subsection, the term "qualified income" means the average gross income of the taxpayer for the taxable years of the taxpayer ending in 1978, 1979, or 1980 which is allocable to interstate motor transportation conducted pursuant to a certificate or permit issued pursuant to subchapter II of chapter 109 of title 49, United States Code.

Mr. HELMS. Mr. President, House Joint Resolution 266, as reported by the Senate Finance Committee, would permit a motor carrier to take an ordinary tax deduction, over a 5-year period, for the value of operating authority lost as a result of enactment of the Motor Carrier Reform Act of 1980. The committee bill would allow a deduction equal to the adjusted bases of operating rights held by the motor carrier on July 1, 1980.

The pending amendment, Mr. President, is the result of a complaint registered with me by a constituent in North Carolina. I assured him that I would do my best to make certain that the Senate gave consideration to his problem, which is peculiar, perhaps, to many and some other trucking companies in this country.

The pending amendment would allow a motor carrier the option of taking a deduction based on a percentage of his average gross revenues from interstate trucking operations from the years 1978, 1979, and 1980.

The deduction would be the sum of: 10 percent of so much of the qualified income as does not exceed $25,000,000; 8 percent of so much qualified income as exceeds $25,000,000 but does not exceed $50,000,000; 6 percent of so much qualified income as exceeds $50,000,000 but does not exceed $75,000,000; 4 percent of so much qualified income as exceeds $75,000,000 but does not exceed $100,000,000, and 2 percent of so much qualified income as exceeds $100,000,000.

Mr. President, there seems to be little disagreement with the proposition that Congress ought to create a special tax deduction to compensate motor carriers for the value of operating authority lost as a result of the Motor Carrier Reform Act of 1980. The House report on the Motor Carrier Reform Act of 1980 states the following:

Should it become apparent that the effect of this legislation has been to substantially erode the value of operating rights, then appropriate relief for such results should be considered as early as possible.

No one would argue today that a motor carrier's operating authority is worth as much now as it was last year before enactment of the Motor Carrier Reform Act. Indeed, as justification for this change, the Senate Finance Committee report on House Joint Resolution 266 states the following:

The deregulation of the interstate motor carrier industry has significantly reduced the value of motor carrier operating rights acquired before deregulation. In many cases, these rights represented a substantial part of a taxpayer's equity in his business and often were collateralized to raise capital. The legislative history of the Motor Carrier Act of 1980 recognized that deregulation might require future consideration of relief for the diminution of the value of these rights.

The committee concluded that the unique circumstances of the deregulation of the interstate motor carrier industry requires some form of relief that is not available under the present tax laws.

Mr. President, I agree with the conclusion of the Senate Finance Committee that Congress should provide some unique form of relief for motor carriers who have lost valuable operating authority as a result of action taken by Congress last year. I understand that the House Ways and Means Committee also agrees with this sentiment; similar language is included in the committee's version of the tax bill.

It has come to my attention, however, that the method settled upon by the Senate Finance Committee for determining the value of operating authority is unfair and discriminatory. Because of the way that operating rights were necessarily acquired over the years, some companies are due to gain more than others if the committee language is adopted.

Indeed, many motor carriers with valuable operating rights will be left out in the cold with no deduction at all. The main beneficiaries of the committee bill will be those large motor carriers who have trafficked in operating authority over the years.

The Finance Committee has decided that the tax deduction should equal the adjusted basis of the operating authority as shown on the motor carrier's books. But the problem here is that many motor carriers—and I wish I could tell you how many but I cannot—but many motor carriers operating authority has an adjusted basis of zero, or nearly zero. This is because the operating rights were grandfathered under part II of the Interstate Commerce Act of 1935, or were acquired years ago when they were far less valuable than they have become in recent years.

The operating authorities of these companies were no less valuable to them before trucking deregulation than were the values of operating authorities purchased in recent years for large sums of money.

The Senate Finance Committee's report on the tax bill indicates their understanding of just how valuable operating rights are. The report states:

The value of the operating authorities provided owners with an asset that constituted a substantial part of a carrier's asset structure and a source of loan collateral.

I might add, Mr. President, that these operating rights had considerable value no matter how they were acquired.

If Congress adopts the approach favored by the Finance Committee, there are liable to be two motor carriers of about the same size, with about the same revenues, in competition with each other, one of whom will enjoy a substantial tax reduction because he bought his operating authority recently, and one of whom will get no tax deduction because his operating rights were grandfathered. The question is, of course, Is this the way for Congress to promote fair competition?

Mr. President, I imagine someone is going to object to this amendment because of its revenue consequences. I cannot argue with that because I have not yet been able to get the revenue figures from the Finance Committee staff. But assuming for the sake of argument, Mr. President, that revenue losses under my proposal will be substantially greater than under the committee proposal, does that make the committee's version fair and equitable?

I also expect someone will object to my amendment on the grounds that, as a general rule, adjusted basis is the measure of value for determining tax deductions for property loss. I agree, of course, that, as a general rule, adjusted basis is the proper measure of a tax deduction for property loss. But, Mr. President, by the very enactment of this amendment, we are creating an exception to the normal tax rules regarding deductions for loss of property.

The Senate Finance Committee's report is particularly enlightening on this point. It states the following:

The courts, in several decisions, have denied a loss deduction when the value of an operating permit or license decreased as a result of legislation expanding the number of licenses or permits that could be issued. These decisions held that the diminution in the value of a license or permit did not constitute an event giving rise to a loss deduction under section 165 if the license or permit continued to have value as a right to carry on a business.

In the Consolidated Freight Lines case, the Ninth Circuit denied deductions for lost "monopoly rights" when the State of Washington deregulated the intrastate motor carrier industry by eliminating restrictions on entry. The court reasoned that the taxpayer had not lost any rights conferred by the certificate of operating authority because the taxpayer still was permitted to do business and the operating authority had not given any further rights.

Any "monopoly rights," the court stated, resulted from legislation and State administration restricting the availability of operating authorities. Since the taxpayer could not own (or purchase) property rights in legislation or regulations, repeal or modification of legislation or regulations did not give rise to a deductible loss, even if such action had the result of making the taxpayer's business property less valuable.

Even with the committee bill, Mr. President, we are creating a special tax deduction, apart from the normal tax laws. I reiterate my support for giving equitable consideration to the motor carrier industry. The substantial loss of value in their operating authority has been clearly demonstrated. But if Congress is going to create a special exemption, why not make it a fair and equitable exemption?

In trying to establish an alternate means of determining the value of lost motor carrier operating authority I do not seek to change principles of tax law—Congress is already doing that by enacting this special tax deduction. I am merely trying to insure that if this write-off is allowed, it will be applied fairly.

Mr. President, I am aware that the American Trucking Association is officially opposed to this amendment. I have many good friends in that organization, including its President, Mr. Bennett Whitlock. I understand the concerns of the ATA regarding the possible consequences of my amendment. Much is at stake. Therefore, I feel that my amendment should be considered. I can see both sides.

Mr. President, let me reiterate one point: The intent of Congress, as evidenced by the House report on the Motor Carrier Reform Act of 1980 and the Senate Finance Committee's report on House Joint Resolution 266, is to give motor carriers a tax deduction for the value of operating authority lost as a result of the Motor Carrier Reform Act of 1980. The committee bill would give tax deductions to some motor carriers, my amendment would give tax deductions to all motor carriers, regardless of whether the operating authority was recently purchased, purchased years ago, or grandfathered.

Mr. President, I urge the adoption of the amendment.

Mr. DOLE. Mr. President, I have discussed this amendment with the distinguished Senator from North Carolina. While we are not in a position to accept the amendment, I have assured the Senator from North Carolina that, if this Senator has anything to say about it, there will be a second tax bill, at least there will be one considered by the Senate Finance Committee this year. I have asked the distinguished Senator from North Carolina if he would accommodate us and let us take a look at this proposal in more detail at a later time.

I have discussed it briefly with members of the staff of the Joint Committee on Taxation and our own staff. It does raise another question. We will try to deal with the general question in the Senate Finance Committee.

I can assure the Senator from North Carolina that if that will be satisfactory, we can proceed in that fashion.

Mr. HELMS. I thank the Senator. Mr. President, I fully agree that that is the way to proceed. I say to him further that I have not as yet been able to ascertain the budget impact of this amendment, which, of course, needs more consideration. I thank the Senator for his courtesy and I withdraw the amendment.

The amendment (UP No. 292) was withdrawn.

Mr. DOLE. Mr. President, I thank the distinguished Senator from North Carolina.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MATHIAS. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. HAWKINS). Without objection, it is so ordered.

THE WASHINGTON STAR, AN INSTITUTION LOST

Mr. MATHIAS. Madam President, the Washington Evening Star has met the fate that every American family fears. When costs exceeded income by too much, it simply collapsed. It leaves a gaping news, opinion and commentary hole where a democracy can afford it least—in its national capital.

News objectivity and spirited, well-reasoned editorial commentary and opinion made for a lively exchange of views and marked the Star as something very special in Washington journalism. For nearly a century and a half the Star has been the hometown newspaper of Presidents and ordinary citizens. But even more than that, it was a community institution which took pride not only in chronicling its daily comings and goings, but assisted its charities and enterprises and took a leading part in regulating its pulse and pace. Now it appears that we will lose its enormous value and influence as a community and national force.

My hope is that in some imaginative and creative way—a way which American journalism always seems to find—our Nation's Capital and the people of the Washington region will continue to have the essential "other voice" of news, commentary and opinion we vitally need to inform the decisions which are shaping our own lives and those of our fellow citizens.

TELEVISION IN THE SENATE

Mr. MATHIAS. Madam President, last week the Committee on Rules and Administration, which I chair, reported Senate Resolution 20 which calls for television and radio coverage of proceedings in the Senate Chamber. The resolution was sponsored by the distinguished majority leader, Senator BAKER, who led the fight in committee for its passage. I believe that action and Senator BAKER's tireless pursuit of this issue constitute a momentous step in the history of this Chamber.

I ask unanimous consent that an editorial from the Los Angeles Times supporting the committee's action, recognizing the majority leader's contribution, and urging the full Senate to adopt the resolution be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

CAN'T THE SENATE BEHAVE?

The House of Representatives has been televising its daily proceedings for more than two years, and now the GOP leadership of the Senate thinks it should also venture into the electronic age.

The prime mover is Majority Leader Howard H. Baker Jr. (R-Tenn.), himself an adept TV performer. Although Baker has been able to persuade the Rules Committee to send the issue to the floor, many senators are still dead set against permitting cameras in the chamber.

There is a suspicion that lights and cameras would create a theatrical atmosphere, and that grandstanding members might try to steal the show. There is also a concern that senators might be caught off guard, either snoozing at their desks or engaging in unsenatorial pranks. Such fears are nonsense. The same objections were heard when the House was considering its continuing daytime serial, but all has run smoothly.

We would be the last to suggest that gavel-to-gavel coverage of the Senate would pose much of a ratings threat to "MASH." The stuff of high drama of low comedy just isn't there most of the time. But the House telecasts, seen mostly on public and cable TV, have had a constant if modest audience, and have given millions of Americans, including schoolchildren, their first opportunity to view one branch of the national legislature in action.

The Senate should follow suit. The only reason we can think of for the members to vote against television is that they don't trust themselves to behave as well as their colleagues in the House.

Mr. FORD. Madam President, does the Senator yield or is the Senator through?

Mr. MATHIAS. I am happy to yield to the Senator from Kentucky.

Mr. FORD. Madam President, I serve and am the ranking minority member on the Rules and Administration Committee. I do not oppose the resolution as such that the distinguished Senator from Maryland has just extolled. I do, however, have some problem as it relates to the costs. Somewhere between $4 million and $5 million will be the cost to install the necessary equipment in the Senate Chamber in order to televise the Senate proceedings and debates.

We were instructed by the Rules Committee by a resolution that the distinguished majority leader was a cosponsor or a primary sponsor of asking us to reduce the overall expense of the Senate, the committees, and its employees by 10 percent.

The distinguished minority leader of the Senate was a prime mover of that effort to let the Senate lead in reducing the expenditures.

The distinguished Senator from Maryland and I had the responsibility and not one that we cherished, at least I did not, of looking at our colleagues and saying, "You must reduce your budgets, you must reduce your expenses." I might say that each of the chairmen of the committees, the Secretary of the Senate, the Sergeant at Arms, all were very cooperative in making the effort to reduce those expenditures. We saved almost $5 million in that reduction.

Now we are being asked to take that money we saved and put in television equipment, and the distinguished majority leader has said the rules of the Senate must be changed in order to accommodate the imposition of television cameras into the Senate Chamber.

I proposed at that time that the Senate go to radio and could go immediately. The experience we had as related to the debate on the Panama Canal treaties I think was evidence that people listened to the debate of the Senate when there was something here that they wanted to listen to.

Also we are told that one body or the other if it is televised or we have television in the Senate will be video and one will be live and the other will be

video tape because there is only one channel that can be used on cable network.

Second, television cable goes into approximately 25 percent of the homes in the country and if we go to radio it would go into almost every home, every car, every truck, every business in this country and would cost only somewhere between $22,000 and $25,000.

With the mood I find in this Senate today as it relates to tax cuts, reduction of expenditures and that sort of thing, I am somewhat appalled that those who are leading the tax cuts on expenditures want to now turn around and take that money which we have saved and spend it not knowing basically what the rules change will be, the decisions that will have to be made, the changing of an institution that all of us cherish so much, and the ways that it will do business.

So, I take this opportunity to say to the Senate as a matter of record that at some point when this resolution is brought to the Senate for consideration Senators will have an opportunity to make a choice, whether they want to spend approximately $5 million, and those who gave that statement said it was only a guess, and we will hear that it will be a lot less, but I have not been around here very long, but I have never seen an estimate yet where we got a bid on it and it came in underestimate, so I am going to give my colleagues an opportunity to vote on whether they spend $5 million or $25,000.

I thank the distinguished Senator from Maryland who has been very courteous to me and very cooperative and I say he is an excellent chairman of the Rules Committee.

Mr. MATHIAS. I thank the Senator from Kentucky for his charitable words. I think he has expressed quite a view here that he expressed with great eloquence and great force in the committee debate on this subject, and I am sure that we will hear further from him when the resolution is called up for consideration of the full Senate.

I however, point out to the Senator from Kentucky that there is not a fixed price tag. There is a range of figures and I think that $5 million is the high side of all the figures, and it may well be that if our friends in the press exhibit an interest in the subject the networks themselves will be paying some part of the price. But those are all the elements of the program that need further discussion, and I think that the Senator from Kentucky performs a very useful service to the Senate in laying out the options, giving us the alternatives.

I must say the interest of the public in the proceedings of the Senate is a very healthy sign for our democracy, for the Republic itself, the fact that so many visitors attend the sessions of the Senate, and it seems to me it would be important if we could do so to enlarge the number of people who can participate in the proceedings of the Senate in this way.

The galleries are small, the number of people who can visit them is necessarily very small. But if through the magic of television we can extend the galleries of the Senate to include all 220 million Americans on great occasions, on the occasions of historic debates, of momentous decisions, it seems to me we will have brought a new dimension to our democracy. We will have taken that small spot in Athens, where democracy is traditionally believed to have been born, and extended it across the whole continent of North America.

That really is the effort we are trying to make. I think we have to acknowledge it is going to cost something. Whether it is going to cost by way of appropriation or whether it is going to be charged to the broadcast industry or however, it will have to be paid for. But when you consider the effect of the broadening knowledge of government, broadening knowledge of issues, broadening knowledge of personalities in Congress throughout our whole population, the cost per person will be very small as measured against the potential benefit.

Mr. FORD. Madam President, if the Senator from Maryland would yield me a moment while we have a colloquy here——

Mr. MATHIAS. I am happy to yield.

Mr. FORD. One of the problems we face, one of the arguments in favor, if we go to television, is what will come afterward. What will happen if the networks pay a portion of this? If they pay a portion of this who then has control? If they are going to pay for it and they have no control over it I doubt seriously whether they will pay for it.

Therefore, the question of who controls the cameras, who controls the payroll, who controls the archives, these sorts of things are going to be questions that I think ought to be solved before we make the decision, because that may create some problem as it relates to those in this body as to how they vote.

I do not want to correct my distinguished friend, but when he says that we will allow all 220 million or so Americans to view the operation of the Senate floor, we have gotten off one channel awfully fast as it relates to cable and gotten——

Mr. MATHIAS. But the communications industry is moving awfully fast.

Mr. FORD. I understand that. But as of today and what we have in front of us is only C-span, and that is the cable, and there is only one channel available, and this only in 25 percent of the homes, and 25 percent is not the American homes of quite 220 million-some-odd.

I just want to be sure when we are discussing what the eventuality might be that we have to look at the real world today and what will happen tomorrow.

Mr. MATHIAS. Well, I like to look at the world of tomorrow, and I believe the world of tomorrow does offer the possibility that the whole American people may someday be visitors to the Senate through the miracle of television.

Mr. FORD. As the Senator well knows, I am not opposed to televising the operation of the Senate. What I am opposed to, at a time when we are trying to cut the budget, is to spend $5 million approximately, give or take, and I think it could well be more as well as it could be less, whether you do it right or whether you do it piecemeal, and you can always do something halfway and it will cost you half of the estimate. But eventually it will cost you more as against the radio where we could be heard at the same time.

There is some thought, Senator, that if you listen to the words it is more important than just seeing how you look, and so if we can listen to what you say we may learn more about the debate than the colorful dress which you have and the way that you are flamboyant and carry on. It is somewhat different. They may pay more attention to that than the eloquence of your speech.

Mr. MATHIAS. I think the orator, whether in ancient Greece or on the frontiers of American civilization, has delivered a whole message by word and gesture and expression and by a penerating glance, by all of the methods by which human beings communicate with each other. It is not always through verbal communication. Of course, through television most of that communication can be carried on as if the parties were in each other's presence.

So I think it is a superior medium. But that is a decision we will make, and I want to work with the Senator from Kentucky. I want to particularly work with him to see that whatever is done is done in the most efficient and economical way that it can be, and that no money is wasted, and that whatever money is spent, if any, is spent well, and that the American people will consider it an investment well spent.

Mr. FORD. I agree with the Senator that whatever the decision of the Senate will be we will do our utmost to see that the taxpayer receives the most for his dollar. I just hope we will be very careful when we make the expenditure or the decision on the expenditure, and that we will make it in the best interest of the taxpayer.

I am still concerned about spending that kind of money at a time when we are trying to reduce the budget.

I appreciate the Senator's allowing me an opportunity to express my feelings, and to let the Senate be on notice that I will have that amendment at the time the resolution comes up, and if it continues in the vein in which it was voted on in committee, I have no doubt as to what will transpire, but I hope we can at least have a good debate as it relates to the expenditure of the funds.

I do not think anyone faults trying to expand the balcony to every American.

Mr. MATHIAS. I think the Senator from Kentucky will guarantee us a good debate.

Mr. President, I make a point of order that a quorum is not present.

The PRESIDING OFFICER (Mr. SYMMS). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. PELL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE SOCIAL SECURITY TRUST FUND—TWO PROBLEMS, TWO SOLUTIONS

Mr. PELL. Mr. President, I take this opportunity to comment upon the nature of the short-term imbalance in the social security trust fund and to suggest a possible solution that would make up the expected shortfall in the system between now and 1986.

In reviewing the financial analyses of the social security system, it is clear that we face two problems. If current economic trends continue, benefits for retirees would exceed available funds in 1982. However, the administration's own calculations indicate that this will be a temporary deficit and that revenue will again exceed benefits in 1986. From that point on, the trust funds are expected to remain healthy until the next century. At that time, the social security system will experience a more serious, long-term funding problem as a result of an increase in the number of individuals reaching retirement age.

Contrary to the persistent rumor, therefore, the deficit that is expected to occur in the system next year is not a result of the so-called greying of America. Nor is it a phenomenon that will bankrupt the country or the social security trust fund. Between now and 1986 there is projected to be a cumulative $13 billion deficit in the old age social security trust fund. Certainly, this is a great deal of money. However, when we compare it to projected Federal revenues during this period, it amounts to only three-tenths of 1 percent.

This is a temporary, manageable problem that should not be solved by permanently cutting benefits to retirees. Retirees are the victims, and not the source of the social security funding problem. The projected temporary imbalance in the trust fund is a direct result of the dramatic increase in prices and the high rates of unemployment during the past few years.

The rate of increase in consumer prices has forced the annual percentage increase in social security benefits up to double-digit levels that have outstripped increases in wages. The high rate of unemployment has resulted in a decline in the number of working people who contribute to the system, reducing the amount of income going into the system. Economic forecasts indicate that lower inflation rates and improved employment and wage rates will resolve this problem by 1986. From that point on, the system is expected to remain healthy until after the beginning of the next century, when the number of social security beneficiaries will rise from the current 31 beneficiaries per 100 workers to between 40 and 70 per worker.

It is clear, Mr. President, that there are two distinct problems before us that call for entirely different solutions. It will take a great deal of study to address the long-term problem that the system will confront in the next century. In the meantime, Congress must quickly act to be sure that benefit payments to retirees are not interrupted next year. The task before us is an urgent one. But the seriousness of it does not give us a mandate to act irresponsibly.

The administration has suggested tightening eligibility for disability and reducing benefits for early retirees. Others have recommended increasing the retirement age to 68. In my view, these are unacceptable solutions to the temporary deficit. They would cause unnecessary hardship.

The solution that is adopted by Congress should not be greater than the problem itself. We should not take a sledge hammer to a problem that needs a bandage. I would recommend that we consider approving a temporary loan to the old age trust fund from general revenues. In my view, this is an equitable solution to a difficult problem that has occurred as a result of our country's poor economic performance in recent years. There are a number of precedents for this approach to solving a temporary financing problem in a program by establishing a transfer mechanism from general revenues. This authority to approve loans from general revenues is exercised for programs under the jurisdiction of the Economic Development Administration, the Maritime Administration, and the Commodity Credit Corporation, to name a few.

I would suggest that the loan of funds from general revenues to the social security trust fund be repaid, automatically and with interest, as soon as the trust fund again shows a surplus, beginning in 1986. I am not talking about a huge infusion of general revenue funds to meet this temporary social security deficit. The total amount of the loan, during the 3 to 4 years of the deficit, would only be one-half of the increase the administration has proposed for next year alone for defense spending.

By authorizing a loan of funds from general revenues to the social security trust fund, Congress would solve the immediate funding problem in a responsible way, without a needless immediate reduction in benefits.

Then Congress, without haste or panic, could proceed to a careful consideration of solutions to the long-term social security funding problem, and develop a solution that does not needlessly sacrifice the economic security of current or future retirees.

I yield the floor, Mr. President, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PACKWOOD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. WARNER). Without objection, it is so ordered.

ECONOMIC RECOVERY TAX ACT OF 1981

The Senate continued with the consideration of the joint resolution.

Mr. PACKWOOD. Mr. President, after 2 days of assiduous negotiations. great credit goes to Senator HAWKINS, Senator METZENBAUM, and Senator DURENBERGER. With the help of Senator DOLE and the acquiescence of the administration, agreement has been reached on two day care amendments. There is already a standing order for Senator METZENBAUM to be able to introduce a day care amendment. I have a standing order to introduce one. I ask unanimous consent that the standing order allowing me to introduce one be transferred to Senator DURENBERGER.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PACKWOOD. Mr. President, it is our intention not to ask for a rollcall on these amendments. The two amendments will be offered tonight and we would like to pass them tonight. We have assured everyone we have no intention of asking for a rollcall on either amendment.

With that, I yield the floor.

Mr. LONG. Mr. President, some of us may want to vote for the amendment. I might want to vote for it. If I do, I might like to have it as a record vote.

Mr. PACKWOOD. Mr. President, enough assurances have been given that if we were going to have a rollcall vote on it, we would have to put it over. I understand the Senator from Ohio will not be here on Monday.

Is that right?

Mr. METZENBAUM. That is correct, Mr. President.

Mr. PACKWOOD. Mr. President, we would have to put it over. I do not think there would be any objection to putting it over. Am I correct?

Mr. LONG. Mr. President, my thought is that this is a significant amendment. I think that a lot of Senators might like to vote for it and be on record. I am inclined to feel that there ought to be a rollcall and we ought to vote. By the time we go to conference with this amendment, it will be a very significant amendment, and I think if we are able to muster enough strength on the rollcall on the floor, that would be a help in conference.

I do not want to prevent the amendment from being agreed to, but I honestly think we ought to have a rollcall vote on it. It would be all right to agree to it if the condition is that we could reconsider and vote on it on Monday.

Mr. METZENBAUM. It is perfectly agreeable to the Senator from Ohio that we introduce the amendment, debate the amendment and, if no one has any objection to it, vote at some future time.

Mr. DOLE. Will the Senator be back Monday evening

Mr. METZENBAUM. It will be pretty late Monday evening, not before 9:30 or 10 o'clock.

Mr. LONG. Mr. President, it seems to me that I hardly think the Senator would want to insist on being here to vote for the amendment if we can all understand that it is going to be agreed to. As far as I know, there is not going to be any problem agreeing to it. I think this is a sufficiently significant amendment that it ought to have the dignity of a rollcall vote, because I think when we go to conference with this amend-

ment, we ought to be in a position to report to the House how the Senate voted on it.

Mr. DOLE. What happens if we go ahead and agree to it and then leave the matter open? We have enough agreement to do it.

Mr. LONG. I would be willing to agree to the amendment without a rollcall vote provided that we agree that it will be reconsidered and that we will vote on the matter, let us say, on Monday so we can have a rollcall. I would like to have a rollcall vote on it one way or the other just to show how the Senate feels about it.

Mr. METZENBAUM. Mr. President, may I suggest a possible alternative? That is that the vote on the amendment be set as a voice vote, that the motion to reconsider be set for Tuesday at a time certain, without further debate. The Senator from Ohio is prepared to advise both the majority and minority leaders that, should the situation develop, we conclude the measure with respect to all other amendments by Monday, in those circumstances, I would have no objection to the Senate's bringing this matter to a vote on Monday as well. I would not want to hold up the Senate.

Absent that, I see no difference between our voting on Monday or Tuesday.

Mr. DOLE. That is satisfactory to the Senator from Kansas, Mr. President. We shall be here all day Monday, I am sure.

Mr. LONG. This would be my suggestion, Mr. President. It is all right with me to agree to this by voice vote provided that the matter be reconsidered and that it be scheduled for a vote on Monday on the merits of the proposal.

If, by some chance, the matter should not be agreed to on Monday, it is perfectly all right with me to give consent now that the matter could be reconsidered when the Senate gets back in here. I do not anticipate that it will be defeated, but I would like to have a rollcall vote on this amendment.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, it is my expectation that we will resume consideration of the tax bill after the period for morning business, which I am about to ask permission to create. I do not believe we will be in session for a long time after that, but I caution Senators that a final decision has not been made on the disposition of the amendment.

While we are waiting for the decision to be reached, I ask unanimous consent that there now be a period for the transaction of routine morning business, to extend not more than 15 minutes, in which Senators may speak.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF BUSINESS

Mr. BAKER. Mr. President, I have a number of matters that can be dealt with by unanimous consent.

First, I inquire of the Chair: Is there an order for the convening of the Senate on Monday next?

The PRESIDING OFFICER. The order now reads that the Senate will convene at 10 a.m. on Monday.

ORDER FOR RECOGNITION OF SENATOR THURMOND ON MONDAY

Mr. BAKER. Mr. President, I ask unanimous consent that after the recognition of the two leaders under the standing order on Monday next, the distinguished Senator from South Carolina (Mr. THURMOND), the President pro tempore, be recognized on a special order for not to exceed 15 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR CONSIDERATION OF HOUSE JOINT RESOLUTION 266 ON MONDAY NEXT

Mr. BAKER. Mr. President, I ask unanimous consent that on Monday next, the Senate resume the consideration of House Joint Resolution 266 not later than 10:30 a.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, I inquire of the distinguished minority leader if he is in a position to consider certain items on the Executive Calendar which have been cleared on this side, and I will identify them at this time, if I may.

Edward L. Rowny, U.S. Arms Control and Disarmament Agency.

Michael J. Fenello, Department of Transportation.

James R. Harris, Department of the Interior.

James G. Stearns, Department of Energy.

William Bradford Reynolds, Department of Justice.

George A. Keyworth II, Executive Office of the President.

All nominations under Department of State.

Richard T. Kennedy, International Atomic Energy Agency.

Gilbert A. Robinson, International Communication Agency.

Everett Alvarez, Jr., ACTION Agency.

Robert W. Karpe, Department of Housing and Urban Development.

Nora Walsh Hussey and Clifford M. Barber, Department of the Treasury.

I inquire of the minority leader if those names are cleared for consideration on his calendar.

Mr. ROBERT C. BYRD. Mr. President, the minority is ready to proceed with nominations on page 2, beginning with Department of Transportation, but not including the first nomination under Department of Energy; all the nominations on page 3; all the nominations on page 4.

Mr. BAKER. I thank the minority leader. That corresponds with the list I have cleared on this side, with the exception of Edward L. Rowny, U.S. Arms Control and Disarmament Agency.

Mr. President, in light of the statement made by the distinguished minority leader, I ask unanimous consent that the Senate now go into executive session for the purpose of considering the nominations just identified.

There being no objection, the Senate proceeded to the consideration of executive business.

Mr. BAKER. Mr. President, I ask unanimous consent that the nominations be considered and confirmed en bloc.

Mr. ROBERT C. BYRD. I have no objection.

The PRESIDING OFFICER. Without objection, the nominations are considered en bloc.

The nominations considered and confirmed en bloc are as follow:

DEPARTMENT OF TRANSPORTATION

Michael J. Fenello, of Florida, to be Deputy Administrator of the Federal Aviation Administration.

DEPARTMENT OF THE INTERIOR

James R. Harris, of Indiana, to be Director of the Office of Surface Mining Reclamation and Enforcement.

DEPARTMENT OF ENERGY

James G. Stearns, of Nevada, to be Director of the Office of Alcohol Fuels (new position).

DEPARTMENT OF JUSTICE

William Bradford Reynolds, of Maryland, to be an Assistant Attorney General.

EXECUTIVE OFFICE OF THE PRESIDENT

George A. Keyworth II, of New Mexico, to be Director of the Office of Science and Technology Policy.

DEPARTMENT OF STATE

Dean E. Fischer, of Virginia, to be an Assistant Secretary of State.

Davis Rowland Robinson, of the District of Columbia, to be Legal Adviser of the Department of State.

Joan M. Clark, of New York, a career member of the Senior Foreign Service, to be Director General of the Foreign Service (new position).

Robert Strausz-Hupe, of Pennsylvania, to be Ambassador and Plenipotentiary of the United States of America to the Republic of Turkey.

Monteagle Stearns, of California, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece.

John R. Countryman, of the District of Columbia, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Sultanate of Oman.

David Anderson, of New York, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Socialist Federal Republic of Yugoslavia.

Marshall Brement, of Arizona, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Iceland.

Richard Noyes Viets, of Vermont, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Hashemite Kingdom of Jordan.

INTERNATIONAL ATOMIC ENERGY AGENCY

Richard T. Kennedy, of the District of Columbia, to be the representative of the United States of America to the International Atomic Energy Agency, with the rank of Ambassador.

INTERNATIONAL COMMUNICATIONS AGENCY

Gilbert A. Robinson, of New York, to be Deputy Director of the International Communications Agency.

ACTION AGENCY

Everett Alvarez, Jr., of Maryland, to be Deputy Director of the Peace Corps.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Robert W. Karpe, of California, to be President, Government National Mortgage Association.

DEPARTMENT OF THE TREASURY

Nora Walsh Hussey, of South Dakota, to be Superintendent of the Mint of the United States at Denver.

Clifford M. Barber, of New York, to be Superintendent of the U.S. Assay Office at New York, N.Y.

Mr. BAKER. Mr. President, I move en bloc to reconsider the vote by which the nominations were confirmed en bloc.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the President be immediately notified that the Senate has given its consent to these nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

NOMINATION OF JAMES R. HARRIS—DEPARTMENT OF THE INTERIOR

Mr. McCLURE. Mr. President, I strongly support the nomination of James R. Harris to be the Director of the Office of Surface Mining Reclamation and Enforcement within the Department of the Interior. After a thorough investigation of Mr. Harris' background and credentials, the Senate Energy and Natural Resources Committee voted 17 to 0 in favor of recommending approval of his nomination by the full Senate.

Mr. Harris brings to the directorship an impressive set of credentials and experience in both public and private life. He is a certified geologist, experienced in the areas of petroleum exploration and development and coal. From 1973 to 1974 he served as a member of the Indiana House of Representatives, and since 1976 has served as an Indiana State senator. As chairman of the Indiana Senate Committee on Natural Resources, Environment and Agriculture, it became Dick Harris' responsibility to formulate, introduce, and pass implementing legislation in accordance with the Surface Mining Reclamation and Control Act of 1977. Those of my colleagues familiar with the legislative history of that act, know the magnitude of difficulty of Senator Harris' task. Yet he accomplished the goal with high praise from both industry and the environmental community alike, by showing a willingness to listen and a sensitivity to the problems.

Against this background of outstanding service, allegations were raised in articles originally printed in the Wall Street Journal regarding certain land transactions by Mr. Harris with Peabody Coal Co. and AMAX Coal Co. I ask unanimous consent to have the articles printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

REAGAN MINE CHOICE HAD PROFITABLE DEALS WITH COAL OPERATORS

(By Andy Pasztor)

WARRICK COUNTY, IND.—State Sen. James R. Harris, who represents part of this poor coal region where moon-like craters and scarred, gr-- hillsides attest to decades of surface mining, recently was picked by President Reagan to be the government's chief enforcer of strip-mining laws.

If the U.S. Senate confirms Mr. Harris as director of the Interior Department's Office of Surface Mining, the companies under his jurisdiction will include two big coal producers that in recent years granted him land deals here potentially worth millions of dollars. Moreover, state and local records show that the Evansville, Ind., legislator struck these private deals while he was chairman of committees responsible for strip-mining legislation and enforcement of strip-mining laws.

Since October 1978, county records show, a partnership formed by Mr. Harris acquired at bargain prices nearly 1,500 acres of reclaimed strip-mined land from Peabody Coal Co. and Amax Inc., two of the nation's largest coal producers. The partnership last December paid an Amax unit $250 an acre for most of the land, according to the official state tax stamp on the deed. That was substantially less than one-quarter of what comparable acreage in this rugged southwest corner of Indiana was selling for at the time, based on the county recorder's records and interviews with dozens of local land owners, bankers and real-estate experts.

TURNING A PROFIT

Within two weeks of the December purchases, Mr. Harris and his partner, Evansville developer W. C. Bussing Jr., began turning a handsome profit by selling portions of their newly acquired holdings, frequently for five or six times what they paid for them. So far, the partners have subdivided and sold at least 232 acres with extensive road frontage; a number of buyers confirm they paid $1,500 an acre and higher for the undeveloped home sites.

Mr. Harris acknowledges that the transactions "could give the public the impression that something was wrong," but he maintains that he paid fair market value for land that "anybody else could have bought" for the same price. "There is no possible impropriety," he says.

In Indianapolis, a spokesman for Amax says the company realized there was "a potential conflict" when it decided to sell the land to Mr. Harris. But he adds that the company "went to great lengths," including getting an outside appraisal for the property, before it signed the deal. Amax asserts it put the property "on the open market" several months prior to the December sale but didn't receive another offer at that price.

In St. Louis, Peabody officials say they sold the property to Mr. Harris and Mr. Bussing for about $70 more per acre than the price established by an outside appraisal in July 1978. Peabody didn't have any immediate comment on the negotiations leading up to the sale or whether company officials in Indiana expressed any doubts about the transaction.

Mr. Harris's land transactions raise questions about the propriety of a lawmaker's doing business with major strip-mining concerns whose operations are directly affected by his official activities. Last year Mr. Harris was chairman of the state senate's committee on natural resources, environment and agriculture, which has jurisdiction over major legislation involving Indiana's 90-odd strip mines. In 1978 and 1979, the 51-year-old legislator headed the state's Natural Resources Advisory Committee, which was created to oversee the Indiana agency that enforces strip-mining laws.

Contrary to Indian law, Mr. Harris in 1979 failed to disclose his involvement in the land-buying partnership when he filed his annual financial-disclosure form required by the state legislature. For 1980, Mr. Harris's Senate financial-disclosure form did list the partnership and described its main area of business as "investments."

In October 1978, land records show, Peabody Coal deeded over to Mr. Harris and his partner approximately 450 acres for a total purchase price of $175,000, or slightly under $390 an acre. About two years later, courthouse records show, the two men purchased another 1,030 acres from Amax's Meadowlark Farms, Inc. unit is the same general part of the County.

The average price of $250 an acre for the second purchase "was ridiculously low," contends one real-estate man who has studied the Amax property. He asserts that similar land, but with nowhere near the road frontage they bought, was selling for anywhere from $1,000 to $3,000 per acre."

Large portions of both tracts listed in the deeds are reclaimed strip-mined land, marred by the steep, furrowed hills and scraggly vegetation characteristic of so much land around here. But other areas apparently haven't been stripped at all, and a good part of the property is suitable for immediate construction of homes.

Indeed, the low prices paid by the Harris partnership for such land haven't escaped the notice of some local business people. One local banker fumes that "$250 an acre is a very, very low price. It's almost unheard of these days."

Another businessman, who has received $15,000 for three-acre lots not far from the land Mr. Harris is selling, says only reclaimed land that is entirely unsuitable for building sells for under $750 or $1,000 an acre anywhere in Warrick County. "I made an offer to buy some of the land at that low price, but Amax didn't want to discuss it further," he recalls. (Much of the partnership's land is assessed at $63 an acre or less, according to county records, but local real estate people say the assessed value of such land has little relation to market value.)

DISPUTE OVER BLASTING

The sales price by Meadowlark Farms to the partnership contrasts with the Amax unit's purchase last summer of more than 600 acres of reclaimed and unmined land in the county from Aluminum Corp. of America. The average price for that transaction, according to state tax records, amounted to approximately $2,200 an acre.

Mr. Harris says he made a "fair" profit for selling some of the land that he purchased from Amax, considering that he and his partner didn't put in sewers, roads or other costly improvements before they sold it. He asserts that hundreds of additional acres held by Amax are still on the market in the area for the same $250 per acre.

In addition, the legislator says he "fully informed the White House" and congressional staffers about the transactions two months before his prospective selection was announced. "I have acted in good faith," he says. Mr. Harris adds that he didn't disclose his involvement in the partnership in 1979 because he understood it wasn't required.

A White House spokesman confirms that Mr. Harris "raised the subject" of his private land purchases before his name was announced. But the administration is still waiting to receive his completed federal financial-disclosure forms.

Ray Rankin, the local real-estate man who

sold some of the property for Mr. Harris, says the partners originally "paid a fair price for it as a large parcel" because very few people in the area could come up with the hundreds of thousands of dollars necessary to buy such a large tract. Mr. Rankin says the partners are providing private financing for the families who purchase individual home sites from them, which he says is a big reason they can charge the prices they have been getting.

Both Amax and Peabody have been involved in disputes from time to time that resulted in state actions. But there isn't any evidence that the companies have received political favors from Mr. Harris.

If Mr. Harris gets the federal post, he would run an agency with more than 750 employes and a yearly budget of $180 million. More important, he would be the federal official with the greatest influence over the way companies are permitted to strip land for coal; what they must do to restore the land for other uses; and how much it will cost such concerns as Amax and Peabody to comply with federal and state environmental constraints.

SUPPORT FROM SENATOR LUGAR

Mr. Harris' nomination capped years of efforts to build a solid political base in this area, according to both friends and foes. After a stint on the local school board, the trim, gregarious geologist served two years in the Indiana house of representatives before winning a state-senate seat in 1975. His colleagues in 1977 named him one of the five outstanding freshman senators. Last year, Mr. Harris was reelected to the senate as the only Republican member from the predominantly Democratic coal-mining area of southern Indiana.

Mr. Harris, who runs his own geological-consulting firm, received strong support for the federal strip-mining job from Republican U.S. Sen. Richard Lugar of Indiana and at least one coal-industry group that applauded his "wealth of coal-related experience." Mr. Harris almost certainly will keep his state senate seat until the U.S. Senate votes on his nomination in the next few weeks.

When the White House announced Mr. Harris' nomination earlier this month, Interior Secretary James Watt praised the Indiana legislator's "commitment to environmental responsibility" and his years of work "in conjunction with" the federal surface-mining office to bring Indiana's law in line with the 1977 Surface Mining Act.

DENOUNCING THE FEDS

In his home state, Mr. Harris is widely regarded as one of the most outspoken opponents of current federal strip-mining enforcement programs. Mr. Harris, among other things, played a major role in persuading state officials to spend the past few years in court attacking the constitutionality of some federal mining regulations. Two months ago, in the latest round of legal skirmishes, the state filed still another action in a federal court in Indianapolis against the Interior Department and the surface-mining office. Two Amax units and Peabody Coal filed a companion suit at the same time also attacking the validity of the federal rules.

As chairman of the natural-resources committee, Mr. Harris shepherded through the Indiana legislature a 1980 strip-mining bill that denounced federal strip-mining initiatives as "an intrusion into the land-use and planning control" that should rest with the state. The legislature's "overriding consideration," the bill said, should be to "prevent further federal encroachment" in this area.

Such a stance is consistent with Interior Secretary Watt's publicly announced intention to "reorient" the mining agency's operations by quickly putting in a host of new faces; loosening some reclamation regulations that have prompted bitter complaints from state and industry officials over the years; and sharply reducing the federal government's role as a watchdog of companies that illegally damage the environment.

REAGAN'S PICK FOR STRIP-MINE WATCHDOG HOLDS OPTION TO BUY MORE COAL PROPERTY

(By Andy Pasztor)

WASHINGTON.—President Reagan's choice to be chief enforcer of strip-mining laws holds an option to buy an additional 1,030 acres of reclaimed land from Amax Inc., the coal producer that sold him a similar chunk of property last December at bargain prices.

In an interview, James Harris confirmed that a partnership he formed was granted the option when it bought more than 1,000 acres of reclaimed strip-mined land in southwestern Indiana. The Indiana State Senator said a roughly $400-an-acre maximum price was set on the land under option but that the partnership hasn't acquired any of the property.

Moreover, Mr. Harris conceded that the contract with the coal company was structured so that profit from the first sale could be used to exercise the option on the second tract.

Meanwhile, a former Amax official, who negotiated the 1980 transactions, yesterday asserted that the company never had placed any of the property on the open market. He said Amax had decided "nearly three years earlier that Dick Harris could have all of the land" if he met what the company considered a fair price.

Gibson Martin, who was Amax's chief real estate official in southern Indiana, said in an interview that the coal company therefore never actively sought out nor considered offers for the land. Mr. Martin left the company around the beginning of this year.

As previously reported, land records and interviews with local real estate agents and residents show that comparable land in Warrick County is selling for at least $1,500 an acre.

In Indianapolis, Amax hadn't any immediate comment.

As reported earlier, the partnership paid Amax $250 an acre for the first tract. Within two weeks, the partners started selling lots for homes at five or six times that price.

Mr. Martin said Amax's attorneys and its top management never informed him of any potential conflicts from doing business with a state legislator. When Mr. Harris negotiated the sale, he was chairman of two legislative committees responsible for drafting new strip-mining laws and monitoring strip-mining throughout Indiana.

In response to questions about Amax's decision to do business with the lawmaker, Mr. Martin said the company recognized that Mr. Harris "wasn't an enemy of the coal industry. Why shouldn't you do business with your friends," he asked, so long as "anybody else would be charged the same price?"

The former Amax official, however, reiterated the mining company's contention that it sold the property for more than its fair market value as determined by an independent appraiser. Mr. Martin recalled that he told Mr. Harris three years ago: "I will let you have the first shot at buying the land—but only at my price."

Mr. Harris, however, denied that version of the transaction. He asserted that he didn't receive a commitment from Amax to sell the property to the partnership until last summer and that he understood the company had made efforts to solicit other buyers for the land.

The partnership's profit from the transactions "probably won't approach a million dollars," Mr. Harris said. He indicated that he and his partner hope to exercise the option despite his expected nomination to head the Interior Department's Office of Surface Mining.

The legislator said he told White House officials about the private business deals before news of them surfaced in the press this week.

Mr. Harris reiterated that he didn't see any impropriety in buying land from a company whose operations could be affected by his official activities in the legislature. "If you're going to live in Warrick County . . . and if you do buy and sell land . . . you're going to do business with the coal companies," Mr. Harris told an impromptu news conference at the statehouse, according to the Associated Press.

In a telephone interview, Mr. Harris repeated his assertion that some of the land acquired from the company will sell at very low prices and "some of it is possibly unsalable."

Mr. McCLURE. Mr. President, the committee, despite Mr. Harris' past record, took those allegations very seriously. Prior to the committee hearing, an extensive review of the allegations was made by the administration, including a specific full-field investigation by the FBI. At my direction, in cooperation with Senator JACKSON, the committee staff conducted an independent inquiry which included interviews with the key persons involved in the transactions. The committee then held a hearing on Mr. Harris' nomination which included sworn testimony from the following individuals involved in the land transactions:

James R. Harris.

W. C. Bussing, Harris' business partner.

William V. Hartman, executive vice president, Peabody Coal Co.

John M. Bagby, administrative director—land, Peabody Coal Co.

Lee Nickerson, controller, AMAX Coal Co.

Don McCollum, land use economist and real estate representative, AMAX Coal Co.

J. Nat Noland, manager—State and media affairs, Indiana, AMAX Coal Co.

Gibson Martin, Sunmark Exploration Co. (formally director of real estate, AMAX Coal Co.).

George J. Davidson, MAI, Appraisal Associates.

The purpose of the hearing was stated succinctly by Senator JACKSON as follows:

And the purpose, of course, is to make certain that there is a proper ventilation of all of the allegations that appeared, especially in the Wall Street Journal. By responses given by the people referred to in the articles and other leads that we have run down, the fact that all of those individuals will be testifying here under oath should lay to rest one way or the other previous allegations made.

I feel very strongly, as I know the Chairman does, that when allegations of this seriousness have been made that the public has the right to know the answers. Mr. Harris also has the right to have the responses given to those allegations under oath. Fair to him as well as to the public. So I commend the Chairman for the thorough investigation that has been made, and I look forward to the testimony." (Hearing Transcript, p. 6)

The full printed hearing record of this proceeding is not yet available to the Members, so I will set out in pertinent part the relevant testimony and responses to questions so they might be a matter of record at this point.

I would note at the outset that Mr. Harris was presented to the committee by the following distinguished members:

Senator RICHARD G. LUGAR, Senator DAN QUAYLE, Congressman H. JOEL DECKARD, and Congressman JOHN T. MYERS.

In particular I commend to my colleagues the statement of the senior Senator from Indiana, which I submit for the RECORD.

Mr. Harris then gave sworn testimony in which he responded fully and forthrightly to all allegations raised against him including details of his legislative activities during the period, steps taken to avoid conflicts of interest, his business relationship with Mr. Bussing, and his role in the Indiana State lawsuit challenging the 1977 Surface M ning Act. He categorically denies any legislative favoritism as a result of the land transactions. Both the Peabody and AMAX deals were at arm's length with final terms above the fair market value established by independent appraisers.

I ask unanimous consent to have the testimony printed in the RECORD.

There being no objection, the testimony was ordered to be printed in the RECORD, as follows:

STATEMENT OF JAMES R. HARRIS

Mr. Chairman and distinguished members of the committee. I am Dick Harris of Evansville, Indiana, President Reagan's nominee for Director of the Office of Surface Mining Reclamation and Enforcement in the Department of Interior. I am here to provide for you, and this committee whatever information you may find helpful in the confirmation process.

I would like to express my appreciation to Senator Lugar, Senator Quayle and Representatives Deckard and Myers, along with the many people in State government, the coal industry—including management and labor—and environmental and conservation groups who offered their support during the nominating process.

My background has been a mixture of professional and business pursuits along with many years of public service. Educated and trained as a geologist, and having been certified as a professional in that area, I have been involved, a good portion of my life, in the exploration for and production of fossil fuels, principally petroleum, and to a lesser degree, coal.

I grew up in Southwestern Indiana's coal producing area and am the product of a number of generations of coal miners, both underground and surface.

During my seven years of service in the Indiana General Assembly, I served two years on the House Natural Resources Committee and five years on the Senate Natural Resources, Environment and Agriculture Committee, three of those years as its chairman.

The passage of the 1977 Surface Mining Act came about during my tenure in the Indiana Senate. It was a source of a great deal of concern to State government, and mine operators alike, that a State that had previously been in the forefront of surface mining reclamation—Indiana having been the second State to adopt such legislation (1941) and having had on its books since 1967, surface mining legislation that had been used as a model in several other States—was now to have a Federal program imposed upon it.

It was the position of Indiana's administration, at that time, that this was another Federal intrusion into an area, properly the responsibility of the States, and that they wanted no part in its enforcement. To the best of my knowledge, no effort was anticipated, by the administration, to bring about a State program in Indiana.

As the only majority member of the Indiana Senate, from the coal producing area of the State, and as Chairman of its Natural Resources, Environment and Agriculture Committee, I felt that it was necessary that I study the Act, meet with interested groups and representatives of the Office of Surface Mining (OSM) to make a personal determination of what my legislative position should be on the matter.

Having done this, I introduced, and successfully worked for the passage of, a resolution providing for the establishment of a joint House-Senate study committee to prepare legislation to bring Indiana's surface mining and reclamation laws into compliance with the Federal Act. The legislative leadership named me to chair the committee and to author any resulting legislation. The work effort of that committee resulted in a bill which I introduced in 1980 and successfully managed to final passage.

Submission of the bill to OSM resulted in some 80 pages of comment rather than approval. Another bill generated by that committee, and authored by me, passed the 1931 session. It is my understanding that some three-fifths of Indiana's program has now been approved and final approval should come before the end of the year.

I have a working knowledge of the Act, and I think it is a workable law. When Secretary Watt first interviewed me for this position. I told him that I had no serious problems with what was required in the Act itself, but that I did have, and continue to have serious reservation about some of the regulations and the manner in which they have been applied.

There is no reason to write regulations in such a manner that a person must be decreed in both law and engineering to understand how to mine coal and reclaim land. It is counterproductive to write regulations that may well preclude development and application of better methods.

I feel strongly that we can remove the excessive and unduly burdensome requirements of the regulations without weakening the environmental standards mandated by the Act. If confirmed, I assure you that coal will be mined in an environmentally sound manner and the mined land will be properly reclaimed, as the Congress intended by the passage of the Act.

I am personally committed to that goal, but for the program to succeed to its fullest, it will have to be done in a manner in which the States, OSM, the mine operators and particularly, the citizens living in our mining communities—whose health, safety and quality of life are affected by surface mining—regain some semblance of mutual trust and cooperation. No such program can be successful or productive in an atmosphere of distrust, constant litigation and adversarial posturing.

One of the mistakes of the previous administration was that of not taking all of the interested parties into its decision making process when establishing its program, policies and rules. As a result, OSM is held in low esteem by most who are interested in its activities, particularly the States.

This program can succeed only if the agency is operated with an "open door" policy, seeking and taking advise and counsel from all interested parties, the States, the industry, citizen groups and you gentlemen sitting here. That has always been my method of operation in government and if confirmed, I plan to meet regularly with the interested parties and with members of Congress, to attempt to keep them fully informed and to allow them full access to the regulatory process.

Since my name first surfaced as a possible nominee for the position as Director of OSM, many people, including Secretary Watt have asked of me, why I would accept that position, given the unpopularity of the agency with almost everybody, the emotional nature of its regulatory mission and its past history of continuous controversy. My answer to that question has been, and continues to be, that I believe that if this Nation is to rebuild its economic and industrial base, one of the most important things, essential to that effort, is that we be able to produce, market and utilize coal, at the lowest practicable cost, in keeping with sound environmental practices—and that I believe that I can make a contribution to that end.

I received early warning that whoever was chosen for the position of Director of OSM, the appointee would immediately become controversial and that the confirmation process would not be an easy one. I accepted that fact, but certainly did not anticipate the events that followed.

In spite of a sound environmental record, compiled over seven sessions of the Indiana General Assembly, I was immediately referred to as a "fox guarding the hen house," by many who knew nothing of my previous record in the environmental area.

I have been in public life over a lot of years, as have most of you gentlemen. I have taken my lumps from the press over those years—as I am sure you have. I have had my judgement, my political philosophy and my stances on certain issues questioned and I seldom flinched. All that is within the legitimate, professional mission of the press.

When, on March 18, the Wall Street Journal ran the first of two damaging articles about me on page one, I was in a state of disbelief. No journalist had previously attacked my integrity, through the 19 years since my name first appeared on a ballot.

My friends and colleagues and the people who know me and my record, and those who had any knowledge of sale prices of mined lands, were equally amazed.

Thus the issue was raised, and I am extremely grateful for this opportunity to lay out all of the facts and lay those questions to rest, once and for all.

Actually three allegations were made: (1) that I had purchased mined lands at "bargain" prices from Peabody Coal Co. The truth of the matter came out at another point in the article which indicated that the price paid was 22 percent over an appraisal set by an independent appraiser. Another fact not mentioned was that those properties were advertised in newspapers of wide circulation over an extensive period and were available to any qualified buyer; (2) that I had purchased lands from a subsidiary of Amax Coal for less than "one quarter of what comparable acreage" was selling for in the area. I have provided this committee the appraisal report upon which this appraisal was based.

The Wall Street Journal article attempted. in one case, to compare sales prices of some of the prime farmland in Warrick County with the stripped areas that were purchased. In addition, the availability of Amax properties had had an extensive exposure to many real estate investors and brokers prior to my being aware that Amax had decided to dispose of it; (3) that "contrary to Indiana law" I had failed to disclose my involvement in the land buying "partnership" when I filed my annual financial disclosure form in 1979. The association of Harris and Bussing is one of two people owning land as tenants in common, just as I have owned land with my brother, a former associate in the telephone business and other people. This association took on no partnership status at all until, in the tax filing process for 1979 taxes, payable in 1980, Mr. Bussing's accountant determined that the simplest method of figuring and reporting would be to make up a partnership return, and supply each of us a copy to be submitted with our personal returns. On April 15, 1980, a federal identi-

fication number was requested for "Harris-Bussing-joint venture." My disclosure statement, required of legislators had been filed in January 1980. This association was duly reported in January 1981.

The questionable handling of information found throughout the Wall Street Journal articles is typified by the opening paragraph which speaks of Warrick County as "this poor coal region" when in fact its growth rate from 1970–1980 was 48.3 percent making it the second fastest growing county in Indiana.

In 1979, the latest year's figures available to me, the annual average weekly income of all reporting employment in Warrick County was the highest for any county in the State. Its assessed evaluation per student is among the highest in the State. By most indicators, it is far from being a poor county.

At the request of the committee, I have prepared some 18 pages of comment on the Wall Street Journal articles, and have attached a copy as a part of this statement.

The first information that I had concerning the availability of the Peabody property came when Mr. Bussing brought to my attention an ad that he had clipped from the Evansville Sunday Courier and Press, and a brochure that he had gotten when he replied to the ad. We decided we should take a look at the "Victoria Property" and I called Tom Barclay in the Evansville office of Peabody to request further information. I called Mr. Barclay rather than the person named in the ad since I have known Tom since I first started working at Sunlight Coal Company, when I was 16 years old, and where he was employed at that time.

After somewhat protracted negotiations, including several types of offers on our part, which were rejected, we finally arrived at a cash price of $175,000, which was agreed to by Peabody's people and Bussing and I.

I was not aware of who in the Peabody organization had the final authority to approve the sale, but it wasn't anyone that I was acquainted with. I was not aware, until the Wall Street Journal article, that we had paid a price well in excess of the value set by an appraiser.

In the case of the Amax property, it was again Mr. Bussing who brought to my attention that Amax had decided to offer for sale, the property which we purchased. He had been contacted by one or more people asking him to become a part of a group to be set up to purchase the properties.

During the period from about May 30, 1980, to about mid-July 1980, I had been incapacitated due to a ruptured appendix and a long period of convalescence. It was about that mid-July time that Mr. Bussing suggested that we contact Amax to obtain whatever information they had available on the property. I called Nat Noland, a member of the Amax Legislative and Public Relations Department, who put me back in touch with Mr. Gib Martin of their land department. I expressed a continuing interest in the property to Mr. Martin. He furnished me with a large aerial photograph showing the boundaries of some 2,700 acres that Amax proposed to sell in one tract.

Mr. Bussing and I studied the map, realized that we could not handle it in one purchase, and decided to make an offer based upon a three step purchase of about 900 acres per purchase with options to acquire the entire 2,700 acres over time.

When we met in mid-August with Mr. Don McCollum of Amax, and at that time determined that they had sold and traded off about 700 acres of the more accessable acreage, leaving a balance of 2,060 acres. Mr. Bussing and I then made an offer on a two step purchase that would have allowed us to buy half of the acreage and be granted an option on the second half.

Mr. McCollum indicated that our proposal would be unacceptable to his management people, but suggested that they might act favorably on a proposal that would include a considerable cash consideration for the option on the second parcel and an advanced price on the second parcel.

After considerable negotiations, we agreed upon the terms under which we finally executed the agreement. I had no knowledge of who in the Amax operation had final approval over such matters, but it was nobody that I had any dealings with or knowledge of.

Now, I want to make a few points as clearly and as forcefully as I can: I made no clandestine deals with any coal company and have no reason to believe that I have been given any special consideration by them. The transactions were above board, were carried cut in a competitive market, the prices paid were equal to or in excess of independent professional appraisals, the properties were available to a wide range of qualified buyers and notices of the conveyances were published in several newspapers.

The idea has recently been advanced, from one sector, that somehow, if I am confirmed, I will not be the policy maker at OSM, but that policy would be set by others in the office. This seems to me to be a situation in which these people find nothing to attack in my record and have taken it upon themselves to attempt to predict my future.

In the past there have been two things that even my detractors have not questioned, one is my leadership ability and the other that I have always been my own man.

On first meeting with Secretary Watt, I told him that I did not need the job and that one of my requirements, if I was to make myself available for the position, was that I would have autonomy in setting policy in the office. He readily agreed to that and I have no reason to believe that his commitment to me has changed. I will set the policy at OSM in keeping with the general policies of the Secretary and the administration.

Gentlemen, I will bring to this job a critically needed understanding of State government and an appreciation for and sensitivity to the State's point of view. This understanding is vital as we move rapidly toward the State's taking primary responsibility for enforcing the Act, as the Congress intended. I would seek to eliminate the devisive, adversarial relationships that have built up and bring the States into a full partnership in the administration of the program.

I reject, categorically, any suggestion that the States cannot do the job, or somehow cannot be trusted to do the job. I have met with many of the State leaders, and I assure you that they have the resources and the ability—and stand ready to assume their share of the responsibility.

I stand ready to work to the limits of my abilities in directing the administration and enforcement of Public Law 95–87 and the Secretary's regulations. I ask the support of this committee in the confirmation process.

STATEMENT ON THE MAKEUP AND ROLE OF INDIANA'S CITIZEN LEGISLATURE, STATE'S COMMITTEES, ETC.

The Indiana General Assembly is a part-time citizen legislature which is limited to meeting 31 working days in even numbered years and 61 working days in odd numbered years. This type of legislature is favored by an overwhelming percentage of the people of Indiana.

The very nature of the makeup of this type of legislature leaves its membership open to endless accusations of conflict of interest from some quarters. The fact that it is the practice in Indiana to utilize the background and abilities of its members to the fullest extent leads to many of its members functioning legislatively in the same areas in which they earn their livelihood. As a result of this practice, I have been a member of the committees on Natural Resources in both Houses of the Indiana General Assembly and chairman for three years in the Senate.

The following examples are cited as to the situation on other standing committees in the Indiana Senate:

1. Elementary and Secondary Education Chairman, Sen. John Sinks—High School Counselor.

2. Public Health and Human Services Chairman, V. Richard Miller, President of a family corporation, one of the larger nursing home operators in the state.

3. Insurance and Financial Institutions Chairman, Sen. Richard Worman, Manager of a large insurance agency.

4. Judiciary Chairman, Sen. Leslie Duvall, a practicing attorney.

5. Labor and Pensions Chairman, Sen. Joseph Harrison, an industrialist, also serves as majority floor leader.

6. Higher Education Sen. Roger Jessup, an educator.

7. Roads and Transportation Ranking Majority Member and Acting Chairman, Sen. Elmer Mc Donald, owner of a ready mix concrete company.

8. Our President pro tempore, Sen. Robert Garten, earns his livelihood as a management consultant and convention speaker, and recently was accused of conflicts for doing business with and receiving payment for speeches before groups having business with the General Assembly.

During the last session of the Indiana General Assembly, one of the Indianapolis newspapers charged several legislators with either conflicts or apparent conflicts of interest. I see no possible way, nor do I know anyone who can suggest a way to operate a citizen legislature without possible apparent conflicts. That fact may very well force Indiana into adopting a full time legislature at some time in the near future, regardless of the wishes of the legislature or the citizenry.

Qualified candidates for the General Assembly are becoming more and more difficult to find, because of the hardships of serving and the accusations and abuse directed at its membership.

A SHORT SUMMARY OF THE LENGTHS TO WHICH I HAVE GONE TO AVOID THE POSSIBILITY OF CONFLICTS OF INTEREST OR THE POSSIBLE APPEARANCE OF CONFLICTS OF INTEREST

1. A review of the information submitted will indicate that I belong to no business or professional organizations that might be in a position to be lobbying programs before the General Assembly, even including the Evansville Chamber of Commerce. Many legislators are "joiners" who belong to long lists of such organizations. I chose not to establish such relationships because the possible appearance of conflict did exist.

2. Since I was well known to both mine operators and large coal users in Indiana, I was approached on a number of occasions to intercede either on behalf of an operator or a coal broker with some large uses in an attempt to gain business for the producer or broker. I have been approached to act as an agent or become a broker. I chose not to do this and never so much as placed one call to purchases.

3. Being a working geologist and having been familiar with the provisions of P.L. 95–87 and the regulations published pursuant thereto, I was in an ideal position to assem-

ble a staff representing the various disciplines required to provide a complete consulting service to the industry to handle permitting and contract work under the Act. I was approached by the Indiana Coal Association, at one point, to assemble such an organization to supply those needed services to its membership. Single small operators also made such a suggestion. I was contacted by a consulting laboratory in Evansville, doing various analyses to associate myself with their operation.

I pursued this idea to the point of talking with the association's staff and with the Office of Surface Mining's Region III people, all of whom offered encouragement. My choice not to form such an organization was based upon the fact that this might be perceived by some as a possible conflict of interest.

4. I have, over the years, traded some common stocks, not in large blocks, but in numbers significant to me. I sold the last mining stock that I held in July of 1975 and although I might well have been able to anticipate that market to some degree, I have not been in ownership of any mining stocks since that time.

COMMENTS

During my period of service in the Indiana General Assembly, I have prided myself in being as clear of possible conflicts of interest or appearances of possible conflict as any legislator there.

I have been happy not to have been in the position of some attorney—legislators who must vote on issues of importance to some of their clients or the legislator who is the employee of a company being affected by legislation upon which he or she must vote.

I believed that I was showing equally sound judgment and sensitivity to possible conflicts of interest or appearances of conflicts of interest in my dealings with Peabody and Amax in the land purchases in question.

1. We entered into negotiations in a competitive market, after the availability of the properties was known to many people. In neither case were we informed by the company of that availability, but learned of it either through advertising or secondhand knowledge from other people who knew of its availability.

2. In no case did we ask for or receive special treatment. In the case of the Peabody purchase, paying 22% over the appraisal is not special treatment. In the case of the Amax property, the advancement of the price with each increment of the option and the sizable, forfeitable cash outlay for the option and a possible extension on the option were not special treatment.

3. At no time were we in direct contact with the person or persons who made the decisions as to whether or not to accept our offer. Those decisions were made by someone at corporate headquarters, well up the line from anyone we were talking to.

BACKGROUND AND BASIS OF LONG-TERM BUSSING-HARRIS RELATIONSHIP

I have known W. C. Bussing, Jr. for a period of about 20 years. My first meeting with him occurred when a now deceased former partner of mine, Lloyd Norrick, a geologist, purchased a new home from Bussing Construction Co. Norrick and Bussing became friends and I became acquainted through Mr. Bussing.

Subsequent to that, Mr. Bussing participated with Norrick and I in some exploration projects and purchases of producing oil properties.

After I was defeated in the 1974 election and had sold my telephone interests, I was looking over some real estate investments. Having been away from that type of investment for some time, I contacted Bussing and we discussed the possibility of entering into some joint ventures.

We were two of four shareholders in Temp-Tek Corporation, an insulation manufacturing business, which we closed out. During that period or shortly after, we purchased a tract of speculative river front property on Green River, in Henderson County, Kentucky, which we disposed of in 1980. We acquired the Peabody Properties and then the Amax Properties.

Our association in the ownership of these properties has been on a 50/50 basis, with each of us contributing equal moneys toward the purchases, accepting equal responsibilities for any moneys borrowed and will share equally in any resulting profits.

Mr. Bussing's business interests are confined mainly to real estate investments, real estate development and as a shareholder in a heating and air conditioning company and a sewer contracting company.

Our relationship is both business and social.

FUNCTIONS AND JURISDICTION OF THE NATURAL RESOURCES ADVISORY COMMITTEE

The Natural Resources Advisory Committee of the Indiana General Assembly functions in an "oversight" capacity only to the extent it reviews proposed legislation in the natural resources area, generated either by the department or interested individuals, groups or legislators and, to some degree, keeps abreast of, and reports back to the legislature, concerning various functions of the department. It has no direct role in the day to day operations of the department, it being an arm of a very strong executive department.

FUNCTIONS AND JURISDICTION OF THE NATURAL RESOURCES, ENVIRONMENT AND AGRICULTURE COMMITTEE

This committee is a standing committee of the Indiana Senate, which reviews the bills assigned to it by the President Pro-Tempore of the Senate. The committee holds public hearings, has the ability to offer and adopt or reject proposed amendments and may choose to retain the bill in committee or report it out with either no recommendation or a "do pass" recommendation.

FUNCTIONS AND JURISDICTION OF THE SURFACE MINING STUDY COMMITTEE

This was a joint House-Senate study committee, appointed by the Legislative Council pursuant to the passage of a Senate Concurrent Resolution providing for the appointment of such a committee to study P.L. 95-87 and to prepare legislation to bring Indiana's surface mining laws into compliance with the Federal act. I had sponsored the resolution and was appointed to chair the committee.

The committee was made up of legislators from the coal producing area of Indiana, where possible, and included other legislators, including three attorneys. The legal counsel assigned to the committee was the Governor's son.

A task force made up of committee members, concerned citizens, operator representatives and Department of Natural Resources personnel put together draft legislation for the committee. This was studied and discussed by the committee. Two public hearings were held, one in Terre Haute and one in Evansville. A final draft was approved by the committee for introduction in the 1980 session.

After passage of the bill, it was submitted to the Office of Surface Mining for comment. The committee, during the 1980-81 interim managed the preparation of amendments to satisfy the Office of Surface Mining's comments. Those amendments passed in the 1981 session.

If the U.S. Senate confirms Mr. Harris as director of the Interior Department's Office of Surface Mining, the companies under his jurisdiction will include two big coal producers that in recent years granted him land deals here potentially worth millions of dollars. Moreover, state and local records show that the Evansville, Ind., legislator struck these private deals while he was chairman of committees responsible for strip-mining legislation and enforcement of strip-mining laws.

The statement that the subject land transactions were "potentially worth millions of dollars" is a gross exaggeration, measured by any yardstick and particularly when independent professional appraisals, the recognized method of factual property evaluation are even considered.

Rather than "private deals", all available evidence indicates the Peabody properties were widely advertised for some period before Bussing and Harris even inquired about the properties. Thus their availability was widely known. The article indicates that the price paid was 22 percent over the appraisal.

In the case of the Amax properties, third parties known to and unknown to me have attested to the fact that the property was available to others as much as six months prior to our first meeting with the company's representative after they had decided to dispose of the property.

None of the legislative committees on which I served were in any way responsible for enforcement of strip mining laws.

Since October 1978, county records show, a partnership formed by Mr. Harris acquired at bargain prices nearly 1,500 acres of reclaimed strip-mined land from Peabody Coal Co. and Amax Inc., two of the nation's largest coal producers. The partnership last December paid an Amax unit $250 an acre for most of the land, according to the official state tax stamp on the deed. That was substantially less than one-quarter of what comparable acreage in this rugged southwest corner of Indiana was selling for at the time, based on the county recorder's records and interviews with dozens of local land owners, bankers and real-estate experts.

Comparable acreage sale prices were the basis of both of the independent appraisals and showed that, in acreage blocks of the size acquired, the price paid by the partnership was well in excess of any of the bids received at public auction by Peabody in their attempt to sell very comparable acreage.

Turning a profit

Within two weeks of the December purchases, Mr. Harris and his partner, Evansville developer W. C. Bussing Jr., began turning a handsome profit by selling portions of their newly acquired holdings, frequently for five or six times what they paid for them. So far, the partners have subdivided and sold at least 232 acres with extensive road frontage; a number of buyers confirm they paid $1,500 an acre and higher for the undeveloped homesites.

Profit can only be established when all of the property has been disposed of. Certainly, selected tracts with good road access will move first, but profitability remains a question until the bulk of the property, much of which lacks road frontage and access, is marketed.

In St. Louis, Peabody officials say they sold the property to Mr. Harris and Mr. Bussing for about $70 more per acre than the price established by an outside appraisal in July 1978. Peabody didn't have any immediate comment on the negotiations leading up to the sale or whether company officials in Indiana expressed any doubts about the transaction.

The price paid to Peabody was some 22% above the appraisal set by an independent appraiser and my first contact with them concerning the property came after it had been advertised widely in newspapers of wide circulation. At a public auction held

somewhat later in an effort to sell similar land, none of the bids equalled the appraised price and all bids were rejected.

Mr. Harris's land transactions raise questions about the propriety of a lawmaker's doing business with major strip-mining concerns whose operations are directly affected by his official activities. Last year Mr. Harris was chairman of the state senate's committee on natural resources, environment and agriculture, which has jurisdiction over major legislation involving Indiana's 90-odd strip mines. In 1978 and 1979, the 51-year-old legislator handled the state's Natural Resources Advisory Committee, which was created to oversee the Indiana agency that enforces strip-mining laws.

The legislation drafted by the committee that I chaired attempted to mirror in Indiana law, the 1977 federal Act, and was subject to approval by the Office of Surface Mining, certainly not a situation in which I could have tailored its construction to favor any particular mining interests or the industry in general.

The Natural Resources Advisory Committee of the Indiana General Assembly functions in an "oversight" capacity only to the extent it reviews proposed legislation in the natural resources area, generated either by the department or interested individuals, groups or legislators and, to some degree, keeps abreast of, and reports back to the legislature, concerning various functions of the department. It has no direct role in the day to day operations of the department, it being an arm of a very strong executive department.

Contrary to Indiana law, Mr. Harris in 1979 failed to disclose his involvement in the land-buying partnership when he filed his annual financial-disclosure form required by the state legislature. For 1980, Mr. Harris' Senate financial-disclosure form did list the partnership and described its main area of business as "investments."

The association of Harris and Bussing is one of two people owning land as tennants in common, just as I have owned land with my brother, a former associate of mine in the telephone business and other people. It took on no partnership status at all until in the tax filing process for 1979 taxes, payable in 1980. Mr. Bussing's accountant determined that the simplest method of figuring and reporting would be to make up a partnership return, and supply each of us with a copy to be submitted with our personal returns. At that point, April 15, 1980, a federal identification number was requested for "Harris-Bussing—joint venture." My disclosure statement, required of legislators in Indiana, had been filed earlier in the year, during the session, either in January or February.

This association continues to have no partnership identity other than the I.D. number and a joint bank account.

The average price of $250 an acre for the second purchase "was ridiculously low," contends one real-estate man who has studied the Amax property. He asserts that similar land, "but with no where near the road frontage they bought, was selling for anywhere from $1,000 to $3,000 per acre."

The price paid was the price set by an independent professional appraiser, carrying an MAI designation, the highest professional designation recognized in that profession, based upon as are almost all appraisals on nonincome producing properties, recent sales of comparable properties. The records indicate that subsequent to the submission of that report 240 acres, a much more manageable size tract, adjacent to some of the more desirable land included in that covered by the option, and a portion of which was leveled under Indiana's 1968 Surface Mining Act, was purchased from private ownership by a Mr. Mark Warren for $50,000 or $208.00 per acre.

Much of the comparable land in the county, offered for sale by Peabody, in similar sized tracts, remains unsold after being widely advertised and offered for sale both at private treaty and at auction, for the reason that the prices offered have not met appraisals.

Large portions of both tracts listed in the deeds are reclaimed strip-mined land, marred by the steep, furrowed hills and scraggly vegetation characteristic of so much land around here. But other areas apparently haven't been stripped at all, and a good part of the property is suitable for immediate construction of homes.

All of the "reclamation" referred to that has been accomplished on the first 1030 acre purchase was done in accordance with Indiana's 1941 Reclamation Act, which required only the planting of evergreens on spoil banks. True, some of the land, probably about 15 percent is undisturbed and occurs in small, irregular tracts. Contrary to what the article says, very few lots and certainly not "a good part of the property is suitable for immediate construction of homes." (Reference aerial photograph submitted to committee staff.) This statement would lead to a serious question as to whether or not Mr. Pasztor, indeed, ever saw the property, a good portion of which is inaccessible, even to a four wheel drive vehicle.

Indeed, the low prices paid by the Harris partnership for such land haven't escaped the notice of some local business people. One local banker fumes that "$250 an acre is a very, very low price. It's almost unheard of these days."

If the local banker quoted has any knowledge of land transactions in his county, he should know of the land transactions cited and the unsold, comparable properties in his county available to any qualified buyer.

Another businessman, who has received $15,000 for three-acre lots not far from the land Mr. Harris is selling, says only reclaimed land that is entirely unsuitable for building sells for under $750 or $1,000 an acre anywhere in Warrick County. "I made an offer to buy some of the land at that low price, but Amax didn't want to discuss it further," he recalls. (Much of the partnership's land is assessed at $63 an acre or less, according to county records, but local real-estate people say the assessed value of such land has little relation to market value.)

The man quoted speaks of buying "some of the land at that low price." It is obviously the marketing technique of both Amax and Peabody to move the property in large tracts. But even in smaller tracts, land better located and with a larger proportion of road frontage was sold by Amax to Dr. Thomas Hamilton for $350.00 per acre, in December 1980.

The sales price by Meadowlark Farms to the partnership contrasts with the Amax unit's purchase last summer of more than 600 acres of reclaimed and unmined land in the county from Aluminum Corp. of America. The average price for that transaction, according to state tax records, amounted to approximately $2,200 an acre.

My conversation with Alcoa officials indicate that the property conveyed from Alcoa to Amax was undisturbed land, in fact, some of the premium agricultural land in the county, certainly is in no way comparable to the subject land.

Mr. Harris says he made a "fair" profit for selling some of the land that he purchased from Amax, considering that he and his partner didn't put in sewers, roads or other costly improvements before they sold it. He asserts that hundreds of additional acres held by Amax are still on the market in the area for the same $250 per acre.

My statement to Mr. Pasztor was that Peabody, not Amax had several hundred acres of land available for purchase in the same price range as the subject properties.

In addition, the legislator says he "fully informed the White House" and congressional staffers about the transactions two months before his prospective selection was announced. "I have acted in good faith," he says. Mr. Harris adds that he didn't disclose his involvement in the partnership in 1979 because he understood it wasn't required

I attempted to explain the non-existence of the partnership, until April 15, 1980, to Mr. Pasztor along with attempting to give him factual information or sources of factual information concerning several of his allegations, but it became obvious to me that he had his column written and was not interested in the facts in the case, but apparently interested only in contacting me to get a couple of answers to "when did you stop beating your wife" types of questions.

Both Amax and Peabody have been involved in disputes from time to time that resulted in state actions. But there isn't any evidence that the companies have received political favors from Mr. Harris.

The journalist waits until near the end of the story, on an inside page to note that although both Peabody and Amax were involved in actions at the state level, "there isn't any evidence that the companies have received political favors from Mr. Harris.'"

Mr. Harris's nomination capped years of efforts to build a solid political base in this area, according to both friends and foes. After a stint on the local school board, the trim, gregarious geologist served two years in the Indiana house of representatives before winning a state-senate seat in 1975. His colleagues in 1977 named him one of the five outstanding freshman senators. Last year, Mr. Harris was reelected to the senate as the only Republican member from the Democratic predominantly Democratic coal-mining area of southern Indiana.

In 1977, a vote of the Senate was taken for the award of "Outstanding Freshman Senator" from each party. A tie vote occurred between me and Senator John Guy, who had previously served as Majority Floor Leader in the Indiana House and has since served as Majority Floor Leader in the Senate. One award was given to the person chosen as the outstanding Democrat. Thus, three awards were given, not five as stated in the article. Prior to the last election Harris was the only Republican Senator from Indiana's coal mining area, there are now three.

In his home state, Mr. Harris is widely regarded as one of the most outspoken opponents of current federal strip-mining enforcement programs. Mr. Harris, among other things, played a major role in persuading state officials to spend the past few years in court attacking the constitutionality of some federal mining regulations. Two months ago, in the latest round of legal skirmishes, the state filed still another action in a federal court in Indianapolis against the Interior Department and the surface-mining office. Two Amax units and Peabody Coal filed a companion suit at the same time also attacking the validity of the federal rules.

My role in Indiana's suit was that of introducing a committee resolution memorializing the Governor and the Attorney General to consider testing the land use planning authority taken by the Federal government by the passage of Public Law 95–87, i.e. the provisions for declaring lands unsuitable and the prime farmlands provisions. I was never a party to any court action taken by the state. The action which I suggested was not against the regulations, but against the Act.

As chairman of the natural-resources committee, Mr. Harris shepherded through the Indiana legislature a 1980 strip-mining bill that denounced federal strip-mining initia-

tives as "an intrusion into the land-use and planning control" that should rest with the state. The legislature's "overriding consideration," the bill said, should be to "prevent further federal encroachment" in this area.

The language referred to here that was made a part of both surface mining bills which I authored (1980 and 1981), was supplied by Ice, Miller, Dinadio and Ryan, an Indianapolis law firm and the Attorney General, and it was made clear to me that the language had to be included as a preamble to any legislation introduced to comply with P.L. 95-87. The language was tailored in such a manner as to prevent any legislation passed subject to the filing of the federal suit from interfering with that suit. Had that language not been included, a veto by the Governor would have been a certainty. Without those two bills Indiana would now be two years behind in its progress toward adopting the program.

March 19, 1981 Wall Street Journal article:

"WASHINGTON—President Reagan's choice to be chief enforcer of strip-mining laws holds an option to buy an additional 1,030 acres of reclaimed land from Amax Inc., the coal producer that sold him a similar chunk of property last December at bargain prices."

Mr. Pasztor continues to use subjective terms such as "bargain prices." The reader's perception of "bargain prices" is probably that of the prices being something less than the established prices for something of equal value, when in fact the Peabody purchase was negotiated at a figure that, according to the first Wall Street Journal article, was "about $70 more per acre than the price established by an outside appraiser in July 1978." At $390 per acre that calculates out to be about 22% over the appraisal. The Amax purchase was negotiated at the appraised price for the first tract and graduated upward to $275.00 per acre if the option is exercised within twelve months and $290.00 per acre if the term of the option is extended to 18 months. A cash payment of $25,000 was required to secure the first option and another $25,000 is required if the option is to be extended to 18 months. Both of these sums are subject to forfeit, if the option is not exercised.

In an interview, James Harris confirmed that a partnership he formed was granted the option when it bought more than 1,000 acres of reclaimed strip-mined land in southwestern Indiana. The Indiana State Senator said a roughly $400-an-acre maximum price was set on the land under option but that the partnership hasn't acquired any of the property.

The "interview" referred to in the case of both calls that I received from Mr. Pasztor consisted of a short series of assertions and questions which I attempted to reply to as accurately as I possibly could, not having been given any chance to check documents, or, even in some cases, to finish my statements before he either countered them with hearsay or cut me off completely.

I believe the approximate figure I gave him as a maximum was $300 rather than the $400 stated, reflecting the $290 figure that is arrived at with the maximum of the option.

Moreover, Mr. Harris conceded that the contract with the coal company was structured so that profit from the first sale could be used to exercise the option on the second tract.

The writer chose the word conceded, which is commonly used to mean made a concession or acknowledged grudging or hesitantly. My memory of the conversation is that I attempted to explain the purchase plus option arrangement, which is a common real estate practice. I certainly made no statement indicating that "profit" from the first sale would be adequate to exercise the option on the second tract.

Meanwhile, a former Amax official, who negotiated the 1980 transactions, yesterday asserted that the company never had placed any of the property on the open market. He said Amax had decided "nearly three years earlier that Dick Harris could have all of the land" if he met what the company considered a fair price.

Gibson Martin, who was Amax's chief real estate official in southern Indiana, said in an interview that the coal industry therefore never actively sought out nor considered offers for the land. Mr. Martin left the company around the beginning of this year.

Private communication from Mr. Martin to me, which I will attempt to furnish to the committee staff, indicates that what Mr. Martin said to Mr. Pasztor or intended to imply to him was not entirely as reported. His "interview" was apparently similar to the "interviews" Mr. Pasztor conducted with me.

Certainly, the records of Amax and the communications from third parties having knowledge of the company's efforts to market the properties do not support the content of these claims.

As previously reported, land records and interviews with local real estate agents and residents show that comparable land in Warrick County is selling for at least $1,500 an acre.

Any serious review of this paragraph against facts about actual sales of comparable land will prove the claim to be completely erroneous.

As reported earlier, the partnership paid Amax $250 an acre for the first tract. Within two weeks, the partners started selling lots for homes at five or six times that price.

The best of the property began to sell first, as could be expected and a few lots moved at the multiples stated.

Mr. Martin said Amax's attorneys and its top management never informed him of any potential conflicts from doing business with a state legislator. When Mr. Harris negotiated the sale, he was chairman of two legislative committees responsible for drafting new strip-mining laws and monitoring strip-mining throughout Indiana.

One of the committees was charged with drafting the legislation, the other is a standing committee which held hearings on the bill before it was reported out to the Senate floor. Of course the bill had to pass the Senate, the House and be signed by the Governor before becoming law. Neither of these committees have any authority in monitoring surface mining throughout the state, as claimed in the Wall Street Journal article. That is purely a function of the mining and reclamation division of the Department of Natural Resources, an executive function.

The former Amax official, however, reiterated the mining company's contentions that it sold the property for more than its fair market value as determined by an independent appraiser. Mr. Martin recalled that he told Mr. Harris three years ago: "I will let you have the first shot at buying the land—but only at my price."

I do not remember a commitment for a "first shot," but I would not see that as out of the ordinary, if I were the first person to approach them on the property, and "their price" is what we paid, both to Amax and Peabody.

Mr. Harris, however, denied that version of the transaction. He asserted that he didn't receive a commitment from Amax to sell the property to the partnership until last summer and that he understood the company had made efforts to solicit other buyers for the land.

I do not remember having denied, outright, anything that Mr. Martin said, but I did state that I did not remember any commitment to sell the property to me, because there was none and Mr. Martin did not say that there was one. The records indicate that a great deal of effort was expended to find a buyer before I learned that the property was, in fact, available for sale.

The partnership's profit from the transactions "probably won't approach a million dollars," Mr. Harris said. He indicated that he and his partner hope to exercise the option despite his expected nomination to head the Interior Department's Office of Surface Mining.

When Mr. Pasztor called the day after his first article appeared, I protested the obvious inaccuracies of his previous article. When he asked for examples of the inaccuracies, I said something to the fact that there was no way that our profits could approach the millions of dollars of potential that he had stated. He obviously went from that to "won't approach a million dollars," which of course is a shading of the conversation that it could still be some very large figure.

Mr. McCLURE. Mr. President, Mr. Harris then responded to specific questions by Senator JACKSON and myself in which he denied, again under oath, any wrongdoing. I ask unanimous consent to have the testimony printed in the RECORD.

There being no objection, the testimony was ordered to be printed in the RECORD, as follows:

* * * * *

Senator McCLURE. You've given your personal explanation of the allegation regarding purchases of property from Peabody Coal Company and Amax Coal Company. At this point I'd like to ask you to state on the record under oath the answers to the following questions.

Did you at any time during your service as a legislator in the State of Indiana receive any favorable treatment with regard to the purchase of property from either Peabody Coal Company or Amax Coal Company due to your position in the legislature?

Mr. HARRIS. No, Mr. Chairman.

Senator McCLURE. Did you ever ask for or imply that you expected favorable treatment from any employee from either Peabody Coal Company or Amax Coal Company or any other person regarding the respective land transactions in exchange for services you might provide as a legislator?

Mr. HARRIS. No, Mr. Chairman. In fact I would say that with the relationship I've had with these companies, they would not ask me for anything in addition to my representation in my district and I would certainly not ask them for any favors.

Senator McCLURE. Did any employee of either Peabody Coal Company or Amax Coal Company or any other person ever offer or imply that you could obtain land that was for sale by the respective companies for a price less than what would result from arms length negotiation in exchange for services you might provide as a State legislator?

Mr. HARRIS. No.

Senator McCLURE. Did the purchase of land by yourself and Mr. Bussing from Peabody Coal Company in 1978 and from Amax Coal Company in 1980 have any influence whatsoever on your duties as an Indiana State Senator?

Mr. HARRIS. No, Mr. Chairman.

Senator McCLURE. Thank you very much, Mr. Harris.

Senator Jackson?

Senator JACKSON. Thank you, Mr. Chairman.

In the past, I think you were a party to the suit in attempt to declare the Surface Mining Act unconstitutional. In view of that participation, do you feel that you can nevertheless vigorously enforce the Federal laws?

Mr. HARRIS. Senator Jackson, I'd like to explain——

Senator JACKSON. I beg your pardon. I guess you were not a party, but you supported the legal effort to have it declared unconstitutional.

Mr. HARRIS. My part in that was as an author of a committee resolution memorializing the Governor and Attorney General to file suit in federal court questioning the constitutionality of two sections of the Act. One having to do with lands unsuitable and the other having to do with prime farmland. I as a State legislator and many of my fellow State Legislators felt that this was a federal intrusion into an area that had previously been under the purview of the States. Namely that of land use planning. And I think that I certainly was not the only one who held that sort or a view. Similar actions were filed in Virginia; other States joined these States in the suit. And I think we as State legislators are somewhat jealous of what we feel up to this time had been the rights of the States. That was my role.

The Supreme Court made a decision recently that those portions of the Act are constitutional, and so far as I am concerned that is now the law of the land and I can go ahead and enforce that law.

Senator JACKSON. And conscientiously support it in view of the Court's decision?

Mr. HARRIS. Yes, sir.

* * * * *

Senator JACKSON. I want to say that the nominee in my view, reviewing the record, has responded quite effectively to the allegations made against him. And I think he is to be commended at this point for giving those responses under oath. The witnesses that will follow will shed further light on that.

I really want to say that's why I'm not asking him any questions about the articles in the Wall Street Journal, because the questions have been put to him and he has responded, in my judgement, in a very forthright and commendable way.

Senator MCCLURE. Thank you, Senator Jackson.

* * * * *

Senator JACKSON. I just have one question, Mr. Harris.

What will the Bussing-Harris joint venture do in the future?

Mr. HARRIS. I have written a letter to Mr. Bussing some time ago saying that it will be signatory only. I have submitted a recusal statement that says I will not handle any decisions directly affecting Amax Coal Company until such time as the existing option on the additional Amax lands has either expired or is exercised, and there will be no additional purchases during my tenure here from any coal company regardless of the situation.

Senator JACKSON. Other than the existing option to purchase I think 1,000 acres from Amax, that is still pending?

Mr. HARRIS. Yes.

Senator JACKSON. But that is a part of the original transaction?

Mr. HARRIS. Yes.

Senator JACKSON. Which you entered into prior to your nomination.

Mr. HARRIS. Yes sir.

Senator JACKSON. You're not going to do any more such arrangements with Bussing as it relates to any of the activities of your office?

Mr. HARRIS. No sir. After my experience over the past four months, you can be assured I won't.

Senator JACKSON. You've been a good witness.

Senator MCCLURE. Thank you very much, Mr. Harris. We appreciate your attention to details and the cooperation that we have received over the last several weeks in preparing for this hearing. (Hearing transcript pp. 33–35, 39, 80–81.)

Mr. MCCLURE. Mr. President, Mr. W. C. Bussing, Mr. Harris' business partner in the land transactions, was called to describe the nature of their relationship and to discuss the events leading up to the property purchases. Following is his statement and his responses to committee questions, which I ask unanimous consent to have printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF W. C. BUSSING, JR.

In the early 1960's I became acquainted with Mr. Harris. At that time he was a practicing geologist with Norrick and Harris. I had built a house for Mr. Norrick in Evansville. Subsequently, I entered into several oil deals with the Norrick and Harris Company. Later Mr. Harris left the oil business to pursue other interests, and we remained friends through the years. I continued to develop land and buy and sell real estate.

In 1972 I purchased 120 acres of strip mine ground from an individual for $20,000.00. By coincidence this ground adjoined one of the three parcels or real estate that was later purchased in 1978 by Bussing and Harris from Peabody Coal. I sold off the 120 acres from 1972 to 1978 in smaller parcels and realized approximately $95,000.00. I often discussed with Mr. Harris the potential profit in subdividing strip mine ground, and we both looked for any available.

In the summer of 1977 Mr. Harris and I, along with two partners, started a cellulose insulation manufacturing company. We later closed the company in 1980. At this point in time we were actively working together, running a business and looking for owner ventures. On September 9, 1977, Mr. Harris and I purchased ten acres of ground on the Green River in Spottsville, Kentucky, for $25,000.00. On August 26, 1980, we sold it for $125,000.00.

During the summer of 1978 Peabody Coal Company advertised in the local newspapers that they had 441 acres in three parcels for sale. Since I had previously owned 120 acres which adjoined one of the parcels, I was very familiar with the potential. We contacted Peabody Coal and started negotiations. On September 19, 1978, we signed a contract to purchase the 411 acres for $175,000.00. We immediately started subdividing the ground, and selling in small parcels. Mr. Harris and I each invested $25,000.00 and borrowed $125,000.00 on a first mortgage. On August 27, 1980, the mortgage was paid off from proceeds from the sale of the ground.

During the time we were selling the Peabody ground, I was contacted by various people regarding the 2600 acres Amax had for sale. Some of the people who contacted me were looking for partners to joint venture the Amax purchase. Mr. Harris and I discussed the Amax ground but decided we were not interested until we could retire our mortgage on the Peabody ground and generate some cash.

On August 1, 1980, we received a $5,000.00 deposit on the purchase of our Spottsville ground, which was to be sold for $125,000.00 within 30 days. At the same time we had enough commitment for sales on our Peabody ground to pay off the $125,000.00 mortgage. It was paid off August 27, 1980.

Immediately after receiving the $5,000.00 Spottsville deposit and knowing we were going to be able to pay off the Peabody mortgage, we then decided to explore the Amax ground. On August 14, 1980, we met with Don McCullum of Amax Coal Company. At this meeting we made an offer which was later accepted. On September 12, 1980, we made a $5,000.00 deposit and signed an agreement. The ground was deeded on December 4, 1980.

Our next witness is Mr. W. C. Bussing, Jr., of Evansville, Indiana.

Mr. Bussing, would you please raise your right hand.

Do you solemnly swear that the testimony you are about to give before the Energy and Natural Resources Committee of the Senate will be the truth, the whole truth and nothing but the truth so help you God?

Mr. BUSSING. I do.

* * * * *

Mr. Bussing, did you have any prior knowledge of the availability of the land offered for sale by Peabody Coal Company in 1978 that you and Mr. Harris purchased prior to the advertisements of the local newspapers?

Mr. BUSSING. That was the first time I knew about it.

Senator MCCLURE. Did Mr. Harris have any prior knowledge of the availability of the land before the advertisements?

Mr. BUSSING. No.

Senator MCCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris or you which could be construed as an expression or implied promise or request to give Mr. Harris or you preferential treatment on land for sale by Peabody in exchange for or in expectation of special consideration by Mr. Harris in the course of his legislative duties in the Indiana State Legislature?

Mr. BUSSING. No, sir.

Senator MCCLURE. When and how did you first become aware of the availability for potential purchase of the Amax property?

Mr. BUSSING. My first recollection that I knew about it was when I was in the Warwick County Planning Commission and the Plan Director told me about it, and I think that was back in about the last part of 1978.

Senator MCCLURE. The name of that Planning Director?

Mr. BUSSING. Phillip Barnhill.

Senator MCCLURE. Did you relate that information to Dick Harris?

Mr. BUSSING. Senator, it's been so long ago I don't know. I probably did discuss it with him but I can't remember a specific time.

Senator MCCLURE. That would have come from the information that you got from the discussion with Phillip Barnhill?

Mr. BUSSING. Yes, that was my first knowledge of it.

Senator MCCLURE. Did you personally have any communication with Amax regarding the purchase of land between late 1978 and the time you entered into negotiations in August of 1980?

Mr. BUSSING. No.

Senator MCCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris or you which could be construed as an express or implied promise or request to give Mr. Harris or you preferential treatment on land for sale by Amax?

Mr. BUSSING. No, sir.

Senator MCCLURE. Is there any written partnership between yourself and Mr. Harris?

Mr. BUSSING. No Sir.

Senator MCCLURE. Which of you is responsible for keeping the financial records of your business transaction?

Mr. BUSSING. We keep those at my office.

Senator MCCLURE. Do you have an accountant?

Mr. BUSSING. Yes.

Senator MCCLURE. The name?

Mr. BUSSING. George S. Olive Company.

Senator MCCLURE. Did they advise you to

file a partnership return for 1979 with respect to these lands?

Mr. BUSSING. I didn't bring those records with me but they have always taken care of the books and I do whatever they say. It was either in '79 or '80 they said to get a partnership agreement.

Senator MCCLURE. Other than that partnership filing——

Mr. BUSSING. I'm sorry. Not a partnership agreement. To get a tax number. I'm sorry.

Senator MCCLURE. Other than that tax purpose, that filing of the tax return, you and Mr. Harris have no formal identification as a partnership?

Mr. BUSSING. No.

Senator MCCLURE. Thank you very much, Mr. Bussing. I appreciate your testimony, and the written statement that is in the record.

Thank you very much.

Senator DOMENICI. I have no questions.

Senator JACKSON. I have no questions.

Senator MCCLURE. Thank you. (Hearing Transcript pp. 81, 83–86)

Mr. McCLURE. Mr. President, William V. Hartman and John M. Bagby, both of Peabody Coal Co., were then called to provide the committee with a synopsis of the events involved in the sale of approximately 441 acres to Mr. Harris in 1978. The Peabody statement follows, along with Mr. Hartman's answers to any questions, which I ask unanimous consent to have printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

STATEMENT BY WILLIAM V. HARTMAN

Mr. Chairman, Members of the Committee: My name is William V. Hartman. I am an Executive Vice President of Peabody Coal Company with responsibility for land acquisitions and dispositions, along with other responsibilities. With me today is Mr. John M. Bagby, Administrative Director—Land, for Peabody Coal Company. We appear today to provide the Committee with a full chronology of events involved in the sale by Peabody of certain properties in Warrick County, Indiana, known as the Victoria properties. In a sale concluded in October of 1978, these properties were conveyed to a partnership consisting of Mr. W. C. Bussing, Jr., and Mr. James R. Harris, whose nomination for the position of Director of the Office of Surface Mining is pending before this Committee.

The following series of events led to the sale of these lands to Mr. Harris and Mr. Bussing:

In January 1978, the President of Peabody appointed a Task Force to evaluate both mined-out lands and mineral properties which were surplus to the needs of the Company and to recommend which properties should be sold and to establish procedures for such sales. After careful study by the Task Force, certain parcels of lands were recommended for sale by management to the Board of Directors at a meeting held on April 24, 1978. At this meeting, the Board authorized the sale of 18 different groups of properties in 8 states, some of which included coal reserves, at not less than fair market value. The Victoria lands were not included among these properties.

As a result of further work by the Task Force, management recommended to the Board of Directors at a meeting held on June 21, 1978, that an additional 19 areas in 9 states be approved for disposition, which recommendation was approved by the Board of Directors. Included were 441 acres in 3 separate parcels at Peabody's old Victoria Mine in Warrick County, Indiana, which were estimated to have a fair market value of $150,000.

In accordance with its usual practice, Peabody engaged an independent appraisal company on May 8, 1978 to appraise the Victoria lands. In a report dated July 10, 1978, the John M. Smith Appraisal Company of Paducah, Kentucky, submitted a detailed report showing the fair market value of the three tracts of Victoria lands to be $144,100. These three tracts are not contiguous, and included a total of 145 acres of mined lands, 274 acres of wooded lands, 17 acres of lakes and 5 acres of crop lands. A copy of this appraisal report has been previously provided to the Committee.

Again, according to established procedures, Peabody placed an advertisement in the local newspaper, The Evansville Sunday Courier and Press, on July 23, 1978. The advertisement included both the Victoria properties and the Tecumseh properties (also located in Warrick and consisting of 2,784 acres). The advertisement did not include an asking price and did not identify Peabody as the owner.

As a result of the advertisement, about 25 persons called Mr. Berger about the two properties. Most persons wanted much smaller tracks, or lost interest when the asking price was given. To those 8 persons expressing an interest in the Victoria properties, a four-page brochure was provided which included the asking price of $200,000. We have previously furnished the Committee with a copy of this brochure as well as a copy of the advertisement.

On or about July 31, 1978, Mr. Galen Barclay, Peabody's Director of Land and Reserve Development of our Indiana Division located in Evansville, Indiana, received a telephone call from Mr. James R. Harris. Mr. Harris stated that he had seen the advertisement in the Evansville newspaper, and he requested more information on the Victoria property. Mr. Harris and Mr. Barclay have been acquainted for a long period of time, and this probably explains why Mr. Harris called Mr. Barclay rather than Mr. Berger. Mr. Harris would have known that Peabody was the owner of the lands because he would have recognized the names Tecumseh and Victoria as well as Mr. Berger's name.

On the same day, July 31, 1978, Mr. Harris and Mr. Bussing came to Peabody's Indiana Division office in Evansville and met with Mr. Barclay. At that time, Mr. Barclay gave them a copy of the four-page brochure relating to the Victoria properties, along with a copy of Peabody's form entitled "Offer to Buy Real Estate". Nearly a month later on August 26, 1978, Mr. Barclay received by mail the "Offer to Buy Real Estate" form signed by James R. Harris offering $135,000 in cash for the Victoria properties.

Following receipt of this offer, Mr. Barclay consulted Mr. James E. Schoenberger in the St. Louis office who was acting as project manager for the Task Force. Mr. Schoenberger worked under my supervision at that time. After consulting with me, Mr. Schoenberger instructed Mr. Barclay to reject the offer for $135,000 and to endeavor to obtain at least $175,000. Following receipt of this advice, Mr. Barclay telephoned both Mr. Harris and Mr. Bussing and informed them that the offer of $135,000 had been rejected and reiterated his view that the property was worth $200,000. Mr. Harris and Mr. Bussing each told Mr. Barclay in separate telephone conversations that they would be willing to pay $150,000. This offer was not accepted by Mr. Barclay.

On about September 5, 1978, Mr. Barclay met again with Mr. Harris and Mr. Bussing, and after a lengthy discussion, Mr. Barclay offered to split the difference between $150,000 and $200,000, or $175,000 in cash. Mr. Harris and Mr. Bussing made a counter offer of $135,000 in cash and a note for $40,000. Mr. Barclay rejected this counter offer. On September 19, 1978, Mr. Barclay again met with Mr. Harris and Mr. Bussing, and at this time Peabody's standard form of "Contract for Sale of Real Estate" was signed by Mr. Harris and Mr. Bussing providing for a cash purchase price of $175,000, payable in the form of earnest money of $17,500 with the contract and the balance of $157,500 payable on the closing date. This contract was accepted in St. Louis by Peabody on September 25, 1978 and was executed by James F. Hobbs, a Vice President of Peabody, who works under my supervision.

The contract was prepared by J. M. Touhill, an attorney in Peabody's Legal Department in St. Louis and a member of the Task Force. Along with the executed Contract for Sale of Real Estate, Mr. Bussing and Mr. Harris each submitted checks in the amount of $8,750 payable to Peabody Coal Company which were sent to Peabody's Treasury Department on September 21, 1978. Mr. Barclay delivered abstracts of title to the Victoria properties to Mr. Bussing on September 20, 1978, and on September 30, 1978, Mr. Barclay mailed a fully executed copy of the Contract for Sale of Real Estate to Mr. Harris and Mr. Bussing.

The sale of these three tracts of land was closed at Old National Bank in Evansville on October 23, 1978. At that time, Mr. Barclay delivered Peabody's Corporate Special Warranty Deed, which had been prepared by J. M. Touhill, to Messrs. Harris and Bussing, at which time Mr. Barclay received a cashier's check from Old National Bank payable to Peabody Coal Company in the amount of $157,500. On November 2, 1978, Mr. Barclay mailed a Peabody check payable to Mr. Harris and Mr. Bussing for $817.02 to reimburse Messrs. Harris and Bussing for Peabody's share of the 1978 real estate taxes which would be paid by Messrs. Harris and Bussing in 1979.

Peabody received no other offers for the Victoria properties.

Mr. Chairman and Members of the Committee, I wish to emphasize that the disposition of those properties to Mr. Harris and Mr. Bussing was made in the usual course of business as a part of an overall property disposal program during which Peabody disposed of many parcels of both mined-out lands and coal reserve properties. This program, which has now been substantially completed, resulted in the sale of surplus properties in nearly every state in which Peabody transacts business and produced millions of dollars of revenue to Peabody.

The circumstances of the sale to Mr. Harris and Mr. Bussing were typical of those involved in many other sales conducted during the last several years. Peabody had formulated a well-defined program to identify surplus properties and had adopted elaborate procedures which involved persons from various departments throughout the Company to make certain that the prices received were the highest attainable.

It was standard procedure for Peabody to obtain an independent appraisal for all property sales of this type. This was done for a number of reasons, including compliance with Peabody's loan agreements. The properties sold to Mr. Harris and Mr. Bussing were sold for a price that exceeded the appraised value by some 21 percent. The sale price of $175,000 exceeded not only the appraised value of the property—$144,100—but also the minimum acceptable price of $150,000 established by the Board of Directors. This transaction was completed by Peabody as a routine transaction. The persons making the decisions on this matter in St. Louis were not acquainted with either Mr. Harris or Mr. Bussing.

As has been previously mentioned, the Committee has previously been provided with

copies of the independent appraisal, the advertisement, the property description, and the brochure concerning the sale of the Victoria properties. We will be glad to provide the Committee with copies of the various other documents referred to above. Mr. Bagby and I would be happy to try to answer any questions you may have concerning this transaction.

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Senator McCLURE. Mr. Hartman, you are the Peabody official that had final approval authority over the terms of the sale of the land sold to Mr. Harris and Mr. Bussing?

Mr. HARTMAN. Yes. When you say terms, that is the price.

Senator McCLURE. Were you responsible for rejecting the initial offer by Harris and Bussing of $135,000?

Mr. HARTMAN. Yes, sir, because that was less than the appraised value and less than the value approved by the Board of Directors of our company which authorized me to sell the property.

Senator McCLURE. At either the time you rejected the initial offer or at the time the final terms of sale were approved, did you have any knowledge that Mr. Harris was an Indiana State Senator?

Mr. HARTMAN. In the proposal he sent in as a response to the newspaper ad, the letter that was sent in to me and the communique from the division, from the people responsible which included his bid on the property, indicated that he was a Senator.

Senator McCLURE. Did you have any knowledge of his area of responsibility within the State Senate?

Mr. HARTMAN. No, sir.

Senator McCLURE. Did the fact that he was a State Senator have anything to do with your acceptance or rejection of the bid or of the terms and conditions of the sale?

Mr. HARTMAN. No, sir.

Senator McCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris which could be construed as an express or promise or request to give Mr. Harris preferential treatment on land for sale by Peabody?

Mr. HARTMAN. No, sir.

Senator JACKSON. No questions.

Mr. McCLURE. Mr. President, a panel was then called to describe Mr. Harris' dealings with AMAX Coal Co. Included from AMAX were Lee Nickerson, Don McCollum, and J. Nat Noland. Also participating were Gibson Martin, a former AMAX official ostensibly quoted in the Journal articles, and George Davidson, the appraiser retained by the coal company to assess the land subsequently purchased by Mr. Harris and Mr. Bussing A copy of the AMAX statement follows as well as the testimony of Mr Martin and answers to committee questions.

I ask unanimous consent to have this material printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AMAX COAL CO.'S SUMMARY STATEMENT OF FACTS PERTAINING TO SALE OF WARRICK COUNTY, INDIANA, LANDS TO MESSRS. JAMES R. HARRIS AND W. C. BUSSING

1. The AMAX Coal Company's policies and procedures governing the sale of exhausted lands.—The basic policy governing the disposal of a company asset for AMAX Inc. is standard procedure No. V, effective July 1, 1978, entitled "Asset Disposal Approval Requests (ADARS)." A summary of the procedure follows:

(1) Definition—An ADAR is a proposal, submitted in prescribed form to the appropriate level of management, for approval to transfer, sell or scrap a capital asset.

Authorization by the appropriate level of management (see below) signifies acceptance and approval of the recommendation and constitutes the authority to dispose of the asset as proposed.

(2) Scope—This procedure applies to all capital assets of the company.

An ADAR must be prepared for all assets to be transferred or otherwise disposed of with a net book value in excess of $10,000.

(3) Authority to Approve Requests—Net asset value, approval required.

Under $150,000—Division procedures except that assets over $25,000 approved by Division President and Group Executive.

$150,000–$499,999—Above, plus AMAX Inc. Controller, Chief Financial Officer and one member of Executive office.

Over $500,000—Above, plus Executive Committee or the Board.

The Warrick County lands were sold pursuant to the foregoing procedure.

2. The events preceding the sale of the Warrick County Lands.—The company's Real Estate Department initiated a study in September 1978 to determine whether the Warrick County lands should be retained or disposed of as exhausted mining lands. In the course of the study Mr. Don McCollum of our Real Estate Department contacted in-house personnel and outside individuals, including the Executive Director of the Warrick County Area Planning Commission to discuss present and future plans for Warrick County which might be pertinent to the purposes of the study.

The Executive Director was informed that the company was contemplating the possible disposition of the Warrick County exhausted lands, and asked to inform the company of the names of persons who might be interested if the lands were put on the market.

In the Fall of 1978, Mr. Harris spoke with J. Nat Noland, the company's State Relations counsel for Indiana. Mr. Harris expressed an interest in purchasing company real estate rumored to be for sale in Warrick County. Mr. Noland advised Mr. Harris that the purchasing of real estate is handled by the Real Estate Department.

Noland advised Mr. Martin of the Real Estate Department of his conversation with Mr. Harris, and asked that Mr. Martin meet with Mr. Harris. In November 1978 Mr. Martin, pursuant to Mr. Harris' request, mailed him a plat map of the Warrick County lands which the Real Estate Department was investigating for possible disposition.

In December 1978 the Real Estate Department study of the Warrick County lands was completed. The study recommended sale of the Warrick County lands at not less than $330 an acre. An ADAR was prepared on that basis. But the recommendation was not accepted because the company's Vice President of Engineering questioned the $330 per acre price as being too low.

As a result of that question, the company in April 1979 retained an independent appraiser, George Davidson, to evaluate the fair market value of the Warrick County lands. Mr. Davidson is a widely known reputable real estate appraiser, and a Member of the American Institute of Appraisers, the highest designation an appraiser can receive. He reported in August 1979 his opinion that the market value of the Warrick County lands, sold as a block, was $250 per acre.

The company desired to dispose of the Warrick County lands as one block, and on a cash basis, if possible. That method of sale would: (1) avoid the company's being left with unsellable lands after sale of choicer parcels; (2) avoid imposing the burden of parcel sales on the company's real estate personnel already engaged in matters more important to the company's main operations; (3) keep the company out of land development operations which are not its business; (4) avoid the company's becoming engaged in the long term financing of real estate; and (5) avoid prejudice to the company's community relations.

Pursuant to the appraisal by George Davidson, an ADAR (No. 79–64) was prepared. The ADAR requested approval to sell the Warrick County lands for not less than an average of $250 per acre. The ADAR was approved by the company's Vice President and Controller, the Senior Vice President for Operations, the Executive Vice President, and by the Corporate Vice President, the Corporate Controller, the Corporate Senior Vice President, and the Corporate President.

Starting in November of 1979 and continuing until the sale of the Warrick County lands to Messrs. Harris and Bussing in September 1980, the company's Real Estate Department actively sought to sell the Warrick County lands at not less than $250 an acre.

Its first effort was to sell the lands to a select group of prospects, mainly investment and brokerage firms. Several dozen promotional flyers were sent to such firms, local and national. No response was received. The Real Estate Department then sought to sell the lands as having a potential for a major industrial development.

A second flyer was sent out to dozens of companies who might be interested in utilizing the land for industrial development, and the Indiana State Department of Commerce was advised of the availability of the Warrick County lands. As a result of these efforts, one inquiry was received. Mr. Pfister, owner of Pfister Company, Inc., verbally requested an aerial photo. This was forwarded to him, and nothing further was heard from him.

The Real Estate Department then turned to an effort to sell the land to national and local persons and companies engaged in speculation and dealing in large blocks of land. A third flyer was sent to such persons. Several real estate brokers were contacted, who in turn sought out potential buyers of the Warrick County lands.

In July 1980 Mr. McCollum upon the instruction of Mr. Martin, the Director of the company's Real Estate Department, called Mr. Harris to see if Mr. Harris might want to buy the Warrick County lands on a cash basis. Mr. McCo'lum met with Mr. Harris on July 30, 1980. The possibility of Mr. Harris's acquiring the Warrick County lands was discussed; but no agreement could be reached on price or terms because Mr. Harris's proposals as to purchase fell short of the authority granted under ADAR 79–64. Mr. Harris's highest price proposal was $225 per acre on a parcel by parcel basis.

As a result of the effort to sell to a dealer or speculator in land, an offer was received from Mr. Ray Rankin, a real estate broker who was making the offer in behalf of a client. The offer was $215 per acre with $200,000 down and the balance payable over five years at ten percent interest. Mr. Rankin was informed that the price was too low, and that the terms were unacceptable. Mr. Rankin declined to make any further offer.

3. The sale of the Warrick County lands to Messrs. Harris and Bussing.—Later in August Mr. McCollum received a request from Mr. Harris to meet with him and Mr. Bussing for the purpose of discussing their possible purchase of the Warrick County lands. The request resulted in a meeting and many telephone conversations over several days, during which agreement was finally reached.

Messrs. Harris and Bussing started by offering $225 per acre on a three parcel basis to be acquired by right over a term of two or three years without payment of any option consideration. Mr. McCollum started by offering $275 an acre on a one block cash

basis. The negotiations resulted in agreement on an immediate cash basis sale of one-half the lands for $250 an acre, with a paid for option to acquire the remaining one-half of the lands at $275 per acre if option exercised within a year, or at $290 per acre if option exercised after a year and before a year and and a half.

Messrs. Harris and Bussing paid $25,000 for a one year option, and would pay an additional $25,000 for the extension of the option to a year and a half. In the event the option is exercised, the price of the option will be credited to the purchase price.

After necessary paper work and title work were completed, the sale of the Warrick County lands to Messrs. Harris and Bussing were completed in December 1980.

The sale of the Warrick County lands to Messrs. Harris and Bussing as agreed upon was the only proposal to purchase received from anyone that met or exceeded the authority to sell approved by ADAR No. 79–64.

STATEMENT OF GIBSON MARTIN

Gentlemen, my name is Gibson Martin. I am presently employed by Sunmark Exploration Company, a Division of Sun Oil Company (Delaware). From February 1977 through February 1981, I was employed by the AMAX Coal Company Division of AMAX, Inc. in the Indianapolis, Indiana office, initially as Director-Real Estate and later as assistant to the Vice President-Real Estate.

HISTORY OF SALE OF 2,500 ACRES TO DICK HARRIS IN WARRICK CO., INDIANA

Prior to 1977, it was an unwritten company policy that AMAX Coal Company, would not sell surplus lands. These lands could be used as "trade properties" in the acquisition of lands needed for mining, but other than that, they were kept in inventory and administered by Meadowlark Farms, Inc., a wholly owned subsidiary of AMAX, Inc., About the only exception to the policy was the sale of a portion of the abandoned Harmatan Mine, located just west of Danville, Illinois to a local real estate developer.

During 1977, AMAX Coal, as part of a capital budget reduction, proposed to the new top management of AMAX, Inc. that a program for the disposal of surplus lands be set-up with the goal of selling $1,000,000 worth of surplus lands a year for at least the next five years. When the proposal was accepted by AMAX, Inc., responsibility for administering the program was assigned to the Real Estate Department of the Coal Division. The program consisted of identifying which lands were surplus, appraising these lands as to their fair market value (FMV), obtaining management approval to dispose of a particular tract of surplus land at the FMV, and then actually finding a buyer and negotiating and closing the sale within the financial limits as previously approved by management.

Because of its proximity to the Evansville, Indiana metropolitan area, the mined-out, "pre-law" reclamation lands at the AMAX Booneville Pit in Warrick County, Indiana had always been of great interest to both the employees of AMAX and the general public. When AMAX ceased mining in that pit, it was determined that some 2,500 acres were surplus and could be sold or otherwise disposed of. An in-house appraisal by the Services Section of the Real Estate Department reflected a value of the land as a package to be in the $200 to $300 per acre range with the basis being recent sales by Peabody Coal Company of similar lands in the general area. The appraisal considered the highest and best use of the land to be for recreation purposes.

It was during this period of time that I met with Mr. Harris. He gave me the details of a prior purchase of mined-out land he had made from Peabody Coal and said he would like to work out a similar deal with AMAX. Mr. Harris wanted to purchase whatever lands AMAX had for sale at the Booneville Pit for a price between $200 and $300 per acre (being the same price he had paid Peabody). He also wanted to split the land package into $200,000 increments so that he could sell-off most of one increment before he paid for an additional increment. I told him that we had not yet cleared a particular tract for sale, that we had not set a price for the land and that I would prefer to sell the land as one package rather than splitting it into increments. I advised him that when he knew in AMAX exactly what we wanted to do, I would get back to him. I personally did not discuss the Warrick County lands with Mr. Harris again.

The initial appraisal was the basis for Real Estate's presentation to the Capital Projects Screening and Review Committee of AMAX Coal to recommend that the 2,500 acres should be sold in one package for somewhere in the $600,000 to $700,000 range. Certain members of the Committee questioned the appraised value feeling it was too low. Also, there were those in the coal Divisions' Maangement who wanted us to subdivide the land into small parcels and to make it available at FMV to employees of AMAX Coal, before offering it to the general public. To verify the value, we hired George Davidson of Appraisal Associates, Indianapolis, to appraise the 2,500 acre. As I recall, he valued the land in the $200 to $300 per acre range if we sold it as a package to one buyer, or with a slightly higher value if we would break it into small parcels and sell-off the individual parcels over a period of years.

After much discussion within AMAX Coal, we decided not to make a special effort to sell to company employees and I took the position that we did not have the time or expertise to subdivide the land and sell small parcels. Our staff in Real Estate had been reduced by almost 35 percent subsequent to early 1977 and we did not have enough people to accomplish our primary objectives, which was to acquire lands for mining, much less to devote that much time to selling the land in small parcels. My position was to sell it as a package for what we consider to be its FMV, and let the buyer make his profit from the resale of small parcels. Also, getting the purchase price on the front would give us the use of the money longer than waiting on the sale of individual small tracts.

My memory is unclear as to the exact sequence of events that followed next. However, the following then took place:

1. Don McCollum of the AMAX Real Estate Department attempted to develop a market for the land as an industrial site. This was unsuccessful, as there is no water and sewer facilities on or near the land, and a large industrial development was taking place north of Evansville along U.S. Highway No. 41 where water and sewer service had been installed. We could not compete with this development.

2. The Capital Projects Screening and Review Committee of AMAX Coal recommended to the Coal Division that the land be sold or otherwise disposed of for a price of between $200 and $300 per acre for the package, and management approved the sale on this basis.

3. Don McCollum talked to knowledgeable people in the Evansville area about the value and marketability of the land in an effort to develop the best market possible for the land.

4. I held fast in my position that because of unlimited resources and personnel, we should sell the land as a package. I advised Don of my prior conversation with Dick Harris and asked Don to give Mr. Harris a chance to purchase the land at a price AMAX had established.

5. A portion of the 2,500 acres, about 100 acres, was donated to Warrick County as a land fill site as settlement of disputed ownership of coal rights under a county road across the AMAX Ayrshire Mine in Warrick County.

6. Don McCollum negotiated the sale of approximately 2,000 acres to Dick Harris for a price in the $200 to $300 per acre range. Mr. Harris was to pay for and receive 1,000 acres at one price and to have an option for a set period of time to purchase the remaining 1,000 acres at a higher price, with the higher price being a figure calculated to represent the present value of the price of the second 1,000 acres, had AMAX been paid for the entire 2,000 acres at one time at the initial price per acre. This agreement was entered into between AMAX and Dick Harris in late 1980. My initial conversation between Dick Harris took place sometime in 1978.

Senator MCCLURE. Mr. Nickerson, in the normal process used by Amax, has there always been an appraisal used?

Mr. NICKERSON. Not always.

Senator MCCLURE. Was it used in this case?

Mr. NICKERSON. Yes.

Senator MCCLURE. In your opinion, did the process by ADAR7905 and ADAR7964 become approved follow the normal procedure?

Mr. NICKERSON. Yes Sir, they did.

Senator MCCLURE. Are you familiar with the purchase by Amax through a subsidiary Meadowlark Farms in the summer of 1980 from Alcoa of approximately 600 acres of land for $2200 per acre?

Mr. NICKERSON. Yes Sir.

Senator MCCLURE. Was that land equivalent to the land sold to Mr. Harris and Mr. Bussing?

Mr. NICKERSON. Mr. McCollum, would you answer that?

Mr. MCCOLLUM. That land was purchased in order to be traded to a land owner who wanted it in partial consideration for the sale of his land to Amax Coal Company. The land owner's land was located in a mining area. Approximately 90 percent of that acreage was tillable.

Senator MCCLURE. How much land sold to Mr. Harris and Mr. Bussing was tillable?

Mr. MCCOLLUM. About 75 acres out of 2,060.

Senator MCCLURE. There is no way to compare the land that you bought from Alcoa in character directly comparable to that which was sold by you to Harris and Bussing?

Mr. MCCOLLUM. No way at all.

Senator MCCLURE. Did you or any of the Amax officials, any time, make or become aware of any form of communication to or from Mr. Harris which could be construed as an express or implied promise or a request to give Mr. Harris preferential treatment on any land or sale by Amax?

Mr. NICKERSON. No Sir.

Senator MCCLURE. Mr. McCollum, were you responsible for preparing a memorandum dated March 24, 1981, to George Womack describing the chronological sequence of the disposition of some 2500 acres of land by Amax from 1978 through 1980?

Mr. MCCOLLUM. Yes Sir.

Senator MCCLURE. Would you explain to the committee why and how this document was developed?

Mr. MCCOLLUM. At the request of coal management it was developed because of the articles in the Wall Street Journal put out on the transaction.

Senator MCCLURE. Did I understand you to say that that was in response to management request?

Mr. MCCOLLUM. Yes Sir.

Senator MCCLURE. When you say management you mean the management of Amax?

Mr. MCCOLLUM. The real estate management.

Senator McCLURE. Were you responsible for preparing the asset management and analysis on the subject property?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. That's an exhibit attached to the testimony?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. Why was the original ADAR that you drafted in January of 1979 rescinded?

Mr. McCOLLUM. Because the Vice-President of Engineering suggested that the price was too low, the appraised price.

Senator McCLURE. Why did you advise Gibson and Martin in April and May of 1980 that you desired permission to sell the remaining 2400 acres in four separate blocks?

Mr. McCOLLUM. Excuse me. Please repeat that.

Senator McCLURE. Why did you advise Gibson and Martin in April or May of 1980 that you desired permission to sell the remaining 2400 acres in four separate blocks?

Mr. McCOLLUM We decided that since there was a donation of 100 acres to the Warrick County Planning Commission for land fill purposes that some of this acreage was no longer contiguous acreage and it would probably be in our best interest and would not hurt a large parcel sale if we disposed of a 142 acre tract, a 186 acre tract, and a 42 acre tract.

Senator McCLURE. Why did you believe that was better? Simply because it was noncontiguous or you could get a higher price if you could sell them in smaller tracts?

Mr. McCOLLUM. We knew we could get a higher price, but it was basically that we felt it would not hurt. It would probably be beneficial to sell the 2100 acre tract.

Senator McCLURE. Is it harder to sell the larger tract?

Mr. McCOLLUM. Yes.

Senator McCLURE. Does that affect the price per acre of the tract this large?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. Why did you decide to send a promotional flyer through Dick Harris to Nat Noland in June of 1980?

Mr. McCOLLUM. At Dick Martin's request, sir.

Senator McCLURE. What were the terms offered to you by Dick Harris in your telephone conversation of July 30, 1980?

Mr. McCOLLUM. I think that was at a meeting. I don't believe it was a conversation, telephone conversation. It was terms that he wanted to acquire the acreage for $225 in three or four separate parcels at the maximum price of $225 an acre.

Senator McCLURE. Why was this offer rejected?

Mr. McCOLLUM. It did not meet the authority of the ADAR.

Senator McCLURE. What was the authority of the ADAR?

Mr. McCOLLUM. None of the property could be sold for less than $250 per acre.

Senator McCLURE. Did the final deal you negotiated with Mr. Harris and Mr. Bussing meet or exceed the independent fair market value specifications of ADAR7964?

Mr. McCOLLUM. Yes sir.

Senator McCLURE. Did it just meet it or did it exceed the amount?

Mr. McCOLLUM. It exceeded the amount due to the sale of these three additional, or three separate parcels.

Senator McCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris which could be construed as express or implied promise or request to give Mr. Harris preferential treatment on land for sale by Amax?

Mr. McCOLLUM. No sir.

Senator McCLURE. Mr. Noland. In 1978 you were the manager of State Media Affairs for Amax Coal in Indiana, is that correct?

Mr. NOLAND. Yes sir.

Senator McCLURE. Explain the nature of your duties.

Mr. NOLAND. It was primarily relationship with the Indiana legislature, the local community including local governmental bodies within the community, and some media responsibilities.

Senator McCLURE. Did you ever lobby Senator Harris on any subjects affecting Amax or the coal industry in general?

Mr. NOLAND. I had several discussions with Mr. Harris concerning surface mining legislation as my job pertained to the legislation relations.

Senator McCLURE. Did you lobby strictly on the strip mining bills pending before the Indiana legislature during 1978 through 1980?

Mr. NOLAND. Yes sir.

Senator McCLURE. Did Dick Harris contact you in October of 1978 or thereabouts concerning his interest in purchasing real estate rumored to be for sale by Amax in Warrick County?

Mr. NOLAND. He did contact me sometime during the fall of 1978.

Senator McCLURE. Did you advise Mr. Martin of this discussion with Mr. Harris?

Mr. NOLAND. Yes sir, I did, and I asked Mr. Martin if he would please return the phone call or get in touch with Senator Harris to answer his inquiry.

Senator McCLURE. Was there anything abnormal or unusual about that contact?

Mr. NOLAND. No sir, it was a customary contact. I had other inquiries from public officials. It was a practice within the company. I would refer those inquiries to other relevant people in the other departments for answering.

Senator McCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris which could be construed as an express or implied promise or request to give Mr. Harris preferential treatment on land sale by Amax?

Mr. NOLAND. No sir.

Senator McCLURE. Mr. Davidson, how long have you been a professional appraiser?

Mr. DAVIDSON. 20 years.

Senator McCLURE. Do you hold certification?

Mr. DAVIDSON. I am a member of the Appraisal Institute.

Senator McCLURE. In your profession, is that the highest certificate that can be obtained?

Mr. DAVIDSON. Yes, sir.

Senator McCLURE. How were you chosen to be appraiser for Amax property which was the subject of your report dated August 1, 1979?

Mr. DAVIDSON. I'd been doing appraisal consulting work for Amax for many years and this was just another routine appraisal assignment as far as I was concerned.

Senator McCLURE. Do you recall who with Amax contacted you to do this appraisal?

Mr. DAVIDSON. A Mr. Perine. Jack Perine managed that. I mean he was my contact with Amax.

Senator McCLURE. Have you done appraisal and other work for Amax in the past?

Mr. DAVIDSON. Yes.

Senator McCLURE. Do you know how many times?

Mr. DAVIDSON. Many times in the last 10 years. At least 20 appraisal situations of one sort or another.

Senator McCLURE. Did Amax apprise you, or did Mr. Perine advise you what the parameters of terms of sale were upon which you were requested to base your appraisal report?

Mr. DAVIDSON. Yes sir, he did.

Senator McCLURE. In your professional experience, were those instructions unusual?

Mr. DAVIDSON. Not unusual.

Senator McCLURE. What were the instructions?

What was the sale to be upon which you were to base your appraisal?

Mr. DAVIDSON. The value was to be based on the kind of parcel being sold, the entire parcel being sold as one tract to one buyer for cash.

Senator McCLURE. In your opinion, is that the way to obtain the highest price per acre?

Mr. DAVIDSON. No.

Senator McCLURE. Did you so advise them?

Mr. DAVIDSON. Yes.

Senator McCLURE. Is it unusual for corporations to sell land in that manner?

Mr. DAVIDSON. No, it isn't.

Senator McCLURE. Would it be more usual for a corporation like Amax to be the subdivider of the property themselves?

Mr. DAVIDSON. The corporations seldom do the subdividing themselves.

Senator McCLURE. Even though they could get more money out of it by doing so?

Mr. DAVIDSON. Right.

Senator McCLURE. Do you know why?

Mr. DAVIDSON. I have no answer.

Senator McCLURE. Why would the corporation determine to sell that in one transaction rather than being subdivided?

Mr. McCOLLUM. The primary goal of Amax is to acquire land for mining purposes. We did not have the time or the personnel to dispose of land.

Senator McCLURE. You were advised by——

Mr. McCOLLUM. By Mr. Martin.

Senator McCLURE. Mr. Davidson, who did the appraisal, did he advise you that you would probably get more money if you were to subdivide it?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. Was that discussed by you and other company officials?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. And you did not sell it on that basis?

Mr. McCOLLUM. That's right.

Senator McCLURE. And it was done because you didn't have the time or the personnel to do the subdivision?

Mr. McCOLLUM. Yes, sir. That was a primary concern.

Senator McCLURE. Is that the usual practice of Amax?

Mr. McCOLLUM. Yes, sir.

Senator McCLURE. Have you in other instances subdivided the property?

Mr. McCOLLUM. We usually try to sell the total. We subdivide, well not subdivide, but add it to a larger——

Senator McCLURE. Was it the conclusion of your appraisal, Mr. Davidson, that the fair market value of the property being sold by Amax based on the assumption that it would be sold as a block, was $250 per acre?

Mr. DAVIDSON. That is right.

Senator McCLURE. If it had been divided into smaller parsels, what would have been the value?

Mr. DAVIDSON. I can't answer that. I'd have to determine how small of parcels.

Senator McCLURE. If they had divided it into smaller parcels, is it your opinion that they could have sold some of it for higher value?

Mr. DAVIDSON. Yes, no doubt.

Senator McCLURE. But the average value for the whole tract would be $250 if sold as one parcel?

Mr. DAVIDSON. Yes, sir.

Senator McCLURE. After completing your appraisal, did you tell anyone that the Amax tract was available?

Mr. DAVIDSON. Some months after the appraisal was completed I had word from Amax that it had been approved for sale. Yes, I did tell people.

Senator McCLURE. Did you tell anyone yourself that this property was available?

Mr. DAVIDSON. Yes.

Senator McCLURE. To whom did you communicate that?

Mr. DAVIDSON. Various people, various investors. I couldn't say just how many.

Senator McCLURE. Did you at any time make or become aware of any form of communication to or from Mr. Harris which

could be construed as an express or implied promise or a request to give Mr. Harris preferential treatment on land for sale by Amax?

Mr. DAVIDSON. No. Sir.

Senator MCCLURE. Mr. Martin, on page two of your testimony you refer to a meeting with Mr. Harris. How did that meeting come about?

Mr. MARTIN. That was the meeting that Nat Noland referred to when he said that Dick Harris would like to get together with me to discuss the possibility of buying the land.

Senator MCCLURE. Was any comment made to you at that time that Mr. Harris should be given a special consideration due to his position as State legislator?

Mr. MARTIN. No sir.

Senator MCCLURE. Or for any other reason?

Mr. MARTIN. No sir.

Senator MCCLURE. Did you know what his position was?

Mr. MARTIN. I knew he was a State Senator.

Senator MCCLURE. Did you know what his responsibility was?

Mr. MARTIN. No Sir.

Senator MCCLURE. Did you in this meeting or any other meeting make a statement to Dick Harris as quoted in the Wall Street Journal, "I will let you have first shot at buying the land but only at my price."

Mr. MARTIN. I don't know that I made it in those exact terms. I think what I was saying to Dick was, I can't accept your offer that you have made me. I do not have authority to sell the land. I do not know what price it will be sold at. When we know within Amax what we want to do with the land I'll get back to you, and you can discuss it with me on those terms.

Senator MCCLURE. Did you have any other discussions or contacts with Mr. Harris or Mr. Bussing after this initial meeting?

Mr. MARTIN. No, sir. Not on this property.

Senator MCCLURE. If you didn't have contact with either Harris or Bussing, what prompted your memo of July 25, 1980, to Don McCollum that before you commit to anyone else on the balance of the remaining acreage, Dick Harris should be contacted?

Mr. MARTIN. Just what I told you before. I had told Mr. Harris that we would get back to him and give him a chance to buy the land at our price, and that was just honoring that statement that I had made.

Senator MCCLURE. That memo is a part of your testimony attached?

Mr. MARTIN. Not as a part of mine, no.

Senator MCCLURE. As the Amax testimony?

Mr. NICKERSON. Yes, sir.

Senator MCCLURE. Did you instruct Don McCollum in August, 1980, to work out a deal with Harris and Bussing that was mutually agreeable?

Mr. MARTIN. My memory of that is what you have there, that I reminded Don that I had told Dick Harris that I would get back to him. From that point on, Don handled the transaction, and as I recall most of the information came to me from Don that yes, I have set up the meeting and we're working on it. But I don't recall instructing Don anything other than what the terms of the ADAR were.

Senator MCCLURE. How long had the company been trying to sell this particular property?

Mr. MARTIN. I can't remember exactly when it was approved. After we did get the initial approval I knew there was an attempt to negotiate the sale of the land for something other than what I would call recreational land, and we attempted to see if there was a market for this land that would be more commercial. We were not able to develop a commercial market for the property, which put us back to the type of land that Dick Harris wanted to buy.

Senator MCCLURE. Over what period of time did that take place?

Mr. MARTIN. It was a matter of months. I can't say how long. I don't remember from start to finish, but it was a matter of months.

Senator MCCLURE. Two or three months?

Mr. MARTIN. It was probably six months to a year.

Senator MCCLURE. Had you had any real prospects on the purchase of that land?

Mr. MARTIN. Not to my knowledge.

Senator MCCLURE. Mr. McCollum, had you attempted to get other people interested in the purchase of this land?

Mr. MCCOLLUM. Yes.

Senator MCCLURE. Had you had any other prospects?

Mr. MCCOLLUM. One other prospect. The price and terms did not meet our authorization.

Senator MCCLURE. How long had that land been for sale?

Mr. MCCOLLUM. Approximately 15 months.

Senator MCCLURE. You made various efforts during that time to sell them?

Mr. MCCOLLUM. Many efforts, Sir.

Senator MCCLURE. In spite of those efforts, or as a result of those efforts, you had two prospects?

Mr. MCCOLLUM. Yes Sir.

Senator MCCLURE. Had you attempted to get brokers interested in listing it and moving it?

Mr. MCCOLLUM. Yes Sir.

Senator MCCLURE. Had you had any success in doing that?

Mr. MCCOLLUM. We had one request for additional information, Sir.

Senator MCCLURE. In the Wall Street article of March 19, 1981, you are reported, Mr. Martin, as having said that Amax never had placed any other property on the open market or actively sought out offers for the land. Is that a true statement?

Mr. MARTIN. It was not a true statement. I was not aware of what had gone on within the department at that time.

Senator MCCLURE. Did you make that statement?

Mr. MARTIN. I don't know that I made it in those exact words, but I led them to believe that as far as I knew we had not officially put the property on the open market.

Senator MCCLURE. Were you aware of Mr. McCollum's activites?

Mr. MARTIN. I was aware that he was trying to develop a market for the property, but I was not specifically aware of what he was doing on a day to day basis.

Senator MCCLURE. Did you know at the time you had the conversation with Mr. Pastor of the activities of Mr. McCollum that he had been engaged in in regard to this property?

Mr. MARTIN. No Sir, not all of them.

Senator MCCLURE. Is it true as reported in the same article that you were never advised by Amax officials of any potential conflicts in doing business with Mr. Harris?

Mr. MARTIN. It was never discussed.

Senator MCCLURE. Did you personally believe there were?

Mr. MARTIN. No Sir.

Senator MCCLURE. Did you at any time make or become aware of any form of communications to or from Mr. Harris which could be construed as an express or implied promise or request to give Mr. Harris preferential treatment on land for sale by Amax?

Mr. MARTIN. No Sir, only my statement that I would get back to him.

Senator MCCLURE. Did you have any reason to believe that the transaction with Harris was in any way unusual?

Mr. MARTIN. No sir.

Senator MCCLURE. Was it handled, so far as you were concerned, in exactly the same way as any other land sale or any other negotiation?

Mr. MARTIN. It was an arm's length transaction as far as I was concerned.

Senator MCCLURE. Mr. Harvey, did you have some questions?

Mr. HARVEY. Yes, I have some on behalf of Senator Jackson. They all deal with the March 19th Wall Street Journal article.

The article states that you said, "Amax had decided nearly three years earlier that Dick Harris could have all of the land if he met what the company considered a fair price."

Did you say that?

Mr. MARTIN. No sir, I did not say it in those words. What I said was in my mind I had decided that if it went to that kind of a market and Dick Harris met our price, since he was the first one to ask for it. That is not Amax's statement, that was my personal statement.

Mr. HARVEY. Who at Amax made the decision to sell to Mr. Harris? The question is, who had made a decision to sell to Mr. Harris?

Mr. MARTIN. Initially I made the decision that I would get back to him and give him a chance to negotiate for it, but when the final say came that was an approval of the contract.

Mr. HARVEY. Did you have the authority to approve an actual sale?

Mr. MARTIN. No sir.

Mr. HARVEY. If it was your view that the land should be sold to Mr. Harris, why didn't you contact him as soon as the proposal offer of the land, that is ADAR79–64, was approved by the company in November 1979?

Mr. MARTIN. Mr. Harris wanted to buy the land for what I call recreational type purchase for developing it for cabin sites or home sites. We always attempted, even though we had a floor to sell our property at, we would always attempt to develop a higher market that would bring the company more money. And while we were looking for what I would call the commercial market, I didn't feel that the statement that I'll get back to Dick applied because we were looking for something far in excess of the type of money that he was talking about paying.

But as Mr. McCollum told you, we were not able to develop that kind of a market.

Mr. HARVEY. The article states, "Mr. Martin said Amax attorneys"—I'm sorry. Excuse me. Oh, Senator McClure covered that.

The article states that in response to questions about Amax's decisions to do business with the lawmaker, Mr. Martin said that the company recognized that Mr. Harris, "wasn't an enemy of the coal industry. Why shouldn't you do business with your friends?" P.S., so long as "anybody else could be charged the same price."

Did you say that?

Mr. MARTIN. I don't know that I said it in those exact words. What I was trying to say was that Mr. Harris was a person that is from an area of Indiana where coal was mined. He was sympathetic with the needs and problems of the industry and that the coal industry is one of the larger employers in his area. And as such, he has represented an area that is a coal mining area. And in my business career, when I say it's easier to do business with your friends, it's always easier to make a deal with someone that you know and had past relationships with rather than someone that you don't know or don't get along well with.

Mr. HARVEY. But no one at Amax had suggested to you that you do business with Mr. Harris?

Mr. MARTIN. No one ever suggested that.

Mr. HARVEY. You recognize when you refer to the company, recognize you were referring to yourself?

Mr. MARTIN. My personal.

Mr. HARVEY. Within Amax there is no "friends" list or no "enemies" list?

Mr. MARTIN. No. If there is I've never seen it.

Mr. NICKERSON. No, sir, there is not.

Senator MCCLURE. Thank you very much, gentlemen. I appreciate your testimony. We have no further questions at this time.

(Hearing Transcript, pp. 91–110.)

Mr. MCCLURE. Mr. President, in investigating the land transactions between the coal companies and Messrs. Harris and Bussing, the committee requested, and was provided with, all company documents relevant to the property transfers. The AMAX and Peabody witnesses attested to this fact under oath at the hearing. The documents were then reviewed thoroughly by committee staff and are now available for public inspection in the committee office. The file includes:

AMAX COAL COMPANY

1. Amax Chronology with cover letter from John Paul to Mr. Gabriele Paone, Department of Interior.

2. Memo from H. Elkins Payne to John Paul regarding real estate information relative to the property sale to Harris/Bussing.

3. Letter from Phyllis Barnhill, Executive Director of the Warrick County Plan Commission describing her participation in the Amax land transfer.

4. Letter from real estate brokers to President Reagan defending the price Harris paid for the property.

5. Memo to John Towers from John Paul describing his efforts to obtain the facts surrounding the property sale to Harris and describing the chronology.

6. Cover letter from Gib Martin to Dick Harris transmitting a plat of the area, bcc to Jack Perrine indicating Harris had made offer.

7. Asset Management Analysis.

8. ADAR No. 79–06 (Management Directive relative to land sales).

9. Davidson's appraisal—highlights.

10. ADAR No. 79–64 (Management Directive relative to land sales).

11. Promotional flyers and list of investment and brokerage firms "like" those sent flyers.

12. Memo from Gib Martin to Don McCollum indicating that McCollum should let Harris know that Amax would prefer to sell the property as a block and that if Harris wants to buy it all on a cash to deed basis that Martin would have no objection.

13. Contract drawn up for Ray Meinert for purchase of property.

14. Letter from Don McCollum to Rankin Realty turning down offer.

15. Offer to sell real estate—agreement letter (9/11/80) from Meadowlark Farms, Inc. to Harris/Bussing.

16. Memo from Gib Martin to Tom Biangiardo informing him of disposition to date and planned for the 2,500 acres.

17. Xerox copy of Harris/Bussing check to Meadowlark for $5,000.

18. Special Corporate Warranty—describes property boundaries.

19. Xerox of Harris/Bussing check to Meadowlark Farms for $2,500.

20. Option with Contract to Purchase Real Estate.

21. Letter from Nat Noland to Mr. Harris indicating that AMAX wanted to sell the land in one parcel and if Mr. Harris was still interested he should contact Noland as soon as possible. (6/17/80).

22. Cover letter from Alan M. Hux, AMAX attorney, to Don McCollum transmitting two originals and one approval copy of the Offer to Sell Real Estate. (9/10/80).

23. Memo from Don McCollum to George Womack requesting that a Special Corporate Warranty Deed and a Quitclaim Deed be prepared. (10/28/80).

24. Cover memo from Alan M. Hux to Don McCollum transmitting the Special Corporate Warranty Deed and Quitclaim and a proposed Option for Tract B. (11/26/80).

25. Cover letter from Don McCollum to Harris/Bussing enclosing for signature Option with Contract to Purchase Real Estate. (12/5/80).

26. Appraisal Report prepared by Terry L. Hart, Real Estate Services (10/31/78).

27. Appraisal Report prepared by George J. Davidson (8/1/79).

PEABODY COAL COMPANY

1. Synopsis of events leading to the sale of Victoria Properties to Harris/Bussing.

2. Newspaper advertisement offering the Victoria Properties for sale.

3. Appraisal of the Victoria Properties.

4. Offer to Buy Real Estate.

5. Corporate Special Warranty Deed.

6. Memo from James Schoenberger to J. M. Touhill indicating that Bill Hartman had accepted the offer and a contract would be sent the week of September 11 (9/6/78).

7. Memo from James E. Schoenberger to W. V. Hartman summarizing Galen Barclay's negotiations and recommending the acceptance of an offer. (9/6/78).

8. Memo from James E. Schoenberg to W. V. Hartman indicating that Mr. Harris had made an offer much lower than expected and asking for advice on a counter offer. (8/28/78).

9. Contract for Sale of Real Estate (9/19/78).

10. Corporation Special Warranty Deed.

11. Description of boundaries of the property.

12. Cover memo from M. G. Barclay to J. H. Bagby enclosing the Closing Statement and a cashiers check from Harris and Bussing in the amount of $157,500.00.

Unfortunately, after the confirmation hearing the Wall Street Journal printed another article which alleged discrepancies in the hearing record, and I ask unanimous consent to have the article printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal, July 10, 1981]

NOMINEE TO ENFORCE STRIP-MINING LAWS DEFENDS TRANSACTION WITH COAL FIRMS

(By Andy Pasztor)

WASHINGTON.—President Reagan's choice to enforce federal strip-mining laws denied he ever sought or received "preferential treatment" when he stuck lucrative land transactions with a pair of major coal companies.

James R. Harris, an Indiana state lawmaker, at the time was chairman of two legislative committees responsible for drafting and overseeing strip-mining laws in Indiana. He repeatedly told the Senate Energy Committee that his controversial business transactions with Peabody Coal Co. and Amax Inc. wouldn't pose any conflict-of-interest problems in his potential new job.

Mr. Harris forcefully defended himself as a shrewd businessman who paid the concerns the going price for the property after "arms-length" negotiations and who stands to make hundreds of thousands of dollars in profit.

Both Republican and Democratic members of the committee gave Mr. Harris a sympathetic hearing yesterday, and his nomination isn't expected to have trouble getting through the Senate.

Nevertheless, testimony by some of the company executives who dealt with Mr. Harris raised some new questions about exactly how the transactions were negotiated. And the hearing left unanswered the larger question of the propriety of a state lawmaker doing business with major strip-mining concerns whose operations are directly affected by his official activities.

The Evansville, Ind., lawmaker insisted the transactions were entirely proper because "I have made no clandestine deals with any coal company and have no reason to believe that I have been given any special consideration by them." As previously reported, Mr. Harris and a partner purchased options for, or acquired outright, approximately 2,500 acres of reclaimed strip-mined land in southern Indiana from the two coal producers between 1978 and the end of 1980. Some of the land was quickly subdivided and sold off by the partnership at prices five or six times what it originally paid for it.

Mr. Harris was nominated by Mr. Reagan to run the government's Office of Surface Mining.

A troop of current and former officials of the two companies also testified before the committee and denied that the sale of property to Mr. Harris' partnership had anything to do with his legislative duties. The companies presented internal memos and documents to support their contention that they agreed to the transactions with the partnership only after other customers failed to materialize and that the sales price was reviewed by an independent appraiser. The committee also received but didn't make public a report by the Federal Bureau of Investigation on Mr. Harris' business dealings.

Based on these investigations, Sen. James McClure (R., Idaho), the committee's chairman, said he is convinced "that Dick Harris has done nothing improper and is very well qualified" to be director of the surface mining office.

The office of Personnel Management, however, the agency responsible for resolving potential conflict-of-interest problems faced by federal officials, has warned that Mr. Harris, if he is confirmed, can't participate in any "particular matter involving Amax" before the end of the year. By that time, the partnership either will have exercised the option it holds to purchase 1,030 additional acres from Amax, or the option will have expired.

In addition, attorneys at the Interior Department decided in April that "to avoid any appearance of conflict," Mr. Harris must "limit his participation in the partnership to an inactive status" if he gets the new job.

Despite the lengthy and detailed testimony presented at the hearing, several discrepancies cropped up concerning the negotiations leading to the Amax sale. Several Amax officials, for example, told the committee they spent more than a year trying to find other buyers for a 2,500-acre parcel of land before signing to sell most of it to the Harris partnership in December 1980.

But Gibson Martin, Amax's chief real estate official in southern Indiana at the time and the official who did much of the negotiating with Mr. Harris, told reporters a few months ago that the company never actively sought or considered other offers for the land after Mr. Harris expressed an interest in it in 1978. In response to questions, Mr. Martin yesterday said his earlier statements were based on incorrect information.

In his testimony, Mr. Harris contradicted Mr. Martin and other Amax officials by claiming that his first contact with the company about the property took place in July or August 1980. The testimony submitted by Amax indicates that Mr. Harris communicated with Mr. Martin two years earlier to discuss a possible purchase.

In response to questions, Mr. Harris acknowledged that he failed to disclose his involvement in the partnership in 1979 when he filed his annual financial-disclosure form with the state legislature. He said, however,

that he didn't think he was required to do so because the partnership hadn't yet filed a federal income tax return for 1980. Mr. Harris' financial-disclosure form did list the partnership and described its main area of business as investments.

Mr. McCLURE. Mr. President, the Journal states that discrepancies exist between the testimony of the AMAX officials and that of Gibson Martin with regard to the marketing of the AMAX property. The following excerpt from the hearing transcript clarifies Mr. Martin's statement to the Wall Street Journal reporter:

Mr. HARVEY (minority counsel). The article states that you said, "Amax had decided nearly three years earlier that Dick Harris could have all of the land if he met what the company considered a fair price."

Did you say that?

Mr. MARTIN. No, sir, I did not say it in those words. What I said was in my mind I had decided that if it went to that kind of a market and Dick Harris met our price, since he was the first one to ask for it. That is not Amax's statement, that was my personal statement.—(Hearing transcript, p. 107.)

The July 10 article in the Journal goes on to allege that Mr. Harris contradicted Mr. Martin and other AMAX officials by claiming his first contact with the company about the property took place in July or August 1980. Mr. Harris has consistently stated, both in his prepared statements and in his interviews with committee staff, that he had expressed interest in purchasing the land from AMAX in 1978. He refers to his discussion with Gibson Martin in October 1978 on the possible sale of the AMAX property in his prepared statement, as follows:

I do not remember a commitment for a "first shot," but I would not see that as out of the ordinary, if I were the first person to approach them on the property, and "their price" is what we paid, both to Amax and Peabody.

At that time, AMAX had not decided how to dispose of the property. Mr. Harris asked that he be contacted should the land become available for purchase. After being informed by Mr. Bussing that the property was for sale, Mr. Harris recontacted AMAX as he indicated in his testimony.

Taken together, I believe the combined testimony, documents and answers of the witnesses unequivocably support the following conclusions:

Messrs. Harris and Bussing did not pay "bargain" prices for the lands they purchased from AMAX and Peabody Coal Companies. In fact, as Mr. Harris indicated in his prepared statements, the two actually met or exceeded the fair market values of the properties as set by independent appraisers. In the case of Peabody, they topped the fair market value by 22 percent. This has been confirmed by the appraisal, as well as company officials. In terms of the AMAX transaction, the appraiser indicated that the property would bring more revenue if broken into smaller parcels; however, the company chose to sell the land in one tract rather than expend the time and manpower to dispose of it to a number of buyers.

Mr. Davidson, the appraiser, stated that AMAX's decision to sell the property as one plot is normal practice. Further, the Journal's comparison of the AMAX property purchased by Harris-Bussing to that which was sold by Alcoa in 1980 is inappropriate because of the dramatic difference between the two properties involved. According to the AMAX officials, approximately 90 percent of the acreage involved in the Alcoa transaction was tillable. The tract of land Messrs. Harris and Bussing purchased included only about 75 tillable acres out of 2,060.

It is apparent from all evidence examined that both the AMAX and Peabody properties were placed for sale on the open market. In the case of AMAX, copies of flyers advertising the property, the company's chronology, and letters submitted by persons who had been approached about the land, make it quite clear that the company's real estate department had been attempting to sell the parcel for approximately 1 year prior to its purchase by Harris-Bussing. Mr. Harris' request in 1978 that he be contacted when AMAX decided to sell the property should not be construed as a company promise to sell him the land. The testimony of Mr. Harris, as well as the AMAX officials, indicates that the transaction was at arms length and that no special consideration was given the partners. In fact, AMAX even neglected to contact Mr. Harris when the decision was made to dispose of the property.

The Journal reported that Gibson Martin stated that AMAX never sought out any other buyers. During questioning at the hearing, Martin himself indicated that his statement was not accurate. He said he "was not aware of what had gone on within the department at that time."

There is no evidence that Mr. Harris granted legislative favors to either AMAX or Peabody Coal Co. Though this point was conceded in the Journal's first article of March 18, I would like to clarify this matter for the record. Mr. Harris has gone to great lengths to avoid even the appearance of a conflict of interest in his career as an Indiana State legislator. His efforts are described in his prepared statement. Mr. Harris has indicated that his involvement with the 1977 Surface Mining Act could never have allowed him to tailor "its construction to favor any particular mining interests or the industry in general," as implied by the Journal.

Any opposition that Mr. Harris has waged against the act stems from his view that the Federal Government should share more control over strip mining regulation with the States. To further substantiate Mr. Harris' claim that his dealings with the coal companies were not in exchange for political favors, Mr. Hartman of Peabody testified under oath that when he approved the sale, he did not even know what Harris' responsibilities were in the State senate. All coal company witnesses denied under oath making or becoming aware of any "form of communication to or from Mr. Harris which could be construed as an express promise or request to give Mr. Harris preferential treatment," on any of the land purchased by Harris-Bussing.

Mr. Harris did not violate the code of ethics or the laws governing financial disclosure of the Indiana State Senate as a result of his dealings with the coal companies. As Senator LUGAR noted in his statement, the president pro tempore of the Indiana Senate has given Mr. Harris a full certification in terms of his compliance with the ethics code of that body. In his letter of March 23, 1981, Mr. Garton went on to state that to his knowledge Mr. Harris did not "violate Indiana's laws concerning financial disclosure required of State legislators," as the Journal alleges. According to both Mr. Harris and Mr. Bussing, their association took no partnership status until they began, on the advice of Mr. Bussing's accountant, their tax filing process for 1979 (early 1980).

On April 15, 1980, a Federal identification number was requested for the two at the suggestion of Mr. Bussing's accountant to simplify reporting by filing a partnership return. Therefore, Mr. Harris did not list his association with Mr. Bussing on his 1979 financial statement as it was filed before their partnership status (purely for Federal income tax purposes) was established. His 1980 disclosure lists his joint venture with Mr. Bussing as the Journal accurately reported.

The partnership of Harris and Bussing will not stand to earn five to six times the amount they paid AMAX for the property once all lots are sold. Mr. Harris explained in his prepared statement that the best pieces of the property began to sell first, and that a few were sold at the rate quoted by the Journal. However, the vast majority of the lots are unsuitable for immediate construction of homes and many are inaccessible to even a four-wheel-drive vehicle. Therefore, though the immediate profit from the prime lots already sold appears high, this price will not carry over to the bulk of the property. This explanation appears consistent with the appraisal report prepared by Mr. Davidson.

Along these same lines, Mr. Harris has been quoted as having said that the option contract with AMAX was structured so that the partners could exercise the option on the second tract with the profits from their first purchase. In his prepared statement, Mr. Harris denied ever making a statement to the effect that profit from the first sale would be adequate to exercise the option and explained that the option contract is a common real estate practice.

Mr. President, this detailed exposition of the findings of fact and applicable law relating to the allegations surrounding Mr. Harris and the land trasactions with AMAX and Peabody establish conclusively the innocence of Dick Harris of all such allegations. There is no evidence, no information, no document, and no testimony available to the committee, other than the cited articles themselves, to suggest any impropriety of any kind on the past of Mr. Harris or the officials of the two companies. On the contrary, all of the evidence, information, docu-

ments, and testimony support the conclusion that these transactions and the relationships of the parties were totally proper under the applicable laws and ethics rules, and accepted practices thereunder, governing Mr. Harris' conduct as an Indiana State senator and the two coal companies' relations with him.

Additionally, the evidence and testimony document Mr. Harris' continued efforts throughout his legislative career to avoid affirmatively any professional or private situations which might constitute an appearance of a conflict of interest with his legislative responsibilities, even where applicable ethics rules would allow such situations. I commend him especially for that record and believe it provides additional assurance and confidence that he will comply fully with all applicable requirements in his new Federal position.

Mr. Harris has done nothing more than legally, properly, and responsibly support his family in his chosen field.

In conclusion, I express my regret to Mr. Harris for the lengthy delays and personal sacrifices he has endured during the confirmation process as a result of articles based on scant knowledge of the facts. However, it was my responsibility as chairman and Senator JACKSON'S as ranking minority member, and the responsibility of the Energy and Natural Resources Committee, to thoroughly investigate Mr. Harris' qualifications for the position to which he was nominated.

I can say now that this has been done and the committee, without dissenting vote, has found that he meets the test. Mr. Harris is a man of integrity, who possesses the knowledge, background, and skills to be an effective Director of the Office of Surface Mining. I commend him for his patience and forthrightness during this process and recommend he be confirmed unanimously by the full Senate.

TESTIMONY ON BEHALF OF SENATOR DICK HARRIS—JULY 9, 1981

● Mr. LUGAR. It gives me a great deal of pleasure to introduce to you my good friend and fellow Hoosier, State Senator James Richard Harris, and to come before you today to speak on his behalf and to urge your speedy confirmation of his nomination as Director of the Office of Surface Mining.

Dick Harris is uniquely qualified for this assignment. A certified professional geologist and former surface mine superintendent, Senator Harris served as Indiana's legislative representative to a 10-State interstate task force on more successful utilization of high-sulfur coal. For the 4 years prior to the 1980 election, Senator Harris was the only Republican Senator from Indiana's coal-mining area.

He chaired the Senate Standing Committee on Natural Resources, and orchestrated a 2-year study committee charged with the task of guiding Indiana's compliance with the 1977 Federal Surface Mining Act. In this capacity he had extensive dealings with the U.S. Office of Surface Mining and is quite familiar with its operations.

A graduate of Indiana University in 1951, Dick Harris is a consulting geologist working in the area of petroleum and coal exploration and evaluation. Senator Harris demonstrated a thorough understanding of government's environmental responsibilities, resulting in a perfect rating given him by the Isaac Walton League during the 1980 session of the Indiana General Assembly.

In fact, Senator Harris has received enthusiastic endorsement from a remarkably diverse group of organizations and individuals. According to Sierra Club spokesman John Embry, Senator Harris is—

Someone who has shown he can be flexible and who we can at least sit down and talk to.

The Mining and Reclamation Council endorsed Senator Harris, saying:

We feel he is extremely well-qualified and has demonstrated a responsible approach to surface mining issues.

In a letter to Secretary Watt, Sam Church, Jr., president of the United Mine Workers of America, states:

In meeting with Senator Harris, he has displayed a clear understanding of the Surface Mining Control and Reclamation Act of 1977, which will enable him to strike a clear balance between the protection of the environment and the need to mine coal in a responsible manner.

The American Mining Congress, the National Coal Association, the Governor of Indiana, and the Indiana Congressional Delegation have unanimously endorsed Senator Harris as the best qualified person for this position. I am pleased to submit for the record some of the letters I have received attesting to Senator Harris' moral character and his fitness for the position of Director of the Office of Surface Mining.

On Wednesday, March 18, 1981, the Wall Street Journal ran an article on page 1 which questioned Senator Harris' dealings with two coal producers in Indiana, asserting that Harris had violated an Indiana disclosure law and had received preferential treatment because of his position on the Natural Resources Committee. Senator Harris has responded to these charges with dignity and clarity, providing comprehensive documentation that the land was purchased at a fair market value and that he received no special consideration, and has indicated his willingness to share this information with the members of this committee for the record.

In a letter to me, the Honorable Robert D. Garton, president pro tempore of the Indiana State Senate, stated:

To the best of my knowledge and belief, Senator James R. Harris did not, in fact, either violate Indiana's laws concerning financial disclosure required of state legislators, or breach the ethics code of the Indiana Senate as a principal in land purchase from Peabody Coal Company or Meadowlark Farms (a subsidiary of Amax Coal.)

In a similar vein, the Honorable Michael K. Phillips, Democratic leader of the Indiana House of Representatives, wrote:

I think it important to point out that the Amax property was for sale on the open market through Ray Rankin Realty prior to the purchase by Dick Harris. Mr. Rankin personally contacted me last year concerning the availability of the Amax property. To suggest that a deal was made specifically for Mr. Harris to the exclusion of the public is inaccurate.

A major newspaper from Senator Harris' home district, the Evansville Press, investigated the allegations presented in the Wall Street Journal article. Their conclusions were published in an editorial on March 24, 1981, which stated:

Senator Harris and his partner, W. C. "Bud" Bussing, may have struck a good bargain in a relatively open land market. But evidence of a sweetheart deal could not be found.

The Press strongly endorsed Harris' nomination, and reiterated their findings in an article published last Sunday, July 5. Both articles are submitted for your further examination.

Dick Harris is not merely an honest and conscientious public servant. He is viewed in our State as an epitome of the qualities of integrity, and independence of judgment in public life. He will bring to the Office of Surface Mining a unique blend of technical expertise and legislative skills. I urge you to join me in enthusiastically endorsing his appointment.

Thank you for giving me this opportunity to share my thoughts with you.

I ask unanimous consent that the letters be printed in the RECORD at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

UNITED MINE WORKERS OF AMERICA,
Washington, D.C., January 19, 1981.

Mr. JAMES WATT,
Secretary of the Interior,
Main Interior Building,
Washington, D.C.

DEAR MR. SECRETARY: I am recommending that Indiana State Senator Richard Harris be appointed Director of Office of Surface Mining.

In meeting with Senator Harris, he has displayed a clear understanding of the Surface Mining Control & Reclamation Act of 1977, which will enable him to strike a clear balance between the protection of the environment and the need to mine coal in a responsible manner.

Senator Harris is unusually qualified for this position, since he is a geologist and a Senator from a state dominated by surface mining. Senator Harris wrote the original surface mining regulations for the State of Indiana, which were considered the best in the country at that time.

Hopefully Senator Harris will meet with your approval and be appointed to the Director of the Office of Surface Mining.

Sincerely,

SAM CHURCH, Jr.

UNITED MINE WORKERS OF AMERICA,
Terre Haute, Ind., January 28, 1981.

Senator RICHARD LUGAR,
Dirksen Building,
Washington, D.C.

DEAR SENATOR LUGAR: President Reagan will, in the next few days, appoint a new Director for the office of Surface Mining. We have been informed State Senator Richard Harris is being considered for this important position.

The United Mine Workers of America, along with the major coal producers in Indiana, would very much like to see a person

with Senator Harris' qualifications and knowledge of the mining industry receive this appointment.

Enclosed are copies of letters of our support for Senator Harris from Sam Church, Jr., President of the United Mine Workers of America, myself, the International Executive Board Member from Indiana and the State COMPAC (Coal Miners Political Action Committee) Council Chairman, Russell Stilwell.

The United Mine Workers of America and the Coal Operators here would very much appreciate any influence or assistance you might give on the behalf of State Senator Richard Harris towards this appointment.

Sincerely,

RANDALL CARTER,
I.E.B. Member.

UNITED MINE WORKERS OF AMERICA,
Terre Haute, Ind., January 9, 1981.

To Sam Church, President, United Mine Workers of America.

From Randall Carter, I.E.B. Member, Dist. 11.

DEAR SIRS AND BROTHERS: In a recent discussion with Russell Stilwell (Indiana COMPAC), it was brought to my attention that Richard Harris, Rep. State Senator from Indiana is being considered for an appointment as director of the office of Surface Mining under the Reagan Administration.

Senator Harris has been endorsed by Indiana COMPAC in each election year since 1970. Senator Harris is considered the most knowledgeable member of the Indiana Senate on mining. He represents a large portion of the United Mine Workers members in southern Indiana. He is a geologist by profession. He wrote the Indiana Strip Mining Bill prior to the Federal regulations being passed. It was considered as sound as the Federal regulations.

I think it appropriate, the United Mine Workers of America, highly recommend Sen. Richard Harris for the appointment to director of office of Surface Mining.

Sincerely and Fraternally,

RANDALL CARTER.

COAL MINERS POLITICAL
ACTION COMMITTEE,
January 9, 1981.

TOM TWOMEY,
Washington, D.C.

DEAR TOM: I would like to recommend to your department that you recommend Indiana State Senator Dick Harris by our organization for appointment of the director of the office of Surface Mining. As you know, Sen. Harris and a few other people are the top candidates for the job as considered by the Reagan Transition team.

Although too numerous to mention are the qualities of Harris, I would like to point out a few reasons why I feel it would be in our best interests to support Sen. Harris for the above position.

1. 1970–72, Republican Elected State Representative.

2. 1974, Lost reelection, endorsed by COMPAC.

3. 1976–80, Elected State Senator, endorsed by COMPAC.

4. 1980, Reelected State Senator, endorsed by COMPAC.

5. Geologist by profession.

6. Wrote the original strip mining regulations for Indiana. It was considered one of the best in the country.

7. Wrote and sponsored legislation for the largest single increase in workman's compensation in Indiana history.

8. Harris is from a mining family and mining community. The son and family of Harris are active UMWA members and former members.

9. The office and facilities of Dick Harris have always been open to the coal miners and the UMWA officials.

I sincerely hope you will consider my recommendation and that you can support the consideration of Sen. Harris for appointment to director of office of surface mining. I think it is in the best interest of our organization to publically support Dick Harris in this matter.

Thank you for your interest in this matter.

Sincerely,

RUSSELL STILWELL,
State Chairman.

MULZER CRUSHED STONE CO.,
Tell City, Ind., December 11, 1980.

Senator RICHARD LUGAR,
Russell Senate Office Building,
Washington, D.C.

DEAR DICK: We have learned that State Senator Richard Harris is under consideration by the Reagan administration for appointment to the post of Assistant Secretary of the Interior for Surface Mining.

Not only is Mr. Harris professionally qualified as a practicing graduate geologist with long field experience to understand and deal with critical technical areas covered by the Mining Enforcement and Reclamation Act administered by the Office of Surface Mining, but he is an experienced and effective legislator who understands legislative and administrative processes. He is a strong advocate of state's rights and an ardent supporter of the free enterprise system as well as the need to preserve and enhance environmental values.

We have worked closely with Mr. Harris for many years and are confident that, if anyone can, he would bring reasonable order and rational thinking to replace the chaos that is now O.S.M.

We heartily endorse him and urge you to actively support his nomination.

Please feel free to call on us for any help you may need.

Sincerely,

ARNOLD MULZER,
Partner.

MT. VERNON CHAMBER OF COMMERCE,
Mt. Vernon, Ind., April 21, 1981.

Hon. RICHARD G. LUGAR,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR LUGAR: The Board of Directors of the Mt. Vernon Chamber of Commerce wishes to be on record as supporting State Senator James R. Harris for the position of Director of the Office of Surface Mining.

As constituents of Senator Harris, we feel compelled to relay to you our belief that Senator Harris is a man of integrity and honesty.

We look forward to Senator Harris's confirmation by the U.S. Senate, and we appreciate your efforts to that end.

Sincerely,

WAYNE R. STOVALL,
President.

LEESBURG, IND.,
March 19, 1981.

Hon. HOWARD BAKER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BAKER: Recent articles in the Lafayette Courier-Journal newspaper have carried articles about James R. Harris, President Reagan's choice for Director of the Office of Surface Mining, and possible conflicts of interest between Senator Harris and various coal mining companies. My purpose in writing is to tell you something of the association I have had with the Senator while dealing with the Indiana legislature during the time of my previous employment.

I am no longer associated with my previous employer, but during the past four years I had the pleasure of lobbying for conservation legislation and working with Senator Harris on this legislation. Sometimes the Senator and I were on opposite sides of the fence on certain issues and at other times we were in agreement. At all times I found the Senator to be open minded, fair, well prepared, and honest. I also found the Senator to have a well developed conservation ethic balanced with the realities of today's society. Although I may be ill-at-ease with some of the President's appointments, I believe the Senator to be an excellent choice for the job at OSM. I do not believe the Senator would allow himself to be unduly influenced on any matters over which he would have authority no matter where that source of influence should come from. This is based on my observations while working with the Senator and during several personal conversations I have enjoyed over the years.

Senator Harris possesses excellent credentials for this appointment. His educational background and his career experiences have prepared him well. His legislative experience should also stand him in good stead. If you could have observed, as I did, his masterful guidance of Indiana's strip mine law through the complex maze of the Indiana legislature I am sure you would agree.

I would appreciate it if you would make the chairman of the appropriate committee considering the Senator's appointment aware of my feelings in this matter. If I can be of any service to you please do not hesitate to call on me.

Sincerely,

JAMES E. RICE.

STATE OF INDIANA,
SENATE,
Indianapolis, Ind., March 23, 1981.

Hon. RICHARD G. LUGAR,
U.S. Senator,
Dirksen Office Building,
Washington, D.C.

DEAR SENATOR LUGAR: To the best of my knowledge and belief, Senator James R. Harris did not, in fact, either violate Indiana's laws concerning financial disclosure required of state legislators, or breach the ethics code of the Indiana Senate as a principal in land purchase from Peabody Coal Company or Meadowlark Farms (a subsidiary of Amax Coal).

Yours very truly,

ROBERT D. GARTON,
President pro tempore.

STATE OF INDIANA,
HOUSE OF REPRESENTATIVES,
Indianapolis, Ind., March 23, 1981.

Hon. RICHARD LUGAR,
Russell Building,
Washington, D.C.

DEAR SENATOR LUGAR: Much has been made recently in the local news media about the land acquisition by Dick Harris from Amax and Peabody Coal Companies. I think it important to point out that the Amax property was for sale on the open market through Ray Rankin Realty prior to the purchase by Dick Harris.

Mr. Rankin personally contacted me last year concerning the availability of the Amax property. To suggest that a deal was made specifically for Mr. Harris to the exclusion of the public is inaccurate.

I would be happy to discuss this matter further with you or any of your colleagues who might deem this issue to be relevant to the confirmation of Dick's appointment by the Senate.

Respectfully,

MICHAEL K. PHILLIPS,
Democratic House Leader.●

NOMINATION OF JAMES G. STEARNS— DEPARTMENT OF ENERGY

Mr. McCLURE. Mr. President, on July 21, the Committee on Energy and Natural Resources favorably reported the nomination of James G. Stearns to be Director of the Office of Alcohol Fuels in the Department of Energy. The vote

was 17 to 0. The committee's vote followed a nomination hearing held on July 9, 1981.

Mr. Stearns has served in various management and executive capacities at the State and county level in the State of California. In 1972, he was appointed secretary of the agriculture and services Agency and a member of the Governor's Cabinet by Governor Ronald Reagan. Prior to his appointment as a cabinet officer, Mr. Stearns served as director of the State Department of Conservation. From 1951 to 1967, he held the post of county supervisor for Modoc County. In 1965, he served as president of the Supervisors Association of California following terms as president of the Northern California County Supervisors Association and the Western Regional District of the National Association of Counties. Mr. Stearns also served as member and vice chairman of the California Klamath River Compact Commission.

Mr. Stearns has combined a career in farming and ranching with extensive experience as an agency administrator at the State level. He is well suited to assume responsibility for the Department of Energy's program to encourage the production and consumption of alcohol fuels.

Mr. President, on behalf of the Committee on Energy and Natural Resources, I am pleased to recommend Senate approval of Mr. Stearns' nomination.

Mr. LAXALT. Mr. President, I strongly support the nomination of James G. Stearns for the position of Director of the Office of Alcohol Fuels in the Department of Energy. Jim has the unique combination of experience both in agriculture and government that will serve him well in this position. I am confident that he will make a vital contribution in the effort to develop a strong alcohol fuels industry.

No one can exaggerate the importance to our Nation's defense and economic security of finding cost-effective alternatives to imported oil. Alcohol fuels have demonstrated great potential as an alternative to petroleum. With intelligent cooperation between industry and Government, I am confident we will make great strides in this area.

Jim Stearns is the man to lead this effort. He has indicated his awareness of the need for a leading role of the private sector in developing alcohol fuels. As a farmer and rancher, he is particularly sensitive of the energy needs of American agriculture. As a member of the Reagan team, he is dedicated to implementing and enforcing the President's energy program.

Jim has served in many management capacities at the State and county level in California. From 1972 to 1975, Jim served as the secretary of Agriculture and services in California, under Governor Reagan. This office had jurisdiction over the State agencies handling agriculture, consumer affairs, industrial relations, general services and veterans affairs, and State personnel administrative functions. Over 13,000 State employees worked under his supervision.

From 1967 until 1972, Jim was the director of the California State Department of Conservation, again appointed by Governor Reagan. In this capacity he was responsible for the Divisions of Forestry, Mines and Geology, Oil and Gas, and Soil Conservation. By law, as director of the Department of Conservation, he also served on the California Air Resources Board, chaired the California Geothermal Resources Board, and was an ex-officio member of the Boards of Forestry, Soil Conservation, and Mines and Geology.

Clearly, this background will serve him well in his new capacity. More importantly, it will serve the country well James Stearns will make an excellent addition to the Department of Energy. I totally support the appointment.

NOMINATION OF WILLIAM BRADFORD REYNOLDS—DEPARTMENT OF JUSTICE

Mr. THURMOND. Mr. President, I rise today to state my support for Mr. William Bradford Reynolds to be Assistant Attorney General, Civil Rights Division, Department of Justice.

Mr. Reynolds graduated from Yale University in 1964 and earned his law degree at Vanderbilt University in 1967. Mr. Reynolds skillfully served as the assistant to the Solicitor General of the United States from 1970 to 1973. Presently, he is a litigation partner with the Washington, D.C., law firm of Shaw, Pittman, Potts and Trowbridge.

The Civil Rights Division is responsible for enforcing Federal civil rights laws which prohibit discrimination on the basis of race, national origin, religion, sex, age and physical disability. The major areas of concern are voting, education, employment, housing, credit, the use of public facilities, public accommodations, and in the administration of federally assisted programs.

The burdens upon Mr. Reynolds as head of the Civil Rights Division will be heavy. It will be incumbent upon him to be fair and just to all citizens. I am confident that if he is confirmed, he will act in an impartial manner and reflect great credit not only on himself, but on the Government which he serves. I urge my colleagues to support President Reagan's choice for Assistant Attorney General for the Civil Rights Division, Mr. William Bradford Reynolds.

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate may return to the consideration of legislative business.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE CALENDAR

Mr. BAKER. Mr. President, if I could ask for the cooperation of the minority leader again for a moment, there are certain items cleared on the Calendar of General Orders of legislative business on this side which we are prepared to proceed to for routine and consent passage.

Mr. President, they are Calender Order No. 178, S. 736, the Lacey Act Amendments of 1981; Calendar Order No. 200, S. 917, the veterans' compensation bill; and the following Calendar Order Nos. 210, 211, 212, 213, 214, 215, 222, and 223.

Mr. President, in addition to that I am prepared to ask unanimous consent, I advise the minority leader, that the Judiciary Committee be discharged from further consideration of House Joint Resolution 84 and ask for its immediate consideration and to indefinitely postpone Calendar Order No. 221.

Mr. ROBERT C. BYRD. Mr. President, the minority is ready to proceed on the measures enumerated by the distinguished majority leader. The minority is ready to proceed.

Mr. BAKER. I thank the minority leader.

Mr. President, I ask that the Chair lay before the Senate the items identified in the order suggested.

LACEY ACT AMENDMENTS OF 1981

The PRESIDING OFFICER. The first bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (S. 736) to provide for the control of illegally taken fish and wildlife.

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Environment and Public Works, with amendments, as follows:

On page 2, line 13, strike "(c)" and insert "(b)";

On page 2, line 18, strike "(d)", and insert "(c)";

On page 2, line 23, strike "(b)", and insert "(d)";

On page 2, line 23, strike "term 'foreign law' means", and insert the following: "terms 'law', 'treaty' and 'regulation' mean";

On page 2, line 24, after "laws,", insert "treaties";

On page 2, line 25, strike "of a foreign country"

On page 3, line 2, after "wildlife", insert the following: "or plants";

On page 5, line 11, after "exported,", insert "transported,";

On page 5, line 13, strike "shipped,";

On page 5, line 14, strike "or carried";

On page 6, line 5, after "who", insert the following: "engages in conduct prohibited by any provision of this Act (other than subsection 3(b) and";

On page 6, strike line 8, through "3(b)," on line 9, and insert the following: "the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty, or regulation,".

On page 7, line 12, after "offense", insert the following: "and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which a person may have taken or been in possession of the said fish or wildlife or plants.".

On page 9, strike line 14, through and including line 6 on page 10, and insert the following:

"(d) CRIMINAL PENALTIES.—

"(1) Any person who—

"(A) knowingly imports or exports any fish or wildlife or plants in violation of any provision of this Act (other than subsection 3(b)), or

"(B) violates any provision of this Act (other than subsection 3(b)) by knowingly engaging in conduct that involves the sale or purchase of, the offer of sale or purchase of, or the intent to sell or purchase, fish or

wildlife or plants with a market value in excess of $350,

knowing that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation, shall be fined not more than $20,000, or imprisoned for not more than five years, or both. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.

"(2) Any person who knowingly engages in conduct prohibited by any provision of this Act (other than subsection 3(b)) and in the exercise of due care should know that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation shall be fined not more than $10,000, or imprisoned for not more than one year, or both, for the first offense and shall be fined not more than $20,000, or imprisoned for not more than five years, or both, for each offense committed after the initial conviction. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.".

On page 12, line 25, strike "or master";

On page 12, line 25, after "vessel,", insert "vehicle, aircraft,";

On page 12, line 25, strike "the", through and including "or" on page 13, line 2:

On page 13, line 3, after "thereto", insert the following "or in the exercise of due care should have known that such vessel, vehicle, aircraft, or equipment would be used in a criminal violation of this Act,".

On page 14, line 18, after "committed", insert the following: "or is committing";

On page 14, line 18, after "violation", insert the following: *Provided*, That an arrest for a felony violation of this Act that is not committed in the presence or view of any such person and that involves only the transportation, acquisition, receipt, purchase, or sale of fish or wildlife or plants taken or possessed in violation of any law or regulation of any State shall require a warrant; may make an arrest without a war."

On page 16, line 15, strike "1982,", and insert "1983,";

On page 16, line 17, strike "a penalty, fine," and insert the following: "penalties, fines";

On page 16, line 17, strike "forfeiture", and insert "forfeitures";

On page 16, line 20, after "to", insert "an arrest";

On page 16, line 25, strike "but", through and including the period on page 17, line 2;

On page 17, line 11, after "of", insert the following: "subsections 4(b) and 4(e) and";

On page 18, line 4, strike "subsection (a) (1) of section 3", and insert the following: "paragraph (1) of subsection 3(a)";

On page 18, line 23, strike "subsection (a) (2) of section 3", and insert the following: "paragraph (2) of subsection 3(a)";

On page 20, line 10, strike "Amendment", and insert "Amendments";

On page 20, line 15, strike "a penalty, fine,", and insert the following: "penalties, fines";

On page 20, line 15, strike "forfeiture", and insert "forfeitures";

On page 20, line 23, strike "But", through and including the period on line 25; and

On page 21, line 6, strike "1982", and insert "1983".

So as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Lacey Act Amendments of 1981.".

SEC. 2. DEFINITIONS.

For the purposes of this Act:

(a) The term "fish or wildlife" means any wild animal, whether alive or dead, including without limitation any wild mammal, bird, reptile, amphibian, fish, mollusk, crustacean, arthopod, coelenterate or other invertebrate whether or not bred, hatched, or born in captivity, and includes any part, product, egg, or offspring thereof.

(b) The term "import" means to land on, bring into, or introduce into, any place subject to the jurisdiction of the United States, whether or not such landing, bringing, or introduction constitutes an importation within the meaning of the customs laws of the United States.

(c) The term "Indian tribal law" means any regulation of, or other rule of conduct enforceable by, any Indian tribe, band, or group but only to the extent that the regulation or rule applies within Indian country as defined in section 1151 of title 18, United States Code.

(d) The terms "law," "treaty," and "regulation," means laws, treaties, or regulations which regulate the taking, possession, importation, exportation, transportation, or sale of fish or wildlife or plants.

(e) The term "person" includes any individual, partnership, association, corporation, trust, or any officer, employee, agent, department, or instrumentality of the Federal Government or of any State or political subdivision thereof, or any other entity subject to the jurisdiction of the United States.

(f) The terms "plant" and "plants" mean any wild member of the plant kingdom, including roots, seeds, and other part thereof (but excluding common food crops and cultivars) which is indigenous to any State and which is either (A) listed on an appendix to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, or (B) listed pursuant to any State law that provides for the conservation of species threatened with extinction.

(g) The term "Secretary" means, except as otherwise provided in the Act, the Secretary of the Interior or the Secretary of Commerce, as program responsibilities are vested pursuant to the provisions of Reorganization Plan Numbered 4 of 1970 (84 Stat. 2090); except that with respect to the provisions of this Act which pertain to the importation or exportation of plants the term means the Secretary of Agriculture.

(h) The term "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, Northern Mariana Islands, American Samoa, and any other territory, commonwealth, or possession of the United States.

(i) The term "taken" means captured, killed, or collected.

(j) The term "transport" means to move, convey, carry, or ship by any means, or to deliver or receive for the purpose of movement, conveyance, carriage, or shipment.

SEC. 3. PROHIBITED ACTS.

(a) OFFENSES OTHER THAN MARKING OFFENSES.—It is unlawful for any person—

(1) to import, export, transport, sell, receive, acquire, or purchase any fish or wildlife or plant taken or possessed in violation of any law, treaty, or regulation of the United States or in violation of any Indian tribal law;

(2) to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce—

(A) any fish or wildlife taken, possessed, transported, or sold in violation of any law or regulation of any State or in violation of any foreign law, or

(B) any plant taken, possessed, transported, or sold in violation of any law or regulation of any State;

(3) within the special maritime and territorial jurisdiction of the United States (as defined in section 7 of title 18, United States Code)—

(A) to possess any fish or wildlife taken, possessed, transported, or sold in violation of any law or regulation of any State or in violation of any foreign law or Indian tribal law, or

(B) to possess any plant taken, possessed, transported, or sold in violation of any law or regulation of any State;

(4) having imported, exported, transported, sold, purchased, or received any fish or wildlife or plant imported from any foreign country or transported in interstate or foreign commerce, to make or submit any false record, account, label, or identification thereof; or

(5) to attempt to commit or solicit another to commit any act described in paragraph (1) through (4).

(b) MARKING OFFENSES.—It is unlawful for any person to import, export, or transport in interstate or foreign commerce any container or package containing any fish or wildlife unless the container or package has previously been plainly marked, labeled, or tagged in accordance with the regulations issued pursuant to paragraph (2) of subsection 7(a) of this Act.

SEC. 4. PENALTIES AND SANCTIONS

(a) CIVIL PENALTIES.

(1) Any person who engages in conduct prohibited by any provision of this Act (other than subsection 3(b)) and in the exercise of due care should know that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty, or regulation, may be assessed a civil penalty by the Secretary of not more than $10,000 for each such violation: *Provided*, That when the violation involves fish or wildlife or plants with a market value of less than $350, and involves only the transportation, acquisition, or receipt of fish or wildlife or plants taken or possessed in violation of any law, treaty, or regulation of the United States, any Indian tribal law, any foreign law, or any law or regulation of any State, the penalty assessed shall not exceed the maximum provided for violation of said law, treaty or regulation, or $10,000, whichever is less.

(2) Any person who violates subsection 3(b) may be assessed a civil penalty by the Secretary of not more than $250.

(3) For purposes of paragraphs (1) and (2), any reference to a provision of this Act or to a section of this Act shall be treated as including any regulation issued to carry out any such provision or section.

(4) No civil penalty may be assessed under this subsection unless the person accused of the violation is given notice and opportunity for a hearing with respect to the violation. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which a person may have taken or been in possession of the said fish or wildlife or plants.

(5) Any civil penalty assessed under this subsection may be remitted or mitigated by the Secretary.

(6) In determining the amount of any penalty assessed pursuant to paragraphs (1) and (2), the Secretary shall take into account the nature, circumstances, extent, and gravity of the prohibited act committed, and with respect to the violator, the degree of culpability, ability to pay, and such other matters as justice may require.

(b) HEARINGS.—Hearings held during proceedings for the assessment of civil penalties shall be conducted in accordance with section 554 of title 5, United States Code. The

administrative law judge may issue subpenas for the attendance and testimony of witnesses and the production of relevant papers, books, or documents, and may administer oaths. Witnesses summoned shall be paid the same fees and mileage that are paid to witnesses in the courts of the United States. In case of contumacy or refusal to obey a subpena issued pursuant to this paragraph and served upon any person, the district court of the United States for any district in which such person is found, resides, or transacts business, upon application by the United States and after notice to such person, shall have jurisdiction to issue an order requiring such person to appear and give testimony before the administrative law judge or to appear and produce documents before the administrative law judge, or both, and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) REVIEW.—Any person against whom a civil penalty is assessed under this section may obtain review thereof in the appropriate district court of the United States by filing a notice of appeal in such court within thirty days from the date of such order and by simultaneously sending a copy of such notice by certified mail to the Secretary. The Secretary shall promptly file in such court a certified copy of the record upon which such violation was found or such penalty imposed, as provided in section 2112 of title 28, United States Code. If any person fails to pay an assessment of a civil penalty after it has become a final and unappealable order or after the appropriate court has entered final judgment in favor of the Secretary, the Secretary may request the Attorney General of the United States to institute a civil action in an appropriate district court of the United States to collect the penalty, and such court shall have jurisdiction to hear and decide any such action. In hearing such action, the court shall have authority to review the violation and the assessment of the civil penalty de novo.

(d) CRIMINAL PENALTIES.—

(1) Any person who—

(A) knowingly imports or exports any fish or wildlife or plants in violation of any provision of this Act (other than subsection 3(b)), or

(B) violates any provision of this Act (other than subsection 3(b)) by knowingly engaging in conduct that involves the sale or purchase of, the offer of sale or purchase of, or the intent to sell or purchase, fish or wildlife or plants with a market value in excess of $350.

knowing that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation, shall be fined not more than $20,000, or imprisoned for not more than five years, or both. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.

(2) Any person who knowingly engages in conduct prohibited by any provision of this Act (other than subsection 3(b)) and in the exercise of due care should know that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation shall be fined not more than $10,000, or imprisoned for not more than one year, or both, for the first offense and shall be fined not more than $20,000, or imprisoned for not more than five years, or both, for each offense committed after the initial conviction. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.

(e) PERMIT SANCTIONS.—The Secretary may also suspend, modify, or cancel any Federal hunting or fishing license, permit, or stamp, or any license or permit authorizing a person to import or export fish or wildlife or plants (other than a permit or license issued pursuant to the Fishery Conservation and Management Act of 1976), or to operate a quarantine station or rescue center for imported wildlife or plants, issued to any person who is convicted of a criminal violation of any provision of this Act or any regulation issued hereunder. The Secretary shall not be liable for the payments of any compensation, reimbursement, or damages in connection with the modification, suspension, or revocation of any licenses, permits, stamps, or other agreements pursuant to this section.

SEC. 5. FORFEITURE.

(a) IN GENERAL.—

(1) All fish or wildlife or plants imported, exported, transported, sold, received, acquired, or purchased contrary to the provisions of section 3 of this Act (other than subsection 3(b)), or any regulation issued pursuant thereto, shall be subject to forfeiture to the United States notwithstanding any culpability requirements for civil penalty assessment or criminal prosecution included in section 4 of this Act.

(2) All vessels, vehicles, aircraft, and other equipment used to aid in the importing, exporting, transporting, selling, receiving, acquiring, or purchasing of fish or wildlife or plants in a criminal violation of this Act for which a felony conviction is obtained shall be subject to forfeiture to the United States if (A) the owner of such vessel, vehicle, aircraft, or equipment was at the time of the alleged illegal act a consenting party or privy thereto or in the exercise of due care should have known that such vessel, vehicle, aircraft, or equipment would be used in a criminal violation of this Act, and (B) the violation involved the sale or purchase of, the offer of sale or purchase of, or the intent to sell or purchase, fish or wildlife or plants.

(b) APPLICATION OF CUSTOMS LAWS.—All provisions of law relating to the seizure, forfeiture, and condemnation of property for violation of the customs laws, the disposition of such property or the proceeds from the sale thereof, and the remission or mitigation of such forfeiture, shall apply to the seizures and forfeitures incurred, or alleged to have been incurred, under the provisions of this Act, insofar as such provisions of law are applicable and not inconsistent with the provisions of this Act; except that all powers, rights, and duties conferred or imposed by the customs laws upon any officer or employee of the Treasury Department may, for the purposes of this Act, also be exercised or performed by the Secretary or by such persons as he may designate, *Provided*, That any warrant for search or seizure shall be issued in accordance with rule 41 of the Federal Rules of Criminal Procedure.

(c) STORAGE COST.—Any person convicted of an offense, or assessed a civil penalty, under section 4 shall be liable for the costs incurred in the storage, care, and maintenance of any fish or wildlife or plant seized in connection with the violation concerned.

SEC. 6. ENFORCEMENT.

(a) IN GENERAL.—The provisions of this Act and any regulations issued pursuant thereto shall be enforced by the Secretary, the Secretary of Transportation, or the Secretary of the Treasury. Such Secretary may utilize by agreement, with or without reimbursement, the personnel, services, and facilities of any other Federal agency or any State agency or Indian tribe for purposes of enforcing this Act.

(b) POWERS.—Any person authorized under subsection (a) to enforce this Act may carry firearms; may make an arrest without a warrant for any felony violation of this Act if he has reasonable grounds to believe that the person to be arrested has committed or is committing such violation, *Provided*, That an arrest for a felony violation of this Act that is not committed in the presence or view of any such person and that involves only the transportation, acquisition, receipt, purchase, or sale of fish or wildlife or plants taken or possessed in violation of any law or regulation of any State shall require a warrant; may make an arrest without a warrant for a misdemeanor violation of this Act if he has reasonable grounds to believe that the person to be arrested is committing a violation in his presence or view; and may execute and serve any subpena, arrest warrant, search warrant issued in accordance with rule 41 of the Federal Rules of Criminal Procedure, or other warrant of civil or criminal process issued by any officer or court of competent jurisdiction for enforcement of this Act. Any person so authorized, in coordination with the Secretary of the Treasury, may detain for inspection and inspect any vessel, vehicle, aircraft, or other conveyance or any package, crate, or other container, including its contents, upon the arrival of such conveyance or container in the United States or the customs waters of the United States from any point outside the United States or such customs waters, or, if such conveyance or container is being used for exportation purposes, prior to departure from the United States or the customs waters of the United States. Such person may also inspect and demand the production of any documents and permits required by the country of natal origin, birth, or reexport of the fish or wildlife. Any fish, wildlife, plant, property, or item seized shall be held by any person authorized by the Secretary pending disposition of civil or criminal proceedings, or the institution of an action in rem for forfeiture of such fish, wildlife, plants, property, or item pursuant to section 5 of this Act; except that the Secretary may, in lieu of holding such fish, wildlife, plant, property, or item, permit the owner or consignee to post a bond or other surety satisfactory to the Secretary.

(c) DISTRICT COURT JURISDICTION.—The several district courts of the United States, including the courts enumerated in section 460 of title 28, United States Code, shall have jurisdiction over any actions arising under this Act. The venue provisions of title 18 and title 28 of the United States Code shall apply to any actions arising under this Act. The judges of the district courts of the United States and the United States magistrates may, within their respective jurisdictions, upon proper oath or affirmation showing probable cause, issue such warrants or other process as may be required for enforcement of this Act and any regulations issued thereunder.

(d) REWARDS.—Beginning in fiscal year 1983, the Secretary or the Secretary of the Treasury shall pay a reward from sums received as penalties, fines, or forfeitures of property for any violation of this Act or any regulation issued hereunder to any person who furnishes information which leads to an arrest, a criminal conviction, civil penalty assessment, or forfeiture of property for any violation of this Act or any regulation issued hereunder. The amount of the reward, if any, is to be designated by the Secretary or the Secretary of the Treasury, as appropriate. Any officer or employee of the United States or any State or local government who furnishes information or renders service in the performance of his official duties is ineligible for payment under this subsection.

SEC. 7. ADMINISTRATION.

(a) REGULATIONS.—

(1) The Secretary, after consultation with the Secretary of the Treasury, is authorized to issue such regulations, except as provided in paragraph (2), as may be necessary to carry out the provisions of subsections 4(b) and 4(e) and section 5 of this Act.

(2) The Secretaries of the Interior and Commerce shall jointly promulgate specific regulations to implement the provisions of subsection 3(b) of this Act for the marking and labeling of containers or packages containing fish or wildlife in interstate or foreign commerce. These regulations shall be in accordance with existing commercial practices.

(b) CONTRACT AUTHORITY.—To the extent and in the amounts provided in advance in appropriations Acts, the Secretary may enter into such contracts, leases, cooperative agreements, or other transactions with any Federal or State agency, Indian tribe, public or private institution, or other person, as may be necessary to carry out the purposes of this Act.

SEC. 8. EXCEPTIONS.

(a) The provisions of paragraph (1) of subsection 3(a) of this Act shall not apply to any activity regulated by a fishery management plan in effect under the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.);

(b) The provisions of paragraphs (1), (2)(A), and (3)(A) of subsection 3(a) of this Act shall not apply to—

(1) any activity regulated by the Tuna Conventions Act of 1950 (16 U.S.C. 951–961) or the Atlantic Tunas Convention Act of 1975 (16 U.S.C. 971–971(h)); or

(2) any activity involving the harvesting of highly migratory species (as defined in paragraph (14) of Section 3 of the Fishery Conservation and Management Act of 1976) taken on the high seas (as defined in paragraph (13) of such section 3) if such species are taken in violation of the laws of a foreign nation and the United States does not recognize the jurisdiction of the foreign nation over such species;

(c) The provisions of paragraph (2) of subsection 3(a) of this Act shall not apply to the interstate shipment or transshipment through a State of any fish or wildlife or plant legally taken if the shipment is enroute to a State in which the fish or wildlife or plant may be legally possessed.

SEC. 9. MISCELLANEOUS PROVISIONS.

(a) EFFECT ON POWERS OF STATES.—Nothing in this Act shall be construed to prevent the several States or Indian tribes from making or enforcing laws or regulations not inconsistent with the provisions of this Act.

(b) REPEALS.—The following provisions of law are repealed:

(1) The Act of May 20, 1926 (commonly known as the Black Bass Act; 16 U.S.C. 851–856).

(2) Section 5 of the Act of May 25, 1900 (16 U.S.C. 667e), and sections 43 and 44 of title 18, United States Code (commonly known as provisions of the Lacey Act).

(3) Sections 3054 and 3112 of title 18, United States Code.

(c) DISCLAIMERS.—Nothing in this Act shall be construed as—

(1) repealing, superseding, or modifying any provision of Federal law other than those specified in subsection (b);

(2) repealing, superseding, or modifying any right, privilege, or immunity granted, reserved, or established pursuant to treaty, statute, or executive order pertaining to any Indian tribe, band, or community; or

(3) enlarging or diminishing the authority of any State or Indian tribe to regulate the activities of persons within Indian reservations.

(d) HUMANE SHIPMENT.—Subsection 42(c) of title 18, United States Code, is amended by striking "Secretary of the Treasury" and inserting in lieu thereof "Secretary of the Interior within one hundred and eighty days of the enactment of the Lacey Act Amendments of 1981".

(e) REWARD.—Subsection 11(d) of the Endangered Species Act of 1973 (16 U.S.C. 1540) is amended to read as follows:

"(d) REWARD.—The Secretary or the Secretary of the Treasury shall pay a reward from sums received as penalties, fines, or forfeitures of property for any violation of this Act or any regulation issued hereunder to any person who furnishes information which leads to an arrest, a criminal conviction, civil penalty assessment, or forfeiture of property for any violation of this Act or any regulation issued hereunder. The amount of the reward, if any, is to be designated by the Secretary or the Secretary of the Treasury, as appropriate. Any officer or employee of the United States or any State or local government who furnishes information or renders service in the performance of his official duties is ineligible for payment under this subsection.".

(f) The amendment specified in subsection (9)(e) of this Act shall take effect beginning in fiscal year 1983.

(g) The Secretary of the Interior is authorized to pay from agency appropriations the travel expense of newly appointed special agents of the United States Fish and Wildlife Service and the transportation expense of household goods and personal effects from place of residence at time of selection to first duty station to the extent authorized by section 5724 of title 5 for all such special agents appointed after January 1, 1977.

SEC. 10.

The Secretary shall identify the funds utilized to enforce this Act and any regulations thereto as a specific appropriations item in the Department of the Interior appropriations budget proposal to the Congress.

Mr. BAKER. Mr. President, I ask unanimous consent that all the committee amendments be agreed to en bloc and treated as original text for the purpose of further amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 109

(Purpose: To eliminate a mandatory second offender felony provision and for other purposes)

Mr. BAKER. Mr. President, there is an amendment No. 109 at the desk introduced by the distinguished Senator from Rhode Island (Mr. CHAFEE), the Senator from Idaho (Mr. MCCLURE), and the Senator from Tennessee. I call up that amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER) on behalf of Mr. CHAFEE (for himself, Mr. CHAFEE and Mr. MCCLURE), proposes an amendment numbered 109.

Mr. BAKER. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 5, line 21, strike out "or foreign".

On page 11, beginning with line 11 down through line 14, strike out ", for the first offense and shall be fined not more than $20,000, or imprisoned for not more than five years, or both, for each offense committed after the initial conviction".

On page 17, beginning with line 11 down through line 12, strike out "subsections 4(b) and 4(e)" and insert in lieu thereof "section 4".

On page 17, line 17, strike out "in interstate or foreign commerce".

On page 18, line 25, insert "Indian country as defined in section 1151 of title 18, United States Code, or" before "a State".

On page 17, line 20, strike out "To" and insert in lieu thereof "Beginning in fiscal year 1983, to".

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

The amendment (No. 109) was agreed to.

UP AMENDMENT NO. 293

(Purpose: Technical amendments)

Mr. BAKER. Mr. President, there is a technical amendment that I send to the desk for myself and on behalf of the Senator from Rhode Island (Mr. CHAFEE) and the Senator from South Carolina (Mr. THURMOND), and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER) for himself, and Mr. CHAFEE, and Mr. THURMOND, proposes an unprinted amendment numbered 293.

Mr. BAKER. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 2, line 24, strike out "and "regulation" " and insert in lieu thereof " "regulation," and "Indian tribal law" ".

On page 2, line 24, strike out "or" and on line 25, insert "or Indian tribal laws" before "which".

On page 5, lines 17–18, strike out "or solicit another to commit".

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee.

The amendment (UP No. 293) was agreed to.

● Mr. CHAFEE. Mr. President, today we are considering S. 736, a bill to provide for the control of illegally taken fish and wildlife. Known as the Lacey Act Amendments of 1981, this legislation represents a major effort to provide for the effective enforcement of existing fish and wildlife conservation laws.

The need for such a bill was well-documented in hearings held before the Committee on Environment and Public Works on April 1 of this year, as well as during the 96th Congress. We heard from every group that sought to testify on this legislation and the support for a bill that will provide the tools needed to effectively control the massive illegal trade in fish, wildlife and plants was unanimous. The committee accepted many recommendations of the witnesses and made a number of changes in the bill in response to the testimony received during the course of our hearings.

As amended and reported by the Com-

mittee on Environment and Public Works, the bill has the strong support of numerous groups such as the International Association of Fish and Game Agencies, the Wildlife Management Institute, the National Wildlife Federation, the National Rifle Association, and a host of environmental groups. The appeal of this bill transcends traditional ideological barriers and there is no significant opposition to it. Cosponsors of the bill include Senators BAKER, MCCLURE, STAFFORD, RANDOLPH, DECONCINI, GORTON, MOYNIHAN, TSONGAS, WALLOP, PELL, CRANSTON, MATHIAS, MELCHER, and HAYAKAWA. The bill addresses a very real problem—the rising tide of illegal trade in fish, wildlife, and plants—and does so in a manner that provides safeguards against indiscriminate enforcement efforts.

As I noted on March 19, 1981, when S. 736 was introduced, this legislation will correct present insufficiencies in both the Lacey and Black Bass Acts and combine them into one statute to promote public understanding and simplify administration and enforcement.

First, it will raise both the civil and criminal penalties of the current laws and target commercial violators and international traffickers.

Second, the current Black Bass Act does not prohibit interstate transportation of fish into a State that prohibits their entry. As an example, California strongly objects to shipments of live white amur carp into that State. California has no remedy against the shipper in another State, and the Federal Government cannot intervene in California's behalf under the present law. This problem is solved by S. 736.

Third, the bill will extend coverage to the full range of species protected by State, foreign, and Federal law. For example, it will extend the protection of the Lacey Act to plants for the first time. The State of Arizona harvests $1.8 million worth of plants each year under a permit system. Arizona estimates another one-third to one-half of that volume is taken illegally. With only six investigators to control the traffic, their task is nearly impossible. Interstate traffic is increasing because major markets outside the State offer double, and sometimes triple or quadruple the price offered within the State. The assistance of the Federal Government is needed to control this traffic.

S. 736 also corrects statutory provisions to allow for the rewards from the proceeds of fines collected. Although this was intended by the Congress in the past, the statutory language that was used prevented the payment of such rewards from fine moneys by the Federal agencies charged with enforcement of fish and wildlife laws.

Finally, S. 736 will permit relaxation of the previous rigid provisions for the marking of containers in which fish or wildlife are shipped. Under this bill the Secretaries of Interior and Commerce shall promulgate joint regulations regarding marking which are consonant with the practices of industry and which satisfy the needs of enforcement officers.

Mr. President, the most significant change made by the Committee on Environment and Public Works following hearings on this bill concerns the criminal penalty provision. To distinguish criminal violations of the act that warrant a felony punishment scheme from those that do not, the original version of S. 736 provided for felony punishment in all import or export cases and in all other cases that involved fish or wildlife or plants with a value in excess of $350. A misdemeanor penalty scheme was established for the remaining cases. Testimony received at the April 1, 1981, hearing on S. 736, however, noted that the use of a valuation test to distinguish felonies from misdemeanors has several shortcomings.

In a successful attempt to address the concerns that were expressed at the hearing, the committee rewrote the criminal penalty section of the bill to target the most serious offenses such as commercial violations and violations which involve international trafficking. In addition to the nature of the activity involved, the culpability standard is used to distinguish felonies from misdemeanors. The bill now provides for felony punishment in all cases involving specific intent—knowledge of the underlying law—and first, import or export; or second, commercial activities. General intent violations are misdemeanors unless it is the defendant's second offense.

The inclusion of a second-offender felony provision was based upon the premise that repeat offenders should be dealt with more harshly for unlawful acts committed after an initial conviction. Such offenders cannot deny knowledge of the serious nature of their offense. Nevertheless, upon further consideration of the issue, it appears that felony punishment may not be warranted for all second offenders. A person who exceeds his bag limit by one bird on two occasions probably does not deserve felony punishment. For this reason, Senators BAKER, MCCLURE, and I offer an amendment to S. 736 that will delete that provision.

Deletion of the second-offender felony provision should not be interpreted to suggest that second offenders are not to be dealt with harshly. Sentencing of repeat offenders should reflect the congressional judgment that such offenses are extremely serious and must be deterred. The sentencing should also deprive the offenders of their ill-gotten gains. Although felony punishment may not be warranted for all second offenses, the premise that repeat offenders should be dealt with more harshly for unlawful conduct committed after an initial conviction is still valid and is mean to be incorporated into this legislation.

The balance of amendment No. 109 is in the nature of a technical and clarifying amendment. First, the Department of State has recommended that sections 3(b) and 7(a)(2) be amended to clarify that the "marking offenses" provision of the bill and the regulations that will be promulgated to govern the marking of containers and packages will not be applicable to containers and packages which do not enter the United States. As currently drafted, persons could engage in conduct which is completely legal under the laws of a foreign country or countries exclusively involved and yet is illegal by virtue of the marking regulations promulgated in this country. This would not be appropriate and the amendment corrects this.

Second, the Office of Management and Budget has noted that the section 7 grant of authority to promulgate regulations must include the authority to issue regulations concerning the penalty assessment process and not just the hearings and permit sanctions processes. The amendment corrects this problem as well.

Third, the amendment clarifies that the section 8 exception for interstate transhipments of legally taken wildlife applies to transhipments through Indian country as well as through States. The intent of subsection 8(c), as set forth in the report (97–123), is not altered by this amendment.

The unprinted amendment that Senators BAKER, THURMOND, and I are offering today makes technical corrections to two sections of the bill. On May 21, this bill was referred to the Committee on the Judiciary, of which our learned colleague, Senator THURMOND, is chairman. Although that committee took no formal action, the amendments offered today are offered on the able advice of Senator THURMOND.

The amendment to subsection 2(d) clarifies that the term "law," as used in this bill, has the same meaning whether we are referring to a law of the United States, a law of a State, a foreign law, or an Indian tribal law.

The amendment to paragraph 5 of subsection 3(a) deletes specific reference to the offense of "solicitation." It is a serious offense to solicit another to commit a violation of the law and people who do so deserve to be severely punished. Nevertheless, separate reference to the offense of "solicitation" in this bill is unnecessary and duplicative of 18 U.S.C. 2(a). That subsection provides, inter alia, that whoever induces or procures the commission of an offense against the United States is punishable as a principal. As such, anyone who solicits another to commit an act that violates this act shall be subject to the full range of penalties provided for in the act.

In summation, Mr. President, I believe that the legislation before us today is a welcome and needed addition to existing wildlife law. It will undoubtedly help the States in their efforts to protect, conserve, and manage wildlife. It will provide the needed enforcement tools to the Federal agencies that have responsibility for wildlife law enforcement, including the Fish and Wildlife, the National Marine Fisheries, the Animal Plant Health Inspection Services and, when international trade is involved, prior to actual entry, at the time of entry into this country and afterward, the Customs Service. Each of these agencies, as well as the Department of Justice, is expected to aggressively pursue and prosecute violations of this act.

We cannot expect the illegal trade in wildlife to go away by itself. The profits are too high and the threat of punish-

ment is too low. Only when Congress and the Executive work together, Congress by enacting this legislation and the Executive by vigorously enforcing it, can we expect to effectively attack and control the massive, illegal trade in wildlife. For these reasons, I urge my colleagues to support this legislation.●

Mr. THURMOND. Mr. President, the Senate considers today a measure, S. 736, which is a bill to amend the Lacey Act. It has been reported by the Committee on Environment and Public Works and was referred to the Committee on the Judiciary for 30 calendar days.

This bill is an effort to put teeth into the Lacey Act, which is the Federal law covering illegally taken fish and wildlife. S. 736 expands the coverage of the Lacey Act and combines several Federal laws in this area that are currently on the books. More importantly, however, S. 736 raises the penalties for certain Lacey Act violations from misdemeanors to felonies.

Mr. President, I want the record to show that I am firmly behind the underlying purpose of this legislation which is to give the Federal Government stronger enforcement tools to stop the large-scale importation and taking of fish and game either considered by the United States as an endangered species or which enjoy protection under other foreign, State, or local laws.

The Lacey Act is an important law, especially to the U.S. Fish and Wildlife Service, which is charged with the difficult responsibility of enforcing Lacey Act violations. The amendments being considered by the Senate today are intended to give that agency greater authority to carry out these enforcement activities.

Now, as I was at the close of the session of Congress last year, I am again concerned that in our zeal to strengthen the Lacey Act, we not go too far in subjecting innocent individuals, who have no requisite intent to violate the law, to Federal felony liability. Congress must proceed carefully whenever it proposes to use violations of underlying State, foreign, and tribal laws to obtain Federal Lacey Act jurisdiction, and thus subjecting a defendant to felony-level penalties for such violations.

The Senate Committee on the Judiciary has had under consideration in past years, and is again considering, the reform of the Federal criminal laws. We have looked at this problem of so-called piggy-back jurisdiction in the context of that legislation. Repeatedly, we have been told by witnesses, especially from the civil liberties community, that it is dangerous to use violations of State and local laws to trigger Federal jurisdiction. Thus, we have been careful in the Judiciary Committee to consider carefully the necessity to invoke the interest of the Federal Government in areas where perhaps the States have had, and should continue to have, jurisdiction.

The committee has concluded, of course, that there are areas, such as drug trafficking, labor violence, organized crime activities, pornography, and certain white-collar crimes, where Federal jurisdiction should be asserted. I am sure that the Congress is correct in determining that the Lacey Act is an area where the Federal Government ought to have increased enforcement powers. This power should be granted, however, with adequate safeguards for individuals who may not be aware of the Federal liability they are exposed to under the Lacey Act.

Mr. President, it was this concern that caused me to hold up this legislation last year and to request referral to the Committee on the Judiciary this year. I acknowledge that a number of amendments were offered in the Committee on Environment and Public Works that addressed some of my concerns. Several additional amendments have been agreed to by the managers of the bill, the distinguished Senator from Rhode Island (Mr. CHAFEE) and the able majority leader (Mr. BAKER), which further correct problems I found with S. 736 as introduced. I refer particularly to the exclusion of solicitation as a separate violation of the Lacey Act. I think it goes too far to prosecute someone for soliciting another to violate an Indian tribal custom or rule.

Mr. President, I do not object to the consideration of this legislation. I understand there is some concern about provisions on the importation and exportation of wildlife and fish in and out of Alaska by the Senators from that State. I share their concerns that Americans who go to that great outdoors State for legal hunting and fishing should not be harassed needlessly by the Fish and Wildlife Service where there is no specific intent to violate the Lacey Act.

Mr. President, I appreciate the understanding and cooperation of the managers of this legislation in accommodating some of my concerns about this bill.

Mr. BAKER. Mr. President, this bill will amend and improve two of the Nation's most important wildlife protection laws, the Lacey Act and the Black Bass Act. The Lacey Act was one of the first Federal wildlife laws. Passed in 1900, it outlawed interstate traffic in birds and other animals illegally killed in their State of origin. It was aimed at so-called pothunters—people who killed large amounts of wildlife for sale, and was viewed not as increasing the Federal role in managing wildlife but as a Federal tool to aid States in enforcing their own laws concerning wildlife. With several amendments, its coverage expanded to include wildlife taken in violation of foreign laws as well as State law. The Black Bass Act of 1926 was based on the same philosophy as the Lacey Act. It provided Federal actions against interstate transportation of black bass taken, purchased, sold, or possessed in violation of State laws. It was also subsequently expanded to cover all fishes and was amended in 1969 to encompass foreign commerce and fish taken, bought, sold, or possessed in violation of foreign law.

Although both the Lacey Act and the Black Bass Act have been amended in the past, a number of problems have developed that have limited their effectiveness as wildlife law enforcement tools. In addition, having two statutes with differing enforcement and penalty provisions makes little sense when the problems encountered in the control of illegal commerce in fish are nearly identical to those encountered in the control of illegal commerce in wildlife.

The legislation which is being considered today is, in addition, aimed at stemming the rising tide of illegal traffic in fish, wildlife, and plants. It will provide the tools which are needed to combat and control the massive illegal trade in fish, wildlife, and plants, that threatens the survival of numerous species, threatens the welfare of our agricultural and pet industries, and imposes untold costs on the American taxpayer. The criminal element involved and the financial incentives provided by this trade can only be countered by strong disincentives. The proposed Lacey Act Amendments of 1981 are an extremely important step in this direction.

It is reliably estimated that the illegal trade in wildlife alone amounts to as much as $100 million a year. Much of this trade is accomplished by false and fraudulent documents which must accompany wildlife imports. However, a substantial percentage is accomplished through outright smuggling. In Texas, for example, it was estimated that 25,000 to 50,000 parrots were smuggled across the Mexican border in 1979. Profits on illegal shipments of wildlife are staggering. At a recent trial it was revealed that one species of reptile purchased for $10 a pair were sold for $550 a pair. The volume of the trade is equally staggering. One recent investigation indicates that the illegal trade in a single species of bird during a 6-month period in southern California totaled $2 to $5 million.

The economic consequences of this illegal trade are also severe. It directly threatens America's agriculture and pet industries and indirectly burdens individual taxpayers. Imported wildlife carry diseases that can affect poultry, livestock, fish, and pets. An outbreak of Newcastle disease, carried by exotic birds and fatal to domestic poultry, in California in 1971 cost the Federal taxpayer $56 million. In 1979, 14,000 pet birds exposed to the disease had to be killed at a cost of $2 million to the Federal Government. In mid-September 1980, a particularly deadly strain of exotic Newcastle disease was diagnosed at a wholesale pet bird establishment in Miami, Fla.

Shipments of approximately 20,000 birds from the Miami wholesaler were traced by the Federal Government to 45 States, the District of Columbia, the U.S. Virgin Islands, Canada, and the Bahamas. The cost of that outbreak is expected to run into the millions of dollars. Department of Agriculture officials have estimated that if the disease becomes established in the United States, the yearly losses would amount to $230 million or more in 1975 dollars. Furthermore, the spread of the disease to domestic wildlife could be catastrophic.

Illegal trade is not restricted to wildlife. Similar heavy profits are being made in illegal fish which move in the channels of commerce. Those of you who have purchased fresh salmon recently must realize the potential profits to those who unlawfully net our Western rivers. A pickup truck with overload

springs can quickly move $10,000 worth of illegal salmon across State lines to rendezvous with a buyer of illegal fish. Hundreds of tons of illegal salmon move from Western rivers to cities clear across the country and to Japan. Thousands of tons of illegal fish flow from the Midwest and the Great Lakes to markets in Midwestern and Eastern cities. A $200 penalty as provided in the present Black Bass Act is not providing a deterrent to those violators who can net many thousands of dollars by trafficking in illegal fish.

The Lacey and Black Bass Acts are in many ways our most important wildlife laws, since they control trade in thousands of species protected by State and foreign laws. Congressman Lacey had a great idea and he gave this Nation a means of preserving the precious heritage of fish and wildlife which enriches life for us all. But times change and improvements are needed. World commerce in wildlife has become an enormous business and we must adapt Congressman Lacey's great law to the age in which we live.

S. 736 will correct the present insufficiencies in both the Lacey and Black Bass Acts and combine them into one statute to simplify administration and enforcement and promote public understanding. As Senator CHAFEE notes, the Federal agencies that have responsibility for wildlife law enforcement, including the customs service, are expected to aggressively pursue and prosecute violations of wildlife laws. We must see to it that Federal wildlife laws keep pace with the times and can be effectively enforced. For these reasons, I urge my colleagues to support this legislation.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read a third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

So the bill (S. 736), as amended, was passed.

S. 736

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Lacey Act Amendments of 1981".

SEC. 2. DEFINITIONS.

For the purposes of this Act:

(a) The term "fish or wildlife" means any wild animal, whether alive or dead, including without limitation any wild mammal, bird, reptile, amphibian, fish, mollusk, crustacean, arthropod, coelenterate, or other invertebrate, whether or not bred, hatched, or born in captivity, and includes any part, product, egg, or offspring thereof.

(b) The term "import" means to land on, bring into, or introduce into, any place subject to the jurisdiction of the United States, whether or not such landing, bringing, or introduction constitutes an importation within the meaning of the customs laws of the United States.

(c) The term "Indian tribal law" means any regulation of, or other rule of conduct enforceable by, any Indian tribe, band, or group but only to the extent that the regulation or rule applies within Indian country as defined in section 1151 of title 18, United States Code.

(d) The terms "law," "treaty," "regulation," and "Indian tribal law" mean laws, treaties, regulations or Indian tribal laws which regulate the taking, possession, importation, exportation, transportation, or sale of fish or wildlife or plants.

(e) The term "person" includes any individual, partnership, association, corporation, trust, or any officer, employee, agent, department, or instrumentality of the Federal Government or of any State or political subdivision thereof, or any other entity subject to the jurisdiction of the United States.

(f) The terms "plant" and "plants" mean any wild member of the plant kingdom, including roots, seeds, and other parts thereof (but excluding common food crops and cultivars) which is indigenous to any State and which is either (A) listed on an appendix to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, or (B) listed pursuant to any State law that provides for the conservation of species threatened with extinction.

(g) The term "Secretary" means, except as otherwise provided in the Act, the Secretary of the Interior or the Secretary of Commerce, as program responsibilities are vested pursuant to the provisions of Reorganization Plan Numbered 4 of 1970 (84 Stat. 2090); except that with respect to the provisions of this Act which pertain to the importation or exportation of plants the term means the Secretary of Agriculture.

(h) The term "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, Northern Mariana Islands, American Samoa, and any other territory, commonwealth, or possession of the United States.

(i) The term "taken" means captured, killed, or collected.

(j) The term "transport" means to move, convey, carry, or ship by any means, or to deliver or receive for the purpose of movement, conveyance, carriage, or shipment.

SEC. 3. PROHIBITED ACTS.

(a) OFFENSES OTHER THAN MARKING OFFENSES.—It is unlawful for any person—

(1) to import, export, transport, sell, receive, acquire, or purchase any fish or wildlife or plant taken or possessed in violation of any law, treaty, or regulation of the United States or in violation of any Indian tribal law;

(2) to import, export, transport, sell, receive, acquire, or purchase in interstate or foreign commerce—

(A) any fish or wildlife taken, possessed, transported, or sold in violation of any law or regulation of any State or in violation of any foreign law, or

(B) any plant taken, possessed, transported, or sold in violation of any law or regulation of any State;

(3) within the special maritime and territorial jurisdiction of the United States (as defined in section 7 of title 18, United States Code)—

(A) to possess any fish or wildlife taken, possessed, transported, or sold in violation of any law or regulation of any State or in violation of any foreign law or Indian tribal law, or

(B) to possess any plant taken, possessed, transported, or sold in violation of any law or regulation of any State;

(4) having imported, exported, transported, sold, purchased, or received any fish or wildlife or plant imported from any foreign country or transported in interstate or foreign commerce, to make or submit any false record, account, label, or identification thereof; or

(5) to attempt to commit any act described in paragraphs (1) through (4).

(b) MARKING OFFENSES.—It is unlawful for any person to import, export, or transport in interstate commerce any container or package containing any fish or wildlife unless the container or package has previously been plainly marked, labeled, or tagged in accordance with the regulations issued pursuant to paragraph (2) of subsection 7(a) of this Act.

SEC. 4. PENALTIES AND SANCTIONS.

(a) CIVIL PENALTIES.—

(1) Any person who engages in conduct prohibited by any provision of this Act (other than subsection 3(b)) and in the exercise of due care should know that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty, or regulation, may be assessed a civil penalty by the Secretary of not more than $10,000 for each such violation: *Provided,* That when the violation involves fish or wildlife or plants with a market value of less than $350, and involves only the transportation, acquisition, or receipt of fish or wildlife or plants taken or possessed in violation of any law, treaty, or regulation of the United States, any Indian tribal law, any foreign law, or any law or regulation of any State, the penalty assessed shall not exceed the maximum provided for violation of said law, treaty, or regulation, or $10,000, whichever is less.

(2) Any person who violates subsection 3(b) may be assessed a civil penalty by the Secretary of not more than $250.

(3) For purposes of paragraphs (1) and (2), any reference to a provision of this Act or to a section of this Act shall be treated as including any regulation issued to carry out any such provision or section.

(4) No civil penalty may be assessed under this subsection unless the person accused of the violation is given notice and opportunity for a hearing with respect to the violation. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which a person may have taken or been in possession of the said fish or wildlife or plants.

(5) Any civil penalty assessed under this subsection may be remitted or mitigated by the Secretary.

(6) In determining the amount of any penalty assessed pursuant to paragraphs (1) and (2), the Secretary shall take into account the nature, circumstances, extent, and gravity of the prohibited act committed, and with respect to the violator, the degree of culpability, ability to pay, and such other matters as justice may require.

(b) HEARINGS.—Hearings held during proceedings for the assessment of civil penalties shall be conducted in accordance with section 554 of title 5, United States Code. The administrative law judge may issue subpenas for the attendance and testimony of witnesses and the production of relevant papers, books, or documents, and may administer oaths. Witnesses summoned shall be paid the same fees and mileage that are paid to witnesses in the courts of the United States. In case of contumacy or refusal to obey a subpena issued pursuant to this paragraph and served upon any person, the district court of the United States for any district in which such person is found, resides, or transacts business, upon application by the United States and after notice to such person, shall have jurisdiction to issue an order requiring such person to appear and give testimony before the administrative law judge or to appear and produce documents before the

administrative law judge, or both, and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) REVIEW.—Any person against whom a civil penalty is assessed under this section may obtain review thereof in the appropriate district court of the United States by filing a notice of appeal in such court within thirty days from the date of such order and by simultaneously sending a copy of such notice by certified mail to the Secretary. The Secretary shall promptly file in such court a certified copy of the record upon which such violation was found or such penalty imposed, as provided in section 2112 of title 28, United States Code. If any person fails to pay an assessment of a civil penalty after it has become a final and unappealable order or after the appropriate court has entered final judgment in favor of the Secretary, the Secretary may request the Attorney General of the United States to institute a civil action in an appropriate district court of the United States to collect the penalty, and such court shall have jurisdiction to hear and decide any such action. In hearing such action, the court shall have authority to review the violation and the assessment of the civil penalty de novo.

(d) CRIMINAL PENALTIES.—

(1) Any person who—

(A) knowingly imports or exports any fish or wildlife or plants in violation of any provision of this Act (other than subsection 3(b)), or

(B) violates any provision of this Act (other than subsection 3(b)) by knowingly engaging in conduct that involves the sale or purchase of, the offer of sale or purchase of, or the intent to sell or purchase, fish or wildlife or plants with a market value in excess of $350,

knowing that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation, shall be fined not more than $20,000, or imprisoned for not more than five years, or both. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.

(2) Any person who knowingly engages in conduct prohibited by any provision of this Act (other than subsection 3(b)) and in the exercise of due care should know that the fish or wildlife or plants were taken, possessed, transported, or sold in violation of, or in a manner unlawful under, any underlying law, treaty or regulation shall be fined not more than $10,000, or imprisoned for not more than one year, or both. Each violation shall be a separate offense and the offense shall be deemed to have been committed not only in the district where the violation first occurred, but also in any district in which the defendant may have taken or been in possession of the said fish or wildlife or plants.

(e) PERMIT SANCTIONS.—The Secretary may also suspend, modify, or cancel any Federal hunting or fishing license, permit, or stamp, or any license or permit authorizing a person to import or export fish or wildlife or plants (other than a permit or license issued pursuant to the Fishery Conservation and Management Act of 1976), or to operate a quarantine station or rescue center for imported wildlife or plants, issued to any person who is convicted of a criminal violation of any provision of this Act or any regulation issued hereunder. The Secretary shall not be liable for the payments of any compensation, reimbursement, or damages in connection with the modification, suspension, or revocation of any licenses, permits, stamps, or other agreements pursuant to this section.

SEC. 5. FORFITURE.

(a) IN GENERAL.—

(1) All fish or wildlife or plants imported, exported, transported, sold, received, acquired, or purchased contrary to the provisions of section 3 of this Act (other than subsection 3(b), or any regulation issued pursuant thereto, shall be subject to forfeiture to the United States notwithstanding any culpability requirements for civil penalty assessment or criminal prosecution included in section 4 of this Act.

(2) All vessels, vehicles, aircraft, and other equipment used to aid in the importing, exporting, transporting, selling, receiving, acquiring, or purchasing of fish or wildlife or plants in a criminal violation of this Act for which a felony conviction is obtained shall be subject to forfeiture to the United States if (A) the owner of such vessel, vehicle, aircraft, or equipment was at the time of the alleged illegal act a consenting party or privy thereto or in the exercise of due care should have known that such vessel, vehicle, aircraft, or equipment would be used in a criminal violation of this Act, and (B) the violation involved the sale or purchase of, the offer of sale or purchase of, or the intent to sell or purchase, fish or wildlife or plants.

(b) APPLICATION OF CUSTOMS LAWS.—All provisions of law relating to the seizure, forfeiture, and condemnation of property for violation of the customs laws, the disposition of such property or the proceeds from the sale thereof, and the remission or mitigation of such forfeiture, shall apply to the seizures and forfeitures incurred, or alleged to have been incurred, under the provisions of this Act, insofar as such provisions of law are applicable and not inconsistent with the provisions of this Act; except that all powers, rights, and duties conferred or imposed by the customs laws upon any officer or employee of the Treasury Department may, for the purposes of this Act, also be exercised or performed by the Secretary or by such persons as he may designate: *Provided*, That any warrant for search or seizure shall be issued in accordance with rule 41 of the Federal Rules of Criminal Procedure.

(c) STORAGE COST.—Any person convicted of an offense, or assessed a civil penalty, under section 4 shall be liable for the costs incurred in the storage, care, and maintenance of any fish or wildlife or plant seized in connection with the violation concerned.

SEC. 6. ENFORCEMENT.

(a) IN GENERAL.—The provision of this Act and any regulations issued pursuant thereto shall be enforced by the Secretary, the Secretary of Transportation, or the Secretary of the Treasury. Such Secretary may utilize by agreement, with or without reimbursement, the personnel, services, and facilities of any other Federal agency or any State agency or Indian tribe for purposes of enforcing this Act.

(b) POWERS.—Any person authorized under subsection (a) to enforce this Act may carry firearms; may make an arrest without a warrant for any felony violation of this Act if he has reasonable grounds to believe that the person to be arrested has committed or is committing such violation: *Provided*, That an arrest for a felony violation of this Act that is not committed in the presence or view of any such person and that involves only the transportation, acquisition, receipt, purchase, or sale of fish or wildlife or plants taken or possessed in violation of any law or regulation of any State shall require a warrant; may make an arrest without a warrant for a misdemeanor violation of this Act if he has reasonable grounds to believe that the person to be arrested is committing a violation in his presence or view; and may execute and serve any subpena, arrest warrant, search warrant issued in accordance with rule 41 of the Federal Rules of Criminal Procedure, or other warrant of civil or criminal process issued by any officer or court of competent jurisdiction for enforcement of this Act. Any person so authorized, in coordination with the Secretary of the Treasury, may detain for inspection and inspect any vessel, vehicle, aircraft, or other conveyance or any package, crate, or other container, including its contents, upon the arrival of such conveyance or container in the United States or the customs waters of the United States from any point outside the United States or such customs waters, or, if such conveyance or container is being used for exportation purposes, prior to departure from the United States or the customs waters of the United States. Such person may also inspect and demand the production of any documents and permits required by the country of natal origin, birth, or reexport of the fish or wildlife. Any fish, wildlife, plant, property, or item seized shall be held by any person authorized by the Secretary pending disposition of civil or criminal proceedings, or the institution of an action in rem for forfeiture of such fish, wildlife, plants, property, or item pursuant to section 5 of this Act; except that the Secretary may, in lieu of holding such fish, wildlife, plant, property, or item permit the owner or consignee to post a bond or other surety satisfactory to the Secretary.

(c) DISTRICT COURT JURISDICTION.—The several district courts of the United States, including the courts enumerated in section 460 of title 28, United States Code, shall have jurisdiction over any actions arising under this Act. The venue provisions of title 18 and title 28 of the United States Code shall apply to any actions arising under this Act. The judges of the district courts of the United States and the United States magistrates may, within their respective jurisdictions, upon proper oath or affirmation showing probable cause, issue such warrants or other process as may be required for enforcement of this Act and any regulations issued thereunder.

(d) REWARDS.—Beginning in fiscal year 1983, the Secretary or the Secretary of the Treasury shall pay a reward for sums received as penalties, fines, or forfeitures of property for any violation of this Act or any regulation issued hereunder to any person who furnishes information which leads to an arrest, a criminal conviction, civil penalty assessment, or forfeiture of property for any violation of this Act or any regulation issued hereunder. The amount of the reward, if any, is to be designated by the Secretary or the Secretary of the Treasury, as appropriate. Any officer or employee of the United States or any State or local government who furnishes information or renders service in the performance of his official duties is ineligible for payment under this subsection.

SEC. 7. ADMINISTRATION.

(a) REGULATIONS.—

(1) The Secretary, after consultation with the Secretary of the Treasury, is authorized to issue such regulations, except as provided in paragraph (2), as may be necessary to carry out the provisions of section 4 and section 5 of this Act.

(2) The Secretaries of the Interior and Commerce shall jointly promulgate specific regulations to implement the provisions of subsection 3(b) of this Act for the marking and labeling of containers or packages containing fish or wildlife. These regulations shall be in accordance with existing commercial practices.

(b) CONTRACT AUTHORITY.—Beginning in fiscal year 1983, to the extent and in the amounts provided in advance in appropriations Acts, the Secretary may enter into such contracts, leases, cooperative agreements, or other transactions with any Federal or State agency, Indian tribe, public or private institution, or other person, as may be necessary to carry out the purposes of this Act.

SEC. 8. EXCEPTIONS.

(a) The provisions of paragraph (1) of subsection 3(a) of this Act shall not apply to any activity regulated by a fishery management plan in effect under the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801 et seq.);

(b) The provisions of paragraphs (1), (2)(A), and (3)(A) of subsection 3(a) of this Act shall not apply to—

(1) any activity regulated by the Tuna Conventions Act of 1950 (16 U.S.C. 951–961) or the Atlantic Tunas Convention Act of 1975 (16 U.S.C. 971–971(h)); or

(2) any activity involving the harvesting of highly migratory species (as defined in paragraph (14) of Section 3 of the Fishery Conservation and Management Act of 1976) taken on the high seas (as defined in paragraph (13) of such section 3) if such species are taken in violation of the laws of a foreign nation and the United States does not recognize the jurisdiction of the foreign nation over such species;

(c) The provisions of paragraph (2) of subsection 3(a) of this Act shall not apply to the interstate shipment or transshipment through Indian country as defined in section 1151 of title 18, United States Code, or a State of any fish or wildlife or plant legally taken if the shipment is enroute to a State in which the fish or wildlife or plant may be legally possessed.

SEC. 9. MISCELLANEOUS PROVISIONS.

(a) EFFECT ON POWERS OF STATES.—Nothing in this Act shall be construed to prevent the several States or Indian tribes from making or enforcing laws or regulations not inconsistent with the provisions of this Act.

(b) REPEALS.—The following provisions of law are repealed:

(1) The Act of May 20, 1926 (commonly known as the Black Bass Act; 16 U.S.C. 851–856).

(2) Section 5 of the Act of May 25, 1900 (16 U.S.C. 667e), and sections 43 and 44 of title 18, United States Code (commonly known as provisions of the Lacey Act).

(3) Sections 3054 and 3112 of title 18, United States Code.

(c) DISCLAIMERS.—Nothing in this Act shall be construed as—

(1) repealing, superseding, or modifying any provision of Federal law other than those specified in subsection (b);

(2) repealing, superseding, or modifying any right, privilege, or immunity granted, reserved, or established pursuant to treaty, statute, or executive order pertaining to any Indian tribe, band, or community; or

(3) enlarging or diminishing the authority of any State or Indian tribe to regulate the activities of persons within Indian reservations.

(d) HUMANE SHIPMENT.—Subsection 42(c) of title 18, United States Code, is amended by striking "Secretary of the Treasury" and inserting in lieu thereof "Secretary of the Interior within one hundred and eighty days of the enactment of the Lacey Act Amendments of 1981".

(e) REWARD.—Subsection 11(d) of the Endangered Species Act of 1973 (16 U.S.C. 1540) is amended to read as follows:

"(d) REWARD.—The Secretary or the Secretary of the Treasury shall pay a reward from sums received as penalties, fines, or forfeitures of property for any violation of this Act or any regulation issued hereunder to any person who furnishes information which leads to an arrest, a criminal conviction, civil penalty assessment, or forfeiture of property for any violation of this Act or any regulation issued hereunder. The amount of the reward, if any, is to be designated by the Secretary or the Secretary of the Treasury, as appropriate. Any officer or employee of the United States or any State or local government who furnishes information or renders service in the performance of his official duties is ineligible for payment under this subsection.".

(f) The amendment specified in subsection (9)(e) of this Act shall take effect beginning in fiscal year 1983.

(g) The Secretary of the Interior is authorized to pay from agency appropriations the travel expense of newly appointed special agents of the United States Fish and Wildlife Service and the transportation expense of household goods and personal effects from place of residence at time of selection to first duty station to the extent authorized by section 5721 of title 5 for all such special agents appointed after January 1, 1977.

(h) The Secretary shall identify the funds utilized to enforce this Act and any regulations thereto as a specific appropriations item in the Department of the Interior appropriations budget proposal to the Congress.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

VETERANS' DISABILITY COMPENSATION, HOUSING AND MEMORIAL BENEFITS AMENDMENTS OF 1981

Mr. BAKER. Mr. President, I ask the Chair to lay before the Senate Calendar No. 200, S. 917.

The PRESIDING OFFICER. The clerk will state the bill by title.

The assistant legislative clerk read as follows:

Calendar No. 200, a bill (S. 917) to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans; to increase the rates of dependency and indemnity compensation for their surviving spouses and children; and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Veterans' Affairs with an amendment to strike out all after the enacting clause, and insert the following:

That (a) this Act may be cited as the "Veterans' Disability Compensation, Housing, and Memorial Benefits Amendments of 1981".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I—VETERANS' DISABILITY COMPENSATION BENEFITS

RATES OF DISABILITY COMPENSATION

SEC. 101. (a) Section 314 is amended—

(1) by striking out "$54" in subsection (a) and inserting in lieu thereof "$60";

(2) by striking out "$99" in subsection (b) and inserting in lieu thereof "$110";

(3) by striking out "$150" in subsection (c) and inserting in lieu thereof "$167";

(4) by striking out "$206" in subsection (d) and inserting in lieu thereof "$229";

(5) by striking out "$291" in subsection (e) and inserting in lieu thereof "$324";

(6) by striking out "$367" in subsection (f) and inserting in lieu thereof "$408";

(7) by striking out "$434" in subsection (g) and inserting in lieu thereof "$483";

(8) by striking out "$503" in subsection (h) and inserting in lieu thereof "$559";

(9) by striking out "$566" in subsection (i) and inserting in lieu thereof "$629";

(10) by striking out "$1,016" in subsection (j) and inserting in lieu thereof "$1,130";

(11) by striking out "$1,262" and "$1,768" in subsection (k) and inserting in lieu thereof "$1,403" and "$1,966", respectively;

(12) by striking out "$1,262" in subsection (l) and inserting in lieu thereof "$1,403";

(13) by striking out "$1,391" in subsection (m) and inserting in lieu thereof "$1,547";

(14) by striking out "$1,581" in subsection (n) and inserting in lieu thereof "$1,758";

(15) by striking out "$1,768" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$1,966";

(16) by striking out "$759" and "$1,130" in subsection (r) and inserting in lieu thereof "$844" and "$1,257", respectively;

(17) by striking out "$1,137" in subsection (s) and inserting in lieu thereof "$1,264"; and

(18) by striking out "$219" in subsection (t) and inserting in lieu thereof "$244".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85–857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

RATES OF ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended—

(1) by striking out "$62" in clause (A) and inserting in lieu thereof "$69";

(2) by striking out "$104" in clause (B) and inserting in lieu thereof "$116";

(3) by striking out "$138" in clause (C) and inserting in lieu thereof "$153";

(4) by striking out "$173" and "$34" in clause (D) and inserting in lieu thereof "$192" and "$38", respectively;

(5) by striking out "$42" in clause (E) and inserting in lieu thereof "$47";

(6) by striking out "$77" in clause (F) and inserting in lieu thereof "$86";

(7) by striking out "$111" and "$34" in clause (G) and inserting in lieu thereof "$123" and "$38", respectively;

(8) by striking out "$50" in clause (H) and inserting in lieu thereof "$56";

(9) by striking out "$112" in clause (I) and inserting in lieu thereof "$125"; and

(10) by striking out "$94" in clause (J) and inserting in lieu thereof "$105".

CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$274" and inserting in lieu thereof "$305".

INCREASE COMPENSATION PAYABLE TO CERTAIN SEVERELY DISABLED VETERANS

SEC. 104. Section 314 is amended—

(1) by striking out "both hands, or" in subsection (l);

(2) by amending subsection (m) by inserting "of both hands, or has suffered the anatomical loss or loss of use" after "use";

(3) by amending subsection (n)—

(A) by inserting "or loss of use of both arms at a level, or with complications, preventing natural elbow action with prosthesis in place, or has suffered the anatomical loss" after "loss" the first place it appears; and

(B) by inserting a comma after "appliance"; and

(4) by inserting after the comma following "less" in subsection (o) "or if the veteran has suffered the anatomical loss of both arms so near the shoulder as to prevent the use of a prosthetic appliance,".

TITLE II—SURVIVORS' DEPENDENCY AND INDEMNITY COMPENSAT_ON BENEFITS

RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 201. (a) Subsection (a) of section 411 is amended to read as follows:

"(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

"Pay grade	Monthly rate	Pay grade	Monthly rate
E-1	$415	W-4	$595
E-2	$428	O-1	$525
E-3	$438	O-2	$542
E-4	$466	O-3	$580
E-5	$479	O-4	$613
E-6	$490	O-5	$676
E-7	$514	O-6	$761
E-8	$542	O-7	$824
E-9	[1] $567	O-8	$903
W-1	$525	O-9	$970
W-2	$546	O-10	[2] $1,061
W-3	$562		

"[1] If the veteran served as sergeant major of the Army, senior enlisted adviser of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $610.

"[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, at the applicable time designated by section 402 of this title, the surviving spouse's rule shall be $1,138.".

(b) Subsection (b) of such section is amended by striking out "$43" and inserting in lieu thereof "$48".

(c) Subsection (c) of such section is amended by striking out "$112" and inserting in lieu thereof "$125".

(d) Subsection (d) of such section is amended by striking out "$56" and inserting in lieu thereof "$62".

RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 202. Section 413 is amended—

(1) by striking out "$189" in clause (1) and inserting in lieu thereof "$210";

(2) by striking out "$271" in clause (2) and inserting in lieu thereof "$301";

(3) by striking out "$350" in clause (3) and inserting in lieu thereof "$389"; and

(4) by striking out "$350" and "$71" in clause (4) and inserting in lieu thereof "$389" and "$79", respectively.

RATES OF SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 203. Section 414 is amended—

(1) by striking out "$112" in subsection (a) and inserting in lieu thereof "$125";

(2) by striking out "$189" in subsection (b) and inserting in lieu thereof "$210"; and

(3) by striking out "$96" in subsection (c) and inserting in lieu thereof "$107".

TITLE III—AUTOMOBILE ASSISTANCE AND ADAPTIVE EQUIPMENT AMENDMENTS

SEC. 301. Section 1902 is amended—

(1) by striking out "he" each place it appears and inserting in lieu thereof "the Administrator";

(2) by striking out "$3,800" in subsection (a) and inserting in lieu thereof "$5,000"; and

(3) by amending subsection (b)—

(A) by inserting "(1)" before "The";

(B) by striking out "his" and inserting in lieu thereof "such person's"; and

(C) by adding at the end the following new paragraph:

"(2) In the case of any veteran (other than an eligible person) who is entitled to compensation under chapter 11 of this title for ankylosis of one or both knees, or one or both hips, the Administrator, under the terms and conditions set forth in section 1903(a), (c), and (d) of this title and under regulations which the Administrator shall prescribe, shall provide such adaptive equipment to overcome the disability resulting from such ankylosis as is (A) necessary to meet the applicable standards of licensure established by the State of such veteran's residency or other proper licensing authority for the operation of such veteran's automobile or other conveyance by such veteran, or (B) determined to be necessary by the Chief Medical Director for the safe operation of such automobile or other conveyance by such veteran.".

SEC. 302. Section 1903(b) is amended by striking out "he" and inserting in lieu thereof "the Administrator" and striking out "his" both places it appears and inserting in lieu thereof "such person's".

TITLE IV—VETERANS' ADMINISTRATION HOUSING BENEFITS AMENDMENTS

ESTABLISHMENT OF GRADUATED-PAYMENT PLANS IN VETERANS' ADMINISTRATION LOAN GUARANTY PROGRAM

SEC. 401. Section 1803(d)(2) is amended—

(1) by inserting "(A)" after "(2)"; and

(2) by adding at the end the following new subparagraphs:

"(B) The Administrator may guarantee loans with provisions for various rates of amortization corresponding to anticipated variations in family income. With respect to any loan guaranteed under this subparagraph—

"(i) the initial principal amount of the loan may not exceed the reasonable value of the property as of the time the loan is made; and

"(ii) the principal amount of the loan thereafter (including the amount of all interest to be deferred and added to principal) may not at any time be scheduled to exceed the projected value of the property.

"(C) For the purposes of subparagraph (B) of this paragraph, the projected value of the property shall be calculated by the Administrator by increasing the reasonable value of the property as of the time the loan is made at a rate not in excess of 2.5 per centum per year, but in no event may the projected value of the property for the purposes of such subparagraph exceed 115 per centum of such reasonable value. A loan made for a purpose other than the acquisition of a single-family dwelling unit may not be guaranteed under such subparagraph.".

SEC. 402. Section 1828 is amended—

(1) by inserting "(1)" after "constitution or law"; and

(2) by inserting "(2) restricting the manner of calculating such interest (including prohibition of the charging of interest on interest), or (3) requiring a minimum amortization of principal," after "lenders,".

INCREASE IN MAXIMUM AMOUNTS OF VETERANS' SPECIALLY ADAPTED HOUSING ASSISTANCE

SEC. 403. Section 802 is amended—

(1) by amending subsection (a)—

(A) by striking out "$30,000" and inserting in lieu thereof "$35,000";

(B) by striking out "him" each place it appears and inserting in lieu thereof "such veteran"; and

(C) by striking out "his" in clause (3) and inserting in lieu thereof "such veteran's"; and

(2) by striking out "(2)" in subsection (b).

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 404. Section 1826 is amended—

(1) by striking out subsection (a) in its entirety; and

(2) by striking out "(b)" in subsection (b).

TITLE V—MISCELLANEOUS PROVISIONS

CONTINUED PAYMENT OF PENSION TO CERTAIN HOSPITALIZED VETERANS WHO ARE UNDERGOING A PRESCRIBED PROGRAM OF REHABILITATION

SEC. 501. Paragraph (1) of section 3203(a) is amended by adding at the end the following subparagraph:

"(D) For the purposes of subparagraphs (B) and (C) of this paragraph, no period of time that does not exceed one hundred and eighty days within any twelve-month period shall be counted as time during which a veteran is being furnished hospital or nursing home care if the Administrator determines that the primary purpose for the furnishing of such care during such period of time is for the Veterans' Administration to provide such veteran with a prescribed program of rehabilitation services, under chapter 17 or 31 of this title, designed to restore such veteran's ability to function within such veteran's family and community.".

HEADSTONES AND MARKERS IN CERTAIN CASES

SEC. 502. Subsection (b) of section 906 is amended to read as follows:

"(b) The Administrator shall furnish, when requested, an appropriate memorial headstone or marker to commemorate any veteran—

"(1) whose remains have not been recovered or identified;

"(2) whose remains were buried at sea, whether by the veteran's own choice or otherwise;

"(3) whose remains were donated to science; or

"(4) whose remains were cremated and the ashes scattered without interment of any portion of the ashes,

for placement by the applicant in a national cemetery area reserved for such purposes under the provisions of section 1003 of this title, or in any private or local or State cemetery.".

SEC. 503. Subsection (a) of section 1003 is amended to read as follows:

"(a) The Administrator shall set aside, when available, suitable areas in national cemeteries to honor the memory of veterans—

"(1) who are missing in action;

"(2) whose remains have not been recovered or identified;

"(3) whose remains were buried at sea, whether by the member's own choice or otherwise;

"(4) whose remains were donated to science; or

"(5) whose remains were cremated and the ashes scattered without interment of any portion of the ashes.".

RADIATION LITERATURE REVIEW

SEC. 504. (a)(1) The Administrator of Veterans' Affairs shall conduct a comprehensive review and scientific analysis of the literature covering studies already conducted or underway relating to the long-term adverse health (including genetic and psychological) effects in humans of exposures to radiation, including nuclear device, medical, and occupational exposures.

(2) The Administrator may, in carrying out the review and analysis of the literature provided for in paragraph (1), enter into such contracts or agreements with private or public agencies or persons for such necessary services, including the conduct of, in whole or in part, such review and analysis, as the Administrator considers appropriate.

(b) In conducting the review and analysis of the literature provided for in subsection (a), the Administrator shall provide for all appropriate coordination and consultation with other departments, agencies, and instrumentalities of the Federal Government that are conducting or have conducted scientific studies relating to the adverse health effects in humans of exposure to radiation.

(c)(1) Not later than ninety days after the date of the enactment of this Act, the Administrator shall submit to the appropriate committees of the Congress a report containing a description of the steps taken and plans made to assure the coordination and consultation required under subsection (b).

(2)(A) Not later than eighteen months after the date of the enactment of this Act, the Administrator shall submit to the appro-

priate committees of the Congress a report on the literature review and analysis conducted under subsection (a), together with such comments and recommendations for administrative or legislative action, or both, as the Administrator considers appropriate, including recommendations regarding the need for the Administrator to carry out additional research in any areas in which the Administrator determines that the report indicates such research is necessary for the resolution of questions as to whether certain significant adverse long-term health effects result from exposure to radiation.

(B) The Administrator shall submit copies of such report to the departments, agencies, and instrumentalities described in subsection (b) and shall recommend to the appropriate such departments, agencies, and instrumentalities that they carry out any such additional research.

(3)(A)(i) Not later than ninety days after the submission of the report required by paragraph (2), the Administrator shall, based on the information described in such report, develop and publish in the Federal Register, for public review and comment, proposed regulations containing proposed guidelines, standards, and other criteria (together with an explanation of the bases for such proposed guidelines, standards, and criteria) for resolving claims for benefits administered by the Veterans' Administration based on exposure during service in the Armed Forces of the United States to radiation from nuclear devices.

(ii) Proposed regulations developed and published pursuant to division (i) of this subparagraph shall include specification of any presumptions (including any presumptions regarding service and exposure) to be applied to the resolution of the claims to which such proposed guidelines, standards, and criteria in such proposed regulations apply.

(B)(i) Not later than ninety days after the completion of the public review and comment process provided for in subparagraph (A)(i), the Administrator shall publish in the Federal Register final regulations containing the guidelines, standards, and other criteria (together with an explanation of the bases for such guidelines, standards, and criteria) for resolving the claims involved.

(ii) On the same day as final regulations are published as required by division (i) of this subparagraph, the Administrator shall submit to the appropriate committees of the Congress any recommendations for legislative action that the Administrator considers appropriate in light of the guidelines, standards, and criteria contained in such regulations, the report submitted pursuant to paragraph (2) of this subsection, and any other available pertinent information.

(C) Nothing in subparagraph (A) shall be considered to limit in any way the discretion and authority of the Administrator to promulgate or prescribe regulations, guidelines, standards, or other criteria for resolving any claims described in subparagraph (A)(i) at any time earlier than the time prescribed in subparagraph (A) for the publication of the proposed regulations described in such subparagraph.

MINIMUM ACTIVE-DUTY SERVICE REQUIREMENT

SEC. 505. (a) Chapter 53 is amended by inserting after section 3103 the following new section:

"§ 3103A. Minimum active-duty service requirement

"(a) Notwithstanding any other provision of law, the requirements for eligibility for or entitlement to any benefit under this title or other laws administered by the Veterans' Administration based on the duration of the active duty in one of the Armed Forces of a person who initially enters such active duty after September 7, 1980, shall be exclusively as prescribed in this title.

"(b)(1) Except as provided in paragraph (2) of this subsection, a person who initially enters active duty in one of the Armed Forces after September 7, 1980, shall not, by reason of such active duty, be provided with any benefit under this title or other laws administered by the Veterans' Administration—

"(A) if such person's initial period of enlistment or other initial period of obligated service is for twenty-four or more months of active duty and such person is discharged or released from active duty before completing at least twenty-four months of such person's obligated period of active duty; or

"(B) if such person's initial period of enlistment or other initial period of obligated service is for less than twenty-four months of active duty and such person is discharged or released from active duty before completing the full period of such enlistment or other obligated service.

"(2) Paragraph (1) of this subsection shall not apply to—

"(A) any person who is discharged or released from active duty (i) under section 1171 or 1173 of title 10, or (ii) because of a service-connected disability;

"(B) any person who has a disability that the Administrator has determined to be compensable under chapter 11 of this title;

"(C) a commissioned or warrant officer who initially enters a period of active duty prior to October 1, 1981;

"(D) the provision of any benefit for or on account of any service-connected disability or condition;

"(E)(i) the continuation of insurance pursuant to section 768(a)(1)(A) of this title; or

"(ii) the right to designate or change the designation of a beneficiary or beneficiaries pursuant to section 770(a) of this title; or

"(F) any benefit provided under applicable law prior to October 1, 1981.

"(c)(1) Except as provided in subsection (b)(2) of this section and paragraph (2) of this subsection, no dependent or survivor of a person as to whom paragraph (1) of subsection (b) of this section requires the denial of benefits shall, by reason of such person's period of active duty, be provided with any benefit under this title or other laws administered by the Veterans' Administration.

"(2) Paragraph (1) of this subsection shall not apply to—

"(A) the survivors or dependents of a person to whom paragraph (1) of subsection (b) of this section is made inapplicable by paragraph (2) (A), (B), or (C) of such subsection;

"(B) benefits under chapters 13, 17, 35, and 37 and sections 907 and 908 of this title; or

"(C) the payment of insurance pursuant to section 768(a)(1)(A) of this title.

"(d) For the purposes of this section, the term 'benefit' includes a right or privilege but does not include a refund or payment, pursuant to section 1623, 1624, or 1625 of this title, of a participant's contributions to the educational benefits program provided by chapter 32 of this title.".

(b) No provisions of the amendment made by subsection (a) of this section shall be construed as requiring (or as authorizing any official or employee of the Federal Government to request) any person to repay the United States Government for a benefit, right, or privilege which was provided prior to October 1, 1981.

(c) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 3103 the following:

"3103A. Minimum active-duty service requirement.".

TITLE VI—EFFECTIVE DATES

SEC. 601. (a) Except as provided in subsections (b) and (c) of this section, the amendments made by this Act shall take effect on the date of enactment of this Act.

(b) The provisions of titles I and II and sections 301, 401, 402, and 403 shall take effect on October 1, 1981.

(c) The amendments made by sections 502 and 503 shall take effect on October 1, 1981, and shall apply with respect to veterans dying before, on, or after such date.

Mr. SIMPSON. Mr. President, I rise in support of S. 917 as reported, the proposed "Veterans' Disability Compensation and Housing Benefits Amendments Act of 1981." S. 917 provides for an 11.2-percent increase in compensation benefits to service-connected disabled veterans, the same cost-of-living increase granted to those receiving social security and VA pension benefits earlier this year. Such an increase reflects the strong feeling that compensation and DIC benefits are of the highest priority for those Senators on both sides of the aisle. This bill addresses the pressing needs of our most deserving veterans and demonstrates the Senate's * * * and this committee's * * * continuing commitment to make VA programs more responsive to the legitimate needs and concerns of all veterans.

Mr. President, I would wish to take this opportunity to briefly describe the provisions of S. 917.

The major portion of this bill addresses the needs of those veterans who are the primary concern of the Senate Veterans' Affairs Committee and of the Veterans' Administration; namely, those veterans with service-connected disabilities. These are the veterans who incurred a disability while serving our country, and I think everyone would agree, that they merit an appropriate adjustment in compensation and dependency and indemnity compensation (DIC) benefits to keep pace with inflation. Therefore, S. 917 provides for a cost-of-living increase for the basic service-connected compensation rates, DIC, and the annual clothing allowance for those veterans whose clothing is damaged by continued use of prosthetic or orthopedic appliances. The increase this year is 11.2 percent. This is the same cost-of-living increase received by recipients of social security and VA pension benefits. In addition to the cost-of-living increase, the bill would address certain inequities in present law by increasing the base rate of compensation for those severely disabled service-connected veterans who have suffered a bilateral loss or use of their upper extremities.

Another VA program for the service-connected veteran is the automobile and adaptive equipment assistance program which provides funds to aid in the purchase of automobile and adaptive equipment, and to assist eligible veterans in learning how to operate that equipment. The committee bill recognizes the increasing cost of automobiles and necessary adaptive equipment, by raising the amount which the VA is authorized to pay toward purchase of such a vehicle. In addition, the committee would extend eligibility for this program to those veterans suffering ankylosis. This is a condition in which the hips or knees are frozen in one position, which condition then usually requires a special automobile adaptor in order to be able to operate a vehicle safely. The committee believes

these veterans have been excluded from the program for too long a time.

Another VA program for the service-connected veteran is the specially adapted housing program which assists severly disabled veterans by providing financial assistance and counsel to aid in the purchase and/or, modification of such veterans' homes.

Veterans who are blind, quadriplegic, paraplegic, or amputees, and those who use wheelchairs, braces or crutches, often require extra railings, special bathroom equipment, extra large rooms and hallways, and other adaptations. The committee bill would increase the amount available to such veterans from $30,000 to $35,000, an increase necessary in view of the continually skyrocketing price of the construction of homes.

In addition to these provisions affecting the service-connected disabled veteran, Mr. President, the bill before the Senate today contains five other sections.

First, the bill would authorize a graduated-payment plan within the VA loan-guaranty program. The committee believes that the time has come to initiate such a plan which would allow the younger veteran earning less money to participate in the VA's loan-guaranty program in these times of spiraling interest rates and costs. This is a plan which has been successfully adopted by HUD. In addition, as a technical amendment, the bill authorizes the Administrator to offset other VA benefits against delinquent VA-guaranteed loans.

Second, the committee's commitment to rehabilitation prompted a change in title 38 which presently reduces pension benefits after 3 months of hospitalization in a VA facility. S. 917 would maintain pension benefits up to 180 days out of any 12-month period if the veteran is hospitalized and in a prescribed program of rehabilitation. The purpose of this change is to encourage such veterans to reach out for greater self-sufficiency, by reducing the disincentive to participate in a rehabilitation program.

Third, the committee has undertaken another step which will remedy an inequity in the present law. We are authorizing memorials for those veterans whose remains are not interred because the remains were not recovered or because the veteran chose to donate his or her body to science, or chose to be cremated. Such veterans should not be denied memorialization.

Fourth, the committee bill takes an important course by directing the VA to undertake a report of the known adverse effects of radiation exposure, and to promulgate regulations for resolving claims for benefits administered by the Veterans' Administration based on exposure to radiation. These actions follow the important work already begun by the VA on agent orange, and we trust that both studies will provide valuable information relevant to the efforts of this committee and the VA in order that we be fully responsive to the needs of veterans who were exposed to radiation.

Mr. President, I wish to emphasize that any contract for the radiation literature review would be entered into only subject to the availability of appropriations, as is the case, of course, with the VA's standard contract authority in section 213 of title 38, United States Code, and that the contract authority in section 504(a)(2) does not constitute a new authorization for appropriations, since there is already an implicit open-ended authorization of appropriations for VA medical research.

Finally, S. 917 would provide a minimum service requirement for veterans to establish eligibility for VA benefits. Generally, the minimum service requirement is 24 months, or the full obligated period if it should be less than 24 months. This provision would serve as a cost-savings measure but certainly it is an important step in equalizing eligibility requirements and promoting a sense of responsibility with respect to an enlistment.

Mr. President, S. 917 contains a committee amendment. The amendment is in three parts. The first part would extend the various maximum lengths of maturity of VA loans for purchase of mobile homes and mobile home lots. This change would conform the maximum terms of such loans to the new maximum terms for FHA loans and would facilitate the pooling of VA loans with other Federal loans.

The second part would correct and clarify current law relating to veterans' spouse's educational delimiting periods. And, the third part would vest additional discretionary authority in the Administrator to determine whether an educational institution should be approved for purposes of GI bill benefits.

Mr. President, in concluding I should wish to sincerely thank the distinguished ranking minority member from California, Senator CRANSTON, for his invaluable help and cooperation on this bill, the remarkable Senator from South Carolina, Senator THURMOND, for his contributions and each of the other committee members and colleagues, all of whom are cosponsors of this measure.

In addition, I should like to recognize and to thank the very able members of the majority staff for their efforts—Ken Bergquist, Julie Susman, John Pressley, Lois Ann Harper, Rhonda Gazda, and our editorial director, Harold Carter, as well as members of the capable minority staff—Jonathan Steinberg, Babette Polzer, Ed Scott, and Molly Milligan.

Mr. President, I believe the committee has reported out a bill which is well-balanced, and one that meets the needs of our most deserving veterans in the areas of compensation, housing, and memorial affairs. On behalf of the entire committee, I urge the Senate's favorable consideration of this bill. Thank you, Mr. President.

Mr. President, at this time I ask unanimous consent that excerpts of the committee's report on S. 917 be inserted in the RECORD to more fully explain and clarify the details of the committee's bill.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SUMMARY OF S. 917 AS REPORTED

S. 917 as reported (hereinafter referred to as the "Committee bill") has six titles: Veterans' disability compensation benefits; Survivors' dependency and indemnity compensation benefits; Automobile assistance and adaptive equipment amendments; Veterans' Administration housing benefits amendments; Miscellaneous provisions; and Effective dates, as follows:

Title I: Veterans disability compensation benefit.—This title includes amendments to chapter 11 of title 38, United States Code, which would provide, effective October 1, 1981, an 11.2-percent increase (the same increase provided to social security and VA pension beneficiaries effective June 1, 1981) in—

(1) basic compensation rates for service-connected disabled veterans and generally, in the rates payable for certain severe disabilities;

(2) the allowances for spouses, children, and dependent parents, paid to service-connected disabled veterans rated 30-percent or more disabled; and

(3) the annual clothing allowance paid to veterans whose compensable disability requires the use of a prosthetic or orthopedic appliance (including a wheelchair) that tends to tear or wear out their clothing.

In addition, the Committee bill would adjust upward the base rate of compensation payable to service-connected disabled veterans who lost or have lost the use of both arms.

Title II: Survivors dependency and indemnity compensation benefits.—This title includes amendments to chapter 13 of title 38, United States Code, which would provide, effective October 1, 1981, an 11.2-percent increase (again, the same increase provided to social security and VA pension beneficiaries effective June 1, 1981) in—

(1) dependency and indemnity compensation (DIC) benefits payable to surviving spouses of veterans whose deaths were service connected;

(2) the additional allowances paid to surviving spouses for dependent children and in the additional allowances payable to surviving spouses who are so disabled as to be in need of regular aid and attendance or to be permanently housebound; and

(3) DIC benefits for the children of veterans whose deaths were service connected where no surviving spouse is entitled to DIC, the child is age 18 through 22 and attending an approved educational institution, or the child is age 18 or over and became permanently incapable of self-support prior to reaching age 18.

Title III: Automobile assistance and adaptive equipment amendments.—This title includes amendments to chapter 39 of title 38, United States Code, which would:

(1) Increase to $5,000 the amount which the Administrator is authorized to pay towards the purchase price of an automobile for those veterans eligible for assistance in purchasing automobiles and adaptive equipment.

(2) Extend eligibility for automobile adaptive equipment assistance to veterans with ankylosis of one or both knees, or one or both hips, if such disability is service connected.

Title IV: Veterans' Administration housing benefits amendments.—This title includes amendments to chapter 37 and chapter 21, respectively, of title 38, United States Code, which would:

(1) Authorize the Administrator to establish a graduated payment plan program, within the Veterans' Administration loan guaranty program, to guaranty home loans with provisions for various rates of amortization corresponding to anticipated variations in family income.

(2) Increase to $35,000 the amount which the Administrator is authorized to pay to eligible service-connected disabled veterans for specially adapted housing.

Title V: Miscellaneous amendments.—This title includes provisions which would:

(1) Amend chapter 55 of title 38, United States Code, to provide that any veteran who

is hospitalized and in a prescribed program of rehabilitation, designed to restore the veteran's ability to function within such veteran's family and community, if such period of hospitalization does not exceed 180 days within any 12 month period, will not suffer a reduced pension.

(2) Amend chapter 23 of title 38, United States Code, to authorize the Administrator to furnish a memorial headstone or marker to commemorate any veteran whose remains have not been recovered or identified, whose remains were buried at sea, donated to science or cremated and the ashes scattered without interment, for placement in a national, private, local, or State cemetery, and further authorizes the Administrator to set aside suitable areas in national cemeteries to honor the memory of such veterans.

(3) Direct the Administrator to conduct a review and analysis of studies, already conducted or underway, relating to the long-term adverse health effects on humans of exposure to radiation, including nuclear device, medical, and occupational exposures; and require the Administrator to submit a preliminary report within 90 days and a final report within 18 months after the date of enactment of the Act, to be followed within 90 days thereafter by publication of proposed regulations for resolving claims for benefits administered by the Veterans' Administration based on exposure during service in the Armed Forces to radiation from nuclear devices, and, finally, publication 90 days thereafter of final regulations for resolution of such claims.

(4) Incorporate in title 38, with certain modifications, the two-year minimum service requirement for benefits eligibility in section 977 of title 10.

DISCUSSION

TITLES I AND II: VETERANS' COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION BENEFITS

Background

Disability Compensation

The service-connected disability compensation program provides monthly cash benefits to veterans who have suffered disabilities during, or as a result of, their service in our Nation's Armed Forces. This program ranks as the highest program priority of the Veterans' Affairs Committee.

The amount paid in individual instances is contingent upon the nature of the veterans' disability or combination of disabilities and the extent to which earning capacity is considered to have been impaired. Compensable disabilities are rated according to the VA's Schedule of Rating Disabilities on a graduated scale ranging from 10 to 100 percent. A totally disabled veteran is thus compensated at not less than the 100-percent rate. Higher monthly rates are payable to totally disabled veterans with certain specific, very severe disabilities and combinations of disabilities.

The Veterans' Administration disability compensation program currently provides benefits for 2,276,542 veterans who have service-connected disabilities. This number is composed of disabled veterans with the following periods of service: 26,739 World War I veterans; 1,176,495 World War II veterans; 234,420 Korean-conflict veterans; and 562,849 Vietnam-era veterans.

The following table shows average costs and caseloads for veterans and survivors:

TABLE 1.—AVERAGE COST AND CASELOAD OF VETERANS DISABILITY AND SURVIVORS COMPENSATION CASES

[Total cost in dollars]

Total costs	Fiscal year 1980			Fiscal year 1981 (estimated)			Fiscal year 1982 (estimated)		
	Average cases	Average cost	Total cost	Average cases	Average cost	Total cost	Average cases	Average cost	Total cost
Compensation (total)	2,627,399	$2,841	$7,463,357	2,633,615	$3,260	$8,584,739	2,638,869	$3,281	$8,657,900
Veterans (total)	2,268,219	2,691	6,103,643	2,275,707	3,089	7,028,799	2,281,007	3,106	7,085,400
Spanish-American War	3	7,000	21	3	8,000	24	3	8,000	24
Mexican border period	4	11,750	47	4	13,250	53	4	13,250	53
World War I	31,702	3,274	103,788	28,300	3,770	106,680	24,300	3,789	92,070
World War II	1,204,369	2,530	3,047,037	1,182,000	2,903	3,431,302	1,162,100	2,922	3,395,940
Korean conflict	236,296	3,038	717,772	235,000	3,474	816,390	234,600	3,484	817,303
Vietnam era	545,008	2,745	1,495,831	556,400	3,142	1,748,270	563,000	3,150	1,773,450
Peacetime service	250,837	2,947	739,148	274,000	3,380	926,080	297,000	3,389	1,006,533
Survivors (total)	359,180	3,744	1,344,644	357,906	4,297	1,537,840	357,862	4,342	1,554,000
Indian wars									
Civil War	6	4,167	25	6	5,000	30	5	6,000	30
Spanish-American War	144	4,257	613	125	4,960	620	105	5,000	525
Mexican border period	2	4,500	9	2	5,500	11	2	5,500	11
World War I	30,644	4,220	129,329	29,900	4,839	144,690	29,100	4,869	141,688
World War II	174,773	3,289	574,742	172,500	3,766	649,677	170,500	3,770	642,812
Korean conflict	39,203	3,604	141,292	39,175	4,106	160,840	39,150	4,134	161,846
Vietnam era	64,740	4,271	276,498	65,800	4,936	324,807	67,100	5,082	347,986
Peacetime service	49,668	4,472	222,136	50,400	5,102	257,165	51,900	5,127	266,102
Clothing allowance (total)	(63,208)	238	15,070	(66,300)	273	18,100	(67,400)	274	18,500

Source: Department of Veterans' Benefits, Veterans' Administration, July 1981.

The Committee periodically reviews the service-connected disability compensation program with a view toward assuring that the benefits authorized provide reasonable and adequate compensation for disabled veterans and their families. Congress has traditionally acted periodically to provide cost-of-living increases in compensation benefits, in order to assure that those benefits kept pace with inflation. The following table shows statutory increases in the rates of disability compensation since 1957:

TABLE 2.—HISTORY OF SERVICE-CONNECTED DISABILITY COMPENSATION INCREASES, 1957 TO PRESENT

Sec. 314, title 38, subsection—	Public Law 85-168 Oct. 1, 1957 monthly rate	Public Law 87-645, Oct. 1, 1962		Public Law 89-311, Oct. 31, 1965		Public Law 90-493, Jan. 1, 1969		Public Law 91-376, July 1, 1970		Public Law 92-328, Aug. 1, 1972		Public Law 93-295, May 1, 1974	
		Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate
(a)	$19	0.3	$20	5.0	$21	9.5	$23	8.7	$25	12.0	$28	15	$32
(b)	36	5.6	38	5.3	40	7.5	43	7.0	46	10.8	51	15	59
(c)	55	5.5	58	3.4	60	8.3	65	7.7	70	10.0	77	15	89
(d)	73	5.5	77	6.6	82	8.5	89	7.9	96	10.4	106	15	122
(e)	100	7.0	107	5.6	113	8.0	122	10.7	135	10.3	149	15	171
(f)	120	6.7	128	6.3	136	8.1	147	10.9	163	9.8	179	18	211
(g)	140	6.4	149	7.4	161	8.1	174	10.9	193	9.8	212	18	250
(h)	160	6.3	170	9.4	186	8.1	201	10.9	223	9.9	245	18	289
(i)	179	6.7	191	9.4	209	8.1	226	10.6	250	10.0	275	18	325
(j)	225	11.1	250	20.0	300	33.3	400	12.5	450	10.0	493	18	584
(k)												10	52
(l)	309	10.0	340	17.6	400	25.2	500	12.0	560	10.0	616	18	727
(m)	359	8.6	390	15.4	450	22.2	550	12.0	616	10.1	678	18	800
(n)	401	9.7	440	19.3	525	18.2	625	12.0	700	10.0	770	18	909
(o)	450	16.7	525	14.3	600	16.7	700	12.0	784	9.0	862	18	1,017
(p)	450	16.7	525	14.3	600	16.7	700	12.0	784	9.9	862	18	1,017
(q)													
Subsec. (r) "aid and attendance" nonhospitalization, Public Law 85-782, effective Oct. 1, 1958:													
(1)	150	33.3	200	25.0	250	20.0	300	12.0	336	10.1	370	18	437
(2)													
Subsec. (s) (housebound cases) Public Law 86-663 effective Sept. 1, 1960	265	9.4	290	20.7	350	28.8	450	12.0	504	9.9	554	18	654
(t)													
Sec. 362 of title 38													

TABLE 2.—HISTORY OF SERVICE-CONNECTED DISABILITY COMPENSATION INCREASES, 1975 TO PRESENT—Continued

Sec. 314, title 38, subsection—	Public Law 94-71, Aug. 1, 1975		Public Law 94-433, Oct. 1, 1976		Public Law 95-117, Oct. 1, 1977		Public Law 95-479, Oct. 1, 1978		Public Law 96-128, Oct. 1, 1979		Public Law 96-358, Oct. 1, 1980	
	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate	Percentage increase	Monthly rate
(a)	9.4	$35	8.6	$38	6.6	$41	7.3	$44	9.9	$48	13	$54
(b)	10.2	65	7.7	70	6.6	75	7.3	80	9.9	88	13	99
(c)	10.1	98	8.2	106	6.6	113	7.3	121	9.9	133	13	150
(d)	9.8	134	8.2	145	6.6	155	7.3	166	9.9	182	13	206
(e)	9.9	188	8.0	203	6.6	216	7.3	232	9.9	255	14.3	291
(f)	11.9	236	8.1	255	6.6	272	7.3	292	9.9	321	14.3	367
(g)	12.0	280	7.9	302	6.6	322	7.3	346	9.9	380	14.3	434
(h)	12.1	324	8.0	350	6.6	373	7.3	400	9.9	440	14.3	503
(i)	12.0	364	8.0	393	6.6	419	7.3	450	9.9	495	14.3	566
(j)	12.2	655	7.9	707	6.6	754	7.3	809	9.9	889	14.3	1,016
(k)	0	52	8.0	879	6.6	56	0	56	0	[2] 65	0	62
(l)	12.0	814	8.0	879	6.6	937	7.3	1,005	9.9	1,104	14.3	1,262
(m)	12.0	896	8.0	968	6.6	1,032	7.3	1,107	9.9	1,217	14.3	1,391
(n)	12.0	1,018	8.0	1,099	6.6	1,172	7.3	1,258	9.9	1,283	14.3	1,581
(o)	12.0	1,139	8.1	1,231	6.6	1,312	7.3	1,408	9.9	1,547	14.3	1,768
(p)	12.0	1,139	8.1	1,231	6.6	1,312	7.3	1,408	9.9	1,547	14.3	1,768
(q)												
Subsec. (r) "Aid and Attendance" nonhospitalization, Public Law 85-782, effective Oct. 1, 1958:												
(1)	11.9	489	0	528	6.6	563	7.3	604	9.9	664	14.3	759
(2)							[1]	900		989	14.3	1,130
Subsec. (s) (housebound cases) Public Law 86-663, effective Sept. 1, 1960	11.9	732	7.7	791	6.6	843	7.3	905	9.9	995	14.3	1,137
(t)							[1]	175		192	14.3	219
Sec. 362 of title 38			8.6	190	6.6	203	7.3	128	9.9	240	14.3	274

[1] From Oct. 1, 1978.

[2] (k) $62 effective Sept. 1, 1980 (9.9 percent increase).

Source: Department of Veterans' Benefits, Veterans' Administration, July 1981.

Dependency and Indemnity Compensation (DIC)

The dependency and indemnity compensation (DIC) program, which supplanted the earlier death compensation program, was established in 1956 with the enactment of the Servicemen's and Veterans' Survivors Benefits Act (Public Law 84-881).

DIC is paid to the survivors—surviving spouses, unmarried children under the age of 18, as well as certain helpless children age 18 or over, children between the ages of 18 and 23 who are enrolled in school, and certain needy parents—of servicemen or veterans who died on or after January 1, 1957, from: (1) a disease or injury incurred or aggravated in line of duty while on active duty or active duty training; or (2) an injury incurred or aggravated in line of duty while on inactive duty training; or (3) a disability compensable under laws administered by the VA.

Surviving spouses, children, and parents who are receiving death compensation by reason of a veteran's death occurring before January 1, 1957, may elect to receive DIC benefits in lieu of death compensation. Once they so elect, however, they cannot thereafter receive death compensation.

DIC is paid to surviving spouses at rates determined by the pay grade—service rank—of the deceased veteran. A higher rate is payable if the surviving spouse is so disabled as to be housebound or in need of regular aid-and-attendance, and additional amounts are payable for the veteran's surviving children. Children become entitled to DIC where there is no surviving spouse, or where the child age 18 or over has become permanently incapable of self support before reaching the age of 18 or the child is age 18 to 23 and pursuing an approved course of education.

DIC benefits are currently paid to or for 324,370 surviving spouses and children.

In addition, DIC is paid to the needy surviving parents of a veteran whose death was service connected. Under Public Law 95-588, the provisions of chapter 13 of title 38, United States Code, governing the parents' DIC rates, were amended to provide for automatic annual adjustments at the same time and by the same percentage as social security benefits.

Under section 410(b) of title 38, benefits are also paid at DIC rates to the surviving spouses and children of veterans whose deaths are not determined to be service connected where the veteran received compensation at the 100-percent rate over an extended period of time immediately prior to his or her death.

Committee bill provisions

The Committee bill provides for a 11.2 percent cost-of-living increase, effective October 1, 1981, in the service-connected disability compensation and dependency and indemnity compensation benefit rates. This percentage increase is the same percentage increase provided to social security beneficiaries and VA pensioners eligible for benefits under the new pension program established by Public Law 95-588.

The Committee's rationale for establishing these rate increases at this level is set forth at pages 12 through 13 of the Committee's budget views and estimates report for fiscal year 1982, which was submitted to the Senate Budget Committee on March 15, 1981 (Committee Print No. 5).

Disability compensation increases

The 11.2 percent increase provided for by the Committee bill would apply to the monthly rates for disability compensation under section 314 of title 38, United States Code, except for the monthly rates specified in subsection (k) of section 314. The maximum monthly amounts specified in subsections (k) and (p) of section 314 would also be increased. Those are specific dollar amounts that may not be exceeded in the event that a veteran would otherwise be entitled to a higher amount by reason of entitlement to two or more monthly rates.

The following table shows the current rates of disability compensation and those proposed by the Committee bill, together with the number of veterans receiving compensation in each category:

TABLE 3.—COMPARISON OF COMPENSATION RATES UNDER PRESENT LAW AND UNDER S. 917 AS REPORTED

Applicable subsection of sec. 314, United States Code	Percentage of disability	Increase in monthly rate		Number of veterans	Applicable subsection of sec. 314, United States Code	Percentage of disability	Increase in monthly rate		Number of veterans
		From—	To—				From—	To—	
(a)	(10)	$54	$60	884,994	(f)	(60)	$367	$408	123,986
(b)	(20)	99	110	356,819	(g)	(70)	434	483	80,322
(c)	(30)	150	167	317,120	(h)	(80)	503	559	39,199
(d)	(40)	206	229	186,074	(i)	(90)	566	629	14,076
(e)	(50)	291	324	114,372	(j)	(100)	1,016	1,130	130,639

HIGHER STATUTORY AWARDS FOR CERTAIN MULTIPLE DISABILITIES

Applicable subsection of sec. 314, United States Code	Percentage of disability	Increase in monthly rate From—	To—	Number of veterans
(k)(1)	Anatomical loss or loss of use of 1 or more creative organs, 1 foot, 1 hand, or both buttocks, or blindness of 1 eye, or complete organic aphonia, or deafness of both ears—for each loss.	$62	$62	85,602
(2)	Maximum limit for veterans receiving payments under (a) to (j), above.	1,262	1,403	
(3)	Maximum limit for veterans receiving payments under (l) to (n), below.	1,768	1,966	
(l)	Anatomical loss or loss of use of both hands, both feet, 1 foot and 1 hand, blindness in both eyes, permanently bedridden or so helpless as to require regular aid and attendance.	1,262	1,403	9,025
(m)	Anatomical loss or loss of use of 2 extremities so as to prevent natural elbow or knee action with prosthesis in place, or blind in both eyes, either with light perception only or rendering veteran so helpless as to require regular aid and attendance.	1,391	1,547	4,991
(n)	Anatomical loss of 2 extremities so near shoulder or hip as to prevent use of prosthesis or anatomical loss of both eyes.	1,581	1,758	691
(o)	Disability under conditions entitling veteran to 2 or more of the rates provided in (l) through (n), above, no condition being considered twice in the determination, or deafness rated at 60 percent or more in combination with total blindness.	1,768	1,966	71
(p)(1)	For blindness of both eyes together with bilateral deafness rated at 40 percent or more disabling or total deafness of 1 ear, next higher rate or intermediate rate, respectively, is payable—but compensation may not exceed.	1,768	1,966	1,883
(2)	Anatomical loss or loss of use of three extremities, next higher rate or intermediate rate is payable—but compensation may not exceed.	1,768	1,966	
(q)	[This subsection repealed by Public Law 90-493]			
(r)(1)	If veteran entitled to compensation at the rate provided for under (o), above, or at the maximum rate under (p), above, is in need of regular aid and attendance, in addition to such rate.	759	844	8,792
(2)	If veteran described in (r)(1), above, is in need of a higher level of care by a licensed health-care professional or a person under the regular supervision of such a professional, in addition to the rate payable under (o) or (p)	1,130	1,257	
(s)	If veteran has a disability rated as total, plus additional disability independently ratable at 60 percent or over, or is permanently housebound.	1,137	1,264	6,864
(t)	If veteran entitled to compensation under (a) through (i), above, has suffered the service-connected loss or loss of use of an extremity ratable at 40 percent or more and the non-service-connected loss or loss of use of paired extremity, and the latter loss would be rated at 40 percent or more if service connected, in addition to the rate payable under (a) through (i), above.	219	244	56

Veterans whose disabilities are rated at 30 percent or more may receive additional compensation for the veteran's spouse, children, and dependent parents. Under the Committee bill, those dependents' allowances would also be increased by 11.2 percent. Such dependents' allowances are prorated according to the percentage of disability. In 1980, the number of dependents for whom veterans received additional compensation exceeded 1 million.

The following table shows the current rates of additional compensation for dependents and those that would be provided for under the Committee bill:

TABLE 4.—ADDITIONAL COMPENSATION FOR DEPENDENTS

	Monthly rate From—	To—
Spouse	$62	$69
Spouse and child	104	116
No spouse, 1 child	42	47
Each additional child	34	38
Each dependent parent	50	56
Each child age 18 to 22 attending school	94	105
Spouse in nursing home or severely disabled	112	125

Source: Sec. 315 of title 38, United States Code, July 1981.

Finally, the Committee bill would increase by 11.2 percent, from $274 to $305, the clothing allowance paid to those veterans who, because of a disability for which such veteran is eligible for compensation, wear or use prosthetic or orthopedic appliances which wear out or tear the veteran's clothing.

Dependency and indemnity compensation increases

The Committee bill would also provide (in title II) for a cost-of-living increase of 11.2 percent in DIC rates for surviving spouses and children, the same rate of increase provided service-connected disability veterans under title I of the Committee bill. Additional allowances for surviving spouses in need of aid and attendance or housebound, helpless children age 18 or over, and children between the ages of 17 and 23 attending school would also be increased by 11.2 percent.

The following table shows a comparison of those rates under current law with the rates provided for under the Committee bill:

TABLE 5.—COMPARISON OF MONTHLY DIC RATES UNDER PRESENT LAW AND S. 917 AS REPORTED

Base monthly rates to surviving spouses	From—	To—
Veteran's pay grade:		
E-1	$373	$415
E-2	385	428
E-3	394	438
E-4	419	466
E-5	431	479
E-6	441	490
E-7	462	514
E-8	487	542
E-9	510	567
W-1	472	525
W-2	491	546
W-3	505	562
W-4	535	595
O-1	472	525
O-2	487	540
O-3	522	580
O-4	551	613
O-5	608	676
O-6	684	761

TABLE 5.—COMPARISON OF MONTHLY DIC RATES UNDER PRESENT LAW AND S. 917 AS REPORTED—Continued

Base monthly rates to surviving spouses	From—	To—
O-7	$741	$824
O-8	812	903
O-9	872	970
O-10	954	1,061

Source: Sec. 411 of title 38, United States Code, July 1981.

TABLE 6.—ADDITIONAL PAYMENTS

	From—	To—
Surviving spouse, addition for each child	$43	$48
Addition if surviving spouse in need of regular aid and attendance.	112	125
Surviving child (where no surviving spouse is entitled).	189	210
2 such children[1]	271	301
3 such children	350	389
More than 3 children, addition for each additional child.	71	79
Addition if such child is helpless.	112	125
Helpless child, where surviving spouse is also entitled.	189	210
Child attending school, where surviving spouse is also entitled.	96	107

[1] If there is more than 1 surviving child, an equal share of the total amount is paid to each child.

Source: Secs. 411, 413, 414 of title 38, United States Code, July 1981.

The 11.2-percent increase would also be applicable to benefits paid at DIC rates under section 410(b) of title 38, United States Code, to the surviving spouses and children

of certain totally disabled service-connected disabled veterans whose deaths were not service connected.

Increased compensation to certain severely disabled veterans

The Committee bill would increase the base rate of compensation payable to service-connected disabled veterans who have suffered the loss or loss of use of both upper extremities.

Background

Through a very complex compensation rating schedule the Veterans' Administration attempts to adequately compensate service-connected veterans for their disabilities. Section 314 of title 38, provides the rate of disability compensation based on the degree to which a veteran is disabled and awards additional monthly payments for the anatomical loss of or loss of use of one or more creative organs and certain other severe disabilities.

The Veterans' Administration reports that 125 veterans have suffered service-connected anatomical loss of both upper extremities and 357 veterans who have lost the use of both upper extremities as a result of service-connected injuries. The latter figure includes anatomical loss of one upper extremity and loss of use of the remaining upper extremity.

Under current law any veteran who, as the result of service-connected disability, who has suffered the anatomical loss or loss of use of both hands or both arms to the degree that natural elbow action and a prosthesis in place is prevented, receives compensation under subsections (l) and (m) of section 314, of title 38, respectively. A veteran who has lost or lost use of both feet or both legs receives compensation based on eligibility under subsections (l) and (m), respectively, also.

Clearly, these veterans suffer severe disabilities. In the best of cases, these veterans are able to use a prosthesis or prosthetic devices. However, without the use of the elbow joint and the second extremity, such veterans have little ability to care for themselves. Gripping and carrying capabilities are minimal and only limited function is restored. The veteran is often unable to dress, shave, feed or care for personal hygiene needs without assistance, including putting on, adjusting or removing a prosthesis. Those veterans who have lost or lost the use of their lower extremities are, by contrast, in the absence of additional disability, often able to function without the aid of others attending to their personal needs and are capable of greater independence in travel and employment.

The distinction between the loss or loss of use of extremities based on the consequent comparable loss of function is recognized in the present law with regard to loss of a single upper extremity and a single lower extremity. A veteran who has lost or lost the use of a single upper extremity on his/her major side—that is, loss on the right side to a right-handed person and loss on the left side to a left-handed person—is entitled to a higher rate of compensation than if the loss had been on the minor side or if either lower extremity was lost. The disparity between compensation for major and minor extremity losses is not reflected in single lower extremity losses as there is no comparable dexterity function involved between the lower left and right extremity.

However, current law does not recognize the different degrees of loss of function when considering compensation rates for bilateral upper and lower extremity losses. The Committee believes that this disparity should be rectified by increasing the compensation rates for those veterans with bilateral upper extremity losses to reflect the greater degree of functional impairment.

Committee bill provisions

The Committee bill would increase the compensation rate for the loss or loss of use of both hands from that awarded under subsection (l) of section 314, the same subsection which authorizes compensation for the anatomical loss or loss of use of both feet, or of one hand and one foot, and places it within the purview of subsection (m), which subsection also includes compensation for the anatomical loss or loss of use of two legs or an arm and a leg. The bill would also increase the rate of compensation awarded to those veterans who have suffered the anatomical loss or loss of use of both arms at a level, or with complications, preventing natural elbow action with a prosthesis in place from that awarded under subsection (m) to subsection (n) which also includes the anatomical loss of two extremities so near the shoulder or hip as to prevent the use of a prosthetic appliance—that is, two lower extremities or one upper extremity and one lower extremity. Finally, the bill would increase the compensation rate for a veteran who has suffered the anatomical loss of both arms so near the shoulder as to prevent the use of a prosthetic appliance from that awarded in subsection (n) to that awarded in subsection (o), the only disability relating to extremities contained within that subsection.

The Committee anticipates that this legislation will rectify the disparity between compensation rates for loss of function between those who have suffered the anatomical loss or loss of use of both upper extremities and those who have suffered a loss of the lower extremities.

TITLE III: AUTOMOBILE ASSISTANCE AND ADAPTIVE EQUIPMENT AMENDMENTS

Title III of the Committee bill would increase the amount of the automobile assistance allowance provided by the Veterans's Administration to veterans with certain severe, service-connected disabilities and would extend eligibility for the provision of automobile adaptive equipment to certain other service-connected disabled veterans.

Automobile Assistance Allowance Increase

The program of automobile assistance—now codified in chapter 29 of title 38, United States Code—was established by the Congress in Public Law 79–663, enacted in 1946. Under this program, veterans who have suffered the service-connected loss or loss of use of one or both feet or hands or service-connected blindness are entitled to a one-time VA grant to assist them in purchasing an automobile.

Public Law 91–666, enacted in 1970, increased, effective January 11, 1971, the maximum amount of the allowance payable toward the purchase of an automobile or other conveyance from the original allowance of $1,600 to $2,800. According to the Senate report accompanying the Senate version of H.R. 370 (Senate Report No. 91–1232, page 14), this increase was enacted in order "to reestablish, to an effective degree, the comparability which originally existed between the cost of an automobile or other conveyance and the monetary assistance provided for its purchase." In 1974, Public Law 93–548 increased the amount of the allowance to $3,300, effective February 1, 1975. An increase to the current level of $3,800 was provided for by enactment of Public Law 95–479, effective October 1, 1978.

Since the effective date of the last increase, the Bureau of Labor Statistics' Consumer Price Index component for new automobiles had increased 21.6 percent as of May. It is expected that this component will continue to increase through October.

Section 301(2) of the Committee bill would increase the automobile assistance allowance to $5,000, effective October 1, 1981, so as to help insure that the value of this benefit keeps pace with inflation.

Extension of Eligibility for Adaptive Equipment

In 1970, Public Law 91–666 also provided for the VA to furnish—in addition to the automobile assistance allowance—necessary adaptive equipment and installation, maintenance, and replacement for those eligible for the allowance. Pursuant to DVB circular 20–76–105 and DM&S Circular 10–75–137, payment for the adaptive equipment is generally made by reimbursement to the veteran of the appropriate cost of the equipment.

Service-connected disabled veterans who have not actually suffered an amputation, but who have incurred serious injury resulting in the loss of use of an extremity are eligible for this payment. However, there are veterans who have incurred certain disabilities which can preclude them from safely operating a motor vehicle that has not been adapted but who are not so eligible under current law.

Specifically, service-connected disabled veterans who suffer from ankylosis—the stiffening of a joint as the result of abnormal bone fusion—of the knees or hips at so-called favorable angles do not meet the VA's criterion for the requisite determination that the veteran has suffered the "loss of use" of a lower extremity. VA data indicate that 2,512 veterans are in receipt of service-connected compensation for such a disability.

Although veterans who suffer from ankylosis of the knees or hips at an unfavorable angle meet the VA's "loss of use" criterion and are therefore eligible for adaptive equipment assistance, veterans who suffer from ankylosis at favorable angles do not qualify for either the automobile award or the adaptive equipment assistance. However, in some cases, these veterans may need special adaptive equipment—such as left-foot accelerators, power brakes, hand-held parking brakes, or automatic transmissions—before they can safely operate their motor vehicles.

In the Committee's view, it is appropriate that the Federal Government assist these veterans in bearing the cost of the adaptive equipment they need in order to operate a motor vehicle. This category of service-connected disabled veterans appears to be the only category of such veterans who need automobile adaptive equipment and who are not considered to have lost or lost the use of one of their limbs; testimony received by the Committee at the June 11 hearing did not indicate that there are other groups of such veterans with similar needs.

Thus, section 301(3) of the Committee bill would extend, effective October 1, 1981, eligibility under specified circumstances for an adaptive equipment award to a veteran who is entitled to service-connected compensation for ankylosis of one or both knees, or one or both hips but who is not considered to have lost the use of a lower extremity. In such cases, the award would be made to provide such adaptive equipment to overcome the resulting disability as is neecssary for the veteran to satisfy his or her State's drivers' licensing laws or regulations, or as it determined to be necessary by the VA's Chief Medical Director, to operate his or her motor vehicle safely.

TITLE IV: VETERANS' ADMINISTRATION HOUSING BENEFITS AMENDMENTS

The Committee amendments establish a graduated-payment plan as part of the Veterans' Administration loan guaranty program and increase the amount which may be granted to eligible service-connected disabled veterans for specially adapted housing assistance.

Establishment of graduated-payment loan program

Background

The Veterans' Administration provides assistance to help veterans acquire housing in a number of ways. The principal form of

such assistance is provided by the loan guaranty program, chapter 37, of title 38, United States Code. The purpose of the loan guaranty program is to facilitate and encourage the extension of credit by private lenders to eligible veterans for the purchase, construction, repair, alteration, or improvement of residences purchased by veterans. This objective is implemented by substituting the guaranty of the Federal Government for the investment protection provided under the terms of a conventional mortgage by down payments and shorter term loans. The loan guaranty enables eligible veterans to finance home purchases although they would not qualify for conventional loans. The program provides loans for the purchase of conventional homes, condominiums, farm residences and mobile homes.

In the past, the Veterans' Administration has supplemented its loan guaranty program with a direct housing loan program in areas identified by the Administrator as "housing credit shortage areas". In such areas, typically rural areas or small cities and towns, private lenders were not readily available to provide VA-guaranteed home loans. Under the direct housing loan program the VA assumed the role of lender and made direct loans to eligible veterans for the purchase or improvement of housing. However, since conventional financing is now available in virtually every area of the country, this program is presently being utilized solely to assist those severely disabled veterans eligible for specially adapted housing assistance to purchase their homes.

The specially adapted housing grant program provides grants to veterans with certain permanent, service-connected disabilities to acquire necessary housing adapted with special fixtures and other modifications. This program enables such severely disabled veterans to acquire housing to fulfill their special needs, such as wider doorways to accommodate wheelchairs, ramps instead of stairs, and oversized specially equipped bathrooms. The VA provides experts in creating specially adapted housing to work closely with the veteran and the designers and builders of specially adapted new homes or modified structures which will meet the veteran's needs. Under current law, the grant is limited to 50 percent of the cost to the veteran of the housing unit and the land on which it is located up to a maximum of $30,000.

Under current laws, generally, the minimum length of active service necessary for entitlement varies from 90 days for veterans of World War I[I], the Korean conflict and the Vietnam era to 181 days for those veterans who served between or since these periods of conflict.

The Government's guaranty on a loan is limited to a percentage of the loan and is further limited by a maximum dollar amount, such restrictions being dependent in each case by the purpose of the loan.

The VA loan guaranty program is extremely important both to veterans who are helped in the purchase of homes and to the economy as a whole, which benefits by the stimulus provided by veterans activity in the housing market. Unfortunately the soaring costs of purchasing a home, exacerbated primarily by the nearly unprecedented increases in mortgage interest rates, have forced many potential first home buyers out of the housing market. The Committee believes that the time has come to introduce a graduated-payment plan into the VA's loan guaranty program.

Committee bill provisions

The Committee bill would amend section 1803(d)(2) of title 38 to authorize the Veterans' Administration to offer and guaranty graduated payment loans. The amendment is necessary in order to establish a graduated-payment plan inasmuch as present law is construed to require VA guaranteed loans be repaid in equal monthly installments.

The Committee bill would authorize the Veterans' Administration to establish a graduated-payment plan similar to that presently offered by FHA under section 245 of the National Housing Act, 12 U.S.C. section 1715d–10. FHA has had approximately 5 years' experience with this mortgage plan and reports a low default rate.

Graduated-payment mortgages entail a negative plan of amortization during the early years of the loan period. During the "graduation" period a portion of the interest due on the loan each month is deferred and added to the principal balance. During this initial period the lower payments do not even cover principal and interest and the loan balance actually exceeds the original mortgage amount. The result, therefore, is monthly payments which are lower, for the first few years, than the corresponding monthly payment on a conventional mortgage, where all of the interest and a portion of the principal are scheduled to be paid each month. During the graduation period, typically lasting 5–10 years, the veterans' payment will increase periodically to successively higher levels until the graduation period is ended and the payments thereafter remain the same for the duration of the loan period. From that point on, each scheduled loan payment includes all the interest plus a portion of the principal as does a conventional mortgage, but, because the principal obligation has been increased by the amount of interest deferred during the graduation period, the monthly payment required to amortize the loan after the leveling off point are greater than they would have been for a conventional loan.

The Committee bill anticipated two graduated-payment loan programs. One option would require that the principal amount of the loan, including deferred interest, not exceed the value of the property as determined by the Administrator, at the time the loan is made. Since deferred interest would increase the loan principal, loans made under this plan would require a significant down payment. The required down payment would have to be sufficient to absorb at least all of the interest to be deferred during the graduation period. The second option would enable the VA to guaranty a loan based on the projected value of the property over the life of the loan. Such projected value would be calculated by increasing the reasonable value of the property as of the time the loan is made, at a rate not to exceed 2.5 percent per year up to 115 percent over the term of the loan. This would greatly reduce or obviate the requirement for a down payment. As the graduated-payment plan is offered to benefit younger, lower-income veterans who are less likely to have saved a substantial down payment, the Committee anticipates that the Administrator would design the graduate payment loan program so that veterans would be able to take advantage of the latter option.

The bill would restrict the use of graduated-payment loan program to the acquisition of a single family site-built homes, condominium units and manufactured housing.

Finally, the Committee bill would amend section 1828 to exempt such VA loans from any State law prohibiting interest on interest, or requiring minimum amortization.

Specially adapted housing assistance increase

Section 403 of the Committee bill would increase from $30,000 to $35,000, effective October 1, 1981, the maximum amount payable in specially adapted housing assistance under chapter 21 of title 38, United States Code, to certain veterans with total and permanent service-connected disabilities. The Committee bill would also make certain technical changes in chapter 21.

Under the program of specially adapted housing assistance for disabled veterans, often referred to as the "wheelchair home" program, the VA assists veterans with certain permanent and total service-connected disabilities in acquiring suitable housing with adaptations made necessary by the nature of their disabilities. Under current law, these disabled veterans are eligible for a grant not to exceed 50 percent of the cost of the home and the necessary land, up to a maximum of $30,000. Veterans eligible for housing assistance grants are principally quadraplegics, paraplegics, amputees, and others who require the use of a wheelchair, braces, or crutches to move about. Their disabling conditions may require ramps, special bathroom equipment, extra-large rooms and hallways, and other adaptations that are essential for their health and safety.

When originally enacted in Public Law 80–702 in 1948, the specially adapted housing program provided for assistance of up to $10,000. At that time, the average cost of construction for a new single-family residence was $7,800. Housing construction costs have risen steadily since then, and the maximum amount of assistance has been increased on four occasions. The last increase was made by Public Law 95–476, which raised the maximum to $30,000, effective October 1, 1978. At the time, the average cost for the construction of a specially-adapted home was estimated to be $66,000. Since then it appears, based on data provided by the National Association of Home Builders, that the average cost of such a home has risen to $75,700. By raising the maximum limit from $30,000 to $35,000, the Committee bill would enable a majority of veterans who are eligible for this benefit to obtain assistance approximating 50 percent of the cost of the home and thus help meet the needs of this special group of veterans.

TITLE V: MISCELLANEOUS PROVISIONS

Continued payment of pension to certain hospitalized veterans

Subsection (a) of section 3203 of title 38 is amended by adding a new subparagraph (D) which extends the period of hospitalization to 189 days, for any veteran in a prescribed program of rehabilitation, before pension benefits of such veteran can be reduced.

Under current law, any single veteran is subject to a reduction in pension benefits after the end of the third full calendar month following the month of admission for such care in a hospital or nursing home. The pension is reduced to $60 per month during the period of hospitalization. The Committee amendment provides that veterans being furnished hospital or nursing home care by the Veterans' Administration shall not be subject to such reduction in pension payments until or unless such veteran receives hospital or nursing home care for a period up to 180 days within any 12-month period if such veteran is in a prescribed program of rehabilitation, as prescribed by chapter 17 designed to restore the veterans ability to function within the family and community.

The purpose of this amendment is to encourage eligible veterans to participate in such a program of rehabilitation and eliminate the disincentive to participate which exists under current law. The Committee bill serves also to differentiate between those veterans receiving traditional medical care and those who enroll in rehabilitation programs. Rehabilitation programs serve to make the veteran more self-sufficient. The Committee does not wish to deter veterans from entering into long-term rehabilitation programs by reducing pension payments at three months and thereby reducing the veterans' ability to pay bills and ongoing living expenses which continue and accumulate during the period of rehabilitation. Veter-

ans should not be faced with the dilemma of experiencing financial hardships or participating in a comprehensive rehabilitation program designed to enhance self-sufficiency.

Headstones and markers in certain cases

Subsection (b) of section 906 of title 38 is amended to provide memorial headstones or markers to commemorate certain veterans whose remains are not interred. The Administrator is authorized to furnish appropriate memorial headstones or markers for those veterans whose remains were not recovered or identified, those veterans whose remains were buried at sea, whether by choice or otherwise, those veterans whose remains were donated to science and those veterans whose remains were cremated without interment of any portion of the ashes. Under this subsection the Administrator is authorized to furnish such memorials for placement in a national cemetery area reserved for such purposes, or in any private, local, or State cemetery. Subsection (a) of section 1003 is amended and directs the Administrator to set aside suitable areas in national cemeteries to honor the memory of such veterans and those who are missing in action.

The funeral and burial benefits provided by chapter 23 of title 38, administered by the Veterans' Administration, serve a twofold purpose. First, they provide peace-of-mind for and ease the financial burdens of those veterans and their families who can ill-afford the increasing expense of funerals and burials. Second, and more importantly, the program facilitates commemoration of those citizens who served their country, some of whom were seriously disabled or lost their lives as a result thereof. Congress has historically considered commemoration of such citizens its solemn duty and it is to this purpose the Committee bill is addressed.

Current law provides for commemoration, of those whose remains cannot be interred, in national cemeteries. The Committee bill would expand the program by authorizing such commemoration in local, private and state cemeteries also. There is, however, no provision in chapter 23 for honoring those deserving veterans who have chosen not to have their remains interred. The need for new legislation became apparent as increasing numbers of veterans chose to donate their remains to science or to have their remains cremated and the ashes scattered. Memorialization of the sacrifices made by these veterans in the service of their country should not be neglected merely because their remains are not interred. The Committee believes that veterans choosing either such alternative to burial should not be denied recognition of their sacrifice because of that choice. Such an outcome is entirely inconsistent with the intent of current law. The Committee believes that the proposed bill will rectify this inconsistency and insure that the intent of Congress, to honor the memory of our deserving veterans, is realized.

The Committee notes that, in addition to effectuating the above described purpose of this amendment, other beneficial results will follow. The selfless decision to donate one's remains to science serves to further medical advancements and, along with those who choose cremation without interment, reduces the heavy demand for gravesites in our national cemeteries.

Radiation literature review

Background on Nuclear Weapons Tests

Beginning in 1945 and continuing until the Limted Test Ban Treaty in 1963, the United States detonated 235 nuclear devices in connection with its atmospheric and underwater nuclear weapons testing program. The Department of Defense (DOD) estimates that approximately 250,000 DOD personnel participated in the tests. In addition, approximately 25,000 DOD personnel were attached to the United States occupation forces in Hiroshima and Nagasaki, Japan, following the detonation of atomic bombs over those two cities on August 6 and August 9, 1945, respectively.

In general, the average recorded exposure of these troops to radiation generated by a man-made device has been estimated by a Department of Defense contractor (Reynolds Electrical & Engineering Co.) to be approximately one-half rem.[1] However, film badges and dosimeters that were intended to monitor individual exposures were often provided to only one individual in a unit rather than to each individual. In addition, variations in the accuracy of monitoring techniques are known to have existed, and some types of radiation and some forms of exposure—such as ingestion or inhalation of irradiated particles—were not measured at all.

Although in the Committee's view it is important to keep in mind that these tests were conducted during a period of great international tension in which national security considerations were of paramount importance, the Committee notes that review of historical documents concerning the nuclear weapons testing program reveals that considerable controversy existed, preceding the conduct of most of the tests, about the safety standards for human exposure to radiation, and notes further than a considerable amount of information about that controversy was withheld from test participants until recent years. With respect to the participation of troops in the weapons tests, the expert view that prevailed at that time tended to minimize the risk of disability resulting from exposure to low levels of radiation. Today, scientists have moved toward a consensus regarding safe exposure standards and are in general agreement that there is no completely safe level of exposure to radiation.

Scientific Uncertainties Regarding Health Effects

The long-term health effects of exposure to low levels of radiation are not yet completely understood. However, it is clear that exposure of humans to certain levels of ionizing radiation causes an increased incidence of malignant tumors and can cause genetic damage. What is unclear is how much increased risk is caused by exposure to levels of radiation that are not "massive", and practical limitations—in terms of the very large population that would be required for valid followup—may prevent for some time a definitive determination of risk at lower levels of exposure. Another uncertainty in those areas arises from the fact that there is a long interval—the "latent period"—between radiation exposure and the subsequent development of malignancies. On the basis of the scientific evidence now available, therefore, the issue of fair compensation for conditions that develop in individuals who have been exposed to relatively low levels of radiation in medical, occupational, and military contexts is a highly complex one.

Committee hearings

On June 20, 1979, the Committee held hearings to gather information about the difficulties experienced by veterans and survivors in using the current Veterans' Administration adjudication system for radiation exposure-related claims. Testimony was received from veterans, survivors, and representatives of veterans' service organizations who had personal experience with such claims, and the DOD, the VA, the Department of Energy, the Interagency Task Force on Ionizing Radiation chaired by the Department of Health, Education, and Welfare, the Center for Disease Control and the National Academy of Sciences.

The most important outcomes of the hearing, described in greater detail on pages 34–36 of Senate Report No. 96–260, which accompanied S. 689, the proposed "Veterans' and Survivors' Benefits Adjustment Act of 1979", included—

The VA's agreement to issue agency-wide instructions establishing certain presumptions on test participation and directing that credible estimates of radiation exposure—even if higher than actual badge or dosimeter readings—be used in adjudicating claims;

The VA's agreement to develop, in collaboration with other appropriate Federal departments and agencies, generally accepted medical principles concerning radiation-related illnesses as well as enumeration of areas where uncertainties exist about that knowledge;

The DOD's announcement that geographic reconstructions are used in its development of radiation exposure estimates for test participants;

The DOD's agreement to make publicly available, through declassification if necessary, any document or section of a document related to personnel participation or radiation exposure during the tests that would not jeopardize national security by its release and to make publicly available, and keep updated, a list of such documents; and

The agreement of the VA and the DOD, in a memorandum of understanding signed on June 15, 1979, and clarified during the Committee's hearing, to work closely to assist claimants in gathering information in support of claims and to provide timely reconstructions, as requested with respect to the participation and exposure to radiation during the tests of individual veterans.

The Committee's hearing—and related hearings held by other Committees of the Congress during the 95th and 96th Congresses—demonstrated that the Federal Government failed to follow up medically on test participants after their exposure to radiation in order to determine what, if any, long-term adverse health effects such veterans may be experiencing as a result of their participation. Further, hearings in the Congress during the past three years have shown that, until very recently, the Federal Government had done little in the way of systematic efforts to assist veterans and survivors in bringing claims for VA service-connected disability or death compensation on the basis of radiation exposure.

The Committee notes that on June 16, 1981, the Senate passed a provision (section 3 of H.R. 3499) that would provide basic VA health-care eligibility to veterans who are concerned that their exposure during service to radiation from a nuclear device has resulted in health problems, if the Administrator of Veterans' Affairs determines there is credible medical evidence linking the veteran's disability or disease to human exposure to radiation. In this provision, which also would afford the same access to VA health-care services to Vietnam veterans in connection with exposure to agent orange, the Senate expressed its view that the benefit of the doubt should be resolved in favor of the veterans involved in connection with the origin of the health problems they are experiencing in the absence of definitive scientific and medical information sufficient to arrive at a favorable determination of the service-related nature of a specific disability or disease.

Available Scientific Information

Scientific inquiries on the biologic effects of exposure to radiation—and in particular the health effects in humans of such exposure—have been pursued for many years, and reports that describe the findings of

[1] A "rem", an abbreviation for roentgen equivalent man, is a unit of radiation exposure measurement which reflects the amount of biological effect done by a particular form of radiation.

these studies are voluminous. In fact, as the GAO pointed out in its January 2, 1981, report entitled "Problems in Assessing the Cancer Risks of Low-Level Ionizing Radiation Exposure" (EMD–81–1), some 60,000 articles have been published internationally on the health effects of ionizing radiation.

During the last 10 years, in connection with comprehensive reviews of the risks of radiation exposure, specific mathematical models have been developed for making predictions about the risks involved in and recommended standards for radiation exposure. Perhaps the most noted of these reviews are the 1972 and 1980 reports of the Committee on Biologic Effects of Ionizing Radiation (BEIR) of the National Academy of Sciences and the 1977 report of the Scientific Committee on the Effects of Atomic Radiation of the United Nations (UNSCEAR). In addition, the above-mentioned 1981 report of the GAO and the June 1979 report of the President's Interagency Task Force on the Health Effects of Ionizing Radiation contain overviews of what certainties exist and what important questions remain unanswered about radiation exposure and what public policy has developed as a result of that state of knowledge.

The Committee notes that in each case the purpose of these comprehensive reviews and reports has been to evaluate scientific information in order to assist in the development of specific policies—such as general exposure standards or the best direction for current or future research—as to how our society should deal with the relative risks involved in human exposure to radiation. Thus, these reports generally serve to distill information from a great number of individual investigations and are generally intended to be helpful in resolving very broad policy questions. But since these reports deal with numerous sources of radiation exposure, they vary in their utility for the purpose of determining VA policy on the adjudication of radiation-exposure cases.

Moreover, the conclusions contained in these comprehensive reviews and reports have generated much controversy—with respect to the analysis and review of certain specific research efforts—and, clearly, experimental and theoretical gains are being made that will likely necessitate updates to be undertaken for many years on data which have been available and about which there has been some consensus among certain scientists. In this regard, it was reported in an article entitled "New A-Bomb Studies Alter Radiation Estimates", published in the May 22, 1981, issue of Science (vol. 212, pages 900–903), that, as a result of advancements being made in computer technology, certain new techniques when applied to data on the bombings of Hiroshima and Nagasaki appear to show that many of the basic assumptions about the radiation fields produced by these atomic blasts may be incorrect and that human exposure to low-level radiation—including gamma ray exposure—may turn out to be more toxic than had been thought. Thus, because the state of knowledge as to the risks involved in and the possible outcomes of human exposure to radiation is a developing one, it is most important that the VA generally keep itself updated in this area; particularly the VA should keep abreast of new data (or new applications of already available data) and theories. The Committee believes that the processes and disciplines that the VA would need to develop in order to conduct the literature review and analysis (and the report and followup thereon) in the manner contemplated in section 504 of the Committee bill would, in addition, provide the VA with mechanisms to facilitate and enhance its efforts to remain current on developments.

Committee bill provisions

Section 504 of the Committee bill would require the VA to conduct a review and analysis of literature relating to long-term adverse health effects of human exposure to radiation, and provides expressly that the required review should encompass literature regarding nuclear device, medical, and occupational exposures to radiation. This section would provide for a radiation literature review in a manner very similar to the dioxin (agent orange) literature review the VA currently is conducting pursuant to the agent orange study mandated by section 307 of Public Law 96–151. The Committee bill also incorporates certain concepts embodied in proposed amendments to the agent orange study mandate that were passed by the Senate on June 16, 1981, in a substitute amendment to H.R. 3499 to clarify that the term "health effect" includes genetic and psychological effects and to require the promulgation of regulations containing guidelines—in light of the information available as a result of the literature review and other information—for resolving claims based on exposure to radiation from nuclear devices during active duty service. The Committee bill also includes a provision—derived as well from the Senate-passed amendments to the agent orange study mandate mentioned above—to authorize expressly the Administrator of Veterans' Affairs to contract with a non-VA entity for the conduct of the required review.

In connection with the required radiation literature review, the Committee bill would direct that the Administrator consult with and actively coordinate with other entities in the Federal Government that are involved or have been involved in radiation exposure-related studies. In this manner, the VA will be knowledgeable about radiation-related activities elsewhere in the Federal Government, and the VA would be provided with up-to-date reports with respect to ongoing federally funded research projects.

The purpose for the required radiation literature review and active coordination and consultation with other Federal entities is to assure that the VA is fully informed about available, relevant scientific information regarding human exposure to radiation. By requiring the VA to pull together such information specifically for the purpose of reaching reasonable determinations with respect to the very complex issues involved, the Committee seeks to assure that the VA is as informed as possible in order to be better able to resolve fairly and consistently radiation-related claims.

Section 504 of the Committee bill also would require the Administrator to submit two reports to the Congress. First, not later than 90 days after the date of enactment of the Committee bill, the VA would be required to submit a report on the steps taken and the plans made to assure that the required coordination with other Federal entities occurs. Second, not later than 18 months after the date of enactment of the Committee bill, the VA would be required to submit a report on the literature review, which would include comments and recommendations for, as necessary, both administrative and legislative action, as well as specific recommendations regarding the need for the VA to conduct further research of its own on the long-term adverse health effects of exposure to radiation. Further, the Administrator would be required to submit to the Federal entities with which the VA would be required to consult a copy of the report on the literature review, and to recommend to those Federal entities, as appropriate, that they carry out such additional research as the report might indicate is needed.

Finally, as mentioned above, section 504 of the Committee bill incorporates provisions—similar to the Senate-passed proposed amendments to the agent orange study and literature review—that would require the Administration, not later than 90 days after the submission of the report on the literature review, to publish proposed regulations containing guidelines, standards, and criteria for resolving disability compensation claims based on radiation exposure and, after a public review and comment period, to promulgate final regulations. Thus, veterans and their survivors filing such claims would be assured that the VA is required to act with respect to the information that becomes available to it as a result of the proposed radiation literature review.

However, the Committee notes that nothing in this provision in any way requires the VA to change its policies or procedures with respect to consideration of such claims, which are set forth basically in section 0–20 of Program Guide 21–1. By requiring that proposed regulations be published in the Federal Register with the opportunity for public review and comment, the Committee intends to assure that the policies and procedures applied by the VA in making determinations in these claims are matters with respect to the development of which there is full public participation. But, the Committee emphasizes again that, if the VA proposed no changes in its policies or procedures as a result of the proposed literature review, it could publish section 0–20 of Program Guide 21–1 (with certain technical modifications), together with its reasons for so doing in light of the report on the literature review, and meet the requirements of this provision in the Committee bill. (For example, it should be noted that section 504 would not require the VA to develop rules with respect to the specific adverse health effects that develop subsequent to a known exposure to a quantifiable dose of radiation. Nor would the VA be required to quantify precisely the health risk to which a claimant was subjected in connection with in-service radiation exposure. Whether such guidelines can properly or should be established by the VA will be a matter for the agency to decide.)

Pre-existing Authority To Conduct Research

With respect to carrying out the literature review and analysis that would be required by section 504, the Committee notes that section 4101(c) of title 38, United States Code, already authorizes the Administrator to carry out a program of medical research. In the Committee's view, that open-ended authority to conduct research and implicitly to authorize such appropriations therefor as may be necessary applies to the literature review and analysis that would be required by section 504 of the Committee bill.

Minimum active-duty service requirement

Background

New Section 977 of Title 10 Added

During the Second Session of the 96th Congress, the Senate Armed Services Committee reported, on June 20, 1980 (S. Rept. No. 96–826), and the Senate passed, on July 2, in the Department of Defense Authorization Act, 1981, a provision adding to title 10, United States Code, a new section 977, entitled "Denial of certain benefits to persons who fail to complete at least two years of an original enlistment." The House of Representatives accepted the provision and it was signed into law on September 8, 1980, in Public Law 96–342.

The provision grew out of concerns that excessive numbers of servicemembers were, through inappropriate or unproductive conduct, bringing about their early discharges, that many of them had enlisted for the purpose of obtaining eligibility for veterans' benefits based on short periods of service, and that it is wasteful for the Federal Government to provide veterans' benefits to those who fail substantially to fulfill their active-duty service commitments.

Briefly, section 977 provides, with certain exceptions, that any person who originally enlists in the service after September 7, 1980, and fails to complete at least 24 months of that original enlistment shall not be eligible for any right, privilege, or benefit (hereinafter referred to as a "benefit") based on active-duty service performed under that enlistment. This denial of benefits applies to benefits under title 38, relating generally to veterans' benefits and services, which is under the jurisdiction of the Veterans' Affairs Committee, under laws other than title 38 that are administered by the VA, which are also under the jurisdiction of the Veterans' Affairs Committee, and under any other Federal laws providing for any benefits based on active-duty service. Pursuant to the exceptions specified in section 977, this denial of benefits does not apply to those who (1) were discharged under section 1173 of title 10, providing for hardship discharges for enlisted personnel who have dependents, (2) were discharged under chapter 61 of title 10, providing for separations because of physical disability, or (3) have been determined to be suffering from a disability that resulted from an injury or disease incurred in or aggravated during the period of enlistment and that was neither the result of the individual's "intentional misconduct" nor "incurred during a period of unauthorized absence".

Generally, former enlisted personnel who initially entered the service after September 7, 1980, would be denied a limited range of benefits under section 977. Since, as noted above, section 977 is generally not applicable to veterans who have a service-connected disability, benefits—such as VA disability compensation and comprehensive VA health-care services for service-connected disabilities—that are granted on the basis of such disabilities would not generally be denied. Also, so long as the United States is not in a period of war, VA pension, and civil service preference rights, and certain other benefits that are available only to veterans with either some wartime service or service-connected disabilities would generally not be denied under section 977. Thus, it appears that the only major categories of benefits that a veteran with no service-connected disability generally would clearly be denied under section 977 are the VA-administered post-Vietnam era veterans' educational assistance programs (VEAP), VA home-loan guarantees, VA health care for certain non-service-connected disabilities, and certain VA-supervised insurance. These benefits are all administered by the VA, and a 181-day minimum service requirement already exists in title 38 both for the receipt of the $2-for-$1 VA matching contributions under VEAP and for VA home-loan guarantees.

Although section 977 would on its face seem clearly to apply to ex-service members unemployment compensation under section 8521 of title 5, the Committee is advised that the Department of Labor has concluded that the more specific minimum service requirement in title 5—365 days (increased from 90 days by section 415 of Public Law 96-364, enacted on September 26, 1980—applies instead.[2]

Problems Under Section 977

The Committee has analyzed section 977 and reviewed its implementation and noted the following problem areas with respect to programs under laws within the Committee's jurisdiction. First, the application of the two-year minimum service requirement only to enlisted personnel, and not to officers, seems inequitable to the Committee.

Second, in the cases of those with initial 2-year enlistments who are discharged early under section 1171 of title 10, which provides for certain discretionary discharges up to three months before the expiration of an enlistment, the denial of benefits under section 977 appears to be in conflict with the language in section 1171 providing that discharges under that section do "not affect any right, privilege, or benefit, or benefits" (other than pay and allowances) that the individual would receive for completing the enlistment.

The Committee is advised by the Department of Defense that section 1171 is used to discharge active-duty personnel when budgetary or authorization limitations require a reduction in strength and when necessary in order to avoid non-productive reassignments for short periods of time, as in the cases of, for example, those with 90 days or less to serve after the deactivation or change of location of their units and those who are returned from overseas for discharge at the port of entry and complete their separation processing before the expiration of their enlistments.

In regulations implementing section 977, the VA took the position that two-year enlistees discharged under section 1171 who have no service-connected disabilities are not eligible for benefits on the basis that they fail to meet the minimum service requirement. (38 C.F.R. § 3.12a, published in volume 46 of the Federal Register at page 23,925 (April 29, 1981)).

Third, the exception to the denial of benefits for those who have a disability that resulted from a service-incurred or-aggravated disability applies even to those who have only noncompensable (zero-rated) disabilities, such as treatable dental cavities and non-disfiguring scars.

Fourth, section 977 requires the denial of benefits for compensation and VA health care for a disability incurred on active duty during any period of unauthorized absence, no matter how brief or inconsequential. The comparable title 38 provision governing the issue whether a disability resulting from an injury or disease incurred during an unauthorized absence may be considered service connected, section 105(b)(1), precludes a finding of service connection only if the individual was avoiding duty by deserting or by taking an unauthorized absence that materially interfered with the performance of military duties.

Fifth, some question has existed as to whether section 977 was intended to deny benefits to the survivors of those who died after leaving service and were themselves made ineligible for benefits by section 977. In the explanatory material accompanying the above-mentioned regulations when they were originally published in proposed form, the VA took the position that the language of section 977 "expressly limits its application to servicepersons. It does not prohibit the payments of death benefits to the survivors of a veteran who served less than 24 monts . . . ." (Federal Register, vol. 46, page 8575 (January 27, 1981)). Therefore, the proposed regulations did not modify the eligibility criteria in VA regulations for dependency and indemnity compensation or burial allowances, and the regulations were ultimately promulgated without change.

However, in a March 20, 1981, decision, the VA's General Counsel concluded that, in the cases of deceased veterans who were discharged before completing two years of active duty and met none of the section 977 exceptions, section 977 requires the denial of the Servicemen's Group Life Insurance claims of their survivors, who would otherwise be entitled to SGLI proceeds under section 768(a)(1) of title 38, which provides for the payment of proceeds when the veteran dies within the first 120 days after discharge (or up to one year after discharge if the veteran was totally disabled on the date of discharge). In reaching that conclusion, the General Counsel viewed the issue as one involving the veteran's insurance coverage, which he considered a "right, benefit, or privilege" of the veteran—rather than as one involving the SGLI beneficiaries' rights—and, thus, he did not address the issue of whether section 977 applies directly to SGLI beneficiaries' and other survivors' benefits.

In addition to having serious concerns regarding these issues, the Committee considers it highly inadvisable for the requirements of title 38 benefits eligibility or entitlement (hereinafter in this discussion, the term "eligibility" is used to reform to both eligibility and entitlement) to be set forth in part outside that title of the United States Code.

Prior to the enactment of section 977, all eligibility requirements for title 38 benefits were set forth in that title. Title 38, on its face, purports to establish all of the conditions of eligibility for the benefits provided in that title. Anyone looking at the provisions of title 38 would have no reason to suspect that provisions of law in another part of the United States Code would override title 38 with respect to eligibility issues.

Committee Bill Provisions

In order to bring the provisions governing eligibility for title 38 benefits and for VA benefits under other laws back into title 38, and to make certain changes in the effects of the section 977 provisions on eligibility for such benefits, section 505 of the Committee bill would amend title 38 to add a new section 3103A generally imposing a two-year minimum service requirement. The provisions of the new section are as follows:

The new title 38 section would provide that, notwithstanding any other provision of law (which would, of course, include section 977 of title 10), only the minimum service requirements that are set forth expressly in title 38 shall apply with respect to the eligibility of any person for a benefit under title 38, or for VA benefits under other laws, based on the service of a person who initially enters active duty after September 7, 1980. This new section generally goes on to impose a minimum service requirement of two years or the full initial obligation period, whichever is less, on those first entering active duty after that date.

Benefits for Veterans

(a) Scope: Regarding the scope of the new section, it would apply—to the exclusion of section 977—to eligibility for any benefit (defined for purposes of the new section to include any right or privilege) under any laws administered by the VA, which includes certain provisions of public law not contained in title 38 or other parts of the United States Code, such as section 2 of Public Law 95-126 (relating to health care for the service-connected disabilities of certain ex-servicemembers with non-qualifying discharges) and any benefit under title 38. Most of the provisions of title 38 are administered by the VA, but some are administered by another agency or agencies of the Federal Government, such as certain veterans' reemployment rights provisions of chapter 43 of title 38, which are administered by the Department of Labor.

The new title 38 provision would not, however, apply to benefits under laws that are neither administered by the VA nor contained in title 38, such as unemployment compensation for ex-servicemembers under subchapter II of title 5, which is administered by the Department of Labor.

The scope of the proposed title 38 provision would be broader than section 977 with respect to the active-duty servicemembers affected because it would include commissioned and warrant officers in addition to

[2] It is not clear to the Committee whether section 977 will be interpreted as applying to various benefits under social security and civil service laws so as to deny the veteran the benefits he or she would otherwise earn under those laws for each month or year that he or she served on active duty.

enlisted personnel, the only category of personnel affected by section 977. However, as discussed more fully below in connection with the prospective and retroactive application of the proposed title 38 provision, the denial of benefits would be applicable only to officers who initially enter active duty after September 30, 1981.

With respect to those whose initial enlistments or other initial periods of obligated service are for less than twenty-four months, the proposed title 38 provision would require as a condition of benefits eligibility, in lieu of the two-year requirement in section 977, that the individual complete the full period of obligated service. It is the Committees understanding that less-than-two-year periods of obligated active-duty service are not currently being used. However, it is certainly conceivable that one or more branches of the Armed Forces would make use of, for example, 20- or 18-month enlistments (or that, in certain eventualities, some reserve units would be put on active duty for a specified period of less than two years). In such cases, the Committee believes that it would be unfair to require—as section 977 seems to require—that the veterans who complete their full under-two-year tours of active duty generally be denied benefits simply because they failed to serve at least two years of active duty. Thus, in the cases of those whose initial period of obligated service is for less than two years, the Committee bill would require a denial of benefits only if they fail to complete their entire period of active duty (and if no other exceptions, discussed below, apply).

Finally with respect to the scope of the new section, the Committee notes that it is not designed or intended to prohibit the otherwise available inservice use of any benefits, such as the VA home-loan guaranty under chapter 37 of title 38, prior to the completion of the minimum service requirements. Under section 977, it is not entirely clear to the Committee whether such inservice use of benefits was intended to be permitted.

(b) Exceptions: Under the proposed title 38 provision, there would be several exceptions to the general denial of benefits for those discharged before completing two years of service. Those exceptions, as compared to the exceptions in section 977, are as follows:

First, benefits would not be denied those who are discharged under section 1171 of title 10, pursuant to which an enlisted person may be discharged up to 90 days before the expiration of his or her enlistment. No such exemption is provided in section 977. However, the Committee believes that, since discharges under section 1171 serve the government's interest and do not reflect adversely on the quality of the individual's service or of the individual's commitment to carrying out fully the obligations of his or her enlistment, such an exception should be provided.

Second, benefits would not be denied those who are discharged under section 1173 of title 10, relating to hardship discharges. Section 977 also provides this exception.

Third, an exception would be provided for those who are "discharged or released from active duty . . . because of a service-connected disability". In a very similar fashion, section 977 provides an exception for those "discharged under . . . chapter 61" of title 10, which provides for separations for physical disability. A major difference between the two provisions is that the proposed title 38 amendment would give the VA the ultimate responsibility for determining whether the disability for which the veteran was discharged would render the veteran generally eligible for benefits. That same approach is followed consistently in title 38 in establishing the criteria for specific benefits. Thus, for example, a discharge because of a service-connected disability is a basis for eligibility for certain health care (section 610(a)(2)), home-loan guaranty (section 1818(a)(3)), and employment assistance (sections 2001(3) and 2011(3)) benefits under title 38. Sections 901 and 902, relating to certain burial benefits refer to discharges for disabilities incurred or aggravated "in line of duty"; but, under the definition of the term service-connected in section 101(16) of title 38, the effect is the same.

Fourth, benefits would not be denied to a veteran who has a compensable service-connected disability. By comparison, section 977 provides an exception for veterans with any service-connected disability, including a disability so slight as to be rated as zero-percent disabling and for which no compensation is payable. As suggested above, the Committee's view is that, in order to provide a basis for general veterans' benefits eligibility for those who would otherwise be ineligible, a service-connected disability should be compensable.

Fifth, an exception would be established for any benefit provided for a service-connected disability or condition. This exception would enable ex-servicemembers who have no compensable disabilities to receive benefits specifically for or on account of particular service-connected conditions or disabilities, such as outpatient treatment for noncompensable dental conditions or disabilities under section 612(b)(2) of title 38. In the Committee's view, it is very important for the Government to meet what the Committee considers a fundamental obligation to provide treatment for service-connected disabilities even though, as noted above, the Committee does not believe that it is appropriate to predicate general benefits eligibility on the basis of zero-rated disabilities.

Sixth, the Committee bill specifically provides an exception for the payment of Servicemen's Group Life Insurance (SGLI) proceeds under section 768(a)(1)(A) of title 38, which provides a 120-day "grace" period (up to a one-year grace period for those who are totally disabled when discharged) following the date of discharge.

Ironically, although section 977 does not, under the VA's interpretation affect survivors' benefits, it does prohibit the payment of SGLI proceeds—despite the fact that the post-service, statutory grace-period coverage is, like all other SGLI coverage, prepaid by premiums paid during active duty. (This is, of course, true until such time as this prohibition on the payment of proceeds is taken into account in the computation of premiums and any resulting reduction in premiums put into effect. As of the present time, the Committee is advised that this has not taken place.)

In the Committee's view, there is very little or no governmental interest served by the section 977 prohibition on the payment of SGLI proceeds. Permitting the insurance proceeds to be paid to the survivors of those who die within the grace period would be very unlikely to have any effect on a servicemember's conduct or attitude toward completing a specified period of service. Moreover, SGLI proceeds are paid by insurance companies out of non-Governmental funds.

On the other hand, the proceeds would be extremely important to certain ex-servicemembers' beneficiaries, such as the surviving spouse and children of a veteran who was unable during the grace period to obtain life insurance to replace SGLI.

Seventh, the Committee bill would make clear that it would have no effect on the provision of benefits under applicable law prior to October 1, 1981. The rationale for this provision is discussed below with respect to the prospective and retroactive application of the provisions of the bill.

Applicability to Survivors

With respect to survivors, the proposed new title 38 section would generally prohibit the provision of title 38 and VA benefits to the survivors of those who would generally be precluded under this new section from receiving benefits. (In addition, the survivors of those who were eligible only for benefits specifically for a non-compensable disability or condition would not be eligible for survivors benefits.) Section 977, as interpreted by the VA, generally does not forbid the providing of benefits to survivors. Thus, under the VA regulations cited above, the provision of burial benefits is unaffected by section 977—as are service-connected benefits, such as dependency and indemnity compensation (DIC), which is payable to the survivors of those who die as the result of service-connected disabilities. Consequently, in certain (albeit predictably rare) circumstances, the veteran would receive much less favorable treatment under section 977 than his or her survivors. Thus, where the veteran has been made ineligible for VA benefits, including compensation for a service-connected disability because the disability resulted from an injury incurred during a brief, inconsequential, unauthorized, absence, if the veteran were to die as the result of that same disability, DIC and the service-connected burial benefit would be payable to the survivors.

The Committee bill is designed to eliminate any such anomalous results.

Prospective and Retroactive Application

In the design of the proposed title 38 provision with respect to its retroactive application, the Committee was concerned both about fairness to the individuals involved and the problems that a new set of eligibility criteria would create for the VA's administration of benefits programs. In this connection, the Committee is aware that making the new title 38 provision applicable completely prospectively, that is, applicable only to those who initially enter active-duty service on or after the date of the enactment of the Committee bill or a subsequent, specified effective date, would create a very complicated administrative situation in which the general eligibility of Post-Vietnam-era veterans to VA and title 38 benefits would be subject to three separate sets of rules depending on the date of entry on active duty—one for those who initially entered active duty on or after May 8, 1975, the day after the last day of the Vietnam era, but before September 8, 1980; a second for those who initially entered active duty between September 7, 1980, and the effective date of the Committee bill; and a third for those who initially enter active duty on or after the effective date of the Committee bill. To a certain extent, however, the establishment of such separate rules is unavoidable if principles of fundamental fairness are observed.

The choices made by the Committee in this respect reflect an effort to make the administrative burden as light as possible while maintaining basic principles of fairness in the treatment of the individuals involved. Thus, the Committee bill contains the following provisions:

First, expansion of the scope of the provision to include commissioned and warrant officers is proposed to be made fully prospective. Thus, the minimum-service requirement would be made applicable to these categories of personnel with respect to title 38 and VA benefits in basically the same manner that section 977 of title 10 was made applicable to enlisted personnel.

Second, in the case of one who has been discharged without completing two years of active duty and who, under section 977, has general benefits eligibility on the grounds of a service-connected, non-compensable condition or disability, the Committee bill provisions would apply retroactively to deny general title 38 and VA benefits eligibility, would provide continuing eligibility for any such benefits provided specifically for or on

account of that condition or disability, and would preclude any pay-back requirement for any other title 38 or VA benefit that is provided prior to October 1, 1981.

Third, the applicability of the minimum-service requirement to survivors would, as a practical matter, generally have a prospective effect in the sense that it would generally apply only with respect to benefits that accrue after September 30, 1981.

Fourth, the provision restoring entitlement to SGLI proceeds would be fully retroactive. In this connection, the Committee notes that the deceased veterans involved paid premiums computed on the expectation that the proceeds would be paid to their beneficiaries.

Comparison of Committee Bill Provisions With Pending Senate Amendment to Section 977 of Title 10

On May 13, 1981, recognizing problems that had arisen under section 977 of title 10 since its enactment last year, such as those noted above, Senator Simpson offered and the Senate agreed to a floor amendment (Unprinted Amendment No. 96) to S. 815, the proposed "Department of Defense Authorization Act of 1982", for the purpose of amending section 977 in order to resolve such problems. The Senate passed S. 815 with that amendment on May 14, 1981. As of July 15, the House of Representatives had not yet passed a Department of Defense authorization bill for 1982.

In the Committee's view, it would, as noted above, be far preferable—even if the title 10 provision were completely in agreement with the substantive provisions of the Committee bill—for any minimum service requirement to be codified in title 38 insofar as that requirement affects eligibility for title 38 and VA benefits.

In addition, the Committee notes that there are certain substantive differences between the provisions of the Committee bill and the Senate-passed amendment to S. 815 (hereinafter referred to as the "title 10 amendment"), as follows:

First, the title 10 amendment, but not Committee bill, would apply retroactively to deny benefits to officers who both initially entered and were separated from active duty during the period between September 8, 1980 (the date section 977 was enacted and took effect), and the date of enactment of the proposed change in the law with respect to officers. The rationale for the Committee bill in this respect—consistent with the prospective-only approach in present section 977—is that, although the distinction between officers and enlisted personnel with respect to the minimum service requirement should be eliminated, it would be unfair in this situation to change the rules after the fact for the ex-officers affected who are now (or soon will be) back in civilian life and who have had no reason to believe that they have taken or been subjected to any action that might deprive them of their general eligibility to veterans' benefits.

Second, the wording of both the title 10 amendment and present section 977 (one who "fails to complete" 24 months "shall not be eligible") may create some doubt as to whether active-duty personnel who have completed less than two years of service may make in-service use of certain benefits, such as their VA home-loan guaranty entitlement before completing two years of active duty. There is no legislative history to clarify the intent behind these provisions. The Committee bill is worded (one shall be ineligible only if one "is discharged . . . before completing" 24 months) so as to leave intact the opportunity provided in title 38 for active-duty service personnel with more than 180 days of service to use such entitlements.

Third, both the title 10 amendment and the Committee bill would apply retroactively to remove eligibility in the cases of (1) former enlisted personnel who entered the service after September 7, 1980, and are separated before the date of enactment of the proposed change in the law and who have eligibility based on a noncompensable service-connected disability, and (2) the survivors of those who are ineligible for benefits (the benefit involved in the cases of such survivors would, at least primarily, be certain burial and related benefits). However, the Committee bill, but not the title 10 amendment, would expressly provide that no repayment of benefits paid before October 1, 1981, would be required. The reasoning behind the Committee bill in this respect is that it is more fair to allow the individuals involved to keep any benefits that they lawfully received before the law is changed than to put them at risk of a collection effort arising out of retroactive change in the law.

Fourth, the Committee bill, but not the title 10 amendment, would, as discussed above, allow the survivors of a veteran who is separated before fulfilling the minimum service requirement to receive SGLI proceeds under section 768(c)(1)(A) of title 38 if the veteran dies during the 120-day "grace" period (up to a one-year period in the cases of those who are totally disabled) following discharge.

Fifth, as discussed above, the Committee bill, but not the title 10 amendment, would make a minimum service requirement applicable to those, if any, whose initial period of obligated service is for less than 24 months.

COST ESTIMATE

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee, based on information supplied by the Congressional Budget Office, estimates that the costs resulting from the enactment of the Committee bill during the first 5 years following enactment would be $887.5 million in fiscal year 1982; $964.8 million in fiscal year 1983; $964.8 million in fiscal year 1984; $960.8 million in fiscal year 1985; and $955.8 million in fiscal year 1986. A detailed breakdown of the costs, as estimated by CBO, over the five-year period follows:

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE—JULY 7, 1981

1. Bill number: S. 917.

2. Bill title: The Veterans' Disability Compensation, Housing, and Memorial Benefits Amendments of 1981.

3. Bill status: As ordered reported by the Senate Committee on Veterans' Affairs, June 25, 1981.

4. Bill purpose: To increase the rates of Disability Compensation and Dependency and Indemnity Compensation (DIC), to authorize the Administrator of Veterans' Affairs to guarantee home loans with graduated payment plans, to increase the maximum amount payable for specially adapted housing assistance, and for other purposes.

5. Cost estimate:

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	964.2	964.9	964.8	960.3	955.4
Estimated outlays	887.5	964.8	964.8	960.8	955.8

The cost of this bill falls within budget function 700.

This bill would result in additional future Federal liabilities through extensions of existing entitlements and would require subsequent appropriation action to provide the necessary budget authority. The figures shown as "Required Budget Authority" represent an estimate of the additional budget authority needed to cover the estimated outlays that would result from enactment of S. 917.

6. Basis for estimate: The following section-by-section cost analysis addresses only those sections of this bill that would be expected to have a budgetary impact.

Title I

Sections 101–103: These sections would increase the rates of disability compensation to veterans and their dependents by 11.2 percent, with the exception of the rate payable under section 314(k) (title 38, U.S.C.), which would remain unchanged.

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	782.7	782.2	780.1	773.0	765.5
Estimated outlays	720.1	782.2	780.3	773.6	766.1

The cost of these sections was estimated by multiplying by 11.2 percent the projected average cost for all veterans receiving compensation in each year. The resulting average increase in cost was then multiplied by the estimated number of disability compensation cases in each year. This gross cost figure was then reduced by the estimated savings from holding the rate for section 314(k) cases unchanged. The cost for the increase in the clothing allowance was estimated by multiplying the projected number of cases receiving clothing allowances by the amount of the increase.

Section 104: This section would raise the statutory award categories under which disability compensation benefits are paid to veterans who have lost or lost the use of both upper extremities as a result of military service.

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	1	1	1	1	1
Estimated outlays	1	1	1	1	1

This estimate is based on March 1981 actual counts of the number of veterans receiving benefits in each of the affected award categories, multiplied by the difference between the award under current law and the benefit payable in the new category as increased by section 101 of this title.

Title II

This title would increase all monthly DIC rates by 11.2 percent.

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	175.1	176.5	178.9	181.3	184.1
Estimated outlays	161.0	176.4	178.7	181.2	183.9

The cost of this was estimated by multiplying the projected average cost in each year for all DIC cases by 11.2 percent, then multiplying the resulting average increase in cost by the estimated number of cases in each year.

Title III

Section 301: This section would increase from $3,800 to $5,000 the maximum assistance payable to certain disabled veterans for the purchase of automobiles. Also, the section would extend eligibility for adaptive equipment, but not for automobiles, to veterans entitled to compensation for ankylosis of one or both knees, or one or both hips.

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	1.7	1.5	1.1	1.3	1.1
Estimated outlays	1.7	1.5	1.1	1.3	1.1

The estimated cost of the increase in automobile assistance grants is based on historical trends in the number of such grants made each year and assumes that all grants will be for the maximum amount allowable.

According to VA data, there are 2,512 veterans receiving compensation for ankylosis of one or both knees, or one or both hips. It was assumed that 35 percent of these individuals would apply for adaptive equipment in the first year, 25 percent the second year, and 10 percent the third year. In fiscal years 1985 and 1986, 25 percent and 20 percent, respectively, of these veterans were assumed to apply for reinstallation of the adaptive equipment in new cars. An average cost of $1,000 was assumed for the necessary adaptations.

Title IV

Sections 401 and 402: These sections would authorize the Veterans' Administration (VA) to guarantee home loans with provisions for graduated payment plans and would exempt VA home loans from any State laws that prohibit graduated payment plan mortgages.

There is no reason to expect that this provision would significantly increase the total number of loans guaranteed by VA. Nor is it expected that graduated payment plan loans would have a higher incidence of default than other VA-guaranteed loans. Therefore, it is not anticipated that a significant cost to the government nor a significant increase in federal credit activity would result from the enactment of this provision.

Section 403: This section would increase the maximum amount allowable for specially adapted housing grants from $30,000 to $35,000.

[By fiscal years, in millions of dollars]

	1982	1983	1984	1985	1986
Required budget authority	3.7	3.7	3.7	3.7	3.7
Estimated outlays	3.7	3.7	3.7	3.7	3.7

Based on historical experience, approximately 600 specially adapted housing grants are expected to be awarded each year under current law. This estimate assumes that an increase of 20 grants per year would occur as a result of this provision and that all grants would be made at the $35,000 maximum.

Title V

Section 501: This section provides that the pension benefits of disabled veterans shall not be reduced after three months of hospitalization if such hospitalization is in conjunction with a prescribed VA rehabilitation program.

Since this provision would only affect a small number of cases in any one year, its cost should not be significant.

Sections 502 and 503: These sections would authorize the VA to provide memorial headstones or markers in the case of veterans whose remains are not recovered or identified, who are buried at sea, whose remains are donated to science, or whose remains are cremated and the ashes scattered without interment. Furthermore, the VA would not be authorized to set aside, when available, suitable areas in national cemeteries to memorialize such veterans, as well as those who are missing in action.

The cost of these provisions should not be significant.

Section 505: This section would amend section 3103 (title 38, U.S.C.) to provide that persons who enter active duty military service on or after September 7, 1980 will not be eligible for veterans' benefits based on such service unless they complete 24 months or more of active duty service. This provision would not apply to a service person discharged for or later determined to have a compensable service-connected disability.

This provision amends title 38 to conform to the change in law effected by Public Law 96-342, the Department of Defense Authorization Act of 1981. It would, therefore, have no budgetary impact.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: K. W. Shepherd, E. A. Peden.

10. Estimate approved by:

JAMES L. BLUM,
Assistant Director for Budget Analysis.

REGULATORY IMPACT STATEMENT

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee on Veterans' Affairs has made an evaluation of the regulatory impact which would be incurred in carrying out the Committee bill. The results of that evaluation are as follows:

The Committee bill has six titles: I—Veterans' disability compensation benefits; II—Survivors' dependency and indemnity compensation benefits; III—Automobile assistance and adaptive equipment amendments; IV—VA housing benefits amendments; V—Miscellaneous provisions; and VI—Effective dates.

A. Estimates of the numbers of individuals and businesses who would be regulated, and a determination of the groups and classes of such individuals and businesses:

Title I.—Title I, which provides for rate increases in the service-connected disability compensation program, would not result in the regulation of any individuals or businesses.

Title II.—Title II, which provides for rate increases in the dependency and indemnity compensation program, would not result in the regulation of any individuals or businesses.

Title III.—Title III, which provides for an increase in the amount of automobile assistance and expands eligibility for adaptive equipment to certain service-connected disabled veterans, would not result in the regulation of any individuals or businesses.

Title IV.—Title IV, which would permit the Administrator to guarantee home loans with provisions for various rates of amortization and increase the maximum amount of assistance available for specially adapted housing for certain service-connected disabled veterans, would not result in the regulation of any individuals or businesses.

Title V.—Title V, which would provide for continued payment of pension to certain hospitalized veterans; provide for the furnishing of headstones and markers in certain cases; require the Administrator to conduct a review and analysis of literature relating to the long-term adverse effects of exposure to radiation and, subsequently, require the development of regulations pursuant to which claims for benefits based on such exposure would be resolved; and require a minimum period of active-duty service for the purposes of certain veterans benefits; would not result in the regulation of any individuals or businesses. The regulations required to be developed by the Administrator relating to exposure to radiation, once issued, would not regulate any individuals or businesses, but would provide a framework for the resolution of certain claims for VA benefits.

B. Determination of the economic impact of such regulations on individuals, consumers and businesses affected: Since, as previously indicated, there would be no such regulation, there would be no such impact.

C. Determination of the impact on the personal privacy of the individual affected: The enactment of the Committee bill would not increase any impact on the personal privacy of participants in the programs involved.

D. Determination of the amount of additional paperwork that will result from regulations to be promulgated under the bill: The only significant increase in paperwork that is likely to result from regulations to be promulgated under the Committee bill will be in the form of increased activity, both by veterans and the VA, in the area of claims for benefits based on disabilities attributed to exposure to radiation once the regulations required to be issued in title V of the Committee bill are promulgated. It is impossible to determine at this point the amount of paperwork that would be involved.

SECTION-BY-SECTION ANALYSIS OF S. 917 AS REPORTED

Section 1.—Subsection (a) of section 1 would provide that this Act may be cited as the "Veterans' Disability Compensation, Housing, and Memorial Benefits Amendments of 1981".

Subsection (b) of section 1 would provide that, except when otherwise expressly provided, an amendment to or repeal of a section or other provision shall be considered to be an amendment to or repeal of a section or other provision of title 38, United States Code, relating to veterans' benefits.

TITLE I—VETERANS' DISABILITY COMPENSATION BENEFITS

Section 101.—Would amend present section 314 of title 38, relating to the rates of service-connected disability compensation.

Subsection (a) of section 101 would amend subsections (a) through (j) of present section 314 to increase by 11.2 percent the basic monthly rates of compensation paid to veterans with disability rated from 10 to 100 percent. Currently, a veteran with a 10-percent disability receives $54 monthly, and a veteran with a disability rated as total—100 percent—receives $1,016 monthly. Those rates would be increased to $60 and $1,130, respectively, by the Committee bill, and the rates for disabilities rated 20 to 90 percent would be increased by the same percentage. This section would also increase by 11.2 percent the higher monthly rates of compensation authorized under subsections (l) through (o) of such section for veterans with certain combinations of severe disabilities; the aid-and-attendance allowance rates authorized under subsection (r); the housebound rate authorized under subsection (s); the additional amount payable under subsection (t) to certain veterans who have suffered the service-connected loss or loss of use of the other, paired extremity; and the limitations on the total amount payable monthly to a veteran entitled to compensation under subsection (k) who is also entitled to compensation under another subsection of present section 314. Also, the maximum amount payable monthly to a veteran under subsection (p), which authorizes the Administrator to pay the next higher rate or intermediate rate to a veteran whose disabilities exceed the requirements for any of the rates prescribed in section 314, or who is both blind and deaf, would be increased by 11.2 percent.

Subsection (b) of section 101 would authorize the Administrator of Veterans' Affairs to increase by 11.2 percent the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who do not receive compensation under chapter 11 of title 38. Public Law 85-857 generally codified in title 38 of the United States Code the laws relating to veterans' benefits; section 10 of that law provided that any individual who was receiving benefits as a veteran on December 31, 1958, under public laws administered by the VA but not so codified, was to continue to receive benefits at the rates payable under such public laws or under corresponding provisions of title 38, whichever is the greater, as long as he or she remains eligible.

Section 102.—Would amend present section 315 of title 38, relating to additional

compensation payable monthly to veterans with service-connected disability rates of 30 percent or more who have spouses, children, and dependent parents, to increase those allowances by 11.2 percent.

Clauses (1) through (10) of section 102 would amend clauses (A) through (J) of present section 315(1), relating to additional compensation—"dependents' allowances"—payable monthly to a totally disabled veteran who has dependents, increase those allowances by 11.2 percent. Under existing law, a veteran so disabled who has a spouse, but no child, the amount is $62; if the married veteran has one child, the amount is $104; if two children, $138; if three children, $173; and if more than three children, $173 plus $34 for each child in excess of three. Under the Committee bill, those amounts would be increased to $69, $153, $192, and $38, respectively.

Also under existing law, a totally disabled veteran who has no spouse receives a monthly allowance of $42 for one child; $77 for two children; $111 for three children; and $34 for each child in excess of three. Under the Committee bill, those amounts would be increased to $47, $86, $123, and $38, respectively.

The Committee bill would also increase by 11.2 percent the amount of the dependents' allowance payable monthly to a totally disabled veteran who has a dependent parent or parents from $50 (for each such parent) to $56; to such a veteran who has a severely disabled spouse, from $112 to $125; and to such a veteran who has a child age 18 or older who is pursuing a course of education at an approved educational institution, from $94 to $105.

Under paragraph (2) of present section 315, the additional compensation payable to veterans rated from 30- to 90-percent disabled is prorated, so that, for example, a veteran rated at 30 percent would receive 30 percent of the amount specified in paragraph (1) of such section.

Section 103.—Would amend present section 362 of title 38, relating to the clothing allowance payable annually to a veteran receiving compensation whose disability requires the use of a prosthetic or orthopedic appliance or appliances, including a wheelchair, that tends to wear out or tear the veteran's clothing, to increase that allowance by 11.2 percent, from $274 to $305.

Section 104.—Would further amend present section 314 of title 38, relating to the rates of service-connection disability compensation, to increase the rates payable to veterans with certain combinations of severe service-connected disabilities.

Clauses (1) and (2) of section 104 would amend subsections (l) and (m) of present section 314 to increase the rate of compensation paid to a veteran who suffers from the service-connected anatomical loss or loss of use of both hands from the rate prescribed by present subsection (l)—$1,262 monthly—to the rate prescribed by present subsection (m)—$1,393 monthly. The amendments proposed to be made by section 101(13) of the Committee bill would increase the latter rate to $1,547 monthly.

Clause (3) of section 104 would amend subsection (n) of present section 314 to increase the rate of compensation paid to a veteran who suffers from the service-connected anatomical loss or loss of use of both arms at a level, or with complications, preventing natural elbow action with prosthesis in place from the rate prescribed in present subsection (m)—$1,391 monthly—to the rate prescribed in present subsection (n)—$1,581 monthly. The amendments proposed to be made by section 101(14) of the Committee bill would increase the latter rate to $1,758 monthly.

Clause (4) of section 104 would amend subsection (o) of present section 314 to increase the rate of compensation paid to a veteran who suffers from the service-connected anatomical loss of both arms so near the shoulder as to prevent the use of a prosthetic appliance from the rate prescribed in present subsection (n)—$1,581 monthly—to the rate prescribed in present subsection (o)—$1,763 monthly. The amendments proposed made by section 101(15) of the Committee bill would increase the latter rate to $1,966 monthly.

Title I—Cost: Enactment of the provisions to title I is estimated to cost $783.7 million in budget authority and $721.1 million in outlays in fiscal year 1982.

TITLE II—SURVIVORS' DEPENDENCY AND INDEMNITY COMPENSATION BENEFITS

Section 201.—Would amend present section 411 of title 38, relating to the rates of dependency and indemnity compensation (DIC) for the surviving spouses of veterans whose deaths were service connected.

Clause (1) of section 201 would amend subsection (a) of present section 411, relating to basic dependency and indemnity compensation rates payable to surviving spouses of veterans whose deaths were service connected, to increase by 11.2 percent the DIC benefit payable monthly to such a surviving spouse. Under current law, DIC benefits are paid according to the pay grade—service rank—of the deceased veteran; and the amount range from $373 per monthly for the surviving spouse of a veteran who had attained the grade of E–1 to $954 for the surviving spouse of a veteran who had attained the grade O–10. Those rates would be increased to $415 and $1,061, respectively; proportionate increases would be provided in the rates for the intermediate pay grades and in the rates payable to the surviving spouses of veterans who had served in the position specified in footnotes 1 and 2 to the table of grades and rates in existing section 411. These increases would automatically result in identical increases in the benefits payable at DIC rates under section 410(b) of title 38 to surviving spouses of certain veterans compensated at the 100-percent rate whose deaths were not service connected.

Clause (2) of section 201 would amend subsection (b) of present section 411, to increase by 11.2 percent, from $43 to $48, the additional amount—dependents' allowances—payable for each child under the age of 18 to a surviving spouse receiving DIC.

Clause (3) of section 201 would amend subsection (c) of present section 411 to increase by 11.2 percent, from $112 to $125, the additional amount of DIC payable monthly to a surviving spouse who is a patient in a nursing home, or who is helpless or blind or so nearly helpless or blind as to require the regular aid and attendance of another person.

Clause (4) of section 201 would amend subsection (d) of present section 411 to increase by 11.2 percent, from $56 to $62, the DIC payable monthly to a surviving spouse who is so disabled as to be permanently housebound, but not in need of regular aid and attendance.

Section 202.—Would amend present section 412 of title 38, relating to DIC for surviving children of veterans whose deaths were service connected, to provide an 11.2 percent increase in the monthly rates of DIC payable to the veteran's children where no surviving spouse is entitled. The current rates of $189 for one child, $271 for two children, $350 for three children, plus $71 for each additional child would be increased to $210, $301, $389, and $79, respectively. Benefits payable at DIC rates under present section 410(b) of title 38 to the surviving children of certain veterans compensated at the 100-percent rate whose deaths were not service connected would also be automatically increased as a result of the section 413 increase.

Section 203.—Would amend section 414 of title 38, relating to supplemental DIC for certain surviving children.

Clause (1) of section 203 would amend present section 414(a) to provide an 11.2 percent increase, from $112 to $125, in the additional allowance payable monthly to a child eligible for DIC who has attained the age of 18 and who became permanently incapable of self-support before reaching age 18.

Clause (2) of section 203 would amend present section 414(b) to provide an 11.2 percent increase, from $189 to $210, in the DIC payable monthly, concurrently with the payment of DIC to a surviving spouse, to a surviving child who has attained the age of 18 and who became permanently incapable of self-support before reaching age 18.

Clause (3) of section 203 would amend present section 414(c) to provide an 11.2 percent increase, from $96 to $107, in the additional DIC payable monthly, concurrently with the payment of DIC to a surviving spouse, to a surviving child pursuing a course of education approved under present section 104 of title 38.

Title II—Cost: Enactment of the provisions of title II is estimated to cost $175.1 million in budget authority and $161 million in outlays in fiscal year 1982.

TITLE III—AUTOMOBILE ASSISTANCE AND ADAPTIVE EQUIPMENT AMENDMENTS

Section 301—Would amend present section 1902 of title 38, relating to the automobile assistance and adaptive equipment allowances payable to veterans with certain severe service-connected disabilities.

Clause (1) of section 301 would make technical amendments to present section 1902.

Clause (2) of section 301 would amend subsection (a) of present section 1902 to increase the maximum amount of assistance payable by the Administrator toward the purchase price of an automobile or other conveyance from $3,800 to $5,000.

Clause (3) of section 301 would amend subsection (b) of present section 1902 to make a technical amendment and to add a new paragraph as follows:

New paragraph (2) of section 1902(b): Would require the Administrator to provide such appropriate adaptive equipment to any veteran who suffers from service-connected ankylosis of one or both knees, or one or both hips, as is determined to be necessary, under regulations which the Administrator shall prescribe, to meet the applicable standards of licensure established by the State of the veteran's residency or as is determined by the Chief Medical Director to be necessary for the safe operation of the automobile by the veteran.

Section 302.—Would amend present section 1903(b) of title 38, relating to limitations on automobile and adaptive equipment assistance, to make a technical amendment.

Title III—Cost: Enactment of the provisions of title III is estimated to cost $1.7 million in budget authority and outlays in fiscal year 1982.

TITLE IV—VETERANS' ADMINISTRATION HOUSING BENEFITS AMENDMENTS

Section 401.—Would amend present section 1803(d) of title 38, relating to the basic provisions applicable, to the home loan guaranty program, to add two new subparagraphs as follows:

New subparagraph (B) of section 1803(d)(2): Would permit the Administrator to guarantee loans with provisions for various rates of amortization corresponding to anticipated increases in family income—so-called "graduated-payment mortgage" loans. With respect to such loans, this new subparagraph would provide that the initial principal amount of the loan may not exceed the reasonable value of the property at the time the loan is made and that the principal amount of the loan (and all deferred in-

terest) may not at any time exceed the projected value of the property.

New subparagraph (C) section 1803(d)(2): Would provide that, for the purposes of graduated-payment mortgage loan guaranties, the projected value of the property would be calculated by increasing the reasonable value of the property at the time the loan is made by a rate not in excess of 2.5 percent per year and that such projected value could not exceed 115 percent of such reasonable value. This new subparagraph would further specify that graduated-payment mortgage loans for purposes other than the acquisition of a single-family dwelling unit may not be guaranteed by the VA.

Section 402.—Would amend present section 1828 of title 38, relating to the exemption of VA-guaranteed home loans from State antiusury laws, to extend the exemption to include exemptions from State laws that restrict the manner of calculating interest (including prohibition of the charging of interest on interest) and require a minimum amortization of principal.

Section 403.—Would amend present section 802 of title 38, relating to the maximum amount of assistance available for specially adapted housing for certain severely service-connected-disabled veterans, to increase the maximum from $30,000 to $35,000. This section of the Committee bill would also make technical amendments to present section 802.

Section 404.—Would amend present section 1826 of title 38, relating to the withholding of payments and benefits, to conform the provisions of chapter 37 to the provisions of present section 3114, relating to indebtedness offsets, enacted by Public Law 96–466, which requires the Administrator to recover debts owed the VA by deducting such debts from future VA-benefit payments.

Title IV—Cost: Enactment of the provisions of title IV is estimated to cost $3.7 million in budget authority and outlays for fiscal year 1982.

TITLE V—MISCELLANEOUS PROVISIONS

Section 501.—Would amend present section 3203(a)(1) of title 38, relating to the reduction of non-service-connected pension payable to a single veteran without dependents during certain extended periods of institutionalization at VA expense, to add a new subparagraph as follows:

New subparagraph (D): Would provide that, for the purposes of computing the length of the period of VA hospital or nursing home care after which the veteran's non-service-connected pension is reduced, in those cases in which the primary purpose of the care is the provision of a prescribed program of rehabilitation services, only periods of care that exceed 180 days within a 12-month period would be counted as time during which the veteran is being furnished.

Section 502.—Would amend present section 906 of title 38, relating to the Administrator's authority to furnish headstones and markers for placement in national cemeteries or private or local cemeteries in the cases of veterans whose remains have not been recovered or identified or whose remains were buried at sea, to permit the Administrator to furnish such markers for placement in State veterans' cemeteries and in the cases of veterans whose remains were donated to science or were cremated and the ashes scattered.

Section 503.—Would amend present section 1003(a) of title 38, relating to memorial areas in national cemeteries, to require the Administrator, in those areas in such cemeteries required under current law to be set aside to honor the memories of members of the Armed Forces missing in action or whose remains have not been identified or recovered or have been buried at sea, to honor also the memories of veterans whose remains are similarly not interred or whose remains have been donated to science or cremated without interment of the ashes.

Title V—Cost: Enactment of the provisions of title V is estimated to entail no significant cost.

Section 504.—Would require the VA to conduct a review of the scientific and medical literature relating to the long-term health effects in humans of exposure to, and to issue regulations for the resolution of claims based on exposure to radiation.

Paragraph (1) of subsection (a) of section 504 would require the VA to conduct a comprehensive review and scientific analysis of literature covering studies already conducted or underway relating to the long-term adverse health effects of human exposure to radiation, including nuclear device medical, and occupational exposures.

Paragraph (2) of subsection (a) of section 504 would expressly authorize the Administrator to contract with non-VA entities for the conduct, in whole or in part, of such review and analysis.

Subsection (b) of section 504 would require the Administrator to provide for appropriate coordination and consultation with other Federal agencies that are conducting or have conducted studies relating to the adverse health effects in humans of exposure to radiation.

Paragraph (1) of subsection (c) of section 504 would require the Administrator, not later than 90 days after the date of enactment, to submit to the appropriate committees of the Congress a report containing a description of the Administrator's efforts and plans to assure that the requirement for coordination and consultation with other Federal agencies is met.

Paragraph (2) of subsection (c) of section 504 would require the Administrator, not later than 18 months after the date of enactment, to submit to the appropriate committees of the Congress a report on the required literature review, including recommendations for appropriate administrative or legislative actions and recommendations as to whether additional scientific investigations regarding human exposure to radiation should be undertaken by the VA or another Federal agency.

Paragraph (3) of subsection (c) of section 504 would require the Administrator, not later than 90 days after the report on the literature review and analysis proposed to be required by paragraph (2) of this subsection, to develop and publish in the Federal Register, for public review and comment, proposed regulations for the resolution of claims based on exposure to radiation. The proposed regulations would be required to contain proposed guidelines, standards, and other criteria for resolving claims and would include specifications of any presumptions to be applied to the resolution of claims. Not later than 90 days after the completion of the public-review-and-comment period, the Administrator would be required to publish final regulations.

Section 505.—Would amend chapter 53 of title 38, United States Code, relating to various special provisions with respect to veterans' benefits, to add a new section 3103A, entitled "Minimum active-duty service requirement".

New section 3103A: Would incorporate into title 38, with certain modifications and with application only to the extent of title 38 and VA-administered benefits, the general requirement in section 977 of title 10, United States Code, that persons who initially enter active duty after September 7, 1980, and fail to complete at least two years of their initial period of obligated service be denied benefits based on active-duty service. The provisions of new section 3103A are as follows:

Subsection (a) of new section 3103A: Would provide that, notwithstanding any other provision of law, in the case of a person who enters active duty in a branch of Armed Forces after September 7, 1980, the eligibility and entitlement (hereinafter, eligibility is used to refer to both eligibility and entitlement) requirements based on duration of active duty for title 38 benefits and benefits under laws other than title 38 that are administered by the VA would be exclusively as prescribed in title 38. Currently, the only provision in a law other than title 38 that perscribes a duration-of-active-duty requirement for purposes of title 38 and VA benefits eligibility is present section 977 of title 10, which was added by section 1002 of Public Law 96–342, the Department of Defense Authorization Act, 1981. Present section 977 generally requires the denial of eligibility for benefits "under any Federal program by reason of . . . active duty" where the individual originally enlists on or after September 8, 1980 (the date of the enactment of Public Law 96–342) and "fails to complete at least twenty-four months of his or her enlistment". Thus—insofar as benefits (a term defined in subsection (d) of this proposed new section) under title 38 (mainly benefits administered by the VA, but also benefits administered by other agencies, such as chapter 43, which is administered by the Department of Labor) and benefits administered by the VA under laws other than title 38 (such as the VA health-care provision in section 2 of Public Law 95–126) are concerned—proposed new section 3103A would displace section 977 and preclude its application to such benefits.

Subsection (b) of new section 3103A: Would prescribe, with certain specified exceptions, a general two-year-minimum service requirement for purposes of title 38 and VA benefits for those who initially enter active duty after September 7, 1980, as follows (with the eligibility of survivors and dependents being dealt with in subsection (c) of this new section):

Paragraph (1) of subsection (b) of new section 3103A: Would provide that, with the exceptions described below, a person who for the first time enters active duty in one of the Armed Forces (terms defined in present section 101(10) (Armed Forces) and (21) (active duty)) of title 38 after September 7, 1980, shall not, as the result of such active duty, be provided any title 38 or VA benefits if he or she is discharged or released from active duty without completing (A) at least 24 months of active duty if the initial enlistment or other period of obligated service was for 24 months or more, or (B) his or her full initial period of obligated service if his or her initial enlistment or other initial period of obligated service was for less than 24 months. Thus, to the extent of title 38 and VA benefits, this paragraph would expand the minimum service requirement in current law to include officers (effective, as discussed in the analysis of paragraph (2), below, with respect to officers who enter active duty after October 1, 1981) in addition to enlisted personnel and would remove an apparent current-law prohibition on the provision of benefits to those who complete an initial period of active duty the duration of which was originally scheduled to be for less than 24 months.

Paragraph (2) of subsection (b) of new section 3103A: Would provide exceptions to the general denial of benefits required under paragraph (1) of this subsection with respect to title 38 and VA benefits, as follows. First, a new exception would be provided for those who are discharged under section 1171 of title 10, providing for discharges up to 3 months prior to the expiration of an enlistment and specifying that discharges thereunder do "not affect any right, privilege, or benefit, or benefits" (other than pay and allowances) that the individual would receive for completing the enlistment.

Second, the exception in present section 977 for those who receive discharges under section 1173 of title 10, relating to hardship

discharges for enlisted personnel who have dependents, would be incorporated.

Third, an exception for those who are discharged as the result of a service-connected disability—similar in effect to the exception in present section 977 for those discharged under chapter 61 of title 10, which provides for discharges because of physical disability—would be provided. In this connection, the Committee notes that, under the Committee bill, the exception would be provided only if the disability for which the veteran was discharged was the result of an injury or disease incurred or aggravated in line of duty. Under current VA regulations (38 C.F.R. section 3.1(m)), the service department's (e.g., Department of the Army's) finding that the injury or disease "occurred in line of duty will be binding on the [VA] . . . unless it is patently inconsistent with the requirements of laws administered by the [VA]. . . ."

Fourth, an exception would be provided for those who have a disability that the VA has determined to be compensable under chapter 11 of title 38, relating to compensation for service-connected disabilities. The scope of this exception differs in two significant respects from the exception provided in present section 977 for those with disabilities that result from an injury or disease incurred in or aggravated during the period of active duty and are not the result of intentional misconduct and not incurred during a period of unauthorized absence. First, under present section 977, an exception is provided for all those who have a service-connected disability, despite the fact that the disability is so minor as not to result in the payment of compensation. The proposed new limitation on this exception would, with respect to title 38 and VA benefits, apply retroactively to deny eligibility to those benefits in the cases of those whose eligibility is based on the existence of a noncompensable disability. However, under subsection (d) of this section of the Committee bill (discussed below), those who would lose eligibility as a result of this provision would not be obligated to repay the VA for any benefits they receive prior to October 1, 1981. Second, the exception in present section 977 would not be available if the injury or illness is incurred "during a period of unauthorized absence", regardless of how brief or inconsequential the absence is. The Committee bill provision, in making the exception available for those with compensable disabilities, would make the exception available based on existing criteria for service connection in sections 101(16) and 105 of title 38; that is, the exception would, if otherwise available, be made inapplicable by virtue of an unauthorized absence only if the individual was avoiding duty by deserting or by taking an unauthorized absence that materially interfered with the performance of military duties.

Fifth, the denial of benefits provisions would not apply to commissioned or warrant officers who enter active duty prior to October 1, 1981. Thus, the expansion of the scope of the two-year minimum service requirement to include officers with respect to title 38 and VA benefits would be made completely prospectively—as was the minimum service requirement originally made applicable with respect to enlisted personnel completely prospectively.

Sixth, an exception would be provided with respect to the furnishing of any benefit for or on account of any service-connected disability or condition. Thus, although those with noncompensable service-connected disabilities would not, as discussed above, retain general eligibility for title 38 and VA benefits, they would keep their entitlement to health care for their service-connected disabilities under, for example, section 2 of Public Law 95-126, relating to service-connected care for those with discharges that do not qualify them for general eligibility, and section 612(b)(2) of title 38, relating to limited outpatient dental care benefits for service connected but noncompensable dental conditions or disabilities. In addition, by preserving eligibility for benefits provided on account of a service-connected disability, this exception would protect the veteran's existing eligibility for certain supplementary benefits, such as eligibility under section 612(b)(4) to dental care for a condition or disability that is aggravating an associated service-connected disability.

Seventh, with respect to the Servicemen's Group Life Insurance (SGLI) program under subchapter III of chapter 19 of title 38, exceptions would be provided for the continuation of the veterans' insurance coverage, under section 768(a)(1)(A), during the 120-day "grace" period (or the up to one-year "grace" period if the veteran is totally disabled at the time of discharge) following the date of discharge and for the veteran's right, during that grace period, to designate or change the designation of beneficiaries pursuant to section 770(a).

Eighth, this paragraph of the new section would also clarify, in connection with subsection (b) of this section of the Committee bill, that this new section would not have any effect on benefits provided under applicable law prior to October 1, 1981.

Subsection (c) of new section 3103A: Would provide that, with the exceptions discussed below, the survivors and dependents of veterans who would generally be denied benefits under subsection (b) of this new section would also be ineligible for title 38 and VA benefits. In this connection, the Committee notes that the VA has determined that present section 977 "does not prohibit the payments of death benefits to the survivors of a veteran who served less than 24 months" (Federal Register, vol. 46, page 9575, January 27, 1981), but generally does prohibit the payment of SGLI proceeds to the beneficiaries (March 20, 1981, Memorandum from the General Counsel to the Chief Benefits Director). This subsection would provide exceptions for various benefits payable as the result of the death of a veteran who has died from a service-connected disability, that is, dependency and indemnity compensation under chapter 13 of title 38, health-care benefits under chapter 17, educational assistance under chapter 35, home loan benefits under chapter 37, and burial, funeral, and related transportation benefits under sections 907 and 908. In this connection, the Committee notes that generally these service-connected benefits would not otherwise be denied because the denial of benefits would not apply to the survivors of those veterans, including all those with compensable disabilities, who were themselves generally eligible for title 38 and VA benefits. Nevertheless, out of an abundance of caution, these specific survivors' benefits are expressly included as exceptions.

Finally, this subsection would clarify, in conjunction with the SGLI coverage exception discussed in the foregoing analysis of subsection (b) of this new section, that the payment of SGLI proceeds during the post-discharge grace period would not be prohibited.

Subsection (c) of new section 3103A: Would define the term "benefit" for purposes of this section so as to include any right or privilege and to clarify that the term does not include the refund of the contributions that the veteran had made during active duty under the Post-Vietnam Era Veterans' Educational Assistance Program and had not used (or to the payment of such unused contributions to a deceased veteran's survivors). The Committee also notes that, although it intends the term benefits to be broadly construed so as to include all title 38 and VA benefits and services of value that are provided to veterans, survivors, and dependents, it is not the Committee's intention that this new subsection be construed as having any effect at all on any procedural rights, privileges or opportunities that are afforded in connection with any benefit—such as counseling services through which individuals are advised as to what benefits they may be eligible for and are assisted in making application, and rights in connection with the adjudication of claims for benefits.

Subsection (b) would provide that no provisions of new section 3103A of title 38 (as added by subsection (a)) shall be construed as requiring any person to make any repayment for any benefit provided to him or her prior to October 1, 1981, or as authorizing any Federal official or employee to request any such repayment.

TITLE VI—EFFECTIVE DATES

Section 601.—Would provide for effective dates for the provisions of the Committee bill.

Subsection (a) of section 601 would provide that the provisions of the Committee bill would be effective on the date of enactment except as provided in subsections (b) and (c) of this section.

Subsection (b) of section 601 would provide that the effective date of titles I and II and sections 301, 401, 402, and 403 would be October 1, 1981.

Subsection (c) of section 601 would provide that the effective date of sections 502 and 503 would be October 1, 1981, and that the amendments made by those sections would apply to veterans dying before, on, or after that date.

Tabulation of Votes Cast in Committee

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or proxy by Members of the Committee on Veterans' Affairs at a June 25, 1981, meeting to consider S. 917.

The Committee agreed to report S. 917, with an amendment in the nature of a substitute, favorably to the Senate by a 12–0 vote, as follows:

Yeas—12: Alan Simpson, Strom Thurmond, Robert Stafford, Bob Kasten, Jeremiah Denton, Frank Murkowski, Arlen Specter, Alan Cranston, Jennings Randolph, Spark Matsunaga, Dennis DeConcini, and George Mitchell.

Nays—0.

VETERANS' DISABILITY COMPENSATION, HOUSING, AND MEMORIAL BENEFITS AMENDMENTS OF 1981

Mr. CRANSTON. Mr. President, I am most pleased to join the distinguished chairman of the Veterans' Affairs Committee in urging that the Senate approve S. 917, the proposed "Veterans' Disability Compensation, Housing, and Memorial Benefits Amendments of 1981," as it was reported from the committee on July 16.

The issues addressed in the pending legislation are, in many ways, at the very heart of veterans' benefits programs. The recognition of the sacrifices made and the hardships incurred by our Nation's veterans are best reflected in our commitment to assuring that we meet the needs of those who bear the scars of battle from service to our country and the dependents and survivors of those veterans who made the supreme sacrifice for our country's security. The needs of veterans who suffer from service-connected disabilities and the survivors who suffer from service-connected disabilities and the survivors of veterans

who died from service-connected causes must be our No. 1 priority.

I strongly support the 11.2-percent cost-of-living increase in rates of VA service-connected disability compensation and dependency and indemnity compensation that is proposed in the committee bill. The committee bill would provide for a much-needed cost-of-living increase in the rates of compensation for almost 2.3 million service-connected disabled veterans and dependency and indemnity compensation for 324,370 survivors of veterans who died of service-connected causes. In addition, the bill would make a number of substantive improvements in certain VA programs for service-connected disabled veterans.

I believe it is significant that, during this extremely difficult period of budgetary constraints, we have been successful in not only providing an increase that equals the increase in social security and VA pension rates, but also in proposing other modest, but important, improvements in VA programs for service-connected disabled veterans. The policy of providing a compensation/DIC rate increase commensurate with that provided in the indexed social security and veterans' pension programs is one I first proposed in 1979, and I am delighted to see the committee continuing this policy.

There are five other specific provisions in the pending measure which I authored, Mr. President, and which I will specifically address.

INCREASE IN SPECIALLY ADAPTED HOUSING ASSISTANCE

First, section 403 of the committee bill would increase from $30,000 to $35,000, effective October 1, 1981, the maximum amount payable in specially adapted housing assistance under chapter 21 of title 38, United States Code, to certain veterans with total and permanent service-connected disabilities. This provision derives from the provisions of a measure I introduced earlier this year—S. 415—which is cosponsored by Senators RANDOLPH, MATSUNAGA, DECONCINI, THURMOND, STAFFORD, and MITCHELL.

Under the program of specially adapted housing assistance for disabled veterans, often referred to as the "wheelchair home" program, the VA assists veterans with certain permanent and total service-connected disabilities in acquiring suitable housing with adaptations made necessary by the nature of their disabilities. Under current law, these disabled veterans are eligible for a grant not to exceed 50 percent of the cost of the home and the necessary land, up to a maximum of $30,000. Veterans eligible for housing assistance grants are principally quadraplegics, paraplegics, amputees, and others who require the use of a wheelchair, braces, or crutches to move about. Their disabling conditions may require ramps, special bathroom equipment, extra-large rooms and hallways, and other adaptations that are essential for their health and safety.

The last increase in the amount of specially adapted housing assistance was made by Public Law 95-476, which raised the maximum to $30,000, effective October 1, 1978. Housing costs have risen steadily in the nearly 3 years since then. By raising the maximum limit to $35,000, the committee bill would enable most of the veterans who are eligible for this benefit to obtain assistance approximating 50 percent of the cost of their homes and thus help meet the needs of this special group of veterans.

AUTOMOBILE ASSISTANCE AND ADAPTIVE EQUIPMENT AMENDMENTS

Second, Mr. President, title III of the committee bill would increase the amount of the automobile assistance allowance provided by the VA to veterans with certain severe, service-connected disabilities and would extend eligibility for the provision of automobile adaptive equipment to certain other service-connected disabled veterans. These provisions are derived from another measure that I, also joined by Senators RANDOLPH, MATSUNAGA, DECONCINI, THURMOND, STAFFORD, and MITCHELL, introduced early in this session—S. 416, the proposed "Automobile Assistance and Adaptive Equipment Amendments of 1981."

Under the program of automobile assistance—first established in 1946—veterans who have suffered the service-connected loss or loss of use of one or both feet or hands or service-connected blindness are entitled to a one-time VA grant to assist them in purchasing an automobile. Since the effective date of the last increase which I authored in 1978 to the current level of $3,800—October 1, 1978—the Bureau of Labor Statistics' Consumer Price Index component for new automobiles has increased more than 21.6 percent, and it is expected to continue to increase through the end of this fiscal year. Thus, the committee bill, by increasing the automobile assistance allowance to $5,000, effective October 1, 1981, will help insure that the value of this benefit keeps pace with inflation.

In addition, Mr. President, the committee bill—as we proposed in S. 416—would extend, effective October 1, 1981, eligibility under specified circumstances for adaptive equipment—but not the one-time automobile-purchase grant—to a veteran who is entitled to service-connected compensation for ankylosis of one or both knees, or one or both hips, but who is not considered to have lost the use of a lower extremity.

Under current law, those seriously service-connected disabled veterans who are eligible for the automobile-purchase grant are also eligible for an adaptive equipment allowance which covers the cost of necessary adaptive equipment and the installation, maintenance, and replacement of such equipment. However, there are veterans who have incurred certain disabilities which can preclude them from safely operating a motor vehicle that has not been adapted but who are not eligible for either the automobile assistance award or the adaptive equipment allowance.

Specifically, disabled veterans who suffer from ankylosis—the stiffening of a joint as the result of abnormal bone fusion—of the knees or hips at so-called "favorable" angles. Although veterans who suffer from service-connected ankylosis at unfavorable angles—their knees or hip joints being fused in somewhat of a bent or sitting position—meet the criterion of "loss of use" and are therefore eligible for adaptive equipment assistance, veterans who suffer from service-connected ankylosis at favorable angles—their knees or hip joints being fused in a more straightened position—do not. However, in some cases, these veterans may need special adaptive equipment—such as left-foot accelerators, power brakes, hand-held parking brakes, or automatic transmissions—before they can safely operate their motor vehicles.

I am pleased that the committee shares my view that it is appropriate that the Federal Government assist these veterans in bearing the cost of the adaptive equipment they need in order to operate a motor vehicle. In these cases, the award would be made to provide such adaptive equipment to overcome the resulting disability as is necessary for the veteran to satisfy his or her State's drivers' licensing laws or regulations, or as is determined to be necessary by the VA's Chief Medical Director, for the veteran to operate his or her motor vehicle safely.

RADIATION LITERATURE REVIEW

Third, section 504 of the committee bill, which I authored, would require the VA to conduct a review and analysis of literature relating to long-term adverse health effects of human exposure to radiation and would require the VA to consult with and actively coordinate with other Federal Government entities involved in radiation exposure-related activities. The purpose for this review is to assure that the VA is fully informed about and will pull together available, relevant scientific information regarding radiation exposure in order to be better able to resolve fairly and consistently the very complex issues involved in radiation-related VA compensation or death claims. This review would be similar to that which the VA currently is conducting, pursuant to section 307 of Public Law 96-151, on literature regarding dioxin, the highly toxic component in agent orange.

Mr. President, approximately 250,000 Defense Department personnel participated in nuclear weapons tests between 1945 and 1963. Another 25,000 service personnel are estimated to have been attached to the U.S. occupation forces in Hiroshima and Nagasaki following the bombings of those cities at the end of World War II. During the 96th Congress, I chaired hearings on the difficulties experienced by these veterans and their survivors in pursuing claims, through the VA adjudication process, for health problems they believe are related to their exposure to radiation during service.

Resolving such claims is not easy since the long-term health effects of exposure to low levels of radiation are not yet completely understood. But it is clear that human exposure to certain levels of radiation causes—usually after a latency period of many years—an increased incidence of malignant tumors and also can cause genetic damage. Today, even though the controversy continues as to what specific health problems might re-

sult from exposure to low levels of radiation, scientists are in general agreement that there is no completely safe level of exposure to radiation.

Information received during the committee's hearings in the last Congress—and related hearings held by other committees during the 95th and 96th Congresses—demonstrated that the Government failed to follow up medically on these veterans to determine what, if any, adverse health effects might be related to their exposure and so there is little information available related directly to the experience of this population. In dealing with radiation-related claims, the VA has relied heavily on comprehensive reviews such as the 1972 and the 1980 reports of the Committee on Biological Effects on Ionizing Radiation—BEIR—of the National Academy of Sciences and the 1977 report of the Scientific Committee on the Effects of Atomic Radiation of the United Nations—UN SCEAR. These reviews were concerned primarily with determining minimum exposure levels that might be considered safe. Their relevance to the case-by-case adjudication of individual veterans' claims and their utility in adjudicating those claims may vary greatly.

Further, as the GAO pointed out in its January 2, 1981, report entitled "Problems in Assessing the Cancer Risks of Low-Level Ionizing Radiation Exposure"—EMD-81-1—some 80,000 articles have been published internationally on the health effects of ionizing radiation. In my view, the VA, for the purpose of reaching reasonable determinations with respect to these claims, should be required, as section 504 would do, to pull togther and analyze the available scientific literature and to determine where updating is needed or gaps in available research need to be filled.

Mr. President, in addition to conducting, and reporting on, the required review and engaging in active coordination with other Federal Government entities, section 504 would require the VA to promulgate regulations, based on the report on the required literature review and other available information, for resolving radiation-related claims. This provision is similar to one contained in the proposed amendment to the VA's agent orange study reported by our committee in S. 921 and passed by the Senate on June 16 in H.R. 3499. The proposed regulations would be required to be published in the Federal Register for public review and comment.

Mr. President, in connection with the requirement that the VA promulgate such regulations, I believe it is important to note what actions section 504 would not require.

The VA would not be required to develop rules with respect to the specific adverse health effects that develop subsequent to a known exposure to a quantifiable dose of radiation. Nor would the VA be required to quantify precisely the health risk to which a claimant was subjected in connection with in-service exposure to radiation. Whether such guidelines can properly or should be issued would be a matter for the VA to decide. Rather, the regulation-issuing requirement is intended to assure that the policies and procedures proposed by the VA for resolving radiation-related claims are matters with respect to the development of which there is full public participation. Because of the complex nature of this issue, I believe that the opportunity for such participation must be provided.

MINIMUM SERVICE REQUIREMENT

Fourth, Mr. President, section 505 of the committee bill includes my amendmen to amend title 38 to incorporate in title 38, with certain significant modifications and with respect to nonservice-connected benefits administered by the VA under laws other than title 38, the general 2-year minimum-service requirement for eligibility for Federal benefits for veterans that was added to title 10 as a section 977 last year, and which is the subject of a Senate-passed amendment authored by the distinguished chairman of the Veterans' Affairs Committee (Mr. SIMPSON) in S. 815, the proposed "Department of Defense Authorization Act of 1982." The committee report (S. Rept. No. 97-153 at pages 36-45) fully describes the purpose and effect of these provisions in comparison to present section 977 and the Simpson amendment.

Mr. President, I put this provision forward with Senator SIMPSON's support and cooperation, not just because I consider the substantive changes that it would make important, but because I believe it to be very important that the eligibility for title 38 and other VA benefits be located in title 38. I also wish to point out that Senator SIMPSON and I, in conjunction with our committee counterparts in the other body, are working with the Armed Services Committees in both bodies to achieve consensus on the minimum service requirement policies that will appear in title 38 and title 10.

MOBILE HOME LOANS AND OTHER PROVISIONS IN THE COMMITTEE AMENDMENT

Finally, Mr. President, I would like to call my colleagues' attention to the provisions of the amendment which the distinguished majority leader has so graciously offered as a committee amendment on behalf of Senator SIMPSON and myself and that the Senate has approved. This amendment contains three provisions which I believe are important to note.

First, the committee amendment contains a provision which I authored, adding a new section 405 to the committee bill, that would amend section 1819 of title 38, relating to VA loan guaranties for the purchase of mobile homes and mobile home lots, to extend the maximum lengths of maturity of the various types of loans for such purchases that may be guaranteed by the VA. Thus, this amendment would conform the maximum terms of such loans guaranteed by the VA to the corresponding new maximum terms for FHA-insured manufactured housing loans that were agreed to in H.R. 3982, the House-passed "Omnibus Reconciliation Act of 1981," and as passed by the Senate in May in a separate bill, S. 1197, the proposed "Housing and Community Development Amendments of 1981." This extension for FHA loans was requested in late April by the administration, and I am advised that the conferees responsible for the provisions relating to housing in the reconciliation measure reached agreement this past Tuesday to include the new FHA maturity periods requested by the administration.

VA and FHA loans, as well as other Federal commitments, are often pooled in large denominations and then sold on the secondary market. However, in order to pool such loans, the maturity dates need to be comparable so that all the loans in the pool mature at the same time. Facilitating the combined packaging of these loans for sale in the secondary market would serve to increase the overall availability of credit for veterans and would thus benefit veterans who choose to purchase manufactured housing.

Mr. President, I am very pleased that the Senate has approved the committee amendment that would increase the maturity dates of VA-guaranteed loans to equal the lengths of the new about-to-be-enacted terms for the FHA—from 15 to 20 years in the case of loans for a single-wide home and for a single-wide home and a lot; from 20 to 23 years for a double-wide home; and from 20 to 25 years for a double-wide home and a lot.

Second, the amendment would add a new section to the committee bill to modify the manner in which the chapter 35 VA educational assistance delimiting period is measured in the case of a surviving spouse. This provision is designed to correct an inequity in exisitng law that has come to the attention of the committee. This amendment was developed in consultation with the House Committee on Veterans' Affairs and the VA.

Third, the amendment would add to the committee bill a new section which would provide for a waiver of a pro rata refund requirement in the case of certain public institutions. This provision was incorporated into the committee amendment on the initiative of the Senator from Arizona (Mr. DECONCINI) and is designed to deal with a particular situation which, according to the VA, is unique to the Senator's State of Arizona, and I know the Senator will describe that situation in more detail in his remarks on this measure.

Briefly, the amendment would permit the administrator to waive a GI bill requirement that a nonaccredited educational institution maintain a title 38 pro rata refund policy in the case of a public institution that is a candidate for accreditation if the administrator determines that such a requirement imposes an undue administrative hardship on that school in light of the small amount of tuition, fees, and other charges at such an institution. This provision is modeled on a provision enacted in Public Law 96-466 last year that permits the administrator to waive a requirement in section 1673(a) of title 38 for computation of the so-called 50-percent employment ratio by a school offering a vocational objective course, if the computation would impose an undue administrative hardship on the school because

of the small proportion of GI bill trainees enrolled in the course.

CONCLUSION

Mr. President, we have before us an excellent example of a bipartisan effort that reflects our true commitment to this very special group of veterans. The chairman of the committee, Senator SIMPSON, deserves congratulations for the development of this measure, as do the members of the committee's majority staff who devoted much effort to this bill—Julie Susman and Lois Harper. In addition, Senator THURMOND—and his staff representative, John Pressly—merit special congratulations for their efforts to recognize the special needs of veterans who suffer from the service-connected loss or loss of use of both hands, efforts that I strongly support in this measure. Finally, I would like to make special mention of the committee's minority staff—Babette Polzer, Molly Milligan, Ed Scott, and Jon Steinberg—for their contributions to the development of this bill.

I am delighted, Mr. President, to endorse the provisions of the committee bill. I wholeheartdely recommend them to my colleagues and urge the Senate to approve the measure unanimously.

Mr. THURMOND. I rise in support of S. 917, the "Veterans' Disability Compensation, Housing and Memorial Benefits Amendments of 1981."

The major feature of S. 917 is its 11.2-percent cost-of-living increase for recipients of the Veterans' Administration compensation program. Also, those widows who are recipients of benefits under the disability indemnity compensation program will receive a 11.2-percent adjustment. I believe this increase is an example of the continuing commitment of the Senate Veterans' Affairs Committee to insure that those disabled due to service-related injuries will rank the highest in the scheme of veterans' benefits.

The compensation program currently provides benefits for 2,276,542 veterans who have service-connected disabilities. This number is composed of disabled veterans with the following periods of service: 2,730 World War I; 1,176,495 World War II; 234,420 Korean-conflict; and 562,849 Vietnam-era.

Mr. President, I am pleased that S. 917 contains a provision that I introduced which would rectify the disparity in current law between compensation rates for loss of function between those who have suffered the anatomical loss or loss of use of both upper extremities and those who have suffered loss of the lower extremities.

Title III provides an increase to $5,000 in the one-time automobile allowance for certain disabled veterans. The current automobile allowance is $3.800 and has not been increased since 1978. It is my understanding that the Consumer Price Index component for new automobiles has increased 21.6 percent since 1978.

Title IV of S. 917 establishes a graduated-payment plan as part of the Veterans' Administration's loan guaranty program and increases the amount which may be granted for specially adapted housing assistance. The VA loan guaranty program is extremely important both to veterans who are helped in the purchase of homes and to the economy as a whole. Unfortunately the soaring costs of purchasing a home, exacerbated primarily by the nearly unprecedented increases in mortgage interest rates, have forced many potential first home buyers out of the housing market. I believe that the time has come to introduce a graduated-payment plan into the loan guaranty program of the VA.

Title V of S. 917 contains various miscellaneous provisions regarding the payment of pension benefits to certain hospitalized veterans; memorial markers to veterans whose remains are not interred; and, a requirement that the VA conduct an analysis of literature regarding the radiation exposure of veterans to certain atomic tests conducted in the 1950's.

Mr. President, I have outlined the basic provisions of S. 917 and I believe it is very meritorious and I intend to support it.

UP AMENDMENT NO. 294

(Purpose: To designate the hospital known as the Veterans' Administration Medical Center, located in Reno, Nevada, as the "Ioannis A. Lougaris Veterans' Administration Medical Center")

Mr. BAKER. Mr. President, I send to the desk an amendment on behalf of the Senators from Nevada (Mr. LAXALT and Mr. CANNON).

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER), for Mr. LAXALT and Mr. CANNON, proposes an unprinted amendment numbered 294.

Mr. BAKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 27, above line 1, insert the following new section:

SEC. 508. The Veterans' Administration Medical Center in Reno, Nevada, shall hereafter be known and designated as the "Ioannis A. Lougaris Veterans' Administration Medical Center". Any reference to such center in any law, regulation, map, document, record, or other paper of the United States shall after such date be deemed a reference to the Ioannis A. Lougaris Veterans' Administration Medical Center.

The amendment was agreed to.

UP AMENDMENT NO. 295

(Purpose: To increase the maximum loan period for home loans guaranteed by the Veterans' Administration for the purchase of mobile homes, to modify the manner in which the VA educational assistance delimiting period is measured in the case of a surviving spouse and to provide for a waiver of a pro rata refund requirement in the cases of certain public institutions of higher learning.)

Mr. BAKER. Mr. President, I send to the desk an amendment on behalf of the Senator from Wyoming (Mr. SIMPSON) and the Senator from California (Mr. CRANSTON) and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER), for Mr. SIMPSON and Mr. CRANSTON, proposes an unprinted amendment numbered 295.

Mr. BAKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 18, between lines 11 and 12, insert the following new section:

EXTENSIONS OF MAXIMUM TERMS OF VETERANS' ADMINISTRATION-GUARANTEED LOANS FOR MOBILE-HOME PURCHASES

SEC. 405. Paragraph (1) of section 1819(d) is amended to read as follows:

"(d)(1) The maturity of any loan guaranteed under this section shall not be more than—

(A) fifteen years and thirty-two days, in the case of a loan for the purchase of a lot;

(B) twenty years and thirty-two days, in the case of a loan for the purchase of—

(i) a single-wide mobile home; or

(ii) a single-wide mobile home and a lot;

(C) twenty-three years and thirty-two days, in the case of a loan for the purchase of a double-wide mobile home; or

(D) twenty-five years and thirty-two days, in the case of a loan for the purchase of a double-wide mobile home and a lot.".

On page 27, above line 1, insert the following new sections:

DELIMITING DATES FOR SURVIVING SPOUSES OF CERTAIN SERVICE-CONNECTED DISABLED VETERANS

SEC. 506. (a) Section 1712(b)(1) is amended—

(1) by striking out "or" at the end of clause (A);

(2) by amending clause (B) to read as follows:

"(B) the date of death of a veteran who dies while a total disability evaluated as permanent in nature was in existence, or"; and

(3) by adding at the end the following new clause:

"(C) the date on which the Administrator determines that the person from whom eligibility is derived died of a service-connected disability.".

(b) Subsection (f) of section 2 of Public Law 90-631 (82 Stat. 1331) is amended—

(1)(A) by striking out "(f) In" and inserting in lieu thereof "(f)(1) Except as provided in paragraph (2) of this section, in", (B) by striking out "(C) and inserting in lieu thereof "(D), and (C) by striking out "eight" and inserting in lieu thereof "ten"; and

(2) by adding at the end the following new paragraph:

"(2) Where the death of the person from whom such eligibility is derived occurred before December 1, 1968, and the date on which the Administrator of Veterans' Affairs determines that such person died of a service-connected disability is later than December 1, 1968, the delimiting period referred to in section 1712(b) of such title shall run from the date on which the Administrator makes such determination.".

WAIVER OF PRO RATA REFUND REQUIREMENT IN THE CASE OF CERTAIN INSTITUTIONS

SEC. 507. Section 1776 is amended by adding at the end the following new subsection;

"(d) The Administrator may waive the requirements of subsection (c)(13) of this section in the case of an institution of higher learning which—

"(1) is operated by an agency of a State or of a unit of local government,

"(2) is located within such State or, in the case of an institution operated by an agency of a unit of local government, within the boundaries of the area over which such unit has taxing jurisdiction, and

"(3) is a candidate for accreditation by a regional accrediting association,

if the Administrator determines, pursuant to regulations which the Administrator shall prescribe, that such requirements would work an undue administrative hardship because the total amount of tuition, fees, and other charges at such institution is nominal.".

On page 27, line 6, strike out "and 403" and insert in lieu thereof "403, and 405".

The amendment (UP 295) was agreed to.

COMMITTEE AMENDMENT

Mr. SIMPSON. First, the amendment would add a new section 405 to the pending measure to amend section 1819 of title 38, United States Code, relating to VA loan guarantees for the purchase of mobile homes and mobile home lots, to extend the various maximum lengths of maturity of loans for such purchases that may be guaranteed by the VA.

The purpose of this amendment is to conform the maximum terms of such loans guaranteed by the VA to the new maximum terms of FHA loans for the purchase of manufactured housing in H.R. 3982, the proposed "Omnibus Reconciliation Act of 1981," as passed by the House on June 26 and in S. 1197, the proposed "Housing and Community Development Amendments of 1981." These new maturity periods were requested in late April by the administration for the FHA loans, and I am advised that the conferees responsible for the pertinent portion of the reconciliation measure reached agreement on Tuesday on the provisions affecting the FHA manufactured housing loans.

VA and the FHA loans, as well as other Federal commitments are often pooled in large denominations and then sold on the secondary market. However, in order to pool such loans, the maturity dates need to be comparable so that all the loans in the pool will mature at the same time. Thus, in order to facilitate the continued pooling of such loans, the committee amendment would increase the maximum maturities in the case of VA-guaranteed loans to those proposed for FHA: from 15 to 20 years in the case of loans for a single-wide mobile home and a single-wide mobile home and a lot; from 20 to 23 years for a double-wide mobile home; and from 20 to 25 years for a double-wide mobile home and a lot.

Second, the committee amendment would add a new section 506 to the bill to amend a free-standing provision of public Law 90-631, relating to the measurement of a veteran's spouse's educational delimiting period in the case of a veteran who died prior to December 1, 1968, in order to correct an inequity which has recently come to the committee's attention. The committee amendment would also make a technical amendment to section 1712(b) of title 38, United States Code, relating to the measurement of a spouse's delimiting period, to clarify existing law.

Third, the committee amendment would add a new section 507 which would amend section 1776 of title 38, relating to the criteria for approval of nonaccredited courses for the purposes of GI bill benefits, to permit the Administrator, in the cases of certain public institutions of higher education that are candidates for accreditation, to waive the requirement that the institution maintain a policy of making pro rata refunds to students who drop a course before its completion if the Administrator determines that the total amount of tuition, fees, and other charges at the institution is nominal and thus the requirement would work an undue administrative hardship on the institution.

I ask unamious consent to have printed in the RECORD letters from various veterans organizations.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

DISABLED AMERICAN VETERANS,
DEPARTMENT OF NEVADA,
Sparks, Nev., July 21, 1981.

Senator PAUL LAXALT,
Booth Street,
Reno, Nev.

Hon. SENATOR LAXALT: I have been informed that you are interested in a Senate Bill concerning the change of name of the VA Medical Center in Reno. This "change of name" in honor of DAV member "Lougaris" has been an issue with DAV'ers in Nevada and other veterans for many many years.

The Department of Nevada Disabled American Veterans has resolved that we support all bills in Congress changing the name of the VAMC in Reno. Attached is documentation from our State Convention on this resolution. I am sure your office has been contacted repeatedly, from the DAV, Department of Nevada, and other organizations in support of this bill.

Please use your influence, in our support, to gain approval of Senate Bill 511.

Thank you.

W. A. PARCELLE,
Commander.

DISABLED AMERICAN VETERANS ANNUAL CONVENTION STATEMENT

We disabled veterans urge our Congressional Delegation to take immediate action to pass Senate Bill 511 now pending before the Senate Veteran's Committee of the United States Senate.

"Johnny," as we know him, is respected and loved by the Disabled American Veterans for his long devoted services to the Veterans of our state, especially to us.

He has been the father of the Disabled American Veterans in Nevada, which has grown from 25 members in 1932, to a present membership of over 2,000.

He is most deserving of the recognition referred to in Senate Bill 511. He has the support of every disabled veteran of our state.

It is resolved that a copy of this statement be mailed to the Honorable Howard W. Cannon and the Honorable Paul Laxalt, United States Senators from the State of Nevada, and the Honorable James Santini, Congressman from the State of Nevada.

Adopted unanimously this 1st Day of May, 1981, at Reno, Nevada.

———, ———,
Department Commander.

DISABLED AMERICAN VETERANS,
DEPARTMENT OF NEVADA,
Sparks, Nev., July 21, 1981.

GOV. ROBERT LIST,
State Capital Building,
Carson City, Nev.

Hon. GOVERNOR LIST: As you well know, the objectives of the Disabled American Veterans has a direct impact on Vietnam Veterans.

The Disabled American Veterans, Department of Nevada naturally strive toward the legislative goals of Disabled American Veterans.

We adamantly support the appointment of Vance DeBilzan to your Veterans Advisory Committee. Since he is a counselor with the Veterans Administration, and is knowledgeable in the needs of veterans in the State of Nevada, we request that he replace Mr. Crosby, as a representative of Disabled American Veterans.

Enclosed is a copy of the Disabled American Veterans legislative goals. Mr. DeBilzan is familiar with these goals and a well qualified representative of Disabled American Veterans.

The Disabled American Veterans, Department of Nevada, requests your prompt response regarding our request that Mr. DeBilzan be placed on your Veterans Advisory Committee.

Sincerely,

W. A. PARCELLE,
Commander.

U.S. SENATE,
Washington, D.C., June 22, 1981.

Hon. ALAN SIMPSON,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR ALAN: We the members of the Nevada delegation of Congress, strongly support bills S. 511 and H.R. 2856, to change the name of the Veteran's Hospital in Reno, Nevada, to the "Ioannis A. Lougaris Veteran's Administration Medical Center."

Not only does this legislation have the support of the entire Nevada delegation, there is also widespread community support. Organizations that have gone on the record supporting this measure include The American Legion (Department of Nevada and Darrel Dunkle Post No. 1), and Bruno Menicucci, former Mayor of the City of Reno.

Mr. Lougaris is an outstanding citizen of the State of Nevada and truly exemplifies the qualities of a leader. For these reasons, we think renaming the hospital is indeed a fitting tribute.

Sincerely,

PAUL LAXALT,
U.S. Senator,
HOWARD CANNON,
U.S. Senator,
JIM SANTINI,
Member of Congress.

THE AMERICAN LEGION,
DEPARTMENT OF NEVADA,
Carson City, Nev., March 23, 1981.

Senator PAUL LAXALT,
Russell Building,
Washington, D.C.

DEAR SENATOR LAXALT: The American Legion, Department of Nevada passing by Resolution No. 15 in convention assembled in Reno, Nevada on the 15th day of July 1979 did endorse that the Veterans Administration Medical Center in Reno, Nevada be renamed the Ioannis A. Lougaris Medical Center.

Therefore, it is my honor to beseech you in the name of The American Legion, Department of Nevada to convey our endorsement to the Congress of the United States of America and to our President Ronald Reagan.

May God bless you and guide you in your decisions and counsels for the good of The United States of America.

For God and Country,

BILLY R. OAKES,
Commander.

THE AMERICAN LEGION,
Reno, Nev., March 17, 1981.

Mr. J. REINKEMEYER,
Care of Senator PAUL LAXALT,
Russell Office Building,
Washington, D.C.

DEAR MR. REINKEMEYER: In reference to your request about Mr. I. A. Lougaris commonly known to us as Johnny.

This is concerning the bill S511 going to the Senate from Paul Laxalt on behalf of I. A. Lougaris in proposing the change of name of the Reno VA Hospital to the "I. A. Lougaris Medical Center."

In his resume you will notice that Johnny belonged to Darrell Dunkle Post No. 1, The American Legion, and then he transferred his membership to Capital Post No. 4 when he moved to Carson City and he again transferred his membership to Darrell Dunkle Post No. 1 when he moved back to Reno.

When Mr. Lougaris went to Washington, D.C., to get the VA Hospital into Reno he spent a lot of his time and money for the trips.

At age 94 he is the oldest practicing attorney in the State of Nevada and he is loved by his business friends as well as all Nevada Veterans.

Mr. Lougaris is well deserving of this honor for his work for the veterans by making sure that a hospital was here for them.

Sincerely yours,

GEORGE E TARVER,
Commander.

THE AMERICAN LEGION,
Sparks, Nev., March 18, 1981.

Mr. J. R. REINKEMEYER,
Care of Senator PAUL LAXALT,
Russell Office Building,
Washington, D.C.

DEAR MR. REINKEMEYER: This letter is in reference to naming the Reno V A Hospital after Mr. I. A. Lougaris as the "I. A. Lougaris Medical Center".

In July at our 1979 Department Convention held at the Darrell Dunkle Post No. 1 home in Reno; on the 15th of July the Convention passed resolution number 15 to name the hospital after Mr. Lougaris and a copy of the resolution was sent to each of our Congressional delegates in Washington, D.C., as well as a copy of the Convention Proceedings to each one.

Each Memorial day at the services held at the VA Hospital, Mr. Lougaris is honored as the father of getting the VA Hospital in Reno at his own time and expense.

Each time that Mr. Lougaris is at a veterans affair and the VA Hospital is mentioned he is given a standing ovation.

There is no other individual in Nevada that is more deserving of that honor than Mr. Lougaris.

Sincerely,

WALTER CHEEL,
Commander.

PROCLAMATION

Whereas, Ioannis A. Lougaris, better known as "John" to his friends and associates, was born in Greece ninety-two years ago on February 17th, 1887 and came to the United States in 1907, settling in Nevada in 1920; and

Whereas, John has been an outstanding businessman and also a devoted gentleman; and

Whereas, everyone who knows John on a business basis or just a social basis has learned to love him dearly for his integrity, honesty, love for the human race, character, loyalty, and, well, just everything good a man can be; and

Whereas, John has made a special place in the hearts of business people, including above all, attorneys and secretaries, who have been in touch with him through the years in business transactions; and

Whereas, everyone will always think of John as a very outstanding Nevadan who worked his way up the hard way from childhood and reached the ultimate; and

Whereas, John Lougaris was instrumental in bringing about the Veterans' Hospital in Reno, Nevada; and

Whereas, Mr. Lougaris has achieved much more in his life than can be said of most of the human race, and that is, he can honestly say of himself . . . "I know myself";

Now, therefore, be it resolved by the people of the City of Reno, through this Proclamation, that they sincerely appreciate and praise the splendid person of Mr. Ioannis A. Lougaris and they also praise him for his devoted service to mankind throughout his life, including his efforts in bringing about the Veterans' Hospital in Reno, Nevada. We commend him for the success he has made of his life.

Dated at Reno, Nevada, this 15th day of February, 1979.

SUMMARY OF PROCEEDINGS OF THE SIXTY-FIRST ANNUAL CONVENTION OF THE AMERICAN LEGION DEPARTMENT OF NEVADA

Therefore be it resolved: by the American Legion, Department of Nevada in Convention assembled in Reno, Nevada, July 13, 14, 15, 1979, that the Commander of the Department of Nevada, American Legion appoint a committee of five (5) members to evaluate the feasibility of re-districting the entire department, and

Be it further resolved: that the Committee be instructed to present a recommendation regarding this possible re-assignment to the next Department Convention.

RESOLUTION NO. 15—NAMING RENO VA MEDICAL CENTER

Whereas, Ioannis A. Lougaris dedicated most of his life to the service of all war veterans in Nevada, and

Whereas, the Veterans Administration Medical Center in Reno, Nevada was established due to many years of his efforts, and

Whereas, The Veterans Administration during its bicentennial celebration acknowledges that the Veterans Administration Medical Center in Reno stands as a tribute to his dedicated services.

COMMENDATION

This certificate is awarded to I. A. Lougaris: Who over forty years ago had a dream—a dream to improve the service to veterans throughout the State of Nevada. Dreams are realized only when the dreamer is dedicated and concerned. The Reno Veterans Administration Medical Facility stands as a tribute to his dedicated service. This commendation is presented with gratitute on behalf of the Veterans Administration and the veterans of Nevada.

Sincerely,

/s/ RICHARD L. ROUDEBUSH,
Administrator.

Now, therefore, the American Legion, Department of Nevada, in convention assembled July 13, 14, and 15, 1979 in Reno, Nevada endorse that the Veterans Administration Medical Center in Reno, Nevada be named Ioannis A. Lougaris Medical Center and

Be it further resolved, that a copy of the resolution be transmitted to the congressional delegation to take all necessary means so that legislation be enacted to accomplish the purpose of this resolution.

All resolutions were passed with the exception of 6 and 7 which were rejected. Number 6 was tabled. No. 7 was tabled. A motion was made to take both of these resolutions off the table. It was seconded and passed. It was moved the adoption of Resolution Number 6. It was seconded. It was voted down. Moved that Resolution Number 7 be adopted. It was seconded. It was voted down.

1st Vice Commander Henry Ofenloch was given the gavel to preside.

Membership pre roll call for 1980 cards by Department Adjutant. 320 cards already turned in.

Joseph P. Wagner, spoke on National Paid up for life membership. Needs clarifying. Department Adjutant has forms if you wish to see them. Various Posts spoke on their special Post plans.

Comrade Pardy spoke in favor of the Department Adjutant getting a raise plus a helper. Motion made, seconded and carried that the by-laws be amended to read the maximum salary for Adjutant be 2400.

Henry Ofenloch spoke on Baseball. Better control is needed. George Holden made a motion that the Baseball chairman make a report at the next DEC following the one today, or the program would be cancelled, and that the Executive committee look into this. Motion seconded and carried.

Installation of new officers for 1970–80: Installing officer is Charles F. Langel, Jr., Past Commander, Joe Romaine presented the Commanders pin to Henry Ofenloch.

Chuck Langel presented a Past Commanders Pin to Joe Romaine.

The colors were retired and prayer given.

Commander Joe Romaine declared the 61st department Convention adjourned.

DEPARTMENT OF NEVADA,
June 30, 1981.

Senator PAUL LAXALT,
Russell Office Building,
Washington, D.C.

DEAR SENATOR LAXALT: Enclosed is a copy of a resolution passed on the Department convention floor at our 47th annual Department Convention, Department of Nevada, Veterans of Foreign Wars, held recently in Elko, Nevada.

The members voted overwhelmingly in support of this resolution. We feel this should express our feelings on this matter.

Any assistance you can give us to get Senate Bill 511 approved will be greatly appreciated.

We remain,

Yours in comradeship,
JOHN J. RETTAGLIATA, *Commander.*
CLEMENT TAYS, *Commander.*

RESOLUTION NEVADA NO. 1—NAME THE VETERANS HOSPITAL IN RENO THE I. A. LOUGARIS VETERANS HOSPITAL

Whereas, the Veterans' Administration Hospital in Reno has had extensive renovation and additions; and

Whereas, this installation has only the name "Veterans Hospital" which is lacking in description or singularity; and

Whereas, I. A. Lougaris was a great community leader and contributed significantly to the initial establishment of the Veterans Hospital in Reno; now therefore

Be it resolved, by the Department of Nevada, that the congressional representatives of Nevada be memorialized by the Department of Nevada to push aggressively for approval of Senate Bill 511, now in committee, which accomplishes the naming of the Veterans Hospital, Reno, as the I. A. Lougaris Veterans Hospital.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The committee amendment as amended, was agreed to.

The PRESIDING OFFICER. If there be no further amendments, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and to be read a third time, was read the third time and passed.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The title was amended so as to read:

A bill to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans; to increase

the rates of dependency and indemnity compensation for their surviving spouses and children; to authorize the Administrator of Veterans' Affairs to guarantee home loans with provisions for graduated-payment plans; to increase the maximum amount payable in Veterans' Administration specially adapted housing assistance; to expand eligibility for memorial markers; and for other purposes.

GRATUITY TO BEATRICE MOODY

The resolution (S. Res. 182) to pay a gratuity to Beatrice Moody, was considered and agreed to, as follows:

S. RES. 182

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Beatrice Moody, widow of Johnnie Moody, an employee of the Senate at the time of his death, a sum equal to six and one-half months' compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

GRATUITY TO ARTHUR J. BUTO, DAVID W. BUTO, KATHLEEN A. BUTO, AND ROBERT C. BUTO

The resolution (S. Res. 183) to pay a gratuity to Arthur J. Buto, David W. Buto, Kathleen A. Buto, and Robert C. Buto, was considered and agreed to, as follows:

S. RES. 183

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Arthur J. Buto, David W. Buto, and Robert C. Buto, sons of Ann K. Buto, and Kathleen A. Buto, daughter of Ann K. Buto, an employee of the Senate at the time of her death, a sum to each equal to one-fourth of eight and one-half months' compensation at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

GRATUITY TO SHIRLEY A. NELSON

The resolution (S. Res. 184) to pay a gratuity to Shirley A. Nelson, was considered and agreed to, as follows:

S. RES. 184

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Shirley A. Nelson, widow of Raymond N. Nelson, an employee of the Senate at the time of his death, a sum equal to one year's compensation at the position gross rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

GRATUITY TO MARGARET O. RIKER

The resolution (S. Res. 185) to pay a gratuity to Margaret O. Riker, was considered and agreed to, as follows:

S. RES. 185

Resolved, that the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Margaret O. Riker, widow of Reamer J. Riker, an employee of the Senate at the time of his death, a sum equal to seven months' compenstaion at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

GRATUITY TO MICHAEL R. SEITH

The resolution (S. Res. 186) to pay a gratuity to Michael R. Seith, was considered and agreed to, as follows:

S. RES. 186

Resolved, that the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Michael R. Seith, widower of Denise G. Seith, an employee of the Senate at the time of her death, a sum equal to nine months' compensation at the rate she was receiving by law at the time of her death, said sum to be considered inclusive of funeral expenses and all other allowances.

AUTHORIZATION FOR REVISION AND PRINTING OF SENATE MANUAL

The resolution (S. Res. 187) authorizing the revision and printing of the Senate Manual for use during the 97th Congress, was considered and agreed to, as follows:

S. RES. 187

Resolved, That the Committee on Rules and Administration hereby is directed to prepare a revised edition of the Senate Rules and Manual for the use of the Ninety-seventh Congress, that said rules and manual shall be printed as a Senate document, and that two thousand additional copies shall be printed and bound, of which one thousand copies shall be for the use of the Senate, five hundred and fifty copies shall be for the use of the Committee on Rules and Administration, and the remaining four hundred and fifty copies shall be bound in full morocco and tagged as to contents and delivered as may be directed by the committee.

NATIONAL ENERGY EDUCATION DAY

The joint resolution (S.J. Res. 84) to proclaim March 19. 1982, "National Energy Education Day," was considered, ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to.

The joint resolution, and the preamble, are as follows:

S.J. RES. 84

Whereas inexpensive and abundant energy permitted our great Nation to rise to a position of preeminence in the world community of nations; and

Whereas events of recent years have shown that our growing dependence on foreign energy supplies present a serious threat to the national security of the United States and to the health, safety, and welfare of its citizens; and

Whereas the development of new technologies to increase supplies and efficient use of traditional domestic and renewable energy resources promise to reduce our dependence on insecure and financially draining foreign energy supplies; and

Whereas these fundamental changes require the update of our educational system at all grade levels to prepare our youth to meet the new demands which are being created; and

Whereas the celebration of National Energy Educaton Day (NEED) will bring together students, teachers, school officials, and community members, to focus attention, during the past year, on the growth of an energy educated public, both young and old; and

Whereas NEED must also prompt additional efforts for the upcoming year which will demonstrate that to ignore the plight of an energy shortfall and to fail to seek sound remedies would be an error: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That March 19, 1982, is proclaimed "National Energy Education Day" to expedite and enhance energy education programs in schools, both public and private, at all grade levels, and the President is authorized and requested to (a) issue a proclamation calling upon the general public and educational institutions of the United States to observe this day with appropriate activities and ceremonies, and (b) to send suitable engrossed copies to all the Nation's Governors and Members of Congress, and (c) to direct all appropriate Federal agencies to cooperate with and participate in the celebration of "National Energy Education Day".

NATIONAL JOGGING DAY

Mr. BAKER. Mr. President, I ask the Chair to lay before the Senate Calendar Order No. 223.

The PRESIDING OFFICER. The clerk will state the resolution by title.

The assistant legislative clerk read as follows:

A joint resolution (S.J. Res. 94) to designate October 10, 1981, as "National Jogging Day."

The Senate proceeded to consider the joint resolution.

Mr. THURMOND. Mr. President, I am pleased that the Senate is taking up today Senate Joint Resolution 94, a resolution that I introduced on June 25 of this year. This resolution would authorize and request the President to designate October 10, 1981, as "National Jogging Day." A similar resolution, which I sponsored, passed the Senate last year on August 1, 1980.

I would like to take this opportunity to express my appreciation to my following colleagues who added their names as cosponsors of this resolution: Senator DURENBERGER, Senator SCHMITT, Senator ABDNOR, Senator CHAFEE, Senator LAXALT, Senator COCHRAN, Senator STEVENS, Senator GORTON, Senator DOLE, Senator EAST, Senator GOLDWATER, Senator DANFORTH, Senator HELMS, Senator LUGAR, Senator D'AMATO, Senator SPECTER, Senator DENTON, Senator CRANSTON, Senator DECONCINI, Senator BURDICK, Senator BOREN, Senator BAUCUS, Senator RANDOLPH, Senator TSONGAS. Senator JOHNSTON, Senator PRYOR, Senator MOYNIHAN, Senator WILLIAMS, Senator PROXMIRE, Senator HOLLINGS, and Senator RIEGLE.

Mr. President, as I commented on the Senate floor when introducing Senate Joint Resolution 94, this year will mark the 11th year in a row that thousands of people across the Nation celebrate the second Saturday in October as National Jogging Day. National Jogging Day was begun in 1971, as a way to encourage more people to become more active and physically fit. Sponsored by the National Jogging Association in cooperation with the President's Council on Physical Fitness and Sports as well as other organizations, National Jogging Day has grown from a small gathering of a couple of

dozen physical fitness activists to an event that in 1980 involved 1 million people nationwide. It gives me great pride to sponsor once again such a worthwhile event.

I would also like to point out that a companion measure, House Joint Resolution 303, has been introduced in the House of Representatives by Representative BEVERLY BYRON of Maryland. I am very appreciative of Representative BYRON's assistance in this matter, and I am hopeful that the House bill will soon take favorable action.

The joint resolution was considered, ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to.

The joint resolution (S.J. Res. 94) and the preamble, are as follows:

S.J. RES. 94

Whereas the public awareness of the need for maintaining physical fitness is becoming increasingly evident;

Whereas jogging is an excellent, convenient, and inexpensive form of exercise that provides opportunities for a graduated program of physical fitness for most individuals regardless of age, sex, or level of fitness;

Whereas numerous medical authorities believe that a regular, sensible jogging program improves the function of the cardiovascular system, reduces coronary risk factors, and serves as an advisable supplement to a weight-reducing or weight-control program;

Whereas a positive correlation exists between the development of a fit body and the ability to experience an enriched and more satisfying life; and

Whereas an estimated thirty million persons all across America jog or run as a recreational activity which is beneficial and enjoyable: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President is authorized and requested to issue a proclamation declaring October 10, 1981, as "National Jogging Day", and calling upon the people of the United States and interested groups to celebrate such day by participating in fitness-related sports, seminars, and other events throughout the United States and to incorporate regular exercise into their everyday life.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the several resolutions were agreed to or passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

NATIONAL DIABETES WEEK

Mr. BAKER. Mr. President, I ask unanimous consent that the Judiciary Committee be discharged from further consideration of House Joint Resolution 84, National Diabetes Week, and I ask for its immediate consideration.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee?

There being no objection, the Senate proceeded to consider the joint resolution which was read twice by its title.

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

There being no objection, the joint resolution (H.J. Res. 84) was ordered to a third reading, was read the third time, and passed.

The preamble was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that Calendar Order No. 221, Senate Joint Resolution 74, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

SEQUENTIAL REFERRAL

Mr. BAKER. Mr. President, I ask unanimous consent that once the Committee on Environment and Public Works reports the nomination of Matthew Norman Novick to be Inspector General of the Environmental Protection Agency, it then be referred to the Committee on Governmental Affairs for not to exceed 20 days.

The PRESIDING OFFICER. Without objection, it is so ordered.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AUTHORIZATION ACT

Mr. BAKER. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 1098.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 1098) entitled "An Act to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes", do pass with the following amendment: Strike out all after the enacting clause, and insert: That there is hereby authorized to be appropriated to the National Aeronautics and Space Administration to become available October 1, 1981:

(a) For "Research and development", for the following programs:

(1) Space Shuttle, $2,134,000,000;

(2) Space flight operations, $903,900,000;

(3) Expendable launch vehicles, $31,200,000;

(4) Physics and astronomy, $350,400,000;

(5) Planetary exploration, $215,200,000;

(6) Life sciences, $49,200,000;

(7) Space applications, $410,900,000;

(8) Technology utilization, $12,600,000;

(9) Aeronautical research and technology, $264,800,000;

(10) Space research and technology, $129,300,000;

(11) Energy technology, $2,000,000; and

(12) Tracking and data acquisition, $400,200,000.

(b) For "Construction of facilities", including land acquisition, as follows:

(1) Modification of 12-foot pressure wind tunnel, Ames Research Center, $18,500,000;

(2) Modifications to space flight operations facility, Jet Propulsion Laboratory, $9,300,000;

(3) Rehabilitation of utility control system, various buildings, Lyndon B. Johnson Space Center, $680,000;

(4) Construction of waste material incinerator, John F. Kennedy Space Center, $895,000;

(5) Repair of operations and checkout building roof, John F. Kennedy Space Center, $825,000;

(6) Modifications for enhanced 20-inch supersonic wind tunnel, Langley Research Center, $2,950,000;

(7) Modifications for high pressure turbine corrosion and thermal fatigue testing, Lewis Research Center, $1,200,000;

(8) Modification and relocation of 26-meter antenna, STDN, Goldstone, California, $4,700,000;

(9) Relocation of DSS-44 antenna to Tidbinbilla, Australia, $2,200,000;

(10) Space Shuttle facilities at various locations as follows:

(A) Construction of solid rocket booster processing and segment storage facilities, John F. Kennedy Space Center, $12,400,000;

(B) Modifications to firing rooms, John F. Kennedy Space Center, $3,100,000;

(C) Modification of manufacturing and final assembly facilities for external tanks, Michoud Assembly Facility, $2,785,000;

(D) Modifications to Building 30 for Shuttle operations, Lyndon B. Johnson Space Center, $650,000;

(E) Minor Shuttle-unique projects, various locations, $1,115,000;

(11) Repair of facilities at various locations, not in excess of $500,000 per project, $12,800,000;

(12) Rehabilitation and modification of facilities at various locations, not in excess of $500,000 per project, $17,700,000;

(13) Minor construction of new facilities and additions to existing facilities at various locations, not in excess of $250,000 per project, $2,320,000; and

(14) Facility planning and design not otherwise provided for, $10,000,000.

(c) For "Research and program management", $1,114,300,000 and such additional or supplemental amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law.

(d) Notwithstanding the provisions of subsection 1(g), appropriations hereby authorized for "Research and development" may be used (1) for any items of a capital nature (other than acquisition of land) which may be required at locations other than installations of the Administration for the performance of research and development contracts, and (2) for grants to nonprofit institutions of higher education, or to nonprofit organizations whose primary purpose is the conduct of scientific research, for purchase or construction of additional research facilities; and title to such facilities shall be vested in the United States unless the Administrator determines that the national program of aeronautical and space activities will best be served by vesting title in any such grantee institution or organizaton. Each such grant shall be made under such conditions as the Administrator shall determine to be required to insure that the United States will receive therefrom benefit adequate to justify the making of that grant. None of the funds appropriated for "Research and development" pursuant to this Act may be used in accordance with this subsection for the construction of any major facility, the estimated cost of which, including collateral equipment, exceeds $250,000, unless the Administrator or his designee has notified the Speaker of the House of Representatives and the President of the Senate and the Committee on Science and Technology of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate of the nature, location, and estimated cost of such facility.

(e) When so specified and to the extent provided in an appropriate Act, (1) any amount appropriated for "Research and development" or for "Construction of facilities many remain available without fiscal year limitation, and (2) maintenance and operation of facilities, and support services contracts may be entered into under the "Research and program management" appropriation for periods not in excess of 12 months beginning at any time during the fiscal year.

(f) Appropriations made pursuant to subsection 1(c) may be used, but not to exceed $25,000, for scientific consultations or extraordinary expenses upon the approval or authority of the Administrator and his de-

termination shall be final and conclusive upon the accounting officers of the Government.

(g) Of the funds appropriated pursuant to subsections 1(a) and 1(c), not in excess of $75,000 for each project, including collateral equipment, may be used for construction of new facilities and additions to existing facilities, and for repair, rehabilitation, or modification of facilities: *Provided*, That, of the funds appropriated pursuant to subsection 1(a), not in excess of $250,000 for each project, including collateral equipment, may be used for any of the foregoing for unforeseen programmatic needs.

SEC. 2. Authorization is hereby granted whereby any of the amounts prescribed in paragraphs (1) through (13), inclusive, of subsection 1(b)—

(1) in the discretion of the Administrator or his designee, may be varied upward 10 percent, or

(2) following a report by the Administrator or his designee to the Committee on Science and Technology of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate on the circumstances of such action, may be varied upward 25 percent,

to meet unusual cost variations, but the total cost of all work authorized under such paragraphs shall not exceed the total of the amounts specified in such paragraphs.

SEC. 3. Not to exceed one-half of 1 percent of the funds appropriated pursuant to subsection 1(a) hereof may be transferred to the "Construction of facilities" appropriation, and, when so transferred, together with $10,000,000 of the funds appropriated pursuant to subsection 1(b) hereof (other than funds appropriated pursuant to paragraph (14) of such subsection) shall be available for expenditure to construct, expand, or modify laboratories and other installations at any location (including locations specified in subsection 1(b)), if (1) the Administrator determines such action to be necessary because of changes in the national program of aeronautical and space activities or new scientific or engineering developments, and (2) he determines that deferral of such action until the enactment of the next authorization Act would be inconsistent with the interest of the Nation in aeronautical and space activities. The funds so made available may be expended to acquire, construct, convert, rehabilitate, or install permanent or temporary public works, including land acquisition, site preparation, appurtenances, utilities, and equipment. No portion of such sums may be obligated for expenditure or expended to construct, expand, or modify laboratories and other installations unless (A) a period of 30 days has passed after the Administrator or his designee has transmitted to the Speaker of the House of Representatives and to the President of the Senate and to the Committee on Science and Technology of the House of Representatives and to the Committee on Commerce, Science, and Transportation of the Senate a written report containing a full and complete statement concerning (1) the nature of such construction, expansion, or modification, (2) the cost thereof including the cost of any real estate action pertaining thereto, and (3) the reason why such construction, expansion, or modification is necessary in the national interest, or (B) each such committee before the expiration of such period has transmitted to the Administrator written notice to the effect that such committee has no objection to the proposed action.

SEC. 4. Notwithstanding any other provision of this Act—

(1) no amount appropriated pursuant to this Act may be used for any program deleted by the Congress from requests as originally made to either the House Committee on Science and Technology or the Senate Committee on Commerce, Science, and Transportation,

(2) no amount appropriated pursuant to this Act may be used for any program in excess of the amount actually authorized for that particular program by subsections 1(a) and 1(c), and

(3) no amount appropriated pursuant to this Act may be used for any program which has not been presented to or requested of either such committee,

unless (A) a period of 30 days has passed after the receipt by the Speaker of the House of Representatives and the President of the Senate and each such committee of notice given by the Administrator or his designee containing a full and complete statement of the action proposed to be taken and the facts and circumstances relied upon in support of such proposed action, or (B) each such committee before the expiration of such period has transmitted to the Administrator written notice to the effect that such committee has no objecion to the proposed action.

SEC. 5. It is the sense of the Congress that it is in the national interest that consideration be given to geographical distribution of Federal research funds whenever feasible, and that the National Aeronautics and Space Administration should explore ways and means of distributing its research and development funds whenever feasible.

SEC. 6. Section 7 of title 18, United States Code, is amended by inserting at the end thereof the following new paragraph:

"(6) Any vehicle used or designed for flight or navigation in space and on the registry of the United States pursuant to the Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, Including the Moon and Other Celestial Bodies and the Convention on Registration of Objects Launched into Outer Space, while that vehicle is in flight, which is from the moment when all external doors are closed on Earth following embarkation until the moment when one such door is opened on Earth for disembarkation or in the case of a forced landing, until the competent authorities take over the responsibility for the vehicle and for persons and property aboard.".

SEC. 7. The National Aeronautics and Space Act of 1958, as amended, is amended by inserting at the end of section 305, the following new subsections:

"(k) Any object intended for launch, launched or assembled in outer space shall be considered a vehicle for the purpose of section 272 of title 35, United States Code.

"(l) The use or manufacture of any patented invention incorporated in a space vehicle launched by the United States Government for a person other than the United States shall not be considered to be a use or manufacture by or for the United States within the meaning of section 1498(a) of title 28, United States Code, unless the Administration gives an express authorization or consent for such use or manufacture.".

SEC. 8. Section 6 of the National Aeronautics and Space Administration Authorization Act, 1970, as amended (42 U.S.C. 2462), is repealed.

SEC. 9. Appropriations hereby authorized for space transportation system upper stages in section 1(a)(2) shall not be used to initiate sole-source procurement of a new upper stage until NASA in cooperation with other agencies has reviewed alternative systems, assessed competitive procurement of a new upper stage to satisfy national requirements, and reported findings to the authorizing committees of the House of Representative and the Senate.

SEC. 10. Of the appropriations authorized for planetary exploration in section 1(a)(5) up to $5,000,000 may be used for the purpose of a mission to intercept and observe Halley's Comet, but only to the extent that such funds are formally requested in a written message from the Administrator transmitted to the House of Representatives and the Senate.

SEC. 11. This Act may be cited as the "National Aeronautics and Space Administration Authorization Act, 1982".

Mr. BAKER. Mr. President, I move that the Senate disagree to the amendment of the House and request a conference with the House on the disagreeing votes of the two houses and that the Chair be authorized to appoint the conferees.

The motion was agreed to, and the Presiding Officer (Mr. WARNER) appointed Mr. PACKWOOD, Mr. GOLDWATER, Mr. SCHMITT, Mr. CANNON, and Mr. HEFLIN conferees on the part of the Senate.

WOMEN'S HISTORY WEEK

Mr. BAKER. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on Senate Joint Resolution 28.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the resolution from the Senate (S.J. Res. 28) entitled "Joint resolution designating the week beginning March 8, 1981, as 'Women's History Week'," do pass with the following amendments:

Page 2, line 3, strike out March 8, 1981, and insert: March 7, 1982,

Amend the title so as to read: "Joint resolution designating the week beginning March 7, 1982, as 'Women's History Week'.".

Mr. HATCH. Mr. President, it was with great pleasure that on February 6, 1981, I reintroduced a resolution designating the week of March 8, 1981, as "Women's History Week." This year I was joined by a bipartisan group of 34 of my colleagues as cosponsors. I am pleased that the House of Representatives has unanimously passed a similar resolution sponsored by Representative BARBARA MIKULSKI of Maryland.

Mr. President, women have played an enormous part in the shaping of our American society, serving in roles as diverse as homemakers and soldiers. They have provided the impetus for many important social reforms and they have made individual contributions in the fields of science, education, medicine, religion, and government. Further, they have clearly led the way in establishing and leading the charities and philanthropic organizations which have greatly improved the quality of American life.

Even those of us who have been out of school longer than we might like to admit, can benefit from a review of where we have been as a nation. This proposal caused me to sit back and contemplate the many significant contributions of women. My great home State of Utah owes, in large part, its success as a territory and a State to the courageous pioneer women who struggled across the plains and mountains to settle in the Salt Lake Valley.

The legacy of these women and of women pioneers in all fields of human endeavor deserves to be recognized and celebrated throughout our Nation with special events and activities planned by

citizens and private associations. I believe it is wholly fitting that Congress officially designate a week to discover or rediscover this heritage.

Mr. BAKER. Mr. President, I move that the Senate concur in the amendments from the House.

The PRESIDING OFFICER. Without objection, the motion is agreed to.

NATIONAL CHILDREN'S DAY

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of House Joint Resolution 191, National Children's Day.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Tennessee?

There being no objection, the Senate proceeded to consider the joint resolution which was read twice by title.

Mr. METZENBAUM. Mr. President, I am pleased that the Senate is considering today a resolution which recognizes that children are our greatest resource. House Joint Resolution 191, which proclaims August 8, 1982, as National Children's Day, was introduced by the late Representative Tennyson Guyer of Ohio on February 25, 1981.

The idea of designating a special day to honor our Nation's children originated in 1979 with a junior high school class in Anna, Ohio. After studying about the International Year of the Child, several seventh grade students asked why there was no special day honoring children. Thus began the students' 2-year campaign to promote and eventually pass a piece of legislation calling for the establishment of a national children's day.

The students first took their idea to the Ohio State House of Representatives. They spent many long hours lobbying and writing letters to their representatives and also testified at a hearing. Last November the students were successful in getting a resolution passed by the Ohio State House which called upon Congress to establish a national children's day. Although the measure passed the house with only two dissenting votes, the bill was stalled in the State senate and died with the end of the session.

Undaunted, the students took their case to Representative Guyer, who agreed to introduce the measure in the U.S. House of Representatives. House Joint Resolution 191 is the result of the labors of these Anna, Ohio, students, and most of the language for the resolution was drafted by them.

House Joint Resolution 191 establishes a special day to recognize the importance of children to our Nation by calling their basic needs and rights to the attention of all Americans. These needs and rights include: The right to quality education and the opportunity to achieve their maximum potential; the right to freedom from discrimination, poverty, and hunger; and the right to the legacy of a world at peace. House Joint Resolution 191 is truly a fitting tribute to all children who, in the words of John F. Kennedy, "Are the world's most valuable resource and its best hope for the future."

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

There being no objection, the joint resolution (H.J. Res. 191) was ordered to a third reading, was read the third time, and passed.

The preamble was agreed to.

ORDER FOR EXTENSION OF TIME FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that the time for the transaction of routine morning business be extended for 10 minutes and that Senators may speak therein.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE DECLARATION OF THE OTTAWA SUMMIT

Mr. GLENN. Mr. President, on July 17, 1981 the U.S. Senate passed a resolution by a vote of 88 to 0, calling on the President to take certain immediate actions to improve the international nonproliferation regime. The President was urged in the resolution to confer on an urgent basis with other nuclear suppliers to consider tightening restrictions on dangerous nuclear trade.

Numerous reports in the press and elsewhere, indicated that the subject of nuclear nonproliferation was going to be raised at the Ottawa summit and that the declaration of the summit would contain a statement in support of nonproliferation efforts. I, in public statements and in private statements to administration officials, strongly supported the idea of using the Ottawa summit as an opportunity to discuss urgent nonproliferation concerns with the other supplier countries.

Mr. President, I wanted to back the President fully, to give him the strongest possible hand in dealing with nonproliferation matters at the Ottawa summit.

The Washington Post, in an editorial on July 20, 1981, supported this idea and the distinguished columnist of the New York Times, James Reston, in a series of two articles dated July 8 and 12, 1981 also urged the President to take advantage of this opportunity to make progress on this most important issue that threatens international peace and stability. I ask unanimous consent that both the Washington Post editorial and the columns of James Reston, that I referred to, be reprinted in their entirety at the end of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

[See exhibit 1.]

Mr. GLENN. Yesterday, I received a copy of the Ottawa summit declaration I searched in vain for some statement indicating that the supplier countries, including the United States, seriously considered or discussed the issue of nuclear nonproliferation—whether the subject of tightening restrictions on dangerous nuclear trade was raised, and whether there was any discussion about the need to improve the International Atomic Energy Agency's safeguards regime. Unfortunately, Mr. President, I was able to find only one statement in the declaration—I believe item No. 32 out of some 38—which referred to nonproliferation. Let me read the statement in its entirety.

> In most of our countries progress in constructing new nuclear facilities is slow. We intend in each of our countries to encourage greater public acceptance of nuclear energy, and respond to public concerns about safety, health, nuclear waste management, and nonproliferation. We will further our efforts in the development of advanced technologies, particularly in spent fuel management.

Does this statement indicate that the suppliers consider nuclear proliferation to be a serious problem requiring tough decisions on tightening exports or restraint in the introduction of advanced technologies using weapons-usable materials such as plutonium for fuel? I submit the answer is a resounding no. On the contrary, the statement is totally insensitive to the very real dangers which nuclear proliferation presents to the world today. The thrust of the statement is that somehow public concerns about nonproliferation and other nuclear matters must be assuaged so that there will be greater public acceptance of nuclear energy.

In other words, if someone could come up with a good PR campaign to convince the public that nuclear proliferation is a nonproblem, then that would presumably satisfy the concerns of the people who wrote this particular paragraph. What is more, the part of the statement about furthering efforts in the development of advanced technologies could have ominous implications depending upon its meaning.

If "advanced technologies" for storing spent fuel are being referred to, then the statement is unobjectionable. If, on the other hand, advanced technologies refers to reprocessing and the breeder, then the lack of any coupling of that statement with recognition that the current IAEA safeguards regime is inadequate and ineffective in dealing with such advanced technologies, would be a serious oversight bordering on irresponsibility.

In light of the Senate's action on July 17—that vote of 88 to 0 stressing the very solid decision of the U.S. Senate—I think it behooves the administration to offer an explanation as to why it chose to let the golden opportunity represented by the Ottawa summit pass by, thereby losing valuable time toward making the improvements on the international nonproliferation regime that must be made if confidence in the regime is to be sustained and improved. Time is working against us. If the suppliers are really concerned about the future of nuclear energy development, and more importantly, if they are really concerned about their national security, they will delay no further in taking the first steps toward a new world order in nuclear trade.

I yield the floor.

EXHIBIT 1

A NEW NON-PROLIFERATION POLICY

The administration's policy statement on nuclear non-proliferation issued this past

week amounts to a set of broad guidelines. Depending on how they are interpreted, their effect could range from a tough effort to curb further proliferation to tacit encouragement of trade in weapons-related technologies. We hope it is the former, but elements of the statement suggest it might go the other way. Take the call to "reestablish" the United States as a "reliable partner" in nuclear trade. This country has always been a reliable nuclear supplier except when it has delayed or withheld supplies because of weapons-related developments, and it hasn't begun to make those exceptions—under Jimmy Carter or anyone else—with anything like the determination or consistency it should have brought to bear. In the insiders' jargon of this business, in fact, "reliable supplier" suggests not letting non-proliferation concerns interrupt nuclear trade. The policy statement also promises not to "inhibit" reprocessing and breeder reactor programs in Europe and Japan, thereby taking what is at best a neutral stance toward a destabilizing international trade in plutonium—the optimal weapons fuel.

In an unexpected response, the Senate approved a resolution drafted by Sen. John Glenn, calling for sweeping changes in the international nuclear regime. Despite strong opposition from the State Department—if one is looking for consistency, State Department hostility to anti-proliferation efforts over the years is where one will find it—the final Senate vote was 89 to 0. The resolution calls for an "urgent" effort by the nuclear suppliers to tighten the rules of nuclear trade, including a "temporary worldwide moratorium" on the transfer of certain dangerous equipment and technology to sensitive areas including the Middle East and South Asia. Learning from Iraq, it calls for limiting the size of research reactors and eliminating the use of weapons-usable highly enriched uranium fuel in them. It proposes a number of specific steps to make international safeguards worthy of the name, including adoption by all suopliers of the U.S. requirement for safeguards on all nuclear activities in a recipient country, thereby making all facilities subject to international inspection whether or not the owner admits their presence to the International Atomic Energy Agency. In Iraq, this would have meant that inspectors would have had a claim to access to the reprocessing "hot cells." Likewise in Pakistan, there would have been a strong claim to open up the secret enrichment plant. Finally, the resolution calls on the suppliers to agree in advance on specific sanctions for any violation of safeguards.

All the major suppliers except Switzerland and the Soviet Union will be present at this week's Ottawa summit. It is, of course, too late for the administration to present initiatives specifically based on the Senate's unequivocal call for strong action, and the other supplier countries are not exactly enthusiastic about discomfiting their nuclear trading relationships for mere reasons of potential nuclear weapons spread. But it is not too late for the president to respond by telling the summit partners that he gives this effort a high priority and expects a similar response from them. Agreement at Ottawa on an early meeting of the nuclear suppliers would be a worthwhile outcome.

SUMMITRY AND THE BOMB (I)

(By James Reston)

WASHINGTON.—The leaders of the seven most powerful industrial nations will meet at the Chateau Montebello outside Ottawa on July 20 and 21. It will be somewhat different from their six previous meetings in two ways.

First, five of the seven leaders who met last year will not be there. The Presidents of the United States and France and the Prime Ministers of Japan, Canada and Italy have been elected since the 1980 Venice summit meeting. Such is the mobility of fragility of world politics that the only holdovers will be Chancellor Helmut Schmidt of West Germany, Prime Minister Margaret Thatcher of Britain and the president of the Commission of European Communities.

Second, while these new and old leaders represent countries that account for about half of the world's trade, and began these meetings at Rambouillet near Paris in 1975 primarily to discuss economic problems, they have increasingly been forced to consider political problems—even religious and philosophical questions—that influence East-West and North-South economics decisions and threaten the security of them all.

In two days at Montebello it's not likely that they will be able to give much meaning to their "final economic communique"—which they are all writing even before they arrive—but there is one imperative and neglected question they might, in their common interest, be able to elevate to the prominence it deserves.

This is the control of the arms race in general and nuclear weapons in particular. For they cannot control their economies, even in the richest countries; they cannot begin to grapple effectively with the East-West or North-South problems—or even with their own internal struggles of inflation, unemployment and social stress, so long as the nations of the world are spending over $800 billion a year on military arms and scattering the knowledge and materials for atomic weapons to unstable governments without any coherent regard for the possible consequences.

Much attention has been paid in recent years to the economic and monetary chaos of the world; to the dangers to the industrial and developing nations of the rising price of oil; to the Israeli-Arab tangles and the economic and social risks of high inflation and low productivity in the Western world.

But relatively, no such attention has been paid to the growing nuclear chaos; to the spread of nuclear materials, not only to more and more nations but even to the danger of their availability to terrorists.

Israel has dramatized the danger by its sudden strike against the nuclear facilities in Iraq. But in addition to the major nuclear powers, India, Pakistan, South Africa, Argentina, Brazil, South Korea, Taiwan, Japan and most of the industrial European nations now have the capacity to produce nuclear weapons. And Israel's "Pearl Harbor" attack on Iraq merely gives us a frightening glimpse of the coming nightmare if this problem is not brought under control.

In the short run Israel achieved its immediate objective, but didn't remove the danger. It was "condemned" by the United Nations, and even by the United States, but was reassured within a few days that it would get the planes it wanted from Washington and might even be able to persuade Congress not to send Awacs planes to Saudi Arabia for the defense of its borders, which the Israelis violated on their way to Iraq.

But in the long run, this is clearly no solution. Though the Israelis have now conceded that they can produce atomic weapons and have offered to negotiate a nuclear-free zone in the Middle East, the Arab states have announced that they are more determined than ever to produce nuclear weapons of their own.

What is more disturbing about the Israeli attack in Iraq is that it is not likely to discourage the spread of nuclear weapons, which Israel intended, but to spread the chaos.

As Gerard Smith, the chief of the U.S. delegation to the Strategic Arms Limitation Talks, has pointed out, those countries that have or will soon have the capacity to manufacture nuclear weapons will now be all the more careful to conduct their development of nuclear power in secret, lest they be attacked by their hostile neighbors.

Increased secrecy about nuclear development, even for peaceful purposes, will inhibit the work of such watchdog institutions as the U.N.'s International Atomic Energy Agency, which is trying to control the misuse of atomic fuel. Without effective international surveillance of nuclear facilities, Mr. Smith insists, nations that fear the technological intentions of their neighbors will feel even less secure, and the greater the sense of insecurity the greater the impulse to produce nuclear weapons.

The industrial nations at the Ottawa meeting have recognized this danger and have babbled about it for years without ever coming to grips with it, meanwhile distributing atomic information and materials with no sense of the consequences.

It is not that they have been indifferent to the danger, but indecisive. At Ottawa, the new leaders have an opportunity not to solve the problem but at least to bring it to the forefront of their own agenda and to the urgent attention of the world as a "clear and present danger," where it belongs.

SUMMITRY AND THE BOMB (2)

(By James Reston)

WASHINGTON.—When the leaders of the major industrial nations meet in Ottawa on July 20–21, President Reagan will be asked some hard questions about United States policy on the export of nuclear knowledge and materials to other countries.

For while Washington, long before the days of Reagan, has talked more about the dangerous spread of nuclear weapons than any other capital in the world, it has been the principal exporter of nuclear information "for peaceful purposes," without having any effective policy for keeping its information and nuclear materials from being used in secret to produce atomic weapons.

As The Wall Street Journal pointed out the other day, the United States supplies nearly all the noncommunist world's highly enriched uranium for power plants. Sixty small research reactors have been exported from the United States with the aid of Federal money.

The United States Government has invested about $5 billion in long-term loans through the Export-Import Bank for about 70 commercial nuclear reactors for generating electricity overseas. There is also a vast educational program on nuclear development, financed by the United States Government, including the training of over 13,000 foreign students in atomic energy development, including students not only from Western Europe but from Israel and from Iraq and other Arab states.

President Reagan, of course, will not be the only member at the Ottawa summit facing this dilemma. France delivered the nuclear reactor to Iraq, which the Israelis, fairly or not, felt they had to destroy recently by bombing. So President Mitterand of France will face the same question at Ottawa:

How, in a world of rising oil prices, and declining petroleum resources, to develop nuclear energy for coming generations without the danger that it will be used, not for "peaceful purposes" alone, but for war and by terrorists.

More than any other country, the United States has a special place in the history of this atomic tangle. It was the first to develop the awesome power of the atom for military purposes. It was the first to use it, bombing Hiroshima and Nagasaki to end the war against Japan. It was also the first to propose to the Soviets and the world that this apocalyptic weapon should be not only controlled but abandoned. And the Soviets have to face the judgment of history that

they rejected all these proposals out of Washington—by Acheson, Baruch, Lilienthal, and Eisenhower—to bring the atom under international control.

Even so, the fault of the present chaos in the control of nuclear power does not lie wholly in Moscow. The Soviet leaders, watching the development of nuclear power in China and India, have been relatively cautious. They have not exported their nuclear knowledge or materials even to their Eastern European or their Middle Eastern allies, and their complaint is not that they reject the Strategic Arms Limitation Treaty signed by Presidents Carter and Brezhnev two years ago at Vienna, but that the treaty was blocked in the United States Senate.

The Allied leaders will be asking President Reagan about all this at Ottawa later in the month. Prime Minister Trudeau of Canada has been here in Washington this week talking to Mr. Reagan about the agenda, and in this, the seventh summit meeting of the seven industrial leaders, Mr. Trudeau is apparently determined to preside, not over another comfortable, deceptive communiqué, but over an honest discussion of the major economic and military problems of the world.

On economic questions, President Reagan is on solid ground with the Allies. They have been complaining for years that the United States has been letting its economy go slack and loitering down toward disaster. And now that Mr. Reagan has stunned the United States into some kind of control over its economy, they are complaining that his economic austerity is producing high interest rates and adding to the economic dilemmas of Europe and Japan. No doubt he will be able to defend himself against these economic arguments.

But on foreign policy in general, and arms control in particular, Reagan will have more trouble at Ottawa. The Allied leaders like him personally but don't like his policies.

They don't agree that all the problems of the Western world are caused by the Communists in Moscow. They don't like his rhetoric or his public predictions that the Communist empire is about to collapse. They think his emphasis on the threat of Communist penetration in El Salvador was silly; that Washington's support of Israel in the Middle East is excessive; that suggesting military aid to China as a tactic against the Soviet Union is dangerous; and that the spread of nuclear knowledge and materials, without a policy to control it, is reckless.

So the Allies have a lot to talk about at the Chateau Montebello outside Ottawa later this month. But as Allen Gotleib, Prime Minister Trudeau's personal representative for this conference has pointed out, even Moses, coming down from the original Summit, had his troubles. And it may be that these new leaders of the free world will be so preoccupied with trade and interest rates and other economic problems that they won't have much time for control of nuclear power and weapons, which could be more important than anything else.

GASOHOL MADE FROM JELLY BEANS

Mr. PERCY. Mr. President, Illinois motorists using gasohol in their automobiles may have a new source of locomotion: jelly beans. The Farm Energy Co-Op Inc. in Indianola, Ill., is currently utilizing 5,000 pounds of jelly candies daily to manufacture ethanol that is used in gasohol.

The company receives 30 million pounds of jelly candy annually from the Chuckles Candy Co., a division of Nabisco Confections, Inc. These are waste products that otherwise would be thrown away. They include jelly beans, Chuckles, Easter eggs, JuJu's, and orange slices.

The process has several advantages. One pound of waste sugar is converted into 0.511 pound of alcohol, which compares favorably with the yield from starch; 1,250,000 Btu's are saved per day in the cooking process because of the sugar.

Enzymes and recycled process water are saved due to this process. Alcohol yields are excellent.

On July 18, 1981, the co-op held an open house in the Indianola grade school building.

Mr. President, I salute Kenn Davis, general manager, and ask unanimous consent that a letter from Mr. Davis describing this process be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FARM ENERGY CO-OP, INC.,
Indianola, Ill., June 29, 1981.

Mr. HOWARD MARKS,
c/o Senator CHARLES H. PERCY,
Washington, D.C.

DEAR MR. MARKS: In response to Richard Archers' suggestion and your request for more information, I will attempt to explain as much as I can about our process and background using industrial food processing waste products in the manufacture of ethanol.

Chuckle Candy Co., a division of Nabisco Confections, Inc., produces 30 million pounds of jelly candy per year. This jelly candy includes jelly beans, Chuckles, Easter eggs, Ju-Ju's, orange slices, etc.

Recognizing the potential alcohol available in the form of industrial food processing wastes, we solicited and obtained a long-term purchase agreement with Nabisco to remove the candy and starch wastes from their Chuckles plant on a daily basis. From October 1980 to March 1981, these food processing wastes were used in combination with corn in recipe concentrations of 10 percent, and 20 percent, and 30 percent. In mid-March of this year, we began using 100 percent waste products from Chuckles in our process. There were many contributing factors involved in making this decision. I will admit there were many, many problems in the beginning. However, at this time yields of .511 pounds of alcohol per one pound of sugar are being obtained. This yield compares favorably with the starch conversion yield ratio of .568 pounds alcohol per one pound starch. Using food processing waste products has many benefits which are not at first apparent. Actual test data is not available at this time, but we estimate 1,250,000 BTU's are saved per day in the cooking process alone when using sugar. This is an annual savings of over 35,000 pounds of Illinois stoker coal. Because one-half of the raw material used in our process is sugar (jelly candies), which require no enzymes in order to process, we are realizing a substantial savings in the cost of enzymes. This savings alone totals another $20 per day. One other area, and perhaps the most important, is the increased use of backset (recycled) process water. The jelly candy and starch wastes do not contain the salts that have a tendency to build up in the process water when using corn. We are also seeing better alcohol yields as a result of this. Why—I don't know.

Because the starch we receive from Chuckles is a "confectionary starch" (purchased from A. E. Staley, Co., in Decatur, Illinois) the grind is so fine we do not have a by-product available for feed. Basically, everything is converted to alcohol.

We currently have this waste product under contract to purchase at a cost of $40 per ton. Compare this price to the cost of corn at $120 per ton, realizing a ton of corn will only contain about 1300 pounds of starch. Hence, compare the cost of corn at 12 cents per pound for the available starch to the waste starch cost of 2 cents per pound. As you can see, the use of food processing waste products has greatly reduced our raw materials cost. The cost of raw materials is the single largest percentage of cost in producing power alcohol.

On a normal production day, we currently process 5000 pounds of jelly candies and 5000 pounds of confectionary corn starch. On the average, we are receiving about 3000 pounds of waste from Chuckles daily. This waste is approximately 50 percent pure confectionary corn starch and 50 percent jelly candies. We have been able to maintain production only because we had over 200,000 pounds of jelly candy on hand before we developed a successful recipe. Current negotiations are underway with other local food processing industries to obtain additional waste products for us in our process.

Our daily production goal (700 gallons of 190 proof ethanol) cannot be maintained when using 100 percent sugars and confectionary corn starch, however. Current production is about 600 gallons per day. The one problem we have now is raw material handling. Our plant was not originally designed to handle waste food products. When a product has a combination of more than one ingredient, the handling of that product becomes increasingly more difficult.

Another benefit of using food processing wastes in the process is the absence of fusel oils normally present when corn is cooked and fermented. The absence of these fusel oils make the resulting alcohol better suited for industrial uses.

We have limited resources and therefore, major advances in the use of waste products is taking longer than I would like. If more emphasis could be put on developing this part of the industry, greater progress and savings could be realized by the ethanol industry in general.

If need be, we would be more than happy to review our plant and process with you in greater detail. However, I believe this should give you a good idea of what changes were required in order to use the food processing wastes.

Again, thank you.
Sincerely,

KENN DAVIS.

RETIREMENT OF CHARLES Y. LAZARUS

Mr. GLENN. Mr. President, on July 30, 1981, one of Ohio's most prominent sons will be retiring from a highly successful business career. Mr. Charles Y. Lazarus, now a very young 67 years old, has served since 1969 as chairman and chief executive officer of Lazarus Federated Department Stores' Columbus Division. He is the fourth generation of his family to serve as head of the company which now operates 16 stores in Ohio, Indiana, and West Virginia.

Because he bears a prominent family name, the uninformed might be tempted to think that Mr. Lazarus' success was owed more to geneology than to his own efforts. But as the immortal Spanish novelist, Cervantes, once reminded us, "Every man is the son of his own work." By that measure, Chuck Lazarus has greatly enhanced an already proud line-

age. As the company's president, Mr. Howard Goldfeder, recently pointed out:

Lazarus prospered and grew under Charles Lazarus' leadership, as did the city of Columbus on whose behalf he has labored unselfishly. When he was chosen to head Lazarus, he took over a tradition, and through his own efforts, made the tradition stronger.

It is important to note, however, that Charles Lazarus' contribution to Columbus did not end at his office door. Indeed, it would be difficult to list all of the civic, educational, and governmental activities in which he has been engaged. Nevertheless, several bear special mention. In recent years, Chuck has served as chairman of the Governor's Advisory Committee on Civil Rights, president of the American Retail Federation, the first metro chairman of the National Alliance of Businessmen, chairman of the Ohio State University Development Fund, and as a member of the Business Industry Council of the White House Conference on Youth. He is a former director of the Federal Reserve Bank in Cleveland and currently serves on the boards of the Ameritrust Corp. and the University Hospitals in Columbus.

For these and other endeavors, Chuck Lazarus has received the thanks and recognition of his community. Among other distinctions he received the 1972 Columbus Award for Civic Leadership from the Columbus Area Chamber of Commerce and in May 1980, the Preston Davis Award of Citizens' Research, Inc.

Fortunately for his fellow citizens, Mr. Lazarus' retirement will not mean his withdrawal from the world. He has already announced his intention to devote more time to community and urban projects, as well as to a number of personal interests. In the past, Mr. Lazarus has served his business, his city, his State, and his Nation in the grandest of fashions. I know he will continue that tradition in the future. So, on behalf of all Ohioans, I salute Chuck Lazarus for all he has accomplished thus far, and I look forward to the even greater contributions he will make in the years to come.

IN THE MATTER OF MR. WATT * * *

Mr. MATHIAS. Mr. President, this Nation has a long and proud history of conservation of our national resources, protection of wildlife, and of environmental purity. Laws, such as the Environmental Policy Act, Endangered Species Act, Clean Air and Clean Water Acts, the Alaska National Lands Act, the Coastal Zone Management Act, the Marine Sanctuaries Act, and many others, have done much to safeguard this Nation's natural treasures, many of which are nonrenewable. Once lost, they are gone forever.

A Republican—Abraham Lincoln—was responsible for the first environmental protection legislation and, over the years, the Republican Party has played a significant role in the protection of our natural resources and in the enactment of much of our most important environmental protection legislation.

Recent trends in public policy toward our natural resources, however, give cause for concern. Mr. Nathaniel Reed, a former Assistant Secretary of the Interior under a Republican President, discussed his concern about the future of the conservation legacy which the United States has developed, and which is the envy of the world. I ask unanimous consent that excerpts from Mr. Reed's speech, as printed in the Sierra Club magazine, July–August 1981, appear in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

IN THE MATTER OF MR. WATT . . .

I am here tonight as an old soldier of the Grand Old Party of the conservative movement—but a soldier who is sick at heart over the direction his party has been taking in the last few months.

I am a lifelong Republican, and I am extremely proud of my party's environmental record—from Abraham Lincoln's original withdrawal of Yosemite Valley, and Ulysses Grant's signing of the bill to establish Yellowstone as the world's first national park, to the withdrawal of the Arctic Game Range during Dwight Eisenhower's years—the largest land withdrawal in history up to that point.

Under more recent Republican administrations, the progress has been truly remarkable. The enactment of the National Environmental Policy Act; the creation of the Environmental Protection Agency and the President's Council on Environmental Quality; the enactment of the Endangered Species Act; the formulation and submission of the Alaska d-2 proposals; the great leap forward in the amount of land set aside as wilderness; the establishment of the first urban parks—all of these actions took place under Republican leadership, and many of them were Republican ideas.

In 1908, as President, Theodore Roosevelt called a conference on natural resources that was attended by the nation's Cabinet members, governors, members of Congress and experts on natural resources.

In his opening address, Roosevelt said the conference was in effect a meeting of all the people's representatives to consider "the weightiest problem now before the nation. . . . I have asked you to come together now because the enormous consumption of these resources and the threat of imminent exhaustion of some of them, due to reckless and wasteful use . . . calls for common effort, common action."

That kind of approach to the environment has guided Republican administrations for the last 70 years. Yet some of the new administration's people seem to be wildly out of sync. They are attempting to turn the clock back to the pre-Roosevelt era, when everyone supposed natural resources were inexhaustible. I cannot sit idly by and watch this lamebrained, outmoded philosophy take hold and stain my party's image.

It causes me a great deal of pain to criticize the administration as I am about to do—more pain than I care to describe. But my quarrel is not with Ronald Reagan. I think he will be a good President and a notable environmentalist.

The problem as I see it is that some of his appointees—and particularly James Watt, the Secretary of the Interior—have broken faith with the Republican Party and betrayed their President.

Some of you may recall that Watt headed one of the bureaus for which I had responsibility when I was at Interior—the Bureau of Outdoor Recreation. Nobody likes to complain about an old colleague. I had hopes that he would rise above his narrow, advocate's role as director of the Mountain States Legal Foundation. I had hopes that he would develop into a statesman Secretary of the Interior, in the tradition of Udall, Morton, Hathaway, Kleppe ond Andrus.

But two of Watt's actions have convinced me that he is already a disaster as Secretary. One of these is his butchery of the Land and Water Conservation Fund. I'll return to that later. The other is the talk that he delivered to the Conference of National Park Concessioners early this year—surely one of the most fawning, disgusting performances ever given by a Secretary of the Interior. He was so eager to please that he all but gave away the park system.

"I don't like to paddle and I don't like to walk," Watt told the concessioners. In answer to a question about river-running in the Grand Canyon, he said: "I went down in September on the Grand Canyon, Colorado River. . . . The first day was spectacular. . . . The second day started to get a little tedious, but the third day I wanted bigger motors to move that raft out. There is no way you could get me on an oar-powered raft on that river—I'll tell you that. On the fourth day we were praying for helicopters and they came."

Can you imagine? We have a Secretary of the Interior who is bored by the Grand Canyon! This is a man who was nominated for his job in part because he is a westerner, and yet his insensitivity to the beauty and adventure of the West is appalling.

But these are only incidents. Watt actually invited the concessioners to help him administer the national parks. Here are his exact words: "You folks are going to play a tremendously important role and a growing role in the administration of our national parks, and we are going to reach out to involve you in some areas that you haven't been asked to be involved in before. I shouldn't say that. We are going to ask you to be involved in areas that you haven't been allowed to be involved in before."

Now I have no desire to feud with the national park concessioners. A few of them are rascals, but most of them are fine people who perform valuable services. But they have no business whatever involving themselves in park administration. There has always been a certain amount of tension between the Park Service and the concessioners, but it's a healthy tension. Whether Watt knows it or not, he cannot resolve this divergence of interests by waving a wand: he cannot legally delegate any part of managing the national parks to the concessioners.

At the same time Watt has proposed numerous changes in the rules for administering individual parks that would benefit private parties at the expense of the public interest. In Everglades National Park and Big Cypress National Preserve alone, he would:

Allow airboats to use a trail in the park, contrary to longstanding policy;

Give commercial fishermen in the park lifetime permits, whereas previous policy has been to phase out this activity in 5 years; this action would in all likelihood destroy a multimillion-dollar game-fishing industry outside the park;

Give lifetime occupancy permits to squatters in the Big Cypress.

Watt seems to think he has divine sanction for his effort to turn our national resources over to concessioners and developers. He has been quoted in Time magazine as saying, "My responsibility is to follow the Scriptures, which call upon us to occupy the land until Jesus returns." But the Scriptures also have this to say about the land: "Woe to the ones joining house to house, and those who annex field to field until there is no more room. . . ." Isaiah 5:8. The sad truth is that the Secretary and his developer friends are worshipping a false god. Matthew, Christ's discerning disciple, wrote: "Beware

of false prophets which come to you in sheep's clothing, but inwardly are ravening wolves. Ye shall know them by their fruits." Matthew 7:15.

All of this, of course, is at utter variance from the Republican tradition. Nor do I believe the Watt approach corresponds to the environmental philosophy and the record of his President. In point of fact, that record is a very good one.

California made significant environmental progress under the leadership of Governor Ronald Reagan, as a few examples will show: He vetoed the Dos Rios Dam in the face of strong support by the powerful southern California water lobby. During his administration the state park system nearly doubled in size, and the initial coastal zone plan was developed.

In light of his record, it is difficult to explain why President Reagan has permitted his administration to recommend eliminating the Land and Water Conservation Fund programs, including the historic preservation program in its entirety, the agency that Watt himself so proudly headed a scant five years ago—how's that for loyalty? The answer, I believe, has to do with two Reagan preoccupations—foreign affairs and budget cutting—and his management style, which involves delegating a great deal of authority to trusted subordinates. What has happened is that some of his subordinates have abused this trust.

Let's examine Watt's attempt to trash the Land and Water Conservation Fund. The money comes from the sale of offshore oil and gas leases. The annual contribution to the fund now stands at almost $1 billion. The fund can be expended for only two basic purposes: to purchase land for selected federal programs (e.g., fleshing out the national parks and forests and providing habitat for endangered species) and to make matching grants for state and local governments to use in establishing their own parks and recreation projects.

The state side of the fund has become one of the most cost-effective revenue-sharing programs ever created. It has been used to preserve hundreds of thousands of acres of land, which have been enjoyed by millions of Americans.

The federal side of the fund is the means by which parks in concept become parks in reality, by which endangered species obtain a new lease on life. If national parks, refuges and forests are to be anything more than boundary lines drawn on paper, the fund is indispensable.

The Carter administration had asked Congress to appropriate $237 million from the fund for federal land purchases in fiscal year 1981 and $335 million in fiscal year 1982. Watt proposes to spend no more of the '81 money; he wants to stuff the unobligated $105 million back into the fund. He proposes to reduce the 1982 appropriation to a token $45 million. At the same time he wants Congress to rewrite the rules for using the fund and appropriate $105 million for restoring and upgrading existing parks. As for the state and local grants program, Watt has in mind nothing less than its extermination.

And so, in one rash step, the Secretary of the Interior has proposed wiping out the most popular and effective federal revenue-sharing program in the country, perpetrating a cruelty on every landowner within the boundaries of a national park or forest, and guaranteeing that land purchases for the fund's purposes will be at inflated prices down the road.

I want to dwell for a moment on this fiscal aspect of the Watt proposal, for it's the one that strikes me as an out-and-out betrayal of the President. In his eagerness to be out-front of all other agencies in budget-cutting, Watt has saddled his successors—and the American taxpayers—with an inflationary future. Instead of fighting inflation by reducing expenditures, he will make sure that his successors pay swollen land prices a few years from now. This is false economy. This is a travesty of budget-cutting. This is directly contrary to the fiscal responsibility that Ronald Reagan was elected to impose.

Let me also dwell for a moment on the implications of Watt's proposal for the endangered species program. Although earlier Watt had promised that "high-priority endangered species programs will be continued," when he submitted his FY 1982 budget he reneged. Endangered species took a 36 percent cut, the deepest of any program in the department. Watt slashed, by more than half, the budget for the listing program, by which endangered species are recognized as such and afforded the protections stipulated in the act.

Although Watt implied that he was shifting priorities to the recovery side of the program, he cut that by $6.5 million, more than one third of the fund, including the grant program to the states in its entirety. He also cut almost half of the research effort. For Watt to pose in front of a painting of a bald eagle, as he did for *Time* magazine, is the ultimate in hypocrisy.

Butchering the fund is a senseless act. Since open space is disappearing at a horrendous annual rate, many state and local park opportunities will be lost forever. Since the price of land to be acquired for federal units will surely escalate, no money is being saved. Since many endangered species must be rescued now or never, no time is being bought. Even so harsh a critic of Interior's policies as the Heritage Foundation stopped short of recommending that the fund be abolished.

Why, then? Why does Watt support such a looney proposal? Why this from a man who, in his Senate confirmation testimony, touted his stewardship of the fund during his BOR days as evidence of his environmental consciousness? Only two conclusions make sense. One is that he was sandbagged by the Office of Management and Budget as badly as any Cabinet official in recent memory. When they take away your most popular and effective program plus the two or three others that lie at the very heart of your responsibilities, Buddy, you've been had. James Watt either doesn't have the courage or the conviction to effectively disagree with a proposed cut or he lacks the basic knowledge to argue forcibly for important programs that are vital to the Department of the Interior's mission.

Once he sets policy, a President deserves, expects and demands total commitment from his staff; but his aides and Cabinet owe him a choice of a broad range of alternatives from which to set his policy. It is the duty of an effective Cabinet member to present choices and tradeoffs for his President's review, not to parrot what he thinks the President would like to hear.

The other possibility is even more alarming. Watt seems to be saying to conservationists: "You can convince Congress to authorize all the mountain parks and urban NRAs you want, but I'm not going to take care of them." He seems to be saying to Congress: "You thought you knew what you were doing when you established the New River Gorge, the Santa Monica Mountains and the Cuyahoga NRAs a few years ago, but you didn't. I know better."

My suspicion that vindictiveness may be Watt's guiding principle is supported by the man's attitudes toward his opponents. Does he marshall his arguments and try to reason with them? No, he calls them names—"environmental extremists" who would "weaken America." What a bankrupt and infantile approach!

Watt has also accused the National Park Service of grabbing "for more and more lands" and has expressed his scorn for the new urban parks that Congress has established. He wants to turn these areas back to the states—although I have yet to hear of a single governor clamoring to take one over. I must admit to having had some initial reservations about urban parks, but the overwhelming attendance figures have convinced me that these areas are bringing outdoor recreation to millions of people who would otherwise be frozen out of the park system. How does a Secretary of the Interior know the value and the heritage of the national park system if he has no experience except boredom while visiting the nation's historical and natural gems?

And, of course, we do need more money to restore and maintain the parks. You can't protect America's superb natural heritage for nothing—there's no such thing as a free park. Yet the national parks are surprisingly inexpensive: last year the total Park Service operational budget came to a little more than $2 per American. And the Park Service estimates that at least one out of four Americans made at least one recreational visit to a park unit last year.

I submit that the national park system is an incredible bargain and that we can afford to up the ante a little to provide it with protection. But this should be done in addition to meeting the obligations of the Land and Water Conservation Fund, not in lieu of meeting them.

I have great faith in Congress as a whole, in legislators who know and love the land. I think that when the chips are down we'll be able to count on them. I don't believe they will be party to legislation that protects neither the purse nor the land.

Sometimes I wonder whether we can keep it up. The work of the conservationist is never done. We can never rest on our laurels, and sometimes it seems that we can't even stop to enjoy what we're fighting to save. As T. S. Eliot has said, "For us, there is only the trying."

But we must not forget that we have common sense and the will of the people on our side. Despite the widespread general support for the President's economic package, poll after poll shows that Americans want to maintain their quality of life and protect their environment. At the very least, one out of four Americans is a potential ally in this fight, and we've got to get the message out to them. We've got to convince them and the Congress and the President of three things:

The Watt budget is an aberration from the Republican tradition and the true Reagan philosophy;

The Watt budget is self-contradictory and inflationary;

Watt himsef is utterly lacking in the vision and judgment necessary to continue as Secretary of the Interior.

Unless we can make this case convincingly, all our victories over the last 20 years are in jeopardy. Until the administration realizes what is going on in the agency that is supposed to guard and wisely manage our natural resources, we can't relent in our vigilance and outspokenness. Unless a change is made soon, we will witness the tragic decline of that agency and it's personnel into the Department of the Interior.

President T. R. Roosevelt—a Republican with a conservation ethic as broad as the Giant Sequoia—set national goals still pertinent now: "I recognize the right and duty of this generation to develop and use our natural resources but I do not recognize the right to waste them, or to rob, by wasteful use, the generations that come after us."

I am convinced this concept will prevail because I believe that President Reagan is at heart a good man. He is a rancher who knows and cares for the outdoors. I do not believe he wants his presidency to be remembered as the end of the Conservation Era. Most of all, I believe he will listen to the voice of the American people.

FORCED BUSING SHOULD BE ENDED

Mr. HELMS. Mr. President, the June 22, 1981, issue of U.S. News & World Report carried an interview with Dr. Dennis L. Cuddy, a University of North Carolina at Chapel Hill faculty member, on the issue of forced busing. In order to share Professor Cuddy's timely views with Senators, I ask unanimous consent that the interview be printed in the RECORD at the conclusion of my remarks.

There being no objection, the interview was ordered to be printed in the RECORD, as follows:

SHOULD FORCED BUSING BE ENDED?

(Interview with Dennis L. Cuddy)

Q. Mr. Cuddy, why do you feel school busing for racial desegregation should be stopped?

A. Because forced busing, as a permanent solution to the problem of how to integrate society, is discretionary against blacks. For example, to achieve integration in a city that is 70 percent white and 30 percent black requires the busing of 70 percent of those of the minority race, but only 30 percent of the white students.

In addition, it becomes more difficult for the minority students who are bused to participate in extracurricular activities before and after school. And their usually poor parents are deterred from attending parent-teacher meetings or their son's or daughter's athletic or cultural events in schools on the other side of town.

Lastly, there's the loss of the neighborhood-school identification, which results in a loss of respect and responsibility for the school's condition and leads to increased vandalism by those of both races.

Q. Proponents of busing say it has lessened discrimination. Wouldn't there be a danger that this trend might be reversed?

A. No. The question assumes that forced busing is the only means of maintaining an integrated society, but that's not true. It is doubtful that those blacks living or working in predominantly white neighborhoods would move to predominantly black neighborhoods simply because forced busing was terminated.

We should continue to have an integrated society and maintain the right of blacks to attend any school of their choice, to go to any public establishment they please and to live wherever they desire.

So, if a certain percentage of black parents do not want the government telling them that they must send their children to schools outside of their neighborhood, the government should not be able to overrule the parents.

Q How would you enforce the right of blacks to attend schools of their choice?

A It should be made legally incumbent on every school system to provide equal educational opportunities in all schools. Then relatively few students would choose to leave their own neighborhood schools.

Q Job opportunities for minorities have increased since busing for integration began. Can't this be attributed at least in part to the better education blacks are receiving?

A Well, forced busing is not the only way blacks can obtain a quality education. As one who attended an integrated school in the South before the Supreme Court's 1954 Brown decision, I can attest to that.

Marva Collins, a Chicago teacher, and the All Saints School in Harlem, among others, have shown that economically deprived minority students can score higher than the national average on tests.

As for job opportunities for blacks, those who strive for educational excellence will be able to obtain employment in almost any major American industry today and have tremendous opportunities for advancement. This is not because American industry has suddenly felt a magnanimous attitude toward minorities, but because executives realize that it is in their own economic self-interest to hire the most qualified person, regardless of race.

Q Another reason busing is said to be ineffective is that it is not required between separately administered city and suburban school districts. Why shouldn't this be tried?

A In countrywide school systems, such busing is already occurring, and I have nothing against the city school system expanding to include the county. My only questions are: What about those black parents who feel their children can be guaranteed an equal educational opportunity in their own neighborhood school? Why would they want their children bused across town every day just to attend a school with a certain percentage of white children?

Q. Since most black spokesmen adamantly insist on school busing, wouldn't an end to busing deepen racial animosities between blacks and whites?

A No, because the original purpose of mandated busing was to guarantee equal educational opportunity for all children, regardless of race. Thus, turmoil will only result if blacks are denied equal opportunity.

And may I suggest that whenever black leaders have appealed to the innate sense of justice and fairness in most white Americans, black Americans have had far greater success in achieving their goals than when they have appealed for something on the basis of race alone, which usually results eventually in a reactionary white backlash, unfortunately.

Q How would you stop busing—by amendment to the Constitution, legislative action by Congress or some other means?

A If it can be shown that equal educational opportunity exists for every child within a school system, then the courts will have no grounds for ordering continued forced busing of blacks and whites against their will.

Q Is there any merit in voluntary programs such as that proposed by the government for St. Louis, which would give college tuition payments to those who participate in busing programs?

A Yes. Voluntary or incentive or options approaches are the best vehicles for achieving integration. Furthermore, you might try magnet schools—where those desiring college-preparatory instruction go to particular schools, those interested in technical education go to other schools, and those in the arts to still other schools.

But if we are not willing to try the incentive or voluntary approaches, then we must ask whether society would next adopt other unacceptable authoritarian programs. I definitely recommend the nonauthoritarian approach to integration as long as all students are guaranteed an equal opportunity to receive a quality education.

WHAT DOES THE HUMAN LIFE BILL REALLY DO?

Mr. HELMS. Mr. President, ever since the Subcommittee on Separation of Powers voted to report S. 158, the human life bill, there have been many commentaries on the significance of this action. Most of these commentaries have been ill-advised and ill-informed. There has been a great deal of emotionalism on this issue, which, I believe, has led some persons to make hasty judgments.

However, the fine newspaper, Human Events, has carried a commentary that is worthy of attention by my colleagues and by all those who wish to know what the human life bill really does. It was written by Prof. Grover Rees III, who is on leave from the University of Texas Law School, and has been serving as counsel on the Subcommittee on Separation of Powers, under the chairmanship of my distinguished and able colleague from North Carolina, Senator JOHN EAST. For that reason, I would recommend this commentary as an incisive and thorough explanation of what the bill readily does.

Mr. President, I ask unanimous consent that the text of the human life bill, as reported by the East subcommittee, be printed in the RECORD, along with Professor Rees' commentary, at the conclusion of my remarks.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 158

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 42 of the United States Code shall be amended at the end thereof by adding the following new chapter:

"CHAPTER 101

"SECTION 1. (a) The Congress finds that the life of each human being begins at conception.

(b) The Congress further finds that the fourteenth amendment to the Constitution of the United States protects all human beings.

"SEC. 2. Upon the basis of these findings, and in the exercise of the powers of Congress, including its power under section 5 of the fourteenth amendment to the Constitution of the United States, the Congress hereby recognizes that for the purpose of enforcing the obligation of the States under the fourteenth amendment not to deprive persons of life without due process of law, each human life exists from conception, without regard to race, sex, age, health, defect, or condition of dependency, and for this purpose 'person' includes all human beings.

"SEC. 3. Congress further recognizes that each State has a compelling interest, independent of the status of unborn children under the fourteenth amendment, in protecting the lives of those within the State's jurisdiction whom the State rationally regards as human beings.

"SEC. 4. Notwithstanding any other provision of law, no inferior Federal court ordained and established by Congress under article III of the Constitution of the United States shall have jurisdiction to issue any restraining order, temporary or permanent injunction, or declaratory judgment in any case involving or arising from any State law or municipal ordinance that (1) protects the rights of human persons between conception and birth, or (2) prohibits, limits, or regulates (a) the performance of abortions or (b) the provision at public expense of funds, facilities, personnel, or other assistance for the performance of abortions: *Provided,* That nothing in this section shall deprive the Supreme Court of the United States of the authority to render appropriate relief in any case.

"SEC. 5. Any party may appeal to the Supreme Court of the United States from an interlocutory or final judgment, decree, or order of any court of the United States regarding the enforcement of this Act, or of any State law or municipal ordinance that

protects the rights of human beings between conception and birth, or which adjudicates the constitutionality of this Act, or of any such law or ordinance. The Supreme Court shall advance on its docket and expedite the disposition of any such appeal.

"SEC. 6. If any provision of this Act or the application thereof to any person or circumstance is judicially determined to be invalid, the validity of the remainder of the Act and the application of such provision to other persons and circumstances shall not be affected by such determination.".

WHAT DOES THE HUMAN LIFE BILL REALLY DO?

(By Grover Rees III)

On July 9 the Subcommittee on Separation of Powers voted to report favorably to the full Senate Judiciary Committee on S 158, the Human Life Bill.

The bill has had some extravagant publicity. It has been called unconstitutional, a challenge to the authority of the Supreme Court, a "compulsory pregnancy" bill that would expose women who had abortions to prosecution as murderers. Pro-abortionists have held out the prospect of a "pregnancy police" that would lurk under every bed, investigating every miscarriage and confiscating contraceptives.

Press coverage of the hearings on the Human Life Bill emphasized these attacks by opponents and gave short shrift to the patient explanations of Sen. John P. East (R.-N.C.), chairman of the subcommittee, that the bill is actually "a modest approach" to the abortion problem, an effort to persuade the Supreme Court to reverse its 1973 decision in *Roe* v. *Wade*. In *Roe*, the Court struck down all 50 state anti-abortion laws.

The effect of a judicial reversal of *Roe* would be simply to permit the states once again to choose whether to permit or prohibit abortion. This is the primary purpose of the Human Life Bill.

Roe v. *Wade* is regarded by most scholars as one of the Court's most difficult decisions to defend. Coincidentally, questions about the position of Supreme Court nominee Sandra O'Connor on *Roe* v. *Wade* have been the most powerful factor in the controversy over her nomination.

Indeed, the bill could not do any of the things its opponents say it will do, and could not be called "unconstitutional" in any meaningful sense, because the bill itself does not "do" anything at all. It defines no crimes, exacts no penalties. Rather, the Human Life Bill contains certain *findings* which, if the bill is enacted by Congress, could be used by state governments and by private litigants in urging the Supreme Court to change its mind about abortion.

The Human Life Bill simply states that "Congress finds that the life of each human being begins at conception" and further that "the 14th Amendment to the Constitution of the United States protects all human beings."

Based on these findings, the bill "recognizes" that unborn children are "persons" for the purpose of the 14th Amendment provision forbidding "any state" to "deprive any person of life" without "due process of law."

Even if the courts were to adopt this finding of the Human Life Bill as their own, the result would not be an automatic prohibition of abortions. The due process clause of the 14th Amendment does not prohibit persons from killing other persons: It only forbids *states* to take life without due process of law. When one person kills another person, he is ordinarily punished under state homicide laws, not directly under the Constitution itself. Unless the states choose to enact anti-abortion laws or to enforce laws that were on the books prior to *Roe* v. *Wade*, nobody could be prosecuted for having an abortion.

The Human Life Bill explicitly recognizes the constitutional power of the states to enact anti-abortion laws, even if for some reason the unborn are not protected by the 14th Amendment since every state has a "compelling interest" in "protecting the lives of those within the state's jurisdiction whom the state rationally regards as human beings."

For over a hundred years prior to *Roe*, the states had been enacting and enforcing anti-abortion laws that implicitly or expressly recognized the "personhood" of the unborn child. Since most of these laws were enacted contemporaneously with the ratification of the 14th Amendment they tend to support the view that the framers of the amendment would themselves have considered unborn children entitled to the amendment's protection. There is even stronger evidence that the 14th Amendment was never intended to create a constitutional right to kill unborn children.

The "states' rights" aspect of the Human Life Bill demolishes the parade of horribles conjured up by pro-abortionists. If certain birth-control measures such as intra-uterine devices (IUDs) actually are abortifacients that kill an embryonic human being rather than contraceptives that prevent such a being from ever existing, then states would be free to prohibit them if the courts should adopt the findings of the Human Life Bill. But no state would be forced to prohibit IUD's, any more than a state is now forced under the due process clause of the 14th Amendment to punish every killing of an adult human being.

Similarly, the states could fashion their own policies on the so-called "hard cases," such as abortion in the case of rape. Before 1973 every state regarded unborn children as persons, and yet some states permitted abortion in such "hard cases." No state, however, punished abortion as "murder," which is only one of many types of homicide.

The constitutional theory behind the Human Life Bill, however, prevents it from being a pure "states' rights" measure. Since any state that *compels* or *funds* an abortion amounts to a state depriving a person of life, the state would have to show that the deprivation was not "without due process"—i.e., that there was some compelling reason for the abortion, such as to save the life of the mother.

Some pro-life advocates have objected to the Human Life Bill on the ground that it does not go far enough. Most supporters of the bill tend to agree: The Human Life Bill is no substitute for a constitutional amendment. We will never have absolute, Court-proof protection of every human being from the moment of protection until Congress proposes a Human Life Amendment and 38 states ratify the amendment.

But most observers agree that there are currently not the required two-thirds majorities in each house of Congress to propose a Human Life Amendment. Indeed, when the pro-abortion side gets through talking about rape, incest, genetic deformity, and IUDs—issues that must be resolved in any effort to provide direct federal protection for the unborn—it is unlikely that an amendment without exceptions would muster a simple majority vote in the Senate.

The Human Life Bill can be passed with a simple majority vote, it would not require ratification by the states, and if it were passed today it would allow the states to begin protecting the unborn tomorrow. The pro-life movement would be credited with a major national victory, and would of course be free to redouble its efforts for the election of pro-life legislators who would support a Human Life Amendment.

The most significant drawback of the Human Life Bill is that it requires the cooperation of the Supreme Court in order to have any effects.

Stephen Galebach, the Washington lawyer and former *Harvard Law Review* editor who drafted the bill, has suggested that the Court should defer to the congressional finding that life begins at conception, under the Court's own holding in *Katzenbach* v. *Morgan* that there are some complex questions of fact and law that Congress is better equipped than the Court to resolve. Even without the *Katzenbach* doctrine—a doctrine that many conservatives reject—I believe there is a chance the Court will reconsider its holding in *Roe* v. *Wade* and find that it was wrong on the merits.

Roe is considered one of the worst Supreme Court rulings of the 20th Century, even by constitutional scholars who personally favor abortion. The Human Life Bill would be a powerful brief by Congress on behalf of the unborn.

A constitutional amendment strategy would not require the acquiescence of the Supreme Court, and once it was adopted an amendment could not be reversed by a simple majority in a future Congress. Therefore, Sen. East and the Subcommittee on Separation of Powers have urged the full Judiciary Committee not to act on the Human Life Bill until the Subcommittee on the Constitution, chaired by Sen. Orrin Hatch (R.-Utah), has had time to report on a Human Life Amendment.

Hearings on the amendment will probably be held early this fall. If it appears that an amendment can garner two-thirds majorities in the House and the Senate, then the Judiciary Committee might report an amendment to the full Senate. If not, the committee can report the Human Life Bill, whose passage would be an important step toward the end of the national nightmare that began in 1973.

THE EFFECT OF HIGH-INTEREST RATES UPON THE STUDENT LOAN PROGRAM

Mr. BOREN. Mr. President, I rise again today to resume my continuing discussion of the crippling effects of high-interest rates as I have for the past several weeks, and as I will continue to do until something in done. I have already described the various effects of high interest rates upon small businesses, the housing industry, and savings and loan institutions. Today, I will discuss the adverse effects of high interest rates upon federally subsidized low-interest student loans.

Currently, the guaranteed student loan program provides a Federal guarantee for the repayment of loans borrowed from eligible lending institutions. The rate of interest charged to the student under this program, recently raised to 9 percent per year, depends upon the money market interest rate. With the recent surge in interest rates, the rates on these special low-interest loans had to be raised as well. Unfortunately, this means that students seeking low-interest loans are forced to pay more money.

In addition, these programs are suffering from a relatively high rate of default, about 16 percent, and that number is expected to rise as interest rates go up. As a consequence of this, loan institutions will be forced to ration their credit. Fewer students will be able to obtain loans necessary to the completion of their postsecondary education because of the growing lack of confidence in students' ability to pay back their loans.

Furthermore, because of high interest rates, the Federal Government must pay a greater amount of money in order to make up the difference between the interest charged to students and the money market rate. Guaranteed student loan volume and the corresponding cost of Federal interest payments and special allowances have increased greatly in the past several years. According to Education Department statistics, guaranteed student loan volume was $1.96 billion in fiscal year 1978, $2.28 billion in fiscal year 1979, and increased to $4.8 billion by fiscal year 1980. Federal interest subsidies have grown from $249 million in fiscal year 1978 to $445 million in fiscal year 1980. Similarly, the special allowances paid to guaranteed student loan lending agencies have risen from $195 million in fiscal year 1978 to $820 million in fiscal year 1980. In view of the recently proposed budget cuts, we are all aware that there will be less and less money available for such purposes in the future.

This poses a dilemma because as less money becomes available, the Government is faced with the option of either increasing the rate of interest charged to the student, as was recently done under the Education Amendments of 1980, or raising the level of funding for the student loan program. Worse yet, the Government may simply reduce the number of students eligible for loans. Under such a policy, students who may be truly in need of a low-interest loan will no longer be able to obtain one.

Mr. President, I assert that something must be done about high interest rates, and it must be done soon. We must preserve this Nation's high standard of academic excellence, but this cannot be done if today's students cannot afford to go to school. High interest rates have a devastating effect upon the country's system of education, and as a result, the entire country will suffer.

Again, I ask my colleagues to join me in urging the President and the administration to devise an immediate short-range plan to combat the serious problems created by high interest rates.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Saunders, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 12:58 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the House has passed the following joint resolution, in which it requests the concurrence of the Senate:

H.J. Res. 191. Joint resolution designating August 8, 1982, as "National Children's Day".

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1640. A communication from the Acting Assistant Secretary of Defense (Comptroller), transmitting, pursuant to law, a listing of contract award dates for the period July 15 to October 15, 1981; to the Committee on Armed Services.

EC–1641. A communication from the Assistant Secretary of the Army (Installations, Logistics, and Financial Management), transmitting, pursuant to law, a report on a study with respect to converting the laundry activity at Fort Bragg, N.C., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–1642. A communication from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report with respect to converting the data entry/keypunch function at the Navy Regional Finance Center, Washington, D.C., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–1643. A communication from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report with respect to converting the custodial services function at the Fleet Training Center, Mayport, Fla., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–1644. A communication from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report with respect to converting the Guard services function at the Aviation Supply Office, Philadelphia, Pa., and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–1645. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment"; to the Committee on Banking, Housing, and Urban Affairs.

EC–1646. A communication from the Secretary of Energy, transmitting, pursuant to law, the national energy policy plan; to the Committee on Energy and Natural Resources.

EC–1647. A communication from the Acting Under Secretary of Energy, transmitting, pursuant to law, notice of progress made on development of a comprehensive program management plan; to the Committee on Energy and Natural Resources.

EC–1648. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Head Start: An Effective Program but the Fund Distribution Formula Needs Revision and Management Controls Need Improvement"; to the Committee on Governmental Affairs.

EC–1649. A communication from the Assistant Secretary of Housing and Urban Development (Administration), transmitting, pursuant to law, a report on a new Privacy Act system of records for the Department of Housing and Urban Development; to the Committee on Governmental Affairs.

EC–1650. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 30, 1981; to the Committee on Governmental Affairs.

EC–1651. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 30, 1981; to the Committee on Governmental Affairs.

EC–1652. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 30, 1981; to the Committee on Governmental Affairs.

EC–1653. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 30, 1981; to the Committee on Governmental Affairs.

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EC–1656. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 30, 1981; to the Committee on Governmental Affairs.

EC–1657. A communication from the Assistant Secretary for Health, Department of Health and Human Services, transmitting, pursuant to law, a report on a new Privacy Act system of records for the Department; to the Committee on Governmental Affairs.

EC–1658. A communication from the Assistant Attorney General for Administration, Department of Justice, transmitting, pursuant to law, a report on a new Privacy Act system of records for the Department; to the Committee on Governmental Affairs.

EC–1659. A communication from the Assistant Attorney General for Administration, Department of Justice, transmitting, pursuant to law, a report on a new Privacy Act system of records for the Department; to the Committee on Governmental Affairs.

EC–1660. A communication from the Director of the Community Relations Service, Department of Justice, transmitting, pursuant to law, the annual report of the activities of the Community Relations Service for fiscal year 1980; to the Committee on the Judiciary.

EC–1661. A communication from the Acting Commissioner of the Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders granting temporary admission of certain aliens under section 212(d)(3) of the Immigration and Nationality Act; to the Committee on the Judiciary.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–336. A resolution adopted by the City Council of Atascadero, Calif., urging the repeal of section 301 of the Powerplant and Industrial Fuel Use Act; to the Committee on Energy and Natural Resources.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BAKER (for Mr. MATHIAS), from the Committee on Rules and Administration, without amendment:

S. Res. 180. Resolution increasing the limitations on expenditures by the Committee on Banking, Housing, and Urban Affairs for the training of professional staff; and

S. Res. 189. Resolution authorizing expenditures by the Committee on Commerce, Science, and Transportation for the training of professional staff.

EXPLANATION OF SENATE RESOLUTION 180 AND SENATE RESOLUTION 189

● Mr. MATHIAS. Mr. President, earlier today I reported on behalf of the Rules Committee Senate Resolution 180 and Senate Resolution 189. I would like to put a brief explanation of each resolution in the RECORD at this point.

SENATE RESOLUTION 180

Senate Resolution 180, by Mr. GARN, would increase the limitation on expenditures by the Committee on Banking, Housing, and Urban Affairs for the training of professional staff. This resolution would increase by $5,100—from $1,000 to $6,100—the portion of its presently authorized funds (S. Res. 75, 97th Cong., agreed to Mar. 3, 1981) the Committee on Banking, Housing, and Urban Affairs could use for the training of its professional staff. No increase in the committee's total authorization would result from this action. The increase in the amount allocated for the training of committee professional staff is necessary in order to cover the cost of training expenses of Mr. M. Danny Wall, staff director of the committee, in Harvard University's program for senior managers in Government for the period July 26 through August 14, 1981.

SENATE RESOLUTION 189

Senate Resolution 189, by Mr. PACKWOOD, would authorize expenditures by the Committee on Commerce, Science, and Transportation for the training of professional staff. This resolution would authorize the committee to spend not to exceed $7,000 of its presently authorized funds (S. Res. 52, 97th Cong., agreed to Mar. 3, 1981) for the training of its professional staff. This action would not increase the committee's total 1981 authorization. The funds authorized for the training of professional staff would be used as training expenses for Ms. Anne M. Gavaghan, Commerce Committee staff director, in the Harvard University's program for senior managers in Government from July 26 to August 14, 1981.●

EXECUTIVE REPORTS OF COMMITTEE

The following executive reports of committees were submitted:

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation:

Nancy Harvey Steorts, of Maryland, to be a Member of the Consumer Product Safety Commission for the remainder of the term expiring October 26, 1984; and

Nancy Harvey Steorts, of Maryland, to be Chairman of the Consumer Product Safety Commission.

(The above nominations reported from the Committee on Commerce, Science, and Transportation with the recommendation that it be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

Mr. PACKWOOD. Mr. President, I also report favorably a nomination list in the National Oceanic and Atmospheric Administration which appeared in the CONGRESSIONAL RECORD in full on July 8, 1981, and, to save the expense of reprinting it on the Executive Calendar, I ask unanimous consent that the list lay on the Secretary's desk for the information of Senators.

The PRESIDING OFFICER. Without objection, it is so ordered.

By Mr. McCLURE, from the Committee on Energy and Natural Resources:

Anthony G. Sousa, of Hawaii, to be a Member of the Federal Energy Regulatory Commission for a term expiring October 20, 1984;

J. Robinson West, of Pensylvania, to be an Assistant Secretary of the Interior;

Jan W. Mares, of Conecticut, to be an Assistant Secretary of Energy (Fossil Energy); and

Alvin W. Trivelpiece, of California, to be Director of the Office of Energy Research.

(The above nominations reported from the Committee on Energy and Natural Resources with the recommendation that they be confirmed, subject to the nominees commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

By Mr. THURMOND, from the Committee on Armed Services:

Mr. TOWER. Mr. President, from the Committee on Armed Services, I report favorably the following nominations: Maj. Gen. Hugh J. Clausen, U.S. Army, for appointment as the Judge Advocate General, U.S. Army, and Brig. Gen. Hugh R. Overholt, U.S. Army, for appointment as the Assistant Judge Advocate General, as major general, Judge Advocate General's Corps, in the Regular Army of the United States, and as major general, U.S. Army. I ask that these names be placed on the Executive Calendar.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President, in addition, in the Navy and Naval Reserve there are 78 temporary/permanent appointments to the grade of captain and below (list begins with Phillip T. Angelini). Since these names have already appeared in the CONGRESSIONAL RECORD and to save the expense of printing again, I ask unanmious consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of July 15, 1981, at the end of the Senate proceedings.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. MATSUNAGA:

S. 1517. A bill to amend the Internal Revenue Code of 1954, to permit public utility property which otherwise qualifies as solar, wind, geothermal, or ocean thermal energy property to be treated as such for purposes of the energy investment credit; to the Committee on Finance.

By Mr. EXON:

S. 1518. A bill for the relief of Shy, Shy-Yo (David); to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. MATSUNAGA:

S. 1517. A bill to amend the Internal Revenue Code of 1954 to permit public utility property which otherwise qualifies as solar, wind, geothermal, or ocean thermal energy property to be treated as such for purposes of the energy investment credit; to the Committee on Finance.

ENERGY TAX CREDITS TO PUBLIC UTILITIES

Mr. MATSUNAGA. Mr. President, I am today introducing a bill to extend energy tax credits to public utility companies.

Mr. President, we expect the Nation's public utility companies to provide us with an uninterrupted flow of power and at a reasonable cost. The ability of these companies to meet public needs is now being strained by both economic and energy price instability.

As we all know, the price of oil since the early 1970's has increased by 1,600 percent. A recent Rand Corp. study questions the development potential of conventional energy resources in the United States. Who can project with any certainty what the price of oil will be 5 years from now, or even a year from now?

As for nuclear power, in the 6 years following 1973, nuclear projections for the the year 2000 fell by a factor of five for the world and eight for the United States. Delays and construction costs for nuclear plants being built and maintenance costs for those on-line have exceeded all expectations.

As for coal, the much-publicized acid rain and carbon dioxide dangers and potential interruptions in coal supply from frequent labor-management disputes cast doubt on coal's reliability. In addition expanded coal use will strain railroad capacity, creating shortages and rising prices. Other difficulties are attendant. For example, public objection to coal storage piles trouble Pacific Gas & Electric and Boston Edison planners. San Diego Power & Light projects a need of several hundred coal cars a day if it converts to coal, prompting a company spokesman to wonder, "which communities are going to take that kind of traffic?"

By the same token, although in a more promising context, substantial questions surround the use of renewable energy in its different forms in the future. Here, the chief problem is cost—whether renewables can become cost-competitive with conventional fuels—rather than an environmental or resource scarcity problem. In this situation the country's public utilities must assess future needs and satisfy public demand at the lowest economic cost.

To encourage alternative energy devel-

opment, the 1980 Windfall Profit Tax Act established an increased energy tax credit for solar, wind, geothermal, and oceanthermal energy equipment. But this credit was expressly denied to public utilities. It was argued that public utility companies were under regulatory constraints to utilize the cheapest available power and needed no incentive for alternative power generation.

This argument has proven to be simplistic. Investment in novel forms of electric generation is extremely risky for utilities, especially without tax incentives. Most utility companies have ignored alternative energy. Without the tax incentives, the utilities have little reason to invest in alternative energy development.

The few utility companies which have shown interest are blocked by the tax prohibition. The current prohibition has forced these utilities to turn to intermediaries. Partnership entities have been created by private investors to build wind or geothermal facilities to sell power to electric utilities. The partnerships are able to claim the energy tax credit not available to utilities. This device circumvents the restriction on public utility property. However, it also adds to the cost of power since the partnership profit must be covered by utility users.

Utilities must evaluate new technologies cautiously, and I can subscribe to the proposition that the primary responsibility of a power grid is not to serve as a laboratory for experiments in new energy technology. However, a few developmental projects can serve a useful purpose in proving the cost feasibility of alternative energy electrical generation.

The current restriction has discouraged utilities from exploring and developing alternative energy sources. I believe that restriction should be removed.

My bill would extend the Windfall Profit Tax Act business energy credits to public utilities. This would allow a 15-percent energy credit for solar, wind, geothermal and oceanthermal property purchased through 1985.

The proposed legislation would encourage the Nation's public utility companies to play an active role in insuring the security of America's energy future.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1517

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) paragraph (17) of section 48 (1) of the Internal Revenue Code of 1954 (relating to the exclusion of public utility property) is amended—

(1) by striking out "'solar or wind energy property'.", and

(2) by adding at the end thereof the following new sentence: "For purposes of the preceding sentence, the term 'alternative energy property' shall not include property described in clause (viii) or (ix) of paragraph (3) (A).".

(b) The amendments made by this Act shall apply to taxable years beginning after December 31, 1980, under rules similar to the rules under section 48(m) of such Code.

ADDITIONAL COSPONSORS

S. 234

At the request of Mr. HATCH, the Senator from Nebraska (Mr. EXON) was added as a cosponsor of S. 234; a bill to amend the Public Health Service Act to encourage the establishment of home health programs and to amend the Social Security Act to provide expanded coverage of home health services under the medicare and medicaid programs.

S. 1120

At the request of Mr. KASTEN, the Senator from Wyoming (Mr. SIMPSON) was added as a cosponsor of S. 1120, a bill to reduce the amount of funds available to an agency unless the agency has reduced waste, fraud, and abuse to the maximum extent feasible or demonstrates that no waste, fraud, or abuse exists in the administration of programs, and for other purposes.

S. 1162

At the request of Mr. LONG, the Senator from Idaho (Mr. SYMMS) was added as a cosponsor of S. 1162, a bill to amend the Internal Revenue Code of 1954 to increase the allowable contributions to employee stock ownership plans, to provide a credit against tax for contributions to an employee stock ownership plan based upon payroll as an alternative to that based on investment in equipment, and for other purposes.

S. 1215

At the request of Mr. PROXMIRE, the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 1215, a bill to clarify the circumstances under which territorial provisions in licenses to distribute and sell trademarked malt beverage products are lawful under the antitrust laws.

S. 1277

At the request of Mr. HATCH, the Senator from Florida (Mr. CHILES) was added as a cosponsor of S. 1277, a bill to restrict the authority of the Secretary of Health, Education and Welfare with respect to the regulation of vitamin and mineral products for over-the-counter use.

S. 1278

At the request of Mr. HATCH, the Senator from Florida (Mr. CHILES) was added as a cosponsor of S. 1278, a bill entitled the "Saccharin Study and Labeling Act amendment of 1981."

S. 1348

At the request of Mr. SASSER, the Senator from Wyoming (Mr. SIMPSON) and the Senator from West Virginia (Mr. RANDOLPH) were added as cosponsors of S. 1348, a bill to amend the Internal Revenue Code of 1954 to clarify certain requirements which apply to mortgage subsidy bonds.

S. 1448

At the request of Mr. MATHIAS, the Senator from North Dakota (Mr. BURDICK), the Senator from Georgia (Mr. MATTINGLY), the Senator from Pennsylvania (Mr. SPECTER), and the Senator from Iowa (Mr. GRASSLEY) were added as cosponsors of S. 1448, a bill to provide for the issuance of a postage stamp to commemorate the 70th anniversary of the founding of the Girl Scouts of the United States of America.

SENATE JOINT RESOLUTION 62

At the request of Mr. DOLE, the Senator from Nevada (Mr. CANNON) was added as a cosponsor of Senate Joint Resolution 62, a joint resolution to authorize and request the President to designate the week of September 20 through 26, 1981 as "National Cystic Fibrosis Week."

SENATE JOINT RESOLUTION 76

At the request of Mr. RANDOLPH, the Senator from Missouri (Mr. EAGLETON), the Senator from Ohio (Mr. GLENN), the Senator from Vermont (Mr. LEAHY), the Senator from Hawaii (Mr. MATSUNAGA), the Senator from Maine (Mr. MITCHELL), the Senator from Rhode Island (Mr. PELL), the Senator from Michigan (Mr. RIEGLE), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Massachusetts (Mr. TSONGAS), and the Senator from Texas (Mr. BENTSEN) were added as cosponsors of Senate Joint Resolution 76, a joint resolution providing for the commemoration of the 100th anniversary of the birth of Franklin Delano Roosevelt.

SENATE JOINT RESOLUTION 84

At the request of Mr. DECONCINI, the Senator from Maryland (Mr. MATHIAS) and the Senator from South Carolina (Mr. HOLLINGS) were added as cosponsors of Senate Joint Resolution 84, a joint resolution to proclaim March 19, 1982, as "National Energy Education Day."

SENATE JOINT RESOLUTION 85

At the request of Mr. HATCH, the Senator from South Carolina (Mr. HOLLINGS), the Senator from Alabama (Mr. DENTON), the Senator from Nebraska (Mr. EXON), and the Senator from Maryland (Mr. SARBANES) were added as cosponsors of Senate Joint Resolution 85, a joint resolution to designate June 30, 1981, as "National Drug Standards Day."

SENATE RESOLUTION 65

At the request of Mr. DURENBERGER, the Senator from Kentucky (Mr. FORD) and the Senator from Wisconsin (Mr. KASTEN) were added as cosponsors of Senate Resolution 65, a resolution to promote alternative nonanimal testing procedures.

UP AMENDMENT NO. 264

At the request of Mr. BRADLEY, the Senator from Michigan (Mr. RIEGLE) was added as a cosponsor of UP amendment No. 264 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

AMENDMENTS SUBMITTED FOR PRINTING

ECONOMIC RECOVERY TAX ACT OF 1981

AMENDMENT NO. 521

(Ordered to be printed and to lie on the table.)

Mr. KENNEDY (for himself, Mr. RUDMAN, and Mr. PELL) submitted an amendment intended to be proposed by them to the joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 522

(Ordered to be printed and to lie on the table.)

Mr. EXON (for himself, Mr. BRADLEY, Mr. PRESSLER, Mr. NUNN, and Mr. DIXON) submitted an amendment intended to be proposed by them to the joint resolution House Joint Resolution 266, supra.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Monday, July 27, to hold hearings on S. 678, a bill dealing with ZIP code legislation, and S. 1080, a bill dealing with regulatory reform.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON THE JUDICIARY

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet during the session of the Senate to hold the tentatively scheduled confirmation hearings on the nomination of Sandra Day O'Connor to be a Supreme Court Justice on September 9–11 or at a time later designated, and that the committee also be authorized to meet in executive session on September 15.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

GOOD SCHOOLS, NOT FORCED BUSING

● Mr. EAST. Mr. President, our distinguished former colleague, Sam Ervin, Jr., has once again hit the nail on the head. Mr. Ervin's well-deserved reputation as a constitutional scholar and defender of constitutional liberties makes his views on mandatory schoolbusing especially worthy of our serious consideration. One generation of unrestrained abuse of judicial power is enough. Let us get on with the job of educating our children. Mr. President, I ask that Mr. Ervin's article in the July 23, 1981 Charlotte Observer be printed in the RECORD.

The article follows:

GOOD SCHOOLS, NOT FORCED BUSING

(By Sam Ervin Jr.)

The Supreme Court asserts that the forced busing of school children for integration purposes is justified, even actually required, by the equal protection clause of the Fourteenth Amendment. This assertion is, in reality, undeniably proof of Lord Acton's aphorism: "Power corrupts, absolute power corrupts absolutely."

The allegation's falsity is proved by multitudes of other Supreme Court decisions which apply the equal protection clause correctly.

The Fourteenth Amendment became part of the Constitution on July 21, 1868. When it is interpreted and applied a right, its equal protection clause is one of the simplest and most salutary of the provisions of the Constitution. The clause specifies that no state "shall deny to any person within its jurisdiction the equal protection of the laws."

By this phrase the equal protection clause requires the laws of the state to treat all persons within is jurisdiction alike under like circumstances, both in the rights conferred and the responsibilities imposed. The clause applies only to states and state officials acting under state law. It does not apply in any way to private individuals, or confer to the federal government any power to control their conduct.

Since all federal officers, including Supreme Court justices, are bound by oath or affirmation to support the Constitution, no court, department or agency of the federal government has any power to require a state or any state officer acting in its behalf to violate the equal protection clause. The Supreme Court has expressly ruled that Congress cannot do so.

Instead of either requiring or justifying the forced busing of school children for integration purposes, the equal protection clause actually forbids the federal judiciary to take such action.

When it enters a forced busing decree, the federal district court initially commands the school board to divide the students in a district or attendance zone into two groups; to permit students of the first group to attend their neighborhood school in one district or zone; and to deny students in the second group admission to such neighborhood schools.

The most sophisticated sophistry cannot wash out the plain truth that the second command of the decree requires the school to deny students in the second group admission to their neighborhood schools solely on account of their race, and that is exactly what the Supreme Court ruled in the Brown Case, the school desegregation decision, is a violation of the equal protection clause.

While judges responsible for forced busing decrees are snug in their beds, parents of the students to whom the decrees apply are compelled to arise from their beds, and to arouse their children from their slumbers, prepare and serve them breakfast, and send them outdoors, no matter how inclement the weather might be, to await the arrival of the buses.

The students, often small tots, are compelled to take round trips, often long and wearisome, each school day between their homes and often distant schools. All this is done to mix students in racial proportions the federal judiciary deems desirable.

Such unrestrained exercise of judicial power, I submit, has no rightful place in an America which boasts in its national anthem that it is the land of the free, unless it is indispensable to the nation's well-being. No such case can be made for forced busing of students for integration purposes.

Advocates of forced busing exhibit no concern for the plight of white children who are transferred from superior schools in white communities to inferior schools in black communities. They are indifferent to the inescapable conclusion that on the basis of their own premise this forced busing denies these children equal educational opportunities.

The only intelligent remedy for past deficiencies in education is remedial education; and the only intelligent way to secure equal educational opportunities for all children, black and white, is to establish adequate schools in all areas.

Substituting forced busing for intelligent solutions of educational problems calls to mind the remark of Pope Julius III to the Portuguese monk: "Learn with how little wisdom the earth is governed." ●

NUCLEAR NONPROLIFERATION

● Mr. PRESSLER. Mr. President, in the course of reviewing my comments during consideration of Senate Resolution 179, nuclear nonproliferation, on last Friday, I noted that I failed to give recognition to two distinguished Senators for their enormous contributions to arms control efforts. Few other men have given so much of their time and energy to this cause as Senator PERCY and Senator PELL. I had these remarks prepared on the day we adopted the nuclear resolution, but I failed to mention it on that day so I shall do so now.

As chairman of the Foreign Relations Committee, Senator PERCY has provided strong leadership, shown admirable dedication to duty, and taken the initiative in pressing for a potent arms control policy. He has made clear to many administration witnesses that the committee is deadly serious about insisting that arms control be an integral part of our national security and defense policy. I personally believe that his brilliant handling of the nomination of Dr. Eugene Rostow will lead to a greatly accelerated agenda for Salt and TNF talks. He has repeatedly taken every opportunity to stress the absolute necessity of taking concrete steps to check the perils of nuclear nonproliferataion, which daily take on new dimensions as one of the crucial problems facing statesmen today. Along with Senator GLENN, Senator PERCY cosponsored the heart and basis of our nuclear nonproliferation policy—the Nonproliferation Act of 1978.

Senator PELL, who was chairman of the Arms Control Subcommittee for a long time, has similarly unselfishly devoted his time and efforts to arms control and related issues that give the strongest hope yet for world peace. Like Senator PERCY, Mr. PELL is a constant attendee and active participant at all hearings and briefings concerning arms control issues, whether they concern treaties, potential treaties, or negotiations that may, we hope, one day lead to international agreements that will lessen the threat of war. Senator PELL's contributions to the law-of-the-sea negotiations have been of great importance, and experts in the field have frequently praised him for his grasp of the difficult issues involved. He has added immeasurably to the value of numerous nomination and other hearings by the acuteness and salience of his questions.

The Foreign Relations Committee in particular and the Senate in general are fortunate indeed to have Senator PERCY as committee chairman and Senator PELL as ranking minority member at a very critical time. Not the least of their accomplishments, I might add, is their fairness and gentlemanly, but forceful, role during hearings and briefings. They both have, and will continue to have, a dominant role in shaping arms control policies and monitoring the execution of those policies on behalf of the United States. ●

CHICAGO SUN-TIMES SERIES ON DEFENSE

● Mr. NUNN. Mr. President. the Chicago Sun-Times recently published a series of editorials entitled "U.S. Defense: The Big Buildup." Although I do not necessarily agree with all of the conclusions reached by the authors, I commend the editors of the Sun-Times for publicly addressing many of the most important questions now facing the Naton in the national security area. By devoting the majority of the editorial page for nearly a week to this series, the editors have made a significant contribution to the

national dialog that is necessary if we are to sustain a bipartisan consensus on our critical defense requirements.

The editors correctly point out the need to examine these security requirements and determine overall strategy to insure that the expanded defense budget will produce a more effective military that is capable of fulfilling its assigned missions. The American people have a right to demand that the increased defense dollars are expended efficiently and effectively. This series contributes to that goal.

Mr. President, I note with pleasure that the name of Senator GARY HART, my distinguished colleague on the Armed Services Committee, is mentioned prominently throughout the articles. Senator HART'S comments on the defense budget and naval strategy are particularly worthy to note. In recent years, Senator HART has brought fresh ideas to the defense debate and has called our attention to numerous areas of defense planning and policy that need rethinking. I am pleased that the editors of the Sun-Times recognized his substantial contributions in the national security area.

I ask that the Sun-Times articles be printed in the RECORD.

The articles follow:

[From the Sun-Times, June 21, 1981]

A STRONGER DEFENSE

The American people are moving along toward the costliest buildup of their military forces in peacetime history.

Congress is approving, with all but inaudible opposition, a 1982 defense bill of $136.5 billion, up 28 percent after inflation. And this is just the first installment on the administration's plan to spend $1.5 trillion on defense through 1986. On an annual basis, that's a jump of 70 percent after inflation.

There is a broad national consensus for such massive spending, in spite of the enduring burdens of inflation, recession, high taxation. The people have had, apparently, their fill of humiliation at the hands of the Vietcong, ayatollahs, OPEC sheiks and Kremlin hierarchs. And they are determined to build military muscle so they can feel secure again.

There is assuredly a need for muscle building. The Soviets are projecting their power well beyond their borders—into Afghanistan, at the approaches of the Persian Gulf, in Southeast Asia, Africa and the Caribbean.

And they have what it takes to do so after lavishing—for three decades—precious resources on history's greatest military buildup.

From a zero base, they have achieved nuclear equivalence with the United States and, by some accounts, will soon imperil our silo-based retaliatory missiles. Their army is more than twice as large as ours. They have 50,000 tanks, we 10,000. Their navy, much enlarged, now moves freely in distant seas.

They are not, to be sure, 10 feet tall. Nor are we, thanks to superior technology, only 4 feet tall. Our allies, furthermore, are stronger than theirs, and far more trustworthy.

But the numerical disparities between us in specific areas and our new responsibility to defend interests beyond Europe and the Pacific—notably at the oil wells of the Persian Gulf—make it essential that we attend to our weapons and the people who man them.

When Harold Brown left office as President Carter's defense secretary, he was pleased about "the long-overdue consensus for increasing our nation's military strength" and President Reagan's determination to sharply raise spending on it. But he also warned that big defense budgets do not automatically translate into greater military power.

This the Reaganites have not thus far heeded Brown's successor, Caspar W. Weinberger, a good administrator with no experience in military matters, in short weeks produced the huge new budgetary numbers. The primary question asked in compiling them was not "What do we need?" but "How much should we spend?" And what the numbers add up to, mostly, is more of the same.

In "The Defense of the United States," the fine series CBS-TV aired last week, a persistent question arose: "Will throwing money at our problem solve it?" The answer is no.

A Senate military expert, Gary Hart (D-Colo.), calls the current defense bill "dangerous" because its programs are unrelated to "what history suggests is important for an effective military. . . . The bill provides more of the same ships, planes and tanks we have been . . . buying for decades. With its emphasis on $3.5 billion aircraft carriers, $650 million submarines, $40 million fighter planes and $2.5 million tanks, [it] makes it unlikely we can have the numbers we need."

Numbers are one need. So is what Sen. Hart calls usability of materiel—"the ability to function in bad weather . . . in the hands of real soldiers, without much maintenance." We need simpler, more mobile equipment to respond quickly to unforseen threats.

On a higher level, we need sharper assessments of Soviet strengths and weaknesses so we don't keep spending on the wrong things.

But for this essential wisdom Americans are called upon to trust a military-industrial-congressional complex that has repeatedly and shamelessly squandered their resources.

Past spending, though less than the future's, was hardly puny. Yet much of it went for "wrong things," resulting in a technologically brilliant but often inoperative force that, while it might respond appropriately to a challenge in Europe, left us all but naked to Soviet expansionism and radical nationalism on the Persian Gulf. Items:

The new M-1 tanks are so huge that only one at a time can be airlifted by the biggest U.S. transport, the C-5A.

The Air Force's new MX missile was designed just a bit too big to fit in the Navy's new Trident submarine's missile tubes, requiring costly alternative deployment, as in the Utah-Nevada "race tracks."

A new armored personnel carrier, the infantry's key vehicle, doesn't fit in the ramp opening of our assault transport planes.

The Army—because of the priority given to high technology—can't afford to properly train its troops. It has a third of the ammunition it needs for war. Six of 10 combat divisions are "not combat ready."

A third of two-thirds of our complex tactical aircraft are grounded at any given time for maintenance and to await—for as much as nine months—replacement parts, of which the Air Force lacks $2.1 billion worth.

The Navy lacks 20,000 petty officers and more of other personnel, so that warships often languish in port, unready to fight.

Clearly, throwing money at problems does not necessarily solve them. What is required for an adequate national defense is not simply "more," but prudent, well-reasoned answers to the questions "what?" and "why?"

William Kaufmann of the Massachusetts Institute of Technology shows in a new study that we can close the gap on the Soviets with just small increases in force strengths.

But this can be done only if most of the money available is spent on force readiness, which includes adequate and well-trained regular and reserve manpower, simpler weaponry to arm them and improved ability to transport them quickly and on short notice.

That's where President Reagan, the Pentagon and Congress ought to be headed. They have not yet shown that they are.

[From the Sun-Times, June 22, 1981]

SOVIETS OVERRATED—AND PENTAGON OVERREACTS

Lavish as the administration's defense budgets are projected to be, prudent choices will have to be made on how our precious dollars are spent. No realistic budget could ever accommodate the wish lists of generals and admirals and their civilian managers.

But prudent choices depend on wise assessment of what the Soviets are up to, and here the U.S. intelligence community historically has made flagrant errors that promoted wasteful U.S. responses. Rep. Les Aspin (D-Wis.), one of the wiser heads of the House Armed Services Committee, confirms the point in his Personal View on the opposite page.

Other warped assessments pervert perceptions of Soviet strength, and thus they pervert the Washington reactions based on them.

Most notorious are the CIA "studies" of Soviet defense spending, showing that Moscow's military budgets are far larger than ours. Truth is bent (probably by design to justify support for higher American budgets), and how it's done is shown by one example:

To arrive at the cost of the 4.5-million-man Soviet army, the CIA assigns the pay scales of U.S. military *volunteers* to the *conscripted* Soviet soldiers. Then it adds the American overhead of more than $10,000 per volunteer. When Uncle Sam gives our GIs a raise, the CIA gives an equivalent "raise" to Soviet soldiers and kites its totals that much more.

The CIA's statistical humbug has been credibly analyzed and realistically revised by Franklin D. Holtzman, a Tufts economist and a fellow at Harvard's Russian Research Center. His understated conclusion: "The corrected figures indicate that the Soviet Union has not been outspending the United States."

The Pentagon also habitually makes U.S.-Soviet comparisons without including their respective NATO and Warsaw Pact allies. When you add them in, even using the CIA's cockeyed Soviet budget figures, the perspective (see the accompanying table) tends to ease the alarm over our "weakness."

Take into account also the character of our allies compared with the Soviet's, Poland for one. The U.S.S.R. has been described properly as the only major power surrounded by enemies—almost all of them communist.

Go on, if you will. Add the China factor, including 4.4 million troops. The Chinese are not, to be sure, our allies, but they certainly are not the Soviet Union's friends.

And none of this takes into account the quality of weaponry. Returning to Holtzman:

"It is paradoxical to read in the Joint [congressional] Economic Committee hearings for various years that, according to the C.I.A. the Soviet Union has been regularly producing and deploying more military equipment than we have, and has almost twice as much military; yet the predominant opinion of participants is that the United States is still the stronger power.

"The resolution of this paradox is not hard to find. Clearly the basis for this view is the superior quality and technology of U.S. equipment. Unfortunately this crucially im-

portant factor is not captured in CIA estimates."

The matter of accurate, prudent assessment of Soviet strengths and what we should do to counter them bears heavily on crucial decisions the Reagan administration is to make soon, perhaps starting as early as next week.

These include two very costly projects—the MX missile and how it is to be deployed and construction of a manned bomber (or two bombers) to replace the venerable B–52.

The MX is the $40 billion-minimum nuke launcher with which the Pentagon proposed to scar up much of Utah and Nevada in a race-track configuration. That deployment is so monstrous that it may no longer be in the cards. But others are.

The real question is not how, but whether it should be deployed. And the answer revolves around the validity of the two canons of Pentagon theology invoked to justify it—'the window of vulnerability" and Soviet "first-strike capability."

The thesis is that in the mid-80s, before the MX can be deployed (that's the "window" in time), Soviet intercontinental nukes will be so accurate that they will be able to destroy our land-based Minutemen—and many of our submarine missiles—in a "first strike" without risking destruction of their own society.

But is a window really opening? In the 1970s we deployed 5,250 intercontinental nuclear warheads (present total 10,000), they deployed 4,341 (total 6,000). Ours are more accurate and in more hardened silos. Three-fourths of theirs are fixed in place on land. Most of ours are moving targets at sea or in the air.

The vulnerability idea is based on questionable assumptions—untested in war—about the accuracy of Soviet missiles. Excellent evidence indicates that from 100 to 300 of our silo-based missiles would survive, as would hundreds in undersea and air deployments.

Are the Russians mad enough to gamble 10 million, or 100 million, of their own on a theoretical first-strike capability? Are we?

On procurement of the new manned bomber: President Carter shelved the B–1 on the sound ground that the B–52 would be good enough (well into the 1990s, some experts say) to launch the new, cheaper, highly accurate cruise missiles without having to penetrate Soviet air defenses.

Now it's said that Defense Secretary Caspar Weinberger is leaning toward not one but two new manned, penetrating bombers—the advanced technology Stealth bomber for the '90s and later, and an updated version of the B–1 to tide us over until then. Do we really need and can we really afford the B–1?

We don't know the answers to all the questions. We do know that the Reagan administration is too new to be making fast-draw decisions . . . based on questionable assessments . . . pumped out by an incestuous military-industrial complex . . . for approval of vote-hungry congressmen eager to provide jobs in their thriving Sun Belt districts.

And we know that weapons systems once conceived—malformed or not—rarely, if ever, are aborted. They survive for decades to suck the milk from what should be a well-trained, realistically armed, mobile military force.

[From the Sun-Times, June 23, 1981]

HIGH TECH'S MIXED BLESSING

Military experts often agree that American technological superiority gives U.S. forces an edge on the Soviets in spite of their greater numbers in many weapons classifications.

That position has been battle-tested, especially in the air, when U.S. equipment was matched against the Soviets' in Korea, Vietnam and the Middle East.

But high tech can become—many say has become—a god that's worshipped for its own sake, even when more sophistication endlessly delays production, drastically inflates costs, compounds maintenance problems (effectively reducing force readiness) and, most important, reduces combat effectiveness.

Last week's CBS–TV series, "Defense of the United States," pointed up one notorious example of useless high tech—the Navy's F–18 fighter, now seven years in development.

Its birth model was priced at $5 million; that's now up to $30 million. And it is a dog in war games. The cockpit's "Star Wars" gadgetry dazzles pilots, so that they are consistently beaten by pilots flying smaller, simpler, much cheaper F–5s.

Sen. Gary Hart (D-Colo.) tried to scrap the F–18 project. But the military procurement establishment does not scrap the junk it creates; it gold-plates the mistakes and muddles on. And Congress goes along: 20,000 companies in 44 states make F–18 parts.

The F–18 is by no means the only such mistake. Many more are catalogued in the new book by James Fallows, National Defense, which should be force-fed to anyone who has anything to do with military budgets, especially members of Congress.

The Fallows thesis is that Washington is trapped in a "culture of procurement . . . that draws the military toward new weapons because of their great cost, not in spite of it."

That might be overstated, but Fallows is chillingly persuasive when he writes:

"To survey the first-line equipment of each service—the Army's new Abrams tank, the Navy's Trident submarine and F–18 fighter, the Air Force's MX missile, F–15 fighter and various 'smart' missiles—is to see a pattern. The weapons cost between 2 and 10 times as much as systems they replace, their technical complexity leads to behind-schedule deliveries and long periods in repair shops; their performance is better suited to computer-simulated war games than to the unpredictability and disorder that have typified real combat."

From Fallows and elsewhere these others:

The heat-seeking Sidewinder, first guided missile used in war, is still the best. It cost $3,000 ($10,000 today). The newer, radar-guided Sparrow and Phoenix cost 10 and 100 times as much and are less reliable.

The F–15 fighter is grounded at least a third of the time, partly because its maintenance depends heavily on diagnostic computers. And these computers themselves are out of order 20 to 50 percent of the time.

The Navy is equipping its newest warships with high-tech radar that can track and automatically fire weapons at hundreds of attacking planes or cruise missiles. One problem: It works only 60 percent of the time.

This is not an argument against technology that serves the defense interest, which much of it does. It is an argument against mindless excesses that compound the military's central problem, combat readiness, by filling its shops with inoperable gadgetry and diverting scarce money from basic needs—essential maintenance, adequate spare parts and ammunition and personnel training.

Defense Secretary Caspar Weinberger and his deputy, Frank Carlucci, have set up a special office to check the addiction of the brass hats to ultrafancy weapons systems. But the monkey has been on their back for so long, there's no going cold-turkey. It will take continuous attention from dedicated straights.

ITS HIGH COST

The high cost of high technology to defense capability has been illustrated by retired Air Force Col. Everest Riccioni, a specialist in the subject. He compares three fighters—the simple but able F–5, the moderately complex F–4 and the super-sophisticated F–15.

The same amount will buy:

F–5	1,000
F–4	500
F–15	250

Now consider that the more complex a plane is, the more time it is down for maintenance and repairs. Flight availability is measured in "sortie rates"—flights per day a plane can be counted on for duty. The sortie rates of the three planes:

F–5	2.5
F–4	1.5
F–15	1

Multiply the number of planes above by the sortie rate and the fighting product is:

F–5	2,500
F–4	750
F–15	250

The question is not whether pilots would rather confront a MIG fleet in F–5s, or F–15s but whether they would prefer to confront it with 10 planes or 100. The answer is obvious.

[From the Sun-Times, June 24, 1981]

MORE MONEY, LESS DEFENSE

"Runaway costs characterize our entire defense procurement program. These vast expenses have nothing to do with maintaining the strength of our military forces. They are . . . the result of a system that permits Defense Department officials to operate as though the public purse has no limits. It is a system that can and must be changed."

The authors of that statement are not your everyday pointy-headed unilateral disarmers. They are Senators Barry Goldwater (R-Ariz.) and Howard M. Metzenbaum (D-Ohio).

The two properly indict the "system," which goes beyond the Pentagon to include the defense industry and members of Congress less concerned with the national interest than the narrow interest of their own constituents.

The point is supported in detail in "The Iron Triangle," written by military affairs expert Gordon Adams and published just last week by the Council on Economic Priorities.

The triangle, Adams writes, is a "community of shared interests [that] excluded public participation from military decision-making" and reinforces "shared expectations that another generation of weapons is both desirable and necessary, whatever the cost."

Here's how the three sides of the triangle are welded together:

Defense contractors maintain elaborate lobbying offices to press their self-serving projects on the Pentagon and Congress. Costs are charged off to the taxpayers.

At least eight contractors have set up their own potential action committees, which dole out millions in campaign funds to congressmen representing districts in which they have plants and those in key positions on defense-related congressional committees.

Movement of key personnel within the triangle reinforces the incestuous relationship. During the 1970s, the eight contractors hired 1,671 Pentagon and NASA officials; 270 contractor employees went the other way.

"The triangle costs taxpayers hundreds of millions of dollars directly," the study finds, "and may cost billions indirectly by formulating policies that boost arms purchases above what is required for national security." Adams concludes: "Because of the Iron Triangle, the U.S. will end up buying less defense for more."

Similar indictments and demonstrations of gross waste enrich the literature of military procurement: The House Appropriations Committee identifies 46 areas where huge

sums could be saved. The General Accounting Office lays out 15 ways to economize.

Both estimate that 10 percent of defense budgets represents waste. Apply that to the $1.5 trillion the administration proposes to spend through 1986, and you have $15 billion.

Goldwater and Metzenbaum cite a government study showing that only "modest improvements in efficiency could reduce [defense] outlays by $16 billion."

What could $15 billion or $16 billion buy? Enough cost-efficient tanks and tactical fighters to overcome the Soviet lead in those areas—with $10 billion left over to restore a fourth of the funding Washington is now slashing from civilian programs.

Evidence supporting the primary theses of *The Iron Triangle* abounds for the close reader of daily news reports. Here are just two examples:

Seven teen graduates of th last Congress have registered as lobbyists, according to Congressional Quarterly. Two of them, Richard Ichord (D-Mo.) and Bob Wilson (R-Calif.), held key positions on the House Armed Services Committee. They have now registered as the "Washington Industrial Team" to twist the arms of their former colleagues in behalf of 7 of the top 16 defense contractors.

In three recent fiscal years, the Air Force did not ask for any appropriations to build more Lockheed C–130 transports, made in Georgia, or more A–7 attack fighters, made in Texas. Thanks to Sen. Sam Nunn (D-Ga.) and House Majority Leader Jim Wright (D-Tex.), Congress funded a minimum of 10 of each anyway. In the last fiscal year, the Senate balked, so Congress compromised by funding only six of each of the unwanted planes.

[From the Sun-Times, June 25, 1981]

CAN WE AFFORD IT? MAYBE

As the Reagan administration gears up to invest $1.5 trillion of U.S. resources in a defense buildup, economists are engaged in fierce debate over whether we can afford it.

With reason, Defense spending is scheduled to balloon from $159 billion in the current year to $250 billion in fiscal 1984 and an all but incredible $336 billion in fiscal 1986.

The field is crowded with economists saying, "No, we can't afford it, certainly not while cutting taxes 30 percent." They point to President Lyndon B. Johnson, who fathered the modern inflationary era by refusing to raise taxes while he mobilized the nation for the Vietnam War. And we are starting from an inflation base more than twice as high as the highest of the Vietnam catastrophe.

Administration economists and those who take their side believe the country can hack it. They note that President Reagan's buildup will be slower, more gradual and end up costing less than LBJ's as a share of the nation's wealth. Between 1965 and 1967 defense spending grew from 7.1 percent to 8.9 percent of the cross national product, or 1.8 points. Reagan plans to go from 5 percent to 6.7 percent of GNP, or 1.7 points, in six years.

But the unconvinced argue that the optimistic estimates of how supply-side economics will buck up the economy's performance. They assume a rosy 4.4 percent annual growth in the GNP and a healthy increase in productivity—which until recently had been stagnating—of 3 percent a year.

They also—and this deserves stress—expect inflation of defense costs to drop to 6.2 percent in three years. But inflation is much more severe in defense industries than in the economy as a whole—20 percent for primary weapons systems in 1980 alone. And it seems unrealistic to hope that a preshrunk, narrowly competitive industry can become more cost-efficient as demand for its products soars.

Whatever the eventual effects of the military buildup on inflation. Americans will have to pay dearly for it in other ways.

CBS–TV "Defense" series last week held up on yardstick: The cost of making something out of the fragmentary rapid deployment force—which we favor—will amount to more than the proposed budget cuts in education. Social Security, Medicaid, Medicare, transportation and energy put together.

There will be other massive dislocations of precious resources. Money, manpower and material for defense must come, sacrificially, from somewhere else.

The administration is embarked on a campaign to stimulate the sluggish American economy, to expand investment and productivity in the private sector, to reverse the decline in the U.S. share of world markets.

But the defense buildup will sharpen the competition for the limited investment funds available. Some authorities predict that 20 percent prime rates and 15 percent mortgages will continue to be a drag on private-sector business—and on the American dream.

And the competition for skilled labor—already brisk—also will weigh down the civilian sector (and inflate wage costs).

Rep. Les Aspin (D-Wis.) notes that the U.S. work force has the largest proportion of scientists and engineers in the world—20 percent higher than Japan. But we are still losing our competitive edge abroad and at home because the arms industries, even now, suck up at least 20 percent and perhaps as much as half of it. No comparable sacrifice is demanded of the civilian industries of our market-grabbing allies.

The United States does retain a technological edge in electronics and aerospace manufacturers, but these are precisely the pitchers that will be drained to fill the defense cups.

More is needed for the military, as we have said from the outset, but diverting the more is bound to be painful.

It will have to be managed in a controlled, continually monitored way to keep from exhausting American social, economic, and political structures. These are as essential to America's strength and security as the might of its armed forces.

[From the Sun-Times, June 26, 1981]

MANNING THE NEW WEAPONS

In this series of editorials on national defense, we have not, thus far, addressed the critical issue of manpawer, which is central to the discussion.

Neither, for that matter, has the Reagan administration.

What almost everybody wants is to be mightier than the Russians. But if it requires drafting American youths to make us so, some insist that's not the democratic way.

Yet the all-volunteer force is well short of success, "democratic" as it is (undemocratic may be more accurate, considering the disproportion in the armed services of poorly educated, less employable non-WASPs).

Six of 10 U.S. Army divisions are rated "not combat ready," largely because of gaps in the ranks. The Navy, traditionally more elitist, is short more than 20,000 petty officers. The Air Force lacks 2,100 pilots and 400 navigators.

In the fact of such gaping holes, the Pentagon proposes to expand the mission of the armed forces, to make them capable of fighting two and a half extended wars at one time (Europe, and the Pacific for the whole numbers, Southwest Asia for the half) instead of one and a half brief wars (Europe and a "brushfire" somewhere else).

On the books, the Pentagon will be expanding Army divisions by four, Navy ships by 150, Air Force wings by five. This will require at least a 200,000-man addition to the existing force of 2 million.

Where will they come from, taking into account not only today's lack of enthusiasm but tomorrow's demographics? The number of American males reaching age 18 will drop a fourth by the late 1980s.

President Reagan says he is determined to stick with volunteerism, even when he is told that, if the aim of our buildup is to deter the Soviets from aggression, conscription on the lawbooks would be more persuasive than tanks in the field.

Defense Secretary Caspar W. Weinberger said this week he intended to avoid the draft issue "as long as possible," which implied that he can't avoid it forever.

Lawrence J. Korb, assistant defense secretary for manpower, told us in Chicago last week that "we haven't given the all-volunteer force a fair chance," that the concept was "undermined" when the incentives that were to have accompanied it were withheld.

These, he said, the Reagan Pentagon intends to provide: pay levels competitive with the civilian, improved living conditions for service personnel, training at acceptable levels, cultivation of what is perceived as a rising pride in service to the country and, in fiscal 1982, post-service education benefits like those offered under the GI Bill.

We have no quarrel with these plans, especially in the absence of a clear public mandate for conscription. A draft in any case would help only initial recruitment. it would do nothing to solve the problem of retention—reducing the dropout rate of personnel trained at high cost to operate increasingly complex weapons and their sophisticated support systems.

But as the administration gears up to spend billions on new hardware, it had better be assured there will be hands and minds enough to work the stuff when it's here.

[From the Sun-Times, June 23, 1981]

$1.5-0-0,0-0-0,0-0-0,0-0-0—WHERE TO SPEND IT AND HOW TO CONSERVE IT

In the last week, we devoted most of this editorial space to a single issue, the buildup of the national defense forces.

The attention has been justified, we're convinced, because Americans have never before, in peacetime, been called upon to sacrifice so much of their precious resources on a single program: $1,500,000,000,000 over the next five years.

We have tried to make these points:

A large and continuous investment is required because of the Soviet Union's expansionism backed up by a spectacular buildup of its own military force, which in key areas surpasses ours.

But the problem of imbalances can't be solved by throwing money on the whole catalogue of weapons systems, as the Reagan administration for the most part is hastily doing. Soviet strengths and weaknesses must be realistically assessed, and dollars appropriately targeted.

The problem of defense waste must be addressed to an organized, continuous, concerted way. Federal authorities estimate 10 percent could thus be saved. That amounts to $150 billion, barely less than the current year's entire defense budget, not $15 billion as we said in error on Wednesday.

To do so, the Pentagon must be cured of its obsession with high technology. Technology often gives U.S. forces an edge over Soviet numbers. But abused, it creates unnecessarily complex weapons that are less effective in combat at costs that drain money from force readiness.

The public interest must be imposed upon the Iron Triangle—the closed, incestuous relationship of Pentagon, defense contractors and shameless congressmen—which too often

creates and perpetuates costly weapons systems, not to enhance the national security, but for private benefit.

After extensive study of military issues, we're convinced that—in spite of Washington's scare talk of "Soviet first-strike capabilities"—the U.S. forces have a significant edge on the Russians in intercontinental nuclear weapons, and that a greater proportion of defense spending should go into conventional forces.

U.S. security especially requires:

A ready force, with adequate, well-trained manpower, equipped with weapons that are cost- and combat-efficient and light and otherwise mobile enough to be moved great distances in short times.

Air and sea transport in numbers enough to move the force is, of course, essential. So are ammunition and spare parts in quantities adequate for a long war, not the quickie the Pentagon has prepared for.

A Navy powerful enough to contain the Soviet fleet, which in recent years has grown from a simple coastal patrol force to one that can project Soviet power into seas far from its home bases.

We discussed the first point in earlier parts of this series. As to the second:

Sen. Gary Hart (D-Colo.), a sane and expert congressional voice, puts the Soviet naval challenge in historic perspective, calling it "the greatest since Admiral [Alfred von] Tirpitz built the German high seas fleet to challenge Britain early in the century."

"We no longer have the automatic naval supremacy," Hart insists, "that allowed us to pursue a continental [European] strategy . . . without risking other vital interests—not just American interests, but Western interests." The Persian Gulf, for one.

We concur, without, however, endorsing the positions of Navy Secretary John F. Lehman Jr. He has the Pentagon admirals' dedication to big-deck nuclear aircraft carriers, in spite of their vulnerability in the modern naval era of "smart" missiles.

Lehman wants three big carriers, each costing $5 billion (before cost overruns) with their essential escorts. Such fortunes could be spent more prudently on smaller, less targetable carriers and other attack vessels.

The U.S. Navy already leads the Soviets in raw tonnages. Their huge lead is in numbers of warships.

It will be the height of national irresponsibility if the military managers in Washington continue to squander the enormous new appropriations in the same old ways. If they do, they will also squander the strong consensus they have for the buildup. The media are watching, perhaps as never before.

To direct the White House, the Pentagon and Congress into the proper spending channels, public input is required if public acquiescence is expected. The Center for Defense Information proposes a blue-ribbon National Commission on U.S. Defense Policy, and that could be beneficial.

Somehow, also, the Iron Triangle must be broken open to impose national frugality on its three self-serving legs. For openers, we need tighter controls on lobbying by defense contractors, on their campaign contributions to congressmen, on the freeflow of personnel among the three divisions, all of which abet a shared interest in weapons systems, an interest from which the public is excluded.

For continuous monitoring of the spending, a new mechanism is in order—some kind of inspector-generalship acting for the taxpayers. The Government Accounting Office, an arm of Congress, has in the past been useful—when called upon—in pointing out where the waste is and how to get rid of it. Perhaps a permanent monitoring unit could be established within it. Or in the White House Office of Management and the Budget, where it would be more independent of Congress.

On the other side of the defense ledger, this administration must, in the name of humanity, eventually face the issue of limiting destructive systems—of not building them at all, of imposing ceilings on their numbers, even reducing them—in agreement with the Soviet Union.

As to our friends, pressures will have to be kept on them to share, more generously, the great burden carried by Americans to protect the common interests of the free world. The United States has the nuclear problem in hand. Its allies could make the greatest contribution to conventional forces—Europeans on their ground, Japan in its coastal waters.

Finally, Reagan and his team must recognize that the threat of force, by itself, does not constitute a policy for the secure and civilized conduct of international affairs.

Nearly half a year into his administration, Reagan has nothing that can be called a foreign policy, apart from bluster and gunrattling. These, and his embrace of tyrants—on condition only that they be anti-Soviet—have projected abroad a questionable moral base for the way Americans should behave in the world community.

S. 917—THE VETERANS' DISABILITY COMPENSATION, HOUSING, AND MEMORIAL BENEFITS AMENDMENTS OF 1981

● Mr. STAFFORD. Mr. President, I rise in strong support of S. 917, the Veterans' Disability Compensation, Housing, and Memorial Benefits amendments of 1981. I am pleased to join in sponsoring this bill which includes the important provision to increase the rates of disability and indemnity compensation for disabled veterans and their survivors and dependents.

Through the years, Congress has from time to time provided for increases in monthly benefits for cost-of-living advances. Inflation continues, and it is important that this Congress make needed adjustments in veterans' disability compensation for disabled veterans and to increase the rates of dependency and indemnity compensation for their surviving spouses and children. The cost-of-living increase contained in S. 917 is 11.2 percent, which is the same increase provided to social security and VA pension beneficiaries which became effective June 1, 1981.

The service-connected disabled veterans have made tremendous sacrifices for the Nation. There is no way they can be fully compensated, but a grateful Nation can make sure that benefits provided by the Congress can be adjusted as living costs increase. This we are attempting to accomplish in the bill being considered today.

The bill also proposes to increase the maximum automobile allowance for veterans who have suffered the service-connected loss or loss of use of one or both feet or hands or service-connected blindness. Since the effective date of the last increase, the Consumer Price Index for new automobiles has increased over 21 percent, and the proposed amendment increasing the automobile allowance to $5,000 would help insure that this benefit keeps up with inflation.

On June 2, 1981, I joined with Senator THURMOND in introducing S. 1297 to amend current law to increase the compensation payable to veterans who have lost or lost the use of both upper extremities as a result of service-connected disability. Our bill provided for an advance for these particular severely handicapped veterans one full step in their present statutory award category of compensation. We are informed that 125 veterans have suffered service-connected loss of both upper extremities and 357 veterans have lost the use of both upper extremities as a result of service-connected injuries.

The Senate Veterans' Affairs Committee agreed to the provisions of our bill, S. 1297, and included the provisions of Senator THURMOND's and my bill in S. 917 now before the Senate. We feel that the law should recognize the different degrees of loss of function when considering compensation rates for bilateral upper and lower extremity losses.

On March 24, 1981, this Senator together with the junior Senator from Vermont (Mr. LEAHY), introduced S. 779 to authorize the Veterans' Administration to furnish memorial headstones or markers to commemorate veterans who, by choice, are buried at sea, who donate their bodies to science, or who are cremated and have their ashes scattered without interment. A similar bill to our S. 779 has passed in the House of Representatives.

Our Senate Committee on Veterans' Affairs has included the intent of our S. 779 in the bill we are now considering.

The Administrator would be authorized to furnish appropriate memorial headstones or markers for those veterans whose remains were buried at sea, whether by choice or otherwise, those veterans whose remains were donated to science and those veterans whose remains were cremated without interment of any portion of the ashes. The Administrator is authorized to furnish such memorials for placement in a national cemetery area reserved for such purposes, or in any private, local, or State cemetery. The law is amended directing the Administrator to set aside suitable areas in national cemeteries to honor the memory of such veterans and those who are missing in action.

Present law provides for commemoration of those whose remains cannot be interred, in national cemeteries. Our bill would expand the program by authorizing such commemoration in local, private, and State cemeteries.

Increasing numbers of veterans desire that their remains be donated to science or to have their remains cremated, and the ashes scattered. Even though their remains are not interred, their service to their country should be memorialized. Those who choose an alternative to burial should not be denied recognition of their sacrifice and service.

S. 917 contains a number of additional provisions beneficial to our veteran population. It is of considerable significance that the members of our Senate Committee on Veterans' Affairs under the capable leadership of its chairman, ALAN SIMPSON, continues to diligently work in behalf of all veterans in meeting their needs and in fulfilling the Nation's obli-

gation to those who have given so much to the country.●

THE LAND AND WATER CONSERVATION FUND WINS A ROUND

● Mr. BIDEN. Mr. President, periodically this year I have expressed my concern over the future of both the Federal and State shares of the land and water conservation fund (LWCF). Until yesterday afternoon, I have not been optimistic given the administration's requested spending level which is 91 percent lower than that proposed in January by then President Jimmy Carter.

In addition, Interior Secretary James Watt has sought to terminate the fund's State assistance grant program. The administration's initiative is particularly disheartening when one considers how this program is funded. Receipts from Outer Continental Shelf oil and gas leasing—not income tax revenues—are the LWCF funding source. This is important since the depletion of one natural resource funds the preservation of others. Next year, it is estimated that $8.5 billion will be realized by the Federal Government from OCS leasing—perhaps even more given Interior Secretary Watt's recently announced accelerated leasing schedule.

Yesterday afternoon, the Senate Appropriations Committee adopted an amendment offered by Senator JOHNSTON appropriating $201.620 million from the land and water conservation fund for fiscal year 1982: $100 million would be allocated to the States; $99 million would be used by the National Park Service, the Fish and Wildlife Service, the Forest Service, and the Bureau of Land Management for Federal projects; and $2 million would be used for administrative expenses.

I understand the difficulty which the Appropriations Committee finds itself this year. But the land and water conservation fund has been too important an incentive for Federal, State, and local governments to protect threatened natural resources and provide adequate recreational opportunities to allow the fate which Secretary Watt has proposed for it to occur.

The importance of the land and water conservation fund was apparent to the 21 other Senators who joined with me in a letter to the Interior Appropriations Subcommittee urging continued funding for both the Federal and State LWCF programs. While I was disappointed with last week's 6-to-8 vote loss in the subcommittee, I was hopeful that the vote could be reversed at the full committee level.

The $201 million which the committee has now included for the land and water conservation fund in the fiscal year 1982 Interior Appropriations is fiscally prudent. It represents a 61-percent cut from President Carter's budget submission. I am hopeful that the Senate will resist any attempt to reduce or strike either the Federal or State share of the LWCF when the Interior appropriations bill is debated—perhaps as early as next week.

To appropriate as the committee did yesterday, 2.4 percent of the anticipated $8.5 billion in OSC receipts for continuation of the LWCF's Federal, State, and local partnership is a decision which, I am convinced, an overwhelming majority of Americans support.

Mr. President, I ask that the projected State-by-State allocations which will result if yesterday's action is enacted be printed in the RECORD at this point.

The information follows:

Projected fiscal year 1982 LWOF State allocation

State:	*Allocation*
Alabama	$1,676,388.07
Alaska	868,348.08
American Samoa	9,955.38
Arizona	1,392,592.23
Arkansas	1,222,727.45
California	7,173,567.06
Colorado	1,502,405.70
Connecticut	1,685,427.89
Delaware	930,328.37
District of Columbia	337,705.27
Florida	3,169,127.48
Georgia	1,955,135.82
Guam	32,192.56
Hawaii	1,019,493.38
Idaho	931,298.64
Illinois	3,842,198.07
Indiana	2,151,870.35
Iowa	1,367,575.07
Kansas	1,284,440.76
Kentucky	1,524,906.36
Louisiana	1,742,748.13
Maine	989,878.76
Maryland	1,931,093.88
Massachusetts	3,281,252.97
Michigan	3,281,252.97
Minnesota	1,765,238.41
Mississippi	1,223,670.98
Missouri	1,960,466.37
Montana	923,790.25
Nebraska	1,115,763.33
Nevada	960,942.40
New Hampshire	975,639.72
New Jersey	2,905,691.61
New Mexico	1,018,275.51
New York	5,850,422.84
North Carolina	1,959,215.43
North Dakota	910,673.29
Ohio	3,677,615.82
Oklahoma	1,434,855.86
Oregon	1,359,945.65
Pennsylvania	3,977,763.68
Puerto Rico	1,306,761.77
Rhode Island	1,053,564.40
South Carolina	1,409,160.20
South Dakota	911,815.85
Tennessee	1,828,326.10
Texas	4,250,405.19
Utah	1,131,267.25
Vermont	852,987.86
Virgin Islands	29,763.58
Virginia	2,033,787.07
Washington	1,735,790.69
West Virginia	1,155,183.82
Wisconsin	1,917,798.11
Wyoming	843,680.89

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SETTLEMENT OF SALT LAKE CITY, UTAH

● Mr. SYMMS. Mr. President, I would like to urge you and my colleagues to share in the celebration of July 24, 1847, the day Mormon pioneers first settled in Salt Lake City.

The Mormon story is one of heroism and sacrifice which has been deeply etched in our frontier history. The pioneers who settled the regions of Idaho and Utah in search of religious freedom displayed an independent spirit, a strong belief in God, their families, and the country. Their determination led them through the hardest of times.

One of the most inspiring aspects of the Mormon faith is the strong emphasis on individual initiative and private solutions. Members of the community are exemplified for providing for one another's needs without asking government help. They believe the surest helping hand is at the end of their own sleeve.

That unique blend of cooperation, individual initiative, belief in God, and striving for excellence is the very essence of the pioneer spirit. It is a collection of the very qualities which have been at the heart of American greatness.

These industrious pioneers and their descendants have made and continue to make invaluable contributions to our American way of life. I praise their achievements and their dedication to the traditional American values of morality and family life and to the principles held by the Founding Fathers of this great Nation.

Mr. President, I ask that several articles be printed in the RECORD.

The articles follow:

WESTWARD THE SAINTS: THE NINETEENTH-CENTURY MORMON MIGRATION

(By Glen M. Leonard)

The April sun at daybreak cast long, lonesome shadows across William Grant's hometown village, Willenhall, Staffordshire, in England. A 28-year-old convert of sixteen years, he clutched the coronet that had won him prominence in the brass band, checked his pockets for hard-earned savings, and turned toward Liverpool and the ship that would take him, his wife, and their three children to Zion.

"I took one long look Back, . . . Thousands of Circumstances Crowding my mind of things in the past," he wrote, "but they were soon forgotten in thoughts for the great future. Some 9000 Miles of Travel was here before us."

William would live out his life in American Fork, Utah, a bandleader, choirmaster, music store owner, and part-time farmer. When he arrived in 1866, he owned only the belongings he had packed into a small cart in Willenhall. "Economy was the motto," he remembered. "We denied Ourselves all Luxury and barely took the Necessaries of life." [1] They had not even been able to afford cooking utensils for the ocean voyage. Like thousands and tens of thousands of Latter-day Saints who repeated the process between 1840 and the end of the century, William Grant sacrificed property, friends, family, and familiar surroundings because of his faith in the principle of the gathering.

William Grant, who lived a quiet, unpretentious life, had nevertheless participated in a heroic event. He and other of the pioneering generation have been remembered and honored by succeeding generations as examples of inspiring faith and perseverance. Twenty-fourth of July parades, Promised Valley pageants, pioneer societies and museums, statues, trail markers, and other commemorations properly celebrate the drama of the crossing and, to some extent, romanticize these events.

Part of this overstatement is regrettable; sometimes we lose sight of human dimensions through the mists of grandeur. But the fact remains that participants in Latter-day Saint migrations emerged from the experience tried and tested as a people. Nothing can detract from the sheer fact of their achievement—the numbers involved, the organization required, and the dedicated effort it took.

Footnotes at end of article.

THOUSANDS CAME

No one knows exactly how many Latter-day Saints migrated during the half-century that the gathering was encouraged by Church leaders. But at least 85,000 members, perhaps half again that many if children and independent immigrants are counted, sailed from Liverpool during that time. Another twenty thousand headed for Utah from American towns and cities.[2]

The international movement began from England in 1840, and twelve years later from Scandinavia. By the 1860s the United Kingdom still supplied around sixty percent of all those leaving Europe, but decreased to less than half as other nations began sending more. Scandinavia, with relatively few converts, still accounted for about a third of the total Mormon migration.

MODEL ORGANIZATION

Historians of the American West have called the Latter-day Saint migration one of history's best-organized mass movements, a model of discipline, organization, orderliness, and cooperation.[3] Setting the pattern for migration was the revelation given through Brigham Young near Council Bluffs, Iowa, in January 1847:

"Let the companies be organized with captains of hundreds, captains of fifties, and captains of tens, with a president and his two counselors at their head, under the direction of the Twelve Apostles.

"And this shall be our covenant—that we will walk in all the ordinances of the Lord." (D&C 136:3–4.)

Jane Rio Pearce captured the essence of the schedule aboard a Latter-day Saint immigrant ship in 1851:

"A bugle sounds every morning to let us know it is 6 o'clock, when all who think proper, arise. At 7:30 it sounds again for morning prayer, after which, breakfast. We then make beds, etc. We employ ourselves during the day according to our inclinations. Sometimes a few musical ones get together and have a few tunes. Sometimes get together and gossip and so the day passes. When we have rough weather we have enough to do to keep on our feet and laugh at those who are not so clever as ourselves! But we are most of us getting our sea legs as the sailors say." [4]

Members on each ship (and later in wagon companies) were organized into wards or branches; a missionary returning home was often the presiding officer. Regular religious services were held, and prayers in each ward at nine concluded the day.

The shepherding influence of the Church organization during the wearying journey accomplished two purposes: it gave the uneasy traveler a feeling of security and trained him to be obedient to his leaders. Bishops and branch presidents counseled the uncertain and encouraged the homesick or seasick. They performed marriages and buried the dead; before childbirth they pronounced blessings on the mothers-to-be. Jane Pearce, for one, found her shipboard branch president "a really sincere servant of God. His name is William Gibson, a native of Bonny Scotland, and his office is to watch over us as a pastor, to counsel, exort, reprove if necessary. In short to see that all our doings are in accordance wtih our profession as Saints of the Most High God." [5]

Sometimes the organization was even more detailed. Even on the plains, handcart pioneer Henry J. Harrison reported a Sunday afternoon visit from his home teacher who "came around to Know how Your standing was in the Church." During an 1862 ocean voyage, William Wood was assigned by branch president Francis M. Lyman to look after the temporal needs of four women, two of whom were traveling with children, and an elderly man. This traveling home teacher commented,

"It was remarkable how quick the people settled down to the requirements of those who were selected as bishops over the respective wards. I do not think the same number of people being non-Mormons would have settled down to such order. Nothing but the Spirit of the Lord would produce such harmony." [6]

UNITY THROUGH FAITH

Order established among these Latter-day Saints from all walks of life and every economic circumstance was one of the achievements of the migration. Another was the unity of their common motivation. The migration was a physical act expressing and confirming faith. To "gather out of Babylon" meant to the nineteenth century Latter-day Saint both a spirtual separation from worldliness (a meaning that has survived to our day) and a geographical refuge in Zion, a central gathering place.

We see this process beginning as early as 1831 when the Colesville Branch, for one, migrated en masse from western New York, first to Ohio and then to Missouri. Other members joined them in building new Latter-day Saint communities. Driven from those temporary harbors, the Saints of the late 1830s sought a new home in western Illinois. To Nauvoo came the first European emigrants in 1840. Then, in 1846 began the famous evacuation and trek across Iowa to Winter Quarters, Kanesville, and other staging grounds that became the launching points for Utah.

Thus, in some sense, the Church had always been an organization on the move. And those pre-1846 migrations built the leaders who made the exodus to the West successful. Zion's Camp, led by Joseph Smith from Kirtland to Missouri in 1834, had tested several faithful elders who gave important spiritual and temporal leadership on the westward trek: Brigham Young, Heber C. Kimball, Orson Pratt, Wilford Woodruff, Parley P. Pratt, Orson Hyde, and George A. Smith. A few years later Brigham Young, as a senior member of the Twelve, had helped direct the sorrowful winter march out of Far West and northern Miissouri. He had been determined then that poverty would not force a sincere Saint to stay behind, and that same determination flowered in the 1850s into the Perpetual Emigrating Fund.

PERPETUAL EMIGRATING FUND

The Perpetual Emigrating Fund was a hand stretched out to those without sufficient resources to pay their passage. The needy Saints borrowed from the PFF with a promise to repay as soon as possible after reaching Salt Lake City. A revolving fund, its success was based upon the constant flow of the funds available to it. It began in 1849 and received periodic transfusions with money contributed by Saints in both Europe and the States. These additional contributions were essential, for gradually over the years the unpaid debt to the fund increased, until by 1880 the debt plus interest had reached $1.6 million.

During that year of jubilee, the Church's fiftieth anniversary, President John Taylor announced a cancellation of debt against those unable to repay. Bishops were instructed to judge the merit of each case, forgive the poor, and collect from others.

Even the immigrants who were able to finance their own removal benefited indirectly from the PEF, for it served as a general emigration agency. Its agents chartered ships at Liverpool, met each boat in America—at New Orleans (the early port) or, after 1855, New York, Philadelphia, or Boston. PEF agents helped the travelers pass official inspection, find temporary lodging, and transfer to river boats for the 700-mile trip up the Mississippi and another 500 miles up the Missouri. They found trains and other overland transportation to the frontier stations in Iowa and Nebraska. At these last staging stops, PEF employees organized wagon companies for the final, dusty leg of the journey.

For the peak years of European migration in the 1850s, a less expensive method was devised. A First Presidency letter announced the plan in 1855: "Let all the Saints, who can, gather up for Zion, and come while the way is open before them; let the poor also come, whether they receive aid or not from the Fund; let them come on foot, with handcarts or wheelbarrows; let them gird up their loins and walk through, and nothing shall hinder or stay them." [7] Between 1856 and 1860 PEF monies were available only for the handcart pioneers, about a third of the immigrants to Utah during that period.

For the next nine years after 1860 another system helped immigration. Each spring the First Presidency issued a call to stakes asking for an allotment of teams and men to meet the immigrants at the railroad terminal. The teamsters (nearly 2,400 of them in that decade) served without pay—as missionaries—and altogether assisted more than twenty thousand Saints. After 1869, the railroad made travel easier.

DEDICATION AND SACRIFICE

The flexibility of the arrangements to meet varied circumstances only stressed the urgency of the gathering. The Saints knew they were participating in a great event, possibly the greatest adventure of their lives, and the experience of a nine-thousand-mile trip across an ocean and three-fourths of a continent is vividly recorded in hundreds of diaries—heart-warming evidence of the human drama of the trek. In many of these journal accounts, the routines of daily life aboard ship and on the trail are remembered only in sketchy entries. Except for the uncertainties of a new experience, or the threat of ocean storms, emigrants had little to fear on the Atlantic. The record of safety at sea was reassuring, and Mormon groups were healthier and better fed than regular emigrants. The greatest trial of the overland journey was the discomfort of travel. "Do not expect me to describe our road, as they call it," Jane Pearce wrote. "It is a perfect succession of hills, valleys, bogs, mud-holes, log bridges, quagmires, with stumps of trees a foot above the water mud, so that without the utmost care the wagons would be overturned. Ten times a day, 'Oh for the Tram Roads of Old England.' We each day hope that we shall have better traveling but as yet our changes have only been from bad to worse." [8]

Illness, accident, and other physical discomforts were always a possibility. The first days out of Liverpool on a sailing boat or steamer, seasickness was a common reaction; some people remained bedridden for the entire ocean crossing. At New Orleans and upriver, fevers, cholera, and dysentery attacked weary travelers. Death, especially for children and the elderly, was a feared consequence, but agents tried to schedule an early European departure to avoid the most serious seasons for these dreaded killers.

Accidents also injured and sometimes killed travelers. William Wood watched a man fall from the tongue of his wagon and saw both front and back wheels pass over his head. But, said William, "he got up without help and shook the sand out of his curley hair. No injury was sustained, probably to the fact that it occurred in a sandy place. It was to me a marvelous escape." [9]

No all were so lucky. Makeshift doctoring, prayers and strong wills did not alwavs bring relief from suffering and fatigue. "This day at 2:30, Sister Kempton died," Jane recorded. "She came with us from London and was in her usual state of good health until two days ago. Aunt Bateman and I laid her out and sewed her body up in a sheet. She was buried by the brethren at sunset on the summit of a small hill, where there are five other graves." [10]

Footnotes at end of article.

Thus, the journey that expressed their faith also tested their faith. Jane Charters Robinson and her sister Helen had left home against their father's wishes but with the blessings of their converted stepmother. As they approached St. Louis, Jane wrote, "My feelings are very peculiar in seeing so many new places and in being so very far from Home." Helen, worried how she would find her friends in the Salt Lake Valley, was depressed for a time, but "we had morning and evening prayer and it made us feel better and more content." [11]

Arrival at a destination, bone-weary from months on the road, brought thanksgiving: "Joy. Joy. Here was to us a paradise indeed," William Grant wrote of his arrival in Salt Lake City. Jane Pearce summarized her feelings as she emerged from Emigration Canyon by quoting Milton's Paradise Lost: "'These are Thy glorious works, Parent of Good, in wisdom has Thou made them all.'" She added, "I seemed to forget all the hardships of our long journey."

So, too, were most other arriving pioneers able to forget the seasickness, dust, tiring walks, rattlesnakes, wolves, dreary diets, discomfort, and misfortunes of travel. William Wood rejoiced: "Indeed I have not the language to express the gratitude of a thankful heart to the Almighty," [12]

SINGING SAINTS

Gratitude was an attitude common among the gathered Saints. They had traveled at God's bidding and had enjoyed his care. The assistance of the Church organization, daily prayers, frequent meetings, and shared experiences, kept spirits high. And so did singing, an act of community worship. Jonathan Pyrah, who was working his passage across the Atlantic in 1881, said the hymns caused his "heart to over flow as they were Hymns which we used to sing at home. . . . While I am writing this Journal," he continued, "there is a meeting begun and opened with prayer and singing. Now let us rejoice in the day of salvation the ship seems to Bow its noble head to the tune and ever[y] word." [13]

Music preached the gathering: "Ye Saints Who Dwell on Europe's Shore," "Come, Come, Ye Saints," "Oh Babylon, Oh Babylon, We Bid Thee Farewell" (now entitled "Ye Elders of Israel"), "I Long to Breathe the Mountain Air," "Israel, Israel, God is Calling," "High on the Mountain Top," "Farewell, My Native Land, Farewell," "O, Ye Mountains High," and other numbers.

Harvey Cluff, one of those who rescued the stranded handcart pioneers of 1856, recalled that "the youthful of both sexes were [soon] singing the songs of Zion around the campfires," and commented, "Herein lies the secret or cause of the success which the Latter-day Saints have had in coming out from Babylon, and crossing the plains into a wilderness." [14] Singing was an appropriate expression of their shared faith.

TEMPERING REALISM

This faith in the bounties and blessings of the Promised Land was tempered by cautious realism. Naturally mission magazines in Europe painted positive images of New World opportunities. Sidney Rigdon's description of the first Zion, in Missouri, had also glowed. But spokesmen for the Church warned against unrealistic expectations.

As early as January 1841, the First Presidency cautioned immigrants to Nauvoo: "We would wish the Saints to understand that, when they come here they must not expect perfection, or that all will be harmony, peace, and love; if they indulge these ideas, they will undoubtedly be deceived, for here there are persons . . . who, although they feel a great attachment to the cause of truth, have their prejudicies of education, and, consequently, it requires some time before these things can be overcome. . . . Therefore, let those who come up to this place be determined to keep the commandments of God, and not be discouraged by those things we have enumerated, and then they will be prospered." (History of the Church, 4:272–73.) Eliza R. Snow put the same idea into verse in her "Word to the Saints Who are Gathering":

Think not when you gather to Zion,
Your troubles and trials are through,
That nothing but comfort and pleasure
Are waiting in Zion for you:
No, no, 'tis designed as a furnace,
All substance, all textures to try—
To burn all the "wood, hay, and stubble,"
The gold from the dross purify.
(Hymns, no. 21.)

The gospel net had inevitably gathered some who would succumb to discouragement. Scattered along the trail were casualties of spiritual infirmities as decimating as the physical. Occasionally an excommunication dealt out the ultimate ecclesiastical judgment, more often, firm but loving correction brought the errant back into fellowship. Some, tiring of the trip, stopped to rest and never regained the desire to press forward to the final resting place. In Council Bluffs and other nearby areas of western Iowa and eastern Nebraska, small communities of disaffected members grew; similarly, dropouts disappeared into the mainstream of America at other staging areas along the Mormon Trail from Europe to the Salt Lake Valley.

In 1869, the transcontinental railroad eased the challenge of the trip and reduced the total travel time from Europe to twenty-seven days. The magnitude of the test they faced was greatly reduced, making the achievements of the 1847–69 pioneers loom even larger. Unintentionally, perhaps, the pioneers have become the very models of perfection they were warned they would not find universally in the Latter-day Saint communities.

LEGACY OF OBEDIENCE

Yet they deserve our honor, not for perfection but for their striving for perfection. Those who crossed the plains became later pioneers in far-flung Mormon communities—in southern Utah, northern Arizona, Mexico, and Canada, passing a double test as the truest of the true. To have inched through Hole-in-the-Rock to Blanding or over the rim of the Great Basin to Dixie, or to have started over in the refuge communities beyond United States borders, gave an enhanced luster to the legacy. Members of the Mormon Battalion and their families continued to remember their special experience in reunions that celebrated the great feat of the long march. Handcart pioneers similarly claimed a special place in the pioneer hall of honor. The early winter of 1856 had claimed 200 of their number—the worst disaster in the history of western migration—yet the five companies that year and five more through 1860 brought nearly three thousand European immigrants to Utah. No wonder descendants remember these sacrifices with grateful humility. Historians of the Church have noted that Saints were refined by three processes: conversion, persecution, and migration. Those Saints who endured them all could wear a crown of three-fold glory.

Of necessity, pioneering took on new meanings for later generations. Gradually the gathering passed into history. European members in the 1890s were encouraged to postpone migration, and then by the 1920s to stay in their homelands. Zion was driving its reinforcing stakes into the soils of nations everywhere and the Utah settlements were full. No longer would they need additional immigrants to give the Church a stable temporal base of operations for a headquarters.

Even though migration ended, the purposes of gathering did not. The Saints had gathered to Kirtland, Jackson County, Far West, and Nauvoo to build temples. Salt Lake City and other western communities became temple-centered congregations. The first members could realize their spiritual dreams only by moving closer to the places where the ordinances were available—by literally gathering out of Babylon to find Zion.

Later generations, in stakes with access to temples all around the world, would find a heightened spiritual meaning in gathering. Without leaving their homelands, they could express the same determination to abandon the evils of Babylon for the holiness of Zion. Today, for example, we sing "Come Let Us Anew, Our Journey Pursue," with the fervor of the Saints heading through the Hole-in-the-Rock in 1879, with the same hope expressed by companies of handcart pioneers.

Down to the newest convert, we share in the heritage of the migration, in much the same way that we share in the heritage of the children of Israel under Moses or a remnant of Israel led by Lehi toward a Promised Land. That heritage is courage and commitment, responsiveness to the "call," compassionate sharing with the poor, a cheerful spirit of cooperation, and devoted faith in God.

FOOTNOTES

[1] William Grant, "Biographical Sketches of the Life of William Grant," photocopy of holography, Church Hist. Dept. Archives, pp. 9–10.

[2] See Russell R. Rich, *Ensign to the Nations* (Provo, Utah: Brigham Young Univ. Press, 1972), p. 351; see also *Deseret News 1977 Church Almanac*, pp. 272–78.

[3] See Leonard Arrington, *Great Basin Kingdom* (Cambridge, Mass.: Harvard Univ. Press, 1958), p. 98; see also Howard R. Lamar, ed., *Reader's Encyclopedia of the American West* (1977), pp. 772–73.

[4] Jane Rio Pearce [Griffeths Baker], Diary, 26 Feb. 1851, typescript, Hist. Dept. Archives, p. 4.

[5] Ibid.

[6] Henry James Harrison, Diary, 24 June 1860, holograph, Hist. Dept. Archives, p. 57; William Wood, Sr., "Autobiography of William Wood, Sr.," typescript, Hist. Dept. Archives, pp. 21–22.

[7] Brigham Young, Heber C. Kimball, and Jedediah M. Grant, "Thirteenth General Epistle, 29 Oct. 1855, in *Latter-day Saints' Millennial Star* 18 (26 Jan. 1856): 54.

[8] Pearce, 2 May 1851, p. 13.

[9] Wood, pp. 30–31.

[10] Pearce, 19–20 July 1851, p. 24.

[11] Jane Charters Robinson Hindley, Reminiscence and Diaries, 1828–1907, vol. 1 (1855–84), entries of 4 and 6 May and 23 Feb. 1855.

[12] Grant, p. 19; Pearce, 28 Sept. 1851, p. 31; William Wood, "Autobiography," p. 32.

[13] Jonathan Pyrah, Diary, 6 Sept. 1881, photocopy of holograph, Church Hist. Dept. Archives, p. 6.

[14] LeRoy R. Hafen and Ann W. Hafen, *Handcarts to Zion, 1856–1860* (Glendale, Calif.: Arthur H. Clark Company, 1960), p. 23.

COLONIZING THE GREAT BASIN

(By Leonard J. Arrington)

When the Later-day Saint pioneers arrived in the Salt Lake Valley in July 1847, they divided themselves into small groups or "brigades." One group went to the mountains to secure timber for building cabins. Another built bridges across the streams. Another plowed and planted corps. Still another brigade went to southern California and to Fort Hall in Idaho to secure seeds, fruit, fruit trees, and cattle.

But the largest brigrade commenced a systematic program of exploration, beginning with the Salt Lake Valley and then proceeding to Tooele Valley to the west, Weber and Ogden valleys to the north, Utah Valley to the south, and other nearby areas. The goal was to find suitable areas where the 16,000 Latter-day Saints poised on the banks of the Missouri River could settle. Within a year or two a large exploring company was dis-

patched to southern Utah and across southern Nevada to southern California. They found iron in southern Utah, and oases and springs along their route, and laid the basis for many future Latter-day Saint settlements.[1]

1848—WITHIN UTAH

The settlement process took place in five stages. The first colony out of Great Salt Lake City, as they called it at the time, was ten miles south in what is now Cottonwood and Holladay. In 1848 a group of 250 migrants from Mississippi, including 40 black servants, located on farms there. Within two years, the irrigable land in the remainder of the Salt Lake Valley and contiguous valleys was occupied. About 20,000 Latter-day Saints had settled in Tooele and Grantsville, Davis and Box Elder counties, Weber and Ogden valleys, Utah Valley, Sanpete Valley, and Parowan and Harmony in southern Utah.

1850'S—NEVADA, THE "MORMON CORRIDOR," AND PARTS OF IDAHO

The second stage of settlement, occurring in the early 1850s, was the colonization of western Nevada, southern California, and northern Idaho. Early in 1849, a group of fifteen Latter-day Saints joined a company of non-Mormons traveling westward to Humboldt Springs, the Sierra Nevada, and northern California. Upon reaching Carson Valley, near the California border, seven of the Saints decided to remain and establish a supply station. By the mid-1850s the Mormon station at Carson was an officially supported and strategic colony in the Latter-day Saint network around the Great Basin.

Meanwhile, the Saints were locating a whole string of settlements stretching south from Salt Lake City to San Pedro and San Diego, California, in a geo-political plan called the "Mormon Corridor." The first in the chain was in Utah Valley, where Provo is located; three thousand people lived there in 1852. Ephraim, Manti, and other towns were located farther south in Sanpete Valley. Parowan was established in the Little Salt Lake Valley in 1851.

The line of new settlements stretched on to Las Vegas, now Nevada, where a colony was established in 1855 to work with the Indians in the region, to mine lead, and to raise semitropical agricultural products. Farther on, a colony was established at San Bernardino, California. The reasons for the settlement are given in President Brigham Young's official journal: to continue the chain of settlements from Salt Lake City to the Pacific; to provide a mail station; to cultivate olives, grapes, sugar cane, cotton, and other such desirable fruits and products; and, in President Young's words, "to plant the standard of salvation in every country and kingdom, city and village, on the Pacific and the world over, as fast as God should give the ability."[2] Some 450 Church members from the Salt Lake Valley arrived in 1851, and by 1855 there were about 1,500 inhabitants. Their butter, cheese, eggs, and flour were sold throughout southern California, as also was a large supply of lumber which they secured from the San Bernardino Mountains.

The Idaho colony was founded in 1855, when a company of men went to the Lemhi Range of mountains near present-day Salmon. This was then Oregon Territory. The purpose of the settlement was to make friends with the Bannock, Shoshone, and Snake Indians. The men erected a fort, built homes and a blacksmith shop, and planted and fenced several acres of land. The settlement was a success, at least temporarily, and other settlers from Utah arrived. When President Brigham Young visited the settlement in 1857, everything seemed to be going well. But the next year a large party of Bannock and Shoshone, some of whom had previously been friendly, attacked the settlers, drove off most of their stock, and killed some of the men. The colony was abandoned.

The second Mormon experience into present-day Idaho began three years later as part of the settlement of the irrigable places in Cache Valley. Many persons had thought that Cache Valley was too cold to grow crops on a regular basis, but a long dry spell in 1855–56 caused Church leaders to reconsider. An experimental colony was established at Wellsville in 1856. In 1858 there was an influx of additional settlers, particularly Latter-day Saints originally from the southern states who had returned to Utah from San Bernardino. Their success attracted others, and Franklin, Idaho, was settled under the direction of Preston Thomas, a former Texan, in 1860. This was the first permanent Anglo-Saxon settlement in what is now Idaho. As time went on, the Saints spread up into Preston and other places in Oneida and Franklin counties.

Three years later, when Idaho was made a territory, forty families established a settlement at Paris, in Bear Lake Valley, under the direction of Charles C. Rich, a Latter-day Saint apostle, militia general and frontiersman. This picturesque region had been the site of a fur trapper rendezvous in the 1820s. The success in colonizing Cache Valley had given confidence that Bear Lake could be settled successfully. The Bear Lake colony was strengthened by additional families in the years that followed—sixteen villages were settled

In all, some ninety-six colonies or settlements, including the twenty-seven along the Mormon Corridor to California, were founded by the Saints during the first ten years after they came into the Great Salt Lake Valley in 1847. The pattern was one of directed settlements—that is, the colonization was a community effort directed by Church authorities rather than the result of spontaneous and independent movement of individuals: First, there was preliminary exploration by companies appointed, equipped, and supported by the central Church; second, colonizing companies were appointed to found the settlements; and third, the companies were expected to pattern the new community institutions after those of Salt Lake City, which were in turn patterned after those of Nauvoo, Illinois, and Jackson County, Missouri.

Upon reaching their destination the colonists dedicated the land by prayer and cooperatively erected a fort or stockade which would serve as a temporary home and community center, as well as a protection against Indians. From this fort, colonists went forth each day in organized groups to dig canals, plant crops, build roads, fences, and homes, and otherwise prepare the groundwork for village life. This day-to-day work was usually planned in meetings of all heads of families—and each colonist was given specific assignments. These meetings were conducted under the direction of an apostle, if one were present, or the bishop who had been appointed in Salt Lake City before the company left.

During this period of preparation the settlement area was surveyed and divided into blocks of ten acres each by an appointed Church engineer. The blocks were separated by wide streets. A large block in the center was reserved for public buildings, and an important early task was the construction of a combination meetinghouse-schoolhouse on this lot. Each of the remaining blocks was divided into equal lots of an acre or more each, which were distributed among the colonists in a community drawing. Each family was entitled to one lot. On these lots the colonists built their homes, planted their orchards, raised their vegetables and flowers, and erected their livestock and poultry sheds.

Outside the village, the surveyor located an area (called "the Big Field") that could be conveniently irrigated. It was divided into lots ranging from five to twenty acres each, depending on the amount of irrigable land and the number of colonists. One of these farming lots was assigned to each family, again by a community drawing.

Besides the heavy community involvement, life in the farm villages was a family affair—everyone helped out. Resourcefulness was an important asset. The women often helped build the houses, plow and plant the crops, cut and stack the hay, shear sheep, spin and weave cloth, care for the chickens, and milk the cows. One sister tells the story of a young man who was leaving in seven days on a proselyting mission. When the women heard that he had no suit to wear, they went to work: "One Sunday the wool was on the sheep's back," she writes, "but by the next Sunday it had been clipped, cleansed, corded, spun, woven, and made into a splendid suit and was on the back of the missionary as he delivered his farewell address in our little church house."[3]

1870'S—SURROUNDING AREAS IN THE WEST

The third wave of Latter-day Saint colonization took place in the 1870s when the Saints swarmed into southern and eastern Idaho, southwestern Wyoming, southern and eastern Nevada, southwestern Colorado, and northern and central Arizona. While this colonization was not called or directed in the same sense as in the 1850s, it was encouraged and supported by the central Church. In most instances the colonies were supervised and assited by local wards and stakes located near the area being settled.

The Latter-day Saint movement into Idaho was a direct result of a new railroad from Ogden, Utah, north to Montana. The Utah Northern Railroad, financed by eastern interests but with Cache Valley Saints doing most of the labor, was completed from Ogden to Franklin in 1874. It was extended on through the upper Snake River Valley in 1878 and succeeding years. As the railroad pushed north, settlements followed. More than a dozen different villages or communities were settled in the next few years, including Rexburg, Parker, Menan, Lewisville, and Teton. In general this settlement was relatively well organized, under the direction of William B. Preston, the ecclesiastical leader in Cache Valley. Preston's instructions from Church headquarters in Salt Lake City were to settle the Saints in villages, just as was the pattern in Utah. In this way their ecclesiastical organizations could more effectively serve them, they would be closer to schools, and they could more effectively cooperate in making ditches, fencing fields, building bridges, and running their livestock. The village plan also made it easier to guard against horse and cattle thieves, land jumpers, and hostile Indians.

The Church instructions included the following admonition:

"Care must be taken that the interests of the Indians on their reservations, water claims or otherwise are not interfered with; but they must be guarded and protected in all their rights as is the white man. In all cases, a friendly and brotherly disposition should be nourished towards the Lamanites who will be our friends if we do not repulse them."[4]

The movement into Star Valley, Wyoming, was similar, and was accomplished primarily by Cache Valley Saints. Eleven communities were founded in the late 1870s and early 1880s. Another movement at the same time resulted in the founding of a cluster of colonies in San Luis Valley in southwestern Colorado. Most of the early residents there were migrants from Mississippi who, after their conversion to the gospel, wished to locate somewhere in the Mountain West.

The movement into Nevada began in 1864 when a group was called from southern Utah to settle Meadow Valley in east central Ne-

Footnotes at end of article.

vada. But in the years that followed, group after group went to southern Nevada to settle about a dozen communities to grow cotton and semitropical products, and to supply provisions for travelers on the Spanish Trail toward California.

But the largest and most important movement of the 1870s and early 1880s was directed toward Arizona. The Mormon Battalion had passed through that country on its memorable march in 1846 from the Missouri River to the Pacific Coast. After four settlements had been founded in 1876 on the Little Colorado River, other settlements were soon founded on the Gila and Salt rivers. Despite their hard lot initially, these settlers eventually began to prosper, and they provided the foundation for the community of Latter-day Saints in Arizona which now numbers about 200,000. The Udalls, Eyrings, Ellsworth, and Kimballs are all products of this heritage.

OUTSIDE THE U.S.

With the upper Snake River solidly settled, a group of colonies began in Alberta, Canada. And with many communities now located in Arizona, it was also natural to establish bases in Sonora and Chihuahua in Mexico. These, and colonies in the Hawaiian Islands and elsewhere in the South Pacific, were lonely outposts until the significant Latter-day Saint expansion throughout the Free World after World War II. There are now more LDS stakes in Latin America than in all the world in 1928.

TWENTIETH CENTURY

We should not overlook the significant colonization in this century. In Wyoming and Idaho, for example, many members of the Church moved into the Teton area, primarily from Star Valley, Wyoming; into Magic Valley, after the completion of the Milner Dam in 1905; and into the Boise and Payette areas. Earlier colonies also grew. Some of this expansion was the result of the erection of beet sugar factories by Latter-day Saint and other interests early in the twentieth century. In still more recent times, the opening of new lands for settlement after the completion of reclamation projects has seen considerable numbers of Latter-day Saints move into the American Falls area, Rupert, and Emmett. These provided the foundation for the 200,000 or more Latter-day Saints in Idaho today.

SOME LDS CONTRIBUTIONS TO WESTERN COLONIZATION

Most of the Latter-day Saint colonists in the mountain states and Oregon and Washington were farmers. Latter-day Saints have always been heavily involved in the growing of cattle and horses, wheat and hay, potatoes and peas, and sugarbeets. Some time ago, Kusum Nair, a charming writer and educator from India, who had received a grant from the World Bank to make a study of agriculture in the United States, Japan, and India, suggested a reason for the Latter-day Saint success with these crops. In her prize-winning book "The Lonely Furrow," there are two chapters on Latter-day Saint farmers. She wrote of one prominent non-Mormon agriculturist in Washington who told her that most Americans could not do irrigated farming. "It is much harder work than other kinds of agriculture," he said. "An American can look big—six feet tall. But he cannot work hard. Now the Orientals and Mormons can do that kind of work. They don't mind it. But not Americans. It's too hard." And he went on to tell Mrs. Nair that the Mormons "learn to do it only because they had to. It was a desert they settled, and there was no place else they could have gone to." Mrs. Nair concludes her two chapters on the Mormons by commending them for their blending of agriculture and religion in what she calls spiritual economics.[5]

Hard work is not the only contribution of Latter-day Saint pioneers to the development of the West. Here are some others:

1. They made persistent efforts through the years to establish friendly relations with Indians, and they have played a significant role in the intellectual, social, economic, and cultural achievements of western Indians in the past generation.

2. They contributed significantly toward the passage of women suffrage in the states of the mountain west in the years before World War I.

3. They helped perpetuate a heritage of economic cooperation, which has helped provide the kind of economic organization necessary to the development of the arid West.

4. They established and maintained cultural facilities and activities: ward schools, stake academies, colleges and universities, dance halls, choirs, theatrical productions, art festivals, classes in literature, and instruction in health and nursing.

Finally, it would be well to remember three general goals of early Latter-day Saint colonists. First, they cultivated a reverence for life and for nature. Even as they crossed the Great Plains, headed for the Salt Lake Valley, they agreed upon a rule that they must be kind to their animals. "The more kind we are to our animals," said President Brigham Young, "the more will peace increase, and the savage nature of the brute creation will vanish away" (in Journal of Discourses, 1:203).

Second, they tried to keep their settlements clean and productive. "Build cities," said President Young, "adorn your habitations, make gardens, orchards, and vineyards, and render the earth so pleasant that when you look upon your labors you may do so with pleasure, and that angels may delight to come and visit your beautiful locations" (in Journal of Discourses, 8:83).

Third, they sought personal development and improvement. This accounts, no doubt, for their heavy investment in education. Elder Parley P. Pratt said: "Here we can cultivate the mind, renew the spirit, invigorate the body, cheer the heart and ennoble the soul of man. Here we can cultivate every science and art calculated to enlarge the mind, accommodate the body, or polish and adorn our race."[6]

President Brigham Young often said that the way to achieve success as a person, as a family, as a community, as a nation was to work hard, plan well, and trust in God.

That formula, inherent in the success of the Latter-day Saint colonization of the Old West, remains valid for all of us.

FOOTNOTES

[1] The following sources provide documentation for most of the information in this article: Milton R. Hunter, *Brigham Young the Colonizer* (Salt Lake City: *Deseret News Press*, 1940); Leonard J. Arrington, *Great Basin Kingdom: An Economic History of the Latter-day Saints, 1830–1900* (Cambridge, Mass.: Harvard University Press, 1958); and B. H. Roberts, *A Comprehensive History of the Church*, 6 vols. (Salt Lake City, 1930).

[2] Manuscript history of Brigham Young, 20 Mar. 1851.

[3] Miscellaneous pioneer interviews and sketches: Mary Julia Johnson Wilson, p. 31, Mormon Diaries, Journals, and Life Sketches, Box 10, Library of Congress, Washington, D.C.

[4] John Taylor and Joseph F. Smith to William B. Preston and Counselors 26 Dec. 1882, First Presidency Letter Press Copybooks, vol. 6, Church Hist. Dept. Archives.

[5] Kusum Nair, *The Lonely Furrow: Farming in the United States, Japan, and India* (Ann Arbor, Mich., 1969), pp. 37–38; italics in original.

[6] Manuscript history of Brigham Young, 23 Aug. 1848.●

PROPOSED TAKEOVER OF CONOCO, INC.

● Mr. JACKSON. Mr. President, takeover fever is sweeping Wall Street and infecting several of our largest oil companies. Conoco Inc., our Nation's ninth largest oil company, is presently the subject of a friendly takeover attempt by DuPont and unfriendly takeover attempts by both Mobil Corp., our Nation's second largest oil company, and Joseph E. Seagram & Sons, a U.S. corporation which is controlled by Seagrams, Ltd., the large Canadian distiller. Recent press reports indicate that several other large U.S. oil companies have obtained multi-billion-dollar lines of credit for the purpose of either funding additional takeover attempts or defending against possible takeover attempts. Included among such companies are said to be Gulf, Texaco, Cities Service, Pennzoil, and Marathon.

There can be no doubt that the possible acquisitions by major oil companies of other oil companies pose significant policy questions for Congress and the administration. The antitrust implications of these mergers could be particularly important. In this connection, I would call the Senate's attention to the complaint filed earlier this week by Conoco, seeking a judicial determination that violations of section 7 of the Clayton Act would occur if Conoco were acquired by Mobil.

On July 22, 1981, Conoco Inc. filed an antitrust complaint against Mobil Corp. and Mobil Oil Corp. in the U.S. District Court for the District of Columbia. (Conoco Inc. against Mobil Corporation, civil action No. 81–1694). The complaint sets forth the exploration, production, refining, transportation, and marketing characteristics of both Conoco and Mobil, traces the development of Mobil from its origin in the Standard Oil Trust which was dissolved in 1912 following a Supreme Court decision that the trust violated the Sherman Antitrust Act and alleges that:

If Mobil were to acquire Conoco the expected result of such acquisition will be substantially to lessen competition and to tend to create a monopoly in violation of Section 7 of the Clayton Act in both national and local markets in the following lines of commerce, among others: the exploration for, production and acquisition of crude oil; the refining of crude oil; the sale of refined petroleum products including motor gasoline, distillate fuel oil, diesel fuel and petroleum coke; the operation of natural gas processing plants and the sale of natural gas liquids; and the acquisition and sale of uranium and coal.

Conoco's complaint includes a number of specific allegations concerning the effects of Mobil's proposed takeover, including:

1. The takeover would result in Mobil owning and operating 23.1 percent of the nation's crude oil pipeline transportation system. Mobil presently owns 4,449 miles (11.9 percent) of the total U.S. crude oil pipeline system (and ranks first) and Conoco owns 4,071 miles (11.2 percent and ranks second). After the takeover, Mobil will own 8,541 miles (23.1 percent) of the nation's crude oil pipeline system. The second ranking company in the crude oil pipeline sector would become Shell with 2,247 miles of pipe-

line, almost one-fourth the share of the pipeline system which would be held by Mobil. The Conoco complaint alleges that:

"A market structure will be created whereby Mobil may be able to exert substantial economic power over the independent producers of crude oil by reason of its control of a substantial share of the total miles of crude oil gathering pipelines which are an essential means of transporting crude oil from the wellhead to the trunk lines through which it is ultimately carried to refineries.

2. The gasoline market shares of Mobil after the Conoco takeover would be:

(In percent)

Idaho	11.1
Montana	15.1
Nebraska	16.2
South Dakota	10.6
Wisconsin	11.0
Wyoming	14.1

3. Conoco, through its subsidiary Consolidation Coal Company, is the second largest coal producer in the U.S. and the holder of the largest proven reserves. A combination of Mobil and Conoco would give Mobil control of 8.2 percent of our nation's coal reserves. In the Northern Plains market (consisting of North Dakota, Wyoming and Montana), Mobil would control at least 18.9 percent of the proven coal reserves under federal coal leases.

4. The takeover of Conoco would result in Mobil controlling 97.2 million pounds or 8.8 percent of the total United States recoverable uranium reserves.

Mr. President, I recognize that the allegations of the Conoco complaint are just that—allegations. Nonetheless, the complaint as a whole suggests that there are indeed serious antitrust issues involved which deserve the most careful study by the Department of Justice, the Federal Trade Commission, and the appropriate committees of Congress.

Mr. President, I ask that the text of Conoco's complaint be included in the RECORD at this point.

The complaint follows:

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

[Civil action No. 81-1694]

Conoco Inc., High Ridge Park, Stamford, Connecticut 06904, Plaintiff, v. Mobil Corporation and Mobil Oil Corporation, 150 East 42nd Street, New York, New York 10017, Defendants.

Plaintiff, Conoco Inc. ("Conoco"), by its attorneys, brings this action for preliminary and permanent injunctive relief under the federal antitrust laws against defendants Mobil Corporation and Mobil Oil Corporation (collectively "Mobil") and complains and alleges the following:

I. *Jurisdiction and Venue*

1. This action is brought pursuant to Section 16 of the Clayton Act, 15 U.S.C. § 26, to prevent and restrain threatened violations by defendants of Section 7 of the Clayton Act, 15 U.S.C. § 18. This Court has jurisdiction of this action pursuant to Sections 1331 and 1337 of the Judiciary Code, 28 U.S.C. §§ 1331 and 1337.

2. Defendents Mobil and Mobil Oil are found and transact business in this District; are engaged in commerce; and are within the jurisdiction of this Court for purposes of service of process.

3. Many of the acts and transactions alleged herein are being carried out, have effect, are occurring and, unless enjoined, will continue to occur within this District. Venue is proper in this District pursuant to Section 12 of the Clayton Act, 15 U.S.C. § 22, and Section 1391 of the Judiciary Code, 28 U.S.C. § 1391.

II. THE PARTIES

4. Plaintiff Conoco is a publicly held corporation organized and existing under the laws of the State of Delaware, with its principal executive offices in Stamford, Connecticut.

5. For its fiscal year ended December 31, 1980, Conoco reported net income of $1,026,-200,000 on total revenues of $18,766,300,000. Conoco is the ninth largest oil company headquartered in the United States as ranked by total sales and by assets, and is the fourteenth largest industrial corporation in the United States, as ranked by total sales and by net income, and the eighteenth largest such corporation as ranked by assets.

6. Defendant Mobil is a corporation organized and existing under the laws of the State of Delaware with its principal executive offices in New York, New York. Mobil is a holding company whose origins stem from the Standard Oil Company of New York, originally a member of the Standard Oil Trust, and from the Vacuum Oil Company, another member of that combine which had been dissolved in 1912 following a Supreme Court decision ruling that it violated the Sherman Antitrust Act. In 1931 the Standard Oil Company of New York and the Vacuum Oil Company merged to form the Socony-Vacuum Oil Company, which in 1966 changed its name to Mobil Oil Corporation.

7. For its fiscal year ended December 31, 1980, Mobil reported net income of $3,272,-000,000 on total revenues of $63,726,000,000. Mobil is the second largest oil company headquartered in the United States as ranked by total sales, assets and net income. Mobil is the second largest industrial corporation in the United States, as ranked by sales and the third largest as ranked by assets and net income. Mobil describes itself as "one of the world's largest companies."

8. As fully integrated multinational oil companies, Mobil and Conoco compete in numerous product and energy markets:

MOBIL	CONOCO
(a) Mobil operates in over 100 countries.	(a) Conoco operates in over twenty countries in North and South America, Europe, Africa, Asia and Australia.
(b) Mobil is engaged in the exploration for, development and production of crude oil, natural gas and natural gas liquids; the refining of crude petroleum; and the transportation and marketing of crude oil, natural gas liquids and refined petroleum.	(b) Conoco is engaged in the exploration for, development and production of crude oil, natural gas and natural gas liquids; the refining of crude petroleum; and the transportation and marketing of crude oil, natural gas liquids and refined petroleum.
(c) In the United States, Mobil is a major producer of crude oil and natural gas and a leading refiner and marketer of petroleum products. It produces oil in 15 countries, has 35 wholly or partly owned refineries and operates a fleet of 100 ocean-going vessels.	(c) In the United States, Conoco is a major producer of crude oil and natural gas and a leading refiner and marketer of petroleum products. It produces oil in 7 countries, has 8 wholly or partially owned refineries and operates a fleet of ocean-going vessels with a capacity of 1,601 deadweight tons.
(d) As of December 31, 1980, Mobil had at least 2,251,000,000 barrels of net proved petroleum reserves world-wide, and is the tenth largest holder of proved petroleum reserves in the United States with 890,000,-000 barrels. These figures do not include Mobil's share of the substantial reserve holdings of the Arabian-American Oil Company (ARAMCO), which it owns in partnership with Exxon, Standard of California and Texaco, its competitors in the United States.	(d) As of December 1, 1980, Conoco had 1,988,000,000 barrels of proved petroleum reserves world-wide, and was the fifteenth largest holder of proved petroleum reserves in the United States, with holdings of 403,000,000 barrels. In addition, Conoco holds under lease 4,017,000 acres of undeveloped petroleum properties in the United States.
(e) As of December 31, 1980, Mobil had total world-wide production of petroleum liquids of 700,000 barrels daily, and 368,000 barrels daily from its United States operations, and ranked sixth in production domestically.	(e) As of December 31, 1980, Conoco had world-wide production of petroleum liquids of 458,000 barrels daily and 143,000 barrels daily from its United States operations, and ranked sixteenth in production domestically.
(f) In 1979, Mobil ranked seventh in the United States in the ownership of interstate oil pipelines.	(f) In 1979, Conoco ranked fifteenth in the United States in the ownership of interstate oil pipelines.
(g) Mobil owns the largest number of miles of crude oil gathering pipelines in the United States.	(g) Conoco owns the second largest number of miles of crude oil gathering pipelines in the United States.
(h) As of December 31, 1980, Mobil owned and operated seven petroleum refineries in the United States, with a total capacity of 899,600 barrels daily, and ranked seventh in domestic refining capacity.	(h) As of December 31, 1980, Conoco owned and operated seven petroleum refineries in the United States, with a total rated capacity of 455,000 barrels daily, and ranked thirteenth in domestic refining capacity.
(i) Mobil markets motor gasoline in forty-eight states, through 17,425 branded retail outlets.	(i) Conoco markets motor gasoline in forty-one states, through 5,605 branded retail outlets.
(j) Mobil is the tenth largest holder of proven coal reserves in the United States.	(j) Conoco, through its Consolidation Coal Company, is the largest holder of proven coal reserves in the United States and is this nation's second largest coal producer.
(k) As of 1979, Mobil was tied with Conoco as the fifth largest holder of uranium concentrate reserves in the United States.	(k) As of 1979, Conoco was tied with Mobil as the fifth largest holder of uranium concentrate reserves in the United States.
(l) Mobil is a major producer of natural gas. For the year ended December 31, 1980, Mobil produced 3,510,000,000 cubic feet daily of natural gas world-wide, and 2,285,000,000 cubic feet daily in the United States and ranked fourth in domestic production. It also ranks fourth in domestic production of natural gas liquids.	(l) Conoco is a major producer of natural gas. For the year ended December 31, 1980, Conoco produced 1,364,000,000 cubic feet daily of natural gas world-wide, and 778,000,000 cubic feet daily in the United States and ranked sixteenth in domestic production. It also ranks ninth in domestic production of natural gas liquids.

MOBIL	CONOCO
(m) Mobil is a significant producer of regular-grade low sulfur petroleum coke.	(m) Conoco is a significant producer of regular-grade low sulfur petroleum coke and is the largest domestic producer of premium petroleum coke, which is used in the production of electrodes for steel-making furnaces.

9. Conoco participates in numerous joint ventures with other oil companies in the ownership of federal offshore oil and gas producing properties, in the ownership and operation of natural gas processing plants and related gathering pipeline systems, in crude oil trunk pipelines, and in refined product and natural gas products pipelines. Its partners in these ventures include ARCO, Cities Service, Exxon, Getty Oil, Gulf, Mobil, Tenneco, Standard of California, Standard of Indiana, Superior Oil, Texaco, TransOcean (now Mobil), and Shell. Conoco has significant joint interests in potential oil producing properties in Alaska and is in partnership with Gulf for oil and gas exploration on over one million acres in the Williston Basin area of Montana and North Dakota. Overseas, Conoco participates in joint ventures with other oil companies in the North Sea, Africa, the Middle East and Southeast Asia.

10. Mobil, together with Exxon, Texaco and Standard of California, which individually are the four largest oil companies in the United States, are owners of the Arabian-American Oil Company (ARAMCO). That consortium accounts for virtually all of the crude oil production in Saudi Arabia, the world's largest exporter of crude oil and, next to the United States, the leading oil producing country in the free world. Through ARAMCO, Saudi Arabian crude oil supplies a significant percentage of the United States' demand for oil. Mobil, together with the other owners of ARAMCO and the Saudi government, has developed a long-term relationship based upon a mutuality of interests to produce and market Saudi crude oil. Mobil has entered into partnership relationships with the Saudi government to process, transport and market crude oil and petroleum products and has at least one Saudi Arabian citizen on its board of directors.

11. Mobil also participated in joint ventures with other major oil companies in other overseas areas and in the United States. These include exploration and production properties, crude oil and refined product pipelines, natural gas processing plants and associated gathering lines Its partners in various of these ventures include Conoco, ARCO, Cities Service, Exxon, Getty, Gulf Oil, Standard of California, Standard of Indiana, Phillips, Shell, Standard Oil of Ohio, Texaco and Union. Through these ventures, Mobil's interests are linked with virtually every other major oil company.

12. Mobil's growth and enormous size is partly the result of mergers and acquisitions. For example, in the past few years Mobil has made the following acquisitions:

(a) In 1974 Mobil acquired a majority interest in Marcor, Inc., and thereafter in 1976 acquired all of Marcor.

(b) In 1979 Mobil acquired General Crude Oil Co. for $792 million.

(c) In 1980 Mobil acquired TransOcean Oil, Inc. for $715 million.

(d) In 1980 Mobil acquired the Vickers Energy Corporation.

III. The Mobil Offer

13. On July 17, 1981, Mobil made a tender offer (the "Offer") to purchase 43,500,000 shares of Conoco for $90 per share.

14. If Mobil acquires those shares it will own, directly or indirectly, a majority of Conoco's outstanding shares of common stock. Following the completion of the offer, Mobil intends to merge Conoco into Mobil for a wholly owned subsidiary of Mobil, pursuant to which the remaining shareholders of Conoco would receive shares of preferred stock of Mobil Oil and/or debentures of Mobil.

IV. Trade and Commerce

15. The oil industry is comprised of four basic levels of operation: the exploration for and production of crude oil, natural gas and natural gas liquids; the transportation of liquid petroleum and refined products; the refining of crude oil; and the marketing of refined petroleum products.

16. A large number of entities are engaged in one or more levels of the petroleum industry. However, a vast disparity exists in the size and scope of the operations of these entities. They range from multibillion dollar, multinational corporations, such as Mobil and Conoco, which are vertically integrated into all levels of the petroleum industry, to individual proprietors who may have but an interest in a single oil well or operate one independent retail gasoline station.

V. Violations Alleged

17. If Mobil were to acquire Conoco the expected result of such acquisition will be substantially to lessen competition and to tend to create a monopoly in violation of Section 7 of the Clayton Act in both national and local markets in the following lines of commerce, among others: the exploration for, production and acquisition of crude oil; the refining of crude oil; the sale of refined petroleum products including motor gasoline, distillate fuel oil, diesel fuel and petroleum coke; the operation of natural gas processing plants and the sale of natural gas liquids; and the acquisition and sale of uranium and coal.

Count one

(Elimination of Horizontal Competition in the Oil Industry)

18. Conoco repeats and realleges the allegations of paragraphs 1 through 17, inclusive, of this Complaint, as if fully set forth herein.

19. Mobil and Conoco are both large, integrated oil companies and, as such, compete with each other and other large integrated oil companies in a number of related product lines. Mobil's and Conoco's ranks in the following petroleum product lines have been estimated as follows:

	Mobil rank	Conoco rank	Combined rank
U.S. energy producing companies on a Btu basis, 1979	9	5	2
U.S. energy producing companies on a dollar basis, 1979	8	10	2
U.S. crude oil, condensate and natural gas liquids production, 1979	9	16	6
U.S. natural gas production, 1979	4	16	3
Proven U.S. natural gas reserves, 1979	7	16	4
U.S. refining capacity, 1979	8	15	4
U.S. refinery crude runs, 1979	8	14	2
U.S. interstate oil trunk line barrel-miles, 1979	7	14	1
U.S. refined product sales, 1979	7	15	4
U.S. motor gasoline sales, 1979	6	13	2

There are regional and local markets where the market shares and ranks are even greater and the effect of the combination of the two companies would be even more substantial. These changes in rankings are particularly significant in this industry which has such a vital significance to the nation.

20. Since the announcement of Mobil's interest in acquiring control of Conoco, other major, fully integrated oil companies have publicly announced the fact that they are arranging credits of billions of dollars.

(a) On July 20, 1981, Gulf Oil, the nation's seventh largest integrated oil company in terms of production and sixth largest in terms of refining capacity, announced that it had arranged stand-by credit of about $5 billion "in order to be financially ready to act on opportunities which may be present in today's business environment."

(b) On July 10, 1981, it was announced that Texaco, the nation's sixth largest integrated oil company in terms of production and the fifth largest in terms of refining capacity, was negotiating a $5.5 billion line of credit.

(c) On July 14, 1981, Marathon, the nation's fourteenth largest integrated oil company in terms of production and ninth largest in terms of refining capacity, acknowledged that it had been seeking funds understood to total $5 billion.

(d) On July 10, 1981, Pennzoil, the nation's twenty-sixth largest integrated oil company in terms of production and forty-first largest in terms of refining capacity, announced that it was arranging a $2.5 billion line credit with Citibank.

(e) On July 14, 1981, it was announced that Cities Service, the nation's fifteenth largest integrated oil company in terms of production and seventeenth largest in terms of refining capacity, is understood to have negotiated a $1 billion loan to protect itself, and to be in a position to frustrate any offer.

21. As these announcements indicate, the Mobil acquisition of Conoco, if allowed to proceed, would tend to trigger additional oil company acquisitions that would further reduce competition in the integrated oil business.

Effects of the Proposed Acquisition

22. The effects of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition in the broad range of products and businesses in which they are presently substantial competitors in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobil in the acquisition and control of petroleum supplies and in the marketing and sale of all types of petroleum products will be eliminated, lessened or foreclosed in national and regional markets.

(b) Potential competition and the potential for increased competition between Mobil and Conoco in all types of petroleum products may be eliminated, lessened or foreclosed in national or regional markets.

(c) Mergers or acquisitions between other major integrated oil companies selling many of the same petroleum products will be fostered, thus creating the likelihood of a further substantial lessening of competition.

Count two

(Elimination of Horizontal Competition in the Acquisition of Crude Oil)

23. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

24. Substantially all of the crude oil produced in the United States is transported to refineries by pipelines. Crude oil gathering pipeline systems form an integral part of the oil field purchasing organizations of oil companies to secure supplies of crude oil for their businesses.

25. With 4,449 miles of gathering lines,

Mobil ranks first in the United States with 11.9% of total U.S. gathering line mileage. Conoco ranks second with 4,071 miles which represents 11.2% of the United States gathering line total. The next ranking firm in terms of crude gathering pipeline mileage is Shell with 2,247 miles.

26. If Mobil were to acquire Conoco the combined entity would own and operate 8,541 miles of crude oil gathering pipelines, representing 23.1 percent of the total mileage of crude oil gathering pipelines, and would control nearly four times the mileage of crude oil gathering pipelines as the next largest company. The four-firm concentration would be increased from 35 percent to 41 percent, or an increase of 17 percent, and the eight-firm concentration would increase from 56 percent to 61 percent, or an inccrease of 9 percent.

27. Mobil and Conoco are direct horizontal competitors in the purchase of crude oil from others to provide for their refinery operations throughout the world. In the United States, the prices paid by refiners on the lease purchases from producers are based on their posted prices for the particular area and type of crude. These price postings have quality differentials based on the specific gravity of the crude, with the lighter oils being higher priced due to their greater yield of gasoline and light distillates which produce more revenue. Conoco and Mobil compete as price posters to purchase the following different types of crude oil among others: Wyoming Sour; Wyoming Sweet; Kansas Sweet; Oklahoma Sweet; Oklahoma Sour; North Texas Intermediate; West Central Texas Intermediate; West Texas-New Mexico Sour; West Texas-New Mexico Intermediate; West Texas-New Mexico Ordovicial; and South Louisiana Sweet.

28. Crude oil prices and gravity differentials vary from field to field depending on the competition among buyers in the local area and their particular refinery needs. Refiners must watch closely the price postings of their competitors, particularly other majors who have gathering pipeline systems available to hook up to the producing properties. Because of their sizeable overlapping gathering systems, Conoco and Mobil are sometimes the dominant competing crude oil buyers in particular market areas and are among relatively few purchasers to whom the producers in those fields can look as an outlet for their crude oil production.

29. Among the markets where Conoco and Mobil have leading positions as lease purchasers of crude oil are:

(a) The North Texas field in eleven counties surrounding Wichita Falls, Texas, where total field production is 73,000 barrels daily or approximately $932.5 million on an annual basis, where Conoco purchases 17.6% of the total output and Mobil purchases between 10% and 15%.

(b) An eleven county area in South Central Kansas where total field production is 48,400 barrels daily or approximately $613.2 million on an annual basis, where Conoco purchases 11.3% of the total output and Mobil's purchases are somewhat greater.

(c) Converse and Natrona, Wyoming where total field production is 48,471 barrels daily which, on the basis of an average price of $35 per barrel, equals $613.2 million on an annual basis, where Conoco purchases 6% of the total output and Mobil is believed to purchase a similar share.

Effects of the Proposed Acquisition

30. The effects of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition and tend to create a monopoly in the ownership of crude oil gathering pipelines in the United States and individual oil fields and groups of oil fields in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobil in the acquisition or control of crude oil for transport over crude oil gathering pipelines will be eliminated, lessened or foreclosed in the United States and in individual oil producing areas of the United States.

(b) Concentration in the ownership of crude oil gathering pipelines will be increased, barriers to entry may be created, current participants in the market may be discouraged from increasing their presence by internal expansion and new entrants may be discouraged from entering by the existence of the merged entity.

(c) A market structure will be created whereby Mobil may be able to exert substantial economic power over the independent producers of crude oil by reason of its control of a substantial share of the total miles of crude oil gathering pipelines which are an essential means of transporting crude oil from the wellhead to the trunk lines through which it is ultimately carried to refineries.

Count three

(Elimination of Horizontal Competition in the Retail Marketing of Motor Gasoline)

31. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

32. Conoco markets gasoline in 41 states through 5,605 retail outlets. In 1980 it sold 2,486,000,000 gallons which represented 2.3 percent of total gasoline sales in the United States. Conoco ranks about thirteenth among all domestic marketers. Mobil is the fourth largest gasoline marketer in the United States with approximately 6.2 percent of the total. It has 17,425 retail outlets located in 48 states. The combined companies would rank at least third.

33. Conoco markets under its major "Conoco" brand in Louisiana, Texas and New Mexico northward through the Plains states, Rocky Mountain states and upper Midwest. In this area Conoco sells to branded jobbers who market the gasoline at retail through various service stations which they either own or lease.

34. Conoco markets directly through company owned and operated outlets:

(a) in the Southeast and Middle Atlantic states under the "Kayo" brand;

(b) in four upper Midwestern states under the "Western Stores" brand;

(c) in eight Midwestern and Southwestern states under the "Fast Gas" and "Jet" brands;

(d) on the West Coast under the "Fast Gas", "Jet", "Econo", "Aztec" and "Nugget" brands.

All of these company operated stations sell gasoline at the price level of the independents, which generally is two or three cents a gallon below the pump prices of the major company branded stations.

35. Conoco sells a substantial portion of its gasoline production (approximately 30 percent) to private rebranders. These rebranders generally market gasoline at retail price levels in competition with and below the prices posted by the major company outlets. Mobil has long maintained a policy of not selling gasoline to private rebranders.

36. Conoco and Mobil are substantial direct competitors in the retail sale of motor gasoline in most states. For example, in the eleven states in Petroleum Administration for Defense District 2 where Conoco sells through branded jobbers under the "Conoco" brand, its share of total gasoline sales amounts to 4.8 percent and Mobil's is 4.4 percent. Combined they would rank second with a market share of 9.2 percent. These states are Oklahoma, Kansas, Missouri, Indiana, Illinois, Iowa, Wisconsin, Minnescta, Nebraska, North Dakota and South Dakota.

37. The respective market shares of Conoco and Mobil in the sale of retail gasoline in a number of states are as follows:

[In percent]

State	Conoco	Mobil	Combined share
Arkansas	5.6	3	8.6
Idaho	10.1	1	11.1
Iowa	4.8	5	9.8
Kansas	3.7	6	9.7
Louisiana	4.9	4	8.9
Minnesota	4.8	5	9.8
Montana	13.1	2	15.1
Nebraska	7.2	9	16.2
North Dakota	2.6	6	8.6
South Dakota	2.6	8	10.6
Tennessee	3.5	5	8.5
Texas	3.5	6	9.5
Wisconsin	3.0	8	11.0
Wyoming	8.1	6	14.1

In many terminal market areas throughout the Midwest, Mobil is one of the primary price competitors for Conoco. These markets include Chicago, Wood River, Illinois, the Twin Cities, Mount Vernon (Springfield), Missouri, Kansas City, Des Moines, and Omaha. In addition, Mobil is one of Conoco's primary pricing competitors in the New Orleans and Houston markets.

38. Because Conoco is an aggressive price marketer both through its branded Conoco jobbers and through its private brand company operated stations its competitive impact in the countless markets where it competes with Mobil is substantially greater than the percentage figures of gasoline sales would indicate. Its preservation as an independent competing factor is more important to competition than would be that of a company following a less aggresive pricing policy.

Effects of the Proposed Acquisition

39. The effect of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition and to tend to create a monopoly in the retail sale of motor gasoline in various markets and submarkets throughout the United States, in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobil in the retail sale of motor gasoline will be eliminated, lessened or foreclosed.

(b) Concentration in the retail marketing of motor gasoline in the United States, and in various individual states and local markets will be increased, and barriers to entry may be created or increased by existence of the merged entity.

(c) Conoco will be eliminated as an actual substantial price competitor in the retail sale of motor gasoline.

(d) Conoco will be eliminated as a substantial source of supply to independent private rebranders.

(e) Mergers or acquisitions between other sellers of retail gasoline may be fostered, thus creating the likelihood of a further substantial lessening of competition.

Count four

(Elimination of Horizontal Competition in the Refining of Crude Oil)

40. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

41. Conoco owns and operates eight refineries in the United States, and has an aggregate operable refining capacity of 445,000 barrels per day. It is the thirtieth largest refiner in the United States with 2.5 percent of total domestic refining capacity.

42. Mobil owns and operates seven refineries in the United States, and has an aggregate operable refining capacity of 899,600

barrels per day. It is the seventh largest refiner in the United States with 4.6 percent of total industry.

43. Conoco and Mobil are and have been for some years competitors of each other in the refining of petroleum products throughout the United States and in regions thereof. Combined they would become the third largest domestic refiner with 7.1 percent of the industry total.

Effects of the Proposed Acquisition

44. The effect of the proposed acquisition of Conoco by Mobil will be substantially to lessen competition and to tend to create a monopoly in the refining of crude oil in the United States and in regions thereof in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual and potential competition between Conoco and Mobil in the refining of crude oil in the United States and in regions thereof will be eliminated, lessened or foreclosed.

(b) Concentration in the refining of crude oil in the United States and regions thereof will be increased, and barriers to entry will be increased or created.

(c) Conoco will be eliminated as a substantial independent competitor in the refining of crude oil.

(d) Mergers or acquisitions between other refiners will be fostered, thus creating the likelihood of further substantial lessening of competition.

Count five

(Elimination of Horizontal Competition in the Manufacture and Sale of Petroleum Coke)

45. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

46. Petroleum coke is a refined petroleum product produced at oil refineries equipped specially to process it. In terms of coke producing capacity Mobil ranks as the nation's largest producer with 13 percent of total U.S. capacity. Conoco ranks thirteenth with 2.3 percent of the total.

47. There are three distinct types of petroleum coke: (1) regular-grade low sulfur petroleum coke which is used in the manufacture of aluminum; (2) regular-grade high sulfur petroleum coke which is used as an industrial fuel; and (3) premium-grade petroleum coke which is used in the manufacture of graphite electrodes for electric arc steel furnaces.

48. Conoco is a significant manufacturer of regular-grade low sulfur petroleum coke. In 1980 Conoco produced approximately 180,000 tons of regular-grade low sulfur coke, which accounted for approximately 5% of the total domestic production.

49. Mobil is also a significant manufacturer of regular-grade low sulfur petroleum coke. In 1980 Mobil produced approximately 15% of the total domestic production of regular-grade low sulfur petroleum coke.

50. Conoco has announced plans for the construction of a manufacturing facility at its Lake Charles refinery to convert residual fuel oil into regular-grade petroleum coke. The facility, scheduled for completion in 1984, will have an annual production capacity of 640,000 tons of regular-grade coke which, depending on the feedstock's sulfur content, can be used either in the manufacture of aluminum or as an industrial fuel. It would increase Conoco's share of total industry capacity to 5.5%.

51. The manufacture of regular-grade low sulfur petroleum coke is concentrated, with the four largest producers accounting for approximately 53% of total domestic production.

52. Conoco is the dominant domestic producer of premium-grade petroleum coke. In 1980, Conoco manufactured approximately 180,000 tons of premium-grade petroleum coke domestically, which accounted for approximately 80% of the total domestic production.

53. A substantial amount of expertise and know-how is required to manufacture premium-grade petroleum coke. The product is highly specialized and quality is the essential element; accordingly, purchasers generally purchase only from those companies with a recognized level of expertise in the manufacture of premium-grade petroleum coke.

54. Mobil does not presently manufacture premium-grade petroleum coke domestically although it has manufactured premium-grade coke at its Torrance, California refinery. Because of Mobil's substantial coking facilities, it could become a significant manufacturer of premium-grade coke if it had the expertise, know-how and reputation for manufacturing premium-grade petroleum coke that Conoco enjoys.

55. Conoco has announced plans for a phased expansion of its premium-grade petroleum coke manufacturing facilities at its Lake Charles refinery. Upon completion of the first phase the refinery's annual premium-grade coking capacity will be increased by 48,000 tons to 238,000 tons.

Effects of the Proposed Acquisition

56. The effects of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition and to tend to create a monopoly in the manufacture of regular-grade low sulfur petroleum coke and premium-grade petroleum coke in the United States in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobile in the manufacture of regular-grade low sulfur petroleum coke in the United States will be eliminated, lessened or foreclosed;

(b) Concentration in the manufacture of regular-grade low sulfur petroleum coke in the United States will be increased and barriers to entry may be increased or created by the existence of the merged entity;

(c) Conoco's already dominant position in the manufacture of premium-grade petroleum coke will be entrenched as a result of Mobil's coking capacity.

Count six

(Elimination of Competition for the Acquisition of Foreign Crude Oil)

57. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

58. Both Mobil and Conoco are substantial purchasers of crude oil on the world market for shipment to and consumption in the United States.

59. There is a world-wide cartel of oil producing countries known as the Organization of Petroleum Exporting Countries ("OPEC"). The OPEC countries maintain a 77 percent share of non-Communist-world oil reserves. Chief among these OPEC countries is Saudi Arabia which has the power, by virtue of its vast reserves and productive capacity, to exercise control over the world price of oil by increasing or decreasing production. Saudi Arabia's activities as a major OPEC member and the world's largest exporter of crude oil have a direct and substantial effect on prices for crude oil in the United States.

60. The Arabian American Oil Company ("ARAMCO") is a firm that is jointly owned by Exxon, Mobil, Texaco and Standard of California, the four largest integrated oil companies in the United States. Under concessions granted by Saudi Arabia, ARAMCO is by far the world's largest oil-producing corporation.

61. Because Saudi Arabia is the world's largest oil producing country, Mobil, and the other ARAMCO partners, enjoy market power far greater than their individual market shares might indicate. The only effective counter to this market power is the effective competition by Conoco and other companies which produce or purchase oil in the world market. The acquisition of Conoco by Mobil will weaken the competitive position of the independents.

Effects of the Proposed Acquisition

62. The effect of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition and to tend to create a monopoly in the market for the production and sale of crude oil in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobil and the other ARAMCO partners in the acquisition of crude oil will be eliminated, lessened or foreclosed.

(b) The ability of Saudi Arabia to control the world price of oil will be enhanced.

Count seven

(Elimination of Horizontal Competition in the Production and Marketing of Coal)

63. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

64. Because of the world-wide energy crisis, coal has become a much more highly valued and potentially critical resource, both as a direct source of energy and as a raw material. The United States is one of the richest areas of the world in proven coal reserves.

65. Conoco, through its subsidiary Consolidation Coal Company, is the second largest coal producer in the United States and the largest holder of proven reserves.

66. Mobil is currently developing a surface coal mine in Wyoming and has proved and probable reserves of 4,135 million tons located primarily in the Western United States and in Illinois. Mobil's coal reserves are substantially larger than most of the largest coal producers in the United States. Conoco's coal reserves as a percentage of total domestic reserves are 5.6 percent and Mobil's are 1.6 percent. A combination with Conoco would give Mobil control over an undue percentage of this country's vital coal reserves.

67. The Northern Plains, consisting of the States of North Dakota, Wyoming and Montana, is recognized by the Department of Energy, the Department of the Interior, the Department of Justice and others, as a separate geographic market or submarket for coal.

68. Conoco presently has approximately 13.9 percent of the proven reserves of coal under federal coal leases in the Northern Plains market. Upon information and belief, Mobil has sufficient reserves in the Northern Plains market to account for at least 5 percent of the proven reserves of coal under federal coal leases.

Effects of the Proposed Acquisition

69. The effects of the proposed acquisition of Conoco by Mobil will be substantially to lessen competition and to tend to create a monopoly in the production and marketing of coal in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Mobil and Conoco in the production and marketing of coal will be eliminated, lessened or foreclosed in:

(i) the United States;

(ii) the Northern Plains, and/or

(iii) Wyoming and other states.

(b) Potential competition between Mobil and Conoco in the production, marketing and sale of coal will be eliminated, lessened or foreclosed in:

(i) the United States;

(ii) the Northern Plains, and/or
(iii) Wyoming and other states.

Count eight

(Elimination of Horizontal Competition in the Exploration for and Production of Uranium)

70. Conoco repeats and realleges the allegations of paragraphs 1 through 21, inclusive, of this Complaint, as if fully set forth herein.

71. Conoco is engaged in the exploration for and production of uranium in the United States, as well as in other countries. As of December 31, 1980, Conoco held 389,458 acres of uranium prospecting lands in nine states.

72. Conoco conducts part of its uranium business through joint ventures or partnerships, and part independently:

(a) Conoco owns a two-thirds interest in the Conquista uranium mine and mill in Texas.

(b) Conoco has a one-fourth ownership interest in the Benavides uranium project in Duval County, Texas. In situ leaching commenced at this project in February 1980.

(c) Conoco has entered into a joint venture with a subsidiary of Westinghouse Electric Corporation to develop Conoco's uranium deposits near Crownpoint, New Mexico.

73. Conoco has a strong reserve position in uranium reserves. Conoco estimates its reserve holdings at approximately 61 million pounds which is 5.5 percent of domestic recoverable uranium concentrate reserves.

74. Mobil has acquired significant reserves of uranium, and is exploring actively for uranium in the United States, principally in Texas and New Mexico, and in Canada and Australia. Mobil also has developed leaching technology for the production of uranium.

75. Mobil has approximately 36 million pounds of recoverable uranium concentrate reserves in this country and accounts for 3.3 percent of the total domestic reserves.

76. Concentration in the ownership of recoverable uranium concentrate reserves is moderately high. The four largest firms account for approximately 35 percent of the total U.S. reserves, and the eight largest account for approximately 55 percent.

77. If Mobil were to acquire Conoco the combined entity would own approximately 97.2 million pounds of recoverable uranium concentrate reserves and account for approximately 8.8 percent of the total U.S. reserves. The four-firm concentration in the ownership of domestic reserves of uranium would increase from 35 percent to 39 percent, or an increase of 11 percent, and the eight-firm concentration would increase from 55 percent to 59 percent, or an increase of 7.7 percent.

Effects of the Proposed Acquisition

78. The effects of the proposed acquisition of Conoco by Mobil will be substantially to lessen actual and potential competition and to tend to create a monopoly in the ownership of uranium reserves in the United States in violation of Section 7 of the Clayton Act in the following ways, among others:

(a) Actual competition between Conoco and Mobil for the acquisition or control of uranium reserves will be eliminated, lessened or foreclosed in the United States.

(b) Conoco will be eliminated as an independent competitive entity engaged in the acquisition of ownership or control of uranium reserves.

(c) Concentration in the ownership of uranium reserves will be increased, barriers to entry may be created, current participants in the market may be discouraged from increasing their presence by internal expansion and new entrants may be discouraged from entering by the existence of the merged entity.

VI. IMMEDIATE AND IRREPARABLE INJURY

79. If Mobil is not temporarily, preliminarily and permanently enjoined and restrained from carrying out the pending offer to purchase Conoco stock, the public interest will be injured in the following ways, among others:

(a) Competition will be eliminated, lessened or foreclosed, and a monopoly may tend to be created in violation of Section 7 of the Clayton Act, in the following lines of commerce, among others: the exploration for, production, acquisition and transportation of crude oil; the refining of crude oil; the sale of refined petroleum products including motor gasoline, distillate fuel oil, diesel fuel and petroleum coke; the operation of natural gas processing plants and the sale of natural gas liquids; and the acquisition and sale of uranium and coal.

(b) Concentration in those product categories will increase and the tendency toward concentration strengthened; and

(c) Barriers to entry in those industries will be created or increased.

80. If Conoco is not provided with the temporary, preliminary and permanent injunctive relief requested, Conoco and its shareholders will suffer immediate and irreparable harm in the following ways, among others:

(a) Conoco will be injured in its business operations by reason of the violations of Section 7 of the Clayton Act:

(b) Conoco's business and its relationships with customers and employees will continue to be jeopardized by the uncertainties generated by the pendency of the Mobil tender offer;

(c) Conoco's separate identity and current competitive status is being and will continue to be damaged such that it could never be completely restored;

(d) Conoco will experience great difficulty in hiring and retaining officers and employees to the detriment of present and future corporate administration;

(e) Conoco and its shareholders have already been and will continue to be subjected to litigation challenging the legality of the proposed merger, or arising by reason of Mobil's tender offer, and may be subjected to potential treble damage liability because of the illegality of the proposed merger;

(f) The assets and operations of Conoco and Mobil will become commingled, thus making it impossible to restore Conoco fully to its present independent status if the proposed merger is eventually held to be illegal;

(g) Mobil will acquire a "listening line" to Conoco's trade secrets, business strategies and confidential business operations, thereby affording Mobil an unfair and significant competitive advantage over Conoco even if Mobil is able to divest Conoco if the proposed merger is later found to be illegal.

PRAYER FOR RELIEF

Wherefore, plaintiff respectfully prays for judgment as follows:

A. Declaring that the acquisition of Conoco by Mobil violates Section 7 of the Clayton Act.

B. Enjoining defendant, its agents, servants, employees and all persons acting on its behalf or in concert with it temporarily, preliminarily and permanently, from:

(i) acquiring or attempting to take any further action to acquire any shares of Conoco stock;

(ii) voting in any manner any Conoco shares; and

(iii) exercising or seeking to exercise, directly or indirectly, any influence or control over Conoco, or Conoco's management or policies.

C. Requiring defendant to divest itself of any and all of Conoco's shares held or acquired by it.

D. Compensating plaintiff or attorneys' fees and costs incurred in this action; and

E. Granting plaintiff such other and further relief as this Court may deem just and proper.●

R. & D. BUDGETS FOR SMALL BUSINESS PROGRAM

● Mr. HATFIELD. Mr. President, Senator RUDMAN has introduced legislation which requires agencies with R. & D. budgets over $100 million to set aside specific amounts of their R. & D. budgets for small business programs. This legislation now has 80 cosponsors and will be marked up in the Small Business Committee in the near future.

It is a tragic fact that R. & D. as a percentage of GNP has dropped dramatically in the last 20 years while our toughest competiors are increasing their commitment to R. & D. The problem is especially acute in that the Federal Government provides 60 percent of total funds spent on R. & D. and 60 percent of that figure goes to defense and space. The administration is reducing total R. & D. funding but is increasing military R. & D. and therefore, the amount of Federal R. & D. money that is available for commercial development is being further restricted. In a time when we so desperately need to restore our productivity growth and remain competitive with Japan and Germany, I believe it is imperative that we devote funds for commercial R. & D.

The beauty of Senator RUDMAN's bill is that it targets limited Federal R. & D. funds to those businesses which are most innovative. Studies have shown that it is the firms with less than 500 employees that are making more innovations per dollar of R. & D. The small firm does not have the overhead expense and can experiment more freely—but is often trapped by its need of start up funding for the R. & D. project. It is a tragic fact that less than 4 percent of Federal R. & D. funds went to firms with less than 500 employees in spite of the track record of these firms in innovation.

Mr. President, articles recently appeared in INC. magazine on innovation and Senator RUDMAN's proposed legislation. I urge my colleagues to read this article on the role of small innovators in our economy.

The articles follow:

STANLEY MASON IS GROWING OIL ON TREES

(By Tom Richman and Susan Benner)

"It was like trying to brief a bunch of hummingbirds in an airplane hanger," says Stanley Mason of his first appearance before a U.S. congressional subcommittee.

Mason, the president of Simco Inc., a small research-and-development company, had been invited to talk about how oil-bearing plants like the Chinese tallow tree might help reduce U.S. dependence on foreign oil. But neither his presentation nor his charts nor the suitcase full of tallow-tree seeds seemed to make an impression. The Senators kept coming in and out of the hearing room on other business.

Granted, the legislators weren't the first people who refused to give Mason's ideas the attention that the silver-haired entrepreneur thought they deserved. Large companies he had approached had told him that the project was "gang-busters," he says, but they weren't interested in a joint venture because the payback was almost certain to be further

out than two years. However, the senators had invited him to speak and—being new to the subcommittee circuit—he says he thought the government really was soliciting his help. By the end of the day, when 75 pounds of pea-sized tallow-tree seeds spilled from the suitcase onto the floor of his congressman's office, he figured he could write the trip off as a loss.

It was frustrating. Mason has been convinced for four years that the Chinese tallow tree is part of the solution to one of the country's major problems. You can literally crush the seeds of the tallow tree, filter out the particles, and put the liquid directly into a diesel engine with no processing or refining. The engine will continue to run at the same power level, but the smoke will turn from black to white and smell more like honey cooking than like diesel fumes. The tallow tree produces far more oil and wax per acre than any other vegetable oil plant grown in the United States. Mason thinks enough tallow trees could be grown on marginal land in the United States to replace 5 percent of the petroleum used in this country, at a cost equal to that of diesel fuel.

But more interesting to Mason than the tallow tree's value as a fuel is its potential for industrial use. The whitish outside part of the seed can be used as a substitute for edible fats, like cocoa butter. The oil can be used in the manufacture of plastics. Chemicals in the seed can be used as a finishing oil in paint. The leftover solids can be compressed and fed to cattle. And branches cut in harvesting the seed can be chopped up and sold as wood chips.

"It's like the pig," says Mason. "You use everything."

But neither the senators nor the large companies seemed to take his plans for the tallow tree seriously. Though Chinese farmers had used its seeds for centuries primarily for making soap, the U.S. market had already rejected it twice—in the late 1700s and the early 1900s—as a raw material for commercial production of soap. The tree grew well in the coastal areas of Texas and Florida where it was planted, but the cost of harvesting the seeds by hand, as the Chinese did, was prohibitive in the United States. Mason had come across it in 1978 when Dr. H. W. Scheld, then a researcher at the University of Houston and now the director of research and principal scientist for Simco, was studying the trees potential as a source of woody biomass for the Department of Energy. Mason knew the oil market from a stint he did with the Hunt-Wesson Foods subsidiary of Norton Simon, and he suggested that Scheld look at the tallow tree as a source of edible oil.

Mason was also at Hunt-Wesson during the development of the tomato harvesting machine and figured he could get a tallow-tree harvesting machine designed. But his plans for tallow-tree development would go nowhere if he couldn't find an outside source of money. He had calculated that he would need something like $3 million per year for five years to get it ready for the market. And though Simco is financially successful, he says, like many small companies it doesn't have the resources to fund an idea on that scale.

Funding innovative ideas has never been easy, of course, but some people say the problem is getting worse. United States spending on research and development as a percentage of the Gross National Product has declined steadily, if not dramatically, since 1964, from 2.97 percent of the GNP to an estimated 2.33 percent in 1980. By contrast, West Germany and Japan have been spending an increasing percentage of their GNPs on R&D.

The government funds about 60 percent of all R&D in the United States, and well over half of that goes to defense and space projects, which have only indirect application to commercial markets. President Reagan proposes to boost the space and defense portion of government-funded R&D to 68 percent in 1982, up from 60 percent in 1980.

And where does this money go? Last year, the government spent almost $31.7 billion on R&D, about 70 percent of that in private industry. (The rest went to government labs and universities.) But R&D grants and contracts awarded to companies with fewer than 500 employees accounted for less than 4 percent of the government's total R&D expenditures.

The odds are decisively against the small-company entrepreneur.

"This country is horribly underfunding start-up research and development," says William Chandler, founder and president of Bay Venture Management, a San Francisco venture capital firm that specializes in start-ups. "People with good ideas have a much more difficult time getting money than their track records justify."

Stanley Mason is a prime example. Mason brought the world an eclectic variety of products including the first "no-glug" plastice bottle, the first form-fitting disposable diaper with tabs, a burglar alarm that hangs on a door knob and goes off when anyone touches the knob, Masonware microwave cooking dishes, and fertilizer printed on the back of black plastic for gardens.

At 59, he's no rookie. He worked for U.S. Steel as a draftsman, for Armstrong Cork as an ad writer, for Martin Aircraft Tool as a tool engineer, and later as a proposal director for projects including Titan and Project Vanguard. He was in charge of packaging and new products at Hunt-Wesson Foods, and was vice-president of development and technical services at American Can.

He gave up big-company security in 1973 to start Simco, a small company that specialized in conceputalizing and developing new products. He intended to stay small to ensure that his time wouldn't be drained away by administrative concerns. And he has. Today Mason owns three companies—two R&D firms, Simco Inc. in Weston Conn., and Simco Space Bio-Systems Research Services in Houston, Tex., and a third company, the Masonware Corp. in Newport Beach, Calif., which markets his line of microwave cookware. The two R&D companies have a total of 12 full-time people, with a network of about 120 scientists, technicians, and specialists who are brought into work on various projects. Half of the companies' work is for large-company clients like Johnson & Johnson, S.C. Johnson & Son (Johnson Wax), Frito-Lay, Lipton (Tea), American Can, and Neutrogena. The other half is developing proprietary products of their own.

Though Mason has had no trouble getting contracts for major corporations' own projects, none he's approached have been willing to take the risks that a long-term commitment to an unproven (and off-the-wall) product like the tallow tree would entail. And he's convinced that attitude is typical of most large companies.

"Failure in large companies is not tolerated," he says. "There's a dictatorship of the bottom line. Lots of people think they know how to control the bottom line, and they generally control it by not taking action, by not taking risks. They're protecting what has been built before by those who had guts or were foolhardy enough to take risks."

Therefore, goes the thinking of Mason and others who advocate federal support of R&D, since small companies don't have the money, and large companies won't spend it, the government should fund long-term R&D efforts. "The government has the power, the money, and the incentive to do it," says Mason. "How long do you think we could support a war without imported oil?"

The government does believe in supporting some R&D, of course. That's why it's spending more than $30 billion on it. But most of the money isn't going to small companies like Mason's.

If large companies produced more innovations, then few small companies would have reason to complain. But in fact the opposite is true: Small companies produce about twice the innovations per employee as large companies.

Passing over small companies is "cheating the taxpayer," says William Whiston, director of economic research at the Small Business Administration. Whiston has studies going back 20 years that support his claim. One of the most widely quoted is a 1977 National Science Foundation study that tentatively concluded that between 1953 and 1973 firms with fewer than 1,000 employees produced 24 times as many innovations per employee as firms with more than 10,000 employees, and 4 times as many as the companies in between. That finding later turned out to be incorrect. More recent analyses show that small companies are somewhere between 1.8 and 2.8 times as innovative as large companies per employee.

Whiston will settle for the smaller numbers. "I think all you have to do is establish that small business is at least as innovative as big business," he says.

If that is the case, then why, asked a panel studying industrial innovation for the Commerce Department in 1979, is so much of federal R&D awarded to large firms, federal laboratories, and universities? "We believe," the panel said, "that a larger share of federally funded R&D awarded to small businesses would produce substantially greater results." But the trend appears to be going in the other direction.

As it turned out, Stanley Mason's experience defied the trend. Though the congressional subcommittee didn't seem to pay much attention to what he had to say, a New York Times reporter passed the story on to a friend at Newsweek. When Newsweek quoted Simco vice-president Michael Handler in an article on alternative energy, someone at the NSF was intrigued enough to ask the company if it would be interested in a relatively new research grant program they had for small companies.

The NSF didn't start its Small Business Innovation Research program (SBIR) out of a concern for small companies or a conviction that they would do innovative work. In fact, Congress required it to set aside some of its applied research budget for small business. The NSF charged Roland Tibbetts, then a director of applied research programs, with seeing that the money was well spent.

Tibbetts and others he consulted devised a three-phase program that he thought might be a pilot for other agencies, as well as for a larger scale effort at the NSF. It was designed to lead a small company from a six-month feasibility study to a two-year larger scale research effort, and then to private sources of capital, such as venture capitalists and large corporations, for commercialization.

The program attracted 329 proposals from 34 states in 1977, and of those 42 got Phase I grants of up to $25,000. The following year, the entire $4.3-million budget was allotted to Phase II grants, which average $200,000, for a continuation of half of the first 42 projects. In 1979 and 1980 the number of applications and Phase I projects funded increased.

Twenty-five thousand dollars didn't sound like much money to Mason, but in spite of the relationships he'd built up with large companies over the years, no one else was giving him anything. Besides, the application called for just a 20-page proposal, and he thought the exposure to the scientific community might be good for the project. Mason and his colleagues put together and sent off what was 1 of 530 applications submitted by small companies in 1980.

Simco got its $25,000 and put in about that much more of its own. During the six months that the feasibility study lasted, the company continued its study of the growth, production, and seed characteristics of the tree. But the most important effects of the grant, says Mason, were a wider acceptance by serious scientists and the opportunity of coming up with a long-term research plan. "If it weren't for the NSF, we would not have been able to get the kind of brains working on this that we have," says Mason.

What the NSF gets out of the program is, of course, hard to measure, and figuring out what the nation's rewards are is even harder. Most of the products have yet to hit the market, though many of them sound promising, for instance a microcomputer that understands and answers questions in English rather than in computerese and a new process for making solar panels. And the charter recipients of Phase I and II grants, who received a total of $5.3 million from NSF, have attracted about $16 million in private funding.

But those rewards aparently haven't been enough. The NSF has reorganized itself several times during the four years of the SBIR program's existence, and after each reorganization, the percentage of money and manpower allotted to applied research has been smaller. Consequently, the SBIR budget, calculated as a percentage of the NSF, applied research funding, has not increased as rapidly as the program's supporters had hoped.

The effect has been not simply to distribute fewer resources to a smaller number of participants, but to shake the program's structure. Program managers and topic areas have been shuffled. Grants have been delayed by turnover and by uncertainties about loss of funding. Phase II money, which hadn't been awarded on schedule even before the major reorganizations, has been delayed for as long as 15 months.

The delay has slowed progress on some projects to a backwards crawl. Allocation of already scarce small-company resources has become very difficult when the fate of what in some cases is a significant portion of their efforts is unknown.

And the steady production of press releases by the NSF and other government agencies hasn't helped. News about projects went out when grants were accepted and project reports were filed, giving the grant recipients' competitors as long as 15 months to catch up.

"Small companies can't afford to be strong along the way," says one Phase I recipient who is still waiting to hear about a Phase II grant decision that was expected last September. He says he has been told over the phone since last December he would get the money, even that the check was in the mail, but so far, he hasn't seen a dollar. "There's no excuse for the way they operate," he says. The delay has cost him a specialist he couldn't afford to keep dangling and caused difficulties in his relationship with the third-party source of funding he was required to line up to complete his Phase II application.

There are also complaints about the amount of time and money for Phase I grants—mostly that it isn't enough—and some concern that because proposals are usually reviewed by university professors, only academic-type projects get approved.

You might think with all the problems, that small companies would be wary of government support. And some, like Biospherics Inc., a $6-million company in Rockville, Md., have decided to reduce their dependence on federal grants and contracts. Biospherics, which recently received public attention for a patent on a process using "left-handed" sugars to make noncaloric sweetners, has begun to emphasize the analytical and lab services that are more marketable to private industry.

Yet other small companies, some of the same ones that are most vocal in expressing dissatisfaction with the current state of the NSF grants, think the idea of the program is excellent, or at the least, a step in the right direction.

But is that step enough? No, says Dr. Gilbelt Levin, president of Biospherics. "The nation has to be willing to risk more than $25,000 and six months."

Stanley Mason agrees. Though Simco has applied for a Phase II grant, the $200,000 he would get would fund only a small portion of the tallow-tree development plan he has in mind. Still, he's optimistic. The NSF program did help Simco get past some of the scientific community's initial skepticism. And though he has no large company partner firmly committed to a joint venture, he's getting lab support from the R&D departments of six major corporations. Deutz Corp, has tested tallow-tree fuel in tractor engines, and a large hospital-supply company is considering using tallow-tree fuel in 200 of its diesel trucks. A couple of food-oil companies are testing the seed's edible oils. S. C. Johnson, Neutrogena, and Mars Inc. have worked on applications in their industry.

"The government should support this," says Mason. "Even though a little company like ours is maybe a hundred times more efficient per dollar than any large companies, there aren't very many dollars to be efficient with." In the absence of large-scale government support, Simco is "foolishly" supporting the project on its own. "This is a project which must be done," says Mason. "We're going to get this damned thing off the ground. And, we hope, make money on it."

Why Bureaucrats Avoid Small Business R&D

As a rule, the federal government doesn't like to do business with small companies, for reasons that are not hard to understand if you're the government employee who has to sign the R&D procurement contract.

Big R&D efforts usually involve many scientific or technical disciplines. So the tendency of procurement officials is to say, "Why not give the contract to a big company and let them manage it for us," according to Eugene Rosen, small business adviser at the National Aeronautics and Space Administration. "That's been the attitude at NASA," Rosen adds.

Besides being easier to manage, R&D contracts with big, established firms involve less risk to the government official who okays the contract. He can hardly be blamed if, say, General Electric fails to deliver on time, but let him try to explain the failure of a $3-million independent firm that nobody else in the agency has ever heard of.

In some agencies, "profit" is a dirty word. Take the Public Health Service, for example, which has only this year decided to allow for-profit business to compete for its research assistance grants. The fine print in the new regulations almost assures that the agency won't have too many takers. There will be no provision for profit in the research grants. Only direct and indirect costs will be covered. And should the research turn up something useful—and of potential commercial value—it belongs to the government, which can share it with anyone. And just in case the company should earn something from royalties, license fees, or copyrights on the data it produces, that income, too, belongs to the government up to the full amount of the R&D grant awarded.

Profit is not a dirty word at the Department of Defense, which adds about 4% to contracts it negotiates with suppliers. Called Independent Research and Development/Bid and Proposal (or IR&D/B&P), this money is awarded in addition to contract costs and profits, and is intended to help DoD contractors cover the technical and administrative expenses of preparing their bids and conducting the research required to keep them abreast of the state of the art in their industries. Is the estimated $1.7 billion in IR&D/B&P that Defense handed out in 1979 to its 93 largest contractors, for example, a subsidy, as critics frequently charge? Defense officials say no. But if you run a small company that's trying to get its first DoD contract, you'll be competing with your own money against veteran suppliers whose bidding costs have already been picked up by the government.

Of course, government is supposed to apply an even hand in awarding its R&D business to private firms, so it publishes requests for proposals (RFPs) in the Commerce Business Daily ($105 per year by subscription) where anyone can see them. But there is an old saying in the procurement business, according to a government official who has been there: "If you haven't heard about it before the RFP is published, it's too late to respond." Big businesses keep people in Washington whose job it is to keep their ears open, and those firms get a leg up on the small company that has just 30 days or less to respond to a published RFP.

Sen. Warren Rudman, a freshman Republican from New Hampshire, says the government should start heeding its own studies and turn over more of its R&D work to small businesses. His proposed amendments to the Small Business Act would require most federal agencies and departments to establish "small business innovation research" programs, modeled on the four-year-old National Science Foundation program. Agencies with R&D budgets greater than $100 million—and that is most of them—would be required, under Rudman's bill, to set aside specific amounts of their R&D budgets for the small business programs: not less than 0.2 percent of their total R&D budgets for fiscal 1982, 0.6 percent for 1983, and 1 percent thereafter.

Government agencies probably won't like the bill. "We are against it," says a NASA procurement official. He complains about the additional bureaucracy and inefficiency. NASA already has enough authority to do a better job on its own, the official says, adding, "We don't need a law to tell us we need innovation." A spokesman for the Office of Management and Budget said the Reagan Administration had developed no position on Rudman's proposal yet. But, he added, the government's procurement laws have already become an "absolute monstrosity . . . with set-asides for minorities, women, small business, and disadvantaged business. I would find it very surprising if the OMB did like [the Rudman bill]."

Part of the opposition to the Rudman proposal is more easily understood when you look at what Reagan's budget writers have done to the allocation of R&D money among agencies. Although the Administration has budgeted 28 percent more money for R&D in 1982 than in 1980, the increase is primarily in the defense area, where R&D spending will rise 54 percent. In virtually every other agency, R&D budgets have been either cut or increased less than the rate of inflation. Universities, nonprofit organizations, government laboratories, and established government grant and contract recipients can already see their incomes declining.

NASA, which has in the past made efforts to attract small companies into its basic research programs, will pour more of its resources into development programs, according to Stuart Evans, the agency's director of procurement. "Most of our development contracts," he adds, "go to big companies."

In contrast, the NSF has awarded most of its small business grants for applied research. Under the Reagan budget, the NSF will concentrate on basic research where universities

and nonprofit organizations get most of the grants.

Even the substantially higher funding for defense-related research may not bring much business to small companies, says Judith Obermayer, president of a Cambridge, Mass., research firm. "When there's so much money to spend and you can't spend it fast enough," she says, "you aren't going to take the time to write a $100,000 or $200,000 contract. You don't want to be caught not spending it all, for heaven's sake."

Rudman and others on Capitol Hill argue that as R&D budgets get tighter, agencies should be turning toward small business, not away from it, to increase the returns on their limited dollars. "This is not a small business relief bill," says a member of Rudman's staff. "This is a way to get federal government R&D needs met more efficiently."●

OFFICE OF ALCOHOL FUELS

● Mr. BAUCUS. Mr. President, I am confident that James G. Stearns will be the new Director of the Office of Alcohol Fuels, within the Office of Conservation and Renewable Energy under the Department of Energy. This position is a critical one for the advancement of the production and consumption of alcohol fuels and one that I believe Mr. Stearns will ably fill.

I am sure that with Mr. Stearns' agricultural background, he will recognize the potential of alcohol fuels in helping our Nation's ranchers and farmers combat the increasing cost of production attributed to energy. Mr. Stearns' task will not be an easy one. The Reagan administration has recommended the elimination of Federal loans and loan guarantees through the Department of Energy and the USDA under the provisions of the Energy Security Act of 1980. He most assuredly will not reach the goal established under the Energy Security Act of developing an industry capable of producing 920 million gallons of fuel alcohol by the end of 1982. However, a strong commitment to increasing our national production of fuel alcohol should be made by the Office of Alcohol Fuels under Mr. Stearns.

The elimination of loans and loan guarantees strikes the small producer and agricultural community more severely than the commercial fuel alcohol industry. The administration argues, and rightfully so, that there are still many financial incentives to encourage alternative fuel production. The difficulty for small producers is that they must find a source of capital to be able to take advantage of these tax incentives—at a time when capital formation is one of the most critical problems facing farmers and small business.

Another advantage of encouraging agricultural sectors to produce alcohol fuels is that abundant supplies of the feedstock needed for production are readily available. Producing fuel alcohol in rural areas and "stretching" the amount of fuel available for agricultural production will benefit not only our farm sectors—through lower cost of production—but our consumers and our national economy through decreasing our inflationary dependence on foreign oil.

I am confident that Congress will restore partial funding for the loans and loan guarantee programs under the Energy Security Act. However, equally important, is the Office of Alcohol Fuels program to encourage both production and consumption of fuel alcohol.

Already, uncertainty of the Federal Government's commitment to alcohol fuels and of consumer demand for gasohol has slowed alcohol production. For example, Archer Daniels Midland Co. planned to build the world's largest fuel alcohol plant in Des Moines, Iowa. They have now held off on their plan because of the uncertainty in the fuel alcohol market.

The need for an effective advocate to encourage the production and consumption of alcohol fuels is apparent. I believe James Stearns has the ability to develop an aggressive alcohol fuels advocacy program within and outside of DOE.

I hope that Mr. Stearns' "machine" and the Office of Alcohol Fuels will run as if powered by gasohol. This, of course, recognizes that the addition of ethanol to unleaded gasoline enhances the octane level of the gasoline which delivers superior engine performance, reduces engine knocking and may lead to improved acceleration.●

The PRESIDING OFFICER. Who seeks recognition?

Mr. METZENBAUM. Mr. President——

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

Is it necessary to ask unanimous consent that the pending amendment be temporarily laid aside?

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Is that an amendment on day care?

Mr. METZENBAUM. Yes.

Mr. BAKER. Mr. President, I have to have Senator DOMENICI come to the Chamber before we proceed.

Mr. METZENBAUM. Mr. President, I ask that my previous request be vitiated.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONCLUSION OF MORNING BUSINESS

Mr. BAKER. Mr. President, are we still in morning business?

The PRESIDING OFFICER. We are still in morning business.

Is there further morning business? If not, morning business is closed.

ECONOMIC RECOVERY TAX ACT OF 1981

The Senate continued with the consideration of the joint resolution.

Mr. BAKER. Mr. President, I might say for the benefit of my friend from Ohio, that I just learned that the Senator from New Mexico has an interest in this matter and I respectfully request that he withhold any further action on it until the Senator is present.

Mr. METZENBAUM. I did not know that.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I am advised there is not a budget question to be raised against the proposal of the distinguished Senator from Ohio.

Before we proceed, may I inquire if there are other arrangements that need to be attended to in that connection.

Mr. PACKWOOD. There is no budget issue. The chairman of the Budget Committee has looked at it and assured me of that. I have just checked with the minority leader and he knows of no objection, although these are two separate amendments and they would be covered with one vote.

Mr. METZENBAUM. That is perfectly agreeable. I would point out to the majority leader that the Senator from Delaware (Mr. BIDEN) is not here. He has indicated that he would not be willing to have a voice vote tonight, but is perfectly agreeable to setting it for a time certain on Tuesday, with the caveat or the condition that the Senator from Louisiana has raised, that in the event the Senate is able to dispose of the entire tax bill on Monday this matter would also be disposed of on Monday.

Mr. BAKER. Mr. President, could I inquire of the Senator from Ohio?

I am perfectly willing to do that as far as I am concerned, but since we cannot have a voice vote tonight, and would not have a rollcall vote until Monday or Tuesday, would the Senator from Ohio be willing to put over the whole thing until Monday and make this amendment the pending business when we return on Monday morning?

Mr. METZENBAUM. This Senator will not be here on Monday.

Mr. BAKER. How about Tuesday?

Mr. METZENBAUM. Tuesday would be fine. Seven-thirty in the morning would be fine.

Mr. BAKER. The Senator tempts me.

Mr. DOLE. It would help the manager of the bill if we do it tonight because it takes care of about seven or eight names on that long list. We do have an agreement on it. By Monday, it might get out of the bag. By Tuesday they may think of a higher number.

Mr. METZENBAUM. Either way is all right.

Mr. BAKER. Would the Senator from Delaware be willing to let us have a voice vote on this tonight?

Mr. BIDEN. No; I would not.

Mr. BAKER. Mr. President, I am advised now that the problem has arisen which the chairman of the committee predicted, that we take these amendments in sequence as they occur.

Mr. President, in view of that request, I cannot agree to do other than to call

up the amendment. It may be that we will not finish it today, in which case it would go over until Monday. I am not in a position to take it up and set it for Tuesday.

Mr. METZENBAUM. Then I could wait and call up the amendment on Tuesday.

Mr. LONG. Can we agree informally among ourselves that we will endeavor to vote on this amendment before we go to a third reading?

As far as I am concerned, if the Senator is not here, I will be glad to offer his amendment for him myself.

Mr. METZENBAUM. Mr. President, I spent a lot of time on this amendment. I am not trying to delay the Senate. I do not want to delay the Senate. I am perfectly willing to call it up this evening and set it for a time and date certain, and agree to vote on it Monday, if necessary. But I would like to be in a position to call up my own amendment and speak to it.

I do know what the problem is about setting it for a time certain on Tuesday on the other side. Since it does not seem to me an unreasonable kind of request, nor would it put anybody at a particular disadvantage——

Mr. BAKER. If the Senator will permit me to interrupt, Mr. President, I am going to do something I almost never do. That is to recognize the special and unique circumstances involved here.

I am now advised that I do not have a formal request for an objection on that, but, rather the expression of a preference. There is a distinction that may not be important to anybody but me, but it is a distinction.

I am prepared now to recede from the position I stated earlier and let the Senator go ahead and offer his amendment, with the understanding that it will not be voted on tonight.

I am prepared to make a unanimous-consent request, if it is agreeable to the two managers and other Senators involved, that after debate on this issue is concluded this evening, when we return to the consideration of the bill on Tuesday it will be the first order of business and the vote will occur at that time. If the Senator is agreeable to that, if the managers are agreeable to that, and the minority leader, I am prepared to make that request.

Mr. METZENBAUM. Yes.

Mr. DURENBERGER. If the majority leader will yield, if agreeable I plan to propose an amendment in this matter. That proposal would be agreeable to me, providing that at the time of the vote on the amendment of the Senator from Ohio, my amendment would also be voted on at the same time.

Mr. METZENBAUM. That is agreeable.

Mr. BAKER. Mr. President, I have a problem there. We have a list of amendments with no second degree amendments. If the Senator is agreeable to consider these two amendments together, to modify the amendment of the Senator from Ohio by incorporating the amendment of the Senator from Minnesota so that it would then be a single amendment—would that be agreeable?

Mr. METZENBAUM. That is agreeable.

Mr. DURENBERGER. For purposes of the vote?

Mr. BAKER. Yes.

Mr. DURENBERGER. That is agreeable.

Mr. BAKER. Mr. President, I ask unanimous consent that after debate is concluded on the amendment to be offered by the Senator from Ohio, that the amendment be temporarily laid aside; that we resume consideration of that amendment as soon as the Senate resumes consideration of the tax bill on Tuesday next, and that the amendment of the Senator from Ohio and an amendment to be offered by the Senator from Minnesota be consolidated into a single amendment for the purpose of final disposition by the Senate.

Mr. BIDEN. Reserving the right to object, Mr. President, what will that do to the time agreement reached on the amendment? How much time will we have on this issue tonight if that is agreed to?

Mr. BAKER. Mr. President, there are 30 minutes equally divided on the amendment.

Mr. DOLE. I can give time off the bill if the Senator wants more time.

Mr. BIDEN. I just want to make sure I understand what is being consolidated here. Are we consolidating two amendments?

Mr. PACKWOOD. The amendment of the Senator from Ohio and the Senator from Florida, which was the amendment of the Senator from Minnesota for himself, was literally physically split in two. The Senator from Chio will be offering part of it as an amendment. The Senator from Minnesota will be offering part of it as a separate amendment but they will be voted on as one. They will include sliding scale, fringe benefits, refundable credits. But they are split in two.

Mr. BIDEN. So we are talking about a total of an hour's time or a half hour?

Mr. BAKER. Mr. President, I put the question to the Chair: Under these circumstances, if the unanimous consent is granted by the Senate and we have two amendments considered en bloc for a single vote, will the Senate indulge 1 hour of debating divided 30 minutes on each amendment or 30 minutes on the consolidated amendment?

The PRESIDING OFFICER. It will take unanimous consent to consider the amendments en bloc. Therefore, it would be up to the Senate to establish the amount of debate time.

Mr. METZENBAUM. If the Senator from Tennessee will yield for 1 minute, I might say I am presenting the amendment on behalf of and with the Senators on the floor, I do not expect to speak more than 1 minute. I expect to put my statement in the RECORD. Looking around at the gallery, it does not seem there are many people who will be wanting to hear our debate, and I think many of us will foreshorten our speech.

Mr. BAKER. The Senator is a foresightful person.

Mr. BIDEN. Under those circumstances, Mr. President, I do not object.

Mr. BAKER. Mr. President, I ask unanimous consent that there be 30 minutes equally divided for debate on the amendments in question.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that the amendment pending at the desk be set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 296

Mr. METZENBAUM. Mr. President, I send an amendment to the desk and ask unanimous consent that it be considered.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Ohio (Mr. METZENBAUM) for himself, Mrs. HAWKINS, Mr. DURENBERGER, Mr. PACKWOOD, and Mr. HEINZ, proposes an unprinted amendment numbered 296.

Mr. METZENBAUM. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill, add the following:

CREDIT FOR CERTAIN HOUSEHOLD AND DEPENDENT CARE EXPENSES

SEC. . (a) ALLOWANCE OF CREDIT.—Subsection (a) of section 44A of the Internal Revenue Code of 1954 (relating to expenses for household and dependent care services necessary for gainful employment) is amended to read as follows:

"(a) ALLOWANCE OF CREDIT.—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the product of—

"(1) the employment-related expenses paid by such individual during the taxable year, multiplied by

"(2) the greater of—

"(A) the percentage equal to—

"(i) 30 percent, reduced by

"(ii) 1 percent for each $2,000 of such individual's adjusted gross income for such taxable year, or fraction thereof, which is in excess of $10,000, or

"(B) 20 percent.".

(b) DOLLAR LIMITATION.—Subsection (c) of section 44A of such Code (as redesignated by subsection (b)) is amended to read as follows:

"(c) DOLLAR LIMITATION.—

"(1) IN GENERAL.—The amount of the employment-related expenses incurred during any taxable year which may be taken into account under subsection (a) shall not exceed—

"(A) $2,400 if there is one qualifying individual with respect to the taxpayer for such taxable year, or

"(B) $4,800 if there are two or more qualifying individuals with respect to the taxpayer for such taxable year.

(d) EARNED INCOME LIMITATION.—Paragraph (2) of subsection (d) of section 44A of such Code (as redesignated by subsection (b)) is amended to read as follows:

"(2) SPECIAL RULE FOR SPOUSE WHO IS A STUDENT OR INCAPABLE OF CARING FOR HIMSELF.

In the case of a spouse who is a student or a qualifying individual described in subsection (b)(1)(C), for purposes of paragraph (1), such spouse shall be deemed for each month during which such spouse is a full-time student at an educational institution,

or is such a qualifying individual, to be gainfully employed and to have earned income of not less than—

"(i) $200 if subsection (c)(1)(A) applies for the taxable year, or

"(ii) $400 if subsection (c)(1)(B) applies for the taxable year.

In the case of any husband and wife, this paragraph shall apply with respect to only one spouse for any one month.

(e) The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

SEC. A. ALLOWANCE OF A CREDIT FOR HOUSEHOLD AND DEPENDENT CARE SERVICES PROVIDED BY AN EMPLOYER.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable), as amended by section 321 of this Act, is amended by inserting after section 44G the following new section:

"SEC. 44H. HOUSEHOLD AND DEPENDENT CARE SERVICES PROVIDED BY EMPLOYER.

"(a) IN GENERAL.—In the case of an employer (as defined in section 3431 (d)) who provides qualified household and dependent care services to his employees, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the excess of—

"(1) the expenses paid or incurred by such employer during the taxable year in providing such services to his employees, over

"(2) the amount of remuneration, if any, paid to such employer by his employees for providing such services during the taxable year.

"(b) QUALIFIED HOUSEHOLD AND DEPENDENT CARE SERVICES.—For purposes of this section, the term 'qualified household and dependent care services' means those services which if paid for by the employee would be considered employment-related expenses under section 44A (c) (2).

"(c) CAPITAL EXPENSES.—The expenses which may be taken into account under subsection (a) in determining the amount of the credit shall not include any amount paid or incurred by the employer which is chargeable to capital account.

"(d) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the tax imposed by this chapter for the taxable year, reduced by the sum of the credits allowable under a section of this subpart having a lower number or letter designation than this section, other than the credits allowable by sections 31, 39, 43, and 44A. For purposes of the preceding sentence, the term 'tax imposed by this chapter' shall not include any tax treated as not imposed by this chapter under the last sentence of section 53 (a).

"(e) DENIAL OF DOUBLE BENEFIT.—No deduction or credit shall be allowed under this chapter with respect to any amount for which a credit is allowed under this section.

"(f) PASS-THROUGH IN THE CASE OF SUBCHAPTER S CORPORATIONS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsections (d) and (e) of section 52 shall apply."

(b) CONFORMING AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 221 (c) of this Act, is amended by inserting after the item relating to section 44G the following:

"Sec. 44H. Household and dependent care services provided by employer.".

(2) Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund), as amended by section 221(c) of this Act, is amended by striking out "and 44G" and inserting in lieu thereof "44G, and 44H".

SEC. CREDIT ALLOWED FOR CERTAIN SERVICES OUTSIDE TAXPAYER'S HOUSEHOLD.

(a) Paragraph (2) of section 44A(c) (defining employment-related expenses) is amended by striking out subparagraph (B) and inserting in lieu thereof the following new subparagraphs:

"(C) DEPENDENT CARE CENTERS.—Employment-related expenses described in subparagraph (A) which are incurred for services provided outside the taxpayer's household by a dependent care center (as defined in subparagraph (D)) shall be taken into account only if—

"(i) such center complies with all applicable laws and regulations of a State or unit of local government, and

"(ii) the requirements of subparagraph (B) are met.

"(D) DEPENDENT CARE CENTER DEFINED.—For purposes of this paragraph, the term 'dependent care center' means any facility which—

"(i) provides care for more than six individuals (other than individuals who reside at the facility), and

"(ii) receives a fee, payment, or grant for providing services for any of the individuals (regardless of whether such facility is operated for profit).

Such term shall not include a facility which regularly provides care for six, or fewer, individuals (other than individuals who reside at the facility) and which serves as the residence of the individual operating the facility.".

Mr. METZENBAUM. Mr. President, Senator HAWKINS joins me today in offering as an amendment to the tax bill a key portion of the Stronger American Families Act of 1981.

Senators DURENBERGER, PACKWOOD, CRANSTON, D'AMATO, MOYNIHAN, TSONGAS, WILLIAMS, KENNEDY, RANDOLPH, SIMPSON, LEVIN, and RIEGLE also join in cosponsoring this proposal.

Our amendment is designed to respond to the fact that the real world in which American families live today is very different than it was years ago.

In 1960, for example, only 30 percent of married women held jobs. Today, that figure is nearly 50 percent.

Ten years ago, 39 percent of the Nation's children had mothers in the work force. Today, the children of working mothers make up fully half of all American youngsters below the age of 18.

To some extent, that growth has taken place because women have begun to break into business and professional careers from which they had been excluded. But the fact is, Mr. President, that the doctors, the lawyers, and the business people represent only a small fraction of the Nation's working mothers.

Few of America's working mothers are in highly paid occupations—the average two-earner family has a combined annual income of $25,000.

A large percentage of them are young—in their twenties and early thirties. And they are working because in today's economic climate, their families simply cannot get by on one income.

But unfortunately, Mr. President, the child care facilities available to working families have not expanded to match the movement of mothers into the work force.

In too many cases, working mothers are forced to leave their children without adequate supervision. And when child care facilities are available at all, they cost these hard-pressed young families an average of $50 per child per week.

A majority of American families have identified child care as an area in which they want their Government to be more responsive. In a recent Gallup poll, 67 percent supported tax credits for businesses to provide on-site child care, and fully 70 percent supported tax credits to assist families in meeting child care expenses.

The amendment we offer today has four components.

First, the amendment addresses the problem of availability by offering to employers new incentives to provide their employees with child care services.

The second component of this amendment recognizes that most Americans are not fortunate enough to be employed by companies that offer their own child care programs. It, therefore, strengthens substantially the existing day care tax credit for all working parents, regardless of income, in order to compensate for the effect of inflation on the existing tax credit.

Under current law, taxpayers may claim as a tax credit, 20 percent of the first $2,000 they spend on child care expenses. Our amendment raises that level to $2,400.

In addition, Mr. President, the amendment will target assistance to middle- and lower-income working families by adding 1 percent to the 20-percent credit for each $2,000 by which a family's income falls below $20,000. The maximum tax credit under this provision would be 30 percent to families earning $10,000 per year or less.

Finally, our amendment removes from the Tax Code provisions that actively discourage working families from keeping handicapped children and elderly relatives in the home.

Today, the eligibility for tax relief is limited to payments to persons who come into the home to care for elderly or handicapped family members.

I am sure, Mr. President, that there are thousands upon thousands of families in this country who would like to take advantage of that provision. But for most of these families, the cost of paying a nurse or even a babysitter is simply too great.

Special day care centers for the handicapped exist—and are within the means of working families. But expenditures for facilities of this kind do not qualify for tax credits.

The same is true for dependent care programs for senior citizens.

And the result is that many families are forced against their will to institutionalize their elderly and handicapped members. That should not be happening in this country.

Mr. President, the Joint Committee on Taxation has estimated that this amendment will reduce Federal revenues by approximately $340 million in fiscal year 1983. But I cannot think of a better target for tax reduction.

This is a real world amendment we are offering, it is not drawn from some ab-

stract theory. The amendment is inspired by what we know are the day-to-day problems of working men and women.

This amendment rewards the productive people of this country.

It will insure better, more readily available care for countless thousands of American children.

It will help families to stay together.

It is a proposal whose time has come, Mr. President, and I ask for its adoption.

Mrs. HAWKINS. Mr. President, I support this amendment. On July 14, 1981, Senator METZENBAUM and I introduced Senate bill No. 1478, along with Senators WILLIAMS, TSONGAS, and the others mentioned. Today, we are offering an amendment to House Joint Resolution 266 based on that bill and the day care provisions contained in the House version of the tax bill, as reported out of the Ways and Means Committee. Mr. President, this amendment is designed to increase American productivity, and in that aim it is perfectly consistent with the underlying legislation, the Economic Recovery Tax Act of 1981.

By 1980, more than half the women with children under 18 were in the work force. That is the fact. But 1990, two-thirds of all mothers with children under 6 years of age will be working, and three-fourths of all two-parent families will have both parents in the work force. This trend to two-earner families comes about in large part because of the economic conditions which have prevailed for the last few years, conditions which make it impossible for the middle class to survive on a single income.

Since those mothers have already moved into the work force, Mr. President, the question is how to provide for their children in a way most consistent with family stability and with worker productivity. This legislation addresses that problem in two ways.

First, it encourages employers to provide day care services for their employees by contracting with community-based day care centers. Employers who have provided such services have found that job turnover is lower, absenteeism and tardiness are down, employee morale is up, and it is easier to recruit new workers. Those are precisely the factors which lead to higher productivity, and precisely the factors this tax bill is supposed to produce.

Second, this legislation extends the availability of tax credits for day-care expense. The current limit of 20 percent makes it difficult for the middle-income family to afford the kind of care that is necessary. This amendment would increase the percentage of expense that can be taken by families below $30,000 per year in income. The amendment also makes the credit refundable, so that it can be used at the lowest end of the income scale, by families without taxable income.

Ninety percent of the Government's present expenditures on day care comes in the form of direct assistance, or direct provision of day care services, largely through the various antipoverty programs of the Government. Thus, it is not available to the middle-class family, and offers lower income families little choice. By changing the emphasis to the indirect form of assistance the tax incentive provides, assistance should be more available to the middle class. At the same time, lower income families will be helped to make choices about the kind of care they want for their children.

Mr. President, the amendment has some other provisions, designed to clarify the treatment of day-care services provided by employers, so that they are not treated as taxable income.

Mr. President, I can well understand the desire to keep the present tax bill clean, and to avoid revenue-losing amendments. At the same time, I repeat my observation that the purpose of the bill is to increase productivity. If we do not lose sight of that fundamental purpose, with see that the Metzenbaum-Hawkins amendment is perfectly consistent with it, and should be adopted. I hope that we will keep that purpose in mind, and judge the amendment in relation to it, rather than to some mythical legislative purity.

Mr. President, I urge the adoption of the amendment, and I yield the floor.

Mr. PACKWOOD. Mr. President, I am delighted to join with the Senator from Ohio and the Senators from Florida and Minnesota in cosponsoring both of these amendments. Taken together, they are a great step forward in trying to insure that the single parents of this country will have an opportunity to work and can afford to do so. For most single parents—and today, that is still usually women, although not as much as it might have been 5 or 10 years ago—today, the greatest single cost for those single parents or even for those who are married and both husband and wife have to work to make ends meet, is day care. This bill will be a weighty factor in their determination to try to enter the work force rather than think to themselves, "It's cheaper to go on welfare because I cannot afford day care."

If that concept can be grafted into the tax law, it will be one of the best steps forward for the social structure of this country.

UP AMENDMENT NO. 297

Mr. DURENBERGER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Minnesota (Mr. DURENBERGER), for himself and Mr. PACKWOOD, Mr. METZENBAUM, Mrs. HAWKINS, Mr. HEINZ, Mr. CRANSTON, Mr. D'AMATO, Mr. MOYNIHAN, Mr. TSONGAS, Mr. WILLIAMS, Mr. KENNEDY, Mr. RANDOLPH, Mr. SIMPSON, Mr. LEVIN, and Mr. RIEGLE proposes an unprinted amended numbered 297.

Mr. DURENBERGER. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill, add the following:

(a) CREDIT MAY EXCEED TAX LIABILITY.—Section 44A of such Code is amended—

(1) by striking out subsection (b), and

(2) by redesignating subsections (c) through (g) as subsections (b) through (f), respectively.

(b) REFUNDABILITY OF THE CREDIT.—Subsection (b) of section 6401 of such Code (relating to amounts treated as overpayments) is amended to read as follows:

"(b) EXCESSIVE CREDITS.—If the amount allowable as credits under section 31 (relating to tax withheld on wages), section 39 (relating to certain uses of gasoline, special fuels, and lubricating oil), section 43 (relating to earned income credit), and section 44A (relating to expenses for household and dependent care services necessary for gainful employment) exceeds the tax imposed by subtitle A (reduced by the credits allowable under subpart A of part IV of subchapter A of chapter 1, other than the credits allowable under sections 31, 39, 43, and 44A), the amount of such excess shall be considered an overpayment. For purposes of the preceding sentence, any credit allowed under paragraph (1) of section 32 (relating to withholding of tax on nonresident aliens and on foreign corporations) to a nonresident alien individual for a taxable year with respect to which an election under section 6013 (g) or (h) is in effect shall be treated as an amount allowable as a credit under section 31.".

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (5) of section 44A(e) of such Code (as redesignated by subsection (b) of this Act) is amended by striking out "subsection (c)(1)" and inserting in lieu thereof "subsection (b)(1)".

(2) Sections 44C(b)(5), 44D(b)(5), 44E(e)(1), 55(b)(2), and 56(c) of such Code are amended by striking out "and 43" and inserting in lieu thereof "43, and 44A".

(3) Paragraph (4) of section 6201(a) of such Code (relating to assessment authority) is amended to read as follows:

"(4) ERRONEOUS CREDIT.—If on any return or claim for refund of income taxes under subtitle A there is an overstatement of the credit allowable by section 39 (relating to certain uses of gasoline, special fuels, and lubricating oil), section 43 (relating to earned income), or section 44A (relating to expenses for household and dependent care services necessary for gainful employment), the amount so overstated which is allowed against the tax shown on the return or which is allowed as a credit or refund may be assessed by the Secretary in the same manner as in the case of a mathematical or clerical error appearing upon the return, except that the provisions of section 6213(b)(2) (relating to abatement of mathematical or clerical error assessments) shall not apply with regard to any assessment under this paragraph.".

(4) Subsection (a) of section 53 of such Code (relating to limitation of credit allowed by section 44B based on amount of tax) is amended—

(A) by inserting "and" at the end of paragraph (5),

(B) by striking out ", and" at the end of paragraph (6) and inserting in lieu thereof a period, and

(C) by striking out paragraph (7).

(5) Subsection (b) of section 6096 of such Code (relating to designation of income tax payments) is amended by striking out "44A,".

(d) The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

EXCLUSION OF DEPENDENT CARE ASSISTANCE FROM THE INCOME OF EMPLOYEES

SEC. . (a) EXCLUSION FROM INCOME.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to items specifically excluded from income) is amended by redesignating section 128 as section 129 and inserting after section 127 the following new section:

"SEC. 128. DEPENDENT CARE ASSISTANCE PROGRAMS.

"(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for dependent care assistance to such employee if the assistance is furnished pursuant to a program which is described in subsection (d).

"(b) EARNED INCOME LIMITATION.—

"(1) IN GENERAL.—The amount excluded from the income of an employee under subsection (a) for any taxable year shall not exceed—

"(A) in the case of an employee who is not married at the close of such taxable year, the earned income of such employee for such taxable year, or

"(B) in the case of an employee who is married at the close of such taxable year, the lesser of—

"(i) the earned income of such employee for such taxable year, or

"(i) the earned income of the spouse of such employee for such taxable year.

"(2) SPECIAL RULE FOR CERTAIN SPOUSES.—For purposes of paragraph (1), the provisions of section 44A(e)(2) shall apply in determining the earned income of a spouse who is a student or incapable of caring for himself.

"(c) PAYMENTS TO RELATED INDIVIDUALS.—No amount paid or expenses incurred during the taxable year of an employee by an employer in providing dependent care assistance to such employee shall be excluded under subsection (a) if such amount was paid directly to an individual—

"(1) with respect to whom, for such taxable year, a deduction is allowable under section 151(e) (relating to personal exemptions for dependents) to such employee or the spouse of such employee, or

"(2) who is a child of such employee (within the meaning of section 151(e)(3)) under the age of 19 at the close of such taxable year.

"(d) DEPENDENT CARE ASSISTANCE PROGRAM.—

"(1) IN GENERAL.—For purposes of this section a dependent care assistance program is a separate written plan of an employer for the exclusive benefit of his employees to provide such employees with dependent care assistance. The program must meet the requirements of paragraphs (2) through (6) of this subsection.

"(2) ELIGIBILITY.—The program shall benefit employees who qualify under a classification set up by the employer and found by the Secretary not to be discriminatory in favor of employees who are officers, owners, or highly compensated, or their dependents. For purposes of this paragraph, there shall be excluded from consideration employees not included in the program who are included in a unit of employees covered by an agreement which the Secretary of Labor finds to be a collective bargaining agreement between employee representatives and one or more employers, if there is evidence that dependent care benefits were the subject of good faith bargaining between such employee representatives and such employer or employers.

"(3) PRINCIPAL SHAREHOLDERS OR OWNERS.—Not more than 25 percent of the amounts paid or incurred by the employer for dependent care assistance during the year may be provided for the class of individuals who are shareholders or owners (or their spouses or dependents), each of whom (on any day of the year) owns more than 5 percent of the stock or of the capital or profits interest in the employer.

"(4) NO FUNDING REQUIRED.—A program referred to in paragraph (1) is not required to be funded.

"(5) NOTIFICATION OF ELIGIBLE EMPLOYEES.—Reasonable notification of the availability and terms of the program must be provided to eligible employees.

"(6) STATEMENT OF EXPENSES.—The plan shall furnish to an employee, on or before January 31, a written statement showing the amounts paid or expenses incurred by the employer in providing dependent care assistance to such employee during the previous calendar year.

"(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) DEPENDENT CARE ASSISTANCE.—The term 'dependent care assistance' means the payment of, or provision of, those services which if paid for by the employee would be considered employment-related expenses under section 44A(c)(2) (relating to expenses for household and dependent care services necessary for gainful employment).

"(2) EARNED INCOME.—The term 'earned income' shall have the meaning given such term in section 43(c)(2), but such term shall not include any amounts paid or expenses incurred by an employer for dependent care assistance to an employee.

"(3) EMPLOYEE.—The term 'employee' includes, for any year, an individual who is an employee within the meaning of section 401(c)(1) (relating to self-employed individuals).

"(4) EMPLOYER.—An individual who owns the entire interest in an unincorporated trade or business shall be treated as his own employer. A partnership shall be treated as the employer of each partner who is an employee within the meaning of paragraph (3).

"(5) ATTRIBUTION RULES.—

"(A) OWNERSHIP OF STOCK.—Ownership of stock in a corporation shall be determined in accordance with the rules provided under subsections (d) and (e) of section 1563 (without regard to section 1563(e)(3)(C)).

"(B) INTEREST IN UNINCORPORATED TRADE OR BUSINESS.—The interest of an employee in a trade or business which is not incorporated shall be determined in accordance with regulations prescribed by the Secretary, which shall be based on principles similar to the principles which apply in the case of subparagraph (A).

"(6) UTILIZATION TEST NOT APPLICABLE.—A dependent care assistance program shall not be held or considered to fail to meet any requirements of subsection (d) merely because of utilization rates for the different types of assistance made available under the program.

"(7) DISALLOWANCE OF EXCLUDED AMOUNTS AS CREDIT OR DEDUCTION.—No deduction or credit shall be allowed under any other section of this chapter for any amount excluded from income by reason of this section.".

(b) EXCLUSION FROM WAGES.—

(1) EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX.—Subtitle C of such Code is amended by striking out "section 127" in section 3121(a)(18) (relating to the Federal Insurance Contributions Act), section 3306(b)(13) (relating to the Federal Unemployment Tax Act), and section 3401(a)(19) (relating to collection of income at source on wages) and inserting in lieu thereof "section 127 or 128".

(2) SOCIAL SECURITY ACT.—Subsection (q) of section 209 of the Social Security Act (defining wages) is amended by striking out "section 17" and inserting in lieu thereof "section 127 or 128".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1981.

SEC. (a) CREDIT ALLOWED FOR CERTAIN SERVICES OUTSIDE THE TAXPAYER'S HOUSEHOLD.—Subparagraph (B) of section 44A(c)(2) is amended to read as follows:

"(B) EXCEPTION.—Employment-related expenses described in subparagraph (A) which are incurred for services outside the taxpayer's household shall be taken into account only if incurred for the care of—

"(i) a qualifying individual described in paragraph (1)(A), or

"(ii) a qualifying individual not described in paragraph (1)(A) where the qualifying individual regularly spends at least 8 hours each day in the taxpayer's household."

(b) The amendment made by this section is effective after December 31, 1981.

Mr. DURENBERGER. Mr. President, the bill we are debating this afternoon bears the title "The Economic Recovery Tax Act of 1981." And economic recovery is in fact what this bill is all about.

By 1985, the tax incentives we have placed in this bill will create approximately 13 million new jobs. By adopting the amendments Senators PACKWOOD, HAWKINS, METZENBAUM, and I offer this afternoon, we can insure that these job opportunities will be available to all Americans—including women and men who want to work but cannot afford to because of the rising costs of child care. We can remove that barrier by broadening the child care tax credit.

The composition of America's work force is changing rapidly because mothers have become a permanent part of the Nation's labor force. In 1979, for example, 62 percent of mothers with school-age children, 52 percent of mothers with children ages 3 through 5, and 41 percent of mothers with children under 3 years were in the labor force. The number of young children with working parents has increased dramatically over the past two decades and the projections for the eighties show further increases. It is estimated that by 1990, two-thirds of all mothers with preschool children will be working regularly and that three-quarters of all two-parent families will have both parents in the work force.

To enable these parents to meet their pressing economic needs, a much larger number of dependent day-care opportunities must be provided for parents at a price they can afford.

For example, one-fourth of all working mothers are single parents, and their incomes are much lower than those of other working families. Even in families with two parents working, if the mother's income were subtracted from the total family income, most of these families would fall below the poverty level.

Thus, many working families cannot afford to provide the basic necessities such as food and housing as well as the dependent day care which is necessary for them to work.

Although the present tax credit has been effective as far as it goes, its impact has been focused on a relatively limited segment of the population. The tax credit has historically served the dual purposes of recognizing child care as a business expense necessary for earning income and helping lower income working parents afford the dependent care expenses they incur while trying to maintain a minimal standard of living for their families.

While the 1976 tax amendments intended to address both of these purposes, the benefits have greatly favored those families using the credit as a business

credit over those using it as a means of affording dependent care.

For example, 83 percent of the 1978 benefits went to families earning over $12,000, the threshold for the Bureau of Labor Standard's lower family budget.

In order for the tax credit to provide more benefits for those who cannot afford dependent care, the credit would have to be adjusted to provide lower budget families with increased benefits and slide those benefits down to the current business credit level as the families' incomes rise. This amendment would do just that.

Mr. President, the key aspect of this amendment is the fact that the dependent care credit is refundable. Those who need this credit the most are the low-income families, who pay little or no Federal tax. A tax credit is meaningless unless the recipient has some tax liability against which the credit can be claimed.

Unless the dependent care credit is refundable, it will have no impact on the people we most need to reach, the poorest families, those for whom the access to this credit will mean the difference between work and welfare. The refundable credit is a dramatic innovation, one that will bring the benefits of this bill to thousands of families that have never shared the benefits of the current law.

It is imperative that any Federal policy should be sensitive and responsive to the needs of people who have insufficient dollars to provide for an acceptable standard of living. These amendments help those who are working to help themselves and their families. This is Federal assistance in the finest sense of the term—not a handout but a handup to a better standard of living.

If I had carte blanche and unlimited dollars, I would increase this credit even further. The broad dependent care provisions in the Economic Equity Act are a clear example of where we should be heading. But for the moment, we have to live with the reality of a $55-billion budget deficit, and the need to construct a bill that will gain approval in the House, and receive the President's signature. The amendments we offer today are an important step in the right direction. They will provide real help to those in immediate need. I appreciate the efforts of Senators DOLE, METZENBAUM, PACKWOOD, and HAWKINS in developing this amendment, and I want to particularly acknowledge the contribution of Gary Winget and the other members of my own dependent care task force in Minnesota. I urge every Senator to join in supporting this essential addition to our economic recovery program.

Let me close by summarizing the five elements of our amendments:

First, the dependent care tax credit is increased to 30 percent for families with incomes of up to $10,000, decreasing by 1 percent for each additional $2,000 in income. For those with incomes above $30,000 the credit remains at 20 percent, the same as present law.

Second, the amount of day care expenses for which the credit may be taken is increased from $2,000 for one dependent and $4,000 for two or more dependents in present law to $2,400 for one dependent and $4,800 for two or more dependents in our amendments.

Third, for those with little or no tax liability, the credit is refundable.

Fourth, dependent care provided by an employer is not taxed as income to the employee; and

Fifth, employers who contract with day care providers receive a credit of 50 percent of the employer's expenses.

What does this mean? To a family with $10,000 of income and $2,400 of dependent care expenses, the credit increases from $400 in present law to $720 under our amendments. And if that family has little or no income tax liability, they would receive up to $720 in refund from the Government. A family with $20,000 of income and $2,400 in expenses receives $200 more than under present law.

I urge my colleagues to adopt this important package.

Mr. METZENBAUM. Mr. President, I ask the distinguished Senator from Minnesota if the names of all the cosponsors on the amendment of the Senators from Ohio and Florida are on the amendment he has just offered.

Mr. DURENBERGER. Yes, Mr. President, the cosponsors of the amendment include the Senator from Ohio, the Senator from Florida and the Senator from Oregon.

Mr. METZENBAUM. And all the other Senators who are cosponsors of the first amendment?

Mr. DURENBERGER. That is correct, Mr. President.

● Mr. KENNEDY. Mr. President, I am proud to be a cosponsor of the child care amendment offered by Senator METZENBAUM and Senator HAWKINS, and I congratulate them for the effective presentation they have made.

This amendment will help those who have been hurt the most by recent budget cuts, the middle- and low-income families, the women and children of the Nation who need our help the most.

We must face the inadequacies of today's employment structure. When a child comes home to an empty house or a mother is forced to let her family slip below the poverty level because she cannot afford day care, the Nation is the poorer.

This situation is not unique. Today, one out of two women work outside the home, a 70-percent increase since 1950. The number of working mothers has increased tenfold. The children of working mothers make up fully 50 percent of all of America's children below the age of 18.

In many instances, a mother's income makes the difference between poverty and economic solvency. Among working mothers with husbands present, 20 percent had husbands whose incomes were below $7,000. For those 2.9 million working mothers who do not have husbands, and for their children who do not have fathers, the income brought home by the female head of the household is of crucial importance.

The myth that women are not working for money has been exploded. The statistics prove undeniably that the working mother is an economic necessity, not a luxury. And while the numbers have risen dramatically, child care facilities have not expanded to match.

Such women face the choice of leaving children without supervision for hours each day or of dropping out of the workforce.

The average cost of day care is $50 a week and on the rise. The maximum tax credit for day care under the current system, which is $400, regardless of income, is inadequate and unfair.

Four million families across the country now take advantage of the day care tax credit. Yet, programs which now provide vital day care service are being slashed.

Title XX will be consolidated into a social service block grant and then forced to compete with other worthwhile programs for 25 percent fewer funds. Title XX day care has been serving fewer children each year, dropping 14 percent in 3 years.

Day care facilities which employed CETA workers will have to seek other means of staffing centers.

The age limit and the Federal reimbursement rate have been lowered for meals and lunches in day care facilities.

Many cuts proposed by the administration target the very programs which protect the Nation's neediest children—child nutrition, food stamps, medicaid, AFDC.

This amendment will assist families which most need to compensate for cuts in these programs during this time of high inflation and great economic uncertainty. This amendment will help working mothers provide their children with the necessary supervision and care so vital to their development. By targetting lower income families through a sliding credit scale, we will enable women to participate in meaningful employment and help to raise their families above the poverty line.

This amendment is a step toward a fair and equitable labor market. It realistically addresses the changing role of the Nation, and it protects the Nation's children.

I also want to emphasize one of the most important features of the amendment, the fact that it is refundable. Too often, the tax relief we provide is not available to those who need relief the most—the lowest income members of our society whose tax liability is not large enough to fully use the relief that is provided by the tax laws.

The refundable feature of this amendment means that this problem is avoided. If a taxpayer's tax liability is not sufficient to take full advantage of the day care credit, the taxpayer will receive a refund of the balance. That is a major tax reform, and I commend the Senator from Ohio and the Senator from Florida for this important achievement in the area of tax justice. This amendment will truly provide relief to those who need it most.●

Mr. METZENBAUM. Mr. President, I yield the floor.

Mr. BIDEN. Mr. President.

The PRESIDING OFFICER. The Chair inquires, who yields time?

Mr. BIDEN. I assume that I am in control of the opposition time, Mr. President.

Mr. METZENBAUM. I am happy to yield to the Senator from Delaware.

Mr. BIDEN. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. BIDEN. Who controls the opposition time?

Mr. DOLE. Mr. President, I am happy to yield to the Senator on the bill.

Mr. BIDEN. I think there is time on the amendment.

The PRESIDING OFFICER. Does the Senator from Kansas seek recognition to yield time?

Mr. DOLE. Yes, Mr. President.

Mr. BIDEN. Mr. President, as I started to say, I rise in opposition to the amendment offered by my four distinguished colleagues relating to tax credits for day care for single parents and married couples. I do it somewhat reluctantly, because I think that the effort that they are making is extremely well intended. I think it is needed and I think that they should be commended for it. My argument is not with what they are trying to do here as it is with the provisions of present law.

Right now, Mr. President, a single parent and a married couple who, in order to be able to work or in exercising their choice of both being able to work can receive a tax credit.

Mr. President, as we all know, we set social policy in the tax code as much as we do any other place in the legislative process. And when we say in the tax code that people are going to get a credit or a deduction from their taxes to do something, we are creating that credit or deduction because we are encouraging people to do that activity. We encourage the oil companies to drill for more oil. We encourage people to buy homes by allowing them to deduct the mortgage interest and property taxes they pay on their homes. We encourage people to do many things in many ways. I just want to make sure everyone understands what we are encouraging to be done here.

It is one thing to encourage single parents on limited incomes to get off of welfare and into the job market.

Quite frankly I think that is not only admirable, I think it is a moral imperative, and I also think it is economically sound to do it from the point of view of the taxpayer.

I am even prepared to buy that argument for married couples who are on limited income because in today's economic circumstances it is not like when mom and pop were raising the kids, they need more money today to raise a child. In order to give the child the same care and material considerations that my mother and father gave me, a young couple has to make considerably more money today than 10 years ago.

I understand that. But what I do not understand, Mr. President, is the social policy that says a husband making $40,000 a year, and a wife making $30,000 a year should be entitled to a tax credit whenever they go into the job market. Why are we encouraging through the Tax Code, a decision made in the household, that primary child care during the working day from infancy to grade school be given to a day care center? Why are we doing that? Why is it necessary for people who are living on the margins financially, raising their families and choosing to provide the primary care for their children to pay for an upper-income family's day care? And that is what it is, it is a payment, to allow me making $62,000 a year and my wife who is a schoolteacher making $15,000 a year to send my children to day care centers. Why should that be allowed? What is the reason for doing that?

Well, I suggest to you, Mr. President, there is no good reason for that.

My colleagues who stood up and spoke briefly before me said the main beneficiaries are single parents. Good. Then they went on to say that married couples who have to work are also beneficiaries. Fine.

Then they pointed out that we are even going to have a refundable tax credit for those folks who make so little that this would not help them unless it was refundable, and that is good.

But what is not good is the fact that couples making over $30,000, $40,000 a year are able to, at the expense of other taxpayers, choose to go out and work and put their child in a day care center in order to have another home with an extra bedroom, to have a new patio, to be able to go to the beach for 3 weeks, in short, to have some material gain that exceeds necessity. If they want to do it, fine. They should be able to do that. But I for one do not want to be party to a system that says through the tax structure that it is socially desirable for that to be done.

I know I sound a little bit like one of the folks in the moral majority. Maybe I am a little bit too old-fashioned, but blood is thick and we are such an incredibly materialistic society. My generation, and I am 38 years old, looks more to material gain than it does to the primary care of their children, and in many instances, not just their children, but also their parents. Every one of us here receives office calls in our home States saying, "Senator WARNER, Senator BIDEN, Senator METZENBAUM, can you help get my mother and dad into a senior citizens home," and because we want to service our constituency to say "OK, we will try to help."

I did that for the first year until one of the more prominent lawyers with whom I had worked called to ask me to help get his mother into a senior citizen home. I thought to myself "What does he want to get his mother into a senior citizen center for? He makes good money. His mother is ambulatory and I know he has two extra bedrooms."

What is happening to this country? Why is it that there are fewer mothers, fathers, and grandparents living in the homes of their children today than there were in the year 1930?

I hear the answers my generation give me. "When Mom and Dad move in we have to put Billy and Johnny in the same room. It will affect their psyche. They should all have their own rooms. We all have to have our own space. Because, you know, Mom is a pain in the neck when she is in the kitchen with my wife." True.

"You know, my Dad really gets on my nerves. When he is around he is a pain in the neck. I cannot go out and cut the lawn without him telling me how to fix the lawnmower."

And so for convenience of my generation, we farmed out our parents, we do not have the attitude "blood is thick, mine is is mine, and that is my responsibility."

It is another story, Mr. President, if they cannot afford it. We are not talking about that. If I had to have my Mom or Dad come and live with me, it would be a serious financial problem. And the way it would be a serious financial problem is that my kids might not be able to go to camp for a month or stay in the private schools they are in or I may not be able to put in that new driveway I want or buy that place at the beach.

So what is wrong with that? Why should I not have to make that sacrifice? I do not know.

And quite frankly, I have never been as upset about an issue as I am about this issue, as trivial as it may seem, because I think it is the perfect example of the cancer that exists in this society. It is the reason why the moral majority, as outrageous as it is, speaks a modicum of truth about the rest of us: We do not even take care of our own families today.

Why should we be in a position of setting social policy that says people who are neither single parents nor poor should get a tax credit for not taking care of their child because they both want to work?

If you want to make that choice, make it, but do not ask me to pay for it. Do not ask me to agree to that as good social policy.

And we wonder why when we go back home some of us are criticized about day care centers.

When day care centers started off, it was simple. The day care center was supposed to take care of circumstances where the husband or wife had no alternative.

I not only support that, I support it strongly, and I think we should significantly increase the credit people get, under those circumstances. I commend the Senator from Ohio for increasing the deduction from $400 to $1,000 for the lower incomes, if these are still the figures in the amendment. I was a single parent for 5 years raising two kids with a good salary and I went to hire someone to help me raise my children.

If you wanted anyone remotely competent, you had to pay, back in 1973, $15,000 a year, a car, the credit cards, and medical benefits.

So how does a single mother raise several kids working as a secretary in the typical town in this country making only $8,000 a year? She cannot.

But we judge her children by the same

standards we judge our children. They will be judged on every standard from achievement testing in school to whether or not they are good citizens. And here we are, instead of skewing the money to help the most needy, we are continuing to let people who have combined incomes of $30,000, $40,000, $50,000, $60,000 a year to take a tax credit.

I think that is reprehensible. I do not think that is what we stand for in this country. I do not think it should be the policy of this country. And I do not think I have one vote beyond my own to change that policy. In the 9 years I have been in this body I have never taken the floor to argue a position that I did not think I had some chance of winning.

But I really feel strongly about this.

I think it is a sad commentary on this society when we, say, as a matter of social policy, that we should make it easier for people, who have neither the financial necessity or the personal need, to forget their responsibility to take care of that child all day from the time the child is an infant until the time they get in school. I do not care whether in a modern marriage you want the man or the woman to take that responsibility. That has to be resolved by each couple individually.

But every single study that we look at, everything we learn, everything we hear tells us that kids are looking for the love and the companionship of their parents.

So what we are doing now as a social policy, is saying, "Here," drop them off at 8 o'clock in the morning and pick them up at 3 o'clock in the afternoon, "because I want a new patio; because I want to go on vacation; because I want to expand my horizons."

As a social policy I think it is undesirable and wrong.

I yield the floor.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I wish to commend my good friend from Delaware for a very eloquent speech. I appreciate the sincerity of his position.

My only concern is that he has missed the main point of our amendment because the problem about which he is speaking is not a matter of this legislation. The very people about whom he is concerned are the ones that this legislation is addressed to—those are poor working mothers who have to put their children in a facility in order to go to work.

Now, the problem which the Senator is speaking about has to do with those who are in the higher income brackets. This amendment does not address itself to them because all income levels are already covered under current law.

If the Senator's position has the validity he claims it has, then he ought to be on the floor on the tax bill, offering an amendment to eliminate the right to get tax credits for those who are in the upper brackets.

But the maximum figure to which our bill addresses itself is $30,000. What we are really concerned about are those poor working mothers who need a job, who cannot find the funds to take care of their children, and who have to go on relief unless some additional tax credit is provided for them.

Mr. BIDEN. Will the Senator yield for a question?

Mr. METZENBAUM. Yes.

Mr. BIDEN. Will the Senator be willing to amend his amendment to take care of my problem, then, because I agree with everything he just said; that is, eliminate married couples whose income exceeds $30,000 from benefiting from this tax break?

Mr. METZENBAUM. No, I am not prepared to amend it to do that. But I am prepared to debate the issue of whether it ought to be $30,000 or whether you stop it at $40,000. I do not know.

Mr. BIDEN. Does the Senator agree it should be stopped at some point?

Mr. METZENBAUM. I think there is some merit to stopping it.

But I want to make something clear: I would like to see my good friend from Delaware on this floor addressing, with the same enthusiasm and commitment, the investment tax credit that we just gave to the Howdy-Doody Show this afternoon. I think that kind of eloquence would have been so persuasive to this body that maybe we would not have accepted it.

That particular amendment did not address itself to the family, but it is the family home that we are tearing apart with so many of the budget cuts that we have made right here on the Senate floor.

I would hope that the Senator would give the same persuasive argument and the same sincerity and the same kind of concern to those investment tax credits that he is giving to this issue of the family getting an increased tax credit for their children to be in day-care centers.

I respect the Senator from Delaware as I respect few other Members of this body. I have high regard for his integrity, for his ability, and for his compassion. But I believe that this amendment is not the place on which he should be addressing his enthusiastic and splendid oratory.

Mr. BIDEN. Mr. President——

The PRESIDING OFFICER. The Chair regrets to inform the distinguished Senator from Delaware that the time for the opponents on the amendment has expired.

Mr. BIDEN. A parliamentary inquiry, Mr. President. I thought I was yielded time off the bill. Is there not still time in opposition on the amendment?

The PRESIDING OFFICER. The Senator used the time on this amendment.

Mr. DOLE. Mr. President, how much time does the Senator from Kansas have remaining on the bill?

The PRESIDING OFFICER. Twenty-five minutes on the entire bill.

Mr. BIDEN. How much time is remaining on the amendment, if I may ask?

The PRESIDING OFFICER. The time allocated for those desiring to oppose the amendment has expired.

Mr. BIDEN. A parliamentary inquiry, Mr. President. I think if the official reporter would read back the record—which I will not ask—you will find that the time yielded to me was yielded on the bill and not on the amendment. But I will not make a big deal about it.

Mr. DOLE. Mr. President, I am happy to yield 2 minutes off the bill to the Senator from Delaware.

Mr. BIDEN. I appreciate that. I will not take—I guess I cannot take any more time.

Mr. DOLE. I would yield more, but I only have that much left for the remainder of the bill.

Mr. BIDEN. I appreciate that. The Senator has been very generous.

If I understand the implication of the Senator's comments, it is that I am not as forceful on matters that are equally as important. If that is what he is saying, then I think I resent that. If that is not what he is saying, then I did not understand him.

Now, let me point out that I have spoken out on other issues in this bill, including supporting the Senator's position on the oil issue and his position on the budget overall.

Let me point out that there is nothing more fundamental than the decisions we make in this bill as it relates to the makeup of the American family and what we think is the proper way for it to be constructed.

But, I appreciate being able to speak out on this issue and I hope you will appreciate the reasons why I cannot support this amendment.

Mr. METZENBAUM. Mr. President, how much time is remaining for the proponents of the amendment?

The PRESIDING OFFICER. There are 4 minutes and 35 seconds remaining for the proponents of the amendment.

Mr. METZENBAUM. Mr. President, I should like to take 1 minute and then I will yield the remainder of the time to the Senator from Minnesota. Is that all right?

Mr. DURENBERGER. That is all right.

Mr. METZENBAUM. Mr. President, I want to make it clear that the Senator from Delaware has been as eloquent in connection with this tax bill, and some of the amendments having to do with issues of concern to the Senator from Ohio, as any other Member of this body—in fact, probably more eloquent in most respects.

Indeed, he makes a valid point about the matter of the 20-percent credit for those earning over $30,000 a year. I will be happy to explore that subject with him in proper hearings in the Finance Committee, and I believe it is a matter to be so explored.

All I am saying is that the main thrust of his argument is not applicable to the amendment before us today, because this amendment is truly directed at those in the lower income brackets and it has to do not only with those who put their children in day care centers but also those who, in some instances, have to put the elderly in day care centers.

I hope the Senator will see whether he can join us in supporting this amendment and that we might join in exploring the issue he has raised so eloquently this afternoon.

Mr. DURENBERGER. Mr. President, I

compliment the Senator from Ohio for his comments with regard to the comments of the Senator from Delaware.

I compliment the Senator from Delaware for the feeling, for the emotion, and for the genuine expression of his feelings about how we use the Tax Code in our own way for the benefit of many people who have no other way to survive in this world.

Mr. President, I yield the remainder of the time to the Senator from Kansas.

Mr. DOLE. Mr. President, I thank the Senator from Minnesota, and I thank all Senators who have participated the last 2 days in efforts to negotiate some agreement on this amendment.

I certainly thank the distinguished Senator from Delaware for his participation in the debate, because he has raised some questions that I believe others may have and may not have stated publicly.

We have had visits with the Secretary of the Treasury, Mr. Don Regan, this afternoon, and I believe we have worked out a satisfactory amendment.

There is a great deal of interest in the program expressed by the Senator from Ohio—the Senator from Florida (Mrs. HAWKINS), the Senator from Minnesota, the Senator from Oregon, and others who are cosponsors of this amendment.

It seemed to me, as manager of the bill, that the best way to resolve the issue was to try to negotiate some agreement. This has been done, and those of us who have an interest in the matter and those of us who will be conferees understand the great support in the Senate.

Finally, I note that this amendment was not without cost. Tht 1982 cost, as I understand it, is in the neighborhood of $21 million; in 1983, $338 million; in 1984, $400 million; in 1985, $477 million; in 1986, $549 million.

I hope that it is properly directed so that it will encourage participation in the work force and that it will go to low-income families and not, in effect, be a windfall for upper-income couples or workers.

Mr. President, I again thank all Senators for their patience, and I thank Secretary Regan and others who participated in these discussions. I particularly thank the Senator from Ohio, because he has been very interested in this matter.

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. BIDEN. Mr. President, will the Senator yield 1 minute on the bill?

Mr. DOLE. I yield.

Mr. BIDEN. Mr. President, since I am the only one who objected to a voice vote on this matter, and in light of the fact that I have spoken my piece, if it accommodates the Senators on the floor and those who are interested in this matter to have a voice vote tonight, I, on reflection, have no objection to that.

I will be back with my amendment to eliminate people over the $30,000 mark from being eligible for this. I do not know whether that complicates things or not. Since I was the one objecting, I will withdraw that.

● Mr. CRANSTON. Mr. President, I am pleased to support and cosponsor the amendment offered by the distinguished Senator from Ohio (Mr. METZENBAUM) as amended by the Senators from Oregon (Mr. PACKWOOD) and Minnesota (Mr. DURENBERGER) to increase the existing child care tax credit, make it refundable, and provide increased incentives for employers to become involved in providing child care assistance for their employees.

I have long been involved in efforts to deal with the enormous difficulties faced by working families in finding adequate and affordable child care. As the chairman during the past two Congresses of the former Subcommittee on Child and Human Development, I chaired numerous hearings on this issue and authored legislation to provide assistance to low-income working families struggling to stay in the work force and off the welfare rolls. Child care is an important and essential service which allows families to be self-sufficient.

Mr. President, in recent years, the number of working mothers of children under the age of 18 has dramatically increased from approximately 42 percent in 1970 to 53 percent in 1978. These percentages continue to rise each year, particularly among mothers of children under the age of 6. For example, in 1977, data from the Department of Labor indicated that 40.9 percent of all mothers of children under the age of 6 were in the labor force; this percentage had increased to 43.7 percent by 1978 and is even higher today. Every projection of population trends over the next several decades indicates that these increases will continue. Indeed, it has been estimated that by the year 1990 there will be a 60-percent increase in the need for child care providers for the children of working parents and some 2.2 million additional children under the age of 6 will need child care services while their parents work.

Unfortunately, the data is also overwhelming that there is simply not enough affordable child care today for the millions of working parents who need these services. Census data has indicated that at least 2 million school-age children between the ages of 7 and 13 and 20,000 preschool children under the age of 6 are left without any supervision at all. Many single parents who are the sole support of their children are unable to find adequate child care which will enable them to work, to be self-sufficient, and to provide a decent standard of living for their families. In the past, Federal assistance for child care has been haphazard at best. For public assistance recipients and a small portion of the working poor, direct subsidies through programs such as title XX have been available to a limited extent.

For upper-income families, some assistance has been available under the existing child care tax credit. But for the families in the middle—with incomes too high for direct assistance and too low to benefit from the tax credit—there has been virtually no assistance to help meet the costs of child care. These families, struggling to stay in the work force and off the welfare rolls, have been left to fend for themselves—too often with little success.

Unfortunately, as a result of the administration's plans to reduce funding for title XX and various other social service programs that provide assistance to child care programs, the amount of child care assistance available to working families is going to be cut to a level below even what exists today. Hundreds of thousands of families throughout this country are likely to see their child care programs shut down or their children denied assistance from existing programs.

The administration's budget proposals will also severely limit the deduction, under present law, of work-related expenses incurred by AFDC recipients who take jobs. Under present law, AFDC recipients are allowed to disregard certain work related expenses, such as child care, in their AFDC benefit eligibility determination when they join the work force. Under the reconciliation bill child care deductions would be limited to $160 per month—regardless of the actual cost of care—and other earned income deductions would be deductible only for the first 4 months after an AFDC recipient joins the work force. This creates the unfortunate situation where, in many cases, an AFDC recipient will be better off staying home and accepting welfare rather than trying to move into the workforce.

The changes proposed in this amendment to the existing child care tax credit will make the child care tax credit available for the first time to many families who will be hurt by the administration's cutbacks in child care assistance under title XX and other programs and thereby provide some incentive for them to stay in the work force.

LIMITATIONS OF TAX CREDIT APPROACH

Attempting to deal with the child care needs of working families in this Nation through the tax credit approach has some basic limitations. It is difficult to reach those most in need—those working at the minimum wage level or slightly above who have little disposable income to utilize for child care services. Receiving a tax credit benefit once a year in April does not always provide adequate assistance to a family facing weekly and monthly child care costs. Presently, two-thirds of the families utilizing the tax credit have incomes in excess of $15,000. Making the credit refundable will be very important in providing some benefits to families with incomes below $15,000.

The tax credit approach is also limited in that it does not directly affect a basic problem: Lack of sufficient programs in many communities even for families with financial resources to pay for adequate child care. During the hearings I held in the 95th and 96th Congresses, witnesses from numerous communities all over the United States described long waiting lists for child care programs and difficulties families face in finding adequate child care. Only a direct services program such as provided under title XX or envisioned under the legislation I sponsored during the 96th Congress would assure that the supply of adequate child care would actually be increased.

Nevertheless, the proposed changes would make the existing tax credit more

equitable by making it available to low-income workers and targeting more assistance toward those at the lower end of the income scale. The amendment, in addition to making the credit refundable, provides for a sliding scale so that lower income families will receive a larger credit than those families with higher incomes.

I am also pleased that the amendment specifies that the tax credit can be utilized only for expenses incurred for child care centers which comply with all applicable laws and regulations of a State or unit of local government. In other words, this Federal credit cannot be used to pay for child care which is not legal in the applicable State or locality. Any other approach would usurp the State and localities' authority to regulate the quality of child care services.

INCENTIVES FOR EMPLOYERS

I strongly support the provisions in this amendment to encourage employers to provide assistance to their employees in meeting their child care needs. The amendment would provide a tax credit for noncapital expenses incurred by employers who provide assistance to their employees, either through on-site child care facilities or through community facilities. It would also allow for rapid amortization of capital expenses incurred by employers in order to encourage the establishment of onsite child care facilities.

Employer-sponsored child care assistance is an important part of our overall efforts to deal with the increased need for child care services. In my own State of California, there has been a great deal of recent activity around the development of employer-sponsored child care. These efforts have included both development of on-site programs and encouragement to employers to offer child care assistance as fringe benefits to their employees, just as employers currently offer other fringe benefits such as health care, vacation, and educational subsidies to their employees. This amendment would encourage both of these approaches.

Mr. President, these are very important measures to encourage employers to help their employees find adequate child care. Employer-supported child care services need to be encouraged and this amendment provides substantial incentives for employers to become involved in this area.

CONCLUSION

I am pleased to support this amendment. Although dealing with the enormous child care needs of working families throughout this Nation through a tax credit approach has certain limitations, it plays an important part of our overall efforts to help working families. The changes in the existing child care tax credit contained in this amendment will make this credit more equitable and allow many low-income working families, for the first time, to utilize this credit.

It is heartening to see the bipartisan support for this effort to address the child care needs of working families and I applaud the efforts of the Senator from Florida (Mrs. HAWKINS), the Senator from Minnesota (Mr. DURENBERGER), and the Senator from Oregon (Mr. PACKWOOD) for working with the Senator from Ohio (Mr. METZENBAUM) to develop an acceptable amendment. I urge adoption of the amendment.●

Mr. BAKER. Mr. President, has all the time expired for debate on the two amendments that were consolidated?

The PRESIDING OFFICER. The majority leader is correct.

Mr. BAKER. Mr. President, I understand that the request I am about to put is satisfactory to all parties involved in this debate. I understand now that they are willing to have a voice vote on the two amendments en bloc but that no motion to reconsider or a motion to table the motion to reconsider will be made tonight.

I ask unanimous consent that any motion to reconsider the vote on the amendment tonight be postponed until after the Senate resumes consideration of this bill on Tuesday next.

Mr. ROBERT C. BYRD. Mr. President, this will be in accordance with the desires of the distinguished Senator from Louisiana (Mr. LONG).

Mr. BAKER. I thank the minority leader, and that is my understanding.

To explain the request before the Chair rules on it, as I understand it now, we will have a voice vote on the two amendments en bloc. Has there been an order for the consideration of the vote on the two amendments en bloc?

The PRESIDING OFFICER. The Chair wishes to inquire of the distinguished majority leader, is this vote to be carried over until Monday?

Mr. BAKER. No. I thank the Chair. That is a point that must be covered.

I wish to amend the previous order in the following respects: First, that the amendments be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Second, that there be no further debate on the amendments, and that a voice vote occur on those amendments this evening.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, a motion to reconsider that vote, if such is offered, will occur as the first matter to address the Senate after the Senate resumes consideration of this bill on Tuesday next unless this bill is taken to third reading prior to that time, in which case this portion of the request would be vitiated.

Mr. METZENBAUM. Is it my understanding that should there be a motion to reconsider there would be no time available for debate or is it the intention of the majority leader to make time available? The Senator from Ohio is not requesting time for debate.

Mr. BAKER. I thank the Senator. In that case, Mr. President, I ask unanimous consent that there be no further debate on the motion to reconsider the vote on the amendments.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator include in his request that it be in order now to move to reconsider the vote? I do this because I am sure that Mr. Long wanted a vote.

Mr. BAKER. Yes; I wonder if the minority leader would like to ask for the yeas and nays?

Mr. ROBERT C. BYRD. I would like it to be in order to do that.

Mr. BAKER. I thank the minority leader.

I ask unanimous consent that it be in order at this time to make a motion to reconsider the vote or rather to make the motion to reconsider the vote after the vote is taken, and that it be in order as well to order the yeas and nays on the motion to reconsider at this time.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I make the request for the yeas and nays on behalf of Mr. Long.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendments, en bloc, of the Senator from Ohio and the Senator from Minnesota.

(Putting the question.)

The amendments (UP Nos. 296 and 297) were agreed to en bloc.

Mr. BAKER. Mr. President, I thank all Senators for agreeing to this arrangement.

Mr. President, it is now almost 7:45 p.m. I know of no further business to come before the Senate this evening, and no amendments to be disposed of at this time. I will inquire of the distinguished minority leader if he is aware of any amendments.

Mr. ROBERT C. BYRD. I know of no further amendments.

PHASEOUT OF SECTION 189

Mr. DURENBERGER. Mr. President, the decline in our supply of rental housing is well documented. This burden falls heaviest on those who can least afford it, young families just starting out and the elderly. Young families need reasonably priced shelter when their incomes are low and they are trying to save to purchase their own home. Elderly people are often trying to scale down their housing costs and find more convenient and manageable living quarters.

The desperate shortage of rental housing is frustrating the dreams and aspirations of both these groups or anyone trying to find moderately priced rental housing. The vacancy rate nationally is at its lowest point in several decades which means decent rental housing is extremely hard to find. I know this is a serious problem in my own State and is even worse in several others. In addition, the housing that is available is rising in price almost monthly due to the growing demand.

I am pleased to cosponsor this amendment which will aid greatly in solving this major problem. The phaseout of section 189 of the tax code will remove an inequitable, costly barrier to the construction of more rental housing. There is no reason why the builders of rental housing should not be allowed to deduct

construction period interest and costs just like any other business.

I urge my colleagues to support this vitally needed amendment.

TIME LIMITATION AGREEMENT

Mr. BAKER. Mr. President, on Monday, when the Senate resumes consideration of this bill, I ask unanimous consent that Mr. SASSER be recognized to offer a marriage penalty amendment, on which there will be a 30-minute time limitation; to be followed by an amendment by the Senator from Michigan (Mr. RIEGLE) on marriage penalty, 30 minutes; to be followed by an amendment by the Senator from Washington (Mr. GORTON) on mutual savings banks, 10 minutes equally divided; followed by an amendment by the distinguished Senator from Nebraska (Mr. EXON) and the distinguished Senator from New Jersey (Mr. BRADLEY), a trigger amendment, with 2 hours equally divided; with the understanding that the Exon-Bradley amendment will not occur before 12 noon; to be followed by a Kennedy amendment on home heating, 30 minutes equally divided; to be followed by a Mitchell amendment on small business inventory, 1 hour equally divided; to be followed by a Nunn-Chiles amendment on IRS-Justice Department, 1 hour equally divided; then an amendment by the Senator from Pennsylvania (Mr. HEINZ) on pollution control, 1 hour equally divided; then an amendment by the Senator from Ohio (Mr. GLENN) on incremental research, 1 hour equally divided; a second amendment by Mr. GLENN on research and development, 1 hour equally divided.

Mr. President, I conclude my request with the amendment by Mr. HEINZ.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. Reserving the right to object, Mr. President.

Mr. METZENBAUM. Mr. President, reserving the right to object, it is my understanding that the request of the Senator from Tennessee incorporates all of the limitations and proscriptions with respect to amendments that were originally entered into at the time they were offered?

Mr. BAKER. Yes, Mr. President, nothing in this request shall affect any of the provisions of the parent request, which was entered a few days ago.

Mr. METZENBAUM. I thank the Chair.

The PRESIDING OFFICER. Is there objection? The Senator from Kansas.

Mr. DOLE. Mr. President, I think Senator GLENN did want his amendments considered on Monday. He asked if an hour each would be satisfactory but he probably would not need that much time.

Mr. ROBERT C. BYRD. Mr. President, I am only temporarily objecting to that request until we can make a phone call. I think the rest of the majority leader's request can be proceeded with.

Mr. BAKER. Mr. President, let me proceed with the eight requests which end with the Heinz amendment, with the hope that Nos. 9 and 10, both Glenn amendments, can be sequenced later.

The PRESIDING OFFICER. Is there objection? Hearing none, it is so ordered.

Mr. BAKER. I thank all Senators.

RECESS UNTIL 10 A.M. MONDAY, JULY 27, 1981

Mr. BAKER. Mr. President, I move, in accordance with the order previously entered, that the Senate now stand in recess until the hour of 10 a.m. on Monday next.

The motion was agreed to; and at 7:43 p.m. the Senate recessed until July 27, 1981, at 10 a.m.

NOMINATIONS

Executive nominations received by the Senate July 24, 1981:

IN THE AIR FORCE

Lt. Gen. Lloyd R. Leavitt, Jr., U.S. Air Force (age 52), for appointment to the grade of lieutenant general on the retired list pursuant to the provisions of title 10, United States Code, section 8962.

The following-named officers for promotion in the U.S. Air Force, under the appropriate provisions of chapter 839, title 10, United States Code, as amended.

LINE OF THE AIR FORCE

Lieutenant colonel to colonel

Acheson, Densel K., xxx-xx-xxxx.
Ackerman, Charles T., xxx-xx-xxxx.
Adee, Donald P., xxx-xx-xxxx.
Albritton, Edward C., xxx-xx-xxxx.
Albro, William A., xxx-xx-xxxx.
Alenius, John T., xxx-xx-xxxx.
Alexander, Lonny R., xxx-xx-xxxx.
Alexander, Robb R., xxx-xx-xxxx.
Allen, David A., Jr., xxx-xx-xxxx.
Allen, Maxie W., xxx-xx-xxxx.
Allen, Robert J., xxx-xx-xxxx.
Allsbrook, John W., Jr., xxx-xx-xxxx.
Almy, David B., xxx-xx-xxxx.
Allsbrook, John W., Jr., xxx-xx-xxxx.
Almy, David B., xxx-xx-xxxx.
Alsobrook, James E., Jr., xxx-xx-xxxx.
Altemose, James L., xxx-xx-xxxx.
Andersen, William C., xxx-xx-xxxx.
Anderson, David K., xxx-xx-xxxx.
Anderson, Gary L., xxx-xx-xxxx.
Anderson, James B., xxx-xx-xxxx.
Anderson, John M., xxx-xx-xxxx.
Anderson, John W., xxx-xx-xxxx.
Anderson, Kenneth A., xxx-xx-xxxx.
Anderson, Paul C., xxx-xx-xxxx.
Anderson, Paul V., xxx-xx-xxxx.
Anderson, Robert F., xxx-xx-xxxx.
Anderson, William F., xxx-xx-xxxx.
Andrus, James G., xxx-xx-xxxx.
Angus, William E., xxx-xx-xxxx.
Arent, William L., xxx-xx-xxxx.
Arnold, Wilson T., xxx-xx-xxxx.
Atwood, Daryl G., xxx-xx-xxxx.
Altman, Fred C., xxx-xx-xxxx.
Bailey, Glenn B., xxx-xx-xxxx.
Bailor, Ronald O., xxx-xx-xxxx.
Bainter, Hugh T., xxx-xx-xxxx.
Baker, Doyle D., xxx-xx-xxxx.
Baker, Roy T., xxx-xx-xxxx.
Bakunas, Darius V., xxx-xx-xxxx.
Balko, Andrew I., xxx-xx-xxxx.
Ball, William J., xxx-xx-xxxx.
Bankus, Gerald K., xxx-xx-xxxx.
Baran, Michael F., xxx-xx-xxxx.
Barber, Hugh W., Jr., xxx-xx-xxxx.
Barnhill, Charles C., Jr., xxx-xx-xxxx.
Barrett, Melvin R., xxx-xx-xxxx.
Bartholomew, Rodney A., xxx-xx-xxxx.
Barton, John B., xxx-xx-xxxx.
Bear, Sherman W., xxx-xx-xxxx.
Beatty, James F., Jr., xxx-xx-xxxx.
Beaver, Robert E., xxx-xx-xxxx.
Becker, Henry R., xxx-xx-xxxx.
Bedingfield, Jerry R., xxx-xx-xxxx.
Bell, Robert L., xxx-xx-xxxx.
Belmont, Paul A., xxx-xx-xxxx.
Benjamin, Warren E., xxx-xx-xxxx.
Bennett, Frank J., xxx-xx-xxxx.
Bennett, Logan J., Jr., xxx-xx-xxxx.
Bergen, John K., xxx-xx-xxxx.
Beringson, Richard J., xxx-xx-xxxx.
Berkshire, John H., xxx-xx-xxxx.
Berthold, Hubert M., xxx-xx-xxxx.
Betsill, Sammy F., xxx-xx-xxxx.
Bevis, James N., xxx-xx-xxxx.
Bingham, Clifford W., xxx-xx-xxxx.
Black, Frank A., xxx-xx-xxxx.
Bledsoe, Adolphus H., Jr., xxx-xx-xxxx.
Blevins, Bedford D., xxx-xx-xxxx.
Blose, John N., xxx-xx-xxxx.
Boette, August E., xxx-xx-xxxx.
Bogaert, James R., xxx-xx-xxxx.
Bogart, Bruce C., xxx-xx-xxxx.
Bogner, Harry W., xxx-xx-xxxx.
Bolton, Ben W., xxx-xx-xxxx.
Bond, Jack C., xxx-xx-xxxx.
Boone, Thomas S., xxx-xx-xxxx.
Boright, Arthur L., xxx-xx-xxxx.
Bouchoux, Gerald E., xxx-xx-xxxx.
Bounds, Gordon S., xxx-xx-xxxx.
Boursaw, Jon E., xxx-xx-xxxx.
Bousman, Richard L., xxx-xx-xxxx.
Bowman, Gary H., xxx-xx-xxxx.
Boyanton, Earl B., Jr., xxx-xx-xxxx.
Boyce, James W., Jr., xxx-xx-xxxx.
Boyer, Robert E., xxx-xx-xxxx.
Bozzuto, Charles D., xxx-xx-xxxx.
Bracher, Phillip E., xxx-xx-xxxx.
Bramble, Harold K., xxx-xx-xxxx.
Brandt, David A., xxx-xx-xxxx.
Brandt, Rand, xxx-xx-xxxx.
Bredenkamp, Barton C., xxx-xx-xxxx.
Breen, Joseph A., xxx-xx-xxxx.
Bright, Jack W., xxx-xx-xxxx.
Brittain, Claire E., Jr., xxx-xx-xxxx.
Brooks, David M., xxx-xx-xxxx.
Brown, Donald R., xxx-xx-xxxx.
Brown, Jerry V., xxx-xx-xxxx.
Brownfield, Orlen L., xxx-xx-xxxx.
Browning, Ralph T., xxx-xx-xxxx.
Brundage, John A., xxx-xx-xxxx.
Brya, Edward N., xxx-xx-xxxx.
Buckey, Robert G., xxx-xx-xxxx.
Bull, David E., xxx-xx-xxxx.
Burchfield, Joseph P., III, xxx-xx-xxxx.
Burgess, George D., xxx-xx-xxxx.
Burke, Edward J., xxx-xx-xxxx.
Burnette, Joseph R., xxx-xx-xxxx.
Burns, Melvin W., xxx-xx-xxxx.
Bush, Dennis K., xxx-xx-xxxx.
Bustamante, Elizabeth L., xxx-xx-xxxx.
Butler, Leonard A., xxx-xx-xxxx.
Butters, Jerrold L., xxx-xx-xxxx.
Byrd, Harold C., xxx-xx-xxxx.
Byrne, Richard L., xxx-xx-xxxx.
Cady, John R., xxx-xx-xxxx.
Caldwell, William B., xxx-xx-xxxx.
Campbell, Joseph M., Jr., xxx-xx-xxxx.
Campbell, Richard S., xxx-xx-xxxx.
Campbell, Roger R., xxx-xx-xxxx.
Cantergiani, Joseph C., xxx-xx-xxxx.
Cardwell, Thomas A., III, xxx-xx-xxxx.
Care, Francis J., xxx-xx-xxxx.
Carey, Charles C., xxx-xx-xxxx.
Carey, Nelson F., xxx-xx-xxxx.
Carlin, Gerald A., xxx-xx-xxxx.
Carlson, David R., xxx-xx-xxxx.
Carlstrom, David L., xxx-xx-xxxx.
Carrigan, Larry E., xxx-xx-xxxx.
Carroll, Richard A., xxx-xx-xxxx.
Carroll, William R., xxx-xx-xxxx.
Cartwright, Francis E., xxx-xx-xxxx.
Case, Carl T., xxx-xx-xxxx.
Cash, Jimmy L., xxx-xx-xxxx.
Chace, Henry V., xxx-xx-xxxx.
Chambers, John A., xxx-xx-xxxx.
Chandler, Robert W., xxx-xx-xxxx.
Clark, David E., xxx-xx-xxxx.
Clark, Frank B., Jr., xxx-xx-xxxx.

Clark, John E., xxx-xx-xxxx
Clark, Robert D., xxx-xx-xxxx
Clemons, Larry C., xxx-xx-xxxx
Cloud, Rex E., xxx-xx-xxxx
Cody, John C., xxx-xx-xxxx
Cole, George R., Jr., xxx-xx-xxxx
Cole, James L., Jr., xxx-xx-xxxx
Compton, Phil V., xxx-xx-xxxx
Conley, Thomas M., xxx-xx-xxxx
Connors, Ronald E., xxx-xx-xxxx
Cooke, Paul M. T., Jr., xxx-xx-xxxx
Coon, Charles R., xxx-xx-xxxx
Cooper, Dale J., xxx-xx-xxxx
Coprivnicar, Frank J., xxx-xx-xxxx
Cordier, Kenneth W., xxx-xx-xxxx
Correll, Monte R., xxx-xx-xxxx
Cougill, Roscoe M., xxx-xx-xxxx
Coupland, James W., xxx-xx-xxxx
Cox, Claude D., xxx-xx-xxxx
Cox, Gary E., xxx-xx-xxxx
Cox, Jerry, xxx-xx-xxxx
Cox, Joseph J., xxx-xx-xxxx
Craft, Wayne J., xxx-xx-xxxx
Crawford, Thomas J., xxx-xx-xxxx
Crenshaw, Jerry R., xxx-xx-xxxx
Cress, Larry E., xxx-xx-xxxx
Crosby, Francis C., xxx-xx-xxxx
Crow, Richard R., xxx-xx-xxxx
Cubero, Ruben A., xxx-xx-xxxx
Culberson, Bryant P., xxx-xx-xxxx
Culp, Larry F., xxx-xx-xxxx
Culver, William C., xxx-xx-xxxx
Cummings, Peter, xxx-xx-xxxx
Cunningham, Charles E., Jr., xxx-xx-xxxx
Curtin, Gary L., xxx-xx-xxxx
Czelusniak, Donald R., xxx-xx-xxxx
Dahlman, James G., xxx-xx-xxxx
Danborn, Donald R., xxx-xx-xxxx
Daniel, Marshall E., Jr., xxx-xx-xxxx
Daniels, John F., xxx-xx-xxxx
Danigole, Simon A., Jr., xxx-xx-xxxx
Danner, James E., xxx-xx-xxxx
Dapra, Lawrence G., Jr., xxx-xx-xxxx
Davidson, Carl L., xxx-xx-xxxx
Davis, A. D., Jr., xxx-xx-xxxx
Davis, Gene H., xxx-xx-xxxx
Davis, Glenn L., xxx-xx-xxxx
Davis, Paul R., xxx-xx-xxxx
Deal, James E., xxx-xx-xxxx
Dearrigunaga, Ramon E., xxx-xx-xxxx
Degroot, John P., Jr., xxx-xx-xxxx
Delaney, James H., xxx-xx-xxxx
Dempsey, Mark R., xxx-xx-xxxx
Deruiter, David H., xxx-xx-xxxx
Desanto, Robert J. W., Jr., xxx-xx-xxxx
Deslucamatteoni, Daniele, xxx-xx-xxxx
Deville, Edsel J., xxx-xx-xxxx
Diferdinando, Antony F., xxx-xx-xxxx
Dingle, Robert J. Jr., xxx-xx-xxxx
Ditch, Oliver P., xxx-xx-xxxx
Doherty, Daniel J., xxx-xx-xxxx
Donnellan, James L., xxx-xx-xxxx
Dotson, Patrick S., Jr., xxx-xx-xxxx
Douglass, William M., xxx-xx-xxxx
Downs, James J., xxx-xx-xxxx
Dreesbach, Donald A., xxx-xx-xxxx
Druva, Karlis J., xxx-xx-xxxx
Duckworth, Johnny D., xxx-xx-xxxx
Duffie, Boyd T., III, xxx-xx-xxxx
Dunne, Gilbert F., xxx-xx-xxxx
Dunne, William E., xxx-xx-xxxx
Dunning, John E., xxx-xx-xxxx
Dupre, James J., xxx-xx-xxxx
Dwelle, Stephen B., xxx-xx-xxxx
Eatman, Robert W., xxx-xx-xxxx
Eaton, James D., Jr., xxx-xx-xxxx
Edwards, Donald R., xxx-xx-xxxx
Egolf, Charles A., xxx-xx-xxxx
Eliason, Carl D., xxx-xx-xxxx
Elle, John M., xxx-xx-xxxx
Eller, Thomas J., xxx-xx-xxxx
Ellis, Jeffrey T., xxx-xx-xxxx
Ellis, Larry O., xxx-xx-xxxx
Ensign, Richard B., xxx-xx-xxxx
Entsminger, Joseph E., xxx-xx-xxxx
Erickson, James P., xxx-xx-xxxx
Esses, David J., xxx-xx-xxxx
Eubank, Francis L., Jr., xxx-xx-xxxx
Evans, Robert H., xxx-xx-xxxx
Evers, Richard J., xxx-xx-xxxx
Fabian, John M., xxx-xx-xxxx
Fadal, William K., xxx-xx-xxxx
Fain, Earl H., Jr., xxx-xx-xxxx
Farrington, Arthur D., xxx-xx-xxxx
Feighery, Daniel J., xxx-xx-xxxx
Ferrell, James T., xxx-xx-xxxx
Ferro, Frank, xxx-xx-xxxx
Fiedler, Frederick A., xxx-xx-xxxx
Finkel, Robert E., xxx-xx-xxxx
Fisher, Jack D., xxx-xx-xxxx
Flannery, John P., xxx-xx-xxxx
Foerster Robert Y., xxx-xx-xxxx
Folks, Richard L., xxx-xx-xxxx
Fontana, Charles J., xxx-xx-xxxx
Forbrich, Carl A., Jr., xxx-xx-xxxx
Ford, John E., III, xxx-xx-xxxx
Forgey, Dennis A., xxx-xx-xxxx
Foster, William J., xxx-xx-xxxx
Fournier, Paul E., xxx-xx-xxxx
Fowler, Guy E., xxx-xx-xxxx
Fowler, Vernon F., xxx-xx-xxxx
Frank, Robert E., xxx-xx-xxxx
Franklin, Charles E., xxx-xx-xxxx
Fratzke, William F., xxx-xx-xxxx
Freiling, John E., xxx-xx-xxxx
Fricks, Martin E., xxx-xx-xxxx
Fukumoto, Malcolm T., xxx-xx-xxxx
Fuller, Monroe J., xxx-xx-xxxx
Fulton, Charles E., xxx-xx-xxxx
Gabel, William E., xxx-xx-xxxx
Gaines, Kimball M., xxx-xx-xxxx
Garcia, Denis, xxx-xx-xxxx
Garrett, Harley F., Jr., xxx-xx-xxxx
Gastner, Robert R., xxx-xx-xxxx
Gates, James L., xxx-xx-xxxx
Gatto, Francis R., xxx-xx-xxxx
Gawelko, Jacob, xxx-xx-xxxx
Genez, Victor L., xxx-xx-xxxx
Giffen, Robert B., xxx-xx-xxxx
Gilbert, Charles L., xxx-xx-xxxx
Gilbert, Keith G., xxx-xx-xxxx
Gill, Gerald W., xxx-xx-xxxx
Gindlesperger, Larry P., xxx-xx-xxxx
Gingery, David W., xxx-xx-xxxx
Gissing, Peter W., xxx-xx-xxxx
Glosson, Buster C., xxx-xx-xxxx
Goerges, William R., xxx-xx-xxxx
Gonzalez, Louis P., Jr., xxx-xx-xxxx
Goodhue, Bruce S., xxx-xx-xxxx
Goodley, John R., xxx-xx-xxxx
Gordon, Lyal D., xxx-xx-xxxx
Gowell, Wyrewood A., xxx-xx-xxxx
Grapes, Darrell W., xxx-xx-xxxx
Graves, William R., xxx-xx-xxxx
Gray, Jack E., xxx-xx-xxxx
Gray, Jimmie D., xxx-xx-xxxx
Gray, William R., Jr., xxx-xx-xxxx
Gregory, Harry L., Jr., xxx-xx-xxxx
Griffith, Thomas R., xxx-xx-xxxx
Grimm, Richard W., xxx-xx-xxxx
Guarino, Gilbert B., xxx-xx-xxxx
Gustafson, Jarl S., xxx-xx-xxxx
Guttman, John T., xxx-xx-xxxx
Haars, Neil W., xxx-xx-xxxx
Habedank, Otto K., xxx-xx-xxxx
Hahn, Gerald E., xxx-xx-xxxx
Hale, Robert H., xxx-xx-xxxx
Hall, Arthur W., III, xxx-xx-xxxx
Hall, Samuel L., xxx-xx-xxxx
Halstead, Woodrow J., Jr., xxx-xx-xxxx
Hansen, William C., xxx-xx-xxxx
Harden, James A., xxx-xx-xxxx
Harden, James E., xxx-xx-xxxx
Harley, William M., xxx-xx-xxxx
Harmon, Daniel K., xxx-xx-xxxx
Harper, Richard B., Jr., xxx-xx-xxxx
Harris, Michael W., xxx-xx-xxxx
Harris, Patrick L., xxx-xx-xxxx
Harris, Richard J., Jr., xxx-xx-xxxx
Harrison, Walter J., xxx-xx-xxxx
Harry, William T., Jr., xxx-xx-xxxx
Hartungschuster, Eckbert M., xxx-xx-xxxx
Harvey, Edwin L., xxx-xx-xxxx
Haseltine, John E., xxx-xx-xxxx
Hatcher, Ronald N., xxx-xx-xxxx
Hatfield, Jerry H., xxx-xx-xxxx
Hathcock, Allan C., xxx-xx-xxxx
Haugen, William J., xxx-xx-xxxx
Havey, James H., Jr., xxx-xx-xxxx
Head, Sidney A., Jr., xxx-xx-xxxx
Hembree, James M., xxx-xx-xxxx
Hendrix, Jerry B., xxx-xx-xxxx
Henghold, William M., xxx-xx-xxxx
Hentges, William J., xxx-xx-xxxx
Hentges, William J., xxx-xx-xxxx
Herculson, Robert J., Jr., xxx-xx-xxxx
Hernandez, Claro M., xxx-xx-xxxx
Herrin, Billy R., xxx-xx-xxxx
Heye, Paul F., xxx-xx-xxxx
Hickey, Edward C., Jr., xxx-xx-xxxx
Hickman, Warren W., xxx-xx-xxxx
Hicks, Charles F., xxx-xx-xxxx
Hicks, Gary L., xxx-xx-xxxx
Hicks, Joe L., xxx-xx-xxxx
Higgins, Page W., Jr., xxx-xx-xxxx
Hinckley, Robert B., xxx-xx-xxxx
Hinds, Bruce J., Jr., xxx-xx-xxxx
Hinkle, James M., xxx-xx-xxxx
Hinman, Ellwood P., III, xxx-xx-xxxx
Hipp, Edward F., xxx-xx-xxxx
Hobbs, Fleming C., Jr., xxx-xx-xxxx
Hoden, John P., xxx-xx-xxxx
Hodge, Clifford A., xxx-xx-xxxx
Hodgkinson, Richard L., xxx-xx-xxxx
Hogan, James J., Jr., xxx-xx-xxxx
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Hohman, Thomas A., xxx-xx-xxxx
Holloway, Robert J., xxx-xx-xxxx
Holm, Ralph W., xxx-xx-xxxx
Holmes, Samuel H., xxx-xx-xxxx
Hoover, Richard D., xxx-xx-xxxx
Hopkins, Mitchell D., xxx-xx-xxxx
Hormuth, John E., xxx-xx-xxxx
Hosley, David L., xxx-xx-xxxx
Houlgate, Jack L., xxx-xx-xxxx
House, Francis L., xxx-xx-xxxx
House, Ronald E., xxx-xx-xxxx
Howard, Robert M., Jr., xxx-xx-xxxx
Howell, Marvin W., xxx-xx-xxxx
Howes, George F., xxx-xx-xxxx
Hrastar, Gerald J., xxx-xx-xxxx
Huff, Dennis E., xxx-xx-xxxx
Hufnagel, Raymond J., Jr., xxx-xx-xxxx
Huggins, Jan P., xxx-xx-xxxx
Hull, Leros E., Jr., xxx-xx-xxxx
Hull, Norman R., xxx-xx-xxxx
Hunt, Stephen M., xxx-xx-xxxx
Huntwork, Philip L., xxx-xx-xxxx
Hurley, James M., xxx-xx-xxxx
Hurston, Stanley L., xxx-xx-xxxx
Immel, Allen E., xxx-xx-xxxx
Ingalls, Donald A., xxx-xx-xxxx
Isaak, Robert J., xxx-xx-xxxx
Isley, Floyd W., xxx-xx-xxxx
Israel, Kenneth R., xxx-xx-xxxx
Iverson, Ronald W., xxx-xx-xxxx
Ivins, Arthur K., xxx-xx-xxxx
Jackson, Grover E., xxx-xx-xxxx
Jackson, Peter H., xxx-xx-xxxx
Jeas, William C., xxx-xx-xxxx
Jensen, Albert D., xxx-xx-xxxx
Jewett, Calvin F., xxx-xx-xxxx
Johnson, Harvey L., xxx-xx-xxxx
Johnson, James D., xxx-xx-xxxx
Johnson, John E., Jr., xxx-xx-xxxx
Johnson, Joseph R., xxx-xx-xxxx
Johnson, Richard K., xxx-xx-xxxx
Johnston, Ronald B., xxx-xx-xxxx
Jones, Charles A., xxx-xx-xxxx
Jones, Eben D., xxx-xx-xxxx
Jones, Howard H., III, xxx-xx-xxxx
Jones, James T., xxx-xx-xxxx
Jones, Wayne H., xxx-xx-xxxx
Judge, Paul J., xxx-xx-xxxx
Justice, Donald H., xxx-xx-xxxx
Juve, Gene L., xxx-xx-xxxx
Kane, Robert W., xxx-xx-xxxx
Kasperbauer, Gerald H., xxx-xx-xxxx
Katz, Michael P., xxx-xx-xxxx
Kaufman, Martin L., xxx-xx-xxxx
Kavanagh, Brian O., xxx-xx-xxxx
Keaney, Thomas A., xxx-xx-xxxx
Kehoe, Nicholas B., III, xxx-xx-xxxx
Kelley, Russell K., xxx-xx-xxxx
Kellock, Robert E., xxx-xx-xxxx
Kelly, John L., Jr., xxx-xx-xxxx
Kelly, John P., xxx-xx-xxxx
Kempton, Joseph R., xxx-xx-xxxx

Kennedy, Hamilton W., xxx-xx-xxxx.
Kennedy, William J., xxx-xx-xxxx.
Kerlin, James, xxx-xx-xxxx.
Kerr, Joseph W., xxx-xx-xxxx.
Key, Kenneth, xxx-xx-xxxx.
Kholos, Clark J., xxx-xx-xxxx.
Kindurys, Victor A., xxx-xx-xxxx.
King, Howard L., Jr., xxx-xx-xxxx.
King, William S., xxx-xx-xxxx.
Kirk, Wayne D., xxx-xx-xxxx.
Kirkham, Thomas L., xxx-xx-xxxx.
Kiser, John O., xxx-xx-xxxx.
Klag, John E., xxx-xx-xxxx.
Knecht, Ronald J., xxx-xx-xxxx.
Knipfer, Ronald E., xxx-xx-xxxx.
Knoll, Rickell D., xxx-xx-xxxx.
Knotts, Jerry E., xxx-xx-xxxx.
Knutson, Donald O., xxx-xx-xxxx.
Koch, Dale H., xxx-xx-xxxx.
Koch, John T., xxx-xx-xxxx.
Kohout, John J., III, xxx-xx-xxxx.
Kolt, George, xxx-xx-xxxx.
Kormanik, James R., xxx-xx-xxxx.
Kowalski, Harold W., Jr., xxx-xx-xxxx.
Koz, Joseph P., xxx-xx-xxxx.
Kozak, David J., xxx-xx-xxxx.
Kozimor, John P., xxx-xx-xxxx.
Krahenbuhl, David W., xxx-xx-xxxx.
Krause, Frederick A., xxx-xx-xxxx.
Krauss, Doyle W., xxx-xx-xxxx.
Krebs, William E., xxx-xx-xxxx.
Kropf, Arnold N., xxx-xx-xxxx.
Kross, Walter, xxx-xx-xxxx.
Kucera, Charles G., xxx-xx-xxxx.
Kuhla, Cletus B., xxx-xx-xxxx.
Labriola, James M., xxx-xx-xxxx.
Lacey, Keith N., II, xxx-xx-xxxx.
Lacy, James M., xxx-xx-xxxx.
Lancaster, James F., xxx-xx-xxxx.
Landson, Barry M., xxx-xx-xxxx.
Lane, John J. G., Jr., xxx-xx-xxxx.
Langley, John W., xxx-xx-xxxx.
Larabee, Harry W., xxx-xx-xxxx.
Latour, Kenneth R., xxx-xx-xxxx.
Lavin, James K., xxx-xx-xxxx.
Lawrence, Robert G., xxx-xx-xxxx.
Lazorchak, Michael P., xxx-xx-xxxx.
Lee, John W., xxx-xx-xxxx.
Lee, Raymond H., xxx-xx-xxxx.
Lesan, Thomas C., xxx-xx-xxxx.
Leuenberger, John E., II, xxx-xx-xxxx.
Lindbo, Don A., xxx-xx-xxxx.
Linenberger, Donald E., xxx-xx-xxxx.
Linhard, Robert E., xxx-xx-xxxx.
Lippolt, John R., xxx-xx-xxxx.
Liss, Walter E., xxx-xx-xxxx.
Loflin, Charles E., Jr., xxx-xx-xxxx.
Loken, Thomas A., xxx-xx-xxxx.
Lopes, Duarte A., xxx-xx-xxxx.
Lorenzini, Dino A., xxx-xx-xxxx.
Loundermon, Andrew D., xxx-xx-xxxx.
Lounsbury, William E., Jr., xxx-xx-xxxx.
Lowry, Michael H., xxx-xx-xxxx.
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Wrenn, Hubert E. xxx-xx-xxxx

The following officer for appointment in the Regular Air Force, in the grade indicated, under the provisions of section 531, title 10, United States Code, with date of rank to be determined by the Secretary of the Air Force:

To be lieutenant colonel

Schmitt, Arthur E. xxx-xx-xxxx

IN THE ARMY

The following-named officers for appointment in the Regular Army of the United States, in the grade specified, under the provisions of title 10, United States Code, sections 3284 through 3294:

To be major

Armour, Arthur A. xxx-xx-xxxx
Austin, Lavern M. xxx-xx-xxxx
Barrett, Gerard P. xxx-xx-xxxx
Bell, James P. xxx-xx-xxxx
Bell, Mark A. xxx-xx-xxxx
Bell, Richard E. xxx-xx-xxxx
Benson, Raymond R. xxx-xx-xxxx
Bowen, John E. xxx-xx-xxxx
Brady, John P. xxx-xx-xxxx
Brannen, Markalee D., Jr. xxx-xx-xxxx
Broome, Clifford F. xxx-xx-xxxx
Broughton, Lawrence xxx-xx-xxxx
Broxon, John D. xxx-xx-xxxx
Byrnes, Kevin P. xxx-xx-xxxx
Caesar, James M. xxx-xx-xxxx
Camors, Robert E., Jr. xxx-xx-xxxx
Candelaria, Lorenzo F., II xxx-xx-xxxx
Capers, Alexander J. xxx-xx-xxxx
Carmichael, Ronald L. xxx-xx-xxxx
Catchings, Clarence T. xxx-xx-xxxx
Comer, Ernest J. xxx-xx-xxxx
Conway, Robert J. xxx-xx-xxxx
Cooper, Garry V. xxx-xx-xxxx
Day, Lowell L. xxx-xx-xxxx
Dota, Paul A. xxx-xx-xxxx
Downey, James E. xxx-xx-xxxx
Downing, David H. xxx-xx-xxxx
Ellzey, Thomas F., Jr. xxx-xx-xxxx
Ey, Bruce N. xxx-xx-xxxx
Fowler, Buford W. xxx-xx-xxxx
Fox, Joseph J. xxx-xx-xxxx
Frame, Arthur T. xxx-xx-xxxx
Freimuth, Kenneth C. xxx-xx-xxxx
Fuller, Donald D. xxx-xx-xxxx
Gaddi, Robert C. xxx-xx-xxxx
Grice, Johnny J. xxx-xx-xxxx
Griffin, Kevin W. xxx-xx-xxxx
Griffith, Craig A. xxx-xx-xxxx
Grohman, Howard J., Jr. xxx-xx-xxxx
Hair, Dwight E. xxx-xx-xxxx
Harris, James L. xxx-xx-xxxx
Harrison, Dennis D. xxx-xx-xxxx
Hayner, Robert E. xxx-xx-xxxx
Hendell, William J. xxx-xx-xxxx
Henning, Charles A. xxx-xx-xxxx
Howe, Gene C. xxx-xx-xxxx
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Hyatt, Roy J., Jr. xxx-xx-xxxx
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Johnson, Kenneth D. xxx-xx-xxxx
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Mace, Eugene xxx-xx-xxxx
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Marshall, Carl B. xxx-xx-xxxx
Martin, Marshall D. xxx-xx-xxxx
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Moffitt, William W. xxx-xx-xxxx
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Mook, Wallace C. xxx-xx-xxxx
Moroney, John F. xxx-xx-xxxx
Mueller, Theodore H. xxx-xx-xxxx
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Nott, Michael B. xxx-xx-xxxx
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Smith, Powell M., II xxx-xx-xxxx
Smith, Wayne S. xxx-xx-xxxx
Sorensen, Jack W. xxx-xx-xxxx
Sowards, George J. xxx-xx-xxxx
Strazdas, Algimantas J. xxx-xx-xxxx
Tarr, John C. xxx-xx-xxxx
Teasdale, Kenneth W. xxx-xx-xxxx
Thomas, William F. xxx-xx-xxxx
Tomblin, Robert W. xxx-xx-xxxx
Toratti, Milton A. xxx-xx-xxxx
Vannatter, Dan M. xxx-xx-xxxx
Wallace, Steven H. xxx-xx-xxxx
Whitehead, Hinton J. xxx-xx-xxxx
Wildenberg, John T. xxx-xx-xxxx
Williams, Thomas D. xxx-xx-xxxx

To be captain

Alicea, Brenda L. xxx-xx-xxxx
Anders, Keith E. xxx-xx-xxxx
Andersen, Brian M. xxx-xx-xxxx
Andrews, Robert L. xxx-xx-xxxx
Armstrong, Council J., Jr. xxx-xx-xxxx
Arruti, Michael J. xxx-xx-xxxx
Babbitt, Brenda F. xxx-xx-xxxx
Bandy, Dan D. xxx-xx-xxxx
Barker, Billy R. xxx-xx-xxxx
Barrell, Frederick C., III xxx-xx-xxxx
Baum, David B. xxx-xx-xxxx
Begasse, Thomas O. xxx-xx-xxxx
Benton, Ronald G. xxx-xx-xxxx
Bombaugh, Karl D. xxx-xx-xxxx
Bowman, Matthew R. xxx-xx-xxxx
Brace, Jackie H. xxx-xx-xxxx
Bright, James E. xxx-xx-xxxx
Brown, Walter D., III xxx-xx-xxxx
Burns, Michael xxx-xx-xxxx
Burton, Jeffrey E. xxx-xx-xxxx
Cain, John xxx-xx-xxxx
Carver, Dale A. xxx-xx-xxxx
Chandler, David W. xxx-xx-xxxx
Church, James W. xxx-xx-xxxx
Cochran, Randall F. xxx-xx-xxxx
Colby, Anthony H. xxx-xx-xxxx
Czlonka, Michael xxx-xx-xxxx
Dees, Wallace J. xxx-xx-xxxx
Delcambre, Christopher G. xxx-xx-xxxx
Denton, James C. xxx-xx-xxxx
Dewitt, Thomas M. xxx-xx-xxxx
Dews, Hampton, II xxx-xx-xxxx
Deyermond, John J. xxx-xx-xxxx
Dixon, Donald E. xxx-xx-xxxx
Dizon, Robert O. xxx-xx-xxxx
Dockery, Walter R. xxx-xx-xxxx
Dopita, Alois xxx-xx-xxxx
Doucette, Kenneth A. xxx-xx-xxxx
Duley, Christopher A. xxx-xx-xxxx
Duncan, Eddie xxx-xx-xxxx
Fairchild, Daniel L. xxx-xx-xxxx
Fall, Robert G. xxx-xx-xxxx
Fedak, Louis C. xxx-xx-xxxx
Fitzpatrick, Kevin B. xxx-xx-xxxx
Fry, Michael J. xxx-xx-xxxx
Galloway, Charles A., III xxx-xx-xxxx
Garrett, Burton L. xxx-xx-xxxx
Giffin, George E., III xxx-xx-xxxx
Gomez, Iris M. xxx-xx-xxxx
Gorrie, Robert G. xxx-xx-xxxx
Goyette, Robert L. xxx-xx-xxxx
Green, Stanley E., III xxx-xx-xxxx
Gunning, Walter P. xxx-xx-xxxx
Hacker, Charles L. xxx-xx-xxxx
Huddy, Kevin L. xxx-xx-xxxx
Jelley, Michael F. xxx-xx-xxxx
Johnson, Robert M. xxx-xx-xxxx
Johnson, Roy E. xxx-xx-xxxx
Joseph, Lawrence W. xxx-xx-xxxx
Jublou, Bryant C. xxx-xx-xxxx
Kahoun, Frank A., Jr. xxx-xx-xxxx
Kattelmann, Dean E. xxx-xx-xxxx
Keller, Roland A. xxx-xx-xxxx
Kendrick, David E. xxx-xx-xxxx
Kinney, Howard D., III xxx-xx-xxxx
Knapp, John P., Jr. xxx-xx-xxxx
Konieczny, Francis W. xxx-xx-xxxx
Krogue, Philip E. xxx-xx-xxxx
Kuth, Robert A. xxx-xx-xxxx
Lacour, Christopher xxx-xx-xxxx
Lambert, Samuel J. xxx-xx-xxxx
Lantzy, Walter P., III xxx-xx-xxxx
Laszok, Richard W. xxx-xx-xxxx
Lee, James E. xxx-xx-xxxx
Lee, Richard D. xxx-xx-xxxx
Leopold, Mark E., Jr. xxx-xx-xxxx
Lodwig, Steven H. xxx-xx-xxxx
Long, Robert L. xxx-xx-xxxx
Loving, Steven M. xxx-xx-xxxx
Lund, Reid K. xxx-xx-xxxx
Maguire, Kevin M. xxx-xx-xxxx
Malerk, Donald G. xxx-xx-xxxx
Marcel, Marjory M. xxx-xx-xxxx
Matysek, Eugene E. xxx-xx-xxxx
McAdams, Michael D. xxx-xx-xxxx
McCaig, Albert M., Jr. xxx-xx-xxxx
McCary, Douglas C. xxx-xx-xxxx
McFadden, Gary R. xxx-xx-xxxx
McNair, Champney A. xxx-xx-xxxx
Meade, Charles V. xxx-xx-xxxx
Melvin, Anthony C. xxx-xx-xxxx
Mickaliger, Michael J. xxx-xx-xxxx
Miekicki, Stanley J., Jr. xxx-xx-xxxx
Monje, Larry N. xxx-xx-xxxx
Morton, Gregory V. xxx-xx-xxxx
Mowery, Samuel H. xxx-xx-xxxx
Muirragui, Richard A. xxx-xx-xxxx
Musarra, Gerald D. xxx-xx-xxxx
Myers, Anthony E. xxx-xx-xxxx
Neilson, Terry P. xxx-xx-xxxx
Nettling, Daniel A. xxx-xx-xxxx
Newman, Larry C. xxx-xx-xxxx
Nicolosi, Douglas J. xxx-xx-xxxx
Oakley, Lon D., Jr. xxx-xx-xxxx
Osmond, Kenneth W. xxx-xx-xxxx
Obryant, Richard L. xxx-xx-xxxx
O'Connell, Thomas W. xxx-xx-xxxx
Pankow, Mark L. xxx-xx-xxxx
Parvis, Timothy F. xxx-xx-xxxx
Peil, Rodman H. xxx-xx-xxxx
Pengitore, Francis C. xxx-xx-xxxx
Perkins, Frederick C. xxx-xx-xxxx
Perkins, Johnny L. xxx-xx-xxxx
Pezzella, Stephen P. xxx-xx-xxxx
Prescott, James E. xxx-xx-xxxx
Prim, Harold L., Jr. xxx-xx-xxxx
Quensel, Susan L. xxx-xx-xxxx
Quin, Gary C. xxx-xx-xxxx
Rampy, Michael R. xxx-xx-xxxx
Rauen, Maryanne F. M. xxx-xx-xxxx
Raymer, Doyle L. xxx-xx-xxxx
Raymond, Robert A. xxx-xx-xxxx
Redmann, Jeffrey C. xxx-xx-xxxx
Reeves, Stephen V. xxx-xx-xxxx
Rettenmier, Earl B. xxx-xx-xxxx
Retzloff, Curtis L. xxx-xx-xxxx
Riordan, Charles H. xxx-xx-xxxx
Rivers, Louis, Jr. xxx-xx-xxxx
Rodgers, Craig E. xxx-xx-xxxx
Romancik, David J. xxx-xx-xxxx
Runnals, Michael S. xxx-xx-xxxx
Runnals, Michael S. xxx-xx-xxxx
Russell, Joseph M. xxx-xx-xxxx
Saxton, Maurice S. xxx-xx-xxxx

Schacher, Jerry D. xxx-xx-xxxx
Schmidt, Daniel L. xxx-xx-xxxx
Scott, William L., Jr. xxx-xx-xxxx
Scruggs, Frank T. xxx-xx-xxxx
Sherman, Donald E. xxx-xx-xxxx
Shires, Stephen E. xxx-xx-xxxx
Shoenborn, Kenneth D. xxx-xx-xxxx
Smith, Milledge R. xxx-xx-xxxx
Somerville, Roger J. xxx-xx-xxxx
Spears, Jarrell R. xxx-xx-xxxx
Spencer, Tracy L. xxx-xx-xxxx
Stanley, Charles L. xxx-xx-xxxx
Strauss, Christopher E. xxx-xx-xxxx
Stuart, Michael W. xxx-xx-xxxx
Swanson, Charles F. xxx-xx-xxxx
Tavares, Edward J. xxx-xx-xxxx
Thompson, Jesse J. xxx-xx-xxxx
Tierney, Shawn P. xxx-xx-xxxx
Trahan, Paul P. xxx-xx-xxxx
Trezise, Robert B., Jr. xxx-xx-xxxx
Unangst, Samuel J. xxx-xx-xxxx
Vigil, Thomas C. xxx-xx-xxxx
Walker, David L. xxx-xx-xxxx
Weaver, David F. xxx-xx-xxxx
West, Ernest C., Jr. xxx-xx-xxxx
Wikstrom, Terry A. xxx-xx-xxxx
Williams, Herman K. xxx-xx-xxxx
Wilson, Willie A., Jr. xxx-xx-xxxx
Wimberly, Sheila A. xxx-xx-xxxx
Wolbers, Harry L. xxx-xx-xxxx
Wyckoff, Thomas G. xxx-xx-xxxx
Yingling, John A. xxx-xx-xxxx
Young, Michael R. xxx-xx-xxxx

To be first lieutenant

Autry, William T. xxx-xx-xxxx
Bagby, Byron S. xxx-xx-xxxx
Baker, James H. xxx-xx-xxxx
Bartran, James R. xxx-xx-xxxx
Beavers, Lee J. xxx-xx-xxxx
Bodman, Hal R. xxx-xx-xxxx
Brown, William T. xxx-xx-xxxx
Campos, Carlos E. xxx-xx-xxxx
Chivers, Thomas S. xxx-xx-xxxx
Clark, Mary S. xxx-xx-xxxx
Collins, Glen C., Jr. xxx-xx-xxxx
Colombo, Joseph N., Jr. xxx-xx-xxxx
Davis, Danny W. xxx-xx-xxxx
Donaldson, Bruce J. xxx-xx-xxxx
Exum, Morris T. xxx-xx-xxxx
Fitzgerald, Robert P. xxx-xx-xxxx
Forbes, Alfred R., III xxx-xx-xxxx
Gainok, Allan, J. xxx-xx-xxxx
Halligan, Robert E. xxx-xx-xxxx
Hanie, Samuel M. xxx-xx-xxxx
Holm, Stephen D. xxx-xx-xxxx
House, Robert L. xxx-xx-xxxx
Johnson, Kynn T. xxx-xx-xxxx
Jordan, Thomas M. xxx-xx-xxxx
Landrum, Michael D. xxx-xx-xxxx
Leser, Jeffrey W. S. xxx-xx-xxxx
Loadholtes, William J., Jr. xxx-xx-xxxx
Macleod, Victor A. xxx-xx-xxxx
Marsh, Christine T. xxx-xx-xxxx
Mayes, Kelly L. xxx-xx-xxxx
Monje, Dianne M. xxx-xx-xxxx
Mooney, Bernard F. xxx-xx-xxxx
Owen, Thomas A. xxx-xx-xxxx
Pagano, Barbara L. xxx-xx-xxxx
Peele, Gladues W., Jr. xxx-xx-xxxx
Peloquin, Edourd A. xxx-xx-xxxx
Peralta, Larry M. xxx-xx-xxxx
Phillips, Prentice C., Jr. xxx-xx-xxxx
Poikonen, Allan W. xxx-xx-xxxx
Price, Danny P. xxx-xx-xxxx
Rand, Diane K. xxx-xx-xxxx
Recio, Jose A. xxx-xx-xxxx
Ross, Allan G. xxx-xx-xxxx
Rottner, Henry C. xxx-xx-xxxx
Rousseau, William E. xxx-xx-xxxx
Stocker, Richard W. xxx-xx-xxxx
Underwood, Charles E. xxx-xx-xxxx
Wilcomb, Mark E. xxx-xx-xxxx
Wright, George B., Jr. xxx-xx-xxxx

To be second lieutenant

Fitch, William D. xxx-xx-xxxx
Swiniarski, Corina xxx-xx-xxxx

The following-named officer as Permanent Professor at the U.S. Military Academy, under the provisions of title 10, United States Code, sections 4331 through 4333:

To be permanent professor and head of the Department of Engineering

Grum, Allen F. xxx-xx-xxxx

The following-named officers for reappointment in the active list of the Regular Army of the United States, from the Temporary Disability Retired List, under the provisions of title 10, United States Code, section 1211:

To be colonel, Regular Army and colonel, Army of the United States

Cardinalli, Guy F. xxx-xx-xxxx

To be lieutenant colonel, Regular Army and lieutenant colonel, Army of the United States

MacWillie, Donald M., Jr. xxx-xx-xxxx

To be major, Regular Army and major, Army of the United States

Knight, David B. xxx-xx-xxxx

The following-named officers for appointment in the Regular Army of the United States, in the grade specified, under the provisions of title 10, United States Code, sections 3284 through 3292 and 3294:

To be captain

Alden, Sharon L. xxx-xx-xxxx
Baldy, Mary A. xxx-xx-xxxx
Beall, Carol S. xxx-xx-xxxx
Daxon, Eric G. xxx-xx-xxxx
Fullerton, Terrence xxx-xx-xxxx
Kanzier, Antoinette L. xxx-xx-xxxx
Kuehn, Lynn R. xxx-xx-xxxx

To be first lieutenant

Areciero, Robert A. xxx-xx-xxxx
Doran, Karen M. xxx-xx-xxxx
Durham, Carol D. xxx-xx-xxxx
Eliasson, Arn H. xxx-xx-xxxx
Ferguson, Henry W. xxx-xx-xxxx
Fowler, John M., Jr. xxx-xx-xxxx
Franklin, Kenneth J. xxx-xx-xxxx
Garvin, Patrick M. xxx-xx-xxxx
Getzie, Peter xxx-xx-xxxx
Goho, Curtis D., Jr. xxx-xx-xxxx
Grayson, Virginia B. xxx-xx-xxxx
Jackson, Judith N. xxx-xx-xxxx
Kennedy, David xxx-xx-xxxx
Longer, Charles F. xxx-xx-xxxx
Stafford, John G. xxx-xx-xxxx
Vaughn, Timothy F. xxx-xx-xxxx
Velling, Daniel N. xxx-xx-xxxx
Weedon, Norman A. xxx-xx-xxxx
Willard, William C. xxx-xx-xxxx

The following named scholarship and distinguished military students for appointment in the Regular Army of the United States in the grade of second lieutenant, under the provisions of title 10, United States Code, sections 2106, 2107, 3284, 3286, 3287, 3288, and 3290:

Brown, Rejohnna, B. xxx-xx-xxxx
Dixon, Roger S. xxx-xx-xxxx
Edwards, Steven B. xxx-xx-xxxx
Garcia, Valdemar xxx-xx-xxxx
Gullbrand, Carl E. xxx-xx-xxxx
Halford, Vonna xxx-xx-xxxx
Holloway, Mark H. xxx-xx-xxxx
Hurst, James W. xxx-xx-xxxx
Jones, Kenneth xxx-xx-xxxx
Jorgenson, Michael xxx-xx-xxxx
Lee, Frederick L. xxx-xx-xxxx
Lendrum, John A. xxx-xx-xxxx
Mooney, John M. xxx-xx-xxxx
Murphy, Lillie xxx-xx-xxxx
Norris, Glenwood xxx-xx-xxxx
Perry, Mark J. xxx-xx-xxxx
Pierce, Paul W. xxx-xx-xxxx
Ryder, Stephen xxx-xx-xxxx
Sanfilippo, Charles L. xxx-xx-xxxx
Weston. David C. xxx-xx-xxxx

IN THE NAVY

The following temporary captains of the U.S. Navy for permanent promotion to the grade, pursuant to title 10, United States Code, sections 5780, 5782, and 5791.

LINE

Ackart, Leon Eddy
Adams, John Warren
Adams, Samuel Wren, Jr.
Adgent, Robert Boyd
Adkins, James Newton, Jr.
Adler, Roy Walter
Akers, Max Neil
Albrecht, Carl John
Aldana, Louis Pelayo
Alexander, Corington A. J.
Alexander, Edward Eugene, Jr.
Alexander, Hershel David
Allen, George Smith
Allender, George Roberts
Alligood, Bruce Tyndall, Jr.
Allsopp, Richard Edgar
Alvarez, Raoul
Alves, Arcenio, Jr.
Anderson, Bryan Richard
Anderson, Donald Ralph
Anderson, Edward Everett, Jr.
Anderson, Richard Scruggs, Jr.
Andres, Charles Gene
Armbruster, William Arthur
Artim, Ronald Nicholas
Asher, John Wilson, III
Atwell, Marion Allen
Austin, Jack Burger
Avila, John, Jr.
Bacon, Roger Francis
Bailey, Fred Wilkin
Baker, Donald Adrian
Baker, Edward Bigelow, Jr.
Baldwin, Edwin McLean
Baldwin, John Stanley
Ball, Ronald Fredric
Ballantine, James Clement, Jr.
Banks, William Kenneth
Baril, Robert Francis
Barnes, Fletcher James, III
Barnes, Paul Donald
Barnhart, Don Henry
Barnum, Craig Luther
Barton, Robert Lawrence
Bassett, Charles Howard, Jr.
Bassin, Paul Howard
Bauer, Herbert
Beamon, Joseph Everett, II
Beatty, James Robert, III
Behning, William Penn
Belto, Meryl Allen
Bender, James Edward
Bennett, David Gray
Bennett, David Michael
Berg, Robert Peter
Bernsen, Harold John
Bertrand, Jon Stanley
Bess, George Delbert
Best, Albert Hartwell, III
Betterton, Thomas Cherrill
Biele, Charles Edward, Jr.
Bishop, David King
Bishop, Larry Dean
Bitoff, John William
Blasch, Lynn Paul
Blatt, Russell Neal
Bledsoe, Paul Ishamel
Bloh, William Carl
Blose, Larry Eugene
Boecker, Donald Vaux
Boice, Frank Bitts
Boissenin, William Charles
Boland, Joseph Eugene, Jr.
Bolinger, Charles William
Bond, Thomas Henry
Bondi, Joseph Ronald
Boorda, Jeremy Michael
Borcik, David Eugene
Bovey, Robert Leroy
Bowles, Vivian Knight
Boyle, Ronald Raymond
Boyne, Peter Bernard
Branch, Daniel Bernice, Jr.
Brandt, Robert Thomas
Brantuas, Joseph Albert
Breckon, Richard Louis
Brennock, Robert Francis
Brewton, Edward Allen
Brickner, John Smith
Briggs, Roger Clarence
Briggs, Steven Russell
Brightman, James Morris
Bronson, Edward Francis
Brooks, Dennis Matthew
Brooks, Linton Forrestall
Brooks, Otis McKinley

Brooks, Paul Eugene
Brooks, Thomas Aloysius
Brown, Dale Sturtz, Jr.
Brown, Donald Louis
Brown, Michael Jack
Brown, Ralph Edward, Jr.
Brown, Ronald Lee
Brown, Thomas William
Bruce, Malvin Davidson
Brune, Charles Marvin
Buchwald, Robert Dale
Buck, David Ervin
Buck, Ralph Vincent
Bull, Lyle Franklin
Bump, Stanley Earl
Bunting Keith McAlister
Burcher, Philip Edwin
Burgess, John Edmund
Burke, John Patrick
Burns, Charles Edwin
Burns, John Douglass
Burns, John Joseph
Burns, Robert Edward
Burpo, James Harvey
Burton, John George
Buss, Richard Henry
Butcher, Bradley Alwin
Butsch, Lester Hunt
Butterfield, John Alden
Cadow, William Schuyler, Jr.
Caldwell, James Franklin
Calhoun, John Franklin
Calvert, John Frederick
Calvin, Donald Ural
Camilleri, Terrence Joseph
Camp, Joe Don
Campbell, Carl Eugene
Campbell, Craig Sherman
Campbell, John Richard
Campbell, Norman Dean
Campbell, Robyn Moore, Jr.
Cantrell, Walter H.
Carden, Francis Deleveaux J.
Carder, Denny Martin
Cargill, Denny Bruce
Cargill, Lee Bruellman
Carlsen, Kenneth Leroy
Carlson, Robert Gene
Carlson, Walter Gene
Carlson, William Clifford
Caron, Gerald Clark, Jr.
Carpenter, John Embry
Carson, Aubrey Weaver
Carson, Richard Lew
Carson, William Grant
Cartwright, Jackson Eugene
Cartwright, James Peter
Castle, Ronald Gene
Catalano, Peter Rocco
Chabot, Peter Gordon
Chadick, Wayne Louis
Chamberlain, John Drew
Chambers, Leroy
Chandler, David Fessenden
Chanslor, Richard Maurice
Charles, Richard Noel
Chauncey, Arvin Roy
Chiles, Henry Goodman, Jr.
Chrisman, John Aubrey, Jr.
Christensen, Cyrus Robert
Christensen, John Edward, Jr.
Christensen, Robert
Christenson, Robert W. S.
Ciardy, Herman Stacy, Jr.
Clarity, Michael Gerard
Clark, Charles Francis
Clark, Jeremy Carew
Clarke, Douglas Lane
Clautice, William Gunther
Clexton, Edward William, Jr.
Clift, Thomas Alvin
Clinton, John Charles
Coffee, Gerald Leonard
Coffey, Robert Carlin
Colbert, Edward William, Jr.
Coldwell, Thomas
Cole, Gerald Lee
Coleman, James Joseph
Colley, Michael Christian
Collins, James Edward
Collins, John Fletcher
Combs, Robert Lamar
Compton, William Hopson
Conklin, Andrew Janke
Conner, Eugene Davison
Connerton, James Edward Jr.
Coolbaugh, Jesse Dixon
Cormack, James Peter
Cornell, John Paul
Cossey, James Donald
Coulbourn, Samuel William
Cox, David Ronald
Cox, Duane Arlo
Cox, Kenneth Eugene
Cox, Kenneth Hildred
Coyne, George Kermit, Jr.
Cracknell, William Henry, Jr.
Crandall, Joel Lee
Crippen, Robert Laurel
Crowe, William Mitchell, Jr.
Crowninshield, George W.
Cuddy, John Vincent
Culhane, William Patterson
Curry, James Delos
Curtin, James Michael
Curtis, Guy Haldane, III
Cust, Harlan Robert
Dachos, John
Dafoe, James Lyle
Daly, John Stephenson
Damato, Joseph Jack
Daniels, Shane Patrick
Davis, James Vernon
Davis, Jimmy Wayne
Davis, Walter Jackson, Jr.
Dawson, William Henry
Debode, Donald Gene
Delpercio, Michael, Jr.
Demand, Daniel Harry
Dennis, Jefferson Rice, Jr.
Derr, Allen Joseph
Desko, Daniel Arthur
Dewey, Richard Frank
Dietrich, William Howard
Dipalma, Robert Francis
Dirvianskis, Arunas
Dittrick, John James, Jr.
Doherty, Edward Francis
Dombrowski, Henry Richard
Donahue, John Francis
Donovan, Francis Raymond
Doss, Dale Walter
Dougherty, William Adam, Jr.
Doyle, William James
Drake, William Baker, Jr.
Dreessen, Francis McCleary
Dressler, Joseph Anthony
Driver, Ace Charles, Jr.
Drude, Leonard Joseph
Duff, Karl Melton
Duffey, Russell Gilbert
Dugan, Ferdinand Chatard, III
Dunbar, Douglas Paul, Jr.
Dunbar, Richard Parker
Dundon, Alan Michael
Dunham, William Carl
Dunlap, Stanton Parks
Dvornik, Donald Frederick
Dwyer, William Leo
Dykeman, Charles John
Dziedzic, Walter Theodore, Jr.
Edgemond, John William, III
Edson, Philip Norman
Edwards, Steven Hamilton
Egan, Gerald Edward
Egan, Robert William
Eglin, James Meikle
Eikel, Harvey Andrew
Eldredge, Howard Sunderlin
Ellingwood, Arthur R., Jr.
Elliott, George Milton
Ellis, Herbert Aloysius, Jr.
Ellison, Paul Emery
Ellsworth, Warren R., Jr.
Endo, Norio Bruce
Enkeboll, Richard Ernest
Erner, Eugene Joseph
Evans, Lucian Charles
Evans, Philip Roland
Evans, Ronald Arthur
Evans, Thomas Witherspoon
Fahey, William Francis
Farnham, David West
Farrar, Bobby Clark
Farrell, Edmund Francis
Feingersch, Allen
Feran, Paul Michael
Ferguson, Robert Harvey
Fernald, Lloyd Wilbur, Jr.
Feuerhelm, Duane Leroy
Fickenscher, David Burke
Finkelstein, Jimmie Bennie
Finn, William Anthony
Fish, Benjamin Lawrence, Jr.
Fisher, Harvey Enloe
Fisher, James Ronald
Fisler, Louis Henry
Fitzgerald, John Francis
Fitzgerald, Thomas A., Jr.
Fleming, James Joseph
Fleming, Thomas Edward
Floyd, Francis Marshall
Flynn, Cathal Liam, Jr.
Flynn, Gerrish Cecil
Flynn, John Joseph
Flynn, Samuel Carson Jr.
Fogarty, William Miley
Forst, Ronald John
Forster, Johann Richard
Foss, Robert Nelson
Fossett, Birchard Clary
Fox, George Raymond
Fox, John Francis Joseph
Fox, Thomas Robert
France, Morgan Michael
Franklin, John Scott
Franklin, William Patrick
Freakes, William
Frederick, Keith James
Fredrickson, Arthur Hugh
French, Douglas E.
Funderburk, Jeryl Dean
Fuqua, James Richard, Jr.
Gallo, Salvatore Frank
Gamboa, John Frank
Gardella, John Kerr
Garland, Keith Pierson
Garrett, Roger Dean
Garrett, William Bruce
Gatje, Peter Herbert
Gehrig, Jarome Charles
Gentry, Donald Gunn
Gentz, Richard Corbett
Georg, John August
George, Hugo Calvin
George, Troy Hescue, Jr.
Gerrish, Donald Aikman, Jr.
Gibson, David Bruce
Gies, Leo Charles
Giese, Carl Emil, Jr.
Gilbert, Robert Lyle
Gilchrist, James Leon
Gillett, Robert Milton, Jr.
Gimber, Harry Meeker S., III
Given, Philip Roberts
Glickman, Thomas Walter
Gneckow, Gerald Eugene
Goldenstein, Gordon Richard
Golder, Thomas Vincent
Gomez, Alvaro Raymond
Goodwin, Robert L., Jr.
Gorham, David Shive
Gorham, Milton Reid, Jr.
Gost, William John
Grafel, Lynn Harrison
Gram, Emil Glenn
Greene, George Cameron
Greene, William Harrell, Jr.
Greenhoe, Duane Floyde
Grewe, Webster
Griffith, Dwaine Orris
Grimm, Thomas Dixon
Grise, James Edward
Gruendl, Paul Lawrence
Guilbault, Roland George
Gulliver, Victor Stanley
Gunderson, Donald Henry
Gunter, Billie Gene
Gurke, Donald Lee
Guttery, Thomas Hobson
Haag, Ernest Vernon
Hagan, Wayne Edgar
Hagen, Dale Norman
Hahn, Donald Lee
Hahn, Dwight Emerald
Haines, Donald Albert
Hakanson, Gary Evan
Hale, Thomas Morgan, Jr.
Hall, John Owens
Hallier, Manuel Albert
Halye, Lawrence Alston
Hamilton, Larry Dan
Hannah, Elmore Kline, Jr.
Hansen, Harry James, III
Hardy, Brenton Philip
Hardy, Ray Sterling, Jr.
Harper, Thomas John
Harrison, Joe Pat
Harrison, Robert Glen
Harriss, David Jackson
Hart, Raymond James
Hassler, Thomas Andrew
Hatcher, Jerry Maldon
Hawkins, Charles Derward, Jr.
Hawthorne, John Warren
Hay, Donald George
Hayes, William Vincent
Hebert, Larry
Heckathorn, Clair Eugene
Hegeman, Joey William
Heiland, Charles Edward
Heisner, Robert Irving, Jr.
Hellman, John Stephen
Henderson, Arnold Herbert
Hendricks, Paul Vincent
Hendrickson, Daniel Lucking
Henry, Robert Lee
Hernandez, Jesse Jiminez
Herold, Lance
Herring, George Griffin, III
Heuberger, Nathan Albert
Hewitt, Paul Edward
Hewitt, Wesley Charles
Heyward, Shannon Douglas
Hiebner, Robert John, Jr.
Higginson, John Joseph
Hill, Martin George
Hill, Virgil Lusk, Jr.
Hilt, John William
Hines, Dean Howard
Hock, Joseph Thomas
Hodgens, Jack Anthony
Hodgkins, William Stuart
Hoech, Donald Gene
Hoey, John Hugh
Hoffer, Leon Erwin, Jr.
Holcomb, Charles Curtis
Holds, James Howard
Holland, Joe Lambert
Holland, John Diamond, Jr.
Holland, Wylen Righton
Holsten, Donald Wayne

Holt, William Colliver
Holtzclaw, John William
Homan, Clifford Francis
Horn, Leslie John
Horne, Ronald Gene
Horsley, George William, Jr.
Houley, William Purcell
Houston, Jerry Beaman
Howard, William Stamps, III
Howe, Frederic Northey, Jr.
Hower, James Joseph
Howland, John Herrick
Howley, Thomas Francis
Huff, Douglas
Hummer, John Jay
Hunter, Harold Culp
Huntington, Stuart Laurie
Hutchinson, Charles Kenneth
Hyatt, Leo Gregory
Hyde, Ronald Pope
Hydinger, Robert Marlin
Ianson, Lawrence Warren, Jr.
Ilg, Raymond Paul
Isaacson, Alan Twiet
Jackson, Lester Thurston, Jr.
Jacobs, Paul Hamilton
Jacobs, Selby Weaver
Jacobs, Thomas Leroy
Jampoler, Andrew C. A.
Jensen, Robert Lewis
Jesberg, Ronald Hans
Jockel, Joseph Andrew, Jr.
Johnson, Charles Otis
Johnson, Phillip Seth
Johnson, Roland Ralph
Johnson, Ronald Joseph
Johnson, Ronald Laurence
Jones, Arden William F., Jr.
Jones, Colin Mastin
Jones, Howard Richard, Jr.
Jordan, William Travis
Kalleres, Michael Peter
Katz, Bennett David
Kaufman, Larry Edward
Kaup, Robert Charles
Keathley, James William
Keay, Karl Leroy
Keith, Robert Taylor S
Kelly, Robert Joseph
Kemper, Ralph Courtney
Kennelly, Bernard John
Kenney, James Alexander
Kent, Ronald Harold
Kerr, Daryl Lee
Kerr, Howard J., Jr.
Kerr, William Alexander, Jr.
Kersh, John McKay
Kersting, William Henry
Kesteloot, Robert Warren
Kight, James Runnells
Kihune, Robert Kalani Uichi
Kiland, Ingolf Norman, Jr.
Killelea, Francis Robert
Kilpatrick, Thomas Eugene
King, Carleton James, Jr.
King, Charles Calvin
King, John Joseph
King, Joseph Francis
Kinnier, John Wesley
Kirkland, Thomas J., III
Kirkman, Roger James
Klein, Donald Gilbert
Klett, William Gustav
Kletter, David Martin
Knapp, Ralph Edmund
Knott, Richard Charles
Knowles, Russell, Jr.
Knutson, Jerry Gail
Kober, Harry Patrick, Jr.
Koch, William Anthony
Koehler, Normal Elias, III
Koenig, John Weldon
Konkel, Harry Wagner
Kosoff, Tracy Monroe
Koster, Alfred Maria, IV
Kraft, Robert Michael
Krasts, Ilmars
Kriewall, Royce Louis
Krumm, Theodore George, Jr.
Kuhlke, Robert Ellsworth
Kuhn, Joseph Lee
Kunkel, Barry Eugene
Kunkel, Larry Duane
Lachance, George Modeste, Jr.
Lamberth, Billy Charles
Lamoureux, Robert Joseph
Landrum, Raymond Garnett
Langdon, Stewart Douglas
Lange, William Gordon
Langemo, James Carroll
Langholz, Marcus Joel
Larabee, Kent Wilber
Larson, Jerold Joseph
Larzelere, Charles W., III
Lavallee, William Francis
Lavinder, Carlton Leslie, Jr.
Law, James Edwin
Lazo, Reinaldo
Leder, John Francis
Lee, Bobby Clyde
Lee, Kenneth Clifford
Lee, Leonard Floyd
Lehmberg, George Russell, Jr.
Lesesne, Henry Deas
Leshko, Thomas John
Less, Anthony Albert
Lester, Walter Briscoe, Jr.
Leszcynski, Vincent John
Leuschner, Robert Lee, Jr.
Lewis, Marwood Dean
Lewis, Robert Kay, Jr.
Liebmann, John Erich
Lindsey, Eugene Elbert, Jr.
Lineback, Harry Winburn
Lineberger, Preston Hearne
Lisle, George Frenger
Litton, Robert Clifton
Lloyd, George Thomas
Loewenthal, Robert Gordon
Loftus, Stephen Francis
Loman, Cleve Edgar, Jr.
Lorusso, John Michael
Lowe, Larry Taylor
Lowery, Needham Hugh
Lucas, Robert Peter
Ludwig, Ronald Emil
Lyon, Edward, III
MacDonald, Bridgman Angus
MacGillivray, Kenneth Austin
Macke, Richard Chester
MacKenzie, Franklin F.
MacVean, Charles Robert
Madhouse, Richard Lee
Magee, James Alexander
Magner, Lawrence Richard
Maher, Daniel Richard
Mahony, Terrence Michael
Maier, Peter Tillou
Major, James Arthur
Malley, Kenneth Cornelius
Maloney, Thomas Clogher
March, Daniel Peter
Markowski, David L.
Marriott, Michael John
Marshall, Bruce Cameron
Martin, Richard Lee
Martin, William Glynn
Marxer, Hugo Edward
Masten, Lawrence Everett
Mathews, James Patrick
Matthews, Gary David
Mattingly, Thomas Kenneth, II
Maurer, John Howard, Jr.
Mauz, Henry Herrward, Jr.
Maxwell, Matthew Thomas, III
May, Robert Carroll
May, Wesley
Mayo, Ned Henderson
McAree, William Bernard, II
McCandless, Bruce, II
McCartney, Roy Scott, Jr.
McCarty, Kenneth Ray
McCauley, George Kerry
McConville, James Emmett
McCormick, Bruce Alan
McCorry, John Hay
McCullough, Martin Lientz
McCullough, Robert Francis
McCutchan, Milton Lloyd
McDonald, Richard Reese
McDonough, Vincent Paul
McEnaney, Thomas James, Jr.
McEwen, Robert Michael
McFarland, James Stephen
McFerren, Robert Wilmer
McGanka, Steven William
McGhee, Kenneth Buren
McGlasson, Daniel Eubank
McGowen, William Rankin
McGrail, Charles Reynolds, Jr.
McGuigan, David Brant
McGuire, Michael Lee
McIndoe, James Edward
McKamey, John Bryan
McKinney, Charles Joseph, Jr.
McKinney, Henry Clayton
McLaine, Warren Everett, Jr.
McLaughlin, Bruce Campbell
McMahon, Bernard Francis, Jr.
McMichael, George Lee
McMurry, Jerry Charles
McNulla, James Edward, III
McPherson, Roger Bering
McRight, Clarence, Jr.
McVadon, Eric Alton, Jr.
Meaux, Richard Pollock
Meeker, Charles Martin
Meinig, George Richard, Jr.
Melanson, Edward Joseph, Jr.
Melcher, Roland Osborn
Mercer, Thomas Alexander
Merriken, Stuart Anderson
Metz, Frederick John
Meukow, Walter Trendel
Meyer, Dale Allen
Meyer, Frank William
Mezzadri, Francis Xavier
Miceli, Joseph Dominick
Mickle, William McEwen
Midgarden, Peter Neil
Midtvedt, Harold Leonard
McCaull, John Wayne
Miller, Alan Charles
Miller, Hawkins Gordon
Miller, Robert Dewayne
Milligan, Richard David
Miniter, Howard Elmer, Jr.
Mixson, Riley Dewitt
Molenda, Paul Henry
Monroe, Philip Alvah
Monteath, Gordon M., Jr.
Moore, Jimmie Rodgers
Moore, Thomas J.
Moreau, Ronald Frederick
Morgan, Robert Vernon
Morris, Clyde Cecil
Morris, David Roland
Morris, Jesse Beverly, Jr.
Mosher, Norman Gardner
Mosman, Donald Eugene
Moss, Jack Linwood
Mumford, Robert Evans, Jr.
Munch, Charles Herbert
Munn, Robert John, Jr.
Munsinger, Melvin David
Murdoch, Thomas McCulloch
Murphy, John Cowden
Murphy, Norbert Patrick
Murray, Gordon Lawrence, Jr.
Murray, Thomas Robert
Musgrove, Robert Wesley
Myers, Dale Phillip
Nakagawa, Gordon Ross
Nash, Norman Bert
Naughton, Robert John
Neese, John Frederick
Nelson, Henry Eugene
Nelson, Paul Christian
Neuhaus, Charles Franklin
Newcomb, Zeanious Lee
Newell, John Whitaker
Newton, George Berryman, Jr.
Nicholas, Joseph
Nider, Kenneth Eugene
Noble, Richard Albert
Noggle, George Alfred, Jr.
Noll, Charles Francis
Nordwall, Bruce David
Noreika, Richard John
Nourie, John Edward
Nunn, Silas Oscar, III
Nutting, Roger Marvin
Obeirne, Frank, Jr.
O'Brien, George Eugene
O'Brien, Gerald Henry
O'Connell, Philip J.
O'Connor, Neil Francis
O'Connor, Paul
O'Donovan, James Patrick
Ogle, Peter Wayne
Ogren, John Patrick
O'Keefe, Timothy Robert
Oliver, David Rogers, Jr.
O'Neal, Edward Allan
O'Neil, William Arthur
O'Neill, Cornelius Thomas
O'Neill, James Patrick, Jr.
Ong, Richard Eugene
Oppedahl, Phillip Edward
Orejuela, Henry
Osberg, John Walfrid, III
Osborne, Robert Bell
Osburn, David Lowell
Owen, William Leon, Jr.
Pabst, Howard Lloyd
Page, David Anderson
Paine, John Allison, Jr.
Pakradooni, Haig Herant, III
Palmer, Leslie Nelson
Pape, Jerry Lee
Pappas, Jimmy
Parcells, Paul Whitney
Parker, Richard Stanley
Parnell, Ural Clay
Parrish, David Fairchild
Partlow, Robert Greider
Patrick, Meredith Willis
Patten, John Richard
Patterson, Dale Kendall
Patterson, David Rufus
Pauole, Alvin Hawaii
Peacher, Robert Wadsworth
Pearce, Michael Alton
Pearigen, Jare Max
Pease, Charles Curtis
Peden, Joe Dean
Peerenboom, William Henry
Peiguss, John Kenneth
Pellerin, Alfred Eugene, III
Peltz, Theodore Anthony
Pendley, William Tyler
Penny, Lawrence Allen
Perkins, Robert Starnes, Jr.
Perrella, Albert Joseph, Jr.
Peters, John David
Peterson, Charles Alan
Peterson, Paul Arnold
Peterson, Robert Anthony
Petroske, Kenneth C.
Pharis, Wade Jefferson
Phelps, George Thomas
Phillips, George
Phillips, Robert Earl
Piccioni, Jerome David

Pickett, Ronald Booth
Pierce, George Eagleton
Piersall, Charles Homer, Jr.
Pippenger, William Wayne
Pirotte, James Henry
Pistotnik, James Joseph
Pittenger, Richard Fay
Pivarnik, William Dyer
Pocklington, William Dale
Polski, Paul Arthur
Poole, James Richard
Powell, Richard Allen
Powers, Robert Carney
Preston, Craig Andrew
Proctor, Robert Remmington
Promersberger, Edward S.
Prosser, Norman Edward
Puerling, Peter Nicholas
Purcell, William Clarence
Putnam, Wayne Arnie
Pyle, Ronald William
Quast, Harry Stillman
Quinn, James Hastings
Rager, Richard Ronald
Rasmussen, John David
Rauch, Leo Albert
Read, Dennis Spencer
Ready, John Kenneth
Redden, Edward George
Redman, Robert Lee
Reed, William Henry, Jr.
Rehder, William August
Reich, Merrill Drury
Reimann, Robert Theodore
Reister, Walter Alvin
Render, Ronald William
Renner, William Scott
Repass, Donald Eugene
Ressler, Paul Michael
Reynolds, James Guy
Reynolds, Ted W.
Rice, Lloyd Keith
Rice, William Lynwood
Rich, Roger Lee, Jr.
Richardson, Daniel Charles
Richardson, John Daniel, Jr.
Richardson, William Edwin
Riches, Raymond Cuddy
Rickman, Wayne Elwin
Riggs, Donald Eugene
Riley, Roy G.
Riley, William Ernest
Ripple, James Ellsworth, Jr.
Roach, John Christopher
Robbins, Philip Dale
Roberts, James Norman
Robertson, John Stephen
Robins, Harry Blaine, Jr.
Robinson, David Brooks
Robinson, Kenneth Frank
Roche, James Gerard
Roder, Peter Stevan
Rodgers, John Michael
Roeser, Walter Valentine, Jr.
Rogers, David Neil
Rohrbough, John Davis
Roper, Vincent William
Rose, Clifford Allison, Jr.
Rosen, Robert Stanley
Roth, James Earl
Rothrauff, Thomas Benedict
Roundtree, Jack Lewis
Rumney, Robert Earl
Runzo, Melvin Arthur
Ruppert, Noel Laurenston
Russell, Earl Harland
Russell, Harold Berton
Ryan, Patrick Francis
Sabine, Frederick Ralph
Sale, William Luther
Salmon, Walter William, Jr.
Samford, Jack Wallis
Sample, Bobbie Lee
Sanders, Tommy Louis
Santos, Leonard Bento
Sawdey, Phillip Gordon
Sawyer, Tommy Don
Scales, Richard Howard
Schaffer, Ruben Wayne
Schaible, David Louis
Schleicher, Richard Joseph
Schluntz, Frank Reuel
Schmidt, Arnold Christopher
Schneider, Henry John
Schoonover, Richard Thales
Schramm, William George
Schroeder, Gerard Richard
Schroeder, Raymond C., Jr.
Schultz, John Julius
Schulz, Paul Henry
Schulz, Russell King
Schulz, William John
Schussler, Gerald Arthur
Schwaab, Denis Thomas
Scoffield, Gary Adams
Scott, Milton Myrlin
Searcy, William Paul
Sears, Johnny Marion
Sedor, Gerald
Seidel, Melvin Leroy
Sharp, Grant Alexander
Shaw, John Frederick
Shay, James Edward
Sheehan, James Edward
Sherburne, Douglas Maxwell
Sherman, John Edward
Shields, Ronald Max
Shirley, Vernon Dale
Shoemaker, Hugh Louis
Shope, Theodore Lloyd
Shores, Howard Veasey
Shriver, Norman William
Shriver, Robert Ambrose
Siegel, Kent Rodney
Siegrist, Edward Adam, Jr.
Siembieda, John
Sillery, Charles Doyne
Silverman, Richard Alan
Silvia, Charles Paul
Simpson, James Hillman
Simpson, John Edward, II
Sims, Robert Bell
Skezas, George Christ
Slaven, Robert Knowles, Jr.
Sloan, Dennis Young
Sloane, Stephen Burton
Slye, Richard Earl
Smedberg, Edwin Barden
Smith, Charles Jacob
Smith, Clinton Lester
Smith, Clyde Arnold
Smith, John Stephen
Smith, Lee Oran
Smith, Leighton Warren, Jr.
Smith, Nepier Vrabel
Smith, Peter Taylor
Smith, Phillip Don
Smith, Ralph Edward
Smith, Vernon Charles
Smith, William Earle, Jr.
Smith, William Jerry
Smith, William Patrick
Smithey, William John Henry
Snell, William Franklin
Snyder, Stephen Vanhekle
Somers, David Walter, Jr.
Somes, Timothy Edmund
Sorensen, Richard Sheldon
Sorna, Ronald Edward
Soules, Charles Webster
Spencer, Thomas James
Sperling, Harris
Spero, Joseph Richard
Springer, Judson Hewitt
Spruell, Alfred Henry, Jr.
Staiger, Martin
Starbird, Gary Lee
Stark, William Robert
Staudenmayer, Frederick G.
Steckler, Charles Thomas
Steckler, Joseph Leo
Stewart, George Wallace
Stewart, Keith Archibald
Stoeckel, Anthony Wayne
Stoker, Laron L.
Stokes, Carl Julian, Jr.
Stoodley, Francis Howard
Stowell, Marshall Alfred
Strange, Robert Orris, Jr.
Streeter, Gregory Frederick
Strickland, Virgil Earl, Jr.
Strohsahl, George Henry, Jr.
Strole, Dennis Silver
Strong, Bruce Walter
Stubbs, George Richard
Stumcke, Frederick B., Jr.
Stutzer, William Thomas
Suereth, Elwood Jay
Sullivan, George Edward, III
Sullivan, Gerald Francis
Sullivan, Jermiah Francis
Sullivan, John Loftus
Summers, Carl Richards
Susag, Gary Robert
Sutphen, Harold John
Svoboda, Henry Dean, Jr.
Szczypinski, Walter S., Jr.
Taff, Clarence Orvil, Jr.
Taft, Denis James
Taggart, Donald John
Tamony, Joseph Michael
Tarquin, Donald Charles
Taunt, Melvin Eugene
Taylor, Gaylen Dean
Taylor, James Edward
Taylor, James Richard C.
Taylor, Jeremy Dolph
Taylor, Jimmie Wilkes
Taylor, John Keith
Taylor, Raynor Andrew Kent
Tedder, James Eugene
Templeton, Felix Eugene
Tenefrancia, Ambrose J., Jr.
Terry, Bert Dixon
Terry, Ross Randle
Teter, Eugene Victor
Thaubald, Edward John
Thomas, James Philip Louis
Thomas, Richard William
Thomas, Robert Dean
Thompson, Alton Kenneth
Thompson, Glynn Murphy
Toehlke, Walter Arthur
Toney, Robert Lee
Topping, Robert Leavy
Triebes, Carl John, Jr.
Troutman, Darrell Clinton
Truesdell, William Marlowe
Truly, Richard Harrison
Tucker, Robert Eugene, Jr.
Tuft, Markham Dennis
Turpin, Thomas Jefferson, Jr.
Vanatta, Jerry Lyall
Vaught, Clarence Thomas
Veenstra, Robert Murlin
Venezia, Howard
Viccellio, John Shannon
Vick, John Clifton
Victor, Alfred Erwin
Viessmann, Alex Jan
Vogt, Larry Gene
Vold, Almer Charles
Volgenau, Douglas
Vollmer, William Elwell, Jr.
Vosseller, Richard Turner
Walker, Harry Craig
Walters, Arthur Kirk, Jr.
Waples, John Michael
Ward, Sibley Logan, III
Wardwell, Arthur Francis, Jr.
Warren, Robert Leonard
Wasloski, John Edward
Waters, Ronald Lee
Watson, Ian McEwan
Watts, Robert Bach
Weber, Gerald Morris
Weichman, Denis Regnauld
Weikert, John Patrick
Welch, John Michael
Wellborn, Robert Morgan, Jr.
Wentz, James Eugene
Werenskjold, Gary William
Weseleskey, Allen Ellis
West, Eugene Hal
West, Ralph Whitaker Jr.
West, Ward Lee
West, William Wright
Westerman, William Robert
Westfall, Van Franklin
Wheatley, Gary Francis
Wheaton, William Clarence
Whelan, Mathew John, Jr.
Whitby, Ralph Earl, Jr.
White Charles Evans
White, George William, Jr.
White, Steve Carneal
Whiting, Donald Wayne
Whitmire, Robert Lee
Whitmire, Wilson Royer
Whittaker, Thomas Kent
Wieschhoff, Kenneth Harry
Wilbur, Charles Harrison
Wile, Alan Rigby, Jr.
Wiley, Byron Anthony
Wiley, Robert Charles
Wilkins, Perry
Williams, James Raymond
Williams, John Henry, Jr.
Williamson, Frederick M.
Wilson, Alger Lee
Wilson, Richard James
Wiltsie, Ronald James
Winchester, Morton Summers
Wingerter, Edward William, Jr.
Winter, Richard Farnum
Witherspoon, Emanuel Earl
Wolfe, Roderic Leighson
Wood, Leland Edward, Jr.
Wood, Phillip Ray
Wood, Sidney Ezell, Jr.
Woodbury, David Edward
Woods, Brian Dunstan
Woodworth, Benjamin Bohlken
Wright, Arthur St. Clair
Wright, Lawrence Thomas
Wright, Leo Charles
Wright, William Alan
Wyatt, Raymond Edward
Wyatt, Richard Lee
Wylie, Clayton Russell
Yockey, Harry Merwin
Young, Edward Barham
Young, Ernest Tillson, Jr.
Young, Howard Leyland, Jr.
Young, Robert Bryant
Yow, John Samuel
Zackowski, Terrence Lee
Zaludek, George Michael
Zeller, Raymond Guy
Zimdar, Robert Eugene
Zimmer, Emory Partl
Zucker, Channing Moore
Zwick, John Elmer

MEDICAL CORPS

Abbott, Mark Oliver
Addison, Robert Graham
Angelo, Don Stuart
Applegate, William Rogers
Baker, Fred Louis
Bellanca, Joseph John
Baker, James Curtis
Belmont, Anthony Poth
Benninger, Charles John, III
Bercier, Charles H., Jr.
Bethel, James William
Black, James Howard
Blount, Edgar Ross, Jr.
Bollinger, Charles W.
Bouvier, John Joseph
Boye, Donald Erwin
Boyle, Robert Stanley

Branch, John Wayne
Browning, Robert W.
Bullock, Ronald E.
Calcagni, John A.
Case, Robert George
Case, Roger Sherman
Chaney, Robert Dale
Clark, Thomas Langdon
Clayton, William Ellis, Jr.
Collins, John Thomas
Cook, Taylor Irving
Correacoronas, Rafael
Coyle, Radcliffe John
Crafts, Robert, Jr.
Cupples, Howard Palmer
Donnell, Robert Leslie
Drake, Anthony Michael
Dunne, Michael Joseph
Dupuy, Theodore Erwin
Dwinnell, Frank Laffey, Jr.
Evertson, Larry Richard
Fassett, Richard Lee
Fletcher, John Raymond
Foreman, David Ross
Gallup, Donald George
Garvin, David Francis
Georges, Leon Paul
Gerber, Frederic Hanford
Gill, William Larry
Gonzalezliboy, Gonzalo V.
Gross, Theodore Donald
Guzik, T. James
Hagen, Donald Floyd
Hansen, John A.
Harris, Michael Alan
Harrison, William Orville
Harvey, Claude Alden
Hauser, James Lincoln
Heath, Victor C.
Henn, Thomas William
Henrichs, Walter Dean
Higgins, Robert W.
Hodges, Leon Carey, Jr.
Hoskins, William John
Houts, Robert L.
Howard, Noel Scott
Howe, John Keith, Jr.
Jervey, George McDonald
Johannes, James David
Johnson, Ray M.
Kaminsky, Howard Hugh
Kellogg, Gordon Fowler
Klofkorn, Raymond W.
Korbelak, Robert Mitchell
Landes, James Wilbur
Larese, Ricci Joe
Lench, Joel Barry
Lestage, Daniel B.
Lukens, Robert William, Jr.
Lyons, James Frampton
Maas, Charles Frederick, J.
Maginnis, Michael Allen
Mahaffey, William Butler
Majewski, Paul Louis
Mannarino, Francis Gene
Mantel, Lewis
McAllister, Clyde Hamilton
McCarthy, Michael Patrick
McClurkan, James Michael
McCurley, William Stran, III
McDaniel, William James
Miller, Arthur F.
Milroy, William Charles
Mock, Charles Robert
Murphy, Michael Owen
Negron, George Luis
Nicodemus, Honorato Fenol
Noel, Ewell Carlyle, Jr.
Osborne, John Edward
Pearson, Arthur Robert
Peloquin, William Henry
Permowicz, Stanley Eugene, Jr.
Peterson, Douglas Wayne
Pickett, Charles D.
Pleet, Albert Bernard
Pruyn, Stephen C.
Queen, Thomas Allen
Rasmussen, Bruce David
Reed, Charles Nelson, III
Reinert, Carol Gladys
Rend, Charles Ambrose
Ricketson, George M., III
Roberts, James Douglas
Roche, William David, Jr.
Sandri, Piero Francesco
Santiago, Lombardo Manlugon
Sass, Donald Jay
Saunders, Marvous
Schwabe, Mario Rafael
Senechal, John Hughes
Skoglund, Rayburn Russell
Smith, Robert Wayne
Smyth, Joseph P.
Swope, John Peter
Symonds, Ronald Delbert
Thompson, Bruce Allan
Thrasher, James Winfield
Velat, Gary Frank
Vieweg, Walter Victor Rudol
Vogt, Philip John Walter
Weaver, Joseph William
Welham, Richard Thomas
West, Gerard Michael
Williams, Loys Eugene
Williams, Theodore Guy
Winebright, James William
Allnutt, Alvin Howard
Andersen, Thomas Chalma
Austin, Walter Ivy
Avilesalfaro, Bolivar, Jr.
Balding, David Webster
Basse, Warner Paul
Bell, Ronald Mack
Beyer, Robert Keith
Bian, John William
Billings, Thomas Hadley
Biver, David Albert
Boese, Fred Merritt
Borchardt, Heinz Robert
Brown, James Wilbur
Bryant, James Nelson
Carver, Roy Edmond
Cobb, James Lani
Cole, Brady Marshall
Connolly, Robert Irvin
Cooper, Donald Reid
Craft, Thomas Gwyn
Crane, Lee Duane
Cronin, George William, Jr.
Crouch, Robert Luke
Delduca, Ronald Michael
Demayo, Peter
Dempsey, Edward John
Dewey, Edward Persons
Drake, Claude Howell
Drury, William Robert
Dunn, Bernard Daniel
Eckelberger, James Elton
Eizenhoefer, David Joseph
Evans, Stephen Harrison
Felt, John David
Filipiak, Francis Leonard
Fischer, Gregory Francis
Fish, Dennis James
Garner, Fred Stanton
Girman, Robert James
Gray, Lloyd Clarence
Hatchett, John Wayne
Hauenstein, William Harry
Hinkle, Otis Rid
Hinz, Dan Hubert
Hogan, Richard Claude
Hoopes, Ronald George
Huffman, Haldon James
Irons, John Hatheway
Iverson, Ronald Iver
Jaap, Joseph Davies
Jaecques, Raymond Cyril
Jarrett, William Augustus
Johnson, Omer Louis
Jones, Everett Leslie, III
Kachigian, George Neshan
Kelly, James Andrew
Klein, Carl Conrad
Knight, James Walton, Jr.
Konopik, Joseph Francis, Jr.
Kuhns, Howard Edwards
Lavely, Lawrence William
Ledwig, Donald Eugene
Lee, Gerald Lamar
Lee, Richard Henry
Linehan, Daniel Joseph, Jr.
Lingenbrink, Robert Arthur
Loftus, Raymond Patrick
Lord, Charles William
Lynam, Edward Joseph
Maginniss, Christopher M., Jr.
Malzahn, Walter Gerald
McCarthy, Donald Leo
McKelvey, Paul Neill
Miller, James Edward
Montgomery, Samuel S.
Muenster, William Stephens
Mummert, Dale Robert
Murray, Harlan Edward, Jr.
Nace, Wilbert Jay
Nichols, Gerald MacGowan
Nix, Harvey Wilbert, Jr.
Nygaard, Richard Byron
Olson, Engwall Andrew, III
Overman, Douglas Ray
Patterson, Jerry Gray
Phillips, Robert Avery
Plante, Rene Edmond
Powell, Hal Bacon
Powell, William Egbert, Jr.
Rader, Lynden Larue
Randall, Harold Norman, Jr.
Rice, Henry Leake, Jr.
Risinger, Robert Elvin
Rogers, William Judson, Jr.
Rook, Eugene Clark, Jr.
Russell, Joseph Francis, III
Sechler, John Lee
Shaw, Jerry Wayne
Sherwood, William Charles
Shirley, Kenneth Royce
Sims, Thomas Malone, Jr.
Smellow, Edwin Neil
Spillane, James Jerome
Squibb, Rodney Kaye
Tatten, Richard Joseph
Tempest, Edward Harry
Vail, James Clinton
Vanni, Ralph Joseph
Verplaetse, Ronald Arthur
Walker, Samuel John
Wallace, Edwin Roland
Walther, Harrison Nicholas
Wardrup, Leo Clyde, Jr.
Weatherson, Harvey Donald
Weinberg, Harry Hyman
Wheeler, J. C., Jr.
Whittaker, James Benjamin
Wilber, James Roland
Willis, Gerald Worth
Wolcott, John Newton
Wood, Allen
Zanetti, Allen George

CHAPLAIN CORPS

Ahern, Bernard Joseph
Ahrnsbrak, Leonard Laverne
Antos, Paul Joseph
Baez, Samuel
Barcus, Richard Elmer
Beach, Stanley Jay
Bedingfield, Robert William
Boyette, Earl Lawrence
Brennan, Joseph Francis
Brock, David Francis
Clifford, William Joseph
Cunningham, Robert Ross
Davis, Lex Lavern
Doffin, James Elvin, Jr.
Dolaghan, John
Ecker, Robert Joseph
Ferguson, Edmond Blant
Finn, Daniel Emmett
Glynn, John Joseph
Goetz, Herbert Max, Jr.
Graham, Jack Dart
Hamilton, Edward Anthony
Hathaway, Dudley Chase
Hawley, Quinn Libert
Hiskett, Walter Alvin
Holwager, Philip Joseph
Hughes, Edward Lee
Hunsicker, David Stuart
Kaelberer, John Herbert
Keefe, Lawrence Francis
Landry, Gene Daniel
Lewis, Herbert Tilford
MacCullagh, Richard Edward
Mack, Wilfred Benson
McCue, Richard Theodore
McDonnell, Francis William
McElroy, John William
McMorrow, James Edward
McNamara, John Richard
Moran, Eddy Bill
Mowry, John James
Murray, Frederick Joseph
Niederhuth, Wayne Lee
O'Brien, Eugene Christopher
Parker, Alton Morgan, Jr.
Pfannenstiel, James Dixon
Plishker, Richard Alan
Rice, Ben A.
Rushing, Leslie Wayne
Six, Jack Edwin
Smith, William Alfred
Spencer, Carroll Roger
Stewart, Wayne Arlee
Takesian, Eli
Vogel, Leroy Edward
Weaver, John Franklin
Whitaker, Frederick Eugene
Witt, George Robert
Witting, Martin Joseph

CIVIL ENGINEER CORPS

Alexander, Robert Earl
Bodamer, James Edward
Bolinger, Donald Servis
Bottorff David Elliott
Caughman, James Bankston, Jr.
Chin, William
Christenson, Carl Edward
Clearwater, John Livingston
Connor, William Craig
Cook, Jan Wilson
Cope, Ronald Philip
Dallam, Michael Marion
Davis, Gene
Dettbarn, John Lee
Devicq, David Charles
Donovan, Lawrence Kay
Dunn, Jerome Richard
Emsley, Thomas Howard
Endebrock, Frank Louis, III
Fegley, Charles E., III
Fort, Arthur William
Fraser, John Cameron, Jr.
Gawarkiewicz, Joseph J., III
Gibowicz, Charles Joseph, Jr.
Gilmore, Gordon Ray
Godsey, Jack Lynford
Harrell, Haywood Howard
Holmes, Henry Anderson
Horacek, Jerry Lee
Ives, Jon Robert
Jacobsen, John Reinholdt
Kau, Julian Mang Foo
Kelley, Frederick Guyer
Kirkpatrick, James Darrow
Leonard, Daniel Bynon, Jr.
Lowery, Richard Allen
Matthews, William Garfield
McCorvey, Donald Laney, Jr.
McLaughlin, Edwin William
McNeill, James Edward
Miller, Robert Keith
Monarch, Delmont Jerome, Jr.
Montoya, Benjamin Franklin
Odonnell, William Joseph
Osborn, James Harold
Patterson, Joe Thomas, Jr.
Peltier, Eugene Joseph, Jr.

Podbielski, Victor
Steadley, Alfred Miller, Jr.
Walter, John Arthur
Westcott, John Allen

JUDGE ADVOCATE GENERAL'S CORPS

Anderson, John W.
Campbell, Hugh Don
Caprio, Michael Ralph, Jr.
Coughlin, Leo John, Jr.
Debobes, Richard Dennis
Donato, Dan, Jr.
Drapeau, John William
Drew, Kenneth W.
Eoff, Albert William, II
Flynn, Thomas Edward
Gass, James David
Googe, James Percival, Jr.
Gormley, Matthew Joseph, III
Gresens, Larry Wendell
Grunawalt, Richard Jack
Hilligan, Thomas James
Hoffman, James Lyle, Jr.
Howard, Ronald Charles
Howay, John Witter
Kercheval, John William, II
Laitsch, Lowell Charles
Legg, Billy Joe
Mario, David Armone
Medlin, William Ray
Nerseth, Marvin Peter
Slater, Richard Lee
Stumbaugh, Everette D.
Trocki, Daniel Bernard
Vanslate, Jean Ellsworth
Willie, Paul Alexander
Woods, Theodore Kennedy, Jr.
Ziemniak, Daniel John

DENTAL CORPS

Ahl, Dennis Robert
Allen, John M.
Andrzejewski, David Alex
Antrim, Donald D.
Back, Jim Palmer
Barton, Terry Lee
Bell, Walter Craig
Bickenbach, Alan Paul
Billy, Edward Joseph
Boles, Michael Eugene
Branham, Gerald Brown
Branon, Anthony William, Jr.
Buchholtz, William J.
Calder, David Robertson
Canal, John Wayne
Clark, George Eugene
Coggeshall, William Thomas
Copeland, Richard Allen
Crooks, Walter Gene
Delaossa, Arthur Dwight
Demeyer, John Hilaire
Emery, Clare Allison, Jr.
Fady, James A., Jr.
Fields, Marion Spencer, Jr.
Flinton, Robert John
Fortman, Kenneth Vernon
Foster, George Stavros
Frazier, James L.
Glazer, Sanford Allen
Gordon, Glenn Edward
Grisham, John Paul
Groff, Gordon Baker
Hancock, Everett Brady
Heibel, John Lawrence, Jr.
Hicks, Morris Lamar
Hillenbrand, Dennis G.
Hillenbrand, Ronald Edward
Hinman, Robert Winfield
Hirschfeld, William Ernst
Ho, Patrick
Holtan, James Raymond
Horton, Charles Bunion
Howe, David James
Hunter, Thomas Allen
Imlach, William Edward
Isaacs, Jerome Ernest
Julienne, Charles Hunter
Kehoe, Joseph Clark
Kennard, John Thomas
Kepley, Benjamin Franklin
King, Ronald Coulter
Kjome, Robert Louis
Knehans, William Edmund
Kobes, Peter
Koenigs, Joseph Francis
Lamarche, Robert Guy
Lawton, Robert Anthony
Lehman, Paul Clinton
Leonard, Edward Paul
Lineberger, Luther Truett
Lohr, John Roy
Lufkin, John Cordell
Luhtala, Jay Loyd
Maastricht, William Henry
Martin, Richard Leonard
Matson, John Ervin
McDavid, Paul Thomas, Jr.
Mitchell, Donald Leo
Mohr, Richard Walter
Morris, Don Raymond
Mowad, Massoud Gazell
Mullins, Harry Charles
Nelson, Ronald Thomas
Nieusma, Gerald Edwin
Oatis, George William, Jr.
Oldfield, Ronald Earl
Orthmeyer, Harold Joseph, Jr.
Ostrowski, John Stanley
Paulk, Glenn Lamar, Jr.
Perry, Frank Upshaw
Petri William Henry, III
Porter, John William
Regan, Paul Francis
Ross, George Robert
Sadler, John Frank
Sanders, Arthur Ray
Schaberg, Siegfried Johannes
Sconyers, Jimmy Richard
Scoralle, Donald Lawrence
Seck, Dale Werner
Sepe, Walter William
Shafer, Robert Theodore
Shanley, James John
Sharrow, Barry Eugene
Shoemaker, Philip Witherell
Skyberg, Russell Lee
Smith, Cameron Mulford
Smith, Carl John
Smith, Gary Leslie
Snell, William Howard, Jr.
Splitgerber, Thomas Clark
Stanton, Herbert Joseph
Stob, John Albert
Streicher, Carl William
Taylor, Raymond Williard
Thetford, Oris Hannon
Triplett, Robert Gilbert
Vazzana, Lorenzo Stephen
Webster, Roger Allan
Whitlock, Richard Philip
Whittaker, James F.
Wible, James Howard
Wight, Thomas Alden
Wisser, Robert C.
Wittgow, Walter Chris Jr.
Young, Raymond Francis, Jr.
Zendt, Robert Richard

MEDICAL SERVICE CORPS

Anderson, Francis Graham, Jr.
Angelo, Lewis Eugene
Auton, William Johnson
Baldauf, George William
Brideau, Donald Joseph
Erwin, Richard Eugene
Goodson, James Edward
Graves, Joseph Lane
Halverson, Charles William
Hatten, Ann Cherry
Hodges, Richard Claxton
Joseph, Sammy William
Law, Malcolm Kenyon
McCullagh, Robert Francis
Nelson, Paul Delay
Richardson, Fredric Maury
Roper, Charles Austin
Shuler, Donald Eugene
Sowers, Hubert Harris, Jr.
Springer, Martha Jayne
Surface, Robert Lee
Tandy, Roy William, Jr.
Thompson, James Clarence
Wentworth, Richard Lee
White, Sheldon Andrew

NURSE CORPS

Barnes, Julia Oteala
Birkhimer, Marion Louise
Brase, Beverly Jane
Brouillette, Marie Joan Emma
Bynum, Joan Carolyn
Chisholm, Marie Ann
Clunan, Claudette Cecielle
Emal, Janice Ann
Frazier, Frances Marie
Gomes, Alma Marie
Hall, Mary Fields
Holbrook, Helen Anne
Jacobson, Dorothy Mae
Jean, Elizabeth Anne
Jennett, Jo Ann
Johnston, Georgia Fay
Kelly, Mary
Kendall, Kathleen Margaret
Ledgerwood, Mary Charline
Liakos, Angeline G.
Lisec, Helen Ann
Lochte, Rose Marie
Lundquist, Nancy Lee
Lyons, Barbara Anne
Miller, Eleanor Jane
Morton, Jo Ann
Nelson, Marijean Virginia
O'Neill, Elizabeth
Peters, Edna Lucille
Ross, Stella Ann
Sanford, Emily Frances
Schrock, Doris Mabel
Sovich, Patricia Ann
Spellman, Georgia Elizabeth
Staab, Patricia Lorraine
Stewart, Nicola Joan
Sullivan, Elinor Mary
Swetonic, Marjorie Ann
Weidt, Bew Patten, II
Young, Mary Leonard

The following temporary captains of the Naval Reserve for permanent promotion to that grade, pursuant to title 10, United States Code, sections 5783, 5911, and 5912.

LINE

Archambault, Guy Andre
Arrigo, Anthony Daniel
Barry, George Foster
Bonner, James Earl
Brewer, James J.
Bruce, Marian Levi
Bruce, Robert Walter
Bruen, George Martin
Buffkin, Charles Robert
Bures, Frank, Jr.
Carter, Walter White, Jr.
Cashmere, John Jarell
Catriz, Albert George
Chambers, Richard Kenner
Christensen, Gary Gene
Currier, Donald H.
Cushing, Robert Peter
Delplato, Lawrence S.
Dickey, James Patrick
Doolittle, John Beecher
Dunbar, Richard Mills
Edwards, Joshua Videll
English, Curtis Riegel
Fitzgerald, Richard
Gilles, Robert Joseph
Grau, James Allan
Groce, Thomas Curtis
Harris, Henry E., Jr.
Hawkinson, Arthur A.
Healy, Howard Raymond, Jr.
Horne, William Lincoln
Janss, Charles Ernest, Jr.
Jefferson, James Franklin
Kenney, David Joseph
Kevlin, Steven George
Knapp, Richard Irving
Layton, Thomas Colvin
Lester, Richard Paul, Jr.
Loughridge, Everett Allen
Mason, John Albert, III
Mathews, Richard Arthur
May, David Thomas
McCandless, Frederick E.
McCarthy, Edward Duncan
Meier, Ronald Leroy
Meszaros, Michael George
Morehead, John Arlen
Palmer, Stanley Burt
Pirie, James Glenn
Poulin, Francis Alfred
Price, Dennis James
Price, James Charles
Reutter, Walter Edward
Reyff, Paul A.
Rieder, Albert Eugene
Riley, Donald Edwin
Roberts, Tim Hal
Robl, John Loy
Sessions, Joseph William
Shrader, Glenn Evans
Smith, Paul Egbert, Jr.
Stedman, Ren Earl
Stephan, Charles A.
Stephenson, Graves Barrett
Stoddard, Roy Charles
Stroud, Lisle Arthur, Jr.
Tarbox, Thomas N.
Tarlton, Lee Alexander
Vestal, Ellis B.
White, James Frederick
Wilkins, John Miles
Wilson, Alan F.
Wilson, James Borden, Jr.
Zeman, Irving Mark

MEDICAL CORPS

Combalecer, Rafael Mercado
Gabel, Ronald Edward
Goschbarker, Dell John
Harper, David George
Heffner, Dennis Knight
Ines, Mario Bayuga
Jothi, Rishyur Krishnan
Kavanaugh, Frederick Leroy
Kennedy, Harry G.
MacDonald, Gordon Rhodes, Jr.
Miller, John Scott, Jr.
Pryor, Charles Allen, Jr.
Reinert, Charles Marshall
Romano, C. Victor

SUPPLY CORPS

Felton, Thomas O.
Knight, Curtis Durwood
McMillan, John W.

CHAPLAIN CORPS

Dempsey, Richard Joseph
Evans, George Wesley, Jr.
Kukler, Richard
Sullivan, Alan Peter

MEDICAL SERVICE CORPS

McCarthy, Thomas

NURSE CORPS

Harrison, Alvina Mae
Porter, Julia H.
Sparks, Beverly Jean

DEPARTMENT OF THE TREASURY

Elizabeth Jones, of New Jersey, to be Engraver in the Mint of the United States at Philadelphia, Pa., vice Frank Gasparro, resigned.

DEPARTMENT OF DEFENSE

Alton Gold Keel, Jr., of the District of Columbia, to be an Assistant Secretary of the Air Force, vice Robert Jay Hermann.

DEPARTMENT OF JUSTICE

Michael R. Spaan, of Alaska, to be U.S. attorney for the district of Alaska for the term of 4 years vice Alexander O. Bryner, resigned.

DEPARTMENT OF EDUCATION

Jean Tufts, of New Hampshire, to be Assistant Secretary for Special Education and Rehabilitative Services. Department of Education, vice Edwin W. Martin, Jr.

COMMUNITY SERVICES ADMINISTRATION

Clarence Eugene Hodges, of Indiana, to be an Assistant Director of the Community Services Administration, vice Michael T. Blouin, resigned.

NATIONAL LABOR RELATIONS BOARD

John R. Van de Water, of California, to be a Member of the National Labor Relations Board for the remainder of the term expiring August 27, 1981, vice John A. Penello, resigned.

John R. Van de Water, of California, to be a Member of the National Labor Relations Board for the term of 5 years expiring August 27, 1986 (reappointment).

CALIFORNIA DEBRIS COMMISSION

Brig. Gen. Homer Johnston, Jr., [redacted], Col. Paul Bazilwich, Jr. [redacted], and Col. Paul Frederick Kavanaugh, [redacted] all of the Corps of Engineers, to be Members of the California Debris Commission, under the provisions of section I of an Act of Congress approved 1 March 1893 (27 Stat. 507) (33 U.S.C. 661).

MISSISSIPPI RIVER COMMISSION

Maj. Gen. William Edgar Read, [redacted] U.S. Army, to be a Member and President of the Mississippi River Commission; and Maj. Gen. Hugh Granville Robinson, [redacted] U.S. Army, and Brig. Gen. Richard Samuel Kem, [redacted], U.S. Army, to be Members of the Mississippi River Commission, under the provisions of section 2 of an Act of Congress, approved 28 June 1879 (21 Stat. 37) (33 U.S.C. 642).

CONFIRMATIONS

Executive nominations confirmed by the Senate July 24, 1981:

DEPARTMENT OF THE INTERIOR

James R. Harris, of Indiana, to be Director of the Office of Surface Mining Reclamation and Enforcement, vice Walter N. Heine, resigned.

DEPARTMENT OF STATE

Dean E. Fischer, of Virginia, to be an Assistant Secretary of State.

INTERNATIONAL ATOMIC ENERGY AGENCY

Richard T. Kennedy, of the District of Columbia, to be the Representative of the United States of America to the International Atomic Energy Agency, with the rank of Ambassador.

FEDERAL AVIATION ADMINISTRATION

Michael J. Fenello, of Florida, to be Deputy Administrator of the Federal Aviation Administration, vice Quentin Saint Clair Taylor.

INTERNATIONAL COMMUNICATION AGENCY

Gilbert A. Robinson, of New York, to be Deputy Director of the International Communication Agency, vice Charles W. Bray III, resigned.

DEPARTMENT OF STATE

Joan M. Clark, of New York, a Career Member of the Senior Foreign Service, to be Director General of the Foreign Service (new position).

DEPARTMENT OF ENERGY

James G. Stearns, of Nevada, to be Director of the Office of Alcohol Fuels (new position).

DEPARTMENT OF STATE

Robert Strausz-Hupe, of Pennsylvania, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Turkey.

David Rowland Robinson, of the District of Columbia, to be Legal Adviser of the Department of State, vice Roberts Bishop Owen, resigned.

EXECUTIVE OFFICE OF THE PRESIDENT

George A. Keyworth II, of New Mexico, to be Director of the Office of Science and Technology Policy, vice Frank Press, resigned.

PEACE CORPS

Everett Alvarez, Jr., of Maryland, to be Deputy Director of the Peace Corps, vice William G. Sykes.

DEPARTMENT OF STATE

Monteagle Stearns, of California, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece.

John R. Countryman, of the District of Columbia, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Sultanate of Oman.

David Anderson, of New York, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Socialist Federal Republic of Yugoslavia.

Marshall Brement, of Arizona, a Foreign Service officer of class 1, to be Ambassador Extraordinary and the Plenipotentiary of the United States of America to Iceland.

Richard Noyes Viets, of Vermont, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Hashemite Kingdom of Jordan.

The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

DEPARTMENT OF JUSTICE

William Bradford Reynolds, of Maryland, to be an Assistant Attorney General, vice Drew S. Days III, resigned.

DEPARTMENT OF THE TREASURY

Nora Walsh Hussey, of South Dakota, to be Superintendent of the Mint of the United States at Denver, vice Evelyn T. Davidson, resigned.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Robert W. Karpe, of California, to be President, Government National Mortgage Association, vice Ronald P. Laurent.

DEPARTMENT OF THE TREASURY

Clifford M. Barber, of New York, to be Superintendent of the U.S. Assay Office at New York, New York, vice Manuel A. Sanchez, Jr.

EXTENSIONS OF REMARKS

SBA ENTERS THE FRAUD-AND-WASTE HALL OF FAME

HON. BRIAN J. DONNELLY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. DONNELLY. Mr. Speaker, I wish to call the attention of my colleagues to the scathing indictment of the Small Business Administration recently published in U.S. News & World Report.

Small businesses generate half the jobs and most of the innovation in the American economy. Congress has long recognized this contribution, and we have supported the Small Business Administration in the hope of stimulating this key segment of the economy.

As the General Accounting Office has repeatedly pointed out, and the following article dramatizes, the best intentions of Congress and the American people have been corrupted and subverted by shabby administration.

The burden is now on President Reagan and SBA Administrator Michael Cardenas to straighten out the well-intentioned programs we have set up. It is their duty to prove their ability to root out the deeply entrenched waste and abuse that threaten to stifle the programs, the businesses they were intended to serve, and the Nation's commitment to provide assistance to the most vital segment of our economy.

The article follows:

[From the U.S. News & World Report, July 27, 1981]

SBA ENTERS THE FRAUD-AND-WASTE HALL OF FAME

(By Orr Kelly)

A federal agency charged with the mission of aiding small businesses has instead fallen victim to scandal after scandal.

Only in a slapstick comedy would one expect to find a government agency that goes into business with the Mafia, bankrolls a con game, tinkers with the nation's security and showers money on "truly needy" millionaires.

But the story of the Small Business Administration is not a comedy for the taxpayers. It would be funny only if it did not cost so much.

An agency bedeviled by mismanagement, infested with politics and tainted by corruption, the SBA was established in 1958 to aid small businesses with low-interest loans and practical advice. It is also responsible for handing out millions of dollars each year in disaster-assistance loans.

Since then, it has made 417,488 small-business loans worth 30.4 billion dollars and provided 1.9 million disaster loans worth 8.8 billion. It now employs 4,400 persons in 103 offices throughout the country and expects to grant loans or to guarantee bank loans totaling 6.4 billion dollars this year.

Serious problems, ranging from criminal misconduct to millions in uncollected bills, plague SBA programs. Although the agency is supposed to recover most of the money it hands out, its records show that it has gone 5 billion dollars in the hole in its 23-year life.

Particularly irritating to investigators is the way some individuals have managed to live high on the hog because of dealing with SBA.

While one SBA-backed firm in Gaithersburg, Md., was running in the red, the net worth of its owner soared in four years from $153,500 to more than 1.1 million. And a Los Angeles contractor backed by SBA saw his net worth grow from a little more than a half-million dollars to 3.4 million dollars in a two-year period.

In another case, investigators found a consulting firm, hired without competition, that was charging the government for tuition for the children of company executives and for the lease of a Jaguar, a swimming pool, a tennis court and oil paintings.

Here, gleaned from the records of the SBA's inspector general, the General Accounting Office and the Senate Small Business Committee, are four documented cases that illustrate some of the more serious problems afflicting one of Washington's most seriously troubled agencies—

IN BUSINESS WITH THE MOB

While the U.S. government spends millions to fight the Mafia, the SBA went into partnership with Irwin Weiner, a Chicago man described in congressional testimony as linked to "major organized-crime figures" and "thought to be the underworld's major financial figure in the Midwest."

The unusual arrangement resulted from the SBA's effort to deal with a serious problem faced by small contractors. They are required to post bonds to guarantee that they will finish work they have contracted to do, but many of them find it difficult, if not impossible, to provide such a guarantee, known as a surety bond

To solve this problem, the SBA set up a program in which insurance firms would provide bonds, with 90 percent of the amount guaranteed by the SBA.

The assumption was that, because the private insurance firms would be responsible for paying part of the losses, they would be just as careful with the federal money as they were with their own.

In many cases, the program has worked as planned. Some 30,000 small contractors have been aided in securing more than 6 billion dollars' worth of business. But the program is also subject to severe abuse, as investigators learned when they delved into the operations of Weiner's American Bonding Company.

From the beginning of the program in the early 1970s, Weiner's firm was among the most active in the Chicago area, writing 933 bonds worth 66 million dollars. But then, in 1978, a flood of claims descended on SBA because contractors bonded by Weiner's firm failed to finish their contracts. Defaults quickly mounted into the millions.

Theoretically, Weiner lost, too. But investigators suspect that the loss of his 10 percent share of the bonds was only a minor irritation. Unknown to SBA officials, companies lined to Weiner were brought in to finish up the jobs—at exorbitant expense.

In one case uncovered by the Better Government Association in Chicago, a contractor was hired to build a new structure for the Morningstar Baptist Church in Peoria, Ill., and obtained a surety bond through Weiner's firm.

Long before finishing the job, the contractor went bankrupt. Another company associated with Weiner finished the church—with the SBA footing much of the bill—for far more than the original estimate on the job. The cost to the taxpayers, which included a double payment for the roof on the church, totaled $339,930.

So far, the SBA has had to pay out more than 2 million dollars to cover defaults under the bonds Weiner's firm wrote—and the toll is still mounting.

Now, the whole SBA surety-bond program is being probed by a grand jury in Chicago.

BANKROLLING A CON GAME

When SBA officials heard that Sandra Brown wanted to form a Small Business Investment Company, they were delighted. She would be the first woman to head such a firm—a symbolic breakthrough in the government's effort to provide opportunities for women to compete in big-time financing.

An SBIC is a firm, usually controlled by a bank or wealthy investors, set up to make loans to small businesses. For a shrewd operator, it can be a license to make money.

The investors have to put up some money of their own, but most of the funds have been provided by the government-guaranteed loans. There are risks. But the government puts in as much as $4 for every dollar from the investor, and this leverage makes it possible for an SBIC to garner large profits on a relatively small investment—as many of them have done.

This opportunity for large profits was deliberately built into the program. The belief was that this would save government money in the long run by putting the responsibility for choosing and helping the small businesses on the private investors rather than on the staff of the SBA.

There have long been reports of problems with the program, as with so many of the agency's programs.

SBA Inspector General Paul R. Boucher took a look at the operations of the SBIC's over a three-year period and reported in a special survey last year that 42 percent of them had been cited for significant violations of rules or regulations. One SBIC, for example, was caught charging what amounted to 40 percent interest.

Nothing, however, had prepared SBA officials for their expensive brush with Sandra Brown. A New York wheeler-dealer involved in buying and selling businesses, Brown had published a magazine and written a column of financial advice in a national magazine as well as The American Express Handbook for Women. In 1977, she formed the First Women's Small Business Investment Corporation.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

Officials of SBA did not check up on the companies that Brown's outfit was supposedly lending money to.

Many of the "small businesses" were simply paper fronts for a giant con game that victimized the SBA and a group of banks to the tune of more than 10 million dollars.

By the time Robert Morgenthau, Manhattan district attorney, took a hard look at her operations and secured an indictment early last year, Brown had taken the SBA for 3.4 million. Four lending institutions and her own firm had been hit for more than 6 million.

Investigators are still trying to find out where all the money went. Some of it, they found, paid for three townhouses, a condominium, a ski lodge, a horse farm, two boats and a helicopter—not exactly the kind of assistance to small business that the SBA had in mind.

Brown was convicted in December of 41 counts of grand larceny and conspiracy and is now free on bail pending appeal. And SBA officials are still trying to figure how they came to bankroll one of the biggest con games in New York history.

TINKERING WITH NATIONAL SECURITY

Starting in 1971, BDM, a research-and-development company based in McLean, Va., had operated a sophisticated electronic testing system for the Army at Fort Hunter Liggett, Calif. The tests—actually large-scale mock battles involving scores of tanks, planes and helicopters—are designed to tell the Army which tactics will work and which will not in actual warfare. How well the tests simulate the realities of battlefield situations could determine whether American forces win or lose in some future combat.

Early last year, when the 9-million-dollar-a-year contract came up for renewal, the SBA stepped in, took over the contract itself and handed it to another firm. Much of the successor firm's previous experience had consisted of serving hot dogs to football fans at the Stanford University stadium in California.

This extraordinary power by the Small Business Administration to pass out contracts without competitive bidding is part of a program approved by Congress to help minority-owned or economically disadvantaged businesses to get a foothold in the lucrative field of high technology.

In this case, the contract was given to Arcata Associates, Inc., of Burlingame, Calif.

Arcata, which is not related to the larger Arcata Corporation, qualified because it is headed by a Chinese American, Buck W. Wong, who also holds a master's degree in business administration from Stanford.

Although the Army found that Arcata was lacking in experience and management to handle the contract, SBA insisted that it was qualified. Army officials reluctantly went along on the deal.

Arcata quickly subcontracted 67 percent of the professional work to a large competitor of BDM.

In its first six months, Arcata got a satisfactory rating from the Army, but its performance was not good enough to win the full incentive award that it would have received had it done a first-rate job.

How much impact the takeover of the Army test program by the SBA will have on national security may never become apparent. But Army officials say that, if they had had their choice, a contract of this importance would have been awarded on a competitive basis to the best-qualified firm instead of being handed to an inexperienced firm.

There is the possibility that Arcata will learn enough from its Army contract to set out on its own, unaided by the SBA, in the field of high-technology contracting.

If it does, it will be a rare exception. The experience with the SBA's highly controversial program for providing government contracts to small businesses is that most of the businesses never graduate. They cling to the program year after year, blocking other firms from participating. Of 4,598 companies in the program, only 166 have gone out on their own.

As a result, the General Accounting Office, which keeps an eye on federal programs for Congress, recently described this effort to aid small businesses as "a promise unfulfilled." The GAO went on to charge that the aid had gone to a select group of companies that "view the program as an end in itself."

PROFITING FROM DISASTER

When a devastating blizzard swept through eastern Massachusetts and Rhode Island on Feb. 5-7, 1978, the SBA came under intense pressure to provide help in a hurry.

The agency brought in two permanent employees and hired 180 temporary workers to verify storm-damage claims, authorize payments and disburse checks. Within weeks, they made 12,000 disaster-assistance loans totaling 121.4 million dollars.

The result was another disaster—for the taxpayer.

Among those hired were George Wattendorf, his daughter, his secretary and a number of personal friends.

They are now acccused in federal indictments of using scores of aliases to obtain some 40 disaster loans totaling more than $500,000.

It was only because a clerk noticed that many loan applications carried the same Social Security numbers, but different names, that an investigation was launched.

According to the indictments, Wattendorf, who has since died, and his associates submitted phony loan applications buttressed by pictures of property owned by others that had been damaged in the blizzard. In its eagerness to help those in distress, SBA's inexperienced crew of temporary employes simply sent out the checks as fast as the applications came in.

Investigators are now trying to determine how widespread Wattendorf's operation was. They have already found records showing that he had obtained disaster loans in Florida and Kentucky and possibly in Mississippi and Texas as well.

What is even more worrisome is that SBA's get-the-money-out-fast policy may well have created other large losses of which it is not even aware.

Last year alone, 1.2 billion was handed out in 70,000 disaster loans. Although that amounted to 69 percent of the loans made during the year, the disaster-loan program has been treated as a nuisance, a "program that was constantly interfering with the agency's 'real' mission," according to a recent report by an advisory group made up of SBA employes.

Related to the sloppiness in handing out money to those who claim to be disaster victims is the agency's failure to collect on the loans. Earlier this year, the Senate Small Business Committee was told that nearly 1.2 billion dollars in disaster loans is past due, delinquent, deferred or in liquidation.

ROOTS OF THE PROBLEMS

Wherever investigators look, the SBA seems to overflow with problems, most of them stemming from pressure to disburse cash without provisions for adequate safeguards.

The agency has also been a political football. In a recent case, the U.S. Merit Systems Protection Board summed up the agency's reputation this way: "The SBA has long been regarded as an agency that is unusually subject to partisan political influence, and has often been involved in controversy over charges of political abuse of the merit systems."

Perhaps most ironic is the accusation that SBA officials have done much of the procurement for the agency through noncompetitive contracts, in effect squeezing out small businesses that might have competed for those contracts.

Some congressmen think the agency is so badly jinxed that it should simply be scuttled like a contaminated ship. But Senator Lowell P. Weicker, Jr. (R-Conn.), chairman of the Senate Small Business Committee, insists that SBA can be reformed and saved.

That task is now up to Michael Cardenas, a Fresno, Calif., accountant who is the SBA's new administrator. He says his first goal is to change the public image of the agency.

But he has been hampered by difficulty in finding qualified people willing to work for SBA. He has succeeded in signing on only a handful of applicants who meet his standards for approximately 100 vacancies.

Yet to be seen is whether the Reagan administration can rehabilitate a problem agency with a reputation for handing out government money in ways that has even some of its strongest supporters dismayed.●

P. J. BEAN, M.D.

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. DYSON. Mr. Speaker, birthday celebrations are always something to enjoy no matter what age we happen to be celebrating. Each year that celebration takes on new meaning as we look back at our accomplishments and take stock of the future.

P. J. Bean, M.D., of St. Mary's County is celebrating his 90th birthday today and I want to share some thoughts about Dr. Bean with this distinguished House.

Dr. Bean is an institution in St. Mary's County. Walk down any road and ask a resident about Dr. Bean and a twinkle will come into their eye as they recount a story of Dr. Bean's medical skills and how he helped one of their children or grandchildren, during an illness. He is the epitome of the country doctor, having cared for the children, grandchildren, and great grandchildren of St. Mary's citizens.

To many of us who grew up under the care of Dr. Bean, his recent retirement came as a surprise. I think that all of us in St. Mary's County, including my brothers and sisters, expected

"Doc" Bean to practice medicine forever.

Mr. Speaker, I would like to recognize the vast achievements of Dr. Bean, his constant and diligent attention to the health of thousands of people in St. Mary's County for whom he cared; people who knew they could count on Dr. Bean no matter what the circumstances.

Today, Dr. Bean is 90 years of age, and I want to wish him continuing health and happiness in the coming years. No man deserves more.●

MANDATORY MINIMUM SENTENCES AND TIGHTER BAIL PROVISIONS ARE NEEDED IN THE FIGHT AGAINST DRUG TRAFFICKERS

HON. ROBIN L. BEARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BEARD. Mr. Speaker, drug smuggling is big business. According to the Drug Enforcement Administration, drug trafficking generated $64 billion in untaxed profits in 1980, making it one of the most lucrative forms of commerce in the world. The havoc these traffickers wreak on our society in terms of individual suffering, destroyed families, and disruption of communities is staggering and can no longer be tolerated. Today, I am introducing legislation to eliminate or drastically reduce the incentive to participate in the drug smuggling business by increasing the certainty of long prison sentences. My bill, which is directed toward bigtime traffickers, imposes mandatory minimum penalties on individuals convicted of offenses involving large quantities of marihuana, cocaine, and opium derivatives.

In June, the Select Committee on Narcotics Abuse and Control, at my request, conducted a hearing on sentencing practices in narcotics cases. Under our current Federal sentencing scheme, a first-time offender convicted of trafficking in tons of marihuana and kilograms of heroin can expect to receive a prison sentence of 3 to 5 years and be eligible for parole after serving only a year to a year and a half. Law enforcement witnesses representing the States of Florida, Tennessee, and Virginia agreed that the Federal laws do not deter traffickers. In fact, in Florida, where severe mandatory minimum penalties for violations of the drug laws have been recently enacted, suspects arrested under joint Federal-State seizures have attempted to be taken into Federal custody to avoid State prosecution. According to Florida's Attorney General Smith, "It is evident that traffickers who know about the Florida law are reacting in a way that show their fear of it." The reluctance to face the severe State penalties has also been evident in the increased smuggling activity in the States bordering on Florida. Further, some smugglers arrested in bordering States indicated to authorities that they would have conducted business in Florida, but changed destinations because of the tough mandatory sentencing features of the law.

Police Chief Joe Casey, of Nashville, testified that Tennessee's new mandatory sentencing laws "worked for the protection of the public and not for the protection of the criminal whose dependence on drugs, either for his own use or for the sale to others, resulted in the original crime as well as many others against society."

Mr. Speaker, the testimony of these witnesses convinced me that mandatory minimum sentences, if directed toward those trafficking in large quantities of illicit drugs, can serve as a deterrent. The arguments often posed by opponents to mandatory sentences—increasing the backlog in the courts and overcrowding of our prisons—simply do not outweigh the pain inflicted by these criminals on our law-abiding citizens.

The bill has three principal features. First, the bill amends the Controlled Substances Act and Controlled Substances Import and Export Act to provide for a mandatory minimum sentence of not less than 5 years, for violations involving: (1) not less than 500 pounds or more than 2,000 pounds of marihuana; (2) not less than 14 grams or more than 28 grams of any opium derivative; and (3) not less than 200 grams or more than 400 grams of cocaine. The mandatory minimum penalty increases to not less than 10 years or more than 30 years for violations involving more than, (1) 2,000 pounds of marihuana; (2) 28 grams of any opium derivative; and (3) 400 grams of cocaine. The bill also increases the penalties for violations involving phencyclidine (PCP).

Second, the bill increases the penalties which must be imposed for violations involving distribution of a controlled substance to a person under 18.

Finally, my bill amends the Federal bail/bond provisions of the criminal code to allow a judicial officer to also consider whether the offender will pose a danger to the community or another person before the offender may be released pending trial.●

REAGAN DELAY ON VOTING RIGHTS EXTENSION SHAMEFUL

HON. JULIAN C. DIXON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. DIXON. Mr. Speaker, today I am sending a letter to the President urging him to take a firm, forthright, and immediate position in favor of extending the Voting Rights Act of 1965.

The administration's silence on this issue of fundamental importance to 20 million black Americans is nothing short of unconscionable. Mr. Reagan has personally stated that he would "defend to the death" an individual's right to vote. Yet he has failed to make any public statements on the matter after raking the act over the coals during last year's campaign, suggesting at one point that the act be extended nationwide, thus diluting its impact and effectiveness.

The hearing record established by the Judiciary Subcommittee on Civil and Constitutional Rights, which reported the bill unanimously to the full committee, indicates that discrimination at the ballot box is not a thing of the past. And yet the President has given the Attorney General until October 1 to compile a review and analysis of an issue which has been reviewed and analyzed to death.

Surely, if the President can rewrite an entire Federal budget in 12 hours and mount a massive public relations campaign to win over reluctant Representatives, he can come to a swift and decisive position on a bill to protect the rights of millions of Americans to participate in our Democratic process.

Mr. President, the voting rights is about to leave the station, and I think it is high time you jumped aboard.●

SECRETARY WATT IS WRONG MAN FOR THE JOB SAYS BEAVER DAM, WIS., DAILY CITIZEN

HON. ROBERT W. KASTENMEIER

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. KASTENMEIER. Mr. Speaker, it is becoming increasingly apparent to growing numbers of Americans concerned with our environment and its future protection that Interior Secretary James Watt simply does not represent the values held by a majority of Americans in this regard.

Secretary Watt is totally undermining important environmental goals supported by the American people. He is effectively ignoring decades of legislation designed to protect our country's natural resources for generations

to come. Almost every facet of our environmental heritage is coming under attack and Secretary Watt is the principal advocate of these destructive policies.

The Beaver Dam Daily Citizen in Beaver Dam, Wis., called for Secretary Watt's resignation on July 22. I strongly share the views expressed in its editorial which I would like to insert at this time.

WATT MUST GO

Interior Secretary James Watt should resign.

His views, policies and decisions are so inconsistent with the duties of his office and agency that there is no reason for him to remain on the job—unless a direct attack on the nations' environment and expendable natural resources is the goal of the Reagan administration

The Interior Department does more than run the nation's national parks—though that is important enough, and Watt is finding ways to enrich private park concessionaires in these scenic areas bought by and until now preserved for the public.

Interior also oversees the United States' offshore oil development. It administers the vast federal lands in the West and in Alaska.

Watt has quickly moved to allow increased offshore oil drilling near four of Northern California's most scenic beaches. And there just plain aren't other beaches like them.

Watt is moving full tilt to try to turn over control of federal lands in the West to the states. This can be seen as "getting the federal government off the people's backs." Or it can be seen as the dark side of the so-called Sagebrush Rebellion, which has been painted as a populist arising in the West, where plain folks want to make their own decisions. More cynical types regard the Sagebrush Rebellion as a land grab directed by the already rich and powerful in the West who want to control and exploit federal lands to enhance their own wealth on land owned by the public.

The last point is critical. We are not talking about whether or not the nation needs more energy. Nor are we talking about the level of company profits gained in the rough and tumble of the marketplace. We are talking about the use of the peoples' land, air and water.

Wisconsin Congressman Bob Kastenmeier, D-Sun Prairie, who represents most of this area in Congress, has called for Watt's resignation. We support Kastenmeier's call.

Yesterday U.S. Sen. William Proxmire, D-Wis., delivered a blistering attack on Watt. Proxmire noted that Watt has called for an 85 percent spending cut on land purchases for parks, wildlife refuges and additions to the national forest system, while cutting big water projects (which often line the pockets of key landowners and construction firms with millions of public dollars), by a token 5 percent.

The Wisconsin Senator ripped Watt for sacrificing the long term productivity of federal Western grazing lands to maximizing quick profits for livestock operators—private individuals granted permission to use the public's land.

The crux of the problem is that Watt just plain doesn't understand the nature of the job he's in. It is not to find ways to best exploit the natural resources under the control of the Interior Department. It is not to boost the interests and economic success of businesses operating on those lands.

Rather, it is the job of the Interior Secretary to administer those lands and resources held in public trust for present and future generations in such a manner that those yet unborn may get full use, enjoyment and benefit from them.

A hundred years ago, Watt would have made a great buffalo hunter, fur company president or lumber baron in an era when raping the nation's resources was the path to power. In 1981, he's the wrong man for the job of Interior Secretary.●

A NEW POLICY FOR EL SALVADOR

HON. ROBERT GARCIA

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. GARCIA. Mr. Speaker, recently, Thomas O. Enders, Assistant Secretary for Inter-American Affairs called for a peaceful political solution to the civil strife in El Salvador. On the surface, this seems to be a monumental step by the administration regarding its policy in El Salvador. Upon closer examination, however, the administration has not changed its policy significantly.

Enders said that, "the search for a political solution will not succeed unless the United States sustains its assistance to El Salvador." This approach has negative overtones. The State Department is covering up its policy of continued military assistance to the junta with this call for a political solution.

The administration's suggestion for elections is a sound proposal, but only if the elections serve as a legitimate attempt to bring together all political groupings. The left may not be popular with the administration, but many of the left-leaning groups have a strong following among the Salvadoran people. The administration, however, does seem to be tempering its policy toward El Salvador. In Mr. Enders' speech, he placed a renewed emphasis on economic reform and a condemnation of violence, whether from the left or the right. There was even a warning to the Salvadoran military that it must monitor its own activities more closely, particularly regarding political violence. These are all positive signs, but if arms and military equipment keep flowing to El Salvador, the administration's rhetoric will have no meaning.

As long as this struggle is viewed by Mr. Reagan and the upper reaches of the State Department as an ideological confrontation, there are going to be problems. East does not meet West in El Salvador. Not all opponents of the junta are Marxist-Leninists. Guillermo Ungo of the National Revolutionary Movement is a former member of the junta and a Social Democrat. He is not a Communist.

I am not trying to rehash old arguments. Yet, I think it is important that the President and his policymakers are reminded that the situation in El Salvador is not simply a battle against communism. Mr. Enders spoke about the political progress of Honduras and Guatemala in his speech last week. He praised "the courage of Honduran leaders in standing by their election commitments." I agree, Honduras is trying to bring about democratic reforms. But Mr. Enders encouragement for a successful, legitimate, democratic election in Guatemala will not be enough to turn that country's political situation around. It might help if the United States refused to sell any more military equipment to Guatemala until the government in that country does something about the political violence and terror there.

Mr. Enders condemnation of Nicaragua for failing to hold elections this fall is based on faulty reasoning. That country is trying to recover from a revolution. The social and economic fabric of Nicaragua was ripped apart. The people must have time to recover before they can establish new political parties and institutions.

I do agree very strongly with one point Mr. Enders made. He said the United States must "identify and seize opportunities to help such a solution (democratic) actually take place (in El Salvador)." These opportunities, however, must arise from the initiative of the Salvadoran people. The United States must listen to the will of the Salvadoran people, if there is to be a lasting peace in that country.

The United States exerts an enormous amount of influence in El Salvador. I think it is, therefore, necessary for this country to be more responsible and sensitive with its policy toward El Salvador and throughout all of Central America. I do not believe it is sensitive of the United States to hold an olive branch in one hand and an M-16 in the other. The United States must take the first step in El Salvador by stopping military aid and encouraging the junta and the left to sit down and negotiate a peaceful and just solution to their problems. The United States should support peaceful change and elections, but we must also practice what we preach by ending military support of the junta.●

AMERICA'S MIDEAST RESPONSIBILITY

HON. MARY ROSE OAKAR

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Ms. OAKAR. Mr. Speaker, a very thoughtful editorial appeared today in

the Washington Post which, I believe, adds dimension to the complex problems and solution to the problems of the Middle East.

The following is the text of this editorial:

[From the Washington Post, July 24, 1981]

AMERICA'S MIDEAST RESPONSIBILITY

The lesson of the last fortnight in the Middle East is this: the region is in a recognizably new phase that requires a review of positions the United States has not examined in years.

This phase began with the re-election of Menachem Begin. Thus fortified, he set out to destroy the Palestinian military presence in southern Lebanon. He also appears to have had it in mind to reduce the Palestinians as an independent negotiating factor at least over the next four years. The PLO responded with the first rocket attacks in more than a year that actually killed some Israeli civilians. In return, the Begin government killed hundreds and wounded hundreds more Lebanese and Palestinian civilians, openly stating its intent to turn civilians against the guerrillas.

It is the totality of this situation, entailing not just the mutual targeting of civilians but also the torpedoing of already-gloomy negotiating prospects and the resulting damage to American interests, that the United States must now address.

Israel has a right to defend itself. But it does not have a right to label any excess of preemption or retaliation self-defense and then expect others to accept this reading. And the fact is that Mr. Begin has been dissipating Israel's most precious asset in the United States, its claim to a moral edge.

Some people suggest that the attacks are Mr. Begin's answer to the post-Iraq American plea to show restraint in the use of American-supplied weapons. And from this they conclude that Mr. Reagan should keep in effect, or extend, his suspension of deliveries of F16s. A case can be made that the United States needs to make such a gesture to salvage standing with friendly Arab states. But the jiggling of arms deliveries is a limited and in most respects bad idea. It runs against the fundamental American purpose to keep Israel strong and secure, the better to enjoy its national life—and to be able to make political accommodations. Precisely because maintaining a certain level of such aid fulfills American as well as Israeli objectives, restricting aid is unconvincing and, thus, ineffective and even humiliating: Mr. Begin and everyone else knows that the arms tap will be turned back on.

Jiggling deliveries also has this fatal disadvantage; it does not address the central political question, the fate of the Palestinians. For 33 years the United States, recognizing a special debt to a people ravaged by Hitler's Holocaust, has sustained the Jewish effort to build a homeland in part of Palestine. This has been a proud chapter for Americans. But Israel remains besieged, in a sense never more so, and the United States, Israel's only friend and patron, itself pays major costs. The reason is that the Palestinian issue is not being properly addressed.

For this, Israel and the United States are not the only responsible parties. The Arabs, including the Palestinians, share heavy—and bloody—blame. The Palestinians could have had their state in 1948 from the United Nations or until 1967 from Jordan. The PLO's basic charter still upholds a policy of terror. But though many peoples have lost their homeland and are ignored, the Palestinians' claim to nationhood does have a moral basis. The reality of Arab and global politics gives it political urgency.

For many years the United States followed Israel's lead in pretending there was no Palestinian question. Under Jimmy Carter, neglect yielded to an intense search for a formula for Israeli-Palestinian reconciliation, with a two-state result always the gleam in Mr. Carter's eye. But it was the mote in Mr. Begin's. The Carter quest fell short.

Although ideally a solution would be reached by negotiations, Mr. Begin's Palestinian policy early on mooted the question of whether the Palestinians could ever be drawn in to Camp David. From his extension of Jewish settlement in the West Bank through his niggardly approach to the Palestinian autonomy talks to his recent raids in Lebanon, the Israeli prime minister has ensured that Palestinian readiness for a political solution could not be fairly tested. He makes no bones about this. In his inaugural address in 1977 he disconnected Israel from a demand to be recognized by the Palestinians—a demand creating a reciprocal obligation. Mr. Begin does not say that under certain conditions he would accept a Palestinian state. He says that under no conditions will he.

How then can it be learned whether, as some Palestinians hint and as their friends insist, the Palestinian movement is ready for a two-state coexistence solution? Here we arrive at another obstacle: the American pledge of 1975 not to deal with the PLO unless it first accepted Israel's right to exist in word and deed. Is this pledge still vital?

The premise of that pledge was the legitimacy of Palestinian nationalism. It was intended as a tactical lever to bring the PLO to accept Israel's legitimacy: then it would be the Palestinians' turn. But Mr. Begin has blocked that, too. Now the United States is locked into insisting on conditions that, even if they were met by the PLO, Mr. Begin would dismiss as meaningless and irrelevant. The American no-dealing pledge is thus being honored, although Mr. Begin's Camp David pledge to submit the "final status" of the West Bank and "the location of the boundaries" to negotiations with Palestinians is not. Yet these promises are related to one another.

Another way of answering is by reference to the practical consequences. We refer here not simply to the evident advantages to American security, political and economic interests of going with the moderate Arab flow supporting Israeli-Palestinian coexistence. In the current crisis in Lebanon, an Israeli-Palestinian cease-fire is plainly in the American interest. A cease-fire securing the northern Israeli border is just as plainly in Israeli's interest. The 1975 pledge keeps the United States from talking with the PLO about a cease-fire.

A third way of answering would be to underline that the sole purpose of dealing with the PLO would be to draw it along the negotiating track laid out, and agreed to by Israel, at Camp David: not to "reverse alliances" or to abandon Israel but to secure for Israel the condition of peace it has been unable or unwilling to try to secure for itself.

Dealing with the PLO would indeed be to allow a terrorist group to shoot its way into eventual respectability. But it makes a difference that the PLO is a terrorist organization and also an authentic representative political organization, that Mr. Begin himself trod this path, and that the Israeli military is now conducting the policy it is. What makes the most difference is what the PLO would be "shooting its way into."

The PLO would not be extinguishing Israel, which has its own strength and—still and we hope forever—a friend in the United States. The PLO would be "shooting its way into" a process intended to lead, if all went well, to a state of its own next to Israel. It could not conceivably be allowed such a state if it did not accept the usual neighborly obligations. Given the PLO's record and makeup, heavy extra obligations would be in order.

These questions ought to be at the top of the administration's mind as it composes a Middle East policy over the next few months. It is especially important to consult with Anwar Sadat, not least because an American PLO initiative could conceivably lead Israel to break off at least temporarily the peace process it has been conducting with Egypt.

If it is true that the Israeli leader refuses to open to the Palestinians the avenue that the Camp David parties, including Israel, promised to open to them, then this changes everything. And if this is true, Mr. Begin must be told that, failing to alter this policy and to commit himself otherwise, he is driving the United States to deal directly with the PLO—for the purpose of securing from it the concessions to Israel that the United States has always hoped the PLO would make. Far from abandoning Israel, the United States would be asking the PLO to accept publicly and unequivocally Israel's right to exist, to enter direct negotiations with Israel and to repudiate terror. The American responsibility to Israel, to Arabs and to its own interests requires no less.●

TRIBUTE TO THE WASHINGTON STAR

HON. IKE ANDREWS

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. ANDREWS. Mr. Speaker, very few cities in the United States have been blessed in recent years, as Washington has, with two excellent, competing, daily newspapers.

The decision by Time, Inc., yesterday to stop publishing the Star is a tragic loss to Washington and to journalism.

In the nearly 9 years I have been in Washington, the Star has shown tremendous improvement in its coverage, content, and format. But, obviously, its circulation and advertising revenues have not improved sufficiently for Time, Inc., to continue trying to put it in the black.

In paying tribute to the Star, I would especially like to recognize the achievements of two men—Ed Yoder, editor of the editorial page, and Jon Yardley, book editor.

Both are graduates of the University of North Carolina at Chapel Hill. Both were distinguished editors of the Daily Tar Heel while students at UNC-CH.

After completing his studies as a Rhodes scholar at Oxford, Ed joined the Charlotte News as an editorial writer. Jon worked for several years for the New York Times.

Then, for a number of years, Ed and Jon worked together on the editorial staff of the Greensboro Daily News and had a large part in making that newspaper's editorial page one of the most respected in the United States.

Jon spent a year at Harvard as a Nieman fellow and later joined the Miami Herald as its book review editor. Along the way, he found time to write a highly praised biography of Ring Lardner.

These talented journalists were reunited at the Star several years ago. Since being there, each has received the Pulitzer Prize—Ed for editorial writing and Jon for criticism.

To the Star and especially to Ed Yoder and Jon Yardley, I say: You have served us well. Many thanks. We will miss you.●

"HAPPY" CHANDLER BELONGS IN BASEBALL HALL OF FAME

HON. LARRY J. HOPKINS

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. HOPKINS. Mr. Speaker, major league baseball holds a special, and important, place in American society. The men who have shaped the game hold the same special place in the hearts of Americans.

But one of these men, Albert B. "Happy" Chandler of Kentucky, has been denied this honor—despite being the man chiefly responsible for eliminating racial segregation from the game.

While baseball commissioner from 1945 to 1951, Happy Chandler paved the way for Jackie Robinson to become the first black man to play in the major leagues. Yet, he has not been recognized for this landmark achievement by the Baseball Hall of Fame.

An excellent column, which appeared last March in the New York Times, tells the story of Happy Chandler's achievement, and explains why he belongs in the Hall of Fame. I urge all my colleagues, baseball fans or not, to read the column and give their support to the man who ended segregation in the American pastime:

A VOTE FOR CHANDLER, AN IGNORED PIONEER

(By John B. Holway)

In more than a century of major league baseball history, only a handful of men have single-handedly changed the direction of the game:

Al Spalding, the early pioneer;

Babe Ruth, who make the offense supreme;

Kenesaw Mountain Landis, who restored the game's shaken integrity;

Branch Rickey, inventor of the farm system, and

A.B. (Happy) Chandler, who opened the doors to racial integration.

Each of the five has left a historic impact on the sport, and four have been enshrined in the Hall of Fame at Cooperstown. Only one is not, though his contribution may have been the most crucial of all.

Happy Chandler, now 82 years old, is paying the price for his courage. He so offended the barons of the sport with his green light to Jackie Robinson in 1945 and a controversial one-year suspension of Manager Leo Durocher of the Brooklyn Dodgers in 1947 that in 1951 he was drummed out of the commissioner's office and replaced by Ford Frick.

The credit for opening baseball's doors to all races has been denied him and given instead to Rickey. Yet if it had not been for Chandler, Rickey could not have signed Robinson to the historic Brooklyn contract.

For 25 years Landis reportedly had consistently blocked any attempts to put blacks and whites together on a big league field. One of his first acts as commissioner in 1921 was to order all barnstorming white stars to stop playing blacks while wearing their major league uniforms. He did not want people to say that a major league team had been beaten by blacks. Some whites continued to barnstorm, but only as individuals or "All Stars," only after the World Series and only for a few weeks each autumn.

That was how things stood throughout the 1920's and 1930's. The blacks beat the whites six of every 10 games they played, but still major league fans were denied the chance to see Satchel Paige, Josh Gibson, Buck Leonard, Cool Papa Bell and others in action.

In the 1940's, with the war taking more and more white stars, rumors arose that the Pittsburgh Pirates would try out Gibson and Leonard. Bill Benswanger, president of the Pirates, was quoted in newspaper accounts to have said: "colored men are American citizens with American rights. I know there are many problems connected with the question, but after all, someone has to make the first move."

He later denied the whole thing, although, of course, he added that it is the Pirates' policy to give a job to any qualified man.

SO EASILY FORGOTTEN

According to Leonard, the Washington Senators' owner, Clark Griffith, called Gibson and him into his office, and they told him that they would be glad to try out for the Senators and thought they could make the team. Griffith, however, never mentioned the subject to them again.

In New York, Mayor Fiorello La Guardia set up a committee on equal employment opportunity. According to numerous newspaper accounts, Larry MacPhail, then owner of the Yankees, bluntly told the members that no blacks would play for the Yankees. He said the campaign was being pushed by "groups of political and social-minded drum beaters," adding that few if any blacks could qualify for the big leagues.

The irrepressible Bill Veeck hatched a plan to buy the Phils, stock them with black stars, and waltz to the pennant. Unfortunately, Landis got word of the scheme and allegedly killed it. "I realize now," Veeck says, "that it was a mistake to tell him."

According to The Pittsburgh Courier, the Chicago White Sox manager, Jimmy Dykes, actually summoned up courage to hold a tryout for the pitcher Nate Moreland and a college football whiz named Jackie Robinson. Robinson reported with a charley horse. Whistled Jimmy: "I'd hate to see him on two good legs!" Jackie, he reported, "is worth $50,000 of anybody's money. He stole everything but my infielders' gloves."

But Robinson and Moreland didn't get the jobs.

Why was the racial bar, in general representative of American sentiment of the time and so firmly in place for more than half a century, never lowered? Organized ball seemed to blame it on the fans. Reportedly, the National League president, Ford Frick, said in the early 1940's: "We have always been interested in Negro players, but have not used them because of the public."

After Robinson was admitted to the major leagues, however, Frick was a strong supporter. In 1947, Robinson's first season in the major leagues, the St. Louis Cardinals threatened to strike in favor of playing against Robinson and the Dodgers. Frick told the Cardinal players: "If you do this, you are through, and I don't care if it wrecks the league for 10 years. You cannot do this because this is America."

In his tenure, however, Landis remained as immovable as ever. The last thing he told Wendell Smith of The Courier, a noted black newspaper, was, "There is nothing further to discuss." Smith then wrote that Landis, in 1944, "died with those words on his lips."

In April 1945, the major leagues announced the name of their new commissioner, Senator A. B. (Happy) Chandler of Kentucky.

"We went right down to see him the morning the story broke," said Eric (Ric) Roberts, a baseball historian and a long time writer for The Courier. "Chandler came out immediately, shaking our hands, and said 'I'm for the Four Freedoms. If a black boy can make it on Okinawa and Guadalcanal, hell, he can make it in baseball.' And he told us, 'Once I tell you something, brother, I never change. You can count on me.' I always thought that was a pretty stout thing for a Southerner to say."

The moment Rickey read that story in The Courier, he began to move. Chandler paid for his stands. In 1951, when Chandler's contract ran out, he was a goner, and he never got credit for giving Rickey the green light to sign Robinson.

In the 35 years that have elapsed since Chandler's historic decision, most of his enemies have passed from the baseball scene. A new generation, unscarred by the bitter racial feelings of the past, now sits on the Hall of Fame veterans' committee. It is in their power to accord Chandler the honors that others withheld.

All the other actors in the drama have been elected to Cooperstown—Landis, Griffith, MacPhail, Rickey, and Robinson himself.

The major league performances of such stars as Robinson, Campanella, Roberto Clemente, Ernie Banks, Willie Mays and Hank Aaron, all Hall of Famers, was made possible by the courageous decision of Happy Chandler. It will be a happy day for Cooperstown when he is given the honor so richly deserved and so long denied.●

AMENDMENTS TO H.R. 4242 TO FACILITATE UTILITY COAL CONVERSION

HON. NICK JOE RAHALL II

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. RAHALL. Mr. Speaker, I intend to offer two amendments to H.R. 4242, the Ways and Means Committee tax bill, which are aimed at significantly strengthening the financial capability of utilities wishing to construct coal-burning facilities. There is an urgent need for changes in the Federal tax code to achieve the accelerated construction of these facilities due to the sad financial condition of the Nation's electric utilities. Many cannot afford to borrow the additional capital to finance the conversion and replacement of oil- and gas-fired powerplants with new, more efficient coal-fired units.

By using widely accepted tax incentives, my amendments will facilitate the accelerated construction of coal-burning facilities. There is convincing evidence that such new plants will ultimately save electricity consumers billions of dollars because of the large and growing cost differential between coal and other fuels. Furthermore, I believe these amendments to be consistent with the tax incentive philosophy of the Ways and Means Committee.

Basically, the first amendment will allow expensing for pollution control equipment which is public utility property that has a present class life of 18 years or less. This equipment will not be subject to transitional rules and will be eligible for the full investment tax credit.

The second amendment will allow public utilities switching to coal the same energy tax credit—10 percent—now provided for other industrial companies which convert or replace oil- or gas-fired installations with coal. All coal utilization property, including pollution control equipment would be eligible for this credit.●

PIONEER DAY

HON. DAN MARRIOTT

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MARRIOTT. Mr. Speaker, on this day in 1847 a great event transpired. Brigham Young and the Mormon pioneers completed their heroic journey across desolate plains and rugged mountains, and arrived in the Great Salt Lake Valley.

Many faithful followers must have had second thoughts about their leader, Brigham Young, as he rose from his wagon, weakened by the travel and hardships the pioneers had endured, looked out over the arid desert before him and said, "This is the right place."

In the years which ensued, these courageous people worked unceasingly to make Utah a good place to live. They began controlled irrigation, and changed the unproductive Utah deserts into fertile fields where their crops flourished. They built roads and highways, beautiful cities, churches where they were free to worship without fear of persecution, and they erected a magnificent temple.

By the time of his death in 1877, some 30 years after entering the Salt Lake Valley, Brigham Young had directed the founding of over 350 communities in an area encompassing Utah as well as parts of Idaho, Montana, Nevada, and Colorado.

These pioneers accomplished a marvelous task: They conquered a wilderness and groomed it into one of the most beautiful areas in the Nation. On January 4, 1896, Utah was admitted to the Union.

Now the anniversary of the arrival of these pioneers in the Salt Lake Valley 134 years ago on July 24, is recognized throughout the State as Pioneer Day. Families, friends, and church congregations gather together to celebrate and give thanks for their heroic ancestors. There are parades and festivities in every city and town as Utahans commemorate this occasion.

Today Utah is one of the most crucial, important States in the Nation. It is among the top 15 mineral-producing States, with abundant reserves of petroleum, coal, copper, and several other minerals, such as uranium, which are vital for our national defense.

The tar sands and oil shale deposits in Utah have the potential of saving America from her energy dilemma. Although countries in the Middle East and North Africa have a virtual monopoly on the world's oil reserves, 110 to 140 billion barrels of recoverable oil lie in the tar sand and oil shale deposits in eastern Utah.

Yes, this great State is destined to become the energy giant of America in the coming years, but today it is best known for its grand mountains and beautiful scenery, its great skiing, and above all its people.

So as Utah prepares to help the Nation in so many ways, and its people continue in the traditions of hard work and self-sufficiency learned from their pioneer forefathers, let us pay tribute to this great State and those who made it a good place to live.●

AARP-NRTA URGES CONGRESS TO IMPLEMENT MORE COMPREHENSIVE ANTI-INFLATION PROGRAM AS PART OF TAX BILL

HON. CLAUDE PEPPER

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. PEPPER. Mr. Speaker, the tax bill we will soon be considering has enormous consequences for every working and retired American. At this historic juncture, Congress has the opportunity to enact policies which would stimulate savings, increase productivity, reduce unemployment, and attack the root causes of inflation. There has been a great deal of concern, however, that in an effort to outbid the administration's ill-conceived across-the-board billion dollar giveaway to the rich, the Ways and Means Committee bill may fail to completely address these four goals of the Democratic Party.

The 13-million-member American Association of Retired Persons/National Retired Teachers Association has expressed such concerns in an open letter to the Ways and Means Committee. AARP-NRTA stresses that the fiscal policies contained in the comprehensive tax bill should be mutually supportive and not work at cross-purposes with one another. In addition, AARP-NRTA emphasizes that inflation exacts a particularly cruel toll on the elderly. In the years of hearings held by the Select Committee on Aging, we have consistently identified inflation as one of the most difficult problems faced by the elderly, along with the lack of adequate income, health care, housing, and social services. Congress should keep these considerations at the forefront as we consider tax policies that may have an effect on inflation, as well as programs which cost effectively protect the most vulnerable elements of society from its effects. I commend to my colleagues this open letter to the Ways and Means Committee:

Sustained high rate inflation is the chief threat to and concern of the elderly. Consequently, the 13 million member National Retired Teachers Association-American Association of Retired Persons are mandated by their leadership to oppose all actions which promise to increase inflation, and to evaluate fiscal and monetary policies, as well as other actions, in terms of their effects on inflation. Viewed from that perspective, the Economic Recovery Tax Act of 1981 is at variance with the kind of fiscal policy the nation needs at the present time. The across-the-board cuts in personal income taxes for which this legislation provides, although reduced somewhat from the Administration proposal, are still too large, particularly in conjunction with the planned very large increase in defense spending. This remains so even taking into

account the approved expenditure reductions in other budget categories. The basic policy approach of relying on stringent monetary policy to (hopefully) restrain inflation while pursuing a stimulative fiscal policy is the wrong policy combination.

It is simply asserted, without convincing proof, that large cuts in personal income tax rates, which will certainly increase federal budget deficits, will quickly generate large gains in output and incomes, the taxes on which will more than offset the initial revenue loss. It seems far more likely that the revenue loss will not be offset, because taxpayers are not likely to change their behavior radically and save a significantly larger proportion of their incomes—especially in the current, high inflation economic environment. While we do not share the belief that Federal deficits have been the only cause of inflation, they have certainly contributed to it in a major way. Large Federal budget deficits, year after year, are not something that can safely be ignored. Inflation is much too high. The Federal budget must be brought into balance and the sooner the better.

Apparently, the thinking behind the tax bill is that budget deficits can be ignored because monetary policy can and will be used to restrain inflationary pressures. While monetary policy certainly has an important role to play in restraining inflation, all the burden cannot be put on monetary policy without severe damage to the economy. The natural tendency of the "tight" monetary policy which is now being pursued by the Federal Reserve, and its accompanying high interest rates, is to curtail investment, both by business in new or modernized production facilities and by consumers in housing and automobiles. Although the tax bill contains provisions intended to encourage business to devote a larger share of profits to investments, the effect of the monetary policy which the Federal Reserve will have to follow to dampen inflationary pressure, is to make credit more expensive, and thereby discourage investment. All of these factors lead to the conclusion that a better policy mix would be to have a less stimulative fiscal policy and a less restrictive monetary policy.

There is, however, an even more fundamental failing of current policy, and that is that it assumes that the primary cause of inflation is excess demand—"too much money chasing too few goods." There is ample evidence to suggest that the cost-push (wage-price spiral) part of the inflation is the larger and more intractable part. The abolition of the Council on Wage and Price Stability removed whatever stabilizing influence the wage-price guidelines supplied, and it may not have been much, but nothing has been put in their place.

It is vitally important not be lulled into complacency by the recent slackening pace of inflation as measured by the Consumer and Producer Price Indexes. This is due largely to the current weakness in prices of oil, not to any abatement of the underlying or "core" rate of inflation. As we have found out before, the only constant in oil prices is their volatility. The U.S. has been lucky in the current weakness of oil and other commodity prices, but it has made little or no progress in reducing the basic inflation rate, and the tax package now being considered in the Ways and Means Committee offers no promise that it will do so.

Proponents of this tax package make much of its supposed beneficial effect in increasing employment, but this misses the point. The economy has been quite successful in creating jobs over the past decade. What it has not done, in addition to bringing inflation under control, is maintain an adequate level of productivity growth, the basis for the increase in standards of living we all want. One way to stimulate productivity growth is to invest in more productive facilities, but investments in human capital—education and training—are also necessary, and these are not being increased. Some of the budget cuts, in fact, would reduce them.

If we are going to invest more we will have to save more, and the tax bill does not do nearly enough to stimulate savings. It reduces the $200/400 exclusion of dividend and interest income, which is much too low to begin with, in favor of an untried instrument that, to the extent it does stimulate savings, does so at a high cost to the Treasury in order to furnish a barely concealed subsidy to the thrift industry. We acknowledge that the thrift industry has severe problems (most of which are the result of inflation), but the so-called "All-Savers" certificate is a very poor way to try to solve them.

We also question the long-run utility of indexing the personal income tax. While we agree that "bracket-creep" is an undesirable product of inflation, the better solution is to curb inflation, not to set up what may become a new rigidity in the tax system.

It is past time for Congress and the Administration to establish a comprehensive and effective anti-inflation program, unconstrained by ideology. Under such a policy monetary and fiscal policy should be mutually supportive—not working at cross purposes. Inflation is seriously damaging the economy and social fabric of the nation, and the elderly in particular.●

CONGRESSIONAL VIGIL FOR SOVIET JEWRY

HON. ROBERT K. DORNAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. DORNAN of California. Mr. Speaker, I join this year's Congressional Vigil for Soviet Jewry in the hope that by telling the world, in this forum, about individuals who have suffered under the Soviet regime, we can move the Soviet Union to observe its Helsinki commitment to guarantee fundamental human rights.

I believe my colleagues should be aware of the case of Leonid Lubman, a Russian Jew born in Leningrad and educated in electrical engineering. Mr. Lubman's troubles with the Soviet regime began when he publicly supported a Jewish coworker who wanted to emigrate to Israel.

When Leonid tried to have his treatise on sociology published in the West, he was arrested and charged with revealing state secrets. He was tried, and, as is almost always the case, convicted. He was sentenced to 13 years in a labor camp.

Mr. Speaker, no one has heard from Leonid Lubman since August of last year. We know that he has spent some of his prison term in solitary confinement. His family tells us that he has been tortured with hallucinogenic drugs.

I call on the Soviet Union to release Mr. Lubman and return him to his family, and to release all the other men and women they have imprisoned—whose only crime has been to try to leave a country where it is illegal to follow truth, and to freely pursue happiness.●

THE NEED FOR A NEW IMMIGRATION POLICY

HON. ROBERT GARCIA

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. GARCIA. Mr. Speaker, as I related to you and my colleagues on the floor of the House, immigration is an issue of deep concern to me. Because of the large number of Dominicans in my district, I am particularly concerned about their plight. I wrote a letter to President Reagan yesterday regarding this matter. I submit a copy of that letter to be published in the RECORD.

HOUSE OF REPRESENTATIVES,
Washington, D.C., July 23, 1981.

Hon. RONALD W. REAGAN,
President of the United States,
The White House, Washington, D.C.

DEAR MR. PRESIDENT: I have recently seen recommendations made by your Task Force on immigration. I agree with you on the need for a new immigration policy. I also understand that formulating an effective and just policy is a thankless and difficult job. Yet, I must respectfully disagree with some of the recommendations made by the Task Force.

As a Representative from the South Bronx, I am particularly concerned with immigration policy as it concerns immigrants from the Dominican Republic. Two aspects of the immigration policy most directly affect Dominicans; the proposed legalization programs and the preference system as it is presently structured.

The recommended legalization program prohibiting newly legalized immigrants from bringing in their families, seems to me to be unfair and dangerous. It is unfair to ask these people to begin a new life without the support and comfort of their families. It is dangerous to keep these people out of the mainstream of American life for such an extended period of time, ten years according to the Task Force's recommendations. This would be the same as establishing a whole new underclass of citizens.

The problem I have with the preference system, is that the Task Force has not recommended that it be revised. As the preference system is presently set up, it favors wealthier immigrants from more economically stable nations. A laborer from the Dominican Republic, a person who truly needs a chance, has no real opportunity to migrate to this country legally. I am not advocating opening this nation's borders without restrictions, but I am suggesting that the immigration preference system be set up in such a way so that the economically de-

prived would have a better chance of coming to this country.

Dominicans and other poor Latin and Caribbean peoples may not have oil or other material wealth, but they have numbers; people who are willing to work to keep this country prosperous. I believe, Mr. President, that we need to rethink our immigration policy so that it gives a fair chance to some of the world's forgotten people.

Sincerely,

ROBERT GARCIA,
Member of Congress.●

THE ARGENTINE GULAG

HON. RICHARD L. OTTINGER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. OTTINGER. Mr. Speaker, I am including in today's RECORD an article which recently appeared in the New York Times by Hector Timerman and Tom Bernstein concerning the existence of concentration camps in Argentina. Hector Timerman is a son of Jacobo Timerman, a former political prisoner in Argentina and author of "Prisoner Without a Name, Cell Without a Number." Mr. Bernstein is a member of the Lawyers Committee for International Human Rights.

These two men detail some of the evidence contained in a comprehensive report, "Testimony on Secret Dètention Camps in Argentina" which was issued last year by Amnesty International. The report shows how and why Argentine concentration camps are able to operate, and addresses the disappearances of over 20,000 people in Argentina.

It is becoming increasingly clear that the Argentine Government is one of the world's worst offenders of human rights. Despite the overwhelming evidence of the vicious, Nazi-like nature of that regime, the Reagan administration continues to seek to legitimize Argentine terror by maintaining cordial relations and selling arms to Gen. Roberto Viola. It is time for us to stop endorsing these terrible crimes against humanity.

I commend this important article to the attention of my colleagues:

THE ARGENTINE GULAG

(By Hector Timerman and Tom A. Bernstein)

The Argentine Foreign Minister, Oscar Camilión, on June 26 complained to the United States chargé d'affaires in Buenos Aires about allegations made on television that there are concentration camps in Argentina. Mr. Camilión later told reporters that the allegations, made by Hector Timerman, the son of Jacobo Timerman, were "intolerable." In addition, Mr. Camilión compared the Timermans to Joseph Goebbels, Hitler's Minister of Propaganda, accusing them of spreading the "big lie." The record must be set straight.

Where, Mr. Camilión, have the 20,000 "disappeared" persons gone?

The evidence, which continues to accumulate, is shocking. The most comprehensive report, "Testimony on Secret Detention Camps in Argentina," was issued last year by Amnesty International. It details how and why the camps are able to operate. It is based upon the accounts of two prisoners, Oscar Alfredo González and Horacio Guillermo Cid de la Paz. Amnesty independently verified their testimony, cross-checking the facts with 4,000 other cases it has investigated.

Between November 1977 and February 1979, Mr. González and Mr. Cid de la Paz were imprisoned in five camps, also known as Pozos ("pits") or chupaderos ("drains"): "Club Atletico," "El Banco," "Olimpo," "Omega," and Mar del Plata Naval Base. More fortunate than most, they managed to escape. Their testimony describes the gulag in detail. Activities in the camps were methodically planned and systematically planned and systematically recorded on special forms. "The repressive forces," the report states, "operate in accordance with the following system: kidnapping; interrogation by means of physical and mental torture; period in concentration camps; 'final decision.' These four stages are repeated inexorably."

Most significant, in view of Mr. Camilión's charges, the report makes clear that the camps are not merely detention or labor camps but systemized death camps. According to Mr. González and Mr. Cid de la Paz: "You are only in the camp for a period, the length of which is difficult to predict; afterward comes the 'transfer'. . . . The key to the future was in this word, repeated a thousand times by us and our kidnappers."

Who was "transferred"? "The choice of who was to be 'transferred' was normally made on the basis of our potential or actual use in their opinion. They assessed us on different levels, the main ones being political, military and economic."

How many were "transferred"? "Between 30 and 50 comrades were taken away in the 'transfers.' In the fifteen months we spent as 'disappeared' people, we witnessed approximately ten 'transfers.'" (This is, between 300 and 500 people.)

What the prisoners were told: "During a 'transfer' carried out in January or February 1978, we heard a junior officer from the Federal Police . . . say to those who were in the 'transfer' line: 'We are going to give you an injection. . . . It is only a tranquilizer. The journey to the centre will be very long; you have to go to el Chaco [a province in northern Argentina] in a transport aircraft.'"

What really happened: "In April 1978 a comrade who had been held in [the Navy mechanics' school in Buenos Aires] was taken to the 'Banco.' He told us that he managed to find out about the 'transfers' in that camp. All those 'transferred' were injected with a powerful sedative. . . . Afterwards they were put into a lorry and from there into an aircraft, from which they were thrown into the sea, alive but unconscious."

Who is responsible: Mr. González and Mr. Cid de la Paz personally observed a number of military officers in the concentration camps, including the general who was Chief of Staff at the time, Carlos Suárez Masón, and a General Richieri, chief of police for Buenos Aires Province. They concluded that the camps could not exist without the direct participation of the highest members of the Government, including the man who was President then, Gen. Jorge Rafael Videla; the First Military Council, or junta; the Second Military Council, or junta, and its head, Gen. Roberto Eduardo Viola, who is the new President.

There are at present thousands of "disappeared," including hundreds of children, who may still be alive. The other day, representatives of The Mothers of the Plaza de Mayo—mothers of the "disappeared"—traveled to the United States to plead their cause. They want to know where their children are and who is responsible for their "disappearance" and death. The only hope for those still in the camps, they say, is a full accounting of the "disappeared."

The world is witnessing a crime against humanity. Those responsible must answer for their crimes. In a sense, the generals already have imprisoned themselves. Each day the world learns more about what they have done, and there is nothing they can do to stop this. It is only a matter of time before they will be judged.●

VOTE NO MONDAY ON TOURISM BILL

HON. PATRICIA SCHROEDER

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mrs. SCHROEDER. Mr. Speaker, while we are trying to balance the budget and cutting, just to cite one example, social security benefits to the elderly, the casino, resort, and hotel industry has the audacity to come to Congress petitioning for a handout.

I want to share with my colleagues some background information on the bill from the Congressional Quarterly, January 31 and May 16, 1981:

SENATE'S QUICK PASSAGE OF TOURISM BILL CATCHES ADMINISTRATION OFF GUARD

The Senate quickly passed a foreign tourism promotion bill Jan. 27, taking the Reagan administration by surprise and creating a politically awkward situation.

The bill (S. 304), almost identical to one (S. 1097) pocket-vetoed by former President Carter, would create an independent agency to help implement national tourism policy. (Veto, Weekly Report p. 112; S. 1097, 1980 Weekly Report p. 3548)

The agency would replace the Commerce Department's U.S. Travel Service (USTS), which some members contended has done an inadequate job.

Carter had vetoed S. 1097 arguing that its separation of toursim promotion from international trade activities was a "seriously flawed management approach." He also criticized establishing a review board with "extraordinary powers" that would be dominated by the travel industry. Carter had wanted to eliminate USTS and transfer its tourism functions to the Commerce Department's International Trade Administration (ITA). (Weekly Report p. 131; 1979 Almanac p. 350)

During confirmation hearings on his nomination as commerce secretary, Malcolm Baldrige showed a preference for using the existing bureaucratic structure to handle promotion of foreign travel, although he said he would study the legislation passed last year. (Weekly Report p. 110)

In a statement released Jan. 29, Secretary Baldrige indicated his displeasure with the Senate action and said he has doubts about the effectiveness of a new independent agency. But he did not say what the admin-

istration would do about the bill, which has been sent to the House.

"This administration intends to cooperate with the Congress on the complicated and difficult [economic] planning that lies ahead, so I was surprised at the quick passage of the tourism bill in the Senate, as I would have appreciated presenting the administration's views," he said.

Bypassing the Commerce Committee, the Senate passed S. 304 by voice vote on the day the bill was introduced by Business, Trade and Tourism Subcommittee Chairman Larry Pressler, R-S.D., committee Chairman Bob Packwood, R-Ore., ranking minority member Howard W. Cannon, D-Nev., and others.

The Senate acted quickly "to make sure everybody knows we haven't given up," a committee staffer said.

A similar bill (H.R. 1311) has been introduced in the House. The Transportation Subcommittee of the Energy and Commerce Committee plans to hold hearings.

SUPPORTERS' ARGUMENTS

Pressler said increased foreign tourism could improve the U.S. trade deficit by funneling more foreign currency into the nation's economy. The tourism industry, he said, contributed more than $140 billion to the domestic economy and provided about 6.6 million jobs.

Carter had argued that the bill would seriously damage executive responsibilities by creating an independent agency outside the president's budget review. But Pressler contended that it did not circumvent the budget process and some agencies now submit budget requests simultaneously to Congress and the president.

In response to Carter's objection that the advisory board would only serve industry interests, Pressler said it would have no regulatory authority and agency control would remain with Congress and the executive branch.

In addition Carter objected that the agency would be "an independent foreign office in miniature." But, Pressler contended that the agency's functions would go no further than those of the USTS.

Noting Carter's contention that tourism promotion would be carried out better by the ITA, Pressler said the industry's importance requires individual attention.

"Hopefully the new administration will quickly realize . . . that if the federal government is willing to work in a partnership with the travel and tourism industry, then the economic health of our country stands to benefit greatly," Pressler said.

Baldrige said, however, "It's very possible" that tourism promotion would get the necessary support from the ITA, which handles balance-of-trade matters. A program like tourism needs "the best supervision, backup support and administration to make it work," he said.

"The record of past independent agencies in this regard does not give me a feeling of optimism about the effectiveness of another independent agency," Baldrige continued in his statement.

PROVISIONS

As passed by the Senate, S. 304:

Created an independent agency, the U.S. Travel and Tourism Administration, to prepare a detailed tourism development plan. The agency would be headed by an administrator, who would be appointed by the president and confirmed by the Senate.

Required the tourism plan to provide for branch offices in foreign countries, consultation with foreign nations about tourism matters, the review of all federal policies and programs that might affect tourism and the development of industry data and technical assistance. The plan must be given to Congress by April 15, 1982.

Provided that no federal official or agency may require the tourism unit to submit budget requests, legislative recommendations or testimony for approval before submitting them to Congress.

Established an advisory board dominated by industry representatives to review the activities of the new agency.

Directed the USTS to provide the new agency with $1 million for fiscal 1981 and provided for the transfer of all USTS activities and assets to the new agency within 180 days of enactment.

Authorized $8.6 million for USTS in fiscal 1981.

Barred the secretary from reducing the funds appropriated below the fiscal 1980 level.

TOURISM BILL RISKS VETO

The House Energy and Commerce Committee May 12 approved a compromise bill to promote tourism in an attempt to avoid a confrontation with the Reagan administration, but warnings of a presidential veto are still in the air.

As ordered reported, H.R. 1311 would replace the Commerce Department's U.S. Travel Service (USTS) with a U.S. Travel and Tourism Administration within the department. The bill would authorize $6.5 million for the new administration in fiscal 1982, plus $1.1 million from International Trade Administration (ITA) funds to create nine new tourism offices abroad.

Also, the new agency would be headed by an under secretary, rather than an assistant secretary, which is the rank of the current USTS chief.

The travel industry backs the compromise.

The administration opposed the bill's original plan to create an independent agency outside the Commerce Department to replace the USTS. The bill also would have authorized $8.6 million in fiscal 1982 to encourage foreign travel to the United States. (Weekly Report p. 655)

Commerce Secretary Malcolm Baldrige had objected strongly to an independent agency, arguing that a new bureaucracy would not aid the tourism industry and that trade matters should be consolidated within the department. The administration wants the tourism office to come under the ITA. (Weekly Report p. 233)

He had warned the committee he would recommend a presidential veto.

A Commerce Department official said the administration still opposes the compromise offered by Norman F. Lent, R-N.Y., ranking minority member of the Commerce, Transportation and Tourism Subcommittee.

The administration believes the bill still would create bureaucratic difficulties, especially by placing an under secretary over such a small office, the spokesman said. An under secretary is the third-ranking department official. The department now has an under secretary heading the $175 million-a-year ITA.

Also, Baldrige fears other special interest groups would try to prove they have political clout by seeking higher ranking officers to handle their programs, the official said.

A subcommittee spokesman said members believe an under secretary would lend needed visibility to tourism promotion.

A letter to the full committee from James J. Florio, D-N.J., subcommittee chairman; Lent; James D. Santini, D-Nev., chairman of the U.S. Congressional Travel and Tourism Caucus; and Gary A. Lee, R-N.Y., a subcommittee member, said the compromise "should allay the major concerns of the Department of Commerce while retaining a strong and independent tourism program."

A measure (S. 304) that would create an independent tourism promotion agency was passed Jan. 27 by the Senate. A similar bill (S. 1097) was cleared by Congress last year, but was pocket-vetoed by president Carter. (Weekly Report p. 233; 1980 Almanac p. 269)●

TIGHTEN UP PAROLE TO KEEP CRIMINALS OFF THE STREETS

HON. ROBIN L. BEARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BEARD. Mr. Speaker, today I am introducing the Parole Reform Act of 1981. It is a simple bill which is designed to do one thing: See to it that criminals serve more of their sentences before becoming eligible for freedom.

Currently under the Federal system criminals are eligible to be set free after serving only one-third of their sentences. A criminal sentenced to life or a sentence of over 30 years—such as a murderer—may be eligible under current law for parole after only 10 years. I think it is unconscionable that vicious criminals could be set free upon society after so short a time.

There are those who say that the only humane purpose of incarceration is rehabilitation, as though the criminal is nothing more than a patient. But I believe, as I am sure the overwhelming majority of Americans do, that along with rehabilitation, incarceration serves the purpose of punishment of wrongdoers, and the purpose of getting them off the streets.

The people, through their elected representatives, have established the severity of punishment that will be allotted for a particular crime. Judges are already given a great deal of discretion in fixing a sentence. To allow the parole board to frustrate both the people's representatives and the trial court by releasing a criminal after having served only one-third of his sentence is antidemocratic. It is a loophole slipped into the criminal justice system by elitist reformers who really blame society, instead of the criminal, for the crime. My bill would plug up that loophole by setting a more reasonable standard. It would increase the duration of a sentence each criminal must serve before becoming eligible for parole from only one-third of that original sentence to a minimum of two-thirds. In the case of a life or 30-years-plus sentence, the minumum is raised from 10 to 25 years.

The U.S. Department of Justice conducted a major study during the 1970's of Federal parolees. The study tracked the records of hundreds of randomly chosen Federal prisoners following their release on parole. It found that 62.5 percent were arrested at least once during their parole for either a crime or a parole violation. Forty-one percent of the sample were arrested more than once. These figures obviously suggest that parole is coming far to easily to prisoners in the Federal system.

I would like to offer one horrifying example that reinforces my belief in the need for stricter sentence enforcement. The March 27, 1981, Washington Post reported that 26 prisoners in Maryland operating on a work-release program—parolees, if you will—were indicted on 61 charges of murder, rape, armed robbery, and narcotics violations allegedly committed while on release under this program. This sort of abuse illustrates that parole plans need to be drastically tightened up. It is ridiculous for known criminals to be released into society like this. My bill would insure that release is not so easy to come by, and I believe that fact, in itself, will help deter future criminals.●

H.R. 1918, PENSIONS FOR VETERANS OF WORLD WAR I

HON. ROBERT T. MATSUI

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MATSUI. Mr. Speaker, I would like to include in the RECORD testimony I presented earlier this week before the Veterans' Affairs Committee on behalf of H.R. 1918, a bill to provide pensions for veterans of World War I.

There are few issues more obviously just than a pension for the veterans and widows of the First World War. I feel almost as if I am treading on some hallowed ground to be addressing this issue. Yet, as one of the younger Members of Congress, born on the eve of the Second World War, I feel a responsibility to support this pension legislation and to let these veterans know that we continue to value their sacrifices. They were the might of America that went nobly to fight "the war to end all wars." That description, of course, turned out to be too optimistic. But it was a conflict in which Americans fought for no selfish gain, no objective but to end the senseless bloodshed on another continent. It was an era of which we can all be proud. Since only one member of this subcommittee was even born before World War I was over, I expect these are feelings you share.

That we have yet to enact a service pension for World War I veterans and widows is, I believe, shameful. For every previous war, pensions had been made all-inclusive within 50 years after the end of the fighting. Those earlier Congresses did not have to concern themselves with competition for Federal funds among a variety of veterans' programs. But the record of their philosophy was clear and consistent: a pension was a compensation for service, with no other limitation. Every veteran and every widow was eligible, regardless of income. I understand that Oliver Wendell Holmes received his Civil War pension while he served on the Supreme Court.

Now that we have so many other programs for more recent veterans, across-the-board pensions for them would be an anachronism. But in this specific area of benefits, the World War I group really belongs to an earlier period. Enacting H.R. 1918 will be writing the last page on a whole volume of history. If we do not act soon, time and death will overtake us, and that page will have to be left blank, to our eternal discredit.

Understand, Mr. Chairman, that the cosponsors of this bill are acutely aware of the fiscal limits proscribing immediate payment of this pension. So are the World War I veterans. The action we are asking for now is mainly symbolic. But it is a symbol of vital importance.

When these hearings are concluded, I would urge you to mark up either H.R. 1918 or some other device which would: first, include all World War I veterans and widows; and second, retain the latitude for paying as much of such a pension as we are able in the future.●

THE CONGRESSIONAL COUNTRY CLUB—A WELL ESTABLISHED CONTRADICTION

HON. PARREN J. MITCHELL

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MITCHELL of Maryland. Mr. Speaker, the following story, reprinted from the December 1980 Washington Afro-American newspaper, recounts the story of George Koch and his countinuous tireless 4-year-long efforts to correct the Congressional Country Club's injustices against its employees. Ironically this posh site of luxurious activities continues to be patronized by many influential Supreme Court Justices, Congresspersons, and others who symbolize democracy and profess to protect the human rights of all people.

The following article is very disheartening. Its notation of Koch's accusations regarding the possible operation of, among other things, an illegal gambling operation on the club's premises, should make us all ashamed that the label "congressional" continues to be worn. Additional improprieties associated with the Congressional Country Club should add outrage and question to this shame.

I urge that my colleagues review the following quite closely:

[From the Washington Afro-American, Dec. 27, 1980]

ONE MAN'S STRUGGLE TO RIGHT A WRONG

(By Miles White)

If you've ever worked at the Congressional Country Club, then read on. You may be owed thousands of dollars in backpay that one club member has said has illegally been taken out of workers' paychecks for over thirty years. As much as a million dollars is involved. And he's gone to court to have it stopped.

If you didn't know that George Koch (pronounced Cook) was a white, middle-class, conservative Republican lobbyist for the grocery manufacturing industry, you might think he was Martin Luther King, Jr. Certainly their stories are similiar, and Koch's courage appears to be as great.

For the past four years, Koch has waged an almost single-minded effort to get the Congressional Country Club to open its financial record books up to public inspection after he discovered that the club had been dipping into employee's wages without their knowledge.

The prestigious country club, whose membership includes a former U.S. President, Supreme Court Justices and a cadre of congressmen as well as other successful establishment types, is located in the plush suburbs of Maryland and boasts two 18-hole golf courses, swimming pools, bowling alleys and other luxuries for the privileged.

Koch's odyssey began in the summer of 1975 when he received a phone call from a waitress at the club who had been fired without a hearing after more than 24 years of service. The woman, Juanita Chavis, said a manager ordered her to move a table that was too heavy for her to lift. When she could not, he fired her.

Chavis called Koch, whom she knew only slightly but whom she thought seemed friendlier than most other club patrons. After a few months of negotiating with club officials, Koch persuaded them to reconsider her case and eventually rehire her.

But like Dr. King, whose involvement in the civil rights movement was sparked by the injustice that Rosa Parks finally refused to take, Koch's involvement in the lives of the club's workers did not end there.

Later the next year, two college students who had discovered their checks short for a summer they worked at the club, complained to the management and got fired for their efforts. Chavis told them to call Koch.

After hearing their story, Koch contacted club officials again and demanded the students be given a hearing. Nothing happened. He referred the students to an attorney who filed a lawsuit on their behalf. The club settled the case for $3,700.

"I couldn't believe morally, ethically or socially these people would steal from little people," he later told a reporter. "Stealing becomes more despicable when you steal from people who are working for you."

Koch finally filed a lawsuit against the club in Montgomery County Circuit Court alleging the club had been skimming employee paychecks on a systematic basis, and

demanded that the records be made public to find out if it were true. The club said no dice. What followed has been a four year court fight which has cost both sides hundreds of thousands of dollars. Koch has spent more than $100,000 of his own money, including some which he borrowed, to finance the suit, which has become sort of his own personal crusade to right some of what's wrong with the world.

"There are enough laws on the books," Koch said recently over a breakfast of grapefruit and coffee. "If enough people just took it upon themselves to enforce the laws already there, it would be a better world."

Koch is a deeply passionate man who cares genuinely about the sufferings of other human beings. Since the lawsuit, he has interviewed hundreds of waiters, and other workers at the club, collecting an awesome file of information and evidence to substantiate financial irregularities he has uncovered at the club.

Besides the questions about worker's pay, Koch has accused the club of conducting an illegal gambling operation in the men's grill, substituting cheap wines for expensive brands, personal use of club personnel by the club's manager, and allocation of employee Christmas Fund Distributions to dead or nonexistent persons.

Koch said the questions about the club's business practices "go to the heart of the club operations and to the integrity of its management." But so far, he has not gotten anything from the club except a hard time and the scorn of fellow club members who oppose his actions. But he is adamant about his motives.

"You can't have double standards," he says, his silver-grey hair giving him the look of aristocratic distinction. "We have closed our eyes to so many things in life that it's catching up with us. We've got to start facing up to some things."

Although most of the workers Koch is defending are black, some are also white, so he has not been able to file a separate discrimination suit or take advantage of groups which combat race and sex discrimination. Still he has pressed on, receiving little outside help save the support and reassurance of his wife of 30 years and his six children.

Koch's life has not been the same since the series of events began. He still spends hours and hours of his spare time every week to research the case and compile thousands of pages of testimony and documents. He has gained notoriety, although reluctantly. Stories about his campaign against the club have appeared in both local and national newspapers.

And last month, the Montgomery County NAACP honored Koch with a special luncheon in his behalf, praising his resolve to correct the injustices against workers at the club and improving their working conditions. Since he began his campaign, employees at the club now have a dental plan, improved working conditions, and the paycheck deduction that has been a part of its practice since 1948 has been eliminated.

Koch is now working with Maryland Attorney General Steve Sachs to locate persons who have worked at the club and since left who may be entitled to backpay awards because of the pay-skimming scheme. Members of Congress, including conservative Senator Jesse Helms and Senator George McGovern, have also lauded Koch's efforts champion the rights of the powerless.

The most "gratifying" reward he gets however, according to Koch, is the expression of thanks from some employees he has helped. He is a kind of cult hero to the hundreds of workers who have benefited from his efforts. Yet he is a near outcast from the ranks of other highbrowed club members who have sometimes harassed him as being a "troublemaker." But despite the hell he has gone through Koch says he would do it again if he had to.

The 64 dollar question now, is where has the money been going? "That's the bottom line question," Koch says. And apparently, club officials are not very interested in answering it. To do so might raise a battery of other questions to look at. Were club managers getting kickbacks? Did the money finance the gambling operations? Is organized crime involved? Are any prominent club members, politicians or otherwise, involved in shady business dealings?

While the subject might seem purely a localized issue, some indications point to a wide interest in how the case is resolved. Club managers from other parts of the country have contacted Koch about it. But as yet, no firm resolution seems in sight.

Koch's determination to help a small group of dishwashers and housekeepers is a spirit that is sadly unique since the height of the civil rights movement. He feels that only such actions can bring it back again. "The country cannot live by laws alone," he concludes. "It's a question of morality."●

SMALL BUSINESSES UNDER ATTACK

HON. JAMES WEAVER

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. WEAVER. Mr. Speaker, in the past 9 years, more than 1,750 service stations have closed in the State of Oregon alone. Hundreds of stations close nationwide every year.

Why is this happening? It is not because people have stopped buying gasoline, or have ceased having their automobiles repaired. In fact, a certain sector of the retail service station industry is making record profits, and is even buying up new businesses as fast as it can.

Who could this be? None other than this country's major oil companies who, in addition to making record profits through price manipulation, are growing fatter and fatter through ownership and lease of independent stations.

These corporations are using their record profits, and well-practiced ability to successfully exercise the most predatory of business practices—to buy out, or otherwise squeeze out, small independent service stations.

To correct this problem, I have cosponsored H.R. 1362—introduced by BERKLEY BEDELL—the Small Business Motor Fuel Marketer Preservation Act of 1981. This act protects the rights of the service station owner in several ways:

First. The act gives service station owners the first chance to buy the stations they lease if the oil company decides to sell it.

Second. It prohibits oil companies from directly operating retail stations.

Third. It mandates rack pricing so that everyone starts from a fair fuel cost. It allows the station owner to go to alternate suppliers for their gasoline.

Earlier this year, I wrote to service station owners in Oregon asking for their support for this legislation, and for their comments. I would like to share some of their responses with you.

A former service station operator in John Day, Oreg., wrote:

Though it is too late to help us, I felt compelled to write just to encourage your efforts to help the service station dealers who somehow manage to stay in business despite the unfair tactics of their companies. Union Oil was determined to close our station—with the new lease agreement they reluctantly offered, came an enormous increase in rent. But it was a sign or close up choice. We chose to sign and at least make the attempt to remain in business—for the years we worked hard at loyally promoting their products, we felt we have been stabbed in the back.

In the same vein, a struggling service station operator in Lincoln City, Oreg., agreed:

While reading your letter regarding the Small Business Motor Fuel Marketer Preservation Act of 1981, my faith in my fellow man and government raised several points. I am in my 27th year at this location and was fortunate enough to buy the property and rebuild it prior to 1972. Since that time, the service station business and the oil company's policy have changed completely. All for the worst.

A longtime dealer in Eugene, Oreg. wrote and said:

The Small Business Motor Fuel Marketer Preservation Act of 1981 you have introduced could well be the salvation of the small operators—I only hope it is not too late. If the present situation continues, I would guess that there won't be but a handful of leasing dealers left in the Eugene area within 2 years time.

And, a Winston, Oreg., Shell dealer expressing the station owners' desperate need for this legislation wrote:

I have been in the service station business for more than 30 years. It has never been an easy occupation due to the tactics of the oil companies. Now it seems that they are more determined than ever to completely freeze out all dealers such as myself. I only hope that I will be able to hold it all together until such time as you and your colleagues can pass the Small Motor Fuel Marketer Preservation Act of 1981.

This is just a small sampling of the huge number of letters I have received from Oregon service station owners. I strongly urge you to talk to dealers in your district to see how devastating the conditions these dealers face are.

It is our responsibility to protect the small entrepreneurs who keep the free enterprise system operating smoothly. Let us put an end to the tragic loss of

family business caused by subsidization, price discrimination, abuse of leasing practices, harsh credit terms and other predatory practices. Let us stop the big oil companies from squeezing out the small stations of America.

I strongly urge you to cosponsor H.R. 1362. If you desire additional information, please contact BERKLEY BEDELL, or myself.●

TRIBUTE TO LIEUTENANT GENERAL GRAVES

HON. WM. S. BROOMFIELD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BROOMFIELD. Mr. Speaker, the retirement of Lieutenant General Graves marks the end of a brilliant career spanning more than 35 years in the U.S. Army. Lieutenant General Graves, completing his service as the Director of the Defense Security Assistance Agency, has exemplified our country's finest qualities of leadership, dedication, scholarship, and management. His excellent contribution to our various security assistance programs has enabled the United States to solidify international relationships with important allies in vital areas throughout the world. Lieutenant General Graves' prior service as Director of Military Applications, U.S. Atomic Energy Commission/ERDA, was of inestimable value in insuring the security of present and future generations of Americans. I cannot possibly note all of his accomplishments, but let me state that wherever Lieutenant General Graves has served, whether in Washington, Korea, Vietnam, or Europe during World War II, he has distinguished himself among his peers.

Lieutenant General Graves' service to the Nation, his pursuit of excellence in accomplishing his tasks, and his outstanding vision in policy formulation, have been deeply appreciated by myself and my congressional colleagues. While his retirement no doubt marks a joyous time in his life, a time in which to pursue activities long put off, I know that the Congress and the Nation will miss him.●

THE EXCLUSIONARY RULE MUST BE ABOLISHED

HON. ROBIN L. BEARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BEARD. Mr. Speaker, today I am introducing a bill to eliminate and establish an alternative to the exclusionary rule in Federal criminal proceedings. The exclusionary rule is a creature purely of the Supreme Court—it is not called for by the Constitution—which mandates that credible and valid evidence must be ignored in a criminal proceeding if there was the slightest mistake, no matter how technical, in the compliance by police officers with the individual rights safeguards of the Constitution.

This rule was imposed by the Supreme Court on Federal proceedings in the case of *Weeks* v. *United States,* 232 U.S. 383 (1914), and extended to State criminal proceedings in *Mapp* v. *Ohio,* 367 U.S. 643 (1961). I an hopeful that by repealing the exclusionary rule for Federal criminal proceedings, its application to the States will be dropped as each State develops alternative means of redress for individual rights violation by its law enforcement authorities. Three members of the Supreme Court have gone on record against the exclusionary rule. See, for example, Chief Justice Burger's opinion in *Bivens* v. *Six Federal Agents,* 403 U.S. 388 (1971), where he stated that the exclusionary rule "creates a damage remedy not provided for by the Constitution and not enacted by Congress," and the Chief Justice called on Congress to act:

> Reasonable and effective substitutes can be formulated if Congress would take the lead, as it did, for example, in 1946 in the Federal Tort Claims Act. I see no insurmountable obstacle to the elimination of the (exclusionary rule) if Congress would provide some meaningful and effective remedy against unlawful conduct by government officials.

My bill does just that. It allows for disciplinary action by law enforcement supervisors against officers who intentionally violate the constitutional rights of citizens, and it allows the citizen to sue the Government for compensatory and punitive damages. For a criminal convicted of the crime for which the evidence was seized, only compensatory damages would be available.

The problem with the exclusionary rule is simple: It punishes the victim for the misdeeds of the police, even where those misdeeds are so trivial that "misdeed" is hardly the correct word. The exclusionary rule only helps criminals, because it provides no redress whatsoever, as my bill does, to innocent victims of police misconduct. The exclusionary rule acts only to throw out valid evidence of the criminal's guilt, thus only criminals can benefit from it, because if the person were innocent, there would be no evidence of crime to seize.

The exclusionary rule has never been utilized in England or its Commonwealth countries, where the illegality of a seizure of perfectly good evidence does not affect its admissibility at trial. Police violators of the law are held personally accountable for their misdeeds—it is not the victim of the crime who suffers by watching his tormentor go free.

Crime is increasing at a fearsome pace in America, Mr. Speaker. I do not hold out the prospect that this bill will provide immediate relief, but what it will do clearly is make if far more likely that the guilty do not go free because of some trivial procedural error by officers acting purely in good faith.●

A TRUE DEFENSE: AN ABM SYSTEM

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. PAUL. Mr. Speaker, a growing number of Americans who support the strongest possible defense for the United States are speaking out in opposition to the MX missile system, and the absurd notion that the only defense Americans should have against attack is the threat to bomb the aggressor country into oblivion.

Such men as Gen. Daniel Graham, Senator MALCOLM WALLOP, and Mr. James J. Kilpatrick have pointed out that instead of building an MX racetrack in the desert—and then building a ballistic missile defense system in order to keep the Soviets from overwhelming the MX—we should reconsider our basic strategic doctrine and move toward a truly defensive system such as a space-based ABM system. The billions planned for the MX system would be infinitely better used to build a continental defense for the United States.

My good friend M. Stanton Evans, a noted journalist, recently wrote a column on this subject that I recommend every Member should read:

> Under a plan approved by President Carter, some 200 [MX] missiles would be shuttled around among 4,600 shelters in sparsely settled regions of Utah and Nevada, connected by some 9,000 miles of newly constructed highways. The cost of the arrangement has been variously estimated at $33 billion to $68 billion—making it, as U.S. News avers, the single most expensive weapons program in the nation's history.
>
> As might be expected of a program that is at once novel, expensive, and defense-oriented, the MX idea has come under severe attack, and the Reagan administration, while favoring the concept, is reviewing the busing mode approved by Carter. Such reconsideration is strongly encouraged by residents of Utah and Nevada, who don't want the MX on the premises, and who are represented by Sens. Jake Garn and Paul Laxalt, both close to Reagan.
>
> All of which is a prime example of the confusions that inevitably arise whenever a major strategy is grounded on a mistaken premise. When the assumptions behind a policy are in error, twists and turns that aim to correct for the original difficulty frequently serve to make the problem worse.

Often the difficulty can be solved, if at all, only by going back and correcting the conceptual error made at the very beginning.

In this case, the seminal confusion is the assumption that the United States should not have any defenses against incoming Soviet missiles. This assumption derives from disarmament lobby theories about a balance of terror between the United States and the U.S.S.R., in which each possesses the power to obliterate the other and neither has an effective defense against the onslaught. To achieve this state, it is considered desirable that the U.S. civilian population be deprived of defenses against potential nuclear devastation, which reassures the Soviets of our good intentions and encourages them to follow suit.

While it may seem improbable that anything so palpably stupid could be the basis of official policy, rest assured that this has been the major governing principle of American strategy for upwards of a decade. It has been in obedience to such notions that we have engaged in SALT negotiations with the Soviets, renounced development of anti-ballistic-missle defense (AMBs) which would seek out and knock down in-coming projectiles, and let our air defense lapse into virtual nonexistence.

It has been our refusal to develop an ABM which—combined with trade policies that provide the advanced technology necessary for modern missile guidance to the Soviets—has served to make our land-base weapons increasingly vulnerable to enemy attack. Having deprived our civilian population of effective defenses in order to gamble everything on our deterrent, we suddenly find that we have left the deterrent open to attack as well. Hence the need for an MX expedient to hide from missiles that we can't knock down.

This is piling one absurdity on another. The obvious answer to this mass of confusions is to undo the original error which says we shouldn't have any defenses against a missile onslaught. The Reagan administration should spend the MX money to develop a workable system of antimissile defenses instead.●

HOW TO REDUCE THE PRICE OF ELECTRICITY

HON. LARRY E. CRAIG

OF IDAHO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. CRAIG. Mr. Speaker, a few weeks ago I had the privilege of chairing and moderating a major energy conference in my State. It provided Idahoans the opportunity to assemble some of our region's foremost energy experts for a discussion of our mutual concerns, and to better clarify and understand the challenges we face in providing for our energy needs.

The 1981 Idaho Energy Conference was highly successful and will indeed help us take appropriate steps to strengthen our State's economy and project its environment through energy planning.

The recently enacted Pacific Northwest regional power bill stipulates that a projection be made of our energy needs through the 21st century. Current estimates show that in 1990 we will face an energy gap, or supply shortage, of from 11 to 22 percent, the 22-percent shortfall being the more likely to occur if the Washington Public Power Supply System's nuclear plants 4 and 5 are delayed in becoming operational past that year.

One would not have to exercise his or her imagination too hard to conjure up the bleak economic picture of our State, if we do indeed find ourselves in this unfortunate situation, just 9 short years ahead.

I am sure in that context of frustration and crisis we could then orchestrate some dramatic go-for-broke solutions to show that Congress is working on the problem. It is much harder to face up to difficult choices now, amid the complacency of a temporary oil glut, which, I might add, some experts believe is a device used by the Saudis to retard our drive to throw off our dependency upon their product.

Crisis reaction is not the answer.

In this regard I should like to include in the RECORD a recent article addressing the energy needs of a region of our country where the effects of energy shortfall have, perhaps, made their strongest impression. Written by Robert V. Kline, a research fellow at the Energy and Environmental Policy Center of Harvard University, and Richard Wilson, a professor of physics, also at Harvard, this article is an example of how complex technical proposals frequently face their ultimate acceptability test on the basis of very down to earth, practical considerations, based on actual costs to consumers. I sincerely believe the conclusions of these learned gentlemen have practical application for the Pacific Northwest as well.

The article follows:

[From the Christian Science Monitor, May 8, 1981]

HOW TO REDUCE THE PRICE OF ELECTRICITY

The price of electricity is rising faster than inflation is raising the general price level. As a result of high electricity prices, people are more critical of the planning by utility companies and are putting increasing pressure on these utility companies through the public utility commissions. Unfortunately the direction of this pressure is often wrong, and will in itself lead to future price increases instead of price reductions.

New England is a case in point.

New England, even in 1981, generates 60 percent of its electricity from oil. In 1971 some oil was bought by utility companies at $1.75 per barrel—about four cents per gallon. Now it cost 17 times as much ($30 per barrel or 70 cents per gallon).

The only way to avoid steadily increasing prices of electricity is to break the dependence upon oil by replacing existing generating stations by other power stations which use cheaper fuels. These power stations must be paid for; yet the only action on prices that an electric utility can take without approval by a public utility commission is to pass through this increase of oil price to the consumer. This is allowed legally by the Fuel Adjustment Charge, which was originally intended to force the utility companies to pass on reductions in oil prices!

In contrast, utility companies have problems in paying for the needed capital for new construction; public utility commissions neither want them to charge in advance, nor do they want to allow enough return on capital, in this time of inflation, to encourage banks to lend the money. In Massachusetts utility companies have been trying to invest in the Seabrook nuclear power facility for two years but have until now been prevented from doing so by the Massachusetts Public Utility Commission.

The recent decision of MPUC to allow further purchases in Seabrook is a sound one, but it is not enough. the commission must make sure that utilities are financially able to meet their commitments to Seabrook. It is politically tempting to blame untilities for problems that owe much more to the failure of the region's utility commissions to support nuclear power wholeheartedly a decade ago. The result is worse than stagnation, because future price increases are built into the system.

There are two types of new power plants that are possible in New England; coal, including conversion of oil to coal, and nuclear. There are only a few power plants for which it is ready to convert to coal. For many power plants there is no space for coal storage, or waste storage, or adequate pollution suppression devices. It would seem unwise to convert the plants in the major cities of Boston and New York. But there are several new nuclear power plants being planned and under construction—Millstone 3, Seabrook 1 and 2, and Pilgrim 2. If these power plants are being delayed by state regulatory and political actions.

We therefore decided to study in detail the cost savings to the New England Region when these plants are finished. If, for example, Millstone 3 had been finished in 1978 when planned, it would have cost a little over a billion dollars—or about $900 per kilowatt. At that cost the wholesale price of electricity from this plant would now be about 4.4 cents per kilowatt hour, which is less than the 5 cents per kilowatt hour from burning oil alone. Moreover, the 4.4 cents would have declined as the power plant was paid for falling to 3.5 cents per kilowatt hour in 1990.

Although the cost of power plants is rising even faster than inflation, the cost of oil is also rising faster than inflation. As residual oil costs approach even present world oil prices the fuel cost for a kilowatt hour of electricity from oil will increase from 5 cents to 6 cents.

We therefore draw the important conclusion: now and in the forseeable future it is economic to build new nuclear power plants, and throw away oil-fires power plants, as the new plants are finished. Yet public utility commissions have erroneously chastised utility companies for having "too much excess capacity"—overlooking the fact that the people are best served by building until all oil-fired electrical generating capacity is excess.

We have added up the total cost that New England consumers will pay in the next decade, assuming that they use the same amount of electricity as today, and assuming that inflation continues at 10 percent and oil prices go on rising. If we do not finish these new electricity plants, we will spend $39 billion at wholesale prices. If we had finished them on time, we would be spending only $26 billion. The difference is a $13 billion charge for the delays we have

had. If we complete these plants now as quickly as possible, we will spend $31 billion. If oil plants are converted to coal in the few cases where it is feasible, we will spend a few billion less.

We have omitted many costs of an indirect nature: mining hazards associated with coal; oil spills; and nuclear safety problems. These are not part of the direct costs to New England. In the long term, prices of nuclear electricity and coal prices are likely to be comparable over much of the country with nuclear having a 10-20 percent edge in New England.

Utilities have been trying to buy hydroelectric power from Quebec since 1965 but have failed. The capital costs of electric power from the sun or wind in 1980 remain considerably higher than nuclear or coal. In 1970 planners preferred nuclear power to the only reasonable alternative, coal, for environmental reasons. We believe they were right, and that those who claim that nuclear power is unacceptably dangerous to the environment are tragically wrong.

New England will pay a stiff price for delaying these power plants. Losses can be limited by delaying no further. The political actions can be reversed, and then the capital can be found for rapid completion of these and any other power plants, coal or nuclear, needed to disconnect the region from expensive foreign oil.●

TRIBUTE TO SOUTHERN CALIFORNIA MOTION PICTURE COUNCIL

HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. WAXMAN. Mr. Speaker, I would like to call attention to the fine accomplishments and goals of the Southern California Motion Picture Council (SCMPC). At a time when many Americans are deeply concerned about the quality of motion pictures and television programs, this organization is striving to improve the caliber of the industry's productions. Among the objectives of the council is to furnish unbiased information and to aid in the building of audiences for high-quality movie and television productions. The SCMPC encourages parents to take an active, responsible part in television program selection in their homes.

Toward these ends, the SCMPC compiles a directory of meritorious films for all audiences, which it distributes nationally to associations such as PTA's, libraries, and religious institutions. While some organizations have called for the boycott of certain films deemed by them objectionable, the council finds its own directory and other efforts a more effective and sensitive way of educating viewing audiences.

Each of the movies listed in the directory has been recognized for its excellence at one of the council's bimonthly meetings. The members of SCMPC hope that their distinguished awards will focus enough attention on these superior films to motivate audiences to see the productions. Consequently, the council hopes that the increased viewership will serve to promote production of the very best in programing.

Mr. Speaker, on behalf of the residents of the State of California, and of all others who continue to benefit from the efforts and services of the Southern California Motion Picture Council, I wish to express my profound appreciation and support of this organization.●

NORTH CONWAY—A NICE PLACE TO LIVE

HON. NORMAN E. D'AMOURS

OF NEW HAMPSHIRE

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. D'AMOURS. Mr. Speaker, with all the bad news in the world today it is a pleasure to report that there are still places one can call "home" where neighbors still help neighbors, and the simple pleasures of peaceful living can still be enjoyed.

Judy Mann's excellent column in today's Washington Post describes one family's move from the trials and tribulations of Metropolitan Washington to the serene and friendly environment of North Conway, N.H. I recommend it to all my colleagues.

COUPLE PURSUES DREAM AND FINDS IT IS REAL

(By Judy Mann)

This is a story about a dream, the kind we all have at one time or another, but the kind most of us don't pursue, opting instead to suffer occasional twinges of dissatisfaction with the life we have chosen rather than risk losing it all. But for Marilyn and Larry Miller, the dream turned out to be something real, which is what makes this a story.

The year was 1975. The Millers' first store at 14th and Fairmont streets NW had been burned during the riots and they had spent the seven intervening years trying to make a go of it with the Loudoun Supermarket. They had three children, a home in Reston and the kind of 12-and 14-hours days that owners of small businesses put in when they are competing with supermarket chains. It wasn't working, and when they faced the inevitable conclusion that their market wasn't going to make it, they sat down and looked at the way they lived and decided to change it. "We were like ships passing in the night," recalls Marilyn. "We spent very little time with ourselves or with our children."

They had always liked New England, and went to visit friends in the Boston area, thinking of relocating there. "It wasn't what we were looking for," says Marilyn, "althought at the time we couldn't have given a good definition of what that was." Larry Miller thought it was Lake Winnipesaukee, the magnificent New Hampshire lake he discovered in the almanac. But when they went there, they found that it wasn't what they were looking for. "That really got us down," says Marilyn. "We felt the silver lining we were trying to find just didn't exist."

They decided to visit friends in Maine. The shortest route on the map took them through a town called North Conway in New Hampshire. "It was on Easter Sunday and snowing," says Marilyn. "We hit the entrance to the Mount Washington valley and we drove about a mile and a half through the main thoroughfare and Larry parked the car by the side of the road and got out and walked around and got back in and he said 'I don't know what's here, but this is where we're going to live.'

"And I, not being very calm about the whole thing, told him he was out of his mind," says Marilyn. But the friends they visited in Maine told them that North Conway was, indeed, the kind of neighborly, small town they were looking for. They returned through North Conway and found a real estate agent. "The more he showed us the area, the more we fell in love with it," says Marilyn. All they needed was to find a business to run. That night, the agent called them and told them of a restaurant that seemed "unsettled." The next day, they met the owner, made an offer and 24 hours later had themselves "The Big Pickle." Both Larry and Marilyn were born and raised in Washington. "We did our best to pursuade our family and friends whom we had spent all our lives with that what we were doing was truly a super thing for us," says Marilyn. Within three weeks, the Millers had sold their home, liquidated their business and moved to North Conway. "About 90 percent of our negotiations right down to the purchase of our house and establishment of our business was solely based on handshakes and just the intent of man's good will," she said. After settling on the house and business, however, they had very little cash. The house they bought was "affordable," as Marilyn puts it, because it had a defect: when it rained heavily there was a threat of serious flooding on the first level. The real estate agent told them it could be corrected. "So we took a chance and felt if we could get through the first year without a monsoon we could get to the problem." Within three weeks of moving in, there was a downpour and neighbors called them at work to say the house was filling with water. A plumber came to pump the water out and told them it would take $1,400 to correct the problem. They didn't have the money. "He looked at us and said, 'You have a problem; I will correct it, and when you are able to pay me, you pay me.' Fourteen months later, we paid him."

The Millers have become active in community affairs and take frequent trips with their friends and children in the north country. Their restaurant is only open for lunch and breakfast, so that both of them have had the experience for the past six years of being home when their children get out of school. They own a four-bedroom home on an acre of land, and are within minutes of mountains and lakes and recreational facilities that tourists spend thousands of dollars to see once a year. "We could not afford to live in the city based on the income we are making here," says Marilyn, "but based on what we are earning and the way we are living, we are far ahead of the game."

"You don't have the tension that you have in the city," says Larry. They feel freer about leaving their home unlocked, their children alone or letting them do things on their own. "We go back to Wash-

ington once or a twice a year. We enjoy our family and friends, but the traffic and hustle-bustle, I don't know how people do it. I was always a small town person and didn't know it." says Larry.

The Millers took a chance, and for the first two years sacrificed a lot to make it work, "right down to our eating habits," says Marilyn. Their only regret is that they didn't do it sooner. "We took a deep breath, packed our bags and went after a dream," she says. "And we were lucky, because we found it."●

REAGAN TAXONOMICS OR HOW TO STIMULATE R. & D. TO THE PRIVATE SECTOR

HON. DON RITTER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. RITTER. Mr. Speaker, shortly we will begin debate on the tax bill, a key element in the President's economic recovery program. As a scientist, I would like to take this opportunity to highlight some of the tax initiatives for research and development being considered.

A frequent criticism heard these days is how the Reagan administration is "cutting back on R. & D." First, contrary to the opinions of those folks who make a business out of government grants and contracts, government R. & D. is not the only game in town nor should it be. Second, it is important to note that reducing the growth rate of government-sponsored R. & D. does not mean that the administration is anti-R. & D. High-priced, long-term research with a potential for a valuable payoff for the entire society, like the National Institute of Health's research or basic science and engineering research conducted by the National Science Foundation, will continue. Frequently, much government research never finds its way off the dusty shelves where reports are stored, or it takes too long and costs too much to get useful information or products. Let us face it, many studies end up serving no useful purpose; wasting taxpayer's dollars. There is both a need to lessen the waste of our tax money on unnecessary or superfluous research and a need to encourage necessary and vital R. & D.

The big question—the most difficult to answer—is, "How does one decide what is superfluous or necessary and vital R. & D.?" Well, payoff in the marketplace might help with the answer. R. & D. which gives us the invention and the innovation to stimulate the economy, create new jobs in new areas, and enhance productivity is a big part of the answer to beating inflation. I wish there were easy answers to identify where these R. & D. efforts should be, but there are not. The best we may be able to do with nearly a $3 trillion economy is to allow more of the decisions about R. & D. be made by those who will potentially profit from the financial and professional risks taken; individuals who seek to promote new ideas and products and processes.

The goals of federally funded R. & D. research can stray to goals of self perpetuation. On the other hand private sector R. & D. has some natural, built-in safeguards against the waste of money and resources. A government bureaucrat cannot feel the same pressure for financial efficiency like a businessman working for survival.

With these principles in mind, there are some tax proposals being considered in Washington which would encourage research in the private sector. First, reducing the taxes paid by individuals on earnings from entrepreneurial efforts gives reward to the risk of leaving secure corporate or government environments to test one's mettle in the marketplace. Starting solo has risks and the rewards need to be there as well. Thus, the administration's proposed 25 percent, 3-year reduction in tax provides greater reward to stimulate individuals to get out and try their own ideas. Proposed capital gains tax rate reductions from 28 percent to 20 percent will further work to make reward more competitive with risk. These features should have a powerful impact on the newer, smaller, more innovative firms where personal income tax schedules are more often used.

Second, the administration tax package also provides a 25-percent tax credit for increases in wages and salaries related to R. & D. work. Third, a plan, with bipartisan Senate and House sponsorship, would extend the 25 percent beyond wages and salaries to include materials, lab supplies, and most important, the cost of computer time. A small new business with $100,000 invested in R. & D. might get a $25,000 credit under this plan.

The administration's proposal to provide a 25-percent tax credit for increase in wages and salaries related to R. & D. work encourages the funneling of bright and innovative minds into research; the type of research that will bring payoffs in new technology. To illustrate the way the tax credit for R. & D. wages would work, consider a company whose average R. & D. wages for 1982-84 is $100,000. In 1985 the company pays $200,000 in R. & D. wages. The company would be allowed to take 25 percent of the increase—0.25 by $100,000—or $25,000 off the top of its tax bill in addition to the tax deduction normally taken for wages in 1985. The $100,000 increase in R. & D. wages in 1985 would be returned at an annual 46 percent corporate tax rate through this deduction bringing the total tax benefit to $71,000. The company's aftertax cost on R. & D. wage increases would be $0.29 on the dollar for 1985 as opposed to the present aftertax cost of $0.54 on the dollar.

R. & D., applied in the marketplace, is critical to the health of our economy. It is preventive medicine against inflation and falling productivity. We need to once again allow the technological pioneers of this country the means to compete with one another; to provide the improvements in the quality of life that we all seek. For that, we need to regard innovators and inventors once again as heroes. They have been too long submerged in an overbureaucratized, overtaxed, and overregulated economy where litigants are kings. Let us start by making R. & D. a profitable business for a change.●

MANDATORY ADDITIONAL SENTENCES ARE THE MOST EFFECTIVE WAY OF DEALING WITH GUN-USING CRIMINALS

HON. ROBIN L. BEARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BEARD. Mr. Speaker, today, I am introducing a bill designed to deal with one of this country's worst problems: The problem of violent crime involving the use of firearms. I believe that the available facts show that the only truly effective way to deal with handgun crime is through mandatory minimum sentencing. That is what my bill does.

In brief, my bill, which applies to Federal crimes, would tack on an additional mandatory 5-year sentence to that sentence already imposed for the crime if the criminal used a gun in the commission of that crime. In the case of a second conviction, an additional 10-year mandatory sentence would be tacked on to the sentence for the crime itself. For example, a criminal convicted of armed robbery might get 7 years for the robbery. My bill would require an additional 5 years for the use of a gun in that crime; 10 years if a second offense.

The important points about the additional sentence are these: First, the sentence is mandatory; the judge cannot suspend it or put the criminal on probation, nor will the criminal be eligible for parole during the 5-year period. Thus the bill says to every would-be gun-using criminal: "Use a gun. Go to jail." That is not currently the case, as many criminals go free despite their crimes, due to suspended sentences or early parole.

Second, the additional sentence must run consecutively, not concurrently, with the sentence for the crime itself, thus it is not superfluous.

Third, the existence of the additional mandatory sentence may not be commented upon to the jury at trial. Critics of mandatory sentencing say that juries sometimes will acquit a defendant rather than condemn him to a mandatory sentence. Whether this is true or not, my bill obviates the problem by prohibiting mention of the additional sentence during the trial on the defendant's guilt or innocence.

The facts show that mandatory sentencing for armed crimes is far more effective in deterring criminals than gun control laws. Arizona enacted a 5-year mandatory sentence for gun crimes in 1974; over the ensuing 3 years, armed robberies fell 25 percent, South Carolina enacted the same type of statute in the same year; within 3 years, the armed robbery rate had fallen 15 percent. Florida, in 1975, enacted a mandatory 3-years-to-life sentence for use of a gun in a felony; the following year, handgun murders were down 21 percent, armed robberies down 38.5 percent. Michigan, in 1976, established a mandatory 2-year sentence for carrying a firearm during a felony; the following year, armed robberies were down 30.4 percent, firearms murders down 33.7 percent.

Mandatory sentencing means certainty in sentencing. It tells all criminals in simple language that using a gun means going to jail—period. No parole, no suspension—just jail. As the tide of violent crime rises, threatening to engulf us, it time for the law-abiding citizens to deliver one clear, unmistakable message to the forces of violence: We are not going to take it anymore.●

PROCLAMATIONS IN OBSERVANCE OF CAPTIVE NATIONS WEEK

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. DERWINSKI. Mr. Speaker, as we continue to mark the 23d observance of Captive Nations Week, I wish to insert several proclamations issued from the Governors of the States of Virginia, West Virginia, Michigan, Indiana, Mississippi, and Maine. This represents a broad range of spiritual support for those nations enslaved under the bandage of communism.

CERTIFICATE OF RECOGNITION

By virtue of the authority vested by the Constitution in the Governor of the Commonwealth of Virginia, there is hereby officially recognized: Captive Nations Week, 1981.

Recent events in Poland remind us that people in various parts of the world are still engaged in struggles to preserve their freedom, and look to America for inspiration and understanding.

I, therefore, join the President and the Congress, which have set aside the third week in July as CAPTIVE NATIONS WEEK, in calling the significance of this celebration to the attention of the people of Virginia.

JOHN N. DALTON,
Governor.

PROCLAMATION FROM THE STATE OF WEST VIRGINIA

Whereas the imperialistic politics of Russian Communists have led, through direct and indirect aggression, to the subjugation and enslavement of the peoples of many countries; and

Whereas the desire for liberty and independence by the overwhelming majority of peoples in these conquered nations constitutes a powerful deterrent to any ambitions of Communist leaders to initiate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of human freedom and human rights and to the people of the United States as the leaders in bringing about their freedom and independence; and

Whereas the Congress of the United States by unanimous vote passed Public Law 86-90 establishing the third week in July each year as Captive Nations Week and inviting the people of the United States to observe such week with appropriate prayer, ceremonies and activities, expressing their sympathy with and support for the just aspirations of the captive nations.

Now, therefore, I, John D. Rockefeller IV, Governor of the State of West Virginia do hereby proclaim July 12 through July 18, 1981, as Captive Nations Week in West Virginia.

JOHN D. ROCKEFELLER IV,
Governor.

EXECUTIVE DECLARATION FROM THE STATE OF MICHIGAN

The desire for freedom and liberty burns in the hearts of people throughout the world, including those living in nations dominated by the policies of Communist Russia.

Freedom-loving people of Albania, Armenia, Bulgaria, Byelorussia, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Rumania, Serbia, Slovakia, the Ukraine and other captive nations look to the United States as the vanguard of human freedom.

Therefore, I, William G. Milliken, Governor of the State of Michigan, do hereby declare July 12-18, 1981, as Captive Nations Week in Michigan, and urge all citizens to dedicate time and effort to the goal of freedom and liberty for all people throughout the world.

WILLIAM G. MILLIKEN,
Governor.

PROCLAMATION FROM THE STATE OF INDIANA

Whereas the imperialistic politics of Russian Communists have led, through direct and indirect aggression, to the subjugation and enslavement of the peoples of Poland, Hungary, Lithuania, Ukraine, Czechoslovakia, Latvia, Estonia, Byelorussia, Romania, East Germany, Bulgaria, Mainland China, Armenia, Azerbaijan, Georgia, North Korea, Albania, Idel-Ural, Servia, Croatia, Slovenia, Tibet, Cossakia, Turkestan, North Vietnam, Cuba, Cambodia, South Vietnam, Laos, Afghanistan and others; and

Whereas the desire for liberty and independence by the overwhelming majority of peoples in these conquered nations constitutes a powerful deterrent to any ambitions of Communist leaders to initiate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of human freedom and human rights and to the people of the United States as the leaders in bringing about their freedom and independence; and

Whereas the Congress of the United States by unanimous vote passed Public Law 86-90 establishing the third week of July each year as Captive Nations Week and inviting the people of the United States to observe such week with appropriate prayer, ceremonies and activities; expressing their sympathy with and support for the just aspirations of the captive nations;

Now, therefore, I, Robert D. Orr, Governor of the State of Indiana, do hereby proclaim the week of July 12-18, 1981, as Captive Nations Week in Indiana, and call upon our citizens to join with others in observing this week by offering prayers and dedicating their efforts for the peaceful liberation of oppressed and subjugated peoples all over the world.

ROBERT D. ORR,
Governor.

PROCLAMATION FROM THE STATE OF MISSISSIPPI

Whereas the imperialistic politics of Soviet Communists makes a mockery of the idea of peaceful coexistence between nations, and has led to movements of aggression and the annexation of the enslaved nations and the people of these lands; and

Whereas the desire for freedom and independence by the people of those subjugated nations constitutes a powerful deterrent to any ambitions of those communist leaders to provocate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as a powerful and untouched citadel of human rights; and

Whereas the third week in July each year has been set aside in order to express sympathy with and support for the aspirations for the recovery of their freedom and independence:

Now, therefore, I, William F. Winter, Governor of the State of Mississippi, do hereby proclaim July 12-18, 1981, as Captive Nations Week in Mississippi, and call upon all Mississippians to join in observing this week with appropriate ceremonies and activities and to reaffirm their dedication to the ideals which unite us and inspire others.

WILLIAM F. WINTER,
Governor.

PROCLAMATION FROM THE STATE OF MAINE

Whereas the aggressive and imperialistic policies of Communist Russia have led to the subjugation of over a score of countries in Eastern Europe, Central Asia, and elsewhere; and

Whereas these captive nations constitute a substantial portion of the world's population which has been denied what we Americans consider traditional liberties; and

Whereas the yearning for freedom is irrepressible, eternal, and worthy of our assistance and support in every possible way; and

Whereas the Congress of the United States has designated the third week in July of every year as Captive Nations Week until all those nations are relieved of the yoke of oppression;

Now, therefore, I, Joseph E. Brennan, Governor of the State of Maine, do hereby

proclaim Sunday, July 12 through Saturday, July 18, 1981 as Captive Nations Week throughout the State of Maine and urge all the citizens of our state to observe this week with appropriate ceremonies and activities to express sympathy and support for the aspiration of captive peoples.

JOSEPH E. BRENNAN,
Governor.●

OUR DEBT TO DEMOCRACY

HON. CHALMERS P. WYLIE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. WYLIE. Mr. Speaker, Phil Bronsdon, a senior at Dublin High School in Dublin, Ohio, and one of my constituents, has received the U.S. Government Award presented annually by the Dublin Area Women's Republican Club for his views, which he has entitled, "Our Debt to Democracy."

I am told that Phil Bronsdon feels strongly about these expressed responsibilities to our society.

OUR DEBT TO DEMOCRACY

(By Phil Bronsdon)

A common definition of a debt is something that is owed. Ours is a society of responsibilities; we all share in some of them. In order to meet all of our pressing obligations, we must establish and organize priorities. The chief responsibility of the young should be this very task. A strong democracy is an involved democracy.

One of our debts to democracy comes in our military obligation. Each of us needs to find a positive, meaningful way to serve our country. Fulfilling this debt is the first step to repaying our debt to democracy.

Another debt, of those who can qualify, is the political debt. Any citizen of our great land has many privileges. He can vote in part of the world's greatest political system. He can further contribute by campaigning for a candidate of his choice, even if it is himself, because in this country any citizen may run for almost any office. This is a very important second step to a free country.

Another of our debts is a responsibility to ourselves, as well as to our country; it is to live an honest, honorable life. In a time of dog-eat-dog aggressions, we must band together in the rich spirit that ignited the eternal flame of democracy. We must find room in our hearts and time in our days to help our neighbors, and we will help ourselves to a better way of life in a land of freedom and peace, America.

In order for each of us to insure a full reimbursement of our debt, we must strive to reach our individual potentials. Each of us has the God-given ability to become a responsible, effective citizen, of whom the United States can be proud. We must all take every opportunity to be the very best citizens we are capable of being to ensure that we repay our debt to democracy.●

THE TALE OF HOFFMAN

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. LEHMAN. Mr. Speaker, my constituents, Bernard and Rose Hoffman, of Florida's 13th Congressional District, are to be congratulated. Their son, Joe Israel Hoffman, recently graduated with the degree doctor of medicine from the University of Miami School of Medicine, class of 1981.

Dr. Hoffman's special achievement was featured in the University of Miami-Jackson Memorial Medical Center's summer edition of Spectra, and I would like to share his special story with my colleagues.

THE TALE OF HOFFMAN

Like many of this year's 175 med school graduates Joseph I. Hoffman began at an early age to consider becoming a doctor. But unlike many of his classmates, the circuitous events of his life, leading up to his acceptance for residency by Anne Bates Leach Eye Hospital, have been as interesting and challenging as the med school itself.

Hoffman was born Joseph Israel 25 years ago in Kenitra, a small town on the Atlantic coast of Morocco.

He attended primary school there up to the age of 12. At this time, tragedy struck. While he was away at school, Hoffman's parents died.

He was an only child, so after being orphaned, the one person he could turn to for support was his rabbi in Morocco.

Here the adventure and the good fortune began.

With the help of his rabbi, Hoffman made aliyah to Israel after a brief stay in Marseilles, France.

The aliyah is when a person moves to Israel from his native country and gives up his citizenship to become an Israeli citizen.

He worked on a kibbutz (collective farm) until 1971. Beside attending school and performing general chores, his main duty was milking cows, an experience which Hoffman said he enjoyed very much.

"I was growing up and the job carried certain responsibilities. The village was being run by the kids in the school and there were very few older people there," Hoffman said.

While still in Israel, Hoffman kept in contact with the sister of his rabbi who was still in Morocco.

She and her family had been trying for 18 years to get visas to America. Finally, their visas were granted and they made the journey to Miami.

After settling into their new homeland, the rabbi's sister and her husband contacted Hoffman, offering to sponsor his immigration to America if he was interested.

Interested he was.

"I enjoyed living on the kibbutz, but I began to feel that it was time for me to begin a serious education," Hoffman explained.

In just one year Hoffman had his student visa to America—an accomplishment within itself since the usual waiting time for a visa to America is much longer.

He arrived in Miami, and although he was fluent in Hebrew, French, and Arabic, he spoke no English. Despite the language barrier however, life in America was not totally foreign to him. He learned to speak Spanish.

"There was an American naval base near Kenitra and as a young boy, I met a lot of Navy people there," he said, explaining his initial exposure to the American lifestyle.

Soon Hoffman was enrolled in Miami Norland Senior High where he got his first formal lessons in the English language. He later attended North Miami High and graduated in 1974 from North Miami Beach High.

Hoffman then attended Miami-Dade Community College for a year before enrolling in the University of Miami.

He was recognized for academic excellence at both. He was accepted into the UM medical school after three years of undergraduate work.

Hoffman attributed his scholastic accomplishment to hard work and the support by his parents, Bernard and Rose Hoffman, who adopted him in 1973.

"I had long been interested in the medical sciences and being adopted brought a lot of stability to my life," he explained.

Hoffman will become and American citizen this month. He was granted permanent status by a special act of Congress in a bill by Congressman William Lehman.

Hoffman's list of scholastic honors include the 1979 Earl R. Sutherland Award which is given by the med school's Biochemistry Department for the best performance on part one of the National Boards Exam.

He also is the member of seven honor and professional societies and was on the Dean's List and President's Honor Roll while in undergraduate school.

But according to Hoffman, one of the highest honors he has yet to receive is being selected to serve his opthalmology residency at the Bascom Palmer Eye Institute.

"I felt exhilarated and extremely fortunate when I learned I'd been selected by Bascom Palmer," he said.

Only six applicants of the thousands from around the world were selected for residency at Bascom Palmer, Hoffman's first choice.

He will begin the residency after a one-year internship at Mt. Sinai in Miami Beach.

When he takes breaks from his medical studies, Hoffman enjoys scuba diving, water skiing, jogging, racquetball, theater and concerts. He described one of his most exciting experiences as diving in the Red Sea at the tip of the Sinai Peninsula.

Hoffman is a part of the medical school's 26th graduating class. Thirty eight of the graduates will serve their first-year residencies at UM affiliated hospitals.

Jess Catlin was elected to Alpha Omega Alpha to head the list of student awards announced at the Senior Class Banquet May 22. Others were:

Family Practice, Cheryl Reinhart; Medicine, Ileana Tandron and Joe Hoffman; Surgery, Nestor Javech; Alumni, James Norconk; Julia Fisher Papper, Mike Perry; Upjohn, Ileana Tandron; American Medical Women, Maria Garcia-Moore, Recia Kott-Blumenkrantz, Judy Pardo, Nancy Schleider-Kushner, Ruth Schobel, and Ileana Tandron.

Also, Lange Bok, Maria Garcia-Moore and Recia Kott-Blumenkrantz; Merck Book, Jon Bruce Chopyk, Joel A. Greenberg, Michael Horowitz, and Alfred Rivera; Ob-Gyn, Jr., Core-Carmen Fernandez and Judith Pardo; Psychiatry, William Goekeler; Anatomy, Joe Hoffman; Pediatrics, Ruth Schobel.●

LOS ANGELES COUNTY BOARD OF SUPERVISORS ENDORSES A STRONG CLEAN AIR ACT

HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. WAXMAN. Mr. Speaker, the Los Angeles County Board of Supervisors recently sent me the attached resolution calling for renewal of a strong and effective Clean Air Act. As this resolution shows, millions of Americans continue to be concerned about the health and economic damage caused by air pollution. I hope they will continue to make their voices heard during the impending debate over reauthorization of the Clean Air Act.

I commend the board's resolution—adopted July 7, 1981—to the attention of my colleagues:

RESOLUTION

Whereas, air pollution continues to be a blight on Los Angeles County; and

Whereas, an attempt is underway in Congress to water down the Clean Air Act of 1970; and

Whereas, many residents must spend most of their days of the year living in what the South Coast Air Quality Management District terms "unhealthful air"; and

Whereas, air pollution constitutes the one dark spot on our otherwise perfect climate and carries with it many economic costs for our area, such as reduced tourism, deterioration of rubber and other products, and increased health costs; and

Whereas, despite the fact that 60% of Los Angeles County's air pollution comes from automobile emissions, before the Clean Air Act was passed the auto industry merely dragged its feet in developing smog devices; and

Whereas, although the fight is difficult, now is not the time to give up the battle for clean and healthful air for all Americans:

Now, therefore, be it resolved, That the Board of Supervisors of the County of Los Angeles urge the members of the Congress of the United States to renew the Clean Air Act in a responsible and effective way, so that this landmark legislation can continue to serve as the cutting edge for cleaner air throughout our Nation.●

RECLAMATION REFORM ACT OF 1981

HON. MANUEL LUJAN, JR.

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. LUJAN. Mr. Speaker, one of the most crucial issues yet to be resolved by this Congress is the issue of reclamation reform. Thousands of farm families in 17 Western States are still living under the dark cloud of uncertainty that was cast over the Federal reclamation program by the last administration.

During the 95th and 96th Congresses, those farm families petitioned the legislative branch for relief and protection from the misguided excesses of the executive branch regulations which were neither based on sound interpretation of law nor grounded in acceptable public policy. Both the 95th and 96th Congresses wrestled with the problem, argued with the administration, debated various approaches to reclamation reform, but failed to provide the legislative relief so obviously needed.

Western farmers know that the present administation has no intention of pursuing the revolutionary land-redistribution schemes that surfaced over the past 4 years; but they also know that the same forces that failed this time will be back at the farm gate at the first opportunity, trying to tell the farmers where they may or may not live, what they can and can not do with their private property, and how they should manage the operation of their farms.

This Congress must not fail to protect these farmers from any future administration that wants to dismantle the world's most stunningly successful agricultural production system and change it into some kind of urban resettlement program operated by lottery out of Washington.

The bill I am introducing today—the Reclamation Reform Act of 1981—will provide farmers with the protection they need from such tomfoolery. It will erect a legal fence around the family farm to keep the social tinkerers at bay while the farmer works the land, supports his family, pays his taxes and tries to provide the Nation with abundant low-cost food.

My bill does two things:

First. In title I, it makes a number of amendments to the 1902 Reclamation Act without changing the 160-acre limitation on ownership.

Second. In title II, it gives each reclamation farmer his choice of coming under one of two programs:

A. If he chooses this program he remains under the provisions of the 1902 act as amended in title I, in which case he would still be under the 160-acre limitation on ownership, exactly as he is today. If he and his neighbor want to pool their individually owned 160-acre parcels into one farm operation, they may, just as in the past. And it makes no difference whether 2 farmers or 100 farmers choose to pool their lands into a single large farming operation, as long as the land remains in ownerships of no more than 160 acres per person. They may lease their lands to each other or to a professional farm manager, as in the past, if that is their choice. In short, the Federal Government exchanges its subsidy in the water for the right to have the ownership of the land spread across as many individuals as possible, thus assuring wide distribution of the benefits from the Federal project.

B. If a farmer does not choose to stay under the current law, as outlined above, he may opt for this second program, under which he may obtain subsidized water for up to 960 acres, regardless of whether he owns the land or leases it from others. In exchange for this larger guaranteed entitlement to water, he must accept the condition that he will pay full cost for any water he uses for lands in excess of 960 acres. And, in contrast with plan A, wherein the 160-acre limitation applies to each individual in a family and thus permits each family member to own 160 acres, the 960-acre limit in plan B applies to the entire family as a unit.

Thus, a family consisting of a man, his wife and four children would be entitled to 960 acres under either plan.

Which program a family chooses to be under will depend, of course, on the goals that family has set for itself. Plan A permits more flexibility of operation, with limited opportunity to acquire ownership equity, while plan B permits the acquisition of more ownership equity but places economic restrictions on farm size.

The important point is that the family, not someone else, sets those goals and makes that choice.

From the standpoint of recouping the Federal investment in these projects, this is a good bill because the money will come back to the Treasury faster from those paying full cost for their water.

A word about some of the 1902 act amendments in title I:

On residency, my bill responds to the unanimous plea we heard from reclamation farmers to remove this horse-and-buggy anachronism from the law, once and for all. And somehow, the thought of Federal agents fanning out through the West with tape measures, making sure the farmers live within the Washington-prescribed distance of their alfalfa, suggests just a wee bit too much Federal protectiveness toward our alfalfa. The residency requirement is repealed in title I.

And on the issue of whether lands receiving water stored behind dams built by the Corps of Engineers should come under reclamation law, my bill comes down on the side of the western farmers, who would be terribly discriminated against if the laws were made to apply as proposed. None of the proponents of bringing these dams under reclamation law are willing to apply their idea even-handedly across the Nation. There are corps-built dams from Florida to Oregon and from Maine to California. Farmers in both the East and West irrigate their lands with water from corps dams. But the proposal has been to have only the farmers of the West come under the restrictive law while the farmers in the East do not. The unfairness is pa-

tently obvious and my bill exempts all corps projects from reclamation law except as specifically provided by the Congress.

Other amendments in title I will mandate equivalency when requested by a district, restore to recordable contracts any time lost by Federal moratoriums on land sales, tighten up the antispeculation feature of excess land disposal laws, and exempt from acreage limitation various categories of lands in unusual situations such as lands owned by religious organizations, lands receiving temporary flood waters, and so forth. All are exemptions that were contained in the Interior Committee bill that was reported favorably during the last Congress.

That, Mr. Speaker, is what the bill does. The response to every major problem is the response we heard from the farm families themselves. The major thrust of the bill is to preserve and protect the principle of small family farms by retaining the 160-acre-ownership limitation while adding a new opportunity for those farmers who wish to own more acreage but who agree to pay full cost for water over a certain amount.

It is a good bill, a workable bill, a reasonable bill and a bill that can be supported by farmers, by administrators, by westerners, by easterners, by conservatives, and by liberals. It is the right answer to reclamation reform. I invite all of my colleagues to join me in sponsorship, and I will do everything I can as ranking member of the Interior Committee to schedule early hearings and markup so we can get this legislation to the President for signature before the end of the year.●

PERSECUTION AND HARASSMENT OF JEWS IN THE SOVIET UNION

HON. CHRISTOPHER H. SMITH

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. SMITH of New Jersey. Mr. Speaker, I rise today to take part in the "Call to Conscience" Congressional Vigil for Soviet Jewry, in the hope that my efforts here in Congress can help Svetlana Levina who wishes to emigrate to the free world.

Svetlana, who is a physician, and her son applied for permission to emigrate in March 1978. At that time, Svetlana was 42 years old, yet incredibly, the Soviet authorities denied her request because she did not have her mother's permission. Svetlana's parents were divorced many years ago and her mother refuses to see her. Now the Soviet Union, which has done so much to damage family life, is denying this woman and her son the opportunity to pursue a peaceful and free family life.

Recent reports from Tashkent indicate that this widowed woman may be arrested for parasitism since she has not worked since 1978. What will happen to her son if she is thrown in jail? How will this reflect on the Soviet Union's so-called concern about family stability?

If Svetlana is a parasite, as the Soviets imply, should they not be glad to see her leave? The behavior of the Soviet authorities in their handling of this case seems to be both inconsistent and hypocritical.

Mr. Speaker, there has been a sharp decline in Jewish emigration from the Soviet Union in recent years. Over 50,000 Jews emigrated in 1979 but in 1980 the number fell off to 21,000. Monthly levels of emigration have continued at a low level so far this year.

This continuing pattern of insensitivity is deplorable. Svetlana Levina is experiencing the same kind of persecution and harassment as thousands of other Jews in the Soviet Union. Antisemitism in the Soviet Union runs rampant. The outright contempt for religious freedom that the Soviets habitually demonstrate is an international disgrace.

It is entirely appropriate for the Congress and the President to refuse the Soviet Union most-favored-nation status for as long as they continue their despicable practices. We must send a signal to the world that the tyrannical actions of this regime will not be tolerated by our Nation.

Mr. Speaker, I am proud to serve as the cochairman of the 97th Congressional Freshmen for Soviet Jewry. I hope that increasing numbers of my colleagues will join in this effort to achieve justice for those who wish to emigrate from the Soviet Union. For those who choose to remain, let us insist that they be free to practice their religion and express their opinions without fear of reprisal.●

DEFICITS, MONEY, AND THE CAUSES OF INFLATION

HON. CLARENCE J. BROWN

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. BROWN of Ohio. Mr. Speaker, I would like to place in the RECORD an extremely thoughtful and relevant article by Dr. David I. Meiselman, entitled "Deficits, Money, and the Causes of Inflation."

Dr. Meiselman clearly shows in this article that inflation is not caused by tax cuts but by excessive money creation relative to the supply of goods in the economy. The importance of this message is that the claim that the administration's across-the-board marginal tax rate cuts will lead to inflation has absolutely no basis in fact.

This article instructs those who oppose the administration's tax plan to instead turn a watchful eye to the Federal Reserve if they are serious about reducing inflation.

I recommend this excellent article for my colleagues:

[From the Wall Street Journal, July 21, 1981]

DEFICITS, MONEY, AND THE CAUSES OF INFLATION

(By David I. Meiselman)

The conventional wisdom holds that budget deficits are a major cause of inflation. Many fiscal conservatives and Keynesians, both liberal and Wall Street varieties, may not agree on very much, but they see eye to eye that deficits mean rising prices.

Contrary to these widely and deeply held beliefs, the evidence is that there is little, if any, direct historical connection between budget deficits and inflation, or between deficits and money growth that causes inflation.

I ran statistical tests to see if there has been any sizable or dependable relationship between inflation and deficits, tax rates or government expenditures, especially after making allowances for the effects of money supply and output. I found little or no relationship between inflation and the key fiscal policy variables Keynesians believe cause rising prices. I recently reported some of these findings in testimony before the Joint Economic Committee and the Senate Finance Committee.

Many other researchers have come to similar conclusions for at least the past 20 years since a pioneering study by Milton Friedman and me first found that the Keynesian analysis that emphasizes deficits is useless in explaining economic events.

If deficits don't cause inflation, what does?

Inflation follows the general laws of supply and demand. Prices on average increase when aggregate demand exceeds aggregate supply.

OUTPUT DEPENDS ON INCENTIVES

Aggregate demand is determined by the quantity of money. There is a close and dependable connection between the nominal quantity of money and nominal gross national product, which is the best measure of total spending, or demand. The quantity of money is controlled by Federal Reserve actions.

Aggregate supply depends on other factors, such as available inputs of labor, capital and raw materials, and the state of technology. Output also depends crucially on the incentives to put these means to efficient use.

Prices, then, depend on the ratio of money to output. This is a convenient way to summarize aggregate demand and supply.

When money grows faster than output, aggregate demand exceeds aggregate supply. The result: Prices and interest rates rise, and inflation results. When money and output grow at the same pace, demand and supply remain in balance, and prices on average are stable. The relationship between money per unit of output and inflation may well be the most extensively tested proposition in all of economics with few, if any, exceptions.

To reduce inflation, public policies must lead either to more output or to less money growth. Because tax reductions that enhance incentives, such as those in the ad-

ministration's tax package, lead to more output, the result is lower prices when money is held constant.

Reduction in government expenditures also tends to be anti-inflationary. Resources are typically more productive in private sector use, so that reduced government outlays make possible further gains in useful output. In addition, many government programs and transfer payments impair incentives.

This analysis also explains why countries such as Japan and Germany, where deficits are a significantly higher fraction of GNP than the U.S., have slower inflation, more growth, more saving, lower nominal interest rates and higher real interest rates than in the U.S. Money has increased more slowly and smoothly in those two countries than in the U.S., and neither country taxes saving and investment as severely as we do.

All deficits are not alike, even when they are the same size. It makes a big difference how the deficit is financed. It also makes a difference how the deficit is incurred—whether the deficit is the result of cutting taxes or increasing expenditures, and whether the taxing and spending changes alter total output.

Deficits can be financed by selling bonds to the Federal Reserve or to the public. If a deficit is financed by selling government bonds to the Federal Reserve, the resulting increase in the money supply leads to inflation and thereby to rising market interest rates.

Alternatively, if the deficit is financed by selling bonds to the public, no such inflationary increase in money takes place. To be sure, real interest rates may rise in order to induce the public to buy the additional bonds. But unless there is an increase in inflation, this rise in interest rates is bound to be small.

The major factor causing high interest rates is the large inflation premium which is built into all interest rates at present. Thus, any attempt to lower interest rates by simply printing new money to buy additions to the national debt ends up by causing higher inflation, which, in turn, causes interest rates to rise, not fall.

Even though deficit itself may not cause inflation, deficits would lead to inflation if deficits caused the Fed to increase the money supply. Deficits are widely seen as placing some great and large unspecified "burden" on the Federal Reserve. To lighten this burden, the Fed prints some new money and goes out and buys itself some bonds.

The Fed is not required by law to monetize the deficit. Indeed, the spirit of the law explicitly prohibits the Fed from doing so; witness the restrictions on direct sales of securities by the Treasury to the Fed.

But there is a loophole. The loophole is that the Fed can buy outstanding debt rather than new debt. Because there is essentially no difference between buying old bonds and new bonds, the results of buying old debt are the same as monetizing new debt. When this happens, money expands. Inflation results.

Although the Fed often blames deficits for causing inflationary money growth, the evidence is that, from 1960 to 1980, there was no significant relationship between changes in money supply and changes in the national debt. Not only is there no legal or practical need to monetize increases in the public debt, the Fed has not systematically done so. In addition, in recent months high officials of the administration have repeatedly stated that they do not wish the Fed to monetize deficits.

The inflation impact of deficits also depends on how they are incurred. The effects of taxes and expenditures are not necessarily offsetting or homogeneous. What is crucial is the impact of taxes and expenditures on output.

For example, if deficits occur because of increased government expenditures, these outlays typically use up resources and leave fewer resources for the private sector. Because resources are generally used less efficiently in the public sector, efficiency falls. Even if the same number of people are at work, total output is less useful, less valuable. This is the equivalent of a fall in output, and thereby more inflation.

Different tax changes may have different impacts on output. Tax-rate reductions that lessen the discentive effects of the tax system will cause output to increase. For a given stock of money, more output results in lower prices.

Thus, incentive-enhancing tax reduction leads to lower prices, even if the tax cut increases deficits. This is why the administration's tax-reduction package will help to curb inflation, whatever its impact on deficits. Because tax reduction is combined with substantial expenditure cuts, the administration's fiscal package has a significant anti-inflationary impact.

DEPRESSING PRIVATE SECTOR

There is certainly an important and legitimate role for taxes in financing needed government services. If more resources are to be channeled into the public sector, higher taxes depress private sector activity, thereby freeing resources and making them available to the public sector.

However, tax rates have already become so high, largely because effective rates have been driven up by bracket creep rather than being explicitly legislated by Congress, that the private sector is already too depressed for our own good.

Moreover, the depressive effects of high and rising marginal tax rates have curtailed savings, capital formation and risk-taking more than consumption, and reduced work effort more than leisure. Small wonder that a high employment peacetime economy has little or no growth in recent years for the first time in American history.

High levels of taxes do not reduce prices and do not fight inflation. High taxes do reduce output, employment and economic growth. Balancing the budget by squelching initiative and limiting rewards cannot improve our situation. It is time to stop punishing ourselves in the erroneous belief that slow economic growth and recession resulting from excessively high tax rates are the remedy for inflation and high interest rates, or in the hope that pain, itself, will cure our problems.

Masochism is not the remedy. Budget cuts, tax cuts that lessen disincentives, regulatory reform and above all a slow, stable and predictable rate of growth of money are the necessary components and the solution for our serious inflation and high interest rate ills.

It is time to stop imposing failed remedies on a sick economy.●

HARRY CHAPIN AND WORLD HUNGER

HON. JERRY M. PATTERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. PATTERSON. Mr. Speaker, last Thursday, July 16, America lost a gifted poet and folk musician, Harry Chapin. Harry Chapin had a unique ability to project warmth and feeling into his musical performances, attaining a rapport with audiences that few musicians could equal. His music was self-described as "cosmic moments in noncosmic lives," and his songs "Taxi" and "Cat's in the Cradle" depict such moments in the lives of common men.

Complementing his poetic and musical talents was Harry's dedication to the cause of eradicating world hunger. As he sought harmony in the verses that he wrote, so did he seek harmony in the world in which he lived. He believed that by eliminating world hunger, we would also "remove some of the hopelessness that fuels unrest and may endanger any society's equilibrium." To that end, he gave numerous benefit concerts and sought to educate us all as to the plight of those less fortunate than ourselves. Harry Chapin's accomplishments as a musician will be remembered by us all; his efforts as a humanitarian must not be forgotten.

I think Harry Chapin's memory would be well served if we continue to strive toward eliminating hunger and the worst vestiges of poverty and disease from our world. One way we can do this is by assuring that more of our foreign assistance money goes to help the truly needy people in the developing world. As the chairman of the House subcommittee with jurisdiction over the multilateral banks, I recently introduced legislation—H.R. 3972, the Hunger and Global Security Multilateral Development Bank Act—which seeks to have the international development agencies target at least half the benefits of their lending toward helping the poor. I hope that, through this legislation, the cause to which Harry Chapin was so deeply committed will be served in a significant way.●

DOES THE PAST HAVE A FUTURE?

HON. JOE MOAKLEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MOAKLEY. Mr. Speaker, I have come upon a disturbing discrepancy between the President's goals for our country and a budget proposal

made by the administration. Prior to being elected, then-Governor Reagan continually promised to bring America back to its intended greatness and to help promote a better awareness of and pride in America. Let it be known each of us shares with him these ideals and purposes and support responsible and equitable budget cuts. However, the President's public philosophy has not been followed by consistent and thoughtful actions.

I was extremely surprised and disappointed when I discovered, last spring, the administration had proposed to cut all funding for the National Historical Publications and Records Commission. In so doing, the Office of Management and Budget rejected the compromise proposal, H.R. 2979, which reauthorizes a funding level for NHPRC of $3 million, a 25 percent cut from the 1981 budget.

There are several reasons why NHPRC must not be abolished. First, the Commission is responsible for the scholarly interpretation of many priceless historical documents. If the analysis, research, and presentation of historic documents and records is terminated, the study of American history or Government will become stagnated disciplines.

In addition, a publication subvention program encourages presses to accept and publish, under stringent paper and binding standards set by the commission, volumes that are frequently more difficult, time consuming and expensive to print than ordinary books.

Third, the time, money, and effort that have been invested in the documentation, publication, and presentation of historical papers and letters by the private sector, the Federal Government and volunteers will be wasted overnight.

In President Reagan's home State, over $1 million has been contributed to active historical publications and records projects; less than half of this money is Federal. In fact, some States such as New York have up to $5 million invested in active projects.

Last, and most importantly, in regard to Federal waste, the funds previously designated for the NHPRC have been carefully and economically distributed to leverage the maximum amount of private funding. The Commission has been able to leverage an average of 60 percent private funding for projects.

The publication and records projects are extremely diverse and significant in content. The Founding Fathers' papers, the papers of Jefferson Davis, the papers of Eugene V. Debs, the temperance and prohibition papers and the history of the U.S. Congress are examples of active projects which may not weather the proposed funding reductions.

The primary assumption of the President, the administration and the House opponents is that the private sector will be able to supply the funding level which the Federal Government will abandon. What they have been unable to see is that Federal funding, since 1964, has been used to leverage private funding to its maximum.

Another assumption of the administration has been that the private sector will fund these publications and record projects, as it did before the grants program was funded in 1964. In truth, only a handful of projects existed in 1964, and they were operating on very small private grants, together with institutional support.

The myth that the private sector will take up the slack for the NHPRC, the NEA, the NEH and the Historic Preservation Fund has been shattered by the large corporation's recent public statements concerning the admissible level of funding for philanthropic moneys. I submit, for the benefit of my colleagues an excellent article, "Nonprofit Groups Call on Industry To Replace U.S. Aid," from the front page of the New York Times (July 6, 1981):

NONPROFIT GROUPS CALL ON INDUSTRY TO REPLACE U.S. AID

(By Kathleen Teltsch)

Large companies from coast to coast report a surge in appeals for grants from antipoverty groups, universities, cultural agencies and other nonprofit organizations scrambling to replace money they fear they will lose as a result of Reagan Administration budget cuts.

The companies say there is no way they can come anywhere near offsetting the Federal grant money that is to be eliminated.

"We've been deluged with thousands of requests, a 100 percent increase in the first quarter of this year," said Mary Hall, vice president of corporate contributions at the Weyerhaeuser Company headquarters in Tacoma, Wash., which twice a day receives mail sacks crammed with appeals. Most corporate givers reported an increase of 25 to 35 percent in requests from the nation's 300,000 nonprofit organizations, which range from opera companies and private universities to groups that feed the poor.

"There's a certain element of panic about anticipated losses," Richard F. Neblett, contributions coordinator for Exxon, said at its Manhattan headquarters, where the increase in appeals is less dramatic than that at Weyerhaeuser.

VOLUNTEER AID ENCOURAGED

Throughout the budget-cutting process, senior White House officials have said that they expected private volunteer efforts to replace many curtailed Government programs. For example, a Task Force on the Arts and Humanities that President Reagan named in May is to report by the end of the summer on what Mr. Reagan called a plan "to make better use of existing Federal resources and to increase support for the arts and humanities by the private sector."

However, despite efforts in Congress and elsewhere to encourage private giving, corporate officers and other experts on charity say that business, foundations and individual givers combined will be unable to offset the Federal grant money being out.

While final details of the budget cuts are not yet known, a study by the Urban Institute in Washington recently estimated that there would be reductions of $128.2 billion from 1981 to 1984 for social welfare, health, environment, the arts and Government-financed housing and food programs.

$27 BILLION LOSS IN 5 YEARS

Lester M. Salamon, the political economist who directed the institute's study, said that the anticipated cuts would mean a loss of $27 billion over the next five years for the nonprofit organizations working in these fields, the groups now flooding corporations with their appeals for money.

Contributions to nonprofit groups by companies and some 600 company-operated foundations last year totaled only $2.55 billion, according to the American Association of Fund-Raising Counsel Inc.

The difference between the amount of funds to be lost and the total corporate contribution is of such dimensions that companies cannot possibly pick up the whole tab, said Anne Klepper, a senior research associate for the Conference Board, whose 4,000 members include the country's leading foundations, government agencies and educational institutions.

"There have been unrealistic expectations about who will do what for a long time," she said. "Now the situation is getting crunchier. Inevitably there will be struggle to survive among the nonprofits. It could be a Darwinian scene."

Private giving from all private sources for nonreligious purposes would have to increase by 144 percent over the next five years to make up for reductions in Government assistance and keep up with inflation, Mr. Salamon estimated, growth four times faster than the average over the last five years.

TOO MUCH, TOO SOON

Corporate officials say the Administration's assumption that the private sector and especially business can fill the void is expecting too much, too soon.

"You cannot send a Mailgram from Washington to all corporations and say a funny thing happened, and expect they will be ready immediately to make up the shortfall—life is not like that," Edward M. Block, a vice president of the American Telephone and Telegraph Company, remarked in objecting to the proposed cutback in financing for the National Endowment for the Arts. Mr. Block is also president of the American Council for the Arts.

Even if business took the lead in support of the arts, a vast fund-raising campaign could not be started in time to avoid serious damage, Mr. Block contended. Business will also be under heavy pressure to help pay for a variety of human services, he observed, suggesting that these might be assisted at the expense of the arts.

A.T.&T. is the leading partner of the Bell System, whose $38.2 million budget for philanthropy made it the largest single donor in the business community in 1980. Exxon ranked second, with contributions of $38.1 million. Only six private foundations in the United States give away more money annually.

Many companies plan to increase giving, among them Exxon, International Business Machines, Levi Strauss and General Electric, but the widespread opinion is that the total for all would not offset the Government reductions.

A DROP IN THE BUCKET

Contributions from corporations increased 15 percent in 1978 and 1979, dropping to 4 percent because of low profits last year, but even if the former high level was reached, it would amount to only $380 million more a year, "a drop in the bucket," in the words of John J. Schwartz, president of the American Association of Fund-Raising Counsel.

"Dollar for dollar, there is no way for the private sector to make up for the cuts," agreed John H. Filer, chairman of the Aetna Life and Casualty Company, although he maintained that companies and nonprofit groups could have significant impact in critical areas, including training the hard to employ.

Less than 30 percent of the country's two million companies report to the Internal Revenue Service that they make philanthropic donations, the Conference Board said. Under Federal law, companies are permitted to deduct for charitable giving up to 5 percent of their taxable income. Only a few, mainly companies in the Minneapolis area that have joined a 5 Percent Club, reach the maximum; the average hovers around 1 percent.

Even before the Reagan Administration, there were efforts by organizations and individuals to persuade companies to step up giving and to reach the thousands that do not make any contributions.

The National Business Roundtable issued a policy statement in March endorsed by the Chamber of Commerce and the National Association of Manufacturers calling on the business community to increase giving. And Laurence A Wien, a New York lawyer and real estate investor, is credited with having "shamed" dozens of prospering companies into increasing their contributions by presenting or threatening to push stockholder resolutions.

Raising the present level of company giving to 5 percent would increase corporate contributions to $10 billion to $12 billion, according to philanthropic experts. However, even doubling the present level to 2 percent is expected to take several years, these analysts said.

BUSINESS FACES IMPLICATIONS

The Administration and public expectations that business can be "the thousand-fingered Dutch boy plugging the dikes" poses risks for business, which "will have to perform as never before," according to Donald H. Haider, professor of public management at Northwestern University. Speaking at a Public Affairs Council meeting of corporate leaders in Chicago in March, Mr. Haider produced a stunned silence with his warning that a failure by industry to increase business activity, create jobs and also act as the "great gap-filler" could result in a backlash in which business could lose the freedom from regulations and other benefits it expects from the Reagan Administration.

Brian O'Connell, president of the Independent Sector, said it would be a mistake for the Administration to single out business and give the impression that the burden now rests with it to pick up the slack. The group, set up two years ago to stimulate private charitable giving, has been lobbying for new tax laws to encourage giving by individuals. Its 310 members include leading companies, foundations and nonprofit organizations.

"I believe business will do more and can do more, but it has to be done in a spirit of encouragement and cooperation and not by giving the impression that business must fulfill an obligation," Mr. O'Connell said.●

A TAX REFORM SUBSTITUTE

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. CONYERS. Mr. Speaker, today I am introducing a substitute to the tax bill reported out of the Ways and Means Committee this week. The legislation I am introducing is essentially the tax portion of the Congressional Black Caucus alternative first budget resolution for fiscal year 1982 that was debated in the House on May 6, 1981.

I am introducing this legislation in order to offer my colleagues an opportunity to consider a thorough-going alternative to the tax bills drafted by the Ways and Means Committee and the administration. Neither bill accomplishes what the American public has long sought: to reform and simplify the Tax Code; provide tax relief where it is needed; and insure that the tax burden is fairly distributed among all citizens and institutions, including the business sector.

It was with sadness that I learned that the committee bill—the Democratic tax bill—in its basics differs very little from the bill drafted by the administration. Both bills are giveaways to the corporate sector, that would virtually eliminate any real tax burden on the part of business. The committee bill furnishes the oil industry and oil producers a completely unwarranted cut in their windfall profits tax liability, which will cost the Treasury some $7 billion over a 6-year period. Both bills further complicate the Tax Code, and perpetuate and expand the tax subsidies and loopholes enjoyed by corporations and the privileged.

The bill I am offering incorporates the essentials of the Congressional Black Caucus tax package that formed part of its alternative budget resolution. The Democratic Study Group, in commenting on that tax package, called it "the largest and fairest tax cut of any of the proposals before the House" and "the boldest step of any proposal being offered to the House to deal with the Federal deficit."

This tax bill proposes the most far-reaching reform of the Tax Code that has been advanced in recent years. It cuts taxes by providing:

A 10-percent nonrefundable social security tax credit to both employers and employees;

Increase of the zero bracket amount and of the child care credit;

An increase in the earned income tax credit for low-income families;

A targeting of capital gains reform to productive investments;

A first-year capital cost recovery system for equipment that will provide the incentives business needs to boost productivity.

I intend to go before the Committee on Rules for a rule that allows the House to consider this alternative.

A summary of the main provisions follows:

SUBSTITUTE TAX PACKAGE PROPOSAL

	Effective date	Fiscal year 1982 cost/savings (Billions of dollars)
Individual tax cuts:		
(a) Rate reduction; increase of the zero bracket amount; increase the earned income tax credit; increase the child care credit.	Jan. 1, 1982	−24.3
(b) Nonrefundable 10% credit against social security payroll taxes for employees.	Jan. 1, 1982	−8.0
(c) Phased-in reduction of the "marriage penalty" tax.	Jan. 1, 1982	−0.4
Total		−32.7
Business tax cuts:		
(a) First-year capital recovery system with expensing up to $25,000 and special limits on utilities and petroleum refineries.	Jan. 1, 1982	−7.5
(b) Nonrefundable 10% credit against social security payroll taxes for employers.	Jan. 1, 1982	−5.3
Total		−12.8
Special tax cut items:		
(a) Estate and gift tax changes: Unlimited marital deduction; $350,000 exemption for farms and small business.	Jan. 1, 1982	(1)
(b) Expansion of Individual Retirement Accounts and Limited Employee Retirement Accounts.	Jan. 1, 1982	−0.3
(c) Rehabilitation tax credit	Jan. 1, 1982	(1)
(d) Extension of the targeted jobs tax credit.	Jan. 1, 1982	(1)
(e) Investment tax credit for equipment leased to public mass transit authorities.	Jan. 1, 1982	(1)
(f) Tax exempt industrial development bonds for mass transit.	Jan. 1, 1982	(1)
Total		−0.5
Tax reform:		
(a) Restrict capital gains deduction only to capital gains that come from truly productive investments.	Jan. 1, 1982	+3.0
(b) Eliminate tax straddle shelter	Jan. 1, 1982	+1.4
(c) Limit oil company abuse of foreign tax credit.	Jan. 1, 1982	+0.6
(d) Cash management: Corporate estimated tax.	Jan. 1, 1982	+2.4
(e) Terminate expensing of oil company intangible drilling costs.	Jan. 1, 1982	+2.0
(f) Terminate percentage depletion allowance for oil companies.	Jan. 1, 1982	+1.7
(g) Terminate the deferral of income on domestic sales corporations (DISC's).	Jan. 1, 1982	+1.4
(h) Terminate deferral of income on controlled foreign corporations.	Jan. 1, 1982	+0.3
(i) Put a cap on business meal deductions and eliminate other entertainment and travel deductions.	Jan. 1, 1982	+1.0
(j) Increase the excise taxes on alcohol and tobacco products by 10%.	Jan. 1, 1982	+0.6
(k) Put a $1,500 cap on the consumer credit deduction.	Jan. 1, 1982	+0.7
(l) Put a $10,000 cap on the mortgage interest deduction.	Jan. 1, 1982	+0.4
(m) Eliminate the tax credit for corporations doing business in U.S. possessions.	Jan. 1, 1982	+0.8
Total		+16.3

[1] Negligible.

TOTALS

Personal tax cut	−32.7
Business tax cut	−12.8
Special tax cuts	−0.5
Tax reform	+16.3
Budgetary effect	−29.7

●

REAL MANDATE IS FOR POLLUTION CONTROL

HON. ANTHONY TOBY MOFFETT
OF CONNECTICUT
IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MOFFETT. Mr. Speaker, last week the House of Representatives did itself proud. In a strong demonstration of support for the Clean Air Act, the Members refused to use an appropriations vote to repeal the inspection and maintenance provisions of the act.

This action, in defense of auto-related pollution control, did not demonstrate an insensitivity to reform. The Health Subcommittee, under Chairman Henry Waxman, will begin a process of thoughtful revisions of the act once the administration submits its proposals. We will proceed in a balanced way. But our deliberations, while acknowledging the need to reform the act in those sections requiring our attention, will be based on the public's firm commitment to effective pollution control.

Recently, "Inside E.P.A.," in its June 19, 1981, issue, discussed a survey of public opinion by the Arthur D. Little Opinion Research Corp. I obtained an analysis of their findings titled "Public Attitudes Toward Air Quality Control," which I would like to share with all Members of Congress. Among its conclusions, the analysis states:

> Overall, the public does not accept the argument that air quality standards are now unreasonably high and too costly to achieve. In fact, only about one-fourth of the public believe that such is the case and that air quality standards could be eased without too much loss of protection from air pollution.

In addition, the study found that most people support, and would oppose the weakening of PSD or, clean air area regulations. The survey found that most people did not agree with the National Commission on Air Quality's recommendation that deadlines for attaining pollution standards be abolished. Sadly, the survey found that a majority of the public (75 percent) did not feel that statements by business could be believed relative to air pollution issues.

I am anxious to work with the business community to devise cost-effective mechanisms for them to achieve existing standards for pollution control. The bubble policy may be one such mechanism for achieving compliance with effective air quality standards at lower costs. Regardless of the route which we take, I do hope that the public's support for air pollution control is remembered by the Congress as we take another look, during the reauthorization process, at the Clean Air Act.

The statement by Opinion Research follows:

ORC PUBLIC OPINION INDEX
PUBLIC ATTITUDES TOWARD AIR QUALITY CONTROL

Summary and implications

This nationwide Index study finds that the American public is not ready to make very many concessions in its long-term commitment to very high standards of air quality control. There is very little support by the public as a whole for many of the changes sought by critics of the current regulations mandated by the 1970 Clean Air Act and its 1977 amendments.

The public's attitude is highly significant in view of the current hearings in Congress on the reauthorization of the Clean Air Act, while at the same time the Reagan administration signals its intention to seek revisions of the act based on the use of cost-benefit analysis.

Overall, the public does not accept the argument that air-quality standards are now unreasonably high and too costly to achieve. In fact, only about one-fourth of the public believe that such is the case and that air-quality standards could be eased without too much loss of protection from air pollution.

Indeed, although there has been some change in attitudes during the past three years, no more than one-fourth of the population would permit the relaxation of overall environmental standards in order to achieve economic growth. In fact, two-thirds of the population continue either to place environmental protection above economic growth or feel that we can achieve our current environmental protection goals and economic growth at the same time.

Specifically, the majority of people do not think that air pollution standards should be relaxed in areas where the air is now cleaner than the national standards. Most people support the provisions of the Clean Air Act, added in 1977, to prevent the significant deterioration (PSD) of air quality in these areas.

The public's attitude contrasts with the views in a report released in late February by the National Commission on Air Quality (NCAQ) which recommended changes in the pollution regulations for clean air regions. The Commission, established by Congress in 1977 to recommend alternatives for controlling air pollution, found that the elimination of some PSD restrictions would make little difference in the level of pollution. At the same time, the Commission's report also stated that the PSD program had not had a negative effect on energy development.

The suggestion to eliminate deadlines for cities to attain cleanup goals, another recommmendation of the National Commission on Air Quality, also finds little favor with the public. There is a feeling on the part of some critics that the constant extension of the deadlines works against achieving the goals. But most members of the public apparently believe that without deadlines cities would not make their best efforts to meet the goals.

Less than one-fourth of the public favor the idea of permitting a company to meet air-quality standards by reducing overall emissions from an entire plant—the "bubble" concept—rather than requiring it to reduce emissions from each individual source within the plant. Almost two-thirds of the public insist that there should be a standard for each individual source of pollution within a plant. However, they may be unaware of the number of companies already using the "bubble" concept, and the significant cost savings that have been achieved while overall attainment standards are not relaxed.

Where people are willing to allow some relaxation of air standards is in areas of high unemployment. Most people would consider relaxing some standards in these areas on case-by-case basis, depending upon how serious the pollution problem is.

However, fewer than 2 people in 10 think there should be a blanket relaxation of the standards for the entire region.

Perhaps one reason that so many people insist on maintaining air-quality standards is the fact that almost half the public still consider the problem of air pollution to be at least somewhat serious in their area, although the number of people who feel this way has declined markedly over the past decade.

Indeed, few Americans think there has been any decrease in the amount of air pollution in their vicinity over the past 5 years. On balance, people feel that the situation locally has remained unchanged during that period.

Business and industry are the groups most likely to stir public dissatisfaction in regard to the steps taken to protect or improve U.S. air quality. In fact, they are the only groups with whom the public as a whole is not more inclined to be satisfied than dissatisfied. Environmental and consumer groups receive the most praise for their actions.

Indeed, two-thirds of the public consider environmental and consumer groups to be at least fairly reliable sources of information about the problems of air pollution. In contrast, only four people in ten now think they can rely upon the statements of business and industry spokesmen regarding air pollution.

As it is, the majority of people in almost every key population subgroup are actively involved in or sympathetic to the environmental movement, even though there has been a slight decline in support for the movement during the past year. Among the public as a whole, fewer than one person in ten are unsympathetic.

With skepticism about business' statements so widespread, it is not surprising that relatively few people agree with business' frequently heard complaint that air-quality standards are now unreasonably high and too costly to achieve. Even though they are aware that the underlying basis for the standards is protection from adverse health effects for even the most sensitive groups, most people do not support business' position.

The chemical, automobile, and trucking industries are most criticized for causing air pollution. However, few industries escape a significant amount of criticism. In fact, there has been a sharp increase in the number of people who think that the auto industry causes at least a fair amount of air pollution.

Over half the public—a dramatic increase since 1975—believe that auto pollution controls have contributed at least a fair amount to any reduction in total air pollution.

The public's belief in the importance of auto pollution controls is underlined by the more prevalent desire to have the devices retained than to have controls relaxed to save gasoline.

The problem of "acid rain" is another issue sure to be vigorously debated, if not during consideration of the Clean Air Act, then surely in the near future. A United States-Canadian research group claims that the burning of coal in some Midwestern plants is the principal cause of the acidifica-

tion of some streams and lakes lying to the northeast. A treaty between the two nations will be negotiated starting in June of this year.

Meanwhile, the National Commission on Air Quality has recommended a halt to the efforts of some states to relax controls on the burning of high-sulphur coal. The commission would also require sulphur dioxide emissions to be significantly reduced over the next 10 years.

In view of the media attention given to "acid rain" in recent months, perhaps it is not surprising that the majority of Americans are aware of the problem. What is of great interest is the fact that 4 people in 10 who claim to have some knowledge about the situation say they do not know what causes "acid rain." The most commonly cited cause is factories or manufacturing.

Even more important to business, however, is the level of concern expressed by people who are aware of the problem. Although just 4 people in 10 among the public as a whole are at least somewhat concerned, this proportion translates into two-thirds of those who already have some knowledge of the problem.

A similar situation pertains in regard to the "greenhouse effect." Although there is far less awareness of the problem than of "acid rain," understanding of the cause is again low, while concern is high among people who claim to have heard or read at least a little about the situation. At present, concern about the "greenhouse effect" is not widespread among the public as a whole: less than one-fourth of the total population are now concerned. However, more than 6 people in 10 who already are aware of the problem are concerned.

The implications for business in regard to both "acid rain" and the "greenhouse effect" appear obvious. As the problems are increasingly debated and media coverage grows, more and more people will become aware. However, awareness does not necessarily lead to increased understanding of the problems and their causes, but may, in fact, compound the confusion and controversy.

At the same time, the level of concern about the two problems appears likely to increase among the public as a whole. As already noted, the higher the level of awareness is, the greater the level of concern.

All in all, it seems clear that business must accept the fact that the American public will continue to insist that there be no significant weakening of the goals envisioned by the Clean Air Act. With Congress confronted by the NCAQ's findings that the act has not contributed to unemployment, has had minimal effect on inflation, and will not hinder Western energy development, many of industry's principal arguments have already been seriously challenged.

It appears totally unrealistic for business and industry to seek wholesale changes in the act. Rather, business' strongest position might be based upon an acceptance of the overall goals accompanied by a strong drive to eliminate many of the regulatory complexities that have evolved. One point to be stressed is that a flexible policy, allowing business and industry to develop their own methods for meeting clean-air requirements, could not only lower the costs of compliance but also better insure that the goals will be met.

NOTE—About this study: Results in this report are based on telephone interviews with a national probability sample of 1,000 persons aged 18 and over, conducted during the period March 26 through March 31, 1981.●

UPON INTRODUCTION OF THE STRATEGIC AND CRITICAL MATERIALS STOCK PILING REVISION ACT OF 1981

HON. DAN MARRIOTT

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Friday, July 24, 1981

● Mr. MARRIOTT. Mr. Speaker, today I am introducing legislation to prescribe a new method for determining the quantity of any material to be stockpiled and for improving the operation of the stockpile transaction fund under the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). In order to maintain a strong national emergency preparedness program it is essential to have in place a full complement of strategic and critical minerals and materials in our national defense stockpile. However we cannot maintain this state of stockpile preparedness if the stockpile goals are subject to the erratic fluctuations of the past. Previous administrations have in the past, zeroed stockpile goals for primary budgetary and economic purposes with defense requirements being a secondary consideration. These frequent and violent shifts in stockpile goals have been costly to the American taxpayer and extremely disruptive to industry where planning for expansion has been frequently deferred when the stockpile became an active seller. In retrospect, these fluctuations can be shown to have been untimely, unjustifiable, and inexcusable. Neither our country's national defense needs nor our growing foreign dependence for these materials have been adequately considered. Notable critical stockpile materials which have been put through this roller coaster are aluminum, copper, nickel, most of the zinc, and about half of the lead held by the Government, all of which were sold during the period 1960–75. Subsequent to these sales, we were told that new stockpile goals had once again been established and that we were deficient in all of these materials. For example, 2 million tons of aluminum and 4.4 million tons of Surinam grade bauxite were sold off between 1962 and 1973. By 1980 the revised stockpile goals called for the purchase of 700,000 additional tons of aluminum and 800,000 additional tons of Surinam grade bauxite. Between 1960 and 1976 over 1.24 million tons of copper, representing nearly the entire stockpile were sold off. The strategic and critical copper stockpile goal was set at zero in 1973, back up to 1,300,000 tons in 1976 and down to 1 million tons in 1980. In 1981 the taxpayer will have to pay from 50 percent to 100 percent higher per ton to replenish the stocks of copper and aluminum that were sold off for nonemergency purposes in the past. Surely this is not a responsible approach to stockpile management.

In the cases of cobalt and nickel metals for which we have essentially no domestic mine production, similar erratic fluctuations are evident. The stockpile goal for nickel has changed from 118,000 tons in 1944 to 450,000 tons in 1954 to 50,000 tons in 1963, down to zero tons in 1971 and back up to 200,000 tons in 1980. Between 1959 and 1973, 400,000 tons of nickel were sold from the stockpile at an average price of $1,600 per short ton, with the Government realizing a net proceed of $144 million from the sale. This amount falls way short of the nearly $1.2 billion it will cost the taxpayer to reacquire the 1980 goal of 200,000 tons of nickel at current prices of $7,000 per ton.

In 1944 the goal for cobalt was 11,600,000 pounds. From there it begins on the roller coaster, 40,000,000 pounds in 1949 to 129,000,000 pounds in 1955, down to a low of 11,945,000 pounds in 1973, and then back up again to 85,415,000 pounds in 1980. Between the years 1962 and 1977 the Government sold 62,000,000 pounds of cobalt at an average cost of $2.50 per pound. The net proceed the Government realized was $21,504,000. We now have an acquisition program and we must buy 45,000,000 pounds. The value in 1981 is $20 per pound and the total cost to buy the 45,000,000 pounds will be $900,000,000.

During this current session of Congress we are witnessing similar efforts to dispose of all of the stockpiled silver, in complete disregard to its strategic importance to the Nation. In these times of increasing resource protectionism on the part of Canada and Mexico we cannot afford to rely on these two countries as a guaranteed source of 50 to 60 million troy ounces of silver per year in a time of emergency. The purpose of the national defense stockpile is to be self-sufficient and not to be dependent on outside sources in an emergency. We are preparing to sell off over 100 million troy ounces of silver at bottom of the barrel prices of $8 to $10 a troy ounce. I do not want to see us coming back in 5 years and asking the taxpayer to buy back this same silver for two, three, or more times the price.

We need a method for stabilizing stockpile goals at a minimum level to avoid such erratic manipulation of the strategic and critical materials goals in the future. We also need a more direct involvement of Congress in the setting of stockpile goals and to more closely tie these goals to our import dependence. This is the purpose of this piece of legislation, which is offered as a

House companion bill to Senator McCLURE's stockpile formula bill, S. 1338.

The national stockpile was originally established by the Strategic and Critical Materials Stock Piling Act of June 7, 1939, as subsequently amended by the act of July 23, 1946 (50 U.S.C. 98-98h). Following World War II the stockpile policy was to provide sufficient strategic and critical materials to sustain the Nation through a 5-year emergency. This requirement was reduced to a 3-year emergency during the 1960's. In 1973 the administration reduced the stockpile requirement to a 1-year-emergency basis and sought legislation to dispose of large quantities of excess materials to balance the budget. However, much of this legislation was not passed by Congress. In 1976, the stockpile planning basis was returned to the first 3 years of an emergency of indefinite duration. A minimum planning base of a 3-year emergency has now been established legislatively in the Strategic and Critical Materials Stock Piling Revision Act of 1979.

Other important provisions of the Strategic and Critical Materials Stock Piling Revision Act of 1979 include:

First, clarification that the purpose of the stockpile is to provide for national defense and not for economic or budgetary purposes;

Second, authorizing the President to determine stockpile requirements and providing, for the first time congressional guidance as to how these determinations are to be made;

Third, creation of a national defense stockpile transaction fund, as a separate entity within the Treasury, to handle all funds generated by the disposal of stockpiled materials, and from which funding of purchases for the stockpile can be obtained.

These amendments are not enough; the congressional guidance has not sufficiently affected the continuing development of stockpile goals. Presently, the Federal Emergency Management Agency periodically reviews the goals and takes into consideration the recommendations of the Departments of Defense, Commerce, Interior, State, Treasury, and the Central Intelligence Agency. The recommended goals then undergo an Office of Management and Budget policy review prior to being submitted to Congress. There is no simple formula used to set criteria and to serve as a benchmark upon which to evaluate the goals set by the President. It is still possible to use the national stockpile for economic or budgetary purposes with this type of subjective development. It should not be used to provide each administration with a slush fund of valuable minerals and materials. It must be used for its true purpose; to provide this country with the strategic and critical materials needed in a national emergency.

Mr. Speaker, my bill today will take us one step closer in achieving this purpose. It will bring a more direct involvement of Congress in the setting of stockpile goals and to more closely tie these goals to our import dependence. The bill provides that the executive branch should continue to designate the materials that are needed for the stockpile. But, the bill recognizes that an order of priority exists with respect to the quantity of each material stockpiled and that fundamental to that priority is the dependency this Nation has on imports to meet raw material needs.

The United States is obviously most vulnerable to supply difficulties with respect to commodities which it does not produce in any significant quantities. In the bill these materials are designated as class A. Those commodities which represent materials of which the United States has some production but is unlikely to achieve self-sufficiency even with severe rationing or substitution, are designated class B. Finally, those commodities which the United States produces in substantial quantities but for which it has some import dependence are designated as class C. The importance of these designations is that the goals would rely on our foreign dependency. For commodities in class A, the goal would be equal to a 3-year supply of a 5-year average of net imports. For class B, the goal would be a 2-year supply and for class C, the goal would be a 1-year supply.

The President, operating through an interagency advisory committee chaired by FEMA, is authorized to designate the classification of the individual commodities under the terms of the bill and in so doing will be expected to calculate average annual U.S. net imports of each.

The bill requires a review of the goals every 4 years or whenever the 5-year trend of net imports varies by more than 10 percent over the 5-year average annual net imports. The trend rather than the average is used as the trigger point to make sure the Government is responding accurately to economic events. An increasing net import trend will reflect increased demand or lost domestic capacity. While a decreasing trend would suggest increasing domestic capacity, decreasing demand or increased substitution with its implication for changing materials application.

The bill does not change the existing provisions of the Stock Piling Act of 1979 requiring the stockpiling of sufficient quantities to sustain the United States for a period of not less than 3 years in the event of a national emergency. If the 3-year requirement is not met by the prescribed net import formula, the Interagency Advisory Committee may use a different method of computation. The methods and assumptions for calculating the new goal must then be presented to Congress for a 90-day review period before becoming effective. This review period will allow for the necessary congressional oversight in the establishment of stockpile goals and to assure the national defense stockpile is not being used for economic or budgetary purposes.

In further exposition of how the formula would work, the following table compares the current stockpile inventories with the 1980 FEMA goal and with the net import formula goal.

Commodity and class	Current stockpile inventory	1980 FEMA goal	Net import formula goal
Class A:			
Chromium, S.T.	1,173,000	1,353,000	1,572,000
Cobalt, Lb.	40,802,000	85,400,000	54,000,000
Manganese, S.T.	1,587,000	1,500,000	3,114,000
Platinum, Tr. Oz.	453,000	1,310,000	2,976,000
Class B:			
Nickel, S.T.	0	200,000	333,000
Silver, Tr. Oz.	139,500,000	0	86,000,000
Zinc, S.T.	376,000	1,425,000	1,208,000
Class C:			
Aluminum, S.T.	1,700	700,000	123,000
Copper, S.T.	29,000	1,000,000	262,000

As the example goals reflect normal peacetime import levels, Congress will want to examine any existing goals, based on a 3-year defense requirement, that are substantially below the peacetime import levels. In the case of manganese, we have no domestic mine production and have a 98-percent net import reliance. The existing FEMA goal is less than half of the formula derived goal and only 12 percent higher than 1976-80 average annual domestic consumption of contained manganese.

In addition to the stockpile goal formula provisions, this bill also provides language to improve the operation of the stockpile transactions fund. Reflecting the extent of title VII of H.R. 3364 this section amends section 9(b) of the Strategic and Critical Materials Stock Piling Act to provide that moneys received from the sale of materials from the stockpile be transferred to the transactions fund and be immediately available for the acquisition of those strategic and critical materials for which the stockpile is in deficit. The title thereby removes the present requirement that moneys in the transactions fund be appropriated before they are available for the purchase of stockpile materials. This action will increase the flexibility of the stockpile manager in taking advantage of optimum market conditions in purchasing new stockpile materials.

Mr. Speaker, I believe this bill will assist in maintaining a strategic and critical materials stockpile sufficient to meet our defense industrial base materials need during a national emergency, and I ask that each of my colleagues join me in making sure this will occur.

I ask unanimous consent that the text of my bill be printed in the RECORD.

H.R. 4266

A bill to amend the Strategic and Critical Materials Stock Piling Revision Act of 1979 in order to prescribe the method for determining the quantity of any material to be stockpiled under such Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Strategic and Critical Materials Stock Piling Revision Act of 1981."

SEC. 2. Section 3 of the Strategic and Critical Materials Stock Piling Revision Act of 1979 (50 U.S.C. 98b) is amended by amending subsection (c) thereof to read as follows:

"(c)(1) In order to carry out the provisions of this section, the President shall appoint an interagency advisory committee, chaired by the Director of the Federal Emergency Management Agency and composed of representatives from appropriate departments and agencies of the government, to determine which materials are to be acquired under this Act and what classification such materials shall be assigned under paragraph (2).

"(2) Materials selected to be stockpiled under this Act shall be classified by the interagency advisory committee provided for in paragraph (1) as being one of the three classes prescribed below, as appropriate:

"(A) Class A materials are those materials not produced in the States or produced in the United States in limited quantities, that are necessary for the security of the United States, are essential to the economy of the United States, and are primarily obtained from foreign sources.

"(B) Class B materials are those materials produced in the United States but are not available in sufficient quantities in the United States to offer the potential for meeting total domestic needs, are necessary to the security of the United States, are essential to the economy of the United States, and are obtained to a substantial extent from foreign sources.

"(C) Class C materials are those materials produced in substantial quantities in the United States, are available in sufficient quantities to meet total domestic requirements, are necessary to the security of the United States, are essential to the economy of the United States, and are obtained to a lesser extent from foreign sources.

"(3) The quantity of any material to be acquired under this Act (stockpile goal) shall be determined as follows:

"(A) The stockpile goal for any material designated as a class A material shall be a quantity equal to three years' domestic net imports of such material.

"(B) The stockpile goal for any material designated as a class B material shall be a quantity equal to two years' domestic net imports of such material.

"(C) The stockpile goal for any material designated as a class C material shall be a quantity equal to one years' net imports of such material.

"(4) Subject to appropriate adjustments under paragraph (5), a year's domestic net imports of any material for purposes of clause (A), (B), or (C) of paragraph (3) shall be a quantity of the material equal to the average annual imports of such material during the five calendar years immediately preceding the calendar year in which the determination for the stockpile goal is being made (base period), plus the average annual sales or minus the average annual purchases of such material made from the stockpile during such five-year base period, reduced by the average annual exports of such material during such five-year base period.

"(5) In determining the quantity under paragraph (4) of any material to be acquired for the stockpile appropriate adjustment shall be made in the computations made under such paragraph: in the case of any material which is acquired in both its crude form and in its refined or processed form so as to avoid duplicate calculations with respect to the same material.

"(6) The stockpile goal for any material acquired for the stockpile under this Act shall be reviewed once every four years by the interagency advisory committee referred to in paragraph (1). A revised objective for such material shall be established only if the five-year trend (rate of growth or rate of decline) of net imports of such material for the five calendar years immediately preceding the current calendar year increased or decreased by more than 10 per centum over the five-year average annual net imports of such material at the time of the preceding mandatory review under this paragraph.

"(7) Nothing in paragraph (6) shall be construed to prohibit the interagency advisory committee referred to in paragraph (2) from conducting a review of the stockpile goal for any material at any time other than that prescribed by paragraph (6); but in any case in which such committee determines that the stockpile goal for any material should be computed in a manner other than that prescribed in paragraph (3), the President shall notify the Committees on Armed Services of the Senate and House of Representatives in writing of that determination and set forth the proposed method and assumption underlying the computation of the stockpile goal for such material. Such alternative goal shall be computed in accordance with the principles set forth in Section 3(b) of the Act. The new goal and formula shall become effective with respect to such material unless within a period of ninety days after the date on which Congress was notified by the President, the Congress agrees to a resolution disapproving such goal or method of computing the goal."

SEC. 3. Section 9(b) of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98h(b)) is amended to read as follows:

"(b) All moneys received from the sale of materials in the stockpile under paragraphs (5) and (6) of section 6(a) shall be covered into the fund. Such money shall be available for the acquisition of strategic and critical materials under section 6(a)(1) and for transportation related to such acquisition but for no other purpose."

SEC. 4. Section 5 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98d) is amended by striking out subsection (a) and redesignating subsections (b) and (c) as subsections (a) and (b), respectively.●

SENATE—*Monday, July 27, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 10 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray.

In the words of the psalmist:

Blessed be the name of the Lord from this time forth and forevermore. From the rising of the sun to its setting, the name of the Lord is to be praised. The Lord is high above all nations, and His glory above the heavens.—Psalms 113: 2-4.

We thank Thee Lord for the opportunities for worship, relaxation, rest and family time for the weekend. We thank Thee for the prospects for service to the people and to each other this week. Grant that our hearts and these Halls shall reflect Thy love and glory this week. Help us to remember the poor, the elderly, the oppressed, and all who are disadvantaged in our deliberations. So guide us that the decisions made this week will conform to Thy truth, justice, equity, and compassion.

For Jesus' sake. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

Mr. BAKER. Mr. President, I thank the Chair.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER OF PROCEDURE

ORDER FOR CONSIDERATION OF GLENN AMENDMENTS

Mr. BAKER. Mr. President, on Friday a sequence of amendments was arranged beginning with the distinguished junior Senator from Tennessee (Mr. SASSER) and ending with the distinguished Senator from Pennsylvania (Mr. HEINZ).

I ask unanimous consent that at the end of that list, following on after disposition of the Heinz amendment, the Senator from Ohio (Mr. GLENN) be recognized to call up two amendments, one on incremental research and a second amendment on research and development.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object—and I will not object—it is my understanding that this request meets with the wishes of Mr. GLENN and it is an order that we felt might have been entered on last Friday. I thank the distinguished majority leader for including these two amendments. I remove my reservation.

Mr. BAKER. Mr. President, I thank the minority leader.

Mr. President, his understanding of the situation is exactly as my own. If there is any variation in that when the Senator from Ohio reaches the floor, I will be happy to attempt to change the order. For the moment, Mr. President, I reiterate the request.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent, after the recognition of the two leaders under the standing order and a special order in favor of the distinguished President pro tempore, the present occupant of the chair, that there be a brief period for the transaction of routine morning business not to extend beyond the hour of 10:30 a.m. in which Senators may speak for not more than 2 minutes each.

The PRESIDENT pro tempore. Without objection, it is so ordered.

BUDGET RECONCILIATION CONFERENCE REPORT

Mr. BAKER. Mr. President, it is my hope that the conference on reconciliation of the budget can be concluded today. I have met with a number of Senators, Members of the other body, and representative members of the relevant committees over the weekend and this morning. There is still a considerable amount of work to be done and there are substantive issues to be resolved, but I believe that can be done by the close of this day. I think it is essential that we do so.

I urge all Senators who are involved to work as diligently as possible and express the hope that both our Members and Members from the other body will be as forthcoming as possible in their efforts to reconcile their differences between the Senate and House versions of the reconciliation bill in order to reach a resolution of this issue today. It is my understanding that the House of Representatives will seek and perhaps obtain a rule for consideration of the reconciliation conference report on Thursday. The Rules Committee, I believe, is scheduled to meet on Tuesday.

So if we are to meet our deadline and schedule this weekend, by the 1st of August, we have to finish that reconciliation conference today, and I believe we can.

TAX LEGISLATION

On the tax bill, Mr. President, I also have had the opportunity over the weekend to review the amendments that remain to be disposed of. And there is a considerable number. I would hope that today Senators would carefully examine the list of remaining amendments and just as carefully scrutinize their consciences and see if there is not some way we can eliminate a number of amendments from further consideration and shorten this list. Otherwise, we are going to be hard put to finish this bill by the hour designated in the previous unanimous-consent order.

Once again, Mr. President, I express a note of optimism. I believe we can do that. Indeed, I believe we can finish the tax bill on Tuesday instead of Wednesday.

I inquire of my friend the minority leader if he has any views on that subject and most especially whether or not we might entertain a consent order or modification of the previous consent order to change the time for third reading of this bill from Wednesday, as provided, until sometime on Tuesday, a day earlier?

Mr. ROBERT C. BYRD. Mr. President, I am not in a position at this time to offer any particularly optimistic hope that this may be done. I will continue to endeavor to work toward that end. I made the suggestion one day toward the close of last week but found my colleagues on this side of the aisle did not feel that they wanted to proceed in that fashion. But it is entirely possible, I think, that the Senate will finish the bill by the close of business on tomorrow. I cannot make that promise, of course.

Will the distinguished majority leader indicate what else he might see in the program through the remainder of this week? Is it his plan, if at all possible, to complete the tax bill and the conference report thereon, the conference report on the reconciliation bill, and is there anything else that we might be prepared for before the end of the week?

Mr. BAKER. Mr. President, I thank the minority leader for his statement. I join him in the hope that we can, indeed, finish this bill tomorrow. And I would even presume to wish for a modification of the order. The minority leader was the original one to suggest this and I express my gratitude to him for the suggestion. I have adopted his suggestion, I hope with not unseemly haste. But, in any event, we will do the best we can to continue to hope for the conclusion on Tuesday.

TENTATIVE SCHEDULE BEGINNING WEDNESDAY

If, indeed, we finish this bill on Tuesday, Mr. President, it is fairly clear, I think, that the reconciliation conference report will not then be available. In any event, we already have an order to proceed to the cloture vote on the Johnston amendment to the Helms amendment to the Department of Justice authorization bill. I would think, Mr. President, that if we can finish the tax bill on Tuesday it might serve the convenience of the Senate then if we set the Johnston cloture vote sometime early on Wednesday. If cloture is invoked, and the distinguished junior Senator from Louisiana understands this, I would expect, under the order previously entered, to try to go to an appropriation bill, I believe it is the HUD appropriations bill, the first one to be reported this year.

If cloture is not invoked on the Johnston amendment, then I would still hope to go to an appropriation bill or to one of the two conference reports or to some other matter of the five that were designated in the order. I would not expect any significant business, beyond those things that we could clear on the two calendars by unanimous consent, except the tax bill, the two conference reports, one on the tax measure and the other on the budget reconciliation, an appropriation bill, and the cloture vote on the Johnston amendment to the Department of Justice authorization bill.

I do not say that with absolute certainty, Mr. President. Other things may arise which must be dealt with and on which the minority leader and I could agree. But I have no expectation that any other matter of substance will be brought before the Senate except those matters.

Mr. ROBERT C. BYRD. I thank the distinguished majority leader.

Mr. BAKER. Mr. President, I have no need for any time I have remaining under the standing order. I am prepared to yield it back.

Mr. President, if I have any time remaining under the standing order, I yield it to the control of the distinguished minority leader.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader.

RECOGNITION OF THE MINORITY LEADER

The PRESIDENT pro tempore. The minority leader is recognized.

PERVERSION OF OUR LEGISLATIVE PROCESS

Mr. ROBERT C. BYRD. Mr. President, I am becoming increasingly concerned about the perversion of our legislative process through mass advertising campaigns.

In my view, such selling techniques have no place in the deliberative process which has served this Nation so well and for so long.

I have heard the advertisements currently on the airwaves which attempt to ridicule the Speaker of the House of Representatives. These advertisements are negative in their approach, and devoid of substance.

Regardless of which side of the tax issue one is on, this simplistic tactic in addressing complex problems tends to demean the American people, tends to underestimate and insult their intelligence, and tends to demean the Representatives they send to Washington to serve them.

My personal belief is that the slick Madison Avenue approach being used grossly underestimates the intelligence of the average citizen, and is completely devoid of intellectual honesty.

Issues which confront our Nation should be studied in an atmosphere free of sensationalized, packaged, slick advertising campaigns which are exploitive in nature and lacking in facts.

In both the Senate and the House of Representatives this week we are deliberating on complex and far-reaching tax policy. This is not something that can or should be advertised as if it were a box of sugarcoated cereal.

Such simplistic advertising blitzes add nothing to a considered public debate of the issue.

I hope and I believe that the American people are going to see through this tactic and that such tactics will backfire.

Mr. President, I yield to the Senator from Wisconsin whatever time he desires.

Mr. PROXMIRE. Mr. President, I congratulate the distinguished Democratic leader for what he just said. I cannot agree more. This kind of one-sided attack on the Speaker of the House of Representatives is deplorable. We should not tolerate it. As the distinguished leader has said, it is negative, it is simplistic, it is based on a whole series of 30-second spots, and so forth, that give the viewer nothing but a prejudice. It is wrong and I earnestly hope it backfires as it certainly should.

THIRTY-TWO YEARS OF DELIBERATION ON THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, I call attention to another reminder of the Senate's failure to act on the Genocide Convention. This week marks the 32d year since the first Subcommittee on the International Convention on the Prevention and Punishment of the Crime of Genocide was created to consider this important treaty.

Such anniversaries leave no room for complacency. They are a bitter reminder that we have delayed beyond all reason in bringing this treaty to the floor for consideration.

The Genocide Convention has successfully withstood objections concerning its language and content. Every administration since Harry Truman has supported its adoption.

Secretary Haig was very clear in saying it is an embarrassment to our country that we have not ratified the Genocide Convention.

Numerous distinguished organizations including the American Bar Association and every religious group in this country have endorsed the convention; 87 other nations have acceded to this treaty.

Every important country in the world except the United States has ratified the Genocide Convention.

The reasons behind this support of the treaty are compelling. While the convention cannot prevent the crime of genocide from occurring, its adoption would be a strong symbolic step in the progress of human rights.

The history of international accords has shown the power of world opinion, as is witnessed by the gradual improvement of prisoner of war practices in the years following the Geneva Convention. Advancement of universal human rights is possible. The Genocide Convention is the appropriate vehicle by which we should aid that progress.

The great American author Ralph Waldo Emerson wrote that: "Progress is the activity of today and the assurance of tomorrow." Without our action to adopt the Genocide Convention, our Nation will be denied the assurance of an effective stance in dealing with any appearance of genocide in the future. Perhaps more importantly, we would have failed to take an essential step in the progress toward a more humane world.

Let us not forget that genocide is the planned, premeditated murder of an entire ethnic group, the classic example, of course, being Hitler's determination to eliminate the Jews in Europe by killing 6 million Jews. The fact is that we have a treaty that other nations have subscribed to outlaw that kind of hideous, inhumane treatment, and, of course, when the initiative for this came from the United States, it should remind us that it is time that we act; 32 years is a long time to deliberate on a treaty which simply recognizes the right of all peoples to live.

Mr. President, I call to the attention of the Senate that on every desk this morning is an Executive Calendar. On the front page of that calendar is a list of treaties sent to the Senate.

The Consular Convention with the People's Republic of China was sent to the Senate on January 19, 1981. They have acted on it now in 7 months. That is a convention with Communist China.

The treaty with Colombia concerning the status of Quita Suenio, Roncador, and Serrana has been pending too long, 8 years, but at long last we are acting on it.

The International Convention Against the Taking of Hostages, another human rights treaty, has been there since August 4, 1980, but now we are acting on it.

The Convention on the Physical Protection of Nuclear Material arrived in May 1980, about 2 years ago, and we are finally acting on it.

The Revised Customs Convention on the International Transport of Goods Under Cover of TIR Carnets is dated July 26, 1977, about 4 years.

Amendments to the Inter-Governmental Maritime Consultative Organization Convention was sent to the Senate May 20, 1980, and it is now sent to the floor of the Senate.

This convention, the Genocide Convention, has been there for how long? Thirty-one years, Mr. President—longer than any other treaty in the history of this body—and we have failed to act on it.

Mr. President, I think it is time that we considered this treaty, considered the fact that the overwhelming majority of Americans certainly favor it, and every responsible group that has considered the treaty has recommended that we act on it.

I truly hope that this Senate will not have to mark another such anniversary. I urge my distinguished colleagues to act now and ratify the Genocide Convention.

Mr. President, I yield the floor.

RECOGNITION OF SENATOR THURMOND

The PRESIDING OFFICER (Mr. KASTEN). Under the previous order, the Senator from South Carolina is recognized for not to exceed 15 minutes.

THE DAVIS-BACON ACT, PART VI, THE WALSH-HEALEY ACT

Mr. THURMOND. Mr. President, in previous presentations, I have discussed various aspects of the Davis-Bacon Act. Today, I would like to compare the Davis-Bacon Act with the Walsh-Healey Act and try and draw some conclusions about the impacts that might occur if Davis-Bacon were repealed.

Davis-Bacon proponents contend that the impact of Davis-Bacon repeal would be catastrophic. They claim that fly-by-night, cut-throat competitors would move in and undercut community prevailing wages forcing wage scales below normal levels.

No one can say with certainty what the beneficial impacts of the repeal of Davis-Bacon would be, but certainly a few results seem self-evident.

There would be reductions in the general cost of Government construction without any significant loss of employment opportunities.

The cost of administering the act would be saved.

There would be greater competition for Government construction contracts.

Some of the inflationary impact of Davis-Bacon wage determinations would be reduced.

Fortunately, we can reduce the speculation of what might happen with the repeal of Davis-Bacon by examining a similar prevailing wage law, the Walsh-Healey Act, which is no longer in force.

The Walsh-Healey Public Contracts Act was signed into law by President Franklin D. Roosevelt on June 30, 1936. It was intended in part to be the Government's answer to the problems of poor working conditions and wage cutting in private nonconstruction industry.

The National Industrial Recovery Act (NIRA) of 1933 contained requirements related to maximum hours of work and minimum wages for many Government-connected industries. When the NIRA was declared unconstitutional in 1935, Secretary of Labor Frances Perkins made two legislative proposals to the President and to the Congress. The first of these, which became the Walsh-Healey Act, was of limited scope. It was intended to govern the conditions of work for employees of private industry who were engaged in the production of goods for sale to the Government. It was felt that the Government had the right to require employers who produced goods under public contracts to insure decent standards of work for the employees of those contractors. The second Perkins proposal was eventually enacted as the Fair Labor Standards Act (FLSA).

The purpose of the Walsh-Healey Act was to accomplish three primary goals: First, to permit the Federal Government to influence the establishment of wages and working hours; second, to offset the alleged tendency of employers to depress labor conditions in order to be the lowest responsible bidder on a Government contract; and third, to make the Government a model employer. A 1952 amendment provided for judicial review of the administration of the act at the instigation of any interested party.

The Walsh-Healey Act provides that minimum prevailing wages must be paid to employees of manufacturers or dealers under contract in an amount exceeding $10,000 to the Federal Government to produce or furnish materials, supplies, articles, or equipment.

The prevailing minimum wage theory in the Walsh-Healey Act was similar to that in the Davis-Bacon Act. The Labor Department must determine the prevailing wages on the basis of similar work performed in that particular industry or a similar industry in the locality of manufacturer or supplier. Employees covered are those who, after the award of the contract, manufacture, assemble, handle or ship the goods. Executive, administrative and professional employees are exempted.

Just as is the case with Davis-Bacon today, management was critical of the techniques used in determining Walsh-Healey prevailing wages, claiming they were inflationary. The issue of locality was also controversial.

Advocates of the act argued that it was needed to protect workers from even lower wages in a low-wage industry. They also argued that it was ineffective since it was limited only to those employees on Federal contracts.

In 1964, the court decision of *Wirtz* v. *Balda Electric Co.*, 337 F.2d 518 (D.C. 1964), held that wage determinations under the Walsh-Healey Act were subject to the Administrative Procedures Act. Therefore, all parties had a right to inspect records used in making wage determinations. The surveys of corporate wage rates were made on the basis that the information obtained would remain confidential.

As a result of this court decision, since 1964, no new wage determinations have been made, and generally, the wage provisions of the Fair Labor Standards Act (FLSA) have been applied as the prevailing minimum wage rates required by the Walsh-Healey. Wage determinations that had been made prior to the court case remained in effect until superseded by the FLSA.

Union leaders predicted disaster as a result of this 1964 court decision which essentially killed the Walsh-Healey Act. The 1979 General Accounting Office's report on Davis-Bacon provided a brief overview of what exactly happened. It is worth while to extract portions of this report to show what has happened since Walsh-Healey became inoperative:

In the absence of (Walsh-Healey) wage determinations, employees working on contracts subject to the Walsh-Healey Public Contracts Act must be paid the minimum wages specified in the Fair Labor Standards Act of 1938.

The Commission on Government Procurement Study Group No. 2 evaluated the effect of not issuing wage determinations under the Act and concluded in its final report that: "The need for a prevailing wage in most manufacturing industries to protect workers from the Government's policy that contracts go to the lowest bidder is not necessary under current economic conditions."

The Commission's Study Group based its conclusion on the fact that there was no evidence that Government purchasing was exerting downward pressure on wages and the fact that: "The 'Sweatshop' conditions characteristic of the 1930's have given way to an era of prosperity and there is no current evidence that contracting by the Government is having any adverse effect on labor standards in manufacturing industries."

The Study Group did not find any adverse impact by Labor discontinuing making wage determinations for the millions of workers covered under the Walsh-Healey Act. Its report further stated that: "In discussions with major contractors and with contracting agencies, the study group was unable to develop any information or views that the wage determination aspect of the law had some relevancy today."

We also discussed the effect of discontinuing wage determinations under the act with cognizant Labor officials, who advised that, since 1975, Labor has received no significant complaints alleging an adverse effect on labor standards and protection of workers employed by manufacturing contractors doing business with the Government.

About the only effect of ending the Walsh-Healey wage determinations is that no longer are union wages the prevailing rate.

This example, Mr. President, serves as ample proof that repealing the Davis-Bacon Act would not result in any significant harm. The Walsh-Healey Act, which was declared essential to protecting the wages of workers in a low-wage

industry, is now just a historical footnote. The background, philosophy, and operation of the Walsh-Healey Act and the Davis-Bacon Act are so identical that one can reasonably predict that repealing Davis-Bacon would save the Nation millions of dollars without harming the construction industry or its workers.

We also have examples at the State level concerning the effects of repealing Davis-Bacon. In my talk last Thursday, I mentioned that 41 States had enacted their own little Davis-Bacon Acts. That figure is now 37. Four States—Alabama, Arizona, Florida, and Utah—have recently repealed their little Davis-Bacon Acts. The Florida legislature estimated a savings of several hundred million dollars with no accompanying harm by repealing its Davis-Bacon. Two other State legislatures repealed their Davis-Bacon Acts this year; the Governors of both Colorado and New Mexico, however, vetoed these bills.

Mr. President, never have I seen the case for legislative action so compelling. We must act now to correct the intolerable situation that exists because an archaic law remains on the books.

In my next presentation, I shall summarize the Davis-Bacon repeal case as it has been presented by the press.

Mr. President, I yield the floor.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. There will now be a period for routine morning business.

ADDITIONAL TIME FOR DEBATE ON THE TAX BILL

Mr. BAKER. Mr. President, this request has been cleared with the distinguished minority leader and with the managers of the bill on both sides.

I ask unanimous consent that there be 2 additional hours for debate on House Joint Resolution 266, under the control of the distinguished chairman of the committee and the ranking minority member, to be equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONCLUSION OF MORNING BUSINESS

Mr. BAKER. Mr. President, will the Chair lay before the Senate the pending business?

The PRESIDING OFFICER. Morning business is closed.

ECONOMIC RECOVERY TAX ACT OF 1981

The PRESIDING OFFICER. Under the previous order, the Senate will now resume consideration of House Joint Resolution 266, which will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

Mr. BAKER. Mr. President, I suggest the absence of a quorum, with the time to be charged against the newly created time.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, do I understand correctly that the distinguished Senator from Michigan wishes to proceed out of sequence, in advance of the Senator from Tennessee (Mr. SASSER), on the list of amendments to be considered, by unanimous consent?

Mr. RIEGLE. I am prepared to proceed now. I understand that the Senator from Tennessee will not offer his amendment.

Mr. BAKER. I hope that is correct.

Mr. President, I ask unanimous consent that it be in order for the Senator from Michigan to present his amendment at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is the debt limit bill, House Joint Resolution 266, and the pending amendment is the amendment offered by the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that that amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 298

(Purpose: To accelerate the deduction for two-income married couples)

Mr. RIEGLE. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Michigan (Mr. RIEGLE) proposes an unprinted amendment numbered 298.

Mr. RIEGLE. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 26, beginning with line 9, strike all through line 21 and insert in lieu thereof the following:

"(a) Deduction Allowed.—In the case of a joint return under section 6013 for the taxable year, there shall be allowed as a deduction an amount equal to 10 percent of the lesser of—

"(1) $30,000, or

"(2) the qualified earned income of the spouse with the lower qualified earned income for such taxable year.

Mr. RIEGLE. Mr. President, my purpose in offering this amendment, is to move more quickly to reduce the unfairness and the negative effects of the so-called "marriage-tax penalty."

The committee bill would provide a new income tax deduction to help correct the tax inequity that currently hits millions of two-income married couples. The deduction proposed by the committee would equal the lesser of $3,000 or 10 percent of the earned income of the spouse with the lower wages.

However, the committee would delay the full deduction until 1983 and, in 1982, would provide only half of the deduction—$1,500 or 5 percent of lower wages, whichever is less.

My amendment would simply provide the full $3,000 or 10-percent deduction beginning in 1982.

Mr. President, my amendment would have a one-shot, nonrecurring impact on revenues, which is estimated by the Joint Tax Committee staff to be: $200 million in fiscal year 1982, and $2.9 billion in fiscal year 1983.

That revenue effect is a measure of the tax inequity that would remain in this bill for millions of married taxpayers if my amendment is not adopted.

There is a straightforward argument for this amendment. Congress has been made aware of the clear inequity of the marriage penalty. Congress knows of a way to correct that problem and bring more fairness in the tax system. Therefore, Congress should not delay the remedy.

Mr. President, two central goals of the tax system should be to provide equal treatment for all taxpayers who are in similar circumstances and to avoid tax distortions of Americans' basic choices, such as whether or not to marry.

The current tax system seriously fails to meet that second goal. For example, two single people, who each earn $10,000, would have their total tax bill go up by $391 if they get married. The penalty is as large as $3,000 to $4,000 annually for many married couples. In effect, the earnings of one marriage partner is stacked for tax purposes on top of the earnings of the other.

The result is that the first dollar earned by one spouse is taxed at the same marginal rate as the last dollar earned by the other partner. The Treasury Department estimates that, because of this, 17 million couples will pay a marriage penalty in 1981, and in all likelihood that number will grow in 1982.

Mr. President, I am certain that this penalty was never intended by Congress. The problem is only about 10 years old. In the Tax Reform Act of 1969, Congress moved to reduce a single person's tax penalty that existed at the time. But at the same time a severe marriage penalty was created.

The negative and unfair effect of the marriage penalty has been known for some time, and the Revenue Act of 1978 reduced the penalty slightly. But a large part of the penalty remains.

The problem has been made much worse by inflation. The rising cost of living has forced millions of spouses to bring a second income into the family. A tremendous change in lifestyle has occurred in recent decades. In 1947, for example, only 20 percent of American women worked outside the home. In

1980, that proportion soared to 51 percent, as married women entered the work force at higher paying jobs than ever before. That trend is expected to continue through 1990, when a projected 70 percent of women may work outside the home.

The energies and skills of women are a tremendous resource which the American economy is beginning to tap much more fully than ever before. That, of course, is a very positive development. But the marriage penalty creates for women the greatest disincentive to work that is built into the Tax Code.

Middle income families are hit even harder by this disincentive than upper income families because many of the additional costs that a two-income family incurs are rather fixed, and I refer to the cost of extra travel associated with going to and from work and child care costs that may also be involved.

Mr. President, a recent Gallup poll indicates that 83 percent of all Americans favor a change in the law to make the Tax Code fairer to married working couples.

While the committee proposes to ease the problem, it is not until 1983 that the committee would fully implement its remedy. I believe the solution should be enacted now and be put into effect immediately in the coming tax year.

Senator MATHIAS introduced an amendment several days ago that would have completely eliminated the penalty. I was a cosponsor of his amendment and preferred his approach. It would be the most equitable solution.

However, Senator MATHIAS felt he had to withdraw his amendment because the revenue impact was so large, the votes simply were not here to pass it.

Today, therefore, I am introducing a much more modest amendment. This amendment would accept the remedy of a 10-percent tax deduction that the Finance Committee has proposed. With this amendment, the Senate would simply state that, if the remedy is appropriate for these taxpayers in 1983, it is appropriate for 1982. It is not fair to arbitrarily provide only half the remedy and in effect to maintain half the penalty in 1982.

This amendment we have proposed is fair, it is modest, and I urge my colleagues to adopt it.

Mr. President, I reserve the remainder of my time.

Mr. President, I ask unanimous consent to list Senator CANNON and Senator SASSER as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Michigan.

Certainly I do not know of any other Senator who could be arguing this amendment and understand the marriage penalty better than the Senator from Michigan and the Senator from Kansas.

But I think the one problem we have with the Senator's amendment is the additional cost in fiscal year 1983, which according to the estimate I was just handed would be about $2.9 billion or nearly $3 billion. That is the reason for the phase-in under the Finance Committee bill.

It is not that we object to the result. It is that we object to the way the Senator from Michigan would proceed on the basis of the revenue numbers.

Are those the same figures that the Senator from Michigan has for that year?

Mr. RIEGLE. Yes, Mr. President, the estimates by the Joint Tax Committee are in that range, $0.2 billion in fiscal year 1982 and $2.9 billion in fiscal 1983. However, in a tax bill of this size this would be a very small item.

In addition, if we adopt this amendment, there will be some give and take in the conference with the House of Representatives. Some items that are already in this bill may have to be decreased. That would have a revenue impact and would provide room to accommodate this measure that would simply make the tax code fairer faster.

I hope that we can go on record supporting this and, when we get to conference, see if the money cannot be found to do this.

Mr. President, there is a strong supply side argument here, for those who believe in supply side economics. Reducing the marriage penalty would undoubtedly be one of the most cost-effective ways to increase an incentive to work and save. It would leave more of this hard-earned money with the people who are earning it. Paying this tax penalty is just not fair and continuing to levy the penalty has no justification.

Mr. DOLE. Mr. President, let me say that this would increase the revenue loss by $200 million in 1982 and about $3 billion in 1983. The Finance Committee proposal costs about $419 million in fiscal year 1982 and $4.4 billion in fiscal year 1983. So it is a rather substantial amendment.

I just suggest for that reason primarily I hope that this amendment will not be adopted.

There still may be some room in conference to move in this direction. Right now, according to the figures just furnished the Senator from Kansas by the Joint Tax Committee, preliminary estimates indicate that for fiscal year 1983 we are about $431 million over the revenue numbers in the administration's tax package. This would raise that to about a $3½ billion excess over the administration numbers.

I think another provision we agreed on last Friday, the $350 million amendment for child care, will also benefit the young couples with children.

I think just on the basis of the cost the Senator from Kansas is compelled to oppose the amendment.

Does the Senator wish the yeas and nays on the amendment?

Mr. RIEGLE. Yes, I wish to have the yeas and nays on the amendment.

Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I am wondering was there any agreement to have votes at a certain time or not?

Mr. RIEGLE. The Senator from Michigan is not aware that there is, but there may well be.

I am agreeable to looking for a time to accommodate Members if the vote does not come immediately.

How much time, may I inquire, remains on my side, Mr. President?

The PRESIDING OFFICER. Nine minutes remain on the side of the Senator from Michigan.

Mr. RIEGLE. I yield 3 minutes to the Senator from Tennessee.

The PRESIDING OFFICER. The Senator from Tennessee.

Mr. SASSER. I thank the distinguished Senator from Michigan for yielding to me.

Mr. President, I rise in support of the amendment offered by my distinguished colleague from Michigan (Mr. RIEGLE). His amendment provides for an immediate phase-in of the marriage tax deduction in 1982.

This is a laudable amendment, in my judgment. It builds on to the excellent work already done by the Finance Committee on this particular subject.

This amendment sends a message to the two-earner families throughout this country that we in the Senate understand their economic plight. We understand that more and more often it is necessary for both husband and wife to work to make ends meet.

Quite often the husband and wife make this decision out of concern for the well-being of their family. Both husband and wife move into the work force simply to provide for economic necessities for their family.

But, unfortunately, they presently find their work efforts are hindered by the so-called marriage tax; and the impact of the marriage tax, Mr. President, is considerable.

For couples, each earning $10,000, the marriage penalty is about $400 in taxes because both of them are working. For couples, each earning $15,000, the marriage tax penalty is nearly $700.

Retention of the marriage tax is an anachronism. It is an affront to the two-earner family throughout the country.

Mr. President, these are working people, people who must put in long hours simply to make ends meet for themselves and their families. We have heard a great deal about supply-side economics in the debate about this tax bill, and we have heard a lot about the necessity for increased capital investment. We have been implored by many to cut taxes for those in the higher income brackets so that they could save this money. These savings could then, the theory goes, be used for investment.

But, Mr. President, our most important priority should be to invest in the hard-working people of this country. The Riegle amendment, which I am proud to cosponsor, would tell the hard-working Americans where a husband and wife both work that we care about their economic future, and I hope, Mr. President, that my colleagues on both sides of the aisle will support this amendment.

The PRESIDING OFFICER. Who yields time?

Mr. RIEGLE. I thank the Senator very much for his comments, for his cosponsorship and for his leadership in this area.

Mr. President, the Mathias amendment, which was introduced several days ago and withdrawn, would have completely eliminated the marriage tax penalty. That amendment had broad support, but the revenue effect of that amendment was very much larger than that of my amendment today.

The Mathias amendment in fiscal 1982 would have had a revenue impact of $9.5 billion, whereas the Riegle amendment will have a revenue impact of only $200 million.

In 1983 the Mathias amendment would have had a revenue impact of $11.2 billion, whereas my amendment in 1983 would have a revenue impact of $2.9 billion. The Mathias amendment would have had continuing costs in fiscal years 1984 and beyond, whereas this amendment would add nothing to the cost of the committee's bill in those future years. This amendment is much smaller by far than the Mathias amendment.

The thrust of my amendment today is to provide this marriage tax penalty relief sooner. We deal with it directly in 1982, rather than dealing with half the problem and needlessly delaying the relief for another year.

So I hope on that basis my colleagues will feel that this is a worthwhile amendment to support. It is not often we can strike down an inequity that the overwhelming majority of Americans know to be wrong. I do not think there is any disagreement in the Senate about the wrongness of the marriage tax penalty. There is wide support to eliminate it.

Since we have a problem that we know needs to be solved, we ought to act now to solve it and to provide the remedy fully and completely beginning in 1982.

Mr. DOLE. Mr. President, I suggest the absence of a quorum to be charged against the Senator from Kansas' time on the amendment.

I might say to the Senator from Michigan that we are checking with the leadership if it might not be helpful for many Members to have this vote sometime during the noon hour because there are a number of Senators in committee hearings. So I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR VOTE TO OCCUR AT 12:30 P.M. TODAY

Mr. BAKER. Mr. President, I have discussed this with the distinguished manager of the bill and with the minority leader. My understanding is that, in the event debate is concluded on this amendment, it is the wish of the parties and the better part of discretion to order a vote on this at 12:30 today.

Mr. President, I ask unanimous consent that at the conclusion of the debate on this amendment, the vote thereon previously ordered occur at 12:30 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

Mr. RIEGLE. Mr. President, I have no other requests at this point. I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Under the previous order, the Senator from Washington (Mr. GORTON) is recognized to call up an amendment dealing with mutual savings banks on which there is a 10-minute time limitation.

Mr. DOLE. Mr. President, I yield 5 minutes off the bill to the distinguished Senator from Washington (Mr. GORTON).

The PRESIDING OFFICER. The Senator from Washington.

Mr. GORTON. Mr. President, the brief remarks which I intend to make at this point relate specifically to the amendment which has just been debated which was proposed by the distinguished Senator from Michigan (Mr. RIEGLE).

I should simply like to say, I am sure not only on my own behalf but on the behalf of the Members of this side of the aisle and many Members of the other side of the aisle, as well, that we sympathize greatly with the proposal to cut the marriage tax penalty. In fact, the chairman of the Finance Committee, the Senator from Kansas, has in the bill which is before us a responsible proposal to do just that.

The proposal of the Senator from Michigan, however, would add close to $2.5 billion in additional revenue loss if it were accepted in its present form.

I simply wish to point out to the Members of this body and to the general public that the Senator from Michigan who proposes this particular additional cut in revenues was one who was adamantly opposed to a tax cut of anything like the size of the one which is before the Senate right now, not only in the debate before the Senate Budget Committee on the maximum level of a tax cut but in the debate before the Senate as well.

He and many of those who are allied with him in pursuit of this amendment voted consistently to raise the amount of spending through some 40 or 50 roll-calls in this body, and voted significantly to reduce the allowance for personal and individual tax cuts which went to the Finance Committee for discussion.

So while this proposal is one that we wish we could accept, I am sure it is one that the Senator from Kansas wishes he could accept, our inability to do so is largely caused by the unwillingness of many Senators like the Senator who has sponsored this amendment significantly enough to cut the budget in order to allow it.

In order to be fiscally responsible, in order to reach a balanced budget as rapidly as possible, many of us will, with great regret, be required to vote against this amendment.

SEQUENCE OF AMENDMENTS

Mr. DOLE. I thank the distinguished Senator from Washington.

Mr. President, for those staff members of Senators who may be in committee meetings or in their offices, I would like to review the order of amendments.

Following the disposition of the amendment by the Senator from Washington (Mr. GORTON), will be the amendment of the Senator from Nebraska (Mr. EXON) and the Senator from New Jersey (Mr. BRADLEY). That will be followed by an amendment by the Senator from Massachusetts (Mr. KENNEDY), to be followed by an amendment of the Senator from Maine (Mr. MITCHELL), to be followed by the Nunn-Chiles amendment, followed by an amendment of the Senator from Pennsylvania (Mr. HEINZ), followed by two amendments of the Senator from Ohio (Mr. GLENN) and the Senator from Missouri (Mr. DANFORTH), in that order.

If, for some reason, that order cannot be accommodated by the proponents of the amendments, then I would hope that those Senators would contact us so that we might substitute other amendments. If for some reason those amendments will not be offered, and I hope that may be the case more often than not, we would like to be notified so we could schedule other amendments.

It is the hope of the Senator from Kansas that we could move very quickly on the remaining amendments and by late evening, 9 or 10 o'clock this evening, have completed nearly all of the controversial amendments.

The Senator from Kansas will also indicate that a number of amendments are under negotiation with Treasury. Some of those have been resolved and some are in the process of resolution.

I would predict that we should be able to wrap up this proposal late tonight or early tomorrow.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. MURKOWSKI). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORTON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GORTON. Mr. President, what is the pending business?

The PRESIDING OFFICER. The Senator from Washington has been recognized to offer an amendment.

UP AMENDMENT NO. 299

(Purpose: Relating to mutual savings banks having capital stock)

Mr. GORTON. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Washington (Mr. GORTON), for himself and Mr. JACKSON, proposes an unprinted amendment numbered 299.

Mr. GORTON. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place, insert the following new section:

SEC. . MUTUAL SAVINGS BANKS WITH CAPITAL STOCK.

(a) IN GENERAL.—Section 591 (relating to dividends paid on deposits) is amended—

(1) by inserting "(a) In General.—" before "In", and

(2) by adding at the end thereof the following new subsection:

"(b) MUTUAL SAVINGS BANK TO INCLUDE CERTAIN BANKS WITH CAPITAL STOCK.—For purposes of this part, the term 'mutual savings bank' includes any bank—

"(1) which has capital stock represented by shares, and

"(2) which is subject to, and operates under, Federal or State laws relating to mutual savings bank.".

(b) PERCENTAGE OF TAXABLE INCOME METHOD.—Subparagraphs (B) and (C) of section 593(b)(2) (relating to reduction of applicable percentage in certain cases) is amended by inserting "which is not described in section 591(b)" after "mutual savings bank" each place it appears.

(c) CONFORMING AMENDMENTS.—

(1) Sections 593(a) (relating to reserves for losses on loans) is amended by striking out "not having capital stock represented by shares".

(2) Paragraph (1) of section 593(e) (relating to distributions to shareholders) is amended by inserting "an institution that is treated as a mutual savings bank under section 591(b)" after "association" each place it appears.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years ending after the date of the enactment of this joint resolution.

Mr. GORTON. Mr. President, this amendment, cosponsored by my colleague (Mr. JACKSON), has been cleared with the distinguished chairman and the distinguished ranking member of the Committee on Finance. It is a technical amendment to cause the treatment of mutual savings banks which convert from mutual savings banks to stock savings banks to be identical in the tax code treatment with their bad debts and for dividends paid on deposits.

At the present time, Mr. President, savings and loans associations which convert from a mutual system of organization to a stock system of organization do not have tax consequences as a result of that choice of change in organization. Mutual savings banks do so and it significantly inhibits any mutual savings bank which wishes to go to a publicly-owned stock company. That kind of tax consequence should not occur. There is no valid policy reason for it to take place by reason of that election.

Recent very profound changes in the entire thrift industry make the flexibility to go from a mutual system to a stock system attractive in some areas, though not necessarily in other areas.

As this amendment has no significant revenue impact, Mr. President, but will help certain mutual savings banks which wish to make this change, I hope for its unanimous acceptance by this body.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, I do understand this amendment has been discussed with Senator LONG and with the Senator from Kansas and also with Treasury and the Joint Tax Committee staff as modified.

PRESENT LAW

Under present law, Mr. President, cooperative banks not having capital stock represented by shares, domestic building and loan associations, and cooperative banks without capital stock organized and operated for mutual purposes and without profit are permitted a more liberal bad debt deduction than other taxpayers (sec. 593). Under this special rule, a bad debt deduction is allowed equal to a percentage of the institution's taxable income. In the case of building and loan associations and cooperative banks, the percentage is 40-percent reduced by three-fourths of 1 percent for each percent that the institution's qualified assets (which are generally mortgages secured by real property) is less than 82 percent. Stock building and loan associations are eligible for the treatment but must meet special rules governing their investments (sec. 7701(a)(19)). In the case of mutual savings banks, the percentage is 40-percent reduced by 1½ percent for each percent that the institution's qualified assets is less than 72 percent. With the full bad debt deduction of 40 percent of taxable income, the effective rate of tax on these institutions is 27.6 (60 percent of 46 percent). In addition, there is a special rule for building and loan associations that recaptures ordinary income to the extent that the building and loan association makes distributions out of reserves attributable to more liberal bad debt deductions allowed under the percentage of taxable income method or under the laws prior to the Tax Reform Act of 1969.

Present law (sec. 594) also contains a special rule which permits life insurance income realized by a mutual savings bank to be taxed under the special rules governing life insurance companies as if the life insurance business of the mutual savings bank were operated as a separate company.

Present law (sec. 591) provides that amounts paid by mutual savings banks, cooperative banks, and domestic building and loan associations to depositors are deductible in computing the taxable income of the institution regardless of whether the amounts are dividends or interest.

DESCRIPTION OF PROPOSAL

The proposal would allow savings banks which issue stock, but which are subject to and operate under the laws of any State or the United States pertaining to mutual savings banks to be eligible for all of the special provisions described above for mutual savings banks not having capital stock represented by shares. Under this proposal, regulated stock savings banks would be allowed to compute their bad debt deduction under the percentage of taxable income method as savings and loan associations, and would be subject to the special recapture rules applicable to savings and loan associations. Regulated stock savings banks would be eligible to have their life insurance income taxed as a life insurance company. In addition, the proposal would clarify that amount paid to depositors of regulated stock savings banks would be deductible in computing the institution's taxable income.

● Mr. JACKSON. Mr. President, recently several States including Washington have passed laws permitting State-chartered mutual savings banks to convert to stock ownership. In the State of Washington this legislation was patterned after the regulations issued by the Federal Home Loan Bank Board pertaining to stock conversions by federally chartered mutual savings banks. Under the Washington State conversion statute, the converted institution generally continues to be governed by the same statutes as apply to mutual savings banks, and continues to have the same rights and restrictions on investment authority as apply to nonconverting banks. In other words, converting mutual savings banks will continue to operate as they always have except that the form of ownership will change from mutual association to stock ownership. This is being done to allow such institutions an additional means of generating capital and to improve their safety and soundness in general.

I am joining with Senator GORTON in proposing an amendment which would preserve the existing tax treatment provided to State-chartered mutual savings banks under the Internal Revenue Code for banks which choose to exercise the conversion option under State law.

Under the existing law section 593 provides rules governing reserves for losses on loans, section 591 provides rules governing deductions for dividends paid on deposits, and section 594 provides rules for mutual savings banks conducting life insurance business. The language proposed by our amendment maintains the present status of mutual savings banks where the only change is the conversion from mutual form to stock form with one exception. Under existing law savings and loan associations which have become stock institutions are required to invest 82 percent of their assets in real estate investments to receive the full deduction for losses on loans. Mutual savings banks currently are required to invest only 72 percent of their assets to receive the full deduction. Under the amendment converting mutual savings banks would be put on the same footing as stock savings and loan institutions.

Under existing law, federally chartered mutual savings banks which have converted to stock ownership are covered by sections 593, 591, and 594. In addition, there is no difference between the tax treatment provided to those savings and

loan associations which have converted to stock ownership and those which have not. These institutions receive similar treatment to mutual savings banks under the Tax Code. In other words, State-chartered mutual savings banks are the only category of savings institution which cannot convert to stock ownership and retain their present tax status. Our amendment would allow them to do so under State conversion laws.

I might note that, historically, mutual savings banks and savings and loan associations received tax exemptions because of their cooperative form of ownership and because of their concentration on real property loans. Over the years as these institutions have become more like for profit depository institutions and less like cooperatives, their exemption from tax was narrowed. As banking deregulation proceeds, it is quite possible that the Congress will have to return to the issue of the tax treatment of institutions which invest in real property loans. That is an issue which may be several years down the road but I do foresee it becoming more important as time passes.

In the short term, the amendment which Senator GORTON and I have cosponsored will allow mutual savings banks to deal with more immediate changes in the savings industry. It is my understanding that the amendment will have no revenue impact.●

Mr. DOLE. I yield to the Senator from Louisiana. It is my understanding that the Senator has discussed this with Senator GORTON.

Mr. LONG. I have no objection, Mr. President.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. Does the Senator from Washington yield back his time?

Mr. GORTON. I yield back my time, Mr. President.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment.

The amendment (UP No. 299) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. GORTON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, Senator HART will be here shortly to offer an amendment. I suggest the absence of a quorum, the time to be equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, while we are waiting for Senators to come to the Chamber, the Senator from Kansas has an amendment which is listed in the group of amendments.

Do I need a unanimous consent to take that amendment up at this time?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Mr. President, I ask unanimous consent that I may proceed with this amendment at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 300

Mr. DOLE. Mr. President, I send the amendment to the desk for myself and the distinguished Senator from Wyoming (Mr. WALLOP) and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE), for himself, Mr. WALLOP, Mr. GRASSLEY, and Mr. JEPSEN, proposes an unprinted amendment numbered 300.

Mr. DOLE. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 284, after line 4, add the following:

TITLE VI.—FOREIGN INVESTMENT IN UNITED STATES REAL PROPERTY INTERESTS.

(a) IN GENERAL.—Subchapter A of chapter 3 (relating to withholding of tax on nonresident aliens and foreign corporations) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:

"SEC. 1444. WITHHOLDING OF TAX ON DISPOSITIONS OF UNITED STATES REAL PROPERTY INTERESTS.

"(a) GENERAL RULE.—Except as otherwise provided in this section, in the case of any acquisition of a United States real property interest (as defined in section 897(c)) from a foreign person, the purchaser, the purchaser's agent, or any settlement officer shall be required to deduct and withhold a tax equal to whichever of the following is the smallest:

"(1) 20 percent of the amount realized on the disposition,

"(2) the portion of the purchaser's consideration (as defined in subsection (h)(4)) which is at any time within the withholding agent's custody or control, or

"(3) if there is a seller's maximum tax liability (as defined in subsection (h)(5)), the amount of such liability.

"(b) PURCHASER AND SETTLEMENT OFFICER MUST KNOW OR HAVE NOTICE THAT SELLER WAS A FOREIGN PERSON.—

"(1) IN GENERAL.—The purchaser, the purchaser's agent or any settlement officer shall not be required to deduct and withhold a tax under subsection (a) with respect to any acquisition unless the purchaser, purchaser's agent, or the settlement officer—

"(A) knows that the seller is a foreign person, or

"(B) has received a notice provided for in subsection (c).

"(2) TIME FOR APPLYING PARAGRAPH (1).—Paragraph (1) shall be applied immediately before each payment of the consideration with respect to the acquisition of the United States real property interest.

"(c) REQUIREMENTS TO FURNISH NOTICE.—

"(1) SELLER MUST FURNISH NOTICE TO PURCHASER AND TO SETTLEMENT OFFICER.—If the seller is a foreign person, he shall so notify the purchaser, his agent, and any settlement officer at such time or times and in such manner as may be prescribed by regulations.

"(2) SELLER'S AGENT.—

"(A) IN GENERAL.—If any seller's agent has at any time before the time specified in subsection (b)(2) reason to believe that the seller may be a foreign person, he shall so notify the purchaser, purchaser's agent, and any settlement officer at such time or times and in such manner as may be prescribed by regulations. A seller's agent will not be treated as having reason to believe that a seller may be a foreign person if the seller's agent relies in good faith on a written statement of the seller (or, in the case of a seller's agent retained by another agent of the seller a written statement by such other seller's agent) that the seller is a U.S. person.

"(B) ONLY 1 NOTICE TO EACH PERSON.—Under regulations, the requirements of paragraph (1) and of subparagraph (A) of this paragraph shall be treated as met with respect to the purchaser, the purchaser's agent, or any settlement officer if at least 1 notice which meets the requirements of paragraph (1) or such subparagraph (A) is furnished to such purchaser, purchaser's agent, and settlement officer.

"(C) SELLER'S AGENT.—Except as provided in subparagraph (D), for purposes of this paragraph, the term 'seller's agent' means any person who represents the seller (or another agent of the seller)—

"(i) in any negotiation with the purchaser or the purchaser's agent relating to the transaction, or

"(ii) in settling the transaction. A person will be considered to represent the seller (or another agent of the seller) if such person retains another person to represent the seller (or such other agent) in any negotiations with the purchaser or purchaser's agent relating to the transaction or in settling the transaction.

"(D) SETTLEMENT OFFICERS NOT TREATED AS SELLER'S AGENT.—For purposes of this paragraph, a person shall not be treated as a seller's agent with respect to any transaction merely because such person performs 1 or more of the following acts:

"(i) the receipt and the disbursement of any portion of the consideration for the transaction, and

"(ii) the recording of any document in connection with the transaction.

"(3) FAILURE TO FURNISH NOTICE.—

"(A) DUTY TO WITHHOLD.—If any seller's agent—

"(i) is required by paragraph (2) to furnish notice, but

"(ii) fails to notify the purchaser or the purchaser's agent or the settlement officer at such time or times and in such manner as may be prescribed by regulations,

such agent shall have the same duty to deduct and withhold (with respect to purchaser's consideration within the seller's agent's custody and control) that the purchaser would have if the seller's agent had complied with paragraph (2).

"(B) TREATMENT OF COMPENSATION.—In any case to which subparagraph (A) applies, the purchaser's consideration shall be treated as including the compensation received by the seller's agent in connection with the transaction.

"(C) REQUIREMENT OF REASONABLE INQUIRY.—For purposes of subparagraph (A), a seller's agent who fails to make reasonable inquiry into whether the seller is a foreign person shall be treated as required to furnish notice.

"(d) EXEMPTIONS.—

"(1) IN GENERAL.—No person shall be required to deduct and withhold any amount under subsection (a) with respect to a transaction if paragraphs (2), (3), or (4) applies to the transaction.

"(2) SELLER FURNISHES QUALIFYING STATEMENT.—

"(A) IN GENERAL.—This paragraph applies to the transaction if the seller (at such time, in such manner, and subject to such terms and conditions as the Secretary may by regulations prescribe) furnishes a qualifying statement to the person who (but for this paragraph) would be required to withhold.

"(B) QUALIFYING STATEMENT.—For purposes of subparagraph (A), the term 'qualifying statement' means a statement by the Secretary that—

"(i) the seller either—

"(I) has reached agreement with the Secretary for the payment of any tax imposed by section 871(b)(1) or 882(a)(1) on any gain recognized by the seller on the disposition of the United States real property interest, or

"(II) is exempt from any tax imposed by section 871(b)(1) or 882(a)(1) on any gain recognized by the seller on the disposition of United States real property interest and

"(ii) the seller has satisfied any seller's unsatisfied withholding liability or has provided adequate security to cover such liability.

"(3) PRINCIPAL RESIDENCE WHERE AMOUNT REALIZED IS NOT MORE THAN $200,000.—This paragraph applies to the transaction if—

"(A) the amount realized by the seller does not exceed $200,000, and

"(B) the property is acquired by the purchaser for use as his principal residence.

"(4) STOCK TRANSFERRED ON ESTABLISHED SECURITIES MARKET.—This paragraph applies to a disposition of stock in a corporation if the transaction takes place on an established United States securities market.

"(e) ADJUSTMENTS IN AMOUNT REQUIRED TO BE WITHHELD.—

"(1) CANNOT EXCEED SELLER'S MAXIMUM TAX LIABILITY.—

"(A) REQUEST.—At the request of the seller or of any withholding agent, the Secretary shall establish, with respect to any disposition, the seller's maximum tax liability.

"(B) LIMIT ON WITHHOLDING REQUIREMENT.—The amount required to be withheld under subsection (a) with respect to any disposition shall not exceed the amount (if any) established with respect to such disposition under subpargraph (A).

"(2) AUTHORITY OF SECRETARY TO PRESCRIBE REDUCED AMOUNT.—At the request of the seller or of any withholding agent, the Secretary may prescribe a reduced amount to be withheld under this section if the Secretary determines that to substitute such reduced amount will not jeopardize the collection of the tax imposed by this section or section 871(b)(1) or 882(a)(1).

"(3) PROCEDURAL RULES.—

"(A) REGULATIONS.—Requests for—

"(i) qualifying statements under subsection (d)(2),

"(ii) determinations of seller's maximum tax liability under paragraph (1) of this subsection, and

"(iii) reductions under paragraph (2) of this subsection in the amount required to be withheld,

shall be made at the time and manner, and shall include such information, as the Secretary shall prescribe in regulations.

"(B) REQUESTS TO BE HANDLED WITHIN 30 DAYS.—The Secretary shall take action with respect to any request described in subparagraph (A) within 30 days after the Secretary receives the request.

"(f) RULES RELATING TO CERTAIN PARTNERSHIPS, TRUSTS, AND ESTATES.— Pursuant to such terms and conditions as may be provided by regulations, a domestic partnership, the trustee of a domestic trust, or the executor of a domestic estate shall be required under subsection (a) to deduct and withhold from amounts of which such partnerships, trustees, or executors have custody which are—

"(1) attributable to the disposition of a United States real property interest (as defined in section 897(c)(1)), and

"(2) either—

"(A) includible in the distributive share of a partner of the partnership who is a nonresident alien individual or a foreign corporation, partnership, trust, or estate;

"(B) includible in the income of a beneficiary of the trust who is a nonresident alien individual or a foreign corporation, partnership, trust, or estate; or

"(C) includible in the income of a nonresident alien individual, foreign corporation, partnership, trust, or estate under the provisions of section 671.

"(g) WITHHOLDING TO BE REQUIRED FOR DISTRIBUTIONS BY FOREIGN CORPORATIONS IN THE CASE OF CERTAIN OTHER TRANSACTIONS.— Except as otherwise provided in this section, in the case of any transaction involving a United States real property interest on which gain is recognized under section 897(d) or (e) a corporation shall be required to deduct and withhold under subsection (a) a tax equal to 20 percent of an amount equal to the fair market value of such interest (as of the time of the transaction) reduced by its adjusted basis.

"(h) DEFINITIONS.—For purposes of this section—

"(1) SELLER.—The term 'seller' means the person disposing of the United States real property interest.

"(2) PURCHASER.—The term 'purchaser' means the person acquiring the United States real property interest.

"(3) SETTLEMENT OFFICER.—The term 'settlement officer' means the person who, in connection with the settlement, receives and disburses any portion of the consideration for the transaction.

"(4) PURCHASER'S CONSIDERATION.—

"(A) IN GENERAL.—The term 'purchaser's consideration' means the cash and the fair market value of the other property which is consideration in connection with the transaction.

"(B) INDEBTEDNESS.—Except to the extent provided in regulations, if—

"(i) the purchaser assumes indebtedness of the seller or indebtedness to which the property is subject, or the purchaser acquires the property subject to an indebtedness, and

"(ii) such indebtedness was incurred within 2 years of the transaction,

then, for purposes of applying subsection (a)(2) with respect to the purchaser, the purchaser's consideration shall include the amount of such indebtedness and the amount of such indebtedness shall be deemed to be within the withholding agent's custody or control.

"(5) SELLER'S MAXIMUM TAX LIABILITY.— The term 'seller's maximum tax liability' means, with respect to the disposition of any interest, the maximum amount which the Secretary determines the seller could owe—

"(A) as tax under section 871(b)(1) or 882(a)(1) by reason of such disposition, plus

"(B) the seller's unsatisfied withholding liability with respect to such interest.

"(6) SELLER'S UNSATISFIED WITHHOLDING LIABILITY.—The term 'seller's unsatisfied withholding liability' means the withholding obligation imposed under this section on the seller's acquisition of the United States real property interest or a predecessor interest, to the extent such obligation has not been satisfied."

(b) DISCRETION TO CURTAIL REPORTING WHERE WITHHOLDING REQUIRED.—Subsection (e)(2) of section 6039C is amended to read as follows:

"(2) RETURNS, ETC.—

"(A) GENERAL RULE.—All returns, statements, and information required to be made or furnished under this section shall be made or furnished at such time and in such manner as the Secretary shall by regulations prescribe.

"(B) CASES IN WHICH WITHHOLDING IS REQUIRED.—Except when required by the Secretary, the returns, statements, and information otherwise required to be made or furnished under this section shall not be required if a purchaser, a purchaser's agent or any other person would be required, under section 1444, to deduct and withhold tax on acquiring the property from its present owners."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to any payment of the consideration with respect to the acquisition of a United States real property interest made after December 31, 1981.

SEC. 602. TECHNICAL AMENDMENTS RELATING TO DISPOSITIONS OF INVESTMENT IN UNITED STATES REAL PROPERTY.

(a) SALES OF UNITED STATES REAL ESTATE BY CORPORATIONS ORGANIZED IN THE VIRGIN ISLANDS TAXABLE BY THE UNITED STATES.—

(1) Paragraph (1)(A)(i) of section 897(c) is amended by striking out "United States" and inserting in lieu thereof "United States or the United States Virgin Islands."

(2) Section 862(a) is amended by striking out the period at the end of paragraph (7) and inserting in lieu thereof "; and"; and by adding at the end thereof the following:

"(8) gains, profits, and income from the disposition of a United States real property interest (as defined in section 897(c)) located in a possession of the United States."

(3) Section 6039C is amended by adding at the end thereof the following:

"(f) SPECIAL RULE FOR POSSESSION AND UNITED STATES INTEREST.—A nonresident alien individual or foreign corporation subject to tax under Section 897(a) shall pay any tax and file any return required by this title—

"(1) to the United States, in the case of any interest in real property located in the United States and an interest (other than an interest solely as a creditor) in a domestic corporation (with respect to the United States) described in section 897(c)(1)(A)(ii), and

"(2) to the Virgin Islands, in the case of an interest in real property located in the Virgin Islands and an interest (other than an interest solely as a creditor) in a domestic corporation (with respect to the Virgin Islands) described in section 897(c)(1)(C)(ii).

(b) PARTNERSHIP ASSETS.—Paragraph (4)(B) of section 897(c) is amended to read as follows:

"(B) ASSETS HELD BY PARTNERSHIPS, ETC.— Under regulations, assets held by a partnership, trust, or estate shall be treated as held proportionately by its partners or beneficiaries. Any asset treated as held by a partner or beneficiary by reason of this subparagraph which is used or held for use by the partnership, trust, or estate in a trade or business shall be treated as so used or held by the partner or beneficiary. Any asset treated as held by a partner or beneficiary by reason of this subparagraph shall be so treated for purposes of applying this subparagraph successively to partnerships, trusts, or estates which are above the first partnership, trust, or estate in a chain thereof."

(c) NONRECOGNITION RULES OVERRIDDEN IN CERTAIN CASES.—Subparagraph (B) of Section 897(d)(1) is amended to read as follows:

"(B) EXCEPTION WHERE THERE IS A CARRYOVER BASIS.—Except as otherwise provided in regulations prescribed under subsection (e)(2), gain shall not be recognized under paragraph (A) if the basis of the distributed property in the hands of the distributee is no greater than the adjusted basis of such property before the distribution increased by the amount of gain, if any, recognized by

the distributing corporation. The preceding sentence shall not apply unless, at the time of receipt of the distributed property the distributee would be subject to taxation under this chapter on a subsequent disposition of the distributed property.

(d) FOREIGN CORPORATION PERMITTED TO ELECT TO BE TREATED AS A DOMESTIC CORPORATION.—Subsection (i) of section 897 is amended to read as follows:

"(1) IN GENERAL.—If—

"(A) a foreign corporation holds a United States real property interest, and

"(B) under any treaty obligation of the United States the foreign corporation is entitled to nondiscriminatory treatment with respect to that interest,

then such foreign corporation may make an election to be treated as a domestic corporation for purposes of this section and section 6039C.

"(2) REVOCATION ONLY WITH CONSENT.—Any election under paragraph (1), once made, may be revoked only with the consent of the Secretary.

"(3) MAKING OF ELECTION.—An election under paragraph (1) may be made only—

"(A) if all of the owners of all classes of interests (other than interests solely as a creditor) in the foreign corporation at the time of the election consent to the making of the election and agree that gain, if any, from the disposition of such interest after June 18, 1980, which would be taken into account under subsection (a) shall be taxable notwithstanding any provision to the contrary in a treaty to which the United States is a party, and

"(B) subject to such other conditions as the Secretary may prescribe by regulations with respect to the corporation or its shareholders.

In the case of a class of interest (other than an interest solely as a creditor) which is regularly traded on an established securities market, the consent described in subparagraph (A) need only be made by a person who held more than 5 percent of such class of interest at some time during the shorter of the periods described in subsection (c)(1)(A)(ii). The constructive ownership rules of subsection (c)(6)(C) of this section shall apply in determining whether a person held more than 5 percent of a class of interest.

"(4) EXCLUSIVE METHOD OF CLAIMING NONDISCRIMINATION.—The election, provided by paragraph (1) shall be the exclusive remedy for any person claiming discriminatory treatment with respect to this section and section 6039C."

(e) REPORTING REQUIRED FOR CERTAIN INDIRECT HOLDINGS.—Paragraph (4)(C) of section 6039C(b) is amended to read as follows:

"(C) INDIRECT HOLDINGS.—For purposes of determining whether an entity to which this subsection applies has a substantial investor in U.S. real property, the assets of any person shall include the person's pro rata share of the U.S. real property interest held by any corporation (whether domestic or foreign) if the person's pro rata share of the U.S. real property interest exceeds $50,000."

(f) Section 897 is amended by adding at the end thereof the following new subsection.

"(i) CERTAIN CONTRIBUTIONS TO CAPITAL.—Except to the extent otherwise provided in regulations, gain shall be recognized by a nonresident alien individual or foreign corporation on the transfer of a U.S. real property interest to a foreign corporation if the transfer is made as paid in surplus or as a contribution to capital, in the amount of the excess of—

"(1) the fair market value of such property transferred, over

"(2) the sum of—

"(A) the adjusted basis of such property in the hands of the transferor, plus

"(B) the amount of gain, if any, recognized to the transferor under any other provision at the time of the transfer."

(g) PRE-ENACTMENT ACQUISITIONS.—Section 897 is amended by adding the following new subsections:

"(j) FOREIGN CORPORATIONS ACQUIRED PRIOR TO ENACTMENT.—If—

"(1) a foreign corporation adopts, or has adopted, a plan of liquidation described in section 334(b)(2)(A), and

"(2) the 12-month period described in section 334(b)(2)(B) for the acquisition by purchase of the stock of the foreign corporation, began before November 26, 1980,

"then such foreign corporation may make an election to be treated, for the period following June 18, 1980, as a domestic corporation pursuant to section 897(i)(1).

"(k) SPECIAL RULE FOR CERTAIN U.S. SHAREHOLDERS OF LIQUIDATING FOREIGN CORPORATIONS.—If a corporation adopts a plan of complete liquidation and if, solely by reason of section 897(d), section 337(a) does not apply to sales or exchanges, or section 336 does not apply to distributions, of United States real property interests by such corporation, then, in the case of any shareholder who is a U.S. citizen or resident and who has held stock in such corporation continuously since June 18, 1980, for the first taxable year of such shareholder in which he receives a distribution in complete liquidaton with respect to such stock—

"(1) the amount realized by such shareholder on the distribution shall be increased by his proportionate share of the amount by which the tax imposed by this subtitle on such corporation would have been reduced if section 897(d) had not been applicable, and

"(2) for purposes of this title, such shareholder shall be deemed to have paid, on the last day prescribed by law for the payment of the tax imposed by this subtitle on such shareholder for such taxable year, an amount of tax equal to the amount of the increase described in paragraph (1)."

(h) Paragraph (2)(B) of section 1125 of P.L. 96-499 is amended to read as follows:

"(B) the new treaty is signed on or after January 1, 1981 and before January 1, 1985,

then paragraph (1) shall be applied with respect to obligations under the old treaty by substituting for 'December 31, 1984' the date (not later than 2 years after the new treaty was signed) specified in the new treaty (or accompanying exchange of notes)."

(i) EFFECTIVE DATES.—The amendments made by this section shall apply to dispositions after June 18, 1980.

Mr. DOLE. Mr. President, under present law, as enacted last year, a foreign person selling U.S. real estate after June 18, 1980, is taxable on the U.S. income from that disposition or the disposition of a U.S. real property interest. A U.S. real property interest includes either a U.S. corporation or a foreign corporation having more than 50 percent of its asset value as U.S. real property.

The provisions are enforced by information reporting by corporations that have substantial foreign investors or by owners of U.S. real property.

The provisions contain rules to prevent tax avoidance transfers of U.S. real property in nonrecognition transactions.

The amendment just offered by the Senator from Kansas and the Senator from Wyoming will replace the current system of reporting with withholding. In other words, all we have now is a reporting requirement, and there is no withholding. The purpose of this amendment is to impose a withholding obligation on the purchaser from a foreign seller or on the purchaser's agent. The rules limit withholding to cases where the purchaser has actual knowledge that the seller is foreign. It will also exempt from withholding acquisitions of single family homes for less than $200,000.

Technical amendments to the provisions would make clear that the legislation overrides the use of nonrecognition provisions, either alone or with tax haven and other treaties, to avoid U.S. taxation of foreign sellers, clarify certain potential conflicts with treaties, and correct certain hardships caused by the effective dates.

REVENUE EFFECT

There would be a revenue gain of $73 million in fiscal year 1982, $6 million in 1983, $9 million in 1984 and thereafter.

Withholding as the method of enforcing the real estate provisions was adopted by the Senate last year but dropped in conference because of concerns with protection of agents. These problems have now been worked out.

Withholding will insure, to the extent possible, the collection of tax from foreign sellers of U.S. real estate.

Withholding is the method used to insure collection of tax from foreign recipients of other U.S. source income.

Adequate withholding will enable the Secretary to relieve taxpayers of much of the presently imposed reporting which is now necessary to enforce the provision.

The technical amendments are needed to insure compliance by those who would use nonrecognition provisions and treaties in unintended ways to avoid this legislation.

Mr. President, I ask unanimous consent that the distinguished Senator from Iowa (Mr. GRASSLEY) be made a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. I personally have no objection to the amendment, and I am not aware of anybody who does have objection to it.

I would suggest to the Senator that we agree to the amendment at this time and that a motion not be made at this point to reconsider, in the event that someone should arrive on the scene and have some doubts about this amendment. I doubt there will be, but in case they did they could move to reconsider it and we can discuss it further.

I am prepared to yield back the remainder of my time.

Mr. DOLE. Mr. President, I think that is a good suggestion by the Senator from Louisiana.

As far as this Senator knows there is no opposition to the amendment. Last year there was strong opposition in the conference. I think it was expressed by the Congressman from Florida, Congressman GIBBONS, and he will be a conferee again this year so if he still has objection, he can state it. I think his

concerns, as I understand it, have now been satisfied, and I think frankly it is a good amendment. It is one the Treasury has an interest in.

I do think the suggestion by the Senator from Louisiana is a good one.

So I will yield back the remainder of my time.

The PRESIDING OFFICER. Does the Senator from Louisiana yield back his time?

Mr. LONG. I yield back our time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas.

The amendment (UP No. 300) was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

(Mrs. KASSEBAUM assumed the chair.)

Mr. LONG. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Madam President, I ask unanimous consent that the amendment of the Senator from Kansas (Mr. DOLE) be temporarily laid aside so the Senator from Nebraska (Mr. EXON) may offer an amendment.

The PRESIDING OFFICER. Under the previous order, the Senator from Nebraska is recognized.

Mr. EXON. I thank my friend from Louisiana and I thank the Chair.

AMENDMENT NO. 522

(Purpose: To reduce the third-year tax cut if certain economic goals are not attained)

Mr. EXON. Madam President, I call up my amendment No. 522, which is at the desk, and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Nebraska (Mr. EXON), for himself, Mr. BRADLEY, Mr. PRESSLER, Mr. NUNN, and Mr. DIXON, proposes an amendment numbered 522.

Mr. EXON. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 15, in the matter preceding line 1, strike out the end quotation marks and the end period.

On page 15, after the matter preceding line 1, insert the following:

"(f) RATE CUT CONTINGENT ON ATTAINMENT OF ECONOMIC OBJECTIVES.—

"(1) IN GENERAL.—If the average interest rate for fiscal year 1982 on new issue 91-day United States Treasury bills exceeded 10.5 percent, then the tables under paragraph (2) and (3) of subsections (a) through (e) of this section shall not apply.

"(2) SECRETARY TO PRESCRIBE TABLES.—If paragraph (1) applies to the tables under this section, the Secretary shall prescribe tables as follows:

"(A) 1983.—For taxable years beginning in 1983, the Secretary shall prescribe tables which reduce the marginal rate brackets in the tables prescribed under paragraph (1) of subsections (a) through (e) by the lesser of—

"(i) 2.5 percent, or

"(ii) such percent as is necessary to increase Federal revenues for fiscal year 1984, in an amount equal to the amount by which the Federal budget deficit for fiscal year 1982 exceeded $42,500,000,000.

"(B) 1984 AND LATER.—For taxable years beginning after December 31, 1983, the Secretary shall prescribe tables which reduce marginal rate brackets in the tables prescribed under paragraph (3) of subsections (a) through (e) to reflect the rate reductions which are reflected by the withholding changes made in 1981, 1982, and 1983.

"(3) WITHHOLDING.—Notwithstanding the provisions of section 3402(a)(3), the Secretary shall adjust the withholding tables on July 1, 1983, to reflect the application of this section.".

Mr. EXON. Madam President, the amendment I am offering is the only effort I am aware of that addresses by law in the tax reduction bill the critical concern of the highest real interest rates in the Nation's history. We all know ruinous interest rates are the major concern today but we are tiptoeing around the problem as if it does not exist. There has been much rhetoric and gnashing of teeth over interest rates but no real action to address them head on. This is a very necessary amendment and is interlaced with the dual concern of the worthy companion goal of a balanced budget by 1984.

The President has stated that it is his goal to reach a balanced budget by 1984, and the first concurrent budget resolution, recently adopted by Congress, also affirms this important objective. The difficulty, in the opinion of this Senator, is that we say good things but lack the discipline to back our goals with reasonable legislation complete with teeth.

Regardless of how each of us votes on the various provisions of this tax cut bill, I am sure that we all hope that the tax cut action is successful and that American economic recovery results and returns to some degree of soundness. But we all know that economic projections are imprecise at best, and the current plans for our economic recovery could go awry. This is why I believe it is important to have a safety valve amendment so that Congress will have the opportunity and the flexibility to change the economic plan and pass a balanced budget for 1984, rather than being locked into a fiscal policy of no return. It is my hope, Madam President, that this amendment will not be brushed aside, as so many others have the past week or 10 days.

Madam President, this safety valve amendment is based upon the President's latest predictions and projections for the economy, dated July 15, 1981. Among the other projections, the President has indicated that there will be a balanced budget in 1984, that the Federal deficit for fiscal year 1982 will not exceed $42.5 billion, and that Treasury bill rates will average 10.5 percent for fiscal year 1982.

The amendment I am offering simply provides that if—if—interest rates exceed to 10.5 percent—the figure projected by the President—the size of the 1983 individual tax rate reduction will be adjusted by the amount, if any, that the 1982 deficit exceeds $42.5 billion.

The trigger in this amendment is attached to the level of interest rates, not to the deficit itself although it is obvious the two are closely interrelated. The reason we have chosen interest rates as the trigger is that high interest rates, if continued much longer, will have a disastrous effect on all citizens and particularly on farmers, small businessmen, housing, the thrift institutions and many other sectors of our economy. It is appropriate that interest rate levels signal the success or failure of the economic recovery plan. However, since it is the size of the deficit which plays a large part in the level of interest rates, the amount by which the deficit exceeds the President's predictions is the basis for changing the size of the 1983 tax cut if necessary.

Let me give you some examples as to how this amendment will work if adopted. If the average 91 day Treasury bill rate for new issues in fiscal year 1982 is 10.5 percent or less, this amendment will not go into effect regardless of the size of the deficit. However, if the interest rate level is 12 percent, for example, then the size of the July 1, 1983, tax rate reduction will be dependent on how much the deficit exceeds $42.5 billion. If the deficit is approximately $50 billion, the July 1, 1983, rate of individual tax reduction would be reduced to 8 percent, rather than the scheduled 10 percent.

If the 1982 deficit is $63 billion, the July 1983, rate reduction would be 5 percent, rather than 10 percent. In no case would the rate reduction be less than 5 percent under this amendment, and only individual tax rates, not tax cuts for businesses, will be affected.

How realistic, Madam President, is the administration's predicted 10.5 percent 91 day Treasury bill rates for fiscal 1982? We should first take a look at the recent past.

Despite the warning of many of us in the Senate during the reconciliation and first concurrent budget deliberations we blindly went along with the administration's rosier predictions on interest rate declines. Within the last few days the administration has revised its interest rate predictions upward for the next 2 years. This revision, Madam President, was not a minor one in terms of cost. The administration has concluded that it was over $17 billion short in its projections. That is $17 billion more in costs to the taxpayer and/or the deficit. Is it not time, Madam President, that we took the blinders off and faced reality rather than rosy, self-serving predictions? It is no wonder that the money markets are not responding to our initiatives. Wall Street knows that 2 and 2 make 4 and not 3.

In this regard, Madam President, I ask unanimous consent that a number of wire service stories and a news article—and I am going to read in part from them—be printed in the RECORD in full at this point in my remarks.

There being no objection, the articles

were ordered to be printed in the RECORD, as follows:

[From the Washington Post, July 19, 1981]

HIGH LOAN RATES MAY BE TOO COSTLY FOR ECONOMY

Interest rates are much too high. They threaten a national economic crisis, especially in the auto, housing and thrift industries.

Quite apart from the recent well-publicized complaints of European leaders that high U.S. interest rates are creating problems for them, the objective evidence is that a monetarist policy being pursued by the Federal Reserve Board has pushed interest rates higher than they ought to be—and higher than the Fed itself expected them to be.

Even President Reagan's economic advisers, according to one of them, are "puzzled" and "confused" about the persistence of high interest rates although they propose to stick with present policy, a decision based "more on confusion than conviction." This is the view of William Niskanen, one of the three members of the Council of Economic Advisers.

One gets the feeling that Federal Reserve policymakers are compulsively flirting with economic disaster because they are afraid to shift gears, believing that as bad as things are now, they would be even worse if policy were prematurely eased.

In part, the puzzlement cited by Niskanen arises because interest rates have continued to soar even though inflation has come down dramatically. The Consumer Price Index is running at an anual rate of 8.2 percent, compared with 13.3 percent two years ago. When measured against a 14½ percent Treasury bill rate, the "real" interest rate is more than 6 percent, well above the conventional level of 2 to 3 percent.

Even if one decides to measure inflation not by the CPI but by a higher, assumed underlying inflation rate of 9 percent or so, the "real" interest rate is at an historic peak. It's a complete reversal of the pattern two years ago when "real" interest rates were negative because a 10 percent yield was running behind the 13.3 percent inflation rate.

The consequences of a policy that keeps interest rates this high are dramatic. Domestic auto sales have collapsed to an annual rate of about 5 million, a 20-year low. Meanwhile, the savings and loan industry has been pushed to the edge of a disaster that could force the government into a bailout costing as much as $50 billion, according to economist Alan Greenspan.

Niskanen says that at a recent informal session among six government economists, including some from the Fed, "there were eight different explanations (for the peak level of real interest rates)—and we didn't have a good one."

It doesn't seem all that mysterious. In a telephone interview, Salomon Bros. money expert Henry Kaufman said the record real interest-rate level "reflects the heavy burden being placed on monetary policy. In the next 12 months, we'll have a major tax cut, increased defense spending and bigger federal deficits. In that environment, what can you expect from interest rates?" Kaufman predicts that within a year, unless the government curbs the big military build-up, the prime rate will top the 21½ percent level set last year.

Kaufman's basic theme isn't challenged at the Fed when officials speak off the record. A well-posted source uses these plain words: "We face a real dilemma: The financial markets don't believe Reagan will be able to cut the federal deficit. If they [the Reagan administration] were to cut their proposed defense spending increase in half, you'd see an immediate reduction in interest rates.

"But if we were to change monetary policy now by pumping more reserves into the market, we would lose all our credibility, and long-term rates would rise at least 2 or 3 points. It's one hell of a problem because autos, housing and the S&Ls are in trouble. But so long as Reagan puts all of the burden on us, we've got no choice."

In effect, the Federal Reserve has consciously made a decision that the economy overall is resilient enough to take its austere policy even though the interest-sensitive sectors such as housing and the thrifts are in serious trouble. "In a way," says a Fed source, "as we continue this policy—although I hasten to say that's not why we are doing it—we're putting pressure on the Reagan administration. We're forcing them to face up to the significance of the big budget deficit."

But how long can this lethal game go on? The economy appears to be entering a general downturn or recession. Richard Pratt, head of the Federal Home Loan Bank Board, says that fully one-third of the nation's 4,700 S&L's "are not viable" under today's conditions of high interest rates.

Greenspan reports that because there is a limit to the number of strong institutions that can absorb weak ones, many S&L's will have to be liquidated rather than merged out of existence. Insurance will protect depositors (up to $100,000), but the government may have to put up so much cash or credit that it could "seriously threaten the success of the president's anti-inflation program," Greenspan concludes.

Thus, the wisdom of blindly following a high-interest-rate policy needs to be reexamined. The Reagan administration is beginning to worry enough about the problem to be predicting that interest rates will be coming down. But you don't get that kind of soothing assurance from the Fed. In the end, it may take a corporate bankruptcy or an international financial crisis to force a change in policy, and in the underlying monetarist dogma.

[Telegrams]

STOCKS

JULY 22, 1981.

NEW YORK.—The stock market, unable to sustain a rally attempt because of high interest rates and rumors of further hikes, fell for the third consecutive session today to a seven-month low in moderate trading.

The Dow Jones industrial average, which had been ahead more than 5 points at the outset, plunged 9.80 to 924.66, the lowest level since it finished at 918.09 on Dec. 16, 1980.

The New York Stock Exchange index lost 0.74 to 73.85 and the price of an average share decreased 32 cents. Declines topped advances 953–495 among the 1,869 issues traded at 4 p.m.

Big board volume, which picked up in the final hour, totaled 47,500,000 shares compared with 47,280,000 traded yesterday.

Composite volume of NYSE issues listed on all U.S. exchanges and over the counter at 4 p.m. totaled 53,183,200 shares compared with 52,391,400 traded yesterday.

The American Stock Exchange index eased 0.02 to 68.05. There was no change in the price of an average share. The National Association of Securities Dealers' NASDAQ index of over-the-counter issues lost 1.01 to 206.16.

BUSINESS HIGHLIGHTS

JULY 22, 1981.

WASHINGTON, D.C.—The International Monetary Fund predicts world economic conditions will show little improvement through next year.

The IMF also said in its annual "World Economic Outlook," released Sunday, that it sees "significantly more weakness in real and nominal GNP (gross national product) growth" in the United States than does the Reagan administration.

The Reagan administration estimates that real GNP will rise in the United States by 3.5 percent in 1982; the IMF says growth will be 1.25 percent. The administration says consumer prices will be rising by 7 percent in 1982; the IMF says the rate will be 8 percent.

The IMF sees slow growth in the world economy of 1.5 percent this year and a little more than 2 percent in 1982, compared with 1.25 percent in 1980.

World inflation should slow somewhat, according to the report. It said consumer prices in non-Communist industrial countries should rise an average of 9.5 percent this year—compared with 12 percent in 1980—and by less than 8 percent in 1982.

Severely cramped by record interest rates, housing starts plunged 11 percent in June to the lowest annual rate since the bottom of last year's recession, the Government says.

The Commerce Department said new housing started by U.S. builders hit an annual rate of 1.03 million last month, the lowest since the 938,000 annual rate of May 1980. Housing starts have plunged 38 percent in five months since January's annual rate of 1.66 million.

Building permits for future construction also are dropping rapidly, giving little hope for recovery within the next few months.

Permits were issued in June at an annual rate of 976,000, down 16.4 percent from May. The figure was the lowest since May 1980, the Commerce Department said Friday.

All the figures in the report were adjusted for seasonal variations.

Economists, builders and Government officials all agree on the cause of the slump: record-high interest rates, both for home loans and for construction loans.

STOCKS

JULY 20, 1981.

NEW YORK.—The stock market, jolted by prospects of higher interest rates and Middle East tensions, was in a steep decline early today in moderate trading.

The Dow was off 11.42 points to 947.48 around noon. Declines led advances, 1,084–343, among the 1,688 issues crossing the New York Stock Exchange tape.

Big board volume at the two-hour mark amounted to about 19,600,000 shares, compared with 19,080,000 traded during the same period Friday.

The Federal Reserve triggered the heavy selling by reporting late Friday the Nation's money supply surged $6.9 billion. The increase was larger than expected and kept pressure on the fed to maintain tight credit.

A frantic takeover war for Conoco has provided the market with much of its volume the past several sessions. Mobil Corp. Friday bid $7.7 billion for Conoco. Previously DuPont offered $7.5 billion and Joseph Seagram & Sons has bid $3.8 billion for 51 percent of Conoco's stock.

Many analysts said they were concerned about the more than $30 billion in loan commitments the Nation's banks have pledged to support the bids for Conoco and others.

Conoco was the second most active NYSE-listed issue, off 1⅜ to 85⅞, DuPont was down ⅜ to 45⅝, Mobil ½ to 29⅞ and Seagrams Ltd. ¼ to 55.

Sears, Roebuck was the most active, off ½ to 18¼ in trading that included a block of 542,700 at 18¼. Imperial Corp. of America was third, off ⅜ to 19½.

GRAIN MARKET

CHICAGO.—Wheat was lower, corn and soybeans substantially lower and oats irregularly lower at midmorning today on the Chicago Board of Trade.

Wheat was off 2 to 3½ cents; corn off 6 to 6¾; oats unchanged to off 2½; and soybeans off 14¾ to 20 cents.

Increased country movement created price protection and hedge pressure, which accounted for all opening losses this morning.

Protection taken ranged from 3 to 4 cents in corn, 10 to 12 cents in soybeans and 4 to 5 cents in wheat.

Beneficial rain during the week also resulted in lower future prices. Rain was prevalent in Illinois, southeast and southwest Wisconsin, Iowa and Missouri. Forecasters predicted rain over the next few days in the corn and soybean belts.

The midmorning prices included:

Wheat, July 3.86½ off 2; Sept. 4.01 off 2¾; Dec. 4.30½ off 2¾.

Corn, July 3.36 off 6¼; Sept. 3.42¼ off 6½; Dec. 3.50 off 6¾.

Oats, July 1.97½ unchanged; Sept. 1.89 off 2½; Dec. 1.99½ off 2.

Soybeans, July 7.22 off 20; Aug. 7.23½ off 17; Sept. off 15¾.

The outside markets were lower.

SAVINGS PROBLEMS

JULY 17, 1981.

WASHINGTON.—Without congressional help or a fast drop in interest rates, more and more banks and thrift institutions will find themselves facing severe financial trouble, top federal regulators predict.

The head of the Federal Reserve Board says, however, that a rapid drop in interest rates over the next few months "is unlikely" and ailing savings and loan institutions would be "very imprudent" to count on it.

But the chairman of both the Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. say their funds to cover losses should be adequate to protect the tens of thousands of depositors that could be affected.

In the past seven weeks, about another 100 savings and loan associations have been added to the Government's list of most-troubled thrift institutions, according to Richard Pratt, chairman of the Federal Home Loan Bank Board.

At the end of May that list stood at 263 of the 4,700 S. & L.'s across the country, up from 1979 just 17 months earlier. The Board's Federal Savings and Loan Insurance Corp. had no available estimate of the assets held by those problem institutions.

"Assuming interest rates continue on the same path," Pratt said, "there would be substantial pressure (on the industry) this year and again next year."

The exact number of thrifts getting into trouble since May has not been determined yet, he said, but "it will be a substantial increase—a hundred or more."

Irvine Sprague, FDIC Chairman, said volatile interest rates could cause problems for some major banks by the end of 1982. Sprague, whose agency oversees the Nation's nearly 15,000 banks, said bank failures so far have been limited to institutions with less than $100 million in deposits.

If "a dismal economic scenario" occurs, he said, "there is a real possibility that there will be failures of large institutions."

Mr. EXON. Madam President, to look a little bit at the history, let us look at the recent history. I have before me a whole series during the last few days of the Associated Press and United Press International wire stories and a most interesting story from the Washington Post that I think puts this in perspective.

On Friday, July 17, the Associated Press:

"Without Congressional help or a fast drop in interest rates, more and more banks and thrift institutions will find themselves facing severe financial trouble," top regulators predict.

Further down in that same story:

The exact number of thrifts getting into trouble since May has not been determined yet, but it will be a substantial increase—a hundred or more.

Sunday, July 19, from the Washington Post, a most in-depth article written by Hobart Rowen on economic impact. The headline reads "High Loan Rates May Be Too Costly for the Economy."

I quote from that story:

Interest rates are much too high. They threaten a national economic crisis, especially in the auto, housing, and thrift industries.

Even President Reagan's economic advisers, according to one of them, are "puzzled" and "confused" about the persistence of high interest rates, although they propose to stick with present policy, a decision based "more on confusion than conviction."

One gets the feeling that Federal Reserve policymakers are compulsively flirting with economic disaster because they are afraid to shift gears, believing that as bad as things are now, they would be even worse if policy were prematurely eased.

My next newspaper-Associated Press-UPI story is from Wednesday, July 22. United Press International:

The stock market, unable to sustain a rally attempt because of high interest rates and rumors of further hikes, fell for the third consecutive session today to a seven-month low in moderate trading.

Monday, July 20, from UPI:

The stock market, jolted by prospects of higher interest rates and Middle East tensions, was in a steep decline early today in moderate trading.

The same day, Monday, July 20, Chicago, UPI:

Wheat was lower, corn and soybeans substantially lower and oats irregularly lower at midmorning today on the Chicago Board of Trade.

Still later, Madam President, Wednesday, July 22, Washington, AP:

The International Monetary Fund predicts world economic conditions will show little improvement through next year.

A separate story by the Associated Press, on the same day:

Severely cramped by record interest rates, housing starts plunged 11 percent in June to the lowest annual rate since the bottom of last year's recession, the government says.

Further down in the same story:

Economists, builders, and government officials all agree on the cause of the slump: Record high interest rates, both for home loans and for construction loans.

Madam President, it seems to me that, hopefully, this puts into some kind of perspective what the Congress and the administration are currently facing. I emphasize once again that the amendment that I am offering is not a criticism of anyone or anything; it is simply an amendment to face reality when we look to the ruinous future of high-interest rates on our overall economy.

Let us look for a moment, if we might, to the future. Remember, the administration predicts an average T-bill rate of 10.5 percent for fiscal 1982. What do the professional money managers believe? The comparable average T-bill futures for fiscal year 1982 is 2.5 points above, at 13 percent, above the administration's projection.

If the professional money managers are correct, we will be forced, by October 1, 1982, with still another additional interest cost in the approximate amount of $12.5 billion. Putting that another way, if the money managers in the future are correct on T-bill rates, then we are going to be spending on top of the $17 billion plus that we lost in the last projection by the administration another $12.5 billion in taxpayer costs unless somehow we can turn around the high-interest-rate policy that now is running rampant in this country.

No one knows who is right and who is wrong on their prediction. It just seems to me, Madam President, and I hope the majority of those in this supposedly deliberative body will agree, that it is not only prudent but practical to accept this amendment that could not possibly be harmful to the administration's stated economic recovery programs and goals, but provides for a reasonable escape mechanism if they fall short.

Where is our economy going today, Madam President? In Nebraska there were 2,338 bankruptcy actions filed in 1979, the year the new bankruptcy law went into effect. In 1980 they zoomed in Nebraska by 89 percent, to 4,441 cases.

Nationally, 261,818 individuals were involved in bankruptcy proceedings during 1979. That jumped 79 percent to 471,-181 in 1980. Is this a serious signal? I think it is, Madam President.

Madam President, many independent economists and other responsible people are concerned that the 1982 deficit could be in the range of $60 billion under the President's program, rather than $42.5 billion. If this is the case, I predict we will not have a chance to balance the budget in 1984. If my amendment is adopted, Congress will know on October 1, 1982, whether the economic recovery plan is on target and whether or not this amendment will go into effect the following July. The intervening time will give Congress the opportunity, during the spring of 1983, when the 1984 budget is formulated, to make appropriate adjustments in spending and in tax policy.

Madam President, let me repeat that I am sure we all hope that the tax cut bill we pass results in true recovery for our economy. In the case that it does not, I believe we should adopt this amendment so as not to lock current fiscal policy into a policy of no return from excessive deficit spending and high interest rates.

Madam President, I ask the Chair how much time I have remaining on my 1-hour time?

The PRESIDING OFFICER. There remain 43½ minutes.

Mr. EXON. I reserve the remainder of my time, Madam President.

Mr. DOLE. Madam President, I suggest the absence of a quorum, to be charged equally.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BAKER. Madam President, I ask

unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 298

The PRESIDING OFFICER. Under the previous order, the hour of 12:30 having arrived, the amendment of the Senator from Michigan (Mr. RIEGLE) is to be voted on.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. BOREN (after having voted in the negative). Madam President, on this vote I have a pair with the distinguished Senator from Nevada (Mr. CANNON). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. STEVENS. I announce that the Senator from Idaho (Mr. MCCLURE), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 36, nays 57, as follows:

[Rollcall Vote No. 222 Leg.]

YEAS—36

Baucus	Ford	Mitchell
Biden	Hart	Moynihan
Bradley	Hawkins	Pell
Bumpers	Huddleston	Proxmire
Burdick	Inouye	Pryor
Byrd, Robert C.	Jackson	Randolph
Cranston	Kennedy	Riegle
D'Amato	Leahy	Sarbanes
DeConcini	Levin	Sasser
Dodd	Mathias	Tsongas
Eagleton	Matsunaga	Williams
Exon	Melcher	Zorinsky

NAYS—57

Abdnor	Glenn	Murkowski
Andrews	Goldwater	Nickles
Armstrong	Gorton	Nunn
Baker	Grassley	Packwood
Bentsen	Hatch	Percy
Boschwitz	Hatfield	Pressler
Byrd, Harry F., Jr.	Hayakawa	Quayle
Chafee	Heflin	Roth
Chiles	Heinz	Rudman
Cochran	Helms	Simpson
Cohen	Hollings	Specter
Danforth	Humphrey	Stafford
Denton	Jepsen	Stevens
Dixon	Johnston	Symms
Dole	Kassebaum	Thurmond
Domenici	Kasten	Tower
Durenberger	Laxalt	Warner
East	Long	Weicker
Garn	Lugar	
	Mattingly	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Boren, against.

NOT VOTING—6

Cannon	Metzenbaum	Stennis
McClure	Schmitt	Wallop

So Mr. RIEGLE's amendment (UP No. 298) was rejected.

Mr. DOLE. Madam President, I move to reconsider the vote by which the amendment was rejected.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 522

Mr. EXON. Madam President, how much time do I have remaining on my amendment?

The PRESIDING OFFICER. Thirty-nine minutes remain.

Mr. EXON. I yield 5 minutes to the Senator from New Jersey.

Mr. DOLE. Madam President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska has the floor.

Mr. EXON. Madam President, I yield 5 minutes to the Senator from New Jersey.

Mr. BRADLEY. Madam President, I thank my distinguished colleague from Nebraska for yielding and for offering the amendment that is now before the Senate.

The amendment that is offered by Senator EXON is very similar to the amendment I offered in the Finance Committee during our deliberations on the tax package offered by the administration.

Madam President, every engineer knows that a safe mechanical system must have a safety valve to make it safe, if there is a significant risk that that system can do damage to its environment. This is particularly true when the system is untested and the potential damage is large and difficult to remedy.

Madam President, the same safe engineering principles should be applied to an untested and potentially hazardous economic program such as the one proposed by the administration in which this 3-year across-the-board tax cut is a key part.

The administration's program is experimental, particularly its tax component, and I believe it would be improved dramatically if we had built into the program a means by which we could extricate ourselves from a potentially disastrous scenario.

This amendment provides that program with a safety valve. It works automatically to curtail the dangers of a miscalculation without interfering with the program so long as it functions successfully.

The safety valve shuts off the automatic tax cut in the third year only when it can be seen that the automatic tax cuts in years one and two have produced a dangerous leak in the Federal budget, threatening to drown the American economy in high tides of inflation and punitive interest rates.

There is no question that these grave risks exist in the President's program, and there is no respectable economist who will tell you that the program is not experimental. Never in our 30-odd years of experience with macroeconomic management of the economy have we locked the economy into a 3-year personal tax cut on the expectation that it would stimulate supply sufficiently more than demand so as to generate enough real economic growth to close a persistent, large deficit and cover the revenue costs of the 3-year cut, all in conjunction with a tight rein on the money supply.

And never before have we imposed such rigidity on our tools of macroeconomic management, denying ourselves any flexibility in the use of the traditional macroeconomic tools of fiscal and monetary policy in response to the changing needs of the economy.

Never before have we deliberately exposed our economy to large inflationary, budgetary, and monetary shocks from an economic experiment based on unconventional theory. And I strongly believe that never should we consider doing it without, at minimum, putting in place a safety valve to turn off the experiment if it begins to misfire.

Many times I have gone over the potential dangers to the economy arising from this faith-based economic program, and I will go over them again.

This administration's economic program, with the 5–10–10 tax cut as its centerpiece, runs the risk of subjecting the economy to volatile cross current. It locks the economy into a stimulative 3-year personal tax cut and marries them to unexamined accelerations in defense spending to produce an expansionary fiscal policy.

This fiscal policy is at cross-purposes with the restrictive monetary policy that the administration has endorsed, and the Federal Reserve will be driven to pursue, in order to offset the budget's inflationary effects. Chances are high that the tight monetary policy and resulting high interest rates will choke off real economic growth before the tax cut can work its way into stimulating supply. But without the surge of growth, anticipated at 4 to 5 percent after 1982, the budget will fall into hopeless deficit.

I am not saying that this is what will happen. I do not know and cannot know what will happen. Nobody can, and that precisely is the point. What everyone can and should know, based on traditional theory and the historic performance of the economy, is that there is a substantial risk that what I have described will happen.

The financial markets do know this. Our financial and business community of course hopes the President's program will yield noninflationary growth, a balanced budget, and workable interest rates. We all hope this will happen.

But the financial community knows there is a grave risk that the results will be just the opposite, and that is an important reason why interest rates are sticky at historic highs and bond prices are falling. Movements in financial markets tell more about what analysts and brokers and investors think than do their words.

They may like the President's program, be hopeful about it, and want to believe in it, but they do not have confidence in

it—not enough confidence to put their money on it.

A safety valve, as proposed by this amendment, could bolster their confidence and that would give a quick boost to the economy. The safety valve would offer assurance that no tax program, however well intentioned, will be permitted mechanically to drive up deficits and interest rates.

Secure that the third-year cut would be made only if the economic conditions were right, the markets would be more likely to support productive, long-term investment at reasonable rates of interest. This approach would provide the financial and business community with the certainty of the full 3-year cut which the administration claims is central to achieving a positive economic response as long as the cuts were having the expected recovery effect. It would provide all of us with the additional security of knowing that the third-year cuts would be reduced or abandoned if the tax program was exacerbating the economy's ills instead.

In the final analysis, the vast majority of Americans stand to gain far more from robust growth, more and better jobs, and lower price levels than from a a small tax benefit, particularly when that benefit would be swiftly erased by chronic inflation.

Madam President, we cannot permit the development of a situation where the future health of the economy would be held hostage to the dogma of a 3-year tax cut. We must provide a bailout plan, a plan to save our economy, the only economy we have.

The ills of a ballooning Federal deficit are well known to my colleagues and to the American people. In a continuing dialog of dismay, pleas for greater efforts to bring the budget into balance have resounded in this Chamber.

But progress toward a balanced budget is the first victim of a tax cut unwarranted by economic conditions. Such tax cuts translate rapidly and directly into budget deficits, or a reduced surplus, which no one expects we will achieve by 1982 or 1983. These deficits are no different and no less damaging than deficits due to so-called runaway Government spending.

Deficits due to any cause force the Government into debt, and these deficits crowd out private borrowers or pressure the Federal Reserve to "monetize" the debt, to flush more money into the economy. Crowding borrowers drives up interest rates, hindering the private sector growth needed to bring about economic recovery and revitalize the competitiveness of U.S. industries in world markets.

Monetizing the debt can intensify already chronically inflationary demand pressures.

Deepening deficits induced by untimely tax cuts will force us to make larger and larger cuts in spending in the future. Nearly all of these will have to gouge programs for the poor, needy, and for the middle class as long as defense and entitlement programs swell.

This is not the way to build consensus for broadly based efforts to spur economic growth.

Large deficits are widely perceived to be a chronic illness plaguing the economy. Consequently, business and financial markets are inclined to react strongly to persistent deficits by driving up prices, wages, and interest rates. This constitutes the makings of relentless inflation and spiraling interest rates, and this is the perfect formula for obstructing real growth and industrial modernization.

Deficits also raise the national debt. This unfairly and imprudently mortgages the earnings of future taxpayers.

The description of damages done by rising budget deficits could go on, and has gone on time and again in this Chamber. It has been heard enough times to make the point. But this time is different. Now we have the opportunity to do something to protect the economy against uncontrolled deficits.

We can have the tax program that the administration claims is fundamental to bringing about economic recovery at the same time that we build a safeguard permitting us to recoup through tax policies in 1983 the revenue lost if the 1982 deficit rises above the administration's target for moving the budget into balance. We can have a small safety valve on an experimental program.

This Senator happens to believe that the economy requires a different mix of fiscal and monetary policy than the administration plans. Under the administration's program, inflationary tax cuts force the Fed to cut the supply of money and thereby drive up interest rates. High interest rates stifle real economic growth. Fiscal and monetary policy are at cross purposes.

A better mix would avoid the inflationary momentum of a large 3-year, inequitably distributed personal tax cut, thereby permitting faster progress toward a balanced budget and permitting monetary policy to accommodate the necessary growth with lower interest rates.

But this is not the administration's program and it appears that it is not the program the Congress will develop even though I have proposed two amendments to accomplish it. Let us then retain some flexibility, some means of modifying tax policy in response to the actual economic conditions at the time the 3-year cut goes into effect. Let us improve the engineering in this experimental program by adding a small safety valve.

It will improve confidence in the program, and by the administration's own standards stressing the importance of confidence, thereby improve prospects for the success of its economic recovery program.

I would simply commend the Senator from Nebraska for offering the amendment and assure him that as time passes, if this amendment is not adopted, there will be many Senators who will be faced with a very serious dilemma. That dilemma will be to allow interest rates and deficits to grow or to raise taxes.

Mr. EXON. Mr. President, will the Senator yield? Could we have order in the Chamber? There are five or six conversations going on, and I would like to hear the Senator from New Jersey. I wish my colleagues would give him the courtesy to listen to him.

The PRESIDING OFFICER. The Senator from Nebraska is correct. There will be order in the Senate.

The Senator from New Jersey may continue.

Mr. BRADLEY. Madam President, as I was saying, our colleagues in the Senate, without this amendment being part of the bill, will be presented with two very unappetizing choices. One will be if the economy is out of control interest rates are not 10.5 percent in 1982 but much higher, the deficit is not approaching balance but much higher, and they will refuse to do anything because we have locked ourselves into a 3-year tax cut.

Madam President, I would argue that that is not something that Congress wants to find itself in a position of having to defend. At the same time, I would argue that if we lock ourselves into this tax cut, and interest rates skyrocket, and the deficits skyrocket, Congress will be in the position of having to raise taxes.

I know, I have talked to many members of the business community, and they said, "Why don't you go ahead and adopt the 3-year tax cut? If things really deteriorate, and the deficit skyrockets and interest rates get out of control, you can always avoid that third-year tax cut."

Madam President, that would have the effect of raising taxes. Having been on the end of at least one vote on the import fee where Congress did propose to raise taxes, and having been a part of nine Senators who said they thought it was an important thing to do in that respect, I would argue that it would never happen.

The Senator from Nebraska, I think, has called attention to a very serious problem. That very serious problem is embodied in the very concept of the tax cut, and it is that we know today what the economy will be 3 years from now. I think that is patently untrue. The Department of Treasury, the Secretary of the Treasury, says he cannot even predict what the economy is going to be 6 months from now.

The Senator from Nebraska has, I think, wisely urged us to give ourselves a cushion and a safety valve so that if things turn out for the worse, we have an exit from this experimental plan.

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. I yield 5 minutes to the Senator from Oklahoma.

Mr. BOREN. Madam President, I thank my colleague from Nebraska. In Sunday's edition of the Washington Post, Hobart Rowen devoted his "Economic Impact" column to an analysis of the outcome of the Ottawa summit meeting attended by President Reagan last week.

In his article, Mr. Rowen makes some interesting observations including, once again, the detrimental effects high interest rates have had on the world economy. As Mr. Rowen explains:

In a closely interlocked world economy, high interest rates in the United States force high interest rates elsewhere, making it difficult to mount a recovery program: The

high interest rates push the dollar higher in foreign exchange markets, which pushes down the value of European currencies. Since all these countries depend heavily on imports—including notably oil—the declining value of their currencies worsens inflation. In the end . . . that affects jobs.

Both the administration and the Federal Reserve have repeatedly stated that a combination of lower inflation with cuts in Federal spending should induce lower interest rate levels. Yet, if we look at the current trends, we see that while inflation is slowing, current mortgage interest rates are not.

The Consumer Price Index declined from the double-digit rate at the high point last year of in excess of 12 percent to 9.6 percent in the first 3 months of 1981, to 7.4 percent in the most recent 3 months, a decline from over 12 percent to over a little over 7 percent in the cost-of-living index in the last several months. Yet current mortgage interest rates have remained at 16 percent. How can one explain that mortgage interest rates have historically exceeded the rate of inflation by about 2 percent, yet the current interest rate/inflation rate spread is in the range of 6 or 7 percent? It would appear to imply that this is a planned and deliberate policy of both the Federal Reserve and now, sadly, Madam President, with each passing day it appears more and more that it has been embraced as a policy of the Reagan administration.

As Mr. Rowen explained in his article:

This (high interest rate) policy—and it's Reagan's not just the Fed's—places the entire burden of controlling inflation on a shrinkage of the money supply. That is what is driving interest rates up.

Madam President, how much longer can we allow this high interest rate policy to threaten the survival of our small business and farming communities, not to mention placing the thrift and housing industries near a point of collapse? Due to the seriousness of the problem, I, along with my colleagues Senators NUNN, CHILES, JOHNSTON, and EXON, have written a letter to President Reagan, asking him to convene a domestic economic summit which would include President Reagan, the chairman of the Federal Reserve, Paul Volcker, and the congressional leadership.

I would point out, Madam President, that those of us who signed this letter did not do it for any partisan political purpose. Most of us have been among the leaders of those who have tried to build bipartisan support for the major thrust of many of the President's economic programs. So it is written in all sincerity.

In that letter we pointed out that there seems to be a total absence of coordination between fiscal and monetary policy. We said that "a head-on collision between the two" appears imminent.

If I could underline one sentence in our letter, it would be the one which reads:

If the high interest rates continue, the administration's supply-side economics cannot work.

And I speak as one who has been sympathetic to the theory of supply-side economics. But let us think about it, Madam President. We are following a tax policy—and, in general, it is a policy I believe in—designed to encourage investment.

That is why we are reducing taxes, to encourage investment and thereby encourage increased productivity.

But the high interest rates are raising the costs of investment and are, therefore, discouraging it; working exactly in the reverse of the tax policy that we are trying to enact into law today.

In conclusion, Madam President, I ask unanimous consent that the text of both Mr. Rowen's article from the Washington Post and of our letter to President Reagan be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

OTTAWA ECONOMIC SUMMIT: REAGAN AGAINST THE WORLD

OTTAWA.—In a blaze of lights and whir of cameras at the National Arts Center here, the seven heads of state and Gaston Thorn, president of the European Community, have spoken their pieces and concluded the seventh annual economic summit. But even this traditional linking of arms and closing of ranks could not hide the deep split in philosophy between the representatives of the hard-nosed policies of the Reagan administration and almost everybody else.

Although President Reagan, with the help of a well-oiled publicity machine, is trying to convince one and all that harmony and understanding prevailed, many Europeans departed this gentle capital with a sour taste in their mouths. What troubled them most was the American suggestion that having listened to the Reagan team's explanations, Europe has accepted the reasonableness of American policy that results in high interest rates.

This is far from the fact. What is true is that Reagan took a hard monetarist and supply-side line to Ottawa, and stood firm with it, just as he has done with his economic policy on Capitol Hill. And the Europeans suffered the same fate as the Democrats on the Hill—they were defeated. There is, to be sure, a promise of more effective consultation in the future, but no change in policy.

"The president walked away with the prize," Myer Rashish, undersecretary of state and the president's personal representative for summit preparation, told me with a sense of satisfaction. "If you read the communique, it sounds like a Reagan economic policy statement."

There is an element of truth to this. One could sense the degree of American domination of these sessions when the Socialist president of France, Francois Mitterrand, agreed to language accepting "the role of the market in our economies" and to boost the flow of private capital as a way of aiding the poor countries.

Nor will the United States budge on its policy of not intervening in foreign exchange markets, except in a crisis. "It would take something like a Russian invasion of Poland before we'd interfere," a high official told this reporter.

What was on display in Ottawa was American power and European weakness. Except for Japan, the United States has the strongest economy at the moment, despite some obvious problems. And it is still the biggest economy in the world, even if its global share of GNP and exports is smaller than it used to be.

Much has already been said about the American media blitz, which drowned out some European and Canadian efforts. Secretary of State Alexander Haig, presidential counselor Edwin Meese, Treasury Secretary Donald T. Regan and national security adviser Richard Allen were available continually for in-depth briefings (and selectively for private sessions) that naturally stressed the American view and tended to make Reagan look 10 feet tall.

The U.S. press office flooded the press room with transcripts by the dozen, including full texts of television talk show appearances by American officials. But reporters also complain when officials hide from the press. To be fair, it should be said that the United States also provided a full transcript of German Chancellor Helmut Schmidt's frank words on an "Issues and Answers" show. The media lesson, if there is one, is that the Europeans have to do a better job on their own behalf.

Although the summit was a news management success for the United States, the essential story here was that a powerful and popular American president pretty much had his way, whether the others liked it or not. He couldn't even be budged to join others in a condemnation of the Israeli bombing of Beirut.

Reagan was a bit nervous before the summit started, his aides say, wondering whether he could match strides with the others. Therefore, he arranged to have Meese attend the sessions in the role of note-taker. But he quickly saw he could hold his own, gained confidence, and by the end sensed he was pretty much in control.

It was all in sharp contrast to the summit three years ago in Bonn, where President Carter was overshadowed by Chancellor Schmidt, who played an aggressive role, along with former Japanese prime minister Takeo Fukuda. In the interim, the United States has gained strength—and a new president—while the Germans, hurt by oil prices and alert Japanese competition, have suffered.

Political tensions concerning Poland make the situation worse, spilling money out of European financial centers into New York. Japan is an increasingly powerful force in the international economy, with widely admired economic management. But Japan tends to align itself with and support the United States.

Moreover, language difficulties and cultural differences negate the prospect of a solitary Japanese leadership role at these sessions.

All these contribute to American power, the symbol of which is a mighty U.S. dollar. The mirror image is weak currencies elsewhere. (For the first time ever, the Canadian dollar dropped to 80 cents during the summit sessions.) Bitterly, German Finance Minister Hans Matthoefer told German reporters: "The higher the dollar rises, the harder it will fall."

None of the diplomatic cover-up regarding the communique can disguise the ruffled feelings. Subconsciously, President Thorn let it slip in his final statement that the Europeans view it as an "us-against-them" situation.

"We understand why the United States follows a certain policy while other countries adopt another policy," Thorn said, "and we will have to see how each of us will have to react as well, of course." The "we," of course, is Europe, and the "you" is the United States.

Already, a disgruntled Schmidt has promised that at home, he will deal with continuing high interest rates by cutting the federal budget. This may ease pressure on interest rates in Germany—the highest, he says, "since Jesus Christ"—but presumably at the expense of further depressing German economic activity. As far as the United States is concerned, Undersecretary of State Rashish confides, Schmidt used Ottawa "to lay the blame on us" for his domestic economic and political problems.

But the European economic problem is truly critical, especially the time bomb in-

herent in growing youth unemployment. About a decade after it happened in America, a baby boom has produced a massive shortage of jobs in many countries. The recent British riots illustrate what can happen in a stagnant economy with a burgeoning population. Treasury Secretary Regan admitted that he hadn't fully understood the European unemployment problem until coming to Ottawa.

Mitterrand warned Reagan in a face-to-face meeting last Sunday that France may face "social upheaval" this fall if he can't find some way of slowing down unemployment. Obviously, Mitterrand looks across the channel to England and wants to avoid the kind of economic disaster brought about with the help of Margaret Thatcher's austerity policy.

Europe's basic troubles, to be sure, were not created by high American interest rates—and this is the most responsible answer the Americans can make. But in a closely interlocked world economy, high interest rates in the United States force high interest rates elsewhere, making it difficult to mount a recovery program: The high interest rates push the dollar higher in foreign exchange markets, which pushes down the value of European currencies. Since all those countries depend heavily on imports—including and notably oil—the declining value of their currencies worsens inflation. In the end, as Schmidt said here a half-dozen times, that affects jobs.

The most disingenuous thing the Reagan administration did here was suggest blandly that it doesn't like high interest rates any more than the Europeans do, but they are a necessary response to "a legacy" or "mess" inherited from past administrations. What's more, they repeated in the numerous briefings, the Federal Reserve is responsible for monetary policy, and "after all, the Federal Reserve is an independent institution."

This was a shallow, indeed phony posture. As Canadian Prime Minister Pierre Trudeau said bluntly, the basic reason interest rates are high worldwide is that the United States is pursuing a monetarist policy in a doctrinaire way, leading to social costs that are too high.

This policy—and it's Reagan's, not just the Fed's—places the entire burden of controlling inflation on a shrinkage of the money supply. That is what is driving interest rates up. It was disingenuous for Haig, Meese, Allen and Reagan not to admit that the Reagan administration supports Fed policy.

In fact, the administration has, though Treasury Undersecretary Beryl Sprinkel, publicly egged the Fed on to make the policy even tougher, regardless of what it does to interest rates.

Despite denials by Meese, the Europeans continued to urge that the Reagan administration ease the pressure on monetary policy by adopting a different "mix" of measures (notably a delayed or reduced tax cut) that would lower the federal deficit. They were flabbergasted to read that Meese told an American briefing he and Regan had asked the Europeans to come up with alternatives to Reagan's program, but that they had had none to offer.

The sharp division between the market-oriented Reagan administration and most of its partners was also evident on North-South and East-West issues.

Despite lip service to global negotiations with the Third World, desired by all the others at Ottawa, the Americans watered down the language to almost meaningless phrases because they remain suspicious that global negotiations are a device fostered by leftwingers to redistribute the world's wealth. They would rather let private market, "supply-side" economics be responsible for much of the further development of poor countries.

On East-West matters, the United States pressed hard to make the Europeans relate their commercial trade with Russia to strategic considerations, and got a surprising degree of support, failing only to get specific mention in the communique of West German plans to buy natural gas from Siberia. The United States wants to take a tough anti-Soviet stance on trade, fearing a buildup of Soviet military power. But the Europeans see trade not only in terms of economic necessity, but as a bridge to a peaceful rather than a war-like continent. Schmidt again reminded Reagan that 16 million Germans live behind the Iron Curtain.

Despite this backdrop of disharmony, there have been some pluses in Ottawa. The leaders did, after all, meet, and as ineptly but perhaps accurately put by Thorn, became "aware of the limits of everybody." They reiterated a commitment to an open, "liberal" and multilateral trading system. Over the years, one positive result of such summits has been to delimit protectionism.

The summit also promised, even if it didn't buy the Trudeau-Mitterrand package on global negotiations to increase total aid to poor nations—to support a North-South summit at Cancun, Mexico, in October, and to solicit help from the Organization of Petroleum Exporting Countries for joint financing of energy development in poor countries (but not a new affiliate for the World Bank). It provided a framework in which Reagan discovered that Mitterrand has no horns and is almost as concerned about trade with the Eastern Bloc as he is.

So, several good things happened here. Having an Ottawa summit was better than not having one. It is better to talk than not to talk.

But this is not the millennium. The poor countries will still be dissatisfied with the help offered by the rich. Interest rates will remain high, economic growth low, and unemployment in the industrial world next year—according to the International Monetary Fund—will be at the worst level since the Great Depression. The communique actually tells citizens in the summit nations to lower their "expectations about growth and earnings."

If that's the best that Western leaders can offer, all seven countries represented at the summit may face social upheaval or worse. In that case, the fragile compromise at Ottawa could rip apart in Paris next year.

JULY 24, 1981.

Hon. RONALD REAGAN,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We have given support to the general direction of the Administration's economic program here in the Senate. We share your belief that a reduction of federal spending, federal taxes, and the federal regulatory burden is essential for increased productivity, reduced inflation, and economic revitalization.

We are vitally concerned, however, with the apparent absence of coordination between the fiscal and monetary policies of our government. The current fiscal and monetary policies of our nation appear to be on a path where significant conflict, if not a head-on collision, is imminent.

The continuation of the high interest rate pattern of the past few months, if allowed to persist, will cause irreparable damage to our economy. We are beginning to have a dual economic policy—a boom to those with available capital—a depression for those who must borrow and for businesses depending on long-term credit.

When giant corporations borrow tens of billions of dollars for corporate takeover purposes that make no contribution to job creation and productivity, and potential home buyers cannot find affordable mortgage money, it is time for a reexamination of national economic and anti-trust policy. We also think it would be appropriate in this context for the Administration to reexamine recent policy statements which may have encouraged massive borrowing for merger purposes.

Officials of the Administration and the Federal Reserve have repeatedly said that once inflation abates and the public is shown that federal spending will be cut, interest rates would begin to decline. Just recently on May 8, Federal Reserve Board Chairman Paul Volcker said, "interest rates will come down and stay down as we make progress on inflation."

Today inflation is declining but mortgage interest rates are not. While consumer price increases declined from 9.6 percent in the first three months of this year to 7.4 percent in the most recent three months, the mortgage interest rates remain entrenched at 16 percent. Historically the spread between mortgage interest rates and the rate of inflation has been about 2 percent. Now, however, the interest rate/inflation rate spread has ballooned to 6 to 7 percentage points which implies to many that this is a planned and deliberate policy.

The Administration's economic advisers, according to Mr. William Niskanen, a member of the Council of Economic Advisers, are currently both "confused" and "puzzled" by continuing high interest rates. Yet reports from the recent Ottawa summit indicated you endorsed and vigorously defended the high interest rate policy of the Federal Reserve.

Just today the Washington Post reported that Treasury Undersecretary for Monetary Affairs Beryl Sprinkel told the House Committee on Banking, Finance and Urban Affairs that there is no technical, and no necessary, connection between budget deficits and money growth, or between deficits and inflation.

We could not disagree more. Either the government finances a deficit by printing money or by competing with and crowding business out of the credit markets. Printing money to finance deficits results directly in more inflation. Increasing federal borrowing affects inflation by forcing up interest rates, and increasing business costs. Eliminating federal deficits and reducing federal borrowing requirements are necessary for both psychological and substantive economic reasons, and must be accomplished at the earliest possible time.

If the high interest rates continue, the Administration's supply side economics cannot work. The survival of our small business and farming community is threatened, many thrift institutions are in serious financial trouble, and the housing industry is near collapse. The majority of businesses, particularly small businesses, will not be able to finance inventories, let alone capital improvements. A tax cut will mean little to small businessmen and farmers who make no profit to be taxed because of exorbitant interest rates.

In summary, Mr. President, we urge you to address these serious problems before it is too late to moderate the Administration's fiscal program. As we see it, the question is whether the anticipated stimulative effect of the Administration's fiscal program has so overloaded the system that continued long-term high interest rates are the inevitable result. If your Administration does not advocate a continued high interest rate policy, we hope that it will let its views be known to the financial community and persuade them to take action to moderate interest rates.

In this regard, we respectfully suggest a "domestic economic summit" meeting with a full dialogue between you as President, Chairman Volcker of the Federal Reserve and

Congressional leadership. We would hope out of that meeting there would emerge a coordinated cohesive fiscal-monetary policy which can be clearly understood by the American people.

We do not expect an instant cure, but we do believe it is possible to achieve a moderation of interest rates and avoid major credit shortages if our nation's fiscal and monetary policies are coordinated.

We offer you our bipartisan support in this effort.

Sincerely yours,

BENNETT JOHNSTON.
J. JAMES EXON,
U.S. Senators.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. EXON. Madam President, I yield on my time what additional time the Senator from Oklahoma needs.

The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. BOREN. Madam President, I have given a lot of thought to the amendment of the Senator from Nebraska. I must confess that when he first mentioned it to me, I told him that I could not support it. I voted against a similar amendment in the Finance Committee.

But this is a deliberative body. The term is sometimes used derisively. But I can tell you, Madam President, that I have thought long and hard about my decision to vote for and support the amendment of the Senator from Nebraska. I do so, in part, because I know of no other way of demonstrating to the White House and the administration my sincere concern that they are walking into a trap from which they will not be able to get out; that they are going to bring down the whole house of cards; that they are going to undermine the entire economic policy which they have been advocating of encouraging more investment, getting productivity increased, and supply side economics through this high-interest-rate policy.

I know of no other way of urging the President effectively to immediately begin to jawbone, to persuade, to talk with the leaders of the financial community to try to get the interest rates down and, above all, to talk to the Federal Reserve Board. If they will not give up this foolish policy of overconcentration on completely unrealistic restrictive money supply targets forcing the high interest rates upon this country and ask for whatever powers are necessary to change it, Madam President, I am convinced that, try as we will to support the other aspects of the President's economic program—and I think they are headed in the right direction—that policy will fail.

If we cannot succeed in getting the interest rates down to reasonable levels, to the target suggested in the amendment of the Senator from Nebraska, then another year of tax cutting will do absolutely no good, because we are going to end up destroying the economy in the process and at that point we would only make matters worse by a third year of tax cuts.

I hope, Madam President, that the President of the United States will look at this matter himself and not be misguided by his advisers. I hope that he will realize the grave risk to our economy being run by the Federal Reserve policy. I hope that he will realize that those who are following that policy have absolutely no faith in the very supply-side economics policy that the President has advocated and that he campaigned across this country on. I hope that he will realize that he has serious problems with his own administration from those who do not believe his economic philosophy and who will certainly undermine it if they are continued to be given a free hand as they now apparently enjoy.

The PRESIDING OFFICER. Who yields time?

Mr. EXON addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. How much time do I have remaining?

The PRESIDING OFFICER. The Senator has 25 minutes remaining.

Mr. EXON. How much time remains on the other side of this question?

The PRESIDING OFFICER. Fifty-six minutes.

Mr. EXON. Madam President, I ask unanimous consent that the name of Senator BOREN, from Oklahoma, be added as a cosponsor on the amendment before us.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. EXON. Madam President, I have a few more things I think would be most appropriate to say about this amendment and then I would ask the managers of the bill if they might be prepared to unanimously accept the amendment. If so, we might be able to avoid a rollcall vote. However, if there is opposition, I will be asking for a rollcall vote.

While that matter is being decided, I would simply like to point out that the amendment that I addressed for about 20 minutes or so before the last rollcall vote and the excellent remarks that have been made by my distinguished colleagues from New Jersey and Oklahoma, I think basically puts into perspective the way we see it.

This is a constructive amendment. I would point out, Madam President, that the amendment that is called the Exon-Bradley amendment is also cosponsored now by Senator NUNN, Senator DIXON, Senator PRESSLER, and Senator BOREN.

At this time, Madam President, I yield the floor and reserve the remainder of my time.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Madam President, the Senator from Kansas will not take over a few minutes. As I understand, we are prepared to vote.

Mr. EXON. I will need a few more minutes, but I think extended debate is not necessary on this, I say to my friend from Kansas. There are one or two other Senators that may be coming in and would like to talk on this. But I think, basically, we can wind it down rather quickly.

Mr. DOLE. I thank the distinguished Senator from Nebraska.

Madam President, this amendment would change the 5–10–10 series of individual rate reductions contained in the bill. The revenue effect would be the same as under the committee bill, but revenue loss from the third-year rate cuts would be contingent on meeting the specifications in the amendment. I understand the amendment we are now on is the one of July 24, the latest revision.

Under the amendment, the 10 percent rate reduction due in 1983 would be contingent on meeting the administration's estimates for Treasury bill rates in fiscal year 1982. The expected average rate is 10.5 percent.

If the 10.5 percent goal is not met, the 10 percent tax cut due in 1983 would be reduced. The reduction would be in proportion to the excess of the actual 1982 deficit over that now projected, which is $42.5 billion. However, the rate reduction would still be at least 5 percent. I think that is an appropriate description.

Mr. EXON. The Senator is correct.

(Mr. GRASSLEY assumed the chair.)

Mr. DOLE. Mr. President, this is not the first time we have debated the individual rate reductions contained in the Finance Committee bill and recommended by the President. So far the Senate has shown a strong inclination to adhere to the Reagan proposals, and I expect that will continue to be the case. But certainly the pending amendment raises some interesting issues for us to consider.

The Senator from Nebraska and the Senator from New Jersey would like to condition the third year of individual rate reduction on the achievement of certain improvements in the economy. Specifically, their amendment would cut back the third year of rate reductions unless the Treasury bill rate for 1982 averages 10.5 percent or less. The tax cut would be reduced to the extent the 1982 deficit exceeds the administration projection of $42.5 billion. If T-bill rates average 10.5, the tax cut would not be reduced.

Mr. President, the explicit purpose of this amendment is to allow us to hedge our bets. It says that, if the economy does not perform exactly as we hope and expect it will at this time, we will cut back the last stage of the individual tax reduction program. The underlying assumption must be that, if inflation and the deficit are not reduced sufficiently, the fault must lie in our tax reduction program. There is no suggestion that, if we fail to meet these targets, we should automatically withhold a certain amount of planned Federal spending. Yet the proponents of the amendment would automatically withhold tax reduction.

The fact is that the advocates of this trigger amendment are really proposing a triggered tax increase. Without the tax reductions contained in the pending legislation, taxes would rise by about 22 percent over the next 3 years. Withholding part of the final 10 percent of proposed rate reductions would mean a real tax increase for most Americans over present levels. If that is what we want, we ought to come right out and say so. But there is no reason to incorporate a triggering provision in the present bill in order to guarantee that we will have adequate

revenues in 1983. If we reach a point where it seems we will need more revenues in that year, we can simply vote to increase taxes in some way. All the trigger mechanism would do is avoid the need for a vote at that point: I can understand why some might want to avoid such a vote, but I do not think it is quite fair to the American people. The Senate has already demonstrated its opposition to automatic tax increase by voting for tax indexing. To adopt this amendment would be a step backward in every sense.

Mr. President, I would also note that the amendment is self-contradictory. It attempts to hold the administration to its economic projections, yet by denying the certainty of stable tax rates over the next few years it undermines the chances that those projections can be met. That makes no sense, because stability and certainty in tax, budget, and fiscal policy are key elements of the economic recovery program. If we want to meet these economic goals, and I believe we all do, we ought to accept the recommendations the President has made. If we fall short of those goals, then it will be our responsibility to make necessary changes. No one can predict with certainty the course the economy will take over the next few years, but plotting a consistent course is the policy that makes the most sense. This amendment would force us to reverse policy if we fall short on some of our short-term goals. By so doing it would hinder our ability to meet our long-term economic goals, and I trust it will be rejected.

Mr. President, let me suggest that we are in what I consider to be the homestretch of probably the most memorable week in Congress in the past 50 years. We have an opportunity in the next 5 days both to cut the budget substantially, which has not been done before around this town or by other Congresses, and to pass the largest tax reduction bill, as far as this Senator knows, in history.

I understand the concerns of the Senator from Nebraska and others in this Chamber. I suggest those concerns are shared by the President of the United States.

But Ronald Reagan is the President of the United States, and he has sent us this tax reduction package. Certain amendments have been offered and certain amendments have been accepted.

This bill was passed by a vote of 19 to 1 in the Senate Finance Committee. I know that some are now backing away from that position. I would point out that there was strong bipartisan support. Eleven Republicans and eight Democrats voted for the President's proposal, and one Democrat voted against.

This is not the first time we have debated the individual rate reductions and how we are going to approach them.

This is a little different approach that is based on interest rates. I think perhaps that is a relevant consideration. I am not certain that it is a good way to make tax policy but it is certainly another novel idea to be brought up on this floor. It does, however, try to picture President Reagan as the one responsible for high-interest rates.

At the outset, I might say that Mr. Volcker, and I do not condemn Mr. Volcker, was appointed by President Carter. He is not a Reagan appointee.

I might also suggest that President Reagan has been in office a little over 6 months. We see the inflation rate dropping. We see spending cuts actually being approved in the Congress of the United States, much against the will of some of the liberals in the Senate and the House who voted for all the spending and then do not want to cut taxes.

It would seem to me that this President has taken the right course. You cannot have it both ways. I see a number of Members offering high priced, expensive, costly amendments to the tax bill. I check back and find they voted for every spending increase instead of for spending reduction.

We have been doing that kind of business around here for too long. That is why the country is on the brink of economic disaster. That is why interest rates are 20 percent. It is not because of anything that President Reagan has done. It is because we have lived around here in a dream world. To every special interest, we have said, "Offer your amendment and we will vote for it. I do not care what it will cost, call it a social program and we will vote for it and increase it the next year or double it if necessary."

We have had enough of that leadership. We finally have someone in the White House who is willing to take the hard knocks and willing to take the hard looks at how we are going to get the country back on track.

While I may sympathize with those concerned about interest rates, let us give the President a little bit of time. Let us give the President a chance to have his economic program in place. It all could happen by Saturday of this week. The Congress could pass and the President could sign into law the budget reductions.

The Congress could pass and the President could take action on the tax reduction. He is already working on trying to reduce regulations that have affected everybody's lives on a daily basis. He is keeping a very tight monetary policy trying to put the anti-inflationary pressure on.

I know of no way to make interest rates drop by passing this amendment or any other amendment. I know of no reason to deny the American taxpayer a tax cut because somebody may think in 1983 the interest rate ought to be a certain percent.

This Senator fails to understand the philosophy of some who do not want to give people back their money. You are saying in effect, "We cannot trust you with your money. We want the Government to take all they can get." They are getting most of it now. "We will decide in the Congress, we will decide in the administration, how we are going to spend your tax money."

Why not trust the American people? Why not give the money back to the American people?

I do not understand the opposition of the Senator from Nebraska to that.

I know there are a lot of political games being played and this is another one, an effort somehow to prevent the President from getting the program he took to the American people last year. He has reduced the size of his package. He has made cutbacks in the size of his package. He has added certain features to the tax bill to make it more attractive and to make it better, in the opinion of this Senator.

So I just suggest this is another effort, a last-minute effort, to embarrass the President of the United States, to make a little political cut at the President of the United States. I hope that my colleagues will take a careful look at the amendment. Maybe we can figure out some other way to keep the taxpayers from getting that third year. We considered that an up-or-down vote and could not agree to it. Now we are trying little tricks. "Do not let the people have their money back. Keep it in the Government."

That has been the philosophy of past administrations and I might say past Congresses, but this Senator believes it has gotten us, as I indicated before, into the very deep, difficult economic problems that we have now.

We have a man in the White House who is providing some leadership. We have a man in the White House who is willing to stand up and say, "Let us cut taxes, let us cut spending, let us cut regulations."

Some can find fault with that. No one is perfect. I do hope that we can properly dispose of this amendment by defeating it and by letting the President know, as he prepares to go to the American people tonight to explain his position on tax reduction, that we believe he is working for the people, and that he has more confidence in the American people as far as returning their money than many in this Chamber and many on the other side of the Capitol.

This Senator has been here for some time and I cannot recall a period when we have had such outstanding leadership in trying to give Government back to the people, trying to cut spending, trying to return programs to States, trying to reduce taxes, and trying to get Government off the backs of the American people. I challenge those who want to throw a roadblock every time the President moves, and say "You cannot do this or you cannot do that."

It is time that we recognize that we have a President who wants to provide leadership—despite the objections of some in Congress who would put up one barrier after another.

We have a strong bipartisan bill reported out of our committee. There is no trigger in that bill which was reported out by the votes of 8 Democrats and 11 Republicans. They did not think a trigger was necessary. One was offered but it was soundly defeated.

In this case, I think the judgment of the committee was pretty good. Maybe not perfect. Congress is going to be in session next year and the year after. If in fact we do not meet certain goals as outlined by the Senator from Nebraska, I assume we can take action. We

would like to meet again in the Finance Committee. This is a 3-year tax cut. We would like to go back and provide more tax relief for the downtrodden American taxpayer even this year.

I understand this is the last effort to roll the President, and I hope it fails.

I reserve the reminder of my time.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. How much time do I have remaining?

The PRESIDING OFFICER. The Senator has 25 minutes and 29 seconds.

Mr. EXON. I thank the Chair.

Mr. President, it seems to me that the eloquent remarks which have just been made by my friend, the chairman of the Finance Committee, the Senator from the State of Kansas, more or less begs the basic question.

I assure my friend from Kansas that it is not the goal of this Senator, who drew the amendment, to offer any roadblocks to the President in his efforts to do what the Senator from Kansas has indicated he is trying to do.

I think the Senator from Kansas knows very well that not only in the Budget Committee but on the floor of the U.S. Senate I have been one of those who has steadfastly supported the President in his overall program.

It is true, as the Senator from Kansas says, Mr. President, that we are in the homestretch of a very important tax bill, and it is true that there are those of us who are vitally concerned about the ruinous interest rates that are causing grave damage to our economic structure in the United States today.

I did not, in my amendment, try to find fault. All that I am saying is that if we are going to go ahead with this tax cut bill, which I am sure we are, I do not believe that we should go down a road of no return without making a safety valve that I think is critically necessary.

Mr. President, I frankly am not very much persuaded by the argument of the Senator from Kansas that the Senator from Nebraska does not trust the people, does not want to give the people back their tax money. If I were not standing on the floor of the U.S. Senate, where I try to guard my language a little bit, I might have some more sharply worded explanation for that kind of argument.

I notice that the Senator from Kansas indicates that this bipartisan tax bill was passed, 19 to 1, out of his Finance Committee. This is not the tax bill that passed 19 to 1 out of his Finance Committee. In fact, two of the people who voted for that bill in that committee are cosponsors of the Exon amendment.

Mr. DOLE. Who are they, Mr. President?

Mr. EXON. Senator Boren. Is he a member of the Senator's committee?

Mr. DOLE. Yes.

Mr. EXON. Senator BRADLEY?

Mr. DOLE. Senator BRADLEY voted "no."

Mr. EXON. Oh, I am sorry.

Mr. DOLE. He is the only one who was opposed.

Mr. EXON. Mr. President, do I still have the floor?

The PRESIDING OFFICER. The Senator from Nebraska has the floor.

Mr. EXON. It seems to me when we talk about the Senator from Nebraska not wanting to trust the people, he had better look at the record. I have been through that political talk before about giving money back to the people. I served my State for 8 years as Governor of that State and we balanced the budget each time. We were not always able to do it by giving the people back their money, as much as we would all like to.

I want to correct my friend from Kansas: This is not the last chance to roll the President of the United States and this amendment is not so designed. It seems to me if the President of the United States and those on that side of the aisle were concerned about the people, as they claim to be, they would realize and recognize that they are not cutting the budget and cutting expenditures as the Senator from Kansas said three times in his recent remarks. Indeed, the opposite is true. Because for whatever the reason, this administration is going to raise—raise—the level of Federal expenditures from about $660 billion now to almost $800 billion under their present plans by the year 1984. So let us try to put this cut in proper perspective.

I emphasize again that I have been one who has been voting for those cuts, believing that to be necessary. But I think their rush to say, "Whatever the President wants, the President gets," is not sound economic policy.

Mr. President, the Senator from Kansas made a point that the President of the United States sent us this bill. What bill? Is this the Kemp-Roth bill? Of course it is not. Is it the bill that came out of the Finance Committee on a vote of 19 to 1? Of course it is not. It is the greatest Christmas tree tax legislation ever proposed to be passed by Congress. And I am not saying it is all bad. I am only saying that a great number of changes have been made by the President of the United States on his way to victory on a tax bill. I do not criticize him for that. All I am suggesting, Mr. President, is that in this case, we not change the President's tax plan at all.

I emphasize once again that all my amendment does is simply say we shall take, we shall buy, we shall go along with the President's tax plan completely except that if the President's economic assumptions do not come to pass—and if they do not come to pass, I am going to predict that interest rates are going to remain horrendously high and that the deficit is going to remain horrendously high.

But let us assume that this is not true. Let us assume that the tax package structured by the chairman of the Committee on Finance, my friend from Kansas, works out in every detail. Let us assume that interest rates come down. Let us assume that the deficit goes down. Well and good. The Exon amendment does not come into play and, therefore, nothing is hurt.

All this amendment does, very simply, Mr. President, is say that if the 1982 Treasury bill average is more than the 10.5 percent, as predicted by the economic recovery package designed by the President that we are going to pass, then and only then, on July 1, 1983, the scheduled tax reduction is reduced proportionately to the amount necessary to increase the 1984 revenues by the amount of the 1982 deficit exceeds the President's $42.5 billion of deficit for that particular fiscal year.

Mr. BRADLEY. Will the Senator yield?

Mr. EXON. In just a moment, I will.

Mr. President, it seems to me that those who oppose this amendment have no good reason to oppose it if they believe in what they say. I, for one, do not believe that I was elected by the people of my State simply to come here and push buttons and every time someone down at 1600 Pennsylvania Avenue sends something up here, whether it be a Democratic President or a Republican President, the people of my State, I do not think, want to say to me, "That is right, you vote for it." But that is the philosophy that has prevailed on this floor for the last 6 weeks. I am simply saying that this is a thoughtful amendment. It is not designed to roll anyone. I think that the speech made by the Senator from Kansas was designed to inflame the faithful on that side of the aisle that have, by and large, for the past 6 weeks, been marching down to the well—almost like lemmings, lemmings marching to the sea—voting, not out of intellect but by instinct.

I suggest, Mr. President, that that was the reason for the remarks of the Senator from Kansas. I suspect that they will do the job, but I stand up in defense of this amendment, because it is not designed to roll anyone, it is not designed to hurt anyone; it is only designed to help the economy of this country.

I yield what time is necessary to my friend from New Jersey.

Mr. DOLE. Mr. President.

The PRESIDING OFFICER. Will the Senator from New Jersey suspend for the Senator from Kansas?

The Chair was wrong, the Senator from New Jersey has the floor, yielded to him by the Senator from Nebraska.

Mr. BRADLEY. I thank the Chair and want to make my comment in the form of a question of the Senator from Nebraska.

This amendment is quite modest. This amendment is prudent. This amendment simply says, let us retain some flexibility in case things do not go the way they are expected to go. Is that not right?

Mr. EXON. The Senator is absolutely right.

Mr. BRADLEY. I think there is probably no better example of why this amendment is needed than the difference in the interest rate projections offered by the administration in their first budget and in the midyear review. In the first budget, they said the interest rates in 1982 would be 8.9 percent. Six months later—in fact, 4 months later—they said the interest rates in 1982 will be 10.5 percent.

Mr. President, this clearly illustrates that predicting what the economy will

look like 6 months from now is incredibly difficult; that predicting what it will look like 3 years from now is virtually impossible; and that it is an act of prudence, a responsibility, to have a means of escape, to have a safety value, in the event the economy does not perform as ideologues in the Treasury Department predict it will perform. Is that correct?

Mr. EXON. The Senator is correct.

As I pointed out in my opening remarks, there have been words mouthed on the floor of the Senate this afternoon to indicate that we want to give it back to the taxpayers. The fact is that the changes in the administration's cost figures to which the Senator alluded for those years are going to cost those taxpayers more than $17 billion.

It is nice to talk about giving back funds to people; but we know, like it or not, that the taxpayers of these United States are saddled with paying the interest on the national debt. Among other reasons, that is why it is critical that we get the interests down—not for the harm it is doing Mr. and Mrs. John Q. Citizen of the United States, not for the harm it is doing to the small businesses and farmers of the United States, but for the harm it is doing to those of us who are working very hard to cooperate with the President to balance the Federal budget in 1984.

If we keep seeing the escalating interest rates to which the Senator from New Jersey has alluded, we are going to miss that goal by a long, long way.

Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Twelve minutes and 31 seconds.

Mr. EXON. I reserve the remainder of my time.

Mr. DOLE. Mr. President, I will say a word or two, and unless the Senator from Nebraska has additional speakers, we may yield back our time.

I say to the Senator from Nebraska that I have no quarrel with him, but I do suggest—and I think properly so—that this is an effort to derail the President's tax reduction program. I do not believe there is any quarrel about that.

The Senator is asking for a trigger, and the President does not want a trigger. Define it any way you wish, but it is an effort to disrupt the President's economic package and to make the third-year tax cut contingent on factors other than Congress meeting in that year and deciding what to do. I believe the record reflects that that is the concern of the Senator from Kansas.

This may not be the precise bill that was reported by the Senate Finance Committee, but I must say that it is very much the same bill. We have added a couple of amendments. I am not certain how the Senator from Nebraska voted on charitable deductions. We added that provision.

We added a fiscal responsibility amendment. I believe both Senators voted for that.

We will have a vote on a day care amendment which would add a substantial amount to the bill, and which we had hoped not to add to the bill, but we found more pros than cons with the proposal.

Beyond that, so far as I know, we added indexing, which was a committee amendment.

The other amendments we agreed to in most cases, are very minor so far as cost is concerned.

So this is substantially the measure that was reported by the Senate Finance Committee by a vote of 19 to 1. That is a fact; that is the record. This Senator is not trying to change it or distort it. The one who voted "no" was the distinguished Senator from New Jersey; and had it not been for the third year, I believe he would have voted "aye."

The point the Senator from Kansas wishes to make is that I have confidence in the President. If he is wrong—and other Presidents have been wrong—then many of us will also prove to have been mistaken. But he is the President and he has asked us to approve his package. He does support this proposal. He does not want a third-year trigger added. He does not want a 2-year tax bill. He has confidence in the American people. He believes we should return as much money as we can to the American people, who are overtaxed now.

What did the last administration leave? They left four more increases in social security taxes which have not even started yet. That is the legacy of the Carter administration.

The President wants to cut taxes to help pay for the increases built in down the line. I do not hear anybody saying we should not pass those increases, or that we should make tax reduction contingent on interest rates.

Mr. SYMMS. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. SYMMS. Mr. President, the reason why I would vote against the amendment—and I hope others will vote against it—is that one of the reasons for the declining productivity of American business is their inability to plan and anticipate for the future.

We have had a policy for years of raising taxes and spending more money. This is the first time there has been a signal that we are going to start rewarding incentive—giving tax breaks to people who work, who save, who invest, who produce tools and equipment.

The working people of this country are participating in the 25 percent, 3-year tax break—the people working for wages, the small businessmen who file tax returns other than corporate returns. They are the ones who need to be able to anticipate that there will be the third-year, 10-percent marginal rate reduction. They need to be able to anticipate that tax cut so that they can make the decisions with respect to running their families, with respect to running their businesses, whether to save more money or spend more money.

I believe that adopting this amendment would be very detrimental to the President's economic package, because it would remove one of its keystones.

Our President is an optimist; he is looking to the future. He does not believe that the greatness of America is in the past. He believes it is in the future.

If we adopt this amendment, we are saying that we are going to try this if it works. That is like saying in a football game, "The quarterback will pass on the third down if everything is all right." That is not the way to play football, and that is not the way to run the economy.

We are going to give the American people a 3-year, across-the-board tax rate deduction that they can plan on, count on, and look forward to a tax cut; and not say, "We will give you a 3-year tax reduction, maybe." That will not enable them to plan or look into the future.

That is why I believe it is important that all my colleagues join the chairman of the committee and vote down this amendment because it will be very detrimental to the economic package.

Mr. DOLE. Mr. President, this is just a basic difference of views. I have no quarrel with the Senator's proposal. It is a modification of an earlier one. This may be a better version.

However, it seems to me that this is the last chance for some to try to roll the President of the United States. I would be glad to modify the word "roll." This is the last chance—the last major amendment coming from the other side to make this a 2-year tax bill. If you want to complicate it, this is the way to do it. Other ways have been tried and all have failed.

I suggest that we proceed to a vote. If the President loses this, we will try to figure out some other way to help the American taxpayer.

It seems to me that the President has the people on his side, particularly the taxpayers. I would be hard pressed to find any taxpayers who feel that their taxes are too low. Maybe they will like higher taxes in 1983; and if they do, this is an opportunity to give them higher taxes in 1983.

My view is that we are going to be in business here in 1982–84, and beyond. Someone will be here, and someone is going to watch the interest rates and the economic projections and everything else that may concern the Senator from Nebraska and the Senator from Kansas. We come from the same part of the country. Interest rates are killing us. They are not Reagan's interest rates. They were here when he arrived. This is not Reagan's Federal Reserve Board Chairman. In any event, we see that inflation is coming down.

I apologize to the Senator. We are not really cutting spending. We are restraining the growth of Federal spending. That is unusual in this body. I cannot remember any other time when we cut anything, and I have been here 20 years.

We have in the past acceded to every spending appeal that someone made, and we are in a heck of a fix because of it.

So the Senator's idea is probably as good as others that have been defeated. I hope that we can do the same to this one.

I yield back the remainder of my time and ask for the yeas and nays.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. EXON. Mr. President, first I wish to briefly respond to my friend from Idaho.

As I took it, in his remarks he felt that the third year of the tax cut for business would be rolled back; is that correct?

Mr. SYMMS. That is correct. The Senator is talking about the 10-percent across-the-board tax cut. Most small businessmen file individual tax returns.

Mr. EXON. I say to the Senator from Idaho I might be able to pick up his vote. It is clear in the amendment, and I mentioned this several times during my talk, that any rollback if necessary, if we fail to meet the economic projections of the President, does not affect the business tax, only the individual tax.

Mr. SYMMS. Mr. President, will the Senator yield for a question then?

Mr. EXON. I will on the Senator's time. I am about out of time. If the Senator will yield on his time, I am glad to have him answer.

Mr. SYMMS. Mr. President, will the chairman yield me time off the bill?

The PRESIDING OFFICER. All time on the majority side has been yielded back.

Mr. SYMMS. Mr. President, I wish to take time off the bill.

The PRESIDING OFFICER. The Senator from Nebraska has the floor.

Mr. EXON. Mr. President, I yield 30 seconds of my time to the Senator.

Mr. SYMMS. Mr. President, I know my good friend is a former small businessman. The small businessmen in the United States file individual income tax returns, and they are affected by a 10-percent rate reduction which will be on the last year of this 3-year tax bill, so it does affect the bulk of the business community in the United States. If the Senator's amendment were agreed to, it would be taking away the chance for them to get their tax cut, and that is true for all the people who are working for them. Small businesses are not corporations.

Mr. EXON. Mr. President, I advise my friend from Idaho that he may be right to a degree on that. The point is we have anticipated in the scaling back of the business investment that the large proportion of that on the cost of Federal Government would be on the business side. At least that is what I learned from my reading and interpretation of the Finance Committee bill.

I only wish to reply as to the response of the Senator from Kansas, and then I am going to yield to the Senator from Oklahoma. How much time do I have remaining?

The PRESIDING OFFICER. Ten minutes and thirty-three seconds.

Mr. EXON. Once again, the response by my friend from Kansas was quite similar to the response that he made on the last amendment. It sounded to me as though we were back in the campaign of last November where we are going to try good old Jimmy Carter once again. He is no longer President.

I am not saying that all of the difficulties that we have now are not partially the responsibility of the programs enunciated by the former President. Nor am I here to say that anyone in the Chamber can escape some responsibility for these economic difficulties we are having today.

But partisan politics, I say to my friend from Kansas once agan, despite what he proclaims, is not the reason for the Exon amendment. So far I have heard no good reason, other than support the President, for those calling for the defeat of this amendment.

Mr. President, at this time I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. EXON. Mr. President, I now yield whatever time is necessary to the Senator from Oklahoma.

Mr. BOREN. Mr. President, I thank my colleague from Nebraska.

I wish to comment again briefly, because I was listening earlier over the speaker system to the comments made by both sides.

I emphasize again that I am joining the Senator from Nebraska in this matter not because of any partisan consideration but because of sincere conviction.

I have listened to the Senator from Kansas and the Senator from Idaho both praise the President for trying to lead us in a right general direction. I join in that commendation. I think he deserves all the encouragement and support he can get in trying to bring Federal spending under control and in trying to bring about tax relief for American citizens and the reduction of the regulatory burden. It is refreshing to me to see things beginning to happen around here and beginning to happen in the right direction. I applaud him for it.

I will go even further, and this obviously is not a partisan comment, and say it is a refreshing change from the last administration, which happened to have been of my own party. I applaud that change. Thank God we have begun to move in a different direction. This country could not have stood a continuation of the kind of policies that we had in the past.

So I am not making a partisan comment. There are times that I think all of us know sometimes we are not served well by our own staffs, for example, if we make a comment with which they sincerely disagree or if they see some flaw in it and they say "Yes, you are right." A President very often finds himself in that situation. No one wants to be the bearer of the bad news, and no one wants to give him candid advice. No one wants to give the President the benefit of his or her best thinking because they do not like to bring unpleasantness or criticism of policies of any kind to the attention of the person who bears such a tremendous burden of responsibility.

But there are times and I think all of us know it that the greatest act that any friend can perform or any sincere supporter can perform is to speak the truth.

Mr. President, that is what I have been trying to do in supporting this amendment—speak the truth and give friendly advice to the man in the White House who, I think, is trying to lead this country generally in the right direction, who is extremely well intentioned and has the courage of his convictions, and I applaud him for it.

Mr. President, it is true President Reagan did not appoint Mr. Volcker. That was a responsibility of the last administration, and that was a responsibility which I think the last administration will bear with growing uneasiness as the history books are written.

I recall during the campaign and since Mr. Reagan came to the White House he has on occasion condemned the high interest rate policy. He has on occasion been quite critical of the policies that were being followed. And he even made a critical statement. Wall Street was not responding. The banks were not responding with reduction of interest rates as they should. I agree with those criticisms.

Mr. President, I am very disturbed because at the Ottawa summit the President appeared to endorse the very high interest rate policies which he has been criticizing in the past.

I only say that there are those within the administration, and apparently there are some at the Treasury Department, and we should focus on the statements recently of the Assistant Secretary of the Treasury who has been leading the President down the wrong path.

The final blow which caused me to decide to cosponsor or support this amendment was this morning, and I have been thinking about it for several days, beginning with my deliberations, as I said earlier, by thinking in negative terms toward this amendment, but after I sat through the testimony this morning of a group chaired by Senator MELCHER, of Montana, which included testimony by a member of the Board of Governors of the Federal Reserve Board, I simply could not feel that I in conscience could remain silent any longer.

It is obvious, after listening to Governor Gramley, the Federal Reserve intends to continue the intentional deliberate policy of high interest rates. It is not a matter of having interest rates track the rate of inflation. All of us know that when inflation goes up the interest rates tend to go up. We are talking about not a 1- or 2-percentage-point markup of the interest rate above the inflation rate. We are talking about 6 or 7 percentage points.

Mr. President, I hope the President of the United States will read my remarks. Nothing is going to kill supply-side economics, the very philosophy endorsed by President Reagan, any quicker than a continuation of high-interest-rate policies.

We heard about the small businessman a while ago. Talk to the small businessman. Ask him "Will you increase your investment if you get a tax cut generally?" He will say, "Yes, it will make more money available."

Ask him "Will you increase your investment if interest rates come down?" "Yes, I will," and then when you ask "Which is more important?" every one of

them will tell you that if they can get interest rates down 3, 4, 5 percentage points it will do more to stimulate investment in this country on the part of small business people, farmers, and others who do not have vast resources of capital, than anything else.

We cannot have a fiscal policy aimed at stimulating increased investment and a monetary policy deliberately crafted to make that investment so expensive that it is impossible to undertake. It is going to cause the President's program to fail if something is not done about it.

By cosponsoring this amendment, I am simply trying to say to the President, "Please, Mr. President, focus your attention on this problem before it is too late." How many savings and loans are going to have to go broke? There are 360 as of this morning on the troubled list that face insolvency within the next 12 months.

The head of the insurance fund tells us it may take a $45 billion appropriation by the Congress to the fund to protect the depositors and keep them secure because there is only $5 billion in the insurance fund.

How many farmers are going to have to go bankrupt? How much is the value of agricultural land having to go down? How long are we going to have to wait with only 4 percent of the families in this country now qualified to buy a new house? Sixteen-percent interest rates have forced the average payment per month to go above the $1,000 figure. How long are we going to wait?

The Senator from Nebraska has carefully crafted his amendment. It is not the kind of trigger that says "No tax cut in the third year if interest rate targets are not met." I could not vote for that kind of an amendment because, in my opinion, it would be too extreme.

He has crafted it to say only as individual tax cuts are concerned, not business but individual tax cuts, they will be scaled back, not done away with, but simply scaled back to the degree to which we are not able to meet the interest rate target.

If we do not have a policy to bring down the interest rates, Mr. President, it will not do anybody any good to have additional funds for a tax cut because countless thousands are going to be already bankrupt, and millions more are already going to be unemployed.

INSTALLING A SAFETY VALVE ON KEMP-ROTH

Mr. ROBERT C. BYRD. Mr. President, President Reagan is urging the Congress to enact the larget multiyear tax cut in the Nation's history by August 1. The centerpiece and the costliest part of the program is the 5–10–10 sequence of across-the-board cuts in individual tax rates, 5 percent in 1981, 10 percent in 1982, and another 10 percent in 1983. In 1984, the administration projects that this modified Kemp-Roth proposal would cost the Treasury more than $119 billion.

The Reagan administration predicts that this tax cut and its other economic proposals will result in 1982 in a real rate of economic growth of 4.2 percent, will reduce Treasury bill rates to below 8.9 percent, reduce inflation to the 8.3-percent range, and by 1983 bring about a balanced budget.

One does not have to be a professional economist or a Wall Street money manager to be somewhat skeptical of these claims. If recent economic experience has taught us anything, it should have impressed upon us the unpredictability and volatility of economic variables and the unreliability of economic forecasts. A crisis in the Middle East could send the price of oil, which is now thankfully declining, skyrocketing and reignite inflationary expectations. Or consumers and investors could behave in ways not fully modeled in the supply side economists' computers. It is already glaringly obvious to everyone, including the Secretary of the Treasury, that the Administration's 4-month old forecast that the rate of interest paid in U.S. Treasury bills would average 11.1 percent in 1981 was wildly optimistic. No amount of lambasting of Wall Street or bullishness by Merrill Lynch on a new era for the bond market can alter that fact.

In such a situation it seems reckless to lock the country into a multiyear series of tax cuts regardless of the future state of the economy or the progress made in restoring noninflationary economic growth and reducing interest rates. But unfortunately, Kemp-Roth is blind to future economic reality.

The administration itself saved $7 billion in fiscal year 1981 and $17 billion in fiscal year 1982 by scaling back the 10–10–10 Kemp-Roth proposal it was insisting upon in March of this year to the 5–10–10 proposal it now insists Congress enact by August 1, and by transforming its March 10–5–3 depreciation proposal for business into its June 15–10–5–3 plan. If the administration can reassess its own tax program in 3 short months, Congress is surely not asking too much to assess the situation 2 years hence.

It has been argued that individuals and businesses need the certainty that a programed 3-year tax cut offers. But no prudent business would declare a dividend 3 years in advance without knowing what its profits will be. No prudent household would spend all of its income 3 years in advance. No prudent banker would make a loan without being able to project with some certainty the borrower's financial condition several years down the road.

Most Democrats and responsible Republicans are, however, not far apart on the urgent need to increase incentives to work, save, and invest. We have no quarrel with the necessity to make corrections for inflation's push of individuals into ever high marginal tax brackets or to provide a stable and certain economic environment which will encourage productive investments in modern plant and equipment.

Rather than switching the economy over onto the "automatic pilot" of a programed series of tax cuts, however, I would propose that the Nation earn the 10-percent tax cut proposed for 1983 by meeting the ambitious economic goals laid down by the President in his March budget submission to the Congress. This should not upset planning or budgeting or create uncertainty.

The administration received no mandate from the American people in 1980 to play Russian roulette with this economy. It is my hope that partisan divisions can be laid aside on this important issue, and that a bipartisan group of Senators will support an effort to build a safety valve into the third year of the Kemp-Roth tax plan.

Mr. EXON. Mr. President, I will close by making a very brief statement. Despite what has been said here, and as emphasized by the Senator from Oklahoma, who has just finished speaking, I think there is no clearer signal that we could send to the money markets than to pass this amendment. I think the passage of this amendment will help assure the President's programs for economic recovery rather than try to derail him, as has been inappropriately suggested here this afternoon.

Passage of this amendment would indeed send a signal to Wall Street that we are sincere, that we want to do something about it, and will even hold back partially on the tax cut if necessary to address high interest rates, and what could be an ever-increasing deficit at that time.

Mr. President, do I understand all the time has been yielded back on the other side on this amendment?

The PRESIDING OFFICER. The Senator is correct. The Senator has 22 seconds left.

Mr. EXON. Having no further requests for time, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator yields back his 17 seconds.

The yeas and nays have been ordered. The question is on agreeing to the amendment of the Senator from Nebraska. The clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Idaho (Mr. McCLURE), and the Senator from New Mexico (Mr. SCHMITT), are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Mississippi (Mr. STENNIS), are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), would vote "yea."

The PRESIDING OFFICER (Mr. SYMMS). Are there any other Senators in the Chamber wishing to vote? Are there any Senators wishing to change their vote?

The result was announced—yeas 37, nays 58, as follows:

[Rollcall Vote No. 223 Leg.]

YEAS—37

Baucus	Exon	Mitchell
Biden	Ford	Moynihan
Boren	Glenn	Nunn
Bradley	Hart	Pell
Bumpers	Heflin	Pressler
Burdick	Hollings	Pryor
Byrd, Robert C.	Huddleston	Randolph
Chiles	Inouye	Riegle
Cranston	Jackson	Sarbanes
DeConcini	Kennedy	Tsongas
Dixon	Leahy	Williams
Dodd	Levin	
Eagleton	Matsunaga	

NAYS—58

Abdnor	Gorton	Nickles
Andrews	Grassley	Packwood
Armstrong	Hatch	Percy
Baker	Hatfield	Proxmire
Bentsen	Hawkins	Quayle
Boschwitz	Hayakawa	Roth
Byrd, Harry F., Jr.	Heinz	Rudman
	Helms	Sasser
Chafee	Humphrey	Simpson
Cochran	Jepsen	Specter
Cohen	Johnston	Stafford
D'Amato	Kassebaum	Stevens
Danforth	Kasten	Symms
Denton	Laxalt	Thurmond
Dole	Long	Tower
Domenici	Lugar	Wallop
Durenberger	Mathias	Warner
East	Mattingly	Weicker
Garn	Melcher	Zorinsky
Goldwater	Murkowski	

NOT VOTING—5

Cannon	Metzenbaum	Stennis
McClure	Schmitt	

So Mr. EXON's amendment (No. 522) was rejected.

Mr. DOLE. I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, I am advised that two Glenn amendments which were at the end of the list have been discussed and negotiations have been undertaken which may lead to a substantial reduction in the time required to consider those two. The distinguished manager of the bill and I understand the distinguished ranking manager have suggested that we change the sequence and take up the two Glenn amendments at this time.

If that is agreeable to the minority leader and managers on both sides, I am prepared to make that request at this moment.

Mr. MELCHER. Will the majority leader yield?

Mr. BAKER. I will yield first to the distinguished Senator from Massachusetts.

Mr. KENNEDY. What was the request?

Mr. BAKER. My understanding is that the two Glenn amendments have been worked out and will not require much time. I am about to make the request to sequence the two Glenn amendments in at this point which will put them just ahead of the Kennedy amendment, which will follow thereafter.

Mr. KENNEDY. I have no objection if it has been worked out in terms of a time understanding. We are in conference, as other Members are. The conference started at 2 o'clock. We are trying to work out things in the Budget Committee. They are waiting there now. The majority leader has overall responsibility for all these matters, of course.

Mr. BAKER. Might I inquire of the Senator from Ohio how much time he expects for the two amendments?

Mr. GLENN. I think it will probably be 15 or 20 minutes for both of them. It had been my impression that there were no other amendments immediately available to be called up. That is the reason I suggested to take mine out of order. I am quite happy to await my turn. I did not mean to impinge on anybody else. I did not understand the Senator from Massachusetts was ready.

Mr. DOLE. Will the Senator yield?

Mr. BAKER. I yield.

Mr. DOLE. If it is all right with the Senator from Massachusetts and the Senator from New Hampshire, if we have 20 minutes divided we will not be talking any, so that will be 10 minutes, or maybe less. There had been an agreement on these amendments. I do not see why it would take more than 2 minutes. I would hope we can take them now. It would save us a couple of hours down the line.

Mr. BAKER. Mr. President, I yield to the Senator from Montana.

Mr. MELCHER. I thank the majority leader for yielding. On Tuesday past we delayed taking up an amendment on interest rates to permit a discussion recommended by the distinguished chairman of the Finance Committee with Treasury. We have completed that. It was our thought that whenever any list was arrived at we would be somewhere on that list. I would like to be added to the tail end of the existing list so I do not lose any more time, if agreeable.

Mr. BAKER. I ask unanimous consent that the amendment to be offered by the distinguished Senator be added following on after the Heinz amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Now, Mr. President, I ask unanimous consent that the two Glenn amendments that have been sequenced be taken up at this time and that there be 20 minutes equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 301

(Purpose: To extend the research credit to materials and supplies and leased computer time)

Mr. GLENN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Ohio (Mr. GLENN), for himself and Mr. DANFORTH, proposes an unprinted amendment numbered 301.

Mr. GLENN. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 125, strike out lines 19 through 22, and insert in lieu thereof the following:

"(A) IN GENERAL.—The term 'research and experimental expenditures' means—

"(i) wages paid or incurred for services performed in conducting research and experimentation,

"(ii) any amount paid or incurred for supplies used in conducting research and experimentation, and

"(iii) under regulations prescribed by the Secretary, any amount paid or incurred to another person for the right to use computers in conducting research and experimentation."

On page 125, line 25, strike out "wages" and insert in lieu thereof "research and experimental expenditures".

On page 126, line 3, strike out "wages" and insert in lieu thereof "expenditures".

On page 140, line 2, strike out "wages" and insert in lieu thereof "amounts".

On page 123, line 9, strike out "wage".

On page 123, line 14, strike out "wage".

On page 123, line 19, strike out "wage".

On page 123, line 23, strike out "wage".

One page 124, line 2, strike out "wage".

On page 124, line 4, strike out "wage".

On page 125, line 13, strike out "wage".

On page 125, line 17, strike out "wage".

On page 125, line 20, strike out "wage".

On page 127, line 23, strike out "wage".

On page 128, line 6, strike out "wage".

On page 128, line 11, strike out "wage".

On page 128, line 19, strike out "wage".

On page 129, line 17, strike out "wage".

On page 130, line 10, strike out "wage".

On page 131, line 2, strike out "wage".

On page 131, line 15, strike out "wage".

On page 139, in the matter between lines 23 and 24, strike out "wage".

On page 140, line 19, strike out "wage".

On page 140, line 15, strike out "wage".

On page 140, line 21, strike out "wage".

On page 127, between lines 3 and 4, insert the following:

"(E) SUPPLIES.—The term 'supplies' means any tangible property other than—

"(i) land or improvements to land, and

"(ii) property of a character subject to the allowance for depreciation."

On page 125, between lines 14 and 15 insert the following:

"(4) MINIMUM BASE PERIOD RESEARCH EXPENDITURES.—In no event shall the average research and experimental expenditures taken into account for purposes of subparagraph (B) of paragraph (1) be less than 50 percent of the research and experimental expenditures taken into account for purposes of subparagraph (A) of paragraph (1)."

Mr. GLENN. Mr. President. my colleague, Senator DANFORTH, and I worked on this in committee. I am happy to submit his name along with mine as sponsors of this amendment. I would add also that there were several people who asked to be cosponsors of the amendment that I have not yet added on because there were negotiations conducted which changed some of the nature of this amendment. I would say to them or their staffs who may be listening that we would welcome their cosponsorship on this but they will have to put those in at the desk since we have not been able to check with everybody who had contacted me earlier.

Mr. President, last Wednesday, the distinguished chairman of the Committee on Finance led off his remarks with the observation that the U.S. share of the world GNP had decreased from 31.4 percent in 1953 to 22.8 percent in 1980—a decline of more than 27 percent. During this same period, Japan's contribution to the world GNP rose from 3.9 to 10.1 percent—an increase of about 259 percent. The chairman used these and other comparative statistics to make a strong case, and one that I agree with, that unless this trend is reversed, the United States will continue to be less of a factor in world markets. Declining economic power could result in declining political influence abroad, as well.

Studies funded by the National Science Foundation and others have produced persuasive empirical evidence that research and development and technological innovation have played a sig-

nificant role in our Nation's economic progress. The economist Edward Denison, in his extensive studies of the causes of economic growth and productivity gains in the United States during this century, finds that the factor which he calls "advances in knowledge" has been the largest source of growth. For the period 1929–69, Denison estimates that about one-third of the Nation's growth in output was attributable to advances in knowledge. Between 1949 and 1969, he estimates that this factor accounted for some 48 percent of our growth—making it even a greater contributor than inputs of capital for that time period. While Denison and others readily admit to the limitations of their studies, their results indicate clearly that the contribution of R. & D. to economic growth and productivity is positive, significant, and large.

It has long been my concern that our Nation has been deficient in its support of R. & D. As many of my colleagues are aware, I have been particularly appalled by the massive cuts this administration has made to the energy R. & D. budget, as well as to the other areas of R. & D.

To illustrate what I consider to be disturbing trends in our national commitment to R. & D., let me cite some statistics for the 12-year period, 1968 to 1980:

STATISTICS

1. R. & D. as a fraction of the Federal budget decreased 36 percent.
2. Basic research as a fraction of the Federal budget decreased 27 percent.
3. R. & D. as a fraction of GNP decreased 19 percent.
4. Basic research as a fraction of GNP decreased 16 percent.
5. Scientists and engineers engaged in R. & D. as a fraction of the labor force is down 9 percent.
6. Investment by industry in basic research as a fraction of net sales is down 32 percent—and this during a period when much of the industrial research has been directed toward meeting regulatory and environmental requirements.

During this same period, however, other nations were increasing their support for R. & D.:

First. While U.S. R. & D. as a fraction of GNP decreased by 19 percent between 1968 and 1980, it increased by 14 percent in the Soviet Union, by 16 percent in West Germany, and by 19 percent in Japan. These figures take on added economic significance when it is recognized that roughly 40 percent of all U.S. R. & D. is defense related, while only about 2 percent of Japan's and only about 8 percent of West Germany's is spent in the same fashion.

Second. Although U.S. scientists and engineers engaged in R. & D. (as a fraction of the labor force) declined by 9 percent from 1968 to 1980, there was an increase of 62 percent in the Soviet Union, an increase of 75 percent in West Germany, and an increase of about 70 percent in Japan.

What has been the result of this failure to meet the R. & D. challenge? It has been a lag in our Nation's productivity gains relative to other nations. Between 1968 and 1980, productivity, or output per worker per hour, increased by about 60 percent in West Germany, by over 70 percent in Japan, but by only 18 percent in the United States.

There is strong evidence that U.S. R. & D. spending improves our competitive position in world markets. Although the U.S. merchandise trade balance has had large deficits, some $30 billion in 1979, for example, R. & D.-intensive manufactured goods have a substantial trade surplus. The United States has had a trade surplus in R. & D.-intensive manufactured goods since 1960, and this surplus increased sharply between 1964 and 1975—from nearly $8 billion to over $29.3 billion. I might add that in recent years, nearly 90 percent of the trade surplus in R. & D.-intensive products has been generated by only three product groups: Nonelectrical machinery, including computers, chemicals, and aircraft.

I could go on and on citing statistics but I think that it is clear that in today's world, America's economic strength largely depends on the strength of our efforts in R. & D. Failure to meet the R. & D. challenge is the surest way to forfeit our claim to word leadership.

In view of declining direct Federal support for R. & D., I applaud the Finance Committee's recognition of the need for additional incentives to stimulate private sector R. & D. I believe that the proposed 25-percent credit for incremental research and experimentation wage expenditures is a welcome first step. However, I do not believe that it goes far enough. Consequently, I am offering an amendment to provide further incentives.

While the Finance Committee's proposal helps to encourage future investment in R. & D. by providing incentives only for increases in research and experimentation wage expenditures, it does little for companies that invest as much in materials and supplies as in the talent to use them. It favors companies that can increase their research efforts by the mere addition of staff but it ignores such items as laboratory supplies and leased computer time.

Mr. President, I want to acknowledge the work that has been done on this proposal by the Senator from Missouri (Mr. DANFORTH), who is a cosponsor of my amendment. Indeed, both of us would prefer to go further than we are at present. But we are pleased to be able to expand the base for research and development credits beyond wage expenditures and thus move an important step toward a sounder tax policy with regard to R. & D.

Our amendment will qualify expenditures for material, supplies, and computer time for the tax credit, and is drafted in a manner that will guard against additional revenue losses. Incremental increases of up to 25 percent in qualified research and development expenditures above a firm's 3-year base level will be eligible for the credit, subject to a limitation to guard against unacceptable revenue losses. The credit would apply to qualifying expenditures made after June 30, 1981.

This amendment, then, comports with the Finance Committee's bottom line on revenue losses, yet expands the concept of research and development credits to take in significant cost factors beyond wage expenditures. In view of the declining direct Federal support for R. & D., I believe that we must do all we can to insure that American industry can meet the challenges of international competition. I would ask my colleagues to join with me in support of this amendment.

Mr. GLENN. I yield for comments to the floor managers of the bill and am prepared to have a voice vote on this matter.

Mr. DANFORTH. Mr. President, this amendment has been cleared with the Treasury. It has also been cleared with both the majority and minority managers of the bill. It is a very valuable expansion of the provision in the bill; yet it has little or no revenue effect. Therefore, it is acceptable to the floor manager.

Mr. GLENN. Mr. President, if there are no other comments, I am glad to yield back the remainder of my time and call for a vote.

Mr. DANFORTH. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment of the Senator from Ohio.

The amendment (UP No. 301) was agreed to.

Mr. DANFORTH. I move to reconsider the vote by which the amendment was agreed to.

Mr. GLENN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 302

(Purpose: To suspend for a one-year period regulations relating to allocation under section 861 of research and experimental expenditures)

Mr. GLENN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Ohio (Mr. GLENN) for himself, Mr. DANFORTH, and Mr. WALLOP, proposes an unprinted amendment numbered 302:

On page 143, between lines 11 and 12, insert the following:

"SEC. 223. SUSPENSION OF REGULATIONS RELATING TO ALLOCATION UNDER SECTION 861 OF RESEARCH AND EXPERIMENTAL EXPENDITURES

"(a) 1-YEAR SUSPENSION.—In the case of the taxpayer's first taxable year beginning within 1 year after the date of the enactment of this Act, all research and experimental expenditures (within the meaning of section 174 of the Internal Revenue Code of 1954) which are paid or incurred in such year for research activities conducted in the United States shall be allocated or apportioned to sources within the United States.

"(b) STUDY.—

"(1) IN GENERAL.—The Secretary of the Treasury shall conduct a study with respect to the impact which section 1.861–8 of the Internal Revenue Service Regulations would have (A) on research and experimental activities conducted in the United States and (B) on the availability of the foreign tax credit.

"(2) REPORT.—Not later than the date 6

months after the date of the enactment of this Act, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report on the study conducted under paragraph (1) (together with such recommendations as he may deem advisable)."

Mr. GLENN. Mr. President, this amendment would suspend the onerous effect of section 861.8 of the Internal Revenue Code—a regulation whose impact has been to reduce the incentive for companies with foreign-source income to do research and development in the United States. Furthermore, the rule also serves as a disincentive for high-technology companies currently without foreign-source income to enter the export market. It is a rule that needs serious study—study that would be insured by acceptance of this amendment.

Department of Treasury regulations which currently implement section 861.8 of the Internal Revenue Code require that R. & D. expenditures be apportioned to both foreign source and domestic income regardless of where the expenditures were made. While the regulations were an attempt to recognize the fact that innovations in the United States often result in revenue from foreign sources, the effect of these regulations are:

To apportion expenses to foreign-source income, even when that income is incidental to the innovation;

To result in double taxation, because foreign governments do not allow this allocation to be taken into account when figuring taxes due to them;

To encourage the location of R. & D. facilities abroad instead of at home for those companies which already have foreign-source income so as to escape the effects of the regulations, thereby diminishing both the amount of R. & D. conducted in the United States and, in the long term, the tax revenue generated by it; and

To discourage the entry into the export market of those high-technology companies without current foreign-source income, thereby reducing potential profitability, long-term R. & D. expenditures, and the tax revenues generated by it.

To make sure that the problem with the current regulations is understood. I shall run through them one more time. When a firm has foreign-source income, only a portion of its domestic R. & D. expenditures can be taken as a deduction on its U.S. tax return. The remaining R. & D. expenses cannot be used to offset foreign taxes, since foreign tax laws will not allow the deductions for R. & D. expenditures made in the United States. Finally, U.S. tax law permits no credit for foreign taxes paid in excess of the applicable tax rate.

This makes the effective foreign tax rate higher because a portion of domestic R. & D. expenditures is deducted from foreign-source income before the foreign tax credit is computed. As a matter of fact, because of the arbitrariness of the rule, there can arise the ludicrous situation where a company may end up paying in excess of 100 percent of its foreign-source income. This would correct that.

The consequences of the regulations have been twofold. First, those companies which already have foreign-source income have a strong incentive to move their R. & D. to countries such as Canada or Switzerland, for example, where they can receive a much bigger tax benefit. This then reduces the amount of R. & D. performed in the United States, and, in the long term, the tax revenue generated from its conduct. Second, high-technology companies which currently have no foreign-source income are discouraged from entering the export trade, particularly because the marginal tax rates on foreign income could exceed 100 percent. In the long term, this will reduce the potential profitability of such firms, lower the amount of R. & D. that otherwise would have been performed, and reduce tax revenues.

The amendment I am offering, on which I wish to recognize the efforts of my colleagues from Wyoming (Mr. WALLOP) and New York (Mr. D'AMATO), addresses these problems by simply excluding domestically performed R. & D. from the application of section 861.8 for 1 year. All R. & D. which is conducted in the United States would be deducted solely from U.S.-source income during this period. At the same time, Treasury would be directed to make a thorough study of this matter so that a rational proposal could be made for Congress to consider.

Mr. President, we clearly have enough economic problems without going out of our way to produce new ones. The current regulations implementing section 861.8 are the economic equivalent of shooting ourselves in the foot. I ask the Senate's support in helping to correct a condition which is at variance with the desired effect of encouraging U.S. R. & D. activity in order to help improve the competitiveness of the U.S. economy—both domestically and internationally.

Mr. President, in addition, I am grateful for the assistance of the distinguished floor manager of the bill, and this amendment is submitted in his behalf, also. The Senator from Missouri (Mr. DANFORTH) is a cosponsor of this amendment with me. He has done a great deal of work in the committee, which I think the Senate should recognize. I look forward to continuing with him in this work in the future.

We can spend hours speaking about this problem, Mr. President, but it is moving ahead with innovativeness, inventiveness, inquiry into the unknown which will give us a better competitive position in the future.

Mr. President, I am prepared to yield back my time and go to a vote following whatever remarks the distinguished floor manager, the Senator from Missouri (Mr. DANFORTH), wishes to make.

Mr. DANFORTH. Mr. President, I appreciate the comments of the Senator from Ohio and his efforts on behalf of this amendment. This amendment also has been cleared with the Treasury Department and with the majority and minority managers of the bill. It has a duration of 1 year. We are pleased to accept it.

I yield back my time, Mr. President.

● Mr. BRADLEY. Mr. President, there are alarming signs that innovation, the mainstay of technological advancement and economic productivity, is declining in the United States. In the last 15 years, R. & D. spending, as a percentage of GNP, has dropped by 27 percent. Furthermore, the decline in R. & D. spending has been accompanied by a drop in productivity. In addition, there has been a serious decline in America's export competitiveness. During the period from 1960–77 the U.S. share of world exports declined from 18 to 11.8 percent. In that same period, Japan's share increased from 4 to 8 percent, while West Germany's share grew from 10.3 to 11.5 percent.

Historically, the U.S. comparative advantage in world trade lay in its abundance of technological skills, nourished by a generous proportion of GNP devoted to R. & D. Our comparative advantage is now being eroded by insufficient R. & D. This poses a long-term threat to our preeminent position in world markets and to our domestic economic well-being.

By contrast, our major competitors actively encourage R. & D. For example, Japan gives a 20-percent tax credit for increases in R. & D. expenditures. West Germany's investment incentives include a 7.5-percent tax-free cash grant for investment facilities and accelerated depreciation allowances for R. & D. plants and equipment. While the R. & D. credit in the Senate Finance Committee bill makes some progress toward improving the investment climate for R. & D., in my judgment it does not go far enough. This amendment is therefore an important supplement to the Finance Committee's provisions.

Section 861 requires corporations to allocate portions of their domestic R. & D. expenditures to their foreign source income. This apportionment of expenses can substantially reduce a U.S. corporation's foreign tax credit limitation, thereby resulting in a higher U.S. tax liability. In 1977, the IRS issued regulation section 1.861–8. The regulation was highly controversial at the time and has continued to be a source of controversy between export-oriented corporations and the Treasury. The reason is that it denies U.S. corporations a full deduction for domestic R. & D. expenses against domestic income and assigns some portion of those expenses to foreign source income, where it is often not allowed as a deduction by foreign tax authorities. The effect of this apportionment can be to deny any tax deduction for at least a part of the taxpayer's R. & D. expenses. Corporations engaging extensively in international business or in the production of technology-intensive products may therefore be subject to significantly higher overall tax on their worldwide income.

Mr. President, this result is clearly anomalous given the importance of R. & D. and export promotion to sustaining adequate rates of economic growth. Since this decade will be a critical one for the future of our international competitiveness it is imperative that we have

a national policy encouraging R. & D. and, in particular, its performance in this country rather than abroad. Section 1.861–8 thwarts this objective. Accordingly, I am pleased to cosponsor this amendment which is a step toward removing existing disincentive to U.S. R. & D.

Finally, no other countries impose this requirement on their companies. Thus, section 861 has disadvantaged U.S. firms relative to their foreign competitors. Given the alarming decline in the U.S. share of international markets, the decrease in the productivity of our industries, and the reduction in resources allocated to R. & D., it is essential that we provide generous incentives for R. & D. I look forward to working with Treasury in the coming months to work out a permanent solution to the section 861 problem.●

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the amendment.

The amendment (UP No. 302) was agreed to.

AMENDMENT NO. 521 (AS MODIFIED)

(Purpose: To provide a credit against tax for certain home heating costs)

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) for himself, Mr. RUDMAN, and Mr. PELL, proposes an amendment numbered 521, as modified:

At the end of title I, insert the following new subtitle:

Subtitle C—Residential Heating Credit

SEC. . HOME HEATING CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by inserting immediately before section 45 the following new section:

"SEC. 44H. CREDIT FOR RESIDENTIAL USERS OF ENERGY.

"(a) GENERAL RULE.—In the case of an individual, there is allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the product of—

"(1) the amount paid or incurred during such taxable year for all qualified home heating energy sources, multipled by

"(2) a per centum equal to ½ the percent change in the price index (within the meaning of section 8331(15) of title 5) for December of the calendar year preceding the calendar year in which the taxable year begins over such index for December of the second preceeding calendar year.

"(b) LIMITATIONS.—

"(1) MAXIMUM DOLLAR AMOUNT.—The amount of the credit allowed to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(A) $300, over

"(B) 3 percent of so much of the adjusted gross income of the taxpayer for the taxable year as exceeds $15,000.

"(2) REDUCTION FOR GRANTS.—The amount of the credit allowed to a taxpayer under subsection (a) (after application of paragraph (1)) shall be reduced by any amount received by the taxpayer for any qualified home heating energy source under any Federal, State, or local program.

"(3) ONE INDIVIDUAL ELIGIBLE PER HOUSEHOLD.—

"(A) IN GENERAL.—In the case of any household, the credit under subsection (a) shall be allowed only to the individual residing in such household who furnishes the largest portion (whether or not more than one-half) of the cost of maintaining such household.

"(B) DETERMINATION OF AMOUNT.—In the case of an individual described in subparagraph (A), such individual shall, for purposes of determining the amount of the credit allowed under subsection (a), be treated as having paid or incurred during such taxable year for qualified home heating energy sources an amount equal to the sum of the amounts paid or incurred for such sources by all individuals residing in such household (including any amount allocable to any such individual under subsection (d)).

"(4) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of a married individual filing a separate return of tax, the provisions of subsection (b) of this section shall be applied—

"(A) by substituting '$150' for '$300', and

"(B) by substituting '$12,500' for '$25,000'.

"(5) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) for a taxable year shall not exceed the tax imposed by this chapter for such taxable year, reduced by the sum of the credits allowable under a section of this subpart having a lower number or letter designation than this section, other than the credits allowable by sections 31, 39, and 43.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED HOME HEATING ENERGY SOURCE.—The term 'qualified home heating energy source' means any energy source used for a qualified use, including wood.

"(2) QUALIFIED USE.—The term 'qualified use' means use in connection with any principal residence of the taxpayer located in the United States for purposes of heating such residence.

"(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as in section 1034, except that—

"(A) no ownership requirement shall be imposed, and

"(B) the principal residence must be used by the taxpayer as his residence during the taxable year.

"(d) ALLOCATIONS.—

"(1) TENANTS.—

"(A) IN GENERAL.—In the case of a tenant (other than a tenant-stockholder in a cooperative housing association) residing in a dwelling unit which is heated by a qualified home heating energy source and with respect to which the amount paid for such source is not separately stated, the amount determined under subsection (a)(1) for any taxable year for any qualified home heating energy source used for a qualified use shall be equal to the product of—

"(i) the per centum determined under subsection (a)(1)(B) for the taxable year, multiplied by

"(ii) an amount equal to that portion of rent paid by the taxpayer during such taxable year as is equal to the qualified rental portion.

"(B) QUALIFIED RENTAL PORTION.—For purposes of this paragraph, the term 'qualified rental portion' means that percentage of rental amounts paid for principal residences during a calendar year which the Secretary determines, after consultation with the Secretary of Housing and Urban Development or his delegate and after taking into account regional differences in climate and heating costs, to be the average percentage of rental amounts paid in a region of the United States attributable to the payment of the costs of the qualified home heating energy source so used for a qualified use in connection with the principal residence.

"(2) CONDOMINIUMS AND COOPERATIVES.—The Secretary shall provide by regulation for the application of this section to condominium management associations (as defined in section 528(c)(1)) or members of such associations, and tenant-stockholders in cooperative housing corporations (as defined in section 216), in such a fashion that the amount allowed by subsection (a) is allowed, whether by allocation, apportionment, or otherwise, to the individuals paying, directly or indirectly, for the qualified home heating fuel so used.".

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting immediately after the line relating to section 44E the following new item:

"Sec. 44H. Credit for residential users of energy.".

(2) Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 44G" and inserting "44G, and 44H".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1980, and before January 1, 1984.

Mr. KENNEDY. Mr. President, this is a matter which has been considered in the Senate on at least two different occasions. It was accepted in 1977 with only 27 votes in opposition. Again, in 1979, it was accepted by the U.S. Senate. It is a home heating tax credit. It is an issue that is well understood by the Members of the Senate.

The Senator from New Hampshire (Mr. RUDMAN) and the Senator from Rhode Island (Mr. PELL), and I offer this amendment because we believe it is demanded, both out of a sense of equity and fairness and also because, without this amendment, there will be a good deal of anguish and suffering. So, Mr. President, I hope that the Senate, in its good judgment, will accept this amendment. We have strong support for it from both sides of the aisle and we believe that in a tax measure of this significance and importance, this amendment is justified.

Mr. President, if our amendment becomes law, a family would be entitled to a tax credit equal to his or her residential heating bill, multiplied by half the rate of inflation. If, for example, the residential heating bill for oil and gas or electricity is $1,000 and the inflation rate is 10 percent, he or she would be entitled to a tax credit of some $50. That may not seem a great deal to many in this body, but it is extremely important in many different parts of the country.

I would like to make two basic points about this amendment. The first is that this credit is essential to prevent a major tax increase. Second, I want to bring to the attention of my colleagues the human costs of energy prices. This amendment can significantly alleviate these costs.

Reducing taxes is the major objective of the whole tax legislation. We were reading just a few days ago in the Washington Post that OMB Director Stockman was quoted as saying that "he absolutely would not" reduce the Federal deficit by increasing taxes.

But, for the American consumer, that is exactly what has already happened. The first major economic decision of the new administration was its decision to decontrol the price of oil. It is an open secret that one of the major reasons that the price of oil was decontrolled quickly was so that it could increase the revenues from the windfall profit tax.

Oil decontrol is going to cost the American economy $52 billion in 1981. That estimate, prepared by the staff of the Joint Committee on Taxation, means that the average American family will be paying $638 more for their energy costs than they would have if we had kept oil under controls. We normally think of the windfall tax as a tax on the oil companies. Half of it is a tax on the oil companies. The other half is only collected by the oil companies. It is paid by the consumers of the United States.

Unfortunately, because oil was decontrolled, ending the half of the tax that is paid by the consumers would not lower consumer costs, it would just raise oil company profits. Thus, the only way to protect consumers is to return to them a portion of this increased tax through a tax credit.

Thus, when we decontrolled oil, we did two things:

First, we raised the profits of the oil companies; and

Second, we increased the taxes paid by the American people.

That $638 increase in the energy costs for an average family means a $319 increase in the taxes. This tax is paid as an excise tax on their energy bills. This amendment, which will provide up to $300 in a home heating tax credit for incomes up to $25,000—will, in fact, not quite offset the tax increase that American consumers are paying as a result of the decision to decontrol and impose a windfall profit tax.

Thus, tax equity demands passage of this amendment. The American people are paying higher prices. They should not have to pay higher energy taxes as well.

The second point that I should like to make today is that fairness demands passage of this amendment. Two years ago, families in Massachusetts and throughout the Northern States were paying $600 for their home heating bills. Now, 2 years later, they are paying over $1,200. The price of home heating oil has gone from 50 cents to well over $1.30 a gallon. That is a 100-percent increase in the cost of heating homes in less than 3 years.

For millions of Americans, the energy crisis is not a remote discussion about economic policy. It is a clear and present danger to their pocketbooks. While the Government analyzes and procrastinates, the people pay and sacrifice. To an elderly person, the energy crisis is as immediate as the decision to give up the telephone, the lifeline to the outside world, in order to pay for fuel. To a worker commuting to a job, the crisis is as immediate as the tank of gas that can no longer be paid for with a $20 bill. And to a family in the frost belt, it is as immediate as the room or the entire upstairs floor closed off in the home in a desperate effort to balance the family budget.

For the poor, the burden has been especially heavy. Our two primary heating fuels are oil and natural gas. Over the past 5 years, the price of these two necessities of life has risen three times faster than the overall inflation rate.

For the experts who make a comfortable living off of energy in public or private life, these rising prices are a phenomenon of macroeconomics, whose bite can be reduced by the timely application of theories of income redistribution, but for the vast majority of families, the theories do not work and the bite is getting more painful every winter.

And so far, the only redistribution that the recent massive energy price increases have produced is one way, and that is, I believe, a wrong-way redistribution: From the pockets of consumers to the treasuries of the oil companies and the Federal Treasury.

The result is that Americans are working harder and earning fewer dollars. Their lot is becoming a lesser standard of life in a lesser land; in fact, inflation, largely caused by energy, has wiped out all the hard won gains in income of American workers in the past two decades.

Last summer, I held a hearing in which I asked to come to Washington citizens from four States to talk about how rising energy costs were affecting their lives. One of those who testified was Mrs. Evelyn Bennett.

She is a widowed pensioner from Lexington, Minn. She is living in a small trailer on $249 a month. Because she has her own trailer, she is able to take care of two of her nephews. Otherwise they would have to be put up for adoption. Mrs. Bennett's energy bills have gone so high that there is a real danger that she is going to lose her trailer and the two children she is taking care of.

In that hearing, I asked her:

What do you do when energy bills are going up?

Mrs. Bennett replied:

If the kids say "I am cold," I'll say wrap up in a blanket or move around and keep the circulation going. We can't turn up the heat. We can't watch the TV at night because our electric bills can't go up.

She concluded with this comment:

My concern is about what I have to pay for gas and light. I am not going to be able to keep my home so I can keep my kids.

Another of those who testified was Mr. Jesse Fuller—a resident of Essex, Mass. Mr. Fuller is now 80 years old. He worked for the General Electric Co. in Lynn, Mass., for over 20 years. Mr. Fuller, who has had a serious back problem, had to build a makeshift wood stove and now goes down to the town dump to cut wood just so he can make ends meet.

Mr. Fuller's energy problem was not a theoretical macroeconomic problem, it was a question about whether he could simply make ends meet; whether he would have to sell his house and move into an apartment. Let me quote what Mr. Fuller said:

Yes, I am worried about those high energy costs, because if you ever took me out of my house and my little backyard garden, that would be the end of life for me.

This is what higher energy costs mean. They may be good for some in this country—but for many in this country, they are the difference between a decent life and a life that is barely worth living.

So, for economic reasons—because the decontrol program will cause a significant additional tax increase for the American people, particularly in areas where there is significant use of home heating oil, and because of the equity issue, I believe that this amendment, which was tried and tested and reviewed by the Senate on two occasions, and accepted, should be accepted by the Senate today.

Mr. President, I ask unanimous consent that the names of the Senator from New York (Mr. MOYNIHAN), the Senator from Maine (Mr. MITCHELL), and the Senator from Connecticut (Mr. DODD), be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. I yield such time as he requires to the Senator from New Hampshire.

Mr. RUDMAN. Mr. President, I thank the Senator from Massachusetts, and I thank the chairman of the Senate Finance Committee for working hard to try to reach an accommodation on this important amendment.

My regret is that the administration fails to see the wisdom of what this does for a significant part of the country.

Before Senators vote on this measure, I hope they will listen to a few facts.

New England derives 80 percent of its energy from petroleum, as compared to a national average of 47 percent. Seventy-nine percent of the oil we use in New England is imported. The cost of energy in New England is 40 percent higher than the national cost. Of the oil we use in New England, more than 4 billion gallons a year is used for home heating.

In the period 1971 through 1980, home heating costs increased from 19 cents a gallon to $1.26 a gallon. One dollar and twenty-six cents may not seem like very much to some people in this Chamber. We deal in billions every day. Let me put it in percentage terms. The increase in the price of home heating oil for the past 10-year period is in excess of 550 percent. For the same 10-year period, the CPI for all items rose 77 percent.

The increase in home heating oil prices is more than seven times that of the national inflation rate.

I believe that merits special consideration for those who live in the colder regions of this Nation.

To put it in real terms, in 1970, heating costs consumed a negligible part of the incomes of most families. Three percent might have been considered high at that time. Today, there are families spending from 20 percent to 30 percent of their income to heat their homes and keep their families warm.

The fact is that many families cannot carry the burden, and the people this amendment is aimed at are the people who need help from the Senate.

This amendment is not open-ended. It does not seek to roll back energy costs. It does not favor the wealthy. This

amendment favors a limited credit for people who need help.

Put in the most simple and philosophical terms, this amendment offers a simple, 3-year program to ease the unfair burden borne by a significant segment of our country—not just New England, but people in the cold regions of America.

When the windfall profit tax was passed by the Senate several years ago, it was sold to the American people on the basis that a large part of it would be used to help those who suffer the most. There is no evidence that the billions of dollars that have come into the National Treasury from that tax have been used for that purpose.

I simply ask my colleagues to consider that we have had a 550-percent increase in energy costs on people who just cannot afford to keep warm. In northern New Hampshire, there are people who make choices every month, between December and March, between heating and eating, and I do not believe that is what the Senate wants to continue.

I yield the remainder of my time to the Senator from Maine.

Mr. COHEN. I thank the Senator for yielding.

Mr. President, I wish to lend my support to the strong statement of the Senator from New Hampshire.

We have three basic items here. We have a region, especially our region, where the temperature is colder and the cost is higher for heating oil; but one other important point is that incomes are lower. I happen to represent a State which is perhaps one of the poorest in the Union by way of per capita income and has to suffer through long, cold winters. People are spending sometimes more than 30 percent of their budgets for heating oil.

It is ironic that this body has been debating for the past week a proposal to index our tax structure, for example, in order to protect taxpayers against inflation, which is eroding their purchasing power. We have given serious consideration to phasing out the windfall profit tax in order to give oil companies an incentive to produce more energy. I might add that the record to date has not been terribly encouraging, with 70 percent or 80 percent of those profits going into additional assets and diversification.

We are saying that we should be able to provide a measure of equity for people who have to live in the cold regions of our country and pay the highest costs for energy.

I lend my support to the Senator from New Hampshire and the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Three minutes and thirty-five seconds.

Mr. KENNEDY. I yield to the Senator from Rhode Island.

Mr. PELL. Mr. President, I am pleased to support and cosponsor the amendment offered by the Senators from Massachusetts and New Hampshire to assist low- and middle-income families affected by the skyrocketing costs of heating their homes.

The amendment offered by Senator KENNEDY is similar to S. 329, legislation I introduced in January which would provide an income tax credit through 1983 of up to $300 to help ease the burden to consumers of the extraordinary costs of residential heating.

Mr. President, the amendment proposed by Senator KENNEDY attempts to correct an imbalance that has existed for almost a decade with respect to the cost of residential heating for New England and many other States along the northern tier region. As my colleagues know, the cost of residential heating in New England and other Northern States has more than tripled since the 1973 oil embargo. In this regard, I ask unanimous consent that a recent report by the Northeast-Midwest Coalition, which shows the disparity in residential energy costs between regions, be inserted in the CONGRESSIONAL RECORD at the conclusion of my remarks.

THE PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PELL. Mr. President, in New England and my own State of Rhode Island, where consumers rely on home heating oil for 75 percent of their residential heating requirements, energy costs have made the strain on family budgets acute. Furthermore, the sudden complete decontrol order by the President last January, 9 months ahead of schedule, further strained the ability of families in the colder States to pay their heating bills.

In Rhode Island, for example, a typical family that paid $600 to heat its home 2 years ago, now faces a cost of nearly $1,400. This is a burden that is causing real hardship to many low- and moderate-income families.

Similar dramatic increases in residential heating costs have also affected the bills of consumers in other regions of the country. According to the data available from the Bureau of Labor Statistics, household fuels costs for the Nation as a whole rose by 16.8 percent from a year ago. For those residential users of natural gas, on a nationwide basis, the price rose 15.2 percent; for electricity, 16.8 percent; for home heating oil, 18.6 percent; and for other household fuels (coal and bottled gas) 19.7 percent.

Energy prices, Mr. President, can only be expected to show further increases as the current oil glut disappears and the demand for oil among the industrialized nations increases again.

Mr. President, there is an urgent need for residential energy relief for consumers and families in many parts of this country. That relief is essential and needed as soon as possible.

This tax assistance is justified because to a large extent the sharp increase in home heating costs is the result of national energy policy, enacted by the Federal Government, which permits prices of oil and gas to rise rapidly to levels set by the OPEC nations. This abrupt change in national policy has provided no reasonable time for homeowners to adjust and adapt to the higher costs. The Federal Government has a responsibility to provide some relief during a period of transition while homeowners change heating systems, change to new fuels, and make their homes more energy efficient.

Indeed, the Federal Government has recognized that responsibility by providing home heating assistance grants to the poor who are simply unable to heat their residences at the higher prices. This proposal would extend similar assistance to low- and moderate-income families who do not qualify for the current grant program.

Mr. President, the Federal Government should not become a permanent subsidizer of home heating bills. But this Nation is undergoing an accelerated, revolutionary change in the production, use and pricing of all forms of energy. For many families, these changes are causing more than discomfort; they are causing real hardship. I believe the Federal Government has a real responsibility to help in this transition by returning to the consumers some of the billions of dollars in windfall profits being taxed away from the oil companies.

I hope my colleagues will support this effort to protect families against the economic effect of our colder than normal weather conditions this past winter as well as the extraordinary increase for all forms of residential fuel during the past year.

EXHIBIT 1

NORTHEAST-MIDWEST CONGRESSIONAL COALITION: STATE HOUSEHOLD ENERGY COSTS—APRIL 1981

EXPLANATION OF RESIDENTIAL ENERGY EXPENDITURE DATA

Tables

The State Residential Energy Expenditures Tables give more detailed data on a state-by-state basis for residential energy costs. (Energy costs cover home heating and cooling costs as well as electricity bills. Gasoline and other transportation related energy costs are not included.) All data presented in these tables was derived from the Energy Information Administration's data with the exception that the number of households per state was taken from the Bureau of Census statistics.

The column "Dollars per Billion BTUs" reflects the average state price per billion BTUs consumed. The price index column next to it was calculated by dividing the state price per billion BTUs by the national average price per billion BTUs in order to compare a state's price relative to the national average. For example, in 1974 Connecticut's price for energy was 41 percentage points above the national average. In 1978 it fell to 25 percentage points above the average.

The column "Billion BTUs per household" reflects the average consumption level by household. Even a .01 reduction in average consumption represents a significant savings in energy bills. Many states, such as Massachusetts, Vermont, New York, Iowa, and Michigan have reduced consumption of traditional fuels significantly, resulting in lower relative energy bills.

The column "Total Expenditure per Household" gives the average state household energy cost. The expenditure index was calculated by dividing the state's average energy bill by the national average.

The column "Total State Expenditures in Millions" gives the total amount spent on residential energy by state in millions of dollars.

The average residential energy costs by region for 1970 and 1978 are listed at the bottom of each region's state figures. The 1980 figure reflects the increase in costs if 1980 prices were paid for the same amount of energy consumed in 1978.

STATE RESIDENTIAL ENERGY EXPENDITURES

	Dollars per billion Btu	Price index	Billion Btu per household	Total expenditure per household	Expenditure index	Total State expenditures (millions)
United States:						
1970	$1,403	100	0.22	$315	100	$19,768
1974	2,106	100	.22	458	100	31,881
1978	3,180	100	.21	679	100	51,574
1980 [1]				963	100	
New England:						
Connecticut:						
1970	1,628	116	.24	384	122	358
1974	2,962	141	.23	665	145	672
1978	3,984	126	.22	857	126	926
1980 [1]				1,366	142	
Maine:						
1970	1,624	116	.24	382	121	115
1974	2,679	127	.23	607	133	204
1978	3,666	115	.24	867	128	322
1980 [1]				1,449	151	
Massachusetts:						
1970	1,745	124	.22	385	122	677
1974	2,920	139	.21	627	137	1,195
1978	4,107	129	.20	819	121	1,654
1980 [1]				1,274	132	
New Hampshire:						
1970	1,673	119	.25	412	131	93
1974	2,740	130	.24	658	144	171
1978	4,039	127	.23	946	139	282
1980 [1]				1,450	151	
Rhode Island:						
1970	1,684	120	.21	358	114	105
1974	2,939	140	.20	594	130	183
1978	4,169	131	.20	822	121	268
1980 [1]				1,248	130	
Vermont:						
1970	1,558	111	.28	430	137	56
1974	2,595	123	.25	658	144	99
1978	3,755	118	.24	891	131	146
1980 [1]				1,346	140	
Average:						
1970				386	123	
1978				845	124	
1980 [1]				1,325	138	
Mid-Atlantic:						
Delaware:						
1970	1,614	115	.23	365	116	60
1974	2,867	136	.20	586	128	107
1978	4,116	129	.20	835	123	166
1980 [1]				1,149	119	
Maryland:						
1970	1,550	110	.19	298	95	347
1974	2,630	125	.18	470	103	612
1978	3,764	118	.17	657	97	930
1980 [1]				891	93	
New Jersey:						
1970	1,746	124	.21	368	117	811
1974	2,880	137	.20	567	124	1,351
1978	4,191	132	.19	793	117	1,998
1980 [1]				1,176	122	
New York:						
1970	1,634	116	.20	324	103	1,903
1974	2,901	138	.19	529	118	3,342
1978	4,087	129	.17	708	104	4,540
1980 [1]				1,086	113	
Pennsylvania:						
1970	1,507	107	.22	336	107	1,179
1974	2,406	114	.21	504	110	1,917
1978	3,488	110	.23	793	117	3,150
1980 [1]				1,138	118	
Average:						
1970				333	108	
1978				743	109	
1980 [1]				1,100	114	
Illinois:						
1970	1,415	101	.26	363	115	1,242
1974	1,980	94	.26	517	113	1,895
1978	3,099	97	.27	835	123	3,253
1980 [1]				1,195	124	
Indiana:						
1970	1,346	96	.29	386	123	612
1974	1,881	89	.29	537	117	928
1978	2,949	93	.29	841	124	1,551
1980 [1]				1,246	129	
Iowa:						
1970	1,374	98	.29	400	127	357
1974	1,937	92	.28	539	118	519
1978	3,046	96	.26	798	118	813
1980 [1]				1,137	118	
Michigan:						
1970	1,315	94	.27	349	111	916
1974	1,924	91	.26	499	109	1,437
1978	3,073	97	.24	736	108	2,275
1980 [1]				1,050	109	
Minnesota:						
1970	1,428	102	.29	415	132	471
1974	2,001	95	.28	560	122	709
1978	3,052	96	.25	762	112	1,049
1980 [1]				1,112	116	
Ohio:						
1970	1,254	89	.26	332	105	1,070
1974	1,826	87	.26	471	103	1,630
1978	3,084	97	.25	786	116	2,871
1980 [1]				1,104	115	
Wisconsin:						
1970	$1,430	102	.29	$411	130	$529
1974	2,087	99	.27	563	123	818
1978	3,166	100	.27	841	124	1,336
1980 [1]				1,264	131	
Hawaii:						
1970	2,067	147	.10	204	65	41
1974	2,834	136	.10	289	63	69
1978	4,565	146	.10	446	66	121
1980 [1]				569	59	
Idaho:						
1970	1,373	98	.25	343	109	73
1974	1,714	81	.27	462	101	116
1978	2,314	73	.29	679	100	194
1980 [1]				1,012	105	
Kansas:						
1970	1,168	83	.28	326	103	237
1974	1,560	74	.27	426	93	334
1978	2,607	82	.26	669	99	570
1980 [1]				898	93	
Missouri:						
1970	1,379	98	.24	334	106	507
1974	1,896	90	.24	459	100	749
1978	2,987	94	.25	755	111	1,313
1980 [1]				1,046	109	
Montana:						
1970	1,302	93	.25	329	104	71
1974	1,720	82	.24	406	89	100
1978	2,379	75	.27	632	93	175
1980 [1]				892	93	
Nebraska:						
1970	1,215	87	.31	379	120	179
1974	1,689	80	.27	448	98	234
1978	2,675	84	.26	703	104	390
1980 [1]				983	102	
Nevada:						
1970	1,321	94	.25	328	104	52
1974	1,715	81	.24	418	91	83
1978	2,915	92	.22	640	94	155
1980 [1]				822	85	
Virginia:						
1970	1,504	107	.20	305	97	418
1974	2,364	112	.19	455	99	694
1978	3,541	111	.20	693	102	1,205
1980 [1]				972	101	
West Virginia:						
1970	1,232	88	.20	243	77	131
1974	1,758	83	.21	363	79	208
1978	2,921	92	.22	638	94	403
1980 [1]				829	86	
Average:						
1970				288	91	
1978				659	97	
1980 [1]				896	93	
Alaska:						
1970	1,893	135	.21	389	123	30
1974	2,359	112	.19	456	100	42
1978	2,815	89	.27	758	112	90
1980 [1]				1,027	107	
Arizona:						
1970	1,682	120	.16	267	85	144
1974	2,192	104	.18	392	86	275
1978	3,791	119	.17	638	94	519
1980 [1]				836	87	
California:						
1970	1,325	94	.16	209	66	1,373
1974	1,947	92	.15	299	65	2,221
1978	2,813	88	.14	393	58	3,300
1980 [1]				503	52	
Colorado:						
1970	1,235	88	.23	285	90	194
1974	1,657	79	.22	368	80	307
1978	2,564	81	.21	527	78	498
1980 [1]				746	78	
Louisiana:						
1970	1,320	94	.21	280	89	294
1974	1,755	83	.23	398	87	462
1978	2,619	82	.22	581	86	749
1980 [1]				773	80	
Mississippi:						
1970	1,176	84	.25	296	94	232
1974	1,947	92	.26	506	110	418
1978	3,036	97	.22	669	100	511
1980 [1]				922	96	
North Carolina:						
1970	1,394	99	.23	315	100	470
1974	2,272	108	.20	458	100	770
1978	3,304	104	.21	684	101	1,277
1980 [1]				938	97	
Oklahoma:						
1970	1,362	97	.25	342	109	291
1974	1,732	82	.25	440	96	419
1978	2,776	87	.25	693	102	729
1980 [1]				902	94	
South Carolina:						
1970	1,430	102	.21	307	97	222
1974	2,289	109	.20	460	100	383
1978	3,161	99	.21	679	100	636
1980 [1]				950	99	
Tennessee:						
1970	958	68	.25	239	76	285
1974	1,430	68	.24	338	74	453
1978	2,419	76	.26	634	93	942
1980 [1]				942	98	

	Dollars per billion Btu	Price index	Billion Btu per household	Total expenditure per household	Expenditure index	Total State expenditures (millions)
Texas:						
1970	$1,361	97	.22	$303	96	$1,040
1974	1,848	88	.22	413	90	1,618
1978	3,126	98	.23	708	104	3,139
1980 [1]				959	100	
Average:						
1970				367	117	
1978				799	118	
1980 [1]				1,150	119	
Alabama:						
1970	1,195	85	.23	273	87	283
1974	1,807	86	.24	433	95	492
1978	2,938	92	.23	668	98	932
1980 [1]				952	99	
Arkansas:						
1970	1,195	85	.27	323	103	199
1974	1,917	91	.25	471	103	328
1978	3,045	96	.25	769	113	598
1980 [1]				948	98	
Washington, D.C.:						
1970	1,625	116	.17	271	86	71
1974	2,653	126	.15	404	88	111
1978	3,778	119	.16	594	87	163
1980 [1]				789	82	
Florida:						
1970	1,617	115	.17	274	87	625
1974	2,467	117	.17	418	91	1,213
1978	3,457	109	.18	620	91	2,031
1980 [1]				821	85	
Georgia:						
1970	1,264	90	.20	256	81	348
1974	1,905	90	.19	364	79	560
1978	2,983	95	.21	638	94	1,083
1980 [1]				843	88	
Kentucky:						
1970	1,193	85	.23	269	85	259
1974	1,680	80	.21	365	75	367
1978	2,580	81	.20	526	77	608
1980 [1]				729	76	
New Mexico:						
1970	$1,334	95	.23	$322	98	$89
1974	1,911	91	.19	365	79	126
1978	3,276	103	.16	538	79	214
1980 [1]				744	77	
North Dakota:						
1970	1,536	109	.28	429	136	76
1974	2,117	101	.26	544	119	106
1978	2,915	92	.27	798	118	166
1980 [1]				1,126	117	
Oregon:						
1970	1,145	82	.24	272	86	188
1974	1,465	70	.23	332	72	266
1978	2,343	74	.20	480	71	435
1980 [1]				620	64	
South Dakota:						
1970	1,439	103	.31	441	140	88
1974	2,065	98	.27	563	123	123
1978	2,872	90	.28	814	120	191
1980 [1]				1,164	121	
Utah:						
1970	1,165	83	.25	292	93	86
1974	1,488	71	.27	399	87	134
1978	2,617	82	.23	608	90	234
1980 [1]				828	86	
Washington:						
1970	1,033	74	.23	242	77	268
1974	1,215	58	.24	296	65	359
1978	1,617	51	.23	365	54	506
1980 [1]				501	52	
Wyoming:						
1970	1,152	82	.33	386	123	40
1974	1,658	79	.26	429	94	51
1978	2,442	77	.26	647	95	90
1980 [1]				964	100	
Average:						
1970				263	84	
1978				505	74	
1980 [1]				676	70	

[1] 1980 figures derived by multiplying 1978 consumption figures by estimated 1980 prices.

Mr. DANFORTH. Mr. President, several things should be said about this amendment.

The first is that, of course, there is a cost to it. The cost in 1982 is estimated at $588 million; in 1983, $628 million; and in 1984, $594 million.

We have already voted in this Chamber to stay within the revenue losses projected by the President in his tax program.

We are already $431 million behind the program in 1983 without this amendment. So this amendment would put us more than $1 billion off the target.

Mr. President, I say that if we want to adopt this amendment, then the question is how are we going to pick up that revenue, where is this money going to come from to meet the target that we already said we were going to meet?

We have heard a lot of oratory in this Chamber about the effect of a tax bill and tax cuts on inflation. The argument has been made, particularly in connection with the Exon amendment, that we have to be responsible in tax legislation. We must consider responsibility in adopting all kinds of amendments, including the present one which would put us off the target.

Mr. President, if this were to provide a substantial assistance to low-income people in providing for their heating cost that would be a very compelling argument. But the fact is that half of the CPI increase as applied to heating cost would amount to a very small sum of dollars for an individual taxpayer or an individual who was paying his heating cost.

Assuming that heating costs were $1,000, the CPI went up, say, 10 percent, half of the CPI would be 5 percent or $50. So this would be tantamount to a $50 rebate, an old idea which we have previously entertained in Congress.

Fifty dollars does not go very far in paying for energy bills which are, say, $1,000.

Mr. President, this amendment would apply only to reimbursement for heating costs.

In some parts of the country, including my part of the country, the State of Missouri in the Midwest, last summer there was a terrible heat wave. I see the Senator from Texas in the Chamber. It was certainly true in Texas last year. What was at least as threatening as cold weather in our part of the country was extreme hot weather and the fact that people were literally dying by the scores because they did not have access to air conditioning.

This amendment if it were adopted would provide a $500 million, $600 million or more revenue loss and do nothing for those who are threatened by extreme heat and in fact dying of extreme heat in the summer time.

Finally, if this amendment were adopted, some thought should be given as to how it would be administered because the percentage, that is one-half of the CPI, would be applied to home heating expenses. How is one to determine the cost of home heating? Perhaps if a home is heated only by oil and that is the only use of oil in the home, it would be possible to compute that portion of the oil bill which comprised the cost of heating the home. But in a home which is heated by gas or a home which is heated by electricity, how is it to be computed? What portion of the total fuel bill, the total electric bill, or the total gas bill is comprised of heating costs?

So this amendment would constitute a significant administrative problem. It would provide approximately $50 to people who have heating costs, even in very cold States, approximately $50. It would not cover the problem of the energy bills of people who are threatened by extreme heat and dying of extreme heat, and it would mean that we would somehow have to come up with money in this tax bill in order to meet the revenue targets which we have already set for ourselves.

Mr. BENTSEN. Mr. President, will the manager of the bill yield 3 minutes?

Mr. DANFORTH. I am happy to yield to the Senator from Texas.

Mr. BENTSEN. Mr. President, I rise in opposition to the amendment proposed by the Senior Senator from the State of Massachusetts. He has made some excellent points about the rising costs of heating a home, and his argument is most forceful. I have the utmost respect for the Senator's motivation to assist the least fortunate in our society, and I realize that this is an issue in which he believes very strongly.

His leadership on this issue has been exemplary, and each of us in this body, indeed the Nation, owes him a debt of gratitude for bringing the issue of low-income energy assistance to the forefront. Nonetheless, I have a philosophical disagreement with the Senator as to whether this is an appropriate measure with which to respond to this important problem.

First, I do not think this is the bill that it should be attached to.

Second, we have the problem of what do we do about heat in the South.

I can recall when this issue first came before us it is awfully easy to dramatize the snow on the roof, the icicles hanging over the eaves, and the snowbanks with people trying to go through them, and yet it is not so easy to dramatize for TV a temperature reading on a thermometer.

I stood up here and argued before this body that we should give equal consideration to the poor in the South in areas where heat became so intense that we would have loss of life amongst the

elderly, the aged, and the ill, that we were not talking about big air-conditioning systems and central air-conditioning. We were talking about a window unit and whether the people could afford to have it plugged in or not. We were talking about them having a fan and could they afford to have it plugged in or not.

I, in effect, was almost ridiculed at that point as I debated this particular issue, but then the summer came and we had a heat wave throughout Texas, and we had over 30 days of over 100 degrees in Dallas and Fort Worth, and then through the South we have over 1,200 people die. We had more heat-related deaths than we had cold-related deaths.

We received some consideration of that in some minor changes in the allocation of assistance to the poor on energy, but not enough, and it was not evenly handed out.

To at this time come to this bill and try to attach it here I think would be a serious mistake and one where we are giving consideration to cold and not to heat.

Over the past several years, the Senator from Massachusetts and I have debated the issue of assistance to low-income Americans to help them meet the rising costs of home energy several times. Out of these debates have grown programs to assist in the weatherization of the homes of low-income families, and to provide cash payments to help pay utility bills.

We may have disagreed on how these funds should be distributed, but I think we have both taken long strides to insure that this problem is recognized and dealt with effectively. But I question whether this Economic Recovery Tax Act is the appropriate place to renew that debate.

Mr. President, the present allocation formula for low-income energy assistance utilizes a component called the heating degree day. States earn heating degree days for each day that the temperature drops below 72 degrees Fahrenheit. It earns more heating degree days as a factor of how low the temperature goes, and how long it stays there. This factor is intended to indicate a low-income family's need for heating, and therefore, its cost. But the indicator does not work.

The heating degree day is a poor reflector of need because it neglects the entire energy picture. Heating costs form only part of the total energy budget of a poverty household. The amount of money that a poor family pays for utilities includes costs for cooking, for hot water, for lighting and the rest.

The costs of these utilities are going up no matter if you live in California or Maine. Now some will try to argue that these energy uses make up only a marginal part of the poor's energy bills, but they ought to try to tell that to my constituents in the poorest part of the country, the lower Rio Grande Valley.

I can tell you that these people are hurt by high energies just as much as the indigent in the coldest part of Alaska. And to say that they deserve exponentially less assistance because of where they live is simply wrong.

The present allocation formulas unduly benefit the colder parts of the country, and they are in need of revision. I would be happy to join with any of my colleagues from any part of the Nation to try to work out just such a reform.

The U.S. Tax Code is an inappropriate vehicle for reducing the energy costs in low-income family budgets. Under this amendment, all taxpayers with an income of $25,000 or less—and that is a majority of all Americans—will receive some benefit regardless of their need. In a time when we are reducing the waste and inefficiency in Federal spending, we can ill afford such a shotgun approach. There are much more adequate and targeted methods by which we can directly assist the truly needy with their utility bills.

If those programs are ineffective, let us reform them. If they are not doing enough, let us work together to make them effective. But I would suggest that we can do that job outside of the tax code with much better results.

Therefore, Mr. President, I respectfully urge that the amendment be defeated.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. Mr. President, will the Senator from Virginia be good enough to yield, say, 5 minutes on the bill?

Mr. HARRY F. BYRD, JR. Mr. President, I yield 5 minutes on the bill.

The PRESIDING OFFICER. There is 1 minute and 24 seconds remaining for the Senator from Massachusetts.

Mr. HARRY F. BYRD, JR. Mr. President, I yield 5 minutes to the Senator from Massachusetts on the bill.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized.

Mr. KENNEDY. Mr. President, I do not intend to delay the Senate, but I do think it is worthwhile to mention a couple of points. The other evening, when we accepted a change in the windfall profit tax which gave the oil companies an additional $250 million on top of the $20 billion which is already in this bill, and there was no Member of the Finance Committee who was talking about that $250 million.

No one was saying at that time, "we just cannot find it, it is just not right, that we do not know where we will get that $250 million." There were members of that committee who were actually recommending that we spend $1.9 billion a year. No member of the Finance Committee, was standing up saying, "where are we going to find $1.9 billion for the oil companies."

The Senate was prepared to accept $1.9 billion for the oil companies.

What we are asking is a half-billion for the consumers of this country, one-quarter of what was being proposed, for people—not the oil companies but for people—who live in some of the colder climates of this country.

Let me tell my good friend from Texas, who has been concerned about the problems of those who are afflicted by heat, that I have an amendment right here which would also include the cooling systems of this country and would be an additional cost of a half-a-billion. I would welcome the opportunity to perfect the amendment that is before the Senate to also add the cooling systems if we could gain the help and support of those who are most affected by it.

We are prepared to support that kind of effort. We are not trying to work one group off against another. We do think there are some special needs, and if Senators from those areas of the country would support this combined effort I am sure the Senator from New Hampshire, my cosponsor in this proposal, and I would welcome the opportunity to work with those Senators out of a sense of equity and fairness.

We also subscribe to the action of the Senate that we are going to come back with no further outlays in terms of the total dollar figure, and we are prepared to see it go to conference, and if the conferees work their will, we understand we have to make the case before the House conferees.

Beyond that, Mr. President, questions have been raised concerning the administration of this particular proposal. Both NOAA as well as the Energy Department have data State by State on heating days.

So judgments can be made. It is administratively compatible.

Even on the 1040 form there are already two credits that are listed on the 1040, the short form, and we have recommendations about how that 1040 form could include the energy credit with the other two. It would not provide an undue burden either to the IRS or, we think, to the people.

We feel this is a reasonable amendment and it is one which is very much needed.

The final point I would like to make is that for all of these families in this country now their taxes have gone up $319, Mr. Stockman and others said they were not going to fight the battle on the deficit by increasing taxes. Mr. Stockman has said that, but oil decontrol has caused a $319 tax increase for the average family.

All we are asking is that we reduce that $319 by probably about $50 to $75. That is still an important amount of money for people in this country, and we hope this amendment will be accepted.

I yield back the time.

Mr. HARRY F. BYRD, JR. Mr. President, I yield myself 2 minutes on the bill. Mr. President, I think the Senator from Missouri (Mr. DANFORTH) and the Senator from Texas (Mr. BENTSEN) have given adequate reason to oppose this amendment. I shall vote against it.

There has been a sharp increase, of course, in the cost of home heating oil, but there also has been a sharp increase in the cost of food in recent years, a sharp increase in the cost of housing, a sharp increase in the cost of interest, so I do not know why we would pick out home heating oil to be addressed at this point.

I think the arguments are more strongly against the amendment than for the amendment, and I shall vote against it.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, I want to say that on Thursday and Friday I said, I think very candidly, to the Senator from Massachusetts and the Senator from New Hampshire, that I would be happy to go to the Treasury and see if there might be some way to work out a portion of this amendment. I hope I was in good faith in that effort.

The distinguished Senator from New Hampshire (Mr. RUDMAN) visited personally with the Treasury Secretary, Don Regan, on Friday afternoon, and I am not so certain why we could not reach an accommodation—well, it is probably a combination of things.

I think as far as the Treasury is concerned it is the tax policy involved as much as the money, and I commend the Senator from Massachusetts for his efforts last week on the oil amendment. I may not have agreed with him, but, as I said to him privately, he saved us a bundle there, and that is a fact.

I do not want the record to indicate that we were not prepared to agree in that area if, in fact, that amendment had survived—which the Senator from Kansas never felt would happen. We were not prepared to find some other source to pay for it.

But I want to make a point that may have been lost in the debate. I agree with the remarks just made by the Senator from Virginia. Everything is going up, so I assume we could build in a credit for food, and a credit for nearly everything. As I understand it, this amendment makes no distinction as to whether there is an increase in cost or not; from a certain level you just get the credit.

But under the President's proposal, which has not been supported by everyone in this body, in 1984, for example, the rate cuts to individuals amount to $104 billion. I suggest that that is a fairly large-sized tax reduction. In addition to that, we have the business cuts, and we have other cuts that help individuals, including the marriage penalty offset that will be very helpful to many whom we are also concerned about.

With respect to the amendment of the Senator from Massachusetts and the Senator from New Hampshire, I must say I am reluctant to oppose the amendment, but the Treasury opposes the amendment. The President of the United States has indicated to us that he sent us a pretty good bill, and I just hope we do not overload the circuit. We did add one or two amendments, including the day care amendment the Senator from Massachusetts had an interest in, as I think did the Senator from New Hampshire.

The vote on the charitable deduction amendment was almost unanimous, as I recall.

So I would just say to the distinguished Senators—and there are a number of Senators concerned about this proposal—that there will be another tax bill this year.

I hope and I pledge to both Senators that I will be willing to find some way, if we cannot do it through the tax credit, to provide the relief, maybe in a different way, that they suggest.

But I hope this amendment will be defeated, based on what has been said here, and I know that does not satisfy everyone in this Chamber. It is going to be my attitude from now on, unless there is some compelling reason—and I think it has been pretty much our policy up to this time—to oppose those amendments which add to the cost of the bill.

But beyond the cost, I must say to both Senators, it is a question as far as the Treasury is concerned of tax policy. They have reduced the amendment in revenue cost from about $1.7 billion or $1.6 billion in the first year to about $600 million the first year, $628 million the second year, and less than about $600 million in fiscal 1984, as I understand.

So I just believe that at this time we cannot accept the amendment, and I hope it will be rejected.

Mr. RUDMAN. Mr. President, will the Senator yield 1 minute?

Mr. DOLE. I would be happy to yield.

Mr. RUDMAN. I want to say to the Senator from Kansas, he was out of the Chamber during debate, I want to express again our appreciation for the Senator's good-faith effort to get us a chance to be heard before the Secretary of the Treasury.

I think it is regrettable that they have rejected this proposal. I hear what the Senator says about the difference between tax policy versus the amount of revenue. As far as tax policy is concerned, I think it is the wrong policy and I want to say it here on the record; that with the billions of dollars we are taking into the Federal Treasury from the windfall profit tax it is wrong that we do not use those funds to help the people in America to meet their energy requirements.

The second thing I want to say is simply this: It seems to me, when we rejected eliminating the tax on newly discovered oil under the windfall profit tax to the tune of several hundred million or about $1.5 billion, that we then, in fact, had funds left to do other things with. Now, I just want to say to the distinguished Senator from Kansas that I appreciate his help and his cooperation.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. DOLE. Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Massachusetts has 1 minute and 21 seconds remaining. The time for the Senator from Kansas has expired.

Mr. DOLE. Mr. President, I will yield myself 1 minute off the bill to thank the distinguished Senator from New Hampshire. We do have the low-income energy assistance program, which amounts to about $1.4 billion. This Senator certainly is willing to try to find a solution in the event this amendment fails, and I hope it will fail. I will do the best I can to defeat it, not because of any eagerness to do that but because I think, in the face of the opposition, that it would be doing a disservice to the Senators to stand up here and try to have it both ways. Had the Treasury supported the amendment, certainly this Senator would have been willing to go along.

I recognize the efforts made both to reduce the cost and the impact of the amendment, but I must hope that this amendment will be rejected.

I yield to the Senator from Rhode Island.

Mr. PELL. Will the Senator be good enough to yield for a question?

Mr. DOLE. Yes.

Mr. PELL. Is it quite possible that there will be a hearing and some examination of this problem later on in the year on the question of home heating oil and the cost of home heating oil, both in connection with Senator KENNEDY's amendment and also bill S. 329 that I have introduced to the same effect?

Mr. DOLE. Mr. President, I yield myself another minute. That is a promise, that is not just a possibility that that will be done. I must say to the Senator that I have spent some time up in New Hampshire, a lot of it a couple of years ago. No one knew I was there, but I was.

Mr. KENNEDY. I had the same feeling.

Mr. DOLE. I discussed the need for tax breaks and tax credits for wood-burning stoves. I thought that would catch on up there. It did, but I did not.

So I would remind Members that it is now in the so-called Conable-Hance bill, the tax credit for wood-burning stoves. I would say to those who come from that area that there has been a recognition of the special problems in that area. I would say flatly to the Senator from Rhode Island that I would be very pleased to try to accommodate anyone in this Chamber as far as hearings are concerned.

Mr. PELL. I thank the Senator.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I wish to also express my appreciation to the good-faith efforts of the chairman of the Finance Committee in attempting to negotiate this matter out with the administration and for his statement here that his committee will address this issue as we move through this session. I think it is an important reassurance to the people not only in our part of the country but in other parts of the country that will be affected. I am grateful to him for his statement and for his willingness and good faith efforts in the past.

I still hope, for the reasons that Senator RUDMAN, Senator PELL, Senator COHEN, and I outlined, that this amendment will be accepted.

THE HOME HEATING TAX CREDIT

Mr. CHAFEE. Mr. President, the home heating tax credit proposal by Senator KENNEDY and Senator RUDMAN is a good amendment and I am going to vote for it.

The amendment is drafted in such a way that it will provide modest tax relief to families hit hardest by the increase in energy costs during the last few years, particularly those costs resulting from the decontrol of domestically produced crude oil and the imposition of the windfall profit tax.

As I understand it, the Kennedy-Rudman proposal allows a maximum $300 tax credit to taxpayers earning up to $15,000 a year, phasing out by 10 percent for each $1,000 of income above $15,000. The credit will be calculated by multiplying the family's home heating costs for a given year by one-half of the increase in the Consumer Price Index.

Therefore, a Rhode Island family with fuel oil expenses of $1,200 during a year when the CPI increase measured 10 percent would be entitled to a $60 tax credit if its income was $15,000 or less, but a tax credit of only $30 if its income was $20,000.

Mr. President, in 1977, the Senate passed a similar amendment by an overwhelming margin. The people who needed relief from increased energy costs 4 years ago need and deserve it even more today. In just the last 2 years, the cost of home heating has risen 100 percent—from about $600 in 1978 to $1,200 in 1980 It is expected to go up another 50 percent, or $600, this year. For the poor and elderly living on fixed incomes and many middle-income families as well, this is simply the kind of inflation that cannot be absorbed without drastically reducing their standards of living.

The question I anticipate on the Senate floor, Mr. President, is, "How can we afford this amendment? How can we afford another $500 million a year in this tax bill?"

There are two ways I would approach this question. One is to ask in return, "What was the windfall profits tax for and how much are we going to raise from that tax?" As one Senator who worked on that legislation, it seems to me that the windfall profits tax was imposed to absorb some of the increase in oil revenues resulting from the decontrol of crude oil, and to reallocate some of those revenues to assure that alternative forms of energy are explored and that people who cannot afford the immediate sharp increase in energy costs are protected. This year, the windfall tax will raise about $15.4 billion, and over the next 5 years, about $100 billion. Where is all that money going? So far, I would say the people who are paying the oil bill are not getting the protection they were promised.

Second, let us not forget the billions of dollars this tax bill already contains in tax relief for oil royalty owners and producers of new oil. The way things stand now, we seem to be redefining the word "relief:" First, a $2,500 tax credit for oil royalty owners, worth over $2 billion in the next 3 years which is the time of duration of the home heating tax credit; and Second, a 50 percent reduction of the tax on new oil resulting in a revenue loss of $600 million in 1983 and 1984, and rapidly rising after that. This is a benefit to the oil companies themselves—not exactly hardship cases.

So, Mr. President, I strongly urge my colleagues to support this amendment and congratulate the Senators from Massachusetts and New Hampshire for bringing it to a vote this afternoon.

Mr. MITCHELL. Mr. President, the escalation in heating costs over the past couple of years is no secret to anyone. Millions of Americans—elderly people, young families and middle-income workers—have all found their heating costs rising dramatically since the 1979 doubling of oil prices. That cost increase has been most heavily borne by those using heating oil in furnaces directly, but it has not spared those whose home heating relies on electricity or gas, either, as both fuels have risen in cost along with heating oil.

Coupled with the 100-percent price increase just 24 months ago, the decision to lift crude oil controls gradually—and then to totally abandon them this January—accelerated the speed at which artificially high world oil prices have been translated into an added drain on family budgets. And the people who have felt this cost the most are those living in the Northern tier of the States, where winters are longer, and colder than in other areas of the country.

In Maine, for instance, home heating is not a luxury or even a modest comfort, it is a basic essential without which life itself is endangered.

So heating oil costs cannot be avoided, even though most Maine families are using their oil sparingly, are keeping their homes at temperatures which are far below comfortable, and are closing off portions of their homes when they can, and living in fewer rooms over the course of the winter, just to cut down on the costs of heating. The conservation by Maine families has helped the region reduce its use of heating oil, but there is a point below which further conservation is simply impracticable.

The costs of converting every home to alternative fuels are high; and even were that feasible, the costs of the most widely available alternative, wood, would soon escalate substantially if the entire region came to depend upon it. So it is evident that for the foreseeable future, people in Maine and other northerly States, will be depending on home heating oil for keeping their houses moderately warm in the winter.

At the same time, the massive price increases for this commodity have done more than cause sacrifices in family budgets; they have seriously distorted families' plans for their future, for educating their children, and for saving toward their own retirement. This amendment, which would provide a modest credit to somewhat offset the cost of home heating is an essential means of helping redress the imbalance that these high oil prices have caused for most Maine families.

It would not be such a substantial tax savings as to actually encourage use of heating oil in a profligate fashion—and at $1.22 per gallon, no one in Maine can afford to heat extravagantly. But it would be a modest offset to the rising costs, and it would provide a comparable form of relief to the middle-income wage earner to that which we have tried to extend to the very poor, through the low-income fuel assistance program.

No one begrudges the needy assistance to stay warm when it is essential. But the working families whose taxes help pay for that assistance ought not be ignored either. The increased cost to heat a home in Maine has risen from a range of $400 to $600 per season to around $800 to $1,200 per season today. The family earning $15,000 or $25,000 cannot afford such an outlay without making serious cutbacks in other essentials. This modest credit would not be a total offset for that expense, but it would at least provide some relief for this very sudden price increase. And, just as importantly, it would demonstate to the working families of the Northern States that their Government understands and is concerned with their plight.

The cost of this amendment, according to the Joint Tax Committee, is in the range of $500 million for 1982, rising to $600 million the following year, and tnen decreasing to $500 million again, as more people turn to alternative heating methods. This is not an insubstantial cost, but compared with the level of tax relief that the bill before us provides to many other segments of the economy, it is modest and well justified.

I strongly support this amendment. It would provide welcome relief to working, taxpaying Americans for a price increase for which they are not responsible. It is a reasonable and responsible way to extend that relief without distorting our energy policy or undermining the goal of conservation. It merits the support of every Senator.

● Mr. DODD. Mr. President, as a cosponsor of the amendment by the Senator from Massachusetts, to allow consumers a tax credit of up to $300 to help offset the inflationary effects of rapidly rising home-heating costs, I strongly urge my colleagues' support.

This amendment is vital to millions of middle- and low-income Americans to stem the erosion of living standards caused by skyrocketing energy costs. Home heating and other residential energy costs have escalated much more rapidly than the general rate of inflation. More importantly, they have greatly outstripped the rate of increases in wages and salaries.

Between January 1980, and January 1981, home-heating oil prices in my State of Connecticut increased by 24 percent. By March 3, 1981, another 15 percent had been tacked onto the prices Connecticut consumers were paying for home-heating oil. Similar increases have been witnessed in electricity rates, the other major component of home-heating costs in Connecticut.

New England consumers have made dramatic strides in energy conservation. We have reduced our energy consumption by 6.5 percent since 1978, while the Nation as a whole has reduced energy consumption by 2.3 percent. But our conservation efforts have not been able to keep pace with the rate of price increase.

Many of our poor and elderly citizens are now forced to spend as much as 50 percent of their income to keep their homes adequately heated during the winter. This leaves only meager funds for food, clothing, and other essentials. A tax credit of even a few dollars can alleviate much suffering for many of our hard pressed low-income people.

Middle-income energy consumers, likewise, have had to drastically alter their lifestyles as a result of this drain on their resources. In addition, funds that might well have gone into improving home insulation and other energy con-

servation measures have been consumed by heating bills before families could accumulate the capital to better weatherize their homes.

In effect, higher home heating bills are transferring to oil producing States and OPEC money that is vitally needed by energy consumers to carry out conservation measures.

This proposed tax credit is needed to redress the imbalance that has been created between energy producers and energy consumers by rapidly rising prices. It is needed to provide some measure of relief to low- and fixed-income families who have little flexibility to adjust to such drastic price increases. It is needed to make funds available among middle-income families for investment in much needed energy conservation measures.

I urge all Senators to support this amendment both for the sake of equity and as a modest means of providing temporary relief to the citizens of States who by virtue of geography are carrying a heavy burden under escalating home heating prices.●

Mr. KENNEDY. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Does the Senator yield back his time?

Mr. KENNEDY. I yield back whatever time is remaining.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Massachusetts (Mr. KENNEDY). The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CHILES. (After having voted in the negative). Mr. President, on this vote, I have a pair with the distinguished Senator from Nevada (Mr. CANNON). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. STEVENS. I announce that the Senator from Idaho (Mr. MCCLURE), is necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Mississippi (Mr. STENNIS), are necessarily absent.

The PRESIDING OFFICER (Mr. JEPSEN). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 47, nays 48, as follows:

[Rollcall Vote No. 224 Leg.]

YEAS—47

Andrews	Glenn	Moynihan
Baucus	Gorton	Murkowski
Biden	Hart	Pell
Bradley	Heinz	Proxmire
Bumpers	Huddleston	Pryor
Burdick	Humphrey	Randolph
Byrd, Robert C.	Inouye	Riegle
Chafee	Jackson	Rudman
Cohen	Kasten	Sarbanes
Cranston	Kennedy	Sasser
D'Amato	Leahy	Specter
Dixon	Levin	Stafford
Dodd	Mathias	Tsongas
Eagleton	Matsunaga	Weicker
Exon	Melcher	Williams
Ford	Mitchell	

NAYS—48

Abdnor	Goldwater	Nunn
Armstrong	Grassley	Packwood
Baker	Hatch	Percy
Bentsen	Hatfield	Pressler
Boren	Hawkins	Quayle
Boschwitz	Hayakawa	Roth
Byrd, Harry F., Jr.	Heflin	Schmitt
	Helms	Simpson
Cochran	Hollings	Stevens
Danforth	Jepsen	Symms
DeConcini	Johnston	Thurmond
Denton	Kassebaum	Tower
Dole	Laxalt	Wallop
Domenici	Long	Warner
Durenberger	Lugar	Zorinsky
East	Mattingly	
Garn	Nickles	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Chiles, against.

NOT VOTING—4

Cannon	Metzenbaum	Stennis
McClure		

So Mr. KENNEDY's amendment (No. 521), as amended, was rejected.

UP AMENDMENT NO. 303

(Purpose: Providing Inventory Reform for Small Business)

Mr. BAKER. Mr. President, what is the next amendment in sequence?

The PRESIDING OFFICER. The amendment of the Senator from Maine (Mr. MITCHELL).

Mr. MITCHELL. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Maine (Mr. MITCHELL) for himself, Mr. COHEN, Mr. BENTSEN, Mr. BAUCUS, Mr. D'AMATO, Mr. FORD, Mr. RIEGLE, Mr. CANNON, and Mr. BIDEN proposes an unprinted amendment numbered 303.

Mr. MITCHELL. I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title II, insert the following new subtitle:

Subtitle G—Inventory Reform

SEC. 261. 5-YEAR AVERAGING PERMITTED FOR INCREASES IN INVENTORY VALUE REQUIRED FOR ADOPTION OF LIFO METHOD.

Subsection (b) of section 472 (relating to last-in, first-out inventories) is amended by adding at the end thereof the following new sentence: "In the case of a taxpayer who changes its method of accounting by reason of an election under this subsection, under regulations prescribed by the Secretary, the net amount of adjustments required by section 481(a)(2) to be taken into account by the taxpayer in computing taxable income shall be so taken into account over 5 years.".

SEC. 262. SIMPLIFICATION OF INVENTORY POOLING REQUIREMENTS.

(a) CERTAIN SMALL BUSINESSES PERMITTED ONE INVENTORY POOL.

(1) IN GENERAL.—Subpart D of part II of subchapter E of chapter 1 (relating to inventories) is amended by adding at the end thereof the following new section:

"SEC. 474. ELECTION BY CERTAIN SMALL BUSINESSES TO USE ONE INVENTORY POOL.

"(a) IN GENERAL.—A taxpayer who is an eligible small business and who uses the dollar value method of pricing inventories under the method provided by section 472 (b) may elect for the taxable year to use one inventory pool for any trade or business of the taxpayer.

"(b) ELIGIBLE SMALL BUSINESS DEFINED.—For purposes of this section, a taxpayer is an eligible small business for any taxable year if the average annual gross receipts of the taxpayer do not exceed $5,000,000 for the 3 taxable years ending with the taxable year.

"(c) SPECIAL RULES.—For purposes of this section—

"(1) CONTROLLED GROUPS.—

"(A) IN GENERAL.—In the case of a taxpayer which is a member of a controlled group, all persons which are component members of such group at any time during the calendar year shall be treated as one taxpayer for such year for purposes of determining the gross receipts of the taxpayer.

"(B) CONTROLLED GROUP DEFINED.—For purposes of subparagraph (A), persons shall be treated as being members of a controlled group if such persons would be treated as a single employer under the regulations prescribed under section 52(b).

"(2) ELECTION.—

"(A) IN GENERAL.—The election under this section may be made without the consent of the Secretary and shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(B) PERIOD TO WHICH ELECTION APPLIES.—The election under this section shall apply—

"(i) to the taxable year for which it is made, and

"(ii) to all subsequent taxable years for which the taxpayer is an eligible small business, unless the taxpayer secures the consent of the Secretary to the revocation of such election.

"(3) TRANSITIONAL RULES.—In the case of a taxpayer who changes the number of inventory pools maintained by him in a taxable year by reason of an election (or cessation thereof) under this section—

"(A) the inventory pools combined or separated shall be combined or separated in the manner provided by regulations under section 472;

"(B) the dollar value of the taxpayer's inventory as of the beginning of the first taxable year—

"(i) for which an election under this section is in effect, or

"(ii) after such election ceases to apply, shall be the same as such dollar value as of the close of the taxable year preceding the taxable year described in clause (i) or (ii) as the case may be), and

"(C) the first taxable year for which an election under this section is in effect or after such election ceases to apply (as the case may be) shall be treated as a new base year in accordance with procedures provided by regulations under section 472.".

(2) CLERICAL AMENDMENT.—The table of sections for such subpart D is amended by adding at the end thereof the following new item:

"Sec. 474. Election by certain small businesses to use one inventory pool.".

(b) SIMPLIFICATION OF INVENTORY POOLING REQUIREMENTS FOR WHOLESALERS AND RETAILERS.—Section 472 (relating to last-in, first-out inventories) is amended by adding at the end thereof the following new subsection:

"(f) USE OF GOVERNMENT PRICE INDEX CATEGORIES IN DETERMINING INVENTORY.—

"(1) IN GENERAL.—Any taxpayer—

"(A) who is a wholesaler or retailer in any trade or business, and

"(B) who uses the dollar value method of pricing inventories under the method provided by section 472 (b),

may elect to use inventory pools in such trade or business based on the applicable Government price index categories for all

items of inventory of the taxpayer in such trade or business.

"(2) DEFINITIONS.—For purposes of this subsection—

"(A) WHOLESALER AND RETAILER.—The terms 'wholesaler' and 'retailer' mean any taxpayer who purchases goods for resale in the ordinary course of his trade or business without any further manufacturing or processing of such goods.

"(B) APPLICABLE GOVERNMENT PRICE INDEX CATEGORY.—The term 'applicable Government price index category' means any category—

"(i) which is one of the general expenditure categories of consumer goods described in the CPI Detailed Report,

"(ii) which includes the items of inventory being pooled, and

"(iii) which is selected by the taxpayer.

"(C) CPI DETAILED REPORT.—The term 'CPI Detailed Report' means the report so named published by the Bureau of Labor Statistics.

"(3) ELECTION.—

"(A) IN GENERAL.—The election under this subsection, and the selection of applicable Government price index categories—

"(i) shall apply to the taxable year for which made and to all subsequent taxable years,

"(ii) once made, may be revoked only with the consent of the Secretary, and

"(iii) shall be made at such time and in such manner as the Secretary shall by regulations prescribe.

"(B) TRANSITIONAL RULES.—The rules of section 474(c)(3) shall apply to an election under this subsection and to the cessation of such election.".

SEC. 263. USE OF GOVERNMENT PRICE INDICES PERMITTED IN CONNECTION WITH PRICING INVENTORIES UNDER LIFO METHOD.

Section 472 (relating to last-in, first-out inventories), as amended by section 262, is amended by adding at the end thereof the following new subsection:

"(g) USE OF GOVERNMENT PRICE INDICES IN PRICING INVENTORY.—

"(1) IN GENERAL.—A taxpayer who uses the dollar-value method of pricing inventories under the method described in subsection (b) may elect to use the applicable Government price index category for pricing inventories under such dollar-value method.

"(2) APPLICABLE GOVERNMENT PRICE INDEX CATEGORY.—For purposes of paragraph (1), the term 'applicable Government price index category' means—

"(A)(i) any of the general expenditure categories in the CPI Detailed Report (within the meaning of subsection (d)(2)(C)),

"(ii) any of the 2-digit standard industrial classifications in the Producer Prices Data Report, or

"(iii) any subcategory of a category described in clause (i) or any subclassification of a classification described in clause (ii),

"(B) which includes the items of inventory being priced, and

"(C) which is selected by the taxpayer.

"(3) PRODUCERS PRICES DATA REPORT.—For purposes of paragraph (2), the term 'Producers Prices Data Report' means the Producers Prices and Price Indexes Data Report published by the Bureau of Labor Statistics.

"(4) ELECTION.—The election under this subsection, and the selection of applicable Government price index categories—

"(A) shall apply to the taxable year for which made and to all subsequent taxable years,

"(B) once made, may be revoked, only with the consent of the Secretary, and

"(C) shall be made at such time and in such manner as the Secretary shall by regulations prescribe.".

SEC. 264. METHOD OF COMPUTING LIFO VALUE OF DOLLAR-VALUE POOL MAY BE USED WITHOUT SHOWING OTHER METHODS ARE UNSUITABLE OR IMPRACTICAL.

Section 472 (relating to last-in, first-out inventories), as amended by sections 262 and 263, is amended by adding at the end thereof the following new subsection:

"(g) USE OF LINE-CHAIN METHOD, ETC. PERMITTED WITHOUT SHOWING OTHER METHODS ARE UNSUITABLE OR IMPRACTICAL.—Any taxpayer may elect to use a link chain or index method of computing the LIFO value of any dollar-value pool without any showing that any other such method is unsuitable or impractical.".

SEC. 265. CERTAIN SMALL BUSINESSES PERMITTED USE OF CASH RECEIPTS AND DISBURSEMENTS METHOD OF ACCOUNTING WITHOUT REGARD TO INVENTORIES.

(a) IN GENERAL.—Section 471 (relating to general rule for inventories) is amended by adding at the end thereof the following:

"(b) ELECTION BY CERTAIN SMALL BUSINESSES TO USE CASH RECEIPTS AND DISBURSEMENTS METHOD OF ACCOUNTING.—

"(1) CASH RECEIPTS METHOD.—A taxpayer may elect for the taxable year the cash receipts and disbursements method of accounting for a trade or business of the taxpayer without regard to any requirement to use inventories if—

"(A) the average annual gross receipts of the taxpayer do not exceed $500,000 for the 3 taxable years ending with the taxable year, and

"(B) such taxpayer is a qualified small business for each of such 3 taxable years.

"(2) QUALIFIED SMALL BUSINESS DEFINED.—For purposes of this subsection, the term 'qualified small business' means a person engaged in a trade or business as a wholesaler or retailer (within the meaning of section 472(f)(2)(A)), if, at all times during the taxable year, active participants in such trade or business own—

"(A) in the case of trade or business other than a corporation, at least 50 percent of the capital and profits interests in such trade or business, and

"(B) in the case of a corporation—

"(i) stock possessing at least 50 percent of the total combined voting power of all classes of stock of the corporation entitled to vote, and

"(ii) at least 50 percent of the total value of shares of all other classes of stock of the corporation.

"(3) ACTIVE PARTICIPANT.—For purposes of this subsection, the term 'active participant' means an individual—

"(A) who is actively involved in the management of the trade or business, and

"(B) whose principal business activity is such trade or business.

"(4) SPECIAL RULES.—For purposes of this subsection—

"(A) CONTROLLED GROUPS.—

"(i) IN GENERAL.—In the case of a taxpayer which is a member of a controlled group, all persons which are component members of such group at any time during the calendar year shall be treated as 1 taxpayer for such year for purposes of determining the gross receipts of the taxpayer.

"(ii) CONTROLLED GROUP DEFINED.—Persons shall be treated as being members of a controlled group if such persons would be treated as a single employer under the regulations prescribed under section 52(b).

"(B) COORDINATED WITH SECTION 481.—In the case of a taxpayer who changes its method of accounting by reason of an election under this subsection, under regulations prescribed by the Secretary, the net amount of adjustments required by section 481(a)(2) to be taken into account by the taxpayer in computing taxable income shall be so taken into account in each of the 10 taxable years beginning with the year of change.

"(C) ELECTION.—

"(i) IN GENERAL.—The election under this subsection may be made without the consent of the Secretary and shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(ii) PERIOD TO WHICH ELECTION APPLIES.—The election under this subsection shall apply—

"(I) to the taxable year for which it is made, and

"(II) for all subsequent taxable years for which the taxpayer is a qualified small business and meets the requirements of subparagraphs (A) and (B) of paragraph (1), unless the taxpayer secures the consent of the Secretary to the revocation of such election.".

(b) TECHNICAL AMENDMENT.—Section 471 of such Code is amended by striking out "Whenever in the opinion" and inserting in lieu thereof the following:

"(a) GENERAL RULE.—Except as provided in subsection (b), whenever in the opinion".

SEC. 266. DELAY IN EFFECTIVE DATE OF SECTION 336.

Paragraph (3) of section 403(b) of the Crude Oil Windfall Profit Tax Act of 1980 is amended by striking out "1981" and inserting in lieu thereof "1982".

SEC. 267. EFFECTIVE DATE.

The amendment made by this subtitle shall apply to taxable years beginning after December 31, 1981.

On page 44, beginning with line 8, strike out all through page 77, line 7, and insert in lieu thereof the following:

SEC. 201. SIMPLIFIED COST RECOVERY.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 (relating to itemized deductions for individuals and corporations) is amended by inserting after section 167 the following new section:

"SEC. 158. SIMPLIFIED COST RECOVERY.

"(a) ALLOWANCE OF DEDUCTION.—In the case of recovery property, there shall be allowed, in lieu of any deduction allowed by any other section of this part, the recovery deduction provided by this section.

"(b) AMOUNT OF DEDUCTION.—The amount of the deduction allowable by subsection (a) for any taxable year shall be the aggregate determined by applying—

"(1) the recovery percentage for each class of property, to

"(2) the balance in the recovery account for such class at the end of such year.

"(c) CLASS AND RECOVERY PERIOD.—

"(1) TABLE.—All recovery property—

"(A) shall be placed in 1 of the classes set forth in the following table, and

"(B) shall have the recovery period set forth for such class in the following table:

"Class	*Recovery period (in years)*
1	3
2	5
3	10
4	15

"(2) ELECTION TO PLACE PROPERTY IN CLASS HAVING NEXT LONGER RECOVERY PERIOD.—The taxpayer may elect to place any item of property in the class having the next longer recovery period than the class in which such item would (but for this paragraph) fall.

"(d) RECOVERY PERCENTAGE.—For purposes of this section—

"(1) IN GENERAL.—The term 'recovery percentage' means, with respect to any class of recovery property for any taxable year—

"(A) the percentage which the taxpayer

elects under paragraph (2) for such class for such taxable year, divided by

"(B) the number of years in the recovery period.

"(2) ELECTION OF PERCENTAGE.—In computing the recovery percentage for any class of recovery property for any taxable year, the taxpayer shall elect to use—

"(A) 100 percent, or

"(B) in the case of property placed in service—

"(i) after December 31, 1980, and before January 1, 1984, 140 percent,

"(ii) during 1984, 150 percent, or

"(iii) after December 31, 1984, 200 percent.

"(e) RECOVERY PROPERTY DEFINED.—

"(1) IN GENERAL.—Except as provided in subsection (g), for purposes of this title, the term 'recovery property' means tangible property of a character subject to the allowance for depreciation (other than a building and its structural components)—

"(A) used in a trade or business, or

"(B) held for the production of income,

which is placed in service by the taxpayer after December 31, 1980.

"(2) CLASSES OF RECOVERY PROPERTY.—Each item of recovery property shall be assigned to one of the following classes of property:

"(A) CLASS 1 PROPERTY.—The term 'class 1 property' means section 1245 class property—

"(i) with a present class life of 4 years or less; or

"(ii) used in connection with research and experimentation.

"(B) CLASS 2 PROPERTY.—The term 'class 2 property' means recovery property which is section 1245 class property and which is not class 1 property, class 3 property, or class 4 property.

"(C) CLASS 3 PROPERTY.—The term 'class 3 property' means—

"(i) public utility property (other than section 1250 class property or class 1 property) with a present class life of more than 18 years but not more than 25 years;

"(ii) section 1250 class property with a present class life of 12.5 years or less; and

"(iii) railroad tank cars.

"(D) CLASS 4 PROPERTY.—The term 'class 4 property' means public utility property (other than section 1250 class property or class 1 property) with a present class life of more than 25 years.

"(f) RECOVERY ACCOUNT.—

"(1) IN GENERAL.—The taxpayer shall establish a recovery account for each class of recovery property.

"(2) ADDITIONS TO ACCOUNT.—The recovery account for any class of recovery property shall be increased by an amount equal to the sum of—

"(A) one-half of the basis of each recovery property in such class which is placed in service by the taxpayer during the taxable year, plus

"(B) one-half of the basis of each recovery property in such class which was placed in service by the taxpayer during the preceding taxable year.

"(3) REDUCTIONS IN ACCOUNT.—

"(A) PROPERTY DISPOSED OF DURING YEAR.—The recovery account for any class of recovery property shall be reduced by an amount equal to the amount realized on each recovery property of such class disposed of by the taxpayer during the taxable year.

"(B) AMOUNT ALLOWED UNDER THIS SECTION.—The recovery account for any class of recovery property shall be reduced by an amount equal to the amount of the deduction allowed under subsection (a) with respect to such class (but not less than the amount allowable).

"(4) TIME FOR MAKING ADJUSTMENTS.—

"(A) IN GENERAL.—Any adjustment under paragraph (2) or (3)(A) shall be made as of the close of the taxable year but before the determination of the amount allowable as a deduction under subsection (a) for such taxable year.

"(B) REDUCTION FOR DEDUCTION.—Any reduction under paragraph (3)(B) shall be made as of the beginning of the taxable year following the taxable year for which the amount was allowed (or allowable) as a deduction under subsection (a).

"(5) COORDINATION WITH OTHER PROVISIONS.—

"(A) DISPOSITIONS NOT TREATED AS DISPOSITIONS FOR CERTAIN PURPOSES.—For purposes of this title (other than this section and section 47), the disposition of any property in a recovery account shall be treated as if it were not a disposition.

"(B) NEGATIVE BALANCE.—If, as of the close of any taxable year, there is a negative balance in any recovery account then, notwithstanding any other provision of this subtitle—

"(i) an amount equal to the amount by which—

"(I) such negative balance (expressed as a positive number), exceeds

"(II) one-half of the basis of all recovery property in the class of recovery property for which such account is established which was placed in service by the taxpayer during the taxable year

shall be included in gross income for such taxable year as ordinary income, and

"(ii) the balance in the account shall be adjusted by adding to the account an amount equal to the amount included in gross income under clause (i).

"(6) SEPARATE ACCOUNTS TO REFLECT PARTNERSHIP ALLOCATIONS AND ADJUSTMENTS.—Under regulations prescribed by the Secretary, separate recovery accounts shall be established to the extent necessary to reflect—

"(A) allocations under subsections (b) and (c) of section 704, and

"(B) adjustments to basis under section 734 or 743.

"(7) SEPARATE ACCOUNTS.—The taxpayer shall establish separate accounts for property with respect to which different percentages apply under subsection (d)(2)(B).

"(c) PROPERTY EXCLUDED FROM APPLICATION OF SECTION.—For purposes of this section.—

"(1) PROPERTY PLACED IN SERVICE BEFORE JANUARY 1, 1981.—The term 'recovery property' does not include property placed in service by the taxpayer before January 1, 1981.

"(2) CERTAIN METHODS OF DEPRECIATION.—The term 'recovery property' does not include property if—

"(A) the taxpayer elects to exclude such property from the application of this section, and

"(B) for the first taxable year for which a deduction would (but for this election) be allowable under this section with respect to such property in the hands of the taxpayer, the property is properly depreciated under the unit-of-production method or any method of depreciation not expressed in a term of years (other than the retirement-replacement-betterment method).

"(3) SPECIAL RULE FOR CERTAIN PUBLIC UTILITY PROPERTY.—

"(A) IN GENERAL.—The term 'recovery property' does not include public utility property (within the meaning of section 167(l)(3)(A)) if the taxpayer does not use a normalization method of accounting.

"(B) USE OF NORMALIZATION METHOD DEFINED.—For purposes of subparagraph (A), in order to use a normalization method of accounting with respect to any public utility property—

"(i) the taxpayer must, in computing its tax expense for purposes of establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, use a method of depreciation with respect to such property that is the same as, and a depreciation period for such property that is no shorter than, the method and period used to compute its depreciation expense for such purposes; and

"(ii) if the amount allowable as a deduction under this section with respect to such property differs from the amount that would be allowable as a deduction under section 167 (determined without regard to section 167(l)) using the method (including the period, first and last year convention, and salvage value) used to compute regulated tax expense under subparagraph (B)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

"(C) PUBLIC UTILITY PROPERTY WHICH IS NOT RECOVERY PROPERTY.—In the case of public utility property which, by reason of this paragraph, is not treated as recovery property), the allowance for depreciation under section 167(a) shall be an amount computed using the method and period referred to in subparagraph (B)(i).

"(4) CERTAIN TRANSACTIONS IN PROPERTY PLACED IN SERVICE BEFORE 1986.—

"(A) SECTION 1245 CLASS PROPERTY.—The term 'recovery property' does not include section 1245 class property acquired by the taxpayer after December 31, 1980, if—

"(i) the property was owned or used at any time during 1980 by the taxpayer or a related person,

"(ii) the property is acquired from a person who owned such property at any time during 1980, and, as part of the transaction, the user of such property does not change,

"(iii) the taxpayer leases such property to a person (or a person related to such person who owned or used such property at any time during 1980, or

"(iv) the property is acquired in a transaction as part of which the user of such property does not change and the property is not recovery property in the hands of the person from which the property is so acquired by reason of clause (ii) or (iii).

For purposes of this subparagraph, whether the user of property changes as part of a transaction shall be determined in accordance with regulations prescribed by the Secretary.

"(B) SECTION 1250 CLASS PROPERTY.—The term 'recovery property' does not include section 1250 class property acquired by the taxpayer after December 31, 1980, if—

"(i) such property was owned by the taxpayer or by a related person at any time during 1980;

"(ii) the taxpayer leases such property to a person (or a person related to such person) who owned such property at any time during 1980; or

"(iii) such property is acquired in an exchange described in section 1031, 1033, 1038, or 1039 to the extent that the basis of such property includes an amount representing the adjusted basis of other property owned by the taxpayer or a related person during 1980.

"(C) CERTAIN NONRECOGNITION TRANSACTIONS.—The term 'recovery property' does not include property placed in service by the transferor or distributor before January 1, 1981, which is acquired by the taxpayer after December 31, 1980, in a transaction described in section 332, 351, 361, 371(a), 374(a), 721, or 731 (or such property acquired from the transferee or acquiring corporation in a transaction described in such section), to the extent that the basis of the property is determined by reference to the basis of the property in the hands of the transferor or distributor. In the case of property to which this subparagraph applies, rules similar to the rules described in section 381(c)(6) shall apply.

"(D) RELATED PERSON DEFINED.—Except as provided in subparagraph (B), for purposes

of this paragraph a person (hereinafter referred to as the related person) is related to any person if—

"(i) the related person bears a relationship to such person specified in section 267(b) or section 707(b)(1), or

"(ii) the related person and such person are engaged in trades or businesses under common control (within the meaning of subsections (a) and (b) of section 52).

For purposes of clause (i), in applying section 267(b) and section 707(b)(1) '10 percent' shall be substituted for '50 percent'. The determination of whether a person is related to another person shall be made as of the time the taxpayer acquires the property involved.

"(E) LIQUIDATION OF SUBSIDIARY.—For purposes of this paragraph, a person is not a related person to the taxpayer if such person is a distributing corporation in a transaction to which section 334(b)(2)(B) applies and the stock of such corporation referred to in such subparagraph (B) was acquired by the taxpayer by purchase after December 31, 1980.

"(F) ANTIAVOIDANCE RULE.—The term 'recovery property' does not include property acquired by the taxpayer after December 31, 1980, which, under regulations prescribed by the Secretary, is acquired in a transaction one of the principal purposes of which is to avoid the principles of paragraph (1) and this paragraph.

"(G) SPECIAL RULES FOR PROPERTY PLACED IN SERVICE BEFORE CERTAIN PERCENTAGES TAKE EFFECT.—Under regulations prescribed by the Secretary—

"(i) rules similar to the rules of this paragraph shall be applied in determining which percentages contained in subparagraph (B) of subsection (d)(2) apply with respect to recovery property, and

"(ii) if the percentages contained in subparagraph (B) of subsection (d)(2) do not apply to such property by reason of clause (i), the deduction allowable under subsection (a) shall be computed under the recovery method and period of the person from whom the taxpayer acquired such property.

"(h) SPECIAL RULES.—

"(1) NO ADJUSTMENT WHERE PROPERTY DISPOSED OF BEFORE CLOSE OF TAXABLE YEAR IN WHICH PLACED IN SERVICE.—No adjustment shall be made under paragraphs (2) and (3)(A) of subsection (f) in respect of any property which is disposed of by the taxpayer before the close of the taxable year in which placed in service by the taxpayer.

(2) TRANSFERS AT DEATH.—No reduction shall be made under paragraph (3)(A) of subsection (f) by reason of any transfer at death.

"(3) PROPERTY CEASING TO BE RECOVERY PROPERTY.—If any property taken into account under subsection (f) ceases to be recovery property during any taxable year—

"(A) such property shall be treated as disposed of by the taxpayer during such taxable year, and

"(B) the basis of such property in the hands of the taxpayer after such cessation shall be treated as equal to its fair market value.

"(4) DISPOSITIONS OTHER THAN SALE OR EXCHANGE.—If any recovery property is disposed of in a disposition which is not a sale, exchange, or involuntary conversion and which is not described in paragraph (6) or (7), the reduction under paragraph (3)(A) of subsection (f) for such disposition shall be the fair market value of the property disposed of. In the case of property disposed of by abandonment, the fair market value thereof shall be treated as if it were zero.

"(5) TRANSFERS WHERE BASIS GOES OVER.—

"(A) IN GENERAL.—If any recovery property is transferred and the transferee's basis of such property is determined in whole or in part by reference to the adjusted basis of the transferor, then, under regulations prescribed by the Secretary—

"(i) the transferor's recovery account for the class of property in which the recovery property falls shall be reduced by the transferred amount, and

"(ii) for purposes of determining the transferee's basis in such property, the adjusted basis of such property in the hands of the transferor shall be treated as equal to the transferred amount.

"(B) TRANSFERRED AMOUNT.—For purposes of subparagraph (A), the transferred amount shall be the amount which bears the same relation to—

"(i) the total amount in the transferor's recovery account immediately before the transfer, as

"(ii) the fair market value of the transferred property bears to the fair market value of all property in such account immediately before the transfer.

"(C) AUTHORITY TO PRESCRIBE ALTERNATE METHODS OF ALLOCATION.—The Secretary may by regulations prescribe alternate methods for allocating the balance in any recovery account for purposes of determining the transferred amount of any property.

"(D) COORDINATION WITH SECTION 170(e).—In the case of any charitable contribution of recovery property, the excess of the fair market value of such property (determined at the time of such contribution) over the transferred amount shall be treated as gain described in section 170(e)(1)(A).

"(6) LIKE KIND EXCHANGES; INVOLUNTARY CONVERSIONS.—Under regulations prescribed by the Secretary, in the case of any exchange described in section 1031 or 1033—

"(A) if the properties fall in the same class, changes shall be made in the taxpayer's recovery account for such class only to the extent necessary to reflect the money or other property (within the meaning of section 1031) or property not similar or related in service or use (within the meaning of section 1033), paid, exchanged, or received, as the case may be, and

"(B) if the properties fall in different classes, proper adjustments in the recovery accounts for both classes shall be made to carry out the nonrecognition provided for in such sections.

"(7) MANNER AND TIME FOR MAKING ELECTIONS.—

"(A) IN GENERAL.—Any election under this section (other than under subsection (d)(2) shall be made for the taxable year in which the property is placed in service.

"(B) MADE ON RETURN.—Any election under this section shall be made on the taxpayer's return of the tax imposed by this chapter for the taxable year concerned.

"(C) REVOCATION ONLY WITH CONSENT.—Any election under this section, once made, may be revoked only with the consent of the Secretary.

"(8) SPECIAL RULES FOR LEASES.—

"(A) IN GENERAL.—In the case of an agreement with respect to qualified leased property, if all of the parties to the agreement characterize such agreement as a lease and elect to have the provisions of this paragraph apply with respect to such agreement, and if the requirements of subparagraph (B) are met, then, for purposes of this subtitle—

"(i) such agreement shall be treated as a lease, and

"(ii) the lessor shall be treated as the owner of such property and as in the trade or business of leasing with respect to such property.

"(B) CERTAIN REQUIREMENTS MUST BE MET.—The requirements of this subparagraph are met if—

"(i) the lessor is—

"(I) a corporation (other than a corporation described in section 465(a)(1)(B) or (C)), or

"(II) a partnership all of the partners of which are corporations described in subclause (I),

"(ii) the minimum investment of the lessor—

"(I) at the time the property is first placed in service under the lease, and

"(II) at all times during the term of the lease,

is not less than 10 percent of the adjusted basis of such property, and

"(iii) the term of the lease (including any extensions) does not exceed the present class life of such property.

"(C) NO OTHER FACTORS TAKEN INTO ACCOUNT.—If the requirements of subparagraphs (A) and (B) are met with respect to any transaction described in subparagraph (A), no other factors shall be taken into account in making a determination as to whether subparagraph (A) (i) or (ii) applies with respect to such transaction, including but not limited to, whether—

"(i) the lessor or lessee has title to such property,

"(ii) the lessor must take the tax benefits of ownership into account in order to make a profit with respect to the transaction,

"(iii) any person other than the lessee may use such property after expiration of the lease term,

"(iv) any person has an option or obligation to buy or sell the property at a fixed or determinable price at the end of the lease term, or

"(v) the lessee (or a related party) provided financing for the transaction.

"(D) QUALIFIED LEASED PROPERTY DEFINED.—For purposes of subparagraph (A), the term 'qualified leased property' means recovery property which is—

"(i) new section 38 property (as defined in section 48(b)) of the taxpayer which is leased within 3 months after such property was placed in service and which, if acquired by the lessee, would have been new section 38 property of the lessee, or

"(ii) property—

"(I) which was new section 38 property of the lessee,

"(II) which was acquired from the lessee within 3 months of the time the property was placed in service by the lessee, and

"(III) with respect to which the purchase price paid by the lessor to the lessee does not exceed the adjusted basis of the lessee at the time of the acquisition by the lessor.

"(E) MINIMUM INVESTMENT.—

"(i) IN GENERAL.—For purposes of subparagraph (A), the term 'minimum investment' means the amount the lessor has at risk with respect to the property (other than financing from the lessee or a related party of the lessee).

"(ii) SPECIAL RULE FOR PURCHASE REQUIREMENT.—For purposes of clause (i), an agreement between the lessor and lessee requiring either or both parties to purchase or sell the qualified leased property at some price (whether or not fixed in the agreement) at the end of the lease term shall not affect the amount the lessor is treated as having at risk with respect to the property.

"(F) CHARACTERIZATION BY PARTIES.—For purposes of this paragraph, any determination as to whether a person is a lessor or property is leased shall be made on the basis of the characterization of such erson or property under the agreement described in subparagraph (A).

"(G) CROSS REFERENCE.—

"For special recapture rules in cases where lessee acquires qualified leased property, see sections 47(e) and 1245.

"(9) SHORT TAXABLE YEARS.—The application of this section to taxable years of less than 12 months shall be in accordance with regulations prescribed by the Secretary.

"(10) RRB REPLACEMENT PROPERTY.—

"(A) IN GENERAL.—In the case of RRB replacement property placed in service before January 1, 1985, the recovery deduction for the taxable year shall be, in lieu of the amount determined under this section, the amount determined by using the recovery period determined in accordance with the following table:

"If the year property is placed in service is:	The recovery period is:
1981	1
1982	2
1983	3
1984	4.

"(B) RRB REPLACEMENT PROPERTY DEFINED.—For purposes of this section, the term 'RRB replacement property' means replacement track material (including rail, ties, other track material, and ballast) installed by a railroad (including a railroad switching or terminal company) if—

"(i) the replacement is made pursuant to a scheduled program for replacement,

"(ii) the replacement is made pursuant to personnel or specific track material needing replacement,

"(iii) the replacement is made pursuant to the detection by a rail-test car of specific track material needing replacment, or

"(iv) the replacement is made as a result of a casualty.

Replacements made as a result of a casualty shall be BRE replacement property only to the extent that, in the case of each casualty, the replacement cost with respect to the replacement track material exceeds $50,000.

"(i) DEFINITIONS.—For purposes of this section—

"(1) PUBLIC UTILITY PROPERTY.—The term 'public utility property' means property described in section 167(l)(3)(A).

"(2) PRESENT CLASS LIFE.—The term 'present class life' means the class life (if any) which would be applicable with respect to any property as of January 1, 1981, under subsection (m) of section 167 (determined without regard to paragraph (4) thereof and as if the taxpayer had made an election under such subsection).

"(3) SECTION 1245 CLASS PROPERTY.—The term 'section 1245 class property' means tangible property described in section 1245(a)(3) other than subparagraphs (C) and (D).

"(4) SECTION 1250 CLASS PROPERTY.—The term 'section 1250 class property' means property described in section 1250(c) and property described in section 1245(a)(3)(C).

"(5) RESEARCH AND EXPERIMENTATION.—The term 'research and experimentation' has the same meaning as the term research or experimental has under section 174.

"(6) RBE PROPERTY DEFINED.—For purposes of this section, the term 'RBE property' means property which under the taxpayer's method of depreciation before January 1, 1981, would have been depreciated using the retirement-replacement-betterment method.

"(j) CROSS REFERENCE.—For special rules with respect to certain gain derived from disposition of recovery property, see sections 1245 and 1250.".

(b) DEPRECIATION OF REAL PROPERTY.—

(1) GENERAL RULE.—Section 167 (relating to depreciation) is amended by redesignating subsection(s) as subsection (t) and by inserting after subsection (r) the following new subsection:

"(s) METHOD OF DEPRECIATING CERTAIN REAL PROPERTY.—

"(1) IN GENERAL.—In the case of section 167(s) property, notwithstanding any other provision of this section, the depreciation allowance under subsection (a) shall be computed—

"(A) using a useful life of 15, 35, or 45 years (as selected by the taxpayer),

"(B) treating the salvage value as zero, and

"(C) under—

"(i) the straight line method, or

"(ii) if the taxpayer makes an election with respect to such property under this clause, the applicable declining balance method.

If an election under clause (ii) of subparagraph (C) is made with respect to any property, the taxpayer shall be deemed to have selected a useful life of 15 years for such property.

"(2) APPLICABLE DECLINING BALANCE METHOD.—For purposes of paragraph (1), the applicable declining balance method is—

"(A) in the case of property other than low-income housing, the declining balance method using a rate not in excess of 150 percent of the straight line rate, and

"(B) in the case of low-income housing, the declining balance method using a rate not in excess of 200 percent of the straight line rate, and

"(3) ELECTION.—An election under clause (ii) of paragraph (1)(C) with respect to any property shall be made on or before the due date prescribed by law (including extensions thereof) for filing the return under this chapter for the taxable year in which such property is placed in service. Except as provided in subsection (c), such an election, once made, shall be irrevocable.

"(4) COMPONENTS OF BUILDINGS.—

"(A) IN GENERAL.—Except as otherwise provided in this paragraph—

"(i) an election made under clause (ii) of paragraph (1)(C) with respect to any building shall apply to all components of such building, and

"(ii) no election may be made under clause (ii) of paragraph (1)(C) with respect to any component of a building unless such an election has been made with respect to such building.

"(B) TRANSITIONAL RULE.—In the case of any building placed in service by the taxpayer before January 1, 1981; for purposes of applying subparagraph (A) to components of such building placed in service after December 31, 1980, an election under clause (ii) of paragraph (1)(C) with respect to the first component placed in service after December 31, 1980 (or a failure to make such an election with respect to such first component) shall be treated as an election (or failure to make an election) with respect to such building.

"(C) EXCEPTION FOR SUBSTANTIAL IMPROVEMENTS.—

"(i) IN GENERAL.—For purposes of this paragraph, a substantial improvement shall be treated as a separate building.

"(ii) SUBSTANTIAL IMPROVEMENT.—For purposes of clause (i), the term 'substantial improvement' means the improvements added to capital account with respect to any building during any taxable year, but only if the sum of the amounts added to such account during such year equals or exceeds 25 percent of the adjusted basis of the property (determined without regard to the adjustments provided in paragraphs (2) and (3) of section 1016(a)) as of the first day of such taxable year.

"(iii) IMPROVEMENTS MUST BE MADE AFTER PROPERTY IN SERVICE FOR 3 YEARS.—For purposes of this paragraph, the term 'substantial improvement' shall not include any improvement made before the date 3 years after the building was placed in service.

"(5) DEFINITIONS.—For purposes of this subsection—

"(A) SECTION 167(s) PROPERTY.—Except as provided in subparagraph (B), the term 'section 167(s) property' means any property—

"(i) which is section 1250 property, or which is an elevator or escalator which would be section 1250 property but for subparagraph (C) or (D) of section 1245(a)(3), and

"(ii) which is placed in service after December 31, 1980.

For purposes of the preceding sentence, the determination of whether any property is (or would be) section 1250 property shall be made without regard to section 1245(a)(3)(F).

"(B) EXCEPTIONS.—The term 'section 167(s) property' shall not include—

"(i) any property for which a class life of 12½ years or less is in effect under subsection (m) as of January 1, 1981, and

"(ii) any property for which amortization (in lieu of depreciation) or for which subsection (k) is properly elected.

"(C) LOW-INCOME HOUSING.—The term 'low-income housing' means any property described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B).

"(D) BUILDING INCLUDES OTHER STRUCTURE.—The term 'building' includes any other structure.

"(6) SPECIAL RULES FOR FOREIGN PROPERTY.—In the case of any section 167(s) property outside the United States—

"(A) the taxpayer shall use a useful life of 35 years (in lieu of the amount provided in paragraph (1)(A)), and

"(B) the applicable declining balance method shall be the method described in paragraph (2)(A).".

(2) RECAPTURE UNDER SECTION 1245 FOR COMMERCIAL OR INDUSTRIAL STRUCTURES WHERE DECLINING BALANCE METHOD ELECTED.—Paragraph (3) of section 1245(a) (defining section 1245 property), as amended by subsection (c), is amended by striking out "or" at the end of subparagraph (E), by striking out the period at the end of subparagraph (F) and inserting in lieu thereof ", or", and by adding at the end thereof the following:

"(G) any property—

"(i) with respect to which an election under section 167(s)(1)(C)(ii) applied, and

'(ii) which is not low-income housing (as defined in section 167(s)(5)(C)) and is not residential rental property (as defined in section 167(j)(2)(B)).

If only a portion of a building (or other structure) is section 1245 property, gain from any disposition of such building (or other structure) shall be allocated first to the portion of the building (or other structure) which is section 1245 property (to the extent of the amount which may be treated as ordinary income under this section) and then to the portion of the building or other structure which is section 1250 property."

(c) SINGLE PURPOSE AGRICULTURE OR HORTICULTURAL STRUCTURES AND PETROLEUM PRODUCT STORAGE FACILITIES TREATED AS SECTION 1245 PROPERTY.—Paragraph (3) of section 1245(a) (defining section 1245 property) is amended by striking out "or" at the end of subparagraph (C), by striking out the period at the end of subparagraph (D), and by adding at the end thereof the following new subparagraphs:

"(E) a single purpose agricultural or horticultural structure (as defined in section 48(p)), or

"(F) a storage facility for petroleum or its primary products.".

(d) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 167 the following new item:

"Sec. 168. Accelerated cost recovery system."

On page 86, beginning with line 17, strike out all through page 87, line 16, and insert in lieu thereof the following:

"(5) SECTION 1245 RECOVERY PROPERTY.—For purposes of this section, the term 'section 1245 recovery property' means recovery property (within the meaning of section 168).".

On page 87, line 23, strike out "(f)" and insert "(h)".

On page 87, line 25, strike out "(f)" and insert "(h)".

On page 88, lines 21 and 22, strike out "(other than 15-year real property)".

On page 89, in the matter between lines 5 and 6, strike out all matter under the heading "In the case of:" and insert:

class 1 property
class 2 property
class 3 property
class 4 property.

On page 89, line 6, strike out "15-year".

On page 89, lines 7 and 8, strike out "recovery property which is 15-year real property" and insert "section 167(s) property".

On page 89, line 9, strike out "168(a)" and insert "167".

On page 89, line 17, insert "or 167(s)" after "recovery" and insert closed quotation marks and end period.

On page 89, beginning with line 18, strike out through page 90, line 2.

On page 90, line 11, insert "and 167(s)" after "recovery".

On page 90, line 13, after "168)" insert "or section 167(s) property".

On page 90, in the matter between lines 18 and 19, strike out all under the heading "In the case of:" and insert:

class 1 property
class 2 property
class 3 property
section 167(s) property
class 4 property.

On page 91, strike out lines 3, 4, and 5, and insert "such corporation in the case of section 167(s) property, the rules of section 167(s)(6) shall apply.".

On page 95, strike out lines 18 through 22, and insert:

"(A) in the case of class 2, 3, or 4 property (within the meaning of section 168(e)), 100 percent, and

"(B) in the case of class 1 property (within the meaning of section 168(c)), 60 percent.

On page 95, line 24, strike out "(3)" and insert "(10)".

On page 95, line 25, strike out "5-year" and insert "class 2".

On page 98, line 8, strike out "(g)" and insert "(1)".

On page 101, line 20, strike out "(e)" and insert "(g)".

Mr. MITCHELL. Mr. President, I have a detailed statement explaining my amendment. Before getting into my statement, I yield to my senior colleague, Mr. COHEN, who is a cosponsor of this amendment and who has another time commitment. Following his statement, I shall make a detailed explanation of this amendment.

Mr. COHEN. Mr. President, I cosponsor this amendment offered by the distinguished junior Senator from Maine.

Year after year, we pass legislation to provide benefits to businesses in order to encourage investment and productivity. In fact, this is the very purpose of the major tax reforms which we are now considering.

However, in many instances, these tax reforms and the tax code in general discriminate against smaller companies because these firms do not have the expertise to take full advantage of the benefits which it offers.

Hiring experts to assist these businesses in learning about and using these provisions is both costly and time-consuming. Because of these problems, small businesses often pay higher effective tax rates than do large businesses.

One of the most blatant examples of this problem exists in the method of accounting allowed under present law. Current law allows firms to use the LIFO, last-in, first-out, accounting method to allow firms to deal with the impact of inflation on the valuation of their inventories for income tax purposes. This is clearly a tax provision which aids businesses. However, while many larger businesses are converting to the more realistic LIFO accounting system, the vast majority of smaller businesses will not convert to LIFO—because the LIFO rules are very complex and because there are tax penalties associated with converting to the LIFO method.

In fact, the National Federation of Independent Business, in endorsing this amendment, estimated that less than 3 percent of the eligible firms use the beneficial LIFO method.

Thus, many small businesses are forced to comply with an inequitable system of inventory tax regulations, which does not accurately reflect their true inventory costs, and which actually distort their taxable income for a given year.

This amendment ameliorates the burden imposed on these businesses by making the LIFO system of accounting easier to use.

First, it would permit the tax liability for switching to the LIFO amendment to be spread over a number of years. Current law requires the entire value of inventory write-down to be treated as income in the year in which a company changes its accounting method.

Allowing businesses to spread out this write-down will reduce the penalty for switching to the LIFO method and prevent businesses from having concentrated and overstated income all in 1 year.

The amendment also significantly simplifies LIFO pooling regulations. A report by the House Committee on Small Business last year characterized the LIFO pooling requirements under present law as "a nightmare for the small businessman to understand, and as having a negative impact on capital formation."

One of the major objectives of this tax reduction bill which we are now considering is an increase in capital formation. That is the major purpose of the accelerated depreciation system included in the bill, and the purpose of many of the other business reforms in the bill.

To continue regulations under present law which inhibit capital formation for small businesses would be inconsistent with the President's economic recovery and tax reduction plan. This amendment will remove this major obstacle to increased capital formation by permitting businesses with less than $5 million in gross sales to use a single pool for LIFO accounting, and by allowing wholesalers and retailers to pool their goods according to simpler, prescribed categories in the CPI detailed report.

This amendment also allows the smallest businesses, those with sales under $500,000 in 1982, and phased in to $1 million in 1985, to use the cash accounting method. This allows these businesses to expense their inventories as they are purchased.

In this way, the tax effect mirrors the real cost of the inventory. This amendment would allow very small firms to deduct inventory costs in the years they are incurred, rather than waiting until the goods are sold. Although some argue that this is a departure from general accounting principles, it is not a novel concept.

It is currently allowed for small farms on the basis of its simplicity. For this very same reason, I believe that this accounting method can and should be allowed for a limited segment of small businesses.

This amendment—which does not increase the overall cost of this tax bill due to the offset provision—will eliminate some of these inequities of our present tax code which are imposed on small business. It will ease the administrative burdens of small businesses by simplifying inventory accounting, and aid them in dealing with the pressures of double-digit inflation and high interest rates.

I urge my colleagues to vote for this amendment as it is a good complement to the capital cost recovery provisions of the bill and will extend tax relief to the small businesses—which constitute 97 percent of all businesses in the United States today.

Mr. MITCHELL. Mr. President, my amendment will greatly simplify inventory accounting rules. Although businesses of all sizes would be affected by these changes, small businesses would be the primary beneficiaries, because they are the group most discriminated against by current law.

These proposed changes, if passed, would reform and simplify a complex part of the tax code. They would provide greater relief from the effects of inflation. They would broaden the base of the businesses affected by this tax bill.

The bill, as approved by the committee, does contain some provisions benefiting small businesses. This represents a substantial improvement over the original administration proposal, and I commend Senator DOLE for seeing that some provisions targeted to small business are included in the bill.

Yet an examination of these measures shows that an important element of the small business community will benefit little from the current version of the tax bill. Many of the targeted small business provisions are directed to capital-intensive businesses. While these provisions are important to insure that small businesses participate in the capital formation process, many other small businesses whose assets largely consist of inventories will not benefit significantly from the bill.

Most wholesalers and retailers, and even some manufacturers, fall into this category. This exclusion from coverage by the tax bill might be understandable if these firms had no legitimate concerns with their treatment in the tax system.

Yet this is not the case. Current inventory accounting practices are sorely in need of simplification and should be reformed in this bill.

The most compelling argument for inventory reform is the tendency for inflation to raise the tax liabilities of business enterprises. We are all familiar with the way that inflation affects other aspects of the tax system.

Earlier in this debate, the Senate approved an amendment that would index the tax system for the rate of inflation,

in order to prevent "bracket creep." The drive for capital gains tax reductions in 1978 was motivated by the effect inflation has in raising capital gains taxes.

Additional saving incentives are included in this bill, partly because the interaction of inflation and the tax system drastically reduces the financial rewards for saving.

Also, it is widely recognized that inflation reduces the value of depreciation deductions leading to an understatement of the cost of capital consumed in production. To offset this impact of inflation, the tax bill substantially accelerates depreciation deductions.

Unfortunately, the effect of inflation on the valuation of inventories is not well known, even though by some measures it is the most serious tax-related impact of inflation.

The most commonly used method of accounting for inventories, the first-in, first-out, or FIFO method, usually results in an understatement of the cost of goods sold by a firm. FIFO bases the cost of goods sold on the price of goods acquired first by the firm.

During times of inflation, these prices fall short of the replacement costs of the firm's inventory. Consequently, when the cost of goods sold is understated, taxable income and therefore tax liability are overstated.

Inadequate inventory accounting has actually had a more significant impact than inadequate depreciation accounting on taxable income in each year for the last two decades. In 1978 and 1979, for example, inadequate inventory accounting added $25.2 and $42.6 billion, respectively, to taxable profits. Inadequate depreciation accounting added $12.6 and $15.7 billion to taxable income in the same 2 years.

What makes these figures even more alarming is that inventories comprise a smaller portion of total assets than do capital assets. In 1978, corporate structures and equipment were valued at $1.4 trillion, while the value of corporate inventories was $0.4 trillion.

Businesses do have an opportunity to avoid this overtaxation by adopting the last-in first-out, or LIFO, method of accounting. LIFO is not used very widely, however. This leads to another argument for reforming inventory accounting rules, which is that present LIFO rules are too complex for most businesses, particularly small ones, to adopt.

In spite of the substantial tax benefits that result from electing LIFO, only a small percentage of firms use LIFO. In 1976, for example, 3.7 percent of manufacturers, 2.5 percent of wholesalers, and 1.3 percent of retailers used LIFO.

Although the same rules apply to all firms, LIFO accounting creates the greatest administrative burden on small businesses because they tend not to have the resources to handle complex bookkeeping.

In my amendment, I have attempted to identify the greatest barriers to adopting LIFO and to devise appropriate solutions.

First, my amendment addresses the initial penalty associated with adopting LIFO. Under LIFO, the taxpayer may value his inventory at market value if this is less than the cost of the inventory. When electing LIFO, the taxpayer must restate the inventory at full cost. This causes the taxpayer to increase his taxable income to reflect any write-downs of inventory taken in prior years.

As a result, the taxpayer incurs an additional tax bill which must be paid immediately.

This penalty runs counter to the purposes of electing LIFO, which are to increase cash flow and to implement a hedge against the effect of inflation on the replacement cost on inventories. Unfortunately, these long-term benefits often give way to the prospect of a higher initial tax bill.

My amendment would address this problem by allowing firms that elect LIFO to spread out their higher tax bill over 5 years. This 5-year spread is similar to other provisions in the tax code. This type of averaging has been recommended by the American Institute of Certified Public Accountants.

Second, my amendment would simplify LIFO pooling regulations. Under LIFO, a firm's inventory is divided into pools. For retailers and wholesalers, pools must reflect major lines, classes or types of goods. Manufacturers may use a single pool for each natural business unit. The value of a firm's total inventory is determined by adding the value of each of the firm's pools.

Pooling requirements can have a significant impact on businesses. Several pools entail a significant bookkeeping burden. Also, the greater number of pools, the more likely it is that inventory liquidation will take place.

When inventory is liquidated, or reduced, lower costs are included in the business' cost of goods sold. This will result in a higher taxable income and a greater tax liability for businesses.

For example, a retailer decides to sell his inventory of cotton shirts and replace them with an equal number of nylon shirts. If cotton and nylon shirts are in different pools, the tax law treats the sale of cotton shirts as a liquidation. In other words, the retailer would realize taxable income even though there was no decrease in the number of shirts in the inventory. If cotton and nylon shirts are in the same pool, there is no liquidation or realization of income.

My amendment would introduce two changes in LIFO pooling requirements. The first would allow businesses with less than $5 million in gross receipts to use one pool. This is a major simplification which recognizes the limited accounting resources of small businesses.

Also, as long as a business maintains a contant dollar value in inventory, it will not face the possibility of inventory liquidations.

The second change would allow wholesalers and retailers to pool their goods according to general expenditure categories for consumer goods in the consumer price index. This change would put the number of pools required of wholesalers and retailers more in line with that required of manufacturers.

Third, my amendment would reform current indexing requirements. For each pool, a firm's inventory must be valued at both current year prices and at prices during the year in which the firm elected LIFO, often referred to as the base year. An index is necessary to deflate the current year value to the base year value.

Only department stores are currently allowed to use published price indexes. All other businesses must generate their own indexes. This is an expensive and complicated procedure, often requiring sophisticated computer techniques. For small firms, this often represents an insurmountable burden.

Furthermore, certain types of internally generated indexes are subject to challenge by the IRS, creating tremendous uncertainty for businesses that elect these indexes.

My amendment proposes a dual solution to this indexing problem: Businesses would be able to use the change in the components in either the Consumer Price Index, or the producer price index for their categories of inventory. And they could use certain internally generated indexes without showing that other methods of indexing are unsuitable.

Fourth, my amendment would delay the effective date of the LIFO recapture provision approved as part of the crude oil windfall profit tax of 1980.

This provision requires that the benefit of LIFO inventory accounting be recaptured as ordinary income when a corporation liquidates LIFO inventory. This provision is scheduled to affect liquidation plans taking effect after December 31, 1981.

This effective date was adopted in order to give Congress time to study the effects of this recapture. No such study has yet occurred. Therefore, my amendment would delay the effective date until after December 31, 1982.

Fifth, my amendment would also permit the use of cash accounting for certain small businesses. These businesses would have to have a sales level of $500,000 or less and would have to be engaged in wholesale or retail trade.

In this amendment, cash accounting is being presented as an alternative to either LIFO or FIFO. LIFO and FIFO are forms of accrual accounting, which require that expenses be matched with the gross income in the period in which it is earned. Cash accounting requires no such matching. Rather, businesses would be able to deduct the cost of all goods purchased during the year, regardless of whether or not they were sold. This eliminates the need for inventory accounting.

LIFO and cash accounting both serve similar purposes. They provide businesses with a reduction in taxes during periods of inflation.

Simplified LIFO is directed at those firms that require some accounting for inventories for their own business purposes and also have the resources necessary to adopt LIFO. Yet even simplified LIFO is too complex for many small businesses that handle their own bookkeeping. For this group, cash accounting is a much more simple and familiar method of accounting.

This provision parallels another provision included in this tax bill. Under the capital cost recovery section, businesses would be allowed a limited ex-

pensing option for equipment. Businesses would be able to write off up to $5,000 for investment immediately in 1982, rising to $10,000 in 1985. One purpose of this limited expensing option is to free small businesses from needless calculations and bookkeeping requirements.

In the same way, this provision allows small businesses to expense the cost of goods they acquire for sale during a given year. In other words, inventory intensive businesses would be given the same benefit that capital intensive businesses are.

The Tax Code already acknowledges the desirability of the cash method of accounting. In 1976, Congress adopted a provision allowing farms with gross sales under $1 million to use the cash method. When this provision was adopted, the simplification of switching to cash accounting was cited as the major reason.

My amendment would simply apply this logic to all small businesses.

My amendment has broad-based support within the small business community. A list of the groups endorsing these proposals indicates the diversity of interest that this amendment serves:

National Federation of Independent Businesses;

National Association of Wholesale Distributors;

National Automobile Dealers Association;

National-American Wholesale Grocers' Association;

Food Marketing Institute;

National Shoe Retailers;

Jewelers of America;

National Home Furnishing Association; and

National Retail Dealers Association.

This issue is not new to Congress either. Problems that small businesses have with inventory valuation were first raised in hearings before the Finance Committee in 1975. In 1978, the Senate Small Business Committee included cash accounting in its tax policy recommendations to the White House. This year, small business groups endorsed simplification of inventory accounting before the Finance Committee hearings on the President's tax program.

Cash accounting has also received strong bipartisan support. This measure is included in S. 360, the Omnibus Small Business Capital Formation Act. S. 360 has 25 cosponsors with 9 Democrats and 16 Republicans.

Although I believe that these inventory simplification measures should pass on their own merits, I recognize the need to hold down the total revenue loss of the bill. Therefore, I have included another provision in my amendment that would offset the revenue loss of the inventory accounting reform.

This provision would simplify the method that businesses use to account for their depreciation deductions. Under the committee bill, a firm must have a separate account for each asset that is acquired. For example, a 5-year asset and a 3-year asset acquired in the same year would be placed in separate accounts.

Similarly, a 3-year asset acquired in 1981 would be placed in a separate account from a 3-year asset acquired in 1982.

My amendment would replace this asset-by-asset accounting with an open-ended account system for personal property. Under this system, assets with the same recovery period would be placed in the same account regardless of the year in which each asset is acquired. Thus, most businesses would have only two accounts for personal property, one for the 3-year assets and one for 5-year assets.

An open-account system would be a substantial improvement over asset-by-asset accounting. The calculation of depreciation deductions is easier, as the necessary computations would be performed on fewer accounts.

Furthermore, the treatment of dispositions of assets is much more complex under asset-by-asset accounting than it is under an open-ended system. Under the former system, the adjusted basis of each asset would have to be determined in establishing the gain or loss on the disposition of an asset.

Under open-ended accounting, in general there is no gain or loss recognized on the disposition of an asset. Rather, the proceeds from the sale of an asset are subtracted from the balance of the account.

The advantages of open-ended accounting were well-stated by the American Institute for Certified Public Accountants, which endorsed the proposal by stating:

> Adopting the pooled-account concept [an open-ended account system] offers a great deal of simplicity in operation. Not only are the accounting procedures relatively easy to understand and apply, but the handling of dispositions of property is greatly simplified. Of all the alternatives considered, this approach would be the simplest in operation.

That is from the Statement of Tax Policy No. 7, "Analysis of Capital Cost Recovery Proposals," pages 24–25.

The advantages of this type of accounting were recognized by the Finance Committee last year when that committee included open-ended accounting as part of their depreciation reform proposals, and that was adopted by the Finance Committee last year by a vote of 19 to 1. Also, this system has been implemented successfully in the Canadian tax system.

My amendment simplifies depreciation accounting without appreciably affecting the incentives to invest. The mechanisms of open account, therefore, produce a smaller revenue loss than the committee's bill.

This is an appropriate offset for the revenue loss of the inventory accounting measures. The amendment, taken as a whole, provides enormous simplification benefits for small businesses, both in their accounting for depreciable assets and in their accounting for inventories.

In summary, Mr. President, my amendment offers the opportunity to simplify a very complex portion of existing law. By simplifying inventory accounting, Congress would provide greater access to those accounting methods that provide relief from inflation for small businesses, and it is small businesses that need help just as much, indeed more, than the large capital-intensive corporations in the country. Furthermore, my amendment would extend important tax relief to a sector of the economy that currently does not stand to benefit greatly from this tax bill.

We have often been told that our tax system is so outdated that during periods of high inflation it produces inequitable and inefficient results and that is a true statement, but in that process, too little attention has been given to the effect of inflation on inventory accounting and the effect that has on small businesses. My amendment would rectify this wrong and I urge its approval by the Senate.

Thank you, Mr. President.

Mr. BENTSEN. Mr. President, will the Senator yield 2 minutes to the Senator from Texas?

Mr. MITCHELL. The Senator yields to the Senator from Texas.

Mr. BENTSEN. Mr. President, first let me congratulate the Senator from Maine on this amendment. I think he brings up a very important issue.

As I stated in my additional remarks, filed with the committee report, the tax bill in its current form does not do enough spur productivity within the small business sector of our economy. The importance of small business is clear, it employs 60 percent of all workers and accounts for 70 percent of all new jobs being created in our economy.

The magnitude of the problems relating to inventory accounting and their disproportionate impact on small business may not be well known.

In Texas, nearly one-half of the businesses must maintain an inventory. To the individual businessman this means using the accrual method of accounting instead of the simpler cash method. Further, the businessman must choose between the FIFO or LIFO inventory accounting method. The FIFO method is simpler but does not accrue a significant tax benefit for the businessman as does the LIFO method.

So we take some of the sting out of it and let them adjust to that fact. Is that not correct?

Mr. MITCHELL. The Senator is correct.

Mr. BENTSEN. Mr. President, as with depreciation, we are finding that inflation and complexity of the law are working together to distort the tax liabilities of business enterprises. The problem is most acute to small businessmen who have very little capital investment but high inventory cost.

Further, the so-called pooling and indices requirements under LIFO accounting compound the problems for the company that cannot afford the largest accounting firms.

For example, in 1978 there was 3.5 times as much corporate investment in depreciable property as compared to inventory.

However, in that same year depreciation allowances were understated by $12.6 billion while inventory costs were understated by $25.2 billion.

The 10–5–3 depreciation reform adopted by the committee will go a long

way toward insuring the capital costs are not understated. However, 10–5–3, while helping some small businesses primarily helps the larger capital intensive companies—the Fortune 500 on Wall Street.

Our inventory reform proposal will help the small business, the local groceries, clothing stores, lumber dealers, office supply stores, farm equipment sellers, home appliance stores, bookstores, pharmacies and many others. This is not a proposal for Wall Street but for Main Street.

This proposal is necessary, is consistent with the President's economic objectives for 1981 and I encourage all of my colleagues to support this amendment.

Mr. FORD. Mr. President, will the Senator from Maine yield me 60 seconds?

Mr. MITCHELL. I yield to the Senator from Kentucky.

Mr. FORD. Mr. President, this tax bill provides substantial and meaningful tax reduction for American business in the form of accelerated capital cost recovery. I strongly support this effort and I think it necessary to encourage the capital investment that will increase productivity and make America prosper.

However, a substantial segment of the business community is not reached by the accelerated capital cost recovery provisions. The smaller firms in this country who have limited funds tied up in high inventory costs cannot take advantage of the business tax reductions in this bill. There are approximately 27,000 firms in my State alone—some 46 percent of all Kentucky businesses—that are considered inventory intensive firms. They are the main street retailers, wholesalers, and small manufacturers that create most of the new jobs and innovations in this Nation. They are the embodiment of our free enterprise system in America but are being devastated today by inflation and high interest rates.

The cost of holding inventory is a function of the cost of money. And at today's historically high interest rates, this means the small businessman pays an additional premium every day he holds inventory. This bad situation is made worse by inflation, which in a cash accounting system, causes the overvaluation of inventory and the overtaxation of profits.

The inventory reform amendment that the Senator from Maine is offering today will provide needed relief, from high interest rates and inflation, to small inventory intensive firms. It will allow them to switch to a cash method of accounting so that inventory may be expensed as it is purchased.

And it will make it easier for small businesses to utilize a last-in-first-out inventory accounting system so that reported inventory costs will be more relevant to actual replacement costs. The amendment facilitates this changeover by reducing the tax penalty for LIFO election, simplfying LIFO pooling rules, and liberalizing LIFO regulations governing price indexing.

Existing inventory accounting law clearly discriminates against small business. To compensate for the rising value of inventory, the Internal Revenue Code allows businesses to switch from a first-in-first-out accounting system to a last-in-first-out system.

However, LIFO rules are so complex and expensive to utilize that small businesses are, in effect, foreclosed from utilizing them. By simplfying LIFO rules, this amendment will put small businesses on an equal footing with larger businesses. This is not a special favor for small business; it is, rather, a neutralization of the built-in bias in current law.

Mr. President, this is a monumental tax bill; it provides for the largest tax reduction in history and puts the Federal Government back in the right direction of fostering free enterprise and economic growth. However, it fails to direct its benefits toward a substantial segment of the economy; toward those small businesses that carry heavy inventory burdens. The inventory reform package that I am cosponsoring today corrects that oversight; it provides needed relief to small business and I urge this body to vote its approval.

I thank the distinguished Senator from Maine for allowing me this time and again congratulate him on the proposal of this amendment of which I am a cosponsor.

Mr. MATSUNAGA. Mr. President, will the Senator from Maine yield?

Mr. MITCHELL. I will yield but first I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. MITCHELL. I yield to the Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, I ask unanimous consent that I be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATSUNAGA. Mr. President, I rise in strong support of the amendment proposed by the distinguished Senator from Maine. I congratulate him for the leadership he has taken in this area.

For too long small business has played a major role in the economy of our country and not been recognized for that role which it has played. This amendment will to a degree provide that long overlooked recognition to that most important segment of our national economy—small business.

I urge the adoption of the Mitchell amendment.

I congratulate the Senator from Maine for offering this worthwhile amendment.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE. Mr. President, I rise in opposition to the amendment. We have a number of provisions in this bill with reference to small business. We have lower graduated rates—the bottom two brackets are reduced 2 percentage points. We have the used property limitations for the investment tax credit changed from $100,000 to $150,000.

We allow expensing of up to $10,000; we increase the number of subchapter S shareholders to 25, and allow certain trusts to be eligible shareholders. I think the biggest changes, insofar as small businesses are concerned, are all the provisions in reference to estate and gift tax reductions and, of course, the individual rate cuts which go up into the billions and billions of dollars, along with business cuts.

We are now presented with an amendment which, without the offset, would cost $600 million in 1982, $1.7 billion in 1983; $1.5 billion in 1984; $1.6 billion in 1985; and $1.7 billion in 1986, fiscal year 1986.

I understand this is paid for, but it is paid for at the expense of all the business people. So I think we ought to understand how we pay for this.

It is paid for by changing the depreciation rates for all businesses, by reducing depreciation so that in 1981 and 1982 only 140 percent declining balance depreciation rather than 150 percent declining balance is used.

Also, the depreciation method proposed by the distinguished Senator from Maine does not allow the taxpayer to switch to the straight line method, so the full costs of the assets will not be written off in 5 years. This change now will cost all the businesses $200 million in 1981, $500 million in 1982; about $600 million in 1983; $2.1 billion in 1984; $1.8 billion in 1985; and $5.7 billion in 1986.

So I suggest, and I agree with those who have spoken, that the Senator from Maine played a vital role in the discussion and the amendment of this bill in the Senate Finance Committee. Some of the proposals now before the Senate were in last year's bill passed by the Senate Finance Committee. But, of course, other provisions were not. There are some in this bill now before us that were not in last year's Senate Finance Committee's bill.

In the case this Senator knows that one of the backers of this amendment, the National Federation of Independent Businesses, has indicated at the White House that they support the President, they are for the President's program.

It would seem to me—and I do not quarrel with their coming to the Hill and trying to get all they can from the President and all they can from Congress—that we are again considering changing a basic portion of the President's program. I guess we can say we have paid for it, we have taken it from someone else. I just hope that this amendment can be defeated.

We are in the home stretch as far as this Senator is concerned in the consideration of this bill. We have now been on the tax bill in the Senate for 9 days, and we have considered literally, I would suppose, 60, 70, 80 amendments up to this time, and we have been able to accommodate some of those amendments. Some we cannot. This is one that, as far as I know, we were not asked to try to negotiate and, or to devise the way to pay for it. I do not quarrel with somebody's suggesting they are going to pay for an amendment. But I think the Members should know how it is paid for so that when they vote for "small business" they know it is coming out of another portion that affects business.

With reference to cash accounting, as I understand, just reviewing what we have on the House side, the Ways and

Means Committee bill will provide for a study with reference to cash accounting.

In the so-called Hance-Conable substitute there are some provisions on LIFO. I am not certain I can spell those out. There are some LIFO provisions in that amendment.

I would say with reference to cash accounting, and I can understand why some prefer cash accounting, but it is a very expensive proposition. It does allow taxpayers to reduce their income at year-end by buying more inventory than they would otherwise buy.

There are some who indicate this might be dangerous because it requires the payment of unnecessary carrying and storage costs for the additional inventory.

If, in fact, the taxpayer's business enters into a temporary downturn, he will reduce his purchases and sell off part of his inventory. Since the cost of the inventory has already been deducted, there will be no deduction against the gross sales price. Thus, the taxpayer will pay a tax on the full sales price without deduction for the cost of the goods sold, at a time when there is a downturn in business.

Since taxpayers may receive a deduction for merely purchasing an asset, there is a possibility that the purchase of inventories for high bracket taxpayers may develop into a new tax shelter. Although there are some attempts in the amendment to safeguard against this potential abuse, they are generally not perceived to be effective. For the reasons stated, I hope this amendment will be rejected.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. MITCHELL. Mr. President, I ask unanimous consent that the Senator from Tennessee (Mr. SASSER) be added as a cosponsor of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MITCHELL. Mr. President, I would just like to say that the issue on this amendment is whether or not we are, in this tax bill, going to make some provision for small businesses, retailers, wholesalers, and others.

Now it is true, as the chairman has said, that there are some provisions in this bill for small businesses. I noted that in my opening statement, and I thank the chairman of the Finance Committee, the distinguished Senator from Kansas, for his courtesy and consideration of those small businesses.

But if you look at this bill as a whole, this bill takes care of large capital-intensive corporations. This bill takes care of General Motors and United States Steel and other corporations like that. But for the small business, the druggist on Main Street, the retail store on Main Street, in small towns all over this country, and not thousands of them but hundreds of thousands of them, they are not getting the benefit they need and deserve in inventory accounting reform.

Every argument made before the Finance Committee, every argument made on the floor of this Senate in behalf of depreciation reform applies with even greater force to inventory accounting reform, and that is the area that small business tends to be located in. They do not have large investments in equipment. They have large investments in inventory.

The fellow on Main Street who sells clothes and has a lot of shirts, suits, and pants in his store; the druggist, the wholesaler, the distributor, the retailer, those are the people who are not getting the benefit from depreciation reform. Those are the people who need and deserve the kind of help this amendment provides.

It is a question of whether or not this tax bill is going to be oriented primarily toward large capital-intensive corporations or whether or not we are for once going to say, "The small man, although he does not have the size, the resources to make his voice heard as clearly or as insistently as the large corporations, is going to receive the consideration by this Senate."

I hope very much that Senators will recognize this as the issue. I urge the Senate to approve this amendment and to provide meaningful inventory accounting reform to the hundreds of thousands of small business men and women throughout this country who need and deserve this kind of assistance.

I reserve the remainder of my time, Mr. President.

Mr. DOLE. Mr. President, I suggest the absence of a quorum and ask that the time be charged against my time.

Mr. MITCHELL. I am prepared to vote if the Senator will vote now.

Mr. DOLE. There may be one more speaker. Let me check. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. CHAFEE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. HAWKINS). Without objection, it is so ordered.

Mr. CHAFEE. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. On whose time?

Mr. DOLE. Madam President, I suggest that it be taken from the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Madam President, if the pending amendment were temporarily laid aside to permit the distinguished Senator from Colorado to make a statement, it would come back after he finished that statement; is that correct?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Is that satisfactory?

Mr. MITCHELL. That is satisfactory.

Mr. DOLE. Then I ask unanimous consent that the Mitchell amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 304

(Purpose: To impose a tax on the importation of crude oil and refined petroleum products, to transfer the revenues from such tax, and from any oil import fee imposed by the President, to the Social Security Trust Fund, and to reduce social security taxes; and to expand lower income energy assistance)

Mr. HART. Madam President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Colorado (Mr. HART) for himself and Mr. BRADLEY, proposes an unprinted amendment numbered 304.

Mr. HART. Madam President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 161, between lines 3 and 4, insert the following:

SEC. 243. EXCISE TAX ON IMPORTED CRUDE OIL.

(a) IN GENERAL.—Subtitle E (relating to alcohol, tobacco, and certain other excise taxes) is amended by adding at the end thereof the following new chapter:

"CHAPTER 54—IMPORTED CRUDE OIL AND PRODUCTS THEREOF

"Sec. 5881. Imposition of tax.
"Sec. 5882. Definitions.
"Sec. 5883. Registration.
"Sec. 5884. Procedures; returns; penalties.

"SEC. 5881. IMPOSITION OF TAX.

"(a) IMPOSITION OF TAX.—In addition to any other tax imposed under this title, an excise tax is hereby imposed on imported crude oil (and products thereof) which is sold in the United States.

"(b) RATE OF TAX.

"(1) INITIAL RATE.—The tax imposed by subsection (a) shall be imposed at the rate of $10 per barrel.

"(2) PRESIDENTIAL AUTHORITY TO INCREASE RATE.—If the President determines that it is necessary to increase the rate of the tax imposed by subsection (a) in order to promote sufficient domestic energy conservation and domestic energy production to enable the United States to end the importation of crude oil by January 1, 1990, he may, after notifying the Congress of his determination and the reasons therefor, increase the rate of tax under paragraph (1) to a rate not greater than $30 per barrel. No such increase may take effect less than 30 calendar days after the date on which the President notifies the Congress of his determination.

"(c) TAX PAID BY IMPORTER.—The tax imposed by this section shall be paid by the importer of the crude oil.

"(d) FRACTIONAL PARTS OF BARRELS.—In the case of a fraction of a barrel, the tax imposed by subsection (a) shall be the same fraction of the amount of such tax imposed on the whole barrel.

"(e) REFINED PRODUCTS.—

"(1) REFINING BEGUN BEFORE SALE.—If the manufacture or conversion of imported crude oil into refined products begins before such oil is sold, the oil shall be treated as sold on the day on which such manufacture or conversion begins.

"(2) APPLICATION OF TAX TO REFINED PRODUCTS.—

"(A) IN GENERAL.—In the case of a refined product of imported crude oil, the tax imposed by subsection (a) shall be determined by multiplying the rate applicable under subsection (b) by the barrel-of-oil equivalent of the product attributable to imported crude oil.

"(B) BARREL-OF-OIL EQUIVALENT.—For purposes of subparagraph (A), the term 'barrel-of-oil equivalent' means 5.8 million Btu.

"(C) REFINED PRODUCT.—For purposes of subparagraph (A), the term 'refined product' means only refined oil, fuels, and chemical feedstocks.

"SEC. 5882. DEFINITIONS.

"For purposes of this chapter—

"(1) IMPORTED CRUDE OIL.—The term 'imported crude oil' means crude oil other than domestic crude oil (within the meaning of chapter 45).

"(2) BARREL.—The term 'barrel' means 42 United States gallons.

"SEC. 5883. REGISTRATION.

"Every person subject to tax under section 5881 shall, before incurring any liability for tax under such section, register with the Secretary.

"SEC. 5884. PROCEDURES; RETURNS; PENALTIES.

"For purposes of this title, any reference (other than in chapter 45 or section 6429) to the tax imposed by section 4986 shall be treated, except to the extent provided by the Secretary by regulation where such treatment would be inappropriate, as a reference to the tax imposed by section 5881.".

(b) CLERICAL AMENDMENT.—The table of chapters for subtitle E is amended by adding at the end thereof the following new item:

"Chapter 54. IMPORTED CRUDE OIL AND PRODUCTS THEREOF.".

(c) DEDUCTIBILITY OF IMPORTED CRUDE OIL TAX.—The first sentence of section 164(a) (relating to deduction for taxes) is amended by inserting after paragraph (5) the following new paragraph:

"(6) The imported crude oil tax imposed by section 5881.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to sales of imported crude oil or products thereof in calendar quarters beginning more than 30 days after the date of enactment of this Act.

SEC. 244. TRANSFER OF REVENUES TO SOCIAL SECURITY TRUST FUND.

Section 201(a) of the Social Security Act (42 U.S.C. 401(a)) is amended—

(1) by striking out the period at the end of clause (4) and inserting in lieu thereof a semicolon and "and",

(2) by inserting immediately after clause (4) the following new clause:

"(5) the sum of—

"(A) the tax imposed by section 5881 of the Internal Revenue Code of 1954 with respect to imported crude oil and products thereof, and

"(B) any fee imposed by the President under section 232(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1862) to adjust imports of petroleum or petroleum products.", and

(3) by striking out "clauses (3) and (4)" each place it appears in the last sentence and inserting in lieu thereof "clauses (3), (4), and (5)".

SEC. 245. REDUCTION OF SOCIAL SECURITY TAX RATE.

Notwithstanding any other provision of law to the contrary, the Secretary of the Treasury shall, from time to time, reduce—

(1) the rates of tax imposed by sections 3101(a) and 3111(a) of the Internal Revenue Code of 1954 (relating to old-age, survivors, and disability insurance), and

(2) the rate of tax imposed by section 1401(a) of such Code (relating to old-age, survivors, and disability insurance),

to the extent necessary to reduce the net revenue attributable to the taxes imposed by such sections for fiscal years beginning after the date of enactment of this Act by the net revenues from the tax imposed by section 5881 of such Code, or from any fee imposed by the President under section 232(b) of the Trade Expansion Act of 1962 (19 U.S.C. 1862) to adjust imports of petroleum or petroleum products, for such fiscal years. The rates of tax imposed by such sections, as reduced by the Secretary under the preceding sentence, shall be treated as the rates in effect for such sections for the periods designated by the Secretary at the time of such reductions.

SEC. 246. AID TO LOWER INCOME INDIVIDUALS ADVERSELY AFFECTED BY INCREASED ENERGY COSTS.

There is authorized to be appropriated to the President for the purpose of providing or increasing funding for any program of the United States under which financial assistance (including loans and loan guarantees) is provided to lower income individuals and families adversely affected by increased energy costs, an amount not in excess of $2,000,000,000 for each fiscal year beginning after the date of enactment of this Act. Amounts appropriated pursuant to the preceding sentence shall be obligated or expended only in connection with such programs as may be provided for by law.

Mr. HART. Madam President, even after the painful experience of the 1970's, the United States remains dangerously dependent on Middle East oil. Today, after three supply interruptions and numerous price shocks, we import about 40 percent of our petroleum requirement. We rank as OPEC's largest single customer, taking nearly a quarter of OPEC's entire production.

This excessive dependence on imported oil constitutes a clear danger to the strength and security of the United States. In terms of the economy, excessive dependence on imported oil means more inflation, more unemployment, and a much lower level of real economic output. Excessive dependence on imported oil also imposes severe constraints on American foreign policy and threatens to engage the United States in a war in the Persian Gulf.

The 1980's promise to bring more supply interruptions and further price shocks. The world oil market is now soft due to excessive Saudi oil production, sluggish economic growth in the West, and the impressive conservation efforts undertaken by the oil importing nations since oil prices doubled in 1979. But market conditions could change quickly. More importantly, the so-called "X" factor persists—the revolution, the coup, the war, or the freak accident that could suddenly interrupt oil supplies and bring higher prices.

To prepare for this uncertain future, the United States must develop an energy security strategy. Our Nation needs a strategy designed to alleviate the economic damage caused by supply interruptions in the short-term while reducing Western vulnerability over the course of the eighties.

Today, I am proposing the imposition of a fee on imports of crude oil and refined products. This fee is warranted on both economic and security grounds as a reasonable and efficient way to reduce the level of American oil imports. Working through the price mechanism, the import fee will encourage cutbacks in domestic oil demand which in turn will help to prevent future price increases. Moreover, by holding down energy prices we can minimize the inflationary drag of high oil prices on long-run economic growth. In addition, the oil import fee will reduce the transfer of national income from the United States to oil-producing states and thus improve our balance of payments.

An oil import fee will also enhance our national security. By reducing our dependence on foreign oil, we decrease our vulnerability to future oil supply interruptions. Furthermore, enactment of this proposal will send an unmistakable message to other oil-consuming nations and to OPEC producers of both our willingness and ability to curb our demand for foreign oil. This message will tell the oil exporters that they cannot continue to ratchet up oil prices.

Energy analysts estimate a $10-per-barrel import fee would lead directly to import savings of at least a half million barrels per day over the next 2 or 3 years. More importantly, the import fee would increase oil prices and thereby encourage greater energy efficiency and more substitution of other fuels for oil.

Of course, although an oil import fee encourages import reductions, it will impose certain economic costs. Therefore, in this amendment, I am also proposing to rebate all of the revenues collected under the import fee to taxpayers through reductions in social security taxes. This provision should mitigate any loss of consumer purchasing power induced by the oil import fee.

America's energy problem is clear—an unnecessary, excessive, and dangerous dependence on foreign oil. In spite of oil price decontrol and the response of international oil markets to substantially higher prices, the United States remains dangerously dependent on OPEC oil supplies. Moreover, recent forecasts—including those of the Reagan administration—indicate that under current policies the United States will remain heavily dependent on foreign oil, importing approximately 5 million barrels per day in 1990.

The United States cannot afford to remain dependent on imported oil. The inherent dangers are simply too great.

Just consider the situation in the Middle East today.

While some energy analysts, commentators, and public officials dismiss as alarmists those individuals who point out the dangers of our continued dependence on foreign oil, Iran stands on the verge of political collapse.

While the Reagan administration submits a national energy plan to Congress which includes no oil import reduction program, Israel and Syria grow more entangled in an immediate crisis.

While the Congress cuts back appropriations for a range of energy programs designed to lessen our dependence on foreign oil, Saudi Arabia and other OPEC

members contemplate the advantage of sharply reducing the level of their oil exports to avoid the sort of social discontent which undermined the shah's regime.

Without doubt, even during the current oil glut, the oil supply system remains a crisis-prone system. To restore the strength of our economy, to insure the integrity of our foreign policy, and to enhance our national security, it is imperative that the United States reduce the level of its oil imports. What is more, we should take advantage of the respite offered by current market conditions, when cooler heads can prevail, to agree on a comprehensive oil import reduction program.

The imposition of an oil import fee would represent an important step toward the achievement of our energy independence. Together with efforts to improve the energy-efficiency of the American economy and to increase domestic production of conventional fuels and renewables, an oil import fee can enable our nation to attain greater energy sufficency.

Madam President, I am prepared to yield to the distinguished Senator from West Virginia.

Mr. RANDOLPH. Madam President, the amendment proposed by the able Senator from Colorado is in no sense a shadowboxing. It has substance. It has validity.

I hope it is understood for me to recall the efforts I made in the 1940's when over and over again in speeches, magazine articles, and work in the House of Representatives, I tried to tell the American people that we were in a position where we were going to rely on petroleum from overseas countries that would be unstable and, perhaps, even unfriendly to the United States of America.

I am sure the Senator, who is versed in this subject matter, knows that what I said then was true, and what has happened makes it even more a part of his cogent argument.

In the 1940's we attempted to have an alternate fuels program. It came into being and was signed into law by Franklin Roosevelt in 1944.

I remember that when the program started we were in your State, Senator HART, with a pilot project at Rifle using the shale as one of those alternatives to the petroleum that had been coming into the United States even before World War II.

When World War II was over we went back to doing business as usual. We learned no lesson, even though we were not the mobile country then that we are now, in any degree. What happencd? Our country so very often is a country that acts after the fact rather than before the fact.

The U-boats along our eastern and New England waters, went home and we went back to doing business as usual.

Americans failed to read the signs of the times, and the signs of the times then were very real. Frankly, they are more real today. We march up the hill so often—but do not remain on that mountaintop of responsibility.

I trust the amendment will appeal to Members of the Senate. It is grounded in reality and, if agreeable to the Senator, I would like to join with Senator BRADLEY and his associate in sponsorship.

The OPEC oil embargo of 1973 and 1974 brought home to every American the extent of our dangerous dependence on foreign nations for much of the oil that fuels our economy.

Since then, the price of imported oil has increased 10 times. The price of an imported barrel of crude oil has climbed 1,600 percent over the past 10 years. We send nearly $100 billion abroad each year to purchase the 8.5 million barrels of oil we import each and every day.

Other nations are even more dependent on oil imports for their energy than is the United States. We rely on imports for 50 percent of the oil we consume. This dependence has both strategic and economic consequences for Americans.

Recent events in Iraq, Iran, and Afghanistan have underscored the political instability of the area around the Persian Gulf. Half the world's oil exports travel through the Strait of Hormuz, the narrow passage at the neck of the Gulf. Insuring the stability of that region is a central strategic concern of all nations whose economies depend on oil.

The repeated price increases of imported oil have contributed to the unprecedented inflation now weakening the economy. The lesson of the OPEC embargo and subsequent events is clear. America must reduce its dependence on imported oil. There is no single solution. But America's vast domestic coal reserves serving as a base feedstock for a synthetic fuels industry heavily involved in gasification and liquefaction will play the principal role in our belated, but not serious efforts to achieve energy independence.

We have demonstrated a national preoccupation with minimizing the short-term effects of inadequate domestic energy supplies while failing to forge a policy to solve longer term problems.

Recognizing this fact, the Synthetic Liquid Fuels Act of 1944 was introduced and passed. This legislation again mandated development of new technology to produce ethanol, methanol, and other liquid fuels from coal, oil shale, and agricultural products.

In 1955, the decision was made by the then current administration to eliminate all Government participation in alternate synthetic fuels projects. The assumption was that if needed, private industry would anticipate and respond so that the country would have adequate fuel supplies. The assumption, of course, was incorrect. If we had continued Government support for synthetic fuels initiated in the early forties, as in my bill, we would have realized domestic commercial production today.

This amendment will act as an incentive to accelerating our development of synthetic fuels, as a disincentive to importing foreign oil—while assuring that the money spent on imported fuel will at least have the partial domestic benefit of helping to insure the integrity of our social security system.

Mr. HART. Madam President, before responding, I ask unanimous consent that the distinguished Senator from West Virginia (Mr. RANDOLPH) be added as a cosponsor.

The PRESIDING OFFICER (Mrs. HAWKINS). Without objection, it is so ordered.

Mr. HART. The Senator from Colorado would like to hear what response the distinguished chairman of the Finance Committee might have to this proposal.

This is a controversial and somewhat novel measure although I have supported it for 3 years.

As a principal sponsor, I am undecided as to whether to take the matter to a vote. But I would like to respond briefly to the remarks of the Senator from West Virginia before yielding to my principal cosponsor.

We hear a lot about political leadership these days and very little definition of what that means. But the Senator from West Virginia, on many issues, but particularly on this issue has demonstrated two qualities of leadership that are rarely seen today: One is the quality of being a pioneer, and the other is the quality of being a prophet.

The Senator from West Virginia was a pioneer in synthetic fuels development long before most Americans, and certainly most Members of Congress, gave it a thought. He understood at an early time, nearly 40 years ago, the potential for the reduction of coal and oil shale and other fossil fuels to liquids, gases, and synthetics; the Senator was a pioneer in alternative aviation fuels, as well as other uses of fossil fuels.

But he also has been a prophet. Back when people thought domestic oil supplies were unlimited, when oil was 10 cents a barrel in Texas, the Senator from West Virginia was a prophet; he was urging people to think about the future. I cannot think of any better definition of political leadership.

At this time, I think it is appropriate to remind ourselves of the efforts of Senator RANDOLPH. In recent years, I have been dismayed over how quickly Americans have forgotten about the energy crisis which this Nation faces.

How often have we heard the word "energy" used in this Chamber since we came back? We are a people of short memory; so long as there are no gasoline lines, and seemingly no shortages, so long as the price is reasonable and stable, people forget all about the debates, sessions, and hearings conducted in the attempt to address the problem.

I think we are living in a fool's paradise. Almost overnight, given circumstances in the Persian Gulf, we could find ourselves in a situation so much more stark and drastic than the fall of the Shah of Iran or the 1973 oil embargo, events that have disturbed and destabilized our economy. I hope that by raising this amendment, I can reintroduce the word "energy" into our debate.

So I welcome the Senator from West Virginia as a cosponsor. At this time, I wish to yield to our other cosponsor, the Senator from New Jersey.

Mr. RANDOLPH. I thank the Senator.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. BRADLEY. Madam President, how much time has the Senator remaining?

The PRESIDING OFFICER. The time has expired.

Mr. HART. Madam President, I wonder if the Senator from Kansas, because of his colloquy with our colleague from West Virginia, and because, unfortunately, he permitted the time to run, would yield 5 minutes of his time.

Mr. DOLE. I will be glad to yield 5 minutes or more of my time.

Mr. HART. The Senator from Kansas yields 5 minutes to the Senator from New Jersey.

Mr. BRADLEY. I thank the Senator fram Kansas for his generosity, and I join in supporting the amendment of the Senator from Colorado.

I think it is an important amendment because it calls attention to a problem we seem to have forgotten in the past several months, as we do periodically until a new oil shock jolts our consciousness. That problem is our continued dependence on foreign oil and the vulnerability to oil supply disruptions that accrues from that dependence.

The Senator has offered an amendment which is not an easy one politically. It implies that people should pay a little more at the gasoline pump. But if it were adopted, the result would be that our economy would be healthier, that we would have reduced our vulnerability to oil supply disruptions, that we would be limiting the transfer of wealth from this American consumer to the treasuries of OPEC, and that we would have taken a major step toward setting in motion a permanent conservation ethic in this country.

The Senator's amendment calls attention to all of these aspects. We only have a limited amount of resources in this country. We only have a limited amount of tax cuts to go around. In my view, what we need are tax cuts to increase the productivity of our economy. We need cuts so that individuals do not have to pay more taxes because of social security and inflation. And we need cuts to stimulate savings and investment. But we cannot do everything.

In my view, this amendment very clearly states that an oil tariff is an essential part of our national security policy. It recognizes that energy security is a long-term problem. Even though there is a glut on the markets today, that glut could be snuffed out tonight if there was an oil supply disruption in the Middle East or if the Iraq-Iran war flared up and expanded. We would feel the effects of these events directly in this country in the form of higher prices and in the enormous transfer of wealth from our pockets to the treasuries of OPEC.

The Senator from Colorado has supported tariffs on oil in the past, has been a leader on the issue, and I am pleased and proud to associate myself with him today.

Last year in this Chamber we had a vote that was hardly overwhelming in favor of a form of oil tariff. But I would suggest to the Senator and to my colleagues that the Senate as a whole is beginning to see the energy security issue a little more clearly.

The distinguished chairman of the Finance Committee, the Senator from Kansas, in the debate on the strategic petroleum reserve, has indicated that he would be willing to see an oil tariff or tax if the revenues were dedicated to the purchase of oil for the strategic petroleum reserve, which is the second half of our energy security policy.

Finally, Madam President, I would argue that if we move now with the tariff we could go a long step toward breaking OPEC once and for all.

Madam President, if we impose a tariff now, we would reduce demand for foreign oil sufficiently to create havoc within OPEC and, in fact, we would begin to see the cartel split apart. All of these are critical long-term issues that this amendment addresses. I strongly support the amendment and would urge my colleagues to give it their serious consideration.

If nothing else, the submission of this amendment calls the Senate's attention and the American people's attention to our continuing vulnerability to oil supply disruptions and to the need for an effective energy security policy. Finally, it recognizes that some form of tariff on foreign oil is directly related to our long-term energy security and the security of our allies, and trading partners.

Mr. DOLE. Madam President, I have listened to the distinguished Senators from Colorado, West Virginia, and New Jersey. I might add, I say to the Senator from Colorado, I discussed this amendment this morning with Treasury to see whether or not it might be acceptable to them and it is not.

But it seems to me that with some modification it would have been an easy way to raise a lot of revenue. I understand how the Senator from Colorado would dispose of that revenue.

Again, having been on the other side of this effort last year, an effort to forestall any imposition of any import fee or tax, I would be compelled to oppose the amendment at this time and indicate, based on my conversation with responsible Treasury officials this morning, that that would be their position.

I am not certain whether the Senator from Colorado intends to push this to a vote. As I understand the initial tax, it would be at the rate of $10 a barrel, with Presidential authority to increase that rate to $30 a barrel. At $30 a barrel, that would raise about $60 billion; a substantial sum of money.

Mr. HART. The Senator is correct. The estimates are at $10 a barrel it would raise about $20 billion a year. Of course, the thrust of the amendment is to relate that against the social security tax.

Mr. DOLE. And some low-income energy assistance of about $2 billion.

Mr. HART. That is correct.

Mr. DOLE. Again, I am not in a position to accept the amendment. I am not certain whether the Senator from Colorado wants to have a vote on it or not.

Mr. HART. Madam President, it is the wish of the principal cosponsors to withdraw the amendment. I appreciate the willingness of the floor manager to consider it and take it up with the administration. As much as I would like to bring it to a vote, I, frankly, understand the political realities here and the chance of getting substantial support are practically negligible. I do hope that the record made here and on previous occasions, and the discussions that the Senator from Kansas may have with the administration, causes this proposal, or something like it, to be given some serious consideration in the administration and the appropriate committees.

This is a serious problem. This is one approach to that problem. I hope the problem will not be forgotten.

Unless the Senator from Kansas wishes to discuss it further, it would be the intent of the Senator from Colorado, on behalf of his cosponsors, to withdraw the amendment.

Mr. DOLE. Madam President, before that is done, I will just say it is a serious problem. This is a serious effort to address that problem. Certainly the Finance Committee is willing to explore not only this approach but modifications to this approach. I can assure the Senator of that.

Mr. HART. I thank the Senator from Kansas for that assurance. That is certainly significant.

With that understanding, Madam President, I withdraw the amendment.

The PRESIDING OFFICER. Without objection, the amendment (UP No. 304) is withdrawn.

Mr. HART. I thank the Senator from Kansas, the Senator from New Jersey, my principal cosponsor, and the Senator from West Virginia.

Mr. DOLE. Madam President, we are now in the process of negotiating on the Mitchell amendment which is listed as No. 6 of the amendments to be considered today. It is the opinion of this Senator that may be worked out.

If, in fact, that can be done, it would be my hope that both Senators NUNN and CHILES might be prepared to take up their amendment with reference to the IRS and the Justice Department.

Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. NUNN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NUNN. Madam President, I ask unanimous consent that, during the debate on the Nunn amendment, which will be later this afternoon, floor privileges be accorded to Marty Steinberg, Elinor Hill, and Randy Knuckles of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Madam President, I ask unanimous consent that the pending amendment, the Mitchell amendment, which is about to be agreed upon, be temporarily laid aside without the Senator from Maine losing any of his rights to reoffer a modified amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Madam President, we are now ready to proceed to the Nunn-Chiles amendment. I wonder, while we are waiting to do that, if the Senator from Georgia would object to the Senator from Alabama bringing up a noncontroversial amendment which we can dispose of.

Mr. NUNN. I have no objection.

Mr. DOLE. It will be about 2 minutes.

Mr. NUNN. That will be fine.

Mr. DOLE. Madam President, I ask unanimous consent that, notwithstanding the order entered into, the distinguished Senator from Alabama, Senator HEFLIN, be permitted to offer an amendment which has been agreed upon at this time.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Alabama.

UP AMENDMENT NO. 305

(Purpose: To require the Congressional Budget Office to monitor the pulse of the Nation's economy and report to Congress its assessment of the Nation's economic situation)

Mr. HEFLIN. Madam President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Alabama (Mr. HEFLIN) proposes an unprinted amendment numbered 305.

Mr. HEFLIN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 284, line 5, insert the following:

SEC. . ECONOMIC RECOVERY PULSE RATE.—

(a) In order to monitor the progress of the economic recovery, the Congressional Budget Office is directed to develop reports or a series of reports which will indicate if, and to what extent, the purposes and goals of this Act, the Economic Recovery Act of 1981, and its companion measure, the Omnibus Reconciliation Act of 1981, are being accomplished. If, after considering the interplay between the mandated tax cuts, budget cuts, inflation, interest rates, the money supply, the rate of savings and investment, the fiscal integrity of the social security trust funds and other economic factors, the assessment indicates that the Nation's economy is not responding as planned, based on the best data available, and based upon assumptions which are uniformly applied, the Congressional Budget Office will recommend to the Congress what options are available and what actions could be taken to promote the betterment of this Nation's economy.

(b) The report or reports directed to be developed pursuant to section (a) above, shall be transmitted to the Congress at least quarterly; the first such report to be received by Congress not later than January 31, 1982; and during any period in which the gross national product has suffered negative growth for the next previous two quarters, such reports shall be rendered to the Congress monthly.

Mr. HEFLIN. Madam President, the purpose of my amendment is to require the Congressional Budget Office to monitor the pulse of the Nation's economy and report to the Congress its assessment of the Nation's economic situation and its recommendations for action which could be taken in case the economy does not respond as we all hope it will after the passage of the President's economic recovery plan.

My amendment would require the Congressional Budget Office to develop reports or a series of reports which would indicate if, and to what extent, the purposes and goals of this act, the Economic Recovery Act of 1981, and its companion measure, the Omnibus Reconciliation Act of 1981, are being accomplished.

If after considering the interplay between the mandated tax cuts and budget cuts, inflation, interest rates, unemployment, the money supply and the rate of savings and investment, the fiscal integrity of the social security trust funds, and other economic factors, the assessment indicates that the Nation's economy is not responding as planned, based on the best data available and based upon assumptions that are uniformly applied, then the Congressional Budget Office would recommend to the Congress options that are available and what action could be taken to promote the betterment of the Nation's economy.

This amendment would require that the Congressional Budget Office make these reports quarterly, the first one to be received by Congress on January 31, 1982, and during any period in which the gross national product has suffered negative growth for the next previous two quarters, such reports would be rendered to the Congress monthly.

My purpose in offering this amendment is to try to make sure that the Congress is cognizant at all times of how the tax cuts and the budget cuts are impacting on interest rates, inflation, unemployment, and other economic indicators. The Congressional Budget Office would be required to make timely reports showing how the interplay between these vital forces is taking place.

Madam President, on October 1, 1981, the ship of state will be launched into uncharted waters. Never before has the Congress approved such massive spending cuts and such massive tax cuts simultaneously. The administration has used the analogy of the Kennedy tax cuts of the early 1960's. The cuts at that time were about $10 billion and had the desired result. Today's cuts are so massive as to be not only different in degree but, in reality, different in kind. We must have a desire to monitor where we are at practically any given time with respect to these cuts.

Last Thursday, the Senate expressed the sense of the Senate that the tax cuts under this bill should be limited, I repeat limited, to $243 billion from now through 1984. It has been estimated that the revenue loss over the next decade from these tax cuts will be approximately $1 trillion.

The massive budget cuts which are undergoing their final scrutiny by the Conference Committee may have enormous and untold impact upon the economy. The question we all have in the back of our minds is whether it will all work for the benefit of the American people or not. We believe now that it will begin to solve many of our economic ills which I will mention, but which are so familiar to us all that they need little elaboration at this time.

First, Madam President, interest rates today are at unprecedented high levels and have been at these levels for a sustained period of time. Second, inflation, while having moderated somewhat, once again appears to be on the rise. Third, the social security trust fund is under attack as being in a fiscally unsound position.

Because of the precarious state of the economy and because of the importance of being able to make adjustments and fine-tuning changes where appropriate, we cannot wait for yearend reports as are now provided. Congress must keep its pulse on the rate of the Nation's economy. Congress arm for accomplishing this is the Congressional Budget Office, and it should be given a clear ride in this process.

Although the Omnibus Reconciliation Act of 1981 and the Economy Recovery Act of 1981 contain massive tax cuts and spending reforms, there is no mechanism established in either of these measures to monitor and determine whether or not the programs are working. There is a need for a comprehensive report or series of reports to let the Congress know just where the Nation's economy is going at any given point in time.

My amendment will fill this need by requiring the Congressional Budget Office to monitor the pulse of the Nation's economy and report to Congress its assessment of the Nation's economic situation and its recommendations for actions which could be taken if the economy does not respond to the stimuli which are being applied. I think my amendment is a good one, one which all Senators can support.

Madam President, if the gross national product of the economy shows negative growth for two successive quarters, the Nation is said to be in a recession. If the Nation is in a recession, then Congress needs to know more often than quarterly just where we are going and what needs to be done to turn economic conditions around. Accordingly, a quarterly report is called for unless the economy slips into a recession, in which case the Congressional Budget Office must report to Congress on a monthly basis.

I have discussed the amendment with the majority and minority floor managers, and I understand that there is no objection to it.

Mr. DOLE. Madam President, the Senator from Alabama has discussed it with both me and the Senator from Virginia (Mr. HARRY F. BYRD, JR.) or Senator LONG.

This calls for a series of reports. It will be helpful to the Congress. The date of January 31 would give the full month to do an analysis of the first quarter. This Senator has no objection to the amendment.

Mr. HARRY F. BYRD, JR. Madam President, I am glad to support this amendment of the Senator from Alabama.

Mr. DOLE. I yield back the remainder of my time.

Mr. HEFLIN. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Alabama.

The amendment (UP No. 305) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. HEFLIN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HEFLIN. I appreciate the courtesy of the Senator from Kansas and the Senator from Virginia.

Mr. DOLE. Madam President, I thank the distinguished Senator from Alabama.

As I understand, the pending amendment now will be the Nunn-Chiles amendment.

AMENDMENT NO. 492

(Purpose: To insure the confidentiality of information filed by indiivdual taxpayers with the Internal Revenue Service pursuant to the Internal Revenue Code and, at the same time, to insure the effective enforcement of Federal and State criminal laws and the effective administration of justice)

Mr. NUNN. Madam President, I send to the desk amendment No. 492. Is that amendment at the desk?

The PRESIDING OFFICER. The amendment is at the desk.

Mr. NUNN. Will the Presiding Officer inform the Senator from Georgia as to the time allocated to this amendment under the order?

The PRESIDING OFFICER. One hour equally divided.

Mr. NUNN. And who has charge of the time?

The PRESIDING OFFICER. The Senator from Georgia has control of 30 minutes and the Senator from Kansas has control of 30 minutes.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Georgia (Mr. NUNN), for himself, Mr. CHILES, Mr. DECONCINI, Mr. COHEN, Mr. BENTSEN, Mr. LONG, Mr. ROTH, Mr. RUDMAN, Mr. JACKSON, Mr. SCHMITT, Mr. BOREN, Mr. PRYOR, Mr. JOHNSTON, Mr. HOLLINGS, Mr. EXON, Mr. STENNIS, Mr. MATTINGLY, Mr. DANFORTH, and Mr. ROBERT C. BYRD proposes an amendment numbered 492.

Mr. NUNN. Madam President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, insert the following:

Subtitle C—Confidentiality of Disclosure Information

SEC. 221. CONFIDENTIALITY OF DISCLOSURE INFORMATION.

(a) DEFINITION OF RETURN INFORMATION.—Paragraph (1) of section 6103(b) is amended to read as follows:

"(1) RETURN INFORMATION.—The term 'return information' means—

"(A) any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for, or permitted under the provisions of this title which is filed with the Secretary by, on behalf of, or with respect to any person, and any amendment or supplement thereto, including supporting schedules, attachments, or lists which are supplemental to, or part of, the returns so filed (or information taken therefrom), and

"(B) any information provided to the Secretary by or on behalf of an individual taxpayer to whom such information relates."

(b) DEFINITION OF NONRETURN INFORMATION.—Paragraph (2) of section 6103(b) is amended to read as follows:

"(2) NONRETURN INFORMATION.—The term 'nonreturn information' means—

"(A) any information, other than return information, which the Secretary collects, prepares, obtains, or receives with respect to a taxpayer or return relating to the determination of the existence, or possible existence of liability (or the amount thereof) of any person under this title for any tax penalty, interest, fine, forfeiture, or other imposition or offense (including whether a return was filed and whether the taxpayer's return was, is being, or will be examined or subject to other investigation or processing), and

"(B) any part of any written determination or any background file document relating to such written determination (as such terms are defined in section 6110(b)) which is not open to public inspection under section 6110,

but such term does not include data in a form which cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer."

(c) INDIVIDUAL TAXPAYER DEFINED.—Paragraph (3) of section 6103(b) is amended to read as follows:

"(3) INDIVIDUAL TAXPAYER.—The term 'individual taxpayer' means any natural person or a corporation, partnership, association, union, or other entity consisting of no more than two owners, shareholders, partners, or members."

(d) DISCLOSURE OF INFORMATION.—Paragraphs (1), (2), (3), and (4) of section 6103(i) are amended to read as follows:

"(1) DISCLOSURE OF RETURN INFORMATION.—

"(A) DISCLOSURE PURSUANT TO ORDER OF JUDGE OR MAGISTRATE.—Return information shall, pursuant to, and upon the grant of, an ex parte order by a Federal district court, judge, or magistrate as provided by this paragraph, be open, but only to the extent necessary as provided in such order, to inspection by or disclosure to officers and employees of the Department of Justice personally and directly engaged in and solely for their use in preparation for any administrative, judicial, or grand jury proceeding (or investigation which may result in such a proceeding) pertaining to the enforcement of a specifically designated Federal criminal statute (not involving tax administration) to which the United States or such agency is or may be a party. The order may provide for continuous disclosure if such disclosure is justified under subparagraph (B)(iii).

"(B) APPLICATION FOR ORDER.—The Attorney General, the Deputy Attorney General, an Assistant Attorney General, a United States attorney, or the attorney in charge of a criminal division organized crime strike force may authorize an application to a Federal district court judge or magistrate for the order referred to in subparagraph (A). Upon such application, such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

"(i) there is reasonable cause to believe, based upon information believed to be reliable, that a specific criminal act has been committed or is being committed;

"(ii) the information is sought exclusively for use in a Federal crime investigation or proceeding concerning such criminal act; and

"(iii) there is reasonable cause to believe that the information may be relevant to a matter relating to the commission of such criminal act.

However, the Secretary may decline to disclose any return information under this paragraph if he determines and certifies to the court that such disclosure would identify a confidential informant or seriously impair a civil or criminal tax investigation.

"(C) DUTY OF THE SECRETARY.—The Secretary or his designee shall disclose to the appropriate attorney for the Government (referred to in subsection (B) above) such return information ordered disclosed pursuant to paragraph (1)(1)(A) of this subsection as soon as practicable following receipt of an ex parte court order pursuant thereto.

"(D) FURTHER DISCLOSURE.—An attorney for the Government (referred to in subsection (B) above) may further disclose any return information, which has been disclosed to him pursuant to an ex parte order, to such other Federal Government personnel or witness as he deems necessary to assist him during the criminal investigation or in preparation for the administrative, judicial, or grand jury proceeding which formed the basis for such order.

"(2) DISCLOSURE OF NONRETURN INFORMATION.—

"(A) Upon written request from the head of a Federal agency, the Inspector General thereof, or in this case of the Department of Justice, the Attorney General or his designee, the Secretary shall disclose nonreturn information as soon as practicable to officers and employees of such agency personally and directly engaged in, and solely for their use in, or preparation for any administrative, judicial, or grand jury proceeding (or investigation which may result in such a proceeding) described in paragraph (1)(A). Such request shall set forth—

"(i) the name and address of the taxpayer with respect to whom such nonreturn information relates;

"(ii) the taxable period or periods to which the nonreturn information relates;

"(iii) the statutory authority under which the proceeding or investigation is being conducted, and

"(iv) allegations of criminal conduct giving rise to the proceeding or investigation.

However, the Secretary may decline to disclose any nonreturn information under this paragraph if he determines that such disclosure would identify a confidential informant or seriously impair a civil or criminal tax investigation.

"(B) The head of an agency, an Inspector General, or the Attorney General or his designee may further disclose such nonreturn information to such Federal Government personnel or witness as he deems necessary to assist him during the criminal investigation or in preparation for the administrative, judicial, or grand jury proceeding which formed the basis for such request.

"(C) For purposes of this paragraph, the name, address, and social security number of the taxpayer, whether a taxpayer filed a return for a given year or years, and whether there is or has been a criminal investigation of a taxpayer shall be treated as nonreturn information.

"(3) SECRETARY'S DUTY TO DISCLOSE INFORMATION CONCERNING POSSIBLE CRIMINAL ACTIVITIES.—

"(A) The Secretary shall disclose as soon as practicable and in writing nonreturn information which may constitute evidence of a violation of Federal criminal laws to the extent necessary to apprise the head of the appropriate Federal agency or his designee charged with the responsibility for enforcing such laws. For purposes of the preceding sentence, the name and address of the taxpayer shall be treated as nonreturn information.

"(B) In addition to the above disclosures, when the Secretary makes a recommendation to the Department of Justice for prosecution for violation of the Internal Revenue Code, any return or nonreturn information reviewed, developed, or obtained during the tax investigation, which information may constitute evidence of a violation of Federal criminal laws, shall be furnished to the Department of Justice.

"(C) However, the Secretary may decline to disclose any information under the above paragraphs if he determines that such disclosure would identify a confidential informant or seriously impair a civil or criminal tax investigation.

"(4) USE OF JUDICIAL OR ADMINISTRATIVE PROCEEDING.—Any information obtained under paragraph (1), (2), or (3) may be entered into evidence in accordance with the Federal Rules of Evidence or other applicable law in any administrative, judicial, or grand jury proceeding pertaining to enforcement of a specifically designated Federal criminal statute (not involving tax administration) or any ancillary civil proceeding to which the United States or any agency thereof is a party. Any such information may be disclosed to the extent required by order of a court pursuant to section 3500 of title 18, United States Code, or rule 16 of the Federal Rules of Criminal Procedure, or other applicable discovery requirements, such court being authorized in the issuance of such order to give due consideration to congressional policy favoring the confidentiality of return and nonreturn information as set forth in this title. However, any information obtained under paragraph (1), (2), or (3) shall not be admitted into evidence in such proceeding if the Secretary determines and notifies the Attorney General or his designee or the head of such agency that such admission would identify a confidential informant or seriously impair a civil or criminal tax investigation unless a court shall otherwise direct such disclosures."

(e) EMERGENCY CIRCUMSTANCES. — Subsection (i) of section 6103 is amended by adding new paragraphs (5), (6), and (7) and by renumbering existing paragraphs (5) and (6) accordingly as paragraphs (8) and (9):

"(5) EMERGENCY CIRCUMSTANCES.—Under emergency circumstances involving an imminent danger of physical injury to any person, serious physical damage to property, or flight from prosecution, the Secretary or his designee may disclose information, including return information, to the extent necessary to apprise the appropriate Federal agency of such emergency. As soon as practicable thereafter, the Secretary or his designee shall notify the Department of Justice of his actions with respect to this paragraph, and the Department shall thereupon notify the appropriate United States district court or magistrate of such disclosure pursuant to emergency circumstances.

"(6) ASSISTANCE OF IRS IN JOINT TAX AND NONTAX INVESTIGATIONS.—No portion of this section shall be interpreted to preclude or prevent the Internal Revenue Service from assisting the Department of Justice or any other Federal agency in joint tax and nontax investigations of criminal matters which may involve income tax violations, nor shall any portion of this section be interpreted to preclude or prevent the Internal Revenue Service from investigating or gathering relevant information concerning persons engaged in criminal activities which may involve income tax violations.

"(7) REDISCLOSURE TO STATE AUTHORITY OF INFORMATION OBTAINED FOR FEDERAL CRIMINAL INVESTIGATION OR PROCEEDING.—An official authorized to apply for a disclosure under section 6103(i) may make application to a district judge or magistrate for an ex parte order to disclose to the appropriate State attorney general or district attorney any return or nonreturn information in his possession which is relevant to the violation of a State felony statute. The application shall set forth the name and address of the taxpayer, the taxable period or periods to which the information relates; a description of the information sought to be disclosed; and the State felony violation involved. Such judge or magistrate may grant such order if he determines on the basis of the facts submitted by the applicant that—

"(A) there is reasonable cause to believe, based upon information believed to be reliable, that a specific State felony violation has occurred or is occurring; and

"(B) there is reasonable cause to believe that the information may be relevant to a matter relating to the commission of such violation."

(f) INTERNATIONAL CONVENTIONS.—Subsection (k)(4) of section 6103 is amended to read as follows:

"(4) DISCLOSURE TO COMPETENT AUTHORITY UNDER INTERNATIONAL CONVENTION.—Return or nonreturn information may be disclosed to a competent authority of a foreign government which has an income tax or gift and estate tax convention, treaty on mutual assistance, or other convention relating to the exchange of tax information with the United States but only to the extent provided in, and subject to the terms and conditions of, such treaty or convention. When return or nonreturn information is sought pursuant to the terms of a treaty on mutual assistance in criminal matters for use in an investigation or proceeding not related to the tax laws of the requesting foreign country, disclosure may be made for the use of officials of the requesting country, but only after a United States district judge or magistrate issues an ex parte order that there is—

"(A) reasonable cause to believe that the information sought may be relevant to a matter relating to the commission of a specific criminal act that has been committed or is being committed against the laws of the foreign country, and

"(B) that the information is sought exclusively for use in such foreign country's criminal investigation or proceeding concerning such criminal act."

(g) AFFIRMATIVE DEFENSE.—Section 7213 is amended by adding a new subsection (d), as follows, and by relettering existing subsection (d) as subsection (e):

"(d) It shall be an affirmative defense to a prosecution under this section that such disclosure of return or nonreturn information resulted from a good faith, but erroneous, interpretation of section 6103 while a Federal employee was acting within the scope of his employment."

(h) PENALTY FOR DISCLOSURE.—Subsection (a) of section 7217 is amended to read as follows:

"(a) GENERAL RULE.—Whenever any employee of a Federal agency knowingly, or by reason of negligence, discloses return or nonreturn information (as defined in section 6102(B)) with respect to a taxpayer in violation of the provisions of section 6103, such taxpayer may bring a civil action for damages exclusively against such agency. Whenever any person other than an employee of a Federal agency knowingly, or by reason of negligence, discloses return or nonreturn information with respect to a taxpayer in violation of the provisions of section 6103, such taxpayer may bring a civil action directly against such person. The district courts of the United States shall have jurisdiction of any action commenced under the provisions of this section."

(i) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 6103 is amended by adding a new paragraph (4), as follows, and by renumbering existing paragraphs (4) through (9) accordingly:

"(4) COMBINED INFORMATION.—The term 'combined information' means any combination of taxpayer identity information, return information described in paragraph (1)(b), and, or nonreturn information described in paragraph (2)."

(2) Subsections (a), (b) (7) and (8), (d), (f), (g) (1), (3), (4), and (5), (h), (i) (6) and (7) as redesignated, (j) (3), (4), (5), and (6) of section 6103 are amended by striking "returns or return information" and "return and return information" wherever such terms appear and inserting in lieu thereof the terms "return information and nonreturn information" and "returns and nonreturn information", as appropriate.

(3) Subsections (c), (e)(6), (g)(2), (k)(1), (3), and (6), (p) (2)(B) and (3), (c)(I) and (III), and the last sentence of subsection (d) of section 6103 are amended by striking the term "return information" wherever such term appears and inserting in lieu thereof the term "combined information."

(4) Subsections (h) (2)(B) and (4)(B) of section 6103 are amended by striking the word "such" and inserting in lieu thereof the word "the".

(5) Subsection (l)(1)(B) of section 6103 is amended by striking the word "return".

(6) Subsection (b) of section 6108 is amended by striking the term "return information (as defined in section 6103(b)(2))" and inserting in lieu thereof the term "combined information (as defined in section 6103(b)(4))".

(7) Section 7213 is amended to strike the terms "return or return information" and "returns or return information" wherever they appear and inserting in lieu thereof the term "return and nonreturn information" and "returns and nonreturn information", as appropriate.

(8) Section 7217 is amended to strike the terms "return or return information" and "returns or return information" wherever they appear and inserting in lieu thereof the terms "return information" or "return or nonreturn information," as appropriate.

Mr. DOLE. Madam President, will the Senator yield for a unanimous-consent request?

Mr. NUNN. I yield.

Mr. DOLE. I ask unanimous consent that my time be under the control of the Senator from Connecticut (Mr. WEICKER).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NUNN. Madam President, I yield myself 10 minutes and ask to be notified at the end of that time.

Madam President, this amendment is offered on behalf of myself and Senators CHILES, DECONCINI, COHEN, BENTSEN, DOMENICI, LONG, ROTH, RUDMAN, JACKSON, SCHMITT, BOREN, PRYOR, JOHNSTON, HOLLINGS, EXON, STENNIS, MATTINGLY, and DANFORTH.

This amendment is designed to restore the Internal Revenue Service to an active and responsible role in the fight against organized crime and narcotics trafficking.

This amendment is identical to S. 732, which I and Senators CHILES, DECONCINI, COHEN, BENTSEN, DOMENICI, LONG, ROTH, RUDMAN, JACKSON, SCHMITT, BOREN, PRYOR, JOHNSTON, HOLLINGS, EXON, and STENNIS introduced on March 17. It is similar to S. 2402, S. 2404, and S. 2405, which I and 10 other cosponsors introduced on March 11, 1980, in the 96th Congress.

The Finance Subcommittee on Oversight of IRS, under the leadership of our distinguished colleague from Montana

(Mr. BAUCUS), held a hearing on those measures on June 20, 1980.

After these hearings, I undertook to revise last year's bills, taking into consideration the testimony of the various witnesses and the views of the Carter administration. The result is embodied in the amendment we introduce today.

I might add that the general issue of IRS' role in law enforcement came before this body on the night of December 10, 1980, in the form of a committee amendment to the continuing resolution. That amendment was designed as an interim measure to be replaced by substantive legislation. Our amendment is that substantive legislation, although it bears little resemblance to the amendment that was tabled last December.

This amendment is an outgrowth of extensive work done by the Permanent Subcommittee on Investigation, of which I was honored to serve as chairman during the 96th Congress.

Our subcommittee spent the better part of 1979 and 1980 investigating various aspects of organized crime, labor racketeering, and narcotics trafficking. As I look on our studies and hearings, I am astounded at the size and sophistication of these triple menaces to the well-being of our Nation.

The underground economy is estimated at upward of $124 billion a year, of which the traffic in illegal narcotics amounts to somewhere between $44 billion and $63 billion. Included in these astronomical figures are an estimated $25 billion to $50 billion in unreported and untaxed profits. In other words, we may not have had a deficit last year if taxes had been paid on all these illegal profits.

All of this money has had a tremendous inflationary impact on the economy of several regions of the country, especially Florida, Texas and the Southwest areas bordering Mexico.

I know I do not have to explain that to the Presiding Officer today because I know she is very familiar with the pervasive effect of this traffic on the State of Florida.

Even my homestate of Georgia has experienced an increase in narcotics trafficking, for as enforcement authorities have cracked down on smuggling into Florida from South America, many traffickers have moved their operations northward.

The permanent subcommittee explored this problem extensively, and in December of 1979 we conducted very thorough hearings on "Illegal Narcotics Profits." We issued a comprehensive report on this investigation in August 1980 (Senate report No. 96-887).

It has long been recognized that financial investigations, relying on financial and tax records, are one of the most effective tools in piercing the veil of secrecy that protects those at the top of any organized crime ring—be it a drug smuggling operation or a traditional organized crime family.

Indeed, it was the ability of the Internal Revenue Service to conduct sophisticated financial investigations that sent such notorious mobsters as Al Capone and Frank Costello to jail on income tax evasion charges when other agencies were unable to gather enough evidence of nontax crimes to have them indicted; much less convicted.

We found, however, that even though organized crime and narcotics trafficking have become bigger and more sophisticated than ever before, the one law enforcement agency that the kingpin criminals fear most—the IRS—had withdrawn from the fray.

Prosecutors and others involved in Federal law enforcement testified before our subcommittee that they were hindered in doing financial investigations by the reluctance of IRS to lend them a hand in attacking those who call the shots in organized crime and narcotics trifficking.

We found that there were two prime reasons for this withdrawal by the IRS. One was the disclosure provision of the Tax Reform Act of 1976. The other was a general attitude on the part of IRS officials that the agency only should collect taxes and not serve in any capacity as a nontax law enforcement agency.

THE TAX REFORM ACT OF 1976

The disclosure provisions of the Tax Reform Act of 1976 are found in section 6103 of the Internal Revenue Code of 1954 (26 U.S.C. 6103). They were enacted in the dying days of the 94th Congress and were intended to avoid future abuses of a "Watergate" nature.

The Tax Reform Act made tax returns and most other information gathered by the IRS confidential and subject to disclosure by IRS only in accordance with very strict procedures. These procedures apply across the board and govern disclosure to all Federal agencies. They are so sweeping that they can be compared to the use of a sledge hammer to kill an ant.

IRS agents are forbidden to disclose, on their own initiative, any tax return or "tax return information," which is any information they gather in connection with a tax return, or "taxpayer return information," which is any information they obtain from a taxpayer or his representative, such as his attorney or accountant.

As a result, there is very little criminal information exchanged today between IRS and other Federal law enforcement agencies. IRS turned over an average of just 32 pieces of criminal evidence per year during 1977, 1978, and 1979. DEA officials testified at our hearings that they received no nontax criminal evidence over that same period.

THE "CATCH 22"

It is possible, of course, for other agencies to obtain tax returns and other IRS-gathered information under section 6103. However, they must apply for a court order in order to get tax returns, and they must make written requests to obtain other IRS information about nontax crimes such as forgery, bribery, or narcotics violations that comes from sources other than tax returns.

In either situation, the requesting agency must describe the information it seeks to obtain.

The court order and written request requirements have created a "Catch 22" situation. Since IRS agents are forbidden to tell the other agencies of the criminal evidence they gather, it is virtually impossible for these other agencies even to know that such information exists, much less to describe that information with such particularity that they can satisfy the requirements for a court order or written request.

In other words, section 6103 requires federal investigative agencies to go through elaborate request procedures to obtain information that they may not even know that IRS has.

This "Catch 22" situation has made it all but impossible for the FBI, DEA, and other agencies to receive the necessary information and cooperation from the IRS.

IRS ATTITUDE

Section 6103 is only a part of the reason why IRS dropped out of the cooperative law enforcement community. Another part is the attitude of the top officials of the IRS and the policies and procedures they adopted in interpreting and applying section 6103.

Between 1974 and 1980, a series of IRS commissioners and their top aides took the view that IRS should stick to "tax administration"—by which they meant tax collection and only tax collection—and out of the general law enforcement arena.

They said that paying attention to ordinary taxpayers was a better way of keeping the voluntary tax collection system working than was cracking down on organized criminals who pay no taxes on their tremendous ill-gotten gains.

In our report on "illegal narcotics profits," the Permanent Subcommittee on Investigations differed with that view of tax administration.

Obviously, IRS must be aggressive in collecting the Nation's taxes, but we understand the skepticism of a small town waitress who is caught for underreporting her tips when organized crime millionaires escape without reporting a cent of their illegal income.

Our subcommittee concluded that if the average taxpayer knows that IRS can successfully collect taxes from the mob, he is a lot more likely to ante up his fair share—if for no other reason than the fear of being caught.

When he sees a drug pusher prosecuted as the result of work by the IRS, he is likely to have confidence in our voluntary tax collection system and feel that his taxes are being well spent, especially on law enforcement. On the other hand, if he sees criminals getting away with tax evasion on top of murder and extortion, his natural skepticism toward our tax policy will increase.

IRS' recent emphasis on ordinary taxpayers has not increased voluntary compliance with the tax laws. In fact, statistics compiled by both the IRS and the General Accounting Office indicate that voluntary compliance with the tax laws actually has decreased since passage of the Tax Reform Act of 1976 and the subsequent withdrawal of IRS from cooperative law enforcement efforts aimed at big-time criminals.

The GAO's findings also refute the contention that voluntary compliance is

in direct proportion to the degree of confidentiality of tax return information. If that is so, then the total confidentiality of the Tax Reform Act would have resulted in total compliance. Obviously, it has not.

Other statistics indicated the extent of IRS' withdrawal: Between 1974 and the first 9 months of 1978, the number of organized crime cases which originated from IRS-developed tax information dropped from 620 to just 221.

Partially as a result of our subcommittee's work, the Carter administration ordered IRS to step up its investigations of suspected narcotics dealers and organized criminals. IRS has devoted more of its resources to these efforts, and it has adjusted some of its policies and interpretations with respect to the disclosure of nontax criminal evidence obtained by its agents.

These are steps in the right direction; however, we still need to fine-tune the Tax Reform Act of 1976 in order to remove some serious and unnecessary roadblocks to IRS active participation in Federal law enforcement.

DISCLOSURE AMENDMENTS

Madam President, our amendment will not scrap the privacy safeguards which were written into the Tax Reform Act, but it will strike a balance so that IRS can and will again cooperate with Federal prosecutors, to whom no documented abuse of tax information has been attributed.

I want to emphasize that, Madam President, because every taxpayer will be much better protected as to privacy than they were before the 1976 act.

Let me try to dispel some of the unfounded fears of our disclosure amendment by explaining how its provisions will protect the privacy of tax returns and other information supplied to IRS. I am sure that once these provisions are understood—and I admit this is an intricate, sometimes confusing area of the law—they will be accurately seen for their privacy merits as well as their attempt to improve law enforcement.

Let us look at the types of information that could be disclosed only by ex parte court order, just as under existing law. This includes individual tax returns and all supporting attachments, such as W–2 forms, lists of donations to charitable and nonprofit organizations, and various other schedules.

It also includes the returns and supporting documentation of small, closely held corporations, partnerships, associations, unions or other entities consisting of no more than two owners or members. In other words, the tax and supporting records of these organizations—in which there is a privacy expectation because they usually are closely owned by only two family members or friends—will be protected just as they are today.

On the other hand, information gathered from other sources, such as from larger corporations or from third parties, such as banks, would not have the same degree of protection. The courts have consistently held that corporate information does not enjoy the same constitutional protections as individual information; nor is there the same practical privacy expectation in corporate records, simply because of the number of people in most corporations who have access to that information. We really cannot expect the same degree of privacy for information about us that is maintained by third parties as we do for information that is in our own possession.

Madam President, the fact of the matter is that other Government agencies, such as the Securities and Exchange Commission and the Department of Labor, have access to similar information concerning entities, but those agencies, unlike IRS, have no disclosure prohibitions to interfere with their referring criminal information to the Justice Department, which they do on a regular basis.

In order to obtain an ex parte order, under this amendment, Justice Department attorneys would have to present information believed to be reliable that establishes reasonable cause to believe that a specific criminal act has been committed. Those attorneys would have to certify that the information is sought exclusively for use in a Federal criminal investigation or proceeding, and they would have to establish to the satisfaction of a district judge or magistrate that there is reasonable cause to believe that the information may be relevant to a matter relating to the commission of the criminal act.

These are essentially the same standards that must be met under Federal law in order for authorities to wiretap our telephones or put listening devices in our homes and offices. It seems to me that if these standards are sufficient to protect the privacy of our most personal conversations, they also are sufficient to protect our tax information.

In other words, Madam President, our disclosure amendment is laden with safeguards for the privacy of all information we can reasonably expect to keep private. There will be no wholesale scrapping of privacy here. There will be no "sell-out" to a few law enforcement authorities who might like to see their work made easier. There certainly will be no attempt here to create a breeding ground for a repeat of the so-called Watergate abuses. And there certainly will be no "meat-ax" attempt to butcher the Tax Reform Act.

On the other hand, we believe we offer a very balanced, well-thought-out effort to fine-tune section 6103 of the Internal Revenue Code, which, as the record clearly indicates, needs to be done.

These amendments are the product of 2 years' hard work on the part of several congressional subcommittees, the Justice Department, and the IRS itself. They have been developed in the broad daylight with the views of all sides considered.

No one who is concerned about the privacy of tax returns or a repetition of the abuses of tax information should fear this amendment. Hard-working, law-abiding taxpayers can rest assured that the information they supply IRS will remain within that agency where it belongs.

The only people that need fear this legislation are narcotics traffickers and organized crime figures and white-collar criminals who are contributing to inflation and who are cheating other taxpayers by not paying their fair share.

Madam President, this amendment would give no additional power or abilities to IRS to gather information about ordinary taxpayers.

The ordinary citizen is and always has been handled "in-house" by the IRS with no need for cooperation with the FBI or DEA. On the other hand, criminal tax evaders, who earn their money by participating in a life of crime, receive different treatment by IRS. In cases where criminal ventures generate profits, IRS must have the capability to cooperate with and exchange information with the Federal investigative and prosecutive agencies.

It is in this very small area—criminal tax evaders—that we seek our primary change so that IRS and other Federal law enforcement agencies can work even more effectively together against these criminals than they can today. As it now stands, the Tax Reform Act makes it much easier for IRS to go after the average taxpayer than the criminal. This is a complete reversal of the societal priorities that we should be encouraging.

CIVIL DAMAGE PROVISIONS

Madam President, the Tax Reform Act of 1976 contains severe criminal and civil penalties for persons who disclose tax returns or related information in violation of the act.

The civil damage provision (26 U.S.C. 7217) makes any person who willfully or negligently discloses a tax return or tax return information in violation of the act personally liable for civil damages in a suit brought against him by the taxpayer.

Existing law provides that there is no civil liability for disclosures which result from good faith, but wrong, interpretations of the act.

Our proposed change to section 7217 provides that the Government will be liable for damages awarded against a Federal official or employee so long as the disclosure occurred within the scope of his employment and was not done corruptly, maliciously, in return for anything of value, or willfully in violation of the disclosure provisions of the act.

We do not believe that IRS agents should be personally liable for damages arising out of disclosures which are not done with wrongful intent, and our proposal spells this out.

CRIMINAL PENALTIES

The criminal penalties of the Tax Reform Act, 26 U.S.C. 7213, make it a felony to willfully disclose tax returns or tax return information in violation of the act. Persons found guilty can be fined up to $5,000 or sentenced to jail for up to 5 years, or both, and assessed the costs of prosecution.

Under existing law, there is no defense available for good faith but wrong interpretations of the disclosure provisions. As a result, IRS agents testified before our subcommittee, they will always stay on the safe side of the law and not disclose any IRS information to other agencies except in the most serious situa-

tions. The disclosure provisions are not always easy to interpret in every situation when an IRS agent comes across evidence of a nontax crime. In fact, even though IRS has issued a number of "clarifying" interpretations and instructions, its agents testified that they never could be sure if they were violating the act when they disclosed information. In fact, IRS' own legal counsel had difficulty interpreting the provisions when asked questions at our hearings.

In order to ease the minds of IRS agents and to encourage them to report nonreturn information to possible crimes, we propose that an affirmative defense provision be added to the criminal penalty section to relieve them of criminal liability when they can establish that they made the disclosure based on a good faith, though erroneous, interpretation of the disclosure provisions.

CONCLUSION

Madam President, for generations the Internal Revenue Service led the way in this Nation's battle against organized crime and narcotics trafficking, but since 1977 it has hidden behind the disclosure provisions of the Tax Reform Act to stay out of the fray.

It is now time for us to decide that IRS shall become once again the effective force for justice that it was in the days of bootleggers and rumrunners. Our proposals will send IRS a clear and unmistakable signal that it should do just that.

We have spent many long hours in drafting what we feel is a very well-reasoned amendment. We will retain very important privacy safeguards that will prevent any repetition of Watergate-type abuses. At the same time, we put a duty on IRS to cooperate once again with the fight against the ever-increasing organized crime and narcotics problems facing the Nation.

Five years of inactivity by this once effective law enforcement agency is enough. It is time to act.

Madam President, a full section-by-section analysis of this amendment and a comparison of it to existing law may be found at page 4514 of the March 17, 1981, CONGRESSIONAL RECORD.

For the benefit of Members, I ask unanimous consent to have the same section-by-section analysis printed in the RECORD today.

There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

SECTION-BY-SECTION SUMMARY OF PROPOSED AMENDMENTS TO 26 U.S.C. 6103, 26 U.S.C. 7213, AND 26 U.S.C. 7217

This bill would streamline and clarify provisions of the Internal Revenue Code governing access to tax information for use in non-tax criminal investigations and prosecutions. The bill combines the salient features of Senate-initiated proposals and those developed by the Carter administration. This compromise measure is based on more than eight months of study and hearings by four Congressional committees. Generally, the bill would clarify ambiguities in existing law, refine needlessly cumbersome procedures, and distinguish between privacy rights of individuals as contrasted with those of legal entities such as corporations. The modest changes proposed would substantially assist federal law enforcement authorities in combatting narcotics trafficking, organized crime and white-collar offenses involving large sums of money. At the same time, the bill preserves the safeguards for taxpayer privacy established in 1976.

Definitions of Protected Information [26 U.S.C. 6103(b)(1-3)]:

Existing law uses a baffling series of four terms to describe information held by IRS, i.e., "returns," "return information," "taxpayer return information," and "return information other than taxpayer return information." S. 2402 would clarify the law by adopting a workable two-part definitional structure.

Section 1. The new § 6103(b)(1) would describe the first category of protected tax information, "return information," which includes (A) returns of all taxpayers and (B) underlying records and information submitted by or on behalf of "individual taxpayers," to support the filing of a tax return.

Section 2. The second category of information held by IRS, "non-return information," is defined to encompass all information held by IRS not covered by the definition of "return information."

Section 3. The bill defines the term "individual taxpayers" as an individual or a legal entity with no more than two owners, shareholders, or members, such as a small, family-owned business.

Taken together, these three definitions simplify existing law by reducing the number of categories of information from four to two; moreover, the two new categories of information conform to the methods of obtaining access: "return information" requires a court order while "non-return information" may be obtained pursuant to a formal law enforcement request under (i)(2) or pursuant to a report of crime under (i)(3). The only substantive change made by the revised definitional structure is that the books and record of legal entities, such as banks and corporations, are made available under (i)(2) or (i)(3); they are now available only under (i)(1), as are books and records of individuals.

The rationale for the distinction is that natural persons have greater privacy rights than do corporations or other entities. A similar distinction is made in the Privacy Act of 1974 (5 U.S.C. 552a) and the Financial Privacy Act of 1978 (12 U.S.C. 3401-3422), neither of which applies to corporate records. Moreover, records of corporations and other entities are normally subject to inspection by shareholders and others with an interest in the entity, as well as federal, state and local authorities; individual books and records are not. Furthermore, books and records of legal entities are normally maintained for purposes other than tax requirements; individual books and records are frequently maintained solely to comply with tax laws. Finally, the Fifth Amendment privilege against self-incrimination does not extend to legal entities.

For these reasons, S. 2402 accords a higher degree of protection to underlying books and records of individuals than to those of legal entities. Because legal entities comprised of only two persons, such as small, closely held businesses, are usually the alter ego of an individual, they are treated as individuals. Again, it should be noted that all tax returns are accorded the higher degree of protection without regard to the nature of the taxpayer; the distinction between individuals and entities applies only to underlying information, primarily financial books and records.

Disclosure Pursuant to Court Order [26 U.S.C. 6103(i)(1)]:

Section 4, Part 1. The revised § 6103(i)(1) preserves the structure of the existing court order provision. The modifications are intended only to clarify existing law and to make the literal terms of the statute comply with actual practice.

For example, the standards in existing (i)(1), if read literally require a factual showing that cannot be made unless the prosecutor seeking access is already in possession of the information sought. Courts have interpreted this language in a commonsense fashion to require proof only of those facts a federal prosecutor can realistically be expected to demonstrate: that there is reasonable cause to believe a specific federal crime has occurred or is occurring, that there is reasonable cause to believe tax information is relevant to that offense, and that the information will be used exclusively for investigation and prosecution of that offense. S. 2402 would substitute these standards for those of existing law. Because this merely codifies present practice, it has no practical effect on taxpayer privacy or tax administration. It does, however, reduce the potential for widely varying judicial results and the extreme chilling effect that the unrealistic language of current law has on federal prosecutors who need tax information for legitimate law enforcement purposes.

The proposed standard is more reasonable, with the added safeguard of prosecutorial intervention. The main criticism of the present standard was that it was impossible to meet. Therefore, no one used it. Also, the proposed would eliminate the third requirement that the Government prove the financial information cannot be obtained from any other source. The fact is that the financial information is "available" elsewhere, but the Government would have to completely reconstruct a taxpayer's bank records to duplicate the information on the return. This third requirement of the present act also requires the Government to prove that the tax return was the most probative evidence of the crime to be proven. Since this section deals only with non-tax crimes, the tax return itself would never be the most probative evidence of the crime. Only the actual financial records would qualify. Thus an impossible standard would be deleted.

The new (i)(1) modifies the class of federal officials who may authorize an application for a court order. Existing law requires all such applications to be routed through Washington for approval before being presented to the court, a requirement which results in substantial delay and paperwork. The new (i)(1)(B) would permit United States Attorneys and Attorneys-in-Charge of Organized Crime Strike Forces in the field to present applications directly to the appropriate federal court for consideration.

S. 2402 would delete the authority currently possessed by all heads of federal agencies to approve (i)(1) applications, thereby centralizing application authority in a single agency, the Department of Justice, where it can be more effectively coordinated. Since 1978, only five applications for (i)(1) orders have been signed by non-Justice Department entities; this change will not, therefore, adversely affect federal agencies.

The revised (i)(1)(D) also clarifies existing law by explicitly providing that redisclosure can be made to those support personnel necessary to prepare for a criminal prosecution. This would not change existing practice.

Finally, the new (i)(1) provides that court orders may be granted by U.S. Magistrates as well as U.S. District Judges. Magistrates are now authorized to grant analogous applications such as those for search and arrest warrants.

Disclosure Pursuant to Formal Law Enforcement Request [26 U.S.C. 6103(i)(2)]:

Section 4, Part 2. The revised § 6103(i)(2) clarifies existing law governing requests for non-return information. As amended, (i)(2) would permit requests to be made by Justice Department officials in the field, as designated by the Attorney General, to avoid the necessity of routing all requests through

Washington. It is anticipated that the Attorney General would authorize Assistant United States Attorneys and supervisory-level officials of investigative agencies to request non-return information, i.e., officials not directly involved in an investigation. In addition to the heads of agencies now authorized to request (i)(2) information, S. 2402 would grant similar authority to the fifteen Inspectors General whose mandate is to combat fraud, waste and abuse in federal programs.

The new (i)(2)(C) also authorizes these federal law enforcement officials to inquire whether a taxpayer filed a return for a given year and whether there is or has been a criminal investigation of the taxpayer. This will help avoid the waste of resources which has occurred where a court order is sought and obtained only to find that the taxpayer did not file a return for the year in question.

Finally, the revised (i)(2) would modify the factual showing required to support a disclosure of non-return information by substituting "the allegation of criminal conduct giving rise to the proceeding or investigation" for "the specific reason or reasons why such disclosure is or may be material to the proceeding or investigation." Like the (i)(1) court order requirement, a prosecutor cannot show the materiality of tax information to a case without access to the information sought.

IRS initiated Disclosure [26 U.S.C. 6103 (i)(3)]:

Section 4, Part 3. S. 2402 proposes two improvements to the procedure by which IRS initiates reports of non-tax crime to law enforcement authorities. First, the new § 6103(i)(3) would make such reports mandatory rather than discretionary. Second, the new (i)(3)(B) provides that when the IRS refers a tax case to the Department of Justice, it must also refer any evidence it has of non-tax crimes committed by the taxpayer. The purpose of the non-disclosure rule is to encourage taxpayers to report their incomes fully and honestly; taxpayers who evade taxes should not benefit from a policy enacted to encourage honest reporting. The proposed section requires the IRS to disclose criminal information it uncovers except return information. Under the present act, IRS is not required to disclose the information [and the evidence at PSI's hearing disclosed that they do not]. This section eliminates the Catch-22 situation of requiring an agency to request information without ever knowing what information exists. It also requires IRS to alert the Justice Department to criminal information.

Admissibility of Tax Information [26 U.S.C. 6103(i)(4)]:

Section 4, Part 4. Finally, section 4 of the compromise bill would amend (i)(4) of § 6103 to provide that tax information is admissible in judicial and administrative proceedings like other evidence rather than pursuant to special rules. The bill also clarifies the tax information is admissible in proceedings "ancillary" to criminal proceedings, i.e., those arising from the same course of conduct and involving the same parties. Civil proceedings ancillary to criminal proceedings include civil forfeiture or damage actions which may be pursued in addition to or in lieu of criminal prosecution.

The amendments to (i)(4) also clarify that tax information may be disclosed to a defendant pursuant to the Jencks Act, discovery provisions of the Federal Rules of Criminal Procedure or other discovery requirements. This explicitly protests a defendant's Due Process rights and is consistent with current practice.

EMERGENCY DISCLOSURE

Section 5, Part 1. S. 2402 would add three new paragraphs to § 6103(i). The new paragraph (i)(5) would permit IRS, in its discretion, to report to the appropriate federal agency any circumstances involving an imminent danger of physical injury to any person, serious property damage or flight from prosecution. This authority for disclosure in rare emergency situations is patterned on the similar provisions of the Financial Privacy Act of 1978 (12 U.S.C. 3414 (b)) and, like the Financial Privacy Act, requires that all such disclosures be reported promptly to the appropriate federal district court.

JOINT INVESTIGATIONS

Section 5, Part 2. The new (i)(6) merely states that §6103 does not preclude or prevent IRS from assisting or working jointly with federal law enforcement agencies in the investigation of non-tax crimes which may involve violations of federal tax laws. This does not change current law, but clarifies the law which now discourages such cooperation by the vague and uncertain language in the act.

DISCLOSURE TO STATE AND LOCAL AUTHORITIES

Section 5, Part 3. S. 2402 also proposes a new (i)(7) authorizing carefully limited redisclosure of tax information to State and local law enforcement authorities. This limited redisclosure would be permitted only as to information already obtained by federal law enforcement officials for a federal non-tax criminal investigation. If such information reflects a State felony violation, the federal official obtaining access would be authorized to go back to court and seek an order authorizing redisclosure to the appropriate State attorney general or district attorney exclusively for use in the investigation or prosecution of that State felony violation. Like other persons receiving tax information, the State attorneys general and district attorneys receiving tax information under (i)(7) would be subject to civil and criminal sanctions for any unauthorized use.

DISCLOSURE PURSUANT TO MUTUAL ASSISTANCE TREATIES

Section 6. S. 2402 would amend § 6103(k)(4) to permit disclosures to foreign governments pursuant to mutual assistance treaties for use in nontax criminal matters such as narcotics trafficking, thereby making it possible for federal officials to obtain reciprocal disclosure of foreign tax information. Such treaties, of course, must be ratified by the Senate. To further regulate this foreign access to tax information, the amended (k)(4) would require entry of an order by a U.S. district court, similar to that required by § 6103(i)(1), before a disclosure could be made. Paragraph (k)(4) presently authorizes similar disclosures to foreign governments for tax use pursuant to international tax conventions.

CRIMINAL PENALTIES

Section 7 would amend the criminal provision of the Internal Revenue Code, 26 U.S.C. 7213, to create an affirmative defense to prosecution where the disclosure of tax information in question was made pursuant to a good faith but erroneous interpretation of the law.

The new subsection would make it clear to federal employees that they need not fear criminal prosecution if they proceed reasonably and in good faith. Actually, this makes no practical change in existing law which requires a "willful" violation to sustain a conviction. It would, however, reduce the extreme chilling effect which present law has on legitimate disclosures.

CIVIL REMEDY

Section 8 would amend the civil remedy section of the Internal Revenue Code, 26 U.S.C. 7217, to make federal agencies, rather than individual federal employees, the defendants in suits alleging unauthorized disclosures of tax information. This change would conform § 7217 to the Financial Privacy Act of 1978 (12 U.S.C. 3417) and the Administration's proposed Tort Claims Act amendments.

Under present law, civil suits may be filed against both the federal agency and the employee involved. This creates a potential conflict of interest requiring retention of private counsel to represent the employee. Moreover, it is unduly harsh to place federal employees who work with tax information regularly in the position of risking financial ruin daily for any mistaken disclosure.

Of course, federal employees would continue to be subject to administrative sanctions, including dismissal, for any negligent disclosure as well as criminal prosecution for any willful, corrupt or malicious abuse of tax information.

CONFORMING AMENDMENT

Section 9. The final section of the compromise bill is a technical conforming amendment to make the remaining provisions of § 6103 consistent with the new two-part definition of tax-related data held by IRS.

Mr. NUNN. Madam President, I see the Senator from Florida in the Chamber. He has worked for hundreds of hours on this amendment. He has been in all the hearings, has heard about the terrible problems in his own State firsthand. He knows about them. He is an equal cosponsor of this amendment. I yield him such time as he may desire.

Mr. CHILES. Mr. President, I thank the distinguished Senator from Georgia, my colleague. I associate myself with the remarks he has made.

I am pleased to join Senator NUNN in sponsoring this amendment, which seeks to return the Internal Revenue Service to its former role as a full-fledged partner in the Federal law enforcement effort. If we are serious about fighting organized crime, particularly the sophisticated and well-financed narcotics traffickers, it is essential that the IRS actively and aggressively participate. In recent years, this has not been the case. Part of the reason for IRS's noninvolvement is the disclosure provisions enacted in the Tax Reform Act of 1976. The measure we are proposing today aims to remove the statutory restrictions that have hamstrung the IRS, while maintaining adequate safeguards to protect the privacy of individual tax returns.

The failure of the IRS to join in nontax law enforcement efforts and the crippling effects of this nonparticipation were graphically illustrated in a series of hearings by the Permanent Subcommittee on Investigations concerning illegal narcotics profits and in a hearing on the IRS which I chaired for the Appropriations Subcommittee on Treasury, Postal Service, and General Government. As we examined the illegal drug trade and its unchecked growth, it was apparent the resources of the IRS are sorely missed. Equally apparent was the unique and indispensable function the IRS can perform in identifying and immobilizing narcotics traffickers.

Madam President, I am vitally concerned that the staggering growth in the drug trade be stopped. I am alarmed just as any citizen should be, but the problem takes on a special significance for me since my State is on the cutting edge in the drug war. Florida is where the smugglers land and the murders occur and the illicit dollars buy everything in sight. Florida is now where the TV news shows

go to portray the violence and huge profits of organized crime. Florida is now the subject of magazine articles with titles like "Miami's Murderous Drug War." My State has been invaded by the traffickers, the hoodlums, and the hired killers and I do not like it one bit.

Madam President, the locale may be Florida but the problem is a truly national one. If the flow of narcotics is not stopped and the drug smuggling rings are not smashed, then no one in this country is safe from the specter of illicit drugs in their community and even in their family. As the drugs flood this country in ever greater amounts, there is no segment of society, no income level, no age group that is immune. If we do not step out of complacency and commit every resource to this battle, then each of us must be ready to face the price of defeat.

It is difficult to look at the immense scope of the drug trade and the formidable task of containing it and then attempt to talk of a solution. Obviously there is no one solution. There is no single step we can take that will assure success. Rather, the point is we should be taking every step possible that promises to improve our drug law enforcement capacity. Getting the IRS, with its unique capability to pierce the financial transactions of the big-time drug dealers, back into the act is one action we should take right away. To accomplish this, we must undo those restrictions which have prevented the IRS from playing an effective role in drug law enforcement.

In the Tax Reform Act of 1976, Congress took necessary steps, in light of the Watergate disclosures, to insure the privacy of tax returns. However, the unintended effect of these provisions has been to severely limit the cooperation of the IRS with the Justice Department and thus greatly hamper Federal narcotics investigative efforts. The General Accounting Office has pointed out that the financial expertise and knowledge of money flow, which only IRS possesses, is vital in pursuing major narcotics traffickers. Former Attorney General Benjamin Civiletti, in delivering the Alfred P. Murrah lecture on the administration of justice, "Post-Watergate Legislation in Retrospect," stated:

> Before the Tax Reform Act of 1976, financial information in the possession of the Internal Revenue Service—information filed by taxpayers as well as information collected by the service in the course of its audits and investigations—was an important resource for criminal investigators and prosecutors in the Justice Department. Money is the medium in which most crimes are transacted, and this is especially true of the Federal crimes that merit the greater part of our investigatory effort—organized crime, and white collar crime and narcotics trafficking. Before the Tax Reform Act of 1976, financial information in the possession of the Internal Revenue Service helped us to piece together and prove in court the paper trials—the illicit financial transactions—that are characteristic of these crimes. Moreover, the skilled personnel of the Internal Revenue Service were and still are the best and most numerous financial investigators in the Federal Government, and before the Tax Reform Act of 1976 we relied upon them heavily to unravel the complex transactions that conceal both tax and nontax crime. But the disclosure restrictions imposed by the Tax Reform Act of 1976 have limited our access both to the financial information in the possession of the IRS and to the assistance of these experts.

The task of pursuing and prosecuting the drug smuggler is difficult enough without first having to face the challenge of penetrating what Attorney General Civiletti characterized as the "Wall of Secrecy" between the IRS and the Department of Justice.

As a result of the Tax Reform Act and its implementation by the Internal Revenue Service, a number of negative effects from an enforcement standpoint have developed.

The IRS is now unable to adequately advise other Federal agencies of the cases it is working on, thus precluding close coordination and encouraging needless duplication of effort.

It has become unreasonably difficult for prosecutors and investigators from other agencies to obtain financial information held by the IRS that would significantly assist in the prosecution of major criminals.

It is extremely difficult for the IRS to provide prosecutors or other Federal investigative agencies evidence concerning nontax criminal violations which the service obtains in the normal course of its investigations.

In those relatively few instances when other agencies are able to work with the IRS, the time delays involved often undermine the benefits to be derived.

Perhaps the ludicrousness of the entire situation is best summed up by GAO's report that the IRS had literally a file drawer full of evidence of serious Federal nontax crimes which the Service had uncovered but which the statute prevents from being transmitted to Justice for investigation and prosecution.

The thrust of the legislation we are introducing is to remove the unnecessary impediments to effective law enforcement while protecting legitimate taxpayer privacy interests. This measure, similar to legislation we proposed in the previous Congress, has been refined and clarified, taking into account testimony received in both House and Senate hearings and input from the Carter administration. Our approach fully recognizes the primary function of the IRS, namely, to collect taxes, and the need of the American citizen to be assured of the confidentiality of his or her tax return.

This amendment will allow the Justice Department access to tax information if such information is material to a lawful investigation. It will continue the important protection that a judge or magistrate review the legitimacy of such requests, but will eliminate the current "Catch 22" situation in which the only way the Justice Department can gain access to such information is to prove that they already know what the information will show.

The amendment provides that disclosure of information will be done in a timely fashion so as to end the delays that in the past have jeopardized criminal trials.

It mandates that the Internal Revenue Service has an affirmative duty to report to law enforcement agencies evidence of crime derived from information falling within one of the nonprotected categories.

Finally, the amendment makes it clear that the IRS is free to work jointly with other Government agencies in combating crime.

If the growth of drug trafficking is such a threat to this Nation, as I am convinced it is, and if we are to reverse our current failure to contain the drug trade, there can be no higher priority than insuring that the full resources of the Federal Government are dedicated to combating this problem. With its unique capabilities and information, it is vital that the IRS be a full partner in the drug law enforcement effort. Redirecting the IRS to this task is something we can do right now that will materially improve our ability to fight the big-time drug operators.

We have had hearings on this approach in three committees. It is time to act. I urge my colleagues to adopt this amendment.

Madam President, I say to my colleagues that we have held three hearings, specifically on this matter, taken all manner of testimony, listened to all kinds of witnesses. This matter has been debated on the floor on two occasions. I think what it boils down to, as I see it, is: Are we serious about law enforcement and are we really going to try to do something to win the battle against organized crime and drug pushers, especially the drug kingpins? Are we serious about that?

If we are, obviously, we have to do something to get the Internal Revenue Service back into the fray. One of the most meaningful things we can do is the amendment that we have before us.

It is obvious, Madam President, that this amendment does protect a taxpayer's legitimate right to privacy. There is not going to be any political use made of this by a vengeful Chief Executive. We are maintaining the same protections as if we were going to place a wiretap. We would have to have a hearing before a Federal judge and explain why it is necessary to make the wiretap. If, getting that information, the judge approved, then we could impose that wiretap. What we are talking about here is information which could be released only if there is a hearing and the Federal judge looks to the protection of that information; that certainly is going to protect the privacy of the taxpayer.

As the distinguished occupant of the chair knows, in our State, we are overrun with drug traffickers. We are not going to catch these people, especially at the top, in the actual delivery of the drugs. We are not going to catch them in the sale of the drugs, because they insulate themselves with so many soldiers that they are protected. The one thing they are in it for is the money and the one way we can catch them is to trace the money. The best people we have in this country to trace money are in the IRS. They can smell money in its faintest odor. We all know that from our individual experiences with them in tax returns.

With regard to these people who should be targeted and who we should go after, this act has prevented it. We have prevented ourselves from having the skills of these trained people. The net result is that the people at the top, whether they be organized crime figures or a drug baron are simply escaping prosecution. That is something we cannot allow to continue. If we are going to put the heat on and really try to do something about organized crime and drugs, we have to be able to make these cases against the people at the top. Those are conspiracy cases, they are the paper trail, they are the tracing money cases. We will get that information if we get the Internal Revenue Service working in that regard.

Madam President, I associate myself with the Senator from Georgia and many others on both sides of the aisle who have joined in this amendment. I think it will be one of the strongest steps we can take in saying that we are serious; that we are going to take away the initiative from the drug barons and that we are going to do something about reversing the clear advantage that they now have. I urge the Senate to adopt this amendment.

Mr. HARRY F. BYRD, JR. Will the Senator from Florida or the Senator from Georgia yield for a question?

Mr. NUNN. I am happy to yield.

Mr. HARRY F. BYRD, JR. Does the Senator from Virginia understand the pending amendment correctly in this respect, that before any tax return can be released by the Department of Justice, a court order signed by a Federal judge must be obtained?

Mr. NUNN. The Senator is entirely correct.

Mr. WEICKER. Will the Senator yield on the answer to that question?

Mr. HARRY F. BYRD, JR. Yes.

Mr. WEICKER. Individual returns would require a court order. The Senator's amendment, as I understand it, does not apply to corporate returns.

Mr. NUNN. The Senator from Connecticut is not correct on that point. The amendment provides that all tax returns have to be turned over only by court order, including corporations, including the biggest corporations. The distinction is between books and records. Individual books and records also require a court order, but corporate books and records do not have to have a court order.

Mr. WEICKER. The Senator is correct.

Mr. NUNN. But they also have to have a written request, so that there is a written track record of the information turned over. The distinction is between an individual and a corporation.

Mr. HARRY F. BYRD, JR. Would the tax return of a corporation require a court order?

Mr. NUNN. It would require a court order.

Madam President, how much time have I used?

The PRESIDING OFFICER. The Senator has used 14½ minutes.

Mr. NUNN. I yield to my colleague from Georgia. I am proud that he is a cosponsor of this amendment. He has voiced his concern for several years about narcotics traffic. He lives in a coastal area of our State, and he is familiar with the problems in Georgia and Florida.

I yield my colleague 3 minutes.

Mr. MATTINGLY. I thank the Senator from Georgia.

Madam President, I am happy to support and add my name as a cosponsor to the Nunn-Chiles amendment to House Joint Resolution 266, the comprehensive tax reduction package, to amend the provisions of the Tax Reform Act of 1976 which govern the disclosure of information by the Internal Revenue Service. This amendment, by removing certain procedural roadblocks which have effectively taken the Internal Revenue Service out of cooperative, nontax criminal law enforcement efforts, would substantially improve Federal law enforcement.

Certainly, no one can disagree that crime is running rampant in our society today. This is a serious problem which affects us all and one to which we must seriously address ourselves. With the exception of legislation to prevent our economic bankruptcy, there is no single issue which deserves quicker and more comprehensive consideration than does legislation aimed at abating criminal activities.

I commend Senator NUNN for his efforts to bring before Congress legislation aimed at reducing crime. Certainly, efforts like the Nunn-Chiles amendment will go far toward resolving some of the many problems which threaten our existence.

Being from the coastal area of Georgia where the problem of drug traffic is alarming, I support legislative efforts to short circuit the activities of drug smugglers, who in the past have too frequently used governmental loopholes to their advantage. With enactment of this amendment, the only revenue loss would be to organized criminals and narcotics traffickers.

I am happy to support the Nunn-Chiles amendment and ask my colleagues to do likewise.

Mr. NUNN. I thank my colleague from Georgia for his cosponsorship of this amendment and for his interest in trying to improve our drug enforcement procedures.

Madam President, I yield 3 minutes to the distinguished Senator from New Hampshire, who has had tremendous experience in the law enforcement area. He is vice chairman of the Subcommittee on Investigations. He has spent many years on this subject, involving organized crime and labor racketeering. He is an expert in these areas.

Mr. RUDMAN. I thank the Senator from Georgia.

I wish to say at the outset to my good friend from Connecticut that I have looked very carefully at the hearing record of the measure that the Senator from Connecticut had introduced, and I believe very deeply in all the protections contained within that measure.

I can say that I do not believe that what we are proposing today in any way does violence to the substance or the intent of that legislation.

As one who has been in law enforcement for a number of years, it has always seemed ridiculous to me that the 1976 Tax Reform Act, intentionally or unintentionally, precluded the IRS from sharing information concerning nontax-related criminal activity with the Justice Department and other law enforcement officials. Clearly, the 1976 law was a response to the Nixon administration use of the IRS for improper purposes.

New Hampshire had a similar problem in 1970, one with which I am familiar. I do not believe that the way to remedy those abuses is to adopt so-called safeguards, such as those that were adopted in 1976, which are a complete bar, if you will, to the kind of interchange of information that I believe is necessary to law enforcement.

Under present law, IRS agents are forbidden to tell other agencies of criminal evidence in their possession unless requested, and then only upon a court order. It is beyond my ken to know how we can expect law enforcement agencies to be so bright as to be able to ask for information they do not know exists. I believe that is not reasonable.

The amendment offered by Senator NUNN does not allow the IRS blanket publication privileges. I could not support it if it did. Tax returns and related information will remain confidential unless there is a compelling reason for its disclosure. Under those circumstances, a court hearing will be necessary to determine whether or not the information may be disclosed. This restriction would not relate to the substantial amount of nonreturn information pertaining to criminal activity that the IRS collects each year.

I recall working in 1974 with IRS and strike force personnel in the State of New Hampshire on a drug-related case. The information they shared with us was very important for our eventual prosecution. Once the 1976 law was passed, those channels of communication were closed to us.

I hope that the way this amendment has been carefully drawn will suggest to those who care deeply about civil liberties, as I do, that we are not treading on the rights of law-abiding citizens. We are going to make it easier to prosecute those individuals involved in drug-related crimes, so prevalent in the Southeastern part of our country.

I thank the Senator from Georgia for yielding time.

Mr. NUNN. I ask unanimous consent that the names of the Senator from West Virginia (Mr. RANDOLPH) and the Senator from Nebraska (Mr. ZORINSKY) be added as cosponsors of the amendment.

The PRESIDING OFFICER (Mr. COCHRAN). Without objection, it is so ordered.

Mr. NUNN. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. Nine minutes and ten seconds.

Mr. NUNN. I yield 1 minute to the Senator from Oklahoma, who has been a leader in the fight and is a cosponsor of this amendment.

Mr. BOREN. I thank the Senator from Georgia.

Mr. President, I am happy to join my colleagues in cosponsoring this amendment to the tax bill. I want to commend Senator NUNN for taking the initiative in this area and for shepherding this amendment through all the hearings and revisions over the past several years.

I want to emphasize something that has already been said. This amendment has no revenue impact, but it is an amendment that should be addressed in this bill.

Organized crime and illegal narcotics trafficking has experienced a phenomenal growth over the past 5 years since the IRS has been reluctant to use tax information to help fight these illegal activities. The IRS reluctance to use this information has been the result of interpretations of the Tax Reform Act of 1976. The provisions of this act were enacted with worthy ideals in mind to prevent abuses of privacy that were evident during the Watergate era.

Unfortunately, the Tax Reform Act of 1976 has had the effect of removing the IRS from the fight against nontax criminal activity. This amendment seeks to strike a balance between the still protected rights to privacy and efforts by law enforcement agencies to fight organized crime and narcotics trafficking with tax information. It is important to note that this amendment does not remove privacy safeguards. It only makes easier the proper disclosures of tax information to Federal prosecutors for criminal investigations.

Mr. President, Senate hearings have documented that organized crime and illegal drug trafficking generate literally billions of dollars in unreported income. The Federal Government is losing the tax benefits from all these illegal, untaxed profits. Furthermore, it has been shown that the average taxpayer is more likely to pay his fair share of taxes, if he realizes that the Government is able to collect millions in taxes from organized crime figures.

Our Nation is finally realizing how widespread organized crime has become. We are becoming a fearful Nation, even to the point of literally being hostages in our own homes. We must take effective steps to counteract this growing problem, and adoption of this amendment is a big step in the right direction.

Mr. President, it is time that we once again return the IRS to its effective crime fighting form. The changes we are proposing to the Tax Reform Act of 1976 will still allow for privacy safeguards but will also make it easier for the IRS to provide information in criminal prosecutions.

I am proud to join in this effort with my colleagues. Next to inflation and high interest rates, organized crime is one of our most serious problems and we must begin to address the solutions immediately. I urge the adoption of this amendment.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. NUNN. I yield.

Mr. HARRY F. BYRD, JR. The Senator from New Hampshire used the word "disclosure" and the Senator from Georgia used the word "disclosure." Ordinarily, one associates that with public disclosure. Do I correctly understand that it is not public disclosure, that it is only disclosure to the Department of Justice via the Federal judge?

Mr. NUNN. That is absolutely correct. That is an excellent point. The disclosure is only to the Justice Department.

Mr. President, I yield the floor.

Mr. WEICKER. Mr. President, I oppose the amendment of the distinguished Senator from Georgia, as I have opposed it in the last session of Congress, and as I opposed it earlier in 1979.

I should like to make a few points to some of my colleagues who are cosponsors of this measure.

First of all, let us understand that whatever we do on the floor of the U.S. Senate is not restricted to organized crime and drug traffickers. Those are great buzz words. Whatever we pass here certainly applies to them, but it applies also to ministers, it applies to teachers, it applies to laborers, it applies to Senators, it applies to all of us.

This is not a bill that is geared toward organized crime and drug traffickers. It is general legislation that applies to all citizens of this country.

Indeed, if privacy is to be violated, it is not just the privacy of drug traffickers and organized crime. The privacy of all of us will be whittled away to some degree by this amendment, if it is adopted.

Second, I should like to commend my friend from Georgia and my friend from Florida for the style in which this amendment has been proposed. This not a lameduck session. We are in full cry here, right at the beginning of a session. This is not midnight, which was one of the other times I had to get on my feet and oppose it. This is a perfectly reasonable hour of the day, during a regular session of Congress.

Third, I commend him because it is a lot tighter than the legislation that was defeated last year. There is no question that there is some tightening up. This legislation is a lot tighter than that which I opposed the year earlier.

The arguments have not changed, that is, to fight organized crime and drug trafficking. The arguments have not changed in several years. But, the legislation has been changed; it has been gradually tightened.

So obviously the arguments against the passage of this type of legislation have had their effect and well they should.

My good friend from New Hampshire mentions the fact these were the abuses of the Nixon administration. See what the key word is there—"administration."

Richard Nixon did not go running around town engaging in the types of abuses which we sought to protect the American public against. It was the Justice Department. It was the Internal Revenue Service. It was the Agriculture Department. It was the Department of Commerce. It was these agencies of Government which were abusing the tax privacy of American citizens.

So let us understand that this activity was not geared at some particular individual in the Nation's history but rather against massive institutional abuse which had gone on even prior to Richard Nixon.

The last point that I think is important to be made to my colleagues, and probably the most important, is that the IRS is not a law enforcement agency. It is a revenue collecting agency. And, indeed, in testimony before the Finance Committee chaired by BOB DOLE back in 1976 we had every single Commissioner of Internal Revenue up to that time appear before the committee and every one of them testified that there would be a direct relationship between the amount of moneys collected by IRS and the degree of confidentiality of tax return information. Every single one of them said that the more confidential the information, the greater the revenue collection. The less confidential, the greater the revenues would decline.

The Internal Revenue Service, and I repeat, is not a law enforcement agency. The only laws which it is charged to enforce are the tax laws, period, and that for purpose of collection.

It is not the same as the Federal Bureau of Investigation. It is not the same as the Drug Enforcement Agency. It is not the same as any of the law enforcement agencies. It is a revenue collection agency.

Mr. President, in 1976, Congress enacted strict safeguards to protect the tax privacy rights of Americans. The 96th Congress twice, in December 1979 and December 1980, rejected efforts to weaken these statutory safeguards. Today, the 97th Congress is presented with new legislation incorporating many of the provisions previously debated and rejected in the last Congress. I, therefore, would like to voice once again the concerns I raised with my colleagues in opposing this unwise assault on the rights of privacy of taxpayers.

As this is a new Congress, with new Members, I think it would be appropriate to review the history surrounding this important privacy issue.

The starting point is the fourth amendment to our Constitution. This amendment provides that:

> The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

I am certain that my colleagues are familiar with the amendment. However, how many of my colleagues are aware of the fact that a principal reason for the adoption of this safeguard was the abuse of privacy rights perpetrated by English monarchs in the name of tax collection? These abuses were discussed by Mr. Justice Blackmun in *G. M. Leasing Corporation* v. *United States*, 429 U.S. 338 (1976); he concluded that:

> Indeed, one of the primary evils intended to be eliminated by the Fourth Amendment was the massive intrusion on privacy undertaken in the collection of taxes pursuant to general warrants and writs of assistance. 429 U.S. at 355.

James Madison realized the necessity of placing restrictions on the powers given to the Government for the purpose of collecting taxes. In arguing for the

adoption of the Bill of Rights to restrain the U.S. Government, Madison said:

The General Government has a right to pass all laws which shall be necessary to collect its revenues; the means for enforcing the collection are within the direction of the Legislature: may not general warrants be considered necessary for this purpose, as well as for some purposes which it was supposed at the framing of their constitutions the State Governments had in view? If there was reason for restraining the State Governments from exercising this power, there is like reason for restraining the Federal Government. 1 Annals of Congress, 438 (1834 ed.).

Thus, our Founding Fathers wrote safeguards into the Constitution because they understood that the protection of the basic liberties of our citizens must be founded on law and not on the assurances of Government officials. They realized that there is a tendency among those who govern to justify the use of ignoble means to achieve noble objectives. As Samuel Johnson observed, "Patriotism is the last refuge of a scoundrel."

Unfortunately, subsequent generations forgot the lesson that our Founding Fathers had so painfully learned. Despite attempts to limit disclosure, by 1934 income tax returns and information were deemed to be "public records." Federal law enforcement officials were able to obtain tax information simply by stating that, in their discretion, it was "necessary in the performance of * * * official duties." The Internal Revenue Service, for all intents and purposes operated a lending library.

In 1976, Congress was confronted by overwhelming evidence of abuses similar to those which prompted our Founding Fathers to adopt the fourth amendment. The statutory rules governing the disclosure of tax information were reviewed for the first time in over 40 years and tax privacy safeguards were enacted in the Tax Reform Act of 1976 as a result of four interrelated developments.

First, abuses uncovered during the Watergate investigations, documented use of the IRS as an intelligence body to derive information harmful to enemies of the Nixon administration and helpful to its friends. These abuses were summarized by the House Judiciary Committee in article II, subparagraph 2 of the articles of impeachment of President Nixon:

He has, acting personally and through his subordinates and agents, endeavored to obtain from the Internal Revenue Service, in violation of the constitutional rights of citizens, confidential information contained in income tax returns for purposes not authorized by law and to cause, in violation of the constitutional rights of citizens, income tax audits or other income tax investigations to be initiated or conducted in a discriminatory manner.

Among the most egregious violations of individuals' rights were those committed by the "special service staff," a semisecret unit operating within the IRS which was charged with collecting information on so-called activist organizations and individuals. Because there were no limitations at that time on the dissemination of tax return information, the special service staff traded tax information freely with the Justice Department in an attempt to establish nontax statute violations by these "enemies." Senator Ervin described the questionable activites of this group:

The special service staff was tasked with collecting, analyzing and disseminating information on individuals and groups publicly promoting what the IRS considered to be "extremist views and philosophies." What began with an initial list of 77 organizations mushroomed to an intelligence file on approximately 3,000 organizations and 8,000 individuals who openly disagreed with Government policies. . . .

Special cooperation with other Government agencies with regard to non-tax statute violations was high on the list of special service staff responsibilities. For example, the Internal Security Division of the Justice Department sought out a special informal working arrangement with the staff whereby it would have access to such information. A listing of 14,000 entities which "posed a threat and probability of tax violations was sent by the Internal Security Division to the special service staff. . . ."

The special service staff's political intelligence activities went far beyond the Internal Revenue Service's proper function of enforcing the tax laws. . . .

In short, abuses of tax privacy rights in the name of nontax criminal violations were a prime reason for enactment of the disclosure safeguards contained in the Tax Reform Act.

Second, violations of Americans' constitutional rights were discovered by the Church Committee on Intelligence Activities and the Rights of Americans. The committee found that there was nothing to insure the limitation of the subsequent use of tax information to the purpose for which it was disclosed, and concluded in its 1976 report that:

The FBI has had free access to tax information for improper purposes . . . The FBI used as a weapon against the taxpayer the very information the taxpayer provided pursuant to his legal obligation to assist in tax cases and, in many cases, on the assumption that access to the information would be restricted to those concerned with revenue collection and used only for tax purposes.

Third, disclosures were made that special powers of the IRS were being misused to collect information for purposes well beyond tax administration but related to other law enforcement activities. These led to a series of congressional hearings on the propriety of various uses of tax information. In the 93d Congress, the Senate Judiciary Committee held hearings and numerous hearings were conducted by the Senate Finance Committee and House Ways and Means Committee in the 94th Congress.

Fourth, recommendations were made by the Privacy Protection Study Commission for more stringent safeguards with respect to disclosures of records made by the IRS. The Commission stated that the taxpayer's disclosures to the IRS * * *

cannot be considered voluntary because the threat of criminal penalties for failure to disclose always exists. The fact that tax collection is essential to government justifies an extraordinary intrusion of personal privacy by the IRS, but it is also the reason why extraordinary precautions must be taken against misuse of the information the Service collects from and about taxpayers.

The Privacy Commission concluded that:

Federal law enforcement officials should not have easier access to information about a taxpayer when it is maintained by the IRS than they would have if the same information were maintained by the taxpayer himself.

Mr. President, I have taken the time to review this history because it is important to remember the events surrounding and consideration given the formulation of the existing standards governing disclosure of tax information. Based upon this substantial record, Congress carefully drafted legislation which balanced the rights of Americans to certain privacy standards with the needs of Government in enforcing the law.

Now, less than 4 years after the striking of this balance, attempts have been made to tip the scales in favor of law enforcement, at the expense of the taxpayer's privacy right. In December 1979, an unprinted amendment was offered to the windfall profit tax bill which would have removed the safeguard of a court order for disclosure of tax return information. That attempt failed by a 65 to 8 vote. In December 1980, on a rider to a continuing appropriations bill that supporters were rushing through a lame-duck session of Congress, language to weaken the tax privacy safeguards was offered and tabled by a vote of 43 to 34. This end run was made despite the fact—or perhaps because of it—that the Finance Committee held hearings on legislation to amend the Internal Revenue Code and decided not to report a bill to the full Senate.

Similar legislation is now being proposed as an amendment to House Joint Resolution 266, the Economic Recovery Tax Act of 1981. S. 732, a revised version of legislation offered in the 96th Congress, was introduced on March 17, 1981, by Senator NUNN and others. No hearings have been held on this new legislation in the Finance Committee although Senator GRASSLEY, chairman of the Subcommittee on Oversight of the Internal Revenue Service, has expressed his intention to examine these complex disclosure issues in a series of hearings. In a letter to Senator NUNN dated June 16, 1981, Chairman GRASSLEY wrote:

U.S. SENATE,
Washington, D.C., June 16, 1981.

Hon. SAM NUNN,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR NUNN: Thank you very much for your letter expressing concern over the disclosure provisions contained within Section 6103 of the Internal Revenue Code. I apologize for the delay in responding to your important request, but I was hoping to answer with a specific hearing date. Due to scheduling problems with the Finance Committee, I am unable to provide you with that information.

Both Senator Baucus, the Ranking Minority Member of the Subcommittee on Oversight of the Internal Revenue Service, and I are concerned with the problems of law enforcement and the mushrooming underground economy which is presently escaping taxation. There are a host of other issues

which fall beneath the general rubric of disclosure. This fall, I would like to examine these issues in a series of hearings. Given your extensive involvement in the investigation of organized crime and drug trafficking, I would be honored to have the benefit of your testimony at these hearings. Your expertise on these issues will greatly enhance our hearings.

Be assured I will notify you as soon as a hearing date is set. Again, I greatly appreciate your patience in awaiting this response, and your willingness to participate in these hearings.

Sincerely,

CHARLES E. GRASSLEY,
Chairman, Subcommittee on Oversight of the Internal Revenue Service Committee on Finance.

In addition, the new administration has had no opportunity to present its position on these sensitive matters. Whereas, under the previous administration, the Justice Department and the Internal Revenue Service opposed the Nunn legislation, there is no indication of what their position is now relative to S. 732. Since the legislation fundamentally affects the relationship of Federal agencies to the IRS, I believe that at the very least, the executive branch should be heard before the Congress acts on this controversial proposal.

Mr. President, I am pleased to see that Senator NUNN, in introducing legislation similar to that rejected by the Senate on two separate occasions last Congress, has made some changes in his proposal. Although for the most part minor in nature, these changes do address some of the concerns I expressed during floor debate in the last Congress and while testifying before the Senate Finance Subcommittee on IRS Oversight and the House Ways and Means Subcommittee on Oversight. I applaud these changes. but clearly they are inadequate and fall far short of maintaining the delicate balance achieved under current law between the taxpayer's privacy rights and law enforcement's information needs.

The law presently requires that a court order be obtained by law enforcement officials before the IRS can turn over a taxpayer's return or any information supplied in support of the return. The Nunn proposal, however, would completely erode this protection now granted to any business, corporation, partnership or association consisting of three or more persons. Why?

As evidenced by the privacy hearings held by the Small Business Committee. businesses are quite concerned about their privacy rights. Tax return information on small businesses invariably contain personal information about the principal of the firm.

There is no reason to relax the burden on the Government when it comes to access to records of small or large corporations. For example, there is no lesser standard for search warrant orders for corporate records than for individual's records. The standard is the same because the public as a whole want to protect privacy rights by preventing unreasonable searches and seizures under the fourth amendment. Similarly, the Supreme Court has established that speech does not lose its protection under the first amendment because it has a corporate rather than an individual origin.

Under Senator NUNN's proposal the taxpayer's privacy rights would further be eroded by relaxing the standards necessary for the Justice Department to prove in order to obtain an ex parte order. This standard, which would only require that there be reasonable cause that information sought may be relevant to the commission of a crime, is not even as strong as the evidentiary standard proposed in the Nunn bill rejected by the Senate last year which required both relevance and materiality.

The Nunn proposal also eliminates the requirement that the Justice Department exhaust all other sources before it can turn to the IRS to obtain information. This safeguard, which was suggested by former IRS Commissioner Donald D. Alexander, is similar to the requirement deemed necessary by Congress in 18 U.S.C. 2518(1)(C) that investigative procedures be attempted before a court may order a wiretap or other form of electronic surveillance. With the erosion of such essential standards, it is likely that the IRS would simply become another automatic, investigative tool to be used by Federal law enforcement agencies in their investigation of criminal activity—much like the taking of photographs or the conducting of surveillances.

Furthermore, the provisions in S. 732 which would require the IRS to disclose under emergency circumstances to the appropriate agency information to the extent necessary contain insufficient safeguards to insure that the taxpayer is not stripped of his privacy rights. The broad standards of this provision could give the IRS the unbridled discretion to turn over any information in their files to anyone in the Government, and threatens to mark the return of the days of the IRS lending library. This proposal does not even afford the taxpayer the protections contained in 18 U.S.C. 2518(7), which require notification to and approval of a court within 48 hours after a wire or oral communication has been intercepted in an emergency situation.

The loosely drafted provision in S. 732 which would permit disclosure to State law enforcement officials also gives me grave concern. The abuses which I enumerated earlier in my statement were not confined to high level Federal employees. There is ample documentation that State and local officials were responsible for equally appalling abuses.

Finally, I am worried about the provision which would authorize disclosure of information on American citizens to foreign countries. The thought that personal information on Americans can be disclosed to other countries which do not have the guarantees of individual rights which are contained in our Constitution is simply repugnant to the principles upon which our Nation was founded.

Mr. President, what is the rationale for this back door encroachment upon the rights of Americans? It is done under the banner—which all good citizens willingly carry—of the fight against organized crime, mobsters and narcotics traffickers. Why? Because one is best able to obfuscate the true issues by arguing in an inflammatory way that a change in the law is the only solution to these evils.

One must look behind the rhetoric to ascertain the reason for this legislation. It is expediency. It is not that the Justice Department does not have the means of obtaining evidence other than from tax return information in its fight against crime. The Justice Department, as evidenced by the great number of its successful prosecutions, does. But it is far simpler—and more expedient—to go directly to the tax return and related information than to the other sources.

Jerry Litton, the late Congressman from Missouri who coauthored the disclosure protections in 26 U.S.C. 6103, succinctly rebutted the expediency rationale. In testimony before the House Ways and Means Committee in January of 1976 he said that—

> If we are only looking for expediency, let's wiretap every one thousand homes, open the mail of every one thousand citizens, if we are only looking for expediency.

But this country does not look simply for expediency when dealing with the rights of citizens. Our heritage is otherwise.

Two hundred years ago our Founding Fathers authored a Constitution premised on the principle that individuals—as human beings—are more important than the conveniences of society. A greater importance was placed on individual liberties than on Government efficiency. That was the philosophy underlying the Bill of Rights.

The existing tax information disclosure provisions reflect the fact that Americans are compelled to surrender the constitutional rights guaranteed by the fourth and fifth amendments—the right to "be secure in their * * * papers, and effects, against unreasonable searches and seizures" and the right against self-incrimination. In order to facilitate the effective administration of our tax laws, each American voluntarily surrenders certain rights and assumes the duty of self-investigation, factfinding, and reporting. This baring of private papers and matters is an accommodation by citizens to their Government for tax purposes—not for scientific purposes, not for nontax justice purposes, not for sociological purposes, not for political purposes, not for statistical purposes.

The method in which taxpayers voluntarily comply with our tax laws and, in most cases, fully report their earnings is the envy of most other nations where dishonesty is often the rule rather than the exception. If taxpayers become convinced that confidential data they submit each year is used for other than tax purposes, how long will it be before cheating is commonplace? Widespread cheating would be beyond the capacity of the IRS to control and our entire system of voluntary self-assessment would collapse.

Mr. President, those who advocate diluting existing tax privacy safeguards claim that the Tax Reform Act of 1976

has led to a flourishing of illegal narcotics trading. They seem to ignore, however, the deficiencies of the agency entrusted with enforcement of the criminal statutes—the Justice Department. In its March 1977 report entitled "War on Organized Crime Faltering—Federal Strike Forces Not Getting the Job Done," the GAO concluded that, and I quote:

The Government still has not developed a strategy to fight organized crime.

There is no agreement on what organized crime is and, consequently, on precisely whom or what the Government is fighting.

The strike forces have no statements of objectives or plans for achieving those objectives.

A subsequent report in October 1979, went on to elaborate that government drug enforcement and supply control efforts were hampered by poor coordination, a failure to use available enforcement tools and poor training. The report also concluded that—

The adverse impact on the law enforcement community, as a result of the disclosure provisions (enacted as part of the Tax Reform Act of 1976), had not been sufficiently demonstrated to justify changing the law.

Mr. President, as I have said, I have testified at great length before the Senate Finance Committee and House Ways and Means Committee concerning legislation which would amend the disclosure provisions of the Internal Revenue Code. I will not repeat myself here today, other than to say that the few years that have transpired since enactment of the Tax Reform Act have not shown that Congress erred in enacting needed tax reform legislation or that provisions of the law have unfairly or unduly burdened law enforcement efforts.

What time and experience have shown is not that the law is burdensome, or wrong, or unfairly restrictive, but that those who have interpreted the law have done so incorrectly. For example, in testimony in the last Congress before the Senate Permanent Subcommittee on Investigations, Peter B. Bensinger, the Administrator of the Drug Enforcement Administration, commented with respect to the authority given IRS under 26 U.S.C. 6103(i)(3) to disclose to other law enforcement agencies information it has regarding violations of criminal law. Astonishingly, his testimony revealed that DEA records do not show ever having received such disclosures from IRS. This indicates not a problem with the law, but a problem with the agency empowered to act pursuant to the law. How can one profess that the provisions of the Tax Reform Act prohibit effective law enforcement when a provision of the act designed to assist law enforcement is not properly put to use?

Mr. President, respect for the Constitution and respect for individual liberties should be the prime concern to each one of us here. The protections that are in the present act certainly allow the proper enforcement of our tax laws and the maximum collection of taxes, but at the same time, assure that history will not repeat itself in this instance, and that Americans' tax privacy rights will be unabridged.

Mr. President, the new legislation introduced by my respected colleague from Georgia, Senator NUNN, and others, should be carefully considered by my colleagues. I believe any legislation making significant changes in statutory tax privacy safeguards requires thorough debate. I would certainly welcome the opportunity to testify on the new legislation, and I will urge the Finance Committee to schedule hearings at an early date. I caution, however, that this is not a matter for hasty action in the name of more effective law enforcement. My colleagues should clearly understand the constitutional and legislative history compelling strict safeguards of taxpayer rights of privacy. I believe there is an overwhelming burden on those who seek to balance away these fundamental rights.

Though tightened up, there are still glaring deficiencies in what is permitted in this legislation as it applies to the privacy of each one of us.

I do not distinguish between the individual and corporations. The Senator was entirely correct when I rose to question as to whether or not his amendment applied to corporate returns as well as individual returns in saying that it applied to both.

On the other hand, they do not need a court order to get the accompanying information insofar as the corporate side is concerned. So it is deficient in that area.

As I have said, this amendment would go even beyond what we deem as proper in the area of privacy in allowing foreign countries access to our tax returns as individuals. If under some sort of a mutual assistance pact this information is called for, foreign governments would have access to the individual tax returns of Americans.

I can go down the whole checklist. As I said before, this amendment is a little bit better than presented to the Senate last Congress, but it still is a long way shy of what should be achieved in an appropriate balance between tax privacy and the legitimate use of information in the pursuit of law enforcement.

Those changes in the Tax Reform Act of 1976 were the first in several decades—I think perhaps even 30 or 40 years—so this legislation was not something that was hastily gotten together. The Congress went through extensive hearings before the Tax Reform Act of 1976 was enacted into law.

I know the bleating that goes on among the law enforcement establishment here in Washington; they want a shortcut to many things.

But let me assure the Senators that the Constitution, the Bill of Rights, and the fourth amendment impose clear obligations on the Government before any American can be convicted of a crime. That is what these documents are all about. Does anyone here know the basis for the fourth amendment? It is ironic that we have to raise this right now. That amendment states that the right of people to be secure in their persons, houses, papers, and effects against unreasonable searches and seizures shall not be violated. Does anyone know the basis for that historical amendment?

It was to protect the people of Great Britain against the abuses of their monarch specifically in the area of tax collection. That is the historical basis of the fourth amendment to the Constitution of the United States.

All sorts of mischief are conceivable in this area in the name of law enforcement and using the inflammatory words of drug traffickers and organized crime. But I have to remind each one that there is nothing restrictive about what is being proposed here; whatever is enacted applies to every one of us.

It was the late Congressman from Missouri, Jerry Litton, and myself who drafted this legislation.

In this instance it was not a Nixon administration gone wild. In that case it was the Department of Agriculture using these returns for various and sundry purposes against farmers—clearly outside the scope of the proper use of tax return information. Those farmers took upon themselves the duty of complying with the tax laws of this Nation and in effect gave up their fifth amendment right, and everything else, to go ahead and comply with the law; but it was not contemplated that the information they gave was going to be used in that fashion. This was not Richard Nixon.

Certainly is there anyone in this Chamber who will deny, recognizing the increasing use of great banks of computers and all the information that is sought in every area of life, that privacy is the issue? It is becoming one of the greatest issues of our generation, and instead of reassuring that right to privacy, will this Congress go ahead and expose it even further to the intrusions of Government?

In any event, I have tried to sketch out the basis of the argument for my colleagues. My arguments have not changed since 1976 and neither have the arguments on the other side.

All that has managed to happen is that the Senate has turned these efforts down one by one as the amendments offered have become tighter and tighter.

What if I had not fought on this floor 2 years ago or 1 year ago? I am again entirely confident of the action this body will take and rather than have one of these pieces of legislation slapped onto essentially a tax bill—I understand my good friend, Senator GRASSLEY, and my good friend, Senator BAUCUS, the chairman and the ranking member of the subcommittee whose responsibility it would be to hear legislation on this subject—have agreed to hold hearings on this subject.

A lot of Senators were not around here in 1976 when the now Finance Committee chairman, Senator DOLE, held hearings on the subject. Maybe it is time we had such hearings again and brought before Congress the Commissioner of the Internal Revenue Service to find out what would happen to the collection of revenues if the law were changed.

I am perfectly satisfied to have this

bill go before that subcommittee for hearings. And I will support whatever result comes out of the Finance Subcommittee in the way of a recommendation. I think I can do that and I would support their recommendation.

But just in a procedural sense to go ahead and make a major revision in this magnificent piece of legislation simply flies in the face of the entire history of this legislation and flies in the face of the past record before this body. To pass this measure this evening without studied and just consideration would be a grave error.

So I hope that the sponsors of the amendment would agree—first of all I hope Chairman GRASSLEY would agree to hold hearings on this—and that the sponsors of the amendment would forebear in any action here this evening. After holding hearings on this legislation, we would have a very complete and thorough recommendation to this body before taking any action to improve the Tax Reform Act of 1976.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator from Connecticut yield for a question?

Mr. WEICKER. Yes.

Mr. HARRY F. BYRD, JR. I think the Senator from Connecticut is making a good argument. I think the fact that this proposal is tighter than had been the previous proposal is a great tribute to the Senator from Connecticut.

But to get back to this precise legislation, it has been mentioned that the records of corporations are in a different category under this legislation than tax returns would be. I frankly am not familiar of how records can be obtained today under the present law.

Does the Senator from Connecticut know how they can be obtained today? How does this legislation differ in that respect?

Mr. WEICKER. Such information would have to be obtained by virtue of an ex parte order, by a court order.

Mr. HARRY F. BYRD, JR. Today?

Mr. WEICKER. That is correct.

Mr. HARRY F. BYRD, JR. What about under this proposal?

Mr. WEICKER. You do not need a court order to obtain the information of corporations that append corporate returns.

Mr. HARRY F. BYRD, JR. The Justice Department could go directly to the corporation and merely by that action obtain the record of the corporations?

Mr. WEICKER. Could the Justice Department without the necessity of a court order obtain this information? The answer is, yes.

Mr. RUDMAN. Mr. President, will the Senator from Connecticut yield?

Mr. WEICKER. Yes.

Mr. RUDMAN. I think the Senator from Virginia asked the question of whether or not the Justice Department could go to the corporation and get the records from the corporation. I do not think the Senator understands the question. I know you understand it better than I do, but this deals only with records in the hands of the IRS, not in the hands of the corporation. The same restrictions would apply to any Justice Department request to a private corporation for their records as apply now.

Mr. WEICKER. That is correct.

Mr. HARRY F. BYRD, JR. This legislation then does not differ in the respect from what is on the books today?

Mr. WEICKER. No, that is incorrect. It does. The present legislation, under that legislation, the IRS would not by virtue of a request of the Justice Department, it would not. That is the law today.

Mr. HARRY F. BYRD, JR. The Senator is speaking of tax returns?

Mr. WEICKER. No, not the return, the information that appends to the return.

Mr. HARRY F. BYRD. JR. The information that appends.

Mr. WEICKER. The information, that is right.

The PRESIDING OFFICER. Who yields time?

Mr. WEICKER. I suggest the absence of a quorum, Mr. President.

Mr. NUNN. Will the Senator withhold?

Mr. WEICKER. Yes.

Mr. NUNN. May I clarify that? The question was under the present law what is required. I say to the Senator from Virginia nonreturn information can be gotten today under the present law without a court order. The difficulty is the way they get it, the law requires that they describe exactly what it is they want. If they can describe exactly what it is they want with the detail required by the law they would not need it to begin with.

Then they also have have to describe that there is no other information that could be used in lieu of that information, so it is a Catch-22 situation. The IRS cannot in any way insinuate what they have. The Justice Department does not know and, therefore, the standards are what preclude that.

There is no difference between the present law and this amendment as far as the procedure. You still have to go to court—there are some differences but not the major procedure. You still have to go to court to get a return information. Nonreturn information you can get through a request. Those two things are the same, but it is the standards of proof in order to get that that are the major and fundamental difference.

The PRESIDING OFFICER. Who yields time?

Mr. GRASSLEY. Does the Senator from Connecticut yield?

The PRESIDING OFFICER. The Senator from Connecticut has 13 minutes.

Mr. WEICKER. I yield 5 minutes to the Senator from Iowa.

Mr. GRASSLEY. I thank the Senator from Connecticut for yielding to me.

I feel compelled to rise as chairman of the Subcommittee on Oversight of the IRS, a subcommittee of the Finance Committee, to tell this body that I have had correspondence with the Senator from Georgia. I answered his request for hearings on this subject, after considerable thought and deliberation on the subject matter. To me as a freshman Member of this body, I felt compelled to look at the issue myself, and I have written back to him assuring him that we would have hearings on this subject.

I think with the assurances the Senator fom Connecticut has given this body are important, that after the Finance Committee has taken a look at it that he would support the product of the entire Finance Committee. I hope my assurances as well as those of the Senator from Connecticut, would be enough to convince the Senator from Georgia that now is not the time to deal with this subject, especially in this fashion.

I have had some private conversations with the Senator from Montana, the ranking Democrat on the committee, and I know that he has some misgivings about this use of the amendment procedure, even though we both agree that this is a subject matter that legitimately ought to be considered. Whether this legislation is the exact route to go I am not prepared to say at this time.

I would implore the Senator from Georgia to be cognizant of the fact that there are about 18 or 20 Members of this body who were not here a year ago as Members and need time to study this issue in depth. I know the Senator from Georgia has a reputation for doing his homework thoroughly not only on defense matters but he has demonstrated that on this issue as well. He has done considerable homework on this subject.

I can say, just listening to this debate, that the Senator's arguments are very persuasive. But, I also feel as a Member of this body and as chairman of this subcommittee and as a member of the Finance Committee that I have some responsibilities to the rest of the body to show some leadership in this area, as chairman of that subcommittee.

There is some deference on the part of other Members, particularly of my party, to individual subcommittee chairmen, and I do feel an obligation to carefully study this issue. I do not know whether the ranking Democrat even feels prepared to move forward.

Any additional assurances the Senator from Georgia needs beyond what I said in my letter and my assurances now, may I state I am more convinced than ever before that this issue should have hearings in my subcommittee?

I know, as I visited with the Senator from Georgia privately, he suggests that: "Well, it just may never happen or it may take too long to get the process going." I will assure the Senator that I will hold hearings on this, if they can be worked out, in the month of September; if they cannot be worked out in the month of September, then in the first half of October, I am sure we can find a suitable time.

I do not do that in a defensive way. I think the Senator brought up an issue. If the Senator would happen to decide not to withdraw his amendment or he should decide that it should go to a vote and it should be favorably voted. I am not going to be offended by his actions.

At this point, I think the Senator should be cognizant of the fact that one-fifth of this body are new Members and we are dealing with a very sensitive subject on the privacy of individuals' financial records. This must be carefully con-

sidered. I never would take a position that privacy ought to be used as a defense so that organized criminal activity can run rampant through our economy as it has in this way. I just feel the issue requires additional study.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. GRASSLEY. Will the Senator yield me just 30 more seconds?

Mr. WEICKER. I yield 30 seconds to the Senator.

Mr. GRASSLEY. I would simply say, in conclusion, that I told the Senator in correspondence that there would be hearings on this. I want to assure him from the floor that I meant what I said then. But even though I said it fairly casually at that time, listening to his rationale for the necessity of approaching this problem by the use of income tax records, I look more favorably on this legislation than at the time the bill was introduced. Hence, I feel more compelled than ever to have hearings on it.

Mr. WEICKER addressed the Chair.

The PRESIDING OFFICER (Mr. DURENBERGER). The Senator from Connecticut.

Mr. BAUCUS. Will the Senator from Connecticut yield 2 minutes to the Senator from Montana?

Mr. WEICKER. I yield 2 minutes to the distinguished Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. I thank the Senator from Connecticut for yielding. This is a difficult issue. We all very much agree that it is way too much; almost any drug traffic is too much. There certainly is too much in our country today. It has become rampant. We know particularly about the problems in some States of our country.

Here we are faced with a bill designed to address that problem but which addresses it in a way by changing the privacy provision in the Internal Revenue Code. Essentially, the amendment before us will provide that it would be far easier for law enforcement officials to go to the IRS to get information concerning taxpayers, whether it is direct taxpayer returns or whether it is information that is relevant and associated with a taxpayer's return; all that information is much more easily available to any law enforcement officer.

The Senator from Connecticut, I think, put his finger right on the point; that is, this applies not only to drug traffickers, who we all want to lock up, frankly, but also applies to every other individual in America.

We have had hearings on this subject. We had hearings last year. In those hearings, we tried to address the balance here—to balance, on the one hand, the needs of law-enforcement officials to get the information and, on the other, the privacy protection that we in the Congress have a duty to uphold in enacting this kind of legislation.

Frankly, I have mixed views on this, because I feel we should proceed. This problem has been with us now for several years. The Senator from Georgia has worked hard and has worked diligently. He has been very patient. He has worked with this Senator over the last year, specifically in trying to address this situation.

The PRESIDING OFFICER. The Senator's 2 minutes have expired.

Mr. BAUCUS. Will the Senator yield 1 additional minute?

Mr. WEICKER. I yield an additional minute.

Mr. BAUCUS. Mr. President, I feel, frankly, compelled to support the Senator from Iowa in voting against this amendment. But, in the event the amendment passes, I wonder if I could ask the Senator from Georgia a question or two as it applies to the amendment. I have three major problems. One is the standard by which law-enforcement officials would get an ex parte order as it applies to tax returns and relevant information. The second is the emergency procedures that are quite loose. Third is the large amount of information that is available to law-enforcement officials who do not have to get an ex parte order.

I am wondering, if the amendment is agreed to and this bill goes to conference, if the Senator is in a position to work with this Senator, as well as others, to try to tilt the balance a little bit more toward privacy in trying to find a better balance than is now present in the bill.

Mr. NUNN. Mr. President, I would certainly respond to my friend from Montana and say yes; I would never be locked in concrete. We have negotiated this with the Treasury Department and the Justice Department for about 2 years. We think this language strikes the balance. But I would never preclude having some change that would strike a better balance.

The important thing here is that in setting up the standards for proof before a judge, you have to remember that the Justice Department in making the request does not know what the information is specifically. If they knew every detail of the information, then we would have a different situation. But if they know the details of the information, if they got that from the Internal Revenue Service, someone would have already breached the Tax Reform Act. So it has to be drawn in a way that allows them to go in.

It is not drawn in a way that they can have a fishing expedition. They have got to show that there is a reason to believe that a specific crime has been committed. They have got to show that the information is sought exclusively for the use in a Federal criminal case. And they have got to show that there is reasonable cause to believe the information may be relevant to a matter relating to the commission of such criminal act. We believe that is a reasonable standard.

But I certainly would work, if we are so fortunate as to pass this, in conference, both with the Senator from Montana and the Senator from Connecticut. I want to continue to work with my friend from Connecticut. We may never agree on this. But any time he points out anything which we can improve on, which he has done and his staff has done—there have been many things to improve this that have come from the Senator from Connecticut. We thought it would be in a form that we could satisfy him. We may never be able to do that, but we have tried. Nevertheless, I would say the answer is "yes."

The PRESIDING OFFICER. The 1 minute allotted to the Senator from Montana has expired.

Mr. NUNN. I yield a minute to the Senator from Montana.

Mr. BAUCUS. Mr. President, one particular problem here is the standard of getting an ex parte order. As the Senator's amendment is presently drafted, it provides for a standard that is even more loose than the standard that applies to a law-enforcement officer who tries to get a wiretap.

It seems to me that there is an analogy here. If a wiretap standard is tighter than the request on the part of the law-enforcement officer to get information from the IRS, that is going to pose a problem.

As we work with the Senator in whatever form, in either committee hearings, markup, or in conference, I hope that the Senator is sensitive to that difference and will work with the conferees and this Senator in trying to address that imbalance.

Mr. NUNN. I certainly will be glad to work on that. I would say that is a situation where the Government already has the particular evidence that is involved. It is one branch of Government that has the wiretap and is an act by the Government to interfere with a private individual and should have a very strict standard.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. NUNN. I will be glad to work with the Senator on that.

Mr. WEICKER. Mr. President, I wonder if I might, in response to the Senator from Virginia who raised an important point, respond more precisely to the question he raised.

The present law divides information into three separate categories:

First, return—tax returns and related documents; second, taxpayer return information—taxpayer's books and records, including corporate records filed with IRS by or on the taxpayer's behalf; and third, return information—third-party items collected by the IRS.

For disclosure of the first and second, an ex parte order must be obtained from the court.

The Nunn bill divides the IRS material into two categories: First, return information—all information the taxpayer is required by law to file with the IRS and any information filed with the IRS by or on behalf of an "individual taxpayer," which is defined as a "corporation, partnership, association, union, or other entity consisting of no more than 2 owners, shareholders, partners or members."

Second, nonreturn information—all other information IRS discovers.

An ex parte order would be required for disclosures of the first definition of return information.

The problem is that although Senator NUNN—and I will now talk to my distinguished friend from New Hampshire—has "tightened up" his definitions of re-

turn and nonreturn information, his bill still greatly expands the material that Justice can obtain without an ex parte order. Under his bill any business, partnership, association, or other entity with three or more members is now no longer protected by the requirement of an ex parte order. Therefore, if a business taxpayer—consisting of three or more persons—is audited and provides books and records to IRS, the material provided could be turned over to Justice without an ex parte order.

There is and should be no lesser standard for search warrant orders for corporate records than for individual records. The standard is the same because of the interest of the public as a whole to protect privacy rights by preventing "unreasonable searches and seizures" under the fourth amendment. Similarly, the Supreme Court has established that speech does not lose its protection under the first amendment because it has a corporate rather than an individual origin.

That is the precise answer to the question raised by the distinguished Senator from Virginia.

I am prepared to yield back the remainder of my time.

Mr. HEINZ. Vote.

Mr. WEICKER. Does the distinguished Senator from Pennsylvania care to comment?

Mr. NUNN. Mr. President, I know the distinguished Senator joins me in asking for the yeas and nays.

Mr. DOLE. Mr. President, I have not had the opportunity to look into the merits of this proposal. I have been trying to check with the administration to see whether this amendment could be accepted or modified and accepted. In my most recent visit with the Secretary of the Treasury, the position is, until the administration has a chance to look at it, what is the rush?

It has been around here for a long time. There have been no hearings this year. There are a lot of serious questions raised by this amendment which have not been addressed. The Senator from Kansas does not recall participating in hearings before the Senate Finance Committee. It is unclear how the proposal would aid the Federal Government in the war against crime. It could have an adverse effect on taxpayers' voluntary compliance.

There is no revenue impact so I cannot dispute or quarrel with that.

It would also allow, as I understand it, the State criminal law enforcement officials to have access to Federal tax information. I think the need for such disclosure must be fairly carefully examined.

Had we not had a time agreement, where is opportunity for a long debate, we may have been able to talk about this amendment and then at a later time have hearings on the Nunn amendment and bring it out and have a vote on it as the Nunn amendment. There is nobody that I know of who is trying to capture the amendment.

I would suggest, based on this Senator's discussions with Treasury, that they are not opposed to the concept. They might well support the efforts of the distinguished Senator from Georgia and the Senator from Florida, the Senator from Arizona, and others. But it would seem to me that they ought to be given that opportunity. Unless they have indicated some resistance, this Senator does not understand the need to push them to the wall before they have had a chance to study the amendment, before we have had hearings. The distinguished Senator from Iowa promised hearings earlier.

I would hope that we might table this amendment, take a serious look at it in our committee, and offer it at the first opportunity. At that time we would make a determination as to whether or not it should go forward.

All of us, I think I can say, want to use every tool we can which is available to the Government to ferret our crime and those who avoid taxes, and whatever. It does seem that we ought to give Don Regan, the Secretary of the Treasury, and the Commissioner of the IRS, the Justice Department, and other officials in this new administration, the opportunity to comment and testify. This Senator feels that there are some probably strongly opposed to anything we do in this area. But that is not my view.

Having said that, Mr. President, I wonder if we might reach some agreement to maybe have back-to-back votes on a motion to table this amendment and a modified amendment to be proposed by the distinguished Senator from Maine. As I understand, we have reached an agreement, negotiating with Treasury and other Senators. If the distinguished majority leader and the Senator from Georgia have no objection, we could vote on the motion to table the Nunn amendment and then have a vote on the amendment of the distinguished Senator from Maine. It might save some time.

Mr. NUNN. I would have no objection, but I would hate to have the comments of the Senator from Kansas not include the possibility that the motion to table might fail. I knew he has been very successful in the last 10 days. I am sure he wants to be successful. I would like to leave that open, however. I would like very much to vote up or down on the amendment. Then we will know one way or another. If the motion to table fails, I would be happy to have a rollcall.

Mr. DOLE. I might say that it is not that I am opposed to an up or down vote. In fact, we have had very few motions to table. But there are many of us, including this Senator, who have not even read the amendment of the Senator. That is my fault. I know, not the problem of the Senator from Georgia.

Mr. NUNN. We have tried in every way to get the staff, Treasury, and everyone else in the last week or so. I met with the Attorney General on this several months ago and the President of the United States on this. We worked on it with the last President for 2 years. We have been working on it for 3 years now. Narcotics are flooding into the country. I understand people who say let us wait and have hearings, but I disagree with it. We cannot continue to wait and make it the second priority to everything else. This is the single most important law enforcement action we can take to try to curb narcotics and organized crime, the single most important.

The Senator can offer a motion to table, if that is what he would like. But I would hope if it fails we would vote up or down on the amendment. I would hope that the Senator will entertain that fact, that if the motion to table fails we would vote up or down.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

Mr. NUNN. Before the Senator does that, can I yield to the Senator from Maine? He has worked on this for a long time, and he is a cosponsor of the amendment.

The PRESIDING OFFICER. The Senator from Maine.

Mr. COHEN. Mr. President, I have joined my distinguished colleague Senator NUNN and other cosponsors in proposing an amendment designed to correct a legitimate problem in our law enforcement system.

As the hearings which the Senate Permanent Subcommittee on Investigations held documented, the Internal Revenue Service, once an abundant source of information in legitimate investigations of criminal behavior, no longer cooperates to the best of its ability in lawful government efforts to gather evidence of organized or white-collar criminal activity.

To a certain extent, the problem reflects an attitude within the IRS that that agency should concern itself only with tax collection and not be involved in assisting general law enforcement. There is nothing which Congress can do directly to change this inhouse attitude, except highlight the deleterious effect it has upon the fight against organized and white-collar crime.

What Congress can do is amend the Tax Reform Act of 1976 and other laws which govern the flow of information between IRS and law enforcement agencies. These laws have failed to resolve the tension between effective exercise of Federal investigatory power and protection against invasion of privacy through illegitimate use of information held by the Government.

Clearly, there must be checks on the flow of information from IRS to other agencies. The 1976 act attempted to provide such controls by requiring a court order for the release of any information submitted voluntarily to IRS by or on behalf of a taxpayer. Moreover, any tax or other information acquired through "independent" IRS investigations may be turned over upon written request of an Assistant Attorney General.

The 1976 act was a significant effort at reform. However, the problem of distinguishing between the two categories of tax information has proved unsurmountable in practice, resulting in nearly every law enforcement request taking the form of an ex parte order.

Another disturbing feature of the 1976 act is that it has resulted in a "Catch-22" situation for Department of Justice attorneys: the existing standards require the Department of Justice to describe with specificity in their ex parte

order applications tax information which its attorneys have never seen. Moreover, through no direct fault of the act itself, there has been a marked failure of the IRS to volunteer clear evidence of nontax criminal activities to jurisdictional agencies. The power to do so was explicitly granted in the act. But, because of severe penalties for unintentional, improper disclosures, IRS agents have been reluctant to disclose any information, regardless of its probative value in future criminal prosecutions.

The Constitution's silence on the issue of interagency disclosure of sensitive information has complicated the necessary tasks of achieving a workable balance of oft-times competing interests. Our fundamental law values both privacy and effective law enforcement, but, in this instance, it is up to us to accommodate these interests through the legislative process. Experience has shown us that a number of changes in the present law are necessary to achieve this delicate balance.

The amendments to the 1976 act which I cosponsor today will alleviate the difficulty which law enforcement agencies have experienced in their attempts to obtain IRS information for legitimate investigations. The amendments clarify ambiguous definitions of the existing law by adopting a workable two-part definitional structure. Under this scheme, "return information" would be afforded a high degree of privacy by being available to the Department of Justice only upon issue of an ex parte order, while the IRS could disclose "nonreturn information," for example, corporate books and records, upon written request of selected investigative officials.

This distinction reflects the greater privacy rights and fifth amendment privilege against self-incrimination which natural persons enjoy above corporations and other legal entities. In addition, the amendments would require the IRS to disclose to relevant law enforcement officials nonreturn information indicating nontax criminal activity. Finally, they would restructure penalties for improper disclosure of tax information by establishing a "good faith" defense in criminal actions, and by conforming civil remedies to the structure of the Federal Torts Claims Act.

All these are welcome reforms. I believe that the amendment we propose today is necessary to reaffirm our commitments to the goals of effective law enforcement, maximum protection of privacy rights, and confidentiality of tax information. By its controlled disclosure provisions and criminal sanctions for knowingly improper disclosure, this proposal insures the highest degree of protection of the public safety, while safeguarding legitimate privacy interests as well.

Let me summarize why I think the urgency is there. After extensive hearings held before the subcommittee chaired by Senator NUNN last year it was determined that we have a problem of gigantic proportions that threaten to overwhelm this society. I know I would not be adding any insult to my friend from Florida, Senator CHILES, who seems to have a State, an entire State, that is virtually hooked or addicted to illegal drugs coming into his State. They have a multibillion-dollar drug industry that is virtually out of control.

They have people in Florida now, the cocaine cowboys, who are blowing people apart on the streets. We have a system that is completely out of control.

This, in my judgment, is a legitimate attempt to address concerns with regard to the right of privacy, as well as doing something to have an aggressive and more effective law enforcement effort.

I want to lend my support to the efforts of the Senator from Georgia in offering this amendment.

Mr. NUNN. I thank the Senator from Maine.

How much time remains?

The PRESIDING OFFICER. The Senator from Georgia has a minute and a half.

Mr. NUNN. I yield to the Senator from Delaware.

Mr. BIDEN. In a minute and a half, Mr. President, let me say that there are reasons to be concerned, and I understand why the Senator from Kansas may be concerned about not having had time to consider this bill. But it has been considered for some time. It is not without its flaws, but it makes sense. The bill permits a carefully limited redisclosure of information to State and local law enforcement authorities.

Mr. President, I must admit that I can understand why people would be concerned on the surface, but if they look more closely, I do not think we are in the area of having to worry about the kind of abuse that the Senator from Connecticut so articulately and wisely spoke of during the Watergate era and the kind of momentum that produced the legislation in the first place.

Right now, they are in a Catch-22 position. That is, the IRS is. The very information that needs to be had by law enforcement authorities, to be of any consequence to them, would require them to have access to the records and they cannot meet the test to have access the way things are now. Although I acknowledge that we are taking some chance with this, it is a chance that I think, on calculation, is worth taking.

I know my time is up, Mr. President, so I yield the floor.

Mr. DECONCINI. Mr. President, I am pleased to join my colleague from Georgia in sponsoring and speaking in favor of this much needed amendment to reform the disclosure provisions of the Internal Revenue Code. Its passage will represent one of the most significant steps in the fight against organized crime and white-collar crime in recent years.

The present disclosure provisions were added to the Tax Reform Act of 1976 and were in response to abuses by the White House in the use of tax returns and tax information.

Unfortunately, the reaction to these abuses was probably overboard and although I support the vast number of changes to the disclosure provisions made in 1976, the time has come to refine them in light of the experience of the past 4 years.

Extensive hearings before the Subcommittee on Improvements in Judicial Machinery on the issue of organized crime and fraud and before Senator NUNN's Permanent Subcommittee on Investigations has built a convincing record that the major beneficiaries of the 1976 amendments are the criminal element of our society. Witness after witness came forward with horror stories about the chilling effect of the 1976 amendments on law enforcement. Let me quote from the testimony of two witnesses:

I find the Tax Reform Act and interpretations that have been put on the Tax Reform Act by the IRS have devastated us in our efforts to conduct financial investigations—I think for the record it has been the worst thing that ever happened to law enforcement.—Jeremiah O'Sullivan, Chief, New England Strike Force on Organized Crime, Department of Justice.

And—

I can tell the Committee that many of these (tax disclosure) abuses were overblown and that the legislation that was passed did nothing to remedy the particular abuses but, in fact, made it easier for white collar criminals to get away with the crimes that they have been committing. In effect, it (the Tax Reform Act) has been legislation that has helped the white collar criminal.—Nick Ackerman, former Assistant, Watergate Prosecutor for Tax Related Abuses and presently an Assistant U.S. Attorney, Southern District of New York.

The modest adjustments made by today's amendments will fine tune the disclosure provisions to allow law enforcement officials to make the maximum use of information legally within their possession while maintaining protections against unreasonable intrusions on an individual's privacy.

Two years ago I drafted potential legislation on this subject similar to the amendment before us, and circulated it to interested parties. Among the responses I received was a letter from Nick Ackerman, assistant U.S. attorney in the Southern District of New York, and a former member of the Watergate prosecution team in charge of the tax-related abuses.

His comments are noteworthy and represent the views of a person who has seen abuses, and then had to prosecute under them. His remarks follow:

As I testified before your Subcommittee last month, before becoming an Assistant United States Attorney in the Southern District of New York, I was an Assistant Special Watergate Prosecutor under Archibald Cox, Leon Jaworski and Henry Ruth. One of my prime responsibilities during the two and a half year tenure with the Watergate Special Prosecution Force was to investigate the allegations surrounding the Nixon Administration's misuse of the Internal Revenue Service and its compilation of an enemies list to harass opponents of the Administration through the IRS.

Unfortunately, the reform legislation which the Congress enacted to remedy these abuses and to prevent them from reoccurring was overly broad and has resulted in severely impeding effective criminal investigations by federal law enforcement officials. This post-Watergate reform legislation unwittingly created two major problems for the federal prosecutor.

First, it has made the securing of federal tax returns so cumbersome and enmeshed with red tape that is has hampered the Government's ready access to these returns in

investigations where speed can make the difference between success or failure.

Second, in a number of instances where tax returns would assist a criminal investigation, the Government has not been able to obtain returns because of the restrictions imposed by the Act.

Obviously, the reforms aimed at curing the Watergate abuses did not contemplate the impeding of legitimate law enforcement goals.

In that connection, federal tax returns are an extremely invaluable investigative tool in prosecuting crime and are particularly useful in ferreting out complicated business and financial crimes. By impeding the federal prosecutor's access to tax returns, this reform legislation of 1976 has ironically made it more difficult for the Government to prosecute the very kind of white collar criminal which was so successfully prosecuted by the Watergate Special Prosecution Force. Your narrowly drafted amendment to that legislation would remove the benefits presently enjoyed by the white collar criminal while at the same time maintaining those reforms which were designed to protect the privacy of law-abiding citizens.

Mr. President, I give great credence to the experience and remarks of Mr. Ackerman and I believe the amendment proposed today be fully in accord with his thoughts and suggestions. The 1976 changes were well intentioned. Their purpose was to eliminate some of the unsavory practices engaged in by the Nixon administration.

However, by making it extremely difficult—almost impossible, in a practical sense—for other Federal law enforcement agencies to obtain tax information from the IRS or for the IRS to share information with these agencies relating to nontax criminal offenses, a severe handicap has been placed on the Government's overall ability to protect the public welfare and fight organized crime.

I am certainly committed to the principle that tax information should not be abused or used for political harassment. I am equally committed, however, to the investigation and prosecution of criminals who prey on the American people.

These are not incompatible objectives. I urge the Senate to support this vitally needed amendment that represents one of the most important anticrime measures we will vote on this year.

● Mr. STENNIS. Mr. President, I rise in support of the amendment offered by the distinguished Senator from Georgia (Mr. NUNN).

The pending amendment is identical to S. 732 which was introduced by the distinguished Senator from Georgia and others and has been referred to the Committee on Finance, which has not yet acted on it.

The general purpose of S. 732 and the pending amendment is to enhance the effective enforcement of Federal and State criminal laws and the effective administration of justice while, at the same time, maintaining the proper and necessary degree of confidentiality of information filed by individual taxpayers with the Internal Revenue Service.

The purpose of the amendment is to restore the Internal Revenue Service to the role it once played in cooperative law enforcement efforts aimed at organized criminals and those dealing in drugs.

It has long been recognized that financial investigations, relying on financial and tax records, are one of the most effective tools in piercing the veil of secrecy that protects those at the top of any organized crime ring. It will be remembered that the notorious Al Capone was finally convicted and sent to prison on income tax evasion charges.

Organized crime and trafficking in drugs have become bigger and more sophisticated than ever before. Despite this, the one law enforcement agency that organized crime fears most—the IRS—is now sitting on the sidelines.

One of the reasons for this is the disclosure provisions of the Tax Reform Act of 1976. This act made tax returns and most other information gathered by the IRS confidential and subject to disclosure by the IRS only in accordance with very strict procedures.

With this act, severe restrictions apply across the board and control disclosure to all Federal agencies. This has resulted in very little information being exchanged today by the IRS and other Federal law enforcement agencies, and the enforcement of criminal laws has thereby been greatly impaired.

The pending amendment will not do away with the privacy safeguards contained in the Tax Reform Act, but there is a great need and necessity to amend that act so that a balance will be struck which will enable the IRS to again cooperate with Federal prosecutors. I believe that the pending amendment will strike the necessary balance and will still give adequate protection to the privacy of tax returns and other information supplied to the IRS. I hope that the amendment will be adopted.●

Mr. NUNN. Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. All time has expired.

Mr. WEICKER. I ask the Chair, has the time in opposition expired on this amendment?

The PRESIDING OFFICER. It has also expired.

UNANIMOUS-CONSENT AGREEMENT

Mr. BAKER. Mr. President, I yield myself 1 minute on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I understand that certain modifications have been negotiated to the Mitchell amendment, which have been agreed to by the managers of the bill as well, and that we are about to have a vote on the Nunn amendment or a motion in relation to the Nunn amendment. I wish to put this unanimous-consent request at this time.

Mr. President, I ask unanimous consent that it be in order for the authors to modify the Mitchell-Cohen amendment notwithstanding that the yeas and nays have been already been ordered; that there be 10 minutes of additional debate on that amendment, to be equally divided and controlled in the usual form; and that the vote on that amendment occur immediately following the vote on the Nunn-Chiles amendment or motion in relation thereto, back-to-back.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. BAKER. Mr. President, what that means is that, as soon as we dispose of the 10 minutes of additional debate and reach the point where we put the question on the Nunn-Chiles amendment, we shall have two votes, back-to-back. I notify Senators that it is by no means certain—as a matter of fact, it is unlikely—that that is the last vote for the evening. I expect further votes tonight.

UP AMENDMENT NO. 303, AS MODIFIED

The PRESIDING OFFICER. The Senator from Maine is recognized.

Mr. MITCHELL. Mr. President, I send to the desk, pursuant to the unanimous-consent agreement, a part of my amendment and ask that it be laid before the Senate, with all of the cosponsors of my original amendment.

The PRESIDING OFFICER. The amendment is so modified.

The amendment, as modified, is as follows:

At the end of title II, insert the following new subtitle:

Subtitle G—Inventory Reform

SEC. 235. SIMPLIFICATION OF LIFO BY USE OF GOVERNMENT INDEXES TO BE PROVIDED BY REGULATIONS.

Section 472 is amended by adding at the end thereof the following new subsection:

"(f) USE OF GOVERNMENT PRICE INDEXES IN PRICING INVENTORY. (1) In general—The Secretary shall prescribe regulations providing for simplification of the use of the method described in subsection (b) by an eligible small business (as defined in section 474(b)) through the use of suitable published government indexes in such manner and circumstances as determined by the Secretary."

Such regulations shall allow the use of 100 percent of the appropriate indexes determined by the Secretary and may require the use of these indexes in the case of an eligible small business which elects the use of the method described in subsection (b).

(2) Suitable published government indexes defined.—For purposes of paragraph (1) suitable published government indexes shall be the appropriate components of the consumer price indexes and the Producer Price Indexes as determined by the Secretary.

SEC. 236. 3-YEAR AVERAGING PERMITTED FOR INCREASES IN INVENTORY VALUE.

Subsection (d) of section 472 is amended to read as follows: "The closing inventory of the taxable year preceding the taxing year for which the method described in subsection (b) is first used shall be at cost. Any adjustment to income resulting from the application of the preceding sentence shall be taken into account ratably in each of the three taxable years beginning with the first taxable year the method described in subsection (b) is first used."

SEC. 237. ELECTION BY SMALL BUSINESS TO USE ONE INVENTORY POOL WHEN LIFO IS ELECTED.

(a) IN GENERAL.—Subpart D of part II of subchapter E of chapter 1 of the Internal Revenue Code of 1954 (relating to inventories) is amended by adding at the end thereof the following new section:

"SEC. 474. ELECTION BY CERTAIN SMALL BUSINESSES TO USE ONE INVENTORY POOL.

"(a) IN GENERAL.—A taxpayer which is an eligible small business and which uses the dollar-value method of pricing inventories under the method provided by section 472 (b) may elect to use one inventory pool for any trade or business of such taxpayer.

"(b) ELIGIBLE SMALL BUSINESS DEFINED.—For purposes of this section, a taxpayer is

an eligible small business for any taxable year if the average annual gross receipts of the taxpayer do not exceed $3,000,000 for the 3 taxable years ending with the taxable year.

"(c) SPECIAL RULES.—For purposes of this section—

"(1) CONTROLLED GROUPS.—

"(A) IN GENERAL.—In the case of a taxpayer which is a member of a controlled group, all persons which are component members of such group at any time during the calendar year shall be treated as one taxpayer for such year for purposes of determining the gross receipts of the taxpayer.

"(B) CONTROLLED GROUP DEFINED.—For purposes of subparagraph (A), persons shall be treated as being members of a controlled group if such persons would be treated as a single employer under the regulations prescribed under section 52(b).

"(2) ELECTION.—

"(A) IN GENERAL.—The election under this section may be made without the consent of the Secretary and shall be made at such time and in such manner as the Secretary may by regulations prescribe.

"(B) PERIOD TO WHICH ELECTION APPLIES.—The election under this section shall apply—

"(i) to the taxable year for which it is made, and

"(ii) to all subsequent taxable years for which the taxpayer is an eligible small business,

unless the taxpayer secures the consent of the Secretary to the revocation of such election.

"(3) TRANSITIONAL RULES.—In the case of a taxpayer who changes the number of inventory pools maintained by him in a taxable year by reason of an election (or cessation thereof) under this section—

"(A) the inventory pools combined or separated shall be combined or separated in the manner provided by regulations under section 472;

"(B) the dollar value of the taxpayer's inventory as of the beginning of the first taxable year—

"(i) for which an election under this section is in effect, or

"(ii) after such election ceases to apply, shall be the same as such dollar value as of the close of the taxable year preceding the taxable year described in clause (i) or (ii) (as the case may be), and

"(C) the first taxable year for which an election under this section is in effect or after such election ceases to apply (as the case may be) shall be treated as a new base year in accordance with procedures provided by regulations under section 472."

(2) CLERICAL AMENDMENT.—The table of sections for such subpart D is amended by adding at the end thereof the following new item:

"Sec. 474. Election by certain small businesses to use one inventory pool."

SEC. 238. STUDY OF ACCOUNTING METHODS FOR INVENTORY.

(a) STUDY.—The Secretary of the Treasury shall conduct a full and complete study of methods of tax accounting for inventory with a view toward the development of simplified methods which minimize the effect of inflation. Such study shall include (but shall not be limited to) an examination of the last-in first-out method and the cash receipts and disbursements method.

(b) REPORT.—Not later than June 30, 1982, the Secretary of the Treasury shall submit to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate a report on the study conducted under subsection (a), together with such recommendations as he deems appropriate.

SEC. 6. METHOD OF COMPUTING LIFO VALUE OF DOLLAR-VALUE POOL MAY BE USED WITHOUT SHOWING OTHER METHODS ARE UNSUITABLE OR IMPRACTICAL.

Section 472 of the Internal Revenue Code of 1954 (relating to last-in, first-out inventories), as amended by sections 2, 4, and 5, is amended by adding at the end thereof the following new subsection:

"(f) USE OF LINK-CHAIN METHOD, ETC., PERMITTED WITHOUT SHOWING OTHER METHODS ARE UNSUITABLE OR IMPRACTICAL.—Any taxpayer may elect to use a link chain or index method of computing the LIFO value of any dollar-value pool without any showing that any other such method is unsuitable or impractical."

The provisions of this bill will be effective for taxable years beginning after December 31, 1981.

Mr. MITCHELL. I shall take just a few minutes to explain the provisions of my modified amendment as they relate to the original amendment.

Mr. DOLE. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. MITCHELL. My original amendment had five provisions, Mr. President. The first dealt with the tax penalty on the election to use the last in, first out method of inventory accounting. The amendment provided that the penalty would be spread over 5 years under the agreement reached with the distinguished chairman of the Committee on Finance and the Treasury Department. That would be modified to 3 years.

The second part of my amendment dealt with pooling. My amendment would have provided a single pool for firms with less than $5 million a year in sales. Under the agreement, the $5 million in sales would be reduced to $3 million.

The third provision of my amendment dealt with the use of Government indexes. Under my amendment, provision was made for the use of general categories of the Consumer Price Index and it called for liberalized use of the link-chain method of indexing. Under the agreement, the Internal Revenue Service would be required to complete by November regulations which will include a requirement of 100 percent of inflation adjustment, measured by either the Consumer Price Index or the Producers Price Index, or subcategories thereof, and the amount also accepts the link-chain reform.

The fourth provision of my amendment dealt with the delay of the effective date of the LIFO recapture provision. That provision will not be included as part of the amendment.

The fifth provision of my amendment dealt with cash accounting. Under the agreement, there will be a study by the Treasury, to be completed by June 30, 1982. I understand that the chairman of the Committee on Finance is prepared to make a commitment to hold hearings as soon thereafter as is feasible.

Mr. DOLE. That is correct, Mr. President. That is an accurate statement.

Mr. MITCHELL. Mr. President, I urge, then, all of my colleagues in the Senate to accept this amendment. I understand that it now has the support of the distinguished chairman of the Committee on Finance and the minority manager of the bill. While it does not include everything that was contained in my original amendment, it does represent a substantial step forward for small businesses in the area of inventory accounting. It will not be the last step, Mr. President. We shall proceed after the study, after the hearings, to complete the gains that we started here today.

I urge approval of the amendment by all the Members of the Senate, Mr. President.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Maine (Mr. MITCHELL), and also the Senator from Iowa. This is a step forward, in the opinion of the Committee on Finance. I appreciate the fact that we were able to work it out.

I think it is positive. There is no dissent with Treasury, no dissent in the committee itself. I do not think there is any dissent on the floor.

I also thank the distinguished Senator from Iowa (Mr. JEPSEN), who was working with us and Treasury and who has a great deal of expertise in this area.

I yield 2 of my 5 minutes to the Senator from Iowa.

Mr. JEPSEN. I thank the Senator from Kansas, Mr. President.

Will the Senator from Maine yield for a question?

Mr. MITCHELL. Yes, I yield to the Senator from Iowa.

Mr. JEPSEN. I ask the Senator from Maine, it is my understanding now that the revised amendment will allow small businesses with less than $3 million in gross receipts to use one pool. Is that the Senator's understanding?

Mr. MITCHELL. That is correct, Mr. President.

Mr. JEPSEN. I also am advised and understand that his revised amendment permits business to use 100 percent of the regular published Government price indexes. Is that correct?

Mr. MITCHELL. That is correct.

Mr. JEPSEN. I thank the Senator from Maine.

Mr. President, in times of inflation, those businesses using last in, first out accounting are paying taxes on unrealized profits. Last in, first out accounting would reduce this burden. However, it is currently too complicated for many small businesses to use. The real solution to this problem is to reduce inflation so that complicated accounting procedures are not necessary. The solution is not to relieve the burden on one sector and increase the burden on another sector. I do now support the amendment, and I ask the Senator from Maine to add my name as a cosponsor of the amendment.

Mr. MITCHELL. Mr. President, I ask unanimous consent that the names of the Senator from Iowa (Mr. JEPSEN) and the Senator from Oregon (Mr. HATFIELD) be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JEPSEN. Mr. President, although I conceptually supported inventory reform, I could not support the initial amendment of the Senator from Maine in that it provided that some of the loss of income would be made up by taking away from another part of our business sector. This has been corrected.

I also have been assured that the Treasury Department will study the issue and will come up with solid recommendations for inventory reform to insure that LIFO is simple enough to allow universal usage.

I assure the Senate that if inventory reform cannot be accomplished by the Treasury, I and several of my colleagues will accomplish it through law.

Mr. WEICKER. Mr. President, if I may have 1 minute on the bill, I commend the distinguished Senator from Maine for his very positive contribution to the well-being of the small business community.

I ask unanimous consent that my name and that of the distinguished Senator from Minnesota (Mr. DURENBERGER) be added as cosponsors of the amendment.

I hope the amendment is adopted. I believe that anything we can do for this most productive segment of our economy—and yet the most neglected segment of our economy—we should do. I am all for it, and I hope the vote is unanimous.

Mr. DOLE. I yield to the Senator from Maine.

Mr. COHEN. Mr. President, I join my colleagues in commending my colleague from Maine on his efforts to help bring about a compromise of the original amendment we offered earlier this afternoon. I believe it does represent the best that could be accomplished this afternoon. But it represents, as my colleague from Maine indicated earlier, only a first step forward in bringing about reform that is going to benefit the small businesses of this country and make them more competitive than they are today with large corporations.

First in, first out (FIFO) inventory which declines in value below its original cost may be written down to that lower value with a deduction allowed for the amount of the writedown. However, a taxpayer going from FIFO to the last in, first out (LIFO) method must include in income, in the year prior to the first year of LIFO, any writedowns taken on any items currently in the inventory.

Under dollar-value LIFO, the inventory is divided into natural business pools and accounted for on the basis of base-year—that is, year of change to LIFO—dollars. In general, a natural business pool consists of the entire production activity of the enterprise within one product line. Base-year dollars are used to provide a constant measuring unit for each year's inventory to determine if there has been an increase or decrease in the inventory. The base-year dollar equivalent of an item in the current inventory is determined by calculating the cost of the item as though it were constructed in the base year. This can be very difficult if the item did not exist in the base year.

The link-chain method and the index method can be used to compute dollar-value inventory, but only if the double-extension method is shown to be unsuitable or impractical.

Taxpayers changing to LIFO will be allowed to spread the income attributable to previously taken inventory writedowns over the 3 succeeding years.

A taxpayer with average annual receipts for the preceding 3 years of not more than $3 million may elect to use only one inventory pool.

Taxpayers with gross receipts of less than $3 million may use the Consumer Price Index or the Producer Prices and Price Indexes to discount current inventory to base-year dollars rather than have to compute the base-year cost of the inventory.

The link-chain method and index method of computing dollar-value LIFO may be used without the necessity of showing that the double-extension method is impractical or unsuitable.

The amendment would reduce revenues by $130 million in 1982, $145 million in 1983, $160 million in 1984, and $175 million in 1985.

Mr. DOLE. Mr. President, I support the amendment.

The amendment makes a number of changes in the tax accounting rules regarding LIFO inventory accounting and more specifically dollar-value LIFO inventory accounting. LIFO inventory accounting most effectively mitigates the effect of inflation on small businesses engaged in the purchase and sale of merchandise. In this period of high inflation, greater efforts should be made to simplify LIFO and make it more available to the small businessman.

The amendment allows small businesses with gross receipts of under $3 million to use 100 percent of the Consumer Price Index or the Producer Price Index to compute the base-year cost of their inventory under dollar-value LIFO. Such a small business can also use one inventory pool in computing its dollar-value inventory. The amendment also expands the use of the link-chain and index method of computing dollar-value inventory. Additionally, those taxpayers adopting LIFO may spread over 3 years the income attributable to writedowns in inventory taken prior to the LIFO election.

Finally, the Treasury is directed to study and report to the Congress on methods of simplifying inventory accounting with a view to minimizing the impact of inflation.

Again, I commend all Senators who participated in the negotiations. It is a step in the right direction so far as small business is concerned.

Also, it will give us an opportunity to have hearings on the other proposal with respect to cash accounting. I pledge my effort to do that at the earliest possible time.

I thank both Senators from Maine.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. MITCHELL. I yield.

Mr HARRY F. BYRD, JR. Mr. President, I commend the able Senator from Maine for the development of this amendment.

I know he has worked long and hard on this matter, and I believe he has achieved a great deal to obtain the approval of so many different groups and individuals and the Treasury Department. It is a fine achievement, and I congratulate and commend the able Senator and am glad to support the amendment.

Mr. MITCHELL. I thank the Senator.

Mr. President, I ask unanimous consent that the name of the Senator from Oklahoma (Mr. BOREN) be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. SASSER. Mr. President, I rise in support of the Mitchell inventory reform package amendment which simplifies the rules for converting to the last in, first out, or LIFO, accounting method and allows small businesses to use cash accounting.

Mr. President, this amendment will benefit the many small businesses of this country that are inventory, as opposed to capital, intensive in nature. This includes the thousands of small wholesalers, retailers and manufacturers that contribute so much to our economy.

I want to congratulate the Senator from Maine (Mr. MITCHELL) for the fine effort he has made on this amendment, and, indeed, for his devoted work on small business issues in general. His efforts in the Finance Committee, particularly with regard to proposing a small business direct expensing amendment which the committee has included in the tax bill, are especially appreciated by this Senator who also has concerns about the plight of small business in the United States today.

I would also like to commend the National Federation of Independent Business for its diligent efforts on behalf of this amendment. NFIB has done a great service to its small business constituency through its strong support of this inventory reform package.

Mr. President, this amendment would greatly simplify the rules with regard to the conversion from first in first out, or FIFO, accounting to the LIFO method. Though FIFO is the more commonly used accounting method, inflation causes it to understate the cost of goods sold by a business and therefore overstate a business' taxable income. This also overstates the tax liability of the firm in question.

In 1979 alone, inadequate inventory accounting added $42.6 billion to taxable profits. This overtaxation could be avoided through the use of LIFO accounting if small businesses could only convert to it without incurring great conversion costs.

But the LIFO rules are extremely complicated. Despite the obvious benefits from the use of LIFO, only small percentages of those businesses who could make use of this tool do so. Of all corporations in 1976, only 2.5 percent of wholesalers, 1.3 percent of retailers and 3.7 percent of manufacturers used LIFO accounting. The present rules are simply too complicated for a small firm to handle without extensive assistance from outside accounting firms.

Mr. President, this amendment also provides for a study of the small business use cash accounting. This system recognizes income and expenses when

they actually occur, much as we do in our personal checking accounts. Income tax is then paid only on income actually received and not on inflation bloated inventories. Under present law, only certain farm operations are allowed to use cash accounting.

Mr. President, I commend this amendment to my colleagues who are interested in the plight of small business sector of our economy. It is the small business that produces most of the new jobs in this country. It is the small business that does that most efficient job of coming up with more productive ways of doing things in this economy.

Yet small business is beset with a long list of problems, most of which are not encountered by their larger competitors. We must take a firm step in the direction of equitable treatment for small firms, Mr. President, by the adoption of the Mitchell amendment.

● Mr. LEAHY. Mr. President, I have asked that I be added as a cosponsor of the amendment offered by the junior Senator from Maine. Adoption of this amendment will result in important tax relief for small businesses, particularly retailers, wholesalers, and manufacturers.

The tax reduction bill before us today already contains much needed improvements in methods of capital cost recovery accounting. I commend the junior Senator from Maine for recognizing that inflation has also made inventory accounting reform a matter of high priority for many firms, particularly those which are not capital-intensive.

Although businesses presently can avoid the overtaxation which results from use of the first in first out (FIFO) accounting method by adopting the last in first out (LIFO) method, experience has proven that LIFO rules are too complex for most small businesses to adopt. For example, of all corporations in 1976, only 3.7 percent of manufacturers, 2.5 percent of wholesalers, and 1.3 percent of retailers used LIFO.

The inventory simplification and reform amendment now before us offers a reasonable and fair solution to the problem of inadequate inventory accounting for small firms. I believe the amendment will complement the capital cost recovery provisions of the bill and will extend tax relief to a broader base of businesses. I urge the adoption of this amendment.●

Mr. BAKER. Mr. President, has all time expired—the additional time for debate?

The PRESIDING OFFICER. The Senator is informed that 1 minute and 33 seconds remain.

Mr. DOLE. I yield back the time, if it is my time.

Mr. BAKER. Mr. President, I ask unanimous consent that on the back-to-back votes that are about to occur, the first vote be a 15-minute vote and the second vote be a 10-minute vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I ask for the yeas and nays on the Mitchell-Cohen amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

AMENDMENT NO. 492

The PRESIDING OFFICER. The question is on agreeing to the amendment by the Senator from Georgia (Mr. NUNN).

Mr. DOLE. Mr. President, I move to table the Nunn amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The question is on agreeing to the motion to table the amendment by the Senator from Georgia (Mr. NUNN). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER), and the Senator from IDAHO (Mr. MCCLURE) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Nevada (Mr. CANNON), the Senator from Ohio (Mr. METZENBAUM), the Senator from New Jersey (Mr. BRADLEY), and the Senator from Massachusetts (Mr. KENNEDY) are necessarily absent.

I further announce that if present and voting, the Senator from Nevada (Mr. CANNON) would vote "nay."

The PRESIDING OFFICER. Are there any other Senators in the Chamber who have not voted who wish to vote?

The result was announced—yeas 28, nays 66, as follows:

[Rollcall Vote No. 225 Leg.]

YEAS—28

Andrews	East	Quayle
Armstrong	Gorton	Specter
Baker	Grassley	Stevens
Baucus	Hatfield	Symms
Boschwitz	Heinz	Tower
Chafee	Humphrey	Wallop
Cochran	Kasten	Weicker
D'Amato	Mathias	Williams
Dole	Murkowski	
Durenberger	Packwood	

NAYS—66

Abdnor	Hart	Nickles
Bentsen	Hatch	Nunn
Biden	Hawkins	Pell
Boren	Hayakawa	Percy
Bumpers	Heflin	Pressler
Burdick	Helms	Proxmire
Byrd, Harry F., Jr.	Hollings	Pryor
Byrd, Robert C.	Huddleston	Randolph
Chiles	Inouye	Riegle
Cohen	Jackson	Roth
Cranston	Jepsen	Rudman
Danforth	Johnston	Sarbanes
DeConcini	Kassebaum	Sasser
Denton	Laxalt	Schmitt
Dixon	Leahy	Simpson
Dodd	Levin	Stafford
Domenici	Long	Stennis
Eagleton	Lugar	Thurmond
Exon	Matsunaga	Tsongas
Ford	Mattingly	Warner
Garn	Melcher	Zorinsky
Glenn	Mitchell	
	Moynihan	

NOT VOTING—6

Bradley	Goldwater	McClure
Cannon	Kennedy	Metzenbaum

So the motion to lay on the table amendment No. 492 was rejected.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Georgia. (Putting the question.)

Mr. NUNN's amendment (No. 492) was agreed to.

Mr. NUNN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. CHILES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, the next rollcall will be a 10-minute rollcall.

The PRESIDING OFFICER. Is there objection?

Mr. DOLE. Mr. President, reserving the right to object—it has already been ordered.

Can the majority leader give us some idea of the program for the remainder of the evening?

The PRESIDING OFFICER. The Senate will be in order.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, in response to the inquiry of the distinguished chairman of the committee, let me say that the minority leader and I have been in consultation about the amendments that remain and how they will be disposed of.

According to the count I have before me there are 38 amendments left on the list of qualified amendments. I am advised by the minority leader that it is his understanding that of that number 14 will be called up and will indeed be debated according to the order in the timeframe provided. There are 5 amendments of the 38 that are currently in one stage of negotiations or the other and it is possible none of them will be called up. It is, perhaps, more possible that some of them will be acceptable, others will not. But in any event, five are in limbo.

It would appear at this time that there are 16 amendments on the list of qualified amendments that will not be called up or otherwise disposed of by the Senate. Those amendments have not yet been designated, but that is the estimate by the Democratic side, based on the canvass of their members.

Mr. President, in addition to that, I am advised by the minority leader that two amendments will be offered and debated, but votes will not be required. I presume that means they will be taken down. This is the report I received from the minority leader, and based on that report I hope we can proceed shortly to the next rollcall vote, which will be the vote on the Mitchell-Cohen amendment, and then following after that we can schedule business for in the morning and avoid a late session this evening.

If I may inquire of my distinguished chairman of the committee his preference in that respect I will be prepared to make a further statement.

Mr. DOLE. I might advise the majority leader I guess there are nine amendments on the Republican side, and I am not certain how many of those will be called up. Hopefully none of them will be called up, but I assume there will be some

of those called up, and that would be 47 amendments left.

I would say that if half of those are called up, that is 19 amendments. The Senator from Kansas is not certain we can finish 19 amendments tomorrow.

It is my understanding that, after we dispose of this rollcall, the Senators from California have an amendment we can accept. The Senator from Arkansas would like to speak for about 5 minutes on an amendment. If there are others who could give us some amendments that we could dispose of, that would be helpful. I am not certain there are many of those left.

But that is a big order, if we intend to finish tomorrow, to dispose of 40-some amendments, unless we stay late this evening.

Mr. BAKER. Mr. President, if the Chair would indulge me just for a brief moment.

Mr. DOLE. If the majority leader will yield, if we could agree that we would have votes starting early in the morning and not wait until noon, because if that happens, no one is going to show up until noon except the distinguished Senator from Louisiana and the Senator from Kansas. If we could have a vote in the morning on the motion to reconsider the Metzenbaum-Durenberger-Packwood-Hawkins amendment, if we could do that and if we could ask everyone here, as the Senator has been asking in the past, to cooperate—it is not necessary that you call up your amendment. We would be glad to put it in the record and say something nice about it. You do not have to call it up. It will keep. There will be another bill. This is not the last tax bill in history.

Mr. ROBERT C. BYRD. Will the distinguished majority leader consider scheduling the vote on the motion to reconsider that Mr. LONG and Mr. METZENBAUM agreed to at a fairly reasonably early hour on tomorrow?

Mr. BAKER. Mr. President, I am perfectly willing to do that. Let me consult with the distinguished chairman one more time.

Mr. BAKER. Mr. President, let me make a unanimous-consent request and if it is granted then I am prepared to announce there will be no more rollcalls after the next rollcall if we proceed in the way I am about to present.

ORDER FOR RECESS UNTIL 8:15 A.M. TOMORROW

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate recesses today it do so until the hour of 8:15 in the morning; that after the recognition of the two leaders under the standing order and after the recognition of the Senator from South Carolina (Mr. THURMOND) and the Senator from Connecticut (Mr. DODD) on special orders, there be a brief period for the transaction of routine morning business and that the Senate resume consideration of the tax bill at 9 a.m. tomorrow; that at 9 a.m. tomorrow a motion to reconsider the vote on the Metzenbaum, et al., amendment be in order and that a vote occur thereon immediately after the bill is laid down; that the Chair entertain a motion to reconsider and that a vote occur thereon without further debate or motion.

I ask unanimous consent, Mr. President, that it be in order to ask for the yeas and nays at this time.

The PRESIDING OFFICER. The yeas and nays have been ordered.

Mr. BAKER. Mr. President, I thank the Chair. Mr. President, I put that request.

The PRESIDING OFFICER. Is there objection?

Mr. SARBANES. Mr. President, do I understand the vote would be at 9 o'clock?

Mr. BAKER. The vote would come within minutes after 9 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I thank the Chair.

Mr. President, after this vote, which will be a 10-minute vote, there will be no more rollcall votes tonight.

Mr. DOLE. Mr. President, we will be able to take care of the two amendments I have just mentioned.

Mr. BAKER. There will be more business transacted, but no more rollcall votes this evening.

UP AMENDMENT NO. 303, AS MODIFIED

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Maine (Mr. MITCHELL). The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER) and the Senator from Idaho (Mr. MCCLURE) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from New Jersey (Mr. BRADLEY), the Senator from Nevada (Mr. CANNON), the Senator from Massachusetts (Mr. KENNEDY), and the Senator from Ohio (Mr. METZENBAUM) are necessarily absent.

I further announce that if present and voting, the Senator from Nevada (Mr. CANNON) would vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 94, nays 0, as follows:

[Rollcall Vote No. 226 Leg.]

YEAS—94

Abdnor	Dole	Johnston
Andrews	Domenici	Kassebaum
Armstrong	Durenberger	Kasten
Baker	Eagleton	Laxalt
Baucus	East	Leahy
Bentsen	Exon	Levin
Biden	Ford	Long
Boren	Garn	Lugar
Boschwitz	Glenn	Mathias
Bumpers	Gorton	Matsunaga
Burdick	Grassley	Mattingly
Byrd, Harry F., Jr.	Hart	Melcher
	Hatch	Mitchell
Byrd, Robert C.	Hatfield	Moynihan
Chafee	Hawkins	Murkowski
Chiles	Hayakawa	Nickles
Cochran	Heflin	Nunn
Cohen	Heinz	Packwood
Cranston	Helms	Pell
D'Amato	Hollings	Percy
Danforth	Huddleston	Pressler
DeConcini	Humphrey	Proxmire
Denton	Inouye	Pryor
Dixon	Jackson	Quayle
Dodd	Jepsen	Randolph
Riegle	Specter	Tsongas
Roth	Stafford	Wallop
Rudman	Stennis	Warner
Sarbanes	Stevens	Weicker
Sasser	Symms	Williams
Schmitt	Thurmond	Zorinsky
Simpson	Tower	

NOT VOTING—6

Bradley	Goldwater	McClure
Cannon	Kennedy	Metzenbaum

So Mr. MITCHELL's amendment (UP 303), as modified, was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. WALLOP. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WALLOP. Mr. President, will the Senator yield?

Mr. DOLE. Mr. President, I promised the Senator from Arkansas I would yield 5 minutes to him.

Mr. WALLOP. My statement will require about the same length of time. Please let the Senator from Arkansas proceed, by all means.

Mr. PRYOR. I was going to say that I do not have anything to do this evening and I would enjoy listening to the Senator from Wyoming.

The PRESIDING OFFICER. Under the previous order, the Senator from Pennsylvania is to be recognized.

Mr. WALLOP. Mr. President, in the absence of the Senator from Pennsylvania——

Mr. BAKER. Mr. President, I wonder if the Senator from Wyoming will permit the minority leader and I to take care of a few details.

Mr. WALLOP. Mr. President, I yield to the majority leader.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, may I inquire of the distinguished minority leader if he is in a position at this time to consider items on the Executive Calendar and on the Legislative Calendar?

Mr. ROBERT C. BYRD. Yes, Mr. President, I am prepared to do so.

Mr. BAKER. On the Executive Calendar, I especially invite the attention of the minority leader to the nominations of Edward L. Rowny, U.S. Arms Control and Disarmament Agency, William C. Lee under Judiciary, and all the new reports on the Executive Calendar, including nominations placed on the Secretary's desk. Is the minority leader in a position to state the status of his calendar in that respect?

Mr. ROBERT C. BYRD. Mr. President, the nominations to which the distinguished majority leader has referred have been cleared on this side of the aisle and we are ready to proceed.

Mr. BAKER. I thank the minority leader.

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate now go into executive session to consider the nominations just referred to.

There being no objection, the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER. The nominations will be stated.

Mr. BAKER. Mr. President, I ask unanimous consent that the nominations of Edward L. Rowny, of Virginia, to be a Special Representative for Arms Control and Disarmament Negotiations and to have the rank of Ambassador while so serving; the nomination of William C. Lee, of Indiana, to be U.S. district judge for the northern district of Indiana; and all nominations under new reports and placed on the Secretary's desk be considered en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered en bloc and confirmed en bloc.

The nominations considered and confirmed en bloc are as follows:

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Edward L. Rowny, of Virginia, to be Special Representative for Arms Control and Disarmament Negotiations, and to have the rank of Ambassador while so serving.

THE JUDICIARY

William C. Lee, of Indiana, to be U.S. district judge for the northern district of Indiana.

CONSUMER PRODUCT SAFETY COMMISSION

Nancy Harvey Steorts, of Maryland, to be a member of the Consumer Product Safety Commission.

Nancy Harvey Steorts, of Maryland, to be Chairman of the Consumer Product Safety Commission.

DEPARTMENT OF ENERGY

Anthony G. Sousa, of Hawaii, to be a member of the Federal Energy Regulatory Commission.

Jan W. Mares, of Connecticut, to be an Assistant Secretary of Energy (Fossil Energy).

Alvin W. Trivelpiece, of California, to be Director of the Office of Energy Research.

DEPARTMENT OF THE INTERIOR

J. Robinson West, of Pennsylvania, to be an Assistant Secretary of the Interior.

U.S. ARMY

Maj. Gen. Hugh Joseph Clausen, [redacted] to be The Judge Advocate General, U.S. Army.

Brig. Gen. Hugh Robert Overholt, to be the Assistant Judge Advocate General.

NOMINATIONS PLACED ON THE SECRETARY'S DESK IN THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION AND THE NAVY

National Oceanic and Atmospheric Administration nominations beginning Eric S. Davis, to be lieutenant, and ending Amy E. Orris, to be ensign, which nominations were received by the Senate on July 6, 1981, and appeared in the CONGRESSIONAL RECORD of July 8, 1981.

Navy nominations beginning Phillip T. Angelini, to be ensign, and ending Louis W. Arny III, to be commander, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on July 15, 1981.

By request of Mr. BAKER, the following statement was ordered to be printed in the RECORD.

NOMINATIONS OF J. ROBINSON WEST, JAN W. MARES, ANTHONY G. SOUSA, AND ALVIN W. TRIVELPIECE

● Mr. McCLURE. Mr. President, today the Senate considers the Presidential nominations of J. Robinson West to be Assistant Secretary of the Interior for Policy, Budget and Administration; Jan W. Mares to be Assistant Secretary of Energy for Fossil Energy; Anthony G. Sousa to be a member of the Federal Energy Regulatory Commission, and Alvin W. Trivelpiece to be Director of the Office of Energy Research, Department of Energy.

Mr. J. Robinson West is the nominee for Assistant Secretary of the Interior for Policy, Budget and Administration. In this position, Mr. West will have broad responsibilities related to interagency and interdisciplinary subjects including natural resource management, environmental quality, Outer Continental Shelf coordination, budget management, planning, and policy analysis. Mr. West has financial and investment background in the private sector, and has served as a senior official in the Department of Defense during the Ford administration.

Jan W. Mares has been nominated to be Assistant Secretary of Energy for Fossil Energy. Mr. Mares has received degrees in chemistry and chemical engineering, and he also holds a law degree. He has been employed by Union Carbide Corp. since 1963. He has held a number of positions within the corporation, including business manager in the hydrocarbons department, and since 1979, he has been a division vice president and general manager.

As Assistant Secretary for Fossil Energy, Mr. Mares will be responsible for research, development, and demonstration programs involving fossil fuels. These programs cover applied research, technology development, engineering development and technology demonstration related to fossil fuel extraction, supply, conversion or utilization. As indicated by his background and his managerial experience, Mr. Mares is well suited to fulfill the responsibilities of the Assistant Secretary for Fossil Energy.

Anthony G. Sousa has been nominated to be a member of the Federal Energy Regulatory Commission. Mr. Sousa has extensive academic and professional experience in public utility law and regulation. He is a graduate of the University of San Francisco Law School, and he holds a master of laws degree in public utility regulation and antitrust law. He has served as a rate analyst, counsel and administrative law judge with the California Public Utilities Commission, and he also served as an assistant to the Chairman of that Commission. Since 1973 he has been vice president and general counsel of the Hawaiian Telephone Co.

It would be difficult to overstate the importance of the responsibilities Mr. Sousa will have as a member of the FERC. The Commission has the responsibility for implementing the Natural Gas Act, the Natural Gas Policy Act of 1978, the Federal Power Act, and certain other statutory requirements. The Commission must deal with a wide range of financial and environmental issues, and it must also make decisions concerning the adequacy of our Nation's supplies of natural gas and electric energy.

Dr. Alvin W. Trivelpiece has been nominated to be Director of the Office of Energy Research in the Department of Energy. Dr. Trivelpiece has been a professor of both electrical engineering and physics. He has extensive experience in the areas of plasma physics and fusion research and he has published numerous technical papers in those areas.

Since 1976 he has served as vice president of two research firms in California, Maxwell Laboratories, Inc., and Science Applications, Inc. During the period from 1973 to 1975, Dr. Trivelpiece served as assistant director of research, Division of Controlled Thermonuclear Research, at the Atomic Energy Commission.

As Director of DOE's Office of Energy Research, he would advise the Secretary on the technical aspects of the research and development programs of the Department. He would also be responsible for administering the Department s education and training programs in basic and applied research.

On Thursday, July 23, 1981 the Senate Energy and Natural Resources Committee held a hearing on the four nominations and the following day, by unanimous consent, favorably reported each candidate to the full Senate by a vote of 20 to 0. Each of the nominees has submitted financial disclosure and information statements to the committee and they have answered all questions submitted to them. Each has taken appropriate actions to avoid any potential conflicts of interests.

I believe each of the candidates has been found to be well qualified for the positions to which they have been nominated. I thank each of them for the cooperation they have shown during the confirmation process and recommend that their nominations be approved by the full Senate.●

Mr. BAKER. Mr. President, I move to reconsider the vote by which the nominations were confirmed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. BAKER. Mr. President, I invite the attention of the minority leader to the three items on today's Calendar of Business—Order No. 216, Senate Resolution 188; Order No. 231, Senate Resolution 180; Order No. 232, Senate Resolution 189. I inquire of the minority leader if he is in a position to clear those items for passage at this time.

Mr. ROBERT C. BYRD. Mr. President, those items have been cleared on this side of the aisle and we are ready to proceed.

PURCHASE OF CALENDARS

The resolution (S. Res. 188) relating to the purchase of calendars, was considered and agreed to, as follows:

S. RES. 188

Resolved, That the Committee on Rules and Administration is authorized to expend from the contingent fund of the Senate, upon vouchers approved by the chairman of that committee, not to exceed $58,240 for the purchase of one hundred and four thousand calendars. The calendars shall be distributed as prescribed by the committee.

Mr. BAKER. I move to reconsider the vote by which the resolution was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ADDITIONAL EXPENDITURES FOR THE TRAINING OF PROFESSIONAL STAFF

The resolution (S. Res. 180) increasing the limitation on expenditures by the Committee on Banking, Housing, and Urban Affairs for the training of professional staff, was considered and agreed to, as follows:

S. RES. 180

Resolved, That section 2(2) of S. Res. 75, Ninety-seventh Congress, agreed to March 3 (legislative day, February 16), 1981, is amended by striking out "$1,000" and inserting in lieu thereof "$6,100".

Mr. BAKER. I move to reconsider the vote by which the resolution was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ADDITIONAL EXPENDITURES FOR TRAINING OF PROFESSIONAL STAFF

The resolution (S. Res. 189) authorizing expenditures by the Committee on Commerce, Science, and Transportation for the training of professional staff, was considered and agreed to, as follows:

S. RES. 189

Resolved, That section 2 of S. Res. 52, Ninety-seventh Congress, agreed to March 3, 1981, is amended (1) by inserting "(1)" after "amount"; and (2) by inserting before the period at the end thereof the following: ", and (2) not to exceed $7,000 may be expended for the training of the professional staff of such committee (under procedures specified by section 202(j) of such Act)".

Mr. BAKER. I move to reconsider the vote by which the resolution was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

EXTENSION OF TIME FOR COMMITTEE TO FILE REPORT

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Commerce be authorized to file a report until 12 midnight tonight.

The PRESIDING OFFICER. Without objection, it is so ordered.

REMOVAL OF INJUNCTION OF SECRECY—TREATY DOCUMENT NO. 97–14

Mr. BAKER. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from a 1979 amendment to a regulation of Annex II of the International Convention on Load Lines, 1966 (Treaty Document No. 97–14), transmitted to the Senate today by the President of the United States; and ask that the treaty be considered as having been read the first time; that it be referred, together with accompanying papers, to the Committee on Foreign Relations and ordered to be printed; and that the President's message be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The President's message is as follows:

To the Senate of the United States:

I transmit herewith, for the advice and consent of the Senate to acceptance, an amendment to regulation 49(4)(b) of Annex II of the International Convention on Load Lines, 1966. The report of the Department of State is also transmitted for the information of the Senate in connection with its consideration of this amendment.

The International Convention on Load Lines established uniform principles governing the safe loading of ships on international voyages. The annexes, which form an integral part of the Convention, embody the regulations for determining the location of ships' load lines and divide the world's oceans into regions in which particular load lines must be observed depending upon the season of the year in which they operate. The amendment to regulation 49(4)(b) of the Convention, which was proposed by the Government of Australia, would redefine the seasonal tropical area in the South Indian Ocean to include waters in the new offshore oil development area off the northwest coast of Australia.

I believe that the proposed amendment will not be detrimental to American shipping and should be accepted. I recommend that the Senate give early and favorable consideration to this amendment.

RONALD REAGAN.

THE WHITE HOUSE, *July 27, 1981.*

ORDER OF BUSINESS

Mr. BAKER. Mr. President, I believe that concludes the requests I am prepared to make at this time. I thank the minority leader for his cooperation. I thank the distinguished Senator from Wyoming for forebearing to begin his presentation while the leadership attended to these details.

Mr. President, I yield the floor.

ECONOMIC RECOVERY TAX ACT OF 1981

The Senate continued with consideration of the joint resolution.

The PRESIDING OFFICER. The Senator from Wyoming is recognized.

Mr. WALLOP. Mr. President, I have agreed to yield to the Senator from California.

Mr. CRANSTON. I thank the Senator very much. I thank the Senator from Arkansas.

Are we back on the tax bill, Mr. President?

The PRESIDING OFFICER. The Senator is correct.

UP AMENDMENT NO. 306

Mr. CRANSTON. Mr. President, I send an amendment to the desk on behalf of my distinguished colleague and myself and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from California (Mr. CRANSTON) for himself and Mr. HAYAKAWA, proposes unprinted amendment numbered 306:

On page 55 strike lines 13 through and including line 19 and insert in lieu thereof the following new language:

"(C) AUTHORITY TO PRESCRIBE REGULATIONS.—Until Congress acts further, the Secretary is authorized to prescribe such interim regulations as may be necessary or appropriate to determine whether the requirements of subparagraph (B) have been met with respect to property placed in service after December 31, 1980.

"(D) PUBLIC UTILITY PROPERTY WHICH IS NOT RECOVERY PROPERTY.—In the case of public utility property which, by reason of this paragraph, is not treated as recovery property, the allowance for depreciation under section 167(a) shall be an amount computed using the method and period referred to in subparagraph (B)(i)."

The PRESIDING OFFICER. The Chair notes this amendment will be considered out of order.

Mr. CRANSTON. Mr. President, the amendment I am offering is intended to assist in clearing up a problem in California affecting the interpretation of the normalization method of accounting for accelerated cost recovery for public utility property as provided in the Finance Committee bill.

This amendment has been requested by Mr. John Bryson, chairman of the California Public Utilities Commission, and the electric utilities of California. The purpose of the amendment is supported by the telephone companies of my State, too.

The amendment provides an interim solution to a volatile and difficult problem facing California's public utilities and the State regulatory body with regard to the proper treatment and of the investment tax credit of the rapid depreciation incentive which is about to be voted by this body.

Since this problem is quite complex, I ask unanimous consent that a statement delivered by former Deputy Assistant Secretary for Tax Legislation Daniel I. Halperin on April 15, 1980, before the

House Committee on Ways and Means, be printed in the RECORD at this point.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF DANIEL I. HALPERIN

Mr. Chairman and Members of this Committee: I am pleased to have the opportunity to appear before this Committee to discuss H.R. 6806 and H.R. 3165. Both bills deal with aspects of the rules of the Internal Revenue Code that require the investment credit and the tax deferral attributable to accelerated depreciation to be "normalized" in establishing rates for regulated public utilities. Last year the Treasury presented extensive testimony on this subject before the Committee's Oversight Subcommittee. For the record of these hearings I am attaching a copy of our previous testimony, which I will not reiterate in detail.

As we testified last year, the Treasury regards the investment credit, and the tax deferral attributable to the excess of accelerated over economic depreciation, as subsidies to investment that are delivered through the tax system. As we also testified at those hearings, the Treasury has concluded that it is appropriate for those tax subsidies to be made available to regulated public utilities, which are among the most capital-intensive industries in the country; but that, as long as these benefits are available to regulated public utilities, they should be treated as subsidies to investment rather than as simple tax reductions.

This point should be underscored. We would not be here today if the cash equivalent of the investment credit and the loan equivalent of the tax deferral attributable to accelerated depreciation were delivered directly rather than through the tax system. We do not believe that accounting for comparable, but appropriated, subsidies would be controversial. The fact that they are cleared through the tax system does not change—and should not be permitted to obscure—their essential character.

Thus, in regulated ratemaking, they should be treated in the same manner as any comparable appropriated capital subsidy. Neither should be considered to reduce current regulated tax expense. The investment credit should be treated as a 10 percent reduction in the price paid for equipment, and the tax deferral attributable to accelerated depreciation as an interest-free loan. We believe that this treatment—"normalization"—is unquestionably the correct method of accounting for these subsidies; and that, in the long run, such treatment is in the interests of ratepayers as well as owners of equity in regulated utilities. On balance, we also concluded last year that the normalization requirements of the Internal Revenue Code constitute an appropriate means to ensure proper accounting for these subsidies.

Quite obviously there are those who do not share our point of view. Specifically, the regulatory authorities in the state of California have accounted for the subsidies in a manner that is the equivalent of their being "flowed through" to income (i.e., as a reduction of current tax expense), a result that does not comport with the rules of the Code. But we recognize that the forces that have led to the existing situation in California are both complex and politically charged. Consequently, while we believe the method of regulatory accounting adopted by California unquestionably violates the applicable provisions of the Code and regulations, the Treasury is willing to offer its cooperation in attempting to arrive at a solution to this difficult situation. But we must insist that one can expect as part of any legislative solution a reduction, if not the elimination, of further major disputes about the operation of these rules.

It is with that point of view that we approach H.R. 6806. H.R. 6806, as we understand it, has two objectives. First, under existing law, failure to normalize results in a loss of the benefits of the investment credit and accelerated depreciation. Sections 3 and 4 of H.R. 6806 would operate to absolve those companies, which have been required by California to flow through improperly the investment credit and the tax deferral attributable to accelerated depreciation, from the loss of those benefits. Second, recognizing that the improper flow-through stemmed primarily from an estimating procedure adopted by the California Public Utilities Commission, sections 1 and 2 of H.R. 6806 would amend the investment credit and accelerated depreciation rules to state specifically in the statute that such procedures are impermissible.

We believe that the statutory clarifications of sections 1 and 2 of H.R. 6806 are consistent with existing law and, therefore, are appropriate. The balance of H.R. 6806 we view with reservation. Regulated public utilities are among the most capital-intensive industries and therefore are among the most significant recipients of capital subsidies delivered through the tax system. Consequently, retroactive disallowance of these subsidies exposes the companies subject to the California rate orders to tax deficiencies that by any measure are substantial. If, by reason of legislation, the difficult circumstances as they have developed in California could be defused and the normalization rules made to operate properly there as elsewhere, we see no policy that would be served by collecting such deficiencies.

The difficult question is whether H.R. 6806 can achieve this goal, which both we and its sponsors seek. In our judgment, legislative relief for past violations would be preferable if it preserved some measure of sanction short of collecting the full tax deficiencies or insisting on complete abatement of the rate refunds that already have been ordered by California. Such legislation might serve to defuse the existing situation while making clear that the normalization rules cannot be disregarded with impunity.

But the Treasury is not unalterably opposed to H.R. 6806. If, as the result of its enactment, the situation in California could be defused and the California authorities persuaded to accept normalization; and if it was considered unlikely that other state regulatory authorities would be induced to start down the road taken by California; and if, finally, this Committee and the Congress were to make it clear that attempts to circumvent these rules in the future would meet with no sympathy on the part of the Congress, then a measure such as H.R. 6806 could be desirable.

Whether it is realistic to have such expectations—which, Mr. Chairman, I emphasize are in our judgment essential to the Treasury's acquiescing in this legislation—it is not yet possible to say. If the California authorities, and those public lawyers whose intervention in the California rate proceedings has been an essential feature of this controversy, were prepared to accept normalization for the future, that action would go far toward alleviating our concerns. We say this recognizing that the Supreme Court of California, which we assume cannot speak to the question outside the confines of a judicial proceeding, also has played an essential role in California. But we also point out that, in considering the wisdom of H.R. 6806, this Committee must also reach a judgment about the possibility that its enactment would induce other state regulatory authorities to follow California's lead. We are not in a position to express an independent judgment on the likelihood that this will happen. Perhaps the Committee will hear from witnesses, subject to regulation by states other than California, who will make their views on this subject known.

We must point out, however, that if H.R. 6806 were enacted, and if, contrary to the Committee's expectations, California persevered in the course that it has staked out, or other public utility commissions were persuaded to follow California's lead, the consequences could be quite serious. Our testimony last year to the effect that retention of the normalization rules was appropriately rested on several fundamental premises, among them that the subsidies provided by the investment credit and accelerated depreciation were appropriate for regulated public utilities as long as they were properly accounted for through normalization; that, in general, the tax normalization rules seemed to operate properly; and that, absent such rules, benefits that are intended as subsidies to investment well might be converted into rate subsidies.

But we also pointed out that these rules do not operate well when they are the focus of controversy. If, either as the result of California's continued pursuit of flow-through or because of efforts by other public utility commissions to follow suit, the normalization rules prove to be a source of even further controversy, the Treasury might feel constrained to recommend a review of Congressional policy toward the provision of these investment subsidies to regulated public utilities. It might prove necessary to reexamine the wisdom of retaining the normalization rules. Or, recognizing that flow-through operates to convert investment subsidies into direct rate subsidies, the inability to achieve normalization accounting might warrant reconsideration of allowing these tax subsidies to regulated utilities. We do not mean to suggest that the time for such reconsideration has arrived; only that, if these rules cannot be made to work properly, the underlying policy may have to be reconsidered.

As I mentioned at the outset, Mr. Chairman, the Treasury is prepared to work with this Committee and other interested parties in an attempt to remedy this difficult situation. At this moment we are not confident that H.R. 6806 will provide a solution. We look forward to seeing how the situation develops, and in particular to the views to be expressed before this Committee in the balance of its hearings today.

The other bill dealt with in this hearing, H.R. 3165, addresses the appropriate technique of normalizing the investment credit. It is the Treasury's view that the investment credit was intended to stimulate investment in productive capital by reducing the cost of capital goods. Such a reduction means that investments will become feasible at a lower level of expected returns than would be the case in the absence of the credit. Thus, we believe that proper normalization of the credit would result in its being accounted for in regulated ratemaking in exactly the same way as any other 10 percent reduction in capital costs. First, the regulated taxapayer's "rate base," to which its "fair rate of return" is applied in determining the allowable return to equity investors, would be reduced by the amount of the credit. This would reflect the fact that a portion of the taxpayer's investment had been financed by the government. Second, the base for determining regulated depreciation expense would also be reduced by 10 percent (to reflect the actual cost of the investment), thus reducing annual depreciation charges (and, hence, regulated "cost of service") by 10 percent as well.

In its current form, section 46(f) may not quite accomplish this goal. It provides two alternative methods of normalizing the investment credit, neither of which unam-

biguously permits both a rate base reduction and a reduction in regulated depreciation base. Under one method—section 46(f)(1)—the regulatory body establishing rates may require the regulated taxpayer's rate base to be reduced by the amount of the credit. However, under section 46(f)(1), it is not clear that any other reduction, for example a reduction in depreciation expense, is permitted in the taxpayer's regulated cost of service. Under the alternative—section 46(f)(2)—regulated "cost of service" may be reduced by a rateable portion of the credit earned each year (the equivalent of reducing the taxpayer's base for computing regulated depreciation expense), but the taxpayer's rate base may not be reduced. Consequently, section 46(f)(2) permits the regulated taxpayer to earn a return on the portion of its investment that is paid for by the government through the credit. Most regulated utilities elect section 46(f)(2).

As we testified last year, we believe that the correct technique by which to normalize the investment credit involves a combination of the two existing methods, under which, through reduced depreciation, the regulated taxpayer's cost of service is reduced by a rateable portion of the credit each year; while, simultaneously, the taxpayer's rate base is reduced (to exclude the government's contribution) by the amount of the allowable credit. This treatment would recognize the investment credit as providing a 10 percent reduction in capital costs.

We are convinced that the arguments in support of retaining section 46(f)(2) are based on a misunderstanding of the way in which the investment credit was intended to operate. Many of those who have considered this issue agree that conceptually we are correct, but attempt to justify section 46(f)(2) on other grounds. Specifically, it has been said that allowing a regulated utility to preserve the investment credit in its rate base, as permitted by section 46(f)(2), to some extent mitigates the consequences of "regulatory lag" (i.e., the inability of current ratemaking orders to keep up with financial demands on a regulated utility), a phenomenon that is aggravated by high rates of inflation. We believe that it simply is improper to justify improper normalization of the investment credit as an antidote to deficiencies in the ratemaking process. Those deficiencies, if they exist, should be remedied by the regulators.

In sum, Mr. Chairman, H.R. 3615 attempts to correct what we regard as a deficiency in the existing investment credit normalization rules. While we have some technical reservations, the Treasury supports the objective of H.R. 3615 and would be happy to cooperate with the Committee or its staff to work out suitable revisions.

Mr. CRANSTON. Mr. President, the bill—H.R. 6806, 96th Congress—to which Mr. Halperin refers in his testimony has been reintroduced in the Senate by my colleague Senator HAYAKAWA and me as S. 232.

The amendment I am offering will not affect the overall objective of S. 232 in any way whatsoever. The amendment is merely an interim compromise which is intended to assist the California Public Utilities Commission in complying with the expressed intent of Congress that tax subsidies made available to regulated public utilities be treated as subsidies to investment rather than as simple tax reductions.

The difference is considerable.

Mr. Halperin's testimony makes this point clear.

A reduction in a public utility's taxes simply results in a reduction of charges to the ratepayer since taxes are passed through to the customer. This flow-through treatment, of course, deprives the utility of retained earnings for investment in new equipment and technology.

On the other hand, as Mr. Halperin explained:

> The investment credit should be treated as a 10 percent reduction in the price paid for equipment, and the tax deferral attributed to accelerated depreciation as an interest-free loan. We believe that this treatment—"normalization"—is unquestionably the correct method of accounting for these subsidies; and that, in the long run, such treatment is in the interests of ratepayers as well as owners of equity in regulated utilities.

This statement should be self-evident and reflects accurately present law. As one would expect, the present administration has expressed no disagreement with the statement of policy.

The language of the amendment is indeed innocuous. But it will help the California Public Utilities Commission extricate itself from a situation which is adversely affecting the ability of utilities and the PUC to serve the best interests of ratepayers and the State's economy.

I urge adoption of the amendment.

Mr. President, I shall not delay the Senate with any more detailed explanation of this measure. It has been discussed in great detail with the Senator from Kansas. It deals with a problem peculiarly related only to California and telephone companies and utilities there. It has been worked out to the total satisfaction of all concerned.

I yield now to my colleague (Mr. HAYAKAWA).

Mr. HAYAKAWA. Mr. President, as the principal sponsor of S. 232, the permanent legislation to correct the problem in the State of California, which this amendment attempts to redress temporarily, I am concerned that action on this amendment, which requires additional action on the part of the Congress, might prejudice consideration of S. 232. I wonder if the distinguished chairman of the Committee on Finance will respond to the concern of the Senator from California with respect to any prejudice this amendment would cast upon consideration of S. 232.

Mr. DOLE. Mr. President, let me say to both distinguished Senators from California that, certainly, the Senate Committee on Finance, in our role on the measure, will give every consideration and do all it can to expedite the resolution of this very serious concern of both Senators.

Mr. HAYAKAWA. Mr. President, further, I wonder if the distinguished chairman of the Committee on Finance will consider S. 232 when the Finance Committee considers the next tax measure?

Mr. DOLE. That will be a matter to be considered. I have indicated that to both Senators from California.

We hope to have a second tax bill before the Senate sometime later this year. I cannot, of course, guarantee that the Senators' interests or their amendment will be a part of the package, but we will consider the concerns of both Senators and try to accommodate their wishes.

Mr. HAYAKAWA. I am grateful to the distinguished chairman of the Finance Committee. I am also grateful to the distinguished senior Senator from California.

Mr. DOLE. Mr. President, under the bill, public utilities are eligible to use the investment credit and to elect accelerated depreciation for the tax purposes only if the tax benefits from accelerated depreciation and the investment credit are normalized for ratemaking purposes. The amendment would give the Secretary authority to prescribe such interim regulations as are necessary or appropriate to determine whether certain ratemaking procedures are in compliance with the normalization requirements under the bill.

I yield back the remainder of my time.

Mr. CRANSTON. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 306) was agreed to.

Mr. CRANSTON. I move to reconsider the vote by which the amendment was agreed to.

Mr. HAYAKAWA. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CRANSTON. Mr. President, I thank all concerned very much, particularly the chairman of the committee.

UP AMENDMENT NO. 307

(Purpose: Relating to the definition of qualified person for purposes of the at risk rules)

Mr. WALLOP. Mr. President, I send an amendment to the desk on behalf of myself and Senator DURENBERGER.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

> The Senator from Wyoming (Mr. WALLOP), for himself and Mr. DURENBERGER, proposes an unprinted amendment numbered 307.

Mr. WALLOP. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 100, strike out lines 12 through 17, and insert in lieu thereof the following:

"(ii) CERTAIN FINANCING.—In the case of a taxpayer who at all times is at risk (determined without regard to this clause) in an amount equal to at least 20 percent of the basis (determined under section 168(d)(1)(A)(i) of property described in subparagraph (A) and who acquired such property from a person who is not a related person, such taxpayer shall for purposes of this paragraph be considered at risk with respect to any amount borrowed in connection with such property (other than convertible debt) to the extent that such amount—"

On page 101, beginning with line 9, strike out all through page 102, line 2, and insert in lieu thereof the following:

"(D) QUALIFIED PERSON.—For purposes of this paragraph, the term 'qualified person' means any person—

"(i) which—

"(I) is an institution described in subparagraph (A), (B), or (C) of section 123(c)(2) or an insurance company to which subchapter I applies, or

"(II) is a pension trust qualified under

section 401(a) or a person not described in subclause (I) and which is actively and regularly engaged in the business of lending money,

"(ii) which is not a related person with respect to the taxpayer, and

"(iii) which is not a person who receives a fee with respect to the taxpayer's investment in property described in subparagraph (A) or a related person to such person.

On page 102, between lines 2 and 3, insert the following:

"(E) SPECIAL RULE FOR CERTAIN TRANSACTIONS.—

"(i) IN GENERAL.—For purposes of subparagraph (D), in the case of a taxpayer which acquires property for fair market value from a person who acquired such property from the taxpayer, then such person shall not be treated as the person from whom the taxpayer acquired the property.

"(ii) SUBPARAGRAPH NOT TO APPLY.—Clause (i) shall not apply if the taxpayer had acquired such property from such person (or a related person to such person) before such person acquired it from the taxpayer.

"(F) RELATED PERSON.—For purposes of this paragraph, the term 'related person' has the same meaning as such term is used in section 168(e)(4), except that in applying section 168(e)(4)(D)(i) in the case of a person described in subparagraph (D)(i)(II), sections 267(b) and 707(b)(1) shall be applied by substituting '0 percent' for '50 percent'.

At the end of the bill, insert the following new section:

ADDITIONS TO TAX IN THE CASE OF VALUATION OVERSTATEMENTS

SEC. . (a) VALUATION OVERSTATEMENTS.—Subchapter A of chapter 68 (relating to additions to tax) is amended by redesignating section 6659 as section 6660 and by inserting after section 6658 the following new section:

ADDITION TO TAX IN THE CASE OF VALUATION OVERSTATEMENTS FOR PURPOSES OF THE INCOME TAX

"SEC. 6659. (a) ADDITION TO THE TAX.—If—

"(1) an individual, or

"(2) a closely held corporation or a personal service corporation,

has an underpayment of the tax imposed by chapter 1 for the taxable year which is attributable to a valuation overstatement, then there shall be added to the tax an amount equal to the applicable percentage of the underpayment so attributable.

"(b) APPLICABLE PERCENTAGE DEFINED.—For purposes of subsection (a), the applicable percentage shall be determined under the following table:

"If the valuation claimed is the following percent of the correct valuation—	The applicable percentage is—
150 percent or more but not more than 200 percent	10
More than 200 percent but not more than 250 percent	20
More than 250 percent	30

(c) VALUATION OVERSTATEMENT DEFINED.—

(1) IN GENERAL.—For purposes of this section, there is a valuation overstatement if the value of any property, or the adjusted basis of any property, claimed on any return exceeds 150 percent of the amount determined to be the correct amount of such valuation or adjusted basis (as the case may be).

"(2) PROPERTY MUST HAVE BEEN ACQUIRED WITHIN LAST 5 YEARS.—This section shall not apply to any property which, as of the close of the taxable year for which there is a valuation overstatement, has been held by the taxpayer for more than 5 years.

"(d) UNDERPAYMENT MUST BE AT LEAST $1,000.—This section shall not apply if the underpayment for the taxable year attributable to the valuation overstatement is less than $1,000.

"(e) AUTHORITY TO WAIVE.—The Secretary may waive all or any part of the addition to the tax provided by this section on a showing by the taxpayer that there was a reasonable basis for the valuation or adjusted basis claimed on the return and that such claim was made in good faith.

"(f) OTHER DEFINITIONS.—For purposes of this section—

"(1) UNDERPAYMENT.—The term 'underpayment' has the meaning given to such term by section 6653(c)(1).

"(2) CLOSELY HELD CORPORATION.—The term 'closely held corporation' means any corporation described in section 465(a)(1)(C).

"(3) PERSONAL SERVICE CORPORATION.—The term 'personal service corporation' means any corporation which is a service organization (within the meaning of section 414(m)(3)).".

(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 68 is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 6659. Addition to tax in the case of valuation overstatements for purposes of the income tax.

"Sec. 6660. Applicable rules.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns filed after December 31, 1981.

Mr. WALLOP. Mr. President, today I am offering an amendment to the investment tax credit at risk rules which should go a long way toward restoring the availability of the investment credit in genuine business transactions, while at the same time, providing sufficient disincentives to limit tax shelter abuse.

The Finance Committee bill provides that, for the first time, the at risk rules will be applied to the investment credit.

Under present law, investors may receive a full investment tax credit without regard to the amount they have at risk in the investment. This is so despite the fact that their other deductions are limited to the amount they have at risk.

For example, an individual could buy property subject to a nonrecourse loan, receive an investment credit and subsequently fail to repay the loan. The seller would foreclose on the property, but, if the property's value did not cover the outstanding loan, the seller could not obtain the difference from the buyer. However, the buyer still would receive the full ITC.

The committee was right in attempting to solve this abuse. At the same time, we made an effort to provide a safe harbor for valid business transactions. If the lender is a regulated financial institution or an insurance company, the at risk rules will not apply. This was done to exempt transactions where there was a regulated third-party lender which would act in true arm's-length fashion.

While there was some concern that this rule was too restrictive, there was also concern that any further widening of this exception could create a major loophole in the provision.

This Senator is very concerned that valid third-party lenders will be prejudiced by these provisions. There are a number of lenders, other than banks and insurance companies, which provide capital for economically productive investment rather than tax shelter schemes.

My amendment would allow loans for any business which is actively and regularly engaged in lending money to qualify for the exception from the "at risk" provisions.

In this provision it is specifically intended that, if a transaction involves a lease which would be treated as a sale for tax purposes, the lessor will be considered to have made a loan in determining whether the lessor is actively and regularly engaged in a lending business.

This Senator recognizes that this amendment could possibly create greater opportunities for creative tax planning by parties which structure their transactions to look like real business transactions, but which are, in reality, merely tax shelters. To eliminate the benefit of tax shelter schemes based upon overvaluation of property to increase the amount of investment credit, my amendment will provide a substantial penalty. If property is overvalued by 150 percent or more, a 10-percent penalty will be applied to any underpayment attributable to the overvaluation. If the property is overvalued by 200 to 250 percent, the penalty will be 20 percent. If the property is more than 250 percent overvalued, the penalty will be 30 percent.

This penalty provision is identical to the provisions included in the revised Conable-Hance tax cut bill as well as in the Ways and Means bill. It will not prohibit tax shelters in this area, but it will definitely make them much less attractive.

Mr. President, this amendment has been cleared with the Senator from Kansas (Mr. DOLE) and the Senator from Louisiana (Mr. LONG). It is my understanding that they know the contents of this amendment.

Mr. DOLE. Mr. President, this amendment has been discussed with me and with the Senator from Louisiana. I understand that it has been discussed with Treasury officials and that in its present form they have no objection to the amendment. Is that correct?

Mr. WALLOP. It is my understanding that that is correct. It is also my understanding that the Senator from Ohio finds it satisfactory.

Mr. DOLE. That would indicate considerable improvement over the previous amendment, I suppose, as the Senator from Ohio might look at it. The Senator from Kansas was for the original amendment.

Mr. WALLOP. Mr. President, I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 307) was agreed to.

Mr. WALLOP. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WALLOP. Mr. President, I thank the Senator from Kansas and particularly the Senator from Arkansas, who seems to have been rolled back in this process.

Mr. PRYOR. I say to the distinguished Senator from Wyoming that I am glad I stayed and listened to him. It was well worth it.

Mr. President, I have an amendment at the desk, and I say to my colleagues that I am not going to offer this amendment or push it for a vote.

The only reason I speak this evening is to tell my colleagues and, basically, to put the U.S. Senate on notice that, at the proper time, I plan to present this amendment for full consideration and debate and an up and down vote.

Mr. President, I will present a little background, if I may, and I will take only a few moments. Today, when a 65-year-old citizen of this country is working in a plant, working in any capacity in which that person has participated in the social security system, that worker is faced with a strange and punitive ceiling. It is a ceiling on earnings. It is a disincentive to continue working.

Today, there are some 11 million Americans who find themselves in this category. Today, this strange disincentive to work, which we passed in years gone by, is certainly a candidate for removal, and a candidate for removal immediately.

I applaud President Reagan for facing this issue, because the President, in a recent proposal to Congress and in the discussions he has had with congressional leaders, and so forth, is proposing that this earnings limitation upon social security recipients be phased out by 1986. Once again, I commend the President for doing this.

If Congress would face reality and sense what this particular earnings limitation is doing to our society, and even to our economy, I believe we would be exercising sound, responsible logic and good judgment—and, I might also say, wisdom—in striking, once and for all, this unfair and this very debilitating amendment and section of the social security law which is causing some 11 million Americans to be stripped of their freedom of choice in deciding whether or not they will continue working.

Mr. President, for the last several years, I have heard argument after argument, and I have heard expert after expert testify and discuss this particular section of the social security law which causes these 11 million Americans, today, to be placed under this constraint—or, I might say constraint—against further earnings over $5,500.

Mr. President, the fact we are beginning to see now is that if we stripped away this earnings limitation, approximately 75 percent of any losses we might have incurred in the social security trust fund are going to be recoverable. In fact, more than $1 billion in new income taxes are going to be produced if only 1 out of 10 of the workers in this category continues to work.

Second, we are looking at the probability of $700 million to $800 million generated to put back into the social security trust fund because these individuals when they continue working after 65 they are going to continue paying into the social security program.

Even once again using the figure of 1 out of 10 or 1 out of 11 new workers continuing in the system, we are going to see $1.7 billion generated by these individuals who utilize this freedom of choice and decide to continue working and making a contribution to their society, this society, and to our country.

Mr. President, I think, too, it is a sad fact to realize that for that 65-year-old worker if that individual decides today to earn more than $5,500 a year for every $2 that individual earns over $5,500 then that individual is penalized $1 in social security benefits that he has been paying into all of his working life.

I have only four points, Mr. President, and I will quickly conclude.

This particular area of the law I feel, as do many of our colleagues, needs to be removed once and for all from our entire tax structure and social security law.

First, this legislation would help to return a freedom of choice, a right to work, a right to continue making a contribution to this society.

Second, the present statute which sets up this penalty goes against everything this country stands for. It goes against the free enterprise system. It goes against the thrust of what we are trying to do in this day and time to keep our elderly citizens active, constructively employed, in the free enterprise system and in making a constructive contribution to that particular economic and social system.

Third, I do not think there has ever been a greater disincentive or a greater dehumanizing piece of legislation than that earnings limitation that we now place upon that 65-year-old citizen who suddenly finds himself or herself on that 65th birthday faced with a penalty imposed by Congress upon that individual's right to earn and that individual's desire to earn.

Fourth, I wish to state that in a hearing not long ago it gave me a great opportunity to hear two of the great organizations of this country, the American Association of Retired Persons and the National Retired Teachers Association, testifying that this earnings limitation to the social security recipient and to the elderly citizen of this country was one of the most detestable features of the entire body of law that we have surrounding social security benefits today.

Mr. President, at the proper time, perhaps in September or maybe in October, when the Finance Committee, or wherever it might emanate from, comes forward with the social security legislation that we are so anxiously looking forward to grappling with, as complex as it might be, I do put my colleagues on notice that at that time and in the proper environment and in the proper context I will introduce legislation, hopefully supported by a majority of this great body, to remove once and for all this debilitating aspect of the limitation on earnings that we now find in the present law.

I do appreciate so much the distinguished chairman of the Finance Committee cooperating with me, yielding to me to allow me to make these few short remarks on this issue, and I once again appreciate his help and the help of his very capable staff.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. PRYOR. I am proud to yield to the Senator.

Mr. DOLE. I say, first of all, I appreciate the Senator staying this evening to discuss this amendment. I am very sympathetic with what he said and what he proposes. We have made some progress. The distinguished Senator from Arizona, Senator GOLDWATER, has been out in the forefront with the Senator from Arkansas, and others, in this area.

It is also an amendment I think the administration will support, and hopefully when we put together the so-called social security package something close to what the Senator from Arkansas has proposed will be a part of that package.

I do thank the Senator for discussing it and finally withdrawing the amendment at this time.

Mr. PRYOR. I appreciate the distinguished chairman of the Finance Committee, and I once again say, and I have said it many times in public, I wish to reiterate it here tonight in the Chamber that Senator GOLDWATER of Arizona, the distinguished senior Senator from that State, has been a leader in this particular field, and very hopefully all of us can join hands and put our best minds together to try to work this out.

I also thank the distinguished Senator from Kansas for his comments and for his support of this concept. I hope, I will say to my friends from Kansas, that perhaps the Committee on Aging and perhaps the Finance Committee will possibly hold hearings on this matter to get the true feeling of the elderly community of America, and I think it is overwhelming that they wish to see this obstacle in this punitive tax removed from the statute books once and for all and give them a freedom of choice and an opportunity to continue in the mainstream of our society and economy, if it is their option.

I thank the Senator.

Mr. DOLE. I thank the Senator from Arkansas.

TAX INDEXING A GOOD BET

Mr. President, on behalf of the Senator from Colorado (Mr. ARMSTRONG) and myself I make the following statement:

There has been some comment in the press in the past week or so concerning the action of the Senate on July 16 agreeing to index the individual tax rates beginning in 1985. While there have been observations both pro and con, up until now none of the commentators have really touched on the heart of the issue. Now the New York Times has come to the rescue, with an editorial in its edition of Sunday, July 26.

The Times editorial stresses what many of us have said for some time: That tax indexing simply means that the Members of Congress are willing to bet on their own abilities to control fiscal policy and raise the level of revenues

necessary to meet our obligations, without letting inflation do the job for them by lifting taxpayers into higher brackets. As the Times suggests, to stabilize tax rates in periods of inflation is to express confidence in the ability of a representative democracy to meet its responsibilities to its citizens. In the final analysis, this is the most compelling reason for the Senate action.

Mr. President, tax indexing is now included in the bipartisan substitute tax bill that will be offered in the House of Representatives. We hope it will be adopted, and ask that the New York Times editorial be printed at this point in the RECORD so that the significance of this issue will be made clear.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

A TAX INDEX BETS ON DEMOCRACY

If you are truly weary of politicians "cutting" taxes every other year but nonetheless collecting ever larger sums for Federal spending, take heart from a live proposal to end the shell game. It is called "indexing" the income tax, and the Senate has voted to try it starting in 1985.

The idea, first embraced by Ronald Reagan during his Presidential campaign and now part of the Administration tax bill, is annually to index, or raise, the income that determines tax bracket—as well as taxpayers' personal exemptions and standard deductions—by an amount that offsets inflation. In other words, the prevailing tax rate would be roughly constant in relation to purchasing power; it would stop creeping upwards simply because of inflation. If it takes an income of $33,000 this year to buy what $30,000 bought last year, the proportion going to Uncle Sam would no longer automatically increase.

It is a worthy idea that would restore honest packaging to Federal tax policy. If Government spending increases, Congress would have to actually vote to raise taxes to finance it. And merely holding the true tax rate constant could no longer be misrepresented as tax reduction.

The main argument for the change is integrity. Six times since 1969, Congress has flattered itself by passing what were called income tax cuts, when it was merely turning back revenues generated by the inflationary creep of taxpayers into ever higher tax brackets. And some of this windfall was not returned at all, but spent. So the legislators could boast not only of cutting taxes but also of increased Federal benefits. The Senate's indexing plan would end that game this year. Future tax cuts would really have to be cuts; increased spending would have to come from real economic growth or candidly acknowledged tax increases.

The strongest argument against the idea is that protecting taxpayers against inflation in this way would weaken their already feeble will to resist inflation. But that puts a policy premium on trickery. The fact is that taxpayers learn soon enough that their tax rates have been going up, no matter what the politicians say, and then join much riskier "tax revolts" of the kind that have now spread from the states to Washington.

Indeed, it may turn out that Government will more quickly fight inflation if it is among the first victims. Indexing the income tax would sensitize Congress and all Federal agencies to the declining value of the dollar. To avoid a true tax increase for new works, both President and Congress would have a new incentive to resist waste and the costly subsidies that still lie buried in the tax code.

Liberals have good reason to fear that in its present conservative mood, the nation would be driven by a tax index to resist important new social programs. But that is an argument to perpetuate good works by sleight of hand.

It is just as valid to argue that social programs lost political support precisely because they were too long financed with the inflation's tax windfall and did not have to be openly defended as meriting tax increases.

There are risks in tax indexing. If applied in 1985 after repeated reductions in social spending, it might wind up skimming an additional $13 billion from tax receipts and lead Congress to squeeze the budget even harder. Congress might still refuse to face up to inflation. And it might shortchange both military and civilian obligations rather than raise tax rates. But that would only perpetuate honest debate over priorities. The risk, in the end, is no greater than betting on democracy.

INTERFUND BORROWING

● Mr. HART. Mr. President, when the Senate voted last Friday on the very important subject of funding for the social security system, I opposed the amendment offered by the Senator from Tennessee (Mr. SASSER). I want to insure there is no misunderstanding of my vote.

The amendment was originally designed to require the Senate Finance Committee to report legislation by September 30, 1981, authorizing interfund borrowing as a short-term solution to the financial problems facing the system. However, the amendment was altered at the last minute, by not only changing the date, but requiring legislation be reported authorizing interfund borrowing or "such other provisions as may be required."

This wording was far too open ended. There are numerous solutions for reforming the system, ranging from using general revenues to reducing benefits for recipients. The solvency of the social security system is a significant problem, and we have an obligation to seek the very best reform measures for this ailing income security system. Theoretically, this open-ended language could even be read to permit reduction in overall social security benefits. Without knowing specifically which provisions might be authorized by this amendment, I could not give it my support.●

PENDING AMENDMENTS

Mr. DOLE. Mr. President, just let me quickly review. As I understand, there are eight Republican amendments.

Let me indicate for the record in case we made a mistake. As we understand, and the staff is checking the list of amendments, there are still eight Republican amendments pending. The Senator from Pennsylvania, Senator HEINZ, has an amendment; the Senator from Delaware, Senator ROTH, has two amendments, one on railroad rolling stock, which I understand will not come up, another one on depreciation for structures which is in negotiation; the Senator from Iowa, Senator JEPSEN, has two amendments, one on adoption tax credit which we are negotiating and another related to parity rule for farmers, which I do not believe he will offer to this bill; the Senator from Idaho, Senator SYMMS, has two amendments on estate taxes, modification of the estate tax provisions in the bill, and I understand either those will be accepted or not brought up; the Senator from Kansas has one amendment that is pending on stock options which will be brought up and an amendment on cash management which will help us balance our books before we leave for conference.

As far as this Senator knows, the Senator from Kansas will be asking along with the Senator from Louisiana unanimous consent to offer whatever technical amendments may be necessary.

The Senator from Kansas is certain there are additional Republican amendments because I do not see the amendments of the Senator from New York, Senator D'AMATO. So there may be an amendment by the Senator from New York (Mr. D'AMATO) and possibly others.

As I understand on the Democratic side there are some 30 amendments pending, but also I understand only about half of that number or less will be called up. Several of these are in negotiations including one of the Senator from Hawaii. We think we can work that one out.

So for anyone who may still be listening at this hour, hopefully we will start at 8:15 a.m. tomorrow, have a vote at 9 a.m. We will then proceed in rapid fire order to dispose of the remaining amendments. The Senator from Kansas is prohibited from offering a motion to table them all en bloc. If he could the Senator from Kansas would. But hopefully we can dispose of these amendments rather quickly and have either third reading or some vote by early afternoon to indicate our support for the President's proposal.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

NATIONAL ARCHIVES

Mr. PRYOR. Mr. President, a measure was recently introduced by the distinguished Senator from Missouri (Mr. EAGLETON) and the distinguished Senator from Maryland (Mr. MATHIAS) to remove the National Archives and Records Service from the General Services Administration and make it independent.

As the ranking minority member of the Governmental Affairs Subcommittee which has jurisdiction over matters affecting the Archives, I commend Senators EAGLETON and MATHIAS for calling the Senate's attention to this important issue.

The Washington Post recently commented on this legislation in an editorial entitled "Free the Archives." In order that my colleagues be more familiar with this matter, I ask unanimous consent that the July 4, 1981, Washington Post editorial be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FREE THE ARCHIVES

When better than the Fourth of July to urge Congress to restore independent status to the National Archives, keeper of the American documentary legacy? The Archives began as an independent agency in 1943 but found itself vacuumed into the General Services Administration in 1949 as a result of the Hoover Commission's report on government reorganization. Today, General Services still acts as overseer of the National Archives, despite the anomaly (in Sen. Mathias' words) of GSA's having become the "guardian of history as well as the custodian of washrooms, storerooms and workrooms." To remedy this strange state of affairs, Sens. Mathias and Eagleton have just introduced the National Archives and Records Administration Act, which would restore independence to the Archives.

As matters now stand, the public interests itself in conditions at the National Archives mainly on the infrequent occasions that the Archives becomes tarnished by political controversy. For example, the agreement between President Nixon and GSA administrator Arthur Sampson—an agreement arrived at, it should be remembered, without either the awareness or approval of the National Archives staff—brought the roof down on GSA, once Mr. Nixon's questionable deed of gift for his vice-presidential papers and the massive tax deduction it "allowed" became news. Nor was the Archives consulted later when aides in the Ford White House helped GSA draft another agreement, this one with President Nixon then out of office, for the donation of his presidential tapes and papers—one that would have allowed Mr. Nixon to withhold or destroy vital material had the U.S. District Court not enjoined the GSA from allowing that. The Presidential Recordings and Materials Preservation Act of 1974 provided more acceptable procedures for administering the Nixon tapes and papers, and Congress passed the measure because a majority of legislators did not consider GSA capable of dealing with the situation in a dispassionate and nonpolitical manner.

Not every president, of course, will try to exploit GSA's control of the Archives as shamelessly as did Mr. Nixon. Nor will every GSA administrator have the belligerent insensitivity of President Carter's appointee, Adm. Rowland Freeman, whose order to "decentralize" many of the Archives' records to regional repositories, based in part on how frequently they were used, was blocked finally by the White House after scholars protested. Still, the dangers of political abuse remain inherent in the shotgun marriage between GSA and the Archives, and an early divorce—for that and many other reasons—would benefit both parties.

Because of such political hanky-panky, GSA intrusions and pre-Reagan budgetary starvation, the professionals at the Archives had become badly demoralized until appointment last year of the current archivist, Dr. Robert Warner, formerly director of the Ford presidential library. First reports indicate that since Dr. Warner's arrival, both morale and performance levels have risen. Lately, however, there has been a certain amount of lobbying for appointment of a "Reagan" archivist, as if the job should change with each administration. In the past, the post has been impeccably non-political, and it would set a bad precedent if Mr. Reagan did anything but reaffirm his confidence in Dr. Warner.

That and more should be expected from the administration on the matter of preserving the national heritage. The president has displayed on many occasions his awareness of the American historical experience. His speeches alone contain a range of reference that extends from John Winthrop to John Kennedy and from the Founders to FDR. Now Mr. Reagan should commit his administration to prompt passage of this independent archives act. Only then, freed finally of GSA ham-handedness, can the National Archives begin to keep its rendezvous with destiny.

EXTENSION OF THE VOTING RIGHTS ACT

Mr. THURMOND. Mr. President, I ask unanimous consent to have printed in the RECORD a resolution adopted by the Alaska State Legislature relating to the extension of the Voting Rights Act.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

LEGISLATIVE RESOLUTION NO. 29

Be it resolved by the legislature of the State of Alaska:

Whereas the key provisions of the 1965 Voting Rights Act will expire August 6, 1982, unless renewed by Congress; and

Whereas the Voting Rights Act is rightly considered the most effective civil rights legislation ever enacted in the United States; and

Whereas the Voting Rights Act has substantially increased the number of individuals voting in state, municipal and national elections; and

Whereas the extension of the Voting Rights Act as the law of the land constitutes the single best assurance to all citizens of the United States that their right to participate in the American political process will be guaranteed; and

Whereas the extension of the Voting Rights Act will allay the fears of many groups that a regression of voting rights may occur if the Act is not extended;

Be it resolved by the Alaska State Legislature that Congress is urged to extend the Voting Rights Act in its present form.

COMMUTER RAIL LINES

Mr. THURMOND. Mr. President, I ask unanimous consent to have printed in the RECORD a resolution adopted by the Pennsylvania State Legislature relating to commuter rail lines and the proposed dissolution of Conrail.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION

Whereas, Conrail has announced its intention to discontinue operation of Commuter trains in the five-county area serviced by the Southeastern Pennsylvania Transportation Authority (SEPTA) at the end of August 1981; and

Whereas, One hundred and twenty-four thousand people rely on these commuter lines daily to ride to and from their place of employment; and

Whereas, Alternative forms of transportation would exacerbate traffic congestion and in pollution problems and create additional expenses for commuters; and

Whereas, The discontinuation of these trains would represent a broken commitment to mass transportation in urban and suburban areas as an economical and publicly desirable mode of transportation; and

Whereas, the Reagan administration has indicated that responsibility for the operation of these commuter lines may eventually be given to Amtrak; therefore be it

Resolved, That the Senate of the Commonwealth of Pennsylvania express its support for the continued operation of these commuter rail lines which remain the most viable and efficient form of mass transit; and be it further

Resolved, That the Senate implore Federal, State and local officials to devise and implement a short term solution to keep the rail lines open; and be it further

Resolved, That the Senate memorialize the President and the Congress of the United States to address those conflicts between labor and management that impact on the operation of the commuter rail lines and the proposed dissolution of Conrail; and be it further

Resolved, That a copy of this resolution be transmitted to the President, Speaker of the House of Representatives and President pro tempore of the Senate of the United States Congress, to each Congressman and Senator from Pennsylvania, and to the appropriate State and local officials.

THE 28TH ANNIVERSARY OF KOREAN ARMISTICE

Mr. KENNEDY. Mr. President, 28 years ago today an armistice agreement was signed which brought an end to the Korean war. Four million lives were lost on both sides, as the United Nations Command successfully resisted the Communist attempt to subjugate the Korean Peninsula by force.

A total of 33,629 Americans died so that Koreans could live in freedom. After a half century of struggle against Japan, and almost three decades after the massive death and devastation of the Korean war, the Korean people have succeeded in reconstructing their land. But North has remained cruelly divided from South, sister from brother, parent from child.

On June 27, 1953, the combatants agreed to stop the Korean conflict, "with its great toll of suffering and bloodshed on both sides," and to establish a complete armistice "until a final peaceful settlement is achieved."

Despite frequent violations of the armistice, war has been avoided in Korea since 1953. But progress has not been made toward a final peaceful settlement and the eventual reunification of Korea.

We must never forget that peace and unification remain objectives of fundamental importance to the Korean people, whether they live in the South or the North. These are worthy goals, which the United States and the international community should share.

The search for unification in Korea must be peaceful and by consent of both sides. It must never be permitted to be twisted once again into a fratricidal attempt to impose one system on the other.

Mr. President, I have joined with my colleagues in reaffirming our strong support for the security of the Republic of Korea. I have also joined in seeking to prevent violations of human rights and deprivation of liberties in the South, and even more so in the North—just as such abuses should be prevented wherever they occur in the world.

On this 28th anniversary of the Korean armistice, it is our duty to recall that the brave soldiers of the United Nations command shed their blood in Korea not for war, but for peace; not for dictatorship but for democracy; not for repression but for human rights—and not for violent confrontation, but for a peaceful settlement by consent of free men and women.

Last January 12, South Korean President Chun Doo Hwan proposed that he and North Korean President Kim Il-Sung meet in either South or North Korea anytime, free of any conditions or obligations. On June 5, President Chun expanded his proposal to meet anywhere, inside or outside Korea. In addition, he proposed that each side open its society to the other—

If the situation in North Korea does not permit the prompt and complete opening of their society, I hope that exchanges can begin just in the athletic, cultural, academic, postal and economic fields, with gradual progress made toward all-out exchanges and a complete opening.

I believe that these proposals now make it possible for both the Democratic People's Republic of Korea and the Republic of Korea to agree on constructive steps which they can take by mutual consent. Both South and North should begin a process of direct communication and mutual understanding, as a first and important step toward a peaceful settlement and eventual unification of their nation.

I request that the full text of a speech by President Chun Doo Hwan, at the inauguration on June 5 of the Advisory Council on Peaceful Unification Policy, be printed at this point in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

ADDRESS BY PRESIDENT CHUN DOO HWAN, JUNE 5, 1981

Honorable members of the Advisory Council on Peaceful Unification Policy, distinguished guests, and the 60 million fellow Koreans at home and abroad.

We have gathered here today in response to the desire of the entire Korean people to seek the peaceful reunification of the homeland.

Having received the constitutional mandate to unflaggingly pursue the goal of peaceful unification, I hereby announce the inauguration of the Advisory Council on Peaceful Unification Policy, together with the over 8,000 members of the Council, I pledge to make this organization the rallying point for efforts to achieve the peaceful unification of our land.

This Council takes its historic first step forward a full thirty-six years after the division of Korea. Almost before the agony of colonial subjugation was over, the country was partitioned, with numerous families suddenly separated, soon leading to a fratricidal war.

Looking to the past, the Korean nation has maintained an uninterrupted history as a unified independent state for thousands of years in spite of numerous trials and ordeals. The Korean people have jealously preserved a sense of community and cultural homogeneity in the face of repeated invasions and harassments by foreign forces from the northern continent and the southern oceans.

But since the turn of the 20th century our illustrious tradition has been broken twice by national tragedy, although Korea was a unified sovereign entity for so long, we lost our sovereignty in the early 20th century, and in mid-century, just when we had regained sovereignty we were divided. Although the great tragedy of national subjugation has ended, the equal tragedy of national division still continues. The thirty-six year duration of the pain of division has this year exceeded the duration of the sorrow of subjugation. Territorial division is like torture to the whole nation. For all Koreans, whether in the south or in the north, the paramount historic task of our time is to save the nation from the pain and sorrow of division.

We in the south have not even for a fleeting moment forgotten our compatriots in the north, while we sweat and toiled to build the economy in only half of our land. It is our fervent wish that the Seoul-Pusan Expressway will soon be extended to Pyongyang and further the Sinuiju on the Manchurian border. But reality is still far from fantasy. Even the railroad that once linked Seoul and Pyongyang is disconnected, with only weeds growing in the track.

Furthermore, a dialogue that began after so much spadework has been cut off, adding to the heartbreak of all Koreans longing for unification. The south and the north cannot remain strangers in this way: having always been a single entity, we cannot survive for long divided. Our blood bonds, our pride and our history will not tolerate eternal division.

Fellow citizens, as you know, the division of Korea did not occur by the will of the Korean people, but stemmed from a decision taken by outsiders at the conclusion of World War II. But we must realize that even if outside powers were responsible for the division, it is our responsibility to remedy it. We are the ones who suffer the pain of division. We are the ones who will most enjoy the benefits of reunification. Unification is our business and nobody else's. Only the Korean people can be the prime movers of unification. The ideal of unification cannot be borrowed from others but must be rooted in the national spirit that flows in our blood.

Fellow citizens, we have spent so many fruitless years discussing unification formulae. But the path to unification is self-evident, when we accept the fact that the entire people of Korea must be the prime movers. Unification must be achieved in accordance with the free will of the entire people and by peaceful methods. Attempts to decide the issue by force of arms will inevitably lead to a bloody war—a course of national self-destruction which no Korean wants and which can never serve the interests of the people.

But there exists in the northern half of the Korean peninsula a ruling group that persists in a dream of unifying Korea by communizing the entire peninsula. The yearning of the Korean people for unification has not been fulfilled because their dream of unification by military force has not been abandoned. Such a dream runs counter to the reason of civilized men. Moreover, it is totally unrealistic.

War means the destruction of human lives and property and the ravaging of the land. We have already experienced the horrors of war. Should another such war break out now, the achievement, construction and progress out of the debris of war in both South and North Korea over the past thirty years would be wiped out overnight. War among ourselves must be prevented by all means. To prevent war, we must eliminate prejudice, self-righteousness, distrust and miscalculation that are the cause of war.

Once again I urge those advocating unification through communization by force of arms to correctly understand the people's demand for peaceful unification, and abandon their delusions about war. For each of us to grasp accurately the true intentions and real situation of the other is essential to dispelling prejudice, self-righteousness, distrust and miscalculation.

Because of this conviction, I proposed on January 12th an exchange of visits between the highest authorities of South and North Korea. I do not have the slightest doubt that this proposal will provide a breakthrough toward unification. My faith has been further strengthened by the broad domestic and international support and encouragement I received following the announcement of that proposal. It is truly regrettable, however, that the North Korean authorities have yet to make an affirmative response.

On this occasion, I renew my call to President Kim Il-Sung of North Korea to accept my January 12th proposal that we visit each other free of any obligation and without any condition attached. It does not matter whether President Kim visits Seoul first or I visit Pyongyang first. The North Koreans can choose.

Furthermore, I would like to extend the scope of my invitation. Should some unavoidable circumstance prevent President Kim from accepting my proposal or from inviting me to visit North Korea, I suggest that we meet each other at some other place for frank face-to-face talks. I leave the choice of venue to the North Korean authorities. It could be either Panmunjom, or a third country, or any other place convenient to them.

If such a summit meeting is realized, I hope to discuss frankly all questions raised by both sides, including the proposed exchange of visits and both South and North Korea unification formulae. I will leave it to the North Koreans to choose the date for the meetings but the sooner the better.

We have made all the necessary preparations for a dialogue with the North Korean authorities. It is our hope, therefore, that the North Koreans will consult constructively with any person representing the Republic of Korea at any place in the world. One way to deal with the matter would be to work through an authoritative international organization or institution, including the Secretary General of the United Nations. Sixty million fellow Koreans.

I want to emphasize again that all of us—that is, the entire Korean people—must be the prime movers of unification. Unification is a task for the whole nation: it cannot be the exclusive preserve of a specific political party, or a specific political system, or a specific ideology. Nor is it an exclusive concern of the Presidents of South and North Korea.

The proposed summit would be a catalyst fusing the determination of the entire Korean people, as well as a conduit to channel unification efforts. We shall be able to reap the desired fruit when the entire Korean people forge an unflinching determination to achieve unification and when that determination is properly reflected through dialogue.

Accordingly, it is of paramount importance that the 60 million compatriots have a sense of historical mission as the prime movers of unification and the masters of a unified country. All citizens of the Korean nation have the right to determine how unification should be achieved and what system should be adopted for a unified Korea. All Koreans ought to be given ample opportunities to observe, examine, analyze and compare the situations and systems in South and North Korea, if that right is to be exercised judiciously.

An old saying goes: hearing a hundred times is inferior to seeing once. That emphasizes the importance of first-hand observation in understanding and assessment. Unification of our land is an exceeding grave issue on which the glory and prosperity of the entire Korean people is staked. It would be totally unreasonable to even deny the people the opportunity of seeing once. In fact, the oftener one takes a first-hand look, the wiser a decision can be made.

Precisely for that reason, I advocate that both South and North Korean authorities humbly open both Korean societies to the eyes of the entire people who have the right to make decisions concerning unification. If the situation in North Korea does not permit the prompt and complete opening of their society, I hope that exchanges can begin first in the athletic, cultural, academic, postal and economic fields, with gradual

progress made toward allout exchanges and a complete opening.

This would not merely serve to broaden the outlook and thinking of the Korean people regarding unification. The opening of the South and North Korean societies to each other would restore and enhance mutual trust and brotherly love between the two halves. I am confident that this would result in a grand national reconciliation based on a united spirit and determination.

Fellow Koreans, it will be only twenty more years before the end of the 20th century, during which long nights of gloom have shrouded Korean history first with the loss of sovereignty and then with the division of the land.

The national spirit of the 60 million Korean people will never tolerate the great national tragedy being carried into another century. When we bring the tragedy of the 20th century to an end before the century is out and lay plans for the future growth and advance of the whole nation, we will have achieved a great triumph in the history of the nation, we will have achieved a great triumph in the history of the nation and of the world as well.

It is my firm belief that the activities of the members of this Council will be instrumental in speeding the arrival of the day of triumph. I hope you will all devote your full energies to the cause of peaceful unification.

Thank you.

DEDICATION OF THE REMBERT C. DENNIS BUILDING IN COLUMBIA, S.C.

Mr. THURMOND. Mr. President, it is a great pleasure for me to commend the naming of a building in the Columbia, S.C., capital complex after State Senator Rembert C. Dennis of Berkeley County.

I have known this outstanding leader during the many years he has spent serving his State and Nation so well, and I have had the opportunity to see, firsthand, the foresight and effectiveness with which he has performed.

It is especially fitting, too, that the Dennis Building is located next to the L. Marion Gressette Building, named after another distinguished South Carolina legislator and statesman, who is a long-time friend of Senator Dennis.

Senator Gressette, in speaking at the building dedication, emphasized that—

> The legacy of Rembert Dennis won't be passed on just by his name on this building. His legacy is not yet written. The state needs his leadership too much to let him go.

This is so true. Just a glance at some of the awards the influential Berkeley County lawmaker has received is a good indication of his wide range of activities. He is the recipient of tourism, conservation, veterans, and legislative awards. In 1980, he was named Senator of the Year by the Association of Retarded Citizens of South Carolina. The National Guard of South Carolina has honored him with its Legislator of the Year Award. Perhaps one of his most prestigious honors, however, came last year when he was named 1 of 10 outstanding legislators in the United States by the National Assembly of Governmental Employees.

The list of activities Senator Dennis is engaged in reads almost like a novel. He is a lawyer, a family man, a Mason, a Shriner, a Baptist, and a member, since 1944, of the executive committee of the South Carolina Democratic Party. He has also served on the board of trustees of Baptist College in Charleston and Furman University at Greenville, reflecting his continued interest in education.

I commend all of those who launched and completed the project of naming the Rembert Dennis Building. It is highly fitting that this outstanding South Carolina native son be honored in the city where he is serving so effectively as a legislator.

SENATOR PERCY IS A LEADER IN THE FOREIGN POLICY ARENA

Mr. MATHIAS. Mr. President, I have the great privilege and the personal pleasure to serve on that committee of the Senate presided over by the distinguished senior Senator from Illinois, Mr. PERCY. As chairman of the Foreign Relations Committee, Senator PERCY has in the last few months had to take a leading role on a number of difficult and sensitive foreign policy issues. He has done a superb job as chairman and as a leader in the foreign policy arena.

A recent article in the National Journal by Christopher Madison entitled "Percy Tests His Bipartisan Style at the Foreign Relations Committee," examines the early months of the Senate Foreign Relations Committee under Chairman PERCY. I commend it to my colleagues and ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PERCY TESTS HIS BIPARTISAN STYLE AT THE FOREIGN RELATIONS COMMITTEE

(By Christopher Madison)

With Charles H. Percy, R-Ill., at the helm, it's been a rough shakedown cruise for the Senate Foreign Relations Committee.

The most obvious problem has been confirming President Reagan's State Department appointees. Although the committee acted swiftly on Secretary of State Alexander M. Haig, Jr. and deputy secretary William P. Clark, many of the other nominees were not confirmed until more than three months into the Administration. Justly or not, Percy, chairman of the committee since January, bore the brunt of the criticism.

It is a post that Percy probably did not expect to occupy. But the Republican takeover of the Senate and the defeat of ranking committee Republican Jacob K. Javits of New York thrust him into the prestigious chairmanship.

Percy, who has been in the Senate since 1967, has been closely identified with foreign policy and international affairs. But he had been out of the Senate spotlight for almost four years, ever since, as ranking Republican on the Governmental Affairs Committee, he helped lead the opposition to Bert Lance, President Carter's Office of Management and Budget director.

The Lance affair turned nasty, with the mild-mannered Percy accused by Democrats of using McCarthy-style tactics and by the White House of using a corporate plane for political purposes. His aides still describe the Lance affair as a "rough" experience.

That entire incident was unusual for Percy, who isn't a flashy, controversy-seeking politican. He has, in fact, made a career out of moderation and avoidance of the rough political edges.

But not all of them. Last December, as he prepared to assume the chairmanship, he was embarrassed by the publication of confidential State Department cables describing his talks with Soviet leaders in Moscow and revealing his controversial views on arms control and the conflict in the Middle East.

Percy's image suffered again when Sen. Jesse A. Helms of North Carolina, the committee's third-ranking Republican, succeeded in delaying some key State Department nominations.

Percy, urged on by Republicans and Democrats on the panel, finally forced a vote on April 28 on a group of the nominees, who cleared the committee without a single negative vote.

That didn't stop the criticism. Several days later, an anonymous White House official was quoted in The Wall Street Journal as saying, "There's a feeling we just can't rely on Chuck Percy."

The judgment expressed in that article and others that Percy is not up to his new job probably was a little premature. Some Senate observers think that Percy's performance has improved and that he is beginning to lead the committee.

They also note with irony that part of his problem in the early going was the *carte blanche* given by the White House to Helms to voice his concern whenever errant moderate Republicanism shows up in potential nominees. This slowed the confirmation process.

Another irony is that soon after the White House attacks, the committee approved a foreign aid bill that gave Reagan most of what he asked for, including repeal of prohibitions on aid to Angola and Pakistan. Some Senate observers called the Percy-led sessions on the bill some of the most efficient they had seen at the committee.

IN THE MIDDLE

Unfortunately for the Administration, Percy's growing confidence coincided with the committee's consideration of the nomination of Ernest W. Lefever as assistant secretary of State for human rights and humanitarian affairs. In pushing through the Haig and Clark nominations, Percy played the role of the President's loyal chairman even though, in Clark's case, he had private doubts about the nomination.

Well before Lefever was formally nominated, Percy again privately, expressed his reservations about the appointment. As the hearings drew near in May, Percy sent word to the Administration that he was uncommitted and would decide how to vote on the basis of Lefever's performance before the committee.

At the hearings, surprisingly, Percy questioned and challenged Lefever aggressively and initiated several exchanges that proved embarrassing to the nominee. By the close of public hearings on May 19, it was obvious that Lefever was in trouble and that Percy would not commit himself to support him.

Though Percy himself appears unconcerned, there is some fear among his aides that the Lefever incident will permanently damage his relations with the White House. On the other hand, Percy's success in getting control of the committee in the past month probably was helped by his independence from Reagan.

This points up a somewhat paradoxical situation. Percy, along with most of the other committee members, is somewhat out of step on foreign policy issues with the rest of the Senate and the Administration as well. To lead the 16 other panel members effectively, he may be better off pursuing a middle-of-the-road course.

But at the same time, observers in the Senate and in the Administration believe that the criticism Percy has drawn from Reagan's aides stems more from this bipartisan approach than from any single incident or event. Nor is this likely to change

much. Throughout his career, Percy has had enemies on the Republican right, a political faction now influential in the Administration, and he has declined to alter his views to win their support.

It is obvious so far that in running the committee, he intends to seek bipartisan support; he firmly believes, as an Administration official put it, that "politics stops at the water's edge." The question is whether the Administration is sincerely interested in a bipartisan foreign policy, and the answer is not available yet.

Another relevant factor in judging Percy's political strength is the committee's own standing. Foreign Relations traditionally is a prestigious panel, in part because of the importance of the issues it deals with and in part because some of the great names in the Senate have used it as a forum.

Its influence probably peaked in the mid-1960s, when J. W. Fulbright, D-Ark., used it to challenge the Johnson Administration on the Vietnam war. Through a series of "educational" hearings—the committee has very little legislative jurisdiction—Fulbright was able to force the public airing of dissenting views on the war.

Since Fulbright's defeat in 1974, the committee has played a less prominent role, and the succeeding chairmen, John W. Sparkman, D-Ala., and Frank Church, D-Idaho, lacked Fulbright's presence and ability. It would be easy for Percy to fall into that mold.

But at least one of his colleagues on the committee believes Percy, realizing that the tradition of the committee is more important than doctrinaire Republican beliefs, will try hard to make something of his tenure as chairman.

"The Percy you see today is different from the man of two weeks ago," said Sen. Paul E. Tsongas, D-Mass. "He's a much stronger person. He's carving out his independence from the Administration."

Tsongas, a freshman who joined the committee last year when Sen. Edmund S. Muskie, D-Maine, resigned to become Secretary of State, is not the only fresh face on Foreign Relations. Although the new committee members have been criticized as lacking stature, it is not inconceivable that the committee could develop a character of its own.

Percy's fellow Republicans are as diverse as the party itself. Helms and S. I. (Sam) Hayakawa of California represent the party's ultra-conservative wing. In the recent Lefever hearings, for example, they were the only ones offering unqualified support for the nominee.

At the other end of the Republican scale is Charles McC. Mathias Jr. of Maryland, a veteran liberal Senator but also a newcomer to the committee. In between are Majority Leader Howard H. Baker Jr. of Tennessee, Richard G. Lugar of Indiana, Nancy Landon Kassebaum of Kansas, Rudy Boschwitz of Minnesota and Larry Pressler of South Dakota.

Any attempts to put together a strong Republican majority on the committee are hampered not only by this diversity but also by the fact that only a few of the Republicans show a sustained interest in the committee's work. Baker, whose duties keep him busy on the Senate floor, participates primarily through his aide, Cranwell G. Montgomery, Helms is chairman of the Agriculture, Nutrition and Forestry Committee and Mathias leads the Rules and Administration Committee.

Absent members can and do vote by proxy. But at a key hearing or work session, the committee sometimes seems to be dominated by the Democrats. The ranking minority member, Claiborne Pell of Rhode Island, is low-keyed, aristocratic and seemingly more interested in lecturing witnesses than leading the Democrats. A committee member described Pell's leadership style as egalitarian. But the result is that the committee's liberal Democrats are free to pursue their own policy goals.

In addition to Tsongas, who is an aggressive, press-conscious young Senator with growing expertise in the problems of developing countries, the committee's Democrats include Alan Cranston of California, an early Vietnam dove; John Glenn of Ohio, who is an expert on nuclear proliferation; and Joseph R. Biden Jr. of Delaware, Christopher J. Dodd of Connecticut and Paul S. Sarbanes of Maryland, three activists who are not shy about defending liberal causes against long odds. Edward Zorinsky, a former Republican, is harder to classify but shares his fellow Democrats' concern about human rights.

FOREIGN AID TEST

Percy, with his moderate views, cool, almost stuffy style and courtly way of conducting committee business, is in the middle of these diverse political views and ambitious personalities.

A Senate staff aide who watches the committee carefully said the Republican leadership, as well as the Administration, probably would like to see Percy exercise more control over the committee. But instead of running the committee along strict partisan lines, Percy is more interested in finding a bipartisan consensus.

This was clear in the committee's first major legislative effort of the session: the $5.8 billion foreign aid bill. The draft bill placed before the committee for amendments carried both Percy's and Pell's sponsorship.

The problem came to a head in late April. The committee had scheduled a meeting on April 27 to discuss the nominations that had not been brought to a vote and, according to one member of the committee, Helms failed to show up. Republicans and Democrats then caucused separately and both groups voiced their support for Percy. The following day, when Helms again failed to show, the nominations were approved unanimously. One Senator suggested Helms had overplayed his hand and lost.

In some ways, this appears to have been a turning point for Percy and the committee. In any event, the chairman seems to have had little trouble since then.

A committee member suggested that Percy's early troubles were caused by his non-confrontational approach. In seeking consensus, he was caught between Helms and Hayakawa on the right and the Democrats on the left. The problem was compounded by the fact that the Democrats were more unified than the Republicans.

According to this Senator, Percy began to succeed when he started dealing with the Democrats as well as the Republicans, as he did during the markup of the foreign aid bill. This also brought praise from Democratic staff director Christianson, who said: "He's been moving things along, doing a good job. He's been working well with us."

In a way, Percy and the Democrats need each other. The divided Republicans don't provide enough of a base for Percy's view or his consensus style, and he must turn to the Democrats for help. The Democrats, in turn, will get a better hearing from Percy than they will on the Senate floor. So it's in their interest to negotiate with him, a committee member said.

AIRING ISSUES

Percy's future problems with the Administration will be slightly different. Unlike most congressional committees, Foreign Relations has relatively few legislative responsibilities and serves more as a forum for issues by holding educational hearings.

Percy said he plans to concentrate on the Soviet Union to "see where they are going, what are their goals that will affect us." He also expects to look at U.S. relations with Canada, Mexico and Japan and relations between the developing and industrialized worlds.

But the Soviet Union—and the status of U.S.-Soviet arms control negotiations—will be the overriding issue, as it is with the Administration's foreign policy makers.

A Senate aide predicted that Percy and the committee will take a broader, more middle-of-the-road approach in this area than the Administration. He said Percy feels strongly that the committee has a major role in helping the Administration shape an over-all response to Soviet challenges. There is a feeling at the committee, he said, that the Administration views the Soviet issue too narrowly as a bipolar relationship rather than one involving U.S. allies as well.

On arms control, Percy believes his role is to keep the momentum going, according to an aide. The committee already has had closed briefings from the Administration on the issue, and Percy has agreed to give Reagan more time to develop a policy before pressing the issue. Eventually, however, he will start to push the Administration publicly.

"They're always a litle more reluctant" on this issue, Percy said in an interview, and they "know that I'm pressing hard." He called "dangerous and wrong" the view held in some quarters of the Administration that the United States should not even try to negotiate an arms control agreement or have anything else to do with the Soviets.

Percy has for years maintained good relations with Anatoly Dobrynin, the Soviet ambassador to the United States, and he clearly sees one of his roles as keeping the lines of communication open between Moscow and Washington.

This attitude got him in trouble with the Administration last December, when confidential cables containing the substance of his discussions with the Soviets were leaked to the New York Times. But he views this incident as only embarrassing and is not likely to be deterred from trying to communicate U.S. views to the Soviets or vice versa.

THE CHAIRMAN'S STYLE

This high-level, very personal diplomacy is an important part of Percy's style—and his substance. He is something of a name dropper who will let you know quickly where he was invited the night before or which world leaders he will see the next day at lunch.

But along with this goes a genuine, deep, even passionate interest in foreign affairs. "He's a deeply interested and concerned internationalist," a committee staff member said.

He will, for example, discuss the problems of nuclear proliferation in India and Pakistan with considerable emotion and even pound his fist for emphasis. But he will also add a personal note about what he told Indian Prime Minister Indira Gandhi on the subject in their private meeting.

A staff aide said Percy has some trouble relating personally to other Senators, perhaps because his colleagues are put off by his millionaire status, Georgetown lifestyle and formal manner.

But the aide added that Percy has a warm and easy-going relationship with his staff and is considered good to work for because he works hard and is considerate. "The courtesies come naturally to him," he said.

Percy's personal relations with the Administration are spotty. Asked whether he was well-acquainted with any of Reagan's key staff members, Percy's aides come up with no one closer than Max L. Friedersdorf, assistant to the President for legislative affairs.

But Percy has much better relations with the State Department. He talks frequently by phone with Haig—as do his aides with Haig's personal staff—and there is said to be some degree of mutual respect.

Percy and the committee staff also work closely and amicably with Richard Fairbanks, assistant secretary for congressional affairs, and his staff. In fact, in the aftermath of the controversy over the delay in the confirmation process, Fairbanks' staff made a point of stating that the delays were not caused by the committee.

The underlying issue on the foreign aid bill was whether to repeat the limits on presidential authority over foreign aid that Congress imposed in the post-Vietnam era.

The Nuclear Non-Proliferation Act, for example, was amended so that countries outside the "nuclear club" would not receive U.S. aid if they tested nuclear devices.

Similarly, there was a ban on U.S. military aid to Angola, enacted after the disclosure that the Ford Administration was covertly supporting a rebel anti-Marxist faction. Another restriction, enacted in 1978, banned military aid to Argentina.

Reagan wanted these restrictions lifted. He also wanted to increase military aid to El Salvador, one of his Administration's early causes, and in general to be given more flexibility in handing out economic and military aid.

For the most part, Percy and the committee complied. But they did so in a bipartisan way, fashioning some remaining restrictions on the aid program to satisfy their own collective concerns. The process, a series of orderly yet free-flowing sessions, was not what might be expected from a Republican-run committee in a Republican Administration, and it may be an early sign of Percy's own style.

Another may be Percy's position on El Salvador. The committee approved an amendment by Dodd that ties increased aid to progress in the human rights and economic reform areas. The only Republican voting against the proposal was Lugar. Helms did not attend the session.

In an interview, Percy explained that his support for Reagan's El Salvador aid package "was conditioned on not relying on just a military solution."

Nor did the committee want to send the wrong signal on Angola. Even some Democrats on the committee were prepared to acknowledge that the Clark Amendment banning aid to that country probably should be repealed. But they did not want to suggest to African nations that the United States was immediately going to supply arms to the anti-Marxist rebels or support similar regimes in the region.

After several hours of complicated maneuvering, a compromise was worked out that would lift the aid ban but also link aid to a presidential finding of progress toward settlement of the conflict in neighboring Namibia. The measure, sponsored by Tsongas, carried, 10–2.

Percy also tried to compromise with the Democrats on the issue of aid to Pakistan, which has been denied because of that country's insistence on testing nuclear devices, even though he had the votes to repeal the restrictions. In fact, the committee was about to vote when Glenn, with whom Percy has worked closely on the non-proliferation issue, suggested another compromise. This led to 20 minutes of negotiations that failed to produce a consensus. So the committee adopted an Administration-backed proposal on a partisan 10–7 vote. But it was a rare display of partisanship.

WHITE HOUSE RELATIONS

It is difficult to tell exactly how the Administration feels about Percy's style. Administration officials interviewed about Percy all noted his interest in a consensus foreign policy and seemed to accept it as something they will have to work with. One official, asked directly whether the Administration sought a bipartisan foreign policy, said, "It depends on what you have to give up to get bipartisan support." The Administration hopes it will be able to agree with Percy on when to stop compromising.

When asked what he thought Reagan's intentions were, Percy said, "I can only believe partisanship is less in foreign policy." He noted that Reagan has picked Democrats for foreign policy posts, including Jeane J. Kirkpatrick as ambassador to the United Nations, and has sought Democratic support for his economic program. "He certainly has reached out from his party. . . . He certainly must be saying something there."

To be fair, it must be stated that Percy presents himself as the Administration's chairman on most issues that come up before the Foreign Relations Committee, although not at the cost of abandoning his commitment to reach bipartisan accommodations. Often during the foreign aid bill negotiations, he urged the committee to give the new Administration a chance to try out its policies. And most of the time, the committee went along.

One issue on which there was considerable misunderstanding between Percy and the Administration was the delay in filling the political slots at the State Department. Percy and his committee staff feel that they have been unfairly maligned; the committee itself didn't hold up any of the nominations, they point out.

In most cases, they argue, there was a long delay between the time Reagan announced an appointment and the formal submission of the nomination to the Senate. Even after that, elaborate and time-consuming procedures established to check possible conflicts in a nominee's background have held up action, and, Percy's staff says, many of the nominees took weeks to complete the committee's questionnaires. The lengthy questionnaire was developed because Percy feels he was "burned" on the Lance nomination.

Only in the case of three nominees did the committee delay a vote because of "political problems," postponing action for one week on confirming Myer Rashish as undersecretary for economic affairs, John H. Holdridge as assistant secretary for East Asian and Pacific affairs and Chester Crocker as assistant secretary for African affairs, because some Senators were out of town and had questions, according to Percy's staff.

But in all the other cases, it was not the committee that caused the delay, aides said. One suggested that there was an "honest misunderstanding" at the White House about how much paperwork was involved.

The State Department officials who must work with Percy try to put some distance between themselves and Percy's critics in the White House and elsewhere. They emphasize, for example, that Helms deals directly with the White House rather than through the State Department and that he "has his own interests" that may differ from the department's.

These officials also emphasize that the White House has few formal dealings with Percy, whose contacts with the Administration are mostly at the State Department. This implies that Percy's White House critics may be motivated by ideological concerns, not problems based on a working relationship.

Despite these efforts to minimize the problems, however, there is no doubt that Percy has his enemies in the Administration, and that the antipathy toward him is based in large part on his divergent foreign policy views—particularly on arms control and the Middle East—and his willingness to work closely with Democrats.

But at the same time, the Administration has made a tentative judgment that he is running the committee better than he did in the beginning. It has not been overlooked, for example, that Reagan got most of what he wanted in the foreign aid bill.

This view, along with the awareness that Percy is the only chairman they have, has led to a White House effort to minimize the criticism.

Soon after the first negative stories appeared, for example, James A. Baker III, the President's chief of staff, met with Percy and his aides to discuss the nomination problems. White House officials then began denying that there was any friction, and Baker called Chicago Sun-Times columnist Irv Kupcinet to issue a vote of confidence in Percy and deny the reported dissatisfaction.

A Senate aide said the White House realized that there had been mistakes on both sides and that relations needed to improve.

There probably will always be some tension, however, particularly if Percy grows more confident in his role and continues to push for arms limitation talks with the Soviets. If the Lefever incident is any guide, tension and conflict may not bother Percy very much.

When he was asked, for example, whether the Lefever dispute would permanently hurt his relations with the White House, Percy replied with a smile that the Administration's "batting average [on nominations] is pretty good. . . . The Senate is part of a separate branch of government. Your loyalties must be to the Senate and the Constitution first, then to the Administration."

ROGER WILKINS ON VOTING RIGHTS: HE KNOWS WHEREOF HE SPEAKS

Mr. MATHIAS. Mr. President, in view of the fact that our colleagues in the other body this week will be considering the bill to extend the Voting Rights Act of 1965, as amended, it seems timely to insert in the RECORD a particular persuasive article on the subject written by Roger Wilkins which appeared in the Washington Star on June 21, 1981. It adds a dimension to Mr. Wilkins' cogent examination of the subject to know that he comes from a family that can testify first-hand to the importance of the protections provided by the Voting Rights Act. I ask unanimous consent that Mr. Wilkins' article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MISSISSIPPI REVISITED: A CASE FOR VOTING RIGHTS

Mississippi. For a black person, that word is like a dagger in the heart. It raises the ugliest fears we have about our country, but for many of us, it is home. Now, this story is not just about Mississippi, but also about the Voting Rights Act of 1965, but it will take a little while to get to the last part, so stay with it.

The plane was gliding west toward Jackson, Mississippi, and the only thing I wanted to do was to read the story in the Atlanta paper that I had picked up at the airport about a black man who some cops said shot himself in the chest while his hands were cuffed behind his back. But there was this guy who wouldn't stop talking to me. He was a white man who described himself as a "redneck" from Mississippi; who hadn't finished high school, but who had learned how to drill oil wells and who was working in the high hills in Argentina, 28 days on and 28 days off, and making a great deal of money.

He was happy to be coming home, so we talked, the redneck and I. We got on well. As his wife, a small, pretty woman in a yellow T-shirt and tight jeans, met him at the gate, I thought how good it would be if

Mississippi white people like that man and Mississippi black people like me could all get on so well. And I also thought about another American, another Mississippi man, who lived a long time ago. His name was Mound Jeffries. Now, I don't know whether Mound Jeffries ever lived even one day as a free man. I do know that some people in South Carolina owned him and that they sold him to a white man in Mississippi. I don't know whether they sold him with his family or whether he even had a family at that point. All I know is that the white man who bought him for his life's labor was named Wilkins and that the white people of the time not only believed that it was proper to own other human beings, but also thought it was proper to stick their names on the people they "own." So that white man made Mound Jeffries a Wilkins and we have carried his name ever since.

My grandpa, William De Witt Wilkins, who was Mound Jeffries' grandson, did something good walking down a road in Holly Springs, Mississippi, one day near the turn of the century. Grandpa was about 20, and as was the custom in that place then, a white man driving a wagon told Grandpa to get off the road.

Now, for some reason, Grandpa didn't feel like getting off the road just then, so the white man hit Grandpa with his horsewhip. Grandpa grabbed the whip and pulled the man off the wagon and beat the stew out of him.

His father, my great grandfather, Asbury Wilkins, must have been something of an accommodationist, because the white folks liked him. So the elders of the town of Holly Springs went to great grandpa and said:

"Uncle Asbury. You're a good nigger, but your boy Willie is crazy. If it wasn't for you we'd have killed him by now and if you don't get him out of town by sundown, we will."

So it came to pass that my father, Earl Wilkins; and his sister, Armeda Wilkins; and his brother, Roy Wilkins, were born in St. Louis, Missouri. Roy, who was the oldest, can remember going back to Mississippi when he was a little boy and seeing his grandmother.

"She had a big scar on her forearm," Uncle Roy told me once. "When she was a little girl, she was a slave and the mistress told her to iron some clothes. And as little girls will, she didn't pay close attention and she burned some of the clothes. And the mistress got angry and put the hot iron on that little girl's arm."

My father and his sister died too young to have very much to do with America's struggles except to be hurt by discrimination. But Uncle Roy went on to work for many years with honor and dignity for the NAACP. Some of that work was dangerous work in Mississippi when they still lynched black people there and he almost got himself killed.

Years later, in 1963, Medgar Evers, the NAACP field secretary for Mississippi, was killed by a white man. My Uncle Roy had cried when Medgar was killed and I knew that he didn't cry very often.

In 1965, I was a 33-year-old GS 17 in the Commerce Department when a group of mounted Alabama Highway Patrolmen waded into a group of freedom marchers on the Edmund Pettis Bridge at Selma and beat some of them to within an inch of their lives. Vice President Hubert H. Humphrey was in charge of a civil rights council in the government and President Johnson told him to convene the council to get its advice on what he should do.

COMMUNIST ISSUE RAISED

In his opening statement in the Indian Treaty Room in the Executive Office Building the vice president told us what the president wanted and made a gratuitious comment about possible communist influences in the Selma movement. I knew that was wrong because I had been to Selma a few weeks earlier. I wondered whether I would have the courage to tell him so.

The Justice Department had been drafting and redrafting a voting rights bill for a long time. Willard W. Wirtz, then secretary of labor, was the first to speak. He said Justice should stop fooling around and should get a bill up to the Hill right away. Nobody else said anything of much consequence and it was getting to be my turn, but I was afraid to cross one of my great political heroes, who happened to be vice president of the United States. Then a clear thought cut across my fear.

"There is no reason for you to be here in this room of power except to say, for poor black people who can't be here, the things they would say for themselves if they had access to this power."

So, when it came my turn, I told the vice president that if he had been to Selma, he would know that people lived such hard lives that no Communist needed to motivate them to rebel against what was happening to them.

Humphrey responded that he hadn't talked about communist influences. His knuckles were white and his face was hard.

"Yes, sir," I said. "You did."

And then I went on to say that I agreed with Secretary Wirtz that we should get a voting rights bill up to the Hill right away and that the president should make it clear that voting rights was only a part of what our administration intended to do to get freedom and justice for people.

A few more people spoke after that and when the contributions were over, the vice president turned to the president's counsel, Lee White, who was there to report to President Johnson, and asked him what he thought.

"Nothing much," Lee said, "except that we probably ought to do what Roger Wilkins said."

And a couple of days after that, President Johnson went up to the well of the House and spoke to the nation and did just that. I am pround of what I had to do with the Voting Rights Act, so when Sen. Strom Thurmond of South Carolina decided we didn't need it anymore or maybe we should just gut it. I decided to go back to Mississippi to see if it were really needed.

HEARING IN JACKSON

The Rev. Jesse Jackson and Rep. John Conyers, D-Mich., were holding a hearing at the Masonic temple on John R. Lynch St. in Jackson. Jesse Jackson had told me before he went to Mississippi about some of the problems black people were having when they tried to exercise the franchise in the South. He said that in Sen. Strom Thurmond's home county in South Carolina, though 70 per cent of voting age population is black, no blacks hold elected offices. He also said that in Sunflower County, Mississippi, there is a requirement that people register twice, once at the county seat and again in their own town. It meant, he said, that some poor black people, who had no cars, had to make a 100-mile round trip to the county seat in order to do the double registration.

Jesse Jackson mentioned three other devices white Mississippians used to dilute the power of the black vote. One was simple gerrymandering and he produced a map of congressional districts that were absolutely ridiculous and which could only have been drawn for the purpose of rigging the vote. He also said that in Jackson and other Mississippi cities, governments were using the tactics of annexing white suburbs to dilute the black vote in the city. Finally, he mentioned the tactic of constructing low income, government subsidized housing for blacks just outside city limits in predominantly white counties so that the black vote was outside the city and could be lost in the county.

The first person I saw when I walked into the auditorium where the hearing was to be held was Charles Evers, the mayor of Fayette, Mississippi, Medgar Evers' older brother. Charles is a big man and when he saw me he came over and grabbed me in a bear hug and I hugged him back. There was memory, love and sorrow in those hugs and Charles asked me:

I said, "Not good. The strokes have hurt him a lot."

Charles looked sad then and I thought about Medgar. Then Charles sat down to testify.

"Whatever I am in Mississippi is due to the Voting Rights Act of '65, and the black vote," he said, "and we still need it. When I ran for the Senate, they moved 17 voting boxes in Jackson so that the black people were confused and didn't know where to vote."

David Jordan, who has been president of the Greenwood, Mississippi, Voters League for 17 years, recalled that in 1963, dogs were put on black people in the Mississippi Delta who wanted to vote.

"There's a lot of blood on the ballot here," he said. "The Voting Rights Act has meant everything to the people in the Delta. The white people cheat, they gerrymander, they defy the law, they do everything to keep black people from voting, but as long as we have the law, we can complain to the Justice Department and we can bring suits to protect our rights."

GERRYMANDERED DISTRICTS

Dr. Les Maclemore, a professor of political science at Jackson State University, who made a close run for Congress in '80, told how congressional districts had been gerrymandered to keep blacks out of Congress and about how fearful many of the black voters he had campaigned among still were. He also said that many rural white farm bosses still told their black workers how to vote and then load them in trucks, take them to the polls and watch them as they vote. Jasper Neely, a city councilman from Grenada, Mississippi, told how the board of elections in his town had jimmied the books to move black voters out of his ward in an effort to prevent his election.

"They even put my wife in another ward and she lives in the same house with me," he said.

Every single witness at that hearing talked eloquently of the need for the continued protections of the Voting Rights Act. Some said that it needed strengthening.

A few days after I got back from Mississippi, I took my daughter, Amy, to visit with Uncle Roy before she goes off on her first real job. I am very proud of Amy. She just graduated from college and she decided on her own to go up to Springfield, Mass., to organize poor black people to help them deal more effectively with their problems.

Uncle Roy is old now and he bends over in his chair. He sees best to his left and Amy sat on the floor holding his hand and kissing his arm. He loves her so. When she would move away, he would put out his left hand, looking for her and she would come back and that fine old man would smile at her and that splendid young woman would smile at him.

Looking at them, loving them, I realized something. Because some white people are so resistant to those changes and some powerful white people dissemble and misuse power so, Uncle Roy believes that we will achieve America's constitutional promises more than I do; and I believe more than Amy does.

That is not a promising trend, so I would say to Senator Thurmond and others who would destroy the Voting Rights Act: Let my people vote or there is apt to be great American sorrow in the time of my grandchildren and also yours.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Saunders, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the Committee on Armed Services.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT ON EAST-WEST TRADE—MESSAGE FROM THE PRESIDENT—PM 67

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Finance:

To the Congress of the United States:

In accordance with Section 411(c) of the Trade Act of 1974, as amended (19 U.S.C. 2441), I herewith transmit the report on East-West Trade.

The report discusses United States trade relations with the Soviet Union, the People's Republic of China and the Eastern European countries.

RONALD REAGAN.

THE WHITE HOUSE, *July 27, 1981.*

ANNUAL REPORT OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION—MESSAGE FROM THE PRESIDENT—PM 68

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Environment and Public Works:

To the Congress of the United States:

Pursuant to the requirements of Section 10 of the Saint Lawrence Seaway Act of May 13, 1954, I hereby transmit the Saint Lawrence Seaway Development Corporation's Annual Report for 1980. The period covered by this report precedes my term of office.

RONALD REAGAN.

THE WHITE HOUSE, *July 27, 1981.*

MESSAGES FROM THE HOUSE

At 3:56 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its clerks, announced that the House has passed the following bill, without amendment:

S. 1104. An act to amend the International Investment Survey Act of 1976 to provide an authorization for further appropriations, to avoid unnecessary duplication of certain surveys, and for other purposes.

The message also announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4144. An act making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes.

At 6:51 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the Speaker has signed the following enrolled joint resolutions:

S.J. Res. 28. Joint resolution designating the week beginning March 7, 1982, as "Women's History Week"; and

H.J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

The enrolled joint resolutions were subsequently signed by the President pro tempore (Mr. THURMOND).

HOUSE BILL REFERRED

The following bill was read twice by unanimous consent, and referred as indicated:

H.R. 4144. An act making appropriations for energy and water development for the fiscal year ending September 30, 1982, and for other purposes; to the Committee on Appropriations.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1662. A communication from the Secretary of Agriculture, transmitting a draft of proposed legislation to amend the Perishable Agricultural Commodities Act of 1930, as amended, to increase the statutory ceiling on license fees, to remove the limitation on branch fees, and to increase the level of damages claimed which require the opportunity for oral hearing; to the Committee on Agriculture, Nutrition, and Forestry.

EC–1663. A communication from the Deputy Assistant Secretary of the Interior for Indian Affairs, transmitting, pursuant to law, a proposed plan for the use of Seminole Nation of Oklahoma Judgment Funds in Docket 247 before the United States Court of Claims; to the Committee on Appropriations.

EC–1664. A communication from the Chief of the Legislative Division, Office of Legislative Liaison, Department of the Air Force, transmitting, pursuant to law, the Air Force report on experimental, developmental, and research contracts of $50,000 or more, by company, for the period January 1 through June 30, 1981; to the Committee on Armed Services.

EC–1665. A communication from the Secretary of Commerce, transmitting, pursuant to law, the annual report of the Secretary of Commerce for fiscal year 1981; to the Committee on Commerce, Science, and Transportation.

EC–1666. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Consumer Products Advertised to Save Energy—Let The Buyer Beware"; to the Committee on Energy and Natural Resources.

EC–1667. A communication from the Administrator of the General Services Administration, transmitting, pursuant to law, a proposed prospectus for a succeeding lease for space located at 500 Dallas Avenue, Houston, Texas; to the Committee on Environment and Public Works.

EC–1668. A communication from the Administrator of the General Services Administration, transmitting, pursuant to law, reports of building project surveys for (1) Huntsville and Decatur, Alabama, and (2) Florence, Alabama; to the Committee on Environment and Public Works.

EC–1669. A communication from the Assistant Secretary of the Treasury (Legislative Affairs), transmitting, pursuant to law, reports dealing with the adequacy of IMF resources and IMF borrowing from oil exporting countries and the private markets; possible IMF incentives to promote direct "recycling" by oil exporting countries; IMF cooperation with commercial banks; and proposals for a "substitution account" in the IMF; to the Committee on Foreign Relations.

EC–1670. A communication from the Director of the Mission Analysis and Systems Acquisition Division, General Accounting Office, transmitting, pursuant to law, a questionnaire and report on the financial status of major federal acquisitions, September 30, 1980; to the Committee on Governmental Affairs.

EC–1671. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, the annual report on Drug Abuse Prevention, Treatment, and Rehabilitation; to the Committee on Labor and Human Resources.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–337. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, relating to the right of postal employees to select their representative in collective bargaining; to the Committee on Governmental Affairs.

POM–338. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, opposing any reduction of the Federal funds received by the Postal Service; to the Committee on Governmental Affairs.

POM–339. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, opposing any reductions or cut-backs of cost of living adjustments for retirees who were Federal workers; to the Committee on Governmental Affairs.

POM–340. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, opposing any merger between Civil Service Retirement and Social Security Funds; to the Committee on Governmental Affairs.

POM–341. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, opposing any reductions in the Postal Program, which aid the less fortunate citizens of our nation; to the Committee on Governmental Affairs.

POM–342. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Workers, opposing the contracting out of any work which is being performed by Federal employees; to the Committee on Governmental Affairs.

POM–343. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, favoring legislation to make the birthday of Dr. Martin Luther King a national holiday; to the Committee on the Judiciary.

POM–344. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, favoring local entities to petition their state legislatures in support of the consti-

tutional amendment granting the District of Columbia voters representation in both Houses of Congress; to the Committee on the Judiciary .

POM-345. A resolution adopted by Washington, D.C. Local 209 of the National Alliance of Postal and Federal Employees, supporting all efforts to oppose the illegal activities of the Klu Klux Klan; to the Committee on the Judiciary.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. DOLE, from the Committee on the Judiciary, without amendment:

S. 1365. A bill to amend the Bankruptcy Act regarding farm produce storage facilities, and for other purposes (Rept. No. 97-168).

By Mr. PERCY, from the Committee on Foreign Relations, without amendment, and with an amendment to the preamble:

S.J. Res. 65. Joint resolution proclaiming Raoul Wallenberg to be an honorary citizen of the United States, and requesting the President to ascertain from the Soviet Union, the whereabouts of Raoul Wallenberg and to secure his return to freedom (with supplemental views) (Rept. No. 97-169).

By Mr. PACKWOOD, from the Committee on Commerce, Science, and Transportation, with an amendment:

S. 898. A bill to amend the Communications Act of 1934 to provide for improved domestic telecommunications, and for other purposes (with minority views) (Rept. No. 97-170).

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. HATCH, from the Committee on Labor and Human Resources:

Thomas Patrick Melady, of Connecticut, to be Assistant Secretary for Postsecondary Education, Department of Education;

Donald J. Senese, of Virginia, to be Assistant Secretary for Educational Research and Improvement, Department of Education;

Anne Graham, of Virginia, to be Assistant Secretary for Legislation and Public Affairs, Department of Education;

William E. Mayer, of California, to be Administrator of the Alcohol, Drug Abuse, and Mental Health Administration;

George A. Conn, of Maryland, to be Commissioner of the Rehabilitation Service Administration;

Marie P. Tolliver, of Oklahoma, to be Commissioner of Aging;

Thomas L. Lias of Iowa, to be Assistant Director of the ACTION Agency; and

William M. Otter, of Kentucky, to be Administrator of the Wage and Hour Division, Department of Labor.

(The above nominations were reported from the Committee on Labor and Human Resources with the recommendation that they be confirmed, subject to the nominee's commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. TSONGAS:

S. 1519. To designate certain national wildlife refuge lands; to the Committee on Energy and National Resources.

By Mr. HEINZ:

S. 1520. A bill for the relief of Edmund Ing-Ming Ko, Ph. D.; to the Committee on the Judiciary.

S. 1521. A bill for the relief of Rosario L. Clarin; to the Committee on the Judiciary.

By Mr. CHILES:

S. 1522. A bill to combat the importation of large amounts of marihuana by increasing the penalties for an offense involving the importation of a quantity of marihuana exceeding 1,000 pounds; to the Committee on Commerce, Science, and Transportation.

By Mr. RIEGLE:

S. 1523. A bill for the relief of Stephen Hassan Abdul; to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. TSONGAS:

S. 1519. A bill to designate certain national wildlife refuge lands; to the Committee on Energy and Natural Resources.

DESIGNATION OF CERTAIN NATIONAL WILDLIFE REFUGE LANDS

● Mr. TSONGAS. Mr. President, I am today reintroducing legislation to facilitate the exchange of land between the Department of the Interior and the Charles River Breeding Laboratories of Wilmington, Mass.

This bill is identical to S. 2553 which I introduced last year. The bill (H.R. 6218) was passed last year by the House of Representatives.

The primary purpose of the exchange authorized by this legislation is to make the whole of Raccoon Key in Florida available to the Charles River Laboratories for the purpose of breeding rhesus monkeys for medical and scientific research.

In 1971, Charles River Laboratories initiated a breeding project at Key Lois (formerly Hoggerhead Key) in Monroe County, Fla. The time needed to establish the initial breeding stock and the demand in the research field combined by 1976 to make evident that the space available on Key Lois would be insufficient. Charles River Laboratories purchased a privately owned island of sufficient size and proximity to Key Lois to allow for the economical development of a second monkey colony in the keys. Since the purchase of Raccoon Key, the island has been under contract to the FDA's Bureau of Biologics which is utilizing the animals bred on Raccoon Key in its national polio vaccine testing program.

Unfortunately, Charles River Laboratories was not aware of the fact that some 24.6 acres of Raccoon Key belonged to the Federal Government as part of the Great White Heron National Wildlife Refuge and the Florida Keys Wilderness Area established by Congress. The confusion apparently was caused by the fact that the 24.6 acres had never been in private ownership since the time that Florida became a State. The only time "title" had changed hands was in 1938 when the acreage on Raccoon Key became a part of the Great White Heron National Wildlife Refuge, as did much of the property previously in the public domain and under the general auspices of the State of Florida.

In early 1977, Charles River Laboratories was informed by the Federal refuge manager in Monroe County that the company was making an illegal use of Federal property. After reviewing various parcels suggested by Charles River Laboratories, the Fish and Wildlife Service responded that a privately owned 73-acre piece of land known as North Cudjoe Key would be suitable for an exchange on an equal-value basis in order to allow the Charles River Laboratories to obtain use of the whole of Raccoon Key if the details of an agreement could be worked out that would result in long-term benefits to the wilderness area. Charles River Laboratories purchased North Cudjoe Key in March of 1979.

The agreement reached between the parties, as I understand it, is: First, the Fish and Wildlife Service will transfer title to 24.6 acres of Raccoon Key under its jurisdiction to Charles River Laboratories; second, Charles River Laboratories will transfer title to 24.6 acres of North Cudjoe Key to the Fish and Wildlife Service for inclusion in the Florida Keys Wilderness Area; third, the Fish and Wildlife Service will purchase the balance of 48.4 acres of the North Cudjoe Key from Charles River Laboratories and include it also in the Florida Keys Wilderness Area; and fourth, Charles River Laboratories will convey title to the whole of Raccoon Key (approximately 203 acres) to the Fish and Wildlife Service for inclusion in the Florida Keys Wilderness Area at some point in the future when the corporation determines that the Key is no longer suited for simian breeding. Thus the Fish and Wildlife Service will immediately realize the benefits of the inclusion of 73 acres of North Cudjoe Key in the wilderness area and will eventually realize the donation of 200-plus acres of Raccoon Key for inclusion in the same system.

Mr. President, I believe that this legislation reflects a very responsible agreement and one which is beneficial to the wilderness system. I hope the Energy Committee and the Senate can consider this legislation promptly.

Mr. President, I ask unanimous consent that the bill be printed in the RECORD at this point.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1519

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. (a) That certain lands known as North Cudjoe Key, Monroe County, Florida, which comprise approximately seventy-three acres, will be designated for purposes of the Wilderness Act (16 U.S.C. 1131-1136) as wilderness at the time those lands are included in the National Wildlife Refuge System, and shall become part of the existing "Florida Keys Wilderness".

SEC. 2. That notwithstanding any other provision of law, on the date that certain

lands referred to as Raccoon Key, Florida, comprising approximately twenty-five acres, and depicted on a map entitled "Florida Keys Wilderness and Great White Heron National Wildlife Refuge (West Part)" dated July 1975, are excluded from the National Wildlife Refuge System, they shall be excluded from the National Wilderness Preservation System.

SEC. 3. As soon as practical after this Act takes effect, the Secretary of the Interior shall file a map and legal description of the Florida Keys Wilderness with the Committee on Energy and Natural Resources of the Senate and the Interior and Insular Affairs Committee of the House of Representatives and such map and description shall have the same force and effect as if included in this Act: *Provided, however,* That correction of clerical and typographical errors in such legal description and map may be made. A map and legal description of the Florida Keys Wilderness shall be on file and available for public inspection in the Office of the Director, Fish and Wildlife Service, Department of the Interior.

SEC. 4. The lands designated by this Act as the Florida Keys Wilderness shall be administered in accordance with the applicable provisions of the Wilderness Act governing areas designated by that Act as wilderness areas, except that any reference in such provisions to the effective date of the Wilderness Act shall be deemed to be a reference to the effective date of this Act and, where appropriate, any reference to the Secretary of Agriculture shall be deemed to be a reference to the Secretary of the Interior.●

By Mr. CHILES:

S. 1522. A bill to combat the importation of large amounts of marihuana by increasing the penalties for an offense involving the importation of a quantity of marihuana exceeding 1,000 pounds; to the Committee on Commerce, Science, and Transportation.

INCREASING PENALTIES FOR IMPORTATION OF LARGE QUANTITIES OF MARIHUANA

● Mr. CHILES. Mr. President, today I am introducing S. 1522, a bill to increase penalties for large-scale marihuana traffickers.

Until last year, the Federal criminal statutes did not distinguish between small marihuana dealers who sell an ounce on the street corner and the well-financed, highly organized traffickers who deal in tons of marihuana. Until then, the penalty for individuals convicted of marihuana trafficking was a maximum of 5 years in prison and/or a $15,000 fine, regardless of the amount involved. For persons involved in smuggling boatloads of marihuana, this small penalty was hardly likely to make would-be smugglers think twice about the possible consequences of their actions.

Last year, however, Congress adopted, and the President signed into law, an amendment which I offered that increases the penalties for persons convicted of dealing in more than 1,000 pounds of marihuana. That amendment to the Controlled Substances Act raised the penalties for bigtime dealers to a 15-year jail term and/or a $125,000 fine; for repeat offenders, the penalties are doubled to 30 years in jail and/or a $250,000 fine. Unfortunately, Congress did not extend these tough new penalties to those big marihuana smugglers who are apprehended at sea. When the High Seas Seizures Act (Public Law 96-350) was passed by Congress last year, the old, soft penalty provisions were inadvertently retained; the tough, new penalties were not adopted.

The legislation I am proposing today is a necessary second step in creating strong deterrents against large-scale marihuana trafficking. What this legislation does is to extend the tough penalties for big time marihuana dealers to smugglers who are caught on the high seas.

Mr. President, Peter Bensiger, the outgoing head of the Drug Enforcement Administration, singled out marihuana as the primary drug problem in the United States today. Indeed, between 1971 and 1977, use of marihuana by teenagers increased by over 100 percent; for persons between the age of 18 and 25, marihuana use increased by 50 percent. The National Institute on Drug Abuse recently estimated that there are 26.6 million marihuana users in the United States today. In light of the mounting evidence that marihuana is far from a harmless substance, these are alarming statistics. They argue for more vigorous law enforcement, and most certainly stronger measures against those who make marihuana trafficking their business.

The narcotics intelligence estimate sets out the smuggling and distribution patterns for marihuana coming into the United States. The picture it reveals underscores just how important it is to strengthen penalties for marihuana traffickers who are apprehended at sea. Fully 75 percent of this Nation's marihuana supply comes from Colombia, and another 11 percent comes from Mexico. The vast majority of that is smuggled in on ships which come north through the Caribbean and unload their cargo on Florida's shores. In fact, it is now estimated that 70 percent of all the marihuana that flows into this country—as much as 7,000 metric tons a year—comes through Florida. The smugglers who bring it in are bigtime operators: They have the boats, the planes, and the modern communications which has enabled them to slip through undetected by our beleaguered local law enforcement officials. It is no longer surprising to hear that drug smuggling and dealing has become a major enterprise in Florida, with revenues estimated at between $7 and $10 billion a year. This is a far cry from the street corner dealer, or from the young person who tries to sneak an ounce or two of marihuana through Customs on the way home from a trip overseas.

Yet, under current law, the large-scale operator who is apprehended at sea with thousands of pounds of marihuana is subject to the same penalties as that young person. That simply does not make sense. If we are serious about trying to break up these smuggling rings, then we need to have strong penalties on the books. We need penalties which will deter would-be smugglers and which will insure that those who are brought to justice will serve a sentence commensurate with the serious nature of the crime they committed.

The Federal Government can and must play a greater role in stemming the flow of marihuana and other illegal drugs in this country. We are not doing that good a job now, but at least we have started down the road to turning this situation around. Congress is on the verge of approving a law that will enable the military to become involved in the war on drug smuggling by allowing them to pass on radar sightings and other information as to the whereabouts of smugglers' boats and planes to local law enforcement officials. We are getting the Coast Guard more involved in intercepting drugs on the high seas. We have earmarked $300 million in additional funds for the Coast Guard to be used to modernize its fleet and to get more aircraft to track down smugglers. That is important, because we need to have the resources in place to intercept the drugs before they reach our shores.

But more than additional resources are needed to stop the large-scale marihuana smugglers. We also need to have tough sentences in place, so that smugglers know that if they are caught, they will face long prison terms. We already took the first step toward establishing those strong sentences last year, when we increased the sentences for those convicted of trafficking more than 1,000 pounds of marihuana.

It is now time to take the next step, and to increase penalties for those who are caught on the high seas. A person who is trafficking thousands of pounds of marihuana should not be able to get off with a light sentence simply because he was arrested at sea, and not on the land. We can rectify this situation, and move ahead quickly to create the effective deterrents we need in order to win the war against drug traffickers.

Mr. President, I ask unanimous consent that the text of S. 1522 be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1522

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (g) of the first section of the Act entitled "An Act to facilitate increased enforcement by the Coast Guard of laws relating to the importation of controlled substances, and for other purposes", approved September 15, 1980 (Public Law 96-350) is amended by adding at the end thereof the following new paragraph:

"(3)(A) Notwithstanding paragraphs (1) and (2) of this subsection, any person convicted of an offense under this Act involving a quantity of marihuana exceeding 1,000 pounds, shall be sentenced to a term of not more than 15 years or fined not more than $125,000, or both.

"(B) Any person who violates subparagraph (A) who has been previously convicted of an offense punishable under section 401(b)(1)(A) or other provision of title I or title III of the Comprehensive Drug Abuse Prevention and Control Act of 1970 (21 U.S.C. 841(b)(1)(A)), for a felony under any other law of the United States relating to narcotic drugs, marihuana, or depressant or stimulant substances, shall be sentenced to a term of imprisonment of not more than 30 years or fined not more than $250,000, or both.".●

ADDITIONAL COSPONSORS

S. 408

At the request of Mr. CHAFEE, the Senator from Georgia (Mr. MATTINGLY) was added as a cosponsor of S. 408, a bill to amend the Internal Revenue Code of 1954 with respect to the income tax treatment of earned income of citizens or residents of the United States earned abroad; and for other purposes.

S. 708

At the request of Mr. CHAFEE, the Senator from Iowa (Mr. JEPSEN) was added as a cosponsor of S. 708, a bill to amend and clarify the Foreign Corrupt Practices Act of 1977.

S. 719

At the request of Mr. PRYOR, the Senator from Vermont (Mr. LEAHY) was added as a cosponsor of S. 719, a bill to amend section 3109 of title 5, United States Code, to clarify the authority for appointment and compensation of experts and consultants, to provide statutory guidelines concerning the award of contracts for the procurement of consulting services, management and professional services, and for other purposes.

S. 732

At the request of Mr. NUNN, the Senator from Georgia (Mr. MATTINGLY), the Senator from Nebraska (Mr. ZORINSKY), and the Senator from Missouri (Mr. DANFORTH) were added as cosponsors of S. 732, a bill to insure the confidentiality of information filed by individual taxpayers with the Internal Revenue Service pursuant to the Internal Revenue Code and, at the same time, to insure the effective enforcement of Federal and State criminal laws and the effective administration of justice.

S. 777

At the request of Mr. TOWER, the Senator from North Dakota (Mr. BURDICK) was added as a cosponsor of S. 777, a bill to amend the Federal Water Pollution Control Act to restrict the jurisdiction of the United States over the discharge of dredged or fill material to those discharges which are into navigable waters, and for other purposes.

S. 811

At the request of Mr. DOLE, the Senator from New York (Mr. D'AMATO) was added as a cosponsor of S. 811, a bill to amend the Powerplant and Industrial Fuel Use Act of 1978 to permit local distribution companies to continue natural gas service to residential customers for outdoor lighting fixtures for which natural gas was provided on the date of enactment of such act; and for other purposes.

S. 857

At the request of Mr. TOWER, the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 857, a bill to impose quantitative restrictions on the importation of lamb meat.

S. 895

At the request of Mr. MATHIAS, the Senator from Arizona (Mr. DECONCINI) and the Senator from Minnesota (Mr. DURENBERGER) were added as cosponsors of S. 895, a bill to amend the Voting Rights Act of 1965 to extend certain provisions for an additional 10 years, to extend certain other provisions for an additional 7 years, and for other purposes.

S. 966

At the request of Mr. SASSER, the Senator from Ohio (Mr. METZENBAUM) was added as a cosponsor of S. 966, a bill to amend chapter 13 of title 18 of the United States Code.

S. 1091

At the request of Mr. ZORINSKY, the Senator from Florida (Mrs. HAWKINS) was added as a cosponsor of S. 1091, a bill to provide an entitlement for educational institutions for the reimbursement of the reasonable costs incurred in responding to compliance reviews conducted by the Office for Civil Rights of the Department of Education, and for other purposes.

S. 1326

At the request of Mr. SASSER, the Senator from Idaho (Mr. MCCLURE) and the Senator from Nevada (Mr. CANNON) were added as cosponsors of S. 1326, a bill to amend title 38, United States Code, to authorize a service pension of up to $150 per month for veterans of World War I and for certain surviving spouses and dependent children of such veterans.

S. 1351

At the request of Mr. SYMMS, the Senator from Washington (Mr. JACKSON) and the Senator from Washington (Mr. GORTON) were added as cosponsors of S. 1351, a bill to amend section 164 of the Water Resources Development Act of 1976.

S. 1373

At the request of Mr. DECONCINI, the Senator from West Virginia (Mr. RANDOLPH) was added as a cosponsor of S. 1373, a bill to authorize the President to call a White House Conference on Veterans.

S. 1394

At the request of Mr. DECONCINI, the Senator from Washington (Mr. JACKSON) was added as a cosponsor of S. 1394, a bill to improve the ability of the Secret Service to protect the President and other designated protectees.

SENATE JOINT RESOLUTION 65

At the request of Mr. THURMOND, his name was added as a cosponsor of Senate Joint Resolution 65, a joint resolution proclaiming Raoul Wallenberg to be an honorary citizen of the United States, and requesting the President to ascertain from the Soviet Union the whereabouts of Raoul Wallenberg and to secure his return to freedom.

SENATE CONCURRENT RESOLUTION 21

At the request of Mr. THURMOND, the Senator from Utah (Mr. GARN) was added as a cosponsor of Senate Concurrent Resolution 21, a concurrent resolution expressing the sense of the Congress on the Baltic States question.

SENATE RESOLUTION 194

At the request of Mr. PRYOR, the Senator from Arkansas (Mr. BUMPERS) was added as a cosponsor of Senate Resolution 194, a resolution relative to "sense-of-the-Senate resolutions."

AMENDMENT NO. 110

At the request of Mr. CHILES, the Senator from Louisiana (Mr. JOHNSTON) was added as a cosponsor of amendment No. 110 intended to be proposed to S. 951, a bill to authorize appropriations for the purpose of carrying out the activities of the Department of Justice for fiscal year 1982, and for other purposes.

AMENDMENT NO. 492

At the request of Mr. NUNN, the Senator from Maine (Mr. COHEN), the Senator from Texas (Mr. BENTSEN), the Senator from New Mexico (Mr. DOMENICI), the Senator from Louisiana (Mr. LONG), the Senator from Delaware (Mr. ROTH), the Senator from New Hampshire (Mr. RUDMAN), the Senator from Washington (Mr. JACKSON), the Senator from New Mexico (Mr. SCHMITT), the Senator from Oklahoma (Mr. BOREN), the Senator from Arkansas (Mr. PRYOR), the Senator from Louisiana (Mr. JOHNSTON), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Nebraska (Mr. EXON), the Senator from Mississippi (Mr. STENNIS), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Nebraska (Mr. ZORINSKY), the Senator from Georgia (Mr. MATTINGLY), and the Senator from Arizona (Mr. DECONCINI) were added as cosponsors of amendment No. 492 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

AMENDMENT NO. 521

At the request of Mr. KENNEDY, the Senator from New York (Mr. MOYNIHAN) was added as a cosponsor of amendment No. 521 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

At the request of Mr. MITCHELL, his name was added as a cosponsor of amendment No. 521 proposed to House Joint Resolution 266, supra.

At the request of Mr. DODD, his name was added as a cosponsor of amendment No. 521 proposed to House Joint Resolution 266, supra.

AMENDMENT NO. 522

At the request of Mr. EXON, the Senator from Oklahoma (Mr. BOREN) was added as a cosponsor of amendment No. 522 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

AMENDMENTS SUBMITTED FOR PRINTING

FARM PRODUCE STORAGE FACILITIES

AMENDMENT NO. 523

(Ordered to be printed and to lie on the table.)

Mr. DOLE submitted an amendment intended to be proposed by him to the bill (S. 1365) to amend the Bankruptcy Act regarding farm produce storage facilities, and for other purposes.

CLARIFICATION OF CERTAIN AMBIGUITIES

● Mr. DOLE. Mr. President, today the Senator from Kansas is pleased to file with the Senate the Judiciary Committee report on S. 1365, his bill providing

for expedited abandonment procedures in farm produce storage facility bankruptcies. Accompanying the report, the Senator from Kansas is also filing today with the Senate an amendment which is designed to address two points of concern which were raised after the Judiciary Committee vote ordering the bill reported favorably which was taken on June 25, 1981.

After the committee vote, the views of the administration were received by letter from Secretary Block of the Department of Agriculture. The text of Secretary Block's letter is reprinted in the committee report. Secretary Block affirmed the Department's position endorsing passage of the bill, with two reservations.

The first involved the question of what law should be applied to the determination of the status of warehouse receipts and scale tickets as evidence of ownership of grain assets; and this issue has been dealt with in the comment accompanying the sectional analysis of the bill which is contained in the report. In sum, that comment makes clear the intent of the committee that the question of whether or not a storage facility receipt—as defined in the bill—is held by a party as evidence of ownership of farm produce is to be resolved by reference to State or Federal law—whichever is applicable—usages of trade, and the nature of the contract between the parties.

The second matter raised by the Department—which is addressed in the amendment being filed by the Senator from Kansas—concerns an ambiguous cross-referencing cite contained in the bill. The amendment offered today corrects that ambiguity.

Mr. President, the other problem addressed in the amendment is one about which the Senator from Kansas has been concerned from the first day hearings were commenced before the Judiciary Committee's Subcommittee on the Courts on the problem of produce storage facility bankruptcies. That concern is the Senator from Kansas' desire that his bill not be viewed as "class legislation" designed to benefit the farmer at the expense of other creditors in bankruptcy. The heart of this bill is the provisions which establish an expedited procedure to govern abandonment of farm produce which is either stored in a crop elevator on a bailment contract, or which is secured to the extent of its market value. The bill also creates a new priority for farm producers who—even after distribution of the proceeds of farm produce liquidated by the trustee under the bill—nevertheless suffer a loss due to a shortage of grain in the bankrupt elevator.

The bill as written, however does not contain any dollar or time limitation upon that priority, unlike other priorities for unsecured creditors under section 507 of the Bankruptcy Code. To correct this imbalance, the amendment being offered by the Senator from Kansas today places a 1-year/$5,000 limitation upon that priority, thus affording greater equity between farm producers and other creditors in the bankruptcy proceedings.

Mr. President, with the changes incorporated in the committee amendment, the Senator from Kansas believes that S. 1365 provides a sound, well reasoned and fair solution to the problem posed by elevator insolvencies for farm producers. The Senator from Kansas urges the adoption of the amendment and passage of the bill, as amended, by the full Senate.●

NOTICES OF HEARINGS

COMMITTEE ON THE BUDGET

Mr. DOMENICI. Mr. President, the hearings scheduled by the Senate Budget Committee for Tuesday and Wednesday, July 28 and 29, at 10 a.m. in room 6202 of the Dirksen Senate Office Building have been canceled. Witnesses to appear were David Stockman and Alice Rivlin.

SUBCOMMITTEE ON LABOR

Mr. NICKLES. This is to inform the general public that the Labor Subcommittee, of the Committee on Labor and Human Resources, has canceled the hearing scheduled in Moab, Utah, on August 12, 1981, regarding S. 1423, a bill to revise provisions of the Federal Mine Safety and Health Act of 1977, and for other purposes.

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Mr. HELMS. Mr. President, as chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, I wish to announce that nomination hearings have been scheduled on Charles Shuman and Harold Hunter for positions at the U.S. Department of Agriculture. Mr. Shuman has been nominated to be Administrator of the Farmers Home Administration, and Mr. Hunter to be Administrator of the Rural Electrification Administration.

The hearing will be held on Wednesday, July 29, beginning at 9:30 a.m. in room 324, Russell Building.

Anyone wishing further information should contact Denise Alexander of the Agriculture Committee staff at 224–0014.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON FOREIGN RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Monday, July 27, to hold confirmation hearings on the following nominations:

Julia Chang Bloch, of the District of Columbia, to be Assistant Administrator, Bureau for Food for Peace and Voluntary Assistance, AID;

Elise R. W. du Pont, of Delaware, to be Assistant Administrator for Private Enterprise, AID;

Jay F. Morris, of Maryland, to be Assistant Administrator for External Relations, AID;

W. Antoinette Ford, of Michigan, to be Assistant Administrator, Bureau for Near East, AID;

Jon D. Holstine, of Virginia, to be Assistant Administrator, Bureau for Asia, AID;

Francis Stephen Ruddy, of Texas, to be Assistant Administrator, Bureau for Africa, AID;

Jose M. Casanova, of Florida, to be Executive Director of the Inter-American Development Bank for a term of 3 years;

Abraham Katz, of Florida, to be U.S. Representative to Organization for Economic Cooperation and Development, with the rank of Ambassador; and

Frederick L. Chapin to be Ambassador to Guatemala; and

To receive testimony from Richard N Perle, Assistant Secretary-designate for International Security Policy, and hear Philip Habib discuss the Israeli-Lebanon border issue.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Tuesday, July 28, to hold a business meeting to vote on pending nominations and to hear testimony on conventional arms sales.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INTELLIGENCE

Mr. BAKER. Mr. President, I ask unanimous consent that the Select Committee on Intelligence be authorized to meet during the session of the Senate on Tuesday, July 28, at 9 a.m., to receive a preliminary report on the status of the William Casey inquiry.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommitte on Intergovernmental Affairs be authorized to meet during the session of the Senate on Tuesday, July 28, to hold oversight hearings on alternative service delivery.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

PRODUCTIVITY, R. & D., AND SAVINGS

● Mr. BENTSEN. Mr. President, I believe both the Congress and the administration are united in their belief that declining productivity is at the heart of our sluggish economic performance over the past decade. Other factors, such as the rise in OPEC oil prices, have magnified the economic impact of our productivity collapse. But these external events could have been absorbed and their debilitating effects reduced had we enjoyed rising productivity and the beneficial impact that bestows on any economy: robust real growth, stable prices, rising savings and investment, and falling unemployment.

Many factors influence productivity growth. Government redtape and poorly drawn regulations sap managerial and financial resources, diverting then from productivity-enhancing tasks. A growing labor force has the same impact as training costs soar to convert unskilled employees to skilled ones. The need to train and equip new workers reveals the most fundamental factors influencing productivity: the rate of capital investment and of R. & D. activity supporting

that investment. Despite the growing and welcome focus here on the role of labor/management practices in raising productivity, the role of investment and savings remains paramount, I believe.

Productivity gains are won through improvements in the experience of workers and their capability to apply new techniques and technology to the workplace. Fundamental to this process is the availability of resources, especially capital, needed to increase such experience and capabilities. Consequently, the rates of savings and investments and the amount of capital formation are all indicators of a nation's capability to increase productivity. And the poor productivity performance of the United States can be read in the gloomy statistics on these key indicators.

In the past decade, our country has had the lowest rates of both personal savings and private, nonmilitary investment of all industrialized nations. For example, growth of the capital-labor ratio, the amount of plant and equipment per worker, in the United States has fallen from an average annual increase of 3.30 percent between 1948 and 1958 to an increase of only 1.28 percent during the years 1970 to 1979. The ratio has actually fallen every year since 1976. Mr. President, I ask that a table entitled, "The Capital-Labor Ratio, 1947–1979," to be printed in the RECORD.

The table follows:

TABLE I.—THE CAPITAL-LABOR RATIO: 1947–79
[1972=1.00000]

Year	Capital-labor ratio [1]	Rate of change
1947	0.50337	
1948	.53022	5.33
1949	.55375	4.44
1950	.57361	3.59
1951	.58463	1.92
1952	.60131	2.85
1953	.61013	1.47
1954	.64062	5.00
1955	.63930	−.21
1956	.65062	1.77
1957	.67807	4.22
1958	.71797	5.88
1959	.70843	−1.33
1960	.72451	2.27
1961	.75066	3.61
1962	.76186	1.49
1963	.78316	2.80
1964	.80107	2.29
1965	.81727	2.02
1966	.84517	3.41
1967	.88358	4.55
1968	.90555	2.49
1969	.92168	1.78
1970	.96642	4.85
1971	.99870	3.34
1972	1.00000	.13
1973	1.00562	.56
1974	1.03146	2.57
1975	1.08788	5.47
1976	1.07754	−.95
1977	1.06216	−1.43
1978	1.04711	−1.42
1979	1.04411	−.29
1948–58		3.30
1959–69		2.31
1970–79		1.28

[1] Private business sector net capital stock data.

Source: Bureau of Labor Statistics, U.S. Department of Labor.

Mr. BENTSEN. The decline in our capital-labor ratio reflects the failure of growth in investment to keep pace with labor force growth. While labor force size and participation has risen since 1974 at a high rate—hours worked has risen an average 2.8 percent annually since then, for example—the growth in net capital investment has sagged. Since 1974, net capital nonresidential investment averaged an increase of 3 percent annually, versus 4.1 percent for the previous 4 years. For the entire decade of the 1970's, it grew an average 3.6 percent, well below the 4.5 percent and 4.4 percent attained in the previous two decades.

Mr. President, I ask that a table entitled, "Growth Rate of the Real Net Capital Stock: 1948–1979," be printed in the RECORD.

The table follows:

TABLE II.—GROWTH RATE OF THE REAL NET CAPITAL STOCK: 1948–79

[Net stock of fixed nonresidential private capital in 1972 dollars]

Year	Growth rate	Year	Growth rate	Year	Growth rate
1948	8.0	1959	2.8	1970	4.2
1949	4.5	1960	3.2	1971	3.3
1950	5.0	1961	2.8	1972	3.9
1951	5.0	1962	3.5	1973	5.2
1952	3.9	1963	3.5	1974	4.3
1953	4.3	1964	4.4	1975	2.1
1954	3.4	1965	6.0	1976	2.2
1955	4.3	1966	6.7	1977	3.1
1956	4.5	1967	5.4	1978	3.7
1957	4.1	1968	5.1	1979	4.0
1958	2.3	1969	5.4		
1948–59	4.5	1959–69	4.4	1970–79	3.6

Source: U.S. Department of Commerce, Survey of Current Business, February 1981.

Mr. BENTSEN. Mr. President, research and development spending also influences productivity by raising capital efficiency and labor proficiency. Its stagnation in the United States must bear part of the responsibility for our lagging productivity growth. Federal nondefense and private R. & D. spending has remained at about 1.5 percent of GNP since the late 1960's. This trend brought to a halt the sharp rise in such R. &. D. spending which saw its share of GNP double from 1953 to 1967. It takes a number of years for the full impact of R. & D. spending to be reflected in productivity numbers. Yet, the stagnation of R. &. D. spending as a share of GNP began to influence our productivity growth rate many years ago, with the debilitating impact growing especially strong in recent years.

Mr. President, I ask that a table, entitled, "U.S. Spending on Research and Development: 1953–1979," be printed in the RECORD.

The table follows:

TABLE III.—U.S. SPENDING ON RESEARCH AND DEVELOPMENT: 1953–79

[As a percent of GNP]

Year	Total civilian, defense, and Federal nondefense	Total civilian	Industry	Federal nondefense	Universities and others
1953	1.40	0.72	0.61	0.07	0.04
1954	1.54	.77	.64	.09	.04
1955	1.55	.78	.63	.12	.03
1956	1.99	1.00	.79	.16	.05
1957	2.20	1.00	.78	.18	.04
1958	2.39	1.10	.83	.22	.05
1959	2.54	1.09	.84	.20	.05
1960	2.67	1.21	.89	.27	.05
1961	2.74	1.22	.91	.25	.06
1962	2.73	1.22	.91	.25	.06
1963	2.87	1.30	.92	.31	.07
1964	2.97	1.30	.93	.30	.07
1965	2.91	1.34	.95	.32	.07
1966	2.90	1.42	.97	.38	.07
1967	2.91	1.48	1.02	.39	.07
1968	2.83	1.50	1.04	.39	.07
1969	2.74	1.51	1.07	.36	.08
1970	2.64	1.52	1.06	.37	.09
1971	2.50	1.48	1.02	.38	.08
1972	2.43	1.44	1.00	.36	.08
1973	2.34	1.44	1.02	.35	.07
1974	2.32	1.50	1.05	.37	.08
1975	2.30	1.50	1.03	.39	.08
1976	2.28	1.51	1.05	.38	.08
1977	2.26	1.50	1.04	.39	.07
1978	2.27	1.52	1.05	.38	.09
1979	2.29	1.54	1.08	.38	.08

Mr. BENTSEN. The time horizon or, indeed, even the explicit impact of R. & D. spending on productivity is not known with precision. We do know, however, that we are being out-researched by the two nations who have scored the highest productivity gains over the past decade. Both Germany and Japan devote almost a third larger share of their GNP to nondefense R. & D. than we do. That disparity has not always existed. Until the late 1960's, we kept pace with them, as noted in the following table, entitled, "Civilian and Federal Nondefense Research and Development Spending: 1961–1976." I ask unanimous consent for this table to appear as table IV in my remarks at this point.

Mr. President, my point in presenting these data on investment and R. & D. trends is to emphasize the need to encourage savings, investment, and R. & D. in the tax bill before the Senate, and also in the bill before the House Ways and Means Committee. The Finance Committee gave priority attention to these issues in recommending reduced personal tax rates on investment income, in rationalizing depreciation schedules, and in providing a targeted investment credit for some types of R. & D. spending by private firms. And it was to the full Senate's credit that it has agreed to

these steps while adding a carefully targeted savings incentive with a link to the hard-pressed housing sector. The House Ways and Means Committee is seeking to craft effective savings, investment, and R. & D. incentives, as well. So the indications are good that the tax bill before us will become a landmark law, marking the beginning of a national resurgence in investment, R. & D., and productivity. That resurgence is long overdue. And it is a resurgence that the entire Congress can view as a major accomplishment.

TABLE IV.—CIVILIAN AND FEDERAL NONDEFENSE RESEARCH AND DEVELOPMENT SPENDING: 1961–76

[As a percent of GNP]

Year	United States	West Germany	Japan
1961	1.22	NA	1.37
1962	1.22	1.14	1.46
1963	1.30	1.26	1.43
1964	1.30	1.38	1.47
1965	1.34	1.53	1.53
1966	1.42	1.62	1.47
1967	1.48	1.70	1.51
1968	1.50	1.72	1.60
1969	1.51	1.81	1.64
1970	1.52	1.96	NA
1971	1.48	2.16	NA
1972	1.44	2.13	NA
1973	1.44	2.01	NA
1974	1.50	2.27	1.91
1975	1.50	2.20	1.91
1976	1.51	2.09	NA

Source: National Science Foundation, Science Indicators; 1978.●

A TRIBUTE TO DR. THOMAS F. JONES

● Mr. THURMOND. Mr. President, it was with a deep sense of personal loss that I learned of the death last week of Dr. Thomas F. Jones, a respected South Carolina educator who served ably as president of the University of South Carolina from 1962 to 1974.

I join the entire South Carolina academic community in expressing sadness over the death of this fine man. I must also express admiration, too, for his deep and abiding faith in God as he struggled with a long battle against cancer.

Dr. Jones was a popular figure among University of South Carolina students through the years. He was an effective administrator over both students and faculty and he also served as a patient listener to faculty and student desires. He had outstanding credentials—and one high point of his university presidential tenure was his success in helping to raise faculty salaries and upgrading the quality of the faculty in general. Furthermore, it was highly significant that Dr. Jones was awarded honorary doctorates from Purdue University, The Citadel, and the University of South Carolina at Spartanburg.

It also may be noted that the University of South Carolina student enrollment and physical plant grew tremendously under his leadership.

In conclusion, I extend heartfelt condolences to his lovely and devoted wife Mary and their five children.

A recent editorial in the Columbia, S.C., State, as well as a recent news story in the same newspaper, expresses many of my sentiments regarding Dr. Jones. Additionally, a news release from the Massachusetts Institute of Technology at Cambridge, Mass., is included.

Mr. President, in order to share these excellent articles with my colleagues, I ask that the articles appear in the RECORD at the conclusion of my remarks.

The articles follow:

SOFT-SPOKEN ADMINISTRATOR RECALLED

Former University of South Carolina President Thomas F. Jones was remembered by friends and colleagues Wednesday as a soft-spoken administrator who kept a firm hand on the school's rudder during some turbulent times.

"I always thought Dr. Jones had an exceptionally brilliant mind," said Dr. William H. Patterson, who served as USC president following the retirement of Jones. "He had a great grasp of the presidency at the University of South Carolina.

"We owe much to him for the present development of the campus, as many people know. This represents a considerable loss for the university community."

Similar words of praise came from USC President James B. Holderman.

"The entire university community is deeply saddened by Dr. Jones's death," Holderman said. "The groundwork for much of what the university regularly is praised for today was laid by Dr. Jones during his highly distinguished term as USC president, and I continue to feel his presence every day as I walk in his footsteps.

"He was a loyal friend of the university, an outstanding leader in the national academic community, and his accomplishments will be long remembered," Holderman said.

T. Eston Marchant, chairman of the USC board of trustees during Jones's presidency, said, "I am quite distressed to learn about Dr. Jones's death." Marchant, who now is adjutant general of the S.C. National Guard, said, "I'm sure he will be sorely missed by his many friends and university alumni as well.

"During my service with him as chairman of the board, I enjoyed working with him very much. He contributed in many ways to the fine reputation that Carolina has today," Marchant said.

Dr. John J. Duffy, system vice president for two-year campuses and continuing education, said, "Tom Jones's vision and enthusiasm were infectious. His achievements were even more remarkable when one considers the tempestuous period in which he governed the university—the unparalleled growth due to the baby boom, student and faculty unrest during the Vietnam War, the student riots and the protracted fight over the second medical school.

"Throughout it all, he remained optimistic and true to his vision and thus served the longest term of any modern University of South Carolina president in a period where major college presidents were forced out of office after short intervals of service," Duffy said.

Dr. Robert E. Alexander, associate vice president for two-year campuses and continuing education, said, "Because of his visions of what Carolina could be and his enthusiasm about the future, many of the quality faculty currently at USC threw in their lot with Tom Jones at a time when a higher education market was highly competitive, and they could have easily gone elsewhere.

"Dr. Jones constantly promoted a university in the 'mainstream' to students, faculty and the citizenry of South Carolina."

J. Robert Peters Jr., a Hampton County lawyer who served on the USC board of trustees during Jones' presidency, said Jones was "a very capable, able administrator."

"He put forth tremendous effort for the best interest of the University of South Carolina during a period of tremendous growth, achievement and success. Dr. Jones was loyal and easy-going, and he was sorely missed when he retired from the university. I am quite distressed to hear of his passing," Peters said.

"It always takes a catalyst to get you started on the high road," said Michael J. Mungo, a Columbia real estate developer and a trustee during Jones' tenure.

"Tom Jones should be thanked for generations to come for what he started at the university," he said.

"He made the great move USC needed to get it on the road to excellence," Mungo said. "Generations will benefit from what he did. We've lost a great innovator, a great thinker, besides a great educator.

"He made so much change. He took us from the 18th century," said Mungo. "He brought in bright stars, the new ideas, the intellectual."

Mungo said it was Jones's efforts that changed USC "from an ordinary institution and set us on a course of excellence."

Besides bringing in scholars, Jones was not afraid to develop new programs, such as the University 101 course, which is an introduction to the university and its academic atmosphere, which Mungo said has become a model in higher education.

"He was always willing to listen to innovation," he said. "He let us dream. He said we could do things. And we did them."

DR. THOMAS F. JONES

Dr. Thomas F. Jones guided the University of South Carolina through the dynamic '60s, a period marked not only by dramatic growth but by turbulence spawned by a restless generation.

And while the rotund, jovial engineer-physicist built edifices, he earned the respect of academicians who appreciated his energetic support of liberal arts, the university and its faculty. Yet, his convictions, and what some considered a permissive attitude, inevitably catapulted him into controversy and he resigned in 1974 after 12 years as president, always denying that political pressures forced him out.

Dr. Jones became vice president for research at Massachusetts Institute of Technology, where he received his doctorate, and remained in that area after illness struck in 1979. He died Tuesday night at age 65 after a long battle with cancer, leaving a solid legacy in USC's history.

Few university presidents faced the challenges of Tom Jones. Good-naturedly, the Tennessee native weathered waves of change. He presided over the peaceful integration of USC in 1963 while university campuses in Alabama and Mississippi were scenes of rioting. A favorite of students, with omnipresent bow tie and cigar, the genial educator rode out the anti-war student riots of the late 1960s and early 1970s.

Dr. Jones made friends and enemies in displaying racial sensitivity. He hired a full-time black student recruiter, required campus police to take human relations courses and required non-discriminatory statements from fraternities and sororities.

As student enrollment mushroomed from 7,000 in 1952 to 26,000 in 1974, and the faculty increased to 1,200. Dr. Jones directed expansion of a mammoth physical plant that often astounded returning old grads.

Dr. Jones' inventive programs, attention to the faculty and recruitment of high-powered professors launched USC on a course of excellence. President James B. Holderman called it "the groundwork for much of what the university regularly is praised for today."

One former trustee said aptly, "We've lost a great innovator, a great thinker, besides a great educator . . . He brought in bright stars, the new ideas, the intellectual."

THOMAS F. JONES DIES AT 65

Dr. Thomas F. Jones, Jr., one of the nation's leading engineering educators and administrators, vice president for research at the Massachusetts Institute of Technology since July 1975 and former president of the University of South Carolina, died Tuesday, July 14, after a long illness. He was 65 years old and a resident of Arlington.

Despite being terminally ill for several months, Dr. Jones worked almost daily. He was at his desk Friday. Dr. Jones died at the Sidney Farber Cancer Institute Tuesday night.

As vice president for research, Dr. Jones had administrative responsibility for sponsored research at major laboratories and centers at M.I.T., including the Francis Bitter National Magnet Laboratory, the Research Laboratory of Electronics, the Center for Materials Science and Engineering, the Energy Laboratory, the Plasma Fusion Center and the Nuclear Reactor Laboratory.

In his last annual report summarizing the activities of those centers and laboratories, Dr. Jones, in a comment that reflected the affection and concern he displayed for people in every walk of life, said: "In reading the reports, one should not lose sight of the ubiquitous and essential contributions of undergraduates and graduate students who work side by side with faculty and staff to generate the kinds of research results which characterize M.I.T."

In 1980, as the University of South Carolina honored Dr. Jones with the honorary degree of Doctor of Laws, he was praised by the university for having "brought Carolina into the mainstream of educational innovation and development." Dr. Jones' contributions to the state of South Carolina were recognized in 1966 when he was acclaimed "South Carolinian of the Year."

Dr. James B. Holderman, president of the University of South Carolina, in a statement issued Wednesday, July 15, said:

"The entire University of South Carolina community is deeply saddened by Dr. Jones' death. The groundwork for much of what the university regularly receives praise for today was laid by Dr. Jones during his highly distinguished term as U.S.C. president and I continue to feel his presence every day as I walk in his footsteps. He was a loyal friend of the University of South Carolina, an outstanding leader in the national academic community, and his accomplishments will be long remembered."●

NATIONAL ENDOWMENT FOR THE ARTS

● Mr. KENNEDY. Mr. President, the National Endowment for the Arts has led the arts community in a time of exciting and important growth. The endowment has brought the arts to countless individuals and families and, in turn, Americans across the country have responded warmly and enthusiastically.

In view of the progress we have seen under the guidance of the endowment, I feel that it is unconscionable to slash the Federal arts budget in half, as the administration has recommended.

In recent articles, Mr. Harold Prince and Mr. Arthur Schlesinger have addressed this serious issue. They have eloquently expressed their support for maintaining a strong and healthy arts community. And both have stressed the need for a continued Federal commitment to the arts.

I would like to share with my colleagues these articles from the New York Times, and request that they be printed at this point in the RECORD.

The articles follow:

[From the New York Times, July 18, 1981]

SO, WHO NEEDS THEM? THE NATION

(By Harold Prince)

When I recently spoke to corporate executives about the importance of increasing private-sector support of the arts, because of the Administration's proposed 50 percent reduction in the National Endowment for the Arts' 1982 budget, someone said: "It isn't just the arts; we've been getting the same plea from education, health, welfare—from all areas of social concern. What would you do if you had to make a choice between educating a poor black child, feeding an elderly couple, or supporting an artist?"

While I did not want to present the continued support of artists as a greater priority than that of welfare mothers, I resist equating priorities in terms of immediate results. Of course I would not deny education to a child, nor food stamps and Social Security to an aged couple, nor health care. But the presence of art is never immediately measurable; it's a spiritual contribution to the quality of life, and state mind, the dignity of man in his community. Harmony.

The cost of this harmony is relatively cheap. Prior to the suggested budget cut, the total arts budget came to $159 million—less than a dollar per person per year. A 1980 Harris poll of taxpayers found that 70 percent were willing to add $5 to their annual tax for the arts.

I have empathy for my corporate friend's dilemma. The Government should not force such a choice. I will not be thrown into life-and-death combat with the poor and the aged.

Just after the election, Ronald Reagan re-emphasized his support for the arts. Then the Office of Management and Budget "black book" hit the streets. David A. Stockman had declared flat out that the arts were not a priority. At a meeting of the National Council on the Arts, Robert Carter, from the Reagan transition team, told us that the 50 percent cut represented a 100 percent improvement in the Administration's original budget plans.

What reasons has the Administration offered for the cut? Government funds, they tell us, have replaced private-sector funds and have become the first resort for arts organizations. They are incorrect and uninformed. No! That would be bad enough—what is worse, they are informed. They know the facts to be the opposite. They have chosen to misrepresent them. One of the Endowment's unchallenged successes is that it has nourished the growth in private giving for the arts, primarily in matching grants, from $205 million to $2.7 billion in the 15 years of its existence.

This speaks to a uniqueness of the Endowment and a rightness in the Government's role. When it's working right, Government is the people. It makes proprietors of the audience, for the use of their tax dollars gives them certain title to the work they enjoy. Moreover, the Endowment's peer-panel system takes decision-making away from bureaucrats. I cannot say I agree with every decision, every policy, every program. But ours is a Government agency open and democratic, where virtually any arts organization or individual artist can receive a fair review by his peers, accepting that the odds are heavily against him in all the disciplines.

This addresses another criticism of the Endowment—that its standards have been lowered in order to make grants on regional or political bases. Actually, Endowment funds, in concert with those of state and local art agencies, allow thousands of artists to stay and work with dignity and respect in their own communities.

Historically, too many artists have been discovered posthumously. It's a credit to our times that that has changed. Not always, of course. A minimal grant of $3,500 enabled the Louisiana State University Press to publish a manuscript by an unknown author who killed himself soon after completing it. This was "A Confederacy of Dunces," by John Kennedy Toole, this year's Pulitzer Prize winner for fiction. The Pulitzer Prize-winning play "Crimes of the Heart," by Beth Henley, was produced originally by The Actors Theater in Louisville, an Endowment-funded theater, and then in New York by the Manhattan Theater Club, another recipient.

What would happen if the Endowment were shackled, its powers diluted? Can we expect big business to assume its responsibilities, to structure an effective arts council checked and balanced by peer assessment?

The Endowment is uniquely capable of identifying problems and solving them. For example, it recognized the difficulty of training qualified producers, directors, and writers in the musical theater, and created a master-apprentice program using both private-sector and Endowment funds.

Consider the dramatic accomplishments. The number of symphony orchestras in our country has grown from 25 in 1965 to 150 in 1980, dance companies from 30 to 400, professional theaters from 15 to 147, opera companies from 27 to 109. Not all of this is directly attributable to the Endowment, of course. State arts agencies and private giving have a lot to do with it. But an Endowment grant is a catalyst; the imprimatur of a panel review encourages private giving.

So, it's a bit ironic that we are subject to an enormous budgetary cut and the establishment of a task force, which implies a crisis of confidence. From where I sit, the Endowment is an amazingly effective instrument of public policy.

THE ARTS ARE IN ECONOMIC TROUBLE

(By Arthur Schlesinger, Jr.)

During most of the 20th century, the state of literature and the fine arts in America has not caused undue worry. Artistic endeavor flowed exuberantly along on the tide of economic expansion.

As the nation's population and wealth multiplied, so did the instrumentalities of national culture: more books, more libraries, more museums and galleries, more symphony orchestras and opera companies and dance troupes, more writers and painters and musicians and architects and film-makers, more amateurs of letters and the arts than ever before. It was only a moment ago that we used to talk rather complacently about the great cultural explosion. We regarded the future of the arts as a consummation that would take care of itself.

Alas, the gaudy days have passed. Inflation, now chronic in the economy, is driving cultural organizations to the wall. Everything costs too much. Private patrons are disappearing. Corporations have failed to take up the slack. Institutions vital to the quality of our civilization find no alternative but retrenchment and retreat. The great New York Public Library, one of the glories of this city, was open 87 hours a week only a dozen years ago; now its doors open each week for 49 hours. In California, more than a fifth of the state's county libraries have shut down.

Over the last 20 years, Federal and state Governments have played an increasingly vital role in reinforcing our culture against economic depredation. But today, at the very time when inflation is dangerously undermining our artistic institutions, we now con-

front a drastic reduction in public support for the arts. The budgets of the National Endowments for the Arts and the Humanities are to be cut in half; each Endowment is to receive less money than the amount allocated in the defense budget for military bands. The Corporation for Public Broadcasting is to lose a quarter of its funds. The National Historical Publications Commission, which has superbly enlarged our understanding of the past by publishing the papers of our great national leaders, is to be abolished altogether. Nor can we expect corporate philanthropy to offset the budget cuts, especially when the challenge grant, that great public stimulus to private giving, is itself to be a major casualty of budgetary retrenchment.

There are those—including Milton Friedman, a Nobel Prize winner in economics—who applaud this result because they regard Federal subsidies for the arts as "indefensible." If a cultural institution cannot pay its way in the market, they contend, then it has no economic justification and, if no economic justification, no social justification.

This argument implies that only those activities that pass the boxoffice test are worth pursuing. But one can almost argue the reverse more persuasively; that the most precious institutions in our society—our schools, universities, libraries, museums, opera houses, hospitals, churches—are precisely those that do not pay their way. Surely a society as rich as ours can afford to divert some of its abundance to activities that enrich our culture even if they fail the boxoffice test.

There are manifest limits to the role of Government. Creativity cannot be institutionalized. Art flourishes in conditions of individuality and diversity, even of doubt and estrangement. The National Endowments themselves have often fallen below the highest standards of excellence.

But overweening Government is not the issue today. The issue is the curtailment of support at a time when the arts are in a state of economic crisis and Government has been providing a margin of survival. This is surely a withdrawal by Government from its own responsibilities. As John Quincy Adams told the Congress a century and a half ago: "Moral, political, intellectual improvement are duties assigned by the Author of Our Existence to social no less than to individual man. For the fulfillment of those duties governments are invested with power, and to the attainment of the end—the progressive improvements of the condition of the governed—the exercise of delegated powers is a duty as sacred and indispensable as the usurpation of powers not granted is criminal and odious."

The old vision of our artistic future as a consummation that would take care of itself, plausible enough in an age of expansion, is less persuasive in our age of retrenchment. The question surely arises whether organizations like the American Academy and Institute of Arts and Letters must not now take a more active role in fulfilling its chartered obligation to "the furtherance of the interests of literature and the fine arts."

At home, the arts are in acute economic jeopardy. They are also in civic jeopardy. Blue-nosed busybodies invade libraries and schools in search of writing they convict of the crime of "secular humanism." In other lands, artists and writers who refuse to surrender their creative integrity suffer censorship, imprisonment, torture, and exile. In a sadly changed world, passivity may no longer be the fitting stance.●

S. 1394—THE SECRET SERVICE REFORM ACT OF 1981: A CLARIFICATION

● Mr. DECONCINI. Mr. President, on June 18 I introduced S. 1394—the Secret Service Reform Act of 1981—a bill to improve the ability of the Secret Service to protect the President and other designated protectees. The cornerstone of this legislation is an amendment to the Freedom of Information Act and would exempt from disclosure matters related to the protective functions of the U.S. Secret Service.

There is one provision in the bill, Mr. President, that I believe needs clarification at this point and should be further clarified during Judiciary Committee consideration of the bill. My legislation proposes amending section 552 of title V of the United States Code by adding a new subsection as follows:

(f) A law enforcement agency shall exempt any record maintained for a law enforcement purpose including the protective functions of the United States Secret Service for a period of ten years from the date of the document, from the termination of the investigation, or in the case of judicial action, from the termination of the probation, the term of imprisonment, or the imposition of the fine, as the case may be, whichever date is most recent.

Concerns have been expressed to me that this particular provision may be too broad and include law enforcement agencies other than the U.S. Secret Service. There is no question that my intent was to grant Freedom of Information Act exemption status only to the U.S. Secret Service—the law enforcement agency that is the target of this entire piece of legislation. I want to assure Senators and the administration of my intentions in this regard and to further assure them that this clarification and modification in the bill will be recommended by me during Judiciary Committee review of S. 1394.

With those assurances, Mr. President, I am pleased to ask unanimous consent that the distinguished Senator from Washington, Senator JACKSON, be added as a cosponsor of S. 1394.●

TRIBUTE TO SOUTH CAROLINA STATE SENATOR HARRIS PAGE SMITH OF EASLEY, S.C.

● Mr. THURMOND. Mr. President, the death of South Carolina State Senator Harris Page Smith was an untimely loss to his family, his friends, his legislative district, and his State. To his wife and four children, I express my deepest sympathy. His character and service are worthy of emulation by all public servants.

Senator Smith, who was a practicing attorney, a major in the U.S. Army Reserve, and an active member in church, civic, and professional organizations and affairs, devoted himself to helping his fellow man on every level, both personal and public.

Two recent editorials, one written by Mr. Jerry Vickery in the Easley Progress and one appearing in the State newspaper, accurately portray the exemplary life and service of Senator Smith.

Mr. President, in order to share these excellent editorials with my colleagues, I ask that these viewpoints appear in the RECORD at the conclusion of my remarks.

The editorials follow:

[From the Easley (S.C.) Progress, July 15, 1981]

THAT KIND OF MAN

The untimely death of Senator Harris Page Smith on Sunday of this week is certainly a loss to this community, to Pickens County, and the state of South Carolina.

Senator Smith was the kind of man you could always call upon, have confidence in, receive help from and truly be proud that he was representing your interest in State politics.

He was also very personable, and could always find time in his busy schedule to stop and talk with friends.

A few weeks ago Joe Young, president of the Easley Chamber of Commerce, and I went to Columbia to extend a personal invitation to Governor Riley to speak at the Chamber's annual picnic.

After a short meeting with the Governor, Senator Smith took us on a tour of the State House. One of the most interesting areas he showed us was the huge dome of the Capitol.

The Senator took us up into the dome, a place not often seen by visitors. As we walked up the narrow steps leading to the top, Senator Smith called our attention to various points of interest.

You could tell by his comments that he was extremely proud of the State House and all it represents, and that he was proud to serve his State and have a part in helping make it a great place to live.

This little tour might not have meant much to some people, but for the two of us, businessmen who understand busy schedules, it certainly made an impression that Senator Smith would graciously give us so much time when he had more important matters to attend to.

But what else would you expect from Harris Page Smith? After all, he was that kind of man.

[From the Columbia (S.C.) State, July 15, 1981]

SENATOR HARRIS P. SMITH

One might expect the tributes to State Sen. Harris Page Smith—gentleman, wit and public servant. They are the kinds of things usually said when a prominent government leader dies. But of Senator Smith, these words in eulogy are as applicable as they can be.

Few, if any, members of the S.C. Legislature are more respected or more revered than was the senator from Pickens.

His spirit of cooperation and his ever-present good nature might even have hampered his effectiveness at times. But he was not given to boisterous bulldozing in his legislative work, which was prolific.

Senator Smith's good humor was often at its best in defeat. Just weeks ago one of his priority projects, a local option sales tax bill, was ruled out of order in the Senate. Mr. Smith could have ranted and raved and even appealed the presiding officer's ruling to the full Senate. Instead, in a response embracing his typical subtle humor, Senator Smith said, "I disagree with your ruling, but I'm not going to argue with the judge."

It would be difficult to assess Senator Smith's qualities better than a friend, Gov. Dick Riley, who said:

"He had a sense of humor that set him aside from the rest. It made him capable of getting things done in a pleasant way. He was a deep thinker, and when he cast his vote I would assure you it was absolutely cast with the interest of the state above any other interest."

Senator Smith was a fine public servant and his death is grievous to South Carolina as well as his family and friends.●

TRIBUTE TO ANNE KOLB, CHAIRMAN OF THE BROWARD COUNTY COMMISSION

● Mr. CHILES. Mr. President, this past weekend the State of Florida lost one of its outstanding citizens, a valuable spokesman for the needs and concerns of her community, and an important political figure who was unafraid to speak out on difficult issues such as growth management and environmental protection.

Anne Kolb, chairman of the Broward County Commission, died Sunday at the age of 48, ending the hard-fought battle with cancer she has been waging since 1979. Even while facing personal illness, Anne continued to press hard for those projects and interests in which she believed, gaining the respect of those she worked with, and those she served. County Commissioner Howard Forman summed up the role Anne Kolb has played:

She was truly the conscience of the Broward County Commission. Broward County lost a lady who was always battling for the interest of the people with every ounce of breath she had up until the very end.

Anne was outspoken on the issue of unchecked growth in Broward County. She was actively involved in the formulation and implementation of important water policy management and sewage treatment projects. Early this year, Anne was in my office representing the needs of Broward County by voicing concern about the administration's plan to cut back funds which have been going to the county to help build wastewater treatment plants.

Anne has never been afraid to tackle tough issues. Aware of the delicate ecological system supporting the Broward County environment, she has fostered throughout her 12-year political career a strong coalition of grassroots support for a variety of activities aimed at preserving and protecting the county's natural resources:

County Commissioner Howard Craft said:

She wasn't just part of government; she was part of the people. She was never a politician, but was the best politician I've ever met.

Her rise to the chairmanship of the county's commission in 1980 not only signaled the success of her own political career but more importantly to Anne, also demonstrated the overriding support she has marshaled for environmental concerns. One of the many accomplishments of her term in office was the preservation of a 15,000-acre West Lake area in Hollywood, Fla. The county commission in June renamed a portion of this area in her honor, the Anne Kolb Nature Park.

I have been fortunate in having had the opportunity to work with Anne Kolb over the years she has been in public service. Her commitment to preserving the natural beauty and wildlife of south Florida and her dedication to the diverse needs of Broward County will not be forgotten. Although she is now gone, Broward County and the State of Florida will continue to benefit from, and be inspired by, the life and many accomplishments of Anne Kolb.●

PRELIMINARY NOTIFICATION OF PROPOSED ARMS SALES

● Mr. PERCY. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $25 million, or in the case of major defense equipment as defined in the act, those in excess of $7 million. Upon receipt of such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of proposed sales shall be sent to the chairman of the Foreign Relations Committee.

Pursuant to an informal understanding, the Department of Defense has agreed to provide the committee with a preliminary notification 20 days before transmittal of the official notification. The official notification will be printed in the RECORD in accordance with previous practice.

I wish to inform Members of the Senate that nine such notifications have been received.

Interested Senators may inquire as to the details of these preliminary notifications at the offices of the Committee on Foreign Relations, room 4229, Dirksen Building.

The notification follows:

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 17, 1981.

In reply refer to: I-2053/81ct.
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to be $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 17, 1981.

In reply refer to: I-2054/81ct.
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 17, 1981.

In reply refer to: I-02451/81ct.
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to an Eastern Asian country for major defense equipment tentatively estimated to cost in excess of $7 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 17, 1981.

In reply refer to: I-02477/81ct.
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a NATO country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

In reply refer to: I-02207/81ct.
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

In reply refer to: I-02362/81ct.

Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

In reply refer to: I-02484/81ct.

Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

In reply refer to: I-02518/81ct.

Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Middle Eastern country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 17, 1981.

In reply refer to: I-02364/81ct.

Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated 18 February 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Southwestern Pacific country tentatively estimated to cost in excess of $25 million.

Sincerely,

ERNEST GRAVES,
Director.

MAINE'S BATH IRON WORKS

● Mr. COHEN. Mr. President, a strange thing is happening on the banks of the Kennebec River in Bath, Maine. In a radical departure for the shipbuilding industry, which is nearly always awash in the red ink of budget excesses and long building delays, the Bath Iron Works has established a solid reputation for building first-class naval vessels on time and within budget.

Last Friday, I was privileged to attend the launching of BIW's most recently completed Navy frigate, the U.S.S. *John L. Hall.* On the way to Maine, I ran across an article from the July 24 issue of the Christian Science Monitor describing Bath Iron Work's success, and I would like to share this excellent article with my colleagues.

I ask that it be printed in the RECORD. The article follows:

BUILDING NAVY SHIPS FASTER—AND FOR LESS—MAINE'S BATH IRON WORKS

(By Rushworth M. Kidder)

BATH, MAINE.—Can a small town in Maine help revitalize a creaking worldwide industry?

If the industry is shipbuilding, and the town contains the Bath Iron Works (BIW), the answer is "yes"—against all odds.

Stuck out on the end of the nation's supply line, facing high costs for energy and steel, BIW also faces a grim international market:

In Japan, the world's leader in shipbuilding, shipyard capacity has been reduced by 35 percent in the past two years.

In England, the nationalized British Shipbuilders is slowly sinking under high interest rates and labor costs.

In the United States, two yards have closed recently and the rest of the industry operates at 55 to 60 percent of capacity.

But here on the Kennebec River, a shipyard with an old-fashioned name and a 97-year history refuses to slow down. BIW, in fact, is expanding—with a $46.7 million facility, announced July 16, which will help revitalize the ailing waterfront area in nearby Portland.

The reason: BIW simply can't keep up with the flood of orders for new ships and overhaul work.

Company spokesman Frank Kerr, his hardhat glinting in the sushine beneath the massive prow of a soon-to-be-launched guided missile frigate, has no trouble measuring BIW's success:

Since delivering the prototype of this class of frigate to the US Navy in 1977, the yard has produced six more of the ships. Each was delivered early, and each was below cost. The program is now more than 80 weeks ahead of schedule, and enjoying "cost underruns"—a rare word in this military circle—totaling $37 million. (By contrast, another New England shipyard—the Electric Boat Division of General Dynamics Corporation in Groton, Conn.—has recently made news by coming in more than two years late and $280 million over budget on its Trident submarine program.)

BIW also succeeds in commercial work. It now has a backlog of more than $900 million in orders—for everything from a 643-foot sugar-barge for the California & Hawaiian Sugar Company to bridge girders for highway construction and rock-crushing equipment for the mining industry.

The largest employer in Maine (except for state government), it now has 6,500 employees—up from 2,500 in 1975. So popular are its jobs that the names of another 14,000 people are on file in the personnel office. The pay is low by nationwide shipyard standards, but the cost of living here is also low. So attractive is the firm, in fact, that the yard now employs former bankers and college professors who have joined the trades.

Figures for income, earnings, and profitability—confidential since the company (a division of the floor-covering manufacturer Congoleum) returned to private ownership in 1978—show astonishing increases since the $10 million losses of 1975.

Many see in BIW the virtues of private enterprise and hard work preached by the Reagan administration. How does it do it?

In his small, comfortable office, hung with pictures of naval vessels boiling along through blue water, chairman John F. Sullivan cites several causes. Brought aboard in 1975 to turn around an ailing firm, Mr. Sullivan himself is often listed as the central reason for BIW's success. But he gives top credit to the local work force.

"It's mental," he says, trying to account for what has often been called the "Maine work ethic" that still produces, even under union conditions, an hour's work for an hour's pay. Such work, he says, is partly a matter of pride—the kind of deep feeling for the ships that bring tears to the eyes of welders and pipe-fitters at each launching. The town has been making ships for 374 years—since 1607, when a 50-foot pinnance built by English settlers at the mouth of the river sailed back across the Atlantic.

But unlike many one-industry towns, Bath breeds workers who actively encourage their children to go into the plant. And BIW responds. "We encourage nepotism," laughs Mr. Kerr, noting that young workers excel because of peer pressure and "because Uncle Fred and Aunt May are watching you."

That willingness to work hard also springs from plant conditions. "If a man's working in a junk shop, with stuff all over and the ships are late," says Mr. Sullivan, "that affects his philosophy." His emphasis on what he calls "housekeeping and safety" produces a yard which, by heavy industry standards, is very clean. The result: higher productivity, low turnover of personnel, and what company officials describe as one of the best safety records in the industry. And, says Mr. Sullivan, absenteeism has dropped to below 5 percent in the past few years—in an industry with an average absenteeism of 20 percent.

Also figuring into the success is the management structure—monthly (not quarterly) meetings where key managers review their progress, an apprentice program which has now trained 80 percent of the plant's supervisors, and a relation with the parent company that has allowed substantial investment at opportune times. One example: the towering red-and-white, 220-ton crane, a landmark familiar to tourists along Route 1.

But crucial to BIW's success, say many observers, is a program of "preoutfitting." The ships are built in modules of up to 200 tons each. Seventeen of them make up a naval frigate, while 100 may be brought together for larger ships. When ready, they are swung into place by the crane. Before they are joined, however, their walls, floors, and ceilings are outfitted with pipes and wires—in contrast to most shipbuilding practices, in which the entire hull is assembled before the wires and pipes are installed.

The result: higher productivity, since the typically cramped areas below decks are more

easily accessible while the ship is still in pieces. The challenge: making the pieces fit. That requires extremely precise planning—and a work force capable of working to close tolerances. Quips Mr. Kerr: "Schedule and planning is a religion here." The planning, however, produces ships that are 75 percent complete at launch—rather than the more customary 20 to 30 percent complete.

All of this translates into an American shipbuilding industry that is competitive in a world market—so much so that firms from around the globe have sent representatives to Bath to see how it is done. One official recalled that a team from British Shipbuilders, on being told that a guided missile frigate required 1.6 million man-hours of work, responded that the same ship built in Britain would require 5 million man-hours.

Where will this success take them? BIW officials remain optimistic, foreseeing an upsurge in all types of marine work in the next decade. Edwin Hood, chairman of the Shipbuilders' Council of America, notes that the world market is still depressed. "I personally don't think it will begin to accelerate before 1984–85," he told the Monitor. Even new defense spending will not be felt by the nation's shipyards and their 160,000 employees for another three years.

As for commercial building, that is being taken over by Japan, with South Korea, Taiwan, and Brazil in hot pursuit. Some of these governments, Mr. Hood notes, offer subsidies that allow yards to build ships at 40 percent below cost.

But the often-blamed bugbear of the industry—militant unionism—does not seem to be a factor in this quiet town. The last strike was in 1976. Union president Jim Harrington has his complaints about the management, pointing to some unsettled grievances. But as he looks ahead to contract talks in 1982, he notes that "it's an exciting time."

And with what sounds like common-sense Maine wisdom, he summarizes his position: "They've got to make money so that we can."●

PROPOSED ARMS SALES

● Mr. PERCY. Mr. President, section 36 (b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that Act in excess of $25 million or, in the case of major defense equipment as defined in the act, those in excess of $7 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulated that, in the Senate, the notification of proposed sales shall be sent to the chairman of the Foreign Relations Committee.

In keeping with the committee's intention to see that such information is available to the full Senate, I ask to have printed in the RECORD at this point the notifications which have been received. The classified annex referred to in one of the covering letters is available to Senators in the office of the Foreign Relations Committee, room 4229, Dirksen Building.

The notifications follow:

DEFENSE SECURITY,
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 81–74, concerning the Department of the Air Force's proposed Letter of Offer to Saudi Arabia for defense articles and services estimated to cost $48 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Director.

TRANSMITTAL NO. 81–74

Notice of Proposed Issuance of Letter of Offer Pursuant to Section 36(b) of the Arms Export Control Act

(i) Prospective purchaser: Saudi Arabia.

(ii) Total estimated value:

	Million
Major defense equipment *	$ 0
Other	48
Total	48

* As included in the U.S. Munitions List, a part of the International Traffic in Arms Regulations (ITAR).

(iii) Description of articles or services offered: Flight training services during fiscal year 1982 in the United States to include undergraduate pilot training; advanced pilot training in helicopters, F–5, and C–130 aircraft; and Fighter Weapons Instructor training for the F–5 aircraft.

(iv) Military department: Air Force (TDE).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Sensitivity of technology contained in the defense articles or defense services proposed to be sold: None.

(vii) Section 28 report: Included in report for quarter ending June 30, 1981.

(viii) Date report delivered to Congress: July 20, 1981.

POLICY JUSTIFICATION

SAUDI ARABIA—FLIGHT TRAINING

The Government of Saudi Arabia has requested the purchase of flight training services during fiscal year 1982 in the United States to include undergraduate flight training; advanced flight training in helicopters, F–5, and C–130 aircraft; and Fighter Weapons Instructor training for the F–5 aircraft at an estimated cost of $48 million.

This sale is consistent with the stated U.S. policy of assisting friendly nations to provide for their own defense by allowing the transfer of reasonable amounts of defense articles and services. It will demonstrate the continuing willingness of the United States to support the Saudi Arabian effort to improve the security of the country through the modernization and training of the Royal Saudi Air Force (RSAF).

The proposed sale will provide for the continued training of RSAF personnel at established U.S. military training facilities to ensure the RSAF has the requisite numbers of trained personnel to operate the aircraft and aircraft weapon systems purchased previously from the United States.

The sale of this training will not affect the basic military balance in the region.

The training purchased under this agreement will be provided at established U.S. military training facilities in the United States. Contracts with the commercial sector are not anticipated under this sale.

Implementation of this sale will not require the assignment of any additional U.S. Government or contractor personnel to Saudi Arabia.

There will be no adverse impact on U.S. defense readiness as a result of this sale.

DEFENSE SECURITY
ASSISTANCE AGENCY,
Washington, D.C., July 20, 1981.

In reply refer to: I–01848/81ct.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 81–76 and under separate cover the classified annex thereto. This Transmittal concerns the Department of the Navy's proposed Letter of Offer to Japan for defense articles and services estimated to cost $63 million. Shortly after this letter is delivered to your office, we plan to notify the news media of the unclassified portion of this Transmittal.

Sincerely,

ERNEST CRAVES,
Director.

TRANSMITTAL NO. 81–76

Notice of Proposed Issuance of Letter of Offer Pursuant to Section 36(b) of the Arms Export Control Act

(i) Prospective Purchaser: Japan

(ii) Total Estimated Value:

	Million
Major Defense Equipment*	$60
Other	3
Total	63

*As included in the U.S. Munitions List, a part of the International Traffic in Arms Regulations (ITAR).

(iii) Description of Articles or Services Offered: Four PHALANX close-in weapon systems and associated support.

(iv) Military Department: Navy (LHU, LHS, and LGG).

(v) Sales Commission, Fee, etc. Paid, Offered or Agreed to be Paid: None

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: See Annex under separate cover.

(vii) Section 28 Report: Included in report for quarter ending 30 June 1981.

(viii) Date Report Delivered to Congress: 20 July 1981.

POLICY JUSTIFICATION

JAPAN—PHALANX CLOSE-IN WEAPON SYSTEMS

The Government of Japan has requested the purchase of four PHALANX close-in weapon systems with associated spare and repair parts at an estimated cost of $63 million.

Japan is one of the major political and economic powers in East Asia and the Western Pacific and a key partner of the United States in ensuring the peace and stability of that region. It is vital to the U.S. national interests to assist Japan in developing and maintaining a strong and ready self-defense capability which will contribute to an acceptable military balance in the area. This sale is consistent with these U.S. objectives and with the 1960 Treaty of Mutual Cooperation and Security.

These weapon systems are being purchased as defensive weapons to be used on two new construction destroyers, one new construction guided missile destroyer, and one retrofit destroyer built in Japan. Acquisition of these weapons systems is crucial to the improvement of the Japanese Maritime Self Defense Forces' tactical capability.

The sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be the General Dynamics Corporation of Pomona, California.

Implementation of this sale will not require the assignment of any additional U.S.

Government or contractor personnel to Japan.

There will be no adverse impact on U.S. defense readiness as a result of this sale.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., July 22, 1981.

In reply refer to: I–02478/81ct.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 81–83, concerning the Department of the Air Force's proposed Letter of Offer to the United Kingdom for defense articles and services estimated to cost $32 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Director.

TRANSMITTAL NO. 81–83

Notice of Proposed Issuance of Letter of Offer Pursuant to Section 36(b) of the Arms Export Control Act

(i) Prospective purchaser: United Kingdom.

(ii) Total estimated value:

	Million
Major defense equipment*	$0
Other	32
Total	32

*As included in the U.S. Munitions List, a part of the International Traffic in Arms Regulations (ITAR).

(iii) Description of articles or services offered: Cooperative logistics supply support arrangement, requisition case (FMSO II), for follow-on spares and supplies to support aircraft and other systems and subsystems of U.S. origin.

(iv) Military department: Air Force (KBU and KBV).

(v) Sales commission, fee, etc. paid, offered or agreed to be paid: None.

(vi) Sensitivity of technology contained in the defense articles or defense services proposed to be sold: None.

(vii) Section 28 report: Included in report for quarter ending June 30, 1981.

(viii) Date report delivered to Congress: July 22, 1981.

POLICY JUSTIFICATION

UNITED KINGDOM—COOPERATIVE LOGISTICS SUPPORT ARRANGEMENT

The Government of the United Kingdom has requested the purchase of a cooperative logistics supply support arrangement, requisition case (FMSO II), for follow-on spares and supplies to support aircraft and other systems and subsystems of U.S. origin at an estimated cost of $30 million.

This sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of the United Kingdom; furthering NATO rationalization, standardization, and interoperability; and enhancing the defenses of the western Alliance.

This cooperative logistics supply support arrangement is necessary to ensure an uninterrupted flow of spare parts to support 136 F–4 aircraft, 62 C–130 aircraft, and other systems and subsystems of U.S. origin. The United Kingdom will have no difficulty in absorbing the articles.

The sale of this equipment and support will not affect the basic military balance in the region.

Procurement of these items and services will be from the many contractors who provide similar items and services to the U.S. forces.

Implementation of this sale will not require the assignment of any additional U.S. Government or contractor personnel to the United Kingdom.

There will be no adverse impact on U.S. defense readiness as a result of this sale.●

ORDERS FOR TUESDAY

SENATE TO CONVENE AT 8:15 A.M.

Mr. BAKER. Mr. President, is there an order for the convening of the Senate tomorrow?

The PRESIDING OFFICER. There is an order. It provides that the Senate will convene at 8:15 a.m.

Mr. BAKER. I thank the Chair.

Are there special orders for tomorrow for the Senator from South Carolina and the Senator from Connecticut for 15 minutes each?

The PRESIDING OFFICER. The Senator is correct.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that after the expiration of the time allocated to the two leaders under the standing order, and the execution of the special orders as identified, there be a brief period for the transaction of routine morning business to extend not beyond the hour of 9 a.m. in which Senators may speak for not more than 2 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE PROCEDURE TOMORROW

Mr. BAKER. I believe, Mr. President, there is already an order for the Senate to resume consideration of the tax bill at 9 o'clock?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. That the vote on the motion to reconsider on the Metzenbaum amendment will occur at 9 without further debate?

The PRESIDING OFFICER. The Senator is correct.

Mr. BAKER. I thank the Chair.

Mr. President, the first rollcall vote will occur tomorrow shortly after 9 a.m. I believe it has been agreed to by the managers of the bill on both sides and the minority leader, that following the disposition of the motion to reconsider the Metzenbaum-Durenberger day-care center amendment is disposed of, that we would proceed then to the consideration of the Melcher amendment as listed on the list of qualified amendments, to be followed by the Matsunaga amendment, which is an amendment also on that list dealing with energy investments, each for not more than 30 minutes.

I ask unanimous consent, Mr. President, that those two amendments be scheduled in that order.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, other amendments will be scheduled as they become available. Especially I would advise the Senate that the Senator from Florida (Mr. CHILES) and the Senator from Iowa (Mr. JEPSEN) have indicated a desire to call up amendments early in the day tomorrow, and the Senator from Pennsylvania (Mr. HEINZ) as well.

Mr. President, there will be votes during the day tomorrow, all day. I would not abandon the hope that we can finish this bill tomorrow. If we do perhaps it will be very late, but I think it would be a wise investment of our time. So Senators should be on notice of a strong possibility of a late session on Tuesday.

RECESS UNTIL 8:15 A.M. TOMORROW

Mr. BAKER. Now, Mr. President, if there be no further business to come before the Senate, I move, in accordance with the order previously entered, that the Senate stand in recess until the hour of 8:15 a.m.

The motion was agreed to; and at 7:55 p.m., the Senate recessed until July 28, 1981, at 8:15 a.m.

NOMINATIONS

Executive nominations received by the Senate July 27, 1981:

IN THE ARMY

The following-named Army Medical Department officers for temporary appointment in the Army of the United States, to the grade indicated, under the provisions of title 10, United States Code, sections 3442 and 3447.

MEDICAL CORPS

To be major general

Brig. Gen. Garrison Rapmund, xxx-xx-xx... xxx-... Medical Corps, Army of the United States (colonel, U.S. Army).

To be brigadier general

Col. Tracy Elmer Strevey, Jr. xxx-xx-xxxx, Medical Corps, U.S. Army.

Col. Robert Hutchinson Buker, xxx-xx-x... xxx... Medical Corps, U.S. Army.

MEDICAL SERVICE CORPS

To be brigadier general

Col. France Felton Jordan xxx-xx-xxxx, Medical Corps, U.S. Army.

IN THE AIR FORCE

The following-named officers for promotion in the Regular Air Force, under the appropriate provisions of chapter 835, title 10, United States Code, as amended. All officers are subject to physical examination required by law:

LINE OF THE AIR FORCE

Major to lieutenant colonel

Abram, Max L., xxx-xx-xxxx
Acheson, Densel K., xxx-xx-xxxx
Ackerman, Charles T., xxx-xx-xxxx
Adams, William W., Jr., xxx-xx-xxxx
Aehnlich, Paul C., xxx-xx-xxxx
Ahmann, James N., xxx-xx-xxxx
Aiken, Gerald G., xxx-xx-xxxx
Albro, William A., xxx-xx-xxxx
Alexander, Richard A., xxx-xx-xxxx
Alexander, Robb R., xxx-xx-xxxx
Alleger, Arthur, II, xxx-xx-xxxx
Allen, Byron E., xxx-xx-xxxx
Allen, Calvard S., xxx-xx-xxxx
Allen, Maxie W., xxx-xx-xxxx
Allsbrook, John W., Jr., xxx-xx-xxxx
Alston, Harold R., xxx-xx-xxxx
Aman, Earl D., xxx-xx-xxxx
Amann, Richard W., xxx-xx-xxxx
Andersen, Jack T., xxx-xx-xxxx
Anderson, David K., xxx-xx-xxxx
Anderson, Edward L., xxx-xx-xxxx
Anderson, Jerry C., xxx-xx-xxxx
Anderson, Marcus A., xxx-xx-xxxx
Anderson, Paul C., xxx-xx-xxxx
Anderson, Raymond E., xxx-xx-xxxx
Anderson, Wendell L., xxx-xx-xxxx
Anderson, William F., xxx-xx-xxxx
Andrews, Merle F., xxx-xx-xxxx

Angus, William E., xxx-xx-xxxx
Anzivino, Angelo L., xxx-xx-xxxx
Arent, William L., xxx-xx-xxxx
Arnalz, Donald R., xxx-xx-xxxx
Arneson, Dwynne C., xxx-xx-xxxx
Arnold, Richard W., xxx-xx-xxxx
Arnold, William E., xxx-xx-xxxx
Arnold, Wilson T., xxx-xx-xxxx
Asbill, Morris W., Jr., xxx-xx-xxxx
Ashman, Jerome P., xxx-xx-xxxx
Atteberry, Glen A. T. U., xxx-xx-xxxx
Atwater, Robert S., xxx-xx-xxxx
Atwood, Daryl G., xxx-xx-xxxx
Auth, James F., xxx-xx-xxxx
Baber, Gary P., xxx-xx-xxxx
Bacs, John, xxx-xx-xxxx
Badalamente, Richard V., xxx-xx-xxxx
Baggiano, Anthony L., xxx-xx-xxxx
Bainter, Hugh T., xxx-xx-xxxx
Bajuk, Terence G., xxx-xx-xxxx
Baker, Donald R., xxx-xx-xxxx
Baker, Earl D., xxx-xx-xxxx
Baker, Guy F., xxx-xx-xxxx
Baker, Roy T., xxx-xx-xxxx
Bakunas, Darius V., xxx-xx-xxxx
Bale, Don E., xxx-xx-xxxx
Balko, Andrew I., xxx-xx-xxxx
Banks, Ronald W., xxx-xx-xxxx
Baran, Michael F., xxx-xx-xxxx
Barber, Hugh W., Jr., xxx-xx-xxxx
Barefoot, Joseph A., xxx-xx-xxxx
Barnett, David R., xxx-xx-xxxx
Barrett, Melvin R., xxx-xx-xxxx
Barrett, Norman L., xxx-xx-xxxx
Barry, Edward P., Jr., xxx-xx-xxxx
Barry, Gregory P., xxx-xx-xxxx
Bartholomew, Rodney A., xxx-xx-xxxx
Barton, John B., xxx-xx-xxxx
Barton, Roland S., Jr., xxx-xx-xxxx
Barts, Duane A., xxx-xx-xxxx
Bassett, Louis C., Jr., xxx-xx-xxxx
Baushke, James L., xxx-xx-xxxx
Bear, Sherman W., xxx-xx-xxxx
Beardemphl, Thomas W., xxx-xx-xxxx
Beatty, James F., Jr., xxx-xx-xxxx
Beck, Jack E., xxx-xx-xxxx
Beckner, Stanley G., xxx-xx-xxxx
Bedingfield, Jerry R., xxx-xx-xxxx
Bell, Jerald R., xxx-xx-xxxx
Bell, Robert L., xxx-xx-xxxx
Beller, Gerald R., xxx-xx-xxxx
Benten, William A., xxx-xx-xxxx
Berger, James R., xxx-xx-xxxx
Beringson, Richard J., xxx-xx-xxxx
Berkshire, John H., xxx-xx-xxxx
Bernard, Charles E., Jr., xxx-xx-xxxx
Bernard, John F., Jr., xxx-xx-xxxx
Berry, John S., xxx-xx-xxxx
Berta, Michael A., xxx-xx-xxxx
Bertino, William L., xxx-xx-xxxx
Bethel, Howard E., xxx-xx-xxxx
Betsill, Sammy F., xxx-xx-xxxx
Betts, Richard A., xxx-xx-xxxx
Betz, Ernest J., xxx-xx-xxxx
Bevans, Peter C., xxx-xx-xxxx
Bigham, Eugene F., xxx-xx-xxxx
Birchard, Carl E., xxx-xx-xxxx
Birk, Peter K., xxx-xx-xxxx
Birmingham, Milton D., xxx-xx-xxxx
Blaisdell, Allan C., xxx-xx-xxxx
Blakney, Kenneth L., xxx-xx-xxxx
Blanchfield, Robert J., xxx-xx-xxxx
Blaydes, Bernard B., xxx-xx-xxxx
Blazek, Miroslav F., xxx-xx-xxxx
Bledsoe, Adolphus H., Jr., xxx-xx-xxxx
Blevins, Bedford D., xxx-xx-xxxx
Blevins, John C., xxx-xx-xxxx
Bobak, John W., xxx-xx-xxxx
Bode, Richard D., xxx-xx-xxxx
Bodenhamer, Howard L., xxx-xx-xxxx
Boedeker, Robert F. C., xxx-xx-xxxx
Boette, August E., xxx-xx-xxxx
Bogart, Bruce C., xxx-xx-xxxx
Bogner, Harry W., xxx-xx-xxxx
Bohlson, John S., xxx-xx-xxxx
Bolen, Edward S., xxx-xx-xxxx
Boles, Jimmie K., xxx-xx-xxxx
Bolton, Ben W., xxx-xx-xxxx
Bolton, Malcolm F., Jr., xxx-xx-xxxx
Boone, Thomas S., xxx-xx-xxxx
Boortz, Eugene H., xxx-xx-xxxx
Bordeaux, John C., xxx-xx-xxxx
Boright, Arthur L., xxx-xx-xxxx
Borts, Robert A., xxx-xx-xxxx
Bott, Don C., xxx-xx-xxxx
Bounds, Gordon S., xxx-xx-xxxx
Bouquet, Victor H., Jr., xxx-xx-xxxx
Boursaw, Jon E., xxx-xx-xxxx
Bousquet, Thomas R., xxx-xx-xxxx
Bowen, Ronald A., xxx-xx-xxxx
Bowling, Gene D., xxx-xx-xxxx
Bowman, Gary H., xxx-xx-xxxx
Bowser, Gary F., xxx-xx-xxxx
Box, Don W., xxx-xx-xxxx
Boyd, Stuart R., xxx-xx-xxxx
Boyer, Robert E., xxx-xx-xxxx
Bradwell, John J., xxx-xx-xxxx
Brady, James C., Jr., xxx-xx-xxxx
Branch, Christopher I., xxx-xx-xxxx
Brandt, David A., xxx-xx-xxxx
Brandt, Rand, xxx-xx-xxxx
Brass, William L., xxx-xx-xxxx
Bredenkamp, Barton C., xxx-xx-xxxx
Breen, Joseph A., xxx-xx-xxxx
Breen, Walter M., xxx-xx-xxxx
Brennan, John L., III, xxx-xx-xxxx
Brewer, James E., xxx-xx-xxxx
Brewer, Jay R., xxx-xx-xxxx
Bridley, Charles A., xxx-xx-xxxx
Bright, Jack W., xxx-xx-xxxx
Bristol, William E., xxx-xx-xxxx
Brittain, Claire E., Jr., xxx-xx-xxxx
Britz, William C., xxx-xx-xxxx
Brookie, James H., xxx-xx-xxxx
Brooks, David M., xxx-xx-xxxx
Brooks, William E., xxx-xx-xxxx
Brophy, Thomas F., xxx-xx-xxxx
Brown, Dennis E., xxx-xx-xxxx
Brown, Donald R., xxx-xx-xxxx
Brown, Jerry V., xxx-xx-xxxx
Brown, Michael B., xxx-xx-xxxx
Brown, Michael J., xxx-xx-xxxx
Brown, William A., Jr., xxx-xx-xxxx
Brownfield, Orlen L., xxx-xx-xxxx
Brundage, John A., xxx-xx-xxxx
Brya, Edward N., xxx-xx-xxxx
Bryant, William F., Jr., xxx-xx-xxxx
Bryars, Frank K., xxx-xx-xxxx
Buchner, George E., xxx-xx-xxxx
Buckley, Patrick J., xxx-xx-xxxx
Bucksbee, John D., xxx-xx-xxxx
Budge, Ronald J., xxx-xx-xxxx
Buehrig, Richard H., xxx-xx-xxxx
Buick, John R., xxx-xx-xxxx
Burchfield, Joseph P., III, xxx-xx-xxxx
Burgess, Danny N., xxx-xx-xxxx
Burgess, George D., xxx-xx-xxxx
Buriff, Donald S., xxx-xx-xxxx
Burke, Edward J., xxx-xx-xxxx
Burke, John F., xxx-xx-xxxx
Burnett, Terrell E., xxx-xx-xxxx
Burnett, Thomas E., xxx-xx-xxxx
Burns, Ronald A., xxx-xx-xxxx
Burns, William C., Jr., xxx-xx-xxxx
Busch, Francis N., xxx-xx-xxxx
Bushey, James W., xxx-xx-xxxx
Bussman, William F., xxx-xx-xxxx
Butler, George L., xxx-xx-xxxx
Butler, Ronald L., xxx-xx-xxxx
Butterfield, John D., xxx-xx-xxxx
Butterworth, Raymond J., xxx-xx-xxxx
Byrne, Richard L., xxx-xx-xxxx
Byrne, Richard O., xxx-xx-xxxx
Cairns, Douglas B., xxx-xx-xxxx
Calder, David M., xxx-xx-xxxx
Calderon, Jose G., xxx-xx-xxxx
Calhoun, John H., III, xxx-xx-xxxx
Campassi, Charles C., xxx-xx-xxxx
Campbell, Clarence N., xxx-xx-xxxx
Campbell, Harold N., xxx-xx-xxxx
Campbell, John J., xxx-xx-xxxx
Campbell, Joseph M., Jr., xxx-xx-xxxx
Campbell, Roger R., xxx-xx-xxxx
Cann, Donald J., xxx-xx-xxxx
Cantergiani, Joseph C., xxx-xx-xxxx
Caradec, Bernard J. G., xxx-xx-xxxx
Carder, James R., Jr., xxx-xx-xxxx
Care, Francis J., xxx-xx-xxxx
Carey, John J., xxx-xx-xxxx
Carey, Nelson F., xxx-xx-xxxx
Carlberg, Ronald L., xxx-xx-xxxx
Carling, Joseph C., xxx-xx-xxxx
Carlson, Donald T., xxx-xx-xxxx
Carlstrom, David L., xxx-xx-xxxx
Carpenter, William H., Jr., xxx-xx-xxxx
Carr, Chalmers R., Jr., xxx-xx-xxxx
Carroll, Jo R., Jr., xxx-xx-xxxx
Carroll, Richard A., xxx-xx-xxxx
Carroll, William R., xxx-xx-xxxx
Carron, Hubert J., xxx-xx-xxxx
Carson, Caroll G., Jr., xxx-xx-xxxx
Carver, James I., II, xxx-xx-xxxx
Casali, Gary, xxx-xx-xxxx
Casey, Bernard L., xxx-xx-xxxx
Catlett, John A., xxx-xx-xxxx
Chaloult, Michael P., xxx-xx-xxxx
Chambers, John A., xxx-xx-xxxx
Chappelle, James E., xxx-xx-xxxx
Chartier, Paul F., xxx-xx-xxxx
Cheatham, Walter H., Jr., xxx-xx-xxxx
Christian, Robert E., III, xxx-xx-xxxx
Clanton, Norman G., xxx-xx-xxxx
Clapsaddle, Ronald E., xxx-xx-xxxx
Clark, Clifton C., Jr., xxx-xx-xxxx
Clark, Leonard L., xxx-xx-xxxx
Clark, Wayne E., xxx-xx-xxxx
Clawson, Stewart H., xxx-xx-xxxx
Clements, William H., III, xxx-xx-xxxx
Clemons, Eugene S., xxx-xx-xxxx
Clemons, Larry C., xxx-xx-xxxx
Cliatt, Edwin R., xxx-xx-xxxx
Cloud, Rex E., xxx-xx-xxxx
Cocciolo, Harry F., xxx-xx-xxxx
Cochran, Henry J., xxx-xx-xxxx
Cockersham, Lorris G., xxx-xx-xxxx
Cockrum, Donald J., xxx-xx-xxxx
Cody, John C., xxx-xx-xxxx
Coe, Larry J., xxx-xx-xxxx
Coffin, Fred J., xxx-xx-xxxx
Coleman, Earnest L., xxx-xx-xxxx
Collier, Clifton E., xxx-xx-xxxx
Colvin, Chares G., xxx-xx-xxxx
Combest, William D., xxx-xx-xxxx
Combs, Donald R., xxx-xx-xxxx
Compton, Phil V., xxx-xx-xxxx
Conely, James H., Jr., xxx-xx-xxxx
Conley, Thomas M., xxx-xx-xxxx
Connors, Ronald E., xxx-xx-xxxx
Conover, Charles D., xxx-xx-xxxx
Constant, Dennis L., xxx-xx-xxxx
Cook, Loyal S., xxx-xx-xxxx
Cook, Warren W., xxx-xx-xxxx
Cooke, Paul M. T., Jr., xxx-xx-xxxx
Cooper, Dale J., xxx-xx-xxxx
Cooper, Frank B., xxx-xx-xxxx
Cooper, John M., xxx-xx-xxxx
Cooper, Marcus F., Jr., xxx-xx-xxxx
Cooper, Richard M., xxx-xx-xxxx
Cope, Larry G., xxx-xx-xxxx
Copeland, John M., xxx-xx-xxxx
Coppock, Richard M., xxx-xx-xxxx
Cordera, David M., xxx-xx-xxxx
Cordier, Kenneth W., xxx-xx-xxxx
Correll, Monte R., xxx-xx-xxxx
Corrick, Blaine S., Jr., xxx-xx-xxxx
Cors, Theodore C., xxx-xx-xxxx
Corson, Howard A., Jr., xxx-xx-xxxx
Constantino, James D., xxx-xx-xxxx
Cotter, Edward J., xxx-xx-xxxx
Cotton, Charles E., xxx-xx-xxxx
Coupland, James W., xxx-xx-xxxx
Cox, Claude D., xxx-xx-xxxx
Cox, Gary E., xxx-xx-xxxx
Cox, Jerry, xxx-xx-xxxx
Coyne, Thomas M., xxx-xx-xxxx
Crabb, William T., xxx-xx-xxxx
Cranston, James R., xxx-xx-xxxx
Crawford, Thomas J., xxx-xx-xxxx
Cress, Larry E., xxx-xx-xxxx
Crofoot, William R., xxx-xx-xxxx
Cross, Frank A., III, xxx-xx-xxxx
Crossley, Robert W., xxx-xx-xxxx
Crotwell, George P., Jr., xxx-xx-xxxx
Crow, Ralph R., Jr., xxx-xx-xxxx
Cruickshank, John P., xxx-xx-xxxx
Crummey, Donald M., xxx-xx-xxxx
Cubero, Ruben A., xxx-xx-xxxx
Cuellar, Hector M., xxx-xx-xxxx
Culp, Aubrey M., xxx-xx-xxxx
Culp, Larry F., xxx-xx-xxxx
Culver, William C., xxx-xx-xxxx
Cumella, Joseph T., Jr., xxx-xx-xxxx

Cummings, Peter xxx-xx-xxxx
Cuneo, William J., Jr. xxx-xx-xxxx
Cunliffe, William E. xxx-xx-xxxx
Curtis, Justin A. xxx-xx-xxxx
Curtis, Richard R. xxx-xx-xxxx
Curtis, Stanley G., Jr. xxx-xx-xxxx
Cushing, Emery G. xxx-xx-xxxx
Cutney, John M. xxx-xx-xxxx
Dahlman, James G. xxx-xx-xxxx
Dailey, Fred D., Jr. xxx-xx-xxxx
Danborn, Donald R. xxx-xx-xxxx
Daniels, John F. xxx-xx-xxxx
Danigole, Simon A., Jr. xxx-xx-xxxx
Danner, James E. xxx-xx-xxxx
Davey, Jack N. xxx-xx-xxxx
Davis A. D., Jr. xxx-xx-xxxx
Davis, Charles W. xxx-xx-xxxx
Davis, Glenn L. xxx-xx-xxxx
Davis Glenn L. xxx-xx-xxxx
Davis, James W. xxx-xx-xxxx
Davis, Philip B. xxx-xx-xxxx
Davis, Robert E. xxx-xx-xxxx
Davis, Ronald R. xxx-xx-xxxx
Davisson, Dean C. xxx-xx-xxxx
Deal, James E. xxx-xx-xxxx
Dean, Chester F. xxx-xx-xxxx
Decker, Charles E. xxx-xx-xxxx
Dedoes, Dirk H. xxx-xx-xxxx
Deem, Larry A. xxx-xx-xxxx
Degavre, Timothy T. xxx-xx-xxxx
Degroot, John P., Jr. xxx-xx-xxxx
Delar, Robert J. xxx-xx-xxxx
Dellangela, Silvio G. xxx-xx-xxxx
Denisio, Carl B. xxx-xx-xxxx
Denning, James M. xxx-xx-xxxx
Deruiter, David H. xxx-xx-xxxx
Deslucamatteoni, Daniele xxx-xx-xxxx
Dettling, Robert E. xxx-xx-xxxx
Deville, Edsel J. xxx-xx-xxxx
Devivo, Robert xxx-xx-xxxx
Dibiase, James A. xxx-xx-xxxx
Dichtl, Rudolph J. xxx-xx-xxxx
Dicks, Gary R. xxx-xx-xxxx
Dietz, Frederic H. xxx-xx-xxxx
Diferdinando, Anthony F. xxx-xx-xxxx
Dillon, Dan V. xxx-xx-xxxx
Dilworth, Billy G., III xxx-xx-xxxx
Dingle, Robert J., Jr. xxx-xx-xxxx
Ditch, Oliver P. xxx-xx-xxxx
Dixon, Clifford C. xxx-xx-xxxx
Dobberfuhl, Gerald P. xxx-xx-xxxx
Dobkowski, Edwin C. xxx-xx-xxxx
Dockum, Robert R. xxx-xx-xxxx
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Wood, William A., xxx-xx-xxxx
Woodbury, Roger C., xxx-xx-xxxx
Woodcock, Andrew J., xxx-xx-xxxx
Woods, Jon P., xxx-xx-xxxx
Woodward, Charles D., xxx-xx-xxxx
Wray, Duane J., xxx-xx-xxxx
Wright, William P., xxx-xx-xxxx
Wuehler, James G., xxx-xx-xxxx
Wurstner, Roland D., xxx-xx-xxxx
Wyatt, Richard H., xxx-xx-xxxx
Wyman, James P., xxx-xx-xxxx
Wynne, Richard L., xxx-xx-xxxx
Yancey, George P., xxx-xx-xxxx
Yarber, Nathan L., xxx-xx-xxxx
Yarrigle, Robert C., xxx-xx-xxxx
Yavis, Robert P., xxx-xx-xxxx
Yocum, James B., xxx-xx-xxxx
Yoder, Frederick D., xxx-xx-xxxx
Yoder, William W., xxx-xx-xxxx
York, Michael L., xxx-xx-xxxx
Yount, Ben F., xxx-xx-xxxx
Zabel, Albert R., xxx-xx-xxxx
Zakrzeski, Alexander, Jr., xxx-xx-xxxx
Zarkowski, Matthew, xxx-xx-xxxx
Zavadil, Charles W., xxx-xx-xxxx
Zingg, John A., xxx-xx-xxxx
Zompa, Edward A., xxx-xx-xxxx
Zych, Leonard P., xxx-xx-xxxx

CHAPLAIN CORPS

Balint, Robert J., xxx-xx-xxxx
Bush, Thomas R., xxx-xx-xxxx
Corbitt, James C., xxx-xx-xxxx
Cowell, Donald M., xxx-xx-xxxx
Deblieux, Earl V., xxx-xx-xxxx
Dwyer, Dennis M., xxx-xx-xxxx
Dwyer, John F., xxx-xx-xxxx
Falcone, Emilio, xxx-xx-xxxx
Fash, Vernon L., xxx-xx-xxxx
Heffernan, Thomas A., xxx-xx-xxxx
Lewis, Keith H., xxx-xx-xxxx
Mann, John L., xxx-xx-xxxx
Matthews, Larry A., xxx-xx-xxxx
Nelson, Samuel D., Jr., xxx-xx-xxxx
Reinke, Friedrich W., xxx-xx-xxxx
Rhoads, William L., xxx-xx-xxxx
Richard, Leon J., xxx-xx-xxxx
Seastrunk, Charles E., Jr., xxx-xx-xxxx
Somma, James E., Jr., xxx-xx-xxxx
Sturch, George T., xxx-xx-xxxx
Thompson, Arthur E., xxx-xx-xxxx
Thurman, James M., xxx-xx-xxxx
Way, Joseph C., xxx-xx-xxxx

DENTAL CORPS

Blasetti, Angelo B., xxx-xx-xxxx
Bowman, Dewayne C., xxx-xx-xxxx
Carey, Robert J., xxx-xx-xxxx
Coffee, Larry L., xxx-xx-xxxx
Cooley, Robert L., xxx-xx-xxxx
Cooper, John T., xxx-xx-xxxx
Donnelly, Maurice W., xxx-xx-xxxx
Ferland, Norman G., xxx-xx-xxxx
Gleason, Robert W., xxx-xx-xxxx
Herbold, Edward T., xxx-xx-xxxx
Hoerath, John C., xxx-xx-xxxx
Kolker, Stanley L., xxx-xx-xxxx
Koutnik, Alfred W., xxx-xx-xxxx
Moskowicz, Donald G., xxx-xx-xxxx
Richard, Glenn E., xxx-xx-xxxx
Roehrig, Kenneth L., xxx-xx-xxxx
Shibuya, Francis S., xxx-xx-xxxx
Strohaver, Robert A., xxx-xx-xxxx
Weinman, Morris L., xxx-xx-xxxx

JUDGE ADVOCATE

Barbara, Raul F., xxx-xx-xxxx
Bridge, Robert L., xxx-xx-xxxx
Chaney, Larry O., xxx-xx-xxxx
Crane, John M., Jr., xxx-xx-xxxx
Dearborn, Oris D., Jr., xxx-xx-xxxx
Grablewski, John T., xxx-xx-xxxx
Greenfield, Joseph F., xxx-xx-xxxx
Jeter, Thomas G., Jr., xxx-xx-xxxx
Matlock, Joseph D., xxx-xx-xxxx
McKenna, William M., III, xxx-xx-xxxx
Owens, Joel P., xxx-xx-xxxx
Randall, Kenneth D., xxx-xx-xxxx
Riley, Byron B., Jr., xxx-xx-xxxx

MEDICAL CORPS

Bailey, Edward J., xxx-xx-xxxx
Bode, Frederick R., xxx-xx-xxxx
Bonfili, Hubert F., xxx-xx-xxxx
Bristow, John W., xxx-xx-xxxx
Brown, Frederic M., xxx-xx-xxxx
Carleton, Thomas B., xxx-xx-xxxx
Carpenter, Warren L., xxx-xx-xxxx
Culton, John W., xxx-xx-xxxx
Dehart, Rufus M., Jr., xxx-xx-xxxx
Dumas, Paul A., xxx-xx-xxxx
Ehemann, Larry J., xxx-xx-xxxx
Giffin, Edward L., xxx-xx-xxxx
Hart, Kenneth R., xxx-xx-xxxx
Hathaway, Ralph E., xxx-xx-xxxx
Henges, David F., xxx-xx-xxxx
Kantack, Paul W., xxx-xx-xxxx
Maier, Robert C., xxx-xx-xxxx
Mathews, Theodore S., xxx-xx-xxxx
Murray, Arthur J., xxx-xx-xxxx
Rainess, Alan E., xxx-xx-xxxx

Simerville, James J. xxx-xx-xxxx
Smith, Melvin D. xxx-xx-xxxx
Task, Steven A. xxx-xx-xxxx
Thompson, Barry H. xxx-xx-xxxx
Tomasovic, Jerry J. xxx-xx-xxxx
Wild, James H. xxx-xx-xxxx
Yerger, David H. xxx-xx-xxxx
Zeiner, George B. xxx-xx-xxxx

NURSE CORPS

Aitchison, Nancy L. xxx-xx-xxxx
Allen, Carlton R. xxx-xx-xxxx
Baker, Patrick J. xxx-xx-xxxx
Baumgartner, Julie A. xxx-xx-xxxx
Birch, Patricia L. xxx-xx-xxxx
Boring, Dorothy B. xxx-xx-xxxx
Byrk, James C. xxx-xx-xxxx
Cleland, Donna L. xxx-xx-xxxx
Coghlan, Jeanne T. xxx-xx-xxxx
Dean, Dee J. xxx-xx-xxxx
Duble, Carl T. xxx-xx-xxxx
Eisele, Helen M. xxx-xx-xxxx
Elliott, Mabel E. xxx-xx-xxxx
Enyeart, Helen M. xxx-xx-xxxx
Feeney, Robert F. xxx-xx-xxxx
Ferrari, Jeanette M. xxx-xx-xxxx
Green, Betty K. xxx-xx-xxxx
Hamberger, Ann M. xxx-xx-xxxx
Hamer, Marilyn J. xxx-xx-xxxx
Hickman, Anne L. xxx-xx-xxxx
Jablunovsky, Bernadette M. xxx-xx-xxxx
Johnson, Phyllis J. xxx-xx-xxxx
Jones, Russell T. xxx-xx-xxxx
Klinghoffer, Lorraine M. xxx-xx-xxxx
Little, Lola A. xxx-xx-xxxx
Lynch, Sally S. xxx-xx-xxxx
McDowell, Fred S., Jr. xxx-xx-xxxx
Merrill, Sylvia A. xxx-xx-xxxx
Moynahan, Patricia M. xxx-xx-xxxx
Mulligan, Patricia G. xxx-xx-xxxx
Nelms, Patricia M. xxx-xx-xxxx
Ruddy, Mary L. xxx-xx-xxxx
Runyan, Norma J. xxx-xx-xxxx
Schenk, Jacquelyn P. xxx-xx-xxxx
Schneider, Carolyn A. xxx-xx-xxxx
Sparacino, Maria S. xxx-xx-xxxx
Stitt, Frances E. xxx-xx-xxxx
Tankersley, Mary A. xxx-xx-xxxx
Thomas, Grayce H. xxx-xx-xxxx
Whitley, Rita J. xxx-xx-xxxx

MEDICAL SERVICE CORPS

Bishop, Willard V., Jr. xxx-xx-xxxx
Blalock, Franklyn T., III xxx-xx-xxxx
Burke, David U. xxx-xx-xxxx
Daughtry, Ben P. xxx-xx-xxxx
Duffy, Brian J. xxx-xx-xxxx
Gordon, Darwin G. xxx-xx-xxxx
Habbinga, Richard H. xxx-xx-xxxx
Hermann, Kenneth G. xxx-xx-xxxx
Jaroszewski, Leo F. xxx-xx-xxxx
Lewis, Richard J. A. xxx-xx-xxxx
Maisey, Terry M. xxx-xx-xxxx
Mallory, Melvin A., Jr. xxx-xx-xxxx
May, Frank J., Jr. xxx-xx-xxxx
McClain, Earl D. xxx-xx-xxxx
Morrison, Charles W. B. xxx-xx-xxxx
Rohrbough, Frank G. xxx-xx-xxxx
Tadano, Ben xxx-xx-xxxx
Vervena, Anthony H. xxx-xx-xxxx
Williams, Richard C. xxx-xx-xxxx

BIOMEDICAL SCIENCE CORPS

Arledge, Robert L. xxx-xx-xxxx
Brooks, Joseph G. xxx-xx-xxxx
Brumlow, William B. xxx-xx-xxxx
Burnett, Ronald D. xxx-xx-xxxx
Christian, Raymond D. xxx-xx-xxxx
Daniel, Thomas N., Jr. xxx-xx-xxxx
Desjardins, Robert J. xxx-xx-xxxx
Deutch, James A. xxx-xx-xxxx
Dunton, Donald D. xxx-xx-xxxx
Fitch, Roger C. xxx-xx-xxxx
Gibbons, William D. xxx-xx-xxxx
Graham, Richard W. xxx-xx-xxxx
Hartman, Richard A. xxx-xx-xxxx
Hayden, Andrew T. xxx-xx-xxxx
Henke, Robert P. xxx-xx-xxxx
Holub, Frank J. xxx-xx-xxxx
Milligan, Joseph E. xxx-xx-xxxx
Mobley, Howard R., Jr. xxx-xx-xxxx
Mohri, William F. xxx-xx-xxxx
Perry, Alan H. xxx-xx-xxxx
Pickett, William E., Jr. xxx-xx-xxxx
Sadovsky, Edward M. xxx-xx-xxxx
Simmonds, Richard C. xxx-xx-xxxx
Steinkerchner, Raymond E. xxx-xx-xxxx
Vandyke, Don xxx-xx-xxxx
White, Joyce S. xxx-xx-xxxx
Wilson, David K. xxx-xx-xxxx
Wrenn, Hubert E. xxx-xx-xxxx

The following-named officers for promotion in the U.S. Air Force, under the appropriate provisions of chapter 839, title 10, United States Code, as amended.

MEDICAL CORPS

Major to lieutenant colonel

Dean, Linda O. xxx-xx-xxxx
Gerber, William R. xxx-xx-xxxx

CONFIRMATIONS

Executive nominations confirmed by the Senate July 27, 1981:

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Edward L. Rowny, of Virginia, to be Special Representative for Arms Control and Disarmament Negotiations, and to have the rank of Ambassador while so serving, vice Ralph Earle II, resigned.

DEPARTMENT OF ENERGY

Anthony G. Sousa of Hawaii, to be a member of the Federal Energy Regulatory Commission for a term expiring October 20, 1984, vice George R. Hall, term expired.

DEPARTMENT OF THE INTERIOR

J. Robinson West, of Pennsylvania, to be an Assistant Secretary of the Interior, vice Larry E. Meierotto.

DEPARTMENT OF ENERGY

Jan W. Mares, of Connecticut, to be an Assistant Secretary of Energy (Fossil Energy), vice George Fumich, Jr., resigned.

Alvin W. Trivelpiece, of California, to be Director of the Office of Energy Research, vice Edward Allan Frieman, resigned.

CONSUMER PRODUCT SAFETY COMMISSION

Nancy Harvey Steorts, of Maryland, to be a Member of the Consumer Product Safety Commission for the remainder of the term expiring October 26, 1984, vice Susan B. King.

Nancy Harvey Steorts, of Maryland, to be Chairman of the Ccnsumer Product Safety Commission (new position).

The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.

THE JUDICIARY

William C. Lee, of Indiana, to be U.S. district judge for the northern district of Indiana vice a new position created by Public Law 95–486, approved October 20, 1978.

IN THE ARMY

Maj. Gen. Hugh Joseph Clausen, xxx-xx-... for appointment as The Judge Advocate General, U.S. Army, under the provisions of title 10, United States Code, section 3037.

Brig. Gen. Hugh Robert Overholt, xxx-xx-... Army of the United States (colonel, Judge Advocate General's Corps, U.S. Army), for appointment as the Assistant Judge Advocate General, as major general, Judge Advocate General's Corps, in the Regular Army of the United States and as major general, Army of the United States, under the provisions of title 10, United States Code, sections 3037, 3442, and 3447.

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration nominations beginning Eric S. Devis, to be lieutenant, and ending Amy E. Orris, to be ensign, which nominations were received by the Senate on July 6, 1981, and appeared in the CONGRESSIONAL RECORD of July 8, 1981.

IN THE NAVY

Navy nominations beginning Phillip T. Angelini, to be ensign, and ending Louis W. Arny III, to be commander, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on July 15, 1981.

HOUSE OF REPRESENTATIVES—*Monday, July 27, 1981*

The House met at 12 o'clock noon.

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

The Lord is faithful in all His words, and gracious in all His deeds. The Lord upholds all who are falling, and raises up all who are bowed down.—Psalms 145: 13b, 14.

O Lord, our hearts lift their voices in praise for all Your blessings, for You have been faithful to us wherever we have been. Gracious Lord, we thank You that Your presence remains near us when we are strong or when we are weak, when we have stood with courage and when we have failed. Help make us faithful in our commitments to those about us who are in need of our support and love, that together we can do those good deeds that glorify Your holy name. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

SUNDRY MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Saunders, one of his secretaries.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate had passed without amendment joint resolutions of the House of the following titles:

H.J. Res. 84. Joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week"; and

H.J. Res. 191. Joint resolution designating August 8, 1982, as "National Children's Day."

The message also announced that the Senate agrees to the amendments of the House to the joint resolution of the Senate of the following title:

S.J. Res. 28. Joint resolution designating the week beginning March 8, 1981, as "Women's History Week."

The message also announced that the Senate disagrees to the amendment of the House to the bill (S. 1098) entitled "An act to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and research and program management, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. PACKWOOD, Mr. GOLDWATER, Mr. SCHMITT, Mr. CANNON, and Mr. HEFLIN to be the conferees on the part of the Senate.

The message also announced that the Senate had passed joint resolutions of the following titles, in which the concurrence of the House is requested:

S.J. Res. 84. Joint resolution to proclaim March 19, 1982, "National Energy Education Day"; and

S.J. Res. 94. Joint resolution to designate October 10, 1981, as "National Jogging Day."

OVERSELL CAN BE OVERKILL

(Mr. PEYSER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PEYSER. Mr. Speaker, prior to being elected to Congress in 1970, I spent 20 years as a reasonably successful salesman. One of the things I learned during that time was, when you had a good product, and it was an honest one and performed well, you should not oversell, because when you oversold the public immediately became suspicious, and not without justification.

I think what we are seeing right now in the President's handling of the tax program, and the catering to different groups and different people, is a real oversell. I think that the public is already becoming aware of this, and I hope that my Democratic colleagues and those on the Republican side will also take a hard look. The oversell in this case can be a real overkill to the American people.

I trust that we on the Democratic side will stand together on the tax vote and vote for the Democratic alternative.

PERMISSION TO FILE CONFERENCE REPORT ON S. 694, DEPARTMENT OF DEFENSE SUPPLEMENTAL AUTHORIZATION ACT, 1981

Mr. PRICE. Mr. Speaker, I ask unanimous consent that the managers may have until midnight tonight, July 27, 1981, to file a conference report on the Senate bill (S. 694), the fiscal year 1981 Department of Defense supplemental authorization.

The SPEAKER pro tempore (Mr. ALEXANDER). Is there objection to the request of the gentleman from Illinois?

There was no objection.

RETIREMENT OF LT. GEN. ERNEST GRAVES

(Mr. PRICE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PRICE. Mr. Speaker, on July 31, Lt. Gen. Ernest Graves will conclude a long and distinguished career as a soldier-scientist-diplomat. A 1944 graduate of the U.S. Military Academy at West Point, he holds a Ph. D. in physics from MIT and attended the advance management program at Harvard Business School. The third of four generations of West Pointers, General Graves has served his Nation in the finest tradition of the Academy. As a military leader, he commanded a combat engineer platoon in Europe during World War II, an engineer battalion in Korea, and an engineer group in Vietnam.

His assignments over 37 years of active service are too numerous to mention, but to illustrate the wide scope of his expertise, I would like to highlight a few for special recognition. He was Executive Assistant to the Secretary of the Army, Deputy Director of Military Construction for the Army Chief of Engineers, and president of the Air Defense Evaluation Board. He was division engineer for the Great Lakes and Mississippi River where he was responsible for water resource development, management, and conservation for a 12-State region. As Director of Civil Works, he defended before the Congress a $2½ billion program for water resources and development. As Director of Military Applications for the U.S. Atomic Energy Commission, he was responsible for the direction of the entire nuclear weapons program to include research, development, testing, and production, delivering to the military on a time scale compatible with military weapons systems development safe, reliable weapons which met the characteristics specified by the U.S. Department of Defense.

He is now completing 3½ years as Director, Defense Security Assistance Agency, during which he proved himself to be a skilled negotiator, articulate congressional witness, expeditious manager, and brilliant innovator—a

man of the highest integrity. He directed the planning and execution of a complex and politically sensitive multibillion-dollar security assistance program with vigorous devotion to duty while at the same time dedicating himself constantly to protecting and expanding the statutory flexibility of the President to conduct security assistance programs in the national security interest.

Mr. Speaker, I wish to take this opportunity to congratulate General Graves on his outstanding service to his country and to wish him well in his retirement. His achievements will have a lasting effect upon the national security and foreign policy of the United States.

AMERICAN PEOPLE WANT TAX FAIRNESS AND REAL TAX CUTS

(Mr. DORGAN of North Dakota asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORGAN of North Dakota. Mr. Speaker, I worked in the field of taxation for 10 years prior to coming to Congress. I just want to say that I can hardly believe the spectacle I am seeing in this tax debate. I can hardly believe the nonsense that is being passed around as serious tax policy discussion in this House.

There ought to be a tax cut, and we know there ought to be a tax cut because of bracket creep. People are being thrown into higher tax brackets because of inflation. But the fact is, the middle-income people have experienced six times the amount of tax increase in the 1970's than have those with incomes of over $200,000 a year. What is being proposed? An across-the-board tax cut which is fundamentally unfair to the middle-income people.

There ought to be a tax cut for business for capital formation. Small business creates most of the new jobs and provides about half the private sector gross national product in this country; yet, big businesses with $200 million or more in assets will get 75 percent of the business tax cuts. This is capital formation to allow Mobil to buy Conoco. I do not see that type of capital formation as constructive. I think the spectacle of opening the Internal Revenue Service Code for bids in this country is disgusting. I would like to see some very serious discussion about tax policy that makes sense in our future.

I saw a bumper sticker once that said, "The majority in America is not silent; the Government is deaf."

I think that describes what is happening on the issue of tax policy. People want tax fairness and they want real tax cuts, and I am afraid they are not going to get them this week. That is disappointing.

CONGRESS SHOULD MOVE AT ONCE TOWARD A BALANCED BUDGET

(Mr. SABO asked and was given permission to address the House for 1 minute.)

Mr. SABO. Mr. Speaker, in the June 14 Washington Post, one of our Nation's most respected economists, Joseph Pechman, wrote about the misdirection of excessive tax cuts.

If we are serious about increasing total national saving and not merely private saving, the most direct way would be to move toward a surplus in the Federal budget. For each extra dollar the government reduces its borrowing, a dollar more of lendable funds is available for private investment. In contrast, each extra dollar of Federal deficit drains a dollar from private lending, while only a small part of the tax-cut dollar received by individuals is saved.

The views of Mr. Pechman point out the way to improving our Nation's economy through prudent Government action. The solution is not through excessive tax cuts. The answer is immediate action toward balancing the budget in 1982. Mr. Speaker, we should heed the advice of Mr. Pechman. We should move at once toward a balanced budget by adopting the anti-inflation, anti-high-interest-rates, balance-the-budget tax substitute.

UPDATE ON THE RECONCILIATION CONFERENCE

(Mr. PANETTA asked and was given permission to revise and extend his remarks, and to include extraneous matter.)

Mr. PANETTA. Mr. Speaker, this is the update of the reconciliation conference. We still have outstanding conferences. We suspect that nine conferences to date can be resolved as soon as the key Members return to town today and are able to sit down with their counterparts to resolve minor differences.

Fourteen conferences are still outstanding, 10 of which are the energy-related issues. Energy and Commerce did meet over the weekend, on both Friday evening and Saturday, as well as Sunday. The key issues outstanding involve funding for Amtrak, Conrail, and the deregulation of the communications area, as well as the health block grant issue and as well as the medicaid cap.

Mr. Speaker, this afternoon the leadership, along with the Budget Committee, will be meeting with the various chairmen who still have outstanding issues, and we are still hopeful that we will resolve those issues by the close of the business day.

Mr. Speaker, I include at this point our daily report on the conference activity on the reconciliation bill, as follows:

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 24, 1981, 6 P.M.

SUBCONFERENCES COMPLETED

[Dollars in millions]

Committees: House/Senate	Date completed	Savings achieved	
		Budget authority	Outlays
Foreign Affairs/Foreign Relations (37)	July 16, 1981	−$244	−$158
Post Office/Government Operations (50)	do	−4,706	−5,163
Education and Labor/Agriculture (16)	July 17, 1981	−1,474	−1,457
Science and Technology/Energy and Natural Resources (54)[1]	July 16, 1981	−1,363	−615
Armed Services/Armed Services (10)[1]	July 23, 1981	−966	−966
Veterans/Veterans (57)	do	−110	−116
Government Operations/Government Affairs (38)[2]	July 24, 1981	−600	−600
District of Columbia/Government Affairs (14)	do	−39	−40

[1] Preliminary CBO estimates.
[2] HBC staff estimates.

DAILY REPORT ON CONFERENCE ACTIVITY—JULY 24, 1981, 6 P.M.

[Dollars in millions]

Committee	Activity	Issues	1982 savings achieved		Comments
			Budget authority	Outlays	
Agriculture	Agriculture/Agriculture miniconference (1–9)	All			Completed all miniconferences except Agriculture, Public Works, Interior/Environment (4).
Banking					Completed all miniconferences (11–13A).
District of Columbia	District of Columbia/Government Affairs (14)		—$39	—$40	Conference completed.
Education and Labor	Education and Labor, Ways and Means/Finance. Staff discussions. (19).	Energy Assistance			
Energy and Commerce	Energy and Commerce/Judiciary, Environment. Staff discussions. (28).	Comprehensive Drug Abuse Prevention and Control Act.			Resolved.
	Energy and Commerce/Commerce Science and Transportation (23).	All			Unresolved.
Government Operations	Government Operations/Government Operations miniconference (38).	Consultants	—500	—500	Miniconference completed. Savings are staff estimates subject to CBO verification.
		Travel	—100	—100	
		Block grants			
Merchant Marine	None.				
Public Works	None.				
Science and Technology	Staff discussions	NSF			
Small Business	Small Business/Small Business miniconference (56).	All			
Ways and Means	None.				

□ 1210

FLOOD INSURANCE FOR EAST BARRIER ISLANDS

(Mr. ROSE asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. ROSE. Mr. Speaker, many of us who represent the barrier islands section of the east coast are very disappointed that the conferees on our reconciliation package have decided to retain certain language that phases out Federal flood insurance in the barrier islands over the period of the next 2 years.

We hope that the 2-year period will give the House an opportunity to take a closer look at the role that Federal flood insurance has played in the barrier islands and take another look at the basic inequity we feel exists when we say that flood insurance is OK in inland rivers and harbors and inland waterway areas but is not OK in the barrier island situation.

Mr. Speaker, we think that more heat than light has probably been generated on the issue at this point, and we hope that the House will seriously consider a new perspective and a new look at Federal flood insurance in the ensuing 2 years.

HIGH INTEREST RATES

(Ms. OAKAR asked and was given permission to address the House for 1 minute.)

Ms. OAKAR. Mr. Speaker, when we observe the present state of the American economy, it is clear that we have reached a state of emergency. High interest rates are crippling productivity and investment. Thrift institutions are caught with a shrinking credit base. The bond market is paralyzed. Local and State governments find their financial resources drying up. Long-term productive investments are declining as short-term, quick-profit ventures proliferate.

The housing industry is at a virtual standstill because so many first-home buyers have been eliminated from the market by the escalating rates on loans and payments. Likewise, potential new car buyers postpone their purchases indefinitely and the automotive industry counts its losses. Capital reinvestment declines because small businesses are locked out of the credit market by the above-prime rates they must pay—while giant corporations infected with merger mania secure enormous lines of credit at bargain rates. And the costs of all borrowing are inevitably passed on to the consumer in higher and higher prices.

On the international scene, our allies are increasingly weakened by our chief export: High interest rates, which inflate the value of the dollar, thus eroding the purchasing power of foreign as well as domestic markets—and the demand for American goods goes down.

At the national level, interest paid on public debt has outstripped growth in the debt itself. Since 1954 the public debt has tripled and interest paid on it has risen astronomically. The anticipated massive increase in defense spending authorized by the new budget will send interest rates and inflation soaring even higher.

The American people will soon be beyond the help of any safety net that might be devised to save them. The cancer that is eating away at the vital organs of our society demands radical and immediate treatment. Administrative aspirins will not do.

Let us look at the effects of tight money and high interest rates on Great Britain, where the British economy has been slowed to a standstill. Unemployment does not go away, or go on welfare; it goes into the streets. Let us address our national emergency now. In the Credit Control Act of 1969 we had the courage to provide a mechanism to restore equilibrium to our economy. Let us make use of it now.

PRESIDENT'S MONETARY POLICY UNVEILED AT OTTAWA

(Mr. ALEXANDER asked and was given permission to address the House for 1 minute, and to revise and extend his remarks, and to include extraneous matter.)

Mr. ALEXANDER. Mr. Speaker, high interest rates continue to plague the farm, factory, and family in America.

The Reagan administration has heretofore been blaming its high interest rate policy on the Federal Reserve, and the previous adminstration. Nevertheless, Reagan revealed himself at the economic summit conference last week in Ottawa where the President came out of the closet with his monetary policy. The President's position was stated at the Ottawa summit, clearly underscoring the fact that the present administration places the entire burden of controlling inflation on a shrinkage of the money supply. Tight credit produced from high interest rates is the monetary policy of the Reagan administration.

NIC-PAC BRIBE OFFER REPORTED

(Mr. NEAL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. NEAL. Mr. Speaker, I want to alert my colleagues to a bribe offer that I received late Friday afternoon. The bribe was offered by the National Conservative Political Action Committee—Nic-Pac as it is known. It came in the form of a letter signed by Mr. John T. (Terry) Dolan which was hand delivered to my office about 3 p.m. on last Friday. In the letter Mr. Dolan says in part—

If you will make a public statement in support of the President's tax cut package and state that you intend to vote for it, we will withdraw all radio and newspaper ads planned in your district. In addition, we will be glad to run radio and newspaper ads applauding you for your vote to lower taxes.

Shortly after receiving the letter I called the Attorney General, the Honorable William French Smith, and told him about the bribe attempt and asked for an investigation to which he agreed.

Mr. Speaker, the Criminal Code is very clear on this subject. Title 18, section 201, paragraph (B) says:

Whoever, directly or indirectly, corruptly gives, offers or promises anything of value to any public official . . . to influence any official act . . . shall be fined not more than $20,000 . . . or imprisoned for not more than fifteen years.

And there are other references in the Criminal Code concerning attempts to illegally influence the behavior of duly elected officials.

Mr. Speaker, any attempt to influence public officials with money is a serious offense against our constitutional system, and I wanted my colleagues to be aware of this bribery attempt on the part of the National Conservative Political Action Committee.

CONGRESS GOES TO THE BALL GAME

(Mr. CONTE asked and was given permission to address the House for 1 minute.)

Mr. CONTE. Mr. Speaker, on Wednesday night next, Congress goes to the ball game—again.

And we Republicans intend to use a few plays we have worked on during this session to keep our winning ways alive. Based on our experience with the reconciliation bill we have designed these plays:

First of all, we have asked the Democratic Study Committee to edit the Democratic lineup before it is sent to the printers. Based on their work on the Latta amendment, we are confident it will definitely be out of order.

We have also arranged to have CBO and Ms. Rita Seymour do the scorekeeping for the game. Her phone number is available from the Speaker's Office.

Next we have let two dozen boll weevils loose in the Democrats' cotton uniform closet. This we realize will be part of an "unholey" coalition.

Next we have signed up a young fastballer from New York (Mr. LEBOUTILLIER) to throw a few high, hard ones at the Speaker.

Next we have enlisted Max Friedersdorf to invite the big Ohio righthander (Mr. MOTTL) to sit in the President's box at the opera next Wednesday night.

Finally we have not bought any Democrats for this particular game, but we have acquired a scenic easement on a few sweet swingers.

Seriously, the game is part of a doubleheader at the Alexandria Dukes home field at Four-Mile Run Park. Tickets are available through the Congressional Staff Club and various other outlets on the Hill.

TIGHT MONEY POLICY DEVASTATING TO ECONOMY

(Mr. DOWDY asked and was given permission to address the House for 1 minute.)

Mr. DOWDY. Mr. Speaker, I rise to question our use of a tight money policy as a weapon against inflation.

While the current situation is most desirable for investors, the effect of such a severe monetarist policy has been devastating for interest-sensitive industries—small business, housing, and agriculture. Yet the administration has announced its intention to cut the rate of growth in the money supply in half by 1986.

The harmful effects of this policy cannot be ignored. Small businessmen and farmers cannot afford 20-percent interest rates. Business bankruptcies increased from 7,016 business failures in the fourth quarter of 1979 to 11,229 1 year later.

Mr. Speaker, there has been ample time in my opinion to demonstrate that the tight money policy is not working.

THE "DEPRESSED INDUSTRY" BAILOUT: UNNOTICED BUT STILL EXPENSIVE

(Mr. MOORE asked and was given permission to address the House for 1 minute.)

Mr. MOORE. Mr. Speaker, the two most controversial parts of the Ways and Means tax bill are the changes in oil and inheritance taxes. These two provisions have received a great deal of attention and they are on every critic's list as being of questionable need and too expensive. There is, however, another provision in the Speaker's tax bill which is just as expensive, actually more, but which has gone practically unnoticed.

That provision is the "depressed industry" bailout. It will funnel up to $3.3 billion to a handful of big corporations that have been anointed as recipients and almost no one has bothered to ask why.

Despite its low visibility, the bailout will be more expensive than any single year of the oil tax changes and not until 1985 will the changes in the inheritance tax cost the Treasury more.

In fact, through 1984, the bailout will be twice as expensive as any single year of the bill's oil tax changes. Further, the bailout has far more questions about its need, as well as more expense, than the oil or inheritance tax provisions.

This bailout is so large and ill advised that it, by itself, is reason enough to vote against Speaker O'NEILL's tax bill.

□ 1220

CONGRESS SHOULD ADOPT THE ANTI-INFLATION, ANTI-HIGH INTEREST RATES, BALANCE-THE-BUDGET TAX CUT ALTERNATIVE

(Mr. FAZIO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FAZIO. Mr. Speaker, I call the attention of my colleagues to the concise and cogent editorial in the New York Times last Sunday, which makes a strong case against the tax cut bills proposed by the administration and the Ways and Means Committee, and, without knowing it, in favor of the anti-inflation, anti-high interest rates, balance-the-budget tax cut alternative:

Indeed, the President himself has virtually abandoned the rationale he once offered for large tax cuts: a bold "supply side" stimulus for savings and investment. What now impends is a fat and floppy Christmas tree of tax reductions that will surely enlarge the Federal deficit, stimulate consumption and leave inflation untamed.

It is this confused fiscal strategy that leaves the Federal Reserve Board with an essentially impossible task, as its chairman, Paul Volcker, has begun to complain. He is left to battle alone against inflation by tightening the money supply without provoking a lengthy recession. It would be quite a trick.

What the United States needs to defeat inflation and to raise productivity is tighter controls on the budget and a looser rein on the money supply, not the reverse. That way, the economic restraint that's needed to squeeze out inflation would fall more evenly over industry and interest rates would be less of an impediment to new investment.

Mr. Speaker, the Congress should heed the wisdom of the Times editorial board and adopt the anti-inflation, anti-high interest rates, balance-the-budget tax cut alternative, included in the Udall-Obey-Reuss bill.

Since we are rejected economists and embraced entomologists lately, let me say we have the bait here to attract the boll weevils, the gypsy moths and even the med flies and the beekeepers like the gentleman from Massachusetts (Mr. CONTE).

FISCAL POLICY ALONE NOT ENOUGH WITHOUT ADEQUATE ATTENTION TO MONETARY POLICY

(Mr. ECKART asked and was given permission to address the House for 1 minute and revise and extend his remarks.)

Mr. ECKART. Mr. Speaker, I think we all can quickly realize as we come to grips this week with the conclusion

of the budgetary process and the tax cut proposals now pending before us that fiscal policy does, indeed, play an important part in whatever we are going to do to engage in the economic recovery of this country; but fiscal policy alone will not address the situation without adequate attention to monetary policy as well.

This administration refuses to deal with the exorbitantly high interest rates that are plaguing people who wish to buy cars, who wish to buy homes, or who wish to send their sons and daughters to college; yet some of the most expensive and wealthiest oil conglomerates in America can continue their drive to buy Conoco and raise $5 or $5½ billion on 2 or 3 days' notice.

Mr. Speaker, I am deeply concerned. I am concerned that there is no money for loans for students, no money for loans for cars; but yet there is money to buy one of the most wealthy oil companies of America.

No interest rate is too high to pay to buy Conoco.

And while this administration stands idly by, their high interest rate policy spells the ruin for small businessmen and the workingmen and workingwomen of America.

THE TAX BILL

(Mr. RITTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RITTER. Mr. Speaker, this week we will begin consideration of the tax bill. And, before us are two alternatives, the President's bipartisan bill and the Democratic alternative as reported by the Ways and Means Committee.

Is it not ironic that the majority party, responsible for two decades of expanded spending and expanded taxation, is now advocating a tax cut? Is it not ironic that this same party a few months ago claimed such a tax cut to be irresponsible? Can the American people really trust a party that has the personality of Dr. Jekyll and Mr. Hyde?

Recent polls have shown that the vast majority of the American people trust the party of the President to deliver a program of reduced taxes and reduced spending, a program that promises to restore America's economic growth by strengthening incentives to work, save, and invest, by stimulating growth in supply of goods, and by promoting increased investments to create jobs.

I ask my colleagues to review these two alternatives and place your trust in the program that promises a better future for America.

ANOTHER ALTERNATIVE SUBSTITUTE

(Mr. LOWRY of Washington asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LOWRY of Washington. Mr. Speaker, both the Hance-Conable and the Ways and Means bill are too inflationary to be acceptable. There is another tax alternative that I hope will be available for our consideration Wednesday. The substitute to be offered by the gentleman from Arizona (Mr. UDALL) goes right to the problem of interest rates in this country. It simply says that balancing the budget, getting rid of the deficit, is more important than the Christmas tree tax versions that are now before us.

Last week before the Banking Committee a panel representing labor, farmers, public power, mayors, and housing all said they believed an amendment to this week's tax bill that would balance the budget at the earliest possible date would have an immediate positive effect on interest rates. That is critical to our economy.

They say, "We would rather see the budget balanced and lower interest rates."

I hope the Members of the House this Wednesday will vote for the Udall commonsense tax proposal. That will send an immediate signal to the Federal Reserve and financial markets. A signal that almost all experts tell us would lower interest rates. We have an opportunity to do just that this week. Let us set aside both the inflationary Reagan-Hance-Conable tax bill and the inflationary House Ways and Means bill and adopt the Udall deficit-eliminating tax alternative.

HOW DO THE PEOPLE FEEL ABOUT THE PRESIDENT'S TAX PROGRAM?

(Mr. CARMAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CARMAN. Mr. Speaker, this week I was on Long Island, in Huntington, Oyster Bay, Glen Cove, and Babylon, and asked the people how they felt about the President's tax program. A gentleman from Northport put it to me very, very well. He said "You know, I am in favor of having a 25-percent decrease as opposed to a 15-percent decrease." That certainly made sense to me.

He said, "Besides, the President's tax package makes provision for permanent tax relief. Now, how in the world can you argue against that?"

In short, he said, "I want to have tax relief that is going to expand our economy instead of shrinking it. I want a real tax package as opposed to a phony one."

I hope that everybody this Wednesday will vote to support the President's tax package, not because it is good for the Republicans, not because it is good for the Democrats, but because it is for the good of the people.

"I PLAN TO LIVE"

(Mr. GINGRICH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GINGRICH. Mr. Speaker, I am wearing a button today which says, "I Plan To Live." This button was made up over the weekend in response to President Reagan's comment that even if you give the O'Neill-Rostenkowski tax package every possible benefit of the doubt, even if you assume all their assumptions are correct, that the only grounds for voting for it would be, "Do you plan to die in the next 2 years?"

Clearly, in the third year, a 25-percent reduction is more than 15 and, from that point on out, indexing makes our tax cut permanent, while theirs becomes a tax increase.

We do plan to live. We do think it is time to get away from gimmicks and to get down to some serious long-range commitments: To economic recovery for America, to fighting inflation, to bringing down higher interest rates, creating new jobs; that is why we created the "I Plan To Live" button.

CONGRESS SHOULD ADOPT THE ANTI-INFLATION, ANTI-HIGH INTEREST RATES, BALANCE-THE-BUDGET TAX ALTERNATIVE

(Mr. OBERSTAR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. OBERSTAR. Mr. Speaker, as the House takes up tax legislation this week, I think it is useful to keep in mind an article published in the June 14, 1981, New York Times by Yale professor and former member of the Council of Economic Advisers, William Nordhaus, which warns against making a commitment now to large multiyear tax reductions, such as those proposed both by the administration and by the Ways and Means Committee.

Professor Nordhaus said:

> The major economic concern with the administration's proposal lies in its inflexibility and inability to adjust to an uncertain future. Giving away all the tax cuts today is like planning the first 10 moves in a chess game before your opponent has revealed his strategy. Bold, but poor strategy.

Mr. Speaker, the Congress should not let today's tax policy become hostage to the uncertain fortunes of the future. We should, instead, take the more cautious, responsible course, and

move toward a balanced budget in 1982, and adopt the anti-inflation, anti-high interest rates, balance-the-budget tax alternative.

If the Members of this body believe the rhetoric of last fall's campaign and the so-called mandate, they will vote to balance the budget with the Reuss-Udall-Obey tax bill rather than create future instability in the money markets, with the alternative tax bills.

THE REAL OPPONENTS OF TAX RELIEF

(Mr. FIELDS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FIELDS. Mr. Speaker, with the day of reckoning quickly approaching, the Democratic leadership in this body has been frantically lobbying Members to adopt the Ways and Means Committee tax bill.

Yet, I believe it is ironic to note that these same individuals are largely responsible for our past misguided economic policies which have resulted in our Government taxing all forms of risk taking so heavily that the risks are no longer worth taking. In the last 10 years, the Democratic leadership gave the American people five "tax cuts," yet over the same 10 years, taxes increased by more than $400 billion.

As a result, we now have the lowest savings rate of any industrialized nation and we rank seventh in productivity, capital investment, and economic growth, after Japan, West Germany, Italy, France, Canada, and Great Britain.

In short, because of these policies, our financially starving industries have been denied the necessary capital to expand or modernize their facilities, to increase their productivity, and to gainfully employ thousands of Americans.

VOTE FOR REPUBLICAN TAX PACKAGE

(Mr. DUNN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DUNN. Mr. Speaker, this week we will be voting on two alternatives for a tax package. As a speaker a moment ago said, we have had five tax packages offered by the Democrats in the last 10 years, resulting in $400 billion in increased taxes. That is not what we from Michigan call a cut.

When we have 30 percent unemployment in the automobile industry, 50 percent unemployment in the housing industry, that is what we call a cut.

We have to choose this week between a 15- and 25-percent cut. Taxes are already set to increase 22 percent. We will not even have a cut under the Democratic package.

But the best reason to vote for the Reagan package is permanent indexing which will leave more power, more control, back where it belongs, in the hands of the American public.

I urge my colleagues to vote for the Republican bipartisan tax package.

REPUBLICAN TAX PACKAGE FOR THE FUTURE

(Mr. WALKER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WALKER. Mr. Speaker, as we approach the tax cut battle later this week, what we are really talking about is whether we believe in the future, because that is what the argument is all about.

If my colleagues believe in only a 2-year tax cut, which just happens to get by the next election, then they are going to be for the Democrats' package. But if they really are looking to the future, not just what benefits this generation, but future generations as well, they will support the Republican package because we promise not only a 25-percent tax cut, but a permanent tax cut over the long term, which means to the American people that we are voting for the future.

I think it is about time that this Congress begins to address tomorrow. We have addressed the past for too long. We had a whole string of Democratic Congressmen only today before this body talking about the legacy of the past, their failed economic policies which produced high interest rates. That is a past we do not want to repeat. It is time to enact the President's economic program which rejects that past in favor of the future.

It is time to think what the next generation expects us to do. It is their future we are deciding.

PERSONAL EXPLANATION

(Mr. ROBERTS of South Dakota asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROBERTS of South Dakota. Mr. Speaker, I was unavoidably absent from the proceedings of the House last week due to a death in the family. I ask unanimous consent to revise and extend my remarks to explain how I would have voted had I been here.

Rollcall No. 145, "yea"; rollcall No. 146, "yea"; rollcall No. 147, "yea"; rollcall No. 148, "yea"; rollcall No. 149, "yea"; rollcall No. 150, "yea"; rollcall No. 151, "yea"; rollcall No. 152, "yea"; rollcall No. 153, "nay"; rollcall No. 154, "nay"; rollcall No. 155, "yea"; rollcall No. 156, "yea"; rollcall No. 158, "yea"; rollcall No. 159, "nay"; rollcall No. 161, "nay"; rollcall No. 162, "nay"; rollcall No. 163, "yea."

INTERNATIONAL INVESTMENT SURVEY ACT AUTHORIZATION

Mr. BINGHAM. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 1104) to amend the International Investment Survey Act of 1976 to provide an authorization for further appropriations, to avoid unnecessary duplication of certain surveys, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

Mr. LAGOMARSINO. Mr. Speaker, reserving the right to object, and I do not intend to object, I make this reservation so that the chairman might explain what the legislation does.

Mr. BINGHAM. Mr. Speaker, will the gentleman yield?

Mr. LAGOMARSINO. I yield to the gentleman from New York (Mr. BINGHAM).

Mr. BINGHAM. Mr. Speaker, this bill is the Senate version of action the House has already taken when it passed on June 8 amendments to the Export Administration Act of 1979.

S. 1104 authorizes appropriations of $4 million in fiscal year 1982 and such sums as may be necessary in future years to carry out the programs of the International Investment Survey Act. The International Investment Survey Act authorizes and directs the Commerce and Treasury Departments to collect and analyze data on the extent and the exact character of foreign investment in the United States. The current authorization expires on September 30, and this bill would permit continued collection and analysis of data on foreign investment in the United States, as well as on U.S. investment abroad. Up-to-date information of this kind is needed on a continuing basis, particularly when we are facing some significant foreign takeover attempts directed at both industrial facilities and natural resources. The information assembled under this act is critical to maintaining vigilance over our economic resources.

As I said at the outset, the House authorized further appropriations to carry out the International Investment Survey Act on June 8, as part of H.R. 3567, a bill authorizing further appropriations for the Export Administration Act of 1979. Due to differing committee jurisdictions in the Senate, that body has passed the International Investment Survey Act authorization as separate legislation, S. 1104.

The Senate included in its bill certain provisions suggested by the administration: Rescheduling certain of the studies to coincide with the economic census, attempting to reduce the cost to the Government and the

burden on the private sector of foreign investment monitoring.

The Senate bill also calls for a feasibility report to the Congress by the Secretary of Commerce on monitoring other countries' restrictions on foreign investment. Such a report would be useful to the Congress as it considers various pending proposals that might restrict investment in this country.

Mr. Speaker, I believe these added Senate measures, which are not in the House-passed bill, are noncontroversial. I am prepared to accept them on behalf of the Committee on Foreign Affairs. Accordingly, I urge the House to pass S. 1104, which would clear the measure for the President's signature.

Mr. LAGOMARSINO. Mr. Speaker, further reserving the right to object, I want to compliment the gentleman from New York for bringing to the floor S. 1104, the authorization for the International Investment Survey Act.

As you will recall, the House passed H.R. 3567 on June 8, which had included a section providing for the International Investment Survey Act authorization. This separate Senate bill is an improvement, in many ways, on our earlier action.

Enactment of S. 1104, as reported, would significantly reduce the paperwork requirements, infringements on personal privacy, the number of individuals affected, and the economic impact of the surveys. The bill would eliminate existing duplicative surveying programs and it would eliminate an expensive survey estimated at approximately $30 million, which might not have produced the information it was designed to yield. In its place, the Treasury Department is required to compile and publish data which currently exists and is readily available, a considerable savings to the taxpayer.

Again, I compliment the gentleman from New York and urge adoption of this legislation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 1104

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4(b) of the International Investment Survey Act of 1976 (22 U.S.C. 3103(b)) is amended by striking all of such section before the words "among other things and to the extent he determines necessary and feasible—" and substituting the following:

"(b) With respect to foreign direct investment in the United States, the President shall conduct a benchmark survey covering calendar year 1980, a benchmark survey covering calendar year 1987, and benchmark surveys covering every fifth calendar year thereafter. With respect to United States direct investment abroad, the President shall conduct a benchmark survey covering calendar year 1982, a benchmark survey covering calendar year 1989, and benchmark surveys covering every fifth year thereafter. In conducting surveys pursuant to this subsection, the President shall,".

SEC. 2. Section 4(c)(2) of the International Investment Survey Act of 1976 (22 U.S.C. 3103(c)(2)) is amended to read as follows:

"(2) In addition to the benchmark surveys conducted pursuant to paragraph (1), the President shall annually compile currently available data on United States portfolio investment abroad including items such as data on the magnitude and aggregate value of portfolio investment, form of investments, types of investors, nationality of investors and recorded residence of private holders, diversification of holdings by economic sector, and holders of record. The President shall submit an analysis of such data to the Congress not later than the first day of July of each year.".

SEC. 3. Section 4 of the International Investment Survey Act of 1976 (22 U.S.C. 3103) is amended by redesignating subsections (e) and (f), and all references thereto, as subsections (f) and (g), respectively, and by inserting the following new subsection after subsection (d):

"(e) The Secretary of Commerce shall prepare a report on the estimated cost of monitoring and compiling data on legislation enacted by the major trading partners of the United States, and such other foreign nations as the Secretary deems appropriate, which regulates or restricts foreign inward investment in such foreign nations.".

SEC. 4. Section 8 of the International Investment Survey Act of 1976 (22 U.S.C. 3107) is amended by striking "AND REVIEWS" in the section heading, by striking "(a)" immediately after "SEC. 8.", and by striking subsection (b).

SEC. 5. Section 9 of the International Investment Survey Act of 1976 (22 U.S.C. 3108) is amended by striking "and" immediately after "1980," and by inserting immediately before the period at the end thereof the following: ", $4,000,000 for the fiscal year ending September 30, 1982, and such sums as may be necessary for any subsequent fiscal years".

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BINGHAM. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the Senate bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION'S ANNUAL REPORT FOR 1980—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Public Works and Transportation:

To the Congress of the United States:

Pursuant to the requirements of Section 10 of the Saint Lawrence Seaway Act of May 13, 1954, I hereby transmit the Saint Lawrence Seaway Development Corporation's Annual Report for 1980. The period covered by this report precedes my term of office.

RONALD REAGAN.

THE WHITE HOUSE, *July 27, 1981.*

EAST-WEST TRADE REPORT—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Ways and Means:

To the Congress of the United States:

In accordance with Section 411(c) of the Trade Act of 1974, as amended (19 U.S.C. 2441), I herewith transmit the report on East-West Trade.

The report discusses United States trade relations with the Soviet Union, the People's Republic of China and the Eastern European countries.

RONALD REAGAN.

THE WHITE HOUSE, *July 27, 1981.*

□ 1240

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5, rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas or nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

Such rollcall votes, if postponed, will be taken on Tuesday, July 28.

ATMOSPHERIC, CLIMATIC, AND OCEAN POLLUTION ACT OF 1982

Mr. SCHEUER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2803) to authorize appropriations for atmospheric, climatic, and ocean pollution activities of the National Oceanic and Atmospheric Administration for the fiscal year 1982, and for other purposes, as amended.

The Clerk read as follows:

H.R. 2803

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Atmospheric, Climatic, and Ocean Pollution Act of 1982".

PROGRAM AUTHORIZATIONS

SEC. 2. (a) There are authorized to be appropriated to the National Oceanic and Atmospheric Administration of the Department of Commerce for atmospheric, climatic, and ocean pollution programs for the fiscal year 1982 for the following activities:

(1) Marine Ecosystems and Ocean Dumping Research, $18,324,000.

(2) Basic Environmental Services, $159,830,000.

(3) Environmental Satellite Services, $122,236,000.

(4) Public Forecast and Warning Services, $98,856,000.

(5) Specialized Environmental Services, $44,543,000.

(6) Environmental Data and Information Services, $25,041,000.

(7) Global Monitoring of Climatic Change, $4,141,000.

(8) Weather Modification, $9,245,000.

(9) International Projects, $9,027,000.

(b) Funds may be transferred between categories listed in subsection (a), except that no funds may be transferred from any particular category or categories listed in such subsection if the total of the funds so transferred from that particular category would exceed 10 per centum thereof, and no funds may be transferred to any particular category or categories listed in subsection (a) from any other category or categories listed in subsection (a) if the total of the funds so transferred to that particular category would exceed 10 per centum thereof, unless—

(1) a period of thirty legislative days has passed after the Administrator of the National Oceanic and Atmospheric Administration or his designee has transmitted to the Speaker of the House of Representatives and to the President of the Senate a written report containing a full and complete statement concerning the nature of the transfer involved and the reason therefor; or

(2) each committee of the House of Representatives and the Senate having jurisdiction over the subject matter involved, before the expiration of such period, has transmitted to the Administrator written notice to the effect that each committee has no objection to the proposed action.

(c) Of the Weather Service offices authorized under section 2(a), (3), (4), or (5), the station at Williamsport, Pennsylvania shall be accorded priority status within this group.

OTHER AUTHORIZATIONS

SEC. 3. (a) There are authorized to be appropriated to the Secretary of Commerce for the fiscal year 1982 for use by the National Climate Program Office—

(1) $1,200,000, in addition to any other funds authorized to be appropriated for the purpose of conducting climate-related programs, for the purpose of administering the National Climate Program Office;

(2) $700,000 to carry out intergovernmental climate program activities authorized in section 6 of the National Climate Program Act; and

(3) $300,000 to establish experimental climate forecast centers as authorized in section 5(d)(8) of the National Climate Program Act.

CIVILIAN LAND OBSERVING SYSTEM

SEC. 4. (a) The National Oceanic and Atmospheric Administration of the Department of Commerce is hereby authorized to plan for, develop, and operate a civilian land observing system.

(b) The Administrator of the National Oceanic and Atmospheric Administration shall report through the Secretary of Commerce to the President and the Congress not later than January 15, 1982, on all activities undertaken pursuant to this subsection during the preceding calendar year, together with such recommendations for additional legislation as the Administrator deems necessary or desirable.

(c) In addition to any other funds authorized to be appropriated for the purpose of planning for, developing, and operating a civilian land observing system, there are authorized to be appropriated to the National Oceanic and Atmospheric Administration, for the fiscal year 1982, $5,100,000 for the purpose of carrying out the provisions of this section.

REPORTING

SEC. 5. (a) The Administrator of the National Oceanic and Atmospheric Administration shall keep the appropriate committees of the House of Representatives and the Senate fully and currently informed about all aspects of the atmospheric, climatic, and ocean pollution activities for such Administration.

(b) Each year, at the time of the submission of the President's annual budget request, the Administrator shall make available to the appropriate committees of Congress sufficient copies of a report fully describing the funds requested and the atmospheric, climatic, and ocean pollution activities to be carried out with these funds.

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from New York (Mr. SCHEUER) will be recognized for 20 minutes, and the gentleman from New York (Mr. CARNEY) will be recognized for 20 minutes.

The Chair recognizes the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Speaker, H.R. 2803, the Atmospheric, Climatic, and Ocean Pollution Act of 1982, provides a 1-year authorization of $498 million for the National Oceanic and Atmospheric Administration. It was reported from the subcommittee and from the full committee with overwhelming bipartisan support, and it strikes that delicate balance between fiscal restraint and adequate support for the necessary and worthwhile research and service activities of NOAA.

Mr. Speaker, I want to note my admiration for the strong leadership of the gentleman from Florida (Mr. FUQUA), the chairman of the Science and Technology Committee. I would also like to commend the gentleman from Kansas (Mr. WINN), the ranking minority member of the committee, for his support of our efforts.

I also am particularly indebted not only to my Democratic colleagues on the subcommittee but also to the gentleman from New York (Mr. CARNEY) for his tireless work in effecting a responsible and workable authorization bill for NOAA in a truly bipartisan way. We could not have had a more diligent and cooperative colleague as the ranking minority member of the subcommittee.

Mr. Speaker, the Atmospheric, Climatic, and Ocean Pollution Act authorizes $498,543,000 for the National Oceanic and Atmospheric Administration (NOAA) to conduct essential research and service activities in a wide variety of areas, including weather forecasting, climatic services, tornado and hurricane warnings, aviation weather, ocean dumping research, and atmospheric research. Included in this authorization figure are $2.2 million for reauthorization of the National Climate Program Act and $5.1 million for NOAA to operate a land remote sensing system from space (Landsat). This is a bill which is responsive to our recognition of this Nation's budgetary problems—the authorization figure in the bill is $4,000 below the administration's request.

H.R. 2803 marks the beginning of a new relationship between Congress and the National Oceanic and Atmospheric Administration. NOAA was established by executive reorganization in 1970 with the mission of providing services and research in the sea and in the air. Over the past 11 years, numerous environmental statutes have given NOAA additional duties, so that the agency is now responsible for weather forecasting, acid rain research, fisheries conservation, the national sea grant program, the National Ocean Pollution Office, the National Climate Office, conservation of marine mammals and sensitive marine habitats, and many more programs which the Congress and the American people have regarded as legitimate and important Government services. Throughout these 11 years, the Congress has voted on numerous occasions to authorize NOAA to carry out a prescribed environmental responsibility. However, we in the Congress have never reviewed and evaluated the missions and programs of this important agency as a whole, with the view of understanding how its components ought to relate to each other and to the needs of the people. We on the Committee on Science and Technology, for instance, feel strongly that the primary mission of NOAA's weather arm ought to be protection of the public health and safety, through timely and accurate weather forecasts and warnings. However, in the heat of the appropriations process, it is easy for Members, for those evaluating these services, and for the Weather Service itself to lose sight of the absolute primacy of the public's health and safety in setting priorities for the Weather Service.

I am confident that consideration of a comprehensive authorization bill for NOAA will provide Members with a good opportunity to review and if necessary reorder the agency's priorities, and that this process will help NOAA

to keep its programs in tune with the needs of the public.

H.R. 2803 is the first step in a process which I hope will culminate in an authorization bill for the entire agency. The bill authorizes funding for approximately $500 million of the agency's $800 million budget, including all of its weather, climatic, and ocean-pollution activities. The NOAA activities not included in this bill—fisheries, sea grant, ocean thermal energy, and hard minerals development—are under the jurisdiction of the Committee on Merchant Marine and Fisheries, and we on the Committee on Science and Technology are confident that in future years the two committees will report to the House a comprehensive authorization bill for the National Oceanic and Atmospheric Administration.

In reporting H.R. 2803, the Committee on Science and Technology increased funding above the administration's request for a limited number of NOAA activities. Funding for these programs was increased either because:

They promise to provide needed informational services to policymakers or the public; and

They embody a critical transfer of research technology which will greatly enhance the usefulness of the service provided.

With respect to information services. H.R. 2803 contains $500,000 for NOAA to begin a comparative study of the environmental effects of waste disposal in various media—land, sea, and air. There is increasing pressure to open up the ocean once again for disposal of wastes. However, because of the shortsighted approach of Federal agencies in the past, crucial cross-media comparisons of environmental impact have never been made, so that the Environmental Protection Agency must regulate waste disposal without an adequate understanding of what the relative impact of various disposal options might be. The committee feels that the most appropriate target for a pioneering study of this sort is the sewage sludge disposal problem in the New York City metropolitan area.

The bill also contains funding above the administration's request for upgrading the climatological data base at the National Climatic Center and for enhanced funding of the National Climate Program Office. Both of these increases are based on the recommendations of the National Academy of Sciences, the National Climate Office's 5-year plan, and our own committee that the greatest near-term improvement that can be made in our national climate effort would be to improve the accessibility and use of the data already available in Government archives. Effective use of climatic data is an essential element in agricultural productivity and water management.

With regard to technology transfer, H.R. 2803 includes enhanced funding for several projects which are expected to greatly improve the Weather Service's ability to warn the public of severe weather. The committee feels that the greatest challenge facing the Weather Service in the coming years will be in providing services, particularly severe-weather warnings, in the face of stable, or shrinking, personnel levels. Thus, in H.R. 2903, our committee strongly supported those projects which showed either promise for improving detection of severe weather or promise of automating routine functions. A modest investment in capital equipment can produce substantial savings in labor and free up the time of skilled personnel in the Weather Service to perform important forecasting tasks. We supported Automation of Field Operations and Services (AFOS) but agree with the Committee on Appropriations that a successful test of the system is needed before increased expenditures are warranted at this time. Funding was provided to accelerate design of the next generation radar (NEXRAD) system. The Weather Service currently uses the outmoded and rapidly failing WSR-57 radars built in the 1950's. Delay of NEXRAD would be a false savings in that it would lead to severely reduced service and to greatly increased maintenance costs. Additional funds were provided for testing and installing automated observing systems, which will eventually be placed at over 500 airports to form the backbone of the ground-based observational network. This program has the potential to free personnel to perform more critical forecast and service functions, and any delay in this program would result in greatly reduced productivity. Finally, the bill recommends enhanced funding for the National Severe Storms Center in Kansas City for its Centralized Storm Information System (CSIS). CSIS allows the forecaster to integrate data from satellites, radar, and other observing systems at a finer scale than is presently possible and is recognized to be the most promising development in the detection of severe storms since the refinement of Doppler radar.

In this bill, the committee also strongly supported the administration's request of $1,876,000 for research in the sources and transport of acid rain. This is a substantial increase from the 1981 appropriation for acid rain research, which was under $100,000. Acid rain is responsible for the biological sterility of hundreds of lakes in the Northeastern United States and in Canada and may, at the present time or in the near future, be responsible for literally billions of dollars of damage to forests and to crops, to metal and stone structures of all sorts, and to human health.

In our hearings this year, we had testimony that not only will the Northeast and Canada continue to be severely afflicted with the problems of acid rain, absent a major intervention on our part, but that also the west coast and the upper Middle West are threatened with the poisonous problem of acid rain on their croplands, on their forestlands, on their waters, and on their structures, in the near future.

The administration's request for acid rain research was timely for several reasons, including the importance of this issue to the Clean Air Act reauthorization and the designation of NOAA as a lead agency in acid rain research by the Energy Security Act of 1980.

We have all observed from the newspapers that when President Reagan visited Canada shortly after he took office, it was made very clear to him that acid rain was a matter of urgent concern to our Canadian friends. More recently, I was a member of a group of American Congressmen and Senators who met with our Canadian colleagues, Members of Parliament and their Environment Minister, in Halifax and again it was made clear to us beyond peradventure that the problem of acid rain and our contribution to their problem was a matter of most urgent concern to them.

So I congratulate President Reagan and the administration for having requested a significant and timely increase in the budget to look into the question of acid rain in a comprehensive and holistic fashion. I fully agree with the administration that we ought to know far more than we do now what will be the costs and benefits of our efforts to use inexpensive sources of fuel in terms of our environment and natural resources. We should have information as to whether a given expenditure in scrubbing coal, for instance, will lead to a linear reduction of emissions and to improvements in the atmosphere. And the fact is that today we do not know. We need far more accurate information to make intelligent decisions from the point of view of cost and benefits when we pass legislation imposing major expenditures upon our utilities and upon our manufacturing industries.

This increase in the budget for acid rain research is totally consistent with this administration's concern that we make more thoughtful decisions affecting the regulatory process and it reflects also the President's own experience in meeting with Canadian leaders and the experience of this Congress reflecting the very high priority that we put on a thoughtful, logical, and workable approach to reducing the problems of acid rain.

So I do congratulate the administration and the President, and I congratulate my colleague, the gentleman

from New York (Mr. CARNEY) for the role that he played in bringing them to this very intelligent and useful decision.

Let me say a few words about section 4 of H.R. 2803, which provides NOAA with $5.1 million to plan for, develop, and operate a civilian land observing system (Landsat). In an era of resource scarcity our committee believes that the ability to obtain and interpret space remote sensing data, and thus to locate and manage natural resources, is of major importance. Our committee believes that a finite period of operation by the Federal Government would greatly minimize the technical, financial, and institutional risks involved in developing Landsat, would preserve our national leadership, and ultimately would enable the private sector to operate a sound land remote sensing system.

Mr. Speaker, in closing, H.R. 2803 provides money for a large number of essential atmospheric and oceanic activities. I urge my colleagues to support these programs, and I recommend H.R. 2803 for immediate passage from the full House, and again I commend my colleague, the gentleman from New York (Mr. CARNEY) for his highly professional and nonpartisan and thoughtful approach to this legislation and his support for it.

Mr. CARNEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise to join with my distinguished colleagues on the Committee on Science and Technology in support of H.R. 2803, the Atmospheric, Climatic, and Ocean Pollution Act of 1982. This bill provides authorization for a wide variety of needed services, forecasting and pollution control activities of the National Oceanic and Atmospheric Administration.

As is the case with many pieces of legislation, H.R. 2803 is a compromise between the desire of some members of our committee to substantially strengthen the programs in the bill through additional funding, and the urgency as seen by others to reduce spending to the maximum extent possible. The resulting bill, I am happy to report, represents a reduction of $4,000 from the President's request, and also modifies several program elements and alters certain priorities in such a manner, in my opinion, as to substantially improve the overall NOAA effort. I am very pleased with this result.

Before describing some of the provisions of the bill, I would like to express my appreciation to Congressman JIM SCHEUER, the chairman of the subcommittee, for his very effective efforts in modifying this bill and improving its overall approach. I know that he would have preferred to expand some programs and funding in some areas, and it is to his credit that, when the committee expressed its desire to reduce spending, he cooperated in formulating the best possible program at the available funding level.

I also want to thank Congressman DON FUQUA, our full committee chairman, and Congressman LARRY WINN, our ranking minority member, for their assistance and leadership in developing an effective NOAA program.

Mr. Speaker, it is usual at this time to discuss some of the specific areas in which the committee has increased funds, and to explain the benefits resulting from these actions. I will, indeed, do so, but first would like to describe several activities for which we reduced the funding, and tell why we thought those decisions were proper.

In the basic environmental services area, we reduced the request for the prototype regional observing and forecasting system (PROFS) from $5 million to $3 million, due to the dependency of the system on various technologies that are not yet fully developed. PROFS will not be implemented until the 1990's, and we felt that, despite its eventual advantages, it could be slowed by several years, with resulting savings applied to more pressing needs.

In the area of environmental satellite services, the committee directed a general reduction of $2 million to defer some of the "insurance" that NOAA had requested in the event of future launch failures. This can be accomplished without leaving a gap in meteorological satellite coverage.

In the weather modification program, we have decreased funding for hurricane modification and associated flight services by $1 million. Over $7 million has been spent since the last attempt to modify a hurricane in 1971, and there is little to show for it. Until various obstacles to hurricane modification are resolved, the committee felt that NOAA's resources in this area would be better directed toward other research.

These are some of the major areas in which we reduced funds. Now let me say a few words about those programs for which we provided additional funding. In one area about which I am particularly concerned, the committee added $500,000 for ocean dumping research, specifically to allow NOAA to immediately commence, in conjunction with other Federal agencies, a cross-media comparison of the environmental effects of waste disposal. As noted by Congressman SCHEUER, there is increasing pressure to again open up the ocean for disposal of certain wastes. We were concerned, however, that increased disposal of a variety of wastes will occur in the ocean without an adequate understanding of the comparative environmental effects of waste disposal by ocean dumping, incineration, landfill disposal, and other options. I believe that our addition of funding in this area will pay good dividends.

Another area in which we provided additional funds is for work of the centralized storm information system at the National Severe Storms Center in Kansas City. CSIS allows the forecaster to integrate data from satellites, radar, and other systems at a finer scale than is presently possible and is recognized to be the most promising development in the detection of severe storms since the refinement of Doppler radar. NOAA requested $620,000 for accelerating development of CSIS in fiscal year 1982, but OMB rejected the request. In light of CSIS's great potential for detection of severe storms, the committee recommended increasing the base funding for this project by $320,000. Again, I believe this is an action that will pay ample dividends.

Finally, one area in which we did not make any funding adjustments but which I nevertheless believe merits special attention is that of acid rain. This remains a vexing subject with some disagreement over the nature of the problem and the proper means to remedy it. What there can be little disagreement about, however, is the extensive damage that has been occurring to lakes, forests, crops, and even building surfaces and human health. Our committee has encouraged NOAA to take a strong leadership role in the Federal acid rain research program, and I want to emphasize that at this time. Much remains to be done on this subject.

Mr. Speaker, in summary, H.R. 2308 is an effective bill providing, for the first time, authorization for a number of needed services and environmental control activities. I support this bill, and urge its passage.

□ 1300

Mr. SCHEUER. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. BROWN).

Mr. BROWN of California. Mr. Speaker, when the full Science and Technology Committee reported the bill H.R. 2803, authorizing appropriations for atmospheric, climatic, and ocean pollution activities of the National Oceanic and Atmospheric Administration for fiscal year 1982, I opposed the arbitrary and unnecessary actions of the full committee. At the last minute, the Science and Technology Committee reduced the authorization recommendations of the Subcommittee on Natural Resources, Agricultural Research, and the Environment and of the Subcommittee on Space Science and Applications. The actual dollar differences are small, and yet I cannot support this bill because, although NOAA will in all probability survive these cuts, I doubt that long-term savings will be gained by them.

For the base National Oceanic and Atmospheric Administration budget, the subcommittee had recommended a 1.6-percent increase over the Reagan budget, for a total of $7,809,000. Instead, the full committee approved a new budget distribution which actually decreased the base program by $3,004,000, or 0.6 percent. The difference between what the subcommittee recommended and what the full committee approved was $10,813,000 for all base NOAA programs. This full committee recommendation is $29,221,000 below the January request by the Carter administration for NOAA's base programs, which I believed was a minimal number at the time.

The second major item in this bill is far more significant in terms of its budgetary impact, and the policy differences between the Carter administration and the Reagan administration. I refer to the civilian land observing system, or Landsat. In this category, the recommendations of the Reagan administration could not be further from the Carter administration. The actions at the subcommittee level indicated support by the committee for proceeding with Landsat, although at a greatly reduced pace. The reductions made by the full committee to the subcommittee recommendations, when compared to what is really needed to proceed, are not of great significance. However, this retreat by the committee is not one I can endorse.

The facts are as follows: The Carter administration requested $123,800,000 to proceed with the development of an operational Landsat system. The Reagan administration disagreed with this decision, and cut the request to $2,100,000—a $121,700,000 reduction. The subcommittee recommended $12,100,000 as the bottom line for NOAA to do the necessary planning for the eventual implementation of an operational Landsat, as well as to proceed with essential long leadtime procurement. The full committee cut this bottom line to $5,100,000 which, while $3 million above the Reagan administration request, is not sufficient for the program needs.

My reasons for opposing this legislation are fairly simple. The Congress, through its authorizing committees, should exercise its independent judgment when reviewing requests by the administration. The committee had before it two differing requests by two separate administrations. We did not, however, have the benefit of any explanation by the Reagan administration as to the reasons for its requests, other than general economic conditions. This is an important consideration, but it is not the overriding consideration when one examines research and development programs which cannot easily withstand sudden stops and starts in authorization. If the work planned is important, the costs associated with dramatic fluctuations in research and development programs will be far greater than the temporary, but imaginary, savings one may find in a single fiscal year. As one who believes the planned work of the National Oceanic and Atmospheric Administration to be important, I cannot support this bill which cuts the recommendations by the subcommittees simply because they were higher than the Reagan administration request.

The substance of the cuts is important, although it is fairly clear that the decision was made in the absence of considering the merits of the cuts. Mr. Speaker, I cannot support this legislation.

Mr. SCHEUER. May I say to my dear friend and colleague from California that I sympathize greatly with his expressions of concern. However, I note that within the spending environment in which we are now functioning an increase in the NOAA appropriation from a 1981 level of $436 million to a 1982 level of $498 million—an increase of $62 million—maintains that agency's level of funding in terms of real dollars.

I fully agree with the gentleman that many of the programs that are going to be terminated or reduced in funding should not be cut.

Mr. CARNEY. Mr. Speaker, I yield as much time as he may consume to the ranking minority member of the full Committee on Science and Technology, the gentleman from Kansas (Mr. WINN).

Mr. WINN. Mr. Speaker, I want to take this opportunity to commend those involved in this program in following through with the normal authorization process.

I would like to recall for some of my friends on the other side of the aisle the fact that just about 10 days ago, or 2 weeks ago, we heard voices from the wilderness crying about the fact that under the reconciliation bill we were leaving out NOAA and the National Science Foundation, FEMA, and FAA. It seems an interesting process to point out that we are now going through the normal procedure and we are beginning to authorize and appropriate on those various bills.

□ 1310

So, their cries here are a little out of line. But, I am pleased to add my voice in support of H.R. 2803, which provides funding of $498,543,000 for atmospheric, climatic, and ocean pollution activities of the National Oceanic and Atmospheric Administration for fiscal year 1982. This bill authorizes for the first time NOAA's important programs in marine ecosystems, ocean-dumping research, basic environmental sciences, environmental satellite services, forecast and warning services, weather modification, and related activities.

While the continuation of these efforts is important, an equally significant feature is the fact that this bill funds these programs at a level slightly below that requested by the President's budget. The members of our committee, especially the minority, worked particularly hard to modify and improve on the NOAA research and development activities in these areas so that the funding provided would not exceed the budget request. I am very proud of the results.

I must note, however, that this achievement would not have been possible without the cooperation of the chairman of the full committee, DON FUQUA, who continues to provide strong leadership and guidance in developing our NOAA legislation. I also want to commend the gentleman from New York (Mr. SCHEUER), chairman of the subcommittee, for his outstanding work. Also contributing to the success of this effort was the committee's ranking minority member, Congressman BILL CARNEY of New York, who proposed a number of specific changes finally adopted by our committee.

As a final note, I want to express my support of the committee's action in providing funding for the centralized storm information system at the National Severe Storms Center. The CSIS allows forecasters to integrate data from satellities, radar, and other systems on a finer scale than is presently possible. In view of the system's great potential for detection of severe storms, I believe its funding is of substantial benefit to the entire Nation.

Mr. Speaker, I believe that H.R. 2803 provides a well-balanced program of atmospheric, climatic, and ocean pollution research and development activities for NOAA. It is a good bill, and I urge its passage.

Mr. CARNEY. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. FORSYTHE), a member of the committee.

Mr. FORSYTHE. Mr. Speaker, I rise in support of H.R. 2803, the Atmospheric, Climatic and Ocean Pollution Act of 1982. I am pleased that an authorization bill for a group of activities of the National Oceanic and Atmospheric Administration has reached the floor for the first time, as this represents a milestone in congressional oversight of and guidance to this agency.

The activities of NOAA authorized by this bill are perhaps not as sensitive or as much on the front pages as many others that come before this body, but they are every bit as essential for the public welfare. I am referring to areas such as weather forecasting, tornado and hurricane warning, ocean dumping research, and atmospheric research. Many of these activi-

ties are important to our daily lives, and yet, as in so many other subjects, there are several different approaches and different ways to go about them. This bill, then, not only authorizes the funding for much of NOAA's services and research, but provides firm policy guidance in several areas to assure that the congressional intent is well understood.

One part of NOAA's program that is of particular interest to me as a representative from a coastal State is that on ocean dumping research. In fact, one does not have to be from a coastal State to be concerned about the impacts of continued dumping of sewage sludge into the ocean, a practice still conducted in several parts of the country. I am hopeful that NOAA's research programs may identify useful solutions to this problem.

Mr. Speaker, I support passage of H.R. 2803, and urge that my colleagues support the bill as well.

Mr. CARNEY. Mr. Speaker, I yield 2 minutes to the gentlewoman from Nebraska (Mrs. SMITH).

Mrs. SMITH of Nebraska. Mr. Speaker, I rise to express my concern about some of the priorities in this legislation.

Accurate and timely weather forecasting is of utmost importance to my district. Farmers, ranchers, and pilots all stake their lives and their livelihoods on information from our National Weather Service offices. This desperately needed information about the weather may no longer be available to my constituents and to the constituents of many of my colleagues if the funding priorities in this bill are not altered.

The committee recommends an increase of $7 million for improvements to the automation of field operations and services systems and a decrease of $737,000 for Weather Service offices—a decrease that could cause the closing of 38 part-time Weather Service offices and a reduction of 85 positions.

These part-time Weather Service offices are vital to rural areas. Since this is true, I think several important factors need to be addressed by the committee in the future.

I am concerned that in our year to reduce Federal spending that we risk cutting in haste without the luxury of being able to repent with any effect at leisure. Since I feel so strongly about the proposed cuts for the National Weather Service, I am urging the President to reconsider and review his proposal to close these small stations. I believe we can reorder our priorities without increasing spending because it should be our primary goal to insure that life and property are adequately protected before funding expensive and esoteric programs such as weather modification.

I would like to point out more specifically why our station in the Third District of Nebraska is important.

At present, Nebraska's station in Valentine covers an area north of Pierre, S. Dak., east to Lake Andes, south to North Platte, Nebr., west to Gordon, Nebr., and up to Mount Rushmore in S. Dak. It makes reports to other regional stations, to farmers and ranchers, and to pilots. If the Valentine station is closed, the radar coverage will no longer encompass the area once served by the local station. This is true because the station in Alliance, Nebr., will soon be moved to Scottsbluff, Nebr. This action will move the radar coverage that much further away from Valentine. The circular radar coverage from the new Scottsbluff station will miss Valentine by 25 nautical miles.

It is of great concern to me that just because this station only employs one Federal employee that it is labeled as unimportant. First of all, in addition to the Federal part-time person, Valentine employs three contract observers who take over from 2 p.m. to 8 p.m. each day and work all day Saturdays, Sundays, and holidays. Second, they take care of three observations each day and split up the tour of duty of 17 to 18 hours per day.

NOAA felt that Valentine's closing would be inevitable after August 1, 1981, since the current Federal employee is retiring. But, since this person does have a replacement to man the station after August, this is not a problem.

Valentine's staff also gives weather reports to area AM and FM radio stations. This includes reports for the Merit Dam area which is located 25 miles southwest of Valentine. It is possible that 6,000 people are vacationing at this dam on a long weekend or holiday. No other station in the area can adequately serve this location with weather forecasts.

The Valentine weather station also provides aircraft briefs. The staff takes about 100 calls each month from pilots. This is the only station that gives complete reports for pilots including fog reports and sudden changes in the weather. The regional stations only provide hourly and sometimes incomplete reports for this area which would be inadequate if a severe storm developed within the hour. Finally, regional stations could not give enough advanced notice to the area the Valentine station already covers. Consequently, if a tornado should arise, this disaster could wipe out an entire area without enough advanced notice.

My views are shared by most of the 36 colleagues whose districts are adversely affected and who are joining me in seeking a change in priorities to protect the lives and property of those Americans.

My own Appropriations Committee has attempted to address this personnel problem in a bill that will be considered by the House later this week.

I commend my good friend and colleague, Chairman NEAL SMITH of the Appropriations Subcommittee for handling this matter. The subcommittee has given our stations a 6-month reprieve. This has given us time to seek reconsideration, but the issue remains a live one that is continuing to cause many Members grave concern.

Mr. CARNEY. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. GOLDWATER), a member of our committee.

Mr. GOLDWATER. Mr. Speaker, I rise in support of H.R. 2803. This is the first authorizing effort to get a better handle on what NOAA is doing, and I commend my colleagues on the Science and Technology Committee for making this effort.

I would like to discuss just briefly a matter which my friend and colleague from Nebraska (Mrs. SMITH) was discussing, and that involves NOAA's program concerning the National Weather Service fruit frost forecast and advisory program. The committee has urged NOAA to enter into a cooperative agreement with program users regarding the meteorological equipment which generates data upon which the fruit frost forecasts are based. It is our recommendation, and I want to emphasize this quite clearly, that the equipment be left in place so that the program's users, who are well versed in the operation of the equipment, will continue to receive fruit frost advisories without a break in service with the assistance of private contractors.

Mr. Speaker, I believe that program has made a very good contribution to our agricultural programs, enabling farmers and agriculture experts to better predict and ward off the devastating effect of frost.

I would ask my colleague and chairman of the subcommittee, Mr. SCHEUER, if the report language on page 25 clearly reflects the intent of the committee in recognizing the importance of this program and in fact a phasing out of Government's participation, with the responsibility being picked up by the contractors, and in fact the importance of leaving as much equipment and related kinds of activities in place so that the service can be continued.

Mr. SCHEUER. Yes; I am happy to answer my colleague that that statement on page 25 of our report is a very clear statement of our absolute intent that there will be no break in the service of fruit frost forecasting advisories. We expect the transition to take place, but we are insistent that it be done without any break in the continuity of that highly important advisory service.

Mr. GOLDWATER. I thank the chairman for his contribution. I would also like to recognize the deep concerns and efforts of my colleague from California, BOB LAGOMARSINO, who has been following this program with a great deal of interest and concern.

□ 1320

Mr. LAGOMARSINO. Mr. Speaker, will the gentleman yield?

Mr. GOLDWATER. I am glad to yield to the gentleman from California.

Mr. LAGOMARSINO. Mr. Speaker, I thank the gentleman from California (Mr. GOLDWATER) for yielding, I want to associate myself with his remarks, and I want to commend the committee for dealing with a very difficult problem in a very realistic and responsible way.

I think the recommendation of the committee is workable. While it will not be easy to put this together, I think it can be done. As I say, I think it is a responsible and workable arrangement.

The fruit frost forecast service is very important, especially in California, especially with the specialty crop areas, citrus fruits, and so on.

Mr. Speaker, I thank the gentleman again and commend him for his efforts.

Mr. GOLDWATER. Mr. Speaker, I thank the gentleman from California (Mr. LAGOMARSINO).

I believe that the fruit frost forecast advisory program is important. Although I would personally like to see it retained in its entirety, I recognize the budgetary urgencies that led to its cutback, and I think this phasing out to private contractors and industry participation is a responsible approach to the budgetary matters.

Mr. CARNEY. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, I have no further requests for time, and I would like to close by thanking the committee and the committee staff for their yeoman service. I want to commend the ranking minority member, Mr. WINN, and I thank the chairmen of both the subcommittee and full committee for their cooperation and the help they have given to the minority.

● Mr. DERWINSKI. Mr. Speaker, this bill is a progressive step toward providing for a more intelligent and comprehensive overview of programs under the jurisdiction of the National Oceanic and Atmospheric Administration (NOAA). Up until now, NOAA, for the most part, has been funded primarily through direct appropriations. Under the bill before us, more than half of NOAA's programs will be authorized.

The administration supports this bill since it meshes with its program to provide an effective and efficient bureaucracy.

It is a basic fact of life that changes occur in top-level positions in government when a new administration takes office. That was clearly recognized by the landmark Civil Service Reform Act which laid down special ground rules to govern changes in top executive positions during the early stages of a new transition.

From all the indications, I think the Civil Service Reform Act is working as intended, and certainly has not created obstacles for agencies such as NOAA. I hope NOAA, in turn, will abstain from any empire building and put its emphasis on the quality of performance by its executives already on board.●

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New York (Mr. SCHEUER) that the House suspend the rules and pass the bill, H.R. 2803, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended, and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. SCHEUER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

OFFICE OF RESEARCH AND DEVELOPMENT, ENVIRONMENTAL PROTECTION AGENCY AUTHORIZATIONS, 1982

Mr. SCHEUER. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3115) to authorize appropriations for environmental research, development, and demonstrations for the fiscal year 1982, and for other purposes, as amended.

The Clerk read as follows:

H.R. 3115

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Environmental Research, Development, and Demonstration Act of 1982".

PROGRAM AUTHORIZATIONS

SEC. 2. (a) There are authorized to be appropriated to the Environmental Protection Agency for environmental research, development, and demonstration activities for the fiscal year 1982 for the following activities:

(1) for air quality activities authorized under the Clean Air Act—

(A) in the Oxidants research program, $19,076,000;

(B) in the Hazardous Air Pollutants research program, $10,768,000;

(C) in the Mobile Sources research program, $6,253,000;

(D) in the Gases and Particles research program, $29,332,000;

(2) for water quality activities authorized under the Clean Water Act—

(A) in the Water Quality research program, $20,906,000, of which $2,000,000 is authorized for the Great Lakes research program through the Environmental Protection Agency's Large Lakes Research Station, Grosse Ile, Michigan and $1,000,000 is authorized for research to develop environmentally sound methods to control aquatic weeds;

(B) in the Municipal Wastewater research program, $19,585,000, of which $3,200,000 is authorized for the Sludge Management research program;

(C) in the Industrial Wastewater research program, $10,598,000;

(3) for water supply activities authorized under the Safe Drinking Water Act, $29,713,000, of which $5,000,000 is authorized for the Groundwater research program through the Robert S. Kerr Laboratory in Ada, Oklahoma and $500,000 is authorized for a study of ground water protection and quality enhancement in the Long Island Pine Barrens in Suffolk County, New York;

(4) for solid and hazardous waste activities authorized under the Resource Conservation and Recovery Act, $27,046,000, of which $1,200,000 is authorized for environmental studies and a demonstration project for cleanup of hazardous wastes at one or more of the following sites: Coventry, Rhode Island; North Smithfield, Rhode Island; and Wood River Junction, Rhode Island;

(5) for pesticide activities authorized under the Federal Insecticide, Fungicide, and Rodenticide Act, $6,876,000;

(6) for radiation activities authorized under the Public Health Service Act, $2,982,000;

(7) for interdisciplinary activities, $6,484,000;

(8) for toxic substances activities authorized under the Toxic Substances Control Act, $34,008,000;

(9) for energy activities—

(A) in the Energy Control Technology program, $40,987,000;

(B) in the Energy Health Effects program, $7,057,000;

(C) in the Energy Ecological Effects program, $16,335,000;

(D) in the Energy Monitoring Systems program, $480,000;

(E) in the Acid Rain program, $9,037,000.

(b) There are authorized to be appropriated to the Environmental Protection Agency, Office of Research and Development, for fiscal year 1982, for program management and support, $8,712,000.

(c) When he finds it in the public interest, the Administrator of the Environmental Protection Agency is authorized to utilize funds authorized in subsection (a) or (b) for appropriate scientific and professional review of research and development grant, contract, and cooperative agreement applications.

(d) Funds may be transferred between the categories listed in subsections (a) and (b) except that no funds may be transferred from any particular category listed in subsection (a) or (b) to any other category or categories listed in any such subsection if the total of the funds so transferred from that particular category would exceed 10 per centum thereof, and no funds may be transferred to any particular category listed in subsection (a) or (b) from any other category or categories listed in any such subsection if the total of the funds so transferred

to that particular category would exceed 10 per centum thereof, unless—

(1) a period of thirty legislative days has passed after the Administrator of the Environmental Protection Agency or his designee has transmitted to the Speaker of the House of Representatives and to the President of the Senate a written report containing a full and complete statement concerning the nature of the transfer involved and the reason therefor; or

(2) each committee of the House of Representatives and the Senate having jurisdiction over the subject matter involved, before the expiration of such period, has transmitted to the Administrator written notice to the effect that such committee has no objection to the proposed action.

(e) The Administrator shall establish a separately identified program of continuing, long-term environmental research and development for each activity listed in subsection (a) of this section. Unless otherwise specified by law, at least 15 per centum of funds appropriated to the Administrator for environmental research and development for each activity listed in subsection (a) of this section shall be obligated and expended for such long-term environmental research and development under this subsection.

SEC. 3. Appropriations made pursuant to the authority provided in section 2 of this Act shall remain available for obligation for expenditures, or for obligation and expenditure, for such period or periods as may be specified in the Acts making such appropriations.

ENCOURAGING HIGH QUALITY RESEARCH

SEC. 4. (a) PEER REVIEW IN PLANNING.—(1) The Administrator of the Environmental Protection Agency shall conduct a study of the use of peer review in research planning by means of a pilot project.

(2)(A) The pilot project shall involve peer review of research planning documents for one or two areas of research at an appropriate time in the Agency planning cycle.

(B) Peer review panels shall be selected by the principal research official of the Agency in accordance with general criteria which shall be developed by the Science Advisory Board (established in section 8 of Public Law 95-155). Members of the panels shall be outstanding members of the scientific or engineering community in areas related to the research plan being reviewed.

(C) The peer review panels shall comment on the technical and scientific quality of the research plans and shall assign relative priorities on the components constituting the research plans in accordance with general criteria established by the Agency and the Science Advisory Board.

(D) The Administrator is authorized to pay to non-Federal members of the peer review panels reasonable and justified expenses incurred by them in carrying out the provisions of this subsection.

(3) The Administrator shall report to the Congress and inform the Science Advisory Board on the results of this study within one year after the date of the enactment of this Act. The report shall include recommendations for future use of peer review in Agency research planning.

(b) REVIEWS OF THE SCIENTIFIC LITERATURE.—(1) Based upon recommendations made pursuant to paragraph (2) of this subsection, the principal research official of the Agency shall commission annually several critical reviews of the scientific, technical, or engineering literature in various fields of importance to the Agency's mission.

(2) The Science Advisory Board shall establish and publish general criteria for use by the principal research official of the Agency in (A) selecting technical areas for review; (B) defining the scope of the review; (C) selecting review processes or reviewers; and (D) determining when a review should be updated.

(3) The principal research official of the Agency shall solicit advice from relevant non-Federal scientific and technical groups in arranging for these critical reviews.

(4) The reviews shall be prepared with the intent of publication in high quality technical journals or as monographs.

(c) ASSURANCE OF DATA QUALITY.—(1) Within one hundred and eighty days after the enactment of this Act the Administrator shall develop and promulgate straightforward procedures, which are accurate and understandable to the nonprofessional for assuring that Agency research programs (whether in-house or by contract or cooperative agreement) produce data that are of verifiable accuracy. Such procedures shall contain data quality assurance protocols including provisions for (A) appropriate, scientifically dependable (and where appropriate standardized), well-characterized sampling plans; (B) well characterized (and where available, standardized) measurement methods including measurement assurance methods; (C) clearly defined data-reduction schemes; and (D) description of the experiment in sufficient detail to permit replication.

(2) Reports of research work supported by the Agency shall state plainly and prominently whether or not the work was performed and reported in accordance with the procedures promulgated pursuant to paragraph (1) of this subsection.

(d) EFFECTIVE DATE.—This section shall take effect on October 1, 1981.

INTEGRATION OF RESEARCH AND DISSEMINATION OF INFORMATION

SEC. 5. (a) The Administrator of the Environmental Protection Agency shall conduct a study on (1) coordination of the Federal government's efforts in environmental research, development, and demonstration, (2) the application of the results of such efforts to environmental problems, and (3) opportunities for improved dissemination of information generated from such efforts and for better cost effectiveness of environmentally related research integration of environmental, health, and other data systems operated by various Federal agencies.

(b) The study shall (1) be developed and managed by the Science Advisory Board in consultation with the program offices of the Environmental Protection Agency and with an interagency advisory committee whose membership includes representatives of the Office of Management and Budget and of all agencies conducting, collecting, or using the results of environmental research, and (2) provide for an oversight and review role by the National Academy of Sciences.

(c) The study shall conclude with a report to be submitted to the President and the Congress eighteen months after the date of the enactment of this Act. The report shall include recommendations for action by the President, the Administrator, other agencies, or the Congress, as may be appropriate.

SEC. 6. No funds authorized to be appropriated under this Act may be used for the purpose of furthering or facilitating an intentional release of radioactive contaminated water from the Three Mile Island Reactor Number Two into the Susquehanna River or its watershed.

The SPEAKER pro tempore (Mr. BENNETT). Is a second demanded?

Mr. CARNEY. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from New York (Mr. SCHEUER) will be recognized for 20 minutes, and the gentleman from New York (Mr. CARNEY) will be recognized for 20 minutes.

The Chair recognizes the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 3115 authorizes fiscal year 1982 appropriations of $306 million for the research program of the EPA. This is an authorization equal to the President's request and $60 million below the fiscal year 1981 appropriation.

This funding will support environmental research on air and water quality, drinking water, hazardous waste, pesticides, radiation, toxic substances, and energy.

Mr. Speaker, the bill is essentially the same legislation as reported by the Committee on Science and Technology with overwhelming bipartisan support on May 19. It is, however, brought up as an amendment in order to address two concerns. First, the amendment modifies language in the reported bill that would have directed the EPA to spend specific amounts of appropriations on specified research projects. The Appropriations Committee raised objections to this language, and the amendment is the product of a compromise worked out by our two committees that resolves this particular matter.

Second, Mr. Speaker, the amendment also includes language offered by the gentleman from Pennsylvania (Mr. WALKER) that would prevent the use of any funds authorized to be appropriated under this bill for facilitating the release of radioactive waters from the damaged Three Mile Island reactor into the Susquehanna River.

Mr. Speaker, before I get further into the specifics of this legislation, I would like to thank the chairman of the full committee, the distinguished gentleman from Florida (Mr. FUQUA), as well as the ranking minority member, the gentleman from Kansas (Mr. WINN), for their efforts and outstanding leadership in support of this bill. I would like to express my appreciation to the ranking minority member of the subcommittee, my colleague, the gentleman from New York (Mr. CARNEY), for his exceptionally fine work, professionalism, and cooperation in preparing this legislation.

Mr. Speaker, it is axiomatic that the soundness of our environmental policy decisions depend greatly on the quality of the information considered. In-

formation adequate to the challenge of making some of these very tough and potentially very expensive decisions is vitally important, and can only come from a high-quality research program.

This bill contributes to the goal of insuring development of a high-quality EPA research program by promoting better research planning, improved research coordination, greater distribution and accessibility of the scientific information and generation of more accurate and more reliable data on the environment.

As we discussed a few minutes ago on the NOAA bill, this is an age where obligations that, under the regulatory process, we would impose on industry for cleaning up the air that we breathe, the water that we drink, and the land that we use, are coming under increasingly skeptical and hostile scrutiny as to whether we have considered adequately enough the costs and benefits of these regulatory decisions. We must consider the costs that these decisions would produce for industry, which, of course, Mr. Speaker, inevitably gets passed on to the consumer, and we must also consider the benefits they produce for our society. Without an accurate and reliable data base, without an actual basis for making these decisions, they simply are not going to get the public support they need in our communities across the country nor the support that is essential for their acceptance by this Congress.

In addition to assuring development of a higher quality of EPA research, the bill provides guidance to the agency on the funding and direction of its research that we believe is necessary for dealing with the environmental problems facing our Nation.

The bill authorizes $306.2 million for the research programs of EPA. These authorizations include: $65.4 million for air, $51.1 million for water quality, $29.7 million for drinking water, $27.1 million for hazardous waste, $6.9 million for pesticides, $3 million for radiation, $6.5 million for interdisciplinary, $34 million for toxic substances, $73.9 million for energy, and $8.7 million for program management and support.

While the overall authorization equals the administration's request, the Committee on Science and Technology reported H.R. 3115 with increased funding levels for certain subprograms considered by the bill. I would like to describe briefly these differences.

In the air research program, a $1,000,000 increase is provided for research on the formation and movement of air pollutants in the atmosphere. The National Commission on Air Quality, in its recent report to the Congress, pointed out alarming deficiencies in our knowledge about air pollutants and this increase should help to overcome this weakness.

In water quality research, there is an increase of $3,050,000 which will restore, in part, research programs related to the Great Lakes, aquatic weeds, and toxic pollutants in the water. A small portion of this increase, $200,000, is for the EPA research program on sewage sludge management that they will engage in cooperatively with NOAA. This will be a cross-media study on the comparative costs and benefits of different methods of disposing of ocean sludge. Since we have to make very important decisions about sludge disposal involving billions of dollars of expenditures, this modest increase for EPA and NOAA is critically needed.

The largest increase provided in the bill is for the energy research program, $3,750,000.

□ 1330

Now, Mr. Speaker, we are engaged in a crash program in this country of freeing ourselves of dependence on Persian Gulf oil. This dependence has a devastating effect on our economy. We are recycling over $100 billion a year to oil producers and this has a critical effect on the freedom with which we can make political decisions and diplomatic decisions as well.

So as we move toward exploitation of our own coal deposits, some of which is high-sulfur coal, as we move toward exploiting oil shale, and as we move toward any number of creative alternative sources of producing energy as alternatives to Persian Gulf oil, we will face some serious environmental problems. Thus, the committee places a high priority on insuring that these activities proceed in an acceptable manner which does not degrade either our environment or our health. Responding to this concern, the committee reported the bill with increases in the following energy research areas: $1 million for control technology; $1.25 million for health effects; $1.25 million for ecological effects; and $0.25 million for monitoring systems.

A research effort in the energy program that I wish to note especially is acid rain research. Over $9 million, the administration's request, is provided in the bill for acid rain studies, which is an increase of $1.9 million from the $7.1 million spent on acid rain research by EPA in 1981. This is a critical problem, especially in my own State, New York. I applaud the administration for their commitment to this program and I hope that in the near future, effective steps will be taken to solve this problem.

The final item which this bill provides an increase for is program management and support—$200,000. This increase is specifically for travel to contractor sites and for professional development opportunities and is intended to improve research quality and review of contracted work.

All these increases are offset by a decrease of $4 million in both the toxic substances program and the hazardous waste program. Both of these programs have experienced rapid growth in the past few years and are adequately funded in view of the total Federal effort in these areas.

In closing, it is my feeling that the Nation is confronted with serious environmental, as well as economic problems, that demand viable and effective solutions.

Part of the answer to these problems lies in a strong environmental research program. I think we should all come to the consensus that this is urgently needed. This bill will provide such strength and I urge its adoption.

Mr. CARNEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am pleased to rise in support of H.R. 3115, which authorizes environmental research, development, and demonstration activities by the Environmental Protection Agency for fiscal year 1982. There are several reasons why I believe it appropriate, if not essential, that the House pass this bill, and I will discuss each of them in turn.

First, however, I would like to congratulate the chairman of the subcommittee, Mr. SCHEUER, for the outstanding job he has down in shaping this bill and moving it to the floor. This job was made all the more difficult by the early desire of many of our subcommittee members to increase funding in a number of areas, so as to strengthen the environmental research and development program. Unfortunately, this very understandable approach conflicted with the increasingly evident need to reduce spending and maintain programs within the funding levels recommended by the President.

It was to our subcommittee chairman's credit that, recognizing the desire of our committee to put a lid on spending, he worked diligently to identify the best possible program elements within the reduced spending levels available to us. A stronger, more well balanced environmental research and development program has surely resulted from his efforts.

I would also like to thank the chairman of the full committee, Congressman DON FUQUA, and our ranking minority member, Congressman LARRY WINN, for their help and support in bringing this bill to the floor.

Mr. Speaker, before I describe some of the specific programs in this bill, I would like to explain what they do in a general sense. Specifically, these programs provide the information base needed to effectively implement the laws we have already passed to protect the environment, and to solve

a number of urgent environmental problems. The environmental research programs contained in this bill also provide the information foundation on which Congress and the executive branch must rely in order to make sound environmental policy decisions. I think it is essential that we continue the important work being done under these programs, and that full and complete guidance as to the intent of Congress be provided to the Environmental Protection Agency for its conduct of these programs. That is one of the main purposes of this bill.

There is another basic reason why we should provide detailed guidance at this time, and that is to reaffirm our environmental commitment and the sense of the Congress that an aggressive effort must be continued to protect the public health and welfare. I note this fact because there have been some disturbing signs of late, emanating from the Environmental Protection Agency itself, that this commitment may be wavering.

These signs include the decision not to spend an additional $100 million in fiscal year 1981 funding, most of which would come out of the research and development program. Also, EPA has recently undergone a major reorganization which, among other things, split up the Agency's enforcement office, possibly indicating a reduced emphasis on enforcing our environmental laws. Finally, some recent nominations to top positions at EPA indicate that a more proindustry stance will be taken than has been the case in the past. While the pendulum perhaps swung too far on previous occasions in the environmental direction, what we need now is a proper balance, rather than a swing in the opposite direction. The bill before us today is one mechanism for maintaining the needed balance.

Mr. Speaker, our subcommittee chairman has done a very thorough job today of outlining the major provisions of the bill, and I will not attempt to repeat them. However, I would like to mention a few topics in particular and describe why I believe they make worthwhile contributions to environmental research and development.

The bill includes an increase of $200,000 over the President's request, for a total $3.2 million, for sludge management research. The increase is for a cooperative effort with other Federal agencies, such as NOAA, to conduct a multimedia evaluation of the environmental effects of sewage sludge disposal. For several reasons there is increasing pressure to open up the ocean again for disposal of certain wastes. Before this may be permitted, we must have an adequate understanding of the comparative environmental effects of waste disposal by ocean dumping, landfill, incineration, and other available options. That is what this bill would provide, and I endorse this wholeheartedly.

Also in this bill is a provision providing $500,000 for a study of ground water protection and quality enhancement in the Long Island Pine Barrens. This study is considered necessary in that the population and industry of the surrounding area are entirely dependent on ground water as their only water source, and the aquifer underlying this area is the sole source aquifer for the vicinity. The need exists to preserve and enhance this resource, which has become partly contaminated due to intensive land use at the surface. Only by protecting the remaining section of the pine barrens overlying the deepest and purest portion of the aquifer can the natural cycle of pure rainwater replenishment of the aquifer continue, and this heavily populated region be assured safe and adequate drinking water. I am personally committed toward protecting the sole source aquifer underlying Long Island, and support this provision of the bill. Finally, the study will be applicable to other areas of the country that are also served by sole source aquifers, and for which real or potential contamination problems are of concern.

A third provision of note is that which directs $1.2 million for a demonstration project for cleanup of hazardous wastes at several locations in Rhode Island. This action was taken due to the committee's concern that these waste sites constitute a serious environmental problem, as well as a potential threat to public health. At each site the potential exists for ground water, soil, and air contamination by harmful substances known to have deleterious health effects. Given the lack of prior experience with cleanup of such sites, there is a lack of knowledge regarding the technology needed to develop and initiate measures to safeguard the public health and to prevent a potential environmental catastrophe. Consequently, the bill calls for an EPA-sponsored demonstration project which will help to provide the information necessary to safely and efficiently address the health and environmental problems associated with the dump sites. Such a demonstration project would also hopefully provide EPA with information for broader application and use in meeting its responsibilities under the Agency's toxic waste programs.

Finally, the bill includes over $9 million for EPA's research program on acid rain. I do not want to go into detail on the effects of acid rain on lakes and forests, crops, building surfaces, and human health. I will just say it is essential that we conduct research on the causes of acid rain, its impact, and the means to mitigate its effects. EPA conducts a major part of the Federal effort in this area, and the continuation and expansion of this effort, as called for by this bill, is necessary beyond any doubt.

Mr. Speaker, I will conclude my statement by noting that H.R. 3115 provides authorization for environmental research and development programs that are vital to the continued well being of the Nation. The bill also reaffirms our commitment to maintaining a safe and attractive environment for our people. I urge its passage.

Mr. Speaker, I yield such time as he may consume to the ranking minority member of the full committee, the gentleman from Kansas (Mr. WINN).

Mr. WINN. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, the bill before us, H.R. 3115, provides funding of $306,236,000 for research and development activities of the Environmental Protection Agency for fiscal year 1982. It will permit the continuation of essential efforts in the control of hazardous wastes, pesticides, radiation, and toxic substances, and will also continue programs that maintain the quality of our air and drinking water.

Although I am pleased that our committee has reported a bill that provides the proper emphasis in each of these areas, and includes several new initiatives that will be described by the members of the subcommittee responsible for this subject, I am particularly pleased by the fact that we have stayed within the President's requested budget in doing so. I think it is important that spending levels be considered just as urgent as programmatic considerations in preparing bills such as the one before us now, and I would note that the minority members of our committee worked especially hard to achieve this result.

I would like to commend the chairman of our committee, Congressman DON FUQUA, for his leadership in recognizing the need to strike the proper balance, and to thank him for his cooperation and support in developing the best possible environmental research and development program. I would also like to recognize Congressman BILL CARNEY, the ranking minority member of the subcommittee, for his exceptionally hard work and several creative modifications to the original proposal, both factors which resulted in the committee's adoption of the bill.

Mr. Speaker, I support the adoption of H.R. 3115.

□ 1340

Mr. CARNEY. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. FORSYTHE), a member of the committee.

Mr. FORSYTHE. Mr. Speaker, I rise in support of H.R. 3115, the Environmental Research, Development and Demonstration Act of 1982. This bill demonstrates our continuing commit-

ment to maintaining a clean environment, and lays the basis for obtaining information needed to improve our environment in the face of new threats and increasing sources of pollution.

Aside from its programmatic aspects. H.R. 3115 also demonstrates that it is possible to maintain sound Government policies without going overboard on spending. As other members of the Committee on Science and Technology have already noted, this bill is within the President's budget request. This is a fact of which our committee is justifiably proud, and a practice which I hope will continue on other bills, and in future years as well.

In this respect, I wish to offer my congratulations to the several members of our committee on both sides of the aisle who worked toward achieving a balanced budget on the EPA bill, Special credit is due to our ranking minority member, LARRY WINN, and to the ranking minority member of the responsible subcommittee, BILL CARNEY.

Mr. Speaker, this bill addresses problems of acid rain, ground water protection, sludge management, toxic dump sites, air pollution, and other matters that affect us not as individuals, not as representatives of particular areas or regions, but as citizens of the United States. These problems need to be faced up to, and that is what the research and development programs in this bill help us to do. I urge the passage of H.R. 3115.

Mr. CARNEY. Mr. Speaker, I yield 5 minutes to the gentleman from Pennsylvania (Mr. WALKER), a member of the committee.

Mr. WALKER. Mr. Speaker, I rise in support of the legislation before the House. One of the longstanding complaints against the Environmental Protection Agency has been that it has far too frequently been in a rush to regulate. As a result, critics claim, too many of EPA's regulations have been impossible to meet. Over the years, many of those regulations have been found by the courts to be based on either flawed research, or insufficient research.

This bill authorizes the environmental research activities of EPA for the coming year. In 4 years of service as the ranking minority member on the subcommittee which oversees this program, I learned that we must have a first-class research capability in this area. Only through good research can we ever hope to get good regulations. Even those critics of the Agency must realize that good research can protect us from bad regulations. On the merits, this bill deserves the support of all Members.

Mr. Speaker, I want to commend the distinguished gentleman from New York, the chairman of the subcommittee, for the work he has done on this legislation, which I support enthusiastically. Could the gentleman tell me if the committee agrees with me that the intent of section 6 of the bill is to prevent the Administrator of EPA from doing anything to further any plan to dump the radioactive waste water resulting from the Three Mile Island nuclear accident into the Susquehanna River?

Mr. SCHEUER. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. The gentleman from Pennsylvania, the author of section 6, is exactly correct. The purpose of this particular section is aimed at preventing the intentional dumping of those radioactive waters from the crippled reactor into the river.

Mr. WALKER. And would the gentleman from New York also agree that this section only applies to the damaged reactor, and not to the other reactor at Three Mile Island?

Mr. SCHEUER. The gentleman from Pennsylvania is correct. The language specifically refers to reactor 2 and does not affect the undamaged unit which is reactor No. 1.

Mr. WALKER. Mr. Speaker, I would also like to ask my friend, the gentleman from New York who serves as the ranking minority member on the subcommittee, if he also agrees with the chairman of the subcommittee as to the effect of this section?

Mr. CARNEY. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from New York.

Mr. CARNEY. I would assure the gentleman from Pennsylvania that I fully agree with my colleague from New York that the chairman of our subcommittee has correctly stated the purpose and the effect of this section.

Mr. WALKER. Mr. Speaker, I want to thank both of the gentlemen from New York for their assurances. This is highly meritorious legislation which is the keystone of our efforts to protect the environment. In the last Congress, I was honored to serve as the ranking minority member of the subcommittee which developed this legislation and I can assure the House that without a strong program of research and development it is absolutely impossible to regulate with confidence. The committee has done an excellent job of examining the program and has made a number of excellent suggestions for establishing priorities. I fully support the bill and I urge my colleagues to join me in voting for its passage.

I would also like to point out that section 6 of the bill contains a prohibition against the Administrator of the Environmental Protection Agency doing anything to further or facilitate the intentional release of any radioactive water from the crippled Three Mile Island nuclear reactor. This provision is in response to those who have continually advocated that more than 600,000 gallons of radioactive water resulting from the accident at Three Mile Island can be safely dumped into the Susquehanna River.

Mr. Speaker, I represent tens of thousands of Pennsylvanians who live in the shadow of Three Mile Island and who draw their drinking water from the Susquehanna River. We lived through the disaster. We lived through the recovery. We lived with the fact that we were misled, and that we were not told the truth on many points. We were manipulated by the media and by petty bureaucrats, and we lived through that, too. But each time a new proposal surfaces to dump that radioactive water into our water supply, we rise up and say, "Enough is enough."

The issue here is simple. The proponents of dumping that radioactive water into our drinking water supply know that there are other ways of disposing of it that are safe, but they cost somewhat more. So they must think that the almighty dollar is more important than thousands of people whose only mistake is living downstream from Three Mile Island.

Americans are willing to spend millions of dollars to save the life of a single downed airman. This section, Mr. Speaker, is our way of sending a message to those bankers and lawyers and engineers who cannot seem to understand that people are more important than profits. Human life is a precious thing. We are telling them that they can not save a few dollars and risk thousands of lives and the fragile ecosystems of the Susquehanna River and Chesapeake Bay. The risks are just too great.

Mr. SCHEUER. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. BROWN).

Mr. BROWN of California. Mr. Speaker, the bill before the House today, H.R. 3115, authorizing fiscal year 1982 appropriations to the Office of Research and Development of the Environmental Protection Agency is one whose passage I opposed in the full Science and Technology Committee. The committee's actions would seriously jeopardize the effectiveness of environmental research and development programs, and reduce the Government's credibility in promulgation, implementation, and enforcement of environmental regulations. Major legislation will be reviewed during this Congress and significant policy changes are likely to be recommended by this administration in the environmental area. It is irresponsible to erode the R. & D. base by which Congress must make its environmental policy decisions. It is naive to believe that industry and the private sector will bear the major burden of research and produce the significant data by

which we make decisions to protect the public health and the environment. It is the very lack of an adequate data base that opponents of responsible regulation use to justify elimination of standards and regulations.

Over the past years EPA R. & D. programs have experienced serious and real cuts. I believe these cuts have gone too far and regret that I cannot support this legislation.

□ 1350

Mr. SCHEUER. Mr. Speaker, I yield 5 minutes to the distinguished chairman of the full committee, the gentleman from Florida (Mr. FUQUA), and I would like to thank him for his outstanding leadership in support of this bill.

Mr. FUQUA. Mr. Speaker, I want to commend the gentleman from New York (Mr. SCHEUER) and the distinguished gentleman from New York (Mr. CARNEY), the ranking minority member of the subcommittee, for the outstanding work they did in developing this bill under very difficult circumstances. In light of the budget constraints that we are faced with, I think they did a very good job within the limits of funds that were available, and I do want to commend them for that.

Mr. Speaker, H.R. 3115 authorizes fiscal year 1982 appropriations of $306.2 million for the research programs of the Environmental Protection Agency, equal to the President's request and $60 million below the fiscal year 1981 appropriation. This funding will support environmental research on air water quality, drinking water, hazardous waste, pesticides, radiation, toxic substances, and energy.

The research programs authorized by this bill will have a profound impact on the future health and well-being of the general public and our environment. These programs generate knowledge about the nature of environmental pollutants and the means by which these pollutants may be controlled and diminished.

Environmental contaminants such as hazardous waste, toxic substances, energy-related pollutants, and others present real dangers to our society. We must know what these dangers are and how they can be mitigated. With this knowledge, we can develop sound and reasonable strategies for protecting our environment while striking a proper balance between societal and economic goals.

The research programs of the Environmental Protection Agency serve an important service. They not only produce information needed to implement our environmental statutes, but information that the Nation needs to make environmental policy decisions. This legislation gives the necessary authorization and guidance for these efforts and I strongly urge its favorable consideration by my colleagues in the House.

In closing I would like to comment on one program authorized in the bill that is of special interest to me—aquatic weed research.

Aquatic weeds are a major environmental problem in my State and in the other Sun Belt States. These weeds adversely affect water quality and marine life and cause flooding. Research is needed to learn how to control these weeds in ways other than by chemical or mechanical means, which are potentially harmful to marine life and humans.

For the past 4 years, the Congress has directed EPA to conduct research in aquatic weed control. The Agency has been slow to carry out such a program. As a result, the bill again authorizes $1 million for the EPA to support an aquatic weed research program.

I hope that the new administration will see fit to carry out this effort since it is vitally important.

Mr. CARNEY. Mr. Speaker, I have no further requests for time.

Mr. SCHEUER. Mr. Speaker, I have no further requests for time.

The SPEAKER pro tempore (Mr. BENNETT). The question is on the motion offered by the gentleman from New York (Mr. SCHEUER) that the House suspend the rules and pass the bill, H.R. 3115, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. SCHEUER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill H.R. 3115, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

TRANSFER OF MARITIME ADMINISTRATION TO DEPARTMENT OF TRANSPORTATION

Mr. JONES of North Carolina. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4074) to revise the laws pertaining to the Maritime Administration, as amended.

The Clerk read as follows:

H.R. 4074

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Maritime Act of 1981".

SEC. 2. The Maritime Administration of the Department of Commerce is transferred to the Department of Transportation.

SEC. 3. There are transferred to the Department of Transportation and vested in the Secretary of Transportation all functions, powers, and duties relating to the Maritime Administration of the Secretary of Commerce and of officers and offices of the Department of Commerce.

SEC. 4. There shall be at the head of the Maritime Administration an Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be compensated at the rate provided for level III of the Executive Schedule. The Maritime Administrator shall report directly to the Secretary of Transportation and shall perform such duties as the Secretary of Transportation shall prescribe.

SEC. 5. In carrying out any function transferred by this Act, the Secretary of Transportation may exercise any authority available by law to the Secretary of Commerce with respect to such function and the actions of the Secretary of Transportation in exercising such authority shall have the same force and effect as if exercised by the Secretary of Commerce on the day preceding the effective date of this Act.

SEC. 6. The personnel employed in connection with, and the assets, liabilities, contracts, property, facilities, records, and unexpended balance of appropriations, and other funds employed, held, used, arising from, available to, or to be made available in connection with the functions and offices, or portions thereof, transferred by this Act, including all Senior Executive Service positions, subject to section 202 of the Budget and Accounting Procedures Act of 1950, shall be transferred to the Secretary of Transportation for appropriate allocation. Personnel employed in connection with functions transferred by this Act shall be transferred in accordance with any applicable laws and regulations relating to transfer of functions. Unexpended funds transferred pursuant to this section shall be used only for the purposes for which the funds were originally authorized and appropriated, except that such funds may be used for the expenses associated with the transfer pursuant to this Act.

SEC. 7. The Director of the Office of Management and Budget shall make such determinations as may be necessary with regard to functions, offices, or portions thereof transferred by this Act, and shall make such additional incidental dispositions of personnel, assets, liabilities, grants, contracts, property, records, and unexpended balances of appropriations, authorizations, apportionments, allocations, and other funds held, used, arising from, available to, or to be made available in connection with such functions, offices, or portions thereof, as may be necessary to carry out the provisions of this Act.

SEC. 8. With the consent of the Secretary of Commerce, the Secretary of Transportation may use the services of such officers, employees, and other personnel of the Department of Commerce as needed to implement this Act.

SEC. 9. (a) All orders, determinations, rules, regulations, permits, grants, contracts, agreements, certificates, licenses, and privileges—

(1) which have been issued, made, granted, or allowed to become effective by the President, any Federal department or agency or official thereof, or by a court of

competent jurisdiction, in the performance of functions which are transferred under this Act to the Secretary of Transportation or the Department of Transportation, and

(2) which are in effect at the time this Act takes effect

shall continue in effect according to their terms until modified, terminated, superseded, set aside, or revoked in accordance with law by the President, the Secretary of Transportation, or other authorized official, a court of competent jurisdiction, or by operation of law.

(b)(1) This Act does not affect any proceedings, including notices of proposed rulemaking, or any application for any license, permit, certificate, or financial assistance, pending on the effective date of this Act, but such proceedings and applications, to the extent that they relate to functions so transferred and except as provided in paragraph (2), shall be continued at the Department of Transportation. Orders shall be issued in such proceedings, appeals shall be taken therefrom, and payments shall be made pursuant to such orders, as if this Act had not been enacted; and orders issued in any such proceedings shall continue in effect until modified, terminated, superseded, or revoked by the Secretary of Transportation, by a court of competent jurisdiction, or by operation of law. This subsection does not prohibit the discontinuance or modification of any such proceeding under the same terms and conditions and to the same extent that the proceeding could have been discontinued or modified if this Act had not been enacted.

(2) Actions of the Maritime Subsidy Board pending on review before the Secretary of Commerce on the day preceding the effective date of this Act shall remain with the Secretary of Commerce, unless otherwise agreed between the Secretary of Commerce and the Secretary of Transportation, for final administrative disposition as though this Act had not been enacted.

(3) The Secretary of Transportation may promulgate regulations providing for the orderly transfer of proceedings continued under paragraph (1).

(c) Except as provided in subsection (e)—

(1) the provisions of this Act shall not affect actions commenced prior to the effective date of this Act, and

(2) in all such actions, proceedings shall be had, appeals taken, and judgments rendered in the same manner and effect as if this Act had not been enacted.

(d) No action or other proceeding commenced by or against any officer of the Maritime Administration in his official capacity shall abate by reason of the enactment of this Act. No cause of action by or against the Maritime Administration or by or against any officer of the Maritime Administration in his official capacity shall abate by reason of the enactment of this Act.

(e) If, before the date on which this Act takes effect, the Secretary of Commerce is a party to an action, and under this Act any function of the Secretary of Commerce which is the subject of the action is transferred to the Secretary of Transportation, then such action shall be continued with the Secretary of Transportation substituted as a party.

(f) Orders and actions of the Secretary of Transportation in the exercise of functions transferred under this Act shall be subject to judicial review as if such orders and actions had been by the Secretary of Commerce exercising such functions immediately preceding their transfer. Any statutory requirements relating to notice, hearings, action upon the record, or administrative review that apply to any function transferred by this Act shall apply to the exercise of such function by the Secretary of Transportation.

SEC. 10. With respect to any function or office transferred by this Act and exercised on or after the effective date of this Act, reference in any other Federal laws to the Maritime Administration or any of its predecessor agencies or any officer or office the functions of which are so transferred shall be deemed to refer to the Secretary of Transportation, other official, or component of the Department of Transportation to which this Act transfers such functions.

SEC. 11. If any provisions of this Act or the application thereof to any person or circumstance is held invalid, neither the remainder of this Act nor the application of such provision to other persons or circumstances shall be affected thereby.

SEC. 12. CONFORMING AMENDMENTS.—(1) Title 5, United States Code, is amended as follows:

(A) Section 5314 is amended by inserting "Administrator, Maritime Administration", at the end thereof.

(B) Section 5315 is amended by striking "(8)" following the words "Assistant Secretaries of Commerce", and substituting "(7)".

(C) Section 5316 is amended by striking "Maritime Administration, Department of Commerce".

(2) Section 203 of the Act of August 14, 1946 (7 U.S.C. 1622), is amended by inserting ", or the Secretary of Transportation," after "regulatory body" in subsection (j).

(3) Title 10, United States Code, is amended as follows:

(A) Section 2664(a) is amended by—

(i) striking "Secretary of Commerce, and the Chairman of the Federal Maritime Board" in the introductory paragraph and substituting "Secretary of Transportation"; and

(ii) striking "Secretary of Commerce or the Federal Maritime Board by 1950 Reorganization Plan Numbered 21, effective May 24, 1950 (64 Stat. 1273)" in paragraph (3) and substituting "Secretary of Transportation".

(B) Section 2665 is amended by—

(i) striking "or the Federal Maritime Board" in subsections (a) and (b); and

(ii) striking "Federal Maritime Board" at the end of subsection (b) and substituting "Department of Transportation".

(C) Section 4745(a) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(D) Section 7361(b) is amended by—

(i) striking "Secretary of Commerce" and substituting "Secretary of Transportation"; and

(ii) striking "Department of Commerce" and substituting "Department of Transportation".

(4) Section 148 of title 14, United States Code, is amended by striking "United States Maritime Commission", and substituting "Maritime Administrator".

(5) Section 42(a) of Public Law 91-469 (15 U.S.C. 1507a) is repealed.

(6) The Act of February 14, 1903 (15 U.S.C. 1511), is amended by striking "(c) Maritime Administration;", and redesignating the paragraphs accordingly.

(7) Sections 3 and 8 of the Act of February 14, 1903 (15 U.S.C. 1512 and 1519), are amended by striking "shipping," and ", and the transportation facilities".

(8) Section 2 of Public Law 96-371 (15 U.S.C. 1519a) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(9) Section 500 of the Act of February 28, 1920 (15 U.S.C. 1528), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(10) Section 3 of the Act of July 19, 1940 (16 U.S.C. 18b), is amended by striking "United States Maritime Commission" and substituting "Department of Transportation".

(11) Section 1 of the Act of March 4, 1915 (31 U.S.C. 686), is amended by striking "Federal Maritime Commission" in subsection (a) and substituting "Maritime Administration".

(12) Section 2 of the Act of April 29, 1941 (40 U.S.C. 270f), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(13) Section 602 (c) and (d) of the Act of June 30, 1949 (40 U.S.C. 474), is amended in paragraph (16) by—

(A) striking "United States Maritime Commission" wherever it appears and substituting "Maritime Administration"; and

(B) striking "Commission" and substituting "Administration".

(14) Section 516 of Public Law 90-580 (40 U.S.C. 483a) is amended by inserting "the Department of Transportation," immediately after "the Department of Commerce,".

(15) Section 203 of the Act of June 30, 1949 (40 U.S.C. 484), is amended in subsection (i) by—

(A) striking "United States Maritime Commission" and substituting "Maritime Administration"; and

(B) striking "Commission" and substituting "Administration".

(16) Section 2 of the Act of June 22, 1942 (41 U.S.C. 50), is amended by striking "United States Maritime Commission" and substituting "Secretary of Transportation".

(17) Section 5 of the Act of July 1, 1944 (41 U.S.C. 105), is amended by striking "Chairman of the Maritime Commission" and substituting "Secretary of Transportation".

(18) Section 12 of the Act of July 1, 1944 (41 U.S.C. 112), is amended by striking "Maritime Commission" in subsection (h) and substituting "the Department of Transportation".

(19) Section 102 of the Act of August 9, 1955 (42 U.S.C. 1973cc-1), is amended by striking "Secretary of Commerce" in clause (10) and substituting "Secretary of Transportation".

(20) Section 1 of the Home Port Act (46 U.S.C. 18) is amended by striking "Director of the Bureau of Marine Inspection and Navigation of the Department of Commerce" and substituting "Secretary of Transportation or the Secretary of the Treasury".

(21) The Act of July 24, 1956, is amended by—

(A) striking "Secretary of Commerce" wherever it appears in sections 1, 2, and 3 (46 U.S.C. 249, 249a, and 249b) and substituting "Secretary of Transportation"; and

(B) striking "with the concurrence of the Secretary of the Treasury" in sections 1 and 3 (46 U.S.C. 249 and 249b).

(22) The Act of June 30, 1961 (46 U.S.C. 289b), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(23) The Act of October 25, 1919 (46 U.S.C. 363), is amended by striking "United

States Shipping Board" and substituting "Department of Commerce and the Maritime Administration".

(24) Section 6 of the Act of May 27, 1936 (46 U.S.C. 382b), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of the Department in which the Coast Guard is operating or the Secretary of the Treasury".

(25) The Suits in Admiralty Act is amended by—

(A) striking the last sentence of section 3 (46 U.S.C. 743);

(B) striking "United States Shipping Board" in section 7 (46 U.S.C. 747) and substituting "Maritime Administration";

(C) striking "or the United States Shipping Board" in section 9 (46 U.S.C. 749);

(D) striking "or of the United States Shipping Board" in sections 10 and 11 (46 U.S.C. 750 and 751); and

(E) striking "and the United States Shipping Board" in section 12 (46 U.S.C. 752).

(26) Section 9 of the Shipping Act, 1916 (46 U.S.C. 808) is amended by striking "United States Maritime Commission", "Commission", and "Secretary of Commerce" wherever they appear and substituting "Secretary of Transportation".

(27) Section 12 of the Shipping Act, 1916 (46 U.S.C. 811) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "It" wherever it appears and substituting "The Secretary";

(C) striking "it" wherever it appears and substituting "the Secretary"; and

(D) striking "its" wherever it appears and substituting "his".

(28) Section 14a of the Shipping Act, 1916 (46 U.S.C. 813) is amended by—

(A) striking "Commission" wherever it appears and substituting "Federal Maritime Commission"; and

(B) striking "Secretary of Commerce" and substituting "Secretary of Transportation or the Secretary of the Treasury".

(29) Section 21 of the Shipping Act, 1916 (46 U.S.C. 820) is amended in subsection (a) by—

(A) striking "Commission" in the first sentence and substituting "Federal Maritime Commission and Secretary of Transportation";

(B) striking "it" in the first sentence and substituting "it or him"; and

(C) striking "Commission" wherever it appears in the second sentence and substituting "Commission or Secretary".

(30) Section 37 of the Shipping Act, 1916 (46 U.S.C. 835) is amended by striking "Commission" and "Secretary of Commerce" wherever they appear and substituting "Secretary of Transportation".

(31) Sections 40 and 42 of the Shipping Act, 1916 (46 U.S.C. 838 and 840) are amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(32) Section 41 of the Shipping Act, 1916 (46 U.S.C. 839) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "its" and substituting "his".

(33) Section 1 of the Merchant Marine Act, 1920 (46 U.S.C. 861) is amended by striking "United States Maritime Commission" and substituting "Secretary of Transportation".

(34) Section 5 of the Merchant Marine Act, 1920 (46 U.S.C. 864) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(35) Section 101 of the Act of June 30, 1948 (46 U.S.C. 864a) is amended by striking "Commission" and substituting "Secretary of Transportation".

(36) Section 1 of the Act of June 29, 1949 (46 U.S.C. 864b) is amended by—

(A) striking "Maritime Commission" and substituting "Maritime Administration of the Department of Transportation"; and

(B) striking "Commission" and substituting "Maritime Administration".

(37) Section 6 of the Merchant Marine Act, 1920 (46 U.S.C. 865) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" wherever it appears and substituting "he";

(C) striking ", upon an affirmative vote of not less than five of its members, spread upon the minutes of the board,"; and

(D) striking "its" wherever it appears and substituting "his".

(38) Section 1 of the Act of May 16, 1972 (46 U.S.C. 865a), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(39) Section 7 of the Merchant Marine Act, 1920 (46 U.S.C. 866) is amended by—

(A) other than in the second proviso, striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "its" and substituting "his".

(40) Section 8 of the Merchant Marine Act, 1920 (46 U.S.C. 867) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" and substituting "he"; and

(C) striking "its" and substituting "his".

(41) Section 9 of the Merchant Marine Act, 1920 (46 U.S.C. 868) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" in the last sentence and substituting "he".

(42) Section 10 of the Merchant Marine Act, 1920 (46 U.S.C. 869) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" wherever it appears and substituting "he".

(43) Section 12 of the Merchant Marine Act, 1920 (46 U.S.C. 871) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" the first two times it appears and substituting "him".

(C) striking "its" and substituting "his".

(44) Section 13 of the Merchant Marine Act, 1920 (46 U.S.C. 872) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" and substituting "him".

(45) Section 17 of the Merchant Marine Act, 1920 (46 U.S.C. 875) is amended by—

(A) striking the first paragraph; and

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(46) Section 19 of the Merchant Marine Act, 1920, as amended, is amended by—

(A) striking "The Commission" the first time it appears and substituting "The Secretary of Transportation"; and

(B) inserting after subsection (a) the following undesignated paragraph:

"And the Federal Maritime Commission is authorized and directed in aid of the accomplishment of the purposes of this Act:".

(47) Section 21 of the Merchant Marine Act, 1920 (46 U.S.C. 877) is amended by striking "Commission" and substituting "Secretary of Transportation".

(48) Section 25 of the Merchant Marine Act, 1920 (46 U.S.C. 881) is amended by striking "Secretary of Commerce and the chairman of the Commission shall each appoint one representative" and substituting "Secretary of Transportation shall appoint one representative and the Secretary of the Department in which the Coast Guard is operating shall appoint one representative (except in a case where such Secretary is the Secretary of Transportation in which case he shall appoint both representatives)".

(49) Section 27 of the Merchant Marine Act, 1920 (46 U.S.C. 883) is amended by striking "Secretary of Commmerce" in the fourth proviso and substituting "Secretary of Transportation".

(50) Section 28 of the Merchant Marine Act, 1920 (46 U.S.C. 884) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" in the second sentence and substituting "he".

(51) Section 202 of the Merchant Marine Act, 1928 (46 U.S.C. 891b) is amended by—

(A) striking "Commission" and substituting "Secretary of Transportation"; and

(B) striking "its" wherever it appears and substituting "his".

(52) Section 203 of the Merchant Marine Act, 1928 (46 U.S.C. 891c) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(53) Section 705 of the Merchant Marine Act, 1928 (46 U.S.C. 891w) is amended by striking "Maritime Commission" and substituting "Secretary of Transportation".

(54) Subsection B of the Ship Mortgage Act, 1920 (46 U.S.C. 911) is amended by striking "Commission" in paragraph (4) and substituting "Secretary of Transportation".

(55) Subsection O of the Ship Mortgage Act, 1936 (46 U.S.C. 961) is amended by—

(A) inserting a period after the word "Commission" in subsection (a);

(B) inserting "The Secretary" at the beginning of the second sentence of subsection (a);

(C) striking "Board" wherever it appears in subsections (a) and (d) and substituting "Secretary of Transportation"; and

(D) striking "Secretary of Commerce" wherever it appears in subsection (e) and substituting "Secretary of Transportation".

(56) Subsection V of the Ship Mortgage Act, 1920 (46 U.S.C. 982) is amended by striking "Secretary of Commerce is" and substituting "Secretary of Transportation or the Secretary of the Treasury are".

(57) Subsection W of the Ship Mortgage Act, 1920 (46 U.S.C. 983) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation or the Secretary of the Treasury".

(58) Section 201 of the Ship Mortgage Act, 1936 (46 U.S.C. 1111) is amended by—

(A) repealing subsection (a);

(B) in subsection (d)—

(i) inserting "and the Secretary of Transportation" after "The Commission";

(ii) striking "its" and substituting "their"; and

(iii) striking "it" and substituting "them";

(C) in subsection (e)—

(i) inserting "and the Secretary of Transportation" after "Commission" when it first appears and at the beginning of the second sentence;

(ii) striking "its" in the second sentence and substituting "their"; and

(iii) striking the proviso; and

(D) inserting "or the Secretary of Transportation" after "Commission" and "it" wherever they appear in subsection (f).

(59) The Act of June 25, 1938 (46 U.S.C. 1111a), is amended by striking "United States Maritime Commission" and substituting "Federal Maritime Commission and the Secretary of Transportation".

(60) Section 202 of the Merchant Marine Act, 1936 (46 U.S.C. 1112) is amended by—

(A) striking the first sentence;

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(C) striking "it" wherever it appears and substituting "he"; and

(D) striking "its" and substituting "his".

(61) Section 204 of the Merchant Marine Act, 1936 (46 U.S.C. 1114) is amended by—

(A) striking "United States Maritime Commission" wherever it appears and substituting "Federal Maritime Commission and the Secretary of Transportation";

(B) inserting "and the Secretary of Transportation" following "The Commission" in subsection (b);

(C) striking "is" in subsection (b) and substituting "are"; and

(D) striking "it" wherever it appears and substituting "them".

(62) Section 205 of the Merchant Marine Act, 1936 (46 U.S.C. 1115) is amended by striking "Commission" and substituting "Federal Maritime Commission and the Secretary of Transportation".

(63) Section 206 of the Merchant Marine Act, 1936 (46 U.S.C. 1116) is amended by—

(A) striking "Commission" where it appears for the first time in the first and second sentences and substituting "Department of Transportation"; and

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(64) Section 207 of the Merchant Marine Act, 1936 (46 U.S.C. 1117), is amended by—

(A) striking "Commission" where it appears the first time in the first sentence and substituting "Federal Maritime Commission and the Secretary of Transportation";

(B) inserting "or his" after "its" in the first sentence;

(C) inserting "or Secretary" after "Commission" where it appears for the second time in the first sentence and where it appears in the last sentence; and

(D) inserting "and Secretary's" after "Commission's" in the second sentence.

(65) Section 208 of the Merchant Marine Act, 1936 (46 U.S.C. 1118), is amended by—

(A) striking "Commission" and substituting "Federal Maritime Commission and the Secretary of Transportation"; and

(B) inserting "or his" after "its" wherever it appears.

(66) The proviso clause of section 209(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1119(b)) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(67) Sections 210 and 211 of the Merchant Marine Act, 1936 (46 U.S.C. 1120 and 1121) are amended by striking "Secretary of Commerce" where they appear and substituting "Secretary of Transportation".

(68) Section 5 of Public Law 96-387 (46 U.S.C. 1121-1) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(69) Section 212 of the Merchant Marine Act, 1936 (46 U.S.C. 1122), is amended by—

(A) striking "Commission" in the first line and substituting "Secretary of Transportation";

(B) inserting after subsection (d) the following undesignated paragraph:

"The Federal Maritime Commission is authorized and directed—";

(C) inserting after subsection (e) the following undesignated paragraph:

"The Secretary of Transportation is authorized and directed—";

and

(D) striking "it" in subsection (g) and substituting "he".

(70) Section 212(A) of the Merchant Marine Act, 1936 (46 U.S.C. 1122a) is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(71) Section 213 of the Merchant Marine Act, 1936 (46 U.S.C. 1123) is amended by striking "Commission" and substituting "Secretary of Transportation".

(72) Section 214 of the Merchant Marine Act, 1936 (46 U.S.C. 1124) is amended by—

(A) striking "Commission" where it appears the first time in subsection (a) and substituting "Federal Maritime Commission or the Secretary of Transportation";

(B) inserting "or the Secretary," after "designated by it" in subsection (a);

(C) inserting "or the Secretary," after "Commission" where it appears in the third sentence of subsection (a) and wherever it appears in subsection (b); and

(D) striking "it" in subsection (b) and substituting "it or he".

(73) Section 215 of the Merchant Marine Act, 1936 (46 U.S.C. 1125) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" and substituting "his"; and

(C) striking "its" in the first sentence and substituting "his".

(74) Section 4 of the Act of February 6, 1941 (46 U.S.C. 1125a), is amended by—

(A) striking "Commission" where it appears the first time and substituting "Secretary of Transportation"; and

(B) striking "Commission" where it appears the second and third time and substituting "Secretary".

(75) Section 216 of the Merchant Marine Act, 1936 (46 U.S.C. 1126), is amended by—

(A) striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" wherever it appears in subsection (c) and substituting "he"; and

(C) striking "itself" in subsection (d) and substituting "himself".

(76) Section 603 of the Department of Defense Appropriation Authorization Act, 1977 (46 U.S.C. 1126-1), is amended by striking "Assistant Secretary of Commerce for Maritime Affairs" and substituting "Maritime Administrator".

(77) Section 34 of the Act of August 10, 1956 (46 U.S.C. 1126a-1), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(78) The Act of August 9, 1946 (46 U.S.C. 1126b), is amended by striking "Chairman of the United States Maritime Commission" wherever it appears and substituting "Secretary of Transportation".

(79) The Act of September 14, 1961 (46 U.S.C. 1126a-1), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(80) The Act of May 11, 1944 (46 U.S.C. 1126c), is amended by striking "Chairman of the United States Maritime Commission" and substituting "Secretary of Transportation".

(81) The Act of July 22, 1947 (46 U.S.C. 1126d), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(82) Section 301 of the Merchant Marine Act, 1936 (46 U.S.C. 1131), is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(83) Section 302 of the Merchant Marine Act, 1936 (46 U.S.C. 1132), is amended by—

(A) striking "Secretary of Commerce" in subsection (f) and substituting "Secretary of the Department in which the Coast Guard is operating or the Secretary of the Treasury"; and

(B) striking "Commission's" in subsection (g) and substituting "Transportation Department's".

(84) Sections 501, 502, 503, 504, and 505 of the Merchant Marine Act, 1936 (46 U.S.C. 1151, 1152, 1153, 1154, and 1155), are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(85) Section 502 of the Merchant Marine Act, 1936 (46 U.S.C. 1152), is amended by striking "Secretary of Commerce's" in subsection (c) and substituting "Secretary of Transportation's".

(86) Section 402 of the Second Revenue Act of 1940 (46 U.S.C. 1155a), is amended by striking "United States Maritime Commission" and substituting "Secretary of Transportation".

(87) Section 506 of the Merchant Marine Act, 1936 (46 U.S.C. 1156), is amended by—

(A) Striking "Commission" where it appears the first time and substituting "Secretary of Transporation"; and

(B) striking "Commission" where it appears the next four times and substituting "Secretary".

(88) Section 507 of the Merchant Marine Act, 1936 (46 U.S.C. 1157), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "its" and substituting "his".

(89) Section 508 of the Merchant Marine Act, 1936 (46 U.S.C. 1158), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" and substituting "the Maritime Administration of the Department of Transportation".

(90) Section 509 of the Merchant Marine Act, 1936 (46 U.S.C. 1159), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(91) Section 510 of the Merchant Marine Act, 1936 (46 U.S.C. 1160), is amended by—

(A) striking "Secretary of Commerce" wherever it appears other than the first time it appears in subsection (j) and substituting "Secretary of Transportation".

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(C) striking "its" in subsection (f) and substituting "his";

(D) striking "Commission's" wherever it appears in subsection (g) and substituting "Secretary's"; and

(E) striking "Secretary of Commerce" the first time it appears in subsection (j) and substituting "Maritime Administration of the Department of Transportation".

(92) Section 511 of the Merchant Marine Act, 1936 (46 U.S.C. 1161), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" in paragraphs (g)(1) (A) and (B) and substituting "him".

(93) Section 601 of the Merchant Marine Act, 1936 (46 U.S.C. 1171), is amended by striking "Secretary of Commerce" and "Commission" wherever they appear and substituting "Secretary of Transportation".

(94) Sections 602 and 603 of the Merchant Marine Act, 1936 (46 U.S.C. 1172 and 1173), are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(95) Section 604 of the Merchant Marine Act, 1936 (46 U.S.C. 1174), is amended by—

(A) striking "Commission" and substituting "Secretary of Transportation";

(B) striking "it" wherever it appears and substituting "he"; and

(C) striking the colon and the proviso.

(96) Sections 605 and 606 of the Merchant Marine Act, 1936 (46 U.S.C. 1175 and 1176), are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(97) Section 607 of the Merchant Marine Act, 1936 (46 U.S.C. 1177), is amended by—

(A) striking "Secretary of Commerce" whenever it appears and substituting "Secretary"; and

(B) adding at the end of subsection (k), a new paragraph (9) to read as follows:

"(9) The term 'Secretary' means the Secretary of Commerce with respect to eligible or qualified vessels operated or to be operated in the fisheries of the United States, and the Secretary of Transportation with respect to all other vessels.".

(98) Section 608 of the Merchant Marine Act, 1936 (46 U.S.C. 1178), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" in the second sentence and substituting "he"; and

(C) striking "it" in the last sentence and substituting "him".

(99) Sections 609 and 610 of the Merchant Marine Act, 1936 (46 U.S.C. 1179 and 1180), are amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(100) Section 611 of the Merchant Marine Act, 1936 (46 U.S.C. 1181), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" in paragraph (a) and substituting "he"; and

(C) striking "any member of the Commission, or any officer thereof designated by the Commission for that purpose" and substituting "the Secretary of Transportation or any officer designated by him for that purpose".

(101) Section 612 of the Merchant Marine Act, 1936 (46 U.S.C. 1182), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "its" wherever it appears and substituting "his".

(102) Section 613 of the Merchant Marine Act, 1936 (46 U.S.C. 1183), is amended by—

(A) striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" in subsections (c) and (e) and substituting "he"; and

(C) striking "Board" and substituting "Secretary of Transportation".

(103) Section 701 of the Merchant Marine Act, 1936 (46 U.S.C. 1191), is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(104) Section 702 of the Merchant Marine Act, 1936 (46 U.S.C. 1192), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" and substituting "he".

(105) Section 703 of the Merchant Marine Act, 1936 (46 U.S.C. 1193), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "Commission's" in subsection (c) and substituting "Secretary's".

(106) Section 704 of the Merchant Marine Act, 1936 (46 U.S.C. 1194), is amended by—

(A) striking "Commission" the first time it appears in the first sentence and substituting "Department of Transportation";

(B) striking "Commission" the second time it appears in the first sentence and substituting "Secretary of Transportation"; and

(C) striking all after the first sentence.

(107) Section 705 of the Merchant Marine Act, 1936 (46 U.S.C. 1195), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "its" in the first sentence and substituting "the Department of Transportation's"; and

(C) striking "its" in the second sentence and substituting "his".

(108) Section 706 of the Merchant Marine Act, 1936 (46 U.S.C. 1196), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "its" in the first sentence and substituting "the Department of Transportation's";

(C) striking "Commission's" in the second sentence and substituting "the Department of Transportation's"; and

(D) striking "its" in subsection (b) and substituting "his".

(109) Section 707 of the Merchant Marine Act, 1936 (46 U.S.C. 1197) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "Commisssion's" in subsection (b) and substitution "Secretary's".

(110) Section 708 of the Merchant Marine Act, 1936 (46 U.S.C. 1198) is amended by—

(A) striking "Commission" and substituting "Secretary of Transportation"; and

(B) striking "its" and substituting "his".

(111) Section 709 of the Merchant Marine Act, 1936 (46 U.S.C. 1199) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(112) Section 710 of the Merchant Marine Act, 1936 (46 U.S.C. 1200) is amended by—

(A) striking "Commission's" and substituting "Secretary of Transportation's"; and

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(113) Section 711 of the Merchant Marine Act, 1936 (46 U.S.C. 1201) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(114) Section 712 of the Merchant Marine Act, 1936 (46 U.S.C. 1202) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "itself" in subsection (a) and substituting "himself";

(C) striking "its" in subsection (a) and substituting "his"; and

(D) striking "it" in subsection (a) and substituting "he".

(115) Section 713 of the Merchant Marine Act, 1936 (46 U.S.C. 1203) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "its" in subsection "the Department of Transportation's".

(116) Section 714 of the Merchant Marine Act, 1936 (46 U.S.C. 1204) is amended by—

(A) striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "Secretary of Commerce's" and substituting "Secretary of Transportation's".

(117) Section 715 of the Merchant Marine Act, 1936 (46 U.S.C. 1205) is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(118) Section 716 of the Merchant Marine Act, 1936 (46 U.S.C. 1206) is amended by—

(A) striking "Department of Commerce" and substituting "Department of Transportation"; and

(B) striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(119) Section 801 of the Merchant Marine Act, 1936 (46 U.S.C. 1211) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "it" the first time it appears in clause (3) and substituting "he".

(120) Section 802 of the Merchant Marine Act, 1936 (46 U.S.C. 1212) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(121) Sections 809 and 810 of the Merchant Marine Act, 1936 (46 U.S.C. 1213 and 1222) are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(122) Section 805 of the Merchant Marine Act, 1936 (46 U.S.C. 1223) is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(123) Section 806(a) of the Merchant Marine Act, 1936 (46 U.S.C. 1224) is amended by striking "Commission" and substituting "Commission or the Secretary of Transportation".

(124) Section 807 of the Merchant Marine Act, 1936 (46 U.S.C. 1225) is amended by—

(A) striking "or before the Commission" in the first sentence and substituting "or before the Commission or the Secretary of Transportation"; and

(B) thereafter, striking the word "Commission" wherever it appears and substituting "Secretary of Transportation".

(125) Section 806 (c) and (d) of the Merchant Marine Act, 1936 (46 U.S.C. 1228) is amended by—

(A) striking "Commission" substituting "Commission or the Secretary of Transportation";

(B) striking "United States Maritime Commission" and substituting "Federal Maritime Commission or the Secretary of Transportation"; and

(C) inserting "or him" after "functions transferred to it" and after "vested in it" in the last paragraph.

(126) Section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)) is amended by striking "Secretary of Commerce" wherever it appears in subsection (b)(2) and substituting "Secretary of Transportation".

(127) The Act of March 26, 1934 (46 U.S.C. 1241-1), is amended by striking "Commission" and substituting "Secretary of Transportation".

(128) Section 801 of the Act of June 2, 1951 (46 U.S.C. 1241a), is amended by—

(A) striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation"; and

(B) striking "Department of Commerce" and substituting "Department of Transportation".

(129) Section 101 of the Act of June 20, 1956 (46 U.S.C. 1241b), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(130) The Act of August 1, 1956 (46 U.S.C. 1241c), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(131) Section 902 of the Merchant Marine Act, 1936 (46 U.S.C. 1242), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "Commission's" wherever it appears and substituting "Secretary's";

(C) striking "United States Maritime Commission" wherever it appears and substituting "Secretary of Transportation";

(D) striking "its" the first time it appears and substituting "his"; and

(E) striking "its" the second time it appears and substituting "the Department of Transportation's".

(132) The Act of June 29, 1940 (46 U.S.C. 1242a), is amended by—

(A) striking "United States Maritime Commission" and substituting "Secretary of Transportation";

(B) striking "Commission" wherever it appears and substituting "Secretary of Transportation"; and

(C) striking "it" in subsection (b) and substituting "he".

(133) Section 905 of the Merchant Marine Act, 1936 (46 U.S.C. 1244), is amended by—

(A) striking "Secretary of Commerce" in subsection (a) and substituting "Secretary of Transportation"; and

(B) striking subsection (e).

(134) Section 908 of the Merchant Marine Act, 1936 (46 U.S.C. 1247), is amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(135) Section 1101 of the Merchant Marine Act, 1936 (46 U.S.C. 1271), is amended by—

(A) striking "Secretary of Commerce" wherever it appears and substituting "Secretary"; and

(B) adding a new subsection (n) to read as follows:

"(n) The term 'Secrectary' means the Secretary of Commerce with respect to fishing vessels and fishing facilities as provided by this title, and the Secretary of Transportation with respect to all other vessels.".

(136) Sections 1102, 1103, 1104, 1105, 1106, 1108, 1109, and 1110 of the Merchant Marine Act, 1936 (46 U.S.C. 1272, 1273, 1274, 1275, 1276, 1279a, 1279b, and 1279c), are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary".

(137) Section 101 of Public Law 85-469 (46 U.S.C. 1280), is amended by striking "Secretary of Commerce" and substituting "Secretary".

(138) Section 1201(e) of the Merchant Marine Act, 1936 (46 U.S.C. 1281), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(139) Section 1208 of the Merchant Marine Act, 1936 (46 U.S.C. 1288), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(140) Section 601 of the Act of November 1, 1951 (46 U.S.C. 1288a), is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(141) Section 1213 of the Merchant Marine Act, 1936 (46 U.S.C. 1293), is amended by striking "Secretary of Commerce" whenever it appears and substituting "Secretary of Transportation".

(142) Section 1301 of the Merchant Marine Act, 1936 (46 U.S.C. 1295), is amended by—

(A) striking "Secretary of Commerce" in paragraph (1) and substituting "Secretary of Transportation"; and

(B) striking "Assistant Secretary of Commerce for Maritime Affairs" in paragraph (2) and substituting "Maritime Administrator".

(143) Section 1302 of the Merchant Marine Act, 1936 (46 U.S.C. 1295a), is amended by striking "Secretary of Commerce" in paragraph (1) and substituting "Secretary of Transportation".

(144) Section 1303 of the Merchant Marine Act, 1936 (46 U.S.C. 1295b), is amended by—

(A) striking "and the Secretary of Transportation" in paragraph (e)(3);

(B) striking "the Secretary of the Department in which the United States Coast Guard is operating with respect to the United States Coast Guard and" in paragraph (e)(4); and

(C) striking "Assistant Secretary of Commerce for Maritime Affairs" in paragraph (i)(1) and substituting "Maritime Administrator".

(145) Section 1304 of the Merchant Marine Act, 1936 (46 U.S.C. 1295c), is amended by—

(A) striking "and the Secretary of Transportation" in paragraph (g)(5); and

(B) striking "the Secretary of the department in which the United States Coast Guard is operating with respect to the United States Coast Guard and" in paragraph (g)(6).

(146) Section 14 of the Carriage of Goods by Sea Act (46 U.S.C. 1313) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(147) Section 2 of the Civilian Nautical School Act (46 U.S.C. 1332), is amended by—

(A) striking "United States Maritime Commission" and substituting "Secretary of Transportation";

(B) striking "Commission" and substituting "Secretary"; and

(C) striking "it" and substituting "he".

(148) Section 3 of the Civilian Nautical School Act (46 U.S.C. 1333) is amended by—

(A) striking "Board of Supervising Inspectors, with the approval of the Secretary of Commerce," in subsection (a) and substituting "Secretary of the Department in which the Coast Guard is operating or Secretary of Treasury"; and

(B) striking "Secretary of Commerce" in subsection (b) and substituting "Secretary of the Department in which the Coast Guard is operating or Secretary of the Treasury".

(149) Section 3 of the Maritime Academy Act of 1958 (46 U.S.C. 1382) is amended by striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(150) Section 305(b) of the Act of June 19, 1934 (47 U.S.C. 305(b)), is amended by striking "United States Shipping Board Bureau or the United States Shipping Board Merchant Fleet Corporation" and substituting "Maritime Administration of the Department of Transportation".

(151) Section 352(a)(2) of the Act of June 19, 1934 (47 U.S.C. 352(a)(2)), is amended by striking "United States Maritime Commission" and substituting "Maritime Administration of the Department of Transportation".

(152) Sections 1, 2, and 3 of the Act of August 9, 1954 (50 U.S.C. 196, 197, and 198), are amended by striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(153) Section 3 of the Merchant Ship Sales Act (50 U.S.C. App. 1736) is amended by—

(A) striking "'Commission'" and substituting "'Secretary'";

(B) striking "United States Maritime Commission" and substituting "Secretary of Transportation"; and

(C) striking "Commission" wherever it appears and substituting "Secretary".

(154) Sections 4, 6, 7, 8, 10, and 13 of the Merchant Ship Sales Act of 1946 (50 U.S.C. App. 1737, 1739, 1740, 1741, 1743, and 1746) are amended by striking "Commission" wherever it appears and substituting "Secretary".

(155) Section 5 of the Merchant Ship Sales Act (50 U.S.C. App. 1738), is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary";

(B) striking "its" wherever it appears in subsection (a) and substituting "his";

(C) striking "Maritime Commission" and substituting "Secretary of Transportation";

(D) striking "Federal Maritime Board" wherever it appears and substituting "Maritime Administration"; and

(E) striking "Secretary of Commerce" wherever it appears and substituting "Secretary of Transportation".

(156) Section 2 of the Act of June 29, 1949 (50 U.S.C. App. 1738a), is amended by striking "Commission" wherever it appears and substituting "Secretary of Transportation".

(157) Section 11 of the Merchant Ship Sales Act (50 U.S.C. App. 1744) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary of Transportation";

(B) striking "it" the first time it appears in subsection (a)(1) and where it appears in subsection (a)(2) and substituting "the Department of Transportation";

(C) striking "it" where it appears for the second time in subsection (a)(1) and substituting "he"; and

(D) striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(158) Section 12 of the Merchant Ship Sales Act (50 U.S.C. App. 1745) is amended by—

(A) striking "Commission" wherever it appears and substituting "Secretary"; and

(B) striking "Secretary of Commerce" and substituting "Secretary of Transportation".

(159) Section 26 of the Merchant Marine Act, 1920 (46 U.S.C. 882) is amended by striking the words "Secretary of Commerce", and substituting "Secretary of the

Department in which the Coast Guard is operating."

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from North Carolina (Mr. JONES) will be recognized for 20 minutes, and the gentleman from California (Mr. MCCLOSKEY) will be recognized for 20 minutes.

The Chair recognizes the gentleman from North Carolina (Mr. JONES).

Mr. JONES of North Carolina. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we do have one committee amendment which strikes section 7 of H.R. 4074, as reported, and inserts new language for that section. The purpose of section 7 is to give temporary authority to the Director of the Office of Management and Budget to take actions to resolve disagreements between the Secretaries of Commerce and Transportation which may arise in connection with the transfer of the Maritime Administration.

I understand that it is traditional to give such limited authority to the Director of OMB when an agency is shifted. Our committee became concerned, however, that the language of section 7, as reported, was too broad. Therefore, the committee is offering substitute language which perfects our intent. The new language makes clear that this authority granted to the Director of OMB is temporary, and that it will terminate 60 days after enactment.

This authority is quite limited in that it gives the OMB Director the ability to resolve certain questions relating to the transfer only when the Secretaries of Commerce and Transportation cannot mutually agree on the particular items in dispute. Finally, the language in no way gives the OMB Director any of the normal and substantive functions, powers, or duties of the Maritime Administration, the Secretary of Commerce, or the Secretary of Transportation.

This amendment does not alter the original intent of the committee when it adopted section 7 of H.R. 4074 but instead perfects that language to make clear that the authority of the OMB Director is limited and temporary.

Mr. Speaker, I rise to support H.R. 4074, the Maritime Act of 1981. This legislation transfers the Maritime Administration from the Department of Commerce, where it is now located, to the Department of Transportation.

The Merchant Marine and Fisheries Committee reported H.R. 4074 on July 9, 1981, by a unanimous voice vote. Previously, we held a hearing on the proposed transfer on June 22, 1981. All witnesses supported the idea. In fact, our committee has not heard of any opposition to the bill from a single individual or organization.

The Secretary of Transportation, Drew Lewis, speaking for the administration on June 4, 1981, announced its intent to shift the Maritime Administration (MarAd) from the Department of Commerce to the Department of Transportation (DOT). Subsequently, I joined with Vice Chairman BIAGGI, Mr. SNYDER, ranking minority member of our committee, and Mr. MCCLOSKEY, ranking minority member of the Merchant Marine Subcommittee, to introduce H.R. 4074 on July 8, 1981.

The Maritime Administration is the Federal agency responsible for programs aiding the development, promotion, and operation of the U.S. merchant marine. Its responsibilities include:

Administering the operating differential subsidy program, by which the Federal Government pays the difference between certain costs of operating ships under the U.S. flag and foreign competitive flags on essential services;

Administering the construction differential subsidy program, which reimburses U.S.-flag vessel operators for the higher costs incurred by having ships built in American shipyards;

Providing loan guarantees for the construction, reconstruction, and reconditioning of ships;

Entering into capital construction fund agreements which grant tax deferrals on moneys to be used for the acquisition, construction, or reconstruction of ships;

Administering a war risk insurance program which insures operators and seamen against losses caused by hostile action if domestic commercial insurance is not available;

Conducting research and development activities to improve the efficiency and economy of the merchant marine;

Requisitioning and allocating ships owned by U.S. citizens when national defense needs so require;

Maintaining a national defense reserve fleet of Government-owned ships which can be activated and operated when national defense needs so require; and

Encouraging the training of merchant seamen by operating the U.S. Merchant Marine Academy to train new merchant marine officers, providing grant-in-aid programs for State maritime academies, and providing various courses in marine specialties for merchant seamen.

Placing MarAd in DOT is a logical and desirable step. This action will allow one Department to be responsible for all aspects of transportation policy. While various transportation modes—air, rail, highway, ocean waterborne—all have problems special to themselves, they must be viewed as parts of an overall national transportation network. To deal with the concerns of one mode separately is to invite unintended, perhaps adverse, consequences for other modes. The advent of intermodalism—where freight packed in a container is shipped from one point to another via two or more different modes at a single quoted price—has further intertwined the individual parts of the transportation network. Having MarAd in the Department of Transportation will make it easier to see maritime issues as part of larger transportation issues.

It is advantageous for the executive branch of Government to have a primary spokesman for maritime issues. With the transfer of MarAd, the Secretary of Transportation will now assume that role. The Secretary's authority over other Government transportation functions should enhance his role and stature as maritime spokesman. H.R. 4074 directs that the Administrator of MarAd will report directly to the Secretary. The committee anticipates that both the Secretary and the Administrator will seek to consult extensively with persons representing all segments of the maritime industry, as well as with the appropriate committees of Congress.

The U.S. Coast Guard deals with many matters of concern to the Maritime Administration. When MarAd joins the U.S. Coast Guard as a part of DOT, the two will be able to coordinate even better their programs of mutual concern.

The cost of the transfer is estimated at $600,000 but this will not require new authorization or appropriations. The funds will be taken from the general budget of the Maritime Administration.

In summary, the committee concurs with the administration's desire to place MarAd in the Department of Transportation. This action will allow maritime questions to be addressed as part of a national transportation system. The Secretary of Transportation should be an effective spokesman on maritime issues for the executive branch. The committee looks forward to a close working relationship with the Secretary when the transfer is complete.

At this point, let me add my personal appreciation for the interest and support for the maritime industry already shown by Secretary Lewis. He played a key role in persuading the Senate to defer efforts to repeal statutes guaranteeing that American flagship operators carry a portion of Government-implied Public Law 480 cargoes. I feel confident that he will play a key and constructive role in developing policies which encourage our country's maritime enterprises.

I urge my colleagues to support me in voting for H.R. 4074, the Maritime Act of 1981.

□ 1400

Mr. McCLOSKEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I speak in favor of H.R. 4074. The bill is simple. It transfers the Maritime Administration from the Department of Commerce to the Department of Transportation.

The bill is supported by the administration, and I know of no opposition to the bill. It makes no substantive changes in the maritime laws but simply provides the necessary language to make the transfer.

The bill will bring together in one Cabinet office all of the major transportation agencies of the Government, and I think that this is helpful. When the Department of Transportation was created back in the 1960's, the Maritime Administration was retained in Commerce, and I think most people in industry today concede that because of the intermodal problems that the distinguished gentleman from North Carolina mentioned it is appropriate that all of these agencies be under a single Cabinet officer.

The second aspect of the bill which I think should make it attractive to the House is the fact that it creates a single Cabinet officer as the spokesman for the maritime policy of the Government.

We have had problems in the past because an Assistant Secretary of Commerce was quite often outweighed by either a Secretary of State or even the Attorney General of the United States on key matters of maritime policy. I think that under Secretary Lewis, the Department of Transportation will have both the authority and the clout to organize and propose the overall revisions in maritime policy which we have been working toward for the past several years.

Mr. JONES of North Carolina. Mr. Speaker, I yield such time as he may consume to the gentleman from New York (Mr. BIAGGI).

Mr. BIAGGI. Mr. Speaker, as chairman of the Subcommittee on Merchant Marine and as one who has been closely involved in all aspects of maritime trade and policy issues, I rise in support of H.R. 4074—a bill to transfer the Maritime Administration of the Department of Commerce to the Department of Transportation. I urge my colleagues on both sides of the aisle to support this transfer—a transfer that is not opposed by any of the affected parties.

Testimony received during the hearing on this subject indicated a sincere administration desire to develop coherent policies for the revitalization of our seagoing transportation system—a system that continues to reduce the share of our exports that is carried on U.S.-flag vessels. Presently, U.S. flag-vessels carry less than 5 percent of our Nation's foreign trade. When World War II ended, we had the world's largest merchant marine. In 1947, U.S.-flag vessels transported nearly 60 percent of U.S. export and import cargoes.

In the early 1950's, our merchant vessel fleet stood No. 1 in both fleet size and capacity. Today the United States is 11th in fleet size and stands 8th in capacity—with less than 600 merchant vessels. The Soviet Union, on the other hand, has recognized the importance of a commercial maritime presence in the world and has been vigorously expanding its merchant fleet at a rate unprecedented during peacetime.

For example, on January 1, 1949, we had 3,560 merchant vessels of 1,000 gross tons and over—representing a deadweight capacity of 37.7 million tons, while the Soviets had 423 merchant vessels—representing a deadweight capacity of only 1.8 million tons. Thirty years later, on January 1, 1979, the United States had 584 vessels, while the Soviets had about 2,475 merchant vessels. Today, the United States has only about 578 vessels in the privately owned merchant fleet.

I have cited the above figures in an attempt to highlight the weakened status of our merchant marine in the hope that there will be a continuing recognition that we cannot permit our merchant marine to continue its precipitous decline. The President has often stated that there is a primary need to provide a unity of "direction for all government programs affecting maritime interests of the United States." I hope that this transfer will provide him and his administration with the necessary tools to develop and implement a national maritime policy that will insure a healthy U.S. merchant marine.

Mr. McCLOSKEY. Mr. Speaker, I yield such time as he may consume to the distinguished ranking minority member on the full committee, the gentleman from Kentucky (Mr. SNYDER).

Mr. SNYDER. Mr. Speaker, there is virtual unanimity of support for the initiative which we are considering today to transfer the Maritime Administration from the Department of Commerce to the Department of Transportation. During the committee's recent hearings all witnesses supported the transfer.

I would like to note for the record, five major reasons for the transfer which were presented by the administration witnesses. These were:

First, the increased opportunity to develop a viable maritime policy in the context of all overall transportation policy;

Second, to provide a central spokesman for maritime interests;

Third, to allow DOT to develop an intermodal national transportation system;

Fourth, to allow DOT to evaluate the entire national transportation system to improve export performance; and

Fifth, to manage and coordinate Federal maritime policy and programs by placing the primary maritime agencies (the Coast Guard and MarAd) in one department.

The Secretary of Transportation has assured the committee that the Maritime Administration will report directly to him as do all other modal administration heads. Further, he has said that MarAd would retain a major role in development of maritime policy.

Subsequent to the committee's hearings and markup it was brought to my attention that the Maritime Administrator will be compensated at level III of the executive pay schedule. Apparently two of the Department of Transportation's modal Administrators are compensated at level II of the executive pay schedule—the heads of the Federal Aviation Administration and the Federal Highway Administration. The concern that has been voiced to me is that the Maritime Administrator may not be on an equal footing with the other modes because of the difference in compensation. While most are confident that this fear will not be realized during the tenure of the current Secretary of Transportation, Drew Lewis, it could be justified in future administrations.

Therefore, I would hope that the Secretary of Transportation will review this problem and investigate whether a good case can be made for raising the Maritime Administrator to level II.

As the chairman noted, the bill today contains a simple authorization for the transfer of MarAd, accompanied by technical changes to reflect this transfer and a committee amendment. This amendment clarifies the role which the Director of the Office of Management and Budget will play in facilitating the transfer of the Maritime Administration from the Department of Commerce to the Department of Transportation. The committee amendment specifies that the power conferred upon the Director of the Office of Management and Budget pertains to resolving disputes between the Commerce Department and Transportation Department and shall terminate 60 days after enactment. The bill contains no substantive maritime policy.

I join the chairman in supporting this legislation and urge our colleagues to approve it.

□ 1410

Mr. Speaker, I might add in another vein that this is perhaps the last bill that one of our more influential staff members on the minority works on before departing the committee and going into private practice. Jack Sands came with our committee in 1975 and during that time he served 2 years as the chief counsel for the minority. He came with the Merchant Marine Subcommittee and he has given dedicated service to our committee basically in maritime matters.

I would like to take this opportunity to pay tribute to him for the contribution he has made to our committee work during that time.

Mr. Speaker, I yield back the balance of my time.

Mr. JONES of North Carolina. Mr. Speaker, I have no further requests for time.

The SPEAKER pro tempore (Mr. BENNETT). The question is on the motion offered by the gentleman from North Carolina (Mr. JONES) that the House suspend the rules and pass the bill H.R. 4074, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. JONES of North Carolina. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 4074, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

MINERAL LEASING ACT AMENDMENTS

Mr. SANTINI. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4053) to amend section 21 of the act of February 25, 1920, commonly known as the Mineral Leasing Act.

The Clerk read as follows:

H.R. 4053

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 21 of the Act entitled "An Act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain", approved February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. 241), is further amended as follows:

(1) In subsection (a)—

(A) delete "section" wherever it appears and substitute therefor "subsection"; and

(B) delete from the first sentence "so much of" and "or land adjacent thereto, as may be required for the extraction and reduction of the leased minerals,"; and

(C) delete from the second sentence "to" the first place it appears and substitute therefor "except when the Secretary determines that a larger area may be required to permit long-term commercial operations. Such lands shall", and delete "to" the second place it appears and substitute therefor "such lands shall"; and

(D) delete from the eighth sentence "one lease" and substitute therefor "two leases in any one State and more than four leases nationwide", and delete from the eighth sentence "except that" and substitute therefor: "*Provided,* That a lessee may acquire one additional lease in any State where it has achieved production in commercial quantities from both existing leases in that State and it is within ten years of exhausting the commercially recoverable reserves on one of the existing leases: *Provided further,* That the limitation on ownership of oil shale leases shall not apply with respect to leases issued to avoid bypass of small acreages of Federal oil shale resources which could not otherwise be mined economically. However,".

(2) In subsection (c)—

(A) redesignate the existing subsection (c) as paragraph (c)(1); and

(B) add thereafter the following new paragraph:

"(2) The Secretary is authorized to issue leases pursuant to subsection (a) allowing the mining, extraction and disposal of other mineral deposits, in addition to oil shale deposits, that are contained in the lands covered by the lease, subject to such terms, conditions, and restrictions as may be imposed by the Secretary consistent with subsection (a), notwithstanding other provisions of this Act with respect to the leasing of such mineral deposits.".

(3) At the end thereof add the following new subsection:

"(d) The Secretary may lease such additional lands as may be required in support of operations necessary for the recovery of oil shale. Such operations may include the disposal of oil shale waste and the materials removed from mined lands, and the building of plants, reduction works, and other facilities connected with oil shale operations, but shall exclude the removal of any mineral deposits contained in such additional lands. The Secretary may issue such leases after consideration of the need for such lands, impacts on the environment and other resource values, and upon a determination that the public interest will be served thereby. Any lease issued under this subsection for any lands the surface of which is under the jurisdiction of a Federal agency other than the Department of the Interior shall be issued only with the consent of that other Federal agency and shall be subject to such terms and conditions as it may prescribe. A lease issued under this subsection shall be for such periods of time and shall include such lands as the Secretary determines to be necessary to achieve the purposes for which the lease is issued, and shall contain such provisions as he determines are needed for protection of environmental and other resource values. Any lease issued under this subsection shall provide for the payment of an annual rental which shall reflect the fair market value of the rights granted and which shall be subject to such revisions as may be needed from time to time to continue to reflect the fair market value. Lands leased under this subsection shall remain subject to leasing under the other provisions of this Act where such leasing would not be incompatible with the lease issued under this subsection.".

(4) Subsection (b) of section 21 of such Act is amended by striking out "this section" and inserting in lieu thereof "subsection (a)".

SEC. 2. Section 27(e) of the Mineral Leasing Act of 1920 (41 Stat. 448; 30 U.S.C. 184(e)) is amended as follows:

(1) In paragraph (1) insert after the words "under this Act" the words "or, with respect to oil shale, exceeds in the aggregate the maximum number of leases allowed to any one person, association, or corporation under this Act,".

(2) In paragraph (2)—

(A) insert after the words "against the total acreage" in the first sentence the words "or the total number of oil shale leases";

(B) insert after the words "total acreage" in the second sentence the words "or number of oil shale leases"; and

(C) insert after the words "under this Act" in the second sentence the words, "or, in the case of oil shale, the maximum number of leases allowed to any one person, association, or corporation under this Act.".

The SPEAKER pro tempore. Is a second demanded?

Mr. LAGOMARSINO. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Nevada (Mr. SANTINI) will be recognized for 20 minutes, and the gentleman from California (Mr. LAGOMARSINO) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Nevada (Mr. SANTINI).

Mr. SANTINI. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today we consider H.R. 4053, to assist the Nation's efforts to achieve energy independence. There exists 1.8 trillion barrels of shale oil in the three States of Colorado, Utah, and Wyoming. Of this, about one-third, or 600 billion barrels, is recoverable by known technology. This 600-billion-barrel figure equals about 90 percent of the world reserves of conventional oil. Overall, 72 percent of the oil shale lands in these three States is federally owned.

The best part about this bill, however, is that it will not cost the taxpayers any money. In fact, by removing statutory roadblocks to oil shale leasing on the public lands, we will bring into the Treasury much needed revenues that will result from competitive bidding for oil shale tracts. One such tract in Colorado brought $210 million to the Government.

Third, the bill resolves some long-standing bureaucratic barriers to oil shale leasing.

In 1974, the Interior Department embarked on a prototype oil shale leasing program offering for competitive bid two leases each in the States of Colorado, Utah, and Wyoming. The program has met with only limited success. One lease in Colorado is stymied by not having a tract for the disposal of spent shale. The two leases in

Utah had to be combined to provide enough shale to support one project and the leases offered in Wyoming received no bids because they were uneconomic. H.R. 4053 addresses these problems.

H.R. 4035 amends the Mineral Leasing Act of 1920 to allow responsible oil shale leasing to occur in Colorado, Utah, and Wyoming.

It adjusts lease sizes so that commercially viable leases can be issued in the poorer quality shale areas of Utah and Wyoming thereby lessening the impacts on the rich shale areas on the western slope of Colorado.

The bill limits to one the number of leases any company can own and prevents them from acquiring an additional lease until they have achieved both commercial production and are within 15 years of exhausting the recoverable resource on the existing lease.

The bill includes two provisions aimed at conservation of the resource. The first provision allows the Secretary of the Interior to lease minerals that are commingled with oil shale provided they cannot otherwise be mined economically. Second, there exists a provision to allow for maximum recovery by leasing small tracts which would be bypassed as uneconomic by themselves.

The bill solves the problem of disposing shale after the oil has been extracted by providing noncontiguous offsite leases for this purpose. No oil shale development may occur on these tracts and they are available only to Federal lessees.

H.R. 4053 assures the Governors of the affected States with a strong role in consulting with the Secretary prior to leasing. He is empowered to recommend specific stipulations to be included in the lease to protect the well-being of the residents of the State.

Finally, the bill allows for prepayments of lease rentals to be distributed by the Governor to the impacted communities.

I urge my colleagues to support H.R. 4053 and want to commend Congressman DAN MARRIOTT, Congressman RAY KOGOVSEK, and Congressman JIM HANSEN for their assistance in this measure.

The SPEAKER pro tempore. On this motion before the House, a second was not required.

The Chair recognizes the gentleman from Utah (Mr. MARRIOTT) for 20 minutes.

Mr. MARRIOTT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would just simply say that I would like to join those who are in line to thank the gentleman from Nevada (Mr. SANTINI) for helping us get this bill out in such an expeditious manner, holding hearings, and making this a priority item in the Interior Committee.

We are appreciative and we thank him for his cosponsorship of this legislation.

Mr. Speaker, the importance of H.R. 4053 lies in the fact that it will remove the institutional barriers which have hindered commercial development of oil shale on Federal lands to date. Since the first Federal oil shale tracts were leased in the mid-1970's, none has yet reached commercial production. This deplorable state of affairs is due in part to the fact that when the oil shale provision of the Mineral Leasing Act was written in 1920, no one knew what problems would attend the actual development of oil shale. Now since prototype leasing has occurred and experimentation has taken place, the shortsightedness of the original oil shale provision of the Mineral Leasing Act is becoming evident. I would like to point out two of the most significant institutional barriers to oil shale development that would be removed by this bill.

First, oil shale leasing in Wyoming and Utah is hindered by the fact that the deposits in those States are not rich enough to support a commercial operation within the confines of a 5,120-acre tract. Accordingly, the bill permits the acreage of a lease tract to be increased based on an assessment by the Secretary of the reserve potential of a tract and the reserves necessary to support a commercial operation. With this provision it will no longer be necessary for oil shale development to be concentrated in Colorado, where the richest reserves are found, thus limiting the impacts on that State while permitting other States to share in the development of the resource.

Second, commercial scale oil shale development is currently hindered by the restrictions on leasing of additional lands for the disposal of spent shale. The Federal lease tract currently held by Rio Blanco could proceed to commercial development if it were provided with lands for offsite disposal. This legislation would finally make that possible.

This oil shale bill is solid and sound because it specifically addresses the legal problems which are currently keeping oil shale development from achieving its commercial potential. Oil shale has a lot to offer us, for it is potentially the most attractive source of liquid fuels from a synthetic fuel source. It takes less energy to convert oil shale's kerogen to gasoline than it does to convert coal to gasoline and environmentally, it may be more desirable. Now no one is going to claim at this stage that we know all the environmental impacts of oil shale development or, on the other hand, that water availability is not a problem. The technology for commercial development is still untried. But it is in part because we have failed to give American enterprise the backing necessary to their operations that we do not yet have a proven technology or answers to our environmental questions.

We must remove institutional barriers to full-scale development while retaining reasonable safeguards and regulations if we want to permit responsible development of oil shale to go forward. It is important that America know what the real potential of its oil shale resources is, and this legislation, H.R. 4053, is designed to lead us toward that understanding. I am convinced H.R. 4053 offers the soundest solution to responsible development of our oil shale potential and I urge my colleagues to join me in voting for this legislation today.

Mr. Speaker, I would like to thank the gentleman from Utah (Mr. HANSEN) for his contribution to this legislation. He also is a cosponsor, as well as the gentleman from Colorado (Mr. KOGOVSEK), who offered some very timely amendments in the committee.

The question has been asked on many occasions what are the barriers to oil shale development. And as far as I am concerned, most of those barriers are institutional barriers posed by the Federal Government.

We think we can solve the technological problems of developing oil from oil shale. We have tremendous reserves of oil shale in Utah, Wyoming, and Colorado. We think we can solve the environmental problems of developing oil from oil shale. The only thing we really have to do that is of any concern to this Congress is removing the institutional barriers.

Deposits in Utah and Wyoming are not rich enough to support a commercial operation under the confines of 5,120 acres, which is currently the law under the Mineral Leasing Act of 1920.

Therefore, what this legislation does is extend that figure and allows the Secretary to lease additional lands for oil shale development if he thinks it is necessary for commercial production to a figure of 15,460 acres.

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The second barrier is one that makes a commercial development unprofitable at this point. Commercial-scale operations are hindered by restrictions on leasing additional lands for offsite disposal. This legislation also gives the Secretary the discretion to issue additional leases for the building of plants, the storing of waste disposal, and that type of thing; anything other than mining.

So this bill, H.R. 4053, simply gives the Secretary discretion to increase the amount of land necessary to make production economically feasible. It allows additional lands for production

if a company has achieved production and is within 15 years of exhausting its reserves. It allows for multimineral development, and it allows for the leasing of additional lands to avoid the bypass of small acreage that cannot be mined economically.

This bill is not a Federal land giveaway, as some might claim. It is simply facing up to the realities of our time, that in some States, primarily Utah and Wyoming, we cannot establish a viable oil shale operation on 5,120 acres of land. We need more land because of the poorer quality of the reserve in order to make oil shale profitable.

I would urge that all of our colleagues support this legislation. As the chairman has said, it has passed many times before. It has the support of the administration; it has the support of the Senate; it has the support of, I am sure, this House, and I would urge that we get on with developing oil shale and, hopefully, becoming energy independent within the next 20 years.

Mr. Speaker, I reserve the balance of my time.

Mr. SANTINI. Mr. Speaker, I withdraw the pending motion, because the amendment was not at the desk, and resubmit the motion.

The SPEAKER pro tempore. Since the original motion did not require a second, it may be withdrawn at this time.

The Clerk read the bill as follows:

H.R. 4053

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to promote the mining of coal phosphate, oil, oil shale, gas, and sodium on the public domain", approved February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. 241), is further amended as follows:

(1) Amend section 21 to read as follows:

"SEC. 21. (a) That the Secretary of the Interior is hereby authorized to lease to any person or corporation qualified under this Act any deposits of oil shale, native asphalt, solid and semisolid bitumen, and bituminous rock (including oil-impregnated rock or sands from which oil is recoverable only by special treatment after the deposit is mined or quarried) belonging to the United States and the surface of the public lands containing such deposits, under such rules and regulations, not inconsistent with this Act, as he may prescribe. No lease hereunder shall exceed five thousand one hundred twenty acres of land, but if the Secretary determines that a 5,120-acre tract contains deposits of insufficient thickness and grade to support economically viable, commercial-scale operations, he may increase the acreage to be contained in the lease not to exceed 15,360 acres after (1) considering the reserve potential of the tract and other relevant factors, (2) determining that such additional acreage is necessary to permit the development of deposits contained therein under economically viable, commercial-scale operations and (3) documenting the basis for his decision. Such land shall be described by the legal subdivisions of the public-land surveys, or if unsurveyed, such lands shall be surveyed by the United States, at the expense of the applicant, in accordance with regulations to be prescribed by the Secretary of the Interior. Leases may be for indeterminate periods, upon such conditions as may be imposed by the Secretary of the Interior, including covenants relative to methods of mining, prevention of waste, and productive development. For the privilege of mining, extracting, and disposing of the oil or other minerals covered by a lease under this section the lessee shall pay to the United States such royalties as shall be specified in the lease and an annual rental, payable at the beginning of each year, at the rate of 50 cents per acre per annum, for the lands included in the lease, the rental paid for any one year to be credited against the royalties accruing for that year; such royalties to be subject to readjustment at the end of each twenty-year period by the Secretary of the Interior: *Provided,* That for the purpose of encouraging the production of petroleum products from shales the Secretary may, in his discretion, waive the payment of any royalty and rental during the first five years of any lease: *Provided,* That any person having a valid claim to such minerals under existing laws on January 1, 1919, shall, upon the relinquishment of such claim, be entitled to a lease under the provisions of this section for such area of the land relinquished as shall not exceed the maximum area authorized by this section to be leased to an individual or corporation: *Provided, however,* That no claimant for a lease who has been guilty of any fraud or who had knowledge or reasonable grounds to know of any fraud, or who has not acted honestly and in good faith, shall be entitled to any of the benefits of this section: *Provided further,* That not more than one lease shall be granted under this section to any one person, association, or corporation: *Provided,* That a lessee may acquire one additional lease in any State when it has achieved production in commercial quantities from an existing lease and it is within 15 years of exhausting the commercially recoverable reserves on the existing lease; *Provided further,* That the limitation on ownership of oil shale leases shall not apply with respect to leases issued to avoid bypass of small acreages of Federal oil shale resources which could not otherwise be mined economically. However, with respect to leases for native asphalt, solid and semisolid bitumen, and bituminous rock (including oil-impregnated rock or sands from which oil is recoverable only by special treatment after the deposit in mined or quarried) no person, association, or corporation shall acquire or hold more than seven thousand six hundred and eighty acres in any one State without respect to the number of leases.

(b) If an offer for a lease under the provisions of subsection (a) for deposits other than oil shale is based upon a mineral location, the validity of which might be questioned because the claim was based on a placer location rather than on a lode location, or vice versa, the offeror shall have a preference right to a lease if the offer is filed not more than one year after the enactment of the Mineral Leasing Act Revision of 1960.

(c)(1) With respect to native asphalt, solid and semisolid bitumen, and bituminous rock (including oil-impregnated rock or sands from which oil is recoverable only by special treatment after the deposit is mined or quarried) a lease under the multiple use principle may issue notwithstanding the existence of an outstanding lease issued under any other provision of this Act.

(2) Under a lease issued pursuant to subsection (a), the Secretary is authorized to allow the mining, extraction and disposal of other mineral deposits which may be leased under the Mineral Leasing Act of 1920, and which are either (1) intermingled with or (2) unlikely to be economically recoverable except in conjunction with the oil shale deposits that are contained in the lands covered by the lease, subject to such terms, conditions, and restrictions as may be imposed by the Secretary consistent with subsection (a), notwithstanding other provisions of this Act with respect to the leasing of such mineral deposits.

"(d) The Secretary may lease such additional lands as may be required in support of operations necessary for the recovery of oil shale. Such operations may include the disposal of oil shale waste and the materials removed from mined lands, and the building of plants, reduction works, and other facilities connected with oil shale operations, but shall exclude the removal of any mineral deposits contained in such additional lands. The Secretary may issue such leases after consideration of the need for such lands, impacts on the environment and other resource values, and upon a determination that the public interest will be served thereby. Any lease issued under this subsection for any lands the surface of which is under the jurisdiction of a Federal agency other than the Department of the Interior shall be issued only with the consent of that other Federal agency and shall be subject to such terms and conditions as it may prescribe. A lease issued under this subsection shall be for such periods of time and shall include such lands as the Secretary determines to be necessary to achieve the purposes for which the lease is issued, and shall contain such provisions as he determines are needed for protection of environmental and other resource values. Any lease issued under this subsection shall provide for the payment of an annual rental which shall reflect the fair market value of the rights granted and which shall be subject to such revisions as may be needed from time to time to continue to reflect the fair market value. Lands leased under this subsection shall remain subject to leasing under the other provisions of this Act where such leasing would not be incompatible with the lease issued under this subsection.

"(e) The Secretary may issue a lease under subsection (a) upon a determination that the public interest will be served thereby and after consideration of (i) the need for such leases, (ii) impacts on the environment and other resource value, (iii) socioeconomic factors, and (iv) information from consultations with the Governor of the State in which the lands to be leased are located. Such consultations shall occur during the land use planning as required by the Federal Land Policy and Management Act of 1976 (90 Stat. 2743) and prior to lease issuance. The Secretary shall consult with the Governor on stipulations in the lease to provide a reasonable balance between the national interest and the well-being of the citizens of the State. If the Secretary decides to issue the lease contrary to the Governor's recommendation, the Secretary shall notify the Governor in writing of the decision and state clearly the reasons for that decision.

"(f) Any lease issued under subsection (a) or (d) may at the option of the lessee, include provisions for payments in any year

which payments shall be credited against any portion of the annual rental for a subsequent year to the extent that such payment is payable by the Secretary of the Treasury under section 35 to the Governor of the State within the boundaries of which the leased lands are located. Such funds shall be distributed by the Governor of the State only to those counties, municipalities, or jurisdictional subdivisions impacted by oil shale development and/or where the lease is sited.".

(2) Amend subsection 27(e) to read as follows:

"(e)(1) No person, association, or corporation shall take, hold, own or control at one time any interest as a member of an association or as a stockholder in a corporation holding a lease, option, or permit under the provisions of this Act or, with respect to oil shale, exceeds in the aggregate the maximum number of leases allowed to any one person, association, or corporation under this Act, which, together with the area embraced in any direct holding, ownership or control by him of such a lease, option, or permit or any other interest which he may have as a member of other associations or as a stockholder in other corporations holding, owning or controlling such leases, options, or permits for any kind of minerals, exceeds in the aggregate an amount equivalent to the maximum number of acres of the respective kinds of minerals allowed to any one lessee, optionee, or permittee under this Act, except that no person shall be charged with his pro rata share of any acreage holdings of any association or corporation unless he is the beneficial owner of more than 10 per centum of the stock or other instruments of ownership or control of such association or corporation, and except that within three years after the enactment of the Mineral Leasing Act Revision of 1960 no valid option in existence prior to the enactment of said Act held by a corporation or association at the time of enactment of said Act shall be chargeable to any stockholder of such corporation or to a member of such association so long as said option shall be so held by such corporation or association under the provisions of this Act.

(2) No contract for development and operation of any lands leased under this Act, whether or not coupled with an interest in such lease, and no lease held, owned, or controlled in common by two or more persons, associations, or corporations shall be deemed to create a separate association under the preceding paragraph of this subsection between or among the contracting parties or those who hold, own or control the lease in common, but the proportionate interest of each such party shall be charged against the total acreage, or the total number of oil shale leases permitted to be held, owned or controlled by such party under this Act. The total acreage or number of oil shale leases so held, owned, or controlled in common by two or more parties shall not exceed, in the aggregate, an amount equivalent to the maximum number of acres of the respective kinds of minerals allowed to any one lessee, optionee, or permittee under this Act or, in the case of oil shale, the maximum number of leases allowed to any one person, association, or corporation under this Act.".

The SPEAKER pro tempore (Mr. SABO). Is a second demanded?

Mr. MARRIOTT. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Nevada (Mr. SANTINI) will be recognized for 20 minutes and the gentleman from Utah (Mr. MARRIOTT) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Nevada (Mr. SANTINI).

Mr. SANTINI. Mr. Speaker, I yield 1 minute of my remaining time to the distinguished chairman of the House Interior Committee (Mr. UDALL), who has joined in both cosponsorship and in support of this legislation. I am sure the gentleman from Utah (Mr. MARRIOTT), and I know that the chairman of the Mines and Mining Subcommittee, are pleased to have such distinguished companionship.

Mr. UDALL. Mr. Speaker, I rise in support of H.R. 4053, as amended, by the Committee on Interior and Insular Affairs.

I want to be very frank about this bill. H.R. 4053 as originally drafted and introduced would not have received my support. I will not go into great detail, but let me merely say that the bill, as introduced, had the potential of permitting astronomical amounts of shale oil to be controlled by one company. Specifically, the possibility of granting two leases per individual on the richest and thickest oil shale area of Colorado was not acceptable to me. This provision had the potential of permitting one company to control shale oil reserves amounting to approximately 10 billion barrels—the equivalent of the entire Prudhoe Bay Field. I could not, and would not, have voted for H.R. 4053 in that form.

However, H.R. 4053, as amended, is an entirely different vehicle. It is a bill I can support.

H.R. 4053, as amended, while still generous in its provisions, eliminates the most objectionable feature, that is, the more or less automatic provision of granting two leases per State or four leases nationwide to one individual or company.

The present proposal limits an individual to one lease per State until it can be shown commercial production has been achieved and present reserves will be exhausted in 15 years. It also permits leases in the poorer quality shale areas, such as Utah and Wyoming, to be increased in size to achieve economic recovery.

H.R. 4053 also permits minerals that are commingled with oil shale to be mined in conjunction with the shale. This is a conservation measure and will prevent unnecessary waste.

Of major importance, H.R. 4053 also eliminates the longstanding problem of disposing of shale after the oil has been extracted by providing offsite disposal areas.

H.R. 4053 grants to the Governors of the respective States a strong role in consulting with the Secretary of the Interior prior to leasing. This participation is very important to the Western Governors and is something they have long sought.

And last, but certainly not least, the bill permits prepayment of lease rentals to alleviate the serious socioeconomic impacts caused by rapid development in these largely rural communities.

In conclusion, H.R. 4053 now before us is a vastly improved bill and in its present form is acceptable to me.

I urge your support. We need to develop these resources, and with the built-in safeguards in this proposal, I am confident development can go forward without unnecessary disruption to local communities or to the environment.

Mr. SANTINI. Mr. Speaker, at this time I yield such time as he may consume to the gentleman from Colorado (Mr. KOGOVSEK), who has contributed to this legislation.

Mr. KOGOVSEK. Mr. Speaker, I thank the gentleman. I would like to commend the gentleman from Nevada and the gentleman from Utah for the tremendous amount of work that they put into this very important bill.

I think all too many times we have sent mixed signals to the people trying to develop synthetic fuels in this country, especially in the West when we are talking about oil shale. The past administration wanted to go forward with a very large and expensive synthetic fuels program, only to find out just a couple of weeks ago from this administration that they wanted to hold back. These kinds of mixed signals make it very difficult for the people trying to develop oil shale in Colorado, Wyoming, and Utah. I think a couple of key provisions we have in this bill now make it possible to do this in a very orderly fashion.

All too often, we have been concerned in the West that the Federal Government, when they start leasing their Federal lands to the different companies, are not contacting the State or communicating with the local counties and cities. I think, under the leadership of Mr. SANTINI and with the help of Mr. MARRIOTT, we have language in there that is going to allow the Federal Government to make sure that they consult and have the input of the State governments that we think is so important.

I once again thank the chairman of the full committee, the chairman of the subcommittee, the gentleman from Nevada (Mr. SANTINI) and the gentleman from Utah (Mr. MARRIOTT) for a fine piece of work.

Mr. SANTINI. Mr. Speaker, with great trepidation I yield 2 minutes to my good friend from Minnesota (Mr.

VENTO), with the expectation that his characteristic expansive and enlightened views on other matters of energy will infiltrate his diagnosis of this bill.

Mr. VENTO. Mr. Speaker, I rise in opposition to the legislation. I think that the legislation is much improved over when it came from the subcommittee. I do not doubt the intentions or the enthusiasm with which the ranking minority member on the subcommittee and the subcommittee chairman support the development of synthetic fuels. I also would like to see synthetic fuels produced and be on line. I do not think that synthetic fuels are any panacea in terms of meeting energy needs, but I do think they are important in terms of the total mix of fossil fuels that we have.

Serving on the conference committee myself, on the Energy Security Act, of course we dealt with many subjects. We did provide, I think, significant incentives for the development of synthetic fuels and hoped that would be in place and implemented to help foster what is, I think, today an infant industry. The problem, however, with the present proposed legislation is that it purports to solve a problem that does not exist; that is, one in which the leased plots of land, over 5,000-acre sections, are not adequate in size, so-called adequate, for the oil companies to actually get in and develop them. They are asking to increase that up to three times that size in order to make it economically viable over 15,000-acre leases.

This measure would leave the decision to increase the lease completely up to the Secretary's discretion, and I think it gives rise to a problem in which a relatively few companies will control vast tracts of land where we could have limited competition and development of these energy sources.

So, I am constrained to oppose this for that reason. I think that if indeed it does become apparent that they need larger sections, larger leases, we at least ought to wait until there is some production on line. That is not the case today, so I think it purports, as I said, to solve a problem which does not exist. It may very well create a problem in which competition is limited and I am very concerned about the absence of competition in fossil energy that exists today.

I want to commend the gentleman from Colorado. I think he substantially improved the legislation by virtue of his amendments in full committee.

Second, I have no objection to some of the technical amendments that might be necessary in the legislation. I think they are probably positive.

● Mr. SEIBERLING. Mr. Speaker, I intend to support the motion to suspend the rules and pass the bill H.R. 4053, to amend section 21 of the Mineral Leasing Act so as to further facilitate the development of oil from the oil shale resources of the United States.

This bill comes to the floor upon a favorable report from the Committee on Interior and Insular Affairs. When our committee was considering the bill, I raised with its proponents a number of points about which I was concerned. On the basis of those discussions, and in recognition of the committee's actions in adopting a number of amendments which I believe have improved the bill, I joined in voting to order that it be favorably reported.

While I intend to support the motion to pass the bill under suspension of the rules, I think it should be made clear for the record that I will do so on the basis of my understanding of the purpose and intention of the committee in reporting the bill, and to set forth what those understandings are.

The bill adds to section 21 of the Mineral Leasing Act a new subsection (d) which would authorize the Secretary to issue leases for additional lands required for support activities necessary to the recovery of oil shale from Federal leases. The committee amendments preclude use of this authority to make land available for such support operations for oil shale mining not occurring on Federal leases.

Before the Secretary can issue a lease under the new subsection (d), he must consider the need for the lands proposed to be leased and the impacts on the environment and other resource values which may result from the proposed uses of the lands, and he must make a determination that the public interest will be served by issuance of the lease. Nothing in this bill is intended to waive, modify, or supplant the requirements of the National Environmental Policy Act; and it may well be that in many instances that act will require that an environmental impact statement be prepared prior to a decision concerning issuance of a lease under the new subsection (d). In such cases, the Secretary's decision on issuance of a lease must be premised on an objective analysis of alternatives, such as alternative waste-management options, which may be preferable to use of leased public lands for the particular purposes proposed. In all cases, the Secretary's consideration of environmental and resource impacts should be site specific with regard to the area proposed for leasing under the new subsection (d); and while unnecessarily protracted procedures should not be employed, the consideration must be careful and thorough. In many instances, already available baseline data developed in connection with the primary lease can be utilized in making such evaluations, which will reduce the time involved.

While the new subsection (d) of section 21 does not impose a precise limit on the size of the tracts which can be leased for off-site support activities, I believe it is clear that the Secretary should confine each such lease to the minimum area necessary for the purposes for which it is issued, and that the Secretary must take care that each such lease contains conditions which will hold to the minimum any possible adverse impacts on environmental and resource values which may result from use of the leased area. In particular, the Secretary must impose all conditions necessary in order to assure that issuance of the lease will not result in adverse impacts on the air, water, scenic, or other values of any unit of the national park system or the national wilderness preservation system, and that issuance of the lease will not be inconsistent with the requirements of the Federal Land Policy and Management Act as regards areas identified or under consideration for possible wilderness designation.●

● Mr. HANSEN of Utah. Mr. Speaker, it is with great pleasure that I speak today on the oil shale bill before the House. I am a cosponsor of both of these important pieces of legislation of which I ask the House's favorable consideration.

Underlying Utah, Colorado, and Wyoming, there are an estimated 1.8 trillion barrels of shale oil scattered throughout 17,000 square miles of land, according to the Department of the Interior. Overall, 72 percent of U.S. oil shale lands, containing nearly 80 percent of the total quantity of shale oil, is federally owned. Although only one-third of this resource is thought to be recoverable with known technology, the recoverable reserves still equal about 90 percent of the known world reserves of conventional oil; that is, greater than the conventional oil reserves of the Middle East and Africa combined.

Utah shares a good deal of this country's potential for oil shale development, along with Colorado and Wyoming. Yet, because its occurrence is less rich geologically than in the Piceance Creek Basin in Colorado, the constraints of the Mineral Leasing Act of 1920 on tract size make oil shale development in Utah economically infeasible.

Oil shale deposits may represent the most economically and environmentally favorable alternative source to oil for gasoline supply in the long term. Yet, under current economic and policy conditions, shale oil production may only reach 20,000 to 65,000 barrels per day by 1987, instead of the favorable condition projection of 100,000 to 250,000 barrels per day by 1990.

Specifically, the bill before the House would:

First. Expand the acreage limitation on oil shale leases.

By providing for lease expansion in low-quality shale areas, the bills would promote greater development of shale oil in Utah and Wyoming, where, unlike the Colorado shale, the thickness of the resource zone and quality of the resource are generally not sufficient to make development of 5,120-acre tracts economical. By providing true leasing opportunities in all three of the States of Utah, Colorado, and Wyoming, we can expand our knowledge of different shale technologies, of the environmental impacts these different technologies have in each of the areas, and can gain experience with the emerging shale industry under different conditions, all of which were major objectives of the prototype oil shale leasing program.

Second. Increase the number of leases an entity is permitted to hold.

This provision would also help to promote development in Utah and Wyoming. In addition, granting additional leases would give benefits to those who have taken the initiative to develop a technology by allowing them the opportunity to apply that technology again. Otherwise, if a company knows it will only be able to obtain one lease, chances are they will only purchase an existing technology instead of experimenting. If we want innovation and development of a wide range of technologies, we should offer industry incentive to do so. The provision for the granting of an additional lease would further this objective.

Third. Allow the leasing of fringe acreage to avoid bypass of oil shale deposits during mining.

It is commonsense to have a provision whereby small tracts that would not be economically viable to mine separately may be leased and not included in the ceiling on lease ownership. In those cases, efficiency rather than the exact number of leases is the major concern.

Fourth. Allow leasing of minerals other than oil shale within an oil shale lease tract.

The Secretary of the Interior should be allowed to issue leases for multimineral development of resources found along with oil shale. This would clear up any question of the Secretary's authority to do what practical economics would dictate: Assuring full utilization of natural resources on leased land. The General Accounting Office, in its January 1981 report on "Possible Ways To Streamline Existing Federal Energy Minerals Leasing Rules," agreed that any oil shale leasing legislation should contain such a provision.

Fifth. Allow the leasing of additional nonshale lands for operations connected with oil shale mining.

It only makes sense to not preclude the mining of lands containing oil shale by covering them with spent shale or operation facilities. Furthermore, as reported by the GAO, projected costs for developing an oil shale industry will be very high and industry will need some economics of scale to make the venture attractive. Under this legislation, the lessee would have to demonstrate that an additional tract is necessary and appropriate for its operation. The legislation would also require that the fair market value be paid for any lease to be used for off-tract disposal.

Testimony received by the subcommittee in Vernal, Utah, indicated the need for these provisions if projects of a meaningful size are to be initiated and sustained.

This country has no greater need than to reduce its dependence on imported oil. Utah is fortunate to contain many renewable and nonrenewable resources whose development could greatly aid in reducing this dependence. Today's bill supporting increased leasing of oil shale deposits is a very important step in attaining energy independence.●

Mr. SANTINI. Mr. Speaker, I have no further requests for time.

Mr. MARRIOTT. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. SANTINI. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Nevada (Mr. SANTINI) that the House suspend the rules and pass the bill, H.R. 4053, as amended.

The question was taken.

Mr. VENTO. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5, rule I, and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of order of no quorum is withdrawn.

□ 1430

GENERAL LEAVE

Mr. SANTINI. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

There was no objection.

GOLD MEDAL FOR FRED WARING

Mr. ANNUNZIO. Mr. Speaker, I move to suspend the rules and pass the joint resolution (H.J. Res. 223) to provide for the awarding of a special gold medal to Fred Waring, as amended.

The Clerk read as follows:

H.J. RES. 223

Whereas Fred Waring has felt and given voice to the spirit of America for sixty-five years in times of hardship, challenge, or joy with heart stirring choral music; and

Whereas Fred Waring has made, and will continue to make, seminal contributions to American music of the present and future through his workshops, encouragement of talented young persons, and unique professional style; and

Whereas Fred Waring is a living pioneer in the development of modern entertainment, including recording, radio, talking movies, and television; and

Whereas Fred Waring has contributed to the convenience of modern life by perfecting and marketing devices such as the Waring Blendor;

Whereas Fred Waring rediscovered and gave the Nation a second anthem in his most popular recording, "The Battle Hymm of the Republic"; and

Whereas Fred Waring and the Pennsylvanians have become synonymous with Christmas by standards that define the sentiment of the season, such as "Do You Hear What I Hear" and "T'was the Night Before Christmas"; and

Whereas the contributions of Fred Waring are numerous and unique, and Americans in the tens of millions have identified him as "The Man Who Taught America How To Sing" by purchasing his choral recordings: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the President of the United States is authorized to present, on behalf of the Congress, to Fred Waring, a gold medal of appropriate design in recognition of his contribution to enriching American life. For such purpose, the Secretary of the Treasury is authorized and directed to cause to be struck a gold medal with suitable emblems, devices, and inscriptions to be determined by the Secretary of the Treasury. There is authorized to be appropriated not to exceed $20,000 after October 1, 1981, to carry out the provisions of this subsection.

(b) The Secretary of the Treasury may cause duplicates in bronze of such medal to be coined and sold under such regulations as he may prescribe, at a price sufficient to cover the cost thereof, including labor, materials, dies, use of machinery, overhead expenses, and the gold medal. The appropriation made to carry out the provisions of subsection (a) shall be reimbursed out of the proceeds of such sales.

(c) The medals provided for in this Act are national medals for the purpose of section 3551 of the Revised Statutes (31 U.S.C. 368).

The SPEAKER pro tempore. Is a second demanded?

Mr. WYLIE. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from Illinois (Mr. ANNUNZIO) will be recognized for 20 minutes, and the gentleman from Ohio (Mr. WYLIE) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois (Mr. ANNUNZIO).

Mr. ANNUNZIO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, House Joint Resolution 223 provides for the award of a special congressional gold medal to Fred Waring. The resolution has attracted wide support among the Members of this House and has been cosponsored by 239 Members.

As the Members of this House know, the Coinage Subcommittee cannot come to the floor of the House with legislation unless it has 218 sponsors, and I am happy to state that this resolution has 239 cosponsors.

Fred Waring's contribution to America are well known. His musical achievements have not only brought joy to the hearts of countless listeners but have also contributed to stirring the patriotic feelings of his countrymen. He virtually rediscovered the "Battle Hymn of the Republic." In so doing, Mr. Waring gave the Nation a song that is nearly our second anthem.

He has earned the title of "Father of American Choral Music" for his more than 65 years of work in developing this musical format in America. His workshops have taught many young Americans so that they, too, can participate in the development of American music.

The bill provides for the minting and sale of bronze duplicates to defray the cost of the original gold medal. This will assure that the approximately $20,000 needed to design and mint the gold medal will be at no cost to the U.S. taxpayers.

I want to assure the Members of this House that we have struck these gold medals before, and each time that we have sold bronze medals in behalf of those people for whom we have struck a gold medal the U.S. Treasury has not only recovered the original investment but has made money. To give the Members an example, on the last gold medal we struck for John Wayne, the receipts show that we are about $350,000 ahead, and it is still going up.

House Joint Resolution 223 is cosponsored by the entire Pennsylvania delegation. Mr. Waring will be honored here at the Capitol on September 15 in observance of Pennsylvania Day. It is for that reason that we have acted as quickly as we could on this legislation. A hearing and markup were held by the Consumer Affairs and Coinage Subcommittee last Wednesday, and the Banking Committee reported the legislation on Thursday. Even so, it is impossible for the medal to be designed and minted in the next 7 weeks, between now and Pennsylvania Day. Prompt passage of this legislation will assure that a sketch or a facsimile or a model will be available for Pennsylvania Day on September 15.

Mr. Speaker, I urge the Members of this House to support House Joint Resolution 223, and at this time I want to yield to the distinguished dean of the Pennsylvania delegation, who has worked long and hard on this legislation. It was no easy task to go out and get 239 Members to sign the resolution. I want to congratulate the gentleman for a job well done, and I know that he has the respect of every Member of this House and the respect of the people of Pennsylvania, and when Fred Waring receives this gold medal that will be presented to him, the gentleman from Pennsylvania, Mr. JOE GAYDOS, will have the respect of all the music lovers of America.

Mr. GAYDOS. Mr. Speaker, I want to thank the subcommittee chairman, and I take this opportunity to thank him for his graciousness and for his prompt response to the needs of Pennsylvania.

Speaking on behalf of the Pennsylvania delegation, I particularly want to make reference to the secretary of the delegation, Adm. Van Zandt, a former Member of this House, who primarily is coordinating the upcoming September 15 Pennsylvania Day.

Mr. Speaker, I think this resolution is due and proper recognition to a great artist. I know that I speak on behalf of not only the delegation but on behalf of all Pennsylvanians in again thanking the gentleman from Illinois (Mr. ANNUNZIO), the chairman of the subcommittee.

Mr. Speaker, I rise in support of House Joint Resolution 223, which directs the striking of a gold medal recognizing the lifetime contributions of Fred Waring to his fellow citizens of the United States.

A Pennsylvanian, Mr. Waring contributed immeasurably to the spirit of the people and their feeling for the country with his stirring revival of the "Battle Hymn of the Republic."

For millions, the Christmas season is not marked by a snowfall but by the voices of Fred Waring's Pennsylvanians on their stereos and radios singing "Do You Hear What I Hear" and "T'was the Night Before Christmas."

American music of the present bears his mark, and that mark will carry into the future.

He has made lasting and significant contributions through the influence of the style he developed and his encouragement of talented young persons.

His impact has been across the field of entertainment.

He brought choral music to a golden age and pioneered in recording, radio, talking movies, and television.

On top of all that, he perfected and marketed the Waring Blendor.

Mr. Waring's career follows the outline for success in America.

He started small—just a band of hometown friends. He followed his head, perfected his product, and grew.

These days Fred Waring and the Pennsylvanians tour an average of 40,000 miles and play before hundreds of thousands of Americans in an average of 35 States each year.

But this year, the 65th on the road, is Mr. Waring's last tour.

In his career, Mr. Waring has even been called for a command performance before the Queen of England, and, if this were England, the occasion of his last tour probably would be marked by his being named Sir Fred Waring because that is how they recognize persons who have influenced their times for the better.

However, this is the United States.

Mr. Speaker, passage of House Joint Resolution 223 will properly and officially recognize Mr. Waring's contributions to, and influence on, our times.

It will fittingly cap the career of "The Man Who Taught America How To Sing."

And I sincerely urge its passage.

Mr. ANNUNZIO. Mr. Speaker, I reserve the balance of my time.

Mr. WYLIE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am pleased to speak in favor of this resolution honoring Fred Waring and to be a cosponsor of the resolution.

May I say to the subcommittee chairman, the gentleman from Illinois, Mr. FRANK ANNUNZIO, that he is to be complimented for acting on this legislation so expeditiously, and I am pleased to join with him again in bringing a very significant piece of legislation to the House floor. I might say that the Pennsylvania delegation, with the leadership of the gentleman from Pennsylvania (Mr. GAYDOS), is also to be commended for introducing this legislation.

Fred Waring was in Columbus last Thursday evening with his Young Pennsylvanians for a benefit for the Ohio Theater sponsored by Capa Colleagues, the Columbus Association for the Performing Arts, and I flew in to join my wife to be in attendance. We were treated with one of the most enjoyable evenings I have ever experienced. Mr. Speaker, "The Man Who Taught America How To Sing" was there leading his Young Pennsylvanians for a 2½-hour performance the like of which I have never seen. His talented and lovely wife, Virginia, herself a concert pianist, was magnificent in her supporting role as a coconductor and playing the piano. I was to meet and talk with both of them after the performance, which was a delightful experience in and of itself.

On March 15, 1981, Fred Waring began his 66th year in the entertainment business, a record unequaled in the entertainment field. At 81, let me assure you, this truly remarkable man remains "King of the Road."

His accomplishments, Mr. Speaker, are too numerous to mention in the time limitations we have here today,

but they are indeed amazing. I am at this point placing in the RECORD an extremely interesting biography of Fred Waring that was prepared for the Ohio Theater program, as follows:

FRED WARING—A BIOGRAPHY

Fred Waring is known to generations as the "Man Who Taught America How To Sing," "America's Singing Master," or the man who helped make the popular song a classic American Art Form. He is one of the most fascinating and interesting figures in the history of Show Business. Through over six decades of sharing his distinctive blend of beautiful music, he has always been up to date and, in actuality, ahead of his time. His fans, young and old, are awed by his contributions to the music industry via Vaudeville, movies, radio, recordings, Broadway, television and love of the concert stage.

It all began on June 9, 1900, in Tyrone, Penn., when Frederic Malcolm Waring was born, and from his first stage appearance, at age 5, to becoming leader of the Boy Scout Drum Corps in his home town of Tyrone, Fred Waring has been making music. As a teenager, he and Freddie Buck joined the "Waring-McClintock Snap Orchestra," composed of Fred's younger brother, Tom, and his partner/drummer, Poley McClintock. The quartet became "Waring's Banjo Orchestra," and toured colleges . . . playing fraternity parties, proms and local dances. The exciting and new band sang together, played faster rhythms, and the engagements poured in. Fred put aside his pursuit of a degree in architecture at Penn State and became leader of the band.

In the twenties the group adopted the name of "Fred Waring's Pennsylvanians" and played every major movie theatre from coast to coast, for weeks at a time. They became the rage in Hollywood, starring in the first musical motion picture, "Syncopation," then "Varsity Show," and were featured in the first "talkie" shorts.

In the thirties, Fred Waring's Pennsylvanians, as a 55-piece Jazz Orchestra, scored one of their greatest theatrical successes with an un-precedented six-month run at New York's famous Roxy Theatre. Their first network radio slot, "The Old Gold Show," was followed by the famous "Ford Show." Waring's award winning programs for Chesterfield and General Electric are remembered as classic chapters in the history of broadcasting.

During World War II the Pennsylvanians added, to their daily radio show, a steady stream of appearances at war bond rallies, their own New York Canteen, Army camps and Naval training stations. At the war's end, Fred's aggregation hit the road for their first concert tour in ten years. They drew tremendous crowds, and via "remotes" the Pennsylvanians were still being heard coast to coast on radio. April, 1949, was the start of the Pennsylvanians' TV performances when Fred Waring introduced "spectaculars" for General Electric. The television series captured numerous awards for Best Musical Show.

He pioneered, too, in the recording industry. One of his first auditions was for Thomas Edison in the 1920s, and his first recording was his first theme song, "Sleep," for Victor Talking Machine Company. They later made the first electronic recording and first vocal dance recordings. He was first to use a girl singer, to feature vocalists with an orchestra and to combine orchestra and glee club. The Pennsylvanians have recorded over 1500 songs and 100 albums.

He has written songs about every imaginable subject . . . from his own theme song, "I Hear Music," to college alma mater fight songs (over 90) to patriotic songs. During the war years, Mr. Waring was compelled to compose nearly 30 stirring songs for branches of our armed services. In addition, for our country, his compositions include dozens of patriotic songs, the latest contribution being his beautiful love song to America, called, simply, "My America."

Fred Waring has also been recognized as one of the nation's leading Music Educators. He has been honored by the Association of Professional Vocal Ensembles, the National Music Educators and the American Choral Directors Associations.

To foster better singing techniques, he organized the Fred Waring Choral Music Workshop in 1947. Today he teaches and supervises his staff of "working show business professionals." The summer workshop is now held on the campus of The Pennsylvania State University.

To share his wealth of choral arrangements, he established Shawnee Press, Inc., now one of the world's largest publishers and sellers of choral music.

During the 1960s and 70s, Fred Waring has become known as the "King of the Road," touring some 40,000 miles every year, mostly by bus. His musical innovations are countless, having recently added the contemporary sounds of the "Today's Pennsylvanians" and the close harmony and blend of the "Waring Blendors" to the road show. On March 15, 1980, Fred Waring began his 65th year in the entertainment business, a record unequaled in the entertainment field.

Music is not the sole interest in the life of this dynamic man. He is married to the lovely, former concert pianist, Virginia Morley, and has five children, fourteen grandchildren, and two great grandchildren. With his early background in architecture and engineering at Penn State, Mr. Waring became the developer of the famous Waring Blendor and the instant steam iron. His favorite sport is golf, and he plays as often as possible . . . still able to break his age—81.

□ 1440

I am afraid I let the cat out of the bag after the performance of Thursday evening when I told Fred Waring that the Banking Committee had just that day reported this resolution in his honor out of committee and that the resolution would be on the House floor today. I told him that when we had something really important to handle, we knew how to act quickly and that it would be passed on the House floor today.

Mr. Speaker, I urge adoption of the resolution.

Mr. GAYDOS. Mr. Speaker, will the gentleman yield?

Mr. WYLIE. Yes, I yield to the gentleman from Pennsylvania.

Mr. GAYDOS. Mr. Speaker, since I heard the remarks, I would like to add that the House Members, all the special guests, the public at large, and all Washingtonians are going to be in for a treat on September 15, because Mr. Waring is going to perform for a minimum of an hour or an hour and a half and of course, we will have the world famous Tambouritzans from Duquesne University, which also will be performing on Pennsylvania Day.

I thank my very good friend and colleague, with whom I share many early moments in the morning on a regular schedule, for his interest in this matter and for the very, very fine remarks he has made and which are now a part of the formal record.

Mr. WYLIE. May I say to all those Members who have the time to go hear the Pennsylvanians that day to visit with Fred Waring, it will indeed be time well spent and a moment that they will enjoy and remember forever.

Mr. PARRIS. Mr. Speaker, will the gentleman yield?

Mr. WYLIE. I yield to the gentleman from Virginia.

Mr. PARRIS. Mr. Speaker, I appreciate the gentleman yielding.

It is with great interest that I notice in the legislative digest that Fred Waring perfected and marketed the Waring Blendor, which has provided many of us with enjoyable culinary delights and "spiritual enjoyment" of one kind or another from time to time.

I join with my colleague in supporting this legislation.

Mr. WYLIE. I thank the gentleman from Virginia for his interesting contribution.

I was not aware of that until Thursday evening when I read that in his biography Fred Waring was, first, an engineering student when he was at Penn State University and upon his graduation was an engineer for a while. But we know how he got together his group of singers, called the Pennsylvanians. He was so talented in the field of music that engineering, I am afraid, went out the window. He did, indeed, perfect the Waring Blendor which has also given us much pleasure.

Mr. Speaker, I have no further requests for time, I yield back the balance of my time.

Mr. ANNUNZIO. Mr. Speaker, I yield back the balance of my time.

● Mr. McDADE. Mr. Speaker, it gives me great pride and pleasure to support the congressional medal for not only a great American; but also a great Pennsylvanian—Fred Waring.

The name of Fred Waring is synonymous throughout the country and the world with good music. Indeed he is the person most responsible for teaching America how to sing. It was his pioneering efforts during the thirties and forties which legitimitized chorale music. In the process America sang along, and we learned the joys of joining voices in not only patriotic songs but also popular tunes of the day.

I must point out also that the medal is of particular importance to me because Fred Waring is a constituent of mine. And it is an additional honor to reveal the activities of Mr. Waring regarding his musical workshop which

has been operating continuously since 1947, and which since its beginning has had over 35,000 students and teachers of music seeking and finding the Fred Waring secrets of singing.

Located at Pennsylvania State University, the workshop has a distinguished faculty of active show business pros who are teaching students from all over the world the professional touch and polish in the field of music.

While Mr. Waring has made his final tour, this master showman and teacher will continue to give and share his fortune of accumulated show business experience and knowledge with the youth and music educators via his summer workshop at Penn State.

Fred Waring will always be remembered as "The man who taught America to sing" and as the father of American chorale music; the medal is richly deserved.●

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois (Mr. ANNUNZIO) that the House suspend the rules and pass the joint resolution, House Joint Resolution 223, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the joint resolution, as amended, was passed.

A motion to reconsider was laid on the table.

FISCAL YEAR 1981 AIRPORT DEVELOPMENT AUTHORIZATION ACT

Mr. MINETA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4182) to extend the airport development aid program through fiscal year 1981, as amended.

The Clerk read as follows:

H.R. 4182

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, That this Act may be cited as the "Fiscal Year 1981 Airport Development Authorization Act".

SEC. 2. (a) Section 14(a)(3) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1714(a)(3)) is amended by striking out "and" after "1979," and by striking out the period at the end thereof and inserting in lieu thereof ", and $387,000,000 for fiscal year 1981,".

(b) Section 14(a)(4) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1714(a)(4)) is amended by striking out "and" after "1979," and by striking out the period at the end thereof and inserting in lieu thereof ", and $63,000,000 for fiscal year 1981.".

(c) In addition to the purposes otherwise authorized, amounts authorized under sections 14(a)(3) and 14(a)(4) of the Airport and Airway Development Act of 1970 for fiscal year 1981 shall also be authorized for airport system planning, airport master planning, and airport noise compatibility planning, all in accordance with section 13 of such Act, and for carrying out noise compatibility programs under section 104(c) of the Aviation Safety and Noise Abatement Act of 1979. The apportionment of such amounts under section 15 of the Airport and Airway Development Act of 1970 shall be made as soon as possible after the date of enactment of this Act and for purposes of sections 14(b), 15, and 19 of the Airport and Airway Development Act of 1970 relating to authority to incur obligations and to enter into project grant agreements all the purposes set forth in the preceding sentence shall be deemed to be airport development within the meaning of such Act. The Secretary shall obligate from funds available for fiscal year 1981 under section 14(a)(3) of the Airport and Airway Development Act of 1970 not less than $25,000,000 for carrying out noise compatibility programs under section 104(c) of the Aviation Safety and Noise Abatement Act of 1979.

(d) Section 14(b)(2) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1714(b)(2)) is amended by striking out "1980" and inserting in lieu thereof "1981".

(e) Section 15(a)(3)(A)(I) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1715(a)(3)(A)(I) is amended by striking out "1980" and inserting in lieu thereof "1981".

(f) Section 15(a)(3)(A)(II) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1715(a)(3)(A)(II) is amended by striking out "1980" and inserting in lieu thereof "1981".

(g) Section 15(a)(3)(B)(i) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1715(a)(3)(B)(i)) is amended by striking out "1980" and inserting in lieu thereof "1981".

(h) Section 15(a)(4) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1715(a)(4)) is amended by striking out "fiscal year 1980" each place it appears and inserting in lieu thereof "fiscal years 1980 and 1981".

(i) Section 17(a)(2)(A) of the Airport and Airway Development Act of 1970 (49 U.S.C. 1717(a)(2)(A)) is amended by striking out "fiscal year 1980" and inserting in lieu thereof "fiscal years 1980 and 1981".

(j) Notwithstanding any other provision of the Airport and Airway Development Act of 1970, the Secretary of Transportation may approve an application under such Act before October 1, 1981, for a project which was begun after September 30, 1980, and before the date of the enactment of this Act. If such an application is approved, costs incurred under such project after September 30, 1980, and before the date of approval of such project shall be allowable costs to the extent they would be allowable costs under the provisions of such Act of 1970 (other than provisions making costs allowable only if incurred after the execution of the grant agreement) if incurred after the date of such project approval.

SEC. 3. (a) Section 208(f)(1) of the Airport and Airway Revenue Act of 1970 is amended by striking out "1980" and inserting in lieu thereof "1981".

(b) Subparagraph (A) of section 208(f)(1) of the Airport and Airway Revenue Act of 1970 is amended to read as follows:

"(A) incurred under title I of this Act or of the Airport and Airway Development Act Amendments of 1976 or of the Aviation Safety and Noise Abatement Act of 1979 or under the Fiscal Year 1981 Airport Development Authorization Act (as such Acts were in effect on the date of enactment of the Fiscal Year 1981 Airport Development Authorization Act);".

The SPEAKER pro tempore. Is a second demanded?

Mr. SNYDER. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from California (Mr. MINETA) will be recognized for 20 minutes, and the gentleman from Kentucky (Mr. SNYDER) will be recognized for 20 minutes.

The Chair recognizes the gentleman from California (Mr. MINETA).

Mr. MINETA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 4182 provides fiscal year 1981 authorization for the airport development aid program, better known as ADAP. ADAP provides grants to airports for airport development from trust funds contributed by the users of the aviation system.

The existing ADAP authorization expired on September 30, 1980, and efforts to reauthorize the program have bogged down in outyear issues, particularly the Senate proposal to declare a number of airports ineligible for ADAP assistance beginning in fiscal year 1982. As a result, there has been no ADAP authorization for fiscal year 1981.

In addition, our committee's multiyear ADAP bill, H.R. 2643, requires consideration of a revenue title by the Ways and Means Committee. That committee, due to its work on the tax cut bill, has been unable to schedule consideration of the multiyear ADAP bill in time to permit its enactment before the end of fiscal year 1981.

We are therefore faced with the prospect of losing all fiscal year ADAP funding. The committee has therefore reported H.R. 4182 to fill that gap in ADAP authorizations. The users have already contributed these funds in taxes to the trust fund; in fact, the trust fund surplus now stands at roughly $3.7 billion. The $450 million authorized by this bill is in complete agreement with the administration budget, the first budget resolution, and the obligation ceiling in the fiscal year 1981 Supplemental Appropriation Act. Furthermore defederalization is not at issue in fiscal year 1981, since the Senate does not propose defederalization until fiscal year 1982.

In short, Mr. Speaker, none of the controversies which surround the multiyear ADAP bills really apply to fiscal year 1981. The only issue here is whether the users, having already paid these taxes for airport development, will get any benefits from those taxes.

H.R. 4182 would simply extend the ADAP program which existed on September 30, 1980, for 1 additional year at the $450 million level. The bill

would not change the program in any way with respect to the existing set-aside levels, the various minimums and maximums provided for airports, or any formulas for the allocation of funds. The historic funding ratio between air carrier and commuter airports on the one hand and general aviation on the other has been retained in the authorization levels, and the planning and noise planning programs authorized in the old law have retained their eligibility in the new authorizations.

Furthermore, because of the unusual circumstance of the lapse in the authorization for this program, the bill would provide that projects begun in that period of lapse would not automatically be excluded from ADAP eligibility, although they would still have to meet all tests and conditions as if the program had been in effect continuously.

I would also add that our decision to seek this 1-year authorization in no way lessens our commitment to our multiyear ADAP bill, H.R. 2643. We anticipate that the Ways and Means Committee will be able to consider the revenue title during September, and that we will bring that bill to the House floor as soon after that as that is possible.

Finally, Mr. Speaker, the committee amendment we have offered to H.R. 4182 is strictly a technical conforming amendment, bringing our bill into technical conformance with the existing revenue title. The amendment would not in any way change any currently existing taxes or have any other effect on the revenue title. The amendment has been worked out in close cooperation with the Ways and Means Committee and has their support. I would ask unanimous consent that their letter to that effect be included in the RECORD at this point:

COMMITTEE ON WAYS AND MEANS,
Washington, D.C., July 24, 1981.

Hon. JAMES J. HOWARD,
Chairman, Committee on Public Works and Transportation, 2165 Rayburn Office Building.

Hon. NORMAN Y. MINETA,
Chairman, Subcommittee on Aviation, Committee on Public Works and Transportation, 2251 Rayburn Office Building.

DEAR MR. CHAIRMAN: Thank you for your letter of July 20, 1981, requesting the support of the Committee on Ways and Means in your efforts to advance H.R. 4182, legislation which authorizes an additional year (fiscal year 1981) of funding from the Airport and Airway Trust Fund for the ADAP and noise abatement programs.

Yesterday, when the Committee on Ways and Means met to order reported H.R. 4242, its tax reduction bill, I raised your request for the acquiescence of the Committee on Ways and Means in your efforts to bring H.R. 4182 to the House floor at the earliest possible date. It was the position of the Committee on Ways and Means that, since your legislation simply authorizes one additional year of funding for these programs and makes no substantive changes in the programs established by existing law, the Committee on Ways and Means would not object to that bill being considered under the suspension calendar. In addition, the Committee approved a conforming amendment to section 208(f) of the Airport and Airway Revenue Act of 1970 which we would authorize you to add to the bill when it is considered on the suspension calendar.

The Committee, of course, retains its jurisdiction over the Airport and Airway Revenue Act. We recognize your need to advance this legislation in an expedited manner, and we have taken this action as part of the continuing spirit of cooperation that has existed between our two committees with respect to the Airport and Airway Trust Fund. In addition, we look forward to working with you on developing the appropriate financing provisions for a multi-year authorization bill which I understand is currently under consideration by your Committee.

With warm regards I am,
Sincerely yours,
DAN ROSTENKOWSKI,
Chairman.

I would also like to extend to that committee and its chairman, the gentleman from Illinois (Mr. ROSTENKOWSKI), our appreciation for their support and cooperation in making it possible to move this bill quickly to avoid the loss of needed airport development.

Mr. Speaker, I urge my colleagues to support this needed and noncontroversial legislation.

Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from New Jersey (Mr. HOWARD), the chairman of the full Committee on Public Works and Transportation.

Mr. HOWARD. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I rise in support of H.R. 4182.

This bill is needed to insure that there is no lapse in the highly successful program which funds development of the Nation's airports. The bill before us simply continues the existing program for another year, at funding levels which are consistent with the budget resolution.

The airport program is based on a trust fund, supported by payments from the users of the system. The surplus of more than $3 billion in the trust fund is more than adequate to fund the modest $450 million program established by this bill for fiscal 1981.

Airports are a critical part of our Nation's transportation infrastructure. The airport system is already straining to meet the demands placed upon it, and this results in aircraft delays, causing inconvenience to passengers, added expenses for the airlines, and a waste of our energy resources. We cannot afford any further delays in the airport development needed to remedy these problems. The bill now before us will enable this program to go forward while the House and Senate continue their work on a multiyear program for fiscal 1982 and beyond.

I urge my colleagues to join me in passing this important legislation.

□ 1450

Mr. MINETA. Mr. Speaker, I yield such time as he may consumer to my colleague from Texas (Mr. KAZEN).

Mr. KAZEN. Mr. Speaker, since this is an authorization bill, I am wondering if it is the bill that would authorize the installation of automated weather reporting systems in airports that are eligible for this help.

Mr. MINETA. Will the gentleman yield?

Mr. KAZEN. I yield to the gentleman.

Mr. MINETA. No; I believe that would come under the F. & E. portion of the bill, facilities and equipment, and that portion dealing with facilities and equipment is not in this bill. However, it is in our multiyear bill which will be brought up later in this session.

Mr. KAZEN. I appreciate that information. I am, of course, very interested in it because I do have a general aviation airport and one which also serves commercial airlines where this type of equipment is very badly needed since we do not have 24-hour tower service or a weather station.

We have talked to the FAA about this situation and they tell us that they must have the authorization. I did not know whether we might have had it in this bill, because I certainly want the FAA to consider installing this system at my airport in Laredo as soon as they possibly can.

Mr. MINETA. The gentleman, as chairman of the Aviation Subcommittee, is well aware of many of those problems and that is included in our multiyear bill.

Mr. SNYDER. Mr. Speaker, will the gentleman yield?

Mr. MINETA. I am pleased to yield to my colleague from Kentucky (Mr. SNYDER).

Mr. SNYDER. That was the point I wanted to make. This authorization just carries us for a couple of months, to October 1981. The multiyear bill, which has been reported by the committee and is awaiting action by the Ways and Means Committee, makes that an eligible item. Assuming we get that enacted by October, it would be eligible under the new bill at that time.

Mr. KAZEN. I thank both the gentlemen for the information. I commend you for the work you are doing for aviation in this country.

Mr. MINETA. I thank the gentleman from Texas.

I reserve the balance of my time.

Mr. SNYDER. Mr. Speaker, I yield myself such time as I may consume.

I support the gentleman's motion and urge my colleagues to adopt H.R. 4182.

The Public Works Committee amendment cited by the gentleman is necessary since section 208(f) of the Airport and Airway Revenue Act currently precludes ADAP money from being obligated beyond 1980. While this statute is within the jurisdiction of the Ways and Means Committee, they have agreed to waive jurisdiction for a 1981 ADAP bill and to allow these funds to be obligated. This amendment, therefore, would merely formalize that arrangement and allow H.R. 4182 to go forward without any further action by that committee.

I am pleased that the members of the Public Works Committee and the Ways and Means Committee realize the importance of the ADAP program to the aviation community and the traveling public. Hopefully, the spirit of cooperation which has thus far prevailed among all those seeking this authorization before the end of fiscal year 1981 will continue to exist as the bill continues to move through the Congress.

As my colleagues are aware, we have been without an ADAP program since October 1, 1980. Since that time, no airport has been able to receive Federal funds for airport construction despite the existence of a $3.7 billion surplus in the airport and airway trust fund.

This situation exists despite FAA studies which show that airport development needs in the next decade will exceed $12 billion, with nearly $9 billion needed for the next 5 years. These funds are necessary for the construction of new runways, the extension of old ones, runway lighting, terminal development, and countless other capital improvement projects designed to increase safety and airport capacity.

All of us realize that the needs of our air transportation system are substantial and that the release of these funds will only make a small contribution toward relieving some of the financial pressures being felt by airport operators throughout the country.

While many of us would have preferred to enact a higher authorization for this program, we realize the need to restrict Federal spending so that our economy will be able to recover in the years ahead. For this reason, and despite the huge $3.7 billion surplus in the trust fund, the committee decided on a funding level of only $450 million for fiscal year 1981, or two-thirds of the 1980 authorization. Although this is less than an optimum amount for the program, I believe it is absolutely critical that these funds are authorized before the end of the fiscal year so that many essential capital projects can be funded. This $450 million is the President's budgeted amount.

Obviously, all of us would have preferred to see the 3-year ADAP bill reported by the Public Works Committee enacted in time for its 1981 funding provisions to become effective but, due to other legislative priorities, the chances of doing that are remote. Moreover, failure to do so would in all probability mean that 1981 funds would be lost forever.

For these compelling reasons, I urge my colleagues to support H.R. 4182. By continuing the ADAP program under the old law, we will at least be assured that the program can continue until the House can consider the multiyear legislation previously reported by this committee.

Mr. Speaker, I reserve the balance of my time.

Mr. MINETA. Mr. Speaker, I yield such time as he may consume to the gentleman from the Virgin Islands (Mr. DE LUGO).

Mr. DE LUGO. I thank the gentleman for yielding. At the Harry S. Truman Airport on St. Thomas, Virgin Islands, there is a project underway that requires ADAP funding for completion. Completion of this project at the soonest possible time is vital to the economy of the Virgin Islands, the major industry of which is tourism.

Completion of the project is also imperative from a safety standpoint. The existing runway is marginal for jet operations, a fact tragically illustrated by the 38 lives lost in the three crashes at the airport. I would like to ask the chairman if the Harry S. Truman Airport project should receive priority attention from the FAA when it is deciding what airport projects should receive funding.

Mr. MINETA. Mr. Speaker, will the gentleman yield?

Mr. DE LUGO. I am pleased to yield to the gentleman.

Mr. MINETA. Our Subcomittee on Aviation has received information on the St. Thomas situation. There is no question that it is a worthy project. The FAA should take all possible action under the statutory criteria to see that this project is completed as soon as possible.

Mr. DE LUGO. I agree with my subcommittee chairman and I appreciate his concerns and insight into the situation at Harry S. Truman Airport.

Mr. MINETA. Mr. Speaker, I yield such time as he may consume to the gentleman from Puerto Rico (Mr. CORRADA).

Mr. CORRADA. Mr. Speaker, I rise in support of H.R. 4182, legislation to extend the existing airport development aid program for 1 year.

The bill before the House would authorize $450 million in fiscal year 1982 for the ADAP program from existing trust funds contributed by users of this country's aviation system.

In reporting this legislation today, the House Subcommittee on Aviation, chaired by our distinguished colleague NORMAN MINETA, of California, has made it possible to continue the important airport development program.

H.R. 4182 offers the Nation's airports an opportunity to continue expansions and development of badly needed facilities.

Due to sharp increases in air traffic and a need for expanded facilities, Puerto Rico—dependent as our island is on air transportation for both tourism and goods and services—views the ADAP program as a critical one to help the overall development of the Puerto Rican economy.

H.R. 4182 simply retains existing safeguards for noise control and noise planning programs. More important, it continues the existing formula to carry over development of airports with ADAP funds until a major overhaul of existing programs, being considered in both the House and the Senate, can pass at some future date.

Finally, the legislation provides that projects begun in the interim of the ADAP termination would be eligible for ADAP funds as if the program had been in effect continuously.

This provision retains existing ADAP programs.

This legislation will assure vital airport development in Puerto Rico and throughout the Nation without any cost to the taxpayer since user fees go into the trust fund.

I am in strong support of H.R. 4182, and will be supporting Mr. MINETA's additional legislation to continue and reform the vital ADAP program. H.R. 4182 merits the support of all of us.

Mr. SNYDER. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Arkansas (Mr. HAMMERSCHMIDT).

Mr. HAMMERSCHMIDT. Mr. Speaker, I want to associate myself with the remarks of the distinguished chairman and ranking minority member of the Aviation Subcommittee. I support H.R. 4182 and believe it will result in a safer and more efficient airport system.

As my colleagues are aware, the ADAP program has been dormant since the end of fiscal year 1980 and as a result, airport operators throughout the country have been unable to secure essential funding for the improvement of our Nation's airports. This program, originally enacted in 1970, has gone a long way toward helping our airports fund those projects necessary to keep pace with the fantastic growth of aviation during the past decade.

As my colleagues have indicated, H.R. 4182 authorizes $450 million for this purpose in fiscal year 1981. Of this amount, $387 million is for air carrier airports and $63 million for general aviation airports. Commuter airports are guaranteed a minimum of

$15 million out of the air carrier discretionary fund while at least $20 million out of the general aviation category is guaranteed for reliever airports.

The Public Works Committee held hearings on H.R. 2643, the committee's 3-year ADAP bill, earlier in the year. Testimony elicited during those hearings amply demonstrated the substantial capital needs which will have to be met if we are to safely accommodate the growth of aviation in the coming years.

Obviously, the funds authorized by H.R. 4182 will only meet a small portion of those needs but the funds are nonetheless essential to assist our airports in meeting their obligations to serve the traveling public.

Mr. Speaker, as a member of the Aviation Subcommittee, I have been actively involved in both the multiyear ADAP bill (H.R. 2643) and the legislation before you today. While I agree with the gentleman from Kentucky that it is still imperative to adopt the multiyear ADAP bill, passage of H.R. 4182 will at least assure that this excellent program will be funded until the Ways and Means Committee has the opportunity to report out a corresponding tax title to go along with H.R. 2643. Hopefully, such action will occur as soon as possible after the August recess.

For the foregoing reasons, I urge my colleagues to adopt H.R. 4182. It will continue a valuable and worthwhile program and assure that our airports will be able to use some of the $3.7 billion surplus currently in the airport and airway trust fund.

Thank you.

Mr. SNYDER. Mr. Speaker, I yield such time as he may consume to the ranking member on our full committee, the gentleman from California (Mr. CLAUSEN).

Mr. CLAUSEN. Mr. Speaker, I support the gentleman's motion to suspend the rules and to adopt H.R. 4182 along with the committee amendment which he has just described.

This amendment is necessary to allow us to enact a simple 1-year extension of the ADAP program without the necessity for any formal action by the Ways and Means Committee. Its adoption would have no effect on the current user tax levels but would merely permit trust fund dollars to be released for essential capital improvement purposes in fiscal year 1981.

Obviously, all of us are concerned about the fact that the user taxes currently being collected are, for the most part, going into the general fund. We are therefore hopeful that the Ways and Means Committee will adopt a tax title for H.R. 2643, the Public Works Committee's multiyear ADAP bill, so that the user taxes can once again flow into the aviation trust fund and be spent for their intended purpose.

However, for the interim, I am pleased that the Ways and Means Committee has agreed to let us proceed with this important legislation.

Most of my colleagues are aware of my longstanding involvement and deep commitment to aviation. Almost 14 years ago, I spoke to you in this body about the critical need for integrated airport systems in our metropolitan areas which would assure a coordinated approach to airport planning and one which would take into account the unique air transportation needs of each metropolitan area.

That was before passage of the Airport and Airway Development Act of 1970—a statute which in large measure is responsible for the fantastic growth of aviation during the past decade. By creating a reliable source of funding for the capital improvement needs of our air transportation system, the Congress took a significant step toward assuring that our aviation facilities would not only accommodate anticipated growth but that it would be accomplished with the highest degree of safety. I think the progress of aviation since the passage of that statute speaks for itself and underscores the importance of continuing this excellent program.

Passage of this legislation would allow the FAA to begin obligating these funds to airport sponsors for essential capital improvement. Unfortunately, no grants have been made since October 1, 1980, and it is time that we rectified that situation.

The funding level in the bill—$450 million for fiscal year 1981—is very modest indeed, especially when compared to the fiscal year 1980 authorization of almost $670 million. Nevertheless, it is absolutely essential that this money be authorized as soon as possible in order to prevent the possibility of losing all 1981 funds. I might add that this amount is also reflected in the budget resolution and in the fiscal year 1981 supplemental appropriations bill.

Accordingly, I would ask my colleagues to adopt H.R. 4182 and to continue the existing ADAP program at a level of $450 million for fiscal year 1981. It is a very small price to pay to assist our Nation's airports in meeting their immediate capital improvement needs. It is an investment which will reap substantial dividends for the traveling public and one which we cannot afford to forgo.

● Mr. DREIER. Mr. Speaker, I rise to voice my strong support of H.R. 4182, which authorizes continuation of the airport development aid program (ADAP) for fiscal year 1981. H.R. 4182 is a 1-year bill that establishes funding of $450 million in fiscal year 1981 for ADAP.

The current airport development program authorization ran out on September 30, 1980. This bill continues all provisions of the 1976 act governing the allocation of funds between various kinds of airports and the minimum funding levels for certain programs.

This bill will simply extend for 1 additional year the ADAP program and will permit the Federal Aviation Administration to obligate the $450 million before the end of the fiscal year.

In light of the contributions made by users of the airport and airways systems, who paid user charges into the airport and airways trust fund from 1970 to 1980, loss of fiscal 1981 funds due to lack of congressional action would be unjust and unmerited.

The bill does not include any so-called "defederalization" of larger airports; its sole function is just to continue the eligibility of all airports for funding. Under this bill, projects which began during the 1981 fiscal year, when there was no program in effect, will be eligible to apply for 1981 grants.

I believe this bill is fair and equitable and will help meet aviation needs and further national goals.

Thank you for allowing me this opportunity to address this most important matter.●

Mr. MINETA. Mr. Speaker, I have no further requests for time and yield back the balance of my time.

Mr. SNYDER. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. MINETA) that the House suspend the rules and pass the bill, H.R. 4182, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

□ 1500

GENERAL LEAVE

Mr. MINETA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 4182, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

JAMES A. BURKE POST OFFICE

Mr. FARY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1898) to designate the building known as the Quincy Post Office in Quincy, Mass., as the "James A. Burke Post Office."

The Clerk read as follows:

H.R. 1898

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the building located at 47 Washington Street, Quincy, Massachusetts, known as the Quincy Post Office, shall hereafter be known and designated as the "James A. Burke Post Office". Any reference in a law, map, regulation, document, record, or other paper of the United States to that building shall be deemed to be a reference to the "James A. Burke Post Office".

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from Illinois (Mr. FARY) will be recognized for 20 minutes, and the gentleman from Minnesota (Mr. STANGELAND) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Illinois (Mr. FARY).

Mr. FARY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am greatly honored by the fact that the first bill I am bringing to the floor as chairman of the Subcommittee on Public Buildings and Grounds is a bill to name the Quincy, Mass., Post Office in honor of our very dear friend and former colleague, Jim Burke.

When I first came to Congress in 1975, Jim had already been here a long time but in his kind Irish way, he became my friend and helped me to become acquainted with the workings of the House he knew so well. He frequently joined me and my two colleagues from Illinois, MEL PRICE and FRANK ANNUNZIO, for lunch, and we spent quite a lot of time trading old war stories. Jim, being Irish and from the great State of Massachusetts, had a little bit of an edge on us, but I think that what really made the lunchtime banter was Jim's own exceptional sense of humor and personal warmth. It was hard not to love the guy once you knew him well.

The qualities that made him stand out as a person never faded, not even when he began to have problems with his health. His example of courage and faith in the face of bad times has always stayed in my mind. I hope that if bad times fall on me that I can weather them the way Jim did.

He was greatly respected by his colleagues in this House. He gave himself completely to the task of serving his constituents and serving the Democratic Party. He stood out when he was here but he would stand out even more in these days when party loyalty has gone out of style. He was a Democrat in the same tradition that our Speaker TIP O'NEILL is a part of.

I greatly admire Jim Burke and have missed him greatly since he retired. I hope that he will always be well and I hope that the House will pass this bill as a tribute to one of its most distinguished alumni.

I wish to thank Jim's successor, BRIAN DONNELLY, for bringing this bill to the committee's attention and doing the work of seeing it through to the floor. He and I have served on the Public Works Committee since he was elected to the House and from what I have seen of his work, I am sure Jim Burke would be proud of him.

Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. DONNELLY).

Mr. DONNELLY. Mr. Speaker, I rise in support of H.R. 1898. I join Chairman FARY in asking my colleagues to join me in honoring James A. Burke, a man whose record of devoted public service spanned five decades, including 20 years in this Chamber.

Jim Burke entered public life in the 1930's, first as a State representative from Boston then as the city's registrar of vital statistics.

In World War II, he was a decorated officer in Army intelligence including 2 years service in the South Pacific.

Following the war, Jim Burke returned to the legislature, where he became an assistant majority leader under the first Democratic Speaker of the Massachusetts House, TIP O'NEILL.

From 1959 to 1979, he gave the Nation an example of a true Representative in Congress.

For those 20 years, he worked diligently in Washington and at home for the best interests of the people of his district and of the Nation.

When he decided to retire in 1978, one local newspaper observed correctly:

> While other Members of Congress have involved themselves with *"Glamor Issues,"* Burke's record is one of dogged persistence on the bread and butter issues that affect his constituents: jobs, wages, and social security assistance.

He ended his career in Congress as chairman of the Social Security Subcommittee. As each day passes, he looks more and more like a prophet.

He fought his last fight here on behalf of genuine reform of the social security system. We continue to regret that Congress did not follow his sound advice.

The crisis that haunts the program today could have been solved years ago if we had listened to Jim Burke.

There is no question that Congressman Jim Burke listened to his constituents.

This was demonstrated to his colleagues when he championed the cause of the working man and woman in committee and on the floor.

It was also demonstrated at home. From the day he was sworn in in 1959 to the day he left office in 1979 Jim Burke's office at the Quincy, Mass., Post Office was always available to his constituents.

As his successor, I learned quickly that, to the residents of the district, that post office is synonymous with Congressman Jim Burke and with his crusade to keep Congress and the Federal Government in close touch with the people he represented.

I urge my colleagues to affirm that identification of the Quincy Post Office.

It will be a modest but lasting tribute to a modest and exemplary public servant, the Honorable James A. Burke.

Mr. STANGELAND. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, as ranking Republican serving on the Public Buildings and Grounds Subcommittee, I rise today to express my full support for H.R. 1898, a bill designating the Quincy, Mass., Post Office as the "James A. Burke Post Office." This bill has passed the subcommittee and full Public Works and Transportation Committee with bipartisan support and is a fitting tribute to former Congressman Jim Burke for his many accomplishments while serving here in Congress. In addition to his distinguished career on the Hill, Jim Burke has also made significant contributions while serving the public on a local and statewide level in Massachusetts. For these reasons, I would strongly urge my colleagues to approve this legislation as an appropriate gesture of our appreciation for Mr. Burke's contributions.

Additionally, let me point out that the naming of this postal facility in honor of Congressman Burke meets the criteria that has been previously followed for the naming of Federal building, by the Public Works and Transportation Committee.

Mr. CLAUSEN. Mr. Speaker, will the gentleman yield?

Mr. STANGELAND. I would be happy to yield to the distinguished gentleman from California (Mr. CLAUSEN), the ranking minority member of the committee.

Mr. CLAUSEN. I thank the gentleman for yielding.

Mr. Speaker, I would just like to add my support for H.R. 1898, a bill that would name the Quincy, Mass., Post Office in honor of our former colleague, and I want to add a very close personal friend, Jim Burke.

His distinguished career in Congress is well known by those of us who served with him. He represented not only the 11th District, but the entire State of Massachusetts ably and well.

Many of my colleagues who are on the floor now will remember Jimmy Burke sitting right over here in the middle of the aisle with that wide grin and extraordinary personality, always monitoring what was going on, and whenever Jim Burke rose to take the microphone in the well of the House, I can tell the Members, this Congress listened to him. He always had some-

thing very perceptive and very constructive to say. I considered Jim Burke one of my closest friends in this House during the time we served together. In addition to our legislative efforts, we shared a mutual love for baseball where he followed the annual congressional Democrat-Republican baseball game with great interest. Like the baseball we enjoyed, Jim Burke was a great team player for America.

I hope that the Massachusetts delegation will convey this message to him and we want to commend the distinguished chairman, the gentleman from Illinois (Mr. FARY), for bringing this bill, and the gentleman from Massachusetts (Mr. DONNELLY), for sponsoring and bringing it to the attention of the House.

On behalf of all the Republicans on the Public Works and Transportation Committee, I want to add my support to the bill.

Mr. FARY. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. MOAKLEY).

Mr. MOAKLEY. Mr. Speaker, I rise today in support of H.R. 1898, a bill which would rename the post office in Quincy, Mass., as the James A. Burke Post Office.

I feel qualified in speaking to Jim Burke's many sterling qualities for I have been fortunate enough to have known him over the years both as a personal friend and as an admiring colleague in two elective bodies. Jim and I served together in the Massachusetts House of Representatives for 6 years and I feel fortunate to have witnessed the sense of decency and commitment he brought to that position. He served as a State representative for 10 years, 4 of those years as majority leader. The people of the 11th District in Massachusetts demonstrated their recognition of Jim Burke's dedication to this country by electing him to Congress in 1958. Jim served 10 terms in this body and gained the unqualified respect of his colleagues on both sides of the aisle. Jim's insight into some of the problems besetting this Nation were so advanced that many of his ideas are only now being discussed by this body. An example of his insight can be found in the social security system. As chairman of the Subcommittee on Social Security, Jim recognized the fiscal problems confronting the social security system many years ago. As you know we are just now beginning to address those problems.

During his tenure as a U.S. Representative, the Quincy Post Office housed Congressman Burke's district office. Thus I think it is only appropriate that the building now be renamed in his honor as a small recognition of the high caliber of the service he has performed for this country. And I would like to thank my colleague, Mr. DONNELLY, for introducing this well-deserved honor for his predecessor from the 11th Congressional District in Massachusetts.

□ 1510

Mr. FARY. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. FRANK).

Mr. FRANK. I thank the gentleman for yielding.

Mr. Speaker, I want to add my strong support for this very well deserved legislation to honor James Burke.

I never had the privilege of serving with former Congressman Burke. I followed him to the Massachusetts Legislature and I followed him here. But I served in the Legislature of Massachusetts during the latter part of his congressional service, and his work on national issues and on local issues was outstanding. Particularly on social security, as the distinguished gentleman from Massachusetts (Mr. MOAKLEY) pointed out, James Burke was a prophet. His dedication to social security, his insistence that there were ways that we could continue to fund our obligations to older people without financial irresponsibility or in any way cutting back on those obligations were lessons a few years ago that we very much need to know now.

James Burke's public service to the people of Massachusetts and the people of the Nation was outstanding. It is wholly fitting and proper that we pay tribute to the great work that he has done by passing this bill.

Mr. STANGELAND. Mr. Speaker, I yield such time as she may consume to the gentlewoman from Massachusetts (Mrs. HECKLER).

Mrs. HECKLER. Mr. Speaker, there are many occasions when we are called upon to make pro forma statements, or insert remarks in the RECORD, that honor this former colleague or that. But there are few that honestly provide the warm personal satisfaction that usually comes from complementing relatives, close friends, or other loved ones at times of celebration of accomplishment.

For me, this is such an occasion.

In paying tribute to the Honorable James Burke, Congressman from Massachusetts 11th District, as we consider this legislation to name the post office in Quincy in his honor, I am not only paying tribute to a revered former Member of the Bay State delegation, but I am also in truth saluting a treasured friend and favorite person. To know Jimmy Burke is to love him and I am sure that all my colleagues who served with him shared that view. No man or woman here worked harder and more faithfully and more diligently to serve his constitutents than Jimmy Burke did, and despite the great power that came to him by virtue of his seniority in the Congress he never changed, but always remained an utterly unpretentious, down-to-earth, approachable, and caring man. He is a real model to me, and I know to many others in this House, of what constituent service is all about.

His closeness to the people of his district, his ability to know and understand their needs and attitudes, are the stuff of legends—and over the years it paid Jimmy Burke great dividends, for he was a big winner from the very beginning. No opponent from either party was ever really able to make a dent in his strength at the polls. Jimmy Burke was a great Congressman for many reasons, but first and foremost because he was, is, and always will be a great person, and that is the most important part of this. It is a joy to salute former Congressman James Burke at this time, and to urge the speedy passage of H.R. 1898.

I feel that my colleague, BRIAN DONNELLY, who sponsored this legislation, deserves to be recognized as well, as he has brought to our attention a fitting tribute to a great man. He is following a great man in his role as Representative from the 11th District of Massachusetts.

I would like to add in my tribute a comment about Aileen Burke, who I think today shares this great triumph. Frankly, it is not often that a wife is recognized in the Halls of Congress, but today in paying this tribute to Congressman Burke I think that the contribution of his wife, Mrs. Aileen Burke, who is at his side today and who has provided so much love, affection, and support to him, is worthy of mention. It is a great day for the Irish to see Congressman Burke and his wife, who was the unofficial representative of the Irish Embassy in Washington for many years, recognized on this floor of Congress.

I am very proud to be a member of the delegation that offers this salute. No tribute was more deserved.

Mr. FARY. I thank the gentlewoman for her comments.

Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. BOLAND).

Mr. BOLAND. Mr. Speaker, I want to commend my distinguished colleague, the gentleman from Massachusetts, BRIAN DONNELLY, for filing this legislation, and for all of the reasons that have been enunciated here I support this legislation.

Jimmy Burke has been my friend for more than 40 years. I served with him in the Massachusetts Legislature and had the privilege of serving with him in Congress for 20 years. His tenure in the House of Representatives was characterized by a deep commitment to the needs of the elderly, the disabled, and the working men and women of this country. He believed

that a Member of Congress should not only represent his constituents through legislative activity but serve them as well by becoming their agent in matters affecting Federal departments and agencies. Jimmy Burke championed the cause of thousands of his Massachusetts constituents whose dealings with the Federal Government would have been a great deal more difficult without his intercession. His efforts were directed at insuring that government was responsive to the needs of the governed, and that it effectively met those needs. People came to Jimmy Burke with their problems because they knew that in him they had not only a sympathetic listener, but an experienced and resourceful advocate.

Mr. Speaker, it is indeed fitting that the Quincy Post Office will bear the name of Jimmy Burke. For many people, a post office represents their most direct contact with the services provided by the Federal Government. In furnishing those services, the men and women who work at the Quincy facility will bear a special responsibility to discharge their duties in a manner consistent with the model provided by Jimmy Burke—with dispatch, with equity, and with compassion.

Mr. FARY. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. EARLY).

Mr. EARLY. I thank the gentleman for yielding. Mr. Speaker, it is a pleasure to join with my fellow Members here in urging unanimous approval of this resolution to name the Quincy Post Office in the Boston area in honor of our former colleague from Massachusetts, Congressman James A. Burke.

Through the 20 years of his outstanding legislative service here, Jim Burke was widely recognized and deeply respected for his dedication to the national interest and his devotion to the fulfillment of the needs of his constituents and communities within the 11th Congressional District of our Commonwealth. He was and is particularly noted for his special knowledge of and intense concern for the financial integrity of our social security system. His authoritative voice and recommendations are being sorely missed in our current debate on this complex subject.

His constant availability to his constituents, his compassion, his encouragement, his prompt and effective response in trying to help them with their problems will always remain a legend in his district. No greater tribute can be given to a public officer than the practically universal esteem, admiration, and affection of the people in his home area who know him best and who repeatedly reviewed and approved his character and competence in representing their local and national legislative interests over many years. Jim Burke enjoyed that highest of tributes throughout his service in the Congress here, and he enjoys it at home today; he enjoys it because he has earned it. All of you who have served here with Jim Burke know he was a national Representative of immense courage, unwavering principle, unsurpassed patriotism, unfailing good humor, and stalwart conviction. When he felt he was right on an issue, no one from the President on down could move him. His knowledge was his strength, his conscience was his guide, and his stand was concrete. To all who know him Jim Burke is the personification of the highest and the best of human attributes.

His name will forever recall the finest qualities and best traditions of our American origin and progress. That is the true reason why this resolution should be adopted without delay.

Mr. FARY. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. SHANNON).

Mr. SHANNON. Mr. Speaker, I would like to thank the gentleman for yielding and join with my colleagues in support of this legislation.

As a member of the Ways and Means Committee, I deal with many of the same individuals in Massachusetts that Jim Burke dealt with over the years. I can tell the Members that he is missed very deeply by them in this body because of his great commitment to the needs of the elderly and, particularly, the fine work he did over the years in the social security system.

I think, particularly now when we have to face this question again of how we are going to treat our elderly citizens, what we are going to do with social security, how we are going to restructure the Nation's tax laws, it is fitting that we should honor him.

So, I join with my colleagues in saying that I think the time has come that we remember what Jim Burke did for his country and did for his constituents.

I would like to commend my colleague from Massachusetts (Mr. DONNELLY) for offering this legislation.

Mr. STUDDS. Mr. Speaker, there is certainly nothing more that can be said—or that needs to be said—about the nature and quality of Congressman Burke's service to his constituency and his country.

But I would like to add a personal note about Jimmy Burke, the human being. Jimmy Burke was elected to the State legislature the year before I was born, and—while he never told me this—I suspect he looked with some uneasiness on the rapid turnover in the Massachusetts delegation to this House with the election of a younger generation of Members beginning in 1969. Whatever reservations he may have entertained about the replacement over time of his contemporaries by an outspoken, occasionally disrespectful group of young turks seemingly hellbent on transforming the country and the world overnight, he treated this particular turk with the most extraordinary kindness and patience. Some of his advice I took, and some I did not—but always I listened, because he was wise and because he was funny.

"STUDDS," he would invariably bellow at me whenever I looked very worried or very angry—which was most of the time—"the trouble with you is you think this place is on the level!"

Again and again, Mr. Speaker, he reminded us not to take ourselves too seriously. We do well to remember this and to remember him.

● Mr. O'NEILL. Mr. Speaker, I am proud to join my colleagues in paying tribute to my close friend and colleague of more than 20 years in the U.S. House of Representatives, the Honorable Jimmy Burke. I can think of no more fitting a tribute to Jim than naming in his honor the building in which his district office was housed during his service in this body.

Jim Burke and I go back a long, long way. I have known and worked closely with Jim throughout my entire political career. Jim and I first served together in the Massachusetts State House where his support helped enable me to become the first Democratic speaker in the history of the Massachusetts General Court.

Jim was a welcomed supporter and a tough legislative and political opponent. I recall that as speaker of the Massachusetts State House of Representatives, I would ask Jim if he would support me on a particular issue—and if he thought it was right, he would be with me all the way, and when he felt it was wrong, he would say with a gleam in his eyes, "No, TIP, it's not on the level," and no one was a more formidable adversary.

When the chips were down, when I really needed his assistance, his vote, or his frienship, Jim Burke was always there, and often, before I even asked.

Jim diligently did his homework and was a real fighter for the causes in which he believed. No one represented his constituents more conscientiously than Jimmy Burke.

We all admire Jim for his strength of character, and dedicated devotion to duty throughout his distinguished political career. And for his efforts as a champion of the golden agers, Jim Burke is legion. Through his tenacious insistence we were able to pass legislation during the 95th Congress that insured the financial soundness of the social security trust funds.

Jimmy Burke was a prodigious legislator, a forceful politician who knew how to accomplish his many goals, and

a dear personal friend. It gives me great pleasure to join in honoring one of the most talented, diligent, and distinguished public servants in the history of Massachusetts.

I urge my colleagues to support H.R. 1898, in recognition of Jim Burke's dedicated service to his district, his State, and his Nation.●

● Mr. CONTE. Mr. Speaker, I would like to add my support to this bill, H.R. 1898, which would honor my former colleague from the Commonwealth of Massachusetts and good friend, James A. Burke, by naming the Quincy Post Office after him.

Most of Jim Burke's colleagues in the House knew him as a staunch advocate for our Nation's veterans, he himself having been an exemplary soldier, serving as a special counterintelligence agent in the South Pacific in World War II and receiving four battle stars. He was also a defender of our Nation's retirees, and his work as chairman of the Social Security Subcommittee exhibited his compassion for those in their later years.

Those of us who served with Jim Burke from Massachusetts, however, have a deeper understanding of what made this man such an extraordinary legislator and dedicated public servant. Having served with Jim for 18 of his 20 years in Congress, many of them as a neighbor in the Cannon Building, I know that Jim's interest, far above anything else, was always his people in the Commonwealth's 11th District.

For 20 years, Jim Burke's district office in the Quincy Post Office served as a clearinghouse for Federal information and as an ombudsman for his constituents experiencing trouble with the Federal bureacracy.

Constituent service was a hallmark of Jim Burke's tenure in this office, and it is only fitting that the building in which so much fastidious care was harbored be named for James A. Burke.●

● Mr. ANNUNZIO. Mr. Speaker, I rise in support of H.R. 1898, a bill to designate the building known as the Quincy Post Office in Quincy, Mass., as the "James A. Burke Post Office."

The Honorable James A. Burke retired in 1978 at the end of the 95th Congress after two decades of service to his constituents of the 11th District of Massachusetts and to the people of this Nation. Jim Burke has been my friend since I was elected to Congress in 1964, and the people of our Nation lost a fine, dedicated public servant when he retired because of illness.

I commend his successor, the Honorable BRIAN J. DONNELLY, for introducing H.R. 1898. Jim Burke is most deserving of this honor for he proved himself a capable legislator and fully worthy of the trust and confidence of his constituents.

Jim was first elected to the 86th Congress in 1958, after a career of outstanding service and leadership in the Massachusetts State House of Representatives and as a member of the Massachusetts General Court. He also has a fine record of gallant military service in World War II as a special agent in the counterintelligence, where he won four battle stars and other decorations.

Congressman Burke became a self-educated expert on the social security system during his service in Congress as chairman of the Social Security Subcommittee of the House Ways and Means Committee. His outstanding dedication to high standards is an inspiration to his friends and fellow citizens, and his record of excellence and creative accomplishment shall long be remembered by those of us who had the privilege to serve with him in the Congress of the United States.

Mr. Speaker, I was proud to have worked with James A. Burke in the House of Representatives, and I urge the support of my colleagues for H.R. 1898 as a tribute to this courageous and compassionate gentleman. An article from the April 10, 1978, edition of the Boston Herald entitled, "Burke: A Job Well Done," follows:

BURKE: A JOB WELL DONE

Since he lost his right foot a year ago in a battle with diabetes, U.S. Rep. James A. Burke has displayed courage and determination in performing his duties in the Congress.

Confined to a motorized wheelchair, the Milton Democrat answered roll calls every day and fought for legislative goals close to his heart, such as using general revenue to finance part of the Social Security System and for "just" tax revisions.

In the past he has fought for Medicare and Medicaid, and he saw both programs implemented. To the elderly, he was a champion, and he won consecutive elections in 20 years in the Massachusetts 11th Congressional District.

When he announced the other day that he will retire at the end of this year, the ailing 68-year-old former Boston city official and Massachusetts legislator chose the chambers of the U.S. House Ways and Means Committee to make the announcement.

In two decades Jimmy Burke rose to become the ranking Democrat on the powerful House Ways and Means Committee, Chairman of joint Internal Revenue Committee and Chairman of the House Social Security Committee. The man has done his job and deserves praise for his performance and his statesmanship.

House Speaker Thomas P. O'Neill, Jr. spoke for all members of Congress when he told Burke, "You stood up with courage regardless of what the issue was. I have known no man who is more popular and held in higher regard by your colleagues than you."●

● Mr. MARKEY. Mr. Speaker, I rise in support of H.R. 1898. I, along with my colleagues, would like to echo my strong support for this piece of legislation that would honor James Burke by renaming the post office in Quincy, Mass., after him. His renowned dedication to national and local issues coupled with the caring and concern that he expressed for all people will long be remembered. A post office provides a direct line between the public and the Government, and I can think of no better model for the post office to follow than that of Jimmy Burke. A model of patriotism and courage, Jimmy Burke did indeed represent the Federal Government at its best.●

Mr. STANGELAND. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. FARY. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois (Mr. FARY) that the House suspend the rules and pass the bill, H.R. 1898.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. FARY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

FORT POINT CHANNEL, BOSTON BRIDGE

Mr. ROE. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1855) to grant the consent of Congress to the city of Boston to construct, maintain, and operate a causeway and fixed-span bridge in and over Fort Point Channel, Boston, Mass., as amended.

The Clerk read as follows:

H.R. 1855

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the consent of Congress is hereby given to the city of Boston to construct, maintain, and operate a fixed-span bridge in and over the water of the Fort Point Channel, Boston, Massachusetts, lying between the northeasterly side of the existing Summer Street Bridge and the northeasterly side of the existing Northern Avenue Bridge.

SEC. 2. Work shall not be commenced on such bridge until the location and plans therefor are submitted to and approved by the Secretary of Transportation.

SEC. 3. Any project heretofore authorized by an Act of Congress, insofar as such project relates to the above described portions of Fort Point Channel, is hereby abandoned.

SEC. 4. In approving the location and plans of any bridge, the Secretary of Transporta-

tion may impose any specific conditions relating to the maintenance and operation of the structure which may be deemed necessary in the interest of public navigation.

□ 1520

The SPEAKER pro tempore. Is a second demanded?

Mr. HAMMERSCHMIDT. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was no objection.

The SPEAKER pro tempore. The gentleman from New Jersey (Mr. ROE) will be recognized for 20 minutes, and the gentleman from Arkansas (Mr. HAMMERSCHMIDT) will be recognized for 20 minutes.

The Chair recognizes the gentleman from New Jersey (Mr. ROE).

Mr. ROE. Mr. Speaker, I yield such time as he may consume to the gentleman from New Jersey (Mr. HOWARD), the chairman of the Committee on Public Works.

Mr. HOWARD. Mr. Speaker, I rise in support of H.R. 1855, as amended to grant the consent of Congress to the city of Boston to construct, maintain, and operate a fixed-span bridge in and over Fort Point Channel. This bill would authorize no appropriation of Federal funds. It merely would allow the city of Boston to construct a new bridge at Northern Avenue, subject to approval of its plans by the Coast Guard, and would abandon that part of a Corps of Engineers dredging project which would no longer be necessary after construction of the new bridge.

Mr. Speaker, this bill is needed by the city of Boston so that it may proceed with its planning and construction activities. It is a good bill, and I urge my colleagues to support it.

Mr. Speaker, I wish to commend the gentleman from New Jersey (Mr. ROE), the chairman of the Subcommittee on Water Resources, as well as the gentleman from Arkansas (Mr. HAMMERSCHMIDT), and the Subcommittee on Water Resources for reporting this bill and urge its approval by the House.

Mr. CLAUSEN. Mr. Speaker, will the gentleman yield?

Mr. HOWARD. I yield to the gentleman from California.

Mr. CLAUSEN. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I rise in support of our committee leadership's efforts to move H.R. 1855 to construct the bridge that will provide the congressional consent to Boston to build the bridge in and over Fort Point Channel.

We on the Public Works and Transportation Committee have always tried to be responsive to community infrastructure requirements that fall within our jurisdiction.

As the chairman, Mr. HOWARD, has stated, there are no requirements for Federal funds. It provides the consent of Congress to the city of Boston to build, maintain, and operate the bridge and we on the Republican side of the committee concur in this effort.

Mr. ROE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 1855, as amended, would do three things. First, it would grant the consent of Congress for the city of Boston to construct a fixed-span bridge over Fort Point Channel in order to replace a deteriorating movable-span bridge at Northern Avenue. Second, it would require that before the new bridge could be constructed, its plans must first be approved by the Department of Transportation, subject to whatever conditions the Department might impose in the interest of public navigation. And, third, because the Corps of Engineers is presently authorized to maintain Fort Point Channel as part of the navigation project for Boston Harbor, the bill abandons that part of the Federal navigation project which relates to the proposed new bridge. Although the maintenance of Fort Point Channel has been authorized for many years, it has, in fact, not been maintained in the recent past.

Mr. Speaker, I urge passage of the bill.

Mr. HAMMERSCHMIDT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 1855.

The bill is very straightforward. It permits construction of a bridge across the Fort Point Channel in Boston. Eleven years ago Congress acted in a similar fashion to allow another bridge to be constructed farther up the channel.

The city of Boston is most anxious to proceed, and I believe we should act expeditiously to permit them to go forward with their planning. Therefore, I urge the adoption of H.R. 1855.

Mr. ROE. Mr. Speaker, I yield such time as he may consume to the gentleman from Massachusetts (Mr. MOAKLEY).

Mr. MOAKLEY. Mr. Speaker, I rise in support of H.R. 1855, which grants the consent of Congress to the city of Boston to construct, maintain and operate a fixed-span bridge in and over Fort Point Channel in Boston, Mass.

I would like to thank the distinguished chairman of the Water Resources Subcommittee (Mr. ROE) and the distinguished ranking minority member of the Water Resources Subcommittee (Mr. HAMMERSCHMIDT) for their consideration and efforts on this legislation.

I have introduced this legislation at the request of the city of Boston and since have received letters of support from the mayor of Boston, the Boston Redevelopment Authority, the Massachusetts Port Authority, the Boston Fisheries Association, the police, fire and traffic and parking departments of the city of Boston, the Economic Development and Industrial Corp. of Boston, the Massachusetts Executive Office of Transportation and Construction, and the Massachusetts Department of Public Works.

Mr. Speaker, the Fort Point Channel area is experiencing substantial development pressures. I recently read in a Boston periodical "nothing short of a crippling recession or an atomic war will stop development of the Fort Point Channel."

Much to the credit of the public officials and businesses involved we will see greatly expanded activity in the channel area with projects such as Massport's third containerport, the Boston Marine Industrial Park, the White Fuel Depot, the reuse of the Boston Army Base, and expansion at the existing containerport. It is estimated that with this increase in activity, the projected average daily traffic flow will grow from 17,000 vehicles at the present time to an estimated 33,000 in the year 2000.

To accommodate this increased commercial traffic and help trucks bypass the South Boston residential community, the city of Boston plans on building a new, wide roadway to connect directly with interstate highways. Crucial to any new connecting road is a new Northern Avenue Bridge.

The present bridge, built in 1907, is in a rapidly deteriorating state, and maintenance costs to the city of Boston run into the hundreds of thousands of dollars for temporary repairs, in addition to the cost of operating a movable span. I have also been informed that the bridge must be replaced because of basic engineering facts about the old structure.

A new fixed-span Northern Avenue Bridge is being requested because if a movable bridge were to be allowed to remain open much of the time, truckers and other commercial traffic, needing to move their cargo in a timely fashion, will continue to avoid the bridge, and to find alternative routes going by or through the residential community of South Boston.

The proposed new bridge would have a 15-foot clearance at high tide, and a 25-foot clearance at low tide. The great majority of motor boats, barges, and lobster boats will thus be able to navigate the bridge. Larger sailboats will not be able to go under at full mast.

One business, the McKie Lighter Co., will be displaced by a new bridge. I would like to state that I fully expect the city of Boston to accommodate this commercial concern in its effort to relocate. To build the bridge and accompanying new road, no other business will be displaced.

As presently proposed, the bridge will be constructed on the western shore of a currently unused parcel of land between the Hook Lobster Co. and the Harborplace Office Building, both of which will remain. On the eastern shore, the road will go between the Neptune Lobster Co. and the Victoria Station Restaurant—both structures will remain. The new road will be located on unused land formerly owned by the Penn Central Railroad. With this plan, both lobster companies, which are now located inside of the bridge, will be located on the seaside of the bridge.

I would like to address now how the rest of the channel will be affected. I can remember when I was growing up in South Boston that Fort Point Channel was active in commercial transportation but, as a history of Fort Point Channel by the Boston Redevelopment Authority shows, the last freighter to use the channel was when the large sugar refining plant located on its banks moved to Charlestown in the mid-1950's.

Some of the once busy Boston wharf company warehouses were razed and made into parking lots. And, as trucking and air freight outpaced rail and shipping, the Fort Point Channel's advantages as an intermodal distribution point was lost.

Locally, other factors contributed additionally to the channel's decline. The Mass Turnpike and Southeast Expressway made trucking cheaper in the Boston area than rail. The central artery (1959) cut off the Leather District, South Station, and Fort Point Channel area from central Boston.

The remaining South Bay was completely filled in by the 1960's, negating the previous need for the channel remaining open as a waterway. Dorchester Creek and the Roxbury Creek were culverted and emptied into the end of the channel. The reclaimed South Bay became the location of the Southeast Expressway (1959), the incinerator (1958), the new Boston Meat and Poultry Market (1969), maintenance facilities for the MBTA and city (1970's), and the railroad yards.

As the wharves became unused, much of the channel's shoreline was replaced by nonmaritime uses. The Gillette plant replaced the American Sugar Refinery operation on the east shore, and the U.S. Postal Service built a regional headquarters on the western shore.

In 1970, the U.S. Congress authorized the construction of a fixed-span bridge at Summer Street, just two blocks down the channel from the present Northern Avenue Bridge. The Congress Street Bridge, further down the channel, is currently nonoperable. Thus, the boats that enter the channel at Northern Avenue can only travel about 800 feet.

Let me state that I believe Fort Point Channel can and should be used for water-related purposes after the construction of a fixed-span bridge.

The channel between Northern Avenue and Congress Street can be used as a major marina for motor-powered pleasure boats. Smaller sailboats could go under the bridge at full mast. At present the pleasure boats which dock at Russia Wharf and other locations must face a long, laborious process just to go in and out of the channel, with later waits of a half hour. These same boats will be able to steam in and out at will—any time night or day.

For tall-mast sailboats and larger boats, I encourage the city to explore developing a second marina area outside the new bridge.

The *Calliope,* operated by the Museum of Transportation and a major user of the present movable-span bridge, must presently wait for the bridge to open. With the new fixed-span bridge, the boat will now be able to go in and out on a quicker schedule, which means more trips per day.

At present, the bridge's problems are causing the *Calliope* to move to a temporary dock away from the museum. With the new bridge, the tourist shuttle can go right to the museum, and Boston can work on a real, first-class tourist boat shuttle.

Mr. Speaker, I believe the Fort Point Channel is a great, usable urban resource and I also believe that in meeting the escalating transportation needs of this commercially active area, it can remain to be so. A fixed-span bridge will allow the city of Boston to replace the out-dated existing bridge to meet the new demands of the Fort Point Channel area while reducing commercial traffic in South Boston. I urge passage of H.R. 1855.

I include the following letters:

CITY OF BOSTON,
OFFICE OF THE MAYOR,
City Hall, Boston, January 23, 1981.

Hon. JOHN JOSEPH MOAKLEY,
John F. Kennedy Federal Building,
Boston, Mass,

DEAR CONGRESSMAN MOAKLEY: Since 1972, the City has spent considerable sums of money for temporary repairs to the Northern Avenue Bridge. The nature of the repair work was limited to the most critical structural defects and did not address the severe operational problems of the movable section. Our actions have always been predicated on the preliminary design work, started in 1971 by the Massachusetts Department of Public Works, for replacement of this structure with a new fixed span bridge proceeding in a timely fashion.

As I'm sure Commissioner Joseph F. Casazza of our Public Works Department has informed you, problems relating to environmental concerns have delayed the project from entering the final design stage for a number of years. It now appears however, that the environmental concerns have been resolved and the Coast Guard has expressed its approval for fixed span construction.

It is for this reason, that I am taking this opportunity to reiterate the City position that the replacement facility be designed as a fixed span structure. This proposed construction will result in a financial gain for not only the City of Boston but also for all of the varied industries located in this area that have suffered through costly inconvenience generated by the present movable span.

Your assistance in expediting the legislation needed to build a fixed span bridge, in order that final design and construction may occur, is urgently requested.

Sincerely,

KEVIN H. WHITE,
Mayor.

BOSTON REDEVELOPMENT AUTHORITY,
Boston, Mass., March 24, 1981.

Re Northern Avenue Bridge.
Congressman JOHN JOSEPH MOAKLEY,
J.F.K. Federal Building,
Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: As Director of Boston's planning and development agency, I wish to express our support for the construction of a replacement Northern Avenue Bridge as a fixed span and to offer comments on the validity of our position. This will hopefully supplement other views you have received regarding the legislation necessary to allow the fixed span concept to be implemented.

The major issue in deciding whether or not the bridge replacement should have a fixed or movable span is of course the issue concerning the ease of passage of vessels into and out of the Fort Point Channel, versus the increased costs of a movable span operation and the adverse "shore side" impacts including the adverse impact that a movable span can have on financial institutions investing in the proposed developments served by Northern Avenue.

CHANNEL USE

Historically, the movable spans in all the Channel Crossings were provided primarily for the passage of vessels carrying goods and freight to Channel abutters and beyond via the Roxbury Canal. Now the Roxbury Canal has been filled in and the producers and receivers of goods and freight which spawned the maritime activity have disappeared. Land use and transportation modes and practices have changed. This is not to say that a reawakening of traditional or an introduction of new water transportation is not possible, under circumstances, but just to state an historical reality. Besides the filling in of the Roxbury Canal, the closing of the movable spans on Congress Street and Summer Street bear tangible witness to this fact.

At present, the chief users of the Channel are lobster boats, McKie Lighter vessels and equipment, recreational motor boats at a Russia Wharf Marina and the Museum of Transportation. In the future the proposed fixed span bridge with 16-foot clearance above mean high water would accommodate all present users, it would seem, except McKie Lighter activities.

From the outset of bridge replacement planning, the relocation of McKie Lighter has been assumed. In the greater Boston Harbor area there are other sites available and the present location in the Channel does not appear location-wise to be uniquely strategic. The bridge implementation work would, of course, have to compensate for land and fair relocation costs.

Recreational vessels of the type using the Russia Wharf Marina would in the main be accommodated by the proposed new fixed span bridge.

The two lobster companies on the Channel which are not inside the Northern Avenue Bridge will be located in the future to the seaside of the new bridge, due to the relocation over 200 feet southwards. Thus access for lobster boats would be facilitated. Layover locations inside of the new bridge may, however, be desirable. The new bridge will allow passage of the typical lobster boat for this purpose.

The Museum of Transportation has a steam boat associated with it which was designed, via a hinged smoke-stack, to pass under the proposed new fixed span bridge. If the Museum desires permanent or semi-permanent floating exhibits alongside, boats too large to pass under at low tide (25-foot clearance) would have to be demasted or have certain superstructures temporarily removed to gain access. Although not convenient, this is a feasible method.

A recent Boston Globe editorial favored the concept of a movable span on the grounds of high-tech air freight and fish transport. However, in the case of air freight, the editorial would have trucks from the Turnpike delivering cargo pods to the Channel (assumedly in the vicinity of the Postal Service) to be unloaded and taken to planes. This would be in lieu of door-to-door service by truck, on the grounds that Artery/Tunnel congestion would be avoided. Given the 20 hours per day that a truck can travel off-peak, this idea could only add to transportation costs. Even if it were desirable, it probably could be designed to work with a fixed Northern Avenue Bridge span. In the case of fish transport, it is difficult to see why a movable span would be needed, since the Fish Pier and the lobster companies are all located seaside of the proposed new bridge.

We realize there are some trade-offs between ground and water transport, and that we must recognize valid arguments, but it is not constructive to have invalid reasons put forward to try and prove a case.

In considering the possible array of future navigation desires in the Channel, the proposed new bridge as a fixed span limits most of the access of recreational sailing boats and larger tour or display vessels wishing to berth at the Museum of Transportation. This represents to us the major trade-off which the needs of ground access and the costs of operating and maintaining a movable span bridge require. What is apparent, however, is that a fixed span would still allow for significant boating activity.

LAND USE AND DEVELOPMENT

The Fort Point Channel area, indeed the whole northern commercial part of South Boston, is experiencing development pressures. In dealing with potential developers, one of the chief concerns with starting plans has been the uncertainty of when the existing deteriorated Northern Avenue Bridge will be replaced. Fixed span or movable, the need for a new bridge as soon as possible is clear, both from a functional point-of-view as well as the related development attitudes.

A number of developers have expressed objections to the traffic disruptions a movable span operation would cause and the uncertainty of access for proposed development which have, they believe, adversely affected the ability to proceed with financing of such development. The apparent consensus among major land owners is therefore for the establishment of a fixed span crossing, obviously as soon as possible.

Land use on much of the Channel is fixed, being occupied by users which are permanent in nature and which are not water-related. These include the U.S. Postal Service, the Gillette Company and the Federal Reserve Bank/Dorchester Avenue segment. Significant new development is likely on the former Penn Central land by Cabot, Cabot and Forbes, on the Athanas property, on the British Properties holdings inside of the Congress and Summer Street bridges, and in the Russia Wharf area. Further to the east significant expansion is planned for Massport holdings and for the Boston Marine Industrial Park.

MOVABLE SPAN BRIDGE COSTS

Both the construction cost and the operating and maintenance costs of a movable span bridge are more than for a fixed span. Detailed construction cost estimates have not been made, but a movable span bridge has been quoted as costing $3 to 5 million more than the almost $12 million estimated for the fixed span. Operating costs in excess of $200,000 per year, based on experience with the existing bridge would appear likely. These latter costs would have to be borne by the City. It would seem highly unlikely that the boats using the Channel would be willing or able to assume such costs, directly or indirectly.

TRAFFIC CONSIDERATIONS AND COMMUNITY CONCERNS

It would be significant by itself if a movable span operation periodically interrupted an average daily traffic of 17,000 vehicles (estimated to grow to 33,000 in the year 2000), but the Northern Avenue Bridge link is also of special significance in the total South Boston roadway access system.

Northern Avenue is the preferred access point for general traffic destined for the commercial and industrial area of South Boston. Other access points to the south (Congress, Summer, Broadway, E. Berkeley, Southampton, etc.) either lead to greater use of local downtown streets or, to the south, encourage the short-cutting of trucks and other non-local traffic through residential areas of South Boston. The South Boston community groups have been adamant about this point and have stressed their desire to see traffic confined to the north. At one point in time they even considered seeking legislation to guard against any possibility that trucks be barred from Northern Avenue in the future.

A movable span bridge operation would significantly detract from the attractiveness of Northern Avenue as the preferred traffic access point towards the east.

CONCLUSION

In assessing the matters brought up in this letter and in respect to the several years of planning work (including a 1977 design task force) related to the Northern Avenue Bridge and its setting, we have concluded that the fixed span proposal is most appropriate and should be implemented as soon as possible. Expressed in briefest terms, we feel that the uncertainty of financing development proposals served by Northern Avenue, the extra costs and traffic disruptions that would be caused by a movable span bridge outweigh the benefits that might accrue to the future introduction of significant recreational sailing boats into the Fort Point Channel and the total flexibility of access desires of the Museum of Transportation.

In the engineering and detailed design stage, we will encourage the design team to gain as much clearance as is feasible and will foster the inclusion of good urban design including desirable pedestrian connections, landscaping and aesthetics.

Your assistance in gaining the legislation necessary to implement the project as proposed will be most appreciated.

Very truly yours,

ROBERT J. RYAN.

MASSACHUSETTS PORT AUTHORITY,
Boston, Mass., February 24, 1981.

Hon. JOHN JOSEPH MOAKLEY,
Congressman for the Commonwealth of Massachusetts, J.F.K. Federal Building, Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: I want to go on record as favoring as quickly as possible the replacement of the Northern Avenue Bridge. I think that the only way this will happen is with the fixed span, and, therefore, I support a fixed-span replacement. The Northern Avenue Bridge is absolutely critical to the long-term development of the Port of Boston. As you know, we have major construction projets underway, both at Castle Island and at the South Boston Naval Annex. In addition, the Fish Pier is under renovation and trucking to and from the Pier is increasing rapidly. Finally, there are other developments planned in the Commonwealth Pier area.

All of these projects will increase surface traffic, and the Bridge becomes critical to serve that traffic which is extraorindarily important to the region.

If there is anything that I can do to additionally support the project, please do not hesitate to call on me.

Very truly yours,

DAVID W. DAVIS.

BOSTON FISHERIES ASSOCIATION, INC.,
Boston, Mass., May 20, 1981.

Hon. JOHN J. MOAKLEY,
U.S. House of Representatives, Washington, D.C.

DEAR JOE: Enclosed is a statement relative to endorsing H.R. 1855 granting the City of Boston with consent of Congress to construct, maintain, and operate a fixed span bridge in and over Fort Point Channel, Boston, Massachusetts.

I do believe that building a new Northern Avenue Bridge would be of tremendous value to the Northern Avenue area which is one of the few Boston locations where there is opportunity for building and expansion. Obviously it would be of great value to the Boston Fishing Industry, restaurateurs, the Massachusetts Port Authority, and the South Boston Community as an access and egress of traffic from the South Boston area.

The Boston Fishing Industry heartily endorses your efforts and trust that the Water Resources Committee will approve H.R. 1855. If we in the Industry can be of further assistance, do not hesitate to contact me.

With kindest personal regards,

HUGH F. O'ROURKE,
Executive Secretary.

BOSTON FISHERIES ASSOCIATION, INC.,
Boston, Mass., May 20, 1981.

Hon. ROBERT A. ROE,
Chairman, House of Representatives, Subcommittee on Water Resources-Transportation Committee, Rayburn House Office Building, Washington, D.C.

DEAR CONGRESSMAN ROE: The Boston Fisheries Association representing the Boston Fishing Industry heartily endorses H.R. 1855 granting the City of Boston with the consent of Congress the opportunity to construct, maintain, and operate a causeway and fixed span bridge in and over the Fort Point Channel in Boston, Massachusetts.

The present Northern Avenue Bridge which was constructed in the late 1800's has from all intents and purposes outlived its practical and functional use. With the expansion of Northern Avenue with the increased Massachusetts Port Authority properties adjacent to the Boston Harbor, the three most prominent restaurants in Boston, Anthony's Pier 4, Jimmy's Harborside, and No Name, there has been a tremendous increase in vehicular traffic over the present Northern Avenue Bridge.

There is very limited building space in or adjacent to the main business arteries of Boston that afford the opportunity for growth and expansion. Northern Avenue is the exception that makes it one of the most desirable development locations in the City. Undoubtedly this area would have great growth potential if the new Northern Avenue Bridge was under construction.

Although the present Northern Avenue Bridge does a commendable job in taking care of the normal traffic flow, it also has to be opened by law when requested by boats using the Fort Point Channel. As an example, last summer an excursion boat required 151 openings in July and 118 in August which for the most part took place during the hours of 9:00 a.m. to 6:00 p.m. This caused a tremendous traffic jam which in many instances required considerable time to untangle. Before the excursion boat was located on the Fort Point Channel, the normal number of openings were between 25 to 28 during the course of one month.

It would appear that if a new fixed span bridge was created with sufficient water clearance for the average boat that would use the Channel then the flow of traffic would be much smoother and the boats would have access to docking without requiring Bridge openings. Many years ago the Fort Point Channel was used for freighters by companies that were located in the Channel which have since either moved or no longer exist.

Once the site for the new Northern Avenue Bridge is chosen and construction under way, a complete new renaissance will take place on Northern Avenue. A new Northern Avenue Bridge would indeed complement expansion of Northern Avenue properties. The future growth of the Fishing Industry depends on the Northern Avenue Bridge for access to all sections of Boston, particularly Logan Airport which air freights thousands of pounds of fresh seafood daily.

Sincerely,

HUGH F. O'ROURKE,
Executive Secretary.

MAY 5, 1981.

Hon. JOHN J. MOAKLEY,
John F. Kennedy Federal Building, Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: As Director of the City's Industrial Development Agency, I am writing to express this agency's support for a new fixed-span Northern Avenue Bridge and to urge your continued efforts in favor of legislation (HR 1855) that will make this project possible.

The problems with the current bridge are long-standing and well-known. Its age, size and structural obsolescence have created safety issues, traffic problems and, equally damaging, have inhibited healthy development of the Fort Point Channel area.

In our view the limited recreational benefits associated with a moveable span bridge are minor when weighed against the need to solve these problems, as quickly and deliberately as possible. In fact, quite apart from the extra cost and time involved in constructing and operating a movable span bridge, studies indicate that it would aggravate existing traffic conditions, particularly for truck traffic seeking access to and from South Boston.

From the standpoint of industrial development at the Boston Marine Industrial Park and along Northern Avenue the replacement of this bridge is critical in two respects. First it will simply make it easier to promote new industrial growth by assuring adequate access to and from this district. Secondly, by preventing the congestion a movable span would cause, it will make it possible to divert truck traffic from the more sensitive local streets of South Boston.

We readily concede that sailboating in the Channel would be an attractive activity, one that the fixed-span bridge would for the most part preclude. In our judgement, however, other issues are simply more important to the future of the Fort Point Channel and to the City than this limited esthetic benefit. We urge you, therefore, to support the fixed-span replacement of the Northern Avenue Bridge.

If we can be of any assistance, please let me know.

Sincerely,

BRIAN F. DACEY,
Acting Director.

BOSTON TRAFFIC AND PARKING DEPARTMENT,
Boston, Mass., March 20, 1981.

Hon. JOHN JOSEPH MOAKLEY,
John F. Kennedy Federal Building, Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: I am writing this letter to emphasize the importance of maintaining Northern Avenue open to traffic at all times and therefore the urgency of replacing the existing Northern Avenue Bridge, which is in structurally poor condition, with a new fixed span facility.

Today daily traffic volumes crossing Northern Avenue total approximately 17,000 vehicles (both directions). Based upon local and regional traffic growth and proposed land development within the South Boston container port and South Station areas, it appears that vehicular crossings over a relocated Northern Avenue may increase by approximately 40 percent to 24,000 vehicles daily by 1995.

From a traffic circulation viewpoint a moveable span bridge when opened would only further compound an already serious traffic management problem for this area. More specifically the following consequences would be incurred:

(1) Significant vehicle back up would result from heavy exiting traffic from the Central Artery Dewey Square Tunnel northbound destined to South Boston via Northern Avenue.

(2) The traffic operating capacity of the Atlantic Avenue/Northern Avenue/Central Artery on and off ramps would be reduced because of the above mentioned back up.

(3) Significant truck back up would result on the South Boston side of the bridge due to existing and additional projected truck activity generated by a combination of proposed private and Massport/City of Boston pier development in this area.

(4) An additional traffic burden would be placed on the Congress Street bridge, which is also in structurally poor condition, during Northern Avenue Bridge opening periods.

In conclusion, it is for all of the above reasons that I strongly support the rapid advancement of final design plans and construction of a new fixed span Northern Avenue bridge.

Very truly yours,

H. JOSEPH POWDERLY,
Commissioner.

BOSTON FIRE DEPARTMENT,
Boston, Mass., March 18, 1981.

Hon. JOHN JOSEPH MOAKLEY,
U.S. House of Representatives, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN MOAKLEY: Regarding the reconstruction of the Northern Avenue Draw Bridge as proposed in your legislation, I would like to add my endorsement for the "Fixed Type" bridge over Fort Point Channel.

The present draw bridge has over the years been in need of frequent repairs, and coupled with scheduled openings of the bridge, delays in Fire Department response have always been imminent.

A study by our Planning and Logistics Division has concluded that with the upgrading of the hydrant system, as agreed upon with the Department of Public Works, and the elimination of delays to this area because of the proposed changes, it is our opinion that this area will be better served for fire protection.

With warmest regards, I remain

Very truly yours,

GEORGE H. PAUL,
Fire Commissioner/Chief.

BOSTON POLICE DEPARTMENT,
Boston, Mass., March 20, 1981.

Hon. JOHN J. MOAKLEY,
J.F.K. Federal Building, Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: The Northern Avenue drawbridge located on Northern Avenue near Atlantic Avenue has been a source of multiple problems over a long period of time. The traffic problems developed when it is opened has a serious and dangerous impact on public safety. I would urge and support assistance from the Federal Government in providing the resources to restructure the Northern Avenue drawbridge into a fixed span enabling the vehicle traffic to be continuous and at the same time allowing marine ships and boats to have access to the inner locations in Boston.

Thank you for your consideration and support in this matter.

Sincerely,

JOSEPH M. JORDAN,
Police Commissioner.

COMMONWEALTH OF MASSACHUSETTS,
Boston, Mass., July 20, 1981.

Hon. JOHN JOSEPH MOAKLEY,
U.S. House of Representatives,
Cannon House Office Building,
Washington, D.C.

DEAR CONGRESSMAN MOAKLEY: I am writing to encourage your support for the reconstruction of the Northern Avenue Bridge in Boston.

This bridge, which is badly in need of rehabilitation, spans a waterway currently classified by the U.S. Coast Guard as a "navigable" stream. In order to expedite the project, it is necessary that the waterway be reclassified as non-navigable.

As you are well aware, the Northern Avenue Bridge provides the principal link for many restaurants, fishing and other businesses located along Northern Avenue. Due to its age, a weight limitation has been placed on the bridge which has hindered the flow of truck traffic along this route.

The Massachusetts Department of Public Works, in conjunction with the Boston Redevelopment Authority, has recommended that a fixed-span bridge be constructed upstream from the current Northern Avenue Bridge.

I welcome your cooperation in this matter, and am prepared to respond to any questions or concerns you may have.

Sincerely,

JAMES F. CARLIN,
Secretary.

COMMONWEALTH OF MASSACHUSETTS,
Boston, Mass., July 21, 1981.

Re Boston—Northern Avenue Bridge.

Hon. JOHN J. MOAKLEY,
U.S. Congressman,
J.F.K. Federal Building,
Boston, Mass.

DEAR CONGRESSMAN MOAKLEY: Reference is made to H.R. 1855, a Bill to grant the consent of Congress to the city of Boston to construct, maintain and operate a fixed span bridge over the Fort Point Channel in Boston.

The following is a brief summary of why it is felt that a new fixed bridge should be built.

The existing Northern Avenue Bridge was constructed in 1907. The combined effects of age, active use, accidents, rammings, poor drainage, roadway salts and the salty and corrosive atmosphere have taken their toll. The bridge cannot realistically be repaired to extend its useful life for any significant length of time.

A replacement bridge has been under study since 1972. A Negative Declaration for the replacement bridge project was accepted by the Federal Highway Administration (FHWA) in 1974. This document was reviewed by the FHWA in 1978 and they found that there was no substantial change in the social, economic and environmental effects of the proposed project.

All previous studies have concluded that a fixed bridge with a vertical clearance of about 15 feet at high tide would be adequate for the site. Most of the water traffic is made up of small pleasure craft and lobster boats which can easily pass under the proposed bridge. It should be noted that there would be about 25 foot vertical clearance at low tide. The one major exception is McKie Lighter which would require a draw bridge. However, his property lies within the right of way for the proposed structure and will have to be relocated. The National Uniform Relocation Policy Act as well as State law list procedures to insure that businesses taken by eminent domain are relocated to a satisfactory site with full relocation expenses borne by the project's sponsor. It should be emphasized that whether a fixed bridge or a draw bridge is built the McKie Lighter property would have to be taken since their property lies along the only available new alignment. The existing bridge is eligible for listing on the National Register and therefore that corridor cannot be reused for the proposed bridge.

Therefore, the Massachusetts Department of Public Works endorses the passage of H.R. 1855 which will give the city the right to replace the existing Northern Avenue draw bridge with a fixed bridge and will allow this agency to respond to the city's request to construct the new bridge since we are the only agency with access to the available Federal Bridge Replacement funds.

Very truly yours,

JUSTIN L. RADLO,
Chief Engineer.

Mr. ROE. Mr. Speaker, I have no further requests for time and I yield back the balance of my time.

Mr. HAMMERSCHMIDT. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. ROE) that the House suspend the rules and pass the bill, H.R. 1855, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The title was amended so as to read: "A bill to grant the consent of Congress to the city of Boston to construct, maintain, and operate a fixed-span bridge in and over Fort Point Channel, Boston, Massachusetts.".

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ROE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 1855, just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

DISTRICT OF COLUMBIA BUSINESS

The SPEAKER pro tempore. This is District of Columbia Day. The Chair recognizes the gentleman from California (Mr. DELLUMS), chairman of the Committee on the District of Columbia.

INCREASE AUTHORIZATION FOR THE ANNUAL FEDERAL PAYMENT TO THE DISTRICT OF COLUMBIA

Mr. DELLUMS. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 2819) to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia, and ask unanimous consent that it be considered in the House as in the Committee of the Whole.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California (Mr. DELLUMS)?

Mr. PARRIS. Mr. Speaker, reserving the right to object, I would inquire of the chairman of the committee, is this one of the two pieces of legislation that were previously reported to the House to which points of order were made and were therefore re-referred to the District of Columbia Committee?

Mr. DELLUMS. Mr. Speaker, will the gentleman yield?

Mr. PARRIS. I yield to the gentleman from California.

Mr. DELLUMS. That is correct.

Mr. PARRIS. Further reserving the right to object, Mr. Speaker, as I understand it, in the Budget Act, authorizing legislation that is not reported to the House before May 15 gives rise to some additional point of order that could be raised; is that correct?

Mr. DELLUMS. Not against this bill because it was reported in a timely fashion, I would say to my colleague.

Mr. PARRIS. Agreeing with that observation, for the sake of argument, I would simply express my position, Mr. Speaker, that I do not intend to object to this legislation. I would hope that none of the persons on our side of the aisle would see fit to do so, and I intend to support the legislation.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California (Mr. DELLUMS)?

There was no objection.

The Clerk read the bill, as follows:

H.R. 2819

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 502 of the District of Columbia Self-Government and Governmental Reorganization Act (D.C. Code, sec. 2501d) is amended by striking out "for the fiscal year ending September 30, 1978, and for each fiscal year thereafter, the sum of $300,000,000" in the first sentence and inserting in lieu thereof "for each of the fiscal years ending September 30, 1978, September 30, 1979, September 30, 1980, and September 30, 1981, the sum of $300,000,000; and for the fiscal year ending

September 30, 1982, and for each fiscal year ending after September 30, 1982, the sum of $336,600,000".

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 2819, under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DELLUMS. Mr. Speaker, I move to strike the last word.

Mr. Speaker, H.R. 2819, as reported by the full Committee on the District of Columbia, is being offered to amend section 502 of the District of Columbia Self-Government and Governmental Reorganization Act of 1973, to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia from $300 million to $336.6 million for the fiscal year ending September 30, 1982, and each fiscal year thereafter, as recommended in both the Carter and Reagan fiscal year 1982 budgets.

I would like to point out to my colleagues that his bill, H.R. 2819, was passed unanimously by the Committee on the District of Columbia on May 6, 1981. The Senate passed an identical bill, S. 1040, on June 2, 1981.

The purpose of the Federal payment is to compensate the District of Columbia, as the Nation's Capital, for services provided to the Federal Government, and for the extraordinary net costs and denied revenues related to the Federal presence such as revenues unobtainable because of the relative lack of taxable commercial and industrial property as well as the limitations on commercial building heights; revenues unobtainable because of the relative lack of taxable business income; and potential revenues that would be realized if certain exemptions from District taxes were eliminated.

I would like to further point out to my colleagues that the Federal payment comprises less than 20 percent of the District's operating budget, the balance being raised through local taxes and fees.

Under current law, the annual Federal payment ceiling is $300 million and has been this amount for the past 4 years, during which period the consumer price index has risen 45 percent.

This legislation simply changes the Federal payment ceiling from $300 million to $336.6 million.

Passage of H.R. 2819 will enable the Congress to appropriate the full amount requested by the Reagan administration for the Federal payment to the District of Columbia.

□ 1530

Mr. McKINNEY. Mr. Speaker, I move to strike the last word.

Mr. Speaker, we have all faced some very hard decisions in casting the budget votes in this Chamber over the past few weeks. While we have been deciding the fiscal future of this Nation, we have all heard from our local constituents, especially the State, county, and city officials who are going to be hard pressed to make ends meet in the coming years. The District of Columbia shares the same problems confronting all of our cities, but unfortunately the Nation's Capital does not have a State delegation sitting in this Chamber looking out for its fiscal well-being. That is where the role of the House District Committee comes in and that is why we are before you today with this legislation aimed at increasing the Federal payment.

Fortunately for the District of Columbia, President Reagan decided very early in his administration to stand by the figure of $336 million proposed by former President Carter as the new Federal payment ceiling for the District. While I am sure that this decision was a difficult one considering the sacrifices being made all over the country, it was also a proper one. The $300 million figure which was set more than 4 years ago, long ago became outmoded considering the double-digit inflation which this country has experienced over the past few years. A new ceiling for the Federal payment was inevitable and President Reagan proposed, and I hope that this body will accept, one which enables the District to serve both its national and local constituencies in a manner befitting the Nation's Capital.

I want to make sure that my colleagues in this Chamber understand the Federal payment system. We are not giving anything to the District of Columbia that this city does not deserve. In fact, if we wanted to get down to compensating the city of Washington, D.C., dollar for dollar, for being the Nation's Capital, then I am sure the figure we would be discussing today would be much greater than $336 million. What we are doing here today is setting a ceiling on the amount of money which our colleagues on the Appropriations Committee can eventually pass on to the District government.

The fact that the District of Columbia government is experiencing some severe fiscal constraints these days should not be a factor in the debate on this legislation. Along with the Delegate from the District (Mr. FAUNTROY) and the chairman of the House District Committee, those members of the District of Columbia Appropriations Subcommittee, I share about as much knowledge on the state of fiscal affairs of the District of Columbia as anyone else in this Congress.

I know that the Mayor of this city is working overtime to make sure that this city keeps a sound financial footing as well as a balanced budget. I know that the Mayor and the City Council have a full understanding of the damage and impact a fiscal crisis can have on this city. I know that I will be before you again in coming weeks outlining the fiscal problems presently confronting the District of Columbia. But, nowhere, in any of the figures which illustrate the city's present fiscal crunch, are any facts or figures which will refute the argument that the money we authorize in this legislation today is overdue.

Mr. Speaker, the citizens of the District of Columbia have long endured the hardship of being second-class citizens when it comes to full home rule. During the past 8 years the Congress has gone a long way toward righting the wrongs of past decades. The increased authorization for a proper Federal payment is only one more step in that progression. I hope that my colleagues will join me in taking this step.

Mr. FAUNTROY. Mr. Speaker, I move to strike the last word.

Mr. Speaker, I rise in support of H.R. 4127, a bill to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia.

I am delighted to be able to support, through this legislation, President Reagan's proposal for a Federal payment level of $336,600,000, beginning in fiscal year 1982.

The annual Federal payment to the District of Columbia has been a matter of extensive debate in both Houses of Congress since the creation of the District in 1790. From the beginning of this debate, which spans nearly two centuries, the legitimacy of a Federal obligation to compensate the District for the extraordinary impact of the Federal presence has been generally accepted by both Houses. The dispute in the debate arises out of efforts to specify and quantify the basis for, and the amount of, the payment. Various approaches have been used over the years. From 1790 to 1878, the payment was tied to specific projects, such as paving Pennsylvania Avenue between the White House and Capitol. The amounts were uncertain and sporadic and ranged between 25 and 40 percent of the total District of Columbia budget. Under the Organic Act of 1878, the level was set at 50 percent of the District's operating costs and remained at that level until 1925. Beginning in 1925, a lump sum payment was used. This approach was made permanent under the District of Columbia Revenue Act of 1939 and was used until 1973, when the present multiyear, lump sum payment was established in the District of Columbia Home Rule Act. Under the

present approach, the payment was authorized at $230 million for fiscal year 1975 with yearly increases to $300 million for fiscal year 1978 and beyond.

While these amounts have been authorized, actual appropriations during most of the "home rule" years have fallen well under the authorization levels. Indeed, as a percentage of the District's total operating budget, the Federal payment has undergone steady decline from nearly 25 percent in fiscal year 1975, to well below 20 percent in fiscal year 1980.

The Federal payment provides compensation to the District for the unique costs and revenue losses associated with the role of the District as the Nation's Capital. In calculating the amount of the Federal payment, both the costs and benefits of the Federal presence are considered. Among other elements, the following factors are taken into consideration:

First, revenue foregone because of the lack of taxable commerical and industrial property utilized by the Federal Government.

Second, revenue foregone because of the lack of taxable business income.

Third, revenue foregone due to federally imposed exemptions from District taxes.

Fourth, the cost of providing services to tax-exempt nonprofit organizations and corporations doing business only with the Federal Government.

Fifth, the costs of services provided to the Federal Government.

Sixth, other unique expenditure requirements placed upon the District of Columbia by the Federal Government.

Seventh, the relative tax burden placed on District residents compared to their counterparts in other jurisdictions in this metropolitan area and in cities of similar size.

H.R. 4127 reflects the first increase in the authorization level since the enactment of the Home Rule Act and provides an amount of money sufficient to accommodate at least some of the impact of inflationary pressures and spiraling costs of operating a government. There is no doubt that the ultimate solution to the problem of fixing the Federal Government's contribution to the operation of the Nation's Capital lies in the establishment of an equitable and predictable formula-based Federal payment, and I anxiously await the committee's action in this regard.

For now, I would urge all Members of this House, Democrats and Republicans, to support President Reagan's proposal as reflected in H.R. 4127.

Mr. PORTER. Mr. Speaker, I move to strike the last word.

Mr. Speaker, this legislation should raise a number of questions concerning the District of Columbia's finances. The District government has amassed an accumulated deficit of $388 million, and this amount does not even include unfunded pension liabilities, raising the amount millions more.

As of April, the District faced a deficit of at least $60 million in this fiscal year, following a deficit for fiscal year 1980 of about $105 million. Although fiscal year 1981 looks much better, it is only so as the result of higher-than-anticipated revenues. In addition, the budget for fiscal year 1982 as presented to the House Appropriations Subcommittee for the District of Columbia, on which I serve, clearly is out of balance. Cutbacks in Federal payments, due to the Reagan administration's budget reductions, are not even taken into account.

□ 1540

Mr. Speaker, I want to emphasize to the Members my very serious concern about the state of the District of Columbia's finances. Plainly, this bill's proposed increase in the Federal payment will not solve the Capital's financial problems. An increase in the Federal payment from $300 million to $336 million represents only the figurative tip of the iceberg with respect to the resolution of either the city's past or present budget deficit problems. The Members should have no illusions about this. The District faces extreme financial problems that will probably only worsen if the District's own proposed solutions are adopted and if substantial changes are not made to budgetary controls in the future.

For example, the District of Columbia proposes to sell revenue bonds totaling $184 million to help finance the $388 million accumulated past deficits. Even if Congress should approve this proposed revenue bond sale—and it is one which violates the prime rule of municipal financing; namely, never to finance past operating deficits out of future bonding authority—the city's financial ills will not be cured. Only the short-term danger will have been averted, and then at a cost to District of Columbia taxpayers over the life of the bonds of almost $600 million.

No; a simple increase in the Federal payment will not solve the District's budgetary problems. In fact, it will hardly make a dent. Steps must be taken now to insure that each year's budgets are in fact balanced, as required by law, that the free flow of factually correct budgetary information is promptly and regularly presented to the Congress, and that spending restraints are put in place that assure fiscal responsibility in the present and prevent repetition of the mistakes of the past.

Meanwhile, the level of the District's services to its constitutents continues to suffer. The public education system, for example, faces serious deficits, and a crisis committee from the District's citizenry has begun contacting Members to seek the Congress help. The emergency ambulance and fire protection services have been cut to a dangerous point, jeopardizing the lives of potential victims, and emergency response times lag the national averages substantially. Furthermore, the District's police force is understaffed at a time when increases in the rate of violent crime in the District can accurately be termed a crime explosion. And the Mayor continues to refuse to increase the staff of the District police force up to the point authorized and funded by the Congress in the last fiscal year.

Further, despite some $38 million in Federal expenditures to put the District's financial systems in shape to where its internal accounting and auditing procedures can identify the scope of the District's financial problems, some $10 million additional are needed to put the city's books in working order.

Mr. Speaker, the District's financial picture is not a pretty one. The Congress, if it is going to avoid another Union Station-type Federal financial assistance fiasco in the Nation's Capital, will have to take its share of the planning responsibility to put the city's finances back into working order. Without some immediate steps being taken soon, one must expect that in one way or another the Congress will end up paying for the city's unaccounted for debts.

The Washington Post already rates the District of Columbia as having the third highest per capita State and local tax burden. The citizens of the District believe they are taxed near the upper limits. So it is doubtful that further tax increases will solve the problem and would more likely drive away the relatively strong tax base that presently exists in the District.

An increase in the Federal payment representing an amount in lieu of taxes for otherwise untaxable Federal properties is in my opinion justified because of inflation and will provide some help. But, Mr. Speaker, the Constitution makes the Congress ultimately responsible for the governance of the District of Columbia. Band-Aids such as these two bills that we are considering will not help a great deal. Major surgery is needed and needed soon.

We must find a way out of the current shameful financial chaos that overwhelms our Nation's Capital City.

The SPEAKER pro tempore. The time of the gentleman from Illinois (Mr. PORTER) has expired.

(On request of Mr. MCKINNEY, and by unanimous consent, Mr. PORTER was allowed to proceed for 3 additional minutes.)

Mr. PORTER. Mr. Speaker, I would call upon the District's elected offi-

cials to work with the Congress candidly, cooperatively, and in a spirit of seeking workable and well-grounded solutions to these very, very serious problems.

Mr. McKINNEY. Mr. Speaker, will the gentleman yield?

Mr. PORTER. Yes; I yield to the gentleman from Connecticut.

Mr. McKINNEY. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I think the gentleman is well aware through the local press that I have for the last 6 months, not to mention the last 8 years, been the financial pointman. I have been called an obstructionist, and I have been said by some of my friends on this side of the aisle to be far too willing to give in to the city.

I could not agree with the gentleman more, having spent several long years on the Temporary Commission on Financial Oversight of the District of Columbia, that the city's finances are in a mess, and I will have a great deal to say about that in September when the bonding authorization bill come before the full House.

However, I would suggest to the gentleman that this particular bill is really essentially only housekeeping. It is an authorization for a Federal payment that was capped 4 years ago at $300 million, and with inflation, $336 million certainly is not an outrageous increase in 4 years. The Appropriations Committee has only once, in the history of this Member's being on the District Committee, appropriated what we authorized.

I would say this in addition: I have a problem, I would like to tell my good friend, the gentleman from Illinois (Mr. PORTER). I appealed to the administration to support me on the bond authorization bill. They refused to do so. I was willing to stop the world for the moment, and yet the administration has said no. If the White House says that they do not want it, they are anticity; if the Congress says they do not want it, Congress is interfering with the city's affairs; but in one way or another the city should be allowed to go out into the cruel, hard world and find out what the bond market says.

Again we will hear a lot more about that in September.

But, Mr. Speaker, I would hope that there would not be opposition to this general authorization bill, and I would hope that my good friends on the Appropriations Committee would have a good, long talk with the city administration, pointing out that as to the size of the appropriations under this authorization, a great deal of it will be based on the attitude of the city toward getting its fiscal affairs into shape.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield?

Mr. PORTER. I yield to the gentleman from California.

Mr. DELLUMS. Mr. Speaker, I thank my colleague for yielding.

Mr. Speaker, I think the gentleman has made a very interesting statement on the floor, and I tend to agree for the most part with virtually everything he has to say.

These measures that are before us this afternoon are indeed stop-gap measures. I think we do have a responsibility to go beyond these stop-gap measures. We are simply not in a situation where we have to go foward with the necessary authorization. What we have planned on our agenda is to try to go further into the structural problems of the District of Columbia.

I might also add for the benefit of the House that this particular Member may be in the minority, but I happen to believe that this Congress and successive administrations have plunged the District of Columbia into an economic disaster over many, many years. In 1973, when we granted home rule, integrity should have mandated that we look at the fiscal situation of the District of Columbia, evaluate those factors to which we contributed, and then provide the necessary resources to at least allow them to be even and then go forward on their own.

But we did not do that. We gave them the political authority to go forward, but we have seen them continuing to be allowed to be plunged into economic disaster.

I agree with my colleague that we have to go into the structural problem, and my hope is that when we come forward with proposals that would require a broad basis of support from the American people to solve the problems of the District of Columbia, my colleagues would support us in those efforts.

Mr. PORTER. Mr. Speaker, I do not have the long perspective of the distinguished chairman of the authorizing committee. I am merely coming in and seeing what some of the problems are, and we have seen them before our Appropriations Subcommittee.

I certainly do not oppose this increased authorization. I think it is necessary, and I hope that I have conveyed that thought. But again, we are going to have to do far more than this, far more than both of these bills do to solve these very long term, serious problems, and I hope that all of us in the Congress will work with the District officials to bring about workable solutions.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield further?

Mr. PORTER. I yield to the gentleman from California.

Mr. DELLUMS. Mr. Speaker, before calling for a vote, just for the record I would like to enter the following information into the RECORD of these proceedings. With respect to the Federal payment, I would like to look, on the one hand, at the authorization and, on the other hand, at the appropriation.

□ 1550

In 1975, we authorized $230 million, $226.2 million was appropriated.

In 1976, we authorized $254 million. They appropriated $248.9 million.

In 1977, we authorized $280 million. They appropriated $276.6 million.

In 1978, we authorized $300 million. They appropriated $276 million.

In 1979, 1980, and 1981, we authorized $300 million for each of those years.

In 1979, the Appropriations Committee went down from $276 million to an appropriation of $235 million, in the height of inflation.

In 1978, while we offered authorization for $300 million, we appropriated $276.5 million.

So the authorization has attempted to follow the thrust of the Home Rule Act. The appropriation bill at various points has been substantially below that.

With that explanation, Mr. Speaker, I see no other persons seeking time on the floor.

● Mr. DIXON. Mr. Speaker, I rise in support of H.R. 2819, a bill to increase the authorization for the annual Federal payment to the District of Columbia government from $300 million to $336.6 million for fiscal year 1982 and each fiscal year thereafter.

As pointed out in the report accompanying the bill from the Committee on the District of Columbia, the Federal payment authorization has not been increased since 1978, even though the Consumer Price Index has risen 45 percent over that period of time. During the 4 years prior to 1978 the Federal payment authorization increased an average of 12.2 percent each year. Although the bill before you provides for that same percentage increase of 12.2 percent, the problem lies in the fact that this is the only increase the District will have received since 1978, and it will not go into effect until 1982. So what we have here is a government that has had to bear the brunt of double-digit inflation with no corresponding increase whatsoever, real or otherwise, in the Federal payment authorization. And after 4 years, the District of Columbia will finally receive an increase of 12.2 percent, while inflation has risen 45 percent.

Mr. Speaker, if the Federal payment to the District of Columbia had increased at the same rate as the Consumer Price Index, the bill now before you would authorize $435 million, an increase of $135 million instead of the $336.6 million or 12.2-percent increase provided in this bill for the entire 4-year period.

I realize it is difficult for the Congress to pass a bill every year authorizing an increase in the Federal contribution to the District of Columbia. I have heard discussions recently of perhaps basing the annual Federal payment on some sort of formula tied to local revenues. Such a plan seems to have some merit. It would remove the subjectiveness of congressional action on the Federal payment and would assist local officials in their fiscal planning and programing responsibilities. Congress would still retain oversight, and where differences arise in areas involving what is often referred to as the Federal interest, I am sure the Congress will exercise its constitutional authority and resolve the matter in such a way that the Federal interest will be protected.

Mr. Speaker, we are all aware of the impact of inflation on the costs of basic services such as police and fire protection, public education, health care, and other assistance for the needy as well as its effect on programs to help senior citizens who make up over 16 percent of the local population; and these increased costs have been borne to a greater degree over the last several years by those who live and work in Washington, D.C. In order for the Nation's Capital to continue to provide the services we expect, not only for its residents but for all the visitors who come here from throughout the world and our constituents who visit here either to conduct business or to simply enjoy the many theaters, museums, and other historical places of interest, it is essential that we provide the District of Columbia with a Federal payment authorization that is both fair and equitable.

I want to commend the Committee on the District of Columbia for bringing this bill to the floor. I believe it is a good bill and provides some measure of relief to local taxpayers who have had to pay an ever-increasing share of the District's budget over the past several years while the Federal share has declined. This bill attempts to restore some balance to the financial relationship between the Federal and District governments.

Mr. Speaker, I urge my colleagues to vote "yea" on this bill.●

Mr. DELLUMS. Mr. Speaker, I move the previous question on the bill.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. JOHNSTON. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 209, nays 179, answered "present" 1, not voting 44, as follows:

[Roll No. 164]

YEAS—209

Addabbo	Forsythe	Nelson
Akaka	Fowler	Nowak
Albosta	Frank	O'Brien
Alexander	Fuqua	Oakar
Andrews	Garcia	Oberstar
Annunzio	Gaydos	Ottinger
Anthony	Gejdenson	Panetta
Applegate	Gibbons	Parris
Aspin	Ginn	Patterson
Atkinson	Goldwater	Pease
Bailey (PA)	Gonzalez	Perkins
Barnes	Goodling	Peyser
Bedell	Gradison	Porter
Beilenson	Gray	Price
Benjamin	Green	Rahall
Bereuter	Guarini	Railsback
Bingham	Gunderson	Rangel
Blanchard	Hall (OH)	Ratchford
Bliley	Harkin	Reuss
Boggs	Hatcher	Richmond
Boland	Hawkins	Rodino
Bolling	Hefner	Roe
Bonior	Hertel	Roemer
Breaux	Holland	Rose
Brinkley	Hollenbeck	Rostenkowski
Brodhead	Holt	Roybal
Burton, Phillip	Howard	Sabo
Butler	Hoyer	Scheuer
Carney	Hutto	Schneider
Chisholm	Hyde	Schumer
Clay	Jacobs	Seiberling
Clinger	Jeffords	Shamansky
Coelho	Jones (NC)	Shannon
Collins (IL)	Jones (OK)	Sharp
Conte	Kastenmeier	Skelton
Conyers	Kemp	Smith (IA)
Corcoran	Kildee	Snowe
Coyne, William	Lehman	Solarz
Crockett	Leland	Stanton
Danielson	Long (LA)	Stark
Davis	Long (MD)	Staton
Deckard	Lowry (WA)	Stokes
Dellums	Luken	Studds
Derrick	Lundine	Swift
Dixon	Lungren	Synar
Donnelly	Markey	Tauzin
Dougherty	Marks	Thomas
Downey	Marriott	Traxler
Dwyer	Matsui	Trible
Dymally	Mattox	Udall
Dyson	Mavroules	Vento
Eckart	Mazzoli	Walgren
Edgar	McClory	Washington
Edwards (AL)	McCurdy	Waxman
Edwards (CA)	McDade	Weber (OH)
Emery	McGrath	Weiss
English	McHugh	White
Erdahl	McKinney	Williams (MT)
Evans (IN)	Mica	Wilson
Fary	Michel	Wirth
Fascell	Miller (CA)	Wolf
Fazio	Mineta	Wolpe
Ferraro	Mitchell (MD)	Wortley
Fish	Mitchell (NY)	Wright
Fithian	Moakley	Wyden
Florio	Moffett	Yates
Foglietta	Mollohan	Yatron
Foley	Murtha	Young (FL)
Ford (MI)	Natcher	Zablocki
Ford (TN)	Neal	

NAYS—179

Archer	Badham	Beard
Ashbrook	Bafalis	Benedict
AuCoin	Bailey (MO)	Bennett
Bethune	Hall, Sam	Myers
Bevill	Hamilton	Napier
Biaggi	Hammerschmidt	Nelligan
Boner	Hance	Nichols
Bowen	Hansen (ID)	Oxley
Brooks	Hartnett	Pashayan
Broomfield	Heckler	Patman
Brown (CO)	Heftel	Petri
Broyhill	Hendon	Quillen
Burgener	Hightower	Regula
Byron	Hiler	Rinaldo
Campbell	Hillis	Ritter
Carman	Hopkins	Roberts (KS)
Chappell	Hubbard	Roberts (SD)
Cheney	Huckaby	Robinson
Clausen	Hughes	Rogers
Coats	Hunter	Roth
Coleman	Ireland	Roukema
Collins (TX)	Jeffries	Rudd
Coughlin	Jenkins	Santini
Courter	Johnston	Sawyer
Coyne, James	Jones (TN)	Schroeder
Craig	Kazen	Schulze
Crane, Daniel	Kindness	Sensenbrenner
Crane, Philip	Kogovsek	Shaw
Daniel, Dan	Kramer	Shelby
Daniel, R. W.	LaFalce	Shumway
Dannemeyer	Lagomarsino	Shuster
Daub	Latta	Siljander
Derwinski	Leach	Skeen
Dickinson	Leath	Smith (AL)
Dingell	LeBoutillier	Smith (NE)
Dorgan	Lee	Smith (NJ)
Dornan	Lent	Smith (OR)
Dowdy	Levitas	Snyder
Dreier	Lewis	Solomon
Duncan	Livingston	Spence
Dunn	Loeffler	Stenholm
Early	Lott	Stratton
Edwards (OK)	Lowery (CA)	Stump
Emerson	Lujan	Tauke
Erlenborn	Madigan	Taylor
Ertel	Marlenee	Vander Jagt
Evans (GA)	Martin (NC)	Volkmer
Fiedler	Martin (NY)	Walker
Fields	McCloskey	Wampler
Findley	McCollum	Watkins
Flippo	McDonald	Weaver
Fountain	McEwen	Weber (MN)
Frenzel	Miller (OH)	Whitehurst
Gephardt	Molinari	Whittaker
Gilman	Montgomery	Whitten
Gingrich	Moore	Winn
Glickman	Moorhead	Wylie
Gore	Morrison	Young (AK)
Gramm	Mottl	Young (MO)
Hall, Ralph	Murphy	

ANSWERED "PRESENT"—1

St Germain

NOT VOTING—44

Anderson	Evans (DE)	Pepper
Barnard	Evans (IA)	Pickle
Bonker	Fenwick	Pritchard
Bouquard	Frost	Pursell
Brown (CA)	Gregg	Rhodes
Brown (OH)	Grisham	Rosenthal
Burton, John	Hagedorn	Rousselot
Chappie	Hansen (UT)	Russo
Conable	Horton	Savage
Cotter	Lantos	Simon
D'Amours	Martin (IL)	Stangeland
Daschle	Mikulski	Whitley
de la Garza	Minish	Williams (OH)
DeNardis	Obey	Zeferetti
Dicks	Paul	

□ 1610

The Clerk announced the following pairs:

On this vote:

Mr. Pepper for, with Mr. Rousselot against.

Mr. DeNardis for, with Mr. Paul against.

Mr. Horton for, with Mr. Hagedorn against.

Until further notice:

Mr. Zeferetti with Mrs. Fenwick.

Mr. Russo with Mr. Pritchard.

Mr. John L. Burton with Mr. Pursell.

Mr. D'Amours with Mr. Stangeland.

Mr. de la Garza with Mr. Gregg.
Mr. Brown of California with Mrs. Martin of Illinois.
Mr. Barnard with Mr. Grisham.
Mr. Whitley with Mr. Hansen of Utah.
Mr. Simon with Mr. Chappie.
Mr. Rosenthal with Mr. Evans of Iowa.
Ms. Mikulski with Mr. Brown of Ohio.
Mr. Lantos with Mr. Evans of Delaware.
Mr. Obey with Mr. Conable.
Mr. Minish with Mr. Frost.
Mrs. Bouquard with Mr. Bonker.
Mr. Dicks with Mr. Daschle.
Mr. Pickle with Mr. Williams of Ohio.

Mr. JENKINS, Mr. SHUMWAY, Mrs. ROUKEMA, and Mr. LOWERY of California changed their votes from "yea" to "nay."

Mr. LELAND and Mr. GOLDWATER changed their votes from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the Senate bill (S. 1040) to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 1040

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 502 of the District of Columbia Self-Government and Governmental Reorganization Act (D.C. Code, sec. 2501d) is amended by striking out "for the fiscal year ending September 30, 1978, and for each fiscal year thereafter the sum of $300,000,000" in the first sentence and inserting in lieu thereof "for each of the fiscal years ending September 30, 1978, September 30, 1979, September 30, 1980, and September 30, 1981, the sum of $300,000,000; and for the fiscal year ending September 30, 1982, and for each fiscal year ending after September 30, 1982, the sum of $336,600,000".

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill, H.R. 2819, was laid on the table.

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the Senate bill, S. 1040, just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

EXTEND BORROWING AUTHORITY FOR THE DISTRICT OF COLUMBIA

Mr. DELLUMS. Mr. Speaker, by direction of the Committee on the District of Columbia, I call up the bill (H.R. 2818) to amend the District Of Columbia Self-Government and Governmental Reorganization Act to extend the authority of the Mayor to accept certain interim loans from the United States and to extend the authority of the Secretary of the Treasury to make such loans, and ask unanimous consent that the bill be considered in the House as in the Committee of the Whole.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. PARRIS. Reserving the right to object, Mr. Speaker, I would ask the chairman of the committee, is this the other piece of legislation brought before the House several weeks ago and re-referred to the Committee on the District of Columbia on which the point of order was raised?

Mr. DELLUMS. I say to my colleague that is correct.

Mr. PARRIS. Mr. Speaker, I withdraw my reservation of objection, and I support the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

Mr. WALKER. Reserving the right to object, Mr. Speaker, could the gentleman from California (Mr. DELLUMS) please restate the unanimous-consent request? I was not sure just exactly what the unanimous-consent request was.

Mr. DELLUMS. Mr. Speaker, it was that the bill be considered in the House as in the Committee of the Whole.

Mr. WALKER. I thank the gentleman.

I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the bill, as follows:

H.R. 2818

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 723(a) of the District of Columbia Self-Government and Governmental Reorganization Act (D.C. Code, sec. 47-241 note) is amended by striking out "October 1, 1980, or upon the enactment of the 1981 appropriation Act for the District of Columbia government, whichever is later" in the first sentence and inserting in lieu thereof "October 1, 1982, or the date of the enactment of the appropriation Act for the fiscal year ending September 30, 1983, for the government of the District of Columbia, whichever is later".

With the following committee amendment:

Page 2, line 6, strike out "the enactment of the" and insert in lieu thereof "enactment of the fiscal year".

The SPEAKER pro tempore. The gentleman from California (Mr. DELLUMS) is recognized for 5 minutes.

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill, H.R. 2818, presently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

□ 1620

Mr. DELLUMS. Mr. Speaker, H.R. 2818, as reported by the full committee on the District of Columbia is being offered to provide the District of Columbia government with continued interim authority to borrow funds from the U.S. Treasury for capital improvement projects for which funding is appropriated in fiscal year 1982, or until the date of the enactment of the Appropriation Act for the fiscal year ending September 30, 1983, whichever is later. The bill is a 2-year extension of current law.

The authority of the District of Columbia to borrow funds from the Treasury is not new, it predates home rule. When Congress passed the District of Columbia's Self-Government Act, it authorized the District to finance its capital improvement projects by borrowing funds on the open market through the issuance of tax-exempt general obligation bonds rather than continue, indefinitely, its borrowing authority from the Treasury. The act terminated, effective January 2, 1975, the permanent authority of the District to borrow funds from the Treasury to finance capital improvement projects, however, it provided a 2-year interim loan authority which allowed the District to continue borrowing from the Treasury to finance capital improvement projects for which funds had been authorized or appropriated prior to January 2, 1975. Congress provided the interim borrowing authority to prevent undue disruption in the District's capital improvement programs during the transition from Treasury borrowing to entry into the municipal bond market.

Because of unexpected delays in the development and implementation of the District's bonding program, a 2-year extension of the interim borrowing authority was approved by the Congress in 1977. In 1979, the Congress approved a second extension, authorizing U.S. Treasury loans to finance capital improvement projects approved in the 1980 and 1981 Appro-

priations Act. This extension was necessary because the capital improvements program could not be halted without undue harm while waiting for complete implementation of the congressionally mandated new financial management system and for the first complete independent audit of the District's financial statements, a prerequisite for successful entry into the municipal bond market. Since the 1979 congressional hearings, circumstances have arisen which will delay, beyond fiscal year 1981, the District's entry into the municipal bond market in order to obtain financing for its capital improvement projects.

Without approval of the proposed extension of the District's interim borrowing authority, the District of Columbia government would be prevented from making urgently needed capital improvements, including major improvements to the water system, and would experience disruption of planned metro construction.

Passage of H.R. 2818 will permit the District to proceed with its capital improvement projects for at least another 2 years, by which time the District should be able to enter the municipal bond market.

The bill changes from October 1, 1980, to "October 1, 1982, or the date of enactment of the Apporpations Act for the fiscal year ending September 30, 1983, for the District of Columbia government, whichever is later."

A technical and conforming amendment to page 1, line 6 of the bill was made in committee in order to correctly quote section 723(a) of the Home Rule Act.

Mr. Speaker, the Senate has already passed a similar bill, S. 640.

Mr. Speaker, may I point out, at this time, that the District of Columbia Committee, in compliance with the committee's reconciliation instructions, has approved the limitation of $155 million on the amount of funds authorized to be borrowed from the Treasury in each of the fiscal years 1982, 1983, and 1984. As part of the budget reconciliation activity, last week, the House and Senate conferees agreed and recommended to their respective bodies that the $155 million cap on capital borrowing authority be included in the Omnibus Budget Reconciliation Act of 1981, H.R. 3982. Mr. Speaker, the committee fully supports this limitation. The District of Columbia government has also agreed to this provision and has no objection to its enactment.

Since the $155 million cap is included in the Omnibus Budget Reconciliation Act, which is now in conference and will soon be enacted into law, the committee has decided not to offer the cap as an amendment to H.R. 2818 because it would be redundant and legislatively confusing. The $155 million cap will, in fact, be a matter of law when we pass the Reconciliation Act.

Mr. Speaker, on behalf of the Committee on the District of Columbia, I recommend that the bill, H.R. 2818, do pass.

The SPEAKER pro tempore. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. McKINNEY. Mr. Speaker, I move to strike the last word.

Mr. Speaker, I think we should clearly state to the Members present that this is not the deficit financing bill that they have read so much about in the newspapers and that will be before them in September.

When Congress passed the Home Rule Act in 1973, it authorized the District of Columbia to finance capital projects on the open market by issuing general obligation bonds. Recognizing the inevitable problems the city would experience in the transition from a Federal entity to a municipality, the Home Rule Act also provided 2-year interim borrowing authority with the U.S. Treasury. Since that time, we have been required to extend this interim authority twice. The bill being considered today will make the third, and hopefully, final extension.

I expect that most Members are aware, from the local press accounts, of the financial problems facing the city. There is another bill reported by the Committee on the District of Columbia, H.R. 1807, which would provide the city with the authority to issue bonds to eliminate a portion of its accumulated operating deficit. I would like to make it very clear that the measure being considered today, H.R. 2818, has nothing to do with bonds or borrowing to eliminate operating budget deficits. This bill simply addresses the need for the city to continue its capital improvement program uninterrupted.

This legislation would permit the Mayor of the District of Columbia to accept loans for capital improvement projects from the U.S. Treasury, and permit the Secretary of the Treasury to offer such loans. These loans would be available only for projects that are approved after review by the Appropriations Committees over the next 2 years. I am confident that the projects that do receive approval will be necessary, and not frivolous.

Mr. Speaker, there is no question that the city should be financing capital improvements through the private bond market. However, until the current budget problems and operating deficit are cleared up, the bond market is not a realistic option. In the time required for the city to overcome its financial difficulties, some means of borrowing must be provided so that vital projects can continue. While I have reservations about the manner in which the city chooses to deal with its financial problems, I recognize the absolute necessity of this legislation. I fully support this measure and urge the support of my colleagues.

Mr. Speaker, I would like to address my Republican colleagues on a serious question I have about the Digest in Brief which they have in front of them.

As a loyal supporter of this administration and also as ranking member of a committee, be it not all that important, I sometimes think it would be polite and courteous if the administration would consider addressing the ranking memer of a committee before the fact rather than after the fact.

The Digest's explanation of the administration's position fails to include the reasons why the committee has declined to amend the bill as requested by the OMB—reasons fully explained to OMB representatives.

The $155 million cap which the chairman discussed is in the omnibus reconciliation bill at the administration's request, so that this point is wrong. The chairman has already adequately explained the reasons for the committee's action.

I have a letter from a Mr. James M. Frey of the Office of Management and Budget who states that he wants us to eliminate short-term borrowing after fiscal year 1982.

Well, I would note that his letter further says that this action is being recommended in anticipation of the city moving out into the bond market, and the city is not yet at that point; it would therefore be premature for this House to act.

As to points Nos. 1 and 2, charging interest on short-term borrowing and a surcharge on capital borrowing, an Assistant Secretary of the Treasury, Roger Mehle, testified in front of the committee that the Secretary has the power to do that without any action on the part of Congress. So I would suggest that those objections be ignored.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield?

Mr. McKINNEY. I yield to the gentleman from California.

Mr. DELLUMS. I thank my colleague for yielding.

Mr. Speaker, the gentleman from Connecticut (Mr. McKINNEY) is making a terribly important point. This administration suggested that we put a cap of $155 million on the ability of the District of Columbia to borrow from the Treasury funds to continue the capital improvements program. We considered offering an amendment on the floor of Congress to put that $155 million cap on the borrowing authority.

□ 1630

Mr. McKINNEY. I must apologize now. I have a later issue of the Digest where the original issue of the Digest has been corrected, and I quote:

When the Digest initially covered this bill, it was reported that the committee intended to offer an amendment setting authority and outlay ceilings for District borrowing in fiscal years 1982 and 1983 at $155 million and $145 million respectively. As conferees for the Omnibus Reconciliation Act (H.R. 3892) have already reached agreement on a similar provision, the committee will not offer its amendment to H.R. 2818.

Mr. DELLUMS. I appreciate that because that is precisely the point we chose to make, and that is in the reconciliation process the House conferees and the Senate conferees agreed to the $155 million cap. Therefore, when the House adopts the Omnibus Reconciliation Act, it will indeed be law.

Mr. SPEAKER pro tempore. The time of the gentleman from Connecticut (Mr. McKINNEY) has expired.

(By unanimous consent, Mr. McKINNEY was allowed to proceed for 2 additional minutes.)

Mr. DELLUMS. Mr. Speaker, if the gentleman will continue to yield, when the House passes the Omnibus Reconciliation Act, language in that act will call for a $155 million cap on the borrowing authority of the District's capacity to borrow from the Treasury for the purpose of capital improvement. We signed off on that conference; it is a matter of law.

When we checked with the legislative counsel they suggested that we not place the statements in two different pieces of legislation as it may indeed be confusing in interpreting the legislative history sometime down the road. So one statement will be made in the Omnibus Budget Reconciliation Act that will definitely include $155 million cap which then carries out our responsibility on the District of Columbia Committee to the reconciliation process.

Mr. WALKER. Mr. Speaker, will the gentleman yield?

Mr. McKINNEY. I yield to the gentleman from Pennsylvania.

Mr. WALKER. I thank the gentleman for yielding.

I thank the gentleman, first of all, for clarifying the $155 million issue. However, as I understand it, there are millions of dollars currently borrowed that are virtually interest free, that the District of Columbia has borrowed now.

Now the gentleman I think stated in his remarks that the Secretary of the Treasury right now has the power to do something about that on his own, it would not require legislative authority. What would have been the problem with putting that kind of legislative authority in here and directing the Department of Treasury to assure, as at least OMB has suggested here, that the Treasury rate be charged plus one-half of 2 percent for service charge on short-term borrowing?

Mr. McKINNEY. Short-term cash flow loans are interest free and I think the gentleman realizes that this entire process will be over after fiscal year 1982, and since we will still have this administration, which is fiscally conservative, I think the gentleman will see the city being charged for these loans. I do not see any point in encumbering a piece of legislation with a nongermane amendment.

The SPEAKER pro tempore. The time of the gentleman from Connecticut (Mr. McKINNEY) has again expired.

(At the request of Mr. WALKER and by unanimous consent, Mr. McKINNEY was allowed to proceed for 3 additional minutes.)

Mr. McKINNEY. I can simply say what the Assistant Secretary of Treasury said to me, that the Department did have the authority, and I would assume that they would do it should they feel that it is necessary; I think they will do it.

If we do not pass this bill—which the Senate has, by the way, passed overwhelmingly—it would cost the Federal Government and the District of Columbia millions of dollars, because it would bring a halt to capital improvements which we, the Congress, and others, such as Metro, have already stated that we wanted.

I think that we should realize that the city would be out of the Federal market in fiscal year 1982 and it will be out in the private bond market where it will be told to straighten up its ship.

Mr. WALKER. If the gentleman will yield further, I certainly understand that the Treasury Department does have the authority. I still do not understand why, even though it is a short-term bill, it goes to 1982, why Congress could not have provided that kind of positive direction to the Treasury Department.

What we are doing is leaving the onus on them. They have to go to the District government. Why could not the Congress take some fiscal responsibility of its own here and make that kind of direction to the Department of Treasury so we would share in any onus that might be connected with it?

Mr. McKINNEY. As I stated in my remarks earlier, I do not believe this bill is the appropriate vehicle for the administration's requested action, even should we decide it is necessary.

Mr. WALKER. I appreciate the gentleman's explanation on it, but it does give some of us a problem with the bill.

Mr. PARRIS. Mr. Speaker, will the gentleman yield?

Mr. McKINNEY. I yield to the gentleman from Virginia.

Mr. PARRIS. I thank the gentleman for yielding.

This point was made in the gentleman's original comments. I think it should be reiterated for the benefit of the House that the current District capital borrowings are repaid at interest equal to Treasury rates, approximately 12.4 percent.

The suggestion that these borrowings are at no interest is simply not correct.

Finally, and secondly, the addition of the one-half of 1 percent in the amendment would appear to be a profitmaking function of the Treasury Department, which I think in this case, in this legislation, is inappropriate.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield?

Mr. McKINNEY. I yield to the gentleman from California.

Mr. DELLUMS. I thank the gentleman for yielding.

I would like to call attention to the gentleman who just raised the question. I would like to point out to my colleague that if the gentleman had taken the time to read the report accompanying the legislation, on page 5 of that report, we refer to an analysis.

The SPEAKER pro tempore. The time of the gentleman from Connecticut (Mr. McKINNEY) has again expired.

(At the request of Mr. DELLUMS and by unanimous consent, Mr. McKINNEY was allowed to proceed for 3 additional minutes.)

Mr. DELLUMS. Mr. Speaker, if the gentleman will yield further, on page 5 of the report, current District capital borrowings are repaid at an interest equal to Treasury rates, approximately 12.4 percent, while other municipalities borrow through the bond market at tax-exempt rates of approximately 10.5 percent.

The District of Columbia already is paying. The notion that in some way the District of Columbia is not paying an appropriate amount of interest is inappropriate.

Finally, I would say to my colleague that the bill before us deals with long-term borrowing of capital improvements, it has nothing to do with short-term, interest-free cash flow problems of the District of Columbia.

This legislation in no way addresses itself to that.

Finally, I would say to my colleague, that in testimony before the committee on May 20, 1981, we asked Mr. Mehle the following question, or my distinguished colleague from the District, "Does not the Secretary of Treasury now have the authority under current law to limit borrowing and to establish terms?"

The response, "Yes, he does."

So it is clearly within the prerogative of the Secretary of the Treasury to set the terms, to set the limit, and

to set the rate. It would seem to be rather redundant to place in the law power that the Secretary of the Treasury presently has.

Mr. FAUNTROY. Mr. Speaker, I move to strike the requisite number of words.

Mr. Speaker, I rise in support of H.R. 4129, a bill to amend the District of Columbia Self-Government and Governmental Reorganization Act to extend the authority of the Mayor to accept certain interim loans from the United States and to extend the authority of the Secretary of the Treasury to make such loans.

While this legislation provides for the third extension of borrowing authority since the Home Rule Act was passed, it is essential to insure that the capital improvements program of the District will remain on track.

The District of Columbia has had the authority to borrow funds from the Federal Treasury for many years, including years prior to home rule. It was the view of the Congress that by providing the authority in the Home Rule Act to issue tax-exempt, general obligation bonds, the need for the District to continue borrowing from the Federal Treasury would be eliminated. At the same time, however, Congress realized that an abrupt interruption in the flow of funds from the Treasury to the District could cause undue and unnecessary harm to the District's capital improvement program. The Home Rule Act thus eliminated the permanent borrowing authority, and at the same time, provided for 2-year interim borrowing authority. The interim borrowing authority was extended by the Congress in 1977 and again in 1979.

The wisdom which supported the need for enactment of the initial interim authority and the two previous extensions is still present. Without another extension, many of the District's critical capital improvement programs will be derailed. Programs such as improving the water system, Metro, and other major overhaul efforts now underway will be delayed, cost more, and may even be lost.

We have been working vigorously in the House District Committee to insure that the District will be able to enter the private bond market soon and thus relieve the need for continued borrowing from the Treasury. I am hopeful and optimistic that this will be the final extension needed. Indeed, it is my view that this extension will enhance the prospects of a successful entrance by the District into the private market.

I urge support of this measure by the House.

Thank you.

Mr. SOLOMON. Mr. Speaker, I move to strike the requisite number of words.

Mr. Speaker, if I could have the attention of the distinguished chairman of the District of Columbia Committee, there has been so much disarray going on here in the Chamber, I do not think I have really—maybe some of my questions have been answered.

I would like to say the reconciliation bill that passed the House at the end of June included in its title IV, a provision that capped capital borrowing for the District for the coming fiscal years 1982, 1983, and 1984.

□ 1640

I think the gentleman said that, is that right?

Mr. DELLUMS. Yes.

Mr. SOLOMON. Why are we now being asked to pass legislation that reauthorizes capital borrowing for the District of Columbia when the reconciliation bill that passed the House contained language authorizing funds for this same purpose? This is what I could not hear.

Mr. DELLUMS. First of all, the District of Columbia Committee is the authorizing committee. We have brought a piece of authorizing legislation that would authorize the District of Columbia to borrow funds from the Treasury for the purpose of financing capital improvement projects, such as completing Metro, water sewage, and a variety of different capital improvement projects. The language the gentleman from California spoke of in the Reconciliation Act is a recommendation from the Office of Management and Budget that suggested that we place a cap on the District's ability to borrow from the Treasury at a figure of $155 million. We have agreed to that in a House-Senate conference.

The point I was making was that in the Reconciliation Act there will indeed be language that sets the $155 million cap, but we have to pass authorizing legislation in order to allow the District of Columbia to continue to borrow from the Treasury. Without this legislation, the District of Columbia then is precluded from borrowing. It then disrupts their ability to go forward with capital improvement programs, and that would be devastating for all of us.

Mr. SOLOMON. If what the gentleman says is true, can the gentleman assure us in this body that this measure is in no way inconsistent with the reconciliation bill, and that passage of this bill will in no way neutralize the cap the House placed on the District of Columbia borrowing in the reconciliation bill?

Mr. DELLUMS. The gentleman can say that the gentleman is exactly correct, perfectly correct. There is no problem here whatsoever with any contradiction with the Reconciliation Act. If the gentleman has any other language that the gentleman from California could attest to in order to create credibility, we will be happy to do that.

Mr. SOLOMON. I thank the gentleman. I might add that the ranking minority member said that is 100-percent correct, for the record.

Mr. DELLUMS. Does the gentleman suggest that he does not trust this gentleman 100 percent?

Mr. SOLOMON. I was not sure I was interpreting the gentleman as being 1,000 percent.

If the distinguished chairman would just listen again, the administration raised two objections to this bill outside of the borrowing cap issue. The first is the imposition of one-half percent charge on District of Columbia borrowing. This, I understand, would bring the District of Columbia into line with all other borrowing from the Federal financing bank. Certainly, the District has a preferential status that no other borrowers have, and under section 723(b)—I think the gentleman was talking about section 723(a) of the District Home Rule Act—provides that loans to the District shall be at the rate of interest to be determined by the Secretary of the Treasury. I think we heard the gentleman say that the Secretary of the Treasury testified that he thought he had the right to set that rate.

Now, if that is the case, my question to the gentleman is, Do the distinguished chairman and ranking minority member concur with the Treasury view on this issue, or does the gentleman feel separate legislation will be necessary to allow the imposition of that one-half percent charge?

Mr. DELLUMS. Will my colleague yield?

Mr. SOLOMON. I yield.

Mr. DELLUMS. At the risk of being repetitive, I might indicate in answering a question brought by my distinguished colleague from the District of Columbia, which was as follows: "Do you * * *" meaning the Secretary of the Treasury—"now have the authority under current law to limit borrowing and to establish terms?"

The statement by Mr. Mehle in response to that question was, yes, he does. However, I would also add and quote section 723(b).

The SPEAKER pro tempore. The time of the gentleman from New York has expired.

(At the request of Mr. DELLUMS and by unanimous consent, Mr. SOLOMON was allowed to proceed for 3 additional minutes.)

Mr. DELLUMS. Section 723(b) is as follows:

> Loans advanced pursuant to this section during any six-month period shall be at a rate of interest determined by the Secretary at the beginning of such period which in his judgment would reflect the cost of the money to the Treasury for borrowing at a maturity approximately equal to the period the loan is outstanding.

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So, we are saying, not only do we have on the record testimony that the Secretary of the Treasury has the capacity to set the terms and to set the limits by the law, section 723(b) provides the Secretary with the capability.

Mr. SOLOMON. What the gentleman is saying is that he concurs with the Secretary of the Treasury's testimony.

Mr. DELLUMS. That is correct.

Mr. McKINNEY. Mr. Speaker, will the gentleman yield?

Mr. SOLOMON. I yield to the gentleman from Connecticut.

Mr. McKINNEY. I think for the Members, since it was so complicated, Mr. PARRIS of Virginia said it quite clearly. First of all, the city borrows short term for cash flow, what we call tax anticipation bonds in a State or municipality. They pay no interest. Treasury probably could charge them, but those loans must be paid back at the end of each fiscal year. Presently, for capital borrowing from the Treasury, they are paying the current Federal rate, Federal Treasury, and, as the gentleman from Virginia suggested, that is quite high, way over 12 percent. Now, since they cannot offer tax-free bonds they are in essence paying a surcharge of whatever—1¼ percent, 2¼ percent or more—for every dollar they borrow. That is more than any other municipality in the United States pays. The Treasury can add the surcharge if they want, but as Mr. PARRIS said, since the city is already paying 1¼ percent to 2¼ percent to the Treasury, it is unnecessary for the Treasury to make more money, particularly when we hope this whole process will stop after fiscal 1982.

Mr. SOLOMON. Let us hope so.

Mr. DELLUMS. Mr. Speaker, will the gentleman yield further?

Mr. SOLOMON. I yield.

Mr. DELLUMS. I might just add one additional thing for my colleagues who are new to this body. The record of the District of Columbia in repaying the Treasury is exemplary. That is a matter of record. It has been attested to by the Secretary of the Treasury. The District of Columbia has been prompt and efficient in its payments, and it would seem to me there is no evidence whatsoever that the District of Columbia lacks the capacity or the desire or the will to properly repay its debts. I thank my colleague.

The SPEAKER pro tempore. The time of the gentleman from New York has again expired.

(At the request of Mr. KAZEN and by unanimous consent, Mr. SOLOMON was allowed to proceed for 1 additional minute.)

Mr. KAZEN. Mr. Speaker, will the gentleman yield?

Mr. SOLOMON. I will be glad to yield to the gentleman from Texas.

Mr. KAZEN. I thank the gentleman for yielding.

I was under the impression that this bill would have authorized the District of Columbia to issue bonds. My understanding now is that all this bill does is extend the present authority to borrow money from the Treasury. Is that correct?

Mr. SOLOMON. I had the same concern as the gentleman and I think that has been clarified.

Mr. KAZEN. Well, is that correct? All this is is an extension of the borrowing authority from the Treasury, and not the issuance of bonds?

Mr. SOLOMON. That is correct as far as I am concerned, but I would yield to the chairman of the committee.

Mr. DELLUMS. I would say to my colleague from Texas it is absolutely correct. Again I repeat, all the legislation before us does is extend for 2 years the authority of the District of Columbia to go to the Treasury for the purposes of borrowing for capital improvement. The Reconciliation Act now includes a $155 million cap. That is all the legislation does.

Mr. PARRIS. Mr. Speaker, I move to strike the last word.

Mr. Speaker, if I might, I think this time I will be extremely brief, and I will try to dispel what I think is some real confusion here, and perhaps particularly from my side of the aisle—not created, I might add, by my good friend from Connecticut.

Let me just make the point, if I might, that there has been considerable discussion around the Halls of this Congress and in the local media about H.R. 1807, which would adopt the principle of issuing municipal bonds authorized by this Congress to pay operating and cumulative deficits.

□ 1650

This is not that legislation. As has been recently pointed out just in the last minute or so by the gentleman from Texas, what we are doing is simply extending again for the third time the short-term borrowing capacity of the District of Columbia to take moneys which are repaid to the Treasury Department.

Let me just make one other point, and then I will sit down. If for any reason this legislation were not passed, if there were some in this Congress who are not enthusiastic about extending the right of the District of Columbia to issue bonds, and if that right is not subsequently granted, then we have eliminated the opportunity for the District of Columbia to provide any source for short-term financing.

Mr. Speaker, I think that would create an impossible situation for the orderly conduct of the District of Columbia government, and it is my hope that this legislation will pass.

Mr. DELLUMS. Mr. Speaker, will my colleague yield to me?

Mr. PARRIS. I yield to the chairman of the committee.

Mr. DELLUMS. Mr. Speaker, I appreciate the statement my colleague made, and I would simply say to my colleagues, reflecting particularly on the last vote where there was a substantial number of Members who voted against the capacity of the District of Columbia to receive a little bit in additional revenues, that in this conservative atmosphere I hope the Members will at least vote on the merits of this situation.

We are not asking for any additional funds. This is not busting the budget; it is not contributing to inflation. It is providing the capacity of revenues of the District of Columbia to go into the Treasury for the purpose of borrowing funds until they have the capacity to float bonds in the open market for the purposes of financing capital improvements.

It is my hope that my colleagues will pass this legislation. This is the crossroads of the world, and it would seem to me it is in our interest, as we reflect back out to the world, that the District of Columbia be a shining example of our capacity to address the human problem. To not do that would seem to me to be tragic.

Mr. JOHNSTON. Mr. Speaker, will the gentleman yield?

Mr. PARRIS. I am delighted to yield to the gentleman from North Carolina.

Mr. JOHNSTON. Mr. Speaker, am I to understand that at the present time the District of Columbia is allowed to borrow interest free from the Treasury on tax anticipation notes on a short-term basis as long as they are repaid within the year?

Mr. PARRIS. Mr. Speaker, I would respond to the gentleman by saying that that is not correct. The District of Columbia pays to the Treasury Department approximately 12.4 percent, which is the Treasury rate at the moment, as compared, I might add, to local municipalities which borrow through the bond markets at an average tax exempt rate of approximately 10.5 percent. So the District of Columbia is today carrying an inordinate burden in interest rates.

Mr. JOHNSTON. And in no instance does the Treasury lend money to the District of Columbia on an interest-free basis?

Mr. McKINNEY. Mr. Speaker, will the gentleman yield?

Mr. PARRIS. I yield to the gentleman from Connecticut.

Mr. McKINNEY. Mr. Speaker, in answer to the gentleman, on occasion, under short-term borrowing, they can borrow at no interest for cash flow purposes, and the principal has to be

paid back at the end of that fiscal year.

Mr. JOHNSTON. But they do borrow funds interest free; is that correct?

Mr. PARRIS. Mr. Speaker, I would submit to the gentleman from North Carolina that this is not one of those types of programs.

Mr. JOHNSTON. But in fact the Treasury is now lending funds to the District of Columbia interest free on a short-term basis?

Mr. PARRIS. On a short-term basis, yes, but not in this area of capital improvements.

Mr. JOHNSTON. Mr. Speaker, is the gentleman aware of any other municipality in the country that is allowed to borrow from the U.S. Treasury on an interest-free basis?

Mr. PARRIS. No; but I am not aware of any other situation where we are dealing with the Capital City.

Mr. DELLUMS. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. JOHNSTON. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 239, nays 149, not voting 45, as follows:

[Roll No. 165]

YEAS—239

Addabbo	Brinkley	Dymally
Akaka	Brodhead	Dyson
Albosta	Burton, Phillip	Early
Alexander	Byron	Eckart
Andrews	Carney	Edgar
Annunzio	Chappell	Edwards (AL)
Anthony	Chisholm	Edwards (CA)
Applegate	Clay	Erdahl
Aspin	Coelho	Erlenborn
Atkinson	Collins (IL)	Ertel
Bailey (PA)	Conte	Evans (IN)
Barnes	Conyers	Fary
Beard	Corcoran	Fascell
Bedell	Coyne, William	Fazio
Beilenson	Crockett	Ferraro
Benedict	Danielson	Fiedler
Benjamin	Daschle	Fish
Bennett	Davis	Fithian
Bereuter	Dellums	Flippo
Bethune	Derrick	Florio
Biaggi	Dicks	Foglietta
Bingham	Dixon	Foley
Bliley	Donnelly	Ford (MI)
Boggs	Dougherty	Ford (TN)
Boland	Dowdy	Forsythe
Bolling	Downey	Fountain
Bowen	Dunn	Fowler
Breaux	Dwyer	Frank
Fuqua	Marks	Rose
Garcia	Marriott	Rostenkowski
Gaydos	Martin (IL)	Roybal
Gejdenson	Martin (NC)	Sabo
Gibbons	Matsui	Sawyer
Gilman	Mattox	Scheuer
Gingrich	Mavroules	Schumer
Ginn	Mazzoli	Seiberling
Glickman	McClory	Shamansky
Gonzalez	McCloskey	Shannon
Gore	McCurdy	Sharp
Gray	McHugh	Skelton
Green	McKinney	Smith (IA)
Guarini	Mica	St Germain
Hall (OH)	Michel	Stanton
Hall, Sam	Miller (CA)	Stark
Hamilton	Mineta	Staton
Harkin	Mitchell (MD)	Stenholm
Hatcher	Moakley	Stokes
Hawkins	Moffett	Studds
Heckler	Mollohan	Swift
Hefner	Montgomery	Synar
Heftel	Moore	Tauzin
Hertel	Murtha	Thomas
Hightower	Napier	Traxler
Holland	Natcher	Trible
Howard	Neal	Udall
Hoyer	Nelson	Vander Jagt
Hughes	Nichols	Vento
Hutto	Nowak	Volkmer
Hyde	O'Brien	Walgren
Jacobs	Oakar	Wampler
Jeffords	Oberstar	Washington
Jones (NC)	Ottinger	Waxman
Jones (OK)	Panetta	Weber (OH)
Jones (TN)	Parris	Weiss
Kastenmeier	Pashayan	White
Kazen	Patman	Whitehurst
Kildee	Patterson	Whitten
Kogovsek	Pease	Williams (MT)
Kramer	Perkins	Wirth
LaFalce	Peyser	Wolf
Lehman	Porter	Wolpe
Leland	Price	Wortley
Livingston	Rahall	Wright
Long (LA)	Railsback	Wyden
Long (MD)	Rangel	Wylie
Lowry (WA)	Ratchford	Yates
Lujan	Reuss	Yatron
Luken	Richmond	Young (MO)
Lundine	Rodino	Zablocki
Markey	Roe	

NAYS—149

Archer	English	Lowery (CA)
Ashbrook	Evans (GA)	Lungren
AuCoin	Fields	Madigan
Badham	Findley	Marlenee
Bafalis	Goldwater	Martin (NY)
Bailey (MO)	Goodling	McCollum
Bevill	Gradison	McDade
Boner	Gramm	McDonald
Bouquard	Gunderson	McEwen
Brooks	Hagedorn	McGrath
Broomfield	Hall, Ralph	Miller (OH)
Brown (CO)	Hammerschmidt	Mitchell (NY)
Broyhill	Hance	Molinari
Burgener	Hansen (ID)	Moorhead
Butler	Hartnett	Morrison
Campbell	Hendon	Mottl
Carman	Hiler	Murphy
Cheney	Hillis	Myers
Clausen	Hollenbeck	Nelligan
Clinger	Holt	Oxley
Coats	Hopkins	Paul
Coleman	Hubbard	Petri
Collins (TX)	Huckaby	Pursell
Coughlin	Hunter	Quillen
Courter	Ireland	Regula
Coyne, James	Jeffries	Rinaldo
Craig	Jenkins	Ritter
Crane, Daniel	Johnston	Roberts (KS)
Crane, Philip	Kemp	Roberts (SD)
Daniel, Dan	Kindness	Robinson
Daniel, R. W.	Lagomarsino	Roemer
Dannemeyer	Latta	Rogers
Daub	Leach	Roth
Derwinski	Leath	Roukema
Dingell	LeBoutillier	Rudd
Dorgan	Lee	Santini
Dornan	Lent	Schroeder
Dreier	Levitas	Schulze
Edwards (OK)	Lewis	Sensenbrenner
Emerson	Loeffler	Shaw
Emery	Lott	Shelby
Shumway	Snyder	Watkins
Shuster	Solomon	Weaver
Siljander	Spence	Weber (MN)
Skeen	Stangeland	Whittaker
Smith (AL)	Stratton	Wilson
Smith (NE)	Stump	Winn
Smith (NJ)	Tauke	Young (AK)
Smith (OR)	Taylor	Young (FL)
Snowe	Walker	

NOT VOTING—45

Anderson	Dickinson	Obey
Barnard	Duncan	Pepper
Blanchard	Evans (DE)	Pickle
Bonior	Evans (IA)	Pritchard
Bonker	Fenwick	Rhodes
Brown (CA)	Frenzel	Rosenthal
Brown (OH)	Frost	Rousselot
Burton, John	Gephardt	Russo
Chappie	Gregg	Savage
Conable	Grisham	Schneider
Cotter	Hansen (UT)	Simon
D'Amours	Horton	Solarz
de la Garza	Lantos	Whitley
Deckard	Mikulski	Williams (OH)
DeNardis	Minish	Zeferetti

□ 1710

The Clerk announced the following pairs:

On this vote:

Mr. DeNardis for, with Mr. Rousselot against.

Mrs. Schneider for, with Mr. Chappie against.

Mr. Evans of Delaware for, with Mr. Deckard against.

Mr. Williams of Ohio for, with Mr. Evans of Iowa against.

Until further notice:

Mr. Barnard with Mr. Pritchard.
Mr. Pepper with Mr. Dickinson.
Mr. Rosenthal with Mr. Horton.
Mr. Zeferetti with Mr. Hansen of Utah.
Mr. Minish with Mr. Brown of Ohio.
Mr. de la Garza with Mr. Conable.
Mr. John L. Burton with Mr. Grisham.
Mr. Solarz with Mr. Frenzel.
Mr. Whitley with Mr. Gregg.
Mr. Russo with Mrs. Fenwick.
Mr. Simon with Mr. Duncan.
Mr. Brown of California with Mr. Gephardt.
Mr. Obey with Ms. Mikulski.
Mr. Lantos with Mr. Frost.
Mr. D'Amours with Mr. Pickle.
Mr. Bonker with Mr. Bonior of Michigan.
Mr. Blanchard with Mr. Savage.

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the Senate bill (S. 640) to amend the District of Columbia Self-Government and Governmental Reorganization Act with respect to the borrowing authority of the District of Columbia, and ask for its immediate consideration.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 640

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 723(a) of the District of Columbia Self-Government and Governmental Reorganization Act (D.C. Code. sec. 47-241 note) is amended by striking out "October 1, 1980, or upon enactment of the fiscal year 1981 appropriation Act for the District of Columbia government" in the first sentence and inserting in lieu thereof "October 1, 1982, or upon enactment of the fiscal year 1983 appropriation Act for the District of Columbia government.".

MOTION OFFERED BY MR. DELLUMS

Mr. DELLUMS. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. DELLUMS moves to strike all after the enacting clause of the Senate bill (S. 640) and to insert in lieu thereof the text of the bill, H.R. 2818, as passed by the House, as follows:

That section 723(a) of the District of Columbia Self-Government and Governmental Reorganization Act (D.C. Code, sec. 47-241 note) is amended by striking out "October 1, 1980, or upon enactment of the fiscal year 1981 appropriation Act for the District of Columbia government, whichever is later" in the first sentence and inserting in lieu thereof "October 1, 1982, or the date of the enactment of the appropriation Act for the fiscal year ending September 30, 1983, for the government of the District of Columbia, whichever is later".

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

The title of the Senate bill was amended so as to read: "A bill to amend the District of Columbia Self-Government and Governmental reorganization Act to extend the authority of the Mayor to accept certain interim loans from the United States and to extend the authority of the Secretary of the Treasury to make such loans."

A similar House bill, H.R. 2818, was laid on the table.

GENERAL LEAVE

Mr. DELLUMS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

REPORT ON CONCURRENT RESOLUTION PROVIDING FOR PRINTING OF BROCHURE ENTITLED "HOW OUR LAWS ARE MADE"

Mr. GAYDOS, from the Committee on House Administration, submitted a privileged report (Rept. No. 97-203) on the concurrent resolution (H. Con. Res. 106) to provide for the printing of the brochure entitled "How Our Laws Are Made," which was referred to the House Calendar and ordered to be printed.

REQUEST FOR PERMISSION FOR COMMITTEE ON GOVERNMENT OPERATIONS TO SIT THURSDAY, JULY 30, 1981, DURING 5-MINUTE RULE

Mr. BROOKS. Mr. Speaker, I ask unanimous consent that the Committee on Government Operations be permitted to sit during the 5-minute rule on Thursday, July 30, 1981.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

Mr. WALKER. Mr. Speaker, reserving the right to object, I would ask the gentleman from Texas to explain what it is the committee will be taking up under his request for unanimous consent.

Mr. BROOKS. Mr. Speaker, will the gentleman yield?

Mr. WALKER. I yield to the gentleman from Texas.

Mr. BROOKS. We have three reports which are scheduled, and the possibility of a contempt proceeding that has been pending for some time. I am hopeful it will be worked out, but we are not going to meet tomorrow because the ranking Republican was going to be out of town and asked me if I would put the meeting over to Thursday. I have agreed to do that. I think that it will be a very useful time to meet.

Mr. WALKER. Further reserving the right to object, is the contempt proceeding we are talking about the one that is issued against Secretary Edwards of the Department of Energy?

Mr. BROOKS. That is correct.

Mr. WALKER. That is a rather controversial matter; is that not correct?

Mr. BROOKS. It has been a little bit. Not particularly with me.

Mr. WALKER. Am I correct also that the one report that is to be taken up concerns the Community Services Administration, which is also a very controversial matter that was reported out of the committee with the Republicans unanimously in opposition to the report?

Mr. BROOKS. I believe that is correct. That is from the committee of the gentlewoman from Illinois (Mrs. COLLINS) on the Community Services, and that is last up for consideration in that meeting on Thursday.

Mr. WALKER. In other words, the problem I am having with this is we are having two extremely controversial items that we would be asking Members to be absent from the floor here to take up. That is the question I think that arises with the gentleman's unanimous-consent request.

Mr. BROOKS. We could probably meet during general debate tomorrow, on Wednesday, if that would suit the gentleman better, though I had hoped that we could wait until Thursday so that they could resolve one of these matters. During general debate on the tax bill would probably be a better time from the standpoint of Members since we are pretty familiar with the tax program. So it would be a matter which I would think Thursday would be a better time and we could get it resolved. We could come in around 9 or 9:30 and probably finish up.

But I guess we could come in during general debate under the rules.

Mr. WALKER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

Mr. MICHEL. Reserving the right to object, Mr. Speaker, I wonder if the chairman of the Government Operations Committee has asked the ranking minority member of the committee or advised him he was going to make such a request today.

Mr. BROOKS. Will the gentleman yield?

Mr. MICHEL. I yield to the gentleman from Texas.

Mr. BROOKS. Yes; I have. The gentleman from New York (Mr. HORTON)—the gentleman I guess did not hear, he was talking to people, or some people were talking to him, but I explained to the gentleman from Pennsylvania (Mr. WALKER) that the reason the meeting is not being held tomorrow morning as regularly scheduled and as scheduled for a couple of weeks; it is because the ranking minority member, of necessity, is in his district and must be in his district tomorrow—today, and tomorrow. He asked me if I could put the meeting off until Thursday and I agreed that I would be perfectly willing to do that.

In view of that, and in view of the fact that the gentleman and I had both been working on the resolution of a matter to be considered, I had hoped we could do that.

Mr. MICHEL. What time would that meeting be?

Mr. BROOKS. We would probably meet at 9:30, but the House may come in at 10 o'clock.

Mr. MICHEL. Is it the gentleman's understanding that word would be received by that time as to whether or not an agreement was reached?

Mr. BROOKS. We are hopeful.

Mr. MICHEL. Is that the only request the gentleman is making for his committee to meet?

Mr. BROOKS. That is correct.

Mr. MICHEL. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

Mr. HARTNETT. Mr. Speaker, I object.

The SPEAKER pro tempore. Objection is heard. The Chair will state that it requires 10 Members to object.

Messrs. PETRI, WEBER of Minnesota, ROGERS, MICHEL, ROTH, RITTER, MOLINARI, JOHNSTON, and COATS also objected.

The SPEAKER pro tempore. A sufficient number has objected.

Objection is heard.

GENERAL LEAVE

Mr. WHITTEN. Mr. Speaker, I ask unanimous consent that all Members may be permitted to revise and extend their remarks on consideration of the bill, H.R. 4119, and that I be permitted to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATION, 1982

Mr. WHITTEN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4119), making appropriations for agriculture, rural development, and related agencies programs for the fiscal year ending September 30, 1982, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to not to exceed 1½ hours, the time to be equally divided and controlled by the gentlewoman from Nebraska (Mrs. SMITH) and myself.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Mississippi (Mr. WHITTEN).

The motion was agreed to.

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IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 4119, with Mr. GORE in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from Mississippi (Mr. WHITTEN) will be recognized for 45 minutes, and the gentlewoman from Nebraska (Mrs. SMITH) will be recognized for 45 minutes.

The Chair recognizes the gentleman from Mississippi (Mr. WHITTEN).

Mr. WHITTEN. Mr. Chairman, I yield myself such time as I may consume.

Mr. MICHEL. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to the gentleman from Illinois.

Mr. MICHEL. Mr. Speaker, this is only for a brief moment before the gentleman begins his opening remarks on the debate.

I wonder if the gentleman might clarify for the other Members how we would proceed the balance of this day in view of the President's remarks scheduled for 8 o'clock? I know we had a colloquy with the majority leadership last week that we wanted to get as much as we possibly could accomplished, and I think Members ought to be expected to stick around.

Mr. WHITTEN. May I say to my colleague, all agree we will rise in time for the President's speech tonight. As the gentleman knows, for some 3 or 4 weeks we have had eight or nine appropriations bills ready to go to the floor of the House and we have had extreme difficulty in arranging for bringing them up.

May I say to my colleague that in the bill before us, so far as I know, there are no differences between the members of the subcommittee who worked with the bill. I do not mean each item suits everybody, but within the limits that we had and with the problems we had, we resolved our differences. I know of only two or three amendments, all of which can be accepted. One amendment will be withdrawn. So if we shorten our time in dealing with general debate and reserve our speeches for a more propitious time, I think we can get through the bill expeditiously.

So our colleagues being willing, we can move straight ahead. But under any circumstances, we will rise in plenty of time for the President's speech.

Mr. MICHEL. I thank the gentleman.

Mr. WHITTEN. Mr. Chairman, with that statement, may I say we do bring to the Members the Agriculture appropriations bill for the fiscal year 1982.

First, I would like to express my thanks to the members of the subcommittee for their hard work on the bill. Our ranking majority member, the gentleman from Michigan (Mr. TRAXLER) and our ranking minority member, the gentlelady from Nebraska (Mrs. SMITH) have devoted long hours to our hearings and the development of this bill. I would also like to thank the gentleman from Arkansas (Mr. ALEXANDER), the gentleman from New York (Mr. MCHUGH), our longtime member from Kentucky (Mr. NATCHER), the gentleman from Texas (Mr. HIGHTOWER), the gentleman from Virginia (Mr. ROBINSON), and the gentleman from Indiana (Mr. MYERS) a long-time member of the subcommittee.

I would also like to thank, Mr. Chairman, our new members on the subcommittee for their contributions, the gentleman from Hawaii (Mr. AKAKA), the gentleman from Oklahoma (Mr. WATKINS), and the gentleman from California (Mr. LEWIS).

Together with my good friend from Massachusetts (SILVIO CONTE), my counterpart on the minority side, we have all worked together to bring you this bill.

In addition, Mr. Chairman, I would like to say a word of thanks to the staff of our committee.

May I point out to the Members we had testimony before our committee from 259 witnesses on the bill this year. For over 2 months we held hearings 5 days a week. Our hearings are a total of 5,683 pages.

In this bill we recommend $22,730,534,000, which is $2.84 billion less than in 1981, $1.6 billion less than the budget request, and $1.88 billion less than the target in the first budget resolution.

We may have some problems with the tentative agreement on reconciliation, which I understand limits the total employment of the Department of Agriculture. Such action could turn over to the Office of Management and Budget the ability to use personnel ceilings on individual programs as a means of cutting back programs below the level approved by the Congress. Such authority could be used to effect the equivalent of a line item veto, which is not allowed by the Constitution.

Therefore, in order to protect the food supply of this country and maintain the economic viability of Agriculture which is the biggest market of industry and labor, the committee intends to require that all personnel ceilings set on individual programs be reported to the committee for review and approval. The committee feels that such action is essential in order for the Department to comply with section 612 of the bill which provides:

SEC. 612. Funds provided by this act for personnel compensation and benefits shall be available for obligation for that purpose only.

This section was added to the bill in order to assure that funds are used, and are used for the purposes requested.

There will be discussions here about the food stamp program. We have provided the full amount that is requested for food stamps at the present time.

In an effort to save money and enable those who deal with it to save money, we have called on them to come up with a better system of handling food stamps. No only that, but about $292 million is put in a reserve for possible savings. What that means is if they can save it, they will. The Members have probably read where in one of the cities in the country some $1 million has been stolen within 1

month. There is plenty of room to improve on the food stamp program. My colleague from New York will have something to say about not providing funds here for all of fiscal year 1982. We have, however, provided the full amount of the budget request. I do expect the committee to provide the remainder of the funds once we have received a budget request.

Again, we on this committee wish to protect the program and the best way to protect it is to see it is properly handled and goes to the people that deserve and need the help. We have provided the full amount of the request. We will need a supplemental which we will address later in the year. We have put $292 million in reserve for possible savings, if not, it is available to meet the needs required by law.

We have provided $1 million for WIC to full fund the program. We also allow the Secretary to distribute surplus commodities to the needy in cases of hardship. Today we have over $1.9 billion of dairy products in inventory. The reason we have them is we are not trying to sell them. The Secretary of Agriculture wants to sell them but somewhere along the line he has been blocked in doing so. So once again in this bill we provide the system for distributing agricultural surpluses to those that deserve and need them. Furthermore, we do not want to pay a whole lot of storage costs on something that could be sold in world trade or is badly needed at home.

We have restored the REA program to last year's level. We restored watershed and flood prevention funds. The Members may have read in Sunday's paper where the Secretary of Agriculture had pointed out just how serious soil erosion is in this country. Forty acres of top soil goes down the Mississippi River by the city of Memphis, it is estimated, each day in the year.

We have also restored water and sewer programs.

What I am saying to the Members is that within the limits and under the level prescribed for us, we have taken care of the basic things which are so essential to the country.

Mr. Chairman, I would now like to turn to the state of agriculture, an obvious primary concern of this committee.

THE STATE OF AGRICULTURE

Today, people in the business of agriculture face critical new problems. The resolution of these problems will go far in determining whether these businessmen succeed or fail, and the overall economic well-being of the business of agriculture will determine the supply and cost of the food and fiber upon which our Nation depends.

Mr. Chairman, the fruit of labor of less than 4 percent of our population sustains all of the rest of us. This level of our agricultural productivity is unmatched and indeed is unrivaled by any other nation in the world today, or by any civilization in the history of the world. But now the American farmer faces the specter of bankruptcy brought on by rapidly rising costs and declining prices, aggravated by the withholding of his products from world markets.

It is clear that the share of the consumer dollar which goes to industry and labor is growing with each passing year. Because the consumer dollar does not also grow, it is clear that the farmer's share of the dollar becomes less and less. As but one example of this phenomenon, the productivity of American agriculture has resulted, in large part, from the replacement of manual farm labor by sophisticated machinery—but the high cost of owning and operating this machinery reflects the increased share of the dollar which has already gone to industry and labor.

The farmer's price targets are being removed. The farmer's only protection from natural disasters which can destroy a year's labor with a 5-minute hailstorm is now an optimistic but untested insurance program. The artificially inflated price of the farmer's very land means that he must pay more and more taxes with no relief, because he cannot sell the land and farm it too. These large tax bills, coupled with crippling production costs, force the farmer to heavily mortgage his land in order to stay in business—mortgages which now carry the highest interest rates in 60 years. All of these factors combine to produce an economically unavoidable end result. The only young people who can enter farming are those who are fortunate enough to inherit land, and with each passing year there are fewer and fewer people who can afford to stay in the business of agriculture at all.

The American farmer is industry's and labor's biggest customer, the consumer's best supplier, the caretaker of the soil which constitutes our Nation's basic wealth for this and future generations.

Mr. Chairman, we believe that this is the time for all to take a close and careful look at just how dependent we are upon the continued economic well-being of those engaged in agriculture.

A BILL FOR FARMERS AND CONSUMERS

This annual appropriation bill for agriculture benefits both the American farmer—4 percent of the population of the United States—and the American consumer—the other 96 percent of U.S. population. It enables the American farmer to feed millions of people throughout the world—nearly half of the world's trade in agricultural commodities is in crops grown by U.S. farmers. It assures the American consumer of abundant supplies of wholesome, high-quality, and low-cost food and fiber.

This bill funds such programs as research and extension, pest control, marketing services, food safety and quality, rural electrification and rural development, soil and water conservation, school lunches, food stamps and other feeding programs, market and price stabilization, and export of food to needy people in foreign lands. It supports programs which affect the quality of life of all Americans, such as water and sewer loans and grants for rural communities, 4-H clubs for over 2 million rural and urban youth, improved wholesale food markets for consumers in major cities, urban gardening in many large cities, and nutrition education to urban dwellers.

FARM PROGRAMS ESSENTIAL

Mr. Chairman, agriculture is basic to the American economy and the American way of life. It is the foundation upon which all other segments of the economy depend. Agriculture is the principal source of new wealth. It is the main provider of basic raw materials which support all segments of business and industry. Reliable estimates indicate that each dollar of wealth taken from the soil generates $7 of income throughout the economy. It is the provider of the basic necessities of life—food, clothing, and shelter.

Agriculture is the Nation's largest industry. Its assets of over $1 trillion are equal to about three-fourths of the capital assets of all manufacturing corporations in the United States. It employs more workers than any other major industry. USDA estimates that between 14 and 17 million people work in some phase of agriculture from the farm to the supermarket.

Agriculture is one of the major markets for the products of labor and industry. It spends about $86 billion annually for goods and services to produce crops and livestock. This includes around $11 billion for farm tractors, vehicles, machinery, and equipment. It includes some $12 billion for fuel and lubricants, more than the amount used by any other single industry. Each year over $17 billion is spent for feed and seed, and about $7 billion is spent for fertilizers. Agriculture uses about 5 percent of all rubber products consumed in the United States, enough to put tires on 7 million cars. It consumes 33 billion kilowatt-hours of electricity annually—more than the combined residential use in New England, Maryland, Kentucky, and Washington, D.C. Farm use of steel totals 6.5 million tons each year for machinery, vehicles, fencing, and building materials.

American agriculture is both efficient and productive. It is a major anti-inflationary force in the Nation, both because of its productivity and because it generates new wealth to support the total economy. According to USDA data, a 6-percent increase in

farm inputs during the past 5 years resulted in a 10-percent increase in output. This data also shows that output per man-hour on the farm in 1980 was 155 percent of the 1967 level—compared with per-hour output of 115 percent for nonfarm workers.

But, most important of all, Mr. Chairman, American agriculture has made the United States the "breadbasket" of the world. It has not only provided ample food for American consumers but has also helped to feed hungry people in many other parts of the world. USDA estimates that in 1981, we will produce 45 percent of the world's wheat exports, 24 percent of all rice exports, 81 percent of soybean exports, and 72 percent of total exports of feed grains. Also, American agriculture is a major earner of foreign exchange to help offset the increasing cost of oil imports. It is estimated by USDA that agricultural exports will reach $47 to $49 billion in 1981, enough to cover over half the cost of petroleum imports into the United States in 1981.

The ingenuity, dedication, and even sacrifice of those engaged in food and fiber production in the United States, together with those who have devoted themselves to the improvement of farm equipment and other farm inputs, have resulted in the development of the most abundant agricultural supply system in history. USDA estimates indicate that one farmworker provides enough food and fiber for about 60 people today, compared with only 29 people 10 years ago.

American agriculture has not only provided food for the consumers of the world, but it has made possible extraordinary advancements in human endeavor. It has freed 96 percent of the American people from a subsistence existence. It has permitted the development of the most advanced implements of transportation, communication, medical science, and other essentials of life. It has enabled man to walk on the Moon and to explore the outer reaches of the universe. It has enabled medical and health experts to nearly double the average life span in the United States—from about 47 years at the turn of the century to over 72 years at present—through the development of X-rays, scanners, computers, and other sophisticated equipment important to the well-being and comfort of people.

But despite the tremendous contribution to the well-being of the world's consumer, Mr. Chairman, farming has become a less attractive occupation through the years. Unstable markets, undependable income, skyrocketing production costs, and constant risks from weather, pests, and insects have made farming an increasing gamble. This has been especially true in recent years when the amount of capital investment required for land, machinery, fuel, and other production inputs has become almost impossible for the average farmer to acquire.

Mr. Chairman, I would like to take this opportunity to present to my colleagues a number of statistics which indicate the current financial situation of those engaged in agriculture.

FARMERS RECEIVE DECLINING SHARE OF CONSUMER DOLLAR

Department of Agriculture figures show that the farmer's share of the consumer food dollar has declined through the years, as farm prices have failed to keep pace with the cost of producing food. They indicate that the 49 percent of the food dollar received by farmers in 1951 has declined to 37 percent today.

USDA figures show further that the marketing bill for food between the producer and the consumer increased from $61.7 billion in 1967 to $140.5 billion in 1978, an increase of 128 percent. In 1980, farm value went up only 1.7 percent, while marketing costs went up 4.3 percent. U.S. marketing firms tripled their profits during this period.

In 1980, the Consumer Price Index increased 13.5 percent as compared to 3.3 percent in 1972. Housing went up 15.7 percent, transportation went up 17.8 percent, medical care went up 10.9 percent, and food marketing and imported foods went up 9.2 percent. The farm value of food went up only 5.4 percent, from one-half to one-third of the increase for all other items.

USDA studies also show that prices paid by farmers for farm inputs have grown at about double the rate for prices received for farm crops and livestock products. Prices received by farmers in 1980 were 245 percent, using 1967 as base, compared with 179 percent in 1973. Prices paid by farmers in 1980 were 280 percent of 1967, compared with 144 percent in 1973. While prices received during this period went up 66 percentage points, prices paid increased 136 points. While prices received exceeded prices paid by a margin of 35 points in 1973, this relationship completely reversed itself by 1980.

FARMER BUYS AT RETAIL

As inflation spirals, agricultural producers are being forced to meet higher and higher costs for the things they need to produce food and fiber. Farm production expenses have tripled in 10 years, from $44.4 billion in 1970 to $131.6 billion in 1980. USDA forecasts a further increase in 1981 to between $145 and $149 billion. Fuels and oils, seed and fertilizer, and interest costs have been the principal contributors. The cost of fuels and oils have increased from $1.7 billion in 1970 to $8.4 billion in 1980—a fivefold increase. The cost of seed and fertilizer has increased from $3.2 billion in 1970 to $11.4 billion in 1980—nearly four times higher. Interest has increased nearly fivefold, from $3.4 billion in 1970 to $16.3 billion in 1980.

FARMER SELLS AT WHOLESALE

The American farmer continues to lose ground to inflation. While production expenses increased by 196.4 percent between 1970 and 1980, cash receipts from marketings went up only 177.6 percent during this same period—approximately 19 percent less.

The U.S. farm price of wheat is an example of the loss of farm income during the past decade. USDA figures show that the March 1973–74 price of wheat was $4.96 per bushel compared with the March 1980–81 price of $3.93 per bushel. The season's average price was $4.20 per bushel for 1973–74 and $3.95–$4.05 per bushel for 1980–81.

FARM PURCHASING POWER DOWN

The purchasing power of the average farmer has decreased through the years as production costs have increased and farm income has failed to keep pace. This has necessitated more and more dependence on off-farm income by many farmers, especially those with smaller farms. The nature and character of much American agriculture is changing to "part-time" farming, as a result.

Net farm income in 1980 dropped about 25 percent below 1979. Gross income went up less than 4 percent during the year while costs of production rose nearly 10 percent. Net income or purchasing power of $23.3 billion for 1980 was less than for 3 of the past 5 years, 1975, 1978, and 1979.

Per capita income for farmers has consistently been below that of nonfarm people. In 1980, it was 16.4 percent lower. In 7 of the past 9 years it has been less than for the nonfarm population.

Returns to equity on American farms are also much lower than for nonfarm enterprises. According to USDA data, returns from farming in 1980 were only 2.4 percent of investment, based on current value of land and other assets. This is obviously too low to encourage any but the most dedicated farmers to stay on the farm. Even the higher returns of 6.9 percent for 1980, based on acquisition value, is less than one-half the rate of return for all manufacturers, and less than one-third the return for petroleum and coal products.

Mr. Chairman, perhaps the most telling indicators of the agricultural economy are statistics regarding the farmer's investment in land and equipment.

FARM DEBT GROWING RAPIDLY

As of January 1, 1981, farm debt reached a total of $180.5 billion, an increase of $23.2 billion during 1980. Over half of this increase was for real estate, reflecting a demand for refinancing of long- and short-term debt. According to expert witnesses before the committee, much of this demand

was stress related, due to poor farm income, and was the largest rate of growth in 60 years.

I will provide for the RECORD figures provided by USDA which show the doubling of farm debt since 1976:

TOTAL U.S. FARM DEBT

[In billions of dollars]

	1976	1977	1978	1979	1980	1981
Farm debt outstanding on Jan. 1:						
Real estate	51.1	56.6	63.7	70.8	82.1	96.1
Nonreal estate (excluding CCC loans)	39.4	45.1	51.2	60.0	70.7	79.7
Commodity Credit Corporation loans	.3	1.0	4.5	5.3	4.5	4.7
Total farm debt	90.8	102.7	119.4	136.1	157.3	180.5

The Federal land banks have accounted for a growing share of farm real estate debt in recent years. While individuals and other private creditors formerly held most of the farm real estate, they are now holding a smaller share than the Federal land banks. Also, the share of credit for farm real estate provided by the insurance companies has been declining in recent years.

For nonreal estate lending, there has been a sharp decline in credit provided by the commercial banks, by individuals, and by other private lenders. This was a very serious problem last year, as farmers had difficulty in getting loans to plant their 1980 crops. They were faced with a lack of credit in some areas, together with very high interest rates as noted above. This made it necessary for the Production Credit Associations of the Farm Credit System and the Farmers Home Administration of USDA to greatly expand their loans to farm operators.

LARGE INVESTMENT REQUIRED

Today's farmer must invest as much as $350,000 to $500,000 to acquire the assets needed to begin farming. For example, a fully operational Corn Belt farm of 250 acres—estimated to be the minimum size required for a family to earn a living—would cost $900,000 to $1 million. Some $350,000 to $400,000 in cash would be needed to get started. The largest expense item would be the down payment of around $250,000—25 percent is needed to get a more favorable interest rate. In addition, $100,000 to $150,000 would be needed for items such as equipment and living expenses.

In addition, the average farmer must be prepared to continue to invest large amounts each year in farm labor, in fuel for tractors and other equipment, in equipment maintenance and replacement—as well as in seeds, fertilizers, pesticides, and other items necessary to plant and cultivate his crop. He must also have enough money to pay taxes on his greatly inflated land values, and to pay for his mortgage.

The total investment in farm assets on January 1, 1981, is estimated to be about $1 trillion. Ten years ago, farm assets were one-third of this amount. Even allowing for inflation, the investment in farm assets has grown nearly 200 percent in the past decade.

Today, it is virtually impossible for a young person to go into farming, unless he is fortunate enough to inherit the land and other assets needed. The younger farmers, those under 35, own only about 5 percent of the farmland today.

COST OF FARMLAND "OUT OF SIGHT"

A major part of the farmer's investment today is in highly inflated farmland. Figures before the committee indicate that investment in farm real estate today is about 73 percent of total asset values, a total investment in farmland and buildings of about $730 billion. The investment in farm real estate was about 69 percent of total assets 10 years ago.

Current USDA figures show that over half of farm debt estimated for 1981 is for real estate, much of which was purchased by individuals in recent years at highly inflated values to enter farming or to expand ongoing farm operations, or which represented new loans on land which the farmer previously owned free and clear but now must mortgage in order to maintain enough cash to stay in business.

The Farm Credit Administration estimates that land prices increased by 245 percent during the 1970's, an annual average gain of 13 percent, compared to inflation which averaged 7.5 percent annually. In 1980, the increase in real estate values was about 2½ times greater than farm income.

Rates of increase in farmland values have exceeded rates of returns from other types of investments and as noted above have generally exceeded inflation rates. This has stimulated interest in the purchase of farmland for investment purposes by both farmers and nonfarming interests. Efforts by farmers to expand the size of their operation to partially offset lower prices and higher costs have been one factor. Attempts of nonfarm people to hedge against inflation have been another. Foreign purchasers with large holdings of dollars to invest in the United States have also contributed. As a result, prices for farmland have risen far beyond the land's value in terms of income-producing potential.

High land costs and values have greatly aggravated the average farmer's financial problems. They have made it more expensive for a farmer to enter and remain in farming. They have increased his taxes on expanded land assessments which do not relate to actual returns from farming the land. They have tended to encourage increased borrowing on artificially increased land values. This increased financial pressure has encouraged many hard-pressed farmers to overextend their credit positions—beyond the point where loans can be repaid from farm earnings. Thus, farmers have had to look more and more to off-farm sources of income to service debt loads on mortgaged land.

Mr. Chairman, I would like to quote testimony on this point from a Department of Agriculture witness.

In recent years farms have earned much more from asset value appreciation than from current income. For many farmers, current income is often insufficient to meet mortgage payments. Those best able to purchase farmland have been wealthy farmers and non-farmers with income that can supplement that which is earned from the land. Beginning farmers and others who depend primarily on farm sources of income are at a competitive disadvantage in buying land.

It is important to recognize that this increase in value of real estate has not added to the true wealth of the farmer. Such wealth can only be realized by selling the land. As long as the farmer remains on the land, the only real income he can expect is his receipts from producing crops and livestock. As has been noted earlier, net farm earnings have declined rather than increased through the years.

COST OF EQUIPMENT AND EXPENSES INFLATED

Today farm investment in equipment, machinery, and other nonreal estate assets is estimated at around $300 billion.

The cost of farm equipment has increased dramatically in recent years as spiraling inflation has driven prices up. Farm wages increased 131 percent between 1973 and 1980. Fertilizer costs rose 141 percent and equipment costs rose 186 percent during this period. The most damaging increase of all was for fuel, the cost of which rose a total of 264 percent between 1973 and 1980. Since agriculture is a very large user of gas and oil, this large cost increase has had a most serious effect on net farm income.

FARMING—A RISKY BUSINESS

Mr. Chairman, the average farmer must risk his entire investment each time he plants a crop. He must try to meet rapidly expanding costs of production. He must gamble on the vagaries of weather and the ravages of pestilence—either of which can destroy his crop and wipe out his entire investment overnight—especially now that use of his proven controls against insects and disease has been greatly restricted by Government regulation.

If the farmer is fortunate enough to win these battles against factors largely beyond his control, he must still face the uncertainties of the marketplace—which is also beyond his control. He must gamble that market prices will be high enough at harvest time to cover his ever-increasing production costs and still leave him a small net profit to cover his investment, his managerial input, and the labor of himself and his family.

Farming is a great risk—far beyond that of nonfarm enterprises. It is more of a gamble than the farmer should be expected to take. Whereas, it formerly took as many as 7 consecutive years of bad crops to bankrupt the average producer, the greatly increased risks of farming today can wipe out the average farmer's investment in a single crop year.

Most farmers must live on a year-to-year basis. They must borrow funds each year to plant their crops and then must hope to receive enough income from such crops at the marketplace to repay the loan and preserve their credit eligibility for next year's crop. The only real protection farmers have is when stable markets and adequate prices are assured by income stabilization programs of the Commodity Credit Corporation.

The number of farms in the United States has decreased through the years, from 5.3 million in 1950 to 2.4 million in 1980, a drop of 2.9 million or 55 percent. Farm population as a percentage of total population has declined from 15.2 percent to 3.7 percent during the same period. Likewise, there has been a significant decrease in the number of medium-sized farms, those with gross incomes of between $20,000 and $100,000, due to the cost/price squeeze which has been particularly acute for medium-size farmers.

FOOD—CONSUMER'S BEST BUY

Food is still the American consumer's best buy. About 16 percent of total U.S. disposable income is spent for food—lower than in any other part of the world.

Despite the steady increase in costs between the producer and the consumer for transportation, processing, and marketing, the portion of the consumer dollar spent for food in the United States has remained relatively constant. This is due primarily to a continuous decrease in the producer's share of the dollar, which has offset in large part the increases that have gone to labor and industry.

The latest data from USDA shows that the percentage of income spent for food in various other developed countries of the world exceeds that of U.S. consumers—rather substantially in some instances. I will submit for the RECORD figures which demonstrate this point quite clearly.

Share of total private consumption expenditures for food, beverages, and tobacco, 1978

Country:	*Percent*[1]
United States	16.3
Canada	20.8
Japan	25.5
France	23.1
Netherlands	22.1
Belgium	25.4
West Germany	[2] 26.5
Sweden	26.5
Denmark	27.5
United Kingdom	24.4
Spain	34.0
Portugal	50.1
U.S.S.R.	45.0

[1] Excludes food, beverages and tobacco purchased in restaurants and hotels as well as most institutional purchases, unless otherwise indicated.

[2] Includes purchases of alcoholic beverages and tobacco in restaurants and hotels.

If an additional 8.1 percent of American income were spent for food in 1980 as in England, the U.S. economy would have had $22 billion less to use for other purposes. If we were to spend 45 percent of our income for food, as is required of Russian consumers, our economy would have generated $77 billion less in 1980 to purchase other goods and services from labor and industry.

Thus, through the efficiency and productivity of 4 percent of the people who are on farms, American agriculture adds billions of dollars to the strength of the U.S. economy. By working for less, and by receiving less for management and equity on investment than other segments of the economy, farm producers are "subsidizing" the other 96 percent of Americans who receive plentiful supplies of wholesome food at costs well below those paid by consumers in other parts of the world.

In 1977, Dr. Cortez F. Enlowe, Jr., described North American agriculture as the "eighth wonder of the world." He pointed out that abundant food supplies have been the most important factor in the advancement of the United States and Canada, giving their people the freedom to provide the central support for Western civilization. He summed up his conclusions as follows:

The most magnificent achievement of mankind is the creation in North America of the greatest land of nutritional abundance in the world. Not even the building of the Egyptian Pyramids, the writing of the Greek Classics, the painting of the masterpieces, the composition of the symphonies, the invention of steam power, or the splitting of the atom can fill the shadow of this towering triumph of the human spirit. It alone is the greatest thing man has ever done.

URBAN-RURAL PARTNERSHIP

URBAN 4-H CLUBS AND NUTRITION EDUCATION

Mr. Chairman, to strengthen the urban-rural partnership, this committee initiated a program to establish 4-H clubs in the cities and to provide nutrition aides to advise urban dwellers in dietary matters. In the 1970 appropriation bill, the committee earmarked $7.5 million for professional workers to promote 4-H type programs in the depressed areas of our cities and to provide educational assistance among low-income groups to improve dietary practices and reduce malnutrition. The committee recognized the success of the 4-H clubs in rural areas and felt that such clubs would help to provide similar interests and activities for youth in the cities.

As reported in previous years, the results of this effort have been increasingly rewarding. The 4-H clubs now have more than 5.5 million members, including 2.7 million in urban areas, an increase of 200,000 over a year ago. Today, less than 20 percent of 4-H club members live on farms. The remainder live in towns and cities, including around 9 percent in the inner cities of our large metropolitan areas.

It appears that much of the increased understanding of interrelated rural-urban problems is due to this involvement of urban people in agricultural-type activities, with increasing support of city Members of Congress and their constituents for agricultural programs.

URBAN GARDENING

The committee continues to receive evidence that the urban gardening movement, initiated 3 years ago as a joint effort with certain urban colleagues, has been enthusiastically accepted by people in the larger cities and other urban areas. It is estimated that about one-half of all families in this country are growing home gardens today.

The Department is expected to continue to give the same attention and support to this program as it has in the past several years. To this end, the Department of Agriculture is requested to use its facilities to make information on this subject available to as many groups and individuals as possible in the coming year.

The committee considers this to be an important program in terms of its value to urban people, both as a supplemental source of food and a wholesome and educational activity. Also, agriculture and rural people receive benefits from the better understanding that city dwellers develop of the problems involved in growing food for consumption.

WHOLESALE MARKETS

In addition, the modernization and improvement of antiquated, inefficient, and wasteful wholesale food markets in many of our larger cities has made an extremely valuable contribution to urban people. New wholesale markets have been built or are under construction in 40 of the 70 cities where studies have been made. The work in such cities as Boston, New Orleans, Los Angeles, New York, and Baltimore has made possible subsequent urban renewal developments of great economic benefit to the residents of those cities, in addition to a significant reduction in their food costs.

In New York City, for instance, agricultural products shipped by train from the Midwest and Far West had to be unloaded from boxcars onto barges for transport across the Hudson River. Then they had to be reloaded on trucks for delivery to the overcrowded wholesale district of lower Manhattan. Due to the very

high costs resulting from triple handling and wasted time in the congested narrow streets of this market area, it was estimated by USDA officials that about 50 percent of the retail cost of food consumed by New York residents was added after the product reached the Hudson—even for shipments from as far away as California.

The work of the Department in this instance resulted in the relocation of a significant portion of the lower Manhattan wholesale markets to Hunts Point in the Bronx, a less congested area with more convenient accessibility by rail and highway. This has not only reduced handling and transportation costs, but has added to the freshness and quality of products consumed in the New York markets.

Information from USDA shows that food distribution costs would have been about $6 per ton higher throughout the country had the wholesale operations still been carried out in the old way in the former facilities. Total savings due in large part to these Federal research studies are estimated to be over $85 million each year for the 40 cities in which new wholesale markets have been constructed.

According to testimony received from the head of USDA's research programs, many of the 281 standard metropolitan areas in the United States could benefit from a review of their wholesale food markets. Also, there are many smaller cities which could use such market studies. In addition, he points out, in many of the major cities where modern markets have been built, facilities are aging and review and update of the present studies are needed. In view of the value of this program to urban consumers, it is important that these wholesale markets studies be continued by USDA.

FARM PRICE SUPPORTS OFFSET INCREASES TO INDUSTRY AND LABOR

Mr. Chairman, to maintain a healthy agriculture, it is essential that a reasonable return be assured to the farm producer. A full parity income relationship between agriculture, industry, and labor must be maintained. The farmer must receive the same level of return for his investment, management, and labor as is assured to his counterparts in the nonfarm sector of the economy.

The 4 percent of the people who feed and clothe the other 96 percent cannot stay in business if they must accept lower prices for their crops, while paying ever-increasing production costs. The consumers of this and other nations of the world should not expect the producers of their food and fiber to exist under such an economic handicap.

As noted earlier in this report, an ever-increasing share of the consumer dollar is going to those between the producer and the consumer. Price stabilization provides the only real method of helping the farmer replace income which he has been losing to labor and industry. Labor can raise wages through collective bargaining. Industry can raise prices to the consumer. Those engaged in agriculture have no wages and cannot raise their prices, and therefore they are caught in a cost/price squeeze.

In view of his vulnerable position in the economic chain, the agricultural producer must have some degree of protection from the uncertainties of the marketplace. To produce a crop, the farmer must obtain credit at high interest rates; he must purchase farm inputs at inflationary prices; he must fight threats to his crops from insects and pests; and he must pray for good weather. The additional risks of market and price instability are often more than the farmer can carry.

In assessing the financial position of farmers, it is important to remember that farm income must cover return on equity, value of unpaid labor by the farm family, income and other taxes, and family living expenses. To the extent these cannot be provided by adequate prices at the marketplace, the farmer must obtain additional income from other sources: from nonfarm investment, from off-farm work, or from price supports. An increasing number of small and medium-sized farm producers in recent years, as their net income has suffered, have had to rely on nonfarm income to stay on the farm.

Without nonrecourse price support loans, producers would be required to send all their crops to market at harvest time, thereby saturating the market and driving down prices at the farm level. Under such a system, the producer would suffer at time of harvest and the traders and speculators would benefit from increased prices which may come later in the marketing year. This would not only hurt farm producers in the immediate crop year, it would threaten the Nation's source of food and fiber in future years.

FACTS ABOUT PRICE SUPPORTS

Mr. Chairman, price supports based on parity prices are intended to provide equality or equity to the farmer. They represent the return that the labor and capital used by the farmer in producing food and fiber might generate if employed in other segments of the economy. Price supports are designed to give farm producers the same purchasing power—in terms of goods and services used by them—as prevailed in the base period of 1910-14, a period when economic conditions for farm and nonfarm populations were considered to be equal or "in balance."

Price supports do not give the farmer any undue return for this investment, his farm managerial responsibilities, or the labor required from him and his family. They merely enable the farmer to support his family at a reasonable level and maintain his farming operation on a sound basis. They certainly do not represent a "subsidy" or "unearned" income.

The term "subsidy" is frequently used in reference to farm programs by those who do not understand such programs. It is used by those who ignore the increasing portion of the consumer dollar shifted by basic law to labor and industry and passed on as an unidentifiable part of the retail price—in effect a hidden "subsidy" guaranteed by law and the economic system.

So-called farm subsidies are often condemned by those who, themselves, receive tax benefits, tariff protection, production subsidies, reconversion payments, depletion allowances, or similar special financial advantages. They are often criticized in publications which are mailed out under tax-supported third- or fourth-class mailing privileges.

In the final analysis, however, farm price supports might be considered to be a consumer subsidy. They help to assure abundant supplies of wholesome food at reasonable prices, the lowest in the world. They provide economic benefits to the consumer through more stable markets and prices. An expert witness before the committee has testified:

> Any financial subsidies that go to farmers are, in essence, supporting or subsidizing the cost of food to all of us as consumers. It is a direct payment to farmers—true—but it is that mechanism through which you lower the cost of food.

The term "income stabilization" is a more accurate description of the farm price support system. For, under current nonrecourse loan programs, the farmer pledges his crop as collateral for a Government loan at harvest time if the market is glutted and prices are depressed, and surrenders title to the Government if he decides not to redeem the commodities at a later date. Selling at low prices when the market is flooded is thereby avoided, and the farmer is assured a reasonable return, either at the marketplace or through the CCC nonrecourse loan.

Many alternative programs to stabilize farm income and preserve a strong agricultural system have been tried, both in this country and abroad, through the years. None have been as effective as fixed price supports based on the parity concept, and the nonrecourse loan system.

PRODUCTION RATHER THAN SCARCITY

A review of the history of price supports shows conclusively that, in the final analysis, price supports through nonrecourse loans for storable commodities, together with the use of section 32 funds to protect prices of per-

ishables, is the most effective way to preserve a strong agricultural economy and to assure adequate supplies of food and fiber for all consumers. Such prices supports permit orderly marketing of crops at stable prices, which generally enables the farmer to meet his costs of production and earn a small profit to meet the living expenses of himself and his family.

When coupled with an aggressive export sales program, such a support system encourages a farm economy based on production rather than scarcity. It provides the best possible economic balance among the three major segments of the economy—agriculture, industry, and labor.

Mr. Chairman, I would like to turn now to the need to preserve our Nation's most precious resource, the land from which all else comes.

SOIL AND WATER CONSERVATION ESSENTIAL

About 60 percent of the Nation's land area is occupied by farms and ranches. Thus, our agricultural producers are the principal custodians of the country's soil and water resources. The Nation must rely on them to use these basic natural resources wisely in the production of food and fiber for present generations. It must assist them in the preservation of such resources for the benefit of present and future generations.

If we leave a fertile land for the future, our children and their descendants will be able to meet the challenges of their time. Money alone will not assure a good life for them, because money is only a medium of exchange. Our Nation's true wealth, an economy based on productive natural resources to generate food and fiber to support each successive generation, will assure the kind of future we should provide for our descendants.

The present generation can live prosperously, but we may waste our basic resources—as did previous civilizations in presently impoverished areas of the world that we help to feed and clothe today. In the long run, however, cashing in on the land and resources would reduce and eventually eliminate the means by which future citizens of this Nation would support themselves.

Despite efforts which may be made to reduce the Federal establishment and curtail expenditures, programs which provide protection for and conservation of our soil, water, and timber must be retained at a level sufficient to assure their continuation on an effective basis. The real wealth of the Nation is in its basic resources, not in its medium of exchange. It is this real wealth we must preserve—above all else.

LESSONS OF THE PAST

Mr. Chairman, the lessons of the past reveal what happened to the ancient civilizations of history, which failed to protect the land to meet not only their own current needs, but also those of future generations. All of the highly developed civilizations of the past disappeared from the Earth because of their irresponsible abuse of the soil, the water, and the forests over which they were only temporary stewards.

The highly sophisticated civilization of the Tigris and Euphrates Valleys of the Middle East during the period 2000 to 3500 B.C. eventually disappeared, even though those valleys were the granary of the great Babylonian Empire. Today, less than 20 percent of that area is cultivated, because the people of those earlier ages failed to protect and preserve the productive capacity of their land.

The prosperous civilization of the Valley of the Nile, which existed 2,000 years before Christ, became the granary for the Roman Empire. Intensive use of the land and failure to apply proper conservation measures, however, eventually resulted in salinization of the soil and water. Productivity was decreased to the point where the present population of this area is now dependent on food produced in other parts of the world.

Overcutting of the cedars of Lebanon of ancient Phoenicia for the markets of the Middle East, and failure to protect the seedlings from grazing animals, reduced the plentiful stands to only four small groves today.

For 4,000 years the people of China fought against the floods of the Yellow River. Silt was finally the victor. The dire poverty of the Chinese people may have been largely the result of the tremendous amount of cheap labor required through the centuries to carry on this endless battle. Here, silting and soil erosion—a consequence of poverty—became the cause of poverty.

Archeologists estimate that the population of Mesopotamia in the Middle East may have reached 25 million at the peak of its influence. At least 11 empires are thought to have risen and fallen in that tragic land over a period of 7,000 years. Today only 4 million people live in this area due to the damaging effects of silt and salt which were not properly treated by the people of those earlier empires.

The highly developed civilizations of ancient Guatamala and Yucatan are merely history today. Archeological studies indicate that intensive use of the land gradually reduced the fertility of the soil and eventually destroyed the food supply.

In the north of Syria, where erosion did its worst damage, hundreds of dead villages stand on the bare rocks as stark reminders of the failure of those societies to care for their soil and water resources. Most of those areas can never be rebuilt and repopulated—once the fertile soils are gone, all support for human life is gone.

While historians may have attributed these ancient calamities to acts of God, they were in fact due in large part of the failure of man to act wisely for the preservation of himself and future populations. Lack of knowledge and skills may have contributed. Human desire to get the most return possible from the land without reinvesting in the continued fertility of the soil was a major factor. The necessity for landless peasants to denude hillsides and destroy lands in a desperate effort to stay alive also contributed to the damage.

Throughout history, man has often failed to recognize that the cost of producing food, clothing, and shelter must be paid—either by the consumer of the products of such land or by the abuse of land from which they come. Man has ignored—due to lack of knowledge and responsible stewardship—that the land cannot be cultivated year after year, unless as much fertility is put back each year as is taken out.

WASTE OF RESOURCES IN NEW WORLD

Mr. Chairman, the United States is still a young country in relation to the ancient civilizations referred to above. During our short history, however, we have used up and destroyed vast amounts of the plentiful supply of natural resources which were here when the Pilgrims landed at Plymouth Rock. The continuation of such abuse could eventually reduce this country to a barren wasteland with the low standard of living found in much of Asia and the Middle East.

This country had 8,000 billion board feet of timber about 150 years ago. Today we have around 1,600 billion board feet left—only 20 percent of the original stand. This terrible waste of timber resources points up the extent to which our highly competitive economy can deplete a national asset in the generation of new wealth. It points up the need for continuing and expanding conservation efforts on a national basis.

Over 175 years ago we had 500 million acres of fertile soil in this Nation. We have already wasted 200 million acres—40 percent—and another 100 million acres—20 percent—is washing away today. It has been estimated that an average of 40 acres of top soil flows down the Mississippi River each day of the year. Also, estimates are that more than 1 million acres of arable land are lost to residential areas, highways, and other urban developments each year.

We in the United States have depleted our forests, our soil fertility, and our sources of water and other natural resources to support large public expenditures both at home and abroad. The pressures of the population explosion here in this country and elsewhere in the world have put a heavy strain on U.S. productive capacity.

The tremendous costs of national defense at home and military assistance on other parts of the world have been financed at the expense of our basic resources.

Today, despite the efforts of the various organizations and programs dedicated to resource conservation, many Americans are continuing to abuse the privilege of living off of the Nation's basic resources. Thus, full support for the Nation's conservation programs remain imperative.

PROBLEMS FOR THE FUTURE

The terrible dust bowls of the 1930's and those of subsequent decades have been dramatic examples of the consequences of converting grasslands into crop-producing acreage without properly protecting them from wind and weather damage. John Steinbeck's words in the "Grapes of Wrath" are as tragically apt today as in the 1930's. He wrote as follows:

Little by little the sky was darkened by the mixing dust, and the wind felt over the earth, loosened the dust and carried it away * * *. The finest dust did not settle back to earth now, but disappeared into the darkening sky * * *. The corn fought the wind with its weakened leaves until the roots were freed by the prying wind and then each stalk settled wearily sideways toward the earth.

Drought is threatening parts of the country again this year. Domestic water supplies are dangerously low in many areas. Moisture for crops and livestock production is inadequate in many areas.

During the past year, in addition to a very hot and dry summer, the fall and winter were also dry in much of the Nation. Severe to extreme drought conditions exist in parts of Texas and Oklahoma. In the central wheat areas, moderate to severe drought conditions are prevalent. In the southeastern and northeastern parts of the United States, very dry conditions are a source of concern.

It is generally recognized by soil experts that the highest permissible rate of soil loss is about 4 tons per acre per year. A recent survey by the Soil Conservation Service of USDA indicates that soil losses on class VI cropland in the United States are averaging nearly 15 tons per acre at present, and that the average annual loss of soil in America's Corn Belt is running 8 tons per acre—twice the permissible level. We are not losing 1 inch of topsoil to erosion every 8 to 10 years on the average, but new soil is created from bedrock at the rate of only 1 inch per century.

According to some studies, the Nation's farmland is beginning to show signs of severe strain. Three out of every five acres are in need of soil and fertility restoration. Such studies indicate that, unless conservation efforts are intensified and made more effective, it is just a matter of time until crop yields will suffer, food supplies will diminish, and the entire U.S. economy will be severely affected.

NEED TO CONTINUE CONSERVATION EFFORTS

Mr. Chairman, remarkable progress has been made since the initiation of the conservation programs of the Department of Agriculture in the early 1930's. The care and treatment of the Nation's soil and water resources has been transformed from careless exploitation to planned conservation. Between 1935 and World War II, conservation efforts were so effective that American agriculture was able to meet wartime production needs without undue damage to the land.

Since 1935, over 3,000 soil conservation districts covering 2.2 billion acres have been formed to assist farmers, ranchers, and rural communities to improve their land and water resources. The major river basins have been planned and many individual watersheds therein have been treated and equipped with water-retarding structures to protect land, streams, dams, reservoirs, rivers, and harbors below.

Since 1935, over 7 million trees have been planted, 2.5 million water impoundment reservoirs have been built, and hundreds of millions of acres of land have been treated. Today, millions of acres of once eroded lands are green and productive again due to these conservation measures.

It will be recalled that in 1954, this committee added $5 million to the appropriation bill to initiate the small watershed program—later established permanently by Public Law 566. This program has made a very valuable contribution to soil and water conservation throughout the United States since that time.

As inflation ravages our economy, and as the value of the dollar declines, the importance of our agricultural resource base—upon which the entire national economy depends—increases. It is our best hedge, against economic recession or worse. As long as we have fertile land and good water, we and our descendants can produce food and fiber to survive—regardless of what happens to our material wealth and our currency. The accomplishments of soil and water programs of the Nation during the past several generations have helped significantly to reduce the consequences of past and present conditions. The job is far from finished, however. One member of the Natural Resource Defense Council contends that, "Only 25 percent of the erosion control job is now being done." It is imperative therefore, that continued efforts be made to keep pace with the need for proper conservation and use of our basic resources.

THE AGRICULTURAL CONSERVATION PROGRAM

The ACP program established in 1936 has been a major contributor to the conservation programs of the Nation. Under this program, farmers put up their own money and their labor each year, supplemented by Federal funds, to carry out prescribed conservation practices on their land. The Federal share acts as seed money enabling and encouraging farmers to put part of their limited earnings back into the land. Since 1936, this program has stimulated twice as much conservation work as the amount of Federal funds spent.

The United States has spent billions of foreign aid dollars since World War II in assisting other countries of the world to improve their natural resources. At the same time less conservation work has been done at home than was actually needed and fully justified. In these times of financial distress, we must look again to the protection of our land and water resources. This must be one of our highest priorities among the programs funded by the Federal Government.

Mr. Chairman, I will provide for the record a table showing the conservation accomplishments of the ACP program since its inception:

Practice (unit)	Extent under 1980 program [1]	Total accomplishments, 1936–80
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses (structures)	23,000	2,473,000
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution (acres)	491,000	36,843,000
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution (acres)	112,000	115,282,000
Trees or shrubs planted for forestry purposes, erosion control, or environmental enhancement (acres)	257,000	7,233,000
Forest tree stands improved for forestry purposes or environmental enhancement (acres)	62,000	4,927,000
Wildlife conservation (acres)	52,000	[2] 14,591,000
Sediment pollution-abatement structures or runoff control measures (acres)	1,180,000	[3] 16,974,000

[1] Includes regular and long term agreements.
[2] From 1962 with certain data estimated.
[3] From 1970.

Mr. WHITTEN. Despite the valuable contribution to conservation made by this program, there have been frequent efforts to reduce its financial support and otherwise restrict its effectiveness. For 26 out of the past 28 years, this committee—with the backing of the entire Congress—has had to restore budget reductions in ACP funds. It is hard to understand the reason for such budget reductions each year by the executive branch. The value of the program to the resource base of the Nation and the tremendous amount of valuable and essential conservation work it has engendered should warrant full financial support by all.

The lessons of history must be reviewed frequently to remind the present generation of the constant necessity to protect and preserve the soil, the water, the trees, and other basic natural resources. Such review of history is also necessary to renew the Na-

tion's dedication to and support for today's conservation efforts. Any reduction in ACP, the backbone of the Nation's conservation efforts, would result in a serious weakening of our national programs to protect the real wealth of the country—the soil, water, and timber.

RURAL DEVELOPMENT

Mr. Chairman, a strong and productive agriculture requires the maintenance of healthy, happy, and productive people on the Nation's farms. In addition to programs to provide stability of income to farm producers, programs designed to improve the quality of life in rural areas are also important to the health, comfort, and happiness of rural people.

As noted earlier in this report, the number of farms has declined through the years and the farm population is down to 4 percent of the national population today. This decline is due in large part to reduced farm income and increased difficulties of keeping farms, especially smaller sized farms financially viable. It is also due to the fact that life in town is often more comfortable and appealing—particularly to younger people—than staying on the farm.

Recognizing the importance of rural America to all the people of the country, this committee has strongly supported through the years those agencies of Government which contribute to rural development, including such programs as rural electrification, rural telephones, water and sewer facilities, improved rural housing, community facilities, flood prevention, research and extension activities—all of which contribute so much to life in rural areas.

RURAL ELECTRIC AND TELEPHONE SYSTEMS

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for the extension of central station electric service to unserved rural people. The Rural Electrification Act of May 20, 1936, made the program permanent. Public Law 423 amended the act in 1949 to authorize loans for furnishing and improving rural telephone service.

There are few programs which have contributed more to the well-being and productivity of people living and working in rural America. They have brought rural areas out of darkness into a way of life comparable to that previously found only in urban centers.

Rural electric and telephone systems have had a significant impact on the economic development of the areas in which they are located. Electricity and telephones have become indispensible to the operating efficiency of the Nation's farms. They are responsible, in part, for the remarkable achievement of American agriculture.

At the beginning of 1980, electric service was being provided to over 9 million rural consumers and telephone service was being provided to over 4 million subscribers—a remarkable achievement. Much of the equipment used to provide this service, however, was installed 10 or more years ago, and must gradually be replaced or upgraded to continue to provide adequate service. Nearly one-fourth of all telephone subscribers are still receiving multiparty service, in many cases four, five, eight, or more parties on a single line. Also, some areas still do not have any service. Many rural areas in Alaska are examples.

The committee is proud of the support it has given to the basic rural electrification legislation through the years. In addition, it has provided adequate funds through this annual appropriation bill to help these programs to meet the need. The committee has insisted through the years that the programs be expanded on an area coverage concept, to assure electricity and telephones at the end of the line in sparsely populated areas, as well as in the areas adjacent to more densely populated centers.

To assure such expansion, the committee has frequently added or restored loan funds for these purposes. While these have represented temporary increases in Government outlays, the repayment record of REA borrowers has been so good that the final cost to the taxpayer has been nil. Such expenditures have been an invaluable long-term investment in the development of rural areas, with benefits to both rural producers and urban consumers. Not only has life on the farm been made more livable, but the availability of electricity and telephones as farm production tools has modernized American agriculture and helped to make it the "Eighth Wonder of the World."

FARMERS HOME ASSISTANCE

Mr. Chairman, the programs of the Farmers Home Administration are also largely oriented toward rural development. Farm ownership and operating loans, together with emergency loans, water and sewer loans and grants, soil and water loans, housing loans and grants, and rural development loans and grants, enable farmers to remain on the land, plant and harvest their crops, and meet emergencies which often face them due to pestilence, bad weather, and adverse economic conditions.

Adequate housing was a scarcity in rural America until the late 1960's. With one-third of the national population, rural America had half of the Nation's substandard housing—a per capita ratio twice that of urban areas. Today, rural housing loans are available to farmers and rural residents in towns of less than 20,000 people to construct, improve, alter, or repair modest dwellings and farm buildings. Grants have been available to public or private nonprofit organizations for low-rent housing for domestic farm labor, and for mutual and self-help housing programs under which groups of families build their own homes by mutually exchanging labor. The results have been rewarding. As of September 1980, about 1.4 million borrowers have benefited from these housing programs. Despite this progress, however, some of the poorest housing in the Nation is still found in rural areas.

Loan and grant programs for water and waste disposal facilities, for community development, for watershed and flood prevention, and for resource conservation and development have resulted in significant improvements in the quality of life in rural areas. Water and sewer loans and grants have made an especially valuable contribution to the availability of water supplies and modernized sanitation systems throughout rural America. They have brought the health and well-being of rural people up close to the accepted standards of the 20th century.

The committee has taken an active part in establishing and expanding all of these FmHA programs through the years. Within the usual budget constraints, it has recommended adequate funds to permit these activities to reach the objectives set for them by law and the public need.

It has added funds when necessary for farm ownership and operating loans to enable farmers to remain on the farm and consumers to have necessary food and fiber products. It has felt that this was a far better investment than the use of funds to combat increased social problems in urban area resulting from population shifts from rural areas to crowded urban centers.

It has assured that funds for rural housing were available to meet housing needs. When the committee found that smaller rural communities were not being served by the urban-oriented housing programs, it took the lead in changing the definition of rural to make housing assistance available to small towns on the same basis as provided for large urban areas. This resulted in a rapid improvement in rural housing available to rural people.

The committee has given strong support to the water and sewer program of FmHA. It has taken great pride in helping to expand the number of such facilities throughout rural America. Through the years it has increased budget requests for this work when necessary to assure clean water and proper sanitation for rural people. This committee's action to make smaller towns eligible to share in this program has greatly accelerated the progress of construction of rural water

and sewer facilities. Some 10,500 water and sewer systems have been built since 1965.

RESEARCH AND EXTENSION

Mr. Chairman, for more than 100 years, Congress has endorsed the cooperative Federal/State research and extension programs. This unified national system has been so successful that it has become a model for similar programs adopted by many other countries of the world.

By long-term investment in agricultural research and extension, yields in every major area of crop production have been significantly increased and productivity of the land has been tripled. Also, a reliable, safe, and economical supply of meat products has been developed. The Nation's consumers have benefited greatly from the improved quality and wholesomeness of all food products.

It has been testified through the years that new strains of wheat, grains, and other farm crops are needed every 5 years to withstand new types of diseases and insects which nature develops through mutation. Only through constant research have new strains of crops been ready to be introduced when needed to prevent food shortages.

Experience indicates each dollar invested in agricultural research, extension, and teaching has returned over $4 to the American economy. All segments of society have benefited from such USDA research discoveries as penicillin. People in urban, as well as rural areas, have benefited from the 4-H club approach to problems of young people. The health of the entire population has been significantly improved by the nutritional programs of USDA now available to all segments of society.

Research and extension activities have added much to improved design and maintenance of rural homes and other buildings. They have also helped rural people with their economic problems and with the improved use of time, money, energy, and other family resources. Also, they have helped the rural family to apply improved techniques in making and caring for clothing and household furnishings. Such assistance at the farm level has become increasingly valuable as the number of small and part-time farmers grows.

As the price of energy increases, research and education related to inexpensive, lightweight, and energy-efficient farm equipment has become increasingly valuable to farm operations. Research on improved planting and harvesting techniques has also been important. Research and education related to protection against pests and diseases has been a most valuable contribution to food production and human health.

Without these agricultural research and extension programs over the past 25 years, it is estimated that our standard of living in the United States would be only half as high as it is today.

The research and extension programs of the Department have had the strong support of this committee through the years. The hearing records and reports indicate the extent to which the committee has provided financial support, as well as program direction, to make this area of USDA an effective and efficient contributor to the people of this Nation.

MUCH REMAINS TO BE DONE

Despite the efforts this committee and Congress have made, Mr. Chairman, a large need for housing and water and sewer systems continues to exist. Some parts of rural America still have no electric and telephone services—essentials to modern-day existence. The future of our water supplies becomes a more serious problem each year.

Nearly one-fourth of the people in the United States still face problems of water shortages and poor water quality. The rate of water use throughout the country in 1980 was nearly double that of 1955. Just a few years in the future, it is estimated that we will need double or triple the amount of water we use today.

AGRICULTURAL EXPORTS ESSENTIAL

Mr. Chairman, through the years, the committee has done everything possible to encourage exportation of U.S. agricultural commodities which are surplus to domestic needs. It has continued to insist that the United States be a consistent supplier of such commodities in world markets at competitive prices.

The Department's failure to sell abroad competitively in the 1950's—despite authority in basic law to do so—did great damage to American agriculture. Inventories of CCC-held stocks increased nearly tenfold from 1953 to 1960. This large accumulation of commodities was then used by the Secretary of Agriculture to reduce acreage and thereby force thousands of producers off their farm.

The Export Sales Act of 1956 required the Secretary of Agriculture to establish an export goal at the beginning of each year and to announce it to the world, to regain the historical U.S. share of world markets. It is essential that this course be followed consistently each year to retain U.S. markets abroad. It should be recalled that when the Secretary of Agriculture—at the insistence of this committee—finally offered the first cotton for sale overseas for dollars in 1955, 1 million bales were sold in a few weeks and 7 million bales were sold soon after the sale was announced.

Failure to export American farm products competitively has a number of adverse effects. It depresses prices at the farm level to the point of total national distress. It impairs our ability to earn much needed foreign exchange. It damages our image as a consistent supplier in world markets and it denies food to other countries to feed their hungry people.

Our rural and urban people both benefit from agricultural exports. It is estimated that as many as half a million American producers are able to stay on the farms due to production for export markets. It is estimated that an even larger number of urban dwellers are engaged in the processing, transportation, and marketing of farm products sold in export markets.

The mechanism established by law for the Commodity Credit Corporation, and the sales organization established in USDA by this committee and the Congress, offer the best possible means of maintaining farm exports at a level which will support a strong national economy.

WE MUST BE A NATION OF PLENTY

It is a far more sound national policy, Mr. Chairman, to produce abundant supplies of food and fiber—and sell or even donate domestic surpluses to hungry people in other parts of the world—than to limit production in an attempt to force reasonable prices at the marketplace. A national policy of agricultural abundance rather than scarcity is not only beneficial to the American economy, it is also a humane approach to helping to meet world food needs—an approach worthy of the American people. While the control of price through limiting of production may possibly be justified for the products of industry and labor, no such practice can ever be condoned for the production of food and fiber—the basic necessities of life.

Stability of market prices should be assured through a price support policy which provides fair prices to producers and adequate food for consumers at reasonable prices. The committee has supported this approach to farm programs through the years. It continues to do so.

The committee urges the President and Secretary of Agriculture to adopt this approach in dealing with farm programs of the future, so that a strong agriculture will be used to make a significant contribution to the goals of national financial recovery and economic stability.

Failure to produce and export in the 1950's was the most damaging policy ever followed by agricultural officials of this Nation. The large international agricultural traders of this country must never again be permitted to subjugate the welfare of American agriculture to their own international interests. The facilities of CCC are avail-

able when needed to serve as a central arm of the people to assure full production and fully competitive exportation of American farm products.

THE WORLD NEEDS OUR FOOD

Mr. Chairman, hunger continues to be one of the foremost problems of the world. Starvation accounts for thousands of deaths every day in food-deficient countries. Experts claim that half of the world's 4 billion people suffer from some form of malnutrition, due to inadequate diets and hunger.

Also, the world is faced with an ever-increasing number of mouths to feed, especially in underdeveloped countries. With extensive hunger at today's population levels, the frightening prospect of even greater starvation at increased population levels of the future hangs heavily over everyone living on this planet today.

It should be remembered that the population of the world, which reached the first billion by the year 1830, took only 100 additional years—1830 to 1930—to reach 2 billion. In only 30 more years—1930 to 1960—it reached 3 billion. Total world population is projected to double to 6 billion people by the turn of the century. Most of this increase will occur in the developing and food-deficient countries of Africa, Latin America, and Asia.

The world's population growth in the 21st century and beyond is inconceivable. The problems of feeding that many human beings are incomprehensible. The committee has previously quoted a former Member of the U.S. Senate who said:

> Two grim specters beckon mankind toward oblivion today. One offers instant and wholesale death by nuclear means. The alternative guarantees eventual starvation when the human population exceeds the food supply.

In view of the challenges facing the world today and in the future, a policy of food scarcity in any part of the world cannot be condoned. American agriculture must make its full contribution to the world's need for abundant supplies of food and fiber through full production and competitive exportation.

Last November, the director general of the Food and Agricultural Organization (FAO) warned that, "We are in a situation of global alert." Citing food production setbacks in several regions, including some of the larger food-producing countries, he predicted that, "World cereal crops will fall in 1980-81 for the second year in a row, and are likely to drop next year below the minimum level * * * necessary for world food security."

In March 1981, the director general of FAO reported that 28 African countries are severely afflicted by drought. He stated that cereal production in these countries was 12 percent lower in 1980 than in 1978, the last average year. While their food production has been falling steadily in the past decade, population growth has been among the highest in the world.

EXPORTS HELP OUR TRADE BALANCE

Exports of American farm commodities continue to make a major contribution to the Nation's financial position. The value of U.S. agricultural exports totaled $41 billion in 1980 and is expected to reach $49 billion in 1981—enough to finance better than half of total U.S. petroleum imports expected during the same periods.

Mr. Chairman, I will provide for the record figures showing the growing contribution made by agriculture to the U.S. trade balance during the past 50 years:

[By calendar years, in billions of dollars]

	1930	1940	1950	1960	1970	1975	1976	1977	1978	1979	1980
Agricultural:											
Exports	1.2	0.5	2.9	4.8	7.3	21.9	23.0	23.7	29.4	34.7	41.0
Imports	1.5	1.3	4.0	3.8	5.8	9.3	11.0	13.5	14.8	16.7	17.4
Balances:											
Agricultural	−.3	−.8	−1.1	+1.0	+1.5	+12.6	+12.0	+10.2	+14.6	+18.0	+23.6
Nonagricultural	+1.0	+2.1	+2.5	+4.4	+1.3	−2.8	−20.7	−40.0	−46.4	−46.7	−50.0

It is estimated that about one-third of our cultivated land is used for the production of food and fiber for export. Over half a million farmers and an even larger number of nonfarm people are employed in growing and handling U.S. agricultural products for export markets.

FOOD FOR PEACE—PUBLIC LAW 480

Mr. Chairman, the food for peace program was established by act of Congress in 1954 to help reduce the huge inventories of U.S. agricultural commodities, which had accumulated under an administration which would not offer them for sale in world markets. Also, it had an even greater humanitarian purpose to make our abundant supplies available to needy people abroad who were unable to buy them through normal commercial channels.

This was done through sales for foreign currencies, which the United States then used for market development, payment of U.S. obligations abroad, and the encouragement of economic development in the less developed countries involved. Public Law 480 also authorized sales on long-term credit terms to expand international trade and to make food available to needy people with short- and intermediate-term currency shortages. In addition, U.S. commodities were donated where urgently needed to feed hungry people suffering from such disasters as droughts, floods, crop failures, or other acts of God. A recent addition to the basic act authorizes the donation of U.S. commodities with no repayment obligation if the recipient country uses the funds from local sale to promote agricultural and rural development and to improve the lot of the poorest sectors of the population.

The benefits of this food-for-peace program have been great—both at home and abroad. First and foremost, millions of people are alive today who otherwise might have starved—U.S. food made available to them under the special terms of Public Law 480 made the difference. Second, the program helped to build international markets and good relations between the United States and other countries. It has been a very effective market development tool.

EMBARGOES UNWISE

From time to time through the years, Mr. Chairman, the United States has placed embargoes on U.S. farm commodities, usually for political reasons. While such embargoes may have adversely affected the target country temporarily, the long-range effect has been to hurt the American farmer—and thus the entire Nation.

To retain and expand our agricultural export markets, we must improve the reputation of the United States as a dependable supplier of farm products. Embargoes on sales to other countries—for whatever reason—have the opposite effect. They not only deny food and fiber to needy people, but they damage the image of the United States as a dependable supplier. This depresses market prices and farm income at home and encourages other nations to increase their production and enter world markets as permanent competitors. It causes foreign importers to look elsewhere for their supplies and thereby places the United States in the position of a perpetual residual supplier.

It will be recalled that in 1973 an embargo was placed on U.S. soybeans. As a result, Brazil immediately expanded its acreage of soybeans, which largely offset the intended punitive

effect of the U.S. embargo. Not only was the U.S. soybean producer hurt for that crop year, he was hurt permanently because Brazil has become a permanent competitor to the United States in world soybean markets. The Secretary of Agriculture at that time called this a bad experience.

In 1974, a hold was placed on 3.2 million tons of corn and wheat scheduled for export, requiring prior notification to USDA of sales to any country above 56,000 tons and approval of USDA of sales over 100,000 tons. In 1975, an embargo was placed on grain sales to the Soviet Union. These actions were claimed by one farm organization to have cost wheat producers a dollar a bushel.

The most dramatic recent example is the suspension of grain shipments to the Soviet Union on January 4, 1980—in response to the Soviet invasion of Afghanistan. This embargo involved 17 million metric tons of grain—13 million tons of corn and 4 million tons of wheat. In addition, seeds, soybeans, animal feeds, meat, poultry, dairy products, and some animal fats were also embargoed.

The effect on Soviet consumers does not appear to have justified the harm done to American farmers. Despite assurances from other grain-producing countries that they would not directly or indirectly replace the 17 million tons of grain denied to Russia by the United States, it now appears that virtually all of the embargoed amount was obtained by the U.S.S.R. from non-U.S. sources. In recent testimony before this committee, Secretary of Agriculture Block stated that the U.S.S.R. had made up all but 1 or 2 million tons of the 17 million tons of grain embargoed.

Department of Agriculture figures indicate that the real object of the embargo, a forced reduction of meat for consumers in the Soviet Union, was not accomplished.

Despite assurances from the former administration that U.S. farmers would be protected from any undue damage from the embargo, the actual effect on American farmers was severe. Corn prices weakened soon after January 1980, and USDA efforts to remove extra supplies from this market were ineffective. While gross farm income increased slightly in 1980, it was far below what it would have been if the embargo had not been adopted. It should be noted that net farm income in 1980—the actual return to the farmer—was nearly $8 billion less than in 1979 and $2.8 billion less than in 1978.

In the opinion of a majority of the committee, this country's international diplomatic objectives should be met by actions other than by cutting off farm products to other nations of the world. It is far better to sell food than to sell weapons to potential adversaries. If embargoes are found to be the only solution to U.S. international problems, a national embargo on all goods and services supplied by this country should be adopted. This would have a much stronger effect on the target country and would require more equal sharing of the adverse effects by all sectors of the U.S. economy.

The 1980 Soviet embargo placed an unequal penalty against the American farmer—one which he should not have been expected to suffer alone.

SUMMARY

Mr. Chairman, the United States is faced with very serious financial problems. Rampant inflation is reducing purchasing power, stagnating industrial activity, and weakening agriculture. It is rapidly eroding the economic strength of the Nation.

A way must be found to balance the Federal budget and to stabilize the Federal debt. However, this must be done at a high enough level of income and outgo to make such action possible and acceptable, and to prevent a possible collapse in the Nation's economy in the process.

Fortunately, we in the United States have a strong Nation, one which is endowed with rich natural resources and is blessed with strong and resourceful people. If we protect the real wealth of our country—the soil, the water, the timber, and the productive capacity of our agriculture—we will have the means to solve our money problems today and to assure a good life for our children and grandchildren in the future.

After all, our money is only a medium of exchange. It is what our money is based on—the physical assets and basic natural resources of the country—that must be preserved. Gold, precious stones, and other forms of material wealth can never feed present or future generations of people. Only the land and it productive capacity can do this. This truism must be the basis for all decisions and actions taken by our President and our Congress to meet the serious challenges facing our Nation today.

Mr. TRAXLER. Mr. Chairman, will the gentleman yield?

Mr. WHITTEN. I yield to my colleague, the gentleman from Michigan, the ranking member of the subcommittee.

May I take this time to say what a fine job the gentleman has done.

Mr. TRAXLER. I wish to thank the gentleman for those kind words, and I would like to cite for the record my appreciation of the gentleman's chairmanship of this committee over the many, many years which he has had it. Certainly there is no greater, finer person in this Congress who has more knowledge of the problems of rural America than the gentleman in the well and the chairman of the Subcommittee on Agriculture. I wish to commend him for his efforts on behalf of my constituents and all persons in rural America across this Nation.

I would like to also commend the gentlewoman from Nebraska (Mrs. SMITH), who is beginning her tenure as ranking minority member on the subcommittee. We welcome her to the committee. She has done an excellent job.

Mr. Chairman, I rise in complete support of H.R. 4119, a bill making appropriations for Agriculture, rural development, and related agencies for fiscal year 1982.

As a member of the Subcommittee on Agricultural Appropriations, I know the months of consideration that went into this spending measure, and while each member might personally prefer different funding levels for various individual programs, this bill is a very responsible one that recognizes the fiscal constraints under which this Congress is operating.

This has been a very trying year. Normally we would be before the House for consideration of this bill in mid-June. But the highly unusual reconciliation process that has been forced upon us this year has made us wait to bring this bill before you because of the vast uncertainties associated with trying to second-guess what the House might set as its budget priorities.

We bring you a bill that we believe is in the best interest of the American farmer and the American consumer. We held several weeks of hearings with officials from the Department of Agriculture as witnesses, who, quite frankly, were often unable to respond to many of our questions about the real needs of their programs because many of these very officials did not know what funding level the administration would allow them to request of this body. And even today we are hearing that the President may not like this bill because we did not abrogate our constitutional responsibility to the Office of Management and Budget, and just swallow what OMB presented to us.

Mr. Chairman, our subcommittee responds to the needs of the people of this Nation, especially when these people exercise their rights as citizens and testify before us regarding the needs they believe exist for the programs under our jurisdiction. We are also very proud that we are extremely frugal with the taxpayer's dollar. While some in the administration may not like our priorities within this bill, the fact is that this bill is more than a billion dollars below the total spending level requested by the President in his very austere budget.

Mr. Chairman, I would like to take my remaining time to describe various specifics of the fiscal 1982 Agricultural

appropriations bill which may be of interest to our colleagues.

Title I is where members will find the programs that are designed to help farmers in the production of food and fiber. These programs deal with matters ranging from insuring the wholesomeness of our food supply to providing an excellent research base which seeks to guarantee the ability of the American farmer to produce an abundant crop in the future.

This title provides funds for the Federal Grain Inspection Service. This is our Rube Goldberg contraption which is designed to assure foreign buyers of American grain that they are getting what they have paid for. I say this is our Rube Goldberg contraption because experience with this agency over the past several years has demonstrated that while meeting its goals, it in some instances has increased the costs of operations for our farmers and agribusiness, and in the opinion of many of the people I represent has caused delays and the higher costs associated with these delays while the grain elevator waits for the inspector to arrive.

I have been told by some of my constituents that FGIS appears to be a bit more cooperative in recent days, partly because the House had the wisdom to remove part of this Rube Goldberg machine last year when we approved the elimination of mandatory in-bound weighing and grading. I hope that this spirit of cooperation recently demonstrated by FGIS will continue, and I can assure you that this Member will do all that he can in order to help FGIS maintain this cooperative attitude.

Title I also provides funds for the various components of agricultural research. In the expected exercise of Presidential prerogative, what had previously been the Science and Education Administration has once again been restructured as several individual agencies, similar to the organization utilized in the Ford administration.

We have essentially accepted the President's recommendation for the Agricultural Research Service with relatively minor modifications. The bottom line on this agency is that we will be spending $26.9 million more on agricultural research conducted by USDA in fiscal 1982.

There are certain programs that are of particular interest to Michigan in the agricultural research budget. Once again the agency is providing nearly $190,000 for dry bean research, including work on disease control and breeding, and more than $430,000 for sugar beet research, with both of these projects being conducted at Michigan State University. These projects have been underway as an ongoing effort for a number of years in light of the importance of these two crops to Michigan agriculture. I have received assurances from the Administrator of the Agricultural Research Service, Dr. Terry Kinney, during the course of our hearings, that this research is likely to continue at these levels for at least the next 3 years.

We have also provided $200,000 in this section of the bill for the agency to conduct a feasibility study into the possibility of establishing a cooperative National Food Toxicology Research Center. This is the first installment of funds for a study that is likely to go well into fiscal 1983. Information provided to the subcommittee by Michigan State University has demonstrated the critical need that we have to develop such a center, and the very important concern that this center be able to offer a multidisciplinary approach to such a project, including the disciplines of pathology, toxicology, biochemistry, pesticide research, epidemiology, and clinical toxicology. Michigan State University is in an excellent position to offer such a multidiscipline approach with the establishment of its Center on Environmental Toxicology, and the committee expects that Michigan State will be a key contractor in this feasibility study.

This title of the bill also funds the Cooperative Research Service, the arm of the Department that has the mission of working in cooperation with the States and their land-grant institutions in responding to the critical research needs of farmers in each State. This year we will be providing a $19 million increase over fiscal 1981, targeting money toward those projects which are of immediate importance to our farmers.

This goal has meant that we have had to once again restore some programs which the administration believes to be not important enough to merit funding, but which have been demonstrated to be deserving of limited Federal dollars during the course of our hearings.

Again, looking at the programs of importance to Michigan's farmers, the subcommittee has restored funds for the Saginaw Valley Bean and Beet Research Farm, and provided a modest increase of $10,000, for a total funding level for this project of $85,000. This project has been supported for the past 4 years, and involves a cooperative effort between the Government and beet and bean producers who also provide funds for this research. The farm is expanding to meet the continuing research needs for these two important Michigan commodities, and the modest increase is in keeping with the cooperative effort that the Federal Government has demonstrated for these past few years.

We are also restoring $103,000 for bean flour research which is being conducted jointly by Michigan State University and Texas A. & M. This is the third year for this project which in the next few weeks will begin large-scale consumer testing of food products made with various levels of flour made from dry beans. These products hold the promise of making even the most basic and simple of foods like breads, cookies, snack items and others, far more nutritious than they are currently.

We are also restoring $35,000 for dairy photoperiod research at Michigan State University. This is the fourth year for this project which is helping to demonstrate methods of moderating the milk production of dairy animals on a short-term basis when changing the size of the herd might prove to be impractical.

The subcommittee has also restored $100,000 for the second year of work on the problems of blueberry shoestring virus in the State of Michigan, a problem that is of major significance to the blueberry producers of our State and other areas.

The subcommittee has also for the first time approved funds for the competitive grant program—$10 million. The program is also being modified this year by identifying $3 million of this amount for work on animal research projects, the first time that the program has been utilized in this fashion. While I still have my doubts regarding the administration of this research program, I continue to support the research projects that it has funded for the most part. The Department has yet to convince me that the competitive grant program is superior to contract grant programs.

While animal research is spread over various programs in this bill, it is important that animal producers recognize that this bill in total provides $14 million more for animal research than was provided for fiscal 1981. We recognize the importance of animal health research, and want to demonstrate our commitment to these efforts, although there may be some disagreement regarding the mechanisms that are being followed in order to provide these funds, with these differences centering around the funding levels for each individual program, with some preferring one program over another.

This title will also fund the Extension Service, the one agency of the Department that works constantly to provide farmers with the latest information on new farm techniques, crop varieties, and other general information helpful to farmers, while also sponsoring the 4-H program, a program that is designed to help young people understand the importance of agriculture while shaping them as leaders for the future.

We have restored again certain programs which are the favorite targets of well-meaning budget analysts, but are also essential to the further development of the understanding of the

needs of agriculture. Specifically, we have again restored $3 million for the urban gardening program, and $1.02 million for the farm safety program, two programs which pay for themselves in the value of crops produced and the number of serious farm-related agencies avoided.

But overall we are providing nearly a $20 million increase in the basic Smith-Lever program to fund the basic operations of the Extension Service. This is nearly a 10-percent increase over fiscal 1981, and provides the first significant increase to Extension to deal with the higher costs of operations over the past several years. It is important that this increase be recognized as a priority, and it is extremely fortunate that this program escaped the budget ax earlier this year because of its significance to all farmers.

The Food Safety and Inspection Service is responsible for operating the Federal meat inspection program. It has recently come to our attention that the State of Michigan will be turning over its program to FSIS effective October 1 of this year. Several States have recently opted to follow the provisions of law which require the Department of Agriculture to run the entire program when State support becomes too low to be considered effective.

The Department has currently divided Federal jurisdiction for various components of the meat inspection program in Michigan over three different USDA offices, and rumors persist that certain operations in the Lower Peninsula will be further divided, adding a fourth USDA office. This organizational structure would certainly entail excessive administrative and travel costs, as well as create various operating difficulties for meat processors and the meat industry in Michigan generally.

For this reason, our report to accompany this bill directs the agency to provide one single area office to administer the meat inspection program in Michigan, and further provides that this office should be located in the State of Michigan. I understand that the agency has had this and other options under consideration, but the matter is so important that the committee felt that it was necessary for this directive to be given with this legislation.

The Economic Research Service, formerly the Economics, Statistics and Cooperatives Service, had begun a dry bean acreage program in the State of Michigan in fiscal 1981 in order to respond to complaints about the tremendous problems caused by erroneous dry bean crop estimates published by the agency in previous years. The program is underway, and we have provided an additional $25,000 for it so that the data collection work associated with this project can be continued to increase the possibility of success with the program. This additional funding has the support of the agency.

Title II provides those programs that seek to improve the quality of life in rural areas. Primarily, this is the funding for the programs of the Farmers Home Administration.

There are some increases provided for those loan programs that provide operating assistance to farmers, but the levels proposed in the Reagan budget are often quite lower than those amounts that had been originally suggested in the Carter budget. This is significant because these loans are not a cost to the Federal Government because the farmer has traditionally had the best repayment record of any borrower. But the administration wants to control the flow of guaranteed assistance, so these programs were reduced between budget submissions.

We have a major reduction of $871 million in the Rural Development Insurance Fund, with one of the biggest victims being the water and sewer loan program which is so critically needed by many rural communities. There are more requests each year than can possibly be funded, and to reduce support for this program is to only put communities in danger of losing water service if they are being required by other provisions of Federal law to establish a new system.

Similarly, we have had a reduction of $50 million in the water and sewer grant program, with the implications that I have already described. This level is still a $50 million increase over the Reagan request, but probably not far enough.

One of the most dramatic differences between our bill and the President's recommendations is the treatment of the Rural Electrification Administration. Quite literally, we have saved the Rural Telephone Bank which was slated for extinction, and retained the funding level for REA loans that was provided in fiscal 1981, with this action being a $400 million increase over the President's request.

Finally, in this title, we have once again protected the agricultural conservation program, which was targeted for a reduction of $40 million. ACP is an extremely important program to protect the quality of our farmlands for the future. I am disturbed to hear in recent days, however, that the Department has decided to terminate various special ACP projects earlier than originally anticipated. For example, one project in my district involving areas in Tuscola and Huron Counties near the Saginaw Bay, was originally designed as a 5-year project. The good people at the local ASCS offices are now being told that this project ends this September, 2 years earlier than expected.

I appreciate the prerogative of any administration to change its priorities, but I believe that the Department has a moral commitment to live up to any agreement that was made with local operators, whether they particularly like the program or not. Obviously I am concerned about projects in my district, just as each one of my colleagues is concerned about matters in their area. That is their responsibility as a Member of Congress representing those people affected by these projects. It is wrong to make this last-minute change, and I will do all that I can as a member of the subcommittee to prevent the Department from essentially welching on the commitments that had been made previously.

Title III funds the various feeding programs operated by the Food and Nutrition Service of the Department of Agriculture, including food stamps, school lunch, the women, infants, and children feeding program, and the commodity supplemental feeding program.

This is the most trying title of our bill. The President wants to reduce funding in these programs substantially. Any cut will most likely have an impact on current program beneficiaries, and only through careful analysis and legislation can the adverse impacts of budget cuts be minimized.

We will see many changes made in the food stamp program when we consider the farm bill. We have already been subjected to many changes in the program as a result of the adoption of the substitute to the reconciliation bill. As soon as these changes are made and signed into law, then program eligibility will be modified and we will accept those changes.

But that point does not recognize two very critical problems with the food stamp funding level before us today.

The budget request submitted by President Reagan is $1 billion low because the supporting documents asserted that Puerto Rico would no longer get food stamps because of the establishment of a block grant program. From the standpoint of existing law this is simply not true. There is *no* block grant for Puerto Rico, and even the provisions that were adopted in the reconciliation bill do not take effect until fiscal 1983. So we start the year $1 billion short because Puerto Rico will continue to receive food stamps from the general food stamp account.

Additionally, with the proposed reductions in other assistance programs, more and more people who are eligible for stamps but have not elected to use them will turn to the Department for assistance. Most analysts of this program believe that we may have to appropriate as much as another $2 bil-

lion for fiscal 1982 in a supplemental appropriation.

It is for these reasons that while approving the President's dollar request, we have limited the availability of funds to no later than August 15, 1982. The administration will have to submit an additional budget request or face the shutdown of the program because all of its own predictions will have not held up.

We have also restored the full amount of the reduction proposed for the women, infants, and children (WIC) program and the community supplemental feeding program (CSFP). We have done so because no eligibility changes are proposed for these programs, and to adopt the budget recommendations would mean that 30 percent of those currently receiving food under these programs would be cut out.

The WIC program stands to lose 700,000 participants under the Reagan budget. This program has been proven to improve the health of newborn infants, mothers, and children up to age 5. It has reduced infant mortality, miscarriages, early births, and infant disease. It has concurrently reduced the health care costs of providing for these people who might not be able to afford health care otherwise. But these facts have not impressed the administration that believes it is necessary to cut some $317.6 million in order to bring the spending for this program "under control," at the same time as the National Advisory Council on Maternal, Infant and Fetal Nutrition has recommended to the Congress that we make efforts to make this program available to at least 50 percent of the eligible recipients by 1985. We are currently serving only 27 percent of those eligible.

We rejected this cut, and we reject any effort to arbitrarily reduce caseloads when so many need to be helped. That is why our report directs that we maintain the end of fiscal 1980 caseload level of 2.2 million recipients. Understand that we are not increasing the size of this program, but only maintaining it. There is a lot to be done, but we recognized that we could not fund this program at a higher level because of the limitations placed upon us by our highly unusual budgetary procedures this year.

The same is true for the CSFP program. Thirty percent of the recipients would be removed from the rolls, while there is a daily increasing demand for this program which is the only general feeding program which provides foodstuffs directly, rather than the intermediary of a stamp or a WIC-like voucher. This program is relatively small, serving 119,000 according to the March USDA participation figures. The administration wants it cut to 80,000.

We have provided $30.5 million for this program and directed that the originally anticipated end of year caseload of 113,000 be maintained. Again we cannot see any justification for reducing the size of this program with the absence of legislative changes in eligibility standards and with the crying need for expanding this program into more areas. The growth of this program has been strong in recent years, and could continue to be in the near future, especially with several communities expressing their interest in starting a program.

But again we are being frugal. We are maintaining the program and are expecting the Department's cooperation. Any action to the contrary would most certainly come under immediate scrutiny by our subcommittee.

We have also provided $900,000 for the initiation of pilot commodity supplemental feeding programs for fiscal 1982. This money is provided contingent upon the enactment of the authorizing provisions currently contained in H.R. 3603. This program is designed to test the concept of providing commodity packages to senior citizens, with these packages being designed to meet the nutritional needs of the elderly. Eligibility for the program will be linked to the criteria utilized for food stamp eligibility.

The report of the House Agriculture Committee points out that that committee anticipates that this program will be conducted by the existing CSFP operators in Detroit and New Orleans, the two largest in the Nation, in order to take advantage of existing administrative structures. Our report concurs in that recommendation. The program will feed up to 1,500 seniors in each of the two locations utilizing food products similar to those currently used in the CSFP.

Again, the subcommittee is very interested in any action that the Department may take with respect to these pilot projects, and will pay close attention to any action taken.

We are providing $124,800,000 for the special milk program based upon the provisions in existing law. We understand that the reconciliation process may once again force reductions in this program, but we do not want to prejudge the action of the conferees, especially since so many members of this subcommittee know of the value of this program and have supported it over the years.

We also are funding the school lunch and breakfast programs under the direction of existing law. These programs have been slated for radical changes by the administration, and if these changes are adopted, then it is possible that the funding levels provided for these programs will once again need to be reduced.

I am personally very concerned that we are facing the very real risk of many schools closing their lunch programs if some of these legislative proposals are adopted. It is one thing to say that the truly needy will be helped, but it is another thing entirely to find a way to help a needy schoolchild when his or her school discontinues the lunch program because the absence of certain amounts of Federal support make the program no longer economically viable. It is awfully hard to buy a lunch when you are truly needy and the kitchen is closed.

Mr. Chairman, I would like to discuss the utilization of dairy products as bonus commodities in the school lunch and breakfast programs.

Since the start of fiscal 1981, the Food and Nutrition Service has offered dairy products as a bonus item in the child nutrition programs, rather than as a basic commodity item. This has meant that schools have been able to get more dairy products for use in the school feeding programs, while helping to increase the availability of other commodities as basic commodity support in these programs.

The Department is to be commended for this use of dairy products in the school lunch program, and I know that the Subcommittee on Agricultural Appropriations trusts that this practice will continue. A press release from USDA in the past few months indicated that this would be the policy during the coming school year, and it is a very wise one.

There have been rumors that the Department might be directed by the Office of Management and Budget to terminate this bonus practice with respect to dairy products. The issue was raised at a meeting between Secretary Block and OMB Director Stockman within the past 4 weeks, and a meeting on this subject between OMB and the Administrator of the Food and Nutrition Service for last week on this point was canceled, with no further word at this time regarding any rescheduling of this meeting.

Mr. Chairman, the dairy industry has been criticized by this administration because of the volume of CCC-owned dairy stocks as a result of the dairy price support program. The prior administration made a good-faith effort to utilize these stocks for the benefit of our schoolchildren, while holding down the costs of the lunch program through this mechanism. While the Department of Agriculture holds to the position that this policy should continue. OMB may once again impose bad policy in order to meet some budgetary goal.

So the situation then will be that OMB criticizes the size of the dairy stock, and also prevents its proper utilization in the school feeding programs. Schools will receive fewer commodities if dairy products count against the basic allotment, and then

dairy products will become price competitive in the eyes of menu planners with the likely result being that they will use more oil and less butter because oil costs only half as much as butter. The dairy stock will then continue to grow and the American dairy farmer will once again be criticized for the size of this stock while the dairy farmer has no ability to influence the utilization of this stock. And schoolchildren will get poorer lunches because of a lesser ability for the schools to get a variety of food products, but OMB will meet its budget goals of passing on the cost of the dairy price support program to the child nutrition budget.

Mr. Chairman, we do not want this series of events to come about, and I sincerely hope that the Department is successful in its efforts to help OMB understand why the program should be conducted in this way. I am sure that the Department will have my support, as well as the support of several other Members of this body.

Title IV provides funding for the international programs of the Department, most notably those of the Foreign Agricultural Service and Public Law 480. Agricultural exports are extremely vital to our national economy. Exports of agricultural products in 1980 were valued at $41 billion. This level of sales is certainly an extremely positive factor on our balance of trade, and demonstrates that we need to do all that we can to retain and increase our export capabilities. Just imagine what the value might have been had we not been inflicted with the Soviet grain embargo. The Soviets are now buying much of their grains from Argentina, Brazil, Canada, and Australia. Those are sales that our farmers lost. Those are sales that would have helped our international trade posture. They would have helped assure our farmers of reasonable prices in the future, but our foreign policy once again singled out the American farmer, and he is likely to pay the price for years to come.

Mr. Chairman, these are the highlights of this bill as seen by this Member. As our chairman, Mr. WHITTEN, has said so eloquently so many times before, there is something in this bill that touches every single American every single day of his or her life. This bill deserves the support of every Member of this body, and represents our best efforts at dealing with an extremely restrictive budget limitation in a way which we believe is the most responsible. I urge my colleagues to vote in support of H.R. 4119.

Mr. WHITTEN. Mr. Chairman, may I make one further remark. The gentlewoman from Nebraska (Mrs. SMITH) did not wait to become the ranking minority member on the subcommittee to go to work. She has always been active in matters related to this bill and is very experienced in the field of agriculture.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I would like first to commend the Subcommittee on Agriculture's distinguished chairman, the gentleman from Mississippi (Mr. WHITTEN). He is to be applauded by producers and consumers alike for his knowledge of and concern for agriculture. His firm belief, which I share, in the importance of the urban-rural partnership is largely responsible for the support this bill has garnered within the subcommittee and full committee.

Expressing his conviction that agriculture is the lifeblood of this Nation's economy, Mr. WHITTEN devoted his own energy—day after day—to guiding this bill through the hearing and markup process. The result reflects both his experience in and his dedication to this vital part of our economy.

I would also like to recognize the distinguished Members of the minority who serve with me on the subcommittee: the gentleman from Indiana (Mr. MYERS) and the gentleman from Virginia (Mr. ROBINSON), longtime subcommittee members who have been both helpful and supportive; and the gentleman from California (Mr. LEWIS), a new subcommittee member who has worked very hard on the measure. All of the gentlemen's efforts are appreciated.

Mr. Chairman, H.R. 4119, the bill before this House, is a bipartisan measure. The members of the subcommittee—majority and minority alike—have done their best to report a bill which both reduces spending and helps control the growth of credit programs. H.R. 4119, as reported, is $1.9 billion below the section 302 allocation agreed to in House Concurrent Resolution 115, the first concurrent budget resolution; $1.1 billion lower than the President's budget request; and $2.8 billion less than last year's appropriation.

Enactment of this legislation is essential. National farm income declined by 25 percent in 1980. A U.S. Department of Agriculture economist who briefed the subcommittee in February reported that agricultural cash receipts were expected to increase in 1981 by $13 to $23 billion, but that production costs were projected to rise by $13 to $17 billion. In other words, agriculture will be lucky to break even in fiscal 1981.

The gap between farm and nonfarm investments has widened, mainly due to sharp declines in returns from farming investments. The ever-increasing debt load, combined with unusually high interest rates, has increased farm interest expenses more than fivefold since 1920. As of January 1, total farm debt exceeded $108 billion. The only way debt can rise while income is decreasing is by increased value of land. Basing farm and ranch debt on increased land values, due primarily to inflation, instead of on income production capabilities, is not a sound financial basis for the industry.

H.R. 4119 addresses farm income and marketing problems through appropriations for programs, such as export promotion and research and education, as well as other functions of the Department of Agriculture.

As a farm State Representative, I want to emphasize that the benefits are not only to farm States but, in far larger measure, also to the entire country. The fact is that the farm sector's persistent and disturbing subpar profitability amounts to an immeasurably vast subsidy to consumers.

It is my hope that in my public service here in the Congress I can drive home among our city brethren the fact that unless agriculture becomes—somehow—more profitable, our abundance of American food, unmatched and perhaps unmatchable on this planet, will shrink and our fantastic food-producing capacity will shrivel with it.

The United States is well known as an industrial giant. What most of our population may not realize is that it is far more importantly the agricultural supergiant of the Earth. The objective of our farm programs is to help producers market their products in orderly fashion to achieve the cost of production plus a reasonable profit—while maintaining an abundance of food supplies at reasonable prices.

Because demand for food is fairly constant, small supply shifts can bring about large price fluctuations.

Preventing these fluctuations requires stocks of food held in farmers' hands to offset variations in annual crop production. Last year we experienced a severe drought throughout our most productive agricultural areas. If it were not for using stocks on hand from previous years, primarily as a result of our farm programs, prices would have increased dramatically.

The long history of farm programs revolves around an effort to assure adequate production and reserves for consumers and income support for farmers to keep production on an even keel.

Another important element of the agricultural effort consists of funds—commonly known as section 32 funds—to strengthen markets, income, and supply. This appropriation is used to purchase surplus perishable foods, thus providing market stability for producers. The committee has strengthened this program for fiscal 1982 by transferring $75 million from section 32 funds to the child nutrition program. This would allow the section 32 reserve for child nutrition—school

lunch—commodity purchases to be maintained at the $300 million level.

As I have just alluded, Mr. Chairman, the bill also contains very important domestic food programs. These include the school lunch, food stamp, special supplemental food (WIC), food donation, human nutrition research and education and information programs, as well as the section 32 program.

Food assistance programs are intended to provide access to nutritionally adequate diets for individuals and families with low incomes and encourage better eating patterns among the Nation's children.

The measure also includes crucial agricultural research and education provisions. I am pleased that the administration has recommended and the committee has provided for increases in these programs.

Production increases, which are about the only means for producers to beat the cost-price squeeze, can be largely attributed to research and education efforts conducted by our land-grant colleges and the Department of Agriculture's Agricultural Research Service.

A good example of the benefits derived from research is the recently announced vaccine for foot-and-mouth disease. This vaccine will stop the threat of deadly outbreaks in the United States and help underdeveloped countries in the constant battle against this scourge.

I am particularly pleased that the committee has included language recognizing the need for additional trained food-animal veterinarians and the need that exists for the development of a veterinary teaching facility in the Old West region. This region is composed of Nebraska, North and South Dakotas, Wyoming, and Montana.

The Nebraska Legislature has appropriated $13.3 million and the livestock industry has collected almost $2 million in private donations for such a facility, which combined make up 50 percent of the project cost. These moneys are contingent upon a Federal commitment for matching funds by December 1983.

Because of severe budgetary constraints, the committee has been forced to defer consideration of the project until next year.

I also am pleased that the bill contains a new integrated pest management program to evaluate the effects of a concentrated control effort on the horn fly, the major range cattle insect, in terms of secondary control of cattle lice and cattle grubs. This project would be a cooperative effort between the Department's Agricultural Research Livestock Insect Laboratory at Kerrville, Tex., and the University of Nebraska North Platte Experiment Station.

Another important feature of this bill is the soil and water conservation program. Fortunately, the effects of wind and water erosion on our farmlands and forests have received proper attention lately, as numerous major journals and magazines have included articles—and even feature stories—on the alarming loss of productive farmlands and forests each year. Unfortunately, Federal efforts to combat erosion have not increased.

The major source of conservation cost share funds is provided by the Department's agriculture conservation program (ACP), which is administered by the Agricultural Stabilization and Conservation Service.

For 26 out of the last 28 years, the executive branch has recommended reductions in ACP funding. Each year, the committee, under the leadership of Mr. WHITTEN, has not accepted the proposed cuts. That is again the case. Erosion is too great a problem to be approached halfheartedly, and H.R. 4119's $190 million level is needed for a full-fledged effort.

The value of our vast and productive farm and ranch lands cannot be underestimated. It is projected that the value of our agricultural exports will reach $48 billion in 1981, enough to cover over half the cost of petroleum imports into the United States in 1981. Agriculture will not only provide ample food for American consumers at reasonable prices but will also make available 45 percent of the world's wheat exports, 24 percent of rice exports, 81 percent of soybean exports, and 72 percent of total feed-grain exports.

Title II of H.R. 4119 addresses rural development. Let me emphasize the importance of the Farmers Home Administration (FmHA) and Rural Electrification Administration. Because of rural America's demographics and consequent underrepresentation in Congress, most Members do not realize the difficulty of addressing problems of the rural population. Small towns either are not eligible or do not have the resources to apply for most Federal programs. We wage constant battles to preserve needed services, such as weather stations, post offices, hospitals, and schools.

The funding levels adopted reflect the committee's effort to balance reductions in Federal credit programs while maintaining a strong rural economy. Loan programs administered by FmHA for farmers and ranchers include conservation, emergency disaster, real estate, and operating loans. While the administration recommends reductions in the first three categories, I am pleased to note that it supports increases in operating loans. These loans—completely repaid to the Government with interest—are used to help finance short-term costs associated with production.

Another rural development program, rural housing, includes loans for low- and moderate-income housing, rural rental housing, and very low-income housing.

Other FmHA programs consist of water and waste disposal grants and loans, community facility loans, and rural industrialization loans.

The Rural Electrification Administration (REA) was established in 1935, to make loans for the expansion of central station electric service to unserved rural people. More than 2.6 million farms and rural homes, almost the entire total, are electrified today by REA. Last year the association added another million member consumers, indicating the continued need for this valuable program.

Title IV of H.R. 4119 addresses international programs. These include maintaining and expanding foreign markets for U.S. agricultural products; monitoring and publishing data on export sales by private U.S. exporters; and coordinating, planning, and directing the Department's programs in international development and technical cooperation for food and agriculture.

The committee has included special language this year to encourage the USDA's Office of the General Sales Manager to work actively to sell dairy and other surplus agricultural products in world trade at competitive prices.

In addition, title V of H.R. 4119 provides appropriations for the Food and Drug Administration (FDA), Commodity Futures Trading Commission, and the Farm Credit Administration. I share the chairman's concern for FDA activities as they relate to "orphan drugs," antibiotics in animal feeds, drug lags, and minor-use veterinary drugs. The committee has reviewed these areas and has asked the FDA to reexamine its direction and policies so as to insure that Americans have access to safe, effective drugs in timely fashion.

It is important to note that the committee has been careful to consider new authorizations likely to result from enactment of the Omnibus Budget Reconciliation Act of 1981. Four programs are recommended for rescission when the reconciliation measure becomes law. They include: First, the Federal Grain Inspection Service, for legislation to require user fees to cover costs of supervision; second, Agricultural Marketing Service, for legislation to require user fees to cover the costs of grading and standardization activities; third, child nutrition programs, for legislation dealing with eligibility and other matters under the school lunch and other programs; and fourth, special milk program, for changes in legislation in

connection with eligibility under the program.

As we proceed with consideration of H.R. 4119, I would like, in closing, to emphasize that the minority members of the subcommittee, while having reservations about certain program changes, support this bill overall and ask for an affirmative vote on its passage as reported by the committee.

□ 1740

Mr. WHITTEN. Mr. Chairman, I yield 4 minutes to the gentleman from New York (Mr. McHUGH).

Mr. McHUGH. Mr. Chairman, I rise in support of this appropriations bill and urge my colleagues to vote for it. At the same time, I do want to express my concern about the level of funding for the food stamp program.

This bill appropriates $9.765 billion for food stamps, the amount formally submitted by the Reagan administration in its budget request for fiscal year 1982. Unfortunately, it is very clear that this appropriation will be wholly inadequate to meet the costs which can reasonably be anticipated next year.

The major reason for this deficiency is that no allowance is made for food stamp expenses in Puerto Rico. In submitting its budget request to Congress, the administration included no funds for Puerto Rico because it said it intended to submit separate legislation to establish a block grant program there. However, no such legislation has ever been submitted by the administration and the reconciliation package adopted by the House in June, with the active support of the President, postpones establishment of the block grant until fiscal year 1983. Since the funds needed for participants in Puerto Rico have neither been included in the original budget request nor been provided for in a separate block grant program, this appropriation, while meeting the President's initial budget request, is substantially short of the funds that will actually be needed.

The reconciliation package passed by the House recognized the inadequacy of the President's budget request and, reflecting the legislative cap adopted by the Agriculture Committee, provided for an authorization in fiscal year 1982 of $10.84 billion for the food stamp program, including Puerto Rico. In my judgment, it would have been better if this bill provided for an appropriation in that amount.

By not providing any funds for Puerto Rico, it is certain that a supplemental appropriation for fiscal year 1982 will be necessary if substantial, across-the-board cuts in benefits are to be avoided beyond those cuts already made necessary by reconciliation.

The bill recognizes the need for a supplemental by recommending that the appropriation of $9.765 billion be available only through August 15, 1982. The Appropriations Committee fully expects that the administration will meet its responsibility to request the additional funds which will clearly be required.

So that the record will be clear on this point, I would like to ask the chairman of our Appropriations Committee, the gentleman from Mississippi (Mr. WHITTEN) whether he agrees that a supplemental appropriation for food stamps will be necessary in fiscal year 1982?

Mr. WHITTEN. Mr. Chairman, will the gentleman yield?

Mr. McHUGH. I yield to the gentleman from Mississippi.

Mr. WHITTEN. May I say to my colleague from New York, a member of the committee, that we are in agreement that that will be necessary. The presentation that I have made in the RECORD will clearly commit ourselves to that. That is the understanding we had and it is made necessary by the situation we face in the law.

Mr. McHUGH. I thank my chairman very much for that, and I would like to make one other brief point which relates to the possibility of cutting off benefits.

Given the need for a supplemental appropriation in fiscal year 1982, I trust that in fiscal year 1982, the Secretary of Agriculture will take no action under section 18(b) of the Food Stamp Act to reduce allotments until such time as the House and Senate have had an opportunity to consider and reject any additional funding that the program might need to continue benefits undiminished throughout that fiscal year.

Until Congress takes negative action on such a supplemental by refusing to provide any additional funding, or until Congress in some other manner gives a clear indication, when confronted with the full impact on the program of the Puerto Rican situation and the budget reconciliation changes, that no supplemental appropriation will be forthcoming, the Secretary should not find pursuant to section 18(b) that the requirements of participating States will exceed the program's funding limitations, and furthermore the Secretary should have no reason to determine, pursuant to section 18(a)(1) that reductions in the value of household allotments will be necessary on the ground that Congress will fail to provide the necessary appropriations to meet the program's full uncurtailed fiscal year 1982 needs.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 3 minutes to the gentleman from Virginia (Mr. ROBINSON), a member of the committee.

Mr. ROBINSON. Mr. Chairman, I rise in support of the bill H.R. 4119, the Agriculture, rural development and related agencies appropriations bill of 1982.

Today the American farmer faces the specter of bankruptcy brought on by rapidly rising costs and declining prices. The farmer represents less than 4 percent of our population, and yet sustains all of the rest of us. American agricultural productivity is unmatched and, indeed, is unrivaled by any other nation. American consumers enjoy the highest quality food at the lowest cost provided by any nation. Yet, the farmer's share of the consumer dollar has become less and less.

I believe that the annual appropriations bill for agriculture we are presenting will benefit both the American farmer and the American consumer.

Agriculture is basic to the American economy and the American way of life. It is the foundation upon which all other segments of the economy rest. Reliable estimates indicate that each dollar of wealth taken from the soil generates $7 of income throughout the economy. It is the provider of the basic necessities of life—food, clothing, and shelter. We must protect it wisely.

The bill that we are considering today is almost $2 billion below the section 302 allocation agreed to in House Concurrent Resolution 115, the first concurrent resolution on the budget. The total new budget authority recommended in this bill is $22,730,534,000. This is $1.1 billion less in new budget authority than the President's request. It is also $2.8 billion less than last year's appropriation.

In spite of these reductions, there has been criticism from the Office of Management and Budget regarding an increase in outlays in 1982 in our bill over the President's request. The Appropriations Committee does not work, and is not equipped to appropriate, on the basis of outlays. The committee has met targets and limits of budget authority—the basis from which the committee has traditionally worked. It seems a logical presumption that reductions in budget authority will lead to reductions in outlays. OMB, in its criticism, has not taken reconciliation actions into account. OMB cites the administration's request of $742 million for special supplemental food programs (WIC), and the committee's $327 million increase to that program. The House version of Gramm-Latta II caps the authorization for the special supplemental food program (WIC) at $1.037 billion in each of fiscal years 1982-84. In addition, the Appropriations Committee specifically included report language saying that:

> $317.6 million of the funds recommended for this program shall be held in reserve, to be released when needed to maintain current participation levels unless the law is changed.

The committee has provided similar language for the reduction of appropriated funds from the child nutrition program, should legislative savings included in the reconciliation bill become public law.

I urge passage of this bill in the current form.

Mr. WHITTEN. Mr. Chairman, I yield such time as he may consume to the gentleman from Kentucky (Mr. NATCHER).

Mr. NATCHER. Mr. Chairman, the Subcommittee on Agriculture, Rural Development and Related Agencies Appropriations once again brings to the floor of the House for your approval, the annual appropriations bill for fiscal year 1982.

It has been a distinct honor and a privilege for me to serve on the Appropriations Committee for a period of 26 years with my friend, the gentleman from Mississippi (Mr. WHITTEN). As chairman of the full committee, he also serves as one of the members of the Subcommittee on Education, Health and Human Services and Labor Appropriations, the subcommittee that I have the honor to chair. It is a pleasure for me to serve with the other members of the Agriculture Appropriations Subcommittee.

Only 4 percent of the people in this country are engaged in agriculture and these are the people who feed and clothe the other 96 percent of our population. If our country is to survive and prosper, we must continue to be interested in and to assist when necessary, the custodians of the natural resources of our country.

A great many of our young people on our farms have no chance to get started in agriculture unless they either inherit a farm or succeed in borrowing a large sum of money to invest in land which is adequate for a living.

I am very much concerned about the new tax bill from the standpoint of Federal estate taxes. Mr. Chairman, here is where we can help the American farmer and all of our people. We hear a great deal about double taxation and when it comes time to pay a large Federal estate tax, this is the best example I can give you for the argument against double taxation. A number of us finally succeeded with our friends on the Ways and Means Committee, to set the Federal estate tax exemption at $175,000. This action took place a few years ago and this is now the law.

It is time to increase this Federal estate tax exemption and the amount should be either $500,000 or $600,000. If we succeed in increasing the $175,000 amount, then our next step should be to eliminate completely the Federal estate tax. The tax base can be adjusted accordingly, and the American farmer, the small businessman, and all of our people will then be placed in a position where the members of their families do not have to go out and borrow money to pay Federal estate taxes.

Our American farmer knows how to produce, and today our country is the world's largest exporter of food to the other nations of the world. It is imperative that we reforest our lands, protect our watersheds, and conserve the soil and water in this country. We must leave to future generations a fertile land and a land sufficient to produce food for our people.

The assets invested in agriculture today exceed those of any of the next 10 largest industries. Agriculture employs more workers than any other major industry and in fact, employs 23 times the number of people employed in the coal and oil industry and 5 times more than the number employed in the automobile industry.

Mr. Chairman, we all know that agriculture is one of the major markets for the products of labor and industry. Agriculture spends more for equipment than any of the other large industries. It uses more steel in a year than is used for a year's output of passenger cars. The American farmer uses more petroleum products than any other industry in this country and uses more rubber each year than is required to produce tires for 6 million automobiles. The American farmer's inventory of machinery and equipment exceeds the assets of the steel industry and is five times that of the automobile industry.

The American farmer is entitled to a fair share of our Nation's income. Today, the farmer does not receive enough money for his commodities.

Tobacco is produced in 118 of the 120 counties in Kentucky. This is the major cash crop of the Kentucky farmer. Again, the Department of Agriculture made a reduction of $1,048,000 in the budget for tobacco research. In the entire research program for tobacco, we only have $5,190,000. Tobacco pays into the Federal, State, and local treasuries about $7 billion a year in taxes and at my request, the sum of $1,048,000 was restored to the bill. In addition, we placed back into the bill $182,000 for research on stored tobacco insects which is the same amount that was available for fiscal year 1981.

Mr. Chairman, our bill contains the sum of $20,820,000 for inspection and grading of cotton and tobacco. The House and the Senate versions of the Omnibus Budget Reconciliation Act of 1981 provides for charging user fees to the producers of cotton and tobacco. This is a mistake and unless it is sustained in the conference between the Senate and the House, our provision for the usual amount of $20,820,000 will apply. This amount is small in comparison to the amounts that we expend on other agriculture commodities and all down through the years, tobacco has paid its way.

Mr. Chairman, for Agricultural Research Service we recommend the sum of $453,749,000. This is $26,918,000 over the 1981 fiscal year appropriation. For the Cooperative State Research Service, we recommend $219,936,000. For our Extension Service, we recommend $321,398,000. This is $17,609,000 over the 1981 appropriation. For Animal and Plant Health Inspection Service, we recommend $297,609,000. For our Marketing Service, we recommend $44,031,000. For the Commodity Credit Corporation, we recommend the sum of $2,220,000,000. For the Rural Electrification Administration, we recommend in the bill $1,100,000,000 for loan authorizations. For insured loans to rural electric systems, the committee recommends a floor of $850 million and a ceiling of $1,100 million. For insured telephone loans, the committee recommends a floor of $250 million and a ceiling of $325 million. For conservation operations under the Soil Conservation Service, we recommend $317,639,000. For watershed planning, we recommend $8,690,000. For watershed and flood prevention operations, we recommend $192,045,000. For agricultural conservation programs, we recommend $190,000. The ACP program, Mr. Chairman, is necessary today, the same as it has been down through the years.

For child nutrition programs, we recommend in the bill, $3,765,038,000. For the special milk program, we recommend the sum of $124,800,000. For supplemental food programs for women, infants, and children, we recommend $1,069 million. For Foreign Agricultural Service, we recommend $69,694,000. For Public Law 480 funding, we recommend $1,163,100,000. For the Food and Drug Administration, we recommend in this bill $336,032,000.

Mr. Chairman, this is a good bill and our Committee on Appropriations recommends it to the Members of the House; we should keep in mind that if our country is to survive and prosper, certainly we must continue to be interested in, and to assist when necessary, the custodians of the natural resources of our country.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 3 minutes to the gentleman from Illinois (Mr. O'BRIEN).

Mr. O'BRIEN. Mr. Speaker, my remarks would be directed to a rather special part of this bill, touched on by the gentleman from Kentucky (Mr. NATCHER) just a moment ago.

Page 35 of the bill refers to watershed and flood prevention operations and the same topic is covered at page 84 of the report for those who have a similar interest.

Mr. Chairman, construction of the proposed watershed project on the Little Calumet River in Illinois is urgently needed by the residents of the southern part of the city of Chicago, south suburban Cook County, and Will County.

On June 12 of this year, heavy springtime rains, 8 inches of rainfall within 6 hours in some areas, caused the Little Calumet River to flood. This flood caused $54 million in damage, forcing thousands out of their homes and businesses. This is only the most recent occurrence of flooding that yearly damages 7,000 homes and 140 businesses and washes out countless roads. This devastation will be repeated every year until the proposed watershed project is constructed.

Construction of the watershed project will ultimately require $45 million, $31 million from the Federal Government and $14 million from local governments. The fact that local governments have already appropriated $5 million without any guaranty that the watershed project would receive Federal Government approval underscores the local support for the project.

The proposed watershed project has twice been approved by the Soil Conservation Service, and all that is now needed is approval by the Office of Management and Budget and the House Committee on Public Works.

Mr. Chairman, I wish to address a question to the distinguished chairman of the Appropriations Committee, the gentleman from Mississippi (Mr. WHITTEN).

Mr. Chairman, are there sufficient funds within this bill to provide the amount necessary to initiate such projects as these?

Mr. WHITTEN. Mr. Chairman, will the gentleman yield?

Mr. O'BRIEN. I yield to the gentleman from Mississippi.

Mr. WHITTEN. I thank the gentleman for yielding.

May I say to the gentleman there clearly is a need, and I have discussed this with my colleague, a very fine member of the Committee on Appropriations. We have two funds that are available for what the gentleman describes.

We are sorry to know of the disaster which has hit the gentleman's area. We have recommended $10 million in this bill for emergency work in the area of soil conservation.

□ 1750

Also, it would be worthwhile to contact the State conservationist of your State to see if funds from that source would be available for what is described here. Insofar as work on the watershed, it will require authorization by the legislative committee on that particular project. We have recommended $25 million for 25 new starts in this bill. I am certain from the gentleman's description that he will be eligible, subject to approval by the Soil Conservation Service. Also, as I mentioned, we have the $10 million to look to for emergency relief.

May I say that I am glad to respond to the gentleman, and of course I will work with him in any way within the limitations of what we can do. Money is available as far as this goes from two sources to meet the gentleman's need.

Mr. O'BRIEN. I thank the chairman, and I commend him for including funds within this bill to provide for 25 more watershed projects, and I strongly urge the Office of Management and Budget and the Committee on Public Works to approve very quickly this most urgent project.

Mr. WHITTEN. Mr. Chairman, I yield 3 minutes to the gentleman from Hawaii (Mr. AKAKA), a member of the subcommittee.

Mr. AKAKA. Mr. Chairman, I rise in strong support for H.R. 4119, the Agriculture appropriations bill for fiscal year 1982.

I want to take this opportunity to tell my colleagues in the House that this is possibly the best agriculture appropriations bill to come out of the committee: This success is due to the outstanding efforts and leadership of the distinguished chairman, Mr. WHITTEN, ranking minority person, Mrs. SMITH, and the dedicated members and staff of the committee. In fact, all parties involved in this legislation worked so well together, that not once did we have to break up into minority and majority coalitions to call for a vote on a specific issue. The agreement we achieved, we achieved through a working consensus of opinion in committee. Given the budget constraints we faced, I am proud to say that all agriculture and nutrition interests are well served by this bill. This bill will turn out to be the cornerstone for the foundation of sound agricultural policy for the future.

This bill carefully weaves a tapestry of joint agricultural interests and partnerships. This is a bill for farmers and for consumers. This is a bill for partnerships between rural and urban interests. This is a bill for industry and for labor. It promotes production, rural development, and agricultural research. It encourages exports and will provide for the nourishment of millions of people. And, above all, this bill promotes agricultural conservation—and I am sure that you know that conservation must be carried out on a continual basis if we as a nation are to indeed be the breadbasket for the world's poor nations.

Certainly, as a leader in the arena of agricultural production, we should do no less.

I urge my colleagues to lend their wholehearted support to this bill.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 2 minutes to my good friend from California (Mr. PASHAYAN) for a question.

Mr. PASHAYAN. Mr. Chairman, I thank the gentlewoman for yielding.

Mr. Chairman, I rise in support of H.R. 4119 and should like to pose to the distinguished chairman of the subcommittee the following question:

Would a research project aimed specifically at developing a more acceptable, digestible, and low-cost protein food from dry beans be considered eligible for funding under the competitive grants programs? I have noted that the committee report states that "some funds for competitive grants can be used to complement the special grants program" and my concern is for a proposal of the California Dried Bean Advisory Board designed specifically to make dry bean nutrients and fibers more digestible. The project I just cited is being developed at the Center for Legume Studies at Chapman College in southern California, a non-land-grant college. Do you see any particular problem?

Mr. WHITTEN. May I say to my colleague that the committee is familiar with this problem. Through the years we have funded research by the Department. Clearly this situation, as we know it from testimony before our committee, would qualify for this kind of grant. Of course, the decision is not with us, but we have not neglected it. We have provided funds for some research by the Department over the years.

Mr. PASHAYAN. I thank the distinguished chairman for his cooperation.

Mr. WHITTEN. Mr. Chairman, I yield 3 minutes to the gentleman from New York (Mr. PEYSER).

Mr. PEYSER. Mr. Chairman, I thank the chairman for yielding to me at this time. I had planned during the amendment period to offer an amendment to the Farm Credit Administration section of this bill. The reason that I was contemplating doing this was to reaffirm the need to direct these moneys that are involved by the member banks to those truly involved in the agriculture field—farmers or those in the agribusiness—because reports have shown recently that a high proportion of the money being lent by these organizations was being lent to those who were barely in the agriculture business in any fashion; in fact, indicating that of their income, less than 10 percent came from farming or the agribusiness.

Since that time, Mr. Chairman, I have talked to the Farm Credit Administration. I have also talked to a number of the members of the committee, and I realize that my amendment could cause hardship where it was not intended to by restricting some new farmers, restricting some farmers that might have had severe losses, which was certainly not the intent.

Mr. JEFFORDS. Mr. Chairman, will the gentleman yield?

Mr. PEYSER. I will be glad to yield to my friend from Vermont.

Mr. JEFFORDS. Mr. Chairman, I commend the gentleman for bringing this matter to the attention of this body. These are problems in this area, and especially when we go into this time of extreme credit crunch which we are going to have both with respect to the FmHA and the Farm Credit Administration.

I think it is important to direct our attention to the needs of agriculture and not the needs of people who may come in for other purposes. The gentleman has an excellent point, and he also made an excellent point about how he recognizes the complexity of trying to draft his amendment which would accomplish his purposes without being counterproductive. I have talked to the administration, and they are aware of the concerns the gentleman has raised, and have given me assurances that the administration itself will do what it can to try to insure that the money goes to those in agriculture and not to those who have hobbies or whatever. I commend the gentleman for bringing this issue to our attention, and I for one will continue to work with him and the administration to try to correct these problems.

Mr. PEYSER. I thank the gentleman for his comments. As I stated, I will not offer this amendment, and I am pleased that we have the recognition again of the problem and the assurances of the administration and the committee that this issue will be addressed.

Mr. WHITTEN. Mr. Chairman, I yield myself 1 minute to comment on the gentleman's statement.

In the first place, I appreciate very much his cooperation here. This is an area in which it is difficult to determine just how to meet the problem the gentleman has described. I would point out that about 70 percent of the farmers earn more than half of their income off the farm. There are just a whole lot of things involved in analyzing the farmer's income. I also point out that the farm credit system borrows money on the commercial market and passes all costs on to the borrower. The situation the gentleman describes is difficult to deal with. I appreciate the cooperation of my friend from New York.

Mrs. SMITH of Nebraska. Mr. Chairman, I would like to associate myself with the comments of our friend and with the comments of the gentleman from Vermont (Mr. JEFFORDS).

Mr. Chairman, I yield 4 minutes to my good friend from Missouri (Mr. EMERSON).

Mr. EMERSON. Mr. Chairman, I rise in support of the bill. I am very pleased that the fiscal year 1982 Agriculture appropriation legislation includes funding for soybean cyst nematode research, and I want to extend my deepest thanks to the chairman, Mr. WHITTEN, and to my colleague, Mrs. SMITH, the ranking member, for their assistance in including funding for this worthwhile research during House appropriations consideration.

Farmers plant a million and a half acres of soybeans each year in southeast Missouri. That is a figure that has increased each year for the past 20, ever since research opened up an endless storehouse of uses for soybeans and their by products. The popularity of soybean planting may be its own worst enemy, however, because of the cyst nematode, a parasitic insect barely large enough to be seen with the naked eye. It clings to the roots of developing soybean plants and a heavy concentration will kill the plant through a process yet unknown to researchers. It is a pest native to the Missouri Bootheel's sandy soil, made even more prevalent by a steady diet of soybeans year after year.

Cyst nematodes were first detected in southeast Missouri in 1956, even before the boom in production that began around 1960. It is now estimated that 80 percent of all fields in southeast Missouri are to some extent infested with cyst nematodes. The most effective chemical control, Nemagon, has been banned by the Government after being linked to health hazards to those who used it. Researchers have been left with two natural alternatives, crop rotation and nematode-resistant varieties of beans. It is estimated that 4 to 5 years are needed in order to develop strains of seeds that are resistant to this devastating disease.

For the last 10 years, research has been conducted on soybean cyst nematode at the Delta Center Agricultural Experimentation Station south of Portageville, Mo. The work done at the center has been invaluable to farmers throughout the Nation. It has been estimated that cyst nematodes are currently present in 24 States, and the research that is ongoing at the Delta Center will be of national benefit.

Although funds were appropriated in the fiscal year 1981 Agriculture appropriations bill for cyst nematode research, there was no request for continued funding of this important work by the administration for fiscal year 1982. However, the House Agriculture Committee requested $250,000 in funds for this project in the funding request for fiscal year 1982 that was submitted to the House Budget Committee. Because of the empathetic understanding of the chairman and Mrs. SMITH and the subcommittee, the appropriations are included for continued research for fiscal year 1982.

I sincerely believe that the appropriation included in this bill for cyst nematode research represents a sound investment in our soybean industry and in the future of this lucrative commodity, which is worth well over $15 billion.

I want to again express my appreciation to Chairman WHITTEN and Mrs. SMITH and the subcommittee for their assistance, and to the fine people of the Delta Research Center for their work in finding the ways and means of combating this perplexing, serious, and costly problem.

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Mr. WHITTEN. Mr. Chairman, I yield 3 minutes to the gentleman from Michigan (Mr. BONIOR).

Mr. BONIOR of Michigan. Mr. Chairman, it is an indication of whose star is in ascendancy at this particular moment in our history that a few shrill cheerleaders, in this body and elsewhere, have been able to pervert the rather ambiguous results of the 1980 Presidential election as an affirmative of their own prejudices. They have taken the people's call for a more efficient and humane Government and interpreted it as a call for the elimination of virtually all Government outside of the defense function. They feel that somehow our people are safer in the bosom of the profit motive and market forces than under the yoke of Government involvement in commerce and welfare. This magnificent faith would have you believe that, left to their own devices, market forces would take care of our elderly and unemployed, protect us from hazardous substances, monopolistic pricing, and rising medical costs. I have not found that faith echoed by my constituents.

Doubtless, this Government needs reform in some areas, paring in others. There are some functions that it performs badly but there are other examples of unqualified success in areas that would otherwise go unserved.

The bill before us today is illustrative of such an area of Federal involvement. It has been through the cooperative effort of the Federal Government and our hardworking farmers that we have become the greatest agricultural Nation in history. Unlike many countries, we will be able to pass this resource to the next generation expanded and enhanced.

Even the most rabid laissez-faireist—and I use the adjective advisedly—would have great difficulty in denying the contributions of the Federal Government in agriculture, contributions that have produced a continuous and relatively inexpensive supply of food for our people and many of our foreign neighbors.

It has largely been through Federal effort that we have:

Genetically improved yields and quality in pest-resistant crops;

Genetically improved livestock with higher reproductive rates;

Controlled livestock diseases and prevented their introduction from elsewhere;

Improved crop management and farm equipment;

Controlled diseases, insects, weeds, and parasites, including those affecting humans; and

Improved the nutritional quality of our food.

Through the Extension Service offices in almost all of our 3,000 counties, the Federal Government provides valuable technical information and assistance directly to farmers.

It makes it economically feasible for farmers to prevent the erosion of soil and to conserve water through timber plantings, set-asides, and water banks all providing payments to farmers.

Through the Commodity Credit Corporation, it has created programs to protect farmers against boom and bust cycles during which the market forces, so revered by the administration's Merlins, would ruin farmers and throw the Nation's food supply into chaos.

It has, through the Farmers Home Administration, the Farm Credit Administration, the Small Business Administration, and the Veterans' Administration, proven a source of credit in a high-risk business when the free market banking system declined in favor of more profitable, less risky ventures.

It freely distributes research information through its extension offices, through the agricultural colleges established in every State through the Morrill Land-Grant College Act of 1862, and the world's largest agricultural library in Beltsville, Md.

It was the Federal Government that eradicated bovine pleuropneumonia, anthrax, Texas cattle fever, fowl plague, Venezuelan equine encephalitis, sheep scabies, Newcastle poultry disease, and hog cholera.

It is the Federal Government that assures the quality of our meat and poultry, condemning some 56 million birds and 395,000 meat animals as unsafe in 1979.

It was through the research of the USDA that malaria and yellow fever were virtually eliminated in the United States.

Finally, it was Department scientists that discovered an effective, low-cost method of manufacturing penicillin.

The practical result is that today's farm labor produces 14 times what it did in 1920.

Today's farmers produce enough food and fiber for 68 people.

We are not only meeting our needs, but have reached the point where we are able to export the production of 1 out of every 3 acres of cropland.

Perhaps the Department of Agriculture's greatest tribute will be the silence or even support of the greatest detractors of Federal Government in this branch of Government as we debate this bill and move to a vote.

Federal involvement in agriculture, while not without fault, is overwhelming testimony that Government can be made to work to the clear benefit of its citizens and other millions of the world's hungry.

In fact, I cannot think of a single industry in this country where the Federal Government is more involved.

In his inaugural speech, President Reagan stated, "* * * Government is not the solution to our problem. Government is the problem. * * * It is no coincidence that our present troubles parallel, and are proportionate to, the intervention and intrusion in our lives that have resulted from unnecessary and excessive growth of Government."

It will give me no small amount of glee to note those faithful minions who lustily cheered the President's remarks, who castigated "Government's interference in the marketplace" during the recent budget debates, who will walk to the voting machines and vote "aye" on this bill. In doing so, they not only vote their own parochial interests but acknowledge the need and efficiency of the Federal Government.

It leads me to believe that those who seek to emasculate legitimate Federal intervention act upon prejudices rather than thoughtful commitment.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 2 minutes to the gentleman from Minnesota (Mr. WEBER).

Mr. WEBER of Minnesota. Mr. Chairman, I rise in support of the bill and to commend the efforts of the gentleman from Mississippi (Mr. WHITTEN) and the gentlewoman from Nebraska (Mrs. SMITH) for the leadership they have shown in this area, producing this outstanding agricultural appropriation bill.

I would particularly like to commend them for the work they have done in preserving the rural electrification and telephone revolving fund, maintaining the strength and vitality of the REA. The rural telephone programs are of utmost importance to the productivity of our farm economy in our rural areas. This bill has gone a long way toward allaying the fears that many people had regarding the future of those programs. I think the chairman and the ranking minority member have done a commendable job.

Mr. WHITTEN. Mr. Chairman, I have no further requests for time, and I reserve the balance of my time.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 2 minutes to the gentleman from California (Mr. SHUMWAY).

Mr. SHUMWAY. Mr. Chairman, I rise in opposition to those provisions of H.R. 4119 dealing with the committee's funding recommendations for the food stamp program in fiscal year 1982. In particular, I object to appropriating the entire $9.76 billion total from October 1, 1981, through August 15, 1982. Although funding would supposedly be available until the end of the next fiscal year, this action by the committee simply does not wash with the desires of Congress expressly embodied in the Omnibus Reconciliation Act. It is sheer deception on the part of the committee to recommend total funding in less than the full fiscal year. By doing so, we in the Congress are merely preparing ourselves for that annual event called supplemental appropriations.

I had thought that Congress, in the spirit of budget and tax restraint, would not allow for a repetition of the kind of appropriations battles which have been waged here for the past several years. In this new spirit, the Secretary should be allowed to use his discretionary authority to make benefit adjustments when appropriations are inadequate to pay for the full benefits through the entire year. If we do not pursue this path, what is the meaning of the food stamp reductions we have tried to make this year?

Indeed, the committee's recommendation flies in the face of what we are trying to accomplish here this year. It is inflation and unemployment which have placed the greatest strain on the food stamp program. To invite the need for a supplemental appropriation is to continue that seemingly unbreakable cycle of worse inflation and higher unemployment—in short, to allow for this possibility is to maintain the status quo and to deceive those food stamp participants who need the program the most. I urge my colleagues to oppose this backdoor funding proposal—an appropriation which amounts to more than one-third of the entire agriculture appropriations for fiscal year 1982. Thank you.

Mrs. SMITH of Nebraska. Mr. Chairman, I yield 1 minute to the gentleman from Vermont (Mr. JEFFORDS).

Mr. JEFFORDS. Mr. Chairman, I rise in support of the bill.

I would like to take a moment to praise the U.S. Department of Agriculture. The Department recently decided to continue the distribution of bonus commodities in the school lunch program and to retain dairy products as a bonus item.

I am pleased with the Department's decision, as it will help to reduce the inventory of dairy products in Commodity Credit Corporation storage. I am also hopeful that the Department will aggressively move forward to dispose of additional excess inventories of dairy products.

The bonus commodity program is effective, however, in both reducing the cost of the school lunch program and in providing a greater variety of foods served in that program. I again commend the administration for this action.

Mrs. SMITH of Nebraska. Mr. Chairman, I have no further requests for time.

Mr. WHITTEN. Mr. Chairman, I yield 2 minutes to my colleague, the gentleman from New York (Mr. WEISS).

Mr. WEISS. Mr. Chairman, I thank the gentleman very much for yielding this time to me. I have asked for this time to commend the chairman of the Appropriations Committee, Mr. WHITTEN, for his outstanding leadership in the area of orphan drug development and thank him for his continuing efforts which have helped produce the orphan drug project included in the Food and Drug Administration portion of this appropriations bill.

As the sponsor of legislation, with the support of 75 of my colleagues, designed to stimulate and assist in the development of drugs for low incidence diseases, I am especially pleased that this issue has been addressed by the Appropriations Committee. As you know, for millions of Americans the availability of these drugs is literally a matter of life and death.

Mr. Chairman, as the committee report indicates, the FDA currently has statutory authority under the Public Health Services Act to conduct research and testing of orphan drugs. In addition, an extensive report was submitted by the Interagency Task Force on Significant Drugs of Limited Commercial Value in 1979. However, little action appears to have been taken on the options and recommendations outlined in the task force study. I am sure I share your concern that more work be done as quickly as possible to facilitate the testing and the approval of these critical drugs, many of which are available in other Western countries.

Mr. Chairman, I wonder if the gentleman would respond to the following question:

Could the gentleman describe what action would be required by the FDA in this appropriations bill to document the agency's efforts in this area?

Mr. WHITTEN. Mr. Chairman, will the gentleman yield?

Mr. WEISS. I yield to the committee chairman.

Mr. WHITTEN Mr. Chairman, on page 103 of the report we go into this in some detail.

May I say to my colleague, the gentleman from New York (Mr. WEISS), who has been very active in this area, that under our system the registration of a new drug must be pursued by drug companies, and the cost goes to the drug producers, the drug companies. There may be some advantages to this, but it has some disadvantages. This leaves out a whole lot of new drugs, as well as drugs that have some limited uses because nobody can make any profit from them, so they do not initiate the drug approval process.

As a result of this situation, we have been trying for several years to push the Food and Drug Administration to go into those areas where the drug companies will not go.

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Now, if they would exercise themselves in that area, anything that they developed could become available to all drug companies, and I think you would find a better market.

One other thing we have expressed consistently, is that there are many drugs approved for use in many of the major countries which must pass tests of safety and efficacy equal to our own. So we are trying to get a reciprocity agreement between ourselves and those countries where we approve of their system of drug regulation, in order that we have those drugs available. The gentleman touches on a subject that needs to be pursued and our committee is doing the best we can to pursue it.

Mr. WEISS. I thank the gentleman and approve his support.

● Mr. DERWINSKI. Mr. Chairman, I have recommended to the administration that under CCC credit provisions, we sell 400,000 tons of corn for chicken feed to Poland. They need this corn urgently for delivery starting late in August or they must slaughter huge numbers of chickens and further aggravate their continuing problem of food shortages. Although I naturally share the concern of some as to whether further support of the Government of Poland is practical at this juncture, I believe it is in the case of meeting their immediate needs for corn.

There is an interesting facet to Polish agriculture reform. It is now being completely decollectivized, an admission by the Communists that you have to give incentives to producers. It may well be that in years to come, we will quite logically be funding agricultural research and development in Poland with emphasis on free market economics.

Mr. Chairman, over the weekend of June 14, 1981, the southern suburbs of Chicago and a major portion of my Fourth Congressional District were inundated with floodwaters when the Little Calumet River overflowed its banks following a seasonal storm. This is a recurring event in that area and one that causes substantial economic losses. To eliminate this continuing hardship in southern Cook County, the Soil Conservation Service of the U.S. Department of Agriculture and the Greater Chicago Metropolitan Sanitary District prepared a flood control plan for the Little Calumet watershed.

This plan, completed in 1979, was made a candidate for funding under the Soil Conservation Service's Public Law 566 program. The Soil Conservation Service reviewed the plan and approved it in 1980. It was then forwarded to the Office of Management and Budget. Recently I was advised that the Office of Management and Budget has returned the prospectus on the Little Calumet to the Soil Conservation Service for further review. I further understand this additional review has been completed and the Soil Conservation Service is again recommending approval of the project.

The Federal share of the cost of the Little Calumet River watershed plan is estimated at $31 million and the local contribution is estimated at $14 million. The damages which occurred in the most recent flooding alone were $52 million.

Authorization of the project by the Appropriations Committees will not require any change in the fiscal year 1982 appropriation levels for the Soil Conservation Service. Accordingly, I urge that approval for this authorization be given so that work can begin in 1982 to eliminate the recurring disastrous floods in southern Cook County.●

● Mr. ALBOSTA. Mr. Chairman, I rise in support of H.R. 4119, fiscal year 1982 Agriculture appropriations bill. This piece of legislation is extremely important to rural America because it provides the funding so necessary to operate the Agriculture Department's loan programs as well as the Farmers Home Administration's community and economic development loan programs.

These programs have served America well by providing a stable supply of food at reasonable prices. In addition our agriculture production has enabled the United States to become a major grain exporter. This has reduced our trade deficit and contributed to lower inflation.

The Farmers Home Administration program builds water and sewer systems in our small towns and villages. The business and industry loan program gives loans to businesses who expand and create needed jobs in high unemployment rural areas. These are revenue producers, not revenue drainers.

Many people do not view farming as a big contributor to this country's economy. The facts may however surprise you. For example within my own State of Michigan, agriculture is now the No. 1 industry. We must strengthen American agriculture to get our economy moving again. This legislation will give us the tools to do this. As a farmer and a resident of a rural area all of my life, I know firsthand the importance of these USDA programs. I strongly urge my colleagues to approve H.R. 4119.●

● Mr. RUSSO. Mr. Chairman, again, I saw it firsthand, people left homeless, houses destroyed and possessions lost

because of severe flooding in the south Cook County area. Again, it was not necessary for this to happen, and again the area should not have been declared a Federal disaster area. On June 14, 1981, this flooding could have been stopped had the Little Calumet watershed project been complete.

For 3 years, I have asked that the Federal share of this program be funded anticipating the severe floods, and for 3 years I have met roadblock after roadblock both on the executive and legislative levels. No one denies the Little Calumet watershed is necessary, yet it is not being funded because it is being held up by the Office of Management and Budget with 12 other water projects. It is essential that this project be implemented immediately so as to head off any future flooding.

The cost benefit ratio of this project cannot be denied. The flood caused $54 million in damage, and the one time cost of the flood management project will cost an estimated $31 million from the Federal Government and $14 million from local governments. Upon completion of the Little Calumet watershed project 95 percent of the flooding will be eliminated. Already $5 million has been spent by local governments to purchase land for building the Calumet Reservoir. Negotiations are near complete on purchasing of the watershed project, and blueprints are finished.

As you know, construction costs are rising at a rate in excess of 10 percent a year and land costs are increasing at a similar level. Simple mathematics tell us that for every year the project is held up the cost of the project will increase by approximately $3 million.

Mr. Chairman, I have tried to illustrate the need for the funding of the Little Calumet watershed. It is cost effective, and is a badly needed flood management project that will head off devastating flooding in an area continually faced with damaging storms. I am sure you would agree that the Office of Management and Budget should expedite review of this project so funding for construction of the Little Calumet watershed project can begin immediately.●

● Mr. BEREUTER. Mr. Chairman, as we complete our considerations of the appropriations for these important agriculture and food assistance programs for the next fiscal year, let us not lose sight of the serious and threatening economic climate in the rural regions of the Nation. Farmers today are facing skyrocketing costs for credit, fuel, and the other necessities required to produce the abundant crops which feed this country and which are the mainstay of our export trade, and yet the prices which they receive for that produce remain at or below their costs of production. The market which was just beginning to recover from the disastrous effects of the Carter grain embargo has once again suffered severe shock at the news of the dumping of surplus grain onto the market by the Commodity Credit Corporation. Drought once again threatens producers in many regions of the Nation. The continuing loss of our precious soil and water resources bodes ill for the future. As both the House and the Senate continue work on the next 4-year farm bill, farmers and ranchers throughout the Nation rest uneasy, wondering as to the future role of the Federal Government in their operations.

As my colleagues from urban districts lend their support to the passage of this appropriations measure, let them rest assured that the barebones funding for the agriculture programs contained in this bill will go a long way toward assuring their constituents of a reliable and reasonably priced supply of wholesome food products in the years ahead. It is important that we farm State representatives work together with our urban colleagues to build bridges of understanding on these issues of importance to us all, from food stamps and other nutrition programs to soil conservation, and the commodity programs, and so let us join together to approve these funds, in the interests of all Americans.●

● Mr. WAMPLER. Mr. Chairman, I wish to commend the distinguished chairman of the Appropriations Committee, the members of that committee, and especially the members who serve on the Agricultural Appropriations Subcommittee. In this extremely restricted budgetary situation faced by the Congress this year, I believe the Appropriations Committee has done a particularly outstanding job in sorting out priorities necessary to meet Government support for the future needs of American agriculture. The bill reported by the committee will not fund certain individual items as generously as some of us would like, we all realize that, but if we are to deal with the enormous problems our country faces, we must exercise a great deal of restraint.

I would like to point out certain areas of research funding which I want to personally congratulate the committee for newly undertaking or continuing. These are: Increasing basic Federal research $3 million to $194.8 million; for retaining research on tobacco; for dairy herd improvement; for brucellosis research to guarantee a safe milk supply; for soil and water research; for tropical and subtropical research to insure the businesses in this country will be able to share in the large and growing market for agricultural products and services in the developing countries; and, I particularly want to commend the committee for directing the Agricultural Research Service to conduct a feasibility study to determine the role of the Department in food toxicology research. Food safety and USDA's participation in this vital area is of particular concern to the Committee on Agriculture, and I am sure to the entire agricultural sector and the consuming public. We must avoid a repetition of the nitrite fiasco in future food safety decisionmaking.

I have noted with particular joy, which I have reason to believe is shared by most supporters of agriculture, the $19.9 million increase recommended in the bill over the 1981 appropriation for cooperative State research. While this does not meet the congressional mandate authorized in title XIV of the 1977 farm bill to double agricultural research during the period fiscal years 1978–82, it does represent a continuing dedication on the part of the Appropriations Committee to support the Federal-State research partnership that has been the keystone in providing our Nation with world leadership in agricultural productivity, food safety, food processing techniques, and food marketing systems for over 100 years. I particularly want to commend the committee for providing an increase of $17.9 million over the amount available for fiscal year 1981 under the Hatch Act for agricultural research to be performed at our State agricultural research stations. At the same time, I want to also commend the committee for increasing State cooperative forestry research by $1.5 million. I also noted the committee's efforts to support the growing importance of aquaculture by earmarking $790,000 to this endeavor. Most importantly, the committee for the first time authorized $3 million for animal health research under the competitive research grant system. When this is coupled with the addition of $5.4 million for animal health and disease research under special research grants we can at long last say that the Congress is taking action to address the losses being suffered from major disease problems that we find in the Nation's animal herds and poultry flocks. The chance of preserving the life of half of the 20 percent of the Nation's food animals born every year which now succumb to one of a variety of diseases and never enter the human food chain—at a loss of over $2½ billion annually—is, I believe, a worthwhile effort of our Government.

Mr. Chairman, there is one area in this pending appropriations bill that I should like to take exception to. I refer to the decision of the committee to defer consideration of funding the Bankhead-Jones program in the Extension Service budget to assist land-grant colleges and universities to teach subjects that assist land-grant colleges and universities to teach students seeking undergraduate and graduate

degrees in agriculture and engineering. I recognize that the Department of Education and the Office of Management and Budget have, since 1960, recommended the elimination of this program. On the other hand, these same Federal institutions have pushed and expanded support for a wide variety of social science programs. The amount, $11.5 million, budgeted last year to support this program is small when you judge the whole educational support budget. Moreover, it only addresses and benefits 4 percent of our total population. Yet this 4 percent is the backbone of our largest industry and I say, at this instance, our only successful industry.

Mr. Chairman, we have to ask ourselves this question: Are we going to be able to continue to turn out and expand the number of college-trained farm managers, agricultural engineers, veterinarians, plant and animal scientists, and soil and water scientists to meet our own demands and the demands of an expanding world population that experts tell us will double in the next 20 years? We are already facing serious shortages in many important areas, including agricultural engineering, integrated pest management, plant and animal genetics, reproductive psychology, agricultural finance, and in food science and nutrition, at both the undergraduate and the graduate levels.

Our agricultural facilities have been staffed with relative adequacy in the past, but serious shortages are projected for the near future. Then who will conduct the research, the teaching, the extension service work so essential to the continued growth of this vital national resource? Will the United States continue to have a strong and dynamic agriculture—one that can continue to export agricultural products, science, and technology?

We do not need to defer this program. We need to expand this program.

Mr. Chairman, I call your attention to title XIV of the 1982 farm bill, H.R. 3603, reported by the House Agriculture Committee. Our committee in this bill, now awaiting House action, rededicated its position first set forth in title XIV of the 1977 farm bill, to expand teaching in the food and agricultural sciences. Moreover, we removed all remaining jurisdictional control over the Bankhead-Jones Act from the Department of Education and placed it in the Department of Agriculture where it can best be appreciated and is needed. We also transferred all control over the Morrill-Nelson Act, which has also provided an even smaller amount of financial support to agricultural teaching, from the Department of Education to USDA. Finally, we amended the language of the Bankhead-Jones and the Morrill-Nelson Acts to remove all teaching of subjects other than agricultural from these acts. Our committee supports funding for teaching in the agricultural sciences. I urge the Appropriations Committee to take action in conference to correct this situation.

I wish to refer briefly to the funding provided for the food stamp program, a program under the jurisdiction of the Agriculture Committee, on which I serve. The amount appropriated for the food stamp program in H.R. 4119 for fiscal year 1982 is $9.7 billion—through August 15, 1982. This is the amount requested by the administration in March 1981, and was based upon their legislative proposals and reforms submitted to the House at that time. Not all of the administration's legislative proposals have been approved by the Congress in the omnibus reconciliation bill, H.R. 3982, recently approved by the House-Senate conferees.

It is my understanding that the administration sent a request to the Senate 2 weeks ago for additional money for the food stamp program. The administration requested not a fixed amount, but the difference between their estimation of the cost of the food stamp program in 1982 ($12.5 billion) and the savings realized during the reconciliation process ($1.658 billion as finally agreed upon). It apparently was the administration's hope that the two different figures for food stamp appropriations in the House and in the Senate could be worked out in conference.

Based on the administration's request to the Senate, a total of $10.8 billion is needed for the food stamp program for fiscal year 1982, which would include the block grant for Puerto Rico which goes into effect July 1, 1982.●

● Mr. GOLDWATER. Mr. Chairman, I rise in support of H.R. 4119, the agriculture, rural development, and related agencies appropriation bill for fiscal year 1982.

It has been said that agriculture is the "first and most respectable of all the arts." As a proud Member from the Nations's foremost agriculture State, I am pleased to support this bill which aids our country's "custodians of the soil" through research programs, marketing services, rural development policies, soil and water conservation, pest control, agriculture exports, and domestic and international food programs.

It would be an understatement to say that the farmer must deal with many staggering problems. This is assuming, of course, that you can get into farming in the first place. Initial investment of upward of $350,000 are often necessary, and currently, only 5 percent of our farmland is owned by those under 35 years of age.

The farmer's share of the dollar is declining. This results from the failure of farm income to keep pace with escalating production costs. These costs have tripled in 10 years, from $44.4 billion in 1970 to $131.6 billion in 1980. Seed and fertilizer expenses have quadrupled; fuel costs and interest rates have quintupled. A farmer's share of the food dollar, however, has declined from 49 percent in 1951 to only 37 percent today. Per capita income for farmers has been less than nonfarmers in 7 of the last 9 years.

There is also the extraordinary cost of buying and maintaining $300 billion in sophisticated farming machinery. Since 1973, equipment costs have increased almost 200 percent.

Escalating taxes require a farmer to heavily mortgage his farmland which now have the highest interest rates in 60 years.

As a result, agriculture is $180.5 billion in debt, mostly due to land acquisition costs—$23.2 billion more than last year.

A farmer's crops and livestock are vulnerable to natural disasters, including drought, soil loss, disease, and pests. Most recently, for example, California agriculture is in a life-and-death battle with the Mediterranean fruit fly because of Governor Brown's inexcusable failure to eradicate that threat. His political gameplaying may very well bankrupt my State's $14 billion agriculture industry.

Agriculture is, regardless of Governor Brown's attempts, basic to the American way of life. It is largely our precious and plentiful natural resources coupled with the pride and determination of our people that has made America's agriculture the envied model for the rest of the world. In fact, our Nation's agriculture productivity is unparalleled by any other nation in the world today, or by any previous civiliztion in history.

With assets of over $1 trillion, or about equal to three-fourths of our corporations' capital assets, agriculture is our Nation's largest industry.

Agriculture spends as much for goods and services as our entrie Nation spends for importing oil. Agriculture uses 6½ million tons of steel per year, and enough rubber to put tires on 7 million cars. It directly or indirectly employs 17 million people and consumes enough electricity to light up the homes of New England, Kentucky, Washington, D.C., and Maryland combined.

The farmer plentifully supplies the 96 percent of our nonfarming population with fresh fruits, vegetables, grains, dairy products, and meat. A single farmer has the capability of feeding 60 hungry people. So much wholesome food is produced in our Nation that we can feed millions of people in foreign countries who other-

wise would have starved, making America's agriculture truly the "breadbasket of the world." Total agriculture exports, for example, will reach almost $50 billion in 1981, enough to pay for more than half the cost of our petroleum imports.

I might also add that the hard-working farmer contributes to a healthier economy. Each dollar received from our Nation's fertile soil contributes at least $7 to our economy.

Mr. Chairman, we must continue to help our agriculture community. We must have a national agriculture policy of abundance, not scarcity. We must not return to the misguided practices of the 1950's which stifled agriculture productivity and export.

Since 60 percent of our country is farmland, good management of our soil and water is essential. History tells us that resource exploitation leads to the ruination of great economies. It is estimated that our Nation once held 500 million acres of prime soil. We have exhausted 40 percent of its fertility, and we are steadily working our way through another 100 million acres. Furthermore, we are losing up to 1 million acres to homes and highways each year. Since 1935, however, we have made a conscious effort to rejuvenate our land. We have planted 7 million trees, built 2½ million reservoirs to store water and treated millions of acres of land. We must continue to be "good stewards" of our vast resources.

I therefore rise in support, Mr. Chairman, of not just a bill, but of agriculture. As Jonathan Swift once wrote:

> * * * whoever could make two ears of corn * * * grow upon a spot of ground where only one grew before, would deserve better of mankind, and do more essential service to his country, than the whole race of politicians put together.●

● Mr. WEBER of Minnesota. Mr. Chairman, I would like to commend the gentleman from Mississippi, Representative JAMIE WHITTEN, and the other members of the House Appropriations Committee for their strong support for funding for the Rural Electrification Administration (REA). The Appropriations Committee's financial commitment of REA, I believe, represents the sentiments felt by millions of Americans, that the REA program is a necessary component of a healthy rural economy and is vital for the quality of life in those areas.

Let us review the REA program and the two great achievements it has had over the last 50 years. Congress first established the program in 1936, and spent considerable time debating whether the private sector could provie basic electric services to rural areas. After concluding it could not, REA became the vehicle for providing these services to millions of rural families. As of today, the program has been a tremendous achievement, providing 99 percent of the people in rural communities with electric service; and it has all been done at a reasonable cost.

In 1949 the Congress added the rural telephone program to the REA. For the first time, families living on farms and in small towns could have a telephone, something they would value for a long time. This was the second achievement of the REA program. The private sector simply could not provide the service. The REA program, administered by the Federal Government, did.

During the Nixon administration, there were a number of proposals from the White House to restructure the program, to severely limit its scope. But Congress wisely responded by changing the funding mechanism for the guaranteed loans for REA cooperatives. Now, the money used for equipment purchases and facility expansion comes from a revolving fund with cooperatives paying back the money borrowed, thus requiring no significant additional Government expenditures.

Today, the REA program continues to provide needed electric and telephone services to rural America. In the 6th Congressional District of Minnesota alone, over 150,000 people are served by the program. And the program is not social welfare—it is a program which helps people become more productive, create more wealth, and enhance both the quality of life for rural communities and the quality of life for all Americans.

I only hope that in the future, the Congress will continue to recognize the importance of the REA program, not only for rural America, but for the whole Nation as well.●

Mr. WHITTEN. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

AGRICULTURAL RESEARCH SERVICE

For necessary expenses to enable the Agricultural Research Service to perform agricultural research and demonstration relating to production, utilization, marketing, and distribution (not otherwise provided for), home economics or nutrition and consumer use, and for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed $100, $451,749,000: *Provided,* That appropriations hereunder shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $115,000 shall be available for employment under 5 U.S.C. 3109: *Provided further,* That funds appropriated herein can be used to provide financial assistance to the organizers of international conferences, if such conferences are in support of agency programs: *Provided further,* That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed one for replacement only: *Provided further,* That of the appropriations hereunder not less than $10,526,600 shall be available to conduct marketing research: *Provided further,* That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250 for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided the cost of constructing any one building shall not exceed $100,000, except for headhouses connecting greenhouses which shall each be limited to $500,000, and except for ten buildings to be constructed or improved at a cost not to exceed $185,000 each, and the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building or $100,000 whichever is greater: *Provided further,* That the limitations on alterations contained in this Act shall not apply to a total of $100,000 for facilities at Beltsville, Maryland: *Provided further,* That the foregoing limitations shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948 (21 U.S.C. 113a).

AMENDMENT OFFERED BY MR. BROWN OF COLORADO

Mr. BROWN of Colorado. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BROWN of Colorado: Page 7, line 5, immediately before the period, insert ": *Provided further,* That the foregoing limitation shall not apply to purchase from Colorado State University Research Foundation of approximately 160 acres within the boundaries of the Central Plains Experimental Range, Nunn, Colorado, for not to exceed $115,000".

Mr. BROWN of Colorado. Mr. Chairman, this amendment does not add money to the bill. Its purpose is to exempt from the $100 limitation on land acquisitions by the Agricultural Research Service the purchase of 160 acres within the Central Plains Experimental Range in Nunn, Colo.

Mr. WHITTEN. Mr. Speaker, if the gentleman will yield, we have discussed this with the author. We have no objection on this side.

Mrs. SMITH of Nebraska. Mr. Chairman, if the gentleman will yield, the minority is familiar with this amendment. We have no objection.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado (Mr. BROWN).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

For expenses, not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c) necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; and to protect the environment, as authorized by law, $297,609,000 of which $2,500,000 shall be available for the control of outbreaks of insects, plant diseases and animal diseases to the extent necessary to meet emergency conditions: *Provided,* That $1,000,000 of the funds for control of the fire ant shall be placed in reserve for matching purposes with States which may come into the program: *Provided fur-*

ther, That no funds shall be usd to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States, of at least 40 per centum: *Provided further*, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $40,000 shall be available for employment under 5 U.S.C 3109: *Provided further*, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed two, of which one shall be for replacement only: *Provided further*, That, in addition, in emergencies which threaten the food resources of the country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious diseases or insect infestations of animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds transferred for such emergency purposes in the next preceding fiscal year shall be merged with such transferred amounts.

AMENDMENT OFFERED BY MR. FAZIO

Mr. FAZIO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. FAZIO: Page 12, line 17, after "of which" insert "not to exceed $14,983,000 shall be available for the Mediterranean fruit fly program and".

Mr. FAZIO. Mr. Chairman, I am offering this amendment in conjunction with my colleague, the gentleman from California (Mr. LEWIS).

The amendment is very brief. It simply allows an additional $6 million to be spent by the APHIS section of the Department of Agriculture on eradication of the Medfly in California during fiscal year 1982.

Mr. Chairman, as you know, the Mediterranean fruit fly infestation in California has drawn national attention because of the Medfly's potentially devastating impact on over 200 varieties of fruits and vegetables and the impact a Medfly epidemic would have on the Nation's agriculture industry and consumers. As you know, the State of California and the U.S. Department of Agriculture have gotten together to agree on a program to combat the Medfly. The prime feature of this program is the aerial application of the pesticide malathion, which is being done by the State now, with equal support from the USDA using fiscal 1981 funds.

Authorities now appear confident that the outbreak can be controlled and that the source of much of the Nation's fruit and vegetables, California's intensive and vast agricultural regions, will be protected. However, in order to complete the eradication both the State and the USDA will have to take actions and expend funds in fiscal 1982. The USDA has stated that to perform its share of the agreed-upon work it will need $6 million in fiscal 1982 in addition to the $8.9 million now proposed for the Medfly but basically committed to the U.S. participation in the sterile fly breeding program with Mexico. This $6 million estimate is a hard figure, given the extent of the infestation now known. It may be that the future will require that more be spent in fiscal 1982; it is certain that $6 million at least will be needed.

In a letter to Chairman WHITTEN dated July 23, 1981, Agriculture Secretary John R. Block acknowledged that there will be a need to spend $6 million in fiscal 1982 in order to complete the eradication effort against this Santa Clara infestation and in order to monitor other areas vulnerable to Medfly infestation around the country. The Secretary, however, said he could do so within the level of funding already proposed in this bill.

Therefore, I am offering today an amendment to the Agriculture appropriations bill to allow up to $14,983,000 to be expended by the Animal and Plant Health Inspection Service for the Medfly program. This represents a $6 million increase in the amount considered for the Medfly account. It does not, however, represent an increase above the $297 million allotted by the bill for the overall APHIS program. Nor does it require that the Secretary spend the additional $6 million, though it is virtually certain that he will find the expenditure necessary. The amendment merely makes it much easier for the Secretary to make available the required funds quickly.

It should be understood by the Members that the $6 million is to be used for the "chemical treatments, sterile fly releases, nationwide surveys and to maintain any quarantines which are necessary" to which the Secretary referred in his letter to you, Mr. Chairman. These activities are more precisely described in a memorandum which APHIS has circulated on the Hill and which I am submitting for printing in the CONGRESSIONAL RECORD:

MEDITERRANEAN FRUIT FLY IN CALIFORNIA

BACKGROUND

The Mediterranean fruit fly (Medfly) is a destructive pest that attacks more than 200 varieties of host fruits, melons, and vegetables. It presently infests most major citrus-producing countries except the United States and Mexico. The Animal and Plant Health Inspection Service (APHIS) conducts a program to prevent sustained Medfly infestations in the continental United States, Virgin Islands, Puerto Rico, and north of the Isthmus of Tehuantepec in Mexico. The pest has been found in the United States on seven separate occasions in the last 50 years. These previous infestations were subsequently eradicated at a total Federal cost of over $20 million.

ECONOMIC SIGNIFICANCE

It is estimated that 81 percent of the citrus production in the United States falls in the zone in which the Medfly could become established if allowed to spread naturally. Losses in the citrus industry alone, based on a 1979 study, could range from $2.9 million to $22 million per year in California and from $70 million to $524 million nationwide, depending on the severity of the infestation.

Based on 1979 California production and control costs, production losses in all host crops would be many times this amount. In 1979, California harvested 2.4 million acres of host commodities, valued at $4.1 billion. Even at a very conservative 10 percent loss rate, costs to the agricultural industry there would exceed $400 million annually. Further, since California is a major source of exported citrus and other fruits, the United States could lose as much as one-half billion dollars in export markets due to foreign embargoes.

These damage estimates do not include costs for protective steps by other States or countries, such as quarantine, treatment, surveillance or inspection, which would likely be undertaken in any outbreak situation.

HISTORY OF CURRENT PROBLEMS

In early June 1980, APHIS confirmed that Medfly infestations existed in the Los Angeles and Santa Clara County, California, areas. APHIS, in cooperation with the State of California, immediately began extensive survey, regulatory, and control efforts to eradicate these infestations. Program efforts were successful in dealing with the outbreak in Los Angeles, and the pest was declared eradicated from that area in early December 1980.

The much larger Santa Clara County infestation has been more difficult to control. From June 1980 to January 1, 1981, the infestation was dealt with by utilizing full coverage foliar treatments of malathion using ground equipment, soil treatment with insecticides, and the release of sterile Medflies. These activities were not successful in eradicating the infestation in Santa Clara County. Based on USDA trapping reports, the number of wild Medflies and larvae was increasing in the originally infested area, which was growing significantly. USDA recommended immediate aerial spray to contain the infestation; opposition from communities in the area prevented this step. Because of this, California Governor Edmund G. Brown, Jr., declared a state of emergency on December 24, 1980, and on January 6, 1981, officials launched a full scale ground attack. Hundreds of California Conservation Corps workers, Federal and State employees, and local volunteers joined to strip all host fruit from a 50 square mile core area.

Fruit stripping was completed in the core area in February, and the large scale bait spray program using ground equipment was completed in late May. As warmer soil and air temperatures occurred it became evident that pupae had overwintered and regeneration was taking place. In a special meeting, the Mediterranean Fruit Fly Technical Advisory Group in Los Gatos and Sacramento, California, on July 7 and 8, 1981, voted unanimously to proceed with an aerial spray program in the Medfly-infested area in California. After initially rejecting the advisory group recommendations, Governor Brown ordered aerial spraying. Spraying began on July 14, 1981.

CURRENT SITUATION

It has been slightly over a year since the Medfly was detected in the Santa Clara Valley and California officials continue to

receive reports of new larval properties in the area. Fruit stripping and disposal and ground spraying conducted by the State supplement the cooperative aerial program.

Aerial spraying with malathion continues over the 150 square mile infestation. Random inspections of passenger vehicles leaving the regulated area produced large quantities of prohibited fruit daily. Infested materials may have moved into noninfested areas.

To prevent further artificial spread, State authorities, with APHIS support, have initiated several preventive measures. All commercial vehicles leaving the regulated area are stopped and their manifests checked to reduce the chances of artificial spread. Roadside fruit stands have been closed. Baggage and handbags leaving the area on Amtrak or through San Jose, San Francisco, and Oakland airports are inspected. Intensive trapping is conducted at 50 traps per square mile in the core area and at lesser intensities away from the core down to 10 traps per square mile on the periphery. All areas of potential infestation in the State will soon be monitored at the 5 trap per square mile level.

Release of sterile fruit flies has been halted during the spraying operation. Once aerial spraying is completed, intensive surveys will be conducted in the infested area to insure that eradication has been achieved. Ongoing nationwide surveys will be intensified to verify that the pest has not spread to other areas.

REQUIREMENTS FOR FISCAL YEAR 1982

The California Mediterranean Fruit Fly Emergency Program will continue into fiscal year 1982 and until this pest is eradicated from the continental United States.

A successful Medfly eradication program must combine treatment of the infestation with thorough followup work. Both the regulatory agencies and other threatened States must be convinced that eradication is complete. This can be accomplished in three steps.

(1) Chemical treatment supported by sterile fly release. The spray program should be complete before the beginning of fiscal year 1982. Sterile flies will be released through June 1982. The fiscal year 1982 cost of these operations is estimated at $1.8 million.

(2) Intensive quarantine of the infested area will continue until two insect generations after the last treatment (approximately 90 days). Careful monitoring of air, bus, freight, and shipping point terminals, as well as roadside inspection on the boundaries of the quarantine area, will continue until eradication is demonstrated. This includes treatment and certification of host commodities leaving the quarantine area. High intensity quarantine through November 1981 and a lower level through June 1982 will cost $1.8 million.

(3) The third phase of the Medfly eradication program will consist of nationwide surveys to ensure elimination of the infestation. This will be in addition to intensive trapping in the currently infested and adjacent areas. During the next growing season, all vulnerable production areas in the United States will be surveyed at a higher than usual level to ensure that the organism did not spread from California. The cost of this intensified surveillance and trapping will total $2.4 million in 1982.

Steps 2 and 3 are fully necessary components to an eradication program. The absence of fly or larvae detection, a sign of success, makes emergency funding more difficult to secure. Since the need is clear, it would be reasonable to have funds appropriated in the normal process.

California and USDA are cooperating in phases 1 and 2. Phase 3 is expected to be a cooperative effort between USDA and the producing States.

The costs above, totaling $6 million, represent our best estimate of Federal costs if such a program were implemented. California state spending for Medfly has reached $1.5 million per month and should continue at that rate through the program's conclusion.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., July 3, 1981.

As you are well aware, the Department is working with the State of California to eradicate the current infestations of Mediterranean fruit flies from the United States. Assuming the current infestations do not spread to the major cropland areas of California, we anticipate spending $5.7 million on eradication efforts in fiscal year 1981. These costs will be absorbed from existing appropriations. In fiscal year 1982, we anticipate an additional $6 million will be expended. These funds will be used for chemical treatments, sterile fly releases, nationwide surveys and to maintain any quarantines which are necessary. We expect to be able to carry out these activities within the fiscal year 1982 budget currently being considered by the Congress and therefore, do not require additional funding.

Maintaining the Department's policy of keeping the Committee advised of significant changes in our activities we will notify the Committee once a decision is reached on how these funds will be absorbed.

JOHN R. BLOCK.

Mr. WHITTEN. Mr. Speaker, will the gentleman yield to me?

Mr. FAZIO. I would be happy to yield to the chairman.

Mr. WHITTEN. May I say that I am glad my two colleagues are offering this amendment. Over the years our committee has dealt with the Mediterranean fruit fly, not only in California, but in Florida and Hawaii and elsewhere. It is one of the most devastating insects that can hit any area.

The committee certainly backs up all efforts to bring it under control.

The Department advised us by letter that they had ample funds, but I am glad to see the gentleman offer this amendment so that there can be no misunderstanding.

This is a national problem. After all, the producers are there, but the consumers are all over the United States.

So we are glad to accept this amendment and may I commend the gentleman again.

May I point out to my other colleagues from California that we have received permission at the outset for all Members to revise and extend their remarks.

Mrs. SMITH of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. FAZIO. I am more than happy to yield to the gentlewoman.

Mrs. SMITH of Nebraska. The minority shares the concern expressed about the Medfly.

Mr. LEWIS. Mr. Chairman, will the gentleman yield?

Mr. FAZIO. I yield to my colleague, the gentleman from California.

Mr. LEWIS. I thank my colleague.

I simply wanted to take a moment to express my deep appreciation to my colleagues from the committee, especially the chairman, the gentleman from Mississippi (Mr. WHITTEN), and my colleague, the gentlewoman from Nebraska (Mrs. SMITH) for their cooperation.

I wanted to bring to the attention of the House if the gentleman from California (Mr. FAZIO) will share with me for a moment the reality that this cooperation has come to us in spite of some parts of California itself. There is little question that experts in agriculture, both here and in our home State, are very aware of the incredible problem that has arisen as a result of the infestation of the Mediterranean fruit fly. Those experts have had answers and solutions for a long time now. Those solutions are before us not because, however, of our Governor, Jerry Brown, but in spite of him, for he has persisted in playing games in a political sense with this process.

I must say that in spite of that our people here in Washington have been willing to cooperate and extend their support as well as their dollars in funding.

So I appreciate the cooperation of the gentleman from California (Mr. FAZIO). I certainly hope that we get better support in the future from our Governor.

Mr. FAZIO. Well, the gentleman knows, I might have reclaimed my time, but I chose not to, because the gentleman's words are reflective of feelings that I share. I have been very critical of the inaction of the Government in the initial action not to spray Malathion in late June.

I am very pleased to see that my constituent, who is the State director of agriculture and his project director, have finally prevailed, and the initial decision has been overturned and we are now embarked on a fully cooperative program between the State and Federal agencies.

Before I conclude my remarks, I would simply like to say that I appreciate the gentleman's assistance in bringing about the leadership that would require the Federal Department of Agriculture in this instance to be willing to accede to congressional desires to see this funding explicitly mentioned in this bill.

I would like to thank the gentleman from California (Mr. SHUMWAY), who is on the floor now, and other Members on my side, particularly the gentleman from California (Mr. COELHO), the gentleman from California (Mr. MATSUI), the gentleman from California (Mr. PANETTA), and the gentleman from California (Mr. MINETA), who have also expressed a desire to be

clearly in favor of the position we have taken with this amendment.

In addition, I would like to yield to the gentleman from Kern County, Calif. (Mr. THOMAS), for any remarks the gentleman may wish to make.

Mr. THOMAS. Mr Chairman, I thank the gentleman from California.

I especially appreciate the remarks of the gentleman from California about the ability of our Governor to make timely decisions. It is always important that in a State that is viewed as a relatively conservative State that we have the willingness of the Federal Government to make right decisions, even when those folks in the State have some difficulty in determining what is the right decision.

I appreciate the willingness of the gentleman to make sure that the money is there to save California from itself.

Mr. FAZIO. Mr. Chairman, I want to thank the ranking minority member and the chairman for their assistance.

Mr. GOLDWATER. As a concerned California Member representing Ventura County's agriculture, I rise in support of my California colleague's amendment which would appropriate an additional $6 million for Federal efforts to eradicate the Mediterranean fruit fly. This amendment has the support of California's agriculture because they, like I, have given up hope on Governor Brown's ability to handle the crisis.

This pest, by threatening our $14 billion agriculture industry, could wreak economic disaster on our entire State. Sadly, Governor Brown could have acted decisively more than 9 months ago to eradicate the Medfly. Instead, Governor Brown chose to wait, and that waiting is costing California agriculture dearly.

The situation right now in California can only be described as chaotic. Farmers are scrambling to build fumigation chambers in anticipation of certification requirements, other States are attempting to quarantine California's produce, and agriculture is quite literally trying to save itself from bankruptcy.

Now, with California on the verge of catastrophe, the U.S. Department of Agriculture has got two gargantuan tasks ahead of it—saving California from the Medfly, and Governor Brown from himself.

● Mr. COELHO. Mr. Chairman, I applaud the efforts of my distinguished colleague from the Fourth District of California in his efforts to require continued Federal assistance in the cooperative effort by California and USDA to control and eradicate the Mediterranean fruit fly. It is my understanding that the Secretary of Agriculture estimates a need for $6 million for the eradication effort in California for fiscal year 1982, and we in Congress are responding to that request by the Secretary of Agriculture.

The current Medfly outbreak in California is a very serious crisis not only facing the $14 billion agriculture industry in California but all of the Nation. Effective and responsible efforts by both California and the Federal Government officials must be continued to eradicate this serious threat to the Nation's agriculture industry.●

● Mr. MINETA. Mr. Chairman, I wish to thank our colleagues Mr. FAZIO and Mr. LEWIS for the leadership they have exhibited in bringing this to the attention of the House.

I rise in support of this amendment, which appropriates no additional money, but simply earmarks a portion of the Department of Agriculture Animal and Plant Health Inspection Service's 1982 budget to be used for continuing efforts to control the Mediterranean fruit fly. This destructive pest is well established in many tropical and subtropical areas of the world, where its voracious appetite results in substantial fruit and vegetable production losses.

Just over 1 year ago, Medflies were discovered in two areas of California—Los Angeles and Santa Clara County. The southern infestation was brought under control relatively quickly, but in Santa Clara County the problem has proved to be more persistent. Throughout the past year, the State of California has carried out, with APHIS assistance, an active—and very expensive—program to eradicate this pest. In response to citizens' concerns about aerial spraying, this program relied on coordinated ground control methods, using fruit stripping, ground spraying, and release of sterile flies in order to interrupt the breeding cycle. The program has required, and has had, a remarkable level of citizen involvement and cooperation. For several months this spring, during which no wild flies or larvae were discovered, we were encouraged to think that this valiant effort had succeeded.

During the past month, however, it has become clear that the ground battle against the Medfly has failed. For those of us who have been involved in the battle, discovery of new larvae has been disheartening indeed—especially so because new finds have been concentrated in areas outside the original Medfly control zone. I did not approve of Federal pressure to initiate aerial spraying because I felt that we should give ground methods a chance in these new areas. Since then, however, new finds in even wider areas have convinced me that the pest has outrun our ground control capabilities, and that aerial spraying of Malathion is necessary to keep it from escaping altogether. One of the important lessons to be learned from this disappointing experience is the critical role of trapping. Adequate trap density, over a broad area, is the only way we have of knowing how widespread the problem is and whether our control methods, whatever they may be, are working.

This has been a local emergency with national implications. Fruit and vegetable growers from the rest of the State, as well as from other warm winter areas, continue to pay very close attention to our battle with the Medfly. Should this destructive pest escape, and become established in the productive farmland of California's central valley, the State would face losses of up to $2 billion. Because California leads the Nation in production of some 48 susceptible crops, this loss would immediately be reflected in higher consumer prices throughout the country. Spread of the pest to other areas, especially Florida and Texas, would be very difficult, and expensive, to prevent. Thus, it is in the interest of the entire Nation, from both the producer's and the consumer's viewpoint, to fight this pest vigorously.

This amendment would not channel funds into the current aerial spraying program, which should be complete before the end of this fiscal year. What it does do is assure adequate resources for the followup program which will continue well into next spring; $1.8 million would be made available for chemical treatments and sterile fly release, $1.8 million would be used to fund the quarantine and inspection operations, and $2.4 million would be spent on a nationwide trapping program to insure that the Medfly has not escaped the infested area. All of these programs are essential to protecting our national agricultural productivity,. and I urge your support of this amendment.●

● Mr. MATSUI. Mr. Chairman, I rise to support the amendment of my colleague and neighbor from California.

The Medfly problem in California has received national attention in recent weeks. It is a problem which poses an obvious and serious threat to agriculture in our State and to consumers across the country. I expect that before too long the issue will fade from the television networks' coverage and the pages of the national press. And we will be finding some immediate means to alleviate the problem. But that does not mean the problem will disappear.

As this problem was not created overnight, nor will it be solved overnight. I believe that the earmarking of this modest amount requested by the gentleman from California (Mr. FAZIO) for attention to the Medfly crisis will go a long way toward finding solutions in the long run, and to instilling confidence in the short run.

This amendment, Mr. Chairman, will not increase the amount of this appropriations bill. It will indicate

what a small portion of it will be devoted to; and I wholeheartedly urge the other Members to support it also.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from California (Mr. FAZIO).

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk continued to read title I.

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that the remainder of title I be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver?

Are there any amendments? If not, the Clerk will read title II.

The Clerk proceeded to read title II.

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title II be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver to title II?

If not, are there any amendments to title II?

The Clerk will report title III.

The Clerk proceeded to read title III.

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title III be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver to title III?

Are there amendments to title III?

If not, the Clerk will report title IV.

The Clerk proceeded to read title IV.

□ 1820

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title IV be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver to title IV?

Are there any amendments to title IV?

The Clerk will report title V.

The Clerk proceeded to read title V.

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title V be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver of title V?

Are there any amendments to title V?

If not, the Clerk will report title VI.

The Clerk proceeded to read title VI.

Mr. WHITTEN (during the reading). Mr. Chairman, I ask unanimous consent that title VI be considered as read and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

The CHAIRMAN. Are there any points of order not covered by the waiver to title VI?

Are there any amendments to title VI?

Mr. WHITTEN. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The motion was agreed to.

Accordingly the Committee rose, and the Speaker pro tempore (Mr. NATCHER) having assumed the chair, Mr. GORE, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill, H.R. 4119, making appropriations for agriculture, rural development, and related agencies programs for the fiscal year ending September 30, 1982, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill, as amended, do pass.

The SPEAKER pro tempore. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER pro tempore. Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. QUILLEN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 343, nays 33, not voting 57, as follows:

[Roll No. 166]

YEAS—343

Addabbo	Dymally	Jeffries
Akaka	Dyson	Jenkins
Albosta	Early	Johnston
Alexander	Eckart	Jones (NC)
Andrews	Edgar	Jones (OK)
Annunzio	Edwards (AL)	Jones (TN)
Anthony	Edwards (CA)	Kastenmeier
Ashbrook	Edwards (OK)	Kazen
Atkinson	Emerson	Kildee
AuCoin	Emery	Kindness
Bafalis	English	Kogovsek
Bailey (MO)	Erdahl	Kramer
Bailey (PA)	Erlenborn	LaFalce
Barnes	Ertel	Lantos
Beard	Evans (GA)	Latta
Bedell	Evans (IN)	Leach
Beilenson	Fary	Leath
Benedict	Fazio	LeBoutillier
Benjamin	Ferraro	Lee
Bennett	Fiedler	Lehman
Bereuter	Fields	Leland
Bethune	Findley	Lent
Bevill	Fish	Levitas
Biaggi	Fithian	Lewis
Bingham	Flippo	Livingston
Bliley	Florio	Loeffler
Boggs	Foglietta	Long (LA)
Boland	Foley	Long (MD)
Bolling	Ford (MI)	Lott
Boner	Ford (TN)	Lowery (CA)
Bonior	Forsythe	Lowry (WA)
Bouquard	Fountain	Luken
Bowen	Fowler	Lundine
Breaux	Fuqua	Madigan
Brinkley	Garcia	Markey
Brooks	Gaydos	Marks
Broomfield	Gejdenson	Marlenee
Brown (CO)	Gephardt	Marriott
Broyhill	Gibbons	Martin (IL)
Burgener	Gilman	Martin (NC)
Burton, Phillip	Gingrich	Martin (NY)
Butler	Ginn	Matsui
Byron	Glickman	Mattox
Campbell	Goldwater	Mavroules
Carman	Gonzalez	Mazzoli
Carney	Goodling	McClory
Chappell	Gore	McCloskey
Cheney	Gramm	McCollum
Chisholm	Green	McCurdy
Clausen	Guarini	McDade
Clay	Gunderson	McEwen
Clinger	Hagedorn	McGrath
Coats	Hall (OH)	McHugh
Coelho	Hall, Ralph	McKinney
Coleman	Hall, Sam	Mica
Collins (IL)	Hamilton	Michel
Conte	Hammerschmidt	Miller (CA)
Corcoran	Hance	Mineta
Coughlin	Harkin	Mitchell (MD)
Courter	Hartnett	Mitchell (NY)
Coyne, James	Hatcher	Moakley
Coyne, William	Hawkins	Moffett
Crockett	Heckler	Molinari
Daniel, Dan	Hefner	Mollohan
Daniel, R. W.	Heftel	Montgomery
Danielson	Hendon	Moore
Daschle	Hertel	Moorhead
Daub	Hightower	Morrison
Davis	Hiler	Murtha
Dellums	Hillis	Myers
Derrick	Hollenbeck	Napier
Derwinski	Hopkins	Natcher
Dingell	Howard	Neal
Dixon	Hoyer	Nelligan
Donnelly	Hubbard	Nelson
Dorgan	Huckaby	Nichols
Dornan	Hunter	Nowak
Dowdy	Hutto	O'Brien
Downey	Hyde	Oakar
Duncan	Ireland	Oberstar
Dunn	Jeffords	Obey

Ottinger	Schulze	Traxler
Oxley	Schumer	Trible
Panetta	Seiberling	Udall
Parris	Sensenbrenner	Vento
Pashayan	Shamansky	Walgren
Patman	Sharp	Walker
Patterson	Shaw	Wampler
Pease	Shelby	Washington
Perkins	Shuster	Watkins
Petri	Siljander	Waxman
Peyser	Skeen	Weber (MN)
Pursell	Skelton	Weber (OH)
Quillen	Smith (AL)	White
Rahall	Smith (IA)	Whitehurst
Rangel	Smith (NE)	Whittaker
Ratchford	Smith (NJ)	Whitten
Regula	Snowe	Williams (MT)
Reuss	Snyder	Wilson
Richmond	Solomon	Winn
Rinaldo	Spence	Wirth
Roberts (KS)	St Germain	Wolf
Roberts (SD)	Stangeland	Wolpe
Robinson	Stanton	Wortley
Rodino	Stark	Wright
Roe	Stenholm	Wyden
Roemer	Stokes	Wylie
Rogers	Stratton	Yates
Rose	Studds	Yatron
Rostenkowski	Swift	Young (AK)
Roth	Synar	Young (FL)
Roybal	Tauke	Young (MO)
Sabo	Tauzin	Zablocki
Sawyer	Taylor	
Scheuer	Thomas	

NAYS—33

Archer	Gradison	Murphy
Badham	Hansen (ID)	Paul
Brodhead	Holt	Porter
Craig	Hughes	Ritter
Crane, Daniel	Jacobs	Roukema
Crane, Philip	Lagomarsino	Rudd
Dannemeyer	Lujan	Schroeder
Dicks	Lungren	Shumway
Dreier	McDonald	Smith (OR)
Fascell	Miller (OH)	Stump
Fenwick	Mottl	Weiss

NOT VOTING—57

Anderson	Dougherty	Pritchard
Applegate	Dwyer	Railsback
Aspin	Evans (DE)	Rhodes
Barnard	Evans (IA)	Rosenthal
Blanchard	Frank	Rousselot
Bonker	Frenzel	Russo
Brown (CA)	Frost	Santini
Brown (OH)	Gray	Savage
Burton, John	Gregg	Schneider
Chappie	Grisham	Shannon
Collins (TX)	Hansen (UT)	Simon
Conable	Holland	Solarz
Conyers	Horton	Staton
Cotter	Kemp	Vander Jagt
D'Amours	Mikulski	Volkmer
de la Garza	Minish	Weaver
Deckard	Pepper	Whitley
DeNardis	Pickle	Williams (OH)
Dickinson	Price	Zeferetti

□ 1830

The Clerk announced the following pairs:

Mr. de la Garza with Mrs. Schneider.
Mr. Zeferetti with Mr. Railsback.
Mr. Applegate with Mr. Vander Jagt.
Mr. Price with Mr. Rousselot.
Mr. Conyers with Mr. Frenzel.
Mr. Rosenthal with Mr. Grisham.
Mr. Solarz with Mr. Dickinson.
Mr. Santini with Mr. Chappie.
Mr. Shannon with Mr. DeNardis.
Mr. Holland with Mr. Kemp.
Mr. Barnard with Mr. Deckard.
Mr. Pepper with Mr. Williams of Ohio.
Mr. Whitley with Mr. Brown of Ohio.
Mr. Aspin with Mr. Evans of Delaware.
Mr. Volkmer with Mr. Staton of West Virginia.
Mr. Simon with Mr. Pritchard.
Mr. Russo with Mr. Horton.
Ms. Mikulski with Mr. Evans of Iowa.
Mr. Pickle with Mr. Gregg.
Mr. D'Amours with Mr. Hansen of Utah.
Mr. Brown of California with Mr. Conable.
Mr. Minish with Mr. Collins of Texas.
Mr. Dwyer with Mr. Gray.
Mr. John L. Burton with Mr. Dougherty.
Mr. Blanchard with Mr. Bonker.
Mr. Frank with Mr. Frost.
Mr. Weaver with Mr. Savage.

Mr. HANSEN of Idaho and Mr. CRAIG changed their votes from "yea" to "nay."

Mr. REUSS and Mr. DERWINSKI changed their votes from "nay" to "yea."

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERMISSION FOR COMMITTEE ON GOVERNMENT OPERATIONS TO SIT ON THURSDAY, JULY 30, 1981, DURING 5-MINUTE RULE

Mr. BROOKS. Mr. Speaker, I ask unanimous consent that the Committee on Government Operations be permitted to sit on Thursday, July 30, 1981, during the 5-minute rule.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

Mr. MICHEL. Reserving the right to object, Mr. Speaker—and I shall not—under my reservation I would simply like to mention, as I understand the situation, the gentleman from Texas has deferred to the wishes of the gentleman from New York (Mr. HORTON) to delay that committee meeting until Thursday when Mr. HORTON will be able to participate in whatever proceedings are to take place and that the gentleman from Texas is now making a unanimous-consent request, as is required, to have that committee sit during the 5-minute rule on Thursday.

It is my further understanding, in consultation with Mr. Meese, at the White House, that there will hopefully be some accommodation arrived at by the time the gentleman's committee meets, and for that reason I would not object to the gentleman's request.

Mr. MOFFETT. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I yield to the gentleman from Connecticut.

Mr. MOFFETT. Mr. Speaker, may I thank the distinguished minority leader for his help on this matter. Perhaps we will not even need the meeting with the benefit of his help.

Mr. MICHEL. I thank the gentleman. I certainly hope the matter can be amicably resolved.

I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

Mr. WALKER. Reserving the right to object, Mr. Speaker, I just reserve the right to object, and I shall not object, but I just want to find out whether or not the program would be as the gentleman previously outlined the program before the committee at the other point when he brought up this unanimous-consent request?

Mr. BROOKS. That is correct.

Mr. WALKER. I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

TAX CUT—A FRAUD UPON THE AMERICAN PEOPLE

(Mr. OTTINGER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. OTTINGER. Mr. Speaker, a tax cut of any kind at this time would be a fraud upon the American people. I cannot support a tax cut, be it the Democratic, Republican, or liberal version.

The administration has proposed, and Congress has supported, an unprecedented peacetime military buildup, contemplating expenditures of a trillion and a half dollars over the next 5 years. This is three times the Vietnam war expenditure in real dollars. President Johnson's unwillingness to run the political risks of paying for the Vietnam buildup is acknowledged by virtually all economists to have been the principal cause of our severe post-Vietnam inflationary problems.

The economic facts of life are simply that you cannot have a trillion and a half dollar military budget buildup, cut taxes, and have anything but runaway inflation. The tax breaks pretended to be offered the American people will dissolve instantaneously in erosion of the value of the dollar and soaring interest rates that will cripple the economy.

Indeed, the Reagan tax cut proposal is far more dangerous than President Johnson's because the economic circumstances of the country are far more adverse. Johnson's inflation rate was just 2 percent; his interest rate was a then-normal 6 percent; his economy was healthy and growing. If his actions eventually proved devastating to a healthy economy, what will Reagan's plan do to our faltering economy? Consider, too, that Reagan's military expenditure proposals are three times Johnson's and he is proposing tax cuts not proposed by Johnson.

I think that the defense budget increases are idiotic in view of the needs of our domestic economy and the fast erosion of our competitiveness with Japan and Europe—and in view of our

real national security needs which depend far more on efforts to avoid war, on reaching SALT agreements to limit military increases, on upgrading military manpower, and on becoming energy independent than on the hugely expensive pork barrel military equipment buildup proposed by Reagan and Congress.

It is clear, however, from the overwhelming congressional support given to the defense budget increases, that my defense views will not prevail. So, a skyrocketing defense budget must be taken as a given, and if that is so, then it simply must be paid for. I firmly believe that our economy and our people would be far better off paying for it through taxes than through inflation, the most damaging and inequitable tax of all.

There is another insidious aspect of the tax cut packages that are put before us. If they are adopted, then deficits of frightening proportions seem assured. Indeed, the Reaganomic plan contemplates budget shortfalls of more than $87 billion over the next 2 years, which the President and Mr. Stockman propose be alleviated through more draconian budget cuts. When you contemplate the enormous damage done by the $37 billion in cuts just passed by Congress to the social and economic infrastructure of the country, just think about what $87 billion more in cuts will do to jobs, retirement incomes, education, mass transportation, health care, our cities, energy research, and other programs vital to our future. I doubt such grave additional damage will be voted by Congress.

But the tax cuts will certainly force some additional cuts on top of the cuts already inflicted on vital programs, and on that basis alone the tax cuts should be opposed.

This leads one to ask where are our Democrats, liberal or otherwise? Why do the Democrats keep coming up with measures that are carbon copies of the Republican philosophy, with just minor rearrangement of the chairs on the deck of the Republican Titanic? Democrats should be proposing real alternatives to Republican disaster prescriptions, not just Democratic tax and budget cuts that are a little less damaging.

Mr. Speaker, I am dismayed at the Republican tax cut, but I am not surprised at its giveaways to the oil companies and other special interests. I am more dismayed, if anything, at the Democratic proposal which seeks to outbid the Republican giveaway for votes. I am most dismayed at the so-called liberal package that, while its focus is far better, still adopts as its basis the economically suicidal notion that we should have general tax cuts in the face of the kind of defense buildup that has been voted by Congress.

A plague on all your houses, I say. I will not support any of this nonsense and predict that those who do will rue the day.

WILLA CATHER GOLD MEDALLION

(Mrs. SMITH of Nebraska asked and was given permission to address the House for 1 minute, to revise and extend her remarks and include extraneous matter.)

Mrs. SMITH of Nebraska. Mr. Speaker, Nebraska has been singularly honored by the selection of the renowned authoress, Willa Cather of Red Cloud, Nebr., as one of two outstanding individuals in the American arts for the 1981 American Arts Gold Medallions to be sold and circulated by the Bureau of the Mint. The other author to be so honored this year is Mark Twain.

The Bureau's tribute to Willa Cather in announcing the selection tells why Nebraskans and the leaders of the literary world are so proud of her and the distinct contribution she has made to the arts. In Nebraska, we honor her each day through the Willa Cather Pioneer Memorial in Red Cloud, visited by hundreds of people in and out of the State each year, but this new honor should spark wider interest in her work and the place she holds in American literature.

I commend the following article on Willa Cather to my colleagues:

WILLA CATHER

Pioneer women helped to create a country out of an idea and in so doing, Willa Cather believed, exhibited unique, creative and forceful attributes. Willa Cather characterized such a woman in My Antonia, the young immigrant pioneer who is portrayed on the reverse of the 1981 half-ounce American Arts gold medallion. The theme of the human struggle against the Nebraska Prairie was often equated by Willa Cather to that of the artist striving to dedicate one's life to art. Both subjects were personal if not autobiographical and often appear in this author's writings.

Willa Cather, born near Winchester, Virginia, in 1873, moved at a young age to the open, virgin land near Red Cloud, Nebraska, where "the red of the grass made all the great prairie the color of winestains . . . And there was so much motion in it; the whole country seemed, somehow, to be running." Like their immigrant neighbors who lived in sod homes, she "had the feeling that the world was left behind, that (they) had got over the edge of it and were outside man's jurisdiction."

The remoteness of this locale held a grasp on Willa Cather throughout her life, yet "the need to know the world before (she) could know the village" drove her to seek education, work and travel. While attending the University of Nebraska, her first published work appeared. "Up to that time I had planned to specialize in science . . . to study medicine," she wrote, "but what youthful vanity can be unaffected by the sight of itself in print!" For the remainder of her college career, she held the post of drama critic for two city newspapers. It was commented that "her biting frankness" made her famous among actors, and many wondered what would appear "from the pen of that young girl of whom all of them had heard."

Just out of college in 1895, she secured the position of editor for the Pittsburgh magazine, Home Monthly. In this city she continued her journalistic career for ten years. As an aspiring writer, she wanted to break away from the daily drudgery of earning a living in journalism. She spent a short time teaching in a high school and in 1903 published April Twilights, a book of poems. The Troll Garden which soon followed brought her the editorship of McClure's Magazine in New York City and an invitation to attend Mark Twain's seventieth birthday celebration. By the end of World War I she had published O Pioneers!, a work which established her most successful literary reference. One of Ours received the Pulitzer Prize for 1922; yet it was her 1918 work, My Antonia, which was judged by H. L. Mencken and later critics as "the finest thing of its sort ever done in America."

Death Comes for the Archbishop and Shadows on the Rock, both written in the late 1920's, paint a different locale but again reveal Willa Cather's fascination with early settlers.

The last decades of her life, before her death in 1947, brought many literary honors to Willa Cather. During this time she often voiced a critical note about the effect of technical advancement upon individual energy. The pioneer spirit remained for her the most noble exhibit of human creativity. Her works remain today as documents of the pioneer achievements of those who immigrated to this country and built a nation.

AMENDMENT NEEDED TO PERMIT PUBLICATION OF COLOR PHOTOS OF CURRENCY

(Mr. McCLORY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. McCLORY. Mr. Speaker, I am today introducing a bill that will remove from current law two unnecessary burdens upon legitimate publishers. These burdens, no longer justified, are contained in technical restrictions of 18 U.S.C. 504 against those printing facsimile of monetary instruments.

The first restriction which my bill would remove from 18 U.S.C. 504 is its prohibition against use of color in reproducing facsimile of monetary instruments. The second restriction the bill would delete is the prohibition against publishing the facsimile of monetary instruments for advertising purposes; 18 U.S.C. 504 was enacted at a time when quality publishing was the domain of comparatively few highly skilled professionals. Because of the danger of counterfeiting, it was necessary to restrict the kinds of plates that these skilled printers could manufacture.

But now to continue to prohibit color reproduction of monetary instruments by legitimate publishers fails to recognize that times have changed. Quality publishing is by and large in

color and no longer an elite technology. With its skills in such wide circulation, a restriction against color reproduction is a burden only on the legitimate, law-abiding printer.

The prohibition against using a facsimile of currency for advertising purposes would no longer seem to have meaning today upon the prevention of counterfeiting. In a September 28, 1980, article, the Chicago Sun-Times quotes one Secret Service spokesman as indicating that increasing technical violations of the ban on advertising use make enforcement more difficult. Just as magazine and newspaper publishers often wish to dramatize a point by using a facsimile of currency, advertisers often will do likewise to promote some aspect of their product, more than likely ignorant that this could be a technical violation of 18 U.S.C. 504. I say technical violation because prosecution appears to be arbitrary and not at all certain. As an attorney for the Secret Service is quoted by the Sun-Times:

Absent certain circumstances, we do not go out looking for these things. This is not an area we generally seek business in.

It is noteworthy that current 18 U.S.C. 504 already permits illustrations of stamps and paper money to be used in numismatic and philatelic advertising. Moreover, my bill continues to prohibit the reproduction of currency at its actual size.

Mr. Speaker, I urge this bill be considered favorably.

□ 1845

TAX BILL PROGRESS

The SPEAKER pro tempore (Mr. RAHALL). Under a previous order of the House, the gentleman from Georgia (Mr. GINGRICH) is recognized for 60 minutes.

Mr. GINGRICH. Mr. Speaker, it is a real pleasure to be speaking this evening about an hour and 10 minutes before the President of the United States will address the country on the issue of tax cuts and turning the American economy around.

The President, I am certain, will explain to us that he is concerned with economy recovery, with creating jobs, with fighting inflation, and with developing what once upon a time was called prosperity, and that he has a tax bill, the Conable-Hance bill, which President Reagan supports, which is essentially an economic bill designed to develop more jobs, to allow people to have more real take-home pay, and to fit into a general economy recovery plan.

I am very pleased this evening to be able to put into the RECORD the statement of the Honorable Normal B.. Ture, the Under Secretary of Treasury for Tax and Economic Affairs, which was made this morning before the Republican House Task Force on Economic Policy.

Dr. Ture is an expert on taxes and economics. He is one of the founders of the supply-side school of economics, and I think if I may quote from his statements, which I will insert at the end of my special order, that he as much as anybody has drawn the lines between the Rostenkowski-O'Neill tax bill and President Reagan's efforts on a bipartisan basis with Mr. CONABLE and Mr. HANCE to develop a genuine economic recovery tax bill.

Dr. Ture points out, and I quote:

The Conable-Hance bill has been designed to provide families at all income levels with meaningful and permanent tax relief. It is the only bill now being offered which does this.

Dr. Ture continues:

The President's tax program is the only plan which will provide real long-term tax relief for the American people. Because it includes indexing, the Conable-Hance tax cut will not be repealed by bracket creep and inflation. The President and Members of Congress of both parties who support the bipartisan bill are making this pledge. We will get your tax rates down, we will keep your tax rates down, there will be no hidden tax increases, there will be no ifs ands or buts about it.

In other words, the Reagan tax program is clear. It is long term. It is permanent and is a genuine tax cut.

Dr. Ture goes on then to explain the alternative and I quote:

By contrast the Ways and Means bill is a temporary 2-year, 15-percent tax cut which turns into a tax increase in 1984. It is not even large enough to offset built-in tax increases of about 22 percent due to bracket creep and higher payroll tax between now and 1984. The Ways and Means bill is not a real tax cut at all, unless you only plan to live for two more years.

I mentioned earlier today in a 1-minute speech the distinction that President Reagan has drawn as the reason we were wearing the button that says, "I plan to live." President Reagan's tax cut is a real tax cut for your lifetime, it genuinely changes the Tax Code permanently.

On the other hand, the Rostenkowski-O'Neill tax bill is a short-term gimmick designed to buy time and then after time taxes go back up. The difference is immense. In the long run, in fact, as Dr. Ture points out, the Rostenowski-O'Neill bill actually increases the steepness of bracket creep. It actually means that if you get pay raises in the future, the jump will be higher and steeper. The way he puts it, and I quote:

The Ways and Means bill has a shock in store for middle bracket taxpayers, some of the biggest stepups in tax rates from one tax bracket to the next ever to appear in the tax code. Middle-income taxpayers filing joint returns would find themselves leaping through brackets in which they pay 25 percent, 34 percent, 41 percent, and 48 percent of additional income to the Government. Stepups of 9, 7, and 7 percentage points in taxable incomes of $30,300 and $46,200.

In other words, after 2 brief years of delay, under the Rostenkowski-O'Neill bill, suddenly you start leapfrogging into higher and higher brackets.

Dr. Ture compares the Rostenkowski-O'Neill tax increases with the World War II surcharges. Frankly, since I was born in 1943 this is history to me, but I think it is relevant history for everyone who lived through it and it is relevant history for everyone who wants to learn from it.

In World War II, faced with this Nation's greatest crisis, we had a tax surcharge which carried taxpayers from 22 to 47 percent, with six steps in between. They did it over a span that was almost three times as wide as the span in the Rostenkowski-O'Neill bill.

In other words, without a war, in peacetime, the Rostenkowski-O'Neill bill is going to leapfrog us higher and higher at a very rapid rate. It is in effect a bill which encourages you to get a pay cut rather than a pay raise.

Dr. Ture concludes, and I quote:

This is a clear demonstration of the cynical intent of the Ways and Means bill, to give a tax cut next year while rigging the tax code to take it all back at record rates just as quickly as possible. Nothing could be plainer. The committee's bill provides the form, not the substance, of incentive tax reduction.

I am inserting Dr. Ture's testimony in the CONGRESSIONAL RECORD because I believe that every American who is concerned about the decay of our economy, about high interest rates, about high unemployment, every American who wants to see us go back to an economy to become again a country in which you can work and save and in which you can get a pay raise and keep the raise, every American should read what Dr. Ture says.

Tonight President Reagan will address us. On Wednesday this House will decide. We do have an opportunity to genuinely change history in the next few days. A tax gimmick or a genuine tax cut, more decay, or return to real jobs and real opportunity.

The choice is ours.

The statement referred to follows:

STATEMENT OF THE HONORABLE NORMAN B. TURE, UNDER SECRETARY OF THE TREASURY FOR TAX AND ECONOMIC AFFAIRS

Mr. Chairman and Members of the Task Force, on July 25, Representatives Conable and Hance introduced a bipartisan tax reduction proposal which has the enthusiastic support of the Reagan Administration. The Conable-Hance bill will produce a real across-the-board multiyear reduction in marginal tax rates for individuals and meaningful investment incentives to restore the competitive edge of American industry here at home and around the world. This bill will do more to restore incentives to work, save, and invest than any other tax reduction bill in our history. Similarly, it will do more to promote job creation, productivity growth, and rising real wages for years to come.

The Conable-Hance bill contains important provisions targeted at stimulating investment in plant and equipment. Accelerated depreciation and an enhanced investment tax credit are designed to promote modernization and expansion of American productive capacity, all the way from our basic industries to the small businesses which create the majority of the Nation's jobs. These investment incentives are immediate, powerful, and certain, far more so than those in the Ways and Means Committee alternative. The Ways and Means bill relies heavily on promises of corporate tax reduction many years down the road. Industry will not respond to such promises of future relief dragged out of a reluctant committee. Industry needs tax relief it can count on, and it needs it now.

The Conable-Hance bill has been designed to provide families at all income levels with meaningful and permanent tax relief. It is the only bill now being offered which does this.

The Conable-Hance bill provides a full three years of personal tax rate reductions totaling 25 percent across the board. These reductions are permanent reductions, guaranteed to be permanent by the adoption of tax indexing, the annual adjustment of the tax brackets and personal exemptions for inflation. This will end the hidden tax increases that result when cost of living increases push taxpayers into higher brackets—the hidden tax increases which have robbed Americans of every one of the five so-called tax cuts of the last ten years. The President's tax program is the only plan which will provide real long-term tax relief for the American people.

Because it includes indexing, the Conable-Hance tax cut will not be repealed by bracket creep and inflation. The President and the Members of Congress of both parties, who support the bipartisan bill are making this pledge:

We will get your tax rates down.

We will keep your tax rates down.

There will be no hidden tax increases.

There will be no "ifs," "ands," or "buts" about it.

That is the sort of tax program which provides the steadiness of policy and certainty of tax relief which is absolutely necessary for a strong economy so that people can be secure in their jobs, in their household budgets, and in their savings for their retirement, home, or education.

By contrast, the Ways and Means bill is a temporary, two-year 15 percent tax cut, which turns into a tax increase in 1984. It is not even large enough to offset built-in tax increases of about 22 percent due to bracket creep and higher payroll taxes between now and 1984. The Ways and Means bill is not a real tax cut at all (unless you only plan to live for two more years).

A Treasury Department analysis shows that families at virtually every income level will receive a deeper tax cut, face lower tax rates, and enjoy a greater increase in income and living standards under the Conable-Hance bill than under the Ways and Means alternative. That may sound surprising, but it is true.

During the last few days, there have been a lot of claims about tax cuts for some individuals being larger in the early years of the Ways and Means Committee bill than under the bipartisan proposal. However, these numbers came from comparing the whole two-year, 15 percent Ways and Means bill with only part of the bipartisan proposal. The Conable-Hance bill, with its third year of guaranteed tax rate reduction, is a deeper cut in 1984 and each year thereafter, throughout the $15,000 to $50,000 middle-income range which the House leadership claims to be helping. (See Table 1.)

There has been a lot of talk about how the Ways and Means Committee is targeting the tax cut to those earning between $15,000 and $50,000. That talk is fiction, not fact. The truth of the matter is that what the Ways and Means Committee has really targeted at those earning between $15,000 and $50,000 is another decade of rising taxes.

To a family now earning $15,000, the Ways and Means bill gives $22 more in 1982 than the Conable-Hance bill and $25 more in 1983. But in 1984 the Ways and Means bill gives $73 less than the Conable-Hance bill. In 1985 it gives $129 less. In 1986 it gives $183 less. And the difference keeps growing because the Ways and Means bill does not include indexing for inflation.

This same pattern is true all across the board.

With all this phony talk about targeting, the Ways and Means Committee is hoping to target people's attention on the first two years of the bill so they will forget about all the rest. It is hoping they will look at the $47 in the first two years and forget about the $385 in the next three.

Not only is the Ways and Means tax cut inadequate, its reductions are temporary. By 1983, the Ways and Means tax cut is finished. Taxes start to rise again due to inflation and the resulting bracket creep. Even if the tentative third year of the Ways and Means bill is triggered, which is virtually impossible given the expensive budget-busting baggage which the Committee attached to it, taxes would turn up in 1984.

In fact, the real test of a tax cut is not what it does compared to current law, which has rising taxes built into it. The true test is what it does compared to the taxes the individual is paying now. Tables 2 and 3 show, in today's dollars, the real income tax payments and the changes in real after-tax income from current levels for middle-income taxpayers under the two bills. It shows clearly that the Ways and Means tax cut peaks in 1983, is substantially repealed by bracket creep by 1984, and is completely wiped out by 1985 for people now earning $15,000, and by 1986 for everyone earning between $20,000 and $30,000. These taxpayers will be worse off in just a few years than they are today.

Furthermore, the way that the Ways and Means bill has twisted the tax rates and rewritten the tax schedules, it makes sure that taxes will rise faster in the 1980's for millions of Americans than ever before. This perverse result in the Ways and Means bill comes from its increasing the zero bracket amount—the old standard deduction—and paying for this nonincentive tax cut with smaller reductions in the marginal tax rates in most of the brackets.

Tables 4 and 5 show this clearly. The Ways and Means brackets are shifted upward by $400 for joint returns and $200 for single returns compared to current law brackets, reflecting the changes in the zero bracket amounts. These shifts have practically no beneficial effect on incentives. They represent the equivalent of one or two months' cost of living adjustment for the typical worker, delaying for only a few weeks the worker's move into a higher tax bracket with higher disincentives.

Except for the shift in the zero bracket amount, the actual tax rate structure is as high or higher in each bracket under the Ways and Means bill than under the bipartisan bill, a fact of major adverse consequences for the economy. This higher rate structure reduces incentives to work, save, and invest.

This is another attempt to redistribute income, just like all the run-of-the-mill tax bills of the last 10 years, rather than increase incentives for real growth. This effort is doomed to failure. Without indexing, the value of the one-time increase in the zero bracket amount will be undone by inflation, and the higher marginal tax rates in the Ways and Means bill will capture a large slice of any pay increase.

Those who receive cost-of-living increases will face a truly staggering tax burden within a few years. In every tax bracket, every cost-of-living increase and every real pay increase will be taxed more heavily by the Ways and Means bill; in some brackets, the tax bite will be as much as 10 points higher under the Ways and Means bill. The only way for a taxpayer whose income is changing to do better under the Ways and Means bill is for the change to be a pay cut!

The Ways and Means bill has a shock in store for middle bracket taxpayers—some of the biggest step-ups in tax rates from one tax bracket to the next ever to appear in the tax code. Middle-income taxpayers filing joint returns would find themselves leaping through brackets in which they pay 25 percent, 34 percent, 41 percent, and 48 percent of additional income to the government, step-ups of 9, 7, and 7 percentage points between taxable incomes of $30,300 and $46,200. The corresponding rates under the Conable-Hance bill are 24 percent, 28 percent, and 38 percent, respectively.

Under the Ways and Means bill, at $30,300 taxpayers filing jointly are in the 25 percent tax bracket, keeping 75 cents of each additional dollar earned. At $30,301, they leap to the 34 percent bracket, a 9 point jump. They would keep only 66 cents of each additional dollar earned. But even that would not last long. The 34 percent bracket is only $5,300 wide. It would take only two years of 8 percent cost-of-living or real wage increases to push those taxpayers into the 41 percent bracket, a 7 point jump starting on the $35,601st taxable dollar earned. The taxpayers would keep only 59 cents on an added dollar of income. Even that would not last. Only 3½ years later the taxpayers would cross into the 48 percent bracket, another 7 point jump, and keep only 52 cents on added dollar of income.

Never before have tax rates risen so steeply. The uphill climb through the tax rates turns into a sheer rock cliff in the path of families who are not far above current median income levels. By the end of the decade, the majority of taxpayers would be facing that wall. Furthermore, to all these disincentives must be added the burden of State and local taxes.

Even the World War II surcharges, which carried taxpayers from the 22 percent bracket ($2,000–$4,000) to the 47 percent bracket ($14,000–$16,000) with only a $10,000 increase in income, had the courtesy to do it in six steps. Furthermore, $10,000 in the mid-1940's was worth $40,000 in today's dollars. The Ways and Means bill produces nearly the same rate increase in three steps over a $16,000 income range.

This is a clear demonstration of the cynical intent of the Ways and Means bill—to give a tax cut next year while rigging the tax code to take it all back in at record rates just as quickly as possible. Nothing could be

plainer. The Committee's bill provides the form—not the substance—of incentive tax reduction.

As if final proof were needed, the Ways and Means bill merges all current tax brackets above $60,400 in taxable income, and taxes them at the current maximum earned income tax rate of 50 percent. The Conable-Hance bill preserves four of these five current brackets, raising rates far more gradually to 42 percent at $60,400, to 45 percent at $85,600, to 49 percent at $109,400, and to 50 percent at $162,400.

Without any doubt, the Ways and Means bill would produce far less incentive for personal saving, and far less switching out of tax sheltered activity into more efficient taxable investment, than the Conable-Hance proposal. Billions of dollars of economic growth and revenue gains would be thrown away for a cosmetic twisting of the tax code for political ends.

The Ways and Means game plan is very simple. They want to toss a bone to the American taxpayer today and take it back with a pound of flesh attached tomorrow. They are trying to buy off the tax revolt for a year or two, hoping it will go away so they can start inflating government spending again and get back to government-as-usual. This must not be allowed to happen. The marginal tax rate reductions and indexing in the Conable-Hance bill can prevent it.

TABLE 1.—CHANGES IN TAX LIABILITY FROM CURRENT LAW UNDER CONABLE-HANCE TAX BILL, INDEXED BEGINNING JAN. 1, 1985, AND UNDER THE WAYS AND MEANS COMMITTEE PROPOSAL, SELECTED LEVELS OF INCOME—1-EARNER FAMILY OF 4

	Year				
	1982	1983	1984	1985	1986
1980 wage level—$15,000:					
President's tax cut	−$191	−$328	−$449	−$526	−$599
Ways and Means proposal	−213	−353	−376	−397	−416
1980 wage level—$20,000:					
President's tax cut	−282	−520	−700	−821	−963
Ways and Means proposal	−319	−547	−597	−646	−699
1980 wage level—$25,000:					
President's tax cut	−390	−742	−995	−1,201	−1,401
Ways and Means proposal	−491	−817	−892	−972	−1,050
1980 wage level—$30,000:					
President's tax cut	−546	−1,051	−1,398	−1,677	−1,961
Ways and Means proposal	−698	−1,139	−1,245	−1,298	−1,337
1980 wage level—$40,000:					
President's tax cut	−907	−1,745	−2,345	−2,782	−3,203
Ways and Means proposal	−998	−1,474	−1,514	−1,551	−1,586
1980 wage level—$50,000:					
President's tax cut	−1,270	−2,524	−3,390	−4,002	−4,591
Ways and Means proposal	−1,180	−1,651	−1,676	−1,700	−1,721

Note.—1980 wage levels are increased by the Consumer Price Index included in the administration's midsession review to yield the equivalent real income in 1982, 1983, and 1984.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

TABLE 2.—REAL TAX LIABILITIES AT SELECTED LEVELS OF 1980 WAGES UNDER THE CONABLE-HANCE BILL AND UNDER THE WAYS AND MEANS COMMITTEE BILL ASSUMING 3D-YEAR CUTS ARE NOT TRIGGERED—1-EARNER FAMILY OF 4

[1980 dollars]

	Year				
	1982	1983	1984	1985	1986
1980 wage of $15,000:					
President's tax proposal	1,224	1,178	1,148	1,148	1,148
Ways and Means proposal	1,205	1,158	1,203	1,242	1,276
1980 wage of $20,000:					
President's tax proposal	1,993	1,893	1,845	1,845	1,845
Ways and Means proposal	1,962	1,871	1,924	1,973	2,030
1980 wage of $25,000:					
President's tax proposal	2,887	2,738	2,677	2,677	2,677
Ways and Means proposal	2,801	2,678	2,755	2,844	2,923
1980 wage of $30,000:					
President's tax proposal	3,899	3,680	3,599	3,599	3,599
Ways and Means proposal	3,769	3,610	3,716	3,877	4,038
1980 wage of $40,000:					
President's tax proposal	6,317	6,016	5,916	5,916	5,916
Ways and Means proposal	6,239	6,234	6,552	6,817	7,052

Note.—1980 wage levels are increased by the Consumer Price Index included in the administration's midsession budget review to yield the equivalent real income levels in 1982, 1983, 1984, 1985, and 1986.

TABLE 3.—CHANGES IN REAL AFTER-TAX INCOME SINCE 1980 AT SELECTED LEVELS OF 1980 WAGES UNDER THE CONABLE-HANCE TAX BILL AND UNDER THE WAYS AND MEANS COMMITTEE BILL ASSUMING 3D-YEAR CUTS ARE NOT TRIGGERED—1-EARNER FAMILY OF 4

[1980 dollars]

	Year				
	1982	1983	1984	1985	1986
1980 wage level $15,000—1980 after-tax income $13,767:					
President's tax cut	9	55	85	85	85
Ways and Means proposal	28	75	29	−9	−43
1980 wage level $20,000—1980 after-tax income $17,987:					
President's tax cut	20	120	168	168	168
Ways and Means proposal	51	142	89	40	−17
1980 wage level $25,000—1980 after-tax income $22,099:					
President's tax cut	14	163	224	224	224
Ways and Means proposal	100	223	145	56	−22
1980 wage level $30,000—1980 after-tax income $26,083:					
President's tax cut	19	237	318	318	318
Ways and Means proposal	148	308	200	40	−121
1980 wage level $40,000—1980 after-tax income $33,688:					
President's tax cut	−5	296	396	396	396
Ways and Means proposal	72	78	−240	−505	−739

Note.—1980 wage levels are increased by the Consumer Price Index included in the administration's midsession budget review to yield the equivalent real income levels in 1982, 1983, 1984, 1985, and 1986.

TABLE 4.—COMPARISON OF CONABLE-HANCE BIPARTISAN BILL AND WAYS AND MEANS COMMITTEE TAX RATE SCHEDULES

[Joint returns—1984]

Conable-Hance		Representative taxable income between Senate Finance and Ways and Means brackets	Ways and Means Committee [1]	
Taxable income bracket	Marginal tax rate (percent)		Taxable income bracket	Marginal tax rate (percent)
0 to $3,400	0	$2,000	0 to $3,800	0
$3,400 to $5,500	11	4,000	$3,800 to $5,900	11
$5,500 to $7,600	12	7,000	$5,900 to $8,000	13
$7,600 to $11,900	14	10,000	$8,000 to $12,300	14
$11,900 to $16,000	16	14,000	$12,300 to $16,400	18
$16,000 to $20,200	19	18,000	$16,400 to $20,600	19
$20,200 to $24,600	22	22,000	$20,600 to $25,000	22
$24,600 to $29,900	24	27,000	$25,000 to $30,300	25
$29,900 to $35,200	28	33,000	$30,300 to $35,600	34
$35,200 to $45,800	33	40,000	$35,600 to $46,200	41
$45,800 to $60,000	38	50,000	$46,200 to $60,400	48
$60,000 to $85,600	42	75,000	$60,400 to $86,000	50
$85,600 to $109,400	45	100,000	$86,000 to $109,800	50
$109,400 to $162,400	49	150,000	$109,800 to $162,800	50
$162,400 to $215,400	50	200,000	$162,800 to $215,800	50
$215,400 and over	50	N.A.	$215,800 and over	50

[1] Assumes additional 3d-year rate reductions are not triggered.

N.A.—Not applicable.

TABLE 5.—COMPARISON OF CONABLE-HANCE BIPARTISAN BILL AND WAYS AND MEANS COMMITTEE TAX RATE SCHEDULES

[Single returns—1984]

Conable-Hance		Representative taxable income between Senate Finance and Ways and Means brackets	Ways and Means Committee [1]	
Taxable income bracket	Marginal tax rate (percent)		Taxable income bracket	Marginal tax rate (percent)
0 to $2,300	0	$2,000	0 to $2,500	0
$2,300 to $3,400	11	3,000	$2,500 to $3,600	11
$3,400 to $4,400	12	4,000	$3,600 to $4,600	14
$4,400 to $6,500	14	6,000	$4,600 to $6,700	14
$6,500 to $8,500	15	8,000	$6,700 to $8,700	15
$8,500 to $10,800	16	10,000	$8,700 to $11,000	17
$10,800 to $12,900	18	12,000	$11,000 to $13,100	19
$12,900 to $15,000	20	14,000	$13,100 to $15,200	20
$15,000 to $18,200	23	17,000	$15,200 to $18,400	24
$18,200 to $23,500	26	20,000	$18,400 to $23,700	30
$23,500 to $28,800	30	25,000	$23,700 to $29,000	34
$28,800 to $34,100	34	30,000	$29,000 to $34,300	41
$34,100 to $41,500	38	40,000	$34,300 to $41,700	48
$41,500 to $55,300	42	50,000	$41,700 to $55,500	50
$55,300 to $81,800	48	75,000	$55,500 to $82,000	50
$81,800 to $108,300	50	100,000	$82,000 to $108,500	50
$108,300 and over	50	N.A.	$108,500 and over	50

[1] Assumes additional 3d-year rate reductions are not triggered.

N.A.—Not applicable.

A TRIBUTE TO SRI CHINMOY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. ADDABBO) is recognized for 60 minutes.

GENERAL LEAVE

Mr. ADDABBO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the subject of my special order tonight.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. ADDABBO. Mr. Speaker, I consider it indeed an honor and a distinct privilege today to rise and offer birthday congratulations to a man many in this country and this world have come to respect and admire, Sri Chinmoy, who on August 27 will be celebrating his 50th birthday in New York City. He is a truly remarkable and creative human being, an utterly selfless individual who has devoted his life toward the betterment of world peace and understanding.

Seventeen years ago Sri Chinmoy arrived in this country from India where he was born and raised. When he came to this country he founded the Sri Chinmoy Centre whose headquarters are located in Jamaica, Queens, which encompasses part of my district. The centre, which has many branches all over the country, as well as the world, is dedicated to the twin goals of public service and personal spiritual growth through the use of meditation. The Sri Chinmoy Centre has sponsored many cultural and athletic activities worldwide, such as poetry contests, lectures on the use of meditation in our everyday lives, concerts, arts classes, and various athletic events. The centre is supported by contributions and from the over 400 books Mr. Chinmoy has written on a variety of subjects.

Sri Chinmoy is a fervent advocate of what he sees as the right for all people to be able to live in peace and harmony. He has been a strong supporter and advocate of the work and goals of the United Nations since arriving in the United States. Since 1970 he has conducted twice-weekly meditations for diplomats and staff in the U.N., his meditation and inspirational programs widely hailed as an important sustaining influence and motivational tool for all participants.

He has long found that athletics combined with meditation can be an invaluable source of motivation and enrichment for thousands of people, young and old alike. Last year, for example, 200 men and women from 50 States participated in a 4,500-mile marathon bicycle race to inaugurate the "Sri Chinmoy Cross-Country Bicycle Trail," a major national cycling route. In 1976 his interest in marathon running was recognized by a commendation from the President's Council on Physical Fitness for his role in the 9,000-mile "Liberty Torch" relay race held in honor of the U.S. Bicentennial.

A prolific writer and poet, he has written over 400 books of essays, plays, and short stories. His artistic accomplishments have long been recognized and he is the recipient of an award from the New York School of Visual Arts and has had his works exhibited in North America, Western Europe, and Australia.

You would think that this busy schedule and numerous interests would be enough for one man, but not for Sri Chinmoy, an accomplished musician and composer of over 4,000 songs for choir and instrumental. Con-

sidered one of the world's foremost authorities on Eastern philosophy, which is a systematic method of obtaining consciousness through meditation and prayer, he has lectured on this topic at many of the major universities in the United States, including Yale, Harvard, Stanford, and Columbia Universities.

On this, the celebration of his upcoming birthday I wish him the very best for many more happy and healthy years in contributing to world peace and brotherhood.

HOUSING RELATED TO OTHER ECONOMIC PERFORMANCE AND POLICIES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 30 minutes.

Mr. GONZALEZ. Mr. Speaker, ever since the beginning of this Congress, and the formation of committees, and the presentation of the administration's so-called economy recovery plan, and its intimations and impact on such a fundamental economic activity as the housing industry, and the housing question confronting Americans, and the problems associated with housing that have literally wrecked the industry, and, therefore, the economy, and the fact that the Congress in attempting to face the onslaught, which has been overwhelming, as all my colleagues will testify—succumbed to and actually in the name of fiscal and budgetary reduction, in effect, cripple and in some cases do away with and very seriously thereby affecting such a thing as the housing situation confronting Americans and did not and have not up to this time sort of stepped back and tried to assess the fact that this policy has changed without any kind of serious deliberation such as hearings and consideration, basic and fundamental policies and programs in the beginning, one of those that was included in the elimination process which would have resulted had it not been that this was one of the things we were able to successfully react on the housing subcommittee level, once it was organized in February and prevented the demise of this great and noble FHA.

The FHA program such as it is even now, is the only program that provides for any kind of accessibility to long-term mortgages. Even though I did realize the impact, very few of the Members, even of the subcommittee, were able to address themselves to the separate question, and that is, the elimination of programs and policies that have been established in some cases at FHA, more than 30 years.

Then, the process which for the first time, I do not have to remind my colleagues of this, has confronted the substantive, the authorizing committees, the reconciliation process and its meaningful way, which proceed and emanated from the direct mandate of the House, approved by a narrow margin, as reflected in the Gramm-Latta amendment.

□ 1900

So that therefore from the beginning I had a series of meetings with members of the subcommittee on the majority side, the Housing Subcommittee, and finally there was an understanding that we would have to approach this. Therefore I initiated, as chairman of the Housing Subcommittee—and let me point out the significance of this subcommittee. It is the largest subcommittee in the Congress on either side. It consists of 33 members. That is only 10 less than the whole entire membership of the Banking Committee, which is the full standing committee of which this is a subcommittee. It has some historic and unprecedented traditions that are not identified with any other subcommittee. For example, the majority budgets for both the minority and the majority. Always, there has been as a result a very close relationship between minority and majority.

But in this case it was obvious to me, as it continues to be, that unless the Congress is able to look objectively and then react that it will turn its back, as it has and as the administration obviously is, on the crisis situation facing the housing industry and therefore the economy, because there is no question that the housing industry and the economy of this country are inextricably linked. We do not have prosperity if the housing industry is sunk in a depression, which it is. In fact, it is facing extinction, especially those components of it that are truly labeled small business. The highest rate of unemployment is in the construction and building trades, which is directly associated with the construction of homes for Americans. Two generations at least of Americans are deprived or cheated of the American dream, the ownership of a home that one can call his own.

Anyway, we initiated hearings earlier this month independent of all of the hubbub associated with the budgetary crisis, and now the tax, because the tax situation is also related. There is no question about it. We simply cannot have both. We cannot have Reagan's ERP—economic recovery plan—and have prosperity in the housing industry unless that process is reversed to take care of establishing the truth, the veracity, that it is indistinguishable from the general wholesale health of the economy. That is not being done, and I want to alert the colleagues that at least on the Housing Subcommittee level we are indeed, and we began hearings earlier this month with the leadoff witness being a most unusual individual. In fact, I would say without any hesitation of successful rebuttal, the most prepared and experienced individual in this area of joint economics and housing in the world, not just in the United States.

It was Dr. Leon Keyserling, who goes back in direct experience to the very first Housing Act of 1933, which at that time led to the so-called HOLC, the Home Owners Loan Corporation, and the forerunner of FHA. He was the craftsman who shaped the first Housing Act of 1977 as a special aide to the then-Senator Wagner from New York. Since then, he later became involved in the drafting of every basic housing legislation, including the most substantive amendments thereto, up until 1965, the Omnibus Housing Act of 1965. But most of all, he also has had practical service as the head or chairman of the economic advisers during the Truman administration.

Now, what is significant about it? Very significant. He was intimately involved with the economic advisers during that period and immediately before. Why is it significant? Because he confronted the identical situation in the so-called postwar period. The truth is that we Americans have failed to realize realistically that there really has not been any termination of World War II. We do not stop to ponder that there has been no formal treaty terminating the war. The war continues. In fact, the current situation confronting us stems, I think from the basic fact that we fail to recognize that World War II really never has ended. If it has, we would not have a quarter of a million troops in Europe alone, not counting what we have in Asia, and the fact that half of our defense budget, $81 billion-plus, is dedicated and earmarked for the defense of Europe.

All of that is tied in with the economic situation that comes to high interest rates, that comes to no construction of homes for Americans, and of course more important, the dwindling of our available housing stock, whether it is new construction, standing existing housing stock, rental, or ownership. We have got a crisis, and every time I would ask this question of the administration spokesmen all the way from the Director of OMB, David Stockman, to the newly appointed Secretary of HUD, there was no denial. Yes, we do have a housing crisis. There is no question the American people are facing the most serious housing crisis since—since the built-up and pent-up demands of the so-called postwar World War II period.

So, the question then was, what do we do? Do we say it is not there? Can we act as if the problem does not exist? The only answer we were able to get from the administration and its spokesmen is, "Yes, but this comes

first. Everything has to be sacrificed on the altar of ERP, and until we resolve that and get that out of the way we will worry, but in the meanwhile what we are going to do is appoint a national commission to study the matter."

This brings back memories of 1931, 1932, when the original Hoover Commission that ran—incidentally, at least he was better than Coolidge. Coolidge did not even believe there ought to be commissions. There was no responsibility. Hoover did. At least there was that fundamental difference, but what we have now is a throwback not to Hoover, but to Coolidge.

This is what we are confronting, and I think that it is an abysmal surrender of our responsibility as representatives of the people if we do not address ourselves to a problem that is staring us square faced, and we cannot deny no matter what we say about what should have priority.

So, therefore, that first hearing had this eminent American, Leon Keyserling, who is as brilliant and alert and youthful as if he were still a chairman of the economic advisers in the 1950's for the Truman administration. He presented what I consider to be the most valuable testimony we have had yet directly tying in the housing situation with the economic, and vice versa. Therefore, I am at this point offering that testimony for the RECORD:

TESTIMONY OF LEON H. KEYSERLING,[1] "HOUSING RELATED TO OTHER ECONOMIC PERFORMANCE AND POLICIES (INCLUDING F.R.B.)," SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT, HOUSE COMMITTEE ON FINANCE AND URBAN AFFAIRS, JULY 15, 1981

Mr. Chairman and Members of the Subcommittee: I appreciate this opportunity to discuss the current and prospective housing situation. But my treatment cannot be separated from attention to the interrelationship between housing performance and national economic performance, including the national policies—Government and Federal Reserve—affecting both. Similarly, the long-range aspects interpenetrate with the short-range across the board. I have become increasingly distressed by the tendency of economic thought and action, both public and private, to view each problem in isolation in the short-range, instead of developing the broader and longer term perspectives which are essential to sound and correct national policies.

MY EXPERIENCE IN HOUSING AND THE OVERALL ECONOMY

It appears reasonable for me to state at the outset my relevant experience in the housing field. My involvement during almost half a century in national economic performance and policies at large is rather generally known. As the top staff member with Senator Robert F. Wagner and the Senate Banking and Currency Committee during 1933-1937, I did a great deal of work on the original development of the National Housing Act (FHA), the Home Owners Loan Corporation Act, and the U.S. Housing Act dealing with public housing and slum clearance. From 1944 to 1949, I was the main draftsman and did most of the economic studies in connection with the Housing Act of 1949, the most comprehensive of all housing legislation which added greatly to the armory of weapons available to encourage private housing for middle- and lower-middle income groups, and also improved the public housing program. This seminal Act has been the foundation for all subsequent housing legislation.

My connections with the 1949 Act indicate my commitment to the proposition that housing is so vital to the well-being of the people and the strength of the economy that sound housing programs should evoke cooperative bipartisan support. To illustrate: While working on this Act for five years, I served as the sole expert advisor, not only to the Democratic Senators Robert F. Wagner and Allen J. Ellender, but also to the first Senator Robert A. Taft, "Mr Republican" himself. And one of the most valued items in my files is a letter which Senator Taft wrote when I was being considered for appointment by the President to head one of the housing agencies, an objective from which I turned away when I was appointed to the original Council of Economic Advisers by President Truman. Senator Taft told me at the time that he made it a policy not to recommend a head for a Government agency during a Democratic Administration except in the case of Republican members of bipartisan commissions, but that he was making an exception in my case. In this letter, dated June 25, 1946, Senator Taft said:

"I don't ordinarily take any part in recommendations for appointments in the Administration, but I have seen a good deal of Mr. Keyserling, and my opinion may have some weight with you. He has been working for many years with two committees on which I have been serving. He is a very able man and very accurate in his analysis of the problems which he has to meet. While I do not always agree with his point of view, he has been very fair in giving every consideration to my proposals. He has a more complete knowledge of the housing problem, and particularly of the legislative housing problems, than anyone I know. I believe he would be a firm and courteous administrator. I think the other Republican Senators who know him generally share my views."

Senator Taft was a confirmed conservative, but he was an enlightened and farsighted one. He was a leader in legislative proposals to affirm the obligation of the Federal Government to establish basic standards and programs for decency of service to all the people in housing, education, and health. We would all be much better off today, if the goals which he set had been carried forward in the field of housing on the quantitative scales which he espoused.

During 1937-46, I was Deputy Administrator and General Counsel of the U.S. Housing Authority, and for a time Acting Administrator of it and then of its successor the Federal Public Housing Authority as these two agencies moved into the public aspects of the defense housing and the war housing programs. While I was in charge of the defense and war public housing programs, Senator Harry S Truman as Chairman of the Committee investigating all of the domestic and defense and war programs found that the agency I headed was one of the best administered. In February 1942, at the request of President Roosevelt, I drafted Executive Order 9070 which combined 16 housing agencies into one wartime National Housing Agency, which under the 1949 legislation became the Housing and Home Finance Agency and still later became the Department of Housing and Urban Development.

THE CHRONICALLY POOR HOUSING PERFORMANCE

Unfortunately, housing performance in our country has fallen lamentably and increasingly short of the needs of both the economy and the people. As my chart 1 shows, housing starts in 1950 were 1,952,000, or above 2 million including farm housing for which data is not available for that year. In 1972, housing starts peaked at 2,357,000. But that performance has never been equalled since. During 1969-second quarter 1981, starts averaged annually only 1,687,000. In 1980, they were only 1,292,000. In second quarter 1981, the annual rate was only 1,250,000, and by now has fallen to about 1,100,000, or far less than half of the 1972 peak. And still worse is on the way. Yet way back in 1950, when the starts were about 2 million, both the Government and competent private analysts found that we needed an annual average of about 2 million starts a year. Considering vast increases in population, profound changes in geographic locations, the amount of substandard housing, and the huge cumulative housing deficit, it can be stated correctly that during 1981-1984 we need an annual average of 2,500,000 housing starts.

My chart 2 indicates that, during the almost three decades to date, there has been not only a persistent chronic rise in unemployment in housing and other aspects of contract construction, but also a unique high rate of unemployment in this sector of business activity. By March 1981, the unemployment rate in contract construction was 14.7 percent, or more than twice the 7.3-percent rate for the total economy. I regret that I do not have separate figures for housing alone, but the situation is much worse in housing than in contract construction as a whole.

My chart 3 indicates that during 1953-78—I regret that I have not had the time nor resources to carry the picture further forward—the increase in civilian employment in contract construction averaged annually only 1.3 percent, or much lower than in any of the other 10 categories shown on my chart except agriculture and manufacturing. For all nonagriculture wage and salary workers, the average annual increase in employment was 2.6 percent, or twice as great as in contract construction. The decline in agriculture is partly but not wholly explained by unique increases in productivity in agriculture, which have facilitated the salutary march toward increasing industrialization. The very low figure in manufacturing has been highly undesirable. Nonetheless, a large part of it is explained by strong technological advances which I shall discuss further. But there has been no such compensating factor in connection with the sadly low employment growth and increasing unemployment in contract construction, especially housing.

HOW THE HOUSING PERFORMANCE AFFECTS THE OVERALL ECONOMIC PERFORMANCE

I now come to the much neglected fact that the very poor housing performance must be viewed in relationship to the economy at large, both as cause and result. My chart 4 shows that the index of housing starts in first quarter 1981 was very close to 1953, and that this was true in most of the

[1] Chairman, Council of Economic Advisers under President Truman. President, Conference on Economic Progress.

intervening years. Meanwhile, the index of industrial production rose from about 138 to 384, and the index of gross national product in real terms rose from about 130 to 324. My chart 5 demonstrates that, measured as a percentage of GNP, contract construction averaged very much lower during 1970-first quarter 1981 than in 1953-61, and was still lower in first quarter 1981. Measured as a percentage of gross private domestic investment, the second long period averaged much lower than the first. This was also true of first quarter 1981. As I have already stated, the picture for housing alone is far more unfavorable than for contract construction. Yet, without going into the details, very large portions of GNP and gross private domestic investment have been far less essential to the well-being of the economy and the people than housing. It is thus very undesirable that the strenuous efforts now under way to increase private domestic investment in plant and equipment are accompanied by a variety of measures further to restrain housing output, as I shall soon disclose.

My chart 6 undertakes an exercise which I believe to be unique, although it should be of central concern to economic analysis. During 1953-79—again I have not been able to carry the picture further forward—the deficiencies in residential and commercial construction, measured in 1978 dollars, accounted with its multiplier effects for a deficiency of almost $2 trillion in GNP, with consequent Federal revenue losses of $380 billion, State and local tax losses of almost $143 billion, and also 20 million years of reduced employment opportunity throughout the economy.

THE CHRONIC POOR PERFORMANCE OF THE ECONOMY AT LARGE, AND ITS MANIFOLD CONSEQUENCES

To evaluate fully the foregoing examination of the costs which the poor housing performance imposed upon the economy at large, it is equally necessary to consider the poor chronic performance of the economy at large. For what happens in the economy at large, whether one looks at the income and employment-unemployment records, the inflation record, or the adverse effects upon public revenues, manifestly affects housing through its bearing upon what the American people at various income levels can afford to pay for housing, and what they get for what they pay. Correspondingly, the changes in national policies called for to restore the economy at large to full and stable prosperity are mostly the same policies as those required for direct application to housing.

As my chart 7 shows, in a "roller-coaster" performance, the average annual growth rate of the U.S. economy in real terms was only 3.5 percent from 1947 to second quarter 1981, only 2.9 percent from 1969 to second quarter 1981, and only 1.2 percent from 1979 to second quarter 1981. There was a brief upward spurt to an annual rate of 8.4 percent from fourth quarter 1980 to second quarter 1981, but virtually no growth from first quarter 1981 to second quarter 1981. By majority informed agreement, with absolute stagnation in prospect for the second half of 1981, the real growth rate for 1981 as a whole will be only about 2.1 percent, and for 1982 as a whole only slightly higher despite ebullient forecasts in some high quarters. These dreary figures are sharply in contrast with indications during better periods in the past that we need and can achieve an average annual growth rate of about 4.5 percent, or even 5 percent, despite overcomeable difficulties. In other words, under current national and projected national policies, the overall economic performance and the housing performance will continue to display the chronically increasing shortfalls from what we need and can achieve.

Inexorably, the low rate of real economic growth in the long-run has impacted most severely in human terms, and in purely economic terms as well, upon unemployment. My chart 8 shows that full-time employment as conventionally measured rose from about 3 percent in 1953 to 7.3 percent in first quarter 1981 and that, by the latter period, the true level of unemployment was about 9.4 percent, contrasted with about 4.7 percent in 1953, when account is taken of the full-time value of part-time employment and the concealed unemployment in the form of dropouts due to deficient employment opportunity. The chart also indicates the extraordinarily high rate of unemployment among nonwhites and among teenagers, and the much higher rates among women than among men. The fantastic rates of unemployment among nonwhites and teenagers has explosive civil potentials, translated into actuality some years back.

My chart 9 illustrates the cost of chronically low economic growth and chronically high and rising unemployment. From 1953 through first quarter 1981, the GNP forfeiture, very conservatively measured, has come to more than 9.7 trillion first quarter 1981 dollars, with the loss of employment opportunity aggregating 88.3 million years.

MAIN REASON FOR LOW PRODUCTIVITY GROWTH

We hear more and more about the disadvantages of low and declining productivity growth, and this stress is more than justified. But the hue and cry is accompanied by very little discernment of the preponderant reason for low productivity growth. The reason is not that the low real economic growth rate has resulted from low productivity growth, for if that were the case the low real economic growth would not have translated into chronically rising unemployment. To the contrary. The low real economic growth explains in the main the low growth rate in productivity, because the latter is due primarily to underutilization of employed workers when plants are running at about 80 percent of capacity or lower. My chart 10 demonstrates this conclusively for the private economy at large. It has hardly been noticed that, from fourth quarter 1978 to fourth quarter 1980, when GNP in real terms grew only 0.7 percent on an annual average, the productivity growth rate averaged minus 1.0 percent, and that from fourth quarter 1980 to first quarter 1981, when the annual rate of real economic growth spurted to 8.4 percent, the annual productivity growth rate shot upward to 4.3 percent. This was not due to more investment, better tools, or improved productivity, but rather to higher plant capacity use and thus to better utilization of employed workers. With the real economic growth rate falling to about zero in second quarter 1980 and likely to be very low through 1982, it is fairly certain that the productivity growth rate will again decline very sharply. And this is indicated by comparing the fourth quarter 1975-first quarter 1976-record with the record for first quarter 1976-fourth quarter 1978.

ADVERSE IMPACTS UPON LOCALITIES AND UPON SECTORS OF THE ECONOMY

It may be of particular and legitimate interest to Members of the Congress representing particular areas of the country, and should be of great interest to all, that the nationwide forfeitures, including those in home construction, have impacted almost everywhere. Without reading off all the details, my chart 11 indicates, for twelve of our largest cities, the forfeitures from 1953 through 1979 in real output, personal income, and employment opportunity. And my chart 12 makes available the same exercises as to forfeitures in output and employment opportunity in twenty basic sectors of the economy, beginning with agriculture including livestock and ending with business services, including advertising.

INTERNATIONAL IMPACTS

In terms of our international economic position, and our standing among the nations which so importantly affects the influence and leadership to which we properly aspire, the real economic growth rates in the United States compared with those in six other countries as shown on my chart 13 should be of deep concern. The chart deals with the two periods 1950-80 and 1967-80, and these long-range portrayals are far more significant than the short-range flutterings in some of these economies during very recent months. For these two long periods, the average annual real economic growth rates were 3.5 percent and 3 percent, respectively, for the United States; 8.4 percent and 7.1 percent for Japan; 5.4 percent and 3.8 percent for West Germany; 7.9 percent and 6.1 percent for Israel; 7.4 percent and 9.6 percent for Brazil; and 5.4 percent and 3.8 percent for Italy. In Japan and West Germany, the two countries we regard as most relevant to our own problems, the inflation rate has averaged much more favorably than in the United States; and in those countries where the inflation rates have been staggering, the very much higher real economic growth rates than in the United States should make us worry about forgetting that it is the real economic growth rate which adds to the capabilities and wealth of nations, and that seeking to restrain inflation by deliberately suppressing real economic growth has been a colossal flop in the United States, and proved to be undesirable in some of the other countries when tried.

THE TRUE CAUSES OF ROARING INFLATION

This leads directly into the subject of inflation in the overall, and also in housing. My chart 14 demonstrates as conclusively as anything can be demonstrated in economic analysis that, contrary to the classical theory and the so-called "tradeoff" between unemployment and inflation, higher rates of real economic growth and lower rates of unemployment have tended to be combined with reasonable price stability, while low real economic growth rates and higher rate of unemployment due to contrived stagflation and recession have spawned immensely higher rates of inflation and inflation growth. The chart also indicates the comparative impacts of high and low economic growth upon Federal Budget deficits.

My chart 15 is really an eleboration of the previous chart. It again demonstrates the colossal failure of the so-called "tradeoff." For example, from fourth quarter 1978 to fourth quarter 1980, when production and unemployment trends were so unfavorable, all basic price increases were far above the start of double digit. In contrast, from fourth quarter 1980 to second quarter 1981 when the production rate was very good although unemployment increased because the growth rate was not nearly good enough, the inflationary rate of price in-

crease was reduced greatly. But this latest development is being far too greatly exaggerated on the optimistic side. The longer run record indicates clearly that, with the prospects for real economic growth and unemployment being so bleak, the inflationary rate of price increase is likely to rise again. And even if it should not rise, which is most unlikely, we should stop emitting peals of satisfaction when the inflation rate, though lower than in recent years, continues to be intolerably high. As a matter of fact, one year of 5 percent or 6 percent consumer price inflation, piled on top of many years of double digit inflation, does more damage than would be done by a first year of double digit inflation following many years of reasonable price stability.

To be sure, the Administration and the Congress are to be applauded for their vocal condemnation of the "tradeoff" and their vocal espousal of the need for greatly elevated real economic growth rates and reduced unemployment. But action speaks louder than words. The national policies now being followed and those in prospect, as I shall shortly disclose, are just as much committed to trying to fight inflation by striking hammer blows at the real economic performance as those in recent years.

REQUIRED CHANGES IN POLICIES: INTEREST RATES ON HOME MORTGAGES

Mr. Chairman and members of the subcommittee, this concludes in the main my examination of what has been happening and continues to happen in the economy at large and in housing, and the inseparable connections between the two, as to both cause and effect. But the 164 dollar question is what should be done about it? What are the policy implications? In turning to consideration of these, it will immediately become obvious that there is virtually no difference between the policy changes needed for the economy as a whole and the policy changes needed for housing. To attempt such policy changes for one without applying them to the other would in some cases be impossible, and in all cases of very limited value.

Starting with the housing part of the picture, my chart 16 begins to demonstrate the devastating damage done to home production and occupancy by interest rates which are getting closer and closer to the moon. From 1952 to first quarter 1981, the average interest rate on new home mortgages rose from about 4¼ percent to 13.36 percent, for a percentage increase of 211.4 percent. And by now, these interest rates vary on the average between 15 and 17 percent.

What does this interest rate travesty do to home production and those who live in houses? My chart 17 grossly understates the damage, because I have not been able to bring it forward from 1977. Since then, the average price of a new home has risen from about $60,000 to at least $75,000 now; and the chart does not go higher than a 12 percent interest rate, while the current rate is 15 to 17 percent. Nonetheless, and I will not read the detailed figures, the chart ends up by showing that, with an interest rate of only 12 percent, only 7.9 percent of families are able to afford a home costing $60,000 to build. Even at a 4.5 percent interest rate, only 19.4 percent of the families are able to afford the $60,000 home, and only 44 percent are able to afford the $40,000 home. Considering also the much higher building costs and interest rates now, practically all of the families who need new homes most, and far more than half of the families who would like new homes, have become priced out of the market. This is the fundamental reason for the catastrophic decline in home construction, with its adverse impact not only upon living conditions but upon the economy at large as already depicted. My chart 18 is a companion to my chart 17, assuming a 40-year rather than a 30-year amortization.

SIGNIFICANCE OF MY 1972 PUBLISHED HOUSING STUDY

Again, I feel justified in saying that I feel that I know what I am talking about, and not exaggerating. In December 1972, I published under the aegis of the Conference on Economic Progress a very comprehensive study entitled "The Coming Crisis In Housing." I do not ask that this study be printed in the record, but I am making a copy of it available to each Member of this Subcommittee. In this study, I correctly depicted or understated, the enormous decline in housing starts from 2,357,000 in 1972 to 1,160,000 in 1975, as depicted in my chart 1. Correspondingly, I correctly foretold, partly in consequence of this as well as other national economic policies which I discussed, the sharp economic recession of 1973-1975, at a time when it was not acknowledged as being in prospect to most national policymakers. Of course, I assigned my bleak outlook in large measure to what then looked like horrendous increases in interest rates, although nothing like what came later.

THE DEPLORABLY LOW REAL GROWTH RATE IN THE MONEY SUPPLY

Before taking my interest-rate depiction further, I want to challenge the apologetic position of the Federal Reserve that they have shifted from prior concern with interest rates to primary concern with the rate of increase in the money supply. I deem this hogwash. In the first place, the increases in interest rates are largely in consequence of the trends in the money supply; the Fed cannot escape from its responsibility for the ravages of unthinkable interest rates by claiming that this is only a by-product of its primary concern. And in the second place, while the Federal Reserve and many other analysts talk about the extravagant growth in the money supply in recent years or even now, they forget that it is the real growth rate in the money supply rather than the nominal growth rate which determines whether the growth rate is adequate to float even a tolerable rate of real economic growth and even minimal reductions in unemployment. Very seldom does one see a portrayal of the trends in the real growth rate of the money supply. My chart 19 fills in this gap. From 1952 when the unfortunate so-called "Accord" between the Federal Reserve Board and the Treasury got going in earnest until first quarter 1980, the average annual real growth in the money supply was only 0.7 percent. From 1973 to 1974 it averaged negative 6.1 percent; from 1974 to 1975, negative 4.1 percent; from 1975 to 1977, it averaged practically no change. From 1977 to 1979, the annual average was negative 3.1 percent. From 1979 to 1980, negative 8.3 percent, and from fourth quarter 1980 to first quarter 1981, negative 26.4 percent at an annual rate. Moreover, the same chart shows how the tremendously deficient real growth rate in the money supply has contributed generally in the long run to the gravely deficient real economic growth rate. And that the soaring interest rates have contributed to inflation is demonstrated not only by the empirical record, but by even the slightest recourse to rational thinking. To insist that to adjust the real growth rate in the money supply to the real needs of the economy would be inflationary neglects the fact that the prevalent monetary policy has been per se a powerful aspect of inflation and a major cause of other economic-performance defaults which are the fundamental source of inflation.

DIRE CONSEQUENCES OF SOARING INTEREST RATES ACROSS THE BOARD

Returning to the performance of interest rates, I must go beyond the interest rates on housing mortgages because the housing rates are a natural concomitant of rising interest rates generally, and because rising interest rates generally hurt housing in many ways. When real economic growth is as deficient as unconscionable interest rates help to make it, housing, being more vulnerable, is usually hurt more severely in the economy at large. And because everybody uses housing, the rising interest rates across the board detract from the amount of disposable income which families otherwise would be able to spend for housing.

The extent and cost of rising interest rates is almost unbelievable. As my chart 20 shows, from 1952 to first quarter 1981 the increases in computed interest rates ranged from 170.5 percent in the case of State and local debts to 278.5 percent in the case of the Federal public debt. The excess interest costs imposed by these increases were $72.4 billion for State and local debts, $230.5 billion for the Federal public debt, $2,047.7 billion for private debts, and $2,350.6 for total public and private debts. It does not take much imagination to comprehend the effect upon home building and home occupancy of transferring more than $2 trillion in less than three decades from borrowers to lenders.

THE PRIME-INTEREST RATE EXTRAVAGANZA

My chart 21 sets forth in considerably more detail the soaring interest rates from 1953 to first quarter 1971. The last cross-sector of the chart shows that the prime rate rose from 3.0 percent in 1952 to 15.27 percent in 1980. After standing at 21 percent earlier that year, it was back to 19.50 percent in the first quarter 1981, and now appears to be about 21.5 percent. It may well go much higher.

Rising interest rates are an even more serious burden upon the economy and the people than most other types of inflation. This is because the transfers of income occasioned by rising interest rates have almost no positive benefits and do much positive injury. They involve the highly regressive redistribution of income. They are "passed on" by business into a higher price structure. They do not promote investment in housing, because the larger income to lenders is far more than offset by the higher costs imposed upon those who borrow to meet their housing costs. And I might add, in passing, that the rising interest rates have not helped to increase capital expansion in business or improvement in plant and equipment. The more than $2.3 trillion of increases in interest rates from 1952 through first quarter 1981, most going to those of high income who save higher portions of their incomes than those lower down, and to financial institutions which exist to lend money, cannot be reconciled with the prevalent claims that there has been a shortage of investment due to shortage of saving and investment funds. In fact for many years, the plea for higher interest rates were that they would augment investment.

I have still other examples of the hurtful burdens imposed by rising interest rates throughout the economy. As depicted on my chart 22, the ratio of total interest costs to GNP rose from 5.24 percent in 1952 to 22.7 percent in first quarter 1981. As depicted on my chart 23, over a period of less than 3 decades, the ratio of consumer credit to disposable income rose from 13.7 percent to 19.8 percent, and the ratio of consumer debt to disposable income rose from 39.3 percent to 64.8 percent. The rising interest costs helped to increase the consumer debt and the amount of needed consumer credit, and the rising interest costs increased the burden of obtaining the credit and financing the debt. As depicted on my chart 24, from 1952 to 1980 the ratio of farm debt to net farm income rose from 107.3 percent to 831.8 percent, and the ratio of this debt to farm personal income rose from 86.1 percent to 379.2 percent. Consumers and farmers, and also small businesses, have been among the worst victims of soaring interest rates, because they are least able to shift the cost to others.

And the damage has extended elsewhere. As depicted on my chart 25, the interest paid by electric utilities A and B rose from less than 3 percent of their long-term debt in 1952 to 7.31 percent in 1979. Their interest payments as percent of net income rose from about 33 percent to 73.8 percent over the same period of time. I do not have the figures for later years, but the situation has become much worse since then. And who is hurt more by rising fuel costs than the occupants of homes? And as shown on my chart 26, the ratio of long-term debt to total capital, in nine different key industrial sectors, comparing fourth quarter 1952 with fourth quarter 1980, increased about twice in some cases and about three times in others. These increases, which are so burdensome upon economic performance and also exacerbate inflation, are as I have said in part the result of soaring interest rates, while the increases in interest rates make the debts more onerous and repressive. In many of these industries, the situation is made worse because the costs of the higher interest rates are shifted to the users of goods and services, including home occupants.

THE FEDERAL RESERVE BANKS HAVE BATTENED ON SOARING INTEREST RATES

Even while the Federal Reserve Board has been perpetrating this interest rate travesty, the banking system has battened its income in consequence of this policy. My chart 27 depicts, both in the long run and in the short run, the glaring disparities between the growth rates in Federal Reserve Bank earnings and what is happening elsewhere in the economy. From 1978 to 1980, to take the most recent period available, the average annual growth rate in Federal Reserve Bank earnings in current dollars was 24.9 percent, while the figure was 8.8 percent for GNP, 8.7 percent for wages and salaries, and minus 30 percent for net farm income. In the case of GNP and wages and salaries, of course, the gains were very tiny when adjusted for price inflation.

THE MISDIRECTED TRENDS IN FEDERAL BUDGET OUTLAYS

Turning from Federal Reserve policies to national economic policies proper, the Federal Budget is being used in strange ways with deplorable results in general and in housing. The legitimate desire to eliminate waste, to get rid of outmoded programs, and to shift away from the Federal Government those activities which can better be conducted elsewhere, has resulted in an obsessionary trend toward cutting Federal outlays without regard to economic and social consequences. It has failed to recognize the fundamental purposes of the Federal Budget to do what needs to be done but cannot be done or done as well elsewhere, to use the words of Abraham Lincoln. As shown by my chart 28, the fiscal 1982 Budget proposed by President Reagan on March 10, 1981, when measured in fiscal 1982 dollars, is reduced to 21.80 percent of estimated GNP, compared with 23.18 percent as proposed by President Carter on January 15, 1981 and 22.97 percent in fiscal 1981. In 1982 dollar terms, the Reagan proposal is $44 billion below the latest Carter proposal, and Carter's latest is $27 billion below 1981. This is happening despite large increases in the category of national defense, international affairs, science, and space. Looking at all domestic programs, the Reagan proposal comes to 15.32 percent of estimated GNP, compared with 16.78 percent as last proposed by Carter and 16.67 percent in 1981. In 1982 dollar terms, the Reagan domestic proposal is almost $47 billion below the latest Carter proposal and about $28.5 billion below fiscal 1981. Measured in ratio to GNP and in uniform dollar terms, the slashes are large in income security, other than veterans; overwhelming and dangerous in the case of manpower programs, including public service jobs; large in the category of transportation and education; terrific in the category of agriculture, natural resources, environment and energy; and substantial in the category of health. In the category of housing and community development, the Reagan budget is almost $2 billion below the latest Carter budget, and reduces the ratio of GNP from 0.43 percent to 0.42 percent, when very large increases were imperative (for reasons already disclosed). And even the latest Carter budget represented an actual and avowed effort to move toward balancing the Budget—about which more will be said—at the expense of the needs of the economy and those who need help most and cannot obtain it elsewhere.

Even more importantly, the immediate budget trend is but the first bitter taste of what is to come. The aim is to reduce Federal outlays by somewhere in the neighborhood of $140 billion over a 5-year period, despite defense increases. The aim is to reduce housing outlays by about $54 billion during the next 4 years. The latest Carter proposal for subsidized housing was 260,000 units for 1982. The Senate has now come up with 150,000 and the House with 158,000. Carter sought, for 1982, $28.8 billion for housing and community development. The House has now come up with $18.4 billion and the Senate with $18.8 billion.

THE SURE WAY NOT TO BALANCE THE FEDERAL BUDGET

The glorious defense of all this is that it will help to get the Federal Budget in balance within a few years. But as my chart 29 shows, the effort to balance the Federal Budget at the expense of the national economy has been a monstrous failure. The growing deficiencies in GNP have been accompanied by horrendous increases in the size of the deficit. During the last year for which full records are available, the Federal deficit for 1980 was about twice what Carter originally estimated it would be. For fiscal 1982, Reagan now estimates a deficit of $27.5 billion. It is likely to be about twice that amount.

IMPACT OF MONETARY POLICIES UPON THE BUDGET ITSELF, AND UPON HIGH PRIORITY PROGRAMS

My chart 30 depicts the cruel impacts of the monetary policy upon the Federal Budget, whether measured in terms of the deficit or the needs of the economy and the people. For the calendar year 1981, the rising interest costs since 1952 directly lifted the interest charges upon the Federal Budget by $48.4 billion, or almost the whole size of the deficit in that year. This comes to more than 3½ times the size of fiscal 1982 budget outlays for education; almost 1½ times the size of the outlays for public assistance and other income supplements; almost 7 times the size of budget outlays for manpower programs; and more than 3½ times the size of budget outlays for housing and community development. How much better off we would all be, if a large portion of these excessive interest burdens upon the Federal Budget were redirected towards servicing some of our most important national priorities.

THE MISDIRECTED TAX POLICY

One hears today, on almost all sides, that the reductions in the Federal Budget will be more than compensated for by the reductions in taxes to induce more saving and encourage more private investment, and thus improve productivity and thereby fight inflation. Some selective tax reductions, for appropriate quid pro quos, are eminently desirable. But all experience and studies have demonstrated that a dollar of tax reduction helps economic growth and reduces unemployment far less than a dollar of increased Federal outlays with its multiplier effects. And this is entirely apart from the fact that a very large proportion of the proposed tax reductions will neither stimulate investment nor do anything at all to augment, as is necessary, the servicing of the great national priorities which requires more public outlays.

What the economy needs more than all else, for economic balance and economic progress, as I shall show, is progressive improvement in the distribution of income. Distribution has greatly worsened during recent years of poor economic performance, while it was greatly improved during years of good economic performance. In this connection, while the Federal income tax has become far less progressive than it used to be, the total tax burden, taking into account all forms of taxation at all levels, has long been horribly regressive and is becoming more so. As shown on my chart 31, if total taxes are looked at, those with incomes of $2,000 pay a higher percentage of their incomes in taxes than those of $50,000 and over. And those at $2,000 to $4,000 paid a higher percentage than any between $4,000 and $50,000. Unhappily, the last study I have available was for 1968. The situation has worsened immensely since then, because of adverse changes in the national tax policy since 1968.

Looking at my chart 32, it properly measures the effects of personal tax cuts by their impact upon disposable income. So measured, the impacts have been extraordinarily regressive. During 1945-63 as a whole, married couples with two children with incomes ranging from $3,000 to $15,000 experienced (by virtue of tax reduction) increases in their disposable incomes ranging from 5.2 percent to 9.8 percent, while those with incomes ranging from $50,000 to $200,000 received improvements in their disposable incomes ranging from 26.7 percent to 47.2 per-

cent. And as shown by my chart 34, which should have been numbered 33, the allocation of the 1971 tax cuts shows in its permanent effects that the amount allocated to the investment function came to more than 2⅔ times as much as the amount allocated to consumption. The same characteristics, in varying degree, have marked most of the tax cutting since 1964, and the imbalances in the current proposals are egregious indeed.

To state what is now happening in another way, the current tax proposals likely to become law, with only slight variations, would by 1984 reduce personal taxes on a $200,000 income enough to increase cumulative cash savings for a family of four by about $10,775, or about 4.5 percent of income, while the figures for a $10,000 income would be $95 or less than one percent of income. The exemptions applicable to estate taxes would in due course be lifted from $175,000 to $600,000, freeing 99.6 percent of all estates from such taxes. The top rate on investment income would be reduced from 70 percent to 50 percent, and the maximum tax on capital gains would be reduced from 28 percent to 20 percent.

CURRENT POLICIES ARE WRONG IN TERMS OF STIMULATING PRIVATE INVESTMENT

The towering central thesis of the policymakers is that these wayward spending, tax, and monetary policies will improve everything in the long run, especially productivity, by inducing more saving and thus greatly raising the ratio of private investment in plant and equipment to ultimate consumption (the latter includes both private spending and public outlays, called public investment, but really public consumption; the Government hardly builds producer facilities). Admittedly, because of the unusual volatility of private investment in plant and equipment, and the long chronically poor economic performance, it is now true that the rate of growth in such private investment should be considerably more rapid than the rate of growth in ultimate consumption. All of my projections of goals for the economy have taken account of this. However, this does not determine what will best accelerate private investment in the context of the balanced development of the three major components of GNP, and current policies are in my considered judgment and in the light of long experience utterly wrong in their determination of this crucial issue.

If one benefits by the experience of long years beginning at the latest with the famous tax reductions of 1964, it is clear that each period of so-called upturn or boom has been accompanied by a real growth rate in private investment in plant and equipment extraordinarily higher than the real growth rate in ultimate demand. Immediately after 1964, the tax reduction program stimulated the economy considerably. But by 1966, the enduring imbalances in the economy, to which these tax reductions contributed greatly, commenced the chronic problems of low growth, high unemployment, and rising inflation from which we have suffered from then to date. Each time when the excessively high relative growth rate in such investment became more fully apparent, it usually led to a sharp cutback in such investment. This, combined with the more enduring and much larger deficiencies in ultimate demand, helped to bring on the periods of stagnation and recession. Actually, the inordinate and misdirected tax reductions were directed mainly to investors who did not need more funds to stimulate more investment. In general, their retained earnings plus their ability to finance investment through increases in prices, and their ability to borrow even at higher interest rates which they passed on to the purchasers of their products through higher prices, stimulated as much or more investment that was justified by the demand for their products. It was the growing inadequacy of ultimate demand which caused the unfavorable developments which occurred all along the line.

All this is very well illustrated by my chart 33 which should be numbered chart 34. This chart traces the history of the developments in investment and ultimate demand from fourth quarter 1970 to second quarter 1981. Moreover, from fourth quarter 1978 to fourth quarter 1979, recessionary conditions did not prevent investment in plant and equipment from growing faster than ultimate demand by more than six times in real terms. From fourth quarter 1979 to fourth quarter 1980, a "stagnation-recession" period, investment was down 3.2 percent in real terms while ultimate demand was up only 0.5 percent, and the second situation was the main reason for the former. From fourth quarter 1980 to second quarter 1981 at an annual rate, investment in real terms was up 5.6 percent, and ultimate demand up only 2.9 percent. Although the data are not yet available to me, it would seem that the imbalance was even worse in second quarter 1981 alone. The lower half of the same chart demonstrates how these imbalances have been supported by relative trends in real incomes. From fourth quarter 1980 to second quarter 1981, for example, the annual rate of increase in corporate profits was 10.8 percent, while for ultimate demand it was only 1.7 percent. Fortifying this analysis, the models which I have made year after year for the performance of the economy at large and its major components, with my models adjusted from year to year in the light of actual developments, have turned out to be well-vindicated by actual developments.

THE DEFICIT IN PRIVATE CONSUMPTION IS BASIC AND CONTROLLING

In the context of the economy at large, my chart 35 depicts my findings as to the progressive and growing deficiencies in private consumer spending and their dominant share in the growing GNP deficiencies. My demonstration is for the period 1960-79. And although I have not yet been able to carry further forward in point of time, I am sure that the disparities in the same direction have become even worse. And my chart 35 demonstrates that, contrary to many assumptions by influential analysts both public and private, the deficiency in consumption has stemmed predominantly from the deficiency in consumer income both before and after taxes.

This resort to experience, even if not interpreted perfectly, drives home the lesson that the current and proposed admixture of Federal public outlays, national tax policies, and Federal Reserve policies is just as misdirected now as in the past, and close to certain to yield the same unfortunate results.

SIGNIFICANCE OF TECHNOLOGICAL TRENDS IN MANUFACTURING

In considering the unwisdom of the current and projected efforts to stimulate manufacturing and investment therein at the expense of ultimate demand, my charts 37 and 38 are much in point. They show that in manufacturing, despite good technological trends during a considerable part of the time, the ratio of the volume of employment to the physical volume of production fell from an index of 100 in 1953 to 43.6 by 1978, and I project it to fall further by 1983 even under a high economic growth rate. Consequently, we need to place major accent upon increases in other lines of activity, including the services. In some of the most important cases, this can be accomplished only by more accent upon public outlays and investment, and relatively less upon attempts to stimulate more investment and output in manufacturing. It is ironically strange that this problem is completely overlooked in almost all of the current analyses and discussion.

In addition to the need for vigorous efforts to stimulate rather than repress ultimate demand, we should greatly stimulate investment in housing rather than pressing it further downward. This would do the whole economy much more good short-run and long-run, including good to all private investment, than mis-formulated national efforts to bring on a nonsustainable investment boom in industry.

SUMMARY OF CONCLUSIONS

To conclude, Mr. Chairman and Members of the Subcommittee, I have not been partisan in the analysis and critique which I offer, as to current and intended national economic policies. What I now say is very close to the same as what I was stating publicly before Congressional Committees and elsewhere during the Carter Administration and earlier, when the mistakes were fundamentally similar and the results bad. What is happening now, in my considered judgment and conviction, is a weird combination of misguided policies. It is palpably inconsistent to try to stimulate the economy by tax reductions, even while restraining it even more by the trends in Federal spending policies. And even if these two policies were not unsound as they are, they are counteracted by a repressive monetary policy, unsound in its economics and terribly unjust and pernicious in its social effects.

There is no better nor more significant example of what is going wrong than what has happened and is still happening in housing. And what is happening in housing has dire consequences for the whole economy, because housing with its extensive ramifying effects upon other sectors is, by some tests, the most important of all of our industries, and certainly one of the two or three most important.

I again thank this Committee for the opportunity to set forth my views, and I hope and believe that they will have some impact upon the thought and actions of those who bear primary responsibility for what happens to the great American economy and its great people.

PROJECT CONCERN INTERNATIONAL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. FRENZEL) is recognized for 30 minutes.

Mr. FRENZEL. Mr. Speaker, over the last decade I have had the privilege to be associated with Project Concern International, a nonprofit nongovernmental health care training and development organization headquartered in San Diego and providing pri-

mary health care services around the world. Since 1961, Project Concern International (PCI) has worked diligently to provide medical and dental relief and preventive health care in a dozen foreign countries and in several States here in the United States.

Project Concern's principal source of revenue is the Walk for Mankind. Last year, in the Twin Cities and 148 other communities across the country, 65,000 walkers sponsored by 630,000 people and assisted by 10,000 walk volunteers raised over $2 million to assist Project Concern's health care prevention and teaching projects in Bolivia, Guatemala, Gambia, Indonesia, Mexico, Kentucky, and the Navajo Nation in New Mexico.

Health care for those who have none has been Project Concern's dream and purpose since Dr. Jim Turpin founded the organization in 1961. In the beginning, Project Concern saw its work as medical relief. Bringing immediate care to those who were suffering. Curing people, one by one, of their illnesses or disease. As Project Concern established its clinics in Hong Kong, Vietnam, Mexico, in the United States in Appalachia, and on the Navajo reservation, it began to recognize a pattern in the health problems of the people it served. The project's staff were seeing patients again and again for the same illnesses. Mothers would bring to the PCI clinics one child, then another, then another—each with the same health problem. Project Concern saw a commonality of illness and disease everywhere it went.

The people Project Concern served were facing chronic health problems which were caused by simple, basic things that were a way of life: impure water, lack of sanitation, improper diets. Project Concern realized it had to treat the cause, not just the symptoms, to have a lasting impact. It was then, in the early seventies, that Project Concern began to develop the method to accomplish this through a preventive health care program to teach people how to prevent the illnesses that struck them over and over again.

To make the concept work, it would take only a few who would teach a few more. Those people Project Concern trained would spread what they had learned among their own and neighboring villages and communities.

And so, Mr. Speaker, began Project Concern's preventive health care approach in developing countries—helping people help themselves. By teaching people rather than just treating them, PCI encouraged their self-reliance. Their health improved while they continued to be responsible for themselves. Project Concern developed programs that belong to the people, not relief programs that are dependent on outside resources. As project areas become self-sufficient, Project Concern moves on to other areas of need, confident it is leaving behind a lasting health care program.

Through this method of primary health care, Project Concern reaches countless people in need. Primary health care is a network of people helping people toward better health. PCI has been at the forefront of the primary health care movement. The World Health Organization's International Conference on Primary Health Care in 1978 endorsed the concept. Project Concern is recognized by AID as a worldwide leader among private, voluntary organizations in providing health care programs.

Mr. Speaker, recently Project Concern prepared a position paper, "The Private Voluntary Organizations in International Health Care Program Development," based on its experiences gained from 20 years of health care delivery in developing countries. I am inserting this position paper in the RECORD for review by the appropriate committees of the Congress, the Agency for International Development, and all parties interested in health care services in developing countries.

THE PRIVATE VOLUNTARY ORGANIZATIONS IN INTERNATIONAL HEALTH CARE PROGRAM DEVELOPMENT

On the twentieth anniversary of Project Concern's involvement in efforts to improve the health status of the poor in developing countries, it seems appropriate that our observations and findings in approaches to providing assistance in this area of serious need should be shared with an interested government and with other private organizations and agencies who share with us a concern in this matter.

A. TECHNICAL ASSISTANCE

Over the years the developed countries have provided technical assistance at great cost in an effort to improve the economies of the poorer countries. The goal has been to enable those developing countries to take a place in the world of trade with the industrial countries, ultimately resulting in improvement of the socioeconomic conditions of the people, raising their level of education, improving health status, housing, communications, and transportation, and of paramount importance, improving the productivity of the people.

Notwithstanding the effort that has been made to narrow the gap between developed and less developed countries, world inflation is very seriously and adversely affecting the socioeconomic status of the poor countries of the world.

Deterioration is especially alarming in those countries lacking in the oil or mineral resources so essential to industrial development, whether manufacturing or agricultural. The petrochemical cost crisis, more than any other factor, is making economic cripples of the developing countries. This leads to curtailment of all manner of services, decline in nutritional and general health status and, ultimately, in productivity. Only considerable, enlightened, efficient, and sustained technical assistance to help people help themselves will avert a widening gap between the poor countries and developed nations.

B. COMMUNITY BASED DEVELOPMENT ASSISTANCE

Community development assistance, with intervention encouraged principally at the community level, is a most cost effective methodology. It provides seriously needed humanitarian aid where it is required most.

The community is encouraged to become actively involved in an assessment of felt needs. It organizes a development committee that plays a key role in the design supervision and evaluation of the development plan.

The infrastructure to support the development plan, whether it be for supply, management or additional training, grows from the community's perceived needs.

Decentralized development eliminates the possibility of imposed or foreign methodologies. It respects the sovereignty of communities and their citizens, as well as that of the nation while encouraging accessible, practical, acceptable and affordable change.

Therefore, we establish friendly and improved political relationships with lesser developed countries.

C. HEALTH-ORIENTED TECHNICAL ASSISTANCE

Development of human infrastructure is an essential prerequisite for development of the economic infrastructure of the poorer nations. Modern economies must acknowledge the economic value of their citizens. To achieve any semblance of success, the rural poor must be educated and trained. Adequately nourished and healthy individuals learn and function most efficiently. Thus, health and nutritional services protect the investments made for economic development; as well as providing for the alleviation of pain, disease and unnecessary early death.

D. UNMET HEALTH NEEDS IN DEVELOPING COUNTRIES

In the developing countries, considerable portions of their limited income have been used for expensive construction and support of city and regional hospitals. It is clear that a disproportionate percentage of the budget is used in this effort to emulate the practice of western medicine. Often 80% of the country's health budget is so invested, but serves as little as 1-20% of the total population, leaving extremely limited resources for solving the pressing problems of community health development, especially in rural areas. The hospitals, located principally in national and provincial captials, typically serve approximately 10% to 20% of the population and with essentially only curative health care, leaving approximately 75% or more of the rural poor with little or no scientifically accepted patient care and minimal or no preventive health care.

E. PRIMARY HEALTH CARE

Our experience over the last 20 years has shown that most health problems are relatively inexpensive and easy to prevent but costly to treat when left unattended. In any given developing country, 75% to 90% of the health problems are accounted for by approximately 10 conditions: those stemming from inadequate diet; infectious diseases against many of which immunizations are effective; respiratory and gastrointestinal illnesses; parasitic infestations; ear, eye, and skin infections; and minor injuries. As stated these conditions are relatively inexpensive to prevent and, when dealt with on an ongoing basis, are not difficult to treat.

Relatively little has been done in most developing countries to encourage the very real potential reservoir of intelligent, informed self-help educating the populace as

to the causes, prevention and primary basic treatment of common health problems and of the great impact the populace can have in helping themselves. Experience has also shown that an effective Primary Health Care program is a broadly integrated program with special emphasis on maternal and child health. The importance of this emphasis is seen in the demographic picture which shows that 40% to 50% of the population in a typical developing country is less than 15 years old, and 20% to 25% of the population is comprised of women in childbearing years. The integrated program consists of basic curative care, nutritional education, environmental sanitation and home hygiene, family planning, and health education, which is an integral part of each of the foregoing components.

Effective Primary Health Care delivery entails two key factors: 1) a locally trained health care provider, identified here as the Community Health Worker, and 2) a well-informed, motivated community which participates fully in the community program. It has been found that the most effective community health worker is a resident of his or her community who is nominated for the health worker role by the local population. Aptitude and motivation are principal requisites for the effective health worker. His or her background of formal education is of less importance. Community health workers with 4 to 6 years of elementary education or even less have performed very effectively. The basic training of the Community Health Worker, conducted in the community itself, is intensive over a period of weeks to months, with subsequent repeated on-the-job-training. The training is both formal and nonformal with heavy emphasis on practical application.

In addition to the Community Health Worker's delivery of preventive health care, experience has repeatedly shown that with the skills acquired, the health worker can provide approximately 80% of the curative care for illnesses in the community.

F. PRIVATE VOLUNTARY ORGANIZATIONS IN PRIMARY HEALTH CARE

The Private Voluntary Organizations of the U.S. are particularly effective where there is a wide range of health problems. We have the skills and experience needed to work at the grass roots level. We are responsible to local needs and able to tailor a primary health care program to meet those needs. A number of PVO's have experience in building up the primary health care infrastructure to ensure continuity of the program. From the outset of the implementation of a primary health care program, PCI's secondary goal is the replication of the program in adjacent or distant areas of need. To this end the local health care program serves as a model, the effectiveness of which the PVO actively demonstrates to the community leaders in other areas of need.

Traditionally, PVOs have developed a highly effective low cost primary health care delivery system. The World Health Organization's International Conference on Primary Health Care in 1978 called for an effective national and international action to develop and implement primary health care throughout the world, and particularly in developing countries, in a spirit of technical cooperation.

The development or demonstration, by American PVOs, of low cost primary health care delivery systems, is consonant with the American humanitarian ideal, that is encouraging and assisting people to assume the responsibility of helping themselves.

G. SUPPORT OF THE PRIVATE VOLUNTARY ORGANIZATION

Private Voluntary Organizations in primary health care work are to a very great extent supported by the private sector in the U.S. Project Concern International receives approximately 90% of its funding from private donors and has found that in many developing countries an American organization so founded is generally better received by the citizenry than programs directly administered by the U.S. Government.

After 20 years of experience in health care delivery—a period which has seen our organization change from a relief agency delivering curative care, to a promoter of community health and self-care—Project Concern International has formed the firm conviction that the Primary Health Care system described herein should be widely adopted and applied by all organizations and agencies dedicated to permanent improvement of the health and socioeconomic conditions of the poor in developing countries.

Experience has shown that a greater number of actual or potential requests for primary health care development assistance are forthcoming than is within the present financial possibilities of American PVOs. In this light, greater Congressional support for the activities of the PVOs should be considered. It is necessary that the U.S. Congress be apprised of the great potential of the PVOs to effect and expand primary health care in the developing countries. If Congress accepted this concept, the PVOs would, to a greater extent, serve U.S. foreign assistance policy and goals with more low cost self-help health services, so sorely needed in the developing countries. The flexibility of the PVOs permits us to respond more rapidly and with fewer constraints than would be so for governmental assistance.

Project Concern International is firmly dedicated to the belief that true socioeconomic development for all peoples, and of the world as a whole, is rooted in healthy, productive individuals and communities.

Project Concern International is pleased to provide a summary of its health policy.

PRESIDENT'S TAX PROPOSAL CALLS FOR INDEXING

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. LUNGREN) is recognized for 60 minutes.

Mr. LUNGREN. Mr. Speaker, while I was waiting for this period in which to speak I had occasion to watch the nightly news and hear a suggestion by the Speaker of the House that the upcoming vote we are going to have on the tax cut bills, that somehow the majority Ways and Means Committee bill is preferable to that presented by the President, a bipartisan bill, the Hance-Conable bill, because somehow the President's bill is a rich man's bill, or helps the rich out rather than it does the poor.

□ 1910

Well, Mr. Speaker, if one goes over it and analyzes the two bills, I think what one can say very, very honestly is that the major difference between the two bills is that that bill which is presented by the majority helps no one after 2 years. In fact, it is a major tax increase just about across the board for all earnings, from the rich to the poor and everyone in between.

In fact, Mr. Speaker, if one would analyze it, one would see that the effect of the O'Neill-Rostenkowski bill essentially is to establish in this country the most sharply graduated and the deepest marginal rates across the board on middle America that we have ever seen.

One of the reasons from the standpoint of those of us who have been arguing for across-the-board tax cuts for tax relief for the American people is the impact on the economy of steeply progressive marginal rates across the board. What does that mean? Well, it means that people are tremendously concerned obviously about what the average tax rate is. That is, if we take their total income and figure out what the overall percentage of their income is that goes to taxation, but, more importantly, in terms of whether they are willing to invest, to save, whether they are willing to work a little bit longer, or whether they are willing to take a risk because of the possible bonus at the end of that risk if they are successful, one of the major controlling factors is the marginal rates. What will they pay on that extra dollar?

The unfortunate thing for many people who are classified as blue-collar workers, the American middle class, is that they are now paying an effective marginal rate of 50 percent. Yet "they ain't seen nothing yet" if we allow the O'Neill-Rostenkowski bill to be passed, because after 2 years that is all they get.

After 2 years they get no indexing of the tax rates as is presented by the bipartisan Reagan proposal, and that is the most important aspect in my judgment of the President's proposal. The President wishes to bring down the rates virtually across the board by 25 percent.

Why is that important? It is important because over the next 2 to 3 years the average American will be paying 22 percent more in taxation as a result of the increase in social security taxes and bracket creep, being thrown into higher tax brackets by virtue of the fact of inflation. It is a 22-percent increase, and they are being offered on the one hand from the Ways and Means Committee bill a 15-percent offset, which simple math will show leaves you 7 percent behind, versus a 25-percent cut that the President offers, which at least gives you something in terms of being ahead of the game.

But far more important than that is the element of the President's proposals which will allow indexing. That is, after that third year the tax rates will be indexed for the impact of inflation.

That means that no longer will we in Government be able to take a multiple of inflation as a bonus from the taxpayer. Studies done over the last few years have shown that for every 1-percent increase in wages that the average American gets to keep up with inflation Government takes in an increase in tax receipts of between 1.6 and 1.7 percent.

In other words, when we talk about windfall profits, it is the Federal Government that takes in windfall profits in the nature of taxes as the result of inflation and inflation's impact on a progressive tax structure.

Now, not only is that bad enough but in fact when we analyze the way in which the Ways and Means Committee bill has been written, it skews the tax rate such that the progessivity will be even greater for those people in the area of $20,000 to $50,000 after 2 or 3 years. In fact, as one would go through this, after 3 years, with income levels of $33,300 to $46,200, one is hit with these marginal tax rates: 25 percent, 34 percent, 41 percent, and 48 percent.

Now, we are talking about several years down the line. Even if we have just a moderate level of inflation down the line, the people who are going to be at the $46,000 income level are not going to be rich; in many cases they are going to be a lot of people in Middle America that the Speaker claims he is so concerned about.

Now, what is the comparison with the Conable-Hance proposal? The corresponding rates under Conable-Hance would be 24 percent, 28 percent, 33 percent, and 38 percent. In other words, it will be a differential of 1 percent, 6 percent, 8 percent, and 10 percent—a 10-percent difference between the Ways and Means Committee bill and the President's bill.

Now, Mr. Speaker, I must ask, which bill is more helpful to the middle class? Which bill is of more assistance to the great middle class that I have heard the Speaker of the House talk about, that is, those earning between $15,000 and $60,000? In every instance, after the second year Conable-Hance will give those people far more return than they would get under the bill presented to us by the Ways and Means Committee. As a matter of fact, a family of four, with one wage earner and a total of earnings to the family of $15,000, would receive under the Ways and Means Committee bill more than they would under Conable-Hance. As the President says, certainly they would for the first 2 years, and if one is only planning on living 2 more years, then this will help a little bit more. But most of us, I think, are planning on living a little bit longer than that, and we are planning on making some decisions for our family and for our family growth over the next 3 years, and we want them to be able to compete in the economic atmosphere of the United States.

But how much more do they get under the Ways and Means Committee bill than they do under Conable-Hance in 1982? Mr. Speaker, they get the grand total of $22 more. In 1983, how much better off are they than in Conable-Hance? Well, they get $25 more.

What happens in 1984? In 1984 they get $73 less than they do under Conable-Hance. In 1985 they get $129 less than they do under Conable-Hance. In 1986 they get $183 less than they do under Conable-Hance. And the difference keeps growing and growing and growing every year because the Ways and Means Committee bill does not include indexing for inflation.

This same pattern is true across the board, and even more so in terms of dollar amounts as you rise above $15,000.

So in other words, if you look at the Ways and Means Committee tax cut, it peaks in 1983, it is substantially repealed by bracket creep in 1984, and it is completely wiped out in 1985 for people earning $15,000 and in 1986 for everyone earning between $20,000 and $30,000.

Mr. Speaker, I must ask, which tax proposal is more helpful to the middle class, the one that gives them peanuts for a couple of years and then lets them ride the roller coaster of bracket creep for the foreseeable future or the open that gives them some certainty that there will be some hope at the end of 3 years and which indexes the tax rates in such a way that we in Government will not get the bonus of windfall profits as we have for so many years?

Mr. Speaker, there is another important point. Because of the fact that the Conable-Hance proposal allows for more substantial rate reductions across the board at the end of 3 years in all of these levels than does the Ways and Means Committee bill and because of the fact that at least 70 percent of all small business in this country files essentially individual income tax returns and not corporate tax returns, the Conable-Hance bill will be far better in terms of reinvigorating the economy, that great part of the economy which is made up of small business.

□ 1920

Why is small business so important? Small business is extremely important, because if you take the last 10 years, all of the total new jobs created in our economy were created in the small business sector. We had virtually no new jobs increased in the Fortune 500 and one economist told me recently that the Fortune 1,000 had no net increase in jobs over the last decade.

If we are going to have more jobs for those people who need jobs, if we are going to have more productivity in this country, if we are going to have a reinvigorated economy, what we need is a tax cut which treats those people fairly and which gives them an incentive to expand, an incentive to hire more individuals. That is another reason, Mr. Speaker, why the tremendous increase in progressivity among the middle income that is contained in the Ways and Means Committee bill is so devastating to the recovery of the economy of this country.

Mr. Speaker, we simply cannot afford to risk the economic future of this country merely because some people believe that a political victory should be denied this President.

It is very interesting, Mr. Speaker, that some months ago the President's idea that we needed tax relief in this country was being ridiculed by the leadership on the other side of the aisle. The Speaker himself had some things to say about that. There was some suggestion that this would be highly inflationary.

Now we have come to a position where the Ways and Means Committee, amply controlled by the majority side, disproportionately controlled by the majority side, controlled such that there was absolute assurance that the President's package would not be reported out of that committee, we come to a situation where they somehow now realize that there is some merit in tax cuts, and not just this year. Now there is merit in 2 years. As a matter of fact, there might be merit in 3 years if we insert some triggering mechanism which essentially will give Congress the decisionmaking power 2 years down the line as to whether we should allow individual tax cuts for that 3d year to allow them to continue to have a tax cut; but for some reason we cannot accept the 3-year tax cut presented by this President with some bipartisan support.

Mr. Speaker, we must do something. The people back home are asking us for a tax cut. The people back home do not know the intricacies of the legislative dance that is done behind closed doors in terms of organizing this House and seeing who will be sitting in the varsity row when the Ways and Means Committee meets; but the people back home do wonder whether this Congress is going to be true to the mandate presented to it by the people last November 4, and that is they want a tax cut and they want a real tax cut.

The fact of the matter, Mr. Speaker, is this, that after 2 years when you arrive at the third year, there is one bill that gives you a tax cut. There is another bill which gives you a tax increase. There is one bill which tries to project what I would call truth in taxation or truth in tax bill packaging and that is indexing, because indexing forces us as elected officials to make

decisions as to what the level of taxation ought to be. We are not allowed to ride along on the free ride given by inflation in excessively progressive tax rates such that we can go home election after election and say to the people, "I never voted for a tax cut," when the person looks at his paycheck and sees that a larger and larger bite is being taken by the Federal Government.

We have got to have the guts, Mr. Speaker, in this House to face the people and increase taxes if that is necessary, or cut down on spending back here. Frankly, we have had it both ways for a long period of time.

Because of the impact of inflation on highly progressive tax rates, we have been able to say, "Look, we have had five singular opportunities in which we have voted tax cuts for the American people in the last decade."

But the fact of the matter is those tax cuts have been phony because they have been more than compensated for by the impact of inflation upon steeply progressive tax rates.

It is time for something different. It is time for something new.

Mr. Speaker, I would ask all the Members of the House, all of my colleagues, to look at these two bills to see, in fact, whether there is a difference, because there is a difference and to see, in fact, whether they can go home and tell their constituents back home, "Yes, I voted for a tax cut," when in fact it is a tax increase if they support the Ways and Means Committee bill, or whether they want to go home and say to the American people and the constituents they represent, "We are willing to give a chance to some new economic theories in this country; that is, that it is not always inflationary for people to keep their own money and save it and spend it and invest it, but it is never inflationary for the Government to take that money and spend it as it sees fit."

Mr. Speaker, over the next couple of days we are going to have some very interesting arguments about how we arrived at the situation at the present time. In fact, last Friday, Mr. Speaker, I was sitting in my office and watching some special orders on television as I was preparing for a trip by plane back to my district in California when some Member started talking about the fact that somehow the President was responsible for being involved in a bidding war, that somehow instead of just an across-the-board tax cut we were talking about a lot of different goodies that have been added to the bag and that they did not support one or more of these goodies.

Mr. Speaker, I would just remind my colleagues that it was this President and this Secretary of the Treasury who came to the Hill and told us they did not want a goodie bag, they wanted a clean bill, that had, first, across-the-board tax cuts for relief to the individual taxpayers of this country; and, second, they wanted some reform of the depreciation mechanism such that we could give some incentive and some boosts to business, so that they could capitalize and so that they could give their workers the new investment that is necessary so that they would be surrounded by more modern equipment, so that their productivity could rise, so that they could compete with our foreign competitors in the foreign marketplace. That is what the President asked for. He asked for a clean bill.

Unfortunately, as we know, Mr. Speaker, this President and this party does not control the Ways and Means Committee. As a matter of fact, it is very strongly controlled by the leadership of the other side, sometimes I believe against some of the wishes of many Members of the other side.

It was in that arena that the bidding war began and it was in that arena that the chairman of the Ways and Means Committee became the auctioneer for the bidding war.

Mr. Speaker, I find it rather difficult to comprehend how the President can be criticized for entering a bidding war that he did not want to enter, that he told us would occur if we did not just have a clean bill approach, but which he was forced to enter if he was going to have any opportunity to have his proposal for basic tax relief accepted by this Congress.

Mr. Speaker, one of the problems with the bidding war has been this. It has allowed some to try and bring a cloud over the essential debate and the essential differences in these tax-cut proposals; that is, it has brought us away from the debate on the 25-percent-across-the-board, 3-year tax cut, versus a 2-year, 15-percent illusory tax cut.

Mr. Speaker, that is the essential difference in the two bills. That is the one on which our membership is going to have to make a judgment.

Mr. Speaker, I believe that the American people understand that.

Mr. Speaker, I believe that the American people will judge our actions based on how we vote with respect to those essentials in the two tax-cut proposals.

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UNFAIR MINORITY REPRESENTATION ON COMMITTEES LEADS TO COURT SUIT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. DANNEMEYER) is recognized for 30 minutes.

Mr. DANNEMEYER. Mr. Speaker, Wednesday of this week we are scheduled in the House to take up the Ways and Means Committee tax bill, and also, as an alternative to that bill, President Reagan's tax bill; but I think one of the essential features that relates to this entire matter deserves mentioning this evening, because it helps put this matter in a little perspective.

Article I, section 7 of our Constitution says that all bills for raising revenue shall originate in the House of Representatives. Any sixth-grade civics student will know that and relate it on request by his teacher; but how about the House of Representatives? Who is responsible for drafting tax legislation in this House? It is the Ways and Means Committee. Who gets on the Ways and Means Committee and what is the division on that committee? We find that when this committee, which is charged by the Constitution with writing tax policy for the country, in January of this year, when the 97th Congress was organized, the Democratic leadership under Speaker O'NEILL, provided that this Ways and Means Committee would have 23 Democrats and 12 Republicans. The mathematicians here can figure out very quickly that that means that we Republicans were given 34 percent of the slots on that committee.

The irony of it is that in November 1980, we had a national election. Everyone knows that. In that election, Republican candidates for Congress received some 49.48 percent of the total vote for seats in this House of Representatives. Democratic candidates for Congress received 49.15 percent of the votes. In other words, Republican candidates for Congress received a higher percentage vote nationwide than the Democratic candidates. What happened on the organization of the House? We Republicans received 44 percent of the slots in this House, some 192 of the 435 seats, and the Democrats were given some 55.86 percent of the slots, or 243 seats. In other words, we Republicans ended up with some 44.14 percent of the slots in the House of Representatives.

Then one may ask, "Wait a minute. If Republican candidates and Republicans have 44 percent of the slots in the House, how did it come that they only turned up with 34 percent of the slots on the Committee on Ways and Means, the committee which writes the tax policy for the Nation?"

The answer is quite simple: Republicans were shorted six slots on the Ways and Means Committee in the House of Representatives because the Democratic leadership was determined that its liberal tax, spend, and elect philosophy would continue to dominate what the work product of that committee was for the term of the 97th Congress. That is precisely what this committee has done now.

Check the RECORD last week. The Rostenkowski-O'Neill tax increase bill

in the third year, which is scheduled for consideration by the House on Wednesday of this week, came out by a voice vote, not by a rollcall vote. If one does the mathematics, one will find that with 23 Democrats and 12 Republicans on the Ways and Means Committee, one needs 18 votes to get a bill out. That means that we Republicans would have to get six Democrat votes on that committee to put a bill out of that committee in order to reflect the Republican philosophical tax bill which the House will consider on Wednesday.

If we had our rightful entitlement on that committee, we would have had 18. To get a bill out, one needs 21 votes which means that we would need 3 Democratic votes to vote with the 18 Republicans to get a majority of 21.

When the bill goes from the Ways and Means Committee, it goes to the Rules Committee of the House. Here on the Rules Committee, rather than giving Republicans 44 percent of the slots, the Democrats gave us 31.25. We were shorted three slots on the Rules Committee as well; so when the Rules Committee sets the ground rules for consideration of the tax bill in the House, it is predictable. The last word we had was that four amendments would be in order: A liberal alternative which does not want to cut taxes at all; a Black Caucus alternative which is about of the same persuasion; a Republican alternative; and then the product of the Ways and Means Committee itself.

One may ask why are there not other amendments in order for consideration on the floor of the House of those issues that need to be debated on this major tax cut legislation? The answer is, the gentleman from Massachusetts (Mr. O'NEILL) does not want that to happen. The gentleman does not want the House to consider those amendments because the gentleman wants to dominate what that committee will produce in the way of legislation.

We who serve in the U.S. House of Representatives are very proud and privileged to have the opportunity of serving here, but it is on a note of sadness that I bring this issue to the Members this evening, because we find ourselves on the issue of apportionment of committee slots in this House in the minority of parliaments of the world. Michael Ameller produced a massive work analyzing the 55 parliaments of the world and found that without exception, most of the parliaments of the Western World based slots on committees on the percentage of the division of the house of the parties. The exceptions were—with interest that it is otherwise—Albania, Bulgaria, Poland, the U.S.S.R., and the U.S. House of Representatives.

I do not know how the Members react to this, but I find that it is a little sad that this disparity would exist in the U.S. House of Representatives, and we find ourselves allied with Communist countries in the method by which we treat division of party slots on major committees in our parliament in this country.

Fourteen Republicans last Thursday felt that this was such an important issue that it is deserving to bring to the attention of the American people. It is also of such importance that we should bring it to the attention of the court system, because the threshold question of how many Republicans, minority Members in this House, get to serve on the Ways and Means Committee is of vital importance as to what legislation will be considered by this House at all.

So we filed suit last Thursday in the U.S. District Court here in the District of Columbia and our prayer for relief is that we ask that the committee slots in this House be apportioned on the basis of the percentage which we Republicans have in the House of Representatives.

It is my sincere feeling that if the court so decides—and there is legal precedent in appellate court decisions in this country to suggest that it is quite likely that it will do so—that we Republicans will have an increased allocation of slots on the Ways and Means Committee of not less than six.

We would also note that on the Appropriations Committee in this House we Republicans have been shorted four slots. We have been given 40 percent of the slots with 22 Members. Our 44-percent entitlement would give us 4 additional, to 26. On the Rules Committee we have been given five. We deserve three more. We have been given 21.5 percent of the slots. We deserve three more to bring us close to our 44-percent total. On the Ways and Means Committee, with 23-12 the division, we have been given 24.29 percent of the slots. We deserve at least six more to bring our total to the minimum.

Mr. COLLINS of Texas. Mr. Speaker, will the gentleman yield?

Mr. DANNEMEYER. I yield to the gentleman from Texas.

Mr. COLLINS of Texas. Mr. Speaker, as the gentleman was speaking about the Ways and Means Committee, and with this vital issue coming to the floor on Wednesday, I thought how the gentleman has really put the essence of this alternative that is coming before Congress. Because on the one hand we have this packed committee—what is the exact count?

Mr. DANNEMEYER. Twenty-three Democrats, twelve Republicans.

Mr. COLLINS of Texas. Twenty-three to twelve.

Mr. DANNEMEYER. We have 34.29 percent of the slots. We have 44 percent of the slots in the House of Representatives.

Mr. COLLINS of Texas. In other words, a fair representation, instead of 23 to 12, would be about 23 to 18?

Mr. DANNEMEYER. That is right. We have been shorted six slots on this committee.

Mr. COLLINS OF Texas. This is an example of why it is so essential that the vote be based on the merits of whether we are going to take President Reagan's plan or this plan drawn up by the Democrats for every pork barrel reason that you can ever devise in their tax plan. This alternative is one of the crucial decisions before America, because President Reagan's plan will mean savings for America, the opportunity to build more capital, and one gets right back to why do we have this alternative? It is because we do not have a fair break in this Ways and Means Committee.

I thank the gentleman from California for yielding. The gentleman hit the issue right on the head.

Mr. DANNEMEYER. I thank the gentleman for his comments.

In closing, let me make this observation. We Republicans have been shorted altogether 30 slots on the 21 committees of the House of Representatives. We have been shorted 37 slots on the subcommittees in this House. The Ways and Means Committee is the most egregious example of the despicable division which the Democratic leadership in this House has visited upon us Republicans. I can say without equivocation that the division, the slots that we Republicans have been allocated on the Ways and Means Committee in the 97th Congress, is a violation of every historical precedent in the House of Representatives in the history of this Republic.

Why? Because the Democratic leadership is desperate. They lost the election in November 1980. They are hoping by their strangulation of this committee, the Ways and Means Committee in this House, to impress, to force, to stifle their philosophical point of view of tax, spend, and elect which has run this country for the last generation.

I hope that the American people will understand the difference between the two major parties, the difference between the two tax bills, and our hope and desire that we can bring a rectification of this injustice, this travesty. I am reluctant, as a Member of this House, to go outside this body, frankly, into the court system to ask them to look into our tent to correct an injustice; but analyze for a moment what our alternative would be. We could object to every unanimous-consent request that comes along. We could ask for repeated quorum calls to delay everything that comes along. We could, in effect, obstruct the processes of this House to bring its proceedings to a halt in order to bring to the atten-

tion of the people of this country the disparity we Republicans have sustained in this House.

But would that be responsible? I have to answer that no, for the reason that there is legislation that the people of this country need and want, not the least of which is this tax bill which we will vote on this week.

Had we elected to go the obstructionist route, nothing would move. That is not in the interests of this country.

That, to me, tells me that the only alternative we really have as a practical matter is to file this suit in the U.S. district court and ultimately I firmly believe the matter will be resolved by the U.S. Supreme Court in deciding whether or not the U.S. House of Representatives is going to have to get in step with the vast majority of the parliaments of the free world in deciding that the allocation of slots on committees of that House is to be consistent with the division of the parties as reflected by the last election of the American people.

I yield back the balance of my time.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. NELSON) is recognized for 5 minutes.

● Mr. NELSON. Mr. Speaker, I was not present on Friday for rollcalls 162 and 163. Had I been present I would have voted "no" on the amendment to delete $10 million in funds for the Barnwell nuclear fuel plant and to increase funds by the same amount for the Savannah River nuclear waste solidification project in South Carolina, and I would have voted "yes" on final passage of H.R. 4144, making appropriations for energy and water development for the fiscal year ending September 30, 1982.●

HIGH INTEREST RATES AND HOW TO REDUCE THEM

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Rhode Island (Mr. ST GERMAIN) is recognized for 10 minutes.

● Mr. ST GERMAIN. Mr. Speaker, tomorrow our colleague, Chairman HENRY S. REUSS, will floor manage House Concurrent Resolution 160, a concurrent resolution expressing the sense of Congress with respect to monetary policy, inflation, and high interest rates. This resolution is scheduled for House action under suspension of the rules tomorrow.

It is important that all Member support this resolution and its principles that current interest rates are needlessly and destructively high, that they are wreaking extensive damage on the economy, that they are damaging the economies of our major trading and financial partners throughout the world, and that they result from an excessive reliance on tight monetary policy coupled by an expected large fiscal deficit.

This resolution calls for the administration to take immediate action to reduce the future budget deficit, encourage the banking system to concentrate scarce credit resources for those sectors of the economy which contribute most to long-term productivity and inflation fighting. Finally, it encourages the Federal Reserve to lower interest rates without loosening its firm control over the aggregate rate of growth of money and credit.

I urge all Members to support the resolution tomorrow. The resolution follows:

H. CON. RES. 160

Concurrent resolution expressing the sense of the Congress with respect to monetary policy, inflation, and high interest rates.

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that—

(1) current interest rates are needlessly and destructively high, taking into account the current rate of inflation;

(2) high interest rates are wreaking extensive damage on the economy and, in particular, on construction, on housing, and on the automobile industry, on the thrift institutions, on small business, and on productive capital investment;

(3) high interest rates in the United States are also damaging the economies of our major trading and financial partners, and the economies of the developing world, causing unemployment, impeding growth, and contributing to the risk of social and political disorder;

(4) high interest rates in the United States are the result, in part, of an excessive reliance on tight monetary policy to fight inflation, coupled with an expected large fiscal deficit; and

(5) interest rates can and should be brought down now. Among other steps, the administration should—

(A) take immediate action to reduce the future budget deficit and so permit lower interest rates;

(B) design and implement a policy of encouraging the banking system to concentrate available credit on those uses which contribute most to long-term productivity improvement and inflation fighting; and

(C) encourage the Federal Reserve to lower interest rates in response to these measures, without jeopardizing firm control over the aggregate rate of growth of money and credit.●

LEGISLATION REGARDING TAXATION OF QUALIFIED GROUP LEGAL SERVICES PLANS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. SHAMANSKY), is recognized for 5 minutes.

● Mr. SHAMANSKY. Mr. Speaker, today I am introducing legislation to make permanent the current provision of the IRS Code relating to the taxation of qualified group legal services plans.

Under current law, section 120, effective from 1977 through 1981, employer contributions to qualified legal services plans are treated as business deductions and the benefits provided to an employee are excluded from their income. My bill would make this provision permanent by merely deleting the January 1, 1982, expiration date. The bill is similar to legislation introduced on April 29, 1981, by Senator BOB PACKWOOD.

Mr. Speaker, the ability to exercise one's legal rights is vital to the functioning of our country. Unfortunately the high cost of legal services all too often means that only the rich or the poor, with access to Government-sponsored legal services, can exercise these rights. One way to bring legal services within the reach of the great bulk of the middle class is through the establishment of prepaid legal services plans.

The city of Columbus, Ohio, has been a leader in this field. It has the largest and oldest qualifying legal services plan in the country. It provides services to 5,700 municipal employees at a cost to the employer of $8.08 per month per person. Within certain ceilings it reimburses employees for legal services related to personal legal problems. The program has been in operation since 1975 and has received high praise from both the city and its employees.

Nationwide we have seen a substantial growth in these plans, from 75 in 1975 to 400 in 1980. It is estimated that 1 million individuals benefit from these plans. This is a trend which we should encourage.

Federal legislation has contributed to this growth through favorable tax treatment. Under IRS Code section 120 the income tax exclusion is available if the legal services program complies with certain requirements. For example, the plan must not be limited to certain employees.

The IRS has published proposed regulations—April 29, 1980—to implement this section. While these proposed regulations are, in my opinion, too restrictive, it is my hope that we will see changes in the final regulations.

I hope that this legislation can be speedily adopted as a means of assuring that the middle class in this country will have greater access to vital legal services.●

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. SAM B. HALL, JR.) is recognized for 5 minutes.

● Mr. SAM B. HALL, JR. Mr. Speaker, on Friday, July 24, the House passed H.R. 4144, energy and water development appropriations bill for

fiscal 1982, on a 244-to-104 vote. I was unavoidably absent from the House Chamber at the time of the record vote, but if I had been present, I would have voted for bill passage.

H.R. 4144 is of particular significance to the people of Texas First Congressional District because it provides funding for several worthwhile and necessary water projects. Of major importance is the $750,000 for the Cooper Lake and Channels, Texas flood control project. I commend the House for its adoption of this legislation.●

NO TAX CUT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. CROCKETT) is recognized for 10 minutes.

● Mr. CROCKETT. Mr. Speaker, I find it inconceivable that any worker—employed or unemployed—or any poor person, or any senior citizen, or any minority group member would support any bill that calls for a reduction in Federal taxes at this time. And since the overwhelming majority of my constituents in Michigan's 13th Congressional District fall in one or the other of these categories, I, as their representative, will oppose and will vote against any bill that calls for a reduction in Federal revenues, and I urge my colleagues to do likewise.

Most Americans are still struggling to make sense of the Reagan budget cuts and their impact on the disadvantaged in our country. Now we are confronted with an even more insidious proposal: a combined effort by both Republicans and Democrats designed to further withdraw the Federal Government from its commitment to serving the majority of the people.

The budget cuts voted by the Congress in June broke a half century of public trust in the Government's ability and its commitment to assist its needy. Then, just days later, the largest military budget in this Nation's history sailed through this same Congress, beginning a spiral of weapons development and purchases that will top $1.5 trillion in the next 5 years.

Any reduction in Federal revenue now would, I believe, be catastrophic for the poor in this country. It would signal a further reduction in the Government's ability to care for the needs of the people.

This Member refuses to believe that the American people have been mesmerized by the public relations blitz of the White House into accepting the notion that a tax cut now is not only desirable, but essential. The mail from my district convinces me that the Reagan shell game with the economy—taking money from domestic social programs and throwing it into the Pentagon's war chest—has not deceived the people into thinking that the budget has actually been cut, when it indeed has not. The same or more revenue is needed, since all that has been accomplished is a mammoth transfer to the military of funds heretofore committed to the social needs of the people.

More important, the very real needs of our people have been hidden under the rhetoric and promises of prosperity being shouted by the tax cutters.

When the veneer is stripped away, some very real questions remain:

How can the Federal Government turn its back on the millions of unemployed, disadvantaged, aged, and other needy citizens that look to their Government for justice?

How can the Federal Government afford to cut the tax revenue when it claims the social security system is in imminent danger?

How can the Government justify a tax cut when it has committed this Nation to spending over $1.5 trillion for the military over the next 5 years? This breaks down to spending an average of $1 million a day for 4,000 years for the expensive new war toys.

How can the Federal Government hope to keep commitments, made by this administration, to give $1.2 billion in military assistance to Israel and an almost equal amount to Egypt and friendly Arab nations, when it has insufficient tax revenues?

How can this administration even dream of a balanced budget in the next 4 years without retaining at least the present intake of tax revenues?

How can States and local governments, which now stand at the brink of bankruptcy, be expected to take up the slack of reduced Federal contributions?

Clearly, reducing taxes will profit only those who seek to reorder the national agenda and forsake our responsibilities.

We have no business cutting taxes when so much work needs to be done. Every dollar lost through a tax subsidy, or exemption, or reduction, is 1 less dollar the Federal Government has to spend on education, on health, on equal justice, on housing. Each tax dollar lost through tax breaks retrenches the Federal Government from its responsibilities and makes more impossible the stated goals of controlling inflation, stimulating economic growth, and balancing the Federal budget.

I will vote against all tax cuts when the measure comes before the House later this week, and urge my colleagues to join me.●

THE PRODUCT LIABILITY RISK RETENTION ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. LAFALCE) is recognized for 30 minutes.

Mr. LAFALCE. Mr. Speaker, I rise in support of the Product Liability Risk Retention Act of 1981.

I first became aware of the problems of product liability insurance during the fall of 1976 when I started receiving complaints concerning the unbelievably high premium increases from small businessmen within my congressional district in upstate New York. In February of 1977, I was elected chairman of a small business subcommittee, and in that capacity, started receiving complaints from across the country. I decided to embark on a series of hearings regarding the impact that product liability insurance was having generally, and especially on the small businessman. We wound up having 16 days of hearings with six volumes of testimony

Our subcommittee's report to Congress found two principal causes of the problem: The product liability ratemaking mechanisms and uncertainty in the tort-litigation system. While I have introduced in Congress a variety of measures addressed to these primary causes, even if these were adopted today, product liability rates would not be impacted until many years hence.

Thus, it was felt that there was the need to impact the problem of excessively high rates in the short term—an objective the Risk Retention Act of 1981 is designed to accomplish. It must be emphasized, however, that the Risk Retention Act does not strike at the root causes of this problem. Remedies addressed to the two aforestated principal causes must be adopted if we are to truly solve the product liability problem.

The stated purposes of the Product Liability Risk Retention Act of 1981, which was drafted by the Department of Commerce, are to reduce product liability insurance costs, to insure the prompt payment of legally valid claims, to promote competition among providers of product liability coverage, and to reduce the outflow of capital to offshore captive insurance companies. One additional feature of the act is that it has the effect of preempting State laws which prohibit selling product liability insurance to "fictitious groups"; this would thus facilitate the ability of groups of manufacturers in the commercial marketplace.

This proposal would permit "risk retention groups." These groups would be organized by businesses for the purpose of insuring themselves against product liability claims. The amount of premiums charged would ultimately reflect the experience of a particular group. Thus, there is a direct incentive for all participants in a group to adopt appropriate loss prevention techniques. Moreover, it is contemplated that premiums paid to the groups will

be taxed in a manner similar to insurance companies.

The proposal has the support of virtually all business groups who have considered it, including the National Association of Manufacturers, the National Machine Tool Builders Association, the National Federation of Independent Businesses, the Sporting Goods Manufacturers Association, the Scientific Apparatus Makers Association, and the National Association of Wholesaler Distributors. It also has the support of the Consumer's Union, the National Consumers League, and Congress Watch.

While I am pleased that the administration has seen fit to endorse the Product Liability Risk Retention Act, and that the House Commerce Committee has taken expeditious action, I would note that it was neither the first choice of my small business subcommittee, nor of the Department of Commerce's Task Force on Product Liability, in our respective quests for a remedy which would ease the product liability affordability/availability problems in the short term.

In the last Congress, both my subcommittee and the task force recommended permitting businesses to obtain tax deductions of amounts set aside in trust, the purpose of which was to pay product liability claims and expenses. The effect of such trusts would enable businesses to provide "self-insurance" for their potential product liability exposure with pretax dollars.

Unfortunately, the Department of Treasury under the Carter administration was vigorous in its opposition—an opposition which I believe was unwarranted. Treasury was of the opinion that the trust concept embodies an unacceptable form of subsidy, and as a result, the Carter administration rejected it as an inappropriate remedy.

Thus, while it was not my first choice, I am pleased that we are today considering the Product Liability Risk Retention Act of 1981. The gentleman from New Jersey is to be applauded for his efforts in shepherding this important measure through the House.

Mr. Speaker, I also think it appropriate to give a bit of historical perspective to the product liability problem. Federal consideration of the problem of product liability began in the year 1976 under the Ford administration. At that time President Ford created an interagency task force, led by the Department of Commerce and whose membership included virtually every department of the Federal administration.

In 1977, Mr. Speaker, when I assumed the chairmanship of a subcommittee of the Committee on Small Business, I began working very closely with the interagency task force, whose working chairman was Prof. Victor Schwartz and conducted 16 days of hearings on the totality of the product liability problem.

At the conclusion of my hearings, Mr. Speaker, my subcommittee recommended, No. 1, that there should be improvements in the insurance ratemaking mechanism; and No. 2, that there should also be uniformity in product liability tort law in order to resolve the ambiguities and differences that exist amongst the many States. These were the primary areas for reform.

Mr. Speaker, we also said, though, that a temporary, stopgap measure would be needed, pending the more remedial long-term measures.

As for the insurance ratemaking mechanisms—and anybody who has followed my hearings and the various discussions in which I have engaged over the past years realizes—that this is where we must give major emphasis.

Mr. Speaker, I would note the fact that the Department of Commerce Task Force on Product Liability and Accident Compensation, issued an excellent report on product liability ratemaking practices in August of 1980. While this report was designed to contribute to the deliberations of State insurance commissioners, State legislatures, and insurers themselves, there is little evidence to suggest that this report has done anything but gather dust at the State level.

The task force conclusions concerning investment income were particularly significant: First, insurers potentially earn substantial amounts of investment income from the writing of product liability insurance which is not reflected in product liability rates; and second, the product liability underwriting losses complained of may be significantly offset by the substantial amounts of investment income.

Let me put this in perspective. If we very conservatively assume a pretax rate of return of only 9.5 percent on product liability insurer's investment income, the income generated amounts to $40.94 after taxes for every $100 of premiums written. While we do not have separate figures from product liability insurers, we do know that property casualty insurers as a whole admit to earning more than $11 billion in 1980 from investment income. During that same year the property/casualty industry (which includes the product liability market) sustained its second largest annual underwriting loss at $3.04 billion.

Notwithstanding this evidence, the fact remains that product liability investment income is not reflected in product liability rates. As incredible as this situation is, I must point out that H.R. 2120 will not change this absolutely unjustifiable ratemaking practice. Under H.R. 2120, the insureds would of course be able to enjoy this investment income from their own "risk retention groups."

Permit me to reiterate that while this bill should alleviate some of the current marketplace problems facing the purchasers of product liability insurance, I must point out that H.R. 2120 does not address either the ratemaking issue or the uncertainties underlying our tort litigation system. These two issues will remain the root causes of the ills which have beset the product liability area. The Congress must address these areas as well if it is to provide the business community with any long-term solutions.

H.R. 2120 is a very good bill and a necessary step that must be taken but we would be fooling ourselves if we believed that this represents any sort of final resolution of the issue.

In the meantime, Mr. Speaker, as an expedient, as a short-term interim response, this law must be passed. It has the approval of every single person and every single organization concerned about the product liability problem. Even the insurance industry has finally come to recognize the inevitability of the enactment of this legislation. I urge my colleagues to support this measure.

CRITICAL MATERIALS ACT OF 1981

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Florida (Mr. FUQUA) is recognized for 5 minutes.

● Mr. FUQUA. Mr. Speaker, in the closing days of the 96th Congress an important bill entitled the "National Materials and Minerals Policy, Research and Development Act of 1980" was passed and signed into law. That bill, Public Law 96-479 represents the first major statement on materials policy that has been developed in over three decades, requiring the President to take a number of steps in addressing materials problems. This includes a requirement to provide Congress a program plan by the end of this year. I would make the following important points:

The issue of critical materials and strategic minerals continues to be urgent. It is gaining more attention as the ramifications of our materials vulnerability become known.

We have all heard in the media and elsewhere of the possibility of a "resource war" in southern Africa, and the response by the Secretary of the Interior that accelerated development of public lands is the answer to such a war.

The President and others have called for increased acquisition of critical minerals for the strategic stockpile, and Congress is now deliberating concerning those needs.

The Defense Production Act, which includes the allocation of defense priorities regarding critical materials is

also under scrutiny by congressional committees.

In my own committee, from a different perspective, we are seeing the importance of materials to our energy, space and aeronautical programs, and are concerned, as well, with the tension between maintaining a strong basic materials industry and a healthy environment.

A vital economy requires maintaining a strong basic materials industry. The materials industry represents over $20 billion annually and when translated into actual products and services magnifies to over $200 billion in the national economy.

The Committee on Science and Technology will continue its oversight of the implementation of Public Law 96-479 with particular emphasis on organization in the Executive Office. However, it has been increasingly apparent to me that further legislative action may be necessary to more fully address the problems of materials and national materials policy. As such, I am introducing today a new bill entitled the "Critical Materials Act of 1981" to focus further on organization concerns.

This bill calls for the creation of a "Council on Critical Materials." This is a small coordinating council within the White House Executive Office to oversee the multitude of Federal materials programs (in materials research alone there are over 14 agencies and departments involved with over $1 billion in research programs). The Council will act as the President's focal point to analyze and evaluate materials policy as it would concern our energy, minerals, defense, and foreign policies, among others. It will also provide to those groups important information and data concerning materials needs, problems, and projections, particularly as they would relate to materials research and development.

It is not intended that the Council be yet another bureaucracy to impede effective action on critical materials, but to provide sorely lacking policy coordination and analysis at a sufficiently high level.

As in the past with the original materials bill I do not necessarily consider this legislation to be the final solution to our materials problems. Rather, I see it as yet one more step to insure continued attention to this important matter. I look forward to interacting further with other Members in arriving at a final and comprehensive approach to this issue.●

VOTING RIGHTS STILL IMPERILED

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. BINGHAM) is recognized for 5 minutes.

● Mr. BINGHAM. Mr. Speaker, I rise this afternoon to express my full support for H.R. 3112, Judiciary Chairman RODINO's bill to extend the Voting Rights Act of 1965.

As my colleagues well know, the Voting Rights Act has been one of the most effective pieces of civil rights legislation of this century. We have witnessed a leap in minority voter registration unparalleled in our Nation's history. More than 1 million black people were added to the registration rolls in the first 7 years of Voting Rights Act coverage. In the 5-year period beginning in 1975, the last extension of the act, registration of Hispanics has increased 30 percent nationally and 20 percent in my home State of New York. Without doubt, the Voting Rights Act has been effective in insuring minorities access to the voting booth.

But as we have begun to win the fight to insure minority citizens the opportunity to register to vote, civil rights opponents have adopted less blatant methods of discrimination. Now local governments trying to prevent minorities from fully exercising their right to participate in the electoral process are using methods such as shifting from single-member to at-large districts, annexing outlying districts to dilute minority strength, and discriminatory gerrymandering of district lines. As these sorts of practices become more common, the need for effective enforcement of the preclearance provisions of section 5 of the act, which require affected jurisdictions to submit election law changes to the Justice Department for approval, becomes ever greater.

For example, we have seen a massive increase in the number of discriminatory annexations, in which jurisdictions annex outlying white districts in order to dilute the minority vote—from 9 in the first 10 years of the act to 234 in the subsequent 5 years. It seems that opponents of civil rights are ever on the prowl for new and more devious ways to deny minorities their just voice.

Moreover, since the Voting Rights Act was passed, there have been no fewer than 811 proposed State or local election changes rejected for their discriminatory effects. Even more shocking, and illustrative of the need for continuation of the act, is that of those 811 rejected changes, 538, or nearly two-thirds, were in the period from 1975 to 1980. Clearly, the need for vigorous enforcement has not subsided; indeed, if anything, it has grown more pressing.

Neither should we effectively gut the Voting Rights Act by applying the preclearance provisions of section 5 to every jurisdiction in the country. This so-called nationalization of the act is not only unnecessary, but administratively impossible. Without increased appropriations for the Justice Department's enforcement unit, which I think my colleagues will agree is unlikely, such nationalization of section 5 would render the act unenforceable, overburdening the Department with every single election change from each of the Nation's thousands of jurisdictions. Furthermore, the act already is national, since any jurisdiction—North, South, East, or West—which meets the established criteria, is covered. My home county, the Bronx, is covered, and New York State is one of 22 States covered in whole or in part by section 5. Moreover, any jurisdiction in the Nation which demonstrates a history of discrimination can be brought under the act at any time in the future.

We must also be certain that the bilingual election provisions of the act are extended. These provisions are critical to the effort to insure that language minorities are able to exercise their 14th and 15th amendment right unfettered by their unfamiliarity with written English. Only by enabling these citizens to vote can we fulfill the promises of our Constitution. Further, the bilingual provisions do not pose a disproportionate economic burden, as was demonstrated by Los Angeles County, which last year provided its citizens with a bilingual election at an additional cost of 1.2 percent of the total election cost.

President Reagan has said, and I find myself in somewhat uncharacteristic agreement, that "the spirit of the act marks this Nation's commitment to full equality for all Americans, regardless of race, color, or national origin." Since the Reagan budget cuts disproportionately injure the very people that the Voting Rights Act was intended to protect, how can we now dare to tamper with these citizens' fundamental right to vote?

In short, we cannot afford to grow complacent. The Voting Rights Act has been successful in treating the symptoms of discrimination and prejudice. But as long as these problems continue, we cannot relax our efforts to insure all our citizens their equal rights. We must not be fooled into believing that, simply because the Voting Rights Act has been successful, it is no longer necessary.●

U.S. FOREIGN POLICY LOSES A TRUSTED SERVANT AND ADVISER

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Wisconsin (Mr. ZABLOCKI) is recognized for 5 minutes.

● Mr. ZABLOCKI. Mr. Speaker, the retirement of distinguished public servants has often been the subject of remarks on the floor of the House. This practice could not easily be given

greater meaning than today for it is both a privilege and a regrettable task to bring to the attention of the Members the retirement of Lt. Gen. Ernest Graves.

General Graves has represented the finest military tradition of service to one's country. He has devoted 36 years of his life to a number of challenging and highly important duties.

To name just a few accomplishments, General Graves has:

Directed the entire nuclear weapons program in a manner complementary to U.S. national security and arms control policies;

Established training programs for nuclear power technicians in the United States;

Supervised water resource development, management, and conservation for the U.S. Army Corps of Engineers in a manner so skillful that few of his proposed projects were ever modified by his superiors; and

Directed U.S. military assistance and sales programs as head of the Defense Security Assistance Agency (DSAA).

I directly encountered General Graves' efficiency and administrative skills in the last 3½ years in his service as Director of DSAA. Managing the multibillion-dollar military assistance and sales program is no easy task. It involves careful stewardship to help insure that sensible arms transfer programs consistent with U.S. foreign policy objectives are implemented.

General Graves accomplished this task. He realized that military assistance and sales were foreign policy tools to be used prudently if they were to be ultimately successful. He also realized that a strong, coherent rationale for military assistance and sales was necessary in a democratic society, and always sought close and continuing consultations with the Congress on a number of important but controversial issues. My many consultations with him were without exception fruitful and productive.

I offer General Graves my sincerest best wishes for a happy and healthy future in his well-earned retirement, and hope that his future endeavors are as successful as his career of military service. He has been a credit to himself, to the U.S. Army, and to the country which he has served so well.●

RECONCILIATION ACT WILL ADVERSELY AFFECT ELDERLY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. WEISS) is recognized for 5 minutes.

● Mr. WEISS. Mr. Speaker, the Gramm-Latta Omnibus Reconciliation Act is one of the most draconian measures ever approved by the House of Representatives.

This error-filled and hastily conceived measure will eliminate or markedly change numerous Federal programs which have been vital for millions of Americans.

Most Members had absolutely no idea what was contained in this 860-page bill thrown together shortly before it was to be considered on the floor. In fact, the bill passed the House with the telephone number of a staffer etched on it.

H.R. 3982 makes a mockery of the administration's repeated claim that the proposed budget cuts would not affect the truly needy because a "safety net" would remain in place to protect these individuals.

The harsh reality is that the elderly, the poor, and the disabled will suffer greatly because of the Gramm-Latta reconciliation substitute.

Representative PEPPER, the distinguished chairman of the Committee on Aging, has analyzed carefully the impact of Gramm-Latta II on the elderly.

His memorandum makes it abundantly clear that the elderly would be hard hit by the unprecedented cuts in H.R. 3982. In fact, the vast majority of older Americans will be adversely affected by Gramm-Latta II in one form or another.

The low-income elderly are likely to be victimized the most because the deepest cuts are in the programs which affect their daily lives.

The $122 minimum monthly social security payment would be wiped out for more than 3 million older Americans. Some would be eligible for supplemental security income. Many, however, will simply be forced to live on less.

The $255 lump-sum death benefit will be eliminated when there is no eligible spouse or entitled child.

A more stringent recency of work test will prevent many disabled persons from receiving social security benefits. This has far-reaching implications for older Americans because more than one-half of all disabled workers are 55 to 64 years old.

Nearly a half million persons will be hurt by the additional $600 to $700 million cut in social services programs. An estimated 250,000 aged, blind, and disabled individuals will no longer receive essential social services to enable them to live independently. About 80,000 elderly and disabled persons will lose homemaker services and Meals on Wheels.

Many elderly tenants in subsidized housing will be faced with rent hikes because the maximum payment for renters will increase from 25 percent to 30 percent of their income.

Mr. Speaker, I include Representative PEPPER's memorandum on the impact of the Budget Reconciliation Act on the elderly at this point in the RECORD:

SELECT COMMITTEE ON AGING,
CLAUDE PEPPER, CHAIRMAN,
June 30, 1981.

MEMORANDUM

To: Members, Select Committee on Aging.
From: Claude Pepper, Chairman.
Re: Impact of Budget Reconciliation Act on the Elderly.

Passage of S. 1377/H.R. 3892, the Omnibus Reconciliation Act of 1981 on June 25 and 26, will result in reductions in programs affecting the elderly. S. 1377 will reduce outlays in FY 82 by $38.1 billion and the House bill, as amended by Gramm-Latta (text of H.R. 3964), will cut FY 82 spending by $38.2 billion. Differences between the totals, although they generally do not affect the elderly (with the major exception of the Medicare and Medicaid provisions) will be worked out in conference. The following briefly outlines major amendments to programs affecting the elderly contained in both reconciliation bills.

I. SOCIAL SECURITY

Termination of minimum benefit as of April 1982 for current and future beneficiaries.

Elimination of new postsecondary student benefits after June 1982; 25 percent reduction and elimination of COLA for current beneficiaries.

Elimination of lump-sum death benefit effective October 1981 in cases where there is no eligible spouse or entitled child.

Round-down of benefit amount to nearest dime in each stage of the benefit computation (effective August 1981).

Pension reform act (ERISA) cost reimbursement to trust funds.

Elimination of trust fund payments for DI vocational rehabilitation services.

H.R. 3982 only

Termination of mothers' and fathers' benefits when child attains age 16.

Retention of retirement test exempt age at 72 until January 1983.

Delay of benefit receipt until first full month entitlement.

S. 1377 only

Require 6 out of 13 covered quarters for disability insured status.

Institute a disability "megacap".

II. MEDICARE

Repeal of temporary delay in the periodic interim payment (transfers loss from FY 82 back to FY 81).

Provide authority for HHS Secretary to impose civil money penalties for persons who file fraudulent Medicare and Medicaid claims.

Less frequent inspection of nursing homes.

H.R. 3892 only

Increased annual deductible for Medicare part B (SMI) to $70 and index in future years to reflect cost of living increases.

Imposition of a $1 per day coinsurance payment.

Increased part A hospital deductible from $228 (current law) to $258.

Shift reimbursement to the Federal Employees Health Benefits Program for people aged 65 and over who have coverage under both programs.

S. 1377 only

Repeal of certain home health benefits enacted in the 1980 reconciliation bill.

Elimination of the 8½ percent nursing home differential.

III. MEDICAID

H.R. 3982 only

Reduction in the Federal Medicaid match to states of 3 percent in FY 82, 2 percent in FY 83, and 1 percent in FY 84. States with high unemployment, a hospital cost review program, or savings due to fraud and abuse control could have up to one-third of the reductions restored.

Repeal of the requirement that states pay hospitals on the basis of reasonable cost as defined by Medicare.

Authority to use competitive bidding arrangements for the purchases of clinical laboratory services, medical devices and drugs. The freedom of choice of providers could be limited to those selected under the competitive bidding arrangements.

Options to include home and community-based care services as alternatives to long-term institutional care, if arrangements to control total long-term care expenditures are satisfactory to the Secretary. A preadmission screening program for persons seeking nursing home or ICF care would be required.

Elimination of Federal matching for excessive preoperative stays, tests which the physician did not order, and ineffective drugs.

S. 1377 only

Reduction in the minimum Federal Medicaid match to 40 percent of expenditures (current law—50 percent).

Institute a "cap" of 9 percent on aggregate Federal Medicaid payments. Increase payments in future years by GNP deflator.

Accelerated collection of unapproved state Medicaid expenditures.

IV. FOOD STAMPS

Delay cost-of-living adjustments to thrifty food plan from January 1 to April 1 in 1982, July 1 in 1983, and October 1 in 1984.

Increase benefit reduction rate from 30 percent (current law) to 31.5 percent in fiscal year 1983 and 32.5 percent in fiscal year 1984.

Restrict eligibility to households with gross incomes under 130 percent of the poverty line.

Freeze standard and shelter deductions for 1982.

Prorate monthly benefits according to date of application.

Repeal 1980 liberalizations in medical and shelter deductions for elderly households.

Elimination of boarders from eligibility.

Elimination of strikers and their households from eligibility.

S. 1377 only

Exempts elderly, blind, or disabled households from 130 percent of poverty line gross income eligibility requirement.

V. SUBSIDIZED HOUSING

Increases Section 8 tenant rent contribution from 25 percent to 30 percent of income.

Eliminates congregate housing services program.

Reduces funding of Section 8 subsidized housing from 260,000 unit level requested in the Carter budget.

H.R. 3982

Reduces Section 8 funding to a maximum of 162,500 units.

S. 1377

Reduces Section 8 funding to a maximum of 150,000 units.

VI. TITLE XX SOCIAL SERVICES

Repeal of Title XX Social Service program.

Consolidation of repealed Title XX program along with repealed child abuse, community services, and runaway youth into a single block grant funded at a 20 percent reduction from the FY 82 level provided under current law.

VII. SUPPLEMENTAL SECURITY INCOME

Use of retrospective rather than prospective computation of benefit eligibility and benefit levels.

Imposition of 180-day limit on the negotiability of SSI checks.

VIII. ENERGY ASSISTANCE

S. 1377 only

Repeal of Federally administered Low-Income Energy Assistance program authorized by the Crude Oil Windfall Profits Tax Act.

Consolidation of repealed program with repealed AFDC emergency assistance program into a new energy and emergency assistance block grant funded at an aggregate reduction of $372 million in 1982, $672 million in 1983, and $992 million in 1984 under current law levels.

H.R. 3892—Committee provision (unaffected by Gramm-Latta)

Authorization of a new Title XXI of the Social Security Act—Energy Assistance to Low Income Households. The Act would require the Secretary of HHS to make payments to states that submit and have approved state plans for low income energy assistance. Funds appropriated under the Act would remain available until spent.

H.R. 3892 (Gramm-Latta substitute)

Authorization of a new "Home-Energy Assistance Block Grant Act." The Act would authorize the Secretary of HHS to make grants to states to assist eligible households to meet the cost of home energy.

Repeal of Federally-administered Low-Income Energy Assistance program.

IX. CIVIL SERVICE/MILITARY RETIREMENT

Limit cost-of-living adjustments for Federal CSR and Military Retirement beneficiaries to once annually.

Cancellation of scheduled September 1981 COLA—future adjustments to be made in March.

X. SUMMARY OF RECONCILIATION PROVISIONS—PROGRAMS AFFECTING THE ELDERLY

REDUCTIONS IN OUTLAYS

[By fiscal years, in billions of dollars]

	1982	1983	1984
H.R. 3982 as amended by Gramm-Latta:			
Social security (OASDI)	2.041	3.656	4.455
Medicare	1.642	1.405	1.645
Medicaid	.971	.973	.890
Food stamps	1.624	2.146	2.561
Subsidized housing	.122	.352	.747
Energy assistance	.847	.947	1.067
SSI	.087	.138	.146
Title XX social services	[1]	[1]	[1]
Civil service/Military retirement	.907	.847	.688
S. 1377:			
Social security (OASDI)	2.1	3.6	4.4
Medicare	1.6	1.8	2.3
Medicaid	1.0	1.6	2.2
Food stamps	1.835	2.132	2.428
Subsidized housing	.108	.271	.603
Energy assistance	.372	.672	.992
SSI	.050	.078	.075
Title XX social services	.993	1.1	1.3
Civil service/Military retirement	.907	.741	.642

[1] Merged into a block grant with a 25-percent aggregate reduction in funding.

Discrepancy between House and Senate SSI reductions is accounted for by a provision in the House bill affecting "cash-out" of Food Stamps for SSI recipients in California, Massachusetts, and Wisconsin.●

CONFERENCE REPORT ON S. 694

Mr. PRICE submitted the following conference report and statement on the bill (S. 694) to authorize supplemental appropriations for fiscal year 1981 for the Armed Forces for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, and for research, development, test, and evaluation, to increase the authorized personnel end strengths for military and civilian personnel of the Department of Defense for such fiscal year, to authorize supplemental appropriations for such fiscal year for construction at certain military installations, and for other purposes:

CONFERENCE REPORT (H. REPT. NO. 97-204)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 694) to authorize supplemental appropriations for fiscal year 1981 for the Armed Forces for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, and for research, development, test, and evaluation, to increase the authorized personnel end strengths for military and civilian personnel of the Department of Defense for such fiscal year, to authorize supplemental appropriations for such fiscal year for construction at certain military installations, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert the following:

"That this Act may be cited as the 'Department of Defense Supplemental Authorization Act, 1981'.

"TITLE I—PROCUREMENT

"AUTHORIZATION OF SUPPLEMENTAL APPROPRIATIONS

"SEC. 101. In addition to the funds authorized to be appropriated under title I of the Department of Defense Authorization Act, 1981 (Public Law 96-342; 94 Stat. 1077), funds are hereby authorized to be appropriated for fiscal year 1981 for the use of Armed Forces for procurement of aircraft, missiles, naval vessels, and tracked combat vehicles, as authorized by law, in amounts as follows:

"AIRCRAFT

"For aircraft: for the Army, $128,000,000; for the Navy and Marine Corps, $143,600,000; for the Air Force, $716,625,000.

"MISSILES

"For missiles: for the Army, $27,000,000; for the Air Force, $205,869,000; for the Marine Corps, $10,700,000.

"NAVAL VESSELS

"For naval vessels: for the Navy, $149,900,000.

"TRACKED COMBAT VEHICLES

"For tracked combat vehicles: for the Army, $796,000,000; for the Marine Corps, $11,300,000.

"TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION

"AUTHORIZATION OF SUPPLEMENTAL APPROPRIATIONS

"SEC. 201. In addition to the funds authorized to be appropriated under title II of the Department of Defense Authorization Act, 1981 (94 Stat. 1079), funds are hereby authorized to be appropriated for fiscal year 1981 for the use of the Armed Forces for research, development, test, and evaluation, as authorized by law, in amounts as follows:

"For the Army, $83,463,000.

"For the Navy (including the Marine Corps), $138,067,000.

"For the Air Force, $242,462,000.

"For the Defense Agencies, $16,936,000.

"TITLE III—ACTIVE FORCES

"INCREASE IN FISCAL YEAR 1981 ACTIVE DUTY END STRENGTHS

"Sec. 301. Section 301 of the Department of Defense Authorization Act, 1981 (94 Stat. 1082), is amended by striking out '775,300', '537,456', '188,100', and '564,500' and inserting in lieu thereof '780,000', '540,456', '190,600', and '569,000', respectively.

"TITLE IV—RESERVE FORCES

"INCREASE IN NUMBER OF MARINE CORPS RESERVISTS AUTHORIZED TO BE ON FULL-TIME ACTIVE DUTY ON SEPTEMBER 30, 1981, IN SUPPORT OF THE MARINE CORPS RESERVE

"SEC. 401. Section 401(b)(4) of the Department of Defense Authorization Act, 1981 (94 Stat. 1084), is amended by striking out '67' and inserting in lieu thereof '133'.

"TITLE V—CIVILIAN PERSONNEL

"INCREASE IN NUMBER OF CIVILIAN PERSONNEL AUTHORIZED FOR THE DEPARTMENT OF DEFENSE AS OF SEPTEMBER 30, 1981

"SEC. 501. Section 501(a) of the Department of Defense Authorization Act, 1981 (94 Stat. 1085), is amended by striking out '986,000' and inserting in lieu thereof '1,012,250'.

"TITLE VI—MILITARY CONSTRUCTION

"AUTHORIZED ARMY CONSTRUCTION PROJECTS

"SEC. 601. (a) In addition to the amounts authorized for acquisition and construction by title I of the Military Construction Authorization Act, 1981 (Public Law 96-418; 94 Stat. 1749), the following amount is authorized for the location specified:

"UNITED STATES ARMY, EUROPE

"Various Locations, $1,800,000.

"(b) There is authorized to be appropriated for fiscal year 1982 for the purpose of subsection (a) the sum of $1,800,000.

"AUTHORIZED NAVY CONSTRUCTION PROJECTS

"SEC. 602. (a) In addition to the amounts authorized for acquisition and construction by title II of the Military Construction Authorization Act, 1981 (94 Stat. 1752), the following amount is authorized for the location specified:

"UNITED STATES MARINE CORPS

"Marine Corps Air Station, El Toro, California, $2,000,000.

"(b) There is authorized to be appropriated for fiscal year 1981 for the purpose of subsection (a) the sum of $2,000,000.

"AUTHORIZED AIR FORCE CONSTRUCTION PROJECTS

"SEC. 603. (a) In addition to the amounts authorized for acquisition and construction by title III of the Military Construction Authorization Act, 1981 (94 Stat. 1756), the following amounts are authorized for the locations specified:

"AIR TRAINING COMMAND

"Laughlin Air Force Base, Texas, $4,700,000.

"STRATEGIC AIR COMMAND

"K. I. Sawyer Air Force Base, Michigan, $540,000.

"SPECIAL PROJECT

"Various Locations, Special Project, $50,000,000.

"(b) There is authorized to be appropriated for fiscal year 1981 for the purpose of subsection (a) the sum of $55,240,000.

AUTHORIZED CONSTRUCTION PROJECTS FOR THE DEFENSE AGENCIES

"SEC. 604. (a) In addition to the amount specified for minor construction projects by section 403 of the Military Construction Authorization Act, 1981 (94 Stat. 1761), the Secretary of Defense is authorized to accomplish minor construction projects under section 2674 of title 10, United States Code, in the amount of $900,000.

"(b) There is authorized to be appropriated for fiscal year 1981 for the purpose of subsection (a) the sum of $900,000.

"MILITARY FAMILY HOUSING

"SEC. 605. Section 510(a) of the Military Construction Authorization Act, 1981 (94 Stat. 1767), is amended—

"(1) by striking out '$276,100,000' in clause (1) and inserting in lieu thereof '$260,078,000'; and

"(2) by striking out '$1,880,760,000' in clause (2) and inserting in lieu thereof '$1,896,782,000'.

"AIR NATIONAL GUARD OF THE UNITED STATES

"SEC. 606. In addition to the amount specified in section 701(3)(A) of the Military Construction Authorization Act, 1981 (94 Stat. 1774), the Secretary of Defense may establish or develop facilities for the Air National Guard of the United States in an amount not to exceed $6,500,000.

"LIMITATIONS APPLICABLE TO USE OF FUNDS

"SEC. 607. (a) Authorizations contained in this title shall be subject to the authorizations and limitations of the Military Construction Authorization Act, 1981 (94 Stat. 1749), in the same manner as if such authorizations had been included in the Act.

"(b) For the purposes of the limitations set forth in section 603 of the Military Construction Authorization Act, 1981 (94 Stat. 1768), the amounts authorized to be appropriated for titles I through V of that Act shall be deemed to be increased, respectively, by the amounts authorized to be appropriated by sections 601 through 605.

"MODIFICATION OF PRIOR YEAR AUTHORIZATION FOR FAMILY HOUSING UNITS AT TINKER AIR FORCE BASE, OKLAHOMA

"SEC. 608. (a) Section 501(c) of the Military Construction Authorization Act, 1980 (Public Law 96-125; 93 Stat. 940), is amended by striking out "three hundred thirty-two units" in the item relating to Tinker Air Force Base and inserting in lieu thereof "two hundred units".

"(b) The authorization for construction of, or acquisition of sole interest in, family housing units at Tinker Air Force Base, Oklahoma, contained in section 501 of the Military Construction Authorization Act, 1980, as amended by subsection (a), is hereby modified to authorize construction of such family housing units on base at Tinker Air Force Base.

"TITLE VII—COMPENSATION PROVISIONS

"SUBMARINE DUTY INCENTIVE PAY

"SEC. 701. (a) Paragraphs (1) and (2) of section 301c(a) of title 37, United States Code, are amended to read as follows:

"'(1) Subject to regulations prescribed by the President, a member of the Navy who is entitled to basic pay, and (A) holds (or is in training leading to) a submarine duty designator, (B) is in and remains in the submarine service on a career basis, and (C) meets the requirements of paragraph (3) of this subsection, is entitled to continuous monthly submarine duty incentive pay in the amount set forth in subsection (b) of this section.

"'(2) Subject to regulations prescribed by the President, a member of the Navy who is entitled to basic pay but is not entitled to continuous monthly submarine duty incentive pay under paragraph (1) of this subsection is entitled to submarine duty incentive pay in the amount set forth in subsection (b) of this section for any period during which such member performs frequent and regular operational submarine duty (as defined in paragraph (5) of this subsection) required by orders.'.

"(b) Paragraph (5)(A)(i) of such section is amended by inserting 'while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle),' after 'to a submarine.'.

"(c) The amendments made by this section shall take effect as of January 1, 1981.

"EFFECTIVE DATE OF ACCUMULATED LEAVE AMENDMENT

"SEC. 702. The amendment made by section 10 of the Military Pay and Allowances Benefits Act of 1980 (Public Law 96-579; 94 Stat. 3368) shall apply with respect to the accumulation of leave by members of the Armed Forces who after September 30, 1979, are assigned (1) to a deployable ship or mobile unit, or (2) to other duty designated after the date of the enactment of this Act as duty qualifying for the purpose of section 701(f) of title 10, United States Code, as amended by that amendment."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the bill and agree to the same.

MELVIN PRICE,
CHARLES E. BENNETT,
SAMUEL S. STRATTON,
RICHARD C. WHITE,
BILL NICHOLS,
JACK BRINKLEY,
ROBERT H. MOLLOHAN,
DAN DANIEL,
WM. L. DICKINSON,
G. WILLIAM WHITEHURST,
FLOYD SPENCE,
ROBIN L. BEARD,
DONALD J. MITCHELL,
MARJORIE S. HOLT,

Managers on the Part of the House.

JOHN TOWER,
STROM THURMOND,
BARRY GOLDWATER,
JOHN WARNER,
GORDON J. HUMPHREY,
WILLIAM S. COHEN,
ROGER W. JEPSEN,
DAN QUAYLE,
JEREMIAH DENTON,
JOHN C. STENNIS,

HENRY M. JACKSON,
HOWARD W. CANNON,
HARRY F. BYRD, JR.,
SAM NUNN,
GARY HART,
J. J. EXON,
CARL LEVIN,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 694) to authorize supplemental appropriations for fiscal year 1981 for the Armed Forces for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, and for research, development, test, and evaluation, to increase the authorized personnel end strengths for military and civilian personnel of the Department of Defense for such fiscal year, to authorize supplemental appropriations for such fiscal year for construction at certain military installations, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference reports:

The House amendment to the text of the bill struck out all of the Senate bill after the enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment, and the substitute for the Senate bill and the House amendment. The differences between the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

PRIOR FISCAL YEAR 1981 AUTHORIZATION AVAILABLE FOR FISCAL YEAR 1981 SUPPLEMENTAL AUTHORIZATION

There are a number of programs in Titles I and II of the fiscal year 1981 Department of Defense Supplemental authorization request for which funds were previously authorized in the Department of Defense Authorization Act, 1981 (Public Law 96-342) but for which funds were not appropriated in the Department of Defense Appropriations Act, 1981 (Public Law 96-527).

The Senate version of the Department of Defense supplemental authorization bill provided, in effect, a reauthorization for each such program. The House amendment contained no authorization in all but one case for such programs. This was not because such programs lack the full support of the House, but, rather, because the House has determined that authorization provided by the Department of Defense Authorization Act, 1981, is still available.

The Senate recedes to the House.

This action does not in any way suggest anything but full support for any such programs where prior authorization is available. For example, the conferees fully support the availability of $89.0 million for the Battleship *New Jersey*, BB-62, $15.2 million for the LSD-41 long lead, and $57.1 million for the FFG-7 and LAMPS III (cost growth) in Navy procurement.

TITLE I—PROCUREMENT

The seventeen money and one language differences contained in title I, procurement, were resolved by the conference, as follows:

AIRCRAFT

Navy and Marine Corps

The supplemental budget request for Navy and Marine Corps aircraft procurement was $143.6 million. The Senate bill contained an authorization in the amount of $47.6 million. The House amendment contained an authorization in the amount requested.

The conferees recommend an authorization for Navy and Marine Corps aircraft procurement in the amount of $143.6 million.

The Senate recedes.

F/A-18 Aircraft (Hornet)

The supplemental request contained $95.9 million to fully fund the 60 F/A-18 aircraft that were previously authorized for fiscal year 1981. The Senate bill provided no additional authorization for procurement of the F/A-18 aircraft. The House amendment included the $95.9 million requested.

The conferees recommend an additional authorization in the amount of $95.9 million for procurement of F/A-18 aircraft.

The Senate recedes.

Air Force

The supplemental budget request for Air Force aircraft procurement was $740.625 million. The Senate bill contained an authorization of $716.625 million. The House amendment contained an authorization of $702.825 million.

The conferees recommend an authorization for Air Force aircraft procurement of $716.625 million.

The House recedes.

F-16 Aircraft (Falcon)

No additional authorization was requested for advance procurement of F-16 aircraft. The Senate bill contained no additional authorization for advance procurement of additional F-16 aircraft. The House amendment contained $65.7 million for advance procurement of 60 additional F-16's in fiscal year 1982, thereby sustaining a production rate of 180 aircraft per year.

The conferees found that a production rate greater than 120 aircraft per year proposed for fiscal year 1982 and following years would result in considerable savings over the planned life of the program due to economies of scale. The conferees agreed to an additional authorization in the amount of $65.7 million for advance procurement for the F-16 aircraft. Of the amount authorized, $14.6 million shall be derived from prior authorization.

The Senate recedes with an amendment.

Modification of Air Force Aircraft

The supplemental budget request contained $82.3 million for the modification of Air Force aircraft, including a request for $43.0 million to restore modification funds that the Air Force had planned to transfer to other accounts by reprogramming action.

The Senate bill contained $43.0 million. The House amendment contained no authorization based on disapproval of the reprogramming action.

An Air Force RC-135 reconnaissance aircraft was destroyed in an accident subsequent to the submission of the fiscal year 1981 supplemental budget request. On April 7, 1981, the President submitted an amendment to the supplemental budget request for an authorization of $24.0 million for a modification program to replace this specially-configured aircraft. The budget amendment was received too late for action by the Senate. The House amendment included an authorization of $24.0 million as requested.

The Senate recedes.

The conferees recommend the disapproval of the $43.0 million requested. The conferees recommend an additional authorization for Air Force aircraft modifications in the amount of $39.3 million, including $24.0 million for the RC-135 modification and $15.3 million requested for various other aircraft modifications.

The Senate recedes.

Air Force Aircraft Spares and Repair Parts

The supplemental budget request included $605.2 million for Air Force aircraft spares and repair parts. The Senate bill provided an authorization in the amount requested. The House amendment provided an authorization of $544.7 million—a reduction of $60.5 million. The conferees recommend an authorization of $605.2 million. Of the amount authorized, $32.1 million shall be derived from prior authorization.

MISSILES

Navy

BGM-109 Cruise Missile (Tomahawk)

No supplemental authorization was requested by the Administration for BGM-109 (Tomahawk) cruise missile procurement. The Senate bill contained no authorization for this item. The House amendment provided an authorization in the amount of $41.2 million.

The conferees recommend no additional fiscal year 1981 authorization for BGM-109 (Tomahawk) cruise missile procurement.

The House recedes.

Air Force

The supplemental budget request for Air Force missiles was $209.4 million. The Senate bill contained an authorization of $228.3 million—an increase of $18.9 million. The House amendment contained an authorization of $205.9 million.

The conferees recommend an authorization of $205.9 million.

The Senate recedes.

National Foreign Intelligence Program

The supplemental budget request contained $10.5 million for the national foreign intelligence program. The Senate bill contained an authorization of $29.4 million. The House amendment contained an authorization of $7.0 million ($3.5 million was transferred to Research, Development, Test and Evaluation, Air Force).

The conferees recommend an authorization of $7.0 million for the national foreign intelligence program.

The Senate recedes.

NAVAL VESSELS

The supplemental budget request contained $317.7 million for naval vessels.

The Senate bill contained an authorization of $172.1 million for naval vessels. The House amendment contained an authorization of $139 million.

The conferees recommend an authorization totalling $149.9 million as follows:

Program:	*(Millions)*
CG-47 Aegis cruiser	$129.0
LAMPS III cost growth (CG-47)	20.9
Total, naval vessels	$149.9

CG-47 Aegis Cruiser

The supplemental budget request contained $129.0 million for the CG-47 Aegis Cruiser.

The Senate bill recommended authorization of $129.0 million for the CG-47.

The House amendment recommended authorization of $129.0 million for the CG-47 program by transfer of prior authorization from other programs.

The House recedes.

LAMPS III Cost Growth (CG-47)

The supplemental budget request contained $20.9 million for LAMPS III cost growth.

The Senate bill recommended new authorization of $20.9 million for LAMPS III.

The House amendment recommended authorization of $20.9 million for the LAMPS III program by transfer of prior authorization from other programs.

The House recedes.

BB-62 U.S.S. *New Jersey* (Reactivation)

The supplemental budget request contained $89.0 million for the battleship U.S.S. *New Jersey* (BB-62) reactivation.

The Senate bill recommended new authorization of $89.0 million for the battleship *New Jersey* reactivation.

The House amendment did not recommend additional authorization for reactivation of the battleship *New Jersey,* since prior authorization is still available in the Department of Defense Authorization Act, 1981 (Public Law 96-342).

The Senate recedes.

CV-34 U.S.S. *Oriskany* (Reactivation)

The supplemental budget request contained $139.0 million for reactivation of the aircraft carrier, U.S.S. *Oriskany* CV-34).

The Senate bill did not recommend authorization for the aircraft carrier, U.S.S. *Oriskany* (CV-34) reactivation.

The House amendment recommended authorization of $139.0 million for reactivation of the aircraft carrier, U.S.S. *Oriskany* (CV-34).

The House recedes.

LSD-41 Landing Ship Dock

The supplemental budget request contained $21.8 million for the LSD-41 program. The request was predicated on a planned reprogramming of funds from the LSD-41 program. The reprogramming was not completed.

The Senate bill recommended $15.2 million for long lead funding for the LSD-41.

The House amendment did not provide additional authorization for the LSD-41.

The Senate recedes.

LAMPS III Cost Growth (FFG-7)

The supplemental budget request contained $57.1 million for FFG-7 LAMPS III cost growth.

The Senate bill recommended additional authorization of $57.1 million for the FFG-7 LAMPS III program.

The House amendment did not recommend additional authorization for the FFG-7 LAMPS III cost growth.

The Senate recedes.

SSN-688 Nuclear Attack Submarine

The supplemental budget request contained a net reduction of $0.8 million for the SSN-688 program.

The Senate bill recommended additional authorization of $21.0 million for cost growth in the SSN-688 program, offset by a recommended reduction of $21.8 million for the SSN-688 program, for a net reduction of $0.8 million.

The House amendment did not contain a recommended reduction of authorization for the SSN-688 program.

The Senate recedes.

Reductions for Inflation and Efficiencies

The supplemental budget request included a reduction of $138.3 million to account for revised estimates of inflation and efficiencies.

The Senate bill recommended reduction in authorization of $138.3 million attributed to revised inflation indices and efficiencies.

The House amendment did not recommend a reduction in authorization to account for revised estimates of inflation and efficiencies.

The Senate recedes.

TRACKED COMBAT VEHICLES

Army

The supplemental budget request for Army tracked combat vehicles was $796.0 million. The Senate bill contained an authorization for the amount requested. The House amendment contained an authorization of $781.0 million.

The conferees recommend an authorization for Army tracked combat vehicles in the amount of $791.0 million.

The House recedes.

M-1 Tank

The supplemental budget request contained $337.5 million to provide the additional authorization necessary to permit full funding of the 569 M-1 tanks that were authorized for procurement in fiscal year 1981. The amount requested includes $278.1 million for tank procurement and $59.4 million for essential items not directly related to the additional tanks. The Senate bill contained authorization of $337.5 million—the amount requested—but restricted the expenditure of $336.7 million of these funds in section 101(b) until the Secretary of Defense certified to the Committees on Armed Services of the Senate and House of Representatives that (1) results of the reliability, availability, maintainability and durability (RAM-D) testing program for such tank would not present an unacceptable level of risk in terms of satisfying the Army's operational mission requirements, and (2) such results support the procurement of such tanks in a number greater than the 360 for which funds were appropriated prior to the date of the enactment of this supplemental legislation.

The House amendment contained an authorization of $327.5 million, a reduction of $10 million.

The conferees recommend an authorization of $337.5 million and deletion of restrictive language from the bill. However, the conferees direct that $278.1 million not be obligated or expended until the Secretary of Defense advises the Committees on Armed Services of the Senate and the House in writing that the transmission durability performance results in the RAM-D testing to date do not indicate an unacceptable level of risk in terms of satisfying the Army's operational mission requirements.

The House recedes on the amount authorized. The Senate recedes on Section 101(b) in light of the above restrictive language in this Statement of Managers.

M-2 Fighting Vehicle System

The supplemental budget request contained $158.5 million for the M-2 fighting vehicle system procurement (100 units). The Senate bill contained an authorization in the amount requested. The House amendment provided an authorization in the amount of $153.5 million—a $5.0 million reduction.

The conferees recommend an authorization in the amount of $158.5 million.

The House recedes.

TITLE II—RESEARCH, DEVELOPMENT, TEST AND EVALUATION

GENERAL

The fiscal year 1981 supplemental authorization bill included a request for $598,300,000 for research, development, test and evaluation. As shown in the following table, the conferees agreed on a total of $480,928,000 which is $117,372,000 less than the requested amount.

R.D.T. & E. SUMMARY

[In thousands of dollars]

	Fiscal year 1981 request	Authorization Public Law 96-342	Appropriation Public Law 96-527	Supplemental request	House	Senate	Conference
Army	3,234,483	3,248,005	3,086,757	79,500	83,963	79,500	83,463
Navy	[1] 4,865,639	[1] 5,112,775	4,867,212	146,900	96,567	139,900	138,067
Air Force	7,033,393	7,159,857	6,774,011	330,900	211,062	339,200	242,462
Defense agencies	[2] 1,344,800	[2] 1,367,802	[2] 1,296,702	41,000	16,936	41,000	16,936
Total	16,478,315	16,888,439	16,024,682	598,300	408,528	599,600	480,928

[1] Includes $2,760,000 for special foreign currency.
[2] Includes $42,100,000 for Director, Test and Evaluation.

The details of the twenty-four money differences in Title II and the recommendations adopted by the conferees are reflected in the following tables.

Two programs in the Air Force merit comment with respect to the source of the authorization provided. The Air Force "Special Programs" program had $800,000 in prior authorization remaining from the Department of Defense Authorization Act, 1981 (Public Law 96-342), and the conferees agreed to authorize an additional $2,200,000 thereby providing the $3,000,000 authorization requested. The Air Force request "Special Activities" program had $14,078,000 in prior authorization remaining, and the conferees agreed to authorize an additional $622,000, for a total of $14,700,000. The amount recommended would be sufficient to provide the $11,200,000 requested plus an additional $3,500,000 authorization required

to accommodate a transfer of $3,500,000 from the Air Force missile procurement account to the "Special Activities" RDT&E program. The $3,500,000 was incorrectly identified as a procurement activity in the supplemental budget submission and, at the request of the Administration, was moved to the RDT&E account.

TITLE II—RESEARCH, DEVELOPMENT, TEST, AND EVALUATION SUMMARY OF CONFERENCE ACTION: ARMY—FISCAL YEAR 1981 SUPPLEMENTAL

[In thousands of dollars]

Description	Amended budget request	Senate—S. 694 as passed Apr. 7, 1981	House—S. 694 (H.R. 2614) as passed June 23, 1981	Change from Senate	Conference action
Grass blade	11,000	11,000	0	−11,000	8,000
Anti-radiation projectile	0	0	8,500	+8,500	0
Inflation adjustment	−24,000	−24,000	0	+24,000	0
Prior authorization	17,037	17,037	0	−17,037	0
a. Tech Vuln Red (counter laser)	(118)	(118)	(0)	(−118)	(0)
b. BMD systems tech (LOADS)	(4,259)	(4,259)	(0)	(−4,259)	(0)
c. Patriot (SAM–D)	(30)	(30)	(0)	(−30)	(0)
d. Combat vehicle improvement	(3,630)	(3,630)	(0)	(−3,630)	(0)
e. Kwajalein Missile Range	(9,000)	(9,000)	(0)	(−9,000)	(0)
Programs not in dispute	75,463	75,463	75,463	.....	75,463
Total, Army R. & D	79,500	79,500	83,963	+4,463	83,463

NAVY—FISCAL YEAR 1981 SUPPLEMENTAL

[In thousands of dollars]

Description	Amended budget request	Senate—S. 694 as passed Apr. 7, 1981	House—S. 694 (H.R. 2614) as passed June 23, 1981	Change from Senate	Conference action
Major surface combatant (DDG–X)	15,000	15,000	0	−15,000	0
Advanced ASW torpedo (ALWT)	18,000	18,000	0	−18,000	16,000
Air combat fighter (F–18)	42,000	42,000	0	−42,000	42,000
Marine Corps diesel rotary engine	0	0	9,500	+9,500	0
Medium-range air-to-surface missile	0	0	−14,000	−14,000	−14,000
Ship development (engineering)	30,000	23,000	30,000	+7,000	23,000
Inflation adjustment	−42,000	−42,000	0	+42,000	0
Prior authorization	12,833	12,833	0	−12,833	0
a. High-energy lasers	(6,000)	(6,000)	(0)	(−6,000)	(0)
b. Airborne ASW development (Crown Helo)	(788)	(788)	(0)	(−788)	(0)
c. HARM missile	(544)	(544)	(0)	(−544)	(0)
d. Marine Corps ground combat system	(400)	(400)	(0)	(−400)	(0)
e. Tomahawk missile	(550)	(550)	(0)	(−550)	(0)
f. Advanced communication	(188)	(188)	(0)	(−188)	(0)
g. Navigation system	(213)	(213)	(0)	(−213)	(0)
h. Submarine tactical warfare	(150)	(150)	(0)	(−150)	(0)
i. Classified	(1,712)	(1,712)	(0)	(−1,712)	(0)
j. Marine Corps C[3]	(2,288)	(2,288)	(0)	(−2,288)	(0)
Programs not in dispute	71,067	71,067	71,067	.....	71,067
Total, Navy R. & D	146,900	139,900	96,567	−43,333	138,067

AIR FORCE—FISCAL YEAR 1981 SUPPLEMENTAL

[In thousands of dollars]

Description	Amended budget request	Senate—S. 694 as passed Apr. 7, 1981	House—S. 694 (H.R. 2614) as passed June 23, 1981	Change from Senate	Conference action
Advanced ballistic reentry system	0	0	25,000	+25,000	0
VHS integrated circuits	0	0	30,000	+30,000	15,000
B–52 squadrons	20,000	20,000	0	−20,000	20,000
Night attack program (LANTIRN)	5,000	5,000	0	−5,000	0
Special programs	3,000	11,300	2,200	−9,100	2,200
Ground-launched cruise missile	41,400	41,400	0	−41,400	41,400
Low-altitude airfield attack system (JP–233)	66,000	66,000	0	−66,000	0
Protective systems	10,000	10,000	0	−10,000	10,000
Special activities	11,200	11,200	622	−10,578	622
Inflation adjustment	−15,000	−15,000	0	+15,000	0
Prior authorization	36,060	36,060	0	−36,060	0
a. Precision location strike system	(16,050)	(16,050)	(0)	(−16,050)	(0)
b. WWMCCS architecture	(3,200)	(3,200)	(0)	(−30)	(0)
c. Space launch support	(30)	(30)	(0)	(−30)	(0)
d. Aviation turbine fuel tech	(50)	(50)	(0)	(−50)	(0)
e. Space communication	(1,300)	(1,300)	(0)	(−1,300)	(0)
f. OTH–B (CONUS) radar	(200)	(200)	(0)	(−200)	(0)
g. MX missile (PLU)	(5,000)	(5,000)	(0)	(−5,000)	(0)
h. Defense support program	(800)	(800)	(0)	(−800)	(0)
i. Minimum essential emergency communication system	(200)	(200)	(0)	(−200)	(0)
j. Advanced assault breaker development	(30)	(30)	(0)	(−30)	(0)
k. Aircraft avionics equipment development	(3,000)	(3,000)	(0)	(−3,000)	(0)
l. Chemical/biological defense equipment	(100)	(100)	(0)	(−100)	(0)
m. Tactical C[3] countermeasures	(6,100)	(6,100)	(0)	(−6,100)	(0)
Programs not in dispute	153,240	153,240	153,240	.....	153,240
Total, Air Force R. & D	330,900	339,200	211,062	−128,138	242,462

DEFENSE AGENCIES—FISCAL YEAR 1981 SUPPLEMENTAL

[In thousands of dollars]

Description	Amended budget request	Senate—S. 694 as passed Apr. 7, 1981	House—S. 694 (H.R. 2614) as passed June 23, 1981	Change from Senate	Conference action
Prior authorization	24,064	24,064	0	−24,064	0
a. Defense research sciences	(5,000)	(5,000)	(0)	(−5,000)	(0)
b. Strategic technology	(4,000)	(4,000)	(0)	(−4,000)	(0)
c. Tactical technology	(4,000)	(4,000)	(0)	(−4,000)	(0)
d. Exper eval/maj tech	(4,000)	(4,000)	(0)	(−4,000)	(0)
e. MX missile support	(2,000)	(2,000)	(0)	(−2,000)	(0)
f. TN survivability	(2,000)	(2,000)	(0)	(−2,000)	(0)
g. A/C EMP tech	(1,000)	(1,000)	(0)	(−1,000)	(0)
h. Defense Mapping Agency	(364)	(364)	(0)	(−364)	(0)
i. General support to U.S.D.R. & E	(1,700)	(1,700)	(0)	(−1,700)	(0)
Programs not in dispute	16,936	16,936	16,936		16,936
Total, Defense Agencies R. & D	41,000	41,000	16,936	−24,064	16,936

ITEMS OF SPECIAL INTEREST

B–52 Squadrons

The Senate bill included the full authorization request of $20 million for Electro-Magnetic Pulse (EMP) hardening of the B–52 aircraft. The House amendment did not contain authorization for the program.

The conferees agreed to authorize $20 million for this program but in so doing directed that none of the funds could be obligated or expended until the President presents to the Congress a comprehensive bomber modernization program in accordance with the requirement in section 204 of the Department of Defense Authorization Act, 1981 (Public Law 96–342).

The House recedes.

Grass blade/protective systems

The Senate bill contained the $11 million requested for the Army Grass Blade program and the $10 million requested for the Air Force Protective Systems program. The House amendment did not contain authorization for either of these programs.

The conferees agreed to authorize $8 million for the Grass Blade program and the $10 million requested for the Protective Systems program. The conferees further agreed that specific congressional concerns over these programs would be provided to the Secretary of Defense under separate correspondence.

The House recedes with an amendment.

The conferees are aware that amounts in excess of that authorized have been appropriated for RDT & E accounts that could be identified as available to be used for the Army's Grass Blade program, as well as the Navy's Advanced Lightweight Torpedo (ALWT) and the Air Force's Night Attack (LANTIRN) programs. However, after careful consideration of the merits of each such program compared to other programs, the conferees are in agreement that the Department of Defense must not obligate or expend funds in amounts above that authorized for these programs as identified in the tables above.

Ground-launched cruise missile

The Senate bill contained the full authorization request of $41.4 million for the Air Force Ground-Launched Cruise Missile (GLCM) program. The House amendment contained no authorization for this program.

The conferees recognize the importance of the Ground-Launched Cruise Missile program to the overall North Atlantic Treaty Organization theater nuclear force modernization program. The conferees do not wish to delay the Initial Operational Capability for GLCM and, accordingly, recommended authorization of the budget request of $41.4 million. However, none of the funds authorized are to be obligated or expended until the Secretary of Defense provides to the Committees on Armed Services of the Senate and the House of Representatives a more complete justification for the requested funds together with a plan to bring GLCM development costs under control.

The House recedes.

Low altitude airfield attack system (JP–233)

The Senate bill contained the full authorization request of $66 million for the Low Altitude Airfield Attack System (LAAAS) program. The House amendment did not contain authorization for the program and directed that the LAAAS program be terminated.

The Senate recedes.

Medium-range-air-to-surface missile (MRASM) Harpoon missile

The Senate bill contained the full authorization request of $14 million for the Air Force Medium-Range-Air-to-Surface Missile (MRASM). The House amendment contained the amount requested for the Air Force program but also reduced the Navy Harpoon missile program by $14 million. The House amendment supported continuation of the MRASM program with the understanding that both a land attack and a Navy aircraft compatible imaging infrared anti-ship variant would be developed, but did not support the development of an imaging infrared guidance and control system for the Harpoon missile.

The Senate recedes.

TITLE III—ACTIVE FORCES

The active duty military strength for the Army in the Senate bill and the House amendment differed by a total of 4,700. There was no disagreement on the Navy, Marine Corps or Air Force strength. The conferees' agreement is summarized in the following table:

	House	Senate	Conference
Army	780,000	775,300	780,000
Navy	540,456	540,456	540,456
Marine Corps	190,600	190,600	190,600
Air Force	569,000	569,000	569,000
Total	2,080,056	2,075,356	2,080,056

The conferees agreed to the increase in the Army strength of 4,700 contained in the House amendment to permit the Army to recruit 2,000 more prior service personnel, 2,000 more non-prior service high school graduates, and 700 additional officers. In recruiting non-prior service accessions, the conferees expect the Army to use the additional strength approved only for high school graduates.

The Senate recedes.

TITLE V—CIVILIAN PERSONNEL

The Department of Defense requested an adjusted end strength for fiscal year 1981 of 1,013,900.

The Senate bill authorized an end strength of 1,010,600.

The House amendment authorized an end strength of 1,013,900—a difference of 3,300.

The conferees agreed to provide an adjusted authorization for civilian personnel in fiscal year 1981 of 1,012,250—a reduction of 1,650 from the Administration request.

TITLE VI—MILITARY TRAINING STUDENT LOADS

The Senate bill and the House amendment differed only on the military training student load for the Air National Guard. The Senate bill authorized a training load of 2,509—579 above the current authorization. The House amendment left the current authorization unchanged.

The Senate recedes.

TITLE VII—COMPENSATION PROVISIONS

CLARIFICATIONS TO SUBMARINE CAREER INCENTIVE PAY (SEC. 701)

The Senate bill contained a provision (sec. 801) that would clarify the authority to pay submarine career incentive pay to personnel who serve on operational, self-propelled submersibles, including undersea exploration and research vehicles, and to personnel who are not designated as submariners, but who, on a continual and regular basis, perform operational submarine duty. The provision is consistent with the original intent of the legislation and, with regard to the latter category of personnel, would provide submarine career incentive pay to these individuals only for that period of time that the member is actually assigned to the submarine for duty.

The House amendment contained no similar provision.

The House recedes.

ACCRUED LEAVE (SEC. 702)

Last year the Congress authorized accrual of up to 90 days of leave for individuals who were in a deployed status and who were unable to utilize that leave before the end of the fiscal year. Leave in excess of 60 days is normally lost at the end of each fiscal year. The effective date of that provision (January 1, 1981) failed to cover individuals who had been deployed prior to that date. The Senate bill contained a provision that would establish the effective date as October 1, 1979, and that would cover all personnel who have been deployed to the Indian Ocean.

The House amendment contained no similar provision.

The House recedes.

MELVIN PRICE,
CHARLES E. BENNETT,
SAMUEL S. STRATTON,
RICHARD C. WHITE,
BILL NICHOLS,
JACK BRINKLEY,
ROBERT H. MOLLOHAN,
DAN DANIEL,
WM. L. DICKINSON,
G. WILLIAM WHITEHURST,
FLOYD SPENCE,
ROBIN L. BEARD,
DONALD J. MITCHELL,
MARJORIE S. HOLT,
Managers on the Part of the House.

JOHN TOWER,
STROM THURMOND,
BARRY GOLDWATER,
JOHN WARNER,
GORDON J. HUMPHREY,
WILLIAM S. COHEN,
ROGER W. JEPSEN,
DAN QUAYLE,
JEREMIAH DENTON,
JOHN C. STENNIS,
HENRY M. JACKSON,
HOWARD W. CANNON,
HARRY F. BYRD, Jr.,
SAM NUNN,
GARY HART,
J. J. EXON,
CARL LEVIN,
Managers on the Part of the Senate.

GENERAL LEAVE

Mr. ANNUNZIO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the joint resolution (H.J. Res. 223), passed earlier.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. GONZALEZ, for 60 minutes, today.

(The following Members (at the request of Mr. WEBER of Ohio) to revise and extend their remarks and include extraneous material:)

Mr. FRENZEL, for 30 minutes, today.

Mr. LUNGREN, for 60 minutes, today.

Mr. CARMAN, for 30 minutes, July 28, 1981.

Mr. DANNEMEYER, for 30 minutes, today.

Mr. NAPIER, for 10 minutes, July 28, 1981.

(The following Members (at the request of Mr. DONNELLY) to revise and extend their remarks and include extraneous material:)

Mr. NELSON, for 5 minutes, today.

Mr. ST GERMAIN, for 10 minutes, today.

Mr. SHAMANSKY, for 5 minutes, today.

Mr. SAM B. HALL, JR., for 5 minutes, today.

Mr. CROCKETT, for 10 minutes, today.

Mr. LAFALCE, for 30 minutes, today.

Mr. FUQUA, for 5 minutes, today.

Mr. BINGHAM, for 5 minutes, today.

Mr. ZABLOCKI, for 5 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. WEISS, for 5 minutes, today.

Mr. ALEXANDER, for 60 minutes, on July 28.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. GONZALEZ, and to include extraneous matter, notwithstanding the fact that it exceeds two pages of the CONGRESSIONAL RECORD and is estimated by the Public Printer to cost $2,400.

(The following Members (at the request of Mr. WEBER of Ohio) and to include extraneous matter:)

Mr. YOUNG of Alaska.

Mr. ROBERTS of South Dakota.

Mr. DERWINSKI in two instances.

Mr. COLLINS of Texas in two instances.

Mr. HOPKINS.

Mr. LEBOUTILLIER.

Mr. KEMP.

Mr. ROTH.

Mr. RUDD.

Mrs. MARTIN of Illinois.

Mr. GUNDERSON in two instances.

Mr. SKEEN in two instances.

Mr. SHUMWAY.

Mr. DORNAN.

Mr. DAUB.

Mr. BEARD.

Mr. BROWN of Ohio.

Mr. JEFFORDS.

Mr. BEREUTER.

Mr. DREIER in two instances.

(The following Members (at the request of Mr. DONNELLY) and to include extraneous matter:)

Mr. GAYDOS in two instances.

Mr. HOYER.

Mr. FORD of Michigan.

Mr. UDALL.

Mr. BARNES.

Mr. HAWKINS.

Mr. ROSE.

Mr. EDGAR in two instances.

Mr. FRANK.

Mr. HERTEL.

Mr. MARKEY.

Mr. CONYERS.

Mr. STARK.

Mr. IRELAND.

Mr. PEASE in two instances.

Mr. WATKINS.

Mr. RAHALL.

Mr. MATSUI.

Mr. GIBBONS.

Mr. SWIFT.

Mr. ERTEL.

Mr. ANDERSON in 10 instances.

Mr. GONZALEZ in 10 instances.

Mr. BROWN of California in 10 instances.

Mr. ANNUNZIO in six instances.

Mr. JONES of Tennessee in 10 instances.

Mr. BONER of Tennessee in five instances.

Mr. MCDONALD.

Mr. WEISS in two instances.

Mr. HARKIN.

SENATE JOINT RESOLUTIONS REFERRED

Joint resolutions of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S.J. Res. 84. Joint resolution to proclaim March 19, 1982, "National Energy Education Day"; to the Committee on Post Office and Civil Service.

S.J. Res. 94. Joint resolution to designate October 10, 1981, as "National Jogging Day"; to the Committee on Post Office and Civil Service.

SENATE ENROLLED JOINT RESOLUTION SIGNED

The SPEAKER announced his signature to an enrolled joint resolution of the Senate of the following title:

S.J. Res. 28. Joint resolution designating the week beginning March 7, 1982, as "Women's History Week."

ENROLLED JOINT RESOLUTION SIGNED

Mr. HAWKINS, from the Committee on House Administration, reported that that committee had examined and found truly enrolled an enrolled bill of the House of the following title, which was thereupon signed by the Speaker:

H.J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 45 minutes p.m.), the House adjourned until tomorrow, Tuesday, July 28, 1981, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1894. A letter from the Secretary of Agriculture, transmitting a draft of proposed legislation to amend the Perishable Agricultural Commodities Act, 1930, to increase the ceilings on license fees, remove the exemption from branch fees, and increase the level of damages claimed which entitles a respondent to an opportunity for oral hearing; to the Committee on Agriculture.

1895. A letter from the Assistant Secretary of the Army (Installations, Logistics and Financial Management), transmitting notice of the proposed conversion to contractor performance of the laundry activity at Fort Bragg, N.C., pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

1896. A letter from the Assistant Secretary of the Air Force (Research, Development and Logistics), transmitting notice of the proposed conversion to contractor performance of the family housing maintenance function at Minot Air Force Base, N. Dak., pursuant to section 502(b) of Public Law 96-342; to the Committee on Armed Services.

1897. A letter from the Chief, Legislation Division, Office of Legislative Liaison, Department of the Air Force, transmitting the semiannual report covering the period ended June 30, 1981, on Air Force experimental, developmental, and research contracts of $50,000 or more, by company, pursuant to 10 U.S.C. 2357; to the Committee on Armed Services.

1898. A letter from the Director, Defense Security Assistance Agency, transmitting a report on the impact on U.S. readiness of the Army's proposed sale of defense articles and services to Saudi Arabia (Transmittal No. 81-73), pursuant to section 813 of Public Law 94-106; to the Committee on Armed Services.

1899. A letter from the Director, Defense Security Assistance Agency, transmitting a report on the impact of U.S. readiness of the Army's proposed sale of defense equipment to Greece (Transmittal No. 81-75), pursuant to section 813 of Public Law 94-106; to the Committee on Armed Services.

1900. A letter from the Assistant Secretary of the Treasury for Legislative Affairs, transmitting reports on the adequacy of International Monetary Fund resources and IMF borrowing from oil exporting countries and the private markets; possible IMF incentives to promote direct recycling by oil exporting countries; IMF cooperation with commercial banks; and proposals for a substitution account in the IMF, pursuant to sections 34 and 35 of the Bretton Woods Agreements Act, as amended (94 Stat. 1553); to the Committee on Banking, Finance and Urban Affairs.

1901. A letter from the Secretary of Energy, transmitting a report on the Administration's analysis of the issues involved in responding to oil supply interruptions; to the Committee on Energy and Commerce.

1902. A letter from the Secretary, Federal Energy Regulatory Commission, transmitting a proposed regulation providing for an exemption from incremental pricing, pursuant to section 206(d)(2) of the Natural Gas Policy Act of 1978; to the Committee on Energy and Commerce.

1903. A letter from the Deputy Director, Defense Security Assistance Agency, transmitting a report on a proposed memorandum of understanding between the United States and the United Kingdom of Great Britain and Northern Ireland to establish a joint program for the development, production, and support of the AV-8B/Harrier GR5 (Transmittal No. 03-81), pursuant to section 27(c) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1904. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Army's intention to offer to sell certain defense articles to the Yemen Arab Republic (Transmittal No. 81-61), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1905. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Army's intention to offer to sell certain defense equipment to Saudi Arabia (Transmittal No. 81-72), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1906. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Army's intention to offer to sell certain defense articles and services to Saudi Arabia (Transmittal No. 81-73), pursuant to section 36(b) to the Arms Export Control Act; to the Committee on Foreign Affairs.

1907. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Army's intention to offer to sell certain defense equipment to Greece (Transmittal No. 81-75), pursuant to section 36(b) of the Arms Export Control Act, together with certification that the sale is consistent with the principles contained in section 620C(b) of the Foreign Assistance Act, pursuant to section 620c(d) of the act; to the Committee on Foreign Affairs.

1908. A letter from the Director, Defense Security Assistance Agency, transmitting notice of the Army's intention to offer to sell certain defense equipment to Italy (Transmittal No. 81-77), pursuant to section 36(b) of the Arms Export Control Act; to the Committee on Foreign Affairs.

1909. A letter from the Assistant Secretary for Health, Department of Health and Human Services, transmitting notice of a proposed new records system, pursuant to 5 U.S.C. 552(o); to the Committee on Government Operations.

1910. A letter from the Acting Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting copies of orders entered in cases in which the authority contained in section 212(d)(3) of the Immigration and Nationality Act was exercised in behalf of certain aliens, pursuant to section 212(d)(6) of the act; to the Committee on the Judiciary.

1911. A letter from the Executive Director, Reserve Officers Association of the United States, transmitting the audit report on the association for the year ended March 31, 1981, pursuant to section 3 of Public Law 88-504; to the Committee on the Judiciary.

1912. A letter from the Vice Chairman, Merit Systems Protection Board, transmitting the first annual report on significant actions of the Office of Personnel Management, pursuant to 5 U.S.C. 1209(b); to the Committee on Post Office and Civil Service.

1913. A letter from the Acting Under Secretary of Energy, transmitting notice of a delay in submission of the comprehensive wind energy program management plan required by section 4(b) of Public Law 96-345; to the Committee on Science and Technology.

1914. A letter from the Special Assistant, Office of the Secretary of Defense, transmitting a report on Defense Department procurement from small and other business firms for October 1980 through February 1981, pursuant to section 10(d) of the Small Business Act, as amended; to the Committee on Small Business.

1915. A letter from the General Counsel of the Department of Defense, transmitting a draft of proposed legislation to authorize the establishment of a senior cryptologic executive service and merit pay and awards system within the National Security Agency and to make necessary amendments to title 5, United States Code; jointly, to the Committees on Post Office and Civil Service and the Permanent Select Committee on Intelligence.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. UDALL: Committee on Interior and Insular Affairs. H.R. 4053. A bill to amend section 21 of the Act of February 25, 1920, commonly known as the Mineral Leasing Act; with an amendment (Rept. No. 97-202). Referred to the Committee of the Whole on the State of the Union.

Mr. GAYDOS: Committee on House Administration. House Concurrent Resolution 106. Concurrent resolution to provide for the printing of the brochure entitled "How Our Laws Are Made" (Rept. No. 97-203). Referred to the House Calendar.

Mr. PRICE: Committee of conference. Conference report on S. 694 (Rept. No. 97-204). Ordered to be printed.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BUTLER:

H.R. 4271. A bill to provide for the voting rights of individuals within the jurisdiction of the United States; to the Committee on the Judiciary.

By Mr. CONYERS:

H.R. 4272. A bill to amend title 18 of the United States Code to provide for the assistance of counsel before Federal grand juries in certain cases; to the Committee on the Judiciary.

By Mr. LEACH of Iowa (for himself, Mr. PURCELL, and Mr. REGULA):

H.R. 4273. A bill to amend the Internal Revenue Code of 1954 to encourage economic growth through reduction of the tax rates for individual taxpayers, acceleration of capital cost recovery of investment in plant, equipment, and real property, and incentives for savings, and for other purposes; to the Committee on Ways and Means.

By Mr. LEBOUTILLIER:

H.R. 4274. A bill to amend the Internal Revenue Code of 1954 to allow individuals a deduction for commuting expenses; to the Committee on Ways and Means.

By Mr. MCCLORY:

H.R. 4275. A bill to amend section 504 of title 18, United States Code, to modify the restrictions placed upon the publishing of certain Government instruments; to the Committee on the Judiciary.

By Mr. PRICE (for himself and Mr. DICKINSON) (by request):

H.R. 4276. A bill to amend title 10, United States Code, to repeal the requirement that the Secretary of Defense request suggestions from certain military and civilian retirees for methods to improve procurement policies; to the Committee on Armed Services.

By Mr. SHAMANSKY:

H.R. 4277. A bill to make the exclusion of amounts received under a qualified group

legal services plan permanent; to the Committee on Ways and Means.

By Mr. YOUNG of Alaska:

H.R. 4278. A bill to provide for the transfer of the Alaska Railroad to the State of Alaska, and for other purposes; to the Committee on Energy and Commerce.

By Mr. ZEFERETTI:

H.R. 4279. A bill to provide assistance for the construction, acquisition, and renovation of State and local prison facilities, and for other purposes; to the Committee on the Judiciary.

By Mr. DREIER:

H.R. 4280. A bill to direct the U.S. Postal Service to provide and sell a postage stamp issue to honor all American servicemen and civilians still unaccounted for as a result of the conflict in Indochina; to the Committee on Post Office and Civil Service.

By Mr. FUQUA (for himself, Mr. GLICKMAN, Mr. WALGREN, Mr. BROWN of California, Mr. SANTINI, Mr. ROE, Mrs. BOUQUARD, Mr. FLIPPO, Mr. YOUNG of Missouri, Mr. MCCURDY, Mr. DYMALLY, Mr. BEDELL, Mr. BENNETT, Mr. BREAUX, Mr. DAN DANIEL, Mr. RAHALL, Mr. HOLLENBECK, Mr. FORSYTHE, Mr. RITTER, Mr. YOUNG of Alaska, and Mr. LUJAN):

H.R. 4281. A bill entitled: "Critical Materials Act of 1981"; to the Committee on Science and Technology.

By Mr. LONG of Maryland:

H.R. 4282. A bill to amend the Education of the Handicapped Act to provide that certain handicapped children shall be entitled to a free appropriate public education after they attain 21 years of age; to the Committee on Education and Labor.

By Mr. VENTO:

H. Res. 197. Resolution regarding minimum social security benefits; to the Committee on Rules.

MEMORIALS

Under clause 4 of rule XXII, memorials were presented and referred as follows:

163. By the SPEAKER: Memorial of the Legislature of the State of Alaska, relative to the Voting Rights Act; to the Committee on the Judiciary.

164. Also, memorial of the Legislature of the State of Alaska, relative to Vietnam war dead; to the Committee on Veterans' Affairs.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 4: Mr. YOUNG of Florida and Mr. WHITEHURST.

H.R. 52: Mr. MYERS, Mr. RITTER, and Mr. DENARDIS.

H.R. 1250: Mr. STOKES, Mr. MARRIOTT, Mr. ASHBROOK, Mr. WAMPLER, Mr. PASHAYAN, and Mr. DREIER.

H.R. 1648: Mr. HUNTER.

H.R. 1921: Mr. VENTO.

H.R. 1990: Mr. ROSENTHAL, Mr. PEYSER, Mr. DYMALLY, Mr. ECKART, Mr. ADDABBO, Mr. DANIELSON, Mr. DANNEMEYER, Mr. VENTO, Mr. MURPHY, Mr. EDGAR, MR. WOLPE, Mr. MOFFETT, Mr. OTTINGER, Mr. BADHAM, Mr. CROCKETT, Mr. PATTERSON, Mr. WALGREN, Mr. LANTOS, Mr. LAFALCE, Mr. MCCLOSKEY, Mr. MATSUI, and Mr. ASPIN.

H.R. 2973: Mr. SCHEUER.

H.R. 3112: Mr. BINGHAM, Mrs. CHISHOLM, Mr. DUNN, Mr. MARKEY, Mr. MICA, Mr. SWIFT, and Mr. DYMALLY.

H.R. 3575. Mr. AUCOIN, Mr. ANNUNZIO, Mr. CHAPPIE, Mr. FORSYTHE, Mr. JEFFORDS, Mr. KILDEE, Mr. LEHMAN, Mr. MOTTL, and Mr. SEIBERLING.

H.R. 3607: Mr. GRAY.

H.R. 4057: Mr. BONIOR of Michigan, Mr. EDGAR, Mr. HYDE, and Mr. YOUNG of Alaska.

H.R. 4164: Mr. DAUB, Mr. CHAPPELL, Mr. RINALDO, and Mr. BEDELL.

H.J. Res. 124: Mr. ARCHER, Mr. BEREUTER, Mr. BIAGGI, Mr. CARMAN, Mr. COATS, Mr. DANIELSON, Mr. DWYER, Mr. GRISHAM, Mr. LENT, Mr. MCDADE, Mr. MOORHEAD, Mr. PICKLE, Mr. PEPPER, Mr. PURSELL, Mr. SABO, Mr. SHELBY, Mr. SHUMWAY, Mr. SMITH of Alabama, Mr. SOLARZ, Mr. STANGELAND, Mr. WAMPLER, Mr. WHITTEN, Mr. WYLIE, Mr. YATRON, Mr. MCCLORY, Mr. STRATTON, Mrs. BYRON, Mr. KRAMER, Mr. AUCOIN, Mr. RITTER, Mr. BENNETT, Mr. BREAUX, Mr. BROWN of California, Mr. BROWN of Colorado, Mr. CHENEY, Mr. CLAUSEN, Mr. COLLINS of Texas, Mr. DELLUMS, Mr. DICKINSON, Mr. DOWDY, Mr. EDWARDS of California, Mr. FOGLIETTA, Mr. GRADISON, Mr. GRAY, Mr. GREEN, Mr. HANCE, Mr. HARTNETT, Mr. HATCHER, Mr. HIGHTOWER, Mr. HOLLAND, Mr. HOLLENBECK, Mr. HOWARD, Mr. HUBBARD, Mr. JOHNSTON, Mr. KAZEN, Mr. LOTT, Mr. MCCURDY, Mr. MAVROULES, Mr. MOLINARI, Mr. MOORE, Mr. MOTTL, Mr. MURTHA, Mr. NICHOLS, Mr. O'BRIEN, Mr. PATMAN, Mr. RICHMOND, Mr. SEIBERLING, Mr. TRAXLER, Mr. WHITEHURST, Mr. YOUNG of Missouri, Mr. BEDELL, Mr. SHANNON, Mr. SKELTON, Mr. SMITH of Oregon, Mrs. SNOWE, Mr. SPENCE, Mr. STANTON of Ohio, Mr. TRIBLE, Mr. UDALL, Mr. WEBER of Ohio, Mr. WHITE, Mr. WORTLEY, and Mr. WYDEN.

H.J. Res. 125: Mr. MARRIOTT

H.J. Res. 199: Mr. YOUNG of Missouri, Mr. PERKINS, Mr. SCHEUER, Mr. FAZIO, Mr. FAUNTROY, Mr. PEPPER, Mr. RAHALL, Mrs. CHISHOLM, Mr. WINN, Mr. AKAKA, Mr. GORE, Mr. SUNIA, Mr. CONYERS, Mr. VENTO, Mr. FOGLIETTA, Mr. SIMON, Mr. KRAMER, and Mr. GILMAN.

H.J. Res. 220: Mr. BENJAMIN, Mr. FOWLER, Mr. ROBERT W. DANIEL, JR., Mr. COUGHLIN, and Mr. HOYER.

H.J. Res. 223: Mr. LANTOS, Mr. WASHINGTON, and Mr. WYLIE.

H. Res. 124: Mr. ROE.

H. Res. 176: Mr. WILSON.

PETITIONS, ETC.

Under clause 1 of rule XXII,

149. The SPEAKER presented a petition of the Citizens Advisory Committee, Department of Elder Affairs, Commonwealth of Massachusetts, Boston, relative to social security; which was referred to the Committee on Ways and Means.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 3603

By Mr. FRANK:

—Page 60, line 4, strike out "and sunflower".

Page 60, beginning on line 10, strike out "sugarcane, and sunflower seeds" and insert in lieu thereof "and sugarcane".

Page 60, line 11, insert "and" at the end thereof.

Page 61, strike out line 8 and all that follows through line 15.

H.R. 4120

By Mr. DUNN:

—Page 6, strike out lines 1-6.

By Mr. FRENZEL:

—Page 7, strike lines 1 through 6.

By Mr. WYLIE:

—On page 22, after line 21, insert the following new section:

SEC. 206. No part of the funds appropriated by this Act shall be available to the Library of Congress for reproduction in braille of the magazine entitled "Playboy".

H.R. 4121

By Mr. ERTEL:

—Page 43, immediately after line 21 insert the following new sections:

SEC. 617. Except for services provided for the President and Vice President and their families, none of the funds provided in this Act to any Department or Agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such Department or Agency.

SEC. 618. Except for vehicles provided to the President, Vice-President and their families, or to the United States Secret Service, none of the funds provided in this Act to any Department or Agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated miles per gallon average of less than 22 miles per gallon.

H.R. 4169

By Mr. COLLINS of Texas:

—Page 43, after line 14, add the following new section:

SEC. 508. No part of any appropriation contained in this Act shall be used by the Department of Justice to bring any sort of action to require directly or indirectly the transportation of any student to a school other than the school which is nearest the student's home, except for a student requiring special education as a result of being mentally or physically handicapped.

H.R. 4242

By Mr. HARTNETT:

—Page 28, insert after line 16 the following:

SEC. 103. RECOUPMENT OF CERTAIN FEDERAL BENEFITS.

(a) GENERAL RULE.—If any individual receives a benefit to which this section applies during any taxable year, the amount of any overpayment of Federal income tax for such taxable year which would otherwise be credited or refunded to such individual shall be reduced by the amount of such benefits so received.

(b) FEDERAL BENEFITS TO WHICH SECTION APPLIES.—This section applies to any benefit provided under a Federal program (or a State or local program financed in whole or in part with Federal funds) if eligibility for benefits under such program (or the amount of such benefits) is based on income or any other test based on need. This section shall not apply to any loan.

(c) EFFECTIVE DATE.—The provisions of this section shall apply to taxable years beginning after December 31, 1981.

EXTENSIONS OF REMARKS

SRI CHINMOY KUMAR GHOSH

HON. BALTASAR CORRADA

OF PUERTO RICO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. CORRADA. Mr. Speaker, I consider it both a pleasure and a privilege to announce before this honorable House of Representatives, that on August 27 of this year we will celebrate in Puerto Rico the 50th birthday of an extraordinary man born in India—presently domiciled in Jamaica, N.Y.—who has made many contributions to America during the last 17 years.

I refer to the Honorable Sri Chinmoy Kumar Ghosh, the founder of the Sri Chinmoy Centres throughout the United States and the rest of the world—four of them in Puerto Rico—dedicated to render active services to the community in the cultural, civic, and athletic fields. The centres have sponsored art exhibitions, concerts, lectures, poetry festivals, tennis tournaments, free meditation classes, and a number of small businesses.

I point out with pride that the first Sri Chinmoy Centre was established in the city of Ponce, P.R. The founder is regarded in the island with admiration and affection, and a number of honors have been bestowed upon him. In January 1975 the Senate of Puerto Rico paid tribute to Sri Chinmoy in a special ceremony. In 1976, he was declared distinguished guest and honorary resident of Puerto Rico. In 1980 he was invited to open the Pan American games with a silent meditation. In July of this year, Sri Chinmoy held a series of cultural activities in San Juan, including a public meditation ceremony at the State capitol. Each year the Sri Chinmoy marathon team holds a marathon in December. This marathon has been declared to be the official marathon of the city of San Juan.

The activities of Sri Chinmoy in the United States include numerous art exhibits—many of his own paintings, which have won for him awards from the New York School of Visual Arts and the Lake Placid School of Art. As a musician, he has performed at Carnegie Hall and in hundreds of free concerts across the Nation. He has lectured at scores of mainland universities, including Harvard, Yale, Stanford, and Columbia.

Sri Chinmoy has also rendered important services to the United Nations during the past 11 years. The Sri Chinmoy Meditation Group at the U.N. meets regularly twice a week, gathering a good number of diplomats and staff members of the world organization. The group sponsors many activities, honoring different countries and distinguished leaders.

In recognition for his contributions the Secretary General, Hon. Kurt Waldheim presented him with the Silver Medallion.

I wish to join the hundreds of Puerto Rican fans and admirers of Sri Chinmoy in wishing him many happy returns on his 50th birthday, August 27, 1981.●

THE SAVINGS AND LOAN INDUSTRY: ATTENTION NEEDS TO BE PAID TO ITS PROBLEMS

HON. JOHN LeBOUTILLIER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. LEBOUTILLIER. Mr. Speaker, within the last several months, leading spokesmen from the savings and loan industry, as well as from the academic and governmental field have spoken out about the pressing problems that are faced by the industry. The arcane nature of interbanking difficulties are not easily understood by many people, including those of us in government. Nevertheless, the implications of an ailing thrift industry affect each and every American consumer, whether he or she seeks to build a home or obtain a loan for educating their children. Therefore, the illness of the industry is an economic problem faced by many.

John H. W. Rhein III of the Long Island firm, the Investor Intelligence Group, has written a remarkably cogent and all-inclusive letter to President Reagan on the subject of the problems of the savings and loan industry. I would like to share Mr. Rhein's letter with my colleagues:

THE INVESTOR INTELLIGENCE GROUP,
July 8, 1981.

President RONALD REAGAN,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: As a director of Suburbia Federal Savings and Loan Association of Long Island I am concerned by the administration's apparent perception of the S&L industry.

Your position, as I read it, does not consider factors that have been basic to the existence of this industry; ones that, if not recognized in time, could widen the gap between the haves and the have nots.

One of the most prosperous periods in our nation's history was the 1950s and one of the obvious reasons for this prosperity was the existence of a public commitment that was best described as the pursuit of the "American Dream." The Federal government, recognizing the value of stimulating the economy by bringing a high priced consumption intensive item within the reach of most of the people, had been responsible, in 1933, for establishing an institution that would promote thrift and, at the same time, help most people become home owners. This mechanism was in a perfect position to be the catalyst for economic expansion in the '50s.

To many the 30 year fixed rate mortgage offered by the S&Ls provided the only opportunity they would have to participate in the American Dream and rather positive things resulted:

Labor intensive houses that consumed a host of products and materials were purchased by thousands of people who positively believed tomorrow would be better than today.

Land was used, turning vast undeveloped tracts into inhabited revenue-producing areas.

Education flourished due to decentralization and community pride.

Money was circulating productively.

Many people began to feel less estranged from the capitalistic system because they could participate in some of its tangible benefits.

A positive attitude toward the future was fostered by people who felt they had equity in something that was sound, basic and valuable—a home and property.

The S & L industry was made the well font for these "people positive" things. Its sole reason for being was to allow the community to have access to housing with low cost, long range, fixed rate mortgages and to stimulate thrift. Commercial banks could focus upon business but S & Ls were chartered to be servants of the people.

Now the industry has been victimized by events over which it had no control. Inflation has made the value of a 5¾% passbook account seem ridiculous; high interest rates have made it impossible to attract capital profitably; the existence of hundreds of thousands of low yielding long range mortgages (made when a nation needed them to help promote the vision of a prosperous, peaceful and progressive America) has prohibited the S & Ls from being competitive as financial institutions.

Now it is essential that the administration seeks the answers to some key questions that relate to the future of this industry. Questions such as:

Question. Is the promotion of housing still important to the fulfillment of the "American Dream"?

I say it is. For all of the reasons I cited earlier it's important, but certainly one of the most significant of these is the role this promotion plays in reducing the social anxiety created by a system that will allow the few to have benefits that are denied the many.

The ultimate result of social frustration is revolution, be it by ballot or bullet. No one should be more sensitive to this than a person who just won the support of the country with the promise of positive redirection.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

Question. Are there other institutions that can serve as providers of low cost long range mortgages?

Of course there are, but their very nature prevents them from being as intimate with or as sensitive to the communities they would be called upon to serve as the institutions that are now in place.

Question. Would the public be best served by a unified banking system that would eliminate the need for institutions with the singular purpose of promoting housing?

Perhaps so, if Utopias exist. If the persons involved in collectivized financial institutions could think of the benefits made possible by the promotion of housing as an instrument for general prosperity and not be concerned with immediate banking profits, a positive result could be achieved. Unfortunately to expect this is a bit naive. History has proven the public benefits more by the availability of diverse options that foster better service. Where there is centralization human concerns tend to fade in favor of more selfish contemporary aims.

Question. Would it be disasterous to have the S & Ls fail or have an avalanche of closings and mergers?

At a time when we are trying to rebuild public confidence in our financial system it seems unlikely this goal could be achieved in an atmosphere in which thousands of mortgage holders and savers watch closings, mergers and dimissings of personnel in an industry that is so intertwined in their financial affairs. Also, the public would ultimately be called upon to bail the industry out at some point if the closings and mergers become too precipitous.

Question. Are the ways that have been suggested to help the S & L industry survive sufficient to put it back on a stable footing?

If only two things were accomplished the health of the thrift industry could be restored: The retirement of old low yielding fixed rate mortgages through some form of buyout plan and the restoration of public confidence in the stability of the value of the dollar.

Any measures that are taken to solve these fundamental problems will be remedial.

I am delighted that you have embarked upon a course that will get our economic system into synchronization, but I am gravely concerned that if something is not done to aid the S & L industry many of the things we wish for our country simply won't materialize.

An institution that acted as the fuel supply for a dynamic economy will be missing, the benefits of the capitalistic system will be available to fewer and fewer, the social frustration felt by the have nots toward the haves will be intensified and a valuable tool for economic and social progress will be missing when it could play such a constructive role in our Nation's future.

Sincerely,

JOHN H. W. RHEIN III.●

PERSONAL EXPLANATION

HON. LARRY J. HOPKINS

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. HOPKINS. Mr. Speaker, on Friday, July 24, I was not recorded on the vote for final passage of H.R. 4144, the Energy and Water Development Appropriations legislation. Because of a previous commitment, I was obliged to leave for my district before debate and voting were completed on this bill.

If I had been present, I would have voted in favor of final passage of the legislation.●

SECTION 22 TESTIMONY

HON. CHARLES ROSE

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. ROSE. Mr. Speaker, on June 24, 1981, the International Trade Commission held hearings in its section 22 investigation on the importation of foreign scrap tobacco and its effect on the U.S. tobacco price support program.

Senator JESSE HELMS was one of those to submit comments for these hearings. I would like to share these with you.

U.S. SENATE,
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Washington, D.C., June 23, 1981.

Re Certain Tobacco, Investigation No. 22-43.

Mr. BILL ALBERGER,
Chairman, International Trade Commission, Washington, D.C.

DEAR MR. CHAIRMAN: I urge your most earnest consideration of testimony submitted in connection with Investigation No. 22-43, the stated purpose of which is to determine whether certain tobacco is "imported into the United States under such conditions and in such quantities as to render or to tend to render ineffective, or materially interfere with, the tobacco program, or to reduce substantially the amount of any product being processed in the United States from such domestic tobacco."

This matter has been of great concern to me for several years. In fact, it was I who first brought the question of unusual and dangerously large volumes of tobacco imports to the attention of the U.S. Customs Service and the Comptroller General of the United States. Joining me was Senator Walter D. Huddleston in joint letters dated October 13, 1978. A week later, on October 20, 1978 Congressman Walter B. Jones, then Chairman of the House Agriculture Subcommittee on Tobacco, officially added his support to the request filed by Senator Huddleston and me, likewise requesting a thorough review and investigation of imports of unmanufactured tobacco under the classification of "scrap" (TSUS Item 170.60).

On August 6, 1979 the president of the North Carolina Farm Bureau, John Sledge, petitioned the Customs Service to classify the "scrap" tobacco as "stemmed" tobacco (TSUS Item 170.35). On November 6, 1979, the Comptroller General reported to Congress that the General Accounting Office found "that Customs misclassified tobacco strips as scrap tobacco." The full GAO Report is hereby transmitted for your consideration. I respectfully request that it be included in the official record of the hearing.

Despite almost constant appeals to the Customs Service for proper classification of import tobacco—in the fashion petitioned by Mr. Sledge and recommended in the GAO Report—the Customs Service delayed a ruling. Then, on May 20, 1980, the Treasury Department finally issued a ruling classifying stemmed and stripped tobacco as "tobacco not specially provided for" (TSUS Item 170.80). It is worthy of note that such a finding was—and still is—without statutory basis.

The GAO Report assesses Congressional intent regarding these tobaccos as follows:

"First, there is no basis to depart from the more specific classification for stemmed filler tobacco. An *eo nomine* or named classification such as stemmed filler tobacco takes priority over a more general description such as tobacco, not specifically provided for. That is, when Congress has provided for an article by a specific name, the specific classification must prevail over a provision where the article is included within the terms of a general description. Second, the catchall item would, like the present 'scrap' approach, deny reality and essentially classify filler tobacco out of existence as an import product."

It seems quite clear that the Customs Service is currently violating the intent of Congress by classifying stemmed and stripped filler tobacco under TSUS 170.80. The fact that the tobacco has been stripped in no way diminishes the fact that it has been stemmed; and that such a classification is specifically provided for by Congress in TSUS Item 170.35 is irrefutable.

On December 16, 1980, I again urged the Commissioner of Customs to give his immediate attention to the proper classification of imported tobaccos. I enclose herewith a copy of that letter detailing the basis for the request, as well as copies of letters on the same subject bearing dates of November 6, 1979, and February 25, 1980.

Now, some contend that the damage of the "scrap" imports is a fait accompli, with foreign production encouraged and enhanced, and the art of producing, handling and marketing of tobacco fully developed abroad. They assert that the reductions in the tariffs—provided for in the years ahead by the statutory requirements of the Multilateral Trade Negotiation agreements—and the drawback provisions of the tariff laws, have diminished the importance of resolving the customs misclassification issue.

That, of course, is yet to be determined one way or the other. However, the issues which caused Senator Huddleston and me to raise the issue in 1978 remain valid. In our original letter to the Commissioner of Customs and to the Comptroller General of the United States on October 13, 1978, we stated the problem presented by excessive imports of foreign tobacco as follows:

"The adverse impact upon the domestic producers is caused by the fact that avoidance of proper and appropriate tobacco tariffs has encouraged an increase in the importation of foreign unmanufactured tobacco into the United States, particularly in the type of tobacco known as 'scrap.' These increased imports come at a time when the market share of domestic tobacco growers has been declining, both in the United States market and in the world trade. Further, the application of improper tariffs has had the effect of encouraging the foreign production of tobacco for the world trade, thereby creating domestic and worldwide competition for U.S. producers that would not have otherwise existed. Finally, the increase in the incidence of importation of such foreign tobaccos has come at a time

when the surplus of tobacco, held by the Flue-Cured Tobacco Cooperative Stabilization Corporation, has reached record levels, currently totaling some 540 million pounds. The incidence of increased imports threatens to weaken the economic stability of the Tobacco Program, thereby threatening the livelihood of some 500,000 farm families in America."

These issues have come under the purview of the International Trade Commission, at least in part, because the Customs Service has refused to deal with them and to meet the problems head on. I am confident that the ITC will fulfill its responsibility to carry out the law intended by Congress.

That is why I respectfully urge that these issues be given your most earnest consideration as you contemplate the harmful effects of unrestrained imports of foreign tobacco.

Sincerely,

JESSE HELMS, *Chairman.*

Enclosures: GAO Report, "U.S. Customs Service Misclassifies Tobacco Imports"; Helms to Commissioner of Customs, November 6, 1979; Helms to Commissioner of Customs, February 25, 1980; Helms to Commissioner of Customs, December 16, 1980.●

TRANSFERRING THE ALASKA RAILROAD

HON. DON YOUNG

OF ALASKA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. YOUNG of Alaska. Mr. Speaker, I am introducing today a companion bill to S. 1500, legislation authored by my colleagues from Alaska, Senator STEVENS and Senator MURKOWSKI, which will transfer the Alaska Railroad to the State of Alaska.

The Alaska Railroad is unique in that it is the only railroad run entirely by the Federal Government. The Alaska Railroad has played a unique role in Alaska's history and has been a major factor in the development of our two major cities, Anchorage and Fairbanks.

For some years now, the Federal Government has expressed interest in turning the Alaska Railroad over to a private entity or to the State of Alaska. After lengthy negotiations, legislation has been developed with the help of the U.S. Department of Transportation which will transfer the railroad to the State of Alaska at no charge as long as the State continues to operate the rail system. This plan has been endorsed by the Governor and the State legislature.

One issue remains unresolved, however—the question of insuring that the railroad, as a State entity, does not compete unfairly with private carriers. It is my intent to work with private businesses, the State government, and the Department of Transportation to develop legislative language which will solve this problem.

The plan envisioned in this bill for the transfer of the railroad is a good one. It will save the Federal Government money by transferring the railroad to the State of Alaska. It will keep the Federal Government out of the transportation business, a goal endorsed by many of my colleagues in the House. Finally, it will allow this important rail system to continue to operate.

It is my hope that the committee having jurisdiction over this bill will begin to work on it immediately after the August district work period. The Senate has announced its intent to hold hearings on this measure in Alaska during the month of August. If proper emphasis is placed on this important legislation, we can see it signed into law in the near future. I hope that my colleagues will join with me in supporting this bill.●

PASTOR ARTHUR N. THOMPSON

HON. BOB EDGAR

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. EDGAR. Mr. Speaker, I would like to take this opportunity to recognize and express appreciation for the good work of Pastor Arthur N. Thompson, pastor of the Colwyn Baptist Church.

His dedication thoughout this half century in the ministry is a particularly beautiful example of service to one's fellow man. What is most impressive about Pastor Thompson is his record of service to the community at Colwyn Baptist Church, continuing in his office following illnesses that would have caused others to retire long ago.

The people of Colwyn and in fact, the people of Delaware County will feel a great loss with Pastor Thompson's retirement from the ministry. We wish him and Mrs. Thompson all of the best with their future plans.●

INCONSISTENT TAX-INDEXING POLICY

HON. AUGUSTUS F. HAWKINS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. HAWKINS. Mr. Speaker, recent Senate action added a provision in the tax bill which would index future tax rates and deductions starting in 1985, without any knowledge of the economic conditions ahead. Crystal ball economics has taken shape at a time when our Nation cries out for sound and responsible policymaking. If it is then wise to offer tax-indexing benefits in this category, then why not also for the special programs which assist the poor and disadvantaged members of our society who are disproportionately affected by the evils of inflation. Mr. Speaker I wish to submit an article written by David Broder of the Washington Post which points out the injustice and incongruity of this selective tax-indexing policy.

REVENUE-ROULETTE

The membership of Congress is almost certainly smarter and better educated today than it was a decade ago. The investment in education that began with the GI Bill and continued with Sputnik and federal aid to higher education—to say nothing of the increasing competitiveness of electoral politics—has had a marked effect in reducing the number of hacks in the House and Senate.

How, then, is one to explain the extraordinary inability of Congress to extract the lessons of experience in one area and apply them to other, related questions?

This conundrum has been gnawing at me ever since the Senate decided, in a rather offhand way, to throw into the tax bill a provision that would index future tax rates and deductions for inflation, starting in 1985, when the last of the scheduled Reagan-suggested cuts go into effect.

The political appeal of indexing is obvious. It ends bracket creep—the unlegislated increase in your tax burden that comes when a cost-of-living pay raise moves you into a higher bracket. It ends the situation, in the words of Sen. Dave Durenberger, one of its proponents, where the "government, one of the primary causes of inflation, is also the main beneficiary of inflation."

Hooray.

But indexing—especially when mandated four years in advance by people who can have no real idea what the economic climate will be—is also the most hazardous form of revenue-roulette. It is a classic example of the Congress of 1981 hogtying and hampering the reasoned choice of the Congress that will be sitting in 1985.

Now, the discouraging thing is that if anyone ought know that fact, it is the 57 senators who voted for indexing last week and the 218 representatives who have signed on as co-sponsors of a similar provision in the House.

Why should they know it? Because much of the agony they have been going through this year on the budget and reconciliation bills is the direct by-product of their predecessors' past embrace of indexing for Social Security, government and military pensions and a variety of other programs.

The folks who indexed those benefits were operating off what they considered a fine ringing principle. If Durenberger and Sens. Bob Dole and Bill Armstrong can see the wickedness of government "profiting" from inflation, their worthy predecessors in the 1970s could see that it was equally iniquitous to make retirees the victims of inflation.

When then Senator Frank Church put the cost-of-living indexing for Social Security into the law in 1972, the principle of equity seemed so obvious that it passed 82-4. What 82 senators could not foresee was that indexing would become so expensive within a decade that it could threaten the system with bankruptcy and could force Congress to such desperate expedients as eliminating the minimum Social Security benefits for a couple million 70- and 80-year-olds living on the ragged edge of poverty.

Ah, but the sponsors of tax-indexing say their provision is different, because it af-

fects revenues, not expenditures. It is not. The principle, and the mischief, are identical. In both cases, the lawmakers of one era are telling a selected group of citizens that for all times, under all circumstances, they will be protected against inflation.

It is a double folly. Inflation is not a scourge that affects particular groups. It clobbers everybody, and it can be cured only when everyone understands that discipline and sacrifice are involved. To "index" anyone—taxpayer or beneficiary—fully against the impact of inflation is to reduce the odds that everyone will see the need for joint action against the common enemy.

Second, it is demonstrably dangerous to lock the government into a long-term fiscal policy that restricts future room for maneuver. We are not talking about trivial sums. The Congressional Budget Office estimates that in its first two years, tax-indexing would cost the government $50 billion. No one now sitting in Congress can possibly know whether those $50 billion will be needed to balance the budget in 1986 or whether returning them to the taxpayers in that year will stimulate a lagging economy or just feed the fires of inflation.

What we do know is that this Congress has yet to bite the bullet and reduce the major items of indexed benefits it inherited. Yet it seems blithely ready to forge for its successors a new set of fiscal handcuffs called tax-indexing.

A government in which benefits are indexed to rise with inflation while taxes are indexed to resist inflation would be a government on the way to bankruptcy, of course.

It boggles the mind that these smart folks we got in Congress now can't see that for themselves. Maybe we need to send them to summer school.●

THE NATIONAL TOURISM POLICY ACT

HON. TOBY ROTH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. ROTH. Mr. Speaker, I call upon my colleagues to give their wholehearted support to H.R. 1311, the National Tourism Policy Act.

The travel and tourism industry is of vital economic importance to the State of Wisconsin. In 1980, travel and tourism netted over $6 billion for Wisconsin—1981 projections indicate that tourism, Wisconsin's second largest industry, will make even greater economic contributions to the benefit of the State.

One out of every six persons is employed in a tourism-related occupation in Wisconsin. In addition, tourism generated over $151 million to the State general fund through the 4-percent sales tax alone.

The average traveler to Wisconsin spends over $45 per day while visiting the State at over 32,000 small businesses that cater to the needs of the visitor.

Wisconsin, a State of great natural beauty, owes much of the continuing preservation of that famous beauty to the tourism industry's vigorous efforts to maintain the unblemished quality of Wisconsin's landscapes.

I have illustrated tourism's tremendous impacts upon my own State; those effects extend throughout the United States.

The far-reaching impact of the travel and tourism industry on our Nation can be seen in the fact that it is the largest retail industry in the United States; ranking as one of the top three retail industries in 40 of the 50 States. In 23 of those States it is the largest employer. Statistics indicate that the travel and tourism industry will be the most important economic activity in the United States by the year 2000.

H.R. 1311 requires the Secretary of Commerce to name an Assistant Secretary of Commerce and Tourism who will develop a detailed plan to stimulate and encourage travel to the United States. In addition, an advisory board, composed of 15 members appointed by the Commerce Secretary will review the activities of the administration as they affect travel and tourism and report yearly to the Congress.

This is a commonsense plan of action which will effectively perform the activities needed to determine the direction the Nation's travel and tourism industry will take in an effort to stimulate the economy. This task will be undertaken not to regulate or assist the industry in a commercial sense, but to encourage the best use of the Nation's travel and tourism resources to sound economic ends that will benefit all Americans.

Mr. Speaker, I urge my colleagues to support the National Tourism Policy Act—an initiative whose time has come. I am also pleased to note the administration's unconditional support for H.R. 1311.

The Federal Government must take an active part in recognizing the far-reaching importance of the travel and tourism industry. The National Tourism Policy Act provides the most balanced, cost effective, efficient means of achieving this goal.

The continuing prosperity of our Nation depends, in part, upon the vitality of the travel and tourism industry. A vote for the National Tourism Policy Act is a vote for a sound economy.●

COUNTY GOVERNMENTS RELY ON PILT

HON. CLINT ROBERTS

OF SOUTH DAKOTA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. ROBERTS of South Dakota. Mr. Speaker, last week during consideration of H.R. 4035, the Interior Appropriations Act, this body refused to accept an amendment submitted by my colleagues, Mr. LUJAN and Mr. MARRIOTT, to restore funds for the Public Law 94-565 payments-in-lieu-of-taxes program.

Unfortunately, a death in the family prevented me from being in Washington last week to participate in the debate on that amendment. Had I been here, I would have wholeheartedly endorsed my colleagues' efforts to reinstate funding for the PILT program.

In 1976, Congress determined that individual counties in which there are large acreages under Federal ownership deserve to be compensated for the loss of tax revenues from land that has been removed from their tax rolls.

The payments-in-lieu-of-taxes program is a perfect example of Federal-local cooperation, and it is a shame that this body voted to deprive the thousands of counties in America who need this program for the sake of less important funding priorities.

We are talking here about counties who are struggling to provide essential services like law enforcement and fire protection and decent roads. The Federal Government owns land in those counties for parks and the like, and the counties cannot collect taxes from the owner, Uncle Sam.

The PILT program is federalism at work. What priority can be more important than assisting our counties in providing essential services?

During fiscal year 1980, counties in South Dakota received a total of over $2 million in PILT funds. While that may not seem like such a large amount to many of my colleagues, I assure you that the counties receiving those payments would find it difficult to come up with alternative funding sources.

Most counties in South Dakota will be unable to raise property taxes to make up for the loss of PILT, as they are already at their maximum mill levy. Therefore, services will have to be drastically reduced or totally eliminated if House action on PILT is sustained.

Every State in this Nation has received payments-in-lieu-of-taxes moneys in recent years. Some have received much more than others depending on the amount of Federal land which has been taken off the tax rolls; however, I am sure that all counties receiving those payments have benefited to some extent from that assistance.

It has been argued that increases in revenues from mineral leasing, timber sales and grazing fees will offset the PILT payments. I would like to point out that only seven counties in South Dakota received section 4 payments, totaling only $726,804, while 35 coun-

ties received PILT moneys totaling over $2 million.

It has also been argued that increases in revenue sharing will compensate those counties for the loss of PILT. However, there is no provision in the general revenue sharing formula to give extra funds to counties whose tax base is impacted by Federal lands, and funds under the six additional revenue-sharing programs proposed to be included in a revised section 4 affect only a few counties currently receiving payments-in-lieu-of-taxes in South Dakota.

The PILT program is one of the most constructive concepts of American federalism enacted in recent years. This program returns funds to local government without the excessive involvement of the Federal Government. As a result, the overhead for the PILT program is under 1 percent.

I am disappointed that this body chose to turn its back on the grassroots level of our Nation by defeating the PILT amendment.●

NEW AUSTERIANS WORRY TOO LITTLE ABOUT RESULTS

HON. JOSEPH M. GAYDOS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. GAYDOS. Mr. Speaker, the debate on waterways appropriations seemed to dwell too little on result and too much on detail, which is not good for the Congress or the country.

The Stonewall Jackson Dam in West Virginia is a good example.

It is a good example because it is not a particularly big project, yet with a $17.8 million appropriation and a $142 million completion cost it is visible.

Thus visible, it was vulnerable to deletion by those who wanted, for whatever reasons, to make a record of fiscal responsibility or of being proenvironmentalist or anti-pork-barrel, or whatever.

But it really does not work that way, and here is where it is useful to consider result rather than detail.

The Stonewall Jackson Dam is part of a system of waterways that runs through what used to be called America's heartland, like major bones through the body; and like bones, they support and tie together the whole.

This system carries agricultural commodities, raw materials, and finished goods, and its efficiencies are one of the edges we have had for our industry and commerce.

By the way, of the 50 largest North American ports listed in the World Almanac, 8 are on American rivers or lakes, and other authorities list landlocked Pittsburgh as the fourth largest port in the United States, which gets me back to the Stonewall Jackson Dam, which is in West Virginia.

You see, when localized heavy rains cause flooding in West Virginia it is not long before we feel it along the Monongahela in Pittsburgh and Braddock and McKeesport.

Thus a $142 million dam in one State means protection for billions worth of industry and housing in another.

A more significant feature of the Stonewall Jackson Dam in regard to jobs and commerce is that it will allow for evening out the rises and falls of the Monongahela by what is called low-water augmentation.

Low water means less depth for navigation and requires lighter loads on the barges, which means operating a major asset at less than maximum efficiency.

But the dam will allow control of water levels and provide year-around maximum efficiency.

The system will not fail without the Stonewall Jackson Dam, but it will work much better with it in place.

And that is what Congress should really be about these days—making things better in ways that will give America's working people an edge on the competition.

A good, efficient transportation system in the heartland is one of these edges.

And, although the effort to delete the dam appropriation failed, this is why I offer it as an example of why it would benefit the Nation and its working people if this Congress would worry less about looking like the holiest group in the "New Church of Austerity" and more about results and how things fit together.●

THE UNITED STATES SOUTHERN FLANK

HON. MICHAEL D. BARNES

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. BARNES. Mr. Speaker, I would like to commend our colleague from Michigan, DAVE BONIOR, for his excellent article on U.S. policy toward the Caribbean basin, entitled "The United States Southern Flank," which appeared in the New York Times, July 9.

Recognizing that in the past our attention to the Caribbean region has waxed and waned depending on our perception of the Communist threat in the area, DAVE argues that—

The only hope for a consistent United States foreign policy is to anchor it not in separate global issues but in the persistent, unique problems of the region itself.

As a case in point, DAVE mentions the foreign policies of our neighbors, Venezuela and Mexico, which try to understand and respond to the specific problems and needs of the countries in the area.

He also warns the administration against using the Caribbean basin policy as a cover for advancing our own economic interests without regard to the real development needs of the region. I feel that it is the responsibility of Congress to remind the administration, as does our colleague from Michigan, that—

The future depends upon the recognition that interdependence means that our security is protected by advancing the region's economic interests.

The Subcommittee on Inter-American Affairs, which I have the honor to chair, is now conducting hearings on the Caribbean basin, with the purpose of exploring the historical, political, and economic reasons responsible for the underdevelopment of the area and the possible shape of a viable Caribbean basin policy. I wish to thank DAVE BONIOR for his contribution to the debate and to include his article at this point.

[From the New York Times, July 9, 1981]

THE UNITED STATES SOUTHERN FLANK

(By DAVID E. BONIOR)

WASHINGTON.—Under the Reagan Administration, United States foreign policy toward Central America markedly contrasts with the policies of emerging leaders in the region's neighborhood, Mexico and Venezuela.

While we have suspended food assistance and economic-support funds for Nicaragua, Mexico has committed itself to spend $200 million in development aid there. Despite their foreign-affairs policy differences, the Presidents of Mexico and Venezuela have spoken out strongly in opposition to the Reagan policy toward El Salvador. As if to underscore its solitary position, the Reagan Administration has announced a "greater emphasis on bilateral rather than multilateral assistance," and has proposed a 30 percent cut in our contribution to the Inter-American Development Bank.

The Administration's policy is not faulty because it violates liberal axioms—that economic aid is everywhere and necessarily good, that military aid is everywhere and necessarily bad, that unilateral United States action is, by definition, evil. Rather, the Reagan foreign policy toward Central America and its neighbors is anachronistic because the alternative leadership and economic assistance of Mexico and Venezuela means that we are less able to dictate policy. Developing a cooperative relationship with Mexico and Venezuela will be critical for our future foreign policy.

An apparently cordial relationship between Ronald Reagan and President José Lopez Portillo of Mexico is a step in the right direction but the warmest of relationships is only the context for reaching policy agreements.

The recently advanced United States plan for multilateral development assistance in the Caribbean, with help from Mexico and Venezuela as well as Canada and others, could be an opportunity for translating diplomatic toasts into working arrangements. However, the Reagan Administration persists, despite opposition in the Caribbean and in Mexico, in insisting that certain countries be excluded from participation in any development program. That is only part

of a larger insistence that the program must function explicitly as a security package designed to confront perceived Communist threats in the Caribbean. Pressed by budget constraints that limit direct aid, we are emphasizing an offer of badly needed special trade concessions. However, even that offer seems dependent on Caribbean countries' reciprocating with special treatment for United States corporate investments.

On each count, long overdue attention is frustrated by long outdated ideas. The dominance of United States-defined security interests turns the Caribbean-aid program basically into a policy tool for our interests, robbing it of even the appearance of being a mutual answer to mutual problems. In contrast to development aid, which might directly promote the formation of infrastructure and new industries under local control, incentives for locating United States industries in the Caribbean just mean further dependency of the local economy on foreign business. This approach extends the Administration's "trickle-down" domestic economic policies into foreign affairs. There seems little chance that Venezuela and Mexico will participate in the program under these terms.

These difficulties have been implicitly recognized through Washington's face-saving proposal that the Caribbean program be reduced to a series of coordinated bilateral decisions that leave the United States, Mexico, and Venezuela free to pursue independent paths. Overlooking existing institutions, like the Inter-American Development Bank, the program becomes multilateral in rhetoric only. While that may save face now, it will create future problems, for it will highlight the stark contrast between policies of the United States and its neighbors.

If the program is to succeed, it must reflect an awareness of the region's history and economic interdependence. The Reagan Administration is not the first to define our policy in the Caribbean in terms of larger global issues. Caribbean nations will remember that John F. Kennedy's Alliance for Progress lost its priority in Washington as soon as the United States changed its perception of the Soviet Union. The only hope for a consistent United States foreign policy is to anchor it not in separate global issues but in the persistent, unique problems of the region itself.

In 1978, perhaps one-third of all United States investments in Latin America were concentrated in the Caribbean. We increasingly depend on Venezuelan and Mexican oil—in 1980, they constituted 15 percent of all imports. Our primary source of bauxite for the production of aluminum, a vital strategic material, is in the Caribbean.

In the past, our policy has erred by the assumption that this interdependence means that our security is protected by advancing our own economic interests. The future depends upon the recognition that interdependence means that our security is protected by advancing the region's economic interests.●

SUNFLOWER SEEDS

HON. BARNEY FRANK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. FRANK. Mr. Speaker, title IX of H.R. 3603, the Food and Agriculture Act of 1981, contains a provision—section 901—that would provide a mandatory loan program for the first time for sunflower seeds. Currently, the Secretary of Agriculture has discretionary authority to set up a price support program if the Secretary feels it is warranted. I oppose the inclusion of this new mandatory program in the Food and Agriculture Act of 1981. At a time when Congress is cutting back on such programs as food stamps and school lunches, inclusion of a mandatory sunflower seed loan program would be an unjustified expenditure of scarce funds.

The administration opposes the provision for sunflower seeds on the basis of potential cost and the mandatory, rather than discretionary, character of the provision. Furthermore, the North Dakota Sunflower Council representing growers of 58 percent of U.S. production of sunflower seeds in 1980, has stated that they do not want the sunflower seed production included in the Federal Government loan program. Council letter to Senator MARK ANDREWS, dated March 3, 1981. At a time when Congress is retrenching program after program, it is foolhardy to spend taxpayer moneys on a program that a large segment of the industry does not want or need. In this era of agricultural subsidy and price support programs, it is refreshing to see this viewpoint.

In the committee report to accompany H.R. 3603, the committee wrote:

SUNFLOWER SEED

Sunflower seed, a minor crop just a few years ago, has become a crop of major significance to several producing areas in the United States. In 1977 plantings amounted to 2.3 million acres. It increased to 5.6 million acres in 1979 and has fallen off slightly to 4.4 million acres for 1980. It has developed into a crop of major export significance. Prices have trended upwards in the recent past and in March and April of 1981 have averaged approximately $11 a hundredweight. The crop is produced primarily in the northern tier of states, particularly in Minnesota and North Dakota. The legislation has provided requirements for a price support loan program at a minimum rate of $9 a hundredweight in order to insure a source of financing to producers. This support rate is less that the cost of production excluding land, which has been estimated by the Department for 1981 at $9.34 per cwt. The program remains essentially a market-oriented program with no provisions for production controls.

A careful reading of this statement of "Purpose and Need" shows the profile of a healthy agricultural commodity, whose markets are growing and whose prices are well above production costs. Clearly, this is not an industry that needs help, even if one accepted the premise that such help is theoretically justified.

While the program is intended to be self-liquidating each year (that is, loans made in advance of the harvest would be paid off by the start of the next growing season), the Agriculture Committee's report estimates the cost to the Federal Government of $10 million per year. Of course, if commodity prices should fall below the loan level, the Federal Government would find the cost much larger than $10 million, as the Federal Government would take possession of crops that are unredeemed, plus all the attendant storage and disposal problems.

I have already written the chairman of the House Committee on Agriculture, opposing the mandatory loan provision for sunflower seeds. In the meanwhile, I will offer the following amendment to eliminate the sunflower seed provision from H.R. 3603:

AMENDMENT TO H.R. 3603 OFFERED BY MR. FRANK

Page 60, line 4, strike out "and sunflower".

Page 60, beginning on line 10, strike out "sugarcane, and sunflower seeds" and insert in lieu thereof "and sugarcane".

Page 60, line 11, insert "and" at the end thereof.

Page 61, strike out line 8 and all that follows through line 15.

In a few days, I will circulate a "Dear Colleague" letter asking that other Members of the House join in cosponsorship of my amendment.●

FRANKING LEGISLATION

HON. WILLIAM D. FORD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. FORD of Michigan. Mr. Speaker, I am pleased to report that at long last the Senate has acted on franking legislation substantially the same as bills which this House passed in the 95th and 96th Congresses.

Last week the Senate passed the bill S. 1224, which in its provisions affecting the House is almost identical to H.R. 3777 in the 96th Congress, and H.R. 7792 in the 95th Congress—both of which passed the House overwhelmingly under suspension of the rules—but both of which the Senate failed to take up.

The House Commission on Congressional Mailing Standards met on Friday, reviewed the provisions of S. 1224, and decided to strongly recommend immediate House passage. With a lengthy recess imminent—and in view of the fact that we have already waited a long time for the Senate to act—the bill S. 1224 has been scheduled for floor action tomorrow, July 28, under suspension of the rules. The amendments to the franking bill made in markup by the Committee on Post Office and Civil Service during the 96th Congress are contained in S. 1224.

The bill has strong bipartisan support, entails no additional costs, and essentially strengthens the principle of self-regulation which has governed

the House's use of the frank since enactment of the Franking Act of 1973.

I strongly recommend its passage tomorrow.●

TRIBUTE TO SHEPARD DAVIS

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. LEHMAN. Mr. Speaker, the Miami Beach community, and especially the low-income renters, recently lost a great friend and champion at the death of Shepard Davis. Shep was an active, articulate member of the Miami Beach Housing Authority, the Tenants' Association of Florida, and the League of Women Voters. He will be sorely missed at all their meetings. I would like to express my sympathy to his widow, and to add my tribute to the memory of this fearless, outspoken citizen. I insert in the RECORD this article from the Miami Herald of July 18:

TENANTS' BEST FRIEND GOES DOWN A FIGHTER

(By Margaria Fichtner)

"His hobby," said Rabbi Mayer Abramowitz, "was poor people. He wanted to help the poor, and if it meant always to be the fighter, the dogmatic fighter, he undertook to do that, and he undertook to be their champion."

And Shepard William Davis, the nettlesome activist, was a fighter to the end. He died Wednesday, at 70, after being stricken at a Miami Beach Commission meeting where he was to speak as a member of the Miami Beach Housing Authority.

Death did something nothing else had been able to do for 20 years. It shut Shepard Davis up.

Friday, 200 to 300 family members, friends, former adversaries and admirers gathered at Riverside's Alton Road funeral home to honor this small, well-to-do retired businessman who became a legend on Miami Beach by championing the rights of those who were not—or could not be—so outspoken or so fearless as he.

Miami Beach Mayor Murray Meyerson was there. Former mayors Leonard Haber and Jay Dermer were there. Former Commissioner Hal Spaet, who now represents Miami Beach in the Legislature whispered, "Everybody in this room owes him so much." Everybody there, in one way or another, has been a Rose Goldberg.

Several years ago, Goldberg, a 74-year-old widow, was locked, shoeless, out of her Miami Beach hotel room for being 10 days late with her rent.

Shep Davis blew his stack. Then he calmed down, called people, marched to the widow's hotel and announced to the owner, "If this door isn't opened, I'll bust it down."

The door was opened. Shep Davis gathered up the pitiful scraps of Rose Goldberg's life. He made sure he had her hairbrush, her medicine and, particularly, her shoes. then he demanded the landlord give back her $150 rent deposit.

Shepard Davis, who had retired from his successful publications promotions company at 52, moved from Coral Gables to a new highrise Miami Beach apartment in the late '60s. There, for the first time in his life, he became a tenant. He griped about the building's unfinished hallways, unpainted walls and the landlord's broken promises. And he discovered everyone who rents can become a Rose Goldberg overnight.

"I got to thinking. My building is full of millionaires and people who own department stores and delicatessens and other lucrative businesses," he once said. "If they treated us like this, then what happens to those people down on South Beach living on fixed incomes?"

Davis founded the Presidents Club, a loosely knit group of the heads of Miami Beach high-rise social clubs. Shortly after that, he was elected president of the newly formed Tenants Association of Florida. For the rest of his life, he fought against high rent increases, picketed landlords, prevented evictions and lobbied for good low-cost housing on South Beach.

He made friends and enemies with equal ease. When he took on an issue, it stuck like a bone in his craw. He worried it until he beat it. He behaved like a human whirlwind, once shouting at a former Miami Beach council member, "I'm not going to stand here and listen to you, because I don't think you're worth a *dime.*"

And he never stopped. Remembers one admirer, "You wanted him to do this, but you wondered why he just couldn't take the afternoon off sometimes."

Sheppard Davis was the first man to join the Dade County League of Women Voters.

"All male people should join," he said.

He once settled out of court after suing the publisher of a weekly newspaper that had referred to him as "Shep the Knife" and "the shark with the pearly teeth." Davis pouted that as a result of the paper's allegations, he suffered "a loss of capacity for the enjoyment of life."

His rallying cries were more suitable to the ballpark than the commission chamber, but he spoke his mind on principle, with little respect for the nuances of time or place:

"Fearful tenants will be emboldened, and the landlords will have the hell scared out of them," he said.

"Like it or not, the world revolves around who you know and what you have. The peasant never got the emperor's ear."

"Tenants who say nothing get nothing."

Friday, before they buried Shep Davis, Mayer Abramowitz, the rabbi, said, "If there's any betterness in the community today, it is because of Shep Davis. I say that Shep Davis is alive. What he has accomplished did not die. What he has done for this community—the support he got—did that die? Of course not.

"Shepard Davis is alive, because his spirit lives. Amen."●

A TRIBUTE TO HON. STEVEN B. DEROUNIAN

HON. JOHN LeBOUTILLIER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. LEBOUTILLIER. Mr. Speaker, I rise today to pay special tribute to the Honorable Steven B. Derounian.

Those fortunate to have served in Congress for many years may recall that Mr. Derounian was elected to the 83d Congress, and served as a Member of Congress until 1965.

In addition to his noteworthy congressional service, Justice Derounian has dedicated considerable time and effort in numerous other fields. His efforts have contributed greatly to the betterment of all Long Island. Those fortunate enough to have made his acquaintance can attest to his ability and dedication.

I bring this man, and his impressive achievements, to the attention of the Congress because Mr. Derounian is retiring from his position as a justice of the New York State Supreme Court. In a short while, he and his lovely wife, Emily Ann, will be moving to Austin, Tex.

Educated at the Mineola Public Schools in Nassau County, N.Y., Mr. Derounian later received his B.A. degree from New York University and his LL.B. from Fordham Law School in 1942.

However, prior to entering the study of law, Mr. Derounian entered the U.S. Army as a private and graduated from OCS as an infantry officer in 1943. While serving overseas he attained the rank of captain and was awarded the Purple Heart and Bronze Star with Oak Leak Cluster in conjunction with his military service.

In the pursuit of his law career, Justice Derounian began practicing law in Nassau County, N.Y., in 1946. Since that time, he had been admitted to practice before the U.S. Supreme Court, the U.S. District Court for the Eastern and Southern Districts, District of Columbia Bar, Federal Communications Commission, Interstate Commerce Commission, and the Board of Immigration Appeals.

Justice Derounian's professional record is indeed most accomplished, and while I laud the man for his past achievements, I must confess a degree of remorse. Long Island's loss shall be Texas' gain.

Those of us who have come to know Justice Derounian shall miss him dearly, and as he prepares to embark on yet another phase of personal growth in his life, I know I speak for many is wishing him good health and all God's blessings.●

SOLAR IS COMING OF AGE

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. MARKEY. Mr. Speaker, last week we passed the energy and water appropriations bill for fiscal year 1982. Included in this bill is funding for solar energy programs. I would like to take a moment to reflect on the development of this energy source.

During the past decade, solar energy has been shown to be both a viable option to the problem of expensive and depletable resources and the rudiments of a new and vital industry.

Solar's course has not always been straight and true. As with any developmental program, there have been failures as well as successes. However, upon reflection, it seems remarkable that this benign and renewable energy source should have had its Federal beginnings within the confines of the Atomic Energy Commission's heir, the Energy Research and Development Administration, and has managed to maintain developmental continuity under three separate administrations.

When Federal efforts first began, solar supporters looked to their work as the beginning of a long-term process which would result in the marketplace application of an energy source which was both inexpensive and indigenous. For domestic hot water heating, photovoltaics, and passive solar designs and materials, the process is nearly complete. Industry has begun to assume an increasingly larger developmental role; as a consequence, the time at which Federal support for the development of these technologies can be terminated is in the near future. The time, however, is not yet upon us. Continued Federal efforts to develop, integrate, and communicate the information necessary to stimulate private investment and application are still required.

We should begin to wean industry away from reliance on Federal dollars; we should not cast them adrift. Should the Federal Government turn its attention away from the completion of the task it had begun almost a decade ago, it is likely that the Nation will not realize the widespread benefits of solar energy until a time in the too distant future. The efforts of the past will have succeeded in reducing the gap between national need and technological capacity, only to leave a gulf too wide to cross.

We must finish what we have begun. I commend Mr. BEVILL, Mrs. BOGGS, Mr. AUCOIN, and other members of the Appropriations Committee who have worked to expand the programs of the Department of Energy to include development of an industry-Government partnership for the introduction and industrialization of passive and active solar technology. I would also like to point out that through the programs and policies of such industrial organizations as the Northeastern Retail Lumbermen's Association and the International Union of Bricklayers and Allied Craftsmen; I believe solar will attain its potential for freeing this Nation from its dependence on depletable energy resources.●

CRISIS IN THE MIDDLE EAST

HON. NICK JOE RAHALL II

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. RAHALL. Mr. Speaker, no doubt the entire membership of this body is well aware of the present crisis taking place in the Middle East. The situation has escalated to a point where sides can no longer be taken, and any hopes for even a lingering peace have been dashed by bombing attacks, missiles, and the killing of innocent citizens.

Last week, I introduced a House concurrent resolution that I believe expresses a comprehensive outline, and which can be supported by a broad majority of Members of both House and Senate.

The text of my resolution follows:

Concurrent resolution expressing the sense of Congress that acts of violence and aggression in Israel, Iraq, and Lebanon aimed at innocent citizens be condemned; that the administration be commended for its decision to suspend the shipment of military planes to Israel, and calls for further temporary suspension of arms to Middle East combatants; that Congress be involved in the development of a comprehensive U.S. policy leading to peace in the Middle East region; and that Congress urges all parties to the violence to halt all aggressive acts

Whereas the level of violence and aggression in the Middle East region has been escalating: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That it is the sense of Congress that the repeated acts of aggression and violence in Israel, Iraq, and Lebanon aimed at innocent citizens in population centers be condemned, and regrets the tremendous human suffering and loss of life and property in the aforesaid countries caused by the continuing violence, and commends the administration for its decision to suspend shipment of the F-16's scheduled for delivery to Israel, and calls for a further temporary suspension of arms deliveries and issuances of military sales credits to Middle East combatants in the escalating spiral of violence in Israel, Iraq, and Lebanon until assurances are made to the U.S. Government that U.S.-built weapons will be restricted to those provisions stated under U.S. law and will not be used for aggressive purposes against neighboring countries, and asserts that Congress should be intimately and continuously involved in the development of a comprehensive U.S. policy leading to lasting peace between all parties involved in the crisis, and urges all parties to the violence to halt all aggressive acts and seek peace through negotiation rather than by military confrontation, and requests friendly Arab states and the United Nations to urge Palestinian military groups to refrain from further violence against Israel, and so requests the President to urge Israel to refrain from further military violence against Palestinians and Lebanese in Lebanon.

Mr. Speaker, I urge my colleagues to join in support of this resolution, and likewise would urge them to review the following editorial which appeared in Tuesday's Washington Star.

It is imperative that this senseless violence be brought to speedy halt, and I know the Members of the House who share my concern will join in this effort.

[From the Washington Star, July 21, 1981]

THE DAMAGE OF LEBANON

The air is full of glib advice for every party to the tragic conflict that is again wrecking Lebanon. The uselessness of much of that advice flows from the obvious point that only a coordinated settlement involving Mr. Begin's government, the PLO leaders, the Syrians and the U.S., can hold out hope of outlasting the day it is signed.

President Reagan's emissary, Mr. Philip Habib, is and has been seeking just such a settlement, but the prospect has dimmed dishearteningly as he has shuttled from capital to capital.

Now the violence is growing. We gather that the view we hold is shared by many Israelis that Friday's Israeli bombing raid on a crowded quarter of Beirut harboring a PLO headquarters was as ill-advised as it was bloody and undiscriminating.

No fair-minded observer expects Israel to submit meekly to the continued terroristic bombing of her northern villages and settlements by rocket and artillery fire. And perhaps it may be argued that the loss of one, or a few, innocent lives in these atrocities is as outrageous as the loss of hundreds of innocent lives in Beirut.

But the argument, like the retaliation itself, is out of scale. Even in muted warfare, scale matters. Israel has, until now, tried scrupulously to spare bystanders in its anti-PLO operations in Lebanon. Now Mr. Begin, has not only disavowed that restraint, he has gone to the length of saying that noncombatants so hapless as to live near PLO targets are responsible for their own safety; and doctrine that raises 20th Century callousness to civilian victims of warfare to a new level of explicitness.

Moreover, Mr. Begin's policy puts the United States in an untenable position. Let us concede that the provisos of U.S. arms-sales law that purport to limit the use of American-made weapons to "defensive" purposes make it a sham. The law is a semantic sham because few nations ever admit that retaliatory and pre-emptive actions such as Israel has taken in Lebanon are "offensive" or aggressive. It is a political sham because not even the so-called "moderates" of the Arab world can be expected to differentiate to suit the conveniences of U.S. law. It is a diplomatic sham because it is unrealistic to think that the U.S. can successfully monitor their use.

If we do not insist upon prior consultation, we are blamed for silent acquiescence in Mr. Begin's policy of repaying savagery with savagery. If, on the other hand, we insist on prior consultation we risk being branded as co-conspirators in that policy, and forced to make judgments about Israel's security that only Israel can or should make.

The problem with the on-again, off-again handling of F-16 deliveries to Israel will, we suspect, be that Israel cannot be put at a disadvantage for exercising its view of military necessity, however questionable. If so, the administration will have displayed intrinsic weakness, going through the ritual of "reviewing" the plane deliveries in response

to the Osirak bombing and, again, after Friday's raid on Beirut.

But perhaps the chapter isn't closed. It needs to be said, in fact, that Menachem Begin—if he is acting on this or some similar calculation—is trifling dangerously with the good will of an administration predisposed to be as protective of Israel's security as any is ever likely to be. Mr. Begin may believe he has Mr. Reagan in a bind. He may find that he is wrong about that—that his failure to temper Israeli policy in Lebanon has cost his government not only good will but critically needed arms.

Mr. Begin could not be as ignorant of the political dimension of Israel's relationship with the U.S. as he sometimes seems. He must know that the U.S. needs to maintain good relations with nations of good will in the Arab world and cannot afford being frivolously cast as an accomplice in inflammatory acts.

Israel is beleaguered, and was so long before Menachem Begin became prime minister. But the stockade mentality has its limits. Even Israel's friends in the administration and in the U.S. at large are beginning to wonder whether Mr. Begin's stark insensibility to the political factor in Israel's security is lessening, or magnifying, his country's peril. When his policy is thus questioned, as it is now, it is time for Mr. Begin to take stock and to heed the counsels of reason and restraint in his own land and throughout the world.●

HOYER JOINS CALL TO CONSCIENCE VIGIL

HON. STENY H. HOYER

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. HOYER. Mr. Speaker, as a new Member of Congress, I am honored to take part in the Congressional Call to Conscience Vigil for Soviet Jews. The plight of any people who are denied the freedom to choose their homeland is one which concerns me greatly, and one made even more real to me in my recent trip to the Soviet Union.

There, in a Moscow hotel room, members of a congressional delegation led by my esteemed colleague from Illinois, PAUL SIMON, met with a number of Soviet dissidents and refuseniks and heard the extent of the problems these people and their families face in the Soviet Union today.

With us were Dr. Yelena Bonner, wife of physicist Andrei Sakharov; Ida Milgrom, mother of Anatoly Shcharansky; and Alexander Lerner, who have all seen firsthand what the Soviet system can do to those who wish to escape or to criticize it.

Mr. Speaker, during the past year the number of Jews permitted to leave the Soviet Union has declined by 55 percent. Since 1977, emigration has dropped 73 percent. New administrative roadblocks have been erected to reduce this number even more.

Some of the members of the informal group we met with have been waiting 10 years to emigrate, only to be told that their departure would not be expedient for the state. We heard of health and food problems, of the Soviet's jamming of the Voice of America, of the very real day-to-day job of survival for these brave people who have made public their purpose to leave the Soviet Union.

Individuals expressed concern that the number of watch groups formed to oversee the Helsinki accords have dwindled, as our Nation's attention has been turned in other directions.

In my discussions with the refuseniks and later with high Soviet officials, I stressed the continuing need for full Soviet compliance with the humanitarian provisions of the Helsinki agreement. Only through vigilant efforts will we prevent a worsening plight to befall the thousands of Jews who remain in that country.

The Congressional Call to Conscience Vigil is but one effort in the continuing press for full recognition of the rights of all the people now living in the Soviet Union.

Mr. Speaker, the words of one of my new friends expresses this need best. "For us, forgetting is death, remembering is life."●

SHOULD CONGRESS BE AFFECTIONATE?

HON. DONALD J. PEASE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. PEASE. Mr. Speaker, tomorrow we will vote on a seemingly small budget item—$7.2 million—and the authorization of an independent Government agency to promote national tourism.

But the $7.2 million just plants a seedling in the Federal forest which will surely blossom and grow as predictably as the cherry blossoms here in the spring. It will be nurtured by a big and booming business, the travel industry which is already aided by 56 travel promotion departments of individual States and territories—nurtured by a total of $33.4 million spent on advertising alone.

The need for this agency is not apparent at this time. In fact, I think it is inappropriate to even discuss funding this special interest as we continue to eliminate and reduce funding for programs which provide for the care and feeding of our Nation's poor. If the individual States find it cost effective to promote tourism, that is surely their privilege. But this does not belong at the Federal level. The States and territories are already budgeted for $113 million to promote tourism. It is not reasonable to expect taxpayers to dig into their pockets twice for the same purpose.

Today's Washington Post carried the following article which suggests that Congress will act to "show its affection." I suggest we direct our affection elsewhere.

[From the Washington Post; July 27, 1981]

TOURISM INDUSTRY FEELS NEGLECTED, AND CONGRESS ACTS TO SHOW ITS AFFECTION

(By Philip J. Hilts)

The tourism business feels slighted. Agriculture has its own Cabinet department. So does housing. But the multibillion-dollar tourism business has nothing more than a miniature bureau and a mere assistant secretary.

"Grossly neglected" is the phrase used by the lobbyist for the Holiday Inns.

What they'd really like is their own agency, independent of any department. But they would settle for an undersecretary inside the Commerce Department. An undersecretary reports directly to the secretary and usually oversees a vast portion of a Cabinet department.

As it happens, the Congress is sympathetic to the tourism industry. The Senate has already passed a bill giving it an independent agency and $10 million to get started.

And today, the House will take up the issue on a slightly different bill, upgrading the current U.S. Travel Service and giving its chief under-secretary-level powers, and a salary of $60,662—on a par with the director of the Central Intelligence Agency.

Similar bills passed Congress last session, but were pocket-vetoed by President Carter.

The bill does have its opponents, few though they appear to be. "When we are trying to balance the budget by, just to cite one example, cutting Social Security benefits to the elderly, it is hardly in good taste for the casino, resort and hotel industry to come to Congress asking for a handout," said Rep. Patricia Schroeder (D-Colo.).

She points out that the tourism business promotes itself prodigiously without help from the government. American Express, for example, spent $62 million in 1978 on advertising, and the largest hotel chains spent $59 million on advertising in 1979.

Burt L. Talcott, lobbyist for the Holiday Inns, wrote to Schroeder in defense of the bill, pointing out that tourism is the third-largest industry in the nation, and "may be larger than agriculture."

"McDonald's may employ more persons than U.S. Steel," he wrote. "Seventy percent of Holiday Inns' guests are business-related."

A factor throwing a bit of weight on the side of tourism is that more than half the members of the House belong to the U.S. Congressional Travel and Tourism Caucus. The same is true in the Senate.

Sponsors of the House bill are so confident, in fact, that they have put the House bill on the calendar under rules that require a two-thirds vote of the House for passage.

That will send the matter to President Reagan. So far, despite its stance against subsidizing private industry, the administration has not declared itself in open opposition to the House bill, but has said only that it would prefer to move the U.S. Travel Service to the international trade section in Commerce.●

RESOLUTION ON SOCIAL SECURITY WAS MEANINGLESS POLITICAL VOTE

HON. DENNY SMITH

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. SMITH of Oregon. Mr. Speaker, last week the House of Representatives enacted House Resolution 181, urging that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them. While I supported this resolution, because I wanted to reassure elderly Oregonians that the Congress is sensitive to their economic situation, I think it is important to emphasize that this particular vote was long on political rhetoric and short on solutions.

It amazes me that while the Republican Party is being accused of the wholesale destruction of the social security system, a resolution of this nature does not even make an attempt to address the real problem—the long-term solvency of a near-bankrupt system. I would like to point out that the social security system, as originally proposed, was destroyed long ago by politicians who robbed those who paid in, by distributing benefits to those who had not paid the price of admission. It seems apparent that the Democratic leadership is calling up resolutions of this kind, which are not in any way binding on the House-Senate conferees, as a means of camouflaging the real issue. That is not surprising, as the Democrats have had a difficult time finding issues on which they and the voters can reach agreement.

The only way to protect beneficiaries is to provide a vested system wherein those workers who paid in are assured of getting their dollars back. I doubt very much that this will occur unless Members of Congress and new Government employees are required to be put under the same system as everyone else. Government employees who have a retirement contract with the Federal Government should not be used to bail out a failing system, but there is no just reason why new Federal employees should be exempt. I have introduced legislation which requires those politicians who must make tough decisions on the survival of the system to be subject to the vagaries of the tax and the vagaries of the benefit schedule.

Mr. Speaker, I truly hope that during the next few months, when the House will consider social security legislation of substance, we will avoid such meaningless political votes as that which was cast on House Resolution 181. That we must insure the survival of the social security system is clear to every Member of Congress and every worker across this Nation. The question remains on how to accomplish this goal.●

THE CLINCH RIVER REACTOR, A NECESSARY INVESTMENT

HON. JOSEPH M. GAYDOS

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. GAYDOS. Mr. Speaker, I have acquired a habit of browsing through compilations of quotations and proverbs for the perspective they offer, and recently I found a thought of Samuel Johnson's that fits the Clinch River Breeder Reactor like a tailor-made suit.

"We are constantly becoming what eventually we are going to be," he wrote.

If you do nothing, you have nothing, you will have nothing.

The breeder reactor is to future electric energy what the first voyage of Columbus was to the settlement of the New World, and it should be considered in that context.

It is the beginning point, a place where knowledge will be put to practical use and more accumulated, where ideas will be tested and more suggested.

Nuclear energy represents one of our best chances of solving our energy problems, and Clinch River represents one of our best chances of moving into an era of nuclear energy free of today's fears and difficulties.

Problems at Clinch River have drawn much publicity and discussion recently.

If the management of the project is bad, let's have it changed.

If there is corruption, prosecute it.

But we should not dismiss developing the technology.

Drawing back from it would be the equivalent of Columbus turning east to return to Palos after 65 days at sea and with the New World less than a week over the horizon.

We know we will need this energy, and, if we do not make the necessary investment now, it always will be just over the horizon.

And we will have chosen to become less than we are and less than we could be.●

HOW TO SURVIVE THE VOLATILE RATES OF THE 1980'S

HON. WES WATKINS

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. WATKINS. Mr. Speaker, I am inserting the article entitled "How to Survive the Volatile Rates of the 1980's" by one of my new constituents, an outstanding young banker, into the RECORD.

I would encourage all my colleagues to take time to read this most timely article concerning the interest rates of this country:

HOW TO SURVIVE THE VOLATILE RATES OF THE 1980'S

(By Thomas E. Bennett, Jr.)

Advent of the six month money market certificate of deposit in June, 1978, signaled the "beginning of the end" for stable rates in community banks. Prior to that time, most of us had enjoyed relatively stable rates as prescribed by Regulation Q. Only those depositors who had $100,000 or more to invest in timely certificates could negotiate an interest rate higher than 7.75 percent.

For most depositors, getting the high rate of 7.25 and 7.75 percent meant tying up their savings from four to six years. We were provided a very stable supply of fixed rate term money to be reloaned at fixed rates to consumers of small businesses in our communities.

Effective June 30, 1978, the banking system gave birth to the six money market certificates of deposits of any customer capable of gathering up $10,000. Who would have thought that so many people had $10,000? Not only was the rate paid on this new child of our industry higher than any other deposit under $100,000, but it was only fixed six months at a time.

Who would have thought that rates would change so rapidly in only six months? Well, as most parents know, sometimes your children provide unanticipated happenings. In the case of independent banks during 1979 and 1980, there was a wholesale rush of deposits to six month instruments bearing rates up to 15.8 percent.

This gives rise to the questions of the 1980's—how to survive in the volatile times in which we live? Certainly the "Chase Manhattan prime" is not an appropriate index or an effective pricing tool for community banks for one very important reason: our source of funds is on a 90-day to six month roll; New York's is on a one day to 30-day roll. Naturally, they must price based on an incremental cost of funds, i.e. the price of the money they buy today. We cannot afford to join them.

Community banks must accomplish two very important objectives in the 1980's to survive:

1. Community banks must move immediately to match the interest sensitivity of their assets (primarily loans) to their liabilities (an increasing portion of which have a six month maturity).

2. Community banks must arrive at an appropriate and effective index, based on their cost of funds, from which to price their loans.

Interest sensitivity may be accomplished by either shortening maturities or floating the rate over a stated index—or both. At the Stillwater National Bank, we have wrestled with the question of whose index to use or how to create our own. There is no way that we could have afforded to follow the New York City's prime rate down to its lows of the past, remembering that it was six percent in December, 1976, and 10.75 percent in August, 1980.

Also, we did not need to go as high as that area's prime in April, 1980, nor do we now.

We did research a variety of pricing formulae for creation of a local index, including:

1. Average cost of six month money market certificates on deposit,
2. Average cost of certificates of deposit over $100,000,
3. Average cost of six month money market certificates of deposit and $100,000 certificates,
4. All of the above marked up by a fixed percentage (i.e. three percent) or multiplied by a fixed percentage (i.e. 30 percent), and
5. An incremental increase on a graduating scale upward over average cost of funds (in an effort to "carry" old fixed rate loans).

However, the formula that made the most sense for our bank was to create a base rate of five percent over our average cost of all savings and time deposits.

First, we do not call our index a "prime" rate. The term "prime" has been understood badly by the public. It is an anachronism that must be replaced.

Second, all loans made on our base rate will float, or be subject to adjustment, as our index changes.

Third, because our formula is based on the average cost of funds versus the incremental cost of funds, it will be a much more stable rate.

All of these factors are very important to the success of our pricing system.

By calling our index a "base rate" rather than a prime rate, we diffuse the status issue of everyone considering himself as "prime" customer. The media have repeatedly told the public that the prime rate is that rate which banks charge their most credit worthy customers. They fail to discuss compensating balances and the costs of servicing different types of credit.

Naturally, everyone considers himself credit worthy and there-in lies a problem. We have found that introducing a base rate changes the focus of the discussion. It allows for appropriate markups based on all relevant costs, with minimum emotional resistance.

All loans must "float." A sure way to go broke is to make fixed-rate loans on average cost of funds. By floating all rates—including consumer loans—we take account of the incremental change in costs of funds as it impacts our average costs.

The main selling point of this pricing system is its stability relative to that of, say, the Chase Manhattan prime. In 1980, alone, we saw that prime start at 15.25 percent, rise to 20, drop to 10.75, rise to 21.5, and end at 20.5. This was a total change of 25.75 percent in 12 months. During this same period of time, the SNB base rate would have started at 14 percent, risen to 16, dropped to 14, and ended at 15.5. This would have been a total change of 5.5 percent.

Community banks serve consumers primarily—small business persons and agricultural businesses. Unlike the national and regional corporations, our customers do not normally have the choice of borrowing money, selling commercial paper, going to the bond market, or issuing additional stock. In most cases, it they don't borrow money, they won't stay in business or buy the consumer goods they need and want.

An important element of their planning process is their cash flow needs for a given period of time. When interest rates vary 100 percent or more within six months' time, who can plan? For auto dealers, building contractors and agricultural business people tied to the Chase Manhattan prime rate in 1980, it was not a question of do I borrow or not; it was a question of survival.

We have found an overwhelmingly positive response to our pricing system for our customers. As a community bank with stable ownership, management and staff, we have further developed our kinship to small businesses in our community by providing a stable rate of interest.

Whatever index the bank chooses, it must account for coverage of all bank overhead in determining a minimum markup on loan rates. Certainly this degree of coverage is dependent on a variety of factors, including the amount of other income, amount of fixed rate "historical" loans, and percentage of liabilities in interest sensitive instruments. These factors will vary between banks. The more efficiently a bank operates and more adequately it matches the interest sensitivity of its assets and liabilities, the more competitive it can be.

A bank, as any other business, must know its costs and must price its goods and services at a reasonable markup over that cost. The markup must be fair both to the buyer and the seller to be both a marketable and profitable transaction. If we guess at our selling price, or use some other institution's cost of funds, we may price too high—or too low. It we're high, we risk losing our customers. If we're too low, we will lose money and risk the survival of the bank.

The creation of a pricing system based on your own average cost of funds, one in which all loans float as the average costs change, will insure you of consistent performance as Regulation Q is eliminated.

And if the 1980's prove to be as volatile as many observers forecast, you will have taken a major step toward insuring that your customers will survive in the times ahead.●

CALIFORNIA DREAMIN'—MEDFLY REALITY

HON. ANDY IRELAND

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. IRELAND. Mr. Speaker, the prompt and courageous action by Agriculture Secretary John Block to quarantine California produce because of the Medfly outbreak has helped raise Gov. Jerry Brown to a higher state of consciousness—an awareness of the public interest of the people of the United States.

His failure to act until forced to by the Federal Government flies in the face of logic, experience, and a decent regard for the agricultural interests of our Nation.

We can only hope that his irresponsible decision against aerial spraying—and indeed his present insistence on night spraying, which is far less effective then early morning spraying when the Medfly is active—did not delay matters to the point where irretrievable damage has been done to California and the Nation.

I could go on at length, but Governor Brown has really been properly skewered by the editorial writers of a prominent newspaper in my district, the Lakeland Ledger.

So, despite all temptations, I will shut down my boilers at this point and let the Ledger's editiorial of July 20 steam full speed ahead:

[From the Ledger, July 20, 1981]

CALIFORNIA DREAMIN'

Shirley Temple Black, asked why she and her husband replaced 3,000 square-feet of grass around their northern California home, replied: "We did that because we didn't like the idea of grass going patchy on us."

That mind-frame recently infested California Gov. Jerry Brown, whose ultimate plan for saving the state's $14-billion agricultural crop from the devastation of the Mediterranean fruit fly may have been to pave the groves over with green concrete. Fortunately for the protection of Polk County's citrus crops, federal agricultural agents were able to strong-arm him into changing his gameplan.

The Medfly is to be taken seriously, particularly in California. The state's warm tropical climate is ideal for the Medfly to lay its egg in fruits, nuts and vegetables, thereby ruining the crop. And California has crops—four counties in the Central Valley area grow more produce than 43 states.

Moreover, those crops—and Medfly eggs lurking in them—find their way across the nation. California grows nearly one-half the fresh produce consumed in the United States. Indeed, some plums, nectarines and peaches now piled on Polk County grocery shelves are imported from California. Imagine what would happen if a few Medflys hatched and found their way into Polk County's $1 billion citrus crop. California, which gave us freeways, hot tubs, sonic booms and smog also can dish out an agricultural calamity.

The Medfly could thrive here again as it did in 1956, before Malathion spraying ended it. Thus Florida agricultural oficials were understandably alarmed when Medfly eggs were discovered in California more than a year ago. Back then, quick, decisive action would have nipped it. But Gov. Brown waffled by deciding infected fruit would be hand-stripped from the trees, carted off and buried. Malathion—the only chemical known to effectively treat Medfly—would not be used.

Perhaps Gov. Brown took that option because he is considering a U.S. Senate bid next year and didn't want to send environmental voters scurrying from him like spectators watching a cross-eyed shotputter. So he ignored a recommendation from his own Medfly advisory committee to allow aerial spraying of Malathion.

To be sure, chemicals should not be scattered across the countryside willy-nilly. But Malathion has been tested by the National Cancer Institute and the Environmental Protection Agency and deemed safe. It is used in flea dips for dogs, yet deformed puppies have not inherited the earth. Common home insecticides contain Malathion. And so do Polk County spray trucks which have combated mosquitoes for the past 17 years. In addition, the chemical's potency dissipates quickly; crops sprayed one day can be harvested the next.

The evidence, then, indicated Malathion is safe and effective. And the evidence also indicated Gov. Brown's plan to hand-strip crops and bury the larva-infested fruit wasn't working. The Medfly infestation area grew larger every week.

The California Supreme Court finally put the issue in proper prospective by balancing the health hazards of Malathion against the

health hazards of a nation losing half its agricultural crop and possibly more if California exports infested other states. It ruled in favor of the Malathion spraying program offered by U.S. Agricultural Secretary John Brock in place of a nationwide embargo of California produce.

Gov. Brown, meanwhile, can happily say to his constitutents that Big Brother made him do it and at the same time pacify agricultural interests by giving them Malathion.

Ah, but here's the catch. To somewhat appease environmentalists, California is spraying only at night—a questionable time to apply Malathion, which is most effective in the morning hours when Medflys are milling about. And pilots can easily miss infected areas during a night sortie. "It's for the birds," noted Charles Poucher, Florida's chief of pest eradication.

But just to make sure Malathion is safe, Gov. Brown promised to spend a night in a Los Altos home when the Malathion helicopters descend on the city.

Who knows? Perchance it will do him good. Malathion could turn out to be a cure for political grandstanding.●

THE REAGAN ADMINISTRATION'S ANTIENVIRONMENTAL EXTREMISTS

HON. GEORGE E. BROWN, JR.

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. BROWN of California. Mr. Speaker, one would have to be callous or naive to not have some concerns about the environmental policies, as they have been described in the general press, of the Reagan administration. What some people do not realize, as the controversy has centered on Secretary of the Interior James Watt, is that many of these same policies he is attempting to implement are being carried out throughout the Reagan administration. We appear to have a radical, destructive, and shortsighted anti-environmental ethic being articulated in policy positions throughout the Government. This is a matter which deserves, and will get, increased public attention.

Lest my colleagues think I exaggerate, I would like to share with them a recent editiorial from Oceans magazine. Most of you have never heard of this publication, which is published by the Oceanic Society. Suffice it to say that this is an apolitical publication that has never, to my knowledge, published a political accusation in its lifetime. However, the president of the Oceanic Society, Christopher du Pont Roosevelt, has written a forceful editorial on the Reagan administration, which has been published in the July issue of Oceans magazine.

I wish to share that editorial now with my colleagues:

DANGER SIGNALS FROM THE RADICAL RIGHT

(By Christopher Roosevelt)

Perhaps a strange title for an editorial in a nonpolitical journal: certainly an out-of-character subject for an Oceanic Society publication. Yet the pattern of policy and activities emanating from our national administration in Washington is causing us real concern for the wisdom, direction, and balance of our natural resource programs. More importantly, we sense a disquieting confusion in our country's inability to characterize properly many of these actions as radical and extreme rather than conservative and centrist.

Please do not get us wrong. We are not a political activist organization. In fact we have long held a reluctance to join extremist elements in any fray, far preferring to offer a rational process for decision making and conflict resolution based upon sound information, farsighted, balanced resource management principles, and the public interest. We also join wholeheartedly in the moves to reduce government, balance budgets, and stimulate the economy. But it is precisely because we see the need for many changes that we object strenuously to their accomplishment through a process that will weaken their vitality and that evidences ignorance, relies on irrationality and caters to self-interest.

A case in point: Who is minding the store? Late in May of this year, the New York Times published an editorial captioned "Foxes and Chickens". It pointed to several Reagan administration nominations that appear to contravene the spirit and the letter of laws by placing people in positions who have a record of opposition to the very programs of which they will now be in charge.

Thorne G. Auchter: a former Florida construction contractor, who worked to curtail federal enforcement of federal job safety and health standards, has been named as Assistant Secretary of Labor in charge of Occupational Safety and Health and in April this year exempted federal contractors from federal job safety standards.

John B. Crowell, Jr.: a former general counsel to the Louisiana-Pacific Corporation, the largest timber buyer from federal forests, has become Assistant Secretary of Agriculture in charge of natural resources and the environment, including the forest service. Ann M. Gorsuch: a former Colorado State Legislator, who vigorously opposed federal and state supervision of toxic wastes (in favor of local counties!) has been named as the Administrator of the Federal Environmental Protection Agency. James G. Watt: (need one say more than has come from his own lips?) headed a legal foundation supported by industry interests that advocated accelerated offshore development, strip mining and coal leasing, favored significantly greater development of public lands, and opposed federal environmental legislation, has been appointed Secretary of the Interior in charge of public lands and wilderness areas and responsible for serving the public interest in all the mentioned programs. Edward L. Rowny: a retired general, who participated in strategic arms limitation talks until 1979 when he resigned and publicly protested the proposed SALT treaty, has been named chief negotiator for the U.S. Arms Control and Disarmament Agency.

In the past, any attempts to place people in positions of authority where there was little likelihood of their serving the avowed legislative intent (the will of the people expressed through their elected representative), and where there was strong evidence of a penchant for dedication to private or other interests, were strongly rejected. Yet the litany grows longer, with essential and valuable policies and programs being cut or severely curtailed in an irrational process clothed in the guise of budget cutting that in fact encompasses little cost-benefit analysis, and often fuels quite private interests. Examples that are directly within the Oceanic Society's expertise are: Coastal Zone Management: local implementation funds are proposed to be substantialy cut with no planned phase-down that could allow state and local shouldering of budgets, thus effectively gutting the implementation of any coastal management.

Sea Grant: proposed total cut with minor funding for closing down a low-cost program that provides advisory services and applies research for marine businesses and fishing interests.

Law of the Sea: complete disruption of a long-term international treaty negotiation process that had the support of two previous Republican administrations and was viewed favorably (with some modifications) by much of the seabed mining industry.

Offshore Oil and Gas: Mr. Watt has, singularly, caused a completely unnecessary confrontation on OCS Lease Sale 53 between the Interior Department and all Western states, many Northern California communities, the California Coastal Commission and all conservation groups. He reversed an earlier negotiated compromise for the lease of, at best, questionable areas, not desirable to the oil companies, and very near sensitive and valuable marine ecosystems, productive fisheries, and shoreline tourism areas.

Sewage Treatment Plants: eliminated all 1982 construction funds, rescinded $1.7 billion in appropriations from prior years, and reduced future funding by about 50 percent, causing a virtual close-down in plant construction, an increase in coastal and waterway pollution, and a loss of thousands of construction jobs.

Water Resources Council: eliminated, thus abolishing the executive branch's only agency that can conduct independent reviews of proposed water projects.

Judging from these and many more actions by the Reagan administration and Secretary Watt, the entire perspective of government is being warped in a reckless and radical manner without process, without thought, and without reason. We do not believe that the "Reagan mandate" calls for unbridled irrationality. We do not believe it calls for abandoning productive, cost-effective programs. We do not believe it calls for catering to private interests at the expense of the majority. We do not believe it calls for the arrogance of one administration member's perceived Messianic complex to be substituted for declared Congressional intent and the will of the people.

Our call is for a return to responsibility, rationality, and reality. Let us not be drawn divisively into mindless and wasteful confrontation. We have accomplished too much.●

GRAND JURY REFORM BILL

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. CONYERS. Mr. Speaker, today I am introducing a bill to create a

right whose time has come. This bill would allow counsel to accompany a witness into the grand jury room—thereby helping to assure due process during all Federal grand jury investigations.

It is vitally important that the question of adequate representation of grand jury witnesses receive prompt congressional action. This question must be resolved because it seems that the due process revolution has overlooked the grand jury. Many of the major developments during the past 20 years in the criminal justice area have brought due process rights to defendants and targets of investigations. Despite developments such as the requirement of Miranda warnings, the right to counsel, and the right to be free from unreasonable searches and seizures, and despite judicial attention to the broader issue of what is appropriate Government conduct in the investigation of alleged criminal activity, only very recently has attention been focused on due process rights of those appearing before grand juries. See M. Frankel & G. Naftalis, "The Grand Jury" (1975).

Fairness demands that a lawyer be allowed to accompany the client before the grand jury. The right to assistance of counsel now requires the Government to guarantee the presence of counsel at every other key stage of a criminal justice proceeding, including custodial interrogation, *Miranda* v. *Arizona*, 384 U.S. 436 (1966), postpresentment, preindictment interrogation, *Brewer* v. *Williams*, 430 U.S. 387 (1977), and preliminary hearings, *Coleman* v. *Alabama*, 399 U.S. 1 (1970). The same right to counsel should also attach at the critical stage of a grand jury proceeding.

The American Bar Association, the American Law Institute, and numerous other professional groups have urged adoption of this critical reform on the basis of fundamental fairness; 102 ABA reports, resolution approved by the House of Delegates, report No. 115, Reports to the House of Delegates, August 1977; American Law Institute Model Pre-Arraignment Code section 340.3 (1975). The distinguished members and leaders of these organizations have the relevant experience in State and Federal courts to qualify them to advocate a workable reform.

Federal grand jury witnesses are now allowed to leave the room every time they wish to consult counsel. *United States* v. *Mandujano*, 425 U.S. 564, 581 (1976); *United States* v. *Kopel*, 552 F. 2d 1265, 1271 (7th Cir.), certiorari denied, 434 U.S. 970 (1977). See also note, "The Presence of Counsel in the Grand Jury Room," 47 Fordham L. Rev. 1138 (1979); American Bar Association, "Parallel Grand Jury and Administrative Agency Investigations; The Criminal and Civil Implications for Corporations and Their Officers" (1978). There are, however, a number of unacceptable problems with this procedure. First, the process of getting up to leave the grand jury room usually prejudices the witness in the eyes of grand jurors; as a result, witnesses are subtly discouraged from exercising their right to counsel. Second, this procedure delays the proceedings. Third, at least one court has said that a witness may be limited in the frequency with which that witness consults counsel outside the grand jury room. In re *Tierney*, 465 F.2d 806 (5th Cir. 1972). Fourth—and most important—the witness is often unaware when there should be consultation with a lawyer. Intimidated by the setting, witnesses often inadvertently waive their privilege against self-incrimination.

Some critics claim that allowing lawyers in the grand jury room will disrupt the proceedings. This allegation is contradicted by the experience of 16 States which now admit lawyers.[1]

There is too much at stake for a grand jury witness to be denied the right to counsel. The witness faces the possibility of having his/her fifth amendment right against self-incrimination taken away without consent, being jailed for contempt, perjury or evasive answers, as well as possible indictment. Counsel is essential to enable the witness to challenge the subpena and thereby minimize the systematic effect of the widespread abuse of the grand jury process.

Counsel has a pivotal role to play at every stage: raising the witness' rights in court, advising the witness in the appearance before the grand jury, and presenting a witness' claims to the grand jury to insure that it can fully evaluate the need and impact of the exercise of its coercive or punitive powers. Witnesses without counsel may incriminate themselves without even realizing that their own words could be used to convict them in a crime. People should not be tricked into jail.

We must balance the vast investigative power and efficiency of the Federal grand jury with a measure of fairness and due process. Allowing a lawyer to accompany a client before the grand jury will help achieve this goal. Such legislation providing for counsel in the grand jury demands our prompt attention.●

[1] See Ariz. R. Crim. P. 12.6; Colo. Rev. Stat. §16-5-204(4)(d) (Supp. 1977); Ill. Ann. Stat. ch. 38 §112-4(b) (Smith-Hurd Supp. 1978); Kan Stat. Ann. ch. 22 §3009-3010 (1975); Ky. Rev. Stat. §22-3009-3010 (1975); Mass. Ann. Laws ch. 277, §14A (Michie/Law. Co-op Supp. (1978)); Mich. Comp. Laws §767.19e (Supp. 1978); Mich. R. Crim. P. 18.04; Minn. R. Crim. P., §18.04 (1975); N.M. Stat. Ann. Art. 6, §31-6-4 (1979); N.Y. Crim. Proc. Law §190.52 (McKinney Supp. 1978-79); Okla. Stat. Ann. tit. 22, §340 (West Supp. 1978); 42 Pa. C.S.A. §4549(c)(1); 1978); S.D. Comp. Laws Ann. §23-30-7 (Supp. 1978); Va. Code §19.2-209 (1975); Wash. Rev. Code Ann. §10.28.120 (Supp. 1978); Wis. Stat. §756.145.

In addition, the Louisiana Supreme Court has held that, in the absence of a statute, a juvenile has a right to be accompanied by counsel in the grand jury. *In re Grand Jury Subpoena (Graham)*, 27 Crim. L. Rep. 2346 (June 23, 1980).

PUTTING SOCIAL SECURITY ON A SOUND BASIS FOR OUR SENIOR CITIZENS

HON. ELDON RUDD

OF ARIZONA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. RUDD. Mr. Speaker, more than 36 million Americans depend upon social security benefits, and the news reports they hear daily about the shaky financial condition of the system are reason for great alarm.

In a recent Associated Press-NBC poll, 74 percent of those surveyed "expressed little or no confidence" that the social security system will pay off in their retirement. This is a clear indication that the American people want us to get down to business, and stop politicking.

Because of this, I believe the President's proposal addressing the root causes of social security's recurrent funding problems is good news. The administration has brought forth the true picture of just how serious the funding crisis is for those millions of retirees who have faithfully paid into the system. What everybody must recognize is that the funding crisis is real, and will not disappear unless steps are taken to assure the long-term solvency of the program.

Before I discuss just exactly what proposals have been mentioned, I think it is appropriate to recall what happened the last time solvency of the system was at stake.

Just 4 years ago, President Carter told the American people the social security system was in dire financial trouble. His solution was the largest single tax increase in the peacetime history of the Nation. Because of this, a high-paid worker is now subject to a maximum annual tax of $1,975, an astonishing rate when considering that in 1970 the amount was $374.40, and from 1937 through 1949, a meager $30 a year.

Unfortunately, the heavy tax burden set in 1977, which was proclaimed by the former President as the savior of the retirement system, was not the answer. It was a temporary and burdensome solution that simply passed the problem onto the backs of the next administration. The social security system is in deeper trouble now than it has ever been.

Without immediate action, the social security fund will run dry as early as 1982. In the past, Congress has propped up the program with exorbitant tax increases and cosmetic changes which have only exacerbated the problems and postponed the immi-

nent reckoning day. We must not evade this issue any longer. If we are to honor the commitment this Government has made to the millions of Americans participating in good faith in the social security program we must act to stabilize its funding.

Let me explain how the original concept of the program has dramatically changed since 1935. If an employee had been paying the maximum amount to the system since 1935, he or she would have paid in as of 1980, $12,790.64. If the worker retired at age 65 earlier this year, after having paid the maximum tax, that worker would be eligible for a benefit of $677 per month. That means that the individual worker would have received from the system all that he or she paid in with 19 months, or within 13 months with the combined benefit for worker and spouse.

Since social security became law nearly 50 years ago in 1935, it has grown far beyond the original intent of the congressional mandate that created it. Widespread liberalizations have occurred in 1939, 1956, 1960, and 1965 through the addition of survivors benefits, disability benefits, medicare, early retirement, and even benefits to pay for college tuition for students whose families have outside incomes. Today social security is more a welfare program than an insurance program.

It is primarily the welfare programs—many of which simply overlap with already existing programs, like supplemental security income—that we need to reform, not the basic program structure. The original intent of the social security system was to provide a base of retirement security to assist our Nation's elderly population. If this contract was followed to its word, there would be no program crisis today.

Today, because of the birth rate decline and the rise in our life expectancy, there are only three workers for every one who is retired. At the present rate, the ratio will be 2 to 1 in the year 2055. These figures compare with the ratio of 11 to 1 person 65 years or older paying into the system when the program was instituted in 1935.

The essence of what I am communicating is that we must avoid the misguided and politically advantageous approaches of the past and concentrate on preserving the system on a permanent basis for the retirees who have worked and planned on receiving the benefits for which they are entitled.

I want to emphasize that we cannot consider legislation which will jeopardize those retirees who have already based their plans in the near future on the benefits available under the current system. Any changes must be fair and designed to give all Americans time to adjust.

To be sure, none of the proposals by the President remove from the roles or cut benefits for any current recipients of social security. Retirees who are dependent on monthly checks should not feel threatened by the administration's facing up to the funding crisis.

Frankly, it is a breath of fresh air to hear President Reagan tell it like it is. It is this type of courage and foresight which will allow Congress to address these critical problems openly, and honestly, without retreating into another makeshift solution. We can now tackle this controversial issue head on and take the appropriate action to save the system.

There are a number of proposals being looked at to restore the integrity of the social security system. Among them:

One. Encouraging work until the traditional retirement age of 65. This reduction would be scaled so that each month spent on the work force past age 62 would increase the level of a person's benefits. This would not mean any change in the full retirement age.

Two. Elimination of the vocational rehabilitation funding.

Three. Correct certain inequities which allows Federal retirees who enter social security-covered employment for only a few years to receive higher benefits than low wage earners who contribute to the system for a lifetime.

Four. Placing an overall cap on disability benefits so the such payments from all public sources do not exceed one's prior earnings, adjusted for inflation.

Five. Financing the medicare portion in whole or in part through general tax revenues and the shifting of medicare funds to the retirement and survivors account.

Six. Allowing the transfer of funds from one trust fund to another within the three separate funds—retirement and survivor, disability, and medicare.

Seven. Financing the social security system through general revenues.

Eight. Delaying or recomputating cost-of-living allowances.

Nine. Elimination of future student tuition benefits, or a reduction in those benefits.

Ten. Relate disability insurance more closely to medical factors, and not on such factors as age, education, and work experience.

Eleven. Adjust or eliminate the "unearned" minimum benefit so that beneficiaries with additional income sources are not receiving more than they put in the system.

Twelve. Raising the retirement age to 68 on a gradual basis over 20 years.

I should also point out that there are several proposals being considered, like the President's recommendation to phase out the retirement earnings test, which would stop penalizing beneficiaries for continuing to earn outside income past the retirement age.

Of course, in dealing with any of the alternatives mentioned above, we must be flexible and willing to address the real inequities of the current benefits structure. As the President has suggested, any changes must be looked at in such a manner to insure that the social security system is put on a permanently sound financial basis—for both present and future retirees.

As Members of Congress, we should put unfair political rhetoric aside on this vital issue, and take an indepth look at each and every one of the available options. With his candid appeal, the President has offered a foundation from which we must take action to keep the social security system afloat.

I am confident that we can administer the necessary reforms so that our senior citizens can once again rest assured about their hard-earned retirement benefits.●

HIGH INTEREST RATES PAINT GRIM PICTURE

HON. DONALD J. PEASE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. PEASE. Mr. Speaker, I have in recent weeks been trying to direct the attention of my colleagues to the very serious effect on interest rates of the Reagan economic policies—particularly the President's insistence on a 3-year tax cut which will create huge budget deficits in at least the next 3 fiscal years.

Mr. Speaker, the Reagan economic package will insure that devastatingly high interest rates will continue—thus wreaking havoc in the homebuilding, real estate, savings and loan, and auto industries.

This grim prospect was corroborated this past weekend in an incisive analysis by syndicated financial columnist Dan Dorfman. I commend it to the attention of my colleagues.

HIGH INTEREST RATES PAINT GRIM PICTURE

(By Dan Dorfman)

Everyone's griping about those murderously high interest rates. But what are the implications? And what's the latest word on the subject from Dr. Death (economic guru Henry Kaufman of Salomon Brothers)? And where do rates go from here? For some answers on the hottest economic story of the day, read on.

First the implications, and they're ominous.

A million more people will be thrown out of work by October—ballooning the ranks of the jobless to about 8.8 million.

The bankruptcy rate among small businesses, already running at a record 313 a week thus far in 1981 (up from 220 in the

comparable 1980 period), could shoot up another 10 percent or so.

The illiquidity in the housing market—namely, the ability to sell your home—will worsen in the face of those booming mortgage rates (over 16 percent nationally).

As for the stock market, given the prospects of deeper than expected corporate earnings declines because of the lofty rates, the recent agonizing sell-off should continue and possibly accelerate (though allowing for periodic rebounds).

This bleak scenario is sketched by Ed Yardeni, E. F. Hutton's chief economist.

The Federal Reserve is so bent on breaking the back of inflation that the bottom line from Washington has to be policies designed to increase the level of pain, he told me the other day.

There's no denying that the Fed intends to hang tough with stingy credit allocations (which will obviously intensify the severity of any economic decline). Fed boss Paul Volcker made that abundantly clear last week when he told the House Banking Committee that the Fed has lowered its monetary expansion goals for the balance of 1981, as well as for 1982.

The Fed's targets for growth in money supply—that's the cash in circulation, plus checking deposits—range from 3½-6 percent. And the Fed is going to continue to focus on the lower end of that range.

Yardeni, who's now forecasting a 2-3 percent decline in real gross national product in the current quarter (after a 1.9 percent drop in the second quarter), sees the unemployment rate rising from its current 7.3 percent to just under 8 percent by October.

And that means, says Yardeni, that the surging number of layoffs, such as the loss of 160,000 jobs in the construction industry in just the last 2 months alone, will spread to a host of other sectors. These will include business equipment manufacturing (from semiconductors to transportation and mining equipment), the retail trade (including more layoffs in the auto and auto-related areas) and services (from hotels to travel agencies).

The pain will be felt almost everywhere, he says.

Back a few weeks ago during the spirited bond market rally, critics of Henry Kaufman, the well-regarded and well-publicized, interest-rate bear, were lambasting the man some call Dr. Gloom or Dr. Death for rigidly holding to his grim prediction of still higher rates. The growing consensus was that rates had finally peaked. Well, rates did drop, but they quickly went back up again. And the bond market took a drubbing.

Now, with the Fed reiterating its tight-credit policies, Kaufman is beginning to pick up some supporters. There's a growing view, though still in the minority, that the killer rates could remain at current levels possibly through the rest of 1981. And some financial pros are grudgingly conceding the possibility of still higher rates.

In a brief update, Kaufman told me "how high is high is difficult to say." But he believes the roughly 17½ percent interest paid by money-market funds could rise to about 20 percent. And further, he felt the prime rate—the rate at which banks lend money to their best customers—could increase several percentage points above the all-time high in the prime of 21½ percent.

"We're in an environment of volatility and interest rates will fluctuate, but on balance they're going higher," Kaufman says.

His reasoning is simple enough. He regards Reagan's economic program—namely, a tax cut and a large increase in defense spending—as inflationary. And high inflation and high interest rates go hand in hand.

Accordingly, it's Kaufman's view that at some point down the road—with one arm (the administration) trying to stimulate and the other arm (the Fed) trying to exercise restraint, you could wind up with a potential credit clash. The end result of this, as he sees it, would be still higher rates—with rising illiquidity leading to the prospects of some major corporate failures. Is there a way out of the high interest-rate mess?

Only if there's a major change, responds Kaufman. And by major change, he means at least one of the following: (1) an administration push to cut government spending even more, (2) lowering the proposed tax cuts, (3) a cutback in the amount of defense spending, (4) wage-price controls, and (5) the initiation of new programs designed to control the total growth of credit.

For the moment, at least, Kaufman isn't holding out any hope, since he believes that Washington does not yet fully perceive the problem.

"It bothers me greatly what's going on in this country," he says. "To be hopeful and to be wrong (without doing anything) will lead to a disaster."

One of the ongoing arguments of the forecasters of a sharp drop in rates is that a combination of a sagging economy and declining inflation will be sufficient to knock them down. But one economist who's been right on target in his rate predictions this year, the outspoken Pierre Rinfret of Rinfret Associates, challenges this view. He expects rates to remain at their current high levels for the remainder of the year.

With a tax cut likely coming in October and defense spending increasing in the fourth quarter at an annual rate of 20-30 percent, it would be insanity for the Fed to ease up just before a period of stimulation, observes Rinfret. "That would mean Volcker throwing away his whole inflation battle. It'll never happen and you have to be crazy to think otherwise . . ."●

EASING ONE MARRIAGE PENALTY MAY ONLY CREATE ANOTHER

HON. STEVE GUNDERSON

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. GUNDERSON. Mr. Speaker, one of the many idiosyncrasies of our income tax system is what is commonly referred to as the marriage penalty. Simply stated, under current Federal tax laws, two persons with individual incomes will pay less Federal income tax if they are single than if they are married.

There appears to be a consensus in Congress and throughout the country that it is bad public policy for the American tax system to create disincentives to marriage. As such, this disparity must be corrected. At that same time, however, we must be very careful in exactly how we remedy this differential.

Both of the major tax packages presented to Congress for consideration this week claim to "ease" the marriage penalty by permitting a deduction of a percentage of the lesser earning spouse's wages.

This deduction will, in fact, minimize the existing differential in taxation between the case of two single individuals who, for example, have a combined income of $25,000 in 1980 and the case of the two-earner married couple who make the same amount of money. Yet, at the same time the deduction creates a new disparity between the two-earner married couple and the traditional one-earner family.

To illustrate this, let us consider these family units in 1984 assuming that they each have family incomes of $33,674—adjusted for inflation from $25,000 in 1980. Under either of the major tax plans before us, a 10-percent deduction would be applicable to the lesser earning spouse's wages of the two-earner family.

Further assuming that the "lesser earning spouse" makes 25 percent of the total wages of the two-earner family, they will pay $3,297 in Federal income taxes in 1984. The one-earner family, on the other hand, will pay $3,682 in Federal income taxes. Thus, the easing of one marriage penalty has created another.

It seems to me that the same pro-family public policy that determined it is wrong for our tax system to discourage marriage would also say that it is improper for our tax system to penalize one-earner families because one spouse has chosen to remain at home with the family unit rather than to become a second wage earner.

Mr. Speaker, we must move to ease, if not totally eliminate, the existing marriage penalty. We should not, however, do this at the expense of one-earner families.●

PRESIDENT REAGAN'S PROGRAM OF REGULATORY RELIEF

HON. JOE SKEEN

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. SKEEN. Mr. Speaker, today I would like to generally address the economic recovery package and specifically, regulatory relief. President Reagan has commenced a number of swift, effective actions to eliminate unproductive and unnecessary regulations, better coordinate and improve the management of the entire regulatory process, and reduce Federal intervention in the lives of all Americans. Let me take this opportunity to highlight the administration's efforts in this regard.

These actions include:

ESTABLISHMENT OF THE TASK FORCE ON REGULATORY RELIEF

On January 22, the President created a cabinet-level Task Force on Regulatory Relief, chaired by Vice President George Bush. Among its ongoing responsibilities, the Task Force will review proposed regulations, assess existing regulations with an eye toward their revision, and coordinate proposals for legislative change.

POSTPONEMENT OF PENDING REGULATIONS

On January 29, the President requested the heads of 12 Federal departments and agencies, to the extent permitted by law, to postpone the effective dates of regulations scheduled to become effective before March 29 and refrain from issuing any new final regulations during the same 60-day period. This action was taken to allow review of regulations issued during the previous administration, allow time for Reagan Administration appointees to familiarize themselves with the details of these regulations and programs, and allow the Presidential Task Force on Regulatory Relief to develop procedures to improve management and oversight of the regulatory process.

SIGNING OF EXECUTIVE ORDER 12291

On February 17, the President signed a new Executive Order designed to produce better quality regulations. The Executive Order sets forth the President's regulatory principles; directs agencies to determine the most cost-effective approach for meeting any regulatory objective; requires that agencies prepare Regulatory Impact Analyses to evaluate the potential benefits and costs of their major regulatory proposals; and establishes the pre-eminence of the Presidential Task Force in spearheading the Administration's regulatory relief efforts.

ANNOUNCEMENT OF CHANGES IN NATIONAL AIR POLLUTION RULES

On March 7, the Vice President, in his capacity as Chairman of the Presidential Task Force on Regulatory Relief, announced that the Environmental Protection Agency would propose an important change in its national air pollution regulations. The change, dealing with EPA's treatment of new sources of air pollution, sharply reduces Federal restrictions on new industrial development while continuing to protect the public against air pollution hazards.

FURTHER POSTPONEMENT AND REVIEW OF FEDERAL REGULATIONS

Building on the actions announced by the President on January 29 and February 17 for more cost-effective regulations, the Vice President on March 25 announced that 63 regulations which had been in effect or awaiting adoption by a number of government agencies would be candidates for modification or elimination.

The Vice President also announced that: (a) he had solicited views on regulation and priorities from business, labor, consumer, academic, and other groups, (b) the Environmental Protection Agency had approved New Jersey's rule to permit more flexible emission standards, known as "bubble" rules, and (c) the Calendar of Federal Regulations would continue to be published, with input gathered from both executive and independent agencies.

INITIATIVES AFFECTING THE AUTO INDUSTRY

On April 6, the Administration's Auto Industry Task Force and the Presidential Task Force on Regulatory Relief announced changes in regulation designed to save the U.S. auto industry $1.4 billion in capital costs, hold down consumer prices by some $9.3 billion over the next five years, and return 200,000 idle auto workers to their jobs by the end of 1982.

REGULATORY RELIEF ACTIONS AT THE AGENCIES

Many cabinet departments and agencies, in coordination with the Presidential Task Force on Regulatory Relief, have taken significant regulatory actions of their own. These include:

On February 2, the Secretary of Education withdrew the proposed bilingual education rules. These rules would have required all school systems to offer bilingual instruction to each child whose primary language is other than English. The Department estimated that the proposed rule could have cost up to $1 billion over the first 5 years of the program and an annual maintenance cost of between $72 million and $157 million thereafter.

On February 17, the Secretary of Energy:

Announced that national energy efficiency standards for major household appliances will not be issued until a thorough review is completed. The 1980 proposal would require producers to redesign, by 1986, virtually all existing models of these appliances, and retool their production lines. As a result, many small firms would probably be forced out of business and consumers would face sharply higher costs—about $500 million annually. Low-income families could be especially hard-hit, since the standards would inhibit the production of lower cost appliances.

Withdrew proposed standby energy conservation measures involving a compressed work week, vehicle use stickers, and the part of the employer-based commuter and travel measures concerning working hours and transit subsidies. In addition, the Secretary proposed to withdraw several interim final measures, including odd-even day motor fuel purchases, additional employer-based commuter and travel measures, increased enforcement and/or reduction of the 55 m.p.h. speed limit, and mandatory temperature restrictions. This action rescinded measures which, if implemented, would have interfered excessively in citizens' daily lives.

On February 17, the Director of OMB revoked the Department of Energy's clearance under the Federal Reports Act for the collection of industrial energy consumption data. This action terminated the collection of industrial energy data for sites not subject to Federal regulation and precluded the Federal Government from expanding certain regulatory programs.

On February 17, President Reagan revoked Executive Order 12265, which established a cumbersome, duplicative, and burdensome regulatory policy regarding the export of some hazardous substances. The rescinded Executive Order would have threatened American workers' jobs and could have disrupted production abroad where affected U.S. exports serve as vital material inputs. Procedures already exist which inform foreign governments of hazards associated with exported American products.

Mr. Speaker, I am confident that this administration and the regulatory relief task force headed by Vice President GEORGE BUSH will produce results at no cost to the safety of our workers or the sanctity of our environment. Now is the time to lift the regulatory burden from the backs of the American people. I urge you, my colleagues, to support the President in his efforts. The people are concerned about the Government's ability to devise an effective agenda for the years ahead. Regulatory reform is a key part of this agenda. If we act positively, and we act soon, we will send a message to the American people that we have heard their message and that we will act reasonably in reflecting their will.●

TAX LAWS MUST BE FAIR

HON. AL SWIFT

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. SWIFT. Mr. Speaker, there is another issue related to taxes that concerns people besides tax cuts—that is the fairness of our system. Howard Pellett of Bothell, Wash., said it well in a recent letter to me.

The American tax system is disintegrating through the proliferation of tax shelters and tax protestors and because of inadequate staffing and budget for IRS. It is imperative that legislation be passed to both strengthen and simplify the tax laws.

Americans are concerned that our tax laws be fair and that the IRS not have arbitrary or dictatorial authority to enforce them. Frankly, these issues are not really being considered by either the administration or the Congress during the current debate. We are concentrating on the size and type of tax cut rather than overall reform of the tax system. Perhaps it cannot all be done at once, but a tax system that treats everybody fairly would seem to be a very high priority.

I urge the Ways and Means Committee to concentrate on this issue of the integrity of the tax system as soon as its heavy workload on the tax cuts and social security revisions is complete.

Whatever Americans believe about whether we need a tax cut or not, how great it should be, Kemp-Roth or not—if they lose faith in the fairness and responsibility of the Internal Revenue Service itself the equitable enforcement of our tax laws, whatever they may be, will become a nightmare. It is our responsibility in Congress to exercise the oversight necessary to see that does not happen.●

HOYER JOINS OBSERVANCE OF SEVENTH ANNIVERSARY OF INVASION OF CYPRUS

HON. STENY H. HOYER

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. HOYER. Mr. Speaker, I wish to add my voice to those of my distinguished colleagues in expressing concern over the situation on the island of Cyprus. I also wish to thank my col-

league, Mr. YATRON, for raising this important issue.

Though I am new to Congress, I am very familiar with the problems of the Cypriot people. Until 1960, the citizens of the island were never allowed to exercise the fundamental right of self-determination. Instead, the island was for centuries a battleground for and a spoil of victory of invading armies. The people, subjugated and exploited by leaders of countries miles away, had no right to speak for themselves. Yet they suffered the consequences of the changing balance of power in the region.

In 1960, the island became an independent republic for the first time. At long last one of the wealthiest islands in the Mediterranean Sea was free to utilize its rich resources to establish its own identity in the community of nations. But the promise of peace and prosperity was shattered by the actions of external forces, which sought once again to subjugate the island and its people. And now, 7 years later, Greek and Turkish Cypriots alike have yet to recover.

The present situation on Cyprus has had grave consequences for the parties involved. The economies on both sides of the attila line which separates the Greek and Turkish sectors have suffered. Even though Turkey controls 70 percent of the island's former productive capacity, it has been unable to repair the damage done to the land by the invasion and restore that sector to its former usefulness. And while the Greek Cypriot Government has engaged in an aggressive economic revitalization program in the southern sector, the loss of the resources of the north has slowed the rate of economic recovery and growth.

The social structure of the country has been damaged, perhaps irreparably. A total of 200,000 Cypriots are refugees in their own country, many of whom are still living in emergency housing. An additional 2,100 people, including 8 American citizens, are still unaccounted for. After 7 years, even the most hopeful and optimistic of people must begin to face the prospect of a life separated from home and loved ones.

In the past, Greek and Turkish Cypriots coexisted peacefully, if not always happily. With the separation of these groups by the enforced division of the island, such peaceful coexistence is no longer possible. The effect of this is to prevent the natural evolution of peace and trust through understanding and acceptance of the differences between people. The present environment breeds hatred, prejudice, and intolerance, an unhealthy condition for people of any society.

Mr. Speaker, the ramifications of the Cyprus situation go beyond the confines of the island's shores. The situation has strained relations between Greek and Turkish Governments, relations which are already weakened to the point of collapse by centuries of animosity. This tension between our two allies has also destabilized the eastern Mediterranean and the southern flank of the NATO alliance, which in turn threatens vital national security interests of the United States. This situation cannot continue if the peace and security of the area is to be maintained against a growing Soviet naval presence in the Mediterranean Sea.

It is time to end this crisis, which has produced no victors, only victims. I join my colleagues in requesting the President to urge all parties to this conflict to expedite a lasting solution so that Cyprus can regain its status as an independent nation, and so that the Cypriot people can reunite and begin the long process of economic and social recovery and bring some peace to a troubled region.●

BIPARTISAN TAX SUBSTITUTE

HON. LYNN MARTIN

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mrs. MARTIN of Illinois. Mr. Speaker, today, I want to express my pleasure in what is about to take place in the House later this week: Meaningful tax relief for those American citizens who have been paying more and more in taxes and living on less and less. I find it very gratifying that we are about to do what only a year ago was merely a dream.

A $35.8 billion tax cut for 1982, combined with the $37.1 billion cut in outlays made through the reconciliation bill, will put us right on target for economic recovery and a balanced budget. Locking in tax cuts for 3 years will give the American people confidence that inflation can be controlled and our economy revitalized.

I support the bipartisan substitute program because it does assure cuts for 3 years, and indexes beyond that to insure that bracket creep does not raise taxes again, without congressional action. I also support the bipartisan program because of the difference it makes to my home State of Illinois. Under the bipartisan plan, Illinois will receive $88.2 million more in cuts over 3 years than under the Ways and Means plan.

I must reiterate my pleasure at being able to make good on our promise for tax relief.●

STATEMENT BY REPRESENTATIVE ROBIN BEARD

HON. ROBIN L. BEARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. BEARD. Mr. Speaker, my interest in this Nation's military preparedness has long been a matter of record. Recently, events have come to my attention which reinforce my belief that the All Volunteer Force does not provide the quality of manpower necessary to maintain a proper level of preparedness. In recent European contests with our allies, reported by John Fialka of the Washington Star, U.S. crews consistently finished poorly despite the fact that they were operating more sophisticated equipment. In a tank shooting and maneuvering contest held last June in Bavaria, our tank crews finished 5,000 points behind the winning West German team. These tanks were M-60A3's, technically the most superior in Europe, and were operated by our best units available in Germany; the very units which would be called upon in case of any military action.

In another contest staged in Britain, U.S. airmen flying the B-52H, the most recent version of the B-52, finished 13th, 15th, 19th, and 22d out of 22 planes in a bombing contest codenamed "Double Top." British pilots participating in the "far less-sophisticated" RAF Vulcan were shocked at the inferior performance of the technically superior U.S. squadron.

Another distressing episode occurred at the Volante Rodeo, a U.S. military airlift command contest held at Pope Air Force Base in North Carolina. A British RAF security police unit had to arrive early in order to learn how to use the American-made M-16's and then went on to humble U.S. Air Force units by winning the contest.

An even more recent and potentially catastrophic example of the dismal quality of much of the AVF's manpower took place on July 14 during U.S. naval training exercises in the vicinity of St. Croix Island in the Caribbean. On that date a destroyer the U.S.S. *Coontz,* accidently launched an active Harpoon missile. The Harpoon is a surface-to-surface missile, appoximately 15 feet long and carrying 215 pounds of high explosive. Fortunately, the wayward missile apparently did not hit anything of consequence but, nevertheless, one can conceive of the possibly devastating effects of such future accidents.

Today, I have obtained a copy of the Navy's preliminary report on the matter. This report states that "a detailed initial review of all factors leading to the inadvertent launch indicates that neither design deficiency nor ma-

terial failure contributed to the event." Instead, the report blamed the inadvertent launching on "a series of substantial personnel errors, including failure to follow test procedures and improper test sequencing." Thus, a live Harpoon missile was launched toward our own territory because of the inability of naval personnel to follow test procedures and sequencing.

The above incidents glaringly point to the need for an investigation of the AVF and its manpower quality capabilities. Members should not be deluded by the new wave of assurances from the Pentagon that the AVF is showing signs that it can eventually become a viable force. One cannot ignore the constant failure of our forces in competition and in training exercises where, despite superior weapons technology, they continue to perform abominably.●

EXPANDED DEFENSE BUDGET DOES NOT CONFLICT WITH CARE OF NATION'S AGED

HON. LARRY McDONALD

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. McDONALD. Mr. Speaker, Mr. Speaker, last Friday, the Subcommittee on Retirement Income and Employment of the House Select Committee on Aging held a hearing to "Examine the Effect of the Recently Approved Budget on Older Americans, Specifically Concerning the Proposed Military Spending for the Next Four or Five Years." Certainly, the title to the hearing is not very well constructed, nor were the arguments heard that all our senior citizens were doomed as a result of the increased defense budget. Two witnesses who took the view that the increase in our defense budget was long overdue and need not conflict with the care of the elderly were Mr. Howard Phillips, national director of the Conservative Caucus and retired Adm. Thomas H. Moorer, former Chairman of the Joint Chiefs of Staff. I insert their two statements in the CONGRESSIONAL RECORD at this point for the edification of my "chicken little" colleagues who are running about saying, "The sky has fallen in." The statements follow:

STATEMENT BY HOWARD PHILLIPS

Mr. Chairman, the stated purpose of this hearing is to "Examine the effect of the recently approved budget on older Americans. (sic) Specifically concerning the proposed military spending for the next four or five years."

In this context, it is indicated that "hearings will address the following questions:

"1. From where does the military budget for the next four or five years take its money from (sic) . . .

"2. Offer views on what the economic and psychological impact on older Americans will be due to the reduction in social spending and the increase in military spending.

"3. Inflation reduces real income. To what extent will the Administration's proposed military buildup add to current and future inflation rates and, therefore, erode real income of those on fixed incomes."

The unstated, but clearly implied premise of these hearings, Mr. Chairman, is that a conflict exists between, on the one hand, your constitutional obligation to provide for the national defense and, on the other hand, the interests of certain of our citizens.

A corollary implication of this premise is that, because of their calendar age alone, certain Americans are less concerned about, and have less of a stake in assuring an adequate defense for our country.

I challenge your premise.

No government to which responsibility for managing the people's public affairs has been delegated can be judged to be faithfully performing its duties if it fails to undertake all that is necessary to assure the nation's independence from external domination or destruction.

All Americans, regardless of age, sex, race, economic status, religion, or national origin, have the same preeminent stake in national survival and self-preservation, which each individual has in personal survival.

No other issue, no other consideration ought to be allowed to obscure this compelling reality. The defense of the nation must come first.

As General Douglas MacArthur said in 1936, quoting Dioysius, "It is a law of nature, common to all mankind, which time shall neither annul or destroy, that those who have greater strength and power shall bear rule over those who have less."

The overwhelming majority of Americans recognize that our nation is worth preserving and defending, and they realize that growing Soviet power must be countered. Those Americans born prior to 1921 or 1916 are no less patriots than those born at a later date.

The task of the Select Committee on Aging's Subcommittee on Retirement Income is not to pose a conflict between the nation's elderly and the citizenry as a whole. Such a conflict does not exist. Once it is determined what measures and expenditures are required to defend America, then, with those resources remaining, other priorities may be established and determinations reached as to how those priorities may best be met.

Inflation is, indeed, a threat to the well-being of all citizens, particularly those relying on fixed incomes or past savings and investments.

In order to achieve a balanced budget, get the Federal government out of the credit markets, lower interest rates, and thereby control inflation, it is vitally necessary to reduce government spending overall to the level of government receipts.

To stimulate the growth of the economy and reduce the growing economic squeeze which excessive government spending has imposed on all of us, we must also sharply reduce taxes.

If, as has been adjudged to be the case, additional resources are to be devoted to defense, and if, at the same time, we are to reduce taxes and hold expenditures to the level of income, it is therefore necessary to reduce and eliminate Federal programs which are not absolutely necessary to our economic and military survival.

As Lincoln said, "we must think anew, and act anew." Only thus can we fulfill our solemn obligation to our parents and grandparents.

Thank you.

STATEMENT BY ADM. THOMAS H. MOORER

Mr. Chairman and Members of the Committee, I am pleased to participate in this important hearing which is being held regarding the economic and social implications involved in the federal budget for fiscal year 1982.

While I do not claim to be an expert with respect to either the budget or social programs overall, I do feel I am well qualified to discuss the budgetary policy concerning defense.

In the first place, I do not consider that the caring for elderly Americans, or for that matter any American who is physically unable to care for himself, on one hand, and the provision of sufficient defense to provide maximum deterrence as well as fighting capability, on the other hand, are in any way in conflict. In short, it is not an either/or situation.

While it is true that our defense budgets degenerated from 43 percent of the federal budget during the Eisenhower administration to something on the order of 24 percent prior to the advent of the Reagan administration, I am very pleased to see now a reversal in this dangerous trend. We are now in effect playing catch-up ball and it will take several years to restore our military fighting capability and staying power to the required level. In recent years there has been an increasingly negative budgetary impact on the combat readiness of our armed forces. To seek a few examples: it is obvious that during recent years our military personnel have been underpaid and consequently the most qualified and experienced men have been leaving the services at an alarming rate. Secondly, the personnel level of the reserve forces has reached a totally unsatisfactory state. Furthermore, consumables, such as missiles, rockets, bombs, shells, etc., are also at a very low level. These items in our stockpiles are necessary in order to provide staying power. Certainly anyone can understand the danger of getting involved in some kind of conflict and then very shortly thereafter expending all available ammunition.

Mr. Chairman, in your letter to me of 14 July you posed several specific questions which I will attempt to answer.

Question 1. Does the proposed military budget for the first half of the 1980s enhance our security?

Answer. I would answer that question by stating that the proposed military budget as proposed by President Reagan not only enhances our national security, as a matter of fact, it will restore our national security which at present in my view at least is in an unsatisfactory state. Not only must we build up the stockpiles of consumables as stated above, but also it is necessary to take advantage of technology and move forward with the development and production of many critical items. Certainly we will be unsuccessful in deterring aggression and possible conflict if we are perceived by any potential enemy as being unprepared to protect our interests worldwide.

Question 2. Are the proposed cuts in social programs which benefit the elderly as well as the proposed reductions in social security benefits beneficial to our national security?

Answer. I certainly think it is crystal clear that in recent years we have extended all social programs to the point that not only

do we run an ever increasing deficit with respect to the federal budget, but I believe in many instances the welfare program and the various handouts made by the federal government have destroyed initiative and, in fact, encouraged many of our people to sit on their hands since they have come to the conclusion that whatever they need will be supplied by the government. In short, unless this trend is reversed we will very shortly have more tax eaters than tax payers, however, with the same budget.

I would like to point here that if there is any social security at all, this should be focused on the elderly and those who suffer physical handicaps which prevent them from providing for their own support.

Finally, in response to your question, I do not think that one can equate cuts in social programs or benefits to the elderly with the funds required to the proposed buildup of our national security. In other words, I do not think they are in any way in competition. The point here is that if we do not provide for our own defense all other questions, including social programs and benefits, stand moot.

Question 3. Do those proposed reductions harm our older Americans?

Answer. As I said before, I am not familiar in detail with the extent of the proposed reductions. Obviously any cut in benefits to which one has become accustomed results in some difficulties. However, in my view, the allocation of those resources that are made available for social programs should give top priority to our older Americans as well as those that are suffering some physical and mental impediments which prevent them from self-support.

Question 4. How would you rectify the problems caused by reductions in social programs?

Answer. While I recognize that some problems and indeed hardships may be caused to those who are accustomed to receiving extensive benefits over a period of time, at the same time it should be clear to all there is a limit to which the American taxpayer can be expected to go on providing social benefits of every kind imaginable. In my view, the best way to rectify any problems which may arise from reductions in social programs is to invigorate the economy, reduce inflation, and do what we can to improve the purchasing power of those who can least afford the budget reductions.

In summary, Mr. Chairman, I would simply say that I feel that every American is quite willing and ready to support or to provide social benefits to the elderly and incapacitated. However, I do think that the majority of Americans are getting sick and tired of the many many handouts which have been introduced to our social programs in recent years. And, finally, in any event, I do not see that the budget for social programs and the budget for defense are in an either/or situation. The increase in the defense budget as proposed by President Reagan is long overdue.●

THE PLIGHT OF BENJAMIN LIVSHITZ

HON. HAL DAUB

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. DAUB. Mr. Speaker, I want to call attention to the plight of Benjamin Livshitz, a longtime refusenik in the U.S.S.R. Since 1971 this man and his wife have attempted to reunite with their children in Israel.

The excuse for repeated denials of this simple request is Mr. Livshitz' access in 1948 to sensitive material. Mr. Livshitz in that year completed service as a colonel in the Soviet military.

It is difficult for us in the West to comprehend a restriction on this basic freedom of travel. It is also difficult to comprehend a political system which denies a couple's innocuous request to reunite with their loved ones at a time when both are in their older years and in ill health.

Mr. Speaker, I am sure that all Members will join me in publicly urging the Soviet Union to allow the emigration of Mr. and Mrs. Livshitz.●

BABY GULLS AT MONO LAKE HAVE DIED

HON. NORMAN D. SHUMWAY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. SHUMWAY. Mr. Speaker, on July 22, the Los Angeles Times published a disturbing article which reported that nearly all of the baby gulls at Mono Lake have died this year. Researchers indicate that a lack of sufficient food—in this case, the lack of brine shrimp which have always been readily available—is to blame for this most recent turn of events. The problem is no doubt linked to the increased salinity levels of the water and the continued decline of the lake level because of water diversion by the city of Los Angeles.

As my colleagues are aware, I recently introduced legislation—H.R. 4057—which would establish the Mono Lake National Monument and thereby provide recognition commensurate with the significant biological and geological resources of the Mono Lake Area. Although such action would not interfere with existing water rights in the Mono basin, H.R. 4057 would promote greater visibility and increased management for this precious national treasure.

I urge my colleagues to join myself, Mr. THOMAS, Mr. FAZIO, Mr. DYMALLY, Mr. LANTOS, Mr. MARKEY, Mrs. FENWICK, Mr. FORSYTHE, Mr. BONIOR of Michigan, Mr. EDGAR, Mr. YOUNG of Alaska, Mr. WINN, and Mr. HYDE in sponsoring H.R. 4057, and in calling for hearings at the earliest possible date. Surely, as the following article points out, this issue deserves to be addressed by the Congress in the immediate future.

[From the Los Angeles Times, July 22, 1981]

NEARLY ALL OF BABY GULLS AT MONO LAKE HAVE DIED—DROP IN FOOD SUPPLY BLAMED

(By Robert A. Jones)

The gulls of Mono Lake have suffered another disaster. Almost all of the baby gulls in this spring's hatch have died, apparently because the adult birds were unable to find sufficient food in the lake itself.

Researchers say the cause of the food shortage has not been established but several indicated that "circumstantial" evidence pointed to the continued decline of the lake and increased salinity levels of the water.

The volume of the lake on the eastern slopes of the Sierra Nevada has been shrinking steadily as a result of a water diversion program by the city of Los Angeles.

Only a month ago, the gulls were believed to be having a modestly successful year on their breeding islands in the midst of the lake. Surveys counted 11,700 chicks, far below past levels but more than some biologists had expected.

Even as the survey was taking place, however, the newly hatched chicks were weakening from lack of food. The brine shrimp in Mono Lake that always have been used by the adult birds to feed their young suddenly were not available. The chicks began to flounder, some succumbing to heat prostration or parasites, others starving outright.

At last count 97% of the chicks had died, according to David Winkler, A university of California ornithologist. "Unlike most gulls, these feed on a very narrow diet, and when it doesn't come through they have nowhere else to turn," Winkler said in a telephone interview from Berkeley.

Starvation is only the latest of plagues to be visited in the gulls over the last few years. Returning to breed each year, they have found the lake smaller each time as Los Angeles continues to draw on streams that normally feed the lake.

At present the city diverts about 100,000 acre feet per year for its own uses, and as the lake has shrunk it also has bared land bridges connecting some of the breeding islands to the shore. Coyotes, lurking in the mainland, were then able to trot across the bridges to feast on the gull eggs.

A technical solution to this problem was attempted in 1979 by blowing up the land bridges with dynamite and then, when that failed, by constructing a large fence across the peninsula. The birds, now reduced to small fractions of their original numbers, eventually abandoned the connected islands and repaired to sites still protected on all sides by water.

The latest blow caught both conservationists and city water officials by surprise. Though salinity levels in the lake have risen, laboratory tests have suggested that brine shrimp could tolerate those levels and even more.

Nonetheless, research at the lake this spring by another University of California biologist showed that one hatch of the brine shrimp had fallen to less than 10 percent of past levels. It was this hatch that adult birds would have used to feed their young in June and July.

"This is unprecedented and unexplained," said David Gaines, head of the Mono Lake Committee, a conservation group. "It is too early for a scientific evaluation, but I don't know of any explanation being advanced other than those that deal with chemical changes taking place in the lake."

Gaines noted that a second hatch of brine shrimp now reaching adulthood has restored the population of shrimp to near-normal levels. But this hatch, he said, has a different life cycle and its eggs are not forced to survive the winter at deep lake levels as is the case with the first hatch.

If the first hatch has succumbed to the increasing salinity of the lake, Gaines said, the gulls are finished at Mono. "It means there's no hope for the future of the gulls, and it means that the other birds who use the lake during migration (and eat brine shrimp) will be forced elsewhere."

An official at the Department of Water and Power, which conducts the diversion program, said the department has begun studies aimed at determining the cause of the gull deaths.

"We don't have an explanation at this point," said Bruce Kuebler, senior engineer at the department, but added that a preliminary analysis might be available in several days.●

A POSITIVE STEP TOWARD ENERGY INDEPENDENCE

HON. JOE SKEEN

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. SKEEN. Mr. Speaker, on Friday, by a vote of 186 to 206, this body successfully turned back an attempt to kill funding for the Clinch River breeder reactor project in Tennessee. As a Member of a body that too often deals in half measures, I could not have been more enthused. Clearly, to have walked away from demonstration of this vital energy source would be a clear signal to energy consumers and other nations that we were not serious about pursuing increased energy production, and that we were not serious about reducing our costly dependence on foreign energy sources.

The vote on CRBR represented the first major vote for the administration's nuclear program. Mr. Speaker, this action comes at a time when we can move ahead with our national and international commitment to the development of nuclear energy. My support for CRBR is based on the broad consensus in the scientific and technological community as well as the major developed countries that breeder technology is important to future energy security. Presently, it appears prudent to have breeder plant technology fully demonstrated by the turn of the century. The CRBR schedule for initial power operation by 1990 supports this need.

Mr. Speaker, I believe the most important goal now is to build the Clinch River breeder reactor as soon as possible. We cannot put off the day of settlement indefinitely. We cannot ignore the great fuel resources promised by this technology. We have let the debt accumulate long enough in funding CRBR. CRBR is ready to go now.●

BILL DOODY'S PRIVATE MIA MEMORIAL

HON. ROBERT K. DORNAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. DORNAN of California. Mr. Speaker, in behalf of those who have publicly insisted for a decade and a half that it is this Nation's duty to demand a full accounting for Americans imprisoned or missing in Southeast Asia, I have reserved this space today to commend Mr. Bill Doody, of Simi Valley, Calif. It is heartening to learn of citizens for whom the sacrifices of American servicemen in Indochina is a source of quiet pride and personal admiration. No memorials we might build, no ceremonies we could observe in remembrance of POW's and MIA's, have meaning unless, like Mr. Doody, we honor these men in our hearts.

I believe that the following article, "MIA Bracelet Is Far From a Piece of Jewelry," from the July 5 edition of the Daily Breeze of Torrance, Calif., deserves the attention of every Member of this House:

MIA BRACELET IS FAR FROM A PIECE OF JEWELRY

SIMI VALLEY (UPI).—Sometimes, when he's sitting alone or lost somewhere in thought, Bill Doody will look down at the bracelet on his right arm and wonder whatever happened to old Roscoe.

His friends tell him he should stop wondering. Roscoe, a Vietnam vet who didn't come home, must be dead.

But Doody won't let go. He says he will wear the bracelet with Roscoe's name on it until the missing soldier either comes home or is accounted for.

He's been waiting since 1971, when he was a freshman in high school and first put the bracelet on his arm. He hardly ever takes it off.

Maj. Roscoe Fobair is one of America's remaining MIA's. He was lost in Vietnam July 24, 1965. It isn't likely he could still be alive, but Doody hopes. At least his memory lives on, emblazoned on the nickel bracelet Doody proudly and staunchly wears.

"When I first put this thing on, I resolved I would never take it off," Doody, 24, said.

Many took the vows similar to Doody's when the MIA (missing in action) bracelets first made their appearance in the United States as part of the Voices in Vital America Program, but few kept it.

In some cases, the MIA's have come home, or their deaths have been verified, and people removed the bracelets. In other instances, wearers treated the bracelet as jewelry and removed it when the fashion passed.

Doody doesn't view the bracelet as jewelry, though. After so many years of wearing it, it has become a part of him, he said.

"If he ever comes back, I'll take it off, but I'm used to it now. It's a part of me."

He said he's removed it only once, to shift it to his right arm after he broke his left arm and needed surgery.

But even in the operating room he refused to let doctors remove the bracelet, insisting instead that they sterilize it.

"I had to fight the doctors on that one, but they did it," he said with a smile.

"I'm a sincere person. If I'm going to take a vow, I keep it. For a lot of people, this was a fad, but it was really never a fad for me. It had real meaning."

Today with the uproar over the lack of concern shown to the men and women who returned from the Vietnam War, the meaning is more evident than ever before.

"People just don't care about the veterans," says Doody. He points out how few parades have been held for them.

The point was hammered home by the welcome given in January to the 52 hostages held in Iran.

Doody said he never supported the Vietnam War, which he viewed as an American fiasco on a grand scale, but he felt for the men who fought it.

"Those people were forced to go over there and fight a limited action which they couldn't possibly win, and they need to be recognized," he said.

Now, Doody's bracelet is, for many people, an item of nostalgia, something to carry them back to the "good old days of the 70s."

"Mostly they just smile at me when they notice it," he said.

But he still doesn't believe it is too late for his MIA. "When he comes home, or when they account for him, I'll have no qualms about taking it off. But until then, I'm going to keep it on."●

JIM VORDENBAUM

HON. SAM GIBBONS

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. GIBBONS. Mr. Speaker, Jim Vordenbaum, customer services representative, Eastern Airlines, died at home—presumably of a heart attack—on Saturday, July 25.

He worked for Eastern Airlines for 35 years. A memorial service will be held tomorrow, July 28, at 6 p.m., at the Old Presbyterian Meeting House, 321 South Fairfax Street, Alexandria, Va.

The family requests that in lieu of flowers contributions be made either to the Old Presbyterian Meeting House or to the Heart Fund.

Jim was a friend of all those who needed travel assistance. He was always helpful and cheerful.●

TERRORIST MEANS IN SERVICE OF SOVIET ENDS

HON. JACK F. KEMP

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. KEMP. Mr. Speaker, the significance of Lenin's maxim, "the purpose of terrorism is to terrorize," is what it says about what terrorism is not. It is not a means to social progress or constructive change. It is instead the provocateur of fear, of social disruption, and of repressive policies that seek to

expunge the terrorist threat. Terrorists and their apologists may point to political motivations in an attempt to justify acts of terror. But whatever the root causes of terrorism and the underground political culture that gives it nuture, the terrorists quickly and inevitably develop a stake in opposing solutions to the problem.

This telling observation is the focal point of the following article by James Wilson, excerpted from Comment. As the author points out, Soviet sponsorship of terrorism tells us something profoundly important about the nature of terrorism. Terrorist movements feed upon the terror and repression they generate, leading to more repressive policies, more terror, and continuing instability throughout the world—in concert with the goals of an anti-status-quo power such as the Soviet Union.

Recognizing Soviet complicity in international terrorism is the key to understanding the threat that terrorist groups represent to the peace and security of the West. Professor Wilson's article makes a valuable contribution to that understanding.

[From the Washington Star, July 19, 1981]

THE TERRORIST'S GOAL IS NOT TO SOLVE THE PROBLEM

(James Q. Wilson)

For a decade or more, the U.S. government, like the governments of most Western powers, was largely silent on the question of Soviet complicity in international terrorism. But beginning in 1979, and culminating in 1981 with the publication of Claire Sterling's book, The Terror Network, the evidence that the Soviet Union had provided, at a minimum, substantial supplies of arms and training facilities to a broad spectrum of terrorist organizations became so compelling that it was difficult to deny it.

Suppose, however, you wished to reject the hypothesis that the Soviet Union, either directly or through its satellite regimes, was deeply involved in a variety of terrorist enterprises. Suppose further that you were skeptical of the claims of unnamed "Western intelligence sources."

You would still have to explain, or explain away, the following facts:

When the wealthy Italian publisher and financial patron of the red underground, Giangiacomo Feltrinelli, was killed by a bomb he was trying to affix to a high-tension pylon near Milan, the police discovered that he had a false passport showing that he had made, under an assumed name, at least 22 visits to Czechoslovakia.

When Gen. Jan Sejna, military counselor to the Central Committee of the Czech Communist Party, defected to the West in 1968, he brought with him a list of 13 Italians, including Feltrinelli, who had attended a KGB school for terrorists set up in Karlovy Mar.

After the Italian police began to crack the Red Brigades, a key leader, Patrizio Peci, confessed, stating, among other things, that Red Brigade members had attended training schools in Czechoslovakia throughout the 1970s and had received Czech-made arms, shipped from Prague by way of Hungary and Austria.

When the Israeli police arrested a Dutch terrorist, Ludwina Janssen, she confessed that she had been trained by Cuban instructors at camps in South Yemen, a Soviet satellite regime, and that there were also in attendance at these camps students from the Provisional Wing of the IRA, the German Revolutionary Cells, and other terrorist groups in Japan, Latin America, and the Middle East. All this was subsequently confirmed by a German terrorist who defected and who had actually taught at a camp in Aden.

When the Irish Navy seized the S.S. Claudia in 1973, it was carrying Soviet-bloc arms consigned to the IRA and accompanied by an IRA member. Four years later, another ship was seized off Antwerp—the SS Towerstream—and it was also loaded with Soviet-bloc weapons destined for the IRA. In 1971, the Dutch police seized a shipment of Czech arms, ordered by the IRA from Omnipol, an arms factory in Prague. An IRA member was later to write that they ordered the weapons from an illustrated catalogue supplied them in Prague.

When Viktor Sakharov defected from the KGB, he described being trained in the South Yemen camps for his assignment—to work in Kuwait on plans to mount terrorist campaigns in Arab nations and in Turkey.

After several dozen fedayeen were arrested in Israel, they admitted—both to the Israeli police and later to a Canadian Broadcasting Corporation reporter—that they had been trained in Soviet camps located near the Black Sea.

Terrorist training camps in Yemen and Libya were staffed by, among others, Cuban instructors long after Cuba had become totally dependent on the Soviet Union and the Cuban Intelligence Service (DGI) had become an adjunct of the KGB.

In the light of all this, it is a bit hard to understand why Secretary Haig's statement about Soviet complicity in terrorism should have been the occasion for so much journalistic tongue-clucking.

Let us be clear about what we do not know. We do not know the extent, if any, to which the Soviets direct any terrorist organization. Moscow seems to have had great influence over the Popular Front for the Liberation of Palestine (PFLP) but less over other factions within the Palestine Liberation Organization (PLO). Most of the money for many terrorist groups probably comes, not from the Soviet Union, but from wealthly Arab nations and from criminal activities.

Moreover, right-wing terrorism is on the rise: there have been bombings of a French synagogue, an Italian railroad station, and a German festival that have been the work, apparently, of various fascist groups.

It ought to be possible to condemn terrorism no matter who commits it, but what passes for an intellectual discussion of the matter today seems not to allow that possibility. Instead of proposing a definition of terrorism and then attempting to deal with it in all its ugly manifestations, we seem locked into the familiar rhetorical tactic of answering a charge by leveling a charge. The key to this is the speed and facility with which one can employ the phrase, "But what about . . .," followed by some atrocity allegedly committed by your opponent:

"The Soviet Union murdered its own citizens in the Gulag."

—But what about the Indians at Wounded Knee?

"The IRA Provos kill innocent persons in Belfast."

—But what about the torture of Jacob Timerman by the Argentine police?

"The Soviet Union is supporting world terrorism."

—But what about the CIA in Chile?

The tactic is not confined to foreign affairs. When I speak about the problem of urban street crime to a college audience, the first rejoinder is usually, "But what about pollution?" (or poorly designed Pintos, or the Lockheed loan, or Watergate).

DISCUSSION IMPOSSIBLE

The purpose of such tactics, obviously, is to avoid discussion of an issue by changing the subject in a manner that implies the moral inferiority of your opponent. Since there is always more than one evil loose in the world, this method means that no single evil can ever be discussed without all simultaneously. And since one cannot, even in principle, discuss all things at once, nothing can be discussed. Moreover, the "but-what-about?" rejoinder implies that the counter-example is precisely analogous to the original example and, thus, that no distinctions among cases can be made. Since the essence of intelligent discussion is the willingness and capacity to make useful distinctions, the "what-about" gambit renders discussion impossible.

* * * were plain enough—to maintain the position of those in power. But just as often there are not: who can describe in anything more than empty generalities the political aims of the IRA Provos or the Red Brigades? For many of their members, the purpose of terrorism is simply to terrorize. The modern terrorist employs it, not as a last resort, but as a preferred method; as Paul Johnson has written, the terrorist exalts violence over other forms of political activity. This leads in turn to the supression of the natural moral instincts so that it is no longer easy—perhaps no longer possible—for members of such conspiracies to distinguish between the political zealot and the psychopathic killer. The routinization of violence, the melding of the true believer and the bloodthirsty killer, leads to the final irony. As Johnson has pointed out, terrorism assists in the spread of the totalitarian state.

TERRORISTS VS. HEROES

Not all political violence we see in the world about us deserves to be called terrorism, but enough of it does to make one wonder why some of us strain to call it something else. A favorite intellectual device is to remark that what to one person is a terrorist is to another person a revolutionary hero, as if it were not possible to distinguish between terrorists and heroes. This kind of moral relativism, applied to ordinary shootings, would make it impossible to describe a common criminal. Does anyone really think it especially helpful, or even decent, to remark that one person's mass murderer is another person's "role model"?

We are more inclined to confound terrorists with heroes than we are to confuse psychotic killers with decent people because the former claim a political justification, and we tend to accept political justifications for acts that are otherwise unjustifiable. That acceptance might be defensible—if not persuasive—if we examined with care the justification, but usually we do not. We simply note that a person claims a political motive, that he employs some conventional bits of ideological bluster, and then assume that this must indicate the existence of some well-reasoned political argument that, had we the time and opportunity, we could discover. On the contrary, there is typically less to the matter than meets the ear.

There are essentially two ways of thinking about terrorism. One is to assume that terrorists are but an extreme expression of underlying social injustices and political tensions and that this symptom cannot be treated without first treating the underlying causes. This view is half right: terrorism rarely exists for long where there is neither freedom nor injustice. The error in this view is the assumption that if the underlying causes can be addressed, the extremist systems will disappear.

This is an error because it overlooks the second way of thinking about terrorism—the way Claire Sterling makes so vivid for us. It is that, whatever the root causes of terrorism and the underground political culture that gives it nurture, the terrorists quickly and inevitably develop a stake in opposing solutions to the problems. They will do whatever they can, make whatever alliances are necessary (including alliances with common criminals and homicidal maniacs), to prevent any "political solution" short of the destruction of the state itself. They will thus direct their attacks chiefly against groups desirous of constructive change. The Red Brigades, after all, killed Aldo Moro, a center-liberal politician, and not some monarchist fanatic. The aim of the true terrorist is not to hasten progress, but to provoke a fascist reaction. The most encouraging thing to know about the terrorist network is that in the West, after a dozen years of trying, and endless bloodshed, it has failed.

NATURAL RESULT

This suggests why it is important to recognize that the Soviet Union has aided parts of the terrorist enterprise. It is not because we can get them to stop it (for all I know, they may have stopped already), or because being aware of the facts of Soviet involvement makes it easier to cope with terrorism from a law-enforcement point of view.

The most important reason is that it tells us something about the nature of terrorism itself and puts us on our guard against assuming that it is the natural result of social inequity. If we judge, as we have tended to do, the quality of a society or a regime by the amount of terrorism directed at it, assuming that the level of violence is a measure of the degree of injustice, then we may be making a very great error. For to the extent other nations abet and support terrorism, the correlation, otherwise perhaps nature, between the level of injustice and the level of violence in a democratic society is distorted. So long as we think terrorism natural or inevitable, or wholly the product of underlying causes, we cannot be prepared for what in fact happens. Once West Germany was sufficiently aroused, it was able to destroy the Baader-Meinhof gang without destroying German democracy. After Aldo Moro was murdered, the Italian police broke the back of the Red Brigades. Society did not change; terrorism changed.

An especially deplorable, but by no means unusual example, of this kind of intellectual obfuscation can be found in a review of the Sterling book by Jonathan Marshall. Writing in Inquiry, Marshall asserts that Israel is a client state of the United States much as Cuba is a client of the Soviet Union. Having implied that the two cases are analogous, Marshall can accuse Sterling of practicing a double standard by failing to condemn the "regular practice of terrorism" by Israel, an American "surrogate."

I had not thought that anyone's capacity to make distinctions had atrophied to the point of being unable to find differences between the two instances. The Soviets control the DGI, the Americans, at best, can only envy the Mossad Israel is a free society with a vociferous opposition; Cuba is a closed society with an imprisoned or emigre opposition. Cuban instructors teach terrorists from a score of nations how to kill in order not to defend Cuba but to "destabilize" the rest of the world; Israel launches reprisals against those who have attacked it. There are few simple rules by which to evaluate the actions of a beleaguered democracy—no doubt some of Israel's acts deserve condemnation—but it is not hard to know what to think of a totalitarian regime that has sold itself, lock, stock, and barrel, to an imperialist power.

TERRORISM DEFINED

Let us try to clear away this thicket of rhetorical tricks and offer a definition of terrorism. Though perhaps it can be improved upon. I would begin with that adopted by a conference on international terrorism held in Jerusalem in 1979; terrorism is the "deliberate, systematic murder, maiming, and menacing of the innocent to inspire fear in order to gain political ends."

Whatever its deficiencies, this definition at least permits one to distinguish between pure terrorism (e.g., random murder in Turkey) and guerrilla warfare directed at the political or military arms of an occupying power. It also suggests a difference between force used to disrupt a particular political or military order and force used to make impossible the maintenance of any form of order under any auspices.

Moreover, the definition implies that one must judge any killing by the extent to which other, less violent means exist to achieve political ends. If terror is practiced in a society with free elections, open courts, and a legitimate opposition, it is more despicable than when terror, even defined as the killing of innocent persons, occurs in a society where no alternative means of change exists. Such a definition can be applied to terror of the Right as well as of the Left, terror practiced by a government as well as terror practiced by those who oppose a government.

If their is one thing wrong with the definition, however, it is the implication that there are known "political ends" toward which terror is customarily directed. Sometimes there are: the aims of terror in the Soviet Union or in Nazi Germany.●

SOLVENT REFINED COAL (SRC-I) PROJECT

HON. CLARENCE J. BROWN

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. BROWN of Ohio. Mr. Speaker, last Wednesday, the House took a positive step toward insuring the development of one of our most abundant domestic energy resources—coal—by defeating an amendment to delete funding for the solvent refined coal (SRC-I) project. The solvent refined coal (SRC-I) project is a synthetic fuels project which we must move forward with, or we may not move forward at all. Let me explain.

As my colleagues will remember, I voted against the Energy Security Act because I was concerned it would foster a synfuels industry forever dependent on the Federal Government. But there is a role for the Federal support of essential research. SRC-I is one of the examples of a proper role for the Federal Government to help ease the transition from conventional fossil fuels to the energy supplies of the future.

As a representative from the coal State of Ohio, I have long advocated the supply side of all energy sources; advocating more production of oil, of gas and of alternatives such as synthetic fuels. It is time to advocate the increased production of our greatest domestic energy resource—coal.

With 80 percent of all of America's energy supply in coal, coal now only supplies less than 20 percent of all energy produced.

Why? Because of regulatory barriers imposed by the Federal Government which hold down the sales of coal far below the levels which would prevail in a free market. In large part, these regulatory impediments are imposed in the name of protecting the environment but not always with a basis in scientific fact. The so-called "margin of safety," often a margin of overregulation, contributes to the fact that there are 20,000 unemployed coal miners in the United States today.

To reverse this situation, and to add to our energy supplies in general, we must support projects such as SRC-I. Now, today, this Congress is offered SRC-I, a project designed to transform our high-Btu, higher sulfur eastern coals into a uniform, environmentally clean fuel. Will we say no?

If we do say no, we cannot hide behind a rationale of environmental protection. Powerplants fired with SRC-I, for example, are well within the levels for all air pollution emissions under existing Federal standards. In fact, plants burning SRC-I fuel will produce between 99 percent and 70 percent less than the emissions of an existing coal-burning utility plant burning the same amount of coal.

I have heard, over the last several months, the argument that coal-burning utility powerplants are responsible for acid rain. There is not yet an accepted scientific explanation for increases in acidity of rain. We have all heard that there are some 200 dead lakes in New York State—but no one can state with certainty what the cause has been. Nonetheless, the allegation has been made that one of the causes is coal-fired powerplants.

Let us assume for a moment, although I do not concede this point, that this allegation is true. The logical conclusion would be that my colleagues would want to reduce this alleged cause of acid rain. If so, they should have voted against the Weber

amendment and for continuing the SRC-I project because SRC-I substantially reduces sulfur dioxide emissions, and therefore, substantially reduces one of the alleged causes of acid rain.

In other words, to vote against SRC-I would quite simply have been a vote against a project designed to transform eastern coals into a cleaner burning fuel.

There will come a day when all the existing coal-burning facilities in my State of Ohio will need to be replaced. If we continue the SRC-I project and if it is successful, there will be an opportunity to supply those powerplants with an environmentally clean fuel, and therefore reduce powerplant emission far more reliably than scrubber technology could provide.

For the compelling reason that we have an opportunity to support an important synthetic fuel project and to support a potential solution to the emission levels of eastern coal, I commend my colleagues for voting "no" on the amendment offered by the gentleman from Minnesota.●

UNITED STATES WRONG ON BABY FORMULA VOTE

TOM HARKIN

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. HARKIN. Mr. Speaker, on May 21, 1981, the United States cast the only negative vote at the 34th World Health Assembly of the World Health Organization (WHO) on the "International Code of Marketing Breastmilk Substitutes." I believe this vote was a great mistake, as does the House of Representatives which recently passed a joint resolution expressing its dismay at the vote.

Among the thoughtful journalists who also expressed their disapproval of our WHO vote was Dave Yoder of the Perry Daily Chief in Perry, Iowa. Mr. Yoder makes a strong case for supporting the code and properly takes the administration to task for voting no. "The United States had everything to lose and nothing to gain by voting no on the resolution," he wrote. "It set itself up as an uncaring pigheaded giant among the Third World that it is trying to court. And worst of all, it did so needlessly." I commend his comments to the attention of my colleagues and ask unanimous consent that it be printed at this point in the RECORD.

[From the Perry Daily Chief, Wednesday, May 27, 1981]

BABY FORMULA VOTE SEEN AS WRONG MOVE

(By Dave Yoder)

Usually it's not the big things that upset me.

War, famine, pestilence and politics I can handle. I can't solve them, but I can deal with their existence. That's the way it is with big things. The four items mentioned above have been part of the status quo of human life for so long, concerned curiosity is about the only emotion left.

Instead, it is the little acts of idiocy and stubbornness that sends me searching for a club to beat some sense into those responsible.

Such things are the gnats above the hammock of life.

The United States' vote on the ban on advertising milk formula in poor countries is the most recent of those items.

For those who have missed the controversy, it goes like this:

Companies that produce powdered milk formula—notably Nestle's—have been going into poor underdeveloped countries and getting mothers to feed their babies on the formula rather than mother's milk.

There's nothing wrong in that except putting the sales people in white uniforms so they look like doctors and nurses.

The formula costs money, of course. Investigators from the World Health Organization and others found that a mother without money was doing the same thing with the formula that she did with soup and stew: diluting it with water to make it go twice as far.

It only did half as much for the baby, however. The baby starts showing signs of malnutrition, the mother finds she has fed the kid long enough on formula that her own milk has dried up, and she's faced with spending money she doesn't have for formula or looking for a coffin in a child's size.

Besides that, the water being used to mix the formula was contaminated.

The formula companies shrug their shoulders and say let the buyer beware. We just sell it, how they use it is their business, they say.

Caveat emptor is an adequate defense if the victims are middle-class Americans. but when the victims are pets, endangered species or hundreds of thousands of destitute, starving, helpless, innocent parents the defense better be very good.

The companies say there's no evidence to support the claim. In a rat's eyelid, say 118 different countries.

Truth consists of who shouts his version of the facts the loudest and the deaths of a few hundred thousand babies is a goodsized scream.

So when the WHO voted to ban advertising the formula, unanimity was expected. The United States voted against it. The vote was 118 to 1.

Voting for the ban was such a small thing to do. There was no way the ban was going to fail. After all, how can you vote against a dead child?

The death of the children is one tragedy. Another tragedy is that the United States not only did not see the need to go along with an obvious public relations chance, it went to great effort by making itself the bad guy.

It took so little effort to appear a humanitarian, especially since American-based companies were at the heart of the whole matter. If nothing else, going along would have indicated to the world that America is not being run by big corporations as everyone in the United States suspects and everyone else knows.

The effect of the vote will be minor. Sales aren't banned, just advertising. And corporations will find a way around that.

There was nothing at stake. The United States had everything to lose and nothing to gain by voting no on the resolution. It set itself up as an uncaring pig-headed giant among the third world that it is trying to court. And worst of all, it did so needlessly.

The vote was a small item in the scheme of war and corruption. But if the United States can't act with an ounce of humanitarian concern when it takes no effort, how will it act when it takes courage?●

REMEMBERING THE MISSING

HON. DAVID DREIER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. DREIER. Mr. Speaker, active American military involvement in Vietnam officially ended on January 27, 1973, with the signing of the Paris peace accords. Under this agreement, it became the clear responsibility of the Hanoi government to return all American POW's within 90 days as well as to provide a full accounting of all MIA's. Now, over 3,100 days later we are still waiting for the Hanoi government to fulfill its legal and moral obligations.

The issue of Vietnam-era MIA's and POW's who remain unaccounted for has received much renewed interest with the recent return of the bodies of three missing American servicemen. Diplomatic concern has been heightened by the nearly 300 firsthand refugee sightings of Americans still being held captive in the jungles of Southeast Asia.

But interest in unaccounted-for American POW's/MIA's has always been great on the part of a group known as the National League of Families. This organization is comprised of close relatives of the nearly 2,500 men who remain unaccounted for.

Recently, I had the privilege of meeting with two members of this organization in my Washington office. Fran Masterson, of Upland, has spent many agonizing years since that fateful day in October of 1968 when Lt. Col. Michael Masterson was first reported missing in action over Laos.

Similarly, Janet Townley, of Ontario, has anxiously awaited word on the status of her father, Roy Townley, a civilian missing since December of 1971.

Unfortunately, for these people the war has never ended. Every day brings renewed yet painful, anguishing hope that some additional bit of information concerning the status of their loved one will be uncovered.

It is imperative that America never forget those who sacrificed so much for their country. For this reason, today I am introducing a resolution which directs the U.S. Postal Service to issue a commemorative stamp to honor these valiant missing men. I call on my colleagues to support this resolution and to do all they can to bring

the Vietnam conflict to a final and conclusive end for all Americans.●

LOOTING THE MEANS OF PRODUCTION

HON. FORTNEY H. (PETE) STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. STARK. Mr. Speaker, an article appeared in today's New York Times that I though would be of interest to my colleagues. The statistics are fascinating. Perhaps we should all consider them when we vote on the conference report on the reconciliation bill this week.

LOOTING THE MEANS OF PRODUCTION

(By Semour Melman)

SOUTH WELLFLEET, MASS.—"America in Ruins" is both the title and forecast of a 1981 report by the Council of State Planning Agencies, an organization of the planning and policy staffs of the nation's governors. The Council finds major deterioration in parts of the country's infrastructure—that is, vital services such as clean water, reliable transportation, efficient ports, and competent waste disposal, which are indispensable underpinnings for an industrial system. The report finds—as any traveler on United States railroads knows—that "the maintenance of public facilities essential to national economic renewal has been deferred."

Simultaneously, the means of production of United States industry have been deteriorating.

Production incompetence, now endemic, is spreading fast, not only in the well-publicized case of automobile firms but also in the following industries: steel, machine tools, radio and television manufacturing, railroad equipment, precision optics, fine cameras, men's shoes, flatware, hi-fi electronics, etc., etc., etc.

As private and public managers become better at making money without making economically useful goods, a new issue finally will have to be confronted: Will American industry reach a condition of "no return," making the achievement of industrial renewal problematic?

The way that an economy uses its capital—its production resources—is a crucial determinant of its productivity and economic well-being.

By 1977, for every $100 of new (producers') fixed capital formation, the United States applied $46 to the military economy. In Japan, the ratio was $3.70 for the military. The concentration of Japan's capital on productive economic growth goes far to explain the current success of that country's industry, where productivity grew 6.2 percent in 1980. By contrast, with the United States' aging machinery stock, the average output per person in manufacturing industry decreased 0.5 percent in 1980.

The United States has "achieved" its present state of industrial deterioration by assigning to the military economy large quantities of machinery, tools, engineers, energy, raw materials, skilled labor, and managers—resources identified everywhere as the "fixed and working capital" that is vital for production.

Since a modern military budget is used to purchase such resources, it is, effectively, a capital fund. A large ratio of military to civilian capital formation drains the civilian economy. The viability of the United States as an industrial society is threatened by the concentration of capital in a fund that yields no product useful for consumption or for further production. This looting of the means of production on behalf of the military economy can only be accelerated as a consequence of the unprecedented size of the war budgets advocated by the Reagan Administration.

The vital resources that constitute a nation's capital fund cannot be enlarged by waving a budgetary wand. Neither can manufacturing facilities be multiplied by ever richer subsidies to the managers of military industry. Basic machinery, skilled labor, engineers and scientists—all are finite in number and difficult to increase.

The concentration of capital on the military portends sharply diminished opportunity for a productive livelihood for most Americans. Clearly, a choice must be made as to where these resources will be used.

The accompanying list of trade-offs illustrates the kinds of choices that the Reagan Administration and the Congress are now making with their budget and tax plans, intended or not.

The following are principal sources of these data: military-program and unit costs, and cost changes (overruns), the Department of Defense: "SAR Program Acquisition Cost Summary (Unclassified)," Dec. 31, 1980, and related reports, and "Procurement Programs (P-1)", March 10, 1981; and news media reports. The civilian capital-cost data range from reported prices (machine tools, buses, trolleys) and reported Federal budget items to informed estimates of industrial-research and project costs and of costs of public works. Economic and engineering estimates are from Representative Les Aspin (Congressional Record, April 27, 1981), Prof. John E. Ullmann of Hofstra University; Mark Hipp, a Columbia University doctoral candidate; the Council on Economic Priorities, the city of San Diego, and the California Public Policy Center.

Seven percent of the military outlays from fiscal 1981 to 1986=$100 billion=the cost of rehabilitating the United States' steel industry so that it is again the most efficient in the world.

The cost overrun, to 1981, on the Navy's Aegis-cruiser program=$8.4 billion=the comprehensive research-and-development effort needed to produce 80- to 100-mile-per-gallon cars.

The cost overrun, to 1981, on the Navy's current submarine, frigate, and destroyer programs=$42 billion=for California, a 10-year investment to spur solar energy for space-, water-, and industrial-process heating; this would involve 376,000 new jobs and lead to vast fuel savings.

Sixty-three percent of the cost overruns, to 1981, on 50 current major weapons systems=$110 billion=the 20-year cost of solar devices and energy-conservation equipment in commercial buildings, saving 3.7 million barrels of oil per day.

The cruise-missile programs=$11 billion=the cost of bringing the annual rate of investment in public works to the 1965 level.

Two B-1 bombers=$400 million=the cost of rebuilding Cleveland's water-supply system.

Cost overruns, to 1981, on the Navy's Trident and the Air Force's F-16 programs=$33 billion=the cost of rehabilitating or reconstructing one out of five United States bridges.

The Navy's F-18 fighter program=$34 billion=the cost of modernizing America's machine-tool stock to bring it to the average level of Japan's.

Seventy-five percent of the cost overrun, to 1981, on the Navy's 5-inch guided-projectile program=$263 million=President's Reagan's proposed fiscal 1981 and 1982 cuts in the Northeast rail-corridor improvement programs, and in the alcohol-fuels development program.

Two nuclear-powered aircraft carriers=$5.8 billion=the cost of converting 77 oil-using power plants to coal, saving 350,000 barrels of oil per day.

Eighty-eight percent of the cost overrun, to 1981, of the Navy's Tomahawk cruise missile=$444 million=President Reagan's proposed fiscal 1981 and 1982 cuts in the Federal solar-energy budget.

Three Army AH-64 helicopters=$82 million=100 top-quality, energy-efficient electric trolleys (made in West Germany).

One F-15A airplane=$29 million=the cost of training 200 engineers to design and produce electric trolleys in the United States.

46 Army heavy (XM-1)=$120 million=500 top-quality city buses (West German-made).

The cost overrun, to 1981, on Navy frigates (FFG-7)=$5 billion=the minimum additional annual investment needed to prevent water pollution in the United States from exceeding present standards.

The cost of unjustified noncombat Pentagon aircraft=$6.8 billion=six years of capital investment that is needed to rehabilitate New York City transit.

The cost overrun, to 1981, on the Army's heavy-tank (XM-1) program=$13 billion=the shortfall of capital needed for maintaining water supplies of 150 United States cities for the next 20 years.

The MX missile system, first cost=$34 billion=the cost of a comprehensive 10-year energy-efficiency effort to save 25 percent to 50 percent of United States oil imports.

Reactivating two World War II mothballed battleships=$376 million=President Reagan's fiscal 1981 and fiscal 1982 cut in energy-conservation investment.

The cost overrun, to 1981, on the Navy's F-18 aircraft program=$26.4 billion=the cost of electrifying 55,000 miles of mainline railroads, and the cost of new locomotives.

The fiscal 1981 nuclear-weapons funding, adding to more than 20,000 on hand=$5.06 billion=eight years of capital costs for rehabilitating New York City's sewers.

The cost of excessive, nonstandardized military aircraft service equipment=$300 million=President Reagan's fiscal 1981 and fiscal 1982 reduction in capital grants for mass transit.

The cost overrun, to 1981, of the Army's UH-60A helicopter program=$4.7 billion=the annual capital investment for restoring New York City's roads, bridges, aqueducts, subways and buses.

One nuclear (SSN-688) attack submarine=$582 million=the cost of 100 miles of electrified rail right-of-way.

Ten B-1 bombers=$2 billion=the cost of dredging six Gulf Coast and Atlantic Coast harbors to handle 150,000-ton cargo vessels.

One A-6E Intruder (attack plane)=$23 million=the annual cost of a staff of 200 to plan mutual reversal of the arms race, and conversion of the military economy to a civilian economy.●

RETIREMENT SECURITY TODAY AND IN THE 21ST CENTURY

HON. JAMES M. JEFFORDS
OF VERMONT
IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. JEFFORDS. Mr. Speaker, the Reagan administration has undertaken a necessary but painful task by proposing to the Congress a series of changes in the social security system. These proposals are intended to place the system on a sound financial footing. Although I salute the administration for bringing attention to the social security funding crisis, I regret that I cannot support several of the specific proposals. I think that there are enough reasonable proposals to consider that the Congress will find a fair and equitable way to solve this short-term funding crisis.

I am more concerned, however, that both the administration and the Congress have failed to come to grips with our social security crisis in the context of establishing a comprehensive approach to retirement security which includes reform of private pension and savings programs as well as the reform of social security. The social security crisis is not only a short-term financing crisis. The more critical problem and the one to which I believe that the Congress should now turn its attention, is how to provide the incentives and structures necessary to give every American an opportunity to earn a livable pension. I am convinced that this system alone will not be sufficient to meet the needs of our aging population. Improved pension and savings programs are essential to this goal.

Our current savings and pension policies are not adequate. Less than half of the workers in the United States participate in private pension plans and many of these workers will not meet vesting requirements and may never draw funds from these pension programs.

The challenge to this Congress is to change the social security system in ways that can return confidence to the system and concurrently to make changes in pension and savings policy so that private systems can be developed to pick up the slack that will inevitably result when social security benefits or coverages are changed. As part of this reform, we should reassess the goals of the current social security system and our capacity to meet these goals. We need to look at the program's original intent as well and determine whether or not this is still valid. If we fail to reform and strengthen our retirement systems comprehensively, we may end up with a large disenchanted aged group in our society that feels that it has been betrayed by its Government and that it has not been given the opportunity to develop alternative sources of income for its retirement years.

Today, I want to briefly discuss the crisis of confidence facing the social security system, the proposals that have been offered for restoring short-term financial stability for the fund, and the proposals which have long-term implications for the structure of the system and the ability of Americans to plan for their retirement years with some confidence. I also want to suggest some general principles that I think should guide the Congress as it considers our social security problems.

A CRISIS OF CONFIDENCE

Let me describe what I believe is a crisis of confidence facing the social security system. Like the overall problems facing the system this crisis is of two types.

First, those who are nearing retirement age are extremely concerned that benefits which they feel they have earned may not be paid them. The primary cause for this alarm is the administration's proposal to discount early retirement benefits more substantially for any individual retiring in 1982 or later. They have come to the edge of their retirement—many have made their plans for many years—and now they fear that their plans and commitments may have to be changed. They feel that there is a social contract between themselves and the Government and they feel that the Government is reneging. I think that they have made their case. Social security benefits have been promised and we should be very reticent to change the system when individuals no longer have an opportunity to prepare for their retirement. We need to provide a lot of lead time in social security reforms so that individuals will have time to make their own arrangements and so that they know what level of support they can expect the Government to provide.

An equally important crisis exists among the young. As they watch benefits being scaled back, they legitimately question what they are paying almost 7 percent of their salary for. Many of them believe that they will never receive any return on it. The Hart public opinion survey for the National Commission on Social Security found that 62 percent of all nonretired Americans have little or no confidence that they will receive any social security benefits. The Louis Harris and Associates 1979 survey on American attitudes toward pensions and retirement confirms this perception: Over 80 percent of those questioned had little confidence that they would receive social security beneifts, and over 40 percent of those questioned had no confidence that they would receive any benefits from social security.

Much of this lack of confidence has resulted from recent congressional actions to reduce benefits and raise revenues for the beleaguered fund. It would be tragic if we undermine support for the social security fund in our efforts to save it. Concerns about the long-term health of the fund are well founded. It is unreasonable to assume that two workers in the early 21st century will be able to carry the burden for financial support of the fund that is now being carried by three or more workers. However, we have promised those who have retired and those who are nearing their retirement age a certain level of benefits. We should keep these promises. At the same time, we should make a new, realistic promise to those who are years away from retirement. We should tell them what changes they must expect and we should tell them what opportunities they can have to preserve some earning and investment power in their later years. This requires that we not only face our social security crisis, but that we also evaluate and modify the ground rules for private pensions and savings.

I would like to describe some of the proposals that have been made for the short- and long-run reform of the social security system and to describe the principles and criteria on which these proposals should be judged.

SHORT-RUN FINANCING ISSUES

Most of the publicity about the social security crisis has centered on the short-run cash position of the fund. If no new authorities are granted to the administration by the middle of next year, the old age and survivors insurance fund will be unable to meet its current obligations. This is essentially a cash-flow problem. Even though the fund will be operating on a narrow or slightly deficit margin for the next 10 years, it will remain essentially healthy through the year 2020. This is because there is a relatively small group of individuals reaching retirement age during the period 1995 to 2025. During that period, the fund will accumulate 19 months of reserves.

I think that there are several principles that we must observe in responding to this short-run crisis:

We should not cut the basic benefits of those who have already retired and therefore have limited capacity for generating earnings to replace the cuts.

We should not cut the basic benefits of those on the verge of retirement who have planned for their retirement on the assumption that the Government would honor its benefits promise. Basic changes, if any, should be made with long leadtime.

We should be willing to consider and analyze changes in selected benefits that are not basic to the system or essential to the standard of living for retirees. The lump sum death benefits in

cases where there are no survivors is an example of such a change.

If at all possible and consistent with these principles, we should not jeopardize the link between contributions to the system and benefits received. This link has worked to keep social security somewhat immune from attempts to use it to balance the budget and the linkage has also imposed a discipline upon the management of the fund that is sensitive and concerned about possible fund deficits.

I realize that these are very general principles. Nevertheless, they give us an important standard against which to judge the proposals that have been put forward to improve the financial stability of the old age and survivors insurance fund. Let us look at some of those proposals:

First, raise the payroll tax: This is what the Congress did in 1977 when we thought that we were solving this short-term financing crisis. Because of poor economic performance and high unemployment rates over the last 3 years, the revenues that we expected to generate have not been realized. I am concerned that additional taxes will not only work against our overall economic strategy, but will also undermine support for the social security system among the young taxpaying public.

Second, change basic benefit computations: A variety of proposals to change rounding formulas, change "bend point" computations, and make other changes in computation have been suggested. The Congress must decide whether these are basic benefit changes or, as their advocates suggest, merely technical adjustments that have some important economic side effects. Much of the short-run savings advanced by the Reagan administration proposals depend on this type of change.

Third, cutting benefits for those retiring at age 62: A basic theme in the administration proposal is the discounting of benefits for those who retire before age 65. This policy would impose a heavy burden on those who planned to retire next year. I think that the Congress should provide much, much more warning before it makes any change of this magnitude.

Fourth, broadening the coverage of employees: There has been a longstanding debate over the advisability of expanding social security to employees who are not now covered by the system. These include Federal, State, and local, and nonprofit organization employees. Increased coverage would bring substantial revenue into the social security funds whether the expanded coverage included all current employees or only employees entering the work force in the future. These employees would also receive some new benefits from this change. This is a difficult and highly complex issue because many of these workers already have major investments in pension programs that are not linked to the social security system.

Fifth, allowing interfund borrowing: This is a part of all major short-run proposals. It makes no permanent change in the system. It allows the administration authority to temporarily redistribute funds among the purposes funded by the payroll tax.

Sixth, fund the deficit from general revenues: In general, this approach violates the connection between payroll contributions and funding for the social security system. We should attempt to maintain this linkage if we can find a way to do so. However, I do feel that disability and medicare should be shifted to a broader based tax, as against further increases in the social security tax.

Seventh, eliminate less important benefits: The Congress has approved changes in the death benefit and student benefits. Clearly these are less essential than the basic benefit for retirees and survivors. The Congress must be willing to make the difficult judgments about which benefits are basic and which are supplemental or less essential.

Eighth, engage in short-term borrowing: The fund can retain its integrity by borrowing against future income it will receive during the period 1995 to 2025. This is an approach which deserves to be explored further, but with great caution.

We have already received a wide variety of detailed short-term proposals and will undoubtedly receive more. Frankly, however, I believe that this problem is considerably less momentous and difficult than the longrun problems that face the system. I hope that the Congress will not be so hasty in solving the immediate problems of the fund that it overlooks the critical issues ahead. I also hope that we do not undertake radical restructuring of the system without full consideration of the longrun implications of this restructuring.

LONGRUN FINANCING ISSUES

A number of social security reform proposals that have been advanced would have a dramatic effect on what benefits the system would provide in the 21st century. It is my view that any longrun reform of the social security system must also take into consideration the laws that control and regulate both private pensions and private savings. When the "baby boom" generation reaches retirement age in the early 21st century, we will not be able to finance a social security system that is as complete and extensive as the one we have today. Therefore, we must change that system and justice demands that we give fair and timely warning to those who will be affected by these changes.

I suggest that the Congress commit itself to the following set of principles as it addresses long-term changes to the structure of the social security system.

We need to redefine and reestablish the goals of the social security system. This involves prioritizing benefits and making sure that all of the benefits we do include are adequately funded.

Any changes in basic social security benefits ought to be announced well before they become effective.

Any long-term reform ought to consider private pension reform, IRA and Keogh reform, other retirement savings reform, and related tax reform issues as well.

Today, much to my regret, none of the proposals before the Congress satisfy these criteria. So far, the proposals are limited to reform of the social security system alone or to separate, unrelated liberalizations of pension or savings laws. What is missing is that vital connection which answers the question of today's average 18- to 50-year-old worker: "How do I plan for my retirement?" Congress has a responsibility to address that question and to address it now.

Let us review some options:

First, increase the retirement age: Because of medical advances and basic changes in modern lifestyles, people live a lot longer today than they did when the social security system was established. Raising the retirement age to 68 or older or reducing pensions to early retirees is not an unreasonable long-term reform. If we do this, however, we may need to take another serious look at our laws regulating mandatory retirement.

Second, decrease basic benefits: I oppose this as a short-term solution. It would be unconscionable for us to take this action without providing alternative retirement savings possibilities for those who will be affected. Before we consider either decreases or increases in basic benefits, we will have to concurrently examine the possibility of generalizing and removing the restrictions on IRA accounts and also take steps to make sure that those who are covered by private pensions have an avenue for preserving these pensions from inflation and from undue tax treatment.

Third, eliminate the earnings cap: Eliminating the earnings cap is a fundamental change in the social security program. It virtually assures that any individual above a designated age will draw benefits from the fund. With an aging population and a depleting fund, I think that we need to be extremely careful about making such a change. It might be more appropriate to raise the cap or to adjust benefit formulas so that there is also an incentive to draw less than full benefits from the

fund. I do believe, however, that present caps are too low.

CONCLUSION

I do not advance my ideas as a complete and comprehensive solution to our social security problems. Rather, I urge the House to find this solution. We cannot do this unless we take off our social security blinders and look at the broader and more complex issue of retirement security in this country for the future.

Social security is only part of the solution for the financial stability of our aging population in the next century. If we are to address this problem effectively, we must consider all of the relevant issues associated with it. I hope that the Congress will use the immediate crisis in social security financing to spur it to fundamental reform of our retirement and pension laws. We need to make promises for the future of social security that can be kept, and we need to recognize that our future retirement system cannot be built on a Government-pay-all system.

Only if we take this kind of forward-looking and courageous action, can we reinspire confidence and support for the social security system among those who must pick up the tab for its operation.●

AN "AMERICAN HELPING AMERICANS" MORTGAGE LOAN

HON. STEVE GUNDERSON

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. GUNDERSON. Mr. Speaker, for several weeks the House Ways and Means Committee and the Senate Finance Committee have been vigorously debating the exact form of a tax-exempt savings certificate, the proceeds from which are earmarked for housing and agricultural loans.

At the same time these debates have been raging in Washington, D.C., a resident of my district has been quietly setting up his own Americans-helping-Americans low-interest mortgage loan program for the benefit of young families in the Eau Claire, Wis., area.

Ken Sherwood of Altoona, Wis., has made arrangements with Northwest Savings & Loan in Eau Claire, Wis., to offer a savings certificate that pays but 1 percent interest per annum. The proceeds from these certificates will be used to finance 3 percent home mortgage loans for qualifying young families in the area.

Despite the seemingly low return on the investment, the program is gathering significant support in the Eau Claire area and is a tribute to the rebirth of the American patriotic spirit that we are witnessing throughout our country today.

I am including a recent newspaper account of this program for the review of my colleagues in the event they may wish to recommend such a program to civic and business leaders in their districts as well.

[From the Eau Claire Leader-Telegram, July 11, 1981]

HOUSING: PLAN WOULD FUND LOW-INTEREST MORTGAGES

(By Rhonda Ebbers)

Would you invest $500 or more in a savings certificate that pays only 1 percent interest if it would make low-interest mortgage money available to the area's young families? Ken Sherwood is betting that you will.

The low-interest savings certificates are the cornerstone of Sherwood's "Americans Helping Americans" mortgage plan, which already has the backing of a local savings and loan association and area home builders.

Here's the idea Sherwood is pushing: Businesses, civic groups and people throughout the community would invest funds in five-year AHA savings certificates at Northwest Savings & Loan Association in blocks of $500 or more. Investors would earn 1 percent interest.

Qualifying area homebuyers would borrow up to half their needed mortgage from the AHA fund at 3 percent, allowing a 2 percent return to Northwest to cover its costs in administering the certificates.

The other half of the mortgage would be borrowed from Northwest at its prevailing interest rate. The total package would have to be refinanced after five years.

The effect would be lower monthly payments—Sherwood estimates interest equivalent to an overall rate of 9½ percent or 10 percent—and faster accumulation of equity.

Assume that a young couple borrows $30,000 for 20 years, $15,000 at 3 percent and $15,000 at 16 percent. The monthly payment would be $291.88, compared with $417.38 if the entire amount was borrowed at 16 percent, a typical rate for standard mortgages.

After five years, the couple would have accumulated $3,748.70 in equity, compared with $1,590 if the entire amount had been borrowed at 16 percent. That equity would help keep costs down at refinancing time.

Certificates are not ready for sale yet, said William Hay, president of Northwest, and Sherwood emphasized that many details of the mortgage plan are not set yet, such as possible income limits that might be built into eligibility standards for borrowers. (The program would not be for families with big incomes, Sherwood said.)

Hay and Sherwood described the program as being in the conceptual stages, but Sherwood said he would like to get the program going yet this summer.

What is needed now, Sherwood said, is for people in the community who are interested in supporting the plan to come forward. If support becomes evident, details could be resolved fairly quickly and certificates could be issued. He is looking to raise quite a bit of money.

Sherwood and Hay tentatively have agreed that loans should be made in blocks of $500,000, which would finance sale of more than 10 homes. After $250,000 is invested in AHA certificates, Northwest would make another $250,000 available at its going rate and mortgage loans would become available.

Sherwood, a retiree who rents an apartment at 1743 Vernon St., Altoona, with his wife of 46 years, Evie, has been pushing the plan since February, when the idea came to him while pitching hay at his daughter's farm near Eau Claire. A former vice president of marketing for the Soo Line Railroad, he said most retirees find some activities to occupy their time, and the AHA plan is his project.

The mortgage plan is "idealistic, patriotic and altruistic," he says, unabashedly adding that he doesn't see anything wrong with that.

A description of the plan written by Sherwood is laced with patriotism: "When there is a crisis anywhere in the world, we Americans respond with every kind of help at our disposal. There is a crisis in our own community, but up to now we really haven't done much about it. The crisis faced by innumerable young families is that while they need and want to purchase a home of their own, current mortgage interest costs prohibit them from taking this important step.

"I believe we have it within our power in this community to make it possible for many families to realize their dreams and buy that first home if we will invest in and support an alternative mortgage plan which would be known as AHA (Americans Helping Americans)."

One group already has come forward to back the plan. The Eau Claire Area Home Builders Association has voted to support the AHA plan and is trying to establish a joint committee with area real estate brokers to promote it, according to Jeff Bahnub, president of the builders' group.

Although the group did not vote to put any of its funds into certificates, Bahnub said several group members are planning to invest.

Mark Bugher, president-elect of the Eau Claire-Chippewa Board of Realtors Inc., said he knows about the plan and wants to get involved, but his group hasn't made any formal decision on the matter. Bugher said he is "in favor of anything that would help people buy homes at lower interest rates."

But Sherwood admitted that his idea will need support from people throughout the community, not just home builders and realtors, or it will remain just that—an idea.

Even though 1 percent interest is paltry when compared with current rates in the 14 percent range, Sherwood is optimistic that people will give up a little income to help young families who have been squeezed out of home ownership by high mortgage rates.

"If you think about it, in a community like this, there are a number of people who should buy" these certificates, he said. ". . . This is not a poor community."

Eau Claire has many nice homes, he said, and he hopes that people living in those homes will be willing to share their good fortune with young families in the area.

Sherwood says he doesn't blame people for putting their money where they can earn high interest, but he says it wouldn't hurt area residents to take $500 or $1,000 and "instead of sending it to New York, Tokyo or London, invest it right in Eau Claire." The difference between 1 percent interest on $500 and 14 percent is not that great after taxes, he pointed out.

Just who would benefit from creation of an AHA mortgage pool? Of course, the plan would help young families who otherwise could not afford homes and businesses related directly to home-building. But on a broader level, Sherwood said, everyone in the community—all types of businesses and

their employees—would benefit because the area economy would stabilize, providing a better business environment and stimulating employment.

Bahnub also said that, although he thinks potential homebuyers would line up for a chance at the reduced-rate mortgages, the whole community would benefit. And Sherwood plans to approach retirees on the theory that the best way to strengthen Social Security is to get people working, which AHA would help do.

Northwest also might benefit, if the program is successful, because the S&L would make money on the funds lent at 16 percent. The S&L also could profit from the 2 percent charged for administering their certificates if it can keep its administrative costs low enough.

But Hay said he considers the 2 percent charge fair and that he thinks it would just cover the S&L's costs. Northwest is a private firm and exists to make a profit, he pointed out, but he also said he would get "a real kick in seeing some people benefit" from the AHA plan.

One person who would not benefit is Sherwood. All funds would be invested directly through Northwest and would be insured, as are other deposits. But Sherwood admitted that he would receive some compensation: the satisfaction of seeing young families move into their first homes and watching the business community prosper.

Sherwood already has experienced the first type of satisfaction several times, when he helped his four children and three other young couples buy homes. Sherwood explained that he had help buying a first home for himself and his wife, Evie: Her mother lent the young Sherwoods the $600 down payment on the $3,850 house in 1938. Sherwood recalls that he was earning $153 a month.

When the AHA plan is discussed in groups Sherwood has attended, he often asks how many of the people present had help in buying their first home, and he reports that "95 percent say yes." The problem today is that, even if parents help their children with the down payment, monthly payments are unaffordable because interest rates are so high, he said.

Hay also compared the plan to parental help. The concept is no different, he said, except that a blood relative would not be involved.

Sherwood has high hopes for the AHA plan, although he doesn't see it as a panacea to solve housing problems. Plans are in the works to develop bumper stickers and placards for participating individuals and businesses to display, and if the AHA plan works in Eau Claire, it should work elsewhere, he said.

Sherwood's goal is to have $2 million invested in AHA certificates.

Hay said he is optimistic that more than $1 million can be raised for the program, and he's ready to buy the third certificate to be issued; Ken and Evie Sherwood plan to buy the first two.●

CAPTIVE NATIONS WEEK

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. DERWINSKI. Mr. Speaker, we in the United States and throughout the free world must confirm our determination to work for the restoration of the independence of those enslaved peoples held captive by the U.S.S.R. and other Communist countries. The annual commemoration of Captive Nations Week reminds us once again of the tragedy inflicted upon millions of innocent people by Soviet aggressive and imperialistic policies.

I include in the RECORD several very timely proclamations issued for Captive Nations Week. They follow at this point:

The freedom of the individual is the cornerstone of the American system of government. Support for the liberty and freedom of others has always been a basic principle of our democratic society.

By unanimous vote, the Congress of the United States has established the third week of July as Captive Nations Week, inviting all our citizens to observe this week with appropriate prayer and ceremonies to express sympathy and support for the continuing aspirations of captive peoples.

New York city, where so many first experienced individual freedom after fleeing totalitarian systems, continues to maintain a special commitment to those still living in captive nations.

Now, therefore I, Edward I. Koch, Mayor of the City of New York, do hereby proclaim the week of July 12-19, 1981, as "Captive Nations Week" in New York City, and call upon all our citizens to rededicate themselves to the cause of freedom for all and continue their support of peaceful efforts to liberate oppressed and subjugated people all over the world.

CAPTIVE NATIONS WEEK, JULY 12-18, 1981

By the Mayor of the District of Columbia—a Proclamation

Whereas by a joint resolution approved July 17, 1959, the Congress authorized and requested the President of the United States of America to issue a proclamation designating the third week in July as "Captive Nations Week", and to issue a similar proclamation each year until such time as freedom and independence shall have been achieved for all captive nations of the world; and

Whereas there is a strong belief that the observance of "Captive Nations Week" throughout our country and our community will serve the cause of America and the entire free world; that the keeping alive of the spirit of liberation is the free world's most effective instrument; and

Whereas it is deemed appropriate and proper for the people of our community to extend to the peoples of the captive nations our support and sympathy for their just aspirations for freedom and national independence: Now, therefore,

I, the Mayor of the District of Columbia, do hereby proclaim the week of July 12-18, 1981, as "Captive Nations Week" and invite the people of the Nation's Capital to participate in the observance of this period by offering prayers in their churches and synagogues for the peaceful liberation of the peoples throughout the world who are denied their fundamental human rights.

STATE OF NEW MEXICO, EXECUTIVE OFFICE—PROCLAMATION

Whereas the imperialistic politics of Russian Communists have led, through direct and indirect aggression, to the subjugation and enslavement of the peoples of Poland, Hungary, Lithuania, Ukraine, Czecho-Slovakia, Latvia, Estonia, Byelorussia, Romania, East Germany, Bulgaria, Mainland China, Armenia, Azerbaijan, Georgia, North Korea, Albania, Idel-Ural, Serbia, Croatia, Slovenia, Tibet, Cossakia, Turkestan, North Vietnam, Cuba, Cambodia, South Vietnam, Laos, Afghanistan and others; and

Whereas the desire for liberty and independence by the overwhelming majority of peoples in these conquered nations constitutes a powerful deterrent to any ambitions of Communist leaders to initiate a major war; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of human freedom and human rights and to the people of the United States as the leaders in bringing about their freedom and independence; and

Whereas the Congress of the United States by unanimous vote passed Public Law 86-90 establishing the third week in July each year as "Captive Nations Week" and inviting the people of the United States to observe such week with appropriate prayer, ceremonies and activities; expressing their sympathy with and support for the just aspirations of the captive nations: Now, therefore,

I, Bruce King, Governor of the State of New Mexico, do hereby proclaim the week of July 12th through 18th, 1981, as "Captive Nations Week".

THE STATE OF MARYLAND—PROCLAMATION FROM THE OFFICE OF THE GOVERNOR—CAPTIVE NATIONS WEEK, JULY 12-18, 1981

Whereas the greatness of the United States is in large part attributable to its having been able to achieve a harmonious national unity of its people, even though they stem from diverse racial, religious and ethnic backgrounds; and

Whereas this harmonious unification has led the people of the United States to possess a warm understanding and sympathy for the aspirations of people everywhere; and

Whereas many nations continue to struggle to assert their independence, despite the aggressive policies of more powerful neighbors, and most recently we have seen evidence of this in Afghanistan and Poland; and

Whereas the freedom loving peoples of the captive nations look to the United States as the citadel of freedom and human rights and to the people of the United States as the leaders in bringing about their freedom and independence: Now, therefore,

I, Harry Hughes, Governor of the State of Maryland, do hereby proclaim July 12-18, 1981, as Captive Nations Week in Maryland, and commend this observance to all our citizens.●

CONGRESS SHOULD REJECT CURRENT TAX CUT PROPOSALS

HON. TED WEISS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, July 27, 1981

● Mr. WEISS. Mr. Speaker, I recently received the following mailgram from the National Retired Teachers Association—American Association of Retired Persons, although I do not

concur with every proposition it sets forth, I believe it overall to be a very rational position on the proposed tax cuts we will consider this week. Basically, the statement suggests that this is neither the time for, nor the kind of, tax package that our economy needs.

I urge my colleagues to carefully consider this letter:

Sustained high rate inflation is the chief threat to and concern of the elderly. Consequently, the 13 million member National Retired Teachers Association—American Association of Retired Persons are mandated by their leadership to oppose all actions which promise to increase inflation, and to evaluate fiscal and monetary policies, as well as other actions, in terms of their effects on inflation. Viewed from that perspective, the Economic Recovery Tax Act of 1981 is at variance with the kind of fiscal policy the Nation needs at the present time. The across-the-board cuts in personal income taxes for which this legislation provides, although reduced somewhat from the administration proposal, are still too large, particularly in conjunction with the planned very large increase in defense spending. This remains so even taking into account the approved expenditure reductions in other budget categories. The basic policy approach of relying on stringent monetary policy to (hopefully) restrain inflation while pursuing a stimulative fiscal policy is the wrong policy combination.

It is simply asserted, without convincing proof, that large cuts in personal income tax rates, which will certainly increase Federal budget deficits, will quickly generate large gains in output and incomes, the taxes on which will more than offset the initial revenue loss. It seems far more likely that the revenue loss will not be offset, because taxpayers are not likely to change their behavior radically and save a significantly larger proportion of their incomes—especially in the current, high-inflation economic environment. While we do not share the belief that Federal deficits have been the only cause of inflation, they have certainly contributed to it in a major way. Large Federal budget deficits, year after year, are not something that can safely be ignored. Inflation is much too high. The Federal budget must be brought into balance and the sooner the better.

Apparently, the thinking behind the tax bill is that budget deficits can be ignored because monetary policy can and will be used to restrain inflationary pressures. While monetary policy certainly has an important role to play in restraining inflation, all the burden cannot be put on monetary policy without severe damage to the economy. The natural tendency of the "tight" monetary policy which is now being pursued by the Federal Reserve, and its accompanying high interest rates, is to curtail investment, both by business in new or modernized production facilities and by consumers in housing and automobiles. Although the tax bill contains provisions intended to encourage business to devote a larger share of profits to investments, the effect of the monetary policy which the Federal Reserve will have to follow to dampen inflationary pressure, is to make credit more expensive, and thereby discourage investment. All of these factors lead to the conclusion that a better policy mix would be to have a less stimulative fiscal policy and a less restrictive monetary policy.

There is, however, an even more fundamental failing of current policy, and that is that it assumes that the primary cause of inflation is excess demand—"too much money chasing too few goods." There is ample evidence to suggest that the cost-push (wage-price spiral) part of the inflation is the larger and more intractable part. The abolition of the council on wage and price stability removed whatever stabilizing influence the wage-price guidelines supplied, and it may not have been much, but nothing has been put in their place.

It is vitally important not to be lulled into complacency by the recent slackening pace of inflation as measured by the consumer and producer price indexes. This is due largely to the current weakness in prices of oil, not to any abatement of the underlying or "core" rate of inflation. As we have found out before, the only constant in oil prices is their volatility. The United States has been lucky in the current weakness of oil and other commodity prices, but it has made little or no progress in reducing the basic inflation rate, and the tax package now being considered in the Ways and Means Committee offers no promise that it will do so.

Proponents of this tax package make much of its supposed beneficial effect in increasing employment, but this misses the point. The economy has been quite successful in creating jobs over the past decade. What it has not done, in addition to bringing inflation under control, is maintain an adequate level of productivity growth, the basis for the increase in standards of living we all want. One way to stimulate productivity growth is to invest in more productive facilities, but investments in human capital—education and training—are also necessary, and these are not being increased. Some of the budget cuts, in fact, would reduce them.

If we are going to invest more we will have to save more, and the tax bill does not do nearly enough to stimulate savings. It reduces the $200 to $400 exclusion of dividend and interest income, which is much too low to begin with, in favor of an untried instrument that, to the extent it does stimulate savings, does so at a high cost to the treasury in order to furnish a barely concealed subsidy to the thrift industry. We acknowledge that the thrift industry has severe problems (most of which are the result of inflation), but the so-called "all-savers" certificate is a very poor way to try to solve them.

We also question the long-run utility of indexing the personal income tax. While we agree that "bracket-creep" is an undesirable product of inflation, the better solution is to curb inflation, not to set up what may become a new rigidity in the tax system.

It is past time for Congress and the administration to establish a comprehensive and effective anti-inflation program, unconstrained by ideology. Under such a policy monetary and fiscal policy should be mutually supportive—not working at cross purposes. Inflation is seriously damaging the economy and social fabric of the Nation, and the elderly in particular.

PETER W. HUGHES,
Legislative Counsel.●

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Any changes in committee scheduling will be indicated by placement of an asterisk to the left of the name of the unit conducting such meetings.

Meetings scheduled for Tuesday, July 28, 1981, may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

JULY 29

8:30 a.m.
Governmental Affairs
To hold hearings on the nomination of James R. Richards, of Virginia, to be Inspector General of the Department of Energy.
3302 Dirksen Building

9:00 a.m.
Commerce, Science, and Transportation
Business meeting, to consider pending calendar business.
235 Russell Building

Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building

*Labor and Human Resources
To resume oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building

*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Agriculture, Nutrition, and Forestry
To hold hearings on the nominations of Charles W. Shuman, of Illinois, to be Administrator of the Farmers Home Administration, and Harold V. Hunter, of Oklahoma, to be Administrator of the Rural Electrification Administration.
324 Russell Building

Banking, Housing, and Urban Affairs
To resume oversight hearings on the conduct of monetary policy.
5302 Dirksen Building

10:00 a.m.
Energy and Natural Resources
Business meeting, to consider pending calendar business.
3110 Dirksen Building

*Environment and Public Works
Business meeting, to consider pending calendar business.
4200 Dirksen Building

Finance
To hear and consider the nominations of Eugene J. Frank, of Pennsylvania, to be a member of the U.S. International Trade Commission, and Kenneth W. Gideon, of Texas, to be an Assistant General Counsel in the Department of the Treasury (Chief Counsel for the Internal Revenue Service).
2221 Dirksen Building

Judiciary
To hold oversight hearings on the implementation of the Copyright Act of 1976, focusing on section 101 relative to cable TV policy.
2228 Dirksen Building

Select on Indian Affairs
To hold hearings on S. 792, establishing a National Institute of Native American Culture and Arts Development.
5110 Dirksen Building

10:30 a.m.
Armed Services
To hold hearings on the nominations of Edward C. Aldridge, Jr., of Virginia, to be Under Secretary of the Air Force, and Alton G. Keel, Jr., of the District of Columbia, to be Assistant Secretary of the Air Force for Research, Development and Logistics, and pending military nominations; to be followed by a closed business meeting, to mark up S. 846, authorizing funds for fiscal years 1982 and 1983 for national security programs of the Department of Energy.
212 Russell Building

1:00 p.m.
Judiciary
To resume hearings on monopolization and competition in the telecommunications industry.
2228 Dirksen Building

2:00 p.m.
Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
357 Russell Building

Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

Special on Aging
To hold hearings on the proposed Competitive Health and Medical Plan Act (CHAMP), providing an advanced Medicare reimbursement system to certain competitive medical plans for the elderly.
5110 Dirksen Building

2:30 p.m.
Conferees
Closed, on S. 815, authorizing funds for fiscal year 1982 for military procurement programs of the Department of Defense.
S-407, Capitol

JULY 30

8:00 a.m.
Labor and Human Resources
To hold hearings on the nominations of Robert P. Hunter, of Virginia, and John R. Van de Water, of California, each to be a member of the National Labor Relations Board.
4232 Dirksen Building

9:00 a.m.
Governmental Affairs
To hold oversight hearings on Federal Government's employees' travel policies and procedures.
3302 Dirksen Building

*Governmental Affairs
Intergovernmental Relations Subcommittee
To continue discussion of alternatives for delivering public services, focusing on certain private sector involvement in social services.
318 Russell Building

Judiciary
*Immigration and Refugee Policy Subcommittee
To hold joint hearings with the House Subcommittee on Immigration, Refugees, and International Law of the Judiciary to examine the administration's policy relative to immigration and refugees.
1318 Dirksen Building

*Labor and Human Resources
To continue oversight hearings on the activities of the Office of Federal Contract Compliance Programs of the Department of Labor, focusing on Executive Order 11246, regulations relating to affirmative action.
4232 Dirksen Building

*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Banking, Housing, and Urban Affairs
Securities Subcommittee
Business meeting, to mark up S. 1436, imposing uniform margin requirements on loans obtained for the purchase of U.S. securities by foreign persons or corporations.
5302 Dirksen Building

Energy and Natural Resources
To resume hearings on S. 1503, authorizing the President to allocate supplies of crude oil and petroleum products during a severe petroleum supply shortage, S. 1476, S. 1354, and S. 409, bills providing standby authority to deal with petroleum supply disruptions, and S. 445, establishing a State set-aside system for propane, middle distillates, motor gasoline, residual fuel oil, and aviation fuels.
3110 Dirksen Building

*Select on Indian Affairs
To hold hearings on S. 159, authorizing the exchange of certain land held by the Navajo Tribe and the Bureau of Land Management, Department of the Interior, and S. 1340, providing for the use and distribution of judgment funds awarded to the Clallam Tribe of Indians, State of Washington.
1224 Dirksen Building

10:00 a.m.
Banking, Housing, and Urban Affairs
Business meeting, to mark up S. 868, directing the Export-Import Bank of the United States to adopt export finance programs comparable in structure to those measures of official export credits offered by competing countries.
5302 Dirksen Building

Foreign Relations
International Economic Policy Subcommittee
To hold hearings on U.S. policy toward international investment.
4221 Dirksen Building

Judiciary
To hold hearings on S. 326, prohibiting a refiner, other than an independent or small refiner, from operating a gas station in the United States, and making it unlawful for a supplier to practice price discrimination in the sale of motor fuel.
2228 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

Finance
Health Subcommittee
To hold hearings on the proposed Competitive Health and Medical Plan Act (CHAMP), providing an advanced medicare reimbursement system to certain health maintenance organizations.
2221 Dirksen Building

Governmental Affairs
To hold hearings on the nomination of Joseph A. Sickon, of Virginia, to be Inspector General, General Services Administration.
3302 Dirksen Building

Judiciary
Business meeting, to consider pending calendar business.
2228 Dirksen Building

2:30 p.m.
Armed Services
To meet in closed session to discuss the role of military power in foreign policy objectives and specific foreign policy initiatives of the administration.
212 Russell Building

JULY 31

9:00 a.m.
Foreign Relations
Closed briefing, on the military situation in El Salvador.
S-116, Capitol

*Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

9:30 a.m.
Judiciary
Constitution Subcommittee
To resume oversight hearings on the implementation of the Freedom of Information Act, and on S. 1247, S. 1235, and S. 587, bills providing for the protection of certain confidential information from the disclosure requirements of the Freedom of Information Act.
5110 Dirksen Building

10:00 a.m.
*Judiciary
Immigration and Refugee Policy Subcommittee
To examine issues relative to the Cuban-Haitian mass asylum in the United States.
To hold hearings.
2228 Dirksen Building

2:00 p.m.
Select on Ethics
To continue hearings on matters involving Senator Williams.
6226 Dirksen Building

AUGUST 3

9:30 a.m.
Labor and Human Resources
Business meeting, to consider the nominations of Robert P. Hunter, of Virgin-

ia, and John R. Van de Water, of California, each to be a member of the National Labor Relations Board.

4232 Dirksen Building

AUGUST 24

9:30 a.m.

Select on Ethics

Closed meeting, to discuss committee procedures in its investigation of Senator Williams.

6228 Dirksen Building

SEPTEMBER 10

9:30 a.m.

Judiciary

Constitution Subcommittee

To resume hearings on Senate Joint Resolution 41, proposed constitutional amendment prohibiting the United States or any State from making or enforcing any law which makes distinctions on account of race, color, or national origin.

2228 Dirksen Building

SEPTEMBER 15

9:30 a.m.

Labor and Human Resources

Aging, Family and Human Services Subcommittee

To hold hearings on primary intervention in addressing societal problems.

4232 Dirksen Building

SEPTEMBER 16

9:30 a.m.

*Veterans' Affairs

Business meeting, to mark up S. 5, S. 7, S. 25, S. 26, S. 48, S. 105, S. 248, S. 417, and S. 742, bills providing educational assistance to members of the Armed Forces, and S. 266 and amendment No. 62 of S. 636 (Veterans' Administration Health Care Amendments), measures implementing procedures and guidelines for the interagency sharing of health resources between the Department of Defense and the Veterans' Administration.

412 Russell Building

SEPTEMBER 22

10:00 a.m.

Veterans' Affairs

To hold hearings on fiscal year 1982 legislative recommendations of the American Legion.

318 Russell Building

SEPTEMBER 23

10:00 a.m.

Labor and Human Resources

Investigations and General Oversight Subcommittee

To hold oversight hearings on the activities of the Occupational Safety and Health Administration.

4232 Dirksen Building

SEPTEMBER 24

10:00 a.m.

Labor and Human Resources

Investigations and General Oversight Subcommittee

To continue oversight hearings on the activities of the Occupational Safety and Health Administration.

4232 Dirksen Building

SEPTEMBER 30

9:30 a.m.

*Veterans' Affairs

Business meeting, to mark up S. 349, providing for limited judicial review of the administrative action of the Veterans' Administration, and for reasonable fees to attorneys representing legal counsel for veterans.

412 Russell Building

HOUSE OF REPRESENTATIVES—*Tuesday, July 28, 1981*

The House met at 12 o'clock noon.

The Reverend Dr. D. Frederick Wertz, bishop, United Methodist Church, Washington, D.C., offered the following prayer:

Almighty God, You have given us life and taught us what it means to pursue happiness. You have revealed Yourself as truth and taught us to love what is beautiful and true. You have made us free and taught us to understand that no one of us is free until all are free. We are grateful.

Forgive our selfishness which refuses to recognize the rights of others. Forgive our greed which fails to acknowledge our need to share. Forgive our violence which is born of the false notion that problems can be solved by a demonstration or power.

Make us worthy of the times to which we have been born. And by Your grace, empower all who labor within these walls and all who bear the responsibilities of government, to be faithful. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. WALKER. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 379, nays 14, answered "present" 2, not voting 38 as follows:

[Roll No. 167]

YEAS—379

Addabbo	Aspin	Bedell
Akaka	Atkinson	Benedict
Albosta	AuCoin	Benjamin
Alexander	Bafalis	Bennett
Anderson	Bailey (MO)	Bereuter
Annunzio	Bailey (PA)	Bethune
Anthony	Barnard	Bevill
Archer	Barnes	Biaggi
Ashbrook	Beard	Bingham
Blanchard	Fenwick	LeBoutillier
Bliley	Ferraro	Lee
Boggs	Fiedler	Lehman
Boland	Fields	Leland
Boner	Findley	Lent
Bonker	Fish	Levitas
Bouquard	Fithian	Lewis
Bowen	Flippo	Livingston
Breaux	Florio	Loeffler
Brinkley	Foglietta	Long (LA)
Brodhead	Foley	Long (MD)
Brooks	Ford (MI)	Lott
Brown (CA)	Ford (TN)	Lowery (CA)
Brown (CO)	Fountain	Lujan
Brown (OH)	Fowler	Luken
Broyhill	Frank	Lundine
Burgener	Frenzel	Lungren
Burton, Phillip	Fuqua	Madigan
Butler	Gejdenson	Marks
Byron	Gephardt	Marlenee
Campbell	Gibbons	Marriott
Carman	Gilman	Martin (IL)
Carney	Gingrich	Martin (NC)
Chappell	Ginn	Martin (NY)
Chappie	Glickman	Matsui
Cheney	Goldwater	Mattox
Clausen	Gonzalez	Mavroules
Clinger	Gore	Mazzoli
Coats	Gradison	McClory
Coelho	Gramm	McCloskey
Coleman	Gray	McCollum
Collins (IL)	Green	McCurdy
Collins (TX)	Gregg	McDonald
Conable	Grisham	McEwen
Conte	Guarini	McGrath
Corcoran	Gunderson	McHugh
Coughlin	Hagedorn	Mica
Courter	Hall (OH)	Michel
Coyne, James	Hall, Ralph	Mikulski
Coyne, William	Hall, Sam	Miller (CA)
Craig	Hamilton	Miller (OH)
Crane, Daniel	Hammerschmidt	Mineta
Crane, Philip	Hance	Mitchell (NY)
Crockett	Hansen (ID)	Moffett
Daniel, Dan	Hartnett	Molinari
Daniel, R. W.	Hatcher	Mollohan
Danielson	Hawkins	Montgomery
Dannemeyer	Heckler	Moore
Daschle	Hefner	Moorhead
Daub	Heftel	Morrison
Davis	Hendon	Mottl
de la Garza	Hertel	Murphy
Deckard	Hightower	Murtha
Dellums	Hiler	Myers
Dickinson	Hillis	Napier
Dicks	Holland	Natcher
Dingell	Hollenbeck	Neal
Donnelly	Hopkins	Nelligan
Dorgan	Howard	Nelson
Dornan	Hoyer	Nichols
Dougherty	Hubbard	Nowak
Dowdy	Huckaby	O'Brien
Downey	Hughes	Oakar
Dreier	Hunter	Oberstar
Duncan	Hutto	Obey
Dunn	Ireland	Oxley
Dwyer	Jeffords	Panetta
Dymally	Jeffries	Parris
Dyson	Jenkins	Pashayan
Early	Johnston	Patman
Eckart	Jones (OK)	Patterson
Edwards (AL)	Jones (TN)	Paul
Edwards (CA)	Kastenmeier	Pease
Edwards (OK)	Kazen	Perkins
Emerson	Kemp	Petri
Emery	Kildee	Peyser
English	Kindness	Pickle
Erdahl	Kogovsek	Porter
Erlenborn	Kramer	Price
Ertel	LaFalce	Pritchard
Evans (DE)	Lagomarsino	Pursell
Evans (GA)	Lantos	Quillen
Evans (IN)	Latta	Rahall
Fary	Leach	Railsback
Fazio	Leath	Rangel
Ratchford	Shelby	Udall
Regula	Shumway	Vander Jagt
Reuss	Shuster	Vento
Richmond	Siljander	Walgren
Rinaldo	Simon	Watkins
Ritter	Skeen	Waxman
Roberts (KS)	Skelton	Weaver
Roberts (SD)	Smith (AL)	Weber (MN)
Robinson	Smith (IA)	Weber (OH)
Rodino	Smith (NE)	Weiss
Roe	Smith (NJ)	White
Roemer	Snowe	Whitehurst
Rogers	Snyder	Whitley
Rose	Solarz	Whittaker
Roth	Solomon	Whitten
Roukema	Spence	Williams (OH)
Rousselot	St Germain	Wilson
Roybal	Stangeland	Winn
Rudd	Stanton	Wirth
Russo	Stark	Wolf
Santini	Stenholm	Wolpe
Savage	Stokes	Wortley
Sawyer	Stratton	Wright
Scheuer	Studds	Wyden
Schneider	Stump	Wylie
Schulze	Swift	Yates
Schumer	Synar	Yatron
Seiberling	Tauke	Young (FL)
Sensenbrenner	Tauzin	Young (MO)
Shamansky	Taylor	Zablocki
Shannon	Thomas	Zeferetti
Sharp	Traxler	
Shaw	Trible	

NAYS—14

Broomfield	Goodling	Sabo
Derwinski	Harkin	Schroeder
Edgar	Jacobs	Walker
Evans (IA)	Lowry (WA)	Young (AK)
Forsythe	Mitchell (MD)	

ANSWERED "PRESENT"—2

Ottinger	Smith (OR)

NOT VOTING—38

Andrews	Derrick	McKinney
Applegate	Dixon	Minish
Badham	Fascell	Moakley
Beilenson	Frost	Pepper
Bolling	Garcia	Rhodes
Bonior	Gaydos	Rosenthal
Burton, John	Hansen (UT)	Rostenkowski
Chisholm	Holt	Staton
Clay	Horton	Volkmer
Conyers	Hyde	Wampler
Cotter	Jones (NC)	Washington
D'Amours	Markey	Williams (MT)
DeNardis	McDade	

□ 1220

Mr. BONER of Tennessee changed his vote from "nay" to "yea."

So the Journal was approved.

The result of the vote was announced as above recorded.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 736. An act to provide for the control of illegally taken fish and wildlife; and

S. 917. An act to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans; to increase the rates of dependency and indemnity compensation for their surviving

□ This symbol represents the time of day during the House proceedings, e.g., □ 1407 is 2:07 p.m.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

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spouses and children; to authorize the Administrator of Veterans' Affairs to guarantee home loans with provisions for graduated-payment plans; to increase the maximum amount payable in Veterans' Administration specially adapted housing assistance; to expand eligibility for memorial markers; and for other purposes.

THE REVEREND DR. D. FREDERICK WERTZ

(Mr. EDGAR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. EDGAR. Mr. Speaker, I would like to welcome to the House today the bishop of the United Methodist Church for the Washington area who shared in the opening prayer, Bishop Fred Wertz.

Bishop Wertz was president of Lycoming College in Williamsport, Pa., when I was a student there back between 1961 and 1965.

Bishop Wertz has been bishop of the West Virginia area conference from 1968 to 1980 before becoming resident bishop for the Washington area.

I share this welcome with my colleagues for this very important reason. Bishop Wertz, in my opinion, represents the best of those who have heard the call to the ministry. Several years ago I had the privilege of reading a book by the author, and fellow minister, Rev. Robert Rains, entitled, "Creative Brooding." In the first chapter there is one line which I will never forget: "Lord, help me notice the stains when people get spilled on."

Bishop Fred Wertz as a college president, as a bishop in the United Methodist Church, as a pastor, as a chaplain, as a committed person in the faith, has always recognized those people who have been stained on the most.

I believe that the words of Robert Rains are the words of this particular bishop. He noticed the stains when the poor, the elderly, and the handicapped and those in need are spilled on and really need the love and the attention, not only of their faith, but of their Government and of their Nation.

I join with my colleagues in welcoming Bishop Frederick Wertz, who gave the opening prayer to the House of Representatives today.

COMMUNICATION FROM THE CLERK OF THE HOUSE

The SPEAKER laid before the House the following communication from the Clerk of the House of Representatives:

WASHINGTON, D.C., *July 27, 1981.*

Hon. THOMAS P. O'NEILL, Jr.,
The Speaker, House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: I have the honor to transmit herewith a copy of the Certification of the results of the Special Election held on July 21, 1981 for the Office of Representative of the United States House of Representatives for the 3rd Congressional District of Pennsylvania. This certification lists Mr. Joseph F. Smith as the apparent winner by a margin of 5,517 votes.

Since the Pennsylvania Election Code requires a five day waiting period after completion of the computation of votes, the Secretary of the Commonwealth will not be able to release a Certificate of Election before July 30, 1981. However, a letter from the Chairman of the City Commissioners of Philadelphia, who certified the election results, states that "there are no outstanding absentee ballot challenges, no reported voting machine breakdowns and no complaints have been lodged with us from any candidate, so it would appear the Certification will be forthcoming at the appropriate time".

With kind regards, I am,

Sincerely,

EDMUND L. HENSHAW, Jr.,
Clerk, House of Representatives.

SWEARING IN OF HON. JOSEPH F. SMITH OF PENNSYLVANIA AS A MEMBER OF THE HOUSE

Mr. MURTHA. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania, Mr. JOSEPH F. SMITH, be permitted to take the oath of office today. His certificate of election has not arrived, but there is no contest, and no question has been raised with regard to his election.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The SPEAKER. The Chair recognizes the gentleman from Pennsylvania (Mr. GRAY).

Mr. GRAY. Mr. Speaker and my colleagues, on behalf of the Philadelphia delegation, I am pleased to introduce JOSEPH SMITH, the newly elected Representative of the Third Congressional District of Pennsylania, who was elected in a special election on July 21.

He has served for 10 years as the State senator of the Fourth District of Pennsylvania.

I am proud to present to you, Mr. Speaker, and to my colleagues, the new Democratic Member from the City of Brotherly Love, Philadelphia, Pa.

Mr. SMITH appeared at the bar of the House and took the oath of office.

The SPEAKER. The gentleman is a Member of the Congress of the United States. Congratulations.

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair will make the following announcement:

There is an unusual amount of 1-minute requests for speeches today on both sides of the aisle and the House has a full schedule so the Chair will recognize one Member from the Democratic side and then one from the Republican side until the hour of 1 o'clock. That will finish the 1-minute period at this time and the House will then proceed to consideration of suspensions.

PRESIDENT REAGAN'S PROMISE

(Mr. PEYSER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PEYSER. Mr. Speaker, I, as I know all Members of the Congress, respect and honor the Office of the President of the United States. I think one of the things that is vitally important is that the President, regardless of party, always maintains credibility; yet last night, Mr. Speaker, I heard the President of the United States, and I quote from the prepared text from his Office, say the following, and this is the President saying this:

> I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on social security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you.

That is the end of the quotation.

Mr. Speaker, those of us in this House of Representatives know that the legislation presented by this administration, by the President, stripped nearly 3 million people of their social security benefits effective February 1982. I do not think that it serves the President well or this Congress or the people of the country to have this type of misrepresentation stated to the people. I believe that we have to let the people know what the facts are on this issue.

THE WAYS AND MEANS GAME PLAN

(Mr. PARRIS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PARRIS. Mr. Speaker, yesterday the Task Force on Economic Policy on which I am privileged to serve as chairman held a hearing comparing the final provisions of the Speaker's tax bill and the President's bipartisan proposal to reduce taxes for all Americans.

In his testimony, Dr. Norman Ture, Under Secretary of Treasury for Tax and Economic Affairs, said:

> The Ways and Means game plan is very simple. They want to toss a bone to the American taxpayer today and take it back with a pound of flesh attached tomorrow.

Dr. John Albertine, president of the American Business Conference, testified:

> A 3-year tax bill with a trigger for the third year is a 2-year tax bill for business planning purposes.

□ 1230

The suggestion that the Democrat bill is better for Americans with incomes under $50,000 a year over a long term is simply not factually correct. It will not create jobs, and it will not lead to economic recovery that is so desperately needed in our Nation today.

The American people will understand that before the Sun sets tomorrow night. I trust, and I predict, that this House will adopt the President's proposal in a critical and historic vote on tomorrow.

HOW DO YOU SPELL TAX RELIEF?

(Mr. WEBER of Ohio asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WEBER of Ohio. Mr. Speaker, watching the President last night I was reminded of that question they ask in the commercial:

How do you spell tax relief?

I spell it R-e-a-g-a-n.

And that is how millions of Americans spelled it in the election of 1980.

Democrats and Republicans joined in supporting the Presidential candidate who promised true long-term tax relief. That spirit is reflected in the Conable-Hance bill.

The American people have made it clear that they want a real change; not just the appearance of a change; not just part of a change; not just change for a couple of years—they want real, lasting change.

They want the chance to start planning their lives once again without having to look over their shoulders to see if Congress is going to take it all away.

We have a choice tomorrow.

Either we vote for the new, real thing or else we vote for the same old thing.

Mr. Speaker, the same old thing just will not do these days. The American people have spoken. That is why 87 percent of my phone calls today back in my district support Conable-Hance.

ADMINISTRATION'S SHAMEFUL DELAY IN THE NAMING OF A NEW COMMISSIONER ON AGING

(Mr. RATCHFORD asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RATCHFORD. Mr. Speaker, it is July 28, and we still do not have a confirmed Commissioner on Aging. It is unfortunate that over the past 7 months this administration has pursued a budget plan, a major tax proposal, and serious changes in the social security system—all without the benefit of advice from a Commissioner of the Administration on Aging—unbelievable.

There is no person in the administration today, truly sensitive to the special problems of our growing elderly population, and expert in addressing their concerns, who is in a position to offer advice directly to the President, and the Secretary of Health and Human Services. In the meantime, some 3 million older Americans are being eliminated from the social security minimum benefit program, vital legal services to the elderly are being drastically restricted, and critical medicare and medicaid benefits are being cut back significantly.

The country needs a confirmed Commissioner on Aging now. I would hope that in the days and months ahead, the Commissioner-designate will be confirmed, extended a meaningful policymaking role in the administration, and serve as an effective advocate to the Congress, and for elderly Americans across the Nation.

DELAWAREANS SUPPORT REAGAN PACKAGE

(Mr. EVANS of Delaware asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. EVANS of Delaware. Mr. Speaker, I have the great privilege of representing the State of Delaware with close to 600,000 citizens. All segments of our country are represented in the State of Delaware; it is truly a microcosm of America.

I point this out by way of background because so many phone calls have been received in our Delaware office this morning, over 200 calls, and the phones are ringing off the hooks. Of those calls only 6 opposed the President's program and close to 200 supported President Reagan in the bipartisan tax relief package. That is a reflection of Delaware and a reflection of the American people, and they know that the President's program is a comprehensive one.

A bipartisan tax program is essential if we are to restore hope and opportunity once again for all Americans. The passage of this essential tax incentive ingredient of the program is clearly important to give work for savings and investment.

But remember also that the economic strength of our country also impacts in large measure on the credibility of our Nation's foreign policy. It determines the adequacy of our national defense program.

In short, our economic revitalization is more important than any one man—any one party. It really is a question of whether or not we are going to retain the basic freedoms we have always enjoyed in the United States of America.

A NATIONAL STRATEGY OF PEACE THROUGH STRENGTH

(Mr. STRATTON asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. STRATTON. Mr. Speaker, today I have introduced, along with some 228 cosponsors, what most Members will recognize as the National Strategy of Peace Through Strength resolution.

This was the same resolution over one-half of the Members of the House in the 96th Congress also cosponsored, but which the Committee on Foreign Affairs was unwilling to report out intact.

The theme of our resolution is a very simple one, and one which most Americans today enthusiastically support: If we seek peace in today's world, we can only hope to achieve it by developing a military capability second to none.

After all, where does the major threat to the United States come from? From the Soviet Union, of course, and its clients and satellites.

And why have the Soviets managed to pose such an impressive threat? Not because they match this country industrially, or technologically, or agriculturally. The single area today in which they possess clear-cut superiority is military strength.

Over the past 10 years, while we have repeatedly cut our defense budgets, the Soviets have spent $240 billion more than we have on defense. And they surpass us now in virtually every category of military capability except aircraft carriers and helicopters.

That is why they have been so effective in spreading their political control into Southeast Asia, the Persian Gulf, Cuba, Africa, and Eastern Europe.

Only by restoring the military balance between ourselves and the Soviets, can we reassure our allies, and persuade the wavering states of the Persian Gulf and the Indian Ocean, that we not only intend to defend our interests but are truly determined to develop the power to support that aim.

This is the very issue, I believe, on which the American people spoke out with such unmistakable clarity last November.

By adopting our Peace Through Strength Resolution this Congress will demonstrate that when it comes to national security, there is no difference between the executive and the legislative branches in America and no difference between Republicans and Democrats.

O'NEILL POINTS A DAGGER AT AMERICA'S MIDDLE CLASS

(Mr. CRAIG asked was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CRAIG. Mr. Speaker, the President pointed out, clearly, last night that the Rostenkowski-O'Neill tax bill is a dagger aimed at the heart of the American middle class.

According to Treasury Department projections for 1984, there is no income group that fares better under Rostenkowski-O'Neill than under Conable-Hance. Let us compare the marginal tax rates faced by middle class income groups under the two bills:

Families from $25,000 to $30,000 hit 24 percent under Conable-Hance, 25 percent under Rostenkowski-O'Neill;

Families from $30,000 to $35,000 hit 28 percent under Conable-Hance, 34 percent under Rostenkowski-O'Neill;

Families from $35,000 to $46,000 hit 33 percent under Conable-Hance, 41 percent under Rostenkowski-O'Neill; and

Families making from about $46,000 to $60,000 will get hit the worst. In 1984 under Rostenkowski-O'Neill, they will reach a marginal income tax rate of 48 percent. Under Conable-Hance, they would only reach 38 percent.

Let us face it: The idea that Rostenkowski-O'Neill does anything for the American middle class is fundamentally untrue. If we want to cut taxes for the people that produce most of America's wealth—the middle class—then we must take the President's lead made so well last night and pass the Conable-Hance bill this week.

□ 1240

RED-LETTER DAY TOMORROW

(Mr. BETHUNE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BETHUNE. Mr. Speaker, tomorrow will be a red-letter day for many Members here in this Chamber.

Those who vote for the Democratic Ways and Means bill will be voting for more of the tired, old policy of redistributing wealth and income in the country. They will be voting against income growth and economic growth in our country.

They will be voting for continued tax increases instead of a real tax cut for everyone over $10,000.

They will be voting for more bracket creep and against indexing to stop bracket creep.

They will be voting for $4.5 billion more in the deficit according to the Joint Tax Committee in the first 2 years and against a balanced budget and supply-side economics.

Why is it a red-letter day for everyone here in the Chamber tomorrow? Because it will be the last day of their political career that Members who vote against the President's tax cut can consider and call themselves a conservative or friend of the taxpayer and get away with it.

PRESIDENT'S SPEECH A GROSS FORM OF MENTAL RESERVATION

(Ms. OAKAR asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. OAKAR. Mr. Speaker, I was deeply disturbed that the President gave a political speech on prime time TV and began by misleading the American people about his stand on social security cuts. The President said he will not stand by and deprive our people of their social security benefits. He said, "You will continue to receive your checks."

How misleading and what a gross form of mental reservation. The President supported the bill that cut social security for 3 million people, most of whom are between 70 to 90 years old who receive the minimum benefit. The President also supported the cuts for widows who have children in college by reducing the children's benefit. He said, "You will continue to receive your social security checks."

The President forgot to tell these American people that their checks would be cut by at least 25 to 40 percent in the near future.

PRESIDENT WANTS TO GET AMERICA MOVING AGAIN

(Mr. ROTH asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ROTH. Mr. Speaker, we who are on the other side of the aisle want to get America moving again. That is the essence of the President's message last night. I know the American people are going to join with the President in supporting his tax legislation.

Under the plan supported by the President, the cuts the people see they get and the cuts they get, they get to keep. We on our side of the aisle are unwilling to accept 7½ million people unemployed. We will not continue to accept exorbitant interest rates that have brought our housing industry to its knees and have been responsible for over 700,000 small business bankruptcies last year. We will not accept this unbearable inflation which is financially wiping out our middle class, our senior citizens, and the people on fixed incomes.

It is time to turn America around. It is time to put America back to work. It is time to stop playing petty politics. It is time to work for what is in the best interests of our country and all of the American people.

THE REAGAN-VOLCKER INTEREST RATES

(Mr. DONNELLY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DONNELLY. Mr. Speaker, in spite of President Reagan's magnificent public relations performance last evening, he continues to advocate a monetary policy that exacerbates Government spending and will inevitably lead to higher taxes. The Reagan policy of exorbitant interest rates is staggering our economy and the economies of our trading partners and allies.

The Reagan interest rates are denying working families the chance to buy a home and a car. The Reagan interest rates have caused a depression in the construction and the housing industry and these exorbitant rates have prevented industry from expanding to provide new jobs.

President Reagan is jeopardizing the fight against inflation and lower interest rates by guaranteeing huge budget deficits with an absolute reckless tax program. President Reagan and Federal Reserve Chairman Paul Volcker must change direction before plunging this entire Nation into a massive recession.

PRESIDENT'S TAX PROGRAM OFFERS HELP TO EVERYONE

(Mr. DANNEMEYER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DANNEMEYER. Mr. Speaker, it was with sadness that I saw on the tube this morning the distinguished chairman from Illinois (Mr. ROSTENKOWSKI) talking about the President's tax program which we will vote on tomorrow. If I heard right, the gentleman from Illinois (Mr. ROSTENKOWSKI) said the President's program only helps people who earn $50,000 a year or more. That is hogwash and he knows it.

The following table shows that the Reagan tax program treats each income group substantially the same. This across-the-board tax cut does not favor the rich over the poor, or vice versa.

COMPARISON OF INDIVIDUAL INCOME TAX UNDER CURRENT LAW AND UNDER THE ECONOMIC RECOVERY TAX ACT OF 1981 (H.R. 3849)

1980 wage level	1984 tax under current law		1984 tax under H.R. 3849		
	Tax increase from inflation-caused bracket creep since 1980	Total amount of tax	Total amount of tax	Reduction from current law tax	
				Amount	Percent
$5,000	$266	−$408	−$408	0	0.0
10,000	463	967	650	−$316	−32.7
15,000	385	2,046	1,413	−634	−31.0
20,000	547	3,259	2,272	−987	−30.3
25,000	830	4,738	3,297	−1,441	−30.4
30,000	1,153	6,429	4,442	−1,987	−30.9

COMPARISON OF INDIVIDUAL INCOME TAX UNDER CURRENT LAW AND UNDER THE ECONOMIC RECOVERY TAX ACT OF 1981 (H.R. 3849)—Continued

1980 wage level	1984 tax under current law		1984 tax under H.R. 3849		
	Tax increase from inflation-caused bracket creep since 1980	Total amount of tax	Total amount of tax	Reduction from current law tax	
				Amount	Percent
40,000	2,106	10,607	7,251	−3,357	−31.6
50,000	2,837	15,395	10,695	−4,699	−30.5
100,000	3,686	41,237	32,442	−8,795	−21.3

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

PERMISSION FOR COMMITTEE ON RULES TO FILE RULE ON H.R. 4242, TAX INCENTIVE ACT OF 1981

Mr. LONG of Louisiana. Mr. Speaker, I ask unanimous consent that the Committee on Rules have until midnight tonight to file the rule on H.R. 4242, the Tax Incentive Act of 1981.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

CORPORATE DOUBLE-DIPPERS

(Mr. MOORE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MOORE. Mr. Speaker, there is a special provision in the Ways and Means Committee's tax bill which will allow a select group of corporations to double dip into the Treasury.

These double-dippers are the six distressed industries which are eligible for a privileged tax bailout created by the committee's bill.

They will be able to cash in unused investment tax credits against past tax liabilities. It is a windfall which could amount to $3.3 billion.

But the windfall does not just stop with this rebate—this is just the first dip.

Once these companies spend this money on new industrial equipment they are then entitled to all of the other investment incentives which are in the committee bill.

These companies will be able to use the expensing provision and partially write off the cost of that equipment. The portion of these purchases which are not expensed will be eligible for new investment tax credits. That is the second dip.

In effect, the Government will give these six select industries free money to buy new equipment and then will give them additional tax advantages for spending it. All in all, these companies will achieve better than a 200-percent return from the Treasury.

No other groups of taxpayers are treated so generously. It is hard to see how the Speaker's tax bill is better for the poor when corporate America can double dip like this.

THE ADMINISTRATION'S LATEST FALL GUYS—THE FEDERAL RESERVE

(Mr. PEASE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PEASE. Mr. Speaker, one of the many contradictions in the Reagan economic policy is being addressed today in House Concurrent Resolution 160, a sense-of-the-Congress resolution with respect to monetary policy, inflation, and high interest rates.

Economists have made pointed reference to the inherent inconsistency in the Reagan plan—large, across-the-board tax cuts that will put large amounts of money back into the market to seek goods and services, and at the same time a thumbscrew tightening of money supplies through the Federal Reserve.

I can foresee now the President innocently blaming the Fed for high interest rates in the future. He and his administration will make these charges despite, or perhaps because, they have carefully set up the Fed to be the fall guy in their fun and games with national economic policy.

Given a perfect chance at the Ottawa economic summit to repudiate his heavy reliance on high interest rates as a national policy tool, President Reagan was not able to make any definitive statement. The other important economic powers of the world who also oppose the Reagan high interest rate policy were able only to hear muted, confusing, and unhelpful ramblings by the President as way of justification for his programs.

Mr. Speaker, supply-side economics rests crucially on the inflation rates that we may experience under a Reagan administration. The President and his advisers are guaranteeing that our country will see a continuation of high inflation and perhaps see it go even higher if national policy does not do more than depend on this economic folly. The President can no sooner tax cut us to prosperity than we can spend ourselves to prosperity.

I hope that Members will keep in mind that we will not be doing our constituents any favors by voting them a tax cut while at the same time we allow the President to diminish that saved tax money through higher interest rates and inflation.

A PHONY ARGUMENT BY DEMOCRATS ON PRESIDENT REAGAN'S TAX CUTS

(Mr. KEMP asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. KEMP. Mr. Speaker, this argument that President Reagan—who wants to lower the tax rates across the board for all the American people—is only interested in cutting taxes for people above $50,000, while our Democratic friends are interested in cutting tax rates for people below $50,000, is one of the phoniest arguments going on in the country today.

First of all, let us recognize that we are debating only one tax cut bill. The Ways and Means bill is not a tax cut for any Americans; instead, it is a tax increase.

Over the next 3 years, inflation, bracket creep, and scheduled payroll tax increases will raise taxes by about 22 percent. The 25 percent, 3-year tax rate reductions in the Conable-Hance bill will offset this tax increase, and the indexing provision in the Conable-Hance bill will prevent bracket creep in the future.

In contrast, the 15 percent, 2-year Ways and Means bill leaves the American taxpayer with a real tax increase and a real decline in take-home pay.

In 1965 the top Federal tax bracket encountered by a median-income family of four was 17 percent. A family with twice the median income had a top bracket of 22 percent. Unless tax rates are cut, in 1981 the median income family, now earning about $25,000, will be in the 28 percent Federal bracket, rising to 32 percent in 1984. A family with twice the median income will face a 43-percent bracket, rising to 49 percent in 1984. When social security and the various State income taxes are included, the disincentives are even harsher, with average families this year facing 40 to 44 percent marginal tax rates. Under the Conable-Hance bill, the median-income family will be in the 24-percent Federal bracket in 1984 and for many years thereafter. A family with twice the median income will be in the 38-percent bracket.

By contrast, under the Ways and Means bill, the median family will be in the 25-percent bracket by 1984 and the 34-percent bracket by 1986 or 1987. The twice-median income family will be in the 48-percent bracket in 1984 and in the 50-percent bracket by soon thereafter.

Clearly, by holding back on a third year of tax rate reduction and by omitting indexing, the Ways and Means bill is scheduling ordinary middle-income people from some of the biggest tax increases in history. The adverse effects on the economy will be tremendous.

In 1984, all families earning over $15,000 will be worse off under the Ways and Means bill than the Reagan bill. The same is true for single taxpayers earning over $10,000. And, be-

cause the Reagan tax rates are indexed, but the Ways and Means rates are not, things will keep getting worse.

The Ways and Means bill ignores the fact that, to keep people who are now in low-tax brackets from being pushed higher, it is necessary to cut the brackets above their current incomes. But the Rostenkowski bill does not do that.

Under the Ways and Means bill, people will hit the top 50 percent tax bracket on wage income almost exactly where they do now—at taxable incomes of $60,400 for families and $41,700 for single taxpayers. Because of inflation, that income will be worth less and less each year. The bipartisan bill, on the other hand, cuts the tax rate at those incomes to 42 percent, and makes sure that you can never go any higher merely because of inflation.

If the Democrats are suddenly the friends of the middle class, the middle class does not need any enemies.

I think Mr. Reagan is trying to cut everybody's tax rates, and in the interest of equity I would suggest that he be supported.

ADMINISTRATION'S ECONOMIC POLICY CAUSES A TRANSFER OF WEALTH FROM BORROWERS TO LENDERS

(Mr. ALEXANDER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ALEXANDER. Mr. Speaker, when a new economic policy is established, spending, tax, and monetary policies change. The effect of the change is to transfer wealth from one economic group to another.

The administration's high-interest-rate policies transfer wealth from Americans who borrow money to Americans who lend money.

Week before last, money-market funds rose by $2.4 billion, to an aggregate of $136 billion. The beneficiaries of the money-market fund are principally wealthy people and the Wall Street brokerage houses that maintain them—like Merrill Lynch, Treasury Secretary Donald Regan's spiritual home.

WHOM DO YOU TRUST?

(Mr. FIELDS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FIELDS. Mr. Speaker, last night I heard one of the most exciting speeches in my lifetime, and I came away with one question, a question to the American people: Whom do you trust? Do you trust the Democratic leadership, who are accustomed to large tax bites out of the paychecks of working America to finance massive social programs? Do you trust the Democratic leadership who, back in last year's campaign, did not want a tax cut? In February they wanted a 1-year tax cut; in June they wanted a 2-year tax cut. Now they are talking about a trigger. Do you trust a party who does not want to give a 25-percent 3-year tax reduction to working America, only wants to give all of working America 15 percent, or do you trust a President who has come in and kept his promise? He has reduced the level of Federal spending, he is now trying to keep a second promise, to reduce the level of taxation. Who do you trust?

As a young person, my future is in this country. My future is tied to what we do in this body. I want new leadership. I want the leadership of Ronald Reagan. I think this tax bill is important.

Tomorrow is a red-letter day for America.

NEW ECONOMIC POLICY LEADING TO A RECORD DEFICIT

(Mr. SCHUMER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SCHUMER. Mr. Speaker, today we will be voting upon a resolution about high interest rates, House Concurrent Resolution 160, monetary policy, inflation and high interest rates. The condemnation of high interest rates is, of course, greatly justified. Our economy is now an automobile hurdling down a hill, and high interest rates attempts to brake that economy by putting the brakes to only one wheel. The result is going to be that the automobile is going to fall off the track unless there is a balanced economic policy.

Who is to blame for this? Well, it is easy to blame the Chairman of the Federal Reserve. But what choice does he have when his friend down the street on Pennsylvania Avenue, the President of the United States, is going to bring us—despite all of the rhetoric—a higher deficit than we ever had in the past?

If the Chairman of the Federal Reserve were to see some real restraint, if he were to see a tax policy that made some sense, and if he were to see some kind of policies that would allow money to be allocated more equally, I think we would see a difference in what kind of interest rates we would have.

So let us focus not on the Chairman of the Federal Reserve, but on the President of this country and his new economic policy which is leading to a record deficit.

THE TAX CUT

(Mr. MARTIN of North Carolina asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. MARTIN of North Carolina. Mr. Speaker, tomorrow we decide whether the taxpayers will get a tax cut that actually cuts taxes, for good, as President Reagan proposes. Or else we give them another one of those patented so-called tax cuts from the Democratic Party leadership that results in higher tax burdens as usual.

It was expected that the Democrat leadership would roll out their old snake oil populisms to try to stir up class rivalry. Sure enough, our swell Speaker has claimed that the President's bill will favor those making $50,000 a year or more. He is absolutely correct about that. He would also have been correct had he claimed, as the independent Library of Congress study has shown, that everybody making $35,000 or more is better off immediately under the President's bill as is everybody making over $10,000 by the third year.

Independent studies show that while $15,000-to-$20,000 families will start out slightly better under the Speaker's bill, with the redistributive equivalent of Jimmy Carter's old $50 rebate, even if they could invest that little crumb at 20 percent interest, tax-free, they would still be better off by 1984 under the Reagan plan.

In fact, the President's bill cuts taxes in proportion to your tax burden, and makes permanent the cuts to protect everyone from ever again being punished into higher tax brackets by inflation. That is why the President's bipartisan bill ends up better for everybody than the partisan, illusory tax cut which only favors higher taxes for all, automatically and guaranteed.

RETURN THE CUBANS TO CUBA

(Mr. DE LA GARZA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DE LA GARZA. Mr. Speaker, I have a suggestion for relocating the 950 Cubans remaining at Fort Chaffee, Ark.

Let us return them to Cuba by relocating them to Guantanamo—there is plenty of room there.

As a result of a policy mistake by our previous administration, some parts of the Nation such as Bainbridge, Md., and Port Isabel, Tex., are now being considered as sites for the remaining Cubans.

On the 21st of July, I proposed an alternative to relocating this last group of Cubans, most of whom have been found to have severe mental or social disorders, to our quiet communities in the United States. I suggested to the Attorney General then that the Cubans be taken to our base at Guan-

tanamo Bay in Cuba, where sufficient facilities exist to house them while maintaining U.S. control.

Let me stress that these Cubans have been found to have problems so severe that they cannot be assimilated into everyday community life. There are 250 mentally ill or retarded in the group, 400 antisocial, 100 homosexual, and 100 alcoholics or drug users, among others.

It would be a simple matter to get a few airplanes and take the Cubans to Guantanamo. It would save the quiet communities of Bainbridge and Port Isabel the headaches and disruption of having hundreds of antisocial, mentally ill, and criminal persons dumped into their laps.

TO HELP AMERICA, VOTE FOR PRESIDENT REAGAN'S BIPARTISAN BILL

(Mr. LUNGREN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. LUNGREN. Mr. Speaker, I received in my office today a "Dear Colleague" from one of the Members on the other side of the aisle who serves on the Ways and Means Committee in which he suggested that the Congressional Research Service studies comparing the Republican bill with the O'Neill-Rostenkowski bill supports the Ways and Means Committee bill.

Well, Mr. Speaker, I have just received copies of the two studies. I have gone over them. And either there has been a mistake in printing, or the gentleman has misread the report. The report suggests very, very clearly that the Republican bill, if you only take it in the first 2 years, is better for everyone over $35,000, not $50,000. And if you take the third year, which is what we are talking about because we are going to vote tomorrow on whether you get a guaranteed third year, everybody over $10,000 does better under the Republican bill than they do under the Ways and Means Committee bill.

Mr. Speaker, we ought to have truth in packaging here. We ought to be talking about the differences in the two bills. If you want to help America, vote for President Reagan's bipartisan bill.

PRESIDENT REAGAN ALERTED CONGRESS OF NEED TO ENACT HIS TAX CUT—NOW

(Mr. SMITH of Oregon asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SMITH of Oregon. Mr. Speaker, President Reagan, in his speech to the Nation, has alerted Congress of the need to enact his tax cut proposal now. The present attempt to defeat the President's tax cut bill has been supported largely by misleading rhetoric and economic scare tactics so that those who have traditionally opposed lower taxes can salvage respectability. While this 11th hour political ploy is threatening to water down the administration's proposal, the American people are crying out "we've had enough."

To those more interested in political games rather than economic necessity consider that Federal taxes for the average family has increased 400 percent in the last 15 years. Also, consider that the typical American worker labors for 2 hours and 45 minutes per 8-hour day to pay his tax obligations.

We can no longer afford to tolerate a tax system that penalizes economic efficiency and destroys incentive while subsidizing inefficiency and encouraging unemployment. Those entering business are compelled to make Uncle Sam a silent partner who puts up no capital, yet demands more than half the profit.

To those who wish to continuously haggle during a time when a tax break for the people is more necessary than ever, remember it is they who have given you the chance to determine their well-being.

□ 1300

NATIONAL TOURISM POLICY ACT

(Mr. BONER of Tennessee asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BONER of Tennessee. Mr. Speaker, I wish to take this opportunity to solicit the support of my colleagues for the National Tourism Policy Act, H.R. 1311. This legislation will establish an interagency coordinating counsel, headed by the Secretary of Commerce, which will coordinate policies, issues, and other programs in Federal departments and agencies that relate to tourism. The coordinating counsel would use existing departmental resources and personnel and would not require additional funds. A tourism advisory counsel composed of representatives from the tourism and travel industry, would advise the administration on the formulation of the marketing plan and study its ongoing operations. Additionally, this bill authorizes $6.5 million to carry out the national tourism policy. This funding is consistent with the administration's budget request for tourism programs.

This legislation is the result of over 6 years of deliberations by the Congress and reflects the belief that an aggressive, imaginative effort to promote tourism in the United States will provide tremendous economic and social benefits.

I urge you to support the continued development of a strong tourism program in the United States. The passage of the national tourism policy will herald a new beginning for the U.S. tourism program. I earnestly solicit your support for H.R. 1311.

TAX BILL

(Mr. RITTER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. RITTER. Mr. Speaker, the President asked the American people to support the bipartisan tax reduction plan. Let us look at the arguments.

First, no matter how you cut it, 25-percent tax reduction is greater than 15 percent. And, by indexing the brackets, the tax reduction is made permanent. The opposition has no indexing provision. Their plan allows the Federal Government to continue to profit as inflation drives wage earners into higher tax brackets. Frankly, most taxpayers plan to live beyond 2 years.

Second, the bipartisan plan is aimed more at savings, investment, and economic growth to provide jobs for districts like mine, the Lehigh Valley of Pennsylvania and for America beyond. This bipartisan tax plan is a key feature of a well-thought-out economic recovery program while the opposition is only out to win a political victory.

Just a few months ago they said a tax cut was irresponsible. They have no overall economic plan. Their only plan, put together out of desperation, is to survive past economic failures.

They are the same folks that have spent us into the inflation and high interest rate troubles we are in now. They are the same folks dependent on Government gift-giving for their political futures. Those people promising tax cuts are like hangmen promising a looser noose.

WHOM DO YOU TRUST?

(Mr. COATS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. COATS. Mr. Speaker, we have heard from both sides now. We heard from the President last night, we heard the Democratic response. Both sides said that their bill would best help the middle class. Both sides said that their bill would best help small business. Both promised that their tax package would provide the economic cure that this Nation needs.

So it really comes down to whom do we believe, whom do we trust.

The Democratic leadership says, "Trust us, we will take your money, we will decide what to do with it." That is

what we have done in the last 20 years. These are the same people who have given us 19 out of 20 deficits in those 20 years. These are the same people who say we have given you tax cuts over the last 10 years, five of them. Yet the tax burden has increased 249 percent over this same period. Can anybody say they are better off now than they were before? Or do we trust the President who said, "I came to Washington to cut spending—which we have done—and now I will cut taxes."

We back this bill. We will bring to the American people what the American people asked for in November and what they want now. I suggest that it is the President and the Republicans in Congress that have the trust of the American people to deliver on their promises. We need only weigh the Democrats' performance against the President's performance to know who we can trust.

THE CONGRESSIONAL BASEBALL GAME

(Mr. CONTE asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CONTE. Mr. Speaker, the time draws near and I have yet to learn of a good reason to be concerned with the challenge that the Democrats hope to present to my Republican team at the congressional baseball game tomorrow evening.

Have they been lulled into an unconscious state, or are they just overconfident based on their fluke victory last year. Well let me tell you right here and now, the Republicans of 1981 are a new breed, and we aim to win the congressional baseball game again this year. I have 9 young bulls, who are meaner than junkyard dogs.

Mr. Speaker, as I am sure you are already aware, our ace pitcher JOHN "RAZOR-TONGUE" LEBOUTILLIER, continues to prepare for the awesome responsibility which is his; and he will stop at nothing to bring the Republicans back into the winning circle. I say "back to the circle" because as you know all too well, it would take nearly 10 years of victories for the Democrats to even the score in games against my Republican ball club. The record shows that the Democrats have proven ineptitude in the game of baseball.

This is not to suggest, of course, that the Democratic Party knows nothing about baseball; I will stop short of saying that. No, they have dug out after each encounter with the Republican nine and come back swinging. Unfortunately, it just is not in their blood: They are prone to err, fated to foul, likely to lose.

Mr. Speaker, once again, I invite everyone to come on out and witness another Republican victory tomorrow evening at 8 p.m. in Four-Mile Run Park in Alexandria. And for those of you out there who think that this contest is just all fun and games, please remember that the proceeds will be going to Childrens Hospital, and regardless of the outcome, I am sure that the evening will be loads of fun.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5, rule I, the Chair announces that he will postpone further proceedings today on each motion to suspend the rules on which a recorded vote or the yeas and nays are ordered, or on which the vote is objected to under clause 4 of rule XV.

NATIONAL TOURISM POLICY ACT

Mr. FLORIO. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1311) to establish a national tourism policy and an independent Government agency to carry out the national tourism policy, as amended.

The Clerk read as follows:

H.R. 1311

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "National Tourism Policy Act".

NATIONAL TOURISM POLICY

SEC. 2. (a) The International Travel Act of 1961 (hereinafter in this Act referred to as the "Act") is amended by striking out the first section and inserting in lieu thereof the following: "That this Act may be cited as the 'Tourism Promotion Act of 1981'.

"TITLE I—NATIONAL TOURISM POLICY

"SEC. 101. (a) The Congress finds that—

"(1) the tourism and recreation industries are important to the United States, not only because of the numbers of people they serve and the vast human, financial, and physical resources they employ, but because of the great benefits tourism, recreation, and related activities confer on individuals and on society as a whole;

"(2) the Federal Government for many years has encouraged tourism and recreation implicitly in its statutory commitments to the shorter workyear and to the national passenger transportation system, and explicitly in a number of legislative enactments to promote tourism and support development of outdoor recreation, cultural attractions, and historic and natural heritage resources;

"(3) as incomes and leisure time continue to increase, and as our economic and political systems develop more complex global relationships, tourism and recreation will become ever more important aspects of our daily lives;

"(4) the existing extensive Federal Government involvement in tourism, recreation, and other related activities needs to be better coordinated to effectively respond to the national interest in tourism and recreation and, where appropriate, to meet the needs of State and local governments and the private sector;

"(5) it is in the national interest to encourage the orderly growth and development of tourism to and within the United States;

"(6) the orderly growth and development of tourism depend on the efforts of government and the tourism industry to assure that the objectives of the national tourism policy (established by subsection (b)) are achieved to the maximum extent consistent with other public policy objectives;

"(7) orderly growth and development of tourism, while matters for regional, State, local, and private development, are also of appropriate and important concern to the Federal Government;

"(8) the national interest requires that the extensive Federal policy and programmatic involvement in tourism be responsive to the needs of the tourism industry; and

"(9) in view of the importance of travel and tourism to the economy of the United States, and the pervasive Federal policy and programmatic involvement in tourism, it is necessary and appropriate for the Federal Government to complement, assist, and support mechanisms that will most effectively assure implementation of the national tourism policy.

"(b) There is established a national tourism policy to—

"(1) optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments of the United States;

"(2) make the opportunity for and benefits of tourism and recreation in the United States universally accessible to residents of the United States and foreign countries and insure that present and future generations are afforded adequate tourism and recreation resources;

"(3) contribute to personal growth, health, education, and intercultural appreciation of the geography, history, and ethnicity of the United States;

"(4) encourage the free and welcome entry of individuals traveling to the United States, in order to enhance international understanding and goodwill, consistent with immigration laws, the laws protecting the public health, and laws governing the importation of goods into the United States;

"(5) eliminate unnecessary trade barriers to the United States tourism industry operating throughout the world;

"(6) encourage competition in the tourism industry and maximum consumer choice through the continued viability of the retail travel agent industry and the independent tour operator industry;

"(7) promote the continued development and availability of alternative personal payment mechanisms which facilitate national and international travel;

"(8) promote quality, integrity, and reliability in all tourism and tourism-related services offered to visitors to the United States;

"(9) preserve the historical and cultural foundations of the Nation as a living part of community life and development, and insure future generations an opportunity to appreciate and enjoy the rich heritage of the Nation;

"(10) insure the compatibility of tourism and recreation with other national interests in energy development and conservation, environmental protection, and the judicious use of natural resources;

"(11) assist in the collection, analysis, and dissemination of data which accurately measure the economic and social impact of tourism to and within the United States, in order to facilitate planning in the public and private sectors; and

"(12) harmonize, to the maximum extent possible, all Federal activities in support of tourism and recreation with the needs of the general public and the States, territories, local governments, and the tourism and recreation industry, and to give leadership to all concerned with tourism, recreation, and national heritage preservation in the United States.".

DUTIES

SEC. 3. (a) The following heading is inserted before section 2 of the Act:

"TITLE II—DUTIES".

(b) Section 2 of the Act (22 U.S.C. 2122) is amended by striking out "purpose of this Act" and inserting in lieu thereof "the national tourism policy established by section 101(b)".

(c) Section 3(a) of the Act (22 U.S.C. 2123(a)) is amended—

(1) by inserting "(A)" after "(4)" and by adding after paragraph (4) the following:

"(B) shall establish nine offices in foreign countries which are in addition to the offices established under subparagraph (A);";

(2) by striking out "and" at the end of paragraph (6), by striking out the period at the end of paragraph (7) and inserting in lieu thereof a semicolon, and by adding after paragraph (7) the following new paragraphs:

"(8) shall establish facilitation services at major ports-of-entry of the United States;

"(9) shall consult with foreign governments on travel and tourism matters and, in accordance with applicable law, represent United States travel and tourism interests before international and intergovernmental meetings;

"(10) shall develop and administer a comprehensive program relating to travel industry information, data service, training and education, and technical assistance;

"(11) shall develop a program to seek and to receive information on a continuing basis from the tourism industry, including consumer and travel trade associations, regarding needs and interests which should be met by a Federal agency or program and to direct that information to the appropriate agency or program;

"(12) shall encourage to the maximum extent feasible travel to and from the United States on United States carriers;

"(13) shall assure coordination within the Department of Commerce so that, to the extent practicable, all the resources of the Department are used to effectively and efficiently carry out the national tourism policy; and

"(14) shall develop and submit annually to the Congress, within six weeks of transmittal to the Congress of the President's recommended budget for implementing this Act, a detailed marketing plan to stimulate and encourage travel to the United States during the fiscal year for which such budget is submitted and include in the plan the estimated funding and personnel levels required to implement the plan and alternate means of funding activities under this Act.".

(d)(1) Paragraph (5) of section 3(a) is amended (A) by striking out "foreign countries." and inserting in lieu thereof "foreign countries;", (B) by striking out "this clause;" and inserting in lieu thereof "this clause.", (C) by inserting the last two sentences before the first sentence of subsection (c), and (D) by striking out "this clause" in such sentences and inserting in lieu thereof "paragraph (5) of subsection (a)".

(2) Section 3 of the Act is amended by striking out "clause (5)" each place it appears and inserting in lieu thereof "paragraph (5)".

(e) Sections 2 and 3 of the Act are redesignated as sections 201 and 202, respectively, and section 5 is inserted after section 202 (as so redesignated) and redesignated as section 203.

(f) The following section is inserted after section 203:

"SEC. 204. (a) The Secretary is authorized to provide, in accordance with subsections (b) and (c), financial assistance to a region of not less than two States or portions of two States to assist in the implementation of a regional tourism promotional and marketing program. Such assistance shall include—

"(1) technical assistance for advancing the promotion of travel to such region by foreign visitors;

"(2) expert consultants; and

"(3) marketing and promotional assistance.

"(b) Any program carried out with assistance under subsection (a) shall serve as a demonstration project for future program development for regional tourism promotion.

"(c) The Secretary may provide assistance under subsection (a) for a region if the applicant for the assistance demonstrates to the satisfaction of the Secretary that—

"(1) such region has in the past been an area that has attracted foreign visitors, but such visits have significantly decreased;

"(2) facilities are being developed or improved to reattract such foreign visitors;

"(3) a joint venture in such region will increase the travel to such region by foreign visitors;

"(4) such regional programs will contribute to the economic well-being of the region;

"(5) such region is developing or has developed a regional transportation system that will enhance travel to the facilities and attractions within such region; and

"(6) a correlation exists between increased tourism to such region and the lowering of the unemployment rate in such region.".

ADMINISTRATION

SEC. 4 (a)(1) The first sentence of section 4 of the Act (22 U.S.C. 2124) is amended to read as follows: "There is established in the Department of Commerce a United States Travel and Tourism Administration which shall be headed by an Under Secretary of Commerce for Travel and Tourism who shall be appointed by the President, by and with the advise and consent of the Senate, and who shall report directly to the Secretary.".

(2) Section 4 is amended by striking out the last sentence and inserting in lieu thereof the following: "The Secretary shall designate an Assistant Secretary of Commerce for Tourism Marketing who shall be under the supervision of the Under Secretary of Commerce for Travel and Tourism. The Secretary shall delegate to the Assistant Secretary responsibility for the development and submission of the marketing plan required by section 202(a)(14).".

(3) Section 5314 of title 5, United States Code, is amended by striking out "Under Secretary of Commerce" and inserting in lieu thereof "Under Secretary of Commerce and Under Secretary of Commerce for Travel and Tourism".

(b)(1) The following heading is inserted before section 4:

"TITLE III—ADMINISTRATION".

(2) Section 4 is redesignated as section 301 and the following new sections are inserted after the section:

"SEC. 302. (a) In order to assure that the national interest in tourism is fully considered in Federal decisionmaking, there is established an interagency coordinating council to be known as the Tourism Policy Council (hereinafter in this section referred to as the 'Council').

"(b)(1) The Council shall consist of—

"(A) the Secretary of Commerce who shall serve as Chairman of the Council;

"(B) the Under Secretary for Travel and Tourism who shall serve as the Vice Chairman of the Council and who shall act as Chairman of the Council in the absence of the Chairman;

"(C) the Director of the Office of Management and Budget or the individual designated by the Director from the Office;

"(D) an individual designated by the Secretary of Commerce from the International Trade Administration of the Department of Commerce;

"(E) the Secretary of Energy or the individual designated by such Secretary from the Department of Energy;

"(F) the Secretary of State or the individual designated by such Secretary from the Department of State;

"(G) the Secretary of the Interior, or the individual designated by such Secretary from the National Park Service or the Heritage Conservation and Recreation Service of the Department of the Interior;

"(H) the Secretary of Labor, or the individual designated by such Secretary from the Department of Labor; and

"(I) the Secretary of Transportation, or the individual designated by such Secretary from the Department of Transportation.

"(2) Members of the Council shall serve without additional compensation, but shall be reimbursed for actual and necessary expenses, including travel expenses, incurred by them in carrying out the duties of the Council.

"(3) Each member of the Council, other than the Vice Chairman, may designate an alternate, who shall serve as a member of the Council whenever the regular member is unable to attend a meeting of the Council or any committee of the Council. The designation by a member of the Council of an alternate under the preceding sentence shall be made for the duration of the member's term on the Council. Any such designated alternate shall be selected from individuals who exercise significant decisionmaking authority in the Federal agency involved and shall be authorized to make decisions on behalf of the member for whom he or she is serving.

"(c)(1) Whenever the Council, or a committee of the Council, considers matters that affect the interests of Federal agencies that are not represented on the Council or the committee, the chairman may invite the heads of such agencies, or their alternates, to participate in the deliberations of the Council or committee.

"(2) The Council shall conduct its first meeting not later than ninety days after the date of enactment of this section. Thereafter the Council shall meet not less than four times each year.

"(3) All meetings of the Council, including any committee of the Council, shall be open to the public.

"(d)(1) The Council shall coordinate policies, programs, and issues relating to tourism, recreation, or national heritage resources involving Federal departments, agencies, or other entities. Among other things, the Council shall—

"(A) coordinate the policies and programs of member agencies that have a significant effect on tourism, recreation, and national heritage preservation;

"(B) develop areas of cooperative program activity;

"(C) assist in resolving interagency program and policy conflicts; and

"(D) seek and receive concerns and views of State and local governments and the private sector with respect to Federal programs and policies deemed to conflict with the orderly growth and development of tourism.

"(2) To enable the Council to carry out its functions—

"(A) the Council may request directly from any Federal department or agency such personnel, information, services, or facilities, on a compensated or uncompensated basis, as he determines necessary to carry out the functions of the Council;

"(B) each Federal department or agency shall furnish the Council with such information, services, and facilities as it may request to the extent permitted by law and within the limits of available funds; and

"(C) Federal agencies and departments may, in their discretion, detail to temporary duty with the Council, such personnel as the Council may request for carrying out the functions of the Council, each such detail to be without loss of seniority, pay, or other employee status; and

"(3) The Administrator of the General Services Administration shall provide administrative services for the Council on a reimbursable basis.

"(e) The Council shall establish such policy committees as it considers necessary and appropriate, each of which shall be comprised of any or all of the members of the Council and representatives from Federal departments, agencies, and instrumentalities not represented on the Council. Each such policy committee shall be designed—

"(1) to monitor a specific area of Federal Government activity, such as transportation, energy and natural resources, economic development, or other such activities related to tourism; and

"(2) to review and evaluate the relation of the policies and activities of the Federal Government in that specific area to tourism, recreation, and national heritage conservation in the United States.

"(f) The Council shall submit an annual report for the preceding fiscal year to the President for transmittal to Congress on or before the thirty-first day of December of each year. The report shall include—

"(1) a comprehensive and detailed report of the activities and accomplishments of the Council and its policy committees;

"(2) the results of Council efforts to coordinate the policies and programs of member agencies that have a significant effect on tourism, recreation, and national heritage preservation, resolve interagency conflicts, and develop areas of cooperative program activity.

"(3) an analysis of problems referred to the Council by State and local governments, the tourism industry, the Secretary of Commerce, or any of the Council's policy committees along with a detailed statement of any actions taken or anticipated to be taken to resolve such problems; and

"(4) such recommendations as the Council deems appropriate.".

"SEC. 303. (a) There is established the Travel and Tourism Advisory Board (hereinafter in this section referred to as the 'Board') to be composed of fifteen members appointed by the Secretary. The members of the Board shall be appointed as follows:

"(1) Not more than eight members of the Board shall be appointed from the same political party.

"(2) The members of the Board shall be appointed from among citizens of the United States who are not regular full-time employees of the United States and shall be selected for appointment so as to provide as nearly as practicable a broad representation of different geographical regions within the United States and of the diverse and varied segments of the tourism industry.

"(3) Twelve of the members shall be appointed from senior executive officers of organizations engaged in the travel and tourism industry. Of such members—

"(A) at least one shall be a senior representative from a labor organization representing employees of the tourism industry; and

"(B) at least one shall be a representative of the States who is knowledgeable of tourism promotion.

"(4) Of the remaining three members of the Board—

"(A) one member shall be a consumer advocate or ombudsman from the organized public interest community;

"(B) one member shall be an economist, statistician, or accountant; and

"(C) one member shall be an individual from the academic community who is knowledgeable in tourism, recreation, or national heritage conservation.

The Secretary shall serve as an ex officio member of the Board. The duration of the Board shall not be subject to the Federal Advisory Committee Act. A list of the members appointed to the Board shall be forwarded by the Secretary to the Senate Committee on Commerce, Science, and Transportation and the House Committee on Energy and Commerce.

"(b) The members of the Board shall be appointed for a term of office of three years, except that of the members first appointed—

"(1) four members shall be appointed for terms of one year, and

"(2) four members shall be appointed for terms of two years,

as designated by the Secretary at the time of appointment. Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of such term. A member may serve after the expiration of his term until his successor has taken. Vacancies on the Board shall be filled in the same manner in which the original appointments were made. No member of the Board shall be eligible to serve in excess of two consecutive terms of three years each.

"(c) The Chairman and Vice Chairman and other appropriate officers of the Board shall be elected by and from members of the Board other than the Secretary.

"(d) The members of the Board shall receive no compensation for their services as such, but shall be allowed such necessary travel expenses and per diem as are authorized by section 5703 of title 5, United States Code. The Secretary shall pay the reasonable and necessary expenses incurred by the Board in connection with the coordination of Board activities, announcement and reporting of meetings, and preparation of such reports as are required by subsection (f).

"(e) The Board shall meet at least quarterly and shall hold such other meetings at the call of the Chairman, the Administrator, or a majority of its members.

"(f) The Board shall advise the Secretary with respect to the implementation of this Act and shall advise the Assistant Secretary for Tourism Marketing with respect to the preparation of the marketing plan under section 202(a)(14). The Board shall prepare an annual report concerning its activities and include therein such recommendations as it deems appropriate with respect to the performance of the Secretary under this Act and the operation and effectiveness of programs under this Act. Each annual report shall cover a fiscal year and shall be submitted on or before the thirty-first day of December following the close of the fiscal year.".

AUTHORIZATIONS

SEC. 5. (a) Section 6 of the Act (22 U.S.C. 2126) is redesignated as section 304 and is amended by striking out the first sentence and inserting in lieu thereof the following: "For the purpose of carrying out this Act (other than section 202(a)(4)(B)), there is authorized to be appropriated an amount not to exceed $6,500,000 for the fiscal year ending September 30, 1982. The Secretary shall carry out section 202(a)(4)(B) with funds appropriated for the International Trade Administration.".

(b) Section 7 of the Act (22 U.S.C. 2127) is redesignated as section 305 and sections 8 and 9 of the Act (22 U.S.C. 2127, 2128) are repealed.

EFFECTIVE DATE

SEC. 6. The amendments made by this Act shall take effect October 1, 1981.

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from New Jersey (Mr. FLORIO) will be recognized for 20 minutes, and the gentleman from New York (Mr. LENT) will be recognized for 20 minutes.

The Chair recognizes the gentleman from New Jersey (Mr. FLORIO).

Mr. FLORIO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, H.R. 1311, the Tourism Promotion Act, is the result of over 6 years of deliberation by the Congress and reflects the belief that an aggressive, imaginative effort to promote tourism and travel to the United States from abroad, will provide this country with tremendous social and economic benefits.

Tourism is one of the three largest employers in at least 38 States and total employment in this industry is close to 7 million people, almost 7 percent of the total work force. The bill before the Congress today recognizes tourism's important role in the U.S. economy.

Title I of the bill establishes both a national tourism policy and sets the

stage for a tourism program that will maximize its economic contribution and insure its continued growth.

In title II, the present U.S. Travel Service is replaced with a U.S. Travel and Tourism Administration within the Department of Commerce. The USTTA would be given elevated status and expanded responsibility with the Department of Commerce to carry out a program that will promote foreign tourism to the United States.

The USTTA would be headed by a new Under Secretary for Tourism, who in turn will appoint an Assistant Secretary for Marketing to be in charge of developing and submitting to the Congress annually a comprehensive tourism marketing plan.

In title III, the bill establishes an Interagency Coordinating Council, headed by the Secretary of Commerce, that will coordinate policies, issues, and programs in Federal departments and agencies that affect tourism. The Coordinating Council will use existing departmental resources and personnel and would not require additional funds.

The bill will also establish a Tourism Advisory Council comprised of representatives from the tourism industry and others who are knowledgeable about tourism and travel matters. The advisory council will provide the USTTA with a rich source of creative talents and ideas in the development of the tourism program and in the implementation of the national tourism policy.

Finally, the bill authorizes $6.5 million to carry out the national tourism policy—a funding level that is consistent with the administration's budget request for tourism programs.

The Tourism Promotion Act has achieved broad bipartisan support, and it reflects the consensus that there is a need for a stronger tourism program in this country. I am pleased to note that the administration has now recognized the need for such a program and we welcome its support. I hope you will join with me today in putting the United States firmly behind an effort to encourage the continued vitality of tourism and travel by voting in favor of H.R. 1311.

Mr. Speaker, I would like to incorporate into the RECORD an expanded list of individuals and Members of Congress who have requested that they be authorized to cosponsor this piece of legislation and I am pleased to welcome them as cosponsors. Their names follow:

COSPONSORS

Mr. Dan Marriott (Utah).
Mr. James Oberstar (Minnesota).
Mr. Earl Hutto (Florida).
Mr. John L. Napier (South Carolina).
Mr. Ken Kramer (Colorado).
Mr. Glenn Anderson (California).
Mr. Don Albosta (Michigan).
Mr. Steve Gunderson (Wisconsin).
Mr. Edward Markey (Massachusetts).
Mrs. Cardiss Collins (Illinois).
Mr. John Murtha (Pennsylvania).
Mr. Sam Gejdenson (Connecticut).
Mr. David Emery (Maine).
Mr. Tom Lantos (California).
Mr. E. Clay Shaw (Florida).

Mr. LENT. Mr. Speaker, I yield myself such time as I may consume.

□ 1310

Mr. Speaker, I want to commend the chairman of the subcommittee, the gentleman from New Jersey (Mr. FLORIO), also my colleague from New York (Mr. LEE), for their help; and commend the other members of the subcommittee for the work that they did on this particular bill.

Because of my strong support for a comprehensive tourism policy, Mr. Speaker, today I rise in support of H.R. 1311, the Tourism Promotion Act of 1981. This bill articulates a national tourism policy to promote tourism which is one of the top three industries in most of the 50 States and which accounts for over $140 billion annually in consumer expenditures.

As most of the Members of the House are aware, tourism has been the focus of a number of legislative initiatives in recent years which culminated last year in the passage of a measure which would have established an independent Federal tourism agency. President Carter, however, then pocket vetoed that measure.

This year, early strong indications from the new administration were that any legislation which expanded the Federal bureaucracy in a time of governmental frugality would be strongly opposed and probably vetoed by President Reagan. Therefore, a bipartisan coalition of the members of the Commerce, Transportation, and Tourism Subcommittee of the Energy and Commerce Committee began seeking an alternative to the independent agency bill. The result, known as the Lent substitute, was introduced by me in full committee markup on May 12 of this year and was passed, without amendment. That is the bill we have before us today.

. I am extremely pleased to be able to report that the administration, in a July 24 letter from OMB Director Stockman to Congressman JIM SANTINI, has endorsed H.R. 1311. I would like to quote briefly from that letter now:

> The administration originally preferred a different approach in this area, but we have always agreed on the importance of travel and tourism in the Nation's economy.
>
> Given developments in the legislative process—including the passage in the Senate of S. 304, which would establish an unnecessary and counterproductive independent U.S. Travel Agency—we find H.R. 1311 a reasonable middle-of-the-road position, and support its enactment.

To its credit, the tourism industry has recognized the new political climate and has acted responsibly in endorsing H.R. 1311 as reported by the Energy and Commerce Committee. The Tourism Caucus Industry Advisory Board also lent its unanimous support to H.R. 1311. Further, H.R. 1311 has strong bipartisan support—a "dear colleague" letter signed by Congressman JIM FLORIO and me, outlining the merits of H.R. 1311, was delivered to your offices in the last few days. Hopefully, you have had time to review that letter. However, in the event you did not, I would like to now briefly mention some of the strengths of H.R. 1311.

First, H.R. 1311 keeps tourism promotion and development programs in the Department of Commerce, but replaces the U.S. Travel Service with the U.S. Travel and Tourism Administration (USTTA). The USTTA will be headed by an Under Secretary for Travel and Tourism, who will be responsible for submitting a comprehensive tourism marketing plan and for implementing the national tourism policy. Second, H.R. 1311 establishes an Interagency Coordinating Council, headed by the Secretary of Commerce, that coordinates policies, issues, and programs in Federal departments and agencies that relate to tourism. Third, H.R. 1311 establishes a tourism advisory council comprised of representatives from the tourism and travel industry, who are to advise the administration on the formulation of the marketing plan and on the implementation of the national tourism policy. Finally, H.R. 1311 comports with the administration's budget requests for tourism. It authorizes $6.5 million for fiscal year 1982 to carry out the act. The $6.5 million is in addition to the $1.1 million already programed for tourism through the Foreign Commercial Service budget.

In sum, I believe H.R. 1311 provides a blueprint for a strong and comprehensive national tourism promotion policy. It reflects the bipartisan support of this Congress and has the backing of the administration. I urge your support for it today.

Mr. McCLORY. Mr. Speaker, will the gentleman yield?

Mr. LENT. I yield to the gentleman from Illinois.

Mr. McCLORY. Mr. Speaker, as one of the cosponsors of this legislation, I ask my colleagues to reflect on the enormous economic importance of establishing a national policy on tourism. Over the years, there have been a number of studies, promotions, and a deluge of legislative attempts to bring the travel industry into national focus. We may remember the Eisenhower promotion of "Visit USA Year," Lyndon Johnson's efforts to promote national travel with "See the United States," and John Kennedy's encouragement of domestic travel and support of a "See America Now" program.

Other good and well-meaning efforts have been launched since then to bring together the components of the third largest industry in the United States.

Now comes the opportunity to pass legislation that will provide for an orderly growth and advancement of tourism, a growth that will have widespread effects on employment, small businesses, and will be of economic significance to our international balance of payments. It is projected that travel will be the world's largest industry by the year 2000. I would like to think that we would be prepared for this eventuality.

Think about the sheer numbers that the various segments and entities of the industry employ. Small businesses in this country employ more workers than the large corporations. The travel industry has a majority of small businesses such as restaurant owners, operators of small hotels and inns, taxicab owners, travel agents, and so forth. It is estimated that, together, they number more than 1 million. They are the source of livelihood for a very large portion of the population of the United States. The opportunity for individuals to own their own firms and to provide specialized services is probably greater than in any other industry and, no doubt, much of its strength.

Establishments, such as restaurants, provide jobs for an impressive number of our citizens, and when restaurants are lumped together with the lodging segment, they comprise employment for over 5 million people. Many of those who service this industry are economically disadvantaged. More women, blacks, and teenagers are employed by this industry than any other. It is an opportunity for the economically deprived to work and pick up skills to help them advance into a better way of life. The travel industry has proven itself to be a dependable source of abundant job opportunities, and has shown counter-recessionary patterns by continuing to create jobs while other unemployment figures rise.

Not to be overlooked, are the expenditures made by foreign visitors to our country. While foreign travel to the United States has increased, it is not a time to be contented. It is important to realize that in order to keep our share of international travel receipts, we have an important national role in promoting inbound travel. Our neglect in promoting this concept could choke this flow of foreign visitors with dollars to spend.

Mr. Speaker, I have only highlighted the effects of this industry on the present and future development of our Nation. There are far-reaching benefits that all portions of this great industry can and will provide. We cannot, at this time, fail to support a cohesive and consistent policy to national tourism which will affect us all.

Mr. ROEMER. Mr. Speaker, will the gentleman yield?

Mr. LENT. I yield to the gentleman from Louisiana.

Mr. ROEMER. Mr. Speaker, I thank the gentleman for yielding. I am not an expert in this area by any means. I frankly do not understand what we gain from having this at a Federal agency level. Perhaps the gentleman could approach it from a different angle for me. What do we lose by not having it? What will this apparatus do to get people to come to America that is worth this kind of investment?

Mr. LENT. The main consideration here is that we upgrade and improve the Federal Government's travel and tourism mechanism within the Commerce Department, creating an Under Secretary of Commerce for Travel and Tourism rather than creating a new agency and thus increasing the bureaucracy. This new Under Secretary of Commerce will be assigned exclusively to the development and implementation of a national tourism plan to increase the number of foreign travelers to the United States. The gentleman has to understand where we are coming from. For the last several years in this Congress, either the Senate or the House, and last year both Houses, have passed legislation creating separate tourism agencies. We decided not to follow that route again this year because of the political constraints against increasing the Federal bureaucracy. So we have compromised. We have come a long way, and we have created this Under Secretary. The bill contains other provisions designed to encourage tourism and travel. I think the gentleman will find that we will gain a great deal economically from this legislation.

I would be glad to yield to the gentleman from Nevada.

Mr. SANTINI. Mr. Speaker, I thank the gentleman for yielding. The question of the gentleman from Louisiana is very well taken. The United States of America presently is No. 17 in expenditures of moneys to induce foreign travel to the United States of America; that market presently is over $100 billion.

We have testimony, and I think it is generally conceded that for every $1 tax invested—that was 2 years ago—we get $18.40 back in terms of foreign travel to the United States of America. For far too long, unfortunately, tourism and travel have been one of the disregarded entities in both the legislative branch and executive branch of Government. Given the fact that it is one of the 3 principal industries in 39 States in this Nation, it seems to me that a Nation that commits itself to realizing the importance of selling its commercial products overseas, selling its agriculture overseas, should recognize that there is a $10 billion tourism and travel market there that needs a foreign representative from the United States of America; not from Holiday Inns or from Pan American, but from the United States of America.

We must appreciate that if we sell widgets, if we sell corn, we can sell tourism because the United States of America is the best tourism and travel buy on the globe today.

Mr. ROEMER. If the gentleman will yield further, so these representatives would walk foreign capitals or in foreign nations saying what a great place America is to visit? To follow the gentleman's argument, if we get back $8 for every $1 invested, maybe the way to balance the budget would be to invest about $6 billion.

Mr. SANTINI. I accept the gentleman's amendment.

Mr. LENT. Mr. Speaker, I reserve the balance of my time.

Mr. FLORIO. Mr. Speaker, I yield 4 minutes to the gentleman from Nevada (Mr. SANTINI).

Mr. SANTINI. Mr. Speaker, the National Tourism Policy Act of 1981 is crucial to the continued strength and vitality of the travel and tourism community. It has been long needed, long studied, and long awaited.

This legislation begins the process of developing an effective plan to market the United States as a tourism destination. It will enhance greatly our ability to attract foreign visitors to our shores to stimulate our economy with foreign spending and reduce our balance of payments deficit.

The economic potential of tourism is virtually unlimited—if we are willing to make a reasonable commitment to market this country. I believe the commitment should be made and should be made now. The administration is willing to make that commitment and supports H.R. 1311. I quote from a letter I received Friday from David Stockman, Director of the Office of Management and Budget:

> I am writing to express the administration's support for H.R. 1311, the National Tourism Policy Act.
>
> The administration originally preferred a different approach in this area, but we have always agreed on the importance of travel and tourism in the Nation's economy.
>
> Given developments in the legislative process—including the passage in the Senate of S. 304, which would establish an unnecessary and counterproductive independent U.S. Travel Agency—we find H.R. 1311 a reasonable middle-of-the-road position, and support its enactment.

This is heartening news indeed since the Federal effort in tourism over the last several years has substantially decreased. Most other countries, on the other hand, have either continued or accelerated their effort in promoting tourism to their countries. This has placed our country at a tremendous

competitive disadvantage. At a recent travel industry meeting a British tour operator commented that "The United States is a superb holiday!" He went on however, to bemoan the fact that "Nobody's selling the dream of a U.S. vacation." This British gentleman was joined by German and Japanese spokesmen in calling the U.S. Government's efforts inadequate, "shortsighted" marketing.

As in any business that can make a positive contribution to the Nation, the international marketplace for tourism is viciously competitive. It is a growing industry and the U.S. share should also be growing but it is not. Since 1972 the U.S. share of the international travel marketplace has markedly declined. It is time to turn that trend around.

Perhaps it is easier for some of us to understand the real need for the United States to promote travel to the United States when viewed from the angle of an "export commodities" or "foreign exchange earnings." When we get a foreign traveler to come to the United States and spend their money here, it is the same as selling U.S. manufactured goods abroad. Now is the time to more effectively and aggressively generally promote our country abroad and attract foreign visitors here to add to our foreign exchange earnings. Our country is truly our most prized commodity and we should more agressively and proudly promote the many natural and manmade attributes we have to offer. Besides the important economic benefits we have to gain there are significant side benefits. An improved image and good will can be garnered by exposing our Nation and our Nation's people to the people of the world. This is an important but often neglected and ignored aspect.

At a time when our country is yearning for more meaningful government through efficiency and economy—this legislation offers an opportunity to make sense out of the over 100 different programs and 50 different Government departments and agencies that impact tourism. The Federal Government's mish-mash or crazy quilt approach to travel and tourism will be pulled together and coordinated to make our efforts meaningful and productive. The cabinet level coordinating council established in H.R. 1311 will greatly assist us in accomplishing our objectives.

The legislation will also provide the Federal Government with the opportunity to tap the wealth of knowledge and expertise of the industry by establishing an Industry Advisory Board. This board will serve without compensation but should greatly contribute to the knowledge and information as to how the Federal efforts have gone astray and how they might be improved for the general economic well-being of the Nation and its residents.

The U.S. travel and tourism industry is the second largest private employer in this country—a labor intensive industry that generated over $163 billion in 1980. The time has come to exploit this potential—to increase the revenues—to provide more jobs for women, youth, and minorities in the many entry level opportunities the industry offers.

The time has come to enact a comprehensive national tourism policy—to recognize the important role travel and tourism plays in our economy—to accept the Federal role as the catalyst for coordinating a national tourism promotion effort. H.R. 1311 is the realistic vehicle for attaining the benefits to our society that travel and tourism offer. I urge you to support this legislation.

● Mr. CHAPPELL. Mr. Speaker, I rise today in support of H.R. 1311, the National Tourism Policy Act because I believe that this is the type of action needed to promote foreign travel within the United States. This particular effort will greatly enhance our capability to attract visitors to our shores who will spend money, stimulate the economy, and reduce our balance-of-trade deficit, all of which are critically important to a vibrant domestic economy.

It is estimated that international visitors spent $10 billion in 1980 in the United States. In fact, tourism is now this Nation's third largest export industry. This legislation will authorize $6.5 million in fiscal year 1982 for the operations of the U.S. Travel and Tourism Administration (USTTA). Indeed, this is a modest sum when one considers the return on investment due to the increase in international tourism it will promote. More specifically, the tax revenues accruing to the States and cities as a result of money spent by foreign visitors are impressive. The U.S. Travel Data Center has calculated that 11 cents of every dollar that a tourist spends comes back into the public treasuries in the form of taxes, either Federal, State, or local. It is for these reasons the United States has become dependent on the international tourism dollar to help offset our balance-of-payments deficit.

In addition, such expenditures provide jobs for close to 7 million Americans, a significant proportion of which are women, youth, and minorities. Realizing that travel and tourism is the largest single employer in 14 of our 50 States, my State of Florida included, and the second and third largest private employer in at least 38 States, one can truly appreciate the significance of the industry to our economic well-being.

Mr. Speaker, I hope today that the House will overwhelmingly pass this legislation, because it is only through a new tourism policy that we can create the appropriate atmosphere which will lead to continued growth in the tourism market. This, in turn, will reduce further our balance-of-payments deficit and generate new jobs in the private sector.●

□ 1320

Mr. LENT. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. LEE).

Mr. LEE. Mr. Speaker, I rise in support of the Tourism Policy Act now before us for consideration, and I take this opportunity to congratulate the gentleman from New Jersey (Mr. FLORIO) the gentleman from New York (Mr. LENT), the gentleman from California (Mr. BADHAM), and the gentleman from Nevada (Mr. SANTINI) for the leadership they have demonstrated in bringing this bill to the House for a vote today.

I am a sponsor of H.R. 1311, and feel the issue of tourism promotion and the importance of tourism to our Nation's economy is much too critical to further delay the Federal Government's participation in the marketing process.

I believe tourism promotion deserves a more prominent role within our Government because of the enormous economic dividends that can be achieved—in jobs, in sales revenues, and in reducing our balance-of-payments deficit.

The measure under review by this Congress represents a very wise and prudent investment of our citizens' tax dollars. I am very pleased to report this measure has the full support of the President, and that the Reagan administration recognizes the value of tourism to our Nation's economy. I am confident the structure put in place today will go a long way to implement a cooperative and coordinated effort between the public and private sectors.

Unquestionably, the tourism industry is a significant contributor to our national economy. The tourism industry is an industry that—

Is forecasted to be the world's largest industry in the year 2000;

Is the largest private employer in 14 States;

Is the third and possibly the second largest retail industry in the United States;

Is the fourth largest export industry in the United States; and

Generates over $33 billion in wages and salaries, $15½ billion in Federal, State, and local tax revenues, and $140 billion in domestic spending.

Tourism's $10 billion in receipts from foreign visitors provides jobs for some 6½ million Americans, a significant portion of which are women, youths, and minorities.

Current indicators show that the number of last year's "inbound" tour-

ists exceeded "outbound" tourists for the first time since the end of World War II. In effect, America welcomed approximately 20 million foreign visitors who spent in excess of $10 billion, a revenue figure which makes tourism our Nation's fourth largest export industry.

A 1980 U.S. Department of Commerce study documents the importance of tourism to the U.S. economy. According to that study—and I quote, "The benefits of International Tourism to the Nation's economy go far beyond the expenditures registered in the data in U.S. international transactions." The multiplier effect of tourism is generally considered to be in the 3 to 3.5 range. Therefore, we see that inbound travel and tourism produced a ripple impact of some $30 to $35 billion in 1979. Yet the Federal Government has not been prepared to capitalize on this resource; 125 other countries aggressively promote foreign travel and visitation but the United States has not kept pace.

International tourism is one of the world's major growth industries, yet the growth in the number of foreign travelers to the United States has been slower that the world's international tourism growth. Presently, the United States receives only 6.7 to 8 percent of the world's tourists. Because of its important impact on employment and revenues in the transportation, lodging, food, and recreation industries we must do more to promote our Nation to the foreign tourist market. In 1979 alone, over 1.3 billion people left their home countries to visit or travel. Tourists around the world, be they domestic or international, spent as estimated one-half trillion dollars.

The evidence is in and the verdict is clear. Our balance of payments, our unemployment rate, and the growth and potential of the international, as well as domestic, marketplace and our general economic health suggest—no, demand—that the United States become more involved in promoting the United States as a travel destination for foreign visitors.

We cannot continue to stand by and watch the 125 other countries who have national tourist offices, often at a departmental level, outmarket us in the international marketplace. This is especially the case when you take into consideration the United States has more to offer in the form of attractions and facilities than any other country in the world.

In large part because of the reduced role and effectiveness of the U.S. Travel Service, there is serious question over the future of the beleaguered agency. Presently, the USTS is scheduled to go out of business in September of this year, and its activities will be folded into another division of the Department of Commerce. The antagonism toward USTS is long standing and bipartisan. Successive administrations have slashed its budget mercilessly, reduced its effectiveness, and damaged the morale of the personnel who are charged with the important responsibility of promoting this country as a travel destination.

I believe there definitely is potential for the international and domestic tourism market to grow and further develop and that the National Tourism Policy Act can construct a meaningful framework for tourism growth.

The significant aspects of the Policy Act are:

Recognizes the importance of travel and tourism to the Nation's social and economic well-being and encourages facilitation of travel to and within the United States;

Replaces the U.S. Travel Service with a U.S. Travel and Tourism Administration headed by an Under Secretary with an Assistant Secretary for Marketing;

Creates an interagency policy council, chaired by the Secretary of Commerce, to coordinate the over 100 Federal policies impacting tourism which are strewn among at least 50 Federal agencies;

Creates an advisory group of industry, labor, and consumer interests to lend expertise to the administration; and

Authorizes the Under Secretary to coordinate overseas promotion activities closely with others in the Commerce Department, particularly the International Trade Administration.

The Policy Act will highlight within our Federal Government the importance of tourism promotion and marketing, and construct the mechanism where the impact of Government rules, regulations, and policy affecting the tourism industry can be adequately assessed and evaluated prior to their enactment.

I urge my colleagues to join in support of the National Tourism Policy Act—a measure that will reap significant economic dividends, increase jobs, and reduce our balance-of-payments deficit.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. SCHEUER), a member of the subcommittee.

Mr. SCHEUER. Mr. Chairman, I want to congratulate the chairman of the subcommittee, the gentleman from New Jersey (Mr. FLORIO), for the fine leadership job he has done in putting this bill together. I also want to congratulate the gentleman from Nevada (Mr. SANTINI) for his many years of effort organizing and leading the travel caucus.

As a member of the subcommittee, while traveling in Europe on other official matters, I have had opportunity to visit the U.S. Travel Service offices in London, Paris, and Frankfurt. We have some excellent, highly professional, and devoted people over there, but we are starving their offices for funds. All of their offices are on second-floor locations. All of the major developed countries of the world have beautiful ground-floor offices where members of the public can drop in and look over brochures, and so forth. Even developing countries in Asia, Africa, and Latin America have far better equipped offices than we do, and they have far more adequate promotional material than our offices do.

We are starving the efforts to build an American tourism industry, and this bill will be an excellent measure to begin to do right by our tourism industry in encouraging foreign travel to the United States.

Mr. FLORIO. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. MARKEY), a member of the subcommittee.

Mr. MARKEY. Mr. Speaker, I, as well, congratulate the gentleman from New Jersey (Mr. FLORIO) on the fine job he has done with this legislation, and I congratulate also the gentleman from Nevada (Mr. SANTINI) and the gentlemen on the other side who put together and drafted this fine piece of legislation.

Mr. Speaker, I rise in strong support of the National Tourism Policy Act. I also am glad to have this opportunity to commend the chairman for his efforts on this legislation and for an excellent bill.

I am proud to represent a State, Massachusetts, which has the second lowest unemployment rate in this country. The travel and tourism industry very much contributes to this by being the third largest private employer in the State.

Last year alone, the travel industry employed over 100,000 people in my home State. Also, in 1980, Massachusetts produced over $3 billion in revenues from the travel and tourism business. Nationwide, over $16 billion in taxes were created from this growing industry.

While travel and tourism continues to be one of the largest and fastest growing businesses in the Commonwealth of Massachusetts, the picture is not necessarily as rosy for the rest of the country. The growth and economic potential of this industry has not kept pace with other nations. And the growth in the number of foreign travelers to the United States has not matched the pace of the world's tourism growth. Although foreign travelers across the globe increased their expenditures last year by 20 percent—by $12 billion—the U.S. international travel dollar account had a deficit of almost $1.7 billion.

A well-articulated and well-coordinated national tourism policy could change this. It would: Provide jobs;

stimulate the economy; and improve our balance of payments.

Again, Mr. Speaker, I strongly support this fine piece of legislation, and commend the chairman, Mr. FLORIO, for his efforts. I share in his commitment to see this bill passed. I urge my colleagues' support.

Thank you.

Mr. NELSON. Mr. Speaker, will the gentleman yield?

Mr. MARKEY. I yield to the gentleman from Florida.

Mr. NELSON. Mr. Speaker, I rise in support of H.R. 1311—the National Tourism Policy Act of 1981.

In the last Congress, the National Tourism Policy Act passed the House overwhelmingly. The Senate is a step ahead of us this year—they have already passed the companion of this bill early this year.

H.R. 1311 is an excellent example of a bill proceeding in an orderly fashion through the legislative process. It has been refined, improved, and will accommodate the many divergent positions on the issue of a national tourism policy. The administration has already notified the Tourism Caucus of its endorsement of H.R. 1311.

In my own State of Florida, the travel and tourism industry ranks as the No. 1 industry in the State. It employs more than half a million persons in Florida and contributes about 20 percent of the personal income of the State. During the last year, Florida realized about 10 percent of its annual operating budget from revenues generated from tourist spending. During 1980, 35.9 million people visited Florida and spent about $17 billion during the year. This breaks down to about $47 million in tourist spending a day.

It is important to note that tourism is not only important to my State, but is a vital industry throughout the Nation. It is the third largest retail industry in the United States and employs over 7 million Americans. It contributes more than $160 billion toward our national economy. Additionally, this industry is in the top 3 in about 40 of our States. We can no longer afford to ignore the importance of this industry to our economy.

I believe that the passage of this National Tourism Policy Act today will—for the first time in our history—give this industry the recognition that it deserves. It will insure that the effects on this industry are taken into account as national policies are formulated. Small changes of policy in areas such as transportation and energy can result in substantial effects on the tourism industry and the Federal Government must be made aware of these effects in its decisionmaking.

The bill that we are considering today calls for an upgraded tourism organization within the U.S. Department of Commerce—to be called the U.S. Travel and Tourism Administration. The objective of this new Administration will be to encourage the foreign traveler to consider the United States as a vacation spot. The flow of dollars from these visitors will help us in our balance of payments, reduction of unemployment, and stimulation of our economy.

The funding for this new administration is identical to that requested for the U.S. Travel Service—which the new, upgraded U.S. Travel and Tourism Administration replaces. By designating a new Assistant Secretary for Tourism, this industry will attain more visibility in the policymaking decisions of the Government.

To implement the national tourism policy, the new U.S. Travel and Tourism Administration is responsible for developing a detailed marketing plan to stimulate and to encourage travel to the United States. This plan is to be submitted annually to the Congress. In addition, nine more tourism promotion offices are to be established in foreign countries in addition to those already in place.

This bill will also create a Travel and Tourism Advisory Board to be appointed by the Secretary of Commerce. This Advisory board will be composed of 15 members—12 of whom are to be senior executive officers of organizations in the travel and tourism industry. This Board will review the activities of the administration and will report its recommendations annually to the Congress.

Today, we have the opportunity of a lifetime to initiate the process that will make the United States the hub of international travel.

We have the opportunity to properly recognize the important role that travel and tourism play in every congressional district. We have the opportunity to encourage the more than 50 Federal agencies that have an impact on travel and tourism to cooperate and to coordinate their efforts—reducing redtape and making our programs more effective and responsive.

I intend to vote for this important piece of legislation and I urge each of my colleagues to do the same.

Mr. LENT. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. BADHAM).

Mr. BADHAM. Mr. Speaker, I rise in support of H.R. 1311, the National Tourism Policy Act of 1981. As a Representative of the State of California where tourism is the second largest private employer, I know this legislation is constructive and essential. As vice chairman of the House Travel and Tourism Caucus, I have had the opportunity to be exposed to the tremendous value tourism has for our Nation as a whole as well.

Travel and tourism is the first, second, or third largest employer in 39 of the 50 States. The job opportunities are skewed toward women, minorities, and our young people. Currently, women comprise more than half of the travel industry work force; blacks constitute about 14 percent versus a 10-percent participation in the remainder of the work force. One-third of all employed youths, aged 16 to 21, have jobs in the travel and tourism industry. That is a rather impressive story. Even though the U.S. share of the international travel market has not been growing, the job opportunities continue to increase. Just think what this can mean if we make the investment of a strong commitment to increasing America's share—more jobs during a time when we have clearly recognized the need to stimulate national employment.

□ 1330

The administration supports this bill completely because it will put us on the way to exploiting the economic benefits of essential coordination among governmental agencies for travel and tourism to and within the United States of America.

We face aggressive national travel policies from the other nations in the free world and the not so free world and the Third World.

This House should now demonstrate its commitment to a strong economy and support this legislation, which will insist in advancing and realizing the tremendous benefits of travel and tourism to our Nation.

We have the strongest sales force in the world with America's salesmen. We should coordinate this with our Government to sell the United States of America at home and abroad.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from the Virgin Islands (Mr. DE LUGO).

Mr. DE LUGO. Mr. Speaker, I am pleased to rise in support of H.R. 1311, the National Tourism Policy Act, which establishes a U.S. Travel and Tourism Administration within the Commerce Department to replace the current U.S. Travel Service. As a cosponsor of this legislation, I believe this bill is necessary to create a strong and creative tourism industry in this country.

We all know that the growth of foreign tourism in the United States has failed to keep pace with the growth of tourism throughout the world, therefore better coordination of tourism programs and increased promotion of travel to this country could resolve these problems—and that is the purpose of this bill.

For my native Virgin Islands, a thriving tourism industry is vital to our economy. For example, it is estimated that in 1980 a total of $350 million was spent by visitors to the islands of St. Croix, St. Thomas, and St. John. This revenue obviously contributes significantly in providing aid to

private enterprise and assistance to the local government so that it can provide essential services to the people of the territory.

A thriving tourism industry means jobs for those residing in the Virgin Islands. Approximately one-third of the people employed in the Virgin Islands work within the tourism industry. What we are talking about here is approximately 13,000 jobs—from hotel employees to hotel managers, from taxi drivers to the Virgin Islands director of tourism.

What the above statistics indicate is that tourism is a major industry in the U.S. Virgin Islands which deserves to be aggressively supported by the Federal Government. Passage of H.R. 1311 would certainly be a boon to our tourism industry, which in turn will provide a much-needed shot in the arm to our local economy.

Mr. LENT. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. COLLINS).

Mr. COLLINS of Texas. Mr. Speaker, this subject has been up several times before. This is one of the most disappointing bills that Congress has before it for this year's consideration.

We have talked about cutting the budget and we talk about the need for cutting taxes and here we have before us the creation of a new agency which is not needed in any shape, manner, or form. We have one of the really great private industries in American in travel and tourism. There are 7 million people employed by tourism. It creates consumer spending that amounts to $140 billion—$140 billion that creates jobs. It creates that much in business.

What are we doing with this bill? We are putting the Federal Government into a great private industry.

Now, there is not any reason to inflict this burden on private industry. What they are doing, they are creating in this bill an under secretary of travel and tourism. Now, that is an awful high position for a bureaucrat, so he will get busy to develop many forms and reports to justify this position.

Also they are going to create an advisory commission. This group is going to meet four times a year to plan ways that Government can supervise tourism. This new department takes six existing agencies that do not accomplish a thing; we already have six foreign offices. We are going to add nine more offices to build staff.

Foreign visitors know what is going on in this country. What attracts them lately has been the fact that the dollar was selling at a discount. Well, now, the dollar was selling low so foreign money bought more in U.S. travel. The reason travel has gone off a little bit lately, is that the dollar is strong in exchange.

This new Federal travel bureaucracy in Washington will not accomplish anything. I keep thinking, what is it that they will do in their office? For instance, they will ask a report on all the travel agencies in America. They will say, "How many people from France went to Mantoloking, N.J., last summer?"

Or they will ask, "How many people from Spain had children between the ages of 10 and 14 that ate hot dogs when they visited Kansas City?"

You know the kind of questions the Government asks. Let me tell you, the other day a Federal agency spent over $100,000 printing up Playboy in braille. I guess when this travel agency finds out about that, they will start giving Playboy to every foreign tourist.

We do not need these Federal agencies running what is a truly outstanding private operation in tourism.

Let me just give you some examples of how big this tourism is. It is the third largest industry, third largest industry in 46 States in America—the third largest industry in 46 States in America. Tourism grew under private enterprises. They did it because the Government left them alone.

Now we are talking about creating this big Under Secretary of Tourism and Travel.

Who dreamed this project up? Where did it ever get started? Private industry will rue the day that we inflict this overloaded bureaucracy on them.

Mr. Speaker, this year we are again discussing legislation to establish a national tourism policy and to establish the U.S. Travel and Tourism Administration in the Department of Commerce. This year, with the need for fiscal austerity, why should we add another bureaucracy by expanding and renaming the present U.S. Travel Service?

Is H.R. 1311 necessary in authorizing $6.5 million for fiscal year 1982 for a U.S. Travel and Tourism Administration, establishing a Travel and Tourism Advisory Board, and a National Tourism Policy Council within the executive branch? When a 1979 report by the Department of Commerce stated that the U.S. international tourism business remained "vigorous," you have to wonder why the Federal Government wants to interfere with such a successful industry. With double-digit inflation, you have to applaud the success of the tourism industry, which saw growth in tourism and fare receipts for 1979 that outpaced inflation. In fact, in 1979, international tourism and fare receipts for international travel to the United States rose to new levels, exceeding $10 billion for the first time—an 18-percent increase. Also encouraging is the fact that the U.S. travel deficit in current dollars decreased 17 percent to $2.4 billion for 1979. This is the lowest travel deficit since 1970.

The travel industry is clearly capable of fulfilling its service, without the Federal Government. Yet, ever since 1961, a group of lobbyists has talked Congress into funding the U.S. Travel Service. Now we are talking about spending $6.5 million for fiscal year 1982, to enable the Federal Government to "be better coordinated to effectively respond to the national interests in tourism." This legislation would mandate Government intervention and regulation of our present successful tourism private business system. We should not push Government involvement with tourism promotion, under the guise that we will be saving money. In fact, last year, during House and Senate hearings on the National Tourism Policy Act, it was indicated in testimony that to be effective, an advertising and promotion program would cost the American taxpayer as much as $75 million. That is $75 million that could be better spent by private industry. It is hard to imagine that we are asking the taxpayers to subsidize travel promotion when we are asking them to cut back in every other area.

Tourism is the third largest industry in 46 States, growing to such proportions because of its reliance on the free enterprise system. Travel expenditures have rapidly grown over the years, from $50 billion in 1970 to $128 billion in 1978. That is a growth rate of 157 percent over 8 years. During this same period, tax receipts grew from $4.4 billion to $17.1 billion—a 289-percent increase. Likewise, employment in the tourism industry jumped from 3.5 million to 6.3 million. In 1978, 19.8 million foreigners came to the United States, which resulted in receipts of $8.4 billion. By 1979 this grew to 20 million visitors, with receipts of $10 billion. One year later, in 1980, the international tourists visiting the United States rose by 238,000 to 20.1 million. This equaled approximately 55,000 visitor arrivals per day.

We have 50 different departments in the Federal Government now in the travel business. There are no statistics to show that they have aided the travel industry in any way. Instead, the travel industry's strength is attributable to the strong support shown in the private sector. In 1978, American Express spent $62 million; Greyhound spent $46 million; Eastern Airlines spent $35 million. Statistics for 1979 showed $59 million spent in 1979 on advertising by 14 of the largest hotel chains in America, including Holiday Inn, Best Western, Hilton and Hilton International, Hyatt Regency, Marriott, Sheraton, and Western International—and this is only a very small segment of the travel and tourism industry's promotional expenditures. A Federal subsidy program for a thriving industry will duplicate private indus-

try's tourism efforts, waste millions of dollars, and destroy a thriving and prosperous industry.

With the U.S. Travel Service, we presently have six overseas travel offices: Canada, Mexico, Japan, West Germany, France, and the United Kingdom. This service currently spends $8 million to encourage foreigners to vacation in the United States. There is absolutely no need to justify continuation of the U.S. Travel Service, let alone set up a new governmental bureaucracy. We do not need a Federal program to subsidize major advertising and promotion programs, as the statistics have clearly shown the travel industry's effectiveness—without Federal intrusion.

We have been down this destructive road before—where the Federal Government enters areas which are better handled without a Federal bureaucracy. Take, for example, the Department of Energy, created in 1977 with a budget of $5.2 billion, with 18,000 employees. Only 3 years later, this Department had a budget of $13.4 billion, and in excess of 20,000 employees. In addition, look at the newly created Department of Education. The Department has a $17 billion budget at present. If we pass this legislation to spend $6.5 million on tourism in 1982, I can assure you that this will only be the beginning of another increasingly expensive bureaucracy.

A U.S. Travel and Tourism Administration will damage our tourism business in this country. It is going to spend funds on studies and paperwork, instead of encouraging the private sector to stay active and involved in the tourism industry. We have a great tourism industry, so let us keep Federal bureaucracy from taking it downhill.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. RUSSO).

Mr. RUSSO. Mr. Speaker, I would like to speak today on the importance of the National Tourism Policy Act. Often when people think of Tourism they think only of fun and relaxation. They do not realize that tourism is the third largest industry in the United States. The impact of the tourism industry is felt, not only in every area of the United States, but throughout the world. The total expenditure for travel in the United States for 1980 was $157 billion. For every $1 spent on travel, $18 is funneled into the economy. Travel industry receipts have grown at the rate of 12 percent per year compared to the 11 percent growth of the GNP.

Tourism is also one of the largest employers in the country. It is responsible for 35 percent of the new jobs created in 1980. It has outperformed the entire U.S. economy in creating job opportunities. It is important to note that this is counterrecessionary because it creates jobs both in times of recession and in times of prosperity. This is greatly beneficial in these days of high unemployment since most of the employees of the travel industry are largely minorities, women, teens, and the unskilled.

The travel industry also brings needed revenue to the Government. The Federal Government received $8.6 billion from the travel industry in 1980. And State's taxes generated $5.9 billion.

I recognize the importance of the tourism industry. The House of Representatives can recognize this importance through the passage of H.R. 1311, the National Tourism Policy Act. The result will be the coordination of the different aspects of the travel industry and the promotion of travel throughout the United States and the world. Thus, this important, viable industry will have the Government support that it needs to continue to help the economy and to flourish as an industry.

Mr. LE. .. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. GOLDWATER).

Mr. GOLDWATER. Mr. Speaker, I am frankly surprised that this legislation is before us and I am even more surprised that it is supported by the OMB.

Now, this bill does not have the saving grace of trying to bail out a failing industry such as Chrysler or Lockheed. What this bill is asking taxpayers to support is the promotional activities for tourism which, of course, covers everything from hotels to airlines. I believe the industry is well able to do this now—without the help of the Government.

"Visit Las Vegas," you see them all over Europe.

"Fly American Airlines. Stay at this American Hotel." Visit such-and-such State or city—we do not need the Federal Government to promote tourism.

My staff called OMB and asked them why in light of the President's election and mandate to reduce the size and influence of Government does OMB support this?

They said, "Well, among other things, it is only $6 million."

I thought to myself, well, pardon me, if you will, but I have got a lot of projects that I am interested in that were turned down this year due to a tight budget. Operation Firescope in the county of Los Angeles could use $6 million. If it were in place it would save millions of dollars, perhaps thousands of lives and property by better coordinating the management of our forest and forest fires.

Another effort to save the California condor, there are only 30 condors left. We were asking for $250,000 and were turned down due to a tight budget.

I could go on and on.

Mr. Speaker, the point is the National Tourism Act is nice, but it is a luxury that the Federal Government cannot afford at this time.

We are holding hearings over in Public Works and Transportation on international flag carriers. The State Department, the CAB, the Department of Transportation, all intervened on behalf of international transportation. They lost $150 million last year. The last thing the tourism industry needs is help from our Government who has big trouble delivering the mail.

What this industry needs is a stable economy and sufficient fuel supplies. Free market economics is a far better approach to encouraging and coordinating tourism in this country and abroad.

Mr. FLORIO. Mr. Speaker, I yield 2 minutes to the gentleman from Arkansas (Mr. ALEXANDER).

Mr. ALEXANDER. Mr. Speaker, I rise today in support of the National Tourism Policy Act. I commend my colleagues who serve on the Energy and Commerce Committee for their determination in arriving at a legislative vehicle which is solid and has been marked by a melding of views from the Congress and the administration.

Over the past few years the Congress has come to recognize the potential of travel and tourism and has grappled with the problem of how best to approach the Federal role. In H.R. 1311 we find a bill that has the strong backing of both legislators and administrators.

The U.S. Government will make a worthwhile investment as we pass this legislation. For every dollar we put in to marketing America we get more than $18 in return. That is the kind of return on investment we must capitalize upon. As our share of the tourism market grows we will see a positive contribution made to our international balance of payments. We will see additional growth in our national economy as more positions become available in this labor intensive industry. Already, close to 7 million Americans are employed in the tourism community.

The benefits for this country's social and economic welfare are vast. They are there to be realized, once this commitment is made.

For some time I have espoused the importance of a strong export orientation to strengthen the U.S. economy. Bringing foreign visitors to the United States brings foreign exchange earnings. We must broaden our export focus to recognize the service industries. Yet we cannot hope to succeed if we think all exports are alike—to be marketed the same way. Thus far our commitment to the tourism industry has been next to nothing. Now is the

time to carefully nurture tourism development.

It is time for the Federal Government to play a role in seeing that we continue to get the incredible return on investment and to see that the return grows.

Recent studies of thousands of counties in the United States indicate that almost all receive a positive economic impact from tourism activities. It is not something that affects only our well-known tourism meccas. And with a coordinated Federal effort to aid in its growth, tourism dollars will have a positive impact on every American taxpayer.

For this reason I urge you to support H.R. 1311.

Mr. LENT. Mr. Speaker, I yield 2 minute to the gentlewoman from Massachusetts (Mrs. HECKLER).

Mrs. HECKLER. Mr. Speaker, I rise in support of H.R. 1311, the National Tourism Policy Act. As the representative on the steering committee of the Congressional Travel and Tourism Caucus from New England, I strongly recommend this important bill to our colleagues.

Our floor consideration today of H.R. 1311 could not be more timely. We are now in the time of year when America is vacationing. Americans are touring our Nation's historic sites and beholding its scenic wonders. What better time than this to enact our Nation's first comprehensive, coherent, and coordinated tourism policy program.

I commend President Reagan and Commerce Secretary Baldrige for their support of this important legislation. Last year a similar bill which overwhelmingly passed both Houses of Congress was pocket vetoed by the President at that time. The commitment to this important industry by President Reagan and Secretary Baldrige is heartening and welcome, particularly in my State, where tourism is a major industry.

Yes, there are programs of tourism in the Federal Government. Yes, there are Government officials who administer these programs.

But, no, there is no comprehensive plan for a Federal approach to the Nation's third largest industry, which accounts for $160 billion in personal wages and salaries, and which generates $16 billion annually in tax revenue.

Yes, there is a vacuum in policy development and program implementation in the Federal Government with regard to travel and tourism.

Yes, we need to establish a separate, independent, and focused effort to promote tourism at home and attract foreign tourists from abroad—we have only a meager 7 percent of the world tourism market. Moreover, Mr. Speaker, we have a national tourism deficit. Americans spend $1.7 billion more in tourism abroad than foreign tourists spend in the United States.

H.R. 1311 establishes a Travel and Tourism Administration at the Department of Commerce. It establishes an Under Secretary for Travel and Tourism; and an Assistant Secretary for Tourism Marketing.

The legislation also establishes a council within the Federal Government to coordinate Federal efforts to comply with the new national tourism policy. And an advisory board is created comprised of travel and tourism officials to advise us of the industry's ongoing needs and priorities.

As the Nation's third largest industry, travel and tourism also is among the top three industries in at least 39 of the 50 States.

At a time when we are experiencing unemployment, the travel and tourism industry is a labor-intensive industry. It tends to hire those who need jobs—the young, women, minorities; 99 percent of the industry are small businesses, the backbone of our Nation's economy. For every 100 jobs created by tourism, 50 ancillary jobs are created.

Tourism is a growth industry. Since 1958, this industry has grown by 184 percent; more than twice the rate of payroll growth during the same period for our national economy.

In my State, tourism is a major industry from Plymouth Rock to the Berkshire Mountains. Travel and tourism in Massachusetts is a $3 billion industry, employing 115,000 directly and generating $145 million to the State in tax revenue.

Massachusetts is a tourism center, a four-season State, a State for all seasons. There is skiing in the winter; spring festivals; summer beaches; and beautiful fall foliage. All this provides a backdrop to our historical sites and heritage.

America is a nation of travelers. First on the *Mayflower;* then the covered wagon; the railroad; car; the airplane; and now the Space Shuttle. We are constantly on the move, seeking and making change.

Let us with this comprehensive legislation coherently promote travel at home and attract tourism from abroad. H.R. 1311 can be the legislative breakthrough that propels travel and tourism into our Nation's No. 1 industry in this century. We stand at the threshold. I urge my colleagues to vote to pass this pioneering bill.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentlewoman from Colorado (Mrs. SCHROEDER).

Mrs. SCHROEDER. Mr. Speaker, today we have the opportunity to vote on free enterprise. If you believe in more government, in government interferring with the private sector by subsidizing a thriving industry, vote for H.R. 1311, the National Tourism Policy Act. If, however, you believe, as I do, that competition and free enterprise, without government interference, will produce the most good for our people, oppose this boondoggle.

Supporters of this legislation say tourism is a huge industry in the United States, employing over 6 million people, accounting for $128 billion in expenditures, producing 20 million foreign visitors. They say this is a reason to support the bill. To my mind, it is the best reason to defeat this turkey. Our tourism industry is strong, aggressive, and not cheap when it comes to promoting its own cause. American Express spent $62 million in 1978 on advertising, 14 of the biggest hotel chains spent $59 million in 1979 advertising. Why should the Government spend $6.5 million, as the bill authorizes, to help them? To the travel industry, $6.5 million is a drop in the bucket. To the American taxpayer, $6.5 million is serious business and should not be wasted on unneeded new Government programs.

This year's version of the bill—this proposal has new incarnations about as often as the airlines change their fares—creates a new Under Secretary of Commerce for Travel and Tourism, instead of creating a new agency. This Under Secretary would be paid the same salary as is David Stockman and Paul Volcker, to supervise 75 employees and oversee a budget of $6.5 million. Such ridiculous position overgrading would be funny if it were not such a waste of money.

If you believe in free enterprise, if you want to cut the budget, if you care to stop the cancer-like growth of the Federal Government, vote against this silly bill.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from Hawaii (Mr. AKAKA).

Mr. AKAKA. Mr. Speaker, I rise in strong support of H.R. 1311, the National Tourism Policy Act of 1981.

For years, tourism has been the third largest industry in the United States; in fact, in 39 out of the 50 States, tourism is one of the top three employers. In 1978 alone, over 6.5 million Americans depended on the travel and tourism industry for their jobs.

In spite of the importance of the tourism industry to the economic well-being of this country, our Government has never taken the industry very seriously. Deep concern for the continued vitality of one of our top industries lies at the very heart of this legislation. It makes very little economic sense for the Congress to continue to ignore this vital industry.

In the past, the Federal Government has not responded to the needs or encouraged the development of the tourism industry. All of us know that we are now approaching what looks like an era of economic hardship. Now, more than ever, we need to capitalize

on the resources of the healthy and profitable industries we do have. It is shameful to have to admit that we only spend approximately 4 cents per person in this country to promote our third largest industry. It is shameful to be forced to admit that we spend the least on the promotion of tourism of all major non-Socialist nations.

Passage of this bill means that the Congress of the United States recognizes the importance of tourism to our Nation's economic health. Passage of this bill also means that we, as a country, will do all that we can to insure the continued good health of this vital industry. Passage of this bill will insure that for the first time, there is a coordinated Federal effort to develop and implement effective tourism policies and activities.

Because this is legislation critical to the economic stability of the tourism industry, I urge my colleagues to lend the measure their full support.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from Hawaii (Mr. HEFTEL).

Mr. HEFTEL. Mr. Speaker, I am pleased to rise in support of the National Tourism Policy Act. My colleagues on the Energy and Commerce Committee are to be commended for their diligent work in arriving at legislation which will provide for the development and implementation of a national tourism policy.

Tourism is a vital segment of our economy, providing a broad spectrum of American jobs. Although the tourism industry has prospered, I nevertheless am convinced that it has not realized its maximum potential. Our Nation has not had an aggressive or coordinated national tourism policy. By creating such a policy and by bringing together private industry and Government, I believe we can enhance our efforts to attract foreign capital and a greater share of the international travel market. We can better plan for orderly growth and development of the tourism market.

This legislation does not create new bureaucracy or subsidize private industry. Rather, it will simply upgrade our already existing tourism agency and will establish a council of government and private industry which will assure that the Government does, in fact, coordinate its efforts with private industry.

Mr. Speaker, it is evident from past experience that the Government must work more closely with private industry to enhance, not inhibit its efforts. If the United States is going to continue to compete in world markets and if we are going to avoid future Chrysler bailouts then we must begin to realize a role where the Government and industry are allies, not adversaries. I hope my colleagues will see the sensible approach that this legislation offers and will vote in support of it.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. BINGHAM).

Mr. BINGHAM. Mr. Speaker, the new Under Secretary would have responsibility for about 75 employees and a budget of about $8 million. By contrast, the only other Commerce Department Under Secretary supervises 2,200 employees and a budget of $175 million. Promoting tourism is an extremely important and beneficial activity, which accounts for many U.S. jobs and could account for more. But by this standard many other equally important functions and programs in the Commerce Department and many other departments would be eligible to be headed by an Under Secretary. If the public wonders how the number of high-paying Government positions escalates, and the bureaucracy expands, this legislation is one of the answers. It concerns me that the creation of an Under Secretary for this program could contribute to efforts by other interests to get their very own Under Secretary (and staff) at added cost to the taxpayer but with relatively little added benefit in terms of program effectiveness.

It also concerns me that while we are cutting back on many extremely important social programs, we should be expanding our subsidy, however indirect, to a particular industry that is thriving and is perfectly capable of doing its own very effective advertising and promotion, and in fact is doing so to the tune of several hundred million dollars every year.

So although this bill is an improvement over those presented to the House in past years, I feel compelled once again, for the reasons outlined above, and without wishing to deny in any way the significance of the tourist industry to the U.S. economy, to vote against this legislation.

When legislation similar to that now under consideration, H.R. 1311, came to the floor in the last Congress, I opposed it. I did so then principally because that earlier version of this legislation would have authorized creation of a U.S. Travel and Tourism Administration funded by the Federal Government, but virtually independent of supervision by or accountability to Government. Among other things, that proposed agency would have had authority to represent the United States to foreign governments and international bodies with respect to matters relating to tourism without appropriate coordination with and supervision by the Secretary of State and the diplomats who officially represent us abroad. The legislation, nevertheless, passed in the last Congress, but was wisely vetoed by President Carter.

H.R. 1311, I am pleased to note, is an improvement over previous bills with respect to the provisions about which I was most concerned. Under this bill, to the extent that the U.S. Travel and Tourism Administration represents the United States officially abroad, it may do so only "in accordance with applicable law." Such a limitation would certainly include close coordination with the Department of State and recognition of the Secretary of State's role and authority as chief adviser to the President with respect to U.S. foreign affairs and his authority, acting through our ambassadors abroad, over all conduct abroad on behalf of the United States.

On the other hand, H.R. 1311 includes certain other revisions which give me new concerns. It takes more than $1 million away from the Foreign Commercial Service in order to expand our tourism representation abroad, but makes those representatives solely responsible to the newly created Under Secretary of Commerce for Tourism. That new position itself strikes me as unduly exalted given the relatively small tourism budget and personnel level.

Mr. FLORIO. Mr. Speaker, I yield 1 minute to the gentleman from Illinois (Mr. DERWINSKI).

Mr. DERWINSKI. Mr. Speaker, I rise in support of H.R. 1311. Travel and tourism in the United States is the third largest retail industry and is the first, second, or third largest industry in 37 States.

The industry generates over $33 billion in wages and salaries, $15.5 billion in Federal, State, and local tax revenues, and $147 billion in domestic spending by travelers in the United States. For every dollar spent by the Federal Government to promote foreign visitation, $18 was spent by foreign visitors in this country.

H.R. 1311 articulates a national tourism policy to promote tourism to the United States. It establishes a U.S. Travel and Tourism Administration within the Department of Commerce to implement tourism policy and programs, an interagency tourism council and creates a Tourism Advisory Board comprised of representatives of the industry to coordinate and monitor Federal Government policies and programs that effect tourism.

H.R. 1311 would elevate the current Assistant Secretary for Tourism to an Under Secretary which is significant in terms of status.

Employment in travel-related businesses increased 4.2 percent, outpacing the total economy in creating new jobs in 1980. In 1980 travel-related businesses accounted for 7.6 million employed or 9 percent of all jobs in the United States.

Mr. Speaker, the travel and tourism industry is the largest private employer in 14 States and experts predict that by the year 2000 it will become the leading industry in the world.

Earlier this year the Senate passed a bill which would establish an independent Government agency for tourism. H.R. 1311 authorizes appropriations to the Secretary of Commerce in the amount of $6.5 million for fiscal year 1982. I urge my colleagues to support this legislation.

● Mr. DASCHLE. Mr. Speaker, the importance of the National Tourism Policy Act has been discussed recently by a number of my colleagues, particularly its provision for an agency within the Department of Commerce which can forcefully pursue the goal of encouraging travel to the United States by people from foreign lands.

Often it has been assumed that foreign travelers spend their time almost exclusively in States along the Atlantic and Pacific coasts. Although this assumption may have been correct in past years, it is no longer valid. Large numbers of international visitors are now learning about and choosing to visit areas in America's beautiful heartland, such as my own State of South Dakota.

This growing trend—and the significance of the National Tourism Policy Act in enhancing it—was examined by writer Jake Henshaw of the Gannett News Service in a story which appeared on May 9, 1981, in the Sioux Falls Argus Leader. I submit portions of that story for your consideration and review:

Jack Oberlitner, the South Dakota secretary of economic and tourism development, said that 200,000 tourists visit his State annually, with about 5 percent of the total being foreigners. With an aggressive Federal program, he said, that number could be doubled.

He said an aggressive independent agency is particularly important since President Reagan is trying to end funding for regional commissions. Right now, he said, the State's existing international tourism program primarily is a joint effort with four other States through the Old West Regional Commission.

Oberlitner said that this commission supports a full-time employee in West Germany who is producing a travel program called Dakota Badlands that 400,000 persons are expected to view in West Berlin.

Ed Glasgow, president of the South Dakota Hospitality Association, stressed that the existing U.S. Commerce Department Travel Service has promoted travel in South Dakota through films and trips there by foreign travel writers.

But for their State, where the $600-million-a-year tourism industry is the State's second largest, Glasgow and Oberlitner agreed that greater Federal effort is needed.

"In view of the significant benefits received from promoting international tourism * * * the costs of Federal participation seem to be not only justified, but demanded," Oberlitner said.●

● Mr. CORRADA. Mr. Speaker, I rise in strong support of H.R. 1311, the National Tourism Policy Act of 1981.

This legislation is extremely important in encouraging and fostering a national tourism policy. H.R. 1311 establishes a U.S. Travel and Tourism Administration within the Department of Commerce to implement tourism policy and programs. It creates an interagency Tourism Council consisting of representatives from the Departments of Commerce, Energy, State, Interior, Labor, Transportation, and the Office of Management and Budget to coordinate and monitor Government policy and programs that affect tourism. H.R. 1311 also creates a Tourism Advisory Board with members of the industry to advise the Secretary of Commerce in this area.

This bill, Mr. Speaker, is almost identical to legislation approved by both the House and Senate by wide margins during the 96th Congress. Unfortunately, the legislation was rejected by President Carter. The Senate has already unanimously approved S. 304, its version of this legislation.

Tourism is not only a nationally important industry, but it is a crucial component in the economy of a majority of our States. The tourism industry is one of the 3 largest employers in at least 38 States. Total employment in this industry is almost 7 million—approximately 7 percent of the total work force. Jobs in the tourism industry are being created at an annual rate of 5.5 percent, and the potential exists for even larger increases if we foster its development.

Other countries have national tourist offices to promote their attractions and while we may believe that the United States is an automatic choice of travelers, in 1980, we received only 7.8 percent of the world's tourists.

Mr. Speaker, according to U.S. travel center figures, Puerto Rico ranks first in total travel promotion from among all States' travel offices with a $10.1 million budget in 1980. This figure reflects the importance of tourism to Puerto Rico's economy. Tourism is the third largest sector of the Puerto Rican economy, behind manufacturing and government. Tourism is a labor-intensive sector of the Puerto Rican economy and accounts for about 11 percent of total employments of our labor force.

I urge all my colleagues to vote in favor of H.R. 1311.●

● Mr. GILMAN. Mr. Speaker, I rise in support of H.R. 1311, the National Tourism Policy Act.

Tourism and travel is one of the more vigorous areas of our Nation's economy, and yet it is vulnerable to Government actions which may inadvertently harm it. Furthermore, although travel and tourism within the United States is growing, we need to take concerted action—in the face of Government-backed national tourism promotion efforts abroad—to retain our Nation's share of the international tourism market.

The National Tourism Policy Act addresses these problems by elevating and reorganizing the national tourism promotion effort within the Department of Commerce; establishing an advisory board of tourism executives and private citizens to bring the views of the industry and its consumers to the attention of the highest levels of the administration.

This bill bears a very modest price tag, and it is predicted that its cost will be returned to the Treasury manyfold in the form of increased tax receipts from a thriving travel industry.

The tourism bill is supported by the administration and I am pleased to add my voice today in favor of its passage.●

● Mr. BROOKS. Mr. Speaker, some pieces of legislation seem to have a life of their own. No matter how flawed they are, no matter how much they are out of step with the prevailing mood of Congress, they just keep coming back until they slip through. Such a piece of legislation is H.R. 1311, the National Tourism Policy Act. Last year we saw a similar bill with the same title slip through the House under suspension of the rules. Its trip through the Senate was just as quick. The only thing that kept last year's Tourism Policy Act from becoming law was a very wise pocket veto by President Carter.

Last year's National Tourism Policy Act was a model of legislation that did the wrong thing at the wrong time. At a time when the American people were hitting Congress over the head with their concern over the growth of the size of the Government, it created a new independent agency to promote the interests of the tourism industry. At a time when it became clear that accountability was the cornerstone of efficient management, the tourism bill prohibited the Office of Management and Budget and all Federal officers and agencies from exercising any advance control over the Tourism Administration's budget request or estimates, legislative recommendations, testimony for congressional hearings, or other actions and, at a time when the American people were up in arms over the size of the Federal bureaucracy, the 96th Congress tourism bill authorized $6.6 million in fiscal year 1981, set up an Administrator at level II of the Executive Schedule, and a Deputy Administrator at level III.

It can be said that the 97th Congress National Tourism Policy Act, H.R. 1311, is a little less awful than last year's version. Instead of setting up an independent agency to promote the tourism industry, H.R. 1311 places this promotional effort inside the Department of Commerce. The provisions of the 96th Congress bill which made the Tourism Administration unaccountable to anyone but itself and the tourism industry have been eliminated.

But, Mr. Speaker, the problem with the National Tourism Policy Act is that the basic idea behind it is bad. For the past 6 months, this Congress has been working toward drastic cuts in funding for programs that have served essential needs of our citizens. We have cut programs in health, education, and other social services. At the same time, the new administration has been working mightily to curtail Government regulatory control and involvement with private industry. This is exactly the wrong time for us to be setting up a new bureaucracy to promote a private industry that seems to be doing a perfectly adequate job of promoting itself. I suggest that the Members read the dissenting views of my good friend, TOBY MOFFETT, which are printed in the Energy and Commerce Committee's report on H.R. 1311. As Congressman MOFFETT notes, the States and the industry are doing a fine job of promoting travel. This is the wrong time for the Federal Government to be assuming a greater load in this area. I urge defeat of H.R. 1311.●

● Mr. NAPIER. Mr. Speaker, I rise in support of the National Tourism Policy Act being considered here today. This legislation is essential for the continued strength and vitality of the travel and tourism community. The tourism industry is increasingly becoming one of the major industries of our Nation and deserves our attention and support.

The tourism industry is forecasted to become the world's largest industry by the year 2000. Here, in the United States, it generates $33 billion in wages and salaries annually, while employing 4.4 million people. There are nearly 1 million businesses, virtually all of which are small businesses, involved directly in tourism. Mr. Speaker, we need to focus on an industry of this magnitude in order to utilize it to the fullest extent possible. The National Tourism Policy Act will help us to do this. It will establish a national policy which recognizes the importance of tourism to the Nation's social and economic welfare and will set up the appropriate instruments for implementing that policy.

The implementation of tourism policy and programs will be facilitated by the establishment of an administration within the Department of Commerce. The administration will have the responsibility of monitoring and directing the growth of the tourism industry in this country. The proposed legislation will direct the administration to develop a comprehensive tourism development plan, to be approved by Congress. This plan will become the basis for efforts to promote tourism here, and more especially in other countries. This will have a number of positive economic and cultural advantages as more foreigners come to visit our country. Foreign visitation will aid in the continued strengthening of the dollar and will help to offset our serious balance-of-payments deficit. In addition, mutual understanding will be enhanced by other nationals experiencing our way of life. We need to insure these benefits by supporting the concerted approach to planning.

The National Tourism Policy Act will not require additional funding. The funding levels are identical to those requested by the administration for tourism. In actuality, the funding requirement is considerably less than that provided last year. The benefits it will return will outweigh the costs which will be incurred. By placing our emphasis on planning and promotion of a valuable and replenishable resource, we will help secure the employment of millions, strengthen thousands of small businesses across the Nation, reinforce our economy, and promote international good will.●

● Mr. RITTER. Mr. Speaker, I rise in support of H.R. 1311, the National Tourism Policy Act and urge my colleagues to support this needed piece of legislation.

As indicated in the debate today this legislation represents a reasonable and middle-of-the-road compromise and gives a tourism industry a more effective position within the Commerce Department.

The bill keeps tourism promotion and development programs in the Department of Commerce while replacing the U.S. Travel Service with an agency called the U.S. Travel and Tourism Administration. The USTTA would be headed by an Under Secretary for Travel and Tourism who would be responsible for submitting a comprehensive marketing plan to the Congress annually and for implementing national tourism policy.

The bill will establish an interagency coordinating council, headed by the Secretary of Commerce, that would coordinate policies, issues, and programs in Federal departments and agencies that relate to tourism. The Coordinating Council would use existing departmental resources and personnel and would not require additional funds. A Tourism Advisory Council comprised of representatives from the tourism and travel industry, will advise the administration on the formulation of the marketing plan and study its ongoing operations.

Moreover, the funding for this bill is consistent with the administration's budget request for tourism programs. It does not increase the bureaucracy, but rather redirects many of the already existing resources within the Government to be more effective and efficient. In addition, it has the administration's support and does not require any additional Government expenditures. In fact, this legislation demands substantially fewer dollars than required by the Senate bill or the measure the House passed last year.

The tourism industry is critical to this Nation's social and economic welfare. Coming from a State that is highly dependent on the travel and tourism industry, it is easy to recognize tourism as the Nations third largest industry, which produces over $157 billion in revenues and generates $16 billion in taxes.

The tourism industry is a labor-intensive industry. Ninety-nine percent are small businesses. The industry employs over 6 million people and is outperforming the overall U.S. economy in creating job opportunities. Since 1958, these jobs have increased 184 percent. This is more than twice as fast as the growth in total U.S. payroll employment over this period. My own district, the Lehigh Valley of Pennsylvania is experiencing rapid growth in this area.

Another major purpose of this bill is to develop and then implement a plan to increase the number of foreign travelers to the United States. This helps to improve our balance of payments and contributes to the overall strength of the economy. The U.S. share of the international tourism marketplace has consistently decreased since 1972. This new focus on tourism will help correct that situation.

Mr. Speaker, as one concerned about economic growth and particularly the growth of jobs in the private sector, I urge my colleagues to support this legislation.

Thank you.●

● Mr. GUNDERSON. Mr. Speaker, recent studies show that existing tourism programs in the United States are fragmented and lack cohesiveness. It is, therefore, essential that the Congress act now to adopt a national policy to promote tourism such as that outlined in H.R. 1311—the National Tourism Policy Act of 1981.

The basic thrust of H.R. 1311 is the coordination of national tourism policy through an interagency council and an advisory body would serve a dual purpose of reviewing the expenditure of Federal moneys on tourism and preparing an annual marketing plan for Congress.

H.R. 1311 is the culmination of 6 years of intensive study and 3 years of congressional consideration. Most importantly, it does not need to authorize any additional expenditures for fiscal year 1982 over the spending levels already requested by the administration for tourism programs. Clearly, this is the most realistic and cost-effective method of promoting tourism presently under consideration by Congress.

Through H.R. 1311 we can enhance the contribution of the tourism industry to economic prosperity, full employment, and the international bal-

ance of payments. Accordingly, we can encourage the welcome entry of individuals traveling to the United States, eliminate unnecessary trade barriers, encourage competition in the tourist industry, and coordinate all Federal activities in support of tourism with the needs of the general public, the States, territories and local municipalities.

The $6.5 million authorized in this bill for fiscal year 1982 plus the $1.1 million from funds appropriated for the tourism activities of the International Trade Administration, is less than the $8 million included in the 1981 continuing resolution for the U.S. Travel Service—the very agency which would be replaced by the newly proposed U.S. Travel and Tourism Administration in H.R. 1311.

Recent employment information for the Department of Labor indicates that in 39 of the 50 States, the tourism industry is either the first, second, or third major employer. In fact, it is the largest employer in 18 States, the second is 15, and third in 6 others.

America's tourism industry is comprised of nearly 1 million businesses out of a total of 14 million in the United States. To fully understand the magnitude of this industry and its benefits to our Nation's economy, it is important to realize that the tourism industry includes airlines, hotels/motels, attractions, rental car companies, bus-rail-and-cruise lines, convention and visitor bureaus, food service establishments, and a host of other enterprises providing services to travelers in America.

Clearly, tourism has the ability to provide jobs in both rural regions and in hard-pressed major cities. It not only supplies a large number of entry-level positions but is preeminent in providing employment for women, young people, and members of minority groups.

In my home State of Wisconsin alone, tourism is the second largest revenue producer, second only to manufacturing. During 1980, Wisconsin's economy was boosted by gross tourism sales of close to $6 billion. Even more striking, is the fact that almost 15 percent of the entire work force in the Badger State is employed in tourism-related jobs.

It is because of the impact the tourism industry has had and will continue to have on this great Nation, that we simply must develop a clear and concise national policy on tourism and travel.

I strongly encourage my colleagues who are not yet committed to expanding tourism in the United States to join with the administration and over 130 Members of Congress in support of passage of H.R. 1311.●

Mr. FLORIO. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. FLORIO) that the House suspend the rules and pass the bill (H.R. 1311), as amended.

The question was taken.

Mr. COLLINS of Texas. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I, and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

PRODUCT LIABILITY RISK RETENTION ACT OF 1981

Mr. FLORIO. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 2120) to facilitate the ability of product sellers to establish product liability risk retention groups, to facilitate the ability of such sellers to purchase product liability insurance on a group basis, and for other purposes, as amended.

The Clerk read as follows:

H.R. 2120

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Product Liability Risk Retention Act of 1981".

DEFINITIONS

SEC. 2. (a) As used in this Act—

(1) "completed operations liability" means liability arising out of the installation, maintenance, or repair of any product at a site which is not owned or controlled by—

(A) any person who performs that work; or

(B) any person who hires an independent contractor to perform that work;

but shall include liability for activities which are completed or abandoned before the date of the occurrence giving rise to the liability;

(2) "insurance" means primary insurance, excess insurance, reinsurance, surplus lines insurance, and any other arrangement for shifting and distributing risk which is determined to be insurance under applicable State or Federal law;

(3) "product liability" means liability for damages because of any personal injury, death, emotional harm, consequential economic damage, or property damage (including damages resulting from the loss of use of property) arising out of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product, but does not include the liability of any person for those damages if the product involved was in the possession of such a person when the incident giving rise to the claim occurred;

(4) "risk retention group" means any corporation or other limited liability association taxable as a corporation, or as an insurance company, formed under the laws of any State, Bermuda, or the Cayman Islands—

(A) whose primary activity consists of assuming and spreading all, or any portion, of the product liability or completed operations liability risk exposure of its group members;

(B) which is organized for the primary purpose of conducting the activity described under subparagraph (A);

(C) which is chartered or licensed as an insurance company and authorized to engage in the business of insurance under the laws of any State, or which is so chartered or licensed and authorized before January 1, 1985, under the laws of Bermuda or the Cayman Islands, except that any group so chartered or licensed and authorized under the laws of Bermuda or the Cayman Islands shall be considered to be a risk retention group only after it has certified to the insurance commissioner of at least one State that it satisfies the capitalization requirements of such State;

(D) which does not exclude any person from membership in the group solely to provide for members of such a group a competitive advantage over such a person; and

(E) which is composed of members each of whose principal activity consists of the manufacture, design, importation, distribution, packaging, labeling, lease, or sale of a product or products;

(5) "purchasing group" means any group of persons which has as one of its purposes the purchase of product liability or completed operations liability insurance on a group basis; and

(6) "State" means any State of the United States or the District of Columbia.

(b) The definition of "product liability" in paragraph (4) of subsection (a) of this section shall not be construed to affect either the tort law or the law governing the interpretation of insurance contracts of any State.

RISK RETENTION GROUPS

SEC. 3. (a) Except as provided in this section, a risk retention group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—

(1) make unlawful, or regulate, directly or indirectly, the operation of a risk retention group except that the jurisdiction in which it is chartered may regulate the formation and operation of such a group and any State may require such a group to—

(A) comply with the unfair claim settlement practices law of the State;

(B) pay, on a nondiscriminatory basis, applicable premium and other taxes which are levied on admitted insurers and surplus lines insurers, brokers, or policyholders under the laws of the State;

(C) participate, on a nondiscriminatory basis, in any mechanism established or authorized under the law of the State for the equitable apportionment among insurers of product liability or completed operations liability insurance losses and expenses incurred on policies written through such mechanism;

(D) submit to the appropriate authority reports and other information required of licensed insurers under the laws of a State relating solely to product liability or completed operations liability insurance losses and expenses;

(E) register with and designate the State insurance commissioner as its agent solely for the purpose of receiving service of legal documents or process, and, upon request, furnish such commissioner a copy of any financial report submitted by the risk reten-

tion group to the commissioner of the chartered or licensing jurisdiction;

(F) submit to an examination by the State insurance commissioner in any State in which the group is doing business to determine the group's financial condition, if—

(i) the commissioner has reason to believe the risk retention group is in a financially impaired condition; and

(ii) the commissioner of the jurisdiction in which the group is chartered has not begun or has refused to initiate an examination of the group; and

(G) comply with a lawful order issued in a delinquency proceeding commenced by the State insurance commissioner if the commissioner of the jurisdiction in which the group is chartered has failed to initiate such a proceeding after notice of a finding of financial impairment under subparagraph (F) of this paragraph;

(2) require or permit a risk retention group to participate in any insurance insolvency guaranty association to which an insurer licensed in the State is required to belong;

(3) require any insurance policy issued to a risk retention group on any member of the group to be countersigned by an insurance agent or broker residing in that State; or

(4) otherwise discriminate against a risk retention group or any of its members, except that nothing in this section shall be construed to affect the applicability of State laws generally applicable to persons or corporations.

(b) The exemptions specified in subsection (a) apply to—

(1) product liability or completed operations liability insurance coverage provided by a risk retention group for—

(A) such group; or

(B) any person who is a member of such group;

(2) the sale of product liability or completed operations liability insurance coverage for a risk retention group; and

(3) the provision of insurance related services or management services for a risk retention group or any member of such group.

(c) A State may require that a person acting, or offering to act, as an agent or broker for a risk retention group obtain a license from that State, except that a State may not impose any qualification or requirement which discriminates against a nonresident agent or broker.

PURCHASING GROUPS

SEC. 4. (a) Except as provided in this section, a purchasing group is exempt from any State law, rule, regulation, or order to the extent that such law, rule, regulation, or order would—

(1) prohibit the establishment of a purchasing group;

(2) make it unlawful for an insurer to provide or offer to provide insurance on a basis providing, to a purchasing group or its members, advantages, based on their loss and expense experience, not afforded to other persons with respect to rates, policy forms, coverages, or other matters;

(3) prohibit a purchasing group or its members from purchasing insurance on the group basis described in paragraph (2) of this subsection;

(4) prohibit a purchasing group from obtaining insurance on a group basis because the group has not been in existence for a minimum period of time or because any member has not belonged to the group for a minimum period of time;

(5) require that a purchasing group must have a minimum number of members, common ownership or affiliation, or a certain legal form;

(6) require that a certain percentage of a purchasing group must obtain insurance on a group basis;

(7) require that any insurance policy issued to a purchasing group or any members of the group be countersigned by an insurance agent or broker residing in that State; or

(8) otherwise discriminate against a purchasing group or any of its members.

(b) The exemptions specified in subsection (a) apply to—

(1) product liability or completed operations liability insurance, and comprehensive general liability insurance which includes either of these coverages, provided to—

(A) a purchasing group; or

(B) any person who is a member of a purchasing group; and

(2) the provision of—

(A) product liability or completed operations insurance, and comprehensive general liability coverage;

(B) insurance related services; or

(C) management services;

to a purchasing group or member of the group.

(c) A State may require that a person acting, or offering to act, as an agent or broker for a purchasing group obtain a license from that State, except that a State may not impose any qualification or requirement which discriminates against a nonresident agent or broker.

APPLICABILITY OF SECURITIES LAWS

SEC. 5. (a) The ownership interests of members in a risk retention group shall be—

(1) considered to be exempted securities for purposes of section 5 of the Securities Act of 1933 and for purposes of section 12 of the Securities Exchange Act of 1934; and

(2) considered to be securities for purposes of the provisions of section 17 of the Securities Act of 1933 and the provisions of section 10 of the Securities Exchange Act of 1934.

(b) A risk retention group shall not be considered to be an investment company for purposes of the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.).

(c) The ownership interests of members in a risk retention group shall not be considered securities for purposes of any State blue sky law.

The SPEAKER pro tempore. Pursuant to the rule, a second is not required on this motion.

The gentleman from New Jersey (Mr. FLORIO) will be recognized for 20 minutes, and the gentleman from New York (Mr. LENT) will be recognized for 20 minutes.

The Chair recognizes the gentleman from New Jersey (Mr. FLORIO).

Mr. FLORIO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the bill, H.R. 2110, now under consideration is a rare phenomenon, a bill that solves a significant and difficult problem at no cost to the Federal or any other treasury, and does so with minimal interference with prevailing insurance practices and State insurance regulation. This bill enjoys broad bipartisan support in Congress and is heartily endorsed by over 200 business trade groups and corporations representing well over 1 million businesses. The administration has endorsed H.R. 2120, which, unlike last year's bill which passed the House by a vote of 332-17, contains no Federal regulatory role.

This bill is crafted to address the growing product liability insurance problem which has made insurance either unaffordable or unavailable to many businesses. In testimony received by my Subcommittee on Commerce, Transportation, and Tourism, one witness described his situation in which his only option was $4 million in insurance coverage at a premium of $1 million. Other manufacturers of high-risk products such as certain medical equipment and gym equipment are unable to secure coverage at any price. This leads to the unfortunate situation of these businesses "going bare," without product liability insurance. If one of these manufacturers is found liable for an injury caused by its products, a large judgment could bankrupt the business, or allow a victim to go uncompensated.

H.R. 2120 enables product manufacturers, distributors, and sellers, to band together to form self insurance cooperatives. Such cooperatives have resulted in significantly lower insurance costs for doctors and lawyers who form groups to cover their malpractice liability exposure. Under present State insurance laws, these professional insurance pools are possible because their members reside in one State and are thus subject only to regulation by that State's insurance authority. Federal action in H.R. 2120 enables manufacturers and product sellers who are situated in different States to form similar insurance cooperatives. The bill provides an avenue to businesses to insure their product liability claims in such a way that their premiums may accurately reflect their loss record. It may be said that this bill can increase the incentive to produce safer products, since these efforts will be reflected in insurance rates. Lower premiums, or those which do not fluctuate wildly, impact the cost of doing business and can counter our present inflationary trends.

The bill before the House was amended once in subcommittee and again in the full Energy and Commerce Committee. The subcommittee amendment limited to 3 years the time period during which new groups formed under H.R. 2120 could charter in Bermuda and the Cayman Islands. The amendment also required that those groups chartering in these two offshore jurisdictions must meet the capitalization requirements of at least one State. The amendment serves to extend more domestic control over entities chartered offshore. The time limit on offshore charters will encourage relocation of these groups back to States which have amended their in-

surance laws to attract the business of risk-retention groups.

The amendment at full committee addressed concerns expressed by the Securities and Exchange Commission. The subcommittee bill exempted risk-retention groups from Federal securities laws, since the groups will not be soliciting investments from the public at large. The amendment limited this exemption to make the groups—and those providing risk-management service to them—subject to the antifraud provisions of the Federal securities laws. The amendment would govern the situation in which an unscrupulous promoter solicits funds in the name of establishing a risk-retention group but absconds with the money collected, having failed to create the intended group. The committee accepted the amendment to afford securities antifraud protection to product manufacturers and sellers attempting to form risk-retention groups under H.R. 2120.

I ask the House to approve this bill, as a necessary solution to the crisis in product liability insurance.

□ 1350

Mr. LENT. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of H.R. 2120, the Product Liability Risk Retention Act of 1981. I would like to join in commending the chairman of the Subcommittee on Commerce, Transportation, and Tourism, the gentleman from New Jersey (Mr. FLORIO), and also my colleague from New York (Mr. SCHEUER).

Mr. Speaker, as we all know, many businesses, particularly smaller businesses, have experienced continuing problems in obtaining product liability insurance at a reasonable cost. As documented during the Energy and Commerce Committee's extensive hearings, this problem has taken a variety of forms. It began in the mid-1970's when thousands of businesses were hit with huge increases in the cost of their product liability insurance. These increases were often opposite to the excellent claims experience of many of the businesses affected.

Some businesses were also forced to accept deductibles that were so high they amounted to self-insurance. Other businesses were unable to obtain product liability insurance at any cost. Ultimately, an increasing number of businesses were forced to go without product liability insurance altogether, either because it was unaffordable or unavailable. This development not only meant that such businesses risked their assets to the ravages of future lawsuits, but also that the future claims of injured consumers could go uncompensated.

Nor do we have any reason to believe that the problem will simply go away. Indicators such as the huge underwriting losses recently sustained by the property-casualty insurance industry, further extensions of liability as decreed by various courts, and the probability of lower interest rates all point to the continued increase of product liability costs.

The legislation before us seeks to address this problem. Specifically, it does so in two ways. First, it permits product manufacturers, distributors, and sellers to form their own insurance cooperatives called risk retention groups so as to spread and assume all or a portion of their product liability and completed operations risk exposure. Second, it enables such businesses to purchase product liability insurance on a group basis.

This legislation should help alleviate the problem by adding capacity to the product liability insurance market and by promoting greater competition among insurers when they set rates and premiums for such insurance. The net result should be greater affordability and availability of product liability insurance for businesses.

As such, this bill represents a marketplace solution to the problem which does not establish or interject Federal authority as did the predecessor bill, H.R. 6152, considered and overwhelmingly passed 332–17 by the House last year. Nor does it interfere substantially with existing insurance practices.

Since we last considered this bill, ongoing cooperative negotiations between business and insurance groups have resolved almost all of the remaining differences between them. The bill before us as introduced and amended generally reflects these efforts. I would like to recognize and applaud such efforts, since they were instrumental in the development of a bill which not only provides a marketplace solution for the product liability problem at no cost to the Federal Treasury but also helps assure that consumers who have a valid product liability claim against a manufacturer will not go uncompensated.

As such, this bill has the support of not only most of the insurance community affected but also the consumer groups as well as a large number of business organizations. Over 200 product seller trade associations support this bill. In its letter of endorsement, the Department of Commerce states that, "The Risk Retention Act would help allay the product liability problem and encourage industry to be both more productive and innovative."

The complete letter follows:

THE SECRETARY OF COMMERCE,
Washington, D.C., July 24, 1981.

Hon. NORMAN F. LENT,
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN LENT: During the week of July 27, the Product Liability Risk Retention Act, H.R. 2120, will come to the House floor for your consideration. I urge you to adopt this measure.

For a number of years excessively high product liability insurance rates have been a threat to the very existence of certain businesses. Premiums for such insurance have been so high that, in some cases, the funds paid for protection outweighed the potential benefits. Although a necessary business expense, such large payments cannot be borne by many companies, particularly small businesses.

Although this problem has abated somewhat, the Risk Retention Act proposes a simple long-term solution to the problem. H.R. 2120 allows industries to purchase product liability insurance on a group basis or to pool their resources to form risk retention groups. These are, in effect, self-insurance vehicles which allow an industry to combine its resources for industrywide protection.

The bill before you has evolved over several years and has bipartisan support. It represents a compromise between consumers, the insurance industry, manufacturers, and the Federal Government.

The Federal charter provisions which so many Members found objectionable during the last Congress have been eliminated from this bill. This elimination of the Federal role, together with a new amendment which would require conformity to state chartering and financial responsibility requirements, strikes the proper balance between national and state interests.

If passed, the Product Liability Risk Retention Act would help allay the product liability problem and encourage industry to be both more productive and innovative. These are the twin goals we all share.

Sincerely,

MALCOLM BALDRIGE,
Secretary of Commerce.

I would like to conclude my statement by recommending that you support this bill.

Mr. FLORIO. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. SCHEUER).

Mr. SCHEUER. I thank the gentleman for yielding.

Mr. Speaker, this is an excellent bill, well conceived, well put together. I want to congratulate the gentleman from New Jersey (Mr. FLORIO) for his outstanding leadership in this very hectic Congress in having hearings and achieving a consensus on this bill.

I was chairman of the subcommittee during the last Congress that also dealt with this bill and then, as now, we find that the bill has an enormous consensus behind it.

I know of no segment of either the insurance industry or the manufacturing industry that does not support this bill wholeheartedly. It does not require any Federal expenditures; it does not require any Federal bureaucracy. It is a classic marketplace consensus that has been achieved largely under the leadership of the gentleman from New Jersey (Mr. FLORIO), and I urge all the Members to support it. It will radically reduce the cost of insurance to private industry and the broad range of manufacturing and other industries that need it. The insurance

companies support it. It makes a great deal of sense, and again, I congratulate the gentleman from New Jersey for his outstanding leadership.

I yield back the balance of my time.

□ 1400

Mr. LENT. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. COLLINS).

Mr. COLLINS of Texas. Mr. Speaker, I want to thank the gentleman from New Jersey (Mr. FLORIO) and the gentleman from New York (Mr. LENT) for the bill that we have on the floor before us this year. It is a tremendous improvement. In fact, it solves the situation without any Federal involvement. This new bill, compared to the bill we had before us last year, where we had a Federal agency, is now providing the most expeditious and the best way that it could possibly be handled.

But withdrawing any past opposition that I have to this concept, I still hope that somewhere in this Government we are going to move on and do even more in the field of product liability. Unlimited liability is one of the most serious problems that faces manufacturers in this country. I am not a lawyer, and I do not understand torts, but they need to do about three things to improve product liability. The first thing, they need is to have a statute of limitations. They cannot let these claims run on and on, 20 years after you manufacture a product. The second thing, they cannot have the secondary or tertiary responsibility; in other words, if you manufacture a truck and someone hangs something on your truck, a person should not be able to, because of that little item that is on there, sue the truck company.

The third thing is, I think we should establish some reasonable limits on what courts and juries could give in the way of compensation. In other words, whatever they give in damages eventually comes back for us to pay as consumers, and whatever we do should be fair and equitable completely across the country.

So I am asking that somewhere—and possibly it is not within our committee's jurisdiction—we establish a sound way to once and for all give balance, and give a final answer to this product liability, this overwhelming problem that faces industry in America today.

Mr. Speaker, as we all know, many businesses, particularly smaller businesses, have experienced continuing problems in obtaining product liability insurance at a reasonable cost for several years now. As documented during the Energy and Commerce Committee's extensive hearings, this problem has taken a variety of forms. It began in the midseventies when thousands of businesses were hit with sudden and substantial increases in the cost of their product liability insurance. These increases were often opposite to the excellent claims experience of many of the businesses affected. Some businesses were also forced to accept deductibles that were so high they amounted to self-insurance. Other businesses were unable to obtain product liability insurance at any cost. Ultimately, an increasing number of businesses were forced to go without product liability insurance altogether, either because it was unaffordable or unavailable. This development not only meant that such businesses risked their assets to the ravages of future lawsuits but also that the future claims of injured consumers could go uncompensated.

As reported by the committee, H.R. 2120 seeks to address the product liability problem in two ways. First, it permits product manufacturers, sellers, and distributors to form their own insurance cooperatives called risk retention groups so as to spread and assume all or a portion of their product liability and completed operations risk exposure. Second, it enables such businesses to purchase product liability insurance on a group basis. Clearly, this legislation represents a marketplace solution to the problem and should help alleviate the problem by providing an opportunity to reduce insurance costs for some businesses, particularly smaller businesses, and by promoting greater competition among insurers when they set product liability insurance rates and premiums.

However, I do not believe that it addresses the root of the problem, that is, uncertainties in the tort-litigation system. Therefore, I would like to take this opportunity to express my hope that we will soon proceed to address such uncertainties in the tort-litigation system with appropriate Federal legislation.

The product liability problems associated with our current tort system are well documented. In early 1976, pursuant to communications from the capital goods sector, in particular, and other business sectors that a crisis had arisen in the area of product liability, the Ford administration formed an Interagency Task Force on Product Liability. After a year of extensive study, the Task Force issued a final report which identified uncertainties in the tort-litigation system as a principal cause of the product liability problem.

The present tort-litigation system has produced a number of decisions which are moving away from a balanced system in which those who are injured by a product are reasonably compensated only by those who are at fault. I would like to note several particularly troublesome areas: First, the imposition of principles of strict liability on some manufacturers relating to the design of the product and/or warning about hazards connected with that product; second, excessive product liability costs for wholesalers, retailers, and distributors who are frequently brought into a product liability suit even though they usually act as a conduit by passing on a finished product, unaltered, in its original package; third, the absence of a cutoff point after which a manufacturer is no longer subject to liability for an injury caused by an older product; and fourth, the awarding of excessive punitive damages.

Admittedly, the consideration of these and other areas of the product liability tort-litigation system will have to be thorough because of the system's complexity; but I would like to emphasize the need to promptly address these areas in uniform Federal legislation. I see such action as essential if we are to reach the root of the product liability problem.

Mr. FLORIO. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. MARKEY).

Mr. MARKEY. Again I thank the gentleman for yielding, and I applaud him for the leadership he has given in another area that needs addressing on the national agenda.

Mr. Speaker, the Risk Retention Act would provide desperately needed relief for small business. In my district in Massachusetts alone, there are over 7,000 small businesses. We have a combination of high-technology firms and a large number of small manufacturing businesses. Over the past 5 years, these firms have experienced only a marginal increase in the actual legal actions taken against them due to product liability. There virtually has been no increase in the actual claims that have been settled by the courts for damage caused by these firms' products. In spite of this, the cost of premiums for liability insurance has increased on the average of 200 percent with deductible levels substantially increasing over the past 5 years. Those that can afford the expense continue to pay these exorbitant liability insurance costs while continuing to suffer severe financial strain. This high price, however, has put needed liability insurance out of reach for many small businesses struggling to stay afloat.

Since there currently is no alternative to obtaining liability coverage, it appears that the forces of competition have been suspended. This is unacceptable.

The businesses in my district and in every congressional district across this country need and deserve relief from these excessive premium costs.

By allowing product sellers to form product liability risk retention groups, protection for small business can much more reasonably be achieved. In addition, this effectively will increase competition in the insurance industry

and will encourage rates to be based on actual risks and loss experience rather than anticipated losses. I also believe that quality control on the part of manufacturers would increase. Surely, it would not be in the best interests of the risk retention group members to manufacture products that would not produce a large number of claims. I believe strongly that the Risk Retention Act represents a significant step toward making essential coverage available to small businesses at prices they can afford to pay.

I urge support for this excellent legislation and I commend the chairman (Mr. FLORIO) for guiding this bill to passage.

Mr. LENT. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana (Mr. HILER).

Mr. HILER. Mr. Speaker, I rise in support of the bill.

Mr. Speaker, during the years of 1975 through 1978, jolting changes in the property-casualty insurance market caused many companies' premiums for product liability to soar upwards by 300 percent and more. Further, some product sellers were unable to obtain product coverage at any price, thus leading to extreme exposure and the inevitable decision of whether to continue business.

In the last Congress, the House Subcommittee on Consumer Protection and Finance initiated 9 days of hearings to determine the cause of the product liability dilemma and to analyze the various solutions available. The subcommittee and the House Committee on Energy and Commerce have determined that because of the severity of the problem and because individual State legislation cannot facilitate the formation of effective self-insurance groups, Federal legislation is the only viable avenue to product liability insurance at reasonable costs. H.R. 2120 is the product of that determination.

The burgeoning costs of product liability insurance, whether through increased premiums or higher deductibles, continues to impose unacceptable economic burdens on product sellers and, especially, on small businesses. The possibility of businesses closing, resulting in increased unemployment, and the unproductive drain on resources caused by extreme premiums, are contrary to programs now underway to restore our economic strength.

H.R. 2120, the Product Liability Risk Retention Act of 1981, seeks to solve the problem of escalating product liability insurance premium costs by permitting product manufacturers to buy insurance as a group or to self-insure by forming "risk retention groups," or insurance cooperatives. As such, it is a responsible response to a serious problem.

I urge every Member of Congress to vote for its passage.

Mr. FLORIO. Mr. Speaker, although I have no further requests for time, I would like to just publicly recognize the contribution of the gentleman from New York (Mr. LAFALCE).

Mr. Speaker, I yield back the balance of my time.

Mr. LENT. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. FLORIO) that the House suspend the rules and pass the bill, H.R. 2120, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

EXPRESSING SENSE OF CONGRESS WITH RESPECT TO MONETARY POLICY, INFLATION, AND HIGH INTEREST RATES

Mr. REUSS. Mr. Speaker, I move to suspend the rules and agree to the concurrent resolution (H. Con. Res. 160) expressing the sense of the Congress with respect to monetary policy, inflation, and high interest rates, as amended.

The Clerk read as follows:

H. CON. RES. 160

Resolved by the House of Representatives (the Senate concurring), That it is the sense of the Congress that—

(1) current interest rates are needlessly and destructively high, taking into account the current rate of inflation;

(2) high interest rates are wreaking extensive damage on the economy and, in particular, on constuction, on housing, and on the automobile industry, on the thrift institutions, on small business, and on productive capital investment;

(3) high interest rates in the United States are also damaging the economies of our major trading and financial partners, and the economies of the developing world, causing unemployment, impeding growth, and contributing to the risk of social and political disorder;

(4) high interest rates in the United States are the result, in part, of an excessive reliance on tight monetary policy to fight inflation, coupled with an expected large fiscal deficit; and

(5) interest rates should be brought down now. Among other steps, the administration and Congress should—

(A) take immediate action to reduce the future budget deficit and so permit lower interest rates;

(B) encourage the banking system to concentrate available credit on those uses which contribute most to long-term productivity improvement and inflation fighting; and

(C) encourage the Federal Reserve to lower interest rates, without jeopardizing firm control over the aggregate rate of growth of money and credit.

The SPEAKER pro tempore. Is a seconded demanded?

Mr. STANTON of Ohio. Mr. Speaker, I demand a second.

The SPEAKER pro tempore. Without objection, a second will be considered as ordered.

There was not objection.

The SPEAKER pro tempore. The gentleman from Wisconsin (Mr. REUSS) will be recognized for 20 minutes, and the gentleman from Ohio (Mr. STANTON) will be recognized for 20 minutes.

The Chair recognizes the gentleman from Wisconsin, (Mr. REUSS).

Mr. REUSS. Mr. Speaker, the issue is a vital one, and the resolution is right to the point. It enjoys, I think, bipartisan support, and I hope it is passed unanimously.

Let me, if I may, Mr. Speaker, walk us through the language, because it is quite self-explanatory.

"Current interest rates," the resolution says, "are needlessly and destructively high, taking into account the current rate of inflation."

Well, they certainly are. The current rate of inflation is something around 8 percent. Yet current interest rates, prime rates, are in excess of 20 percent. How skewed and how out of line can they be?

Second, "High interest rates are wreaking extensive damage on the economy * * *." They sure are. In the quarter just passed, gross national product declined.

□ 1410

In particular, high interest rates are tough on housing. Indeed they are. One million starts so far this year at an annual rate, about one-half of what there should be, and a 38-percent decline since last January.

High interest rates are tough on the automobile industry. They sure are. Auto sales are 32 percent lower than last March. They are murder on the thrift institutions, many, many of which are in very, critical shape because of high interest rates.

On small business, on productive capital investment, and on our friends abroad, current interest rates are simply destructive.

They are the result, the resolution goes on to state, of an excessive reliance on tight monetary policy to fight inflation, coupled with an expected large fiscal deficit.

And the resolution sums up by saying that something can be done about high interest rates, and that they should be brought down and brought down now. The administration and the Congress should: First, encourage the Federal Reserve not to overtighten money. The general Federal Reserve target of 3 to 5½ percent increase for the most common monetary aggregate, M_{1B}, which is cash and

checking accounts, instead of being within the target range for the first 6 months of this year, has hovered at around zero. That should be brought up to the target range, and the Federal Reserve can do it.

Second, it is up to the administration and the Congress to exercise budgetary control, and bring the budget into balance, so that the Treasury does not get out into the market bidding up the price of money in competition with the private economy.

Third and last, all branches of Government ought to encourage our banking industry to soft-pedal loans for commodity speculations, for corporate takeovers, for excessive foreign lending, and thus encourage more money to be available, and at lower interest rates, for housing, construction, capital investment, farmers, small business, and the thrift institutions.

Mr. Speaker, Congress has not only a right, but a duty, to speak out on high interest rates.

Article 1, section 8 of the Constitution vests in the Congress "the power to coin money, regulate the value thereof." High interest rates are currently the scourge of the American economy.

I hope, Mr. Speaker, that there will be unanimous support for House Concurrent Resolution 160, and that all who hear its message will pay heed.

Mr. STANTON of Ohio. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the gentleman from Wisconsin deserves to be commended for the intent of this resolution. Interest rates are too high and are creating serious financial problems for both businesses and individuals.

This is not, however, a resolution which I, or the administration, would emphasize. It is far from complete. While every American feels the press of high interest rates, the source of this problem is inflation and the answers to inflation are not the ones outlined in House Concurrent Resolution 160.

The answers are set forth in the President's economic program which calls for a reduction in Federal spending, a lowering of taxes, a commitment to a stable monetary policy, and a lessening of Federal regulation. The enactment of these programs is where this body should focus its attention.

I am somewhat disturbed by the provision which would call on the administration to—

> Encourage the banking system to concentrate available credit on those uses which contribute most to long-term productivity improvement and inflation fighting.

Quite simply, this is a call for credit allocation. Credit allocation would be the ideal solution to the problem of high interest rates if it worked. The fact is that credit allocation is an unworkable economic program. It is impossible for the Federal Government to intervene in the marketplace to adequately replace the millions of credit decisions and judgments which are made every day. Moreover, as we all know, our Nation's economy is increasingly controlled by decisions that are made halfway around the world and these determinations could never be assumed by the bureaucracy.

Thus, the impact of credit allocation is the opposite of its intent. It serves to skew market decisions and channel resources, both financial and industrial, in directions that were never envisioned.

I am also bothered by the provision which asks the administration to "encourage the Federal Reserve to lower interest rates * * *." There are three problems with this provision. First, it ignores the delicate balance between the operations of the Fed and the administration. The Fed was created by the Congress as an independent agency subject only to legislative mandate and not the dictates of the administration.

Second, the call on the Fed to lower interest rates implies a return to unrestrained monetary growth. The unrestrained growth in the money supply that has occurred in the past is one of the root causes of the high interest rates we face today. One of the best solutions to lowering inflation and interest rates is a stable monetary policy, and as Chairman Volcker announced to our committee last week, that is the path they have already chosen to follow. As the Chairman stated:

> Curbing inflation will require persistent restraint on the growth of money and credit. An attempt to escape from high interest rates and strains on financial markets and institutions by abandoning that restraint would be self-defeating. By encouraging expectations of more inflation, that approach would soon stimulate even more borrowing, further reduce incentives to save, and ultimately result in still higher interest rates and more economic difficulty . . . Indeed, sustained monetary restraint, by encouraging greater confidence in the price outlook, will in time help bring interest rates lower.

Third, the provision which asks the Fed to lower interest rates ignores the procedure of the Humphrey-Hawkins Act which directs the House and Senate Banking Committees to comment upon the Fed's policies on a semiannual basis. This procedure is the proper forum for the ideas contained in this resolution. In fact, the Members of this body should be aware that although this resolution was referred to the Banking Committee, it has never been formally considered by our committee.

Finally, since this resolution is simply a statement of sentiment, it is not binding on the administration and I have no objections to its passage.

Mr. BETHUNE. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to the gentleman from Arkansas.

Mr. BETHUNE. I thank the gentleman for yielding.

The thing I have noticed about sense of Congress resolutions is that very frequently it is like beauty in the eyes of the beholder, it means to the reader whatever he wishes for it to mean.

As I read over this concurrent resolution, it occurred to me what we are really talking about here is overall economic policy, and what each of us believes in that respect.

It was November of 1980, 8 full months ago, that the President was elected and we embarked on a four point economic recovery program to get this country going again and get inflation down and get interest rates down—8 months ago.

Up to this point, we have not passed any part of the President's economic program because the Congress has not responded.

So, as I read the resolution, here is what it means to me.

Part 1: Current interest rates are needlessly and destructively high. I agree with that. We need the President's four point economic recovery program.

Part 2: High interest rates are wreaking extensive damage on the economy. We all agree with that. We need the President's four point economic recovery program.

Part 3: High interest rates are damaging the economies of our major trading and financial partners. I agree with that. We need the President's four point economic program. Next, high interest rates are the end result in part of excessive reliance on tight monetary policies. I agree with that because we have not asked for the other three parts of the President's economic recovery program. Until we do, naturally there is going to be excessive reliance on monetary policy.

Then for the remainder of it where it suggests what we should do, part 5(A) says that we should take immediate action to reduce future budget deficits. That is part 1 of the President's economic recovery program. Then it says that we should encourage the banking system to concentrate available credit. Some people said that that is credit allocation. Maybe it was the way the gentleman from Wisconsin first drew it, but now I read that, how do we encourage the banking system to concentrate available credit to the most productive uses?

We develop and nourish those market forces that naturally through competition and all other natural forces will cause the banking industry to direct the resources to the most productive use. That is what that means to me.

I am not sure what part 5(C) means. It is just gobbledygook. But I wonder where the third page of the resolution is. I asked the drafters of it because

the third page of the resolution should call for implementation of the President's tax policy, and it should call for implementation of the regulatory measures.

□ 1420

This is just a statement that goes about halfway toward explaining the interest rate problem in the country. I wish we would go ahead and complete it, but unfortunately we have come here under this truncated procedure. I really do not see much to this, and I doubt anybody else will either.

Mr. STANTON of Ohio. I thank the gentleman for his contribution.

Mr. WYLIE. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to my colleague from Ohio.

Mr. WYLIE. Mr. Speaker, I thank the gentleman for yielding. I have read this sense of the Congress resolution and I think that the sense of the Congress resolution expresses a resolve with which we can all agree. It is a little bit like motherhood. Of course, we are all against high interest rates, and we want the Federal Reserve to do something about it, and high interest rates are damaging the economy.

I think that the thrust of the resolution, however, may be a little bit hard on the Federal Reserve Board. I happen to think that high interest rates are due almost entirely to high budget deficits which have been voted by previous Congresses. We are in a position to do something about it in this Congress, and we have taken the first step in that regard by passing President Reagan's budget which calls for a reduction in Federal spending.

Last night, he encouraged us to vote for his tax package, and I might say that there is no question in the minds of the people of the 15th district which I represent as far as approval of this bipartisan approach to bringing down the inflation rate, and in the process bringing down the interest rates. People have confidence in the President, and they believe that his economic recovery program will reduce inflation, bring down interest rates, and improve their standard of living.

But, as I say, I think what we are really missing here is the fact that we need to have a more responsible fiscal policy, and the high interest rates will remain as long as we have huge deficits.

I commend the gentleman from Ohio (Mr. STANTON) for his statement.

Mr. STANTON of Ohio. I appreciate the comments of my colleague.

Mr. KEMP. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to the gentleman from New York.

Mr. KEMP. I thank the gentleman for yielding. Would the gentleman mind if I took time on his time to ask the author of the resolution, what do they mean by suggesting that Congress should take action to concentrate available credit on those uses which contribute most to long-term productivity improvement and inflation fighting? Surely we do not believe in credit allocation or capital allocation. I certainly cannot support something that suggests that we are going to turn over to Congress or to the White House or to the Federal Reserve the credit and capital allocation responsibilities of the marketplace. Can the distinguished chairman tell us what he means by this?

Mr. STANTON of Ohio. I will yield to my friend in just a minute, but I will tell the gentleman how I feel.

It is like the gentleman from Arkansas said, we encourage the private banking system to concentrate available credit for productive purposes. We tell them that they ought to do it.

Mr. KEMP. What definition is the gentleman suggesting? Is housing productive or nonproductive?

Mr. STANTON of Ohio. I would like to see them certainly moving toward our auto dealers and small business, not Conoco, for example, or other speculative mergers. We tell them we would like to see that, not that they must do that.

I certainly yield now to my friend from Wisconsin.

Mr. REUSS. Mr. Speaker, I appreciate the gentleman yielding, and I am glad to address myself to the question propounded by the gentleman from New York.

What is meant by this is perfectly clear; namely, that the administration and Congress want to encourage the major American banks to move away from their present practice of grubstaking the commodity speculators, the Bunker Hunts, from grubstaking the corporations, the conglomerates and other measures of bank loans which contribute to inflation by bidding up the price of existing assets; and instead to concentrate their lending on inflation-fighting productivity-enhancing loans, largely for enhanced capital investment.

If that were done, I think we could deal a major blow to inflation. Just a few days ago Mr. Gaylord Freeman, chairman emeritus of the First National Bank of Chicago, one of the Nation's largest, testified that in his view bankers would patriotically respond to such a request from the Congress. That is one that I have in mind.

Mr. STANTON of Ohio. We are running out of time on our side. I will yield further to the gentleman from New York.

Mr. KEMP. Well, there is no definition in here. We have the chairman's word that he knows what he means by those words, but no one else does. It frankly seems to me that they are putting something across on the American people by supporting legislation that has no teeth in it. Sure, we are against high interest rates. What are we going to do about them? I believe a simultaneous strategy of tax reduction, fiscal and monetary restraint, and regulatory reform will reduce inflation, expand the productive capacity of the country, and, therefore, reduce high interest rates. Just denouncing high interest rates does nothing but try to fool the American people into believing we are doing something about this problem. They are not that easily fooled. I am sorry that I cannot support this.

Mr. STANTON of Ohio. I appreciate that. We are against high interest rates.

Mr. DANNEMEYER. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to the gentleman from California.

Mr. DANNEMEYER. Mr. Speaker, I thank the gentleman for yielding. I have mixed emotions about this resolution. Subdivision A, page 2, interests this Member very much when it talks about taking immediate action to reduce the future budget deficit and so permit lower interest rates.

The gentleman from Wisconsin may be interested to know that this week, I believe, the Republican research committee will be sending out for the Members' examination a document which suggests and identifies 272 items listing some $52 billion in savings that could be achieved in fiscal year 1982 if we in the Congress have the guts to do it. It would be my hope that the Congress would have the judgment to further reduce the deficit by making more rescissions in our proposed spending.

There is another feature about the resolution that disturbs me. It is the inference that the Federal Reserve System has been putting excessive reliance on tight money policy. I do not know how you define tight money policy, because my information indicates that for 1981, on an annualized basis, M_{1B} expanded in January, 10.2 percent; February, 7.2 percent; March, 6.9 percent; April, 8.5 percent; May, 6 percent.

Now, there is a drumbeat going around saying that we are in an era of tight money. I suggest to the gentleman that we are actually in an era of an expansive money supply as administered by the Federal Reserve System, and it is this irresponsible expansion of the money supply which the managers of the capital markets of this country are perceiving will cause further inflation down the line. Hence, high interest rates now.

Mr. STANTON of Ohio. I appreciate the gentleman's contribution. He made a very good contribution.

Mr. PARRIS. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to a very valuable Member, the gentleman from Virginia (Mr. PARRIS).

Mr. PARRIS. Mr. Speaker, I appreciate the gentleman yielding to me. I just want to make the point to the ranking Republican Member and my colleagues that this resolution is an example of the issue of the week brought forth by the majority in an attempt to embarrass Members on this side of the aisle. Last week it was social security. Next month it will be student loans or school lunches. After that, there will be something else.

We are all concerned about high interest rates which are going to kill the American dream, but I suggest, Mr. Chairman, the problem with this resolution is that it is code for credit allocation. The suggestion that the principle of credit allocation is a desirable one to impose on the Nation's financial markets is simply absurd. Can you imagine the Government telling the financial institutions of this Nation who to loan money to and for what purpose, to provide money for this but not for that, to build motels but not to buy cars, or for some or any other purpose? It would be economic chaos. If you like the way the Government runs the Post Office, you will love the way they will run the banks.

I submit however, Mr. Chairman, that the worst part of this measure is the way it was reported to the floor of this House. To be permitted to bring this resolution forward in this bizarre and extraordinary manner, on an issue of this magnitude, is simply astounding. This resolution was not addressed by any committee nor any subcommittee. No hearings were held. There was no input from anybody other than the author and the Speaker of this House. The minority did not even receive a copy until this morning, and then it appeared magically on today's calendar. We cannot continue this way.

It is my hope that any resolution of this magnitude will in the future be considered in accordance with the usual rules and procedure of this House.

Mr. STANTON of Ohio. I did promise to try to yield to my friend from California (Mr. ROUSSELOT).

Mr. ROUSSELOT. Do you mean to say that this came out of the Banking Committee without a hearing, without a report? Gracious.

Mr. STANTON of Ohio. I was the first to point that out. Certainly the procedure was something which we all abhor and are totally opposed to. If there was any strength in this particular resolution I would certainly look on it differently, but it simply says we are against high interest rates.

□ 1430

Mr. PAUL. Mr. Speaker, will the gentleman yield?

Mr. STANTON of Ohio. I yield to the gentleman from Texas.

Mr. PAUL. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I rise in opposition to this resolution, mainly because I see this resolution as just more of the same. I believe we have been doing exactly what this resolution proposes we do; that is, we have been credit-allocating for a good many years, we have done it unsuccessfully, and I believe if we continue with it, we will continue with the same bad results.

Our main problem is our overall monetary policy; managing a fiat currency does not work. For the past 10 years we have been doing that. In the last 10 years, with this type of management, we have increased the money supply by 186 percent, and the prices have gone up that much, and at the same time, due to the dollar depreciation, the average wage has gone down by 14 percent.

I would suggest to the other side that we could join hands in doing something that would really get to the bottom of this. If the Federal Reserve is responsible, then we should raise the question and follow through with auditing the Federal Reserve System.

In 1978 we did pass a bill to partially audit the Federal Reserve System, but we exempted from this audit certain transactions which I think are very important, such as the transactions now under the direction of the Open Market Committee and the deliberations and decisions and actions on all of our monetary policy are held in secret from the American people.

Mr. Speaker, I would hope that we could get to the bottom of our monetary crisis. If we could do this, we could solve the problem of high interest rates.

Mr. STANTON of Ohio. Mr. Speaker, let me thank my friend, the gentleman from Texas (Mr. PAUL). We are down to the last portion of our 20 minutes, and I would like to utilize some of the time.

I would hope that the majority side would understand what we have attempted to point out in this resolution. First, we are all against high interest rates, so we support it. But, second, there is nothing here about inflation, so when we get back to Banking Committee business, let us concentrate on that subject matter and make it clear to the American people that we have the high interest rates due to the excessive promises and the excessive spending of previous administrations. Now we are resolved—the Congress and the administration—to reduce future budget deficits in order to help lower interest rates in the future.

Mr. Speaker, let us hope sincerely that this effort helps to bring down our high interest rates which are so sufferable to so many of our good constituents.

Mr. REUSS. Mr. Speaker, I yield 7 minutes to the distinguished chairman of the Committee on Banking, Finance and Urban Affairs, the gentleman from Rhode Island (Mr. ST GERMAIN), who is a cosponsor of this resolution.

Ms. OAKAR. Mr. Speaker, will the gentleman yield?

Mr. ST GERMAIN. I yield to the gentlewoman from Ohio.

Ms. OAKAR. Mr. Speaker, I thank the gentleman for yielding.

I just want to be on record, Mr. Speaker, as saying that we should make no apology about offering the resolution, and I am very delighted that it is a bipartisan resolution. I am proud to be a cosponsor.

Our auto industries, our thrifts, our small businesses, and our housing industry and so forth, are just being paralyzed by these high interest rates, and it is about time we went on record as saying that the sense of Congress is that we are opposed to this, and that we want our Federal Reserve Board, along with the President, to do something positive about this very dire situation.

Therefore, I join my colleagues in support of this resolution which marks the first step in our efforts to restore some sense of equilibrium to an economy in a state of flux and uncertainty.

The monetary policy being pursued by the administration and the Federal Reserve Board, coupled with the inflationary psychology of the times, has pushed interest rates higher than they ought to be—and, indeed, higher than the Fed itself and the administration expected them to be. Every economist has a different explanation for the contradictory pattern of escalating real interest rates that are outpacing the rate of inflation and the Consumer Price Index. Meanwhile our critical industries—housing, auto sales, thrifts—are paralyzed, consumers and small businesses panic and desperately scavenge for short-term ventures and hedges, or simply go broke or bankrupt. This shows our committee's concern and will to do something about it. I proudly support the resolution.

Mr. ST GERMAIN. Mr. Speaker, I thank the gentlewoman from Ohio (Ms. OAKAR) for her contribution.

Mr. Speaker, I rise in support of House Concurrent Resolution 160, expressing the sense of Congress that the Federal Reserve Board and the administration should relax their stranglehold on the national economy. Their policies are perpetuating high and volatile interest rates. Worse yet, those rates operate with built-in inequities.

Last week Federal Reserve Chairman Volcker admitted to the Banking Committee that, as a result of the

tight money and credit policies fully supported by the administration:

There are so many credit demands out there in the market including by the U.S. Government, somebody is getting squeezed out. Somebody says Uncle first, and it tends to be the homebuyer or other people that are in the weakest position.

The small businessman, who is seeking to finance his inventory, cannot afford the 22 percent or 24 percent interest rates he is charged. However, the major corporations are gobbling each other up as fast as possible. As Chairman Volcker said, "They are perfectly willing to pay the rates." The small businessman and homebuyer might be willing to pay the rates, too, but they cannot afford to.

I urge the Members to support this resolution because I am deeply concerned that the basic sense of fair play which keeps this heterogeneous society together may be eroding. At every turn the administration supports policies to heap the burden on those least able to bear it, all in the name of so-called supply side economics, but better known as trickle-down economics. How can we expect the young people, the black and Hispanics, or the struggling small businessmen to have faith in our efforts if they are pinched into unemployment or bankruptcy by policies that leave the superrich, and multinational corporations unscathed? The citizens of this country are willing to sacrifice for the national good, they have shown that throughout our history. But they must be convinced that their sacrifice is for the national good, and not for the benefit of a small group, at the expense of the vast majority. The current bidding war for Conoco, which will soon spread to other oil companies if press reports are right, shows clearly that the tight money policy of this administration and the Federal Reserve Board is heavily tilted toward the rich.

Chairman REUSS and I have had Paul Volcker before the committees in the last 2 weeks, and although he indicated little concern about the takeovers before the Joint Economic Committee, by the time he appeared before the Banking Committee last week, the bidding war had begun in earnest, and some lines of credit had been drawn down. At that time Chairman Volcker said he was concerned about the possibility of unproductive mergers, and violations of normal banking practices.

Since that time, 1 week ago today, the bidding wars have further escalated. Yesterday the offers, and counteroffers were flying at supersonic rates. Perhaps one offer, by one bidder, for Conoco could be mistaken for a productive use of resources, but an expensive and elaborate high stakes poker game among the Nation's largest corporations is an exhibition in conspicuous consumption that flies in the face of administration declarations of restraint and evenhandedness. After Seagram boosted its Conoco offer from $85 to $92 a share, DuPont followed suit with a $95 offer for 50 percent of the stock and Mobil trumped the other leviathans by offering $105 a share, or $8.1 billion. Still this is not enough for some Wall Street plutocrats; as one said, "For $110 Mobil could have gotten my attention. But no way at $105."

Any illusion that this bidding war is an exercise in productive investment, rather than a game is dispelled by one speculator who told the Wall Street Journal this morning that, "I'm staying with Seagram because they'll cut me a check next Monday morning and I'll have the cash Tuesday. Then I'll probably buy some more Conoco and tender it to DuPont."

Over $40 billion in credit commitments have been locked up through this kind of speculation, and it is being condoned by the Reagan administration which refuses to give any signal that it disapproves of horizontal mergers between the largest corporations in the country. First the administration and the Federal Reserve dry up much of the credit and money growth in the country, and then they stand by as the few remaining drops are sopped up by credit-hungry gamblers and speculators in massive takeover binges.

House Concurrent Resolution 160, before us today, calls on the administration to design and implement a policy of encouraging the banking system to concentrate available credit on those uses which contribute most to long-term productivity improvement and inflation fighting. If the administration would send the signals necessary, it could help restore the sense that this country's policies are designed to help all of its citizens, and not to benefit a few at the expense of the many. This is why I urge you to support this resolution.

Mr. Speaker, in the past, my colleague, the gentleman from California (Mr. ROUSSELOT), a former member of the committee, would rant and rave about the lack of hearings. I often said to myself, "He has got a point." I said "Yes; he has got a point."

However, when he got up today, I harkened back a few weeks to well-known piece of legislation that was 800 pages long, with telephone numbers in it and a few other hen scratches, and it seems to me that I recall he voted for that piece of baggage. And talk about hearings, nobody knew what was in that thing and we certainly didn't have a hearing record.

So unfortunately, I say to the gentleman, in the future he has a problem with me when he yells about the lack of hearings.

I agree that it is always the right procedure to have full hearings, and I agree that when we are having hearings, we should hear from everybody. But we have had hearings. We had Chairman Volcker up here, we had Deputy Under Secretary of the Treasury Beryl Sprinkel, and we had Assistant Secretary Mehle up here, and we had representatives from labor, small business, public power, and we had people representing the mayors of our communities. We intend to have further extensive hearings on monetary policy and on the impact of high interest rates on the small businessman and on BILL STANTON's mother.

Mr. STANTON of Ohio. Mr. Speaker, will the gentleman yield?

Mr. ST GERMAIN. I yield to the gentleman from Ohio.

Mr. STANTON of Ohio. Mr. Speaker, I think personally the gentleman from California was making an excellent point, and I am very surprised that the committee chairman would get up and speak in this way.

What I was doing is protecting the rights of the minority and saying that this resolution, House Concurrent Resolution 160, was brought to the House floor today without any previous knowledge of the ranking minority member of the Banking Committee. I think this is what the gentleman from California was speaking to, and that is what I spoke to first in my remarks.

I would hope now that the chairman would not say these things, and I asked the gentleman from Wisconsin (Mr. REUSS) to tell me that the chairman would not say that we are going to do this again, because if we are, we are going to lose an awful lot of votes.

Mr. ST GERMAIN. Mr. Speaker, the chairman is not saying that at all. Listen, I say to my colleague, to what the chairman stated.

I was always impressed when our friend, the gentleman from California, would complain about the lack of hearings. I have always been impressed by that, and I felt he often had a good point. In fact, he has a good point now, but I am not as impressed today because of his vote on Gramm-Latta, and I think I am allowed to make that observation.

Mr. STANTON of Ohio. Mr. Speaker, will the gentleman yield further?

Mr. ST GERMAIN. Of course, I yield to the gentleman from Ohio.

Mr. STANTON of Ohio. Mr. Speaker, I thank the gentleman for yielding.

I just want to reiterate that I sincerely hope the gentleman from California has the right to point out that hopefully we would not have any more resolutions like this, with the ranking minority member not knowing about it and knowing that it was going to come out.

Mr. ST GERMAIN. Mr. Speaker, the gentleman knows full well that the Chair has done his utmost and intends to continue to do his utmost to work in concert with him on any and all matters.

Mr. STANTON of Ohio. Mr. speaker, I thank the gentleman for that assurance, because ordinarily he does do his best to cooperate, and I am happy to hear the gentleman repeat that.

Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

Mr. ST GERMAIN. I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Speaker, I appreciate my colleague's yielding.

I appreciate the fact that my colleague, the chairman of the Banking Committee, has acknowledged that this was probably brought up too quickly and that there were not adequate hearings.

Mr. ST GERMAIN. No; what I said was that we had had hearings. I will ask the gentleman not to put words in my mouth.

Mr. ROUSSELOT. Mr. Speaker, the gentleman said that my point was well taken, except, as he stated, that I voted for the reconciliation bill known as Gramm-Latta II. You bet I did. And as the gentleman well knows, it was fashioned from committee reports from each of the committees, and our ranking minority members spoke in detail how the Gramm-Latta reconciliation bill was constructed. Gramm-Latta did not represent new legislation.

Mr. ST GERMAIN. Mr. Speaker, I will ask the gentleman to excuse me because I do not yield any further.

Mr. ROUSSELOT. All right. I just wanted the gentleman from Rhode Island to understand how much care and effort was given to shaping the Gramm-Latta reconciliation bill.

Mr. ST GERMAIN. Mr. Speaker, I do not yield any further.

□ 1440

Mr. REUSS. Mr. Speaker, I yield 2 minutes to the gentleman from Arkansas (Mr. ALEXANDER).

Mr. ALEXANDER. Mr. Speaker, I have been listening to the debate today and the representatives of the administration, our friends on the other side of the aisle, persist in blaming previous administrations for high interest rates.

I believe that this administration is hiding behind deficit spending as a cause of high interest rates, because the Secretary of the Treasury, Mr. Regan, has clearly said on numerous occasions that it is necessary to maintain a tight money policy, to restrict capital, to impose high interest rates as a method of controlling inflation. Inflation is, in fact, down because of the administration's budget cuts, but interest is up and, in fact, Wall Street responded last week to the dip in inflation by providing a downward trend in the Dow Jones average.

I think that what we saw at the economic summit in Ottawa was an administration that actually revealed itself on monetary policy. I think we saw a President speaking for an administration that came out of the closet on monetary policy.

I think as time goes on and more evidence of this revelation is made known throughout our society, that people will judge that this administration is consciously and deliberately maintaining a high interest rate, tight money policy, as a means it believes to curb inflation.

The SPEAKER pro tempore. The time of the gentleman from Arkansas has expired.

Mr. REUSS. Mr. Speaker, I yield 1 additional minute to the gentleman from Arkansas (Mr. ALEXANDER).

Mr. ALEXANDER. Mr. Speaker, I will agree that tight money is a valuable tool for controlling inflation for a short period of time, but when it is maintained as a policy, an overall policy, it becomes part of the problem.

Twenty-two percent interest rates must be absorbed by businesses, by farms, by manufacturers, and by families alike, that must have credit in order to exist. I believe that this policy is breaking the backs of the American people and that unless we continue to put pressure on the Federal Reserve and on the administration to reverse this policy, that the administration will continue to hide behind deficit spending as a reason for maintaining this cruel high interest rate policy.

I thank the chairman for yielding.

Include the following article pertinent to this issue:

[From the New York Times, July 21, 1981]

THE INTEREST RATE ISSUE—REAGAN BLAMES INHERITED INFLATION FOR RISE, BUT OTHERS CITE TIGHT MONEY POLICY OF U.S.

(By Leonard Silk)

OTTAWA, July 20.—Interest rates, once considered a topic that appealed mostly to financiers, have moved to the top of the agenda of this summit conference of the leaders of the industrial world.

The reason for this dramatic change is the extraordinary height of interest rates in the United States, Japan and Western Europe and the danger they pose to the industrial world in rising unemployment and falling output.

For months now, the Europeans have singled out the United States, and particularly the monetary policies of the Reagan Administration, as the culprit behind the run-up in rates, and the resulting disruptions that high rates have caused their economies.

Today, Secretary of the Treasury Donald T. Regan quoted a striking statement on the subject by Chancellor Helmut Schmidt of West Germany. Chancellor Schmidt, Mr. Regan recounted, recently told a meeting of the finance and economic ministers that interest rates in his country, at 15 to 16 percent, were "the highest rates of interest in Germany since the birth of Christ, as far as real interest rates are concerned."

By the "real" rate of interest, Mr. Schmidt meant the difference between the nominal rate charged by lenders—such as the 15 to 16 percent rate he cited—and the rate of inflation. Since the consumer price index in West Germany was rising at an annual rate of 5.8 percent in the second quarter of 1981, this means that the real rate of interest there was roughly 10 percent.

Historically, economists have considered a real rate of interest of 2 or 3 percent—the real sacrifice that lenders make in letting borrowers use their savings—normal over the longer run. Thus a 10 percent real rate—and it is slightly higher than that in the United States today, with the prime rate at 20½ percent and inflation under 10 percent—is about five times normal.

Advances in the real rate of these dimensions are highly unusual, whether or not Chancellor Schmidt is right in saying that the current level, at least in his country, is the highest since the Christian era began. The leading American monetary theorist, the late Irving Fisher of Yale University, contended that the real rate of interest was remarkably constant over time, with the nominal rate of interest moving up and down more or less in phase with the increase or decrease in the rate of price inflation.

This theory in fact underlies the Reagan Administration's explanation of why interest rates have climbed so high. It is blaming the inflation created by earlier administrations for the high interest rates.

Treasury Secretary Regan, asked at a news conference here what kind of justification President Reagan was offering the other leaders, replied: "What he has told them is: look what he inherited when he came in, the rate of inflation, things of that nature and high interest rates. Remember interest rates were high when the President took office. So what he is telling them is that his policies—his fiscal policy, the monetary policy, particularly that of the Federal Reserve, our deregulation policy, and above all, our tax policy, these things are going to get inflation down."

POSITION CALLED DISINGENUOUS

Oddly enough, the President and his aides are stressing at this summit conference that it is the Federal Reserve that controls interest rates, not the Administration. This position is being taken here as disingenuous, since the Administration has been leaning hard on the Federal Reserve—sometimes even publicly—to keep money tight, no matter what the effect on interest rates.

Again, the Fisher theory of the link between inflation and interest rates is why Administration officials up to President Reagan are assuring foreign leaders that they expect American interest rates to come down, possibly by the end of this year. By how much? The Treasury Secretary said he did not want to be pinned down but "I'd say by several points."

How long is the Administration prepared to stick with this policy of trying to bring down interest rates by keeping money tight to squeeze inflation out of the system? Secretary Regan said the policy had already been in effect for three months and "sticking with it for another six months, that would be nine months of tight interest, would be really sticking with it; it's been a long time since we've done that in the United States."

What might be the effect of this policy? The Europeans are growing increasingly concerned that it might have a more devastating effect on employment in their countries than on inflation. Secretary Regan acknowledged that President Francois Miterrand of France had warned of the dire consequences that would develop if interest rates did not come down by the end of this year, and reported his saying that "unem-

ployment in France as well as in Germany and other countries in Europe was getting to a flash point, to a point where it might cause social upheaval." "And," he said, "they wanted to avoid that."

COST OF LOANS INCREASED

High United States interest rates force other countries to raise their own rates to prevent investors from shipping their funds abroad to take advantage of the rates. In raising their own rates, however, the other countries raise the cost of loans to their own industries and consumers. The higher rates dissuade industry from investing in the plants and machinery that provide jobs and discourage consumer buying of all those products that are bought on credit—houses, automobiles and other durable goods.

The widespread rioting and arson that Prime Minister Margaret Thatcher has faced in recent weeks in Britain clearly underlies the anxiety over a tight money and high interest rate policy being forced upon other countries by the United States. Although the Americans here have sought to describe high interest rates as a common problem among the industrial countries—really a consequence of general inflation—the Europeans are seeking to link the high interest rates to the United States. What they are suggesting is that it is not inflation alone but the monetarist solution to inflation being pursued by the United States that has driven interest rates so high.

They are worried not only about the effect of high interest rates on unemployment but also on business activity, sales both at home and abroad, investment and productivity growth in their countries. Chancellor Schmidt said high interest rates cut down on small German businesses and their efforts to raise capital, carry inventories and expand.

Mr. REUSS. Mr. Speaker, I yield 2 minutes to the gentleman from North Dakota (Mr. DORGAN).

Mr. DORGAN of North Dakota. Mr. Speaker, I think there is an inherent conflict in the fiscal and monetary policy in our Government. I recently questioned the Vice Chairman of the Federal Reserve Board before one of the committees that I serve on. After a number of questions, he admitted that there is a conflict in the short run, at least, between our current monetary policy and the fiscal policy. The monetary policy adopted by the Federal Reserve Board and the fiscal policy espoused by the Reagan administration are in conflict with each other.

The only conceivable reason to support high interest rates that are at least eight points above what they ought to be today, is to retard economic growth and throw the country into a recession. That is the only conceivable reason to support that kind of interest-rate policy. That is 1950's economics. It might have worked then, but it certainly will not work now, because we do not have classic demand pull inflation confronting this country.

So while we have a monetary policy that is intent on dampening the economy and retarding economic growth, it is supported by an administration whose economic policy foundation requires economic growth. The fiscal policy of the Reagan administration requires consistent real economic growth of 4.2 to 5.1 percent for 4 consecutive years; so we have the spectacle of a bicycle built for two with Mr. Reagan on the front seat peddling uphill and Mr. Volcker on the back seat with his foot on the brakes.

It is conflicting monetary and fiscal policy. I just do not understand why the very best of supply side economics which represents low interest rates is not supported in this Chamber by people who call themselves supply siders.

Do you want to make quick amounts of capital available to American industry, to make American industry more productive? Then just push for a change in the interest rate policy of the Federal Reserve Board in this town and you will have substantial amounts of capital available at reasonable prices to American industry very, very quickly.

Mr. REUSS. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon (Mr. WYDEN).

Mr. WYDEN. Mr. Speaker, I appreciate this opportunity to rise in support of the resolution. There is just no question that high interest rates are sapping the vitality of our economy. High interest rates hit the people who are essential to this society, our producers. High interest rates ravage our industrial base just as certainly as would cutting off our highways and waterways. Perhaps no area has been hit harder than my own—than the Pacific Northwest. Our housing industry basically from the stump to the stud is at a standstill. Our fruit canners, the growers who are a vital part of the economy in the Pacific Northwest, tell us that high interest rates will probably add an extra 10 cents per can to their fruit this year. All because they are forced to carry a lot of their inventory at poor credit terms. It is just going to be devastating to them.

What particularly concerns me today is that the administration contends that high interest rates are an absolute prerequisite to our economic recovery.

I just could not disagree more with that kind of a statement and the kind of views that Secretary of the Treasury Regan has expressed over the last few days. High interest rates will do nothing more than to laminate into our economy another layer of inflation, roaring inflation, that is going to devastate the economy of the Pacific Northwest—my home area.

I just would like to urge my colleagues today to join in support of this resolution, which at least is a small step toward putting this economy back together.

Mr. DASCHLE. Mr. Speaker, I rise in strong support of House Concurrent Resolution 160. High interest rates have inflicted serious damage on the Nation's economy and interest rates must be lowered now before any more damage is inflicted.

The consequences of a high interest rate policy are grim indeed. Nationally, as a direct result of record and near-record interest rates, domestic auto sales have plummeted to an annual rate of 5 million, a 20-year low, and 10,000 former auto retailers are no longer in business. New housing starts by home builders fell to an annual rate of 1.03 million in June, a 38-percent decline since January, and permits issued for future construction have dropped just as significantly. Projected Federal spending for this fiscal year and next has increased by an additional $17 billion since spending estimates made just last March, 4 months ago, and this dramatic increase in Federal spending has been fueled by high interest rates.

These impersonal statistics convey the national dimensions of the damage inflicted by high interest rates, but missing from this statistical accounting is a description of the personal consequences of a high interest rate policy. My constitutents have clearly conveyed to me the personal consequences of high interest rates. Their message must be heard.

From the president of a major manufacturing firm in Rapid City, S. Dak.:

Due to high interest rates, our company employment has dropped from 250 people to 70 people and will likely drop further.

From a banker in Clark, S. Dak.:

My farm and business customers are having to shoulder a fearful load because of high interest rates. If the rates can be eased to a decent rate by the end of this year I think we can survive. If these terrifically high rates are prevalent again next year, I am afraid many farmers and small businessmen will have to get out of business or seek help from Farmers Home Administration or whatever agency can help them.

A home builder in Sioux Falls, S. Dak.:

I have been in the home building business for 22 years and have been developing land for single family homes for nine years. The high interest rates charged by Savings & Loans, and banks have had devastating effects on my business.

In past years we've always had 8 to 10 builders building in our development. Today, we have one builder plus a spec. home I am building just to keep my crew together.

One year ago I had 8 carpenters working for me. Today, we are trying to keep 4 working. The interest on my development costs me $5,600.00 a month. That amount is eating up what little revenue I do have.

The effects of high interest rates doesn't stop with me and my situation. I'm not the only builder-developer that could lose my business of 22 years because of high interest rates. One of my subcontractors has a small business loan, his interest is costing him $175.00 per day. Last year at this time he dug 100 basements. This year, to date, he has dug 6.

Another builder built 97 homes in 1979, 57 in 1980, and now he's working on one spec. home. And, yet another builder had 31 employees two years ago, now he has 7. My situation and the 3 others I have mentioned are just a few examples of what interest rates have done to 4 of some Sioux Falls Home Builder Association members. We'll all soon go out of business if interest rates don't go down.

A businessman in Volga, S. Dak.:

The high interest rates are well on the way to completely halting the economy and putting thousands of South Dakotan's in debt for life, if not bankruptcy.

A banker from Arlington, S. Dak.:

There is one thing I understand, and that is if rates stay high, many farmers and small businessmen will be out of business before too long. They are borrowing long-term credit on a short-term basis. These are mainly young people. In addition, we have many Savings and Loans in trouble, and if these should start toppling, it is hard to tell what will happen.

A businessman from Winner, S. Dak.:

I really don't know of any businesses that can survive the present rates. There have been many businesses in South Dakota that have gone bankrupt, and with the present economic situation, the end is not in sight.

From a banker in Cresbard, S. Dak.:

High interest rates, in my estimation, do not curtail inflation, but add to the fire, as far as a farming community such as ours is concerned. It adds to the cost of machinery, feeds, fuel, parts and everything else the farmer buys. Then it also cuts the cost of what he gets for his grains and livestock, as the elevators have to pay a high rate of interest on the grain they buy from him from the time the farmer sells it until the grain is sold at the terminals and the elevator gets his funds back. The same works with the sale of livestock. We have very few farmers in this area that can afford 15 percent interest, say nothing of the "Prime Rate" of 20½ percent where it is right now.

And from a retail merchant in Aberdeen, S. Dak.:

First, interest rates at record levels have forced most small businessmen to reduce their inventories drastically. The only means we have to finance inventories are by using equity capital, which many small businesses simply do not have, or by bank borrowing. While bank borrowing was practical at eight or ten percent, at eighteen or twenty percent, it is not. By being forced to cut back our inventory size, not only do we jeopardize jobs at the companies which supply us, but we lower the variety we can offer our customers, which in turn reduces our profits (where they still exist).

Second, because of the huge new costs many small businessmen face, in order to try to cut other expenses, they reduce employment at their firms. This is bad enough, but when the process is repeated at business after business in a community, the payroll is cut (not to mention the tax base); and it has a multiplier effect that only worsens the problem for everyone.

Third, it goes without saying that when the high cost of borrowing forces us to reduce inventories and cut our number of employees, capital formation and equity building is simply not taking place in our businesses. The longer this goes on, the more over-extended and vulnerable each of us is becoming. Already, there are more individual and small business bankruptcies taking place than at any time since the depression.

Fourth, while many older businesses have built up sufficient capital to remain viable in times of great difficulty, many younger firms have not. High interest rates thus strike most severely at the younger businessmen and women who are just getting started and will provide the new competition and leadership that our country wants to develop.

Fifth, I think that everyone of us watches our receivables with alarm. They are not only getting later and later, but their quality is rapidly deteriorating. The high cost of interest for others, thus has a double impact on us; as we need to finance our inventories for a much longer period of time than normal, resulting in much greater costs.

Sixth, expansion has become virtually impossible. Not only has inflation been greater in the construction industry than most other sectors of the economy, but mortgage rates also are at astronomical levels. Few of us could possibly commit to a long term mortgage, let alone handle the monthly payments. I could name more than a dozen substantial expansion programs in Aberdeen, each one of immense potential benefit to the community, that have been postponed or cancelled within the last twelve months solely because of interest rate levels.

Seventh and last, small businesses do not have access to the great American capital markets that major corporations do, which puts them at a huge disadvantage in terms of interest rates. Each day I see in the Wall Street Journal that major firms are selling bonds (in other words borrowing money from the public) at rates of 14.5% to 15%, while small businessmen only have recourse to banks, where the going rate is much higher. The difference in rates frequently is the difference between profits and losses, and in long term often survival or bankruptcy. While I doubt that anything can be done to give small borrowers access to the capital markets, lower interest rates in general will certainly give us a fighting chance to stay alive and grow.

These are the personal consequences of a high interest rate policy. High interest rates are a silent economic epidemic which is killing and crippling America's small business community. This epidemic must be controlled, interest rates must be reduced now, because our merchants and farmers, and ranchers can no longer endure a high interest rate policy.

Mr. REUSS. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, I take this time to comment on just a couple of points.

No. 1, the gentleman from California (Mr. DANNEMEYER), whom I do not see at the moment, referred to M_{1B}, indicating that M_{1B}, which is currency outside of banks and demand deposits. The gentleman from California suggested that M_{1B} had, indeed, showed a surprise and active growth in this year of 1981.

Were that, in fact, the case, I would not be including the Federal Reserve in my list of institutions that we are complaining about today. But, in fact, it is not the case. In fact, the Federal Reserve's figures, on an adjusted basis, which is the way the Federal Reserve issues them, shows that M_{1B}, the aggregate we are talking about, has increased this year in the first 6 months at a rate of less than 1 percent.

The gentleman was using unadjusted figures, and the Federal Reserve itself uses figures which it adjusts.

This is a matter of some importance, because the gentleman indicated that he might vote against this anti-high-interest rate resolution because of the Fed's performance.

In view of what I am now telling the gentleman is the Fed's performance, I hope the gentleman will find it in his heart to cast his vote against high interest rates and against money that is too tight even for the Federal Reserve and its own targets. This brings me to my second and last point, that this is really a very simple and straightforward resolution. People who believe that it is desirable and possible to have interest rates lowered should vote for it. People who for one reason or another believe either that high interest rates are affirmatively good, or that though they may not be so good, we cannot do anything about it, should vote against the resolution.

□ 1450

No hard feelings, no rancor, no gripes, that is the democratic process in action.

Mr. Speaker, I yield back the balance of my time.

Mr. STANTON of Ohio. Mr. Speaker, in conclusion let me simply say we on our side are voting for this resolution because we are against high interest rates. Other than that, this is a totally meaningless resolution; it just means nothing. So I ask my colleagues to vote for it.

Second, I would say to my friend from Oregon, I do not know that the President ever has said that he favored high interest rates. I just never, ever remember him saying that. He has regretted them as much as our vote will show today.

Last but not least, Mr. Speaker, I think my colleagues on the other side should have some doubts about voting for this resolution because simply it clearly says in the last line that we should encourage lowering of interest rates without changing the aggregate growth of money and credit. If that is what my colleagues on the other side want to do, then I think they ought to think twice.

● Mr. FAUNTROY. Mr. Speaker, I am pleased to join Mr. REUSS, distinguished chairman of the Joint Economic Committee, Mr. ST GERMAIN, distinguished chairman of the House Committee on Banking, Finance and Urban Affairs, in support of this Resolution expressing the sense of the Congress with respect to monetary policy, inflation and high interest rates.

High interest rates in the United States result in part of an excessive reliance on tight monetary policy to fight inflation, while pursuing loose fiscal policies with the expectation that it is the Federal Reserve System alone that will bear the burden. The administration's program of large tax cuts and large increases in defense spending make it virtually impossible for this Nation to reduce inflation without a very heavy toll in unemployment among those who are least responsible for this inflation and are most vulnerable to it. This policy is morally wrong, and is economically counterproductive.

These high interest rates are also damaging to the economies of our major trading and financial partners. They have an extraordinarily deleterious impact on the economies of the developing world, unemployment, impeding growth and contributing to the risk of social and political disorder.

By expressing the sense of the Congress that these rates are needlessly high, I believe that we can signal both the Federal Reserve System and the administration that we are concerned with their impact and hope that both will pursue a coordinated policy of targeting tax cuts, stimulating investment employment, and productivity, while reducing the deficit to employ 8 million people who are without work.

At hearings last week, the Banking Committee found that both the administration and the Federal Reserve System have done little to encourage development of productive resources, provision of credit to small business, homeowners and other productive users at reasonable rates. Yet, we are engaged in financing substantial takeover attempts that will add little to employment and little to increased productivity. The interest rate and credit policies of this country need to be guided with a firm hand to discourage these kinds of activities. We need, instead, to encourage savings, to reform our social security system, and our tax system.

It can be done. Just as we passed several years ago, the first resolution that allowed the Congress to hear from the Federal Reserve System how it conducts monetary policy, let us now pass this resolution that will give effect to the Humphrey-Hawkins Full Employment and Balanced Growth Act so that we will restore a full employment, balanced growth economy by pursuing lowered interest rates with a firm monetary policy coupled with a sensible fiscal policy of wise spending and targeted tax cuts.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. REUSS) that the House suspend the rules and agree to the concurrent resolution, House Concurrent Resolution 160, as amended.

The question was taken.

Mr. ALEXANDER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

PARLIAMENTARY INQUIRY

Mr. STANTON of Ohio. Mr. Speaker, as a point of order, could the gentleman not simply object to the vote on the grounds that a quorum is not present and ask for the yeas and nays? I ask that as a parliamentary inquiry.

The SPEAKER pro tempore. Objecting to the vote on the ground that a quorum is not present makes it a de novo vote and automatically it will be postponed.

Pursuant to clause 5, rule I, and the Chair's prior announcement, further proceedings on this motion will be postponed.

The point of no quorum is considered withdrawn.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Debate has been concluded on all motions to suspend the rules.

Pursuant to clause 5, rule I, the Chair will now put the question on each motion on which further proceedings were postponed in the order in which that motion was entertained and on which further proceedings were postponed on Monday, July 27, 1981, in the order in which that motion was entertained.

Votes will be taken in the following order: H.R. 1311, de novo; House Concurrent Resolution 160, de novo; and H.R. 4053, de novo.

The Chair will reduce to 5 minutes the time for any electronic votes after the first such vote in this series.

NATIONAL TOURISM POLICY ACT

The SPEAKER pro tempore. The pending business is the question of suspending the rules and passing the bill, H.R. 1311, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from New Jersey (Mr. FLORIO) that the House suspend the rules and pass the bill, H.R. 1311, as amended.

The question was taken.

Mr. WALKER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 321, nays 98, not voting 15, as follows:

[Roll No. 168]

YEAS—321

Addabbo	Flippo	McCollum
Akaka	Florio	McCurdy
Alexander	Foglietta	McDade
Anderson	Foley	McGrath
Andrews	Ford (TN)	McHugh
Annunzio	Forsythe	McKinney
Anthony	Fountain	Mica
Applegate	Fowler	Mikulski
Ashbrook	Frank	Mineta
AuCoin	Fuqua	Mitchell (MD)
Badham	Garcia	Mitchell (NY)
Bafalis	Gaydos	Moakley
Bailey (MO)	Gejdenson	Molinari
Bailey (PA)	Gephardt	Mollohan
Barnard	Gibbons	Montgomery
Barnes	Gilman	Moorhead
Bedell	Gingrich	Morrison
Benjamin	Ginn	Mottl
Bethune	Glickman	Murphy
Bevill	Gonzalez	Murtha
Blanchard	Goodling	Napier
Boggs	Gore	Natcher
Boland	Gray	Neal
Bolling	Green	Nelligan
Boner	Gregg	Nelson
Bonior	Grisham	Nowak
Bonker	Guarini	O'Brien
Bouquard	Gunderson	Oakar
Bowen	Hagedorn	Oberstar
Breaux	Hall, Ralph	Ottinger
Brinkley	Hall, Sam	Panetta
Broomfield	Hamilton	Parris
Brown (CA)	Hammerschmidt	Pashayan
Brown (OH)	Hance	Patman
Burgener	Hansen (ID)	Patterson
Burton, John	Hansen (UT)	Pepper
Burton, Phillip	Hatcher	Perkins
Byron	Hawkins	Petri
Campbell	Heckler	Peyser
Carman	Hefner	Pickle
Carney	Heftel	Porter
Chappell	Hendon	Price
Chappie	Hightower	Pritchard
Cheney	Hiler	Pursell
Chisholm	Hollenbeck	Quillen
Clausen	Hopkins	Rahall
Clay	Howard	Railsback
Clinger	Hoyer	Rangel
Coelho	Hubbard	Ratchford
Coleman	Hughes	Reuss
Collins (IL)	Hunter	Rhodes
Conte	Hutto	Richmond
Conyers	Hyde	Rinaldo
Coughlin	Ireland	Ritter
Coyne, William	Jeffords	Roberts (SD)
Craig	Jenkins	Rodino
Crockett	Jones (NC)	Roe
D'Amours	Jones (TN)	Rogers
Danielson	Kastenmeier	Rose
Daschle	Kazen	Rostenkowski
Daub	Kemp	Roth
Davis	Kildee	Roybal
de la Garza	Kogovsek	Rudd
Deckard	Kramer	Russo
DeNardis	LaFalce	Santini
Derrick	Lagomarsino	Savage
Derwinski	Lantos	Scheuer
Dicks	Leath	Schneider
Dingell	LeBoutillier	Schulze
Donnelly	Lee	Schumer
Dorgan	Lehman	Sensenbrenner
Dornan	Leland	Shannon
Dougherty	Lent	Sharp
Dowdy	Levitas	Shaw
Downey	Loeffler	Shelby
Duncan	Long (LA)	Shuster
Dwyer	Long (MD)	Simon
Dymally	Lott	Skeen
Dyson	Lowery (CA)	Skelton
Eckart	Lowry (WA)	Smith (AL)
Edwards (AL)	Lujan	Smith (IA)
Edwards (CA)	Luken	Smith (NE)
Emerson	Lundine	Smith (NJ)
Emery	Madigan	Smith (PA)
English	Markey	Snowe
Erdahl	Marks	Snyder
Ertel	Marlenee	Solarz
Evans (DE)	Marriott	Solomon
Evans (IN)	Martin (NY)	Spence
Fary	Matsui	St Germain
Fazio	Mattox	Stangeland
Ferraro	Mavroules	Stanton
Fithian	McClory	Stark

Staton	Vento	Wilson
Stenholm	Walgren	Winn
Stokes	Walker	Wirth
Stratton	Washington	Wolf
Studds	Watkins	Wolpe
Swift	Waxman	Wortley
Synar	Weaver	Wright
Tauke	Weiss	Wyden
Tauzin	Whitehurst	Yatron
Taylor	Whitley	Young (AK)
Traxler	Whittaker	Young (FL)
Trible	Whitten	Young (MO)
Udall	Williams (MT)	Zablocki
Vander Jagt	Williams (OH)	Zeferetti

NAYS—98

Archer	Edwards (OK)	McEwen
Aspin	Erlenborn	Michel
Beard	Evans (GA)	Miller (CA)
Beilenson	Evans (IA)	Miller (OH)
Benedict	Fenwick	Moffett
Bennett	Fiedler	Moore
Bereuter	Fields	Myers
Biaggi	Findley	Nichols
Bingham	Ford (MI)	Obey
Bliley	Frenzel	Paul
Brodhead	Goldwater	Pease
Brooks	Gradison	Regula
Brown (CO)	Hall (OH)	Roberts (KS)
Broyhill	Hartnett	Robinson
Butler	Hertel	Roemer
Coats	Hillis	Roukema
Collins (TX)	Holt	Rousselot
Conable	Huckaby	Sabo
Corcoran	Jacobs	Sawyer
Courter	Jeffries	Schroeder
Coyne, James	Johnston	Seiberling
Crane, Daniel	Jones (OK)	Shamansky
Crane, Philip	Kindness	Shumway
Daniel, Dan	Latta	Siljander
Daniel, R. W.	Leach	Smith (OR)
Dannemeyer	Lewis	Stump
Dellums	Livingston	Thomas
Dickinson	Lungren	Weber (MN)
Dixon	Martin (IL)	Weber (OH)
Dreier	Martin (NC)	White
Dunn	Mazzoli	Wylie
Early	McCloskey	Yates
Edgar	McDonald	

NOT VOTING—15

Albosta	Frost	Minish
Atkinson	Gramm	Oxley
Cotter	Harkin	Rosenthal
Fascell	Holland	Volkmer
Fish	Horton	Wampler

□ 1510

The Clerk announced the following pairs:

Mr. Minish with Mr. Fish.
Mr. Fascell with Mr. Horton.
Mr. Atkinson with Mr. Wampler.
Mr. Holland with Mr. Oxley.
Mr. Albosta with Mr. Volkmer.
Mr. Harkin with Mr. Gramm.
Mr. Rosenthal with Mr. Frost.

Messrs. COURTER, BIAGGI, and DELLUMS changed their vote from "yea" to "nay."

Messrs. PARRIS, GOODLING, WORTLEY, and McCOLLUM changed their vote from "nay" to "yea."

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

The title was amended so as to read: "A bill to amend the International Travel Act of 1961 to establish a national tourism policy, and for other purposes."

A motion to reconsider was laid on the table.

Mr. FLORIO. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 304) to establish a national tourism policy and an independent government agency to carry out the national tourism policy.

The Clerk read the title of the Senate bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 304

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Tourism Policy Act".

TITLE I—NATIONAL TOURISM POLICY

SEC. 101. FINDINGS AND PURPOSE.

(a) The Congress finds that—

(1) the tourism and recreation industries are important to the United States, not only because of the numbers of people they serve and the vast human, financial, and physical resources they employ, but because of the great benefits tourism, recreation, and related activities confer on individuals and on society as a whole;

(2) the Federal Government for many years has encouraged tourism and recreation implicitly in its statutory commitments to the shorter workyear and to the national passenger transportation system, and explicitly in a number of legislative enactments to promote tourism, and support development of outdoor recreation, cultural attractions, and historic and natural heritage resources;

(3) as incomes and leisure time continue to increase, and as our economic and political systems develop more complex global relationships, tourism and recreation will become ever more important aspects of our daily lives and our growing leisure time; and

(4) the existing extensive Federal Government involvement in tourism, recreation, and other related activities needs to be better coordinated to effectively respond to the national interests in tourism and recreation and, where appropriate, to meet the needs of State and local governments and the private sector.

(b) It is the purpose of this Act to establish a cooperative effort between the Federal Government and State and local governments and other concerned public and private organizations, to use all practicable means and measures, including financial and technical assistance, to implement a national tourism policy that will—

(1) optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments of the Nation;

(2) make the opportunity for and benefits of tourism and recreation in the United States universally accessible to residents of the United States and foreign countries and to insure that present and future generations be afforded adequate tourism and recreation resources;

(3) contribute to personal growth, health, education, and intercultural appreciation of the geography, history, and ethnicity of the United States;

(4) encourage the free and welcome entry of individuals traveling to the United States, in order to enhance international understanding and goodwill, consistent with immigration laws, the laws protecting the public health, and laws governing the importation of goods into the United States;

(5) eliminate unnecessary trade barriers to the United States tourism industry operating throughout the world;

(6) encourage competition in the tourism industry and maximum consumer choice through the continued viability of the retail travel agent industry and the independent tour operator industry;

(7) promote the continued development and availability of alternative personal payment mechanisms which facilitate national and international travel;

(8) promote quality, integrity, and reliability in all tourism and tourism-related services offered to visitors to the United States;

(9) preserve the historical and cultural foundations of the Nation as a living part of community life and development, and insure future generations an opportunity to appreciate and enjoy the rich heritage of the Nation;

(10) insure the compatibility of tourism and recreation with other national interests in energy development and conservation, environmental protection, and the judicious use of natural resources;

(11) assist in the collection, analysis, and dissemination of data which accurately measure the economic and social impact of tourism to and in the United States, in order to facilitate planning in the public and private sector; and

(12) harmonize, to the maximum extent possible, all Federal activities in support of tourism and recreation with the needs of the general public and the States, territories, local governments, and private and public sectors of the tourism and recreation industry, and give leadership to all concerned with tourism, recreation, and national heritage preservation in the United States.

TITLE II—THE UNITED STATES TRAVEL AND TOURISM ADMINISTRATION

SEC. 201. PURPOSE.

It is the purpose of this title to establish an independent agency of the United States to be known as the "United States Travel and Tourism Administration".

SEC. 202. CONGRESSIONAL DECLARATION OF POLICY.

The Congress finds and declares—

(1) that it is in the national interest to encourage the orderly growth and development of tourism to and within the United States;

(2) that orderly growth and development of tourism depends on the efforts of the public and private sectors of that industry to assure that the objectives of the national tourism policy are implemented to the maximum extent consistent with other public policy objectives;

(3) that orderly growth and development of tourism, while matters for regional, State, local, and private development, are also of appropriate and important concern to the Federal Government;

(4) that it furthers the national interests to assure that the extensive Federal policy and programmatic involvement in tourism is responsive to the needs and interests of the public and private sectors of that industry;

(5) that in view of the importance of travel and tourism to the economy of the United States, and the pervasive Federal policy and programmatic involvement in tourism, it is necessary and appropriate for the Federal Government to complement,

assist and support mechanisms that will most effectively assure implementation of the national tourism policy; and

(6) that an agency should be created to promote and facilitate the orderly growth and development of tourism and to assist in the implementation of the national tourism policy.

SEC. 203. ADMINISTRATION ESTABLISHED.

There is established an independent agency of the United States, to be known as the "United States Travel and Tourism Administration" (hereinafter in this title referred to as the "Administration").

SEC. 204. OFFICERS AND EMPLOYEES.

(a) The Administration shall be headed by an Administrator (hereinafter referred to as the "Administrator") who shall be nominated by the President not later than 60 days after the date of enactment of this title and appointed by and with the advice and consent of the Senate. The Administrator shall serve at the pleasure of the President and shall be compensated at the rate now or hereafter prescribed for offices or positions at level II of the Executive Schedule.

(b) The President shall appoint a Deputy Administrator by and with the advice and consent of the Senate who shall be compensated at the rate now or hereafter prescribed for offices or positions at level III of the Executive Schedule. The Deputy Administrator shall perform such duties as the Administrator may prescribe. The Deputy Administrator shall act for and perform the functions of the Administrator during any absence or disability of the Administrator or during a vacancy in the office of the Administrator.

(c) The Administrator shall have power to appoint and fix the compensation of such personnel as he or she determines advisable, however, not more than five such appointments may be placed in grades GS-16, GS-17, and GS-18 of the General Schedule, to carry out the functions of the Administration. The authority with reference to appointments in grades GS-16, GS-17, and GS-18 of the General Schedule will be subject to the procedures prescribed under section 5108 of title 5 of the United States Code. Included among any personnel appointed by the Administrator, no more than three persons may be appointed, compensated, or removed without regard to the Civil Service laws and regulations. Such positions shall be in addition to those otherwise authorized by law, including those authorized by section 5108 of title 5 of the United States Code. Under such regulations as the President may prescribe, officers and employees of the United States Government who are appointed without regard to the Civil Service laws and regulations may be entitled, upon removal from such position, except for cause, to reinstatement to the position occupied at the time of appointment or to a position of comparable grade and salary.

(d) The Administrator, to such extent as he determines necessary, may procure supplies, services, and personal property; make contracts; expend funds appropriated, donated, or received in pursuance of contracts hereunder in furtherance of the purposes of this Act; and exercise those powers that are necessary to enable him to carry out efficiently and in the puclic interest the purposes of this Act.

SEC. 205. PURPOSES AND ACTIVITIES OF THE ADMINISTRATION.

(a) In order to achieve the objectives and to carry out the purposes of this Act the Administration is authorized to assist the Congress of the United States and all Federal agencies having policy and programmatic responsibilities affecting tourism.

(b) Not later than April 15, 1982, the Administrator shall develop and submit to the House Committee on Energy and Commerce and the Senate Committee on Commerce, Science, and Transportation a comprehensive and detailed tourism development plan (including the estimated funding and personnel levels required to implement such plan and alternative means of funding) to obtain the objectives and carry out the purposes of this Act.

(c) The plan developed under subsection (b) shall include, among other things, provisions for—

(1) the establishment of branch offices in foreign countries and facilitating services at United States ports-of-entry;

(2) consultation with foreign countries on travel and tourism matters and, in accordance with applicable law, and representing United States travel and tourism interests in international meetings, conferences, and expositions;

(3) participation as a party in interest in proceedings before Federal agencies when such initiation or intervention is necessary to implement or further the national tourism policy;

(4) monitoring the existing and proposed policies and programs significantly affecting tourism of all Federal agencies to ascertain whether, insofar as consistent with other public policy objectives, they are in furtherance of the objectives of the national tourism policy, and reporting the results of such monitoring activities to the Congress yearly or more frequently if necessary;

(5) monitoring the policies and programs significantly affecting tourism of all Federal agencies for the purposes of ascertaining instances of intra-agency and interagency duplication or contradiction and reporting the results of its monitoring activities to the concerned agencies, and the Congress yearly or more frequently if necessary;

(6) developing and administering a comprehensive program relating to industry information, data service, training and education, and technical assistance;

(7) developing and administering a comprehensive program relating to consumer information, protection, and education;

(8) developing a program to seek and to receive information on a continuing basis from the tourism industry, including consumer and travel trade associations, regarding needs and interests which should be met by an agency or program, and directing that information to the appropriate agency; and

(9) encouraging to the maximum extent feasible travel to and from the United States on United States carriers.

SEC. 206. ADMINISTRATIVE POWERS AND PROVISIONS.

(a) In carrying out this title, the Administrator is authorized to—

(1) enter into such contracts, agreements, or other transactions as the Administrator determines appropriate, except that in entering into any contract, agreement, or transaction the Administrator shall rely on competitive bidding to the maximum extent practicable;

(2) accept in the name of the Administration and employ or dispose of in furtherance of the objectives of this act any money, or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest, or otherwise;

(3) obtain the services of experts and consultants without regard to section 3109 of title 5 of the United States Code except that no such expert or consultant may be compensated at rates which exceed the daily equivalents of rates now or hereafter prescribed for GS—18 of the General Schedule by section 5332 of title 5 of the United States Code;

(4) accept voluntary and uncompensated services of attorneys, consultants, and experts notwithstanding any other provision of law;

(5) appoint without compensation, such advisory committees as the Administrator deems appropriate;

(6) accept and use with their consent, with or without reimbursement, such personnel, service, equipment, and facilities of agencies of the Federal Government, State governments, or local political subdivisions thereof, as are necessary to conduct the activities of the Administration efficiently; and

(7) promulgate, issue, rescind, and amend such internal administrative procedures as may be necessary to carry out the purposes of this title.

(b) Upon request made by the Administrator, each Federal agency shall—

(1) make its services, personnel, and facilities available to the greatest practicable extent to assist the administration in the performance of its functions; and

(2) furnish to the Administration, subject to the provisions of applicable law, such information, suggestions, estimates, and statistics as the Administration may request.

(c) The Administration may not provide or arrange for transportation or accommodations for persons traveling between other countries and the United States, or between points within the United States, in competition with businesses engaged in providing or arranging for such transportation or accommodations.

(d) The General Services Administration shall furnish the Administration with such offices, equipment, supplies, and services as it is authorized to furnish to any other agency or instrumentality of the United States.

(e) The Administrator shall not enter into contracts, agreements or other transactions the time period for which extends beyond the end of the fiscal year for which appropriations have been made available for such purposes.

SEC. 207. REPORTS.

(a) Whenever the Administration submits or transmits any budget estimate, budget request, supplemental budget estimate, or other budget information, legislative recommendation, prepared testimony for congressional hearings, comment on legislation, or report required by this part to the President or to the Office of Management and Budget, it shall concurrently transmit a copy thereof to the Congress. No officer or agency of the United States shall have any authority to require the Administration to submit its budget requests or estimates, legislative recommendations, prepared testimony for congressional hearings, comments on legislation, or reports required by this title, or comments on any action by a Federal agency affecting tourism to any officer or agency of the United States for approval, comments, or review, prior to the submission of such recommendations, testimony, comments, or reports to the Congress or to such Federal agency.

(b) The Administration shall submit an annual report for the preceding fiscal year

to the President for transmittal to the Congress on or before the 31st day of December of each year. The report shall include a comprehensive and detailed report of the Administration's operations, activities, financial condition, and accomplishments and may include such recommendations as the Administration deems appropriate.

SEC. 208. FUNDING.

(a) Not later than 30 days after the date of enactment of this title, the United States Travel Service shall make available to the Administration $1,000,000 to carry out its functions in the fiscal year ending September 30, 1981.

(b) Funds made available under subsection (a) shall remain available for obligation until expended.

SEC. 209. ADVISORY BOARD.

(a) There is established the Travel and Tourism Advisory Board (hereinafter in this section referred to as the "Board") to be composed of 17 members appointed by the Administrator. The members of the Board shall be appointed as follows:

(1) Not more than nine members of the Board shall be appointed from the same political party.

(2) The members of the Board shall be appointed from among citizens of the United States who are not regular full-time employees of the United States and shall be selected for appointment so as to provide as nearly as practicable a broad representation of different geographical regions within the United States and of the diverse and varied segments of the tourism industry.

(3) Fourteen of the members shall be appointed from senior executive officers of organizations engaged in the travel and tourism industry. Of such members—

(A) at least one shall be a senior representative from a labor organization representing employees of the tourism industry; and

(B) at least one shall be a representative of the States who is knowledgeable of tourism promotion.

(4) Of the remaining three members of the Board—

(A) one member shall be a consumer advocate or ombudsman from the organized public interest community;

(B) one member shall be an economist, statistician, or accountant; and

(C) one member shall be an individual from the academic community who is knowledgeable in tourism, recreation, or national heritage conservation.

The Administrator shall serve as an ex officio member of the Board. The duration of the Board shall not be subject to section 14(a)(2) of the Federal Advisory Committee Act. A list of the members appointed to the Board shall be forwarded by the Administrator to the Senate Committee on Commerce, Science, and Transportation and the House Committee on Energy and Commerce.

(b) The members of the Board shall serve for three-year terms. Vacancies on the Board shall be filled in the same manner in which the original appointments were made. No members of the Board shall be eligible to serve in excess of two consecutive terms of three years each.

(c) The Chairman and Vice Chairman and other appropriate officers of the Board shall be elected by and from members of the Board other than the Administrator.

(d) The members of the Board shall receive no compensation for their services as such, but shall be allowed such necessary travel expenses and per diem as are authorized by section 5703 of title 5, United States Code. The Administrator shall pay the reasonable and necessary expenses incurred by the Board in connection with the coordination of Board activities, announcement and reporting of meetings, and preparation of such reports as are required by subsection (f).

(e) The Board shall meet at least quarterly and shall hold such other meetings at the call of the Chairman, the Administrator, or a majority of its members.

(f) It shall be the duty of the Board to make a continuing study of the programs and activities of the Administration. Specifically, the Board shall review preliminary plans and final budget requests of the Administrator and submit its comments thereon to the President and the Congress. The Board shall prepare an annual report concerning the results of its studies of Administration activities and include therein such recommendations as it deems appropriate with respect to the performance of the Administration and the operation and effectiveness of its programs. Each annual report shall cover a fiscal year, shall be submitted on or before the 31st day of December following the close of the fiscal year, and shall be submitted to the committees referred to in subsection (a). The Board shall have the power to do those things that are necessary and proper to carry out the foregoing activities.

SEC. 210. TRANSFER OF FUNCTIONS.

(a) Not later than 180 days after the date of enactment of this Act the Administration and the United States Travel Service (hereinafter referred to as the "Travel Service") shall complete such steps as are necessary to transfer to the Administration—

(1) the assets, funds, supplies, materials, equipment, and records of the Travel Service;

(2) the rights, privileges, powers, duties, and liabilities of the Travel Service in respect to any contract, agreement, loan, account, or other obligation; and

(3) any unexpended balances of funds appropriated or otherwise accruing to the Travel Service.

The transfer of rights, privileges, powers, duties, and liabilities of the Travel Service under paragraph (2) shall not limit or extend any period of limitation otherwise applicable to the contract, agreement, loan, account, or obligation involved.

(b) Upon completion of the transfer prescribed by subsection (a), the International Travel Act of 1961 (22 U.S.C. 2121 through 2127) and the Act of July 19, 1940 (relating to the encouragement of travel) (16 U.S.C. 18 through 18d) are repealed and the United States Travel Service is abolished.

TITLE III—AMENDMENTS TO THE INTERNATIONAL TRAVEL ACT

SEC. 301. AUTHORIZATION OF APPROPRIATIONS.

(a) The first sentence of section 6 of the International Travel Act of 1961 (22 U.S.C. 2126) is amended—

(1) by striking out "and" immediately before "(8)"; and

(2) by inserting immediately before the period at the end thereof the following: "; and (9) $8,600,000 for the fiscal year ending September 30, 1981, of which not more than—

"(A) $100,000 shall be available to carry out projects meeting the requirements of subsection (c)(1) of section 5A; and

"(B) $500,000 shall be available to carry out projects meeting the requirements of paragraph (2) of subsection (c) of section 5A.".

(b) Nothing contained in this Act shall be construed to commit the Federal Government to provide any sums for the payment of any obligation of the Administration which exceeds amounts provided in advance in appropriation Acts.

SEC. 302. FEDERAL ASSISTANCE FOR REGIONAL PROMOTION OF TOURISM.

(a) The International Travel Act of 1961 (22 U.S.C. 2121) is amended by inserting after section 5 the following new section:

"SEC. 5A. (a) The Secretary is authorized to provide financial assistance to a region of not less than two States or portions of two States to assist in the implementation of a regional tourism promotional and marketing program. Such assistance shall include—

"(1) technical assistance for advancing the promotion of travel to such region by foreign visitors;

"(2) expert consultants; and

"(3) marketing and promotional assistance.

"(b) Any program carried out under this section shall serve as a demonstration project for future program development for regional tourism promotion.

"(c)(1) An applicant for financial assistance under this paragraph for a particular region must demonstrate to the Secretary that—

"(A) such region has in the past been an area that has attracted foreign visitors, but such visits have significantly decreased;

"(B) facilities are being developed or improved to reattract such foreign visitors;

"(C) a joint venture in such region will increase the travel to such region by foreign visitors;

"(D) such regional program will contribute to the economic well-being of the region;

"(E) such region is developing or has developed a regional transportation system that will enhance travel to the facilities and attractions within such region; and

"(F) a correlation exists between increased tourism to such region and the lowering of the unemployment rate in such region.

"(2) An applicant for assistance under this paragraph shall demonstrate to the Secretary that (A) the particular region has been declared a major disaster area by the President or (B) the travel and tourism industry of the particular region has suffered severe economic damage as a result of force majeur.".

(b) The program established under section 5A(c)(2) of the International Travel Act of 1961, as added by subsection (a) of this section, shall commence not later than 30 days after the date of enactment of this title.

SEC. 303. TIME PERIOD FOR PERSONNEL REDUCTION.

Section 9 of the International Travel Act of 1961 (22 U.S.C 2128) is amended by striking out "as of September 1, 1979, and thereafter," and substituting "during the period beginning October 1, 1980, and ending September 30, 1981,".

SEC. 304. RESTRICTIONS ON REDUCTIONS OF PERSONNEL OR FUNDS.

The International Travel Act of 1961, (22 U.S.C. 2121) is further amended by adding at the end thereof the following new section:

"SEC. 10. (a) Nothwithstanding any other provision of law, the Secretary may not reduce the number of employees of the United States Travel Service in the offices

of such Service in foreign countries to a number that is less than the number of authorized employees assigned to such offices in fiscal year 1979.

"(b) Notwithstanding any other provision of law, the Secretary may not reduce the amount of funds appropriated pursuant to this Act that are available for obligation to pay for the activities of the offices of the United States Travel Service in foreign countries to an amount that is less than the amount of funds that were available for obligation to pay for the activities of such offices in fiscal year 1980.".

Mr. FLORIO. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. FLORIO moves to strike out all after the enacting clause of the Senate bill, S. 304, and insert in lieu thereof the provisions of the bill, H.R. 1311, as passed by the House.

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to amend the International Travel Act of 1961 to establish a national tourism policy, and for other purposes."

A motion to reconsider was laid on the table.

A similar House bill (H.R. 1311) was laid on the table.

GENERAL LEAVE

Mr. FLORIO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to the provisions of clause 5 of rule I, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device may be taken on all the additional motions to suspend the rules on which the Chair has postponed further proceedings.

EXPRESSING SENSE OF CONGRESS WITH RESPECT TO MONETARY POLICY, INFLATION, AND HIGH INTEREST RATES

The SPEAKER pro tempore. The pending business is the question of suspending the rules and agreeing to the concurrent resolution, House Concurrent Resolution 160, as amended.

The Clerk read the title of the concurrent resolution.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Wisconsin (Mr. REUSS) that the House suspend the rules and agree to the concurrent resolution, House Concurrent Resolution 160, as amended.

The question was taken.

Mr. ALEXANDER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 403, nays 17, not voting 14, as follows:

[Roll No. 169]

YEAS—403

Addabbo	Daniel, Dan	Green
Akaka	Daniel, R. W.	Gregg
Albosta	Danielson	Grisham
Alexander	Daschle	Guarini
Anderson	Daub	Gunderson
Andrews	Davis	Hagedorn
Annunzio	de la Garza	Hall (OH)
Anthony	Deckard	Hall, Ralph
Applegate	Dellums	Hall, Sam
Archer	DeNardis	Hamilton
Aspin	Derrick	Hammerschmidt
Atkinson	Derwinski	Hance
AuCoin	Dickinson	Hansen (ID)
Badham	Dicks	Hansen (UT)
Bailey (MO)	Dingell	Harkin
Bailey (PA)	Dixon	Hatcher
Barnard	Donnelly	Hawkins
Barnes	Dorgan	Heckler
Beard	Dornan	Hefner
Bedell	Dougherty	Heftel
Beilenson	Dowdy	Hendon
Benedict	Downey	Hertel
Benjamin	Duncan	Hightower
Bennett	Dunn	Hiler
Bereuter	Dwyer	Hillis
Bethune	Dymally	Hollenbeck
Bevill	Dyson	Hopkins
Biaggi	Early	Howard
Bingham	Eckart	Hoyer
Blanchard	Edgar	Hubbard
Bliley	Edwards (AL)	Huckaby
Boggs	Edwards (CA)	Hughes
Boland	Edwards (OK)	Hunter
Bolling	Emerson	Hutto
Boner	Emery	Hyde
Bonior	English	Ireland
Bonker	Erdahl	Jacobs
Bouquard	Erlenborn	Jeffords
Bowen	Ertel	Jenkins
Breaux	Evans (DE)	Johnston
Brinkley	Evans (GA)	Jones (NC)
Brodhead	Evans (IA)	Jones (OK)
Brooks	Evans (IN)	Jones (TN)
Broomfield	Fary	Kastenmeier
Brown (CA)	Fazio	Kazen
Brown (CO)	Fenwick	Kildee
Brown (OH)	Ferraro	Kindness
Broyhill	Fiedler	Kogovsek
Burton, John	Fields	Kramer
Burton, Phillip	Findley	LaFalce
Butler	Fish	Lagomarsino
Byron	Fithian	Lantos
Campbell	Flippo	Latta
Carman	Florio	Leach
Carney	Foglietta	Leath
Chappell	Foley	LeBoutillier
Chappie	Ford (MI)	Lee
Cheney	Ford (TN)	Lehman
Chisholm	Forsythe	Leland
Clausen	Fountain	Lent
Clay	Fowler	Levitas
Clinger	Frank	Lewis
Coats	Frenzel	Livingston
Coelho	Fuqua	Loeffler
Coleman	Garcia	Long (LA)
Collins (IL)	Gaydos	Long (MD)
Conable	Gejdenson	Lott
Conte	Gephardt	Lowery (CA)
Conyers	Gibbons	Lowry (WA)
Corcoran	Gilman	Lujan
Coughlin	Gingrich	Luken
Courter	Glickman	Lundine
Coyne, William	Gonzalez	Lungren
Craig	Goodling	Madigan
Crane, Daniel	Gore	Markey
Crane, Philip	Gradison	Marks
Crockett	Gramm	Marlenee
D'Amours	Gray	Marriott
Martin (IL)	Pickle	Snyder
Martin (NC)	Porter	Solarz
Martin (NY)	Price	Solomon
Matsui	Pritchard	Spence
Mattox	Quillen	St Germain
Mavroules	Rahall	Stangeland
Mazzoli	Railsback	Stanton
McClory	Rangel	Stark
McCloskey	Ratchford	Staton
McCollum	Regula	Stenholm
McCurdy	Reuss	Stokes
McDade	Rhodes	Studds
McEwen	Richmond	Stump
McGrath	Rinaldo	Swift
McHugh	Ritter	Synar
McKinney	Roberts (KS)	Tauke
Mica	Roberts (SD)	Tauzin
Mikulski	Robinson	Taylor
Miller (CA)	Rodino	Thomas
Miller (OH)	Roe	Traxler
Mineta	Roemer	Trible
Mitchell (MD)	Rogers	Udall
Mitchell (NY)	Rose	Vander Jagt
Moakley	Rostenkowski	Vento
Moffett	Roth	Walgren
Molinari	Roukema	Walker
Mollohan	Roybal	Washington
Montgomery	Rudd	Watkins
Moore	Russo	Waxman
Moorhead	Sabo	Weaver
Morrison	Santini	Weber (OH)
Mottl	Sawyer	Weiss
Murphy	Scheuer	White
Murtha	Schneider	Whitehurst
Myers	Schroeder	Whitley
Napier	Schulze	Whittaker
Natcher	Schumer	Whitten
Neal	Seiberling	Williams (MT)
Nelligan	Sensenbrenner	Williams (OH)
Nelson	Shamansky	Wilson
Nichols	Shannon	Winn
Nowak	Sharp	Wirth
O'Brien	Shaw	Wolf
Oakar	Shelby	Wolpe
Oberstar	Shumway	Wortley
Obey	Shuster	Wright
Ottinger	Siljander	Wyden
Panetta	Simon	Wylie
Parris	Skeen	Yates
Pashayan	Skelton	Yatron
Patman	Smith (AL)	Young (AK)
Patterson	Smith (IA)	Young (FL)
Pease	Smith (NE)	Young (MO)
Pepper	Smith (NJ)	Zablocki
Perkins	Smith (OR)	Zeferetti
Petri	Smith (PA)	
Peyser	Snowe	

NAYS—17

Ashbrook	Goldwater	Michel
Burgener	Hartnett	Paul
Collins (TX)	Holt	Rousselot
Coyne, James	Jeffries	Stratton
Dannemeyer	Kemp	Weber (MN)
Dreier	McDonald	

NOT VOTING—14

Bafalis	Holland	Rosenthal
Cotter	Horton	Savage
Fascell	Minish	Volkmer
Frost	Oxley	Wampler
Ginn	Pursell	

□ 1520

The Clerk announced the following pairs:

On this vote:

Mr. Fascell with Mr. Bafalis.
Mr. Ginn with Mr. Wampler.
Mr. Volkmer with Mr. Pursell.
Mr. Rosenthal with Mr. Horton.
Mr. Holland with Mr. Oxley.
Mr. Minish with Mr. Frost.

So (two-thirds having voted in favor thereof) the rules were suspended and the concurrent resolution, as amended, was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

MINERAL LEASING ACT AMENDMENTS

The SPEAKER pro tempore. The unfinished business is the question of suspending the rules and passing the bill, H.R. 4053, as amended.

The Clerk read the title of the bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Nevada (Mr. SANTINI) that the House suspend the rules and pass the bill, H.R. 4053, as amended.

The question was taken.

Mr. RUSSO. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 408, nays 5, not voting 21, as follows:

[Roll No. 170]

YEAS—408

Addabbo	Coats	Fenwick
Akaka	Coelho	Ferraro
Albosta	Coleman	Fiedler
Anderson	Collins (IL)	Fields
Andrews	Collins (TX)	Findley
Annunzio	Conable	Fish
Anthony	Conte	Fithian
Archer	Conyers	Flippo
Ashbrook	Corcoran	Florio
Aspin	Coughlin	Foglietta
Atkinson	Courter	Foley
AuCoin	Coyne, James	Ford (MI)
Badham	Coyne, William	Ford (TN)
Bafalis	Craig	Forsythe
Bailey (MO)	Crane, Daniel	Fountain
Bailey (PA)	Crane, Philip	Fowler
Barnard	D'Amours	Frank
Barnes	Daniel, Dan	Fuqua
Beard	Daniel, R. W.	Garcia
Bedell	Danielson	Gaydos
Beilenson	Dannemeyer	Gephardt
Benedict	Daschle	Gibbons
Benjamin	Daub	Gilman
Bennett	Davis	Gingrich
Bereuter	de la Garza	Ginn
Bethune	Deckard	Glickman
Bevill	Dellums	Goldwater
Biaggi	DeNardis	Gonzalez
Bingham	Derrick	Goodling
Blanchard	Derwinski	Gore
Bliley	Dickinson	Gradison
Boggs	Dicks	Gramm
Boland	Dingell	Gray
Bolling	Dixon	Green
Boner	Donnelly	Gregg
Bonior	Dorgan	Grisham
Bonker	Dornan	Guarini
Bouquard	Dougherty	Gunderson
Bowen	Dowdy	Hagedorn
Breaux	Downey	Hall (OH)
Brinkley	Dreier	Hall, Ralph
Brodhead	Duncan	Hall, Sam
Brooks	Dunn	Hamilton
Broomfield	Dwyer	Hammerschmidt
Brown (CA)	Dymally	Hance
Brown (CO)	Dyson	Hansen (ID)
Brown (OH)	Early	Hansen (UT)
Burgener	Eckart	Harkin
Burton, John	Edgar	Hartnett
Burton, Phillip	Edwards (AL)	Hatcher
Butler	Edwards (OK)	Hawkins
Byron	Emerson	Heckler
Campbell	Emery	Hefner
Carman	English	Heftel
Carney	Erdahl	Hendon
Chappell	Ertel	Hertel
Chappie	Evans (DE)	Hightower
Cheney	Evans (GA)	Hiler
Chisholm	Evans (IA)	Hillis
Clausen	Evans (IN)	Holland
Clay	Fary	Hollenbeck
Clinger	Fazio	Holt
Hopkins	Mitchell (NY)	Sensenbrenner
Howard	Moakley	Shamansky
Hoyer	Moffett	Shannon
Hubbard	Molinari	Sharp
Huckaby	Montgomery	Shaw
Hughes	Moore	Shelby
Hutto	Moorhead	Shumway
Hyde	Morrison	Shuster
Ireland	Mottl	Siljander
Jacobs	Murphy	Simon
Jeffords	Murtha	Skeen
Jeffries	Myers	Skelton
Jenkins	Napier	Smith (AL)
Johnston	Natcher	Smith (IA)
Jones (NC)	Neal	Smith (NE)
Jones (OK)	Neiligan	Smith (NJ)
Jones (TN)	Nelson	Smith (OR)
Kastenmeier	Nichols	Smith (PA)
Kazen	Nowak	Snowe
Kemp	Oakar	Snyder
Kildee	Oberstar	Solarz
Kindness	Obey	Solomon
Kogovsek	Ottinger	Spence
Kramer	Panetta	St Germain
LaFalce	Parris	Stangeland
Lagomarsino	Pashayan	Stanton
Lantos	Patman	Stark
Latta	Patterson	Staton
Leach	Paul	Stenholm
Leath	Pease	Stokes
LeBoutillier	Pepper	Stratton
Lee	Perkins	Studds
Lehman	Petri	Stump
Leland	Peyser	Swift
Lent	Pickle	Synar
Levitas	Porter	Tauke
Lewis	Price	Tauzin
Livingston	Pritchard	Taylor
Loeffler	Pursell	Thomas
Long (LA)	Quillen	Traxler
Long (MD)	Rahall	Trible
Lott	Railsback	Udall
Lowery (CA)	Rangel	Vander Jagt
Lowry (WA)	Ratchford	Walgren
Lujan	Regula	Walker
Luken	Reuss	Washington
Lundine	Rhodes	Watkins
Lungren	Richmond	Waxman
Madigan	Rinaldo	Weber (MN)
Markey	Ritter	Weber (OH)
Marks	Roberts (KS)	Weiss
Marlenee	Roberts (SD)	White
Marriott	Robinson	Whitehurst
Martin (IL)	Rodino	Whitley
Martin (NC)	Roe	Whittaker
Martin (NY)	Roemer	Whitten
Matsui	Rogers	Williams (MT)
Mattox	Rose	Williams (OH)
Mavroules	Rostenkowski	Wilson
Mazzoli	Roth	Winn
McCollum	Roukema	Wirth
McCurdy	Rousselot	Wolf
McDade	Roybal	Wolpe
McDonald	Rudd	Wortley
McEwen	Russo	Wright
McGrath	Sabo	Wyden
McHugh	Santini	Wylie
McKinney	Savage	Yates
Mica	Sawyer	Yatron
Mikulski	Scheuer	Young (AK)
Miller (CA)	Schneider	Young (FL)
Miller (OH)	Schulze	Young (MO)
Mineta	Schumer	Zablocki
Mitchell (MD)	Seiberling	Zeferetti

NAYS—5

Frenzel	Schroeder	Weaver
Gejdenson	Vento	

NOT VOTING—21

Alexander	Fascell	Minish
Applegate	Frost	Mollohan
Broyhill	Horton	O'Brien
Cotter	Hunter	Oxley
Crockett	McClory	Rosenthal
Edwards (CA)	McCloskey	Volkmer
Erlenborn	Michel	Wampler

□ 1530

The Clerk announced the following pairs:

On this vote:

Mr. Minish with Mr. Erlenborn.
Mr. Mollohan with Mr. McClory.
Mr. Rosenthal with Mr. Broyhill.
Mr. Alexander with Mr. O'Brien.
Mr. Fascell with Mr. Oxley.
Mr. Edwards of California with Mr. Wampler.
Mr. Applegate with Mr. McCloskey.
Mr. Volkmer with Mr. Hunter.
Mr. Frost with Mr. Horton.
Mr. Crockett with Mr. Michel.

Mr. GEJDENSON changed his vote from "yea" to "nay."

So (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

DIRECTING CLERK IN ENGROSSMENT OF H.R. 4053 TO CORRECT FIRST SENTENCE OF PARAGRAPH (d) ON PAGE 4

Mr. SANTINI. Mr. Speaker, I ask unanimous consent that the Clerk be directed in the engrossment of H.R. 4053 to correct the first sentence of paragraph (d) on page 4 of the amendment to read:

(d) The Secretary may lease such additional lands as may be required in support of operations necessary for the recovery of oil shale from lands subject to a lease issued under subsection (a) of this section.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

Mr. MARRIOTT. Mr. Speaker, reserving the right to object, would the gentleman tell us what the nature of this amendment is?

Mr. SANTINI. The subject language was approved by the committee, but inadvertently omitted from the language presented to the committee on yesterday's amendment.

The words "from lands subject to a lease issued under subsection (a) of this section." were approved by the committee, but were inadvertently omitted from the language presented in the committee amendment yesterday.

Mr. MARRIOTT. This is the amendment we unanimously agreed to in committee?

Mr. SANTINI. The world-famous Seiberling amendment, yes.

Mr. MARRIOTT. I thank the gentleman, and I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

Mrs. SCHROEDER. Mr. Speaker, reserving the right to object, as I understand it what the gentleman is doing is putting the Seiberling amendment back in. Let me compliment the gentleman. I am delighted that he is doing that. I was very worried.

Mr. SANTINI. I am happy to have a moment of accord during the day with the gentlewoman from Colorado.

Mrs. SCHROEDER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

There was no objection.

PERSONAL EXPLANATION

Mr. HARKIN. Mr. Speaker, I was unavoidably detained, chairing my subcommittee, during the vote of H.R. 1311, the National Tourism Policy Act.

Had I been present for that vote, I would have voted "aye."

TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT APPROPRIATION, 1982

Mr. ROYBAL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 4121) making appropriations for the Treasury Department, the U.S. Postal Service, the Executive Office of the President, and certain independent agencies, for the fiscal year ending September 30, 1982, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to not to exceed 1 hour, the time to be equally divided and controlled by the gentleman from Ohio (Mr. MILLER) and myself.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from California (Mr. ROYBAL).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 4121, with Mr. STUDDS in the Chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from California (Mr. ROYBAL) will be recognized for 30 minutes, and the gentleman from Ohio (Mr. MILLER) will be recognized for 30 minutes.

The Chair recognizes the gentleman from California (Mr. ROYBAL).

Mr. ROYBAL. Mr. Chairman, I yield myself as much time as I may require.

Mr. Chairman, I bring a bill to the floor today for your consideration that would appropriate $9,765,717,000 for the various agencies of the Treasury Department, the U.S. Postal Service, the Executive Office of the President, and a number of independent agencies for fiscal year 1982. While the President presented an austere budget for these agencies, the committee, after careful consideration, is able to recommend a reduction below the President's budget of $98,921,000. The amount recommended in this budget is $551,207,000 below the amount appropriated for these same agencies for the fiscal year 1981. The details of the committee proposals are carefully and fully set forth in the report which accompanies the bill. I would like to summarize briefly the sections of the bill.

□ 1540

Mr. Chairman, title I of the bill provides funds for the activities of the various bureaus and offices of the Treasury Department, such as the Internal Revenue Service, the Customs Service, the Secret Service, and the Bureau of Alcohol, Tobacco, and Firearms, as well as administrative offices. The bill recommends $3,982,287,000, an increase over the President's budget of $53,401,000. This increase over the budget consists of $38 million for the Internal Revenue Service; $18,467,000 for the Customs Service; and $5 million for the Bureau of Alcohol, Tobacco, and Firearms. These increases are offset by decreases in other Treasury agencies.

In recommending these increases, the committee felt that two basic functions of Government should not be reduced at this time—those of law enforcement and those for collection of the revenue. The increase for IRS of $38 million would provide about 1,500 additional personnel to maintain collections at a reasonable level. The Ways and Means Committee recommended increases to correct serious deficiencies in the IRS budget and to turn IRS around after years of documented understaffing.

Every witness at the Ways and Means Committee oversight hearings, including the IRS and Treasury Department, testified that increased IRS staffing over the levels proposed in the fiscal year 1982 budget is clearly needed. Testimony before the committee indicates that each additional dollar of appropriations would generate between $6 and $7 in revenue collections.

In connection with the increase for Customs, which is $18.5 million, and BATF, which is $5 million, the additional funds would not provide any additional personnel. The funds would only maintain employment at the April 30, 1981, level, together with some additional funds for the air-interdiction program to combat narcotics smuggling.

In title II, the U.S. Postal Service, the committee recommends the same amount as in the President's budget, $869,240,000—a reduction of $473,977,000 below the amount that was appropriated in 1981. The committee report directs the Postal Service to continue 6-day mail service and prohibits wholesale closings of small post offices.

Title III of the bill provides funds for most of the offices in the Executive Office of the President. The amount recommended is $8,688,000 below the President's budget request and $8,350,000 below the amount appropriated in 1981. This reduction consists primarily of two items—a denial of an increase of $4,735,000 that was requested for the Office of Management and Budget and a denial also of $2,959,000 for the Office of Policy Development.

In connection with the committee's denial of an increase of $4.7 million for OMB over the 1981 budget, the committee felt that OMB should set the example for fiscal austerity which it advocates and which it imposed on other agencies of Government. In many cases OMB reduced other agency budgets to the 1981 level, and in some cases below that level, and directed those agencies to absorb the cuts by better management and increased productivity. Because the committee felt that OMB should at least follow its own advice, we denied their request for an increase and instead provided for OMB the same level of funding as in the 1981 budget.

In connection with the denial of the budget for the Office of Policy Development, the responsible officials of this office refused to appear formally before the committee to present and justify their budget. The committee feels that this attitude is an affront, not only to the committee but to the House as well. It appears, however, that this matter will be resolved in the Senate, and if it is, I would have no hesitation in considering an appropriation for this office. At this time, however, I strongly urge the House to support the committee in order not to establish a most undesirable precedent.

Title IV of the bill provides funds for a number of independent agencies such as the General Services Administration, the Office of Personnel Management, and the Tax Court of the United States.

The amount recommended in the bill for these agencies is $4,829,717,000—a reduction below the budget of $143,634,000 and a reduction below 1981 of $216,687,000.

The reduction below the budget consists primarily of two items—a denial of the $120 million for contributions to the international buffer stocks for tin. This program has not been authorized, and the administration has not yet even sent proposed legislation to the Congress.

The committee recommends $100 million for the national defense stockpile transaction fund, a reduction of $20 million below the President's budget.

Mr. Chairman, there will be several amendments that will no doubt be offered by various Members of the House. I sincerely hope that we can limit some of those amendments. It is my intention to ask unanimous consent to limit to 10 minutes an amendment on abortion. As the Members know, we have debated that over and over again for many years, not only in this bill but particularly in the bill on Health and Human Services. Since we have already made all these presentations, I sincerely hope we can submit for the RECORD any arguments that we may have, and that unanimous consent would be granted that we limit debate to 10 minutes.

Mr. Chairman, I believe that this is a good bill. It is an austere bill, but it is one that provides for the basic needs of the various agencies to perform their functions.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman from New York.

Mr. ADDABBO. Mr. Chairman, I thank my subcommittee chairman for yielding.

I take this opportunity to commend my chairman on the exceptional job he has done in bringing this bill to the floor. This is the first regular appropriation bill the gentleman is chairing, and he follows in the great footsteps of our former colleague, Tom Steed.

In keeping with the practices and the beliefs of our great chairman, Tom Steed, the gentleman continues our great interest in Customs, making sure that Customs is not cut, because he knows of their great importance in our fight against drugs and Custom's importance in protecting our borders.

Our chairman, the gentleman from California (Mr. ED ROYBAL), together with our ranking minority member, the gentleman from Ohio (Mr. MILLER), have put many hours into bringing this bill to the floor. This is legislation which I believe is a good bill, a bill that is austere but which protects the rights of all, and, more importantly, protects us against illegal drug trafficking.

I urge my colleagues to support this bill, without amendments.

Mr. Chairman, I support the bill now before the House: the Treasury, Postal Service, and general Government appropriation bill for fiscal year 1982.

First, I want to wholeheartedly commend our new chairman, ED ROYBAL of California, for the great job he has done. He has picked up the baton passed by one of our most experienced and beloved former colleagues, Tom Steed of Oklahoma, and he has carried it as confidently as the old maestro himself. I extend to ED ROYBAL my fullest respect and support. I also honor, with friendship, our minority leader, CLARENCE MILLER of Ohio and I thank our loyal staff, Tex Gunnels and Bill Smith, for their invaluable support.

This is a tough bill. The figures speak for themselves. Recommended new budget authority totals $9,765,717,000, a reduction of $98.9 million below the budget request and $551.2 million below the amounts appropriated for fiscal year 1981. Some of the individual items included are funded at, and even below, last year's levels. In some areas, no funding was requested by the administration and none has been provided.

Additionally, the bill makes available permanent new budget authority of over $150 billion, up more than $16.5 billion from last year, for items which are not subject to consideration during our annual appropriations process. Included in here is payment of interest on the public debt which is anticipated to reach, if not exceeded, $106.5 billion for fiscal year 1982, up $12.4 billion from 1981.

Clearly, this is an austere bill. Equally clear is the message transmitted in title I. Title I makes appropriations to the Department of the Treasury which includes the Bureau of Alcohol, Tobacco and Firearms, the Customs Service, the IRS, and the Secret Service. Funding for title I is increased by $53.4 million over the budget request. This small increase signals our firm intent that austerity shall not translate into a bonanza for drug runners, smugglers, tax dodgers, or criminal users of guns and explosives. We shall not condone the decimation of our law enforcement and revenue-gathering agencies. To do so is pennywise, and pound-foolish, and destructive to our national interest.

The recommended appropriation for the Bureau of Alcohol, Tobacco and Firearms is $155,591,000, an increase of $5 million over the budget request. Your committee does not support the proposal to reduce 229 people in this agency. We are all anguished by the toll in lives and property resulting from irrational shootings, bombings, and arson. We must support BATF if we are to reduce these despicable acts. The purpose of the additional funding is to maintain the April 30, 1981, level of full-time permanent personnel.

An appropriation of $498,468,000 is recommended for the Customs Service. This is the same amount provided last year. The administration had proposed a reduction of $18,467,000 below fiscal year 1981. This incredible proposition would have resulted in a reduction of 625 positions in fiscal year 1982 in this already seriously understaffed agency. The restoration of these funds will maintain the 1981 personnel strength.

Having served as a representative from New York—the largest gateway to the Nation—for more than 20 years, I doubt that there are many in this House more conversant than I am with the colossal responsibilities and workload borne by our Customs personnel. We could not serve our national interest by weakening our first line of defense against the entry of drugs and other contraband, by inadequate enforcement of import quotas, or by complicating and delaying the processing of international passengers, mail and legitimate merchandise. Neither can we afford the loss of revenue that would result from the depletion of a service that brings into the Treasury $5 for every $1 invested.

Your committee has taken several other actions regarding the Customs Service. We have requested reports on the results of various test programs currently underway or proposed, the so-called One Stop, ACCEPT, and others. The results of these tests require careful assessment as we look to the future. The critical understaffing at Customs will only multiply if we do no more than maintain current strengths. Such programs, if they work, could serve to alleviate future workload increases.

This bill approves the requests increase in the Customs overtime pay cap. It should be pointed out that it is essential to the Service that we do so. According to the subcommittee record, page 301, part I of our hearings, in fiscal year 1980 it cost Customs over $1.5 million to administer and monitor the existing cap. Since then we have had a 9.2 percent pay increase, effectively reducing the number of overtime hours. Personnel had to be transported, at considerable expense, to other ports at which employees were not eligible to perform overtime due to the cap. Overtime, I would remind you, is obligatory and a condition of employment for customs inspectors. Much of this off-hour service is provided as a convenience to and at the request of carriers and, as such, is reimbursed by them.

An appropriation of $2,603,649,000 is recommended for the Internal Revenue Service. This amount is $38 million and 1,500 average positions over the budget request. It is estimated that the additional $38 million will result in increased revenue to the Treasury of about $275 million, a return of 7 to 1. As I have said before, one way we can reduce the burdens of taxation is to get the cheats and the evaders off the backs of honest citizens and onto the tax rolls. We must also maintain a standard of taxpayer assistance in order to simplify and encourage voluntary compliance with our intricate tax laws and to avoid imposing a hidden tax, the cost of seeking assistance elsewhere by those who can ill afford to pay it. The modest increase in this area does no more than maintain the program at around the 1981 level. Included also is an increase

of $500,000 for the tax counseling for the elderly program. VITA, vounteers in tax assistance, will be maintained at the $1,300,000 level.

The full budget request for the Secret Service, an increase of $885,000 over 1981, is recommended. The most unhappy events of March 30, afforded us all an opportunity to witness on TV the selfless discipline and dedication to duty of the highly trained men and women of the Secret Service. We commend them and we support them.

Finally in title I, a general provision has been included prohibiting Treasury from shortening the time allowed for payment of excises taxes. Both the House and the Senate have taken positive and concerted action on this issue in the past.

Title II goes along with the budget request of $869,240,000 for payments to the Postal Service. When the Postmaster General appeared before our subcommittee he was fully aware of the magnitude of the proposed cutbacks and the further potential loss of revenue due to the Postal Rates Commission action on the requested rate increase. He nonetheless testified, "we will not look to changes in 6-day delivery or other major, nationwide services," and "we will not have any wholesale closings of small post offices." I remain concerned over the precipitous cuts in both public service and the revenue foregone subsidies. However, the Postmaster General has both responsibility and accountability for the Service and we accept his testimony.

I would point out that the witnesses before our subcommittee were not always as authoritative. To this date, some key positions have not yet been formally filled. This situation must be as untenable to those who must carry on the daily work as it is for us who must look beyond what is said and done today.

Title III provides funding for the Executive Office of the President. Although the total net amount shows a reduction of $8,350,000 from 1981, this is largely due to the fact that no funds were requested, and none provided, for the Council on Wage and Price Stability which received an appropriation last year of over $7.9 million. Some cuts have been made where they were seen to be justified in consonance with cuts elsewhere in the bill. The Office of Management and Budget, as an example, had requested a funding increase of 12½ percent over 1981. I would not deny that the workload at OMB appears to have gone up. I am also aware of the increased workload of other agencies for which the administration has requested less funding than last year. OMB has been provided the same amount as in 1981.

Title IV, independent agencies, is the largest dollar component of new budget authority in the bill. There are myriad agencies and offices here, from GSA and OPM to small committees and commissions, which contribute to the general functioning of the Government. Every one of these line items has been combed and the net amount provided is $143.6 million below the request and $216.7 million below the fiscal year 1981 appropriation. A major factor is the reduction of $120 million requested for contributions to international buffer stocks. This denial was made without prejudice due to lack of authorization.

Two relatively small programs in title IV were marked for extinction this year by the administration, two programs that I consider important. The National Historical Publications and Records Commission plays a unique role in the preservation of our heritage. The bill earmarks $3 million so that this program can continue. Intergovernmental personnel assistance, administered by OPM, has been terminated. I believe this to be a most untimely end to a program designed to provide assistance to State and local governments. In my view, this program should have been bolstered in the coming year when personnel at the State and local level will have to fathom, translate, and adjust to the impact of the actions of the Federal Government this year.

Obviously, I have some concerns. Nonetheless, within the constraints that we face, your committee has exercised its collective best judgment and I urge the adoption of this bill by the House.

Mr. KAZEN. Mr. Chairman, will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman from Texas.

Mr. KAZEN. Mr. Chairman, let me ask the gentleman to go over the section dealing with the Customs Service. What has the committee provided for the Customs Service?

Mr. ROYBAL. Mr. Chairman, in the Customs Service we have made an additional appropriation of $18.5 million.

Mr. KAZEN. Is this for additional personnel, additional inspectors, or additional supervisors?

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman from New York.

Mr. ADDABBO. Mr. Chairman, in answer to the gentleman, this is not any increase in personnel. What this does is to maintain employment at the April 30, 1981 level. It was the intention of the administration to reduce the number of customs inspectors, and this bill keeps them at the present level and requires that there be no reduction.

Mr. ROYBAL. Well, the attempt originally was to reduce the personnel. What the committee has done is maintaining the same personnel we had before instead of following the recommendations originally made to reduce.

Mr. KAZEN. Mr. Chairman, if the gentleman will yield further, let me submit to the distinguished chairman that if we keep the number of slots that we now have, they would be woefully inadequate to deal with the international trade that we now have.

I have an international bridge at Laredo that is supposed to be open 24 hours a day. The lines are tremendously long coming out of Mexico and going into Mexico simply because we do not have the Customs and Immigration personnel. Therefore, we are not open 24 hours a day and this country is losing a tremendous amount of revenue.

This is being pennywise and poundfoolish, when we do not have the adequate personnel to increase this country's revenue.

Mr. ROYBAL. May I respond to the gentleman?

Mr. KAZEN. Yes, certainly.

Mr. ROYBAL. I wholeheartedly agree with the gentleman that that is the case, but in this particular instance the committee did the very best it possible could. We did, in fact, increase it by $18.5 million.

We also fought back the recommendation made by the administration to reduce the personnel.

Now we are bringing this to the floor for House consideration and any amendment that can be made or that will be made will be debated in the House and then we will take whatever position the House desires.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman.

Mr. ADDABBO. I fully agree and I fully agree with the gentleman from Texas that this is one place we should not make cuts; but we were under the budget constraints. When we increased and kept it at the same level we were again maneuvering moneys and dollars within the bill and we did it as much as we could; but again, most of the members of the subcommittee fully agree with the gentleman that this is one place where no cuts should be made and, if anything, it should be increased.

Mr. KAZEN. Mr. Chairman, if the gentleman will yield further, where is the additional money that the gentleman says is going in here, what is it going to be used for?

Mr. ADDABBO. The money is over the budget request, the $18.5 million is more than the administration had requested and what that money is being used for is to maintain present level employment and in some cases for more equipment and improvement of stations.

Mr. KAZEN. I thank the gentleman.

Mr. GONZALEZ. Mr. Chairman, will the gentleman yield?

Mr. ROYBAL. I yield to the gentleman from Texas.

Mr. GONZALEZ. I rise also in continuation of this discussion because I represent at least a part of the city of San Antonio where we have somewhat of a different, but still the same impact as the situation in Laredo, because we have the airport and there we have been facing some real crisis that is adverse to the national interest of trade and commerce, as the gentleman from Texas (Mr. KAZEN) pointed out.

My question is, that personnel at the current level would remain the same that we have at such place or post as say the San Antonio International Airport.

Mr. ROYBAL. That is correct.

Mr. GONZALEZ. I was intrigued a while ago by the gentleman referring to limiting debate on an expected proposed abortion amendment on this bill.

Mr. ROYBAL. Yes.

Mr. GONZALEZ. This has nothing to do with HEW. Who are they trying to prevent from aborting, the postman?

Mr. ROYBAL. The gentleman probably remembers such an amendment was previously made in the bill last year and it is expected and has already been announced that such an amendment would be offered again today.

Mr. GONZALEZ. I do not recall last year's amendment, but to what section, does the gentleman remember, can the gentleman tell me; was it to the Post Office section, the postman, the mailman?

Mr. ROYBAL. No; this is going to be to the health benefit plans. This is the moneys that an employee pays for health services, Blue Cross, and so forth and so on. The amendment is going to be made that will affect that section of the bill.

Mr. GONZALEZ. I just could not conceive of it, because the only main thing I see here is the Postal Department and I just did not understand.

Mr. ROYBAL. Well, I gather by the gentleman's concern that he does not expect such an amendment to be in this bill. I did not, either. I do not think it has any business in the bill, but it is my understanding that it is going to be made.

Mr. GONZALEZ. Oh, I agree whole heartedly. I just could not conceive under what circumstances, because it usually takes the form of "None of the funds herein provided for shall be used for the purposes."

I could not see how that could be done, except directed to some poor postal deliveryman trying to deliver the mail and being under the injunction that none of his salary could be used for the purposes of that, or if it was done while he was in the course of delivering the mail. I just did not see how, but I can understand and I certainly sympathize with the desire for a limitation on debate.

I just could not understand how it could be germane. It must be a violation of the rules, because this is an appropriations bill.

Mr. ROYBAL. Well, if the gentleman will yield back to me, perhaps I can refresh the gentleman's memory that again last year a point of order was called and it was ruled to be germane. Therefore, it is my understanding that it will again be offered and we are going to try to limit the debate so that we can expedite the consideration of the the bill. This matter has been debated so many times.

Mr. GONZALEZ. It is understandable and I certainly sympathize and agree with the distinguished chairman.

I thank the gentleman very much.

Mr. MILLER of Ohio. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I appreciate this opportunity to at least say a few words about this bill, but first I want to compliment the subcommittee chairman, the gentleman from California (Mr. ROYBAL) for the efficient and businesslike way in which he conducted the subcommittee hearings and the markup.

I also want to compliment the subcommittee staff, Tex Gunnels and Bill Smith, for their hard work and instructional counsel during the year.

Now, the chairman conveyed the message that we have in this bill, $9,765,000,000, a reduction of $551 million from last year's bill.

I will not go over all the figures. There is no reason to duplicate that, but we heard a few minutes ago about the Customs Bureau and there were questions asked about Customs. The Customs appropriations in the bill is $498 million, an increase of $18 million.

Customs has 13,099 employees. If there are problems at the borders, perhaps we need to get more Customs personnel out of the office and into an area where they will be able to do some good at the borders.

Customs needs the guidance of a commissioner, and I would hope that in the near future we will have a Commissioner of Customs appointed.

Customs last year had a one-time appropriation of $10 million in the supplemental for aircraft. When we add the $8.4 million proposed reduction that was restored, we are $18.4 million over last year.

We also had something else that was added in our markup of the bill. We had $38 million added to the Internal Revenue Service budget and that was for 1,500 new employees in IRS. Undoubtedly, we will hear more about that, with the possibility of an amendment to be offered to either strike or reduce that amount. It was proposed, as I understand, by an oversight committee of Ways and Means.

I believe it is important that we convey the message that last year this committee reduced the payment to the Postal Service by one-quarter of a billion dollars and in this bill we have decreased the payment to the Postal Service approximately one-half billion dollars.

We may only be prolonging the agony. That is very possible, because somewhere along the line those payments will need to be made up, the Postal Service will need to increase efficiency, or increase the price of stamps.

□ 1600

Somewhere along the line the taxpayers are going to pay, I would say. But there is a reduction in this particular bill for the Postal Services.

In this bill we have almost 60 accounts for various agencies, bureaus, and offices. Some of them, like GSA, are the basic Government housekeeping activities, or with the IRS and Customs, for revenue collection. Others provide basic Government functions like the Executive Office of the President while others, like the Postal Service, provide other basic service to all Americans.

Others are for law enforcement agencies such as the Customs that we spoke of, and the Bureau of Alcohol, Tobacco and Firearms.

One agency, the Bureau of the Public Debt, is charged with managing our massive national debt. Appropriations for that agency will be $206 million for this fiscal year 1982.

But I think here we need to mention something else. That $206 million is just for administrative costs, costs for administering the national debt.

In the bill, or at least for the items that are covered by the committee, we have permanent authority for new budget outlays, and amounts to $160 billion. That is covered by the committee but not covered by the bill itself because it is permanent authority.

We have Federal funds of $120 billion. We have trust funds of $30 billion.

We have the national debt interest payment within this permanent authority. I think it is important to keep that in mind because somehow perhaps that is how we got into trouble in the beginning. The national debt will be $1 trillion, possibly by the end of next month. There are many hidden items behind this bill, such as permanent authorities for spending, but my colleagues are not voting on that spending here on the House floor.

Mr. Chairman, I feel that we will have some 15 or 20 amendments and, instead of covering the total bill I

would like to cover the balance at the time of the amendments.

Mr. ROYBAL. Mr. Chairman, I yield 6 minutes to the gentlewoman from New York (Ms. FERRARO).

Ms. FERRARO. Mr. Chairman, I rise in strong support of maintaining the committee-approved staffing levels in the U.S. Customs Service, the Internal Revenue Service (IRS), and the Bureau of Alcohol, Tobacco and Firearms (BATF) and urge rejection of any amendment to reduce those employees. These revenue-generating agencies are charged with the enforcement of our drug laws, protecting our borders, collecting taxes, and providing a number of other vital services.

The appropriations subcommittee acted carefully and responsibly in rejecting the cuts and inadequate staffing levels proposed by the administration, and I commend the gentleman from California (Mr. ROYBAL) for his work in this matter.

Candidate Reagan campaigned with a pledge to reduce the size of Government and get it off the backs of the people. Some Members in this House are supporting his moves to reduce committee-approved Customs, IRS, and BATF personnel. What would be the effects on such a move?

Do the President and his supporters want to get Government agents off the backs of drug traffickers who smuggle their contraband through our ports of entry and peddle it in the streets and schoolyards of our cities and towns?

Do the President and his supporters want to get import specialists off the backs of foreign exporters wishing to violate import quotas and undermine our domestic markets?

Do the President and his supporters want to get revenue agents off the backs of tax cheats?

Do the President and his supporters want to increase the already lengthy processing waits which must be endured by foreign visitors wishing to spend time and money visiting the United States?

Do the President and his supporters want to get Federal agents off the backs of those who break U.S. firearms and explosives control laws?

I find each of these results unacceptable, yet inevitable if approved staffing levels at these agencies is reduced. As chairwoman of the subcommittee with jurisdiction over Federal personnel levels, I have visited an IRS service center and several district offices in New York and met with the employees who process and audit tax returns, bringing $5 to the Treasury for each $1 spent on their salaries. I have looked at a number of other agencies and have held a hearing on the proposed reductions in Customs and Immigration and Naturalization Service. As a result, I have concluded that those cuts bear no relationship to agency workload whatsoever.

I am not alone in this conclusion. GAO issued a report to me last week stating, "Federal departments and agencies have not developed comprehensive work force planning systems that relate to staff needs to work requirements." One of the agencies included in the scope of that review was the Department of the Treasury.

We must act responsibly in dealing with the proposals forwarded by the President. We must balance the politics of the moment with sound administration of our federal system. Frankly, staffing cuts in these agencies may be good short-term politics but it is bad policy.

Mr. Chairman, at the same time the administration wants to cut staffing at these important operating agencies, it has requested increases of more than $8.8 million in appropriations to support staff in the Executive Office of the President (EOP). I commend the committee and subcommittee chairmen for approving significantly less funds than the administration requested, and especially for keeping OMB funding levels down to the 1981 level.

I was really surprised by the request of our former colleague Dave Stockman, I found it totally inconsistent for the chief budget-cutting agency to request $4.7 million over last year's funding level for staff—a full 14-percent increase. Although the duties and workload may be increasing at OMB, this is also occurring in many other agencies of Government for which the budget authority requested is either at or below 1981 levels.

In its fiscal year 1982 budget revisions the administration announced it would achieve a 12-percent staffing reduction in 1981 in the Executive Office of the President, which includes OMB, through cutbacks in the Council on Wage and Price Stability (COWPS), the Council on Environmental Quality (CEQ), and the Office of Science and Technology Policy (OSTP). Indeed the latest figures available from the Office of Personnel Management show that the COWPS staff has been reduced by 160 positions between January and May of this year. The Council on Environmental Quality and the Office of Science and Technology Policy show staff reductions of 35 and 19, respectively, in the same period.

Yet these reductions have been almost totally offset by staff increases in other EOP agencies. As chairwoman of the subcommittee with authorizing jurisdiction over the size of many of the EOP offices, I was shocked when I examined the figures. Staffing in the Office of Administration has increased by 17 positions, or 10 percent over the January level. The Office of the Special Representative for Trade Negotiations has increased by 12 positions or 9 percent since January. The White House Office has grown by, would you believe, 113 positions since January—a 32 percent growth since the President took office and 69 more employees than were on board in May of last year.

The bottom line, Mr. Chairman, is this—the President's announced 12 percent staff reduction in his own Executive Office has fizzled to little more that 2 percent . . . and the President has requested $8.8 million more than was appropriated last year to pay for his staff.

This is a clear example of the Washington shell game at its worst. This administration continues to push for reductions in the number of lower grade employees who protect our borders and enforce our laws, while conveniently overlooking its own failure to reduce high paid political appointees inside the White House.

For the same salary of each $50,000 a year political appointee we could hire three GS-7's to aid in identifying drug smugglers, process tax returns or aid in Federal law enforcement activities.

I commend the gentleman from Mississippi (Mr. WHITTEN) and the gentleman from California (Mr. ROYBAL) for their efforts to bring this appropriation bill into better balance in this regard.

For the administration I recommend a little variation on the old adage . . . budget cutting like charity, should begin at home—even if that home happens to be the White House.

□ 1610

Mr. MILLER of Ohio. Mr. Chairman, I yield 5 minutes to the gentleman from Arizona (Mr. RUDD).

Mr. RUDD. I thank the gentleman from Ohio (Mr. MILLER) for yielding.

Mr. Chairman, I would like to take this opportunity to congratulate the distinguished chairman, the gentleman from California (Mr. ROYBAL), and my distinguished colleague, the gentleman from Ohio, for the excellent work that they performed in putting this bill together, along with my other colleagues on the committee, and also thank the staff for the diligence and hard work that they put into this bill so we could bring it to the floor.

My colleagues, the chairman, the gentleman from California, and the ranking member of the committee, the gentleman from Ohio, have already outlined for you the general contents of the bill H.R. 4121.

The committee asks for $9.8 billion in round figures for fiscal year 1982 for the Treasury Department, the Postal Service, and the Executive Office of the President, as well as a variety of independent agencies such as

the General Services Administration, the Office of Personnel Management, for a total appropriated funding amount that is, I must say, $551 million less than was available in the fiscal year 1981 appropriation and $98.9 million less than the administration asked for this year.

As we deliberate this bill today, as we work on it, we would do well to keep things in perspective by remembering that these moneys are not the only funds available to some of these agencies. There are also permanent authority appropriations, moneys that go out automatically to these agencies without Congress raising a finger. These built-in expenses for operation of the entire Government will amount to $150.2 billion for fiscal year 1982, which is an increase of $16.6 billion or 12 percent over fiscal year 1981.

For example, the Bureau of the Public Debt will spend $106.5 billion for interest on the national debt alone, which totals, as of June 30, I might add, $971 billion.

Another permanent authority appropriation is for $10.9 billion for the civil service retirement and disability fund and $600 million will be spent for the interest alone on income tax refunds.

This is a great deal of money, Mr. Chairman, by anyone's measure; and these are just some of what could be termed hidden costs of Government. They are hidden not because anyone is trying to conceal anything, but because, as ordinary, ongoing costs of doing business, they tend to be overshadowed by the news events of other appropriations concerns.

So all I would like to do is to say that we ought to remind ourselves now and then that these are obligations of permanent authority appropriations and money for these operations just does not grow on trees any more than money for anything else grows on trees.

Mr. Chairman, there will be, without any doubt, some amendments proposed to this appropriations bill, and I simply ask that my colleagues give careful consideration to them so no additional spending will be added to this bill because I think it is a proper bill in the form in which it has been presented.

I yield back the balance of my time.

The CHAIRMAN. The gentleman from Ohio (Mr. MILLER) has 19 minutes remaining. The gentleman from California (Mr. ROYBAL) has 7 minutes.

Mr. MILLER of Ohio. Mr. Chairman, I yield myself such time as I may consume.

I would like to follow up a little on what the gentleman from Arizona (Mr. RUDD) has stated concerning the national debt. I think it is appropriate to mention, even though we are not appropriating in this bill, that the actual money for the national debt, but we are appropriating the administrative costs. I think it would be good for the Members to have a copy of part I of our hearings on the Department of the Treasury. Look at page 737, which is foreign holdings of U.S. Treasury securities. I had requested the Treasury Department to give us a list of those nations that are holding our U.S. Treasury securities, and let us not fool ourselves, we know that is our national debt.

On that page, we show that France, as of December 31, 1980, is holding $8,380,000,000 of our national debt. West Germany is holding $34,276,000,000 of our national debt. Switzerland is holding $8,556,000,000. The United Kingdom, $8,118,000,000.

Now, we have heard on the House floor many, many times about the problems in India. India is holding $179 million of our national debt. Israel is holding $101 million, and Japan $20,871,000,000. A total of $130 billion is held by foreign nations.

Most of those that are holding our securities are really the governments of those nations. They are central banks and in most of the nations the Government owns the central bank.

We might go just a little further on that as to how much interest is paid to those various nations, and I will just point out a couple of them.

In 1980, we paid West Germany $3 billion interest. We paid Japan $1,758,000,000. We paid the United Kingdom $761 million interest for the money that we borrowed from them to cover our national debt. A total of $11,477,000,000 in interest that we paid on the national debt, left our country and went to foreign nations.

Mr. GONZALEZ. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from Texas.

Mr. GONZALEZ. Mr. Chairman, I rise to ask a question in connection therewith, or maybe there is no connection. On page 6 of the committee report, among other things, in speaking there about the international affairs programs of the Office of the Secretary of the Treasury, the second paragraph there toward the end, it says:

> U.S. policy regarding international financial institutions; assistance in economic aspects of programs funded jointly by the U.S. and Saudi Arabian governments; and a variety of other programs.

Could the gentleman tell me what those joint programs are with Saudi Arabia that this apparent provision refers to in the way of funding? It says:

> Assistance in economic aspects of programs funded jointly by the United States and Saudi Arabian governments.

Mr. MILLER of Ohio. Perhaps the chairman will have the answer to the gentleman's question.

Mr. ROYBAL. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from California.

Mr. ROYBAL. Mr. Chairman, the moneys made available for this purpose, which totals $22,896,000, is money made available for these people to be attending—that is for the Secretary of the Treasury and the personnel of the Office of International Affairs—to attend these meetings and negotiate with international leaders on economic problems and monetary matters of great importance.

Mr. GONZALEZ. The wording is "assistance in economic aspects of programs funded."

So the word "programs" refers to conferences, meetings and the like?

Mr. ROYBAL. That is correct. Negotiations and meetings with international organizations.

Mr. GONZALEZ. I thank the gentleman.

□ 1620

Mr. MILLER of Ohio. Mr. Chairman, I yield 3 minutes to the gentleman from Arizona (Mr. RUDD).

Mr. RUDD. I want to thank the gentleman for yielding and to commend him for bringing out these points which so graphically illustrate what sort of spending this Government is confronted with and what the Congress of this Nation must take into consideration in passing out various bills, including the one before us today, in the hope that we can keep our spending down.

I would like to say that this morning I received several telephone calls from my district urging me to vote for and support the President's tax bill, which has something to do with this, but at the same time one very distinguished constituent of mine, a former Senator in my State legislature, requested and I furnished her the national debt figures, the interest figures, et cetera, and she was alarmed and outraged.

The reason I bring this up is to tell the gentleman how concerned the citizens are, at least in my State, about the spending the Government has been engaging in. She indicated that she was going to put a banner across Central Avenue in Phoenix, Ariz., stating the amount of the national debt, the interest rate, and then change it daily to show the daily interest rate on the national debt. I mention this just to bear out the commendation I have given to the gentleman from Ohio, to tell the gentleman there is great support, great interest, and a lot of concern by the people of this country about how we are spending our money, how big the debt is, and how big the interest on the debt is.

Mr. FORD of Michigan. Mr. Chairman, will the gentleman yield?

Mr. RUDD. I yield to the gentleman from Michigan.

Mr. FORD of Michigan. Mr. Chairman, the gentleman might suggest to his constituent that she mark the date on the calendar when the solid Republican majority over there votes for the President to raise the debt ceiling through the trillion dollar mark. I think it will be sometime in September.

Mr. RUDD. I will give her my colleague's name, and maybe she would like to communicate with him on that aspect.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

Mr. RUDD. I yield to the gentleman from South Carolina.

Mr. CAMPBELL. We might also point out that that debt ceiling was reached without this President ever having put through one budget of his own under which we have operated, and that there are others who must take the responsibility. Especially those who have controlled the Congress for the past quarter century.

Mr. MILLER of Ohio. Mr. Chairman, I have no additional requests for time, and I reserve the balance of my time.

Mr. ROYBAL. Mr. Chairman, I yield 3 minutes to the gentleman from Hawaii (Mr. AKAKA).

Mr. AKAKA. Mr. Chairman, I rise in support of H.R. 4121 and urge my colleagues in the House to join me. Chairman ROYBAL has done an excellent job in pulling together the diverse interests in this bill, and I commend him for it. No less important has been the contribution of Mr. MILLER from Ohio, and all the members on the minority side. I realize that during our subcommittee's deliberations there was not complete agreement on all issues. Nonetheless, this bill is the result of a bipartisan consensus of opinion, and it is a bill which all of us have reason to support.

One area where our subcommittee has made great strides is in the area of Government efficiency. I hope all Members will take the time to read the sections of the report that deal with fraud, waste, and abuse. I know that these concerns are ones that both sides of the aisle can lend their full support. Specifically, I want to direct your attention to those which will promote efficiency.

The committee has recognized that while the level of observable fraud, waste, and mismanagement in the Federal Government is high, the degree to which employees actually report such abuses is disappointingly low. We have directed the Merit Systems Protection Board to review this situation and to make recommendations as to how existing whistle-blowing programs can be strengthened.

We have directed the GSA to review, and wherever possible to implement, the 16 pages of recommendations contained in a report by the National Academy of Public Administration. We have also included provisions that require GSA to make Government-owned buildings more energy efficient. Under the terms of this bill, we have also included provisions which require that all Government-owned building space be filled to capacity before allowing agencies to rent space. I think that significant savings will be achieved through the improvements we have recommended, and I want to assure the Members of the House that the subcommittee will closely monitor Federal agencies to see that the improvements are carried out.

Finally, I want to address an issue that has generated a great deal of concern among Members. In fact, this issue may even be the subject of amendment. During markup, our subcommittee restored funds for personnel in the Bureau of Alcohol, Tobacco and Firearms, the Customs Service, and the Internal Revenue Service. What is important to recognize is that the auditing, enforcement, and investigation functions performed by these agencies actually produce revenue for the Federal Government.

In IRS investigations and collections, for example, $6 is returned to the Treasury for every dollar in personnel expenses. In IRS examination, the figure is $15 returned for every personnel dollar spent. For the Customer Service, $4 is returned for every dollar expended for personnel. There are very few agencies that produce revenue, and fewer still that have such high rates of return.

For these reasons, I urge my colleagues to join me in supporting the Treasury-Postal Service appropriations bill.

Mr. ROYBAL. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. BIAGGI).

Mr. BIAGGI. Mr. Chairman, earlier this year I reintroduced a bill, H.R. 2280, to authorize a Federal study to identify and ultimately ban handgun bullets that are capable of penetrating bulletproof vests used by police officers. I had intended to offer this legislation in the form of an amendment to the pending bill, but the amendment could have faced a point of order that, in all likelihood, would have been sustained.

Nonetheless, this life-threatening situation remains and it merits our attention today. At this time, I wish to provide a brief history of the problem and then engage the chairman in a colloquy on an alternative course of action.

Due largely to improved design and an alarming increase in violent crime, police officers are relying more and more heavily on bulletproof vests for protection. Unfortunately, a preliminary investigation I have conducted at the request of the New York City Patrolman's Benevolent Association reveals that these vests may not be enough.

My study has determined there is an entire class of handgun bullets—often referred to as metal- or armor-piercing—which can penetrate bulletproof vests. Most of these bullets are available to the public on a nationwide basis. My findings are based largely on discussions I have had with numerous recognized experts in the field of ballistics and firearms from both the private and public sector.

These so-called killer bullets are generally constructed of steel-jacketed lead or hard metal alloys; pointed in shape rather than being flat, rounded, or hollow-pointed; and are classified as high velocity. Size does not seem to be a major factor, since these metal-piercing bullets include some varieties of the small .22 caliber as well as the much larger .357 caliber.

Yet, while the facts seem to indicate a very dangerous situation for law enforcement officers, the data is simply not sufficient enough to justify a ban at this time. Instead, it appears that we must first conclusively identify the handgun bullets capable of penetrating the vests before we can ban them from the public marketplace. That is what my legislation proposes and that is the direction I am hoping to move in today.

Preliminary and informal discussions I have had with the Director of the Bureau of Alcohol, Tobacco and Firearms, G. R. Dickerson, has convinced me that the Bureau has the resources to perform a cost-efficient study in this area if instructed to do so. Last year, I was encouraged when I received expressions of concern about this situation from then-chairman of the House Subcommittee on Treasury Appropriations, Tom Steed. While Mr. Steed's retirement soon thereafter prevented his taking action in this matter, I am confident the gentleman from California (Mr. ROYBAL) will also recognize the critical nature of this problem.

Mr. Chairman, I raise this issue with a special sensitivity to the need to protect our law enforcement community. Having served 23 years on the New York City Police Force and having been wounded 10 times during the line of duty, I fully recognize that the protection of our Nation's law enforcement officers is essential to the morale and effectiveness of our crime prevention force.

Earlier this year, President Reagan was seriously wounded by a would-be assassin's handgun bullet. Since that time much attention has been focused on the need for Presidents to wear bulletproof vests during public appearances. That fact, along with the real-

ization that handgun bullets kill more police officers than any other weapon should be reason enough to require the study I have proposed.

For further documentation, I wish to insert a copy of a report prepared by the Congressional Research Service entitled, "Bullet Threats to Protective Body Armor."

At this time, Mr. Chairman, I would like to engage the chairman, Mr. ROYBAL, in a colloquy regarding this issue, and ask the gentleman if he shares my concern on this issue.

Mr. ROYBAL. Mr. Chairman, if the gentleman will yield, let me assure the gentleman from New York that I certainly do share his concern, and I fully recognize the critical need for such a study to be conducted as soon as possible.

To insure that this goal can be achieved, I will inform the Treasury Secretary and his associates of the subcommittee's interest in this study, and I will request the Secretary to prepare a preliminary plan and cost-estimate for conducting the study. I am hopeful that a full report detailing the preliminary plan and cost-estimate could be submitted to the subcommittee by the end of the year so that we can make the necessary funding arrangements.

Finally, I would like to thank my distinguished colleague from New York for raising this important issue and acknowledge him for his untiring efforts on behalf of the law enforcement community.

Mr. BIAGGI. I appreciate the Chairman's concern, and am grateful for the active role he has pledged.

Mr. Chairman, I include in my remarks a report prepared by the Congressional Research Service, entitled "Bullet Threats to Protective Body Armor."

BULLET THREATS TO PROTECTIVE BODY ARMOR

(By William C. Boesman, Science Policy Research Division, November 27, 1979)

INTRODUCTION

Since about 1975, law enforcement officers have been using protective body armor of the "soft" or "lightweight" variety to an increasing extent. This type of body armor, unlike the heavy flak jackets worn by the military and by special police units on dangerous tactical assignments, is designed to be lightweight and soft enough to be worn comfortably under law enforcement officers' uniforms or under plain clothes officers' outer garments.

This type of soft or lightweight body armor has been developed to the extent that it quite effectively "defeats" (stops the penetration of) many types of handgun bullets and some rifle bullets. It is the purpose of this report to analyze the characteristics of bullets which are most likely to defeat soft, lightweight body armor. The following section discusses various types of bullets and the purposes for which bullets are designed. The third section discusses recent law enforcement officer fatalities and the related use of soft body armor. The fourth section discusses recent developments in, and characteristics of, soft body armor. The last section presents a brief analysis of bullet characteristics, particularly those that can defeat currently available soft body armor.

SUMMARY

Existing, commercially available soft, lightweight body armor apparently can effectively stop most of the handgun bullets which pose a threat to law enforcement officers today. However, there is a class of handgun and rifle bullets—often called armor- or metal-piercing—that can penetrate such armor. These types of bullets are: generally constructed of steeljacketed lead or hard metal alloys; often pointed in shape rather than being flat, rounded, or hollowpointed; and generally high velocity. Smaller handgun and rifle bullets (for example, .22 caliber) with the above characteristics are generally more effective in penetrating soft body armor than larger bullets (for example, .45 caliber) with the same characteristics.

BULLETS

Types

There are many ways to classify the various types of bullets that have been or are in use.[1] For purposes of this analysis, bullets will be discussed according to the following characteristics:

For use mainly in handguns, rifles, or machine guns, or in more than one type of weapon;

Velocity (low, for example, 730 feet per second, to high, for example, 1800 feet per second);

Caliber (small, for example, .22 caliber, to large for example, .45 caliber);

"Hardness" (soft nosed lead bullet, or partially jacketed, to full metal jacketed (with copper or steel) to hard metal alloy bullet); and

Shape (round or hollow point to pointed nose).

Sometimes bullets are classified according to either their "stopping power"—their ability to knock down or disable a human being—or their "armor- or metal-piercing" ability. These two types of characteristics, however, may be somewhat mutually exclusive. For example, one bullet designed for high "stopping power" is the .357 caliber magnum hollow point bullet. Upon impact, this bullet expands (because of its hollow point) and converts a large percentage of its (high) velocity to kinetic energy within the wounded body—thus knocking down, stopping, or disabling the person. This type of bullet, however, may be effectively stopped by soft body armor without body penetration and hence without wounding, except for "blunt trauma".[2] On the other hand, an armor-piercing bullet which will penetrate soft body armor may, because it is hard and retains its shape, pass through a body with relatively little damage if it does not hit a bone, other hard substance, or vital organ. Obviously, bullet wounding capabilities are not completely predictable because of the exceedingly complex structure of the human body, and even the relatively less devastating bullets can and often do kill. In fact, more law enforcement officers were killed with .38 caliber weapons in, for example, 1978[3] than with any other weapon, mainly because these weapons are in more common use than other, more devastating bullets like the various magnum and armor-piercing bullets.

Purposes

It can be seen from the above discussion that many, if not most, bullet characteristics derive from the purpose or purposes which the ammunition designers had in mind. Thus, expanding bullets particularly hollow point bullets, were designed for the purpose of more effectively transmitting kinetic energy to the wounded body than do ordinary bullets. Protective body armor, including the soft or lightweight variety, has been and is being designed to defeat many types of bullets, including many of the relatively more devastating (high velocity, hollow point) bullets. However, certain types of high velocity bullets made entirely of hard metal alloys, or which are fully covered with steel jackets, can defeat the current available soft body armor. Thus, certain bullets of the armor- or metal-piercing variety, whether or not designated as such by bullet manufacturers, pose a threat to existing body armor which can effectively defeat most "ordinary" bullet threats.

LAW ENFORCEMENT OFFICER FATALITIES

Current statistics

A number of law enforcement officers are killed and wounded each year by handguns, rifles, shotguns, and other weapons. Recent statistics from the Federal Bureau of Investigation (FBI) indicate that this number, while still large, has decreased rather significantly from 1974 and 1975 to 1978. The following table shows statistics for law enforcement officers killed by firearms and other weapons for this period:

LAW ENFORCEMENT OFFICERS KILLED, BY TYPE OF WEAPON

	1974	1975	1976	1977	1978	Total
Handgun	95	93	66	59	66	379
Rifle	12	21	12	13	14	72
Shotgun	21	13	16	11	11	72
Total firearms	128	127	94	83	91	523
Knife or cutting instrument	1	.....	5	.....	.....	6
Bombs	.....	.....	4	.....	.....	4
Personal weapons	.....	.....	.....	1	1	2
Other (clubs, etc.)	3	2	8	9	1	23
Grand total	132	129	111	93	93	558

Source: U.S. Department of Justice, Law Enforcement Officers Killed 1978. Washington, U.S., Department of Justice, 1978. p. 12.

In 1978, there reportedly was a consensus of representatives of the soft body armor apparel manufacturers that about 250 law enforcement officers had been protected from death or injury through the use of bulletproof vests over the 1975 through 1978 period.[4] Although such a consensus cannot be confirmed with existing data, it is interesting that the approximately 28 percent decrease in firearm-related deaths indicated in the above table could be accounted for partially by increased use of soft body armor by law enforcement officers.

The following table shows the size of bullets and types of firearms which caused the

[1] There may be as many as 10,000 different bullets that have been manufactured since the development of the bullet cartridge around the time of the U.S. Civil War.

[2] Blunt trauma is injury caused by bullets which do not penetrate armor. It is injury caused by the force of the blow itself, as when a person is hit in the chest by a hard swung baseball bat.

[3] U.S. Department of Justice, Law Enforcement Officers Killed 1978. Washington, U.S. Department of Justice, 1978, p. 13.

[4] Conversation with a president of a soft body armor apparel manufacturing company, November 13, 1979.

deaths of the 91 law enforcement officers in 1978. The handgun bullets shown in that table are all of a class which can be defeated by existing soft body armor unless they are of the hard metal alloy or steel-jacketed, armor-piercing variety. Soft body armor cannot defeat high velocity, metal jacketed armor-piercing rifle bullets either, some of which may be represented in the "rifle" column of the table.

LAW ENFORCEMENT OFFICERS KILLED, 1978—TYPE AND SIZE OF FIREARM

Size of weapon	Type of weapon			
	Handgun	Officer's own weapon	Rifle	Shotgun
Total	66	[1] 14	14	11
Handgun size:				
.22 caliber	5			
.25 caliber	3			
.32 caliber	2			
7.65 millimeter	1			
9 millimeter	7			
.357 magnum	13	6		
.380 caliber	2			
.38 caliber	25	7		
.41 magnum	1			
.44 magnum	2			
.45 caliber	4	1		
Caliber not reported	1			
Rifle size:				
.22 caliber			4	
.222 caliber			1	
.223 caliber			2	
5.56 millimeter			1	
7.62 millimeter			1	
.30–30 caliber			2	
.300 caliber			1	
.308 caliber			1	
.45 caliber			1	
Shotgun size:				
.410 gauge				2
.22 caliber/20 gauge over and under				1
16 gauge				1
12 gauge				6
Gauge not reported				1

[1] Included in handgun category.

From: U.S. Department of Justice. Law Enforcement Officers Killed 1978. Washington, U.S. Department of Justice, 1978. p. 13.

Officer fatalities while wearing armor

In 1978, five law enforcement officers in the United States were killed in the line of duty while wearing soft body armor.[5] In all cases, the officers were apparently killed because they were wounded in places not protected by the soft body armor, as summarized below:

Shot with a .357 magnum bullet "which entered his chest through the side opening of his vest."

Shot with a .380 caliber weapon "three times in the chest, fell to the ground, and was subsequently fatally shot in the head."

Shot with a .357 magnum bullet "in the chest, back, and head."

Shot with a .38 weapon, three of the six shots "entered his side and one his head, inflicting fatal wounds."

Shot with a .38 bullet "when apparently he entered a crouched position and a bullet passed directly into the chest area at a place not protected by the vest."

During another shooting in 1978 in which a police officer was killed.[6]

A second officer on the scene of the shooting was "spared serious harm by his bulletproof vest, suffer[ing] only minor injury."

The remaining 35 officers who received their fatal wounds in the torso in 1978 apparently were not wearing protective vests.

BODY ARMOR

Recent developments

Since at least the early 1970s, there has been considerable interest among law enforcement support agencies in developing effective soft body armor that would be comfortable and unobtrusive enough to be worn continuously by law enforcement officers while on duty. Organizations like the National Institute of Law Enforcement and Criminal Justice (NILECJ) of the Law Enforcement Assistance Administration (LEAA) of the U.S. Department of Justice, and the International Association of Chiefs of Police, have sponsored several studies of soft body armor.[1] Research programs on soft body armor and weapons threats have been administered and carried out by the Law Enforcement Standards Laboratory of the National Bureau of Standards, Department of Commerce; Edgewood Arsenal, Aberdeen Proving Grounds, Department of the Army; the FBI Quantico Test Base; and several private weapons testing laboratories. About 17 or so manufacturers of soft body armor are now producing units commercially for sale to an increasing number of U.S. law enforcement organizations.

Commercially available soft body armor

Most, if not all, soft body armor commercially available today is made of differing numbers of layers of Kevlar, a synthetic (aramid) fiber produced by the Du Pont Company. In addition to the number of layers of Kevlar used, the weaving and other processes used in the production of the final protective vest affects the strength of the product.

In the early 1970s, protective body armor generally was classified as to whether it was made of 7, 12, 16, 24, or other numbers of layers of Kevlar. Currently, manufacturers and police departments often designate certain threats (types of bullets) that the vests are to protect against, regardless of the numbers of layers of Kevlar involved.

The state of the art of protective body armor, which today is largely based upon the use of Kevlar, involves a trade off between the thickness of the protective vest versus the types of bullets which the vest can defeat. Certain commercially available bullets, like .357 caliber magnum hard metal alloy bullets, and some foreign-made nine millimeter steel jacketed bullets, can defeat commercially available soft body armor.

Protection available

A side-by-side comparison of the handgun weapons used to fatally injure law enforcement officers in 1978 (shown above and repeated for convenience here) and handgun bullets required to be defeated by soft body armor in the equipment purchase specifications of a number of U.S. cities indicates that currently available soft body armor apparently can protect against the large majority of bullets threats facing law enforcement officers today.

Handgun weapons used to fatally injure law enforcement officers in 1978	Deaths in 1978 from weapons in column 1	Handgun bullets required to be defeated by representative police department soft body armor specifications [1]
.22 caliber [2]	5	S, M, N
.25 caliber	3	
.32 caliber	2	N
7.65 millimeter	1	
9 millimeter	7	S, M, N
.357 magnum	13	S, M, N
.380 caliber	2	N
.38 caliber	25	S, M, N
.41 magnum	1	S, M, N [3]
.44 magnum	2	S
.45 caliber	4	S, M, N
Caliber not reported	1	

[1] From the soft body armor specifications of Milwaukie, Oreg. (M); Nashville, Tenn. (N); and San Diego, Calif. (S). The San Diego specification has apparently been adopted by about 40 other U.S. cities.

[2] Includes .22 magnum.

[3] Does not indicate magnum.

While most commonly used bullets apparently can be defeated by existing soft body armor, there is a class of bullets which can defeat it. This subject is discussed in the following paragraphs.

Possible remaining threats

Bullet characteristics

Although a number of bullets can be defeated by currently available soft body armor, a number of threats remain. Most, if not all, types of metal- or armor-piercing bullets will apparently defeat existing soft body armor, whether these bullets are hard, metal alloy bullets, or lead bullets which are steel jacketed. Other types of non-armor- or metal-piercing bullets which might defeat soft body armor are bullets which are small caliber (for example, .22 caliber) or high velocity (particularly magnum) bullets. Bullets which combine these latter two characteristics (small caliber plus high velocity) are more likely to defeat some types of soft body armor (depending upon its thickness and construction) even if these bullets are not of hard metal alloy or steel jacketed construction. Thus, there currently exist several specific bullets, and a class of bullets having certain characteristics, that can, or could be designed to, defeat currently available soft body armor.

Blunt trauma

Even if bullets do not penetrate soft body armor, lethal wounds could be caused by "blunt trauma." This type of wounding effect can be described as being similar to being hit on the body by a hard swung baseball bat. Because this phenomenon currently does not appear to be a major wounding cause, it is not discussed further here. However, it is conceivable that, were higher powered bullets used or developed to defeat soft body armor, blunt trauma effects might be a major cause of concern to body armor researchers, developers, and manufacturers, as well as medical practitioners.

BODY-ARMOR DEFEATING BULLETS: THREAT CHARACTERISTICS

This section describes some bullet characteristics that are important to a consideration of what types of bullets can defeat, or can be designed to defeat, existing soft body armor.

[5] These cases are taken from U.S. Department of Justice. Law Enforcement Officers Killed 1978. Washington, U.S. Department of Justice, 1978. pp. 26, 30, 33, and 49.

[6] Id. at p. 28.

[1] For example, Montanarelli, Nicholas, Clarence E. Hawkins, and Lester D. Snubin. Body Armor: Lightweight Body Armor for Law Enforcement Officers. Washington, U.S. Department of Justice, LEAA, NILECJ, May 1976. p. 113; Goldfarb. Michael A. et al. Body Armor: Medical Assessment. Washington, U.S. Department of Justice, LEAA, NILECJ, May 1976, p. 30; National Institute of Law Enformement and Criminal Justice. NILECJ Standard for the Ballistic Resistance of Policy Body Armor. Washington, U.S. Department of Justice, LEAA, NILECJ, December 1978. p. 10; and International Association of Chiefs of Police. Policy Armor Testing and Summary of Performance Testing Data. Gaithersburg, Maryland, International Association of Chiefs of Police, December 1978. p. 23.

Velocity

Handgun bullets typically range in muzzle velocities from about 730 feet per second (fps) (low velocity) to over 1,800 fps (high velocity), depending upon the powder charge of the cartridge and the length of the handgun barrel. Eleven hundred fps (roughly the speed of sound in air) may be a convenient point to differentiate between low and high velocity bullets, although it is unlikely that a consensus could be obtained that significantly different wounding effects occur above and below this velocity for a given type of bullet.

It is clear, however, that high velocity bullets are more likely to defeat soft body armor than low velocity bullets, all other characteristics remaining constant.

Caliber and weight

Caliber measures the diameter of bullets, that is, a .45 caliber bullet has a diameter of .45 inch. Caliber is thus a measure of size. A .45 caliber bullet is considerably larger than a .22 caliber bullet. The most common police bullet, and the most common bullet causing police fatalities, is the .38 caliber, intermediate in size between the .22 caliber and the .45 caliber.

Weights of bullets are measured in grains. The larger the caliber, the more a bullet weighs, given a constant shape.

The smaller caliber bullets, for example, the .22 caliber, are more likely to penetrate the commercially available body armor than larger caliber bullets, other bullet characteristics remaining constant.

Shape and hardness

Bullets are produced in several shapes—including round or ball nosed, flat-nosed, pointed, and hollow pointed. Round, flat-nosed (some of which are called wadcutters or semi-wadcutters), and hollow point bullets are often constructed as lead or semi-jacketed bullets which expand upon contact. The hollow point bullets are generally the most effective of these "expanding" bullets. Pointed bullets generally are constructed of lead with metal jackets, which are usually copper. If such bullets are jacketed with steel, they generally have armor- or metal-piercing capabilities. Another class of bullets is constructed of hard metal alloys and are also armor- or metal-piercing bullets.

Thus, the harder and more pointed a bullet is, the more likely it is to penetrate commercially available body armor, other bullet characteristics remaining constant.

Summary of bullet threat characteristics

Given the characteristics of the most successful, currently available soft body armor, bullet threat characteristics can be summarized in the following way:

Bullet characteristics	Lowest level of threat	Highest level of threat
Velocity	Low velocity	High velocity.
Caliber weight	Large caliber heavy	Small caliber, light.
Shape	Round or flat nose, hollow point.	Pointed.
"Hardness"	Lead, or copper semi-jacketed lead.	Full steel jacketed lead, or hard metal alloy bullet.

Thus, the bullet type with the highest probability of penetrating soft body armor, and with a proven capability of penetrating many layers of existing soft body armor, is a high velocity, small caliber, pointed, steel jacketed lead or metal alloy bullet. Such bullets may be handgun bullets, rifle bullets, or bullets which can be used in either handguns or rifles.

Possible ramifications of "perfect" body armor

Commerically available soft body armor is not perfect, that is, it can be defeated by certain bullets of the hard metal alloy or steel-jacketed armor- or metal-piercing types. Assuming that "perfect" body armor could be developed to meet current threat conditions, there is at least one positive and one negative ramification of such a development:

Possible positive ramification

Decreased wounding and death of law enforcement officers under current conditions, that is, continued use by criminals of existing types of bullets which, to a considerable extent, can be defeated by existing soft, light-weight body armor.

Possible negative ramifications

An "arms and ammunition race" by the criminal segment of society for even more powerful bullets and other weapons to defeat existing armor. This possible negative ramification could be precluded to some extent by controlling, by law and enforcement, the manufacture, distribution, sale, and international trade of all bullets of the armor- or metal-piercing type.

Mr. ROYBAL. Mr. Chairman, I yield 1 minute to the gentleman from Kansas (Mr. GLICKMAN).

Mr. GLICKMAN. Mr. Chairman, as the chairman knows, during consideration of the Treasury-Postal Service appropriations bills for the last 2 fiscal years, I have offered amendments aimed at blocking the use of funds for special third-class bulk rate mailing rates for political party use. And I have indicated my intention to offer an amendment to achieve that purpose during consideration of this bill. However, Mr. Chairman, one of the issues at question during the budget reconciliation conference relating to the Postal Service is the level of subsidy to be available to nonprofit third-class bulk mailers. Both in light of that bill and the fact that the funding included in the appropriations bill you have brought before us is down considerably from last year, it seems evident that the subsidy that will be available to political parties for these mailings will be significantly reduced beginning October 1. Is that not correct?

Mr. ROYBAL. You are correct. Given the funds included in this bill, the rate that must be paid by the user will increase in 1982. That could reduce the amount of subsidy paid from the Treasury for these mailings.

Mr. GLICKMAN. Quite frankly, Mr. Chairman, I am concerned not only about the use of the subsidy by our political parties, but also about the use of that subsidy by a whole range of groups who, though they technically meet the legislated definition of nonprofit mailer, are not what most Americans would expect. They are not the American Cancer Society, the Heart Fund, and the Salvation Army; instead, we are seeing this subsidy used by groups with entirely different motives, in many instances, political motives. I, myself, have received mailings from Howard Jarvis, the father of Proposition 13, and from William Simon, the former Treasury Secretary. They were arguing for "causes," not trying to help out some charitable organizations. This troubles me. After all, particularly at a time when we are having to cut back on the funds available for postal subsidies by way of the revenue foregone appropriation, too many groups being eligible means, in effect, that the amount of subsidy we are able to give to those charitable organizations is lessened.

Mr. Chairman, I understand that the information as to what organizations are using the subsidy for nonprofit third-class bulk rate mailers is scattered around the country. I personally feel that the Congress needs to take a careful look at this entire question, and I would appreciate your cooperation, as chairman of the Treasury-Postal Service Appropriations Subcommittee, in requesting the Postal Service to provide the Congress information summarizing what organizations have been determined to be eligible for the third-class nonprofit bulk rate, to what extent that have used the subsidized rate, and what their use of the subsidy has cost. In the summary of organizations, I think it would be helpful to know under what classification the various groups have qualified for the nonprofit rate.

Mr. ROYBAL. I appreciate the gentleman's concerns and would be happy to ask the Postal Service to provide that information to the gentleman from Kansas, to the subcommittee, and to the Post Office and Civil Service Committee of the House which has jurisdiction over legislation governing eligibility for these rates.

Mr. GLICKMAN. I thank the chairman for willingness to cooperate in my request, and, in the interest of seeking a more comprehensive answer to the question of what groups should benefit from Government postal subsidies, I have decided not to offer my amendment today.

Mr. ROYBAL. Mr. Chairman, I yield 1 minute to the gentleman from Michigan (Mr. FORD).

Mr. FORD of Michigan. Mr. Chairman, I rise in support of the bill. I want to compliment the chairman and his committee for a very fine job.

Mr. Chairman, I rise to clarify what I presume to be the House's intent with regard to the fiscal year 1982 Postal Service appropriation contained in this bill, H.R. 4121.

The conference agreement which the House has reached with the Senate concerning the fiscal year 1982 authorization for Postal Service appropriations sets a level of $946 million, to be distributed in the following way: $250 million for the public service appropriation; $696 million for revenue

forgone; and zero for the transitional appropriation.

H.R. 4121, in its present form, reflects the allocation for the Postal Service contained in the first concurrent resolution on the budget: $869 million. That allocation will be superceded by the conference agreement authorization of $946 million as soon as the conference agreement is adopted.

If the $869 million figure were to remain in the final Fiscal Year 1982 Appropriations Act, it would be distributed in the following manner pursuant to the reconciliation bill's authorizations; $250 million for the public service appropriation: $619 million for revenue forgone; and zero for the transitional appropriation. Providing this low level of funding for revenue forgone will result in severe postal rate increases for libraries, nonprofit organizations, rural newspapers, and other already hard-pressed groups. However, when—as it should be and as I presume it will be—the final fiscal year 1982 Postal Service appropriation is later adjusted to $946 million to reflect the conference agreement, the severity of these rate increases will be mitigated.

I support the Postal Service section of H.R. 4121 with the explicit understanding that the ultimate fiscal year 1982 appropriation will reflect the agreement of the House and Senate conferees on reconciliation: $946 million.

● Mr. GOLDWATER, Mr. Chairman, I rise in general support of H.R. 4121, the Treasury, Postal Service, and General Government appropriations for fiscal year 1982.

Insofar as title I is concerned, I am in general support of most provisions. I am particularly glad to see the Customs Service budget for next year. Although I understand administration reservations about personnel floors in general, given the need to reduce Federal employment rolls, I am personally glad to see that these important Customs Service jobs will be retained next year. These inspectors are an important "first line" defense against the growing influx of controlled substances and unwanted pests, such as the Mediterranean fruit fly which we have all been hearing so much about.

Additionally, I am pleased to see the overtime cap increased from $20,000 to $25,000 annually. This is an important improvement, as it hasn't been changed in some years.

Customs agents perform heroic service and bring in far, far more in revenue each year then we pay out to run the Service. Anything we can do for these folks is money well spent. Now, if we can get a Commissioner of Customs named, Customs will be set.

I do, though, have a real problem with the increase for IRS with most of that increase going to enforcement and auditing. My problem stems from the fact that the American people—rightly or wrongly—have a very bad impression of the IRS and its enforcement methods. I know I am not unusual in that I have received numerous letters over the years outlining complaints against IRS enforcement methods. These complaints include everything from being given erroneous information, to tagging files for yearly audits, to outright and unnecessary rudeness and aggressiveness and threats. Common to these complaints is an ongoing theme that IRS made the taxpayer feel like a criminal—even when the taxpayer was in the right. There is a growing perception of IRS agents as virtual jackbooted brownshirts, and the average taxpayer has a real problem accepting the idea that they are guilty before proven innocent. The average taxpayer simply does not understand the subtleties in the law which seems to allow the IRS to work outside the safeguards of the due process clause.

The problem, of course, is that individual Members of Congress cannot check out individual complaints without asking the taxpayer for power of attorney. For many reasons that is neither possible nor desirable. The result is it is difficult to render an informed judgment about particular complaints. However, there is no reason we cannot render a judgment about public perception, and in this area, the IRS stands condemned. I do not believe there is a place in a free society for a Government agency to even be perceived as a gestapo-type operation. I believe this sort of perception is reason enough for congressional action, and in my judgment, it is inappropriate to increase the power of this agency until Congress addresses the issue of exactly how IRS conducts its business.

What the committee so delicately calls "taxpayer noncompliance" is enough to make the average taxpayer break out in a cold sweat—and believe me, he or she does not have to have larceny in their heart to have this sort of reaction.

Congress gave IRS substantial power and it is about time the Congress did something about overseeing and placing some checks on the use of that power. Until we exercise our oversight responsibility, let us at least slow down the growth in personnel.

Regarding title II, the U.S. Postal Service, I am deeply concerned, and I believe the taxpayers are too, by the large appropriation of $869,240,000 to subsidize the Postal Service. Although I realize this is a decrease of roughly $450 million below fiscal year 1981, an almost $1 billion subsidy—to defray the cost of non-cost-effective post offices and to subsidize certain classes of reduced or free mailing rates—is outrageous.

There is no sound reason why we must continually drain the taxpayers' pockets, especially since there is a viable alternative. I have proposed a way whereby Congress can eliminate such subsidies to the Postal Service and lower postage rates while maintaining adequate revenue. My proposal, which would allow advertising on postage stamps, could generate over $1 billion annually—easily enough to offset this coming fiscal year's subsidy.

Mr. Chairman, the costs for the privilege of mailing a letter are getting out of hand. Postage rates have skyrocketed in price by over 500 percent since 1960, and the Board of Governors has recently requested a second review of the 18-cent first-class stamp in the hopes of raising the cost to 20 cents. Even with such price increases, the Postal Service has not shown a surplus since World War II, and last year, had a $306 million deficit.

Beset with financial woes no private corporation could withstand, the Postal Service then decides it can give billions more of the taxpayers' money to its workers. A recent agreement between the Postal Service and the postal unions has granted a new 3-year contract granting almost $5 billion in wage and fringe benefits for postal workers, including an uncapped cost-of-living-adjustment provision tied to the inflation rate. This means that a postal worker could earn over $25,000 just 2 years from now. The tenative agreement even provides a $150 cash bonus to each postal worker if the contract is ratified within 45 days. That provision alone will cost the American taxpayer $85 million.

Of course, all this means the taxpayer will almost certainly be subjected to still more rate increases.

I am pleased, Mr. Chairman, that the fiscal year 1982 appropriations for this bill is $98.9 million under the President's request, and I therefore commend my colleagues from California and Ohio on their work.●

● Mr. FRENZEL. Mr. Chairman, this marks the first time in 3 years that the House has not debated an amendment to prohibit our political party committees from utilizing the subsidized mail rate of 3.6 cents. Each previous year, the amendment has been soundly defeated and I believe it would have been this time too.

I want to take a moment, Mr. Chairman, to put this issue in perspective. There are nine categories of groups eligible to utilize the lower mail rate. They are: religious organizations, educational, philanthropic, agriculture, labor unions, veterans, fraternal, and qualified political committees. Currently, there are approximately 300,000 permit holders. The party committees have about 130 of those permits.

I do not believe it is at all unreasonable to grant our party committees the same advantages as we have granted the National Right To Work Legal Defense Foundation, Inc., the Moral Majority, Committee for the Survival of a Free Congress, Ralph Nadar's Public Citizen, American Tax Reduction Movement, National Taxpayers Legal Fund, Inc., National Coalition To Ban Handguns, Zero Population Growth, Ford Foundation, PTA's, Common Cause, State Agriculture Extension groups, all the labor unions, and college fraternities and sororities.

Mr. Chairman, for the last decade, editorial writers, academicians, election law specialists, leaders of our parties, Democrats and Republicans have been distressed over the weakening of our two-party system. When the Congress passed the legislations allowing party committees access to the lower mail rate, we took a small step to slow down the decline of our parties. I am pleased that the amendment to deny our political parties the right to compete fairly with other special interest political groups will not be offered this year.●

● Mr. STARK. Mr. Chairman, I rise in opposition to this amendment. This is a flagrant attempt by the Reagan administration to cater to those who oppose gun control. The NRA continues to lobby against the Bureau of Alcohol, Tobacco and Firearms. But at issue here is not gun control; it is crime control. We are discussing the possibility of inadequate staffing of two of our most vital Federal law enforcement and revenue collection agencies—the BATF and the Customs Service. I strongly object to this sneaky attempt to cripple them at a time of increasing need for law enforcement.

Criminal misuse of explosives and firearms is reported daily by the news media across the country. Reductions in personnel in BATF, the agency responsible for investigating criminal activities involving firearms, may result in losses in life, property, and revenue, the cost of which may be far higher than any savings from the proposed reductions. We must provide the Bureau with as many law enforcement personnel as needed to function at current levels. To do less would imperil its mission.

Customs is a revenue-producing agency. Every dollar spent for enforcement of our customs laws returns $18 to the U.S. Treasury.

Customs has an essentially uncontrollable workload. International trade and travel continue to grow, and the Customs Service must cope with this rising workload.

A cut may mean short-term savings—but long-term costlier effects. There is invariably social cost for reduced enforcement, especially in a reduction in customs' efforts to stem the tide of drugs being smuggled into this country. The short-term savings quickly bound back as long-term costs in other parts of the Federal, State, or local government budgets.

There is growing concern over the rise in violent crime in this country. Congress should see that levels of employment in law enforcement agencies are maintained.

This amendment would permit reductions in personnel. While it is recognized that there is extreme pressure on Congress to reduce spending, these cuts should be rejected. It would cripple the ability of these law enforcement and revenue-collecting agencies to control crime and maintain compliance with our Nation's revenue collection system.●

Mr. MILLER of Ohio. Mr. Chairman, I have no further requests for time, and I yield back the balance of my time.

Mr. ROYBAL. Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The Clerk will read.

PARLIAMENTARY INQUIRY

Mr. DANNEMEYER. Mr. Chairman, I have a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. DANNEMEYER. Mr. Chairman, I have a point of order that I would like to assert at page 22, the paragraph beginning there. My question is: At what point would it be appropriate to raise the point of order?

The CHAIRMAN. The Chair will advise the gentleman that it would be appropriate to raise a point of order at the time the Clerk reads that paragraph.

Mr. DANNEMEYER. I thank the Chairman.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

SALARIES AND EXPENSES

For necessary expenses of the Bureau of Alcohol, Tobacco and Firearms, including purchase (not to exceed three hundred for replacement only, for police-type use) and hire of passenger motor vehicles; hire of aircraft; and services of expert witnesses at such rates as may be determined by the Director; $155,591,000: *Provided,* That no funds appropriated herein shall be available for administrative expenses in connection with consolidating or centralizing within the Department of the Treasury the records of receipt and disposition of firearms maintained by Federal firearms licensees or for issuing or carrying out any provisions of the proposed rules of the Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms, on Firearms Regulations, as published in the Federal Register, volume 43, number 55, of March 21, 1978: *Provided further,* That none of the funds made available by this Act shall be available for administrative expenses in connection with effecting the reduction of employment in the Bureau of Alcohol, Tobacco and Firearms below the level on April 30, 1981: *Provided further,* That none of the funds appropriated herein shall be available for explosive identification or detection tagging research, development, or implementation: *Provided further,* That not to exceed $300,000 shall be available for research and development of an explosives identification and detection device.

□ 1630

AMENDMENT OFFERED BY MR. LATTA

Mr. LATTA. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. LATTA: On page 3, line 23, strike "$155,591,000" and insert in lieu "$150,591,000".

Further, on page 4, lines 7-11, strike the words beginning with "Provided further" and ending with "1981."

Mr. LATTA. Mr. Chairman, I rise to offer a two-part amendment to reduce the budget of the Bureau of Alcohol, Tobacco and Firearms to the President's request and remove the mandated employment level from the bill.

On page 3, line 23, strike out "$155,591,000", and insert in lieu thereof "$150,591,000".

On page 4, line 7, strike: *"Provided further,* That none of the funds made available by this Act shall be available for administrative expenses in connection with the affecting the reduction of employment in the Bureau of Alcohol, Tobacco and Firearms below the level on April 30, 1981.".

Mr. Chairman, it seems clear from the testimony of many groups and individuals that there is no need to add this amendment to the BATF, which is $5 million above that which the President requested. The administration has carefully reviewed the programs of this agency. Certain programs have been reduced and emphasis shifted from lower priority activities to those of the higher payoff. Nowhere has anybody found any evidence that an added $5 million for BATF is needed or will produce any significant added gains in the fight against violent crime.

In the absence of any compelling argument to the contrary, I believe that the administration's judgment on the funds needed for BATF to function effectively should be sustained.

The second part of the amendment is to remove the mandated, and I stress that, mandated employment floor from the Bureau's budget. I believe this amendment is worthy even if the BATF amount is not even reduced.

Mandatory minimum employment levels are bad per se in any case. Such restrictions make it impossible to meet the President's goal of restraining the size of the Federal Government. But here we find in this bill a mandated employment level as of April 30, 1981. These restrictions strike at the heart of the distinction between the executive and legislative branches.

Since the administration has carefully reviewed the program and reduced or eliminated low-priority programs and instituted management effi-

ciencies, they must have the flexibility to carry out these changes. They cannot do so if their hands are tied with an artificial, and I stress that, artificial constraint which bears little relation to the agency's real needs.

Therefore, Mr. Chairman, I urge adoption of this amendment.

Mr. ADDABBO. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the amendment.

Mr. Chairman, to my colleague from Ohio, and I respect him fully, and as the coauthor of the Latta-Gramm amendment, I would imagine he would have to support the administration's lower figure in this instance but I think this is one of the wrong places to make a reduction or to try to make savings.

The gentleman from Ohio said that BATF has done nothing, whereas if we review their action over the past 18 months, they have recommended over 2,000 cases for investigation. They have recommended actually over 3,000 defendants for presecution and 79 percent of those have been accepted for prosecution. They have obtained a 90-percent conviction rate, 67 percent with prior criminal records and 45 percent convicted felons.

Of all these cases 25 percent of them involve narcotics traffickers; 9.2 percent, organized crime figures; 19 percent, international traffickers; 10 percent, outlaw motocycle gangs and hate groups; 43 percent, interstate firearms trafficking; 31 percent, gangster style weapons; and only a small percentage were gun collectors.

Mr. Chairman, ATF is our only mainline fighter against the creeping cancer of arson throughout this country. We are trying to protect our Nation and the only way we can do it is through this type of law enforcement. This is a law enforcement arm of our Government which is needed.

If we are going to win the battle against violence, violence in our cities, violence in our Nation, we must have a force such as this.

A reduction will be a violation of our promise to our people to cut down violence in the streets.

Mr. McCLORY. Mr. Chairman, will the gentleman yield?

Mr. ADDABBO. I yield to the gentleman from Illinois.

Mr. McCLORY. I thank the gentleman for yielding and I want to concur with the statements made by my colleague from New York and express my opposition to the amendment offered by the gentleman from Ohio.

In doing so, and wishing to support the committee's position, I want to emphasize that all that we are doing here is maintaining the Bureau of Alcohol, Tobacco and Firearms at its present level and it is important with regard to the proliferation of firearms that they should maintain the numbers that they have, and likewise, as the gentleman states, the crime of arson is the fastest growing crime in this country and if we want to respect the announcements of the Attorney General, we will want to provide this kind of Federal action, this kind of Federal involvement in the fight against crime, and I am hopeful that we will have an overwhelming rejection of this amendment.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. ADDABBO. I yield to the gentleman from Ohio.

Mr. LATTA. I thank the gentleman for yielding.

I think at the outset of the gentleman's statement the gentleman mentioned that I said they had done nothing. I did not make such a statement. The gentleman must have misunderstood me.

Mr. ADDABBO. I will strike that.

Mr. LATTA. Let me say to my friend from New York that what we are proposing to do is to reduce the amount that the gentleman put in this bill to what the administration requested. That is all we are asking. And the administration supports the amendment, particularly the Department of Treasury, it is their amendment. They do not need the money. They say so. They do not need the money. But the gentleman is saying give them the money anyway.

Now where is the testimony that they need $5 million more and thaw out the freeze, get that, freeze the employment levels as of April 30, 1981?

Now the administration says you should not do that. We should not freeze in employees when we are looking for ways to reduce this bureaucracy. That is what we are trying to do. Here the gentleman is trying to put in language that says we have got to keep x number of employees as of April 30, 1981.

Mr. ADDABBO. I reclaim my time, Mr. Chairman.

The gentleman from Ohio (Mr. LATTA) knows that what we are doing here with the $5 million is just maintaining presents levels. I would not expect any representative of the administration to come before our committee and not support their budget. They would not be there unless they were supporting that budget. They would not be there unless they were supporting the administration, and this is one of the cuts recommended by the administration in law enforcement. This is not just bureaucracy, this is law enforcement.

□ 1640

The administration seeks to cut back on the level of law enforcement.

Mr. McCLORY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Ohio.

Mr. Chairman, recent events should impress upon us the need to maintain our firearms efforts at current levels. Frankly, a strengthening of those efforts would be more appropriate. However, in recognition of our fiscal responsibilities, I realize that the Bureau of Alcohol, Tobacco and Firearms must, "bite the bullet," just as other Federal agencies have been forced to do.

Let us examine precisely what personnel cuts would be mandated by this amendment. To begin with, 70 positions will be lost in the alcohol and tobacco areas, which would eradicate enforcement of the Cigarette Bootlegging Act that this Congress enacted in 1978.

Even more disturbing are the cuts which would come in the firearms and explosives areas, despite urgent need for strong enforcement efforts. Fifty-nine positions would be lost in firearms regulatory efforts alone—a 68-percent decrease. This important division of the BATF has the crucial responsibility of examining almost 200,000 applications that are received each year for licenses and renewals. This insures that persons licensed to deal in, manufacture, and import firearms are not "prohibited persons," such as drug addicts and convicted felons.

In addition, this division performs inspections of licensees to encourage and insure compliance with record-keeping requirements. This is the backbone of the tracing system that proved so valuable last March 31 when President Reagan was shot. At that time, a trace was accomplished in 16 minutes. Unfortunately, the cuts proposed in this amendment would make similar successes in the future much less likely because BATF will be forced to concentrate its inspection on large volume and poor compliance licenses. As the committee's report points out, the greatest offenders, low-volume dealers such as pawnbrokers, would be ignored with this shift in priorities.

The unkindest cut of all, Mr. Chairman—96 positions—would come in the explosives area, which is responsible for the highly successful arson program. Property losses from arson each year are staggering and the damage to life and limb is incalculable. By dismantling this program, we are sending a strong signal to those who would engage in arson for profit that the Congress does not care about the incredible danger they pose to life and property.

Mr. Chairman, the BATF is one of the primary participants in the war against violent crime in this country. As recent polls indicate, that problem is one of the utmost concerns of our

citizens. Let us make clear our intention to fight violent crime with every available weapon by rejecting the amendment which would cut 229 personnel positions from the BATF.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. McCLORY. I yield to the gentleman from New York.

Mr. ADDABBO. Mr. Chairman, I thank the gentleman for yielding. I also wish to point out, besides being a law enforcement agency, this is also a tax-collecting agency. For every dollar we spend we actually get back almost $4 to $5 in excise taxes which they help us to collect. If we reduce them, we lose revenue and are being penny-wise and dollar-foolish.

Mr. McCLORY. The gentleman is entirely right. Of course, the bootlegging of cigarettes is another area that is enforced by the Bureau of Alcohol, Tobacco and Firearms. Without retaining personnel at current levels, we would not be able to control the bootlegging of cigarettes to the extent that we are able to control it now.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. McCLORY. I yield to the gentleman from Ohio.

Mr. LATTA. Well, is the gentleman in the well aware of the fact that the Senate bill provides $6.7 million less than what was reported by this committee, and it is even $1.7 million less than my amendment? So, the U.S. Senate has taken a position of less money than is being proposed here.

Mr. McCLORY. I was not aware of that until recently. I hope, nevertheless, that the House will adopt the figure recommended by the Appropriations Committee and that the conferees will subsequently maintain the House position

Mr. ROYBAL. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, this is a very important agency, and one that is both a revenue-collecting agency and also a law enforcement agency. Its criminal jurisdiction is one the cutting edge of the assault on violent crime involving the use of explosives as well as the criminal use of firearms. One of the things that concerns the committee more than anything else is the fact that there is an epidemic proportion reached insofar as drugs are concerned in the United States. This agency is directly involved in doing something about that particular problem.

The question was asked a little while ago about the number of personnel; why is it that we increase the appropriation? Well, had we adopted the recommendation, it would have been necessary for the agency to reduce its personnel by 229 officers. This means that that agency would have been weakened. It also means that less revenue would be collected into the Treasury of the United States. But above all, it means that crime itself would continue to go rampant in this Nation.

I do not mean to imply that 229 men will make that much difference, but what I do want to say is that, being a law enforcement agency, one that is fighting crime in the United States, now is not the time to make reduction. Now is the time to increase it if possible. In this instance we are not increasing the personnel. What we are doing is leaving it the same as it was on April 30, 1981. So, the personnel level is not being increased. The strength is the same. It is not possible for the committee to be agreeing that such a reduction be made in view of the fact that the need is so great.

Mr. MILLER of Ohio. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr Chairman, members of the committee, we hear about a reduction. Let us look at what we are talking about. The amount in the bill is $155,591,000. The gentleman from Ohio is attempting to reduce that $5 million. Now, that $155,591,000 is $5,741,000 over last year. What we would be doing is still increasing $741,000. We would not be reducing. So that $741,000 is still available over and above last year.

I think we should point that out, that we would not be reducing, not even going down to last year level.

Mr LATTA. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to my colleague from Ohio.

Mr. LATTA. Mr. Chairman, I think we ought to take a look at the record. You know, we have heard something about law enforcement here, the record of arrests of this group.

Information given to me indicates that the BATF Firearms Criminal Enforcement Agency makes appreciably less than one-one arrest per agent per year. On the average, 18 months between arrests. Agency funding for criminal enforcement in this area works out to approximately $60,000 per arrest made in agency cost alone. That is considerably above State and local prosecution costs of approximately $5,000. And yet, we are saying that if we cut this agency $5 million the heavens are going to fall down when they make one arrest a year. Who are we trying to kid? Given the BATF's own productivity figures, at any given moment during fiscal year 1980 only 79 firearms agents out of a 1,463-man work force were actually working on cases that would end in arrest.

My friends, I think we ought to take a look at the costs of making one arrest. They ought to be able to do better than that. They come before this Congress and say, "My, look what we are doing. We need more manpower. We are working ourselves to the bone. We are making a lot of arrests."

But, when they have a record like that, it indicates that someplace there is someting wrong, and when you come in here and say that we need $5 million over and above what the President of the United States says you need, there is something wrong with that when you have no testimony before the committee to indicate the need other than the fact that you want to freeze, you want to freeze these bureaucrats in place as of April 30, 1981, so you need $5 million so you cannot get rid of them.

I do not think that is paying much attention to the needs of taxpayers. In the next couple of days we are going to hear more about the taxpayers' needs. We are going to do something about them, so if we cannot do something about an agency where we only have one arrest per agent in a year, I think we are falling down in our responsibility.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield

Mr. ADDABBO. Those are astonishing figures except that we must take into consideration one thing, that every individual in this Department is not a law enforcement person.

□ 1650

This is also a local excise tax division. Ninety-seven percent of their cases are investigative cases which they turn over to the Justice Department for arrest and prosecution; so, therefore, if they are making that 1 percent, they are doing a great job in law enforcement.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentleman from Ohio.

Mr. ASHBROOK. Mr. Chairman, I thank my colleague for yielding.

I certainly rise in strong support of the very fine amendment offered by my colleague, the gentleman from Ohio (Mr. LATTA).

I think the Reagan administration's figure was at least adequate and may be a little more than BATF deserves. I certainly hope that we will support the gentleman's amendment.

The CHAIRMAN. The time of the gentleman from Ohio (Mr. MILLER) has expired.

(On request of Mr. PETRI, and by unanimous consent, Mr. MILLER of Ohio was allowed to proceed for 3 additional minutes.)

Mr. PETRI. Mr. Chairman, will the gentleman yield?

Mr. MILLER. of Ohio. I yield to the gentleman from Wisconsin.

Mr. PETRI. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Ohio (Mr. LATTA).

It seems to me that the gentleman's amendment makes good sense. The $5 million the gentleman's amendments seeks to strike is money which was added without any justification to the money requested by the Treasury Department.

Treasury officials came to Congress last spring and they told us of the budget amount they needed to fulfill their law enforcement priorities and needs.

They did not ask for this additional money for the BATF, and I see no good reason why we should add on to the administration's budget request.

I urge my colleagues to support the gentleman's amendment and I commend my colleague from Ohio for his continuing diligence in the cause of fiscal austerity.

Mr. HUGHES. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the provisions of H.R. 4121 which relate to the appropriations for the Bureau of Alcohol, Tobacco and Firearms. The Subcommittee on Crime, which I chair, has oversight responsibilities for BATF with respect to the implementation of the Gun Control Act of 1968 and related measures. As part of the subcommittee's oversight responsibilities, the subcommittee held hearings on the law enforcement activities of the Bureau of Alcohol, Tobacco and Firearms. My strongly held conclusion is that the Appropriations Committee is totally justified in exceeding the recommended level of expenditure with respect to this important law enforcement function.

The Reagan administration proposals of a funding level of $150 million is seriously deficient. The Reagan budget request of some $150 million assumes a reduction in force of 22 persons in 1981 and 81 persons in 1982 in the area of regulatory enforcement of the firearms laws. The Reagan budget also assumes that some 37 people in 1981 and some 133 people in 1982 would be eliminated from the BATF arson program.

The Appropriations Committee under the wise and able leadership of subcommittee Chairman ROYBAL and my distinguished colleague CLARENCE MILLER reversed the suggested budget cuts.

Crime—America's plague—is the dominant psychic concern of most Americans. These concerns are legitimate. To address these concerns we must, however, be responsive and responsible. One of the clearest Federal responsibilities is to provide sufficient funds for the operation of Federal law enforcement agencies. In this regard it is appropriate for us to recognize that the primary law enforcement activities aimed at violent crime at the Federal level are the operations of the Drug Enforcement Administration, the FBI and Bureau of Alcohol, Tobacco and Firearms.

Despite some rhetorical flourishes, however, the current administration has chosen to cut the budget in the area of law enforcement. This direction must be reversed. Cuts to law enforcement budgets are penny wise and pound foolish.

The growing rate of gun abuse in the United States alone is sufficient reason to enhance our abilities at combating gun-related offenses. In the past year, 92 percent of the BATF enforcement efforts were directed at violent crime. BATF alone was responsible for some 2,300 recommended prosecutions. Yet the current administration seeks to cut $9.5 million or 16.5 percent from the budget of the one Federal agency which can assist State and local law enforcement officials in solving gun-related crimes. It is sadly ironic that almost the very day that President Reagan was the target of an assailant's bullet his administration was proposing budget cuts which would have gutted the ability of the Federal Government to trace the sources of a weapon used in that and similar crimes.

For example, the weapon used in the attempted assassination of our President was traced by BATF, without the benefit of computer technology, within 16 minutes of the shooting. This tracing capability is based on the existence of a recordkeeping program required under the current law. Under the initial Reagan administration proposals the budget cuts to BATF would have reduced the compliance checks on gun dealers so as to effectively eliminate the ability to perform these traces.

The second major area targeted for extinction under the Reagan budget figures was the BATF arson program. This proposed cut was even more poorly conceived than the others. First, the BATF arson program has won the support of State and local law enforcement officials. It is supported by the business community, especially the insurance industry. There have been no complaints about the program, only praise.

BATF, under the able leadership of Bob Dickerson, has implemented a national response team strategy for arson cases. This approach which focuses Federal expertise in particularly complex cases has produced phenomenal results. On a national average only 3 to 9 percent of the arson cases are solved. The BATF national response teams have an arson solution rate of 69 percent. The BATF arson program has also been primarily responsible for saving nearly $54 million in false insurance claims.

Thus, it seems to me that the budget cuts of the current administration are headed in the wrong direction. We need to be spending more money on law enforcement—not less. We should be sending positive signals to members of the law enforcement community. We should let law enforcement know that reinforcements are on the way. The proposed Reagan budget for BATF and law enforcement agencies in general is woefully inadequate. This year alone, for example, the administration suggested cutting the task force operations of the DEA, a proven and effective program. It is this kind of callous insensitivity to the concerns Americans have about their Government's ability to respond to social problems which brings Government into disrepute.

In closing, I wish to commend the fine work of my distinguished colleague on the relevant Appropriations Subcommittee, Chairman ROYBAL and ranking minority member CLARENCE MILLER. Their work in this area of vital concern to the law enforcement community is consistent with the need to prevent and detect criminal conduct, and at the same time their bill responds to the demands of efficiency and accountability which these times of austerity demand.

The CHAIRMAN. The time of the gentleman from New Jersey (Mr. HUGHES) has expired.

(By unanimous consent, Mr. HUGHES was allowed to proceed for 3 additional minutes.)

Mr. HUGHES. Mr. Chairman, I hope the Members reject this amendment.

Mr. Chairman, let me just say in closing that task force operations of both DEA and BATF, the Bureau of Alcohol, Tobacco and Firearms, are the most successful programs in the country. Most communities do not have the capability of providing the indepth arson type of investigations that BATF has developed and has expertise in.

Their handgun tracing capability is extremely important to law enforcement agencies. They have 50,000 to 60,000 requests a year. We do not have right now sufficient personnel in BATF to get around to the gun dealers—there are some 160,000 of them—once in 10 years, and here we are cutting back once again in a program that relies on good recordkeeping. That just does not make sense.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. HUGHES. I am happy to yield to my friend, the gentleman from Ohio.

Mr. LATTA. Mr. Chairman, I was a little bit amazed at the statement the gentleman made that this is the most effective law enforcement agency in the country. Is that what the gentleman said?

Mr. HUGHES. Mr. Chairman, my statement was that the task force operations of BATF and DEA are among the most successful task force oper-

ations in the country. I think if the gentleman will check the record, he will find that is what I said.

Mr. LATTA. But their record of arrests, as I pointed out earlier, is less that one per agent per year. That is not too impressive.

Mr. HUGHES. Mr. Chairman, I say to the gentleman that if he wants to reduce it to the number of arrests, even with the FBI, he will come up with a very unimpressive record. They are involved in laboratory work and in other types of operations, and we cannot reduce it to just arrests. We cannot have it both ways. We cannot say to the States: "We will send our problems back to you, but we are not going to help solve the problems." that is what we are doing.

BATF is one of the most successful agencies in arson-related investigations. I say to my colleague, the gentleman from Ohio, that if he will check with any law enforcement agency, they will tell him the same thing.

Mr. SAWYER. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, I currently serve on the Subcommittee on Crime as the ranking Republican member along with the gentleman from New Jersey, the chairman of the subcommittee, who just spoke. We conducted rather extensive oversight hearings on the BATF and its budget. Based on the testimony we heard, I second what the gentleman from New Jersey (Mr. HUGHES) said: "They are perhaps the most effective in their arson operations of virtually any law enforcement agency."

Let us bear in mind that the discussion involving the number of arrests is a lot of hocus-pocus.

□ 1700

The BATF works in conjunction with State operations because arson is basically a State crime. It has jurisdiction over arson when certain explosives are used. Arson assumes interstate overtones when you have interstate rings operating and you can establish that they are, in fact, operating across State lines. Most frequently, the arrest is made in connection with a specific act of arson. These programs have been run in the States by BATF. They have had a fantastic solution ratio approximately 70 percent in an area where something down in the single digits is par for the course for the State. They have developed techniques that the States do not have.

Arson is perhaps the fastest growing crime in the United States. Pursuant to an amendment I successfully offered to a Justice Department authorization bill in a previous fiscal year, it now has been designated as a part I index crime by the FBI. It costs more in property damage than virtually any other crime and is very high in the cost in lives. If BATF did nothing else but this operation, they are more than paying their way.

Now, as the gentleman from New Jersey is wont to say and I agree with him because I have had the same experience in my district, we have yet to lose our first citizen to the Soviet Union; but we are losing them to arsonists and we are losing them to drug peddlers all around the country.

I have strongly supported the administration budget, but I do disagree in the area of law enforcement resources. I think that the internal war against crime equally as important, if not more important, than external defense.

I think to cut 96 people out of one of the most highly successful law enforcement programs that saved $54 million last year in claims alone to save $5 million of Federal money is not very smart.

With respect to gun dealer surveillance, there are approximately 180,000 license applications and renewals in the United States each year. There are thousands of dealers that the BATF must keep honest so we will have the kind of records that enabled the BATF to trace down the retail sale and identify the purchaser of the gun that shot President Reagan. Those records have to be maintained at each level of distribution. Many of them are operated in questionable areas, by pawnshop dealers, rather than high-class sporting goods dealers.

I am afraid, as in most other areas, including my profession, the legal profession, the medical profession, and many others, that if there is not some kind of policing, there will always be people who fail to do what they are supposed to do or do what they are not supposed to do.

This agency does not have enough personnel to check on their licensed dealers an average of once every 10 years to keep them honest and to make sure those kind of records are being kept.

You recall that we castigated the BATF very severely for trying to get computerization of their gun records. They have the records and they have to keep them in a shoebox style. If those records are not kept at every level from manufacturer to distributor to retailer to the pawnshop in the inner cities, or wherever they might be, and those people are not kept honest, we are not going to have the ability to trace which we have now and which, on occasion, as was the case with the President's shooting, proved very helpful. We will lose that.

So, this is just not the place to cut. Those who are offering these cuts did not participate in the hearings, did not hear the evidence, and did not review what this agency is doing and what it is using its money for.

I personally strongly object and say this is exactly not the place to cut.

Mr. McCLORY. Mr. Chairman, will the gentleman yield?

Mr. SAWYER. I yield to the gentleman from Illinois.

Mr. McCLORY. Mr. Chairman, I thank the gentleman for yielding. I applaud the gentleman especially for his statement with regard to the manner in which the BATF supports local law enforcement.

For us to cut the personnel from BATF at this time would be entirely inconsistent with the statements that the Attorney General of the United States is making to local law enforcement people all over the country.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

(At the request of Mr. HUGHES, and by unanimous consent, Mr. SAWYER was allowed to proceed for 3 additional minutes.)

Mr. SAWYER. I may just add to the gentleman that most of their actions by their nature are supportive.

For example, they participated in what amounted to the apprehension and hopefully the ultimate conviction, if he is guilty, of Mr. Hinckley. They did not make the arrest, but they were immediately on the job and within 60 minutes had traced the gun to its pawnshop salesman, and to Mr. Hinckley as its purchaser. This can be a very valuable piece of evidence, particularly when used in conjunction with other evidence.

They do not make the arrests in the arson cases. They work with and teach the techniques of arson investigation to the local law enforcement people. Arson is primarily a local crime, and the locals make the arrest. They are involved in investigating, assisting, and in keeping a surveillance agency. I dare say that they are not primarily in the arson business even to the extent that the DEA or the FBI is in making arrests.

Mr. HUGHES. Mr. Chairman, will the gentleman yield?

Mr. SAWYER. I yield to the gentleman from New Jersey.

Mr. HUGHES. Mr. Chairman, first, I commend the gentleman on an outstanding statement.

During my statement, the question was posed to me by the gentleman from Ohio about productivity. I indicated that it compared with the FBI. I do have some figures on that comparison, I might suggest to my colleague, the gentleman from Ohio.

The FBI's productivity is 1.13 arrests per agent; so the productivity of the FBI compares very favorably to BATF; but that is really comparing bananas and apples.

Listen to their conviction rate. They had 2,017 cases, recommending some

3,824 defendants for prosecution. They received 79.2 percent that were accepted for prosecution. They had a 90-percent conviction rate. Sixty-seven percent of that 90 percent had prior criminal records; so I would say to my colleague, that is a pretty good record.

I thank my colleague for yielding.

Mr. SAWYER. I may also say that, like the gentleman from New Jersey, I was an urban prosecutor. One thing you have got to be very careful about is this arrest rate.

All police stations, all police captains and organizations, whether they be city, State, or Federal, operate on felony arrests per hour. That is how they carry it out.

In Michigan, we in effect reduced single possession of marihuana some years ago from a felony to a misdemeanor. All of a sudden, all of the police disappeared from policing marihuana because they were not getting felony arrests for it.

We have a 300-man police force in Grand Rapids in the city police department alone. One man is assigned to organized crime. Why? Because arrests are very difficult to come by in organized crime. They build strawmen. They have interlocking corporations. You can spend hours with no arrests.

Mr. MOAKLEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise to voice my strong opposition to this amendment, which threatens to reduce the Bureau of Alcohol, Tobacco and Firearms' operating capacity.

We all know, Mr. Chairman, indeed we can all feel how gravely the frightening specter of violent crime haunts our Nation. Perhaps more than any other event in our recent experience the senseless and tragic attempt on the life of our own President this past March brought that threat of violence into sharp focus.

Apart from the President's recovery the one ray of hope I found amidst that tragedy was the responsiveness and professionalism of our Government agencies involved. Within one-half hour of the shooting the handgun used by the President's assailant was traced to its retail sale with the assistance of those licensing records the Bureau of Alcohol, Tobacco and Firearms and other related agencies administer. Such effective licensing and monitoring capacity must be maintained. I echo the conclusion reached by Represenative ROYBAL and Senator ABDNOR chairmen of the House and Senate Subcommittees appropriating the Bureau's funds, in light of mounting crime statistics, it would appear that there is a need for perhaps more, certainly not less, personnel to oversee firearm and explosive concerns.

The Bureau has other vital responsibilities besides its work to prevent firearm and explosive misuse. Under its alcohol and tobacco jurisdiction, it insures that all revenue due under the alcohol and tobacco tax statutes is collected. It suppresses illicit manufacture and sale of untaxed alcohol beverages. It suppresses commercial bribery, consumer deception and other improper trade practices in these industries, and it works toward the elimination of contraband trafficking. To cut back our society's capacity to collect the taxes due, and to reduce its capacity to guard against illegal and uncompetitive trade practices is a costly proposition. This is the second reason why I urge my colleagues to support the funding necessary to maintain the Bureau of Alcohol, Tobacco and Firearms' operations at their present level.

In short, Mr. Chairman, we must realize, a public policy that advocates budget cuts today, which may well incur far larger social and government costs tomorrow, is more than misdirected or misinformed. It is dangerous and destructive. Thank you.

□ 1710

Mr. ROYBAL. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto cease in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. ASHBROOK. I object.

The CHAIRMAN. Objection is heard.

Mr. ROYBAL. Mr. Chairman, I ask unanimous consent that all debate on this amendment and all amendments thereto cease in 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. ASHBROOK. I object.

The CHAIRMAN. Objection is heard.

Mr. ASHBROOK. Mr. Chairman, I move to strike the requisite number of words and rise in support of the amendment.

Mr. Chairman, first I would like to reply to the statement of my good friend from Michigan when he was saying the sponsors and those who support this amendment did not know that much about the BATF, I hope the gentleman was not referring to me because I predate my colleague a little bit on that committee. I have had about 5 or 6 more years of experience on the Subcommittee on Crime and looking into the BATF. Mr. Speaker, I note that all of the opponents of this amendment come back to the same thing, arson.

All we are talking about is an allocation of agency priorities. If the Latta amendment passes BATF can allocate their priorities more on arson and less on intimidation and harassment of the average American, so cutting the amendment in no way will reduce their ability to attack crime.

What it will do is to serve as a clear message to BATF to stop the intimidation of the average American, something any honest study will show to be too much a pattern of their operation.

Mr. Chairman, I can say with absolute honesty, because if challenged I will do it, that if I were to put into the RECORD the abuses of the Bureau of Alcohol, Tobacco and Firearms I would have to ask leave to insert it at a cost of more than $500,000 because I could fill 500 pages of this RECORD with the reckless abuses.

I could give my colleagues the court decisions. I could cite Federal Judge Chapman in South Carolina, judge after judge after judge who has rebuked the BATF for intimidating the law-abiding American gun owner. It would be a sordid record, indeed.

The record of the BATF in intimidating law-abiding citizens is well-known. So if we cut on the amount that the Latta amendment would offer, all we are doing is saying allocate your priorities where they should be. Stop the intimidation, get into arson, get into these areas where you have been successful. We in no way are trying to cut back in the proper areas that the BATF could exercise their proper jurisdiction.

Just last year or 2 years ago they wanted to shift $4.3 million. They had so much money that they did not need that they wanted to shift it in a first step to get us into national gun registration. If my colleagues remember, the Congress went on record and said, "If you have $4.3 million you do not need, first, we are not going to let you spend it to promote gun registration and, second and more to the point, we will just cut it right out of your budget." That is what we did 2 years ago. We told them that and we should tell them again.

So let us allocate the priorities properly. Let us tell them to stay in the areas where they are successful and let us cut their budget and keep them from intimidating the law-abiding citizens.

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. ASHBROOK. I yield to the gentleman from Ohio.

Mr. LATTA, The gentleman has referred a couple of different times to intimidation of law-abiding citizens. To whom does the gentleman refer? Is he referring to the sportsmen of this country?

Mr. ASHBROOK. To the sportsmen, gun owners, gun collectors. And I might say those fine Americans who sell firearms.

We all forget that there is one fallacy in the 1968 Gun Act, in an era of very liberal treatment of crime, we forget every violation of the 1968 Gun Act is a felony. There is no such thing as a misdemeanor. A mere reporting

mistake is considered a felony. Any trivial mistake is treated as a felony.

Do my colleagues think that is not used to intimidate the average law-abiding citizen? As I say, I can fill this RECORD with 500 pages of credible testimony, of cases, of decisions of judges on the overreach and the intimidation of the BATF.

The gentleman's amendment would allow us to cut that part that in my opinion they have misused and would, in fact, encourage or maybe even mandate that they prioritize the remaining money into arson, the area where my friend from Michigan and my subcommittee chairman, Mr. HUGHES, have said BATF is so successful. Let them be successful in those areas where they do well, and let us cut back some of their money so that they cannot harass the American citizen.

Mr. RUDD. Mr. Chairman, will the gentleman yield?

Mr. ASHBROOK. I yield to the gentleman from Arizona.

Mr. RUDD. I thank the gentleman for yielding and also for a very knowledgeable statement because of his background, of course, into this matter.

But let me ask the gentleman one question, if I may. What reasons have law enforcement agencies such as this given for the need for Federal gun control laws?

Mr. ASHBROOK. They always use the case of Mr. Hinckley, or when some crime comes up they say, "Yes, we can trace the firearm." But what they do not tell about is the times that they go in and take a collector's valuable firearms, drop them in a bag like they were junk. The record is full of examples of seizing a law-abiding citizen's gun collection, throwing the guns into a bag, scratching and damaging them, dropping them on concrete, keeping them for years—even after the owners were told that they were not acting illegally. The man has to go to court and get a judge to get his gun back. We have abuse after abuse after abuse and yet we say we cannot cut this agency's funds.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

(At the request of Mr. ADDABBO and by unanimous consent, Mr. ASHBROOK was allowed to proceed for 1 additional minute.)

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. ASHBROOK. I am happy to yield to the gentleman.

Mr. ADDABBO. The gentleman talked about abuses. In the 2,000 cases recommended for prosecution by the BATF, the defense of entrapment was claimed 58 times and it was upheld zero. The violation of civil rights was claimed 23 times and was upheld zero.

So the question of harassment does not stand.

Mr. ASHBROOK. I would say to my colleague I think BATF is getting better. I think this administration has indicated they certainly do not want to have continued the abuses of the past. But the abuses are there; they have been there; they have been documented. They have been spread before our committee. The court records of this country, are replete with the abuses. If my colleague wants to peruse them, I will be glad to spread them in the RECORD. But they are there.

Mr. ADDABBO. Will the gentleman yield further?

Mr. ASHBROOK. I am glad to yield.

Mr. ADDABBO. I fully agree that we have heard the cases before, in prior years, and this subcommittee has put limiting language in the bill and report in prior years and has made sure those abuses would not occur. In fact, I have just quoted proof that they have listened to our committee and taken action to correct any problems they had.

The CHAIRMAN. The time of the gentleman from Ohio has again expired.

(By unanimous consent Mr. ASHBROOK was allowed to proceed for 1 additional minute.)

Mr. ASHBROOK. But the gentleman knows the hearings to which I referred, and so does my colleague from Michigan. As recently as a couple of months ago we still had to ask the BATF why they were not returning firearms that had been seized and were properly due back in the hands of the owners. We had to ask them why they were still conducting these practices. BATF sent a letter to the committee and said "We are now expediting these cases" but there are cases still known where they would sit on the firearms, legally owned firearms, improperly confiscated firearms, year after year after year. So the abuses are still there.

I think this amendment would help send them a message they still need to hear.

Mr. WEAVER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the wasteful fiscal year 1982 appropriations request for the Bureau of Alcohol, Tobacco and Firearms.

In these times of national belt tightening, I can think of no better place to cut than this onerous bureaucracy. Given its long history of abusing individual liberties, political featherbedding, and the innate intrusiveness of its bureaucratic structure, one thing it does not need is more money.

The original objective of the BATF was to provide assistance to State and local law enforcement units. Though seemingly a laudable goal, a national police force of this type is completely unnecessary and duplicative of other Federal agencies. In addition, because of Justice Department rulings, the BATF must charge only those persons who have no past history of murder, rape, robbery, assault, or similar criminal acts. In other words, they must find a person who meets our common definition of a law-abiding citizen, but who can be shown to have violated some obscure gun law. The BATF has drawn in these people by enticing them into inadvertent, technical violations of any of the myriad gun laws. Since most sections of those laws do not require proof of criminal intent, it is only too easy to entrap an honest person. Lure a gun collector into selling four or six of his own guns—and charge him with selling without a license. Lure a person in a small town into selling a gun to a person from out of State—and charge him with sale to a nonresident.

At times it is even worse as agents, desperate for cases to justify their existence and future promotion, turn to anyone available. One case which was written up in the Washingtonian magazine a few years ago told the story of Richard Boulin, a veteran and retired policeman. The article related that besides having a private gun collection, he also had a commercial dealer's license. The article went on to say he had been told by BATF agents that he must record all sales from his dealership inventory, but that he did not have to record sales from his private collection. Further, a BATF informant then lured him into sales from his private collection, subsequently charging him with felony counts of dealer sales without proper recording. He was convicted.

After the conviction, it was discovered that BATF's acting director had stated—in writing—that a dealer could sell from his personal collection without recording. BATF had convicted a man of acts which its own director stated were completely legal. I can think of no more extraordinary case than this—a man ruined by an agency for conduct of which its own head approves. Apparently the agents in that office in Baltimore had time to waste on that retired policeman—time they therefore did not devote to the gun-wielding street criminals of Baltimore.

Let us take a look at BATF's budget figures, looking only in the firearms criminal enforcement area, for a moment. For fiscal 1982, they list 1,140 persons enforcing the gun laws, which they estimate will yield a mere 865 gun law arrests. That is appreciably fewer arrests than enforcement agents. I cannot believe many police departments would hire detectives who averaged less than one arrest per year of work. And we are paying them for that year of work at Federal scale. With over $53 million devoted to gun law enforcement, that means an aver-

age cost per arrest of $61,982. That is an incredible sum, even if the persons being prosecuted were genuine criminals, and not the likes of Richard Boulin.

Of course, the odds of genuine criminals being among those 865 is not high. By BATF's own admission, over half its current arrests are persons with no felony conviction record. Nearly half of those arrested have had no prior police contact at all. Even prosecuting those cases, in a time when we ought to be concentrating on genuine street criminals, is fiscally unjustifiable. Litigating them at a cost of $61,982 each is absurd.

Many States are even now releasing violent offenders because, at $15,000 a year, they can no longer afford to keep them behind bars. In other words, for the sums expended pursuing someone like Richard Boulin, four offenders with records of violence could have been kept out of circulation this year. To prosecute a man like that, for an act that the Bureau Director himself says is legal, makes absolutely no sense. To prosecute him at an equivalent cost of releasing four street thugs, who in 1 year could commit well over 1,000 robberies, is a betrayal of the Nation the Bureau supposedly serves.

Have not we had enough of this waste and irrationality? I urge my colleagues to vote against the BATF appropriations bill.

□ 1720

Mr. LATTA. Mr. Chairman, will the gentleman yield?

Mr. WEAVER. I yield to the gentleman from Oregon.

Mr. LATTA. Mr. Chairman, I want to thank the gentleman for his statement and point out once again that we are really not asking for a reduction below 1981. Actually, with the figures I proposed, we are going to be over what 1981 was. All we are asking is that the administration's figures be adhered to; and second, we are saying that it is absolutely ridiculous to set a figure of employees below which one cannot reduce, and they are saying in this legislation that one cannot reduce the number of people in this agency below the number that they have on April 30, 1981, whether they need it or whether they do not.

If this amendment passes, they have to keep them. So that is ridiculous when one is trying to get rid of some of this bureaucracy.

Mr. BIAGGI. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to this amendment. Frankly, I find it somewhat incredulous in light of the conditions that exist in the world today. There is statistic after statistic, study after study, newspaper article after newspaper article that reports the meteoric rise in crime. We find the law enforcement family seeking more assistance and the people of our country are screaming for more assistance, more people in the law enforcement agencies to go out and work. The Members know that as well as I.

In the various communities throughout the country, the people say, "Where are the police officers? What is happening to crime? What is happening to the safety of our people in this country?"

One of the most important issues in our Nation is the question of the safety of the people. I am flabbergasted with the notion that somebody is trying to cut moneys in this direction. In a sense, it is equivalent to national defense, and perhaps with more justification than the wide-open pockets we provide in that area.

Let me talk about the cost effectiveness. I hear people say the arrest ratio is poor. The arrest ratio would be poor if that was all they did was arrest. I can tell the Members it is better than that of the FBI, and I know nobody here has moved to cut the FBI appropriations. I can tell the Members more: If what the member want from this agency is arrests dictated here, let that sentiment be known and they will forget the other assignments they have and go out and make arrests. I can tell the Members that as a former police officer when the commanding officer said, "Go out and make arrests," one went out and made arrests.

It does not necessarily reflect the quality of those arrests, but one had statistics to meet. There are many important dimensions here. One of the more important ones, frankly, is this question of arson. This is the first Federal agency to respond to the burning of America. That is what is happening. It may not be happening in the small towns, and be grateful for it. But in the urban areas of this Nation, the cities are burning, crime is being committed for a host of reasons. They are burning and I condemn each of them. They should be prosecuted, investigated, and committed. They are the most heinous of offenders.

This agency has affected 350 arrests by itself. How about the assistance it has given to the local and State agencies? I know about that assistance. I have seen it work in my area. I represent part of the South Bronx, and bona fide businesses are burning down for various reasons. Some arson for profit, some for vengeance, some for protection.

We call upon the agency, together with the local police, together with the local fireman and the marshals and the State agencies, just to try and effect some arrests to break through, and we have. That is not recorded in their arrest record because the arrest credit goes to the local agencies.

Again, put aside that consideration, you simply do not measure effectiveness by arrest ratios. True, they have a 1.01 ratio as contrasted to the FBI, 1.13. It is an argument that should be dispelled immediately.

Let me tell the Members another thing they just did, and it is something that is creeping up in America. The desecration and burning of temples of worship across the country. The incidence of those rates has skyrocketed in the last year. They effectively infiltrated the Ku Klux Klan in Nashville and prevented a bombing of a synagogue in that area.

And more, they have infiltrated organized crime in the antitrust activities to prevent them from taking over the liquor industry. If they do not effect arrests in those places, they obtain information, a critical factor in the fight against crime.

There is another important factor most people do not understand. The police officers of this country would be at a loss in their inability if this ability to trace guns was not provided by this agency.

The CHAIRMAN. The time of the gentleman from New York has expired.

(By unanimous consent, Mr. BIAGGI was allowed to proceed for 2 additional minutes.)

Mr. BIAGGI. The Federal Government has responded. This agency responded: 60,000 traces in 1 year. It is the most effective agency in the Nation in combating crime; 60,000 traces of firearms, critical in the pursuit and investigation of local crime, the crime that touches us and ours and the people that we represent.

Here we are talking about $5 million. It is ludicrous even to consider reducing such an important agency at this point. If we want to make it cost effective, why do we not talk about the revenues it produces: $8 billion regulatory revenues: $8 billion, $5 for every $1 spent. If every agency in this country, in this Government, produced as much, we would not have a problem with taxes, we would not have a problem with the Reconciliation Act, or any of these other fiscal situations we have been discussing.

I respect my friend, the gentleman from Ohio (Mr. LATTA) and his concerns for hewing to the fiscal line. The gentleman has been most successful in the past, but I am certain even if this question was posed to the President of the United States, he would be the last to tell us to cut $5 million from this agency or any comparable agency in this constant fight that we wage against crime in our Nation.

In the end, what it will do, it will cost jobs. Irrespective of the floor, it will cost jobs when, in fact, we should be putting people on, not taking them off.

□ 1730

Mr. CHAIRMAN. The time of the gentleman from New York (Mr. BIAGGI) has expired.

(By unanimous consent, Mr. BIAGGI was allowed to proceed for 1 additional minute.)

Mr. BIAGGI. Just think of it. Is it not better that you go home and say, "Well, we have done a little bit more for law enforcement"? Is it not better when you go home to tell your people, when they read about an arson case, where people are burned to death and driven out of their homes, "Well, this is what I did in Washington. Be thankful it did not touch you, but it touched someone else. And perhaps because we defeated this amendment, we may have saved someone else's life."

If for not other reason than just their arson, it would justify the retention of these funds. Yes; if for no other reason, and there are a litany of reasons, some of which I have spelled out to the Members, to justify the retention of those $5 million and to establish that floor.

I urge my friends to vote against this amendment.

Mr. DYSON. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment offered by the gentleman from Ohio.

We have talked about abuses today. I think probably none brings back some of the glaring examples, unforgivable instances of brutality, other than the one that happened in Maryland in 1969.

A detachment of BATF agents broke into the house of a young Marylander named Kenyon Ballou, shot him in the head, threw his wife out the door, removed every piece of property in their house. The agents claimed they were searching for hand grenades. What they found were grenade casings without any explosives which had been openly sold as Army surplus.

This kind of abuse, Mr. Chairman, is abuse my constituents in Maryland have seen and therefore cannot justify an increased expenditure for this agency.

Mr. Chairman, I urge the House to support the amendment offered by the gentleman from Ohio.

The Department of the Treasury has recommended that the fiscal year 1982 appropriation for BATF be retained at the level requested by the President.

With regard to the suggestion that we grant BATF several additional millions of dollars for further enforcement of the Federal gun law, I pose one obvious question: Are we getting our money's worth? What has BATF done so far to merit the hundreds of millions which have already been poured into their enforcement programs? I believe that a simple look at the facts would show this to be one of the most unproductive programs now being advanced.

The Gun Control Act was aimed at—or so its preamble proclaims—obstructing the flow of guns to criminals. Unfortunately, the Gun Control Act has been largely ineffective toward meeting that worthy goal. Quite simply, Federal judges and U.S. attorneys have always looked with disfavor upon "felon in possession of gun" cases which are covered under the Federal Gun Control Act. Crime in the streets is apparently beneath the dignity of the Federal court, yet crime in the street was the sole justification for the Gun Control Act. Federal judges obviously feel that this type of crime should be under the jurisdiction of local government. The result is that the BATF program is virtually useless.

It is hard to believe, but statistics show that BATF agents enforcing gun laws make fewer than one arrest per year per agent. I cannot think of any police agency which would not terminate a department which made only one arrest per policeman per year. In 1982 that cost per arrest will be about $62,000. That is enough to put 3 policemen on the street in any given city for a year, which would probably result in 100 or 200 arrests, not just 1. And those would be legitimate, enforceable arrests of street criminals, rather than of persons who ran afoul of an overly technical Federal statute.

The Gun Control Act, incidentally, is exactly that—a technical statute. There is not a single section in it which punishes murder, robbery, rape, or other acts of evil in themselves. Rather, it punishes a number of acts whose punishment may or may not have an effect on the prevention of crime. No one would suggest that some of the activities punishable under the act should be legal—possession of firearms by the convicted felon, or sale of firearms to a felon. However, the remainder of the act is highly technical and questionable as to whether it combats real crime. For example, it is a felony to give a firearm to a person who resides in a different State—whether or not either of you would break or evade any local laws by doing so. Some courts have held that a gun collector who sells three or four guns from his collection over a 6-month to 1-year period has "engaged in the business of dealing in firearms" without a license, which is a felony. Under the law as written, these acts are felonies regardless of the person's intent, regardless of whether that person realized a court might find that four sales of collector's items in a year might be construed as engaging in the business.

Agents who make but one arrest per year cannot afford to let their averages fall still farther. At the same time, Federal prosecutors and courts are reticent to try most "felon in possession" cases. So, the practical effect is that gun law enforcement centers largely upon generating technical cases against persons who are neither street criminals nor those who deal with them. In fact, only 10 percent of BATF gun arrests are of felons or those selling guns to them. During Senate oversight hearings in 1979, one expert witness—himself a 40-year veteran of Federal law enforcement—estimated that 75 percent of BATF gun cases were against persons who had no criminal intent. BATF has been hard put to deny these estimates. The best its leadership has been able to argue is that barely half its arrests are of people with "police records"—which apparently includes arrest on charges that were later dropped.

Mr. Chairman, in my opinion BATF is expending too many tax dollars going after ordinary citizens rather than real criminals. I strongly support the amendment to reduce BATF funding to the level requested by the President.

Mr. ROYBAL. Mr. Chairman, will the gentleman yield?

Mr. DYSON. I yield to the gentleman from California.

Mr. ROYBAL. Mr. Chairman, did I understand the gentleman correctly when he said it was 1969?

MR. DYSON. Yes.

Mr. ROYBAL. It was in 1969 when this incident took place?

Mr. DYSON. Yes.

Mr. ROYBAL. I thank the gentleman.

Mr. SCHUMER. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, over the past several weeks, Members of this body have voiced increasing concern over the seemingly uncontrollable rise of violent crimes in this country, many involving the dangerous use of firearms and explosives and many directly related to the equally serious flow of illegal drugs into this country. Our constituents have echoed this concern, and we now have an opportunity to address this critical issue by strengthening rather than weakening law enforcement activities.

The Bureau of Alcohol, Tobacco and Firearms through the effective enforcement of firearms and explosives laws strives to protect American citizens from violent crimes involving such weapons, crimes that have reached epidemic proportions. Can we hope to further protect our citizens by undermining this already critically understaffed agency? Recognizing that this is the time to maintain and increase rather than decrease, law enforcement activities, the Appropriations Committee has recommended that the current employment level of the Bureau of Alcohol, Tobacco and Firearms not be reduced, as the ad-

ministration requested. At a time when citizens fear to walk the streets, or ride our subways, and are even afraid in the privacy of their own homes, it is our responsibilty to enforce the agencies designed to protect them. Who among us would like to rightly claim responsibility for the large losses in lives and property that are sure to occur if we fail to support the Bureau?

Of equal concern is the rising level of drug abuse and related crime. The U.S. Customs Service plays a crucial role in protecting our citizens from the wholesale entry of narcotics into this country. Any reduction in the enforcement of customs laws would have a severe and disturbing impact for the entire Nation. Surely the influx of drugs would increase, surely more and more Americans would become victims of drug-related crime.

The Customs Service also provides protection against hazardous and toxic substances, against the smuggling of illegal weapons, against terrorist activity, and the mounting problem of illegal aliens. The Appropriations Committee has rightly directed that the Customs Service employment level must be maintained and that the overtime cap be increased so that we will be assured of qualified personnel to cover overtime assignments.

In a fiscally sound move, the Appropriations Committee recommended $38 million in additional sums for the Internal Revenue Service to fund approximately 1,500 new staff positions—a move that will mean increases in revenue collections of an estimated $275 million. The general decline in voluntary compliance with our tax laws has meant that billions of dollars that should be in the U.S. Treasury have evaded it, and the many citizens who do comply have been unfairly burdened by the few who do not. There could not be a more appropriate time to vote to make our tax system both efficient and equitable. If we do not approve the committee's recommendation, we will go on record as supporting the evader rather than the honest taxpayer.

● Mr. DINGELL. Mr. Chairman, I rise in support of the amendment to H.R. 4121 offered by the distinguished colleague from Ohio (Mr. LATTA).

For many years, I have followed with great interest the growth and conduct of the Bureau of Alcohol, Tobacco and Firearms. Some of my colleagues may remember its origins, back in 1969, when it was a subdivision of the Internal Revenue Service employing only a couple of hundred agents. By 1972, it was a full Bureau within the U.S. Department of the Treasury, and today it employs several thousand persons, the majority of whom are involved in an aggressive and oftentimes zealous enforcement of the Gun Control Act of 1968.

Despite claims that BATF is effective in its role in enforcing the Gun Control Act of 1968, the Bureau's statistics contradict its success by revealing an average last year of only registering less than one arrest per agent.

What BATF has become effective at is the systematic badgering and pursuit of numerous law-abiding citizens who have not been, and, in most cases, would not be, involved in criminal activity.

Let me cite but a few examples of this abuse: Back in 1969, BATF agents committed one of the most shocking and unforgiveable instances of brutality which has ever been attributed to Federal agents. A detachment of BATF agents broke into the house of a young Maryland man named Kenyon Ballou, shot him in the head, threw his wife out the door, and removed every piece of property in their house. The agents claimed they were searching for hand grenades. What they found were grenade casing, without any explosives, which had been openly sold as Army surplus.

In hearings before the Senate Subcommittee on the Constitution of the House Judiciary Committee last year, it was establishing in this case that the agents were not only guilty of brutality and the unnecessary shooting of Mr. Ballou, but that the agents had obtained the search warrant through perjury, and had subsequently destroyed this search warrant in order to absolve themselves from wrongdoing. Ballou, a Vietnam veteran, was totally paralyzed as a result of the incident. The BATF agents who participated in the raid received promotions.

Another incident, which illustrates the extent of BATF abuse occurred in 1975 when agents made a wide sweep of firearms-related arrests in Massachusetts and New Hampshire. In the process of making these numerous arrests, BATF issued press releases, slandering the persons arrested and describing the raids as the "biggest in New England since the Gun Control Act was enacted." When the cases came to trial, over one-half of the New Hampshire arrests were overturned in court.

One case was dismissed after it was established that an informant for the BATF, responsible for leading the agents to the arrest, had persuaded the victim that the agents were mobsters who would murder him unless they received illegally acquired firearms.

Another case involving the unwarranted arrest of a disabled veteran for violating firearms laws resulted in the judge not only dismissing the case but also having to publicly apologize to the disabled veteran on behalf of the Nation for the irresponsible actions of BATF agents. It seems when the informant approached the subject in this case, he took down his license number, phoned other BATF agents long distance and urged that the "the criminal" be arrested for intending to acquire guns illegally. Instead of recognizing this disabled veteran had no intentions of securing illegal firearms, the BATF claimed that one of the rifles he owned could have been converted to an automatic weapon and proceeded to arrest him on felony charges. But as a result of the court action and the temporary suspension of his license to sell firearms from his small gunshop, he was not out of business. The agent who arrested him is now living comfortably on a BATF retirement pension.

Another example. In its aggressive, and sometimes irresponsible enforcement of the 1968 Gun Control Act, BATF agents, through the use of strawman tactics of entrapment, initially put 37 legitimate gun dealerships out of business in South Carolina. BATF dropped this tactic in that State after a Federal judge indicated that the Bureau was clearly setting up persons who had no criminal intent to break the law. The judge subsequently ordered BATF to inform dealers of their actions. Once the dealers were informed of BATF entrapment techniques, BATF was no longer able to continue making trumped-up arrests on that basis. However, most of 37 dealers originally arrested through the use of BATF entrapment are now convicted felons, and ruined as citizens. The agent responsible for the raids was recently transferred to BATF headquarters and put in charge of the firearms enforcement branch.

The BATF abuses which I have illustrated are only a small portion of the multitude of abuses cases which have been brought to the attention of House and Senate investigating committees as well as the public. These abuses will continue to persist unless Congress sends this Bureau a clear message that such abusive actions will not be tolerated.

The amendment before us today merely eliminates from the bill $5 million—$2.5 million of which was designated for BATF's firearms enforcement division—which was added to the legislation during consideration by the Subcommittee on Treasury, Postal Service, General Government. What we will do by adopting this amendment is to return to what the administration had originally requested as an appropriate budget level for BATF.

If we fail to adopt this amendment, we are giving BATF a message from Congress that its actions are permissible, its orientation acceptable. If we reward corruption, mismanagement, and downright viciousness, we can expect more corruption, mismanagement, and downright viciousness.

It is time that we stopped granting more money and started asking some serious questions:

What impact have the hundreds of millions of dollars already sent to the Bureau had on crime?

Why are Bureau gun enforcement agents making less than one arrest per year per agent?

What other police unit would tolerate this waste?

How many of these arrests involved real criminals, and how many involved law-abiding citizens entrapped to fill a local BATF office's quota?

Why have not the agents involved in even the worst of BATF's abuses been disciplined?

Why have so many been promoted?

Our colleagues in the Senate have already held three oversight hearings into BATF abuse and have uncovered some rather shocking data:

Memorandums confessing that innocent persons are being convicted;

Proof that BATF is confiscating collector-grade firearms to be taken into its own museum;

Documentation of perjured search warrant affidavits; and

Deliberate vandalism.

There are too many instances of BATF abuse, too many instances of unanswered questions.

On this basis, I ask my colleagues to support the pending amendment.●

Mr. FOLEY. Mr. Chairman, I rise in support of Mr. LATTA's amendment to achieve the administration-recommended funding level for the Bureau of Alcohol, Tobacco and Firearms for fiscal year 1982.

H.R. 4121 contains a $5 million increase in the appropriations for the Bureau of Alcohol, Tobacco and Firearms in order to maintain the Bureau's employment level at the April 30, 1981, personnel level.

Given the Bureau of Alcohol, Tobacco and Firearms rather lackluster performance record, I see no reason to reject the administration's funding request and to freeze unnecessarily the BATF personnel at the April 30, 1981, level. In fact, the Senate Appropriation Subcommittee on the Treasury not only declined to increase the Bureau's employment levels by 229 positions over the administration's request, but cut approximately $2 million from the Bureau's budget.

I fully support Mr. LATTA's efforts to trim back this appropriation and urge my colleagues to support the amendment.●

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio (Mr. LATTA).

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. ASHBROOK. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 279, noes 141, not voting 14, as follows:

[Roll No. 171]

AYES—279

Albosta	Flippo	McGrath
Andrews	Foley	Mica
Anthony	Forsythe	Michel
Applegate	Fowler	Mikulski
Archer	Frenzel	Miller (OH)
Ashbrook	Fuqua	Mitchell (NY)
Atkinson	Gaydos	Molinari
AuCoin	Gephardt	Mollohan
Badham	Gingrich	Montgomery
Bafalis	Ginn	Moore
Bailey (MO)	Glickman	Moorhead
Bailey (PA)	Goldwater	Morrison
Barnard	Goodling	Murphy
Beard	Gore	Murtha
Bedell	Gradison	Myers
Benedict	Gramm	Napier
Bereuter	Gregg	Neal
Bethune	Grisham	Nelligan
Blanchard	Gunderson	Nelson
Biley	Hagedorn	Nichols
Boggs	Hall (OH)	Oberstar
Boner	Hall, Ralph	Obey
Bonker	Hall, Sam	Oxley
Bouquard	Hamilton	Panetta
Bowen	Hammerschmidt	Parris
Breaux	Hance	Pashayan
Brinkley	Hansen (ID)	Patman
Brooks	Hansen (UT)	Paul
Brown (CO)	Harkin	Petri
Brown (OH)	Hartnett	Pickle
Broyhill	Hatcher	Pursell
Butler	Hefner	Quillen
Campbell	Hendon	Rahall
Carman	Hightower	Regula
Carney	Hiler	Rhodes
Chappell	Hillis	Rinaldo
Chappie	Holland	Ritter
Cheney	Hollenbeck	Roberts (KS)
Clausen	Holt	Roberts (SD)
Clinger	Hopkins	Robinson
Coats	Hubbard	Roemer
Coelho	Huckaby	Rogers
Coleman	Hunter	Rose
Collins (TX)	Hutto	Roth
Conable	Hyde	Roukema
Conte	Ireland	Rousselot
Corcoran	Jeffords	Rudd
Courter	Jeffries	Schulze
Coyne, James	Jenkins	Sensenbrenner
Craig	Johnston	Sharp
Crane, Daniel	Jones (NC)	Shaw
Crane, Philip	Jones (OK)	Shelby
D'Amours	Jones (TN)	Shumway
Daniel, Dan	Kazen	Shuster
Daniel, R.W.	Kemp	Siljander
Dannemeyer	Kindness	Skeen
Daschle	Kogovsek	Skelton
Daub	Kramer	Smith (AL)
Davis	Lagomarsino	Smith (IA)
de la Garza	Latta	Smith (NE)
Deckard	Leach	Smith (NJ)
Derrick	Leath	Smith (OR)
Derwinski	LeBoutillier	Smith (PA)
Dickinson	Lee	Snowe
Dicks	Lent	Snyder
Dingell	Lewis	Solomon
Dorgan	Livingston	Spence
Dornan	Loeffler	Stangeland
Dougherty	Long (LA)	Stanton
Dowdy	Lott	Staton
Dreier	Lowery (CA)	Stump
Dyson	Lowry (WA)	Swift
Edwards (AL)	Lujan	Synar
Edwards (OK)	Luken	Tauke
Emerson	Lundine	Tauzin
Emery	Lungren	Taylor
English	Madigan	Thomas
Erdahl	Marks	Traxler
Ertel	Marlenee	Trible
Evans (DE)	Marriott	Udall
Evans (GA)	Martin (NC)	Vander Jagt
Evans (IA)	Martin (NY)	Walker
Evans (IN)	Mattox	Wampler
Fenwick	McCollum	Watkins
Fiedler	McCurdy	Weaver
Fields	McDade	Weber (MN)
Findley	McDonald	Weber (OH)
Fithian	McEwen	White
Whitehurst	Wilson	Wylie
Whitley	Winn	Yatron
Whittaker	Wolf	Young (AK)
Williams (MT)	Wortley	Young (FL)
Williams (OH)	Wyden	Young (MO)

NOES—141

Addabbo	Foglietta	Ottinger
Akaka	Ford (MI)	Patterson
Alexander	Ford (TN)	Pease
Anderson	Frank	Pepper
Annunzio	Garcia	Perkins
Aspin	Gejdenson	Peyser
Barnes	Gibbons	Porter
Beilenson	Gilman	Price
Benjamin	Gonzalez	Pritchard
Bennett	Gray	Railsback
Bevill	Green	Rangel
Biaggi	Guarini	Ratchford
Bingham	Hawkins	Reuss
Boland	Heckler	Richmond
Bolling	Heftel	Rodino
Bonior	Hertel	Roe
Brodhead	Howard	Rostenkowski
Broomfield	Hoyer	Roybal
Brown (CA)	Hughes	Russo
Burgener	Jacobs	Sabo
Burton, Phillip	Kastenmeier	Savage
Byron	Kildee	Sawyer
Chisholm	LaFalce	Scheuer
Clay	Lantos	Schneider
Collins (IL)	Lehman	Schroeder
Conyers	Leland	Schumer
Coughlin	Levitas	Seiberling
Coyne, Willian	Long (MD)	Shamansky
Danielson	Markey	Shannon
Dellums	Martin (IL)	Simon
DeNardis	Matsui	Solarz
Dixon	Mavroules	St Germain
Donnelly	Mazzoli	Stark
Downey	McClory	Stokes
Dunn	McCloskey	Stratton
Dwyer	McHugh	Studds
Dymally	McKinney	Vento
Early	Miller (CA)	Walgren
Eckart	Mineta	Washington
Edgar	Mitchell (MD)	Weiss
Edwards (CA)	Moakley	Whitten
Erlenborn	Moffett	Wirth
Fary	Mottl	Wolpe
Fazio	Natcher	Wright
Ferraro	Nowak	Yates
Fish	O'Brien	Zablocki
Florio	Oakar	Zeferetti

NOT VOTING—14

Burton, John	Fountain	Santini
Cotter	Frost	Stenholm
Crockett	Horton	Volkmer
Duncan	Minish	Waxman
Fascell	Rosenthal	

□ 1740

Mr. FRANK changed his vote from "aye" to "no."

Messrs. WHITEHURST, LEE, SWIFT, LUKEN, FITHIAN, BLANCHARD, CHAPPELL, CONTE, YATRON, RALPH M. HALL, SMITH of Pennsylvania, HYDE, HATCHER, and SMITH of Iowa changed their votes from "no" to "aye."

So the amendment was agreed to.

The result of the vote was announced as above recorded.

□ 1750

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

UNITED STATES CUSTOMS SERVICE

SALARIES AND EXPENSES

For necessary expenses of the United States Customs Service, including purchase of two hundred passenger motor vehicles for replacement only, including one hundred and ninety for police-type use; operation and maintenance of aircraft; hire of

passenger motor vehicles and aircraft; and awards of compensation to informers, as authorized by the Act of August 13, 1954 (22 U.S.C. 401); $498,468,000, of which not to exceed $150,000 shall be available for payment for rental space in connection with preclearance operations, and not to exceed $1,000,000 to remain available until expended for research and studies: *Provided*, That none of the funds made available by this Act shall be available for administrative expenses to pay any employee overtime pay in an amount in excess of $25,000: *Provided further*, That none of the funds made available by this Act shall be available for administrative expenses in connection with effecting the reduction of employment in the U.S. Customs Service below the level on April 30, 1981.

AMENDMENT OFFERED BY MR. KAZEN

Mr. KAZEN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KAZEN: Amend H.R. 4121 on page 4, line 25 and page 5, line 1 by striking out the figure $498,468,000 and inserting in lieu thereof the following: "$499,743,000 of which $1,275,000 shall be used for employment of 50 additional Customs Inspectors and of which not to exceed $150,000 shall be available for payment".

Mr. KAZEN. Mr. Chairman, this amendment, very simply adds $1,275,000 for the purpose of employing 50 additional customs inspectors. Under the bill, they keep the same amount that we had on board in April 1981.

Mr. Chairman, I do not have to tell you how much business has increased as far as international commerce is concerned, how international travel has increased. All one has to do is look at the airports in our major metropolitan areas in this country and see the tremendous amount of international commerce and personnel traffic. Look at the situation along the Canadian border, along the Mexican border. We have come to the point where Mexico is our third-best customer in the world. Canada, of course, is way up there also.

We need this additional revenue which will be generated by the additional personnel. We are not wasting this money. We have to get this additional money in the Treasury and the only people who can do it are customs inspectors at the bridges and at the airports. We must also continue to check for contraband. We are talking about drugs and other contraband. These people are our frontline when it comes to interdicting contraband coming across the borders of this country.

□ 1800

Mr. Chairman, we can be penny wise and pound foolish by not appropriating this money. We do need these people. We can reduce expenditures and we have cut appropriations and we are fighting waste, fraud, and abuse. But we cannot do without this type of service that actually puts money in our Treasury.

We must do this, and I beg the Members to give us these 50 additional people all over this country so that we can man the bridges and our airports. I have in my hometown of Loredo, a brand new international bridge that cannot function 24 hours a day. We have lines running up to 2 miles trying to get across the bridge when it is open, in 100° weather, with engines burning, simply because we do not have those lanes open because we do not have the personnel to man it.

Mr. Chairman, I beg of the Members to do the right thing by this country. Let us help eradicate drugs, help interdict contraband, and help put money in the Treasury.

Mr. ROYBAL. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I am delighted to yield to the subcommittee chairman.

Mr. ROYBAL. Mr. Chairman, I take the floor to agree with the gentleman from Texas (Mr. KAZEN). I think this is very much needed.

However, we are running into some complications with regard to the language that is being used in the gentleman's amendment. I was ready to accept the amendment, but I see that in the amendment the gentleman uses the words, "shall be used."

If the word, "shall," remains, I will be compelled to oppose the amendment. If the word is changed to "may," then I will accept the amendment.

Mr. KAZEN. Mr. Chairman, I do not understand the gentleman's reasoning.

Mr. ROYBAL. "Shall" is mandatory, and "may" is not.

Mr. KAZEN. But we have to have 50 additional people.

Mr. ROYBAL. In this instance, then, it should be legislation in an appropriation bill.

Mr. KAZEN. Mr. Chairman, I ask unanimous consent to change the word "shall" to "may" in my amendment.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. GILMAN. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I am delighted to yield to my colleague, the gentleman from New York.

Mr. GILMAN. Mr. Chairman, I thank the gentleman for yielding, and I want to commend him for introducing this amendment.

Mr. Chairman, I rise in support of this amendment increasing the personnel levels for the U.S. Customs Service.

As a member of the Subcommittee on Human Resources of the Committee on Post Office and Civil Service, I joined with several of my colleagues recently in a hearing at John F. Kennedy International Airport to assess the effects there of limited customs personnel.

Witnesses representing the airline industry, the office of the mayor of New York, the chairman of the Select Committee on Narcotics, and various employee associations testified that they are working with much too thinly stretched Customs personnel, just at that airport alone. Current levels of employment have no adverse effect on processing times of air travelers and freight, and on efforts to apprehend individuals and dangerous substances entering the United States illegally and to assess properly duties on imported articles.

Mr. Chairman, I believe the additional personnel contemplated by this amendment are needed to resolve these costly and adverse problems. Accordingly, I urge my colleagues to vote in support of this amendment.

Mr. KAZEN. Mr. Chairman, I thank the gentleman from New York (Mr. GILMAN) for his contribution.

Mr. BURGENER. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I yield to the gentleman from California.

Mr. BURGENER. Mr. Chairman, I thank the gentleman for yielding, and I wish to commend him on his amendment. As one who represents a border district, I know how essential this is.

The CHAIRMAN. The time of the gentleman from Texas (Mr. KAZEN) has expired.

(By unanimous consent, Mr. KAZEN was allowed to proceed for 3 additional minutes.)

Mr. GONZALEZ. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I yield to the gentleman from Texas.

Mr. GONZALEZ. Mr. Chairman, I thank my colleague for yielding.

Mr. Chairman, I merely rise in support of this amendment and compliment my friend, the gentleman from Texas (Mr. KAZEN) for offering it.

I wish to affirm the need for this amendment. Even in my district, at the San Antonio International Airport, we have a need for this, and we have spoken out very insistently about the existing and true need for this.

Mr. ADDABBO. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I yield to the gentleman from New York.

Mr. ADDABBO. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Texas (Mr. KAZEN).

As I said in our earlier colloquy, the committee could not go over the original figure because of the budgetary constraints, but in view of the fact that we have cut $5 million with a previous amendment, we do see a justification for this figure, and I do support the gentleman's amendment.

Mr. DE LA GARZA. Mr. Chairman, will the gentleman yield?

Mr. KAZEN. I yield to the gentleman from Texas.

Mr. DE LA GARZA. Mr. Chairman, I appreciate my colleague's yielding, and I rise in support of the amendment.

In my district I have two airports which have international flights, and there is the possibility of a third one. I have 6 international bridges, and I dare say that we need 50 more customs people right in my congressional district. We are speaking here of the entire border between the United States and Mexico and Canada.

So this is a very, very small step, but I appreciate the gentleman's taking the lead in this effort.

Mr. KAZEN. Mr. Chairman, I thank the gentleman from Texas (Mr. DE LA GARZA) for his contribution.

In the past this House has authorized additional personnel, but for some reason or other OMB downtown has never seen fit to use the money that we have authorized and appropriated. I think that the time has come when they should understand that this is for the benefit of the country, for the protection of the safety of the people of this country, and for the addition of much needed revenues in our Treasury.

Mr. FRENZEL. Mr. Speaker, I move to strike the requisite number of words.

Mr. Chairman, this is an amendment that every Member of the House would like to have for his or her own district. I would, however, like to invite the Members' attention to the fact that the appropriation is already $18 million over the amount authorized by the authorizing committee and $18 million over what the President asked for.

Now, if we are going to simply award more Customs employees to every Member who asks for them on the floor of the House, I am sure that the line will be a long one. I think the House would be well advised to vote this amendment down and try to get along on a reasonable amount of money, since the amount has already been raised by $18 million by the Appropriations Committee.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Texas (Mr. KAZEN), as modified.

The amendment, as modified, was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

BUREAU OF THE PUBLIC DEBT

ADMINISTERING THE PUBLIC DEBT

For necessary expenses connected with any public-debt issues of the United States, $206,625,000.

AMENDMENT OFFERED BY MRS. SCHROEDER

Mrs. SCHROEDER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mrs. SCHROEDER: Page 5, line 24, strike "$206,625,000" and insert in lieu thereof "$193,050,000".

Mrs. SCHROEDER. Mr. Chairman, imagine an enterpeneur opening an ice plant in Nome, Alaska. He packs bags of ice and goes out to sell them to the local residents. At each door he is turned away. People say, "Why should we buy ice from you? All we have to do is go outside and we can find all the ice we'll ever need." Our businessman is not dissuaded, however, and he spends lots of money hiring a staff of salespersons. He mounts a huge promotional campaign. But, alas, it does no good. Eventually, he learns the lesson obvious to all but him: You can not sell ice to Eskimos.

Unfortunately, the U.S. Government has not learned that lesson and will today spend over $60,000 selling the equivalent of ice to Eskimos. Indeed, during the course of this year, the Government will have spent $16 million just promoting the sale of savings bonds. This despite the fact that during 1980, redemptions exceeded sales by $11 billion. That sales dropped 44 percent last year. This despite the fact that other Government-insured investments, such as Treasury notes and money market certificates, are returning 17 and 18 percent, while series EE bonds only return 8 percent if you hold them for 9 years. This despite the fact that we are soon to pass a tax bill which contains a huge tax exemption for people who put their money in savings and loan institutions.

Now, I am not saying that savings bonds are a bad investment for all people. For very small savers, savings bonds can be a worthwhile purchase. Yet, the class of investors for whom bonds are desirable is becoming smaller and smaller. If market rates drop, the attractiveness of bonds may again increase. Nevertheless, bonds are today about as attractive to most Americans as is ice in Alaska.

I have, therefore, offered an amendment to eliminate the $14.6 million budgeted in this bill for the promotion of savings bonds. My amendment would not eliminate bonds, would not touch the operation which actually sells and redeems bonds, and would not affect the public service advertising for bonds. All it would do is eliminate the Savings Bond Division, which has over 400 people who go around promoting bonds. The Division does not sell bonds, it does not process bonds, it does not redeem bonds. All it does is promote the purchase of bonds. Staff members go around and meet with business executives to encourage them to encourage their employees to use payroll deduction to buy bonds.

Indeed, one of the top officials of the Savings Bond Division told my staff that they do not measure the productivity of their personnel by the number of bonds sold because their personnel do not sell bonds. The Division counts number of phone calls, number of meetings, and number of letters written because these items are the output of the Division. In other words, the Savings Bond Division counts bureaucratic paperwork and calls it a productivity measure because all the Division does is produce bureaucratic paperwork.

I have introduced H.R. 3116, the Government Cost Reduction Act, to require that productivity be assessed based on the mission of the agency. There is no surer way to identify agencies deserving extinction than to look at their measures of productivity. If all an agency feels comfortable counting is bureaucratic paperwork, that agency should be abolished. The Savings Bond Division has to top any list of candidates for extinction.

Adoption of this amendment will have no effect, I believe, on the number of bonds sold. Most bonds are sold through payroll deduction plans. These plans will continue to operate without any involvement by the Savings Bond Division. As long as employees want to save this way, companies will continue to allow them to do so. Once employees decide that there are better ways to save, no activity of the Federal Government will convince companies to go through the expense of payroll deduction.

Mr. Chairman, today we can cut the budget by eliminating a program which deserves to be abolished. If you are committed to the war on waste, vote for the amendment.

□ 1810

Mr. ROYBAL. Mr. Chairman, will the gentlewoman yield?

Mrs. SCHROEDER. I yield to the chairman of the committee, because we have talked about this.

Mr. ROYBAL. I thank the gentlewoman for yielding to me. I would like to get some clarification now.

The original request of the gentlewoman was for a reduction of $14.6 million. The reduction has now been reduced to $13.6 million, which leaves then $1 million for bond promotion, is that correct?

Mrs. SCHROEDER. That is correct.

Mr. ROYBAL. Then the thrust of the amendment of the gentlewoman is directed to those individuals who are out promoting the sale of these bonds?

Mrs. SCHROEDER. That is correct. They cannot sell. They cannot do anything themselves. They are just promoting, talking to different companies, trying to promote verbally, traveling around.

Mr. ROYBAL. But there are then individuals who actually do the promotion from their office here in Washington, D.C. Are these people affected?

Mrs. SCHROEDER. The ones who will be doing the promotions here, anyone who is doing promotions would be affected. It does not affect salesmen, the actual people who do the selling or people who would do redemption or those types of things

We are just talking about how very difficult it is to promote at the time. We go with the advertising money, which the Council is donating so much more and doing as a public service, so we leave that in.

Basically, all I am trying to do is cut out the promotion slots, because we know how desperately we are going to need these slots in many other areas.

Now, I realize that we did not have a lot of time to talk about this amendment, because it kind of came in from looking at things under the productivity bill that I am carrying; but I think what we could do is start with that and see if we can work something out. My intent is just to get the people who are doing nothing but promotion.

Mr. ROYBAL. All right. Then it is my understanding, again to review the argument of the gentlewoman with regard to this matter, this is directed only to those people who go out and do the actual promotion?

Mrs. SCHROEDER. That is right, or make some phone calls or write letters.

Mr. ROYBAL. The number of people that would be affected, as I understand it, is 432 individuals; is that correct?

Mrs. SCHROEDER. That is the number that we have, somewhere in that vicinity. We know it is over 400 and we had heard 432, whether all those slots are filled.

Mr. ROYBAL. It is also true that of those 432, there are individuals who are actually doing work here in Washington, D.C.

The CHAIRMAN. The time of the gentlewoman has expired.

(At the request of Mr. ROYBAL, and by unaimous consent, Mrs. SCHROEDER was allowed to proceed for 2 additional minutes.)

Mr. ROYBAL. Mr. Chairman, will the gentlewoman continue to yield?

Mrs. SCHROEDER. I will continue to yield.

Mr. ROYBAL. It is quite possible then that of the 432 people that are involved, there are some who are not actually going out meeting with these top executives doing the promotion. Will these people be affected also?

Mrs. SCHROEDER. Yes, because one of the things we were concerned about during our productivity hearings, some of the things we learned, as the people in this office were rated on their productivity, not by how many bonds were actually sold, but rather how many letters they wrote, so if they sat in the office and wrote lots and lots of letters, that was considered being productive, or how many phone calls they made, how many visits they made, how many meetings they set up.

Now, my response to that is that is not a very good measure of productivity. Sales have dropped off 37 percent.

What we are saying is that it is just a time where no matter how many letters they write or how many calls they make, I do not think there is any way they can sell savings bonds at the incredible low rate they are.

Mr. ROYBAL. But in the opinion of the gentlewoman, the actual sales of bonds will not be hampered by this amendment?

Mrs. SCHROEDER. That is right. The people who are actually selling the bonds, no; they are in another department. If private companies continue—and many private companies run this through their personnel departments where they do the employee checkoff and what have you—obviously that is not affected because they are doing it, and the advertising is not affected.

So what we are trying to do in essence, as the gentleman knows, we have seen all sorts of new supergrades added. We just did some today in the tourist bill. We lifted the ceiling on supergrades in the Department of Defense so it can go above $55,000. Every day somebody is trying to get more slots and there are many, many things that are needed.

It seems to me here is an area where these 432 people probably cannot do what we are asking them to do with the interest rates, so it may be a way to free up slots.

Mr. ROYBAL. With that explanation, I think the committee can accept the amendment.

Mrs. SCHROEDER. I thank the gentleman very much.

Mr. GILMAN. Mr. Chairman, I rise in opposition to the amendment offered by the gentlewoman from Colorado.

Mr. Chairman, while I am certainly in favor of eliminating needless Government expenditure, the amendment offered by the gentlewoman will not accomplish such a purpose. The savings bond program is on the whole a cost-effective one. It brings into our Treasury billions of dollars annually at a relatively modest cost to our Government.

Moreover, the savings bond program is one which encourages thrift, a goal which I submit is so important to our Nation at this time and something we should be paying a lot more attention to.

I have been advised that 80 percent of the current purchases of savings bonds are made through the payroll investment plan. The $16 million fund which the gentlewoman seeks to strike pays for the promotion of that payroll savings program. Should the amendment of the gentlewoman succeed, it would most likely result in the discontinuance of a substantial number of individual savings accounts through the plan, with a subsequent increase in the Government's cost of borrowing and the reduction in savings activity by millions of working Americans.

Accordingly, I urge my colleagues to reject the Schroeder amendment, to give some careful attention to what this amendment seeks to do and that is to cut out the entire savings bond division, a division that promotes the payroll savings plan amongst the larger companies in our Nation.

Mrs. SCHROEDER. Mr. Chairman, will the gentleman yield?

Mr. GILMAN. I am pleased to yield to the gentlewoman.

Mrs. SCHROEDER. Well, I understand what the gentleman is saying, but I just wanted to read, and this comes from the savings bond division, these figures, that in 1980 while they sold $4.3 billion in bonds, they redeemed $15.6 billion in bonds; so almost for every one they sold, they were redeeming three of four.

I am saying that we have 435 slots dealing with this and we are giving them an impossible task.

The other thing that I think we should point out to the gentleman is that we are seeing a trend where people are now just asking to have 25 cents a month maybe withheld to buy a bond, just so they look like they are participating, but they do not want to buy more than they have to, all sorts of funny games are going on.

I hear what the gentleman is saying. I wish these could be sold. If we could get this kind of money, it would be terrific; but I think we are wasting a lot of people's time and a lot of money in a budget that is already over the ceiling.

The gentleman serves with me on the Post Office Committee. The gentleman knows how important every one of these slots are in a time when we are cutting back on Federal employment; so I would hope that the gentleman would help us here. We need the slots for Immigration, for Customs, for any number of other agencies that are really under the gun and needing help.

I think here is a way we can do it. We have had many whistle blowers talk about this and I know the gentleman has been very concerned about whistle blowers and what they are telling us.

I know the gentleman sat in on many of our productivity hearings in which we heard about this and the impossible task; we are asking them to be productive when they cannot; but I think that 1-to-4 ratio is devastating.

for every bond they sell they are redeeming four, we are not really getting very much for that $16 million.

Mr. GILMAN. Well, in response to what the gentlewoman is saying with regard to the redemption, of course, I think the gentlewoman recognizes that the redemption is not so much due to the effectiveness of the savings bond division as it is to the internal problems of our economy. The redemption certainly has nothing to do with the promotional aspects of this division.

I would like to point out that savings bonds when compared with alternative means of financing are highly cost effective to the Treasury.

The average interest rate cost equivalent of savings bonds programs compares favorably with the current average alternative cost of financing with Treasury marketable notes.

□ 1820

It is a program that we want to continue. I think the gentlewoman agrees with that.

Mr. ASHBROOK. Mr. Chairman, will the gentleman yield?

Mr. GILMAN. I am pleased to yield to the gentleman from Ohio.

Mr. ASHBROOK. I thank my colleague for yielding. I certainly have a record of trying to cut wherever we can.

But one of the things I think we ought to remember is our savings rate in this country is something approaching the national disgrace. To say we have failed, yes, we have failed, and that is one of the problems of our debt. Most of our debt does not come out of savings, it comes out of the printing press money.

I think we ought to do everything we can to encourage savings. Almost every other advanced, industrialized country in the world has savings rates that run far ahead of ours.

Maybe this agency has not succeeded. I really do not know. To throw in the towel right now, at a time when we want to get back to savings, and we are going to give a tax cut on the idea that Americans will go to savings, maybe some of them will come to the U.S. Government through the efforts of this agency.

Mr. GILMAN. I thank the gentleman from Ohio for his supportive remarks.

Mr. MILLER of Ohio. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the amendment.

I certainly am not one to oppose reductions in spending, but this would be a false reduction in spending.

We have savings bonds bringing in some $7 billion per year. If we want to calculate what we pay in interest on the savings bonds compared to the Treasury bills, we will have a differential of around 6 percent. We would find if we did not have the savings bonds we would be paying in the neighborhood of $420 million additional interest. That certainly is false economy when we speak of wiping out $14 million and then have to pay almost $420 million additional interest.

Mrs. SCHROEDER. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I am glad to yield to the gentlewoman.

Mrs. SCHROEDER. I know the gentleman is one who is very interested in individual rights and freedoms and all of that type of thing. I totally understand what the gentleman is saying.

For the U.S. Government, 8-percent money is a bloody bargain. Let us face it, people would much prefer to have their money in, say, money market funds or some other area where they can get a much higher return, or even Treasury notes.

I think the issue here, though, is whether the taxpayer should be asked to fund 432 people who are coming around to their offices convincing the personnel department that everybody ought to contribute 8-percent money. I want to try and make people save, but is it not a whole lot better to have them save where they are going to get more return on their money? Then there would be more incentive to save. If they get some return that at least helps them to keep up with inflation.

I think when we are caught in a bind that it is really unfair. What happens is that this affects the very poorest of the poor people who are at the lower end of the wage scale, and they are the ones who get coerced the most into doing this. Then just when we see people saying that, well, we will go to 25 cents a month, it is just to get the personnel department off their backs, and so on and so forth, and I think that is really rather obnoxious. We are using their money to help put them in that bind. Then they put it in and they get so much less than they would if they bought other Government funds.

Mr. MILLER of Ohio. I would like to claim my time because at one time a few years ago I had an opportunity to head up here on Capitol Hill a saving funds group, attempting to sell savings bonds. What I found out at that time was that the people did not have $10,000 to buy the Treasury bill. They did not have $100,000 to get in the money market. But they could have a deduction from their paycheck of $25 or $50 or $100 a month. They were saving something because of that. They could cash them in the future if necessary. But at least they would save. This is a method for them to save.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I am happy to yield to the gentleman.

Mr. CAMPBELL. I thank the gentleman for yielding.

I certainly agree with the points the gentleman has made. But there is one additional point I wonder if the gentleman has considered. There are people in this country who think that savings bonds, and I happen to be one of them—to put part of your money into a savings bond is a patriotic gesture. There are people who still believe in the country. There are people who think they have a real obligation to try to help support some of the funding of the Federal Government in the debt.

This is much like a bond for a church. Many of us have been on a canvassing committee where we tried to sell bonds for a church or call on people; we did not sell them necessarily because they were the greatest investment in the world, even though they were a good form of savings for people. We also appealed to some civic pride and some support of the church and duty.

I would say if we, in fact, would like to do away with the U.S. savings bonds, are we, in fact, then also saying that we would turn our backs on the efforts of those who would go out and promote the bonds? Are we turning our back on giving people information who might want to include with their savings some patriotic gesture? Are we not just cutting them off if we walk away from this?

Mr. MILLER of Ohio. I feel that we are, and I thank the gentleman for his contribution. I feel it would be false economy or I would support the amendment.

Mrs. SCHROEDER. Mr. Chairman, will the gentleman yield?

Mr. MILLER of Ohio. I yield to the gentlewoman from Colorado.

Mrs. SCHROEDER. I just want to say certainly we are not stopping savings bonds and we are not stopping people who want to do it. But I think when we have so much pressure on us—and I chair the Civil Service Committee, so I see it every day—so much pressure to allocate these very precious Federal slots, I think it is a time where we have a way to save the money and the slots.

The CHAIRMAN. The question is on the amendment offered by the gentlewoman from Colorado (Mrs. SCHROEDER).

The question was taken; and the Chairman being in doubt, the Committee divided, and there were—ayes 29, noes 26.

Mr. MILLER of Ohio. Mr. Chairman, I object to the vote on the ground that a quorum is not present and make a point of order that a quorum is not present.

POINT OF ORDER

Mr. WEAVER. Mr. Chairman, I make a point of order. The gentleman

was not timely. I make the point of order that it was not timely.

The CHAIRMAN. The gentleman is in order. The gentleman makes a point of order that a quorum is not present.

The Chair will count for a quorum.

Does the gentleman insist on his point of order?

Mr. MILLER of Ohio. Mr. Chairman, I withdraw my point of no quorum.

RECORDED VOTE

Mr. MILLER of Ohio. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device and there were—ayes 223, noes 190, not voting 21, as follows:

[Roll No. 172]

AYES—223

Akaka	Fithian	Mikulski
Alexander	Flippo	Miller (CA)
Anderson	Foglietta	Mineta
Andrews	Foley	Mitchell (MD)
Annunzio	Ford (TN)	Moakley
Anthony	Fountain	Moffett
Aspin	Frank	Mollohan
Atkinson	Fuqua	Montgomery
AuCoin	Garcia	Moore
Bailey (MO)	Gaydos	Mottl
Bedell	Gejdenson	Murphy
Beilenson	Gephardt	Natcher
Benjamin	Gibbons	Neal
Bennett	Glickman	Nelson
Bethune	Gramm	Nichols
Bevill	Gray	Nowak
Bingham	Gregg	Oakar
Blanchard	Grisham	Oberstar
Boner	Guarini	Obey
Bonior	Hall (OH)	Ottinger
Bonker	Hall, Ralph	Panetta
Bouquard	Hall, Sam	Patman
Bowen	Hamilton	Patterson
Brinkley	Hammerschmidt	Paul
Brodhead	Hance	Pease
Brooks	Harkin	Perkins
Brown (CA)	Hefner	Petri
Brown (CO)	Hertel	Peyser
Burton, Phillip	Hightower	Porter
Chappie	Holland	Price
Clay	Hollenbeck	Pursell
Coelho	Howard	Ratchford
Collins (IL)	Hubbard	Reuss
Collins (TX)	Hughes	Richmond
Conyers	Hutto	Ritter
Crane, Daniel	Ireland	Rodino
Crane, Philip	Jacobs	Roe
D'Amours	Jeffries	Roemer
Danielson	Jenkins	Rose
Daschle	Jones (NC)	Rousselot
de la Garza	Jones (OK)	Roybal
Dellums	Jones (TN)	Sabo
DeNardis	Kastenmeier	Scheuer
Derrick	Kazen	Schroeder
Dicks	Kildee	Seiberling
Dingell	Kindness	Sensenbrenner
Dixon	Kogovsek	Shamansky
Donnelly	Kramer	Sharp
Dorgan	Lantos	Shelby
Downey	Leach	Siljander
Dunn	Leath	Smith (AL)
Dwyer	Lehman	Smith (IA)
Dymally	Leland	Smith (NJ)
Dyson	Levitas	Smith (OR)
Edgar	Loeffler	Smith (PA)
Edwards (AL)	Long (LA)	Snowe
Edwards (CA)	Long (MD)	Solarz
Edwards (OK)	Lowry (WA)	St Germain
Emery	Markey	Stark
English	Martin (IL)	Stenholm
Erlenborn	Matsui	Studds
Ertel	Mattox	Stump
Evans (IA)	Mazzoli	Swift
Evans (IN)	McCloskey	Synar
Fary	McCollum	Tauke
Fazio	McCurdy	Traxler
Ferraro	McDonald	Udall
Fields	McHugh	Vento
Findley	Mica	Volkmer
Walgren	Weiss	Wolpe
Washington	White	Wyden
Watkins	Whitley	Yates
Waxman	Whitten	Yatron
Weaver	Williams (MT)	
Weber (MN)	Wirth	

NOES—190

Addabbo	Frenzel	Napier
Albosta	Gilman	Nelligan
Applegate	Gingrich	O'Brien
Archer	Ginn	Oxley
Ashbrook	Goldwater	Parris
Badham	Gonzalez	Pashayan
Bafalis	Goodling	Pepper
Bailey (PA)	Gore	Pickle
Barnard	Gradison	Quillen
Barnes	Green	Rahall
Beard	Gunderson	Railsback
Benedict	Hagedorn	Rangel
Bereuter	Hansen (ID)	Regula
Biaggi	Hansen (UT)	Rhodes
Bliley	Hartnett	Rinaldo
Boland	Hatcher	Roberts (KS)
Breaux	Hawkins	Roberts (SD)
Broomfield	Heckler	Robinson
Brown (OH)	Heftel	Rogers
Broyhill	Hendon	Rostenkowski
Burgener	Hiler	Roukema
Butler	Hillis	Rudd
Byron	Holt	Russo
Campbell	Hopkins	Sawyer
Carman	Hoyer	Schneider
Carney	Huckaby	Schulze
Chappell	Hunter	Schumer
Cheney	Hyde	Shannon
Clausen	Jeffords	Shaw
Clinger	Johnston	Shumway
Coats	Kemp	Shuster
Coleman	Lagomarsino	Skeen
Conte	Latta	Smith (NE)
Corcoran	LeBoutillier	Snyder
Coughlin	Lee	Solomon
Courter	Lent	Spence
Coyne, James	Lewis	Stangeland
Coyne, William	Livingston	Stanton
Craig	Lott	Staton
Daniel, Dan	Lowery (CA)	Stokes
Daniel, R. W.	Lujan	Stratton
Dannemeyer	Luken	Tauzin
Daub	Lundine	Taylor
Davis	Lungren	Thomas
Deckard	Madigan	Trible
Derwinski	Marks	Vander Jagt
Dickinson	Marlenee	Walker
Dornan	Marriott	Wampler
Dougherty	Martin (NC)	Weber (OH)
Dowdy	Martin (NY)	Whitehurst
Dreier	Mavroules	Whittaker
Early	McClory	Wilson
Eckart	McDade	Winn
Emerson	McEwen	Wolf
Erdahl	McGrath	Wortley
Evans (DE)	McKinney	Wright
Evans (GA)	Michel	Wylie
Fenwick	Miller (OH)	Young (AK)
Fiedler	Mitchell (NY)	Young (FL)
Fish	Molinari	Young (MO)
Florio	Moorhead	Zablocki
Ford (MI)	Morrison	Zeferetti
Forsythe	Murtha	
Fowler	Myers	

NOT VOTING—21

Boggs	Duncan	Rosenthal
Bolling	Fascell	Roth
Burton, John	Frost	Santini
Chisholm	Horton	Savage
Conable	LaFalce	Simon
Cotter	Minish	Skelton
Crockett	Pritchard	Williams (OH)

□ 1840

Mr. HILER, Mrs. FENWICK, Messrs. RUSSO, TAUZIN, SCHUMER, and McEWEN changed their votes from "aye" to "no."

Mr. SMITH of Oregon changed his vote from "no" to "aye."

So the amendment was agreed to.

The result of the votes was announced as above recorded.

Mr. ROYBAL. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. STUDDS, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 4121) making appropriations for the Treasury, the U.S. Postal Service, the Executive Office of the President, and certain independent agencies, for the fiscal year ending September 30, 1982, and for other purposes, had come to no resolution thereon.

PERSONAL EXPLANATION

(Mr. VOLKMER asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. VOLKMER. Mr. Speaker, on Monday, July 27, the House passed H.R. 4119, making appropriations for Agriculture, rural development, and related agencies for fiscal 1982, on a vote of 343 to 33. I was unavoidably absent, having been called away to my district which is experiencing extensive rainfall and flash flooding and extensive damage to the Cannon Dam coffer dam and to Cannon Dam and to the farms, crops, and homes along the Salt River. Had I been present I would have voted "yea."

On Tuesday, July 28, the House passed H.R. 1311, Tourism Policy Act, by a vote of 321 to 98. Had I been present I would have voted "nay." The House passed House Concurrent Resolution 160, monetary policy, inflation and high interest rates resolution by a vote of 403 to 17. Had I been present I would have voted "yea." The House passed H.R. 4053, Mineral Leasing Act amendments by a vote of 408 to 5. Had I been present I would have voted "yea." The House also passed H.R. 2120, Product Liability Risk Retention Act of 1981, by voice vote. Had I been present I would have voted "yea."

SUPPORT BIPARTISAN TAX BILL

(Mrs. SMITH of Nebraska asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. SMITH of Nebraska. Mr Speaker, last night on national television the President artfully exposed the inadequacies of the Ways and Means tax bill. He showed that the tax cut that the American people have a right to expect will not materialize under the Ways and Means plan.

Not only is the Ways and Means tax cut inadequate, but also its reductions are just temporary. By 1983, the committee tax cut is finished. Taxes will start to rise again due to inflation and the resulting bracket creep. Under the

President's bipartisan bill, taxes go down and stay down. This is the real, evenhanded, and lasting tax cut the American people want.

Mr. Speaker, by supporting the Conable-Hance bipartisan substitute tomorrow, we can allow the American people to keep 28 billion of their hard-earned dollars next year instead of paying it to the Federal Government. Our bill will allow them to make firm plans to save and invest with the assurance that inflation and interest rates will drop.

Last August, I testified before the Committee on Ways and Means in support of many provisions that are a part of the Conable-Hance bipartisan bill we will consider tomorrow. In fact, the bill contains many provisions that are good for America.

At that time, the growing tax burden on the American people was being felt with full force. In the first quarter of 1980, the gross national product dropped at a 9-percent annual rate, while unemployment neared 8 percent. Despite this economic decline, the inflation rate remained around 13 percent in 1980.

Earlier that year, Presidential candidate Ronald Reagan proposed immediate congressional action on a 10-percent individual tax cut and the 10-5-3 system of accelerated depreciation for business plant and equipment. The Reagan proposal was made in recognition of the urgency of our economic ills and the key role of our tax policy in curing these ills.

The need for tax reduction remains urgent. In an economic environment where taxes are increasing 80 percent faster than inflation and 20 percent faster than personal income, the economic growth necessary to lift all Americans to greater prosperity will not be forthcoming.

Now President Reagan has asked the House to continue the process begun during his compaign and help him fulfill the promise which helped him gain the Nation's highest office—a promise of across-the-board rate reductions for all individuals and accelerated cost recovery for businesses. The bipartisan substitute contains both.

One of the points I stressed nearly a year ago in my testimony was the need for reduction of Federal estate and gift taxes. I introduced legislation in January of this year to reduce estate and gift taxes. That bill now has over 100 cosponsors—and more than any other estate tax reduction bill in Congress—attesting to the strong support for these changes.

I am gratified that the committee bill and the bipartisan substitute both contain identical provisions for estate and gift tax reduction such as I have been urging. The bill being considered by the other body also contains provisions to soften the impact of these insidious taxes. The fact that all three tax cut proposals under consideration in the Congress contain language reducing estate and gift taxes almost certainly assures relief for the thousands of farms, ranches, and small businesses subject to "death taxes."

The bipartisan substitute bill would raise the unified credit to correspond to an exclusion of $600,000 by 1987, exempting 99.7 percent of all estates from the estate tax. The maximum estate tax rate would be reduced from 70 to 50 percent over 4 years.

The infamous "widows' tax" would also be eliminated under this legislation by making the marital deduction unlimited.

Further, the gift tax exclusion would be increased from $3,000 to $10,000 per donee, effective January 1, 1982. Certain gifts for medical care and tuition would receive an unlimited exclusion.

Also, the bill would make numerous changes in the current use-valuation provision to expand the availability of the provision to estates that are not eligible under present law and reduce the postdeath restrictions on qualified heirs inheriting specially valued property.

These changes are welcome and are among improvements that I have been working toward for a long time.

There are other provisions in the bipartisan bill that are of great help to my constituents. The increase in the windfall profit tax credit for royalty owners from $1,000 to $2,500 for 1981 will partially lift an unfair burden from those taxpayers who have allowed their land to be used by companies for oil production. Further, for 1982, 1983, and 1984, royalty owners will be exempt from the tax on up to 2 barrels per day, increasing to 4 barrels per day in 1985 and thereafter.

There are many other provisions in the bill that I have advocated, such as reduction of the marriage penalty and indexing of the tax rates to inflation, which cause me to support the bipartisan bill.

This bill will do more to restore incentives to work, save, and invest than any other tax reduction bill in our history. It will do more to promote job creation, productivity growth, and rising real wages for years to come.

PERSONAL EXPLANATION

(Mr. FRENZEL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, today on rollcall No. 170, I voted "no" in error. It was my intention to vote "yes."

□ 1850

PERSONAL EXPLANATION

Mr. O'BRIEN. Mr. Speaker, earlier today I was called off the floor and missed rollcall No. 170. Had I been here I would have voted "aye."

ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair announces at this time that on tomorrow the House will meet at 9 a.m. There will be no 1-minute speeches. The House will immediately consider a resolution that will come from the Senate concerning adjournment, and then the House will take up the tax bill. So there will be no 1-minute speeches.

VOTING RIGHTS ACT

(Mr. DORNAN of California asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORNAN of California. Mr. Speaker, the most precious building block of our society is the right to vote. People all across our world are dying for freedom. Boat people, refugees, and those in gulags, may flee or be imprisoned for religious freedom, for freedom of speech, but also many, many for that precious franchise—to cast a free ballot for the leadership of their society.

That is why this Member of Congress firmly declares today that he will vote for an extension of the Voting Rights Act of 1965. In 1964 and 1965 I traveled to Alabama and Mississippi to help register black voters. I did it proudly as a conservative and as a Republican. It was Abraham Lincoln, our first Republican President, who freed the slaves. It was the heritage of my party. In 1965 only 29.3 percent of southern blacks were registered to vote. Now that percentage is 56.8—an increase of 27.5 percent. The Voting Rights Act has helped black citizens and other minorities in my own State of California.

I know that all the States have been trying very hard to insure equal protection, including my State but the extension of the Voting Rights Act is more than just a symbolic act. It still brings the franchise to a great many Americans who yearn to fully exercise their citizenship.

The symbolism is also critically important and the reality of results is irrefutable.

Mr. McDONALD. Mr. Speaker, will the gentleman yield?

Mr. DORNAN of California. I yield to the distinguished doctor from Georgia.

Mr. McDONALD. I was wondering if California is one of the States covered by the Voting Rights Act?

Mr. DORNAN of California. Interestingly enough, most Members in the very dynamic area of our country called the South are not aware that the Voting Rights Act has had, as the Supreme Court would say, a penumbra

effect upon California and has helped many minorities there.

Mr. McDONALD. Is California one of the States covered under the Voting Rights Act?

Mr. DORNAN of California. Not totally.

Mr. McDONALD. Would the gentleman in the well be anxious to be sure that California is brought under the Voting Rights Act, or in fact all 50 States be brought directly under the Voting Rights Act?

Mr. DORNAN of California. I would be glad to look at any amendment to that effect. There are several counties in California that fall within the coverage of the Voting Rights Act now.

I would be glad to support an amendment covering our whole State.

Mr. McDONALD. Well, I would certainly be fascinated by an amendment that would indeed bring in all 50 States, because it seems like it is a strange concept of justice that only applies to certain States but does not apply to other States, where if you are illiterate you may vote in the State of Georgia, but if you move to, say, California, you may not vote because you are illiterate.

Mr. DORNAN of California. I believe it would thrill the Speaker if the gentleman from Georgia and I would work together to insure the voting rights of all Americans.

ADMINISTRATION COMPLACENCY OVER THE INEQUITABLE DISTRIBUTION OF CREDIT

(Mr. ST GERMAIN asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. ST GERMAIN. Mr. Speaker, I have consistently expressed my concern over the administration's approach to monetary restraint which starves small businesses with a lack of credit and places heavy burdens on the auto, farming, and housing industries. This concern was heightened due to the $40 billion of credit recently obtained by major oil companies bidding to take over Conoco. The Chairman of the Federal Reserve Board, during last week's overview hearings on the conduct of monetary policy, expressed concern that these billion dollar lines of credit might have a dramatic effect on the interest rates that small businesses and consumers have to pay. Business Week stated on the editorial page of its August 3 edition that these "merger loans crowd out other borrowers and make the Fed's anti-inflation policy more painful than necessary."

Indeed, it seems as if the majority of this country is bearing the costs of restrictive monetary policy while a few behemoths are conducting business as usual. However, the administration has repeatedly stated that its policies do not favor the rich and the powerful; they say that everyone will share the burden of the fight against inflation equally. The current situation is certainly not reflective of the administration's stated aims.

Thus, during the monetary policy hearings I expressed my concerns about the banking practices that led to the existing inequities in the credit market. However, when I asked the Undersecretary of the Treasury for Monetary Affairs, Beryl Sprinkel, if he had any concerns, as Chairman Volcker does, about banking practices which foment what Business Week terms "'unproductive' loans," he replied, "No, sir." Mr. Sprinkel feels that these unproductive loans and their associated effects on the ability of small businesses to survive represent "a very efficient credit allocation system."

These statements raise serious questions as to the administration's resolve to cut the economic pie fairly. Indeed, these events show that the words and the deeds of the administration are not always the same. Hence, we cannot rely on the administration's promise that the rich will not benefit more and suffer less than the poor under their programs; that is a task we must assume ourselves.

A copy of the Business Week editorial is attached for the record.

PRIORITIES ON LOANS

The massive bank loans that the great corporations are using to finance the current wave of mergers create a special problem for the money managers of the Federal Reserve. With money tight and interest rates at record levels, the merger loans crowd out other borrowers and make the Fed's anti-inflation policy more painful than it needs to be. Unless the Fed can find a way to give priority to legitimate borrowers, the demand for easier money may become irresistible.

The Fed has always disliked selective credit controls—on the grounds that money managers should not play favorites. Unlike fiscal policy, which targets taxes and spending at particular groups, monetary policy has been framed in terms of aggregates. In theory at least, the Fed should determine the amount of money, but the market should determine who gets it.

The trouble is that when top-drawer borrowers, such as Du Pont, Seagram, and Mobil, hit the banks for multibillion-dollar loans to finance merger bids, there is less left for small business, would-be homeowners, or other borrowers. The merger programs of the big corporations may be justified—and so may the efforts of the target companies to fight them off—but clearly they increase the demand for money and create hardships for ordinary borrowers.

To take some of the pressures off the market without resorting to formal controls, the Fed could go back to a device that once was considered its most effective weapon. The textbooks call it "moral suasion." It is, in fact, a quiet use of financial muscle. The Fed simply reminds the banks, which may at any time need to borrow at the discount window, that they should avoid "nonproductive" loans. All bankers know what this means, and most of them will undertake an informal credit rationing program if the Fed asks for it.

At the May meeting of the Open Market Committee, the money managers noted "the importance of conveying a clear sense of restraint at a critical time." They should also find a way to convey a clear sense of "first things first" to the banks that serve the U.S.

SQUEEZING A STONE

(Mr. WYDEN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. WYDEN. Mr. Speaker, I rise in support of this resolution. I would like to give two examples of how interest rates and tight money policies are hurting this Nation and its people.

Recently I was talking to a representative for food processors in the Northwest. He told me that pear canners, who must hold on to large inventories of their product which are financed on credit, are facing an additional cost of up to 10 cents per can because of high interest rates. That is right, almost 10 cents per can. It is not difficult to see who is paying that cost.

Another constituent, who is a realtor, wrote contrasting the situation of a teacher buying a home in 1953 with now. He noted that the first year's interest payment for this teacher went from $337 in 1953 to $7,483 this year—an increase of 22 times.

The teacher's salary only increased about 4.5 times. The price of the home increased six times.

In 1953, interest on this home was 11.7 percent of the teacher's gross salary. Today, it is 57.1 percent of his salary.

In 1953, the teacher by himself could handle the service on this debt. By 1968, he needed help from his spouse to make the monthly payment. If this trend continues, it will take four teachers' salaries to make do.

In 1953, the first year interest on the monthly payment was close to 44.6 percent of what the house was renting for. Today, it is close to 139 percent.

In 1953, at the end of 1 year's payments, the borrower had accumulated $239 on the principal of the loan. Today, he has accumulated only $144.

These two examples show how tight money policies and resulting high interest rates are ripping at the very fabric of our society. They are sapping the vitality of our people, they are discouraging our productive impluse and they are demoralizing our will to get ahead by making it ever more difficult to gain an inch, let alone a mile.

This resolution places the issue squarely in focus. We must reduce Federal deficit spending first, getting the Federal Government out of the borrowing business, if we are to halt inflation's ravages.

Cutting deficit spending will reduce demand for capital as the Federal Government borrows money to pay its debts, sucking away capital from private enterprise—capital that is needed for new companies to get started and for existing companies to expand and modernize; capital that is needed for individuals to buy homes and cars.

Over time, with less competition for credit, interest rates can be lowered. That is because the Federal Government will not be at the front of the line bidding interest rates up for that credit. But also because more capital in circulation means more private investment will spur productivity, creating new jobs and economic activity.

Increased productivity and economic growth will justify expansion of the money supply, which will help keep interest rates down and put us on the road toward economic revitalization.

High interest rates are not mandatory to halting inflation. Indeed, I contend high interest rates laminate into our economy a new permanent layer of inflation.

The solution to the woes of inflation are straightforward enough—balance the Federal budget, stop deficit spending, get the Federal Government out of the borrowing business and spur productivity to achieve growth.

Our votes on the Federal budget and a tax cut should be viewed with this test in mind. A tax cut that raises the deficit and forces more Government borrowing is a step toward insuring a continuation of high interest rates—and more inflation. And whether they buy a house or a can of pears, Americans will feel the pinch.

Sooner or later, we will realize you cannot squeeze water out of stone.

BAIL REFORM

(Mr. HUGHES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HUGHES. Mr. Speaker, on Friday of last week I introduced a bill to substantially incorporate into title 18 of the United States Code the District of Columbia's statute authorizing the pretrial detention of persons who pose a danger to the community. This statute has been in existence for approximately 10 years, and it has allowed the Government, in appropriate cases, to detain those persons charged with crimes who are dangerous to other people or to the community.

The constitutionality of the District of Columbia's statute has recently been upheld by the Court of Appeals for the District of Columbia in United States against Edwards. I have every reason to believe that this bill, which substantially incorporates that statute, similarly comports with the Constitution.

This amendment to the Bail Reform Act of 1966 is long overdue. In the Subcommittee on Crime, which I chair, we have heard over and over again that the Bail Reform Act must be amended to permit courts to consider the issue of danger as well as the issue of flight risk, which present law already permits. I have personally spoken with a number of judges, including the Chief Justice of the U.S. Supreme Court, who decry their lack of authority to consider whether the defendant is dangerous, and who have quite candidly told me that, in various indirect ways, they do so any way. The present system is hypocritical and unrealistic. This bill will eliminate the inequities in the present system and make it consistent with present day realities.

This bill would therefore provide that a court can consider whether a particular defendant is dangerous, and if so, the court may detain that defendant. As in the District of Columbia it sets forth stringent procedures with which the Government and the courts must comply before the defendant can be detained. We must and do recognize that any restraint on the defendant's liberty is a great hardship, and that such restraint may not be imposed except when it is clearly appropriate and when the procedures to do so are fair.

There are a number of things we as Members of Congress can do to stem the soaring crime rate in this country. My subcommittee in the past several months has been taking a close look at a number of options, including expanding the very successful Pretrial Services Agencies to all judicial districts, granting limited forms of assistance to State and local criminal justice programs that have a proven track record of success, and requiring urinalysis testing of defendants who are suspected of being narcotics addicts.

In future months, the Subcommittee on Crime will continue to explore solutions to the crime problem. This bill is one step in the fight against crime, and I think that the Members of this body and the public as a whole will consider it a major one.

WHAT THE MONETARIST TEXTBOOKS DON'T TEACH

(Mr. VENTO asked and was given permission to address the House for 1 minute, to revise and extend his remarks, and to include extraneous material.)

Mr. VENTO. Mr. Speaker, the issue of tax cuts versus inflation is highlighted in the simplistic tax program advanced by the Republican Reagan administration.

I think that the results of this economic policy are clear, a devastating collision between reprioritized spending, unrealistic tax promises with questionable economic theory, which will result in higher deficits or unrealitic cuts of important Federal programs all on a base of restrictive monetary policy and high interest rates. The end result will be fuel for the continued high-interest policy and restrictive monetary policy. The lack of discipline for defense spending and tax revenue cuts will surely contradict the goal of reducing inflation.

The impact of this Reagan high-interest policy was evident when the Federal Reserve Chairman, Paul Volcker, appeared last week before the House and Senate Banking Committees to give us his biannual report on monetary policy.

The news Mr. Volcker gave us was not good. He informed us that the Fed intends to maintain the restrictive monetary policy that has been choking and starving important sectors of our economy like small business, agriculture, housing, and automobiles. With local papers throughout the country filled with stories each week about new business bankruptcies, failing farmers, and growing unemployment, I can only wonder how much longer the Fed can ignore the growing crisis. Credit relief must be targeted to the depressed sectors of our economy if we are to prevent the total collapse of certain credit sensitive industries and stem the rising unemployment rate.

The administration spokesman Mr. Sprinkel, appeared before the committee the following day and indorsed this monetary policy.

A restrictive monetary policy works by restricting bank and other lending and by rationing the credit so allowed by high interest rates. What most people do not realize is that this policy affects the economy in a very uneven and inequitable way. While small businessmen, farmers, and consumers cannot afford to use credit when interest rates hit high levels, our largest corporations do not seem unduly affected. Over the last 2 weeks, the papers have reported that cash rich companies such as Mobil, Gulf, Seagram, Du Pont, and Conoco have secured large below prime lines of credit which together total over $35 billion. And for what purpose have these large multinational giants arranged these large credit lines? Mergers and acquisitions; a purely financial, unproductive use of our limited credit resources that creates no new jobs, enables no young family to get an affordable mortgage on a new home, and enables no new plant or inventory expansions by our Nation's small businesses.

Mr. Speaker, I believe that the time has come for the Fed to end the monetarist experiment which it began in October 1979 and begin to forge a new policy that promotes constructive and efficient use of the money and credit that is available. The issue of credit equity must also be addressed. Mergers, takeovers, and conglomerations

should have the lowest priority, if any, when it comes to determining to whom available credit should be extended.

At this time, I would like to enter into the RECORD an article from last Monday's Washington Post by John Kenneth Galbraith entitled "What the Monetarist Textbooks Do Not Teach." Mr. Galbraith's article clearly points out the lessons we should draw from Britain's experiment with monetarism and outlines well the inherently inequitable theory on which a tight monetary policy operates. I would urge all Members to review this useful and revealing article:

[From the Washington Post, July 20, 1981]

WHAT THE MONETARIST TEXTBOOKS DO NOT TEACH

(By John Kenneth Galbraith)

The lessons from the civil disorder in the British cities will not be lost in this country. It is something on which, more than Englishmen, we have the experience. Where people have jobs, reasonably good housing, other urban amenities, and find life, if not perfect, at least benign, these outbreaks do not occur. Where there is despair and especially among the young, there is risk. This we know, but there is one aspect of the British experience that, to our sorrow, we are less likely to notice. That is the relationship between economic policy and urban distress and disturbance. It is a relationship that all, liberal or conservative should recognize, and the British experience is a powerful signal as to its importance.

In most discussion and in much university and textbook teaching, monetary policy is pictured as socially neutral. It is a technical arbitration between the central bank, the bankers, and the business community; it may work or not work, but there is no remarked difference in its impact on different income groups or otherwise on the social structure. Decisions in the calm boardrooms of the Federal Reserve System or the Bank of England are safely distant from such concerns. This is sadly, serious and dangerously wrong, and the British reliance on monetary policy in these last years, the most committed in the industry world, makes it a matter not of theory but of harshly realized experience.

Monetary policy works, and on this there is general agreement, by restricting bank and other lending and by rationing the credit so allowed by high interest rates. It will occur to most that those who receive the high interest rates—banks and individuals with loanable cash—do not suffer from such rates. On the contrary. And neither do affluent citizens who do not need to borrow money. Or cash-rich corporations that are similarly situated. Or those that, though they borrow, have the market power and position that allow then to pass the higher costs of money along to the public.

But, as one passes down the income scale, there comes the deprivation and restraint that it is the purpose of monetary policy to induce. Those who must borrow money for their business, to find housing, to replace an automobile are subject to its effects. Again, this is a matter of experience. In this country the effect of high interest rates on the housing industry, other small business and automobile purchases has been evident to all. In Britain, it has produced the largest failure rate among small businesses in half a century. But the really disastrous effect is yet farther down the income scale.

For monetary policy works against endemic inflation not through some technically neutral nexus that relates the money supply to prices. It works against inflation in a highly organized society such as ours or that of Britain only as it creates enough unemployment so that this restrains trade union claims and enough idle plant capacity so that price increases are forgone, discounts initiated and the unions resisted. Or, a notable recent feature, it forces the removal of production to less unionized, lower-wage areas. Again there is the experience. This is how the claims of the United Auto Workers on Chrysler were contained, how discounts were forced upon the automobile companies and how this became a pattern of restraint in rubber, machinery and other industries. And this is how the policy was worked against the rather more stubbornly resistant unions of Britain.

But long before the UAW and its counterparts succumb to monetary policy, there is the terrible social tragedy for those who have never had a job, are in the wrong place, are of the wrong sex or have the special disadvantage of being of the wrong color or race. A policy sufficiently strong to act against the organized sector of the economy—the world of the unions and the big corporations—comes down with exponential force on the young, unorganized, black and central-city workers or would-be workers. Their unemployment rate, as we and the British have learned, can run to 30, 40 or 50 percent of such workers in the cities. Many do not have unemployment compensation entitlement; and none has supplementary unemployment benefits. This has been the effect of monetary policy in the British cities. It is the way it works or will work everywhere.

I do not believe the monetarists see their policy as a deliberate design for rewarding the rich at the cost of the very poor, although the sources of some of their applause should make them very uneasy. There is, rather, the tendency already mentioned to see the policy as a technical exercise, to ignore its social consequences as somehow unworthy of practical thought. Or the proponents move directly from the money supply to the effect on inflation without consideration of the intervening process and the pain associated therewith. One can even be slightly mystical about the relationship. Responding to British critics last year, Professor Milton Friedman, the supreme protagonist in both countries, said: "We can know that a bird flies and have some insights into how it is able to do so without having a complete understanding of the aerodynamic theory involved." Most important of all, we are made uneasy about anything that suggests an opposition of interest between rich and poor. That is not the way a society is supposed to work. So we suppress mention of it.

Well, we now know what makes monetary policy fly, and we know that—unlike strong fiscal and incomes policies, these being the required alternatives and supplements—its flight does reward the fortunate, penalize the poor. Better the truth. The British are now paying the price for their heavy reliance on monetarism. It is a price no American, whatever his or her income bracket or political faith, can ignore. Social tranquility is just as important for the affluent as for others and for conservatives as for liberals

COMDR. RONALD DODGE

The SPEAKER. Under a previous order of the House the gentleman from California (Mr. DORNAN) is recognized for 10 minutes.

Mr. DORNAN of California. Mr. Speaker, last Friday, July 24, I was honored beyond words to be invited by the family of U.S. Navy Comdr. Ronald Dodge to attend ceremonies at Arlington National Cemetery, when the mortal remains of this young Naval aviator were finally laid to rest in the soil of his native land.

That was not the first time I had gone to that beautiful site to pray by the graveside of an American hero. Truly what Abraham Lincoln said at the Gettysburg Cemetery, "hollowed ground," applies to Arlington. To watch the remains of an American serviceman, who gave the full measure of devotion in the Vietnam war, lowered into the soil of his beloved Nation is a deeply moving experience. Especially when that hero has been missing for 14 years. Especially when all Americans knew he had been alive in enemy captivity.

The eulogy for Commander Dodge was delivered by a former squadronmate, retired Navy Comdr. Wilson F. Flagg. It was beautiful beyond description, so I would like to read it to my colleagues.

Enthusiasm and joy in living.

Perfectionism and satisfaction in a job well done.

Patriotism and courage in serving his country.

Ron Dodge symbolized each of these and more. His merry heart and zestful spirit brought a spark to any room or crowd he entered. His quick smile and seriousness of purpose pervaded the usual circle of his presence whether it be in the squadron readyroom, with his men, at a party, on the ballfield, with his friends, or with his dovoted family, he loved them all.

He was a profound influence on many whose paths he crossed, and was an inspiration in achieving the highest of goals. In a difficult situation, it was Ron who would seek solutions calmly and methodically. His professionalism and devotion to duty were readily apparent to all who knew him. Very few can be called great among mankind, but such was the role of his life that we can say he achieved greatness.

No pilot could have loved flying more than he did. His dedication and love for flying was exceeded only by his love for life. He was warm and caring for his wife and family, delighting in his children's achievements, and sharing these thoughts with friends. These simple jobs of living and enjoying each infinite moment were important to Ron.

An anonymous author once wrote:

Do not stand at my grave and weep for
I am not there. I do not sleep.

I am a thousand winds that blow.
I am the diamond glints on snow.
I am the sunlight on ripened grain.
I am the gentle autumn rain.
When you awaken in the morning's hush.
I am the swift uplifting rush of quiet birds in circled flight.
I am the soft stars that shine at night.
Do not stand at my grave and cry;
For I am not there: I did not die.

Ron's spirit and zeal for life remain alive in our minds and memories. In life he was a leader and a symbol for achievement, even in death he remains a guiding light and symbol for all his countrymen who are still unaccounted for in Southeast Asia.

The world may forget what we say here today, but we must never forget the ultimate sacrifice that Ron gave for his country—be it not in vain. We salute his great example and the greatest tribute we can personally give is to strive for those ideals he so honored. He was a man of peace who experienced war. Ron Dodge, we have all shared a part in your life. We have been waiting for you as a family and friends. No longer will we ask, "Where is he?" For now you have finally come home. Welcome home Ron—you and your family are free at last.

This was the perfect eulogy for Commander Dodge, given by a lifelong friend. His courageous wife, Jan, his tall handsome son, Mark, the beautiful daughter, Wendy, his wonderful mom, his devoted only sister, his stepdad, they were all there, their hearts still aching after 14 long, long years, remembering, remembering their very special hero.

□ 1900

Ron Dodge is remembered by almost all Americans who although they may not associate the name with the famous photograph can never forget that face. Back in 1972, at one of the meetings of the League of Families of American Prisoners and Missing in Action in Southeast Asia, I was waiting outside the main ballroom of the Capital Hilton. The President was in talking to the family members at a closed session. A reporter, an excellent journalist for Life magazine named Loudon Wainwright, waiting in the hallways approached me and said. "If you were I, what would you do for these families?"

I took him into one of the anterooms that was dark and turned on the light. There was a very large picture of Ron Dodge, about 4 feet by 3 feet prepared by a fighting POW brother named Joe McCain. In the picture Ron was standing, full front, after having been beaten and spit upon and dragged through the streets of the village, near where he had bailed out over North Vietnam. His face was set—determined, worried but bravely defiant. His fists clenched in resolution. I said, "Mr. Wainwright, if I were you I would put Ron Dodge's picture on the cover of Life magazine. Look at his torn flight suit. Look at the loose bandage around his head. Look at his hands. Look at his eyes. Look at them. That's not just fear in his eyes, but determination that somehow or someway he will try to survive and will never, never disgrace the country that he loves and serves."

I told Loudon Wainwright that this heroic very real scene reminded me of the young navy flyer at the end of the only movie I had seen in my lifetime about Americans in combat that was flawless. "The Bridges of Toko-Ri". I saw it when I was 21 years of age of pilot training at an Air Force base theater. You could have heard a pin drop when the final screen credits came up. The final scene involved an admiral in that film played compellingly by Frederic March. Tarrant was the admiral's name in this great story by James Michener, one of America's finest writers.

At the end of the film when the lead character, Lieutenant Brubaker, played by William Holden had been shot down and killed on the ground by the Communists somewhere in North Korea, the admiral sat on the bridge of his attack carrier stunned by the news he had lost another young pilot. He had more or less mentally adopted Lieutenant Brubaker to replace the young son he had lost in the Battle of Midway in World War II. After he was told Brubaker had been shot on the ground by enemy troops, the admiral said slowly, very deliberately:

Why is America lucky enough to have such men? They leave this tiny ship and fly against the enemy. Then they must seek the ship, lost somewhere on the sea. And when they find it, they have to land upon its pitching deck. Where did we get such men?

I thought of those words by that symbolic admiral of Michener's creation at Ron Dodge's graveside. Yes, where do we get such men in this big, soft country of ours? Why are we lucky enough to have men like this? And women like Jan?

The Vietnamese conquerors of Indochina, knew Ron's fate, when he died and where. Where his remains were over these last 14 years. They knew when they saw him on the cover of Life magazine displayed in every major capital across this globe in 1972 that they were caught red handed violating the Geneva Convention. They knew when his picture appeared on the front page of Pravda, in Moscow when it was a full-page spreadout in the Life magazine of France called "Paris Match." They have known over these long years exactly where he was resting in the soil of his Vietnam. And to send him home 14 years later to finally ease the psychological suffering of his young son, his young daughter, and his loyal wife was not a final act of mercy. It was merely a response to the pressure finally building up in this country of ours, from coast to coast, demanding a final honorable resolution to this horrendous nightmare of our missing in action in Indochina.

Phan Van Dong the other night on a CBS special documentary said the United States is "excessively burdened by the past," that we should "establish relations of peace." If the ruling Government in Hanoi wants this they had better give us back immediately more than the heroic remains of three men. They had better give us back something besides the treasured bones of Ron Dodge, Steve Musselman, and Richard VanDyke.

There are 450 or more boxes in a warehouse in Hanoi that is hallowed ground to Americans because it is a U.S. cemetery that we want returned en mass to this country.

The North Vietnamese, who carefully read every word we put in the CONGRESSIONAL RECORD of this great legislative body, who clip and read carefully every single magazine and paper in the free world better listen. We know they hear every word I am saying at this moment . . . and clearly. They will read my words within the next 48 hours, so I am telling them "move, and fast," on the live Americans that many of us believe you still hold. And move, and fast on those 450 remains that we know are in Hanoi at this very moment. Comdr. Ron Dodge's funeral was an inspiration. His wife is an inspiration. His mom, his sister, his children are inspiring to all of us Americans. The 14 years that they have suffered for all of us cannot be in vain. I think that Ron may be the trigger to finally resolving this unparalleled tragedy in American history.

Mr. Speaker, I close paraphrasing again James Michener's words:

"Where did we get such men?"

Where do we get such wives and such children? Why is our country lucky enough to have them? Only God can answer that.

PETROLEUM DISRUPTION MANAGEMENT ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Iowa (Mr. TAUKE) is recognized for 10 minutes.

● Mr. TAUKE. Mr. Speaker, today, along with seven of my colleagues, I am introducing the Petroleum Disruption Management Act, legislation designed to prevent or lessen varying degrees of petroleum disruptions. There is an essential need for this legislation. The expiration of the Emergency Petroleum Allocation Act of 1973, on September 30 of this year, will leave a gaping hole in our ability to respond to emergency petroleum shortages. Unless a new and better national program is substituted for the EPAA—one that eliminates many of the former

statute's shortcomings—we will be faced with a multitude of State emergency plans, which could, in fact, work to our disadvantage and actually exacerbate a potential regional or national petroleum disruption.

Currently, all is well on the petroleum supply front. Crude oil and petroleum products are plentiful. However, the glut of crude oil and products has given us a false sense of security. The vast majority of energy experts view the glut as only a temporary phenomenon. We will undoubtedly have another petroleum crisis.

It behooves us, therefore, to address the issue of emergency energy contingency planning, particularly now that the political environment is calmer and the opportunity for a more thoughtful and effective approach is available. If we wait until we are in the midst of another energy crisis to develop an emergency petroleum policy, the result will be quite the opposite of what we want. A crisis atmosphere may lead to the development of bad legislation—legislation that could likely result in stricter Federal measures than perhaps are necessary.

Instead, we need to develop legislation now that will help minimize regional shortages before they become national crises while, at the same time, providing the President with authorities to deal with a national energy emergency.

The intent of the legislation is to give the President the flexibility and the necessary management tools to deal with petroleum disruptions in a timely and effective manner. The options outlined in this bill would allow the marketplace to work to the maximum extent possible so that we do not have to depend on massive regulatory action by the Federal Government to find solutions to energy disruption problems. The bill would require the President, for instance, to submit a report on the advisability of using tax incentives to encourage refiners to stockpile crude oil and products during periods of surplus.

More importantly, it would require the President to develop four management programs, which, when approved by Congress, would be placed on the shelf for selection at a later time. They would be removed for implementation only upon approval by Congress. The programs would be designed to address particular kinds of disruptions, ranging from substantial regional shortages to severe national emergencies.

The four programs are based on the following: First, use of the strategic petroleum reserve; second, use of private dedicated reserves; third, implementation of national crude oil sharing; and fourth, use of petroleum product management techniques.

The first management tool would be used to deal with either regional shortages of a lesser magnitude or full-blown national emergencies. To address either kind of situation, the Department of Energy would be authorized to sell oil from the strategic petroleum reserve, upon determination by the President of the need to respond to an imminent or existing disruption.

The second tool—use of private dedicated reserves—would serve as a transition program to deal with regional problems until the strategic petroleum reserve was filled to a desirable level. The PDR would give regional refiners access to crude oil. It would be operated as a limited exchange program between "designated refiners" with adequate supplies and "qualified refiners," who, because of the disruption, would be forced to operate below the national utilization rate. To be eligible to receive crude oil from designated refiners, those qualified refiners would be required to meet specified standards such as retrofitting their refineries, have the capability to process heavy or sour crude oil, and maintaining specified inventories. As a result, inefficient refiners would be prevented from gaining access to crude oil. An exceptions procedure would allow other refiners to qualify for crude oil on a case-by-case basis.

The third technique—a national crude-oil-sharing program—is designed to meet a severe national shortage. Refiners operating above the national average would be required to share crude oil with those refiners operating below the average.

The final technique—the petroleum product management program—would only be used as a last resort, in the event that all other management tools failed to produce an acceptable result. The President would have the flexibility to deal with an extreme emergency as he saw fit—either by using price and allocation controls, a national rebate program, or any other plan he found acceptable at the time. To the maximum extent possible, the plan would be designed to protect the following: public health, safety, and welfare; national defense; the maintenance of public services; and the maintenance of agricultural operations, related to the production, processing, and distribution of food.

A strong point of the legislation is its avoidance of a statistical trigger for the implementation of any of the management plans. Anyone who has studied the issue of contingency planning has found that it is virtually impossible to develop such a trigger, given the vast array of potential regional and national shortage situations. The most realistic and effective trigger is a political one. Key language in the bill would require the President and Congress to act in concert in implementing one of the management programs. At the same time, the bill would automatically sunset the activating resolutions within 120 days, unless reauthorized by Congress, thereby avoiding long-term Government involvement.

In developing his contingency plans and in responding to petroleum disruptions, the President would benefit from the advice of a Cabinet-level Emergency Energy Council and Energy Advisory Committee, composed of industry representatives, consumers, and petroleum users. The Energy Advisory Committee, in particular, could be used to persuade industry to manage regional shortages, thereby preventing the implementation of any of the four standby management plans.

This bill, with its focus on sequential management, sends the right signals to the country. It asks Government to develop a feasible plan during a noncrisis situation. It asks the private sector to depend on self-help measures to meet its basic energy needs, warning private industry not to expect a massive bailout by Uncle Sam. In particular, it tells small and independent refiners to retrofit and "sour up" if they want to become eligible for crude oil sharing during a disruption.

It builds tension into the system to prevent escalation to the final stage of sequential management by giving the advisory councils an opportunity to use "jaw-boning" and other measures short of Federal intervention to solve disruption problems.

It only supplements the marketplace to protect national security, public safety and health, and our agricultural community.

And finally, while it does give the President discretionary authorities to act during an emergency, the authorities can be used only with the cooperation of Congress.

Mr. Speaker, during the spring of 1979, my home State of Iowa, and most of the Midwest, for that matter, experienced severe shortages of diesel fuel. Yet, the Nation as a whole did not, since fuel was in generally plentiful supply. This is the kind of problem that I believe will be more typical of the energy problems that we will experience in the future. While the diesel fuel shortages of 1979 gave the appearance of being a national problem, they were, in fact, only characteristic of a regional disruption.

The 1979 experience highlights the fact that rural America is particularly vulnerable to supply disruptions. When supplies get tight, those refiners serving rural markets tend to be the first ones to feel the pinch because they are the ones who are crude deficient. Had we had a Petroleum Disruption Management Act on the books during the spring of 1979, I feel confident the high spot market prices and the shortages we experienced would

have been prevented. And they would have been prevented without massive Government intervention.

I believe the concept of sequential management is an innovative and a realistic approach to a very tough issue. I believe this bill can serve as a starting point as we study contingency planning issues and reach agreement on a suitable replacement for the Emergency Petroleum Allocation Act. I urge my colleagues to join with me by cosponsoring this legislation. A fact sheet on the bill follows:

PETROLEUM DISRUPTION MANAGEMENT ACT OF 1981

Purpose: Provide President with flexibility and management tools to deal with varying degrees of potential regional and national petroleum disruptions. Allows for selection from those tools to best respond to given circumstances in a disruption.

Substitute for Emergency Petroleum Allocation Act.

Preempt multitude of conflicting state emergency plans.

Develop legislation in non-crisis environment. Designs set of tools before disruption occurs.

Procedure: Require President to develop 4 management plans, to be approved by Congress, and placed on standby to deal with disruptions.

Disruption management plans:

(1) Strategic Petroleum Reserve (SPR): DOE reports to Congress on analysis of minimum volumes of reserves to be maintained as necessary for national defense needs. SPR plan to be modified to allow use of SPR oil during substantial regional and national crude oil disruption once adequate volume is available.

(2) Private dedicated reserve (PDR): Provide crude access to deal with regional shortages.

Designated refiner (major seller) operating in excess of national average would sell to qualified refiner (small and independent), (a) whose runs fall a specified percentage below average, and (b) who cannot replace lost supplies through own efforts except by paying price, in excess of weighted average price, considering economically-based quality differentials.

Additional requirements may be placed on refiner to maintain qualified status (reconfigure; heavy/sour-up; storage):

Exceptions procedure would allow other refiners to apply for qualified status on a case-by-case basis.

Program Operation: Price paid would not exceed weighted average price during prior 60 days for domestic and imported oil, including adjustments for transportation, gravity, sulfur, and handling or service charge. Reimbursement mechanism provided for designated refiners (seller equalization).

PDR function could be replaced by SPR once adequate fill levels had been reached for dealing with substantial disruption.

(3) National Crude Oil Sharing Program: Provides for sharing of crude oil among all regions and areas during national shortage.

Any refiner operating above national average would sell to those operating below average.

Weighted average price plus adjustements would apply.

(4) Petroleum Product Authorities: In the event of a national emergency, President would have authority to implement price and allocation controls, or an emergency use fee (with/without rebate), or any other program specified in regulation.

Would only be implemented as measure of last resort.

Priorities same as those in current EPAA legislation.

Measures used prior to activation of plans:

Dependence on private stocks and marketplace.

Energy Advisory Committee, composed of all segments of petroleum industry, consumers, and users to help persuade industry to manage regional shortages.

Presidential study to determine advisability of providing tax incentives to encourage stockpiling during the surplus and drawdown during shortage.

President can utilize 300,000 barrels of SPR oil per day for 90 days without approval of Congress to mitigate regional shortages.

Implementation Process (Trigger):

President determines, with consent of Congress, that particular management plan should be pulled off shelf.

President may utilize SPR or PDR to distribute and allocate crude oil if a substantial crude oil supply disruption exists or is imminent. Substantial disruption encompasses regional shortages, whether due to price anomalies or supply restrictions.

President may implement SPR, national crude sharing, or standby product authorities if severe petroleum supply interruption exists or is imminent, or to comply with IEA obligations. Such action also requires passage of a Joint Resolution by Congress. Severe interruption covers national shortfalls.

Congress may initiate and require any of the above actions through passage of a Joint Resolution. Presidential veto rights apply, with Congressional override of two-thirds.

Joint Resolution: Minimum number of cosponsors for initiation, and priority treatment for vote within a short period of time.

Any program activated cannot exceed 120 days, without reauthorization.

Key features and advantages of this legislation:

No government intervention in the marketplace if no disruption.

Gives President discretionary, but not unlimited, authorities.

Keeps Congress involved, both as a potential initiator, and as a check on excessive action.

Allows for flexible and timely response to disruptions, without specifying a mandatory, numeric trigger.

Deals with variety of disruptions, thus minimizing adverse price and supply effects or agriculture and other sectors.

Encourages self-help measures from private industry.

Minimizes regional shortages before they become national crises.

Sunsets any management program with 120 days.●

REQUESTING THE WHEREABOUTS OF RAISA RUDENKO

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. LENT) is recognized for 5 minutes.

● Mr. LENT. Mr. Speaker, I would like to take this time to bring to the attention of my colleagues, another sad chapter in the story of the Rudenko family. Raisa Rudenko, the wife of the first chairman of the Ukrainian Helsinki group, Mykola Rudenko, has mysteriously disappeared from her apartment in Kiev. Since April 14, 1981, she has not appeared at prearranged meetings with friends and relatives.

Mr. Speaker, this situation gives me just cause to be concerned as to the whereabouts of Raisa Rudenko especially in view of the murders of artists Alla Horska, Rostyslav Palecky, Victor Kindratyshyn and composer Volodymyer Ivasiuk along with many other Ukrainian activists. I pray that we do not have to add Mrs. Rudenko's name to a list of those who have fallen victim to the programed internal terrorism in the U.S.S.R. This sudden and mysterious disppearance is just one of many that have gone unexplained.

I demand that the Soviet Union account for the whereabouts of Mrs. Rudenko and other Ukrainians who have mysteriously disappeared, been thrown into prison on trumped-up charges or have been killed. These blatant violations of the Helsinki accords on human rights must cease.

Mr. Speaker, it is my hope that my fellow colleagues join with me in demanding the Soviet Union end the cruel and brutal persecution of the Ukrainian Helsinki group, and reveal the fate of Raisa Rudenko and others who have vanished into the unknown.●

ARGUMENTS IN FAVOR OF THE DEMOCRATIC TAX BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Missouri (Mr. VOLKMER) is recognized for 20 minutes.

Mr. VOLKMER. Mr. Speaker, Members of the House, I have just returned this evening from my district where I was attending to flash flooding and excess rainfall in my district.

However, while returning by way of automobile to the St. Louis Airport I listened to a radio broadcast of a very human interest program in progress over one of the St. Louis radio stations as I was traveling to St. Louis. On it, they were espousing through one of what I call the "Disciples of the President" on the President's economic recovery program and on the tax proposals that we will vote on tomorrow.

During the conversation of the person with the radio station and the guest, who is a very intelligent person whom I have spoken to myself previously, there were two phrases that were used by this gentleman that made me think a great deal about where this country is going and the philosophy behind the Reagan proposal. One of the phrases that the gentleman used in espousing the President's

Recovery Act and espousing the President's tax program was that in this great country each of us can use our God-given talents to better ourselves. I thought of that, and it did not take a lot of thought to realize that this is a philosophy behind the President, behind those who believe in his tax proposal.

What does it tell me? It tells me that those people, including the President, believe that I am to use my talents that I, as a Christian, believe that God gave to me for the purpose of bettering myself, for accumulating wealth. I disagree with that philosophy, strongly disagree, and have always disagreed with that. I firmly believe I should use those God-given talents that have been given to me as a good Christian for not only myself and my family, but for my fellow man. I believe strongly that some of us who are given those talents over and above others, that God firmly gave me those talents to use not only for the betterment of myself, but for the betterment of mankind.

□ 1910

And those talents are not to be used solely for the accumulation of wealth but used, as I said before, for the betterment of others, whether it be through the legislative process or through personal endeavors.

I think that that is what is seen as a difference between the Democratic tax proposal and the President's tax proposal, because the President's tax proposal is mostly based on the idea that those who will benefit from it are those basically with the talents. And those are, following the Judeo-Christian belief, God-given talents. Those are the people who have those talents, and if they are to accumulate the wealth, the philosophy then of the President is that that wealth is to be used for the benefit of those people who receive it.

There was another phrase that bothered me. One person called in and used a phrase that is commonly heard and has been in the past, and that is "the redistribution of wealth." The person who was there as a guest of the program was asked, "What does redistribution of wealth really mean?"

"That is a Communist philosophy or socialist philosophy, to redistribute the wealth by taking it away from the wealthy and giving it to those who do not have it."

But I say to the Members that redistribution of wealth works both ways. We can redistribute the wealth through taxation upon the poor and the middle-income people and permit those who have the talents and those who are wealthy to continue to accumulate more. There are two sides to the idea of redistribution of wealth, and in my opinion, through the President's economic recovery program, we will see a redistribution of the wealth, should it pass; we will see more of a redistribution of the wealth than we have ever seen before in the history of this country, and that redistribution will not be from the wealthy to the middle-income people or the poor, but it will be just in the opposite direction. It will be from the middle-income people and the poor to the wealthy. And as a result we would have fewer people on the middle-income level, we would have more people who would be on a poverty level, and we would have more people who are wealthy. Supposedly in this society and under this philosophy, those who are wealthy will then decide what they want to do and how they want to use that wealth to benefit those who are among the poor. If they desire not to benefit them, that is their right not to do so.

We have seen this in the past, whether it be under other Presidents, whether it be under President Grant, President Harding, or President Coolidge, or whether it was under former kings of other countries. We have seen the redistribution of wealth from the poor and the middle-income people to the wealthy, but I do not believe it would last very long in this country.

I personally feel that the Democratic tax proposal which we will vote on tomorrow is not as slanted, even though it, too, is slanted to some extent, toward that same redistribution. It is not nearly as slanted to the redistribution of wealth from the poor and the middle-income people to the wealthy.

Mr. Speaker, I plan, therefore, to vote for the Democratic tax proposal and not for the President's tax proposal. I feel that the economic conditions of this country warrant the Democratic tax proposal and not that of the President.

PERSONAL EXPLANATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kentucky (Mr. MAZZOLI) is recognized for 5 minutes.

● Mr. MAZZOLI. Mr. Speaker, I was unavoidably absent on Thursday, July 23, 1981. Had I been present, I would have voted:

"Yea" on rollcall No. 156, an amendment to the energy and water development appropriations bill for fiscal year 1982 to reduce by $198 million the funds for general construction, including $189 million in funding for the Tennessee-Tombigbee Waterway project;

"No" on rollcall No. 158, an amendment to the energy and water development appropriations bill to delete $17.8 million in construction funds for the Stonewall Dam in West Virginia; and

"Yea" on rollcall No. 159, an amendment to the energy and water development appropriations bill to delete $4 million in construction funds for the Garrison diversion unit, in North Dakota.●

BUDGET COMMITTEE EARLY WARNING REPORTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oklahoma (Mr. JONES) is recognized for 15 minutes.

● Mr. JONES of Oklahoma. Mr Speaker, this week the House of Representatives is scheduled to vote on six bills that provide spending for fiscal year 1982—the Agriculture, legislative, Treasury, Commerce-State-Justice, Transportation, and military construction appropriation bills. Also scheduled is a fiscal year 1981 spending bill, the ADAP authorization. The tax bill, recently reported by the Ways and Means Committee, will be considered. I have asked the staff of the Budget Committee to prepare early warning reports to the House. These materials compare the total amount of spending, credit, or revenues provided in these bills with the targets for such spending, credit, or revenues that result from congressional approval of the first budget resolution for fiscal year 1982. I intended to insert into the CONGRESSIONAL RECORD these staff analyses, and analyses of all other appropriations, entitlement, or revenue bills as they are scheduled for floor action. I believe that it is very important for the House to have information that compares such bills to the budget resolution—achievement of the resolution spending and revenue targets is not likely to occur unless the Members are clearly ware of the budget impact of their votes.

EARLY WARNING REPORT HOUSE BUDGET COMMITTEE

H.R. 4182, A BILL TO PROVIDE FUNDS FOR AIRPORT DEVELOPMENT AND PLANNING GRANTS (ADAP) FOR FISCAL YEAR 1981

This bill is consistent with the fiscal year 1981 budget resolution.

Staff analysis

Committee: Public Works and Transportation.

Subcommittee: Aviation.

Chairman: Mr. Mineta (California).

Ranking minority member: Mr. Clausen (California).

Scheduled: Monday, July 29, 1981 (Suspension Calendar).

I. Description of bill

The bill provides $450 million in fiscal year 1981 budget authority and $45 million in outlays for airport development and planning grants (ADAP grants), with funds provided from the Airport and Airways Trust Funds.

II. Comparison with revised second budget resolution

The bill funds ADAP at a level totally consistent with the $450 million assumed in the Revised Second Budget Resolution for Fiscal Year 1981.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
1. Amounts in bill	450	[1] 45
2. Prior action	715,195	660,962
3. Total action to date	715,645	661,007
4. Revised Second Budget Resolution	717,500	661,350
5. Over (+)/Under (−)	−1,855	−343
6. Amounts assumed but not yet considered		
7. Over (+)/Under (−)	−1,855	−343

[1] The outlays are scored against the Appropriations Transportation Subcommittee and are shown here only as a comparison to the Revised Second Budget Resolution ceilings.

IV. Explanation of over/under

The level of spending for fiscal year 1981, including this bill, is lower than the Revised Second Budget Resolution ceilings because the fiscal year 1981 Supplemental/Rescission bill appropriated less than the amount allocated for it in the Revised Second Budget Resolution.

V. Comparison with the President

The President's budget assumes $450 million in budget authority for the ADAP program as provided in this bill.

VI. Amendments

No amendments are permitted under suspension of the rules.

VII. Definitions of terms in summary table, section III

Line 1. Amount in bill: the amount of direct spending in fiscal year 1981 that would result from enactment of this bill.

Line 2. Prior action: the fiscal year 1981 total budget level based on all enacted spending legislation and H.J. Res. 308, HHS urgent supplemental appropriations.

Line 3. Total action to date: line 1 plus line 2.

Line 4. Revised Second Budget Resolution: the fiscal year 1981 ceilings agreed to as part of this spring's Budget Resolution.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts for fiscal year 1981 that are assumed in the Revised Second Budget Resolution but have not yet been reported.

Line 7. Over (+)/Under (−): line 5 plus line 6.

EARLY WARNING HOUSE BUDGET COMMITTEE

H.R. 4119, FISCAL YEAR 1982 AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES APPROPRIATIONS

The bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.
Subcommittee: Agriculture.
Chairman: Mr. Whitten (Mississippi).
Ranking minority member: Mrs. Smith (Nebraska).
Scheduled: Monday, July 27, 1981.

I. Description of bill

This bill provides funds for the Department of Agriculture for fiscal year 1982, and for related independent agencies.

The bill as a whole is *under* the 302(b) targets for this subcommittee by $1,448 million in budget authority and $1,201 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are fully funded, the subcommittee could be under its targets by $389 million in budget authority and $222 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has *two* targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *under* the 302(b) target for discretionary action by $540 million in budget authority and $455 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amount shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	20,039	14,777
2. Prior Action	−6	
3. Total action to date	20,033	14,777
4. 302(b) target	21,481	16,148
5. Over (+)/Under (−)	−1,448	−1,371
6. Amount assumed but not yet considered	908	916
7. Over (+)/Under (−)	−540	−455
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	990	2,338
9. Prior action	2,152	1,992
10. Total	3,142	4,330
11. 302(b) target	3,142	4,160
12. Over (+)/Under (−)		+170
13. Supplemental amounts needed	151	63
14. Over (+)/Under (−)	+151	+233

IV. Explanation of over/under

This bill is under the discretionary targets. The total of the 302(b) subdivisions made by the Appropriations Committee must equal the total amounts of 302(a) allocation, but the assumptions which make up the subcommittee target need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) targets are not known—as a result, the specific programmatic reasons that the bill is under the subcommittee targets cannot be precisely identified.

The amounts assumed but not yet considered reflects the difference between the Budget Resolution and the amount appropriated by the Appropriations Committee for food stamps. The Appropriations Committee recommended appropriations for food stamps only for the period September 1, 1981, through August 15, 1982. The Appropriations Committee recommended $9,765 million in budget authority for food stamps. This is the full amount requested in the President's budget for fiscal year 1982. The time period restriction imposed by the Appropriations Committee is intended to allow the President time to carefully review the new food stamps law and to analyze the new funding requirement, particularly with regard to the operation of the food stamps program in Puerto Rico.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its targets primarily because the targets seem not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President (discretionary amounts only)

This bill is over the President's requests for items in the bill by $232 million in budget authority and $254 million in outlays.

VI. Credit

The Budget Resolution contains *nonbinding* targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and First Budget Resolution assumptions.

[In millions of dollars]

	Direct loan obligations	Primary guarantee commitments	Secondary guarantee commitments
1. Credit program limits in bill	8,080	731	
2. Credit limits assumed in resolution but not acted on in the bill		5,145	
3. Credit programs not subject to limit	6,736	5,474	
4. Total in bill	14,816	402	
5. Budget resolution assumption	13,747	−148	
6. Over (+)/Under (−)	+1,069	+550	

The main increases in direct loans are for disaster loans and water and sewer facility loans. The Budget Resolution reflected only $1.35 billion for direct disaster loans. The President's request reflected $1.6 billion for disaster loans of which $250 million were to be guaranteed loans. However, numerous fact sheets by the Administration indicated the Administration had intended the full $1.6 billion be allocated to direct loans. The bill also sets a limit of $450 in direct loans for water and sewer facility loans. The Budget Resolution assumes a zero level.

The main increases in guaranteed loans result from the bill allowing for $300 million in Industrial Development loans and $250 million for alcohol fuel production facilities loans. The Budget Resolution assumes zero levels of funding for both programs. The bill also does not place a limit on Rural Electrification and Telephone Revolving Fund guaranteed loans. The Budget Resolution assumes a limit.

VII. Amendments.

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary FY 1982 appropriations in H.R. 4119.

Line 2. Prior action: the FY 1982 budget authority and outlays for this subcommittee that were appropriate in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for

which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4121, FISCAL YEAR 1982 TREASURY-POSTAL APPROPRIATIONS

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Treasury, Postal Service, General Government.

Chairman: Mr. Roybal (California).

Ranking Minority Member: Mr. Miller (Ohio).

Scheduled: Tuesday, July 28, 1981.

I. Description of bill

This bill provides funding for the Department of the Treasury, the U.S. Postal Service, the Executive Office of the President and certain independent agencies for fiscal year 1982.

The bill as a whole is under the 302(b) target in budget authority by $454 million in budget authority and $226 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are "fully funded", the subcommittee could be $228 million under its 302(b) target in budget authority and $114 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the budget act and HBC scorekeeping, the subcommittee has *two* targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982. First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *below* the 302(b) target for discretionary action by $331 million in budget authority and $235 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	5,675	5,265
2. Prior action	.....	.....
3. Total action to date	5,675	5,265
4. 302(b) target	6,129	5,512
5. Over (+)/Under (−)	−454	−247
6. Amounts assumed but not yet considered	123	12
7. Over (+)/Under (−)	−331	−235
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	4,091	4,091
9. Prior action	.....	420
10. Total	4,091	4,511
11. 302(b) target	4,091	4,490
12. Over (+)/Under (−)	.....	−21
13. Supplemental amounts needed	+103	100
14. Over (+)/Under (−)	+103	+121

IV. Explanation of over/under

The total of the 302(b) subdivisions made by the Appropriations Committee must equal the total amounts of the 302(a) allocation, but the assumptions which make up the subcommittee targets need not be the same as the program assumptions that underlie the Budget Resolution. The specific assumptions behind the 302(b) targets are not known—as a result, the specific programmatic reasons that the bill is under the subcommittee targets cannot be precisely identified.

Amounts assumed in the Budget Resolution but not yet considered (line 6) consists of contributions to the international buffer stocks ($120 million in budget authority, $10 million in outlays) and the Domestic Policy staff ($3 million in budget authority and $2 million in outlays).

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its budget authority target only because the target seems not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President

This bill is below the President's requests for items in the bill by $220 million in budget authority but is $10 million above the President's requests in outlays.

VI. Credit

None.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary fiscal year 1982 appropriations in H.R. 4121.

Line 2. Prior action: the fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution. For this bill, the only assumed supplemental is for the pay raise.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4120, FISCAL YEAR 1982 LEGISLATIVE BRANCH

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Legislative branch.

Chairman: Mr. Fazio (California).

Ranking Minority Member: Mr. Burgener (California).

Scheduled: Tuesday, July 28, 1981.

I. Description of bill

This bill provides funds for the Legislative Branch for fiscal year 1982.

The bill as a whole is *under* the 302(b) targets for this subcommittee by $333 million in budget authority and $285 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are "fully funded", the subcommittee could be under its targets by $53 million in budget authority and $38 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has *two* targets: one for discretionary programs and one for mandatory programs. Since the appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *below* its 302(b) target for discretionary action by $83 million in budget authority and $63 in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in the bill:		
1. Discretionary amounts in bill	529	461
2. Prior action		
3. Total action to date	529	461
4. 302(b) target	612	524
5. Over (+)/Under (−)	−83	−63
6. Amounts assumed but not yet considered		
7. Over (+)/Under (−)	−83	−63
The amounts shown below are only for mandatory appropriations included in the bill:		
8. Mandatory amounts in bill	572	499
9. Prior action		126
10. Total	572	625
11. 302(b) target	822	847
12. Over (+)/Under (−)	−250	−222
13. Supplemental amounts needed	280	247
14. Over (+)/Under (−)	+30	+25

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of *where a* particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line item assumptions in the Budget Resolution are *not binding* on a committee. A list of the major areas where this bill differs from the Budget Resolution follows:

−$304 million in budget authority and −$3.1 million in outlays for the Library of Congress, −$14.0 million in budget authority and −$3.3 million in outlays for the Library's buildings and grounds, −$1.4 million in budget authority and −$1.1 million for GPO and, finally, −$3.2 million in budget authority and −$12.2 million in outlays for congressional printing and binding.

Amounts assumed in the Budget Resolution but not yet considered (line 13) consists entirely of funding for the Senate which is consistent with traditional practice, and funding for the October 1 pay raise. It is this latter item which causes the mandatory total to be exceeded; the target seems not to make an allowance for this pay raise.

V. Comparison with the President

This bill is below the President's requests for discretionary items in the bill by $61.0 million in budget authority and $11 million in discretionary outlays.

VI. Credit

There are not credit items in the bill.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill; discretionary FY 1982 appropriations in H.R. 4120.

Line 2. Prior action: the FY 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriations bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus line 13.

H.R. 4242, THE TAX INCENTIVE ACT OF 1981

Staff analysis

Committee: Ways and Means.

Chairman: Dan Rostenkowski (Illinois).

Ranking minority member: Barber Conable (New York).

Scheduled: Wednesday, July 29, 1981.

I. Description of bill

This bill provides for multi-year personal and business tax reductions, incentives for savings and investment, relief for special industries, revised penalties and improved tax enforcement procedures, as well as tax reform and cash management initiatives.

The individual tax cuts would be reduced by an average of approximately 1 percent for calendar year 1981, 10 percent for 1982, 16 percent for 1983 and if certain economic conditions specified by the President are met the reductions will average 22 percent in fiscal year 1984. Further tax reductions are made through increases in the Zero Bracket Amount, Earned Income Credit, and Child Care Benefits. The capital gains tax is reduced and the distinction between earned and unearned income is eliminated. Married couples will be allowed a deduction for the lesser-earning spouse's wages.

The business tax cuts provide for a phased-in expensing of tangible personal property by 1990 and a shorter depreciation period for real property. The top corporate rates would be reduced and small business corporate brackets would be expanded and the rates reduced.

Some of the other tax cut provisions in the bill would expand savings and investment incentives, add research and development incentives, liberalize estate and gift taxes, reduce windfall profits taxes on oil, increase investment tax credits for rehabilitation of old buildings, and liberalize the tax exclusion on the sale of residences by older citizens.

II. Comparison with target for tax action

The amount of the tax cut in the Committee bill is less than the tax reduction assumed in the First Budget Resolution for fiscal year 1982. The First Resolution assumed a tax cut of $51.3 billion and the preliminary estimate for the Committee bill is $37.8 billion. The only other tax change assumed in the First Resolution was a total of $100 million for miscellaneous tax and tariff legislation which has not been acted upon to date. For 1983 and 1984 the First Resolution assumed net revenue reductions of $97.1 billion and $144.8 billion respectively. The preliminary estimates of reductions in the Committee bill are $98.4 billion in 1983 and $128.9 billion in 1984 if a third-year tax cut is not triggered and $148.6 billion if the third-year tax cut is triggered.

III. Summary table

[In millions of dollars]

1. Amounts in bill	−37,848
2. Prior action	
3. Total action to date	−37,848
4. First budget resolution assumption	−51,300
5. Over (+)/under (−) target	+13,452
6. Amounts assumed but not yet considered	−100
7. Over (+)/under (−) target	+13,352

IV. Explanation of over/under

The $13,352 million remains as unused tax reductions because the Ways and Means Committee felt that a smaller tax cut was more appropriate than the amounts assumed earlier when the Budget Resolution was adopted. This difference is approximately consistent with the changes in the administration's revised tax proposal.

V. Amendments

Conable-Hance-Administration Amendment: Mr. Conable and Mr. Hance will offer the administration-supported substitute. This subsitute would result in a net revenue reduction of $36.3 billion in 1982, $95.2 billion in 1983, and $152.9 billion in 1984.

When the First Budget Resolution was adopted the $51.3 billion allowance for tax cuts was the amount recommended by the President. Since that time the administration has twice revised that recommendation. The first revision (June 4) changed from a 10 percent to a 5 percent across-the-board personal income tax reduction in the first year, revised the business incentive provisions, and added savings incentives and other provisions. As a result of that revision the President recommended a $36.9 billion net receipts reduction for fiscal year 1982 in his July 1981 mid-year review.

On July 24 the administration indicated its support for a House substitute proposal which further revises the administration's program. The new proposal would, in addition to the June 4 proposals, index the individual income tax starting January 1, 1985, liberalize estate and gift tax provisions, extend savings incentives, reduce tax liability for Americans abroad, reduce capital gains taxes, extend energy tax credits, and provide for other individual tax reductions and reforms. In addition, new business provisions would liberalize the accelerated cost recovery provisions in 1985 and thereafter, reduce corporate tax votes for small business, liberalize the investment tax credit for used equipment, reduce energy taxes, provide tax credits for incremental R & D, exclude from tax dividend reinvestment for public utilities, and provide for other business tax reductions and reforms.

Udall-Obey-Reuss Amendment: A substitute amendment will be offered by Messrs. Udall, Obey, and Reuss to limit the tax reduction to one year with the individual cuts effective July 1, 1982 and business tax cuts similar to the Ways and Means expensing proposal. The amendment would include a number of revenue-increasing tax reforms in the Ways and Means Committee bill as

well as repeal of the percentage depletion allowance for oil and gas. Revenue reductions resulting from this amendment are estimated at $12.7 billion in Fiscal Year 1982, $50.0 billion in Fiscal Year 1983, and $66.4 billion in Fiscal Year 1984.

VI. Definition of terms

Line 1. Amounts in Bill: Revenue reductions for Fiscal Year 1982 in H.R. 4242.

Line 2. Prior Action: Revenues legislation is reported by the Ways and Means Committee in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. Resolution Assumption: the target for revenue reductions in the First Budget Resolution.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the Fiscal Year 1982 Budget Resolution on which action has not yet been taken by the Ways and Means Committee.

Line 7. Over (+)/Under (−): line 5 plus line 6.

H.R. 4169, FISCAL YEAR 1982 DEPARTMENT OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY AND RELATED AGENCIES

This bill is on target for discretionary spending.

Staff analysis

Committee: Appropriations.

Subcommittee: Commerce, Justice, State, Judiciary.

Chairman: Mr. Smith (Iowa).

Ranking minority member: Mr. O'Brien (Illinois).

Scheduled: Wednesday, July 29, 1981.

I. Description of bill

This bill provides funds for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for fiscal year 1982.

The bill as a whole is equal to the 302(b) target for this subcommittee in budget authority and $18 million below in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are "fully funded", the subcommittee could be over its targets by $129 million in budget authority and $101 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts now yet considered is equal to its 302(b) target for discretionary budget authority and under its outlay target by $253 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	8,592	6,600
2. Prior action		
3. Total action to date	8,592	6,604
4. 302(b) target	8,592	6,853
5. Over (+)/Under (−)		−253
6. Amounts assumed but not yet considered		
7. Over (+)/Under (−)		−253
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	163	156
9. Prior action		3,157
10. Total	163	3,313
11. 302(b) target	163	3,078
12. Over (+)/Under (−)		+235
13. Supplemental amounts needed	129	124
14. Over (+)/Under (−)	+129	+359

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of *where* a particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line item assumptions in the Budget Resolution are *not binding* on a committee. A list of the major areas where this bill differs from the Budget Resolution follows:

Department of State's conduct of foreign affairs is below Resolution assumptions by $64 million in budget authority and $29 million in outlays.

International Communications Agency radio facilities is below Resolution assumptions by $56 million in budget authority.

Economic Development Administration (EDA) assistance program is above Resolution assumptions by $157 million in budget authority and $3 million in outlays.

Small Business Administration (SBA) disaster relief fund is above Resolution assumptions by $87 million in budget authority and $25 million in outlays.

Payment to the Legal Services Corporation is above Resolution assumptions by $141 million in budget authority and $107 million in outlays.

Office of Justice Assistance Research and Statistics is above Resolution assumptions by $74 million in budget authority and $14 million in outlays.

Amounts assumed in the Budget Resolution but not yet considered (line 13) consists entirely of funding for the October 1 pay raise. It is this item which causes the mandatory total to be exceeded; the target seems not to make an allowance for this pay raise.

V. Comparison with the President

This bill is below the President's requests for discretionary items in the bill by $5 million in budget authority and $251 million in outlays.

VI. Credit

The Budget Resolution contains non-binding targets for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program limitations. For comparative purposes only, the table below shows the bill and First Budget Resolution assumptions.

	Direct load obligations	Primairy guarantee commitments	Secondary guarantee commitments
1. Credit program in the bill			
2. Limits assumed in the Budget Resolution not acted upon in the bill	985	7,464	
3. Credit programs not subject to limit	[1] 588	[1] −1,996	
4. Total in bill	1,573	5,468	
5. Budget Resolution assumptions	1,280	7,169	
6. Over (+)/ Under (−)	+293	−1,701	

[1] Committee report language provided a rationale for increasing or decreasing estimates of credit programs not subject to limit.

The Commerce-Justice-State Subcommittee included no credit limitations in this bill. All of the differences in this subcommittee allocation from the Budget Resolution involve SBA programs. Comments on the differences included in the report are summarized below:

Disaster loan fund is estimated to support $734 million in new direct loans from $87 million in new capital appropriated, repayments, carryover and sale of assets. The resolution included a proposed limitation of $440 million for disaster loans.

Pollution control equipment contract guarantees were increased by the Omnibus Budget Reconciliation Act of 1981 to $250 million, an amount above both the President's budget and the amount currently authorized for the program.

Business loan and investment fund guarantees are assumed in the report language to be at the level requested by the President. The report states that limitation "language is not necessary since these levels are consistent with the revised authorization for SBA for fiscal year 1982 contained in the Omnibus Budget Reconciliation Act of 1981 as passed by the House."

Surety bond guarantees are assumed in the report to be at $1.2 billion. Again, the Committee did not include a limitation since the program level was consistent with the revised authorization in the Omnibus Reconciliation Act of 1981.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary fiscal year 1982 appropriations in H.R. 4169.

Line 2. Prior action: the fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 minus line 13.

H.R. 4209, FISCAL YEAR 1982 DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.
Subcommittee: Transportation.
Chairman: Mr. Benjamin (Indiana).
Ranking minority member: Mr. Coughlin (Pennsylvania).
Scheduled: Wednesday, July 29, 1981.

I. Description of bill

This bill provides funds for the Department of Transportation and related agencies for fiscal year 1982.

This bill as a whole is *under* the 302(b) targets for this subcommittee by $734 million in budget authority and $42 million in outlays (the sum of lines 5 and 12 below). If amounts assumed in the Budget Resolution but not yet considered are added, and mandatory programs are fully funded, the subcommittee could be under its targets by $675 million in budget authority and $15 million in outlays (the sum of lines 7 and 14).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has *two* targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Their target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill plus discretionary amounts not yet considered is *below* its 302(b) target for discretionary action by $734 million in budget authority and $149 million in outlays.

III. Summary table

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for discretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	10,598	6,561
2. Prior action	.....	.....
3. Total action to date	10,598	6,561
4. 302(b) target	11,332	6,710
5. Over (+)/Under (−)	−734	−149
6. Amounts assumed but not yet considered	.....	.....
7. Over (+)/Under (−)	−734	−149

III. Summary table—Continued

[In millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	337	332
9. Prior action	166	13,200
10. Total	503	13,532
11. 302(b) target	503	13,425
12. Over (+)/Under (−)	.....	+107
13. Supplemental amounts needed	59	57
14. Over (+)/Under (−)	+59	+164

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of *where* a particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line-item assumptions in the Budget Resolution are *not binding* on a committee. Although within the totals requested by the Administration and assumed in the Budget Resolution for this bill, the bill makes several changes among funding priorities including:

Reduction of $119 million in budget authority and an increase of $40 million in outlays for Federal Railroad Administration rail service assistance program.

A reduction of $420 million in budget authority and $320 million in outlays for the purchase of Consolidated Rail Corporation (ConRail) securities. The Committee has not received a budget request nor does it recommend additional funding to support the operation of ConRail; the Committee anticipates that $242 million of the $485 million appropriated for operating expenses in fiscal year 1981 will be sufficient to finance operations through fiscal year 1982.

An increase of $97 million in budget authority and $152 million in outlays for AMTRAK.

An increase of $36 million in budget authority and $385 million in outlays for Urban Mass Transportation Administration (UMTA).

An increase of $200 million in budget authority and $33 million in outlays for interstate highway transfer grants.

A decrease of $215 million in budget authority and $32 million in outlays for the Appalachian highway system which is maintained in the Energy and Water Appropriation bill.

A decrease of $96 million in budget authority and $21 million in outlays for the facilities and equipment aviation account.

For mandatory items, the bill plus assumed "full funding" of mandatory items would be over its budget authority target only because the target seems not to make an allowance for the civilian agencies pay raise that will become effective this October.

V. Comparison with the President (discretion amounts only)

This bill is below the President's requests for discretionary items in the bill by $7 million in budget authority and over by $12 million in outlays.

VI. Credit

The Budget Resolution contains only *nonbinding targets* for credit program amounts. This is the first year that there has been a credit scorekeeping system. There is no 302(a) and 302(b) allocation for credit program annual limits. For comparative purposes only, the table below shows the bill and the First Budget Resolution assumptions.

[In millions of dollars]

	Direct loan obligations	Primary guarantee commitments	Secondary guarantee commitments
1. Credit progam limits in the bill	.....	445	3
2. Limits assumed in the Budget Resolution not acted on in the bill	.....	.....	.....
3. Credit programs not subject to limit	291	−291	.....
4. Total in bill	291	154	3
5. Budget Resolution assumptions	291	129	3
6. Over (+)/Under (−)	.....	+25	.....

The Transportation Subcommittee total limitations proposed for guarantee programs (in the bill) exceed the Budget Resolution by $25 million. The Transportation Subcommittee set limitations for guarantee programs that differed from the resolution as follows:

Aircraft purchase loan guarantees are limited to $125 million, $75 million above the resolution, but a 50 percent cut from the 1981 level. The Committee expressed concern that an abrupt termination of the programs would adversely affect carriers which had made investments based on the availability of guarantees.

Railroad rehabilitation and improvement financing fund guarantees are limited to $270 million, $50 million below the resolution. The Committee noted that the largest pending loan guarantee application had been withdrawn.

VII. Amendments

None are certain to be offered.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary fiscal year 1982 appropriations in H.R. 4209.

Line 2. Prior action: the fiscal year 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/Under (−): line 5 plus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

Line 9. Prior action: outlays from budget authority enacted for years prior to fiscal year 1982, plus any permanents assigned to the Appropriations Committee.

Line 10. Total: line 8 plus line 9.

Line 11. 302(b) target: the target for mandatory amounts for this subcommittee set by the Appropriations Committee. The target set by the Appropriations Committee includes the effect of assumed authorizing

legislation that would change the level of mandatory programs.

Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 plus 13.

H.R. 4241, FISCAL YEAR 1982 MILITARY CONSTRUCTION APPROPRIATIONS

This bill is under its targets for discretionary spending.

Staff analysis

Committee: Appropriations.
Subcommittee: Military Construction.
Chairman: Mr. Ginn (Georgia).
Ranking minority member: Mr. Regula (Ohio).
Scheduled: Wednesday, July 29, 1981.

I. Description of bill

This bill provides funds for military construction for fiscal year 1982.

The bill as a whole is *under* the 302(b) targets for this subcommittee by $1,114 million in budget authority and $396 million in outlays (the sum of lines 5 and 12 below).

II. Comparison with target for discretionary appropriations action

Pursuant to the Budget Act and HBC scorekeeping, the subcommittee has two targets: one for discretionary programs and one for mandatory programs. Since the Appropriations Committee is bound by existing entitlement law, it generally cannot effectively change the amounts required for the funding of mandatory programs. Its target for discretionary programs is therefore the main focus for this Early Warning report. Further, if the conference report on this appropriation bill exceeds the target for discretionary budget authority, the bill will be subject to the "delayed enrollment" provision of Section 305 of the fiscal year 1982 First Budget Resolution. As shown on line 7 below, the bill is under its targets for discretionary action by $1,114 million in budget authority and $196 million in outlays.

III. Summary table

[in millions of dollars]

	Budget authority	Outlays
The amounts shown below are only for dicretionary 1982 spending in this bill:		
1. Discretionary amounts in bill	6,900	1,642
2. Prior action	.....	.....
3. Total action to date	6,900	1,642
4. 302(b) target	8,014	1,838
5. Over (+)/Under (−)	−1,114	−196
6. Amounts assumed but not yet considered	.....	.....
7. Over (+)/Under (−)	−1,114	−196
The amounts shown below are only for mandatory appropriations included in this bill:		
8. Mandatory amounts in bill	2	2
9. Prior action	.....	2,500
10. Total	2	2,502
11. 302(b) target	2	2,702
12. Over (+) /Under (−)	.....	−200
13. Supplemental amounts needed	.....	.....
14. Over(+) /Under (−)	.....	−200

IV. Explanation of over/under

Despite the fact that the House Budget Committee is unable to give a definitive answer to the question of where a particular bill is over or under its 302(b) allocation, it does compare the items in a bill to the assumptions contained in the Budget Resolution. It is important to note that the line item assumptions in the Budget Resolution are not binding on a committee. A list of the major areas where this bill differs from the Budget Resolution follows:

$522.3 million requested for the MX missile program in fiscal year 1982 for design, construction, land acquisition, and headquarters facilities has been deferred based on the fact that the Administration has not made a decision on the MX system;

$206.3 million has been deleted for Persian Gulf/Indian Ocean construction support operation;

$69.2 million is deleted based on revised regulations implementing the Davis-Bacon Act which are anticipated to reduce construction costs.

V. Comparison with the President

This bill is below the President's requests for discretionary items in the bill by $1,114 million in budget authority and $196 million in discretionary outlays.

VI. Credit

There are no credit items in the bill.

VII. Amendments

None known at this time.

VIII. Definitions of terms in summary table, section III

Line 1. Discretionary amounts in bill: discretionary FY 1982 appropriations in H.R. 4241.

Line 2. Prior action: the FY 1982 budget authority and outlays for this subcommittee that were appropriated in prior bills.

Line 3. Total action to date: line 1 plus line 2.

Line 4. 302(b) target: the target for discretionary appropriations for this subcommittee set by the Appropriations Committee pursuant to the Budget Act.

Line 5. Over (+)/Under (−): line 3 minus line 4.

Line 6. Amounts assumed but not yet considered: these are amounts assumed in the fiscal year 1982 Budget Resolution for which funding has been deferred by the Appropriations Committee, probably until next Spring's supplemental appropriation bill.

Line 7. Over (+)/ Under (−): line 5 minus line 6.

Line 8. Mandatory amounts in bill: funding for mandatory programs (entitlements).

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Line 12. Over (+)/Under (−): line 10 minus line 11.

Line 13. Supplemental amounts needed: amounts for any new entitlement legislation assumed in the Budget Resolution, for the October 1 pay raise, and to fund mandatory items in the bill at the level estimated in the Budget Resolution.

Line 14. Over (+)/Under (−): line 12 minus line 13.●

THE REPUBLICAN AND DEMOCRATIC TAX PROPOSALS—A COMPARISON

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. CARMAN) is recognized for 30 minutes.

Mr. CARMAN. Mr. Speaker, last night President Reagan spoke to the Nation and explained the details of his tax proposals. Six months ago his economic plan for recovery was outlined. He said that we needed substantial budget cuts, substantial tax relief, and substantial relief from overregulation.

The President's bipartisan tax proposal provides for a 25-percent, across-the-board reduction in individual income tax rates over a 3-year period. The O'Neill Democratic plan provides for individual tax rate reductions at 15 percent over a 2-year period.

There can be little argument that a 25-percent reduction is superior to a 15-percent reduction.

After the speech of the President last night, the Speaker of the House of Representatives indicated that only those who earn over $50,000 would benefit in any substantial way from the President's bipartisan tax bill. Clearly this is not so.

A taxpayer who earns $15,000 will save $2,093 under the President's bill; he will save $1,755 under the Democratic O'Neill bill. This runs between 1982 and 1986. There is a $388 difference which will accrue to the benefit of the $15,000 taxpayer.

The $20,000 taxpayer will save $3,286 under the President's proposal and $2,803 under the proposal of the Democratic O'Neill legislation, for a total amount of $478 which would be saved.

Insofar as a $25,000 taxpayer is concerned, $4,729 would be saved for that taxpayer under the President's legislation and $4,222 would be saved under the O'Neill legislation, for a difference of $507.

For the $30,000 taxpayer, there will be a saving of $6,633 under the President's proposal and a saving of $5,717 under the O'Neill proposal, for a net saving of $916.

Where we have a $40,000 taxpayer, under the President's program, $10,982 would be saved by the taxpayer, and under the O'Neill Democratic program it would be $7,123 that would be saved, for a net of $3,859 that would be saved by the taxpayer.

Insofar as the $50,000 taxpayer is concerned, he would save $15,770 under the President's program and $7,928 under the O'Neill Democratic program, for a $7,842 difference in the savings.

It is respectfully pointed out to every Member of this House that the President's program will reach every

one of the middle American taxpayers who so desperately need to have tax relief.

There is another irony, it seems to me, in regard to the Democratic proposal, and that is this: The Democratic proposal seems to favor big business, and by that I mean the large corporate entities in this country. Its ultimate impact will provide that for taxpayer income between $200,000 and $1 million, those corporate taxpayers will receive a $30,000 benefit, and for every single increment in taxpayer income above that, for every single additional $200,000 to $1 million, there is an additional $30,000 for those people in tax savings. And we all know who earns that kind of money.

Under the President's proposal, the reductions will be for the smaller business people on a corporate level at 1 percent in 1982, if my recollection serves me properly, and it will be 1 percent thereafter.

I would also like to point out that the President's program provides for substantial relief for the middle American taxpayer, the individual who is really paying the rates, because it is not just 25 percent across the board but it also is tied in with indexing, which means it is a permanent tax relief, a measure which I think is very, very important to every single individual in this country.

□ 1920

All of those savings that I have described just a few moments ago will provide additional income for our taxpayers, additional income that I believe is sorely needed by everyone who was recited in those various brackets.

I would also like to point out that the President's tax package gives relief for the marriage penalty. It takes care of very, very significant problems with the foreign earned income difficulties, that is to say it provides for an exemption for the first $95,000 of income that is earned overseas and excludes for excess housing costs a maximum exclusion up to $75,000 in 1982 and will be phased up to $95,000 thereafter in $5,000 increments. This certainly has to help our ability to compete overseas.

The President's program, in addition, provides on the sale of a taxpayer's principal residence that the rollover provision up to 24 months, that is to say how long a homeowner must hold on to his property, will be increased for a maximum exclusion for taxpayers aged 55 or over up to $125,000.

The last part that I think I would like to make mention of is this, that insofar as the holding period is concerned for long-term capital gains, the holding period is reduced under the President's program from 12 months to 6 months. Clearly, the impact of this allowance has to be remarkably stimulative for business.

The President's program is one of hope, one that offers productivity and incentive, one that offers us the opportunity to make sure that the economic recovery program works.

I sincerely hope that no Member of this House will do anything to scuttle this program, which is so vital for our domestic policy and which is so vital to make our foreign policy effective by keeping America strong at home.

Mr. LUNGREN. Mr. Speaker, will the gentleman yield?

Mr. CARMAN. I yield to the gentleman from California.

Mr. LUNGREN. Mr. Speaker, I congratulate the gentleman for his special order and pointing out some of the differences between the bipartisan Conable-Hance bill and that presented to us by the Ways and Means Committee.

I think it is instructive to note that contrary to a "Dear Colleague" letter that was going around today, authored by one of the members of the Ways and Means Committee on the other side of the asile claiming that the study done, actually two studies done by the Congressional Reference Service, support the Ways and Means Committee bill. Actually, those reports do not support the Ways and Means Committee bill. The conclusions of those two reports are very much along the lines suggested by the gentleman, that is, if you take a 2-year analysis of the two bills, you will find that everyone over $35,000 does better under the President's bipartisan proposal and they are under the Ways and Means Committee proposal, not $50,000 as suggested by the Speaker of the House yesterday; but more importantly, if you take the third year which, of course, is in fact what we will be voting on tomorrow, which is, in fact, the President's proposal, if you take the full force of the President's 3-year proposal versus the actual 2-year proposal of the Ways and Means Committee, every single wage category, every single earnings category above $10,000 does better under the President's proposal than they do under the proposal by the Ways and Means Committee. Those people who earn $10,000 or less do only slightly better under the Ways and Means Committee bill. As a matter of fact, it is only in the nature of $35.

As you go out from the years beyond that, the margins are even far greater, because as the gentleman has suggested, we have indexing which means these are permanent tax cuts not temporary illusory tax cuts as presented to us by the Ways and Means Committee bill.

So I think the gentleman has done a service to those us in the House in making a record of the fact that it is not a question of a rich man's tax cut, but it is a question of whether the average man and woman in America are going to get any tax cut at all, or whether they are going to be denied a tax cut and, in fact, be given an effective tax increase as presented to them by the Ways and Means Committee bill.

I think we ought to cite the Congressional Reference Service, which is not a part of the Republican party or the Democratic party or a part of the administration, as a source of information and analysis in looking at the two bills and their impact on the average working man and woman in America, because the criticism leveled yesterday by certain leaders on the other side of the aisle against the President's proposal were, in fact, misleading, whether intentional or not and, in fact, they gave the American people a misimpression that somehow those making between $10,000 a year and $50,000 a year would be better off under the Ways and Means Committee bill. That simply is nonsense. It is not true and we had better make it very clear, so that the debate tomorrow is not cluttered up with misinformation; not cluttererd up with some sort of attempt to cloud the issue.

Let us make the issue very, very clear. Do you want to give every working man and woman in America a tax cut that they deserve or do you not?

It really should not surprise us that the Ways and Means Committee leadership, the handpicked leadership of the Speaker of the House, should not want or be in favor of a tax cut for the American people, since they fought us on it during the election period, since they criticized the President for presenting it when he was a candidate, since they suggested it was highly inflationary and impossible for us to accept, since they originally said, "Fine, we will give you a real small 1-year tax cut," then begrudgingly said, "We will give you a 2-year cut," then begrudgingly said, "We will give you a 2-year cut with a trigger for a third year."

And it is a trigger on a gun that will never be fired; so it really should not surprise us that the real essence of the debate tomorrow should be and in actuality is, do the American people in fact deserve a tax cut and, if so, are we going to give it to them?

The last thing I would say on that is, it seems rather strange that the Ways and Means Committee bill says that we can give business tax cuts for the next 7 years, but we cannot afford to give the American taxpayer, the individual taxpayer, a 3-year tax cut, because somehow we cannot afford to allow that to be done so far in the future.

So the gentleman is absolutely correct in pointing out that what we are going to deal with tomorrow is a very fair tax cut bill presented by the Presi-

dent of the United States that deals with the tremendous problem of bracket creep and the tremendous problem of a sluggish economy brought on by a number of factors, one of which, and most importantly, is overtaxation and oppressive taxation by the Federal Government.

I think the gentleman has made that case very, very well, and I thank him for the time.

Mr. CARMAN. I thank the gentleman for his comments. I think he has put it very, very well.

This country does not want a tax cut. It needs a tax cut. We must have the tax cut in order to make the economic policy of the President of the United States and, indeed, the Federal Government work. Without that kind of tax cut this country simply will not be able to have the kind of economic recovery that it needs to insure domestic stability, as well as a sound foreign policy abroad.

STROM THURMOND: A LEGEND IN HIS OWN TIME

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from South Carolina (Mr. NAPIER) is recognized for 10 minutes.

Mr. NAPIER. Mr. Speaker, on May 19, 1981, I attended a reception-dinner at the Sheraton-Washington Hotel, honoring Senator STROM THURMOND, chair and scholarships in law at the University of South Carolina School of Law.

Sponsored by the leadership of the U.S. Senate from both sides of the aisle, it was an evening to remember. Well over 500 friends of Senator THURMOND contributed more than a quarter of a million dollars to the law school, and, together with funds previously raised by friends in South Carolina and elsewhere, the overall goal of a half million was realized and exceeded.

Political parties were forgotten. It was a special night when friends from both parties in the Senate paid tribute to their STROM THURMOND.

Having known and admired Senator THURMOND for many years, I have observed his leadership firsthand. An uncommon man of the people who elected him for so many years, he is a man of principle, a man of honor, and a man of integrity. Several of his friends spoke glowingly of Senator THURMOND on his night. They spoke of many of his achievements. There are many reasons this man was honored by the leadership of the U.S. Senate, the University of South Carolina, and his friends. Those of us from South Carolina, in sharing him with the Nation, can point with pride to still other honors, not mentioned that evening, he has brought to our State. Senator THURMOND is only the fourth South Carolinian in the history of our Republic to be elected as President pro tempore of the U.S. Senate. When he was elected earlier this year, it had been over 160 years since the last South Carolinian, John Gaillard, relinquished his duties as President pro tempore in 1818. Senator STROM THURMOND is the third South Carolinian in the history of our Republic to be elected by his colleagues in the Senate as chairman of the Committee on the Judiciary. It has been over 120 years since a South Carolinian had chaired this very important committee, when Senator THURMOND became Chairman THURMOND, at the beginning of the 97th Congress. Looking at the distinguished career and service of this humble, yet great man, it is not surprising that STROM THURMOND has become a legend in his own time.

I wish to insert into the RECORD the remarks of Senator HOWARD BAKER, JR.; Senator ROBERT C. BYRD; Senator PAUL LAXALT; Senator ERNEST F. HOLLINGS; President James B. Holderman of the University of South Carolina; Mr. Mark Wilhelmi, president of the Student Bar Association, School of Law, University of South Carolina, and the response of Senator THURMOND:

REMARKS BY SENATOR HOWARD BAKER, JR.

I would like to take just a moment to tell you something of my impressions and knowledge of Strom Thurmond. Strom is not only a fixture on the American political scene, he is not only an innovator of the politics in the 20th century, he has not only contributed perhaps more than any other living American to the evolution and development of two party competition in the South and Southeastern United States, but he is also a man of courage and integrity. He has served his State well. He has contributed much in the past and has yet to contribute to the future development of the American Republic. He has never done so with greater eagerness, dedication, determination as he does as the Senior Senator of the Senate of the United States as the President Pro Tempore. He is a man of great distinction, but perhaps more importantly, he is a man of great compassion and understanding. He treats every Senator as his equal—as his colleague, his friend, and his companion. He discharges his obligations with clarity. His singleness of purpose, and of equity, apply to all. My friends, it is a great honor for me to participate in this program this evening, when we assure that the political tradition of Strom Thurmond will be perpetuated in the instruction of our young men and women at a great institution of learning, the Law School at the University of South Carolina.

The Thurmond Chair will be a reminder to generations yet unborn that no politicial challenge is beyond the scope of a man of dedication. It will be a reminder, I am sure, that a man who has convictions and principles can aspire to accomplish not only his own electoral success, but also can change the fundamental way the political course in the mainstream events in the whole region occur. By his service and example, he can indeed contribute in the enfoldment and development of this nation for the years ahead, more so perhaps than any other person that I know or any other member of the Senate. I am sure historians of the future will look back on Strom Thurmond's public service and say here is a man who has contributed not only himself, not only his experience, his vision, his dedication, but most of all his confidence that the American Republic has her time of greatness before it and not behind it.

My friends would you join me in paying our respects to a great American, the man to who we do honor tonight at this celebration, Strom Thurmond.

REMARKS BY SENATOR ROBERT C. BYRD

Howard is serving truly with great distinction—he is a fine Majority Leader and he is also a gentleman, which makes serving with him a joy.

Aristotle said, "Law is order and good law is good order." From that viewpoint the law stands against chaos. It possesses a being and a will of its own. It is objective, it is eternal. A man who would know the blessings of the law must serve it persistently, faithfully, and obediently. Strom Thurmond is such a man.

For more than a half a century, he has spent most of his public and professional career in some phase of law. As a judge, he interpreted the law. As governor, he applied the law. As a lawyer, he served it. And for more than a quarter of a century in the Senate, he has served as a legislator, and he has helped to inscribe it. Honoring Strom Thurmond by establishing a law professorship and scholarships in legal study is therefore an appropriate means for remembering his contributions to society.

As few men have in our time, Strom Thurmond has been an advocate of the law—a bulwark of civilization and sanity against many modern forms of barbarism, license and violence. At times his insistence on the objective nature of the law was not appreciated by some. Instead of allowing sound legal principles to shape society, some have attempted to bend the law to fit the whims of a few. As a result, sentimentality has sometimes thwarted justice, and carelessness has masqueraded as compassion. In a society as diverse as our own, our liberties largely depend on self-discipline. Men who demand rights must also accept responsibilities. Men who want freedom must likewise learn restraint. Certainly, we are all unique individuals with different potentials and interests, but we only enjoy individual fulfillment in cooperative and respectful community with other people. Throughout his career, Strom Thurmond has never forgotten these principles. While he has continually voiced opinions favored by South Carolinians, in the process he has echoed many national sentiments as well. Moreover, while he has consistently grown with the times, he has never outgrown the constitutional values that first brought him to national prominence. He has certainly influenced our era.

I have enjoyed Senator Thurmond's friendship since 1959. In the time, he has given me many reasons to admire him. I especially envy his apparently endless youth combined with his sage maturity.

Tonight, therefore, I join all of you in paying tribute to this legendary statesman, distinguished colleague, and good friend, and I thank you for honoring him as you have with special gifts to the University of South Carolina Law School. Above all, I thank the people of South Carolina for sharing with the rest of us for so many

years the talents and abilities of one of its most outstanding citizens.

REMARKS BY SENATOR FRITZ HOLLINGS

Thank you Mr. Leader, Mr. Chief Justice, Mr. Attorney General, Senator Thurmond and Nancy, my distinguished colleagues from the Senate and House. In fact, I know Strom will be thanking you, but I would like to say categorically for South Carolina we are in high cotton here tonight.

This is quite a crowd. I never knew there were this many people interested in voting rights and busing in my life. I thought when I stayed off the Judiciary Committee that I had done the right thing, but I better take a better look and see what you've got going, because I have never seen such a distinguished group.

In addition to our friends in the Congress and executives of industry, we have our good friend, Secretary Edwards from South Carolina, and our Governor wanted to be here. I was asked to read this telegram:

"I wish I could be with you this evening in establishing the Storm Thurmond Chair and Scholarships in Law at the University of South Carolina. It is certainly a deserving recognition. Please accept my best wishes for a delightful evening."—Richard W. Riley, Governor of South Carolina.

Strom, I want to be first—because of all of the things which have been said much more eloquently—but even George Washington, first in law, and first in peace, married a widow. The other day I must say that Strom called me and I had just become a grandfather and he said, "Fritz, I want to congratulate you. I never knew you were that old." I said, "Strom, I've been waiting 30 years to do something you couldn't do." Now I am first.

The other night we had a party at the Organization of American States and this very stern dowager came up to one of the Latin American ambassadors and said, "Mr. Ambassador, bullfighting is the number one sport in your country. I think that's revolting." The Ambassador turned right quickly and said, "Madame, you're wrong on two scores. First, bullfighting is our number two sport and it's not revolting—that's our number one." I thought that was very fitting for the evening since Strom Thurmond's been revolting all these years since 1948. (Turning to Sen. Baker) You said he started the two party system. This fellow started the four party system and you better watch your mob too, because he'll start a fifth party if you don't do right.

In 1948, as George Wallace, said later, "there wasn't a dime's worth of difference" and Senator Thurmond ran as a presidential nominee in that third party winning four states—39 electoral votes. And therefore in 1954, he revolted against committee selection for the nominee for the United States Senate and set history by winning on a write-in, which had never happened in this country before, and he was written in as a United States Senator from South Carolina. Then in 1964, he saw that the Republican party was the party of the future and he revolted and he's been dead right. He's had the majority in the White House since that time and now he sits as President Pro Tempore of the Republican Senate. In each of these occasions and every other occasion, Strom has done it with tremendous courage and tremendous conviction—and as a leader.

We hear now so much about leadership and people not trusting politicians any more. I think people who say they do not trust politicians any more are waiting for politicians who will behave like they trust the people. I guess that has been a cardinal principle of Strom throughout his 52 years of public service. Many of the critics would say that if he makes up his mind you will never change it. You might as well leave him alone. He is blind and you cannot change him. But for 52 years in that "crucible of political fire" that John Kennedy talked about Strom was steeled and tried, and the people found that it was his critics who were blind and that Strom could see very well.

I remember once in presenting President Hoover to the Corps of Cadets that he started off addressing the corps by saying, "My fellow students, as long as you continue to be a student and continue to learn, you will continue to live." I noticed in the front of the program that it says Strom is forever young and forever a student. He has learned that secret, and that is why he stays young. And that is why he has dedicated himself to the education of our youth. As Diogenes said, "The foundation of any nation rests upon the education of its youth." Strom over the last dozen years has given our youth numerous scholarships to colleagues, to young and deserving students throughout the State of South Carolina. He now comes to the School of Law and honors it. It was Holmes who said, "the Labor of law is not logic, but experience is learning." We in this Club—and we are a family, Howard—have learned just that secret. Every time a pay bill comes up we sort of smile to ourselves, because the real pay is in being in this family, in this greatest of all post-graduate courses in the world, the United States Senate. It is a learning process, Strom, to honor the Chair in the School of Law and continue the great contribution you have made here tonight with this magnificent group of friends. You have really contributed to education, which is really more than to be honored. When you educate children, it is a greater honor than those who produce them, because they only give life. For those who educate, give the art of living.

We in South Carolina are extremely proud of our leading citizen who for so many years has had the courage to take a stance as he has and end up young, end up learning and end up leading.

REMARKS BY SENATOR PAUL LAXALT

I have the distinct honor and pleasure tonight to bring to you two communications from two rather distinguished Americans. Firstly:

"DEAR MR. PRESIDENT PRO TEMPORE, MR. CHAIRMAN, SENATOR, GENERAL, JUDGE, COUNSELOR, AND MY FRIEND STROM: I am so sorry that I cannot be with you and your distinguished friends this evening. As you know, I have had a commitment for some time which I could simply not reschedule. There's no reason for me to go on about why you are so deserving of this honor. Your record of service to South Carolina and the nation surely speaks for itself. As lawyer, judge, Governor, and United States Senator, you have consistently distinguished yourself as a good man and a great leader. I heartedly commend the University of South Carolina for honoring you in this most worthwhile manner.

"Congratulations, Strom. I look forward to working with you in the weeks and months ahead.

Sincerely,

GEORGE BUSH."

Lastly, from the White House, Washington, May 18, 1981:

"DEAR STROM: Nancy and I are very proud to extend our congratulations on the great honor which the University of South Carolina pays you with the Strom Thurmond Chair of Law. We know how proud this honor makes you and are delighted to join your family, friends and colleagues in this tribute.

"With warm personal regards and again congratulations, my friend.

Sincerely,

RONALD REAGAN."

REMARKS BY DR. JAMES B. HOLDERMAN

Please allow me to bring this evening the great gratitude and heartfelt warmth of the people of the University of South Carolina to you. By honoring our distinguished Senator as you do, you honor—and substantially aid, I might say—our University. Your assistance to the Strom Thurmond Chair and Scholarship Fund at our College of Law will help us make the strides to assure the continuing excellence of our program. There is absolutely no challenge, no question to the assertion that we are the best law school in South Carolina—we are the only law school in South Carolina. We take that role and mission very seriously. Because we are singular, the only place in our State where the probing intellects of those who aspire to the law can be served, we have a special obligation to be in competition with ourselves. We cannot permit mediocrity nor afford only to be good. Our corner on the market requires us to assure high quality, excellence, superior faculty, extraordinary facilities, outstanding students. Your contributions generously given make all that possible. I thank you.

I thank you for helping us, too, in honoring one of the greatest friends Carolina has known, Despite his early transgression of attending Clemson as an undergraduate, he has, and I can so say by a vote of our Board of Trustees officially, more than redeemed himself. He is our great and personal friend and the University is also determined to name the auditorium in the College of Law the "Storm Thurmond Auditorium."

His life, vibrant and dynamic as it continues to be, is so intertwined with the history of his State, present and future, that the two are virtually indistinguishable. Emerson has observed with his own special eloquence that "there's properly no history, only biography." Senator Thurmond is a living manifestation of that axiom. His life, his tremendous contributions, reflect the story of South Carolina: Its growth, its progress, its readiness for the 80's, its constant sense of renewal, its determination. In so many ways South Carolina and Strom Thurmond are one and the same. It is a personal privilege to witness this phenomenon up close and as a recent arrival on the scene—and understand four years is only a millisecond in South Carolina history—it holds a special significance.

Tonight, too, is historic for another reason. A venerable institution—members of the United States Senate founded in 1789, honoring an institution in his own right—Strom Thurmond—founded in 1902, for the benefit of an institution—the University of South Carolina—founded in 1801. Senator Thurmond finds himself on perhaps this rare occasion as the youngster in the group. As a student of the first of these institutions, and a friend and admirer of the second, and a servant of the third, I thank you for the privilege of being here and for your tremendous support and generosity,

and offer our sincerest congratulations to you, Senator Thurmond.

REMARKS BY MARK WILHELMI

As Senator Baker said, I am Mark Wilhelmi, a student of the University of South Carolina School of Law. I am what you might say the final product of where all your generosities and Senator Thurmond's generosity goes tonight.

We are awfully proud of our Law School and of our University. I must say that through the efforts of Dr. Holderman, who as the President of our University in the past few years, has literally put South Carolina on the map as a leading institution and as a great university. I would also like to say that our new Dean, Dean Harry Lightsey, Jr., who has become our Dean in the past year, has by far accomplished more in one year being Dean than previous deans have done in ten years. The students appreciate that. I would like to introduce Dean Lightsey, if he would please stand up.

Obviously, all the money that is given tonight at this dinner goes to students at the University of South Carolina. I thought it would be appropriate if I read a dedication written by a student of the University of South Carolina who is a recipient of one of the scholarships of the Strom Thurmond Scholarship Fund. If I may, I would like to read that right now:

"Words are unequal to the task of expressing our appreciation for a lifetime of public service, contribution, and dedication to the aid of fellow citizens. Through this modest medium, however, we attempt to convey some semblance of the esteem in which you are held. As a soldier, attorney, judge, distinguished statesman, and the President Pro Tempore, you exemplify the epitome of success. Your generosity in contributing to and supporting the cause of higher education in South Carolina—and particularly the University of South Carolina School of Law—has never waivered in the face of your many accomplishments. Indeed it parallels the achievements you have attained as our Senior Statesman. We, as recipients of much of your support, find the opportunity at hand appropriate for expressing our thanks. A simple thank you for the past and continued support seems insufficent to convey the depth of our gratitude in the face of all you have done. Your support has literally spanned generations, and countless students have received direct and indirect aid at your bequest. Yet "thank you" conveys as simply as possible the sum total of all of our feelings. Its eloquence is conveyed by its plainness and it loses nothing in this translation. We thank you then, Senator J. Strom Thurmond, for your past generosity, dedication of time and effort, and support of our commitment to quality legal education. Perhaps, though, these words were doomed to fail in achieving the task to which they are set. We may never be able to thank you enough. We can and do, through joining in honoring you, by helping to perpetuate through the J. Strom Thurmond endowment the memory of your achievements and service."

This was written by a second year student at the University of South Carolina School of Law, John Sowards.

Now on behalf of all the students of the University of South Carolina, I would like to present a plaque which was made to honor Senator Thurmond. If you would stand, Senator Thurmond, I will read it to the audience:

"We the law students of the University of South Carolina wish to express our deep appreciation to Senator Strom Thurmond for his many generous contributions and assistance to us in pursuit of our legal studies. As a distinguished educator, soldier, attorney, judge, statesman, and President Pro Tempore of the United States Senate, he exemplifies the epitome of dedicated public service by his constant and unwavering concern for his fellow citizens. Our respect and esteem for him are immeasurable. Our gratitude and praise are unequal. We take pride in honoring him for his numerous achievements.—The students of the University of South Carolina School of Law."

RESPONSE BY SENATOR STROM THURMOND

I am indeed honored on this occasion. I feel very humbled by what has been said this evening. I only wish my parents could have been living and been here tonight. My father would have been amused, and my mother would have believed every word of it.

Please permit me to thank you, Senator Baker, for acting as the presiding officer here in such an eloquent style. I have frequently said that Howard Baker is the most articulate man in America, and I am sure you agree after tonight. He may be President yet.

Senator Byrd, I appreciate your kind words. Coming from the Minority Leader, I especially appreciate it. Senator Byrd was born and bred in poverty, and I do not know of a man in America who deserves more credit for making of himself the man he is today than Senator Byrd. I have served with Lyndon Johnson, Mansfield, and all of those fellows, and there sits the greatest "parliamentarian" I have seen in the Senate—Senator Robert Byrd.

I wish to thank Senator Stevens and Senator McClure also for joining in this occasion. The entire Democratic leadership, the entire Republican leadership, and the Vice President joined in inviting us here tonight. I feel deeply honored and appreciate it more than you will ever know.

I especially wish to thank my colleague Senator Hollings. Senator Hollings served in the House in South Carolina, he served as Lieutenant Governor, he served as Governor, and then he came to the Senate. I have frequently told people that he is the best debater in the United States Senate. He is an able man, and it has been a pleasure to serve with him. We do not always vote alike on everything—sometimes he is wrong—but I admire him as a friend, and as a colleague; and Fritz, I appreciate you and hold you in high esteem.

I wish that the other Senators here could have been called on this evening but time, of course, did not permit. I did not arrange the program anyway. Senator Stevens is here, the assistant Majority Leader. I appreciate him as a great Senator who married a lovely woman just a few months ago and Mrs. Stevens is with him tonight.

Mr. Chief Justice, you honor us with your presence. I had the privilege of seeing Charles Evans Hughes preside over the Supreme Court when I was admitted to practice before the Court in 1938. I thought he was the most distinguished man I had ever seen, until you came along. We appreciate you and the great work you are doing.

Mr. Attorney General, I did not know you before you came to Washington, but it has been a great pleasure to work with you. You have proved to be not only an able lawyer but also a keen student of human nature and a true patriot. I am looking forward to great things with you as Attorney General of the United States. We are highly pleased that you are now here in that position.

Now, my friends, I want to first express my appreciation to all of you contributors who are here this evening. You were so kind to take this evening out of your lives and be with us. I know the demands upon you. Anybody who lives in Washington, who is somebody, really has to undergo great sacrifices. We appreciate your presence and your assistance.

I see a great many Senators and House members here, and I would like for them to stand for a minute, unless some of them have gotten tired and gone home. (Pause) If I could have had my way, I would have invited every one of them to speak. After all, these tickets were $500 apiece. However, different companies invited some of these colleagues, and I am delighted they did. I just want you to know that I deeply appreciate the friendship of the Senators and House members present.

We have a distinguished Cabinet member here from my State. He was an able Governor and a strong espouser of atomic energy. He, like I, has not been a favorite of the liberal wing of the press. He is a man with a lot of common sense, made South Carolina a fine Governor and is now making President Reagan a valuable man in his cabinet. You are all going to be proud of him. I refer to my good friend Dr. James B. Edwards, Secretary of the Department of Energy.

I want to express my appreciation to Dr. James B. Holderman, President of the University of South Carolina, for his kind words this evening and also for the great job he has done at the University. He came to us from Illinois—a Yankee. But these Yankees come South and make the best Southerners you ever saw. I am extremely proud of him and what he is doing. When I first met his wife, who is so young and pretty, down on the campus, I thought she was a co-ed.

The Dean of the Law School is a well-educated man. He went to Clemson first, where he got a good start. He later enrolled in law school at the University of South Carolina and made the highest marks of any student who ever attended there. He made the top mark on every subject, in every class, and you have already stood up once, Dean Lightsey, but we will let you stand again and take a bow.

I want to again thank all of you good people here tonight who bought tickets to this event and tell you that every dollar you gave can be taken off your income tax. I bet you that the University of South Carolina Law School will put it to just as good or better use than if it had been paid to the Federal Government.

Now, ladies and gentlemen, we set out to raise half a million dollars, and we are going over the mark tonight, with what we have previously raised. All the funds raised will be invested at interest. The principal will never be disturbed—Dr. Holderman and Dean Lightsey, please do not forget this—and the income from the fund will be used as follows: one-half of it to bring in distinguished professors; the other half to assist needy, worthy law students—they have to be both needy and worthy. Now what could you do with your money that is more important than these noble purposes.

It has been my pleasure—and I have gotten more pleasure out of this than anything else—to contribute honorariums and other funds and induce other people to contribute funds, to the Strom Thurmond Foundation, which helps educate 40 to 60

young people a year and to establish 30 scholarships in 25 different institutions for needy, worthy students. What could a person do that is more important than to assist a young person to improve his education and develop his talent in order to render greater service to humanity and raise his standard of living?

I think God gave everyone a talent. It is a matter of finding that talent and developing it, and eventually the way to develop it will be to continue to study. Education is the hope of the world. The reason we are ahead of the rest of the world in so many ways is because we are living in an atmosphere of freedom and have splendid educational institutions. With such educational opportunities, we are bound to go forward.

I want to tell you contributors, that the University of South Carolina, at this great institution, you have made a good investment. I am sure that it will bring you pleasure in years to come to be able to pass the University of South Carolina Law School and stop and see what they are doing, and to know that you had a big part in it.

The one person who did more in this whole matter, who has not been mentioned tonight, is the Chief Counsel of the Judiciary Committee, who is going to leave to go back to South Carolina to be Associate Dean of the Law School at the University—and I want him to stand—Emory Sneeden.

I am not going to make any long speech, but I am just so happy that you are here. I am grateful that you bought tickets to this event. I am appreciative to the University authorities, to my colleagues and friends here tonight, who said things about me that I do not deserve, but at any rate, I am very thankful for the opportunity to be the honored guest on this occasion. This is just really something for a country boy. I cannot believe it. Well here I am on one side with the Majority Leader of the United States Senate and just two over, the great Attorney General of the United States; and on the other side next to me sits the distinguished Chief Justice and all these other great people. I wonder if I'm dreaming? In closing, I thank you from the bottom of my heart and God bless you.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows to:

Mr. VOLKMER (at the request of Mr. WRIGHT), for July 27 and 28, on account of extensive flood damage in the congressional district.

Mr. FROST (at the request of Mr. WRIGHT), for today, on account of illness.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. WEBER of Minnesota) to revise and extend his remarks and include extraneous material:)

Mr. DORNAN of California, for 10 minutes, today.

Mr. MCCLOSKEY, for 60 minutes, today.

Mr. TAUKE, for 10 minutes, today.

Mr. LENT, for 5 minutes, today.

Mr. DORNAN of California, for 5 minutes, on July 29.

Mr. HARTNETT, for 10 minutes, on July 30.

(The following Members (at the request of Mr. DORGAN of North Dakota) to revise and extend their remarks and include extraneous material:)

Mr. ST GERMAIN, for 60 minutes, today.

Mr. VOLKMER, for 20 minutes, today.

Mr. GONZALEZ, for 15 minutes, today.

Mr. ANNUNZIO, for 5 minutes, today.

Mr. MAZZOLI, for 5 minutes, today.

Mr. JONES of Oklahoma, for 15 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. DASCHLE, on House Concurrent Resolution 160.

Mr. CHAPPELL, to revise and extend his remarks to be placed in body of the RECORD immediately preceding Mr. SANTINI's closing remarks on H.R. 1311.

Mr. FOLEY, immediately preceding the vote of the Latta amendment to H.R. 4121 in the Committee of the Whole today.

(The following Members (at the request of Mr. WEBER of Minnesota) and to include extraneous matter:)

Mr. DORNAN of California in three instances.

Mr. LEBOUTILLIER.

Mr. BEREUTER.

Mr. PARRIS in two instances.

Mr. LEE.

Mr. GILMAN.

Mr. HANSEN of Utah in two instances.

Mr. MCCLOSKEY.

Mr. FIELDS in two instances.

Mr. SMITH of New Jersey.

Mr. NAPIER.

Mr. YOUNG of Alaska.

Mr. DERWINSKI in two instances.

Mr. GUNDERSON.

Mr. PAUL.

Mr. SOLOMON.

Ms. FIEDLER in two instances.

Mr. EMERY.

Mr. SAWYER.

Mr. KEMP.

Mr. RITTER.

(The following Members (at the request of Mr. DORNAN of North Dakota) and to include extraneous matter:)

Mr. PEPPER.

Mr. BRODHEAD in two instances.

Mr. RODINO.

Mr. STOKES in three instances.

Mr. GEJDENSON in two instances.

Mr. STARK.

Mr. GEPHARDT.

Mr. LEHMAN.

Mr. CLAY.

Mr. SIMON.

Mr. APPLEGATE in two instances.

Mr. BREAUX.

Mrs. COLLINS of Illinois.

Mr. LANTOS.

Mr. PEASE.

Mr. BLANCHARD in two instances.

Mrs. BOUQUARD.

Mr. FORD of Tennessee.

Mr. VENTO in two instances.

Mr. FAUNTROY.

Mr. MAZZOLI.

Mr. DYSON.

Mr. SOLARZ.

Mr. MARKEY.

SENATE BILL REFERRED

A bill of the Senate of the following title was taken from the Speaker's table and, under the rule, referred as follows:

S. 736. An act to provide for the control of illegally taken fish and wildlife; to the Committee on Merchant Marine and Fisheries.

SENATE ENROLLED BILLS SIGNED

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 1040. An act to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia; and

S. 1104. An act to amend the International Investment Survey Act to provide an authorization for further appropriations, to avoid unnecessary duplication of certain surveys, and for other purposes.

ENROLLED JOINT RESOLUTIONS SIGNED

Mr. HAWKINS, from the Committee on House Administration, reported that that committee had examined and found truly enrolled joint resolutions of the House of the following titles, which were thereupon signed by the Speaker:

H.J. Res. 84. Joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week"; and

H.J. Res. 191. Joint resolution designating August 8, 1982, as "National Children's Day."

JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. HAWKINS, from the Committee on House Administration, reported that that committee did on this day present to the President, for his approval, a joint resolution of the House of the following title:

H.J. Res. 308. Joint resolution making an urgent supplemental appropriation for the Department of Health and Human Services for the fiscal year ending September 30, 1981.

ADJOURNMENT

Mr. VOLKMER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 30 minutes p.m.) under its previous order, the House adjourned until tomorrow, Wednesday, July 29, 1981, at 9 a.m.

EXPENDITURE REPORTS CONCERNING OFFICIAL FOREIGN TRAVEL

Reports of various House committees, and a delegation traveling under an authorization from the Speaker, concerning the foreign currencies and U.S. dollars utilized by them during the fourth quarter of calendar year 1980 and the first and second quarters of calendar year 1981 in connection with foreign travel pursuant to Public Law 95-384 are as follows:

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON ARMED SERVICES, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981

Name of member or employee	Date		Country	Per diem[1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency[2]	Foreign currency	U.S. dollar equivalent or U.S. currency[2]	Foreign currency	U.S. dollar equivalent or U.S. currency[2]	Foreign currency	U.S. dollar equivalent or U.S. currency[2]
Nonappropriated fund panel staff visit to Germany:											
Cofer, Williston B., Jr	4/20	4/25	Germany	868.00	400.00					868.00	400.00
Transportation, Department of the Army							1,202.00				1,202.00
Waters, James C	4/20	4/25	Germany	868.00	400.00					868.00	400.00
Transportation, Department of the Army							1,202.00				1,202.00
Delegation to Paris Air Show and North Atlantic Assembly:											
Badham, Congressman Robert E	5/28	5/29	Italy	107.970	93.00					107.790	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/1	Hungary	2,265.75	75.00					2,265.75	75.00
	6/4	6/10	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,079.13				4,079.13
Dickinson, Congressman Wm. L	5/21	5/29	Italy	1,066,285	930.28					1,066,285	930.28
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Army							1,044.41				1,044.41
Transportation, Department of the Air Force							2,443.67				2,443.67
Foglietta, Congressman Thomas M	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							1,698.74				1,698.74
Transportation, Department of State							1,272.00				1,272.00
Hillis, Congressman Elwood H	5/28	5/9	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Mollohan, Congressman Robert H	5/28	25/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Price, Congressman Melvin	5/21	5/29	Italy	1,066,285	930.28					1,066,285	930.28
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Army							1,044.41				1,044.41
Transportation, Department of the Air Force							2,443.67				2,443.67
Stratton, Congressman Samuel S	5/21	5/29	Italy	1,066,285	930.28					1,066,285	930.28
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Army							1,044.41				1,044.41
Transportation, Department of the Air Force							2,443.67				2,443.67
White, Congressman Richard C	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/3	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Won Pat, Congressman Antonio B	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Battista, Anthony R	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Bauser, Edward J	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	5/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,670.17				4,670.17
Chase, Allen C	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Cooper Thomas E	5/28	5/29	Italy	107,970	93.00					107,970	93.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Air Force							4,425.17				4,425.17
Ford, John J	5/22	5/29	Italy	839,256	732.00					839,266	732.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Army							1,740.33				1,740.33
Transportation, Department of the Air Force							2,443.67				2,443.67
White, Justus P. Jr	5/22	5/29	Italy	839,256	732.00					839,256	732.00
	5/29	5/31	Romania	1,894.85	174.00					1,894.85	174.00
	5/31	6/3	Hungary	6,797.25	225.00					6,797.25	225.00
	6/3	6/9	France	3,498.00	636.00					3,498.00	636.00
Transportation, Department of the Army							1,740.33				1,740.33
Transportation, Department of the Air Force							2,443.67				2,443.67
Wincup G. Kim	5/22	5/25	Italy	412,200	360.00					412,200	360.00

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON ARMED SERVICES, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981—Continued

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Transportation, Department of the Army							3,456.00				3,456.23
Other Delegation Expenses								2,527,548	2,140.77	2,527,548	2,140.77
Local Transportation Expenses for Delegation								850,300	719.98	850,300	719.98
Committee total					21,452.84		67,388.70		2,860.75		91,702.29

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

MELVIN PRICE.
July 23, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON AGRICULTURE, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Cooper Evans	6/2/81	6/5/81	Netherlands	620.70	240.00		1,284.42				1,579.42
Local transportation						220.00	55.00				
Committee total				620.70	240.00	220.00	1,339.42				

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

E de la GARZA, Chairman.
July 8, 1981.

AMENDED REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON EDUCATION AND LABOR, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN JAN. 1 AND MAR. 31, 1981

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
James Jeffords	1/2	1/19	Philippines		225.00						225.00
Committee total					225.00						225.00

[1] Per diem constitutes lodging and meals.
[2] if foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

CARL D. PERKINS, Chairman.
July 22, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON EDUCATION AND LABOR, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
Congressman John N. Erlenborn	6/12	6/17	Switzerland	1,000.55	480.00		1,276.00			1,000.55	1,756.00
Bruce Wood	6/12	6/20	do	1,500.85	720.00		1,276.00			1,500.85	1,996.00
Committee total					1,200.00		2,552.00				3,752.00

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

CARL D. PERKINS, Chairman.
July 22, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON FOREIGN AFFAIRS, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
M. D. Barnes	4/18	4/21	Costa Rica		225.00						225.00
	4/21	4/23	Nicaragua		150.00				219.60		369.60
	4/23	4/24	Guatemala		75.00		29.31		66.60		170.91
	4/24	4/26	Mexico		150.00						150.00
			Miliary transportation				3,414.18				3,414.18
D. P. Barton	4/22	4/30	Netherlands		671.50		35.00				706.50
			Commercial Transportation				1,010.00				1,010.00
D. R. Bowen	4/14	4/14	New Zealand								
	4/14	4/19	Australia		92.00						92.00
	4/19	4/21	Indonesia		150.00						150.00
	4/23	4/26	Korea		267.00						267.00

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON FOREIGN AFFAIRS, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981—Continued

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S. currency [2]
			Commercial Transportation				989.62				989.62
R. K. Boyer	4/10	4/15	Haiti		375.00						375.00
	4/16	4/18	Bahamas		216.00						216.00
			Commercial Transportation				687.00				687.00
F. M. Chambers	4/10	4/19	Haiti		675.00						675.00
			Commercial Transportation				616.00				616.00
E. J. Derwinski	6/11	6/16	Poland		259.09		64.88		453.89		777.86
			Commercial Transportation				2,508.00				2,508.00
A. Erdahl	4/8	4/10	Switzerland		223.50		112.88				336.38
M. Fenwick	6/20	6/21	United Kingdom				3,022.00				3,022.00
	6/28	7/1	France				99.00				99.00
			Commercial Transportation				1,332.00				1,332.00
B. A. Gillman	6/12	6/13	Mexico		75.00						75.00
			Commercial Transportation				279.44				279.44
W. F. Goodling	4/7	4/10	Switzerland		255.00		112.88				367.88
P. V. Hyndman	5/17	5/20	United Kingdom		387.00						387.00
			Commercial Transportation				1,314.00				1,314.00
S. McCartan	4/7	4/12	Switzerland		510.00		112.87				622.87
	4/13	4/16	Germany		261.00						261.00
			Commercial Transportation				2,095.000				2,095.00
P. A. Newman	4/8	4/10	Switzerland		255.00		112.88				367.88
J. Pritchard	4/15	4/15	United Kingdom								
	4/16	4/19	Pakistan		228.00						228.00
	4/19	4/20	United Kingdom		43.65						43.65
			Commercial Transportation				2,357.00				2,357.00
A. W. Roberts	4/22	4/26	Netherlands		400.00		33.60				433.60
			Commercial Transportation				1,010.00				1,010.00
V. M. Schlundt	4/7	4/13	Switzerland		510.00		112.87				622.87
	4/13	4/16	Germany		261.00						261.00
			Commercial Transportation				2,380.00				2,380.00
T. R. Smeeton	4/12	4/18	Haiti		450.00						450.00
			Commercial Transportation				616.00				616.00
R. L. Soriano	5/21	5/26	Italy		304.45						304.45
			Commercial Transportation				1,747.00				1,747.00
L. B. Sulc	4/13	4/18	Germany		261.00						261.00
			Commercial Transportation				605.00				605.00
	6/11	6/16	Poland		369.66		52.36				422.02
			Commercial Transportation				2,508.00				2,508.00
H. E. Wolpe	4/8	4/10	Switzerland		126.12		112.88				239.00
Committee total					7,774.97		29,481.65		740.09		38,447.71

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

CLEMENT J. ZABLOCKI, Chairman.
July 30, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN APR. 1 AND JUNE 30, 1981

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S currency [2]	Foreign currency	U.S. dollar equivalent or U.S currency [2]
Morris K. Udall	4/10	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/18	France	1,885.00	377.00		2,715.00				3,092.00
Douglas K. Bereuter	4/10	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/18	France	1,885.00	377.00		2,715.00				3,092.00
Henry Myers, staff	4/10	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/19	France	1,885.00	377.00		1,226.00				1,603.00
Andrea Dravo, staff	4/10	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/19	France	1,885.00	377.00		1,226.00				1,603.00
Paul Parshley, staff	4/9	4/12	....do	1,470.00	294.00						294.00
	4/12	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/18	France	1,885.00	377.00		1,226.00				1,603.00
Timothy Glidden, staff	4/11	4/14	West Germany	502.90	235.00			120.11	51.90		286.90
	4/14	4/19	France	1,885.00	377.00		1,178.00				1,555.00
Committee total					3,966.00		10,286.00		311.40		14,563.40

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.

MORRIS K. UDALL, Chairman.
July 24, 1981.

REPORT OF EXPENDITURES FOR OFFICIAL FOREIGN TRAVEL, HON. TOBY MOFFETT, U.S. HOUSE OF REPRESENTATIVES, EXPENDED BETWEEN NOV. 24 AND NOV. 29, 1980

Name of member or employee	Date		Country	Per diem [1]		Transportation		Other purposes		Total	
	Arrival	Departure		Foreign currency	U.S. dollar equivalent or U.S. currency [2]	Foreign currency	U.S dollar equivalent or U.S. currency [2]	Foreign currency	U.S. dollar equivalent or U.S currency [2]	Foreign currency	U.S. dollar equivalent or U.S currency [2]
Representative Toby Moffett	11/24	11/29	Spain	34,265	445.00		[3]2,453.66				2,898.66
Committee total					445.00		2,453.66				2,898.66

[1] Per diem constitutes lodging and meals.
[2] If foreign currency is used, enter U.S. dollar equivalent; if U.S. currency is used, enter amount expended.
[3] $906. TWA, DC—Spain; $1,547.66 military aircraft, Spain—DC.

TOBY MOFFETT.
July 16, 1981.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1916. A letter from the General Counsel, Department of Energy, transmitting a draft of proposed legislation to extend the expiration date of section 252 of the Energy Policy and Conservation Act; to the Committee on Energy and Commerce.

1917. A letter from the Assistant Secretary of State for Congressional Relations, transmitting a draft of proposed legislation to amend the Immigration and Nationality Act, and for other purposes; to the Committee on the Judiciary.

1918. A letter from the Acting Comptroller General of the United States, transmitting a report on Defense Department losses to bad debts of former service members (AFMD-81-64, July 28, 1981); jointly, to the Committees on Government Operations, and Armed Services.

1919. A letter from the Acting Comptroller General of the United States, transmitting a report on employment trends and grade controls in the Defense Department General Schedule work force (FPCD-81-52, July 28, 1981); jointly, to the Committees on Government Operations, Armed Services, and Post Office and Civil Service.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. BOLLING: Committee on Rules. House Resolution 198. Resolution providing for the consideration of H.R. 4242, a bill to amend the Internal Revenue Code of 1954 to encourage economic growth through reductions in individual income tax rates, the expensing of depreciable property, incentives for small business, and incentives for savings, and for other purposes (Rept. No. 97-205). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BLILEY (for himself, Mr. MCKINNEY, Mr. PARRIS, Mrs. Holt, Mr. DELLUMS, Mr. FAUNTROY, Mr. DYMALLY, Mr. BARNES, Mr. GRAY, and Mr. LELAND):

H.R. 4283. A bill to amend the District of Columbia Self-Government and Governmental Reorganization Act to allow the payment of revenue bonds issued by the District of Columbia from any funds or property owned by the entity for which the bonds were issued, and to make other changes to the law controlling the issuance of revenue bonds; to the Committee on the District of Columbia.

By Mr. BREAUX:

H.R. 4284. A bill to name the lock authorized as a replacement for Vermilion Lock, Louisiana, as "Leland Bowman Lock"; to the Committee on Public Works and Transportation.

By Mr. DYSON:

H.R. 4285. A bill to provide the same annuity benefits to the surviving spouses of military retirees who died before September 21, 1972, but after their discharge or release from active duty, as are provided to the surviving spouses of former members who died before such date while serving on active duty after becoming eligible to retire; to the Committee on Armed Services.

By Mr. GINGRICH (for himself, Mr. EMERY, Mr. DORNAN of California, Mr. WIRTH, Mr. DERWINSKI, Mr. MURPHY, Mr. MADDOX, Mr. WHITEHURST, Mr. YATRON, Mr. FORSYTHE, Mr. ROE, Mr. JEFFRIES, Mr. DOUGHERTY, and Mr. WILSON):

H.R. 4286. A bill to establish a National space and aeronautics policy, and for other purposes; to the Committee on Science and Technology.

By Mr. HAGEDORN:

H.R. 4287. A bill to amend title 5 of the United States Code to permit the Secretary of Defense to reimburse Department of Defense civilian recruiters for certain recruiting expenses; jointly, to the Committees on Post Office and Civil Service and Armed Services.

By Mr. HAMMERSCHMIDT:

H.R. 4288. A bill to amend chapter 55 of title 10, United States Code, to include chiropractic care in the health care which may be provided members and certain former members of the uniformed services and their dependents in facilities of the uniformed services and under CHAMPUS, and for other purposes; to the Committee on Armed Services.

H.R. 4289. A bill to provide for the establishment of a National Agricultural Cost of Production Board; to the Committee on Agriculture.

H.R. 4290. A bill to amend the Federal Mine and Health Amendments Act of 1977 to provide that the provisions of such act shall not apply to stone mining operations or to sand and gravel mining operations; to the Committee on Education and Labor.

H.R. 4291. A bill to repeal the Davis-Bacon Act, and for other purposes; to the Committee on Education and Labor.

H.R. 4292. A bill to permit the review of regulatory rules and regulations by the Congress; to the Committee on Government Operations.

H.R. 4293. A bill to amend the Communications Act of 1934 in order to prohibit the television broadcasting of programs portraying nudity, obscenity, or explicit sexual activity which is offensive to the public taste and morals; to the Committee on Energy and Commerce.

H.R. 4294. A bill to expand the medical freedom of choice of consumers by amending the Federal Food, Drug, and Cosmetic Act to provide that drugs will be regulated under that act solely to assure their safety; to the Committee on Energy and Commerce.

H.R. 4295. A bill to provide for congressional review of all regulations relating to costs and expenditures for health care, reimbursements to individuals or providers of health care, and for other purposes; jointly, to the Committees on Energy and Commerce, Ways and Means, and Rules.

H.R. 4296. A bill to amend chapter 44 of title 18 of the United States Code (respecting firearms) to penalize the use of firearms in the commission of any felony and to increase the penalties in certain relating provisions; to the Committee on the Judiciary.

H.R. 4297. A bill to amend title XVIII of the Social Security Act to authorize payment under the medicare program for certain services performed by chiropractors; jointly, to the Committees on Ways and Means, and Energy and Commerce.

H.R. 4298. A bill to repeal the earnings limitation of the Social Security Act; to the Committee on Ways and Means.

H.R. 4299. A bill to provide opportunity to individuals to make financial contributions, in connection with the payment of their Federal income tax, for the advancement of the arts and the humanities; to the Committee on Ways and Means.

H.R. 4300. A bill to amend the Internal Revenue Code of 1954 to encourage the employment of handicapped individuals by providing a tax credit for a certain portion of the wages paid to such individuals; to the Committee on Ways and Means.

H.R. 4301. A bill to amend the Internal Revenue Code of 1954 to exempt nonprofit volunteer firefighting or rescue organizations from the Federal excise taxes on gasoline, diesel fuel, and certain other articles and services; to the Committee on Ways and Means.

H.R. 4302. A bill to amend the Internal Revenue Code of 1954 to encourage higher education, and particularly the private funding thereof, by authorizing a deduction from gross income of reasonable amounts contributed to a qualified higher education fund established by the taxpayer for the purpose of funding the higher education of his dependents; to the Committee on Ways and Means.

H.R. 4303. A bill to amend the Internal Revenue Code of 1954 to allow a credit against income tax to individuals for certain expenses incurred in higher education; to the Committee on Ways and Means.

H.R. 4304. A bill to extend to all unmarried individuals the full tax benefits of income splitting now enjoyed by married individuals filing joint returns; and to remove rate inequities for married persons where both are employed; to the Committee on Ways and Means.

H.R. 4305. A bill to amend title XVIII of the Social Security Act to include, as a home health service, nutritional counseling provided by or under the supervision of a registered dietitian; jointly, to the Committees on Ways and Means and Energy and Commerce.

H.R. 4306. A bill to amend title II of the Social Security Act to provide that the waiting period for disability benefits shall not be applicable in the case of a disabled individual suffering from a terminal illness; to the Committees on Ways and Means.

H.R. 4307. A bill to preserve and protect the free choice of individual employees to form, join, or assist labor organizations, or to refrain from such activities; to the Committee on Education and Labor.

H.R. 4308. A bill to amend title 38 of the United States Code to provide that progressive muscular atrophy or amyotrophic lateral scerosis developing a 10-percent or more degree of disability within 7 years after separation from active service during a period of war shall be presumed to be service connected; to the Committee on Veterans' Affairs.

H.R. 4309. A bill to provide chiropractic treatment when requested for veterans eligible for outpatient medical care; to the Committee on Veterans' Affairs.

H.R. 4310. A bill to amend titles II, VII, XI, XVI, XVIII, and XIX of the Social Security Act to provide for the improved administration of the old-age, survivors, and disability insurance program, the supplementary security income program, and the medicare program by a newly established independent Social Security Administration, to separate social security trust fund items from the general Federal budget, to prohibit the mailing of certain notices with social security and supplemental security income benefit checks, and for other purposes; jointly, to the Committees on Ways and Means, and Energy and Commerce.

By Mr. MITCHELL of Maryland:

H.R. 4311. A bill to amend title VII of the Civil Rights Act of 1964 to prohibit employment discrimination within the legislative branch of the Government on the basis of an individual's race, color, religion, sex, or national origin; to the Committee on Education and Labor.

By Mr. SAWYER (for himself, Mr. MCCLORY, Mr. FISH, Mr. SAM B. HALL, JR., Mr. BULTER, Mr. MOORHEAD, Mr. HYDE, Mr. EVANS of Georgia, and Mr. MCCOLLUM):

H.R. 4312. A bill to amend chapter 207 of title 18, United States Code, relating to pretrial services and release; to the Committee on the Judiciary.

By Mr. TAUKE (for himself, Mr. FOLEY, Mr. WHITTAKER, Mr. STANGELAND, MR. BEREUTER, Mr. EVANS of Iowa, Mrs. SMITH of Nebraska, and Mr. ROBERTS of Kansas):

H.R. 4313. A bill to provide standby authority to deal with petroleum supply disruptions, and for other purposes; jointly, to the Committees on Energy and Commerce and Rules.

By Mr. HAMMERSCHMIDT:

H.J. Res. 310. Joint resolution proposing an amendment to the Constitution of the United States to provide that appropriations made by the United States shall not exceed its revenues, except in time of war or national emergency; to the Committee on the Judiciary.

H.J. Res. 311. Joint resolution proposing an amendment to the Constitution of the United States with respect to the offering of prayer in public buildings; to the Committee on the Judiciary.

H.J. Res. 312. Joint resolution proposing an amendment to the Constitution of the United States to prohibit compelling the attendance of a student in a public school other than the public school nearest the residence of such student; to the Committee on the Judiciary.

By Mr. YOUNG of Alaska:

H.J. Res. 313. Joint resolution to authorize and request the President to issue a proclamation designating Haines, Alaska, the official home of the American bald eagle; to the Committee on Post Office and Civil Service.

By Mr. STRATTON (for himself, Mr. MICHEL, Mr. DAN DANIEL, Mr. KEMP, Mr. WHITE, Mr. BEARD, Mr. CHAPPELL, Mr. ANDREWS, Mr. ANTHONY, Mr. APPLEGATE, Mr. ARCHER, Mr. ASHBROOK, Mr. ATKINSON, Mr. BADHAM, Mr. BAFALIS, Mr. BAILEY of Pennsylvania, Mr. BARNARD, Mr. BETHUNE, Mr. BENEDICT, Mr. BENNETT, Mr. BEREUTER, Mr. BEVILL, Mr. BLILEY, Mrs. BOGGS, Mr. BONER of Tennessee, Mrs. BOUQUARD, Mr. BOWEN, Mr. BREAUX, Mr. BRINKLEY, Mr. BROOMFIELD, Mr. BROWN of Ohio, Mr. BROWN of Colorado, Mr. BROYHILL, Mr. BURGENER, Mr. BUTLER, Mrs. BYRON, Mr. CAMPBELL, Mr. CARMAN, Mr. CARNEY, Mr. CLAUSEN, Mr. CLINGER, Mr. COLLINS of Texas, Mr. CONABLE, Mr. CORCORAN, Mr. COUGHLIN, Mr. COURTER, Mr. JAMES K. COYNE, Mr. CRAIG, MR. DANIEL B. CRANE, Mr. PHILIP M. CRANE, Mr. ROBERT W. DANIEL, Jr., Mr. DANNEMEYER, Mr. DAUB, Mr. DAVIS, Mr. DECKARD, Mr. DE LA GARZA, Mr. DERWINSKI, Mr. DICKINSON, Mr. DORNAN of California, Mr. DOUGHERTY, Mr. DREIER, Mr. DUNCAN, Mr. DUNN, Mr. EDWARDS of Alabama, Mr. EMERSON, Mr. EMERY, Mr. ENGLISH, Mr. ERLENBORN, Mr. EVANS of Georgia, Mr. EVANS of Iowa, Mr. EVANS of Indiana, Mr. EVANS of Delaware, Mr. FIELDS, MR. FINDLEY, Mr. FISH, Mr. FLIPPO, Mr. FOUNTAIN, Mr. FROST, Mr. FUQUA, Mr. GILMAN, Mr. GINGRICH, Mr. GINN, Mr. GOLDWATER, Mr. GOODLING, Mr. GRADISON, Mr. GRAMM, Mr. GREGG, Mr. GRISHAM, Mr. GUNDERSON, Mr. HAGEDORN, Mr. RALPH M. HALL, Mr. SAM B. HALL, Jr., Mr. HAMMERSCHMIDT, Mr. HANCE, Mr. HANSEN of Idaho, Mr. HANSEN of Utah, Mr. HARTNETT, Mr. HATCHER, Mr. HEFNER, Mr. HENDON, Mr. HILER, Mr. HILLIS, Mr. HOLLAND, Mrs. HOLT, Mr. HOPKINS, Mr. HORTON, Mr. HUBBARD, Mr. HUCKABY, Mr. HUNTER, Mr. HUTTO, Mr. HYDE, Mr. IRELAND, Mr. JEFFRIES, Mr. JENKINS, Mr. JOHNSTON, Mr. JONES of North Carolina, Mr. KAZEN, Mr. KINDNESS, Mr. KRAMER, Mr. LAGOMARSINO, Mr. LATTA, Mr. LEATH of Texas, Mr. LEBOUTILLIER, Mr. LEE, Mr. LENT, Mr. LEVITAS, Mr. LEWIS, Mr. LIVINGSTON, Mr. LOEFFLER, Mr. LOTT, Mr. LOWERY of California, Mr. LUJAN, Mr. LUNGREN, Mr. MADIGAN, Mr. MARKS, Mr. MARLENEE, Mr. MARRIOTT, Mr. MARTIN of New York, Mrs. MARTIN of Illinois, Mr. MCCLORY, Mr. MCCOLLUM, Mr. MCCURDY, Mr. MCDADE, Mr. MCDONALD, Mr. MCEWEN, Mr. MCGRATH, Mr. MICA, Mr. MILLER of Ohio, Mr. MITCHELL of New York, Mr. MOLINARI, Mr. MOLLOHAN, Mr. MONTGOMERY, Mr. BAILEY of Missouri, Mr. CHAPPIE, Mr. CHENEY, Mr. EDWARDS of Oklahoma, Mr. MOORE, Mr, MOORHEAD, Mr. MOTTL, Mr. MURPHY, Mr. MURTHA, Mr. MYERS, Mr. NAPIER, Mr. NELLIGAN, Mr. NELSON, Mr. NICHOLS, Mr. PARRIS, Mr. PASHAYAN, Mr. PAUL, Mr. PETRI, Mr. PICKLE, Mr. QUILLEN, Mr. REGULA, Mr. RINALDO, Mr. RITTER, Mr. ROBERTS of South Dakota, Mr. ROBERTS of Kansas, Mr. ROBINSON, Mr. ROEMER, Mr. ROGERS, Mr. ROTH, Mr. ROUSSELOT, Mr. RUDD, Mr. SANTINI, Mr. SAWYER, Mr. SCHULZE, Mr. SHAW, Mr. SHELBY, Mr. SHUMWAY, Mr. SHUSTER, Mr. SKEEN, Mr. SKELTON, Mr. SMITH of Alabama, Mr. SMITH of New Jersey, Mr. SMITH of Oregon, Mrs. SMITH of Nebraska, Mrs. SNOWE, Mr. SNYDER, Mr. SOLOMON, Mr. SPENCE, Mr. STANGELAND, Mr. STANTON of Ohio, Mr. STATON of West Virginia, Mr. STENHOLM, Mr. STUMP, Mr. TAUZIN, Mr. TAYLOR, Mr. TRIBLE, Mr. VANDER JAGT, Mr. WALKER, Mr. WAMPLER, Mr. WATKINS, Mr. WEBER of Ohio, Mr. WEBER of Minnesota, Mr. WHITEHURST, Mr. WHITTAKER, Mr. WHITTEN, Mr. WILLIAMS of Ohio, Mr. WILSON, Mr. WINN, Mr. WOLF, Mr. WON PAT, Mr. WORTLEY, Mr. YATRON, Mr. YOUNG of Florida, Mr. YOUNG of Alaska, Mr. YOUNG of Missouri, and Mr. ZEFERETTI):

H. Con. Res. 163. Concurrent resolution to express the sense of the Congress that the foreign policy of the United States should reflect a national strategy of peace through strength; to the Committee on Foreign Affairs.

By Mr. PHILIP M. CRANE:

H. Res. 199. Resolution relating to the capital of Israel; to the Committee on Foreign Affairs.

By Mr. DOUGHERTY (for himself, Mr. DONNELLY, Mrs. COLLINS of Illinois, Mrs. FENWICK, AND MR. ROE):

H. Res. 200. Resolution expressing the sense of the House of Representatives with respect to the unjust imprisonment of Benedict Scott (Vytautas Skuodis) by the Government of the Soviet Union; to the Committee on Foreign Affairs.

By Mr. HAMMERSCHMIDT:

H. Res. 201. Resolution to amend the Rules of the House of Representatives to establish the Committee on Internal Security, and for other purposes; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS

Under the clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FORD of Tennessee:

H.R. 4314. A bill for the relief of Patrick P. W. Tso; to the Committee on the Judiciary.

By Mr. HAGEDORN:

H.R. 4315. A bill for the relief of Meng Lim; to the Committee on the Judiciary.

H.R. 4316. A bill for the relief of Barbara Malewicz; to the Committee on the Judiciary.

By Mr. HAMMERSCHMIDT:

H.R. 4317. A bill for the relief of Alicia Miranda Arnold; to the Committee on the Judiciary.

H.R. 4318. A bill for the relief of Raul Arriaza, his wife, Maria Marquart Schubert, Arriaza, and their children, Andres Arriaza and Daniel Aivouich Arriaza; to the Committee on the Judiciary.

By Mr. RAHALL:

H.R. 4319. A bill for the relief of Dr. Olivia A. N. Dizon; to the Committee on the Judiciary.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 741: Mr. HOYER.

H.R. 761: Mr. SOLOMON.

H.R. 1353: Mr. FOGLIETTA.

H.R. 1767: Mr. ERLENBORN, Mr. DAUB, Mr. CRAIG, Mr. ROBERT W. DANIEL, Jr., Mr. PHILIP M. CRANE, Mr. CORCORAN, Mr. DORNAN of California, Mr. SPENCE, Mr. JEFFRIES, Mr. BADHAM, Mr. BAFALIS, and Mr. EMERSON.

H.R. 1918: Mr. FORSYTHE, Mr. ERDAHL, Mr. KAZEN, Mr. FIELDS, Mr. WHITTEN, Mr. MITCHELL of Maryland, Mr. ZEFERETTI, Mr. MITCHELL of New York, Mr. GRAY, Mr. LANTOS, and Mr. BROWN of California.

H.R. 2103: Mr. ROE.

H.R. 2322: Mr. DE LA GARZA, Mr. ROUSSELOT, Mr. DANIEL B. CRANE, Mr. EDWARDS of Oklahoma, Mr. JEFFRIES, Mr. PHILIP M. CRANE, Mr. GONZALEZ, and Mr. JAMES K. COYNE.

H.R. 2488: Mr. FITHIAN.

H.R. 2533: Mr. WHITTAKER, Mr. FORSYTHE, and Mr. CLAUSEN.

H.R. 2640: Mr. FISH.

H.R. 2883: Mr. LUNDINE.

H.R. 3227: Mr. MCEWEN, Mr. STANGELAND, Mr. OTTINGER, and Mr. GREEN.

H.R. 3269: Mr. LIVINGSTON, Mr. DANNEMEYER, Mrs. SCHROEDER, Mr. MCCOLLUM, and Mr. GEPHARDT.

H.R. 3721: Mrs. ROUKEMA.

H.R. 3879: Mr. KOGOVSEK.

H.R. 3930: Mr. RANGEL, Mr. LAFALCE, Mr. NOWAK, Mr. BOWEN, Mr. CLAY, Mrs. COLLINS of Illinois, Mr. EDGAR, Mr. GEJDENSON, Mrs. HOLT, Mr. NEAL, Mr. PEPPER, Mr. RODINO, and Mr. ROE.

H.R. 4110: Mr. ENGLISH, Mr. DUNCAN, Mr. RICHMOND, Mr. HYDE, Mr. FASCELL, Mr. COLLINS of Texas, Mr. SMITH of New Jersey, Mr. WOLF, Mr. FORSYTHE, Mr. BAILEY of Pennsylvania, Mr. MARTIN of North Carolina, Mr. IRELAND, Mr. SUNIA, Mr. BAFALIS, Mr. GILMAN, Mr. BEARD, Mr. SCHEUER, Mr. PEPPER, Mr. FRENZEL, Mr. DORNAN of California, Mr. ADDABBO, Mr. GUARINI, Mr. JONES of North Carolina, Mr. STARK, and Mr. DENARDIS.

H.R. 4147: Mr. SANTINI, Mr. BADHAM, Mr. MADIGAN, Mr. FLORIO, Mr. LEE, Mrs. HECKLER, Mr. SOLARZ, Mr. PASHAYAN, and Mr. DWYER.

H.R. 4269: Mr. BENNETT, Mr. MITCHELL of Maryland, Mr. BINGHAM, and Mr. BROWN of California.

H.J. Res. 260: Mr. COATS, Mr. SHAW, Mrs. MARTIN of Illinois, Mr. SOLOMON, Mr. DENARDIS, Mr. ROGERS, Mr. BADHAM, and Mr. LOEFFLER.

H. Con. Res. 100: Mr. NICHOLS, Mr. RAILSBACK, Mr. SOLOMON, and Mr. CAMPBELL.

H. Res. 48: Mr. ASHBROOK, Mr. BADHAM, Mr. BARNARD, Mr. BEARD, Mr. BEVILL, Mr. BOWEN, Mr. BRINKLEY, Mr. BURGENER, Mr. BUTLER, Mrs. BYRON, Mr. CAMPBELL, Mr. CARNEY, Mr. CHAPPIE, Mr. COURTER, Mr. DAN DANIEL, Mr. DORNAN of California, Mr. DOWDY, Mr. DREIER, Mr. DUNCAN, Mr. DYSON, Mr. ENGLISH, Mr, EVANS of Georgia, Mr. EVANS of Delaware, Mr. FIELDS, Mr. FLIPPO, Mr. FUQUA, Mr. GAYDOS, Mr. GOODLING, Mr. GRISHAM, Mr. HAGEDORN, Mr. RALPH M. HALL, Mr. HAMMERSCHMIDT, Mr. HANCE, Mr. HANSEN of Idaho, Mr. HANSEN of Utah, Mr. HARTNETT, Mr. HEFNER, Mr. HENDON, Mr. HIGHTOWER, Mr. HILLIS, Mr. HOLLAND, Mr. HOLLENBECK, Mrs. HOLT, Mr. HOPKINS, Mr. HUCKABY, Mr. HUNTER, Mr. HYDE, Mr. IRELAND, Mr. JENKINS, Mr. JONES of Tennessee, Mr. JONES of North Carolina, Mr. JOHNSTON, Mr. KEMP, Mr. LATTA, Mr. LEACH of Iowa, Mr. LEBOUTILLIER, Mr. LENT, Mr. LEWIS, Mr. LUJAN, Mr. MCCOLLUM, Mr. MCEWEN, Mr. MARKS, Mr. MARLENEE, Mr. MARRIOTT, Mr. MARTIN of North Carolina, Mr. MITCHELL of New York, Mr. MOLLOHAN, Mr. MURTHA, Mr. NAPIER, Mr. NELSON, Mr. NICHOLS, Ms. OAKAR, Mr. O'BRIEN, Mr. PARRIS, Mr. QUILLEN, Mr. REGULA, Mr. RHODES, Mr. ROEMER, Mr. SCHULZE, Mr. SHUSTER, Mr. SILJANDER, Mr. SKEEN, Mr. SMITH of Oregon, Mrs. SMITH of Nebraska, Mr. SNYDER, Mr. STANTON of Ohio, Mr. TAUZIN, Mr. TAYLOR, Mr. TRIBLE, Mr. WAMPLER, Mr. WHITE, Mr. WHITLEY, Mr. WORTLEY, and Mr. VOLKMER.

H. Res. 176: Mr. PORTER.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

150. By the SPEAKER: Petition of District Two, National Alliance of Postal and Federal Employees, Baltimore, Md., relative to voting representation for the District of Columbia in Congress; to the Committee on the Judiciary.

151. Also, petition of District Two, National Alliance of Postal and Federal Employees, Baltimore, Md., relative to the Ku Klux Klan; to the Committee on the Judiciary.

152. Also, petition of District Two, National Alliance of Postal and Federal Employees, Baltimore, Md., relative to cost-of-living adjustments for retired Federal employees; to the Committee on Post Office and Civil Service.

153. Also, petition of District Two, National Alliance of Postal and Federal Employees, Baltimore, Md., relative to the proposal to merge the civil service retirement program with social security; jointly, to the Committees on Post Office and Civil Service, and Ways and Means.

AMENDMENTS

Under clause 6 of rule XXII, proposed amendments were submitted as follows:

H.R. 4120

By Mr. ERTEL:

—Page 31, immediately after line 7, insert the following new sections:

SEC. 307. Except for services provided for the Speaker, majority floor leaders, and minority floor leaders none of the funds provided in this Act to any department or agency shall be obligated or expended to provide a personal cook, chauffeur, or other personal servants to any officer or employee of such department or agency.

SEC. 308. Except for vehicles provided to Speaker, majority floor leaders and minority floor leaders none of the funds provided in this Act to any department or agency shall be obligated or expended to procure passenger automobiles as defined in 15 U.S.C. 2001 with an EPA estimated miles per gallon average of less than 22 miles per gallon.

SENATE—*Tuesday, July 28, 1981*

(Legislative day of Wednesday, July 8, 1981)

The Senate met at 8:15 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, LL.D., D.D., offered the following prayer:

Let us pray in the profound and familiar words of St. Francis of Assisi.

"Lord, make me an instrument of Thy peace. Where there is hatred, let me sow love; where there is injury, pardon; where there is doubt, faith; where there is despair, hope; where there is darkness, light; and where there is sadness, joy.

"O Divine Master, grant that we may not so much seek to be consoled as to console; to be understood as to understand; to be loved as to love; for it is in giving that we receive; it is in pardoning that we are pardoned; and it is in dying that we are born to eternal life." Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The acting majority leader is recognized.

Mr. STEVENS. I thank the Chair.

Mr. President, it is my understanding that the regular time for the two leaders has been reserved under the order that applies for this morning; is that correct?

The PRESIDENT pro tempore. The Senator is correct.

THE JOURNAL

Mr. STEVENS. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

The PRESIDENT pro tempore. Without objection, it is so ordered.

THE IRS IN ALASKA

Mr. STEVENS. Mr. President, assuming that we can terminate this portion of our session and go into recess in August, I plan to return to my State of Alaska to conduct hearings with other Members of the Senate on an issue that I think is alarming.

In recent months I have become increasingly of the opinion that the law enforcement activities of the Internal Revenue Service are overzealous. It is my hope to explore in detail the rules followed by the Internal Revenue Service concerning seizure practices.

The hearings that we shall hold in Alaska will be before the Subcommittee on Treasury Appropriations, whose chairman is our good friend Senator JAMES ABDNOR. The dates for those hearings will be August 4 in Anchorage and August 6 in Fairbanks. It is my hope they will be well attended for I am quite disturbed with the statistics which indicate that Alaskans suffer among the highest incidence of forced collection and tax arrest in the country by the Internal Revenue Service.

The purpose of these hearings is to establish why such unequal treatment is being administered to Alaska, why the Internal Revenue Service practices such energetic enforcement in Alaska as compared to elsewhere, and to identify solutions to these problems. It may be that we will be touching just the tip of an iceberg when we address the questionable practices of the IRS in Alaska.

It is my understanding that the IRS is the only Government agency that has seizure powers without a court review. The impact of such power in the hands of the IRS means that each and every American—not just Alaskans—are subject to the exercise of these broad powers by a single agency that, to me, seems to be questionable in view of our rights and protections guaranteed by the Constitution of the United States.

It is my hope that our subcommittee will look closely into these matters and particularly into the seizure powers of the IRS during these hearings in August. Therefore, I am hopeful the Senate will complete its legislative responsibilities and that the August recess will commence on time.

SECRETARY OF THE INTERIOR JAMES WATT

Mr. STEVENS. Mr. President, I have been very concerned about the criticism that has been levied against the Secretary of Interior, James Watt. If there are voices of extremism in the country today, they are the extreme voices that are criticizing Secretary Watt before his policies have had a fair chance.

The policies he has promoted, in my opinion, will help restore the balance and reason to the programs administered by the Department of the Interior.

During the last few years, I have been intimately involved in the legislative battle over a very important issue to Alaska, which the Senate knows well from the long days that we spent on it last year. I am referring to the legislative battle on the Alaska lands bill.

During that battle, the former Secretary of the Interior, Cecil Andrus, who I believe is a good man, held viewpoints that were definitely contrary to those that I hold.

We had many battles as we tried to convince Federal officials of the needs of Alaska's Native communities, Alaska's hunters, Alaska's fishermen, miners, businessmen, hikers, and both the rural and urban dwellers of our State.

In the past, the Federal Government showed great antipathy toward Alaska and Alaskans concerning the rights and needs of Alaskans.

Now, that policy has changed. It is my opinion that Secretary Watt has brought a fresh viewpoint to the Department of the Interior, and although we are certainly not winning all of the battles, today there is a great deal more understanding of the problems relating to Alaska and the West in the Department of the Interior. Secretary Watt has surrounded himself with experts in land policy and management and he remains sensitive to concerns made known to the Department of the Interior by States and communities on controversial issues. I am pleased with his leadership at the Department.

Mr. President, an editorial was recently published in the Fairbanks Daily News-Miner describing the viewpoint of Alaskans toward the policy of Secretary James Watt. I ask unanimous consent that the full text of the editorial be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BACK SECRETARY WATT

The political wolves are snapping at the heels of Interior Secretary James Watt. Alaskan leaders, both here and in Washington, D.C., would do well not to join the pack because many of his policies are heading in a direction that will make him one of the best friends our state has had in the federal government for quite some time.

The focus of the criticism is Secretary Watt's plan to increase and speed up offshore leases for oil prospecting. Some of the California leases are controversial from an environmental standpoint and so are some of the ones in fish-rich Alaskan waters. He also is being criticized for letting out too much lease acreage at one time.

One aspect of the attack on Mr. Watt is outlined in an article elsewhere on this page. The thrust seems to be that the new administration should forget about what the voters seemed to be saying last November and continue with the tired policies that were rejected in that election.

Much is being made of the fact that the supposedly moderate National Wildlife Federation has joined more militant environmentalist groups in calling for Mr. Watt's resignation. It seems to us, however, that a very real question exists about just how moderate the NWF is. Alaskans will recall, for example, that federation members from our state broke with the national organization several years ago when it was bent on supporting overly restrictive Alaska lands legislation.

Another aspect of the attack takes a viciously personal approach. We saw it this week when Rep. James Weaver of Oregon tried to drag Secreatry Watt's fundamentalist religious beliefs into a House Interior subcommittee hearing. We Americans laid that sort of religious bigotry in our politics to rest with John Kennedy's campaign for the presidency in 1960 and those who are now trying to revive the corpse two decades later are ill-serving our Nation.

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

We also saw this personal approach in the attack this week from Cecil Andrus, Interior Secretary until the voters turned his boss out of office last fall. Secretary Watt has, Mr. Andrus said, "a developmental zeal I've never seen the like of before in public life."

And the former Secretary didn't stop there. "I had hoped that this was just bombastic rhetoric early on and I've remained silent for six months," Mr. Andrus said. "But it becomes apparent that he plans to dump extra acreage out, more than they can use."

That's laughable; doubly so coming from Mr. Andrus, who recently allowed that he might have tended just a wee bit to hyperbole a few years back when he characterized Alaskans who were opposing him on the lands bill as the "rape, ruin and run boys." Certainly Mr. Andrus knows whereof he speaks when he talks of bombastic rhetoric. Remember the bulldozers he said were poised to rip through Alaska? He certainly does know how to turn a phrase. By comparison, Mr. Watt seems almost tongue-tied.

It's true that many Alaskans, most of our political leaders among them, oppose some of the off-shore oil leases the Secretary has proposed for our state. Some are in areas that produce major amounts of fish for the world market and an oil spill there could have disastrous consequences. And it's also hard for Alaskans to understand why we need to explore some of these environmentally risky areas right now when there are so many good oil prospects on the land in our state.

Our leaders should continue to press those questions, working in Congress, which must approve the lease offerings before they can be made, and even going to court if we must.

But despite this disagreement, we must keep in mind the fact that Secretary Watt is generally treating our state better than we've been treated for a long time. One such indication is his rules for the new federal holdings set up under the lands bill; they generally seem to take Alaska's special conditions into account.

Certainly we Alaskans are not going to like everything Mr. Watt proposes and we're going to fight him on some issues. But on the many things he's doing right, our leaders ought to be backing him strongly. The voices that call for his resignation need to be countered if our country is to move away from its debilitating dependence on foreign resources.

Mr. STEVENS. Mr. President, I am hopeful that others will come forward and defend his right to attempt to change the policies of the Department of the Interior in the future.

APPOINTMENT OF FRED THOMPSON AS SPECIAL COUNSEL

Mr. BAKER. Mr. President, I wish to commend the Senate Select Committee on Intelligence for their appointment of Fred Thompson as special counsel.

I had the pleasure of working with Fred during the Watergate hearings, when he served as minority counsel. His knowledge of legal affairs coupled with his professional manner brought praise from both parties, and reaffirmed his status as one of the brightest and most able lawyers in Washington.

Fred recently served as Republican counsel for the confirmation hearings of Secretary of State Alexander Haig. He is a partner of the law firm of Thompson & Crawford of Nashville, Tenn., and Washington, D.C., and a member of the Nashville, Tenn., and American Bar Associations, the District of Columbia Bar Association, the Tennessee Trial Lawyers Association, and the National Association of Criminal Defense Lawyers.

I am confident that Fred will lead the investigation concerning CIA Director William Casey in an expeditious and honorable fashion.

RECOGNITION OF MINORITY LEADER

The PRESIDENT pro tempore. The minority leader is recognized.

THE ADMINISTRATION'S INCONSISTENCY REGARDING SOCIAL SECURITY

Mr. ROBERT C. BYRD. Mr. President, in a letter to me July 18, 1981, President Reagan indicated he would ask for time on television to address the Nation "as soon as possible" on the issue of social security.

He said he would ask for the time "to tell the American people the facts," and to let them know that he would "fight to preserve the social security system * * *"

On July 27, the President did address the Nation on national television. However, most of the speech was devoted to his fight for the Republican tax proposal.

In the President's brief remarks on social security, though, there were various inconsistencies in regard to previous statements and actions by his administration.

Because of this, I am inserting in the RECORD a copy of the President's letter to me of July 18, my letter to the President July 27, the text of his speech to the Nation July 27, and my brief statement at a news conference July 28.

I asked unanimous consent that these items be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD as follows:

THE WHITE HOUSE,
Washington, D.C., July 18, 1981.

Hon. ROBERT C. BYRD,
Minority Leader, U.S. Senate,
Washington, D.C.

DEAR SENATOR BYRD: The highest priority of my Administration is restoring the integrity of the Social Security System. Those 35 million Americans who depend on Social Security expect and are entitled to prompt bipartisan action to resolve the current financial problem.

At the same time, I deplore the opportunistic political maneuvering, cynically designed to play on the fears of many Americans, that some in the Congress are initiating at this time. These efforts appear designed to exploit an issue rather than find a solution to the urgent Social Security problem. They would also have the unfortunate effect of disrupting the budget conference and reversing the actions of a majority of both Houses of the Congress. Such a result would jeopardize our economic recovery program so vital to the well-being of the Nation.

In order to tell the American people the facts, and to let them know that I shall fight to preserve the Social Security System and protect their benefits, I will ask for time on television to address the Nation as soon as possible.

During this address, I will call on the Congress to lay aside partisan politics, and join me in a constructive effort to put Social Security on a permanently sound financial basis as soon as the 97th Congress returns in September.

Sincerely,

RONALD REAGAN.

U.S. SENATE,
OFFICE OF THE DEMOCRATIC LEADER,
Washington, D.C., July 27, 1981.

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: Tax cuts, spending cuts, and the Social Security System are all part of the intricate fabric of the Federal budget. One element of the budget cannot be changed without having a direct affect on another.

During the campaign for the presidency you promised the American people that you would balance the budget in fiscal year 1983. The Administration's current budget projects a balance by fiscal year 1984, and assumes additional Social Security cuts as well as $44 billion in "unidentified" cuts.

Your economic recovery plan calls for an enormous reduction in the revenue collected by the Federal government, on the order of $730 billion over the next five years. In order to avoid large deficits, spending cuts much larger than those the Congress is about to enact will be necessary to offset the loss of revenue from the proposed tax cut.

On May 12, you recommended a severe reduction in Social Security benefits. Under your plan, Social Security benefits would be cut by $88 billion over the next five years, including a 40 percent reduction in benefits for people retiring at age 62.

Most objective analysts, including the non-partisan Congressional Budget Office, believe that your massive cuts in Social Security benefits are unnecessary to preserve the solvency of the System. Cuts in benefits which the Congress is about to enact as part of your budget-cutting program, when combined with authority for the three Social Security funds to borrow among themselves, would meet any foreseeable need to shore up the System well into the next century.

It appears that the Administration has abandoned its promise not to cut Social Security retirement benefits. It appears that Office of Management and Budget Director David Stockman discovered that the budget cannot be balanced, in light of the enormous tax cuts, unless Social Security benefits are reduced.

In a letter to me dated July 18, you promised to "ask for time on television . . . to tell the American people the facts . . ." about Social Security.

Since the tax cuts apparently are directly linked to your proposed Social Security benefit reductions, I was very disappointed to learn that your television address this evening will be directed primarily, if not exclusively, to promoting the revised tax-cutting plan.

It is my sincere hope that your speech tonight will allay the concerns of the American people by abandoning your commitment to immediately and drastically cut basic Social Security retirement benefits.

It is my further hope that your speech tonight will answer this basic question: How can we explain an economic plan to the American people which inordinately rewards the already-rich with huge tax cuts which are partially financed by cutting the Social Security benefits of the Nation's elderly?

Sincerely,

ROBERT C. BYRD.

THE PRESIDENT'S SPEECH

Good evening. I had intended to make some remarks about the problem of Social Security tonight—but the immediacy of Congressional action on the tax program, a key component of our economic package, has to take priority. Let me just say, however, I've been deeply disturbed by the way those of you who are dependent on Social Security have been needlessly frightened by some of the inaccuracies which have been given wide circulation.

It is true that the Social Security system has financial problems. It is also true that these financial problems have been building for more than 20 years—and nothing has been done.

I hope to address you on this entire subject in the near future. In the meantime, let me just say this:

I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on Social Security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you. In any plan to restore fiscal integrity of Social Security I personally will see that (no part) of the plan will be at the expense of you who are now dependent on your monthly Social Security checks.

Now, let us turn to the business at hand. It's been nearly 6 months since I first reported to you on the state of the Nation's economy. I'm afraid my message that night was grim and disturbing. I remember telling you we were in the worst economic mess since the Great Depression. Prices were continuing to spiral upward and unemployment was reaching intolerable levels and all because Government was too big and spent too much of our money.

We're still not out of the woods, but we've made a start. And we've certainly surprised those long-time and somewhat cynical observers of the Washington scene who looked, listened and said, "It can never be done. Washington will never change its spending habits."

Well, something very exciting has been happening here in Washington and you are responsible. Your voices have been heard. Millions of you, Democrats, Republicans and Independents, from every profession, trade and line of work, and from every part of this land; you sent a messag: that you wanted a new beginning. You wanted to change one little two-letter word. It doesn't sound like much, but it sure can make a difference changing "control by Government" to "control of Government."

In that earlier broadcast you'll recall I proposed a program to drastically cut back Government spending in the 1982 budget which begins October 1st and to continue cutting in '83 and '84. Along with this I suggested an across-the-board tax cut spread over those same 3 years and the elimination of unnecessary regulations which were adding billions to the cost of things we buy.

All the lobbying, the organized demonstrations and the cries of protest by those whose way of life depends on maintaining Government's wasteful ways were no match for your voices which were heard loud and clear in these marble halls of Government.

And you made history with your telegrams, your letters, your phone calls and, yes, personal visits to talk to your elected representatives. You reaffirmed the mandate you delivered in the election last November. A mandate that called for an end to Government policies that sent prices and mortgage rates skyrocketing, while millions of Americans went jobless.

Because of what you did, Republicans and Democrats in the Congress came together and passed the most sweeping cutbacks in the history of the Federal budget. Right now Members of the House and Senate are meeting in a conference committee to reconcile the differences between the two budget cutting bills passed by the House from savings of approximately $140 billion in reduced Government costs over the next 3 years. And that doesn't include the additional savings from the hundreds of burdensome regulations already cancelled or facing cancellation.

For 19 out of the last 20 years the Federal Government has spent more than it took in. There will be another large deficit in this present year which ends September 30th. But with our program in place it won't be quite as big as it might have been and starting next year the deficits will get smaller until in just a few years the budget can be balanced. And we hope we can begin whittling at that almost $1 trillion debt that hangs over the future of our children.

Now so far I've been talking about only one part of our program for economic recovery—the budget cutting part. I don't minimize its importance. Just the fact that Democrats and Republicans could work together as they have, proving the strength of our system, has created an optimism in our land. The rate of inflation is no longer in double-digit figures, the dollar has regained strength in the international money markets and businessmen and investors are making decisions with regard to industrial development, modernization and expansion. All of this based on anticipation of our program being adopted and put into operation.

A recent poll shows that where a year-and-a-half ago only 25 percent of our people believed things would get better, today 46 percent believe they will. To justify their faith we must deliver the other part of our program. Our economic package is a closely knit, carefully constructed plan to restore America's economic strength and put our Nation back on the road to prosperity. Each part of this package is vital. It cannot be considered piecemeal. It was proposed as a package and it has been supported as such by the American people. Only if the Congress passes all of its major components does it have any real chance of success. This is absolutely essential if we are to provide incentives and make capital available for the increased productivity required to provide real, permanent jobs for our people.

And let us not forget that the rest of the world is watching America carefully to see how we will act at this critical moment. I have recently returned from a summit meeting with world leaders in Ottawa, Canada and the message I heard from them was quite clear—our allies depend on a strong and economically sound America and they are watching events in this country, particularly those surrounding our program for economic recovery, with close attention and great hopes. In short, the best way to have a strong foreign policy abroad is to have a strong economy at home.

The day after tomorrow—Wednesday—the House of Representatives will begin debates on two tax bills and once again they need to hear from you. I know that doesn't give you much time, but a great deal is at stake.

A few days ago I was visited here in the Office by a Democratic Congressman from one of our Southern States. He'd been back in his district and one day one of his constituents asked him where he stood on the economic recovery program I'd outlined in that earlier broadcast, particularly the tax cut. Well, the Congressman, who happens to be a strong leader in support of our program, replied at some length with a discussion of the technical points involved, but also mentioning a few reservations he had on certain points. The constituent, a farmer, listened politely until he'd finished and then said, "Don't give me an essay. What I want to know is are you for 'em or agin 'em?"

I appreciate the gentleman's support and suggest his question is a message your own Representatives should hear. Let me add those Representatives honestly and sincerely want to know your feelings. They get plenty of input from the special interest groups, they'd like to hear from their homefolks.

Let me explain what the situation is and what is at issue. With our budget cuts we presented a complete program of reduction in tax rates. Again, our purpose was to provide incentive for the individual, incentives for business to encourage production and hiring of the unemployed and to free up money for investment.

Our bill calls for a 5 percent reduction in the income tax rates by October 1st, a 10 percent reduction beginning July 1, 1982 and another 10 percent cut a year later—a 25 percent total reduction over 3 years. But then to ensure the tax cut is permanent we call for indexing the tax rates in 1985, which means adjusting them for inflation. As it is now, if you get a cost of living raise intended to keep you even with inflation, you find that the increase in the number of dollars you get may very likely move you into a higher tax bracket and you wind up poorer than you were. This is called bracket creep.

Bracket creep is an insidious tax. Let me give an example. If you earned $10,000 a year in 1972, by 1980 you had to earn $19,700 just to stay even with inflation. But that's before taxes. Come April 15th, you find your tax rates have increased 30 percent. If you've been wondering why you don't seem as well off as you were a few years back, it's because Government makes a profit on inflation. It gets an automatic tax increase without having to vote on it. We intend to stop that.

Time won't allow me to explain every detail, but our bill includes just about everything to help the economy. We reduce the marriage penalty, that unfair tax that has a working husband and wife pay more tax than if they were single. We increase the exemption on the inheritance (or estate) tax to $600,000 so that farmers and family-owned businesses don't have to sell the farm or store in the event of death just to pay the taxes. Most important we wipe out the tax entirely for a surviving spouse. No longer, for example, will a widow have to sell the family source of income to pay a tax on her husband's death. There are deductions to encourage investment and savings. Business gets realistic depreciation on equipment and machinery. And there are tax breaks for small and independent businesses which create 80 percent of all new jobs. This bill also provides major credits to the research and development industry—these credits will help spark the high technology breakthrough that are so critical to America's economic leadership in the world. There are also added incentives for small businesses including a provision that will lift much of the burden of costly paperwork that Government has imposed on small business.

In addition, there is short-term but substantial assistance for the hard-pressed thrift industry as well as reductions in oil taxes that will benefit new or independent oil producers and move our Nation a step closer to energy self-sufficiency.

Our bill is, in short, the first real tax cut for everyone in almost 20 years.

Now when I first proposed this—and incidentally it has now become a bipartisan measure co-authored by Republican Barber Conable and Democrat Kent Hance—the Democratic leadership said a tax cut was out of the question. It would be wildly inflationary. That was before my inauguration.

Then your voices began to be heard and suddenly in February the leadership discovered a 1 year tax cut was feasible. We kept on pushing our 3 year tax cut and by June the opposition found that a 2 year cut might work. Now it's July and they find they could

go for a third year cut provided there was a trigger arrangement that would only allow it to go into effect if certain economic goals had been met by 1983.

But by holding the people's tax reduction hostage to future economic events, they will eliminate people's ability to plan ahead. Shopkeepers, farmers and individuals will be denied the certainty they must have to begin saving or investing more of their money. And encouraging more savings and investment is precisely what we need most to rebuild our economy.

And there is a little sleight of hand in that trigger mechanism. The committee bill ensures that the 1983 deficit will be $6.5 billion greater than their own trigger requires. As it stands now the design of their own bill will not meet the trigger they have put in. Therefore, the third year tax cut will automatically never take place.

If I could paraphrase a well-known statement by Will Rogers that he had never met a man he didn't like—I'm afraid we have some people around who never met a tax they didn't hike.

Their tax proposal, similar in a number of ways to ours, but differing in some very vital parts, was passed out of the House Ways and Means Committee, and from now on I'll refer to it as the committee bill and ours as the bipartisan bill. They will be the bills taken up Wednesday.

The majority leadership claims theirs gives a greater break to the worker than ours and it does—that is, if you're only planning to live 2 more years. The plain truth is our choice is not between two plans to reduce taxes, it is between a tax cut or a tax increase. There is built into our present system, including payroll Social Security taxes and the bracket creep I've mentioned, a 22 percent tax increase over the next 3 years. The committee bill offers a 15 percent cut over 2 years; our bipartisan bill gives a 25 percent reduction over 3 years. As you can see by this chart—here is the 22 percent increase line and here is their cut below that line and ours wiping out the increase with a little to spare.

Incidentally, their claim that cutting taxes for individuals for as much as 3 years ahead is risky rings a little hollow when you realize that their bill calls for business tax cuts each year for 7 years ahead.

It rings even more hollow when you consider the fact the majority leadership routinely endorses Federal spending bills that project years into the future, but objects to a tax bill that will return your money over a 3 year period.

Here is another chart which illustrates what I said about their giving a better break if you only intend to live for 2 more years. Theirs is the dotted line, ours the solid. As you can see, in an earning bracket of $20,000 their tax cut is slightly more generous than ours—for the first 2 years—then taxes in that earning level start going up. On the other hand, in our bipartisan bill, the tax keeps going down and then stays down permanently. This is true of all earning brackets.

This red space between the 2 lines is the tax money that will remain in your pockets if our bill passes and it's the amount that will leave your pockets if their tax bill is passed.

I take no pleasure in saying this, but those who will seek to defeat our Conable-Hance bipartisan bill as debate begins Wednesday are the ones who have given us five "tax cuts" in the last 10 years, but our taxes went up $400 billion in those same 10 years.

The lines on these charts say a lot about who's really fighting for whom. On the one hand, you see a genuine and lasting commitment to the future of working Americans. On the other, just another empty promise. Those of us in the bipartisan coalition want to give this economy and the future of this Nation back to the people, because putting people first has always been America's secret weapon. The House majority leadership seems less concerned with protecting your family budget, than with spending more on the Federal budget.

Our bipartisan tax bill targets three-quarters of its tax relief to middle-income wage earners, who presently pay almost three-quarters of the total income tax. It also then indexes the tax brackets to ensure that you can keep that tax reduction in the years ahead. There also is, as I said, estate tax relief that will keep family farms and family-owned businesses in the family. And there are provisions for personal retirement plans and individual savings accounts.

Because our bipartisan bill is so clearly drawn and broadly based it provides the kind of predictability and certainty that the financial segments of our society need to make investment decisions that stimulate productivity and make our economy grow.

Even more important—if the tax cut goes to you the American people in the third year—that money returned to you won't be available to the Congress to spend. And that in my view is what this whole controversy comes down to: Are you entitled to the fruits of your own labor or does Government have some presumptive right to spend and spend and spend?

I'm also convinced our business tax cut is superior to theirs, because it is more equitable, and it will do a much better job promoting the surge in investment we so badly need to rebuild our industrial base.

There is something else I want to tell you. Our bipartisan coalition worked out a tax bill we felt would provide incentive and stimulate productivity, thus reducing inflation and providing jobs for the unemployed. That was our goal.

Our opponents in the beginning didn't want a tax bill at all. What is the purpose behind their change of heart? They've put a tax program together for one reason only, to provide a political victory for themselves. Never mind that it won't solve the economic problems confronting our country. Never mind that it won't get the wheels of industry turning again or eliminate the inflation which is eating us alive. This is not the time for political fun and games. This is the time for a New Beginning.

I ask you now to put aside any feelings of frustration or helplessness about our political institutions and join me in this dramatic but responsible plan to reduce the enormous burden of Federal taxation on you and your family.

During recent months, many of you have asked what can you do to help make America strong again. I urge you again to contact your Senators and Congressmen, tell them of your support for this bipartisan proposal, tell them you believe this is an unequalled opportunity to help return America to prosperity and make Government again the servant of the people.

In a few days, the Congress will stand at the fork of two roads.

One road is all too familiar to us. It leads—ultimately—to higher taxes. It merely brings us full circle back to the source of our economic problems—where the Government decides that it knows better than you what should be done with your earnings, and, in fact, how you should conduct your life.

The other road promises to renew the American spirit. It's a road of hope and opportunity. It places the direction of your life back in your hands—where it belongs.

I have not taken your time this evening merely to ask you to trust me. Instead, I ask you to trust yourselves. That's what America is all about. Our struggle for nationhood, our unrelenting fight for freedom, our very existence—these have all rested on the assurance that you must be free to shape your life as you are best able to—that no one can stop you from reaching higher or take from you the creativity that has made America the envy of mankind.

One road is timid and fearful.

The other bold and hopeful.

In these 6 months, we have done so much and have come so far. It has been the power of millions of people like you who have determined that we will make America great again. You have made the difference up to now. You will make the difference again.

Let us not stop now.

Thank you.

Mr. ROBERT C. BYRD. On May 12 President Reagan submitted a plan to cut $88 billion in social security benefits over the next 5 years.

Yet, last night the President said:

I stated during the campaign and I repeat now I will not stand by and see those of you who are dependent on Social Security deprived of your benefits.

How could he say this?

The President's plan to cut social security benefits includes the elimination of the minimum retirement benefit currently received by 3 million elderly Americans. In a few days, this cut will become law.

Last night in his nationally televised speech, the President said: "You will continue to receive your checks in the full amount due you." How could be say this?

The President's plan to cut social security benefits includes the elimination of the minimum retirement benefit currently received by 3 million elderly Americans. In a few days, this cut will become law.

In October, 1980, during the Presidential campaign Mr. Reagan said:

Any reform of the social security system must have one overriding goal: that the benefits of those now receiving—or looking forward to receiving—social security must be protected, and that payments keep pace with the cost-of-living.

Yet, in stark contrast, President Reagan's plan to cut social security would reduce the benefits of those "looking forward to receiving social security" at age 62 by 40 percent. It would also delay the date on which benefits are adjusted for inflation.

Last night the President said: "You have no reason to be frightened."

But in recent congressional testimony OMB Director Stockman said that the social security system would be bankrupt "on or about November 3, 1982."

In his letter to the congressional leadership of July 18, the President promised to tell the American people the facts about social security.

After last night's speech, we are still waiting to hear the facts.

This brings us back to what I call the $88 billion question. This is the amount the administration has said it would cut from social security retirement over the next 5 years.

Has the President abandoned his plan to slice $88 billion in social security benefits?

Or, was his statement to the Nation last night meant merely to calm the fears which have been flamed by David Stockman and others in the administration.

The American people—the elderly of the Nation, especially—deserve an

answer. The President has a responsibility to clarify these inconsistencies.

Mr. STEVENS. Mr. President, I yield to my good friend from South Carolina whatever time remains under the leadership time on this side.

The PRESIDING OFFICER (Mr. WARNER). The Senator from South Carolina is recognized.

Mr. THURMOND. I thank the Senator for yielding.

THE DAVIS-BACON ACT, PART VII, DAVIS-BACON AND THE PRESS

Mr. THURMOND. Mr. President, during the past several days, I have presented a series of discussions on the Davis-Bacon Act. I have endeavored to make these discussions factual and unbiased. But the more research I do on Davis-Bacon, the more I discuss the issue with colleagues and constituents alike, the more I become convinced that the Davis-Bacon Act must be repealed.

Regulatory reform is not the answer. No matter how the Davis-Bacon rules are rewritten, a large Federal bureaucracy will remain to set wages that will apply to Federal construction contracts.

Notwithstanding the virtual assurance that labor will delay these revised regulations for months through court action, these artifically set wage rates will continue to be an insult to the American free enterprise system of doing business.

PART VII—DAVIS-BACON AND THE PRESS

Mr. President, let me conclude my Davis-Bacon series—not with my own findings—but with the feelings of the American people, as expressed through the media of the press. I have selected the following quotations at random, but my colleagues should note that Davis-Bacon repeal is supported by the press from coast-to-coast, from border-to border, and by newspapers ranging from conservative to liberal. There are very few issues before the Congress today where there exists such widespread consensus as the call to repeal the Davis-Bacon Act.

U.S. News & World Report, July 27, 1981:

Sometimes a law that was useful for a time outlives its usefulness. This is true of the Davis-Bacon Act . . . The American taxpayers deserve some relief.

The New York Times, May 4, 1981:

The better remedy, requiring no day-to-day decisions by unmonitored Government officials; is to repeal the Davis-Bacon Act. The idea of using tax dollars to raise construction wages was dubious enough during the Depression. Carrying on with such a policy when the economy is wrestling with a disastrous inflation is mad.

The Wall Street Journal, April 22, 1981:

The case for repeal (of the Davis-Bacon Act) is so overwhelming that it's hard to see how arguing it would be distracting. Indeed arguing for repeal seems the simplest course to take; goodness knows, its the most sensible one.

The Pittsburgh Press, March 26, 1981:

Whether the Davis-Bacon Act ever did any good is debatable. Certainly it has outlived whatever usefulness it may have had.

The Chicago Tribune, June 1, 1981:

Revising the regulations would save money for as long as this administration is in power, but repealing Davis-Bacon would save money for years to come.

Rocky Mountain News, Denver, Colo., March 30, 1981:

Additional evidence has come to light supporting the proposition that the Federal Davis-Bacon Act should be repealed.

The News, Pensacola, Fla., March 24, 1981:

Rescission of the (Davis-Bacon) act should be high on President Reagan's priority list. Eliminating $20 billion a year from construction costs would be a mighty blow against inflation.

Mr. President, I could go on and on with similar editorial comments from newspapers across the Nation. Let me list just a few of the other newspapers that have called for repeal or at least major revision of Davis-Bacon since President Reagan was inaugurated:

The Portland Press Herald, Maine;
The Denton Chronicle, Texas;
The Daily News, Lebanon, Pa.;
The Washington Post;
The Star-Journal, Pueblo, Colo.;
The Baltimore Sun, Maryland;
The Mississippi Press, Pascagoula, Miss.;
The Mobile Register, Alabama;
The Tulsa World, Oklahoma;
The Richmond Times-Dispatch, Virginia;
The Indianapolis News, Indiana;
The Southwest Times-Record, Fort Smith, Ark.;
The Sentinel, Milwaukee, Wis.;
The Republican, Waterbury, Conn.;
The Press Tribune, Caldwell, Idaho;
The Advocate, Baton Rouge, La.;
The Kentucky Post, Covington, Ky.;
The Alexandria Gazette, Virginia;
The Times, Shreveport, La.;
The Houston Chronicle, Texas;
The Times and Democrat, Orangeburg, S.C.;
The Journal, Martinsburg, W. Va.;
The Cincinnati Post, Ohio;
The Republic, Phoenix, Ariz.;
The Herald News, Joliet, Ill.

Mr. President, how can we continue this blatant waste of the taxpayer's money? It is time to act now to repeal the Davis-Bacon Act.

RECOGNITION OF SENATOR DODD

The PRESIDING OFFICER. The Senator from Connecticut is recognized under the previous order for a period not to exceed 15 minutes.

Mr. DODD. Mr. President, I thank the Chair.

WANTED: A MIDDLE EAST POLICY

Mr. DODD. Mr. President, today, as over the past several weeks, the attention of the world is focused on the Middle East, and, once again, we learn from the morning news that an uncertain peace hangs precariously over the region. The ceasefire announced over the weekend is obviously an improvement over the violence that preceded it. But, let us not kid ourselves, a ceasefire is no substitute for a Middle East policy. And, given the problems that must be overcome in that ancient region—a region tortured by its past, tormented by its present, and troubled by its future—the hope for peace seems all but illusory.

In the latest round of tragic events, the illusion of peace was shattered initially by the Israeli raid on the Iraqi nuclear facility near Baghdad and, more recently, by the renewed Arab-Israeli conflict in Lebanon. The PLO arms buildup in southern Lebanon eventually gave way to Israeli air strikes on PLO positions in that country, accentuated by the attack on the organization's headquarters in Beirut. This, in turn, produced the expected response from Palestinian rocket and artillery batteries located a short distance from Israel's northern settlements. The cycle of violence and counter-violence had begun anew; much as Secretary Haig had warned during his confirmation hearings before the Foreign Relations Committee. He cautioned:

In the Middle East, an uneasy peace continues to be punctuated by raid and reprisal, with each such sequence threatening renewed and wider conflict.

Mr. President, some may look back on the Secretary's assessment and view it as prophetic. Some may be satisfied with that. But, quite frankly, Mr. President, I am not. I am not because I am more concerned about Secretary Haig the policymaker than I am about Secretry Haig the prophet. One is no substitute for the other, as this administration's lack of Middle East policy so clearly demonstrates.

Plain and simple, this administration has no Middle East policy worthy of the name. Or, if it does, it is the best kept secret in Washington. Secretary Haig obviously does not know what it is. His deputy, Mr. Clark, does not know what it is. Secretary of Defense Weinberger does not know what it is. And if President Reagan knows what it is, he is not saying, other than to make it clear that the others do not know and are not speaking for the administration.

Yes, Mr. President, some 7 months into this administration—and counting—we are still waiting for a Middle East policy. A statement from this administration that will serve as a guide to Arabs and Israelis alike, a statement—a policy—that will indicate to them and to the rest of us how this administration intends to use American power and prestige in that part of the world.

To put it mildly, such a policy has been too long in coming. As a result, I believe a good argument can be made that the United States bears a large measure of responsibility for the recent events in the Middle East. Neither friend nor foe there knows what to expect from this administration—despite the fact that the United States is the dominant outside force. This uncertainty, if not confusion, only serves to add, as it has already, to the volatility and instability of a part of the world that daily comes closer and closer to a regional nervous breakdown—with the ever-present danger that the victims of

it will employ some of the most sophisticated weaponry available to the world today.

Indeed, Mr. President, to the extent there is a madness in the Middle East, we are as much a part of it as the Israelis, the Arabs, the Palestinians or the Russians. In pointing the finger—in assessing the blame—we would do well to begin with ourselves.

Our role in that turbulent region is as real as the corpses in Beirut or the bodies in Kiryat Shemona. And to those who say that it is just a matter of degree—I say it is only a matter of degree. I further say that the Reagan administration, because of its inability to develop a consistent, reliable, and balanced foreign policy—as Secretary Haig pledged it would—must now accept a large share of the responsibility for the most recent turmoil and bloodshed in the Middle East.

This is a great responsibility for the Reagan administration to carry. It is a very heavy burden. But of this, President Reagan and company can be sure: The longer this administration delays developing a realistic, forthright, and specific policy for the Middle East, the larger the responsibility and the heavier the burden will be.

One final point, Mr. President. Thus far, the Reagan administration's foreign policy has concentrated on the Soviet Union and on the transfer of arms and other military equipment for the expressed purpose of containing Soviet expansionism. If it persists in this direction—to the exclusion of other foreign policy considerations, as it has done so far—it will record one failure after another on the international scene. The events of the past several weeks in the Middle East are a good example of one such failure, and it has come primarily as a result of this administration's fundamental misreading of the situation.

In the Middle East, as elsewhere around the globe, the emphasis has been on stopping Soviet penetration and on arming anyone who will take the pledge, seemingly regardless of the consequences. But the Middle East has its own dynamic, its own history, its own culture, its own social and political forces—which are not to be denied and which are quite apart from the activities of the Soviet Union. Until the administration recognizes these factors and recognizes the situation for what it is, rather than for what it wishes it to be—in short, until the administration develops a coherent policy toward the Middle East—there will be more and more setbacks in that part of the world. In the long run, this will only redound to the benefit of the Soviet Union—an irony to be sure, but one that we must obviously strive to prevent.

I thank the Chair and I yield back the remainder of my time, Mr. President.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business not to extend beyond the hour of 9 a.m.

THE CAMBODIAN CONFERENCE

Mr. PROXMIRE. Mr. President, the United Nations has convened a special conference on the status of Cambodia. That conference is now going on in New York. The conference is trying to shed an international light on the terrible problems of a nation wracked by warfare and campaigns of mass murder.

Speaking before the conference, Secretary of State Haig denounced the genocide that has occurred so often in Cambodia and declared our support for the Cambodian people. I am glad that the administration has taken this opportunity to recognize that campaigns of genocide are not a specter out of the past but, rather, a problem that we still confront today.

Despite the absence of the Soviet Union, Laos, and Vietnam, this conference carries significance as a symbol of the concern and involvement of the international community. Through its discussion, it may help to generate new approaches to resolving the country's long-term problems.

The Genocide Convention is another such symbol, one worthy of acceptance by the United States. Just as we have respected the role of the international conference on Cambodia, so should we respect the consensus of international opinion represented by the 87 nations who have thus far chosen to ratify the Convention.

Tragedies like the one in Cambodia are unfortunately far from unique. We have a clear moral obligation to oppose such crimes of genocide wherever and whenever they occur.

We certainly have a clear moral obligation to ratify the Genocide Convention, which this country was able to persuade the United Nations to adopt 32 years ago, and which has been pending in the Foreign Relations Committee simply because this body, the Senate of the United States, refuses to act.

Mr. President, the time certainly has come for us to act, as every President we have had since 1949 has urged us to do.

So I plead with my colleagues, once again, to ratify the Genocide Convention as an important part of our opposition to genocide, which has occurred not just in Hitler's Germany but also is occurring today, in Cambodia.

AN OWNERSHIP APPROACH TO PRODUCTIVITY

Mr. LONG. Mr. President, this past Friday the Senate, by a vote of 93 to 1, went on record in support of the employee stock ownership provisions of the Economic Recovery Act of 1981. Those provisions offer a promising new approach to increasing America's productivity.

Expanded ownership is an issue that cuts across party lines in an attempt to bring out the best in our free enterprise system. As the 1980 Republican platform reminds us:

> The widespread distribution of private property ownership is the cornerstone of American liberty. Without it, neither our free enterprise system nor our Republican form of Government could long endure.

Mr. President, let me say that I think most Democrats will agree. I certainly agree with that suggestion of the Republican platform. The Republican platform pledges the Reagan administration "to help millions of Americans * * * to share in the ownership of the wealth of their Nation."

President Nixon included a similar pledge in his 1970 state of the Union address in which he suggested:

> We must adopt reforms which will expand the range of opportunities for all Americans. . . . This means . . . new opportunities for expanded ownership, because in order to be secure in their human rights people need access to property rights.

In a similar vein, Senator Hubert Humphrey explained his support of expanded ownership in a letter to the editor of the Washington Post not long before his death:

> Throughout my career as a public servant, I have viewed full employment as a top priority goal for this country. And I continue to do so. But I recognize that capital, and the question of who owns it and therefore reaps the benefit of its productiveness, is an extremely important issue that is complementary to the issue of full employment.
>
> I see these as twin pillars of our economy: Full employment of our labor resources and widespread ownership of our capital resources. Such twin pillars would go a long way in providing a firm underlying support for future economic growth that would be equitably shared.

The benefits of Government-stimulated economic growth have traditionally trickled down through higher wages, expansion in the number of jobs, and the availability of increased tax revenues to fund expanded social programs.

That approach has produced strains on the economy as the benefits of such growth have resulted in the accumulation of massive amounts of productive capital by a relatively few households while the vast majority have been left with only a meager net worth.

For example, during our bicentennial year, the Joint Economic Committee studied capital ownership in the United States and found that 50 percent of the total value of outstanding stock held by individuals is owned by just 0.5 percent of the U.S. population. Two-thirds, according to a 1976 IRS report, is held by 5.2 percent of the population age 20 and over. Similarly, 1 percent of the population received 47 percent of all dividends.

At the other end of the ownership spectrum, the committee cited a 1972 study indicating that 55 percent of American households have a net worth of less than $10,000; and 12 percent, or 1 in every 8, have a net worth of $1,000 or less.

Perhaps the most disturbing analysis of the present state of our private property system, however, is provided by the National Bureau of Economic Research which reports that for the majority of American families their most important "wealth" is now their entitlements under our social security system.

Thus, for most Americans their most important asset is an assurance that

someone else will be taxed on their behalf. Clearly that is a long way down the wrong road if we intend to have a private property economy to leave to subsequent generations of Americans. Incentives for economic growth need to be combined with incentives that will distribute the long-term benefits of such growth more widely.

CAPITAL OWNERSHIP OPPORTUNITIES

Most of us share President Reagan's concern for incentive economics, for supply-side measures designed to stimulate new capital investment. We are generally in agreement that this package of tax cuts will provide a strong private sector foundation for a revitalized economy.

With that in mind, we are considering legislation that will target an estimated $147.5 billion through 1986 for increased business writeoffs of equipment and facilities—all of which will be owned by someone. The financial press estimates that by the close of this century productive wealth in the United States will increase by $2 to $5 trillion. The bulk of that new wealth will be owned by private individuals.

Within a healthy and growing economy, there will be opportunities not only to work but also to own. The distribution of job opportunities as an outgrowth of Government-stimulated economic growth is a factor that will be evaluated in great detail. Unfortunately, we are unlikely to have an analysis of the distribution of ownership opportunities as well.

In large part, corporate finance will determine who will be owners of these badly needed new capital investments. Corporations finance their growth from three primary sources: Retained earnings, debt, and various tax benefits—primarily equipment writeoffs, such as those which form the bulk of the business tax relief in this bill.

New stock plays only a minor role in the financing of new capital. For example, Federal Reserve Board figures show that corporate equities accounted for only 0.89 percent of the total funds raised in the United States during 1979. For the entire 1970's, stock sales accounted for a mere 3.7 percent of new capital raised in the nonfinancial sector. Even during the rapid growth of the 1960's, new equity issues were the source of only 7 percent of total financing for nonfinancial companies.

Because of the way in which new investments are financed, capital ownership has historically been an opportunity reserved for a relative few. The ownership of new capital wealth is largely a function of existing capital wealth.

After studying the self-perpetuating wealth concentration that the most widely used financial techniques imply, the Joint Economic Committee concluded in its 1976 annual report:

> To provide a realistic opportunity for more U.S. citizens to become owners of capital, and to provide an expanded source of equity financing for corporations, it should be made national policy to pursue the goal of broadened capital ownership.

For the most part, the American people cannot afford capital ownership. Daily economy survival, not savings and investment, is their main concern. And the less our technologically advanced economy needs their labor, the less able they are to save their way to capital ownership. Inflation, of course, penalizes what little savings they are able to set aside.

After passage of this bill, the bulk of America's new productive capital will, I expect, continue to be financed as before—except that more accelerated write-offs will then be available with which to do that financing. It is my hope that the Employee Stock Ownership Plan (ESOP) provisions of this bill will provide an incentive for at least some portion of this new capital to be financed in such a way that more Americans will begin to accumulate a capital estate.

A MODEL OF WORKABILITY

Free enterprise capitalism is losing ground all over the world. We need to be able to demonstrate to other nations how our increasing prosperity spreads out and reaches Americans in all walks of life.

Unless we offer such a model, other nations will continue to see the socialist model as a more attractive alternative. Secretary of State Haig was on target when he recently commented that our economic contradictions here at home make it more difficult for us to lead abroad.

As Ronald Reagan explained in 1975:

> Capitalism hasn't used the best tool of all in its struggle against socialism—and that's capitalism itself.

In a July 1974 speech to the Young Americans for Freedom, Governor Reagan explained the historical precedent for a policy of expanded ownership and endorsed the uniquely American opportunity that such a policy would represent:

> Over one hundred years ago, Abraham Lincoln signed the Homestead Act. There was a wide distribution of land and they didn't confiscate anyone's already owned land. They did not take from those who owned and give to others who did not own. It set the pattern for the American capitalist system. We need an Industrial Homestead Act . . . I know that plans have been suggested in the past and they all had one flaw.
>
> They were based on making present owners give up some of their ownership to the nonowners. Now this isn't true of the ideas that are being talked about today.
>
> Very simply, these business leaders have come to the realization that it is time to formulate a plan to accelerate economic growth and production and at the same time broaden the ownership of productive capital. The American dream has always been to have a piece of the action.

The theme of the employee stockownership provisions of this bill is a theme of widespread participation—participation not only through jobs but through ownership as well. To encourage expanded ownership does not mean to take from those who own in order to give to those who do not. Rather, the intent is to provide incentives for newly created capital to be more broadly owned.

As the private sector expands and the economic pie begins to grow, these ESOP incentives will provide those who make that pie with an opportunity to own a piece of it. Instead of simply sharing in the pie by taking a larger slice, ESOP will provide a chance for more working Americans to own a piece of the pie-making machinery.

Thirty-two Members of the Senate have joined me in cosponsoring the bipartisan measure which I introduced some months ago. About half of those provisions appear in this bill and they have been unanimously recommended by the Committee on Finance.

In addition, it is encouraging to see that just this past month the State of Delaware joined the States of Maryland, Michigan, Minnesota, and New Jersey in establishing as official State policy the encouragement of ESOP's as a means to broaden ownership. Similar legislation is pending in several other States.

As the President reminded us last night in his address to the Nation:

> The best way to have a strong foreign policy abroad is to have a strong economy at home.

As we enact these incentives to restore strength to the American economy, I hope that we will keep in mind the crucial role that private ownership plays in the functioning of a free enterprise system.

TOWARD A POLICY OF ECONOMIC SELF-SUFFICIENCY

If we are to have a self-sustaining economic system, and one in which Government plays only a minor role—as the voting public seems to be telling us it should—then the private sector must itself be encouraged to play a greater role in the functioning of our private enterprise economy.

By producing the economic pie, we necessarily create the problem of how it is to be distributed. Wages and salaries are one way. Under our present system, however, pay tends to outpace productivity.

When an upward drift in income is not matched by a real growth in output, income gains are, of course, largely illusory. It would be shortsighted for us to continue to leave the vast majority of Americans with nothing other than their labor, as the capital with which they provide input into—and derive income from—our capital-intensive economy.

Redistributive taxation is another way to distribute income, although for this purpose it is strictly a hindsight, remedial approach. In addition, the fiscal strains created by this approach are increasing at an alarming rate. For example, over the past 20 years, direct Federal transfer payments to individuals have grown from 26.4 percent of total budget outlays to more than 50 percent; $27 billion was paid out in 1960—by 1980 that had risen to $284 billion, including a growth of more than $200 billion just since 1970. And of course Government can never return as much as it takes, so its costs insure a net loss in the transfer.

We need to bring our outtake system more "in synch" with the realities of our input system. A market economy is based on the premise that each person's outtake from the economy is directly related to that person's productive input—whether that input be through a job or through the ownership of productive capital. Both can generate income.

Rather than break the relationship between effort and reward, the expanded ownership concept suggests that we recognize the increasingly dominant role that nonhuman capital now plays in the productive process, and begin to provide a way for more Americans to economically participate by means more consistent with the existing state of technology.

When capital owners are few, the private property conduits of a market economy reward those few. If there were many owners, the earnings of that productive capital could begin to broadly irrigate the economy with purchasing power.

How efficiently our free enterprise system works in solving our income distribution problem is partly a function of how well our structure of property laws matches the underlying technological and economic realities. If those realities change and our property arrangements fail to keep pace, a conflict is inevitable.

Of the even leading industrial democracies—France, West Germany, Canada, Sweden, the United Kingdom, and Japan the United States now ranks second only to France in its degree of income inequality. In addition, our poorest 20 percent have a lower share of total pretax income than any country, including France. A broader distribution of capital ownership would help to improve our poor ranking internationally.

In some nations, the private ownership of productive capital is forbidden—on the grounds that private property is at the heart of the problem. The solution, however, lies not in destroying the institution of private property, but in making it possible for all to become owners of some of it.

Expanded ownership could help reduce the role that Government plays in redirecting income. But to do that requires that we work to build economic self-sufficiency into the American population at large.

Over the long term, the best way to cut back Government programs is to cut back the need for such programs. If we are to be successful in our attempt to create a self-sustaining economic system, however, we must first begin to share the ability to succeed. The encouragement of expanded ownership would be a step in that direction.

A NONINFLATIONARY BENEFIT

In addition, if we are to win in our battle against inflation, we need incentives for working Americans not only to save but also to moderate their wage demands. The current situation at Continental Airlines provides a good example of the potential that employee stock ownership plans have for moderating wage-push inflation.

The Continental employees are proposing that they forgo a portion of future pay raises and, instead, apply those funds to invest in company stock (through an ESOP). This inflation-fighting approach to compensation should be encouraged.

According to pollster Louis Harris, the American public is generally receptive (that is, 63 percent) to the idea of having their salaries linked to higher productivity—at least if they are convinced that their sacrifices will provide funds for needed investment. Thus the encouragement of employee stock ownership plans may help restrain inflation by helping to channel wage demands into capital investment.

When combined with the labor productivity gains that generally accompany employee stock ownership, widespread ESOP-type financing has the potential to significantly improve our economic situation. Just as the company with employee stock ownership will have a productive advantage over a conventionally owned competitor, so too should the U.S. economy enjoy a competitive edge with a tax policy supportive of expanded ownership.

Employee stock ownership could also serve as a new stabilizing element in labor-management relations—an element that may encourage these traditional foes to act more in the national interest by beginning to operate more in a spirit of cooperation and compromise. Unions must find new, noninflationary ways to deliver victories to their members, and management needs to find new ways to deal with union demands.

A recent Harris poll found that 53 percent of American employees and 61 percent of American business leaders feel that there is too little cooperation between business and labor. Employee stock ownership provides a fruitful new area in which these traditional adversaries can resolve their differences.

INCENTIVE ECONOMICS

What would be the effect of transforming this troubled economy of ours into one in which working Americans have the interest and incentive of ownership? Even a modest stake in the system would bring with it a better understanding of how our free enterprise system works, and a greater awareness of the costs and the tradeoffs of Government programs.

Our tax code should encourage a broad distribution of productive input and a substantial payout of the earnings generated by that input. If we are to have a more equitable and a more workable income distribution—without Government redistribution—we must have incentives for the widespread ownership of productive capital.

Our tax system is a key to linking equity and efficiency. As presently structured, that system not only aggravates the bias toward concentrated ownership and governmental redistribution, in the process it also jams the market's pricing system and its ability to allocate resources in the most productive, market-responsive fashion.

We must begin to strike a better balance between the energy and efficiency of the market and the equity, compassion and equality of democracy. Expanded ownership would bring a democratic new dimension to the investment process, and open new possibilities for economic system we mean to have in the icans.

DEMOCRATIC CAPITALISM

Since 1973, the Congress has approved, and three separate administrations have signed into law, 14 bills promoting the use of employee stock ownership plans as a means to expand the ownership of productive capital. In addition, in the Tax Reduction Act of 1976, Congress made clear its policy of "* * * encouraging employee stock ownership plans (ESOP's) as a bold and innovative method of strengthening the free private enterprise system which will solve the dual problems of securing capital funds for necessary capital growth and of bringing about stock ownership by all corporate employees."

However, the provisions of current law—even when improved by the very modest ESOP-related provisions of this bill—will do very little to expand the base of capital ownership in the United States. Due to the nature of the most commonly used techniques of finance found in the private sector, the great bulk of the new productive capital created due to the investment incentives in this bill will likely flow to that same small group of Americans who are already quite wealthy.

That would show a failure of foresight on our part, and I hope that we will take steps to correct such a trend if we find that is the direction in which we are headed.

Both sides of the aisle are on record in support of expanded capital ownership. Both sides are also on record as opposed to a socialist approach to economic policy, such as is now being considered in France.

This is the richest and the most comprehensive capital formation bill ever considered by the U.S. Congress. By the end of this century we would be well advised to insure that a significant amount of this yet-to-be-created productive capital flows into the hands of a steadily expanding number of American households.

If there is to be an expansion of capital ownership in the United States, certainly these next two decades are an opportune time to make that bipartisan desire a reality. Tax policy alone may not be adequate if expanded ownership is to become a reality. Thus, we should also consider how monetary policy can operate in support of a national policy of expanded capital ownership.

Capitalism's market mechanisms of incentive and reward have brought more and better goods and services to more people here and throughout the world than any other system in history. Yet those mechanisms are not indestructible. If they are to be preserved, we need an institutional framework that operates in their support. That support lies in the direction of a more democratic form of private property capitalism—a type of capitalism that is true to its democratic roots, and true to the American tradition of widespread participation.

The issues raised by this legislation go to the very heart of just what sort of economic participation by more Amer- United States, and just what sort of Nation we intend to leave for succeeding generations of Americans. The ESOP provisions of this bill offer us a blueprint—a guide for future legislation de-

signed to include more Americans as partners in our economic progress.

CLARIFICATION OF ESOP AMENDMENTS

Mr. President, the Economic Recovery Act of 1981 makes a number of changes in the law relating to employee stock ownership plans (ESOP's). Many of these changes are highly technical in nature. Thus, it may prove useful to provide some additional clarification regarding several of the provisions.

An ESOP is a technique of corporate finance. It is also a tax-qualified plan under which employer stock is held for the benefit of employees. The stock, which is held by a tax-exempt trust under the plan, may be acquired through direct employer contributions or with the proceeds of a loan to the trust.

In order to qualify, a plan must, for example, satisfy rules prohibiting discrimination in favor of highly-paid employees, and it must meet standards relating to employee participation, vesting, benefit and contribution levels, the form of the benefits, and the security of the benefits. If a plan meets these requirements, in addition to deferral of employee tax on employer contributions, the income earned on assets held under the plan is generally not taxed until it is distributed or made available. In addition, special 10-year income averaging rules or tax-free rollover treatment apply to distributions made in a lump sum. Also, the Internal Revenue Code provides for deferral of tax on the appreciated value of employer securities and for exclusions from estate and gift tax.

An employee stock ownership plan which borrows to acquire employer stock is referred to as a leveraged ESOP. A leveraged ESOP is a technique of corporate finance designed to build beneficial equity ownership of shares in an employer corporation into its employees.

Under such an ESOP, an employee stock ownership trust generally acquires stock of the employer with the proceeds of a loan made to it by a financial institution. Typically, the loan is guaranteed by the employer. Employer contributions to the trust are applied to retire the loan. Within limitations (based on a percentage of payroll), those contributions are deductible by the employer.

The provisions of this bill raise the deductibility limits for employer contributions applied to the repayment of the principal of an ESOP loan. In addition, employer contributions to repay the interest expense of an ESOP loan will be deductible without regard to the deduction limitations otherwise applicable to contributions to tax-qualified employee benefit plans.

Subject to meeting a nondiscrimination test, a corresponding amendment provides that the limitation on annual additions to employee benefit plans will no longer apply to employer contributions applied by an ESOP to repay interest on an ESOP loan. In addition, those limitations will no longer apply to amounts forfeited under an ESOP loan.

Although the effective date of the Act applying to these revised limitations is generally effective for years after 1981, it is intended that employer contributions applied to pay a loan incurred prior to 1982 will also qualify under the new provisions.

Many of the rules governing the new payroll-based tax credit ESOP are the same as those applicable to the current additional investment tax credit for ESOP contributions. As under present law, for example, a payroll-based tax credit ESOP may be treated as a tax-qualified plan from its effective date even though the plan is not actually established until the date for filing the employer's tax return for its taxable year—including extensions.

As under present law, the allocation of employer contributions to a tax credit ESOP for a year must be made in proportion to the total compensation of all participants sharing in the allocation for the plan year, taking into account only the first $100,000 of compensation for an employee. Integration with benefits provided under social security continues to be prohibited. In addition, amounts allocated must be immediately 100 percent vested, for example, nonforfeitable.

Limited amounts of administrative expenses for establishing a tax credit ESOP may be charged to the plan. The maximum amount which may be charged is 10 percent of the first $100,000 of the amount required to be transferred to the plan for the taxable year in which the plan is established, and 5 percent of any additional amount for such year. In addition, ongoing costs of administration—up to 10 percent of the first $100,000 of the trust's dividend income plus 5 percent of the remaining dividend income—may also be charged to the plan.

This bill also introduces a new nondiscrimination test applicable to leveraged ESOP's and to tax credit ESOP's. The purpose of the test is to insure that rank and file employees are the primary beneficiaries of the additional incentives provided under this bill.

The nondiscrimination test places limitations on the amount of employer contributions that may be allocated to officers, 10 percent shareholders, and the highly compensated. For purposes of this requirement, the term "officers" includes only those persons, regardless of title, who perform substantive duties in the nature of top management. Highly compensated employees are those earning twice the annual addition limitation under section 415—$83,000 for 1981.

THE ALLIED PLYWOOD ESOP

Mr. President, I ask unanimous consent that a profile of an ESOP company that appeared in the current newsletter of the Employee Stock Ownership Association be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THE ALLIED PLYWOOD CORPORATION OF ALEXANDRIA, VIRGINIA

Allied Plywood's ESOP is working—for the company, its owners, and its employees.

Allied Plywood Corporation is a plywood distributing firm founded by Ed and Phyllis Sanders in 1951. Spurred by the Washington-area building boom and sound, conservative management practices, the company enjoyed steady growth for 25 years. But like most small business owners, the Sanders' faced enormous obstacles from the Internal Revenue Service when they tried to convert some of the hard-won fruits of their labors to cash for their own enjoyment.

They considered selling some of their stock back to the corporation, but IRS regulations deny capital gains treatment when a family owns more than 50 percent of the common stock. Any such sale is treated as a dividend instead. The result: a confiscatory 70 percent personal tax on proceeds, and no corporate-level deduction for the amounts paid for the stock.

Then, in 1976, Ed Sanders read a Washington Post letter to the editor describing the merits of the Employee Stock Ownership Plan. After studying the plan carefully, Ed concluded that he could use it to solve his tax problems and provide an entirely new system of incentive for his employees at the same time.

THE SOLUTION

Allied Plywood then adopted a non-leveraged ESOP, combining a stock bonus plan with a money-purchase plan to take advantage of the higher contribution levels available when this type of combination is used. Under the money-purchase plan, the firm is required to contribute 10 percent of its covered payroll to the plan each year; the level of contributions under the stock bonus plan is entirely discretionary. Each year since its inception, the ESOP has used cash contributed by the company to purchase shares from Ed and Phyllis Sanders.

From a tax standpoint, the results of the plan have been right on target. The cash that Ed and Phyllis receive for their stock is taxed at capital gains rates, rather than at the much higher dividend rates, because they have taken care to abide by the rules of Revenue Procedure 77-30. The company's contributions to the ESOP have been fully tax-deductible, another big advantage over the stock-redemption alternative.

The ESOP has also solved a problem that had been troubling Ed Sanders for years: how to get the employees more involved with the company, how to get them to identify their own fortunes with the company's fortunes. Previously, he had tried to sell shares directly to the employees, but that approach met with little success. Most workers had no after-tax money to spare for "luxury" items like stock. The ESOP, by providing employees with stock at no out-of-pocket to them, gives each worker a substantial capital stake in the company.

Allied Plywood's ESOP, after last year's contribution and stock purchase, owns just under 50 percent of the total equity outstanding. Next year, the amount will surely surpass the 50 percent level, and in a few years, as Ed and Phyllis continue to sell their equity, it will own substantially all of the stock of Allied Plywood.

COMMUNICATING THE BENEFITS

Like most ESOP companies, Allied Plywood has had to make special efforts to communicate to its employees exactly what the rights and responsibilities of stock ownership are. Each year, the employees' annual ESOP reports are printed by a computer on to a form resembling a stock certificate.

The report lists the value of the individual's accounts in the ESOP, broken down so that he can see the importance of a steady increase in the value of his Allied Plywood stock. Along with the certificate comes a report on company operations written by Ed Sanders, bringing the employee-owners up to date on the "big picture" most workers never see. Once a month there is a meeting of all the employees, to share information with them and to pick their brains about how different aspects of the company's operations might be improved.

Sanders believes, however, that formal meetings are not really the best places for productivity-improving ideas to be worked out. Rather, participation occurs in a more unstructured way: as problems develop in day-to-day operations, or as a new idea pops up, things are discussed right away rather than waiting for a formal meeting.

CASH BONUSES

Sanders firmly believes that the ESOP has made a difference in his employees' productivity, although he says it is difficult to put an exact dollar figure on the productivity value of the ESOP. In the employees' minds, the ESOP benefits are closely intertwined with Allied's outstanding cash bonus program.

Each month, the firm contributes an amount of cash to a bonus pool, the size of the contribution based strictly on the profits accumulated by the firm during the month. The pool is then divided equally among all the employees. For the month preceding the ESOP Association's interview with Ed Sanders, each employee received about $1,200 from the monthly bonus pool.

That's in addition to the employee's take home salary. Admittedly, this was a higher than average month; but the combined effect of the ESOP and the productivity-tied cash bonuses of this magnitude ought to be self-evident. At the end of the year, employees receive an additional bonus, based on a complex formula involving the number of days worked, importance of the job, years of service, and the quality of the individual's performance.

To top it all off, the employees receive a dividend on the stock held in their ESOP accounts. The dividend is "passed through" the ESOP to the employees, providing them with a cash return on their stock. The size of the dividends is very small because dividends are not deductible to the corporation as bonuses are. This combination of long-range ownership benefits and short-range cash benefits has resulted in extraordinarily low rates of absenteeism and turnover for Allied Plywood, and have contributed to the remarkable productivity rates the firm enjoys.

Of course, the "proof of the pudding" as far as the employees are concerned is the stock distribution when they terminate employment. Because Allied Plywood is a small company with dedicated employees, there has only been one such termination since the plan was started in 1976.

Naturally, there was quite a bit of interest from the other employees about the details of this distribution. Sanders took the opportunity at one of the monthly meetings to discuss this payment to the employee, who chose to sell his stock back to the ESOP immediately for a full payment in cash.

The sale was made using a book value formula for pricing the stock. Allied Plywood has used this formula since the inception of the ESOP, without any complaints from the IRS. (That doesn't mean, however, that the IRS would permit a book value formula to be used in other circumstances. See Revenue Ruling 59–60 for the IRS preferred valuation approach.)

THE BASICS

Name: Allied Plywood Employee Stock Ownership Plan.

Year established: 1976.

Type of plan: Stock bonus plan combined with money-purchase plan. Non-leveraged, non-contributory.

Participants: 19.

Vesting schedule: 0 percent for first three years, 30 percent after three years, 40 percent after 4 years, etc. up to 100 percent after 10 years.

Plan investments: 90 percent in Allied Plywood; 10 percent in certificates of deposit.

Percent of employer owned by plan: Just under 50 percent.

Other benefit programs: Monthly and yearly cash bonuses.

ED SANDERS' VIEWPOINT

Ed Sanders is satisfied with his ESOP, and he thinks that Congress ought to encourage more companies to adopt the program. "ESOPs are great for the continuity of corporations," says Sanders. "They enable them to roll along as new owners come in and the old ones go out."

He is particularly irked by what he regards as a tax-code bias in favor of conglomerate takeovers of small companies that could otherwise be purchased by ESOPs similar to Allied Plywood's. The solution, he has argued repeatedly in Congressional testimony and elsewhere, is to provide a "tax-free rollover" for sales of small business stock to ESOPs.

In other words, a person who sold small business stock to an ESOP and reinvested the proceeds in other small business stock within 18 months would not have to pay a tax on his gain—at least until he sold the stock acquired with the proceeds, at which time his tax would be based on the entire gain from the time he acquired the original stock sold to the ESOP. This would put the seller in the same position he would be in had he engaged in a tax-free merger into a conglomerate.

Sanders also opposes mandatory pass-through of voting rights to ESOP participants. "I've invested half a lifetime in building this company," he argues, "so why should I just turn over control to somebody else? I'm not really afraid of doing that, but why should I? Most of them haven't put in a penny of their after-tax dollars as I have, and I don't think it is fair for the government to force a vote pass-through."

SUPPORT FOR SMALL BUSINESS

Mr. STEVENS. Mr. President, recently an editorial appeared in the July 15, 1981 edition of the Washington Star endorsing the Small Business Innovation Research Act of 1981 introduced by the distinguished Senator from New Hampshire, Mr. RUDMAN.

Senator RUDMAN has addressed a very important issue regarding support for small business in this country. If the United States is to remain on the path to economic recovery, it is essential that small businesses throughout the land become healthy and viable. There is no doubt that the strength and stability of the U.S. economy is directly correlated to the survival of small businesses.

The measure sponsored by my able friend from New Hampshire, directs Federal agencies with research and development budgets over $100 million to set aside 1 percent for small businesses. As a result, small businesses would be eligible to submit proposals relating to the research and development objectives of the agency from which the seed money will come. In this way, the efforts of an agency research and development would be complemented by the efforts of small businesses with promising ideas. It must be clear, however, that any commercial application would be resulting from the research and development financed by private capital, not public funds.

I am pleased to join Senator RUDMAN as a cosponsor of the Small Business Innovation Research Act of 1981 and I ask unanimous consent that the text of the editorial referenced above be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

INVENTION IN THE SENATE

It remains something of a historic scandal that the Wright Brothers waited five years to get federal support, which came grudgingly at that. But the problems facing small innovative businesses haven't changed much. Their contribution to American life and invention far exceeds their size, yet federal support remains minuscule—3 or 4 percent of the federal research and development budget. That could be changed by one of the most ingenious bills of the 97th Congress introduced by freshman Sen. Warren B. Rudman, R-N.H.

Mr. Rudman's "invention" could give small R&D firms as much as $400 million more a year—without adding a cent to the federal budget. His Small Business Innovation Research Act of 1981 simply requires that federal agencies with an R&D budget in excess of $100 million set aside 1 percent for small business. Thus it would counter the federal temptation to turn always to one or two "safe" contractors and open the market to more spirited competition. The government may spend as much as $40 billion on R&D in 1982.

The importance of small business cannot be overstated. An MIT study, for instance found that between 1953 and 1974 some 50 percent of all major innovations came from firms with fewer than 1,000 employees. A National Science Foundation survey showed that small businesses produce up to 24 times more innovation per R&D dollar than larger ones. An MIT Development Foundation Study said that "young" technology companies, with sales equaling only 2 per cent of those in "mature" industry, created 34 percent more jobs than those created by the mature companies. Yet federal R&D grants persistently favor large firms.

Mr. Rudman's bill, introduced jointly with Sen. Lowell Weicker Jr., R-Conn., is simplicity itself. Small businesses would be invited to submit proposals touching on an agency's R&D objectives. Those judged to be more promising could get "seed money"—and more money if the research appears fruitful. Any commercial application would be financed entirely by private capital.

One can anticipate objections. A National Science Foundation program, after which Mr. Rudman's bill is modeled, was widely judged to be successful, but there were some complaints about implementation. There are bound to be difficulties in following through on any program in which more companies participate and more ideas emerge.

Nevertheless, the case for the proposal is powerful indeed, as Mr. Rudman observed when he said that "almost 50 per cent of American economic growth stems from innovation." Similarly, a 1977 Office of Management and Budget study found that small firms have inadequate access to federal R&D money and that "our country will lose significant high technology capabilities" without such support. Mr. Rudman's bill would increase that resource by redistributing a tiny portion of federal money already being spent on R&D.

When final hearings on the bill begin today it should also be noted that it admirably complements President Reagan's wish to stimulate the economy and enhance productivity. For such reasons it has attracted 79 cosponsors, including such traditionally opposing voices as Howard Metzenbaum, Edward Kennedy, Jake Garn and Jesse Helms.

But there have been other attempts to awaken Washington to the importance of American R&D—and most have gotten no-

where. Mr. Rudman's exceptional bill could be an exception to that sorry history, and it ought to be.

THREE MILE ISLAND: NUCLEAR POWER'S TET

Mr. SYMMS. Mr. President, in the wake of the nuclear accident at Three Mile Island, my guess is that if you asked the average American how many people would die in the event of a nuclear melt-down, the answer would be thousands. I suppose that the average American, who depends for his information about nuclear power on the evening television news and an occasional headline in the local paper, would tell you that nuclear power is terribly risky. And that is truly unfortunate, Mr. President, since the truth is just about exactly the opposite.

In order for nuclear power to be as dangerous to the health of Americans as burning coal, for example, we would have to have a melt-down someplace in the country about every 6 months. Actually, this estimate is based on the kind of worst-case figures generated by the Union of Concerned Scientists, not widely thought to be strong supporters of nuclear power. Using official Government figures the frequency of meltdowns would have to be one every 2 weeks to make nuclear power as dangerous as coal.

These facts are provided by Dr. Bernard Cohen, a professor of physics at the University of Pittsburgh, and chairman-elect of the American Nuclear Society's Division of Environmental Sciences. Dr. Cohen notes that in almost no cases would there be any immediate deaths from a meltdown, though such deaths are not impossible. The usual effect would be a very, very modest rise in the number of cancer-related deaths spread over decades. Taking all deaths together, they work out to about 400 for each melt-down. For comparison purposes, Dr. Cohen points out that burning and mining coal is killing about that many people every 2 weeks.

That is not to say that coal burning is particularly dangerous either. I am not against the burning of coal. Nor am I making excuses for any deaths which can be related to one form of energy production over another. Nor am I oblivious to the importance of strong nuclear safety procedures. I merely think it is important to put things in perspective. The public perception of coal burning and nuclear power production are just very much at variance with reality.

Why is the fact so different from the reality, Mr. President? This is an important question, and one that we ought to focus some attention on. Dr. Cohen suggests that it is because nuclear power is the first energy source which has developed in the modern age, when we have had the foresight and capacity to evaluate all the risks up front, ahead of time. Thus we have learned a great deal about the risks of nuclear power.

Coal, and other fossil fuels, by contrast, came into use hundreds of years ago, before we developed our penchant for long-range planning. The risks of burning coal were unknown at the time. We are now able to go back and evaluate those risks, but to the average person, coal is an old friend. We all know it and are comfortable with it. Dr. Cohen suggests that this unequal treatment is damaging to our long-term security and well-being.

He suggests one other explanation for the disparity between image and fact: the news media. To quote him:

> A reporter's job is to get an interesting story, something that will attract the attention of the public. . . . A reporter trying to make an interesting story . . . naturally picks the worst possible accident—45,000 cancers, $15 billion cost—to discuss. His story says that nuclear accident could have these consequences, but readers and those reporting a story seldom make a sharp distinction between could and would. Since media people get most of their information from other media productions, powerful media figures ranging from Dan Rather to Johnny Carson have been convinced that a reactor melt-down is the ultimate disaster. With them preaching the gospel, the public is soon convinced.

Mr. President, Dr. Cohen is right on target with this point, and I found his other insights into the safety of nuclear power equally illuminating. I ask unanimous consent that Dr. Cohen's article, from the June 12 issue of National Review, be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

KING COAL AND THE MELT-DOWN MYTH

(By Bernard L. Cohen)

Melt-down has become a household word synonymous with the ultimate disaster. That word, referring to a complete melting of the fuel in a nuclear power reactor, was brought to public attention in the movie The China Syndrome, and its implications were underlined by the accident at Three Mile Island. Fear of a melt-down has led several commentators to say that we should depend on coal rather than nuclear power for electricity.

How rational is this? According to estimates by government scientists, for nuclear power to be as dangerous as coal we would have to experience a reactor melt-down every two weeks somewhere in the United States. If one rejects the credibility of government-sponsored studies and goes to the other extreme of accepting the estimates of the Union of Concerned Scientists (UCS), nuclear risks become equal to those of coal if we have a melt-down only every six months.

An average melt-down, according to the government estimates, would result in about four hundred eventual cancers. The UCS estimate is ten times higher. But air pollution from coal-burning is generally estimated to be causing about ten thousand fatalities per year in the United States, a rate of four hundred every two weeks (some estimates of the effects of coal-burning are many times higher).

Since there seems to be a credibility problem with government statements, it should be explained that what we refer to as "government estimates" is actually work by scientists whose research is supported by the Federal Government, which includes well over 90 percent of the involved scientific community. Their scientific work is not subject to political pressure or review, although the official summaries of their documents and the press releases on them are in the political arena. Since science is international, and its findings can be readily checked, incorrect scientific information is ordinarily rapidly exposed in the scientific community, and those responsible pay a heavy price professionally. There is of course some room for honest disagreement in interpretation of data, and that is why UCS can obtain results differing from the government estimates.

The "government estimates" referred to are from the Nuclear Regulatory Commission (NRC) document WASH–1400, better known as the Rasmussen Report. According to some press reports, WASH–1400 was "repudiated" by NRC, but that is an overstatement. Actually NRC accepted the report of a committee headed by H. W. Lewis which said that the uncertainties in WASH–1400 are larger than stated; it did not say that the dangers were greater than estimated in WASH–1400, and, in fact, Lewis himself told a congressional committee that he believed that they were smaller. Moreover, the principal criticisms referred to the WASH–1400 estimate of the probability of a melt-down, and we are not using that estimate here. We consider only a melt-down's consequences.

The report by the Union of Concerned Scientists does not contain as much detail as WASH–1400, but its viewpoint can be roughly represented if all consequences given below are multiplied by ten. The UCS also contends that the probability of a melt-down is ten times larger than the WASH–1400 estimate, but that is not at issue in our discussion.

For nuclear power to be as dangerous as coal-burning we would have to have a melt-down every two weeks. If that statement is shocking, it is because the dangers in a melt-down have been grossly over-sold by the media. A reactor is enclosed in a very powerfully built structure called the "containment" with walls several feet thick made of very heavily reinforced concrete. This gives protection against a wide variety of external threats—the containment would not be breached by an automobile or tree hurled at it by a tornado, by the explosion of a large quantity of TNT placed against its walls, by an airplane flying into it, or by an aerial bomb. In a melt-down, its function is to contain the radioactive dust and gases for as long as possible. Inside the containment there is equipment for removing the airborne radioactive dust by sucking the air through filters as in a vacuum cleaner and by scrubbing it with chemical sprays. Most of the dust would simply settle on the walls, so if the containment maintained its integrity for a few days, the consequences of a melt-down would be minimal. This is what is expected to happen in the majority of melt-downs.

That is definitely what would have been expected in the Three Mile Island accident if the necessary measures had not been taken to prevent a melt-down. According to the Kemeny Commission Report, page 14, "even if a melt-down occurred, there is a high probability that the containment building . . . would have been able to prevent the escape of a large amount of radioactivity." Similarly the Rogovin Report states on page 20: "even with a core melt-down . . . the most likely probability is that the reactor building would have survived . . . and the vast majority of the radioactive material would have been retained within the building, not released to the surrounding environment." Actually, none of the systems designed to preserve the containment integrity in such an accident were out of operation or would have been jeopardized by a melt-down, so there is no reason to have expected containment failure at Three Mile Island.

Great harm will result only if the containment is breached shortly after the fuel melts. This is highly improbable, and expected in only 1 per cent of all melt-downs.

but this low probability factor is somehow ignored in nearly all public discussion. In The China Syndrome, the fear is that when the molten fuel comes in contact with water, a steam explosion can occur that would be powerful enough to blow open the containment. To create enough steam in a short enough time to cause such a powerful explosion, the hundred tons of molten fuel would have to be effectively divided into pieces the size of small necklace beads, and all would have to strike the water within less than half a second—a highly unlikely situation. Even then, there would have to be a heavy object on which all this force is focused to act as a missile. It is much more likely for the fuel to drop into water (if it ever does) in rather large chunks, and over a period of many seconds.

It is implied in the movie that even interaction with ground water could cause such an explosion, but the molten fuel would come into contact with ground water only very gradually. If it did so, the steam formed would exert a pressure keeping the rest of the ground water away, so there would be very little contact until the molten fuel cooled and solidified, many days later. Then it would form a glassy solid mass which could not be easily dissolved in water, so that little or no ground water contamination could be expected. If there were a problem of this type, there would be plenty of time—many months or years—to take action to prevent harm to the public.

In accounts of the Harrisburg accident the impression given was that a hydrogen explosion could have ruptured the containment. This is almost certainly not the case. Even if all the hydrogen that could have been produced in that type of accident had exploded in the worst possible way, the containment probably would not have been broken. Since this hydrogen is produced rather gradually and there are many sources of sparks available (e.g., from motors) one would expect the hydrogen to be consumed in many small fires and explosions, which would be much less forceful. In fact, it is believed that there was a hydrogen explosion in the containment. It increased the pressure briefly to almost double the outside pressure but this is only one-seventh of the pressure rise needed to break the containment. After the first few hours, the hydrogen level in the containment never rose much above 2 per cent, whereas hydrogen is flammable only at concentrations over 4 per cent, and becomes explosive only after reaching 15 per cent.

In most melt-downs the containment is expected to maintain its integrity for a long time, and the expected number of fatalities is zero. That is, most melt-downs would not kill a single person, immediately or eventually. However, as the molten fuel reacts with the concrete floor of the containment, gases would evolve which would slowly build up the pressure inside to the point where gaseous releases may be necessary to avoid cracking the containment. In such cases it is probable that some cancers would be induced. In one out of five melt-downs there would be perhaps a thousand eventual cancer fatalities; in one out of a hundred melt-downs there would be ten thousand—the number of fatalities we now get each year from burning coal; and in one out of 100,000 melt-downs there would be 45,000—the number of fatalities each year on our highways.

In addition to cancers, in one out of a hundred melt-downs there would be a few early fatalities, people dying within a month or two from direct effects of radiation. In one of five hundred melt-downs the number of such fatalities would exceed one hundred; in one out of five thusand melt-downs it would exceed one thousand; and in one out of 100,000 melt-downs it would reach thirty-five hundred.

When all of these various kinds of consequences, the cancers and the early fatalities, are added, it works out to an average of four hundred fatalities per melt-down. the number we get every two weeks from burning coal.

Some people say that it's not the average that counts, but the catastrophic nature of a single event. They point out that the deaths from air pollution go unnoticed and are therefore less frightening. However, the same would be true of the cancers from a nuclear melt-down. Even the 45,000 cancers caused by the worst accident—expected once in 100,000 melt-downs—would be distributed among ten millions people and over a fifty-year time span, with the risk to each individual increased by less than half of 1 percent. The average American's risk of death from cancer is now 17 percent, so an increase to 17.5 percent (for those affected) would not be noticeable. In fact the risk varies in different states, from 19 percent in New England to 14 percent in Kentucky and Tennessee, and nobody seems to notice that. The average loss of life expectancy for those exposed would be about one month, which is equal to the risk incurred by an overweight person who gains one additional pound, or a man who smokes one pack of cigarettes every three months. Don't forget that this is the worst accident, but it is the only one the news media and The China Syndrome elect to discuss.

Let's compare these figures with the worst accidents that could result from using other energy sources that are considered acceptable. There are hydroelectric dams in this country whose failure could kill over 200,000 people. There are potential gas explosions that could kill many hundreds of thousands, and perhaps even wipe out a whole city. There are oil fires possible which could create enough air pollution to kill hundreds of thousands. There have already been air pollution episodes from coal-burning that have killed 3,500 people in a week.

Up to this point we have not mentioned genetic damage, the much publicized effect on future generations. The total number of genetic defects eventually expected from a reactor melt-down is about two-thirds of the number of cancers—the most probable number in a melt-down is zero, but the average number is close to three hundreds. These would occur over a period of 150 years, and would be difficult to pinpoint—about 200,000 U.S. babies are born annually with these types of genetic defects.

Coal-burning, meanwhile, produces a large variety of chemicals called mutagens that induce genetic defects. There is not enough information available to make quantitative estimates, but there is no reason to believe that these effects are less than those from the amount of nuclear radiation we are considering.

And then there is land contamination. We hear repeatedly that a melt-down could contaminate an area the size of Pennsylvania, 45,000 square miles. Of course this depends on one's definition of "contaminate"; it could be said that the whole earth is contaminated, since naturally radioactive elements like uranium, thorium, potasisum, and radon are found everywhere, in all rock and soil, in our bodies, and in the air we breathe. But if one uses the definition adopted by the International Commission on Radiological Protection, or by official national organizations that have ruled on the issue, the worst reactor accident would contaminate an area of 3,300 square miles—a circle with a thirty-mile radius—90 per cent of which could be readily decontaminated by such measures as washing hard surfaces with hoses and deep plowing of open fields. Of course any area can be decontaminated at a cost but it would probably be more practical to evacuate some areas for a period of time. In the worst accident, the evacuated area would probably be about three hundred square miles, equivalent to a circle with a ten-mile radius.

In most melt-downs the cost of such an evacuation—including decontamination costs and lost pay—would be less than $50 million, and in nine out of ten it would be less than $300 million. In 1 per cent of all melt-downs the cost would be over $2 billion, and once in ten thousand melt-downs it would reach $15 billion. Averaging over all situations gives a cost of less than $100 million per melt-down. By comparison, the property damage from coal-burning is estimated to be about $13 billion per year, so for the monetary cost to the public to be as large from nuclear power as it now is from coal-burning we would have to have a melt-down every three days.

Why then have the media given such a different impression of the costs and risks of a nuclear power accident?

For the first time in the history of our civilization, an industry has exerted an intense effort to determine its environmental effects in advance. Thousands of man-years of effort have been expended in dreaming up all the things that could go wrong in nuclear plants and in estimating the possible consequences. (In addition, $2 billion has been spent for research on health effects of radiation, many times more than has been spent studying air pollution, food additives, and other environmental hazards that are generally recognized in the scientific community as being far more dangerous.) With all of this effort, some very damaging scenarios can be developed, although they would have very small probabilities.

A reporter's job is to get an interesting story, something that will attract the attention of the public. If public interest in a nuclear reactor melt-down had not been aroused by the China Syndrome and the Harrisburg accident, the facts recited in this article would have been dull—most people don't understand probabilities. A reporter trying to make an interesting story out of it naturally picks the worst possible accident—45,000 cancers, $15 billion cost—to discuss. His story says that a nuclear accident could have these consequences, but readers and those reporting a story seldom make a sharp distinction between could and would. Since media people get most of their information from other media productions, powerful media figures ranging from Dan Rather to Johnny Carson have been convinced that a reactor melt-down is the ultimate disaster. With them preaching this gospel, the public is soon convinced.

Unfortunately, the consequences are tragic. Surely no one believes that we will have a melt-down every two weeks, or even every six months. There have already been over a thousand reactor-years of experience operating nuclear plants around the world, and there have been twice that in experience with naval reactors; and we have not yet had a single melt-down. There has never been an evacuation, although that would be the first action if there appeared to be even a reasonable chance of a melt-down. The Union of Concerned Scientists estimates that if all our electric power were nuclear we would have a melt-down on an average of once in five years: if that were accurate, we probably should have had one by now.

Nonetheless, as a result of the fear spread by the media, the U.S. is abandoning nuclear power. We are thus being deprived of our cheapest and safest form of energy at a time when we desperately need it. Utilities will build coal-fired rather than nuclear plants. Every time this is done, many hundreds of Americans will be condemned to premature death, and close to a billion dollars in extra property damage will be incurred. That is the price we are paying for the media's exciting story.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is now closed.

ECONOMIC RECOVERY TAX ACT OF 1981

The PRESIDING OFFICER. The clerk will report the pending business by title.

The legislative clerk read as follows:

A joint resolution (H.J. Res. 266) to provide for a temporary increase in the public debt limit.

The Senate resumed consideration of the joint resolution.

UP AMENDMENTS NOS. 296 AND 297
DEPENDENT CARE TAX CREDIT

Mr. HEINZ. Mr. President, I am pleased to be a cosponsor of the amendments offered by my distinguished colleagues from Ohio (Mr. METZENBAUM), Florida (Mrs. HAWKINS), Minnesota (Mr. DURENBERGER), and Oregon (Mr. PACKWOOD), to increase the existing child care tax credit, make it refundable, and provide increased incentives for employers to become involved in providing child care assistance for their employees.

Mr. President, these amendments are both necessary and timely. More mothers are entering the work force today than ever before. Ten years ago, 39 percent of our Nation's children had mothers in the work force. Today, the children of working mothers comprise one-half of all children under the age of 18. And projections show that this trend will continue through the end of this century.

This dramatic growth is taking place for two primary reasons. First, many women are breaking down the barriers that have traditionally kept them from pursuing successful professional careers. The second, and probably most common reason, is that difficult economic circumstances are compelling many women to enter the work force.

For example, one-fourth of all working mothers are single parents, and their incomes are much lower than those of other working families. Even in families with two parents working, if the mother's income were subtracted from the total family income, most of these families would fall below the poverty level.

Mr. President, increases in wages for these lower income families have not kept pace with the increases in inflation. As a result, many working families cannot afford to provide the basic necessities such as food and housing as well as the day care which is necessary for them to work. Today, the greatest single cost for most single parents and for many who are married is day care.

Millions of low-income women face the choice of leaving children without supervision for hours each day, or of dropping out of the work force to join the welfare ranks. In my judgment, neither of these choices are acceptable.

These amendments are designed to assist those who are working to help themselves and their families. They expand and improve the dependent care tax credit available under current law for low-income families.

While the present dependent care tax credit was designed for the dual purposes of recognizing child care as a business expense necessary for earning income and helping lower income working parents afford the day care expenses they incur while trying to maintain a minimal standard of living for their families, it has, in large part, been ineffective.

The current tax credit suffers from three major flaws. First, the tax benefits have favored those families using the credit as a business credit over those using it as a means of affording dependent care. Second, the allotted percentage of costs credited under the current tax credit is not adequate to meet child care costs for many low-income families. And third, the tax credit is meaningless to low-income families who have little or no income tax liability against which the credit can be claimed.

The amendments before us redesign the dependent care tax credit so that the poorest families gain the greatest benefit. The most important provisions in these amendments are that the credit would be refundable; that the amount of credit available to each family would be determined by a sliding scale, and that the total amount of credit available is increased to reflect the true costs of day care.

To summarize these important amendments:

First, the dependent care tax credit is increased to 30 percent for families with incomes of up to $10,000, decreasing by 1 percent for each additional $2,000 in income. For those with incomes above $30,000 the credit remains at 20 percent, the same as present law.

Second, the amount of day care expenses for which the credit may be taken is increased from $2,000 for one dependent and $4,000 for two or more dependents in present law to $2,400 for one dependent and $4,800 for two or more dependents in our amendments.

Third, for those with little or no tax liability, the credit is refundable.

Fourth, dependent care provided by an employer is not taxed as income to the employee; and

Fifth, employers who contract with day care providers receive a credit of 50 percent of the employer's expenses.

This means that, to a family with $10,000 of income and $2,400 of dependent care expenses, the credit increases from $400 in present law to $720 under our amendments. And if that family has little or no income-tax liability, they would receive up to $720 in refund from the Government. A family with $20,000 of income and $2,400 in expenses receives $200 more than under present law.

Mr. President, for thousands of American families, credit proposed by the amendments could mean the difference between work and welfare. It will assist families with the greatest need to compensate for budget reductions and to make ends meet during this time of high inflation and economic uncertainty. The amendments will help working mothers provide their children with the necessary supervision and care so vital to their development. And by targeting lower-income families through a sliding credit scale, we will enable women to participate in meaningful employment and help to raise their families above the poverty line.

I urge my colleagues to adopt these important amendments by supporting the motion before us.

CHILD CARE TAX CREDIT

● Mr. D'AMATO. Mr. President, every time an individual stays out of the labor force because adequate day care is unavailable or unaffordable, valuable productivity is lost. We must make it possible for people to work if we are to restore our economy to economic health. Providing tax credits for dependent care is an important step in this process.

Current law already allows working individuals to take a tax credit for day care costs up to $2,000 a year for a single dependent in day care or $4,000 if two or more dependents are in a day care. Thus, the maximum tax credit is $400 for one dependent and $800 for two or more. This is helpful, but it is simply not enough, especially for workers in low-paying jobs.

The present amendments have several provisions, but I believe that three of these are important enough to be addressed here. The first of these raises the allowable expenses against which the tax credit may be taken to $2,400 for one dependent and $4,800 for two or more. This 20 percent increase is necessary to compensate for recent inflation in day care costs. Anyone who believes that $200 a month for one child or $400 a month for two or more children is an overly generous allowance for day care expenses today has not recently had to secure day care for a child. If we let this credit lag behind day care costs, more and more working parents will decide that it simply is not worth it to work and their valuable contributions to our economy will be lost. It has been 5 years since the allowable expenses for credit were set at their current levels. They are no longer reflective of actual expenses. They must be increased.

The second provision would increase the current 20 percent credit on a sliding scale designed to primarily benefit middle and lower income working parents who need this assistance the most. No family would receive a smaller credit percentage than they do now, but most American families would see their credit percentage increase.

For families with annual incomes of $30,000 or more the credit would remain 20 percent as it is now. However, for every $1,000 less the family earned, their credit would be increased by half of 1 percent. Thus, families with $29,000 would receive a 20.59-percent credit; and so on. This gradual increase in the credit percentage as family income declined would continue down to families with incomes of $10,000 or less. Their credit percentage would be 30 percent.

Thus, the maximum credit for families with $10,000 in income would increase from its current $400 ($800 for two or more dependents in day care) to $720 ($1,400 for two or more dependents in

day care). However, for families with $30,000 in income the increase would only be from $400/$800 to $480/$960. This is as it should be. The Government must make it possible for all Americans to work through inducements such as this tax credit, rather than by becoming the employer of last resort itself.

The final provision of these amendments to which I would like to address myself at this time is the one that would make this tax credit refundable. This credit would be useless to those at the low end of the income scale unless this provision is included. If your income is too low to pay taxes, a tax credit such as this is of no help at all unless it is made refundable. If we want all Americans to work, and that must be our highest priority, we must find a way to get this relief to everyone, and refundability is the best way to do this. It would insure equity in the dependent care tax credit to all Americans, regardless of their income class.

Low- and middle-income families need this tax relief now. So, however, does the American economy as a whole which will benefit from the availability of more people made able to assume productive work upon being relieved of some of the financial burden of providing day care to their dependents. These are bipartisan amendments important to every working American family. I am pleased to be a cosponsor of both of these amendments. I urge their immediate adoption.●

Mr. STEVENS. Mr. President, I move to reconsider the voice vote by which the Metzenbaum-Durenberger-Hawkins-D'Amato day care center amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the motion.

Mr. LONG. Mr. President, in order that the vote might reflect an "aye" vote being for the amendment, I move that the motion be laid on the table and I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been requested.

The Chair requests the Senator from Louisiana to once again restate his motion.

Mr. LONG. Mr. President, I move that the motion to reconsider be laid on the table.

The PRESIDING OFFICER. The Senator from Louisiana is asking for the yeas and nays on the motion?

Mr. LONG. I ask for the yeas and nays.

The PRESIDING OFFICER. The yeas have been requested.

Mr. STEVENS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. STEVENS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

Mr. LONG. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion to reconsider the vote by which the amendments were agreed to. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from New Hampshire (Mr. HUMPHREY) and the Senator from Idaho (Mr. MCCLURE) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Florida (Mr. CHILES), and the Senator from Massachusetts (Mr. KENNEDY) are necessarily absent.

The PRESIDING OFFICER (Mr. ARMSTRONG). Are there other Senators in the Chamber who wish to record their vote?

The result was announced—yeas 94, nays 1, as follows:

[Rollcall Vote No. 227 Leg.]

YEAS—94

Abdnor	Glenn	Murkowski
Andrews	Goldwater	Nickles
Armstrong	Gorton	Nunn
Baker	Grassley	Packwood
Baucus	Hart	Pell
Bentsen	Hatch	Percy
Boren	Hatfield	Pressler
Boschwitz	Hawkins	Proxmire
Bradley	Hayakawa	Pryor
Burdick	Heflin	Quayle
Byrd, Harry F., Jr.	Heinz	Randolph
	Helms	Riegle
Byrd, Robert C.	Hollings	Roth
Cannon	Huddleston	Rudman
Chafee	Inouye	Sarbanes
Cochran	Jackson	Sasser
Cohen	Jepsen	Schmitt
Cranston	Johnston	Simpson
D'Amato	Kassebaum	Specter
Danforth	Kasten	Stafford
DeConcini	Laxalt	Stennis
Denton	Leahy	Stevens
Dixon	Levin	Symms
Dodd	Long	Thurmond
Dole	Lugar	Tower
Domenici	Mathias	Tsongas
Durenberger	Matsunaga	Wallop
Eagleton	Mattingly	Warner
East	Melcher	Weicker
Exon	Metzenbaum	Williams
Ford	Mitchell	Zorinsky
Garn	Moynihan	

NAYS—1

Biden

NOT VOTING—5

Bumpers	Humphrey	McClure
Chiles	Kennedy	

So the motion to lay on the table the motion to reconsider was agreed to.

● Mr. CHILES. Mr. President, I was unable to be in the Chamber during the vote on the motion to table the motion to reconsider the Metzenbaum amendment on child care. I wish the record to show that had I been here, I would have voted "aye."●

The PRESIDING OFFICER. Under the previous order, the Senator from Montana is recognized to call up an amendment dealing with regulations on imputed interest rates.

Mr. DOLE. Mr. President, the distinguished Senator from Montana has agreed that his amendment might come at about 10:30 a.m. He will be meeting with the Treasury Secretary at 10 o'clock on this amendment. He has agreed to withhold offering the amendment contingent on what may happen at that meeting. Therefore, I ask unanimous consent that that amendment be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, as I understand it, the next amendment will be that of the Senator from Hawaii (Mr. MATSUNAGA).

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. I advise the Chair that he is on his way to the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MATSUNAGA. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 308 (MODIFIED AMENDMENT NO. 495)

(Purpose: Providing that the at-risk rules not apply to certain energy property)

Mr. MATSUNAGA. Mr. President, I call up amendment No. 495 which has been modified and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Hawaii (Mr. MATSUNAGA), for himself and others, proposes a modified version of printed amendment 495, which is unprinted amendment numbered 308.

Mr. MATSUNAGA. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 102, between lines 2 and 3, insert the following:

"(E) SPECIAL RULE FOR CERTAIN ENERGY PROPERTY.—

"(i) IN GENERAL.—The provisions of subparagraph (A) shall not apply to amounts borrowed with respect to qualified energy property (other than amounts described in subparagraph (B)).

"(ii) QUALIFIED ENERGY PROPERTY.—The term 'qualified energy property' means energy property to which (but for this subparagraph) subparagraph (A) applies and—

"(I) which is described in clause (iii),

"(II) with respect to which the energy percentage determined under section 46(a)(2)(C) at the time such property is placed in service is greater than zero,

"(III) with respect to which the taxpayer, as of the close of the taxable year in which the property is placed in service, is at risk (within the meaning of section 465(b) without regard to paragraph (5) thereof) in an amount equal to at least 25 percent of the basis of the property, and

"(IV) with respect to which any nonrecourse financing (other than financing described in section 46(c)(8)(B)(ii)) in connection with such property consists of a level payment loan.

For purposes of subclause (II), the energy percentage for property described in clause (iii)(V) shall be treated as being greater than zero during any period the energy percentage for property described in section 48(1)(14) is greater than zero.

"(iii) PROPERTY TO WHICH THIS SUBPARAGRAPH APPLIES.—Energy property is described in this clause if such property is—

"(I) described in clause (ii), (iv), or (vii) of section 48(1)(2),

"(II) described in section 48(1)(15),

"(III) described in section 48(1)(3)(A)(iii) (but only to the extent such property is

used for converting an alternate substance into alcohol for fuel purposes),

"(IV) described in clause (i) of section 48(l)(2)(A) (but only to the extent such property is also described in section 48(l)(3)(A) (viii) or (ix)), or

"(V) property comprising a system for using the same energy source for the sequential generation of electrical power, mechanical shaft power, or both, in combination with steam, heat, or other forms of useful energy.

"(iv) LEVEL PAYMENT LOAN DEFINED.—The term 'level payment loan' means a loan in which each installment is substantially equal, a portion of each installment is attributable to the repayment of principal, and that portion is increased commensurate with decreases in the portion of the payment attributable to interest.

On page 104, line 15, strike out the end quotation marks and the end period.

On page 104, between lines 15 and 16, insert the following:

"(3) SPECIAL RULES FOR CERTAIN ENERGY PROPERTY.—

"(A) IN GENERAL.—In the case of the 2nd taxable year following the taxable year in which any qualified energy property (within the meaning of section 46(c)(8)(E)) is placed in service by the taxpayer and any succeeding taxable year, the taxpayer, for purposes of paragraph (1), shall be treated as ceasing to be at risk with respect to such property for such taxable year in an amount equal to the credit recapture amount (if any);

"(B) CREDIT RECAPTURE AMOUNT.—The term 'credit recapture amount' means an amount equal to the excess (if any) of—

"(i) the toal amount of principal to be paid as of the close of any taxable year under a nonrecourse level payment loan (other than a loan described in section 46(c)(8)(B)(ii)) with respect to such property, over

"(ii) the sum of—

"(I) the amount of principal actually paid as of the close of such taxable year, plus

"(II) the sum of the credit recapture amounts with respect to such property for all preceding taxable years.

"(C) SPECIAL RULES FOR DETERMINING PRINCIPAL TO BE PAID.—For purposes of subparagraph (B)(i), in determining the amount of the principal to be paid under a level payment loan, such determination shall be made as if such loan was to be fully repaid by the end of a period equal to the earlier of—

"(i) the present class life (as defined in section 168(g)(2)) of the property or, if the property has no present class life, a similar period determined by the Secretary, or

"(ii) the period at the end of which full repayment is to occur under the terms of the loan.

"(D) SPECIAL RULE FOR CERTAIN CUMULATIVE DEFICIENCIES.—If the excess of—

"(i) the amount of the total scheduled principal payments under a loan described in subparagraph (B)(i) as of the close of the taxable year, over

"(ii) the total principal actually paid under such loan as of the close of such taxable year,

is equal to or greater than the amount of such total scheduled payments for the 5-taxable year period ending with such taxable year, then, notwithstanding subparagraph (B), the credit recapture amount for such taxable year shall be equal to the principal remaining to be paid as of the close of such taxable year over the sum of the credit recapture amounts with respect to such property for all preceding taxable years.

"(E) SPECIAL RULE FOR CERTAIN DISPOSITIONS.—

"(i) IN GENERAL.—If any property which is held by the taxpayer and to which this paragraph applies is disposed of by the taxpayer, then, for purposes of paragraph (1) and notwithstanding subparagraph (B), the credit recapture amount for the taxpayer shall be an amount equal to the unpaid principal on the loan described in subparagraph (B)(i) as of the date of disposition.

"(ii) ASSUMPTIONS.—Any amount of the loan described in subparagraph (B)(i) which is assumed by any person shall be treated for purposes of clause (i) as not reducing unpaid principal with respect to such loan.

"(F) APPLICATION WITH SUBSECTION (a).—The amount of any increase in tax under subsection (a) with respect to any property to which this paragraph applies shall be determined by reducing the qualified investment with respect to such property by the aggregate credit recapture amounts for all taxable years under this paragraph.

"(G) ADDITIONAL INTEREST.—In the case of any increase in tax under paragraph (1) by reason of the application of this paragraph, there shall be added to such tax interest on such tax (determined under section 6621 as if the increase in tax under paragraph (1) was for the taxable year in which the property was placed in service).

Mr. MATSUNAGA. Mr. President, the amendment is a modified amendment and it is not in printed form, but it is the amendment which has been agreed to by all concerned, including the majority and minority staffs and the Treasury.

Mr. President, the amendment which I am offering is cosponsored by 59 Senators from both sides of the political aisle. In alphabetical order, they are as follows: Senators ARMSTRONG, BAUCUS, BENTSEN, BOREN, BRADLEY, BUMPERS, BURDICK, ROBERT C. BYRD, HARRY F. BYRD, JR., COHEN, CRANSTON, DANFORTH, DECONCINI, DENTON, DIXON, DODD, DURENBERGER, EAGLETON, EXON, FORD, GARN, GLENN, GORTON, GRASSLEY, HART, HATFIELD, HAYAKAWA, HEFLIN, HEINZ, HOLLINGS, HUDDLESTON, INOUYE, JACKSON, JEPSEN, JOHNSTON, KENNEDY, LEAHY, LEVIN, LONG, MELCHER, MITCHELL, MOYNIHAN, MURKOWSKI, PACKWOOD, PELL, PERCY, PRESSLER, PRYOR, RANDOLPH, RIEGLE, RUDMAN, SARBANES, SASSER, TSONGAS, WARNER, WEICKER, WILLIAMS, and ZORINSKY.

Mr. President, the tax bill, House Joint Resolution 266, as reported by the Finance Committee, contains a little-known provision that would deal a devastating blow to the development of alternative energy. In this respect, I wish to remind my colleagues that in 1978 and 1979, the Senate overwhelmingly supported alternative energy production. On the Senate floor most of us here today voted for the amendments that established the present energy tax credits.

These tax credits have encouraged farmers to support gasohol production, southern food processors and textile mills to utilize solar process heating, irrigation districts and towns to develop hydroelectric facilities, and industries throughout the country to develop wind energy and cogeneration. These tax credits have become increasingly vital, because the administration's budget has slashed Federal assistance for renewable fuel projects.

But now, the bill, as drafted, would even remove incentives to commercialization of alternative energy by cutting back on investment and energy tax credits. The Treasury Department does not seek to repeal the energy tax credits directly, but would effectively curtail the energy credits indirectly through its at-risk rule. Under this rule, if equipment is bought with a nonrecourse loan from anyone other than an established financial institution, insurance company or government agency, the tax credit would be denied to the extent of that nonrecourse loan. In effect, the tax incentives available to the private sector under existing law would be repealed by this complex at-risk provision, quietly stuck into this bill, without the benefit of any hearings, without giving those who would be affected the opportunity to be heard.

In all fairness to the Treasury Department which drafted this at-risk rule, I want to explain that its intention is laudable, for it is seeking to strike at a recognized abuse of tax shelters in the lithograph plate and master recording business. In these businesses, sellers have been known to set an artificial, inflated value on the plates or master recording to escalate the buyers' investment tax credit. Under this scheme the buyer would actually pay only a fraction of the price, and the unpaid balance would be covered by a nonrecourse loan from the seller to the buyer. The buyer would thus be allowed to recover his investment in 2 or 3 years from the tax benefits alone. The total inflated investment itself would never pay off economically, because the agreed price would be inflated beyond reality. After 7 years, when the investment-credit recapture period would lapse, the buyer could walk away from the scheme without liability on the unpaid balance of the loan; and the seller would simply foreclose on the master recording or the lithograph plate and discharge the loan.

The at-risk provision in the bill would completely wipe out these nefarious schemes by disallowing any investment tax credit to the extent of the nonrecourse loan, and I would have no quarrel with the Treasury Department, if the proposal were limited to doing away with these abusive practices. But what the provision, as drafted in the bill, would do is to throw out the baby with the dirty bath water. My amendment would throw out the dirty wash but save the baby.

Treasury officials have admitted that their at-risk rule is a bludgeon. It does not differentiate between valid nonrecourse financing and sham nonrecourse financing. Under the Treasury's proposal, legitimate transactions will be shut off with the sham, but the Treasury is willing to close down legitimate deals to reach the bogus tax shelters, until we finally convince them that our position is the right one.

The Treasury's proposal is an in terrorem rule, designed to scare individuals away from artificial tax shelters. To this general rule the Treasury has provided a very narrow exception, under which the investment tax credits would be allowed if the buyer obtains his nonrecourse loan from a regulated financial institution, insurance company, or Gov-

ernment agency. These institutions, the Treasury reasons, exercise sufficient care and review for their own protection to prevent artificially high valuation of the property in question. Nonrecourse financing, from any other source, however, would lose the tax credit to the extent of the loan.

What puzzles me and bothers me is that Treasury officials have taken this narrow position, knowing full well that most alternative energy projects are unable to obtain conventional financing. Banks and insurance companies simply will not lend money for innovative, unproven technology. Developers themselves are not willing to undertake risky alternative energy projects if it means making themselves personally liable beyond the redeemable value of the equipment. Consequently, these projects are funded chiefly through nonrecourse borrowing from the equipment manufacturer or the seller who has an interest and stake in the full development of the new technology and not the regulated loan institutions.

Businessmen realize that the commercial viability of many alternative energy projects is unknown, but the energy tax credits provided by Congress make the risk worth the taking. It is the energy tax credits which prompt Americans to invest in the development and commercialization of alternative energy. Congress, in its wisdom, saw the need for providing such incentives in 1978 and 1979 in the national effort to attain energy independence. The Treasury's at-risk provision, if left unamended, would frustrate this national effort.

Moreover, the at-risk proposal is much more draconian than it appears on its surface. It will, in fact, deny the investment tax credit to a businessman who finances the purchase of a Chevy delivery truck with a nonrecourse loan from the General Motors Acceptance Corp., or to a tool shop operator who buys his electrical generator with a nonrecourse loan from the General Electric Finance Corp. General Electric, General Motors, Ford Motors Acceptance Corp., and Household Finance, provide billions of dollars in loans to businesses. But under the Treasury's proposal, these lenders are not qualified sources. A businessman who buys equipment with nonrecourse loans from any of these sources would lose the investment tax credit to the extent of the loan. The Treasury's provision is so broad that it will not only close off the bogus nonrecourse loan from the lithograph peddler, but it will also close off legitimate nonrecourse loans from General Motors Acceptance Corp. and other well accepted sources.

Be that as it may, our amendment has the simple objective of preserving legitimate transactions in several alternative energy areas—solar, wind, hydroelectric, cogeneration, biomass, geothermal, and ocean thermal energy. Projects in these fields, although financed with nonrecourse loans, would continue to benefit from the full, undiminished energy tax credit and investment tax credit, as they are under present law. To insure that these energy projects involve genuine loans with a real economic value, and are not sham projects, our amendment will establish a financial test. Under this test, the nonrecourse loan must be repaid on a pro rata basis over the midpoint ADR (asset depreciation range) life of the equipment. In other words, the loan must have the indicia of a true repayable loan; otherwise, the buyer must forfeit all investment and energy tax credits, and reimburse the Federal Government for any credits wrongfully taken, with interest.

This special rule provided in our amendment would apply to alternative energy projects so long as the energy tax credit is in effect. When the energy tax credit expires, this special rule would also expire. This sunset provision would insure that the Energy Tax Credit Act is given a fair chance to achieve its objectives and not be surreptitiously foiled by any new at-risk rule.

I believe our amendment provides adequate safeguards to meet the Treasury Department's concern. It presents a fair and most sensible compromise for the implementation of the policy we established in 1978 and 1979 to foster alternative energy development through tax credits. Our amendment would simply retain present law and would not mean any loss in revenues.

I repeat, our amendment would simply retain present law and would not mean any loss in revenues.

Mr. President, I urge the adoption of the amendment which, I repeat, is cosponsored by a bipartisan group of 59 Senators from both sides of the aisle.

The names of the following Senators were added as cosponsors of the amendment: Mr. BRADLEY, Mr. DENTON, Mr. GORTON, Mr. HEINZ, Mr. JOHNSTON, and Mr. MURKOWSKI.

Mr. RANDOLPH. Mr. President, will my able colleague from Hawaii yield?

Mr. MATSUNAGA. I am more than happy to yield to the senior Senator from West Virginia, a cosponsor of the amendment.

Mr. RANDOLPH. Mr. President, with 53 cosponsors, the able Senator from Hawaii, as the sponsor of the amendment, cannot lose. It is not difficult to add the names and note more than one-half of the Senate membership endorses your worthwhile proposal.

The substance of the amendment is well documented. He is very energetic as he offers this energy tax credit.

Mr. MATSUNAGA. The name is "Sparkie."

Mr. RANDOLPH. You do spark good legislation.

Mr. MATSUNAGA. I thank my colleague.

Mr. RANDOLPH. "Sparkie" rather than "energetic"?

Mr. MATSUNAGA. Spark is energetic.

Mr. RANDOLPH. I have listened very carefully to the explanation of the provisions of the amendment. It reflects in a very genuine degree the need, when we can do it, and we can do it, we must foster and assist alternate forms of energy.

The PRESIDING OFFICER (Mr. COCHRAN). The time of the Senator from Hawaii has expired.

The Senator from Kansas has 15 minutes.

Mr. DOLE. Mr. President, I am happy to yield additional time to the Senator from West Virginia.

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. RANDOLPH. I thank our affable floor manager. Many of us in this body have worked in the past on synthetic fuels and other alternatives to the imported petroleum coming from OPEC countries overseas. In this amendment there is the opportunity to give incentives to those forms of energy which sometimes are not mentioned in the discussion of energy alternatives available to us.

Fostering agricultural products to produce ethanol can help to alleviate possible transportation fuel shortages if needed. Biomass fuels can be burned directly to produce heat or converted to gaseous or liquid fuels by a variety of processes, which can serve as gasoline extenders or octane boosters.

It is constructive for the Senate, good for the Congress, and for the country to provide incentives for development of organic fuels, other than fossil, wind power, and direct generation of electricity from the Sun through photovoltaics.

We discussed yesterday, Senator HART, especially, that the so-called glut in petroleum today can be a mirage, it can vanish. We must not turn away from giving incentives to private commercial development of hydroelectric, geothermal and ocean thermal energy at the same time we cut research funds for this program. This is what the Senator is doing here today—seeing that what we do in the alternate energy programs of this country are continued, fostered and encouraged. This amendment does that very well.

Mr. MATSUNAGA. I thank the Senator from West Virginia.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Under the committee bill, the amount of basis taken into account in computing the investment tax credit is limited to the amount the taxpayer is at risk.

Under the amendment, the investment tax credit is allowed to certain energy property placed in service by the taxpayer if the taxpayer is at risk at least 25 percent of the basis of the property and if the property is financed with a nonrecourse level payment loan over not longer than the class life of the property. If in any year after the first year after the year the property is placed in service, any principal on the loan is not paid, the investment credit attributable to that amount of principal is recaptured, with interest. If the taxpayer falls substantially in arrears over a 5-year period or if the taxpayer disposes of the property, the entire credit attributable to the unpaid balance of the loan is likewise recaptured. This credit recapture is computed separately from any recapture arising from a disposition during the first 7 years of the life of property, but in no event is any double recapture required.

Mr. President, as always, I appreciate the comments of the distinguished Senator from West Virginia, and also the splendid remarks of the Senator from Hawaii.

He is correct. This is an amendment which does have widespread bipartisan, across-the-board support. There were some minor modifications suggested by the Treasury, and they have been made.

We are willing to accept the amendment.

I understand the Senator from Hawaii would like the yeas and nays on the amendment. I ask unanimous consent—and this has been cleared with both the minority and majority leaders—that the vote on this amendment occur, in addition to any other votes ordered, not before the hour of 2 o'clock.

The PRESIDING OFFICER. Is there objection?

Mr. MATSUNAGA. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. The Senator from Montana. Is there objection?

Mr. BAUCUS. Mr. President, reserving the right to object, I understand the request is not yet cleared on this side. Apparently it is not yet cleared, and for the time being I will have to object until the request is made at a later time.

The PRESIDING OFFICER. Objection is heard.

Is there a sufficient second on the request for the yeas and nays of the Senator from Hawaii? Apparently there is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the yeas and nays having beeen ordered on the amendment of the Senator from Hawaii, the question is on agreeing to the amendment of the Senator from Hawaii. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from New Mexico (Mr. DOMENICI), the Senator from Idaho (Mr. MCCLURE), and the Senator from Texas (Mr. TOWER) are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber desiring to vote?

The result was announced—yeas 97, nays 0, as follows:

[Rollcall Vote No. 228 Leg.]

YEAS—97

Abdnor	Byrd, Robert C.	Durenberger
Andrews	Cannon	Eagleton
Armstrong	Chafee	East
Baker	Chiles	Exon
Baucus	Cochran	Ford
Bentsen	Cohen	Garn
Biden	Cranston	Glenn
Boren	D'Amato	Goldwater
Boschwitz	Danforth	Gorton
Bradley	DeConcini	Grassley
Bumpers	Denton	Hart
Burdick	Dixon	Hatch
Byrd, Harry F., Jr.	Dodd	Hatfield
	Dole	Hawkins
Hayakawa	Mathias	Roth
Heflin	Matsunaga	Rudman
Heinz	Mattingly	Sarbanes
Helms	Melcher	Sasser
Hollings	Metzenbaum	Schmitt
Huddleston	Mitchell	Simpson
Humphrey	Moynihan	Specter
Inouye	Murkowski	Stafford
Jackson	Nickles	Stennis
Jepsen	Nunn	Stevens
Johnston	Packwood	Symms
Kassebaum	Pell	Thurmond
Kasten	Percy	Tsongas
Kennedy	Pressler	Wallop
Laxalt	Proxmire	Warner
Leahy	Pryor	Weicker
Levin	Quayle	Williams
Long	Randolph	Zorinsky
Lugar	Riegle	

NOT VOTING—3

Domenici	McClure	Tower

So Mr. MATSUNAGA's amendment (UP No. 308) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table is agreed to.

The PRESIDING OFFICER. Under the previous order, the Senator from Montana (Mr. MELCHER) is recognized to call up an amendment dealing with regulations on the imputed interest rate.

Mr. DOLE. Mr. President, at this moment the distinguished Senator from Montana (Mr. MELCHER), Senator JEPSEN, Senator DURENBERGER, and Senator BOSCHWITZ are in conference with the Secretary of the Treasury trying to work out some agreement on that proposal.

I suggest the absence of a quorum and ask that the time be charged equally to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MOTION TO TABLE MOTION TO RECONSIDER VOTE ON UP AMENDMENT NO. 300

Mr. DOLE. Mr. President, yesterday, there was accepted an amendment on withholding of tax on sales of real estate by foreign-owned interests. A motion to reconsider that vote was not made. At the suggestion of the distinguished Senator from Louisiana. and I know of no one who has objection to that amendment, I now move to reconsider the vote on that amendment.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

WITHHOLDING OF TAX ON DISPOSITIONS OF U.S. REAL ESTATE OWNED BY FOREIGNERS

Mr. DOLE. Mr. President, last year, the Congress adopted legislation requiring that foreign persons who dispose of U.S. real property interests pay tax on any gain realized on the disposition. The intent of the legislation was not to discriminate against foreign investors, but to treat them the same as U.S. persons by removing certain preferential tax treatment previously accorded them. The net result is that, like Americans, foreign sellers of U.S. real estate now must pay U.S. tax on their gain.

WITHHOLDING

A major problem with this legislation is that it can often be easily evaded. Since the tax is not due until a tax return is filed after the end of the year, a foreign person can sell his U.S. real estate, take the proceeds out of the United States and, since he is beyond the legal jurisdiction of the United States, not pay any tax to the United States on the sale. Moreover, through nominees and foreign corporations established in tax havens, he can reinvest these untaxed proceeds back in the United States with impunity.

The Senate version of this legislation sought to deal with this problem by requiring that the purchaser of the U.S. real estate withhold the tax that would be due on the sale. This is the method used to insure collection of tax on other payments of income to foreign persons, and in fact is used by almost all countries.

The conference dropped the withholding provision. The conferees were concerned about protecting withholding agents who might not know that a seller is really a foreign person. The conferees agreed that it would be neecssary to structure withholding provisions carefully to insure that they would not inadvertently disrupt the U.S. real estate market or expose U.S. buyers or U.S. agents of foreign sellers of U.S. real estate to liability where such liability is not appropriate.

Since last year, significant attention has been given to insuring that those entitled to protection are protected. The provision that I am introducing today meets the dual objectives of insuring the collection of U.S. tax due when foreign investors sell U.S. real estate, and protecting U.S. purchasers and their agents.

In lieu of withholding, the provisions of the real estate bill are currently being enforced through information reporting. This reporting can place a significant burden on those who are willing to pay the U.S. tax but who are afraid to identify themselves because of possible prosecutions in their home country. Furthermore, this will eliminate the problem of identifying owners of bearer shares. It will also relieve U.S. persons of significant paperwork. Adoption of withholding will enable some of these reporting requirements to be relaxed or eliminated.

The provision requires withholding by a purchaser, purchaser's agents, or any settlement officer or seller's agent where U.S. real estate is acquired from a foreign person.

The amount to be withheld is the smallest of: first, 20 percent of the sales price; second, the seller's maximum tax liability, discussed below; or third, the fair market value of that portion of the sale proceeds which is within the withholder's control. The seller's maximum tax liability is the maximum amount which the Treasury determines that the seller could owe on his gain on the sale plus any unsatisfied prior withholding tax liabilities of prior foreign owners with respect to that property

that, under the provisions of the amendment, the seller was required to withhold when he bought the property but failed to do so.

The withholding requirement would apply only if the purchaser knows or has received a notice that the seller is a foreign person. The seller is required to notify the purchaser, the purchaser's agent, and settlement officer that the seller is a foreign person. The seller's agent is also required to notify the purchaser that the seller is a foreign person if the agent has reason to believe that the seller may be a foreign person.

The withholding is thus required only if the purchaser has actual knowledge that the seller is foreign or has received notice that the seller is foreign. However, the seller's agent is relieved of any responsibility to give notice to a purchaser if he relies in good faith on a written statement of the seller—or, in the case of a seller's agent retained by another agent of the seller a written statement by that other seller's agent—that the seller is a U.S. person.

No withholding is required if the purchaser is to use the real property as his principal residence and the purchase price is $200,000 or less. Also, withholding is not required if the seller obtains a qualifying statement from the Treasury that he is exempt from tax or has provided adequate security for payment of the tax, or has otherwise made arrangements with Treasury for the payment of the tax. Furthermore, withholding is not required if the property being sold is stock of a corporation and the sale takes place on an established U.S. securities market.

The provision provides that a seller agent who does not carry out his obligation to provide notice will be required to withhold any of the purchaser's consideration he has within his control, including any compensation received by him in connection with the transaction.

Provision is made for the Treasury, upon request of the seller or any withholding agent, to reduce the amount of withholding otherwise required. Any request, as well as a request for a qualifying statement, must be acted upon within 30 days of receipt of the request.

The provision sets forth special rules for withholding by a domestic partnership, a trustee of a domestic trust, or an executor of a domestic estate. These persons will be required to withhold from amounts which such entities have in their custody and which are attributable to the disposition of a U.S. real property interest, but only if the amounts are income of a nonresident alien individual or foreign corporation, partnership, trust, or estate.

Special rules are also provided requiring withholding where a U.S. real property interest is distributed by a foreign corporation or is disposed of in a transaction which, under the general rules in the Code, would be a nonrecognition transaction. For example, it is intended that, where a foreign corporation distributes U.S. real property interest to its shareholders, it would be required to withhold a tax equal to 20 percent of the fair market value of the property reduced by the adjusted basis of the property.

TECHNICAL AMENDMENTS

Certain problems with the legislation have come to our attention. Due to the complexity of the legislation and its interaction with the nonrecognition provisions of the Code, and with U.S. income tax treaties, it can be argued that there are certain loopholes. While most, if not all, of the transactions are already covered by the present statute because of the great latitude given to the Secretary of the Treasury to prescribe regulations to prevent tax avoidance, clarification will help avoid any misunderstandings.

VIRGIN ISLANDS CORPORATIONS

Under present law, gains realized by foreign investors on the sale of U.S. real property are subject to U.S. tax unless the property is held by a Virgin Islands corporation. This arises because section 28(a) of the Revised Organic Act of the Virgin Islands provides that Virgin Islands corporations satisfy their U.S. income tax obligations by paying their tax on worldwide income to the Virgin Islands under the so-called mirror system. The mirror system means that the name "Virgin Islands" is substituted for the name "United States," and vice versa, wherever such names appear in the U.S. income tax laws.

For purposes of the Virgin Islands mirror tax, a Virgin Islands corporation is a domestic corporation and arguably may avoid tax on its capital gains if it sells its U.S. real estate and liquidates under the rules prescribed by section 337. It can be argued that gains realized by the foreign shareholders will also escape Virgin Islands tax, since section 897, as mirrored, can be read to impose a tax on gain from a disposition of a Virgin Islands real property interest, but not from a U.S. real property interest.

This problem does not exist for the other possessions of the United States.

The amendment would provide that a U.S. real property interest includes an interest in real property located in the United States or the Virgin Islands. Under this definition, a foreign shareholder of a Virgin Islands corporation would be subject to tax on gain on the disposition of property under the mirrored section 897.

To prevent double taxation, the amendment provides that a person subject to tax because of section 897 shall pay such tax and file the necessary returns with the United States with respect to real property interests in the United States, and with the Virgin Islands with respect to a real property interest located in the Virgin Islands. Sale of an interest, other than solely as a creditor, in a U.S. real property holding corporation shall be subject to tax in the United States while the tax on the sale of an interest in a Virgin Islands real property holding corporation will be paid to the Virgin Islands.

The source rules are amended to provide that gain on an interest in real property located in the United States is U.S. source income; gain on an interest located in real property in the Virgin Islands is foreign source income. This insures that the gain will be taxed as income that is effectively connected with the conduct of a trade or business in the United States or the Virgin Islands, as the case may be. This amendment will insure that a U.S. person subject to Virgin Island tax on the disposition of Virgin Island property can take a foreign tax credit against his U.S. liability for such tax.

PARTNERSHIP ASSETS

Current taxation applies to the disposition of an interest in a U.S. real property holding corporation, which is a U.S. corporation 50 percent or more of the fair market value of the assets of which consists of U.S. real property. If a corporation is a partner, only the U.S. real property of the partnership is taken into account for purposes of determining whether a corporation is a U.S. real property holding corporation.

The amendment provides that for purposes of determining whether a corporation is a U.S. real property holding corporation, the corporate partner takes into account its proportionate share of all assets of the partnership. Thus, for example, the corporate partner would count its proportionate share of the foreign real estate of the partnership. The same rules apply to trusts and estates in which a corporation has an interest. The amendment also makes clear that the same rules apply to a chain of successive partnerships, trusts or estates.

TAXATION IN CARRYOVER BASIS CASES

Under present law, the Treasury has the authority to override the nonrecognition provisions of the Code in the case of certain transfers of a U.S. real property interest. Some taxpayers have apparently questioned the Treasury's authority to do this where the basis of the property carries over to the new holder. The amendment makes clear the Treasury's authority to provide for recognition of gain where a carryover basis transaction is entered into for the purpose of avoiding Federal income tax on the transaction. Taxation is specifically provided for if, at the time of receipt of the property, the distribution would not be subject to tax on a later disposition of the property by the recipient.

NONDISCRIMINATION

U.S. income tax treaties generally contain a provision that provides for nondiscriminatory tax treatment by the treaty partners of U.S. residents and residents of the treaty partner. A similar provision is contained in some friendship, commerce and navigation treaties. Some taxpayers are of the view that these provisions override the foreign investment in U.S. real estate rules. Present law avoids any possible claim that a foreign corporation is discriminated against by allowing a foreign corporation that has a permanent establishment in the United States to elect to be treated as a domestic corporation, but only if, under a treaty, the permanent establishment may not be treated less favorably than domestic corporations carrying on the same activities. The treaties are overridden by the legislation, but not until 1985.

Despite this provision and the intent of Congress, we understand that some taxpayers may be taking the position that because of technical problems under old treaties, they cannot make the election and therefore are being discriminated against. This enables taxpayers to plan around the provision.

The amendment makes clear that under section 897(i), any foreign corporation may make an election to be treated as a domestic corporation for purposes of section 897 of the Code and the related reporting requirements if the corporation owns a U.S. real property interest, and, under any treaty obligation of the United States, the foreign corporation is entitled to nondiscriminatory treatment with respect to that interest.

The election may be revoked only with consent of the Secretary. The election can be made only if all shareholders of the corporation at the time of the election consent to the election and specifically agree that any gain from the disposition of the interest after June 18, 1980, the effective date of the original legislation, which would be taken into account under the legislation will be taxable even if such taxation would not be allowed under a treaty to which the United States is a party. If a class of interest is traded on an established securities market, then the consent need only be made by a person who held more than 5 percent of that class of interest.

The amendment also makes clear that the election provided by this provision is the exclusive remedy for any person claiming discriminatory treatment because of sections 897 or 6039(C) or both of them.

INDIRECT HOLDINGS

The amendment would make clear that for purposes of determining whether a corporation has substantial U.S. real property investors, and therefore must report, the foreign corporation must look through to the assets of any U.S. corporations in which the foreign corporation has an interest.

CONTRIBUTIONS TO CAPITAL

Under present law, an argument has been made that a foreign investor can avoid paying U.S. tax on their gain from the disposition of a U.S. real property interest through the device of contributing that interest to the capital of a foreign corporation in which he is a shareholder. The amendment clarifies present law by specifically providing that gain will be recognized on such a transaction to the extent of the fair market value of the property transferred over the adjusted bases and any other gain recognized by the transferor.

LIQUIDATION OF FOREIGN CORPORATIONS

Under present law, a foreign corporation is taxed when it sells or exchanges a U.S. real property interest. Taxation applies even if the sale would otherwise be tax-free under the nonrecognition liquidation provisions of the Code. Under the legislation as reported by the Senate Finance Committee on December 15, 1979, and the House Ways and Means Committee on June 18, 1980, a foreign corporation could have taken advantage of the tax-free liquidation provisions, but the foreign shareholders would have been taxed on the exchange of their stock, which was a real property interest, for the property distributed.

In the case of a U.S. person acquiring the stock of a foreign corporation from a foreign person between December 15, 1979, and November 26, 1980, it would have been reasonable to assume that the tax, if any, due with respect to the unrealized appreciation of the U.S. real estate would have been borne by the foreign seller of the corporation's stock. The conference action shifted that burden to the liquidating corporation—effectively the acquiring shareholders. Thus, in the case of an acquiring U.S. corporation, it now owns the stock of a foreign corporation that has a substantial tax liability due on its U.S. real estate. In contrast, if the U.S. corporation had acquired the stock of a U.S. corporation, it could have liquidated the corporation without a tax liability and received a step-up in basis of the U.S. real estate to its fair market value.

The amendment would allow foreign corporations that were acquired during the period that began before November 26, 1980, to elect to be treated as a U.S. corporation for purposes of liquidating under section 334(b)(2) of the Code. This will enable those corporations to liquidate tax-free with a corresponding step-in basis of the U.S. real estate in the hands of the U.S. purchaser corporation. As a corollary, a selling foreign shareholder would be taxable on the sale of stock of an electing foreign corporation if the sale occurs after June 18, 1980. This is the treatment they anticipated before the conference.

A separate problem arises in situations where a U.S. individual has held stock of a foreign corporation which holds U.S. real estate. Under present law, upon a 12-month liquidation of the foreign corporation, there would be a tax at the corporate level on the U.S. real property interest, as well as a tax at the shareholder level. If the acquired corporation had been a U.S. corporation, the liquidation could have been accomplished tax-free at the corporate level with a tax remaining at the shareholder level. The double tax in the case of U.S. shareholders of foreign corporations was not intended.

The amendment relieves this burden by giving U.S. shareholders who acquired their interests prior to the effective date of this legislation a credit against any tax imposed on them on the surrender of their stock in the liquidating foreign corporation. The credit is equal to the tax imposed on the liquidating foreign corporation on the sale of the U.S. real property. This rule would apply only if the U.S. persons continuously held the stock since June 18, 1980, the effective date of the legislation.

APPLICATION OF TREATIES

Public Law 96-499 provided that existing treaties will take precedence over the real estate legislation until January 1, 1985. However, if a new treaty is negotiated to resolve conflicts with this legislation, the provisions of the old treaty will apply for 2 years after the new treaty is signed. The effect of this effective date provision on treaties with countries with which we already signed a treaty is unclear.

The amendment would make clear that, in order for a new treaty to begin the 2-year period, it must have been signed on or after January 1, 1981, and before January 1, 1985. It also makes clear that the old treaty with that country will take precedence over the legislation for 2 years after the new treaty is signed, even if that 2-year period ends after December 31, 1984. If a new treaty was signed before January 1, 1981, the old treaty will continue to apply until December 31, 1984, or, if earlier, until the new treaty is ratified.

EFFECTIVE DATE

These provisions apply to dispositions after June 18, 1980.

REVENUE EFFECT

This provision increases revenue by $73 million in fiscal year 1982, $6 million in 1983, and $9 million in 1984 and thereafter.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BENTSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BENTSEN. Mr. President, I ask unanimous consent that such amendments now being considered be temporarily laid aside so that I may propose an amendment which I believe has been agreed to by the manager of the joint resolution and I believe will be acceptable to all Members involved.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 309

(Purpose: To provide for a 1 percent limit on the percentage limitation on additions to loan loss revenues by banks for 1982)

Mr. BENTSEN. Mr. President, I have an amendment at the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Texas (Mr. BENTSEN) for himself, Mr. CRANSTON, Mr. PROXMIRE, Mr. BOREN, Mr. SYMMS, Mr. DANFORTH, Mr. D'AMATO, and Mr. ZORINSKY, proposes an unprinted amendment numbered 309.

Mr. BENTSEN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the bill, insert the following new section:

SEC. . LIMITATION ON ADDITIONS TO BANK LOAN LOSS RESERVES.

(a) IN GENERAL.—Subsection (b) of section 585 (relating to addition to reserves for bad debts) is amended—

(1) by striking out "but before 1982; and 0.6 percent for taxable years beginning after 1981" in the first sentence after subparagraph (b) of paragraph (2) and inserting in lieu

thereof "but before 1982; 1.0 percent for taxable years beginning in 1982; and 0.6 percent for taxable years beginning after 1982", and

(2) by striking out "but before 1982, the last taxable year beginning before 1976, and for taxable years beginning after 1981, the last taxable year beginning before 1982" in the last sentence of such subsection and inserting in lieu thereof the following: "but before 1983, the last taxable year beginning before 1976, and for taxable years beginning after 1982, the last taxable year beginning before 1983"

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to taxable years beginning after 1981.

Mr. BENTSEN. Mr. President, this is an amendment to deal with the question of the reserve for loan losses. We have a type of monetary policy that we have not experienced before in the country, and we are treading some water that can be quite deep.

We are seeing an increase in bankruptcies in the country. I frankly do not think it is appropriate at a time like that to reduce the reserve for loan losses. As to the reserve for loan losses, the present procedure for the diminishing of that percentage was started in 1969. It is now at 1.2 percent and at the beginning of next year will go to six-tenths of 1 percent.

We have seen some of the problems with the thrift institutions in this country. I do not want to see in any way their being duplicated by any of the other financial institutions such as banks.

At the present time, the banks have no such problems, but obviously bankruptcies on their loans are going up and I think we are going to see their losses on loans escalate substantially.

I have discussed this matter with the manager of the joint resolution. I have discussed it with Treasury as he has, I believe. There is agreement by all the parties that I have mentioned that we modify the original amendment that I had introduced that would have sustained it at 1.2 percent and that for the next year starting January 1982, instead of going from 1.2 percent it will go to 1 percent. And during that period of time we will see what happens concerning the bankruptcy rate in the country and what effect the monetary policy might have and, of course, if hearings were called during that period of time that also would be of interest, I should think.

I yield to the manager of the joint resolution.

Mr. DANFORTH. Mr. President, under the Tax Reform Act of 1969, the percentage limitation on the amount of the deduction allowable to banks for additions to their reserve for loan losses will drop at the end of 1981 from 1.2 percent to 0.6 percent. In addition. this 0.6-percent limit is scheduled to drop to zero in 1988 at which time the bank loan loss reserve deduction must be computed by the experience method.

Several of my constituents have expressed concern over these scheduled changes. Some have said that they believe the experience method does not accurately reflect bank loan reserve requirements because it is designed to predict only the next year's losses, not losses inherent in a loan portfolio which will occur in subsequent years. Others have pointed out that bank loan losses have been increasing dramatically during the years since the 1969 act was passed.

During the 1970's, Mr. President, the total for the banking system as a whole averaged $2.07 billion per year, compared with an average of about $300 million during 1960–69. In the worst years, 1975 and 1976, net loan losses were well over $3 billion as compared with less than $450 million in 1967, the worst year for loan losses during the three decades preceding the passage of the Tax Reform Act of 1968. Arthur D. Little, Inc., has determined in a March 1981 study that a reserve of 1.3 percent would be necessary to provide an adequate reserve for loan losses.

Mr. President, I believe that the tax law should encourage banks to maintain their reserves for loan losses at adequate levels. I am concerned that the scheduled changes in this area may actually discourage retention of loan loss reserves at prudent levels. I am pleased to join in cosponsoring this amendment which will provide Congress a period of time to examine this question while encouraging banks to maintain their reserves for loan losses at adequate and prudent levels.

Mr. BENTSEN. Mr. President, I ask unanimous consent that the Senator from Nebraska (Mr. ZORINSKY) be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I wonder if the Senator from Texas would mind if the Senator from Missouri (Senator DANFORTH) joins him in this amendment?

Mr. BENTSEN. I am delighted.

Mr. DOLE. And the Senator from New York, Senator D'AMATO.

Mr. BENTSEN. Of course. I am very pleased to have them as cosponsors.

Mr. DOLE. Mr. President, I so ask unanimous consent.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, the Senator from Texas is correct in his statement, and we have no objection to the amendment.

He has discussed this, I might add, with Treasury officials a number of times. They have come to an agreement which I think is a good agreement. I think it is needed.

I commend the distinguished Senator from Texas for his efforts on this amendment.

We are willing to accept the amendment.

I assume it has been discussed with the distinguished Senator from Louisiana.

Mr. BENTSEN. I have discussed it with the Senator earlier. He was in one of the meetings where we discussed it.

Mr. President, I yield back the remainder of my time if that is agreeable.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Texas.

The amendment (UP No. 309) was agreed to.

Mr. BENTSEN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, while the Senator is in the Chamber, I think there are two other amendments. Does the Senator plan to call up any other amendments? We wish to complete action today. There is one on stock options, which I understand is contingent upon with respect to what happens to the pending amendment. We are trying to reach some agreement on that. And the other one is on qualified progress.

Mr. BENTSEN. I have no plans to bring up the one on qualified progress payments.

Mr. DOLE. And the other one depends on the disposition of this amendment?

Mr. BENTSEN. The other one depends on what happens to the Senator's amendment.

Mr. DOLE. Does the Senator mind if we remove the other one from our list?

Mr. BENTSEN. I have no objections to that.

Mr. DOLE. I thank the distinguished Senator.

Mr. BENTSEN. Mr. President, I thank the distinguished manager of the bill.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CHILES. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 310

Mr. CHILES. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Florida (Mr. CHILES), for himself, Mr. NUNN, and Mr. BOREN, proposes an unprinted amendment numbered 310.

Mr. CHILES. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill, add a new section, as follows:

"SEC. . Resolution Regarding the Protection of Small Businesses, Financial Institutions and Farms and the Housing Industry.

Since the intent of Congress in passing this Tax Reduction Act is to promote capital formation and economic growth; and

Since these persistent high interest rates are threatening the continued existence and financial viability of American small thrift institutions, small banks, small businesses and farms, the residential construction industry and not-for-profit institutions which depend on the availability of credit; and

Since there appears to be a substantial threat of small thrift institutions and banks being absorbed into large institutions; and

Since the Congress believes that there

should not be a weakening of anti-trust procedures, which in combination with high interest rates is further promoting the current trend of large firms taking control of small ones, even where there may be no economic benefits; and

Since a massive amount of credit has recently been diverted from use as the source of capital for expanded production to use as the medium for such corporate takeovers, which further concentrates economic power in large firms and further restricts the availability of credit for small concerns;

It is therefore the sense of the Senate that:

(a) the President should adopt policies so as to ensure the continued financial health, independence and availability of credit to small businesses, thrift institutions, small banks, small farms, residential construction and not-for-profit institutions; and that

(b) the Board of Governors of the Federal Reserve System should exercise its regulatory powers to require that loans be made for productive economic purposes, rather than to enable large firms to acquire smaller firms, and to assure that sufficient credit is available to protect the viability of thrift institutions without wholesale mergers or takeovers; and that

(c) the President of the United States, the Board of Governors of the Federal Reserve System and the Congressional Budget Office shall each report to Congress on the actions taken to implement the above policies, and their success or failure, no later than January 1, 1982 and no later than January of each succeeding year."

The PRESIDING OFFICER. The pending business is the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that my amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHILES. On behalf of myself, Senator NUNN and Senator BOREN, I present this amendment expressing the sense of the Senate regarding the disastrous effects of high interest rates, and the necessity of providing adequate credit to small businesses, financial institutions and farmers, and to the housing industry.

Mr. President, we have been concerning ourselves for a number of days now with a part of the President's economic program, the tax cut bill. The theory of that tax cut is that it will stimulate economic recovery by promoting capital formation and investment, the so-called supply-side approach.

Right now we are near completion of the conference on the reconciliation bill.

I think that when the conference committee comes back we are going to find that our spending cuts are going to be in excess of the requests that were actually made by the President, approximately $38 billion to $39 billion a year will be cut in the reconciliation process. Even with those cuts we are still operating the budget at a deficit. It means that the tax cut is all going to be written in red ink.

The only rationale for having a tax cut at a time when you are not taking in enough money to pay your bills, it appears to me, is if the tax cut, is designed to generate further industrial capacity, further productivity; that we are going to create additional jobs; that we are going to stimulate the manufacture of additional products; that we are going to further improve the profitmaking potential of industry and help our foreign trade picture. For these reasons, we are talking about a supply-side tax cut that will take care of these problems. But that tax cut is not going to help if high interest costs keep businesses from earning a profit.

There has been much debate as to how this tax cut should be shaped to get these kinds of supply-side investment results. I think we are seeing that there are other factors that are acting in our economy, policies that tend to work against the success of the very theory of the supply-side tax cut that we are talking about. To wit, we are seeing a monetary policy which is restrictive. That is at the direction of the chairman of the Federal Reserve Board, at the direction of the President of the United States, and at the urging, I think, of many in the Congress who have talked about not having a loose monetary policy.

The reason we were talking about restricting that monetary policy was to hold down inflation and thereby do something about interest rates.

But while we are having that tightening of the overall supply of money, we see that we are having a dual system develop in the country as to who is going to get the money that is available—small business, farmers, medium-size business people, couples trying to build their first house who find that the availability of credit is too tight for them. If credit is available, it is available at a very, very high interest rate, 18, 19, 20 percent.

Small businesses that have to finance their inventories and finance the equipment that they are buying have to pay these tremendous interest rates. Therefore, of course, they have to raise their prices if they are able to pay such tremendous interest. That, in turn, goes completely against what we are trying to do to stabilize the economy.

But at the same time that we are having this kind of a credit squeeze for small business we see that there is readily available credit in huge, enormous sums for the largest of the corporations that are now engaged in a program of conglomerate mergers, a program of takeovers, a program of the giants deciding to eat anything that is smaller than they are.

We see that capital is readily made available for them.

We are looking at the proposed takeover of Conoco, the ninth largest oil company in this country, a company that is certainly sound, that has a lot of cash in the bank. Now we are seeing a bidding war going on with a number of our other corporations and even the corporations of Canada entering into that war of who is going to eat Conoco, who is going to buy up Conoco. Each one of the giants engaging in this merger operation are able to have the large banks set aside $5 billion to $10 billion in a line of credit for their takeover. That money, Mr. President, comes out of the flow of funds that should be available for the rest of business borrowing, for small business and the farmer and the housing industry. That further tightens up the monetary supplies.

I cannot find anyone who can tell me that that merger is going to create a single new job; is going to create any new research and development, any new technology, any new productivity, even, when companies of that size are beginning to merge.

At the same time that the administration and Federal Reserve are saying we are going to have a restrictive monetary policy, that we are going to tighten up on the money supply, then we have the giants borrowing this kind of money. We know that any time times get a little tight, the banker is going to lend money to his best customer, he is going to make the surest or safest loan. To anyone else who gets that money, we know that the interest rate is going to be considerably higher. That is exactly what is happening today.

So, Mr. President, at the very time that we are trying to pass a tax bill that we hope is going to add to our economy, we see this other phenomenon taking place.

Mr. President, I frankly think the wrong signals have been sent. I think when the Attorney General has said big is not bad, when he has said that we are going to look at horizontal mergers but we are not going to spend as much time looking at vertical or conglomerate mergers, that, together with some other remarks that have been made, has helped trigger the merger race. The race is on now. So we see Conoco as just the first of what we are seeing as one of many potential merger operations that are going on. We have had these merger waves before and they do not add anything worth while to the economy.

The question is, should we have this kind of concentration of economic power into a few large firms as a national policy? Should we say we are throwing out our antitrust policy and just going to allow the big to take over? Should we say, as again, I am afraid the signal has been sent, if the thrift institutions are in trouble, that is too bad; they can be merged with other healthy thrift institutions and if there are not enough healthy thrift institutions, the banks will come in and merge the rest. Then we will see that the local savings and loan associations as we have known them, as they were created by Congress, to make money available for housing, will simply disappear. And we will have bigger and larger banks, more centralized control.

What do those bigger banks do? They make more money available for bigger corporations. What do the bigger corporations do? They take that money that is available and go buy smaller corporations. So what we are seeing triggered here is a tremendous amalgamation of giant and giant, at the expense of what I think is the base of our overall economy. That is, a healthy, small- and medium-sized business sector.

It is certainly the basis of the economy in my State and, I think, of many States. But we see those people starving for capital, dying at the high interest rates. At the same time, we are seeing the mergers go on.

Mr. President, last week, Mr. Beryl Sprinkel, the Under Secretary of the Treasury for Monetary Affairs, testified before Congress. He said Federal deficits do not affect inflation. Mr. President, Mr. Sprinkel may well believe that, but I do not believe that statement and I do not think the American people believe it, and I do not believe the investors believe it. It seems to me that Federal deficits do affect inflation. If they do, then we have to be concerned where we have our deficits and what that money is going for; and, of course, we have to try to see that we do something about that.

We were told, Mr. President, when we set out on this new economic direction of spending and tax cuts, that if we would make these cuts, we would see both inflation and interest rates go down; and the minute that inflation went down, interest rates would go down. Well, a curious thing has happened, Mr. President. Inflation has gone down. However, Mr. President, it probably occurred not because of any action we have taken to date, although we would like to think that it has, but primarily because of the oil glut and favorable food prices. In spite of the fact that inflation has gone down, and gone down quite appreciably, interest rates have not followed them down. The spread between inflation and interest rates is at an alltime high.

Why has that happened, Mr. President? I think it has happened because of this kind of policy that we see taking shape. The tax cut being enacted are much larger than the cuts in overall Federal spending. When tightened monetary supply is left to offset the inflationary effects of continued deficits, then interest rates have to go up.

The sense-of-the-Senate resolution that we have presented is to state that as these high interest rates are threatening the continued existence and financial viability of American small thrift institutions, small banks, small businesses and farms, the residential construction industry, and not-for-profit institutions which depend on the availability of credit; and since there appears to be a substantial threat that many of these small thrift institutions and banks will be absorbed into large institutions; and since the Congress believes that there should not be a weakening of antitrust procedures—which, if there were, and there appears to be now, in combination with high-interest rates—would be further promoting the current trend of large firms taking control of small ones, even where there may be no economic benefits.

Since a massive amount of credit has recently been diverted from use as the source of capital for expanded production to use as the medium for such corporate takeovers, which further concentrates economic power in large firms, the Senate should therefore go on record as saying that the President should adopt policies to insure the continuation of the financial health, independence, and availability of credit to small businesses, thrift institutions, small banks, small farms, residential construction, and not-for-profit institutions; and that the Board of Governors of the Federal Reserve System should exercise its regulatory powers to require that loans be made for productive economic purposes—I stress productive economic purposes, Mr. President—rather than to enable large firms to acquire smaller firms, and to assure that sufficient credit is available to protect the viability of thrift institutions without wholesale mergers or takeovers; and that the President of the United States, the Board of Governors of the Federal Reserve System, and the Congressional Budget Office shall each report to Congress on the actions taken to implement the above policies, and their success or failure, no later than January 1, 1982 and no later than January of each succeeding year.

Mr. President, what we are saying is that it is time that the President, the Chairman of the Federal Reserve System, and the leadership of Congress should get their heads together and sit down at some kind of domestic economic summit meeting and come to some agreement as to the course and direction they are taking; that we should not have monetary policy going one way and fiscal policy going another; that we should not have a dual monetary policy, with tight money for small businesses, tight money for farmers, tight money for homebuilders and people trying to borrow money, and readily available money for the largest corporations for great big takeovers.

We have written to the President and Chairman of the Federal Reserve Board requesting such a summit, and I ask unanimous consent that a copy of our letter appear in the RECORD.

The PRESIDING OFFICER. Without objection it is so ordered.

(See exhibit 1.)

Mr. CHILES. Mr. President, I think it is important to remember that President Reagan asked us to enact this tax cut bill as part of an overall program for economic recovery, as part of a supply-side recovery that would create jobs by promoting capital formation and productivity. I support that kind of new direction in economic policy. And I support the key elements necessary to bring it about: cutting Federal spending, lowering taxes, and reducing the burden of Federal regulation. But that tax cut is not going to help investment and productivity if high interest rates keep businesses from making a profit. You cannot have good supply side economic effects with a 20-percent prime rate.

As I have watched the economy respond over the last 6 months and compared it to what has happened in past years. I continually reminded how complex the American free enterprise system is. We can never anticipate all the effects of Federal policy, and we have to keep ourselves ready to respond when the expected occurs. I am concerned that the reactions of the administration to changing economic events have moved us away from a policy of fostering free competition and innovation in the economy. It looks to me like the administration is moving us to a dual economic policy, where the giant corporations get big tax breaks and access to bank credit, while small business borrowers and consumers get squeezed out.

When we set out on this new direction last March, we had both high inflation—11 percent—and high interest rates—19-percent prime. We know that we needed tight fiscal and monetary policies to bring down inflation and strengthen the U.S. dollar. We then expected to go in with a tax cut that would stimulate private economic activity to take the place of the public spending which was eliminated. The administration told us that inflation would go down, productivity would go up, and interest rates would fall. Unfortunately, that has not happened. While inflation has gone down, largely due to slack oil prices, interest rates have stayed high. Disastrously high.

The administration's economic experts have publicly stated that they are puzzled by the persistence of high interest rates. The economic experts I have consulted tell me there are several factors involved. For one thing, the Federal Reserve has kept up a tight monetary policy, which is consistent with the administration's announced policy. Second, there remains tremendous uncertainty in the markets. No one knows whether this tax cut will produce a balanced budget or an $80 billion deficit. The money markets are acting like it is the latter. They are led to that conclusion both by the numbers they see, and by the statements of the administration. Last week Mr. Beryl Sprinkel, the Undersecretary of the Treasury for Monetary Affairs, testified that Federal deficits do not affect inflation.

Mr. President, I do not believe that statement, the American public does not believe it, and the Nation's investors do not believe it. If the Federal Reserve accommodates the extra Federal borrowing by printing more money, we will have more inflation. If the Fed does not monetize the deficit when we have a continued high level of private loan demand, then the Federal borrowing has to compete with private demand and interest rates will go up. Undersecretary Sprinkel seems to be forgetting that the laws of supply and demand apply to money in the same way they apply to goods. If the Federal deficit adds to demand for money, and the Federal Reserve does not increase the supply of money, the price has to go up.

This administration also seems to be ignoring the fact that in our fast moving economy, commercial borrowing is an ordinary cost of doing business. With 10-percent inflation and 20-percent interest rates, no one can afford to keep piles of cash on hand to pay for inventory and operating expenses. Every business needs access to credit. When high interest rates drive up the cost of credit, it gets passed on as higher prices. So that is the other way in which the combination of large Federal deficits and tight monetary policy add to inflation.

No one knows how long the oil glut will last, and when OPEC will be able to get another shot at raising oil prices; or whether turmoil in the Middle East will interrupt our supply of oil. No one knows how the U.S. economy will respond to all the different changes it has to go through all at once, finally, the markets have learned that Americans will borrow at

high rates, and they are charging what the market will bear.

The result is a prime rate that is staying around 20 percent, mortgage interest rates over 16 percent and short-term Treasury bill rates that just last week went up from 14 percent to almost 16 percent.

The administration does not seem particularly disturbed by these high interest rates. When the Secretary of the Treasury sees the Nation's thrift institutions running losses because of their high cost of attracting savings, he says that the thrifts should be absorbed into mergers with large banks and other financial institutions. He does not want the Federal guarantee agencies to offer any kind of assistance while we wait for interest rates to all.

Well, Mr. President, I am disturbed when I see the threat of losing our local banks and thrift institutions in a large scale wave of mergers. But I am even more disturbed when I see this threat as part of an overall pattern which threatens the continuation of small businesses in America.

I am all for competition in the free market; that is the core of the American economy. But if interest rates stay artificially high, then small firms are denied the credit they need to stay afloat, to cover their inventory costs as well as expansion. When money is tight, banks want to lend only to their largest, safest customers. Who gets squeezed out? The new small business that is taking a risk by trying a new product or new manufacturing process is the one who gets squeezed.

We all want to see a rebirth of industrial innovation, but that cannot occur without assuring a supply of credit to small firms.

No one suffers more from high interest rates than the housing industry. Housing starts are down to a little more than a million a year, which is only half of the 1978 level, and only half of what we need to keep up with the demand created by the formation of new households each year. Even as short-term interest rates have fluctuated, the mortgage interest rate has climbed steadily to over 16 percent. The average American just can't afford to buy a home at that cost.

Mr. President, the National Association of Home Builders, certainly a representative group of a viable sector of our economy that is drastically affected by this—as are automobile dealers, all of housing is vitally affected, all of our service industries—has written a letter expressing support for this sense of the Senate resolution.

Mr. President, I ask unanimous consent to have printed in the RECORD that letter supporting my amendment.

The letter points out that in addition to hitting the homebuyer, high interest rates are causing a severe rate of failures in the construction industry. This is just one more example of how high interest rates are eliminating small businesses, and only letting the large ones survive.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. CHILES. Mr. President, I see the administration announcing that it is going to revise the anti-trust guidelines that have been in place since 1968. They want to make conglomerate mergers easier. This comes at the same time that we see the banks making billions of dollars of scarce credit available to huge companies like DuPont to acquire unrelated firms. Yet the administration and the Federal Reserve Board are doing nothing about this diversion of capital away from productive enterprise and into acquisitions.

Attorney General William French Smith announced the administration's intentions to revise antitrust laws in an address to the District of Columbia bar on June 24. While I agree with his statement that big is not necessarily bad, I must add that big is not necessarily good. I also agree with his statement that we must adopt a dual approach to antitrust policies and modify those antitrust provisions that unfairly handicap American firms when they deal in world markets. But I am not convinced that the Attorney General's formulation adequately protects competition in the domestic economy.

Two things disturb me in his formulation. First, he speaks only of enforcing the provisions that limit anticompetitive horizontal mergers, or those mergers designed to acquire a larger share of the market. He rejects the anticompetitive nature of any vertical merger, or merger to assure certain sources of supply at certain prices. Vertical integration is not always anticompetitive, but it often may be, such as where a supplier may discriminate between the parent firm and all others in pricing its products. Even worse, the Attorney General makes no commitment to limit conglomerate mergers, which is what the tens of billions of dollars in bank credit is now being diverted to.

The economics literature seems generally agreed that conglomerate mergers do not add anything of real value. Concluding the evidence from a review of the literature, Dennis C. Mueller quotes T. F. Hogarty, as follows:

> What can fifty years of research tell us about the profitability of mergers? Undoubtedly the most significant result of this research is that no one who has undertaken a major empirical study of mergers has concluded that mergers are profitable. A host of researchers . . . have but one major difference: whether mergers have a neutral or negative impact on profitability.

If mergers do not yield higher profits, then who pays for them? The literature also shows that acquiring firms pay a substantial premium to the stockholders of the firms they buy up. Right now, they are paying 20-percent interest rates to finance their acquisitions. Who pays? The consumer and the taxpayer.

Since interest costs are tax deductible, the taxpayer bears a substantial cost of such borrowing. The remaining cost has got to be passed on as higher prices to the customers of the merged firms. Instead of getting higher productivity and lower inflation out of capital investments, all we get is higher prices. Yet the administration is not concerned.

The second aspect of the Attorney General's speech which concerns me, Mr. President, is that he made his commitment to antitrust enforcement strictly in the simple terms of the Sherman Act of 1890. The Sherman Act is only effective in reaching mergers which would create an undisputed monopoly. By 1914 Congress realized that you could raise prices by reducing competition short of total monopoly, and enacted the Clayton Act. The Clayton Act says that mergers should be prevented if they "substantially lessen competition." I certainly hope the Attorney General intends to enforce the Clayton Act, and not just the Sherman Act, or we are going to find ourselves with a few large firms raising prices in each industry.

Surely, Mr. President, economic revitalization means that we are going to have some shaking out of competing firms, with only the more efficient ones remaining. And I agree that big is not necessarily bad; we need huge corporations to compete in tough world markets. But big is not necessarily good either. We cannot foster a set of conditions where only big businesses have access to the economic lifeblood of credit. Big businesses are not always the most efficient or most innovative. Yet they always have the greatest access to credit.

In summary, Mr. President, I believe that we must recognize that the American economy is going through a difficult transition. We must take whatever steps are necessary to see that our competitive structure of small business and small farms, local banks and small thrift institutions have a fair chance to survive.

I, therefore, hope the Senate will adopt this amendment and put us on record for a truly productive economic policy.

EXHIBIT 1

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C., July 24, 1981

THE PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We have given support to the general direction of the Administration's economic program here in the Senate. We share your belief that a reduction of federal spending, federal taxes, and the federal regulatory burden is essential for increased productivity, reduced inflation, and economic revitalization.

We are vitally concerned, however, with the apparent absence of coordination between the fiscal and monetary policies of our government. The current fiscal and monetary policies of our nation appear to be on a path where significant conflict, if not a head-on collision, is imminent.

The continuation of the high interest rate pattern of the past few months, if allowed to persist, will cause irreparable damage to our economy. We are beginning to have a dual economic policy—a boom to those with available capital—a depression for those who must borrow and for businesses depending on long-term credit.

When giant corporations borrow tens of billions of dollars for corporate takeover purposes that make no contribution to job creation and productivity, and potential home buyers cannot find affordable mortgage money, it is time for a reexamination of national economic and anti-trust policy. We also think it would be appropriate in this context for the Administration to re-examine

recent policy statements which may have encouraged massive borrowing for merger purposes.

Officials of the Administration and the Federal Reserve have repeatedly said that once inflation abates and the public is shown that federal spending will be cut, interest rates would begin to decline. Just recently on May 8, Federal Reserve Board Chairman Paul Volcker said, "interest rates will come down and stay down as we make progress on inflation."

Today inflation is declining but mortgage interest rates are not. While consumer price increases declined from 9.6 percent in the first three months of this year to 7.4 percent in the most recent three months, the mortgage interest rates remain entrenched at 16 percent. Historically the spread between mortgage interest rates and the rate of inflation has been about 2 percent. Now, however, the interest rate/inflation rate spread has ballooned to 6 to 7 percentage points which implies to many that this is a planned and deliberate policy.

The Administration's economic advisers, according to Mr. William Niskanen, a member of the Council of Economic Advisers, are currently both "confused" and "puzzled" by continuing high interest rates. Yet reports from the recent Ottawa summit indicated you endorsed and vigorously defended the high interest rate policy of the Federal Reserve.

Just today the Washington Post reported that Treasury Undersecretary for Monetary affairs Beryl Sprinkel told the House Committee on Banking, Finance and Urban Affairs that there is no technical, and no necessary, connection between budget deficits and money growth, or between deficits and inflation.

We could not disagree more. Either the government finances a deficit by printing money or by competing with and crowding business out of the credit markets. Printing money to finance deficits results directly in more inflation. Increasing federal borrowing affects inflation by forcing up interest rates, and increasing business costs. Eliminating federal deficits and reducing federal borrowing requirements are necessary for both psychological and substantive economic reasons, and must be accomplished at the earliest possible time.

If the high interest rates continue, the Administration's supply side economics cannot work. The survival of our small business and farming community is threatened, many thrift institutions are in serious financial trouble, and the housing industry is near collapse. The majority of businesses, particularly small businesses, will not be able to finance inventories, let alone capital improvements. A tax cut will mean little to small businessmen and farmers who make no profit to be taxed because of exorbitant interest rates.

In summary, Mr. President We urge you to address these serious problems before it is too late to moderate the Administration's fiscal program. As we see it, the question is whether the anticipated stimulative effect of the Administration's fiscal program has so overloaded the system that continued long-term high interest rates are the inevitable result. If your Administration does not advocate a continued high interest rate policy, we hope that it will let its views be known to the financial community and persuade them to take action to moderate interest rates.

In this regard, we respectfully suggest a "domestic economic summit" meeting with a full dialogue between you as President, Chairman Volcker of the Federal Reserve and Congressional leadership. We would hope out of that meeting there would emerge a coordinated cohesive fiscal-monetary policy which can be clearly understood by the American people.

We do not expect an instant cure, but we do believe it is possible to achieve a moderation of interest rates and avoid major credit shortages if our Nation's fiscal and monetary policies are coordinated.

We offer you our bipartisan support in this effort.

Sincerely,

SAM NUNN,
LAWTON CHILES,
DAVID L. BOREN,
J. JAMES EXON,
J. BENNETT JOHNSTON.

EXHIBIT 2

NATIONAL ASSOCIATION OF HOME BUILDERS,
Washington, D.C., July 27, 1981.

Hon. LAWTON CHILES,
United States Senate,
Washington, D.C.

DEAR SENATOR CHILES: On behalf of the more than 123,000 members of the National Association of Home Builders, I am writing to express our support for your amendment to H.J. Res. 266, the Economic Recovery Act of 1981, a resolution regarding the protection of small business, troubled financial institutions, the depressed housing industry and farms.

As you are aware, record high mortgage interest rates are having a devastating impact on the housing industry. Housing starts last month were down to an annual rate of 1.03 million, almost 50 percent below the peak level of 2.02 million in 1978. We are currently in the midst of the longest housing recession since World War II. The NAHB forecast for 1981, which assumes some moderation in interest rates by the end of the year, estimates that fewer than 1.2 million housing units will be started this year. Housing starts in the 1.2 million range are dangerously below the projected need of up to 2 million units a year during this decade. And pent-up demand will only build up inflationary pressures on housing prices in the future.

High interest rates have dramatically increased the failure rate in the construction industry. In February 1981, failures among general building contractors were up 11 percent over the February 1980 rate. Subcontractor failures were more severe, with the number of failures up by 94 percent. This is particularly significant since the comparisons for 1981 are being made with 1980—the worst year for construction failures on record. If interest rates do not fall in the near future, the unfortunate result will be that many more businesses will fail.

The precipitous drop in housing starts has had a significant impact on the overall economy by raising the unemployment rate in the construction trades. The official construction unemployment rate is 16.6 percent and over 835,000 wage and salary workers are out of jobs.

First-time homebuyers in particular have been priced out of the housing market by high interest rates. Each one percent increase in interest rates puts a median-priced home out of the reach of over 800,000 families. At the current mortgage interest rate of 17 percent, a $60,000 mortgage carries a principal and interest payment of $855 per month. Other housing-related expenses bring the monthly housing expenditure to $1,070. This requires an annual income of $38,520 and fewer than 10 percent of all first-time buyers could qualify for this median-priced home.

The Federal Reserve Board policies of almost the last two years, along with the rapid deregulation of financial institutions, have led to near chaos in the financial markets, and in credit-sensitive industries such as homebuilding. We believe that action to lower interest rates would reduce inflation by restoring business and consumer confidence in the economy and by increasing production, employment and competition in the market place. We believe that the Administration and Congress should pursue economic policies that the reward increased productivity, encourage business investment and consumer savings, and reduce unnecessary and costly government regulations.

For those reasons, we support the Chiles amendment which would promote the availability of credit for productive enterprises and would ensure the financial health of small business and financial institutions as well as the housing industry. We urge your colleagues to vote for this amendment when it is considered on the Senate floor this week.

Sincerely yours,

HERMAN J. SMITH,
President.

The PRESIDING OFFICER. The time of the Senator from Florida has expired.

Mr. CHILES. Mr. President, I ask unanimous consent that the names of Mr. SASSER, Mr. MITCHELL, Mr. RIEGLE, Mr. BENTSEN, and Mr. ZORINSKY, be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BOREN. Mr. President, I rise in support of this amendment calling on the President to change current administration policies so as to insure the continued financial health of small businesses, thrift institutions, small banks, small farms, residential construction, and not-for-profit institutions.

Mr. President, I have pointed out before that supply-side economics will be undermined if we do not reduce the current high interest rates. We simply cannot have a policy stimulating investment and at the same time deliberately pursue a monetary policy that makes that investment too expensive to undertake.

This amendment calls on the Board of Governors of the Federal Reserve System to exercise their regulatory power in a specific area of wholesale mergers or takeovers. We cannot continue a policy which enables large firms to acquire smaller firms in takeovers that are unproductive.

The capital market must be kept available for productive economic purposes and to insure that firms seeking to increase productivity have the opportunity to do so. The administration and the Federal Reserve must abandon their markup of interest rates.

This tax cut bill will do no good if thousands are already bankrupt and millions are unemployed. That is exactly what will happen unless high interest rates come down. The first step toward that end is a change now, in administration policy.

Mr. DOLE. Mr. President, the Senator from Kansas and the Senator from Louisiana have discussed this amendment. We have suggested some modifications which were acceptable to the principal sponsor of the amendment, the distinguished Senator from Florida (Mr. CHILES).

There is no doubt that interest rates, as stated in the amendment, are threatening the existence and the financial viability of farms and small business.

In fact, last night, after President Reagan spoke, I was in my office and picked up the phone a couple of times, and two of my constituents, calling from

Kansas, said, "Vote with the President." But while they were saying that, they were also expressing their concern about high interest rates. So it is not limited to one part of the country. It is all over the country.

I believe that most people believe and have confidence in the policies of the President, but they should understand that those policies have not been implemented as yet. Congress can pass the budget reduction proposals and the President's tax reduction proposals. Then we will see the tax reduction proposal take effect in October, and some spending proposals will take effect almost immediately. We hope that then we will have the change the Senator from Florida wants—and all of us want—in interest rates, and we will be on the road to economic recovery.

I also share the Senator's concern about some of the actual takeovers and some of the rumored takeovers. Where does it stop? The thing that concerns me is that, if large concerns are out borrowing $3 billion or $4 billion in the marketplace, that is going to drive up the interest rates. The Government may get out of the borrowing business because of the spending reductions, but when a giant corporation that wants to take over another corporation borrows $3 billion, it can affect interest rates.

In my view, the President has adopted policies that will help us insure financial health. The amendment states "should adopt policies." I believe that can be interpreted in any way. I am certain that he will continue to adopt policies that, it is hoped, will insure the availability of credit to small business, to thrift institutions, banks, and farms, as well as for residential construction and nonprofit institutions.

So, considering the basic thrust of the amendment before us, the Senator from Kansas is willing to accept the amendment.

I understand that the Senator wants a rollcall vote.

Mr. CHILES. Yes.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Is the Senator from Montana prepared to offer his amendment? Would the Senator from Florida object if we had a vote on his amendment at 12:15?

Mr. CHILES. I have no objection, if the Senator wants to stack them. I want to make sure that is cleared with our side.

Mr. DOLE. Mr. President, I suggest the absence of a quorum, while we are checking.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, as I understand there is no objection if we have the vote on the amendment of the Senator from Florida at 12:10 p.m., and it is the hope that between now and 12:10 p.m. we might dispose of the Melcher amendment, and if he wanted a rollcall vote it could follow immediately the vote on this amendment and still make it possible for both sides to attend their 12:30 p.m. policy luncheon, or we could postpone that until 2 p.m.

Mr. President, I ask unanimous consent that the vote on the Chiles amendment occur at 12:10 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I am prepared to yield back my time.

The PRESIDING OFFICER. All time is yielded back.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I yield 2 minutes off the bill to the Senator from Georgia.

Mr. NUNN. Mr. President, I congratulate the Senator from Florida for taking the lead in presenting this sense of the Senate resolution, which I am proud to join in with Senator BOREN, the Senator from Oklahoma. It expresses a great concern on the part of Congress as to what is happening with interest rates. It expresses a concern as to the apparent lack of coordination between fiscal and monetary policy.

I am becoming increasingly apprehensive as to whether supply-side economics can work with the kind of interest rates that we have now.

I just do not see how small and medium-sized businesses, and for that matter even some large businesses that do not have a huge amount of capital, are going to be able to go out in financial markets that exist today and borrow the kind of capital that is necessary to really revitalize the economy by investing in new plant and equipment, and by increasing productivity.

I hope that that is an overpessimistic viewpoint, and certainly I plan to support final passage of this tax legislation. Yet I also hope that this sense of the Senate resolution, the statements that are being increasingly made on Wall Street and in Washington, but more importantly throughout the country, by many struggling small business owners and farmers, will bring to the attention of the White House and the Federal Reserve Board, the increasing possibility of a head-on collision between our fiscal policy and our monetary policy. I believe it is important for the American people, for Congress, and for all of us to feel confident that both the Federal Reserve and the administration are moving in the same direction with a cohesive, sensible, and coordinated policy.

Mr. President, I have supported the general direction of the administration's economic program. I believe that reducing Federal spending, Federal taxes, and the Federal regulatory burden is essential for increased productivity, reduced inflation and renewed economic prosperity.

Yet a tax cut will mean little to the small business owners and farmers who make no profit to be taxed because of exceedingly high interest rates.

What is beginning to emerge is a dual economic policy—a boom to those with available capital—a depression for those who must borrow and for business depending on long-term credit.

When giant corporations borrow tens of billions of dollars for takeover purposes that make no contribution to productivity growth, to fighting inflation, and to job creation, and potential homebuyers cannot find affordable mortgage money, it is time for a re-examination of national economic policy.

One has to start asking questions whether last November's mandate for a change, for a balanced budget, and for reduced Government borrowing is really going to be carried out and heeded when we read statements as I read in the Washington Post earlier this week, stating that the Under Secretary of Treasury for Monetary Affairs, told a congressional committee that there is no necessary relationship between the budget deficits and money growth or between deficits and inflation.

I just simply do not agree with that statement. I do not think the American people do.

I hope that this particular high official in the Treasury Department was not speaking for the administration.

Mr. President, many of the concerns we are expressing now were expressed to the President in a letter dated July 24, 1981, signed by Senator CHILES, Senator BOREN, Senator EXON, Senator JOHNSTON, and myself, with a copy to Paul Volcker. That letter points out to the President that there are high officials in this administration making statements which I see as directly contradicting many of the voiced policies of this administration.

Mr. President, I ask unanimous consent to have that letter printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

COMMITTEE ON
GOVERNMENTAL AFFAIRS,
Washington, D.C., July 24, 1981.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We have given support to the general direction of the Administration's economic program here in the Senate. We share your belief that a reduction of federal spending, federal taxes, and the federal regulatory burden is essential for increased productivity, reduced inflation, and economic revitalization.

We are vitally concerned, however, with the apparent absence of coordination between the fiscal and monetary policies of our government. The current fiscal and monetary policies of our nation appear to be on a path where significant conflict, if not a head-on collision, is imminent.

The continuation of the high interest rate pattern of the past few months, if allowed to

persist, will cause irreparable damage to our economy. We are beginning to have a dual economic policy—a boom to those with available capital—a depression for those who must borrow and for businesses depending on long-term credit.

When giant corporations borrow tens of billions of dollars for corporate takeover purposes that make no contribution to job creation and productivity, and potential home buyers cannot find affordable mortgage money, it is time for a reexamination of national economic and anti-trust policy. We also think it would be appropriate in this context for the Administration to re-examine recent policy statements which may have encouraged massive borrowing for merger purposes.

Officials of the Administration and the Federal Reserve have repeatedly said that once inflation abates and the public is shown that federal spending will be cut, interest rates would begin to decline. Just recently on May 8, Federal Reserve Board Chairman Paul Volcker said, "interest rates will come down and stay down as we make progress on inflation."

Today inflation is declining but mortgage interest rates are not. While consumer price increases declined from 9.6 percent in the first three months of this year to 7.4 percent in the most recent three months, the mortgage interest rates remain enrenched at 16 percent. Historically the spread between mortgage interest rates and the rate of inflation has been about 2 percent. Now, however, the interest rate/inflation rate spread has ballooned to 6 to 7 percentage points which implies to many that this is a planned and deliberate policy.

The Administration's economic advisers, according to Mr. William Niskanen, a member of the Council of Economic Advisers, are currently both "confused" and "puzzled" by continuing high interest rates. Yet reports from the recent Ottawa summit indicated you endorsed and vigorously defended the high interest rate policy of the Federal Reserve.

Just today the "Washington Post" reported that Treasury Undersecretary for Monetary Affairs Beryl Sprinkel told the House Committee on Banking, Finance and Urban Affairs that there is no technical, and no necessary, connection between budget deficits and money growth, or between deficits and inflation.

We could not disagree more. Either the government finances a deficit by printing money or by competing with and crowding business out of the credit markets. Printing money to finance deficits results directly in more inflation. Increasing federal borrowing affects inflation by forcing up interest rates, and increasing business costs. Eliminating federal deficits and reducing federal borrowing requirements are necessary for both psychological and substantive economic reasons, and must be accomplished at the earliest possible time.

If the high interest rates continue, the Administration's supply side economics cannot work. The survival of our small business and farming community is threatened, many thrift institutions are in serious financial trouble, and the housing industry is near collapse. The majority of businesses, particularly small businesses, will not be able to finance inventories, let alone capital improvements. A tax cut will mean little to small businessmen and farmers who make no profit to be taxed because of exorbitant interest rates.

In summary, Mr. President, we urge you to address these serious problems before it is too late to moderate the Administration's fiscal program. As we see it, the question is whether the anticipated stimulative effect of the Administration's fiscal program has so overloaded the system that continued long-term high interest rates are the inevitable result. If your Administration does not advocate a continued high interest rate policy, we hope that it will let its views be known to the financial community and persuade them to take action to moderate interest rates.

In this regard, we respectfully suggest a "domestic economic summit" meeting with a full dialogue between you as President, Chairman Volcker of the Federal Reserve and Congressional leadership. We would hope out of that meeting there would emerge a coordinated cohesive fiscal-monetary policy which can be clearly understood by the American people.

We do not expect an instant cure, but we do believe it is possible to achieve a moderation of interest rates and avoid major credit shortages if our Nation's fiscal and monetary policies are coordinated.

We offer you our bipartisan support in this effort.

Sincerely,

SAM NUNN,
LAWTON CHILES,
DAVID L. BOREN,
J. JAMES EXON,
J. BENNETT JOHNSTON.

Mr. NUNN. Mr. President, Federal deficits, whether caused by excessive spending or reduced Federal revenues, are inflationary. Eliminating Federal deficits and reducing Federal borrowing requirements are necessary for both psychological and substantive economic reasons. The budget must be balanced as soon as possible.

Mr. President, officials of the administration and the Federal Reserve have repeatedly said that once inflation abates and the public is shown that Federal spending will be cut, interest rates would begin to decline. Just recently on May 8, Federal Reserve Board Chairman Paul Volcker said, "interest rates will come down and stay down as we make progress on inflation."

Today, inflation is declining and we are all grateful for that but mortgage interest rates are not. While consumer price increases declined from 9.6 percent in the first 3 months of this year to 7.4 percent in the most recent 3 months, the mortgage interest rates remain entrenched at 16 percent.

Historically, the spread between mortgage interest rates and the rate of inflation has been about 2 percent.

Now, however, the interest rate/inflation rate spread has ballooned to 6 to 7 percentage points which implies to many that this is a planned and deliberate policy.

Yet, an important economic adviser to the President, Mr. William Niskanen of the Council of Economic Advisers, says the administration is puzzled by continuing high interest rates but will continue to support current fiscal and monetary policies out of conviction.

Today, Senators CHILES, BOREN, and I offer this resolution to help assure consistent economic policies. Through urging the President and the Federal Reserve to develop mutually reinforcing economic policies, it seeks to reduce confusion and uncertainty in the financial markets, achieve a moderation of interest rates and avoid a credit crunch.

I believe it puts spotlight on the growing apprehension by many of us as to the seeming conflict between fiscal and monetary policy.

I hope that because of this resolution, because of expressions of opinion throughout Congress, because of the cries of anguish from people who have to borrow money—businessmen, homebuyers, farmers, and consumers—that we will begin to see a much more carefully coordinated policy between the Federal Reserve and the administration.

Mr. CHILES. Mr. President, I thank the Senator from Georgia for his statement and his work on this resolution and the letter that was sent to the President.

I know of his long concern, building and growing concern as to what he sees happening with these high interest rates and how they affect the farmers and businessmen in his State. I certainly associate myself with his remarks and with the thrust of what we are trying to do. In that letter we call for an economic summit among the President of the United States, the Chairman of the Federal Reserve System, and leadership in this Congress, which is essential if we are going to have an economic policy that can work. So I certainly join in support of that thrust.

I thank the Senator for his help and his work in this area.

Mr. NUNN. Mr. President, I congratulate the Senator from Florida and the Senator from Oklahoma for taking this lead, and I hope out of it we will see a dedicated effort to coordinate these policies.

The Federal Reserve System is a mystery to most Americans, but high interest rates are not a mystery. People understand high interest rates very well. They understand what is happening. It is the high interest rates that today are literally strangling our economy.

I simply cannot see how supply-side economics can work when we have a 20-percent prime rate. Something has to give.

I hope that we will see interest rates come down so that we can see a revitalization of the American economy.

Mr. RANDOLPH. Mr. President, does the Senator from Florida have the floor?

The PRESIDING OFFICER. Who yields time?

Mr. DOLE. Mr. President, will the Senator from Louisiana yield some time to the Senator from West Virginia as I am about out of time on the bill?

Mr. LONG. Mr. President, I yield to the Senator how much time he requires? How much time does the Senator require?

Mr. RANDOLPH. Two minutes.

Mr. LONG. Mr. President, I yield 2 minutes to the Senator from West Virginia.

Mr. RANDOLPH. Mr. President, the leadership of the Senator from Florida (Mr. CHILES) on economic matters is recognized in this body. The expertise of the Senator from Georgia (Mr. NUNN) is also a matter of record.

The activity of the Senator from Oklahoma (Mr. BOREN) and many others, following his stewardship, in an earlier period—when numerous Democratic Senators—I was privileged to be in the

group—called attention to the damage being wrought in this country and to our economy by the high interest rates.

I recall that last year I had a colloquy on that subject with the Senator from Wisconsin (Mr. PROXMIRE). I was critical of the Federal Reserve then as I have been in statements issued in West Virginia and also comments made in the Senate.

I firmly believe that it will take an all-out effort, an all-out frontal attack by the administration and Congress, backed by the American people, to shake loose the apparently unshakable Federal Reserve policy in reference to high interest rates.

I am not a carping critic. I believe, however, that the economy of America is deteriorating, breaking up. This should not be a partisan or political issue. Those people who wish to borrow cannot borrow. Cars are not being purchased. Houses are not being built. This country is suffering in a way it need not suffer. The Federal Reserve, I believe, is much at fault.

High interest rates impact citizens in all walks of American life. These extreme rates continue to fuel inflation. We are being battered in the economic extreme.

Mr. CHILES. I just wonder if the distinguished Senator from West Virginia happened to see this latest report of the Federal Home Loan Bank Board reported in this morning's papers, which said American savers withdrew $5.6 billion more than they deposited in federally insured savings and loan institutions in June. It also said that the savings loss for the first 6 months of the year was $10.9 billion compared with a gain of $2.4 billion for the same period last year. That is a 6-month period to lose $10.9 billion where a year ago they gained $2.4 billion for the same period last year.

I know the Senator has many savings and loan institutions that have been beneficial in his State to cause houses to be built. It just goes along the line of the Senator saying what the results of these terribly high interest rates are.

We know of his great interest in this subject and the efforts he has made over all the years he has been here to try to see that interest rates were at a level where people could afford to borrow money, small businesses could afford to borrow money, small farmers, and that you did not have to be a giant corporation. I know the Senator has long fought for that.

Mr. RANDOLPH. The further information given by the Senator from Florida, the statistics he has just provided, are ample evidence of a need to help, not only in the State of West Virginia. I know in our State the savings and loan institutions have been very helpful in providing funds for the construction of needed housing. Across America the evil winds of unwarranted high interest rates continue to cause havoc—indeed great havoc.

They are long suffering at times, but now I think they expect some action. It is time for leadership from within the White House in cooperation with Capitol Hill to halt the extreme rates. I am grateful for the leadership again of the two Senators who have spoken today.

Mr. NUNN. I thank my friend and colleague from West Virginia. I have heard him speak on this subject many times. He has expressed his concern, and I want the Senator to know that I am in complete agreement with that concern.

Mr. President, I ask unanimous consent that a letter dated July 27, 1981 from the National Association of Home Builders be printed in the RECORD, wherein they expressed their great concern about these high interest rates.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL ASSOCIATION OF
HOME BUILDERS,
Washington, D.C., July 27, 1981.

Hon. LAWTON CHILES,
U.S. Senator,
Washington, D.C.

DEAR SENATOR CHILES: On behalf of the more than 123,000 members of the National Association of Home Builders, I am writing to express our support for your amendment to H.J. Res. 266, the Economic Recovery Act of 1981, a resolution regarding the protection of small business, troubled financial institutions, the depressed housing industry and farms.

As you are aware, record high mortgage interest rates are having a devastating impact on the housing industry. Housing starts last month were down to an annual rate of 1.03 million, almost 50% below the peak level of 2.02 million in 1978. We are currently in the midst of the longest housing recession since World War II. The NAHB forecast for 1981, which assumes some moderation in interest rates by the end of the year, estimates that fewer than 1.2 million housing units will be started this year. Housing starts in the 1.2 million range are dangerously below the projected need of up to 2 million units a year during this decade. And pent-up demand will only build up inflationary pressures on housing prices in the future.

High interest rates have dramatically increased the failure rate in the construction industry. In February 1981, failures among general building contractors were up 11% over the February 1980 rate. Subcontractor failures, were more severe, with the number of failures up by 94%. This is particularly significant since the comparison for 1981 are being made with 1980—the worst year for construction failures on record. If interest rates do not fall in the near future, the unfortunate result will be that many more businesses will fail.

The precipitious drop in housing starts has had a significant impact on the overall economy by raising the unemployment rate in the construction trades. The official construction unemployment rate is 16.6%, and over 835,000 wage and salary workers are out of jobs.

First-time homebuyers in particular have been priced out of the housing market by high interest rates. Each one percent increase in interest rates puts a median-priced home out of the reach of over 800,000 families. At the current mortgage interest rate of 17%, a $60,000 mortgage carries a principal and interest payment of $855 per month. Other housing-related expenses bring the monthly housing expenditure to $1,070. This requires an annual income of $38,520 and fewer than 10% of all first-time buyers could qualify for this median-priced home.

The Federal Reserve Board policies of almost the last two years, along with the rapid deregulation of financial institutions, have led to near chaos in the financial markets, and in credit-sensitive industries such as homebuilding. We believe that action to lower interest rates would reduce inflation by restoring business and consumer confidence in the economy and by increasing production, employment and competition in the market place. We believe that the Administration and Congress should pursue economic policies that reward increased productivity, encourage business investment and consumer savings, and reduce unnecessary and costly government regulations.

For those reasons, we support the Chiles amendment which would promote the availability of credit for productive enterprises and would ensure the financial health of small business and financial institutions as well as the housing industry. We urge your colleagues to vote for this amendment when it is considered on the Senate floor this week.

Sincerely yours,

HERMAN J. SMITH,
President.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATUS OF AMENDMENTS

Mr. DOLE. Mr. President, I might take just a moment to sort of update the Members who are present and staff members and those Senators who may be listening in their offices or in committee sessions that we are, the Senator from Kansas believes we are, near a point where we can probably finish this bill without too much difficulty before midnight tonight, and I believe that is the intent of the distinguished majority leader to finish the bill today.

If those who have amendments would now tell us that they are not going to call those amendments up, it would be most helpful. There are a number of amendments in negotiation, and I might suggest we have been fairly successful in negotiations. Most of the amendments that have gone that route—maybe half the amendments that have gone that route—have been worked out. Others could not be worked out on this particular bill, but that does not mean they are not without merit and that there will not be another opportunity later on.

But there are still a number of amendments that we hope by 4 or 5 o'clock this afternoon we would be down to the bare minimum of a half dozen that are going to take any time at all.

So if someone has an amendment—I think Senator JEPSEN and Senator LEVIN have an amendment on adoption credits we believe that can be negotiated; Senator LEAHY has an amendment which I believe has been negotiated; Senator MELCHER, Senator DURENBERGER, Senator JEPSEN, Senator GRASSLEY, and Senator BOSCHWITZ, have amendments which I believe we can negotiate.

The Senator from New York (Mr. MOYNIHAN) has an amendment which we cannot accept. I promised the Senator

from New York that I would do the very best I could to get it on the next tax bill. I am not certain the Senator wants to call it up or not.

Mr. MOYNIHAN. Would the distinguished chairman be agreeable to calling up the amendment and having it briefly discussed?

Mr. DOLE. Yes; would the Senator like to do it now?

Mr. MOYNIHAN. Like now?

Mr. DOLE. That is an indication that really there are not that many amendments left that should take a great deal of time, and with the Members' cooperation—and we have had splendid cooperation in the past 11 days, hopefully this will be the last day we will have to ask for such cooperation.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The question is on agreeing to the amendment of the Senator from Florida. All time has been yielded back, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 100, nays 0, as follows:

[Rollcall Vote No. 229 Leg.]

YEAS—100

Abdnor	Garn	Mitchell
Andrews	Glenn	Moynihan
Armstrong	Goldwater	Murkowski
Baker	Gorton	Nickles
Baucus	Grassley	Nunn
Bentsen	Hart	Packwood
Biden	Hatch	Pell
Boren	Hatfield	Percy
Boschwitz	Hawkins	Pressler
Bradley	Hayakawa	Proxmire
Bumpers	Heflin	Pryor
Burdick	Heinz	Quayle
Byrd, Harry F., Jr.	Helms	Randolph
	Hollings	Riegle
Byrd, Robert C.	Huddleston	Roth
Cannon	Humphrey	Rudman
Chafee	Inouye	Sarbanes
Chiles	Jackson	Sasser
Cochran	Jepsen	Schmitt
Cohen	Johnston	Simpson
Cranston	Kassebaum	Specter
D'Amato	Kasten	Stafford
Danforth	Kennedy	Stennis
DeConcini	Laxalt	Stevens
Denton	Leahy	Symms
Dixon	Levin	Thurmond
Dodd	Long	Tower
Dole	Lugar	Tsongas
Domenici	Mathias	Wallop
Durenberger	Matsunaga	Warner
Eagleton	Mattingly	Weicker
East	McClure	Williams
Exon	Melcher	Zorinsky
Ford	Metzenbaum	

So Mr. CHILES' amendment (UP No. 310) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, may we have order? The majority leader has a right to be heard.

The PRESIDING OFFICER (Mr. WEICKER). The Senator will suspend until there is order.

The majority leader is recognized.

Mr. BAKER. Mr. President, I thank the Chair. I thank my good friend from New York for very properly making the point that the Senate was not in order.

ORDER OF PROCEDURE

The purpose for seeking recognition, Mr. President, is to say that it is my hope that the Senate will continue from this hour for the remainder of the afternoon to take up and dispose of amendments, notwithstanding that there are conferences and caucuses on both sides of the aisle, beginning at 12:30 and running until approximately 2 p.m.

In the past, we have not infrequently recessed during that period, but I do not propose now to ask that the Senate recess, because we have a great volume of work yet to do. I urge Members to consider offering their amendments during this period from 12:30 to 2, when the two parties are in caucus. I understand that that is an imposition on Members, but it is necessary, I believe, under the circumstances.

I urge, however, that the distinguished chairman of the committee and the ranking member consider stacking any votes that may be ordered during that period until 2 p.m. I do not make that request at this time, but in the event there is a request for the yeas and nays, if the managers of the bill would go forward with that request, I hope there will be no objection to it.

Mr. President, it is still my hope that we can finish this bill today. I think we can. It will require a high level of dedication and diligence and a willingness on the part of Senators either to offer their amendments or declare that they will not offer their amendments. I believe it is essential that we finish this bill today. I do not propose to ask the Senate to recess early today as long as there is any hope that we can finish. On the contrary, I expect that we may be in late in order to accomplish that purpose.

I thank the Chair.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the pending matter be temporarily laid aside.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

AMENDMENT NO. 513

(Purpose: To amend the Internal Revenue Code to change certain accounting rules related to inventory)

Mr. MOYNIHAN. Mr. President, I call up printed amendment No. 513.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) proposes an amendment numbered 513.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle D of title II, add the following:

SEC. 234. EXCESS INVENTORY ITEMS MAY BE WRITTEN DOWN TO SCRAP VALUE.

(a) IN GENERAL.—Section 471 (relating to the general rule for inventories) is amended by adding at the end thereof the following new sentences: "A taxpayer may value his excess inventory at its net realizable value. For purposes of this section, the term 'excess inventory' means that portion of the taxpayer's inventory which the taxpayer reasonably expects will be disposed of at less than full realization of its cost. Such portion shall be determined with respect to each group of articles by age by referring to the taxpayer's most recent 5-year experience with inventories.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending on or after December 25, 1979.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the names of the Senator from New York (Mr. D'AMATO), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from Montana (Mr. BAUCUS) be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, this is the amendment concerning the so-called Thor Power Tool ruling which has caused great concern in a wide range of industries in the Nation, but none more than the publishing industry.

As the distinguished chairman of the committee knows, the wholly unanticipated effect of the ruling, which on its face is an equitable one—deductions from earnings should not be made unless there is an actual loss that can be demonstrated, and that was the effect of the ruling—has been to make it extremely difficult for book publishers to carry back lists, as they are called, of books which sell slowly over time and frequently not at all, in terms of the entire printing, but which are essential to any literate and scientific culture such as ours at least once was.

The effect of this ruling is to make it extremely costly for publishers to keep in their warehouses books that have not sold, in the expectation that over time they will do so. This has been for generations. this has been for centuries, the honorable practice of publishers.

As an author, I can think of more than one warehouse where my works are stored, in the increasingly vain expectation that someone might come along and assign them to a reading list. But this is not nearly as important as the medical texts, scientific texts, books of poetry, the encyclopedias. the technical manuals which a vibrant and rich publishing tradition needs, which this Nation needs.

The effect of the Thor Power ruling is already upon us. Books are literally being turned into pulp. I do not want to exaggerate. We are not talking about anyone's ill intent. But it is a fact.

Mr. President, I ask unanimous consent to have printed in the RECORD a brilliant editorial published in the Washington Star on October 8 of last year—on the editorial page superbly edited by Edward M. Yoder, Jr.—entitled "Books Into Pulp," and an editorial published in the New York Times of September 4,

1980, entitled "Taxing Books to Extinction."

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Washington Star, Oct. 8, 1980]

BOOKS INTO PULP

It is not uncommon for a law to affect human life and commerce far beyond what its sponsors intended. So it may be with the case of the *Thor Power Tool Company vs. Commissioner of Internal Revenue*, decided last year by the U.S. Supreme Court.

The case seemed unexceptional. The Court decided that the valuation of warehouse inventories could not be reduced for tax reasons—unless the stock itself was sold at reduced prices. The logic seems indisputable.

But what are the likely effects?

One is that the cost of doing business will go up—which means higher prices for everyone. Another is that basic inventories may be reduced. It could, for instance, be harder to get the spare parts one may need for a car or refrigerator.

The Internal Revenue Service subsequently made the *Thor Power* decision retroactive to 1979—a ruling now opposed by bills in Congress. And with what appears to be some glee, the IRS applied the ruling to all kinds of companies—including book publishers.

Publishing houses accordingly plan to destroy or "remainder" millions of books in the next few months because they can no longer depreciate their inventories for tax purposes. They are expected to print fewer books in the future, to avoid the chance of overstocking, and to permit titles to go out of print sooner. They are likely to offer fewer contracts for "non-commercial" books.

Some publishers, it has been reported, have already increased their sales to remainder houses (where the wholesale price is often 10 cents on the dollar). A great many books—some estimate millions—will be ground into pulp. Backlists—titles which sell steadily and yield profits over a long period—are in danger.

Yet backlists are vital to publishers who don't rely upon best sellers for profits. For every *Princess Daisy*, which may sell thousands of copies a week, there are hundreds of slower-selling histories and biographies from which the IRS wishes to extract the full tax dollar.

Paradoxically, the tax dollars may not be there. If publishers cannot afford to pay higher taxes on non-depreciated stock, they will get rid of it. There is not much of a tax—at least not yet—on pulp and shredded paper. Yet pulp is what the IRS will encourage if its ruling remains in force.

One must be grateful that such broad rulings were not being made by IRS in the days of Melville, Thoreau and Hawthorne; or Faulkner, Hemingway and Fitzgerald. One must also be grateful that the IRS does not have the final say.

Sen. Daniel P. Moynihan, a writer of note (whose books do not, alas, rival those of Irving Wallace on the best-seller lists) plans to introduce a bill exempting publishers from the *Thor Power* decision when the new Congress convenes in January. He has said it will be the first item on his agenda. We hope he succeeds.

Others may wish to re-examine the original ruling, but Mr. Moynihan recognizes that the immediate danger is to the printed page and the life of the mind in modern America.

[From the New York Times, Sept. 7, 1980]

TAXING BOOKS TO EXTINCTION

Anyone who has looked for a special book lately knows the probable outcome: it is out of print. The changing economics of the book business have sharply raised the cost of holding inventories, and publishers are reluctant to maintain extensive "backlists." As a result, people who want (or need) to read older books must increasingly depend on libraries—which have financial troubles of their own.

There is not a great deal that can be done to reverse this unfortunate publishing reality. But it is certainly possible to decelerate the trend by offering modest tax incentives to publishers who would rather sell books than shred them.

Federal law says that profits should be taxed only when they are realized. An investor, for example, need not pay taxes on the increased value of securities until they are sold. This principle also works in reverse, to the detriment of the book industry. When a book fails to sell as well as expected, its publisher would like to write off the remaining inventory by deducting the loss from current taxable income. But Internal Revenue argues that, to be consistent, such anticipated business losses should not be deductible until the losses are actually realized—that is, when the books are either dumped below cost or destroyed.

This quarrel has been fought in the courts for years. In 1979 the Supreme Court ruled that the Thor Power Tool Company could not carry inventories of its products at a loss. And last February the IRS informed publishers that, for tax purposes, unsold novels were no different from unsold drills.

It is hard to quarrel with the Government's logic or, for that matter, its forbearance in this case. And there may be more than a touch of hyperbole in the comment of George Brockway, the chairman of W. W. Norton, that the IRS ruling "could blow the business apart." But there is little doubt that, uncushioned, the ruling will make it harder to find that special volume of art criticism or monograph on cell biology.

What cushion is possible? Publishers seem to be banking on a bill sponsored by Senator Nelson of Wisconsin and Representative Conable of New York, which would provide a one-year delay in the imposition of the Thor ruling for all affected businesses. That is an unfortunate wagon to which to hitch the future of book industry taxes. There is no good reason to give a costly tax reduction to, say, the auto spare parts business. In any case, such a one-shot delay would in no way improve the long-term incentive to keep good but slow-selling books available.

What publishers really need is legislation that provides special treatment for a truly special situation, allowing them to write off inventories after three or four years without having to dump books. Such legislation, just for publishing, would cost the taxpayers only a few million dollars a year. It would be money well spent.

Mr. MOYNIHAN. Mr. President, I am aware that the Treasury Department feels that they cannot at this point accept this amendment. I have discussed the matter off the floor during the last hour with Mr. Chapoton, who is entirely sympathetic to our concerns. He is not certain whether we have the best remedy.

The remedy we propose is to provide a third method of proving loss of inventory, which is basically a 5-year experience, to be proved out, but statistically valid, and it would not be something that would trouble any firm trying to make judgments. You do samples and you work from experience.

This, of course, applies not only to the book publishing industry but also to industries throughout the country and has to have large consequences in the willingness and capacity to carry inventory of finished products, such as books, or parts that go into an assemblage—in the classic spare parts inventory that goes with machinery.

The judgment of management consultants we have dealt with is that this will be a blow to the creative complexity of American industry, firms that make complex machines and expect them to last a long time and keep parts on hand that allow the machines to be repaired over a long time.

However, given the opposition of the Treasury Department—the cost of this measure running from 1983 out is a not inconsiderable but neither overwhelming $259 million, $276 million, and so forth—I understand that the chairman is willing to take up this matter in detail when the first opportunity appears of a new tax bill, a second tax bill, or the next tax bill. Rather than have it voted on in a body where there may be a feeling that the full facts are not known and the widest range of judgments has not come in, I believe it would be prudent, in the interests of the industries involved, to accept the generous offer, as I understand it, of the distinguished chairman.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. MOYNIHAN. I yield.

Mr. DOLE. The Senator is correct. We have discussed this matter. It also has been discussed with the distinguished Senator from Louisiana (Mr. LONG). The Senator from Kansas discussed it with the Treasury Department, to see if they could come up with some other concept that would satisfy and accommodate the serious and just concerns raised by the Senator from New York.

I do pledge that we will address this matter at the earliest possible time in the Senate Finance Committee. It is my understanding, and I believe it is accurate, that another tax bill will be discussed and voted on in the Senate Finance Committee. Although it is not certain to be discussed on the floor this year, we are moving ahead, and it is hoped that by that time we can find some approach that will satisfy the Senator.

Mr. MOYNIHAN. I thank the chairman. If we can leave it with the next bill, whenever that time comes, it will be considered. I appreciate the generosity of the chairman in this matter. I know that at this point in this measure there are things he cannot accept without the support of the Treasury Department. The Treasury Department is not hostile; it is unconvinced.

Mr. DOLE. That is right.

Mr. MOYNIHAN. With that note, and with an expression of appreciation to the chairman, I ask to withdraw the amendment I have at the desk.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. DOLE. I thank the distinguished Senator from New York.

Mr. MELCHER. Mr. President, is the pending amendment that of the Senator from Kansas?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Mr. President, I ask unanimous consent that the amendment be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 311

Mr. MELCHER. Mr. President, I have an amendment at the desk, and I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Montana (Mr. MELCHER), for himself, Mr. ABDNOR, Mr. ANDREWS, Mr. KASTEN, Mr. LUGAR, Mr. ZORINSKY, Mr. EXON, Mr. BAUCUS, Mr. BOSCHWITZ, Mr. JEPSEN, Mr. GRASSLEY, and Mr. SASSER proposes an unprinted amendment numbered 311.

Mr. MELCHER. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subtitle F of title II, insert the following new section:

SEC. . MAXIMUM RATE OF IMPUTED INTEREST.

(a) IN GENERAL.—Section 483 is amended by adding at the end thereof the following new subsection:

"(g) MAXIMUM RATE OF INTEREST ON CERTAIN TRANSFERS BETWEEN RELATED PARTIES.—

"(1) IN GENERAL.—In the case of a sale or exchange of qualified non-depreciable property to a U.S. person, the maximum interest rate used in determining the total unstated interest under the regulations under subsection (b) shall not exceed 7 percent, compounded semiannually.

"(2) QUALIFIED NON-DEPRECIABLE PROPERTY.—For purposes of this subsection, the term 'qualified nondepreciable property' means any property which is not subject to an allowance for depreciation or amortization in the hands of the person holding the property after the sale or exchange.

"(3) $2,000,000 LIMITATION ON QUALIFIED NON-DEPRECIABLE PROPERTY.—Property shall not be considered qualified non-depreciable property to the extent the sales price of all property sold or exchanged by the parties during a 12-month period exceeds $2,000,000.

"(4) SPECIAL RULE FOR LIQUIDATIONS.—In the case of a sale or exchange of stock in a corporation which is liquidated (in a transaction to which part II of subchapter C applies) within 2 years of the sale or exchange, paragraph (1) shall be applied, by treating the sale or exchange as a sale or exchange of the assets of the corporation. The Secretary shall prescribe regulations for the application of this paragraph."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to payments made after June 30, 1981 pursuant to sales or exchanges occurring after such date.

Mr. MELCHER. Mr. President, this amendment deals with imputed interest rates, which is a term that the Internal Revenue Service uses when they wish to make certain, under section 483 of the Codes, that there will be a proper interest rate on the sale of real property. By "proper" I mean an interest rate that they think is realistic.

Prior to July 1 of this year, the cap on that would be 7 percent. That would be as high as the IRS could impute an interest on the contract for deed. The amendment freezes at that level, at 7 percent, the rate which was in force prior to July 1 of this year on sales of nondepreciable property of $2 million or less.

This, for the most part, involves farms, ranches, and small businesses; and, for the most part, these properties are sold on a contract-for-deed basis. That is, a seller says to the purchaser: "Here are the terms on which I will sell the property. Here is the interest rate. Here is the structure of the whole sale and when I want to be paid off, and so forth." That is the usual form for most of the sales of farms, ranches, and small businesses.

What does that involve in the imputed interest rate? We have been working to put a cap on the imputed interest rate at this level since the increase to 10 percent was first proposed by the Internal Revenue Service last August. Many of us felt that it was none of the Internal Revenue Service's business to be determining what interest rates should apply on the sales of property between individuals and businesses.

Personally, I believe that the Internal Revenue Service gets into too much of the ordinary daily lives of people. There is no reason I can justify in my own mind for the Internal Revenue Service to be involved in every contract for deed of sale of real property.

However, section 483 of the Code adopted in the 1960's directs them to impute an interest rate at a certain level on a contract for deed.

Prior to July 1, it was 7 percent. What we are doing in the amendment is saying that is where it is going to stay, but put a cap on it of $2 million and have it only apply at that rate, 7 percent or up to 7 percent, on those transactions of less than $2 million and apply to sales of nondepreciable property.

Our efforts to cap the rate in this bill are supported by the National Association of Realtors, the National Homebuilders Association, the American Farm Bureau, the National Farmers Organization, the National Farmers Union, the National Cattlemen's Association, the Grange, the National Milk Producers Federation, and the American Agricultural Movement.

At the request of the distinguished chairman of the Finance Committee, I and the other cosponsors of my amendment agreed to meet with the Secretary of the Treasury, Mr. Regan, to decide if we could work out an agreeable solution to this amendment because they first objected to it and we wanted this amendment to become part of this final bill. As a result of these meetings we agreed to limit the size of the transaction to $2 million, and anything below that would qualify for the lower rate and agreed that this should apply only to nondepreciable property.

This keeps the Internal Revenue Service out of a great number of transactions. However, because it is vitally important that we hold these rates down, particularly in the sale of family farms, family ranches, and small businesses, my cosponsors and I agreed to the limitations in order to gain Treasury support for the amendment.

It is my understanding, and I wish to have the chairman of the Finance Committee affirm this, that every effort will be made by the committee members to retain this amendment in conference with the House of Representatives and see that it is part of the final bill.

Before we get done I hope the distinguished chairman of the Finance Committee is back on the floor and maybe we can have a little colloquy on that.

Mr. President, I now yield to the Senator from Minnesota, one of the cosponsors, Senator BOSCHWITZ.

Mr. BOSCHWITZ. Mr. President, I join my colleague from Montana, Senator MELCHER, in speaking about this amendment and I ask unanimous consent to add the following Senators as cosponsors: Senators QUAYLE, COCHRAN, PRESSLER, DANFORTH, ARMSTRONG, SIMPSON, GORTON, DURENBERGER, MCCLURE, and SYMMS.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BOSCHWITZ. Mr. President, I rise to join my distinguished colleague from Montana in sponsoring this amendment and urging its acceptance by the full Senate, and also I will join him in talking to the chairman of the committee to see that this will survive the conference inasmuch as we have sought to achieve these ends over some period of time, and it is my understanding that it is not in the companion bill being considered in the House of Representatives.

We are all familiar with this issue. Over a year ago, the IRS proposed regulations which would have increased the rate of interest which is imputed in contract sales between buyers and sellers. Last Congress, the IRS agreed to delay issuing these regulations until July 1 of this year, so that Congress would have time to act. Within that time period, hearings were held last spring at which the IRS testified. In that testimony, the IRS admitted that the regulations had no revenue-raising effect. Furthermore, the IRS stated that they were merely enforcing the law, and would continue with "business as usual" until Congress acted.

As we all know, the Finance Committee has been concentrating its efforts on the Economic Recovery Tax Act, which we are currently considering. As a result, this is the first time the full Senate has the opportunity to address this important issue. Notwithstanding the short time period, the IRS did issue regulations on July 1.

The regulations issued by the IRS require certain interest rates to be charged in sales between commonly controlled businesses and in sales between individuals. If a contract for sale between individuals calls for an interest rate of less than 9 percent, the IRS will impute a rate of 10 percent. This amendment will keep the maximum imputed interest rate at 7 percent, the rate in effect before the IRS issued the new regulations. I want to emphasize that this amendment only helps individuals—it does not affect the new regulations on sales between commonly controlled businesses.

The IRS is quick to point out that these regulations do not change the amount of payments in a sales contract. Rather, the regulations merely adjust the portion of the payments which is treated as in-

terest income to the seller and as interest deduction to the buyer. The practical effect of the regulations, however, is that sellers and buyers will not have as much room to bargain in the sale. The sellers will no doubt raise the price, forcing buyers to make larger payments, possibly over a longer period of time. As a result, many young buyers of homes, farms, and businesses may very well be priced out of the market. Surely these results are not intended by the economic recovery program. If anything, this amendment will further the goal of our economic recovery program by eliminating the involvement of the IRS in private contractual arrangements.

This amendment is a reasonable compromise to relieve the burdens the regulations impose on family farms and small businesses. This amendment will keep the maximum interest rate that the IRS can impute at 7 percent. For sales of nondepreciable property of up to $2 million in any 12-month period. It will make no difference whether the sale is between family members or neighbors. Thus, the small businessman will be able to sell the stock of his company, and the farmer can sell his land, without undue meddling by the IRS.

Mr. President, I urge the Senate to adopt this amendment.

Mr. GRASSLEY. Mr. President, will the Senator yield?

Mr. MELCHER. Mr. President, I yield to the Senator from Iowa, the distinguished subcommittee chairman of the Finance Committee, Senator GRASSLEY.

Mr. GRASSLEY. I thank the Senator from Montana for yielding.

I compliment him for his leadership in this area and I also suggest that he showed early leadership by appearing before our subcommittee when we had hearings on this subject. I am particularly appreciative of the fact that he was willing to work this compromise out so that we could get bipartisan support for this issue of importance to rural America and hopefully get this in a final tax package out of conference.

There is probably not any one issue dealing with survival of the family farm except the estate tax that has had more attention in recent months in the Midwest than the issue of imputed interest. I think we should consider the environment in which this concern is expressed. It is expressed in terms of the ability to pass on from one generation to the next the family farm or small business. One of the tools for assessability of younger generations to continue the family farming operation has been the lower rate of interest that mothers or fathers have been willing to give to their sons and daughters in helping to start this family farm operation or small business.

This intergenerational loan or gift is not ever in the vein of trying to avoid taxes or ever in the vein of trying to pull something fast on the Government. This is a very open approach of one generation willing to forgo some income just because of the desire to see the family farm continue within the family from one generation to the other.

This will eliminate one impediment to this transfer of property from one generation to the other. As I said before, next to the estate tax reform that is probably the most important thing we can do, and one that is going to eliminate a lot of anxiety for people in their sixties and seventies involved in family farms and businesses who worry whether or not their sons and daughters will be able to continue the operation.

I support this amendment and have cosponsored it. I want to thank the Senator from Montana for working out this compromise and express my appreciation for his fine work.

Mr. JEPSEN. Mr. President, will the Senator yield?

Mr. MELCHER. I yield to the Senator from Iowa who has been most active in the amendment over the past several months.

Mr. JEPSEN. Mr. President, I rise in support of the amendment proposed by my distinguished colleague from Montana (Mr. MELCHER). I commend him for pursuing this issue so diligently during the present session and for bringing it now before the Senate for a vote.

For well over a year, Members from both Chambers of the Congress have been urging the Department of the Treasury to reconsider their decision to raise imputed interest rates under section 483. An hour ago we reached a compromise with the Secretary of the Treasury. That compromise is reflected in this amendment. Although it does not go as far as many of us would like, it is a step in the right direction. The arguments in favor of it are overwhelming.

The imputed tax regulations target the most critical sectors of the American economy: Agriculture and small business. Statistics from the Department of Agriculture and the Small Business Administration indicate that these two groups, by themselves, produce almost half of national income, 53 percent of national employment, and as much as 65 percent of all new jobs created in the United States. The new regulations do not just hurt a small group, indirectly, they hurt all Americans.

But, the most important reasons against raising imputed interest rates are not the law or statistics but people. I am talking about the corn grower from Conrad, Iowa, and the grocer from Centerville and millions of other self-employed Americans in Iowa and across the Nation. They work the same land or the same business as their parents did, and their parents' parents before them.

I am talking about people working 16-hour days, 7-day weeks, and 52-week years. I am talking about men and women with calloused hands and sore backs—the individuals who produce our food and the entrepreneurs who take a dream and through years of hard work turn that dream into a business. I am talking about those sectors most responsible for the unparalleled economic growth in America over the past 200 years.

Why do these men and women from Denison, Iowa, New Ulm, Minn., and tens of thousands of other towns in our 50 States labor so hard? In my State I hear the same answer again and again: They do so in order to give their offspring a better life than they had and to leave them something which they in turn will pass on to their children.

The new regulations issued by the Treasury strike at the very heart of this venerable tradition. When the time comes for a child to get started in business or farming, he or she cannot afford 20-percent interest rates and the enormous initial capital expenditures. So, a father and mother give the child a break: A low-interest loan and a deferred payment schedule. This does two things: It helps the young person when such help is critical and allows parents to pass on their property to their offspring without incurring the confiscatory rates of present estate taxation. Raising the imputed interest rates will effectively close off that option to many farmers and small businessmen.

The IRS is venturing where they have absolutely no business to be. This is Government at its worst. While this amendment does not answer all the problems of retaining family farms and family business, it is a major step in the right direction. I support it and urge all Senators to do likewise.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator from Montana yield?

Mr. MELCHER. I am delighted to yield to the distinguished Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, is the understanding of the Senator from Virginia correct that the Treasury Department does not oppose this amendment and the Treasury Department in fact worked with the Senator from Montana to develop it and approves the amendment?

Mr. MELCHER. The Senator is correct. We met several times with representatives of the Treasury Department. We met this morning with Secretary of the Treasury Regan to make the final agreement on the terms of the amendment.

Mr. HARRY F. BYRD, JR. If the amendment is not adopted, what would the imputed interest rate be?

Mr. MELCHER. The imputed interest rate would be 10 percent if the amendment is not adopted. The imputed interest rate still will be 10 percent on sales of depreciable property and those sales that involve more than $2 million, $2 million or more.

Mr. HARRY F. BYRD, JR. And the present ceiling on imputed interest rates is 7 percent, and the Senator from Montana would keep that ceiling insofar as nondepreciable property is concerned?

Mr. MELCHER. Up to $2 million. We would roll back the imputed interest rate to 7 percent, what it was on July 1 of this year, just a couple weeks ago, and on nondepreciable property.

Mr. HARRY F. BYRD, JR. On July 1 it went from 7 percent to 10 percent?

Mr. MELCHER. That is correct.

Mr. HARRY F. BYRD, JR. This is on nondepreciable property up to $2 million would be rolled back to 7 percent?

Mr. MELCHER. That is correct.

Mr. HARRY F. BYRD, JR. I thank the Senator.

Mr. MELCHER. Mr. President, the chairman of the Finance Committee is

here now and I wonder if he could engage in a colloquy to the effect that the agreement that has been arrived with the Secretary of the Treasury and the amendment now pending before us is acceptable to the chairman of the Finance Committee.

Mr. DOLE. Mr. President, let me say to the distinguished Senator from Montana it is acceptable. In fact, I commend the Senator from Montana and the others who were in the series of discussions over the past several days trying to work out something that would be acceptable to the administration and the Treasury.

I believe this amendment is acceptable. I do not know of any problem with it. There are some who have indicated some reservations about whether this might drive up the price of farmland, but certainly that is not the intent of the amendment. This Senator is satisfied with the amendment.

Under present law, interest may be imputed on installment sales where no interest or low interest is provided for. Before July 1, 1981, the rate for imputing interest was 7 percent. On July 1, 1981, this rate was increased to 10 percent.

The amendment would keep the rate on sale of nondepreciable property at 7 percent—subject to a $2 million limit on sales.

The amendment by the Senator from Montana has been carefully negotiated with the Treasury Department over the past several days. The amendment will freeze imputed interest rates under section 483 for sales of land and other nondepreciable property in transactions of less than $2 million at the 7-percent level that existed before July 1, 1981.

This amendment appears to solve the problems pointed out by the Senator without opening significant avenues for abuse.

I think we will have success in conference. I know of no opposition to the amendment on the Senate side.

There will be a rollcall vote, I assume, to indicate how strong that support is.

Mr. MELCHER. I say to my friend, the distinguished chairman of the Finance Committee, the able Senator from Kansas, I hope we can, I hope the Senate conferees can, hold it in conference, because I think it works well for thousands upon thousands, scores of thousands, of people who are going to enter into contracts for deeds of farms, ranches, or small businesses.

We are dealing with really a lot in this tax bill that affects every individual and every corporation in this country, every company, every partnership, every venture of any kind. So it is only appropriate that we make some correction here as to how much authority IRS is going to exercise in looking at all contracts for deeds to real property, nondepreciable property.

The fact is that if we are going to do a good job in helping family farmers and family ranchers and family small businesses to survive, this is the one way we can help them.

I point out that during the 7 or 8 months we have been considering this subject we have continually asked the Treasury Department, we have continually asked the joint committee on what revenue would be gained or lost if the imputed interest rates were held at 7 percent, a cap at 7 percent. The only figure in that regard is a figure that was presented to us by the Joint Committee on Taxation, that it would be $10 million or less in loss of revenue.

It would seem to me that the principle is much greater than those few millions of dollars that might be lost to the Treasury, and that principle is this: Is it possible for people in this country to write a contract for deed, to set an interest rate that is agreeable between a willing buyer and a willing seller without too much interference from the Internal Revenue Service?

I think our amendment strives to answer that question in the affirmative with a positive "Yes," and I think we are giving up for that right for individual citizens in this country very little as far as the Treasury is concerned.

Mr. President, I know of no other requests for time and I yield back the remainder of my time.

I do ask for the yeas and nays on the amendment.

The PRESIDING OFFICER (Mr. LAXALT). Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE. Mr. President, I ask unanimous consent that the vote on this amendment occur at 2 o'clock. I might say that has been cleared with the minority and majority leaders.

The PRESIDING OFFICER. Without objection, it is so ordered.

SIXTY ADDITIONAL MINUTES ON THE BILL

Mr. DOLE. Mr. President, I also ask unanimous consent—and this has been cleared with the majority and minority leaders—that the Senator from Kansas be allowed 60 minutes additional time on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I want to commend the distinguished Senator from Montana again. We will, I think, have success in conference. I know the Senator is going to be working with some of the House conferees.

I yield back the remainder of my time.

Mr. MELCHER. I thank the distinguished Senator from Kansas and the chairman of the Finance Committee.

Mr. President, I ask unanimous consent that Senator BENTSEN be added as a cosponsor to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I think the distinguished Senator from Idaho (Mr. SYMMS) is now prepared to call up two amendments. I would again urge anyone who may be listening, I think we are in the home stretch, so if you have any amendment you would like to bring over now and discuss it I would appreciate it.

The PRESIDING OFFICER. Without objection, amendment 508 will be temporarily set aside.

UP AMENDMENT NO. 312

(Purpose: To eliminate the acceleration of the estate tax in the death of subsequent transferees)

Mr. SYMMS. Mr. President, I call up an unprinted amendment dealing with estate tax acceleration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Idaho (Mr. SYMMS) proposes an unprinted amendment numbered 312.

Mr. SYMMS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 253, between lines 22 and 23, insert the following:

NO DISQUALIFICATION IN CASE OF SUBSEQUENT DEATHS.—Subparagraph (D) of section 6166(g)(1) is amended by adding at the end thereof the following new sentence: "A similar rule shall apply in the case of subsequent transfers of the property by reason of the death of such person or of a subsequent transferee.".

On page 255, strike out lines 20 through 22, and insert in lieu thereof the following:

(g) EFFECTIVE DATE.—

(1) Except as provided in paragraph (2), the amendments made by this section shall apply to the estates of decedents dying after December 31, 1981.

(2) The amendment made by subsection (c)(3) shall apply with respect to transfers of property after December 31, 1981.

Mr. SYMMS. Mr. President, I am offering an amendment today which is both noncontroversial, technical, and an amendment which will clarify the estate tax law. The chairman of the Finance Committee will be pleased that this amendment does not have a revenue loss and there was no objection presented by the Department of the Treasury when the clarification was considered in the House Ways and Means Committee markup. The Treasury just approved it here. Also it has been approved by the ranking minority member of the Finance Committee and by Senator METZENBAUM.

The amendment would achieve one objective. Originally I had offered an amendment which would contain two objectives, but I have dropped one of the objectives. The other objective I still favor. It is in the version in the other body, and I hope we can achieve both of these objectives when we finally come to a conference.

The part we are discussing today will eliminate the acceleration on the death of subsequent transferees.

Section 6166(g)(1) accelerates the payment of estate taxes deferred under section 6166 if one-third or more of an interest in a closely held business is distributed, sold, exchanged, or otherwise disposed of. Section 6166(g)(1)(D) provides that there is no acceleration when a closely held business interest is transferred from the decedent's estate to a person entitled to receive such interest by reason of the decedent's death.

However, this exception for death-related transfers ceases to apply when the person who received his interest from

the decedent dies and the interest is transferred to such person's heirs. For example, where a spouse dies and leaves an interest in a closely held business to the surviving spouse, there is no acceleration of deferred estate taxes. But when the surviving spouse dies and leaves such interest to the children, there is acceleration of the original decedent's deferred estate taxes when the children receive their interest.

Another example would be if the wife died and left a farm to the son. The son worked out an agreement with the IRS to pay the estate tax over a 15-year period. The son then suddenly died and left the farm to his brother. The brother would then be subject to paying the estate tax on the mother's estate immediately. Quite obviously, the brother might have to sell the farm or a portion of the farm to meet the estate tax liability.

There is no justification for requiring acceleration on the death of a subsequent transferee. The rationale underlying the exception for death-related transfers—death does not add to the liquidity of the estate—should apply with equal force at the time of the second death. Accordingly 6166(g)(1)(D) should be expanded to include all subsequent transferees.

I would like to again stress that this amendment is noncontroversial, technical, and does not incur a revenue loss, and in its present form is supported by Treasury. The Department of the Treasury agreed that the second part of my original amendment would be thoroughly reviewed before the conference so that the issue of judicial forum might be included in this tax bill since it is in both the Ways and Means Committee tax bill and the Conable-Hance substitute. Judicial forum is essential if the integrity of our Tax Code is to be maintained.

I am prepared to yield to the chairman.

Mr. DOLE. Mr. President, I understand this has been cleared with the distinguished Senator from Louisiana and with Senator METZENBAUM from Ohio; is that correct?

Mr. SYMMS. That is correct.

Mr. DOLE. I know the staff of the distinguished minority leader are checking that now. I know that to be a fact. In any event we will wait until that word comes back.

It is also accurate, as the Senator from Idaho has pointed out, that this amendment has the approval of Treasury. It is contained, I might say, on the House side in both the Ways and Means Committee bill and the Hance-Conable bill.

Mr. SYMMS. That is correct.

Mr. DOLE. So it is an amendment that has great merit. The Senator from Kansas is prepared to accept it. I do not know of any objection from the Senator from Virginia.

Mr. HARRY F. BYRD, JR. I have no objection. I do not know about Senator LONG.

Mr. SYMMS. I would submit to the Senator from Kansas that this is the amendment I discussed with Senator LONG the other day. As a matter of fact, Senator LONG approved the amendment in its entire form, and I have dropped half of it.

Mr. LONG. I have no objection.

Mr. SYMMS. I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All right. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Idaho. (Putting the question.)

Mr. Symms' amendment (UP No. 312) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HARRY F. BYRD, JR. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

COST RECOVERY ELECTIONS

Mr. BOSCHWITZ. I would like to ask the distinguished chairman of the Finance Committee to clarify the intent of the committee concerning one aspect of the cost recovery provisions of the bill. Under the bill, taxpayers are given some degree of flexibility by permitting certain elections to recover costs under the straight-line method and for extended periods rather than using the tables prescribing recovery percentages based on accelerated methods. My question is whether the bill would permit each company in an affiliated group of corporations to exercise an election or must the election be made for all depreciable assets placed in service during a taxable year by the affiliated group.

Mr. DOLE. In general, the elections provided under the bill are to be made on an entity-by-entity basis in a manner similar to the present law rules for the asset depreciation range system. Thus, in the case of an affiliated group of corporations, a separate election could be made with respect to each corporation within the group. For example, the parent company of an affiliated group could, for a taxable year, determine its cost recovery allowance for assets in the 5-year class under the prescribed accelerated recovery table although an election is made with respect to a subsidiary company to recover cost for its assets in the same class under a straight-line method over one of the prescribed periods of 5, 12, or 25 years.

Mr. BENTSEN. If the Senator would yield, I would like to know if the separate entity-by-entity elections would be available for component members of an affiliated group if a consolidated income tax return is filed.

Mr. DOLE. As under the present asset depreciation range system and consolidated return regulations, separate elections would be permitted. However, future availability of separate elections for component members during a taxable year would depend upon the applicable consolidated return regulations prescribed by the Treasury Department. As you know, the rules for filing consolidated returns are largely prescribed under Treasury regulations. The provisions of the bill would not in any way curtail Treasury authority to prescribe consolidated return rules, including those relating to cost recovery elections.

Further, appropriate restrictions will be imposed on the cost recovery options available in the case of asset transfers between members of an affiliated corporate group. Thus, intercompany asset transfers cannot be used as a mechanism to freely change the recovery period and method which was chosen when an asset was first placed in service by a member of an affiliated group. For example, if the original purchaser chooses to recover the cost of equipment under the straight-line method, an affiliated company cannot later purchase or acquire that equipment and choose to compute its cost recovery allowance under an accelerated method.

Mr. BENTSEN. I thank my distinguished colleague for clarifying these points.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. SYMMS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 313

(Purpose: Extend for one year the transitional rule to the generation-skipping provisions for wills and revocable trusts executed before June 11, 1976)

Mr. SYMMS. Mr. President, I send an unprinted amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Idaho (Mr. SYMMS) proposes an unprinted amendment numbered 313.

Mr. SYMMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 256, after line 25, insert the following new section:

"SEC. 408. POSTPONEMENT OF GENERATION-SKIPPING TAX EFFECTIVE DATE.—Section 2003(c) of the Tax Reform Act of 1976 (Pub. L. 94-455) (relating to the effective dates of generation-skipping provisions), as amended by section 702(n)(1) of the Revenue Act of 1978 (Pub. L. 95-600), is amended by striking out 'January 1, 1982' in paragraph (2)(b) of such section and inserting in lieu thereof 'January 1, 1983'."

Mr. SYMMS. Mr. President, the amendment I am offering will extend the grandfather clause on the generation-skipping transfer tax until January 1, 1983.

The generation-skipping transfer tax is extremely complex and costly to administer. It is, in fact, so complex that even the most knowledgeable individual or corporate fiduciaries, insurance people, accountants and attorneys, all of whom are affected by this tax, are finding it extremely difficult to interpret or apply.

The generation-skipping transfer tax

can never be defended on revenue grounds. According to the Joint Tax Committee, this tax is projected to have no revenue effect in its early years and they hope to generate $400 million of revenue to the Treasury in its 20th year. However, the private sector has spent hundreds of thousands of dollars in attempting to understand and implement the law and to no avail. Two volumes, each the size of the yellow pages, have been published in an attempt to comprehend the law. Clearly, the tax is regressive since it does not collect any revenue but is costing the private sector significant sums of money to try and comply with the law.

While the generation-skipping transfer tax cannot be defended on revenue grounds, neither can it be defended on the ground that the statute can be made to work. There are numerous, complicated analytical steps that must be followed in order to determine whether any amounts are held in trust that will be subject the the generation skipping transfer tax. This analytical process often results in an unexpected and inequitable application of the tax. There are at least 14 key defined terms to master under chapter 13, as well as a handful of other terms not actually defined, but, nevertheless, essential to the operation of the statute. As if this were not enough, the generation-skipping tax has no antecedent in prior law, meaning that an estate planner's comprehension of Federal estate and gift tax concepts is of little value when grapping with chapter 13.

Furthermore, significant portions of the relating to generation-skipping transfer taxation are not in the statute and remain to be written. In particular, there are eight places on the face of chapter 13 where important rulemaking authority is delegated to the Secretary and, for good measure, there is a ninth resort to the Secretary, this one for information as opposed to rulemaking. None of these nine delegations has been discharged by issuance of final regulations, even though the first date upon which a taxable generation-skipping transfer may have occurred was June 12, 1976.

There are many complex provisions in the Internal Revenue Code, but perhaps none of such wideranging application as those relating to the generation-skipping transfer tax. Even to the few attorneys who enjoy the status of "expert" in estate planning affairs, chapter 13 presents difficulties which are insurmountable. As an example, according to a survey done recently at an American Bar Association nationwide meeting, only one attorney thought he comprehended most of the statute.

It is important to note that the question of complexity extends far beyond wills and trusts and those who prepare and sign them. Chapter 13 applies also to a broad range of so-called trust equivalents, arrangements which, while not "generation-skipping trusts," are deemed to have "substantially the same effect as a generation-skipping trust." (IRC S2611(d)(1)).

Practitioners were surprised to learn that in recently issued proposed regulations both estates and custodianships under Uniform Gifts to Minors Acts are considered by the Treasury Department to be among the "trust equivalent" arrangements to which chapter 13 applies. These arrangements are so commonplace, so fixed in character, so finite in duration and so far removed from the sort of conduct to which chapter 13 is directed that extension of the generation-skipping transfer tax rules to these devices is sure to result in the uninformed failure to comply with chapter 13 on a grand scale.

The foregoing indicates to many a clear and present danger to this country's voluntary compliance tax system. On the one hand, many will fail to comply with the requirements of chapter 13 out of simple ignorance. On the other hand, some will be encouraged to ignore chapter 13 in the belief that it is impossible for the Government to effectively enforce the tax and that, even in the event that a failure to comply is discovered, a plea of ignorance may appear to have sufficient validity to forestall the application of the penalty provisions.

If the Federal Government is to police the tax effectively, it must devise a system to keep track on all trust beneficiaries and all trustees under the hundreds of thousands of generation-skipping trusts in existence. It must know when each interest or power under each such trust terminates and when each trustee dies or leaves office. It must know when and how much property is added to all pre-existing trusts in order to determine the extent to which existing trusts have become subject to chapter 13. It must know when and in what fashion powers of appointment are exercised under generation-skipping trusts, and when interests or powers under such trusts are disclaimed or assigned.

In addition, the Federal Government must stockpile similar information as to the multiple of "trust equivalent" arrangements subject to the tax. Moreover, the Federal Government must acquire and store gift and estate tax information as to every person classified as a "deemed transferor" with respect to any "generation-skipping transfer" and must be prepared to supply that information to each form 706-B tax return preparer upon request.

The incredible amount of information that is required would seem to be beyond the storage capacity of any known computer. Even with active help from the taxpaying community, the collection and constant updating of the required data is an exercise the magnitude of which boggles the mind. Proper staffing to administer and collect the generation-skipping tax would have to be immense. Given the complexity of chapter 13, the training process alone seems overwhelming, and the number of civil servants needed to receive, analyze, store, sort, and respond to the required chapter 13 information would have to be staggering.

I urge all of my colleagues to support my amendment to simply defer the application of the tax with respect to pre-1976 wills until January 1983 so that the Congress can have time to examine this tax. During that period time, as chairman of the Estate and Gift Tax Subcommittee. I will continue to hold hearings and work out a solution to this problem. My subcommittee has already held 2 days of hearings on this and my conclusion is that this law is unworkable.

I will say that if it is the policy of this administration and this Congress to have an estate and gift tax then it would probably be equitable to have a generation-skipping transfer tax as well. However, the present tax is clearly not the tax to impose.

It clearly represents an idea that the Government wants not only to collect taxes, but to punish the taxpayers in the process. And, in this case no revenues have been collected. The only time that the tax might work is if everyone in the estate plan dies in order. If an individual dies out of order, then the wrong generations might be taxed, et cetera. I know in the years that I have served as a Member of Congress, that the Congress has been able to do many things but there is one thing I am sure of and that is that Congress will never be able to make individuals understand or comply with this law, and more important, I do not believe that we will ever be able to make them die in order.

Mr. President, if the distinguished chairman will voice his approval of this amendment, I will be happy to yield back the remainder of my time.

Mr. DOLE. Mr. President, I know that the distinguished Senator from Idaho has discussed this amendment with Treasury officials and with the Secretary of the Treasury. It is my understanding that it is supported by Treasury.

I also know that the Senator has discussed it with the Senator from Ohio (Mr. METZENBAUM) and with the Senator from Louisiana.

The amendment is acceptable to this Senator. I suggest that we withhold adopting it until we have a chance to check with Senator LONG and Senator METZENBAUM.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. SYMMS. I yield.

Mr. HARRY F. BYRD, JR. As I understand it, this has been worked out with the approval of the Treasury Department.

Mr. SYMMS. That is correct.

This amendment does not go as far as I would wish, but we are going to extend the grandfather clause for 1 year. The Treasury has agreed that they will take a very careful look at the total concept of the law to see what can be done to correct the law that was passed in 1976.

Mr. HARRY F. BYRD, JR. It is satisfactory to the Senator from Virginia. It is satisfactory to this side of the aisle to have the vote now.

Mr. SYMMS. In that case, I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 313) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HARRY F. BYRD, JR. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 314

(Purpose: To extend the same one time capital gains tax exclusion granted to elderly homeowners in 1978 to households in which at least one member is severely handicapped)

Mr. LEAHY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Vermont (Mr. LEAHY) proposes an unprinted amendment numbered 314.

Mr. LEAHY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the Resolution, insert the following section:

(a) section 121(a) (relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55) is amended to read as follows:

"(a) GENERAL RULE.—At the election of the taxpayer, gross income does not include gain from the sole or exchange of property if—

"(1) with respect to such property—

"(A) the taxpayer has attained the age of 55 before the date of such sale or exchange, or

"(B) the taxpayer or a dependent (as defined in section 152(a)(9)) is handicapped at the time of the sale or exchange of such property, and the principal purpose that such property is sold or exchanged was the handicap of the taxpayer or dependent, and

"(2) during the 5 year period ending on the date of the sale or exchange, such property has been owned and used by the taxpayer as his principal residence for periods aggregating 3 years or more."

(b) Section 121(d) of such Code is amended—

(1) by striking out "age, holding and use" each place it appears in paragraph (1), and

(2) by adding at the end of paragraph (8) the following new paragraph:

"(9) Handicapped defined. For the purposes of this section, a person is handicapped if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to last for a continuous period of not less than twelve months, as defined in title II, section 223(d) of the Social Security Act of 1935," as amended and the regulations under that section. An individual shall not be considered to be handicapped unless he furnishes proof of the existence thereof in such form and manner as the Secretary may require.

SEC. 2. (a) The heading for section 121 of the Internal Revenue Code of 1954 is amended to read as follows:

"SEC. 121. EXCLUSION OF GAIN FROM CERTAIN SALES OF A PRINCIPLE RESIDENCE.".

(b) The item relating to section 121 of such Code in the table of sections for part III of subchapter B of chapter 1 of such Code is amended to read as follows:

"SEC. 121. Exclusion of gain from certain sales of a principal resident.".

SEC. 3. (1) Section 1033(h)(3) and 1034 (1) of the Internal Revenue Code of 1954 are each amended to read as follows: "For the exclusion of gain from certain sales of a principal residence, see section 121.".

(b) Sections 1038(e)(1)(A), 1250(d)(7)(B), and 6012(c) of such Code are amended by striking out "One-time exclusion of gain from sale of principal residence by individual who has attained age 55" and insert in lieu thereof the following: "exclusion of gain from certain sales of a principal residence".

(c) Section 1250(d)(7)(B) of such Code is amended by striking out "age and ownership".

SEC. 4. The amendment made by this Act shall apply to sales or exchanges made on or after the date of enactment.

Mr. LEAHY. Mr. President, I ask unanimous consent that the names of Senator WEICKER, Senator RANDOLPH, Senator KENNEDY, Senator WILLIAMS, and Senator RIEGLE be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEAHY. Mr. President, I am offering today an amendment to the Economic Recovery Act of 1981, House Joint Resolution 266. Senators WEICKER, RANDOLPH, KENNEDY, WILLIAMS, and RIEGLE join me in proposing an amendment to extend to severely handicapped Americans the same opportunity that was granted to elderly Americans under the Tax Reform Act of 1978. Under that act, individuals 55 years of age and older were granted a one-time exclusion from taxation of up to $100,000 in capital gains realized from the sale of their homes. The amendment I am proposing would offer this same exclusion of capital gains to homeowners who must sell their homes because either they or a dependent are handicapped.

This legislation would greatly benefit homeowners who, because of the many problems associated with being handicapped, sell their homes. At the same time its cost is quite low. The Department of the Treasury has estimated this amendment's cost, with expected personal rate reductions, at $12 million in fiscal year 1982, and at comparable figures for fiscal years 1983, 1984, 1985, and 1986. Over 30,000 Americans with severe mental or physical handicaps would benefit from this legislation during these years.

Mr. President, the obstacles that confront handicapped individuals are numerous and often insurmountable. Many are unemployed or underemployed. As a result, the average income for the disabled individual is substantially lower than that of the average American. Another hardship faced by the handicapped is the problem of accessibility. Many find that because of their disability they can no longer move with ease around their own homes. Often the hardships of inaccessibility and a severe reduction in income combine to force handicapped homeowners to sell their homes.

This amendment will not alleviate the harsh conditions which lead handicapped Americans to sell their homes. However, it will lighten the costly burden of relocation after the home has been sold.

A handicapped individual who must sell his or her home faces a bleak future. Most often, these people must relocate in housing specially adapted to the needs of the handicapped. Unfortunately, there is is a 2- to 3-year waiting list for federally subsidized handicapped housing. If, in addition, a handicapped individual must pay capital gains tax, the financial burden is intolerable.

Many organizations familiar with the plight of the handicapped homeowner have endorsed this proposal. They include the National Spinal Cord Injury Foundation, the National Association of Retarded Citizens, the National Multiple Sclerosis Society, the Arthritis Foundation, the Paralyzed Veterans of America, the American Coalition for Citizens With Disabilities, the American Physical Therapy Association, the American Occupational Therapy Association and the Association for the Severely Handicapped.

On behalf of the severely disabled homeowners, I urge my colleagues to adopt this amendment.

Mr. President, I have discussed this amendment with the distinguished chairman of the Finance Committee. I hope it is acceptable to the committee.

Mr. DOLE. Mr. President, I say to the Senator from Vermont that I am very sympathetic to the amendment. I agree with the amendment, and I am willing to accept it. Has the Senator discussed it with the distinguished Senator from Louisiana and the Senator from Ohio? So far as I know, there is no objection to the amendment. I think it is a good amendment. It is directed to a group of people that I believe deserve consideration from time to time, and I am pleased to have the Senator offer this amendment.

Mr. LEAHY. I thank the distinguished Senator from Kansas and his staff for the help they have given me and my staff in working out this matter. I would also like to thank Mike Choukas, Leslie Hayes and Linda Schurman of my staff for their work.

I believe the cost will be minimal to the Treasury, but the benefit to those for whom it is intended will be tremendous.

I am willing to yield back the remainder of my time.

Mr. HARRY F. BYRD, JR. Mr. President, I have no objection to the amendment. I am wondering about the same question put by Senator DOLE: Has this been cleared with Senator METZENBAUM and Senator LONG?

Mr. LEAHY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. LEAHY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr LEAHY. Mr. President, I yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 314) was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HUMPHREY). Without objection, it is so ordered.

Mr. DOLE. Mr. President, is there a vote set for 2 p.m.?

The PRESIDING OFFICER. That is correct.

Mr. DOLE. It has been the hope of the Senator from Kansas to squeeze in one more amendment that we could agree on before that time. It is now 2 p.m. So if it is all right with the Senator from Iowa, we will have the vote and then call up his amendment. Senator LEVIN is on the floor and he has an interest in that amendment. So we will take that up following the rollcall.

UP AMENDMENT NO. 311

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 100, nays 0, as follows:

[Rollcall Vote No. 230 Leg.]

YEAS—100

Abdnor	Garn	Mitchell
Andrews	Glenn	Moynihan
Armstrong	Goldwater	Murkowski
Baker	Gorton	Nickles
Baucus	Grassley	Nunn
Bentsen	Hart	Packwood
Biden	Hatch	Pell
Boren	Hatfield	Percy
Boschwitz	Hawkins	Pressler
Bradley	Hayakawa	Proxmire
Bumpers	Heflin	Pryor
Burdick	Heinz	Quayle
Byrd, Harry F., Jr.	Helms	Randolph
Byrd, Robert C.	Hollings	Riegle
Cannon	Huddleston	Roth
Chafee	Humphrey	Rudman
Chiles	Inouye	Sarbanes
Cochran	Jackson	Sasser
Cohen	Jepsen	Schmitt
Cranston	Johnston	Simpson
D'Amato	Kassebaum	Specter
Danforth	Kasten	Stafford
DeConcini	Kennedy	Stennis
Denton	Laxalt	Stevens
Dixon	Leahy	Symms
Dodd	Levin	Thurmond
Dole	Long	Tower
Domenici	Lugar	Tsongas
Durenberger	Mathias	Wallop
Eagleton	Matsunaga	Warner
East	Mattingly	Weicker
Exon	McClure	Williams
Ford	Melcher	Zorinsky
	Metzenbaum	

So Mr. MELCHER's amendment (UP No. 311) was agreed to.

The PRESIDING OFFICER (Mr. ANDREWS). The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, it is my understanding that the Senator from Iowa, the Senator from Michigan, and the Senator from Ohio have an amendment that we might be able to accept.

Mr. METZENBAUM. Mr. President, I call up my amendment at the desk.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. Does the Senator from Ohio yield to the Senator from Kansas?

Mr. METZENBAUM. I have no objection. I assume it is for the purpose of the Senator from Iowa calling up the amendment.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

UP AMENDMENT NO. 315

(Purpose: To provide a deduction for the adoption of a qualified child by the taxpayer)

Mr. JEPSEN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Iowa (Mr. JEPSEN), for himself, Mr. HATFIELD, Mr. DURENBERGER, Mrs. HAWKINS, Mr. METZENBAUM, and Mr. LEVIN, proposes an unprinted amendment numbered 315.

Mr. JEPSEN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the joint resolution, insert the following:

SEC. . DEDUCTION FOR ADOPTION EXPENSES PAID BY AN INDIVIDUAL.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 (as redesignated by section 103 of this Act) as section 223 and by inserting after section 221 the following new section:

"SEC. 222. ADOPTION EXPENSES.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction for the taxable year the amount of the qualified adoption expenses paid or incurred by the taxpayer during such taxable year.

"(b) LIMITATION.—

"(1) MAXIMUM DOLLAR AMOUNT.—The aggregate amount of adoption expenses which may be taken into account under subsection (a) with respect to the adoption of a child shall not exceed $.

"(2) DENIAL OF DOUBLE BENEFIT.—

"(A) IN GENERAL.—No deduction shall be allowable under subsection (a) for any expense for which a deduction or credit is allowable under any other provision of this chapter.

"(B) GRANTS.—No deduction shall be allowable under subsection (a) for any expense paid from any funds received under any Federal, State, or local program.

"(3) INTERNATIONAL ADOPTION.—No deduction shall be allowed under subsection (a) if the adoption of the child is an international adoption.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED ADOPTION EXPENSES.—The term 'qualified adoption expenses' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a qualified child by the taxpayer and which are not incurred in violation of State or Federal law.

"(2) INTERNATIONAL ADOPTION.—The term 'international adoption' means an adoption—

"(A) occurring under the laws of a foreign country, or

"(B) involving a child who was a citizen of a foreign country who—

"(i) was brought to the United States for the purpose of adoption, or

"(ii) came to the United States under circumstances with respect to which the necessity for the child's placement in adoption proceedings was reasonably foreseeable.

"(3) QUALIFIED CHILD.—The term 'qualified child' means a child who—

"(A) is a member of a minority race or ethnic group, or

"(B) attained the age of 6 before the beginning of the taxable year for which a deduction is claimed under subsection (a), or

"(C) is handicapped (within the meaning of section 190(b)(3)).

"(4) MINORITY RACE OR ETHNIC GROUP.—The term 'minority race or ethnic group' includes Negroes, Hispanics, Mexicans, Puerto Ricans, Chicanos, or Native Americans.

(b) ADJUSTED GROSS INCOME.—Section 62 (defining adjusted gross income) is amended by inserting after paragraph (16) the following new paragraph:

"(17) ADOPTION EXPENSES.—The deduction allowed by section 222.".

(c) CONFORMING AMENDMENT.—The table of sections for such part VII, as amended by section 103, is amended by striking out the item relating to section 222 and inserting in lieu thereof the following:

"Sec. 222. Adoption expenses.
"Sec. 223. Cross references.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date which is 18 months before the date of enactment of this joint resolution.

Mr. JEPSEN. Mr. President, the amendment which I and my distinguished colleagues offer today is designed to provide a one-time, $1,500 maximum deduction during the taxable year for expenses incurred by the taxpayer for the adoption of a qualified child, which under this amendment means a child who is handicapped, or over the age of 6, or who is a member of a minority race or ethnic group.

The amendment is the product of several conferences between myself and the distinguished Senator from Michigan, Mr. LEVIN.

I wish the Senator to know that I appreciate greatly his effort and the effort of his staff in working out the amendment we now have before this body.

Mr. President, I have been informed that the Senator from Oregon (Mr. HATFIELD) will be speaking on this amendment and, therefore, I respectfully inform the Chair so as to protect his interest in this matter.

Mr. President, as I suggested a moment ago, this amendment is part of a more detailed effort by myself and other Senators to address what we believe to be the greatest burden and disincentive to the adoption process; namely, the cost of adoptions.

The facts on the number of adoptions annually in America are at best sketchy. Due to the fact that States are not required to report adoption statistics, precise national figures on the number of children either adopted or available for adoption are unavailable. Therefore, we

can only speculate and make assumptions based on outdated records or generally agreed upon information from the States.

What we do know and all agree upon is that a great deal of money is spent on America's children. The Government alone spends millions on the health, education, and general welfare of children, both at home and abroad.

According to the Senate Finance Committee report to H.R. 3434, the Child Welfare Amendments of 1979, the cost of foster care under aid to families with dependent children (AFDC) was approximately $351,171,877 in 1977. I emphasize again, this figure only represents foster care under AFDC. Unfortunately, figures for 1979–80 are not available on the cost of foster care. Nevertheless, it is expected that foster care in America has exceeded $400 million today.

It is estimated in a study prepared for the Children's Bureau within the Department of Health and Human Services that there are approximately 502,000 children in foster care which includes children in an institutional setting.

Of the estimated 502,000 children in foster care, approximately 102,000 were available for adoption. However, according to the 1977 national study of social services to children and their families, only 50,000 of the 102,000 children free for adoption through public agencies were placed in private homes.

If children are taken out of the foster care setting and placed in homes as adopted children, the cost to State and local governments and the Federal match for foster care will be greatly reduced, and as such, represents a very attractive offset of expenditures to the Federal Treasury.

I would like to note for the RECORD that I am not advocating the elimination or reduction of foster care institutions. It is my strong belief that there is a continued need for foster care institutions for those children and minors who unfortunately are never finally placed.

Mr. President, I emphasized again that precise adoption figures are not readily available. It is believed that there are at least 102,000 children available. It is further estimated that there are not more than 150,000 children available for adoptions.

Within the range of available adoptions, particularly if the low figure of 102,000 is utilized, it is estimated that 62 percent are white, 20 percent are black, 3 percent Hispanic, and 7 percent other. Of that entire total, it is further estimated that nearly 40 percent are nonwhite, 14 percent are mentally retarded, and nearly 50 percent are over age 7.

Mr. President, this amendment is specifically designed to assist hard to place children. It is these children, who are members of a minority race or ethnic group, or over the age of 6, or who are handicapped, which need the support of this amendment.

It is in the child's interest, the prospective parents' interest, and the national interest to help curb the dramatic impact in the initial cost of an adoption. To let the prohibitive initial costs of adoption deny a child an adoptive home and family is an injustice.

Mr. President, I want to make special note of the amendment's reference to the definition of handicapped within the meaning of section 190(B)(3) of the Tax Code. This section reads as follows:

(3) HANDICAPPED INDIVIDUAL.—The term "handicapped individual" means any individual who has a physical or mental disability (including, but not limited to, blindness or deafness) which for such individual constitutes or results in a functional limitation to employment, or who has any physical or mental impairment (including, but not limited to, a sight or hearing impairment) which substantially limits one or more major life activities of such individual.

One of the criticisms of this definition is that it is too broad and not conducive to situations affecting handicapped adoptions pertaining to tax deductions. The handicapped individuals which this amendment seeks to address are those individuals who are severely handicapped with illnesses such as spina bifida, cerebral palsy, cystic fibrosis, mental retardation, sight and hearing loss, Downs syndrome and severe heart defects.

There are many hidden costs associated with a handicapped child which are not covered as a medical expense, such as special toys, special equipment, such as a braille typewriter, babysitters, structural alterations, et cetera.

In regard to the $1,500 deduction of expenses incurred for each qualified child adopted by the taxpayer during the taxable year, the estimated cost is as follows:

[In millions]

Fiscal year 1982	$2
Fiscal year 1983	11
Fiscal year 1984	12
Fiscal year 1985	13
Fiscal year 1986	14

Finally, Mr. President, I have been greatly concerned about human life and the great and disparate need to protect human life.

The adoption of children, especially children with special needs as described in this amendment is a mere humane and practical alternative to a life of foster care or more tragically, no life at all because of the abortion alternative.

There is no question, that Americans from all walks of life and economic status have adopted special-needs children. I believe they will continue to do so. What we must do here is to help these families, once these children come together. I believe this amendment is a strong beginning. I believe it both enhances the quality of life and gives great incentive to preserve the integrity of human life in future years through the adoption process.

Mr. President, although I have spent a great deal of time explaining this amendment, the amendment speaks for itself. It is straightforward and the issue before us now is whether the Senate is willing and prepared to respond to this issue.

The chairman of the Committee on Finance has further agreed that we will hold hearings on the bills that I have proposed with regard to adoption generally. In this specific amendment, it is in the child's interest, the prospective parents' interest and the national interest, I think, to help curb the dramatic impact of the initial cost of adoption. I make note of this with particular reference to handicapped children.

Mr. President, I have been assisted quite ably in working on this amendment by the Senator from Michigan (Mr. LEVIN), who has had a longstanding interest in this. We have worked together in past months—in fact, in the last session—on this particular subject.

Before concluding my remarks so we may move on, I ask if Senator DOLE will yield for a question with regard to this particular amendment. With regard to holding hearings before his committee on the subject of deductions for adoption generally, the Senator has assured me and others that there will be provision for hearings and he will indeed hold them on adoption, deductions, and exemptions.

Mr. DOLE. The Senator is correct. I had indicated to the Senator in earlier conversations that we would have additional hearings in September. I have said a number of times on this floor, and I mean what I say, that we hope to report a second tax bill from the Finance Committee this year. A number of Members have had hearings on their amendments in subcommittees. They are concerned about whether or not their amendment might be considered at a later time. We believe there are some tax reforms in other areas that could pick up enough revenue to enable us to come to the floor later this year with another tax proposal.

I do pledge to the Senator from Iowa, the Senator from Michigan (Mr. LEVIN), and the Senator from Ohio (Mr. METZENBAUM), who may have an interest in expanding this proposal, that we shall proceed at that time to have hearings. We shall give the matter very careful consideration and I hope that the Senators who have an interest will be testifying before the committee.

Mr. JEPSEN. I thank the Senator from Kansas.

Mr. LEVIN. Mr. President.

The PRESIDING OFFICER. Does the Senator from Michigan seek recognition?

Mr. LEVIN. Yes, Mr. President, I do seek recognition.

The PRESIDING OFFICER. The Senator is recognized.

Mr. LEVIN. Mr. President, I thank my friend from Iowa. I commend him on his sponsorship. It is a pleasure to cosponsor this amendment with him and to note that Senator METZENBAUM has been actively involved in this area and will be a cosponsor of this amendment, as are a number of our colleagues. It is a reform which has been a long time coming. I thank our friend from Kansas for his willingness to work with us on this amendment. It shows the kind of progressive flexibility that is characteristic of the Senator from Kansas. I personally thank him for it.

Mr. President, I noticed that, in the middle of a tax bill, it is sometimes difficult to cope with 43 balls in the air at

one time. This is a particularly significant ball, because it involves the lives of children who are in foster care homes, who have difficulty in getting out of those homes and being adopted because of the expense of adopting them. This amendment will permit the deduction of expenses incurred in the adoption of those special-needs children and, therefore, will result in an increased number of adoptions of those special-needs children.

The amendment defines special needs as qualified children who are members of ethnic groups, minority races, children who have attained the age of 6 before the beginning of the taxable year for which the deduction is claimed—in other words, the older children—and handicapped children. It is the kind of children who have special needs and because of those special needs, are frequently overlooked when it comes to adoption.

Mr. President, we have literally tens of thousands of those children in foster care homes, wherein they cost society about $7,000 per year to maintain. This amendment will provide an incentive for the adoption of these special-needs children.

Mr. President, I am wondering if I could ask a question of the chairman of the Committee on Finance. I understand that there has been a bit of confusion on the form of the amendment. My understanding was that it was acceptable to the chairman, and it was intended to be in this amendment, if I can find my friend from Iowa, that the siblings also be listed as a special-needs situation.

Mr. DOLE. Mr. President, I think the only question the chairman has is whether if siblings are included, we would not be duplicating the $1,500 deduction for three or four children. If that matter could be resolved, I think that would answer the question we posed to the Senator from Iowa. I do not think there would be an intent to pyramid the deductions.

Mr. LEVIN. The Senator is correct. It is not the intent to duplicate that. I wonder if we could have a brief quorum call so we can straighten out that addition.

I suggest the absence of a quorum, Mr. President.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. JEPSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JEPSEN. Mr. President, I have sent to the desk a revised amendment that I ask unanimous consent to be substituted for the initial amendment. The reason for this is that we inadvertently had submitted an amendment that was incomplete, in that some figures and words were inadvertently omitted. Those changes have been made, and all parties have agreed to it.

The PRESIDING OFFICER. Without objection, the revised amendment is substituted for the Senator's original amendment.

The revised amendment is as follows:

At the appropriate place in the joint resolution, insert the following:

SEC. —. DEDUCTION FOR ADOPTION EXPENSES PAID BY AN INDIVIDUAL.

(a) IN GENERAL.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 (as redesignated by section 103 of this Act) as section 223 and by inserting after section 221 the following new section:

"SEC. 222. ADOPTION EXPENSES.

"(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction for the taxable year the amount of the qualified adoption expenses paid or incurred by the taxpayer during such taxable year.

"(b) LIMITATION.—

"(1) MAXIMUM DOLLAR AMOUNT.—The aggregate amount of adoption expenses which may be taken into account under subsection (a) with respect to the adoption of a child shall not exceed $1,500.

"(2) DENIAL OF DOUBLE BENEFIT.—

"(A) IN GENERAL.—No deduction shall be allowable under subsection (a) for any expense for which a deduction or credit is allowable under any other provision of this chapter.

"(B) GRANTS.—No deduction shall be allowable under subsection (a) for any expense paid from any funds received under any Federal, State, or local program.

"(3) INTERNATIONAL ADOPTION.—No deduction shall be allowed under subsection (a) if the adoption of the child is an international adoption.

"(c) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED ADOPTION EXPENSES.—The term 'qualified adoption expenses' means reasonable and necessary adoption fees, court costs, attorney fees, and other expenses which are directly related to the legal adoption of a qualified child by the taxpayer and which are not incurred in violation of State or Federal law.

"(2) INTERNATIONAL ADOPTION.—The term 'international adoption' means an adoption—

"(A) occurring under the laws of a foreign country, or

"(B) involving a child who was a citizen of a foreign country who—

"(i) was brought to the United States for the purpose of adoption, or

"(ii) came to the United States under circumstances with respect to which the necessity for the child's placement in adoption proceedings was reasonably foreseeable.

"(3) QUALIFIED CHILD.—The term 'qualified child' means a child who—

"(A) is a member of a minority race or ethnic group, or

"(B) attained the age of 6 before the beginning of the taxable year for which a deduction is claimed under subsection (a), or

"(C) each member of a sibling group if the sibling group is adopted.

"(D) is handicapped (within the meaning of section 190(b)(3)).

"(4) MINORITY RACE OR ETHNIC GROUP.—The term 'minority race or ethnic group' includes Blacks, Hispanics, Mexicans, Puerto Ricans, Chicanos, or Native Americans."

(b) ADJUSTED GROSS INCOME.—Section 62 (defining adjusted gross income) is amended by inserting after paragraph (16) the following new paragraph:

"(17) ADOPTION EXPENSES.—The deduction allowed by section 222.".

(c) CONFORMING AMENDMENT.—The table of sections for such part VII, as amended by section 103, is amended by striking out the item relating to section 222 and inserting in lieu thereof the following:

"Sec. 222. Adoption expenses.
"Sec. 223. Cross references.".

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date which is 18 months before the date of enactment of this joint resolution.

Mr. JEPSEN. Mr. President, I yield to the distinguished Senator from Michigan, who has been helpful in drafting this amendment.

Mr. LEVIN. I thank the Senator from Iowa for his leadership in this matter.

Mr. President, the part of the amendment that was inadvertently omitted has been incorporated into it.

This amendment is a strong beginning down a road which I hope will lead to the adoption of tens of thousands of children who now needlessly are in foster care facilities.

I wish to say for the record, because I noted that the Senator from Kansas is not in the Chamber and that the Senator from Louisiana is, that there is no intention here to permit the duplication of any expense. Even though there was no ready place to write that into the amendment, as I indicated to the Senator from Kansas we would, nonetheless, in terms of legislative history, the intention is that there not be a duplicate deduction allowed here.

Mr. President, for every child adopted, we will be saving about $7,000 a year, which is the cost of maintaining one of these children in a special care or in a foster care facility. This is not only wise, therefore, in terms of encouraging adoptions, a cause in which the Senator from Iowa has been active, but also, it is going to result in some savings to the Treasury, even though at first blush it may appear that there is a price tax of perhaps $20 million a year on the cost of this amendment.

Now that the Senator from Kansas, the chairman, is in the Chamber, I assure him that there is no intent to permit a duplicate deduction by adding the language we added to this amendment.

Mr. DOLE. Mr. President, if the Senator will yield, I believe we can also make that point at the conference—the history we are making now and the history in the conference report.

Mr. LEVIN. I thank the Senator.

I thank the Senator from Louisiana for his cooperation.

I yield to the Senator from Ohio (Mr. METZENBAUM).

Mr. METZENBAUM. Mr. President, this is a major step forward, not as far as I would like to go, but I do join Senators LEVIN and JEPSEN in offering an amendment designed to aid families who will provide homes for children through adoption.

The Senator from Ohio has a pending amendment along the same line that actually goes further, but I recognize that at this point it is a welcome sign to be opening the door somewhat in this area.

There are approximately 120,000 American children who are today in need of families. Although I believe there is virtually universal agreement

as to the need to place these children, the fact remains that the tax laws as currently written actively discourage families who are willing to open their homes and their hearts to these desperately needy children.

Consider, for example, the fact that adopting families, whose median income is $20,400 per year, must pay an average of between $4,000 and $6,000, sometimes as much as $7,000, in various adoption fees. That comes to 20 percent or more of a family's gross annual income—and without 1 penny being spent for feeding, clothing, and raising the child, with all the attendant expenses.

Today, these costs, which include legal bills, adoption fees, and medical expenses for the natural mother, are not deductible.

Adopting families get no help whatsoever. That should not be. As a matter of fact, in many instances, the adopting family does so much more for the total community by taking that child off the public welfare rolls, off the public expense, that we should be doing far more for the adopting family, who not only is cutting back on the expense the community would otherwise have but also, in many instances, is making it possible for that child to grow up in an appropriate home.

Our amendment would give adopting families the encouragement they deserve by allowing them limited tax deductions for the reasonable and necessary expenses which are directly related to adopting a child.

I point out that this amendment does not go as far as it should. This amendment is constrained with some specific limitations as to which kind of child can be adopted and for which you can obtain a tax benefit. I would prefer to go much further. As a matter of fact, in The Stronger American Families Act, which I introduced earlier this year, we would have gone further.

I also have some reservations with respect to the part of this amendment which excludes the adoption of international children. I share that concern with the able Senator from Iowa, and I pointed out to him my reservations along that line, as to why the parents who adopt that child should be entitled to equal consideration. He very appropriately poined out to me that there are so many American children who are crying out to be adopted that it probably does provide an appropriate kind of exclusion not to provide this tax incentive for international children as well as for those who are native born.

This is a good amendment. It is not nearly as good an amendment as I would like it to be. It does have very strict limitations. But I believe it is a major step forward, and I am happy to join my friend from Iowa and my friend from Michigan. I believe this amendment is better than nothing, and I commend them for their efforts in this situation.

Mr. JEPSEN. Mr. President, although I spent a great deal of time explaining this amendment, this amendment speaks for itself. It is straightforward, and the issue before us now is whether the Senate is willing to respond to this issue.

Mr. President, if the Chair will ask the Senator from Kansas, this Senator is ready to yield back any remaining time and move on.

Mr. DOLE. Mr. President, it is also my understanding that the addition of "sibling groups" to this amendment will not create a double deduction of $1,500 for the expenses incurred in adopting the same child. There will be a maximum deduction of $1,500 for expenses incurred in the adoption of each "special needs" child, as defined in the amendment, even though the child is a member of a sibling group and is also handicapped. Furthermore, it is my understanding that if a child falls within two or more of the "special needs" children categories, there will only be one deduction of up to $1,500 for the expenses incurred in the adoption of the child. For instance, if a child is handicapped and also a member of a minority group, there will only be one deduction of up to $1,500 for expenses incurred in adopting the child.

● Mr. HATFIELD. Mr. President, I strongly support Senator JEPSEN's amendment which provides a tax deduction for adoption expenses and commend him for bringing this issue to the Senate's attention. This amendment focuses upon "hard to place" children—those who are handicapped, members of a minority race, or over the age of 6, and will greatly aid both prospective adoptive families and 100,000 available youngsters to cement a permanent and loving home.

Somewhere, I suspect it began in the 1930's and 1940's, we began to get the idea that it was the Government's job to take care of children and, when the churches and private citizens failed to take up the slack, Government stepped in with the best of intentions to provide institutions to care for these children. Today we have an elaborate institutional network that the Federal Government provides for AFDC foster children that costs approximately $400 million a year. It seems that foster care develops an inertia of its own that is expensive and insensitive to the child's right to a permanent and loving home.

Mr. President, the costs of adopting a child are astronomical and generally are not covered by employer health plans. The agency fees, placement costs, post placement studies, medical and legal fees, court costs, travel and assorted fees make a blue ribbon baby adoption cost several thousand dollars. Unfortunately, a "special needs" child's adoptive costs can make it impossible for the average American family to adopt.

Senator JEPSEN's amendment is an important step that we can take to encourage families to adopt these 100,000 available children.

Mr. President, even though I strongly support this amendment I am concerned that international adoptions were excluded from the amendment. For many families, an international adoption is the only alternative, and it is fraught with the risk of significant medical expenses, travel costs, additional agency and legal fees. These costs were estimated by Holt International, a pioneering agency located in Eugene, Oreg., to range from $4,000–$8,000.

Since only 5,000 international adoptions occur each year the revenue loss would not exceed $3 million a year. I fail to see the difference between a needy child in India that is sent to an American family by Mother Teresa and a child that happens to be born in America. While I agree that we have a special responsibility to American-born children, we must remember that existing law, agency practices, and a typical 3-year waiting list for U.S. children make international adoption a last resort for most families. The motto of Holt International puts it very well:

> Every child of whatever nation or race, has the right to grow up with parents of his own. The silent call of homeless children is to all men of good will to see that neither apathy nor prejudice, neither custom nor geographic boundary shall prevent these children from receiving this God-given right.

Mr. President, I strongly endorse the pending amendment but I urge my colleagues to consider including international adoptions in any legislation that is finally adopted.●

Mr. CRANSTON. Mr. President, I am pleased to support the amendment offered by the Senator from Michigan (Mr. LEVIN) and the Senator from Iowa (Mr. JEPSEN) to provide for a tax deduction for families who adopt children with special needs. This amendment will help offset the costs incurred by these families in adopting children with special needs—children who might otherwise linger in foster care at a tremendous cost to the taxpayers and be denied the warmth and stability of an adoptive home.

Mr. President, I have been actively involved for many years in efforts to help free the thousands and thousands of children caught in the foster care system. We have made tremendous progress in the past few years, first with the passage of title II of Public Law 95–266, the Adoption Reform Act, which established various mechanisms for bringing together potential adoptive parents and foster children with special needs, and then last year with the passage of Public Law 96–272, the Adoption Assistance and Child Welfare Act of 1980, which provided for an adoption assistance program to facilitate the adoption of children with special needs. This amendment follows the same direction—eliminating the barriers which inhibit the removal of these children from foster care and their placement into adoptive homes. The Senator from Michigan has been actively involved in these earlier efforts and I applaud his dedication and initiative in bringing this amendment before the Senate today.

Mr. President, during hearings I held during the 95th and 96th Congresses as chairman of the former Child and Human Development Subcommittee, I heard from many parents seeking to

adopt children with special needs. They described over and over the tremendous difficulties they faced in trying to remove a child from the foster care system and bring such a child into their homes. One enormous obstacle was often simply initiating and following the sometimes arduous task of legally freeing a child for adoption and completing the adoption. The legal and other costs such as home studies often mount into thousands of dollars. Since most of the families adopting children with special needs have other children, these costs can be overwhelming. This amendment would provide some relief for these families and would operate to encourage, rather than discourage, the adoption of children with special needs. I am delighted to support this amendment as one more step toward our goal of freeing thousands of children from foster care and facilitating their adoptive placement in loving adoptive families.

Mr. DOLE. Mr. President, I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. All time is yielded back.

The question is on agreeing to the amendment of the Senator from Iowa.

The amendment (UP No. 315) was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, I suggest the absence of a quorum, and I might say before doing that there are a couple of other amendments. I understand the Senator from New Jersey, Senator BRADLEY, is prepared to call up his amendment and at 3:15 p.m. the Senator from Pennsylvania, Senator HEINZ, will be prepared to call up his amendment.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATUS OF AMENDMENTS

Mr. DOLE. Mr. President, I might give a little report for those Senators who have an interest in trying to get this bill finished today, either early evening or late evening or during the middle of the night.

There are now only three Republican amendments pending, three plus one that is now pending, plus the cash management amendment of the Senator from Kansas which he will offer to balance the books at the appropriate time because we have adopted some amendments which have somewhat distorted the numbers.

I understand the distinguished Senator from New Jersey (Mr. BRADLEY) has an amendment that he will call up. We have a number of colloquies that could be taken care of.

We are working on a couple of amendments that the Senator from Montana (Mr. BAUCUS) has an interest in.

It is my understanding that the Senator from Delaware (Mr. BIDEN) has an amendment that he wishes to offer.

Senator EAGLETON has an amendment we are prepared to accept. We are working on horse depreciation with Senator HUDDLESTON that is in the process of negotiation.

Aside from that, the Senator from Kansas does not know of any amendments, unless everybody starts calling up every amendment on the list for some reason unknown to this Senator, that will be offered.

So it would seem to me we are in striking distance of completing action on this proposal.

I would again say to the staffs or Members who may be listening that we hope you will come to the floor with your amendment so that we might proceed to its early consideration, either early evening or early morning.

I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ABDNOR). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, it has been now 30 or 40 minutes since anybody has come to the floor with an amendment. I do not know whether we are slowing down or there are no more amendments. Certainly, after 11 days, the Senator from Kansas would be willing to go to a vote.

I see the Senator from New Jersey.

Mr. President, I am advised by the Senator from New Jersey that he will be available at 4:30 to introduce an amendment. I understand that Senator BAUCUS and Senator ROTH are trying to work out an agreement on an amendment on structures and that another one by Senator ROTH will not be offered. That leaves the Heinz amendment. I understand he was to offer it at 3:15. I hope we defeat that amendment.

That would leave two amendments by the chairman and the chairman cannot offer one of those amendments until he determines near the end just how much money we need to make up what we have spent in the last several days. Therefore, I again urge my colleagues to find their way to the Senate floor and offer their amendments. There are a number under negotiation. The distinguished Senator from West Virginia, Senator ROBERT C. BYRD, is making progress on that amendment. Senator DECONCINI has an amendment, along with Senator ARMSTRONG on ESOP. That is under discussion. There are amendments by Senator EAGLETON and Senator STENNIS; Senator RIEGLE has an amendment listed, and Senator SASSER. I understand he will not call up that amendment. Senator KENNEDY has eight or nine amendments. I am not certain whether he intends to call all those amendments up.

Mr. President, before suggesting the absence of a quorum, I again urge my colleagues to help us dispose of this bill, either early this evening or early tomorrow morning.

Mr. President, I suggest the absence of a quorum and ask unanimous consent that the time not be charged against either the Senator from Kansas or the Senator from Louisiana.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 316

(Purpose: To amend section 103 of the Internal Revenue Code of 1954 with respect to the tax treatment of industrial development bonds issued to finance pollution control or waste disposal facilities)

Mr. HEINZ. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Pennsylvania (Mr. HEINZ), for himself, Mr. PACKWOOD, Mr. HART, Mr. BENTSEN, and Mr. RANDOLPH, proposes an unprinted amendment numbered 316.

Mr. HEINZ. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

SEC. . INDUSTRIAL DEVELOPMENT BONDS ISSUED TO FINANCE POLLUTION CONTROL OR WASTE DISPOSAL FACILITIES

(a) IN GENERAL.—Section 103 (relating to interest on certain governmental obligations) is amended by redesignating subsection (i) as subsection (k), and by inserting after subsection (h) the following new subsections:

"(i) AIR OR WATER POLLUTION CONTROL FACILITES.—For purposes of this section—

"(1) IN GENERAL.—The term 'air or water pollution control facility' means land or property of a character subject to depreciation under section 167—

"(A) which is acquired, constructed, reconstructed, or erected to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, storing, or preventing the creation or emission of pollutants, contaminants, wastes, or heat,

"(B) which is certified by the Federal certifying authority (as defined in section 169(d)(2)) or the State certifying authority (as defined in section 169(d)(3)) as meeting or furthering Federal or State requirements for abatement or control of water or atmospheric pollution or contamination, and

"(C) all or a portion of the expenditures for the acquisition, construction, reconstruction, or erection of which would not be made except for the purpose of abating, controlling, or preventing pollution.

"(2) Exempt financing to be unavailable for expenditures for purposes other than pollution control.—

"(A) IN GENERAL.—Subsection (b)(4)(F) of this section shall not apply with respect to any issue of obligations (otherwise qualifying under subsection (b)(4)(F)) if the portion of the proceeds of such issue which is used to provide air or water pollution control facilities exceeds (by more than an insubstantial amount) the amount by which—

"(i) the cost of acquiring, constructing, reconstructing, or erecting the facility, exceeds

"(ii) the net profit which may reasonably be expected to be derived through the recovery of wastes or otherwise in the operation of the facility over its actual useful life.

"(B) NET PROFIT.—For purposes of this paragraph, the term 'net profit' means the present value of benefits (using a discount rate of 12½ percent) to be derived from that portion of such cost properly attributable to the purpose of increasing the output or capacity, or extending the useful life, or reducing the total operating costs of the plant or other property (or any unit thereof) in connection with which such facility is to be operated, reduced by the sum of—

"(i) the total cost incurred to acquire, construct, reconstruct, or erect the property (reduced by its estimated salvage value), and

"(ii) the present value (using a discount rate of 12½ percent of) all expenses reasonably expected to be incurred in the operation and maintenance of the property, including utility and labor costs, Federal, State, and local income taxes, the cost of insurance, and interest expense.

"(C) LIMITATION ON EXPENDITURES UNDER SUBSECTION (b)(4)(f)—

"(i) IN GENERAL.—For purposes of subsection (b)(4)(F), the face amount of obligations issued for facilities preventing the creation or emission of pollutants, contaminants, waste, or heat to be installed at any new manufacturing or processing plant shall not exceed the amounts described in clause (ii) of this subparagraph after application of subparagraphs (A) and (B) of this paragraph.

"(ii) INSTALLATIONS AT NEW PLANTS, ETC.—In the case of such facilities described in subsection (b)(4)(F) to be installed at new plants (as defined in clause (iii) of this subparagraph), the aggregate authorized face amount of obligations to be issued therefore shall not exceed the sum of 30 percent of the first $100,000,000 of capital expenditures paid or incurred in connection with such plants, 25 percent of the second $100,000,000 of such capital expenditures, 20 percent of the third $100,000,000 of such capital expenditures and 15 percent of such capital expenditures in excess of $300,000,000 plus the costs and expenses incurred in issuing such obligations.

"(iii) NEW PLANT.—For purposes of this subparagraph the term 'new plant' means any plant or identifiable part thereof, or other location that is or could be a source of pollution, placed in service within the 6-year period beginning 3 years before the date of any issue for the facility and ending 3 years after such date of issuance of the obligations described in clause (i). For purposes of clause (ii), all the capital expenditures during the 6-year period shall be aggregated. A major expansion of the capacity of any plant or identifiable part thereof or a major conversion in the use to which any plant (or identifiable part thereof) is devoted, shall be treated as a new plant. For purposes of this paragraph a major expansion of capacity shall mean an increase in capacity of 35 percent, and a major conversion in use shall mean a change affecting 35 percent of the output of the plant. Any plant or identifiable part thereof not described in the preceding three sentences shall be deemed an existing plant.

"(iv) CAPITAL EXPENDITURES TAKEN INTO ACCOUNT.—The capital expenditures taken into account with respect to any new plant or other source of pollution for purposes of this subparagraph are the expenditures which are properly chargeable to capital account and which are either made within 3 years before the date of the issuance of the issue or can reasonably be expected (at the time of the issuance of the issue) to be made within 3 years after the date of such issuance.

"(j) SOLID WASTE DISPOSAL FACILITIES.—For purposes of this section, the term 'hazardous waste or solid waste disposal facilities' includes land and property of a character subject to depreciation under section 167 which is acquired, constructed, reconstructed, or erected for no significant purpose other than to comply with hazardous or solid waste management requirements imposed by the Solid Waste Disposal Act.".

(b) CONFORMING AMENDMENT.—Subparagraph (E) of section 103(b)(4) is amended by inserting ", hazardous waste," after "sewage".

(c) CLARIFICATION OF REFERENCE.—For purposes of section 103(j) any reference to the Solid Waste Disposal Act means the Solid Waste Disposal Act as amended by the Resource Conservation and Recovery Act of 1976 and as it is, or may be, amended from time to time by other Acts. No inference shall be drawn from the preceding sentence with respect to the presence of absence of the words "as amended", by themselves or in combination with a reference to another Act, whenever reference is made in any other provision of law to an Act by its short title.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to obligations issued after the date of enactment of this Act and with respect to taxable years ending after such date.

SEC. . EXTENSION OF TELEPHONE EXCISE TAX.

(a) IN GENERAL.—The table contained in paragraph (2) of section 4251(a) relating to imposition of tax on communication services is amended by striking out the last 2 lines of such table and inserting in lieu thereof the following:

"During 1980 or 1981 ---------- 2
"During 1982, 1983, 1984, 1985, and 1936 ---------- 1.25"

(b) CONFORMING AMENDMENT.—Subsection (b) of section 4251 is amended by striking out "January 1, 1983" and inserting in lieu thereof "January 1, 1987.".

Mr. HEINZ. Mr. President, I am today proposing an amendment to the Economic Recovery Tax Act that might well be called the Pollution Control Bond Regulatory Reform Act of 1981.

The adoption of this amendment is not merely justified; it is long overdue. It is overdue because, for years, the Internal Revenue Service, through regulations issued pursuant to section 103 of the code, quite simply, has thwarted the intent of Congress by precluding arbitrarily the use of tax-exempt pollution control bonds for what Congress intended their purposes to be.

Therefore, the adoption of this amendment, in my judgment, is essential if the Economic Recovery Tax Act is to live up to its stated purpose of achieving economic recovery and if we are to rein in the regulatory excesses perpetrated by the bureaucracy at the Internal Revenue Service, which threatens to jeopardize the economic growth we would like to see.

Mr. President, the case for the adoption of my amendment can be summarized as follows:

First, this amendment is not exactly new to this body. It was agreed to for adoption by this body, by unanimous consent, when we were taking up the superfund bill last fall which, as Senators will recall, was passed overwhelmingly by this body, and it was part of the bill.

All parties in the Finance Committee, Senator DOLE and Senator LONG; all parties in the Environment and Public Works Committee, Senator RANDOLPH and Senator STAFFORD; all the people who were going to be conferees on S. 1480 had signed off on this proposal.

It is the identical proposal that was in S. 1480, which I asked the Senate to strike by unanimous request for the sole reason that we wanted to get S. 1480 passed in the House without it having to be referred to the Ways and Means Committee, where it would have been removed because of this particular provision.

Since then, what have we done? In addition to nearly passing it, we have had an additional day of hearings on the bill. We had the hearings the day after we marked up the Tax Reduction Act which is before the Senate. The fact that we did it on the very day after we marked up this bill, I believe, is an indication of the urgency, that we really need to enact these pollution control bond regulatory reforms that are contained in this amendment.

Second, Mr. President, the fact is that the compliance costs that Federal and State pollution control mandates are so high and so burdensome that they do jeopardize the success of the economic recovery program with respect to many of this Nation's basic industries, and that will continue to be the case unless this amendment is adopted.

Third—I referred to this a moment ago—I suspect that for anybody who cares about the integrity of the legislative process, the fact is, quite simply, that the Internal Revenue Service, through regulations that are not all consistent with the legislative record or with the legislative words in the underlying legislation, has thwarted the intent of Congress as reflected in section 103 of the Internal Revenue Code and in the passage of various environmental control laws.

Fourth, my amendment would allow section 103 pollution control bonds to be used for the legislated, intended purposes—namely, compliance with air and water pollution control and solid and hazardous waste management requirements; and we would do so with minimizing the loss to the Treasury.

When I say "minimizing the loss to the Treasury," what I am saying is that if we simply enacted the section 103 proposal as it would have passed the Senate last year, the revenue loss would have been $100 million each in 1983 and 1984 fiscal years and $200 million revenue loss each in fiscal years 1985 and 1986.

However, this amendment pays for itself, and then something more, because we have an offset in this amendment

that will cause it to raise money. The amendment, as a whole, will raise $94 million in fiscal 1982, an additional $67 million in 1983, an additional $91 million in 1984, and an additional $15 million in 1985. It is not until 1986 that it goes into the red.

In sum, through 1986, it picks up $154 million for the Treasury. So this amendment is better than revenue neutral; it is a responsible amendment; and we achieve this simply by phasing out the telephone excise tax a little more slowly.

Let me briefly expand on each of those points.

FINANCE HEARINGS HELD AFTER TAX BILL MARK-UP DEMONSTRATED URGENCY OF POLLUTION CONTROL BOND REGULATORY REFORMS

For the benefit of my distinguished colleagues who do not serve on the Finance Committee, let me explain that hearings on this proposal were not held until June 26, the day after markup of the tax reduction bill had been completed.

But the expert witnesses who testified that day presented compelling arguments for immediate passage of the legislation on which this amendment is based—S. 169, cosponsored by Senators RANDOLPH, GLENN, LUGAR, GARN, DIXON, and ANDREWS.

To recap the testimony presented to the Finance Committee:

Wayne Nichols, director of the Ohio Environmental Protection Agency, said, that this proposal—

Would do more to help eliminate sulfur dioxide and other forms of air pollution than any other measure. It would enable Ohio to assist its utilities and industries, which are now heavily burdened by the cost of complying with pollution control laws, by increasing the availability of the single most important weapon in the fight against pollution—financing at reasonable rates.

In its testimony, the National Association of Manufacturers cited the report of the National Commission on Air Quality issued in March 1981, which cited as obstacles to improved air quality the very IRS regulations my amendment would reform. The NAM observed that in view of the combination of advanced implementation of pollution control laws and the current IRS restrictions it is difficult to see how many small companies will be able to weather increasing environmental regulation.

Observing the strategic importance of minerals, the American Mining Congress cited a House Committee on Interior and Insular Affairs report, "U.S. Minerals Vulnerability: National Policy Implications," which concluded:

The very nature of mineral operations requires large capital and operating expenditures for pollution control, health and safety equipment, and mined land reclamation. Funding for achieving these worthwhile objectives has placed a heavy burden upon the already strained mining industry. McGraw-Hill studies have found that pollution control expenditures during the last nine years by the entire mining industry averaged 8 percent of their total capital expenditures (and a staggering 19 percent for the nonferrous metal industry) compared to only 6 percent for all industries.

William B. Holmberg, vice president, Kidder, Peabody & Co., Inc., said:

Kidder, Peabody strongly endorse S. 169. . . . As the Committee knows from prior testimony, Kidder does not customarily take the role of an advocate but prefers to note factors Congress should consider when considering legislation. Our reversal is due to the fact that Kidder belives that it is inappropriate for the IRS to override the statute through regulations.

On behalf of the Council of Pollution Control Financing Agencies, its president, Ronald Bean, executive director of the Illinois Environmental Facilities Financing Authority, noted:

The Council's member agencies operate at the intersection of environmental goals and economic development goals.

The Council has endorsed this amendment because the proposal—

Would make it clear that the Congress did not and does not intend to have this inequitable implementation of Section 103 by the Treasury.

The Institute of Chemical Waste Management, National Solid Wates Management Association, testified—

We hope that you will speed approval of S. 169 to direct the Secretary of the Treasury to extend IDB financing eligibility to hazardous waste management projects and, thus, accelerate the pace of bringing these new projects into existence so that existing facilities receiving hazardous industrial wastes can be measured strictly against the yardstock of the new Federal hazardous waste management regulations.

COSTS OF POLLUTION CONTROL COMPLIANCE JEOPARDIZE SUCCESS OF ECONOMIC RECOVERY PROGRAM

Without dwelling further on the testimony the Finance Committee heard on June 25, let me summarize the case for swift adoption of the regulatory reforms contained in my amendment: Unless section 103 regulations are revised, the massive capital expenditures mandated by Federal and State pollution control laws threaten the ability of American industry to make the job-creating investments that would otherwise be encouraged by the Economic Recovery Tax Act.

As socially desirable and necessary as many Federal and State pollution control mandates may be, the investments required for compliance generally are not productive investments in the sense of improving efficiency of operations or increasing output. In 1978, pollution abatement expenditures accounted for the following percentage of all investment in the following basic industries: steelmaking—16.6 percent; chemicals—7.1 percent; petroleum—8.3 percent; and utilities—10 percent. As we approach the compliance deadlines for many environmental control acts, these costs can be expected to increase.

In fact, in the case of the steel industry, a report completed by Arthur D. Little, Inc., for the American Iron and Steel Institute, concluded that environmental control expenditures for the next decade may reach $7 billion. Similarly, the chemical industry and related industries face the "double whammy" of complying with the 600-plus pages of hazardous waste control regulations promulgated by the Environmental Protection Agency under the Resource Conservation and Recovery Act—and paying a billion-plus dollars in additional taxes into the "Superfund" over the next 5 years. Other industries face similar mounting cost burdens for compliance.

IRS SECTION 103 REGULATIONS THWART CONGRESSIONAL INTENT

In adopting sections 103 and 169 of the Internal Revenue Code, Congress recognized that mandated pollution control investments warrant tax treatment different from that provided most other capital investments. Both of these provisions—section 103, dealing with tax-exempt industrial development bonds used for pollution control and waste disposal, and section 169, dealing with amortization of certified pollution control equipment—reflect a recognition that investment in pollution control and waste disposal facilities is necessary to attain desirable social goals and fulfill the mandates of environmental laws.

If faithfully implemented, these provisions of the tax code would provide industry with powerful economic incentives to reduce pollution in the most cost-effective way technically feasible—rather than to delay compliance, oppose standards, and litigate Federal and State requirements.

But in July 1975, the Treasury Department issued proposed regulations—which have since been employed by the IRS as if final—that do not reflect the intent of Congress as represented by section 103 of the Internal Revenue Code, the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act. The deficiencies and inconsistencies in these regulations have repeatedly been brought to the attention of the IRS by the Environmental Protection Agency, by the industries affected, and by many of us in the Congress. The IRS has not responded to these concerns.

Instead, the IRS has persisted in employing section 103 regulations that thwart the intent of Congress with respect to pollution control bond financing. It has done so in the following ways:

First, the IRS through its "realized pollution" test has limited eligible financing for air and water pollution control expenditures to end-of-the-pipe, "black box" technologies, ignoring the fact that current environmental law recognizes and indeed encourages the use of process changes in abating pollution.

Second, the IRS has ignored the fact that Congress has amended the Solid Waste Disposal Act with the Resource Conservation and Recovery Act to regulate hazardous waste; instead, the IRS has kept the definition of solid waste contained in the original 1965 act.

Third, the IRS has adopted a "gross savings" test by which the amount of eligible tax-exempt financing is reduced by the extent to which pollution control expenditures result in economic benefit—but measuring economic benefit in gross rather than net terms.

AMENDMENT ALLOWS USE OF POLLUTION CONTROL BONDS FOR INTENDED PURPOSES WHILE MINIMIZING LOSS TO FEDERAL TREASURY

So that IRS regulations with respect to section 103 pollution control bonds do

not continue to thwart congressional intent, my amendment would make by statute the following changes to section 103.

First, it would state explicitly that process changes that reduce air or water pollution—and that have been adopted as a result of Federal or State pollution control mandates—qualify for pollution control bond financing.

Second, it would make clear that in amending the Solid Waste Disposal Act with the Resource Conservation and Recovery Act, Congress intended that nonnuclear hazardous waste management facilities should also qualify for section 103 financing.

Third, it would provide safeguards insuring that tax-exempt pollution control bond financing is used only for legitimate pollution control expenditures.

Because of concern expressed in the past by Treasury Department officials about the revenue loss associated with the changes proposed to allow process changes and hazardous waste management expenditures to qualify, I want to spend a few minutes emphasizing the safeguards contained in the legislation.

The first safeguard is a list of the types of process changes and facilities that would be expected to qualify for pollution control bond financing under the provisions of this amendment. I ask unanimous consent that this list be printed in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

Facilities and process changes to be included as report language to accompany legislation proposed by Senator John Heinz dealing with IRS definitions of pollution control facilities eligible for tax-exempt industrial development bond financing pursuant to section 103(b) of the Internal Revenue Code.

Eligible facilities and process changes shall include, but not be limited to, the following:

COAL MINING AND COMBUSTION

Coal washing and preparation to reduce sulphur emissions;

Fluidized bed boilers;

In mining operations, water diversion ditches that prevent natural water run-off from mingling with mining operations, becoming contaminated, and exiting as run-off pollution;

Cooling equipment, pipes, and pumps to recycle cooled flue gas in coal-fired boilers to reduce nitrogen oxide.

METALS

In metal "pickling" processes, equipment to convert sulphuric acid to hydrochloric acid, permitting acid regeneration and avoidance of waste treatment and sludge disposal expenses.

INDUSTRIAL PRINTING

Equipment to convert water-based paints, thereby avoiding air pollution that occurs from dried solvents dispersing through stacks.

PAPER INDUSTRY

Recovery boilers and their associated precipitators, black liquor oxidation systems, and black liquor evaporation systems.

BREWING INDUSTRY

Dust control equipment;

Spent grain liquor evaporators.

SOLID WASTE MANAGEMENT

Landfills;

Landfarms;

Transfer stations;

Incinerators without heat or energy recovery facilities;

Incinerators with heat or energy recovery facilities;

Compaction equipment (shredders, balers, and compaction equipment);

Transportation vehicles used to implement the collection and disposal functions.

HAZARDOUS WASTE MANAGEMENT

Same list as solid waste management, but also:

Deep injection wells;

Storage facilities;

Treatment facilities;

Limestone flue gas desulphurization systems using feeders, storage bins, conveyors, dryers, and grinding and briquetting machines to produce gypsum.

PETROLEUM INDUSTRY

Facilities to strip sulphur from gas streams to be combusted at the refinery;

Facilities to transport waste water to regional waste control facilities;

Floating roof storage tanks.

Mr. HEINZ. Mr. President, although this list is by no means exhaustive—we must avoid locking in potentially obsolete technologies by statute—it is illustrative of the intent of Congress and should provide needed guidance for the IRS.

The second safeguard is a requirement that tax-exempt financing be available only for expenditures that the Environmental Protection Agency or its State equivalent has certified would not have been made, but for Federal or State pollution control requirements.

The third safeguard is a formula for reducing the amount of pollution control expenditures eligible for tax-exempt financing by the extent to which a portion of the cost of a certified pollution control facility is recoverable in the form of net economic benefit. This formula is set forth in the statutory language of the amendment.

The fourth and final safeguard is a limitation on the amount of expenditures for process changes that can qualify for section 103 financing in the case of new plant construction or major expansion of existing facilities, defined as a 35-percent increase in capacity or output. Specifically, the amount of tax-exempt financing for certified pollution control expenditures—reduced to the extent that a net economic benefit results—would be further limited to: 30 percent of the first $100 million of capital expenditures for the entire plant or site; 25 percent of the second $100 million; 20 percent of the third $100 million; and 15 percent thereafter; capital expenditures subject to the limitation would include those made 3 years before and 3 years after the date on which the bonds were issued.

Taken together, these four safeguards address concerns raised in the past that allocating the portion of process changes attributable to pollution control is not feasible and that allowing process changes to qualify would allow the entire cost of new plant construction to be financed using section 103 pollution control bonds.

Because of the safeguards contained in my amendment, the Joint Committee on Taxation estimates the revenue loss to the Treasury of this proposal as indicated in the table which I ask unanimous consent to have printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Fiscal year:	Millions
1981	
1982	
1983	$10
1984	10
1985	20
1986	20
	0

Mr. HEINZ. However, Mr. President, during the June 26 hearings, a number of witnesses suggested that even this modest estimate may be too much.

For example, Ron Bean, president of the Council of Pollution Control Financing Agencies, testified:

I want to caution the committee about what is not included in estimates of revenue loss. The Congressional Budget Office and the Treasury have consistently refused to recognize that a company which is able to finance a pollution control facility on a tax-exempt basis is therefore relieved of interest expenditures amounting to some 3 percent of the cost of financing, or $30,000 per $1,000,000 for each year for the life of financing. This money is, of course, subject to taxation, and at current rates, the Treasury would increase its revenues by 46 percent of that $30,000, or nearly $14,000 per million, each year, for the life of financing. The remainder of that $30,000 is put to work by the industry, and presumably generates a profit in later years, which is also taxed. If it is distributed to shareholders, it is also taxed. These are all revenues which do not find their way into calculations of tax expenditures to the Treasury from tax-exempt pollution control financing.

Also, we are distressed to see the assumptions of Treasury revenues on the other side of the equation, from taxable bonds. This ignores the fact that most holdings of taxable bonds are by entities which themselves are tax-exempt or which manage to effectively shield taxable bond holdings from taxation.

In addition, several witnesses agreed that the revenue loss estimates should be revised downward to reflect the marginal tax rate reductions contained in the Economic Recovery Tax Act.

To summarize, Mr. President, the overwhelming body of evidence suggests that the regulatory changes made by my amendment are essential for the overall success of the Economic Recovery Tax Act. We need not make an either-or choice between economic growth and environmental quality—we can have both.

In short, Mr. President, the only people who are not in favor of this bill insofar as we can determine it are some bureaucrats down at the Internal Revenue Service, who a few years ago having decided to take the law into their own hands recast the law in their own image or as they would wish it and have been thwarting the intent of Congress ever since, and that is to the best of my understanding why the administration does not at this point support this amendment.

I thank my distinguished colleagues for their time and strongly urge their support.

Mr. President, how much time remains?

The PRESIDING OFFICER. The Senator from Pennsylvania has 13½ minutes remaining.

Mr. HEINZ. Mr. President, I reserve

the remainder of my time but simply ask my colleagues to support this amendment. It is a good amendment. It is a responsible amendment, and I do believe that we would serve our constituents well by passing it today.

The PRESIDING OFFICER. Who yields time?

Mr. SYMMS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. HEINZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HEINZ. Mr. President, how much time does the Senator from West Virginia wish?

Mr. RANDOLPH. Approximately 5, not more than 7 minutes.

Mr. HEINZ. I yield 7 minutes to my good friend and colleague from West Virginia.

Mr. RANDOLPH. Thank you very much.

Mr. President, I am appreciative of the cooperation of the able Senator from Pennsylvania (Mr. HEINZ) and also I am appreciative to the minority manager, Senator HARRY F. BYRD, JR., of Virginia. Their understanding of my desire to speak on this amendment and their help in arranging a comfortable atmosphere for me to convince those who will perhaps listen attentively to what I have to say.

I support the amendment of the Senator from the Commonwealth of Pennsylvania.

I am a cosponsor of this amendment.

The adoption of this proposal will be helpful to many of the industries throughout America as they strive to comply with the air and water pollution and hazardous waste control requirements enacted over the past 10 years.

I want to stress today another reason, and that is that the value of this amendment goes to something that is often overlooked, and that is to the solid and hazardous waste management industry in this country.

Among other effects, this amendment makes it clear that solid waste management facilities include all hazardous wastes and recoverable resources as defined in the most recent amendment to the Solid Waste Disposal Act, with which I was associated in handling.

Mr. President, I have worked on solid waste legislation since the first Federal efforts in this area of national concern, and that was in 1965. In 1970 I authored the Resource Recovery Act establishing a major Federal role in promoting the recycling and the proper handling of solid wastes. Recycling is something very important, recycling not only of waste materials of one type or another, but I think now of the recycling of paper throughout this country, and the recycling of aluminum.

The 1976 amendments to the Solid Waste Disposal Act, which I also sponsored and helped to shape, with the help of others in the Committee on Environment and Public Works, has recognized hazardous wastes as a large part of our solid waste management problem.

The 1976 act, I think—I must stress it—enhances our ability to recover and conserve our resources, and the definitions of the act were expanded and they were modernized.

The Internal Revenue Service, however, I think, has mistakenly continued to use the old 1970 definition of solid waste and that, of course, is the position of the Senator from Pennsylvania, because we believe it is an incorrect interpretation of the provisions of section 103. This has meant that many worthy solid waste facilities involving hazardous waste or resource recovery could not make use of that section on financing which we designate as 103.

Adoption of the pending amendment, I say to my colleagues, will clarify that solid waste and hazardous materials facilities of all types qualify for this necessary financing.

I think the amendment is a good amendment. It is a necessary amendment.

Mr. HEINZ. Mr. President, I thank my most respected colleague for his remarks. He is a man who has been time and again in the forefront of the efforts to clean up our air, our water, our land. I can think of few others in the Senate whose record exceeds, let alone matches, his outstanding understanding and record in this area. So to have him speak on behalf of this amendment is very welcome, and I thank my friend most sincerely.

Mr. President, I reserve the remainder of our time.

The PRESIDING OFFICER (Mr. SIMPSON). Who yields time?

Mr. SYMMS. I yield the Senator from Virginia 5 minutes.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. HARRY F. BYRD, JR. Mr. President, this would extend the use of tax-exempt industrial development bonds. My understanding is that the administration and the Treasury Department oppose the expansion of such tax-exempt bonds.

I have felt for some time that the use of these tax-exempt issues has gotten out of hand, and it would be unwise to further expand the use of these bonds.

I know it is a good purpose involved in the amendment offered by the distinguished Senator from Pennsylvania. But, as one who for some time has been concerned about the tax-exempt status of bonds, I shall oppose the amendment.

Mr. METZENBAUM. Mr. President, will the Senator from Virginia be good enough to yield me time?

Mr. HARRY F. BYRD, JR. What time do I have remaining?

The PRESIDING OFFICER. I believe Senator SYMMS, the Senator from Idaho——

Mr. HARRY F. BYRD, JR. He yielded me 5 minutes. How much time do I have remaining?

The PRESIDING OFFICER. The Senator from Virginia has 2½ minutes.

Mr. HARRY F. BYRD, JR. I yield 2½ minutes to the Senator from Ohio.

Mr. METZENBAUM. Mr. President, will the Senator from Pennsylvania answer a question? Is the Senator a prime sponsor of the amendment?

Mr. HEINZ. The Senator is correct.

Mr. METZENBAUM. Would he be good enough to advise what the cost of this amendment will be?

Mr. HEINZ. I have already made that statement for the RECORD. I will be happy to do so again.

The cost of this amendment would be, it would gain $94 million of revenue in 1981; it would gain $67 million in revenue—I am sorry, I was mistaken. It will gain $94 million in revenue in 1982. It would gain $67 million in revenue in fiscal year 1983; it will gain $91 million in fiscal 1984; and again $15 million in fiscal year 1985.

Mr. METZENBAUM. Mr. President, will the Senator from Pennsylvania be good enough to explain how by having industrial revenue bonds in an area in which they were not previously used, will help the Treasury?

Mr. HEINZ. Yes; as I also explained in my opening remarks, the actual revenue losses that are incurred by the change in the section 103 definition, which is $100 million each in fiscal 1983 and 1984, and $200 million in fiscal 1985 are offset to yield the net gains that I just described by phasing out the telephone excise tax somewhat more slowly.

Mr. METZENBAUM. Phasing out what?

Mr. HEINZ. Phasing out the telephone excise tax somewhat more slowly than in contemplated by law.

Mr. METZENBAUM. Is the phasing out of the telephone excise tax contemplated, is that provided for, in this tax bill?

Mr. HEINZ. Yes.

Mr. METZENBAUM. What the Senator is doing is he is extending——

Mr. HEINZ. No; this Senator is not extending the tax. That was already done in an earlier amendment.

Mr. METZENBAUM. So that we do not mix apples and oranges, how much will the Treasury lose by reason of the industrial revenue bond part of this legislation itself?

Mr. HEINZ. Exactly the number I gave the Senator a moment ago.

Mr. METZENBAUM. The Senator from Pennsylvania will have to agree that he is only saying that we are going to pick up that additional money by reason of a longer phaseout of the telephone excise tax.

Mr. HEINZ. The Senator gave you the revenue phaseout of section 103, which is what the Senator did, and I quoted numbers of revenue losses of $100 million a year in 1983 and 1984, and $200 million in 1985.

Mr. METZENBAUM. Did the Senator say $100 million, $200 million, and——

Mr. HEINZ. $100 million, $100 million, and $200 million in fiscal years 1983, 1984, and 1985, which is more than offset by the telephone excise tax slow phaseout.

Mr. METZENBAUM. And the total amount between now and 1986 would be

something in the area of $600 million, $700 million?

Mr. HEINZ. For the fiscal years 1983, 1984, and 1985 $400 million which is offset by a much more substantial amount of revenue gained.

Mr. METZENBAUM. Is the telephone excise tax a tax paid by the individual users of telephones throughout the country?

The PRESIDING OFFICER. The time yielded to the Senator from Ohio has expired.

Mr. METZENBAUM. Mr. President, who has control of the time?

The PRESIDING OFFICER. The Senator from Kansas has control of the time.

Mr. METZENBAUM. Will the Senator from Kansas yield me an additional 3 minutes, please?

Mr. DOLE. I yield 3 minutes.

Mr. METZENBAUM. I thank the Senator from Kansas.

Mr. HEINZ. The Senator is correct.

Mr. METZENBAUM. Let me then say to the Members of this body that what we are really talking about here is another instance of where we are shifting the tax burden from some of the major corporations in this country that will be issuing industrial revenue bonds for the purpose of pollution control, and in order to pick up the revenue we are putting it on the backs of the people who use telephones or businesses that use telephones.

This is the kind of inequity we have been running into in this legislation. In instance after instance, we find that the average individual in this country is going to pay the bill. The corporations are going to find more and more ways to keep from paying taxes.

Industrial revenue bonds started off as a worthwhile objective, but they have been changed and they have been used for everything under the Sun to the point where there has been an abuse.

I cannot say for certainty that using industrial revenue bonds for the purpose of pollution controls is an abuse. But as I understand this amendment, and I looked at it only briefly, I gather that if the pollution control portion of a company is a part of the total expenditure, and that is the way I seem to read that which is found in installations and new plants, then talking about not exceeding 30 percent of the first $100 million of capital expenditures paid or incurred in connection with such plants, 25 percent of the second $100 million, 20 percent of the third, and 15 percent of everything—as I understand that, does that mean that you have an industrial revenue bond for a part of the facility, or that you could have an industrial revenue bond for the total facility? Why have the second provision?

Mr. HEINZ. There is a series of provisions in the amendment to limit that which will be obtained from the use of industrial development bonds for the very reason that the Senator suggests. We do not want to see industrial development bonds used for a questionable purpose. One of the key provisions of the legislation is that we offset the use of the bond through a savings test. You cannot use the bond to finance an entire factory. You can only use the bond for a process change, for example, which was mandated by a State pollution control agency, and you can only use it to the extent that there is a net cost to the installer.

If I may, Mr. President, if the Senator——

The PRESIDING OFFICER. The time yielded to the Senator from Ohio has expired.

Mr. DOLE. I yield 3 additional minutes.

Mr. HEINZ. I think the Senator has made some good points as to what is the purpose of this legislation.

What we are trying to do is to bring about the most cost effective means of overcoming pollution. The problem is that right now we have an IRS regulation that Congress never passed. The IRS has never actually finalized this proposed regulation. It has been a proposed regulation since 1975.

There are two problems. Problem No. 1 is that it treats hazardous waste differently from air and water pollution. It should not, but it treats it differently.

Problem No. 2 is that it forces black box technology on every single industry, end of the pipe technology, in many instances the wrong way to go about it.

The director of the Ohio Protection Agency, who is a professional—he has been in the field for a long time and I suspect the Senator knows him, Mike Nichols—very respected throughout the United States—said he believed this proposal would do more to eliminate sulfur dioxide and other forms of pollution than any other measure. It would still enable Ohio to assist its utilities and industries now heavily burdened by the cost of the pollution control laws.

I choose that not because the man, Mike Nichols, is from Ohio, but because he mentions it will lower the cost of installing in utilities. If there is one thing that people across the country are mad about, it is their high utility bills. This will bring them down. I thank the Senator for yielding.

Mr. METZENBAUM. I did not intend for the Senator from Pennsylvania to use my entire 3 minutes. I will ask for an additional 3 minutes. I did not even open my mouth.

Mr. HEINZ. I thank the Senator for being so understanding.

Mr. METZENBAUM. What is this about exempt financing to be unavailable for expenditures or purposes other than pollution control? Then it gets into the whole question of net profit and how you determine net profit.

Without taking too long, can the Senator give me a 30-second answer on what that is about?

Mr. HEINZ. In 30 seconds? I will try.

What we are talking about is that we are not going to permit these pollution control laws to be used for any other purpose than pollution control. That is answer No. 1.

Mr. METZENBAUM. Why do we need a definition of net profit for that?

Mr. HEINZ. Because since we are talking about permitting process changes and process changes can be more efficient, we want to make sure that a manufacturer or a utility that is putting in a process change does not slip into the tax exempt bond some of the other reasons, the capital costs, that he is applying for this bond for. What we are trying to do is to limit the industrial development bond just to that portion that is involved with pollution control.

Mr. METZENBAUM. Let me ask one last question. Would this amendment result in the telephone users of this country paying additional excise taxes on their telephone use which otherwise would have been phased out in the approximate amount of $100 million—no. I guess more than that. I guess it would be $160 million a year and going up to about $350 million, if my recollection of the Senator's mathematics is correct. Will the consumers end up paying those additional amounts by reason of this amendment?

Mr. HEINZ. I do not want to quarrel with the fact that there is one-quarter of a percent——

The PRESIDING OFFICER. The time yielded to the Senator has expired.

Mr. METZENBAUM. Who else has time?

Mr. DOLE. I will be happy to yield. Since the Senator is against the amendment I am happy to yield.

Mr. METZENBAUM. There will be an additional one-quarter percent tax on telephone users over and above that which it presently is?

Mr. HEINZ. I am certainly not going to quarrel with that. The Senator is correct, and it is this Senator's belief that this will be more than offset, several times over, by lower utility bills. Let me add further that setting the tax at 1¼ percent will still save consumers $175 million a year more than the tax at the current level, which is 2 percent.

Mr. METZENBAUM. I have been so persuaded by the President's emphasis on cutting taxes that I certainly could not find myself voting for increased taxes. I am a little bit surprised that my good friend from Pennsylvania wants to increase the taxes on the people of this country. Is it anticipated that there will be a rollcall vote on this amendment?

Mr. HEINZ. I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DOLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Kansas.

Mr. DOLE. Mr. President, let me say first of all I do not take pleasure in opposing amendments from colleagues on either side, particularly on my own side. I have discussed this matter with the Treasury and the Senator from Pennsylvania has discussed it, I assume, with the Treasury. We have been able to accommodate the Senator on a number of amendments, two that I think of offhand. The Treasury is flatly opposed to this amendment. I think they would also be flatly opposed to raising the excise tax on all telephone users to pay for this amendment.

The other day we did that in an effort to pay for the so-called targeted jobs credit. That may impact on a lot of people who are out of work.

We are doing enough for the steel industry in the country now under ACRS.

There has to be a limit on how much we can do for big business in this tax bill, and this is a big business amendment. It is going to cost some money.

It just seems to me that if it has merit, and I am certain it has or the Senator from Pennsylvania would not be offering it here, we are going to have another tax bill and we do not have to load this bill up with everything. It is almost ready to drop now from the weight of amendments that we have been able to work out and negotiate. Some of those the Senator from Pennsylvania had a deep interest in and they were accommodated.

But on this amendment the Treasury says no and I feel some obligation to support the Treasury and the President. They have sent us an extremely attractive tax package.

I do not quarrel with anybody who offers amendments but I would hope that by early evening we will be ready to vote on final passage.

I would promise the Senator from Pennsylvania we are going to have other tax bills, at least one I know of this year. There will be a second tax bill. It was my intent that this amendment, if defeated, and other amendments that have not been offered by Senators who have restrained themselves, would be looked at, considered, and, in some cases, end up in the second tax proposal.

It is one thing to say it does not cost anything, but it does cost something. It costs $100 million in 1982, $100 million in 1983, $200 million in 1984, $200 million in 1985, and $300 million in 1986. You can lower that cost if you go on a fiscal year basis.

Again, I am not an IRS expert, but we are told it would add a lot of complexity to the law. For example, there would be the definitional problem of determining what would qualify as a pollution control facility and how such a facility could be differentiated from a manufacturing facility. It is going to result in increased administrative burdens on the IRS.

I just think the administration made it rather clear that it is firmly committed to reducing the Federal interference with business decisions as well as to reduce the burden of needlessly costly Federal regulations on business. To the extent that pollution control regulations and rules concerning hazardous materials imposes costs on businesses beyond those commensurate with benefits they can confer on society, these regulations should be corrected or, where possible, repealed or terminated.

I hope that we can defeat this amendment and get on with the final few amendments we have in this entire package—it has taken 11 days—so that we can let the President know and, more importantly, the country know that we have a good tax package.

There is the imprint of the Senator from Pennsylvania all through the package. He has done some outstanding work.

In this case, Mr. President, I cannot support the Senator's amendment.

Mr. HEINZ. Will the Senator from Kansas yield for a question?

Mr. DOLE. Yes.

Mr. HEINZ. Would the Senator from Kansas agree that big business could borrow below the prime rate by selling commercial paper, but small business cannot?

Mr. DOLE. I agree to that.

Mr. HEINZ. Would the Senator not agree that this amendment is really more likely to benefit the small businessman, who cannot go to the commercial paper market, particularly in these tough times, or does he really feel to the contrary?

Mr. DOLE. I would agree with that, but I am not certain that is precisely what the amendment does.

Mr. HEINZ. No, what the amendment does—the Senator is correct—it does lower the cost of making these investments.

Will the Senator yield for one more question?

Mr. DOLE. Yes.

Mr. HEINZ. Is it correct that the Senator is principally opposing this amendment to this tax bill at this time and that he is not necessarily opposed to the amendment per se? Is that correct?

Mr. DOLE. That is correct, Mr. President.

Mr. HEINZ. I thought that was correct, because, as I recall, the Senator was extremely supportive of this amendment last year, when we took up S. 1480.

If I may make just one additional observation, Mr. President, I did discuss this amendment with the Under Secretary of the Treasury for Tax Policy, Norman Ture, about 2 weeks ago. What he said was that they had looked very closely at this amendment, they had decided that they could not support it, as the Senator from Kansas has made quite clear, but—and these are his very words—that they had a split decision on it and they felt that it was probably the kind of decision that Congress ought to make.

Of course, that is all the Senator from Pennsylvania is trying to do, get us to make a decision. We do offset the cost of this amendment, as the Senator from Kansas knows, so we are trying to make it a no-cost decision.

Nonetheless, Mr. President, I respect the views of the Senator from Kansas in the matter. I appreciate his yielding.

Mr. DOLE. Mr. President, I just want to say we are paying for this amendment by raising the telephone tax on everybody in the country. I also want to say that I appreciate the Senator from Pennsylvania at least bringing it to us in that form. He is at least willing to pay for it. We have had a lot of amendments that are just dumped on us, saying, take it out of something else. The Senator has had the courtesy of coming to us with an amendment that he pays for by increasing the excise tax, or getting it back up to——

Mr. HEINZ. One-quarter of 1 percent.

Mr. DOLE. One-quarter of 1 percent.

Mr. President, I hope we can persuade the Senator—I know he feels strongly about the amendment—that we could reserve judgment on this amendment and how we finance it in the second tax bill. The Senator is a member of the Committee on Finance. He has had a great deal of input in this bill. We have had amendments—the Heinz amendment on the targeted jobs credit, the Heinz-Dodd amendment on section 189,

We have had a lot of amendments that we have been able to work out, not only on the floor but in the committee. I hope that the Senator might understand the problem—I know he does—of those of us who want to complete this proposal within the numbers of the administration without raising taxes. We did it the other day on the targeted jobs credit. Perhaps he will reconsider offering the amendment at this time. I hope, if that is not the case, we can defeat the amendment.

Mr. HARRY F. BYRD, JR. Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. HEINZ. Mr. President, I am prepared to yield back the remainder of my time.

Mr. HARRY F. BYRD, JR. I yield myself 1 minute on the bill.

The PRESIDING OFFICER. The Senator from Virginia is recognized.

Mr. HARRY F. BYRD, JR. Mr. President, I join the Senator from Kansas in opposition to this amendment. What it does is transfer the tax from a business to the consumers. I think that that is not what we want to do in this tax bill. I think the Senator from Kansas has made a good suggestion, that this amendment be held to a later date and be considered by the Committee on Finance on some subsequent tax bill.

The PRESIDING OFFICER. Who yields time?

Mr. HEINZ. Mr. President, I am prepared to yield back the remainder of my time.

Mr. DOLE. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from New Jersey (Mr. WILLIAMS) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 15, nays 84, as follows:

[Rollcall Vote No. 231 Leg.]

YEAS—15

Bentsen	Durenberger	Moynihan
Boschwitz	Ford	Randolph
Bradley	Hart	Simpson
Chafee	Heinz	Specter
D'Amato	Mathias	Tower

NAYS—84

Abdnor	Byrd, Robert C.	Dole
Andrews	Cannon	Domenici
Armstrong	Chiles	Eagleton
Baker	Cochran	East
Baucus	Cohen	Exon
Biden	Cranston	Garn
Boren	Danforth	Glenn
Bumpers	DeConcini	Goldwater
Burdick	Denton	Gorton
Byrd, Harry F., Jr.	Dixon	Grassley
	Dodd	Hatch

Hatfield	Long	Riegle
Hawkins	Lugar	Roth
Hayakawa	Matsunaga	Rudman
Heflin	Mattingly	Sarbanes
Helms	McClure	Sasser
Hollings	Melcher	Schmitt
Huddleston	Metzenbaum	Stafford
Humphrey	Mitchell	Stennis
Inouye	Murkowski	Stevens
Jackson	Nickles	Symms
Jepsen	Nunn	Thurmond
Johnston	Packwood	Tsongas
Kassebaum	Pell	Wallop
Kasten	Percy	Warner
Kennedy	Pressler	Weicker
Laxalt	Proxmire	Zorinsky
Leahy	Pryor	
Levin	Quayle	

NOT VOTING—1

Williams

So the amendment (UP No. 316) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

Mr. DOLE. Mr. President, my understanding is that the distinguished Senator from New York (Mr. D'AMATO) wishes to engage in a colloquy and then the Senator from New Jersey (Mr. BRADLEY) will have an amendment.

Mr. RANDOLPH. Mr. President, a point of order. We are trying to hear what the manager of the bill is saying.

The PRESIDING OFFICER. The point is well taken. The Chamber will be in order. Senators conversing please retire to the cloakroom so the Senator from Kansas may be heard.

Mr. DOLE. Mr. President, may we have order?

The PRESIDING OFFICER. We appreciate the courtesy of the Members present in the Chamber. The Senator from Kansas has the floor. Senators conversing please retire to the cloakroom.

Mr. BAKER. Mr. President, I suggest the asbsence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I yield to the distinguished Senator from Maine (Mr. COHEN).

THE ECONOMIC RECOVERY TAX ACT OF 1981

Mr. COHEN. Mr. President, I wish to express my support for the Economic Recovery Tax Act of 1981. I believe that the bill is an effective combination of individual and business tax reforms, which will encourage greater investment and productivity and provide significant tax relief to working Americans.

The tax reforms included in this bill will provide significant relief to all Americans who have had to bear the burden of rising taxes. The proportion of household income that goes to individual income taxes is greater now than at any other time in the last two decades. Inflation alone has continued to push individuals into higher and higher tax brackets. For example, a family of four which earned $16,000 in 1971 had to pay 19 percent of its income in taxes. Today that same family would have to pay over 27 percent of its income to taxes. Such large tax bills prohibit individuals and families from saving or improving their everyday standard of living.

The 25-percent tax cut is designed to alleviate this tax burden for all Americans. It cannot be dismissed as a tax cut for the rich. Instead, this tax cut provides relief to taxpayers at all levels of income. Further, the tax cut provides a greater percentage of relief to those taxpayers in the lower- and middle-income levels who have found the steady increases in taxes over the past years most difficult to bear.

There are those voices which oppose the individual tax cut as providing fuel for inflation. This argument basically charges that if consumption is proportionate to the amount of disposable income which a person has, then by keeping more money in the taxpayer's pocket, the taxpayer will spend more, thus aggravating inflation. These critics, however, have been unable to adequately explain why it would be inflationary for people to spend their own money, but not inflationary for the Government to take a person's money and spend it for him. If there is such a choice as to who should decide how to spend this money, I believe that the individual taxpayer, who has worked long and hard for his earnings, should be able to retain more of his or her earnings and he or she should be able to choose where the money will go.

The fact is, however, that a tax cut will not fuel inflation. Rather, the primary objective of this tax cut is not to stimulate demand, but to increase incentives to earn more taxable income. I believe that lower marginal tax rates will encourage work and increase savings and investment. In addition, the reduction in tax rates on investment income will encourage more productive types of investment, and make the use of tax shelters and loopholes less attractive in the long run.

There are also many opponents of the bill who argue that a 3-year tax cut is unwise based on the uncertainty over what the budget, interest rates, and inflation will be in 1983. I think that this is precisely one of the reasons why we should have a multiyear tax cut at this time. Over the past decade, our economy has experienced many setbacks from unexpected fluctuations in oil prices and in agricultural prices, adverse exchange rate adjustments, and political factors. With such uncertainty, it is difficult to plan effectively. Such uncertainty affects planning at all levels of the economy: Families do not know what they will be able to afford next year, small businesses do not know whether they should expand, and Government policies have no fixed direction.

A multiyear tax cut will restore certainty so that individuals, businesses, and the Government will be able to once again engage in long-range fiscal planning. It is only with such predictability that taxpayers will be able to increase investment and productivity.

The bill contains many individual tax reforms which I have supported for some time. The deduction for two-earner couples will effectively reduce the so-called marriage tax penalty which was inadvertently created by the tax changes made in 1969. Indeed, this is an inequity which exists in the current Tax Code, and, thus, is properly a problem which should be remedied immediately.

The bill, as amended, will allow all individuals to deduct a portion of their contributions to charities, regardless of whether or not they itemize their deductions. I believe that this reform will insure that all taxpayers, regardless of their income, will have their contributions treated equally. It will also provide immeasurable benefit to nonprofit organizations whose work is even more important in light of the budget reductions in some social services.

The bill will expand individual retirement accounts to increase maximum deductible contributions, and to make these retirement accounts available to many more persons. For example, under the bill, nonearning spouses can continue making payments to an IRA if his or her spouse dies or decides to stop contributing, or if there is a divorce. It will also allow persons who are now covered by employer-sponsored plans to deduct qualified contributions to an IRA or to their employer-sponsored plan. I view these provisions as welcome reforms which will stimulate savings for retirement.

There are many other reforms which will aid the overall economy and my State of Maine in particular. For example, small businesses will benefit from the reduction of corporate tax rates on the first $50,000 of taxable income, the reduction in the accumulated earnings tax, and the accelerated depreciation reforms included in the bill. By making fewer estates subject to estate and gift taxes and eliminating taxes imposed on transfers between spouses, many family-owned farms and businesses will no longer have to sell out simply to pay burdensome estate taxes.

Moreover, indexing the tax code, beginning in 1985, will prevent automatic increases in taxes caused by inflation alone. I was an early supporter of indexing, and I am very pleased that it finally has been approved by the Senate as an amendment to this tax bill. I wholeheartedly endorse all of these reforms.

There are, of course, some provisions in the bill with which I disagree. And there are many additional measures which "in the best of all possible worlds" I would embrace as welcome reforms. Unfortunately, our present economic state is not "the best of all possible worlds." Many additional targeted tax reforms will have to wait until we have a more favorable economic climate.

I believe that the Economic Recovery Tax Act of 1981 will, in conjunction with the budget reductions passed by the Congress, put us on the road to economic recovery. The road is not an easy one to travel, and it is more difficult for some to travel than for others. Nevertheless, I believe that, overall, this tax reduction package is necessary at the present time,

and is an effective element in reaching our goal of economic revival.

The PRESIDING OFFICER. The Senator from New York is recognized.

ALL-SAVERS CERTIFICATES

Mr. D'AMATO. Mr. President, I have a statement in regard to the present tax bill, House Joint Resolution 266.

President Reagan and the Members of this Chamber have promised the American people that we will produce a tax reduction bill fair and equitable to taxpayers of all income classes. I believe very strongly that we must keep this commitment. Therefore, I support most of the provisions of House Joint Resolution 266, the tax bill reported by the Finance Committee.

There is one glaring exception, however. Perhaps it is a mistake; or perhaps an oversight. I refer, of course, to sections 301 and 302 which comprise subtitle A of title III of the bill, the provisions relating to the exclusion of interest from taxpayers' income. Section 301 creates a new savings instrument—the all-savers certificate—and allows taxpayers who purchase these certificates to exclude up to $1,000 ($2,000 for a joint return) of interest on them from their taxable income. Anyone can buy these certificates, but they only make financial sense for those with marginal tax rates greater than 30 percent—a very small proportion of the American public. The vast majority could invest their money more wisely elsewhere. They would be downright silly to purchase an all-savers certificate. Single taxpayers making less than $21,500 and families of four making less than $27,600 receive no more benefits from the all-savers certificates than they are entitled to under current law.

At the same time, however, we are allowing the 21 percent of the taxpayers in the upper income brackets to exclude $1,000 or $2,000 of their income from taxation that was not previously excludable. This entails a revenue loss to the Federal Treasury of over $2.1 billion in just 1 year.

So what are we doing for the little guy—the middle and lower income families struggling to make ends meet in an inflationary economy and the retired forced to survive on social security and what little they have managed to put away in savings during their many hard years of work? Well, I will tell you what section 302, as currently written, does in 1982 and 1983. In order to allow the new tax break created in section 301, the present interest exclusion of $200/$400 is dropped starting in 1982. Every single dollar of interest earned by the little guy will be taxed while section 301 allows the well-to-do to avoid taxes on the first $1,000 or $2,000 of their interest income only if they invest in all-savers certificates.

Admittedly, beginning in 1984, section 302 allows the small saver to exclude 15 percent of his or her interest income from taxation. But this means that a family of four with $400 in interest income, all of which could be excluded from taxes under current law, would receive no exclusion in 1982 or 1983 and would be able to exclude only a paltry $60 in 1984. In other words, this family with an income too low to justify the purchase of an all savers certificate would be taxed at full ordinary income tax rates on $340 of interest income in 1984 that would be totally exempt from taxation today.

This is simply not acceptable. It is diametrically opposed to the spirit of this whole tax package. We are supposed to be cutting taxes across the board, not just for one favored income class. The little guy must be protected.

Current law allows every American taxpayer to earn $200 (or $400 on a joint return) in interest and dividends and pay no Federal taxes on that amount. This is a necessary encouragement to foster savings by Americans. However, the bill we are now considering repeals this provision and replaces it with three new provisions: A $100/$200 exclusion on dividends alone to apply to every taxpayer, a $1,000/$2,000 exclusion on interest on all savers certificates which will benefit only one-fifth of all taxpayers, that is, those with marginal tax rates greater than 30 percent; and a 15-percent exclusion on interest income up to $3,000/$6,000 which will not begin until 1984. We have literally robbed the little guy in order to finance a new tax break for the rich.

Last Thursday I came before you and urged reconsideration of this misguided decision. My proposal was modest. I asked merely that we restore provisions of current law which would allow all taxpayers to exclude $200 or $400 of their dividends and interest from their taxable income. I did not propose elimination of all-savers certificates. I did not even request simple parity between those above and below the 30-percent marginal tax bracket. I proposed only that we do not increase the taxes on savings for the little guy.

The distinguished chairman of the Senate Finance Committee, however, has informed me that he agrees that this inequity must be examined. I was prepared to bring before the Senate today a new and even less generous proposal than my original amendment.

This proposal would keep the exclusion at $100/$200 as it is in the Finance Committee bill. The only difference is that this tax-exempt amount would apply to either dividends or interest or to some combination of the two. This still represents a cut by 50 percent of the 1982 tax exclusion already existent in current law. In 1984 the exclusion would change to $100/$200 plus 15 percent of interest or dividends earned over this amount up to a maximum exclusion of $450 for a single taxpayer or $900 for a joint return. This incorporates the excellent amendment previously proposed by my colleague, the distinguished Senator from New Mexico, and adopted by this body. The 15-percent exclusion above the $100/$200 base amount would provide an excellent incentive for increased savings by American taxpayers.

In the spirit of cooperation and to assist the passage of the Reagan program, I have withdrawn this amendment, since my colleague from Kansas, Mr. DOLE, chairman of the Senate Finance Committee has indicated to me that he will examine my proposal before the expiration of the present interest exclusion, with a view toward eliminating the inequity in the current bill.

Mr. President, I am wondering if I might ask the Senator from Kansas what his intentions are in regard to attempting to deal with what I consider to be an exclusion that it is necessary to bring back, that is, equalizing the tax rate and encouraging savings and not penalizing the small taxpayers?

Mr. DOLE. Mr. President, the Senator from New York is to be applauded for his persistent efforts on behalf of small savers. We had that demonstrated on the Senate floor in a very close vote. The thrift industry and the mutual savings banks, I know, were a bit dismayed when we sacrificed the $200/$400 exclusion to pay for the all-savers provision. I know they like all-savers better but, as I am sure the Senator from New York is aware, they would prefer to have both, one to get them over their hopefully short-term, present troubles and the other to give a benefit to the small-saver customers who have for so long been the backbone of the thrift and mutual savings industries. I just suggest that we were not able to do both because of the budget constraints.

The majority of the members of the Finance Committee, from both sides of the aisle, were willing to repeal the $200/$400 exclusion, however, because we were told by a variety of witnesses that this provision did little or nothing to create new savings or new investment. In fact, we had experts, I might add expert economists, nonpartisan, academicians, who told us that this was not a way to encourage Americans to save. Since new or increased savings is an essential element of our economic recovery program we chose to abandon the $200/$400 provision. By the time the bill reached the floor I, and other members of the Finance Committee, had decided to back Senator SCHMITT's 15 percent net interest exclusion as the best incentive for new savings.

As a matter of equity, however, and as a benefit for the small saver who has no more than a few hundred dollars in savings, the $200/$400 provision, or the more modest $100/$200 interest exclusion that the Senator from New York argues so earnestly for, may make sense. I am certain it does or the Senator from New York would not be advocating it.

I will just suggest to the Senator from New York that there will be another bill before the Senate, I hope this year or early next year, another tax bill. The Senator from Kansas is still convinced we have not found the best savings incentive.

This Senator has asked everyone he can find to give us the right recipe to encourage savings in America, whether it is $100/$200, $200/$400 or the provision we adopted or the all-savers certificate, all seem to have a number of drawbacks. But I am just going to assure the Senator from New York, because of his persistence, his leadership and his continued interest in this particular provision, when we have the hearings, I would hope in September–October, I will be asking the Senator from New York

to come before our committee with his friends and supporters and those who can, in effect, give us advice on how to proceed. I am willing to make that pledge, if that is satisfactory to the Senator from New York.

Mr. D'AMATO. I believe under the leadership of the Senator from Kansas and with so many colleagues who feel similarly disposed, we can indeed restore this provision before 1982, at least the $100/$200 in interest income so that people will not be penalized for saving.

I believe we can have pass it in time so that the American people will not be penalized for saving.

If I might, I would like to yield to the Senator from Florida (Mrs. HAWKINS) who would like to comment on this matter.

The PRESIDING OFFICER (Mr. NICKLES). The Senator from Florida is recognized.

Mrs. HAWKINS. Mr. President, I want to associate myself with the remarks of the Senator from New York and pledge to work with him and with the Senator from Kansas to encourage reward for the thrift of the small savers.

America is filled with senior citizens who have been raised to save their money, balance their own budgets and live within their means. I think it is the wrong signal to be sending today when we are supposed to be rewarding incentive, rewarding savings, no matter how small. Some of the press that I read and that others are reading in this country today, claim that this is a tax bill for the rich. I know that to be incorrect. But, at the same time, I do not want to penalize those small savers who have a history of being very prudent with their money.

I will work with the Senators present here today, especially with the Senator from New York and the Senator from Kansas to restore those incentives that we had in the previous bill.

Mr. D'AMATO. Mr. President, I would like to thank the Senator from Florida who has worked with me and also to thank the distinguished Senator from Kansas for his understanding and his patience.

I pledge to him that we will work together, and I predict that our senior citizens will be proud of the package we will fashion later on in this session of the Congress.

Mr. DOLE. Mr. President, I understand the Senator from Michigan, Senator LEVIN, has the same interest expressed by the Senator from New York and would like to participate in this colloquy. I think it would be a good idea if he would.

Mr. LEVIN. I thank the Senator.

Mr. President, first, let me commend the Senators from New York, Florida, and Kansas, and other Senators who participated in this colloquy.

The Finance Committee bill as amended provides a 15-percent exclusion of net interest income up to a maximum of $3,000 for a single taxpayer, while it eliminates the current $200 exclusion of joint dividend-interest income. For many savers, the net result of this change will mean higher taxes on interest income.

The all-savers certificate adopted by the Senate presents similar problems for small savers. Many small savers will discover no advantage in investing in these certificates, given the rate of return being only 70 percent of the Treasury bill rate; indeed, they may not be able to meet the minimum investment for the certificates. It is also a fact that in 1984, when the 15-percent net exclusion is in effect, more interest income will be subject to taxes than under current law for those taxpayers with less than $13,000 in an account yielding 10 percent.

In other words, many taxpayers are going to be worse off in 1984 in terms of the handling of interest income than they are now, despite this bill.

It bothers me that this tax bill increases taxes on interest income for many individuals in spite of the savings incentives generated by the all-savers certificate and the 15-percent exclusion.

Mr. President, at this point I ask unanimous consent to have a table printed in the RECORD which explains what I have said.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

INTEREST EXCLUSION PROPOSAL

	1982 current law exempt 1st $200/$400	1984 Finance Committee bill as amended to date	1984 proposed interest exclusion
Single person with $10,000 in savings at 12 percent:			
Interest income	$1,200	$1,200	$1,200
Exclusion	200	180	[1] 265

[1] 1st $100 excluded plus 15 percent of $1,100.

Mr. LEVIN. I understand that the chairman of the Finance Committee has expressed some concern about this also to the Senator from New York. I commend the actions of the Senator from Kansas and the Senator from Louisiana with whom I have also spoken. I do hope that promptly they will take up this matter, because I do not think anybody in this Senate wants to adopt a bill that is going to result in small savers actually being worse off in 1984 than they are now. Yet, that is exactly the effect of this bill.

I thank my friend from Kansas. Again I commend the Senator from New York and the Senator from Florida for their leadership in this matter.

The PRESIDING OFFICER. Who yields time?

Mr. DOLE. Mr. President, is there any time remaining on the amendment?

The PRESIDING OFFICER. No matter is now pending. The time is being charged to the bill.

Mr. DOLE. Is the pending amendment the amendment of the Senator from Kansas?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. I ask unanimous consent that that be temporarily laid aside so the Senator from New Jersey may bring up an amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from New Jersey.

UP AMENDMENT NO. 317

Mr. BRADLEY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey (Mr. BRADLEY) proposes an unprinted amendment numbered 317.

Mr. BRADLEY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Add at the end of the bill the following amendment:

SECTION 1. The Internal Revenue Code of 1954 is amended by adding at the appropriate place the following new section:

§ 44F. Credit for Increased Saving

(a) GENERAL RULE.—In the case of an individual there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 20% of the net increase in savings (as defined in subsection (c)(1)) by such individual during the taxable year.

(b) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) shall not exceed the amount of the tax imposed by this chapter for the taxable year reduced by the sum of the credits allowable under a section of this subpart having a lower number or letter designation than this section other than credits allowable by sections 31, 39, and 43.

(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

(1) NET INCREASE IN SAVINGS.—The term "net increase in savings" means the excess of the amount determined in subparagraph (A) over the amount determined in subparagraph (B).

(A) The sum of

(i) the excess of the taxpayer's adjusted basis of investment in qualifying assets at the close of the taxpayer year over the adjusted basis of such investment at the close of the preceeding taxable year and

(ii) the decrease in indebtedness for the taxable year.

(B) The sum of

(i) the amount determined under paragraph (4) (relating to carryover from the prior taxable year) and

(ii) The increase in indebtedness for the taxable year.

(2) QUALIFYING ASSETS.—Qualifying assets means—

(A) Assets used by the taxpayer in a trade or business

(B) Real property and

(C) Intangible personal property held for investment.

(3) INCREASES IN INDEBTEDNESS FOR THE TAXABLE YEAR.—

(A) The term "increase in indebtedness" means the excess of all indebtedness of the taxpayer at the close of the taxable year over the amount of such indebtedness at the close of the preceding year.

(B) The term "decrease in indebtedness" means the excess of all indebtedness of the taxpayer at the close of the preceeding year over the amount of such indebtedness at the close of the taxable year.

(4) CARRYOVER FOR NET DECREASE IN SAVINGS.—If for any taxable year beginning after December 31, 1980, the amount determined under subparagraph (B) of subsection (c)

(1) exceeds the amount determined under subparagraph (A), such amount shall be carried forward and taken into account under clause (i) of such subparagraph (B) in the succeeding taxable year.

(d) DOLLAR LIMIT ON AMOUNT CREDITABLE.—The amount of the qualifying increase in net savings for the taxable year which may be taken into account under subsection (a) shall not exceed $2,000 ($4,000 in the case of a joint return under section 6013).

(e) SPECIAL RULES FOR GIFTS AND BEQUESTS.—

(1) In the case of the transferor—

(A) for purposes of subparagraph (c)(1)(A)(i) of the section the adjusted basis of investments in qualifying assets at the close of the preceeding taxable year shall be reduced by the adjusted basis of assets transferred by gift or bequest.

(B) For purposes of paragraph (c)(3) the amount of indebtedness at the close of the preceeding year shall be reduced by indebtedness assumed by the transferee of assets transferred by a gift or bequest or which such assets are subject to.

(2) In the case of the transferee—

(A) For purposes of subparagraph (c)(1)(A)(i) of this section the adjusted basis of investment in qualifying assets at the close of the taxable year shall be reduced by the adjusted basis (as determined under section 1014 or 1015) of assets received by gift or bequest during the taxable year.

(B) For purposes of paragraph (c)(3) the amount of indebtedness at the close of the taxable year shall not include any indebtedness assumed by the taxpayer in connection with assets received by gift or bequest or which such assets are subject to.

SEC. 2. EFFECTIVE DATE.—The amendment made by Section 1 shall be effective for taxable years beginning after December 31, 1981.

Mr. BRADLEY. Mr. President, this amendment is intended to stimulate saving and investment. It achieves its purpose by providing a 20-percent tax credit for net savings up to $2,000 for single taxpayers and $4,000 for joint returns.

A major goal of the current tax policy is to use tax cuts to stimulate individual savings. The administration asserts that a 25-percent across-the-board cut in marginal tax rates will raise savings sharply. But there is no hard evidence to suggest that taxpayers would, except perhaps temporarily, save much more than 5 to 8 percent of their disposable income. Indeed, since this is the proportion of their income that Americans have saved since 1950, the evidence strongly suugests that they will not increase savings above this level.

The problem with the so-called savings incentives we have adopted so far in the bill is that they reward people who borrow money or switch prior savings into tax-favored assets without doing any new saving.

If we are serious about increasing total national saving, not merely private saving, we must move toward a surplus in the Federal budget. The reason is that for each extra dollar the Government reduces its borrowing, a dollar more of lendable funds is available for private investment. In contrast, each extra dollar of Federal deficit drains a dollar from the private lending sector, while only a small part of the tax cut dollar received by individuals will be saved.

Mr. President, if we decide that we also want to use tax cuts to get people to save more, the best approach would be to give them a tax credit for their savings and let them decide how to invest it. This approach neither promotes consumption, as the across-the-board tax cuts do, nor distorts savings patterns by encouraging borrowing or substitution of one type of savings for another.

The savings amendment that I am proposing today is both fair and simple. It provides a credit for net savings, calculated on a cashflow method. It works as follows. Taxpayers would list on a separate schedule all their purchases of financial and business assets, their payments on the principal of a home mortgage, and their increases in bank and savings deposits during a year. All of those assets would be listed on one side of the ledger.

On the other side, they would deduct sales of financial or business assets, reductions in bank and savings deposits, and increases in borrowing. The difference between these two sets of figures is net savings.

Let me repeat that, Mr. President. Taxpayers would compute two schedules. One schedule would be a list of their purchases of financial and business assets, bonds, equipment, whatever. They would add to that their payments on the principal of a home mortgage, and increases in bank and savings deposits during the taxable year.

From that list of assets, the taxpayer would subtract sales of financial or business assets, such as bonds, equipment, and such like, reductions in bank and savings deposits and increases in borrowing. The difference between these two sets of figures is net savings.

Mr. President, as I said earlier in my remarks, the real fear is that across-the-board tax cuts will not stimulate savings, and the kind of savings incentives that we have in the bill will simply take one form of savings and convert it into another. Yet what we need to do is create new savings.

Under my amendment, taxpayers would get a 20-percent credit on this net saving. The credit is presently limited to $2,000, or $4,000 for joint returns. But I would hope to see this amount substantially increased in future years.

Although this provision's precise effect on savings cannot be estimated, it is likely to be significant.

For example, if 10 million people in the United States saved $1,000 more than they otherwise would, total saving would rise by $10 billion, an 11-percent increase in personal savings.

Today, total personal saving, as I have defined it, is about $95 billion. If you increased it by $10 billion simply by having 10 million people save $1,000 more, you would then have $105 billion of personal saving.

Mr. President, without the radical change my amendment embodies, I think we will be hard pressed to get investment to the level we need to rival our international competitors. At the same time, we must not let our zeal to promote savings distort investment decisions or interfere with the efficient working of the capital markets.

My amendment avoids these pitfalls. By rewarding only net saving, it is more likely to generate new investment than the other tax provisions that we have considered in this bill.

By not favoring one type of saving institution over another it does not interfere with the market allocation of capital nor does it shift investment out of productive activities into tax favored assets. Because increased capital formation is so important for our economic well being, I would urge my colleagues to support the amendment.

Again, I would draw my colleagues attention to the experience of our international competitors.

Let us make an assumption: That is, to the extent that income from investment is taxed, the incentive to invest will be somewhat eroded. Thus, it seems plausible to assume that different tax burdens on dividends, interest, and capital gains income have an effect on the decision to save.

I would call the Senate's attention to the relative personal saving and individual tax rates in the countries of our competitors in the international markets. For the period 1975–79 the French personal saving rate was about 17.2 percent of disposable income. The French individual tax burden on a dollar of investment income was about 7 cents.

For West Germany the saving rate was about 15 percent and the tax was roughly 11.8 cents on the dollar.

During this period, the Japanese had a personal savings rate of 21.5 percent, while the tax on $1 worth of investment income was a little over 14 cents.

Mr. President compare those figures with the United States where we have a personal savings rate of roughly 6 percent of disposable income and a tax of 33.5 cents on each $1 of investment. It is no wonder that savings are much lower in this country than in other countries in the world, particularly our competitors.

What this amendment says in summary is let us stimulate saving, but let us stimulate new saving. Let us not simply take money out of the commercial banks and put it into the savings and loans, or take it out of the savings and loans and put it into money markets, or take it out of investment in equities and put it in antiques. Let us create new savings and let us reward people who genuinely save.

Mr. President, this is a very important point. It is from new savings that the bulk of our investment will come to rebuild America. We do not now have the personal savings to finance the huge amount of investment in plant and equipment we are supposed to get from 10–5–3.

If we do not have the savings, it is possible the investment will not be made or if it is, that it will push up interest rates as investors compete for limited capital. There is no reason to continue tinkering around with savings incentives. We have to put a big carrot out there if we are serious about getting the American public to save more.

I happen to believe that it might take even more than carrots. Any time you can turn a television set on and see a $30,000 camper advertised for sale with nothing down, you have to pause and say, "Well, maybe this incentive will not be enough to transform U.S. 6-percent savers into Japanese 20- and 22-percent savers."

But at least it is a beginning, Mr. President. At least it recognizes that if you save, if you create new savings, that you get a 20-percent tax credit up to $2.000.

The concept of this amendment is not significantly different from the concept of the amendment offered by Senator SCHMITT in the debate on the all-savers certificate. What he said was he would provide a 15-percent credit for net interest.

Mr. President, what this says is that we provide a 20-percent credit for net savings, which is more inclusive than interest.

So, Mr. President, I offer the amendment in the belief that increased saving is important for America. I offer the amendment in the belief that you cannot give just a small incentive, as this bill does, nor can you give incentives to simply shift from one asset to another. You have to give a big incentive and it has to be for net saving.

That is what we have attempted to do in this amendment. I think it is completely consistent with the theory behind the administration bill. It is completely consistent with the amendment offered by Senator SCHMITT on the all-savers certificate. It argues strongly, and I argue strongly, that it is time we got serious about saving and about savings incentives; it is time we assured that there is capital out there for investment to rebuild America.

Mr. MATSUNAGA. Will the Senator yield for a question?

Mr. BRADLEY. I yield.

Mr. MATSUNAGA. Is the Senator proposing to supplement or amend the all-savers certificate provision?

Mr. BRADLEY. I am not seeking to amend the all-savers certificate. I am simply saying that in the Senate we should go on record approving a significant carrot for new savings. Let the conference decide—which, both, or if only one prevails.

I am not striking out anything we have done in the bill. I am simply adding to the bill another amendment that provides a significant incentive to stimulate saving.

Mr. MATSUNAGA. What revenue loss, if any, will there be by the adoption of the amendment of the Senator?

Mr. BRADLEY. We estimate that there would be a revenue loss of $3 billion if there is no new savings.

On the across-the-board cuts, the theory is that you will have an increase in investment and work activity and you will then have an increase in reveneue. I would argue that this would have a positive revenue effect. I would argue that if you get, as I suggested, 10 million Americans saving $1,000 more a year, you would have a significant revenue increase.

Mr. MATSUNAGA. I thank the Senator for his responses.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Does the Senator yield the floor?

Mr. BRADLEY. I reserve the remainder of my time. How much time have I remaining?

The PRESIDING OFFICER. The Senator has 1 minute, 26 seconds.

Mr. ROTH. Mr. President, I think we can all agree on the importance of saving to our economy.

I think we can all agree that it is important to provide incentives to the American people to save.

I can say what the Senator from New Jersey proposes is, at least in theory, a good idea. One of the problems is that there have been no hearings, no review of the proposal, and, for that reason, as well as for the others I will enumerate, I must oppose this proposal.

I have long supported the expanded use of IRA's for housing and education. In a sense, what we have here is an idea that is like a universal IRA, but it is a monumental expansion of the IRA idea, even though, essentially, it is the same concept.

As I said, this proposal has not been considered in committee. There have been no hearings upon it. Technically, it represents a critically difficult and complex provision. For example, a taxpayer would have to keep precise accounting of all—I emphasize the word "all"—of his investments, savings, purchases, debts, and sales, from his stocks and bonds to his car loan, then let the IRS audit this accounting. Every aspect—and I think this should be emphasized—of a taxpayer's financial life would have to be documented, exposed to the IRS, and defended. I believe that this is an impossible burden for the taxpayer as well as for the IRS. Rather than auditing a single form 1040, the IRS would, under this provision, have to audit—and, I might point out, the taxpayer compile—a complex account of all transactions during the year.

What is being proposed here is a credit for all increases in bases of all real property, including personal residence. I might point out that all principal payments on mortgages would qualify for the credit. As a matter of fact, home improvements not financed by borrowing would qualify for the credit. So we would find ourselves in the incongruous position that the building of a swimming pool or a recreation room would qualify for this credit. I do not think many of us seeking incentives to promote personal savings have this kind of improvement in mind.

In any event, Mr. President, as I said, this whole proposal is extraordinarily complex and it would be difficult, both for the individual taxpayer as well as the IRS, to administer the provision.

In closing, Mr. President, let me say I must oppose this amendment. I share in and agree with the goal and the objective, but I point out that we have a number of incentives built into this bill. While none of them goes as far as we would like, the Senate has passed a sense-of-the-Senate resolution limiting the revenue loss. According to the Joint Committee on Taxation, Mr. President, the revenue loss on this proposal would be very significant, as much as $5 billion to $10 billion a year. So, if we are going to keep within the limitations adopted by the Senate, it would mean that there would have to be an elimination or reduction in other proposals on which the Senate has already acted.

For these reasons, Mr. President—the complexity of the proposal and the potential revenue loss—I oppose this amendment. I yield back the floor.

Mr. BRADLEY. Will the Senator yield for one question?

Mr. ROTH. I would be happy to yield on the Senator's time.

Mr. BRADLEY. I only have 1 minute, Mr. President.

Mr. ROTH. I yield for a question, yes.

Mr. BRADLEY. Mr. President, the Senator has stood on the floor a number of times while I have been here and argued very strongly for the feedback effect of individual income tax cuts. I think he has argued in other forums as well for the feedback effect of reduction of taxes on investment income. Would not, in effect, this provide a real carrot for savings and if we increased savings, would we really have a revenue loss that the Joint Taxation Committee has suggested might be as high as $5 billion?

Mr. ROTH. The Senator is correct that I have come to the floor on many occasions to promote the concept of a reduction in the marginal rate of taxes. I am happy to see that the Senate has strongly endorsed that concept by approving a 25-percent, 3-year across-the-board tax cut.

As far as additional incentives for savings, I would say that I can think of a great number of ideas and concepts that I would like to propose or support. My problem here, Mr. President, is that we can only do so much and that we have a major tax bill that was developed in the Finance Committee and on the Senate floor. but unfortunately, we cannot keep adding to it.

Mr. President, I feel very strongly that the first step as far as individuals are concerned is to permit the working people to retain more of their hard earnings. That is the reason for the 25 percent across-the-board tax cut, plus indexing. We have added, as the Senator knows, a number of savings incentives which I think will have a beneficial impact.

Very frankly, Mr. President, if I thought we could afford to do more at this stage, I would be happy to add additional savings. But even if I were of the school of thought that we could do that today, I think, in adopting additional incentives to save, a principal goal must be simplification, both in understanding as far as the taxpayer is concerned and in its administration. As I said, one of my concerns about the proposal of the distinguished Senator from New Jersey is its complexity. I think the concept is worth exploring, worth investigating, Mr. President, but I think in doing so, we ought to do it in committee.

As I said, I find it, from the standpoint

of revenue loss and from the standpoint of complexity, unsatisfactory and for that reason, would oppose it.

I yield the floor, Mr. President.

Mr. BRADLEY. Mr. President, I appreciate the comments of the Senator from Delaware. I hope if this amendment does not prevail today, we can, in the committee process in the coming year, take a look at this proposal in greater depth. I urge my colleagues to act now and support this amendment, Mr. President, because in the bill as constituted, we have no certainty that we will be creating new savings. All we have is a reasonable probability that we shall be shifting savings from one kind of asset to another. The result will be not to increase the percent of every dollar that the American public saves.

I believe that the argument that this is too complex is somewhat ironic, given the fact that in the past 48 hours we have adopted at least five or six tax shelter amendments that clearly complicate the tax code infinitely more.

So I argue, finally, with respect to the fact that there have not been hearings on this matter, that there were no hearings on many of the other amendments we have added to this bill, not on the amendment by Senator SCHMITT which established the principle of net interest. This simply establishes the principle of net savings, of net new savings, from which we will get the investment to rebuild America.

So I argue that this amendment is the only amendment we will consider that guarantees any significant increase in personal saving. It is the only amendment we will consider that simply does not transfer savings from one asset to another. It is the only amendment we will consider that will give the American people a sufficient carrot to save more of their income.

Mr. President, I yield back the remainder of my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. Does the Senator from Delaware yield back the remainder of his time?

Mr. ROTH. I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from New Jersey. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from New Jersey (Mr. WILLIAMS) is necessarily absent.

The PRESIDING OFFICER (Mr. HAYAKAWA). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 15, nays 84, as follows:

[Rollcall Vote No. 232 Leg.]

YEAS—15

Biden	Hart	Matsunaga
Bradley	Hollings	Melcher
Cranston	Huddleston	Moynihan
DeConcini	Kennedy	Sarbanes
Dodd	Levin	Tsongas

NAYS—84

Abdnor	Garn	Nickles
Andrews	Glenn	Nunn
Armstrong	Goldwater	Packwood
Baker	Gorton	Pell
Baucus	Grassley	Percy
Bentsen	Hatch	Pressler
Boren	Hatfield	Proxmire
Boschwitz	Hawkins	Pryor
Bumpers	Hayakawa	Quayle
Burdick	Heflin	Randolph
Byrd, Harry F., Jr.	Heinz	Riegle
Byrd, Robert C.	Helms	Roth
Cannon	Humphrey	Rudman
Chafee	Inouye	Sasser
Chiles	Jackson	Schmitt
Cochran	Jepsen	Simpson
Cohen	Johnston	Specter
D'Amato	Kassebaum	Stafford
Danforth	Kasten	Stennis
Denton	Laxalt	Stevens
Dixon	Leahy	Symms
Dole	Long	Thurmond
Domenici	Lugar	Tower
Durenberger	Mathias	Wallop
Eagleton	Mattingly	Warner
East	McClure	Weicker
Exon	Metzenbaum	Zorinsky
Ford	Mitchell	
	Murkowski	

NOT VOTING—1

Williams

So Mr. BRADLEY's amendment (UP No. 317) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE addressed the Chair.

Mr. BAKER. Mr. President, will the Senator yield to me?

Mr. DOLE. I yield to the distinguished majority leader.

ORDER OF PROCEDURE THIS EVENING

Mr. BAKER. Mr. President, I thank the Senator for yielding to me. If we could have order in the Senate, I would like to try to describe the situation as I see it at this moment.

It looks like we are not going to be able to go out at an early hour tonight. I had thought for a while it might be possible to run to a fairly reasonable hour and then set a time certain tomorrow earlier than we originally planned to try to finish this bill. But, you know, even given a willingness to do that, and I believe both the majority and minority leaders were willing to consider that, if you take a look at the list of amendments, it simply is impractical.

There are five amendments remaining on this side of the aisle, there probably will be only three offered, maybe just two. But on the other side of the aisle, Mr. President, we have 22 amendments, according to my list. So even if we go until the 3 o'clock hour tomorrow, we are going to probably end up with what I called on the first day the final passage stampede because we will be hard put to dispose of 27 amendments in the time we have remaining.

So, Mr. President, I think we are going to have to remain in session tonight. I do not know how late we will go, I will consult with the distinguished minority leader and, of course, with the managers of the bill on both sides.

But I would urge Senators to consider that we will be in for some little while yet working our way through amendments. I have not totally abandoned the idea that we will finish tonight. But, based on what I have just told you, with 27 amendments remaining, it would appear more likely that we will work fairly late tonight and still not be able to finish it.

I felt constrained to advise Senators so that they can make appropriate plans.

Mr. DOLE. Mr. President, I hope, as one who has been here for some time, that we would get all these dogs out of the way tonight, and the horses, too. But we will just keep working our way down the list. I think most of them will fall by the wayside. We have got two coming up right now we have have an agreement on. We are still working with the distinguished minority leader on an amendment. I think we have worked one out for the Senator from Kentucky (Mr. HUDDLESTON). I have just been advised by the Senator from Delaware that he is willing to bring up an amendment any time we wish, so we are really making good progress.

I should think in a couple of hours we will have disposed of a number of amendments, if they have been cleared all the way around. We have one, as I say, now pending involving Senators BAUCUS and ROTH. We have one involving Senator DECONCINI and Senator ARMSTRONG, and they are prepared to take 5 minutes. So how many amendments are left?

Mr. BAKER. Twenty-seven.

Mr. DOLE. I have just taken care of seven.

Mr. METZENBAUM. May I point out to the Senator from Kansas that the horse amendment of Senator HUDDLESTON is still a matter of just how much it is going to cost, the way it is going.

Mr. DOLE. They are at the gate, in any event.

[Laughter.]

Mr. BAKER. Mr. President, in view of the remarks by the distinguished chairman of the committee and others, it is clear we are going to be in for a good while tonight just working our way through amendments. We will take another look at 8 o'clock and see how it is then. But I would advise Senators that we are here for a while tonight.

The PRESIDING OFFICER. The Senator from Kansas is recognized.

UP AMENDMENT NO. 318

Mr. DOLE. Mr. President, I send a number of technical amendments to the desk and ask for their immediate consideration. I ask unanimous consent that I may do so.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE) proposes an unprinted amendment numbered 318.

Mr. DOLE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 16, beginning with line 23, strike out all through page 17, line 2, and insert in lieu thereof the following:

(B) Paragraph (1) of section 3(a) (relating to imposition of tax table tax) is amended by inserting before the last sentence thereof the following new sentence: "The tables so prescribed may be based on tax table income or taxable income.".

On page 22, line 24, after "regulations" insert "prescribed".

On page 31, line 3, strike out "appropriate" and insert in lieu thereof "applicable".

On page 32, line 16, insert "applicable" before "period".

On page 34, line 2, insert "applicable" before "period".

Section 168(b)(2)(C) of the Internal Revenue Code of 1954, as added by section 201(a), is amended by striking out "low-income rental housing (within the meaning of section 167(k)(3)(B))" and inserting in lieu thereof "property described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B)".

On page 49, line 3, strike out "paragraph (1)" and insert in lieu thereof "subparagraph (A)".

On page 58, beginning with line 22, strike out all through page 59, line 4, and insert in lieu thereof the following:

"(E) CERTAIN LIQUIDATIONS.—For purposes of this paragraph, a person is not a related person to the taxpayer if such person is a distributing corporation in a complete or partial liquidation to which section 331 applies and the stock of such corporation with respect to which the distribution described in section 331 is being made was acquired by purchase by the taxpayer (or a person related to the taxpayer) after December 31, 1980.

On page 60, line 6, beginning with "the deduction", strike out all through page 60, line 9, and insert in lieu thereof the following: "the deduction allowable under subsection (a) shall be computed—

"(I) in the case of a transaction described in subparagraph (C), under rules similar to the rules described in section 381(c)(6); and

"(II) in the case of a transaction otherwise described in this paragraph, under the recovery period and method (including rates prescribed under subsection (b)(1)) used by the person from whom the taxpayer acquired such property (or, where such person had no recovery method and period for such property, under the recovery period and method (including rates prescribed under subsection (b)(1)) used by the person which transferred such property to such person).

On page 63, lines 9 through 11, strike out "(taking into account the last sentence of subsection (b)(2)(A))" and insert in lieu thereof "(taking into account the half-year convention)".

On page 64, strike out lines 9 through 14, and insert in lieu thereof the following:

"(II) assign percentages (taking into account the last sentence of subsection (b)(2)(A)) determined in accordance with use of the method of depreciation described in section 167(j)(1)(B), switching to the method described in section 167(b)(1) at a time to maximize the deduction allowable under subsection (a).

On page 65, in the matter following line 2, insert "present" before "class" each place it appears.

On page 65, beginning with line 4, strike out all through page 66, line 7, and insert in lieu thereof the following:

"(I) PERIOD ELECTED BY TAXPAYER.—Except as provided in subclause (II), the taxpayer may elect under clause (i) for any taxable year only a single recovery period (not less than the present class life) for recovery property described in this paragraph which is placed in service during such taxable year, which has the same present class life, and which is in the same class under subsection (c)(2).

"(II) REAL PROPERTY.—In the case of 15-year real property, the election under clause (i) shall be made on a property-by-property basis.

On page 67, lines 15 and 16, strike out "with regard to" and insert "taking into account".

On page 69, line 12, insert "the" after "amount of".

On page 70, strike out lines 4 through 9, and insert in lieu thereof the following:

"(7) SPECIAL RULE FOR ACQUISITIONS AND DISPOSITIONS IN NONRECOGNITION TRANSACTIONS.—Notwithstanding any other provision of this section, the deduction allowed under this section in the taxable year in which recovery property is acquired or disposed of in a transaction in which gain or loss is not recognized in whole or in part shall be determined in accordance with regulations prescribed by the Secretary.

On page 70, strike out lines 19 through 24, and insert in lieu thereof the following:

"(i) such agreement shall be treated as a lease entered into by the parties in the course of carrying on a trade or business, and

"(ii) the lessor shall be treated as the owner of the property."

On page 71, strike out lines 5 through 7, and insert in lieu thereof the following:

"(I) a corporation (other than an electing small business corporation within the meaning of section 1371 (b) or a personal holding company within the meaning of section 542 (a)),

On page 71, line 10, insert "or" after the end comma.

On page 71, between lines 10 and 11, insert the following:

"(III) a grantor trust with respect to which the grantor and all beneficiaries of the trust are described in subclause (I) or (II),

On page 71, strike out lines 20 through 22, and insert in lieu thereof the following:

"(iii) the term of the lease (including any extensions) does not exceed—

"(I) 90 percent of the useful life of such property for purposes of section 167, or

"(II) 150 percent of the present class life of such property."

On page 72, line 8, insert "or lessee" after "lessor".

On page 72, line 9, strike out "of ownership".

On page 72, line 17, strike out "or".

On page 72, line 19, strike out the end period and insert ", or".

On page 72, between lines 19 and 20, insert the following:

"(vi) subject to the provisions of subparagraph (G), the obligation of any person is subject to a contingency or an offset agreement."

On page 72, line 23, insert "(other than a qualified rehabilitated building within the meaning of section 48 (g) (1))" after "property".

On page 72, line 25, strike out "taxpayer" and insert "lessor".

On page 73, line 9, strike out "of the time the" and insert in lieu thereof "after such".

On page 73, between lines 16 and 17, insert the following new sentence flush with the margin of subparagraph (D):

In the case of property placed in service after December 31, 1980, and before the date of the enactment of this subparagraph, this subparagraph shall be applied by substituting 'the date of the enactment of this subparagraph' for 'such property was placed in service'.

On page 74, line 10, insert "or lessee" after "lessor".

On page 74, between lines 13 and 14, insert the following:

"(G) SPECIAL RULES FOR CONTINGENT PAYMENTS AND OFFSETS.—

"(i) IN GENERAL.—In the case of an agreement under subparagraph (A) which provides that the parties are obligated to make payments to each other, such agreement may provide that a party's obligation under the agreement is contingent upon, or may be satisfied by being offset (to the extent of the same amount) by, the payment by another party of such party's obligation.

"(ii) INCOME AND BASIS ADJUSTMENTS.—In the case of an agreement described in clause (i) to which this paragraph applies, for purposes of this subtitle—

"(I) the basis of the lessor in the qualified leased property shall include the amount of any obligation of the lessor which is contingent or offset, and

"(II) there shall be included in the gross income of the lessor (and allowed as a deduction to the other party) the amount, regardless of whether or not paid or received, the lessor is to receive under a schedule of payments under the agreement under subparagraph (A) under the obligation of another party which offsets the lessor's obligation."

On page 74, line 14, strike out "(G)" and insert in lieu thereof "(H)".

On page 74, in the matter between lines 14 and 15, strike out "47(e)" and insert in lieu thereof "47(d)".

On page 75, between lines 9 and 10, insert the following:

"(11) TRANSFEREE BOUND BY TRANSFEROR'S PERIOD AND METHOD IN CERTAIN CASES.—

"(A) IN GENERAL.—In the case of recovery property transferred in a transaction described in subparagraph (B), the transferee shall be treated as the transferor for purposes of computing the deduction allowable under subsection (a) with respect to so much of the basis in the hands of the transferee as does not exceed the adjusted basis in the hands of the transferor.

"(B) TRANSFERS COVERED.—The transactions described in this subpargraph are—

"(i) a transaction described in section 332 (other than a transaction with respect to which the basis is determined under section 334(b)(2), 351, 361, 371(a), 374(a), 721, or 731);

"(ii) an acquisition (other than described in clause (i)) from a related person (as defined in subparagraph (D) of subsection (e)(4)); and

"(iii) an acquisition followed by a leaseback to the person from whom the property is acquired.

"(C) PROPERTY REACQUIRED BY THE TAXPAYER.—Under regulations prescribed by the Secretary, recovery property which is disposed of and then reacquired by the taxpayer shall be treated for purposes of computing the deduction allowable under subsection (a) as if such property had not been disposed of.

"(D) EXCEPTION.—This paragraph shall not apply to any transaction to which subsection (e)(4) applies.

"(12) SPECIAL RULES FOR COOPERATIVES.—In the case of a cooperative organization described in section 1381(a), the Secretary may by regulations provide—

"(A) for allowing allocation units to make separate elections under this section with respect to recovery property, and

"(B) for the allocation of the deduction allowable under subsection (a) among allocation units."

On page 84, line 7, strike out "in lieu of the deduction" and insert in lieu thereof "be deemed to constitute the reasonable allowance".

On page 85, line 5, strike out "code" and insert in lieu thereof "Code".

On page 85, between lines 16 and 17, insert the following:

(e) CERTAIN DEPRECIATION CALCULATIONS.—Notwithstanding any other provision of law, the Secretary of Health and Human Services is not required (unless specifically required by law) to apply any provision of the Internal Revenue Code of 1954 in calculating deprecia-

tion for the purpose of determining any cost under a program administered by the Secretary.

On page 87, line 20, strike out "(5)" and insert in lieu thereof "(6)".

On page 90, beginning with line 11, strike out all through line 18 and the matter between lines 18 and 19 and insert in lieu thereof the following:

"(3) EXCEPTION FOR RECOVERY AND SECTION 179 PROPERTY.—

"(A) RECOVERY PROPERTY.—In the case of recovery property (within the meaning of section 168), the adjustment to earnings and profits for depreciation for any taxable year shall be the amount determined under the straight-line method (using a half year convention in the case of property other than the 15-year real property and without regard to salvage value) and using a recovery period determined in accordance with the following table:

"In the case of:	The applicable recovery period is:
3-year property	5 years.
5-year property	12 years.
10-year property	25 years.
15-year real property	35 years.
15-year public utility property	35 years.

For purposes of this subparagraph, no adjustment shall be allowed in the year of disposition (except with respect to 15-year real property), and rules similar to the rules under the last sentence of section 168(b)(2)(A) and section 168(b)(2)(B) shall apply.

"(B) Treatment of amounts deductible under 168 of such Code if—

(1) the applicable rate order expires by its terms without extension, and

(2) by the terms of its first rate order that becomes effective after the date of enactment of this joint resolution, such regulated public utility uses a normalization method of accounting with respect to the recovery deduction allowed by this section.

This provision shall not apply to any rate order which, under the rules in effect before the date of the enactment of section 168 of such Code, required a regulated public utility to use a method of accounting with respect to the deduction allowable by section 167 of such Code which under section 167(1) of such Code it was not permitted to use.

On page 100, line 2, strike out "to which section 465 applies" and insert "with respect to which any loss is subject to limitation under section 465".

On page 101, line 13, strike out "subparagraph (A), (B), or (C)" and insert in lieu thereof "clause (i), (ii), or (iii) of subparagraph (A) or subparagraph (B)".

On page 101, line 15, strike out the end period and insert in lieu thereof a comma.

On page 101, line 21, strike out "and".

On page 102, line 2, strike out the end period and insert ", and".

On page 102, between lines 2 and 3, insert the following:

"(v) which is not a person from which the taxpayer acquired the property described in subparagraph (A) or a related person to such person.

On page 104, line 5, after "transfers" insert "not".

On page 107, between lines 19 and 20, insert the following:

(3) CONFORMING AMENDMENT.—Section 48(o) (defining certain credits) is amended by adding at the end thereof the following new paragraph:

"(8) REHABILITATION INVESTMENT CREDIT.—The term 'rehabilitation investment credit' means that portion of the credit allowable by section 38 which is attributable to the rehabilitation percentage.".

On page 127, line 17, insert "any" before "Federal".

On page 130, lines 22 and 23, strike out "with the taxpayer".

On page 136, line 14, "beginning with and after the first taxable year" after "taxable years".

On page 141, lines 4 and 5, strike out "of the Internal Revenue Code of 1954".

On page 146, line 13, insert "of paragraph (1)" after "(A)".

On page 146, line 16, insert "of paragraph (1)" after "(B)".

On page 146, line 19, insert "of paragraph (1)" after "(C)".

On page 146, line 22, insert "of paragraph (1)" after "(D)".

On page 149, between lines 20 and 21, insert the following:

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On page 153, line 10, insert "(c)" before "(6)".

Paragraph (2) of section 128(b) of the Internal Revenue Code of 1954, as added by section 301(a), is amended by inserting "by each spouse" after "received".

Subparagraph (A) of section 128(d)(1) and section 128(e)(2) of the Internal Revenue Code of 1954, as added by section 301(a), are each amended by inserting "savings" after "tax-exempt".

Subparagraph (B) of section 128(b)(1) of the Internal Revenue Code of 1954, as amended by section 302, is amended by inserting "(less the amount of any deduction under section 62(12))" after "such taxable year".

Subparagraph (B) of section 128(c)(1) of the Internal Revenue Code of 1954, as amended by section 302(a), is amended to read as follows:

"(B) amounts (whether or not designated as interest) paid, in respect to deposits, investment certificates, or withdrawable or repurchasable shares, by—

"(i) an institution which is—

"(I) a mutual savings banks, cooperative bank, domestic building and loan association, or credit union, or

"(II) any other savings or thrift institution which is chartered and supervised under Federal or State law,

the deposits or accounts in which are insured under Federal or State law or which are protected and guaranteed under State law, or

"(ii) an industrial loan association or bank chartered and supervised under Federal or State law in a manner similar to a savings and loan institution,

Subsection (b) of section 302 of the joint resolution is amended to read as follows:

(b) REPEAL OF PARTIAL EXCLUSION OF INTEREST.—

(1) IN GENERAL.—Subsection (c) of section 404 of the Crude Oil Windfall Profit Tax Act of 1980 is amended by striking out "1983" and inserting in lieu thereof "1982".

(2) CONFORMING AMENDMENT.—Section 116(a) (relating to partial exclusion of dividends) is amended to read as follows:

"(a) EXCLUSION FROM INCOME.—

"(1) IN GENERAL.—Gross income does not include amounts received by an individual as dividends from domestic corporations.

"(2) MAXIMUM DOLLAR AMOUNT.—The aggregate amount excluded under subsection (a) for any taxable year shall not exceed $100 ($200 in the case of a joint return under section 6013).

Section 302 of the joint resolution is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for part III of subchapter B of chapter 1, as amended by section 301(b)(1), is amended by striking out the item relating to section 128 and inserting in lieu thereof the following new item:

"Sec. 128. Partial exclusion of interest.".

(2) Section 265 (relating to expenses and interest relating to tax-exempt income), as amended by section 301(b), is amended by striking out "or to purchase or carry any certificate to the extent the interest on such certificate is excludable under section 128" and insert in lieu thereof "or to purchase or carry obligations or shares, or to make other deposits of investments, the interest on which is described in section 128(c)(1) to the extent such interest is excludable from gross income under section 128".

(3) Section 46(c)(8) (relating to limitation to amount at risk) is amended by striking out "clause (i), (ii), or (iii) of subparagraph (A) of subparagraph (B) of section 128(c)(2)" and inserting in lieu thereof "subparagraph (A) or (B) of section 128(c)(1)".

Section 302(d) of the joint resolution, as redesignated by the preceding amendment, is amended to read as follows:

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by subsections (a) and (c) shall apply to taxable years beginning after December 31, 1983.

(2) DIVIDEND EXCLUSION.—The amendment made by subsection (b)(2) shall apply to taxable years beginning after December 31, 1981.

On page 180, line 9, strike out "any" and insert "a".

On page 180, line 18, insert "lesser of $2,000 or the" after "the".

On page 182, line 23, after "plan" insert "which elects to allow an employee to make contributions which may be treated as qualified voluntary employee contributions under this section".

On page 184, strike out line 1 and insert in lieu thereof "after the last date on which such designation or notification may be made, shall".

On page 184, line 12, strike out "any" and insert in lieu thereof "a".

On page 185, lines 23 and 24, strike out "retirement" and insert in lieu thereof "voluntary".

On page 186, line 20, strike out "after the application of subsection (b), (c), or (d)"

On page 190, line 6, after "is" insert "not".

On page 190, strike out lines 13 through 16, and insert in lieu thereof "includible in gross income. For purposes of this title, any tax imposed by this".

On page 190, line 25, strike out "a plan" and insert in lieu thereof "an employee".

On page 191, line 10, strike out "the" and insert in lieu thereof "such accumulated".

On page 191, strike out lines 20 and 21, and insert in lieu thereof "made after December 31, 1981, in a taxable year beginning after such date and allowable as a deduction under section 219(a) for such taxable year.".

On page 192, lines 1 and 2, strike out "taken into account under section 219".

On page 192, line 3, strike out "net" and insert in lieu thereof "income and".

On page 192, line 6, strike out "net loss" and insert in lieu thereof "loss and expense".

On page 192, line 14, strike out the end quotation marks and the end period.

On page 192, between lines 14 and 15, insert the following:

"(6) ORDERING RULES.—Unless the plan specifies otherwise, any distribution from such plan shall not be treated as being made from the accumulated deductible employee contributions until all other amounts to the credit of the employee have been distributed.".

On page 192, beginning with line 15, strike out all through page 193, line 2, and insert in lieu thereof the following:

(2) 10-YEAR AVERAGING AND CAPITAL GAINS NOT TO APPLY.—Subparagraph (A) of section

402(e)(4) (defining lump sum distribution) is amended by adding at the end thereof the following new sentence: "For purposes of this section and section 403, the balance to the credit of the employee does not include the accumulated deductible employee contributions under the plan (within the meaning of section 72 (o) (5))."

On page 193, lines 18 and 19, strike out "distributions" and insert in lieu thereof "a distribution".

On page 194, strike out lines 13 through 19, and insert in lieu thereof the following:

(2) UNREALIZED APPRECIATION OF EMPLOYER SECURITIES.—

(A) Paragraph (1) of section 402(a) (relating to taxability of beneficiary of exempt trust) is amended by striking out in the second sentence thereof "by the employee" and inserting in lieu thereof "by the employee (other than deductible employee contributions within the meaning of section 72 (o)(5))."

(9) Subparagraph (J) of section 402(e) (relating to tax on lump sum distributions) is amended by adding at the end thereof the following new sentence: "This subparagraph shall not apply to distributions of accumulated deductible employee contributions (within the meaning of section 72(o)(5))."

On page 194, line 25, and page 195, line 1, strike out "as determined under" and insert in lieu thereof "within the meaning of".

On page 195, lines 1 and 2, strike out "as of the date of the decedent's death".

On page 195, lines 8 and 9, strike out "as determined under" and insert in lieu thereof "within the meaning of".

On page 195, lines 9 and 10, strike out "as of the date of the transfer".

On page 197, line 3, strike out "distribution" and insert "contribution".

On page 197, line 14 insert "described in section 408 (k)" after "pension".

On page 197, line 16, strike out "account,".

On page 198, line 12, insert "allowable as a deduction under section 219(a)" after "pension,".

On page 198, line 13, insert "(within the meaning of section 72(o)(5))" after "contributions".

On page 200, between lines 24 and 25, insert the following:

(i) ROLLOVERS UNDER BOND PURCHASE PLANS.—

(1) GENERAL RULE.—Subsection (d) of section 405 (relating to taxability of beneficiary of qualified bond purchase plan) is amended by adding at the end thereof the following new paragraph:

"(3) ROLLOVER INTO AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY.—

"(A) IN GENERAL.—If—

"(i) any qualified bond is redeemed,

"(ii) any portion of the excess of the proceeds from such redemption over the basis of such bond is transferred to an individual retirement plan which is maintained for the benefit of the individual redeeming such bond, and

"(iii) such transfer is made on or before the 60th day after the day on which the individual received the proceeds of such redemption,

then, gross income shall not include the proceeds to the extent so transferred and the transfer shall be treated as a rollover contribution described in section 408(d)(3).

"(B) QUALIFIED BOND.—For purposes of this paragraph, the term 'qualified bond' means any bond described in subsection (b) which is distributed under a qualified bond purchase plan or from a trust described in section 401(a) which is exempt from tax under section 501(a)."

(2) TECHNICAL AMENDMENTS.—

(A) The second sentence of paragraph (1) of section 405(d) is amended by striking out "the proceeds" and inserting "except as provided in paragraph (3), the proceeds".

(B) Sections 219(d)(1), 408(a)(1), and 4973(b)(1)(A) are each amended by inserting "405(d)(3)," after "403(b)(8),".

(C) Subsection (e) of section 2039 is amended by inserting "405(d)(3)," after "a contract described in subsection (c)(3)),".

On page 200, line 25, strike out "(i)" and insert in lieu theerof "(j)".

On page 201, between lines 21 and 22, insert the following:

(6) BOND PURCHASE PLANS.—The amendments made by subsection (i) shall apply to redemptions after the date of the enactment of this joint resolution in taxable years ending after such date.

On page 201, line 22, strike out "OWNER-EMPLOYEE" and insert in lieu thereof "SELF-EMPLOYED INDIVIDUAL'S".

On page 203, lines 11 and 12, strike out "the plan" and insert in lieu thereof "a simplified employee pension".

On page 203, line 12, strike out "such plan" and insert in lieu thereof "the simplified employee pension".

On page 204, strike out lines 20 through 24, and insert in lieu thereof the following:

(1) by adding at the end of paragraph (6) the following new sentence: "For purposes of this subsection (other than paragraph (5)), the term 'owner-employee' includes an employee described in section 401(c)(1).", and

On page 208, line 6, insert "of corporations" after "controlled group".

On page 208, line 12, insert "of corporations" after "controlled group".

On page 216, line 22, strike out "claim" and insert in lieu thereof "claimed".

On page 223, line 24, strike out "either".

On page 233, line 13, strike out the comma.

On page 233, line 20, strike out "such gift" and insert in lieu thereof "a gift resulting from the exercise of such power of appointment".

On page 236, strike out lines 13 through 23, and insert in lieu thereof the following:

"(A) within the period beginning on the date of the decedent's death and ending on the later of the date which is 10 years after—

"(i) the date of the decedent's death, or

"(ii) the date occurring within 1 year of the decedent's death on which the qualified heir commences using the qualified real property which was acquired (or passed) from the decedent for the qualified use,

On page 238, line 1, strike out "the 10-year period under" and insert in lieu thereof ", the period described in".

On page 243, line 22, insert "annual" after "average".

On page 244, line 8, insert "cash" after "gross".

On page 244, line 9, insert "annual" after "average".

On page 244, line 12, insert "annual" after "average" both places it appears.

Section 409 of the joint resolution is amended to read as follows:

SEC. 409. INCREASE IN SPECIAL USE VALUATION LIMIT TO $600,000.

(a) INCREASE.—Paragraph (2) of section 2032A(a) (relating to limitation) is amended by striking out "$500,000" and inserting in lieu thereof "$600,000".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to estates of decedents dying after December 31, 1981.

On page 261, between lines 22 and 23, insert the following:

"(C) SPECIAL RULE FOR IDENTIFIED STRADDLES.—In the case of any position which is not part of an identified straddle (within the meaning of subsection (a)(3)(B)), such position shall not be treated as offsetting with respect to any position which is part of an identified straddle.

On page 265, line 14, strike out "not elected" and insert in lieu thereof "elected not".

On page 271, strike out lines 3 through 10, and insert in lieu thereof the following:

"(1) ELECTION.—The taxpayer may elect to have this section not to apply to all regulated futures contracts which are part of all mixed straddles.

On page 273, line 6, insert "or for" after "by".

On page 273, beginning with line 8, strike out all through page 274, line 14, and insert in lieu thereof the following:

"(B) SYNDICATE DEFINED.—For purposes of subparagraph (A), the term 'syndicate' means any partnership or other entity (other than a corporation which is not an electing small business corporation within the meaning of section 1371(b)) if more than 35 percent of the losses of such entity during the taxable year are allocable to limited partners or limited entrepreneurs (within the meaning of section 464(e)(2)).

"(C) HOLDINGS ATTRIBUTABLE TO ACTIVE MANAGEMENT.—For purposes of subparagraph (B), an interest in an entity shall not be treated as held by a limited partner or a limited entrepreneur (within the meaning of section 464(e)(2))—

"(i) for any period if during such period such interest is held by an individual who actively participates at all times during such period in the management of such entity,

"(ii) for any period if during such period such interest is held by the spouse, children, grandchildren, and parents of an individual who actively participates at all times during such period in the management of such entity,

"(iii) if such interest is held by an individual who actively participated in the management of such entity for a period of not less than 5 years,

"(iv) if such interest is held by the estate of an individual who actively participated in the management of such entity or is held by the estate of an individual if with respect to such individual such interest was at any time described in clause (ii), and

"(v) if the Secretary determines that such interest should be treated as held by an individual who actively participates in the management of such entity, and that such entity and such interest are not used (or to be used) for tax-avoidance purposes.

For purposes of this subparagraph, a legally adopted child of an individual shall be treated as a child of such individual by blood.

On page 274, between lines 14 and 15, insert the following:

"(4) SPECIAL RULE FOR BANKS.—In the case of a bank (as defined in section 581), subparagraph (A) of paragraph (2) shall be applied without regard to clause (i) or (ii) thereof.

On page 274, line 21, after "time" insert "personal property (as defined in section 1092 (d)(1))".

On page 279, line 11 through 13, strike out "Such term includes any position treated as a regulated futures contract under section 1256(d)(1).".

Section 509(a)(4) of the joint resolution is amended by adding at the end thereof the following new subparagraph:

(C) If an election is made under this subsection, interest shall be imposed under rules similar to the rules under section 6601(h) of the Internal Revenue Code of 1954.

Section 706 of the joint resolution is amended to read as follows:

SEC. 706. INDIVIDUALS ELIGIBLE FOR EARNED INCOME CREDIT.—

(a) IN GENERAL.—Paragraph (1) of section 43(c) (defining eligible individual) is amended by inserting "who, on the last day of the taxable year, is a citizen of the United States or an alien individual who has been admitted to the United States as a permanent resident, and" after "means an individual",

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1981.

Mr. DOLE. Mr. President, let me assure all Senators that they are technical in nature. They have been approved by the distinguished Senator from Louisiana (Mr. LONG) and by the Senator from Ohio; is that correct, Senator METZENBAUM? I ask unanimous consent that all of these technical amendments be considered even though they may touch the bill in places that have already been amended.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I know of no reason to debate the amendments.

I yield back my time. The Senator from Louisiana has no problem with the technical amendments?

Mr. LONG. No problem.

Mr. METZENBAUM. Mr. President, will the Senator yield for just one question? Would the Senator be good enough to represent for the RECORD that which I know has already been represented to me privately, that these, indeed, are technical amendments and include no substantive changes.

Mr. DOLE. The Senator is correct. I have been assured of that by the Joint Tax Committee. The answer is, "Yes."

Mr. METZENBAUM. I thank the Senator.

The PRESIDING OFFICER. Do the Senators yield back their time?

Mr. DOLE. Yes.

The PRESIDING OFFICER. All time is yielded back, the question is on agreeing to the amendment of the Senator from Kansas.

(Putting the question.)

The amendment (UP No. 318) was agreed to.

Mr. DOLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. ROTH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, the pending amendment is the amendment of the Senator from Kansas?

The PRESIDING OFFICER. The Senator is correct.

Mr. DOLE. Mr. President, I ask unanimous consent that that be temporarily laid aside so that we may now consider the amendment of the Senator from Delaware and the Senator from Montana, followed by the amendment of the Senator from Arizona and the Senator from Colorado.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 319

(Purpose: To restore declining balance rate on structures to 175 percent on a phased-in basis)

Mr. ROTH. Mr. President, I send an amendment to the desk on behalf of Senator BAUCUS and myself and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH), for himself and Mr. BAUCUS, proposes an unprinted amendment numbered 319.

Mr. ROTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 47, substitute a comma for the period at the end of line 11 and after line 11 insert the following new clause (iii):

"(iii) In applying the method of depreciation described in section 167(b)(2)—

"(I) the rate shall be 150 percent of the straight-line rate in the case of nonresidential real property placed in service prior to 1985,

"(II) the rate shall be 175 percent of the straight-line rate in the case of nonresidential real property placed in service in 1985, 1986, 1987, 1988, 1989 and 1990, and

"(III) the rate shall be 150 percent of the straight-line rate in the case of nonresidential real property placed in service after 1990."

Mr. ROTH. Mr. President, this amendment would simply restore a portion of the accelerated depreciation schedule for buildings that was deleted from the Finance Committee bill last week.

Under this amendment, nonresidential real property in the 15-year cost recovery class may be depreciated at declining balance rates of up to 175 percent of the straight-line method beginning in 1985, and continuing through 1990. In 1991 the rate would drop back to 150 percent. This is the year in which taxpayers will be permitted to expense construction period interest payments and taxes on nonresidential structures.

Since the changes contained in this amendment do not take effect until 1985, there is no revenue differential between it and the Finance Committee bill for the period 1981 through 1984. The Joint Tax Committee estimates the revenue loss in fiscal year 1985 to be $106 million and $238 million in fiscal year 1986. This is the revenue loss differential between this amendment and the committee bill as it currently stands.

Mr. President, the original bill that was reported by the Finance Committee would have permitted all real property to be depreciated over a 15-year period at rates based on the 200-percent declining balance method, that is, a rate equivalent to 200 percent of the straight-line method.

Under present law, buildings are depreciated over a range of 40 to 60 years. According to the Treasury Department, the average lives claimed by taxpayers for new buildings range from 32 years for apartment buildings to 43 years for bank buildings. The shorter average range reflects the use of the component method of depreciation under which a taxpayer allocates the cost of a building to its component parts such as the plumbing, heating and wiring systems. Different depreciation periods are then assigned to each component.

Currently, new commercial real estate may be depreciated at declining balance rates of up to 150 of the straight-line method. New residential real property may be depreciated at rates up to 200 percent.

The beauty of the Finance Committee bill is its simplicity. It would place all real property into one cost recovery category of 15 years. The original bill would have allowed all real property to be depreciated using the 200-percent declining balance method. This is what the original bill would have done.

However, last week, the distinguished chairman of the Finance Committee was forced, due to budgetary pressures, to offer an amendment to the bill which reduced the depreciation benefits for buildings. The chairman's amendment cut back the recovery rate from 200 percent to a 150 declining balance rate.

I understand the chairman's motives for offering this amendment. He simply had no choice following the adoption of the Packwood-Moynihan amendment on charitable deductions and the Weicker-Durenberger-Nunn amendment on small business. He could have either allowed the bill to break the bank or cut back in some other area in order to bring it back into balance. He had to cut back.

I believe my amendment is a reasonable compromise between the need to balance the budget by 1984 and the need to provide incentives in the bill to increase productivity and industrial growth.

My amendment would restore some of the bill's original recovery rates for nonresidential buildings beginning in 1985. It would have no revenue effect before that time.

It would place nonresidential real property depreciation on a phase-in track similar to that of equipment depreciation. Under the bill equipment may be depreciated under the 150 declining method. This increases to 175 in 1985 and to 200 percent in 1986.

I realize that even without my amendment the depreciation benefits afforded real property under the finance bill are far superior than under current law. But the purpose of this tax bill is to provide the greatest possible incentives to our Nation's businesses to enable them to increase their productivity and create new jobs for our youth and unemployed. Other provisions of the bill are aimed at reducing the individual tax burden and encouraging increased individual savings.

Clearly, the business side of this measure must provide the incentives to create investment capital without which our economy will continue to stagnate.

The accelerated cost recovery system proposed by the administration on June 9—and reported by the Finance Committee—provided two writeoff options for buildings used in manufacturing, wholesaling, and retailing. The first option provided for a 15-year depreciation period using the 200 percent declining balance writeoff method, subject to full section 1245 recapture, which means that all depreciation which a taxpayer has claimed and deducted is taxed at ordinary income rates in the year a building is sold.

Under a second option in the bill, taxpayers could elect a 15-year, straight-line writeoff method, also over a 15-year period, subject to section 1250 recapture rules—which means that no depreciation

claimed is subject to recapture when a building is sold.

My amendment is designed to provide for active users of buildings the same kind of investment incentive which ACRS provides for equipment and vehicles. But to understand why my amendment is necessary, it is important to understand the difference between active and passive users of buildings and their respective business objectives.

Active users of buildings who produce or distribute goods and are primarily benefited by accelerated depreciation rather than by freedom from "recapture." The manufacturers, wholesalers, and retailers for whom the 200 percent declining balance method was designed plan to own and do business in their buildings indefinitely.

This is especially true of retailing, where buildings are the primary form of equipment. Retailers can no more expect to do business without buildings than a newspaper can expect to do business without electronic or mechanical printing presses, or a steel company can expect to make steel without furnaces.

It is impossible to overstate the equivalent economic benefits which are produced by retail buildings on the one hand and manufacturing equipment on the other. Increased capital investment in more efficient retail structures, which lowers the distribution cost of a product, will stimulate demand and economic growth in exactly the same way as will increased capital investment in more efficient machinery in the manufacturing sector. Because retailing is highly competitive, lower costs achieved through efficiency result in lower prices to consumers.

An efficient distribution system creates a market and exerts a strong pullthrough effect on manufacturing. Without efficient distribution, there could be no mass production or mass consumption. Conversely, an inefficient distribution system has a dampening effect, by increasing costs and impeding product flows that may more than offset incentives granted to the manufacturing sector. The full benefits of capital cost recovery will not be realized if products manufactured at lower cost as a result of enactment of ACRS cannot be delivered and marketed to consumers in the most efficient possible manner.

The second building depreciation option which would be available under the ACRS system is intended to benefit passive investors and syndicators who own buildings simply as investments which may appreciate in value.

For active building users such as retailers, rapid depreciation is the important spur to productive investment. For passive building users, the most important aspect of ACRS is freedom from recapture—or the ability to convert ordinary income—now taxed at up to 70 percent—into capital gains—now taxed at no more than 28 percent.

Full recapture of depreciation under the accelerated writeoff method is essential and integral to the 200 percent declining balance method. Full recapture applies to the depreciation claimed on all equipment and all vehicles. Full recapture is an appropriate tradeoff for fast and highly accelerated depreciation. Moreover, with regard to buildings, full recapture is frankly and explicitly intended to discourage speculative investment by passive users in the kinds of real estate to which it applies. My amendment is designed to give back to active building users the incentive of rapid depreciation—the same incentive which ACRS provides for equipment and vehicles.

Specifically, under my amendment, between 1981 and 1984, business buildings, other than residential rental property, would qualify for a 15-year writeoff period using the 150 percent declining balance method of depreciation, switching to straight line. Similarly, equipment placed in service from 1981 through 1984 would be depreciated over a 5-year period also using the 150 percent declining balance method of depreciation switching to straight line. In 1985, under my amendment, acceleration on both buildings and equipment would be increased from 150 to 175 percent.

It is important to note that we are not proposing to provide precisely the same tax treatment for buildings and equipment. The writeoff period for buildings under any proposed method of acceleration would be 15 years, while the writeoff period for equipment would be 5 years. In addition, except for rehabilitation costs, no buildings would qualify for an investment tax credit. By contrast, virtually all equipment would qualify for a 10-percent investment tax credit.

Most important, for the calendar years 1981 through 1984, this amendment would entail no additional revenue loss. In 1985, the additional revenue cost would be $106 million.

Buildings used by manufacturers, wholesalers, and retailers are an integral part of the central economic system of this Nation. For precisely this reason, we should provide at least comparable—if not precisely equivalent—tax treatment for active and productive buildings, as we are contemplating providing for equipment and vehicles. My amendment, by phasing in more rapid depreciation, will accomplish this end.

At this time, I am happy to yield to the distinguished Senator from Montana.

The PRESIDING OFFICER. The Senator from Montana.

Mr. BAUCUS. Mr. President, I first wish to thank the Senator from Delaware (Mr. ROTH) for his tireless efforts in working for this amendment. In the last couple of weeks, there have been many different approaches to solving this problem. Of course, also, the Senator from Pennsylvania (Mr. HEINZ) is also to be commended, but particularly the Senator from Delaware I think is to be commended for his help here.

There is no question that we in this tax bill are helping to increase productivity generally, and more particularly we are trying to provide the incentives for a manufacturing productivity increase, an area that deserves and needs specific help in our Nation's economy.

But, in addition to manufacturing, we also need to provide the stimulus for promoting the greater efficiency in commercial and retail structures.

Commercial real estate plays a vital role in creating new jobs and promoting greater efficiency in the use of capital resources. To build new efficient commercial structures and to renovate and retrofit old commercial structures is, in my judgment, one of the most significant things we can do to improve America's economy.

America is moving, increasingly, into a postindustrial age where the service sector we are providing is one of our most significant worldwide economic assets. This is one of the most viable parts of our economy, and we cannot forget it when we work to expand greater investment in the private sector.

To increase the accelerated depreciation to 175 percent is a small step toward achieving greater investment—productive investment—in our Nation's economy.

This amendment helps our country move in that area and helps our country move, I think, at a pace that is going to be needed in future years.

To give you an idea of how significant retailing is becoming to areas remote as Montana, I will ask to have printed in the RECORD an article which appeared in a recent edition of the Wall Street Journal. This article details at length the burgeoning retail market in Billings, Mont. It is my considered judgment that this kind of activity could occur throughout the country with the proper type of tax incentive. The Roth-Baucus amendment, if enacted, should provide the minimum incentive needed to achieve greater productivity in the commercial structure field. Indeed, it is my hope that my colleagues can see their way to expanding the depreciation level to 200 percent.

I ask unanimous consent to have the article from the Wall Street Journal printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BILLINGS PROSPERS FROM BOOM AND AVOIDS MOST SIDE-EFFECTS

(By William E. Blundell)

No place is reaping more benefits from rapid energy development, at less cost, than Billings, Mont. Spreading out under the rimrock by the Yellowstone River, it has managed to become a prosperous boom town—without having to put up with any of the noise, mess and crowding of a boom.

The Magic City, as it's called, used to be a farm center and cow town where a man could let off steam. Those who did often regretted it after a visit to the doctor or an encounter with Ollie Warren, madam at the Lucky Diamond; she had the alarming habit of poking her head out the window upon spotting clients in the street and bellowing: "Hello, you old -----. When you comin' up again?" An Army medical officer once declared that 12 hours in town was enough to ruin any recruit for duty.

The town cleaned up prostitution, but it is still very much in the service business. Though it has no energy development of its own, it is getting filthy rich on those who do, selling everything from nose jobs to designer jeans to the people in remote towns gripped by oil and coal development. Mike Skaggs, economic development director for the chamber of commerce, says cheerfully:

"We get the money, and the small towns get the impact."

In the past decade Billings has grown from 69,000 to nearly 100,000 people. It is the largest town in thinly populated Montana and the unquestioned trade and services hub of the Big Empty, the tens of thousands of square miles of prairie and tableland that stretch from the Dakotas to the Rockies, from Canada deep into Wyoming. This stretch is Billings' natural trade area, perhaps the biggest any U.S. city can claim.

The tiny, once-depressed towns scattered over it are full of energy money. To the east, a roaring oil boom is under way in the Williston Basin, and all around Billings are the richest coal seams in a state that is the Saudi Arabia of coal. Production in the trade area has risen from 2.5 million tons in 1970 to about 38 million tons last year, and is expected to more than double by 1990.

That means even more cash funneling into Billings. A strip miner or oil roustabout 200 miles from town may make $25,000 to $40,000 a year but can't dispose of it locally. Entertainment in such places may amount to watching a clerk stock the shelves at the K mart, or drinking too many beers at the only bar in town. If a boomer wants a pair of Calvin Kleins, a decent restaurant meal, or a chance to see a first-run movie, he has to go to Billings. And he does. Some fly in from Canada or Wyoming for shopping sprees, others drive in by the thousands. The influx is expected to push retail sales in the Billings area to almost $720 million this year, compared with $332 million in 1975.

If a customer can't get to Billings, the town goes to him. Every Monday morning, hundreds of traveling salesmen for more than 350 wholesale houses in town drive off for a week of peddling in the remote reaches of the trade area. They rack up well over $1 billion in sales yearly, accounting for about a third of all the wholesale trade in the state.

Locked into the energy boom, the town seems almost immune to the economic cycle outside its market zone. Recessions pass by almost unnoticed. The unemployment rate is about 4.5 percent year after year. Attractive three- or four-bedroom homes can be had for under $100,000 and a ride on a new diesel bus cost 35 cents. "We're an island of prosperity in a sea of despair," says a merchant.

It's an island with a grotesquely lopsided economy. Few people in Billings actually make anything; of some 57,000 jobs, less than 10 percent are in manufacturing. Everyone else sells, services or just pushes paper. This imbalance worries some. "There are just an awful lot of people here taking in each other's laundry," says Ray Hart, president of Hart-Albin Co., Billings' major department store. "There is too much retail space being added, and there's been an actual reduction in manufacturing jobs."

It's also true that the energy-inspired prosperity may have hurt city government as much as helped it. Montana has no sales tax, which towns elsewhere depend on heavily, so Billings must lean on local property taxes. But assessment and collection lag far behind inflation and the costs for services needed by new residents and visitors. Last year Billings had to eliminate 55 of its 740 jobs.

To most, however, these are but tiny clouds on a bright horizon; within its economy Billings offers practically everthing a plainsman could want. Is he flush? Nearly a dozen brokerage firms vie for his trade where only three operated before. Is he sick? With some 200 physicians in every major speciality and most minor ones, and two huge hospitals employing 1,800 people, the Magic City makes sure it's the place he goes to. (Some fraying film stars go too; a lift here and a tuck there from the city's well-regarded plastic surgeons and the star can resurface in Beverly Hills with no one the wiser.)

Always a refining center, the town is regaining white-collar oil jobs it lost in the 1960s when an earlier boom in the Williston Basin fizzled. Also, some miners and construction workers working 100 miles away choose to live in Billings—so the town enjoys their property taxes and payrolls without having an ugly mess in its backyard.

The new prosperity has made Billings a more sophisticated and desirable place to live. Some managers of chain retail outlets have quit rather than accept transfer out. Headhunters in Denver used to demand bonuses to induce young geologists to go to Billings, says Langdon Williams, a consulting geologist who has hired for client firms. When they ask now, he replies: "Hell no. Denver is the town people want to move out of."

Mr. BAUCUS. Suffice it to say, the amendment is needed and promotes the retail industry and service industry, an area that we need to promote, in addition to the manufacturing industry that the main tax bill generally pays attention to.

Mr. President, I thank the Senator for yielding and urge the adoption of this amendment.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. CHAFEE. Mr. President, I would like to ask the sponsor of the amendment a question.

Mr. President, as I understand the depreciation schedules that have been agreed to as modified here last week, we go to 150 percent. Am I not correct that it is 150 percent of all buildings? Is that not right?

Mr. ROTH. That is correct.

Mr. CHAFEE. In other words, previously we were at 200 percent but that was changed last week?

Mr. ROTH. That is correct.

Mr. CHAFEE. What are we doing here? What is this 175 percent for retail buildings?

Mr. ROTH. For nonresidential buildings beginning in 1985 through 1990 it will permit 175 percent.

Mr. CHAFEE. In other words, we go to 175 percent. This would apply to all nonresidential buildings—manufacturing, warehouses, whatever it is?

Mr. ROTH. That is correct.

Mr. CHAFEE. So this is a compromise between the 200 percent that we came out of the committee with?

Mr. ROTH. That is right.

Mr. CHAFEE. And the 150 percent that we agreed to the other day? But this would not start until 1985?

Mr. ROTH. The Senator from Rhode Island is correct.

Mr. CHAFEE. I do not think in the original measure that we dealt with residential buildings. We did not have 200 percent of the residential; did we?

Mr. ROTH. They had 200 percent on residential in the committee bill.

Mr. CHAFEE. Getting to the point I want to make here, it is my understanding from talking with various real estate operators, it seemed to me that the plea was for a uniform depreciation schedule. For example, when the Senator talks about residential, what does that do to, say, apartment houses?

Mr. ROTH. They have changed residential to permit expensing.

Mr. CHAFEE. Who is "they"? What field?

Mr. ROTH. The legislation on the floor, as it is currently, permits expensing of residential buildings phased in over a period of time. It permits the expensing of the construction interests.

Mr. CHAFEE. But that is just a portion of it. I am talking about the value in an apartment building. The depreciation schedule for that would remain at 150 percent, am I correct, under this amendment?

Mr. ROTH. That is correct.

Mr. CHAFEE. What is the Senator's reason for treating residential buildings separate from all others?

Mr. ROTH. Because it gets the benefit of the early repeal of 189.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROTH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, I would ask the distinguished Senator from Louisiana this question: Is my understanding correct that this amendment that I have offered is satisfactory to the minority manager as well as to the chairman of the Finance Committee?

Mr. LONG. That is correct.

Mr. ROTH. For that reason, Mr. President, I am ready to yield back my time.

The PRESIDING OFFICER. Does the Senator from Louisiana yield back the remainder of his time?

Mr. LONG. I yield back the remainder of my time, yes.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 319) was agreed to.

Mr. ROTH. Mr. President. I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

IN SUPPORT OF THE ECONOMIC RECOVERY TAX ACT OF 1981

Mr. ROTH. Mr. President, I have listened patiently to the arguments from both sides of the aisle during the debate on the Economic Recovery Act. The opponents of this legislation, the most far-reaching tax reduction program in the history of our Nation, argue that it is a welfare program for the rich and well-to-do. They say the President's tax program is inflationary, tilted toward the wealth, nonresponsive to the needs of the poor and middle class, and destined to bankrupt the Federal Treasury.

I believe this aptly summarizes the inflamatory arguments of the opposition. Now let us look at the facts.

The legislation before us today is clearly the largest and probably the most innovative tax reduction program ever conceived in this country. I commend the distinguished chairman of the Finance Committee for his able and

strong leadership in fashioning this truly imaginative tax package. And I might add I am proud to have played a part in its development.

This package will reduce individual taxes by more than $250 billion over the next 3 years. It provides for a 25 percent across-the-board reduction in individual tax rates, a substantial reduction in the so-called marriage tax penalty for working couples, new incentives for savings and retirement, major reforms in the Federal estate and gift tax laws for farms and family-owned businesses, a complete revision of the business depreciation system, incentives for research and development, and significant new tax incentives for small and innovative businesses. In addition, all working Americans would be allowed to deduct contributions that they make to charity, whether or not they itemize. And, finally, the income tax brackets, personal exemptions and zero bracket would be adjusted, or indexed, to reflect the increase in the rate of inflation, as measured by the Consumer Price Index.

If anyone had said to me 4 years ago when JACK KEMP and I introduced our proposal for a 3-year across-the-board tax cut that the Senate would pass a legislative package such as the one before us today, I would have thought he had been standing out in the sun too long.

And, let me say today that anyone who categorizes this package as inflationary or irresponsible or unfair to the needs of the poor and middle class has definitely been standing out in the sun too long.

The Economic Tax Recovery Act is a well balanced and comprehensive plan designed to promote an expand economy which will insure new jobs for the young and unemployed.

This program is not tilted toward the wealthy. It is targeted toward developing a national policy of renewed economic growth which will benefit all Americans and particularly the working men and women of the often forgotten middle-class.

I am referring to the average middle-income citizen who has held true to the American dream that if you work hard you will be able to keep more and create a better life for yourself and your children.

Unfortunately, for these Americans just the opposite has been true over the last 15 years. Rising inflation and higher and higher taxes have taken away the incentives to work and save and invest in America. Today, it has become more attractive not to work simply because each additional dollar of income is either eaten up by inflation or taxed away by the Government.

The time has come to reverse this debilitating trend in our national economy. I think I speak for most of the working men and women of this country when I say that I am tired of the old, worn-out policies that have led our Nation down the road of economic decline, skyrocketing inflation, unemployment, and competitive weakness in international markets.

The American dream of working hard to advance one's career, to provide a home for the family, and to provide educational opportunities for one's children is in serious jeopardy.

The tax package before the Senate will restore and renew that dream by relieving the massive tax burden the American people have been forced to bear—a tax burden which has restricted our Nation's productivity, growth, and competitiveness.

As long as we maintain our current high rate of taxation, there can be no real growth in our economy, no new jobs created, and no improvement in our international competitiveness.

But, in order to provide new jobs and increase productivity, our Nation's businesses need something that is in very short supply—investment capital. Capital creates jobs, and more jobs equal an expanded and productive economy.

One of the largest sources of investment capital is increased individual savings.

However, our national savings rate currently averages between 4 and 6 percent a year. This compares to an average savings rate of between 20 and 24 percent in Japan, a country which has enjoyed enormous economic growth during the last decade.

Why the difference? In Japan, capital investment and savings are taxed at much lower rates than in the United States. As a result, Japan's businesses have available substantial and adequate sources of capital formation for growth, expansion, and modernization of plant and equipment. Indeed, in Japan, industrial plants are replaced every 15 years on average. In the United States, we replace our plants every 30 years. The reason it takes us twice as long to replace our plants is because we do not have the necessary capital.

How can we expect to compete with Japan or our other Western trading partners? The answer is simple—we cannot. We cannot competitively produce and sell products here and abroad as long as we operate with outdated plant and equipment.

This is all the more reason for the enactment of the tax package before us. This tax cut will provide the investment capital so vital to business expansion and industrial modernization. It will also help offset the social security tax increases and the automatic tax increases caused by inflation which virtually every American taxpayer faces next year.

I believe we need a real tax cut to offset these huge increases and reduce the total tax burden on the working men and women of this country. The Economic Recovery Act is just such a tax cut—one that can restore incentive to our stagnant economy, creating real economic growth and meaningful new jobs.

If this tax reduction program is not enacted, the working people of this country are going to get hit, and hit hard, with higher and higher taxes. Even with the 25 percent across-the-board tax cut in the bill, these individuals will be hard-pressed.

I believe it is time to enact a tax cut that will benefit every segment of our economy, a tax cut that will lead to dynamic growth and greater productivity, not the tired, old stuff we have seen over the past 20 years which merely seeks to redistribute wealth and income.

The across-the-board tax reduction concept is not aimed at redistributing the wealth of our country. It is instead a fair tax cut which will benefit all Americans because the benefits from the reductions will be in proportion to the taxes one pays. By reducing tax rates in this way, the President's program recognizes that all taxpayers deserve to share in the tax reduction just as they shared in the past tax increases.

Just who will benefit most from this cut in tax rates? Middle-income taxpayers, defined not in the statistician's image of $20,000 per year in median family income, but in their own image of $10,000 to $60,000 a year. These families pay 72 percent of all Federal individual income taxes and would receive 73 percent of the tax cut. These are families that save, with the amount of savings rising sharply as income levels rise. They are the people who have saved in the past and now hold the promise of increasing their savings in the future as a result of this tax cut.

When we help these Americans we help all Americans. As John Kennedy so eloquently said in the 1960's, "a rising tide lifts all boats." Middle-income Americans will use the benefits from this tax cut to increase their savings rate. This increased rate of savings will provide investment capital for business expansion and new jobs.

Every individual taxpayer will get a 25-percent marginal tax rate cut. Combined with other elements of this bipartisan tax cut plan, the savings to every American will be even more dramatic.

Take-home pay will increase and the reward for savings, investment, and harder work will be predictable and substantial.

The family of four making around $15,000 in 1982 with both spouses working will receive a 53-percent cut when all available cuts, incentives, and the marriage tax penalty relief are included.

The family of four making about $30,000 in 1982, the estimated median income level, will receive a 22-percent cut on the same basis.

In simple dollar terms, the family earning $25,000 today would as a result of cost-of-living raises earn $33,675 in 1984. It will pay $1,056 less that year than it would under present law. These are substantial tax savings indeed.

What will happen to the average American without these tax cuts? The answer in dollar terms is also simple.

Just in the last 10 years, Federal taxes have increased 177 percent.

Federal taxes will have increased 390 percent by 1984 at present rates without this tax cut. In fact, due to bracket creep and demands for higher taxes to fuel the big spenders' give-away programs, nearly 50 percent of all American taxpayers now face 50 percent marginal tax rate brackets, And, it has been estimated that without this tax cut, all current taxpayers will be in the 50 percent tax bracket by the year 2000, less than 20 years away.

The average family's actual buying power has steadily declined. The family earning $120 a week in 1970 is now making $250 but its dollars buy 8 percent less than 10 years ago. As taxes have gone up, Federal spending has skyrocketed from $196 billion in 1970 to $660 this year.

Taxpayers had to work until May 10 of this year just to earn enough to pay all of their direct and indirect taxes. That means the average worker spends 2 hours and 49 minutes of each working day funding the Federal Government. Spiraling taxes and inflation have robbed Americans' savings of its value. Savings worth $1,000 in 1977 are now worth only $851.

But the big spenders among us love high taxes. The big spenders do not want tax cuts. They want to keep revenues high to fund more of their big spending programs.

Now it is time for a change. It is time to change the policies which have virtually bankrupted our Nation.

And that, in a nutshell, is the basic philosophical difference between the supporters of this tax bill and its opponents, between those who want change and those who adhere to worn-out policies.

The supporters of the President's program believe that the growth of government must be flattened out so that the private sector may grow and expand and provide more jobs for the working men and women of this country.

The bill's opponents are those among us who want an expanded government not an expanded economy. They realize the American people want less spending and less government. But they are hopeing against hope that this is only a temporary phenomenon.

So the big spenders believe they can conduct a strategic withdrawal for as long as it takes to revert back to their worn-out approach of spending and spending in a vain attempt to cure our Nation's ills with new and even bigger social programs.

Unless taxes are cut and new incentives created, the American people will continue to face a future of high inflation, rising joblessness and high-interest rates.

The greatest unfairness of all would be for the Congress to deny the American people the tax relief they need.

I therefore urge my colleagues in the Senate to join with me and the distinguished chairman of the Finance Committee in supporting and voting for this measure. It is time to put aside partisanship and join in a united effort to get our Nation moving again. We have the chance. We must not let it pass us by.

Mr. DECONCINI addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. DECONCINI. Will the Senator from Delaware yield for an amendment?

Mr. ROTH. I yield the floor.

UP AMENDMENT NO. 320

(Purpose: To clarify employee stock ownership)

Mr. DECONCINI. Mr. President, I send an unprinted amendment to the desk and for its immediate consideration.

The PRESIDING OFFICER. Is there objection to temporarily laying aside the amendment of the Senator from Kansas? Without objection, it is so ordered.

The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Arizona (Mr. DECONCINI), for himself, Mr. HART, and Mr. ARMSTRONG, proposes an unprinted amendment numbered 320.

Mr. DECONCINI. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

"After Section 328 of subtitle C of title 3, insert the following new section:"

PREEMPTION OF STATE LAWS

(a) IN GENERAL.—Subparagraph (A) of section 514(b)(2) of the Employee Retirement Income Security Act of 1974 is amended by striking out "securities." and inserting in lieu thereof "securities, except that subsection (a) of this section shall apply so as to supercede any and all State laws regulating securities insofar as such State laws relate to (i) the establishment before December 31, 1981 or maintenance of an employee stock ownership plan by a qualified employer; (ii) the issuance of any qualifying employer security and sale or other transfer thereof by a qualified employer to an employee stock ownership plan if the issuance of such security was authorized on or before June 30, 1980 in accordance with the law of the State which issued the employer's corporate charter; (iii) the guarantee by a qualified employer of a loan to a trust forming a part of an employee stock ownership plan maintained by such employer if the proceeds of the loan are applied by the trust to acquire qualifying employer securities and such securities are acquired by the trust before December 31, 1981; or (iv) the distribution of any qualifying employer security from an employee stock ownership plan maintained by a qualified employer to any participant or beneficiary, for the purposes of this subparagraph, the term 'qualifying employer security' has the meaning assigned by section 407(d)(5), the term 'employee stock ownership plan' has the meaning assigned by section 407(d)(6), and an employer is a qualified employer if between January 1, 1980 and June 30, 1980 it increased its authorized shares of common stock from 20,000,000 to 50,000,000.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply upon the date of enactment of this Act.

Mr. DECONCINI. Mr. President, this amendment has been cleared with the managers of the bill on both sides. I thank Senator LONG, Senator DOLE, and other Senators involved, for their cooperation in working out a solution agreeable to all parties concerned.

Mr. President, this amendment is intended to protect employee stock ownership plans, or ESOP's form being subjected to additional, unwarranted requirements beyond those currently required under the comprehensive regulatory framework enacted by the Congress in the Employee Retirement Income Security Act of 1974 (ERISA). This amendment particularly addresses the problem of the misuse of State securities laws to restrict or impede ESOP's, through duplicative and overlapping regulation.

For the past 8 years, the ESOP concept has been strongly supported by the Congress, in spite of occasional attempts by various agencies to impede ESOP implementation. The Trade Act of 1974, for example, provided preferential treatment under certain circumstances to corporations having ESOP's in the case of government guaranteed loans. The Employee Retirement Income Security Act of 1974, otherwise known as ERISA, expressly exempted ESOP's from certain restrictions and prohibitions imposed under other types of qualified plans.

Under the 1975 Tax Reduction Act, a qualifying ESOP ("TRASOP") enables the employer to claim an 11 percent (instead of 10 percent) investment credit if the employer contributes to the TRASOP an amount equal to the additional 1 percent credit. The Tax Reform Act of 1976 increased the contribution limits for TRASOPS to 1½ percent from 1 percent under certain circumstances.

The Chrysler financial relief bill required a substantial amount of stock of the corporation to be transferred to employees through an ESOP as a condition of the government assistance provided. A similar requirement accompanied the most recent funding authorization for Conrail. Pending legislation will provide further encouragement for implementation of ESOP's.

ERISA placed the implementation and maintenance of ESOP's within the jurisdiction of the Departments of Labor and the Treasury. ERISA, which was signed into law by President Ford on Labor Day 1974, was the end result of a 1965 report to President Johnson which was commissioned in 1962 by President Kennedy.

In enacting ERISA, the Congress undertook an elaborate process of interweaving the jurisdictions of the Departments of Labor and Treasury for the purpose of regulating the employee pension plan area. In considering that legislation, Congress carefully designed a regulatory scheme specifically tailored to protect the beneficiaries of pension plans, including ESOP's. Congress also quite clearly determined that regulation of such plans under ERISA by both Treasury and Labor was sufficient. Congress considered additional layers of Federal and State regulation to be wasteful redtape that could undermine the goal of providing a uniform system for governing this area.

The disclosure required by ERISA in connection with providing employee benefits is substantial. ERISA requires that a summary plan description be furnished to all participants and beneficiaries. This description must "be written in a manner calculated to be understood by the average plan participant," and "be sufficiently accurate and comprehensive to reasonably apprise such participants and beneficiaries of their rights and obligations under the plan." Disclosure must be made in the summary plan description of such matters as eligibility requirements and circumstances which may result in disqualification or denial of benefits, a description of relevant provisions of any applicable collective bargaining agreement, the sources of the plan's financing, claims, procedures, and remedies available for the redress of claims which are denied.

In addition, each plan must publish a complete annual report which is to be filed with the Secretary of Labor and made available to any participant who wishes to inspect it. A summary of this annual report must be furnished to plan participants. The annual report must include a comprehensive financial statement, an actuarial statement indicating the present value of assets and liabilities, and a statement by the plan's administrator indicating the number of employees covered, the names of all persons who rendered services to the plan and the compensation they received, and an explanation for any changes in the management personnel of the plan. ERISA also requires that plan participants be provided upon request with a statement of their total accrued benefits.

By comparison, the information available under State and Federal securities laws is not specifically geared toward protection of plan participants. In general, the information provided to the individual plan participant would omit much of the information that ERISA provides, and supply him or her with other data which is unnecessary and may divert the plan participant's attention from the more specifically applicable documents required by ERISA.

Furthermore, the additional costs imposed on an employer by subjecting plan interests to securities regulation would upset the balance between benefits to employees and costs to employers that Congress sought to achieve through specific pension legislation.

The U.S. Supreme Court, in 1979 has held that securities law regulation of pension plans is generally unwarranted in light of ERISA:

Unlike the Securities Acts, ERISA deals expressly and in detail with pension plans. ERISA requires pension plans to disclose specified information to employees in a specified manner. See 29 USC §§ 1021–1030 29 USCS §§ 1021–1030, in contrast to the indefinite and uncertain disclosure obligations imposed by the antifraud provisions of the Securities Acts . . .

The existence of this comprehensive legislation governing the use and terms of employee pension plans severely undercuts all arguments for extending the Securities Acts to non-contributory, compulsory pension plans. Congress believed that it was filling a regulatory void when it enacted ERISA, a belief which the SEC actively encouraged. *Not only is the extension of the Securities Acts by the court below unsupported by the language and history of those Acts, but in light of ERISA it serves no general purpose. See Califano v. Sanders*, 430 US 99, 104–107, 51 L Ed 2d 192, 97 S. Ct. 980 (1977). *Cf. Boys Markets, Inc. v. Retail Clerks*, 398 US 235, 250, 26 L Ed 2d 199, 90 S. Ct. 1583 (1970). Whatever benefits employees might derive from the effect of the Securities Acts are now provided in more definite form through ERISA. (Emphasis added.)

International Brotherhood of Teamsters, Chaufeurs, Warehouseman and Helpers of America v. Daniel, 439 US 511, 569–70 (1979).

This amendment will help to effectuate the intent of Congress to promote the use of ESOP's and to regulate pensions by more clearly restraining the application of State securities laws to circumvent this legislative intent. This amendment will bar State securities regulators from imposing conditions on certain ESOP's which are regulated under ERISA.

This amendment is drafted so as to apply to the situation now facing the employees of Continental Airlines. These employees have met with one bureaucratic barrier after another in their ongoing effort to become the Nation's largest employee-owned company.

Most recently, the California department of corporations has ruled that the airline cannot issue the shares for acquisition by the ESOP without a vote by shareholders and by employees.

This ruling was a great victory for an airline company that is now engaged in a hostile attempt to take over Continental Airlines. The ruling also follows the example set by the New York Stock Exchange last month when it ruled that the vote was necessary and that it would act to delist Continental if the airline persisted in issuing the new shares.

On the facts as I understand them, these regulatory agencies were ill advised in ruling as they did. This amendment preempts State action as it applies to this matter. Thus, this amendment should enable Continental Airlines to go forward with its ESOP.

As the statement makes clear, the purpose of the amendment is simply to facilitate the issuance of stock under certain conditions, particularly recently formed employee stock ownership plans.

I am very pleased that the distinguished Senator from Colorado (Mr. ARMSTRONG), a member of the Finance Committee, has taken a leadership role in obtaining approval of this very important amendment.

I yield to the Senator from Colorado.

Mr. ARMSTRONG. Mr. President, I thank the Senator from Arizona for his remarks. The fact of the matter is that it is he who has taken the lead and made it possible to offer this amendment. I am pleased to cosponsor it.

The effect of this amendment in its simplest terms is to permit the employees of Continental Airlines to go forward with plans they have for an ESOP. I think many of my colleagues are familiar with the highly publicized issues in this effort by the employees of that airline to obtain ownership and management of that business enterprise.

I send to the desk, and ask unanimous consent that there be printed in the RECORD at this point, a statement which has been prepared by employees of the airline and which is a general explanation of the principle of this amendment.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF WILLIAM L. ARMSTRONG

The amendment to this bill is intended to protect employee stock ownership plans, or ESOP's, from being subjected to additional, unwarranted requirements beyond those required under the comprehensive regulatory framework already enacted by the Congress in the Employee Retirement Income Security Act of 1974 (ERISA). This amendment particularly addresses the problem of the misuse of state securities laws to restrict or impede ESOP's, through duplicative and overlapping regulation.

For the past eight years, the ESOP concept has been strongly supported by the Congress. The Trade Act of 1974 provided preferential treatment under certain circumstances to corporations having ESOP's in the case of government guaranteed loans. The Employee Retirement Income Security Act of 1974, otherwise known as ERISA, expressly exempted ESOP's from certain restrictions and prohibitions imposed upon other types of qualified plans.

Under the 1975 Tax Reduction Act, a qualifying ESOP ("TRASOP") enables the employer to claim an 11 percent (instead of 10 percent) investment credit if the employer contributes to the TRASOP an amount equal to the additional 1 percent credit. The Tax Reform Act of 1976 increased the contribution limits for TRASOP's to 1½ percent from 1 percent under certain circumstances. The Revenue Act of 1978 provided for voting pass-through to employees in certain ESOP's and provided for favorable income and estate tax treatment upon a payment of ESOP benefits. The Chrysler Financial Relief Bill required substantial ownership of the corporation to be transferred to employees through an ESOP as a requirement for the government assistance provided. Pending legislation is expected to provide further encouragement for implementation of ESOP's.

ERISA placed the implementation and maintenance of ESOP's within the jurisdiction of the Departments of Labor and the Treasury. ERISA, which was signed into law by President Ford in 1974, was the end result of a 1965 report to President Johnson which was commissioned in 1962 by President Kennedy. In enacting ERISA, the Congress went through an elaborate process of interweaving the jurisdictions of the Departments of Labor and the Treasury for the purpose of regulating the employee pension plan area. Congress thereby carefully designed a regulatory scheme specifically tailored to protect the worker beneficiaries of pension plans, including ESOP's. Congress also quite clearly determined that regulation of such plans under ERISA by Treasury and Labor was sufficient. Congress considered additional layers of Federal and state regulation to be wasteful red tape that could undermine its goal of expanding employee income security and stock ownership.

The disclosure required by ERISA is substantial, including, interalia, "summary plan description," annual reports, and an actuarial statement indicating the present value of assets and liabilities.

By comparison, the information available under state and Federal securities laws is not specifically geared toward protection of plan participants. In fact, the United States Supreme Court, in 1979 has held that securities law regulation of pension plans is unwarranted in light of ERISA.

This amendment will help to effectuate the intent of Congress to promote the use of ESOP's and to regulate pensions by more clearly restraining the abuse of state securities laws to circumvent this legislative intent. The amendment will bar state securities regulators from imposing unreasonable conditions on certain pensions and ESOP's regulated under ERISA that go beyond or contradict ERISA. This legislation is required to specifically alleviate an unwarranted interference by a state official with the implementation of an ESOP plan that has previously been approved on a preliminary basis by the IRS, SEC, Department of Labor, appropriate state officials in 47 states, two Federal court tests and two state court tests. States will be prohibited from blocking the implementation or maintenance of an ESOP or other pension plan designed, in conformity with ERISA requirements, to invest primarily in qualifying employer securities by an ESOP or similar pension plan, such as through threats to prohibit trading in all securities if an ESOP in a corporation is implemented.

Mr. ARMSTRONG. To illustrate the purpose and effect of the amendment in one specific case, the Continental case, I ask unanimous consent to have printed in the RECORD a second statement by the employees of Continental which explains the background of their attempt to create and exercise the power of ownership under the ESOP.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE CONTINENTAL EMPLOYEES ATTEMPT TO CREATE AN ESOP

In February 1981, Texas International Airlines applied to the Civil Aeronautics Board (CAB) for authorization to purchase up to 48.5 percent of the outstanding shares of Continental Airlines common stock. The stated purpose of the purchase was to block the Continental Airlines—Western Airlines merger which was pending before the CAB.

Approximately 30 minutes after the CAB approved the Continental Western merger, the full CAB voted to allow Texas International to purchase up to 48.5 percent of Continental's stock to block the merger that they had just approved.

Three days later, Continental went back to the CAB, and requested that the CAB delay for ten days the Texas International offer pending the employee group's obtaining the necessary financing to make a counter tender offer to the public shareholders. This petition was denied as being "too little, and too late", even though such a counter offer would have given the public shareholders more money per share for their stock.

The employees then went out into the financial markets and acquired the necessary financial commitments from lending institutions to purchase up to 15.4 million shares of authorized but unissued shares of Continental's common stock in a tax exempt Employee Stock Ownership Plan (ESOP) in accordance with the Employee Retirement Security Act of 1974 (ERISA). The Continental employees voted on the proposed plan in April 1981. Of Continental's 11,000 employees, over 89 percent participated in the vote. Over 96 percent of those participating voted in favor of the proposed ESOP.

The proposed ESOP was brought before Continental's Board of Directors, along with Texas International's acquisition offer. The Continental Board voted unanimously to approve the employees offer and reject the Texas International offer. They noted the employees offer would infuse approximately $185,000,000 in new capital into the corporation, thereby dramatically reducing Continental's long term debt, while the acquisition plan of Texas International would leave the corporation with an untenable debt load of approximately $642,000,000. (That figure was essentially validated by the CAB Administrative Law Judge in his findings).

Continental subsequently received preliminary SEC, IRS, Department of Labor and state exemption approval from 47 states to authorize and implement the proposed ESOP. Texas International attempted to impede the implementation by throwing every conceivable legal and regulatory roadblock in the path of the proposed ESOP. This has denied management the exercise of the free market place choice of competing bids to buy a majority interest in the airline. In Texas International's suit, Judge Lawrence Lydick of the Federal District Court for Central California refused to grant injunctive relief to Texas International, whose contention was that the stockholders' 1980 stock issuance authorization vote was illegal, stating the Texas, International case was without merit to warrant a finding in their favor. The United States Federal Court of Appeals upheld Judge Lydick's decision.

Two dissident stockholders filed suit in California against implementation of the proposed Continental ESOP. Twice their suit was thrown out. Texas International filed a motion with the CAB demanding that the employees file an application for acquisition of control of Continental. That motion was rejected by the CAB.

Since the stock to be issued required an exemption from the state securities law as an ERISA exempt transaction, and since over 5,500 Continental employees were based in California, an application was made to the California Commissioner of Corporations for the required ERISA exemption. Although the California Commissioner of Corporations did not hold an evidentary hearing on the matter, and although 47 states had already approved the required exemption, the California Commissioner of Corporations denied the Continental application for the exemption. Her motion of denial contained such inaccuracies and distortion of fact that Continental deemed it worthy of filing suit against the Commissioner.

The Commissioner suggested that she would approve the required exemption provided Continental held a shareholders' vote and an employees' vote on the proposed ESOP. The Commissioner ignored the fact that the required votes had already been held, and that the CAB was required by federal statute to make a decision in the Texas International acquisition case no later than 31 August 1981.

It appears that the CAB decision could come as early as the second week in August. The reality of the situation is that such a vote of the shareholders would take approximately two months or longer. Complicating the issue is the fact that over 50 percent of Continental's shareholders are listed in the name of their brokerage houses only. Thus, the ballots would have to be mailed to the brokerage houses after they were printed, broken down into individual accounts, and remailed. In addition, in view of all the obstacles that Texas International has placed in the path of the proposed ESOP, it is expected a bitter proxy battle would ensue.

Time is of the essence in this matter. It is unlikely that the suit against the California Commissioner of Corporations could be heard, pending legislation in the California state legislature could be passed, or a stockholder vote could be held in sufficient time to deter the Texas International takeover attempt and implement the proposed ESOP. The Continental employees have decided that in view of the court decisions in their favor, and the exemptions granted for the proposed ESOP by 47 states, federal legislation to bypass the obstructive state roadblock in California could solve the problem caused by the California Commissioner of Corporations.

A legislative amendment, pertaining specifically to the Continental ESOP has been formulated. It has been informally approved by key senators. It would provide a one time amendment to the ERISA Act of 1974 to allow the qualifying employer (worded so specifically that it would apply only to Continental Airlines) to implement an ESOP that has been qualified under existing federal law, allowing such proposed ESOP to supercede any conflicting California state law or unilateral administrative decision on the part of the California commissioner.

This legislation would not cost the taxpayers any money, would allow the implementation of the proposed ESOP, and would infuse millions of dollars of new capital into the airline, thereby reducing corporate debt. This, in fact, should enhance profitability by reducing corporate loan interest burden possibly even increasing federal corporate tax revenues from Continental. Certainly it is a good example of supply side economics in action. The employees of Continental hope that this experiment in enlightened capitalism will be a beacon for other troubled companies to follow in the future.

Mr. ARMSTRONG. Mr. President, in nontechnical terms what this will do is to permit them to go forward notwithstanding the objections of the Department of Corporations of the State of California.

I would ordinarily be very reluctant to vote for, let alone join in sponsoring, an amendment the effect of which would be to overrule State law. I am a States righter. I consider myself to be such. It seems to me that in far too many instances the Federal Government has preempted State and local jurisdictions.

In this particular case, because of the unique facts and circumstances of this instance, and because of the very limited nature of the preemption involved, I am disposed to do so. Nonetheless, I would not have been willing to go forward on this amendment without first discussing the matter with California interests, since theirs is the State which is affected. I am advised by Senators from California that they are sympathetic to this amendment, that they have no objection to it being offered at this time.

Even so, in view of the very short notice which has been available to Senators to consider this matter, including the Senator from Arizona and myself, I must say to my colleagues that there are some aspects of this amendment which I am not as conversant with as I would like to be. I have discussed with members of the Finance Committee, who I expect to be members of the conference on this bill, what these concerns are and the reasons for them. It will be my purpose during the next couple of days to explore more fully the legal ramifications of this amendment to be sure that we are acting wisely and prudently.

It is my belief that the Senate is well justified in adopting this amendment, but I am concerned about the fact that it has come to my attention only within the last few hours and it has not given us time which ordinarily would be available to study it.

I am assured by the conferees that they will give it further study. It is the kind of thing that if there is a technical glitch in it this would be a fully conferencable item. If the amendment has consequences not foreseen by the Senator from Arizona or myself, those could be rectified at that time.

It is an unusual step for me to join in an amendment to preempt the State, but under this unusual circumstance, in view of the very timely and urgent nature of the problem which is addressed, and on the assurances that conferees will take another look at this issue, and in a thoughtful manner ask their legal advisers to do so, that I am very pleased to join my colleague from Colorado (Mr. HART) and the Senator from Arizona (Mr. DECONCINI) in presenting this amendment.

Mr. LONG. Will the Senator yield?

Mr. ARMSTRONG. I yield.

Mr. LONG. I favor the amendment but at the same time I want everybody to know what is involved here. There has been a continuing struggle on behalf of Continental Airlines and its employees to prevent another airline from taking their company. Some would call that a corporate raid, when one company tries to take over another. Continental Airlines' management proposed that there should be an employee stockownership plan with 51 percent of the stock held in trust for the employees and the employees would pay for the stock. They would pay for it by foregoing increased pay to which they are entitled.

Many of us, including this Senator from Louisiana, think that that is a better deal both for the company and for the public. In addition, we like the idea that the employees are committed to owning stock in the company, rather than have the company taken over by a cooperate raid from another corporation.

Continental Airlines has used its ESOP very properly to try to keep Texas International Airlines from acquiring their company. They have also tried to prevent the State of California from acting unfavorably toward this employee stockownership plan.

This amendment, as I understand it, is an amendment to the Employee Retirement Income Security Act (ERISA).

Mr. ARMSTRONG. The Senator is correct.

Mr. LONG. The Senator would amend ERISA and by amending the ERISA, it would have the effect of asserting Federal supremacy in this area. Basically, this is an amendment tailored to this type of situation and would permit this employee stockownership plan to go into effect where the employees could use an ESOP to acquire a 51-percent interest in that company.

So, Mr. President, may I say to the Senator, I have been one of the cosponsors of a resolution before the Committee on Commerce for some time, seeking to use the influence of Congress to help see that the employee stockownership plan would have its day in court and that it would have a chance to prevail in this area. We have not been able to report that bill from the committee because the Committee on Commerce was busy with other matters.

This is a somewhat different approach. This simply proposes to amend ERISA with regard to which the Committe on Finance has jurisdiction. The Committee on Labor also has jurisdiction. I ask the Senator, are the chairman of the Labor Committee and the ranking member of that committee familiar with the fact that this amendment is being offered?

Mr. ARMSTRONG. I appreciate the Senator's raising that question. I have discussed this with the chairman of the Labor Committee, the Senator from Utah (Mr. HATCH), and he is in agreement with it being offered. I have not discussed it with the ranking member. It is possible another Senator has.

We have been moving very quickly and it is a last-minute amendment, but we did want to touch base with the committee that has an interest in this matter.

In fact, if the Senator will yield a moment further, we have also discussed with the chairman of the Banking Committee (Mr. GARN) offering this amendment for the same reason, that some aspects of this bearing on the general question of securities law fall, at least to some degree, within the jurisdiction of the Banking Committee. So I undertook to discuss that with our colleague from Utah, again to let him know that this would be offered so that he would not be caught without notice. We have attempted, even in this short period of time, to put people on notice as to what is happening.

Mr. LONG. Mr. President, we have several new employee stockownership provisions in the bill. While those provisions had no particular reference to the Continental employee effort to acquire stock in their company, the inclusion of those provisions indicated a strong feeling in the U.S. Senate in favor of employee stockownership. I believe the sentiment in the Senate is overwhelmingly in favor of employees being permitted to acquire stock in a company, especially where the management of the company would like to have it that way. The Senator's amendment would seek to help bring that about.

You cannot be on both sides of an issue like this. You cannot be for the people who run the airline, the people who work for the airline, the employees, and also for the other company which wants to take the airline over against the wishes of the employees and against the wishes of the existing management.

This Senator, while he feels he has friends on both sides—at least he did—feels he should take the side of the employees and with the management, which would like to make the employees stockholders to a very major degree. I do believe that the States that are affected, as well as the employees and the management of the airline, all feel that this would be in the national interest. I know they feel it would be in their interest. I, therefore, shall vote for the Senator's amendment, Mr. President.

CONTINENTAL ESOP AMENDMENT

Mr. CRANSTON. Mr. President, I support the proposed amendment because I am in agreement with its practical purpose. It will permit the employee stock ownership plan of the Continental Airlines employees to go forward, notwithstanding the "blue sky" laws of California.

I believe the overwhelming public interest of California is best served by approval of the stock issuance sought by the Continental Airlines ESOP.

It is true that one result of this amendment will be a reduction in the property value of those who hold Continental stock. But the possibility of losing is always a risk for those who acquire large blocks of stock for the purpose of hostile takeovers must assume. Those who seek to play a form of "monopoly" game with the jobs, careers and economic futures of others, and the communities in which they live, should not be able to do so free of all risk. I think the corporations commissioner of California over-protected speculators who knowingly assumed risks and failed to protect employees who sought to assert their right to control their economic destiny through an employee ownership plan.

It is my view that the principle contained in the proposed amendment should be extended and made of universal application.

It is time that citizens and workers have a voice in their economic futures. ESOPs are a major factor in affording workers and communities an opportunity to protect their interests against hostile takeovers. I look forward to working with the distinguished Senators on such legislation in the future.

Mr. DECONCINI. Mr. President, I ask unanimous consent that the Senator from Hawaii (Mr. MATSUNAGA) and the Senator from California (Mr. HAYAKAWA) be added as cosponsors of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DECONCINI. Mr. President, I yield back the remainder of my time and move the adoption of the amendment.

The PRESIDING OFFICER. Is all time yielded back?

Mr. LONG. Mr. President, does anyone desire to speak for or against? I shall be happy to yield time.

I see no request for time, Mr. President; therefore, I yield back whatever time I have on the amendment.

The PRESIDING OFFICER. All time is yielded back. The question is on agreeing to the amendment.

The amendment (UP No. 320) was agreed to.

Mr. DECONCINI. I move to reconsider the vote by which the amendment was agreed to.

Mr. ARMSTRONG. I move to lay that motion on the table, Mr. President.

The motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BIDEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. Without objection, the amendment of the Senator from Kansas is laid aside temporarily for consideration of the amendment of the Senator from Delaware.

Mr. BIDEN. I apologize, Mr. President. I did not hear the question of the Chair.

The PRESIDING OFFICER. Without objection, the amendment of the Senator from Kansas is laid aside and the Senator from Delaware may proceed.

UP AMENDMENT NO. 321

Mr. BIDEN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. BIDEN) proposes unprinted amendment numbered 321. At the end of the bill, add the following:

LIMITATION ON CREDIT FOR CERTAIN HOUSEHOLD AND DEPENDENT CARE SERVICES

SEC. . Notwithstanding anything else in this Act, no credit shall be allowed under the provisions of Section 44A of the Internal Revenue Code of 1954 (relating to expenses for household and dependent care services necessary for gainful employment) to any taxpayer where both spouses have earned income and the total of their adjusted gross income is in excess of $30,000.

Mr. BIDEN. Mr. President, the reason I let the clerk read the whole amendment is because I believe the amendment is self-explanatory. I do not plan to speak long on this amendment. But I will take as long as the opposition wants me to so that Senators opposing this amendment can have an opportunity to get to the floor.

Let me proceed as dispassionately as I can in order to explain what I am attempting to do here.

Mr. President, my amendment is fairly simple.

Last Friday, the Senate agreed to do something that I thought was very laudable and worthwhile. We decided that we would increase the amount of the child care tax credit a single parent or a couple would be able to receive if they placed their child in a day care center so that the parent or parents could earn enough to maintain their family and to keep the family off welfare.

We know a single mother, divorced or a widow, making even $30,000 a year has great difficulty bringing up her child unless she has a mother or mother-in-law willing to take care of the child or a father or father-in-law willing to take care of the child. The cost of child day care is considerable if she decides to seek employment in order to make a living.

Unfortunately, a number of us in this body have learned from personal experience that getting competent help to care for a child while the parent is working is a very expensive proposition.

For full-time help it costs in excess of $15,000 a year. So the efforts of Senators METZENBAUM, DURENBERGER, PACKWOOD, and others, to increase the amount of the credit for families and/or single parents is good, necessary, worthwhile, and savings to the taxpayer in the long run.

Now, comes the fly in the ointment. Current law, says that not only are we going to give a tax credit to single parents, raising children by themselves, not only are we going to give a tax credit to married couples who are in such serious financial condition that both parents must work; not only are we going to give that tax credit to persons with health impairments which physically prevent them from working and taking care of their children at the same time; but will give that credit to married couples who make any income whatsoever, regardless of need.

The result is that we have mothers and fathers, both pursuing careers, which is their right to do, making combined incomes of $50,000, $70,000, and $90,000. I am sure there are a number of people on all our staffs where the husband or wife on the staff may be making $30,000, $40,000, or $50,000, and the spouse works somewhere else in the city, either for a Federal agency, or a law firm downtown making another $40,000 or $50,000 a year. In order to be able to pursue their careers or for their convenience they get a tax credit if they put their child in a Government-funded or a privately operated or a corporate-operated day care center,

The result is that we have built into the tax code a social policy that says middle- and low-income taxpayers pay a tax to allow people who have neither the financial nor the physical need to put their child in a day-care center.

Mr. RIEGLE. Mr. President, will the Senator yield at that point?

Mr. BIDEN. I yield.

Mr. RIEGLE. As I understand the Senator he picked $30,000 combined income as the cutoff, and so the question I want to get to in a second is why that magic number rather than $35,000 or $25,000 or whatever? But my reason I ask the question is that I can conceive of, in fact I know of, families where both husband and wife would be working and there are extraordinary expenses in that family, where, for example, the family is not only tending to their own immediate family needs with children but have elderly parents with high medical costs and so forth, so that the amount of money that they need to hold their larger family unit together would be greater than $30,000. I am just wondering, if we are going to try to set a limit, and I question whether we can do that, I mean how do we pick $30,000 and then how does any arbitrary limit apply to those whose combined income may be $40,000 but they might need every penny because they are not only caring for themselves and their children, but for parents and other family members for whom they may be responsible.

Mr. BIDEN. Good question, and the answer is we establish the limit in the same way we set any other arbitrary limit in Federal law. Why do we set an arbitrary limit that says people who have reached the age of 18 have the reason and capacity to vote? Why do we establish an age limit to obtain a driver's license in every State? Why do we establish an age limit for drinking? The reason I picked $30,000 is that $30,000 was the magic figure used in the Metzenbaum amendment on Friday. It was judged by the sponsors of the admendment that poorer people should get a bigger tax credit than those above $30,000 and we phased out this increase at $30,000. So if a family is at the low end of the scale they can receive up to a 30-percent credit but once they hit $30,000 they receive no greater tax credit than someone making $32,000, or no more than someone making $40,000, or $50,000, or $60,000.

So I picked $30,000 because that was the cut-off used in the Metzenbaum amendment last Friday. But what is "good for the goose is good for the gander." If it made sense to establish the $30,000 cut-off and it was not arbitrary, then it seems to me that $30,000 makes sense and is not arbitrary now.

But the essential principle should not be lost here. I think it is bad social policy, and that is what we are doing here in the tax code, setting social policy, for us to say that the Federal Government is encouraging, at the expense of all other taxpayers, married couples who neither have the financial nor physical need to put their child in a day care center.

To be personal for a moment, I make a good salary, I am paid some $60,000 to be a Senator. My wife is a school teacher, and she makes around $15,000. She is a career woman. She is very devoted to her career, and very concerned about it, and she has good reason to be, and I am proud of the fact that she has such a career.

But it is outrageous to make my father, who makes less than $20,000 a year to pay a tax to see to it that I can put my child in a day care center. I think that is preposterous.

If my wife and I want to do that, no one should be able to stop us. We should be able to do that. That is our right because that is how we want our family unit to operate.

Well, that is fine. But my father should not pay for that. My next door neighbor should not pay for that, and other folks in low-paying jobs should not pay for that. We should be using that money to give more of a tax credit to those folks who have no choice.

But many single parents and two-earner households are working not because they want a new patio, not because they want to go to the mountains for a vacation, not because they want to be able to see Pavarotti the next time he sings. They are not doing it for that reason. They are doing it because they have no choice, no alternative.

All you have to do is to be a single parent for a couple of days and find out that you have no choice, you have to do something. You either stop working and take care of that 2-year-old child full time or you find someone in your family to take care of your child or you pay somebody to take care of your child. There is no choice. These are the people we should be giving money to because a $500 or $700 credit hardly makes a dent in the cost of day care for their children.

Why should a family with a combined income of $40,000, or $60,000, or $100,000, or $200,000 have their accountant say, "By the way, you get a tax credit here, Jack. Did you forget this? Check it off." It is preposterous.

Besides, it is not good social policy. The Government should not be in the business of saying that we encourage families to make the decision to entrust the primary care of their infant, of their young children, to a day care center. That should be available for people who do not have a choice.

Every social science study we receive, whether we are talking about the Judiciary Committee and juvenile delinquency or popular theories concerning raising children talk about how it is almost impossible for a parent to love a child too much, almost impossible to hug him and kiss him and touch him and be with him too much.

But here we are in the code saying

"Hey, look, for 8 hours a day let somebody else take care of your child when you do not have to, and you will get a tax break."

My generation has enough trouble figuring out whether or not to have any kids. When I was a public defender, you would show up in places where you held forums with the prosecutor, and you would stand there before a group, and one of the things the prosecutor liked to say was, "Do you know where your children are at this very moment?" The implication would be, if you did not know, then you are a bad parent.

We have a whole generation of Americans who are deciding that, "Well, let us get interested in the community. Let us make sure that we belong to everything from the PTA to the Ladies' Garden Club to the Men's Hunt Club."

There are some people who seem to think it may not be bad not to spend time with their child.

There are those who will say that this amendment will hurt women's opportunities to work, that it discriminates against women, well, I will stack my voting record on women's issues in the 9 years that I have served here in this body against anybody else in this body. I have been willing to fight for women's rights from the ERA to equal opportunity for women in any area.

But that is not the issue. I have no objection to the fact that if a mother and a father want to get together and say, "Hey, by the way, Joe, you take care of the child and I am going to pursue my career," that is fine. That is a personal decision, and I am all for it. But do not say to the taxpayers, "I am going to have a baby, and we are both going to pursue our careers, and even though we do not need the money financially in order to be able to take care of the child, you will pay for it. You pay for me to be able to pursue what I view to be in my interest." That is not necessary.

I look at the Senator from Iowa here on the floor and others who have very strong "pro-family" credentials and sometimes I take great issue with them and with their approach to the problems of the family, because I do not believe that the Moral Majority is always that moral. In many ways I consider this new wave to be a somewhat repressive movement on everything from civil liberties, to the way they believe we should be required to say certain prayers in school.

Yet my colleagues who are considered moderate to liberal sit back in the cloakroom and we scratch our heads and say, "Why is it that the moral majority seems to have gained some kind of credibility?" Guess what, folks. They are not all wrong.

The PRESIDING OFFICER (Mr. WARNER). The Chair wishes to advise the Senator from Delaware that all time has expired.

Mr. BIDEN. I thank the chair for the information and I yield the floor.

Mr. GRASSLEY. Mr. President, I yield 5 minutes to the Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida is recognized.

Mrs. HAWKINS. Mr. President, I rise in opposition to the amendment by the Senator from Delaware. Earlier today the Senate adopted an amendment 94 to 1 which provided a tax credit for day care expenses. That amendment was sponsored by the Senator from Ohio, by the Senator from Florida, and many other cosponsors.

One of my motivations in cosponsoring that amendment was to restore some equity to the day care support programs of the Federal Government. Ninety percent of the current day care support is channeled through Head Start, title XX, and similar programs and for which middle-income families who work do not qualify.

It is important that we not unfairly discriminate against the middle class which pays most of the taxes to support all Government programs.

The amendment is ultimately self-defeating that the Senator from Delaware supports. It is based squarely on the argument that we have a legitimate right to take money away from those who have earned it and give it to those who have not.

Most people are willing to tolerate a little of that philosophy. We all recognize, I think, that we have obligations to one another, and we are perfectly willing to use the Government as a mechanism for effecting those transfers that we regard as legitimate.

But there are limits to how much we will tolerate. There are very clearly millions of people who think that Government is redistributing beyond what is justified by our moral sense. There is a strong feeling that we are approaching the condition of legal robin hooding, where the rich are fair game so long as the booty is given to the poor.

The evidence that we have exceeded the limit is the growth in the underground economy. There are differences of opinion about how large the underground economy is, but there is no dispute about its existence. It is there, and it is growing. Thousands and thousands of people are moving their economic transactions of the budget. It is a technique they probably learned from the Federal Government.

They know that if they pay and are paid in cash that there is no accounting for the income and no tax to be paid on it. It is less convenient, but it is some level of taxation. It pays them to think that way, and they are doing it.

Our day care amendment that passed this morning makes provisions for the elderly—the mothers and fathers of all of us—who need care in the daytime. Indeed, I am for rewarding those people that work.

I cannot understand any grown person's belief that the very poor have the right, if you will, to have exceptional care and even superior care while those that are in the middle class, those bearing the full burden for the total cost of society by contributing to the tax system of this country yet will not receive a tax credit.

I suggest that the amendment of the Senator from Delaware is antifamily. It is antimother and antifather. If a couple decides to stay together and they earn $20,000 each, they basically do not consider themselves as wealthy. If they have four children, for instance, and any one of them has to have help of any kind, they, indeed, are very, very poor.

In a society that has made us each an island unto himself, there are many lonely families out there. Indeed, a single parent, as I understand the amendment of the Senator from Delaware, would have no limit on the amount of income. A single parent can make up to a million dollars, if I understand it, and still collect the day care credit. So you are really encouraging single parents.

We just had a long discussion over the past few days on a marriage penalty, getting rid of a marriage penalty. I suggest that you are further inflicting penalties on couples that will stay together and bear this tremendous responsibility of raising children to be good members of society and reknitting the fabric that we need so desparately in our society of having a strong family unit.

Those parents that contribute, work hard, pick up their children in the evening, have great conversations with them and can exchange the experiences for the day should not be penalized by having to let those children tend one another.

Mr. BIDEN. Will the Senator yield for a question?

Mrs. HAWKINS. I would like to finish by telling you that I feel captive as a working parent by the amount of my mortgage, by the amount of my electricity payment, by the things that we obligated for earlier in our lifetime that now have become exorbitant sums of money.

Indeed, we are forcing, by high interest rates, by tremendously high mortgage payments, by inflation that is beyond all expectation, forcing what we used to call the middle class into the poverty class. I cannot find within the dollar framework the rich that the Senator from Delaware has so ably defined for himself. I cannot support a credit where a single parent can qualify but couples cannot.

Mr. BIDEN. Will the Senator yield for a question?

Mrs. HAWKINS. Yes.

Mr. BIDEN. The Senator appears to be suggesting that for fear of losing a $400 tax credit a family with a combined income of $60,000 might find it necessary to split up in order to take advantage of the $400 that they would get from that tax credit. Is that what the Senator suggests?

Mrs. HAWKINS. I suggest that there have been excuses flimsier than that for getting a divorce.

Mr. BIDEN. I thank the Senator.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I yield 7 minutes to the Senator from Louisiana.

Mr. METZENBAUM. Mr. President, how much time is remaining?

The PRESIDING OFFICER. The Chair wishes to advise that the Senator from Iowa has 10 minutes remaining.

Mr. LONG. Will the Senator yield 5 minutes?

Mr. GRASSLEY. Yes.

Mr. LONG. Mr. President, I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. LONG. Mr. President, it seems to me that we ought to recognize certain facts. One of them is that it should be a woman's right to join the work force if she desires to do so.

When a mother joins the work force, if she has small children, she has a problem. She needs to hire someone to look after those children while she is working to help provide income for the family.

Mr. President, I was very much impressed by a young professional woman who came before the Senate Finance Committee. She put it this way. She said, "David Rockefeller can hire himself a secretary to make his appointments, to arrange meetings, to answer telephone calls, to answer mail, and do all kinds of things for him. And he can deduct that."

She said, "I'm an author. I can write novels but I cannot write them without that babysitter. If I have to look after that baby, I cannot write the books." She said, "I need that babysitter every bit as much as David Rockefeller needs that secretary to answer the telephone calls, make his appointments and arrange his business for him." She said, "It is unfair and it is discriminatory."

And I think it is, Mr. President. And ever since I heard that type of testimony before the Senate Finance Committee, I have taken the view that a mother who joins the work force ought to be able to deduct the cost of hiring a babysitter, no matter what her tax bracket might be or what it costs to hire the babysitter. I predict, in time, that is where we are going to be, because it is discriminatory to do otherwise.

Now, the Senator would say at the $30,000 level the mother cannot get a deduction for hiring a babysitter. And he would make that the income cutoff for the income the mother and father together.

Mr. President, I have had many fine women work for me. Most of them, taken together with their husband's income, have incomes of more than $30,000. I would think any married woman working on Capitol Hill whose husband is also working would be left out, if you just take the people you know in your own offices.

Now, I would point out to the Senator that this tax credit would help not only the working mother to hire somebody to look after her child, but it also helps the person who gets hired by that mother and who may thus be moved off welfare and into employment. All tend to benefit from it. Therefore, Mr. President, I honestly believe that the Senator's amendment would mean that where we do recognize that a woman is entitled to join the work force, we would say on the other hand that if she is in the middle-income brackets or above, then she is not entitled to the same consideration as others.

I do not think that one can explain that to the middle-income women of America. I think they would resent it. I honestly think we would be better off to have nothing in the bill about day care than we would to have something where you go up to a $30,000 level for a couple and then cut it off, because I think that to do it that way, Mr. President, would create so much resentment that the resentment we would have on the one hand would more than offset any applause or approval that we had from those who might be favorably affected.

So I would hope, Mr. President, if we are going to go forward with the day care proposal, that we try to arrange it as much as possible so that everyone could participate.

Mr. BIDEN. Will the Senator yield for a question?

Mr. LONG. If I have time remaining.

Mr. BIDEN. The Senator is aware, is he not, that this amendment would not preclude a working mother, no matter what her income was, from taking this tax deduction, unless there was both a working mother and working father in the family that exceeded an income of $30,000?

Mr. LONG. I say to the Senator that he is the best expert on his amendment. The way I read it, is says $30,000. And there is a handwritten provision in this, and I assume it is written by your hand: where both spouses have earned income and the total of their adjusted gross income is in excess of $30,000.

Mr. BIDEN. But a poor working mother would not be in that category.

Mr. LONG. At $30,000 she would be out, right?

Mr. BIDEN. No, a single working mother could make $100,000 and still be included.

Mr. LONG. The amendment is most generous on this point. I regret the Senator could not carry this kindness uniformly across.

Mr. GRASSLEY. How much time remains on this side, Mr. President?

The PRESIDING OFFICER. The Senator from Iowa has 5 minutes and 8 seconds left.

Mr. GRASSLEY. Mr. President, on this side of the aisle we felt when we adopted the amendment on Friday, and again with the vote this morning, that this body had expressed its opinion that there has been a very delicate compromise worked out on this issue and that it should not be upset.

We would see this amendment as upsetting that compromise to some degree.

More importantly, I think a good reason for opposing this amendment is its arbitrariness. A hard and fast rule at $30,000, causes hardship since families below that, earning $29,999, might qualify for the tax credit and those above, earning $30,001, might not qualify.

It seems to me if this sort of principle is good it should be phased out rather than having an arbitrary cutoff point.

I would say there would be ample evidence that the Senator from Delaware is being unfair to couples with a median income, since two members of a household each earning $15,000 or thereabouts would be eliminated from this sort of help. They may be the family that would need it the most. As already suggested here, you could have one member of a household with an inordinately high salary and the family would not be cut off from this tax credit.

I think the point I would like to make to the Senator who authors the amendment, and he is absolutely right in saying that the whole point of tax legislation to a great degree is the passage of social policy, is that often we can look at the other side of the coin with respect to expenditure. I only use this to ask the Senator to think about this point of view. He raises the point, should people in this income category get this sort of help? I think when it comes to the whole question he used his own salary as an example, the salary of Members of this body, $60,000 plus, as to what extent we should have help by tax credits or anything else.

I can raise the point that probably he would support the school lunch program. Our children benefit from that subsidy.

I would suggest that maybe he voted for the middle-income college assistance program in 1978. People that fall into our income category can take the benefit of that program.

There may be some point where, legitimately, the questions the Senator raises can be raised, but I think they need to be raised as well on the expenditure side, where maybe the Senator is a little more reluctant to raise those questions than he is on the tax credit issue. I do not know whether there is an amazing difference of philosophy there. I would suggest perhaps there is.

Mr. BIDEN. Will the Senator yield?

Mr. GRASSLEY. I yield because I would like to hear his justification if he supports some of these programs that have a subsidy for people above $30,000 but he does not support tax credits for individuals in that bracket.

Mr. BIDEN. A very valid question. The Senator is right. The Senator from Delaware is consistent. I do not support subsidies for upper-income children in the school lunch program. I do not support subsidies for people who are making incomes that are considered almost any standard as reasonable to get along.

Mr. GRASSLEY. Did the Senator vote against the Middle-Income College Assistance Act of 1978?

Mr. BIDEN. No; the Senator did not vote against the Middle-Income College Assistance Act because the social policy it is promoting is something that I think is worthwhile.

What surprises me is that the Senator from Iowa is suggesting that by voting against this legislation that he thinks it is better for a child to be raised in a day care center than it is in the home with a mother and father there, when there is no financial need to do otherwise. It surprises me. that the Senator supports an idea like that.

The PRESIDING OFFICER. The Chair wishes to advise that all time has expired on both sides. The yeas and nays have been ordered.

Mr. LONG addressed the Chair.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. I yield the Senator from Ohio 4 minutes on the bill.

The PRESIDING OFFICER. The Senator from Louisiana has 9 minutes remaining on the bill and the Senator from Kansas 16 minutes.

The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I rise to say a short word about the subject. I appreciate the strong views and concerns that have been expressed by the author of the amendment. I know that he feels very deeply about the question of family life and the need to preserve it. I think he reflects the views of 100 Members of this body when addressing himself to that question.

I also understand his concern that somehow this law as it presently reads providing for tax credit for day care centers for mothers, or families that put their children in day care centers, somehow does not redound to the benefit or continuation of the family life.

But I also want to point out that this amendment would cut back on those who really should deserve the greatest amount of attention and deserve from those of us in the Congress at the present time. We have been talking on both sides of the aisle about concern for middle-income Americans. Those who earn between $30,000 and $50,000 a year do not have a golden opportunity. They are not living off the land. They are having difficulty making ends meet. When they have to take out of their family budget after taxes about $2,500 for day care centers, it makes their problems that much more difficult.

In this amendment we would be taking it away not only from those who are the most well off, but from the middle-income family between $30,000 and $50,000 a year. Frankly, that would be inconsistent with the entire thrust of this tax bill, which allegedly is attempting to protect those in the middle-income areas, although some of us feel very strongly it provides much better protection for those who earn substantially in excess of $50,000.

The tax bill does, in fact, recognize the discrimination that presently exists against two-earner families and does something about the marriage tax.

I have difficulty accepting the concept that a single wage earner making, as the distinguished Senator from Florida pointed out, $1 million a year, would get the credit, but a two-earner family, both members of the family working, struggling, maybe one making as little as $8,000 a year and the other $22,000 a year, or $23,000—it has to be over $30,000—would not get any help in trying to better themselves.

I very strongly urge the Members of this body not to accept this amendment. I think the Senate spoke loudly and clearly this morning as to its views with respect to day care centers and the need to provide some tax credits for working families. I hope we will not turn the clock back in less than a 12-hour period by accepting the amendment, notwithstanding the strong feelings of the Senator and the merit that the proponent feels the amendment has.

Mr. BIDEN. Will the Senator from Louisiana yield me 1 minute?

Mr. LONG. Yes, Mr. President.

Mr. BIDEN. Mr. President, let me sum up quickly and say that it seems to me the single biggest problem facing us today is our desire to avoid individual responsibility. We go out of our way in this country to find reasons to avoid it. Responsibility starts with blood. Blood is thick. If you have a mother, father, son, or daughter, it is your responsibility to make whatever sacrifices are necessary to provide for the care of those folks unless there is a financial or a physical inability for you to do so. We as a nation had better establish that we have an individual responsibility to take care of our own family.

That means bringing mom into your home when dad dies. That means taking care of your child instead of putting him in a day care center when the only reason to put him there is for convenience.

We go out of our way to avoid our responsibility as individuals and until we recognize that fact we are going to continue to see the disintegration of the American family and the prevalence of the "me" generation.

The PRESIDING OFFICER. All time having expired, the question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. STEVENS. I announce the Senator from Arizona (Mr. GOLDWATER) and the Senator from Nevada (Mr. LAXALT), are necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 8, nays 90, as follows:

[Rollcall Vote No. 233 Leg.]

YEAS—8

Biden	Dodd	Matsunaga
Boschwitz	Dole	McClure
Denton	Inouye	

NAYS—90

Abdnor	Gorton	Nunn
Andrews	Grassley	Packwood
Armstrong	Hart	Pell
Baker	Hatch	Percy
Baucus	Hatfield	Pressler
Bentsen	Hawkins	Proxmire
Boren	Hayakawa	Pryor
Bradley	Heflin	Quayle
Bumpers	Heinz	Randolph
Burdick	Helms	Riegle
Byrd, Harry F., Jr.	Hollings	Roth
	Huddleston	Rudman
Byrd, Robert C.	Humphrey	Sarbanes
Cannon	Jackson	Sasser
Chafee	Jepsen	Schmitt
Chiles	Johnston	Simpson
Cochran	Kassebaum	Specter
Cohen	Kasten	Stafford
Cranston	Kennedy	Stennis
D'Amato	Leahy	Stevens
Danforth	Levin	Symms
DeConcini	Long	Thurmond
Dixon	Lugar	Tower
Domenici	Mathias	Tsongas
Durenberger	Mattingly	Wallop
Eagleton	Melcher	Warner
East	Metzenbaum	Weicker
Exon	Mitchell	Williams
Ford	Moynihan	Zorinsky
Garn	Murkowski	
Glenn	Nickles	

NOT VOTING—2

Goldwater Laxalt

So the amendment (UP No. 321) was rejected.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, what is the pending business?

The PRESIDING OFFICER. The pending business is the amendment of the Senator from Kansas.

Mr. DOLE. Mr. President, may we have order? I wish to set that aside.

Mr. ROBERT C. BYRD. Mr. President, I ask for the majority leader to state the program for the remainder of the evening.

Mr. BAKER. Mr. President, if the Senator will yield to me, I will answer the inquiry of the distinguished minority leader.

The PRESIDING OFFICER. The majority leader is recognized.

Mr. BAKER. Mr. President, may we have order?

The PRESIDING OFFICER. Senators be kind enough to cease their conversations and take their seats.

Mr. BAKER. Mr. President, I thank the minority leader for his inquiry.

I think we are making good progress and I am advised by the distinguished manager of the bill for the majority, and I believe he has conferred with the minority manager as well, that it appears that we can continue to make good progress. I expect at least two more rollcall votes tonight and the Senate to be in until 9:30 or 10 p.m.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished majority leader.

What time will the Senate likely resume consideration of this joint resolution on tomorrow?

Mr. BAKER. Yes. Mr. President, what I had anticipated was that we would come in early enough to accommodate any request for special orders and to be able to get on this joint resolution at 9 a.m. in the morning.

Mr. DOLE. Or earlier.

Mr. BAKER. So if we have four special order requests, which I understand we do, I estimate that we will be in at 8 a.m. tomorrow and on this joint resolution about 9 a.m. or a few minutes after.

Mr. ROBERT C. BYRD. I thank the Senator.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. DOLE. In response to the question of the Senator from West Virginia, I really believe there are not that many amendments remaining. I know we are not going to have any final vote or any form of final vote. But it would be very helpful to this Senator, because we are also engaged in a couple of items presently in conference, and I am holding up the whole conference. I guess, if we could dispose of a lot of these amendments. I think we are almost in agreement with two or three Senators. I have

just indicated to the distinguished Senator from New Hampshire and the Senator from Massachusetts what we might do, and if Senators could indicate to us that they are not going to call up their amendments, that is just the same to us. As long as it is pending, we are worried about whether it is going to come up.

The Senator from Missouri has an amendment which we will take, along with the amendment of the Senator from Mississippi.

There are no further amendments on this side except the so-called cash management amendment which I need to offer to make up the revenue shortfall we will be facing at the conclusion of floor action, and so we are almost at the point of wrapping this up. I think we can by 9:30 p.m., hopefully; if not, maybe by 10 p.m. or 10:30 p.m.

Mr. BAKER. Mr. President, if the Senator will yield to me, I do not plan at this time to ask for an order for the Senate to convene in the morning. Why do we not wait then and see how we get along tonight before we set the time for convening tomorrow?

Mr. ROBERT C. BYRD. I thank the distinguished majority leader and the distinguished Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that the pending amendment be temporarily laid aside and that the Senator from New Hampshire be recognized.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from New Hampshire is recognized.

Mr. RUDMAN. Mr. President, I thank the chairman of the Finance Committee for yielding.

Mr. KENNEDY. Mr. President, will the Senate be in order? The Senator from New Hampshire deserves to be heard. The Senate is not in order.

The PRESIDING OFFICER. The remark of the Senator from Massachusetts is well taken.

Senators are requested to take their seats, vacate the aisles, and kindly hold such conversations as necessary in the appropriate cloakroom.

The Senate still remains not in order.

Will the Sergeant at Arms restore order in the corner?

The Senator from New Hampshire may proceed.

Mr. RUDMAN. I thank the President.

UP AMENDMENT NO. 322

(Purpose: To provide a credit against tax for certain home heating costs)

Mr. RUDMAN. Mr. President, I send to the desk an unprinted amendment in behalf of myself, the Senator from Massachusetts (Mr. KENNEDY), the Senator from Rhode Island (Mr. PELL), the Senator from Minnesota (Mr. DURENBERGER), the Senator from Pennslyvania (Mr. HEINZ), the Senator from New York (Mr. D'AMATO), and the Senator from Florida (Mrs. HAWKINS).

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New Hampshire (Mr. RUDMAN) for himself and Mr. KENNEDY, Mr. PELL, Mr. DURENBERGER, Mr. HEINZ, Mr. D'AMATO, and Mrs. HAWKINS, proposes an unprinted amendment numbered 322.

Mr. RUDMAN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I, insert the following new subtitle:

Subtitle C—Residential Heating Credit

SEC. . HOME HEATING CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by inserting immediately before section 45 the following new section:

"SEC. 44H. CREDIT FOR RESIDENTIAL USERS OF ENERGY.

"(a) GENERAL RULE.—In the case of an individual, there is allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the product of—

"(1) the amount paid or incurred during such taxable year for all qualified home heating energy sources, multiplied by

"(2) a per centum equal to 40 percent of the percent change in the price index (within the meaning of section 8331(15) of title 5) for December of the calendar year preceding the calendar year in which the taxable year begins over such index for December of the second preceding calendar year.

"(b) LIMITATIONS.—

"(1) MAXIMUM DOLLAR AMOUNT. — The amount of the credit allowed to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(A) $200, over

"(B) 3 percent of so much of the adjusted gross income of the taxpayer for the taxable year as exceeds $15,000.

"(2) REDUCTION FOR GRANTS.—The amount of the credit allowed to a taxpayer under subsection (a) (after application of paragraph (1)) shall be reduced by any amount received by the taxpayer for any qualified home heating energy source under any Federal, State, or local program.

"(3) ONE INDIVIDUAL ELIGIBLE PER HOUSEHOLD.—

"(A) IN GENERAL.—In the case of any household, the credit under subsection (a) shall be allowed only to the individual residing in such household who furnishes the largest portion (whether or not more than one-half) of the cost of maintaining such household.

"(B) DETERMINATION OF AMOUNT.—In the case of an individual described in subparagraph (A), such individual shall, for purposes of determining the amount of the credit allowed under subsection (a), be treated as having paid or incurred during such taxable year for qualified home heating energy sources an amount equal to the sum of the amounts paid or incurred for such sources by all individuals residing in such household (including any amount allocable to any such individual under subsection (d)).

"(4) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of a married individual filing a separate return of tax, the provisions of subsection (b) of this section shall be applied—

"(A) by substituting '$150' for '$300', and

"(B) by substituting '$12,500' for '$25,000'.

"(5) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) for a taxable year shall not exceed the tax imposed by this chapter for such taxable year, reduced by the sum of the credits allowable under a section of this subpart having a lower number or letter designation than this section, other than the credits allowable by sections 31, 39, and 43.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED HOME HEATING ENERGY SOURCE.—The term 'qualified home heating energy source' means any energy source used for a qualified use, including wood.

"(2) QUALIFIED USE.—The term 'qualified use' means use in connection with any principal residence of the taxpayer located in the United States for purposes of heating such residence.

"(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as in section 1034, except that—

"(A) no ownership requirement shall be imposed, and

"(B) the principal residence must be used by the taxpayer as his residence during the taxable year.

"(d) ALLOCATIONS.—

"(1) TENANTS.—

"(A) IN GENERAL.—In the case of a tenant (other than a tenant-stockholder in a cooperative housing association) residing in a dwelling unit which is heated by a qualified home heating energy source and with respect to which the amount paid for such source is not separately stated, the amount determined under subsection (a)(1) for any taxable year for any qualified home heating energy source used for a qualified use shall be equal to the product of—

"(i) the per centum determined under subsection (a)(1)(B) for the taxable year, multiplied by

"(ii) an amount equal to that portion of rent paid by the taxpayer during such taxable year as is equal to the qualified rental portion.

"(B) QUALIFIED RENTAL PORTION.—For purposes of this paragraph, the term 'qualified rental portion' means that percentage of rental amounts paid for principal residences during a calendar year which the Secretary determines, after consultation with the Secretary of Housing and Urban Development or his delegate and after taking into account regional differences in climate and heating costs, to be the average percentage of rental amounts paid in a region of the United States attributable to the payment of the costs of the qualified home heating energy source so used for a qualified use in connection with the principal residence.

"(2) CONDOMINIUMS AND COOPERATIVES.—The Secretary shall provide by regulation for the application of this section to condominium management associations (as defined in section 528(c)(1)) or members of such associations, and tenant-stockholders in cooperative housing corporations (as defined in section 216), in such a fashion that the amount allowed by subsection (a) is allowed, whether by allocation, apportionment, or otherwise, to the individuals paying, directly or indirectly, for the qualified home heating fuel so used.".

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting immediately after the line relating to section 44E the following new item:

"Sec. 44H. Credit for residential users of energy.".

(2) Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 44G" and inserting "44G, and 44H".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the taxable year 1981.

Mr. RUDMAN. Mr. President, the first thing I wish to do is to express my appreciation to the distinguished chairman of the Finance Committee, Senator DOLE, and to the ranking minority mem-

ber of that committee, Senator LONG, and to our majority leader for their assistance in this day of some negotiations on this matter.

Mr. President, yesterday Senator KENNEDY and I proposed an amendment that was somewhat similar which failed to carry this Chamber in a 48-to-47 vote.

We felt very deeply about it then and we feel very deeply about it now that the people of the Frost Belt of this country, an integral part of the dynamic nature of this country, are suffering a very special burden suffered by no one else in America.

We all understand that inflation has gone up 77 percent in the last 10 years, but in our region of the country in New England, in particular, we have suffered a 550-percent increase in the cost of energy.

This amendment addresses that problem in a modest way for those individuals in what we would categorize as the lower middle income of America who receive no Federal grants for low energy income assistance but who are having a very difficult time in making it through the winter.

This amendment will recognize 40 percent of the inflation rate energy expenditures for all kinds of home heating with a cap of $200.

It will not be a great deal of money, Mr. President, but I can assure you those people come February and March of these long and cold winters in these regions of our country will find this modest amount of money very helpful to making it possible for them to feed their families.

Mr. President, I also say to the Senator from Massachusetts that I appreciate the help that his staff has given me in working through this day. I thank many Members who have agreed to cosponsor this with me.

Mr. President, I ask unanimous consent that the names of Senators D'AMATO, of New York, and HAWKINS, of Florida, be added as cosponsors.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RUDMAN. Mr. President, I yield to the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I do not intend to take much time on this amendment, but I do wish to emphasize the importance of it to many people not only in Massachusetts and New England but all across this Nation who suffered from the increasing amount of their scarce resources being taken to pay for the soaring cost of energy.

The Senator from New Hampshire has explained this amendment well.

We were asked during the debate yesterday why we should be sensitive to the energy costs in this country. The reason is this. The cost of energy and in particular energy which is used to heat the homes of families in the colder areas of this country has increased two to three times faster than the cost of living.

This amendment is designed to help working families in this country. The benefits of the amendment are phased out for upper income groups. The working families in this country suffer heavily. By and large, they are not eligible for the low-income energy assistance program. That program is a valuable program, but it is primarily targeted toward the elderly and other needy people in our society.

Mr. President, this is a limited program, but the limited aid it provides will give important assistance to those who today are making the harsh and cruel choice between food on their tables, or heat for their homes, or a telephone that can reach out to their neighbors and their friends, and which, in many instances, is a lifeline, particularly for elderly people in many parts of this country.

Harsh and difficult decisions are being made by families in the colder climates of this Nation. This amendment will provide some modest but important help and hope to many hundreds of thousands of families.

So I want to commend the Senator from New Hampshire (Mr. RUDMAN) for the work he has done, my colleague from New England, Senator PELL, who has long sponsored this type of legislation. I also want to thank the members of the Finance Committee and the majority leader, as well as the Democratic leader for their attention and assistance in bringing us to this position this evening.

I yield the floor.

Mr. PELL. Mr. President, will the Senator yield?

Mr. DOLE. I am happy to yield time, 1 minute.

Mr. PELL. I wanted to say how grateful all of us are in my part of the country to the Senator from Massachusetts and the Senator from New Hampshire and the Senator from Kansas for the negotiations that have been going on that may provide an agreement on this amendment. It means a great deal to us and, as the Senator from Massachusetts pointed out, many of our people have to make the cruel choice between heating or eating, and this will permit them to spend a tiny bit less for heating and a little bit more for eating.

In any case it is a good amendment and I congratulate my colleagues for the work they have done in this regard.

Mr. RUDMAN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. KENNEDY. As we prepare to vote, I want to point out there have been a number of issues which have divided the Senate along partisan lines on this bill. But this is one issue where there has been clear bipartisan support. I think the people ought to understand this. I certainly appreciate the very strong support that we have had from both Republicans and Democrats alike. We have worked well together, and I think that bodes well for the future.

The PRESIDING OFFICER. The Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, I yield myself 2 minutes on this bill.

Mr. President, this is a substantially different amendment dollarwise than was offered yesterday. It does not reduce the revenue to the degree that the one yesterday did.

However, the philosophy of it is still the same.

The argument is made that there has been a substantial increase in the price of heating oil, and certainly there has. But there has been a substantial increase in the cost of food, there has been a substantial increase in the cost of housing, there has been a substantial increase in the interest rates, and yet this proposal deals with only one segment in the tremendous increase in the cost of living.

I do not feel justified in voting for an amendment which gives a tax credit for the increasing cost of home fuel when none of these other problems in the increasing cost of living is being addressed.

I shall oppose the amendment.

Mr. RUDMAN. Mr. President, do I have any time?

The PRESIDING OFFICER. The Senator from New Hampshire has 9 minutes and 22 seconds.

Mr. RUDMAN. I simply want to say to my good friend, the senior Senator from Virginia, that normally I would agree with that logic, and that point would be well taken. But the indisputable facts in our region are as follows: the inflation rate for the United States of America for all the facts that the Senator mentioned and others was 77 percent in the period we are talking about.

In our region of the country the increase in energy costs to heat our homes is 550 percent, and I will tell you for people earning $12,000 and $14,000 a year, as difficult as it is to buy food and to buy bread, to get into the month of January and the month of February with small children in their homes and have to pay $1.29 a gallon for fuel oil with the dealer wanting the money in advance, I say to you, sir, that we do have special problems in New England.

I hope my colleagues in the Senate will recognize these are human problems that need humanity when we deal with them.

I thank the Chair.

Mr. DOLE. Mr. President, how much time does the Senator from Kansas have?

The PRESIDING OFFICER. Thirteen minutes and 22 seconds.

Mr. DOLE. How much time do I have on the bill?

The PRESIDING OFFICER. Approximately 16 minutes.

Mr. DOLE. Mr. President, I am only going to take a moment or two. I understand there are a number of Senators who want to get back to this vote, and I am not going to use much time, but we have notified those Senators who are not in the building at the present time that the vote will come very quickly.

I have discussed this amendment, as both Senators know, at length, most of this week, either with them, their staff, or with Treasury or with other Members who had an interest in the amendment.

I think it is well to point out that this amendment yesterday was defeated—not this amendment exactly but an amendment very much like it, a 3-year amend-

ment, yesterday, was defeated—by a margin of one vote. There was no motion made to reconsider and it was agreed by all Senators directly involved that that motion would not be made in the absence of the other Senators, and I appreciate that because this Senator had to be away from the floor at the time in a conference.

The Senator from Kansas does not believe this amendment is good tax policy. It seems to me we ought to find some better way to accomplish these goals. So I explained this to the Senator from New Hampshire, and he conveyed my remarks to the Senator from Massachusetts and I further suggested that maybe the best way to proceed is to adopt this for 1 year and see if we can find some fair measure that treats all parts of the country the same, and that really provides some relief. I think taking 40 percent of the CPI times whatever the costs may be, together with the income limitations involved, and the provision does not provide a great deal of relief.

But even in this more modest version is it good tax policy? I have been told as recently as 20 minutes ago that it is not by the Treasury. But with the Treasury sometimes anything is bad tax policy unless it raises revenue, and this loses some revenue.

So I suggested and I appreciate the Senator's accepting the suggestion made in good faith by the Senator from Kansas, that we limit it to 1 year. Let us have a vote on it. I assume the vote will be in the affirmative. The Senator from Kansas cannot vote for the amendment, but that does not mean as chairman of the conference, if the amendment is adopted, that I am going to do anything about the amendment but try to keep it in the bill.

I am willing to give that assurance to all the Senators involved.

I wish to thank those Senators for their patience and understanding. I want to try to stay neutral on the amendment at this point—if the 3-year amendment was not good, maybe a 1-year amendment is more acceptable. I think that is a positive way to approach it.

I think perhaps we have reached an agreement and accord that will satisfy half of this body, maybe more. We will find out in the vote and that will be helpful to us in the conference.

Mr. President, while the Senator has time, I am wondering if I might ask the distinguished Senator from Massachusetts, if it is all right to do that at this point, how many of his amendments we might expect to be called up.

Mr. KENNEDY. I expect one more, possibly two; but certainly one.

Mr. DOLE. Will the Senator be prepared to offer another amendment following the disposition of this amendment?

Mr. KENNEDY. I would rather not do it immediately following, though I do not exclude that if we are here a little while longer.

Mr. DOLE. Again, let me say to Senators who may be listening or staff members who may be listening that we are getting to the bottom of the heap or the bottom of the barrel, depending on how you perceive your amendment.

Mr. KENNEDY. The top of the barrel.

Mr. DOLE. Or the top of the barrel. Come to think of it, I have an amendment myself, so we are heading for the top of the barrel. If Senators could come to the floor with their amendments, we would be glad to defeat them. If we cannot defeat them, we will negotiate them. But the point being we would like to conclude nearly everything on this bill so that tomorrow morning we will be able to vote. I think everybody is about ready for that.

Mr. President, I suggest the absence of a quorum while I check to see whether all Senators are back. I ask that the time for the quorum call be charged to the bill.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. I yield back the remainder of my time.

Mr. RUDMAN. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from New Hampshire (Mr. RUDMAN). The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER), and Senator from Nevada (Mr. LAXALT) are necessarily absent.

Mr. CRANSTON. I announce that the Senator from Montana (Mr. MELCHER), and the Senator from Hawaii (Mr. INOUYE) are necessarily absent.

I further announce that, if present and voting, the Senator from Montana (Mr. MELCHER) would vote "yea."

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 71, nays 25, as follows:

[Rollcall Vote No. 234 Leg.]

YEAS—71

Abdnor	Grassley	Pell
Andrews	Hart	Percy
Baker	Hatch	Pressler
Baucus	Hatfield	Proxmire
Biden	Hawkins	Pryor
Boren	Heflin	Quayle
Bradley	Heinz	Randolph
Bumpers	Helms	Riegle
Burdick	Huddleston	Roth
Byrd, Robert C.	Humphrey	Rudman
Cannon	Jackson	Sarbanes
Chafee	Jepsen	Sasser
Cohen	Kassebaum	Schmitt
D'Amato	Kasten	Simpson
Denton	Kennedy	Specter
Dixon	Leahy	Stafford
Dodd	Levin	Stevens
Durenberger	Lugar	Thurmond
Eagleton	Mathias	Tsongas
East	Matsunaga	Warner
Exon	Metzenbaum	Weicker
Ford	Mitchell	Williams
Glenn	Moynihan	Zorinsky
Gorton	Murkowski	

NAYS—25

Armstrong	DeConcini	McClure
Bentsen	Dole	Nickles
Boschwitz	Domenici	Nunn
Byrd, Harry F., Jr.	Garn	Packwood
Chiles	Hayakawa	Stennis
Cochran	Hollings	Symms
Cranston	Johnston	Tower
Danforth	Long	Wallop
	Mattingly	

NOT VOTING—4

Goldwater	Laxalt	Melcher
Inouye		

So Mr. RUDMAN's amendment (UP No. 322) was agreed to.

Mr. RUDMAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Kansas.

UP AMENDMENT NO. 322, AS MODIFIED

Mr. DOLE. Mr. President, I ask unanimous consent—this has been cleared with both principal sponsors of the amendment—that I may offer a technical amendment.

On page 2 of the amendment just offered by the distinguished Senator from New Hampshire and the distinguished Senator from Massachusetts, on line 16, after the "B" which is in brackets, rather than 3 percent, it should read 2 percent.

The PRESIDING OFFICER. The Senator from Kansas is still on his amendment.

Mr. DOLE. I ask unanimous consent that that be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

We now proceed with the request of the Senator from Kansas to modify the previous amendment (UP No. 322). Is there objection?

Without objection, it is so ordered.

The amendment, as modified, is as follows:

At the end of title I, insert the following new subtitle:

Subtitle C—Residential Heating Credit

SEC. . HOME HEATING CREDIT.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowed) is amended by inserting immediately before section 45 the following new section:

"SEC. 44H. CREDIT FOR RESIDENTIAL USERS OF ENERGY.

"(a) GENERAL RULE.—In the case of an individual, there is allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the product of—

"(1) the amount paid or incurred during such taxable year for all qualified home heating energy sources, multiplied by

"(2) a per centum equal to 40 percent of the percent change in the price index (within the meaning of section 8331(15) of title 5) for December of the calendar year preceding the calendar in which the taxable year begins over such index for December of the second preceding calendar year.

"(b) LIMITATIONS.—

"(1) MAXIMUM DOLLAR AMOUNT.—The amount of the credit allowed to a taxpayer under subsection (a) for any taxable year shall not exceed the excess (if any) of—

"(A) $200, over

"(B) 2 percent of so much of the adjusted gross income of the taxpayer for the taxable year as exceeds $15,000.

"(2) REDUCTION FOR GRANTS.—The amount of the credit allowed to a taxpayer under subsection (a) (after application of paragraph (1)) shall be reduced by any amount received by the taxpayer for any qualified home heating energy source under any Federal, State, or local program.

"(3) ONE INDIVIDUAL ELIGIBLE PER HOUSEHOLD.—

"(A) IN GENERAL.—In the case of any household, the credit under subsection (a) shall be allowed only to the individual residing in such household who furnishes the largest portion (whether or not more than one-half) of the cost of maintaining such household.

"(B) DETERMINATION OF AMOUNT.—In the case of an individual described in subparagraph (A), such individual shall, for purposes of determining the amount of the credit allowed under subsection (a), be treated as having paid or incurred during such taxable year for qualified home heating energy sources an amount equal to the sum of the amounts paid or incurred for such sources by all individuals residing in such household (including any amount allocable to any such individual under subsection (d)).

"(4) MARRIED INDIVIDUALS FILING SEPARATELY.—In the case of a married individual filing a separate return of tax, the provisions of subsection (b) of this section shall be applied—

"(A) by substituting '$150' for '$300', and

"(B) by substituting '$12,500' for $25,000'

"(5) APPLICATION WITH OTHER CREDITS.—The credit allowed by subsection (a) for a taxable year shall not exceed the tax imposed by this chapter for such taxable year, reduced by the sum of the credits allowable under a section of this subpart having a lower number or letter designation than this section, other than the credits allowable by sections 31, 39, and 43.

"(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) QUALIFIED HOME HEATING ENERGY SOURCE.—The term 'qualified home heating energy source' means any energy source used for a qualified use, including wood.

"(2) QUALIFIED USE.—The term 'qualified use' means use in connection with any principal residence of the taxpayer located in the United States for purposes of heating such residence.

"(3) PRINCIPAL RESIDENCE.—The term 'principal residence' has the same meaning as in section 1034, except that—

"(A) no ownership requirement shall be imposed, and

"(B) the principal residence must be used by the taxpayer as his residence during the taxable year.

"(d) ALLOCATIONS.—

"(1) TENANTS.—

"(A) IN GENERAL.—In the case of a tenant (other than a tenant-stockholder in a cooperative housing association) residing in a dwelling unit which is heated by a qualified home heating energy source and with respect to which the amount paid for such source is not separately stated, the amount determined under subsection (a) (1) for any taxable year for any qualified home heating energy source used for a qualified use shall be equal to the product of—

"(i) the per centum determined under subsection (a) (1) (B) for the taxable year, multiplied by

"(ii) an amount equal to that portion of rent paid by the taxpayer during such taxable year as is equal to the qualified rental portion.

"(B) QUALIFIED RENTAL PORTION.—For purposes of this paragraph, the term 'qualified rental portion' means that percentage of rental amounts paid for principal residences during a calendar year which the Secretary determines, after consultation with the Secretary of Housing and Urban Development or his delegate and after taking into account regional differences in climate and heating costs, to be the average percentage of rental amounts paid in a region of the United States attributable to the payment of the costs of the qualified home heating energy source so used for a qualified use in connection with the principal residence.

"(2) CONDOMINIUMS AND COOPERATIVES.—The Secretary shall provide by regulation for the application of this section to condominium management associations (as defined in section 528(c)(1)) or members of such associations, and tenant-stockholders in cooperative housing corporations (as defined in section 216), in such a fashion that the amount allowed by subsection (a) is allowed, whether by allocation, apportionment, or otherwise, to the individuals paying, directly or indirectly, for the qualified home heating fuel so used.".

(b) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting immediately after the line relating to section 44E the following new item:

"Sec. 44H. Credit for residential users of energy.".

(2) Section 6096(b) (relating to designation of income tax payments to Presidential Election Campaign Fund) is amended by striking out "and 44G" and inserting "44G, and 44H".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to the taxable year 1981.

Mr. DOLE. Mr. President, the pending amendment is again the amendment of the Senator from Kansas?

The PRESIDING OFFICER. That is correct.

Mr. DOLE. I ask unanimous consent that that be temporarily laid aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. The Senator from Ohio would like to speak for about 10 minutes. Then, hopefully, the Senator from Massachusetts will be prepared to call up an amendment and the Senator from Delaware will be prepared to offer an amendment, which I hope we can agree upon. Then the Senator from Kentucky and the Senator from Missouri can bring up their amendments, which we hope will be agreed upon.

Perhaps then the Senator from Massachusetts will be prepared to call up his amendment. I wonder if that will be a rollcall.

How much time does the Senator from Kansas have on the bill, Mr. President?

The PRESIDING OFFICER. The Senator from Kansas has 11 minutes on the bill. The Senator from Louisiana has 84 minutes.

Mr. DOLE. Mr. President, I wonder if the Senator from Virginia would yield to the Senator from Ohio whatever time he needs on the bill?

Mr. HARRY F. BYRD, JR. How much will the Senator need?

Mr. METZENBAUM. Ten minutes, possibly 5.

Mr. HARRY F. BYRD, JR. Mr. President, I yield 10 minutes to the distinguished Senator off the bill.

Mr. DOLE. Mr. President, I wonder whether the Senator from Virginia will yield to the Senator from Ohio whatever time he needs, from the bill.

Mr. HARRY F. BYRD, JR. How much time does the Senator from Ohio need?

Mr. METZENBAUM. Ten minutes, and possibly an additional 5.

Mr. HARRY F. BYRD, JR. I yield 10 minutes from the bill to the Senator from Ohio.

Mr. DOLE. Mr. President, will the Senator permit me to ask the distinguished Senator from Massachusetts whether there will be a rollcall vote on the next amendment?

Mr. KENNEDY. There is a good likelihood that there will be one. I will try to get back in a half hour or so.

The PRESIDING OFFICER. The Senator from Ohio is recognized for not to exceed 10 minutes, granted by the Senator from Virginia.

Mr. METZENBAUM. Mr. President, at this point in the evening I believe it is important that we address ourselves to what is developing on the other side of Congress; because I have great concern that some of the problems to which we have addressed ourselves concerning how we will treat the oil industry have now become a subject in the House of Representatives whereby one side is bidding against the other to see which is going to do more for the oil industry.

The measure we have before us this evening does a great deal for the oil industry. It provides $20 billion in tax reductions for the oil industry between now and 1990. But the oil industry thought that was not enough, so when they took the matter up with the Democrats, the Democrats were prevailed upon to increase that amount to $22 billion.

But, within the last 24 to 48 hours, we have heard that the President is so anxious to get votes on the House side that he is prepared to cut the taxes of the oil companies $40 billion to $50 billion between now and 1990.

As Members of this body well know, this is not a new issue for the Senate. This is an issue to which the Senate addressed itself for a number of hours during the past week. And after extended debate the Senate voted, and by a vote of 49 to 47—with those of us in the minority being on the 47 side—the Senate indicated that enough is enough.

An amendment to give the oil industry an additional $20 billion was taken down and an understanding was reached that two other amendments, as well, would not be offered. And those two amendments were not offered.

But the oil companies are not to be deterred. They are at work in the House, morning, noon, and night. They want more and more and more. The issue is not how much more we are going to do for the people of the country. The issue is not how much more we are going to give to kids who want to go to college. The issue is not how much more we are going to give for people on food stamps, for school lunch programs, for school milk programs, for youth employment programs. No. We do not care about what is going to happen to senior citizens. The only question is: What are we

going to do for the oil companies of this country?

I know that one of the subjects that is being discussed here this evening, and it will be discussed tomorrow and the next day, is: When are we going to go home? Well, if the bill comes back from the House of Representatives and has that $40 billion to $50 billion extra in it, the Senator from Ohio wants to place the Senate on notice to be prepared to stick around a bit, because I believe that the people of this country are entitled to know what is taking place. I hope that $40 billion tax break will not come our way.

I hope our conferees will say to the House, if they come forward with that kind of proposal, that enough is enough. I hope they will recognize that they have thrown too much on the table over in the House.

Frankly, the Senate Finance Committee bill is bad enough, and the additions that have been made by the House Ways and Means Committee increase the ante to $22 billion.

It provides a 500-barrel-a-day exemption on tier 3 oil in 1982 and thereafter. It provides a 100-barrel-a-day exemption on tier 1 oil in 1983 and 1984. The exemption increases to 200 barrels a day in 1985 and 350 barrels a day in 1986 and thereafter.

The Senate bill has a $2,500 tax credit for royalty owners, and so does the House Ways and Means bill.

Then there are additional tax write-offs of certain expenses. That bill is $22 billion, $2 billion more than the Senate bill.

Then comes the administration's package. The Conable-Hance bill is an incredible give-away, costing $40 billion and $50 billion, according to the Joint Tax Committee.

Some of us have stood on the floor of the Senate; we have been in the Budget Committee; we have been in the conference committees; and we fought for nickels and dimes for people-oriented programs—$200 million, $300 million. We cannot find the money, we have been told. We have to balance the budget. But when it comes to the oil companies this administration, apparently, is willing to pay whatever price it takes to buy a few votes in the House of Representatives.

The administration bill would match the Senate's plan to cut the windfall profit tax on new oil from 30 percent to 15 percent. It would exempt all independents from the windfall profit tax on all stripper wells. The independents include such people as Hunt Oil Co. and the Louisiana Land and Exploration Co., which have annual sales in the billions of dollars.

In all fairness, I have heard that some of the independents are truly in trouble, and I am concerned about those that are in trouble.

Word has come to me this evening that half the independents do not even own a corporate jet. That means it is a problem for them to exist in this economy. I certainly would not want to keep any independent oil company from having its own jetliner, and I recognize the need to provide some sustenance and assistance for those poor independents who cannot afford to have a jet. So maybe there is some merit to giving a little extra consideration to those independents. However, the fact is that the independents are doing billions of dollars of business, and they want to be exempted. The Reagan administration is prepared to exempt them from the entire windfall profit tax on stripper wells.

Their proposal would also freeze the oil depletion allowance at 22 percent. We fought for years around here to try to bring that issue to a head and finally did bring it to a head in 1978. The Congress decided to phase it down to 15 percent. But the administration's bill would stop the phasedown at 22 percent. That proposal amounts to giving them a bonanza, an absolute bonanza, of tax-free dollars amounting to billions.

Finally, the bill would exempt the first two barrels a day of production from the windfall profit tax for royalty owners from 1982 to 1984, with the exemption rising to four barrels a day from 1985 on.

Mr. President, we would all like to go home. We would like to be out of here Friday night or Saturday night. But before we can go home, we have to get this tax bill brought to a conclusion. The purpose of my standing on the floor this evening is to say to those who will be the Senate conferees—and I will not be one of them—that if you bring back a bill from the conference that has billions of dollars of extra tax goodies for the oil industry of this country, then I believe that the people of this country should know what the issue is all about. I do not believe they will learn it in 1 day or 1 hour or one Senate speech. I believe they will learn it only if they know that the tax bill is bogged down, and I do not believe that is the way we ought to go.

I hope that those who will be the Senate conferees will understand the message this Senator is sending them. I do not believe we should go beyond the point the Senate Finance Committee has already gone with respect to the windfall profit tax. A number of us took the floor to address ourselves to that issue in the past week.

Now we find that the issue is no longer in the Senate. The issue is now in the House of Representatives. And the administration is willing to pay whatsoever price is necessary in order to get some votes to help out the oil companies of this country.

Too much harm has already been done. There are too many problems that already exist. Frankly I do not believe that the oil companies need any more assistance.

The vice president of the Phillips Petroleum Co. was recently quoted in the New York Times as saying, "Energy prices are going high as a kite, and we are going to make tons of money."

And I agree with the vice president of the Phillips Oil Co., because they are indeed making tons of money and there is no one who is proposing to take some of those profits away from them. Some of us, however, believe that enough is enough is enough. The $20 billion in this committee bill that is before us this evening is beyond the point where it should be, but the $40 to $50 billion that the House of Representatives is talking about is just the straw that breaks the camel's back.

I thank you, Mr. President.

The PRESIDING OFFICER. Who seeks recognition?

Mr. HARRY F. BYRD, JR. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HARRY F. BYRD, JR. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRY F. BYRD, JR. What is the pending business?

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Kansas.

Mr. HARRY F. BYRD, JR. I ask unanimous consent that it be temporarily set aside.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 323

Mr. HUDDLESTON. Mr. President, I send an unprinted amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Kentucky (Mr. HUDDLESTON) for himself and Mr. FORD, Mr. MATSUNAGA, Mrs. HAWKINS, Mr. MATHIAS, Mr. BOREN, Mr. CHAFEE, and Mr. WARNER, proposes an unprinted amendment numbered 323.

Mr. HUDDLESTON. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 60, insert after line 9 the following:

"(5) RACE HORSES AND HORSES OVER AGE 11.—The term 'recovery property' does not include horses used for racing and horses over 11 years of age at the time the horses were placed in service. Horses described in the preceding sentence shall be depreciated in the same manner as under section 167 as in effect for property placed in service on December 31, 1980, and the useful lives of such horses may be determined under section 167 as in effect on such date.

Mr. HUDDLESTON. Mr. President, the purpose of the amendment is to insure that the new depreciation rules will not be more detrimental for certain categories of horses than is the case under present law.

In the Finance Committee bill, older breeding horses and racehorses would have to be depreciated over a longer period than is presently required under the useful life method of depreciation.

While there may be a few other types of property that will be pushed into a slightly longer writeoff period, the slight detriment is offset by a greater investment tax credit. Horses get no investment

tax credit—even though other livestock is eligible for the credit.

The proposal should have no significant revenue loss over present law since the amendment seeks to put them in the same situation horses are in today.

This amendment has been cleared on both sides of the aisle and I ask for its passage.

The PRESIDING OFFICER. Who yields time?

Mr. METZENBAUM. I ask the Senator from Kentucky to yield 2 minutes to me.

Mr. HUDDLESTON. I yield to the Senator from Ohio.

Mr. METZENBAUM. Mr. President, this subject was before the Senate several nights ago. At that time there was some question about the amendment as it was originally drawn.

The matter has been discussed and rediscussed. Apparently the bill that came out of the Finance Committee instead of helping the breeders as well as those who own racehorses would have been hurting them and changing the depreciation schedule in a negative way so that it would have increased their taxes.

This amendment restores the situation as it presently exists and I commend the Senator from Kentucky for his leadership in this effort and I certainly have no objection to it.

Mr. HUDDLESTON. I thank the Senator from Ohio.

Mr. HARRY F. BYRD, JR. As I understand it, the Treasury Department approves of this amendment?

Mr. HUDDLESTON. The Treasury Department has other preferences, but this amendment is acceptable to the other side of the aisle and to this side of the aisle as far as I know.

Mr. HARRY F. BYRD, JR. But while the Treasury Department is not enthusiastic about it, the Treasury Department is not opposing it.

Mr. HUDDLESTON. That is correct.

The PRESIDING OFFICER. Who yields time?

Mr. HUDDLESTON. I yield back the remainder of our time.

Mr. HARRY F. BYRD, JR. I yield back our time.

The PRESIDING OFFICER. All time having been yielded back the question is on agreeing to the amendment of the Senator from Kentucky.

The amendment (UP No. 323) was agreed to.

Mr. HARRY F. BYRD, JR. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I understand there are only 11 minutes or thereabouts remaining on this side of the aisle on the joint resolution.

I ask unanimous consent that I may suggest the absence of a quorum without the time charged at all.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I suggest the absence of a quorum under those conditions.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DOLE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 500

Mr. DOLE. Mr. President, at an earlier time in the debate about 10 days ago the Senator from Maryland offered an amendment, and it was laid aside, the Senator from Maryland agreeing to lay it aside.

As I understand, that amendment is still pending, amendment No. 500.

The PRESIDING OFFICER. The amendment submitted by the Senator from Maryland was temporarily laid aside with the provision that he could call it back up.

Mr. DOLE. Right.

I understand the Senator from Maryland is now, after consideration and discussions, willing to withdraw the amendment; is that correct?

Mr. MATHIAS. Mr. President, amendment No. 500 is an amendment which has no cost to the Treasury. Therefore, it would be an appropriate amendment to be discussed in the second tax bill which the distinguished chairman of the Finance Committee has promised to bring to the Senate, it being the understanding that that second tax bill will probably be one which will have to balance out in gain or loss of revenue to the Treasury.

I understand that the questions that have been raised by the Treasury about this provision for allowing taxpayers to dedicate a part of their refund to contributions to the arts and the humanities would require some change in the tax form and would require a certain amount of accounting activity that the Treasury would like to inquire into.

In view of the fact that amendment No. 500 does appear to be appropriate for the second tax bill, and in view of the fact that the chairman of the Finance Committee has agreed to let us have hearings on this bill, I believe the chairman said in September, am I correct——

Mr. DOLE. The Senator from Maryland is correct. It is the hope of the Senator from Kansas that in mid-September we will be putting together what we consider to be the second tax package and we will hopefully have that completed, if not ready to report to the Senate, late this year, early next year, but we are going to start putting it together in September.

Mr. MATHIAS. I appreciate that offer on the part of the distinguished chairman.

I have discussed that suggestion with the cosponsors of the bill, the Senator from Montana (Mr. BAUCUS), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from Arkansas (Mr. PRYOR), and we have all agreed that it would be a reasonable procedure to follow the suggestion of the chairman of the Finance Committee and, therefore, in reliance upon his assurances, Mr. President, I hereby withdraw amendment No. 500.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I wish to thank the distinguished Senator from Maryland. He does have my assurance that this matter will be seriously considered and, hopefully, we can do that as indicated in the RECORD sometime in September.

Mr. President, I understand the distinguished Senator from Delaware will be prepared to offer an amendment in just a few moments, one that has been cleared again by Treasury and by both sides; is that correct, have you talked with Senator LONG?

Mr. ROTH. Yes, I have, and it has been cleared by Treasury. Are you ready for me to proceed?

Mr. DOLE. Yes, whenever you are ready.

UP AMENDMENT NO. 324

(Purpose: To modify the investment tax rules applicable to railroad rolling stock)

Mr. ROTH. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH) for himself, Mr. PACKWOOD, Mr. PERCY, Mr. TOWER, Mr. BENTSEN, Mr. BIDEN, Mr. DIXON, Mrs. HAWKINS, and Mr. HAYAKAWA proposes an unprinted amendment numbered 324.

Mr. ROTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 97, after line 26, insert the following:

"(d) RAILROAD ROLLING STOCK.—Clause (ii) of section 48(a)(2)(B) (defining property used outside the United States) is amended to read as follows:

"(ii) railroad rolling stock, of a United States person (as defined in section 7701(a)(30)), which is used to and from the United States;"

On page 105, after line 4, insert the following:

"(4) RAILROAD ROLLING STOCK.—The amendment made by subsection (d) shall apply to taxable years beginning after December 31, 1980."

Mr. ROTH. Mr. President, this amendment is sought in an effort to achieve equality of treatment under the investment credit and cost recovery rules between railroad-owned and nonrailroad-owned rolling stock, where rolling stock is used in both the United States and Canada and Mexico.

I am aware that the amendment as it is proposed will modify the present law rule as it applies to railroad-owned rolling stocks. This modification may not be workable for the railroad industry, and, therefore, I am only proposing the amendment in this form so that further discussion can occur on the proper language for the amendment in connection with a Senate-House conference on this tax reduction legislation.

It is my intent, and the intent of Senators PACKWOOD, BENTSEN, and LONG, to recede to the House position on this issue

if appropriate modifications can be worked out in the conference.

This amendment is not meant to cover situations whereby U.S. persons enter into long-term leasing arrangements with foreign railroads which are intended to allow railroad rolling stock to be used largely outside the United States.

I would like to have the agreement of the chairman of the Finance Committee on this course of action.

Mr. DOLE. Mr. President, I understand the question of the Senator from Delaware, and I agree with his position to recede if appropriate language cannot be worked out in the conference. I know the Senator has had long discussions with Mr. Chapin of the Treasury Department.

Mr. ROTH. That is correct.

Mr. DOLE. As I understand it, there are a number of Senators who have an interest in this amendment, half a dozen or more. I think it is a fair solution.

I want to make certain that the Senator from Delaware has discussed this with the distinguished Senator from Louisiana. If he has no question, that is agreeable with the Senator from Kansas.

Mr. ROTH. The amendment has been discussed with the distinguished Senator from Louisiana, and he is agreeable to the proposal.

Mr. DOLE. Mr. President, I yield back the remainder of my time.

Mr. ROTH. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Delaware (Mr. ROTH).

The amendment (UP No. 324) was agreed to.

Mr. ROTH. I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. DOLE. Mr. President, it is my understanding that Senator GARN has an amendment which has been agreed to by the Senator from Ohio and the Senator from Louisiana and also by the distinguished minority leader and the distinguished majority leader to make it in order to offer it at this time because of extenuating circumstances.

I ask unanimous consent that the Senator from Utah may be recognized to offer his amendment.

The PRESIDING OFFICER. Is there objection? Hearing none, it is so ordered.

UP AMENDMENT NO. 325

(Purpose: To amend section 274(b)(1)(C) of the Internal Revenue Code of 1954 with respect to the deductibility of gifts by employers to employees in recognition of length of service or achievement)

Mr. GARN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Utah (Mr. GARN) proposes an unprinted amendment numbered 325.

Mr. GARN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title II insert:

That (a) subparagraph (C) of section 274(b)(1) of the Internal Revenue Code of 1954 (relating to limitation on deductibility of gifts) is amended to read as follows:

"(C) an item of tangible person property which is awarded to an employee by reason of length of service, productivity, or safety achievement, but only to the extent that—

"(i) the cost of such item to the taxpayer does not exceed $400, or

"(ii) such item is awarded as part of a permanent, written plan or program that does not discriminate in favor of officers, shareholders, or highly compensated employees as to eligibility or benefits, and the average cost of all such items awarded under such plan during the taxable year does not exceed $400, except that no deduction may be claimed for any portion of an item awarded under such a plan or program to the extent the cost exceeds $1,600.".

(b) The amendment made by subsection (a) shall apply to taxable years ending on or after the date of the enactment of this Act.

Mr. GARN. Mr. President, I ask unanimous consent that Senator HATCH be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GARN. Mr. President, this is an amendment that recognizes the employee safety award programs, retirement gifts, and incentive awards for production. The limit has been at $100 for many, many years. Simply, with the rising price of gold, it discourages employers from having safety incentive programs or gold watches for retirement.

So this would raise that amount to $400. The estimated revenue cost is between $5 million and the maximum of $10 million per year. I believe it is agreed to on both sides and will be accepted.

Mr. DOLE. Mr. President, under present law an employer can deduct the cost of a gift or award made to an employee in recognition of his or her length of service as long as the cost does not exceed $100. The amendment would increase the $100 amount to $400. That is, in essence, what it does.

It is a simple amendment. I think it is a good amendment. It has been cleared by the Senator from Louisiana and the Senator from Kansas and I would hope we would accept the amendment.

Mr. GARN. Mr. President, I ask unanimous consent that Senator CHAFEE be added as a cosponsor to my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

All time having been yielded back, the question is on agreeing to the amendment of the Senator from Utah (Mr. GARN).

The amendment (UP No. 325) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. DOLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Will the Senator yield to me for a moment?

Mr. DOLE. Yes.

THE ECONOMIC RECOVERY TAX ACT OF 1981

Mr. PERCY. Mr. President, in these final 2 weeks of July, the focus in Congress is on the economic recovery program and its two most vital components. Both have my fullest support.

On the one hand, Senators and Congressmen are meeting this week to iron out their differences on the omnibus budget reconciliation bill that will save over $140 billion in the next 4 years. Nearly $40 billion in savings will be realized in 1982 alone. It is a landmark measure and one that I have supported every step of the way. I was an original cosponsor of the reconciliation instructions—which directed committees to come up with these cuts—and I, of course, supported the actual spending reductions contained in the reconciliation bill itself. Spending reduction has been the first part of the President's program that we have considered and I believe we can send the final version to President Reagan by August 1.

On July 15, the Senate took up the other major part of the economic recovery program: the Economic Recovery Tax Act. Like the spending reductions, this measure is vital to the success of the anti-inflation program. Together, these two measures will lay the groundwork for a true and sustained economic revival in this country that will not only reduce inflation and interest rates, but also generate new, productive jobs in the private sector. In short, they will put an end to the twin problems of inflation and unemployment—called stagflation by economists—that have haunted our economy for the past decade.

Perhaps one of the most eloquent statements on the importance of putting this economic recovery in place came to me from an Illinois constituent. A couple from Downers Grove, Ill., wrote me last winter that they supported this program, even though it "will affect us adversely."

The letter concludes with the following paragraph:

College aid and pork-barrel benefits are great, but neither are free. A substantial reduction in the rate of inflation will enable us as individuals and as citizens of Illinois to finance such programs ourselves. We believe the President's program is a beginning in the battle against inflation.

Mr. President, I ask that the entirety of this letter be printed in the RECORD at the close of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. PERCY. Two fundamental principles have guided the shaping of this tax cut and I would like to touch briefly on each of them.

First, this tax bill will cut individual rates substantially. We have experienced tax increases in the magnitude of $100 billion a year for the past several years, attributable to social security tax increases and bracket creep—the impact of inflation on take-home pay. By far the largest component of the tax cut is

for individuals. Of the $36 billion worth of taxes that will be cut in 1982, nearly $27 billion will go to individuals. The following chart gives an excellent picture of the distribution of tax reduction between individuals and business:

REVENUE EFFECTS OF THE ECONOMIC RECOVERY TAX ACT OF 1981

[In billions of dollars]

Provisions	Fiscal year—			
	1981	1982	1983	1984
Individual income tax	−0.04	−26.8	−70.6	−114.1
Business tax incentives	−1.6	−11.2	−19.6	−29.3
Savings incentives	0	−.09	−1.1	−3.5
Estate and gift tax	0	−.1	−1.7	−2.6
Commodity tax straddles	.1	1.3	0	0
Total revenue effect	−1.4	−39.9	−93.1	−149.5

Note.—Figures may not add due to rounding.

Source: Committee on Finance.

Mr. President, this chart shows clearly that individual taxes will be reduced far and away more than business taxes. This is a tax cut designed for middle-income Americans, a 25-percent reduction over 3 years. Under the committee's proposal, tax rates will be reduced as follows: 5 percent effective October 1, 1981; 10 percent in 1982 and an additional 10 percent in 1983.

These marginal rate reductions will provide relief for steadily rising tax burdens under present law and will also reduce the disincentives that result from the current high tax levels. Expressed as a percentage of income, the average tax burden is now higher than at any time in the past 20 years.

The distribution of the tax cut will be across the board so that all taxpayers share in relief in proportion to their tax liability. About two-thirds of the individual tax reduction will go to the 67 percent of taxpayers who earn less than $50,000 a year. The reductions—by cutting marginal tax rates—will boost the incentives for savings and work effort.

When these cuts in the marginal rates are coupled with the targeted tax cuts for savings in the bill, it becomes clear that this part of the legislation will give high priority to earners and savers. The impact that tax reduction will have on the average American family was succinctly put forth recently in a letter I received from a constituent in Cicero, Ill. His letter begins in this way:

Again as I approach the end of a month, it is necessary for me to go to the bank again and take out some money from my savings in order to help pay some of my bills for this month—not all, just some.

The gentleman who wrote me is 60 years old and has worked for 35 years. He continues in his letter:

I have very little savings. All we have to look forward to is Social Security and Medicare. I can't go out and get a second job; I work hard enough on my regular job. I'm having trouble keeping up with my job now at my age. I don't know where the working man can go from here . . . Help can only come from being able to keep more of the money we earn. We don't want any government "hand-outs" or new programs. Just let us keep the money we earn.

Mr. President, that is a heartfelt description of what we hope to accomplish with this legislation: Allow Americans to keep more of their own hard-earned money. I ask unanimous consent that my constitutent's letter be printed in full at the close of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. PERCY. In addition to the individual tax rate reductions, the second basic principle underlying this bill are the investment incentives.

These tax reductions will move us toward a lower rate of inflation by spurring savings and investment in plant and equipment. They are solid proposals that have been proposed by Senate Republicans for years. Like the individual rate reductions, these business-related cuts have my full support.

Years of high inflation and lack of investment incentives have eaten away at our industrial base. U.S. productivity lags far behind that of our major competitors. Even the British do better than we do when it comes to productivity rate increases.

To deal with these problems, this tax bill restructures the present depreciation system. Our present tax laws on depreciation are excedingly complex and do not provide adequate cost recovery of investments. The committee proposal adopts the accelerated cost recovery system—ACRS—which allows investments to be written off over a period of 15, 10, 5, and 3 years, depending on the type of investment made. ACRS, originally recommended by President Reagan, will not only provide added incentives for the investment but it will also greatly simplify an overly complex tax system.

In addition to the landmark streamlining of the depreciation system, this legislation includes two other significant tax incentives for business. There is a 25-percent tax credit for incremental research and development wage expenditures and a graduated credit for rehabilitation of structures. This latter provision will be important to older industrial areas, of which we have a great many in the Midwest.

For small businesses, the tax bill contains special provisions, too. Obviously, all types of business will benefit from the general business provisions I mentioned earlier. These targeted measures include tax incentives for stock options, an increase to $150,000 in the investment credit for used property and an increase in the $150,000 cap on the credit against the accumulated earnings tax. The bill also cuts small business tax rates by 1 percent in each of the next 2 years.

Mr. President, in addition to these important incentives to get the economy on the move, this legislation contains two measures that will make the tax system fairer: estate and gift tax reform and tax indexing. I have supported these items for many years and am pleased to see that the Finance Committee has embraced them.

The estate and gift tax changes will mean that by 1986, estates of $600,000 or less will not have to pay an estate tax. This nearly abolishes the estate tax, for only three-tenths of 1 percent of all estates will be liable for any tax by then. This is an important milestone for small businesses and farmers, who have been so severely affected by the nearly-confiscatory estate taxes in recent years. In addition, this legislation will allow for the tax-free transfer of estates between spouses. It updates the gift tax—last addressed in 1943—so that up to $10,000 can be transferred tax free, instead of the present $3,000. These provisions have been extracted from legislation Senator WALLOP and I introduced earlier this year—S. 395—and I am pleased to see them in this legislation.

The Senate's indexing proposal, which the full Senate adopted by a vote of 57 to 40, has had my full support for many years. I believe the first vote I cast for this was in 1978 and I have supported indexing legislation in subsequent years. Under the Senate-passed plan, individual income tax brackets will be indexed to the Consumer Price Index beginning on January 1, 1985. This will help reduce one of the most expensive items in a family budget: Federal tax payments. For every 1 percent rise in inflation, Federal tax receipts rise by $1.7 billion. Although Congress has periodically cut taxes, these reductions have not compensenated all taxpayers equally and the tax cuts have not kept pace with inflation. The 1978 tax cut was erased by high inflation almost immediately. This simple and equitable proposal received my support on the floor.

Mr. President, I commend my good friend Senator DOLE for moving this key part of the economic recovery program ahead so quickly. It is my hope that this bill can be sent to the President's desk before Congress recesses in August. The economy demands that we give it our highest priority.

EXHIBIT 1

DEAR SENATOR PERCY: We are writing in regard to the President's economic package. Several features of the proposal will affect us adversely.

Since we pay very little in federal taxes, our tax reduction will be negligible. The wealthy, however, will receive substantial reductions.

We do pay substantial amounts into the Social Security fund, yet no reductions are planned in Social Security taxes.

Our oldest child will enter college next fall. (Two others will follow in the next three years.) We had looked forward to low interest federal college loans to make this dream possible. It appears funding for such loans is to be slashed.

It is also likely that Illinois will lose certain "pork-barrel" funding—another blow to us.

None-the-less, we ask you to wholeheartedly support the President's program.

Yes, our taxes will be reduced little, but how else can they be reduced since we pay in little? Certainly the wealthy will receive bigger reductions, but they will be able to invest a larger proportion of the tax-cut than the not-so-wealthy.

Social Security payments are not being cut, but continue to increase. Since the program will soon be unable to make payments (according to a study placed on President Carter's desk a few weeks before the elec-

tion) this is no time to hasten the bankruptcy of that fund. Rather, support whatever structural revisions will strengthen it.

College aid and pork-barrel benefits are great, but neither are free. A substantial reduction in the rate of inflation will enable us as individuals and as citizens of Illinois to finance such programs ourselves. We believe the President's program is a beginning in the battle against inflation.

Again, we urge you to support it.

Sincerely,

Mr. and Mrs. RONALD P. ZAHN.

EXHIBIT 2

DEAR SENATOR PERCY: Again as I approach the end of a month, it is necessary for me to go to the bank again and take out some money from my savings in order to help pay some of my bills for this month—not all, just some. Others I shall stall until the next check.

This same procedure has gone on for many, many months. I am speaking now of ordinary living expenses—no luxuries, no liquor, no tobacco, no clubs, no restaurants, no vacation trips, no movies, no sports, no entertainment. It sounds very dull but it happens to be a fact of the American working man's life.

The lives of many families have been disturbed by the necessity of the wife and mother going to work to help make ends meet. We are unable to do this in our family—we must live on my income only.

I am approaching 60 years of age and after working for over 35 years, I have very little savings. All we have to look forward to is Social Security and Medicare. I can't go out and get a second job; I work hard enough on my regular job. I'm having trouble keeping up with my job now at my age. I don't know where the working man can go from here.

Help can only come from being able to keep more of the money we earn. We don't want any government "hand-outs" or new programs. Just let us keep the money we earn.

I have a simple and direct solution. I wish to offer you a suggestion that would give the working man some immediate relief: for incomes of $25,000 or less, reduce income tax in half, which would give immediate help because the "withholding" would be cut in half and we would feel the improvement with the first check.

Then to help the working man catch up, refund to him one-half of the income tax he paid for the past two years with the stipulation that 50 percent of what was received must be put into a savings account. We will be able to have some money in the bank to fall back on and more money will be available for mortgages and maybe I will once again be able to pay my bills without borrowing.

I know this will cut down the income of the Federal government, but they will have to begin to live within their income just as the average American.

I know we are told time and time and time again that if the people have more money the inflation will get worse—but the people do not have more money and the inflation gets worse and worse and worse.

Lowering the income tax is the only thing that has not been tried. So let's try it. It may be the answer. Let the working man keep more of the money he earns.

A very important point that must be emphasized is that people of my generation need desperately to be able to catch up.

There must be some relief for the working people of America, the working middle class that makes America different from all other countries—that middle class is being destroyed by inflation.

I felt compelled to write to you because you and your colleagues in Congress are our only hope.

Month by month we are going deeper in debt or just plain broke.

Much has been said by Members of Congress since the President's State of the Union Address that is very discouraging. Some of them don't seem to realize that it is very difficult to get along on the $20,000 that is the national average income.

We need your help, we turn to you for help now.

(Name withheld by request.)

● Mr. HOLLINGS. Mr. President, I know that during the past couple of weeks Members of this body and Members of the U.S. House of Representatives have argued in earnest for tax cuts. Unfortunately, most of the tax cut has been debated by tweedle-dee and tweedle-dum.

President Reagan and his "supply-siders" have sought a deficit-financed tax cut which will produce deficits of $60 billion in each of the next 3 years. The House Democrats and several in this body want to only skew the individual portion of that tax cut so more dollars go into the pockets of families in the $15,000-to-$50,000 income range. But in the end, will we be any better off under either of these plans? I doubt it.

We started on the right course. We said we needed fiscal discipline, accountability and responsibility and we found some $37 billion in spending cuts. Some of us may have disagreed on specifics but by and large, Democrat and Republican alike, we agreed that we should control Federal spending in order to get a better handle on the Federal budget. So, though the first step was difficult, we did it.

With regard to tax cuts we also started on the right course. We talked of tax cuts that would spur productivity, investment and savings and the President promised us that such a program could lead to a balanced budget by 1984. Well, that is where we have detoured from the course. We do not have a tax package limited to the needs of the economy. We are not only attempting to spur productivity, investment and savings; we are trying to gear up for the 1982 elections. Every politician loves tax cuts. Taxpayers vote. Politicians are reelected. It is easy and it is cozy. But it is not responsible.

Instead of arguing about who gets what, we should be asking why, how much, will it help the economy and will it get us to a balanced budget by 1984. Despite the day's political rhetoric there is nothing new about tax cuts. Since 1964, whether it was done for election day favor or done in the name of "Keynesian economics," income taxes were cut eight times—increasing the Federal debt and adding to the very economic ills we seek to cure today.

Sooner or later we will have to face up to the fact of what we accomplished in 1981. Some people are already pointing up the facts. In an editorial piece for the San Diego Union, June 14, 1981, James Cary of Copley News Service was right on target:

Both the Reagan—that is, Republican—proposal and the Democratic alternative, to be provided by the House Ways and Means Committee, have much more in common than in dispute.

Mr. President, I ask that Mr. Cary's article entitled "The Tax Cut Question: Where Will Economic Gorilla Sleep?" be printed in the RECORD.

The article follows:

THE TAX CUT QUESTION: WHERE WILL ECONOMIC GORILLA SLEEP?

(By James Cary)

WASHINGTON.—The great gathering storm on Capitol Hill over President Reagan's tax cut plan may appear a little strange to future historians of American politics.

Both the Reagan—that is, Republican—proposal and the Democratic alternative, to be provided by the House Ways and Means Committee, have much more in common than in dispute.

Both call for major tax cuts for individuals, for faster depreciation allowances to spur business investment, modification of the so-called marriage penalty and larger exemptions for gift and estate taxes.

Their major differences are in size, distribution and duration of the cuts. Neither side has had the audacity to suggest perhaps there should not be any tax cut at all, a proposal that would open a real philosophical debate on the merits of the issue, providing voters with a clear choice.

Mr. Reagan is calling for a 25 percent reduction in individual income tax rates, beginning with a 5 percent cut this Oct. 1 and additional 10 percent cuts on July 1, 1982, and July 1, 1983. The Democrats are proposing a 15 percent reduction—5 percent this year and 10 percent next.

On the business side, there is still some Republican shifting around on the final increase in depreciation allowances to be proposed, but both parties presumably will come up with plans close to the so-called 10–5–3 formula of writing of real estate investment over 10 years, plant equipment in five and transportation in three.

The Democrats see the essential difference between the two tax cut concepts as being the two-year versus the three-year duration of the income tax reduction and in their efforts to provide more tax savings for lower and middle income families, particularly those in the $20,000 to $50,000 annual income bracket.

But to President Reagan and the supply-side tax planners who have helped shape his program, the critical difference is the failure of the Democrats to cut deeply enough over a long enough period of time and to reduce individual tax rates across the board.

The philosophy behind this is that the Reagan plan will provide sufficient additional income in the higher brackets to free large amounts of capital for investment to renew the American industrial plant, money they say is now being siphoned off into tax shelters.

An even more critical difference, perhaps, is what the Reagan plan will cost the Treasury in decreased revenue at a time when the budget is out of balance, has no certain prospects of returning to balance, and inflation is still strong although recent statistics indicate it could be abating somewhat.

The Reagan proposals will take an estimated $37.4 billion from the Treasury in 1982, another $92.1 billion in 1983 and $144.5 billion in 1984. Of this total $224.8 billion would be from the reduction in individual taxes and perhaps $49.2 billion from business depreciation reductions. However, the business revenue loss could go up about $4.5

billion under one version of the Reagan proposals, bringing the total revenue loss to about $278.5 billion.

Assuming both the Democrats and Republicans end up with nearly identical business depreciation plans, the main difference would be the $144.5 billion cut in personal taxes in fiscal 1984, a sizable amount, to be sure, but one that still leaves both parties heavily committed to the stimulative side of budget policy at a time when a reasonable argument could be made it might be much more responsible not to cut taxes at all, at least until the nation is certain where the economy is headed.

In one sense, the U.S. economy is like an 800-pound gorilla. It can sleep anyplace it wants to. In other words, it does as it pleases, pushed and molded by forces much more powerful than any the Republicans or Democrats could apply through tax policy.

Given their track record of recent years, it is also reasonable to question whether any economists can accurately forecast what the economy is going to do. Rather than devise policies to shape it, it might be prudent to let the gorilla tell us first by its actions where it is going to sleep, and then policies could be tailored to that situation.

The uncertainties embedded in the tax cut plans of both parties go much further than this. Very ltitle study has been given to the potentially inflationary effects of the massive outlays for defense now planned.

They are scheduled to expand from $158.6 billion annually to $336 billion over the next five years. That is an annual surge of 11.1 percent a year between fiscal 1982 and 1986, even greater than the 10 percent annual increase clocked during the Vietnam war, when the current inflation became rooted in the economy. It comes close to doubling the 6 percent annual defense growth envisioned by former President Jimmy Carter.

There is some evidence that this alone could place considerable strain on production capacity. A House Armed Services Committee report last December even questioned whether the Pentagon could spend the money economically.

If two such potentially inflationary forces are turned loose on the economy simultaneously—the defense build-up and the tax cuts—President Reagan's theory that his tax plan will produce non-inflationary economic growth will have to work well indeed to avoid an inflationary conflagration.

There is some documentation for Mr. Reagan's belief. A Republican staff study released May 1 by the Joint Economic Committee of Congress concluded: "Employment, real output, real wages, real saving, real investment and income velocity are all predicted to rise; nominal interest rates and the rate of price inflation are predicted to fall."

But the White House has already modified the plan twice, both to reduce the size of the deficits it was creating and to gain more conservative votes. The original plan called for a 10 percent, not 5 percent, cut the first year. The business depreciation plan has also been curbed in an attempt to balance the 1984 budget and thus attract more conservative Democrats.

Still, it remains essentially intact, with administration spokesmen repeatedly insisting it must not be dismembered if the major investment and economic benefits are to be realized. The argument is constantly made that similar cuts in the 1920s and again under President John F. Kennedy in the early 1960s did restore non-inflationary growth.

Against such arguments, it can be pointed out that the two periods cited differed considerably from the present, and Walter Heller, who was chairman of Kennedy's Council of Economic Advisers, also disagrees. He calls the Reagan tax cut too soon, too simple and too big.

A significant number of Wall Street analysts, including Henry Kaufman of Solomon Brothers, have expressed similar concern about the size of the cut. And Brookings Institution economists, in their annual study of the budget, have warned that the administration's economic forecasts for inflation and growth depend on a huge increase in the velocity of money—that is, the speed with which a dollar is put back into the economic system—if they are not to conflict with the tight money policy advocated by the President and being pursued by the Federal Reserve Board. If budget policy does collide with monetary policy in this way, interest rates could be sent soaring again.

With such uncertainties, it might be reasonably responsible to ask why there isn't a more sharply defined debate under way—instead of an argument by both major parties from the same side of the fence.●

TECHNICAL AMENDMENTS ON TAX STRADDLES

● Mr. MOYNIHAN. Mr. President, may I simply call attention to two of the technical amendments on straddles and ask the distinguished floor manager a question.

The committee bill contains a fairly broad exemption for hedging transactions. This exemption covers most ordinary uses of the commodity markets by farmers, grain dealers, banks, and other businessmen; however, the exemption does not cover banks when they purchase and sell foreign currency and foreign currency contracts, for example, which are both offsetting and entered into with customers in the normal course of business without a special intention to reduce risk. In the Finance Committee, we stated that the hedging exemption was supposed to cover such transactions.

Also, many U.S. corporations hedge the stock of their foreign subsidiaries and the net worth of the foreign branches which contain a variety of assets. Having property abroad is risky because the property is denominated in foreign currencies; its value changes as the dollar moves up or down against other currencies. The hedging exemption was supposed to cover U.S. taxpayers when they enter into forward exchange contracts to hedge such foreign property without changing the tax nature of such property; that was also our intention in the Finance Committee.

However, we could not figure out a way to phrase the exemption so that such taxpayers could be properly covered before the vote in Committee. When I introduced the committee bill on June 25, I called attention to this. I said there were technical matters that we would deal with on the Senate floor; two of the technical amendments were addressed to this problem.

One amendment would change the way the term "hedging transaction" is defined. Under the bill now, a hedging transaction is a transaction that meets three substantive tests. It must have been entered into in the ordinary course of the taxpayer's trade or business. It must have been done primarily to reduce price risk. And it must yield ordinary income.

The amendment introduces a special rule for banks. Banks would have to meet only two of the three tests. Their transactions are hedges if the transactions are entered into in the ordinary course of business and they yield ordinary income. There need be no showing that a bank's primary purpose was to reduce price risk.

Another amendment is related to this. Under the bill now, no property that is at any time part of a hedging transaction can later produce capital or loss. The amendment would change this to read no personal property that is at any time part of a hedging transaction can produce capital gain or loss.

The aim here is to allow corporations to hedge the foreign exchange risk associated with owning section 1248 stock and section 1321(b) assets, without changing the capital gains treatment of that stock or those assets in later years.

This leads to my question for the distinguished chairman of the Finance Committee. May I say to the chairman it is my understanding that section 1248 stock and section 1231(b) assets are not personal property, as we use that term.

Section 1248 stock is not personal property because personal property is defined by the committee bill specifically to exclude stock.

Section 1231(b) assets owned abroad are not personal property because the committee bill defines personal property as "personal property which is actively traded." the words "actively traded" are the key. Even though there is a market for leases in real estate, in our view, that market does not make real estate leases actively traded. Nor are mimeograph machines, desks and the other contents of office buildings actively traded.

Therefore, if a bank enters into forward contracts to hedge against the foreign exchange risk associated with such assets, the forward contracts would be covered by the hedging exemption, and any assets against which the bank is hedging would not be converted from capital assets into ordinary income property.

This is my understanding of what we are doing. May I ask the chairman: Is it his understanding also?

Mr. DOLE. The distinguished Senator from New York is correct in his understanding.

Mr. MOYNIHAN. I would ask the Senator from Kansas to clarify the intent of the committee with respect to the operation of the Secretary's authority to allocate unidentified offsetting positions for purposes of the loss deferral, holding period and capitalization of interest rules. Am I correct in my understanding that the Secretary will have the authority to allocate a single commodities position to as many as three separate positions to defer a loss, terminate holding period and require capitalization of interest?

Mr. DOLE. The Senator is entirely correct in his analysis of the operation of this bill. Of course, with respect to such three positions offset, the holding period terminated loss deferred, and interest capitalized will relate only to a single position.

Mr. MOYNIHAN. I would ask the distinguished chairman of the Finance Committee to clarify the intent of the committee with respect to the treatment of regulated futures contracts that offset a commodities position that is not

marked to market. Is my understanding correct that a regulated futures contract that offsets another commodities position that is not marked to market may terminate the holding period of such position and may require capitalization of interest and carrying charges on such position (or another position), but may not defer losses recognized on an offsetting position?

Mr. DOLE. The Senator is, of course, correct. I might note, however, that the result he describes will arise only if the mixed straddle he describes is not identified. If identified, the gain on the regulated futures contract may defer loss on the offsetting leg.

Mr. MOYNIHAN. I would like to ask the chairman of the Finance Committee to clarify the intent of the committee concerning one aspect of the loss deferral rules. Section 1092(b) of the bill provides that rules similar to those of section 1233 (b) and (d) are to be promulgated by regulation. Am I correct in my understanding that the rules of paralleling section 1233(b) will be applied to provide that a position in commodities that is not marked to market will terminate the holding period of any other offsetting position that has not been held for more than 12 months?

Mr. DOLE. The distinguished Senator from New York is indeed correct in his application of the provisions of section 1092(b). Of course, such principle is only to be implemented by the regulations which the Secretary is required to promulgate.●

LESSEE IS OWNER OF INTANGIBLE ASSET AND THE CONSEQUENCES IF HE DISPOSES OF THAT INTEREST TO SATISFY DEBT OR OTHERWISE

● Mr. DANFORTH. We are dealing with revisions of the leasing rules that would be contained in new section 168(f)(8), and further dealing with some technical amendments to that provision. It is my understanding that the statute would provide that the characterization by the parties to the agreement of one of them as the lessor-owner and the other as the lessor-user will control for all Federal income tax purposes.

Even though the lessee has legal title, the lessor is for Federal income tax purposes treated as the owner. Let us assume a sale and leaseback transaction where the lessee acquires the property, makes a nominal sale to the lessor but for State law purposes retains title, and then leases the property back from the lessor. What is the tax result if the lessee, who has title, sells the property? Suppose the lessee has financed the property with a bank and the bank forecloses.

Mr. DOLE. The Senator is correct. The lessor will for all Federal tax purposes be the owner even though the lessee has legal title for State law purposes. The lessee is just that—a lessee with a right to use the property for the term of the lease. If the lessee sells the property, in a mortgage foreclosure or otherwise, for Federal income tax purposes he has merely transferred an intangible asset which is his interest in the lease. The lessee would realize a gain in the amount by which the selling price or foreclosure price exceeds his tax basis in the lease.

The purchaser—the bank, for example—would have acquired an intangible asset for which no investment credit is allowed and which is not depreciable. The purchaser can, however, amortize his cost over the remaining term of the lease. The regular tax rules related to the purchase and sale of contractual or intangible rights apply.

In the transaction we just described there would be no tax effect on the lessor-owner. He has not transferred anything. If the lessor did transfer his interest under the agreement, then since he is for tax purposes treated as the owner, the regular tax consequences of transfer of ownership such as potential recapture of depreciation and the investment tax credit would apply.

HOW THE OFFSET RULE WORKS

Mr. DANFORTH. We are now adding a new section 168(f)(8)(G) to the leasing rules which relates to contingent payments and offset agreements. It is my understanding, for example, that in a typical sale and leaseback, the lessee-user could receive a down payment of cash. Thereafter the schedule of principal and interest payments to be made by the lessor-owner in any year could exactly match the schedule of rental payments the lessee-user would make to him—so it is a wash. The offset rule would eliminate the necessity of the parties actually going through the process of making the offsetting payments and all the tax consequences of basis, income, and deductions would be the same.

Mr. DOLE. That is correct. Current case law and Internal Revenue Service rulings are unclear whether a taxpayer, who acquires property under an obligation unduly burdened with contingencies, has created a basis for the full purchase price of the property. The addition of section 168(G) to the safe harbor leasing rules is intended to permit a lessor who acquires leased property to have a basis equal to the purchase price of the property even though the "agreement" required under section 168(f)(8) permits contingent payments or offsets, for example, the lessor can elect to offset its obligation to pay for the property by the scheduled rental payments due from the lessee. Also, section 168(f)(8)(C)(vi) was added to remove any doubt that an agreement which contains a provision for contingent payments or offsets qualifies for treatment as a lease under the section 168 safe harbor rules.

Section 168(G) sets forth the effects on taxable income for both the lessor and lessee in the event an offset provision becomes operative. Under that subsection, the lessor will be required to include in income the rental income scheduled to be received from the lessee and may deduct the interest scheduled to be paid to the lessee and the depreciation deductions in the same amounts and over the same number of years as agreed to by the lessee and lessor prior to the offset. The lessee may deduct its scheduled rental payments to the lessor and must include in income the "deemed" interest income from the lessor.

The purpose of this amendment is to provide a means whereby the lessor will receive all the depreciation deductions and investment tax credits it bargained for. Therefore, even though the lessee may be unable to meet its obligations, the lessor can be assured of realizing its tax benefits and thereby "neutralizing" credit worthiness as a consideration for using the safe harbor-leasing rules. This permits companies which are in a weak financial condition to participate in the leasing rules on an equal basis.

Mr. DANFORTH. It is my understanding that the amendments make it clear that the policy of facilitating use of the investment tax credit through leasing pursuant to the safe harbor rules applies equally to so-called credit pass-through leases. In these instances, property is leased to a lessee who then subleases the property back for the same term to the original lessor or an affilitate. The credit is passed pursuant to a section 48(d) election to the lessee-sublessor, who would be treated as the lessee for purposes of the Code. The original lessor or an affiliate obtains the benefit through the relative rentals under the lease and sublease.

Mr. DOLE. The understanding of the Senator is correct.●

INTEREST ON INSURANCE COMPANY DEPOSITS

● Mr. BENTSEN. Mr. President, last year when, as part of the Windfall Profit Tax Act, we enacted an exclusion from income for $200 of interest—$400 for taxpayers filing joint returns—we provided that interest on other evidences of indebtedness issued by a domestic corporation of a type offered by corporations to the public, other than those specifically enumerated in the statute, could, by regulation, also be excluded from income. At the time, I confirmed with the then-chairman of the Finance Committee on the floor of the Senate that one type of interest that could be excluded from income under Treasury regulations under this provision was the interest earned on amounts held by an insurance company under an agreement to pay interest on the amounts held.

In the present bill, we exclude from incomes starting in 1984, 15 percent of net interest received on savings, up to a ceiling of $450—$900 for taxpayers filing a joint return. This new provision, like the provision for the exclusion of $200 of interest last year, provides that interest on other evidences of indebtedness issued by a domestic corporation of a type offered by corporations to the public could, by regulation, also be eligible for the 15-percent exclusion.

I wish to reconfirm the understanding with respect to the new 15-percent exclusion that one type of interest that could be included in Treasury regulations is the interest earned on certain amounts held by an insurance company under an agreement to pay interest on the amounts held.

Mr. DOLE. Yes; that is correct.

Mr. BENTSEN. At the present time, I see no reason why the Treasury would not provide by regulations that the interest earned on certain amounts held by an insurance company under an agreement to pay interest should be eligible

for the new net interest exclusion. Specifically, policyholder dividends to the extent they do not exceed premium paid—and therefore are not taxed when withdrawn—and prepaid insurance premiums left on deposit appear to be quite similar to savings left on deposit with the sort of savings institutions specifically enumerated in the statute. Even life insurance policy proceeds left by a beneficiary with an insurance company under an agreement to pay interest may be sufficiently similar to other savings vehicles to qualify. The interest component of an amount received under an annuity contract, however, is clearly not eligible for the exclusion. Is this view shared by the distinguished Senator from Kansas?

Mr. DOLE. Yes, at the present time. I see no compelling reason why Treasury would not provide by regulations that interest earned on the amounts that you mentioned would qualify for the new net interest exclusion. If the Treasury and IRS agree that these interest payments are similar to interest paid on amounts left on deposit with savings institutions, I would expect regulations to so provide. The final determination, however, will be left up to the Treasury.

Mr. BENTSEN. Interest earned on policyholder dividends in excess of premiums paid and left on deposit with an insurance company may present different considerations, however. I believe it is appropriate therefore, in promulgating regulations, for Treasury to examine the question of excluding the interest paid on such dividends without our expressing a view as to the correct result.

Mr. DOLE. I agree.●

A CALVIN COOLIDGE TAX BILL

Mr. EAGLETON. Mr. President, as we approach the time of final passage of this tax bill, I think we should step back a moment and reflect on what we are about to do with respect to both the economic and social fabric of this Nation.

First, we should examine what has been done in the Federal budget.

To 3 million social security recipients receiving the $122 minimum payment—some of the oldest and poorest of our Nation—we have said we no longer can afford to provide you this minimum payment.

To 1 million recipients of food stamps—again, some of the oldest and poorest of our Nation—we have said we no longer can afford to provide you food stamps and to 1 million other recipients, we have said we must cut your benefits.

To thousands, maybe millions of people receiving the absolute minimum of medical care under medicaid, we have said we must cut back or altogether eliminate even the most elemental and basic medical care.

To 837,500 college students receiving student loans, we have said you will no longer be eligible for student loans.

To 800,000 poor children in elementary schools, we have said we can no longer provide that extra help necessary to overcome economic or social disadvantages.

To 1,500,000 young people enrolled in the vocational training program, we have said that we do not care if they reach adulthood without a career or any job prospects.

By way of contrast to what we have done in the budget bill, in the tax bill before us, we direct the lion's share of the tax cuts to the rich.

To taxpayers earning $50,000 and more—that is 5 percent of American taxpayers—this bill targets almost two-thirds, 61.5 percent, of the tax cuts. To the taxpayers earning less than $50,000—that is 95 percent of all American taxpayers—this bill targets about one-third, 38.6 percent, of the tax cuts. How is that for good old fundamental equity?

To very wealthy taxpayers with significant "unearned" income—stock dividends and the like—we reduce their maximum tax from 70 percent to 50 percent.

To taxpayers with "capital gains" on the sale of stock, we cut the rate from 28 percent to 20 percent.

The country is now being deluged with television, radio, and newspaper ads extolling the wonders of the administration's tax bill. Is it any surprise that this shameless effort to brainwash the American people is being financed by the very private interests that stand ready to reap the bulk of the benefits?

Perhaps the most unseemly and disgraceful activity of all was the "bidding war" which developed as various groups tried to fashion a coalition. In order to entice this or that House Member, more than $16 billion of tax cuts were directed to the oil industry.

In short, Mr. President, the economic and social policy that we have adopted in this bill is budget cuts for the poor, tax cuts for the rich, a gusher of tax cuts to the oil industry, and high interest rates for everybody. No wonder that President Reagan has restored the portrait of Calvin Coolidge to a place of prominence in the White House. Coolidge and his Secretary of the Treasury, Andrew Mellon, would be very much at home with the Reagan-Kemp-Roth economic and social scheme.

In Coolidge's time, it was called "trickle down." In Reagan's time, it is called "supply side," but there is not a scintilla of difference between them. Both proceed from the same view that when you feed the horses well enough, eventually the sparrows eat better, too.

As the Reagan-Coolidge tax bill before us demonstrates, we have not learned much from history. Let us hope there is a special providence somewhere which will spare us from reliving the consequences.

INTEREST EXCLUSION FOR PASSTHROUGH OF QUALIFIED INTEREST FROM REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS

● Mr. SCHMITT. Mr. President, on July 16, during the early days of the consideration of this bill, we adopted amendment No. 228, sponsored by myself and Senator DANFORTH, among others. One of the provisions of that amendment revised new section 128 of the Internal Revenue Code, effective for years beginning after 1983, to permit a 15-percent exclusion for certain types of interest, after subtracting from such interest certain types of interest paid. This provision is intended to encourage savings by permitting the return on certain types of savings to enjoy tax-favored status. While I would have preferred to give such tax-favored status to the return on all sorts of savings and investment, revenue constraints forced us only to favor interest.

Mr. President, it is my understanding that the interest exclusion provisions contained in the amendment list several specific types of interest that would be excluded from gross income. In addition, a provision is included that provides that, to the extent prescribed in Department of Treasury regulations, the exclusion includes interest on other evidences of indebtedness issued by a domestic corporation of a type offered by corporations to the public. It is my understanding that this provision concerning the other types of interest was included in order that other types of interest on corporate obligations that were not specifically named in the bill will be eligible for the interest exclusion. Can the distinguished manager of the bill confirm whether or not my understanding is correct?

Mr. DOLE. Yes, your understanding is correct.

Mr. SCHMITT. I am informed that regulated investment companies have historically been treated in the Internal Revenue Code as "conduits." No tax is levied upon the company so long as it currently distributes its income to shareholders, and the principal types of income received by the companies retain their character when passed through to the companies' shareholders. Thus, even though the distributions of such income to shareholders are denominated as dividends, net long-term capital gains distributed to shareholders as so-called capital gains dividends are treated as long-term capital gains in the hands of shareholders under code sections 852(b)(3)(B) and (C) and tax-exempt interest is flowed through as tax-exempt interest in the hands of shareholders under code section 852(b)(5).

Similar treatment is available for beneficiaries of a real estate investment trust. It seems clear to me, for purposes of the new 15-percent net interest exclusion, that otherwise qualified interest paid to a regulated investment company or real estate investment trust and passed through to its shareholders or beneficiaries nominally as "dividends" or other type of return should retain its character as interest qualified for the 15-percent exclusion in the hands of the shareholders or beneficiaries. Does the Senator from Kansas agree?

Mr. DOLE. Yes; I do. If the interest is otherwise qualified for the exclusion, and is distinguished from other income passed through, it should remain qualified when passed through to shareholders and beneficiaries.

Mr. SCHMITT. Is it the chairman's understanding, then, that one type of interest that can and should be excluded under Treasury regulations is such interest?

Mr. DOLE. Yes, that is my understanding. Determination, however, will be left up to Treasury.●

ORDER OF PROCEDURE TOMORROW

Mr. BAKER. Mr. President, if the Senator from Kansas would permit me, I have consulted with the minority leader, with the chairman, and with the ranking member of the Finance Committee. It seems clear that there are no other amendments that we can do tonight. So I wish to announce there will be no more votes this evening.

Mr. President, sometime shortly I will ask the Senate to enter an order to convene at 9 o'clock tomorrow morning. I inquire of the distinguished chairman of the committee if he is in a position to suggest a listing and sequence of amendments to be disposed of tomorrow and perhaps an overview of how many amendments remain and when he thinks we might reach the final stages of consideration of this bill on tomorrow?

Mr. DOLE. Mr. President, I would say to the majority leader and others that, as I understand it, the distinguished Senator from Missouri, Senator EAGLETON, would be recognized to call up his amendment, followed by the distinguished Senator from Massachusetts, Senator KENNEDY, to call up an amendment—I am not certain if he identified that amendment—and then the distinguished Senator from Montana, Senator BAUCUS, to call up an amendment on expensing, then the distinguished Senator from Tennessee, Senator SASSER, to call up an amendment following that. So there would be four amendments.

That would leave an amendment by the Senator from Montana, Senator MELCHER, an amendment by the Senator from West Virginia, Senator ROBERT C. BYRD, two amendments by the manager of the bill, one possible amendment by the Senator from Texas, Senator BENTSEN, and four other Kennedy amendments, but I understand they may not be called up tomorrow.

Mr. BAKER. I thank the Senator. Could he tell me the nature of the Baucus amendment to be offered?

Mr. DOLE. The Baucus amendment deals with small business expensing of $25,000.

Mr. BAKER. Mr. President, I am advised by the minority leader that they are agreeable on that side, may I advise the chairman, to a sequence of an Eagleton amendment as the first amendment, a Kennedy amendment from the list of amendments—I might say that the distinguished Senator from Massachusetts (Mr. KENNEDY), indicated to me that there is a possibility that he might offer two amendments, he thought it was only an outside possibility, and there is also an outside possibility he will not offer any. The second amendment would be a Kennedy amendment, the third amendment a Baucus amendment, and the fourth amendment a Sasser amendment and perhaps a Melcher amendment after that.

But I am advised that the minority side is willing to clear on their side the sequence of the four amendments at this time: Eagleton, Kennedy, Baucus, and Sasser. If that is agreeable to the distinguished chairman, I will make that request at this time, Mr. President.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair wishes to inform the majority leader and the distinguished Senator from Kansas that the time allotted on the bill to the Senator from Kansas is now exhausted.

Mr. BAKER. Mr. President, how much time remains to the distinguished minority manager of the bill?

The PRESIDING OFFICER. Seventy-four minutes.

Mr. BAKER. Mr. President, I ask unanimous consent that an equal time be allocated to the distinguished manager of the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, was that request granted?

The PRESIDING OFFICER. That is correct.

ORDERS FOR WEDNESDAY

ORDER FOR RECESS UNTIL 9 A.M.

Mr. BAKER. Mr. President, if the Senator from Kansas would permit me one more moment, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 9 a.m. tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

REDUCTION IN LEADERSHIP

Mr. BAKER. Mr. President, this has been discussed with the minority leader.

Mr. President, I ask unanimous consent that on tomorrow the time allocated to the two leaders under the standing order be reduced to 2 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF CERTAIN SENATORS

Mr. BAKER. Mr. President, after the two leaders are recognized under the standing order as reduced, I ask unanimous consent that the following Senators be recognized for not to exceed 15 minutes each: the Senator from Oklahoma (Mr. NICKLES); the Senator from Kentucky (Mr. HUDDLESTON); the Senator from Wisconsin (Mr. PROXMIRE); and the Senator from California (Mr. HAYAKAWA).

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that, after the execution of the special orders just provided for, there be a period for the transaction of routine morning business not to exceed 5 minutes in length in which Senators may speak for not more than 1 minute each for the purpose of statements only.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER TO RESUME CONSIDERATION OF TAX MEASURE

Mr. BAKER. Mr. President, I ask unanimous consent that at the expiration of the time for the morning business just provided, the Senate return to the consideration of the pending measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE TOMORROW

Mr. BAKER. Mr. President, I thank the Senator from Kansas for permitting me to make these arrangements now. May I say to the Senator from Kansas that he, the Senator from Louisiana, the Senator from Virginia, and others, have done an extraordinary job in dealing with more than 100 amendments on this bill. I would hope that the handful of amendments that are yet to be dealt with can finish this bill sometime in the early part of the day on tomorrow.

I yield the floor.

Mr. DOLE. Mr. President, is it the intention of the majority leader that we will start on the bill at 10 o'clock?

Mr. BAKER. Mr. President, I would say to the Senator from Kansas it would be just a few minutes after 10. I have provided that the Senate would convene at 9 a.m.; the time of the two leaders would expire at 9:04; the time for special orders, if fully utilized, would take until 10:04; 5 minutes for morning business would be 10:09, so the latest we could be on this bill would be at 9 minutes after 10 o'clock tomorrow.

It is my estimate that we will be on the bill before that by reason of the failure of Members to use the time allocated under special orders or the lack of the requirement to use the full time.

Mr. DOLE. I thank the majority leader.

Mr. BAKER. Mr. President, there are certain housekeeping details to be attended to.

ROUTINE MORNING BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXECUTIVE CALENDAR

Mr. BAKER. Mr. President, I have a number of matters that are cleared on this side for disposition.

Mr. President, might I first inquire of the minority leader if he would be willing to examine his Executive Calendar for today? I observe that on our calendar we are prepared now to proceed to the consideration of all of the nominations appearing on page 2 beginning with "New Reports" and continuing on page 3, through "Department of Health and Human Services."

Mr. ROBERT C. BYRD. Yes, Mr. President, those nominations are cleared on this side of the aisle.

Mr. BAKER. I thank the minority leader.

EXECUTIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate go into executive session for the purpose of considering the nominations just referred to.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the nominations be considered en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered and confirmed en bloc.

The nominations considered and confirmed en bloc are as follows:

DEPARTMENT OF EDUCATION

Donald J. Senese, of Virginia, to be Assistant Secretary for Educational Research and Improvement, Department of Education.

George A. Conn, of Maryland, to be Commissioner of the Rehabilitation Services Administration.

Anne Graham, of Virginia, to be Assistant Secretary for Legislation and Public Affairs.

Thomas Patrick Melady, of Connecticut, to be Assistant Secretary for Postsecondary Education, Department of Education.

ACTION AGENCY

Thomas L. Lias, of Iowa, to be an Assistant Director of the ACTION Agency.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

William E. Mayer, of California, to be Administrator of the Alcohol, Drug Abuse, and Mental Health Administration.

DEPARTMENT OF LABOR

William M. Otter, of Kentucky, to be Administrator of the Wage and Hour Division, Department of Labor.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Marie P. Tolliver, of Oklahoma, to be Commissioner on Aging.

STATEMENT ON THE CONFIRMATION OF MARIE T. TOLLIVER, OF OKLAHOMA, TO BE COMMISSIONER ON AGING

● Mr. NICKLES. Mr. President, I rise to voice my congratulations to Mrs. Lennie-Marie Tolliver, a fellow Oklahoman, on her appointment to serve as Commissioner on Aging.

Both in terms of educational background and job experience, Lennie-Marie will bring insight and expertise to this position. She has earned her Ph. D. in social work education from a university in Cincinnati, Ohio, and is currently serving as professor, associate director, and graduate program coordinator for the University of Oklahoma School of Social Work.

Chosen for such honors as listings in "Who's Who of American Woman" and "Who's Who in Black America," Lennie-Marie is also widely recognized by her peers as a woman of accomplishment and leadership.

I would like to encourage my colleagues to join with me in expressing our approval and pleasure with President Reagan's choice for Commissioner on Aging. We look forward to working with Lennie-Marie and seeing the results of what happens when a person of compassion, integrity, and expertise confronts the challenge of coordinating information and recommendations on the very sensitive and critical problems that our elderly face.●

Mr. BAKER. Mr. President, I move to reconsider the vote by which the nominations were confirmed.

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask that the President be immediately notified that the Senate has given its consent to these nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate return to legislative session.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, I have a number of other requests to make. I shall try not to detain the Senate very long. I believe each request has been cleared by the distinguished minority leader.

PROPOSED UNANIMOUS-CONSENT REQUEST CONCERNING CERTAIN TREATIES

Mr. BAKER. Mr. President, in respect to certain treaties that are on the calendar, I would like to propound another unanimous-consent request, as in executive session.

As in executive session, I ask unanimous consent that on Thursday, July 30, at 12 noon, the Senate go into executive session to consider five treaties on the Executive Calendar, those being Calendar Orders Nos. 5–9, under the following time agreement:

Twenty minutes total time on all five treaties to be equally divided between the chairman of the Foreign Relations Committee, Senator PERCY, and the ranking member or their designees, and that after the conclusion or yielding back of the 20 minutes of debate time, one rollcall vote occur counting for five rollcall votes on the five resolutions of ratification.

I also ask unanimous consent at this time that the five treaties be considered as having passed through the various parliamentary stages up to and including the presentation of the resolution of ratification.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object.

Mr. BAKER. Mr. President, I understand that perhaps the clearance process on that request has not been completed. I withdraw the request for the time being.

The PRESIDING OFFICER. The request is withdrawn.

REMOVAL OF INJUNCTION OF SECRECY—TREATY DOCUMENT NO. 97–15

Mr. BAKER. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the Supplementary Extradition Convention with Sweden (Treaty Document No. 97–15), transmitted to the Senate today by the President of the United States, and ask that the treaty be considered as having been read the first time; that it be referred, with accompanying papers, to the Committee on Foreign Relations and be printed for the use of the Senate; and that the President's message be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The message of the President is as follows:

To the Senate of the United States:

With a view of receiving the advice and consent of the Senate to ratification, I transmit herewith the Supplementary Convention on Extradition between the United States of America and Sweden, signed at Washington on May 27, 1981.

I transmit also, for the information of the Senate, the report of the Department of State with respect to the treaty.

The supplementary extradition treaty updates an existing extradition treaty with Sweden of October 24, 1961. It expands the list of extraditable offenses to include: tax evasion, obstruction of justice, offenses relating to the international transfer of funds, and conspiracy to commit extraditable offenses. Upon entry into force it will amend the extradition convention between the United States and Sweden.

This treaty will improve upon our current extradition treaty with Sweden and will thus contribute to international cooperation in law enforcement. I recommend that the Senate give early and favorable consideration to the treaty and give its advice and consent to ratification.

RONALD REAGAN.

THE WHITE HOUSE, *July 28, 1981.*

REFERRAL OF NOMINATION

Mr. BAKER. Mr. President, as in executive session, I ask unanimous consent that the nomination of John V. Graziano to be Inspector General of the Department of Agriculture be referred to the Committee on Governmental Affairs for not to exceed 20 days.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, for the moment, I yield the floor.

EL SALVADOR: THE SEARCH FOR PEACE

Mr. PERCY. Mr. President, Assistant Secretary of State for Inter-American Affairs, Thomas O. Enders, recently gave a speech to the World Affairs Council of Washington, D.C., outlining United States policy for El Salvador and giving the rationale for our strong support for an electoral solution to present political instabilities in that country.

Ambassador Enders notes three important points that must be realized if a political solution is to be found:

First, promises—with respect to reform—must be kept.

Second, there must be demonstrable progress in controlling and eliminating violence from all sources, and

Third, all parties that renounce violence should be encouraged to participate in designing new political institutions and in choosing representatives for them.

Mr. President, the Government of El Salvador is presently engaging in the necessary effort to build an electoral framework within which elections will take place. The first test will come in March of 1982 when elections for a constituent assembly are to be held.

Ambassador Enders makes a strong case for continuing United States assistance to the El Salvador Government so that a climate favorable to a political, electoral solution can be sustained.

This is a clear and important statement of our policy toward this troubled area. I ask unanimous consent that Assistant Secretary Enders' speech be printed in the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

EL SALVADOR: THE SEARCH FOR PEACE

This winter one of our neighbors—El Salvador—was the target of a deadly challenge. On Januray 10, insurgent groups that had developed in El Salvador—but had united with Cuban help, had trained many of their people in Cuba, had just obtained infusions of modern arms through Cuba—launched a "final offensive" to overthrow the Salvadoran government.

Timing was critical to the guerrillas. On Januray 9, the insurgents' Radio Liberation boasted from Nicaragua that the offensive to be launched the next day meant that the new president of the United States would come to office too late to stop the guerrilla victory. But an unspoken internal factor was probably more important. In 1980 the new Salvadoran government—after its predecessors had for years ignored pressing socio-economic problems—had started a program of land reform to benefit the poor. The reform addressed key issues that the insurgents had hoped to exploit as their own. Every passing day was demonstrating that the guerrillas' premises—that they were dealing from strength at home and abroad—were wrong.

El Salvador is in area the smallest mainland country of Latin America. It has not quite five million people. But it is our neighbor. When El Salvador appealed for our help to ward off an externally-armed attack, both the Carter and Reagan Administrations responded. The reason is simple: We cannot be indifferent to outside threats to the security of any friendly country so close to our shores.

A vital fact must be recognized: Cuba is manipulating and feeding the violence in El Salvador. Cuba helped Marxist groups to unify, and has been backing them with military training, arms, and propaganda.

This pattern is not unique.

Cuba applied it in Nicaragua, first to help overthrow the government, then to influence the new one.

With variations, Cuba is attempting to repeat this pattern in Guatemala and elsewhere in Central America.

And in South America last February, armed insurgents landed in Colombia in an attempt to undermine one of the hemisphere's most respected democracies. The landing force had just completed three months of combat training in Cuba.

Had the United States not responded to El Salvador's appeal for help, no country in the area could have considered itself safe from Cuban-backed violence.

Today, as in the past, the basic policy of the United States is to try to help resolve the problems of frail government institutions, of poverty, and of underdevelopment that create vulnerabilities to this form of aggression.

But when trained guerrillas with outside backing take up machineguns, mortars and recoilless rifles, no amount of fertilizers, schools or clinics can prevent them from sowing terror or attempting to seize power by force. That is why we responded to the appeals of the Salvadoran government to supplement our economic assistance with military assistance, and that is why we believe we should continue military aid in the small amounts we are providing.

Contrary to the insurgents' expectations, the Salvadorans contained the immediate January offensive on their own. Our assistance since has enabled the Duarte government to prevent the insurgents from turning their continuing outside support to new military advantage. Even more importantly, our assistance gives the Salvadoran people a chance to defend their right to self-determination by developing a political solution to the conflict.

And that is what I would like to talk about today: a political solution. For just as the conflict was Salvadoran in its origins, so its ultimate resolution must be Salvadoran.

For more than 18 months, El Salvador has had a government with a consistent and stable policy, one that emphasizes domestic reform, closer trade and diplomatic relations with neighboring nations, and firm resistance to outside intervention.

El Salvador, however, remains a divided country. It is divided between the insurgents and a great majority that opposes the extreme left's violent methods and foreign ties. It is divided between an equally violent minority on the extreme right that seeks to return El Salvador to the domination of a small elite and a great majority that has welcomed the political and social changes of the past 18 months.

The insurgents are divided within their own coalition—between those who want to prolong their ill-starred guerrilla campaign, and those who are disillusioned by their failure to win the quick military victory their leaders had proclaimed inevitable—between those who despise democracy as an obstacle to their ambitions to seize power, and those who might be willing to engage in democratic elections.

Finally, the vast majority of Salvadorans in the middle are also divided—over whether to emphasize the restoration of the country's economic health or the extension of the country's social reforms—between those who honor the army as one of the country's most stable and coherent institutions, and those who criticize it for failing to prevent right-wing violence—between those who see the need to develop participatory institutions, and those who maintain that there is no alternative to the old personalistic politics.

Only Salvadorans can resolve these divisions. Neither we nor any other foreign country can do so. It is therefore critical that the Salvadoran Government itself is attempting to overcome these divisions by establishing a more democratic system.

We wholeheartedly support this objective. Not out of blind sentiment, not out of a desire to reproduce everywhere a political system that has served Americans so extraordinarily well, and certainly not because we underestimate the difficulties involved.

Rather, we believe that the solution must be democratic because only a genuinely pluralistic approach can enable a profoundly divided society to live with itself without violent convulsions, gradually overcoming its differences.

How can a country beset by so many troubles get from here to there? The first thing to say is that promises must be kept.

One can debate endlessly about El Salvador's land reform—whether the takeover of the big farms might have a high penalty in lost production for export, whether one can really give clear titles to over 200,000 individual peasant workers, and so forth. But the changes that have already taken place are real. The issue is no longer whether land reform is advisable or not. The issue now is how to consolidate and perfect what has been done. Individual titles are a practical necessity if peasants are to know that their new opportunities to work their own way out of subsistence poverty are fully legitimate. There is no other choice if economic and social chaos and an eventual guerrilla victory are to be avoided.

This understood, the compensation promised should also be provided, and on a just and effective basis. This is not only a matter of right, it is a practical necessity. El Salvador is known for the vigor and skill of its modern entrepreneurs, but entrepreneurs will not stay and work in El Salvador or anywhere else if they cannot expect fair treatment.

Titling and compensation would bring important elements of stability to the reform process. In addition, the assurance that existing reforms will be made to work before new economic changes are introduced, and that predictable rules of the game will be developed in consultation with both employers and workers, would go a long way to consolidate moderate forces, frustrate the guerrillas' economic warfare, and help restore El Salvador's economy.

Second, there must be demonstrable progress in controlling and eliminating violence from all sources.

Violence of the left and violence of the right are inextricably linked. Since the failure of the January offensive, the tragic cycle of violence and counter violence has been most evident in Chalatenango and Morazan, the remote areas where guerrilla forces are concentrated, and where most of the violent incidents recently attributed to the far right and to government forces have taken place. Elsewhere, the violence has tended to fall as the level of nation-wide insurgent activity has declined. The investigations into the murders of the four American Catholic women and the two AIFLD experts, though still unfortunately incomplete, have led to detentions.

But more needs to be done.

Cuban and Nicaraguan supplies to the guerrillas must stop. There is no doubt that Cuba was largely behind the arms trafficking that fueled the guerrilla offensive this winter. In April, when Socialist International representative Wischnewski confronted Castro with our evidence of Cuban interference, Castro admitted to him that Cuba had shipped arms to the guerrillas—just as we had said.

After their arms trafficking was exposed, Cuba and Nicaragua reduced the flow in March and early April. Recently, however, an ominous upswing has occurred, not to the volume reached this winter, but to levels that enable the guerrillas to sustain military operations despite their inability to generate fresh support.

The other side of the coin is that more Salvadoran Army leadership is needed, both to fight rightist death squads and to control security force violence. This is a primary objective of our training effort. There must be improvement.

The basic reality, however, is that violence will likely be countered by violence until a rational and legitimate political process is devised to break this vicious circle.

This brings me to my third point, that all parties that renounce violence should be encouraged to participate in the design of new political institutions and the process of choosing representatives for them.

The government of El Salvador has announced that it will hold presidential elections in 1983. Prior to that a Constituent Assembly to be elected in 1982 will develop a new constitution. Four months ago, in March, President Duarte appointed an electoral commission to develop the necessary procedures. Last week, the government officially approved measures recognizing the legal status of registered parties and setting the procedures whereby these parties, and any new parties that come legally into existence, can participate in the election.

The parties already legally registered include two groups associated with the insurgent political front: the National Revolutionary Movement led by Guillermo Ungo, and the Democratic National Union, the electoral vehicle of the traditional Communist party. These parties, and any others that may wish to do so legally, now have before them the opportunity to test their strength against reformist and conservative parties according to the ultimate test of democracy: ballots, not bullets.

Before developing this critical point further, let me note that the value and importance of elections as a means for resolving and overcoming differences should not be underestimated in Central America today.

Costa Rica has been able to resolve its political differences peacefully largely because elections have been held uninterruptedly since 1948—and are scheduled again next February.

Honduras elected a Constituent Assembly in April 1980 and will elect a President and a Legislative Assembly this coming November. The courage of Honduran leaders in standing by their election commitments despite regional turmoil and economic difficulties deserves recognition as an important contribution to the advancement of peaceful political processes in their country and in the region as a whole.

Guatemala this month began a campaign that is to lead to constitutionally-mandated presidential elections next March. All of Guatemala's friends hope the campaign will evolve in a climate free of violence and contribute to the resolution of Guatemala's serious problems.

In all of Central America, only Nicaragua has no elections scheduled in the months ahead. The government has reneged on its promises to the people who overthrew Somoza two years ago, and has said only that elections may be possible sometime in the future—maybe in 1985. What an extraordinary contrast between this clear lack of self-confidence on the part of the new revolutionary rulers of Nicaragua, and the invitation from the embattled Salvadoran revolutionary junta to the political parties of El Salvador to organize for free elections.

As basic expressions of self-determination and national sovereignty, elections involve many delicate questions. They include technical matters (such as steps to ensure an accurate tally), confidence-building measures (such as providing witness of fairness and absence of coercion or intimidation from any source), and a host of fundamental matters such as the design of institutions, security for participants, and assurances that the results will be respected.

But one asks: can a campaign be held in El Salvador? There are some recent indications it can. Two months ago the leading peasant union, the UCS, held a rally of 10,000 people without incident. A month ago, the Christian Democratic Party held a National Congress, with 2,500 delegates many of them women, in attendance. The electoral commission has made it clear it welcomes observers "not only for the day of elections, but also in anticipation of them, observing the entire process."

Nonetheless, before elections could take place, all parties would want to know how campaign security will be assured, and whether extremists might ultimately permit an actual election campaign without violence.

If elections are held, would the results be respected? The government's intentions are clear. El Salvador's new military leaders have made the reform process possible. An army confident that its integrity will be respected, and that elections will be fair, can also be effective in curbing violence from the right as well as from the left. But it is only realistic to recognize that extremists on both left and right still oppose elections, and that an army suspicious that its institutional integrity might not be respected could itself become a destabilizing element. In this regard, we should recognize that El Salvador's leaders will not—and should not—grant the insurgents through negotiations the share of power the rebels have not been able to win on the battlefield. But they should be—and are—willing to compete with the insurgents at the polls.

To develop a serious, reliable electoral process in El Salvador, all non-violent political groups, whatever their relationship to the current government, will have to make their views known to each other and to the Electoral Commission. This will doubtless require careful discussion and quite possibly negotiation among the parties.

Elections are quintessentially matters of internal policy. But there may be ways other nations can assist. If requested by the government of El Salvador—and desired by those involved—other countries might be invited to facilitate such contacts and discussions or negotiations on electoral issues among eligible political parties. The United States is prepared, if asked, to join others in providing good offices to assist the Salvadorans in this task, which could prove critical to the search for a political solution to the conflict.

We have no preconceived formulas. We know that elections have failed in the past. We have no illusions that the task now will be anything but difficult. But we believe that elections open to all who are willing to renounce violence and abide by the procedures of democracy can help end El Salvador's long agony.

I have one more thing to say.

That is that the search for a political solution will not succeed unless the United States sustains its assistance to El Salvador.

This spring, after their offensive revealed their lack of popular support, the Democratic Revolutionary Front thought—we know from their own documents—that negotiations should be used as a delaying tactic while the insurgents attempted to regroup militarily.

Should members of the guerrilla command believe that they can make gains by military means, no participation in elections, no meaningful negotiations, no political solutions are likely to be forthcoming. The point is not that sustained U S assistance might lead to a government military victory. It is that a political solution can only be achieved if the guerrillas realize they cannot win by force of arms.

To ensure a climate in which a political solution can take place, the limited military programs we now have should be sustained. Our economic assistance, already more than three times our military aid, must continue to offset the guerrillas' efforts to prolong the war by sabotaging the economy.

The war is a terrible ordeal for the Salvadoran people. Many thousands of persons have lost their lives. The conflict is deeply rooted in domestic Salvadoran political and socio-economic problems. But by providing arms, training, and direction to this local insurgency and by giving it global propaganda backing, Cuba and other radicals have intensified and widened the conflict, and greatly increased the suffering of the Salvadoran people.

Our concern for El Salvador is not unique. The United States has met challenges like this before. Since World War II, under Democratic and Republican Presidents alike, the United States has used all appropriate instruments—political, economic, and military—to help friends and allies secure their vital interests as well as our own.

Our help for El Salvador is really very small—but it is vital. With it, El Salvador is making progress. The government, the Church, the trade unions, agrarian organizations, professional bodies, and organizations of businessmen are now all increasingly engaged in seeking a peaceful outcome to the conflict. Last March, the guerrillas' use of violence led the Apostolic Administrator to comment that "most of the public has turned its back on them". Elections now offer to those among them who want to end the violence a chance to work for peace.

The culmination of the search for peace is necessarily the responsibility of Salvadorans. But Salvadorans look to us for understanding and assistance. We can help by:

Extending economic and military assistance to counter the disaster visited upon El Salvador by enemies of democracy;

Standing by our friends while they work out a democratic solution; and

Identifying and seizing opportunities to help such a solution actually take shape.

A HIGHER STANDARD OF EXCELLENCE FOR TELEVISION

Mr. PERCY. Mr. President, I recently read a by-line article by Patricia O'Brien, of Knight-Ridder newspapers, in which she comments on the recent paper poll stating that Americans get more satisfaction from watching television than from anything else except their families.

The same day, I read a recent speech given by O. B. Butler, chairman of the board and chief executive officer of the Proctor and Gamble Co., to the Academy of Television Arts and Sciences in which he tells what P. & G. intends to do "to actively seek programs of exceptional artistic quality which are truly inspirational and which challenge the very best in human nature."

In the support that the Federal, executive, and legislative branches of government offer to public broadcasting, we are doing our share to help establish a yardstick for a higher standard of excellence. Organizations like P. & G., now the Nation's largest user of television, are helping to establish a higher level of quality for commercial television.

Mr. President, I ask unanimous consent that copies of the two aforemen-

tioned pieces be printed in the RECORD at this point.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

HAS TV TURNED US INTO A NATION OF BYSTANDERS?

(By Patricia O'Brien)

It's time to acknowledge something depressing about the millions of television screens mesmerizing us every night: As a nation, we are really hooked.

According to a recent Roper poll, Americans get more satisfaction from watching television than from anything else except their families.

That finding is worth a moment of silence, if only we could bring ourselves to turn down the volume and think about it.

The Roper people listed 15 of the everyday pleasures of life and asked a scientific sample of 2,000 adults to rank them according to what gives them the most personal satisfaction or enjoyment day in and day out. The choices included many of the things that add a little spice and flavor to life.

In order, after family and television, Americans said they enjoyed spending time with friends, listening to music, reading, their homes, their work, radio, socializing, good food, hobbies, their cars, exercise, following sports and their clothes.

The choices were offered to appeal to as many people as possible. Nothing, it seems, is quite as much fun as settling in for an evening with "The Dukes of Hazzard" or Merv Griffin.

"It isn't surprising," said Shirley Wilkins of the Roper Organization. "Just remember that the median amount of time American adults spend watching TV is two hours and 55 minutes a day—at least that's what they admit to."

Perhaps that makes it reasonable, but it doesn't make it less depressing. We apparently prefer, say, the jokes of Johnny Carson to the splendor of Mozart, or to hoisting a few beers with friends, or to taking in a good football game.

Some of the reasons for TV fixation are easy to understand. More of us are living alone, and television has a powerful appeal for lonely people. Also, we move around a lot, and our ties to friends may be looser than our ties to the television set.

It is hard to accept the image of a nation of men and women looking to television for its primary comfort and diversion. It colors us so gray.

If this attachment were primarily an escape from the gloomy realities of the economy, it would make some sense. After all, our parents and grandparents buried themselves in the glamorous world of movies during the Depression years. They needed a taste of fantasy and something to make them laugh.

We are different. We aren't headed off for the Bijou Theater once or twice a week to forget our troubles. We are shortcutting our need for new experiences and fresh ideas and dreams by sitting for hours in front of an electronic box that churns out mush: pre-digested points of view, sound tracks to cue our laughter, and endless violence to give us thrills.

Maybe the problems of the world and our lives have gotten so dreary, we prefer being bystanders. Maybe all our traditional get-up-and-go is played out. Maybe television has become the equivalent of curling up in a blanket and sucking one's thumb.

"What compels you (Americans) to stare, night after night, at all the glittering hokum that has been deliberately put together for you?" a puzzled author, J. B. Priestley, once asked.

That was in 1947. He should see us now.

TELEVISION CAN SHOW AND TELL BUT CAN IT LISTEN?

STATEMENT FROM O. B. BUTLER, CHAIRMAN, THE PROCTER AND GAMBLE COMPANY

Officers, members and friends of the Academy, and guests—good afternoon.

The opportunity which I have today fulfills a fantasy which I believe I share with every American beyond the age of six or seven. Every one of us has at some time or another tried to talk back to the television screen and have been frustrated because we knew it wasn't listening. For the first time, I'm going to have a chance to truly talk to all of you creative people who conceive, bring to life, and broadcast the thousands and thousands of hours of programing that appear every year. The challenge which you face staggers the imagination of a layman. The demands of television could in a single year easily consume all of the great literature created in the five centuries preceding this one. Given the size and insatiability of the appetite, probably the single most remarkable thing about the material available on commercial television is that so much of it is so very good.

If television were nothing more than an occasional entertainment medium, if it were nothing more than a carrier of commercial messages, I would not be here today or, if I were, the subject of my discussion would certainly be different. The fact is, as all of you know, that television not only entertains and informs, but, in the process of entertaining and informing, it plays a major role in shaping the future of our society. Generations of Americans not only learned to read from McGuffey's Readers, but they also learned that thrift, honesty, and hard work were virtues and that extravagance, cheating, and laziness were vices. Generations of Americans are being taught far more powerfully about virtues and vices, about morality, about society and individual responsibility by the things they watch on television, the things which you create and produce. There is a large, serious and increasingly vocal segment of our population who believe that much of what you are teaching is destructive, that it tears at the character which enabled this country to become what it has become, and there are many, including myself, who believe that what this country has become, with all its faults, is the finest society yet built by mankind.

My purpose in being here today is to try to help you understand how I as an individual, Procter & Gamble as a company, and Procter & Gamble as an advertiser view this phenomenon—that is, how we feel about censorship, how we feel about boycotts, and how we feel about the Coalition for Better Television and its member groups.

The Coalition, as you know, has been monitoring television programs to establish ratings based on the incidence of sex, violence, and profanity, and for overall constructive value. One of the highly publicized and controversial aspects of their plan is their intent to organize a boycott of sponsors whose commercials appear on the most offensive shows.

I am sorry they chose that particular method. In the long run, I think the problem which they, and we, believe exists must be solved by mutual understanding and not by confrontation. On the other hand, the Coalition may well believe that this was the only way they could ever get very many people to listen.

The threat of boycott in and of itself cannot become the basis for our selection of programming. My first experience with the threat of a boycott came in the Spring of 1952, and it was pretty emotional. I had just returned from a year in Korea, having, with my wife's support, voluntarily left her and two very young children, as well as a career, to go off to Southeast Asia and physically oppose the attempt to expand Communism by force of arms. I wasn't in a mood to take lessons on patriotism from anybody, and I didn't have much sympathy with one of my biggest customers who told me he was going to boycott our products because we had, in his words, "dirty little Communist writers and actors crawling all over our television shows." I told him politely what he could do with his business, and I took great pride in our Company's refusal to bow to the threatened boycotts.

My next experience with a boycott is more relevant to the current issue, and it was a beauty. In March, 1977, I returned to the office from a trip and found a letter from the Vice President-Advertising advising me that we had bought first-run television rights to a film called Jesus of Nazareth and that he, incidentally, had left the country on a business trip. It was only later that day that I learned that the previous sponsor had withdrawn from the show after receiving over 13,000 complaints and threats from people who had never seen the show, but were reacting to rumors about the program's content. The complaints were at that time continuing to arrive at the rate of about 1,000 a day, and when the news broke that we had picked up sponsorship, the threats were directed at us. In the next ten days, we received threats of boycott, threats of picketing stores which carried our products, and even threats from a bank officer that he would encourage shareholders to sell our stock. We received more complaints in those ten days preceding the airing of that TV show than we had received on all our television programs during the entire preceding year.

We take these kinds of complaints very seriously and we listen very carefully. Our media people had, of course, seen advance tapes of the film before agreeing to take full sponsorship. Nevertheless, we had the tape transmitted to Cincinnati and I, along with a number of other officers, viewed the film. We made arrangements for responsible leaders from the Protestant, Catholic, Jewish, and Moslem religions to preview the film. We and they concluded that it was high quality programming. It fit very well with our standards of good taste. We determined therefore that we could not withdraw sponsorship, regardless of the threats and regardless of whether the threats might in fact be carried out.

This conclusion grows out of a simple conviction, and it applies to both of the examples I cited. We must be responsible for the programming which we support through our sponsorship, and we must be responsible for the environment in which our commercials appear. We cannot abdicate that responsibility by turning it over to any group, no matter how highly motivated they may be.

I have just told you what we haven't done and what we won't do, but if I were to stop here, I would leave you with a very false impression of both our attitude and our behavior, because while we stand very firm in the conviction that we must not let our programming decisions be made by threats of boycott, we have simultaneously made an intense effort to listen very carefully to what the vocal critics, as well as the general public have to say about the kind of television programs we sponsor.

Going back to the Jesus of Nazareth example, we did go ahead with sponsorship, but we also previewed the film for a group

of our employees who would answer telephone calls and letters. We developed a list of clergy from a variety of denominations who had previewed the film and who volunteered to take calls from members of their denominations if we referred them. In other words, we listened to the critics carefully, we took their concerns seriously, and we went to great pains to explain why we had made the decision we did. This is completely in keeping with our day-in and day-out approach to the public, virtually every one of whom is a consumer of one or more of our products. We like to listen; we think it is good business. We think it is such good business that we not only print our name and address on virtually every package of our products, but we have recently added a toll-free telephone number to encourage consumers to tell us about their questions or their complaints.

Beyond these voluntary contacts, we make hundreds of thousands of calls every year on our own initiative to find out what consumers think about our products and our advertising. We get Nielsen shares for our products just as the networks get Nielsen shares for your products, but we don't think that is enough. Nielsen shares, at best, only tell us what the public did; they don't tell us why, they don't tell us how they felt about their decision, and they don't tell us much about what they are likely to do next.

Don't you agree that it might be equally valuable for your industry to look beyond the Nielsens, and to conduct regular and thorough research into the question of what the public really wants in television programming? I suspect that you will find, as we have, that careful and thoughtful listening, particularly to your critics, can be a valuable marketing asset. Complaints and criticism, if looked on as a productive force can help improve current programs, and identify new opportunities which will assist your industry during the development of cable, pay cable, and other new media. Listening to critics isn't going to diminish anyone's First Amendment freedoms. It should stimulate, rather than stifle, creativity.

And this brings me to what is presently the most vocal critic of television programming—the Coalition for Better Television—which includes Reverend Wildmon's National Federation for Decency, Reverend Falwell's Moral Majority, and nearly 400 other groups.

Technically, we don't agree with the research techniques which the Coalition uses for the rating of programs and for the rating of advertisers. We think the system is capable of producing some wrong answers. We cannot agree with a rating system which treats all incidents of sex and violence the same, whether they are essential to an important story, such as the violence in "Holocaust" or "Roots," or whether they are purely gratuitous "jiggle" and unnecessarily bloodthirsty violence. I believe deeply that the context and the treatment of the material must be considered in reaching a judgment as to whether or not a program is suitable.

Despite this concern about the technique, we think the Coalition is expressing some very important and broadly held views about gratuitous sex, violence, and profanity. I can assure you that we are listening very carefully to what they say, and I urge you do the same. I can't help wondering how many of you have personally listened to Reverend Wildmon or Reverend Falwell. Certainly they and their constituents have spent a lot of hours watching and listening to what you produce wouldn't you be better served by listening first-hand to what they are saying instead of reacting to a second or third-hand, and probably false, understanding of these people and their message?

For example, while we don't agree with their method of establishing ratings, the fact is that their list of the top ten sex-oriented programs includes seven programs which we had previously decided either to avoid entirely, or schedule only rarely, because of the difficulty of finding episodes which are consistent with our guidelines governing excessive and gratuitous sex. We review every program on which we schedule advertising, and even beyond the Coalition's list, we find it necessary to withdraw sponsorships periodically because of offensive program content. You may be interested to know that during this television year, we have withdrawn sponsorship from over 50 programs, including movies, for reasons of taste. In short, the Coalition is not alone in their concern.

This is not to say that we won't tackle controversial programs. We have been proud sponsors of White Shadow, which has dealt with any number of difficult and controversial subjects. Last year, we were taken severely to task by the National Federation for Decency under a headline entitled "CBS, P&G promotion sex between teacher and student." We are perfectly willing to defend our sponsorship of that program and even that episode, and we have done so. What we can't defend is the pre-show publicity which included ads placed without our knowledge and featuring the headline "Teacher Seduces Student."

The fact is that much of the problem which television now faces may grow out of the kind of promotional materials cited in a recent Federation newsletter. For example:

For: Quincy—"Politics and sweet seduction"; One Day at a Time—"What's a little love between business partners"; Women Who Rate a 10—"Sexy super ladies who stack up"; Lobo—"Blackmail in a sex clinic"; and White Shadow—"His girlfriend is young, pretty and pregnant".

Those aren't Reverend Wildmon's headlines . . . those are yours.

With headlines like these, is it any wonder that the industry is being accused of exploiting sex? Is it any wonder that a large body of our population who continue to adhere to what many of you may think of as an old-fashioned morality are offended and are determined to fight back?

You can, of course, choose to ignore or to ridicule the Coalition and its leaders, but you do so, in my opinion, at your peril. While the Coalition itself claims to represent more than five million members, there are other critics just as concerned if not currently as vocal. The National PTA, for example, Morality in Media, National Coalition on TV Violence, are but a few. Beyond these organized groups, columnists like Patrick Buchanan, George Will, and William Safire have echoed the Coalition's concern about television programming, even though they may not agree completely with its tactics. The newspaper editorials we've seen which address television programming generally support the view we share with the Coalition that too much of it is exploitive. A broadly based independent study conducted last year indicated that 64 percent of the viewers agreed with the statement that "there is too much sex on television," and 70 percent agreed "there is too much violence on television."

The public cares. Commercial television is too powerful a force in shaping the character of our society to be ignored. In this country the public, one way or another, does get its way.

I know what Procter & Gamble is going to do about it. For sound commercial reasons, we are not going to let our advertising messages appear in an environment which we think many of our potential customers will find distasteful. Beyond that, we are going to be guided by our conscience on the kind of material we sponsor. A corporation is not without personality and character and conscience. A corporation like ours has a character which is the sum of all the tens of thousands of people who have made up that corporation for more than 140 years, and our definition of the kind of media which we would support with our advertising has always involved some moral considerations.

It is completely within our character not only to screen out problem programs, but also to actively seek programs of exceptional artistic quality, which are truly inspirational and which challenge the very best in human nature. We've done this in the past, investing in such programs as the Corn Is Green with Katharine Hepburn, two Christopher Award winning shows: Son Rise: A Miracle of Love and Private Battle, and most recently, the four-hour drama: Peter and Paul. We will continue to invest in that kind of programming in the future.

Procter & Gamble has no desire to be a censor. We believe in the First Amendment. But we don't believe that means we can disregard our responsibility for the programming which we sponsor. We will not have our programming dictated by threats of boycott, but we will surely listen to those who have strong views about our programming whether they threaten boycott or not. And we stand ready to be persuaded if our standards are in fact too strict or too loose. My hope is that you will listen, too, and that you have or will devise standards in which you believe and which you can defend. We may have the best society that mankind has created, but we certainly don't yet have the best society of which mankind is capable. Certainly some part of everything we do ought to be pointed at that objective.

COMMENDATION OF SENATOR HATFIELD ON OPENING STATEMENT IN SUPPLEMENTAL APPROPRIATIONS

Mr. CRANSTON. Mr. President, some days ago, at the outset of Senate consideration of the Supplemental Appropriations and Rescissions Act of 1981 (H.R. 3512), a remarkably fine opening statement was made by the distinguished chairman of the Appropriations Committee, the senior Senator from Oregon (Mr. HATFIELD).

I commend it to any of my colleagues who may have missed it.

With his usual eloquence and skill, and with no small measure of political courage, Senator HATFIELD has urged that we scrutinize with the utmost care and thought the huge military buildup planned by this administration. He has called attention to the potentially damaging effect the large increases in defense expenditures may have on our efforts to control inflation (particularly in the light of the proposed Kemp-Roth tax cuts) and to reindustrialize our economy.

Our colleague from Oregon reminded us that the seeds of our present inflation were planted during the buildup for the Vietnam war, when our tax policy did not produce sufficient revenue to pay for our spending.

Now President Reagan insists on repeating that mistake.

The chairman of the Senate Appropriations Committee has served notice that he will apply the same careful scrutiny to future defense spending requests as his committee now applies to domestic expenditures. Coming as it does from across the aisle, those words are welcome indeed.

I commend the Senator for his words, for his sound judgment, for his courage,

and for his conscientiousness which assures us that his commitment will be kept.

SHRINERS' BURN PREVENTION CAMPAIGN

Mr. HAYAKAWA. Mr. President, about 1 million children suffer serious burns in the United States every year. The Ancient Arabic Order of the Nobles of the Mystic Shrine of North America, the Shriners, are spreading the word that prevention is the best treatment for burns.

The Shriners have organized a national "Stop Burn Injuries" (SBI) campaign for 1981 to educate children and parents about burn prevention in the home and school. Through the news media, they are discussing the many potential sources of burns including scald, flame, electrical, chemical, and contact.

SBI was launched in San Francisco by former President Gerald Ford, a Shriner, on January 10, 1981. President Ford, who is honorary cochairman of the Shrine Burn Prevention Committee, spoke during halftime at the East-West Shriners football game.

President Ford said:

> Burns claim more pre-schoolers' lives than any infectious disease. Work by Shrine medical experts has taught us all too well that the best treatment of a burn is prevention, and 75 percent of the burns that occur today are preventable.

The Shriners, renowned for their support of children's orthopedic care and burn treatment, manage a network of 18 orthopedic hospitals and 3 burn centers across the United States. The Shriners raise operating funds and provide free medical care to burned children, regardless of race, religion, or relationship to a Shriner. In California alone, 62,000 Shriners raise funds annually from circuses, parades, sports events, and many other philanthropic activities.

The Shrine's 181 local temples have organized an aggressive grassroots public education program as part of SBI, with Shrine medical experts spreading the word about burn prevention throughout U.S. cities. The Shriners are offering free literature and community presentations including elementary-level teaching materials about burn prevention.

Recently, the Shriners requested State legislatures to lend their support in focusing public attention on burn prevention. I am proud that California joined 49 other States in declaring June 28 through July 4 as "Stop Burn Injuries Week." This was a platform from which the Shriners could further educate Americans about the potential for burn injuries in places where children are active.

A recent Lou Harris poll commissioned by the Shrine revealed that only 32 percent of American parents discuss burn prevention with their children. Most parental instruction in this area concerns what to do after a burn occurs, rather than how to prevent the injury. This underlines the importance of the Shriners' efforts, and the need for us all to listen to their message and make burn prevention a priority in our own homes.

I urge citizens in every State to take advantage of the information being distributed during the SBI campaign. For 14 years, many parents have turned to the Shriners' burn centers in times of crisis when their children were seriously burned. As parents and grandparents, let us turn to them again, before a tragic burning occurs in our family. I commend the Shriners and thank them for their continued unselfish service in their burn centers and during the "Stop Burn Injuries" campaign.

DEATH OF A. B. (ABE) FENNELL

Mr. THURMOND. Mr. President, the State of South Carolina and our Nation lost a great American upon the death of A. B. "Abe" Fennell. He died on Monday, July 13, at the Veterans' Administration Hospital in Columbia, S.C.

Abe was a native of South Carolina and attended Bailey Military Institute in Greenwood. A 1928 graduate of the Citadel in Charleston, he taught school for several years after graduation, and in 1934 Abe became the first full-time sports editor of the State newspaper in Columbia. He served in that capacity until 1942, when he joined the U.S. Army. After discharge in 1946 with the rank of lieutenant colonel, Abe served in several business capacities until 1955, when he was appointed the veterans' employment representative for the Department of Labor in South Carolina. He occupied this position until he retired several years ago.

Mr. President, Abe was a strong advocate for veterans and their benefits. He was active in the American Legion and other veterans' organizations at the local, State, and national levels. In South Carolina, he was referred to as "Mr. Veteran." Abe displayed those qualities of fairness, dedication, service, and belief in the strength of America so important in meeting the real needs of those he represented and served so well.

As a past commander of the South Carolina American Legion, Abe was a national figure in American Legion circles. In 1972, he was named American Legion "Man of the Year" at the national convention. One of Abe's pet projects was the American Legion baseball program. Serving as State director of this program for 21 years, Abe saw between 15,000 and 16,000 boys participate in this worthy program.

Mr. President, Abe was a close personal friend of mine. With his death, I lost a wise counselor. To his wife, Jewell, and family, I extend my condolences at this time of sorrow, and I share with them this great loss.

Mr. President, several articles have appeared in various newspapers across South Carolina paying tribute to "Abe" Fennell. In an effort to inform my colleagues of the contribution this great American and South Carolinian made to our Nation, I ask unanimous consent that these articles be printed in the RECORD.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Columbia Record, July 14, 1981]

LEGION HONOREE A. B. FENNELL DIES

A. B. Fennell, 74, of Dinwood Circle, the American Legion's 1981 South Carolina Distinguished Service Award recipient, died last night in the Veterans' Administration Hospital.

Funeral services will be held tomorrow at 10 a.m. in the Lutheran Church of the Incarnation, conducted by the Rev. Dr. George Meetze and the Rev. David Donges. Burial will be in Elmwood Cemetery.

Mr. Fennell, who won national recognition from the American Legion for his services to veterans and for his work with that organization's baseball program, was known as "Abe" to his many friends.

He was retired state veterans employment representative and had held that post since appointment by the U.S. Department of Labor in 1955. This put him in contact with South Carolinians all over the state. He was a former state commander of the American Legion in 1965.

Always interested in sports, and a former sports editor of The State newspaper, he was strongly attached, as legionnaire and enthusiast for the game, to American Legion baseball. This led him into active participation in the program, and he became the state director, a capacity in which he served for 21 years.

As in his vocation as veterans representative, his Legion baseball role associated Mr. Fennell with hundreds of boys and parents over the state, and also moved him into a position of national leadership in the operation of the program. He served as an official in 12 of the "Little World Series," which each year determine the Legion championship.

At the time of his retirement as director of the South Carolina program, he said that between 15,000 and 16,000 boys had gone through the program in the state during his 21-year involvement.

Operating the program was complicated and expensive, and Mr. Fennell was credited with exercising especial executive skill in carrying it through. He reorganized the structure, step by step, and left it in good operating form.

He was recognized at the Legion's national convention at Chicago in September 1972, when he received the "Man of the Year" award of the National Past Department State Commanders Club.

E. Roy Stone Jr. of Greenville, then the South Carolina national executive committeeman of the Legion, presented the award to Mr. Fennell, praising him as a man, legionnaire and friend of youth.

"Many youth throughout our state and nation owe their rewards in this great Legion youth experience to this man . . . for he has traveled, promoted and developed new techniques in their behalf to better this program," Stone said.

Mr. Fennell was born in Columbia, a son of J. Braxton and Louisa O. Fennell.

He attended grammar school in Columbia, Mount Pleasant Collegiate Institute, Bailey Military Institute in Greenwood and was graduated from The Citadel in 1928 with a degree in chemistry.

He taught school for many years at Brookland-Cayce High School and coached athletics there.

He also taught in Spartanburg County and at Wellford-Lyman-Tacapau High School a preparatory school in Blackstone, Va., before joining the staff of The State in 1934.

Mr. Fennell served four years in the Army during World War II, two of them in the European theater as assistant corps engineer. He retired as a lieutenant colonel in 1946.

He was active in the American Legion until

he suffered a stroke while attending a Legion function. He was past South Carolina Department commander of the Legion, past commander of Columbia Post 6, chairman of the Legion's National Preference Committee from 1966 until his death and served on numerous post, department and national committees.

He was member of the Lutheran Church of the Incarnation and past president of the Columbia Exchange Club.

Surviving are his wife, Mrs. Jewell Meetze Fennell; three sons, A. B. and Richard B. Fennell of Columbia and J. Rivers Fennell of Dallas, Texas; a brother, John B. (Jack) Fennell of Charlotte, N.C.; and eight grandchildren.

Another brother, Capt. Huss C. Fennell of the South Carolina Highway Patrol, died last year.

Memorials may be made to the American Legion Child Welfare Fund.

[From the State, July 15, 1981]

ABE FENNELL, 74, HONORED LEGIONNAIRE, DIES

A. B. Fennell, 74, of 77 Dinwood Circle, the American Legion's 1981 South Carolina Distinguished Service Award recipient, died Monday at Veterans' Administration Hospital.

Born in Columbia, he was a son of the late John Bratton and Louisa Summers Fennell.

Mr. Fennell attended grammar school in Columbia, Mount Pleasant Collegiate Institute, Bailey Military Institute in Greenwood and was graduated from The Citadel in 1928 with a degree in chemistry.

He taught school for many years at Brookland-Cayce High School and coached athletics there. He also taught in Spartanburg County and at Wellford-Lyman-Tucapau High School, a preparatory school in Blackstone, Va., before joining the staff of The State in 1934. He was the first sports editor of The State, serving in that capacity from 1938 to 1942.

Mr. Fennell, who won national recognition from the American Legion for his services to veterans and for his work with that organization's baseball program, was known as "Abe" to his many friends.

He was retired state veterans employment representative and had held that post since his appointment by the U.S. Department of Labor in 1955. This put him in contact with South Carolina residents all over the state. He was a former state commander of the American Legion in 1965.

He was strongly attached as legionnaire and enthusiast for the game to American Legion baseball. This led him into active participation in the program, and he became the state director, a capacity in which he served for 21 years.

As in his vocation as veterans representative, his Legion baseball role associated Mr. Fennell with hundreds of boys and parents over the state and also moved him into a position of national leadership in the operation of the program. He served as an official in 12 of the "Little World Series," which each year determines the Legion championship.

At the time of his retirement as director of the South Carolina program, he said that between 15,000 and 16,000 boys had gone through the program in the state during his 21-year involvement.

Operating the program was complicated and expensive, and Mr. Fennell was credited with exercising special executive skill in carrying it through. He reorganized the structure, step by step and left it in good operating form.

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"Many youth throughout our state and nation owe their rewards in this great Legion youth experience to this man . . . for he has traveled, promoted and developed new techniques in their behalf to better this program," Stone said.

Mr. Fennell served four years in the Army during World War. II, two of them in European theater as assistant corps engineer. He retired as lieutenant colonel in 1946.

He was active in the American Legion until he suffered a stroke while attending a Legion function. He was past South Carolina Department commander of the Legion, past commander of Columbia Post 6, chairman of the Legion's National Preference Committee from 1966 until his death and served on numerous post, department and national committees.

He was a member of the Lutheran Church of the Incarnation and past president of the Columbia Exchange Club.

Surviving are his widow, Mrs. Jewell Meetze Fennell; three sons, A. B. and Richard B. Fennell of Columbia and J. Rivers Fennell of Dallas, Texas; a brother, John B. (Jack) Fennell of Charlotte, N.C., and eight grandchildren.

Another brother, Capt. Huss C. Fennell of South Carolina Highway Patrol, died last year.

Services will be held at 10 a.m. today at the Lutheran Church of the Incarnation, conducted by the Rev. Dr. George Meetze and the Rev. David Donges. Burial will be in Elmwood Cemetery.

Pallbearers will be James Hamilton, Jim Sherrill, John A. Montgomery, W. C. Plowden, Jr., Alec Geiger and Milford Forrester.

The family suggests that those who wish may make memorials to the American Legion Child Welfare Fund.

Dunbar Funeral Home, Gervais Street Chapel, is in charge.

[From the Columbia Record, July 15, 1981]

RITES HELD FOR A. B. FENNELL

Funeral services for A. B. Fennell were held today at the Lutheran Church of the Incarnation, conducted by the Rev. Dr. George Meetze and the Rev. David Donges. Burial was in Elmwood Cemetery.

Pallbearers were James Hamilton, Jim Sherrill, John A. Montgomery, W. C. Plowden, Jr., Alec Geiger and Milford Forrester.

Mr. Fennell, 74, of 77 Dinwood Circle, the American Legion's 1981 South Carolina Distinguished Service Award recipient, died Monday night in the Veterans' Administration hospital.

Mr. Fennell, who won national recognition from the American Legion for his services to veterans and for his work with that organization's baseball program, was known as "Abe" to his many friends.

He was retired state veterans employment representative and had held that post since appointment by the U.S. Department of Labor in 1955.

Mr. Fennell was a former state commander of the American Legion in 1965.

He was active in the American Legion until he suffered a stroke while attending a Legion function. He was past South Carolina Department commander of the Legion, past commander of Columbia Post 6, chairman of the Legion's National Preference Committee from 1966 until his death and served on numerous post, department and national committees.

Memorials may be made to the American Legion Child Welfare Fund.

[From the State, July 16, 1981]

ABE, A.B. OR MR. FENNELL, NAME MADE NO DIFFERENCE, CALL HIM "FRIEND"

(By Bob Spear)

One of my favorite people was buried Wednesday, and I never knew his name. His real name, I mean.

A lot of people shared that dilemma, not knowing the real name of this man christened Alva Beckman Fennell. He was "A.B." to some and "Abe" to others. The important thing, though, is he was "friend" to everybody.

He was one of the genuine good guys to pass this way, and anybody who enjoyed the good fortune to cross his path is richer for the experience. Maybe he sounded gruff at times, but he had a heart as big as all outdoors.

He was, in fact, the perfect subject for a "most unforgettable character" sketch.

A graduate of The Citadel with a degree in chemistry. Teacher and coach. Athletic official. Sports editor of this newspaper. Army officer. Civil servant. A pillar in the American Legion.

Abe did a little bit of everything, and anybody who met him never forgot him. And he didn't forget you, either.

A giant of a man in both stature and deed, Abe Fennell died at age 74 Monday. His legacy of achievement is one that most would be proud to claim.

He touched many lives in many ways, and some who profited from his service never realized their benefactor.

I knew him best in his role of state director of American Legion baseball, a program he operated for 21 years in a classic labor of love. He merely developed it into one of the best in the country.

He presided over American Legion baseball in South Carolina with an iron hand. To tamper with his project guaranteed a stinging rebuke.

His guiding principle: what's best for the youngster.

Once, a coach kept his pitcher on the mound for all 16 innings of a marathon regular-season game. Too long, much too long, Abe decided.

The next year, he installed a rule limiting pitchers to 12 innings over three days. One pitcher was ruined by a coach," he said. "Durned if it's gonna happen again in South Carolina."

A Palmetto State prep football coach earned Fennell's everlasting wrath by luring his players, the heart of the state championship Legion baseball team, to the gridiron for drills prior to the baseball regionals.

Abe went to his grave believing that football coach "ruined one of the best Legion teams this state ever produced."

Abe could sound gruff, but "that's when you knew he was feeling good," says Tiny Meeh, Fennell's successor at the helm of the state Legion program. "He was straight up and down the line, and everything was fine if he was barking."

Oh, how he hated to fly. He preferred the train—"the rattler," George Rulon, national head of the Legion baseball program insists.

"I met him at the airport in Hastings, Neb., one time, and he had had a rough flight with lost baggage and everything else," remembers Rulon. "The airline's slogan was 'a better way to fly.' Abe said, 'no, what it should be is there's got to be a better way to fly.' "

Rulon and Fennell first met in 1961 at Florence on the eve of a regional tournament in Sumter.

"My commercial flight was landing and a private plane pulled out in front," Rulon says. "The pilot turned the air blue yelling at the small plane. Abe's standing there and sees the whole thing.

"I get off and he says, 'I hope our relationship gets on a better tempo than it's started.'

"Needless to say, it did. He contributed a great deal to South Carolina and he helped me a great deal. We had a very close relationship, and I'm so pleased that I got to see him earlier this month."

Fennell served on Rulon's staff in operating the American Legion World Series on many occasions.

"One clear picture I cherish is Abe at the 1965 Series in Aberdeen, S.D.," Rulon says. "The word 'South' was about the only thing familiar to him; it was really cold, and he was complaining in that gruff way of his.

"After a couple of days, he took matters into his own hands. I looked down and there he is, sitting beside the dugout with a blanket wrapped around his legs, wearing a ski jacket and a cap with the flaps down around his ears. He looked like an ice fisherman instead of an official watching a baseball game."

Another time, Fennell left the tourney site with Rulon's folding chair in the trunk of his car. Months later, Rulon visited Columbia and, loading his luggage in Abe's car, spied the missing chair.

"Forgot to return the durn thing," Abe stammered like a youngster caught with his hand in the cookie jar.

In 1966, Orangeburg hosted the Legion championship tournament and Fennell, always loyal to his friends, wanted South Carolina umpires to work the Series. Instead, the crew consisted of three of "Abe's" umps and three from the professional minor leagues.

The pros experienced rough sledding, "Abe's" men worked well.

"I told you so," Abe told Rulon afterwards.

Abe had stories to top every story.

He liked to reminisce about his days in the sports-writing profession, and perhaps his favorite involved "cutting the wire to the only telephone in the press box" one night in Newberry. "After I filed my story, of course," he would say mischievously. "But I'd paid to have that phone installed, and I couldn't help it if those other reporters didn't have one."

Just recently, he took the owners' side in the confrontation over escalating players' salaries. "How a guy batting .240 can even consider himself a major-league player is beyond me," he said. "Then, they have the nerve to want $200,000 a year. Ridiculous."

He also liked to talk about circumventing the stuffy baseball executive who said he "could not help" solve a sticky rules interpretation. "Pro ball only," the man told Abe.

"So I phoned Calvin Griffith (owner of the Minnesota Twins)," Abe said. "Calvin called the guy, put the screws on him and got what I wanted."

Abe could get what he wanted. He had friends everywhere, in every walk of life.

Maybe they didn't know his real name, but nobody could forget this giant of a man.

[From the Columbia Record, July 16, 1981]

"ABE" FENNELL

No one, it is safe to say, did more for American Legion baseball in South Carolina than A. B. "Abe" Fennell. Few could match his commitment, love and enthusiasm for the sport.

He was more than a baseball fan, however. He brought a shrewd and sound business mind to bear on Legion baseball, spreading the word and encouraging literally thousands of young South Carolinians to challenge themselves on the baseball diamond.

Abe Fennell was active in Legion affairs up until his death this week. With everything he did, he was no mere "joiner." He was an achiever, an active participant in what he believed. He believed in the American Legion and what it meant in terms of patriotism and personal initiative. His commitment to fundamental values made for a rich legacy, testament to an earthly existence lived full and well.

[From The State, July 17, 1981]

A. B. FENNELL

News of sports is a major ingredient of The State today, but it was not always so. Forty-three years ago, there were no sports pages as we know them today.

We remark upon that now because of the death Tuesday of A. B. "Abe" Fennell of Columbia. He was the first sports editor of The State. In his book, The Story of the State, the late S. L. Latimer, Jr., recorded this:

"Indeed it was not until 1938 that there was established a desk through which was channeled all sports copy and assignments. Alva Bratton Fennell was the sports editor at that time. Soon a second man was added. Gradually the staff has been increased.

"Mr. Fennell, an enthusiastic follower of athletics and a varsity football player during his Citadel days, left in 1942 to enter the war as a captain. He rose to be a lieutenant colonel. After the war, of his own accord, he did not return to newspaper work, but has kept up his interest in sports and for many years has directed American Legion junior baseball for South Carolina. In addition he is prominent on the national scene in this fine youth program."

The obituaries properly emphasized Abe Fennell's devotion to the American Legion, to veterans, to the Legion's junior baseball program which thrived under his direction. But it should also be recorded that he was a warm and loving family man, an active churchman and keeper of friendships.

He will be fondly remembered at this newspaper, however, as a former employee and its first sports editor.

THE U.S. ARMY WAR COLLEGE GRADUATION CEREMONIES

Mr. THURMOND. Mr. President, I recently had an opportunity to review a transcript of a speech delivered by the Secretary of the Army, Jack Marsh, and I found his comments both inspiring and timely. The speech was delivered before the graduating class of the U.S. Army War College at Carlisle, Pa., on June 8, 1981.

Secretary Marsh uses the 200-year anniversary of the victory of the American Army at Yorktown, an anniversary which will occur this October, to set the theme for a call for greater flexibility and creativity in military leadership and in defense planning generally. I believe his comments are worthy of the attention of Senators, and, for that purpose, I ask unanimous consent that his remarks be printed in full in the RECORD.

There being no objection, the remarks were ordered to be printed in the RECORD, as follows:

REMARKS BY HON. JOHN O. MARSH, JR.

This coming October marks the 200th Anniversary of the victory of the American Army at Yorktown. This is an event of enormous significance. I charge you with not only remembering it, but also with seeking ways to commemorate it. And it is my hope the following remarks will stimulate you in this regard.

We are at a point of unprecedented examination and discussion of military thinking. This is occurring in:

The Congress,

The Fourth Estate,

Military writers including Defense journalists and some former officers,

Proponents of Defense plans and programs who are speaking out in response to a growing Soviet threat,

Critics who attack Defense requests because of scarce resources and who speak for other forces within our society competing for a share of the Federal budget.

In this dialogue on military thinking, we should remind ourselves of the educational background of our military leaders. It is estimated the typical American officer will spend 25 percent of his time in schools. The range of Army schools is a vast one which goes from language training to communications, from transportation to medicine, from management to tactical and strategic warfare.

I think it is fair to say from the middle level officer ranks and above, the Army has one of the best educated group of leaders of any United States institution. Almost without exception, you find master's degrees in many disciplines and a growing number of Ph. D.'s from nearly every American university, in addition to attendance at one of the war colleges.

I would have to say, however, that I think there is not enough emphasis, particularly at the junior level, to train officers to communicate in the written form. It has been said the pen is mightier than the sword. I simply suggest that we must develop both of these important weapon systems.

Today, I want to give you some of my own views about military leadership. I would like to use the War Between the States as my initial frame of reference. But I would also like to direct your thinking to the American Revolution, because I think there are great lessons in American military leadership that are overlooked from that conflict. There is much we can learn from the study of such men as Washington and Greene—the latter I believe by the end of the war was our greatest field commander—Morgan and Marion, and a number of overlooked commanders of smaller commands.

We have also overlooked the sophistication, skill and enormous contribution of the American intelligence effort in that war. It is my hope by raising this point, that I will also stimulate further study on your part.

But, first, the War Between the States.

It continues to be of intense interest, appealing to a broad audience because of:

Battles and campaigns;

Leaders and soldiers;

Combat intensity and chivalry.

It was the first of the modern wars, but interest is heightened because there were two major technological innovations of great consequence. Although the nature of the tactics and force structure of the combat arms was the same as former wars, there was something dramatically new—it was the first war to employ the railroad, a transportation breakthrough which changed the movement of men, units and logistical support.

It was also a war that saw the first use of the telegraph, a device that provided a giant leap in communications from higher or more subordinate commands.

That War shows how change drives national policy and strategy, and impacts on tactics. Commanders can never overlook how new developments and innovation can drive strategy and tactics. Success will go to those commanders who adapt and incorporate change in the planning of operations and employment of their units.

Perhaps in no other field is this more certain than the military field.

Let me take you through an exercise that reflects some of my own thinking. It is an examination of leadership which I frequently use. At the outset, it is a theory which can be applied to the civilian sector, including

political leadership, as well as military leadership.

Perhaps others have made similar observations, but much of what I am about to say reflects my own thinking.

Generally speaking, I think there are two types of leadership, which for purposes of discussion, I would categorize as Creative and Doctrinal. Doctrinal might be called "Conventional."

First, let me define creative leadership. I have to do this in terms of an individual. As a general rule, the creative person is idea oriented, is more sensitive, takes great pride in his ideas, and is very imaginative; but, because of their ingrained sensitivity, their ideas and personality may have a fragility. The creative leader is more rare for reasons I have mentioned. They are more vulnerable to being rebuffed and are more easily crushed, because often ideas suggest new approaches or changes that go across the main stream.

Now the military environment is difficult for the creative leader. Of necessity, the military stresses conformity and the uniformity—the status quo. Consequently, the system can easily rebuff or squelch what appears to be dissent or non-conformity. It is important we not view new ideas as dissent. All too frequently they are, I am afraid.

The Creative Leader is the one who will rewrite doctrine, employ new weapons systems, develop new tactics, and who pushes the state of the art. As he forges ahead, he leaves it to others in future years to consolidate gains and to tie up loose ends—to build on his new doctrine. The senior creative military leader will test and exploit new ideas.

In personality, he has developed a mental toughness which enables him to survive the system. He will harbor a new concept gained as a Captain—but which was crushed or rebuffed under the system—until he is a senior commander, and then he comes forward and tries it again. Many potential creative leaders in military and civilian life do not make it through the middle level. They become casualties on the battlefield of their career. They are the walking wounded about whom others speculate as to their great potential which was never realized.

Now, let's examine the doctrinal or conventional leader.

He is the predictable, sound, sturdy leader, that follows and builds on basics. Resolute and not easily crushed, the military is a friendly environment. The conventional leader follows doctrine. He masters existing tactical concepts, exploits to the fullest available weapons systems, and prefers the tried rather than testing the new. He is thorough in execution. He capitalizes on the gains made by creative leaders. Because he plans and follows through, he leaves little to chance and avoids loose ends.

As you first consider this exercise, most people opt to be a creative leader. But I want to challenge your thinking. So now I will select several of our military greats and put them in categories, knowing full well that some of you will argue with me and differ as to the following selection process.

A Caveat—Do not let flamboyance influence whether you define a leader as being creative.

CREATIVE LEADERS

General Greene of the American Revolution, because of the way he rose from the ranks and mastered command and doctrine to emerge at the close of the war as perhaps our ablest general.

Jackson because of his outstanding Valley campaign, and his use of the railroad to shuttle troops.

Lee because of his brilliant retrograde maneuvers against overwhelming forces in the last year of the war.

Marshall—who forged a global strategy for United States forces and conceived the NATO plan for the rebuilding of Europe, defensively and economically.

MacArthur because of his broad, island hopping amphibious envelopment strategy and later his decisive surprise at Inchon.

General Billy Mitchell because of his concepts of air power.

General Howze for the development of the air mobile concept.

Two non-Americans:

1. Lord Nelson for his brilliant and sometimes unorthodox leadership at sea; and

2. Rommel for his desert warfare and use of armor.

DOCTRINAL OR CONVENTIONAL LEADERS

Washington—for his adherence to basic principles, who took loss after loss on the field, but held an army together and won the war.

Grant—for the outstanding orchestration of arms and men in a resolute strategy that produced victory.

Longstreet—sometimes criticized, but probably the most conventional of Confederate commanders.

Pershing—for the training and leadership of American forces which won the respect of foreign conventional armies.

Bradley—who mastered years of training and doctrine to build the Army of World War II.

Eisenhower—whose leadership could span both military and civilian fields to weld together forces of separate nations.

Although I have tried to avoid leaders of a more contemporary time, I would mention in the creative category General Taylor, who helped prepare the Army for the nuclear battlefield, as well as for a multi-faceted career; General Stan "Swede" Larsen, for his tactical concepts on air mobility; and General William Yarborough for his contribution to unconventional warfare. A doctrinal leader—General Abe Abrams, who I consider to be one of the most superb soldiers of recent times.

I said I could get argument on these selections, and I mentioned that many people at first would opt for creative leadership. However, I call to your attention that in the list of doctrinal leaders, there are three Presidents of the United States.

What I think this exercise points out is that the successful leader may be predisposed by natural talent toward either creative or doctrinal leadership, but invariably the greatest leaders are a blend of both, or learn to use both, although one leadership trait may dominate.

I think you will observe that the best creative leaders master fundamentals. It is from this base that they push forward to new concepts. By mastering these fundamentals, they win the confidence of their peers. Creative leaders—with certain exceptions—all use the system and work within it. On the other hand, successful doctrinal leaders—without exception—are broad gauged and open-minded enough that they do not rebuff new ideas and will take advantage of change and new systems to achieve their end. To me, Grant is a classic in this regard, and may be America's greatest doctrinal leader. In fact, you could argue that his efforts in exploiting existing resources were really creative.

You can take this exercise and extend it even further by looking at unconventional warfare and such names as Marion, Mosby and others. You can find examples where creative leaders over-reached because they did not master fundamentals. You can also find examples where doctrinal leaders were defeated because they were wedded to the old way of doing things.

To summarize, the best creative leaders use conventional forms and modes to their maximum advantage. The best doctrinal or conventional leaders are those who are receptive to change and new ideas.

Rigidity, inflexibility, and excessive parochialism can be the pariah of the would-be military commander.

As never before, military leaders must not only be well trained, but must also be well educated. Their areas of knowledge must be broad enough to give them both confidence and certainty in command, yet they still must question and stimulate inquiry into those things with which they are not familiar—things that could impact on their duties and command performance.

We need leaders who are grounded in the principles of command, yet who are responsive to new ideas; who have not only the flexibility to cope with and direct change, but the audacity to take the measured risk in order to gain victory on the battlefield.

This requires all of the forces of intelligence, competence and courage.

I am certain these qualities of human character will be found in abundance in this class, and will be reflected in your future service to your country.

Two centuries ago, on the 19th of October 1781, the British forces under Cornwallis, surrendered to the American and French forces, led by General Washington.

Yorktown was a bridge between two great ideas, two great concepts which fell almost equal distance time-wise between those two events—The Declaration of Independence with its hope of Life, Liberty and the Pursuit of Happiness, and the Constitution of the United States.

The Constitution captured and harnessed the forces of liberty into a structure of orderly Government.

As a mark of the traditional dedication the American Officers Corps has had to the concept of civilian authority, I would remind you that with the signing of the Treaty of Paris in 1783, there was only one national, viable force in the country. That was the Army.

Following the example of their Commander, the officers resigned their commissions, the Army disbanded, and returned to civilian pursuits. When the Constitution was written, authority to raise armies and spend on their behalf was clearly and unequivocally vested in the Legislative Branch.

It is interesting to note of the 39 signers of the Constitution, 22 had served in the Army.

The Congress looks to you for the leadership this Army needs. In the words of one of our greatest Commanders in Chiefs, President Lincoln, I leave you this charge:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew. We must disenthrall ourselves, and then we shall save our country."

Good luck, and Godspeed in your new assignment.

APPOINTMENT BY THE VICE PRESIDENT

The PRESIDING OFFICER (Mr. HAYAKAWA). The Chair, on behalf of the Vice President, appoints the Senator from South Dakota (Mr. PRESSLER) to attend the United Nations Conference on New and Renewable Sources of Energy, to be held in Nairobi, Kenya, August 1981.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Saunders, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Acting President pro tempore laid before the Senate messages from the President of the United States submitting sundry

nominations and a treaty which were referred to the appropriate committees.

(The nominations received today are printed at the end of the Senate proceedings.)

PRESIDENTIAL APPROVAL

A message from the President of the United States reported that on July 23, 1981, he had approved and signed the following act:

S. 1395. An act to extend the time for conducting the referendum with respect to the national marketing quota for wheat for the marketing year beginning June 1, 1982, and to eliminate the requirement that the Secretary of Agriculture waive interest on loans made on 1980 and 1981 crops of wheat and feed grains placed in the farmer-held grain reserve.

MESSAGES FROM THE HOUSE

At 12:44 p.m., a message from the House of Representatives, delivered by Mr. Berry, one of its reading clerks, announced that the House has passed the following bill, without amendment:

S. 1040. An act to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia.

The message also announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 4119. An act making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1982, and for other purposes.

ENROLLED BILL AND JOINT RESOLUTIONS SIGNED

The message further announced that the Speaker has signed the following enrolled bill and joint resolutions:

S. 1104. An act to amend the International Investment Survey Act to provide an authorization for further appropriations, to avoid unnecessary duplication of certain surveys, and for other purposes;

H.J. Res. 84. Joint resolution designating the week of October 4 through October 10, 1981, as "National Diabetes Week"; and

H.J. Res. 191. Joint resolution designating August 8, 1982, as "National Children's Day."

The enrolled bill and joint resolutions were subsequently signed by the President pro tempore (Mr. THURMOND).

ENROLLED BILL SIGNED

At 7:18 p.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the Speaker has signed the following enrolled bill:

S. 1040. An act to amend the District of Columbia Self-Government and Governmental Reorganization Act to increase the amount authorized to be appropriated as the annual Federal payment to the District of Columbia.

The enrolled bill was subsequently signed by the President pro tempore (Mr. THURMOND).

HOUSE BILL REFERRED

The following bill was read twice by unanimous consent, and referred as indicated:

H.R. 4119. An act making appropriations for Agriculture, Rural Development, and Related Agencies programs for the fiscal year ending September 30, 1982, and for other purposes; to the Committee on Appropriations.

ENROLLED BILL AND JOINT RESOLUTION PRESENTED

The Secretary reported that on today, July 28, 1981, he had presented to the President of the United States the following enrolled bill and joint resolution:

S. 1104. An act to amend the International Investment Survey Act to provide an authorization for further appropriations, to avoid unnecessary duplication of certain surveys, and for other purposes; and

S.J. Res. 28. Joint resolution designating the week beginning March 7, 1982, as "Women's History Week".

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–1672. A communication from the Secretary of Agriculture, transmitting, pursuant to law, notice of the delay of the submission of a report on a study to determine the potential of using agricultural exports to obtain resources needed by the United States; to the Committee on Agriculture, Nutrition, and Forestry.

EC–1673. A communication from the Assistant Secretary of the Air Force (Research, Development, and Logistics), transmitting, pursuant to law, a report with respect to converting the family housing maintenance function at Minot Air Force Base, North Dakota, and the decision that performance under contract is the most cost-effective method of accomplishment; to the Committee on Armed Services.

EC–1674. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Army's proposed letter of offer to Saudi Arabia for defense articles estimated to cost in excess of $25 million; to the Committee on Armed Services.

EC–1675. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Army's proposed letter of offer to Greece for defense articles estimated to cost in excess of $25 million; to the Committee on Armed Services.

EC–1676. A communication from the Secretary of the Federal Energy Regulatory Commission, transmitting, pursuant to law, a rule which provides for an exemption from incremental pricing pursuant to the Natural Gas Policy Act; to the Committee on Energy and Natural Resources.

EC–1677. A communication from the Attorney General of the United States, transmitting, pursuant to law, notice that the United States will not ask the Supreme Court to review the decision of the district court in Evans versus Schweiker; to the Committee on Finance.

EC–1678. A communication from the Chairman of the Council of the District of Columbia, transmitting, pursuant to law, copies of legislation adopted by the Council on June 16, 1981; to the Committee on Governmental Affairs.

EC–1679. A communication from the General Counsel of the Department of Defense, transmitting a draft of proposed legislation to authorize the establishment of a Senior Cryptologic Executive Service and merit pay and awards system within the National Security Agency, and to make necessary amendments to title 5, United States Code; to the Committee on Governmental Affairs.

EC–1680. A communication from the Assistant Secretary of Energy (Management and Administration), transmitting, pursuant to law, additional information about the proposed revision of two Privacy Act systems of records; to the Committee on Governmental Affairs.

EC–1681. A communication from the Deputy Assistant Secretary of the Interior, transmitting, pursuant to law, notice of three new Privacy Act systems of records for the Department; to the Committee on Governmental Affairs.

EC–1682. A communication from the Vice Chairman of the Merit Systems Protection Board, transmitting, pursuant to law, the first annual report of the Board on the significant actions of the Office of Personnel Management for calendar year 1980; to the Committee on Governmental Affairs.

EC–1683. A communication from the Special Assistant to the Secretary of Defense, transmitting, pursuant to law, the report on Department of Defense procurement from small and other business firms for October 1980 to February 1981; to the Committee on Small Business.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–846. A resolution adopted by the City Council of Oakland, Calif., opposing measures preempting local control; to the Committee on Banking, Housing, and Urban Affairs.

POM–347. A resolution adopted by the Board of Levee Commissioners of the Orleans Levee District, New Orleans, La., favoring legislation which will restrict the jurisdiction of the U.S. Corps of Engineers over discharge of dredged or fill material to those discharges which are into navigable waters; to the Committee on Environment and Public Works.

POM–348. A bill passed by the Legislature of the State of Oregon; to the Committee on the Judiciary:

"HOUSE BILL 3247

"Section 1. (1) The proposed amendment to the Constitution of the United States relating to the District constituting the seat of government of the United States, as set forth in this Act, hereby is ratified.

"(2) The Secretary of State shall send certified copies of this Act to the Administrator of General Services of the United States, to the presiding officer of the United States Senate and to the Speaker of the House of Representatives of the United States."

"ARTICLE

"Section 1. For purposes of representation in the Congress, election of the President and Vice President, and article V of this Constitution, the District constituting the seat of government of the United States shall be treated as though it were a State.

"Sec. 2. The exercise of the rights and powers conferred under this article shall be by the people of the District constituting the seat of government, and as shall be provided by the Congress.

"Sec. 3. The twenty-third article of amendment to the Constitution of the United States is hereby repealed.

"Sec. 4. This article shall be inoperative, unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

EXECUTIVE REPORTS OF COMMITTEES

By Mr. PERCY, from the Committee on Foreign Relations:

William Jennings Dyess, of Alabama, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States to the Kingdom of the Netherlands.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: William J. Dyess.

Post: Ambassador to the Netherlands.

Contributions, amount, date, and donee:

1. Self: None.

2. Spouse: None.

3. Children and spouses, Chandler (15): None.

4. Parents: Mrs. T. J. Dyess: None.

5. Grandparents: None living during reporting period.

6. Brothers and spouses: None.

7. Sisters and spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

WILLIAM J. DYESS.

Arthur W. Hummel, Jr., of Maryland, a Foreign Service officer of the class of career minister, to be Ambassador Extraordinary and Plenipotentiary of the United States to the People's Republic of China.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Arthur W. Hummel, Jr.

Post: Ambassador to China.

Contributions, amount, date, and donee:

1. Self: None.

2. Spouse, Betty Lou Hummel: None.

3. Children and spouses, William and Varuni Hummel, Timothy Hummel: None.

4. Parents: Deceased.

5. Grandparents: Deceased.

6. Brothers and spouses, Sharman and Marie Hummel: None.

7. Sisters and spouses: Deceased.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my acknowledge, the information contained in this report is complete and accurate.

ARTHUR W. HUMMEL, Jr.

John Langeloth Loeb, Jr., of New York, to be Ambassador Extraordinary and Plenipotentiary of the United States to Denmark.

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: John L. Loeb, Jr.

Post: Ambassador to Denmark.

Contributions, amount, date, and donee:

1. Self, John L. Loeb, Jr., see statement.

2. Spouse: None.

3. Children and spouses, Alexandra Loeb and Nicholas M. Loeb: None.

4. Parents, John L. Loeb, Sr., and Frances Lehman Loeb, see statement.

5. Grandparents: Deceased.

6. Brothers and spouses: Arthur Lehman Loeb, see statement.

7. Sisters and spouses: James Brice/Deborah Loeb Brice: None.

Ann Loeb Bronfman and Judith Loeb Chiara. see statement.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

JOHN L. LOEB, Jr.

STATEMENT OF JOHN L. LOEB, JR.

Amount, date, donee

1981

$10,000, March 11, 1981, Republican Senatorial Trust.

$500, March 17, 1981, Warner Committee.

1980

$10,000, June 24, 1980, Republican National Committee.

$150, February 4, 1980, RNC/80 Campaign Membership.

$80, March 14, 1980, 1980 GOP Victory Fund.

$50, June 30, 1980, Republican National Committee.

$5,000, August 15, 1980, Republican Senatorial Trust.

$1,000, October 20, 1980, Friends of Al D'Amato for US Senate.

$250, May 28, 1980, Citizens For The Republic.

$1,000, February 8, 1980, Baker Committee.

$500 March 17, 1980, Atanasio For Congress.

$100, April 4, 1980, Atanasio For Congress.

$250, April 23, 1980, Slade Gordon For US Senate.

$250, April 25, 1980, Bush Committee.

$200, May 20, 1980, Bush Committee.

$125, October 20 1980, Christiana For Congress.

$2,000, June 16, 1980, Javits Committee (primary & general election).

$250, May 31, 1980, Lantos Committee.

$250, September 8, 1980, Lantos Committee.

1979

$1,000, November 9, 1979, Reagan For President.

$1,000, May 24, 1979, People For Boschwitz,

$20 September 20, 1979, Friends of Joseph Christiana.

1978

$100, April 27, 1978, Green For Congress Committee.

$250, June 29, 1978, Citizens For The Republic.

$250, June 29, 1978, Edelman For Congress.

$750, October 19, 1978, Edelman For Congress.

$100, June 30, 1978, Radway For Congress.

$1,000, September 27, 1978, Martinelli For Congress.

$100 October 13, 1978, Solomon For Congress.

$150, December 12, 1978, RNC/1979 Membership Fund.

1977

$100, December 9, 1977, Republican National Committee.

STATEMENT OF JOHN L. LOEB

Amount, date, and donee

1981

$2,000, April 10, 1981, People For Jackson (primary and general election).

1980

$10,000, June 27, 1980, Republican National Committee.

$5,000, September 19, 1980, Americans For An Effective President.

$5,000, March 17, 1980, Federal Republican Club.

$250, May 13, 1980, Buckley Committee.

$1,000, April 10, 1980, Howard Committee.

$2,000, April 30, 1980, Javits Committee (primary and general election).

$1,000, July 15, 1980, Lindsay Committee.

1979

$1,000, November 7, 1979, Reagan For President Committee.

$800, October 16, 1979, Moynihan '82 Committee.

$1,000, November 29, 1979, Citizens For Brademas Committee.

$1,000, June 27, 1979, Connally Committee.

$500, July 12, 1979, Ravenal Committee.

$250, February 15, 1979, Pressler For Senate.

$100, March 14, 1979, Citizens For Petri.

$500, June 14, 1979, Packwood Committee.

$1,000, January 23, 1979, Citizens For Petri.

$200, January 30, 1979, Moynihan Committee.

$1,000, February 7, 1979, Bush Committee.

$5,000, May 9, 1979, Democratic Congressional Committee.

1978

$1,000, September 22, 1978, Re-Elect Senator Howard Baker Committee.

$1,000, September 14, 1978, Edelman For Congress Committee.

$750, June 6, 1978, Pell Re-Elect Committee.

$1,000, July 20, 1978, George W. Bush for Congress.

$1,000, October 17, 1978, Committee to Re-Elect Bill Green.

1,000, September 29, 1978, Citizens For Brademas.

$250, August 26, 1978, Ravenal Committee.

$1,000, February 22, 1978, Haskell Committee.

$100, August 21, 1978, Moorhead Committee.

$1,200, October 3, 1978, Friends of Jesse Unruh Committee.

$500, May 12, 1978, Case Committee.

$1,000, May 15, 1978, Power Committee.

1977

$250, November 27, 1977, Pell Committee.

$300, May 25, 1977, Riegle For Senate Committee.

$1,000, December 15, 1977, Robin Duke Committee.

$250, September 29, 1977, People For Haskell Committee.

$10,000, March 17, 1977, Democratic National Finance Committee.

STATEMENT OF FRANCES LEHMAN LOEB

Amount, date, and donee

1981

$2,000, April 10, 1981, People for Jackson (primary and general election).

1980

$1,000, June 24, 1980, Reagan For President Committee.

$5,000, September 19, 1980, Prelude to Victory.

$4,000, September 19, 1980, Americans for an Effective Presidency.

$1,000, April 10, 1980, Howard Committee.

$2,000, April 30, 1980, Javits Committee (primary and general election).

$1,000, May 15, 1980, Lindsay Committee.

1979

$1,000, February 6, 1979, Bush Committee.

1978

$1,000, January 9, 1978, Robin Duke Committee.

1977

None.

STATEMENT OF ARTHUR LEHMAN LOEB

Amount, date, and donee

1981

None.

1980

$5,000, September 19, 1980, Americans For An Effective Presidency.

$1,000, June 27, 1980, Bush For President.

$2,000, June 12, 1980, Javits Committee (primary and general election).
$5,000, October 20, 1980, Liberal Party Federal Campaign Committee.
$50, October 25, 1980, Dodd Committee.

1979

$1,000, August 1, 1979, Connally Committee.
$100, May 18, 1979, Culver Committee.

1978

None.

1977

None.

STATEMENT OF DEBORAH LOEB BRICE

Amount, date, and donee

1981

None.

1980

$2,000, June 12, 1980, Javits Committee (primary & general election).

STATEMENT OF ANN LOEB BRONFMAN

Amount, date, and donee

1981

None.

1980

$5,000, November 24, 1980, Liberal Party Federal Campaign Committee.
$2,000, June 12, 1980, Javits Committee (primary & general election).

1979

None.

1978

None.

1977

$1,000, June 6 ,1977, Moynihan for Senate Committee.

STATEMENT OF JUDITH LOEB CHIARA

Amount, date, and donee

1981

None.

1980

$5,000, October 28, 1980, Americans for an Effective President.
$5,000, Liberal Party Campaign Committee.
$200 (approx.), Dodd For Senator.

1979

None.

1978

None.

1977

$1,000, June 6, 1977, Moynihan for Senate Committee.

Keith Foote Nyborg, of Idaho, to be Ambassador Extraordinary and Plenipotentiary of the United States to Finland:

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Keith Foote Nyborg.

Post: Ambassador to Finland.

Contributions, amount, date, donee:

1. and 2. Self and Spouse; $135, 1977 to 1981, Rep. Ntl. Com.; $90; 1977 to 1981, Ntl. Rep. Cong Com.; $75; 1980 and 1981 George Hansen; $100, 1980, Steve Symms; $200, 1980, Ronald Reagan.
3. Children and Spouses: None.
4. Parents: None.
5. Grandparents; None.
6. Brothers and Spouses: None.
7. Sisters and Spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

KEITH FOOTE NYBORG.

Frederic L. Chapin, of New Jersey, a Foreign Service Officer of class one, to be Ambassador Extraordinary and Plenipotentiary of the United States to Guatemala:

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Frederic L. Chapin.

Post: Ambassador, American Embassy, Guatemala.

Contributions, amount, date, donee:

1. Self, Frederic L. Chapin: None.
2. Spouse, Cornelia Clarke Chapin: None.
3. Children (all unmarried), John Clarke Noyes Chapin, Anne Cornelia Chapin, Grace Selden Chapin, Edith Clarke Chapin: No contributions.
4. Parents, Father deceased, Mother, Mary Noyes Chapin: No contributions.
5. Grandparents, Deceased since 1955.
6. Brothers and spouses: No brothers.
7. Sisters and spouses, Helen Chapin Metz and Rev. Ronald Irwin Metz: No contributions.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

FREDERIC L. CHAPIN.

Kenneth L. Adelman, of Virginia, to be Deputy Representative of the United States to the United Nations, with the rank and status of Ambassador Extraordinary and Plenipotentiary:

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Kenneth L. Adelman.

Post: Deputy term Rep. at the UN, Amb. E&P.

Contributions, amount, date, donee:

1. Self: None.
2. Spouse, Carol C. Adelman: None.
3. Children and Spouses, Jessica C. and Jocelyn: None.
4. Parents, Harry Adelman and Connie Adelman: None.
5. Grandparents: None.
6. Brothers and Spouses: Gerald, Caryn A., $100, Oct. '80, R. Weinberger; $50, spring '80, Robinson (state); James, Ellen A., $25 and $50, October 1980 (?), Rep. Pryer (NC), $50 to Anderson; Richard, Paula A., $20, August 1980, Goyke (local cand.); Robert A., $25, October 1980, R. Daley for Cook County.
7. Sisters and Spouses:

Sister, Nancy and Alan Spector: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

KENNETH L. ADELMAN.

Abraham Katz, of Florida, a Foreign Service Officer of Class one, to be the Representative of the United States to the Organization for Economic Cooperation and Development, with the rank of Ambassador:

Contributions are to be reported for the period beginning on the first day of the fourth calendar year preceding the calendar year of the nomination and ending on the date of the nomination.

Nominee: Abraham Katz.

Post: Ambassador, U.S. representative to OECD.

Contributions, amount, date, donee:

1. Self: None.
2. Spouse: None.
3. Children and Spouses: Jonathan Katz, Naomi Katz; Mr. and Mrs. Michel Amsalem.
4. Parents, Selma Shakin (mother-in-law): None.
5. Grandparents: None living.
6. Brothers and Spouses: None.
7. Sisters and Spouses: None.

I have listed above the names of each member of my immediate family including their spouses. I have asked each of these persons to inform me of the pertinent contributions made by them. To the best of my knowledge, the information contained in this report is complete and accurate.

ABRAHAM KATZ.

Robert John Hughes, of Massachusetts, to be an Associate Director of the International Communication Agency;

Julia Chang Bloch, of the District of Columbia, to be an Assistant Administrator of the Agency for International Development;

Elise R. W. du Pont, of Delaware, to be an Assistant Administrator of the Agency for International Development;

Jay F. Morris, of Maryland, to be an Assistant Administrator of the Agency for International Development;

Jon D. Holstine, of Virginia, to be an Assistant Administrator of the Agency for International Development;

Francis Stephen Ruddy, of Texas, to be an Assistant Administrator of the Agency for International Development; and

W. Antoinette Ford, of Michigan, to be an Assistant Administrator of the Agency for International Development.

(The above nominations were reported from the Committee on Foreign Relations with the recommendation that they be confirmed, subject to the nominees commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

Mr. PERCY. Mr. President, I also report favorably two nomination lists in the Foreign Service which appeared in the CONGRESSIONAL RECORD on July 15 and 23, 1981, and, to save the expense of printing them on the Executive Calendar, ask unanimous consent that they lie on the Secretary's desk for the information of Senators.

The PRESIDING OFFICER. Without objection, it is so ordered.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated:

By Mr. METZENBAUM (for himself, Mr. KENNEDY, Mr. RANDOLPH, Mr. WILLIAMS, Mr. DECONCINI, and Mr. PELL):

S. 1524. A bill to amend the National Labor Relations Act to provide that the duty bargain collectively includes bargaining with respect to retirements benefits for retired employees; to the Committee on Labor and Human Resources.

By Mr. ABDNOR (for himself, Mr. PRESSLER, Mr. EXON, and Mr. ZORINSKY):

S. 1525. A bill to direct the Army Corps of Engineers to undertake certain studies affecting waters within the States of South Dakota, Montana, and Nebraska; to the Committee on Environment and Public Works.

By Mr. NICKLES (for himself and Mr. BOREN):

S. 1526. A bill to change the name of Clayton Lake in the State of Oklahoma to Sardis Lake; to the Committee on Environment and Public Works.

By Mr. ABDNOR (for himself, Mr. PRESSLER, Mr. EXON, and Mr. ZORINSKY):

S. 1527. A bill entitled the "Coal Pipeline

Act of 1981"; to the Committee on Energy and Natural Resources.

By Mr. DOLE (for himself, Mrs. KASSEBAUM, Mr. BAUCUS, Mr. BIDEN, Mr. BURDICK, Mr. CANNON, Mr. COCHRAN, Mr. DANFORTH, Mr. HEINZ, Mr. HOLLINGS, Mr. INOUYE, Mr. LEAHY, Mr. LEVIN, Mr. LUGAR, Mr. MELCHER, Mr. MOYNIHAN, Mr. NICKLES, Mr. PELL, Mr. PRYOR, Mr. RANDOLPH, Mr. ROTH, Mr. SASSER, Mr. SCHMITT, Mr. D'AMATO, and Mr. WILLIAMS):

S.J. Res. 101. Joint resolution designating "National High School Activities Week."; to the Committee on the Judiciary.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. METZENBAUM (for himself, Mr. KENNEDY, Mr. RANDOLPH, Mr. WILLIAMS, Mr. DECONCINI, and Mr. PELL):

S. 1524. A bill to amend the National Labor Relations Act to provide that the duty bargain collectively includes bargaining with respect to retirements benefits for retired employees; to the Committee on Labor and Human Resources.

RETIRED EMPLOYEE BENEFITS ACT

● Mr. METZENBAUM. Mr. President, Senators KENNEDY, RANDOLPH, WILLIAMS, PELL, DECONCINI, and RIEGLE join me in introducing the retired employee benefits act of 1981. This legislation is designed to restore to retired workers in this country their right to have their interest represented in the collective-bargaining process.

The high rate of inflation that we have experienced in recent years has taken its toll on all Americans, but for those who are retired on fixed incomes, inflation has meant a constant, losing struggle against price increases that threaten to place necessities like food, housing, medical care, and utilities beyond the reach of millions of our people.

It is a sad fact, but true, that fewer than 2 percent of those who today receive benefits from private pension plans are eligible for cost-of-living adjustments.

Until 1971, labor unions frequently raised the issue of retiree benefits at the bargaining table. In that year, however, the Supreme Court held in Allied Chemical and Alkali Workers against Pittsburgh Plate Glass that retirees cannot be considered as employees or as members of a bargaining unit as defined by the National Labor Relations Act. As a result, benefits for retired workers cannot be considered a mandatory subject of collective bargaining.

This decision placed a severe and unfair burden upon the very people whose personal sacrifices built the union movement and whose financial contributions formed the basis for today's powerful pension funds. And it has condemned thousands who contributed in good faith toward pensions during their working years to poverty during retirement.

Mr. President, this legislation does not require any increase in retiree benefits. It merely amends section 8(d) of the National Labor Relations Act in order to make retirement benefits for retired workers a legitimate subject for collective bargaining. It means that if labor brings up the subject, management must discuss those benefits. And it says that retirees may in the future have reason to hope that their legitimate interests will be represented at the bargaining table.

Mr. President, I ask unanimous consent that the text of this bill be printed at this point in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1524

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 8(d) of the National Labor Relations Act is amended—

(1) by inserting after "other terms and conditions of employment" the following: ", including retirement benefits for retired employees", and

(2) by inserting after "all the terms and conditions" in paragraph (4) of the proviso the following: "(including terms and conditions relating to retirement benefits for retired employees)".●

By Mr. NICKLES (for himself and Mr. BOREN):

S. 1526. A bill to change the name of Clayton Lake in the State of Oklahoma to Sardis Lake; to the Committee on Environment and Public Works.

SARDIS LAKE

● Mr. NICKLES. Mr. President, the bill I am introducing today along with Senator BOREN is to amend the Flood Control Act of 1962 by changing the name of a lake that was authorized for construction in Pushmataha County, Okla. The original legislation refers to this new reservoir as Clayton Lake.

Ten miles from the site of the new lake is an existing Clayton Lake. Unless this change is made, there will be two lakes by the same name in Pushmataha County.

A public meeting was held by the local citizens on July 24, 1981, and requested the name change to Sardis by a vote of 322 to 1. The name "Sardis" will commemorate the village which will be partially inundated by the new reservoir.

Mr. President, I urge early consideration by my colleagues of this legislation to rename the new lake Sardis Lake. I ask unanimous consent that the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 1526

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the lake known as Clayton Lake, which is being constructed as part of the project for the Clayton and Tuskahoma Reservoirs, Kiamichi River, Oklahoma, authorized in the Flood Control Act of 1962, shall hereafter be known and designated as "Sardis Lake". Any reference in a law, map, regulation, document, record, or other paper of the United States to Clayton Lake shall be held and considered to refer to "Sardis Lake".●

By Mr. DOLE (for himself, Mrs. KASSEBAUM, Mr. BAUCUS, Mr. BIDEN, Mr. BURDICK, Mr. CANNON, Mr. COCHRAN, Mr. DANFORTH, Mr. HEINZ, Mr. HOLLINGS, Mr. INOUYE, Mr. LEAHY, Mr. LEVIN, Mr. LUGAR, Mr. MELCHER, Mr. MOYNIHAN, Mr. NICKLES, Mr. PELL, Mr. PRYOR, Mr. RANDOLPH, Mr. ROTH, Mr. SASSER, Mr. SCHMITT, Mr. D'AMATO, and Mr. WILLIAMS):

S.J. Res. 101. Joint resolution designating "National High School Activities Week"; to the Committee on the Judiciary.

NATIONAL HIGH SCHOOL ACTIVITIES WEEK

Mr. DOLE. Mr. President, it gives me great pleasure to introduce a joint resolution designating "National High School Activities Week" this fall during the week of October 19–October 25. For months, the National Federation of State High School Associations has been making recommendations for the promotion of their activities in high schools across the country. The federation has already gained the support of the President's Council on Physical Fitness and Sports for this resolution.

IMPORTANCE OF EXTRACURRICULAR ACTIVITIES

Mr. President, I believe we all recognize the importance of a formal, academic high school education. But I still believe that experience can be the best teacher, and I am pleased to recognize the opportunities for experience offered through our high school's extracurricular programs.

For too long, too little attention has been paid to the role played by this "other half of education" in channeling the energies and talents of young people. It is the development of teenage interests outside the classroom that helps provide high school students a means of social involvement and interaction among their peers. And it is these extracurricular activities that often extend the opportunity for involvement in community affairs—an involvement that serves to instill in our youth an early sense of civic duty.

Yet perhaps the most beneficial outcome of a student's involvement in extracurricular activities is the realization that he, as an individual, can contribute to the society in which he lives. High school activities provide students a chance to exercise their talents in areas which are of special interest to them, and because they are specifically interested, they tend to do very well, even to the point of excelling.

Certain high school activities—such as forensics, dance, theater, or involvement with a student newspaper—promote skills and talents in performance of an individual nature. Others—such as athletics, debate, and participation in student government—provide opportunities for interaction and cooperation with individuals of the same age group who possess similar interests.

LEADERSHIP ROLE OF ACTIVITIES DIRECTORS

While emphasizing the importance of the activities themselves, it is also important to recognize the role that the guidance and encouragement of teachers, coaches, and program directors play in

enriching the lives of high school students. Because young people go through so many changes during this period, being a teenager is a difficult time of life. It is often a time of fragile personalities, sometimes resulting from a lack of support or reinforcement from parents and siblings.

Yet highly qualified teachers and other individuals who give so much of their time often step in to fill this void, and in the process often become friends, counselors, and even role models for the young people with whom they work and play. It is from these positions, as well as from their place in the classroom, that such leaders instill in their students the attitudes and values that will serve them throughout their lives.

I think it appropriate, therefore, that we express our appreciation to those whose commitment and dedication make such valuable extracurricular activities possible, and whose chief reward comes only from the fulfillment of witnessing the growth and development of the young people they serve.

FUTURE SUCCESS POTENTIAL OF ACTIVITIES

That growth and development was documented well in a recent article by David Harty that expressed the long-range value of these extracurricular programs in terms of the future development of high school students.

At this point, I ask unanimous consent that a portion of that article be printed in the RECORD:

There being no objection, the material was ordered printed in the RECORD, as follows:

NATIONAL HIGH SCHOOL ACTIVITIES WEEK

(By David Harty)

The American College Testing Service (ACT) conducted a study of itself, comparing the value of four factors in predicting success (measured by self-satisfaction in participation in a variety of community activities two years after college). Three of the four factors—high grades in college, high grades in high school and high scores on the ACT test—were found to have no predictive value. The only factor which could be used to predict success in later life was achievement in "extracurricular" activities. The College Entrance Examination Board's Scholastic Aptitude Test (SAT) was also examined for its accuracy in predicting how successful a person might be at a chosen career upon graduation from college. Results indicated that "the SAT's offered virtually no clue to capacity for significant intellectual or creative contributions in mature life." The study found that the best predictor for creativity in mature life was a person's performance during youth, in independent, self-sustained ventures. These youngsters who had many hobbies, interests and jobs or were active in extracurricular activities were most likely to be successful in later life. Participation in activities does make better citizens.

The "Study Report on the Cost Impact of Interscholastic Programs" presented April 6, 1979, by the Minnesota State High School League indicates in a random sampling of school districts in Minnesota that approximately 2.03 percent of the general fund budget is spent on the interscholastic program. An informal tally of several school districts in the state of Iowa, revealed that somewhere between 1.5 percent and 2 percent of the general fund budget was expended on the interscholastic program for the 1977–78 school year. School activities are a bargain.

Mr. President, I can think of few worthier causes that would deserve more public awareness than the important role that high school activities play in the lives of our Nation's teenagers. Communities themselves benefit from the involvement of students in healthful, constructive activities, and that involvement often helps those students assume positions of leadership in civic and community affairs.

With so much emphasis being placed strictly on classroom training, I believe it is time we recognized and generated a greater amount of public awareness of the value of the "other half of education." I ask the support of my colleagues in supporting this resolution.

ADDITIONAL COSPONSORS

S. 569

At the request of Mr. JEPSEN, the Senator from New Mexico (Mr. SCHMITT) was added as a cosponsor of S. 569, a bill to amend the Internal Revenue Code of 1954 to provide an investment tax credit for certain soil and water conservation expenditures.

S. 1107

At the request of Mr. SIMPSON, the Senator from Nebraska (Mr. ZORINSKY) was added as a cosponsor of S. 1107, a bill to amend certain provisions of title 28, United States Code, relating to venue in cases of a local or regional nature which involve the United States as a party.

SENATE JOINT RESOLUTION 65

At the request of Mr. PELL, the Senator from Florida (Mrs. HAWKINS) was added as a cosponsor of Senate Joint Resolution 65, a joint resolution proclaiming Raoul Wallenberg to be an honorary citizen of the United States, and requesting the President to ascertain from the Soviet Union the whereabouts of Raoul Wallenberg and to secure his return to freedom.

SENATE JOINT RESOLUTION 72

At the request of Mr. HAYAKAWA, the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), and the Senator from Alabama (Mr. DENTON) were added as cosponsors of Senate Joint Resolution 72, a joint resolution proposing an amendment to the Constitution of the United States with respect to proceedings and documents in the English language.

SENATE JOINT RESOLUTION 78

At the request of Mr. COCHRAN, the Senator from Virginia (Mr. HARRY F. BYRD, JR.) was added as a cosponsor of Senate Joint Resolution 78, a joint resolution to provide for the designation of October 2, 1981, as "American Enterprise Day."

SENATE JOINT RESOLUTION 93

At the request of Mr. HAYAKAWA, the Senator from Virginia (Mr. HARRY F. BYRD, JR.), the Senator from Pennsylvania (Mr. SPECTER), and the Senator from North Dakota (Mr. ANDREWS) were added as cosponsors of Senate Joint Resolution 93, a joint resolution to clarify that it is the basic policy of the Government of the United States to rely on the competitive private enterprise system to provide needed goods and services.

SENATE RESOLUTION 21

At the request of Mr. HAYAKAWA, the Senator from North Dakota (Mr. BURDICK), the Senator from New York (Mr. D'AMATO), the Senator from Nebraska (Mr. EXON), the Senator from Arizona (Mr. GOLDWATER), the Senator from Florida (Mrs. HAWKINS), the Senator from Hawaii (Mr. INOUYE), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Nevada (Mr. LAXALT), the Senator from Indiana (Mr. LUGAR), the Senator from Maine (Mr. MITCHELL), the Senator from New York (Mr. MOYNIHAN), the Senator from South Dakota (Mr. PRESSLER), the Senator from Alaska (Mr. STEVENS), the Senator from Wyoming (Mr. WALLOP), the Senator from Connecticut (Mr. WEICKER), the Senator from Nebraska (Mr. ZORINSKY), the Senator from Massachusetts (Mr. TSONGAS), and the Senator from Tennessee (Mr. BAKER) were added as cosponsors of Senate Resolution 21, a resolution to commend James duMaresq Clavell for his contributions to literature.

AMENDMENT NO. 513

At the request of Mr. MOYNIHAN, the Senator from New Jersey (Mr. WILLIAMS), the Senator from Montana (Mr. BAUCUS), and the Senator from New York (Mr. D'AMATO) were added as cosponsors of amendment No. 513 proposed to House Joint Resolution 266, a bill to provide for a temporary increase in the public debt limit.

AMENDMENTS SUBMITTED FOR PRINTING

PRICE SUPPORTS AND PRODUCTION INCENTIVES FOR FARMERS

AMENDMENT NO. 524

(Ordered to be printed and to lie on the table.)

Mr. HATFIELD submitted an amendment intended to be proposed by him to the bill (S. 884) to revise and extend programs to provide price support and production incentives for farmers to assure an abundance of food and fiber, and for other purposes.

NOTICES OF HEARINGS

SUBCOMMITTEE ON FEDERAL EXPENDITURES, RESEARCH, AND RULES

Mr. DANFORTH. Mr. President, the Subcommittee on Federal Expenditures, Research, and Rules of the Committee on Governmental Affairs will hold a hearing on Tuesday, September 15, 1981, to consider S. 719, the "Consultant Reform and Disclosure Act of 1981." The hearing is scheduled to begin at 10 a.m. in room 3302 of the Dirksen Senate Office Building.

COMMITTEE ON SMALL BUSINESS

Mr. WEICKER. Mr. President, I would like to announce for the information of the Senate and the public that the Small Business Committee will hold a full committee hearing on July 30, 1981, at 11:30 a.m., in room 424 of the Russell Senate Office Building to consider the nomination of Frank S. Swain to be Chief Coun-

sel for Advocacy of the Small Business Administration.

For additional information contact Mike Haynes, chief counsel of the committee at 244–5175, or Kim Elliott of the committee at 224–5175.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON ENERGY AND NATURAL RESOURCES

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Tuesday, July 28, to hold hearings on standby oil allocations.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Wednesday, July 29, to hold a business meeting to discuss the following pending business:

First. S. 1031, to amend section 303 of the Federal Land Policy and Management Act.

Second. Committee resolution urging the Senate to return the filling of the strategic petroleum reserve to the budget at the earliest date.

Third. S. 901, to prepare and protect the Georgetown waterfront for the recreational use of the public.

Fourth. S. 1475 and S. 1512, to extend the expiration date of section 252 of the Energy Policy and Conservation Act.

Fifth. S. 146, to authorize the Secretary of the Interior to assist in the preservation of historic Camden in the State of South Carolina, and for other purposes.

Sixth. S. 187, to authorize the Secretary of the Interior to convey certain lands near Miles City, Mont.

Seventh. S. 188, to authorize the Secretary of Agriculture to convey certain lands in the Gallatin National Forest, and for other purposes.

Eighth. S. 512, to direct the Secretary of Agriculture to convey certain National Forest System lands in the State of Nevada, and for other purposes.

Ninth. S. 634, to authorize the exchange of certain lands in Idaho and Wyoming.

Tenth. S. 656, to preserve, protect and maintain the original boundary stone of the Nation's Capital.

Eleventh. S. 763, to authorize and direct the Secretary of the Interior to convey, by quitclaim deed, all right, title and interest of the United States in and to certain lands that were withdrawn or acquired for the purpose of relocating a portion of the city of American Falls out of an area flooded by the American Falls Reservoir.

Twelfth. S. 764, to provide for protection of the John Sack Cabin, Targhee National Forest in the State of Idaho.

Thirteenth. H.R. 618, an act to convey certain interests in public lands to the City of Angels, Calif.

Fourteenth. S. 794, to amend the National Trails System Act to designate the General Crook Trail in Arizona and the Beale Wagon Road in Arizona, for study to determine the feasibility and desirability of their designations as national historic trails.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Energy and Natural Resources be authorized to meet during the session of the Senate on Thursday, July 30, to hold hearings on standby oil allocations.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Wednesday, July 29, to hold hearings on monetary policy.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Governmental Affairs be authorized to meet during the session of the Senate at 8:30 a.m. on Wednesday, July 29, to hold hearings on the nomination of James Richards to be Inspector General of the Department of Energy.

The PRESIDING OFFICER. Without objection, it is so ordered.

SPECIAL COMMITTEE ON AGING

Mr. BAKER. Mr. President, I ask unanimous consent that the Special Committee on Aging be authorized to meet during the session of the Senate on Wednesday, July 29, to hold hearings on medicare reimbursement to competitive medical plans.

The PRESIDING OFFICER. Without objection, it is so ordered.

SELECT COMMITTEE ON INDIAN AFFAIRS

Mr. BAKER. Mr. President, I ask unanimous consent that the Select Committee on Indian Affairs be authorized to meet during the session of the Senate at 10 a.m. on Wednesday, July 29, to hold a hearing on S. 792, a bill to create an institute for American Indian art and culture.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Select Committee on Indian Affairs be authorized to meet during the session of the Senate at 9:30 a.m. on Thursday, July 30, to hold hearings on S. 159, a bill dealing with Navajo BLM land exchange, and S. 1340, a bill concerning the distribution of judgments awarded the Clallam Tribe of Washington State.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE OF SMALL BUSINESS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Small Business be authorized to meet during the session of the Senate on Thursday, July 30, to hold hearings on the nominations of Frank Swain to be Chief Counsel for Advocacy of the Small Business Administration.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Wednesday, July 29, to hold oversight hearings on alternative service delivery.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on Intergovernmental Relations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Thursday, July 30, to hold oversight hearings on alternative service delivery.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON ECONOMIC POLICY

Mr. BAKER. Mr. President, I ask unanimous consent that the Subcommittee on International Economic Policy of the Committee on Foreign Relations be authorized to meet during the session of the Senate on Thursday, July 30, to hear testimony on an overview of U.S. policy toward international investment from public witnesses.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMITTEE ON FOREIGN RELATIONS

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Friday, July 31, to receive a briefing by administration officials on the military situation in El Salvador.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

GAO PAPERWORK CHECKLIST NOW AVAILABLE

● Mr. DANFORTH. Mr. President, some time ago the Senate passed a rule—rule 26.11(b) to be exact—requiring committees to estimate the paperwork and privacy impact of proposed legislation. But—compliance with the rule has been perfunctory at best. On the theory that committee performance might improve if the process for doing estimates were somewhat more disciplined and if committee staffs had a better idea of where they could go for assistance, Senator CHILES and I asked the General Accounting Office to prepare a checklist to assist committees in preparing paperwork estimates.

We are pleased to announce that that guide is now complete and available from the GAO (Document Number GGD–81–76). Copies may be obtained by calling the GAO's document facility at 275–6241. We hope that committees will make good use of it.●

TESTIMONY OF SENATOR DOMENICI BEFORE THE CONSTITUTION SUBCOMMITTEE ON S. 584 AND S. 585

● Mr. DECONCINI. Mr. President, the Senate Committee on the Judiciary's Subcommittee on the Constitution has held a series of hearings recently on two bills introduced by the distinguished Senator from Utah (Senator HATCH) who is also the chairman of the subcommittee. These two bills, S. 584 and S. 585, have as their purpose the limitation of liability of local governments. Recent Supreme Court decisions have expanded that liability dramatically and it has become a cause of great concern to local government officials. Last week my distinguished friend and colleague from New Mexico (Senator DOMENICI) testified before the subcommittee and he was most eloquent in his discussion of the issues and ultimate support for the bills. As ranking minority member of the Constitution Subcommittee, I felt his testimony fairly stated the issues and offered constructive remedies, and I would like to share his thoughts with all my colleagues.

I ask that the statement of Senator DOMENICI before the Constitution Subcommittee on S. 584 and S. 585 be printed in the RECORD.

The statement follows:

STATEMENT BY SENATOR PETE V. DOMENICI

Mr. Chairman, it is a pleasure for me to appear before your subcommittee today to express my support and views with respect to the proposed amendments to 42 U.S.C. Section 1983. From the outset, my interest in this legislation stems particularly from my experience as Chairman of the City Commission and ex officio Mayor of Albuquerque, New Mexico.

Recent state and federal judicial decisions have significantly expanded beyond its intended purpose, the coverage of Section 1983 of the Civil Rights Act of 1871, 42 U.S.C. Section 1983. Specifically, in *Maine* v. *Thiboutot*, 448 U.S. 1 (1980), the Supreme Court last Term broadly construed Section 1983 to authorize suits redressing violations by state officials not only in cases of deprivation of constitutional and statutory equal rights but also with respect to rights created by *any* federal statute. In *Owen* v. *City of Independence*, 445 U.S. 622 (1980), the Court—departing from the previous strict construction of that section—broadly interpreted Section 1983 to impose strict liability on municipalities for constitutional violations rejecting any form of qualified immunity for municipalities.

Taken together, these decisions dramatically expand—without firm legal and policy support—the liability of state and local officials in such a way as to disturb the balance between the important public interests contemplated by the original legislation and the legitimate fiscal and administrative interests of state and local governments. As a former mayor, I am particularly concerned that this balance be maintained. In the face of the existing imbalance triggered by recent judicial activity, I am co-sponsoring legislation, pending in the Senate Judiciary Committee, which—while not compromising the original intent of Section 1983 to protect the constitutional and statutory equal rights of an individual—will effectively limit its reach.

The first bill, S. 584, is designed to amend Section 1983 by replacing the unqualified phrase "and laws" with more specific language "and by any law providing for equal rights of citizens or of all persons within the jurisdiction of the United States." In *Maine* v. *Thiboutot, supra*, the Court—although broadly interpreting the phrase "and laws" to include all federal laws—admitted that "legislative history does not permit a definitive answer" with respect to its construction and invited clarification from Congress. This amendment seeks to provide that clarification. It would limit the liability of local and state officials to actions clearly found to deprive citizens of rights secured by the Constitution and by those laws which provide for equal rights—not for violations of any and all federal statutes. While protecting the intended civil and constitutional rights of individuals, this amendment to Section 1983 will prevent the harassment of state and local officials which would otherwise result from the unintended broader interpretation. It will also save countless dollars for state and local governments which would otherwise be required to defray the entire burden of liability for violations of statutory "civil rights" even when federal officials are involved equally with state officials in the administration of the affected program. Absent the amendment, literally hundreds of cooperative regulatory and social welfare enactments—including management laws and grant programs—may be affected.

The second bill, S. 585, provides that municipalities and other political subdivisions of a state shall have a good faith defense, or qualified immunity, in Section 1983 actions. This amendment is responsive to the Court's misdirected decision in *Owen* v. *City of Independence, supra*, and the more recent Supreme Court decision in *City of Newport* v. *Fact Concerts, Inc.*, 49 U.S.L.W. 4860 (June 26, 1981), which admits that the "contours of municipal liability under § 1983 . . . are currently in a state of evolving definition and uncertainty." This amendment seeks to provide additional certainty with respect to municipal liability under Section 1983.

Such immunity would still leave the municipality liable for bad faith or unreasonable constitutional deprivations. It would obviate, moreover, the need for costly damage judgments to be paid for by local and state governments where officials have acted in good faith but, because of strict liability, would be held liable. Finally, it would avoid the undesirable result of strict liability for municipalities described by the dissent in *Owen* v. *City of Independence*, 445 U.S. at 658–59:

"The Court now argues that local officials might modify their actions unduly if they face personal liability under § 1983, but that they are unlikely to do so when the locality itself will be held liable. *Ante*, at 655–656. This contention denigrates the sense of responsibility of municipal officers, and misunderstands the political process. Responsible local officials will be concerned about potential judgments against their municipalities for alleged constitutional torts. Moreover, they will be accountable within the political system for subjecting the municipality to adverse judgments. *If officials must look over their shoulders at strict municipal liability for unknowable constitutional deprivations, the resulting degree of governmental paralysis will be little different from that caused by fear of personal liability.* Cf. *Wood* v. *Strickland*, 420 U.S., at 319–320; *Scheuer* v. *Rhodes*, 416 U.S., at 242." (Emphasis added.)

This amendment strikes an equitable balance between two very important considerations—the constitutional rights of individuals and the ability of local governments to serve all the people. In so doing, it attempts to meet the undesirable policy consequences which, left unchanged, the existing law will cause.

The state of the law with respect to municipal liability under Section 1983 is clearly in present need of clarification by Congress. Two additional Supreme Court decisions involving municipal liability under Section 1983, handed down last month, underscore most recently the inadequacy of a piecemeal judicial construction of this legislation of the post-Civil War reconstruction era.

In *City of Newport* v. *Fact Concerts, Inc.* 49 U.S.L.W. 4860 (June 26, 1981), the Court—after reviewing the legislative history of Section 1983—determined that Congress did not intend to abolish the doctrine of municipal immunity from punitive damages. Likewise in *Middlesex County Sewerage Authority* v. *National Sea Clammers Association*, 49 U.S.L.W. 4783 (June 25, 1981), without either party raising the issue, the Court determined that, where a State official is alleged to have violated a federal statute which provides its own comprehensive enforcement scheme, Congress intended not only to foreclose implied private actions but also to supplant any other remedy which otherwise would be available under Section 1983. While welcome, these recent decisions point up the need for clear Congressional clarification and direction with respect to Congress' original intention in passing this legislation.

Absent Congressional action, these judicial decisions, and no doubt others, will continue the uncertainty concerning interpretation of Section 1983 and severely impair the ability of local and state governments to serve the people. This it will continue to do under the mistaken "guise" of protecting the constitutional rights of individuals. I am, accordingly, urging immediate action on these two amendments to Section 1983.●

ETSI LEGISLATION

● Mr. ABDNOR. Mr. President, today our Nation faces an energy environmental dilemma as we attempt to look inward to meet our energy needs and find ourselves faced with the possibility that meeting those needs will impose irreversible scars on the face of our country. In my State of South Dakota we are acutely aware of the problem because of the energy-hungry looks attracted by the vast reserve of coal which our neighboring States of the West are fortunate to possess.

While I recognize the need for energy independence, I am also very determined that it be achieved without upsetting the delicate balance of nature that exists in many areas of the West. Two measures, Senator EXON, Senator ZORINSKY, Senator PRESSLER and I are introducing today address one aspect of this problem—the use of ground water to transport coal in a slurry pipeline. The first bill would establish new policy to govern Federal involvement in promoting such uses of ground water; and the second addresses the specific problem South Dakota, Montana, and Nebraska are facing.

Under the first bill no rights-of-way across Federal land could be granted for a coal slurry line without the approval of each State whose ground water would be affected and under which lies the aquifer to be utilized as a source of water by the proposed pipeline.

The problem with existing law is that it is not designed to deal with the present circumstances, in which water may be pumped out from under one State from wells in another State, mixed with coal, and exported 1,800 miles across several States, for the benefit of citizens

in still other States. Under present law, the Federal Government has no obligation to check with each State whose water rights may be affected, prior to participating in the approval of a coal slurry line through the granting of rights-of-way. In my view this is highly unacceptable, given that a wrong decision could be devastating to future generations in the affected areas, because the ability of land to sustain life is so dependent on the water that nurtures it.

This legislation is merely an extension of the concept on which President Reagan campaigned and has begun to institute in other areas, that is returning decisionmaking authority to the governmental entities closest to the problems and where the solutions are best understood.

The second bill relates specifically to the problem that exists in South Dakota, Wyoming, Montana, and Nebraska with respect to use of the Madison aquifer for coal slurry pipeline purposes. It would direct the Corps of Engineers, which is conducting an ongoing study of the water resources of western South Dakota, to investigate the impact of possible ground water withdrawals for slurry purposes.

The State of Wyoming has granted Energy Transportation System Inc. (ETSI) a permit to remove 20,200 acre feet per year from the Madison formation in Niobrara County, Wyo., which borders South Dakota and Nebraska. There is a lot of well-founded concern that the drawdown from the Madison will adversely affect recreational, municipal, scenic, domestic, and agricultural uses in South Dakota, Montana, and Nebraska, but none of these States had a voice in the decision to grant the water right.

The ETSI project does require a permit to cross 36 miles of Federal land and consequently must go through the Bureau of Land Management's environmental impact statement (EIS) process. But, the ETSI draft environmental impact statement (DEIS) was so inadequate that every member of the South Dakota delegation, as well as several from the Nebraska delegation, registered complaints with BLM. Due to the quantity and quality of the complains BLM decided to delay publication of the EIS for 2 months to study further the hydrology, socioeconomics, spill contingency, and the all-rail option.

This month the final EIS was publicized, but the fact that the DEIS was so inadequate as to require a 2-month delay for rewriting of several major areas further substantiates that decisions affecting whether whole counties will continue to exist on arable but semiarid land should not be made from Washington.

Chairman UDALL will be holding hearings on coal slurry legislation (H.R. 4230) before the House Interior Committee on July 30, 1981. It is my hope that the affected States review concept embodied in the legislation I am introducing today will be reflected in any legislation passed by the House or the Senate to promote the development of coal slurry pipelines.

It is my hope that this legislation wil be enacted to protect South Dakota, Montana, and Nebraska in this instance, but also any other State which happens to share an aquifer with a State where a coal slurry pipeline is being considered in the future.●

RECESS UNTIL TOMORROW AT 9 A.M.

Mr. BAKER. Mr. President, there being no further business to come before the Senate, I move, in accordance with the order previously entered, that the Senate stand in recess until the hour of 9 a.m. tomorrow.

The motion was agreed to and, at 10:32 p.m., the Senate recessed until tomorrow, Wednesday, July 29, 1981, at 9 a.m.

NOMINATIONS

Executive nominations received by the Senate July 28, 1981:

IN THE AIR FORCE

The following-named officer under the provisions of title 10, United States Code, section 8066, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 8066, in grade as follows:

To be lieutenant general

Maj. Gen. Charles L. Donnelly, Jr., [redacted] FR, U.S. Air Force.

The following-named officer under the provisions of title 10, United States Code, section 8036, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 8066, in grade as follows:

To be lieutenant general

Maj. Gen. George D. Miller, [redacted] FR, U.S. Air Force.

The following-named officer under the provisions of title 10, United States Code, section 8066, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of section 8066, in grade as follows:

To be lieutenant general

Maj. Gen. Charles G. Cleveland, [redacted] FR, U.S. Air Force.

The following-named officer under the provisions of title 10, United States Code, Section 8066, to be assigned to a position of importance and responsibility designated by the President under subsection (a) of Section 8066, in grade as follows:

To be lieutenant general

Maj. Gen. Robert T. Herres, [redacted] FR, U.S. Air Force.

IN THE MARINE CORPS

The following-named male officer of the Marine Corps for permanent appointment to the grade of Colonel under the provisions of title 10, United States Code, sections 5769 section 5902:

John T. Garcia

The following-named male officers of the Marine Corps Reserve for permanent appointment to the grade of Colonel under the provisions of title 10, United States Code, section 5902:

Robert E. Akins
Tedd W. Aldrich
Daniel M. Bergbauer
Wayne J. Bienvenu
John C. Boston, Jr.
Owen G. Brown
Richard G. Cashwell
Edward L. Collymore
Richard E. Deichmann
Daniel H. Donegan
John F. Dwan
John C. Eisenhammer
Peter D. Everill
Andrew J. Fang
Larry D. Field
Glendon C. Fleming
Coleman J. Foley
Howard W. Greenup
Gladen R. Hamilton, Jr.
David L. Hilton
Nicholas R. Hirsch
Richard N. Hoehn
Donald E. Holt
Roger A. Holtzapple
Ansley S. Horton
Thomas R. Horton
Philip S. Inglee
Donald F. Joganic
William M. Keal
Timothy D. Lundy
James J. Manley
Robert D. McCarthy
Dudley E. McFadden, Jr.
Richard J. McGill
Michael E. McPherson
James C. McRoberts
Allan R. Millett
Jacques C. Naviaux
John D. Oakey
James H. Pope
William C. Price
Richard G. Rodriguez
Gerald J. Ryan
Anthony F. Schuster, Jr.
Frederick N. Shaffer
John W. Sledge, Jr.
Donald H. Smith
Robert W. Sparrow
Robert C. Summe
Charles M. Temple
Clarke E. Vollbrecht, Jr.
Tren A. Williamson
William H. Wundram
Richard L. Yarmy
Frank D. Yusup, Jr.

The following-named woman officer of the Marine Corps Reserve for permanent appointment to the grade of Colonel under the provisions of title 10, United States Code, section 5902:

Adele A. Graham

The following named male officers of the Marine Corps for permanent appointment to the grade of lieutenant colonel under the provisions of Title 10, United States Code, section 5780:

Paul R. Aadnesen
Michael C. Abajian
William G. Adamaitis
John F. Adinolfi
John L. Adkinson, Jr.
John H. Admire
Travis M. Aiton
Allan A. Algoso, Jr.
David P. Allen
James P. Allen, Jr.
Jose G. Alonzo
Richard S. Alvarez
James A. Amendolia
Granville R. Amos
George A. Ampagoomian
Charles W. Anderson
Denis J. Anderson, Jr.
Lee H. Anderson
William D. Armstrong, Jr.
Joseph U. Arroyo
John P. Aymond, Jr.
Raymond P. Ayres, Jr.
Russell F. Bailes, Jr.
Thomas C. Bailey, Jr.
Lorenzo R. Bancells
Barry V. Banks
William L. Barba
Charles E. Barnett
James B. Barr
Bradley E. Barriteau
William E. Bartels, Jr.
Merrill L. Bartlett
Dennis D. Beckman
Raymond H. Bednarsky
Robert A. Beeler
David E. Belatti
Thomas M. Beldon
Michael C. Bell
Charles S. Bentley
Stephen R. Berkheiser
Rudy W. Bernard
Maurice F. Bernier
Floyd A. Best
Lee H. Bettis
John A. Bicknas
Jerry C. Black
Frank S. Blair III
Gary A. Blair
Marvin S. Blair, Jr.
Richard J. Blanchfield
Carl R. Bledsoe
Andrew J. Blenkle
Donald E. Bonsper
Thomas A. Bowditch
John T. Boyer
Charles D. Breme
John L. Brennan
Randolph H. Brinkley
John F. Brosnan, Jr.
Neil J. Bross
Donald P. Brown
Edward C. Brown
Ross A. Brown
Randolph D. Brunell
Roland J. Brunelle
Kenneth T. Brunsvold
Clarence C. Bryant
John D. Buckelew
John G. Burns
Kenneth R. Burns
Raymond M. Burns
Jerry R. Cadick
William L. Cadieux
David L. Caldon
Charles M. Calhoon
Jack R. Campbell, Jr.
Larry E. Campbell
Wallace L. Campbell
Ray G. Canada
Nicholas F. Carlucci, Jr.
William D. Carr, Jr.
John R. Carswell II
Hugh T. Carter
Thomas W. Carter III
James A. Cathcart
Hubert L. Causey
James M. Chapin
Charles W. Cheatham
Clarence B. Cheatham, Jr.
Clayton C. Christensen
John C. Church
John A. Cirle
Philip C. Cisneros
John R. Clickener
William H. Climo, Jr.
Clovis C. Coffman, Jr.
Brascal B. Cole, Jr.
Michael H. Collier
Joseph P. Colly
George M. Connell
Robert W. Coop
Dillard W. Copeland
David C. Corbett
Kermit C. Corcoran
John O. Cotton
Ronald J. Coulter
William V. Cowan III
Thomas N. Cox
Merle L. Crabb
Thomas P. Craig, Jr.
David E. Crais
Arthur O. Cravets

John D. Cummings
Gary J. Cummins
Jack W. Cunningham
Ronald J. Curtis
Terry M. Curtis
Reid E. Dahart
William M. Dale
Robert J. Dalton
Ronald M. Damura
Walter E. Daniell
John J. David
Douglas M. Davidson
William A. Davidson III
Charles R. Davis
Michael A. Davis
Peter K. Davis
Pleas E. Davis
Thomas E. Davis
William J. Davis
Stephen M. Day
Walter S. Deforest
Conrad A. Delateur, Jr.
Thomas R. Delux
John F. Dennis
Richard E. Dennis
Gerald L. Dereberry
James A. Derrico, Jr.
Kenneth W. Dewey
Bruce H. Dewoolfson, Jr.
William J. Dibello
Wilbur C. Dishman
Gary D. Dockendorff
Richard E. Donaghy
Robert J. Dougal
David Douglas III
James J. Doyle, Jr.
John B. Dudley III
Thomas M. Early
Edgar J. Easton, Jr.
Thomas R. Edmunds
Larry M. Edwards
William E. Egen
Sidney A. Ellertson
Robert J. Eisenlohr
Michael W. Emmett
George J. I. Eschenfelder
George K. Eubanks
David P. Evans
Leroy B. Evans
John P. Farrell
Dennis L. Faust
Mark F. Felske
George I. Felt, Jr.
Louis J. Ferracane, Jr.
Raymond W. Fesperman
Thomas M. Fine III
Andrew R. Finlayson
Dennis M. Finnance
Augustus Fitch III
William C. Fite
Dennis R. Fitz
Ronald E. Fix
Ronald D. Fleming
Morris O. Fletcher
Joseph G. Flynn
Walter H. Flynn, Jr.
Philip A. Forbes
Norman R. Ford
William R. Ford
William A. Forney
David E. Foss
Wesley L. Fox
Donald R. Frank
Robert L. Frantz
Paul A. Fratarcangelo
James E. French
John B. Fretwell
Barton J. Friebolin
Dennis B. Fryrear
Carlton W. Fulford, Jr.
Randolph A. Gangle
James P. Gardner
David P. Garner
Dixon B. Garner
Larry T. Garrett
Jerald B. Gartman
Michael H. Gavlick
Charles L. George
Howard L. Gerlach
Jerry R. German
Perry H. Gesell
Graydon F. Geske
Wayne M. Gibbons
Walter M. Gibbs
Henry P. Giedzinski
Woody F. Gilliland
Roger H. Gingrich, Jr.
John T. Gipson
John P. Glasgow, Jr.
James P. Gleason
Robert E. Godwin
Humberto Gonzalez
Jerome E. Goodrich
John B. Goody
Joaquin C. Gracida
Michael J. Graf
John H. Grant
Donald A. Gressly
Richard H. Griffin
Gordon H. Gunniss
Clarence L. Guthrie, Jr.
William J. Gwaltney
David I. Habermacher, Jr.
James C. Hajduk
Samuel T. Hall
James C. Hallman II
James W. Hardy
Joe M. Hargrove
Dennis M. Harke
Robert L. Harrison
Richard T. Harry
James G. Hart
William F. Harvey
Eric E. Hastings
Charles E. Hatch
Orville E. Hay
James M. Hayes
Robert B. Haynes
Stanley E. Haynes
Donald R. Head
Gale E. Heavilin
William E. Healy
Hans R. Heinz
Ronald A. Hellbusch
Phillip R. Hemming
Roger M. Henry
James E. Henshaw
Richard Herberg, Jr.
Dennis B. Herbert
Leslie B. Herman
David F. Herr
Peter M. Hesser
Donnie H. Hester
Milton J. Hester
Francis E. Heuring
Robert Hickerson
Larry T. Higbee
David A. Higley
Robert G. Hill
Judson D. Hilton, Jr.
Steven M. Hinds
Marshall G. Hodges
Richard W. Hodory
Howard M. Hoffman
George R. Hofmann, Jr.
Franklin D. Holder
Marvin T. Hopgood, Jr.
Nathaniel R. Hoskot, Jr.
David Howe
Merlin R. Huckemeyer
Stanley P. Huey, Jr.
Robert A. Hughes
James L. Hurlburt
Larry W. Hutson
Charles H. Ingraham, Jr.
Thomas R. Irvine
Frank M. Izenour, Jr.
Marvin L. Jackson
Grant G. Jacobsen
James W. Jacobson
Michael R. Janay
Roger M. Jaroch
Gordon R. Jefferson
Gerald O. Jenson
Jack D. Jewell
James E. Johnson
Melford M. Johnson
Robert J. Johnson, Jr.
William F. Johnson
Paul S. Johnston
John N. Jolley, Jr.
David A. Jones
Fred L. Jones
Gerald W. Jones
Thomas L. Jones
Virgil W. Jones, Jr.
Walter F. Jones
Harry K. Jowers, Jr.
Luis A. Juarez
Louis S. Jumbercotta, Jr.
John F. Juul
Thomas A. Kahl
Patrick J. Kahler
Richard J. Kalata
Lawrence G. Karch
William M. Kay
James H. Kean
Arthur J. Keener
Robert F. Kehres
Cary Kelly
Michael S. Kelly
Thomas W. Kelly
Norman G. Kerr
Robert E. Kiah, Jr.
Lynn J. Kimball
Novatus N. Kirby
Kenneth J. Kiriacopoulos
Robert H. Kirkpatrick, Jr.
Edward J. Kline
John E. Knight, Jr.
David E. Knop
George W. Kralovec III
John J. Krauer
Coleman D. Kuhn, Jr.
Lawrence C. Kutchma
David J. Laboissiere
Alexander E. Lancaster
Robert K. Lange
Shelton F. Lankford
Timothy L. Laplaunt
Robert L. Larkin
Jacob L. LaRue
James H. LaVelle
Joseph A. Lavigne
Francis X. Lawler, Jr.
William F. Lawlor III
William S. Lawrence
Walker M. Lazar
Charles D. Lea
Sean K. Leach
Harry E. Lee III
Frank Libutti
Jay C. Lillie
Jasper C. Lilly, Jr.
Achim W. Lind
Stephen E. Lindblom
David B. Littell
Frank E. Littlebury
Junior D. Littlejohn
John S. Lowery, Jr.
James L. Lucas
James W. Lucey
Freddie M. Luckie
Brice R. Luedtke
Herbert G. Lyles
Bertie D. Lynch
Douglas C. Maccaskill
Gary W. Macleod
Rudolph J. Maikis
Bruce A. Major
Robert M. Mallard
Michael G. Malone
John M. Maloney
David P. Martin
William R. J. Masciangelo
Edward G. Massman
Robert L. Matlosz
John B. Matthews
Frederick H. Matthys Jr.
Robert E. Mattingly
Herman L. May, Jr.
Jeffrey B. McAnally
John C. McAnnally
Robert M. McBride
William G. McBride, Jr.
Patrick J. McCann
James E. McClenahan, Jr.
Daryl S. McClung, Jr.
Jimmy W. McClung
Stephen R. McComb
John J. McDermott
Thomas C. McDonald
John C. McGee
James B. McKenney
Gary S. McKissock
Robert J. McLaughlin
John P. McMahon
Warren R. McPherson
Thomas H. Meurer
Gary G. Meyers
Perry W. Miles, III
Donald J. Miller, Jr.
Gerald L. Miller
George J. Miske
Stuart J. Mock
John W. Moffett
John W. Mohr
Rex B. Moody
John R. Moore
Kenneth W. Moore
Paul Moore, Jr.
Walter H. Moos
Joseph G. Morra
Joseph J. Morrissey, III
Michael J. Moss
Joseph F. Mullane, Jr.
Richard J. Muller
James E. Murphy
James W. Murphy
William A. Murphy
William F. Murphy
John D. Murray
Joseph A. Murry
James M. Mutter
Lonnie M. Myers
Richard I. Neal
James S. Needham
David W. Nelson
Thomas S. Nelson III
Ronald S. Neubauer
David E. Niederhaus
Ernest G. Noll, Jr.
Robert G. Nunnally
Robert M. Nye, Jr.
Ronald C. Oates
Donald J. O'Connor
Mark D. O'Connor
George W. O'Dell
Thomas F. O'Malley, Jr.
Kevin P. O'Mara
Edward P. O'Neil
Vincent E. O'Neill
John P. Oppenhuizen
James M. O'Rourke, Jr.
Theodore D. Owens
Nelson Paler
Paul A. Pankey
William A. Parker
Julian W. Parrish
David N. Pedersen
William T. Pedersen, Jr.
James A. Pelli, Jr.
James P. Pennell
Peter L. Perkins, Jr.
Jack F. Perry
Guy A. Pete, Jr.
William C. Peters
Kenneth B. Petersen
William E. Phelps
John D. Phillips
Daniel R. Phipps
Arthur J. Picone, Jr.
Gordon L. Pirtle
Ido E. Pistelli
William E. Platz
William W. Pollock
Gerald J. Polyascko
Corbett G. Pool
John R. Pope
Michael E. Popelka
Stephen P. Porcari, Jr.
Harry P. Porth, Jr.
David G. Pound
Paul J. Prinster
James M. Puckett
Charles J. Pyle
Robert H. Railey
James M. Rapp
Geoffrey K. Rasmussen
Jimmy M. Ray
Philip H. Ray
Charles Rechtenbach
Robert K. Redlin
Albert A. Reed
Don T. Reed
Henry L. Reed
Robert E. Reedhill, Jr.
Lawrence C. Reifsnider
Richard M. Reilly
Claude W. Reinke
Robert R. Renier
Wayne H. Rice
Clarence E. Richards, Jr.
Larry R. Richards
Charles E. Richardson
David A. Richwine
Manfred A. Rietsch
Clarence C. Riner, III
James P. Riordan
Jack W. Rippy
Frederick M. Rivers, Jr.
Joseph W. Robbern, Jr.
Lawrence R. Robillard
Clifford R. Robinson
Gary H. Robinson
George R. Robinson
Richard J. Rochford
Bob B. Rodgers
John M. Rodosta
Richard D. Rodriguez
Thomas J. Romanetz
Hugh A. Ronalds
Herbert G. Roser
George A. Ross
Peter R. Rounseville
Daryl L. Russell
Glenn W. Russell, Jr.
Victor M. Russillo
Kenneth S. Russom
Bernard R. Rusthoven
Edward M. Rynne
Woodson A. Sadler
William J. Sambito
Kenneth R. Sandstrom
Durward T. Savage
Don F. Schafer, Jr.
Klaus D. Schagat
Thomas A. Scheib
Bernard D. Schmidt
Klaus D. Schreiber
Edward C. Schriber
Russell W. Schumacher, Jr.
Bruce A. Schwanda
Rudy T. Schwanda
Richard E. Schwartz
Thomas E. Schwartz
Gene D. Schwartzlow
James E. Scoggins
James E. Secrist
T. D. Seder
Vytautas S. Senkus
Merlyn A. Sexton
Michael N. Shahan
William C. Shaver
Stanford E. Sheaffer
William G. Sheldon III
John D. Shinnick
Michael F. Shisler
William B. Shively
Raul A. Sifuentes
Hurman R. Sims
Alexander G. Smith III
Gordon F. Smith
Larry E. Smith
Ronald L. Smith
Stephen K. Smith
Edward A. Smyth
Frank R. Soderstrom
James L. Spence
William R. Spicer
Robert L. Spooner
Larry J. Springer
Robert C. Springer
Ray L. Springfield
Michael A. Stankosky
Gregory C. Steele
Thomas W. Steele
Eugene A. Steffen
Craig R. Steinmetz
Louis C. Stengel III
Joseph D. Stewart
Raymond A. Stewart, Jr.
Charles R. Stichter II
William A. Stickney
Myles C. Still
Roy J. Stocking, Jr.
James F. Stodola
James E. Stoll
Terry W. Stone
Thomas D. Stouffer
Richard A. Strickland
Edward G. Stuckrath, Jr.
John M. Suhy
John J. Sullivan
Robert J. Sullivan
Russell H. Sutton
Terry P. Swanger
William G. Swarens
Bronson W. Sweeney
Charles T. Sweeney
Robert E. Swete
William P. Symolon
Stephen A. Tace
Jerry K. Taylor
Monty J. Tennes
Joseph G. Thomas
Ky L. Thompson
William F. Thompson
Robert O. Tilley
Anthony P. Tokarz
Thomas A. Toth
Edward L. Trainor
Robert E. Tschan
Phillip E. Tucker
Frank L. Turner
Ellsworth J. Turse, Jr.
Charles G. Tyrian, Jr.
William P. Vacca
Jay H. Vandyne
Gary R. Vangysel
Robert A. Vanhouten, Jr.
George M. Vanorden
Russell D. Verbael
Eric P. Visser
Rishard L. Vogel
Richard H. Voigt
James A. Vollendorf
John M. Wagner
Alfred J. Walke
Thomas U. Wall
Earl P. Wallis
George H. Walls, Jr.
Loren A. Wasson
David J. Watson
Larry L. Weeks
John Wegl
Edwin W. Welch
Roger V. Wellbrook
Daniel T. Wellman, Jr.
Ronald R. Welpott
Robert F. Wemheuer

Alfred M. West
William D. Wester
Buddy P. Westmoreland
John K. Wetter
David L. White
Michael C. Wholley
Frank G. Wickersham III
Harold B. Wilber
James R. Williams
John F. Williams, Jr.
John K. Williams
Joseph H. Williams
Lester H. Williams, Jr.
Roger L. Williams
Monroe F. Williamson
Robert T. Willis
Gordon R. Willson
Jeffrey A. Wilson
Lynn W. Wilson
William D. Wischmeyer
William C. Wolfe
Mansel M. Wood
Lance P. Woodburn
John A. Woodhead III
Larry L. Woodruff
Clyde E. Woods
Dale F. Wyrauch, Jr.
Robert E. Yeend
Paul D. Young
John S. Zdanowski
Anthony C. Zinni
Lawrence M. Zipsir

The following named officers of the Marine Corps Reserve for permanent appointment to the grade of lieutenant colonel under the provisions of Title 10 United States Code, section 5911:

Robert L. Adams
James A. Aiken
Ronald J. Appel
David A. Ballentine
Clarke C. Barnes
James V. Barrios
Ralph S. Bates
Donald J. Beary
Robert L. Beavis
Richard E. Beirne IV
Robert H. Belknap
Ben H. Bell
Rodney E. Bell
Stanley L. Benson
William W. Benson
Cedric C. Bevis
Otto Biangardi
Kenneth M. Billingsley
Patrick J. Blessing
Richard N. Bloomberg
John R. Booth
Duncan E. Bossle
Roger A. Bourgery
George F. Braun
Terrence M. Breen
Darwin E. Bremer
Paul G. Brown
Umphis L. Brown
Dale L. Buchanan
Eugene G. Buglewicz
Harry E. Burton
George E. Cadman III
Marshall M. Calef II
Charles P. Campbell, Jr.
James M. Campbell
William S. Campbell
William E. Capehart
Michael G. Carberry
Albert E. Carpenter, Jr.
John J. Cassidy, Jr.
David P. Connelly, Jr.
Richard A. Connor
John R. Connors, Jr.
James G. Custar
Benjamin R. Dadd, Jr.
Kevin R. Danehy
Robert R. Davis, Jr.
Terry L. Delong
Alexander C. Dickerson
Vincent D. Diloreto
Joseph P. Dyer, Jr.
John R. Elkins
Randall L. Erickson
Carlos D. Espinoza
Thomas D. Ewton
Jerry J. Farro
Michael S. Ferneau
James E. Flanagan
James J. Funcheon
Kenneth R. Furr
Donald S. Gallaspy, Jr.
Louis Garcia
Robert S. Gardner
Leroy A. Garrett
John P. Gill
Marc H. Glasgow
James T. Gleason
Walter H. Goedeke
James C. Goodwin
Joseph E. Gott
David W. Gould
Paul R. Gregus
Gary W. Gretter
John S. Gruggel, Jr.
Donald J. Hager
Edward M. Hall
Donald D. Hamilton
Leonard D. Hanford
Francis T. Hankins
Lowell W. Hanson
John J. Hargrove
Kenneth J. Hebert
William J. Heller
James S. Herak
Dewey L. Herring
Robert L. Higginbotham
William W. Hobbs, Jr.
Russell E. Hohman
Bobby G. Hollingsworth
Robert P. Horne, Jr.
William E. Iorio
Anthony A. Johnson
James L. Johnson
Kari Johnson
Garland L. Jones
John L. Jones
George A. Jonic, Jr.
Thomas W. Kaugher, Jr.
Francis J. Kaveney
John M. Kelly
Raymond W. Kelly
Robert M. Kestler
Alexander Kirk
Stephen A. Kirkpatrick
Matthew T. Kissane
Robert G. Kissling, Jr.
William S. Knight
Larry M. Krilla
Edward Kufeldt
Harry E. Lake, Jr.
Frank J. Lamura
Malcolm V. Lane, Jr.
Elton R. Lanier
Paul J. Laveroni
Gavin D. Lee
Vincent M. Levitsky
James L. Lindemood
Richard J. Lovelace
John K. Lower
Thomas J. Luciano
Walter M. Luy
Clifford H. Manning
David M. Marchand
Kenneth E. Martin
Raymond W. Martin
Robert A. McClellan, Jr.
Alexander McClinchie
Michael G. McCollum
Ronald D. McDaniel
Leland B. McDonough
Thomas H. Meeker
Quinten R. Meland
Leonard E. Miller
Peter M. Molloy
Leon H. Moore
James E. Morley, Jr.
Richard A. Muench
John J. Murray
John J. Nelson, Jr.
Thomas F. Newman
Laurance S. Nowak
George J. O'Connell, Jr.
James T. O'Kelley, Jr.
George S. Olivas
William D. Palmer
Bill D. Parker
Robert E. Parnell, Jr.
Stanley J. Pasieka, Jr.
Robert E. Pearce
Stanley J. Pechalonis
Jeffrey C. Pickett
Darvin D. Pierce
Charles A. Pinney III
William A. Platt
William N. Price
Don E. Prichard
Charles L. Pritchard
Charles J. Quilter, Jr.
Gary L. Randall
Thomas C. Rauwald
Ronald D. Ray
Herbert D. Raymond III
Norbert V. Reardon
Anthony S. M. Reyna
Wayne A. Rich, Jr.
James D. Richards
Douglas S. Rider
Robert O. Riggs
Tomas M. Rodriguez, Jr.
Paul R. Rollins
David K. Rumsey
Earl R. Rutledge
Michael E. Sandlin
Gary A. Sargent
Antonio Scenna
Ernst U. Schultes
Michael J. Severson
Thomas M. Shea
Robert C. Shearer
Denis L. Shortal
William R. Singer
Kenneth P. Sirmon
Carl H. Slaski
Douglas L. Smith
Frederick J. Smith III
Norman W. Smith, Jr.
Neil A. Snider
John T. Somerville
Edward G. Southworth
Billy L. Speed
Michael R. Stanton
David M. Stout
Luther P. Stroud, Jr.
Bruce W. Sumner
Ronald J. Suter
Jack E. Swallows
Robert M. Talent
Albert G. Tase, Jr.
Arthur W. Tifford
Donald R. Treichler
Charles C. Turner
Charles S. Tutt
Richard A. Vansickle
Frederick J. Vogel
Richard E. Vosepka
David F. Wall
Arthur Warnack
Paul F. Wendler, Jr.
Don E. Wheeler
Richard T. White, Jr.
John G. Wilhelm
James T. Williams
Russell L. Williamson
Richard O. Willich
Hugh A. Wilson III
Steven C. Wilson
John T. Winkler
Walter J. Wise, Jr.
Joseph C. Wolfe, Jr.
Howell F. Wright
Michael G. Wystraach
Jack B. Zimmermann

The following-named officers of the Marine Corps for permanent appointment to the grade of major under the provisions of title 10, United States Code, section 5780:

Donald L. Abblitt
James R. Abelee
James R. Acreback
Gayle E. Adcock
Jesse W. Addison
Larry G. Adkins
Jerald R. Agenbroad
Paul R. Ahrens
Robert A. Aikman
Alexander J. Aitken
Anthony C. Akstin
Gary R. Albin
Burt E. Alexander
Gerald W. Allen
James V. Allen
Richard D. Allen
Steve N. Allen
Thomas E. Allen
Charles R. Allison III
Kenneth C. Allison, Jr.
Gary C. Allord
John F. Amend, Jr.
Lester E. Amick III
Gary W. Anderson
Joseph T. Anderson
Gary D. Andersen
James F. Andrews III
David A. Andriacco
Monrovio J. Angell III
Ralph H. Anzelmo
Jeffery A. Applen
Russell E. Appleton
William V. Arbacas, Jr.
Bruce R. Archer
James A. Ardaiolo
Rodney A. Arena
Michael J. Arent
Anthony P. Armbrister
Willard P. Armes
Charles L. Armstrong
Charles R. Armstrong
Ronald J. Armstrong
Rufus A. Artmann, Jr.
Michael D. Ashworth
Michael L. Aslaksen
George B. Atkinson
Barry D. Austin
James P. Axelrod
Grey C. Axtell
Billy T. Babin
Rayfel M. Bachiller
Gerald D. Badinger
Peter T. Bahry, Jr.
Robert L. Bailey
Ronnie J. Bailey
Thomas A. Bailey
Edward J. Baker
Harold L. Baker
Wheeler L. Baker
William J. Baker
Steven T. Bakke
Charles Balchunas
David W. Baldwin
John T. Balha
Edward J. Ball III
Robert E. Ball
William F. Ball III
Marc L. Ballard, Jr.
Robert W. Banta, Jr.
Richard E. Barber
William E. Barker
James E. Barksdale
Dale E. Barnes
Harry K. Barnes
Michael J. Barnes
Terry L. Barnes
William H. Barnetson, Jr.
Donald C. Barnett
Peter T. Baron
Charles J. Barone
Thomas L. Barrows
James J. Barta
Allen C. Bartel
Richard J. Bartolomea
Stanley N. Barton
Stephen J. Bartram
John M. Basel
Richard W. Bates
Sheldon J. Bathurst
James R. Battaglini
Bryan J. Batulis
Edmund Bauernfeind
Arthur S. Bausch
Philip B. Baysden
Russell F. Beagent, Jr.
William L. Beam
Scott R. Beaty
Robert A. Beaudoin
Donald A. Beaufait
Stephen A. Beaulieu III
Donald B. Beaver
Jennings B. Beavers II
Peter R. Beavins
David L. Beck
Hugo T. Beck
Mark T. Beck
Emil R. Bedard
Curtis M. Beede
Ivan M. Behel
Ernest G. Beinhart III
John C. Beitz, Jr.
Joseph A. Bekeris III
Joseph F. Bellegarde, Jr.
Charles A. Bellis, Jr.
Raymond M. Belongie
Martin R. Bender
Robert G. Bender, Jr.
Edward A. Benes
Charles D. Bennett
Chris Bennett
George H. Benskin III
James H. Benson
James R. Benson
William P. Benson
Dan T. Bergstrom
Martin R. Berndt
Gerald L. Berry
William D. Berry
Guiseppe A. Betta
Dennis M. Bevis
David F. Bice
Albert H. Bickmore
Robert M. Biddle, Jr.
Stephen G. Biddulph
Jerome F. Bierly
Archie J. Biggers
John L. Bilodeau
John R. Bioty, Jr.
Willie R. Bishoff, Jr.
Paul W. Bishop
Wayman R. Bishop III
Michael J. Bixiones
Thomas E. Bierke
David L. Bjork
Douglas M. Black
William B. Blackshear Jr.
Carl N. Blair
John P. Bland
James R. Blanich
Rex P. Blankenhorn
Tom L. Blickensderfer
David R. Bloomer
Robert B. Blose, Jr.
Michael P. Boak
Robert J. Boardman
Frederick M. Bobbitt
Larry J. Bockman
Richard A. Boeckman
Harold C. Boehm, Jr.
William J. Boese
Wiley N. Boland, Jr.
Charles F. Bolden, Jr.
George J. Bolduc
Reed T. Bolick
Michael W. Bolish
Dennis G. Bolton
Alan R. Bonham
James N. Bonner
James L. Booker, Sr.
Robert B. Boone
Stephen D. Booren
Francis J. Booth, Jr.
Andrew H. Boquet
Louis L. Boros
Steven A. Bosshard
David F. Boulden
John F. Bouldry
John C. Boulware, Jr.
James Y. Bounds
Paul J. Bourdon
William G. Bowdon III
John C. Bowers
Rodney L. Bowers
William L. Bowling
Michael H. Boyce
Robert J. Boyd, Jr.
Charles E. Boyer III
David R. Boyer
James G. Boyett
Charles J. Boyle
Gerard J. Boyle
Joseph M. Boyle
Michael A. Boyle
Sevath A. Boyum
Floyd D. Braaten
James C. Braddy
Robert E. Braithwaite
Daniel M. Brannon
Thomas O. Brannon
Ian Brennan
Frank L. Brewer
Slade A. Brewer
Robert R. Brewton
James Brigadier
Christopher W. Brindle
Eugene D. Brindle
Clyde S. Brinkley, Jr.
Melvin J. Brinkley
James A. Brinson, Jr.
William W. Broadaway
Andrew J. Broadstone III
Michael V. Brock
Matthew E. Broderick
Thomas F. Broderick
William F. Broderick
George M. Brooke III
Dennis K. Brooks
Mark L. Brophy
David Brown
George B. Brown III
Kenneth J. Brown
Paul E. Brown
Richard A. Brown
Shepard R. Brown
Thomas A. Browne
Darrell A. Browning
Stephen E. Bruch
Kenneth H. Bruner
Thomas F. Brunk
Bruce E. Brunn
Johnny Bruntlett
William E. Bubsey
Jeffrey D. Buchanan
James F. Buchli
Robert R. Buckley
Leonard J. Bucko
Dennis M. Buckovetz
David G. Buell

Melvin R. Buhls II
Michael M. Bullen
Richard E. Buller
Mark C. Bunton
Laurence K. Burgess
Victor L. Burgess
James D. Burke
Robert R. Burke
Richard D. Burkett
Peter J. Burner
Ervin W. Burroughs
Edward B. Burrow, Jr.
Richard E. Burton
Francis J. Busam
Michael S. Bush
William D. Bushnell
Gary A. Butler
James Q. Butler, Jr.
Michael D. Butler
Patrick C. Butler
John Buzzi
James P. Byrnes
Bruce B. Byrum
Robert D. Cabana
Robert E. Cahill
Albert R. Calderon
Thomas J. Callan, Jr.
Kenneth D. Cameron
Carl P. Campbell
Edgar M. Campbell
Richard W. Campbell
Rodney L. Campbell
Robert M. Cannis
Roland E. Carey, Jr.
John C. Cargill
Thomas M. Carlin
Reid O. Carlock
George A. Carlson
Martin D. Carpenter
Daniel M. Carradice
Thomas P. Carras
John L. Carson
Thomas R. Carstens
John W. Carter
Ronald B. Carter
Roy L. Carter
James E. Cartwright
Craig L. Carver
Garry R. Carver
James G. Casler
Mark H. Caspersen
Barry L. Cassidy
Edward V. Cassidy, Jr.
Richard P. Cassidy
Dee H. Caudill
Thomas A. Caughlan
Richard C. Cavallaro
Jackie L. Cavin
Benjamin A. Cero
Lee A. Cerovac
David L. Chadwick
Thomas E. Chaffin, Jr.
John F. Chalkley
Stephen W. Chambers
Ronald W. Chambless
Richard W. Chambliss
John B. Champeau
Geary L. Chancey
Norman A. Chandler II
Richard Chandler III
Roger G. Charles
William M. Charles II
Andrew L. Charlson
John P. Chase
Jonathan C. Chase
Stephen A. Cheney
James P. Chessum
Maurice L. Chevalier
Jimmie W. Childs
Ronald R. Christopher, Jr.
Kenneth L. Christy, Jr.
Jimmy H. Church
Robert M. Churchill
Joseph F. Ciampa
Paul F. Cibuzar
Warren J. Cicerrella
James L. Cieslak
Anthony J. Ciotti, Jr.
John S. Cipparone
Richard H. Clampitt
Dennis E. Clancey
John E. Clancy
Eligah D Clark, Jr.
James L. Clark, Jr.
William A. Clark III
William B. Clark
Charles J. Clarke
James M. Clarke
Larry G. Clarke
Robert D. Clarke
Alfred F. Clarkson, Jr.
Kenton P. Cleary, Jr.
Wayne A. Clemmer
Daniel B. Cliffe
John T. Clinton
Jay M. Cluelow
James K. Cobb
Johnny D. Cockle
Michael G. Coe
Bruce T. Coggins, Jr.
Larry D. Cohen
Robert S. Cohen
John R. Cohn
George S. Coker
John H. Cole, Jr.
John R. Cole
Larry P. Cole
Raymond Cole
Gray W. Collenborne
Clarence M. Collins III
Clelland D. Collins, Jr.
James M. Collins II
William B. Collins
William R. Collins
Newton A. Collyar
Gary E. Colpas
Leonard J. Comaratta
Richard A. Combs
Joseph Composto
Michael R. Compton
Larkin E. Conatser
Paul R. Conner
Kevin A. Conry
Louis C. Consagra
George S. Converse
James T. Conway
Larry G. Cook
Leroy J. Cook
Joel L. Cooley
Gerald J. Cooper
William L. Cooper
Dennis Copson
John F. Corcoran
Max A. Corley
Christophe Cortez
Gary M. Costello
Richard A. Cote, Jr.
Randolph P. Cotten
Norris G. Cotton
John D. Counselman, Jr.
Walter S. Cover
Lawrence G. Cowell
Charles H. Cox, Jr.
Jimmy R. Cox
John W. Cox
Timothy J. Coyle
Shawn Crabtree
Alan S. Craig
Larry A. Craig
Jimmy R. Cranford
Richard R. Crawford
Jerry L. Creed
Wallace R. Creel, Jr.
John P. Cress
Michael P. Crimmins
James E. Cripps
Daniel D. Critchfield
Steven M. Crittenden
James C. Crockett
Joseph R. Crockett, Jr.
Charles D. Cross
Michael J. Cross
Philip L. Croteau, Jr.
Michael J. Crow
Wayne T. Crowder
Clarence S. Crowe
Ronald J. Cruz
Stephen Cucchiara
Anthony H. Cucina, Jr.
Jack C. Cuddy
Ronald K. Culp
William L. Culver
David J. Cummings
Edward B. Cummings
Michael J. Cummings
Waldo B. Cummings, Jr.
John T. Cummins, Jr.
William C. Curtis
Larry J. Cushman
Richard J. Dallaire
John F. Dalton
Thomas R. Dalton
John H. Daly III
John M. Daniels
Alan H. Dank
David K. Danner
John B. Danuser
Paul P. Darling
William C. Darner
Paul D. David
Charles E. Davis, Jr.
Dacre G. Davis, Jr.
Dellwyn L. Davis, Jr.
Donald L. Davis
Elmer H. Davis, Jr.
George B. Davis
Gilbert H. Davis
Hartley R. Davis
James E. Davis
James H. Davis
John A. Davis
Michael P. Davis
Leonard R. Dean
Thomas C. Dean
Robert C. Debussey
Anthony A. Decandia
Michael A. Decker
Samuel C. Decoteau
Marshall B. DeForrest, Jr.
John R. Defreytas
Walter F. Dehoust
Jacke E. Deichman
Joseph Dellacorte
Ronald V. Deloney
Michael P. Delong
James D. Delp
Bernard M. Demahy, Jr.
William Z. Dement
John R. Dempsey
Glenn C. Demunck
Henry M. Denton
Charles F. Depreker
John M. Depue
William D. Derrick
Albert A. Desantis, Jr.
William F. Deubler
Frederick M. Deutsch
Edward A. Devite
Henry V. Dickens
Kurt M. Dieterle
Alphonso B. Diggs, Jr.
Michael J. Dineen
Timothy G. Dineen
Richard Dinkel
Paul R. Dippolito
Charles L. Dismore
Charles A. Dittmar, Jr.
Stephen J. Diugos II
Ronald B. Dobie
Charles L. Dockery
Steven W. Dockstader
Robert C. Dodt, Jr.
Geoffrey M. Doermann
Alfred M. Doktor, Jr.
Michael J. Dolezal
Walter L. Domina
William I. Donaldson, Jr.
Thomas P. Donnelly, Jr.
William R. Donnelly, Jr.
Robert C. Dopher, Jr.
Charles W. Dorman
Peter R. Dorn
Jefferson D. Dorroh III
Peter A. Dotto
Roger H. Dougherty
Robert M. Dowd
F. G. Dowden, Jr.
Hilary B. Downey II
Dennis L. Doyle
Orvis R. Doyle
Wayne C. Doyle
Edward J. Doyne, Jr.
Charles E. Drumm, Jr.
John E. Drury
Will L. Dryer, Jr.
Christian F. Dubia, Jr.
Cyril P. Dubrachek
Gerald J. Duda
Doyle D. Dudley
Larry W. Dudley
Russell V. Dudley
Brendan Duff
Charles O. Duff, Jr.
Richard H. Duff, Jr.
Keith M. Duhe
George R. Dunham
Thomas E. Dunkelberger
Clifford D. Dunn, Jr.
Perry R. Dunn
Theodore J. Dunn
Clarence T. Dunstan
John F. Dupont
James M. Durham
Jan M. Durham
Richard G. Duvall
Robert W. Dyar, Jr.
Darrel B. Ealum
Robert L. Earl
Michael E. Edwards
Thomas B. Edwards III
James B. Egan
Russell M. Eggleston
Paul C. Ehlers
James M. Eicher II
Roland H. Eisel
David R. Eisenbrey
John M. Elder
Jay M. Ellington
Dallas A. Elliott
Jay L. Elliott
Milton V. Elliott
Ketron H. Ellison
Arthur F. Elzy
Roger L. Emch
Harvey W. Emery, Jr.
Gerard J. Endres, Jr.
Joe R. English
John D. Engstrom
Russell J. Enke
Don D. Enloe
Carl H. Ertwine
William J. Esmann
Robert G. Essink
Kenneth W. Estes
Teddy J. Etsell
Harold W. Evans III
John S. Evans, Jr.
William C. Evans
Richard S. Everhart
Michael G. Evinrude
Richard G. Ewers
Walter R. Fabinsky
Kenneth R. Falasco
Michael O. Fallon
Jim Farlee
Timothy N. Farlow
Douglas A. Farmer
Jackie L. Farmer
Jon W. Farmer
Paul C. Farmer
Ronald R. Faucher
Brian L. Faunce
William A. Favor, Jr.
Robert J. Fawcett
Peter O. Fay
Joseph C. Fegan III
David E. Feigel
James R. Felt, Jr.
John R. Fenton
Michael J. Ferguson
Arnold Fields
Paul R. Fields
Wilburn C. Finch, Jr.
Ora J. Fink, Jr.
Bruce V. Finley, Jr.
Patrick J. Finneran, Jr.
Thomas P. Finnerty
Arthur G. Fischer, Jr.
Vincent L. Fischer, Jr.
Kenneth A. Fish
Charles S. Fisher
John W. Fitch
Jerry W. Fitzgerald
Thomas E. Fitzpatrick Jr.
Jan P. Fladeboe
John J. Flaherty
Thomas A. Flaherty
Robert M. Flanagan
Peter J. Flatley
Charles W. Fleischer, Jr.
George W. Flinn
Marvin H. Floom, Jr.
Howard C. Florence
Thomas H. Flowers
James C. Flynn
John R. Fogg
John J. Folan, Jr.
Thomas J. Fong G
Marshall B. Foore
Melvin W. Forbush
Brian D. Ford
Walter G. Ford
James L. Foresman
Zachary T. Forester III
James R. Forney
Robert A. Forrester
James D. Fortune
John T. Foster, Jr.
Leonard S. Foster
Robert W. Fout
Frederick T. Fowler
Charles R. Fox
Thomas R. Fox
David B. Franke
Michael J. Franks
Kenneth D. Frantz
John F. Fraser, Jr.
Eugene Frazier
Kenneth R. Frederickson
Charles K. Freeman
Peter R. Freeman
Stephen P. Freiherr
Thomas N. Fremin
Richard B. French
Claude R. Fridley
Robert J. Friend, Jr.
Douglas D. Frisbie
Warren T. Frommelt, Jr.
David R. Fry
James J. Frydrychowicz
Leonard R. Fuchs, Jr.
James A. Fulks
Dwain L. Fuller
Edward A. Gabarra, Jr.
Chester F. Gaede, Jr.
Frank A. Gagliardi, Jr.
Timothy M. Gahan
John M. Galeski
Tony R. Gain
James M. Galbraith
Gary L. Galiger
Richard J. Gallagher
Charles H. Gallina
William N. Gamble
Jon A. Gangloff
Milton J. Ganier
Anthony S. Ganz
Joseph C. Garbrous
David A. Garcia
Denis O. Garcia
Robert D. Garner
Robert J. Garner
Donald R. Garrett
John C. Garrett
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John D. Schessler
Charles W. Schillinger
John W. Schmidt
Larry S. Schmidt
Glenn H. Schneiter
Mark M. Schnell
Charles J. Schoener III
William H. Schopel III
Kurt A. Schrader
Jerauld D. Schroeder
Joel N. Schuette
Mark P. Schultz
John W. Schwab, Jr.
James R. Schwenk
Richard S. Scivicque
Joe E. Scott
William F. Scott
Joseph W. Seabrook, Jr.
William R. Seagraves
Ronald R. Seaman
William R. Sears
Keith T. Sefton
Paul R. Seipt
James D. Selim
Donald R. Selvage
Michael D. Selzer
Robert H. Settle
Walter W. Sevon, Jr.
James P. Sexton
Eric D. Shaffer
Walter W. Shallcross III
Michael D. Shannon
Robert M. Shea
Michael M. Sheedy III
James P. Sheehy
Darrel W. Sheets
Anthony P. Shepard
Charles F. Shepard
Steven A. Shepherd
Charles R. Sherrill
Robert H. Sherwell
Richard V. Sherwood
James S. Shi
Michael F. Shields
Robert G. Shillito
Richard Y. Shintani
Albert E. Shively
James G. Shockley
Howard P. Shores II
Philip G. Short
John M. Shotwell
Larry L. Shreve
Richard N. Shuck
Michael R. Shuttleworth
Edward N. Sibley
Robert I. Sickler, Jr.
Roy N. Sifers
Glenn D. Simon
Gary B. Simpson
Jasper V. Simpson

Laurence E. Simpson
Victor A. Simpson
Larry J. Sims
Jeffrey B. Sinclair
Ralph E. G. Sinke
Ronnie E. Sirmans
Patrick H. Skeldon
Charles O. Skipper
Ronald D. Skow
Richard C. Slack
John D. Slattum
Clyde H. Slick
Kenneth A. Sloan
William S. Sloan
Kenneth R. Sluis
James L. Smee
Byron E. Smith
Clinton A. Smith
Clyde E. Smith, Jr.
Daniel M. Smith
Danny R. Smith
Edward D. Smith, Jr.
Gilbert E. Smith
James E. Smith
Lawrence W. Smith III
Michael D. Smith
Michael H. Smith
Paul R. Smith
Ray L. Smith
Rodney N. Smith
Terrance L. Smith
Terry A. Smith
William A. Smith
Jon W. Smythe
John D. Snakenberg
Robert L. Snelson
Dennis L. Snook
Wille T. Snow
John S. Snowden
Georgo Solhan
James M. Solomon
Kenneth A. Solum
Ricky E. Somerall
Myles P. Somers
Michael J. Soniak
Robert E. Sonnenberg, Jr.
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Linden L. Sparrow
Elmer R. Spears, Jr.
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Charles F. Sprietsma
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Thorys J. Stensrud
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William R. Stephens
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Ronald L. Stevens
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Joe R. Stewart
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Stewart J. Stopak
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James A. Storey III
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James N. Strock
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Cecil L. Strouth
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Lynn A. Stuart
Robert C. Stuart
William H. Stubblefield
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Jonathan W. Stull
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Garth K. Sturdevan
Joheph E. Sturtevant, Jr.
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Gerald L. Stutz
William J. Sublette
Tim J. Sukow
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John J. Sullivan, Jr.
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Patrick H. Sullivan
Thomas P. Sullivan
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Leonard M. Supko
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Frederic J. Swango
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Gary D. Sweeny
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John R. Switzer
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Aloysius Sypniewski
Theodore Z. Szymanski, Jr.
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Michael E. Tallent
Thomas M. Talty
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Rex N. Taylor
Ronald L. Taylor
Thelbert F. Taylor, Jr.
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Terry L. Tonkin
Dale S. Town
Tompson R. T. Toyama
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Byron M. Trapnell
Clyde R. Trathowen
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William T. Tucker
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David J. Turner
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Robert R. Tyler
Thomas W. Tyler
Joseph S. Uberman
Jan B. Urbanczyk
Edwin R. Valdez
John R. Vallaster
John M. Valovich
Jack Vandebruinhorst
Guy M. Vanderlinden
Dyrck H. Vandusen
David Vanesselstyn
Victor L. Vangrowski, Jr.
Randall L. Vanhoutan
Earnest A. Vanhuss
Paul Vanlenten
Gerald J. Varela
Danny P. Venable
Kenneth E. Ventris
Richard F. Vercauteren
Alexander C. Verduci
James E. Vesely
David A Vetter
James S. Vintar
James L. Volkmar
John R. Voneida
Henry J. Vonkelsch III
Gregory J. Vonwald
Paul H. Voss
Edward J. Wages
John H. Wagner
Thomas A. Wagner
Roger C. Wahls
Argyle O. Wakeman, Jr.
Joseph R. Waldron
Edwin C. Walke
Richard W. Walker
Richard W. Walker
Ronald E. Walker
Robert W. Waller
John E. Walsh
Lawrence C. Walt
Richard P. Walton
Roger P. Waniata
Buddy A. Ward
Norman E. Ward
Richard K. Ward
Stephen A. Ward III
James G. Ware
Samuel J. Ware
John F. Washburn
Merrill C. Waters
Robert W. Watkins
Kenneth D. Watts
Michael P. Wayne
Charles G. Weaver
Arthur S. Weber, Jr.
David B. Weber
David L. Weber
Dennis N. Weber
Harry R. Weber III
Larry D. Webster
Howard A. Weeg
Ronald A. Weigand
William C. Weinmann
Elbert L. Weist, Jr.
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David A. Wellman
Christophe C. Wells
David M. Wells
Edward F. Wells
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Randall L. West
William C. Westfall, Jr.
Newell J. Weston
George E. Wetmore III
William A. Wheeler
Charles E. White
Robert G. White
Paul A. Whitham
James L. Whitlow
William A. Whitlow
Jimmy L. Whitson
Robert A. Whitten
John F. Whittle
Hugh N. Wiggins
Jonathan W. Wilbor
Paul A. Wilbur
Patrick D. Wilder
Kenneth J. Wilkinson
Richard T. Willard
Benjamin L. Williams
Frederick C. Williams, Jr.
Hensley C. Williams
James M. Williams
John R. Williams
Michael E. Williams
Norris E. Williams
Richard F. Williams
Robert L. Williams, Jr.
Roger S. Williams II
Thomas W. Williams
William T. Williams
James H. H. Williamson
Clarence E. Willie, Sr.
John M. Wills
Robert F. Wilman
Brooks C. Wilson
Douglas G. Wilson
James W. Wilkson II
Marvin L. Wilson, Jr.
Paul E. Wilson
Thomas E. Wilson
John D. Winchester
Stephen K. Wind
James R. Wingerter
John H. Winslow
Tony L. Winstead
Jack W. Winternheimer
John D. Wintersteen
James M. Wire
Jackson L. Witter
David L. Wittle
Terry L. Wojcik
James D. Wojtasek
Frederick H. Wolfrom
Anthony A. Wood
Walter J. Wood
Michael D. Woods
Robert C. Wooten
Walter W. Wooten
John C. Worl
Robert P. Wray
Carroll L. Wright
Gary J. Wright
John D. Wright
John P. Wright
Larry W. Wright
Roger A. Wrolstad
Thomas F. Wunderlich
Douglas D. Wyatt
Wayne W. Wynkoop
William R. Wyser III
Frank A. Yahner III
Joseph C. Yannessa
Robert A. Yaskovic
Kenneth H. Yazel
Frank Yohannan
Billy L. Young
Charles F. Young
Randall H. Young
Brian M. Youngs
George A. Zahn, Jr.
Lawrence Zalewski
Gerald J. Zanardelli
Edward R. Zaptin
Joseph K. Zawasky
Richard H. Zegar
Paul A. Zeigler
Michael V. Ziehmn
David W. Zimmerman
Jeffrey M. Zimmerman
Eric D. Zobel
Jeffrey L. Zorn

The following-named officers of the Marine Corps for permanent appointment to the grade of captain under the provisions of title 10, United States Code, section 5780:

Frederick W. Abel
Charles R. Abney
Clifford M. Acree
Charles W. Adair
Raymond Adamiec
James E. Adams
James H. Adams
Michael J. Adams
Michael L. Adams
John F. Adamson
David R. Aday
Robert P. Adelhelm
Frederick P. Adkins
Thomas M. Adkins
Daniel Aguilar
Rodolfo F. Aguilar, Jr.
Mitchel N. Ahlers, Sr.
Dirk R. Ahle
John W. Ailshire
Anthony T. Alauria
Michael C. Albano
Bruce A. Albrecht
Mark E. Albritton
Michael E. Aldridge
Byron A. Alexander
Joseph A. Alexander, Jr.
William T. Alexander
Mark E. Alfers
Louis J. Alfieri
Frederick C. Alke
Daniel R. Allegro
Donald B. Allegro
Charles H. Allen
Geoffrey C. Allen
John R. Allen
Paul C. Allen
Randolph D. Alles
James L. Anderes
David W. Andersen
Alan S. Anderson
David A. Anderson
Frederick E. Anderson, Jr.
Michael C. Anderson
Rodney W. Anderson
Steven D. Anderson
Thomas W. Anderson
Wayne C. Anderson
Wesley M. Anderson
William J. L. Anderson
Paul A. Andres
Robert M. Andrews
William E. Andrews
Stephen W. Andriko
James C. Andrus
Clarke F. Ansel
Steven J. Antosh
Scott E. Apgar
James C. Aplin
Albert E. Apodaca, Jr.
Robert E. Apple, Jr.
Douglas L. Applegate
Michael F. Applegate
Thomas E. Archer II
William A. Archibald, Jr.
Christopher C. Arenas
Elwood M. Armstrong, Jr.
Charles W. Arnold
Roy A. Arnold
Malcolm Arnot
Michael L. Arter
Stephen E. Arthur
Levon S. Asadoorian
Steven L. Ash
Lawrence W. Astyk
John H. Aten
David E. Atkins
Richard A. Atkisson
Henry Attanasio
Sidney E. Atwater
Edward W. Austermuehle
Allan P. Avery
Robert J. Avila, Jr.
Joseph R. Ayala
Berwick P. Babin
Mariano Baca, Jr.
Ruben Baca
Brian J. Bach
Jesus M. Baez
Winston E. Baggs
Allen T. Bailey
Cozy E. Bailey
Don M. Bailey
Donald L. Bailey
Donald R. Bailey
Martin P. Bailey
William F. Bain
Stephen W. Baird
Charles L. Baker
Neal A. Baker III
William C. Baker, Jr.
Paul Balash III
Carlos M. Baldwin
Peter J. Baldwin
Ralph A. Baldwin
Frank A. Baleskie
Mark J. Ballas
Edward S. Ballew
Philip M. Bambrick
Reno C. Bamford II
Anthony Banaszewski
William M. Bann
Walter C. Bansley
Jeffrey M. Banwell
Daniel E. Barber
Terry L. Barger
Steven F. Barilich
Thomas D. Barker
William C. Barnebee
Albert Barnes
James F. Barnes
Larry B. Barnes
Robert B. Barnes
Edwin C. Barnett
Mark S. Barnhart
Thomas N. Barnhouse
Dennis J. Barr
John A. Barr
Richard G. Barr
James A. Barrett
John P. Barrett, Jr.
Terence W. Barrett
Michael E. Barrington
Theodore H. Barrow
Robin H. Barrows
James J. Barry III
Richard M. Barry
Robert L. Barry
Steven L. Bartalsky II
Dennis T. Bartels
William M. Barth
Mark P. Barthel
William G. Barthold
Michael D. Bardholf
David A. Bartlett
John E. Barton

Robert S. Barton
Richard K. Bartzer
William R. Basham, Jr.
Timothy M. Bashor
John A. Bass
Ralph G. Bass
Charles W. Bassett
John R. Bates
Edward A. Batten
Robert H. Bauman
Stephen B. Baumann
Dan O. Bausch
John H. Beadling
James M. Beal
William F. Beal
Charles H. Beale III
Doyle H. Beam
Jesse L. Beamon, Jr.
Ronald D. Bean
Maynard P. Bearce
Timothy P. Beard
Jefferey W. Bearor
Dave Beasley, Jr.
Kenneth E. Beaton
Bill R. Beauchamp
Raymond Beaulieu
Donald F. Beck
James C. Beck
Christopher L. Becker
Daniel E. Becker
Michael D. Becker
James E. Beckle
Gerald W. Becknell
George R. Bedar
Michael C. Beegle
David L. Beeman
Kim R. Beesley
Matthew Begert
Brian L. Behl
Patrick J. Behnke
Bennie H. Bell III
Billy C. Bell
Gordon M. Bell, Jr.
Randy B. Bell
Wayne C. Bell
Guy M. Belleman
David C. Bender
Paul L. Benedict
Johnie W. Benefield
Thomas A. Benes
Richard D. Benjamin
Charles P. Bennett
Mark E. Bennett
William A. Bennett, Jr.
William H. Bennett, Jr.
James F. Benson, Jr.
Kenneth Berger
William J. Berger
John C. Bergman
Francis X. Bergmeister
John W. Berkley
Paul A. Berna
Glenn R. Bernard
Larry W. Berquist
Stanley P. Berry
Ronald A. Berube
Bruce Besemer
William F. Best
Raymond L. Betros
Brent J. Beverly
Robert F. Bickford
Eddie Bickham
John H. Bickley III
Vincent R. Bielinski
Robert J. Biggs
Timothy P. Biggs
Mark W. Bircher
Larry K. Bishop
Bruce E. Bissett
George A. Biszak
Richard H. Bixby
Paul E. Black
Robert T. Blackburn III
Matthew W. Blackledge
Michael J. Blaine
James G. V. Blair
John E. Blair
Edward W. Blankenship
Leonard A. Blasiol
Robert A. Bleak
Anthony D. Blice
Timothy Blickensderfer
Alan L. Bliss
Thomas J. Block
Cleve R. Blouch
Raymond H. Blumel, Jr.
Douglas F. Boag
Joseph E. Bockhold, Jr.
Gerald A. Boeke
Edward J. Boekenkamp
William D. Bogard
Robert H. Bogart
John T. Boggs, Jr.
David W. Bohon
Patrick S. Bole
Kenneth L. Boles
Kent R. Bolin
James A. Bollengier
James E. Bond
James R. Bonnell
Kenneth D. Bonner
David F. Bonwit
Michael D. Boone
Robert J. Borgatti
Donald J. Borje
John E. Borley
Timothy B. Born
Wayne A. Bosco
James E. Bostek
David G. Botizan
Charles T. Botkin
Carl R. Bott
Bruce A. Boulton
Gordon C. Bourgeois
Carl S. Bourne, Jr.
Stephen F. Bouton
Grant E. Bowden
Terry R. Bower
Robert B. Bowling, Jr.
James A. Bowman
Charles J. Bowser
Charles E. Boyd
Charlie C. Boyd, Jr.
John C. Boyd
Michael D. Boyd
Thomas E. Boylan
John F. Boyle
Gary W. Bradley
Alan R. Bradshaw
Bruce F. Brady
Gaylen F. Brady
John M. Brady
Lawrence L. Brady
Christopher J. Brammer
Richard C. Branch
Thomas I. Branch
David J. Brandenburg
Rodell N. Bradford, Jr.
Ronald W. Brann
Boyce A. Brasington, Jr.
Jeffrey D. Bray
Tommy L. Bray
Ronald J. Breedlove
Jerry P. Breen II
Thomas P. Brehm
Terry L. Breithaupt
Allan C. Breller
Dennis J. Brennan
Francis P. Brennan
Daniel R. Bretheim
Kevin B. Brewer
Emmitt D. Brewington
Lawrence D. Brian
Randy W. Brickell
Gregory K. Brickhouse
Randolph R. Bridgeman
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Michael C. Bridges
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Wayne E. Briggs
Bowen V. Briner
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John A. Brizendine III
Woodford E. Broaddus
George S. Brock
Germain B. Broeckert, Jr.
Mark L. Broin
Alan A. Bromka
Bruce E. Bronars
Russell A. Brooks
Timothy E. Brooks
Allen D. Broussard
Gordon A. Broussard
Mark J. Brousseau
Barrington M. Brown
Craig H. Brown
Eugene M. Brown
Gregory D. Brown
James Brown
Jerry L. Brown
John D. Brown
John R. Brown
Larry K. Brown
Rodney K. Brown
Stephen S. Brown
Terrence D. Brown
William D. Brown
William H. Brown
David T. Browne
James R. Brubaker
James C. Bruce
William M. Bruce, Jr.
Lowell K. Brueland
John P. Bruen
William M. Brumbach
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Alvin T. Buckhaults
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Roland N. Burgess
William M. Burgess
Joe C. Burgin III
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Lee R. Cain, Jr.
Gerald W. Caldwell
Richard W. Caldwell
Greg D. Calhoun
Thomas R. Calkins
Peter J. Calvello
Robert J. Cameron
Stewart D. Cameron
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Lonnie E. Campbell
Robert D. Campbell
Robert I. Campbell
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Frederick E. Chasney
Rocky J. Chavez
Robert S. Chester
Cary R. Cheston
Leroy Chevis
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Courtney D. Chinn
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Samuel H. Christopher IV
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Jeffrey U. Cole
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Kenneth J. Conatser
William R. Conaway
Edward J. Condon
Joseph M. Condon
Mark E. Condra
Christophe J. Conlan
David G. Conley
Patrick D. Connally
George W. Connell III
Joseph E. Connell III
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G. Conway, Jr.
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Robert J. Craig
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John P. Curry
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Robert S. Cypher
Thomas J. Czech
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Conrad G. Dahl
Theodore E. Dailey, Jr.
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Michael F. Daly
Michael L. Dammer
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Rodell C. Darling
Carmen M. Darminio
William S. Daron
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Robert G. David
Jeffrey L. Davidson
John M. Davidson
Thomas A. Davidson
William J. Davin
Alphonse G. Davis
Arthur H. Davis, Jr.
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Carl I. Davis, Jr.
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Edward G. Usher III
Mark D. Vail
John Valentin
Charles E. Vallandingham
Charles Valrie
Jackson M. Vanderburg
Thomas M. Vanderhoof
John R. Vandrasek, Jr.
Duane Vanfleet, Jr.
Edward B. Vanhaute
Richard E. Vanmeter
James I. Vanzummeren
Thomas G. Vaughn
James W. Vaught
Enrico M. Velasquez
Lawrence W. Venner
Terry L. Vermillion
Jeffery D. Vick
Kevin A. Vietti
James B. Vile
Stanley H. Vilhauer
Jose R. Villarta
Wayne A. Vinkavich
George J. Vinskey
Geramon W. Vinup
Dean A. Viventi
Jonathan N. Vizina
Douglas A. Vogel
Peter R. Vogt
Joel R. Voneida
Blair R. Vorgang
James P. Voss
Michael J. Vrabel
Daniel D. Vuilleumier
Derrell E. Wade
Joel M. Wade
Terry R. Wade
John P. Wagemann
Lawrence E. Waggoner
Michael W. Wagner
Stuart W. Wagner
John W. Waid
Larry D. Walden
Thomas D. Waldhauser
David G. Walick
Frank A. Walizer
Andrew D. Walker
Garry W. Walker
Joseph C. Walker
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Martin W. Walker II
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James R. Wallace
Walter J. Wallace
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Dayton F. Warfle
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Kevin L. Warkentin
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Paul W. Watson
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Dolph N. Watts
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Robert T. Weber
Louis E. Webster
Ross L. Webster
Thomas D. Webster
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Eric W. Weiss
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Stanley E. Wells III
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Michael D. Weltsch
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Ronald C. Weston
David P. Westridge
William M. Wetherell
Clifton R. Weyeneth
Marty J. Weygandt
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George M. Wheeler
Roland P. Wheeler
John D. Whitaker
Dickie J. White
Jonathan C. White
Steve E. White
Steven B. White
Thomas B. White III
William A. White
Peter A. Whitenack
Walter L. Whitesides
Walter V. Whitfield
George J. Whitlock
Stephen P. Whitlock
William J. Whittaker
Michael M. Whitted
Dale W. Whitten
Michael G. Whitten
Bruce A. Whomsley
David C. Wick
Wayne E. Wickman
Kenneth D. Wickwire
Walter J. Wierzbicki
Robert G. Wilcox
George K. Wilcutt
Terrence W. Wilcutt
Michael G. Wild
Christopher A. Wilk
Charles D. Wilkins
Jeffrey L. Wilkinson
Robert J. Wilkinson, Jr.
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Arlie C. Williams
Dennis J. Williams
Edward G. Williams
Glenn R. Williams
Herlis A. Williams, Jr.
James D. Williams, Jr.
James L. Williams
Jan J. Williams
Jeffrey B. Williams
Kenneth D. Williams
Lansdale B. Williams, Jr.
Lloyd S. Williams
Loxie A. Williams III
Major Williams, Jr.
Michael B. Williams
Michael E. Williams
Ronald M. Williams
Thomas J. Williams
Timothy L. Williams
Willie J. Williams
Earnest W. Williamson
Raymond E. Willis
David F. Wills
Cornell A. Wilson, Jr.
David J. Wilson
Michael P. Wilson
Robert E. Wilson, Jr.
Michael A. Windsor
David M. Winn
Floyd H. Winn, Jr.
Gary M. Winter
William E. Winter
Kevin H. Winters
David E. Wirsig
Michael Wisloski, Jr.
Lance Wismer
Frederick B. Witesman II
Ronald L. Withrow
Duane L. Witmer
Carl H. Wohlfeil, Jr.
Larry J. Wolf
Richard L. Wolf
Robert Wolf
Robert L. Wolf
Robert S. Wolfe
Stanley C. Wolfe
Stephen M. Womack
David B. Wood
Franklin P. Wood
Lee W. Wood
Michael E. Wood
Steven C. Wood
William E. Wood, Jr.
Robert M. Woodall
Michael A. Woodcock
John I. Wooden
John D. Woods
Dillard D. Woodson, Jr.
Thomas S. Woodson
Russell C. Woody
John A. Woolley III
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Charles D. Workman
David E. Workman
Douglas T. Wray
David L. Wright
Gregory R. Wright
William A. Wright III
William G. Wright
Kenneth D. Wrinkle
Charles S. Wuest
Benjamin G. Wyatt
David A. Wynn
Francis J. Wysocki
Thomas M. Yackley
Gerald L. Yanello
David G. Yarrington
Stephen A. Yates
William M. Yates
James M. Yeager
Stanley J. Yelito, Jr.
John M. Yencha, Jr.
Philip N. Y.
Gerald A. Yingling, Jr.
Wade Yoffee
Jeffrey P. York
David H. Young
David J. Young
John K. Young
Philip A. Young
Randolph F. Young
Raymond H. Young
Stephen M. Young
Robert G. Zakula
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Michael A. Zarate
Victor R. Zaremba
Richard Zee
Edward J. Zelczak, Jr.
Anthony J. Zell
Bertrand L. Zeller
Anthony Zezzo II
Richard C. Zilmer
Steven M. Zimmeck
Francis E. Zink, Jr.
Mark D. Ziobro

The following-named officers of the Marine Corps for permanent appointment to the grade of first lieutenant under the provisions of title 10, United States Code, section 5788:

Peter J. Aagaard
John A. Able
Benny L. Adams
John D. Adams
William W. Adams
Robert K. Aiken
Timothy A. Aines
Douglas E. Akers
Bruce N. Akiyama
Michael C. Albo
James V. Aldrich
Bernal B. Allen
George J. Allen
Mark W. Allen
Scott C. Allen
Charles R. Allen, Jr.
Kervyn B. Altaffer, Jr.
Larry D. Ammerman
Daryl E. Anderson
Donald R. Anderson
Keith E. Anderson
Mark P. Anderson
Ronald E. Anderson
William G. Anderson III
Frank K. Anderson, Jr.
Peter G. Andresen
Gregory E. Andrews
Steven T. Andrews
Richard E. Antablin
James G. Antal
Steven M. Arbogast
Danny G. Arledge
Norman C. Arnberg
James R. Arnett II
Philip G. Arnold
Justin L. Aschenbrenner
Robert P. Ashe
Brian M. Ashworth
Arthur J. Athens
Roger D. Atkins
Eugene A. Atwell, Jr.
Michael L. Atwell
Nicholas E. Augustine
Rickey L. Auman
Joseph J. Austin
Morris Austin
Warren P. Averill
Lynnwood M. Baade
David B. Babel
Robert J. Bader
Joseph A. Bailey
Ronald L. Bailey
Thomas B. Bailey
Stephen B. Baird
James P. Baker
Myron A. Baker II
Vincent M. Balderrama
John K. Baldwin
William R. Ball, Jr.
Gregory A. Ballard
John R. Ballard
David R. Barber
Don E. Barber
Robert C. Barber
John N. Barclay
Richard A. Barfield
David J. Barile
Kevin D. Bark
Jesse R. Barker
Michael J. Barker
Daniel J. Barnd
James M. Barnes
David G. Barnum
John T. Barrera
Douglas S. Bartlett
William W. Bartlett
Gregory J. Baur
Bazzel H. Baz
Richard D. Bean
Willie M. Beardsley
Miguel I. Becerril
Donald P. Beck
Arlen R. Becker
Donald D. Begley
Larry R. Behm
John R. Bell
John H. Belson, Jr.
Bruce P. Bendele
William J. Bender III
Robert S. Bennett
Ronald R. Bennett
Robert F. Benning, Jr.
Mitchell W. Benson
Timothy P. Benson
Lorine E. Bergeron III
John L. Bergstrom IV
Steven M. Berkowitz
Michael E. Bermel
James R. Berry
Ross P. Bertucci
Alfred W. W. Bethea
David A. Bethel
James S. Billings
David D. Bilodeau
Donna L. Binneweg
Harry R. Bishop, Jr.
Samuel H. Bishop
Steven T. Bissell
David B. Bixler
Peter M. Bizinkauskas
Paul E. Blais
Ricardo J. Blanco
Paul R. Bless
Russell C. Blevins
Thomas F. Blizzard
Timothy R. Blue
John A. Blum
Malcolm J. Blundell
Richard K. Boch
Gary W. Boettcher
Robert T. Bohannon, Jr.
Joseph V. Boland
Robert I. Boland III
Mark G. Bolin
Kim D. Bolitho
Elliot F. Bolles
Stephen K. Bollinger
Kenneth D. Bomgardner
Robert G. Bond, Jr.
Harold E. Bonham, Jr.
John A. Bonosoro
Joseph Bonsignore, Jr.
Philip J. Booker
Roy A. Bookmiller
David S. Borsack
Louis P. Boudreaux
Steven M. Bounds
James T. Bourne
James C. Bowden
Loring F. Bowen
David J. Bowers
Dennis G. Boyd
John W. Boyd
Eddie L. Bracey, Jr.
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Michael F. Bradley
Robert M. Brady
Thomas Brandi
Robert A. Brant
Robert L. Brant
David E. Brasuell
Robert M. Bravence
Jonathan P. Brazee
John C. Breckinridge
William O. Breden
David J. Breen
Michael C. Brennan
Robert J. Brennan
Christophe R. Breslin
Gerald W. Brewer
Troy G. Brewer
Orlie T. Brewer, Jr.
David M. Bridges
Raymond T. Bright
Joseph A. Britt
Matthew D. Brock
Kittredge D. Broussard
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Douglas S. Brown
James W. Brown
Roy A. Brown
Terry L. Brown
Willie J. Brown
Mark K. Broyles
Paul T. Bruemmer
Gregory L. Brunet, Jr.
Thomas G. Brunner
Danny L. Brush
John C. Bryant
Mark S. Bryant
Martin E. Bryant
William M. Bryant III
James R. Buckley III
William N. Bumgarner
Kenneth R. Bunning
Michael L. Burke
Donalyd E. Burke, Jr.
Donald P. Burnham
Joseph C. Burns
Terrence M. Burns
Olivia B. Burnside
Robert E. Burrows
William S. Bush, Jr.
Bradley R. Busler
Donald W. Bussell
Robert C. Butler
Toby J. Buttle
Daniel T. Button
Bob G. Byrd
John M. Byzewski
William M. Callihan
Victor B. Camargo
Bryce K. Cameron
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Anthony A. Cardoza
John J. Carey, Jr.
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Kevin O. Carmody
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Tandy P. Carter
Michael W. Casey
Patrick D. Caslin
Jeffrey L. Caspers
Kirk D. Casteel
Brian D. Catlin
Ralph D. Catoe
Thomas E. Cavanaugh
Kenneth L. Chance
Michael F. Chanenchuk
Raymond S. Chavez

Richard M. Chenoweth
John J. Chester
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Joseph F. Ciano, Jr.
Peter F. Ciesla
Jeffrey S. Clapp
Barry L. Clark
Carl F. Clark
Leo J. Clark
Alan W. Clayborn
Rick D. Clear
Mark L. Cleland
William L. Clemente
Jeffrey C. Clements
Douglas L. Clubine
Edward P. Coady
Carl G. Cobb
John M. Cobb III
Francis C. Coble
Robert A. Collins
Terry M. Collins
Michael L. Combs
Richard A. Comfort, Jr.
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Walter A. Cone
Michael J. Conklin
John C. Conrad
Eugene K. Conti
Patrick T. Conway
Paul M. Conway
Eric S. Cook
Mitchell A. Cook
Joseph M. Cooke
Stephen D. Coolbaugh
Arthur J. Corbett
Deane A. Corbett
Lawrence P. Corbett
Thomas M. Corbett
Michael A. Corcoran
Kenneth W. Cordero
Gerald S. Cory
Jeffrey G. Cosgrove
Raymond L. Coss
Joseph E. Costello
Brent R. Cottingham
William S. Countryman
Daniel B. Cowdin
Terry A. Cox
Russell Craighead
Robert J. Crazythunder
Craig W. Creamer
McKinley Crockett, Jr.
Kevin F. Crockford
John M. Croley
Robert B. Cronin
William R. Cronin
Alan C. Crook
Thomas P. Cross
Gerald H. Crossland
Richard J. Crush
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John M. Cummings
Donald C. Currell
Daniel E. Cushing
Charles C. Cvrk
Mark J. Cyr
David K. Daily
William C. Dainty
Richard A. Dale
Richard C. Dale
Samuel L. Dale
George M. Dallas
Richard Danchak
Garry W. Daniel
Matthew A. Dapson
Daniel E. Darling
Steven E. Darnell
Michael G. Dasovich
Jerry W. Datzman
William M. Davenport
Derek M. Davey
Raymond M. Davids
Keith T. Davies
Richard J. Davin
Thomas E. Davin
Carl E. Davis
Cletis R. Davis
Steven T. Davis
William E. Davis
Edward V. Davis, Jr.
William E. Davis, Jr.
Joseph B. Dawson
Danny J. Dee
Terry L. Deen
Claude R. Deering
Kent A. Defebaugh
John P. Dehart
Kirk M. Deissler
Kevin J. Delmour
Christopher Delsignore
Russell A. Demeyere
James C. Deming
Jefferey L. Den Herder
Carl P. Dennis
James E. Deotte
George W. Deryckere
Peter N. DeSalva
Francis L. Desirant
Donald J. Desisto
David G. Desmond, Jr
Warren F. DeSoto
Robert W. Destafney
Jefferey L. Deweese
Henry C. Dewey III
John D. Dewitt, Jr.
Charles R. Dickinson
Dale A. Dicks
Douglas J. Diehl
Henry A. Digeser
Damon Z. Dillion
Alexander F. Dimitrew
Fred Dinkler III
Steven L. Ditmars
Calvin R. Dixon
Paul K. Dluzneski
Ronald G. Dodson, Jr.
Douglas R. Doerr
Steven D. Dohanyos
Raymond P. Dolan
Emil J. Dombrowski, Jr.
Daniel J. Donahue
John G. Donnelly
Kenneth A. Donnelly
John C. Donovan
Jeffrey J. Doran
Christophe E. Dougherty
Glenn S. Douglas
Stephen M. Douma
Joe D. Dowdy
Erik N. Doyle
John S. Doyle
Michael J. Doyle
Terry L. Doyle
Mark A. Draper
Warren I. Driggers
Michael P. Driscoll
Raymond J. Droll
Paul M. Drost
Joel A. Drury
Joseph S. Duarte
John S. Duda
Joseph Dugdale
Thomas Duhs
Randall E. Duncan
John S. Dunkin
Stuart E. Dunkle
Douglas L. Dunn
William J. Dunn
Kenneth L. Dunnum
Paul J. Dupre
Robert G. Dupuis
Joseph N. Durda
Michael A. Dyer
Edward J. Dzialo
Thomas L. Earwood
James M. Echols
Laurin P. Eck
Christian J. Eck III
George H. Eckhoff
Russell M. Edelen
Kenneth A. Edgerton
Jeffrey G. Edwards
Lloyd P. Edwards
Timothy W. Edwards
Dale R. Edwardson
John J. Egan
Richard G. Ehret
Warren V. Einolander
Gary A. Eisenmann
Larry W. Elliott
Jeffrey M. Ellis
Judson C. Engels
William J. Ensien, Jr.
Douglas L. Erley
Theodore S. Eschholz, Jr.
James R. Estes, Jr.
David T. Evans
Jesse G. Evans
Paul A. Evans
Michael G. Fabert
Paul M. Fagan
Raymond J. Fagot, Jr.
David E. Fails
Mark T. Falgoust
Stephen K. Farber
David A. Farrell
James A. Fasciano
Daniel E. Faughnan
Howard E. Fawcett
Robert A. Fay
Joseph S. Fechteler, Jr.
Stefan A. Fedyschyn
William G. Fell, Jr.
Attila H. Felsen
James D. Felton
Curtis H. Fennell
Richard L. Ferguson
Samuel E. Ferguson
Patrick J. Ferral
David D. Ferrucci
Stephen C. Fessler
Jeffrey D. Field
Edwin E. Fielder
Marshall H. Fields, Jr.
Acension D. Fierro
Wendell S. Finch
Richard J. Findlay
Byron J. Fink
Daniel M. Finley
Kenneth D. Finlon
Matthew A. Finlon
Peter C. Finlon
Thomas A. Finn III
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William M. Force, Jr.
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Jean C. Fortanas
Douglas W. Foss
David E. Fournier
William B. Fox
William A. Franchi
David C. Francis
Kenneth W. Frankel, Jr.
Charles M. Franzago
Robert W. Freeden
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Jeffrey S. Freeman
Michael Freitas
Kent A. French
Raymond J. Fritsch
Lawrence W. Fryer, Jr.
Don E. Frymyer
Vincent J. Fusca
Larry J. Futrell
Lawrence R. Gable
Phillip A. Gabriel
Gail V. Gabrielli
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Michael E. Gaddis
Robert E. Gagne
Steven A. Gaioni
Joseph G. Galante
Michael P. Gallagher
David J. Gallina
Phillip E. Gambell
Raymond P. Ganas
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Esteban J. Garcia III
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Marc T. Garofalo
George P. Garrett
Leslie E. Garrett
Berle Garris, Jr.
David B. Garvey
Carl J. Garvin
Michael C. Gasapo
Kenneth W. Gascoigne
Jeffery B. Gaut
James O. Gay
Michael A. Gay
Paul R. Gehring
Thomas D. Gehrki
Keith P. Geiges
Paul E. Genskow
Russell E. George
Ronald C. Gerd
Ladislaus P. Gerencser
John R. Gerhardt
Donald L. Geving II
Reginald J. Ghiden
Vincent C. Giani
Noel D. Gibeson
Albert Gidari
John H. Giesen
Gerald C. Gigon
Albert L. Giguere
Robert J. Gillespie
Christophe C. Gillette
Douglas W. Gills
Thomas J. Gilroy
Richard M. Gin
Charles W. Gittins
Raymond J. Gizara
Bradley A. Glass
Stuart D. Glass
Gary L. Glover
Robert S. Godfrey
Roscoe A. Godfrey II
John M. Godwin
Volker E. Goins
Guadalupe Gonzalez
Gary M. Goodale
Michael J. Gordon
Michael S. Gordon
Angel R. Gotay
Robert P. Gottlich II
Craig Grabowsky
Rex A. Grace
Aaron G. Grady
Joseph W. Graff
Patricia A. Graham
Walter M. Gray
Brian M. Green
Howard M. Green
Howard S. Green
John R. Gregg, Jr.
Mark D. Gregg
Thomas E. Gregory
James R. Gribin
George G. Grigel
William H. Groscup III
Stephen E. Grosvenor
Craig L. Grotzky
Thomas A. Grubic
Gerardo Guerrero
James P. Guerrero
Stephen D. Guertin
Richard A. Guido
Keith J. Haar
Wayne R. Hagen
Ralph L. Haggerty, Jr.
Lawrence M. Hagwood
John M. Haley
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George W. Haliscak
Larry D. Hall
Michael J. Hallahan II
David J. Hallman
David C. Hamil
John T. Hamilton
Paul D. Hamm
Phil R. Hancock
Terry L. Hand
Darrel L. Handgraaf
Timothy C. Hanifen
Thomas L. Hanks
James A. Hanson
James E. Harbison
Gary P. Hardy
Guy M. Hargrave
Allan C. Harlow
Geoffrey P. Harned
John D. Harney, Jr.
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James R. Harris
Rodger C. Harris
Ronald L. Harris
Thomas R. Harris
Anthony D. Harrison
Joseph F. Hart
Timothy M. Harvey
Enoch Hasberry III
Timothy M. Hascall
Mark L. Haskett
Thomas M. Hastings
Michael L. Hawkins
Mark L. Hayes
Thomas R. Hazard
Kurt E. Heerdegen
C. T. Heffelfinger
John L. Heibel
Walter R. Heighter
Bruce R. Heim
David R. Heinz
William J. Henderson
John D. Henley
John E. Hennelly
David K. Henry
Stanley L. Henry
Dan C. Herman
Edward C. Hertberg, Jr.
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Terence L. Hess
Timothy P. Hewitt
Herbert L. Heyl, Jr.
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William A. Hice
David S. Higgins
Donald H. Hildebrand, Jr.
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Kerry G. Hill
Kevin L. Hill
Sammy J. Hill
Stephen L. Hill
Richard D. Hine
William A. Hingston
James S. Hinkle
John M. Hinkle II
Curtis W. Hintz
Thomas D. Hobson
Peter D. Hodgens
Paul A. Hoff
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James H. Huebener
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Jessie L. Hunter
Robert D. Hunter
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Leon J. Huss
Charles M. Iaquinto
Howard E. Imhof, Jr.
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Bradford T. Ingram
Stanwood K. Ingram
Kenneth G. Inhoff
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Gary L. Jackson
John J. Jackson
Henry C. Jackson II
Ronald D. Jacob
David N. Jacobsen
Karl B. Jagler
Carlton B. James
Joel E. Janecek
Gordon M. Januszewski
Donald S. Jaquith
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William Javoroski
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Gary W. Johnson
Kenneth D. Johnson
Preston B. Johnson
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Coleman J. Kane
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Steven M. Keim
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Brian A. King

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Roy Kompier
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Robert G. Kovac
Thomas R. Kovach, Jr.
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Jeffrey L. Kreinbring
Leland P. Kriner III
Rick E. Kruid
John J. Kuenzle
Ronald R. Kuhlman
Jared T. Kusaila
Michael D. Kuszewski
Raymond M. Kutch
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William G. Labutta
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David M. Larsen
Harry D. Larsen
Richard W. Larsen
George A. Last
Robert O. Laughlin
Frank A. Lawler
Randall J. Laws
George E. Leblanc III
William K. Lee
Raymond T. Lee III
Paul E. Lefebvre
James E. Leible
Thomas J. Leinenkugel
Robert J. Lemyre
Randolph S. Lenac
Daniel D. Leshchyshyn
Eric R. Levy
Paul A. Liberatore
Lorin J. Lichten
Chad Lienau
Eric M. Lindsay
Robert C. Link
William R. Liston
Eric T. Litaker
Peter D. Lloyd
Gregory P. Lockett
Garry E. Loeffler
Peter F. Long, Jr.
Lawrence W. Longcoy
Robert G. Longino
Robert M. Longwell
Michael A. Loose
Donald J. Lott
Robert M. Lottie
Charles A. Lowther, Jr.
Kevin M. Lucas
Timothy S. Lucas
David J. Lueder
Felipe Lugo, Jr.
Eric W. Lund
Joseph W. Lydon III
Daniel F. Lyons
Patricia C. Lyons
Peter C. MacKinnon
Timothy P. MacNeil
Matthew E. Magner
Robert T. Maguire
Mark D. Mahaffey
Joseph A. Mahan, Jr.
Roy J. Mahany
Daniel F. Maher
John A. Malone
Stephen A. Maloney
Curtis E. Mamzic
Paul M. Manion
Thomas F. Manley II
Thomas V. Manobianco
Andrew Marafino, Jr.
Martin J. Marbach
Anthony E. Marchesseault
Daniel Marigliano, Sr.
Jennifer L. Marker
Michael P. Marletto
Dwain F. Marlowe
James L. Maroney
Craig A. Marshall
Raymond M. Martin
William L. Martin, Jr.
Tommy J. Martinez
Steven D. Marzilli
Michael M. Mascarenas
Robert D. Mastroianni
Curtis F. Maszun
Dan R. Mater
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Kurtis J. McGrath
Michael P. McGrath
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Kevin L. McKee
Kenneth F. McKenzie, Jr.
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Terrence W. McKnight
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Howard L. McLean
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William T. Mitchell
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Timothy L. Morrison
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William M. Moser
Vernon J. Moses
George D. Mosho
Curtis C. Mosley
Eric E. Mosman
Dale D. Mossbarger II
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David W. Moye
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Robert J. Munisteri
Amador Munoz, Jr.
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Roger P. Murdock
Anthony A. Murphy
Michael J. Murphy
Shaun M. Murphy
Timothy P. Murphy
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Marcus R. Musgrove
Douglas A. Musil
Paul D. Mustone
Charles R. Myers
David M. Myers
Wynn C. Myers
Dorel A. Nanna
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Gregory P. Nelsen
Laurence H. Nelson
James E. Nelson, Jr.
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Randall A. Neustel
Gary C. Newcomb
Dennis C. Newkirk
Kevin J. Newland
Chris Nichols
Douglas P. Nichols
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Paul T. Nicolai
Edward J. Nimeth
Paul A. Nitkowski
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Stephen J. Nolan
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James H. Northing
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William E. Parrish
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Kevin F. Patterson
Stephen A. Patterson
Darryl B. Patton
Gary L. Patton
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Ted D. Payne
Ronald L. Pearce
Michael D. Pedersen
Mark S. Peecook
Richard B. Pellish
Andrew S. Pelo
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Jerry L. Poteat
John B. Potts
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Joseph T. Pribanic
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Richard C. Price
Martin C. Price III
Francis C. Proctor, Jr.
John C. Pross
Carl C. Prudhomme III
David E. Pruett
Paul B. Pruitt
Lloyd C. Pryor
Neal A. Puckett
Michael J. Purvis
Sandy A. Puttman
Stone W. Quillian II
Michael W. Quinlan
Luis R. Quinonez
Leo A. Radovich
Richard J. Raftery
Peter N. Raimondi
Michael C. Rakaska
Michael P. Ralph
Michael S. Ramos
Douglas W. Randolph
Omar M. Rashash
Peter R. Rasmussen
Donald W. Ratcliffe
David G. Rathgeber
Robert S. Rayfield, Jr
Ralph K. Read
John F. Reardon
Michael J. Rebman
Richard L. Reckart
Roy R. Redman, Jr.
Rick L. Reece
Edwin H. Reed
John M. Reed
Richard M. Reed
Frank W. Reed III
Thomas A. Reeder
David E. Reeves
Thomas L. Rehrig
Douglas H. Reiland
Richard C. Reinecke
Kim B. Reisdorph
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Robin R. Renken
Thomas H. Renken
Bruce A. Requa
John A. Reyer
Andrew Reynosa III
Jody L. Rhodes
Tony Rice
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Jack B. Richardson
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William E. Riley
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James A. Rioux
Jose E. Rivera
William E. Rizzio, Jr.
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Randy H. Robbins
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Kris E. Roberts
Marvin D. Roberts
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James S. Robertson
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Kit C. Robinson
Ronald J. Robinson
Grady H. Roby, Jr.
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John L. Rogers
Joel B. Rohletter
Kevin M. Ronan
Seth G. Rosen
Edward M. Rouse
Michael O. Rowell
Joseph J. Rowley
Roger R. Royston
Steven M. Rubin
Terry E. Ruddy
John D. Rudzis
John F. Rufo
Ralph C. Runolfson
Cecil G. Rupp
Kenneth L. Russell
Richard S. Ryan
Thomas M. Rychlik
Steven D. Saarela
Richard E. Saenz
Steven M. Sagerian
Eduardo H. Saldana
David J. Salter
Richard T. Salvadore
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Kirk M. Sanborn
Robert J. Sanchez, Jr.
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Lionel V. Sanders
Mike W. Sanders
Benjamin F. Sands III
Fredorick M. Sanford
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John F. Scott
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Michael E. Sears
Michael Seay, II
Robert M. Sellers
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Lawrence S. Semanyk
Jeffrey M. Seng
Philip N. Serr
Burke P. Shade
Mark S. Shafer
Ronald A. Shafer
Timothy W. Shaffner
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Walter G. Sharp
Gary P. Shaw
Robert W. Shaw, II
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David E. Sherry
Lesley V. Shimanek
Glen E. Shipman
Steven L. Shippee
Scott F. Shogren
David W. Sholler

Frederick D. Shroyer
Franklin G. Shuler, Jr.
James E. Shulson
Stanley G. Shumway
David H. Shutt
Samuel C. Sichko
Randy S. Siders
Rolf A. Siegel
David D. Simms
Michael J. Simonian
Charles E. Simpson
Lery B. Sims
John L. Skelley
Gary F. Skinner
Bertram C. Smith
Blake H. Smith
Colby B. Smith
Del C. Smith, III
Douglas Smith
Herschel C. Smith, III
Michael J. Smith
Paul G. Smith
Ronald S. Smith
William S. Smith
David M. Smith, III
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Alan R. Snider
James Snipes
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William R. Snyder, Jr.
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Gary T. Spargo
John J. Spegele
Eva G. Spelter
Michael T. Spencer
Ricky C. Spillman
Cosmas R. Spofford
William L. Springston
Alan C. Sproul
Donovan J. Spurgeon
Gary A. Stahl
James B. Stallings
Haskell S. Stamps, Jr.
Kenneth A. Stansell
George M. Stark
Larry D. Stark
Byron F. Stebbins
Gerald H. Steele
Michael L. Steele
David S. Stehlin
Kurt E. Stein
William L. Steinwedell
William L. Stenseth
Kenon Q. Stephens
Mark D. Stephens
Michael C. Stephens
Edward R. Sterling
Harry B. Steuber
Gregory A. Stevenson
James M. Stevenson
Lance J. Stewart
Lee W. Stewart, Jr.
Raymond D. Stivers
Harmon A. Stockwell
William A. Stokes, Jr.
John E. Stoll
John S. Stollery, Jr.
Shimon Stone
Gregory L. Stoutenburg
Patrick M. Strain
Robert S. Street
Daniel B. Streich
William F. Stringer
Steven W. Sublett
Thomas K. Sudbeck
Martin J. Sullivan
Michael P. Sullivan
Scott F. Sullivan
John C. Sumner
Robert R. Sutphin
Richard A. Swedberg
Michael P. Sweeney
Charles A. Szypszak
Lawrence J. Taggart
Steven H. Taylor
Steven R. Taylor
James F. Taylor, Jr.
Ronald L. Tedesco
John A. Terrell
Jeffrey A. Terry
Paul T. Thalhofer
William M. Thamm
Stanley E. Thigpen
Bradley A. Thomas
Jeffrey E. Thomas
Michael W. Thomas
Scott R. Thomas
Barry M. Thompson
Gary L. Thompson
Mark I. Thompson
Robert L. Thompson
Steven J. Thompson
Donald J. Thornley
James A. Thorstad, Jr.
William C. Tierney
Christophe M. Tilton
Mark E. Tilton
Shane W. Tippett
Kerry T. Titello
David S. Tobiassen
Robert F. Tomon
John J. Tongue
Brian L. Tonnacliff
Daniel C. Topolewski
John T. Torielli III
Dwight E. Trafton
Raymond R. Trombadore, Jr.
Richard W. Trott
John B. Trowbridge
Edward L. Trudeau III
Thomas R. Trueblood
David R. Trundy
Michael E. Tucker
Eric T. Turcotte
Timothy R. Turlo
David P. Udovich
Donald W. Ulirich
Peter T. Underwood
Brian L. Unger
Stephen C. Upton
Charles C. Vaden, Jr.
Joseph P. Valdore, Jr.
Mark S. Vandover
Anthony E. Vandyke
Raymond B. Vannatta
Thomas J. Vanneman
Mike L. Vannordheim
Henry G. Vanwinkle II
Edward J. Vasques
Jose R. Vazquez
Dennis F. Vest
Wendell N. Vest, Jr.
Dennis Viera, Jr.
David A. Vinson
Gregory J. Viviano
Richard S. Voorhees
Blaine D. Vorgang
Roy M. Wagener
Eugene L. Walden
Benjamin E. Walker
James C. Walker
Raymond L. Walker
Terrence C. Walker
John T. Wallace
Craig L. Wallen
Kevin J. Walsh
Robert S. Walsh
Steven L. Walsh
David L. Walter
Joshah F. Walter
Glenn M. Walters
Robert V. Walters
Roland B. Walters
Warren H. Walton
Terry L. Wampler
Michael F. Wangler
Robert G. Ward
Troy A. Ward
Gary A. Warner
Kenneth L. Wartick
Martin J. Wasielewski
David J. Wassink
Michael W. Watkins
Robert T. Watral
Damon T. Watson
David A. Watson
James H. Watson
George W. Watson, Jr.
Billy P. Webb, Jr.
Jeffrey A. Webb
John R. Webb
Brandon W. Wehe
Otto W. Weigel, Jr.
Aaron E. Welch
Allen J. Welk
Francis J. Welsh
James L. Welsh
Charles W. Wentworth
Gary L. Wentz
Gary R. Wentz
Douglas E. West
Douglas L. West
Rex L. Westmeyer
Charles G. Wheeler, Jr.
Jeffrey B. Whitacre
Charles M. White
Dennis R. White
Richard L. White
Tolor E. White
Mark E. Whited
John M. Whiteley
Sam E. Whittle, Jr.
David G. Whittlesey
Robert B. Whomsley
John W. Wickel
Phillip J. Wiecek
Roberta A. Wiedower
Robert P. Wieland
Robert B. Wieners
Gary L. Wilburn, Jr.
Paul S. Wilkerson, Jr.
James R. Williams
John D. Williams
John W. Williams
Thomas E. Williams, Jr.
William G. Williamson
Sedgwick A. Willingham
Mark J. Willis
Patrick E. Wills
Charles B. Wilson
Kenneth D. Wilson
William R. Wilson IV
Robert G. Wilson, Jr.
David B. Winandy
Lor M. Windle
Joseph R. Wingard
Walter E. Wint, Jr.
Alan K. Winters
Frederick Winters
John K. Winzeler
Michael L. Wirth
John E. Wissler
Robert H. Withers
Stephen B. Wittle
Frank B. Wolcott IV
Garry R. Wolfe
John R. Wolfe
Kelvin K. Womack
Alan M. Womble
Michael D. Woodman
Marc A. Workman
Randall B. Wormmeester
Christophe G. Wright
Louis E. Wright
Warren H. Wright
Thomas L. Wright III
David M. Wunder
Thomas P. Wyatt
Randle L. Yarberry
George D. Yaron, Jr.
Lon M. Yeary
Derwin G. Yee
Gerald D. Yoder
Richard W. Yoder
Thomas B. Young
Peter E. Yount
Douglas P. Yurovich
Thomas A. Zackary
James D. Zartman
Peter M. Zelechoski
Larry E. Zimmerman
Martin W. Zimmerman
Kurt V. Zirkelbach
Bradley J. Zitterkopf
Robert S. Zuchowski

The following-named officers of the Marine Corps for temporary appointment to the grade of first lieutenant under the provisions of title 10, United States Code, section 5784:

Peter J. Aagaard
William W. Adams
Timothy A. Aines
Charles R. Allen, Jr.
Keith E. Anderson
Ronald E. Anderson
Frank K. Anderson, Jr.
Richard E. Antablin
Norman C. Arnberg
James R. Arnett II
Justin L. Aschenbrenner
Rickey L. Auman
Lynnwood M. Baade
Robert J. Bader
William R. Ball, Jr.
Gregory A. Ballard
John R. Ballard
Don E. Barber
Robert C. Barber
John N. Barclay
Richard A. Barfield
Douglas S. Bartlett
Bazzel H. Baz
Donald D. Begley
Larry R. Behm
William J. Bender III
Lorine E. Bergeron III
Steven M. Berkowitz
David A. Bethel
Donna L. Binneweg
Samuel H. Bishop
Steven T. Bissell
Paul R. Bless
Timothy R. Blue
Malcolm J. Blundell
Robert T. Bohannon, Jr.
Joseph V. Boland
Robert I. Boland III
Stephen K. Bollinger
Kenneth D. Bomgardner
Joseph Bonsignore, Jr.
Mark S. Bradford
Michael F. Bradley
Thomas Brandl
Robert A. Brant
Jonathan P. Brazee
David J. Breen
Michael C. Brennan
Robert J. Brennan
Troy G. Brewer
Raymond T. Bright
Kittredge D. Broussard
James W. Brown
Roy A. Brown
Terry L. Brown
Mark K. Broyles
Paul T. Bruemmer
Gregory L. Brunet, Jr.
Robert E. Burrows
Bradley R. Busler
Daniel T. Button
John M. Byzewski
Bryce K. Cameron
Bradley E. Cantrell
Kevin O. Carmody
Daniel K. Carpenter
Jeffrey L. Caspers
Michael F. Chanenchuk
Richard M. Chenoweth
John J. Chester
Joseph F. Ciano, Jr.
Leo J. Clark
Allan W. Clayborn
Edward P. Coady
Francis C. Coble
Stephen D. Coolbaugh
Deane A. Corbett
Lawrence P. Corbett
Jeffrey G. Cosgrove
Brent R. Cottingham
Daniel B. Cowdin
Robert J. Crazythunder
Kevin F. Crockford
Gerald H. Crossland
James P. Cullen, Jr.
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Richard A. Dale
Matthew A. Dapson
Thomas E. Davin
Carl E. Davis
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John P. Dehart
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Joe D. Dowdy
Erik N. Doyle
Michael J. Doyle
Mark A. Draper
Warren I. Driggers
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Thomas L. Earwood
James M. Echols
Larry W. Elliott
William J. Enslen, Jr.
Theodore S. Eschholz, Jr.
James R. Estes, Jr.
David T. Evans
Jesse G. Evans
Paul A. Evans
James A. Fasciano
Robert A. Fay
Attila H. Felsen
David D. Ferrucci
Stephen C. Fessler
Marshall H. Fields, Jr.
Acension D. Fierro
Matthew A. Finlon
Michael E. Finnie
Charles S. Firneno
William L. Fiser
Craig S. Fisher
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Gary P. Fontaine
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James O. Gay
Michael A. Gay
Paul R. Gehring
Thomas D. Gehrki
Russell E. George
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John H. Giesen
Christophe C. Gillette
Douglas W. Gills
Richard M. Gin
Charles W. Gittins
Raymond J. Gizara
Stuart D. Glass
Gary L. Glover
Volker E. Goins
Angel R. Gotay
Craig Grabowsky
Patricia A. Graham
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Thomas A. Grubic
Wayne R. Hagen
Michael J. Hallahan II
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Darrel L. Handgraaf
Allan C. Harlow
Anthony D. Harrison
Timothy M. Harvey
Mark L. Haskett
Michael L. Hawkins
John L. Heibel
Bruce R. Heim
Timothy P. Hewitt
Dale E. Hill
Kevin L. Hill
Richard D. Hine
James S. Hinkle
Thomas D. Hobson
Joseph E. Hoffert
John P. Holden
Kenneth T. Holder
David W. Hoover
James R. Howcroft
Curtis W. Howes
Tawish Huaute
James H. Huebener
Samuel C. Hull
Kevin A. Humphrey
Jessie L. Hunter
Charles W. Hurt, Jr.
Leon J. Huss
Charles M. Iaquinto
Stanwood K. Ingram
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Henry C. Jackson, II
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Gordon M. Januszewski
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Robert W. Ketter
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Larry A. Kihlstadius
Michael F. King
Samuel R. King
Robin P. Kinney
John W. Kirkland III
Jeffrey S. Klingensmith
Criston E. Klotz
Richard V. Kmiec
Janice G. Knight
Bruce A. Koerner
Joseph C. Kolshak
Roy Kompier
John G. Koran III

Robert G. Kovac
Thomas R. Kovach, Jr.
Daniel J. Kowall
Leland P. Kriner III
John J. Kuenzle
Ronald R. Kuhlman
Michael D. Kuszewski
Raymond M. Kutch
William G. Labutta
Paul D. Lacy
James M. Lariviere
Guy D. Larrimer
Harry D. Larsen
George A. Last
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William R. McDowell
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Robert E. Nunley
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Christophe E. O'Connor
Michael S. Ogden
Michael E. O'Neil
Colin E. O'Neill
Ralph S. Osborn
Michael E. Ostapiej
Charles E. Owens
Anthony B. Pais
Charles H. Pangburn III
William J. Parker
William W. Parsons, Jr.
Edward J. Patterson
Kevin F. Patterson
Michael J. Paulovich
Ted D. Payne
Ronald L. Pearce
Michael D. Pedersen
Andrew S. Pelo
Alan L. Perla
John E. Peters
Ronald R. Phillips
Theordore L. Plautz
Allan C. Polley
Robyn R. Poole
Brian L. Pooler
Jerry L. Poteat
Alan G. Powell
Charles H. Pratt III
Lynn A. Price
Richard C. Price
Martin C. Price III
John C. Pross
Paul B. Pruitt
Michael J. Purvis
Stone W. Quillian II
Leo A. Radovich
Michael S. Ramos
Peter R. Rasmussen
John F. Reardon
Frank W. Reed III
Richard C. Reinecke
Kim B. Reisdorph
Ricardo J. Rendon
Robert G. Richer
Jackie L. Rickman
Michael K. Riley
William E. Riley
James A. Rioux
Jose E. Rivera
William E. Rizzio, Jr.
Randy H. Robbins
George I. Roberts
Marvin D. Roberts
James S. Robertson
Ronald J. Robinson
Grady H. Roby, Jr.
Brian D. Rodeck
John L. Rogers
Seth G. Rosen
Michael O. Rowell
Roger R. Royston
Terry E. Ruddy
Kenneth L. Russell
Richard S. Ryan
Thomas M. Rychlik
Cecil R. Samson
James F. Sanders
Benjamin F. Sands III
Stephen Santaana
John P. Sauer
David O. Saxton, Jr.
Steven J. Schad
Stephen J. Schemmel
Richard A. Schollmann
Randall K. Schroeder
Michael Seay II
Robert M. Sellers
Burke P. Shade
Mark S. Shafer
Dennis W. Shannon
David W. Sholler
James E. Shulson
Samuel C. Sichko
Rolf A. Siegel
Blake H. Smith
Douglas Smith
Kenneth S. Southworth, Jr.
Eva G. Spelter
Ricky C. Spillman
Cosmas R. Spofford
Gary A. Stahl
Kenneth A. Stansell
Byron F. Stebbins
David S. Stehlin
William L. Steinwedell
William L. Stenseth
Mark D. Stephens
Harry B. Steuber
Gregory A. Stevenson
James M. Stevenson
Lance J. Stewart
Gregory L. Stoutenburg
Daniel B. Streich
Martin J. Sullivan
Michael P. Sullivan
John C. Sumner
Robert R. Sutphin
Michael P. Sweeney
Charles A. Szypszak
Lawrence J. Taggart
Steven H. Taylor
Stanley E. Thigpen
Bradley A. Thomas
Robert L. Thompson
Donald J. Thornley
Christophe M. Tilton
Mark E. Tilton
Shane W. Tippett
Dwight E. Trafton
Raymond R. Trombadore, Jr.
Timothy R. Turlo
Peter T. Underwood
Henry G. Vanwinkle II
David A. Vinson
Gregory J. Viviano
Robert S. Walsh
Steven L. Walsh
David L. Walter
Glenn M. Walters
Robert V. Walters
Michael F. Wangler
Robert G. Ward
Troy A. Ward
Kenneth L. Wartick
David J. Wassink
Robert T. Watral
David A. Watson
James L. Welsh
Gary L. Wentz
Gary R. Wentz
Jeffrey B. Whitacre
Tolor E. White
Mark E. Whited
Sam E. Whittle, Jr.
John W. Wickel
Robert A. Wiedower
Paul S. Wilkerson, Jr.
Thomas E. Williams, Jr.
William G. Williamson
Mark J. Willis
Charles B. Wilson
Kenneth D. Wilson
Alan K. Winters
John R. Wolfe
Kelvin K. Womack
Alan M. Womble
Randall B. Wormmeester
Derwin G. Yee
Thomas B. Young
Douglas P. Yurovich
Thomas A. Zackary
Peter M. Zelechoski
Kurt V. Zirkelbach

DEPARTMENT OF STATE

Jack F. Matlock, Jr., of Florida, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Czechoslovak Socialist Republic.

THE JUDICIARY

Rogers J. Miner, of New York, to be U.S. district judge for the northern district of New York, vice James T. Foley, retired.

CONFIRMATIONS

Executive nominations confirmed by the Senate July 28, 1981:

DEPARTMENT OF EDUCATION

Thomas Patrick Melady, of Connecticut, to be Assistant Secretary for Postsecondary Education, Department of Education, vice Albert H. Bowker.

Donald J. Senese, of Virginia, to be Assistant Secretary for Educational Research and Improvement, Department of Education, vice F. James Rutherford, resigned.

ACTION AGENCY

Thomas L. Lias, of Iowa, to be an Assistant Director of the ACTION Agency, vice Irene Tinker, resigned.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

William E. Mayer, of California, to be Administrator of the Alcohol, Drug Abuse, and Mental Health Administration, vice Gerald L. Klerman, resigned.

DEPARTMENT OF EDUCATION

George A. Conn, of Maryland, to be Commissioner of the Rehabilitation Services Administration, vice Robert R. Humphreys, resigned.

Anne Graham, of Virginia, to be Assistant Secretary for Legislation and Public Affairs, Department of Education, vice Martha Keys.

DEPARTMENT OF LABOR

William M. Otter, of Kentucky, to be Administrator of the Wage and Hour Division, Department of Labor, vice Xavier M. Vela, resigned.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Marie P. Tolliver, of Oklahoma, to be Commissioner on Aging, vice Robert Clyde Benedict.

The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee on the Senate.

EXTENSIONS OF REMARKS

THE DEFENSE OF THE UNITED STATES

HON. ROBERT K. DORNAN
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DORNAN of California. Mr. Speaker, recently the television program "CBS Reports: The Defense of the United States," has received a great deal of attention. Members and those on their staffs who missed this program when it first aired may have seen it at special screenings arranged by the Congressional Research Service.

As is the case with all CBS documentaries, "The Defense of the United States" was forcefully presented, and was at times tendentious. I submit for the RECORD a report, compiled by Accuracy In Media, which is also forceful, and which may help viewers arrive at a balanced assessment of this program.

AIM report follows:

THE CBS ATTACK ON NATIONAL DEFENSE

The debate over the ratification of the SALT II Treaty and the Soviet invasion of Afghanistan served to heighten the consciousness of the American people about the growth of Soviet military might, their willingness to use it aggressively, and our own diminished ability to defend ourselves and the free world.

A consensus quickly developed that we had to rebuild our defense capabilities, and this was one of the mandates that Ronald Reagan received when he won the election. The Reagan administration has moved quickly to carry out that mandate, but those who did so much over the years to undermine public support of military preparedness have now begun a vigorous counterattack.

CBS News is in the vanguard of this effort to destroy the new pro-defense consensus. It launched its attack with a five-part series, an hour-long program on five successive nights, beginning on June 14. This unprecedented, costly series began with a program that was designed to convince the public that there could be no such thing as a winable nuclear war. It included a dramatic simulation of the explosion of a powerful nuclear bomb on Omaha, Nebraska, followed by a discussion with two proponents of the view that the Soviets cannot be contemplating a nuclear attack on us, because they know that it would bring about their own destruction.

It concluded with a report by Walter Cronkite from Moscow, which utilized Soviet disinformation experts to convey the same message. The series had opened with a clip of Ronald Reagan saying, "Our friends and allies no longer feel they can depend on us, can trust us, and the Soviet Union has shown its contempt for us and how much it knows it now outpowers us militarily. It is time for us to start a build-up and it is time for us to build that to the point that no other nation on this earth will dare raise a hand against us, and in this way we will preserve world peace."

After five hours that was given over largely to questioning or challenging Reagan's premises and conclusions, it was not the President of the United States, but spokesmen for the Kremlin, Walter Cronkite and Dan Rather who had the last word. Walter Cronkite's message was that our relationship with the Soviet Union is dominated by "the same old fears and doubts" because we don't have a genuine dialogue. The Kremlin's message was that it is the United States, not the Soviets, that is striving for an impossible military superiority and that we are constantly trying to use force in the world, while creating fantasies about Soviet aggression. Rather put his message in a series of questions: "Do we make ourselves stronger by unquestioning faith in new weapons technologies? Will our European alliance be strengthened by a strategy that might force us to destroy Europe in order to save it? Will we increase our national security by insisting there is a way to fight a limited nuclear war without mutual destruction?"

The loaded questions suggested the negative answers that CBS obviously hoped that its viewers would reach after watching its five-hour series.

CRONKITE TRUE TO FORM

Walter Cronkite has long been in the forefront of the Big Media effort to play down the need for stronger national defense. Back in 1974, when he was asked about charges that CBS News was not reporting fairly the case put forward by those who wanted to see our defenses strengthened, Mr. Cronkite said: "There are always groups in Washington expressing views of alarm over the state of our defenses. We don't carry these stories. The story is that there are those who want to cut defense spending."

In 1979, Cronkite was interviewed by a Soviet journalist named Vitali Kobysh, who quoted the CBS anchorman as agreeing that "the Soviet threat" is probably a myth and as saying that he didn't believe in it, "in the sense that it is usually meant." Kobysh quoted the following exchange with Cronkite on this subject.

Kobysh: How can you agree with the idea that the Soviet Union menaces someone, that our people are preparing for war?

Cronkite: If you watched my program every evening for several years you must know that I never agreed with that and do not agree.

Kobysh: Then I'll put it more broadly. How can an honest person, knowing that the Soviet people lost 20 million dead during the war, believe that the USSR is preparing for war, that it might attack someone?

Cronkite: An honest person cannot believe that, and I am positive that the overwhelming majority of Americans do not believe it. But they are thoroughly muddled. They are being scared on all sides.

Kobysh: What do you think has to be done in order to establish full confidence between our peoples, to develop broad cooperation between our countries in all fields?

Cronkite: I think . . . the main thing is to dispel mutual distrust, suspicion, to be better informed and more tolerant. To the best of my ability, I work in this direction . . . I saw the legacy of the war, and I will never believe in a "Soviet threat."

Cronkite concluded with this message: "I'd like readers to know that I consider myself a friend of your country and I will do everything in my power to ensure mutual understanding between our peoples."

Cronkite later told AIM that he had been misquoted by Kobysh, but he also claimed to have lost his copy of the tape recording of the interview. Subsequently, when pressed to explain precisely how he had been misquoted, the "most trusted man in America" explained that he was thinking of the Soviet threat as meaning "an unprovoked nuclear attack" and that he might have said that the Soviet people were not preparing for nuclear war, because he drew a distinction between the people and the government.

Cronkite denied that he had suggested that anyone could divine his views in these matters by watching his program regularly, but his contribution to the "Defense of America" series was quite consistent with the views that Vitali Kobysh had attributed to him.

CRONKITE ABETS DISINFORMATION

Cronkite's assignment was to explain to America what his friends, the Russians, were up to. Were they threatening us? Were they contemplating launching a nuclear attack? Should we be concerned about their arms build-up?

To provide authoritative answers, Cronkite interviewed on camera two authoritative spokesmen for the Kremlin. The first was General Mikhail Millstein, introduced as "a leading officer in the Soviet Army for almost 40 years," in the field of military intelligence. This dialogue was aired.

Cronkite: What if the United States tried to wipe out the Soviet land-based missiles in an American first strike? What if the United States decided that a limited nuclear war was not unthinkable?

Millstein: There is now in the United States some sort of propaganda as to the possibility of such a war, and frankly, it is very dangerous, because there cannot be a nuclear conflict . . . There is a great propaganda about the possibility of a first strike against land-based missiles. In the United States they say that the Soviet Union is planning such a first strike. Well, that's all just a very dangerous way of military thinking, because they are trying to persuade people that a nuclear war is possible. No, a nuclear war is impossible.

Cronkite: But isn't it true that through the last few years the Soviet Union has been developing these missiles at a much faster rate than the United States?

Millstein: My answer is categorically not. The U.S. had in the beginning Polaris A-1, then Polaris A-2, then Polaris A-3—it is a MIRV—then Poseidon with MIRV system, then the Trident system is already going up. The land-based missiles—Minuteman I, Minuteman II, then Minuteman III.

Cronkite did not disagree with Gen. Millstein. He later told the audience that the

● This "bullet" symbol identifies statements or insertions which are not spoken by the Member on the floor.

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Soviets had launched an enormous missile building program after the 1962 Cuban missile crisis, but he did not note that then they had fewer than ten ICBMs capable of reaching the U.S. By 1979, they had 1,400, exceeding the 1,052 that we had accepted as a ceiling under the SALT I Treaty. In addition, they had 1,037 submarine-launched ballistic missiles compared to our 656. Cronkite did not ask Gen. Millstein why the Soviets were going all out to develop the ability to knock out all of our land-based ICBMs in a single strike. William J. Perry, the Pentagon's Director of Defense Research, said in December 1980 that the Soviets could take out over half of our land-based ICBMs and that within three years they would be able to destroy between 80 and 100 percent of these missiles.

Nor did Mr. Cronkite, or anyone else in the lengthy CBS series, raise the question of why the Soviets have spent billions of dollars on civil defense if they are operating on the assumption that nuclear war is unthinkable. Experts who have studied the Soviet civil defense preparations believe that these are intended to keep deaths to a fraction of what we would suffer in the event of a nuclear exchange. They also have elaborate defenses to protect their industries in the event of a nuclear attack, something which the U.S. has neglected to undertake.

Later Cronkite brought Millstein on again to charge that influential people in the United States do not want military parity with the Soviet Union, they want superiority. Millstein argued that superiority was impossible for the U.S. or for the Soviet Union. "It only leads to the arms race," he said, "and it's very dangerous."

Again, Cronkite did not raise the embarrassing question of the tremendous surge in Soviet weaponry over the past 15 years that has given the Warsaw Pact forces superiority over the NATO forces on land, sea and air by decisive margins in most categories. Instead of rebutting these assertions with hard statistical evidence, Cronkite put on another Kremlin witness who contended that the Soviets had merely achieved military equality with us and we interpreted that to mean that we had fallen behind them. The trouble with Americans, we were told, is that we want superiority over everyone else in the world.

Gen. Millstein is an expert at disinformation, according to Igor Glagolev, a high-level defector who knew him well at the Institute of the United States and Canada, where Millstein serves as chief of the Military and Political Department. Glagolev says this institute is under KGB control and that Millstein is a leading disinformation specialist. He says that contrary to what Millstein fed Walter Cronkite, he was actually opposed to arms control. Moreover, his statement on the impossibility of nuclear war contradicts published Soviet military doctrine on this subject.

Glagolev says that the official position on nuclear war was explained in Military Strategy, a book edited by Marshal V. D. Sokolovsky, which has gone through several editions. This book states that the Soviets can and will win a nuclear war by virtue of greater firepower. Glagolev points out that they have already achieved superiority in nuclear firepower, but in addition they are developing both anti-ballistic missile defenses and anti-space satellite defenses. Combined with the huge civil defense program, these demonstrate that what Millstein and the other disinformation experts told Cronkite is the exact opposite of the true Soviet intentions. That, of course, was what Gen. Agayants, the former head of the KGB's Disinformation Department, told his staff to do—confuse the world about the true intentions of the Soviet Union. It makes their task a great deal easier when they can get the help of Walter Cronkite and his associates at CBS News.

SOVIET AGGRESSION

Cronkite's Soviet friends had some other important ideas they wanted to implant in the minds of the CBS viewers. It was political fantasy to think that they had any aggressive intentions, according to Alexander Bobin, who was described as a speech writer for Leonid Brezhnev. He could understand our concern for the security of the oil supplies on the Persian Gulf area "Do you really believe that we will go from Afghanistan through Pakistan to the Indian Ocean?" he asked. "This is a political fantasy. The Afghan problem worries us too, and we will be solving this problem."

Walter Cronkite did not ask why it was such a fantasy to think that the Soviets might just make that move through Pakistan, once they have "solved" the Afghan problem. Nor was he so rude as to ask just what the Soviets were doing in Afghanistan in the first place.

Nor did Mr. Cronkite challenge the assertion of Vitali Zhurkin, Deputy Director of the Institute of the U.S. and Canada, that the Soviets are against the "export of revolution." They had nothing to do with the rebellion in El Salvador, Zhurkin assured us. Then Mr. Bobin added that they had no involvement in Nicaragua, nor even in Ethiopia. None of that got a rise from Walter Cronkite. He didn't visibly raise an eyebrow even when Bobin told him that the Soviets would be prepared to intervene in South Africa if there was a black uprising there and they asked for help. "We are a civilized people," said Mr. Bobin. "We are against apartheid. What would we say? No, we will not help you? Of course not."

Rather than dwell on this astonishing Soviet threat of direct intervention in strategic South Africa Mr. Cronkite immediately asked Bobin what he thought of statements by President Reagan and Secretary Haig on "the morality of Soviet leaders." Cronkite later told his viewers that the Reagan administration was telling only half the story on the Soviet Union, needlessly frightening us. Cronkite flashed on the screen two lists of 12 countries each. One supposedly showed countries in which the Soviets had made gains since 1960. The countries were Afghanistan, Angola, Cambodia, Congo, Cuba, Ethiopia, Laos, Libya, Mozambique, Syria, South Yemen and Vietnam. Missing from this list were such countries as Nicaragua, Grenada and Chad, where coups have brought pro-Soviet regimes to power, as well as many countries, such as Panama, Guyana and Tanzania, which are showing far greater respect for the Soviets than they were 20 years ago. The countries where the Soviets have lost ground, according to Cronkite, are Albania, Algeria, Bangladesh, China, Egypt, Ghana, Guinea, Indonesia, Mali, Somalia, Sudan and North Yemen. We question putting Algeria and Guinea on this list.

CRONKITE'S EXPERTS

It is a measure of the superficiality of the CBS series that much of the expert testimony presented came from people of doubtful expertise. For example, to discuss the Navy's new F-18 fighter plane, CBS called upon two young congressmen, neither one a member of the Armed Services Committee and both with anti-defense voting records. Both were critical of the plane.

To discuss Soviet nuclear strategy and military objectives, Cronkite did not call upon any distinguished scholars, dipomats or military experts. He sat down and "rapped" with the correspondents of The New York Times, The London Times, and The Washington Post in Moscow. All three revealed their lack of knowledge of Soviet diplomatic history by agreeing that the Soviets had a good record of living up to formal agreements.

However, Kevin Klose of The Washington Post did contradict Cronkite's Kremlin spokesmen on two important points. He said there was no doubt that the Soviet leadership was expansionist, and he pointed out the contradiction between their military doctrine and what they put out for public consumption (through disinformation experts such as Millstein). He said their military doctrine was that they could take Paris in three days. But the reporters had no scholarship or expertise to bring to bear on the question of Soviet nuclear strategy. Tony Austin of the New York Times was of the opinion that they would not launch a nuclear first strike, because "that takes you into the area of madness." That was as deep as that discussion went.

That, of course, was also the predetermined conclusion of the CBS series. The abundant evidence that the Soviets are trying to build a first strike capability was not even discussed in this five-hour series. In the first hour, it was dismissed as unthinkable on the grounds that the Soviets know that a nuclear exchange would result in their destruction as well as ours. But unremarked by CBS, the Soviets are proceeding with billions of dollars of expenditures that make sense only in the context of their published military doctrine that they can win a nuclear war—or a nuclear showdown. We won such a showdown when they tried to install missiles in Cuba in 1962 because we had overwhelmingly superior firepower. Their efforts to obtain that overwhelming superiority will be assisted if our media can be used to persuade the public and Congress that nothing the Soviets are doing poses a threat to our security that must be met by the increased defense expenditures proposed by the Reagan Administration. CBS News and Walter Cronkite have given that campaign valuable assistance.●

CHARLES A. CUSICK

HON. GARY A. LEE

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. LEE. Mr. Speaker, colleagues, I take this occasion to share with you the loss of one of my congressional district's most respected and admired persons, Charles A. Cusick, of Auburn, N.Y.

Mr. Cusick was an attorney and for 14 years, served his friends and his community as a member of the New York State Assembly. He is survived by his wife and son, to whom we today extend our heartfelt sympathy on Mr. Cusick's passsing.

Those are the facts, simple as they may sound, but they cannot relate the full story of this man. The term "American" is most rightfully applied to the career and community value we each placed on Charles Cusick. As a member of countless organizations and community-betterment causes, his neighbors in the central New York area always knew that they had a thoughtful, caring friend available to help them in times of need. And they knew that they had a willing and amicable partner when the community had cause to celebrate. Charles Cusick was, not seldom, the reason and the moving force behind those celebrating occasions.

We will miss this American. I take this occasion today to offer my condolences and those of all my colleagues in this House who, directly or otherwise, mourn the passing of a community spirit and a leader of substantial value.●

HOW LAWS ARE MADE

HON. WILLIAM LEHMAN

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. LEHMAN. Mr. Speaker, due perhaps in part to the media explosion, the processes of our American Government are discussed more widely today than ever before. We sometimes overlook the fact that the lawmaking process, especially, is not always clearly understood by many Americans. Recently there have been a number of inquiries about just how a bill becomes a law. I would like to submit this brief summary of the process, which I hope will be helpful to all interested citizens.

How Laws Are Made

The very first provision of the Constitution of the United States creates the legislative branch by providing that, "All legislative powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and a House of Representatives."

Our laws are meant to be the expression of the desires and needs, the ideas and ideals of the American people as enacted by their representatives in the Congress: 435 in the House of Representatives, and 100 in the Senate. A bill is the form used for most legislation. Bills may originate in either the House of Representatives or the Senate. However, all spending measures (appropriations) and all bills for raising revenue (taxes) must originate in the House of Representatives.

A bill originating in the House of Representatives is designated by the letters H.R. followed by a number. A Senate bill is designated by the letter S. followed by its number. Any member of the House or Senate may introduce a bill embodying a proposed law or revision of existing laws at any time when the respective House is in session. When introduced, the bill will be entered in the Journal of the House, and the title and sponsors of it printed in the CONGRESSIONAL RECORD of that day.

Each bill introduced is assigned a number by the clerk of each House and referred to the committee having jurisdiction over the subject matter by the presiding officer, that is the Speaker of the House or the President of the Senate. Copies of the bill are printed by the Government Printing Office and made publicly available from the congressional document rooms.

THE DELIBERATIVE STAGE

Acting through its chairman, the committee decides whether a bill should be taken up by the full committee or referred to a subcommittee for its initial consideration.

The committee's deliberations are the most important stage of the legislative process. It is here that detailed study of the proposed legislation is made and where people are given the right to present their views in public hearings. When the chairman has set a date for public hearings, it is generally announced by publication in the CONGRESSIONAL RECORD.

Copies of the bill under consideration by the committee are customarily sent to the executive departments or agencies concerned with the subject matter, for their official views to be presented in writing or by oral testimony before the committee. The number of witnesses, pro and con, heard by the committee is largely dictated by the importance of the proposed legislation and the degree of public interest in it.

TESTIMONY

The transcript of the testimony taken is available for inspection in the individual committee offices. Quite frequently, depending on the importance of the subject matter, the committee hearings on a bill are printed and copies made available to the public.

After conclusion of the hearings, the committee proceeds to meet in executive sessions—sometimes referred to as "markup sessions"—to discuss the bill in detail and to consider such amendments as any member of the committee may wish to offer. Each committee has its own rules of procedure, but they generally conform to the rules of the House itself.

THE COMMITTEE REPORT

By a formal vote the committee decides whether to report favorably to the House the bill with or without amendments. A committee report must accompany the bill, setting forth the nature of the bill and reasons for the committee's approval. The report sets forth specifically the committee amendments and, in compliance with the rules of each House, indicates all changes the bill would make in existing laws. Any committee member, individually, or jointly, may file additional supplemental or minority views to accompany the majority committee report. The committee report accompanying the bill is viewed by the courts and the administrative agencies as the most important document for expressing the intent of the Congress in the proposed legislation.

THE REPORT GOES TO THE HOUSE

When a bill is reported by the committee it is placed on the appropriate calendar. The majority leadership decides how and when the bill will be considered on the floor. In general the bill is allowed to remain on the calendar for several days to enable members to become acquainted with its provisions.

In both Houses numerous measures of relatively minor importance are disposed of by unanimous consent. In the Senate, where debate is unlimited, major bills are brought up on motion of the majority leader. In the House they are called up under a privileged resolution reported from the Rules Committee, which fixes the limits of debate, and whether amendments may be offered from the floor. The Rules Committee resolution is called a rule for consideration of a bill: a closed rule if no amendments are allowed, and an open rule if amendments can be offered.

REACHING CONSENSUS

While there are distinct differences between the House and the Senate procedures, in general, a bill is debated at length with the proponents and opponents presenting their views to acquaint the membership, as well as the general public with the issues involved, for the purpose of arriving at consensus. Amendments are frequently offered to make the measure more in conformity with the judgment of the majority. In both the House and the Senate there are various parliamentary motions which may be offered to determine the sentiment of the members with respect to the bill. The measure may be postponed to some future date or referred back to the committee which reported it.

At the conclusion of general debate and the reading of the bill for amendments, the question becomes whether the House or Senate, as the case may be, will pass the bill in its final form. The CONGRESSIONAL RECORD of the day the bill is under consideration will set forth the verbatim debate on the bill, and the disposition made of such amendments as were offered.

AFTER PASSAGE

With the passage of a bill by either body, it is sent to the other House with the request that they concur. If no action has been taken on a similar measure by the receiving body, the bill is usually referred to the appropriate committee of that body for consideration. Hearings may again be held and the bill reported for floor action. On relatively minor or noncontroversial matters, the Senate or the House accepts the measure as sent to it by the other body.

If there are substantial differences between the House and Senate versions of a given bill, the measure is sent to a conference committee which is appointed by the Speaker and the President of the Senate from the ranking committee members of each body having original jurisdiction over the bill. The object of the conference committee is to adjust the differences between the two bodies and to report its agreement back to both. The report of the conference committee must be in writing and signed by those agreeing to it. It must have the signature of the majority of the conferees of each House.

CONFERENCE REPORT

The report of the conference committee cannot be amended and must be accepted or rejected by each House as it stands. If either House finds itself unable to accept the conference committee report, a further conference is usually requested.

When the bill has been agreed to in identical form by both bodies, a copy of the bill is enrolled, signed by the Speaker and the President of the Senate for presentation to the President. The bill becomes law with the President's signature of approval, or it may become a law without his signature if he does not return it with his objections to the Congress within ten days of its presentation to him.

If the President should return the bill with his objections to the originating body of the Congress, his veto may be overridden by two-thirds of both the House and Senate voting to have the bill become law, the President's objections notwithstanding. Both the President's veto message and a record of the vote of the individual Members on the motion to override are required in the constitution and set forth in the CONGRESSIONAL RECORD.

PUBLICATION

One of the important steps in the enactment of a valid law is the requirement that it shall be made known to the people who are to be bound by it. Our laws are published immediately on their enactment so that they may be known to the people.●

TAX CUT APPROACHES

HON. STAN PARRIS

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. PARRIS. Mr. Speaker, as the vote on the tax cut approaches, there have been increasing claims by some Members that the bill reported by the Ways and Means Committee is better for working people. Nothing could be further from the truth.

One of the irreversible facts of life is that to be a working person, you must first have a job. The Conable-Hance substitute, the President's bipartisan proposal, will do more for job creation than the Ways and Means bill, and it will also insure that those working taxpayers will be permanently able to keep more of what they earn.

At yesterday's hearing conducted by the House Task Force on Economic Policy, which I chair, Dr. John M. Albertine, president, American Business Conference offered an excellent statement on the effects of the bipartisan substitute on job creation.

I believe my colleagues will find Dr. Albertine's statement informative.

The statement follows:

Mr. Chairman, my name is Jack Albertine. I am President of the American Business Conference.

Mr. Chairman, there can no longer be any doubt that the economic problems confronting this Nation have assumed crisis proportions. Month after month evidence of the scope and complexity of our economic problems becomes more compelling.

After years of priming the pump, we have been forced to pump the prime rate to historic levels.

Mr. Chairman, it was not very long ago when most Americans thought that this country's economy was too strong and its political system too stable for it to experience anything like double-digit inflation rates during peace time.

It was not that long ago when most Americans thought a prime rate of 5 percent would constitute unimpeachable evidence of usury.

An unemployment rate of over 7 percent used to be thought completely unacceptable.

Our economic performance has been so dreary during recent years that many Americans have become pessimistic about the capacity of American industry to compete with the seemingly invincible industrial enterprises of our trading partners. But that pessimistic perception ignores some of the success stories of the American enterprise system.

I appear today on behalf of a group of disparate, business success stories who make up the American Business Conference. The ABC is a new organization limited to the chief executive officers of 100 of America's most successful and energetic firms. These firms have annual revenues between $25 million and $1 billion and each has grown at least 15 percent a year for the last 5 years, which means each has doubled in size during that period.

The American Business Conference is an organization of some of the winners of the American enterprise system. Last year, ABC companies had an average sales growth rate of 29 percent. Our companies grew about 33 percent faster than the top 10 performers of the fortune one hundred.

The members of the ABC, whose firms are located in all parts of the Nation and represent the full spectrum of American commerce, have joined the ABC because they believe that they have gained some valuable insights from having succeeded in business during a period not favorable to economic growth. They want to use the ABC as a vehicle to transmit those ideas to policymakers and the American people so that the number of business success stories will grow exponentially during the last part of this century.

Mr. Chairman, the members of the American Business Conference have endorsed and reaffirmed on three separate occasions their unequivocal support for the entire economic program constructed by the administration and its Republican and Democratic allies in the Congress.

They support the bipartisan Hance-Conable tax proposal because it is designed to improve the entrepreneurial climate during the last 20 years of a century that began with a strong entrepreneurial spirit.

They believe that inflation has eroded the incentive structure of our economy. That is why they support this administration's attempt through Hance-Conable to systematically reduce marginal tax rates.

For 40 years, the thrust of tax policy in this country has been to maintain a structure of high nominal tax rates. For 40 years, the thrust of tax policy in this country has been to sacrifice economic growth—which is most important to disadvantaged Americans attempting to climb their way out of poverty—on the altar of some tax expert's version of tax equity.

The result has been a miserable productivity performance which has diminished our ability to compete successfully in the markets of the world—including the world's largest and most accessible market, the United States of America. That has meant the export of jobs disadvantaged Americans, in particular, cannot affort to lose.

The American Business Conference supports Hance-Conable because it reverses the historic tax policy of keeping nominal tax rates high for the average American while more fortunate Americans hire skilled lawyers and accountants to construct ingenious ways to get them out from under these high rates. By lowering all tax rates substantially across the board, Hance-Conable will permit our market system to more efficiently and effectively allocate this Nation's scarce resources. That will improve productivity and increase the number of jobs created per buck invested in the American economy.

Mr. Chairman, oscillations and gyrations of Federal economic policy are perhaps as damaging to economic growth as a consistently bad economic policy. Business needs to know what the rules are if it is going to plan its use of economic and physical resources wisely. A 3-year tax bill is better than a 2-year tax bill because it gives business one-third more planning flexibility. Better business planning will inevitably mean greater economic productivity for the economy as a whole.

And make no mistake about it, a 3-year tax bill with a trigger for the third year is a 2-year tax bill for business planning purposes. Serious business planners will simply not take seriously the trigger included in the bill passed by the Ways and Means Committee.

Mr. Chairman, the bill proposed by the Ways and Means Committee contains many features which would be good for many of the businesses of the American Business Conference. But the test our organization uses to judge the efficacy of competing pieces of economic legislation is much broader than a narrow standard of what is best for us in the first approximation.

We want to know which bill will improve most the performance of our economy. Which bill will increase economic growth at the fastest rate? Which bill will create the most jobs for disadvantaged Americans? Which bill will improve most our productivity performance which is the key to increasing the standard of living for the average working American? Which bill will end the process of force-feeding demand and starving supply which has created the imbalance in the American economy which has lead to declining productivity and inflation?

Mr. Chairman, last Thursday the 12 CEO's who constitute our task force on capital formation/taxes came to Washington to personally tell many Members of the Congress that we support the bipartisan Hance-Conable bill because it successfully meets the broader test our organization has established in deciding which tax bill we ought to support.

Mr. Chairman, we can no longer afford to hang onto the heavy baggage of old economic theories as we try to tackle the complex problems facing our economy today. We need new ideas. We need new approaches that deal with today's reality. The members of the American Business Conference believe that Hance-Conable and the entire economic program outlined by the administration does represent a new beginning for new ideas in Washington.●

A MAN FOR ALL SEASONS—LEON L. MILLER

HON. FORTNEY H. (PETE) STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. STARK. Mr. Speaker, I would like to take this opportunity to recognize an individual whose public service career has been exemplary. Leon L. Miller is truly a man for all seasons.

Each step in his career has been a highlight. He served as chief of the bureau of consultative services, Alameda County Health Care Services

Agency from 1951 to 1970, where he directed health education services for the department of health, coordinating programs for public health social workers, nutritionists, and public health representatives, as well as having responsibility for public relations and consulting to community leaders, departmental administrators, field staff, and supervisors.

Leon has left a positive mark along his career path. His life is devoted to helping others and his high energy and love of people has been beneficial to Alameda County in California. Among his other endeavors, he developed and managed his own real estate and casualty sales business, was administrative assistant to California State Senator Nicholas Petris, was a lecturer at U.C. Berkeley's Graduate School of Public Health, where he earned his M.P.H. degree.

His wartime service saw him as one of the first black flying officers commissioned by the U.S. Army Air Force during World War II.

A particular highlight of Leon's career was the development of the first areawide health plan for Los Angeles County. The plan was recognized by State and National agencies as the most innovative effort in health facilities and services. Leon's efforts resulted in the restructuring of rules by the State of California in awarding prepaid health contracts and affecting an estimated 7,073,000 people.

Pacific Economic Resources League, Inc., based in downtown Oakland, Calif., was founded and is currently under the directorship of Leon Miller. PERL provides management and technical assistance to small and minority businesses and has contributed immensely to Oakland's economic development.

Leon Miller has worked tirelessly in Alameda County and I am honored to call his contributions to the attention of my colleagues. He is a rare individual with wit, charm, and sensitivity. We will continue to rely on his expertise and positive efforts as a model for all to follow.●

SOCIAL SECURITY BENEFITS

HON. ALBERT LEE SMITH, JR.

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SMITH of Alabama. Mr. Speaker, I rise today to urge my colleagues to put aside partisan politics and work together while there is time to save social security benefits working Americans have earned.

To say that social security is in deep trouble is to put the matter mildly. The system is broke and it is misleading to let our citizens think otherwise. The system is billions and billions of dollars in debt and right now the retirement system does not have enough money to pay benefits after mid-1982.

If ever there was a time and need for Congress to work together, social security is it. Rather than exploit our Nation's elderly by playing retirement roulette, we must work together to protect the basic retirement benefit structure and make sure the social security system does not run out of money next year or the year after or in the future.

Several plans have been offered to rescue old age, survivors, and disability insurance. While I have not endorsed any specific plan and will not until I have the opportunity to carefully research the proposals put forward and discuss them with my constituents, there are several points which I consider nonnegotiable, items which I ask you to keep in mind as we seek to strengthen the social security system.

First, social security benefits must never be taxed.

Second, the retirement age for full benefits should not be raised above 65.

It would be unconscionable to pull out the rug from under those who have spent a lifetime contributing to the system. To deny men and women approaching retirement benefits on which they have planned and to which they are entitled is unethical.

Third, Congress should repeal the so-called earnings limitation test which penalizes senior citizens who choose to work past the age of 65. Retirees up to age 72 now lose $1 of social security income for every $2 they earn above $5,500. This is unfair. Social security is not Congress money. It belongs to the 36 million elderly Americans who have earned it and allowed Uncle Sam to use it until their retirement without interest.

Fourth, Congress must not eliminate the annual cost-of-living increase that helps retirees keep pace with inflation. It is imperative that elderly retirees now on social security—as well as future retirees—remain eligible for cost-of-living increases.

Fifth, Congress should enforce existing laws that would weed out the $60 million each year in social security benefits that now go to thousands of prison inmates across the country to subsidize drug trafficking, gambling, and other underground prison activities.

Finally, any changes must be phased in gradually to allow workers to plan for their retirement. We must avoid abrupt and unnecessary restructuring of basic benefits. Major changes must be phased in gradually to give workers time and the opportunity to adjust to those changes.

We face the most serious crisis in the 46-year history of our social security system. The question before Congress is whether the 36 million Americans who currently depend on social security can count on receiving any check at all in less than 1 year from now. Unless changes are made—and made soon—there will not be any benefits for those retiring in the future and those now receiving benefits are going to lose them completely.

If ever there was a time for Congress to work together, this is it. We have a responsibility to the millions of Americans who in good faith have contributed to social security to insure the short-term and long-term solvency of it. I pledge to vigorously work to strengthen the social security system and to protect those benefits working Americans have earned.●

INDEXING OF FEDERAL INCOME TAXES

HON. DOUGLAS K. BEREUTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. BEREUTER. Mr. Speaker, I rise today to reiterate my longstanding support for the indexing of personal Federal income taxes. As a cosponsor of a tax indexing proposal for the past 3 years, I was very pleased to see the President include this concept in his latest tax proposal. I agree with the editorial viewpoint of the Lincoln Sunday Journal & Star in my district, which said indexing is an idea whose time has finally come.

Under our current tax structure, nonstop inflation drives taxpayers into higher and higher tax brackets. In an informative article on the matter, the Omaha World-Herald noted that this often leaves the worker with a net loss in real income despite frequent pay raises. It also leaves the Government with extra income to spend, discouraging the fiscal restraint that is so necessary as we face our Nation's economic problems.

I believe indexing would produce a simpler, more equitable tax system and reduce inflation by discouraging Federal spending and encouraging workers to demand smaller wage increases. It is essential that indexing, "truth in taxation," as embodied in the Conable-Hance substitute tax bill, be enacted into law to begin in 1985.●

ABA URGES HANDGUN CONTROL

HON. PETER W. RODINO, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. RODINO. Mr. Speaker, for many years I have advocated Federal action to help State and local law enforcement officials halt the rising handgun violence that claims the lives of over 10,000 Americans each year.

The American Bar Association in June voiced its opinion that the Federal Government should take a more active role in helping to prevent handgun violence, and it made specific policy recommendations for handgun control to the Attorney General's Task Force on Violent Crime.

It is encouraging to me that the ABA has taken the time and effort to analyze the crime issue that is on the minds of all Americans. I am hopeful that the Attorney General and his task force will seriously consider the ABA's recommendations for handgun control.

I urge my colleagues to read the following ABA statement as it was submitted to the Attorney General's Task Force on Violent Crime.

STATEMENT OF THE AMERICAN BAR ASSOCIATION CONCERNING CONTROL OF CRIMES COMMITTED WITH HANDGUNS

The American Bar Association welcomes the opportunity to submit comments to the Attorney General's Violent Crime Task Force on the tragic and deadly problem of violent crimes committed with handguns. The ABA has passed resolutions since 1965 urging that the federal government take action to reduce the rate of crimes committed by handguns. Today the ABA strongly recommends, consistent with its longstanding policies, that the Attorney General emphatically urge (1) that his department be given resources to investigate and prosecute crimes committed with handguns; and (2) that certain provisions of the recently introduced Handgun Crime Control Act of 1981 be enacted without delay.

THE ATTORNEY GENERAL IS THE CHIEF FEDERAL LAW ENFORCEMENT OFFICER

It is highly appropriate that the Attorney General, who is the chief federal law enforcer in the Nation, has appointed a Task Force on Violent Crime. One area where violent crime is the most deadly is violent crime involving the use of handguns. And since handguns are easily concealed, they are frequently used in the commission of crime. But the Attorney General has not been given sufficient tools in the form of either legislation or resources to enforce firearms violations, as evidenced by the ever increasing rate of crimes committed by handguns. Even the Secretary of the Treasury, with his enforcement responsibilities, lacks sufficient legislation and resources. It is absolutely crucial that the Attorney General be given the tools to fight handgun violence, which tools will not interfere with the rights of law-abiding citizens but, on the contrary, will give law-abiding citizens, including legitimate firearms owners, the right to live peaceably without fear of being victimized by sudden, deadly, handgun violence.

VIOLENT AND DEADLY CRIMES COMMITTED WITH HANDGUNS ARE INCREASING

In August 1975, the ABA recommended that adequate resources be appropriated so that federal law enforcement officials could investigate and prosecute those who commit crimes with handguns and who illegally possess handguns. The ABA also recommended that legislation be enacted to provide "effective control of the importation, sale, transportation and possession of firearms." But resources and legislation are still seriously lacking. In August 1975, the ABA "recognized the increase in serious and violent crimes committed by those in possession of handguns. . . ." Since that time there has been an even greater increase in violent crimes committed by people with handguns. One month after the ABA recommendations, President Ford was shot at with a handgun but luckily was uninjured. President Reagan was less lucky. In March 1981, he was shot and seriously injured. John Lennon was even less lucky. In 1980, he was shot and killed. In 1979 so were 10,728 other Americans.[1]

Many more Americans were terrorized by handguns. Violent crime increased by 13 percent in 1980,[2] and over 250,000 Americans were robbed, threatened or raped at gunpoint in that year alone.[3] The handgun violence rate in America is higher than in other Western countries, and its handgun control laws are the weakest. In Canada, there were 52 handgun murders.[4] In England, Scotland and Wales, there were 55 handgun deaths in 1979, of which 8 were murders.[5] In June 1981, Queen Elizabeth was shot at in England, but with a blank cartridge pistol.[6] Since it shoots only blanks, no one was injured.

CURRENT LEGISLATION IS INSUFFICIENT TO CONTROL CRIMES COMMITTED WITH HANDGUNS

Under the present federal gun control law, a person can buy a handgun from any one of 160,000 licensed handgun dealers or pawnbrokers.[7] Anyone can become a dealer by simply paying $10. (18 U.S.C. § 923(a)(3)). Under federal law a handgun purchaser need not wait after filling out a form saying he or she is not an ex-felon, drug addict, or mental incompetent before taking possession of the handgun. The handgun used to injure President Reagan was a handgun that was assembled in the United States from inexpensive imported Saturday Night Special parts and was sold by a pawnshop.

On April 9, 1981, the Handgun Crime Control Act of 1981 ("HCCA") was introduced in the Senate of the United States, S. 974, by Senator Kennedy with 8 sponsors, and in the House, H.R. 3200, by Congressman Rodino, with 50 sponsors. Many of the recommendations made by the ABA in 1975 are now contained in the HCCA. The Act would stop the manufacture, sale and transfer of "Saturday Night Specials." A handgun could not be sold unless its model had been approved by the Attorney General, who will approve only handguns suitable for sporting purposes. The ABA policy recommends banning the importation of Saturday Night Special parts (to close a loophole in current federal legislation), and ABA policy recommends enacting a definition of sporting purposes, which could be expanded by the Secretary of the Treasury, to limit the types of handguns that can be sold. (The HCCA of 1981 would transfer handgun enforcement activities from the Department of the Treasury to the Department of Justice. Although the ABA recommendations do not address that specific suggestion, it is not inconsistent with ABA policy, which recommends adequate appropriations for both prosecutive and investigative federal law enforcement officials, and also recommends that priority be given to prosecution of firearms offenses. Adequate enforcement of violence control legislation is crucial to the control of violence.)

Under the HCCA, a waiting period between ordering and receiving a handgun would be required, and local police and the Federal Bureau of Investigation would determine that a potential handgun purchaser not be a convicted felon, an adjudicated mental incompetent, a drug addict, an illegal alien or a person who renounced United States citizenship. Handgun manufacturers and dealers would maintain records on purchasers and later transactions so that handguns could be traced. (Proposed 18 U.S.C. § 929(e)(5)). This is consistent with sections of the ABA policy, which would not only impose a waiting period so that the identity of a potential purchaser could be checked, but would also require periodic reviews of the eligibility of handgun owners consistent with due process.

The HCCA would require all persons in control of handguns to report their theft or loss and would require the premises of licensees to be secure. (Proposed 18 U.S.C. § 922(p)). ABA policy recommends those obligations be required of dealers, manufacturers, importers and transporters of firearms. The ABA has formulated no policy on the responsibilities of handgun owners, and thus expresses no position at this time on that issue.

HCCA also would impose more stringent requirements for licensing dealers, as the ABA has strongly recommended.[8]

The ABA strongly recommends that the Task Force on Violent Crime develop legislation to incorporate the provisions described above and seek adequate resources for the enforcement of existing and future violence control legislation.

CURRENT FIREARMS LAW MUST NOT BE WEAKENED

In 1965, the ABA passed a resolution recommending firearms control legislation. The Gun Control Act of 1968 tracked many points in the ABA's recommendation. As subsequent ABA recommendations have indicated, that legislation is necessary but not sufficient in controlling crimes committed by people using handguns. The 1968 Act prohibits convicted felons, fugitives, drug addicts and adjudicated mental defectives from acquiring firearms. (18 U.S.C. § 922(h)). It prohibits interstate trafficking of firearms except by licensed dealers. (18 U.S.C. § 922(a)). Incredibly, the 1981 McClure-Volkmer legislation (S. 1030 and H.R. 3300) has been introduced to weaken this legislation. The bills would weaken existing controls on illegal transfers of firearms, would severely undermine state laws governing firearms, would reduce penalties for federal firearms law violators, would make it easier for convicted felons to obtain firearms and would weaken enforcement for

[1] Federal Bureau of Investigation Crime Statistics.

[2] Federal Bureau of Investigation Crime Statistics.

[3] Federal Bureau of Investigation Crime Statistics.

[4] Canadian Embassy Office of Public Information.

[5] British Embassy Office of Public Information.

[6] The alleged assailant is being charged under the Treason Act for an offense carrying a maximum penalty of 7 years. He is not being charged with illegal possession of a firearm, which carries a maximum penalty of 14 years in England.

[7] Bureau of Alcohol, Tobacco and Firearms Statistics.

[8] The HCCA also has some features on which the ABA has no policy statement. Those features are not inconsistent with the ABA's policies, but the ABA takes no stance on them at present.

While the ABA favors stiff penalties for those who commit crimes with or in possession of a firearm or facsimile thereof, the ABA opposes mandatory minimum sentences, see ABA Standards for the Administration of Criminal Justice, and thus opposes that portion of the HCCA.

federal firearms controls. Certainly they will not stop crimes committed with handguns.

That legislation that would weaken the Gun Control Act of 1968 suggests that individual citizens have a constitutional right to keep and bear arms. But the Second Amendment does not guarantee that right. The ABA Report accompanying its 1975 Recommendations said: "In addition to the five decisions in which the Supreme Court has construed the Amendment, every Federal court decision involving the Amendment has given the Amendment a collective, militia interpretation and/or held that firearms control laws enacted under a state's police power are constitutional." (citations omitted)

No case has held to the contrary since.

THE PUBLIC SUPPORTS HANDGUN CONTROL

Public opinion polls have shown strong public support for handgun control for almost fifty years. A Washington Post-ABC News Poll taken following the attempted assassination of President Reagan in March 1981 showed that 65 percent of the American people favor "stronger legislation controlling the distribution of handguns." Another poll taken by the Associated Press and NBC News a month later shows that 71 percent of the American people favor a law that would require a person to obtain a police permit before he or she could buy a handgun. Most recently, a May 1981 Gallup Poll shows that 81 percent of the American people want a law requiring a person to obtain a license to carry a handgun outside the home.

The ABA agrees with the majority of the public and urges that the Attorney General take a strong stance to obtain legislation and resources to combat the serious menace of handgun crimes, while protecting the rights of law-abiding citizens.●

FREE ENTERPRISE WITHOUT POVERTY

HON. JOHN LeBOUTILLIER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. LeBOUTILLIER. Mr. Speaker, nearly every day in committee and on the floor, my colleagues in the House discuss problems of the economy. In the course of this ongoing, important debate, we have come to realize that we need to revitalize all segments of our Nation's economic life. And, we can all agree that the primary goal of this revitalization is full employment.

But how can we have a renewed economy which provides economic security for all our citizens?

Dr. Leonard Greene, an economist and mathematician, has considered this question and proposed an answer in his new book. "Free Enterprise Without Poverty." Dr. Greene says that millions of people who are dependent on Government and private sector benefit programs are weighing down the productive potential of our economy. In his research, he has concluded that the welfare system acts as a disincentive to work. Moreover, Government bureaucracy created to administer Federal benefit programs and industries established to profit from private social benefit programs work together to expand the system.

Dr. Greene has proposed a comprehensive plan for welfare reform that includes a work incentive, promotes the integrity of the family, offers uniform benefits, is integrated into our tax system, and is easy to administer. His proposal is called the graduated income supplement.

Outlined simply, every person in the Nation will receive a taxable income supplement of equal size. The supplement will be applied to the individual's income tax bill, reducing taxes owed by the amount of the supplement. If the amount of taxes owed is less than the supplement, the taxpayer will receive the difference as a cash refund. A family with no income will receive the full amount of the supplement in cash payments. Because the supplement is taxable income, the net value is greater for those with lower incomes.

Dr. Greene's book outlines a step-by-step plan to reform the existing Government dependency system. The reforms adhere to the following principles:

First, scattered, duplicatory, and contradictory programs should be consolidated.

Second, benefits should be paid in cash instead of services.

Third, cash benefits should be subject to taxes in order to recoup part of the payments as recipients move up the economic ladder.

Fourth, reforms should not increase the Federal Government's welfare budget. (This goal realistically can be achieved by substituting the income supplement for existing programs, by taxing cash benefits, and by saving money through increased efficiency.)

Mr. Speaker and my colleagues, I have found Dr. Leonard Greene's book, Free Enterprise Without Poverty, to be a thoughtful and thought-provoking analysis of the problems of our welfare system. I urge each and every one of you to study Dr. Greene's proposals carefully. The American Nation and its people at all economic levels will be the beneficiaries.●

WITH THE CHEAP COST OF LIBERTY NOWADAYS

HON. ROBERT K. DORNAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DORNAN of California. Mr. Speaker, I call to the attention of my colleagues the following essay written by Sara Shulsinger, of Rancho Palos Verdes, Calif., on the cost of liberty each American citizen must pay. This was Sara's fourth winning entry to the Herbert Albright Americanism Essay Contest and she read it at this year's Palos Verdes Independence Day celebration on July 4, 1981.

Perhaps we all can learn something more about what is expected of us as American Citizens in reading her essay.

WITH THE CHEAP COST OF LIBERTY NOWADAYS

O, to be an American Citizen! To eat steak by night and wear polyester by day! To have two cars, a steady job, and a house in suburbia! More realistically, to share a heritage with bold pioneers and creative entrepreneurs across a continent. Most Importantly of all, to vote, think, and be free.

Certainly these rights are marvelous, beyond the imaginations of many not enjoying them as we do. To accept these good things, however, we must willingly meet certain responsibilities.

The most obvious and most easily, thus frequently, neglected duty of the American citizen is voting. Not only is it our right to thus determine how our country is run, but it is our challenge and obligation. Yet casting a blind vote is as irresponsible as not voting at all. To truly fulfill the responsibility is to take the time to be informed on all issues and to vote upon them based on the information gathered. Many don't realize that it's actually simpler in the long run to go ahead and vote than to avoid it; but isn't it easier to go out of the way a few times a year with open eyes than to live in darkness under someone else's rules?

A controversial duty we also hold is the payment of taxes. Everyone wants the goodies; no one wants to pay for them. But the support of liberty costs—if not lives, then money. And, of course, merely writing the IRS a check every year is not enough. We must make sure the money is spent responsibly. Wasted money is wasted time and energy, which could at some time mean the nation's survival.

Many vote properly, pay their taxes, and consider that enough to be counted as supporters of America. Although such actions are essential, the real test is in the heart. The single most important obligation we owe America is loyalty. This does not mean pledging a willingness to die for America in a philosophical discussion in someone's comfortable living room, although that's nice, too. This means doing all the chores expected of us as citizens, and really caring about the results—every day.

Yes, it takes both gallant and mundane courage to be a patriot; but the cost is still cheap. Courage is America's heritage.●

REAGAN TAX PROPOSAL MEANS INCREASED PERSONAL SAVINGS

HON. JACK FIELDS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. FIELDS. Mr. Speaker, as we continue our tax debate, I believe each of us should ask ourselves which proposal would best serve to put this Nation back on the road to economic recovery.

I, for one, believe very fervently that President Reagan's tax proposal is our

best, perhaps our last hope of getting our economic house back in order.

I was particularly impressed to find that as a result of President Kennedy's across-the-board marginal tax cuts in the early 1960's, the rate of savings in this Nation dramatically increased from 5.4 to 8.1 percent—making more money available for new homes and business ventures and creating thousands of new jobs.

Frankly, I find no reason to believe that the Reagan tax proposal will not at least duplicate President Kennedy's accomplishment. This means that President Reagan's proposal would create at least $60 billion in new savings to be used to create thousands of jobs, to increase productivity, and to restore economic prosperity to this Nation.●

LOWERING OF EMISSION LIMITS HURTING SOUTHEASTERN OHIO

HON. DOUGLAS APPLEGATE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. APPLEGATE. Mr. Speaker, the recent action by the U.S. Environmental Protection Agency, in conjunction with the Reagan administration, to make final the lower sulfur dioxide emission limits for two Cleveland Electric Illuminating plants that were proposed in June of 1980 only serves to tighten the noose around the neck of southeastern Ohio.

I am referring to an announcement that was made by the EPA on July 22 that made permanent a set of lower emission standards for the Avon and Eastlake plants of C.E.I., the electrical utility company that serves greater Cleveland and which purchases large amounts of southeastern Ohio coal.

On June 12, 1979, the standards for these two plants were increased from a very low rate to a level that would permit burning of southeastern Ohio's high-sulfur coal. About a year later, on June 24, 1980, a proposal was made by the EPA to lower the standards by nearly one-third; thus, a lower sulfur coal must be used. Because of the lower standard, not nearly as much local coal could be burned or mined. The latest action by the EPA reaffirms and makes permanent the June 24, 1980, proposal.

It is infuriating to once again be denied by the administration in office the kind of help that is desperately needed in our area and which is the kind of help the administration is fully capable of providing if they so chose. I cannot understand the insensitivity to our economic problems that both past and present Presidents have displayed, especially considering that the major problems we are experiencing are the direct result of excessive Government rules and regulations enforced by such bureaucracies as the EPA and Office of Surface Mining (OSM).

I have sent a strong letter to President Reagan informing him of the added decay to the local economy this decision will allow. The text of the letter to Mr. Reagan follows:

I have enclosed with this letter a copy of the July 22, 1981 Federal Register announcement by the U.S. Environmental Protection Agency pertaining to the emission standards for two plants of the Cleveland Electric Illuminating Company. The notice is self-explanatory.

By taking this action, the E.P.A., in conjunction with this Administration, is tightening the noose around the neck of Southeastern Ohio because of the large amounts of coal mined in this area and sent north to these two facilities. This portion of the state is already experiencing economic havoc as a result of these and other bureaucratic and overburdening rules and regulations. This latest action will only serve to allow further decay in the local economy.

During the 1980 campaign, Mr. President, you made strong and numerous statements regarding the need for increased coal production, reductions in government rules and regulations with particular emphasis on the E.P.A., and expressed a strong desire to put people back to work. This Federal Register announcement is contrary to every one of those goals.

The people of Southeastern Ohio who directly and indirectly depend on the coal mining industry, of which thousands upon thousands do, only stand to lose that much more as a result of this action. Can anyone blame them for being disillusioned and disgusted with their own government. As the people of this area's elected representative and you as the President, I believe we owe it to them to reverse this negative trend. I ask for your help in the future to achieve these goals.●

FARMERS HOME PROGRAMS MERIT SUPPORT

HON. PAUL SIMON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SIMON. Mr. Speaker, yesterday the House passed the Agriculture appropriations bill by an overwhelming margin. I supported the bill, but I would like to point out an area in which I think we should have done more. That is the Farmers Home Administration's rural development programs.

The Farmers Home Administration in Illinois has done an excellent job, within its means, in meeting the needs of small communities and rural areas in the State and, Mr. Speaker, those needs are great.

The funding level provided in the bill passed yesterday represents an improvement over the proposals submitted by the administration, but we are spending less than we should. I have taken the position that all areas of government must be willing to take some cuts. The restraint that the President has called for is needed. But where the gains are short range and there is long-range damage, in those areas cuts should be minimal. And the Farmers Home Administration programs fall into that category.

Let me focus for a moment on just one program—the rural water and waste disposal grant program. In one section of my district, and this is typical, fully 25 percent of the households are not served by a water system. That figure includes those living in communities served by municipal systems, so the percentage of those without water in rural areas is even higher than that.

In my district, the Farmers Home Administration has had sufficient funds to meet only half of the requests for assistance under the program. I am sad to say that we are losing the fight to bring essential services to the rural citizens of this Nation. The money we are providing for this program is barely enough to enable communities to make needed repairs and improvements on existing systems, let alone begin to provide service to those who are forced to haul water to drink from unsafe wells. And yet we have reduced funding for the water and sewer program by $50 million from this year's level.

The loan program is clearly not capable of doing the job by itself. Even with the existing 5-percent loan rate, 75-80 percent of the applications in my district also require grant funds if projects are to be built. The alternative is to require less well-to-do residents and senior citizens to pay unaffordable minimum water bills. Nearly 100 percent of the applications for new rural water systems and half of those for repairs and improvements need the maximum grant amount. And yet not only are we reducing this essential grant program, but I am now hearing about the disturbing possibility that the loan interest rate may be raised to 7 percent or even 10 percent. If that happens, I think it is safe to assume that there will be no new water systems built in southern Illinois and very few improvements made to existing systems.

In cutting this program, rather than expanding it, I think we are turning our back on rural America. We are denying a large and growing number of our citizens the right to basic services. And how, I would ask, can we expect that rural America will be able to participate in the economic growth we claim to be stimulating by so massively cutting this and other Federal programs, if we deny our rural residents and communities the physical infrastructure needed to attract business and industry?

I supported the appropriations bill because it is obviously better than the

alternatives that have been proposed, but I am disturbed that we are not doing more. Rural development programs are an investment in the future.

Let me add my appreciation for the appointment of Charles Shuman as the Administrator of the Farmers Home Administration. His work will be a credit to President Reagan, and to Secretary John Block. I have known Charles Shuman for some years and have always respected his solid, commonsense approach to problems. He will serve the Nation well in this capacity. What we in Congress must do is to make sure he has the resources needed to do the job.●

ECONOMIC COVERUP

HON. JIM MATTOX

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. MATTOX. Mr. Speaker, JACK KEMP said in a public meeting of the Budget Committee that "the Republican Party no longer worships at the altar of the balanced budget." Everybody knows that this is a 180-degree turnaround from what I thought was the most unmovable position. But apparently JACK KEMP was right.

The so-called economic recovery program of the President will cost the American taxpayers $132.5 billion in deficit spending from 1981 through 1985. There will be no balanced budget in 1982 or 1983 or 1984 or 1985. These are not my estimates or the House Budget Committee's estimates, but rather these are the estimates of the Republican administration's Department of Treasury. What is also hidden under this program is that there will have to be massive cuts in our social security program which take away the earned benefits of people who are working now in order to keep the deficit from skyrocketing out of sight.

This is not economic recovery. This is economic coverup. And the American working people are the ones who will pay the bill.●

EL SALVADOR MUST HAVE U.S. ARMS

HON. ROBERT K. DORNAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DORNAN of California. Mr. Speaker, some months ago, I inserted into the CONGRESSIONAL RECORD my report on El Salvador which was based upon my personal visit to that troubled country. I witnessed for myself the critical need for military assistance on the part of the Duarte government in order to combat what I have characterized as the most infamous gun-running operation in the history of the Western Hemisphere. This massive outside intervention on the part of the Soviet Union, Cuba, Nicaragua, and other Communist countries dramatically changed the nature of the struggle in El Salvador from an internal conflict to an international one with East-West dimensions. The Reagan administration has recognized the necessity of supplementing political and economic aid to El Salvador with military assistance so as to give the Duarte government a fighting chance against the well-armed band of revolutionary Marxist guerrillas.

The administration's balanced and reasonable approach has come under sharp criticism by former Secretary of State Cyrus Vance. However, in a letter to the editor of the Washington Star, June 30, 1981, Willard L. Beaulac, a retired Foreign Service officer and a former chargé d'affaires in El Salvador as well as Ambassador to five Latin American countries, has taken Mr. Vance to task and underscored the wisdom of the Reagan administration's balanced approach in El Salvador. I commend Mr. Beaulac's letter to my colleagues and to all concerned citizens:

[From the Washington Star, June 30, 1981]

EL SALVADOR MUST HAVE U.S. ARMS

(By William L. Beaulac)

On June 21, former Secretary of State Cyrus Vance, in a nationwide television broadcast, said that what El Salvador needs is not the military assistance the United States is extending to it but political, economic and social improvement.

That El Salvador needs that kind of improvement is a truism. Not only El Salvador needs it, every other Central American country needs it. The Salvadoran government itself wants that kind of improvement and is trying hard to bring it about.

Indeed, the Marxist-led guerrillas who are trying to overthrow the government also want it. But they and the Russian and Cuban governments which support them militarily define improvement differently from the way the Salvadoran government defines it and the way Mr. Vance would define it. And it is precisely for that reason that U.S. military assistance must continue.

If Central American governments are denied the means to counter international communism's effort to overthrow them by military and other means, not only El Salvador but Guatemala, Honduras and even that admirable democracy, Costa Rica, will be lost to communism. The opportunity to bring about true political, economic and social improvement will be postponed and possibly lost, and the domino theory, under whatever name, will have been validated.

Mr. Vance also demonstrated a disturbing lack of familiarity with Latin America, its people and its practices when he added that all Latin American governments support the view he expressed. Mexico does, in fact, support that view, and numerous politicians throughout Latin America also support it because supporting it is good politics. It enables them to live in the best of worlds so long as it lasts.

While they are profiting from United States willingness to prevent communist takeovers in Central America, they can simultaneously make political capital with leftists and nationalists in their own countries by charging that the "imperialistic" United States is "intervening" in Latin America.

The long-term effects on Latin American countries of that practice are lamentable, but short-term results for politicians are good and will continue to be good so long as there are persons such as Mr. Vance to give credibility to the charges against the United States.●

TURKISH TROOPS IN CYPRUS 7 YEARS

HON. CARDISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mrs. COLLINS of Illinois. Mr. Speaker, this summer marks the seventh year that Turkish troops have occupied Cyprus. The presence of these troops has caused countless damage to the thousands of Greek inhabitants. Their so-called sovereign state continues to be hampered by the control of 40 percent of the land by the Turkish occupational force.

When the Turkish army invaded Cyprus in 1974, they created 200,000 Greek refugees. The strain of resettling them has caused great economic hardship to the Cypriot Government. In addition the 40 percent of Cyprus that Turkey controls represents 70 percent of the economic wealth. With only 18 percent of the Cypriot population being Turkish this condition is wholly unjust.

The U.N. has tried numerous times to solve this continuing problem. Yet, there has been no progress. With their peacekeeping force in Cyprus, they have tried to keep the tensions between the two sides at a minimum. Yet this does not solve the problem. We must urge Turkey to relinquish their occupation and to give back the occupied land to its rightful owner. We must urge this administration to continue to push Turkey to return the land and allow the Greek refugees to return to their homes. This is not only a concern of the Greek and Turkish community, but affects the whole world. We must strive for peaceful relations, not violent acts as policy. I hope that the future will lend to improvement in this situation in Cyprus.●

INFLATION

HON. JACK FIELDS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. FIELDS. Mr. Speaker, those who have voted year after year in this

Chamber for a bigger and bigger—and increasingly expensive—Federal bureaucracy, have all too rarely considered the effects of their actions on their constituents. As we prepare to vote on the President's tax proposals, I think it would do us well to consider some of the Washington-induced problems our people face.

The biggest single cause of inflation is excessive Federal spending, brought on by a desire by Federal bureaucrats and others to overregulate our people and small businesses, and permitted by excessive Federal taxes that make much of that excessive spending possible.

But Ronald Reagan has looked beyond these problems to see a new, stronger America in which our people will not wear the shackles of excessive Federal regulation and will not labor under the burden of excessive Federal taxes. In that new, stronger America, our people will feel a new freedom to work harder and longer, keeping more of their own money.

Mr. Speaker, as we march toward this new, stronger America under the leadership of Ronald Reagan, let us never forget the problems and miseries created by those who served in this body earlier, who voted to spend billions of dollars without a thought, who voted to build great new bureaucratic empires, and who voted to condemn our people to a steadily declining standard of living. To help my colleagues remember that old world, I submit for the RECORD an excellent article by Jim Barlow which recently appeared in the Houston Chronicle:

INCOME OF AVERAGE HOUSTONIAN DECLINES 22 PERCENT DURING PAST 13 YEARS, AND TAXES TAKE A GREATER PART

(By Jim Barlow)

Inflation has dealt a devastating blow to the average Houstonian over the past 13 years, with his or her real income declining by 22 percent, a survey shows.

While the cost of living climbed 284.6 percent in Houston since 1967, the average per person income of Houstonians went up by only 214.5 percent.

Even while the real income of Houstonians has been dropping, they have been paying a greater total of their pay each year to the federal government in taxes.

In 1967, a family of four with one breadwinner making the average per capita income in Houston and taking the standard deduction would have paid 14.8 percent of their total pay in income taxes. In 1980, despite being worse off in real purchasing power, the same family would pay 26.1 percent of their total income in federal income taxes.

In 1967, a family of four with an average Houston income would have earned $12,668 a year, according to a U.S. Commerce Department survey. In 1981, the average family of four in Houston has a total income of $39,836 according to a survey by Urban Decisions Systems, Inc.

In 1967, our mythical wage earner paid 2.3 percent of income in Social Security taxes. In 1981, he will pay 5 percent of total income to Social Security.

If both husband and wife were working earning that average income, their tax load would be greater since both would pay Social Security taxes. Also, married couples who both work pay higher taxes than they would if both were single.

While the overall Houston Consumer Price Index was going up by 284.6 percent from 1967, the base year for that index, other costs here went up even faster.

The biggest increase came in the cost of home ownership, which soared 413.7 percent in the period.

A person who spend $25,000 in 1967 to buy a new home and pay other household costs would have to spend $128,425 today for the same value.

Renting an apartment only increased by 191.7 percent in the same period. But home ownership allows the owner to participate in the benefits of inflation, since he or she can usually expect to sell the home for much more than the investment.

The cost of meals in restaurants climbed 355.6 percent in the period with a $20 dinner for two increasing to $91.12. But telephone service for a private line with one telphone and unlimited local calls climbed only 60.2 percent in the same period, from $70.80 a year to $113.40. Compare that with the 260 percent rise in postage with 1967's 5-cent stamp selling today for 18 cents.

Groceries went up 274.7 percent over the 13 years. It took $374.70 to purchase the same groceries that would have cost $100 in 1967.

Here are how other goods and services have fared in Houston during this inflationary period:

Natural gas. Entex says a typical consumer paid $75.24 a year in 1967, and $299.76 today, up 298.4 percent. At the same time, average monthly residential consumption went up slightly, from 5.97 thousand cubic feet to 6.02 thousand cubic feet.

Electricity bills for the average Houstonian rose 388.7 percent with a yearly bill of $145.46 in 1967 and $710.95 today. Again, consumption rose over that period from 8.475 kilowatt hours to 14.219 kilowatt hours. Most of that increase came because of the increased use of air conditioning and kitchen and laundry appliances, says Steve Gonzales of Houston Lighting and Power.

Buying water from the city of Houston went up by just 72.4 percent with the average yearly residential cost climbing from $49.68 to $85.68. Dan Jones of the city Public Works Department, said average residential water use also climbed from 2,000 gallons a month to 6,000 gallons, mostly from a proliferation of dishwashers.

Household costs, including furniture, drapes, linens, appliances and upkeep, went up 234.5 percent with $100 worth of goods and services in 1967 costing $344.50 today.

Except for gasoline, transportation costs went up more slowly than the general cost of living over the 14-year period. The average price of a new car sold nationwide (no Houston figures are available) went up 135 percent. In 1967 the average new car, including accessories, tax, title and license, cost $3,200. In 1980, the last figures available, it was $7,520.

That means our Houston average consumer would have had to work just a bit over 13 weeks in 1967 to pay for a new car, but only 10 weeks in 1980.

There is no general inflation figure for airfares. Currently there are wide swings in prices between selected cities because of increased competition from deregulation of the airline industry.

One route, New York to Houston round trip, rose by 197.1 percent in the 1967-81 period. Delta Airlines charged $178.20 for the trip in 1967 and $529.52 today. Both figures exclude tax.

Bill Jackson of Delta said much of the increase is due to higher prices for jet fuel. In 1972, he said, Delta paid 11.5 cents a gallon for jet fuel. Today, the average cost is $1.05 to $1.06 per gallon.

Gasoline, fueled by the giant price hikes imposed by Organization of Petroleum Exporting Countries, shot up 354.8 percent. In 1967, the average price of a gallon of regular gas was 29.9 cents. Glenn Nilson of the Lone Star Service Station Association in Houston, said the average full-service price of regular is $1.36 a gallon.

Consumers of gasoline are marginally better off because most are getting more miles per gallon in their cars. Hal Rothenberg of the Motor Vehicle Manufacturers Association in Detroit, said in 1967, the average miles per gallon for all American cars sold was 14, while today it is 21 mpg.

Medical care was another big gainer in the inflation parade, going up 312 percent. Medical goods and services going for $100 in 1967, cost $412 today in Houston.

The cost of buying clothes and keeping them clean went up 224.4 percent while items of personal care like cosmetics and hair cuts rose 276.4 percent.

A night on the town which cost you $30 in 1967 would go for $97.11 today, up 223.7 percent. If you want to drink, buy it at the package store. Those goods only went up 220.9 percent.

The cost of living in Houston is still less then it is in most metropolitan areas of the country. The U.S. Bureau of Labor Statistics surveys annually to see what it costs an average family to live, with three classifications of lower, moderate and upper standards of living.

In 1976, for families on the lower standard of living, Houston ranked 35th cheapest in cost of living out of 40 urban areas. For the moderate and upper income standards. Houston was 39th out of 40.

In 1980, the same survey showed Houston ranked 23rd out of 25 urban areas surveyed in cost of living for all three standards of living.

One of the reasons for Houston's continued lower cost of living was the relatively light local and state tax burden, said Sharon Cohany of the bureau's Dallas office. In 1980, a Houston family on the moderate standard would have to spend just 93 percent of the U.S. average. But if Texas had the same average local tax load as other states, that family would be spending 98 percent of the U.S. average.

To see how you've done since 1967, merely multiply your salary that year by 3.846. (That figure includes the 284.6 percent inflation rate, plus your original salary). Compare the result with what you are actually making today.

Try not to cry.●

MINIMUM SOCIAL SECURITY BENEFITS

HON. DOUGLAS APPLEGATE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. APPLEGATE. Mr. Speaker, on July 21, 1981, the House of Representatives voted in favor of a nonbinding resolution to express its opinion that the $122 minimum monthly benefit, currently being received by about 2 million Americans, should be continued. I voted in favor of this resolution, and I want to go on record again of being totally against reducing social security benefits for current recipients.

As you know, a provision in the proposed fiscal year 1982 budget, presently in conference, calls for the elimination by April 1982 of the minimum monthly benefit for all individuals. The Reagan administration endorses the provision and it will become law unless action is taken by the budget conference committee to eliminate it.

Although both House and Senate versions of the fiscal year 1982 budget contain provisions to eliminate the $122 minimum monthly benefit, I believe the resolution passed by the House on July 21 sends a strong message to the conference committee that we believe it is crucial to continue this small degree of help to America's elderly. The minimum benefit goes to nearly 2 million elderly Americans, most of whom are very poor. Especially affected would be women over 70 years of age because for most of them, this $122 per month is their only income.

I doubt that any Member would disagree that the social security system needs some repair. But you cannot save a sinking ship by taking away the liferafts of those already in the water.●

THE DRUG ABUSE WORKSHOP FOR NEW YORK'S 26TH CONGRESSIONAL DISTRICT

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. GILMAN. Mr. Speaker, to help formulate a concerted community effort to prevent drug abuse and drug trafficking in New York's 26th Congressional District, approximately 150 leaders representing parents, teachers, students, school administrators, law enforcement officers, treatment specialists, business and labor officials participated in holding a drug abuse workshop at the Monroe-Woodbury Middle School in Central Valley, N.Y., on June 6, 1981, to discuss the problem of preventing and controlling drug abuse in our region.

Through the efforts of Joan Ball, president of the New York State Parents, Teachers Association; Mary Bianchini, representing the Business and Professional Women of Rockland County (N.Y.); Rev. Jansen Dederick, counselor of Pius XII Youth and Family Services (Outreach), in Haverstraw, N.Y.; Jonathan Eig, student at Spring Valley Senior High School; Georgine Hyde, New York State School Boards Association; Edward Meyer, Orange County district attorney; Dean Seifried, former board chairman of the Orange/Rockland Utilities Co; and Dr. Leo Wagner, principal of the Nyack Junior High School, we were able to form seven workshop panels focusing on drug abuse prevention, public awareness of the drug problem, citizen participation and short-range community projects to help prevent alcohol and drug abuse in our region.

Joan Ball led the panel on parents; Rev. Jansen Dederick, the panel on community leaders; George Doering, the panel on treatment and mental health; Jonathan Eig, the panel on students; Ed Meyer, the panel on law enforcement; Dean Seifried, the panel on business and labor; and Dr. Leo Wagner, the panel on education.

Dr. Robert Nible of the New York State Division of Substance Abuse Services delivered a dynamic keynote address entitled, "Your Health and Narcotics"; Sal Rubino, R.Ph., executive director of the New York State Pharmaceutical Society, discussed the role of congressional advisory committees with the workshop participants; and Anthony DiBenedetto, chief of the New York State Bureau of Drug Education, commented on the problems of drug abuse prevention with the Panel of Education.

Through the efforts of Julio Martinez, director of the New York State Division of Substance Abuse Services, and the gentleman from New York (Mr. ZEFERETTI), chairman of our House Narcotics Select Committee, Jim Noonan, Bob Bixler, Kathleen Coughlin and Elliott Brown provided staff support for the workshop.

At the conclusion of the drug-abuse workshop, we established a Congressional Advisory Committee on Drug Trafficking and Substance Abuse to help iron out the recommendations and to formulate a plan for their implementation.

Dean Seifried will serve as chairman of our advisory committee, which consists of the following leaders from our region: Elizabeth Ader, Virginia Aitken, Joan Ball, Roy Barfield, Marilyn Belchinsky, Barbara Bennett, Joel Berg, Mary Bianchini, Barbara Buckley, Ed Burbridge, Rev. Jansen Dederick, Dr. Patrick DiCaprio, George R. Doering, Jr., Jonathan Eig, Phyllis Eig, Edward A. Eisley, Diana Gilbert, Richard S. Gillette, Sharon Herstein, Leigh F. Hunt, Georgine Hyde, Judi Jaffee, Stuart Kalmanowitz, M. Claire Knapp, Irene C. Lee, Cleveland Lockett, John B. McCabe, Maryann McDonald, Lee Marino, Edward Meyer, Joseph F. Miele, Theresa Migli, Roberta Murphy, Barbara Mutino, Edith M. Nathan, Diane Nosworthy, Anne Nowicki, Father Daniel M. O'Hare, Steve Posnak, Margo Reilly, Paul Schrauer, Krista Schulte, Allen M. Seiss, Dr. Leo Wagner, Don Weber, Robert W. Weber and Claudia Wysocki.

Mr. Speaker, if we are going to win the war on drug abuse, it will require the thoughtful, dedicated assistance of many citizens at the local level. In that regard, I am inserting at this point in the RECORD the concerns, conclusions, and recommendations that were generated at our Central Valley drug abuse workshop and hope that it will be of some help to my colleagues in their efforts to help prevent and control drug abuse in their constituencies:

DRUG ABUSE WORKSHOP PANEL RECOMMENDATIONS

PANEL ON PARENTS

Concerns

Lack of parental involvement.

Need to reduce peer pressure which influences alcohol and drug abuse.

Lack of consistent law enforcement and the enforcement of the rules by school officials regarding the use of drugs.

Apathy by school officials.

Lack of parental recognition of children's drug abuse.

Classroom boredom.

Need for greater parent-school cooperation in combatting substance abuse.

Conclusions and recommendations

Need for a clear understanding by the parents regarding the school's authority to search lockers and students for drugs and to call parents about student drug abuse.

Need to educate parents and students at an early age regarding the dangers of drug abuse; courses to help students better understand themselves, their peers and their parents and for parents to better understand their children and the problems of peer pressure.

Parents must help parents become aware of the dangers of drug abuse and that there is no disgrace in having a child with a drug abuse problem.

Youngsters need to recognize that they can socialize without resorting to drugs.

Need to find ways for schools and parents to cooperate.

Need for consistent rules in the school and for youngsters to know and understand the rules regarding the use of alcohol and drugs.

PANEL ON COMMUNITY LEADERS

Concerns

How can community leaders combat public's drug abuse apathy?

How to economically establish teenage drug programs.

How to eliminate peer pressure.

How to cope with daily pressures and improve communications at home and abroad.

Conclusions and recommendations

Community leaders must work together to develop local drug programs that would help combat public apathy.

Need to develop communication skills for families and communities; to examine the role of peer pressure, self-esteem, decision making.

Develop drug education programs and workshops for the entire community.

Provide drug education programs for parents.

Need to revise jurisdictions of school districts that cross townships and townships that cross school districts.

Develop school programs that emphasize personal achievement rather than competition.

Programs to help parents help their children combat boredom and anxiety.

PANEL ON TREATMENT AND MENTAL HEALTH

Concerns

Proposed budgetary cuts in treatment and mental health.

Increased number of students in the grade schools who are resorting to drugs.

Lack of resources for treatment and mental health facilities.

Absence of adult role models.

Need for parent training in drug education and prevention.

Need for activities for students not interested in sports. Communities, service groups, churches, self-help groups, and clubs need to be involved in student activities.

Need for health insurance coverage in the treatment process for alcohol and drug abuse.

Expand corporate involvement in drug prevention.

The media's glamorization of the use of drugs.

Lack of understanding and need for more publicity of the chemical effects of drugs.

Student education should start in elementary grades.

Overprescription of drugs.

Need for positive prevention programs to coordinate school, family, churches, community, government agencies.

Urgent need to control influx of narcotics from foreign sources.

Need for public education regarding the dangers of drug abuse.

Conclusions and recommendations

Establish drug prevention programs at the grade school level.

Need more drug education funds to develop strategies involving the entire community and to provide a multi-disciplinary approach to the entire area of alcohol and drug abuse.

Establish programs to help parents be better parents.

Create better working relationships between government agencies.

Establish a data resource bank to inform citizens regarding drug problems and the resources available to deal with the problems.

Fulfill the need for more detoxification and treatment slots and the need for different kinds of treatment in residential settings.

More effective treatment facilities including better trained professional staffs, accountability, and follow-up programs.

PANEL ON STUDENTS

Concerns

Community involvement in the drug problem.

Stop the flow of drugs.

Realize that drugs do not solve problems.

Make the legal consequence of drug violations known to students.

More guidance from adults.

Make parents aware of all drug problems.

Commence drug education at earlier ages (ages 8-12) and include drug education in health classes.

Provide community activities to help relieve tension and boredom.

Mandatory drug therapy.

Conclusions and recommendations

Provide active drug awareness program in the elementary schools to educate students on the dangers of drug abuse when they are young and impressionable.

Establish student committees in the high schools to deal with social problems. Committees would meet with students to confidentially discuss their problems, to make recommendations to government officials and to send reports to news media, and others deemed appropriate by the committee.

Need for community centers where students participate in activities with their friends and away from the drug environment.

Provide speakers on the drug problem, especially former drug uses.

Teach alcohol and drug abuse in one unit.

Allocate funds for school activities.

Educate students on the short term effects of drugs.

Enforce law and provide strict punishments.

Teach immediate results of a drug usage.

Provide stiffer penalties for the drug dealer as compared to the drug user.

Reverse the socially acceptable status of drugs.

PANEL ON LAW ENFORCEMENT

Concerns

Panel discussion ranged from Marihuana smoking in the schools to the illicit importation of heroin and other dangerous drugs. The law enforcement community is frustrated by current budgetary cuts, which restrict efforts to enforce drug laws.

Conclusions and recommendations

Law enforcement officers should participate in drug education programs in the schools, especially at the elementary and junior high school levels.

Need a consistent approach to drug law enforcement by school leaders, parents, teachers, students, the police and the judicial system.

Create a countywide task force to establish a uniform plan for local control of drug abuse.

Federal funds to assist law enforcement.

PANEL ON BUSINESS AND LABOR

Concerns

Major problem confronting the business and labor communities is alcohol abuse, which creates loss of productivity, absenteeism and problems within the family.

Public and professional apathy toward substance abuse.

Conclusions and recommendations

Labor has been active in helping employees overcome alcohol and drug abuse through union-sponsored programs.

Management has not been active in recognizing the existence of drug-related problems and has not taken a firm stand to help resolve substance abuse problems.

Management needs to be more involved in preventing substance abuse.

Top management should take the lead and fight the war on alcohol and drug abuse within their companies.

Need for cooperation and understanding of the drug problem by management that also must be shared by front-line managers.

Management and labor need to be educated on detecting and treating substance abuse problems.

Cutbacks in drug funding programs will cause a crisis; the drug problem is growing not diminishing.

Federal and State funds are needed to help create programs staffed with trained professionals in addition to the need for better management of funds and programs.

PANEL ON EDUCATION

Concerns

Not enough time is devoted to substance abuse in the elementary grades.

There is too little public awareness regarding the licit and illicit drugs by parents, students and teachers.

Increased numbers of students at the junior high school level are resorting to alcohol and drugs.

There is a breakdown in parent-student-teacher communications.

Conclusions and Recommendations

A genuine commitment by the local boards of education to the new State K-12 drug education curriculum is needed; this should begin in the primary grades. State Government must be committed to the drug education curriculum by providing funds necessary to implement the program.

There should be a concentrated effort through television, newspapers, and scientific approaches to implement any support programs that will aid public awareness in educating and preventing drug abuse.

Require high school students to take a course in "Marriage and Parenting" that would include drug prevention, teenage pregnancies, single parenting families, child and drug abuse.

Need for allocating more funds for drug abuse prevention.●

RESULTS OF QUESTIONNAIRE ON CURRENT DEBATE ON TAX MEASURES

HON. WILLIAM M. BRODHEAD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. BRODHEAD. Mr. Speaker, the results of a questionnaire recently mailed to my constituents in the 17th Congressional District of Michigan pertain in part to the current debate on tax measures. I would like to share those results with my colleagues. They represent replies from more than 15,000 citizens.

RESULTS OF QUESTIONNAIRE

(1) In order to solve funding problems of the social security system, President Reagan has proposed reducing benefits in a series of steps from 42 percent to 38 percent of preretirement earnings. Do you favor this proposal?

Yes, 21 percent; no, 79 percent.

(2) Do you favor the President's plan to sharply reduce social security beneifts for those who choose early retirement at age 62?

Yes, 25 percent; no, 75 percent.

(3) The President has proposed a tax cut which provides greater percentages of re-

ductions for high-income taxpayers in order to encourage them to invest. Would you favor reworking this program to provide greater tax cuts for the average American family?

Yes, 73 percent; no, 27 percent.

(4) President Reagan has proposed doubling military spending over the next 5 years. Do you support this much of an increase?

Yes, 41 percent; no, 59 percent.●

CENTENNIAL TRIBUTE TO ATATURK—AN EXTRAORDINARY STATESMAN

HON. STEPHEN J. SOLARZ

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SOLARZ. Mr. Speaker, the celebration of the centennial of the birth of Kemal Atatürk began on May 19, 1981, and will continue for a full year. Numerous governments and individuals across the globe have already paid tribute to this extraordinary world statesman, and many more testimonials to his legendary achievements will surely follow during the remainder of the centennial year.

It seems to me entirely fitting that Atatürk's memory should be so honored. Perhaps once in a thousand years is such an individual born: A man of enormous intelligence, or incredible dedication, of unparalleled political brilliance. In short, a man who serves as an inspiration not only to Turks but to free men and women wherever they may be in the world.

I was recently privileged to be present at a meeting of the American Turkish Society, where Ambassador Talat Halman of the Republic of Turkey gave an insightful speech about Atatürk's legacy. I would like to share the text of this speech with my colleagues:

TEXT OF THE SPEECH GIVEN BY TALAT HALMAN

Your excellencies, Governor and Mrs. Carey, Mayor Koch, Congressman Solarz, Dr. Kissinger, Senator and Mrs. Javits, Senator and Mrs. Ribicoff, Chairman and Mme Ertegün, President and Mrs. Danisman, Distinguished Guests, Ladies and Gentleman:

If Atatürk, the founder of modern Turkey, were alive today, he would be immensely happy to see this dazzling gathering of Americans and Turks. He felt a special fondness for the American people: In a message to the American people (as quoted in the Congressional Record) in 1923, he said: "The great George Washington, foremost modern pioneer of liberty, who won independence for his country by driving out the foreign despots oppressing it, is the man whose example inspires and influences me most deeply." In a subsequent interview, he stressed the need for closer ties between the two nations, observing that "America is the oldest democracy in the West and ours is the youngest in the ancient world."

In 1933, on the tenth anniversary of the Turkish Republic, President Roosevelt sent him a message of congratulations, and praised his "outstanding success" and in reply Atatürk expressed "the assurance of my very sincere friendship."

Atatürk has occasionally been called "The George Washington of Turkey". *That* he was. But, according to Turks, he was also Jefferson and Lincoln, Franklin Delano Roosevelt and Truman, Eisenhower and Kennedy. Do you notice how this list is perfectly bi-partisan?

The American Turkish Society itself is non-partisan and non-political. I hope the distinguished American politicians and the top diplomats from all over the world at this Luncheon won't mind that I will give a very short non-political talk, that I will speak only about culture.

The Centennial of Atatürk's birth started on May 19th, 1981. It will end on May 19th, 1982. During the Year, in scores of countries—from Japan to Argentina, from Indonesia to England, from Hungary to Australia and all points in between—governments and universities and the media will pay tribute to an extraordinary world statesman.

Atatürk saved his nation from foreign invaders—and from the Sultans, from dynastic theocracy—and created a modern progressive Republic. Then, he launched a broad spectrum of reforms the likes of which have not been seen elsewhere. The legislators and lawyers here may shudder at the fact that, for instance, Turkey's legal and political system was overhauled in its entirety. Atatürk made education and all branches of the government secular. To invoke an analogy from the United States today, he led the moral majority into secular humanism.

He liberated us men from the fez with the funny tassel on top, and brought the women out from behind the veil.

He was a one-man Women's Lib. "Everything we see on the face of the earth," he said, "is the creative work of women,"—and he proceeded to give Turkish Women their equal rights and opportunities. Once, he talked about the natural superiority of women. He had good reason to. Because he knew that, in the 6th, 7th, 8th centuries, there had been Turkish female heroes and commanders and rulers. Also, Ottoman women poets who had proudly asserted their greatness: About five hundred years prior to Kate Millett and Gloria Steinem, our Mihri, a very naughty Ottoman lady, a truly liberated woman, wrote:

Since, they say, woman has no brain or wit,
Whatever she may speak, they forgive it.
But your humble servant Mihri demurs,
And states with that mature wisdom of hers:
Far better to have one woman with class
Than a thousand men all of whom are crass.
I would take one women with acumen
Over a thousand muddle-hearted men.

Atatürk had the right idea. In 1935—when even French and Swiss women had no political rights and when not many American women had yet been elected to Congress, Turkey's Parliament could boast of 18 women members, one of whom actually came from a poor village. Turkey also had, that year, the world's first woman Supreme Court Justice. Since then, we have had women cabinet members and university presidents—and innumerable doctors, lawyers, architects, authors, scientists and professors of "the fair sex". We have yet to find a Barbara Walters. That is not easy. It is a huge challenge. But sooner or later we shall have our own Barbara Walters.

The Turkish Women's Lib has achieved such glorious success that, in the 21st century, it may be necessary for men to start their own Liberation Movement.

Another remarkable success is the Language Revolution that Atatürk launched more than fifty years ago. Consider the extent of the transformation: Imagine, as Americans, having to change from your own script to the Arabic script within six months. Imagine having to write from right to left after you have been writing all your life from left to right. And the vocabulary changes: Assume that you must suddenly say "Mishkelap" instead of "Good morning" or "loomeray" instead of "happiness". That is what happened in Turkey. A Latin alphabet replaced the Arabic script overnight. And thousands of common words gave way to new coinages. Only a genius like Atatürk could have accomplished such a feat.

Atatürk was a champion of human rights, and a benefactor to minorities. In his Republic, all minorities were, as they still are, free to have their own schools, churches and synagogues, their own cultural life. And they were free—as they are today—to participate in any and all segments of Turkish society. In the 1930s, when Jewish professors in Nazi Germany were requesting asylum in other countries and many of them were being turned down for fear of causing Hitler's ire, Atatürk—with admirable courage and without any hesitation at all—granted them asylum. Scores of them came to the Universities of Istanbul and Ankara where they were given the top professorial positions at the highest salaries. They and their families led a happy and constructive life in Turkey. Back in the fifteenth century when the Jews of Spain were leaving at the time of the Inquisition, it was the Ottoman Sultan who gave haven to them although all other countries were rejecting them. These are facts of history and human stories that are crying out be written. Who knows, maybe some day a newspaper or a book publisher or a documentary producer will take up these espisodes of humanitarian concern.

Atatürk was and still stands as a major world statesman. He was a pioneer of national liberation movements—and a model for new leaders. He expressed his faith in "Peace at home, Peace in the world." He believed in harmony and cooperation among nations. "Peace," he said, "is the most effective way for nations to attain prosperity and happiness." He gave voice to his hope—"Citizens of the world should be educated in such a way that they shall no longer feel envy, avarice, and vengefulness."

In 1930, Venizelos and Atatürk signed the Greek-Turkish Treaty, and even talked of their vision of the eventual establishment of a Turco-Hellenic Federation.

No wonder Turkey became the first and only country to be invited by the League of Nations to become a full-fledged member. When Atatürk died, the League called him "a genius peacemaker."

UNESCO has declared 1981 as "The Atatürk Year". Its General Assembly passed a unanimous resolution which pays tribute to him as "the remarkable promoter of the sense of understanding between peoples and durable peace between the nations of the world . . . he worked all his life for the development of harmony and cooperation between peoples of color, religion and race."

The United Nations will offer a wide range of cultural activities to observe the Atatürk Centennial—and Secretary General His Excellency Kurt Waldheim will receive from our Foreign Minister His Excellency Ilter Türkmen "The Atatürk Award to the

United Nations" at a special ceremony at the UN during the coming General Assembly Session.

In April, the White House issued a Statement which states, in part, "Atatürk was a great national leader in times of war and peace . . . For Turkey and its people, the Atatürk Centennial is as important an event as the 1976 Bicentennial was for us."

Now, let me do some apple-polishing for the Big Apple. The Mayors of San Francisco, Chicago, and Pittsburgh have issued Proclamations—and we are grateful to all of them. Even the much smaller city of Poughkeepsie whose mayor is of Greek origin has issued one, too—and we would like to express our gratitude to him.

The most important Proclamation, of course, came from New York, America's first city and the world's business, financial and cultural capital. They say New York is the world's most important city—second only to Istanbul. Is that true? We are truly and profoundly grateful to Mayor Koch for the eloquent Proclamation he issued making May 19th "Atatürk Day" in New York City. His Proclamation describes Atatürk as "one of this century's most inspiring leaders" and praises his "many principles which represent the best ideals of humanity in our times, including equal rights for women, free education, secular administration, social justice, freedom, dignity and equal opportunity for every person."

The Turkish community and the American friends of Turkey are very happy about the Proclamation. If Mayor Koch were to put to them his famous question, already an American classic, "How am I doin'?", I am sure they would reply in unison: "Mr. Mayor, you're doin' great. Mr. Mayor, you're the greatest."

It is interesting that, as if to thank him in kind, we have invited to this Luncheon two of Turkey's most prominent businessmen one of whom—not incidentally—happens to be Koç and the other Koçman. In a sense, since May 19th, the Turks in and around New York are all Kochmen and Kochwomen.

We are also grateful to Governor Carey who has graced us with his presence for the second year in a row, and to Congressman Solarz, who is here for the first time. Congressman Solarz is a true friend of Turkey and a bulwark of U.S.-Turkish relations.

All this is part and parcel of the abiding friendship between Americans and Turks. We have been staunch allies for more than 35 years now. In Korea we have fought together. In the 1950s, the U.S. press was full of stories about Turkish soldiers who gave their lives trying to save American lives.

America was an ideal for many Turks after World War II. In the 1950s, a Turkish Prime Minister said in a speech: "We shall turn Turkey into a Little America." When things were beginning to go wrong in the States in the 1960s, a Turkish humorist said: "Now America is turning into a Big Turkey."

We have so much in common. Take slow bureaucracy. The word for slow in Turkish is "Yavash" . . . To express it with a bit of exaggeration we often say "Yavash yavash" meaning slowly and slowly. The Americans who were working in Ankara in the 1950s observed its similarity to Washington and started calling the Turkish capitol "Yawashington".

We idolize your movie stars. When the Queen of England Elizabeth II came to Turkey in 1971 on a state visit, a provincial newspaper ran an eight-column banner headline: "Queen of England Elizabeth Taylor Arrives". We lap up your TV series. When "Dallas" was shown on Turkish TV, Istanbul and Ankara streets were utterly deserted week after week.

Atatürk had admired George Washington, enjoyed the company of U.S. ambassadors, struck up a stimulating friendship with General MacArthur in the early 1930s when the two of them accurately predicted the course of events before, during and after World War II. I am sure that if he were alive today, he would have held Dr. Kissinger in high esteem, because he admired intelligence, knowledge and wit.

Above all, Atatürk felt deep admiration for America's achievements, for the American spirit of enterprise and creativity. I do hope that, in the Atatürk Centennial, Americans will once again remember Atatürk's own achievements. I do hope America will take note of his aspirations for Turkey's progress and for a dignified and mutually beneficial solidarity between Americans and Turks as true friends.●

VIGIL FOR ABBA TARATUTA

HON. CLAUDE PEPPER

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. PEPPER. Mr. Speaker, it pains me to stand before you, once again, to remember, like a bleeding ulcer, the plight of human beings caged in a country they would like to leave, prohibited from going to a country that is eager to accept them and even beaten, jailed, or treated as insane for voicing their thoughts in nonviolent, normal ways.

What free human beings consider normal is obviously considered insane in the Soviet Union. There, the Government expects the people on pain of punishment to work at a job deemed suitable by bureaucrats, to live in a place prescribed by bureaucrats, to forego travel opposed by the Government, to think in ways approved by the Government, to read material approved by the Government, not to read materials opposed by the Government, and to have religious faiths as ordered by the Government. Here is a Government which has successfully denied itself by denying the people it purports to govern. People who cannot express themselves freely will have a government chained in deed as well as in thinking to the granite of human resentment and regret.

Abba Taratuta, my adopted Soviet refusenik, has suffered with his family in this abominable way since 1973, when he applied for emigration from the Soviet Union. As a mathematician, he was denied on grounds of security and his family and he had been badly treated by being denied education, commensurate jobs, and the freedom to leave and build a new life out of the shambles of their life in the Soviet Union. What a country which treats its people thus. It is my fervent hope that Abba and his family will soon be allowed to emigrate.●

A DEVASTATING COURT OPINION

HON. WILLIAM (BILL) CLAY

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. CLAY. Mr. Speaker, the Supreme Court in its June opinion involving Phillip Agee seriously tampered with the first amendment. Of course the former CIA agent was wrong in exposing employees of the Central Intelligence Agency to great harm by printing their names and distributing them in foreign countries. But for the Court to rule that the Secretary of State has the power to deny a passport to anyone he determines "might do serious damage to our national security or American foreign policy" is stretching the equation a bit too much. That language gives carte blanche license to any Secretary who may wish to stifle dissent or curtail criticism.

The decision went entirely too far. It used a sledge hammer to flatten Phillip Agee when a mallet would have been sufficient. Just imagine what the Secretary of State under President Johnson or Richard Nixon could have done to stop reporters and newsmen from reporting on the atrocities in Southeast Asia—simply revoke their passport. Giving such broad powers to the Secretary to determine who constitutes "serious damage to the national security or to American foreign policy" is an infringement on the right of free speech. It smacks of McCarthyism and makes legal what the Government did illegally during the heyday of the infamous Senator from Wisconsin.

Hundreds of American citizens were illegally denied passports because Senator Joseph McCarthy believed they were part of a worldwide Communist conspiracy to overthrow our Government. An excellent case in point is the treatment of Paul Robeson. He was everything that all red-blooded American youth are taught to aspire. He was an all-American football player in college; premiere actor, singer, producer, orator. He was an intellectual who was admired, almost deified around the world. He spoke seven languages fluently. But his political philosphy and his socialistic endeavors rankled the Senator from Wisconsin. Therefore, he became persona non grata in this country and the State Department refused to grant him a passport. Thus he was placed in a position of not being able to share his marvelous talents with those outside our country and in the process denied the right to earn a living inside.

Paul Robeson was in such demand as an artist that during the McCarthy era he staged a performance on the Canadian-United States border; 25,000 Canadians stood while he entertained them without setting foot outside of the "land of the free and the home of the brave."

The seven Supreme Court Justices who supported the Agee decision rendered an injustice to those who honor and cherish the first amendment. The Congress of the United States should "with all deliberate speed" rectify this travesty. Nothing in the Bill of Rights or the Constitution is more meaningful than the guarantee of free speech and travel.●

FORGOTTEN WIDOWS

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DYSON. Mr. Speaker, today I am introducing legislation to remove one of the tragic inequities from the military retirement survivor benefit plan. My bill would provide an annuity for military widows whose husbands died in retirement after 20 to 40 years of service and before the first survivor benefit plan (SBP) was passed by the Congress on September 21, 1972. When the 92d Congress passed the survivor benefit plan it was hailed as "one of the most important pieces of legislation ever introduced for military personnel." In nearly every instance that assessment is still valid today.

When a member of the Armed Forces retires, many changes occur in his or her circumstances, but none as dramatic as those in the benefits available to the family in the event of death. All benefits which the survivors would receive, with the exception of social security, are either lost or are at best in question. This is because of the status change from active duty to retirement. Dependency and indemnity compensation (DIC), paid by the Veterans' Administration in the event of an active duty death and based on the pay grade of the deceased, will not be paid in retirement unless the cause of death can be attributed to military service. Death in retirement occurs far more frequently from nonservice connected causes; hence, there is no payment made to the surviving spouse and children from the VA.

The problem compounds itself for the surviving spouse as her last child attains age 18 when social security payments to the surviving spouse are suspended until she is at least age 60. Therefore, if the death is nonservice connected and the last child is age 18 when the surviving spouse is in the age range of 45 to 55, there would be no money coming from any Government source until age 60 or later.

The above situation is one in which many widows find themselves today, creating the class distinction of forgotten widows. Tragically, the Congress never seriously addressed the plight of these widows who virtually have no one to turn to but this body. Consequently, I am introducing legislation which will provide an SBP annuity for these widows, equal to 55 percent of their deceased husband's retired pay at time of death, which in most cases was very low compared to present pay scales. It is estimated that there are less than 40,000 of these pre-1972 widows, most of whom are between 60 to 90 years of age.

These military widows are victims of long war periods with low pay, many of whom are existing in poverty. They spent most of their lives in a military transient status. As captives of these circumstances many are minimum income widows who are in dire straits due to runaway inflation. These widows of military personnel had little or no opportunity to enter the work force during their marriages. The transient life did not lend itself to a second career in the family; thus, the military wife could not build up either social security or any other type of retirement plan for herself. Moreover, in a similar but less constraining situation a precedent was established for civil service widows. The civil service survivor benefit plan was passed in 1948. In 1958 it was made retroactive to include all pre-1948 widows. This was fine; however, the military SBP was not passed until 1972, and it was not made retroactive which created an inequity that was discriminatory.

It is encouraging to note that some of the forgotten widows were provided for in Public Law 96-402. In an effort to help some, the widows of retirement-eligible—20 years or more of military service—servicemen who died on active duty before September 21, 1972, were brought under SBP, since widows whose husbands died on active duty after that date were included in the original SBP law in 1972. Consequently, the SBP was made retroactive for some widows, but not for all of them.

This action by the Congress eliminated one inequity, but it left the other forgotten widows without help. The widows of retired servicemen who died before September 21, 1972, were not included in the SBP bill when it passed. Living retirees, even though they had previously not elected any sort of annuity initially for their surviving spouses, were accorded an open period in which to take advantage of the new SBP. The widows had no such option. Their retired servicemen were dead. This seems sadly inconsistent within the spirit of that law when widows whose retired husbands lived long enough after September 21, 1972, to make that election, and those whose husbands—because of fate—were unable to do the same.

These forgotten widows have been left to the mercy of the Congress. They do not have a strong voice in our country. And, clearly, the time has come for this body to acknowledge the tremendous contributions of these women and to act favorably and with compassion on this vital legislation.●

GUNS AND BUTTER—THE TAXPAYERS' NIGHTMARE

HON. DONALD J. PEASE

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. PEASE. Mr. Speaker, I read the July 17 Washington letter of the National Farmers Union with great interest.

It appears that the Farmers Union Milk Marketing Cooperative is unhappy about the reluctance of Secretary of State Haig to sell surplus butter to New Zealand. Secretary Haig is concerned that the butter would be resold to the Soviet Union at world market prices or even below the current market price. As I have pointed out several times in the past, the sale of this butter on the world market is equivalent to the U.S. Government giving a Federal subsidy to the Soviet Union.

We have spent several of the last few weeks discussing how to spend hundreds of billions of dollars for the defense of our country and those of our allies against the threat of Soviet strength and influence. The reality of this threat is being demonstrated in Afghanistan every day. A potential subsidy of any kind to the Soviet Union is unthinkable.

In order to increase the strength of our national defense, we have called upon all Americans to sacrifice. We have reduced or eliminated many vital social programs. To expect the American people to support our national defense and the Soviet Union is just not rational.

This is not to suggest that the butter and other surplus dairy products be left to rot in storage. This would be a further waste of money, not to mention the storage costs involved; over $25 million in the last 2 years. The Agriculture Act of 1980 provided for food bank demonstration projects. These projects could be the simple solution to a complex problem: the disposal of surplus dairy products and getting food to the poor and needy people of America.

The Department of Agriculture has been painfully slow in its progress on this project. But finally, the Federal Register has just published the regulations for application for participation in the program. Hopefully, the De-

partment of Agriculture will move more expeditiously toward implementing of these projects.

The Farmers Union Milk Marketing Cooperative is asking for a signal from the administration. I trust that signal will be that we will not, under any circumstances, ask American taxpayers to subsidize the Soviet Union.●

TOWARD PERMANENT TAX REDUCTION

HON. DAVID F. EMERY

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. EMERY. Mr. Speaker, tomorrow morning, the House of Representatives is scheduled to consider the 1981 Tax Incentive Act as well as the Conable-Hance bipartisan substitute endorsed last night by President Reagan in his straightforward address to the Nation. The positive public response to the President's speech has been overwhelming with telephone calls to my Maine district offices running 2 to 1 in favor of the bipartisan substitute. The debate on H.R. 4242 and the bipartisan alternative may be, in short, the single most important legislative activity of the 97th Congress. The votes we cast tomorrow will shape economic activity in the United States for the next decade.

The differences between these two approaches to reducing taxes are clear; the philosophies inherent in their designs distinct. Conable-Hance provides a guaranteed, 3-year, 25-percent personal income tax cut which will provide greater relief to individuals in all income brackets than will the committee bill. The third-year tax cut included in the Ways and Means Committee bill is triggered only if the economy meets specific performance goals. The irony of the situation is that those economic assumptions were devised by the administration based on the consumption, investment, and savings patterns which would follow passage of a long-term, minimum, 3-year tax reduction. The short-term, shortsighted 15-percent cut included in the committee bill effectively insures a substantial tax increase for Americans in 1983 and thereafter.

In addition to giving taxpayers a cut whose percentage and duration will allow all wage earners to plan ahead, add to their savings, or invest in the market over the next 3 years, the Conable-Hance bipartisan substitute includes an income tax indexing provision similar to that approved by the Senate, but not found in the Ways and Means Committee bill. The indexing provisions slated to begin in 1985 will all but end the "bracket creep" which pushes wage earners into higher tax brackets during inflationary periods and robs them of all hard-earned salary increases. Equally important, with the adoption of indexing, Congress will be forced to act explicitly to raise taxes. No longer will the Federal Government have the luxury of an inflation-induced tax windfall to finance unnecessary, wasteful but politically-expedient Government support programs. For once, the taxpayer will have some protection as well as the first genuine guarantee of permanent tax relief he or she has ever received.

Taken together, the 3-year tax cut, coupled with the institution of indexing, set the Conable-Hance bipartisan substitute apart from the Ways and Means Committee alternative. On the basis of personal tax cuts alone, the bipartisan package should be expediently adopted. However, there are other differences between the two approaches to economic policy which enhance the bipartisan substitute's stature as the strongest, most viable path to economic recovery.

Conable-Hance utilizes the 10-5-3 rapid depreciation system included in the original Capital Cost Recovery Act and cosponsored by over 260 Members of this House. The legislation is specifically designed to provide all categories of business with the ready capital they desperately need to expand operations, create new jobs, and increase productivity. It is precisely this type of tax cut, in combination with the scaled back rates for businesses making less than $50,000 in profits, which will prove invaluable to all job-creating enterprises in this country.

In contrast, the business tax provisions in H.R. 4242, the Ways and Means Committee bill, are designed to give large corporations the lion's share of tax cuts as a result of a 7-year phased reduction in the maximum corporate tax rate from 46 percent to 34 percent by 1987. Additionally, by creating a new aid for distressed industries program, the committee bill gives a blanket refund option to all businesses falling under the broad category of distressed industry. Undoubtedly, the domestic auto, steel, mining, and airline industries are suffering, but there are a number of healthy companies included within the industry captions. At the very least, guidelines should be imposed insuring that only substantially distressed companies rather than entire industries receive tax concessions.

The differences between the business provisions in the Ways and Means Committee bill and Conable-Hance can be succinctly summarized. While the committee bill provides a generous slice of tax relief to large corporations and distressed industries, the bipartisan substitute more carefully targets the bulk of tax relief to that sector of the economy responsible for two out of every three new jobs: small and growing business. Additionally, the bipartisan substitute's long-term reductions in personal cuts will assist the literally millions of "mom and pop" operations which use the standard 1040 form. The Ways and Means Committee bill provides only 2 years of guaranteed relief for these businesses. Right now, the bulk of tax cuts should be going to those sectors of the economy where the bulk of new jobs are actually created and in Conable-Hance that is precisely what we will get.

At this juncture, passage of the Conable-Hance bipartisan tax package must be our first priority and, given our record to date and the successful approval of over $37 billion in budget cuts, I am confident that Congress will ultimately deliver a tax bill to the White House designed to encourage the investment and personal savings necessary to put our economy squarely on the road to recovery.●

SEVENTH YEAR OF TURKISH OCCUPATION OF CYPRUS

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 21, 1981

● Mr. LANTOS. Mr. Speaker, this month marks the seventh anniversary of the stormy Turkish invasion of Cyprus. Thirty thousand Turkish troops form a menacing army of occupation on Cypriot soil. Minimal progress has been made in resolving this untenable crisis which has devastated the lives of hundreds of thousands of Cypriot people. Efforts to achieve representative self-government on Cyprus are at a standstill.

Turkish forces currently occupy 40 percent of the land on Cyprus and control 70 percent of the island's vital resources. Two hundred thousand Greek Cypriots have fled to the more populous south, where they remain refugees in their own homeland. Eight thousand people still live in tents. Two thousand Greek Cypriots—and eight Americans—remain yet unaccounted for.

The United States has both a moral and a strategic obligation to press for a swift, equitable agreement for self-government on Cyprus. America—as a nation built upon the ideal of individual rights and self-government for all citizens—cannot allow this flagrant violation of Cypriot national sovereignty to continue. As a nation committed to international stability and mutual cooperation, we must pursue all avenues to promote peaceful democratic self-determination in this critically strategic location at the crossroads of the Mediterranean.

I commend President Reagan and Secretary of State Haig for making the concerns of the Cypriot people a priority on their international agenda.

I call upon this administration to intensify its efforts to achieve a just and lasting resolution to this devastating effrontery of international justice. The United States cannot—and will not—tolerate a Turkish army of occupation in the homeland of the Cypriot people.●

THE IMPACT OF REAGAN'S CUTS IN YOUTH JOBS PROGRAMS

HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. VENTO. Mr. Speaker, the first impact of the Reagan budget cuts are beginning to emerge in our communities. Ron Finnegan, a program director in the St. Paul public schools, is close to the action. In the following article from the St. Paul Dispatch of July 27, 1981, he relates the practical impact of the Reagan policy on the kids and on our community:

FUND CUT WILL END JOB TRAINING FOR CITY YOUTHS

(By Denise Johnson)

About 180 St. Paul young persons now working and attending school on a special earn-and-learn program will get their last paycheck Friday—even though they expected to be working for another two months.

The students will lose their jobs because federal funds, allocated last year for this summer's project, have been cut off.

City authorities were recently notified that the Youth Employment and Training Program will be terminated and will not receive the remaining $51,000 that was allocated for this fiscal year. Students who were supposed to work until the end of September will be out of work at the end of this month.

Program directors say that because of anticipated additional federal budget cuts they expect another 150 youths to lose their jobs by the end of September, including about 90 Indochinese youngsters who are being trained as language tutors.

The training program and several other youth work-study programs for economically disadvantaged people between the ages of 14 and 21 are administered by the St. Paul School District through its Center for Youth Employment and Training. Funds for the program come from the federal government through the Comprehensive Employment and Training Act—often referred to as CETA—and are channeled to the School District by the city's Manpower office.

The purpose of the program is to provide part-time jobs for economically disadvantaged youths who have dropped out of school. They also are encouraged to set up a program for returning to school, which can include a General Educational Development degree program, attending night school or going back to a traditional school. Program participants are placed in minimum-wage jobs that often are related to the student's educational goals.

Ron Finnegan, program director, said the training program and its predecessor, the Neighborhood Youth Corps, have provided a valuable service to the community by keeping kids out of trouble and helping young people become viable contributors to the economy.

"We're putting kids out of work two months early. The private sector is not in any position to pick them up," Finnegan said, "Our kids come from low-income families, some have children and are supporting themselves. They don't have many (financial) options.

"Kids that are not working are going to find some other way to make money," he added, explaining that some students could resort to criminal activity or the welfare system.

Five youth-oriented, federally funded job programs, including the youth training program, are operated out of the school district's Center for Youth Employment and Training, and it is expected that two other projects will be terminated at the end of September. The Indochinese youth training program, and the Youth Community Conservation Improvement Program also will be disbanded if further budget reductions recommended by President Reagan are approved.

"It really hurts me, because out program works," said Finnegan, explaining that he has been working in St. Paul job-study programs since 1965. "If they (the Reagan administration) are basing decisions on other projects nationally that haven't been successful, we shouldn't be penalized for it."

Finnegan said the St. Paul center serves about 2,000 students a year, many of whom go on to complete their high school educations.

"There are many young people in St. Paul today who have damn good jobs who were our students," Finnegan said. "In fact, one of the people we will have to lay off has been with us for 12 years. He started in this program while in high school, later went to college and then came to work here in 1976."

Also as a result of the budget cutbacks, Finnegan will have to reduce his staff from 23 to about 10 within the next several months.

Jacquie Shabolm, a former Neighborhood Youth Corps student, is now a city Manpower planner and works on youth programs. She says the federal budget cuts could result in a "dramatic increase in teen-age unemployment and the accompanying antisocial behavior."

"My concern is that we don't have a comprehensive view of all the cuts. Those are only the CETA reductions. What about the cuts in the Department of Education and other areas that will affect kids?"

Readus Fletcher, assistant Manpower director, said he considers the reductions a "giant step backwards."

"These kids do not have economic viability," he said. "What is happening in England right now is a result of young people in that same situation. I believe we are going to see a lot of frustration like we did in the late 1960s and early 1970s—with the same results."●

THE DEMOCRATS' TAX CUT PLAN

HON. JAMES V. HANSEN

OF UTAH

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. HANSEN of Utah. Mr. Speaker, as this tax debate rages on, Members on the Democratic side of the aisle insist on claiming that the O'Neill-Rostenkowski proposal will give more tax relief to those earning below $50,000.

Well, the Congressional Research Service has just completed a study which casts grave doubts on that Democratic claim. The CRS study shows that if a third year of tax cuts goes into effect, the cutoff point for relief is not $50,000, but rather $35,000; and of course if there is no third-year tax cut—which is highly likely if O'Neill-Rostenkowski passes—all Americans, including those earning less than $50,000, will pay much more in taxes under that 2-year 15-percent plan than under President Reagan's 3-year, 25-percent tax cut.

In reality, the O'Neill-Rostenkowski plan will increase taxes for all levels of wage earners, because, taxes, driven by inflation, will increase by 22 percent over the next 3 years. Therefore, under the 15-percent Rostenkowski plan, the American taxpayer will pay an average of 7 percent more in Federal taxes in 1984. Under President Reagan's 25-percent tax cut, American taxpayers will receive an average 3-percent tax break.

So, at the end of the 1984 tax season, the tax score will either be minus 7 or plus 3 for the beleaguered American taxpayer. Which will it be?●

TAX CUT LEGISLATION

HON. SAM GEJDENSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. GEJDENSON. Mr. Speaker, the House of Representatives will soon consider the biggest tax cut in history. I have stated publicly on many occasions that I support cuts to relieve the effects of inflation on American wage-earners, to correct inequities in the Tax Code, and to encourage business investment and increased productivity. I have cosponsored a number of measures which are consistent with my views. My goals in addressing my colleagues today are to reaffirm my support for tax cuts and to state the objectives which I feel the reforms should reflect.

Before I can endorse any tax plan, I have to look at the issues of who will benefit most and whether the changes will be effective in producing economic results.

A major tax cut proposal must be subject to careful scrutiny for fairness. Rather than working for a strictly across-the-board cut in income taxation, I favor reductions which focus on low- and middle-income wage earners. I believe that any tax cut which shortchanges working Americans is unfair. Yet President Reagan first pro-

posed a 3-year, straight cut which offered 30 percent of its benefits to families with incomes of over $60,000—a group which files only 4.4 percent of all tax returns. If his plan were to be adopted and fully phased in by 1984, a family earning over $100,000 would experience a 10.5-percent increase in disposable income, as opposed to a 1.1-percent bonus to the family living on $10,000.

In the question of effectiveness, I feel it is wrong to commit billions of dollars in tax cuts for the next 3 years while we continue to have strong doubts that the promised economic results will be produced. The goals of a tax cut are twofold: To relieve the tax burden on the American consumer and to encourage savings and investment in the private sector. All we know is that lower marginal tax rates will give people more money to spend. What we do not know is where—and how much—people will save and invest. I do not support efforts to spread tax cuts around without first considering where the help is needed and where it will do the most good. The program cannot be effective unless efforts and relief are targeted.

I believe that reform must be directed at most Americans, not at the small percentage of wealthy families, and must be designed to increase incentives to work and save. To help our Nation achieve these goals, I have:

Cosponsored a bill which would totally exempt from Federal income taxation the first $1,000 ($2,000 on joint returns) earned on deposits in savings institutions;

Cosponsored legislation to expand the individual retirement account concept so that more people can take advantage of this tax-sheltered plan;

Cosponsored a bill to offset the marriage tax penalty, an inequity which has become more acute as the number of two-earner families has increased;

Endorsed the idea of widening tax brackets for people earning under $50,000, since these individuals are most adversely affected by the "taxflation" which occurs when their cost-of-living raises simply push them into higher brackets;

Cosponsored legislation to permit tax-free savings certificates which would provide more funds for mortgages;

Supported some type of reduction in marginal tax rates, but with reductions targeted to the $15,000 to $50,000 income classes.

If properly implemented, a tax cut plan can give families the help they need in these days of high inflation while encouraging savings and investments so that businesses have more capital upon which to build. I intend to do all I can to see that the upcoming debate—and the Internal Revenue Code changes which emerge from it—are consistent with these goals.●

CHIKARA HIGASHI

HON. WILLIAM M. BRODHEAD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. BRODHEAD. Mr. Speaker, in the course of my work on United States-Japanese trade problems, it has been a pleasure to become acquainted with Mr. Chikara Higashi, a distinguished official of Japan's Ministry of Finance. Mr. Higashi has been serving as a visiting scholar at the Brookings Institution and finishing his doctoral degree in business administration at George Washington University.

Now, Mr. Higashi is returning to Japan to resume his responsibilities at the Ministry of Finance. I would like to share with my colleagues some insights into this excellent civil servant and ask them to join me in wishing him well in his important work in Japan.

Besides being a man of great warmth and charm, Chikara has a remarkable intellect and tireless energy. He has used these talents to become an expert on the politics and economics of the United States and to help us to understand the policies of his own country. His advice and guidance have been invaluable to me and to many others in our attempts to understand the Japanese viewpoint and work toward mutual solution of our problems. He has become a cross-cultural man, serving as a conduit for the two-way communication which is so vital to good intergovernmental cooperation.

As he leaves Washington, Chikara leaves behind a great many good friends both in and out of government. I am proud to be one of them and I know that he will continue to work for the cause of international friendship and understanding.●

RESOLUTIONS IN OBSERVANCE OF CAPTIVE NATIONS WEEK

HON. BOBBI FIEDLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Ms. FIEDLER. Mr. Speaker, to mark the 23d observance of Captive Nations Week, I wish to insert resolutions from Americans for Freedom of Captive Nations, Los Angeles, Calif., and the State of California. It is my very great privilege to be able to show the broad and deep support that exists in California—and throughout America—for the captive nations and their brave and enduring peoples:

AMERICANS FOR FREEDOM OF CAPTIVE NATIONS' RESOLUTION

We, Americans for Freedom of Captive Nations, assembled at the Patriotic Hall Auditorium in Los Angeles on July 11, 1981, adopt this resolution:

Whereas, Captive Nations Week is annually observed in the Third Week of July, since 1959, according to Public Law 86-90 of U.S. Congress, and

Whereas, the Bolshevik Communist leadership of the Soviet Union persists on a course of expansion of its colonial empire over the entire world, and

Whereas, Soviet troops continue to carry out abysmal atrocities against the people of Afghanistan, and

Whereas, systematic genocide is being committed against many captive nations in the Soviet Union, with the goal of eradicating their cultural and ethnic values, and

Whereas, Central Europe is subjected to Soviet foreign rule and crippled by the pervasive Communist intrusion into all spheres of life, and

Whereas, the world is being terrorized by assassinations and attacks on the life of world leaders, fostered by the Soviets, and

Whereas, the incorrigible evil of Communism is given recognition in treaties, which affirm the unprecedented Soviet domination over men and peoples in the expanding Soviet sphere of influence: Now, therefore

We propose to the legislative, judiciary and executive branches of the United States Government

To affirm the truth that men and women are created equal and have certain inalienable rights, called freedoms in our Constitution;

To state that the Constitution comes first, foreign treaties come second and must not diminish any rights under the Constitution;

To state that treaties supportive of terrorist policies, such as granting spheres of absolute interest to the barbarian Communists, have no substance since they violate the basic principles of the Constitution;

To state that the regimes of states with political systems based on totalitarianism can only be recognized by the United States de facto, but no de jure;

To adopt a One-Mankind policy, similar but not the same as the One-China policy, under which the treaties with the National Republic of China on Taiwan were broken;

To promote Human Rights under the One-Mankind policy, including a condemnation of the last colonialist system, the Soviet military occupation of Central Europe and Afghanistan;

To let the Bloodless, Peaceful World War that has begun in August 1980 in Gdansk/Poland run its course and win the Peace;

To suggest to the Soviet leadership to follow the Polish reform example in order to stave off their own economic and agricultural collapse and a famine. The United States should not supply grains to the professed enemy who shifts more labor force from food to armaments;

To continue providing leadership against terrorism in the world.

We demand the release of American Benedict Scott, held in a Mordovian prison camp. We ask the Administration to request damages to be paid to him.

We shall assemble documentary material, nation by nation, in a Whitebook on Soviet crimes, so that the Soviet debt can be assessed and charged, and the official lies of the Red propaganda refuted.

RESOLUTION PASSED BY THE CITY COUNCIL OF LOS ANGELES, CALIF.

Whereas, the week of July 12 through July 18 has been designated by the Presi-

dent of the United States as "Captive Nations Week"; and

Whereas, this observance reminds freedom-loving peoples that communist imperialism continues, through the use of force, as exemplified by the current brutal invasion of Afghanistan, to deprive a large proportion of the world's population of their freedom and independence; and

Whereas, the Soviet Union's protestations of support for "self determination, peaceful coexistence, and detente" are but cruel mockeries as long as millions of people in the "captive nations" are denied elemental human rights; and

Whereas, this enslavement of great and historic nations by communist imperialism and the denial of human rights to millions undermines and threatens freedom and peace throughout the world: Now, therefore, be it

Resolved, That the Los Angeles City Council declares the week of July 12 through July 18 as "Captive Nations Week, 1981", and joins freedom-loving peoples throughout the world in indelible support of the restoration of the independence, freedom, and human rights of the "captive peoples"; and be if further

Resolved, That the Los Angeles City Council joins with free peoples throughout the world in global solidarity with the emergent Polish organizations seeking to form indigenous free and independent trade unions.●

OFFICIAL HOME OF THE BALD EAGLE

HON. DON YOUNG

OF ALASKA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. YOUNG of Alaska. Mr. Speaker, 1982 will be the 200th anniversary of the selection of the bald eagle as the symbol of the United States of America. For that period of time we, as Americans, have been associated with the bald eagle. To see this bird in its natural habitat would make any of us proud to be affiliated with this great creature. Its beauty and grace are fitting representation of our country.

I do not know how many of you have actually seen this great bird in flight. I have, and I assure you that such a sight is not quickly forgotten. There are but few places in the world where man can see this specimen of natural integrity and force. Perhaps the largest single concentration of bald eagles lies in southeast Alaska. This region has all of the elements of nature that are essential to the life of the bald eagle; a temporate climate, a sea filled with fish, and most important, a human population that is responsive to the welfare of these magnificent creatures.

There is one special place in southeast Alaska that is the scene of an annual gathering of bald eagles that exceeds all others in the world. At the Eagle Council Grounds there is a festival of sorts that took place long before men saw it. But men have seen it, and we have revelled in its splendor. And the festival goes on despite the relative proximity of human settlement.

Haines, Alaska, is close to the Eagle Council Grounds and is privileged to witness the remarkable gathering every year. Yet, were it not for the careful use of the land and sea there would not be such an event. If Haines had developed as many American towns did, the bald eagle would have deserted the Eagle Council Grounds long ago. But the people of Haines are not as shortsighted as that, they realize that no material gain would ever match the unique beauty of the bald eagle. I for one am in debt to these citizens of Haines and you are too if you prize the natural world as I do.

That is why I feel that it is only right that Haines, Alaska, be proclaimed the official home of the bald eagle. In passing the legislation to this effect we will only be ratifying a natural fact. Please join with me and make Haines, Alaska, the official home of the bald eagle.●

DIFFERENCES BETWEEN THE PRESIDENT AND THE HOUSE LEADERSHIP

HON. GERALD B. H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SOLOMON. Mr. Speaker, your new public relations policy of making yourself more available to the press and television cameras appears to be paying off. Rarely has the Speaker of the House of Representatives managed to generate so much publicity. And by drawing attention to yourself as leader of the loyal opposition, Mr. Speaker, you are making it clear to the American people that there really are opponents of the President's economic recovery program. If the President's plan is not implemented and the economy does not recover like it should have, then the American people will know who to blame. In that respect you have done the country a service.

The differences between the President and the House leadership are, without question, becoming more clearly defined. I have here an editorial published last Wednesday by the Times Record in Troy, N.Y. that is all about you, Mr. Speaker. It is really quite a humorous piece, but as you know, there has to be an element of truth in satire to make it funny. I am afraid there is more than just an element of truth in this editorial and I am inserting it into the CONGRESSIONAL RECORD for my colleagues to read.

[From the Times Record, July 22, 1981]

"TIP" O'NEILL TRANSLATED

House Speaker "Tip" O'Neill's rage at the repudiation of his spend-spend-spend brand of liberalism has him popping up with apoplectic regularity on television and in newspaper reports. He always seems to say basically the same thing: "What's a president doing running the country?" Followed by a few bars of "Let It Be Me."

But like all politicians, "Tip" needs a translator. We modestly accept the job, translating his remarks into what he really means.

O'Neill: The Moral Majority "has so much clout in the White House . . . They have President (Reagan's) ear, no doubt about that . . . Ah, there's selfishness and hatred there."

Translation: I used to have clout too. Remember? I used to have a president's ear too. Remember? And boy, you sure wouldn't find any selfishness and hatred in a Democratic White House.

O'Neill: I'm "frightened" by the Moral Majority because it sends representatives into the offices of congressmen "and says, 'Here are the tapes we are going to run against you if you vote against the president next week.' That's a dangerous group."

Translation: What happens if the Moral Majority persuades my constituents to toss me out of office next year? I'm too old to get a job. And besides, where would I get one, the job market being what it is thanks to my progressive liberal policies the last few years. Wow, the thought of losing that big paycheck and those perks is frightening.

O'Neill: Reagan is "all powerful. I would hate to see an imperial president."

Translation: I would hate to see an imperial conservative Republican president. Now, you take Teddy, that would be another matter. Teddy is noble and good and honest and trustworthy and helps lady Supreme Court justices across the street. And besides, that's an ear into which my whisper "spend, spend, spend" wouldn't go unheeded.●

REPORT ON THE MX

HON. RON PAUL

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. PAUL. Mr. Speaker, an outstanding report on the MX missile was recently written by Jeffrey Rogers Hummel, and I would like to bring it to my colleagues attention.

Jeff Hummel, a former Army officer, is a Ph. D. candidate in history at the University of Texas. His analysis deserves the most careful consideration, as we vote on the MX program.

GOING MOBILE: A REPORT ON THE MX

The Missile Experimental, or MX, is an extremely controversial weapons system, and deservedly so. The MX would involve one of the most extensive construction and engineering projects ever undertaken. Air Force Brigadier General Guy Heckler described the MX as "man's largest project—larger than the Great Wall, larger than the pyramids, larger than the Alaska Pipeline or the Panama Canal". When completed, the MX will include 4,600 hardened missile shelters, two operating centers together employing between 13,000 and 17,000 workers, three to six area support centers, and 9,000 miles of connecting roadway. This mileage is equivalent to about one-fourth the interstate highway system. Not all of these roads

will be paved, but they will all have to be strong enough to carry the 800-ton MX transporter. The Air Force will need access to 8,500 square miles, an area about the size of the state of New Hampshire.

The Air Force estimates that the cost of developing and building the MX system will be $33.8 billion in 1980 dollars, while yearly operating costs will be $425 million in 1980 dollars. If one assumes that inflation continues at the current rate, the $33.8 billion acquisition figure will rise to $108 billion. That total does not include the cost of the 2,000 nuclear warheads needed for the system, which will be supplied by the Department of Energy. If past cost overruns on weapons are any guide, the total cost should be increased by another 50 percent. The General Accounting Office has already found $816 million of unanticipated expenditures that the Air Force is covering up.

The Air Force's environmental impact statement examines nine potential alternative deployment arrangements for the MX. By the beginning of July, President Reagan should have made a final decision, picking one of these nine. Seven of them would place the system entirely within the states of Nevada and Utah; one would place the system entirely within the states of Texas and New Mexico; and one, the split-basing mode, would divide the system between Nevada/Utah and Texas/New Mexico. Each of these alternatives has its own long list of disadvantages.

Most of the land required for Nevada/Utah basing is government-owned land already, so the main problems with these two states are environmental. Water is the most severe environmental problem. The Air Force predicts that MX construction and operating will consume between 310,000 and 570,000 acre feet of water (about 100 to 200 billion gallons). In contrast, the entire city of Las Vegas uses only 72,000 acre feet of water in a year. The environmental impact of Texas/New Mexico basing is only slightly less troublesome, and water is still an issue. More important, most of the land for Texas/New Mexico basing is privately owned, and productive farm land at that. Many homes would require relocation.

Needless to say, the residents of all four of these states are not exactly overjoyed at the prospect of having their homeland turned into a giant "nuclear sponge", to use the words of Air Force General Lew Allen. Broad-based coalitions, encompassing groups representing the entire political spectrum, have organized in these states to fight the MX. Even the extremely conservative Mormon Church has declared its opposition.

Most of the MX's opponents focus either on the system's massive cost or its harmful environmental impact. The case against the MX, however, is not simply a matter of costs outweighing benefits. Even from a purely military standpoint, the MX system is unjustified. Indeed, some of the most dangerous aspects of the MX are its military features.

The MX is an advance, land-based mobile ICBM (intercontinental ballistic missile) system. There are two distinct aspects to the system: (1) the basing mode and (2) the missile itself. Although these two are frequently discussed together, they really should be considered separately, because they each have their own set of alleged justifications. It is possible to have the MX basing mode with a different missile (such as the Minuteman III) or a different basing mode for the MX missile.

The source of the MX system's great expense is its mobile basing. The justification for mobile basing is the alleged increasing vulnerability of hardened U.S. ICBM silos to a Soviet attack. Soviet ICBMs have always carried higher-yield warheads than their U.S. counterparts, but recently the Soviets have begun to match the U.S. in missile accuracy. This increased accuracy has improved the hard-target kill capability of Soviet missiles and threatens, it is argued, the survivability of U.S. land-based ICBMs in the event of a Soviet preemptive first strike.

To close this "window of vulnerability," the Air Force plans to hide each MX missile in one of a cluster of 23 multiple protective shelters. These shelters will be arranged in a linear road system with a distance of approximately one mile between them. An 800-ton shielded transporter will carry the missile from shelter to shelter, stopping at each shelter during its rounds so that the missile's actual location will remain uncertain to outside observers. A total of 200 missiles is envisaged. If the system works as planned, the Soviets will have to target all 4,600 shelters in order to carry out a first strike.

One objection that can be raised to this basing mode is that it implicitly assumes that the Soviets will observe the SALT II limitations on the number of ICBMs and MIRVs (multiple independently-targetable reentry vehicles) in their arsenal. Otherwise, the Soviets can neutralize the MX shell game simply by building more missiles and/or increasing the number of MIRV's on each missile. Either way, the Soviets reach a point where they can target all the shelters with plenty of warheads left to spare. Without SALT II, the necessary expansion of the MX system faces no upper bound, as it becomes just as vulnerable as present land-based ICBMs.

Several alternatives to the multiple-protective-shelter basing mode have been suggested. One of these would put the MX missile on small diesel powered submarines, one or two per sub, operating close to U.S. shores. This basing mode would be much less expensive, but the Air Force opposes it strenuously because it would turn control of the MX over to the Navy. Another alternative involves protecting the MX with a BMD (ballistic missile defense) essentially a new abbreviation for ABM) system. Some even want a BMD system as a supplement rather than substitute for mobile basing.

All of the proposed alternatives, even when cheaper than multiple protective shelters, miss the basic point. U.S. land-based ICBMs are not vulnerable to a Soviet preemptive first strike, and it does not matter even if they are. There are any number of reasons why the Soviets could not pull off a successful first strike, each one of them sufficient to deter even the most diabolical aggressor.

First, despite their increasing accuracy, Soviet missiles are still not lethal enough to knock out a sufficient number of U.S. ICBMs. The Pentagon has a history of exaggerating Soviet capabilities, but if their latest intelligence is correct, the most lethal MIRVed Soviet ICBM is the SS-18 Mod 4, which carries ten 500 kiloton warheads each with a CEP (circular error probably) of 850 feet. CEP measures the accuracy of an ICBM by giving the radius within which one half of the warheads are expected to fall. This combination of accuracy and yield give the Soviets only a 60 percent chance of destroying a U.S. Minuteman silo.

Admittedly, as time goes on, the Soviets will improve the accuracy and kill probabilities of their ICBMs. But even the 60 percent figure, or whatever probability value the Soviets can attain in the forthcoming years, overestimates Soviet capabilities. There are problems both with the equations used to compute these probabilities and the variables put into the equations. The most serious uncertainties surround the CEPs of ICBMs. The ability of either U.S. or Soviet ICBMs to duplicate in practice the accuracies they achieve under artificial test conditions is open to question. Neither the Soviet Union nor the U.S. has ever test fired an ICBM over the North Pole, which would be the missile's route in an actual nuclear exchange. The ICBM's inertial guidance system must be programmed with precise data on the gravitational anomalies along its intended path. Even with such data, the warhead's accuracy can be degraded by such phenomena as thunderstorms and solar flares, if they affect the warhead's trajectory after the missile has burned out.

Not only have the U.S. and Soviet Union never test fired an ICBM over the North Pole, they have never exploded a nuclear warhead at the end of an ICBM flight, nor have they fired more than a few ICBMs in conjunction. An effective first strike requires that all components of the attacking force work together as flawlessly as they do when tested separately under unrepresentative circumstances. Furthermore, they must all do so the first time. With a first strike, there can be no test runs or second chances.

If all of the above is not enough to give Soviet leaders second thoughts about their ability to launch a preemptive first strike, there is the additional fact that a first strike does no good if the U.S. adopts a launch-on-warning posture. Although the U.S. officially disavows launch-on-warning, the Soviet leaders can never be sure.

More important than all the operational difficulties in conducting a successful first strike is the fact that U.S. land-based ICBMs compose only one leg of the U.S. government's strategic nuclear triad. The U.S. continues to maintain a strong nuclear deterrent on the other two legs: strategic nuclear bombers and submarine-launched ballistic missiles. Suppose the unlikely event that the Soviets conducted a successful preemptive attack that wiped out all U.S. land-based ICBMs, and all U.S. strategic nuclear bombers, and the 45 percent of U.S. missile-launching submarines that are not continuously on station—within range and ready to fire—at any particular time. The U.S. would still retain on the remaining missile-launching subs a nuclear arsenal of approximately 3,000 warheads carrying the equivalent of 470 megatons. That amounts to more than 10 warheads for every Russian city with a population over 100,000. According to the Pentagon's conservative damage estimates, which take into consideration mainly the blast effects of nuclear explosions, 400 equivalent megatons will destroy 70 percent of Soviet industry and 35 percent of the Soviet population.

Only because U.S. nuclear doctrine requires that each leg of the strategic nuclear triad be able to independently deter a Soviet attack has U.S. ICBM vulnerability become an issue. The defense planners remain blind to the fact that, if the U.S. ICBMs are truly becoming vulnerable, the solution is to totally scrap land based ICBMs and move to a strategic dyad, rather than spend a fortune on mobile basing.

While the MX basing mode is the most expensive part of the system, the MX missile itself is the most dangerous. Currently, the U.S. Minuteman III with a Mark 12A warhead has a CEP of 730 feet and a hard-target kill probability against Soviet silos of 55 percent, roughly comparable to Soviet capabilities. In comparison, the MX missile will carry ten 335 kiloton MIRVs each with a CEP of 300 feet, giving the MX a single-shot hard-target kill probability of 99 percent!

Of course, a preemptive first strike is as unfeasible for the U.S. as it is for the Soviet Union. If the Pentagon, however, is paranoid about the survivability of U.S. land-based ICBMs, imagine how the MX will make the Soviet leaders feel about the survivability of their land-based ICBMs, which account for a large portion of their overall nuclear arsenal. Over 70 percent of Soviet warheads are on their ICBMs, as opposed to less than 25 percent for the U.S.

The MX is a destabilizing counterforce weapon. Counterforce, the ability to destroy the military capabilities of an opponent, figures prominently in scenarios involving limited nuclear exchange. U.S. planners claim they are only interested in "second-strike counterforce", but from the Soviet perspective, U.S. weapons designed for "second-strike counterforce" are indistinguishable from weapons designed for a preemptive first strike designed to knock out Soviet second-strike capabilities. Deployment of the MX will heighten international tension, and may even precipitate the very first strike it was designed to deter. The MX will usher in a new and more deadly phase to the nuclear arms race, in which any world crisis could trigger nuclear holocaust.

In short, libertarians must prevent deployment of the MX. Doing so is the prerequisite for bringing the insane nuclear arms race between the U.S. and Soviet governments under control. Stopping the MX is not simply a matter of avoiding an enormously expensive, unnecessary weapons system that will destroy the environment and disrupt communities, although these are important factors. Stopping the MX is a matter of survival.●

NFIB SUPPORTS REAGAN TAX PLAN FOR SMALL BUSINESS

HON. JACK F. KEMP

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. KEMP. Mr. Speaker, the president of the United States' largest small business organization, the National Federation of Independent Business, has issued a strong statement of support for the President's bipartisan tax proposal. I would like to submit Mr. Wilson S. Johnson's statement for the RECORD, and to urge all my colleagues to recognize the benefits which the bipartisan bill offers for the greatest job creators in our country: Small business men and women.

NFIB PRAISES SMALL BUSINESS ADDITIONS TO PRESIDENT'S TAX PROPOSAL

WASHINGTON, D.C., July 24, 1981.—The National Federation of Independent Business (NFIB), the nation's largest business organization with an excess of one-half million members, commended last night's addition of small-business incentives to the president's tax cut package, now under consideration in the House of Representatives.

"This is a major step forward in addressing the needs of small and independent businesses, which have a great deal to gain from the president's proposal," said NFIB President Wilson S. Johnson. The president's package, termed the Hance-Conable Economic Recovery Tax Act (H.R. 3849), is the largest ever considered by Congress. Besides reducing individual tax rates by 25 percent over three years, reforming death (estate) taxes and depreciation, the proposal includes the following:

Reduction of corporate rates to 16 percent on the first $25,000 of income and 19 percent on the next $25,000, in 1982. Further rate reductions of 15 and 18 percent, respectively, would be effective in 1983.

Increase of the investment credit limitation on used equipment from $100,000 to $125,000 between 1981 and 1984 and to $150,000 thereafter.

Increase in the maximum number of Subchapter S shareholders to 25, with trusts being allowed as shareholders under certain circumstances.

Increase in the minimum accumulated earning credit from $150,000 to $250,000.

Removal of impediments to small-business use of LIFO inventory accounting rules. In addition, the Treasury Department shall prescribe certain simplifying changes in LIFO's use and prepare a study on LIFO inventory and cash accounting by December 1982.

"Tax reform ranked highest in an April survey of NFIB members," said NFIB's director of Federal Legislation, James D. "Mike" McKevitt. "The president's proposal will certainly benefit small business; the House Ways and Means proposal mainly deals with cuts at the top. Since small businesses usually buy used equipment, an increased investment tax credit will help them. Increasing permitted Subchapter S shareholders will spur small-business investment, as will an accumulated earnings credit and simplified accounting."●

COMMENTS BY YAROSLAV STETSKO

HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DERWINSKI. Mr. Speaker, in 1941, Yaroslav Stetsko and other members of the Organization of Ukrainian Nationalists led a revolt against the Soviets, and convened a national assembly. The assembly appointed Stetsko prime minister of the newly independent government. Two weeks later, because of his lack of cooperation with Hitler, he was arrested by the Nazis, and jailed in the Sachsenhausen concentration camp.

Now a resident of Munich, Mr. Stetsko recently visited Washington, D.C., and addressed Members of Congress at a luncheon held in honor of Captive Nations Week and the 40th anniversary of this Ukrainian national state. I include his address along with an article that appeared in the Washington Post July 21:

YAROSLAV STETSKO, THE LONELY PATRIOT

(By Maria Riccardi)

The small, thin man introduces himself simply as "Stetsko, prime minister of Ukraine."

Nearly 40 years ago, at age 28, Yaroslav Stetsko and other members of the Organization of Ukrainian Nationalists seized Lviv, then capital of Ukraine, from the Soviets, and convened a national assembly. The assembly appointed Stetsko prime minister of the new independent government. But on the day he took office he knew what awaited him. Two weeks later, because of his lack of cooperation with Hitler, he says, the Germans arrested him and put him in Sachsenhausen concentration camp.

Stetsko spent the next three years in "the bunker"—the prison he says the Germans reserved for "the serious cases." Slowly and carefully, he describes the solitary confinement, the physical and mental torture. "I was alone with only my spirit telling me to continue," he says, shaking his head. "I couldn't give up no matter what happened to me."

The prime minister and his wife, Slava, were in Washington last week for the 23rd observance of Captive Nations Week, celebrating the 40th anniversary of renewed Ukrainian statehood. "It is something so important to us," says Slava Stetsko, who was imprisoned for nine months by the Nazis. "We have dedicated our total selves to our country."

They return to stories of the war, their voices at times shaking with emotion. In the concentration camp, Stetsko says he refused to resign his office even when he knew that 65 of the 70 prisoners in that camp had died. He couldn't give up, he explains, his troops were still fighting for Ukrainian freedom.

Once the war was over, he says, "The one thing in my mind was to conquer that Communist empire."

In 1946 he became president of the anti-Bolshevist Bloc of Nations, and still holds the office. Today 33 subjugated countries, including Poland, Lithuania and Afghanistan, belong to the group. He is also head of the Ukrainian Liberation Movement.

His involvement in these organizations, he says, has placed him in danger. In 1959, the man who admitted to the murder of Stepan Bandera, Stetsko's friend and chief of the Ukrainian Insurgent Army, said he was about to assassinate Stetsko in Munich, which is his home.

"There is always someone on our heels," says Slava. "We have to travel in such secrecy. We cannot live openly. We cannot live secure lives because of what we believe."

They travel widely, visiting Ukrainian emigrants and gathering moral and political support. When the Ukranian nationalist army "was completely crushed" in 1951 by the Soviets, Stetsko says the country was defeated only physically. "It was not a moral defeat," he insists. "We can't be squashed. We are fighting for the great ideal—the liquidation of the Soviet supremacy."

He sighs deeply. For a moment, the 68-year-old man's eyes sadden. He picks up a copy of the speech he gave to members of Congress at a luncheon. Suddenly, his energy returns. "Synchronized national liberation revolutions within the Russian colonial empire are the only alternative," he reads aloud with power in his words. "Soviet

Russia has skillfully exploited western fear of nuclear war by blackmailing the West into meekly acquiescing to ever-increasing conquests."

Another pause. He has faith that the youth of subjugated countries will carry on this war against communism. "In our country, the younger generation has found strength in the graves of our heroes," says Slava. "They take pride in our great historical past."

The Stetskos do not have children. "We have put all of our strength to Ukraine," the woman says, fingering the gold cross around her neck.

"I have given everything," her husband adds, "and I will continue to fight until my death."

ADDRESS TO THE MEMBERS OF THE CONGRESS OF THE UNITED STATES

I would like to begin by thanking the Congress of the United States for adopting the Captive Nations resolution on July 17, 1959 and for reaffirming your commitment to the principles thereover the course of the last 22 years. I am particularly pleased that the resolution was adopted unanimously and I expect that this resolution, which remains in the interests of not only the subjugated nations but also the entire Free World, will be an integral component of the United States foreign policy.

Allow me to express my heartfelt appreciation to the Hon. Edward J. Derwinski, the Hon. Samuel Stratton and to Dr. Dobriansky for organizing today's commemoration of the 40th anniversary of the declaration of the reestablishment of the Independent Ukrainian State. I would also like to convey my sincere gratitude to the Hon. William Green for introducing a resolution in the House of Representatives designating June 30, 1981, as Ukrainian Independence Day. The future will justify the support that you are demonstrating today for the liberation of Ukraine by commemorating the latest period of Ukrainian statehood which began with the reestablishment of the Independent Ukrainian State on June 30, 1941 and lasting through 1951.

It is my conviction that the events of June 30, 1941 were of historical significance not only for my own nation, but also for all other subjugated nations. The proclamation of the restoration of Ukrainian statehood of June 30, 1941 marked the beginning of a period in our history known under international law as the Ukrainian Underground State. As a result of this proclamation the Ukrainian nation launched a two-front war of liberation against Nazi Germany and Soviet Russia—two of the greatest imperialistic, totalitarian and military powers of the twentieth century. The act of June 30, 1941 and the subsequent struggle to consolidate the renewal of Ukrainian statehood are a manifestation of the unshakable will of the Ukrainian nation to achieve the restoration of its freedom and independence.

The Ukrainian Government, created following the proclamation of independence, included not only representatives of the Organization of Ukrainian Nationalists under the leadership of Stepan Bandera, but also National Democrats, Socialists, Social Revolutionaries and individuals not affiliated with any party. On the initiative of the organization of Ukrainian Nationalists a parliamentary body was formed under the chairmanship of Dr. Konstantyn Levytskyj, a National Democrat and former Prime Minister of the Western Ukrainian National Republic of 1918. The present patriarch of the Ukrainian Catholic Church, Cardinal Josyph Slipyj, was a leading member of parliament, while Metropolitan Count Andreas Sheptytskyj was elected Honorary President. Both the primate of the Ukrainian Catholic Church and Metropolitan Polikarp Sikorskyj of the Ukrainian Autocephalous Orthodox Church issued pastoral letters in support of the newly formed government. The new Ukrainian Government enjoyed the total support and loyalty of all strata of the Ukrainian nation. This was the only Democratic government and parliament in continental Europe at that time.

The ideological and political foundation upon which Ukrainian statehood was restored in 1941 was contained in a manifesto issued in 1940 by the organization of Ukrainian Nationalists, which stated: "We Ukrainians have raised the banner of struggle for the freedom of nations and man . . . we struggle for the dignity and freedom of man, for the right to openly profess one's beliefs, for freedom of all religious denominations and full freedom of conscience . . . we struggle for the right of the working man to openly profess his political convictions . . . for freedom of assembly and the establishment of political, social and professional organizations . . ." Furthermore, the manifesto called upon the revolutionaries of other subjugated nations to join forces with the Ukrainian Nationalists in the struggle to destroy the Soviet Russian empire. This was the origin of ABN. It also stood as a challenge to Nazi Germany at the time when both totalitarian powers, having divided Europe between themselves, were at the zenith of their might.

The newly-formed government had the support of the Ukrainian Nationalist military formation and numerous insurgent units throughout Ukraine, which immediately engaged the Soviet Army on the field of battle. Having secured the main radio station in Lviv, the revolutionary government informed the nation of the restoration of Ukrainian statehood. Upon learning of these momentous developments, the Ukrainian population openly and enthusiastically endorsed the new government at mass assemblies in towns and villages throughout the country.

Consequently, the Nazis were forced to divulge their imperiocolonial aims. Following a period of tempestuous activity of consolidation of the newly-formed state, myself and other members of our government, as well as several leading members of the Organization of Ukrainian Nationalists, including its leader Stepan Bandera, were arrested by the Gestapo and sent into the concentration camps. Later, the Gestapo murdered three members of the government. Subsequently, the Organization of Ukrainian Nationalists went underground to continue the struggle for Ukraine's independence.

On behalf of our government, I sent my last letter of protest against the Nazi military occupation of Ukraine to the German Reich's Chancellor in October, 1941 from the police prison in Berlin. In that letter I warned that Germany's war in the east would be lost within three years, resulting in the Russian Communist occupation of vast areas of central Europe. Despite this projection, I openly stated that Ukraine and the other freedom-loving subjugated nations would never cease their just struggle for liberty and independence.

On three separate occasions I was confronted with an ultimatum from the highest levels of the German Reich to revoke the declaration of Ukrainian state independence, to resign as Prime Minister and to dismiss the government. Each of these demands were adamantly rejected.

A state of war existed between Germany and Ukraine. Many thousands of Ukrainian Nationalists and other patriots were executed upon capture, hundreds of thousands were put in prisons and concentration camps. A two-front war against the Russian and German occupiers of Ukraine was fought by the Organization of Ukrainian Nationalists and by the Ukrainian Insurgent Army. Operating underground, the Ukrainian Supreme Liberation Council continued the work of the arrested government.

By autumn of 1941, thousands of members of the Organization of Ukrainian Nationalists were executed, many more thousands were imprisoned by the Nazis who were acting on orders from Berlin such as these:

HEADQUARTERS,
November 25, 1941.

From the Service Command of the Security Police and of the Security Service S/5

To the advanced posts of Kyiv, Dnipropetrovsk, Rivne, Mykolaiv, Zhytomyr and Vinnytsia.

Subject: Organization of Ukrainian Nationalists (Bandera movement)

It has been ascertained that the Bandera movement is preparing a revolt in the Reichscommissariat which has as its ultimate aim the establishment of an independent Ukraine. All functionaries of the Bandera movement must be arrested at once and, after thorough interrogation, are to be secretly liquidated as marauders.

Records of such interrogation must be forwarded to the Service Command C/5.

Heads of Commands must destroy these intructions on having made a due notice of them.

——— ———,
SS—OBERSTURMBANNFUHRER.

The Ukrainian underground state and the mass armed struggle continued from 1941 to 1951. The Ukrainian Supreme Liberation Council, as the natural extention of the Ukrainian Government, exercised national authority for a decade on various parts of Ukrainian territory. The sovereignty of revolutionary authority was preserved through the military underground of the organization of Ukrainian Nationalists and the Ukrainian Insurgent Army.

The scope of the struggle had even been acknowleded by the Russians and Germans alike. For example, Nikita Khrushchev wrote in his memoirs that, and I quote: "During the second half of the war he (Stepan Bandera, leader of the Ukrainina Liberation Movement—Y.S.) fought against both us and the Germans. Later, after the war, we lost thousands of men in a bitter struggle between the Ukrainian Nationalists and the forces of Soviet Power."

A German General, Ernst Koestring, also reported that, and I quote again: "The military organization known as the Ukrainska Povstanska Armiya (the Ukrainian Insurgent Army) was formed with the aim of establishing an independent Ukraine, controlled neither by Moscow, nor by Germany. . . When western Ukraine was recaptured by the Red Army the OUN and the UPA called upon the Ukrainian masses to fight against the Bolshevists—the Russian enemy. German officers who fought their way back to us in 1945 reported that the plight of the Red Army was similar to ours: it controlled only the towns of the main communication routes, while the country

itself remained in the hands of the resistance movement."

The contemporary international situation is particularly grave. The expansion of Russian Imperialism is well known to us all. Policies of friendship, appeasement, containment, convergence and detente have proven to be useless in stemming the centuries old brazen Russian Imperialism which aims at complete world domination.

But the West must realize that within the Russian Empire there exists a new ideological and political revolutionary superpower—the subjugated nations, which is destroying the empire from within. The processes of the disintegration of the Russian Empire are at different stages in the various subjugated nations: Afghanistan, Ukraine, Poland, Lithuania, Turkestan among others.

Taking this factor into consideration, the following points should be included in Western political and military strategy:

(1) The Free World should engage Soviet Russia in the struggle of ideas and ideologies by recognizing the liberation movements of the subjugated nations as the legitimate representatives of these countries at all international forums including the United Nations;

(2) The West should provide access to the national liberation movements to the various forms of mass media to facilitate communication with their countrymen behind the Iron Curtain on a mass scale;

(3) Assistance should also be provided in the form of military training as well as other political, material and technological means of support;

(4) All of the nations of the Free World should proclaim a great charter of independence for all of the nations subjugated by Russian Imperialism and Communism.

The danger of nuclear holocaust cannot be negotiated away. Soviet Russia has skillfully exploited Western fears of nuclear war by blackmailing the West into meekly acquiescing to ever-increasing conquests. Our strategic alternative is based on the knowledge that the subjugated nations within the Russian Empire represent a vast untapped force, which in a common front with the nations of the Free World provides the strategic raison d'être for defeating the last remaining empire. Synchronized national liberation revolutions within the Russian Colonial Empire is the only alternative.

I would like to end my address to you, ladies and gentleman, with the words of an unforgettable personal friend of mine and an outstanding British military thinker, Major General J. F. C. Fuller, who wrote: "Only the unity of the Western nations and their agreement with the national liberation movements behind the Iron Curtain can insure final victory . . . the reason should be obvious. It is that the Kremlin is living on a volcano, and it knows that the most explosive force in the world is not to be found in the hydrogen bomb, but in the hearts of the subjugated peoples crushed under its iron heel . . ."●

GARDENA SISTER CITIES ASSOCIATION HONORS DARLENE OYLEAR

HON. GLENN M. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. ANDERSON. Mr. Speaker, this Friday, July 31, 1981, the Gardena, Calif., Sister Cities Association will hold its annual installation dinner and honor out-going president Darlene Oylear. As I know Darlene is worthy of this tribute, I'd like to add my own congratulations and thanks.

Darlene has been a resident of Gardena for some 25 years now. After growing up in Salt Lake City, she married Dallas Oylear in 1944, and moved to Gardena the following year. In 1946 Darlene gave birth to the first of four children, Becky. Five years later Becky had a baby sister, Sally; two baby boys followed, Bruce in 1954 and Dwight in 1961. The Oylears' children obviously were a source of great happiness to the couple, but they and other children also were partly responsible for developing Darlene's interest in community service. For instance, as quoted in the Gardena Valley News, she describes her involvement in the March of Dimes as follows:

There was a polio epidemic in 1950, at the time Sally was born. . . . A very good friend of mine got polio, and her baby was born while she was in the iron lung. The March of Dimes picked up her bills, so that group has always been close to the heart of the family.

Many other groups have been blessed with Darlene's help, including the 153d Street School PTA, the Robert Peary Junior High School PTA, the Gardena High School PTA, the Girl Scouts, Boy Scouts, and the Gardena Junior Women's Club. There is one organization that has not only been blessed with her assistance, but largely owes its very existence to her dedication: the Gardena Valley YWCA. When Sally joined a YWCA youth group in 1967, Gardena did not have its own separate chapter, but was served by the Los Angeles Metropolitan YWCA. Shortly after, Gardena was served by the Harbor Area YWCA rather than the LA YWCA, but the community still lacked its own independent branch. Darlene devoted a great deal of time to changing this, serving as chairman of the board of the Gardena branch of the Harbor Area YWCA from 1972 to 1974. From 1974 to 1975 she was the vice-president of the organizing board of the soon-to-be independent Gardena Valley YWCA. She served as president of the Gardena provisional YWCA from 1975 to 1977, and then, finally, as president of the newly affiliated Gardena Valley YWCA from 1978 to 1979.

It has been a long tradition in American social life that the local community holds the major responsibility for the welfare of the individuals in it. Hence, while the residents rely on the good of the community, the community can only be as good as the residents who make it up. With this in mind, I am always heartened when I run into people like Darlene, for she makes me feel both proud of the people in my area and optimistic about the future of communities like Gardena. My wife, Lee, and I congratulate Darlene for her many contributions to her community.●

SAVING MINIMUM SOCIAL SECURITY BENEFITS

HON. BRUCE F. VENTO

OF MINNESOTA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. VENTO. Mr. Speaker, last week this body overwhelmingly approved a resolution, House Resolution 181. This vote reaffirmed our commitment to the recipients of social security benefits by stating,

That the House of Representatives strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them.

As my colleagues are well aware, unless Congress acts in a positive manner, 3 million Americans will lose essential minimum benefits. The House and Senate versions of H.R. 3982, the Omnibus Reconciliation Act of 1981, have both targeted the minimum social security benefit for elimination. As such this item is not subject to modification by conference committee. Thus, it is necessary that the House waive this restrictive rule and instruct the House conferees to recede and concur to an amendment which deletes the section repealing minimum social security benefits.

I and nearly 100 of my colleagues have cosponsored House Resolution 197 to achieve this goal. This amendment offers a real opportunity for Congress to act in support of current recipients of social security and to fulfill the President's commitment of yesterday when he said:

I will not stand by and see those of you who are dependent on social security deprived of your benefits. I make that pledge to you as your President. You have no reason to be frightened. You will continue to receive your checks in the full amount due you.

I urge my colleagues to cosponsor and support House Resolution 197. At this time, I would like to bring to my colleagues, attention my "Dear Colleague" letter on this issue and the text of House Resolution 197.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., July 28, 1981.

DEAR COLLEAGUE: Yesterday, we introduced a resolution, H. Res. 197, which will give the House an opportunity to take action to prevent the elimination of the social security minimum benefit and demonstrate its support for President Reagan's pledge not to cut social security benefits.

As you are likely aware, the Omnibus Reconciliation Conference Report, because of its unprecedented breadth and complexity, will require a rule waiving various points of order for its consideration in the House.

Specifically, our resolution, which has been referred to the Rules Committee, would instruct House Conferees on the Omnibus Budget Reconciliation Act to recede and concur in an amendment which deletes the section repealing minimum social security benefits. Passage of H. Res. 197 on the House Floor would require House Conferees, within the context of the rule, to seek the timely agreement of the Senate on the original Conference Report with the single exception of preserving minimum social security benefits. Our resolution also prohibits consideration of any Conference Report reducing the minimum benefit prior to the Second Session of the 97th Congress. We think this step, though unusual, is necessary if we are to carry out the overwhelming bipartisan sentiment of the House as expressed in H. Res. 181. As Members will recall, the text of H. Res. 181 "strongly urges that the necessary steps be taken to insure that social security benefits are not reduced for those currently receiving them".

H. Res. 197 offers those Members who voted for H. Res. 181 last Tuesday a real opportunity to make a meaningful vote on the social security minimum benefit issue. If you would like to co-sponsor this important resolution, please call Harry Hoffman at 5-6631 or Marilyn Harris at 5-5871.

Let's help the President maintain his pledge not to cut social security benefits.

Warm regards.

Sincerely,

MARY ROSE OAKAR,
BRUCE F. VENTO,
CLAUDE PEPPER,
Members of Congress.

H. RES. 197

Whereas most Americans carefully prepare for their retirement over many years and base their expectations and financial commitments on their right, guaranteed by law, to receive social security benefits; and

Whereas the House of Representatives, by a four-fifths majority in support of H. Res. 181, has urged that the necessary steps be taken to insure that social security benefits are not reduced; and

Whereas the joint House-Senate conferees on H.R. 3982, the Omnibus Budget Reconciliation Act of 1981, have agreed to reduce social security benefits despite the vote of the House: Now therefore, be it

Resolved, That upon adoption of this resolution, the House shall not consider prior to the opening of the Second Session of the Ninety-Seventh Congress any bill, resolution, or conference report thereon reducing social security benefits; and be it further

Resolved, That the requirement of clause 3 of Rule XXVIII is hereby waived for the deletion of section 15203, repealing minimum social security benefits, of the conference report on H.R. 3982; and be it further

Resolved, That the House conferees on H.R. 3982 are hereby instructed to recede and concur in an amendment consisting of the text of the conference report on H.R. 3982 with the deletion of section 15203 repealing minimum social security benefits.●

VIGIL FOR SOVIET JEWRY—THE KALENDAREV FAMILY

HON. BOBBI FIEDLER

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Ms. FIEDLER. Mr. Speaker, today, as part of the Congressional Vigil for Soviet Jewry, I would like to call the attention of my colleagues to the plight of Mikhail and Eugenia Kalendarev and their son Boris. They are refuseniks—those who have asked for and been denied a visa to leave the Soviet Union—and live the hard life of nonpersons in a totalitarian regime. Today, we must keep faith with the Kalendarevs and thousands more refuseniks. It is only through the efforts of those who can still speak and travel freely that the refuseniks can have any hope of joining their friends and relatives who live in freedom.

The Kalendarevs were design engineers in the Soviet Union—a well-respected and well-paid profession—when they applied for exit visas in November 1973. They were refused not once, but twice, and told they would have to wait 10 years before their application would even be considered. What befell them after that is all too typical of refuseniks—Mikhail was demoted and forced to change his place of work. Both Mikhail and Eugenia were unable to work at all for a long time—all doors of employment were closed to them.

Boris Kalendarev has suffered more than anyone else in the family. When his sister, Mila, emigrated to Israel in 1976, he was, in retribution, expelled from the Polytechnical Institute in Leningrad. He was systematically squeezed out of all educational opportunities until, in March 1979, he was arrested. His parents were refused permission to see their son until after the trial. In May 1979, Boris was sentenced to 2 years hard labor. I am pleased to say that, unlike many, he has survived and is now back in Leningrad. Meanwhile, his parents have had their apartment ransacked and been subject to an intense program of harassment. All that sustains the Kalendarevs is the hope of, one day, being free to reunite their family in a more happy land.

If that day is ever to come about, we must show the Soviet Government that the Kalendarevs and all those like them have not been forgotten. That is the purpose of this Vigil for Soviet Jewry. Those who have finally been able to leave have come here to tell us that our words do have effect. We must continue to urge the Soviet Government to grant exit visas to the Kalendarevs and other refuseniks, following the family reunification provisions of the Helsinki accords. We must continue to protest conduct that, on its face, appears blatantly illegal under Soviet law or even standards of common decency. We must continue in every possible way to fight for freedom for those who have none and to speak out for those who are silenced—for the Kalendarevs and all Soviet Jewry.●

HARRY CHAPIN

HON. ROY DYSON

OF MARYLAND

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. DYSON. Mr. Speaker, there is a young man of 15 years who lives in Salisbury, Md., who wrote to me recently about the death of Harry Chapin. I would like to insert his letter in the RECORD because it shows the kind of sensitivity that our young people expressing to issues such a eliminating world hunger.

I have known Marc Raith for sometime and I want to share his excellent remarks with the rest of the House.

JULY 22, 1981.

DEAR CONGRESSMAN DYSON: Harry Chapin, entertainer and major contributor to the hunger cause recently died in an automobile accident. He served on President Carter's Commission on Hunger and donated approximately five million to world-wide hunger.

There are very few people who have committed themselves to such a worthy and humane cause. I feel Harry Chapin was one of them.

I request that Congress commemorate Harry Chapin for his achievements.

Sincerely,

MARC RAITH,
Salisbury, Md.●

CHINA-ITTEP PROGRAM MOVES FORWARD

HON. EDWARD J. MARKEY

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. MARKEY. Mr. Speaker, I have noted with great interest that there are nearly 6,000 students, scholars, and exchange visitors from the People's Republic of China currently studying in the United States. This has important significance, of course, for Massachusetts since higher education is such a critically important part of the economy of Massachusetts. I wish, however, to call my colleagues' attention to the larger national purpose that is being served by the development of good relations between China and the United States.

China will purchase 25 percent of the export crop of American cotton this year. She will purchase huge amounts of American wheat. Trade between China and the United States is growing rapidly and all indications are

that it will continue to expand at a rapid rate.

I believe that the exchange of individuals between China and the United States is very important in its own right. It is essential that we have an increase in mutual understanding as well as knowledge of each other's language if our trade and political relationships are to continue to expand. I believe that independent agencies, colleges and organizations frequently are the most effective instruments that we have available to us in order to stimulate increased educational and cultural exchange with China.

The International Teaching Training and Exchange Program Inc. (ITTEP) is a good example. Attached is a copy of the agreement between ITTEP and the China National Oil and Gas Exploration and Development Corporation (CNOGEDC). This agreement, when implemented, will bring five Chinese petroleum experts to the United States for a year or two each.

I hope that the official agencies of our Government, particularly in times of acute budget cuts, will take better advantage of the possibilities of using some public money to unleash and trigger private funding by increased support of organizations that provide a strong multiplier effect. I am persuaded that there are many institutions and organizations that would be pleased to help support educational exchange programs.

I hope also that those organizations, like ITTEP, Inc., that are working to increase educational exchange with China will also encourage a greater involvement of Japan in educational and cultural exchange with the United States. Attached is a copy of the ITTEP agreement with the China National Oil and Gas Exploration and Development Corporation (CNOGEDC). I am confident that all of my colleagues are pleased to know of the increased exchange, especially those involving American industry directly, between the United States and China. A copy of the agreement follows:

AGREEMENT BETWEEN ITTEP AND THE DEPARTMENT OF TRAINING AND EDUCATION OF CHINA NATIONAL OIL AND GAS EXPLORATION AND DEVELOPMENT CORPORATION

First. This agreement is designed to promote the important work of China's four modernizations. It is also designed to encourage and to foster deep and abiding friendship between the people of China and the people of the United States of America.

Second. ITTEP will place in the United States five (5) Chinese petroleum experts to undertake advanced training and education in the field of oil and gas engineering or processing.

Third. These Chinese experts will be nominated by the China National Oil & Gas Exploration and Development Corporation.

Fourth. ITTEP will arrange these Chinese experts visa's and handle all administrative details concerned in the United States.

Fifth. The China National Oil & Gas Exploration and Development Corporation (CNOGEDC) will provide their travelling expenses to and from their site in the United States.

Sixth. ITTEP will arrange a carefully designed program to meet the precise needs and requirements of the petroleum experts nominated by China.

Seventh. ITTEP will see to it that all the expenses of the experts in the United States are covered and provided such as tuition, food, housing, medical insurance, life insurance, transportation and daily expense funds.

Eighth. CNOGEDC will inform ITTEP by Telex (89-8403) or by letter in case an educational delegation from the CNOGEDC is coming to the United States.

Ninth. The CNOGEDC acknowledges an understanding that CNOGEDC will give helpful aid and convenience to any of the USA institutions, organizations, associations or individuals sponsored by ITTEP through the required negotiations in advance, when they come to China.

Tenth. Upon the successful placement in the USA or Canada of the five petroleum or gas experts mentioned in these agreements ITTEP will, in consultation with the Corporation begin an expanded program. The second stage would involve (25) twenty-five experts coming to the USA or Canada for advanced training and education.

Eleventh. All questions or issues that may arise will be settled in a spirit of mutual cooperation between friends: Mr. Wang Zhechun (telephone 44-4313) for CNOGEDC and Mr. William M. Cloherty (telephone 202-363-1620) for ITTEP.●

PERSONAL EXPLANATION OF MISSED VOTES

HON. TOM LANTOS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. LANTOS. Mr. Speaker, due to official business on July 27, 1981, I was unable to be present for the following rollcall votes. I am submitting for the RECORD this statement of how I would have voted had I been present:

Rollcall No. 164: "Nay" on H.R. 2819 to increase the Federal payment to the District of Columbia.

Rollcall No. 165: "Yea" on H.R. 2818 to increase the borrowing authority of the District of Columbia.●

BULLETIN EDITORIAL ADDRESSES CRITICAL DEFENSE AND GOVERNMENT SPENDING ISSUES

HON. SAM GEJDENSON

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. GEJDENSON. Mr. Speaker, a recent editorial in the Norwich (Conn.) Bulletin highlights the significance of the successful sea trials of one of the most impressive technological achievements of the decade, the Trident submarine *Ohio*. I think the editorial makes some exceptionally good points that have often been missed when we debate defense spending on the floor of the House. I would like to share the editorial with my fellow Members of the House.

[From the Norwich Bulletin, July 27, 1981]

CHEAPENING A TRIUMPH

The Space Shuttle blasted into the sky from Cape Canaveral early one Sunday morning for its trials above the earth. Half the nation witnessed the event on television.

The reusable spacecraft circled the planet for two days before making a picture-perfect landing on a California desert, to the amazement of the world.

America's technological ego and the spirit of the people soared with the shuttle's success. It provided a long-overdue flush of national pride.

The shuttle project's afterglow dispelled widespread public concern over the Columbia's staggering cost overruns, years of delays and government-ordered redesigns.

Months later, an event of equal national importance took place in eastern Connecticut, with far different public response.

No widespread acclaim emerged when another technological triumph, the sea trials of the Ohio, America's first Trident, took place.

The massive submarine slipped through the fog one early morning for two days at sea. The mission was shrouded in secrecy, mandated by the U.S. Navy, but news leaked out that the vessel performed nearly perfectly.

More flawlessly than the shuttle, according to some well-placed sources.

Neither the shuttle nor the Trident are bargains, from the standpoint of cost. But while the shuttle overran its federal allocation by a factor of 9, the Trident went to sea just percentage points above its original cost estimates.

Perhaps Admiral Hyman G. Rickover's harangue about Electric Boat poisoned the well prior to the Ohio's maiden voyage. Perhaps Navy allies on Capitol Hill, during the Seapower Subcommittee hearings, unleashed too many barbs against the shipyard.

One point stands out. The Ohio, for all its significance to future national security, didn't draw the attention given the Columbia despite, in many aspects, surpassing the space shuttle as a triumph of American enterprise and technologicial achievement.

Rather, the Trident program seems to be fair game for Navy and congressional cheapshot artists who seem hell-bent on a mission to discredit the only shipyard capable of such accomplishment.

A case in point—

In the most-recent issue of *Time* magazine, Adm. Rickover is quoted as telling a congressional committee, "They (workers and management at EB) don't care if they manufacture horse turds or ships."

We can't fathom why the admiral would make such statements.

Why would a national news magazine print such a statement—two months after the fact?

The logic escapes us, other than the magazine was used as a conduit for a Navy compulsion to hold the shipyard, its employees and the Trident program itself up to national ridicule.

The last thing EB, eastern Connecticut or the nation needs is to have the shipyard

continually tarred over the Trident program.

Trident was constructed in Groton—by thousands of men and women who live in the region.

Ignoring, downplaying and now ridiculing the significance of the Trident is an unacceptable low blow.

It is time for Trident to be recognized fully for what it really is: technology equal to or greater than the shuttle, and at a cheaper delivery cost. It is also time for Rickover and his allies in the Navy and on Capitol Hill to offer cooperation rather than crude vituperation.●

SLOVAK WORLD CONGRESS

HON. DON RITTER

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. RITTER. Mr. Speaker, recently I had the privilege, along with my colleague from Rhode Island, Congresswoman CLAUDINE SCHNEIDER, of participating in the Slovak World Congress triannual convention in Toronto, Canada. Convention delegates and members from around the globe used the occasion to bring to world attention the continued gross violation of Slovak human rights inside Czechoslovakia and to pay tribute to their respected leader, Canadian industrialist Stephen B. Roman.

Mr. Speaker, I was impressed and moved with what I saw in Toronto. And I would like to take this opportunity to enlighten my colleagues about the Slovak cause, the convention and Mr. Roman himself.

A humble and devoutly religious man, Stephen Roman was just 16 when he immigrated to Canada in 1937. It was to be a brief stay, but World War II changed his plans. Starting as an $8-a-month laborer, he built up one of the most impressive natural resource empires in the free world. It is valued today at more than $10 billion.

But Stephen Roman has a passion greater than making sure his various companies show progress. That is his passion for presenting to the world the plight of his brethren inside Czechoslovakia, deprived of their liberty in a most beautiful land. He does this through the Slovak World Congress—an amalgamation of all the Slovak fraternal, civil, social, and religious groups in the United States, Western Europe, Canada, South America, and even Australia. The congress promotes the goal of helping to free the Slovak nation from Soviet bondage. And its members are almost as numerous as their brethren inside Czechoslovakia—some 5 million.

Mr. Speaker, Slovakia is a nation with a long history and a unique heritage. Unfortunately, it has also long been the victim of hostilities from one side of its borders or another.

The early Slavs formed the Great Moravian Empire, with Svatopluk as their leader. Svatopluk sought to show the Slavs that they must stick together if they were going to withstand the pressures of their enemies. But, after Svatopluk died, his empire soon was torn apart by the Tartar hordes from the steppes of Asia. These invaders ultimately settled south of the Danubian basin and for 1,000 years, subdued the Slovaks.

With the end of World War I, Slovak leaders joined forces with their western neighbors, the Czechs, to found the first state of Czecho-Slovakia. Each nation—Czech as well as Slovak—was to have autonomy in the domestic area. But, as it turned out, the stronger and more numerous Czechs were predominant.

In 1939, Hitler invaded this region and both the Czech nation and the Slovaks were under Nazi subjugation until 1945. At the end of World War II, the Czechs and Slovaks were both "liberated" by Soviet forces, as General Patton's Army stood by for weeks because of the Yalta agreement. In effect, Czechoslovakia was ceded to the Soviet sphere of influence.

Today, there are so many Soviet troops inside the eastern part of the Slovak territory that the inhabitants fear it will be amalgamated to the Soviet Union proper. American visitors recently described a very tense situation, as more and more Soviet troops flood northern Slovakia, perhaps amassing for an invasion of Poland. There is great apprehension that they are there to stay.

A renewed wave of arrests of clergy has been mounting in the Slovak land, where, despite the militant promotion of atheism, devout Catholics and Lutherans continue to resist. They practice their religious beliefs in secret, further incurring problems for the clergy and the faithful once they are found.

This is what unifies all Slovaks behind the dynamic leadership of Stephen B. Roman. The Slovak World Congress provides that unity of purpose, and Stephen Roman provides that new leadership. Together, they appeal to all Americans of ethnic heritage who perhaps do not realize the real value of those ideals for which mankind cites its civilizing progress—until we lose them. They appeal to us, as Americans, Canadians, and as citizens of other non-Communist countries, to help them; to listen to their plight and to protest with them against the Communist regime of Czechoslovakia; to ask the Communists to stop mistreating their own citizens and their own subjects as though they were the enemy.

And Stephen B. Roman, the leader that he is in the business community of Canada, is also a leader for all the Slovaks. He motivates the young people by providing scholarships for youth festivals. Last August, over 400 youngsters met their counterparts from the European countries in the Olympic village near Munich to learn about their heritage. From there, they went to Rome, where the Pope offered the group a special private audience.

Stephen Roman motivates college students to research and write serious papers promoting their cultural traditions. He continues to motivate the older people to provide a keen interest in Slovak culture and traditions, citing the Jewish nation as it inspires its young and old to help rebuild their own destiny.

Mr. Speaker, I was most impressed with what I saw at the recent Slovak World Congress in Toronto. The Slovaks throughout the free world are unifying and preparing for the day when communism will be no more. They feel that day is coming. Let's hope it will be soon.

At this point, Mr. Speaker, I would like to have appear in the CONGRESSIONAL RECORD the remarks of Stephen B. Roman at the banquet of the recent Slovak World Congress triannual convention. They sum up the spirit and commitment of modern-day Slovaks.

ADDRESS OF STEPHEN B. ROMAN AT THE SLOVAK WORLD CONGRESS BANQUET

I would like to take this opportunity to extend my personal thanks to all participants of the Congress for their expression of concern and charity in the cause of freedom and justice.

My friends, I appreciate your total commitment: the giving of your time; the expense involved in traveling to Toronto; and you dedication and unselfish approach. All of which is so necessary if we are to attain our ultimate goal—eliminate tyranny in Czechoslovakia and create an environment where freedom can blossom.

There are moments in the lives of us Slovaks when we are very clearly and sometimes very painfully aware of who we are, where we came from, and where we should be going.

These intimate perceptions are not frequent. Usually, they come when the volume and tempo of persistent cares diminish, or just before the making of a critical decision.

At such times, we intuitively understand our relationship and responsibility to ourselves, to our immediate and distant relatives and friends, to our nation, to mankind and to God.

Over a long period of time, we developed a collective consciousness, a set of intrinsic values which blend together to create a common bond among us.

We are products of a nation that has cherished and developed its distinct character over millennia, and which has absorbed a full range of human talents and achievements in that process.

Every page of our history bears the imprint of pain and suffering, from which have emerged our traditional values. We are descendants of a large nation that was reduced to its present size as the result of aggressive invasion and dominating neighbors.

They may have conquered our forefathers' fortresses and burned down their set-

tlements but, they never broke their spirit to survive. No wonder then that, in our nation, courage and tenacity have always triumphed over oppression and hardship. What our forefathers went through marked our national personality—deepened and strengthened it.

Our people found strength in the soil. This close tie with the land imbued our nation with its typical characteristics: Industry, endurance, faith in ourselves and faith in God.

From a natural reconciliation with nature, grew other virtues: the virtues of hospitality, of justice, of judgment, and of creativity.

The feeling of togetherness brought brotherhood. From oppression and want, we crystallized a sense of fair play. The reality of mortal life brought judgment; and, a growing quality in day-to-day life provided time for the enrichment of the soul.

Who are we today?

We are no more, and no less, than one generation in the development of this particular spirit. We have inherited the gift of our history. We are to advance the tradition of our forefathers; and, walk a few steps further along the road toward our human destiny, which they marched on over the centuries.

We are the custodians of their virtues. We are the ones who were left to aggrandize their tradition; and, this makes us responsible for further progress both as members of our nation and as part of the commonwealth of mankind.

A talent has been passed on to us for which we are responsible, and which we have to return, with interest, in the spirit of the best tradition and trust in Divine Providence.

Where do we go? We continue in the footsteps of our fathers, perhaps with greater strides, perhaps with a stronger will, hopefully with an even higher goal—confident because of the firm steps behind us; responsible for so many steps ahead.

Our successes will not be ours alone; they will be shared by the nation; they should penetrate into the consciousness of mankind. Each one of us adds in his own way; each one of us takes credit towards the overall account of this process.

Our people have seen many a crisis. The last one seems to have no equal, the strong have seized our nation and our nation is, again, praying and suffering.

Yet, though the enemy may take its comforts from it, for a time—silence it—they cannot obliterate our souls. The Slovak nation will survive this current evil. Our task is to surmount this trial, to achieve new successes in the shape and execution of democracy and freedom.

We must grow in our humanity, in our unshakeable self-confidence, in our will to enrich what we are. Only then will we have grown under the test—will we feel needed—will we have pride that we are judged by measures applicable to all mankind, and that we come out well in the balance.

I believe that every nation has a Divine destiny to fulfill. Slovak destiny, although at times obscure, is to improve and enhance that part of the world where its influence can be a positive factor for genuine advancement of humanity.

The solid value of the word of a Slovak, and the uniquely spiritual warmth of the sons and daughters of Slovakia—can be a radiant source of edification to others, and the contribution of Slovaks to their new homelands exemplifies what can be accomplished by work and good will, for God and country.●

UNITED BROTHERHOOD OF CARPENTERS AND JOINERS CELEBRATE 100th ANNIVERSARY

HON. GLENN M. ANDERSON

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. ANDERSON. Mr. Speaker, I would like to take a few moments today to recognize an important date for the United Brotherhood of Carpenters and Joiners of America—the UBCJ—for this organization was founded on August 8, 100 years ago, in 1881.

I think that there can be little doubt in anyone's mind that one of the institutions which has played a fundamental role in shaping our unique American economic and social structure is the tradition of the independent labor union. And it is equally true that the United Brotherhood of Carpenters and Joiners has consistently been a crucial influence on that tradition. The Carpenters' early secretary-treasurer, Peter J. McGuire, issued the call in August 1881 for the Structural Alliance, the forerunner of the AFL-CIO Building and Construction Trades Department. Five years later, he chaired the convention that named the American Federation of Labor. He has been referred to as the architect of the AFL, and I agree with that appellation. But McGuire is only one example of the kind of men and women who compose the UBCJ and make it the bulwark of the rights of the working people that it is.

While the UBCJ has historically maintained a strong presence in our country, it also has a strong positive effect in my own district in southern California. There are 13 local chapters from my area, including the Carpenters Locals 1140, 710, 721, 1407, and 1506, the Independent Carpenters Local 530, the Shipyard Local 2431, the Furniture Workers Local 3161, the Public Service Section Local 2231, the Floorworkers Local 2144, the Millwright Local 1607, the Shipwrights and Caulkers Local 1335, and Piledrivers Local 2375. In these locals, under the excellent leadership of Paul Miller, secretary-treasurer of the Los Angeles County District Council of Carpenters, the productivity of the members is an essential part of our economic well-being and our social progress. The efforts of the union through the years to advance the dignity and well-being of its members have benefited all of us in the South Bay area, through the maintenance of good labor-management relations, the enhancement of personal dignity, the fostering of economic prosperity, and the development of legislation to improve the status of all our citizens.

Finally, I would like to add a personal note. My wife, Lee, and I are good friends with Bill Sidell, who originated from local 721, and is the immediate past general president of UBCJ, as well as many others in the union. At the national level, Bill exerted the kind of responsible leadership that would have made Peter McGuire proud had he been alive today. And the present national general president, William Konyha, is carrying on the fine traditions of the UBCJ. I am proud to be associated with them and honored to join in celebrating their first century of progress for their members. A firm foundation is in place for the next century of the United Brotherhood of Carpenters and Joiners.●

PRETRIAL SERVICES AND BAIL REFORM ACT OF 1981

HON. HAROLD S. SAWYER

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SAWYER. Mr. Speaker, on behalf of myself and eight other members of the Committee on the Judiciary, I am today introducing the Pretrial Services and Bail Reform Act of 1981.

Mr. Speaker, this legislation is designed to provide a comprehensive and complete approach to the problem of pretrial release in this country. The Subcommittee on Crime, on which I serve as the ranking minority member, held a series of hearings in this area which impressed upon me the need for a complete overhaul of chapter 207 of title 18 of the United States Code with two goals in mind. First, we must insure that the judges and magistrates who are called upon to decide whether and under what conditions a defendant should be released prior to trial, have adequate information on which to base such decisions. Similarly, there must be a mechanism for supervising released defendants and informing the court of bail violations. To these ends, my bill authorizes pretrial services in judicial districts which elect them. Second, the Bail Reform Act of 1966 must be amended to permit judges to consider "danger to the community" in all cases and to permit pretrial detention under certain carefully defined circumstances. The bill which I am introducing today would apply the District of Columbia "preventive detention" law throughout the country.

Under the current provisions of chapter 207, pretrial services are being operated in 10 Federal judicial districts. My bill would expand this demonstration program by authorizing other judicial districts to establish

those services, if they wish to do so. This bill has several cost-saving mechanisms built in. It does not mandate services where there is no need or desire for them. Furthermore, it permits services to be provided by existing probation offices, through contracts with existing State or local agencies, or through a separate agency.

As commonsense suggests, judges cannot make bail decisions in a vacuum. They must have the information they need to determine whether a defendant would fail to appear at trial or whether he would pose a danger to any other person or the community while released. In addition, a support mechanism to supervise released defendants and to notify the court if bail conditions have been violated must be in place. To achieve these goals, this bill authorizes providers of pretrial services to collect, verify, and report any relevant information pertaining to the pretrial release of an individual, to inform the court and the U.S. attorney of all apparent violations of pretrial release conditions or arrests, and to recommend appropriate modifications of release conditions. Magistrates and judges who appeared before our subcommittee indicated that they have found these services invaluable and that they have contributed to significant reductions in failures to appear and crimes committed on bail. This bill contains one improvement over earlier versions by requiring the providers of information to bring to the judge's attention any information that may be relevant to a determination of whether or not the defendant will pose a danger to any other person or the community if released and information pertaining to any such danger that he has come to pose after release.

Mr. Speaker, the only real controversy that has surrounded the pretrial services provisions of this bill during their recent consideration in the Committee on the Judiciary and in the Rules Committee was the fact that they provide only an indirect response to the serious and fundamental problem of crime committed on bail. Under the Bail Reform Act of 1966, 18 U.S.C. 3146 et seq., which pretrial services were designed to implement, in setting bail conditions in noncapital cases, judicial officers may not consider the danger that a defendant might pose to another person or the community. They may only consider the likelihood that the defendant will fail to appear at trial. The Chief Justice of the United States has recently called for a restoration "to all pretrial release laws the crucial element of dangerousness to the community based on a combination of the evidence then available and the defendant's past record, to deter crime-while-on bail," I agree wholeheartedly.

Prompt legislative response to the problem of rising crime in America is imperative. The FBI's Uniform Crime Reports indicate that violent crime rose by a frightening 11 percent in 1979 and 13 percent in 1980. Recent studies show that public anxiety about crime is rampant, resulting in a significant alteration of behavior by, and consequent infringement on the liberties of, most Americans. As the cosponsors of this bill and I noted in our additional views to a committee report on pretrial services, a contributing factor to this problem is the "revolving door" which releases dangerous defendants to commit more crime. Testimony before the Subcommittee on Crime provides strong support for an amendment to the Bail Reform Act of this nature. Some of the more disturbing testimony suggested that, in their frustration, many judges are considering the factor of "danger to the community" sub rosa to insure that dangerous criminals are not unleashed on the public to do further irreparable harm. This situation fosters disrespect for the law and should be corrected without delay.

The bill that I am introducing today incorporates, virtually verbatim, a law that has been successfully tested for a decade in the District of Columbia. It permits the judicial officer to consider "danger to the community" in setting bail conditions and authorizes "preventive detention" where certain dangerous and violent crimes are involved, if procedural due process protections are honored. In spite of the hysterical predictions made upon its passage, the number of defendants incarcerated under the District's law has been modest—55 in 10 years—but warranted. Furthermore, the Chief Justice's remarks and the recent 7 to 2 decision by the District of Columbia Court of Appeals have substantially defused the constitutional controversy that has plagued the law since its inception.

Mr. Speaker, this body has a solemn responsibility to protect the lives, liberties, and spirits of our citizens. That obligation demands that we address problems such as bail crime in a comprehensive and effective manner. I believe that the Pretrial Services and Bail Reform Act of 1981 will provide such a solution and I urge my colleagues to support its passage.●

SYNTHETIC FUELS ARE STILL NEEDED FOR NATIONAL DEFENSE AND ECONOMIC HEALTH

HON. JAMES J. BLANCHARD

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. BLANCHARD. Mr. Speaker, there currently is a behind-the-scenes struggle within the administration to determine whether this country should move rapidly ahead in the development of a commercial synthetic fuels industry.

Under the "fast-start" interim program contained in the Defense Production Act amendments last year, such a program is mandated upon the President of the United States for the production of synthetic fuels for defense uses. There appears to be a lot of hesitation and delay, possibly because of the availability of crude oil in the world market today. However, that situation could change literally overnight as we have so painfully learned in the past.

Stressing this point is an editorial in the June 29 issue of the Oil and Gas Journal which I would like to share with my colleagues. The text follows:

[From the Oil & Gas Journal, June 29, 1981]

PRICE REDUCTIONS SHOULDN'T BE USED AS EXCUSE TO KILL SYNFUELS PROJECTS

The soft crude oil market that has sent price forecasters back to their econometric models illustrates why there is no significant synthetic fuels industry in place in the U.S.

Present technology may suggest that shale oil is competitive at today's crude oil prices. But who can say what the price will be when a commercial scale plant comes on stream toward the end of the decade? That is the risk that investors in synfuels plants must take.

At about the time crude oil prices reach the level that should make liquids and gas from oil shale and coal attractive, something happens. Consumers turn to coal or other substitutes. Shortage becomes surplus, oil price drops, and the crisis psychology in which the U.S. synfuels program was legislated disappears, replaced by something bordering on complacency.

The ripple of price cuts working its way through the market is the very thing investors in alternate fuels fear most. Plants on the drawing boards, estimated to cost billions of dollars each, could become costly white elephants if the real price of energy declined over the long term.

It would be a great mistake to allow this fear and this risk to postpone commercial synfuels production yet again. The project sponsors who were ready to go at their own risk before the price break may be having second thoughts. Some, however, appear undeterred. Their inclination to proceed in spite of current developments is most encouraging. The basic problem perceived when crude oil was in tighter supply and more expensive remains: Long term, the petroleum supply is finite, and supplements

will be needed. Before limitations of the resource base are felt, political disruptions will create costly and dangerous temporary shortages—perhaps several.

A synthetic fuels industry is an insurance policy that will help minimize that risk. But a crash government subsidy program is not the answer. It would cost too much and discourage conventional energy development. Still, the government has a definite role to play. It can support development of technology to the point that commercial production appears possible. Government participation in this way is justified, as with the Strategic Petroleum Reserve, as a matter of national defense. By helping develop synfuels technology, the government helps reduce U.S. dependence on foreign oil sources and, thus, decreases chances it will be called upon to defend those interests militarily.

Federal and state governments can help in another important way: by removing permitting and other unnecessary regulatory burdens, which carry an economic risk as serious as fluctuating prices.

Once technology reaches the commercial stage, however, the job of financing and building synfuels plants belongs to private industry, which should not be discouraged by the recent dip in crude prices.

The finite nature of the petroleum resource promises a general oil price increase over the long term. And synfuels provide immediate benefits that will compensate for price disadvantages possible in the near term. Dependability of supply should give synfuels a premium value. And steady production of crude substitutes would enable refiners to trim the expensive inventories of crude they have been carrying as a buffer against supply interruptions. That potential savings is an extra incentive for synfuels investment.

Ultimately, synthetic fuels will justify themselves by putting a cap on the price of oil and gas. It will not required a massive industry producing several million barrels a day of liquid fuels to achieve this.

Once synfuels have become a real alternative to imported oil and gas, just as coal and nuclear power are in some uses today, runaway prices will no longer be a threat.

A paper industry, which is essentially what synfules is today, is not a live alternative to conventional oil and gas. It offers no short-term contribution to supply and therefore has no influence on prices.

But commercial synfuels production, even on a small scale, will grab the attention of oil exporters and their customers. Just the start of such projects should have a healthy effect. It is this kind of action that will assure stable energy supply and prices, and industry and governments should cooperate to bring it about as soon as possible.●

CUTTING THROUGH THE FOG ON FINANCING SOCIAL SECURITY

HON. JOHN F. SEIBERLING

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. SEIBERLING. Mr. Speaker, last Friday's Wall Street Journal contained an outstanding article by Water W. Heller. In place of the scare tactics employed recently by spokesmen for the administration, Mr. Heller provides a calm appraisal of the facts and various options available for solving both the short-term and the long-term problems of financing social security.

Mr. Heller points out that while the total benefits to be paid out by the social security system next year are expected to exceed total receipts next year, the system has sufficient reserves in the disability insurance and medical benefits funds to make up any deficiency in the OASI fund. So the immediate problem can be resolved either by reallocating payroll tax revenues among the three funds or to provide for interfund borrowing.

Mr. Heller also recommends two other pressure-relieving steps: One is to index benefits by the lesser of wage increases and price increases or finance the cost of indexing that exceeds wage increases by paying the excess out of general revenues. The second is to use general revenues to pay part or all of medicare benefits. This latter change was proposed by both President Ford's and President Carter's Advisory Councils on Social Security and would be accomplished by a bill, H.R. 1605, which I introduced in the last Congress and reintroduced in this Congress with a number of cosponsors.

Mr. Heller notes that these changes would also improve the system's ability to meet its longrun problems but that further structural changes are necessary to preserve the soundness of the system when the wave of retirements of the postwar baby boomers begins around the year 2010. However, he points out that the 23-percent reduction in social security benefits proposed by the White House in May far exceeds the amount needed to avoid trust fund deficits in the long run.

In addition to the two changes already mentioned, Mr. Heller suggests:

First, a very gradual reduction in benefits for those who take early retirement. Presumably, this would not affect anyone who is already approaching the age where he or she would be considering early retirement.

Second, a gradual raising of the full-benefit retirement age from 65 to 68 years.

Third, making part of the benefits taxable for those retirees in high income brackets.

Without necessarily agreeing with all of Mr. Heller's recommendations, I believe that his article is a major contribution to the debate over the future of social security financing and one which all Members interested in this subject will wish to read. Accordingly, I offer it for inclusion in the RECORD immediately following these remarks:

THE SOCIAL SECURITY MUDDLE

(By Walter W. Heller)

With his usual flair for understatement, OMB Director Stockman recently warned Congress that unless it acts quickly, "The stark, ominous, and unavoidable fact . . . is that the most devastating bankruptcy in history will occur." That is not only overkill. It is not only insensitive to the fears of tens of millions of Social Security beneficiaries. It is nonsense.

Yes, the Social Security system has problems. Yes, revenues of the system are "out of sync" with benefit payments because of high unemployment and inflation. Yes, if nothing is done, the system will be in crisis 30 years from now when the baby boom generation retires. And yes, there are disparities and imbalances that need correcting.

But none of this calls for calamity-howling or rash action to slash benefits. Let's see where a calm appraisal, anchored in fact rather than fear, might lead us.

The first step is to sort out the facts and find a sensible way out of the short-term "crisis" under which the Social Security revenue stream will fall somewhat short of the benefit stream. The problem is especially acute in the Old Age and Survivors Insurance fund, for two reasons:

One, contrary to previous experience, wages have been rising less rapidly than inflation so that the wage base on which payroll taxes are levied has been rising less rapidly than the inflation-adjusted base on which benefits are distributed.

Two, the problem is compounded by high unemployment, which further shrinks the base and induces earlier retirement.

The total sums involved in the system's three funds—OASI, disability insurance and hospital insurance, or Medicare—are enormous. Roughly $145 billion is being paid in 1981 in OASI and disability benefits, plus $30 billion in Medicare. Trust fund receipts will roughly match the $175 billion total.

By next year, under reasonably optimistic assumptions, total benefits will run about $200 billion, while total receipts will fall somewhat short. Overall, then, the system will have to draw down its reserves. A further draw-down will occur in 1983 and 1984. In other words, the government has a Micawber-like problem. It also has a lot of options that weren't open to Micawber.

For example, there is nothing sacred about the way payroll tax revenues are divided up among OASI, disability, and hospital trust funds. That division was based on actuarial projections (not forecasts) of the costs of each program. In light of actual developments, it turns out that OASI has been shortchanged while disability insurance and hospital insurance have comfortable balances.

HOLDING THE FORT

So the top priority is either to reallocate payroll tax revenues among the three funds or to provide for interfund borrowing. This would tide the hard-pressed old age and survivor's benefits over the immediate future. And if the roseate Reagan economic scenario materializes, it would hold the fort until the scheduled 1985 tax increases start boosting reserves.

But when it comes to whipping Congress into line on the Reagan Social Security changes, HEW's Secretary Schweiker shows little confidence in that scenario. He paints a bleak, even black, picture using much more pessimistic economic projections. He defends that as "worst-case prudence." But his Senate inquisitors—including Senators Baucus, Bradley, Heinz and Moynihan—suggest (with considerable justification) that the administration is "keeping two sets of books," and that it is using the worst-case

scenario and shortrun problem to get Congress to cut overall spending and the deficit.

At this point, the debater's ships really passed in the night. Schweiker's angry and self-righteous retort: "That is completely false. . . . Not any of the trust funds will go to any other purpose" than Social Security. He was using the finest kind of debater's point: stating a resounding truth that answers a charge no one has made. Nobody is suggesting that the administration is about to deprive Social Security beneficiaries of a single penny of payroll tax receipts. But under unified budgeting, any year's excess of payroll tax revenues over benefits serves to shrink the overall federal deficit.

Given interfund borrowing (together with cuts in the minimum and student benefits that are already in the reconciliation process) beneficiaries are not about to find the Treasury cupboard bare.

But merely keeping the wolf from the door is clearly not enough. Further steps have to be taken to cover short-run contingencies and provide longer-run insulation against the cold winds of economic fluctuations. In addition to the vital initial step of authorizing the three trust funds to borrow from each other, two other pressure-relieving steps are highly desirable:

One is to adopt some version of the proposal, widely supported by conservatives and liberals alike, to stop boosting benefits faster than wage increases. this can be done by indexing benefits by the lesser of wage increases and price increases.

If the administration regards the present cost-of-living adjustment as sacrosanct, it should consider this logical alternative: Pay the cost of the excessive indexing out of general revenues. Why should the insurance system—that is, existing wage earners—foot the bill for this extra benefit or subsidy?

The second change, proposed by both President Ford's and President Carter's Advisory Councils on Social Security, would be to use general revenues to pay part or all of Medicare hospital benefits. Since the need for health insurance is unrelated to work experience, this change makes good sense.

Providing these buffers against the short-run buffetings of the Social Security system would also improve the system's ability to meet its long-run problems. Still, further structural changes are necessary to preserve the soundness of the system in the longer run. Demographic changes in the form of mortality improvement, continuance of low fertility rates, and, most dramatically, the wave of retirements of the post-war baby boomers around 2010 could put the Social Security system into a real bind. One way of visualizing the problem is this: Currently, the ratio of workers paying into the system and those drawing benefits is about 3 to 1. By 2025, this ratio will shrink to 2 to 1.

REBUKING THE PRESIDENT

So the second assignment that Congress faces is to phase in some basic structural changes that will maintain the soundness of the system well into the 21st Century. This rules out the crash program that Mr. Reagan has called for Congress (including the Senate, in a unanimous vote) has already rebuked the President for the initial version of his proposals, the most callous of which would have summarily slashed the promised benefits of those about to retire at the age of 62.

The 23% reduction in Social Security benefits proposed by the White House in its budget amendments and May 12 announcement far exceeds the amount needed to avoid deficits in the long run under existing law. In other words, the Reagan proposals go far beyond merely guaranteeing the integrity of the system. In effect they would curtail benefits of early retirees and other recipients to provide more elbow-room for tax cuts.

The menu of changes from which Congress could choose need not include any payroll tax increases other than those already scheduled. It should focus on weeding out low-priority benefits and making some of the structural adjustments that various advisory committes and commissions have long recommended. Two have already been mentioned: elimination of over-indexing and the use of general revenues to pay a goodly share of Medicare, both of whch would help in both the short and the long runs. Others are:

A very gradual reduction of benefits for those who take early retirement.

A gradual raising of the full-benefit retirement age from 65 to 68 years.

Making part of the benefits taxable as in the case of private pension payments. This would have very little impact on low-income beneficiaries. One would hope that the White House would not categorically reject this move because its impact would be mainly on high-income beneficiaries.

Considering extending Social Security coverage to all workers.

It would serve everyone's interests if the debate were stripped of its overheated, cry-wolf, rhetoric; it the administration would stop trying to stampede Congress into making precipitate changes that would squeeze an already hard-pressed segement of our population in the name of avoiding a bankruptcy that is not going to occur, and if Congress would promptly undertake a tiding-over operation that will enable the Social Security system, especially OASI, to meet its full obligations in the short run and them turn to the desirable reforms in the system for the long run.●

R. & D. TAX CREDITS: A PROBLEM FOR THE ENGINEERING JOB MARKET

HON. MARILYN LLOYD BOUQUARD

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mrs. BOUQUARD. Mr. Speaker, I would like to call your attention to the current job market situation for engineers, a situation which might be seriously affected by the implementation of a tax incentive for research and development. It is my belief that if we take time to seriously consider the effects of the proposed tax legislation, we can avoid prolonging and exacerbating an already threatening problem. In order to make the seriousness of this problem clear, I will summarize for you what I have learned in contacting various associations of engineers and engineering educators.

Rapidly increasing demand for engineers has caused severe "compression" in salaries. The spread in salary between experienced engineers and engineers fresh out of college is virtually nonexistent. According to the National Society of Professional Engineers' most recent survey, the median income of engineers with 30 or more years experience is actually less than the income of engineers with under a year of experience. This imbalance is grossly inequitable and has detrimental implications. Second, there are more than 2,000 vacant positions on the faculties of the Nation's engineering schools, and there is a severe shortage of engineering Ph. D.'s to fill these slots. Though the country should be producing nearly 4,000 engineering doctorates per year in order to satisfy the needs of both industry and academia, only 2,800 doctorates are awarded each year. Of these, 1,000 are foreign students, often under some obligation to return to their own countries after graduation.

There are two important causes of this problematic situation. One is that because of high demand for engineering graduates, companies have bid up the price of starting salaries. The second cause is that stipends for graduate engineering students have not kept pace with inflation, often remaining as low as $5,000 per year. The increment in salary one gains by remaining in school for a doctorate is inadequate compensation for the cost of remaining in school. It is extremely hard for a young engineer—especially for one who has already borrowed money for college—to forego 4 to 6 years of those extremely generous salaries the companies are offering. If he makes that choice, his peers are gaining valuable years of experience and salary increases while he still remains in school.

Five years after receiving a B.S., an engineer earns an average of $23,800. If he has also received an M.S., he will earn $25,300. If he has finished his Ph. D. already and is in the job market, he will earn $29,100. After another 4 to 6 years, they will earn an average, respectively, of $27,750, $29,750, and $32,400. (This information derives from a report entitled "Professional Income of Engineers—1980" compiled by the Engineering Manpower Commission of the American Association of Engineering Societies, November 1980.) A rough calculation shows that it takes nearly 19 years for a Ph. D. in engineering to recover the added cost (in foregone income) of his education in increased salary. If he receives a $10,000 annual stipend as a graduate student, he can recover the cost in 9 years. But most universities cannot afford to award their engineering graduate students nearly that much of a stipend.

In addition, if the current situation persists, there will be few Americans qualified to teach engineering. We will pay dearly for the extra engineers being hired now at the bachelors degree level with a severe shortage of engineers in the future. If we defer to market forces, perhaps the situation

will correct itself. But if we intercede carelessly, we stand to exacerbate the already threatening situation and it will become critical.

Both the Senate and the House will soon be considering tax legislation which will have a severe impact on research and development. Both tax packages will include vigorous incentives for increasing private sector spending on research and development, and will encourage a higher level of cooperation between universities and industry. During recent years, industry has provided less than 5 percent of the funds for the Nation's colleges of engineering. If this were to increase dramatically enough to outweigh the decreases in Federal funding, perhaps stipends for graduate students could be increased and one problem would abate. Substantial increases in the level of industry funded research at universities could enhance the attractiveness of a university career in engineering. However, increasing the demand for engineers in the private sector by allowing tax writeoffs for wages of R. & D. workers may ruin the universities' already weakened ability to compete for both B.S. students for graduate school and for Ph. D.'s to become faculty.

It is very difficult to project which of these effects will dominate, but the effects of a specific portion of the legislation are more predictable. Both the House Ways and Means and Senate Finance Committees' tax packages include a tax credit equal to 25 percent of the increment in wage expenditure for research and development (and the credit in the Ways and Means version is extended to cover other expenditures too). Coming at a time when the demand for engineers already far exceeds the supply, such a proposal, if enacted, would promote the private sector to bid up the salaries even higher. Even fewer people will continue on for graduate degrees, and of those, far fewer will be willing to remain in academia. In the not too distant future, the universities will be utterly incapable of training an adequate number of engineers. Industry will suffer, and so will the rest of us.

I know that my colleagues, if they reflect on this matter, will act judiciously. We must act carefully, and determine whether a well-thought out amendment to the tax package being offered us may be appropriate.●

THE MORNING AFTER

HON. JAMES M. COLLINS

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, July 28, 1981

● Mr. COLLINS of Texas. Mr. Speaker, ith the new administration, Congress has an opportunity to improve foreign trade. This is especially true in regard to the legislation which has the unfortunate name of Foreign Corrupt Practices Act. This act needs to be studied and reworked so that we can establish strong and effective export relationships.

This subject was clearly analyzed on the editorial pages of the Dallas Morning News.

In Congress, we all know JIM WRIGHT, who is majority leader on the floor. Down in Texas we also point with pride to JIM WRIGHT, who is the editorial director of the highly respected editorial page of the Dallas Morning News. Here are their comments on the Foreign Corrupt Practices Act.

THE MORNING AFTER

Watergate and the fall of Nixon were barely behind us when the news got out: Various American corporations had been paying bribes to foreign governments. Angrily, not to say righteously, Congress reacted by passing the Foreign Corrupt Practices Act—which U.S. Trade Representative William Brock now says needs "major surgery."

No wonder. "Apparently," wrote Brock, on this newspaper's Viewpoints page, "the United States is the only country in the world to impose a comprehensive extra-territorial anti-bribery law upon all of its foreign business practices, public and private."

The law is hard to understand, Brock contends. It raises questions even about Christmas presents and local charities. It makes business uselessly spend a lot of money on record-keeping. Yet lawyers, accountants and government officials disagree on the responsibilities mandated by the law's accounting provisous.

Brock, seeing the act as a major obstacle to U.S trade, would have Congress limit the accounting requirements and "eliminate the current liability of American citizens for unknown and unauthorized actions by agents in foreign markets." And surely he is right.

The Foreign Corrupt Practices Act is preeminently a creature of post-Watergate moral fervor, when suspicions of businessmen, military officers, conservative Republicans and U.S. intelligence agents (but not bureaucrats, war protesters, liberal Democrats and network newsmen) were at flood tide.

The reaction by Congress to perceived, or merely reported, abuses was savage—expressed in legislation like the FCPA. Only in the cold light of day has it become possible to understand how badly we overreacted. A good thing this period of distrust and hyper-righteousness didn't last longer, or we would be in far deeper trouble than we are in right now.●